Talawakelle
Tea Estates®

# THE NEXT ASCENT


**Talawakelle Tea Estates PLC**
Integrated Annual Report 2025/26

# Accessible to All

## Inclusive Reporting for Every Stakeholder

**Making our reporting clearer, easier and more inclusive**

Designed for print-first readers | Supported by digital access.

T
T
E

Low Vision Friendly | Braille Support | Audio Access | Trilingual Access | Digital Access | Large Print/ Easy Read

At TTE, accessibility is part of responsible reporting. While digital tools improve reach, we recognise that many stakeholders continue to depend on the printed annual report. This page brings together the practical accessibility features introduced to make our report easier to read, navigate and understand.

## What We Made Easier

### Braille Summary
A concise Braille summary of key annual report messages for visually impaired stakeholders

### Large-Print Key Highlights
Important financial, ESG and strategic highlights presented in larger, clearer text for easy reading.

### Plain-Language Summary
Key messages written in simple, reader-friendly language to support wider understanding.

### Trilingual Access
Key financial and non-financial highlights made available in Sinhala, Tamil and English.

### Audio Access via QR
QR codes link readers to audio versions of selected key messages, including leadership statements.

### Assisted Digital Access
Digital version, interactive PDF and AI-powered bot support stakeholders who prefer guided access.

*A print-first accessibility page, created for readers who may not easily access or navigate full digital reporting tools.*

## Who This Helps

### Visually Impaired Readers
Through Braille, audio and clearer navigation.

### Elderly Shareholders
Through Braille, audio and clearer navigation.

### Estate Communities
Through trilingual and plain-language communication.

### Print-dependent Stakeholders
Through a dedicated accessibility page inside the printed report.

## Our Practical Commitment

**Our practical commitment for this year is simple: make the printed Annual Report more usable at first glance. By combining Braille, large-print highlights, plain-language summaries, trilingual access and QR-linked audio, TTE is improving access without overcomplicating the report.**

S C A N
M E

*Inclusion begins when information can be reached, read and understood by everyone.*

# THE NEXT ASCENT

The most meaningful transformations rarely begin in decline. They begin at the height of achievement, when there is strength to evolve, wisdom to see beyond the horizon and courage to begin again. At Talawakelle Tea Estates PLC (TTE), this belief defines The Next Ascent.

Our legacy has been shaped over generations by resilience, craftsmanship, and a deep connection to the land. Yet in a world of shifting climates, changing markets, and rising expectations, preserving excellence alone is not enough. True leadership lies in moving forward before change becomes urgent, in shaping what comes next while standing firmly on the strength of what has already been built.

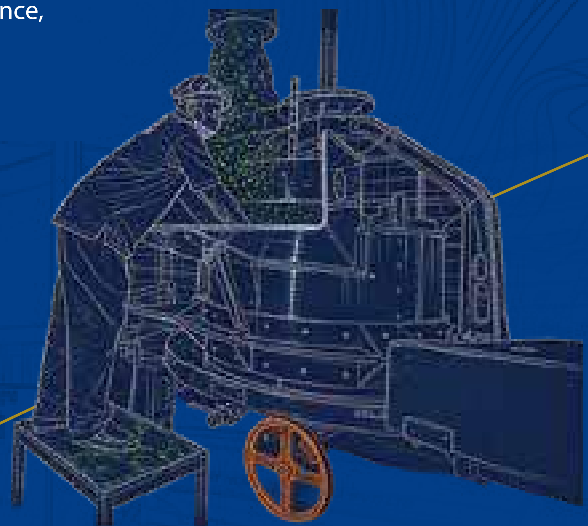
This is the essence of the second curve at TTE. It is not a departure from who we are, but the natural next rise in our journey, where heritage meets reinvention and stewardship gives way to new momentum. Across our business, this is already taking shape through precision agriculture, water stewardship, renewable energy, circular-economy thinking, eco-friendly processes, reforestation, innovation, direct exports and value-added teas; all strengthening a model designed for resilience, relevance and long-term value creation.

Our second curve is also human at its core. Through continued investment in workforce engagement, skills development, healthcare access and social infrastructure, we are building communities that are stronger, more capable and better prepared for tomorrow because progress is only meaningful when it is shared.

At TTE, our first ascent built our legacy. The Next Ascent, our second curve, is how we are shaping the future.

## The Next Ascent reflects the philosophy of growth that begins not in response to decline, but at the height of strength and stability.

Rooted in the theory of the second curve, it represents the foresight to evolve before momentum slows, recognising that long-term success depends on knowing when to begin anew. Rather than remaining on a path that may eventually plateau, The Next Ascent is about building fresh opportunities while standing on a strong foundation; embracing innovation, renewal, and transformation early enough to create sustained progress. It is the belief that true leadership lies in anticipating change, adapting with purpose, and continuously rising towards greater resilience, relevance, and future growth.



### REFINING THE RISE

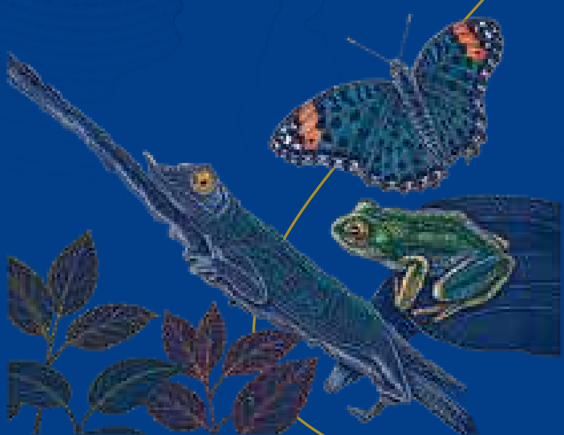
The Next Ascent is built on smarter systems and sharper execution. Through integrated operations, innovation, and efficiency, we are refining every process to create resilience and long-term productivity.


### READING THE NEXT CURVE

As we move into our Next Ascent, growth begins with deeper understanding. By strengthening market insight, responsiveness, and quality, we continue creating greater value for customers in an evolving global landscape.

## THE POWER BEHIND THE ASCENT

Sustainable transformation begins with people. By investing in wellbeing, knowledge, and leadership, we are cultivating a workforce prepared to adapt, lead, and thrive in the next phase of our journey.



## WHERE GROWTH MEETS RENEWAL

The Next Ascent is not only about business growth, but responsible growth. Through climate-positive thinking, sustainable cultivation, and environmental stewardship, we are ensuring progress remains deeply rooted in preservation.

## EXTENDING THE ARCS OF PROGRESS

True evolution comes from recognising opportunities beyond the familiar. By strengthening value streams, exploring innovation, and broadening our reach, we are shaping a future defined by versatility and renewed momentum.

## Chairman's Message

Despite a challenging operating environment marked by global trade disruptions, pricing pressures, and heightened geopolitical uncertainty, the Company delivered a resilient financial performance for the year under review.

Page 24

Scan for Audio Version

## Managing Director's Review

Our team is at the heart of every success, we strive to create a work environment where all 4,849 TTEL employees across our estates, factories, and administrative functions feel equally valued, empowered, and inspired to give their very best.

Page 28

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## Overview
Page 6-49



## Core Value Enablers
Page 50-117



## Management Discussion and Analysis
Page 118-215

## SLFRS Sustainability-Related Financial Disclosures



View AI Powered Digital Version

View Flipbook PDF Version

Trilingual Financial & Non-Financial Summary


## Risk and Governance
Page 216-271



## Statement of ESG Performance
Page 272-281



## Financial Reports
Page 282-346



## Appendices
Page 347-380

# Vision, Mission & Purpose

**We are a leading plantation company, delivering high-quality tea and sustainable value by leveraging premium natural resources and strong environmental stewardship. Our operations are supported by a dedicated workforce of over 4,500 employees, enabling us to serve global markets while strengthening our position as a responsible industry leader.**

## VISION

To be the most admired Plantation Company in Sri Lanka.

## MISSION

Manage the plantations to enhance Quality of life of all employees. Produce and market quality teas that delight our customers. Drive sustainable growth. Enhance shareholder value.

## Our Purpose

**Brewing a Better Future**

### COMMUNITY ENGAGEMENT AND LOCAL DEVELOPMENT

We create impactful value by empowering our employees, suppliers, and communities through initiatives that uplift their quality of life.

### ENVIRONMENT, STEWARDSHIP & CLIMATE ACTION

We prioritize responsible resource management, waste reduction, and conservation to safeguard our natural ecosystems.

### POSITIVE CHANGE THROUGH GROWTH AND INNOVATION

We blend modernity with traditional production through strategic resource allocation to stay ahead of evolving market dynamics.

### BEYOND PROFIT: CONSCIOUS AND RESPONSIBLE FUTURE

We integrate ethical and sustainable practices into our strategy to ensure meaningful long-term impact beyond financial gains.

Talawakelle Tea Estates®

## BUSINESS PHILOSOPHY

- Manufacturing Quality Tea that fetch Premium Prices
- Increasing Shareholder Value
- The Spirit of Entrepreneurship
- Making Profit without loss of Honour
- Motivating and Training our people to reach their full potential
- Being a Learning Organisation and continuously improving
- Building mutually beneficial long term relationships with our Customers and Suppliers
- Positively contributing to the conservation of the environment

# About the Report

GRI 2-2,3

## 01 About this Report

### Report Profile

**This Integrated Annual Report provides a comprehensive and balanced overview of the Company's financial and non-financial performance, encompassing its strategic priorities, governance practices, risk management approach, operational achievements, sustainability performance, and stakeholder value creation efforts during the financial year under review.**

Developed under the theme, "The Next Ascent", the FY 2025/26 Integrated Annual Report reflects TTEL's continued evolution under its ReGen Agenda 2030 strategic framework. The report also highlights the first steps taken during the year to strengthen the foundations established under the ReGen Agenda 2030 to support the Company's Second Curve of growth and in doing so, align more firmly with TTEL mission to "Manage the plantations to enhance Quality of life of all employees. Produce and market quality teas that delight our customers. Drive sustainable growth. Enhance shareholder value".

## Welcome to the 12th Integrated Annual Report of Talawakelle Tea Estates PLC (TTE)

All past reports, including the most recent for FY 2025/26, are available for viewing and download at https://www.talawakelleteas.com/


# About the Report

## 02 Our Reporting Suite

This Integrated Annual Report is a single, self-contained report prepared on a double-materiality basis. In one volume it brings together the disclosures that affect our ability to create and preserve enterprise value (financial materiality) and the disclosures that reflect our impact on people, communities and the environment (impact materiality). Financial materiality governs our financial statements and our SLFRS S1 and S2 sustainability-related financial disclosures; impact materiality governs our GRI-based ESG Statement and our sustainability targets and goals. The two lenses are integrated throughout the Integrated Report, enabling financial and non-financial information to be considered together rather than in isolation, thereby providing a more holistic view of the Company's value creation, performance, and long-term sustainability.

### What this Report Contains — Two Lenses, One Report

**Financial Materiality — Value to TTEL**

- Management Discussion & Analysis
- Six Capitals performance review
- SLFRS S1 & S2 Sustainability-related Financial Disclosures (Notes 1–13)
- Risk & Opportunity Management Report
- Consolidated & Separate Financial Statements
- Independent Assurance on IR report

**Impact Materiality — Our Impact on People & Planet**

- Statement of ESG Performance
- Consolidated ESG Statement (GRI-based) + Notes
- ESG targets, goals & KPI performance
- Stakeholder engagement & community outcomes
- GRI 13 (Agriculture) & SASB indicators
- Independent Assurance on ESG / GRI indicators

*Read together, the two lenses give a complete account: how sustainability affects our financial prospects, and how our operations effect the wider world.*

### Companion Reports & Shareholder Documents

The following standalone documents accompany this report and provide deeper, topic-specific detail:

| ESG Report 2025/26 | GHG Inventory Report 2025/26 | Trilingual Summary |
|---|---|---|
| Detailed GRI / SASB impact disclosures and the full sustainability narrative. | Scope 1, 2 & 3 inventory prepared under the GHG Protocol and ISO 14064-1. | Financial & non-financial summary in Sinhala, Tamil and English. |

## 03 What's New this Year

This year marks our third year of voluntary reporting aligned with SLFRS S1 and S2, reflecting TTE's continued commitment to transparent and decision-useful sustainability-related financial disclosures. We have organised this year's enhancements into four key themes.

| Transparency | Accountability | Climate & Content | User Experience |
|---|---|---|---|
| • Six-year KPI view (2 past + current + Future + targets)<br>• Budget-vs-actual variance on key targets<br>• Explicit financial & non-financial cross-referencing via the 13-Note matrix | • Full SRRO/CRRO register beyond climate<br>• Quantified current & projected financial effects of SRRO/CRROs limited assurance | • Carbon-Neutral, paper-light report<br>• Scope 3 value-chain coverage expanded<br>• TNFD-aligned nature & biodiversity exposure | • AI-powered report bot<br>• Interactive ESG & financial dashboard<br>• Trilingual summary + audio/video editions |

## 04 Who this Report is for

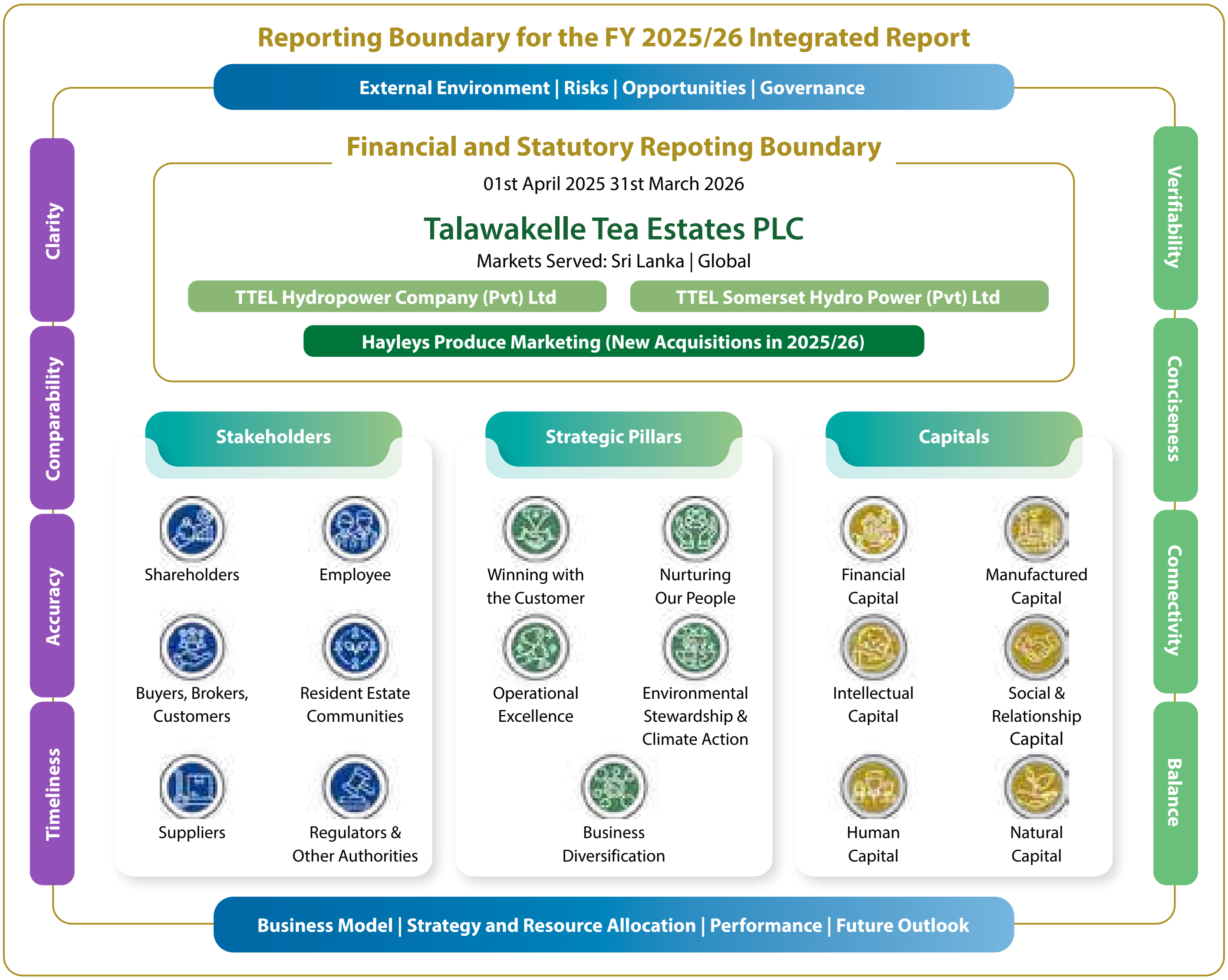
A report earns its value through engagement. We set out what each stakeholder group gains from reading it.

| Stakeholder | What this report offers them |
|---|---|
| **Shareholders & funders** | A connected view of long-term value, risk and capital allocation for informed investment decisions. |
| **Employees & estate communities** | Insight into our values, strategy and the social investment that underpins plantation life. |
| **Buyers, brokers & customers** | Evidence of certified, ethical and climate-conscious tea, reinforcing brand trust. |
| **Suppliers & business partners** | Our long-term vision for shared value, enabling alignment and collaboration. |
| **Regulators & authorities** | Demonstrated compliance, governance and responsible conduct. |

## 05 Boundary And Scope GRI 2-2

Reporting period: 1 April 2025 to 31 March 2026, consistent with the financial statements prepared under Sri Lanka Accounting Standards (SLFRSs/LKASs). There is no lag between the financial and sustainability reporting cycles.

We apply three deliberately distinct boundaries so readers always know what a given number covers:




### Reporting boundary — what the Integrated Report covers

- Operating context, risks, opportunities and outcomes
- Business model and our use of, and impact on, the six capitals
- Strategy, resource allocation and the trade-offs we make
- Integrated stakeholder engagement

# About the Report

## 06 Reporting Frameworks & Standards

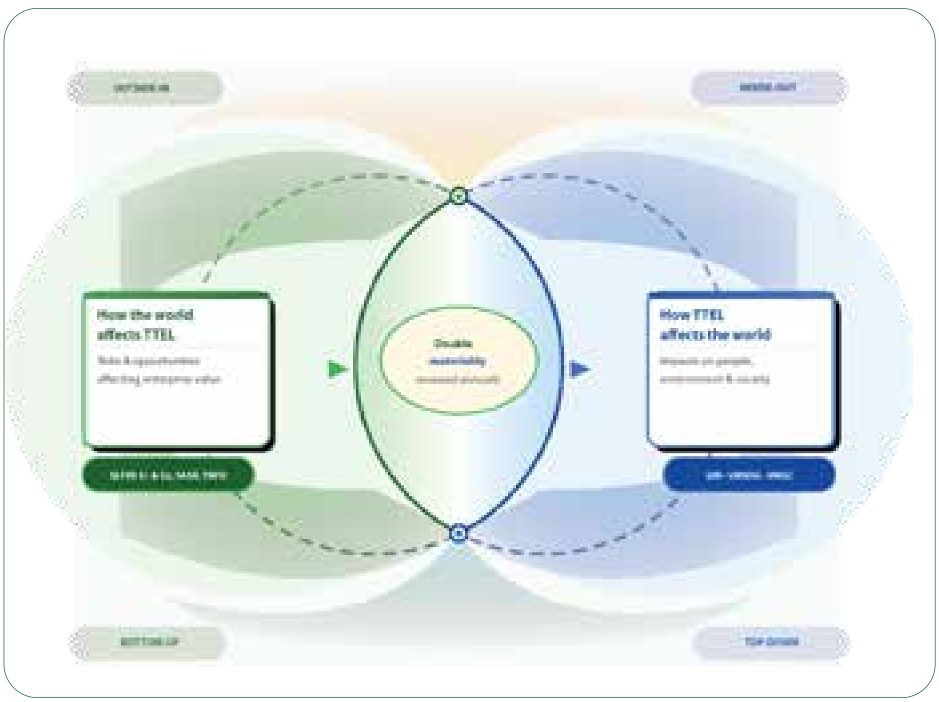
The report is prepared in accordance with the frameworks below. Mandatory requirements are marked (M); frameworks we adopt voluntarily are marked (V).

| Domain | Mandatory (M) | Voluntary (V) |
|---|---|---|
| **Financial** | Sri Lanka Accounting Standards (SLFRSs/LKASs)<br>Companies Act No. 07 of 2007<br>CSE Listing Rules | — |
| **Integrated** | — | International <IR> Framework (2021)<br>CA Sri Lanka — Preparer’s Guide & 2025 Guidelines for Presentation of Annual Reports |
| **Sustainability & Climate** | SLFRS S1 — General Requirements<br>SLFRS S2 — Climate-related Disclosures<br>CA Sri Lanka Preparer’s Guide to S1 & S2 | GRI Standards & GRI 13 (Agriculture)<br>SASB Agricultural Products<br>UN SDGs · UNGC 10 Principles<br>TNFD v2.0 (LEAP)<br>CSE Communicating Sustainability v03 |
| **GHG & Nature** | — | GHG Protocol Corporate, Scope 2 & Scope 3 Standards<br>ISO 14064-1:2018<br>FLAG / Land-Sector guidance · SBTi |
| **Governance & Risk** | CSE Listing Rules on Corporate Governance<br>SEC of Sri Lanka Act No. 36 of 1987 (as amended) | Code of Best Practice on Corporate Governance (2023), CA Sri Lanka<br>ISO 31000:2018 |

## 07 Materiality

We apply a double-materiality lens. Financial materiality captures matters that affect our ability to create or preserve value earnings, cash flow, access to finance and cost of capital. Impact materiality captures our effects on people, communities and the environment that may, in turn, become financial or reputational. A formal, documented assessment aligned with SLFRS S1 and S2 identifies the sustainability-related risks and opportunities most relevant to investors and other primary users.

Dynamic materiality: we re-assess material matters each year through a well-established review because macroeconomics, regulation and industry trends continually reshape them. A qualitative overlay can elevate a matter regardless of size where it involves regulatory scrutiny, governance or control deficiencies, reputational sensitivity or strategic significance.



### Our Material Themes

| Environment & Climate | Socio-Economic Prosperity | Governance & Ethics |
|---|---|---|
| Climate transition, physical risk, biodiversity, water and net-zero pathway. | Livelihoods, living wage, community investment, productivity and inclusion. | Integrity, compliance, board oversight and ethical conduct. |

### How a Matter Becomes Material

| Identify | Prioritise | Apply & validate | Assess |
|---|---|---|---|
| Matters that could create, preserve or erode value for TTEL and stakeholders. | Rank by relevance and magnitude of financial and impact effect. | Validate with the Board/ESEG Committee; map to strategy, capitals and targets. | Monitor continually so strategy and disclosure stay relevant. |

### Time Horizons

| Purpose | Horizons | Basis |
|---|---|---|
| Financial, planning & sustainability | Short: < 12 months / FY2026<br>Medium: 1–3 years<br>Long: beyond 3 years | Aligned to the financial-planning cycle. |
| Climate-related assessment | Short: to 2030<br>Medium: to 2050<br>Long: beyond 2050 | Aligned to Sri Lanka Paris-Agreement commitments. |

## 08 Our Integrated Reporting Process

This report is the outcome of integrated thinking and a governed reporting process led by management under a cross-functional team, assured through our combined-assurance model, and approved by the Board.

1. **Purpose**
   Vision, values and integrated thinking.
   Owner: Board & management team
2. **Determine Material Matters**
   Risks, impacts and opportunities through a double-materiality lens.
   Owner: Board & ESEG Committee
3. **Develop Strategy**
   Short/medium/long-term outlook with financial & non-financial targets.
   Owner: Board & management
4. **Compile & Assure**
   Cross-functional team; combined assurance validates integrity.
   Owner: Board & ESEG Committee
5. **Approve**
   Exco sign-off, then Board approval for publication.
   Owner: Board

## 09 Assurance GRI 2-5

We apply a combined-assurance model integrating management, internal audit and independent external assurance, overseen at Board level by the Audit Committee, which safeguards the integrity of information used for decision-making and external reporting.

### Assurance by Reporting Element

| Reporting element | Level & provider | Notes |
|---|---|---|
| Financial statements | Reasonable assurance — EY | Audited under Sri Lanka Auditing Standards; pages 286-289 |
| SLFRS S1 & S2 disclosures (Notes 1–13) | Limited assurance — EY | Under SLSAE 3000 (Revised). pages 80-81 |
| Integrated report / GRI & SASB indicators | Limited assurance — EY | Selected indicators per SLSAE 3000 (Revised). pages 214-215 |
| GHG inventory | Assurance — SL Climate Fund | In line with ISO 14064-1:2018. Report on page 277 |

### Committee Oversight of the Suite

| Report / disclosure | Oversight committee |
|---|---|
| Integrated Report & governance disclosures | Board / Audit Committee |
| Financial statements | Audit Committee (BAC) |
| SLFRS S1 & S2, ESG & GHG disclosures | ESEG (Sustainability) Audit Committee BAC |
| Remuneration Report | Remuneration Committee |
| Related-party transactions | Related Party Transactions Review Committee |

# About the Report

## 10 Reporting Principles

Our disclosures are guided by the reporting principles of the <IR> Framework, SLFRS S1 & S2, GRI and SASB.

| Principle | How we apply it |
|---|---|
| **Inclusivity** | Engagement spans customers, suppliers, estate communities and partners, deepened this year through grievance logs, feedback analytics and engagement outcomes. |
| **Materiality** | Issues of strategic importance identified through double-materiality assessment — climate transition, biodiversity and labour dynamics ranked highest for 2025/26 — each linked to strategy, targets and metrics. |
| **Responsiveness** | Shows how we responded to evolving expectations: SBTi re-verification, Scope 3 expansion and SLFRS S2 climate scenario analysis. |
| **Impact** | Conveys positive and negative effects across capitals, including FLAG land-sector impacts and enhanced biodiversity-investment tracking. |

Quality principles observed throughout: Accuracy · Balance · Clarity · Comparability · Completeness · Conciseness · Connectivity · Timeliness · Verifiability.

## 11 Restatements of information GRI 2-4

GHG emissions data for the comparative periods FY 2024/25 and FY 2023/24 have been restated to reflect: (i) the first-time inclusion of Hayleys Produce Marketing Limited within the operational control boundary; (ii) adoption of IPCC AR6 global warming potential values; (iii) application of the revised SLSEA national grid emission factor to Scope 2; and (iv) expanded quantification of Scope 3 categories previously reported on a screening basis only.

## 12 Compliance Statements

This report represents a complete set of sustainability-related financial disclosures for Talawakelle Tea Estates PLC and its subsidiaries (collectively, the "Group") for the year ended 31 March 2026. The Group's sustainability-related disclosures have been prepared in accordance with SLFRS Sustainability Disclosure Standards as issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka).

## 13 Outlook

Forward-looking insight on the challenges, opportunities and uncertainties we expect — and their implications for our business model — appears throughout the report, principally in:

| Where to find outlook | Section |
|---|---|
| Strategic direction & prospects | Chairman's Message · Managing Director's Review · CEO Strategic Review - Pages 24-32 |
| Operating-environment and macro-outlook | Operating Context · Risk & Opportunity Management - Pages 218-233 |
| Capital-by-capital prospects | Six Capitals reports · Future Snapshot - Pages 134-211 |
| Sustainability/Climate resilience & scenarios | SLFRS Notes 9 & 11 (climate scenario analysis) - Pages 100-101 & 104-109 |
| Risk and Opportunity outlook | Risk & Opportunity Management Report SFRS Disclosures - Note 12 Page 109 |

## 14 Forward-Looking Statements

This Integrated Annual Report contains, where appropriate, forward-looking statements that reflect the perspectives, expectations, strategic priorities, and intentions of the Board and management of Talawakelle Tea Estates PLC, as at the date of publication. These statements are inherently subject to a range of uncertainties, risks, and external factors arising from the evolving nature of the business and operating environment, which may cause actual outcomes, performance, or future developments to differ materially from those expressed or implied.

Accordingly, TTEL does not undertake any obligation to publicly update, revise, or amend any forward-looking statements contained in this Report to reflect subsequent events or circumstances following publication. Readers are therefore advised to exercise due care and judgement when interpreting such statements and to avoid placing undue reliance on forward-looking information.

The Board also confirms that there are no restatements relating to previously published annual reports of Talawakelle Tea Estates PLC.

## 15 Board Responsibility & Approval Statement GRI 2-14

The TTEL Board assumes full responsibility for the completeness, accuracy, and integrity of this Integrated Annual Report. It confirms that the Report has been collectively reviewed by the Board, supported by assurance obtained from both internal and external assurance providers.

Based on this comprehensive review process, the Board is satisfied that the Integrated Annual Report for the financial year 2025/26 appropriately reflects all material matters that influence TTEL's ability to create, preserve, and deliver sustainable value to its stakeholders over the short, medium, and long term.

The Annual Report of the Board of Directors , presented on page 263, includes a formal statement outlining the Directors' responsibilities in relation to the preparation and presentation of the Annual Report.

Approved by and signed on behalf of the Board on [02nd June, 2026].

Chairman

Managing Director

Director/ Chief Executive Officer

Director Finance

Chairman, Audit Committee

## 16 Navigation Key, Abbreviations & Feedback

### Capitals

FC Financial · MC Manufactured · IC Intellectual · SRC Social & Relationship · HC Human · NC Natural

### Strategic imperatives

Winning with the Customer · Operational Excellence · Nurturing Our People · Environmental Stewardship & Climate Action · Business Diversification

### Abbreviations

| Term | Meaning | Term | Meaning |
|---|---|---|---|
| TTE / TTEL | Talawakelle Tea Estates PLC | SRRO | Sustainability-related risk & opportunity |
| SLFRS | Sri Lanka Financial Reporting Standard | CRRO | Climate-related risk & opportunity |
| S1 / S2 | Sustainability / Climate disclosure standards | GHG | Greenhouse gas |
| RPC | Regional Plantation Company | ESEG | Economic, Environment, Social & Governance Comm. |
| <IR> | Integrated Reporting Framework | BAC | Board Audit Committee |
| EY | Ernst & Young | SBTi | Science Based Targets initiative |

### We Welcome your feedback GRI 2-3

The Director–Finance,
**Talawakelle Tea Estates PLC,**
No. 400, Deans Road,
Colombo 10, Sri Lanka.
Tel +94-11-2627759 / Email - tpl.tea@ttel.hayleys.com

*SCAN FOR YOUR FEEDBACK*

# OUR REPORTING SUITE

## Transforming Today. Sustaining Tomorrow.

We've entered a new era where sustainability, digitalization, and innovation are redefining the future of plantation excellence.


### Access. Engage. Explore

| AI Powered Bot | Digital Versions | Video Stories | Audio Versions | Interactive PDF |
|---|---|---|---|---|
| Smart, Instant, Intelligent | Fast. Accessible. Anywhere | Engaging, Impactful, Visual | Listen, Learn, On the Go | Explore, Click, Navigate |

### Our Digital Landscape

AI-powered digital version optimized for web and mobile viewing, ensuring easy access anytime, anywhere.

FLIP PDF Version

### This Year's Improvement

We are excited to announce the launch of our digital dashboard, offering comprehensive insights into ESG and financial performance indicators. This allows stakeholders with real-time data, interactive visualizations, transparency, and facilitates informed decision-making in sustainability and financial metrics.

### Other Reports


ESG Report 2025/26

GHG Report 2025/26

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Trilingual Financial & Non-Financial Summary

**Secure & Reliable**
Enterprise grade security for your data

**Anytime, Anywhere**
Access on any device at your convenience

**Data Driven**
Real-time insights for smarter decisions

**Sustainable Future**
Building value for people, planet & prosperity

# Year at a Glance

**Key milestones, innovations and sustainability highlights of the year**

## Recognition & Leadership

**LMD Most Awarded Company in Sri Lanka**
Recognized for excellence across business and sustainability.

**First Ever Gold Rated Green Building in Sri Lanka**
Pioneering sustainable design for a greener tomorrow.

**Payment for Ecosystem Project Launch**
Rewarding nature, securing water, biodiversity and communities.

**Introducing unique flavors Organic Tea & Matcha Tea**
Pure, natural and future-ready wellness in every cup.

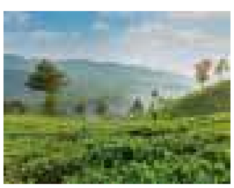
## Sustainability & Nature

**Bridging the Circular Economy Somerset Eco Material Reprocessing Centre Establishment**
Closing the loop by reprocessing waste for a cleaner tomorrow.

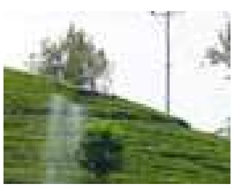
**Nurturing the People Invested beyond Rs. 120.8 Mn for Community**
Investing in people and creating lasting value in our communities.

**Securing the Aesthetic Value operating Sustainable Tourism at Great Western Glamping Site**
Nature experiences that inspire and uplift local livelihoods.

## Innovation & Operations



**Digital Transformation - AI**
Smarter insights. Better decisions. Greater impact.



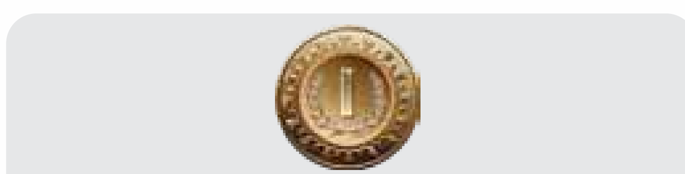
**Introducing Drone Technology**
Enhancing precision, safety and operational productivity.

**Hydro and Solar**
Harnessing clean energy for a sustainable future.

## Governance & Leadership Excellence

**Recognized globally and locally for strong governance, transparency and reporting excellence.**
Upholding the highest standards of governance, transparency and accountability.

**Climate & Net Zero Progress**
Measuring, reducing and regenerating for a net zero future.



**No. 01 Regional Plantation Company in Sri Lanka**
Built on heritage. Driven by performance. Leading with purpose brewing a better future.

# Awards & Recognitions


## Business Excellence Awards

- Company of the Year Award - The Business Leader of the Year
- CNCI Achievers Award - National Level - Bronze
- CNCI Achievers Award - Provincial Level - Silver
- 9th South Asian Business Excellence Awards 2025 - Best Manufacturing Company in the Food Agro Industry
- Capital Market Awards 2025 - Silver
- LMD's Most Awarded Ranking 2025– 1st place
- Best Management Practices Company Award 2026 - 40 Outstanding Companies in BMPC Awards

## Reporting, Governance & Transparency

- Asia's Best Integrated Report (Platinum) - AIRA
- Best Environmental Impact Reporting & Asia's Best SDG Reporting (Merit) - ASRA
- SAFA Best Presented Annual Report Awards, Integrated Reporting Awards & SAARC Anniversary Awards for Corporate Governance Disclosures Competition (Gold)
- CMA Excellence in Integrated Reporting Awards 2025 - Overall Winner - Institute of Certified Management Accountants of Sri Lanka - Overall Winner & Gold
- CMA Excellence in Integrated Reporting Awards 2025 - Ten Best Integrated Reports - Institute of Certified Management Accountants of Sri Lanka
- CMA Excellence in Integrated Reporting Awards 2025 - Best Integrated Report in the Plantations Sector
- CMA Excellence in Integrated Reporting Awards 2025 - Best Disclosure of Sustainability Reporting
- CMA Excellence in Integrated Reporting Awards 2025 - Best Concise Integrated Report
- ACCA Sri Lanka Sustainability Reporting Awards 2025 - Agriculture and plantation sector
- CA TAGS Awards 2025 - Above 5 Bn Turnover - Silver

## Quality & Productivity Awards

- North American Gold Medal Tea Competition 2025 - Overall Category - 2nd Place
- Ceylon Specialty Estate Tea of the Year competition 2025 - Kiruwanaganga Estate - Gold
- Ceylon Specialty Estate Tea of the Year competition 2025 - Radella Estate - Silver
- Ceylon Specialty Estate Tea of the Year competition 2025 - Great Western - Gold
- 10th Asia - Pacific Tea Competition 2025 FFEXSP – Kiruwanaganga – Gold
- 10th Asia - Pacific Tea Competition 2025 - Eagle Nest – Great Western - Silver
- 10th Asia - Pacific Tea Competition 2025 - Blooming Tea – Great Western – Special Gold
- 10th Asia - Pacific Tea Competition 2025 - Tea Torch – Great Western – Gold
- T.E.A Awards for Outstanding Tea Producer - Somerset Estate - Runners-Up
- T.E.A Awards for Outstanding Tea Producer - Great Western Estate - Merit
- T.E.A Awards for Outstanding Tea Producer - Desford Estate - Merit
- T.E.A Awards for Outstanding Tea Producer - Wattegoda Estate - Merit
- "Ralston Tissera" Memorial award - Great Western Estate
- Special Award for winning of world class award at Global Performance Excellence Award
- Highest GSA Ranking Number 1 overall - Forbes & Walker Tea Brokers Awards
- Highest GSA Ranking Number 1 High grown - Forbes & Walker Tea Brokers Awards
- Highest GSA Ranking Number 1 Low Grown - Forbes & Walker Tea Brokers Awards

- Asia Siyaka - Highest Producer of Artisan and Specialty Tea
- NCE Export Awards 2025 - Tea & Tea Products - Extra Large Category - Gold

## Sustainability Awards

- Commonwealth Business Excellence Awards 2025 - Business Sustainability Award
- Commonwealth Business Excellence Awards 2025 - Best CSR in Environmental impact Award
- Green Apple Environment Awards - Towards Net-Zero: Designing Sri Lanka's First Climate-Resilient Tea Factory
- Global sustainability Awards - SDG Pioneer Award - Merit
- Energy Transition Awards - World Sustainability Awards 2025
- Sustainability Excellence - World Sustainability Awards 2025 – Highly Commended
- Biodiversity Awards - World Sustainability Awards 2025 - Merit
- Social Impact Awards - World Sustainability Awards 2025 - Merit
- Presidential Awards 2025 – Mattakelle - Silver
- Presidential Awards 2025 – Wattegoda - Bronze
- National Cleaner Production Awards 2025 - Mattakelle Estate - Gold
- National Cleaner Production Awards 2025 - Kiruwanaganga Estate - Bronze
- National Cleaner Production Awards 2025 – Radella - Merit
- National Cleaner Production Awards 2025 - Somerset - Merit
- National Cleaner Production Awards 2025 – Wattegoda - Merit
- National Cleaner Production Awards 2025 - Holyrood Estate - Gold
- National Cleaner Production Awards 2025 - Bearwell Estate - Silver
- National Cleaner Production Awards 2025 - Deniyaya Estate - Merit
- Global chemical leasing Award - Merit
- Commonwealth Business Excellence Awards 2025 - Sustainable Tech Award in ICT & IT sector under the Organizational Category
- 9th South Asian Business Excellence Awards 2025 - Best Environmental Excellence Awards in Innovative Technology
- 9th South Asian Business Excellence Awards 2025 - Best Use of CSR Practice in Community Development
- Best Corporate Citizen Sustainability Award 2025 - Category B (Below 15 bn)
- Best Corporate Citizen Sustainability Award 2025 - Agriculture Sector – Sector Winner
- Best Corporate Citizen Sustainability Award 2025 - Top Ten Corporate Citizen
- Green Building Award – Gold
- Responsible Care Excellence Award 2025 - Gold - Holyrood
- Responsible Care Excellence Award 2025 - Gold - Mattakelle
- Responsible Care Excellence Award 2025 - Gold - Kiruwanaganga
- Responsible Care Excellence Award 2025 - Gold - Bearwell
- National Green Productivity Awards 2024 – Gold
- Best Management Practices Company Award 2026 - Cluster Award - UN Sustainability Goals Led Initiatives - Merit
- Best Management Practices Company Award 2026 - Cluster Award - Environmental Governance - Winner

## Human Resource Awards

- 15 Best Workplaces in the Manufacturing & Production Industry Sri Lanka 2025 – GPTW Sri Lanka
- Asia Best Employer Brand Award 2025 - Employer Branding Awards
- Commonwealth Business Excellence Awards 2025 - Best Workplace Culture Award in HR sector
- Commonwealth Business Excellence Awards 2025 - Women Leadership Excellence in Breaking the Bias Award
- DEI Champions Awards - Outstanding Commitment & Innovative Practices in Diversity, Equity & Inclusion - Jurry Award
- Sri Lanka's Best Workplace - GPTW Sri Lanka
- Asia's Best Workplace - GPTW Sri Lanka
- Best Public Limited Company - GPTW Sri Lanka
- Industry Excellence for Workplace culture in Agriculture and Plantations - GPTW Sri Lanka
- Great HR Awards 2025 - Agriculture & Plantation Sector - CIPM
- Great HR Awards 2025 - Best Women-Friendly Workplace Award 2025 -CIPM
- Best Workplace to Women – 2025 - GPTW Sri Lanka
- Best Workplaces for Parents – 2025 - GPTW Sri Lanka
- Best Management Practices Company Award 2026 - Cluster Award - Diversity, Equity & Inclusion -2nd Runner Up


Bearwell
Estate

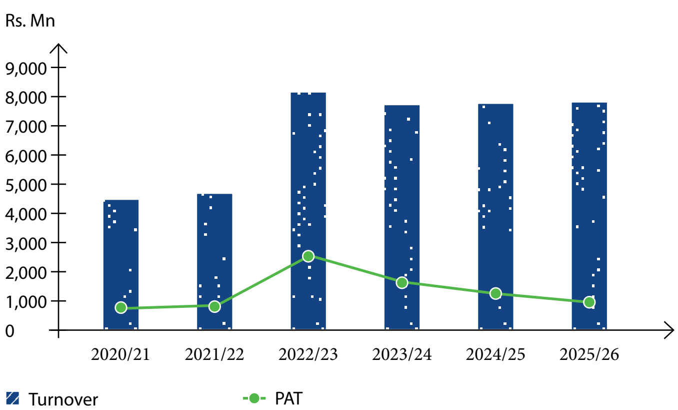
# READING THE NEXT CURVE

**As we move into our next ascent, growth begins with deeper understanding. By strengthening market insight, responsiveness, and quality, we continue creating greater value for customers in an evolving global landscape.**

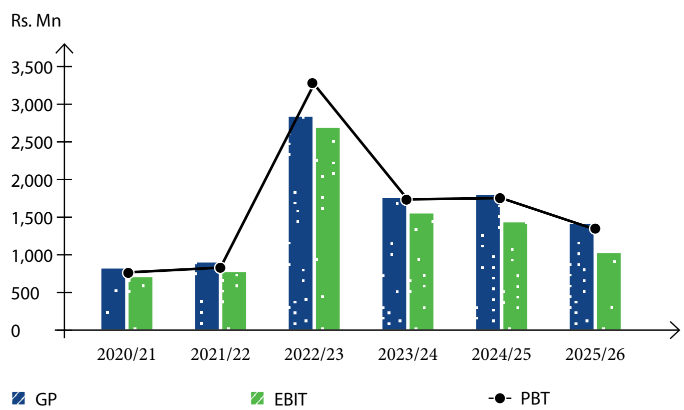
# Financial Highlights

| Earnings Highlights and Ratios | | Group | | | Company | | |
|---|---|---|---|---|---|---|---|
| | Unit | 2025/26 | 2024/25 | Change % | 2025/26 | 2024/25 | Change % |
| Revenue | Rs. Mn | **7,851** | 7,806 | 0.58 | **7,788** | 7,712 | 0.99 |
| Earnings before interest, taxes, depreciation & amortization (EBITDA) | Rs. Mn | **1,363** | 1,715 | (21) | **1,403** | 1,689 | (17) |
| Profit Before Tax | Rs. Mn | **1,352** | 1,771 | (24) | **1,390** | 1,754 | (21) |
| Profit After Tax | Rs. Mn | **926** | 1,235 | (25) | **971** | 1,231 | (21) |
| Gross profit Margin | % | **18.26** | 23.29 | (22) | **18.82** | 22.98 | (18) |
| Operating Profit Margin | % | **13.29** | 18.62 | (29) | **14.00** | 18.73 | (25) |
| Net Profit Margin | % | **11.80** | 15.82 | (25) | **12.46** | 15.97 | (22) |
| Return on Assets (ROA) | % | **8.17** | 11.9 | (31) | **8.65** | 11.99 | (28) |
| Return on Capital Employed (ROCE) | % | **13.29** | 20.18 | (34) | **14.04** | 20.35 | (31) |
| Return on equity (ROE) | % | **12.58** | 18.33 | (31) | **13.34** | 18.57 | (28) |
| Interest cover | No of times | **14.93** | 21.5 | (31) | **15.60** | 21.37 | (27) |
| | | | | | | | |
| **Financial Position Highlights and Ratios** | | | | | | | |
| Total Assets | Rs. Mn | **11,774** | 10,891 | 8 | **11,659** | 10,774 | 8 |
| Total Debt | Rs. Mn | **495** | 491 | 1 | **494** | 491 | 1 |
| Equity attributable to equity holders of the parent | Rs. Mn | **7,615** | 7,102 | 7 | **7,553** | 6,995 | 8 |
| Gearing | % | **6.09** | 6.47 | (6) | **6.14** | 6.56 | (6) |
| Debt/Equity | % | **6.49** | 6.92 | (6) | **6.54** | 7.02 | (7) |
| Equity Asset ratio | % | **64.68** | 65.22 | (1) | **64.78** | 64.93 | (0.24) |
| Current ratio | Times | **2.74** | 4.19 | (35) | **2.73** | 4.11 | (34) |
| Quick asset ratio | Times | **2.33** | 3.52 | (34) | **2.31** | 3.44 | (32.79) |
| | | | | | | | |
| **Cash Flow Highlights** | | | | | | | |
| Operating cash flow | Rs. Mn | **1,493** | 1,513 | (1) | **1,457** | 1,460 | (0.2) |
| Investing cash flow | Rs. Mn | **(2,455)** | (562) | 337 | **(2,446)** | (537) | 355 |
| Financing cash flow | Rs. Mn | **(358)** | (475) | (25) | **(358)** | (475) | (25) |
| Closing cash position | Rs. Mn | **3,073** | 4,394 | (30) | **2,934** | 4,280 | (31) |
| | | | | | | | |
| **Per Share Values (Year End):** | | | | | | | |
| Market value per share | Rs. | **129.75** | 139.25 | (7) | **129.75** | 139.25 | (7) |
| Earnings per share (basic) | Rs. | **19.50** | 26.00 | (25) | **20.43** | 25.92 | (21) |
| Dividend per share | Rs. | **7.89** | 7.15 | 10 | **7.89** | 7.15 | 10 |
| Net assets per share | Rs. | **160.33** | 149.52 | 7 | **159.00** | 147.27 | 8.0 |

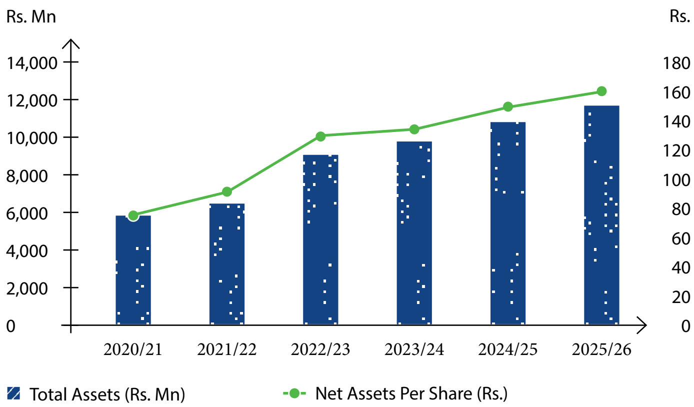
### Group Revenue Vs PAT



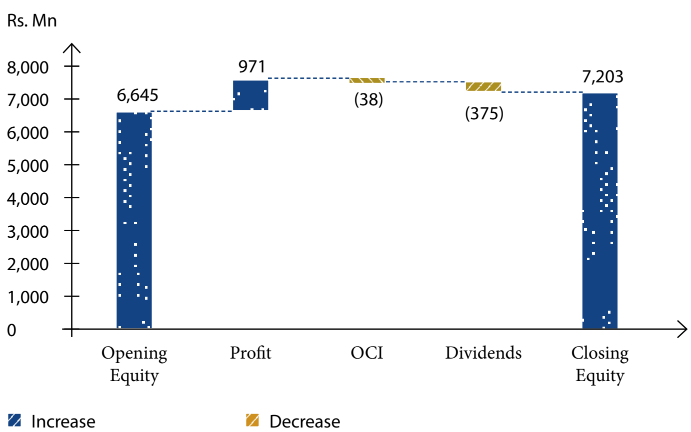

### Group GP, EBIT Vs PBT



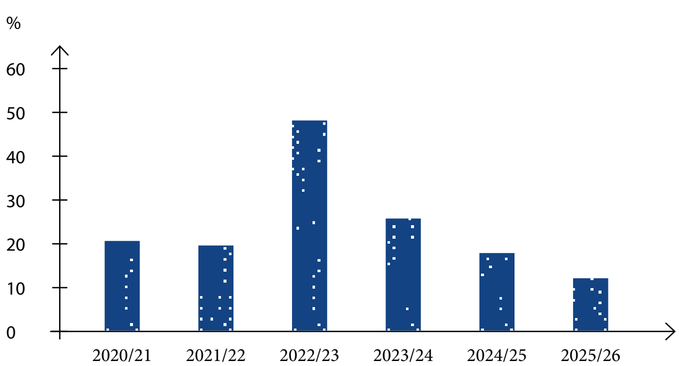
## GROUP Total Assets Vs. Net Assets Per Share



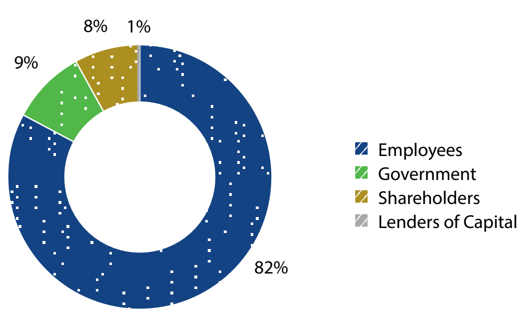

## Equity / Net Assets Bridge




## ROCE




## Distribution of Value Addition




**Rs. 7,851.0 Mn**
**Revenue**
YoY Change **1%**

**Rs. 19.50**
**EPS**
YoY Change **25%**

**Rs. 6,163.1 Mn**
**Market Capitalization**
YoY Change **6.8%**

**Rs. 374.7 Mn**
**Dividend Paid**
YoY Change **10.3%**

**Rs. 7,615.4 Mn**
**Shareholders' Equity**
YoY Change **7.2%**

# ESG Highlights 2025/26

## BLUE PRINT FOR A SUSTAINABLE FUTURE

### ENVIRONMENTAL PERFORMANCE

Waste Recycling
**474 Kg %**
Vs. 2024/25 53% ▼

Renewable Material used
**82%**
Vs. 2024/25 3% ▲

GHG Emissions
**24,949 $tCO_2e$%**
Vs. 2024/25 4.9% ▼

Environmental Conservation Investments
**50.13 Mn**
Vs. 2024/25 14% ▼

Renewable Energy Generation
**28,336GJ**
Vs. 2024/25 8% ▼

Water Withdrawn
**10.326 ML**
Vs. 2024/25 4.86% ▼

Eco System Restoration
**65.7 Ha**
Vs. 2024/25 5.97% ▲

Emission Saving (Using Renewable Energy Generation)
**5,126 $tCO_2e$**
Vs. 2024/25 12.5% ▼

### SOCIAL PERFORMANCE

Customer Satisfaction
**92%**
Vs. 2024/25 92%

Investment in Home for Every Plantation Worker
**120.8 Mn**
Vs. 2024/25 1.5% ▲

Training Investment
**15.66 Mn**
Vs. 2024/25 42.36% ▲

Employee Retention
**92.4%**
Vs. 2024/25 4.2% ▼

Employee Satisfaction Ratio
**98%**
Vs. 2024/25 1% ▼

Stakeholder Achievement Index
**3/5**
Vs. 2024/25 3/5

New Value added Products
**2**
Vs. 2024/25 100% ▲

We care 360 Grievance Recorded & Resolved
**98%**
2026 first time recorded

Investment in Capacity Building
**23.15 Mn**
Vs. 2024/25 9.2% ▲

## GOVERNANCE PERFORMANCE

**ESEG Committee Meetings**

**05**

Vs. 2024/25 25% ▲

**Male & Female Gender in Leadership positions**

**54:7**

Vs. 2024/25 55:8

**Employees trained on Code of conduct**

**1317 (Head Hours)**

Vs. 2024/25 15.6% ▲

**LMD Most Awarded**

**1st Place**

Vs. 2024/25 2nd Place

### SECOND WAVE INSIGHT

Our progress this year reflects a deeper integration of sustainability into every part of our value chain. The Second Wave represents our commitment to scale impact, strengthen resilience and create enduring value for people, nature and business.

**ENVIRONMENT**

Nature Positive Journey – Advancing biodiversity, climate resilience and responsible resource management across our plantation landscapes.

**SOCIAL**

People-Centred Progress – Strengthening employee wellbeing, community empowerment, safety, skills and inclusive opportunities for estate communities.

**GOVERNANCE**

Responsible Leadership – Reinforcing transparency, accountability, ethical conduct and ESG oversight to support sustainable business growth.

**FUTURE**

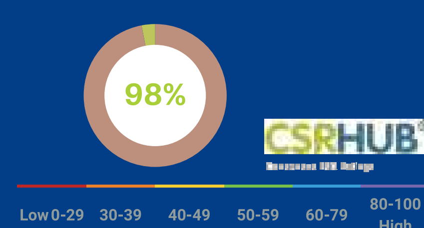
Upcoming ESG 2.0 Launch – Moving towards a stronger, more measurable and future-ready ESG roadmap to accelerate sustainable value creation.

### Our ESG Rating & Score 2024/25


**AA** Grade company on ESG Rating by IdealRatings®

IdealRatings®

*(It's platform that provides environmental, social, and governance (ESG) data and analysis for investors and companies.)*



# Chairman's Message

GRI 2-22

SCAN FOR AUDIO VERSION

Dear Stakeholders

**On behalf of the Board, I am pleased to present the 12th Integrated Annual Report and the Audited Financial Statements of Talawakelle Tea Estates PLC (TTEL) for the financial year ended 31st March 2026.**

In what has been a landmark year for the Company, TTEL further reaffirmed its position as the benchmark of excellence within the industry, delivering robust performance across financial, operational and sustainability domains.

The Group reported Profit After Tax of Rs. 926 Mn, a commendable achievement given the intense costs pressures experienced during the year. It also gives me immense pride to note that in 2025, TTEL set a benchmark in corporate achievement, being crowned the Most Awarded Company in Sri Lanka and the plantation sector by LMD. The Company secured over 99 awards and recognitions across a wide spectrum of performance categories, including 27 business excellence, HR and social excellence awards, 26 brand recognitions, quality and productivity, 37 sustainability awards, 13 corporate reporting excellence awards, together with numerous other honors that together reflect TTEL's commitment to excellence across the full length and breadth of the business. Among the most notable recognitions received during the year were, the Overall Gold Award and Best Integrated Report in the Plantations Sector at the CMA Integrated Reporting Awards, 05 prestigious awards including three major wins at the Best Corporate Citizen Sustainability Awards, including Category B Winner (Below LKR 15 Bn), the Agriculture Sector Award, and a place among the Top Ten Corporate Citizens. The Company's robust estate-level environmental initiatives were validated with both Silver and Merit awards at the Presidential Environmental Awards.

## Macro Economic Variables

Building on the strong foundation laid in 2024, Sri Lanka continued to move decisively towards macro-economic stability. Easing inflationary pressures and improving fiscal and monetary conditions created a strong enabling backdrop for the acceleration of both production and consumption, resulting in the country's GDP expanding by 5%, with all sub-sectors of the economy recording growth momentum. The external sector remained relatively stable, amidst improved foreign exchange liquidity. On the other hand, the global economic environment remained volatile amidst escalating geopolitical tensions around the world, particularly the crisis in Middle East since February 2026. The impact was immediately evident in terms of the disruptions to key shipping routes, and higher freight and energy costs, while consumer sentiment across major economies weakened and cascaded into slower trade activity from March 2026 onwards.

Sri Lanka's tea industry also demonstrated steady improvement in 2025. Production recovered, while export volumes recorded steady growth. Notably however, bulk tea continued to witness severe pricing pressure owing to supply expansion from alternative origins operating with structural cost advantages. Moreover global competitiveness of Ceylon Tea in international markets eroded further owing to higher production cost led by frequent upward revisions in statutory wages, without any linkages to productivity, which continued to exert significant pressure on cost of production in the industry-wide. These challenges were further compounded by the softening of consumer demand across certain export markets. It was against this backdrop that we saw Colombo tea auction prices moderating notably in 2025, resulting in severe industry-wide margin compression. Going forward, margin pressure is expected to further intensify as the global geopolitical environment becomes increasingly more uncertain. In particular, if the ongoing crisis in Middle East continues, the resulting disruptions to international shipping corridors will drive up freight costs and lengthen transit times, which would further dampen the global competitiveness of Ceylon Tea in the medium term.

On a positive note, the global demand for premium and differentiated teas appeared to be on an upward trajectory, signalling a clear shift in global consumption patterns towards quality, provenance, and authenticity. Such trends present a significant strategic opportunity for Sri Lanka's tea industry to leverage its heritage as a globally recognised origin of high-quality orthodox tea, and to firm up its presence in high-value segments.

## Strategic Discipline

The forces reshaping Sri Lanka's tea industry reflect longer-term structural changes rather than temporary market conditions. Persistent cost inflation driven by statutory wage revisions, intensifying competition from lower-cost origins, softening auction prices and the mounting physical consequences of climate change have together altered the competitive landscape in ways that will not self-correct. Against this backdrop, it has become clear that incremental responses alone are no longer sufficient to secure TTEL's long-term growth. It is from this position of honest assessment — and from a place of operational strength that the Board made a deliberate strategic choice this year. Guided by the principle of the Second Curve, the discipline of initiating a new growth trajectory before the current one reaches its peak, we have consciously embarked on our next phase of growth and transformation.
A business that has reached the elevation TTEL has earned both the platform and the responsibility to invest in what comes next, before the first curve of growth reaches its ceiling. Reflecting this strategic direction, we have adopted "The Next Ascent" as the theme of this year's Annual Report. It represents our conscious decision to reshape and revitalise our strategic pillars ahead of the next phase of growth, ensuring the business remains future-ready, resilient and well-positioned to create enduring value for all stakeholders. Building on the strategic foundations that have underpinned TTEL's success over the years,

"Despite a challenging operating environment marked by global trade disruptions, pricing pressures, and heightened geopolitical uncertainty, the Company delivered a resilient financial performance for the year under review."

# Chairman's Message

we focused on shaping a renewed operating paradigm capable of driving the Company's next phase of transformation, resilience and sustainable growth.

TTEL's strategic agenda is centered on the five pillars of spanning market leadership, operational precision, human capital empowerment, regenerative stewardship and focused value stream expansion, and we began by reshaping these pillars through a deliberate action plan aimed at reinventing the way we think, work, innovate and operate at every level across the organisation. In this regard, we started evolving our market approach to rely more on data-driven intelligence and precision positioning to sharpen our responsiveness to changing buyer preferences, and improve our competitiveness to secure higher-value opportunities in an increasingly competitive global marketplace. Moreover, to enhance the overall quality and sustainability of future earnings, we also focused more intently on diversifying our revenue streams specifically to tap into growth opportunities presenting stronger margin potential and lower exposure to price volatility.

At the same time, we took the first steps to reconfigure our operations by embracing unified, data-driven architecture to strengthen efficiency and resilience across every aspect of our value chain. Using the state-of-the-art Kiruwanaganga factory as a benchmark of excellence, we began exploring scalable models combining AI capabilities, traceability and precision agronomy, as the basis of positioning as a preferred origin partner in the global tea supply chain. In parallel, we continued to accelerate our sustainability agenda, in line with the Regen Agenda 2030 - TTEL's flagship regenerative framework designed to actively restore, regenerate and enhance natural ecosystems while simultaneously improving agricultural productivity with positive social outcomes. In keeping with the spirit of our Next Ascent, the Regen Agenda itself was elevated in 2026, sharpening its ambition and extending its reach to reflect the higher demands we are now placing on ourselves as a nature, climate and people positive organisation.

Anchored on nature-positive principles, the Regen Agenda 2030 integrates regenerative agronomy, soil restoration, biodiversity enrichment and climate-smart practices as core drivers of competitiveness and long-term value creation for TTEL. We also made steady progress in advancing the broader climate action pillars underpinning the Regen Agenda 2030 including resource efficiency, circular economy principles and renewable energy integration collectively strengthening our position as a responsible and future-ready organisation.

Our people remain our greatest strength and the driving force behind TTEL's long-term success and resilience. Against the backdrop of growing labour shortages across the plantation sector, we recognise the increasing importance of repositioning plantation employment as a more dignified, rewarding and future-oriented profession. In response, we revisited our people strategy to ensure that our human capital remains fully aligned with the demands of TTEL's Next Ascent placing renewed emphasis on leadership development, strengthening a performance-driven culture and deepening our commitment to inclusivity and employee empowerment. In parallel, we continued to institutionalise Great Place to Work principles as a core management discipline, reinforcing accountability, engagement and organisational cohesion across our estate and corporate teams.

## Record Results

Despite a challenging operating environment marked by global trade disruptions, pricing pressures, and heightened geopolitical uncertainty, the Company delivered a resilient financial performance for the year under review. Revenue reached Rs. 7,851 Mn, broadly on par with the previous year, a notable achievement given the moderation in Colombo tea auction prices during 2025. While the industry as a whole experienced pricing pressure amidst lower average prices reported at the Colombo Tea Auctions, I am particularly proud to see TTEL continuing to command above-average price premiums at the auctions, which I believe proves the success of our holistic value creation strategy.

Profit before tax stood at Rs. 1,352 Mn, reflecting the substantial impact of wage-related cost increases arising from cumulative statutory wage revisions of 35% in the previous year, along with a further 15% increase during the current year. Given that labour costs represent the single largest component of tea production costs, the latest revision exerted considerable pressure on profitability across the industry, particularly amidst moderating auction prices and heightened competitive pressure from lower-cost tea-producing origins.

## Shareholder Value

The Company continued to deliver sustainable shareholder value, reporting robust earnings per share of Rs. 19.50. A dividend of Rs. 7.89 per share was declared, with the total payout reaching Rs 374.77 Mn, a 10% increase over the previous year,while strategically balancing reinvestment priorities.

## Governance and Stewardship

Throughout the year, the TTEL Board continued to discharge its fiduciary responsibilities in good faith, with a strong sense of accountability and stewardship. In an operating environment characterized by both global volatility and persistent local structural challenges, the Board maintained an unwavering commitment to upholding the best interests of the Company and its stakeholders. The Board's oversight role was exercised through structured governance mechanisms and regular engagement with management to ensure oversight of the Company's strategic direction, financial performance, risk management framework, and sustainability agenda. During the year under review, the Board took concrete steps to strengthen its governance of sustainability-related risks and opportunities, underpinned by TTEL's voluntary adoption of SLFRS S1 and S2 Sustainability Disclosure Standards. Oversight of Sustainability-Related Risks and Opportunities was formally assigned to the Board Audit Committee, ensuring sustainability considerations are integrated into the oversight of corporate strategy, major transactions and risk management. Meeting quarterly, the Board Audit Committee reviews ESG strategy, monitors performance against sustainability targets and oversees climate transition planning. At the executive level, the ESEG Steering Committee and Estate-Level Sustainability Steering Committees aligned to the Regen Agenda 2030 translate Board direction into measurable operational outcomes, creating a clear and accountable line of responsibility from the Board to the estate.

## Board Changes

The composition and capabilities of the Board were further strengthened and enhanced during the year to ensure closer alignment with the Company's evolving strategic priorities and the demands of its next phase of growth. Mr. Senaka Bandara Alawattegama, Director/CEO, resigned from his position with effect from 31st July 2025, following which Mr. Nishantha Prasanna Abeysinghe was appointed as Executive Director/CEO with effect from 1st August 2025. Mr Anura Weerakoon was appointed as a Non-Executive Director with effect from 15th September 2025, collectively strengthening the Board's collective expertise and strategic oversight capacity.

On behalf of the Board, I extend my sincere appreciation to our outgoing Director - Mr. Senaka Bandara Alawattegama for his valuable contribution and dedicated service to TTEL over the years.

I also wish to take this opportunity to warmly welcome our incoming Directors Mr. Nishantha Abeysinghe and Mr. Anura Weerakoon to the TTEL Board. We look forward to their insights and leadership in guiding TTEL's strategic direction and long-term growth ambitions.

## Outlook and Way Forward

The outlook for the global tea industry is anticipated to remain fluid for the next 12 -18 months. While demand fundamentals are likely to remain broadly intact, the market is expected to become increasingly segmented, with a clear divergence between commoditized volumes and premium, origin-driven value. In this evolving landscape, competitiveness will be defined less by scale alone and more by differentiation, transparency, sustainability credentials, and the ability to consistently deliver quality that aligns with increasingly discerning consumer expectations.

Against this backdrop, TTEL's forward strategy will remain firmly aligned to the ongoing transformation agenda, where we will aim for bold system-wide reinvention across all dimensions of the business. Accordingly, we will continue to fine tune our customer engagements to strengthen TTEL's position as a strategic origin partner in global markets, while gradually transitioning our operational model from standalone factory efficiency to fully integrated ecosystem that will safeguard competitiveness in an increasingly dynamic and demanding global environment.

Likewise, we foresee a significant acceleration in our people strategy with the Revenue Share Model embedded as a core operating practice, while initiatives such as HerLead and EmpowerU will focus on strengthening leadership pipelines.

Equally importantly, our Regen Agenda 2030 will move ahead with regenerative agronomy practices, emissions reduction commitments aligned with SBTi, and biodiversity restoration in partnership with Wildlife and Nature Protection Society of Sri Lanka (WNPS) and it's initiative of Preserving Land and Nature (PLANT).

Finally, we will expect to exercise a greater degree of rigor in pursuing revenue diversification, in particular by prioritising non-traditional crops, such as Cinnamon to strengthens earnings quality and reduces structural dependence on TTEL's conventional revenue base.

The success of our transformation agenda will be measured not only by strengthened commercial performance, but also by the progress we make in advancing our sustainability ambitions alongside it. In this regard, the journey ahead will be underpinned by ESG-linked targets anchored to globally recognised frameworks, including SBTi for climate action, ISO 14001 and Rainforest Alliance standards for environmental stewardship, and TNFD for nature-related disclosures. These efforts will be supported by robust governance oversight led by the Board, alongside disciplined performance management and comprehensive reporting practices aligned with evolving global best practices.

## Acknowledgements

TTEL's solid performance during the current year stands as a reflection of the collective commitment and discipline in enabling the Company to navigate a challenging operating environment while continuing to strengthen its foundations for long-term growth and transformation.

I would like to express my sincere gratitude to my colleagues on the Board for their guidance, insight, and foresight, which have been instrumental in steering the Company through an increasingly complex and evolving global landscape, while ensuring that long-term value creation remains firmly at the centre of all decisions.

I also extend my heartfelt appreciation to our Managing Director, Dr Roshan Rajadurai, Chief Executive Officer, Mr. Nishantha Abeysinghe, TTEL's Corporate and Executive Management Teams, as well as our Estate Teams, whose dedication and perseverance have been the driving force behind our achievements.

To our shareholders, customers, and business partners, I extend my sincere thanks for your continued trust and confidence in TTEL. As we move forward, we look forward to your continued support in realising the next phase of TTEL's next big growth phase.

**Mohan Pandithage**
*Chairman*
Talawakelle Tea Estates PLC

11th May 2026

# Managing Director's Review

**Looking back on the past year, I am pleased to report that it has been a period of exceptional progress for TTEL. Characterised by an ability to convert adversity into opportunity, we focused on strengthening our core competencies and shoring up our competitive position to achieve greater organisational maturity. Despite challenges and unexpected obstacles, our progress is clearly reflected in our financial and operational performance, and through external recognitions that position TTEL as the Most Awarded corporate entity in Sri Lanka for 2025.**

SCAN FOR AUDIO VERSION

## Diversifying Operating Landscape

Recent years have proven to be among the most challenging periods for Sri Lanka's tea industry, with the current year being no different. On the global front, 2025 was characterised by lower tea price averages, as international markets remained cautious and increasingly price sensitive.

Competitive pressures within the global tea industry also intensified during the year, particularly in mainstream tea categories, as African countries and other producing origins entered the market more aggressively, supported by favourable crop cycles and lower cost structures that helped bolster their global competitiveness.

While the global tea industry has, over the years, gradually adapted to the disruptions arising from geopolitical tensions, its wider economic ripple effects, the crisis in Middle East, the largest market for Ceylon Tea came as a shock. This adverse development unsettled global market sentiment and further exacerbated uncertainty across commodities markets and international trade flows.

Given the region's significance as a key destination for Ceylon Tea, disruptions in these markets inevitably affected buying sentiment, while shipping delays and insurance concerns, alongside wider logistics constraints added to the complexity for local tea producers and exporters alike.

Domestically, the plantation sector continued to face structural challenges linked to weather variability, cost structures and seasonality. A relatively short Western Quality Season, coupled with extreme weather incidents later in the year, affected crop patterns in several growing regions across Sri Lanka. At the same time, persistent issues such as declining labour force and declining soil vitality continued to dampen national productivity, highlighting the need for broader systemic interventions to safeguard the long term health of Sri Lanka's tea industry.

Admittedly, one of the most significant contentious issues for Sri Lanka's plantation sector in recent years has been the continued upward revision of statutory wage structures. Having already absorbed a major wage increase in the previous year, the plantation sector was further encumbered with an additional wage hikes implemented in quick succession during 2025/26. Arbitrary wage increases that are not linked to productivity are particularly detrimental to the long-term viability of the industry, placing pressure on cost structures and competitiveness.

## Deepening Core Competencies

Facing a wave of formidable industry challenges, TTEL has successfully moved beyond mere adaptation to fundamentally rethink our operational core. We have reinvented the wheel across every sphere of the business, a strategic pivot that now empowers us to maintain long-term sustainability and resilience, even amidst mounting external pressures.

Our goal was to consciously transition to a higher degree of operational maturity, one that positions TTEL as distinctly different within the industry. At the core of this transformation was the uncompromising commitment to quality which we now consider as the defining feature of our DNA. To that end, we embraced "total quality" as a cultural value that runs through every layer of our operational practices.

To imbibe this cultural shift we empowered our teams by prioritising on-the-job training, and also reconstituted regional management structures to strengthen oversight of on-ground quality outcomes. At the same time, identifying technology as a core enabler of this transformation, we invested in integrating AI-driven analytics into operational systems to enable more evidence-based decision-making in the day-to-day field management and factory operations. Beyond our own internal operations, quality stewardship was further integrated into our Revenue Share Model (RSM) under the supervision of regional leadership teams.

It is therefore with a deep sense of pride and achievement that I acknowledge the outcomes of our focus on "total quality". of particular note is the success achieved by our Kiruwanganga factory which was commissioned in 2024, marking the first step in establishing a baseline for our quality journey. Completing its first full year of operations, the Kiruwanganga factory; Sri Lanka's first tea factory to be certified under the Green Building Council of Sri Lanka (GBCSL) framework, claimed the top spot by recording both the highest volumes and Gross Sales Average within the low-grown category for the year 2025, which bears a testament to its 360 degree quality ecosystem. Our other four factories also ranked within top 10 performers for the year, enabling TTEL to maintain its position as the top performer across high-grown, low-grown, and overall categories.

"Our team is at the heart of every success, we strive to create a work environment where all 4,849 TTEL employees across our estates, factories, and administrative functions feel equally valued, empowered, and inspired to give their very best."

# Managing Director's Review

In the low and high -grown segments, the combined impact of targeted field development initiatives focused on quality improvement, along with sustained replanting investments, began to yield tangible results. This was reflected in an improvement in productivity, with yield per hectare increasing to 1,295 kg in 2025/26 compared to 1,268 kg in the previous year.

At the same time our teas continued to command strong premiums across all elevations and overall basis, despite broad based softening of prices at the Colombo Tea Auctions. TTEL secured premiums of Rs. 174.27 per kg above the national average in High-Grown Teas and Rs. 176.30 per kg in Low-Grown, while our Gross Selling Average at Rs. 1338.07 in 2025, outperformed the national average of Rs. 1,167.72, representing a solid premium of Rs. 170.35, all clear indications that we are on track in our focus to institutionalise "total quality" as our baseline.

## Building Business Resilience

Business diversification, which has long been a strategic priority for building resilience, gained further traction during the year against the backdrop of growing global consumer interest in origin-led, specialty, and health-oriented tea categories. Seeing these evolving trends as fresh opportunities to accelerate our premiumisation strategy, we leveraged our established strength in the low and high -grown segments and our longstanding reputation for quality systems and certifications across key estates as Great Western, Somerset, Mattakelle and Kiruwanaganga, to decisively expand TTEL's product footprint into premium and high-value niche markets. In demonstrable evidence of our intent to make inroads into these market domains, we unveiled Great Western Organic Tea, Logie Organic Tea, and Great Western Matcha Tea. We also acquired full ownership of Hayleys Produce Marketing Limited, as part of a strategic expansion to position TTEL more effectively to capitalise on the growing global demand for certified organic and health-conscious tea products across both domestic and international markets.

Our crop diversification agenda gathered pace in the current year through a more disciplined approach informed by prior experience and greater clarity on the return on investment. Cinnamon cultivation recorded significant expansion, alongside the steady scaling of strawberry and coconut, culminating in approximately 14.96 hectares being brought under new diversified crops during the year under review

## Advancing Regen Agenda 2030

TTEL's Regen Agenda 2030, now in its third year of implementation, continues to play an anchoring role in positioning the Company as a pioneer in the application of regenerative agriculture principles within Sri Lanka's plantation sector. Unlike conventional sustainability models that focus on reducing or mitigating environmental harm, our Regen Agenda 2030 stands as a nature-positive platform that seeks to restore, regenerate, and enhance natural systems to nurture climate-resilient agricultural ecosystems capable of sustaining long-term productivity over time.

In the year under review, we made steady progress on several fronts across the Regen Agenda. In line with our commitment to sustainable land stewardship, we leveraged scientific insights to purposefully integrate more organic and sustainable inputs across estate operations, with a view to reducing synthetic applications that may compromise both plant health and soil vitality. Similarly, our integrated pest management model which is guided by the Food and Agriculture Organization (FAO), prioritises biodiversity conservation and natural predation to reduce agrochemical use in our Tea fields. We also expanded climate-smart agricultural practices to improve the efficiency of chemical applications across our plantations. In parallel, soil rehabilitation efforts were further scaled up through targeted interventions designed to address soil structure degradation and long-term fertility decline typically associated with plantation ecosystems.

Equally importantly, our Tea replanting programme was accelerated to replace ageing seedling tea with high-yielding vegetatively propagated cultivars, supported by improved field engineering measures to optimise growing conditions and strengthen ecological balance. During the year, 20.95 hectares were replanted, and I remain confident that these investments will deliver meaningful long-term gains in productivity, quality, cost efficiency, and estate resilience in the years to come.

Renewable energy remains central to TTEL's ReGen Agenda 2030 and Net Zero transition, enabling the Company to reduce emissions while strengthening long-term energy resilience. With solar, biomass and hydro collectively meeting 88.2% of current average annual energy requirements, TTEL continues to build on renewable investments that began well before the launch of the ReGen Agenda.

During the year, solar capacity reached 899.86 kW, while approvals were secured for a proposed 5 MW ground-mounted solar project at Moragalla Estate, converting underutilised land into a productive clean energy asset. Biomass remained the foundation of factory energy use, with all 14 factories operating biomass-fired systems for tea drying. To support future self-sufficiency, TTEL expanded fuelwood cultivation by 4.7 hectares, increasing the total cultivated extent to 749 hectares by end-March 2026.

These initiatives continue to deliver measurable climate progress, with a 20% reduction in Scope 1, 2 and 3 emissions against the FY2022/23 base year, alongside year-on-year reductions of 7.8% in Scope 1 and 2 emissions and 4.9% across the full value chain. This progress reinforces TTEL's commitment to its SBTi-verified targets and 2050 Net Zero ambition.

While ReGen Agenda 2030 is a key platform for advancing regenerative agriculture, renewable energy and climate resilience, its broader purpose extends beyond environmental restoration. For TTEL, regeneration also means strengthening the social foundations of our business by improving living standards, safeguarding fair labour practices, promoting inclusion, empowering communities and building a future-ready workforce.

During the year, we continued to advance the social dimension of ReGen Agenda 2030 under the theme of Empowering People and Communities for Social Resilience. Through our flagship "A Home for Every Plantation Worker" programme, TTEL invested Rs. 120.8 Mn to support the wellbeing of over 42,000 residents across our plantation communities.

This investment was directed across four priority pillars, including Rs. 37.02 Mn for living environment improvements, Rs. 52.90 Mn for health and nutrition, Rs. 23.15 Mn for community capacity building and Rs. 7.72 Mn for youth empowerment.

These investments are closely aligned with our long-term 2030 social goals, including improving living environment, health and nutrition, capacity building and youth empowerment outcomes by 50%. Several areas have already demonstrated strong progress, with living environment, health and nutrition and capacity-building interventions remaining on track or achieved against interim milestones. This progress reinforces our belief that plantation sustainability must be measured not only by productivity and environmental performance, but also by the dignity, health and resilience of the communities who live and work across our estates.

In parallel, TTEL continued to strengthen fair labour practices and workplace wellbeing across the organisation. Our commitment to achieving higher compliance with fair labour standards across the supply chain remains central to building trust, protecting worker rights and maintaining responsible operating practices. We also progressed initiatives relating to mother and child-friendly plantation practices.

## Team Development

Conscious that our team is at the heart of every success, we strive to create a work environment where all 4,849 TTEL employees across our estates, factories, and administrative functions feel equally valued, empowered, and inspired to give their very best. Guided by a holistic approach to workforce development, we fully complied with all mandatory wage increases that came into effect during the year. In parallel, the successful renewal of the collective bargaining agreement resulted in all unionised employees benefiting from a meaningful salary enhancement. While these adjustments added to our cost pressures, we viewed them as an investment in employee well-being, workforce stability, and the long-term sustainability of our business.

During the year, the TTEL Revenue Share Model was also further scaled up in line with the commitment to enhance the living income of plantation workers. By linking productivity improvements more directly with earning opportunities, the model has helped foster stronger accountability, entrepreneurial thinking, and deeper engagement at estate level.

Equally importantly, we continued to strengthen a high-performance culture underpinned by credible and consistent mechanisms to recognise excellence. In this regard, the annual Best Tea Harvester Competition 2025 attracted strong participation across the Group and once again showcased the remarkable skill, discipline, and dedication of our front line field teams.

Meanwhile, acknowledging that leadership at ground level is essential to execution excellence, our leadership and oversight structures also underwent meaningful transformation during the year. Regional management teams were entrusted with greater flexibility and autonomy to drive performance improvements, accelerate decision-making, and reinforce accountability closer to the point of execution. Our flagship Women in Leadership (WIL) Programme, conducted with the support of The Republic of Tea and Ethical Tea Partnership Sri Lanka, continued to play an instrumental role in advancing our efforts to empower women to assume leadership roles across the full spectrum of our operations.

## Reporting and Disclosures Best Practices

TTEL continues to set the benchmark for reporting excellence and transparency within Sri Lanka's plantation sector. We are proud to remain the only company in Sri Lanka to demonstrate full voluntary adoption of the Sustainability Related Sri Lanka Financial Reporting Standards (SLFRS) as early as the FY 2023/24 reporting cycle.

The current year marks the second consecutive year in which these disclosures have been independently assured, further reinforcing TTEL's leadership position in integrating financial, climate, and sustainability reporting into a cohesive governance framework.

Our broader reporting suite also continued to evolve in both depth and scope. During the year, we published our third consecutive standalone ESG Report, alongside dedicated greenhouse gas inventory reports and a Nature and Climate Transition Plan designed to complement our SLFRS-related disclosures. Again I must stress that these publications are undertaken voluntarily, underscoring our belief that transparent and decision-useful reporting is essential to building long-term stakeholder trust and accountability.

To further strengthen our reputation as pioneers for reporting transparency, we are now working towards enhancing digital reporting, supported by AI-enabled tools that will allow stakeholders to more easily identify relevant content areas, submit targeted queries, and obtain deeper analytical insights. Our vision is to create a dedicated digital ecosystem for annual and sustainability reporting that significantly enhances accessibility, engagement, and stakeholder experience.

## Awards and Accolades

It was another stellar year for TTEL in terms of awards and accolades with our commitment to excellence once again strongly recognised during the year through multiple prestigious platforms, including the Corporate Citizen Sustainability Awards, the Global Sustainability Awards, and the Global Performance Excellence Awards.

Most notably, TTEL was once again declared the most awarded plantation company in Sri Lanka for 2025, marking the third consecutive year of this distinguished recognition. This achievement stands as a powerful validation of our sustained focus on quality, innovation, and sustainability-led value creation, and further reinforces TTEL's position as an industry leader setting new benchmarks for the plantation sector.

# Managing Director's Review

## Surging Ahead

Having strengthened our foundations, enhanced our competitiveness, and built deeper resilience across the business, I remain optimistic that TTEL is exceptionally well positioned to pursue the next chapter of growth.

As we move forward, our focus on "total quality", which has increasingly become the defining feature of Talawakelle Tea Estates PLC's operating philosophy, will remain central to sustaining competitiveness and shaping our "The Next Ascent " of growth. Our unwavering emphasis on elevating quality across every stage of the value chain — from field practices and factory processes to product positioning — is expected to strengthen our ability to outperform market averages and secure meaningful price premiums, even amidst increasingly volatile and price-sensitive global market conditions. Importantly, this quality-led approach is not viewed as a short-term or cyclical response, but rather as a structural and long-term strategic commitment designed to position TTEL firmly within the upper tier of global demand, where discerning buyers continue to value provenance, consistency and excellence.

Further I expect our premium-quality teas to contribute more meaningfully to strengthening TTEL's global positioning supported by investments to scale our specialty and organic portfolio across selected high value, niche export markets.

As we look ahead, the evolution of TTEL's Regen Agenda 2030 into it's The Next Ascent, our refreshed ESG goals and framework effective from 2026/27, will serve as the strategic backbone of our next chapter, guiding purposeful growth, responsible stewardship, and long-term value creation.

## Appreciations

Before I conclude, I wish to place on record my sincere appreciation to the Chairman, my fellow Board members, and the Group Management Committee for their guidance and stewardship in ensuring that TTEL remains firmly positioned at the forefront of the plantation sector.

I would also like to commend our Chief Executive Officer, Mr. Nishantha Abeysinghe, together with our Corporate and Operational Management teams, for their exemplary leadership, integrity, and dedication to our vision.

To our teams at head office and across our estates; your tireless commitment, passion, and discipline have been nothing short of extraordinary. Each of you has played an integral role in delivering on our mission, and, I offer my sincere gratitude.

Finally, to our valued shareholders, buyers, brokers, and business partners, I extend my heartfelt thanks for the confidence and trust you continue to place in us. Your continued support remains fundamental to our journey, and we deeply value continued support to steer TTEL forward with confidence as we pursue our bold ambitions for the future.

**Roshan Rajadurai PhD, DSc.**
*Managing Director*
Talawakelle Tea Estates PLC

11th May 2026

# About Us

*Rooted in Heritage, Committed to Tomorrow.*

Talawakelle Tea Estates PLC is a diversified plantation enterprise, planting and producing premium Ceylon tea across 16 estates in Sri Lanka, creating sustainable value for stakeholders and the communities we serve.

With roots tracing to the late 19th century when Scottish planters first cultivated these lands, we honour that legacy today spanning the lush regions of Talawakelle, Nanuoya, Galle and Deniyaya.

| Est. 1992 • Inc. as TTE | Listed on CSE | Part of Hayleys Group |
|---|---|---|

| 16 | 6,493 ha | 4,849 | 42,000 | 3 |
|---|---|---|---|---|
| Tea Estates | Total Land Area | Employees | Resident Population | Consumer Brands |

## Our Purpose & Brand Promise

### OUR PURPOSE

**"Brewing a Better Future"**
To deliver authentic, ethical, and world-class Ceylon tea experiences from Sri Lanka to the world creating sustainable value today while securing a better tomorrow for every stakeholder we serve.

### OUR BRAND PROMISE

**" Produce with Care "**
Every cup we craft reflects our unwavering commitment to quality, authenticity, and the communities behind each leaf delivered with care, built on integrity, and grounded in sustainability.

## Organisation's Structure

# About Us

## Our Values

**Integrity**
Uncompromising honesty in every leaf, every process, every promise we make.

**Quality**
Setting the benchmark in plantation excellence through meticulous cultivation and craft.

**Sustainability**
Nurturing nature and empowering future generations through responsible stewardship.

**Care**
Improving quality of life for our 42,000 strong resident community and all stakeholders.

## Our Evolution

**1992**
### Founding
Incorporated as Talawakelle Plantations following government privatization.

**2000**
### Public Listing
Listed on Colombo Stock Exchange, broadening public ownership.

**2005**
### Renewable Energy
Invested in mini hydro plants, diversifying into clean energy.

**2024**
### Expansion
Kiruwanaganga Tea Factory established, boosting manufacturing capacity.

**Today**
### Pioneer
Entered the organic tea sector, leading sustainability-driven growth.

## Land Use & Workforce

### Land Utilization Across 5,131 Hectares


Tea 3,881 ha (76%) · Other 889.61 ha (17%) · Rubber 180.95 ha (4%) · Cinnamon 103 ha (2%) · Timber 76.58 ha (1%)

### Workforce Gender Diversity


2,503 Female Employees · 2,346 Male Employees

### Operating Regions in Sri Lanka

| High-Grown | Low-Grown |
|---|---|
| Talawakelle, Nanuoya | Galle, Deniyaya |

## Brewing Success: A Year in Review at Talawakelle Tea Estates

### Diversification – Expanding Our Horizons

**Product Innovation**
Exploring innovated tea, wellness products, and ready-to-drink beverages.

**Market Expansion**
Strengthening presence in global markets while reaching new customer segments.

**Vertical Integration**
Enhancing control and value through packaging, branding, and distribution.

**Related Ventures**
Investing in complementary crops such as Cinnamon, Strawberry, Rubber, Organic Tea and other high-value agriculture.

### Differentiation – Creating Distinct Value

**Exceptional Quality**
Showcasing unique flavor profiles through meticulous cultivation and processing.

**Sustainability Leadership**
Championing eco-friendly practices to protect the environment and strengthen trust.

**Innovative Offerings**
Introducing specialty, organic, and wellness teas for niche markets.

**Customer Experience**
Elevating engagement through tea tourism, immersive experiences, and digital platforms.

# Product Portfolio

GRI 2-6

A diversified portfolio spanning premium teas, value-added offerings and complementary businesses that create value and strengthen our future.

## TEA

Crafted with care across our estates, delivering purity, flavour and authenticity in every leaf.

Black Tea (Orthodox Rotovane)

Black Tea (Orthodox Leafy)

Green Tea (Steam & Pan Fired)

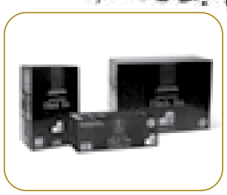
Artisanal Tea


Organic Black Tea


Matcha

## VALUE ADDED TEA

Thoughtfully curated and crafted to elevate everyday moments into memorable experiences.



Tea Bag Range

Single Garden Range

Tea Gift Collection

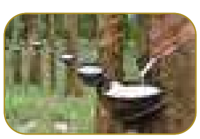
Spice Gift Collection


Organic Black Tea


Matcha

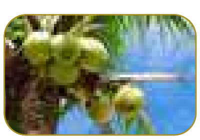
## OTHER CROPS

Cinnamon



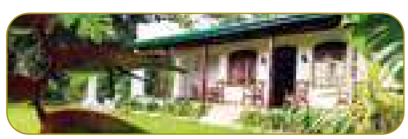
Rubber

Strawberry

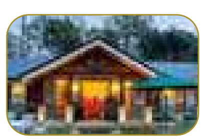


Coconut

## TEA COUNTRY EXPERIENCE



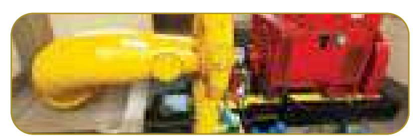
Tea Bungalows



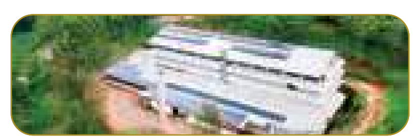
Tea Experience Centers


Tea Vending Machine in Golf Club

## RENEWABLE ENERGY



Hydro Power



Solar Power

**Discover more about our products and how to prepare the perfect matcha.**

SCAN TO PRODUCT CATALOG


SCAN TO WATCH VIDEO STORY

# Our Plantation Network

We are proud to be a leading force in sustainable, premium tea cultivation. Each of our estates reflects a deep commitment to preserving nature while crafting teas of exceptional quality. With an extensive network of carefully nurtured estates, we consistently deliver excellence in every cup.

GRI 2-6

## Our Estate Portfolio at a Glance

| | | |
|---|---|---|
| **16** Estates | **6,493** Total Extent (Ha) | **4,783** Total No of Estate Employees |
| **5,327.97t** Total Tea Production | **15** Factories | **40m-1,412m** Elevation Range |

- Talawakelle
- Nanu Oya
- Deniyaya
- Galle

### Bearwell Estate

| | |
|---|---|
| Total Extent (Ha) | 424.84 |
| Area in Tea (Ha) | 310.19 |
| Others (Ha) | 56.32 |
| No of Employees (Nos) | 329 |
| Tea Production (Kg) | 413,895 |
| Factory Elevation (M | 1,230 |

### Great Western Estate

| | |
|---|---|
| Total Extent (Ha) | 628.48 |
| Area in Tea (Ha) | 387.20 |
| Others (Ha) | 93.52 |
| No of Employees (Nos) | 438 |
| Tea Production (Kg) | 475,449 |
| Factory Elevation (M | 1,337 |

### Mattakelle Estate

| | |
|---|---|
| Total Extent (Ha) | 361.96 |
| Area in Tea (Ha) | 264.82 |
| Others (Ha) | 34.45 |
| No of Employees (Nos) | 479 |
| Tea Production (Kg) | 481,237 |
| Factory Elevation (M | 1,412 |

### Wattegoda Estate

| | |
|---|---|
| Total Extent (Ha) | 529.89 |
| Area in Tea (Ha) | 301.40 |
| Others (Ha) | 111.65 |
| No of Employees (Nos) | 325 |
| Tea Production (Kg) | 411,270 |
| Factory Elevation (M | 1,245 |

### Holyrood Estate

| | |
|---|---|
| Total Extent (Ha) | 465.96 |
| Area in Tea (Ha) | 321.10 |
| Others (Ha) | 85.40 |
| No of Employees (Nos) | 310 |
| Tea Production (Kg) | 367,882 |
| Factory Elevation (M | 1,262 |

### Logie Estate

| | |
|---|---|
| Total Extent (Ha) | 329.88 |
| Area in Tea (Ha) | 212.30 |
| Others (Ha) | 44.12 |
| No of Employees (Nos) | 153 |
| Tea Production (Kg) | 218,755 |
| Factory Elevation (M | 1,222 |

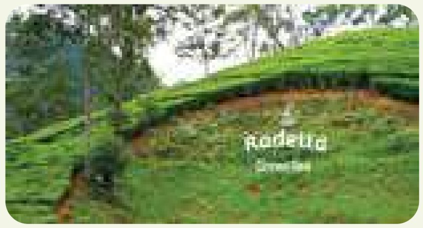
### Palmerston Estate

| | |
|---|---|
| Total Extent (Ha) | 203.11 |
| Area in Tea (Ha) | 150.61 |
| Others (Ha) | 22.75 |
| No of Employees (Nos) | 118 |
| Tea Production (Kg) | 172,778 |
| Factory Elevation (M | - |

## Somerset Estate

| | |
|---|---|
| Total Extent (Ha) | 456.14 |
| Area in Tea (Ha) | 322.38 |
| Others (Ha) | 55.99 |
| No of Employees (Nos) | 440 |
| Tea Production (Kg) | 433,284 |
| Factory Elevation (M | 1,377 |

## Radella Estate




| | |
|---|---|
| Total Extent (Ha) | 458.76 |
| Area in Tea (Ha) | 259.37 |
| Others (Ha) | 114.98 |
| No of Employees (Nos) | RD 325 |
| No of Employees (Nos) | WO 14 |
| Tea Production (Kg) | 419,266 |
| Factory Elevation (M) | RD 1,399 |
| Factory Elevation (M) | WO 1,316 |

## Dessford Estate

| | |
|---|---|
| Total Extent (Ha) | 431.99 |
| Area in Tea (Ha) | 308.38 |
| Others (Ha) | 39.33 |
| No of Employees (Nos) | 366 |
| Tea Production (Kg) | 335,473 |
| Factory Elevation (M) | 1,459 |

## Calsay Estate

| | |
|---|---|
| Total Extent (Ha) | 282.25 |
| Area in Tea (Ha) | 188.23 |
| Others (Ha) | 36.36 |
| No of Employees (Nos) | 147 |
| Tea Production (Kg) | 201,774 |
| Factory Elevation (M) | 1,500 |

## Clarendon Estate


| | |
|---|---|
| Total Extent (Ha) | 191.82 |
| Area in Tea (Ha) | 147.28 |
| Others (Ha) | 23.66 |
| No of Employees (Nos) | 99 |
| Tea Production (Kg) | 140,348 |
| Factory Elevation (M) | 1,548 |

## Kiruwanaganga Estate

| | |
|---|---|
| Total Extent (Ha) | 482.71 |
| Area in Tea (Ha) | 329.72 |
| Others (Ha) | 18.21 |
| No of Employees (Nos) | 538 |
| Tea Production with Bought Leaf (Kg) | 563,427 |
| Factory Elevation (M) | 408 |

## Deniyaya Estate

| | |
|---|---|
| Total Extent (Ha) | 578.15 |
| Area in Tea (Ha) | 208.03 |
| Area in Rubber (Ha) | 13.35 |
| Others (Ha) | 144.40 |
| No of Employees (Nos) | 425 |
| Tea Production with Bought Leaf (Kg) | 518,380 |
| Factory Elevation (M) | 387 |

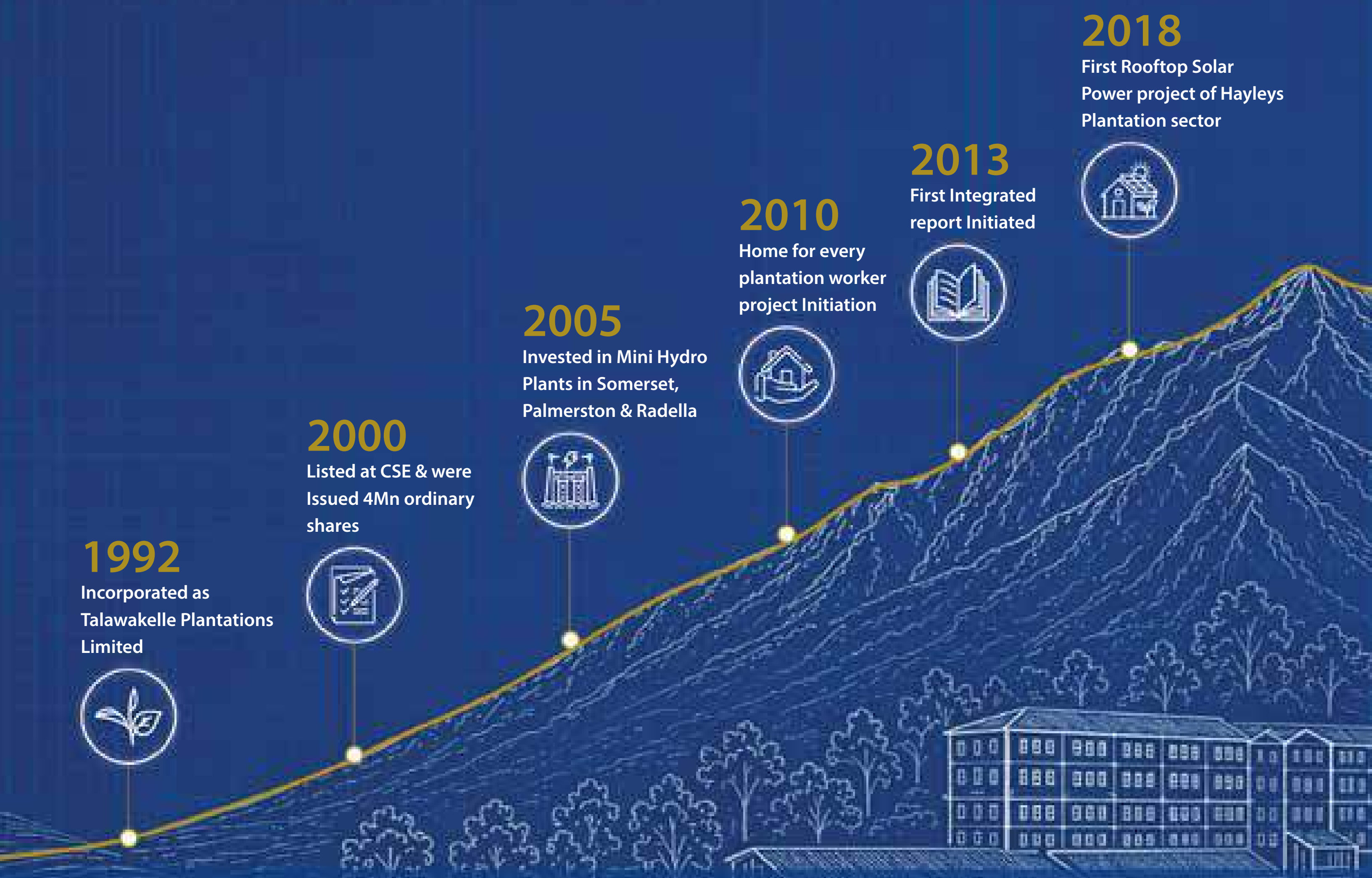
## Moragalla Estate

| | |
|---|---|
| Total Extent (Ha) | 384.74 |
| Area in Tea (Ha) | 89.53 |
| Area in Rubber (Ha) | 95.01 |
| Others (Ha) | 119.16 |
| No of Employees (Nos) | MG 155 |
| No of Employees (Nos) | PG 10 |
| Tea Production with Bought Leaf (Kg) | 84,975 |
| Factory Elevation (M) | MG 40 |
| Factory Elevation (M) | PG 49 |

## Indola Estate

| | |
|---|---|
| Total Extent (Ha) | 282.16 |
| Area in Tea (Ha) | 80.60 |
| Area in Rubber (Ha) | 72.59 |
| Others (Ha) | 69.09 |
| No of Employees (Nos) | 112 |
| Tea Production (Kg) | 89,776 |
| Factory Elevation | - |

# OUR JOURNEY




### Commenced

Established in 1992 as a Regional Plantation Company, our organization expanded its horizons significantly in 1998 when Hayleys Plantations Services (Pvt) Ltd acquired controlling interest. This strategic move introduced new opportunities, enhanced capabilities and set the stage for future growth and development within the company.

### Stabilizing

Our journey of growth is marked by trailblazing milestones and innovative strides. Notably, in 2000, we listed at CES with 4 million shares, marking our entry into the public eye. In 2001, we set new standards by earning HACCP certification, showcasing our commitment to food safety. We embraced sustainability in 2004 with renewable biomass, reducing our carbon footprint. By 2008, we expanded into Green Tea at Radella Estate and in 2005, we invested in Mini Hydro Plants, all reinforcing our leadership and resilience. Additionally, converting debentures into 3.75 million shares boosted our financial stability.

### Thriving

We thrived by enhancing living conditions and prioritizing workforce well-being, demonstrating true environmental and social stewardship. In 2011, Rainforest Alliance certification underscored our commitment to sustainability, while the Presidential Award celebrated our outstanding replanting efforts and land management. Our dedicated actions not only propelled growth but also supported our people, preserved ecosystems and paved the way to industry leadership proving that a thriving company nurtures both people and the planet. In 2010, we became a home for every plantation worker.


**Advancing**

Our advancing journey is marked by impactful milestones and visionary initiatives. In 2013, we launched our first integrated report, reaffirming transparency and in 2018, we introduced the first rooftop solar project in the plantation sector, championing renewable energy. We also planted one million trees in 2013, demonstrating our commitment to conservation. By adopting advanced technology like electronic scales and web-based monitoring in 2015, along with aligning with UN Global Compact principles, we seamlessly blend sustainability and innovation. These strides propel us towards a resilient, eco-friendly future.

**Elevating**

We elevate our journey through innovation and excellence, highlighted by winning the 2019 National Business Excellence Award; the first agriculture company to achieve this honor. We rewarded shareholder trust with our highest-ever dividend and introduced the Block Management concept to optimize operations. Our commitment to employee well-being was further reflected in 2021 when we became the first plantation company certified as a Great Place to Work, underscoring our dedication to a thriving, progressive organization.

**Unparalleled**

From 2022 to 2025, we achieved record profit with 73% revenue growth, commissioned a state-of-the-art tea factory at Kiruwanaganga, launched eco-friendly glamping at Great Western, and expanded the Somerset Estate Tea Boutique. By 2025, we had earned over 99 awards, becoming Sri Lanka's most awarded corporate entity as recognized by LMD. Strengthening our organic tea segment at Great Western and Logie, we strategically acquired Hayleys Produce Marketing Limited for Rs. 7.5 million, reaffirming our commitment to innovation, excellence, and stakeholder well-being.

# Board of Directors

GRI 2-9


1. **Mr. A M Pandithage** - *Chairman - Executive Director*
2. **Dr. W G Roshan Rajadurai** - *Managing Director/Executive Director*
3. **Mr. N P Abeysinghe** - *Chief Executive Officer/ Executive Director*
4. **Mr. Malik J Fernando** - *Non-Executive Director*
5. **Mr. S L Athukorala** - *Non – Executive Director*
6. **Lt. Col. J M Kariapperuma** - *Independent Non-Executive Director*
7. **Mr. N Ekanayake** - *Senior Independent Non-Executive Director*
8. **Mr. M C B Talwatte** - *Independent Non-Executive Director*
9. **Mr. J D N Gunasekara** - *Non-Executive Director*
10. **Ms. H D K Randiligama** - *Independent Non-Executive Director*
11. **Mr. T M Hewagama** - *Non-Executive Director*
12. **Mr. Anura Weerakoon** - *Non - Executive Director*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# Board of Directors

### Mr. A M PANDITHAGE
*Chairman*

Appointed to the Board in July 2009

#### Key Skills and Experience

- Strategic leadership in corporate transformation and diversification
- Veteran leader in shipping, logistics and freight forwarding
- Widely respected for award-winning contributions to shipping, logistics, and freight forwarding sectors
- Honored as Business Leader of the Year 2025 by LMD
- First Sri Lankan to receive the Pinnacle lifetime Award from the Chartered Institute of Logistics and Transport
- Inducted as a Legend of Logistics by the Sri Lanka Logistics and Freight Forwarding Association

#### Professional Appointments

- **Chairman & Chief Executive** - Hayleys PLC since July 2009
- **Executive Chairman** - Haycarb PLC, Hayleys Fabric PLC, Singer (Sri Lanka) PLC, Hayleys Fibre PLC, Dipped Products PLC, Kelani Valley Plantations PLC, Horana Plantations PLC, Alumex PLC, The Kingsbury PLC and Hayleys Leisure PLC
- **Chairman & Executive Director** - Hayleys Produce Marketing Limited, Hayleys Plantation Services (Pvt) Ltd, TTEL Hydro Power Company (Pvt) Ltd, TTEL Somerset Hydro Power Company (Pvt) Ltd
- **Non-Executive Director** - Diesel & Motor Engineering PLC

#### Qualifications & Affiliations

- **Fellow Member** – The Chartered Institute of Logistics and Transport (UK)
- **Member** - The Advisory Council of the Ceylon Association of Shipping Agents (CASA)
- **Council Member** – The Employers' Federation of Ceylon
- **Honorary Consul** – The United Mexican States (Mexico) to Sri Lanka

*Number of Shares Held – Nil*

### Dr. W G ROSHAN RAJADURAI
*Managing Director*

Appointed to the Board in 2013

#### Key Skills and Experience

- Extensive expertise in plantation management and agribusiness
- Strong leadership in tea, rubber and plantation industries across High, Mid & Low elevations
- Policy development and industry representation
- Academic and research contributions in agriculture and plantation management
- Over 40 years of planting experience (since 1983)

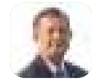
#### Professional Appointments

- **Managing Director/Executive Director** - Kelani Valley Plantations PLC, Horana Plantations PLC
- **Former Director/CEO** - Kahawatta Plantations (Dilmah)
- **Executive Director** - Hayleys Plantation Services (Pvt) Ltd, DPL Plantations (Pvt) Ltd, Hayleys Produce Marketing Ltd, TTEL Hydro Power Company (Pvt) Ltd, TTEL Somerset Hydro Power (Pvt) Ltd, Kelani Valley Resorts (Pvt) Ltd, Kalupahana Power Company (Pvt) Ltd, Mabroc Teas (Pvt) Ltd and Home for Every Plantation Worker Foundation (Guarantee) Ltd,
- **Chairman** – Ceylon Planters' Provident Society, the Consultative Committee on Estates of Tea Research Board
- **Board Chairman** - World Vision Lanka
- **Former Chairman** – International Chamber of Commerce
- **Board Member** – Tea Wages Board (Appointed by Minister of Labour), Tea Research Institute of Sri Lanka (TRI), Tea Small Holders Development Authority

#### Qualifications & Affiliations

- DSc. in Agriculture
- PhD. in Management
- MBA/MSc. in Agriculture & Plantation Crops (University of Peradeniya)
- MSc. in Organizational Behavior (OB)
- BSc. (Hons) in Plantation Management

*Number of Shares Held – 7,000*



### Mr. N P ABEYSINGHE
*Chief Executive Officer*

Appointed to the Board on 1st August 2025

#### Key Skills and Experience

- 38 years of experience in the plantation industry. Career began in 1988 as Assistant Superintendent at Sri Lanka State Plantations Corporation, then joined Talawakelle Tea Estates PLC at its inception (post-privatization) and advanced steadily through leadership roles
- Strong leadership in tea estate administration and agribusiness
- Proven ability to drive organizational growth and sustainability
- Deep industry knowledge built over nearly four decades
- Served as Director – Plantations, before appointment as Director/CEO in August 2025

#### Professional Appointments

- **Executive Director** - Hayleys Plantation Services (Pvt) Ltd, TTEL Hydro Power Company (Pvt) Ltd, TTEL Somerset Hydro Power Company (Pvt) Ltd

#### Qualifications & Affiliations

- MBA from the University of Southern Queensland (USQ), Australia

*Number of Shares Held – Nil*

### Mr. MALIK J FERNANDO

*Non-Executive Director*

Appointed to the Board in 1998

#### Key Skills and Experience

- Expertise in global tea industry and brand building
- Leadership in luxury hospitality and tourism development
- Strong commitment to sustainability, social justice, and environmental conservation
- Crisis management and industry coalition building
- **Founder** - Resplendent Ceylon Ltd and MJF Leisure, pioneering Sri Lanka's luxury hotel brand with resorts such as Ceylon Tea Trails, Wild Coast Tented Lodge, and Cape Weligama (Sole Sri Lankan members of Relais & Châteaux)
- **Founder** - Sri Lanka Tourism Alliance, recognized internationally for its private sector-led crisis recovery efforts after the 2019 Easter attacks

#### Professional Appointments

- **Chairman** - Resplendent Ceylon Ltd and MJF Leisure
- **Co-Chairman** - MJF Holdings Ltd and Dilmah Ceylon Tea (the first producer-owned tea brand, now sold in over 100 countries)
- **Non-Executive Director** - TTEL Hydro Power Company (Pvt) Ltd, TTEL Somerset Hydro Power Company (Pvt) Ltd and Hayleys Plantation Services (Pvt) Ltd

#### Qualifications & Affiliations

- B.Sc. in Business Management from Babson College, US

*Number of Shares Held – Nil*

### Mr. S L ATHUKORALA

*Non-Executive Director*

Appointed to the Board in 2016

#### Key Skills and Experience

- Over 40 years of expertise in management, finance, accountancy, auditing, consultancy and human resources
- Strong leadership in audit governance and financial oversight
- International experience in the field of finance and organizational management
- Retired international staff member of the Asian Development Bank (ADB), Manila, with extensive exposure across multiple Asian countries

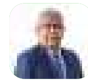
#### Professional Appointments

- **Audit Committee Chairman** – Hayleys Consumer Products Ltd, David Peiris Group of Companies and The Institute of Chartered Accountants of Sri Lanka
- **Former Audit Committee Chairman** - Talawakelle Tea Estates PLC (until Dec 2024), currently serving as a member
- **Member** – Audit Advisory Committee of UNICEF
- **Member** – Audit Committee of Assetline Finance Limited

#### Qualifications & Affiliations

- **Fellow Member** – Institute of Chartered Accountants of Sri Lanka
- **Fellow Member** – Chartered Institute of Management Accountants (CIMA), UK
- **MBA** – University of Warwickshire, UK
- **Certified Management Accountant** – Australia

*Number of Shares Held – Nil*



### Mr. N EKANAYAKE

*Senior Independent Non-Executive Director*

Appointed to the Board in 2024

#### Key Skills and Experience

- Over 30 years of post-qualifying experience in finance, management, IT, and procurement
- Expertise in corporate restructuring, divestment projects, and financial leadership
- Strong governance and strategic leadership in construction and plantation sectors
- International exposure through senior roles in Sri Lanka and Vietnam

#### Professional Appointments

- **Chairman** - Siam City Cement (Lanka) Ltd, Mahaweli Marine (Pvt) Ltd [90% owned subsidiary of Siam City Cement (Lanka) Ltd], Insee Ecocycle Lanka (Pvt) Ltd [fully owned subsidiary of Siam City Cement (Lanka) Ltd]
- **Senior Independent Director** – Kelani Valley Plantations PLC and Hayleys Fabric PLC
- **Former Vice President** – Holcim Lanka Ltd, Colombo
- **Former General Manager** – Ruhunu Cement Co. Ltd, Colombo
- **Former Finance Director** – Holcim (Vietnam) Ltd, Ho Chi Minh City

#### Qualifications & Affiliations

- **Fellow Member** – Institute of Chartered Accountants of Sri Lanka (FCA)
- **Associate Member** – Certified Practicing Accountants (CPA), Australia
- **Fellow Member** – Institute of Certified Management Accountants of Sri Lanka (FCMA)
- **Alumni** – London Business School, UK and IMD Business School, Switzerland

*Number of Shares Held – Nil*

# Board of Directors

## Lt. Col. J M KARIAPPERUMA

*Independent Non-Executive Director*

Appointed to the Board in 2020

### Key Skills and Experience

- 36 years of expertise in the plantation industry
- 30 years in senior corporate management roles
- Strong leadership in production, marketing, and manufacturing operations
- Experience in organizational governance and crisis management
- Cross-sector involvement in plantations, hospitality, and sports administration

### Professional Appointments

- **Director General** – BMICH and Bandaranaike National Memorial Fund
- **Former Board Member** – Vallibel Plantation Management Ltd., Uni-Dil Packaging Ltd., Plantation Human Development Trust
- **Former Consultant** – Sri Lanka Cricket (Women's Cricket Operations & Development)
- **Former Manager** – Sri Lanka National Men's Cricket Team (2021, including World Cup in UAE)
- **Former Director & CEO** - Horana Plantations PLC (2013–2020)
- **Former Head of Produce & Marketing** – Hapugastenna Plantations PLC and Udapussellawa Plantations PLC (Finlays Tea Estates Lanka Ltd.)
- **Former Manufacturing Advisor** – Balangoda Plantations PLC

### Qualifications & Affiliations

- Completed General Management Programme at the Business School of the National University of Singapore (NUS)
- Commissioned Lieutenant Colonel in the Sri Lanka Army Volunteer Force ( Current Professional Officer)

*Number of Shares Held – Nil*

## Mr. M C B TALWATTE

*Independent Non-Executive Director*

Appointed to the Board in 2024

### Key Skills and Experience

- Over 20 years of management and leadership experience
- Expertise in project management, innovation, and entrepreneurship
- Strong background in technology, healthcare, and tourism ventures
- Proven ability to scale businesses and attract acquisitions by listed companies
- **Founder** - Credence Genomics (pvt) Ltd,
- **Co - Founder** - UPay

### Professional Appointments

- **Independent Non-Executive Director** – Horana Plantations PLC and Kelani Valley Plantations PLC
- **Chairman**– George Keyt Foundation (Sri Lankan art promotion)
- **Former Chairman** – Sri Lanka Broadcasting Corporation, Life Line Pharmaceuticals
- **Director** – Saffron Leisure (Pvt) Ltd, Plush Villas
- **Former Project Manager** - Nortel Networks (Malaysia & Sri Lanka)

### Qualifications & Affiliations

- **B.Eng (Hons) in Manufacturing Systems Engineering** – University of Warwick, UK
- **MSc. in Engineering Business Management** – University of Warwick, UK

*Number of Shares Held – 1,200*

## Mr. J D N GUNASEKARA

*Non-Executive Director*

Appointed to the Board in 2024

### Key Skills and Experience

- Nearly 30 years of senior leadership across finance, strategy, governance, and general management, with extensive international exposure.
- Proven track record across FMCG, retail, leisure, plantations, apparel, renewable energy, and financial services, driving business, transformation, ERP implementations, AI-enabled automation, analytics, M & A and investor relations
- Strong background in corporate governance, risk management, compliance, and Board leadership, combined with hands-on expertise in data analytics, dashboarding, and technology-enabled decision-making

### Professional Appointments

- **Executive Director** – Dilmah Ceylon Tea Company PLC since October 2020
- **Group Finance Director & Executive Board Member** – MJF Group
- **Senior Independent Director** – Bank of Ceylon
- **Board Audit Committee Chair** – Bank of Ceylon
- **Chairman** – Integrity & Ethics Committee of the International Chamber of Commerce
- **Former Chief Financial Officer** – MJF Group / Dilmah Ceylon Tea Company PLC
- **Former Head of Corporate Planning & Reporting** – Brandix Mercury Asia Ltd
- **Former Vice President Finance & Accounting** – FRP Services & Company (Japan) Ltd
- **Former Senior Leadership Team Member** – AVIVA Global Services (UK & Sri Lanka Operations)
- **Executive Committee Member** – Policy Advocacy Committee, ICC Sri Lanka

### Qualifications & Affiliations

- **Fellow Member** – Chartered Institute of Management Accountants (CIMA), UK
- **Fellow Member** – Association of Chartered Certified Accountants (ACCA), UK
- **Chartered Global Management Accountant (CGMA)** – American Institute of Certified Public Accountants (AICPA), USA
- **B.Sc. degree** – University of Sri Jayewardenepura
- **Postgraduate Diploma in Marketing** – Chartered Institute of Marketing (CIM), UK
- Additional qualifications in ISO, Lean Sigma, and related disciplines

*Number of Shares Held – Nil*

## Ms. H RANDILIGAMA

*Independent Non-Executive Director*

Appointed to the Board in 2024

### Key Skills and Experience

- Expertise in procurement, inventory control and supply chain management
- Strong leadership in business strategy & process transformation, ERP implementation and capability development
- International exposure in Australia and New Zealand across multiple industries
- Proven track records in both local and multinational organizations

### Professional Appointments

- **Group Director** - Supply Chain & Business Excellence of Vallibel One PLC
- **Board Member** – Board of Investment of Sri Lanka (BOI), Hayleys Leisure PLC, National Apprentice and Industrial Training Authority (NAITA), Sri Lanka
- **Career journey** - MAS Holdings, Silueta Pvt Ltd, Dialog Axiata PLC, Hayleys Dipped Products PLC
- **International roles** - Teys Australia, Wesfarmers Industrial & Safety Australia, and EnerSys Australia & New Zealand

### Qualifications & Affiliations

- **MBA in Business Administration** – Postgraduate Institute of Management (PIM), Sri Lanka
- **Bachelor's Degree in Business Management Special in Accountancy** – University of Kelaniya, Sri Lanka

*Number of Shares Held – Nil*

## Mr. MILINDA HEWAGAMA

*Non-Executive Director*

Appointed to the Board on 5th May 2025

### Key Skills and Experience

- Two decades of experience in finance management, corporate reporting, budgeting, financial planning and analysis
- Strong leadership in embedding sustainability and ESG across operations
- Proven track records in advancing corporate reporting and governance standards
- Strategic contribution to organizational growth and direction

### Professional Appointments

- **Current Group Chief Financial Officer** – Hayleys PLC (responsible for Group's Financial reporting, Environmental, ESG, Tax, Risk & safety and Corporate secretarial function)
- **Member** - Hayleys Group Management Committee (GMC) (Joined Hayleys in 2010; appointed to GMC in 2023. Key role in driving Hayleys' ESG agenda and enhancing corporate reporting practices)
- **Director** – The Kingsbury PLC, Hayleys Leisure PLC, Kelani Valley Plantations PLC
- **Board Member** – United Nations Global Compact Network of Sri Lanka
- **Former Member** – Corporate Governance Committee of CA Sri Lanka, contributing to the Code of Best Practice in Corporate Governance 2023

### Qualifications & Affiliations

- **MBA** – University of Colombo
- **BBA (Special) in Finance** – University of Colombo
- **Member** – Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka)

*Number of Shares Held – Nil*

## Mr. ANURA WEERAKOON

*Non-Executive Director*

Appointed to the Board on 15th September 2025

### Key Skills and Experience

- Over 41 years of experience in the plantation industry
- Strong leadership in estate administration and corporate governance
- Proven ability to implement modern management practices and operational improvements
- Recognized for pioneering system development strategies in plantation management

### Professional Appointments

- **Former Chief Executive Officer/Executive Director** - Kelani Valley Plantations PLC (appointed December 2018)
- **Non-Executive Director** – DPL Plantations (Pvt) Ltd
- **Director** - Kelani Valley Resorts (pvt) Ltd and Mabroc Teas (pvt) Ltd
- **Former Director** – Malwatte Valley Plantations PLC

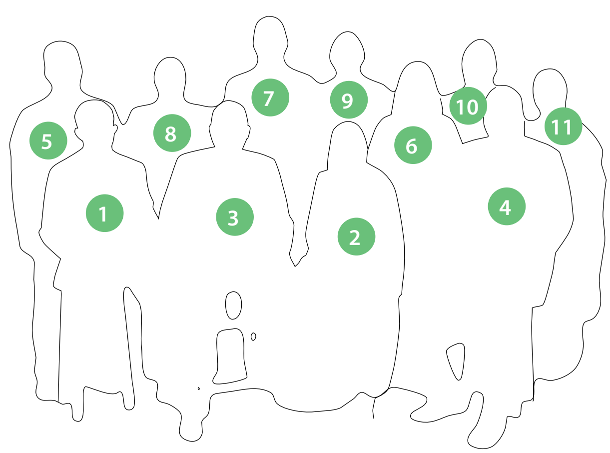
### Qualifications & Affiliations

- Extensive expertise in plantation management and system development strategies
- Specialized in introducing modern management systems to the plantation sector

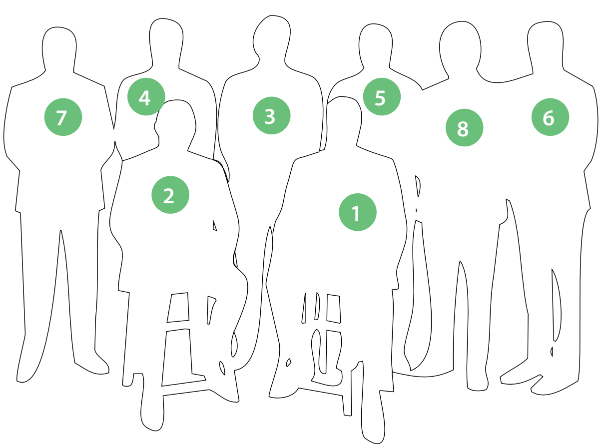
*Number of Shares Held – Nil*

# Corporate Management

1. **Mr. M T D Rodrigo** - *Director - Strategic Performance Management*
2. **Mrs. V A Perera** - *Director - Finance*
3. **Mr. G K Wijesekera** - *Director - Plantations (Up Country)*
4. **Mr. P G G Jayathilake** - *Director - Plantations (Low Country)*
5. **Mr. R A K S Chathuranga** - *General Manager - Sustainability & Quality Systems Development*
6. **Ms. S K Dharmasekara** - *Deputy General Manager - Human Resources*
7. **Mr. M E Suraweera** - *Senior Manager - Management Information Systems*
8. **Mrs. M D Mendis** - *Senior Manager - Accounts*
9. **Mr. Y M S R Yapa** - *Senior Manager - Marketing*
10. **Mr. K W Jayantha** - *Manager - Finance*
11. **Mrs. P L N S Sumathipala** - *Manager - Business Analytics*



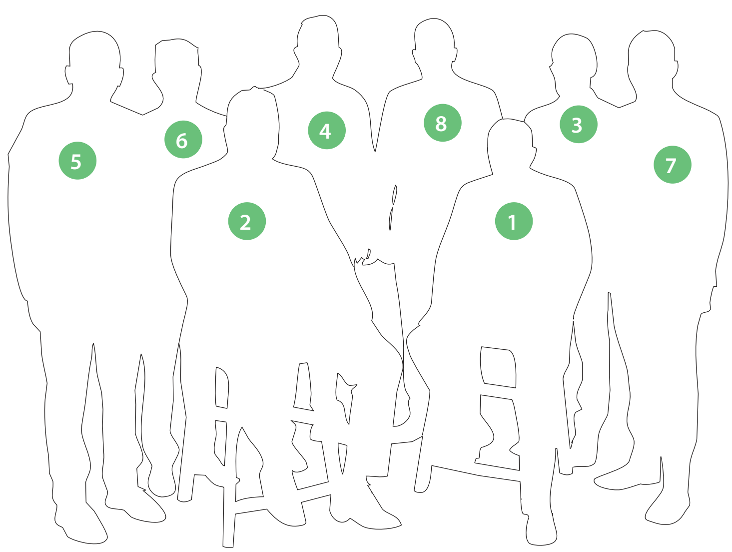
# Estate Management



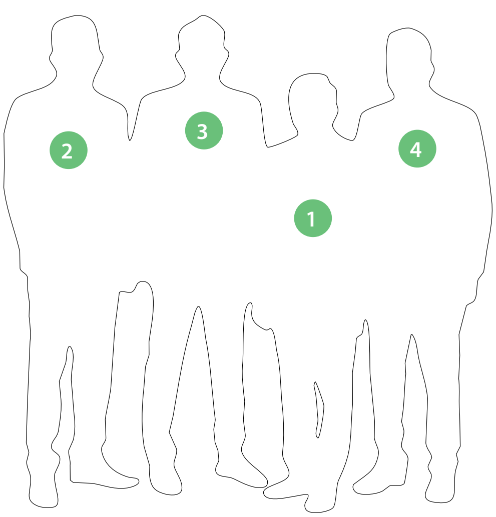

1. **Mr. E S B A Egodawela -** *Senior Deputy General Manager -Bearwell Estate*
2. **Mr. A G R M S Ranaweera -** *Deputy General Manager - Great Western Estate*
3. **Mr. D W A Jayathilake -** *Senior Group Manager - Mattakelle Estate*
4. **Mr. S G N N Kumara -** *Senior Group Manager - Wattegodde Estate*
5. **Mr. U B Udawatte -** *Senior Manager - Palmerston Estate*
6. **Mr. T H D Hulangamuwa -** *Manager - Logie Estate*
7. **Mr. V S Kanna - Manager -** *Holyrood Estate*
8. **Mr. G G K S Pathirana -** *Manager - Sustainability & Quality Systems Development*

# Estate Management

1. **Mr. D M G B Dassanayake** - *Snr. Deputy General Manager - Agro Forestry and Projects*
2. **Mr. D M A S Dissanayake** -*Deputy General Manager - Clarendon Estate*
3. **Mr. V P Pelpola** - *Senior Manager - Dessford Estate*
4. **Mr. I S I Mohamed** - *Senior Manager - Somerset Estate*
5. **Mr. S Ramar** - *Senior Manager - Human Resource Development*
6. **Mr. W D Jayasinghe** - *Manager - Wangi Oya Re-Processing Centre*
7. **Mr. A B Kodagoda** - *Manager - Calsay Estate*
8. **Mr. P A D Amalka Dilshan** - *Acting Manager - Radella Estate*



1. **Mr. K M N Prasan** - *Senior Manager - Deniyaya Estate*
2. **Mr. P A R R Pathiraja** - *Manager - Indola Estate*
3. **Mr. D I N I De Silva** - *Manager - Moragalla Estate*
4. **Mr. D H K Gorakana** - *Acting Manager - Kiruwanaganga Estate*



# Our Value Creation Model

## Shared Capital Inputs

Drawing financial, natural, human, intellectual, manufactured & social capitals from both the organisation & the wider stakeholder ecosystem to support sustainable value creation.

### INPUTS - The Resources and Relationships We Depend On – from Society and Organisation

#### Financial Capital

- Rs. 7,615 Mn Equity Base
- Rs. 494 Mn Total Debt

Pages 134-141

#### Manufactured Capital

- 16 Estates and 15 Tea Factories
- Green Building Certified Tea Factory
- 06 Solar Rooftop Units (800 + kW)
- 03 Mini-Hydropower Plants

Pages 142-147

#### Intellectual Capital

- Number 1 RPC – HG, LG & National
- Organic Tea Certification
- RA • ISO 22000 • ISO 14001 Certifications
- 7 Standardised Management Systems
- AI Powered Digital Support System

Pages 148-157

#### Social & Relationship Capital

- Rs. 120.79 Mn Community Investment (FY 25/26)
- 7 Tea Brokers
- 1,796 Bought-leaf Suppliers
- Partnership with Organic Tea Buyers and Consultants

Pages 158-171

#### Human Capital

- Knowledge, Skills & Abilities of 4,849 Employees
- Rs. 3,731 Mn Total Remuneration
- Experience and Diverse Leadership Team
- Average 2.17 hrs Training per Employee
- Total Recruitment for the Year 906 Employees

Pages 172-189

#### Natural Capital

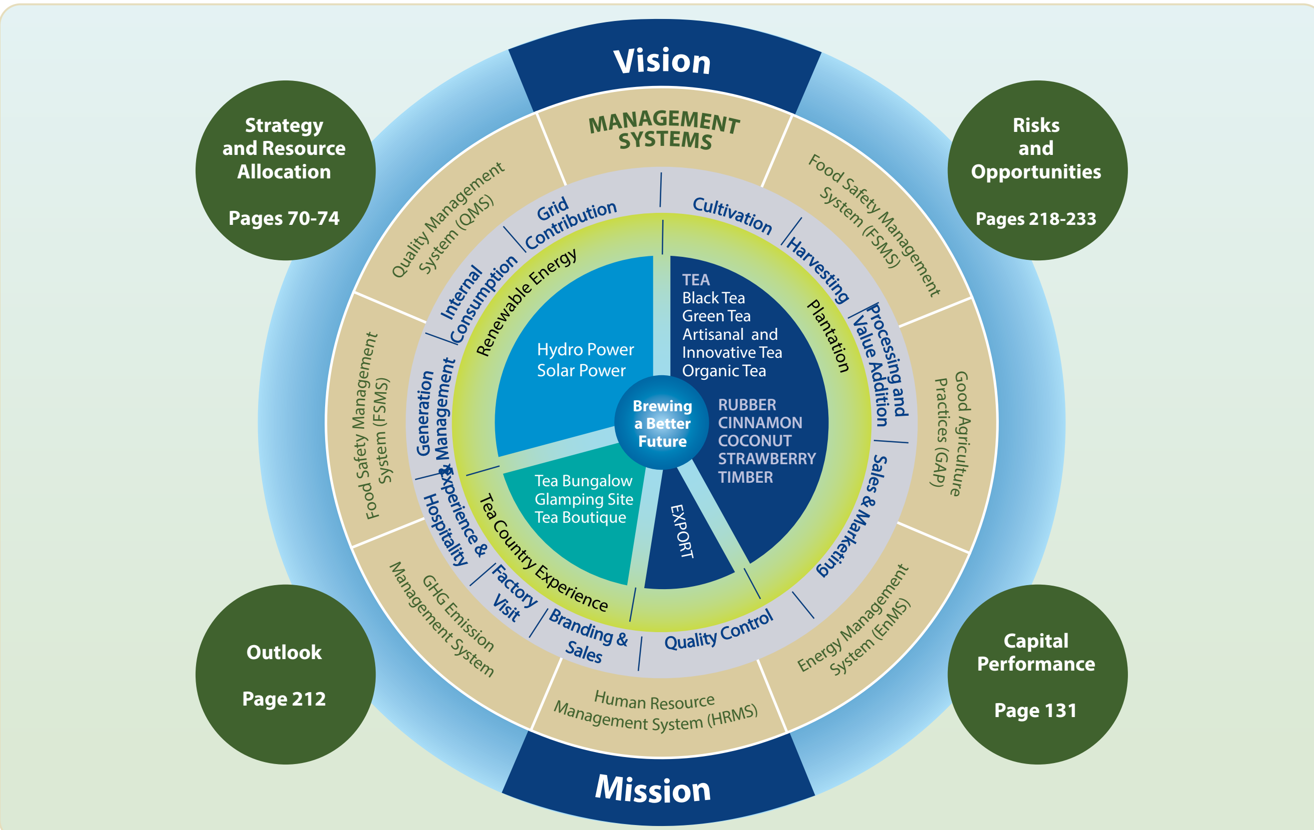
- Rs. 50.13 Mn Environmental Investment
- Rs. 89.01 Mn Climate Align Capital Expenditures
- 3.57 ha Forest Area Restored / Rehabilitate
- Initiated "Payment for Eco-System" Project

Pages 191-211

## Value Created Through Operations

Transforming multiple capital inputs into premium teas, renewable energy, and immersive tea-experience services through sustainable and value-driven operations.

### VALUE CREATION - How We Apply Our Resources and Capabilities




### OUTPUT

| | |
|---|---|
| Plantation | Black Tea 5,058 MT \| Green Tea 269 MT \| Rubber 46.2 MT \| Cinnamon 16 MT \| Organic Tea \| Value Added Tea |
| Renewable Energy | Hydro Generation 6,991,310 kWh \| Solar Generation 879,924 kWh |
| Others | Rs. 7.9 Bn Revenue Generation \| 24,948 $tCO_2e$ Emission \| 474 Kg Waste Recycle |

OPERATING ENVIRONMENT

## Shared Value Outcomes

Creating sustainable value for the organisation, stakeholders, and the external environment through short-, medium-, and long-term outcomes across all capitals.

### OUTCOMES - How We Create, Preserve and Erode Value

#### Organisation

**Financial Capital**

- ▲ Revenue Growth via Certified-Tea Premiums (S) (M) (L)
- ● Strong Financial Position Maintained (M) (L)
- ▼ Decline in Return on Equity (ROE) from 18.33% to 12.58% (S) (M)

**Manufactured Capital**

- ▲ Factory Upgrades & Renewable Energy Returns (M) (L)
- ● Estate Infrastructure Asset Base Maintained (M) (L)
- ▼ Acute Climate Events: Infrastructure Damage (S) (M)

**Intellectual Capital**

- ▲ Recognition as a Certified Organic Tea Producer (M) (L)
- ● Number 1 RPC – High Grown, Low Grown & National Maintained (S) (M) (L)
- ▼ R&D Needed to Sustain Cultivar Leadership (L)

**Social & Relationship Capital**

- ▲ Community Development Initiatives Enhanced (M) (L)
- ● Maintained 92% of Buyer Satisfaction (S) (M) (L)
- ▼ Socioeconomic Pressures: Community Tension Risk (M) (L)

**Human Capital**

- ▲ RSM Housing & Welfare Uplift Enhanced Quality of Life of Employees (S) (M) (L)
- ● Estate Clinics, Schools, Community Maintained (M) (L)
- ▼ Workforce Availability Constraints (M) (L)

**Natural Capital**

- ▲ Fertilizer Related Emission Reduced by 15.3% (M) (L)
- ● Natural Water Sources Protected Across Estates (L)
- ▼ Energy Consumption Increased by 5.7% (S) (M)

#### Impact to Society

**Value to Shareholders**
Increased shareholder value

**Value to Regulators**
Contribution through tax payments, and regulatory compliance

**Value to Customers**
Product quality, and confidence in sustainably produced tea

**Value to Estate Communities**
Affected to stable living and working conditions

**Value to Customers**
Greater confidence in certified premium tea quality, and market leadership

**Value to Shareholders**
Enhanced brand value through certification and innovation leadership

**Value to Communities**
Community wellbeing, social support, and long-term relationship stability

**Value to Buyer**
Greater confidence in sustained service quality

**Value to Employees**
Improved wellbeing, welfare, and quality of life

**Value to Estate Communities**
Sustained access to estate clinics, schools, and community infrastructure

**Value to Ecosystem**
Improved environmental sustainability through reduced emissions and protection of natural water sources

**Value to Regulators**
Greater support for environmental compliance and climate-related sustainability commitments

### Connecting Value Creation

Our business model should be read together with the following sections, which provide deeper insight into the Tradeoff, stakeholder priorities and future direction that shape how we create, preserve and sustain value.

**Trade-Offs**

Balancing short-term operational and financial needs with long-term environmental, social and strategic outcomes.

Pages 141, 147, 157, 171, 189, 211

**Stakeholder Engagement**

Shows how stakeholder expectations are identified, prioritised and reflected in material matters, strategy and business decisions.

Pages 61-65

**Future Outlook**

Outlines how the business model will adapt to key trends that will shape our future and guide our strategic responses.

Pages 141, 147, 157, 171, 189, 211

Gross exposure of Rs. 447.9 Mn was reduced to a net P&L impact of Rs. 285.6 Mn through strategic management interventions, creating a financial gap value of Rs.162.3 Mn linked to audited financial accounts.

- CRR-1 Transition
- CRR-2 Acute
- CRR-3 Chronic
- SRR-1 Labour
- SRO-1 Biodiversity

*Scan QR code for the Digital version of our Business Model*

INTERNAL ENVIRONMENT – Corporate Governance Page 234

MICRO ENVIRONMENT – Risk & Opportunity Management Page 218

MACRO ENVIRONMENT – The Future Navigator (Sustainable Business Agenda) Page 78

(S) Short Term | (M) Medium Term | (L) Long Term | ▲ Value Created | ● Value Preserved | ▼ Value Eroded

# Integrated Capital Position Statement

Capital Performance Comparison: FY 2025/26 vs. FY 2024/25

| ↑ Value Created | ↓ Value Eroded | - Value Preserved |
|---|---|---|

| Capital Performance Indicator | | FY 2024/25 | FY 2025/26 | Movement | Approach to Manage Capital |
|---|---|---|---|---|---|
| Financial Capital | Total Equity (Rs. Mn) | 7,102.32 | 7,615.47 | ↑ 7.23% | Financial capital is managed through disciplined budgeting, prudent treasury management, optimised capital allocation and effective working capital management to support sustainable growth and long-term value creation. |
| | Total Debt (Rs. Mn) | 491.44 | 494.21 | ↓ 0.56% | |
| | Earnings per Share (Rs.) | 26.00 | 19.50 | ↓ (Rs.6.50) | |
| | Net Asset per Share (Rs.) | 149.52 | 160.33 | ↑ Rs.10.81 | |
| | Net Cash from Operations (Rs. Mn) | 1,512.93 | 1,492.48 | ↓ (1.35%) | |
| | Return on Equity (ROE) % | 18.33 | 12.58 | ↓ (31.37%) | |

| Capital Performance Indicator | | FY 2024/25 | FY 2025/26 | Movement | Approach to Manage Capital |
|---|---|---|---|---|---|
| Manufactured Capital | Number of Operating Estates | 16 | 16 | - | Manufactured capital is strengthened through continuous investments in estate infrastructure, and value-added processing capabilities aimed at enhancing operational efficiency, improving product quality and sustaining the tea manufacturing operations. |
| | Number of Operating Factories | 15 | 15 | - | |
| | Mature/Immature Hectarage — Tea | 3,912.76 | 3,881.14 | ↓ (0.81%) | |
| | Mature/Immature Hectarage — Other Crops | 1,221.60 | 1,086.48 | ↓ (11.06%) | |
| | Investment in Capital Expenditure (CAPEX) (Rs. Mn) | 633.60 | 681.75 | ↑ 7.60% | |
| | Total Assetes (Rs.Mn) | 10,891 | 11,775 | ↑ 8.12% | |

| Capital Performance Indicator | | FY 2024/25 | FY 2025/26 | Movement | Approach to Manage Capital |
|---|---|---|---|---|---|
| Intellectual Capital | Management System Certifications | 14 | 16 | ↑ 2 | Strengthening innovation, certifications, brand equity and knowledge-based capabilities to enhance product differentiation, operational excellence and sustainable value creation. |
| | HG, LG and overall GSA raking among RPC | 1 | 1 | - | |
| | Number of Research & Development Centers | 1 | 1 | - | |
| | Specialty / Innovative Tea Grades Introduced | 4 | 3 | ↑ 3 | |
| | Top Price Rankings (Nos.) | 223 | 219 | ↓ (4.00) | |
| | ESG Rating / Score | 97% / AA | 98% / AA | ↑ 1% | |

| Capital Performance Indicator | | FY 2024/25 | FY 2025/26 | Movement | Approach to Manage Capital |
|---|---|---|---|---|---|
| Social & Relationship Capital | Number of Buyers | 238 | 314 | ↑ 76 | Strengthening innovation, certifications, brand equity and knowledge-based capabilities to enhance product differentiation, operational excellence and sustainable value creation. |
| | Investment in Community Development (Rs. Mn) | 119.00 | 120.79 | ↑ 1.50% | |
| | Customer Satisfaction Rate (%) | 92 | 92 | - | |
| | Number of Approved Suppliers | 2,157 | 2,395 | ↑ 238 | |
| | Value Shared to Government (Rs. Mn) | 543.25 | 446.37 | ↓ 17.83% | |
| | Value Shared to Employees (Rs. Mn) | 3,712.29 | 3,973.26 | ↑ 7.03% | |

| Capital Performance Indicator | | FY 2024/25 | FY 2025/26 | Movement | Approach to Manage Capital |
|---|---|---|---|---|---|
| Human Capital | Number of Employees | 5,247 | 4,849 | ↓ (398) | Developed through continuous investments in employee wellbeing, workplace safety, skills development and inclusive people practices aimed at building a motivated, resilient and productive workforce that supports sustainable operational performance. |
| | Employee Turnover Rate (%) | 3.40 | 7.60 | ↑ 123.53% | |
| | Employee Retention Rate (%) | 96.60 | 92.4 | ↓ (4.35%) | |
| | Total Tarining Hours | 25,018 | 29,496.50 | ↑ 17.90% | |
| | % of Women in Workforce | 53.54% | 52% | ↓ (2.88%) | |
| | Investment in Tarining (Rs. Mn) | 11.04 | 15.66 | ↑ 41.85% | |

| Capital Performance Indicator | | FY 2024/25 | FY 2025/26 | Movement | Approach to Manage Capital |
|---|---|---|---|---|---|
| Natural Capital | Solar power Capacity (kWp) | 899.60 | 899.60 | - | Natural capital is managed through responsible environmental stewardship, sustainable land management and continued investment in renewable energy, biodiversity conservation and climate resilience initiatives to minims environmental impacts and support sustainable plantation operation. |
| | Hydro Power Capacity (MW) | 2.1 | 2.1 | - | |
| | Scope 1 GHG Emission (t$CO_2$e) | 9,335.75 | 8,473.88 | ↑ (9.23%) | |
| | Renewable Energy Generation (Gj) | 30,848 | 28,336 | ↓ (8.14%) | |
| | Investment in Environmental Initiatives | 58.30 | 50.13 | ↓ (14.01%) | |
| | Water Discharge Quality Compliance | 97% | 98% | ↑ (1.03%) | |

# Our Approach to Integrated Thinking and Value Creation

As a purpose-driven organisation, we are dedicated to generating value for both our organisation and all stakeholders through holistic, integrated decision-making. We move beyond conventional sustainability embedding regenerative thinking into every dimension of our business to create a net-positive impact on nature, people and economy.

### Understanding Business Purpose "Brewing a Better Future"

Our commitment is to regenerate ecosystems, uplift livelihoods, and create shared value going beyond compliance to sustainability leadership.

*ReGen Agenda 2030 - Page 78*

### Operating Context

Plantation sector dynamics, climate trends, regulatory shifts and global tea market evolution shaping our strategic landscape

*Page 54*

### Stakeholder Engagement

Open, structured engagement across our full value chain from estate communities to global buyers to co-create solutions.

*Page 61*

### Risk & Opportunities

Proactively identifying physical and transition climate risks while harnessing opportunities for resilience and regenerative growth.

*Pages 218 - 233*

### IDENTIFYING WHAT MATTERS MOST: Our Double Materiality Lens

Company

Impact Materiality

People, Planet & Economy teriality

Financial Materiality

*Page 91*

### INTEGRATED STRATEGY AND RESOURCE ALLOCATION

*Page 70*

**Guided by integrated thinking and double materiality, we allocate resources across the six capitals — balancing economic advancement with ecological integrity and social well-being.**

**Financial Capital**
Equity & debt fuelling regenerative growth

**Manufactured Capital**
16 estates, 15 factories, hydro & solar assets

**Intellectual Capital**
Ranked #1 RPC, 7 management system certifications

**Social & Relationship Capital**
Community investment, buyer relationships, bought-leaf network

**Human Capital**
Estate workforce skills, wellbeing and gender-inclusive leadership

**Natural Capital**
Biodiversity, forests, watersheds, soil health SBTN-targeted

### INTEGRATED STRATEGY AND RESOURCE ALLOCATION

*Page 70*

**Plantation**

Core tea cultivation and processing across 16 estates Rainforest Alliance certified, regenerative agriculture practices embedded.

**Renewable Energy**

Mini-hydro and rooftop solar generation 3 hydro plants, 6 solar units powering the Net Zero 2050 transition.

**Tea Tourism**

Immersive tea-estate experiences glamping, bungalows, factory tours diversifying revenues and showcasing Sri Lanka's heritage.

### CORPORATE GOVERNANCE

*Page 234*

**Risk through Governance**

Proactively identifying and mitigating risks climate, social and regulatory while harnessing opportunities for resilience.

*Page 246*

**Ethical Conduct & Accountability**

Board oversight ensures ethical conduct, accountability and alignment with core values at every level of operation.

*Page 246*

### Sustainable Value Creation

for Organisation & Realisation of Stakeholder Expectations
Our commitment to stakeholder engagement is central to achieving positive returns, fostering sustainable impact and delivering shared value across all six capitals.

*ReGen Agenda 2030 - Page 50*

### Reporting Frameworks & Standards Alignment

- **International <IR> Framework** — Integrated Thinking & Value Creation
- **GRI Universal & Sector Standards** — GRI 13 Agriculture — Double Materiality
- **SLFRS S1 & S2** — Sustainability-related Financial Disclosures
- **TNFD v2.0 (LEAP)** — Nature-related Financial Disclosures

### ReGen Agenda 2030 — ESG Integration

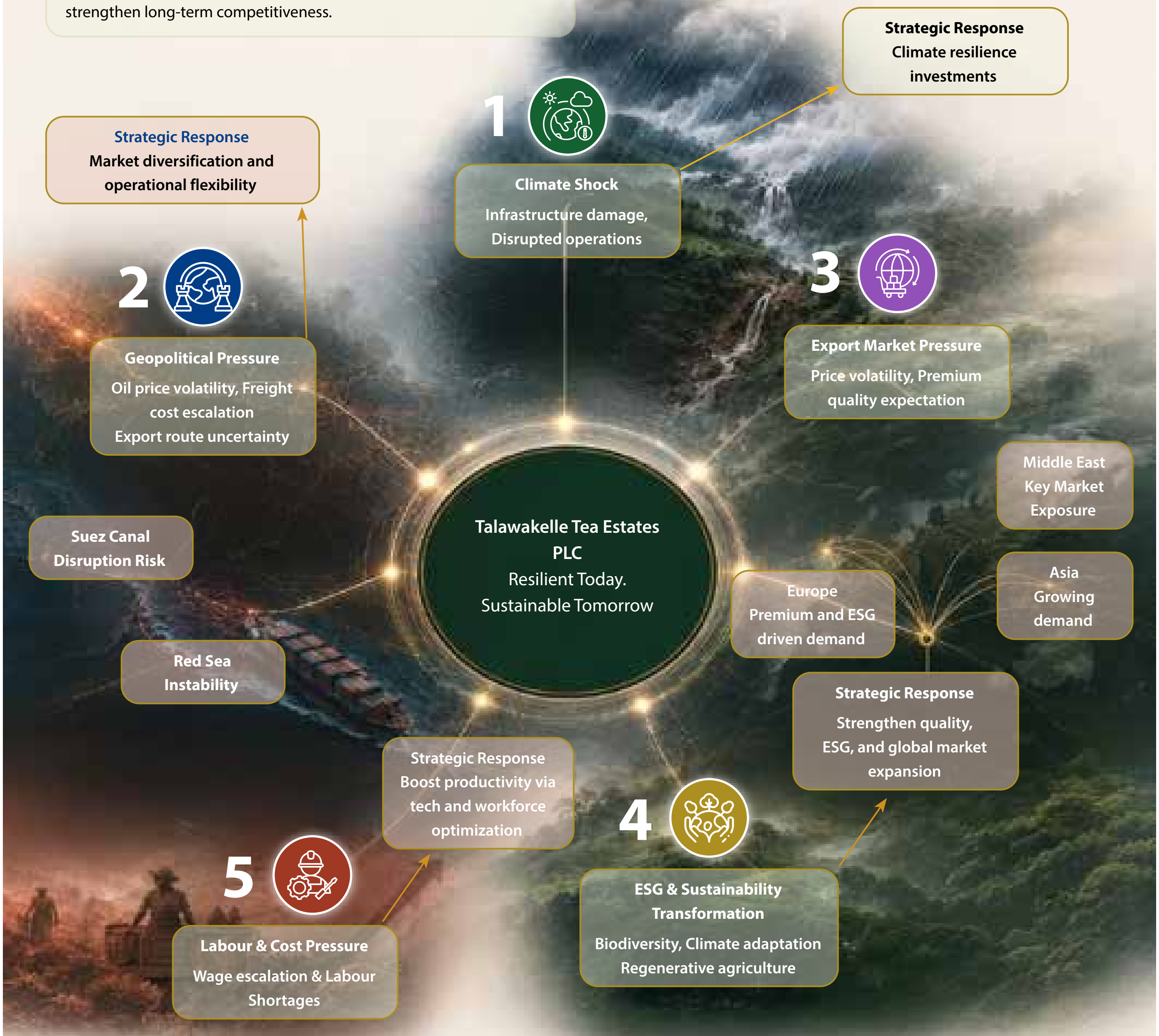
| ENVIRONMENT | SOCIAL | GOVERNANCE |
|---|---|---|
| 5 pillars | 5 pillars | 5 pillars |
| Nature-positive | People-first | Ethical leadership |

*15 pillars - 2030 Horizon - Page 78*

# Operating Environment

## Navigating Climate Extremes, Geopolitical Volatility and Structural Transformation

FY 2025/26 was marked by climate, economic, geopolitical, and labour challenges. Talawakelle Tea Estates PLC responded with resilience, diversification, and sustainability-led strategies to protect value and strengthen long-term competitiveness.




**Strategic Implications**

| Build Climate Resilience | Defend Premium Positioning | Diversity and stabilize |
|---|---|---|
| Investing in climate-smart agriculture. | Strong buyer trust drive premium pricing. | Hydropower and diversification |

Despite increasing climate and geopolitical complexity, Talawakelle Tea Estates PLC continues to strengthen operational resilience, premium market positioning and long-term sustainability integration.

# Where Forces Shape Futures

Talawakelle Tea Estates operates at the intersection of global forces and highland realities. From the aftermath of Cyclone Ditwah to geopolitical trade disruptions and a transformative wage regime, the operating environment in FY 2025/26 demanded extraordinary resilience — and TTE delivered. Despite these pressures, TTE maintained revenue growth, achieved record auction pricing and demonstrated structural resilience through quality leadership, diversification and a sustainability-driven strategy. This analysis connects the macro to the operational, the external to the strategic, and the present to the long term.

## FY 2025/26 Key Performance Indicators

| Rs. 7,851 Mn | Rs. 1,338.07/kg | 5.69 Mn kg | Rs. 1,352 Mn |
|---|---|---|---|
| Group Revenue | Record Auction GSA | Total Tea Production | Profit Before Tax |
| ↑ 0.58% YoY | ↑ Rs.170.36 above national | ↓ 3.0% BL Purchases | ↓ 24% vs prior year |

## Section 01 The Strategic Lens

We assess the external environment not as background context, but as a strategic lens through which every capital allocation, operational decision and value-creation choice must be evaluated. FY 2025/26 was defined by compounding forces — natural, geopolitical, economic, regulatory, social and technological that tested the structural resilience of our plantation model while simultaneously surfacing durable opportunities for those willing to lead rather than react.

The fact that TTE maintained revenue growth, achieved record auction pricing and improved its gross profit margin in this environment is evidence of a business model with genuine structural depth.

| |
|---|
| **No. 1** RPC National Ranking |
| **16 Estates** Across Upcountry & Low-country |
| **4,849** Employees & Estate Community |
| **7 Certifications** Management System Standards |
| **Rs. 170.36/kg** Premium above national average |

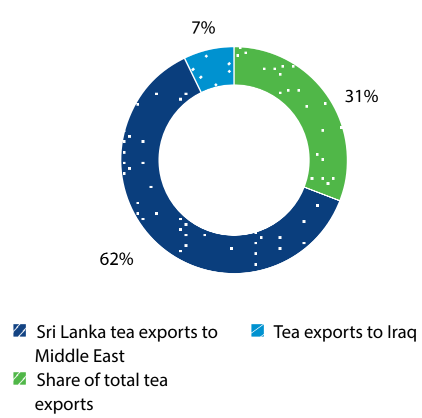
## Section 02 Six Forces Shaping Our Operating Environment

**POLITICAL**
A Fractured Global Order Straining Global Trade Routes

The operating environment during FY 2025/26 was significantly influenced by geopolitical tensions and global trade disruptions. Escalating conflicts in the Middle East and disruptions to key maritime routes increased shipping costs, energy prices, and supply chain volatility, creating cost pressures across agricultural industries. Rising energy costs also contributed to higher fertilizer prices, placing additional strain on plantation sector profitability through increased input costs.

For Sri Lanka's plantation sector, these global pressures were compounded by export market disruptions in key destinations, logistical constraints, and elevated operating costs. At the same time, increasing sustainability regulations and trade requirements in international markets accelerated the need for enhanced traceability, value addition, and environmentally sustainable practices. These developments reinforced the sector's strategic focus on diversification, premiumisation, and building long-term resilience.

**Dependence on Middle East Markets**

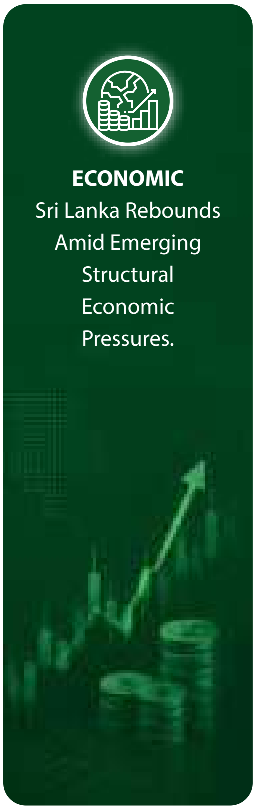



**Risk:** Supply chain disruptions and export market volatility

**Opportunity:** Market diversification and value-added product expansion

**Signal Intensity:** (High) Geopolitical fragmentation increases short-term uncertainty but drives long-term resilience through diversification and value addition.

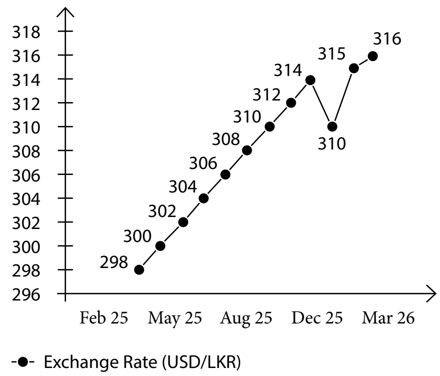
# Operating Environment




Sri Lanka's economy recorded a notable recovery during FY 2025/26, supported by improving macroeconomic stability, easing inflationary pressures, lower interest rates, and strengthening investor confidence under the IMF-led reform programme. Improved fiscal performance, stronger foreign exchange inflows, and greater exchange rate stability contributed to a more predictable operating environment for export-oriented industries, including the plantation sector. Lower inflation and easing financing conditions also helped moderate cost and funding pressures during the year.

In addition to these favorable macroeconomic developments, the gradual depreciation of the Sri Lankan Rupee against the US Dollar enhanced export earnings in local currency terms, providing support to plantation sector revenues. While exchange rate movements remained, a factor influencing market dynamics, stronger value realization and premium tea pricing continued to support sector resilience amid evolving market dynamics.

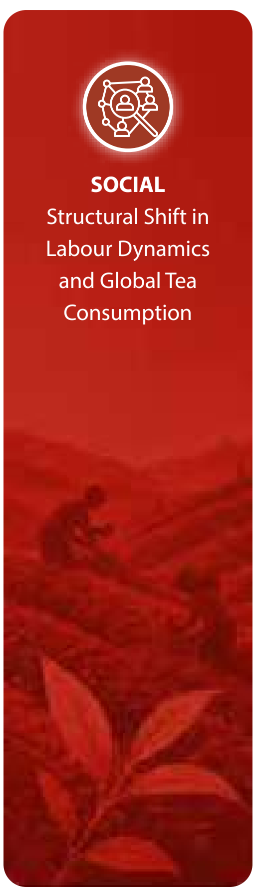
**Exchange Rate**




**Risk:** LKR appreciation may compress export revenue and pressure local currency earnings.

**Opportunity:** Strong auction premiums and premium positioning enhance value realization and offset currency impact.

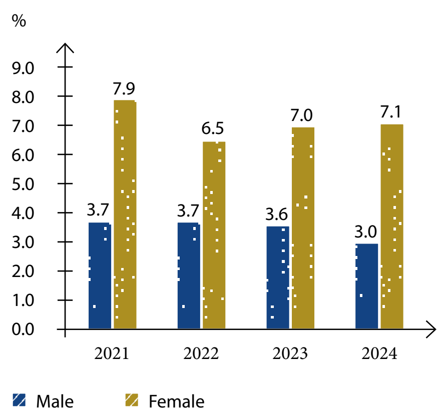
**Signal Intensity:** (Mixed) Macroeconomic stability supports growth, while currency appreciation remains a key headwind for export competitiveness.




Sri Lanka's labour market in 2025/26 showed gradual recovery, with improving employment conditions and low single-digit unemployment, indicating steady labour absorption across key sectors. However, the plantation sector continues to face structural labour shortages due to an ageing workforce and migration of younger workers. Plantation sector wage revisions increased daily earnings to around Rs. 1,550, improving worker incomes but raising operating costs and margin pressure for companies. Combined with ongoing labour shortages, this has widened the gap between wages and productivity, driving a stronger need for mechanization and efficiency improvements.

Globally, the tea industry is shifting from commodity products to premium, health-focused, and specialty teas such as green, herbal, and organic varieties. Demand is increasingly shaped by health awareness, sustainability, ethical sourcing, and traceability, while e-commerce and direct-to-consumer channels are expanding access to niche tea products worldwide.These developments reinforced the sector's strategic focus on diversification, premiumisation, and building long-term resilience.

**Unemployement Rate**




**Risk:** Rising wages and labour shortages are pressuring margins and reducing operational flexibility in plantations

**Opportunity:** Premiumization via value-added tea, organic certification, and digital direct-to-consumer channels

**Signal Intensity:** (Critical) Structural cost pressures and shifting premium demand require a strategic transformation of the plantation business model.

## ENVIRONMENTAL
### Under Shifting Skies: Climate Volatility Reshaping Plantation Operations

In FY 2025/26, the global plantation sector was significantly influenced by climate volatility and stricter sustainability regulations. Key producing regions faced irregular rainfall, rising temperatures, and prolonged dry spells, which reduced yield stability and increased production costs. At the same time, regulatory pressures such as sustainability and deforestation compliance accelerated the shift toward traceable, ESG-compliant, and premium tea markets.

In Sri Lanka, the tea sector also experienced weather-related disruptions, including irregular rainfall and localized flooding, which affected crop cycles, field operations, and productivity. Despite these challenges, production remained resilient at around 264 million kg in 2025 (Source: Sri Lanka Tea Board annual statistics), supported by adaptive estate practices and gradual operational recovery. These developments highlight a structural transition within the plantation sector toward climate resilience, sustainability integration, and value-added production strategies.

**Risk:** Crop yield vulnerability due to acute and chronic climate events

**Opportunity:** Renewable energy adoption and nature-based sustainability initiatives

**Signal Intensity:** (Critical) Climate adaptation is an existential operational investment

## TECHNOLOGICAL
### Smart Agriculture & Traceability Define the New Competitive Edge

The agricultural sector is rapidly transforming through the adoption of precision agriculture technologies such as IoT sensors, satellite imaging, and drones, enabling real-time monitoring and improved resource efficiency. Artificial intelligence and data analytics are increasingly used for yield forecasting, pest prediction, and input optimization, shifting farm management from reactive to predictive approaches. At the same time, automation and mechanization are being introduced to address labour shortages and rising costs, particularly in plantation agriculture. Digital traceability systems, including blockchain-based platforms, are enhancing supply chain transparency to meet global buyer expectations on sustainability and ethical sourcing. In addition, climate-smart technologies focused on water efficiency, carbon tracking, and climate risk management are becoming essential for building long-term agricultural resilience in response to increasing climate volatility.

**Risk:** High implementation cost and digital capability gap

**Opportunity:** Enhanced premium market access through digital traceability and precision agriculture

**Signal Intensity:** Smart agriculture and traceability are becoming essential standards, redefining competitiveness in agribusiness.

## LEGAL & REGULATORY
### Rising Compliance and Cost Pressure

The plantation sector in FY 2025/26 was shaped by tightening global sustainability regulations and major domestic policy reforms. Globally, the EU Deforestation Regulation (EUDR) and climate-related compliance rules significantly increased requirements for traceability, geolocation verification, and emissions reporting. This pushed plantation exporters toward stronger digital tracking systems and stricter sustainability standards to maintain access to key markets. In Sri Lanka, the sector experienced a major cost and policy shift with the implementation of a new estate worker wage structure, raising the daily wage to Rs. 1,550. At the same time, key plantation laws were modernized to improve land use efficiency, governance, and production standards. To align with global requirements, national agencies accelerated GIS-based mapping and QR-based traceability systems for smallholder rubber and other plantation crops. Overall, the sector is transitioning toward higher-cost but more sustainable, traceable, and export-compliant production systems.

**Risk:** Escalating labour cost pressure driven by wage reforms and living wage expectations

**Opportunity:** Improved workforce stability and productivity gains through enhanced wage structures

**Signal Intensity:** Wage reform momentum is a persistent and politically sensitive structural trend, increasingly influencing cost structures, competitiveness, and ESG-aligned investor expectations.

# Operating Environment

Section 03 | **Material Spotlight Analysis**

**Rs. 1,338.07**
per kg - all-time Gross Sale Average at the Colombo Tea Auction

## Auction Market Dynamics

TTE's disciplined focus on quality enabled stronger price realization despite supply constraints. High-Grown teas achieving approximately Rs. 1,338.07/kg compared to the national average of Rs. 1,167.71/kg, reflecting a premium of Rs. 170.36/kg. This highlights the value of sustained quality discipline in mitigating macroeconomic pressures.

Auction price premiums continue to function as a key internal hedge, strengthening margin resilience against currency volatility, labour cost escalation, and logistics pressures.

**Rs. 70Mn**
Hydropower Revenue contribution to the parent company

## Diversification Resilience

The Group's three mini-hydropower plants generated approximately 6,991 MWh, contributing Rs. 70 million in revenue up to the onset of Cyclone Ditwah. This highlights the strategic value of the Group's diversified renewable energy portfolio, which provided a stabilizing earnings stream during a period of climatic disruption and yield pressure in plantation operations. The hydropower segment functioned as a counter-cyclical revenue pillar, partially offsetting volatility in agricultural outputs. Continued investment in the Kiruwanaganga facility further strengthens the Group's diversified and vertically integrated platform for long-term resilience.

**2.3 Mn**
People affected by Cyclone Ditwah across one-fifth of Sri Lanka's landmass

## Cyclone Ditwah Impact

Cyclone Ditwah created significant disruptions to road access, water infrastructure, and supply networks supporting plantation communities and operations. For TTE's 16 estates across Upcountry and Low-country regions, the event highlighted the increasing need for climate resilience investments to ensure operational continuity. Investments in slope protection, drainage systems, embankment stabilization, and emergency preparedness are increasingly becoming business-critical capital priorities.

**Rs. 1,550/ day**
Revised plantation worker wage effective from January 2026

## Labour Cost Transformation

The plantation sector continued to experience structural labour cost pressure during FY 2025/26, with the daily plantation wage increasing from Rs. 1,350 to Rs. 1,550 from January 2026, creating additional cost pressures across the industry. Rising labour costs reinforced the need for productivity enhancement and operational efficiency initiatives. For TTE, maintaining profitability increasingly depended on lean operations, input optimization, and greater focus on mechanization.

**"At Talawakelle, we don't measure success by how well we withstand change; we measure it by how effectively we turn change into a lasting competitive advantage."**

**Mr. M T D Rodrigo**
*Director - Strategic Performance Management*

## Section 04 Strategic Risk to TTE's Value Transformation

| | | |
|---|---|---|
| High – Significant potential impact on profitability, operations, compliance, or long-term sustainability | Medium – Moderate operational or financial impact that can be managed through strategic intervention | Low – Limited organizational impact with manageable exposure level |

| Emerging Rsik | Impact on Ttel | Strategic Response | | | |
|---|---|---|---|---|---|
| **Climate Volatility** | Irregular rainfall, and extreme weather events disrupted crop cycles and estate productivity. | Strengthened climate resilience through ReGen Agenda 2030, improved water and ecosystem management, and accelerated replanting of high-yield cultivars. | GRI 302, GRI 303, GRI 305, SLFRS S2 | Short -Long Term | High |
| **Labour Cost Escalation** | Rising wage costs, labour shortages, and changing workforce dynamics increased pressure on plantation operations. | Implemented Revenue Share Model (RSM) and strengthened employee engagement & workforce development, while absorbing wage increases through sustained productivity improvements. | GRI 401, GRI 403, GRI 405 | Medium - Long Term | High |
| **Currency Volatility** | Sri Lanka's economic recovery improved stability, while currency appreciation and softer tea prices pressured export earnings. | Premium tea positioning and strong auction prices supported revenue resilience and profitability. | GRI 201, SASB Agricultural Products | Short - Medium Term | Medium |
| **Digital Capability Gap** | Precision agriculture, AI, mechanization, and digital traceability became increasingly important for competitiveness. | Institutionalized "Total Quality" culture, Integrated AI-enabled decision-making in operations and strengthened training and regional oversight systems. | GRI 203, SDG 9 | Medium - Long Term | Low |
| **Global Geopolitical Tensions** | Global geopolitical tensions and shipping disruptions increased freight costs, export uncertainty, and supply chain volatility. | Strengthened premium pricing, market diversification, premiumisation, and supply chain resilience. | GRI 2, GRI 204, SLFRS S1 | Short - Medium Term | Medium |
| **Evolving Global Sustainability Regulations** | Global sustainability regulations increased compliance obligations and operating costs | Continued voluntary adoption of SLFRS Sustainability Standards, Strengthened traceability, governance, sustainability-led long-term export competitiveness. | GRI 205, GRI 206, SLFRS S1 | Medium - Long Term | High |

### Strategic Takeaways

- Strengthening regenerative agriculture (ReGen Agenda 2030)
- Labour sustainability is now a strategic driver of operational continuity and ESG alignment.
- Revenue resilience is increasingly driven by auction premiums and product differentiation.
- Mechanization and AI-enabled decision-making enhances field productivity, factory efficiency, and quality control systems.
- Supply chain resilience must be strengthened through market diversification and operational flexibility.

### Strategic Intelligence - What This Means for Talawakelle?

FY 2025/26 was the ultimate stress test. It was the year geopolitical shocks, climate shifts, and economic volatility converged into a single "perfect storm. "At Talawakelle, we didn't just weather the storm; we mastered it. By treating quality leadership, hydro energy, and ESG depth not as separate projects, but as interlocking defenses, we turned systemic pressure into structural growth. Our strategy is simple: Build faster than the world changes. We aren't just producing tea; we are engineering a business model that is unshakable by design.

# Operating Environment

## Section 05 Sri Lankan Tea Industry- Competitive Landscape & TTE's Market Position

Sri Lanka remains the world's fourth largest tea producer and a globally recognized supplier of premium orthodox Ceylon tea contributing 7% of global output, distinguished by its unique agro-climatic elevation zones comprising high-grown, mid-grown, and low-grown regions. This terroir-driven differentiation continues to position Sri Lanka as a benchmark origin for premium black tea in global markets, despite lower production volumes relative to major producing countries.

The sector's operational ecosystem relies on a robust institutional framework led by the Sri Lanka Tea Board and the Colombo Tea Auction system, ensuring transparent price discovery and strict quality assurance. The Regional Plantation Company (RPC) model continues to define plantation ownership and operational governance structures across the sector.

### 1 Double Down on Quality as the Primary Macro Buffer

In an environment where currency appreciation, freight costs and wage inflation simultaneously compress margins, auction price premium is TTE's most effective controllable margin protection mechanism. Every agronomic, processing and quality investment compounds this advantage.

**Winning with the Customer**

### 2 Treat Climate Resilience as Operational Capex, Not CSR

Extreme weather events and prolonged rainfall disruptions confirmed that estate infrastructure slope protection, drainage, factory resilience and water management must carry explicit risk-adjusted returns, not sit in discretionary sustainability budgets.

**Environmental Stewardship & Climate Action**

### 3 Accelerate the Mechanization & Productivity Agenda

The wage-productivity gap is structural and will widen. Mechanization of harvesting and field operations, combined with productivity-linked compensation models, is the one of the most sustainable long-term pathways to restoring labour cost competitiveness without compromising worker welfare.

**Operational Excellence**

### 4 Monetize ESG Leadership Through Premium Market Access

First-mover SLFRS S1/S2 alignment, externally assured sustainability metrics and Rainforest Alliance certification are strengthening access to premium markets, sustainability-linked financing opportunities and evolving buyer requirements, green finance access and export certifications is the next strategic frontier.

**Business Diversification**

### 5 Diversify Export Markets Ahead of Geopolitical Fragmentation

Traditional Middle East and European corridors face persistent disruption risk. Growing demand in BRICS+ economies and East Asia — combined with Ceylon Tea's geographic provenance premium — provides a structural reorientation opportunity.

**Market Strategy & Resilience**

### 6 Integrate Renewable Energy as a Diversification Moat

strong growth in hydropower revenue surge demonstrates a genuine counter-cyclical asset. Expanding solar capacity, reducing grid dependence and developing the carbon credit potential of the energy portfolio amplifies the diversification dividend through every commodity cycle.

**Renewable Energy Growth**

| Quality-led premiumization | ESG monetization & SLFRS S1/S2 leadership | Renewable energy diversification | Export market diversification |
|---|---|---|---|
| Strongly aligned with TTE's high-grown specialty tea positioning and auction premium strategy | One of TTE's clearest differentiation areas among RPCs | Major differentiator due to TTE hydropower and renewable portfolio | Highly relevant amid geopolitical and market fragmentation |

# Stakeholder Engagement

GRI 2-29

SCAN TO WATCH VIDEO STORY

Stakeholder engagement is a core commitment of TTEL's ReGen 2030 agenda. Continuous dialogue ensures strategic priorities align with evolving expectations, emerging risks, and shared sustainability goals, reflecting the belief that long-term value and sustainable transformation require collaboration across the value chain.

TTEL's engagement process captures stakeholder perspectives, identifies material concerns and opportunities, strengthens accountability, and informs decisions across strategic, operational, environmental, and social areas. It covers employees, estate communities, customers, shareholders, regulators, suppliers, and the broader community, with insights integrated into planning, risk management, sustainability initiatives, and reporting.

Stakeholders are identified through an annual mapping process that reviews TTEL's operations, value chain, regulatory obligations, grievance records, audit findings, certification requirements and materiality assessment outcomes to determine groups that are affected by, or can influence, the Company's activities.

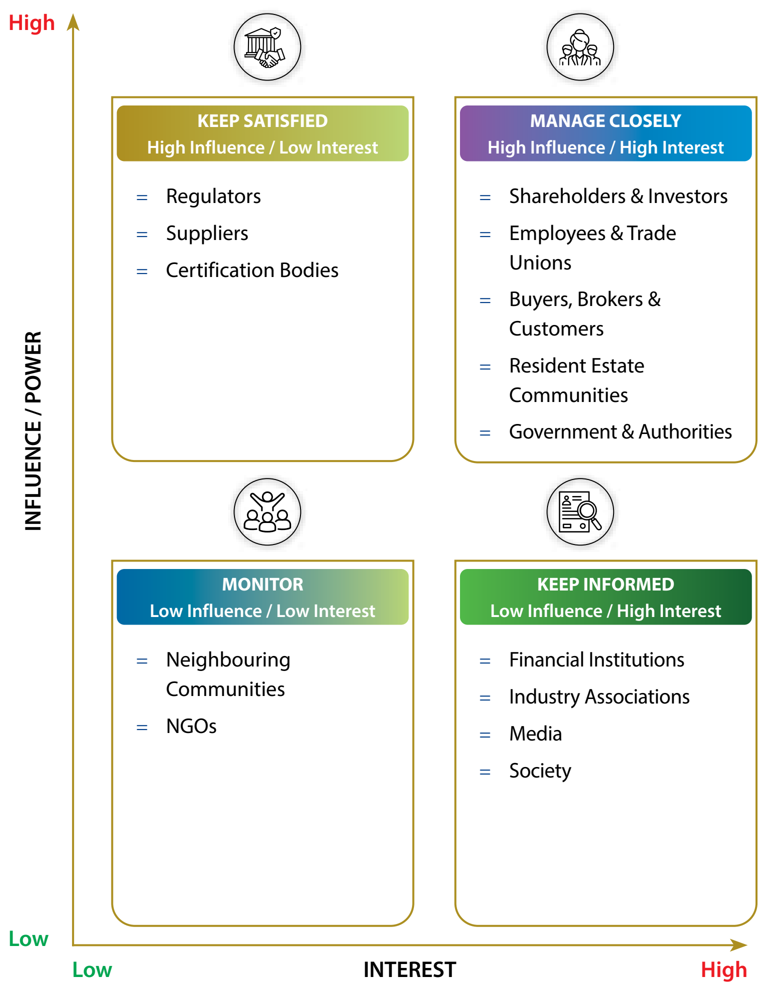
Map stakeholder groups based on their relationship to TTE's operations, value chain, level of impact, dependency, influence, and regulatory or commercial relevance.

## OUR ENGAGEMENT PROCESS & PRIORITISATION

### Our 7-Step Engagement Proceess

1. **IDENTIFY STAKEHOLDERS**
   Map all stakeholder groups that influence or are nfluenced by TTE.
2. **PRIORITISE BY INFLUENCE AND INTEREST**
   Evaluate stakeholders based on their influence and level of interest.
3. **UNDERSTAND EXPECTATIONS**
   Understand needs, concerns and opportunities through structured engagement.
4. **INTEGRATE INTO STRATEGY**
   Embed material insights into strategy, risk management and planning.
5. **ENGAGE AND RESPOND**
   Engage continuously and respond to concerns in a timely manner.
6. **MONITOR FEEDBACK**
   Track effectiveness of engagement and emerging stakeholder issues.
7. **REPORT OUTCOMES**
   Communicate how stakeholder feedback has influenced decisions and created value.

### STAKEHOLDER PRIORITISATION POWER / INTEREST MATRIX



# Stakeholder Engagement

**Distributable Revenue**
Rs. 7,851 Mn
(2024/25 – Rs. 7,806 Mn)

**Distributable Interest Received and Other Income**
Rs. 512 Mn
(2024/25 – Rs. 468 Mn)

**Distributable Purchase of Goods and Services**
Rs. 2,755 Mn
(2024/25 – Rs. 2,480 Mn)

**Cash Value Created**
Rs. 5,608 Mn
(2024/25 – Rs. 5,788 Mn)

**Employees**
Rs. 4,038 Mn
We distributed 61.13%
(2024/25 – Rs. 3,712 Mn)
of the value created to employees through remuneration dividends.

VALUE DISTRIBUTED TO STAKEHOLDERS / WHO CONTRIBUTED TO ITS CREATION

**Shareholders**
Rs. 375 Mn
We distributed 5.6%
(2024/25 – Rs. 339Mn) of the value created to shareholders through dividends.

**Government**
Rs. 446 Mn
We distributed 6.75%
(2024/25 – Rs. 543 Mn) of the value created to governments through the payment of taxes.

**Suppliers**
Rs. 1,527 Mn
We distributed 23.11% (2024/25 – Rs.1981 Mn) of the value created to suppliers through payments for goods and services.

**Community**
Rs. 121 Mn
We distributed 1.83%
(2024/25 – Rs. 119 Mn) of the value created to community through community engagement and development initiatives.

**Brokers**
Rs. 98 Mn
We distributed 1.38%
(2024/25 – Rs. 91 Mn) of the value created to brokers & buyers through brokerage charges.

**Value Retained**
Rs. 0.16 Mn
We retained distributable income of 0.1%
(2024/25 – Rs. 0.18 Mn) to bolster liquidity and allocate to capital expenditure.

## STAKEHOLDER ENGAGEMENT DRIVING STRATEGY & SUSTAINABLE FUTURE

We engage stakeholders throughout the year to understand expectations, manage risks, and create long-term value. Insights from FY 2024/25 shaped strategy, ESG agenda, governance, and reporting

**WHO WE ENGAGED**

- Shareholders
- Suppliers
- Employees
- Regulators
- Customers
- Resident Communities

Engagement conducted via structured interviews with representatives from each group.

**HOW WE USE STAKEHOLDER INSIGHTS**

| Shape Strategy | Strengthen ESG Approach | Improve Risk Management | Enhance Business Functionality | Enhance External Reporting |
|---|---|---|---|---|
| Align priorities with stakeholder expectations and material matters | Identify key topics and climate priorities | Address emerging risks across the value chain | Improve operational practices and service quality | Improve transparency and relevance of disclosures |

**OUTCOMES**

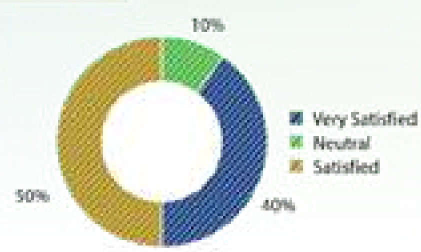
Better decisions, stronger relationships, and sustainable value creation

**OUTCOMES**

- Transparency & progress recognized by stakeholders
- Stronger connectivity needed across sections
- Clearer roles for reporting suite communication
- Continuous improvement expected in future reports

**FEEDBACK ON ANNUAL REPORT 2024/25**

Overall Rating




**OUTCOMES**

- 6 Key stakeholder groups engaged
- 11 One-to-one interviews
- 13 Actionable inputs identified
- 82 Key insights captured

## Shareholders

(Parent company and over 15,121 shareholders/investors on the CSE with equity totaling to Rs. 7,615 Mn)

Importance to TTEL - High

Strength of Relationship ★★★★

### Method and Frequency of Engagement

- Annual General Meeting
- Annual Report
- Extraordinary General Meetings (as needed)
- Interim Financial Statements (quarterly)
- CSE Announcements (as needed)
- Press Conferences / Press Releases
- Corporate Website
- Social media platforms

### Shareholder Concerns and Expectations

- Earnings growth, profits and stable returns
- Financial stability
- Capital position
- Gearing exposure
- Risk and governance frameworks
- Ethical business practices
- Share price performance
- Disclosure and access to information

### Material Themes

- Economic Value Creation and Inclusive Growth
- Ethics, Governance and Anti-corruption
- Innovation and Technology for Operational Excellence
- Human Rights, Diversity and Fair Labour Practices

### TTEL's Strategic Commitments

- Revenue Diversification
- Sustainable and Cost Efficient Operations
- Transparent Shareholder Disclosures

### Value Delivery Indicators

- Revenue - Rs. 7,851 Mn
- Dividend Payout Ratio - 38.6%
- NAVPS - Rs. 129.75
- EPS - Rs. 160.33
- ROE - 12.58%

### Further Information


- Financial Capital - pg. 134
- Risk Report - pg. 218
- Corporate Governance Report - pg. 234
- Intellectual Cap - pg. 148
- Investor Relations - pg. 348


### Way Forward

- Accelerating TTEL's transformation through integration, digitalisation, and precision-led execution.
- Expanding revenue through premium products, renewable energy, and tourism opportunities.
- Advancing regenerative and climate-smart initiatives to strengthen ESG performance and market access.
- Strengthening organisational capability through innovation, leadership, and disciplined capital management.

## Suppliers

(2,276 bought leaf suppliers, in both low and high grown areas, along with other raw material, machinery and equipment, logistics, transport and general suppliers) Strategic Objective: Build collaborative partnerships with suppliers to strengthen a reliable supply chain, whilst advocating best and ethical business practices to enhance and bring in quality to the value creation process

Importance to TTEL - High

Strength of Relationship ★★★★

### Method and Frequency of Engagement

- Meetings (as needed)
- Supplier site visits (periodic)
- Supplier Evaluations (periodic)

### Community Concerns and Expectations

- Price and profitability
- Credit period
- Availability of raw materials
- Climate action

### Material Themes

- Responsible Supply Chain, Traceability and Sourcing
- Climate Change, Energy and Emissions

### TTEL's Strategic Commitments

- Procurement Best Practices
- Supply Chain Traceability
- Supplier Development

### Value Delivery Indicators

- Amount paid to bought leaf suppliers
- Amount distributed through the Revenue Share Model
- Payments to other suppliers

### Further Information


- Social and Relationship Capital - pages 158-171


### Way Forward

- Driving responsible and sustainable sourcing practices across the supply chain
- Building long-term supplier partnerships through collaboration, transparency, and shared value creation
- Enhancing supplier capability through training, quality improvement, and sustainability alignment initiatives

# Stakeholder Engagement

## Employees

(4,849 employees at 16 estates and the corporate office; trade unions)

Strategic Objective: Foster an empowered workplace—focusing on employee skills and wellbeing, to enhance productivity, build resilience and strengthen their work ethic; enabling career progression, whilst ensuring business success.

Importance to TTEL - Critical

Strength of Relationship ★★★★

### Method and Frequency of Engagement

- Daily, weekly and monthly staff meetings
- Weekly HR cluster meetings
- Monthly meetings with trade union
- Monthly H & S committee meetings
- Bi-annual performance evaluations
- Training initiatives (as needed)
- Corporate Website
- Social media platforms

### Employee Concerns and Expectations

- Earnings growth, profits and stable returns
- Financial stability
- Capital position
- Gearing exposure
- Risk and governance frameworks
- Ethical business practices
- Share price performance
- Disclosure and access to information

### Material Themes

- Human Rights, Diversity and Fair Labour Practices
- Occupational Health, Safety and Well-being
- Workforce, Employment and Human Development
- Economic Value Creation and Inclusive Growth

### TTEL's Strategic Commitments

- Positive and Progressive Workplace
- Employee Value Proposition
- Safety and Wellbeing

### Value Delivery Indicators

- Value distributed as monetary benefits to employees
- Promotions granted
- Amount incurred on employee welfare
- 29,497 hours of training
- Overall Gender Balance
- Employee Satisfaction Score - 98%

### Further Information

- Human Capital - pages 172-189

### Way Forward

- Strengthening employee empowerment through rewards, leadership development, and career growth.
- Enhancing workforce capability through learning, digital upskilling.
- Advancing employee well-being, safety, and quality of life.
- Embedding an inclusive, high-performance culture.

## Resident Estate Communities

(4,759 estate workers and their families living across 16 estates)

Strategic Objective: Build strong and mutually beneficial relationships with estate communities—focusing on their wellbeing and enabling them through key socio-economic development initiatives.

Importance to TTEL - High

Strength of Relationship ★★★★

### Method and Frequency of Engagement

- Weekly Community Meetings
- Child Protection Focal Point (as needed)
- 'Home for every plantation worker'
- Programme (periodic)
- Awareness programmes (periodic)

### Community Concerns and Expectations

- Housing and estate infrastructure
- Water and sanitation
- Health and nutrition

### Material Themes

- Community Development and Livelihoods
- Economic Value Creation and Inclusive Growth

### TTEL's Strategic Commitments

- Community Engagement
- Community Empowerment
- A Home for Every Plantation Worker
- Women's Empowerment
- Education Support
- Healthcare and Wellbeing

### Value Delivery Indicators

- Amount invested in the community
- No. of direct beneficiaries from community initiatives

### Further Information

- Social and Relationship Capital - pages 158-171

### Way Forward

- Expanding access to education, healthcare, and livelihood enhancement programmes within estate communities
- Promoting inclusive economic participation through local empowerment, entrepreneurship, and community partnership programmes

## Buyers, Brokers and Customers

(17 tea brokers at the Colombo Tea Auctions, accounting for 96% of sales; 314 local buyers; and 3 overseas buyers)

Strategic Objective: Secure broker and buyer confidence by offering finest quality teas made ethically and sustainably; enhance the brand strength; and drive for premium prices on the Colombo Tea Auctions

Importance to TTEL - Critical

Strength of Relationship ★★★★

| Method and Frequency of Engagement | Buyer / Broker / Customer Concerns and Expectations | Material Themes |
|---|---|---|
| • Meetings (as needed)<br>• International trade fairs and road shows I Trade association meetings (periodic)<br>• Estate familiarisation tours (as needed)<br>• Corporate Website<br>• Social media platforms | • Product quality and food safety<br>• Good agricultural and manufacturing practices<br>• Compliance with local and international certification standards and regulations<br>• Climate change impact | • Ethics, Governance and Anti-corruption<br>• Customer Experience, Food Quality, Safety and Security<br>• Innovation and Technology<br>• Materials, Waste and Circular Resource<br>• Sustainable Agriculture, Soil Health and Agrochemical Management |

| TTEL's Strategic Commitments | Value Delivery Indicators | Further Information | Way Forward |
|---|---|---|---|
| • Product Stewardship<br>• Product Diversity and Innovation<br>• Product Labelling<br>• Marketing and Communications<br>• Measuring Customer Satisfaction | • Customer Satisfaction Score - 92%<br>• No. of Complaints - 1 | • Social and Relationship Capital - pages 158-171 | • Continuously improving quality assurance and sustainability compliance to meet global buyer expectations.<br>• Expanding premium and value-added products to strengthen customer value and market positioning.<br>• Strengthening strategic partnerships and market intelligence to improve customer engagement. |

## Regulators and Other Authorities

(government of Sri Lanka; regulatory bodies; certification agencies; industry associations; financial institutions; media; and the general public)

Strategic Objective: Advocating best and ethical business practices to enhance and bring in quality to the value creation process

Importance to TTEL - High

Strength of Relationship ★★★★

| Method and Frequency of Engagement | Regulators and Other Authorities Concerns and Expectations | Material Themes |
|---|---|---|
| • Estate and factory audits (annual)<br>• Meetings (as needed)<br>• Annual Report<br>• Interim Financial Statements (quarterly)<br>• CSE Announcements (as needed)<br>• Press Conferences / Press Releases<br>• Corporate Website | • Reliability and reputation<br>• Risk and governance frameworks<br>• Ethical business practices<br>• Compliance<br>• Climate change and crop<br>• Management | • Economic Value Creation and Inclusive Growth<br>• Ethics, Governance and Anti-corruption<br>• Human Rights, Diversity and Fair Labour Practices<br>• Biodiversity, Ecosystems and Land Stewardship, Water Stewardship |

| TTEL's Strategic Commitments | Value Delivery Indicators | Further Information | Way Forward |
|---|---|---|---|
| • Timely payment of taxes and other statutory dues<br>• Climate Action and Net Zero Commitment<br>• Circularity and Resource Efficiency | • Taxes paid<br>• Carbon footprint<br>• Amount invested in biodiversity conservation | • Financial Capital - pages 134-141<br>• Natural Capital - pages 191-211 | • Ensuring compliance with environmental, regulatory, and sustainability requirements.<br>• Strengthening climate action through emissions reduction and resource efficiency.<br>• Improving transparency & traceability. |

# Materiality in Focus

GRI 3-1, 2

At TTE, we consider materiality not merely as a reporting requirement, but a powerful strategic tool. Material topics act as levers that drive our actions to align with stakeholder expectations and the evolving demands of our operating environment. Our approach applies a comprehensive double materiality lens — assessing both financial materiality (how externalities affect TTE's ability to create and sustain value) and impact materiality (how our business activities affect the environment and society).

**Think: Double Materiality** | Report: Financial & Impact Materiality | Framework: GRI, SLFRS S1/S2, GRI 13 Agriculture, TNFD

TTE applies a rigorous double materiality determination process anchored in GRI 3-1/3-2, SLFRS S1 §17, and GRI 13 Agriculture Sector Standard. The process is Board Audit Committee governed and outcomes are integrated annually into the ReGen Agenda 2030.

**1a**
**Identify potential matters**
Universe scan
All topics considered

External environment scanning · External stakeholder feedback · Internal stakeholder feedback · Industry and sector analysis · Sustainability frameworks (GRI 13, TNFD, SLFRS S2)

**1b**
**PESTLE — plantation sector**
Contextual completeness
6 lenses applied

P E S T L E

PESTLE completeness check we apply double materiality thinking considering both outside-in (financial materiality) and inside-out (impact materiality) across all six PESTLE dimensions for TTE's plantation context

**2**
**Filter for relevance**
GRI · SLFRS · Board
~50% filtered out

Relevance derives from double materiality perspective analysis on: matters on the Board agenda · peer and sector benchmarking · ability to affect TTE's performance, governance and strategy · SLFRS S2, TNFD and GRI 13 completeness check

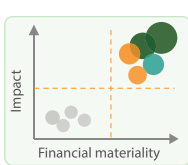
**3**
**Filter for importance**
Risk appetite · stakeholder mapping

We consider: quantitative and qualitative risk appetite (financial and non-financial) · impact types: regulatory, community, reputation, environment, livelihoods · internal and external area of effect · risk register cross-check

**4**
**Double materiality assessment**
Financial + impact lenses

Matters must score on financial materiality (SLFRS S1) — substantively influencing assessments of TTE's ability to create value — and/or impact materiality (GRI 3-2) — significant effects on economy, environment, and people

**5**
**Prioritise & BAC approve**
ReGen Agenda Integration




TTE's Risk and Issue Classification considers likelihood, severity, classification and onset to derive priority. 14 consolidated material topics reported in the Integrated Report · BAC approves final list · Integrated into ReGen Agenda 2030

Environmental | Social & Economic | Governance | Not Material

## Changes from FY 2024/25

**Consolidation: 37 Topics → 14 Consolidated Material Topics**

Previous material topics have been consolidated into 14 thematic material matters aligned with GRI 13 Agriculture Sector Standard, SLFRS S1/S2 and TTE's ReGen Agenda 2030. This consolidation improves strategic focus, reduces reporting complexity and strengthens connectivity between materiality and TTE's five strategic imperatives.

**Two Key Topic Changes:**

- **Removed:** Marketing & labelling were assessed as non-material due to TTE's B2B auction model and absence of direct consumer engagement.
- **Added:** Anti-corruption is embedded within Ethics, Governance and Anti-Corruption, reflecting TTE's proactive role in promoting ethical conduct across the value chain.

**Impact Materiality (Y-axis) vs. Financial Materiality (X-axis)**

| | Medium | High | Very High |
|---|---|---|---|
| Very High | | [7] [10] | [1] [2] [12] [13] [14] |
| High | [3] [9] | [6] [11] | [4] |
| Medium | | [5] [8] | |

**Our 4 Material Themes — 14 Topics**

- Climate Action & Environmental Resilience
- Regenerative Agriculture & Land Stewardship
- People, Community & Value Chain
- Business Performance, Governance & Innovation

## Double Materiality Assessment

All 14 material topics assessed against both financial materiality (SLFRS S1 §17) and impact materiality (GRI 3-2) perspectives. Topics are rated Very High / High / Medium. Very High or High on either axis qualifies for disclosure; Very High on both axes drives priority strategy and assurance focus.

| No. | Material Topic | GRI / SASB / Other | Boundary | Impact M. | Financial M. | Double M. | Related Capitals | Strategic Imperative | Key SDGs |
|---|---|---|---|---|---|---|---|---|---|
| 01 | Biodiversity, Ecosystems & Land Stewardship | GRI 101; 13.4; TNFD | I/E | Very High | High | Very High | NC | Env. Stewardship & Climate | |
| 02 | Climate Change, Energy & Emissions | SLFRS S2; GRI 102; 13.2 | I/E | Very High | Very High | Very High | NC | Env. Stewardship & Climate | |
| 03 | Community Development & Livelihoods | GRI 203 413; 13.9 | E/I | High | Medium | High | S&RC | Nurturing Our People | |
| 04 | Economic Value Creation & Inclusive Growth | GRI 201; 13.20 | I | High | Very High | Very High | FC / S&RC | Winning with Customer | |
| 05 | Ethics, Governance & Anti-Corruption | GRI 205 | I | Medium | High | High | IC / FC | Winning with Customer | |
| 06 | Customer Experience, Food Quality & Safety | GRI 416; FB-AG-250a | E | High | High | High | MC / S&RC | Winning with Customer | |
| 07 | Human Rights, Diversity & Fair Labour | GRI 405, 406, 407, 408; 13.21 | I/E | Very High | High | Very High | HC / S&RC | Nurturing Our People | |
| 08 | Innovation & Technology for Operational Excellence | GRI N/A | I | Medium | Very High | High | IC | Operational Excellence | |
| 09 | Materials, Waste & Circular Resource Management | GRI 301,306 | I/E | High | Medium | High | NC / MC | Env. Stewardship & Climate | |
| 10 | Occupational Health, Safety & Well-being | GRI 403; 13.22 | I | Very High | High | Very High | HC | Nurturing Our People | |
| 11 | Responsible Supply Chain, Traceability & Sourcing | GRI 204; FB-AG-430a | I/E | High | High | High | S&RC / MC | Winning with Customer | |
| 12 | Sustainable Agriculture, Soil Health & Agrochemicals | GRI 13.1,3,5, 6; FB-AG | E/I | Very High | Very High | Very High | NC / MC | Operational Excellence | |
| 13 | Water Stewardship | GRI 303; 13.7; FB-AG-140a | I/E | Very High | High | Very High | NC | Env. Stewardship & Climate | |
| 14 | Workforce, Employment & Human Development | GRI 401,402; 13.14 | I/E | Very High | Very High | Very High | HC | Nurturing Our People | |

**Very High** - Priority — drives assurance scope

**High** - Significant — in integrated report

**Medium** - Monitored — ESG report coverage

**Boundary:** I=Internal (TTE operations) E=External (value chain) I/E=Both

# Materiality in Focus

## Our Material Matters

### What They Mean for TTE

The 14 matters rated Very High on double materiality are disclosed below with their strategic implications, business model impacts and response approach. These matters directly inform TTE's ReGen Agenda 2030 and its five strategic imperatives.

**MM01** Climate Change, Energy & Emissions

**Why this Matters**

TTE faces risks in Sri Lanka's highlands, including shifting rainfall and rising temperatures, shaping SBTi-verified targets: 42% Scope 1+2 reduction by 2030, Net Zero 2050.

Capitals: FC Page 134 | NC Page 191

**MM02** Sustainable Agriculture, Soil Health & Agrochemical Management

**Why this Matters**

Tea's long-term productivity depends on soil health; degradation, chemical dependence, and certification risks make regenerative agriculture a key strategic priority.

Capitals: NC Page 191 | MC Page 142

**MM03** Workforce, Employment & Human Development

**Why this Matters**

TTE's estate-resident workforce is a key value driver, while labour shortages, wage pressures, skills gaps, and rising expectations threaten continuity.

Capitals: HC Page 172 | S&RC Page 158

**MM04** Biodiversity, Ecosystems & Land Stewardship

**Why this Matters**

TTE's estates in Sri Lanka's biodiversity hotspot face biodiversity risks, prompting science-based nature targets to protect value and market access.

Capitals: FC Page 134 | NC Page 191

**MM05** Water Stewardship

**Why this Matters**

Tea cultivation relies on water; stress, pollution and degradation threaten yield and compliance, with 97% discharge compliance and IWMI collaboration.

Capitals: NC Page 191 | MC Page 142

**MM06** Economic Value Creation & Inclusive Growth

**Why this Matters**

Revenue growth, cost control, wage adequacy, and productivity-linked revenue sharing drive value creation; auction leadership and diversification remain strategic levers.

Capitals: FC Page 134 | S&RC Page 158

| MM07 | Human Rights, Diversity & Fair Labour Practices |
|---|---|

### Why this Matters

Child labour prevention, association rights, gender inclusion and non-discrimination support certification and buyer expectations; 24 trained, 30 promoted in FY2024/25.

| Capitals: HC Page 172 | S&RC Page 158 |
|---|---|

| MM08 | Community Development & Livelihoods |
|---|---|

### Why this Matters

TTE's estate-resident model links business and community wellbeing; Rs.119 Mn invested in FY2024/25 supports housing, health, nutrition, productivity and trust.

| Capitals: HC Page 172 | S&RC Page 158 |
|---|---|

| MM09 | Occupational Health, Safety & Well-being |
|---|---|

### Why this Matters

Highland field and factory safety affects continuity; FY2024/25 accidents fell 15%, while injuries and fatigue remain risks; zero-accident target 2030.

| Capitals: HC Page 172 |
|---|

| MM10 | Responsible Supply Chain, Traceability & Sourcing |
|---|---|

### Why this Matters

Bought-leaf suppliers provide 17% of green-leaf intake; traceability, agrochemical compliance and supplier ESG standards are critical for buyers and certification.

| Capitals: S&RC Page 158 | MC Page 142 |
|---|---|

| MM11 | Ethics, Governance & Anti-corruption |
|---|---|

### Why this Matters

Strong governance, zero corruption tolerance and transparent reporting build credibility; value-chain anti-corruption was formalised, with zero non-compliance cases in FY2024/25.

| Capitals: IC Page 157 | FC Page 134 |
|---|---|

| MM12 | Customer Experience, Food Quality & Safety |
|---|---|

### Why this Matters

Premium quality, food safety and customer satisfaction strengthened leadership in FY2024/25; 92% satisfaction supports price premiums, buyer relationships and growth.

| Capitals: S&RC Page 158 | MC Page 142 |
|---|---|

| MM13 | Materials, Waste & Circular Resource Management |
|---|---|

### Why this Matters

Agrochemicals, packaging, energy and factory waste create risks; 97% solid waste is recyclable/compostable, supporting certification compliance and 2030 circular targets.

| Capitals: NC Page 191 | MC Page 142 |
|---|---|

| MM14 | Innovation & Technology for Operational Excellence |
|---|---|

### Why this Matters

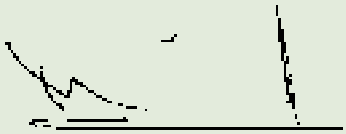
Digital transformation, AI ESG monitoring, precision agriculture and data automation enhance efficiency, supporting productivity, SLFRS S1/S2 compliance and SBTN verification.

| Capitals: IC Page 157 | MC Page 142 |
|---|---|

# Strategy and Resource Allocation

**Leadership Perspective**

## Chief Executive Officer's Strategic Review



**Nishantha Abeysinghe**
*Chief Executive Officer*

**" The Next Ascent represents a deliberate shift in how TTE positions its forward strategy; not by moving away from its core business, but by extracting greater value from it, scaling adjacent opportunities and creating disciplined growth across short, medium and long term horizons."**

**"Every enduring enterprise reaches a moment when the strategy that carried it forward must itself evolve. For Talawakelle Tea Estates, that moment is now and we meet it not from a position of difficulty, but from one of strength."**

SCAN FOR VIDEO VERSION

The ReGen Agenda 2030 has been our anchoring strategy, and it has done its work. Over recent years it has matured from a statement of intent into the operating philosophy of the Company embedding regenerative thinking into how we cultivate, how we manufacture, and how we create value across the enterprise. It has made TTE the most awarded company in Sri Lanka's corporate sector and a recognised pioneer in sustainability-related disclosure. The first curve has delivered.

The discipline of leadership, however, is to renew the organisation while it is still ascending not after momentum has been lost. This is the logic of the sigmoid curve: the right moment to begin the next phase of growth is while the current one is still rising, when the resources, confidence, and credibility to invest in renewal are at their fullest. The Board took precisely that decision this year, initiating a deliberate transition of our strategic priorities onto a Second Curve of growth.

### What the Second Curve Is and What It is Not

The Second Curve is not a replacement of the ReGen Agenda, nor a change of destination. It is a re-engineering of the core architecture of how we execute a deliberate shift designed to consolidate the gains of the first curve and convert them into sharper focus, greater precision, and more durable long-term value. We are not changing where we are going. We are changing the gearing of how we get there.

That evolution is expressed through five precise strategic shifts. Each takes a proven imperative and advances it into a more demanding successor: from serving markets to understanding and shaping demand; from operational efficiency to integrated, precision-led execution; from supporting our workforce to genuinely empowering our human capital; from sustainability as compliance to regeneration that is measurably nature- and climate-positive; and from diversification for its own sake to the focused expansion of high-value streams.

### A Strategy Built on Balance

If a single word captures the intent of this strategy, it is balance. Balance between the short-term performance our investors rightly expect and the long-term value on which the Company's future depends. Balance across the six capitals financial, manufactured, intellectual, human, natural, and social and relationship recognising they must advance together, not at one another's expense. A strategy that optimises one capital while quietly depleting another is not a strategy; it is a deferral of cost. The Second Curve is built to refuse that trade.

Equally, this is a strategy of focus rather than expansion for its own sake. The Second Curve concentrates our capital, our talent, and our management attention on the value streams where TTE has a genuine right to lead, and applies precision, data, and discipline to everything else.

### Confidence in the Direction

The foundations are firm: certified operations across every estate and factory; a workforce that has recognised TTE as a Great Place to Work; a Revenue Share Model rewriting the economics of estate communities; and a renewable energy and diversification portfolio reshaping our earnings profile.

## Performance Against Our Strategy - SI-1

### Winning With The Customer

Creating long-standing, reciprocal customer relationships through exceptional quality and certified experience

#### Why This Matters

Aligned with our regenerative business principles, we are committed to creating long-standing and reciprocal relationships with our customers by delivering exceptional customer experience, ensuring their wellbeing, and consistently exceeding their expectations. We build market trust through rigorous quality standards, certified operations, and a growing direct-to-consumer presence.

#### Related Material Themes

- Customer Experience & Food Safety
- Innovation & Technology
- Economic Value Creation
- Responsible Supply Chain

#### Affected Core Un Sdgs

**Product portfolio diversified with three new specialty tea variants; Rainforest Alliance certification maintained across all 16 estates and ISO 22000:2018 sustained across all 15 factories, with zero product recalls recorded during the year.**

#### Three-year performance trend — Customer Satisfaction Score

| 86% | 92% | 92% |
|---|---|---|
| FY23/24 | FY24/25 | FY25/26 |

#### FY 2025/26 Outcomes — First Curve Performance

**Value Indicators:** ◈ Value Created ● Value Preserved ◘ Value Eroded

| | | |
|---|---|---|
| Great Western Organic & Logie Organic Teas, and Western Matcha Tea introduced premium portfolio expanded | Full ownership of Hayleys Produce Marketing Ltd acquired organic manufacturing capability secured | ISO 22000:2018 certification sustained across all 15 tea factories; ISO 9001:2015 at new factory |
| Rainforest Alliance certification maintained all 16 estates recertified for the year | Somerset Tea Boutique launched at Nanu Oya new flagship direct-to-consumer touchpoint | Zero product recalls; zero monetary fines for non-compliance with product safety regulations |

#### Key Performance Metrics

| 16 estates | 15 factories | Zero reduction | Zero |
|---|---|---|---|
| Rainforest Alliance | ISO 22000:2018 | FY25/26 | Product Recalls |

#### Resource Allocation

Financial capital directed to product development, organic certification, and the Hayleys Produce Marketing Ltd acquisition. Intellectual capital strengthened through expanded certification standards. Social & relationship capital deepened through structured broker partnerships and new consumer touchpoints.

#### Key Trade-Offs

- Portfolio expansion requires upfront investment in product development and certification, creating short-term financial pressure while building long-term brand and production capability
- Acquisition activity increases near-term cost while building specialised intellectual capital and premium market access over time

| FY 2026/27 Strategic Focus | Anticipated Outcomes |
|---|---|
| • Expand certified organic and specialty teas into targeted domestic and export markets<br>• Institutionalise structured buyer strategy reviews and product calibration sessions<br>• Pursue and maintain recognised organic manufacturing certifications for premium market access | • Premium market positioning and higher-margin revenue mix<br>• Deeper buyer alignment and reduced market-driven revenue volatility<br>• Strengthened brand equity in specialty and organic tea categories |

# Strategy and Resource Allocation

## Performance Against Our Strategy - SI-2

### Operational Excellence

Regenerative principles guiding precision production, sustainable sourcing and resource-efficient operations

#### Why This Matters

We ensure that regenerative principles guide how the Company produces, sources, manages resources, and delivers value. Operational excellence is achieved through the deliberate integration of modern machinery, digital intelligence, and data-driven decision-making across 16 estates and 15 factories building a resilient, cost-competitive, and environmentally responsible operating system.

#### Related Material Themes

- Biodiversity & Ecosystems
- Climate Change & Energy
- Sustainable Agriculture
- Innovation & Technology
- Responsible Supply Chain

#### Affected Core Un Sdgs

7 Affordable and Clean Energy; 12 Responsible Consumption and Production; 13 Climate Action; 15 Life on Land

**The Kiruwanaganga Tea Factory stands as a benchmark for sustainable factory design. AI-enabled colour sorting was extended across factories and Motor System Optimisation pilots at Holyrood Estate established the template for VFD and IE3-class motor upgrades across the estate portfolio.**

#### Three-Year Performance Trend — Cost of Production Index (lower = better)

| Rs. 5,997 Mn (Base) | Rs. 6,296 Mn | Rs. 6,387 Mn |
|---|---|---|
| FY 23/24 | FY 24/25 | FY 25/26 |

#### FY 2025/26 Outcomes — First Curve Performance

**Value Indicators:** ◈ Value Created ● Value Preserved ◘ Value Eroded

| | | |
|---|---|---|
| ◈ Factory modernisation and machinery upgrades executed Rs. 43.9 Mn invested in manufacturing capacity | ◈ AI-enabled colour sorting extended Zero reduction in reject rates; quality consistency improved | ◈ Motor System Optimisation pilot (Holyrood) VFD and IE3-class motor upgrade template established |
| ◈ Digital tools and AI deployed for backend process optimisation and data-driven decision-making | ● Made-tea volume held substantially in line with prior year despite adverse weather conditions | ◈ Scope 1 & 2 GHG emissions reduced by 6.73% aligned with SBTi baseline targets set in 2020 |

#### Key Performance Metrics

| Rs. 306 Mn | VFD template set | 4.9% reduction of Green leaf yield | Zero |
|---|---|---|---|
| Invested in replanting | Motor efficiency | FY25/26 | Product Recalls |

#### Resource Allocation

Financial and manufactured capital allocated to factory modernisation and field development. Intellectual capital invested in digital tool integration and AI deployment. The Company recycles manufactured capital through efficiency-driven upgrades that reduce energy intensity and operational costs over time.

#### Key Trade-Offs

- Investment in factory modernisation increases short-term financial outlay while building long-term manufacturing capacity, operational efficiency, and production reliability
- Deployment of digital tools and AI requires upfront financial investment while significantly enhancing intellectual capital and durable efficiency gains

| FY 2026/27 Strategic Focus | Anticipated Outcomes |
|---|---|
| • Targeted factory machinery investment to strengthen processing capacity and operational reliability<br>• Scale digital agriculture sensors, data analytics, automated monitoring across all estates<br>• Integrate digital reporting for traceability, compliance, and certification readiness | • Improved throughput capacity and green leaf yield per hectare<br>• Year-on-year reduction in cost of production<br>• Stronger audit and certification readiness across all operations |

## Performance Against Our Strategy - SI-3

## Nurturing Our People

Building an empowered, innovative and inclusive workplace for employees and estate communities

### Why This Matters

Upholding regenerative business values, we extend a progressive workplace focused on innovation, productivity, and sustainability. We are committed to building, developing, and empowering our employees and the resident communities across our estates. Our people-centred approach prioritises employee health, wellbeing, and professional growth while creating meaningful economic opportunity at community level.

### Related Material Themes

- Occupational Health & Safety
- Workforce & Human Development
- Economic Value Creation
- Human Rights & Fair Labour

### Affected Core Un Sdgs

1 NO POVERTY; 3 GOOD HEALTH AND WELL-BEING; 5 GENDER EQUALITY; 8 DECENT WORK AND ECONOMIC GROWTH; 10 REDUCED INEQUALITIES

**TTE was certified a 'Great Place to Work' with a 99% overall employee satisfaction score. The Revenue Share Model was expanded to all 16 estates, institutionalising entrepreneurship at grassroots level and directly increasing the earning capacity of estate communities.**

### Three-year performance trend — Employee Satisfaction Score (%)

| FY23/24 | FY24/25 | FY25/26 |
|---|---|---|
| 99% | 99% | 98% |

### FY 2025/26 Outcomes — First Curve Performance

Value Indicators: ◈ Value Created ● Value Preserved ◻ Value Eroded

- ◈ Certified Great Place to Work 98% overall employee satisfaction score achieved
- ◈ Revenue Share Model expanded to all 16 estates; 334 new Block Managers inducted in FY 2024/25
- ◈ HerLead programme entered its second year; Women in Leadership initiative formally launched
- ◈ EmpowerU Pathways to Leadership initiative launched to professionalise estate-community youth
- ● 92.4% employee retention rate (staff & executives) sustained amid sector-wide labour mobility

### Key Performance Metrics

| 98% | All 16 | 334 inducted | 92.4% |
|---|---|---|---|
| GPTW satisfaction | RSM — estates covered | New Block Managers | Employee Retention |

### Resource Allocation

Financial and human capital deployed to employee remuneration, benefits, and Revenue Share Model distributions. Investment in training and development, HerLead, and EmpowerU reflects the Company's deliberate commitment to building human capital and leadership capacity at all levels of the organisation.

### Key Trade-Offs

- Higher remuneration, benefits, and RSM distributions require increased financial allocation while strengthening human capital through improved retention, motivation, and performance
- HerLead and EmpowerU require sustained investment in training while building long-term organisational culture, diversity, and leadership pipeline resilience

| FY 2026/27 Strategic Focus | Anticipated Outcomes |
|---|---|
| Increase focus on women's empowerment and expand the female leadership pipeline | Stronger, more diverse leadership pipeline across estates and head office |
| Systematically increase earning capacity of estate communities through the Revenue Share Model | Higher community earning capacity and improved household financial resilience |
| Establish a joint labour–management committee for structured grievance resolution and engagement | Improved employee retention and engagement in a flatter, more accountable structure |

# Strategy and Resource Allocation

## Performance Against Our Strategy - SI-4

### Environmental Stewardship & Climate Action

Preserving ecosystems and pursuing carbon neutrality through regenerative, nature-positive operations

#### Why This Matters

Under the regenerative business model, we recognise our responsibility to preserve the ecosystems in which we operate while pursuing climate action towards carbon neutrality. This encompasses sustainable land management, waste and water management, a transition to renewable energy, and active biodiversity conservation — underpinned by our net-zero by 2050 commitment under the Science Based Targets initiative.

#### Related Material Themes

- Biodiversity & Ecosystems
- Climate Change & Energy
- Sustainable Agriculture
- Water Stewardship
- Waste & Circular Resources

#### Affected Core Un Sdgs

7 Affordable and Clean Energy; 12 Responsible Consumption and Production; 13 Climate Action; 15 Life on Land

**TTE obtained the Ecosystem Restoration Standard covering all TTEL estates and commenced development of a landmark 7 MW ground-mounted solar project a defining milestone in the Company's journey towards verified nature-positive and climate-positive operations.**

#### Three-year performance trend — Renewable Energy Share (%)

| 85.4% | 87.6% | 88.3% |
|---|---|---|
| FY23/24 | FY24/25 | FY25/26 |

#### FY 2025/26 Outcomes — First Curve Performance

Value Indicators: ◈ Value Created ● Value Preserved ◘ Value Eroded

| | | |
|---|---|---|
| ◈ 7 MW ground-mounted solar project commenced Hayleys Fentons partnership; LKR 36 Mn invested | ◈ Ecosystem Restoration Standard obtained covering all TTEL estates a sector-leading achievement | ◈ PET bottle recycling project launched with Janathakshan, Coca-Cola Foundation and Neptune Recyclers |
| ◈ Payment for Ecosystem Services (PES) Initiative commenced in partnership with UNDP | ◈ Reforestation & biodiversity restoration project advanced with WNPS 13 km corridors mapped and restored | ◈ Soil health partnership established with Nucleus Foundation & Solidaridad agrochemical reduction programme activated |

#### Key Performance Metrics

| LKR 36 Mn | 13 km mapped | 8.3% reduction | All estates |
|---|---|---|---|
| Solar investment | Biodiversity corridors | Scope 1&2 emissions | Ecosystem Restoration Std |

#### Resource Allocation

Financial and natural capital deployed to renewable energy, ecosystem restoration, and green infrastructure. Partnerships with WNPS, UNDP, and Solidaridad leverage social and relationship capital to extend impact. The Company applies internal carbon pricing to capital allocation decisions, prioritising investments with measurable environmental returns.

#### Key Trade-Offs

- Renewable energy, recycling, and restoration projects require significant upfront financial capital while building long-term natural capital value and reducing the cost of capital through sustainability-linked finance
- Ecosystem and soil health partnerships require sustained investment while building stronger knowledge systems, certification credentials, and long-term land productivity

| FY 2026/27 Strategic Focus | Anticipated Outcomes |
|---|---|
| Strengthen climate-resilient infrastructure and regenerative land-use practices across all estates<br>Scale the renewable energy portfolio complete 7 MW solar project and assess further capacity additions<br>Increase investment in green processing technologies and circular economy initiatives | Verified nature-positive estate operations across the full TTEL portfolio<br>SBTi interim targets on track measurable reduction in carbon intensity of operations<br>Lower cost of capital through sustainability-linked financing and improved ESG credentials |

## Performance Against Our Strategy - SI-5

## Business Diversification

Building focused, high-value revenue streams beyond the core tea business

### Why This Matters

Reducing dependency on our core value offering, we leverage our land, expertise, and partnerships to diversify and fortify our market position in a dynamic operating environment. Aligned with regenerative business principles, we pursue emerging opportunities, new product lines, and new markets each stream evaluated on strategic fit and its long-term value contribution to the enterprise.

### Related Material Themes

- Biodiversity & Ecosystems
- Sustainable Agriculture
- Economic Value Creation
- Customer Experience
- Innovation & Technology

### Affected Core Un Sdgs

2 Zero Hunger; 8 Decent Work and Economic Growth; 12 Responsible Consumption and Production; 13 Climate Action; 15 Life on Land

**TTE expanded its diversification portfolio with new organic tea variants, a controlled-environment strawberry cultivation pilot, an experiential glamping site, and the Moragalla Cinnamon Peeling Centre — creating multiple new revenue streams while deepening sustainable land use.**

### Three-year performance trend — Diversification Revenue Contribution

| Rs. 221 Mn | Rs. 207 Mn | Rs. 183 Mn |
|---|---|---|
| FY23/24 | FY24/25 | FY25/26 |

### FY 2025/26 Outcomes — First Curve Performance

Value Indicators: ◈ Value Created ● Value Preserved ◘ Value Eroded

| | | |
|---|---|---|
| ◈ Great Western Organic, Logie Organic Teas and Western Matcha Tea launched specialty portfolio expanded | ◈ Strawberry cultivation pilot commenced at Radella Estate controlled poly-tunnel conditions (LKR 31.7 Mn) | ◈ Great Western Glamping Site operational experiential tea tourism revenue stream established (LKR 3.1 Mn) |
| ◈ Somerset Tea Boutique launched at Nanu Oya flagship direct-to-consumer experience centre | ◈ Moragalla Cinnamon Peeling Centre established value-added cinnamon processing capacity created | ● Mini-hydropower (2.1 MW across Radella, Palmerston and Somerset) fully integrated into the operations platform |

### Key Performance Metrics

| 3 launched | 36 hectares | LKR 31.7 Mn | LKR 3.1 Mn |
|---|---|---|---|
| New product lines | Cinnamon active | Strawberry pilot | Glamping site |

### Resource Allocation

Financial, manufactured, and social & relationship capital deployed across new product development, agricultural diversification, and experiential ventures. The Company leveraged natural capital cinnamon, land, and landscape as the foundation for new value streams. Partnerships with Hayleys and tourism operators extend market reach beyond traditional channels.

### Key Trade-Offs

- Expansion into new variants and verticals requires upfront financial investment while building manufactured capability, brand equity, and long-term diversification of the revenue base
- Agricultural diversification and nature-based developments create short-term financial commitment while enhancing sustainable land use and long-term natural capital value

| FY 2026/27 Strategic Focus | Anticipated Outcomes |
|---|---|
| • Expand Great Western Organic, Logie Organic and Western Matcha into targeted export markets<br>• Significantly increase capital allocation towards crop diversification cinnamon, coconut and controlled-environment crops<br>• Build the renewable energy and tea-tourism portfolios as distinct, scalable earnings engines | • Growing diversification revenue share reducing single-stream dependency<br>• Stronger premium market presence and improved export revenue mix<br>• Enhanced natural capital and sustainable land use across the estate portfolio |

# Our Commitment to SDGs

## 01 NO POVERTY

**17%**

Increase in House Hold Cash Management sessions Conducted

Focus: community wellbeing

Initiatives: housing, sanitation, livelihood support

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## 02 ZERO HUNGER

**10%**

increase in Awareness on Home garden sessions conducted

Focus: nutrition and food security

Initiatives: community nutrition support

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## 03 GOOD HEALTH & WELL-BEING

**40%**

Anaemic patients receiving HB re-analysis and deworming/iron supplements increased by

Focus: health & safety

Progress: safer estate workplaces

Page 166/189

## 04 QUALITY EDUCATION

**Rs 6.56 Mn**

increase in Youth Empowerment Investment

Focus: education access

Progress: learning support and capacity building

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## 09 INNOVATION & INFRASTRUCTURE

**37 Mn**

Invested in community development (Living environment)

Focus: innovation and infrastructure

Progress: estate development and modernization

Page 146/154

## 10 REDUCED INEQUALITIES

**02%**

Increase in Women Trained

Focus: diversity and inclusion

Progress:broader workforce representation

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## 11 SUSTAINABLE CITIES & COMMUNITIES

**Rs 1.79Mn**

Increase in a Home for Every Plantation Worker Programme Investment

Focus: housing and community infrastructure

Initiatives: estate welfare improvements

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14 LIFE BELOW WATER

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

17 PARTNERSHIPS FOR THE GOALS

Not Reported

SUSTAINABLE DEVELOPMENT GOALS

### 05 GENDER EQUALITY

11.4%
Women in leadership posts
Male to Female ratio 54:7

Focus: women in leadership
Initiatives: inclusive participation

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### 06 CLEAN WATER & SANITATION

Rs. 551650
Invested on water conservation

Focus: water stewardship
Initiatives: conservation and sanitation

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### 07 AFFORDABLE & CLEAN ENERGY

0.6%
Increase in renewable energy use

Focus: clean energy transition
Progress: hydro and solar integration

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### 08 ECONOMIC GROWTH

42%
Increase in Employee Training Investment

Focus: fair and stable employment
Progress: employee wellbeing and trust

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### 12 CONSUMPTION & PRODUCTION

700t
Biodegradable waste converted to compost (sustainable waste management)

Focus: circular economy
Initiatives: composting and waste reduction

Page 205

### 13 CLIMATE ACTION

4.9%
Reduction in total GHG emission

Focus: carbon management
Progress: emissions reduction

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### 15 LIFE ON LAND

Rs. 440,000
investment on environment and biodiversity conservation

Focus: biodiversity and land stewardship
Initiatives: conservation and restoration

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# 2030 Regenerative Agenda through ESG Framework

GRI 2-23, 24

## 2030 ReGen Agenda

Our strategic compass to regenerate, transform, and lead with purpose — anchored in the interconnectedness of nature, people, and performance.

| GRI ALIGNED | RAINFOREST ALLIANCE | SBTi VERIFIED | SINCE FY 2022/23 |
|---|---|---|---|

**OUR PURPOSE**

"**Brewing a Better Future** — Our commitment is to regenerate ecosystems, uplift livelihoods, and create shared value, going beyond compliance to sustainability leadership, for *profits, people and planet — today and tomorrow*."

## THE 15-PILLAR ESG FRAMEWORK

### ENVIRONMENT

**Net-positive impact on nature & climate**

- Sustainable Land Management
- Climate Action & Net Zero 2050
- Circular Resource Management
- Water Stewardship & Soil Health
- Biodiversity & Ecosystem Restoration

### SOCIAL

**Empowering people & communities**

- > Great Place to Work
- > Fair Labour Practices
- > Diversity & Inclusion
- > Community Empowerment
- > Value Chain Management

### GOVERNANCE

**Ethical & responsible leadership**

- > Board Diversity & Composition
- > Policy Compliance
- > Accurate Reporting & Transparency
- > Stakeholder Engagement
- > Risk & Opportunity Management

## FIVE STRATEGIC IMPERATIVES

**01**
**Winning with the Customer**
Sustain highest auction prices through quality, ethics, and traceable, low-emission tea.

**02**
**Nurturing Our People**
Revenue-share model, best workplace certifications, women in leadership, and upskilling estate youth.

**03**
**Operational Excellence**
Energy efficiency, waste reduction, lean management, and GHG reduction across estates and factories.

**04**
**Environmental Stewardship & Climate Action**
Verified GHG inventory (Scope 1–3), climate resilience actions, water security, and landscape restoration.

**05**
**Business Diversification**
Expansion into value-added teas, herbal cultivation, and renewable energy ventures — hydro and biomass.

**15**
ESG pillars · E · S · G

**2030**
Horizon year

**"From soil health to social equity, our plantations deliver regeneration in action — restoring ecosystems, empowering communities, and sustaining trust."**

**Mr. P G G Jayathilake**
*Director - Plantations (Low Country)*

# The ReGen Agenda Accelerated.

Our strategic compass to regenerate, transform, and lead with purpose — anchored in the interconnectedness of nature, people, and performance.

| SBTi VERIFIED — CLIMATE | SBTN PIONEER — NATURE | FIRST IN SRI LANKA |
|---|---|---|

## FOUNDATION (2022/23 – 2025/26) First Curve

- Built 15-pillar ESG Framework and Regenerative Agenda
- Established baseline data systems, SWIs and controls
- SBTi climate targets submitted and verified (FY 2024/25)
- GRI 101 Biodiversity and TNFD LEAP Phase 1 complete
- Rainforest Alliance certification across all 16 estates
- Initiated biodiversity corridor and analog forestry

## TRANSFORMATION (2026/27 → 2030) Second Curve

- Set SBTN nature targets — first company in Sri Lanka
- 100-hectare restoration — net-positive biodiversity by 2030
- Revenue-share model for all permanent estate workers
- Gender parity in supervisory and management grades
- Full SLFRS S1/S2 double-materiality with external assurance
- AI-powered ESG MIS — 100% data accuracy and completeness

## THE KEY SHIFTS

**Incremental → Transformative**
From improving metrics to changing systems

**Reporting → Pioneering**
SBTN first mover in the sector and country

**Compliance → Leadership**
Setting standards others will follow

## SCIENCE-BASED CREDENTIALS — WHAT WE HAVE EARNED

| SBTi VERIFIED · CLIMATE | SBTN PIONEER · NATURE | FIRST IN SRI LANKA |
|---|---|---|
| **Net Zero 2050 & Near-Term Targets**<br>42% Scope 1+2 reduction by 2030 vs 2018/19 baseline. FLAG land-sector target: 72% Scope 1+3 reduction by 2050. Commitment re-verified FY 2024/25. | **Science-Based Targets for Nature**<br>Land: No Net Conversion. Freshwater flow integrity across all estate watercourses. Net-positive biodiversity by 2030. Aligned with Kunming-Montreal GBF 30x30 goal | **Plantation Sector Pioneer**<br>First plantation company and the first company in Sri Lanka to formally set and publicly disclose SBTN-aligned science-based nature targets across all estates. |

## WHAT DRIVES THE SECOND CURVE — FOUR TRANSFORMATION THEMES

| | |
|---|---|
| **Science as the Anchor**<br>Every target is grounded in SBTi, SBTN, GRI, TNFD or SLFRS S1/S2 methodology. No target without a verified science basis. | **Nature as a Strategic Asset**<br>Biodiversity corridors, analog forestry and watershed restoration treated as strategic investments generating long-term value — not compliance costs. |
| **People as Value Creators**<br>Revenue-share remuneration, gender parity in leadership, and worker wellbeing as the engine of sustainable yield growth and resilience across all estates. | **Transparency as Competitive Advantage**<br>Full SLFRS S1/S2 double-materiality disclosure, AI-powered ESG MIS, external limited assurance under SLSSA 5000, and real-time stakeholder reporting. |

## ENABLERS OF THE SECOND CURVE

| Digital & AI Systems | Nature Partnerships | Management Systems | Science Platforms |
|---|---|---|---|
| AI-powered ESG MIS with real-time dashboards and automated reporting | WNPS, IWMI, SBTN cohort, Rainforest Alliance & research collaborations | EnMS · EMS · QMS · FSMS · GHGEmMS — integrated compliance backbone | SBTi · SBTN · TNFD · GRI · SLFRS S1/S2 |

# Independent Limited Assurance Statement on SLFRS

Shape the future
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**Independent practitioner's assurance report to the Board of Directors of Talawakelle Tea Estates PLC on the SLFRS Sustainability-related Financial Disclosures presented in the Integrated Annual Report 2025/26**

## Scope

We have been engaged by Talawakelle Tea Estates PLC to perform a 'limited assurance engagement,' as defined by Sri Lanka Standard on Assurance Engagements, here after referred to as the engagement, to report on Talawakelle Tea Estates PLC's SLFRS Sustainability-related Financial Disclosures (the "Subject Matter") contained in Talawakelle Tea Estates PLC's (the "Entity's") Integrated Annual Report for the year ended 31 March 2026 (the "Report").

Other than as described in the preceding paragraph, which sets out the scope of our engagement, we did not perform assurance procedures on the remaining information included in the Report, and accordingly, we do not express a conclusion on this information.

## Criteria applied by Talawakelle Tea Estates PLC

In preparing the Subject Matter, Talawakelle Tea Estates PLC applied the Sri Lanka Sustainability Disclosure Standards, SLFRS S1 – General Requirements for Disclosure of Sustainability related Financial Information and SLFRS S2 – Climate-related Disclosures ("Criteria").

Such Criteria were specifically designed for the disclosure of material information on sustainability-related risks and opportunities that is useful to primary users of general-purpose financial reports in making decisions relating to providing resources to the entity; As a result, the subject matter information may not be suitable for another purpose.

## Talawakelle Tea Estates PLC's Responsibilities

Talawakelle Tea Estates PLC management is responsible for selecting the Criteria, and for presenting the Subject Matter in accordance with that Criteria, in all material respects. This responsibility includes establishing and maintaining internal controls, maintaining adequate records and making estimates that are relevant to the preparation of the subject matter, such that it is free from material misstatement, whether due to fraud or error.

## Ernst & Young's responsibilities

Our responsibility is to express a conclusion on the presentation of the Subject Matter based on the evidence we have obtained.

We conducted our engagement in accordance with the Sri Lanka Standard for Assurance Engagements Other Than Audits or Reviews of Historical Financial Information (SLSAE 3000 (Revised), and the terms of reference for this engagement as agreed with Talawakelle Tea Estates PLC on 05 May 2026. Those standards require that we plan and perform our engagement to express a conclusion on whether we are aware of any material modifications that need to be made to the Subject Matter in order for it to be in accordance with the Criteria, and to issue a report. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risk of material misstatement, whether due to fraud or error.

We believe that the evidence obtained is sufficient and appropriate to provide a basis for our limited assurance conclusions.

## Our independence and Quality Management

We have maintained our independence and confirm that we have met the requirements of the Code of Ethics for Professional Accountants issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and have the required competencies and experience to conduct this assurance engagement.

EY also applies quality management standards, which requires that we design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

## Description of Procedures Performed

Procedures performed in a limited assurance engagement vary in nature and timing from and are less in extent than for a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Our procedures were designed to obtain a limited level of assurance on which to base our conclusion and do not provide all the evidence that would be required to provide a reasonable level of assurance.

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Although we considered the effectiveness of management's internal controls when determining the nature and extent of our procedures, our assurance engagement was not designed to provide assurance on internal controls. Our procedures did not include testing controls or performing procedures relating to checking aggregation or calculation of data within IT systems.

A limited assurance engagement consists of making enquiries, primarily of persons responsible for preparing the subject matter and related information and applying analytical and other appropriate procedures.

## Our Procedures Included:

- Conducted interviews with selected key management personnel and relevant staff to understand the business, value chain and sustainability reporting process of the Company.
- Undertook analytical procedures of the data and made inquiries of management to obtain explanations for any significant differences we identified.
- Performed procedures to understand the Company's disclosures in relation to the Conceptual Foundation of SLFRS S1, including fair presentation, materiality, reporting entity, and connected information
- Conducted procedures to understand the governance processes, controls and procedures employed by the Company to monitor, manage and oversee climate-related risks and opportunities, supported by relevant evidence.
- Perused the minutes of the Board of Directors and Board Audit Committee meetings from the financial year to ensure alignment with the content of governance related disclosures.
- Conducted procedures to comprehend the Company's strategy for managing identified sustainability-related risks and opportunities, supported by relevant evidence and calculations.
- Performed analytical procedures to obtain explanations and supporting evidence regarding the Company's processes for identifying, assessing, prioritizing, and monitoring sustainability-related risks and opportunities, including their integration into the overall risk management framework.
- Conducted analytical procedures to gather explanations and supporting evidence to evaluate the Company's performance in relation to its identified sustainability-related risks and opportunities, including progress towards any targets the Company has set during the assurance engagement.
- Performed procedures to assess the Company's disclosures and compliance with the General Requirements of SLFRS S1.
- Conducted procedures to evaluate the disclosures regarding judgments and uncertainties in the process of preparing the Company's sustainability-related financial disclosures.

We also performed such other procedures as we considered necessary in the circumstances.

## Emphasis of Matter

There are inherent limitations in the identification, measurement and disclosure of underlying Subject Matter against the applicable Criteria due to forward looking information, uncertainties and management judgements. For clarity, our engagement does not extend to providing assurance on the accuracy or achievability of these forward-looking information, uncertainties and management judgements.

## Conclusion

Based on our procedures and the evidence obtained, we are not aware of any material modifications that should be made to SLFRS Sustainability-related Financial Disclosures for the year ended 31 March 2026, in order for it to be in accordance with the Criteria.

## Restricted Use

This report is intended solely for the information and use of Talawakelle Tea Estates PLC for the purpose of providing an assurance conclusion on the Subject Matter based on the Criteria and is not intended to be and should not be used by anyone other than those specified parties.

**Chartered Accountants**
02 June 2026

Colombo

# SLFRS Sustainability Related Financial Disclosures

## Sustainability-related Financial Disclosures

SLFRS S1 General Requirements · SLFRS S2 Climate-related Disclosures · For the year ended 31 March 2026

13 Disclosure notes | 4 Core content pillars | 5 SRROs identified | 6 Capitals assessed

SLFRS S1 | SLFRS S2 | GRI 101 | TNFD | ISO 14064-1:2018 | ReGen 2030

These disclosures are prepared in accordance with SLFRS S1 and SLFRS S2, structured around the four core content areas - Governance, Strategy, Risk Management, and Metrics & Targets - with a foundation covering basis of preparation, boundary, materiality and judgements. These notes provide a connected picture of how SRROs affect TTE's financial prospects over the short, medium and long term.

### CORE CONTENT AREAS — SLFRS S1 · SLFRS S2

**PILLAR I — Governance** (Note 6 · S1) I

Enable users to understand governance processes, controls and procedures used to oversee SRROs

- Board-level oversight (BAC)
- Management roles & TOR
- Skills and competencies
- Remuneration linkage

**PILLAR II — Strategy** (Notes 7-11 · S1) II

Enable users to understand how SRROs affect business model, strategy, financial position and resilience

- SRROs identified (N7)
- Business model & value chain (N8)
- Strategy & decisions (N9)
- Financial effects (N10)
- Resilience (N11)

**PILLAR III — Risk Management** (Note 12 · S1) III

Enable users to understand processes to identify, assess, prioritise and monitor SRROs

- Identification process
- Assessment & prioritisation
- Integration with ERM
- Monitoring & review

**PILLAR IV — Metrics & Targets** (Note 13 · S2) IV

Enable users to understand TTE performance against targets and progress managing SRROs

- Cross-industry metric categories
- GHG Scope 1, 2 & 3
- Biodiversity & water metrics
- Targets & progress

### SUSTAINABILITY-RELATED RISKS & OPPORTUNITIES — NOTE 7 · SLFRS S1 · SLFRS S2

| | Environment (Note 7.1) | Social (Note 7.2) | Governance (Note 7.3) |
|---|---|---|---|
| RISK | Exposure to acute & chronic physical climate effects and transition risk across estate operations | Labour scarcity and wage escalation affecting estate operational continuity and cost structure | Evolving ESG megatrends and tightening regulatory disclosure frameworks affecting compliance |
| OPP | Ecosystem resilience through biodiversity enhancement - Kirulu, St. Clair, Nanu Oya 13 km corridor | Inclusive business model enhancing workforce retention and community engagement programmes | ESG oversight improvement through digitalisation of sustainability performance monitoring |

### FOUNDATION — GENERAL REQUIREMENTS · SLFRS S1 · SLFRS S2

| Note 1 | Note 2 | Note 3 | Note 4 | Note 5 |
|---|---|---|---|---|
| Basis of preparation | Group & value chain | Reporting boundary | J&M uncertainties | Materiality assessment |

### CAPITALS ASSESSED — INTEGRATED <IR> FRAMEWORK · SLFRS S1

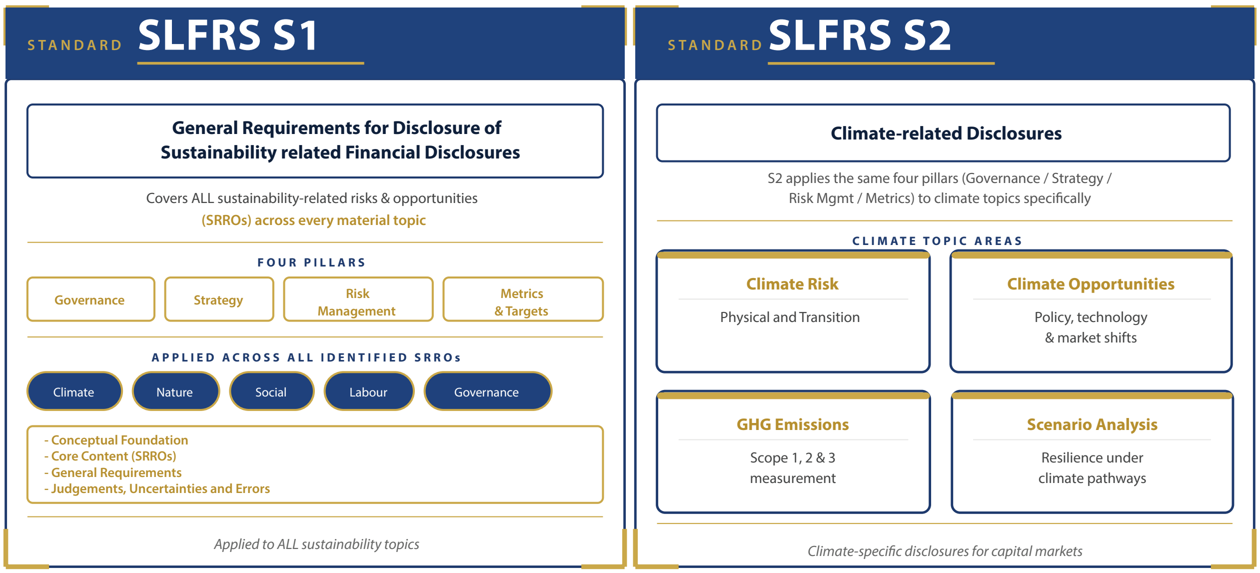
| FC | MC | HC | NC | SC | IC |
|---|---|---|---|---|---|
| Financial Capital | Manufactured Capital | Human Capital | Natural Capital | Social & Rel. Capital | Intellectual Capital |
| Positive, Negative | Positive, Monitored | Positive, Negative | Positive, Negative | Positive, Monitored | Positive, Monitored |

Capital impact: Positive Negative Monitored

# NOTE 1 - Basis of Preparation

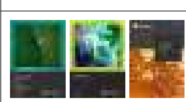
## 1.1 Application of SLFRS Sustainability Disclosure Standards

These sustainability-related financial disclosures have been prepared in accordance with the SLFRS Sustainability Disclosure Standards issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka), specifically:




This is the third consecutive year in which Talawakelle Tea Estates PLC has presented full-scope SLFRS S1 and S2 disclosures. The Company discloses all material sustainability-related risks and opportunities (SRROs) identified through the process described in Note 5.

The sustainability-related financial disclosures have been prepared in accordance with SLFRS S1 and SLFRS S2. In applying these standards, TTEL has also referred to selected supplementary frameworks and methodological guidance to support the identification, measurement and presentation of industry-specific, climate-related, nature-related and GHG-related information. These supplementary sources do not introduce additional mandatory disclosure requirements for this section; they have been used only to enhance consistency, comparability and methodological rigour.

| Standard / Framework | | Discription | Application Status | Note Reference |
|---|---|---|---|---|
| Sri Lanka Financial Reporting Standards (SLFRS) - S1 |  | General requirements for sustainability-related financial disclosures, including materiality, governance, strategy, risk management, metrics and targets | Mandatory disclosure standard | All Notes |
| Sri Lanka Financial Reporting Standards (SLFRS) - S2 | | Climate-related disclosures, including physical and transition risks, scenario analysis, GHG emissions and climate-related targets | Mandatory disclosure standard | Notes 9, 11, 12, 13 |
| SASB Agricultural Products Standard |  | Industry-specific sustainability metrics relevant to agriculture, including energy, water, GHG emissions and certified area | Supplementary guidance only | Note 13.2.4 |
| Global Reporting Initiative (GRI) - 13 Agriculture, Aquaculture and Fishing Sector Standard (2022) |  | Sector-specific guidance for identifying and presenting social, environmental and biodiversity-related topics relevant to plantation operations | Supplementary guidance only | Notes 5, 7, 13 |
| Taskforce on Nature-related Financial Disclosures (TNFD) |  | Nature-related guidance used to support biodiversity exposure mapping and alignment with LEAP-based assessment prin ciples | Supplementary guidance only | Notes 7, 9, 13.2.7 |
| Greenhouse Gas (GHG) Protocol Corporate Standard, Scope 2 Guidance and Scope 3 Standard |  | Methodological guidance for GHG inventory preparation, including Scope 1, Scope 2 and Scope 3 categorisation, activity data and emission-factor selection | Supplementary methodology only | Notes 13.2.1–13.2.3 |
| International Organization for Standardization (ISO) 14064-1:2018 |  | Organisation-level GHG emissions and removals reporting standard used to support inventory design, reporting structure and verification criteria | Supplementary methodology only | Note 13.2.2 |

# SLFRS Sustainability Related Financial Disclosures

### 1.2 Functional Currency

All monetary amounts in these disclosures are presented in Sri Lankan Rupees (Rs.) unless otherwise stated.

### 1.3 Reporting Period

These disclosures cover the financial year 1 April 2025 to 31 March 2026, consistent with the Company's annual financial statements prepared under Sri Lanka Accounting Standards (SLFRS/LKAS) for the same period. There is no lag in the reporting cycle; sustainability-related financial data is reported on the same period-end basis as the financial statements.

### 1.4 Time Horizons

For the purposes of SRRO classification and financial exposure estimation, TTE applies the following time horizon definitions consistently across all Notes in these disclosures:
The disclosures are presented on a consolidated basis, encompassing Talawakelle Tea Estates PLC as the parent entity and its wholly owned subsidiaries:

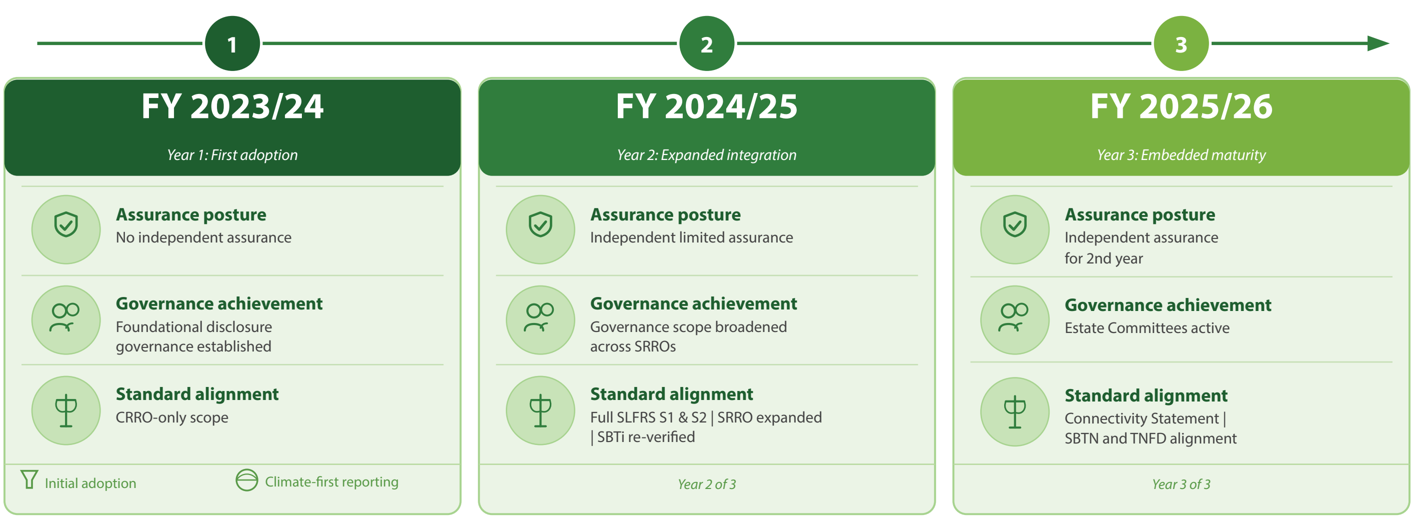
| Time Horizon | Period | Basis |
|---|---|---|
| **Short term** | 1 years | Aligned to TTE's annual operating cycle, corporate budget plan, and near-term estate operational decisions |
| **Medium term** | 2–3 years | Company Strategic planning cycle |
| **Long term** | Beyond 3 years | Aligned to TTE's long-cycle strategic and investment planning horizon |

The Group operates 16 estates and 15 factories across diverse agro-climatic zones in Sri Lanka's Upcountry and Low-country regions, encompassing tea cultivation, manufacturing, cinnamon, and rubber as supplementary crops, as well as renewable energy generation through solar and hydropower assets. The value chain and estate configuration are detailed in Note 2.

### 1.5 Changes from Previous Reporting (FY 2024/25 to FY 2025/26)

The following changes have been made to these disclosures relative to the FY 2024/25 Integrated Annual Report.

| | |
|---|---|
| **Governance maturity** | ESEG Steering Committee TOR reviewed and updated. 16 Estate-Level Sustainability Steering Committees operational with documented Terms of Reference. |
| **Materiality methodology** | Materiality process applied for third consecutive year. Quantitative threshold for materiality refined based on FY 2025/26 financial data. |
| **Climate scenario rationale** | Scenario selection rationale enhanced with explicit linkage to IPCC AR6 SSP pathways and IEA NZE 2050 and Sri Lanka's Nationally Determined Contribution (NDC 3.0). Qualitative and quantitative outputs updated for FY 2025/26 projections. |
| **GHG inventory and emission factors** | Emission factors updated to DEFRA 2025 and IPCC AR6 GWP100 values for $N_2O$ and $CH_4$. SLSEA grid emission factor updated to latest published value for FY 2025/26. |




*Progression from initial adoption to connected, assured and embedded disclosure maturity.*

### 1.6 Statement of Compliance and External Assurance

TTEL confirms that these sustainability-related financial disclosures have been prepared in full compliance with SLFRS S1 - General Requirements for Disclosure of Sustainability-related Financial Information and SLFRS S2 - Climate-related Disclosures, as issued by CA Sri Lanka and effective for reporting periods beginning on or after 1 January 2024.

Ernst & Young, Chartered Accountants (EY), have performed an independent limited assurance engagement on these sustainability-related financial disclosures in accordance with the Sri Lanka Standard on Assurance Engagements 3000 (Revised) (SLSAE 3000) issued by CA Sri Lanka. Independent assurance report is presented on page 80 of this report.

### 1.7 Connected Information

These disclosures are prepared on an integrated basis and should be read in conjunction with the relevant sections of the Integrated Annual Report FY 2025/26. Information disclosed across Notes 7–13 is interconnected, and readers are encouraged to refer to the corresponding report sections indicated below for a complete understanding of TTE's sustainability-related risks, opportunities, strategy and governance.

| SLFRS S1 & S2 Section | Primary Location — These Disclosures | Connected Information section of Integrated Annual Report |
|---|---|---|
| **Governance** | Note 6 | Corporate Governance Report: Page 234; Board Audit Committee Report : Page 257 |
| **Strategy** | Notes 8 & 9 | Strategy & Resource Allocation: Page 70; Value Creation Model: Page 50; MD&A: Page 120 |
| **Risk Management** | Note 12 | Risk & Opportunity Management Report: Page 218 |
| **Metrics & Targets** | Note 13 | ESG Highlights: Page 22; Consolidated ESG Statement: Page 275; Financial Statements: Page 284 |
| **Basis of Preparation** | Notes 1–5 | About the Report: Page 07; Materiality in Focus: Page 66 |

## NOTE 2 - Overview of the Value Chain


**FINANCIAL MATERIALITY BY VALUE-CHAIN SEGMENT**

| Segment | Illustrative Financial Materiality | Key Linkage |
|---|---|---|
| Upstream<br>Supply chain & input management | Cost volatility, supply continuity, input access | Linked to raw-material availability and cost base |
| Midstream<br>Processing & operations | Operational efficiency, quality, energy, production continuity | Linked to margins, asset utilisation and output quality |
| Downstream<br>Sales & market access | Market access, customer demand, pricing and channel resilience | Linked to revenue realisation and customer mix |

# SLFRS Sustainability Related Financial Disclosures

### 2.1 TTE Group Overview

Talawakelle Tea Estates PLC is one of Sri Lanka's leading Regional Plantation Companies (RPCs) and a subsidiary of Hayleys PLC, operating under the Hayleys Plantations sector. TTE is engaged in the full vertically integrated value chain of premium Ceylon Tea from field cultivation through factory processing to auction and export supplemented by cinnamon and rubber cultivation, renewable energy generation and an emerging tea-tourism segment.

For FY 2025/26, the Group operates across diverse agro-climatic zones spanning Sri Lanka's Up-Country and Low-Country regions, with elevations ranging from approximately 50 m at Low-Country estates to over 1,800 m at the Group's highest Upcountry positions producing a broad portfolio of High-Grown and Low-Grown Ceylon Tea grades, each commanding distinct market positions at the Colombo Tea Auction and in direct export channels.

### 2.2 Upstream Value

TTE's upstream value chain encompasses the full range of inputs required to cultivate tea and deliver it to the factory gate for processing into made tea. For the purposes of these SLFRS disclosures, the upstream boundary follows the GHG Protocol Scope 3 Category 1 (Purchased Goods and Services) and Category 2 (Capital Goods) definitions, supplemented by the operational-control boundary described in Note 3.

### Bought-Leaf Smallholder Suppliers — Upstream Segment

Bought-leaf smallholder suppliers constitute a discrete and material upstream value-chain segment, supplying fresh green leaf to TTE's Low-Country factories at Kiruwanaganga and Deniyaya. The sustainability risks associated with this segment principally agrochemical compliance, labour standards, soil carbon and water management are material to TTE's Rainforest Alliance certification and ISO 22000:2018 food safety status, directly affecting the Company's ability to command certified-tea premiums. These exposure pathways are registered as SRROs in Note 7.

### 2.3 Downstream Value Chain

TTE's downstream value chain comprises three primary sales channels: the Colombo Tea Auction, direct export, and specialty/ESG-certified buyers. The Company does not sell directly to end consumers and has no direct retail presence; all commercial relationships are therefore at the broker, trader, or direct-buyer level, which shapes the nature of downstream sustainability risks and opportunities.

### 2.4 Stakeholders Across the Value Chain

TTE operates within a diverse and interdependent stakeholder ecosystem spanning the full value chain. Stakeholder input is central to TTE's materiality determination process (Note 5) and to the identification and assessment of SRROs (Note 7). The Company maintains structured, documented engagement with each group, as detailed in the Stakeholder Engagement section of the Integrated Annual Report.

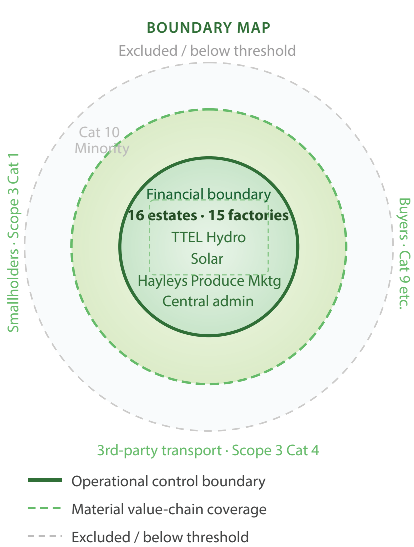
## NOTE 3 - Reporting Boundary

### 3.1 Alignment with Financial Reporting Boundary

The sustainability-related financial disclosures in this section apply the same reporting boundary as TTE's consolidated financial statements for the year ended 31 March 2026, prepared under SLFRS in accordance with SLFRS 10 Consolidated Financial Statements.

The consolidated reporting group comprises the following legal entities, each of which is fully included within the operational-control sustainability boundary defined in Note 3:

SUSTAINABILITY GOVERNANCE
**Consolidated entities within sustainability boundary**




| LEGAL ENTITY | NATURE OF OPERATIONS | INCLUDED |
|---|---|---|
| **Talawakelle Tea Estates PLC**<br>Parent company · Reporting entity | 16 estates, 15 factories, solar assets, admin · Reporting entity | Full |
| **TTEL Hydro Power Co. (Pvt) Ltd**<br>100% owned subsidiary | Mini-hydropower generation · grid + estate supply · 100% owned | Full |
| **TTEL Somerset Hydro Power Co. (Pvt) Ltd**<br>100% owned subsidiary | Somerset mini-hydro · renewable electricity generation · 100% owned | Full |
| **Hayleys Produce Marketing Ltd**<br>100% owned subsidiary | Organic tea cultivation & field management · 100% owned | Full |

### 3.2 Operational Control Definition

For the purposes of greenhouse gas (GHG) emissions reporting and for the broader identification of operational sustainability impacts, TTE applies the GHG Protocol Corporate Standard operational control approach. Under this approach, TTE accounts for 100% of the GHG emissions and sustainability impacts arising from operations over which it has full authority to introduce and implement its own operating policies regardless of financial ownership share.

Operational control is defined as the authority to direct the operations, safety practices, environmental management systems, and sustainability policies of a facility or activity. This is a broader test than financial ownership: an entity may hold operational control over a site it leases or manages under contract, even if it does not hold a majority financial interest; conversely, a wholly owned entity may be managed independently such that TTE does not exercise operational control. In practice, for TTE's current Group structure, operational control aligns precisely with the SLFRS 10 consolidated financial boundary (Note 3.1).


### 3.3 Value Chain Coverage Beyond the Financial Boundary

The inclusion of material sustainability information relating to activities outside the operational-control financial boundary. TTE includes such value-chain information where three conditions are satisfied simultaneously:

- Financial materiality — the activity generates a sustainability-related risk or opportunity that meets or exceeds the quantitative or qualitative threshold established in Note 5;
- Operational or strategic relevance — TTE has a demonstrable exposure pathway to financial consequences arising from the activity, even without direct operational control (e.g., through certification requirements, contractual obligations, or reputational linkage); and
- Data availability — reasonable and supportable data can be obtained without undue cost or effort.

Where all three conditions are met, the activity is identified as a value-chain SRRO in Note 7 and its financial effects are discussed in Note 10. Scope 3 GHG emissions from value-chain activities are reported in Note 13 per the GHG Protocol Scope 3 Standard.

## NOTE 4 Judgement and Measurement Uncertainties

### 4.1 Overview of Judgement in Sustainability Disclosures

The preparation of TTE's SLFRS S1 and S2 sustainability-related financial disclosures requires management to exercise significant professional judgement and to make estimates and assumptions that materially affect the information reported. This requirement arises from three structural characteristics of TTE's operating context. Five principal judgement categories are addressed in Notes 4.2–4.6:

(i) materiality threshold setting;
(ii) reporting boundary definition;
(iii) time horizon classification;
(iv) climate scenario selection; and
(v) quantification vs. qualitative treatment.

# SLFRS Sustainability Related Financial Disclosures

**Climate-sensitive long-cycle operations**

Tea cultivation involves biological assets with replanting cycles of 40–60 years, physical climate risks across short, medium and long horizons, and yield-damage models with inherent uncertainty.

**Labour-intensive wage-regulated workforce**

~48% labour-dependent cost structure. Government wage-setting is a recurrent source of judgement — most recently a 35% increase in September 2024, adding Rs. 270 million in annual costs.

**Export-oriented with evolving requirements**

RA, ISO 22000, EUDR, CBAM and ESG buyer expectations evolve faster than established financial modelling frameworks, requiring judgement-based qualitative disclosures where quantification is not yet

### 4.2 Key Areas of Professional Judgement

| Judgement Area and Nature of Judgement Required | Governance Anchor | Uncertainty |
|---|---|---|
| **Financial materiality threshold** — SRRO inclusion / exclusion<br>Setting the quantitative threshold above which an SRRO is considered material; applying qualitative factors where financial effects are indirect or not precisely quantifiable. | BAC annual approval of SRRO register, ESEG Committee threshold test. | Medium |
| **Reporting boundary** — outsourced and value-chain activities<br>Whether smallholder bought-leaf suppliers, sub-leased parcels, and downstream activities satisfy the three-condition test (materiality, relevance, data availability) for inclusion. | ESEG Steering Committee boundary review, confirmed annually | Medium |
| **Time horizon classification of SRROs**<br>Short term: 1 year · Medium term: 2–3 years · Long term: >3 years<br>Aligned with TTE's annual operating cycle, strategic planning cycle, and long-cycle investment horizon. | ESEG Steering Committee annual horizon review | Medium |
| **Climate scenario selection and pathway interpretation**<br>Physical risk: IPCC AR6 SSP1-2.6 (low warming) and SSP5-8.5 (high warming). Transition risk: IEA NZE 2050 and STEPS pathways. Downscaled to Sri Lanka estate-level impacts using IPCC AR6 regional outputs and NAPCC projections. | ESEG Steering Committee scenario review | High |
| **Quantification vs. qualitative treatment of financial effects**<br>Determining whether financial effects of each SRRO are: (a) quantifiable with reasonable precision; (b) a directional estimate only; or (c) qualitative-only, with a structured narrative disclosure applied. | ESEG Steering Committee quantification status review | High |
| **GHG emission factor and activity data selection**<br>Emission factors applied: DEFRA 2025, IPCC AR6 GWP100, SLSEA grid factor. Activity-based vs. spend-based methodology for Scope 3 categories where primary data is unavailable. | Internal management review and independent external assurance; ISO 14064-1:2018 applied as the inventory standard | Medium |

### 4.3 Significant Sources of Measurement Uncertainty

Measurement uncertainty arises when the inputs or assumptions required to quantify a sustainability-related financial effect are subject to significant variability, are based on incomplete data, or reflect long-term projections with evolving methodologies. TTE discloses the following key areas of measurement uncertainty, in each case identifying the source of uncertainty, the direction of the potential financial impact, and the range of plausible outcomes where assessable. The following heatmap summarises the key areas of measurement uncertainty identified in TTE’s sustainability-related financial disclosures. It illustrates the relationship between the estimated financial materiality of each issue and the level of uncertainty associated with its measurement. Larger circles indicate greater potential financial exposure, while colour coding reflects the relative level of uncertainty. The assessment supports management in prioritising monitoring, sensitivity analysis, and future data improvement initiatives.

### 4.4 When Quantification Is Not Reasonably Possible

For certain sustainability-related risks and opportunities, TTE has determined that quantification of financial effects is not reasonably achievable at this stage without introducing false precision that could mislead primary users. This determination is made when one or more of the following conditions are present:

(i) the cause-effect relationship between the sustainability factor and TTE's financial metrics is too indirect or diffuse to model reliably;

(ii) the data required for quantification is incomplete, non-standardised, or not yet available at reasonable cost; or

(iii) the forward-looking nature of the matter involves scenario or policy dependencies that render a single-point estimate uninformative.

In all such cases, TTE provides the six qualitative disclosure elements. These disclosures are presented in the table below. The absence of quantification in these instances does not imply immateriality each of the items below meets TTE's financial materiality threshold in terms of strategic and financial significance; the limitation is one of measurement, not relevance.

**Biodiversity restoration & ecosystem services financial value**

Nature risk / opportunity · Operations · 16 estates · Medium–Long · Upside + downside

No standardised PES valuation methodology in Sri Lanka. Voluntary carbon market prices highly volatile (LKR 1,500 - 5,000/$tCO_2e$). TNFD LEAP methodology adopted for identification but not yet at quantification stage. Shadow pricing not applied given market immaturity.

→ Develop TNFD V2.0 aligned biodiversity credit valuation by FY 2026/27. Engage PES pilot valuers. Note 13.2.7.

**EUDR & CSDDD regulatory compliance cost**

Regulatory transition risk · Downstream export · Medium · Upward cost

EUDR scope for tea not yet confirmed. CSDDD implementing regulations not finalised. Compliance cost per tonne depends on EU regulatory decisions not yet made. A single-point estimate would misrepresent the regulatory timeline.

→ Annual monitoring via ESEG regulatory register. EU Commission EUDR scope decision expected 2025–26. Note 9.3.

**CBAM regulatory cost (if tea included in future scope)**

Regulatory transition risk · Downstream EU export (~4%) · Long · Upward cost

CBAM does not currently apply to tea. EU expansion post-2030 uncertain. Quantification compounds three unknowns: assumed carbon price (LKR 1,500 - 5,000/$tCO_2e$), scope extension, EU export share.

→ Annual CBAM monitoring. GHG intensity per kg of made tea maintained as CBAM readiness KPI. BAC briefed annually.

**Certification loss probability & reputational recovery cost**

Regulatory / reputational risk · Operations + Downstream · Short–Medium (event-driven) · Revenue downside

Certification failure is a binary event; probability cannot be reliably estimated from historical data. RA premium Rs. 185/kg High-Grown and Rs. 166/kg Low-Grown at risk. Probability-weighted estimate would create false precision where none exists.

→ Annual RA and ISO surveillance audit results reported to ESEG Committee as primary control metric. Note 7.3.

**Soil organic carbon financial value and premium pricing linkage**

Nature opportunity · Operations — estate soil management · Medium–Long · Upward opportunity

No mature Soil organic carbon SOC credit market in Sri Lanka. Direct SOC–price link not yet established.

→ Monitor VCM for SOC credit methodology. Engage TNFD biodiversity-finance pathway. Annual SOC improvement % reported.

## 4.5 Disclosure of High-Uncertainty Estimates

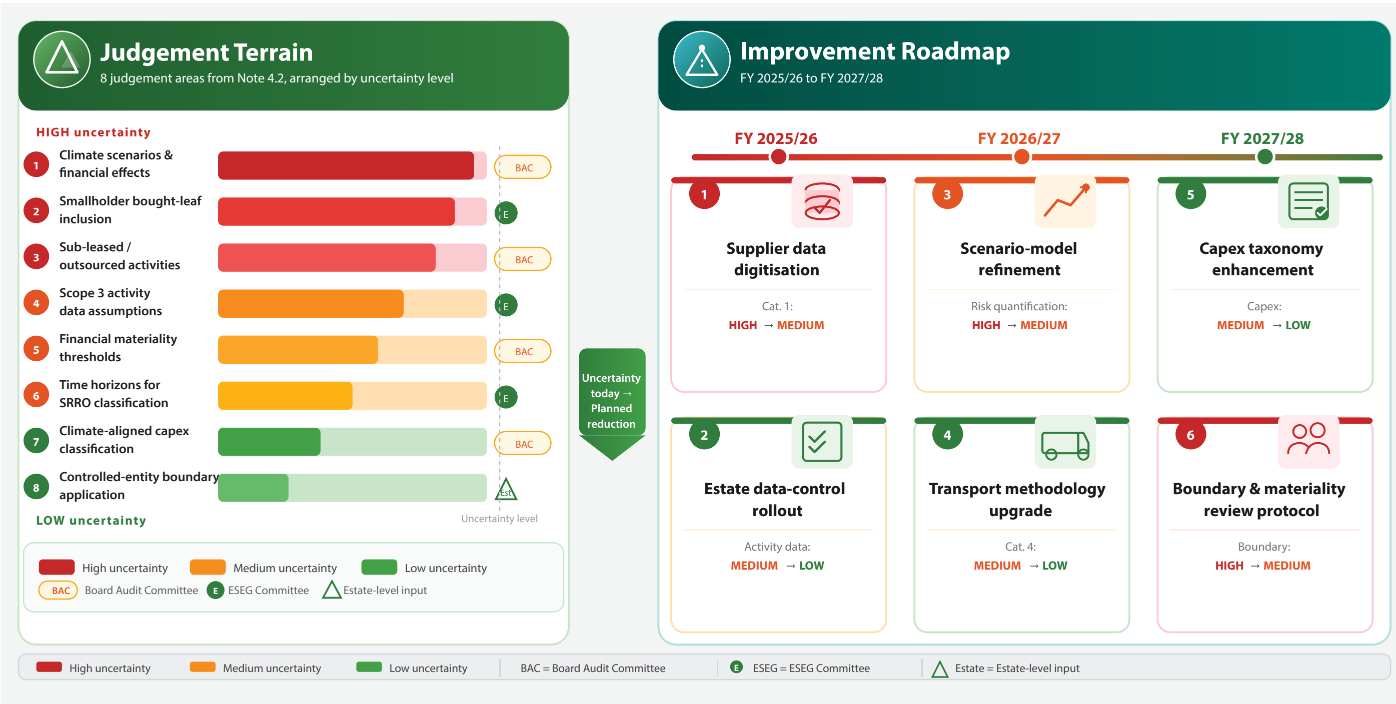
The following estimates are included in these disclosures and carry sufficiently high measurement uncertainty. Each estimate is presented with the base-case assumption, the plausible high and low variants, and the financial direction of each variant. These sensitivities are not forecasts; they are indicators of the range within which actual outcomes could plausibly fall if underlying assumptions differ from the base case.

| ESTIMATE AND BASE-CASE ASSUMPTION | LOW VARIANT | HIGH VARIANT | DIRECTION |
|---|---|---|---|
| **Acute physical climate risk OPEX**<br>**Base:** FY 2024/25 actual emergency OPEX experience level. Rainfall and landslide frequency assumed consistent with recent 3-year average. Mid-range scenario: IPCC AR6 SSP2-4.5. | Benign weather year: OPEX –15–25%; crop yield +5%. High-Grown net positive revenue effect. | Severe SSP5-8.5 tail event: OPEX +50–100% from base; crop loss 15–20% in affected Upcountry estates | ↑ Cost ↓ |
| **Chronic yield declineHigh-Grown revenue**<br>**Base:** Yield –3%/decade at elevations >1,600 m from FY 2025/26 baseline. Scenario aligned to IPCC AR6 SSP2-4.5 central projection. | SSP1-2.6: –1.5%/decade; cumulative –Rs. 15–30 Mn revenue by 2035 (partially mitigated by replanting programme). | SSP5-8.5: –3%/decade; cumulative –Rs. 80–120 Mn revenue by 2035 (unadapted scenario). | ↑ Revenue ↓ |
| **Scope 3 Cat. 1smallholder GHG emissions**<br>**Base:** Spend-based method supplier payments × DEFRA 2025 agricultural sector emission factor. | Activity-based (low intensity): Cat. 1 total 30–40% lower than spend-based proxy if smallholder fertiliser use is below sector average. | Activity-based (high intensity): Cat. 1 total 40–60% higher than spend-based proxy if above-average agrochemical practices. | ↔ GHG only |
| **CBAM shadow estimate (directional only)**<br>**Base:** Shadow only — Scope 1+2 GHG intensity/kg × EU export volume × EUR 50/$tCO_2e$ shadow price.<br>** CBAM does not currently apply to tea.* | If CBAM not extended to tea: nil financial impact; EU exports continue on current competitive terms. | If CBAM extended: directional cost on EU-destinedexports. Partially offset by TTE's low GHG intensity. | ↑ Long-term |

# SLFRS Sustainability Related Financial Disclosures

### 4.6 Planned Improvements to Estimation Methods and Data Quality

This sub-section is introduced for FY 2025/26, reflecting TTE's continued commitment to strengthen the maturity, reliability and decision-usefulness of its sustainability-related financial disclosures. We have defined a structured data-improvement roadmap to support the next phase of our reporting journey and improve the quality of estimates used across key disclosures.




### 4.7 Forward-Looking Statements and Limitations

This report includes forward-looking statements on TTE's sustainability priorities, climate resilience, operational improvements, and long-term value creation. These statements reflect current expectations and management assumptions and should not be treated as guaranteed outcomes. Forward-looking areas include:'

- Climate action, emissions reduction, and renewable energy initiatives
- Regenerative agriculture, biodiversity, and ecosystem restoration
- ESG investments, digital monitoring, and operational efficiency
- Employee welfare, community development, and responsible supply chains
- Alignment with SLFRS S1/S2, TNFD, SASB, and other sustainability frameworks

Actual outcomes may differ due to climate variability, regulatory changes, market conditions, certification requirements, cost movements, and other factors beyond the Company's control. TTE will review and update relevant disclosures where required by law, reporting standards, or material business developments.

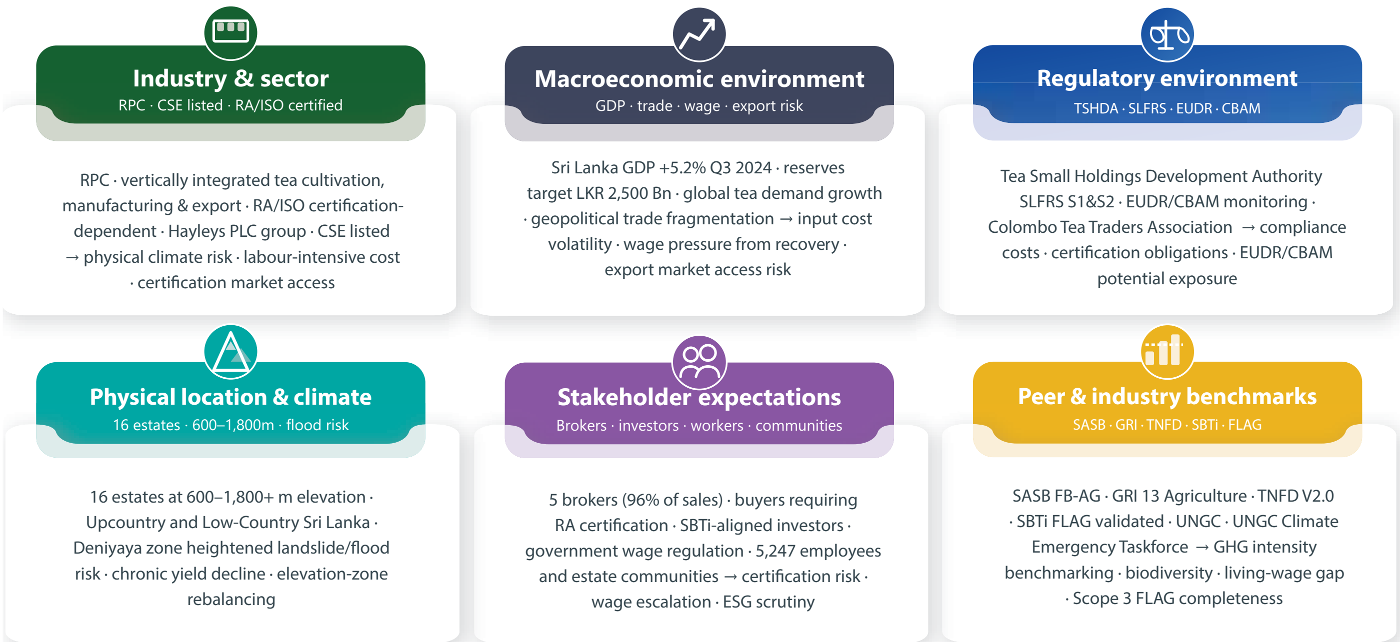
## NOTE 5 - Materiality Assessment

### 5.1 Materiality Framework and Purpose

The purpose of TTE's materiality assessment is to identify, from the full universe of possible sustainability-related risks and opportunities (SRROs), those items that could reasonably be expected to affect TTE's cash flows, cost of capital or access to finance over the short (1 year), medium (2-3 years) or long term (beyond 3years). TTE applies a single, financially-anchored materiality lens for SLFRS S1 and S2 purposes distinct from but complementary to the double-materiality assessment (DMA) in the broader Integrated Annual Report.

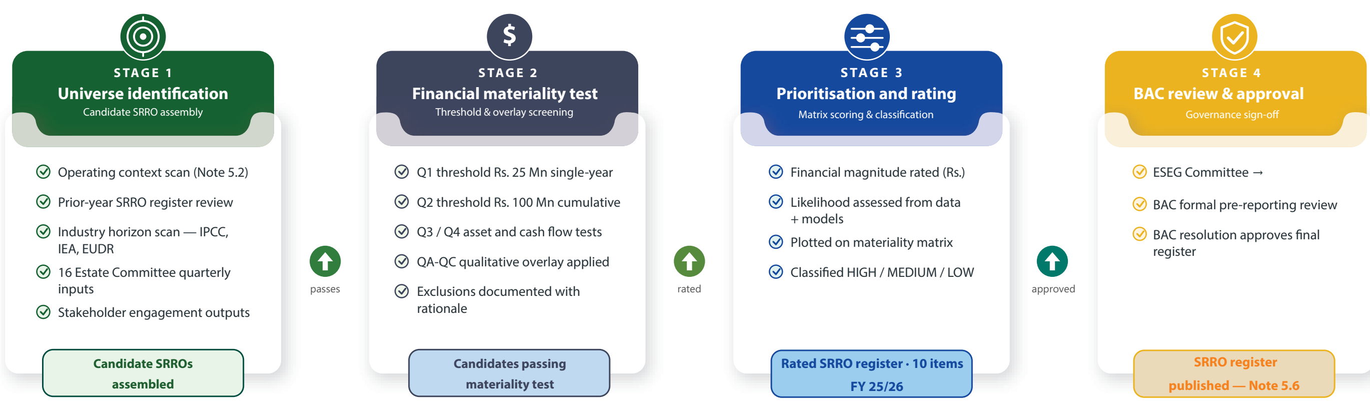
## 5.2 Understanding the Operating Context

The operating context scan is the first analytical step in TTE's materiality cycle. It identifies the external and internal factors that determine which SRROs are plausible and financially relevant for a vertically integrated plantation company of TTE's specific profile.




## 5.3 Four-Stage Materiality Assessment Process

TTE's materiality assessment follows a formal four-stage process applied annually within the ESEG Committee, with outcomes reviewed and approved by the BAC before disclosure. The process is described and illustrated below.




## 5.4 Financial Materiality Threshold

TTE applies a combined quantitative and qualitative financial materiality threshold. The quantitative criteria establish a minimum financial-impact test; the qualitative criteria capture items of strategic or systemic significance that may not cross the quantitative threshold in any single year but are nonetheless financially material in a broader sense. A candidate CRRO/SRRO is included in these SLFRS disclosures if it satisfies one or more of the following criteria.

| Criterion | Definition and basis |
|---|---|
| **Quantitative Criteria** | |
| Q1 — Single-year OPEX, revenue or CapEx impact | A sustainability-related risk or opportunity that could cause, or has caused, an impact on Group revenue, OPEX or capital expenditure exceeding the threshold amount in any single reporting year. Includes both realised and reasonably foreseeable impacts. |

# SLFRS Sustainability Related Financial Disclosures

| Criterion | Definition and basis |
|---|---|
| Q2 — Cumulative impact across time horizons | A sustainability-related risk or opportunity whose cumulative financial impact across the short, medium and long-term time horizons is expected to exceed the threshold, even if no single-year impact exceeds Q1. Time horizons per Basis of Preparation Section 1.4: Short = 1 year; Medium = 2–3 years; Long = beyond 3 years. |
| Q3 — Carrying value adjustment | A sustainability risk that could cause a material adjustment to the carrying value of a Group asset or liability in future financial statements. Cross-referenced to LKAS 36 impairment and LKAS 41 bearer biological assets. |
| Q4 — Operating cash flow variability | A sustainability factor that introduces variability (upward or downward) in Group operating cash flows exceeding the threshold, affecting TTE's debt service capacity or investor return expectations. |
| **Qualitative Criteria** | |
| QA — Reputational and certification risk | Risk of losing a material certification (Rainforest Alliance, ISO 22000:2018) that directly affects TTE's ability to command certified-tea premiums. The premium is clearly material even if certification loss has not occurred. |
| QB — Regulatory and compliance risk | Risk arising from evolving regulations (EUDR, CBAM, wage legislation) where the financial effect is not yet quantifiable but the strategic exposure is clear and the regulatory trajectory is directionally certain. |
| QC — Systemic and irreversibility risk | Risks where the consequence of non-action is systemic or irreversible (biodiversity degradation, soil carbon depletion, estate community health) such that the long-term financial risk significantly exceeds what current modelling can capture. |

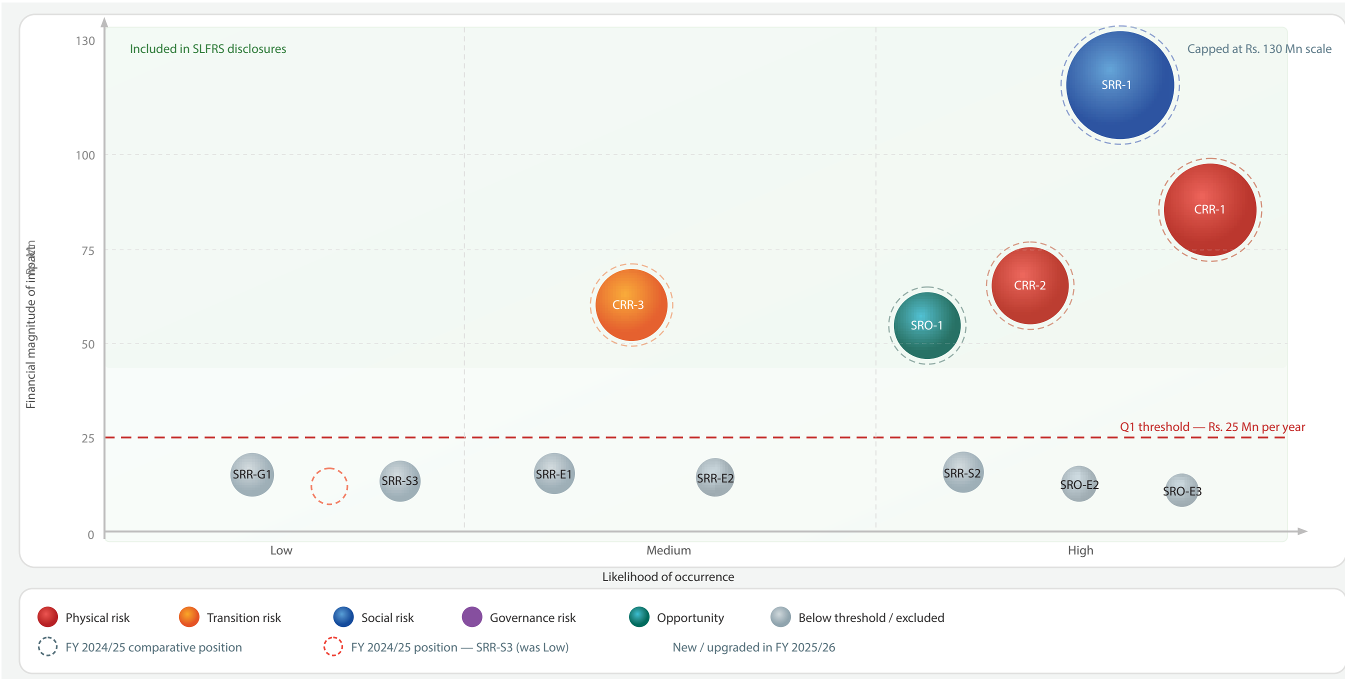
## 5.5 Stakeholder Input and Sources of Information

TTE adopts a broad-based and inclusive approach to identifying sustainability-related risks and opportunities. Our materiality process draws on multiple sources of insight, combining operational intelligence, stakeholder perspectives, industry developments, regulatory expectations and estate-level inputs. This enables us to identify matters that are most relevant to our plantations, our people and the wider ecosystem, while strengthening the quality, balance and decision-usefulness of our sustainability-related financial disclosures.


## 5.6 Materiality Outcomes — FY 2025/26

The following table presents the 5 material Sustainability-Related Risks and Opportunities (SRROs) identified for FY 2025/26 through the four-stage materiality assessment process described in Note 5.3. Each SRRO is mapped to the relevant disclosure pillar and cross-referenced to the Note in which the full disclosure is provided.

| CRRO/SRRO Full Register — Risk / Opportunity Rating | | | | | |
|---|---|---|---|---|---|
| ID | SRRO DESCRIPTION | TYPE | HORIZON | FY 25/26 | FY 24/25 |
| CRR-1 | Climate-related Transition Risk (low-emission compliance and decarbonization costs) | Transition risk · Q1 + QB | Short–Long | MED-HIGH | MED-HIGH |
| CRR-2 | Acute physical climate risk — extreme rainfall, floods, landslides disrupting operations and crop yields | Physical risk · Q1 + Q2 | Short–Long | HIGH | HIGH |
| CRR-3 | Chronic physical climate risk — temperature rise and rainfall shift reducing Upcountry yields per hectare | Physical risk · Q2 + QC | Med–Long | HIGH | HIGH |
| SRR-1 | Labour scarcity, wage escalation and workforce continuity | Social risk · Q1 | Short–Med | HIGH | HIGH |
| SRO-1 | Nature-based Opportunity (Biodiversity Restoration and Ecosystem Resilience) | Market opp. · Q1 | Short–Med | MED-HIGH | MED-HIGH |




# NOTE 6 - Sustainability Governance

GRI 2-9,12, 13, 14, 17, 18

## 6.1 Governance Oversight Structure

This governance structure establishes clear processes, controls and accountability at each level of oversight, ensuring that sustainability-related and climate-related matters are identified, reviewed and escalated through the appropriate management and Board-level channels. It also clarifies the respective roles of the governance bodies responsible for climate-related oversight within TTE's reporting framework.

**TIER 1 · BOARD**

**Board of Directors — 9 members as at 31 March 2026**

Min. 6 meetings/yr · Sustainability agenda at every meeting · 1 dedicated strategy session/yr

- Approve and review corporate sustainability and climate strategy; set risk appetite and ESG policies
- Review and endorse SLFRS S1 & S2 disclosure section; monitor SBTi Net Zero 2050 progress
- Champion stakeholder engagement and disclosure; approve major ESG capital allocation decisions

**Board Audit Committee (BAC) — Primary SLFRS S1 & S2 oversight**

Quarterly + ad hoc · BAC Chair briefs full Board after each meeti

- Oversee SLFRS S1 & S2 disclosure processes; review and approve materiality determination and SRRO register
- Review and resolve issues between management and auditors seek information on SRROs affecting financial position

Primary SLFRS S1 oversight body · signs Audit Committee Report

**Nomination & Governance Committee (N&G)**

Min. twice/yr · Skills assessment before materiality cycle starts

- Annual Board sustainability skills and competency assessment against SRRO profile
- Skills gap identification and Board succession planning for sustainability competencies
- Outcome shared with BAC for SLFRS S1 §27 disclosure requirements

↑ Reports outcome to BAC · SLFRS S1

**TIER 2 · EXECUTIVE**

**ESEG Steering Committee — Chaired by Director/CEO · TOR revised FY 2025/26**

4 formal meetings/yr + working-group sessions · Director Finance (Advisor) · GM Sustainability (Secretary)

- Translate Board ESG strategy into operational programmes
- Maintain SRRO register; coordinate ESG data systems and controls
- Prepare SLFRS S1 & S2 draft disclosures (Notes 7–13)
- Maintain GHG inventory and certification programmes
- Recommend metrics and targets to BAC
- Oversight of 16 estate committee sustainability data flows

**TIER 3 · ESTATE**

**16 Estate-Level Sustainability Steering Committees — Formally constituted FY 2025/26 with documented TOR**

Monthly meetings · Quarterly reports to ESEG Secretariat · Each chaired by Estate GM · Escalation: Estate GM → Regional GM → Director Plantations → ESEG → BAC

- Implement GAP and ESG policies at estate level
- Validate and witness primary GHG activity data monthly
- Track estate-specific sustainability KPIs vs targets
- Maintain RA and ISO certification compliance

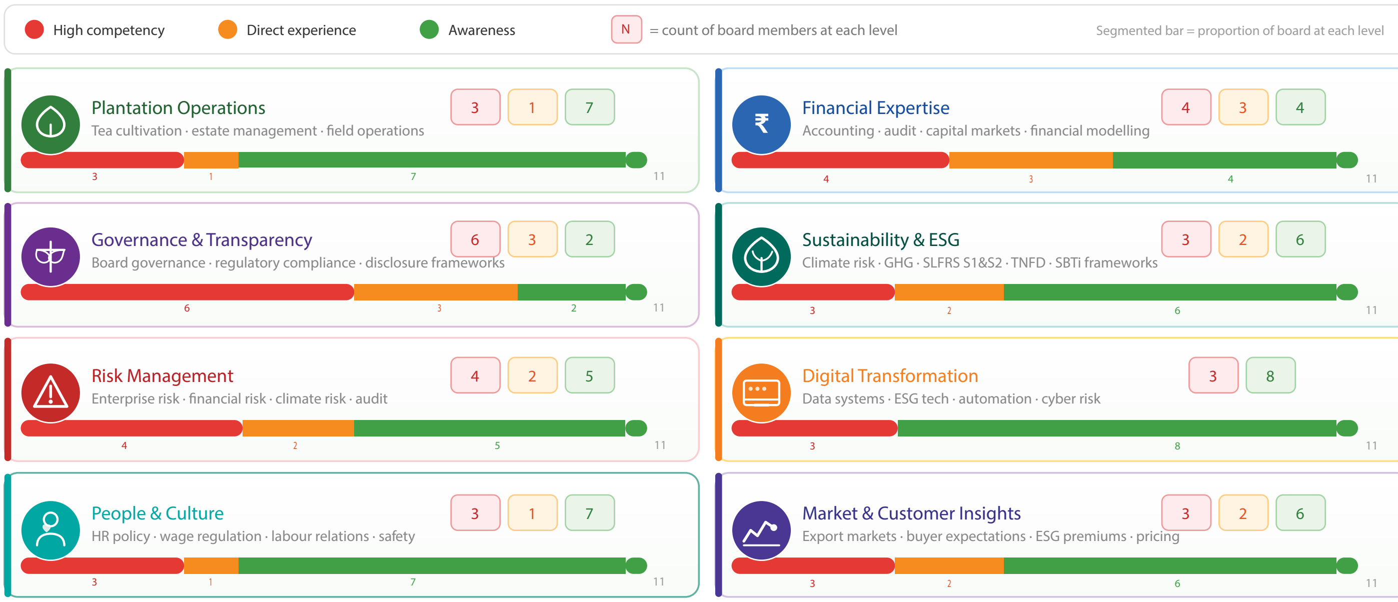
ESCALATION PATHWAY

Estate GM ◀ Regional GM ◀ Director Plantations ◀ ESEG ◀ BAC

# SLFRS Sustainability Related Financial Disclosures

## 6.2 Board Skills and Competencies for Sustainability Oversight

The Nominations and Governance Committee (N&G) Committee's annual skills assessment reviews Board and management competencies against the CRRO/SRRO profile established in Note 5.6 and the skills required for SLFRS S1 & S2.




## 6.3 Board Audit Committee — Oversight Responsibilities, Frequency and Accountability

The Board Audit Committee (BAC) is TTE's primary Board-level sustainability governance body for sustainability matters. Its sustainability mandate is defined in full in the BAC Terms of Reference (TOR). The following table documents each sustainability-specific BAC responsibility with the governing BAC TOR clause, the frequency of exercise, and the evidence produced.

| BAC sustainability responsibility | Frequency of exercise |
|---|---|
| **Approve materiality assessment and material CRRO/SRRO** | Annual |
| **Approve sustainability assurance engagement** | Annual |
| **Review of climate risk scenarios** | Annual + Quarterly monitoring |
| **Monitor climate and social KPI performance** | Quarterly |

## 6.4 Management's Role — ESEG Steering Committee

The ESEG Steering Committee is TTE's cross-functional management-level sustainability committee responsible for implementing the Board-approved sustainability strategy and overseeing sustainability-related risks and opportunities (SRROs), climate-related risks and opportunities (CRROs), and SLFRS S1 & S2 disclosures. The Committee operates under the oversight of the Board Audit Committee (BAC) and meets at least quarterly.

| Key Area | Responsibility |
|---|---|
| **Strategy & Policy** | Implement sustainability strategy, policies and action plans |
| **Risk Management** | Maintain SRRO/CRRO risk register and oversee climate scenario analysis |
| **Reporting & Disclosure** | Oversee SLFRS S1 & S2, GRI and sustainability reporting processes |
| **Targets & Performance** | Monitor ESG KPIs, GHG emissions and climate targets |
| **Stakeholder Engagement** | Coordinate sustainability-related stakeholder engagement and communication |
| **Governance & Controls** | Review sustainability data quality, controls, assurance readiness and compliance |
| **Reporting to BAC** | Provide quarterly updates and escalate material sustainability matters |

**ESEG Committee Skill Matrix — FY 2025/26**

The following skill matrix documents the competencies available within the ESEG Committee against the eight skill domains required for effective SLFRS S1 & S2 governance.

**ESEG Committee Competency Skills Matrix** — High competency · Direct experience · Awareness — *Total = 14*

| Skill domain | Scope | High competency | Direct experience | Awareness | Total |
|---|---|---|---|---|---|
| Plantation Operations Management | Tea cultivation · estate management · field operations | 3 | 2 | 9 | 14 |
| Financial & Performance Management | Accounting · audit · capital markets · financial modelling | 4 | 2 | 8 | 14 |
| Enterprise Risk & Crisis Management | Enterprise risk · financial risk · climate risk · crisis response | 4 | 2 | 8 | 14 |
| Digital & Process Innovation | Data systems · ESG technology · automation · cyber risk | 3 | 2 | 9 | 14 |
| Compliance & Internal Controls | Regulatory compliance · audit committee · internal controls | 3 | 3 | 8 | 14 |
| Sustainability & ESG Implementation | Climate risk · GHG · SLFRS S1&S2 · TNFD · SBTi · certification | 3 | 3 | 8 | 14 |
| People Leadership & Culture Development | HR policy · wage regulation · labour relations · safety | 4 | 2 | 8 | 14 |
| Market, Sales & Customer Management | Export markets · buyer expectations · ESG premiums · pricing | 3 | 2 | 9 | 14 |

FY 2025/26 · Total board = 14 directors · Bar segment width proportional to number of directors at each competency level

## 6.5 Estate-Level Sustainability Governance — 16 Estate Committees

The 16 Estate-Level Sustainability Steering Committees constitute the primary data-collection and first-line The 16 Estate Sustainability Steering Committees (ESSCs) form the operational level of TTEL's sustainability governance structure. The committees are responsible for implementing corporate sustainability policies at estate level, collecting and validating sustainability data, monitoring estate KPIs, managing certification compliance, and escalating material environmental, climate, social, and operational incidents to the ESEG Steering Committee. The ESSCs operate under formally approved Terms of Reference and support TTEL's SLFRS S1 & S2 reporting process.

## 6.6 Policy Framework

Talawakelle Tea Estates PLC maintains a Board-approved policy framework that supports the governance, management, and disclosure of sustainability-related risks and opportunities in accordance with SLFRS S1 and SLFRS S2. The framework is anchored by the ESG Sustainability Policy and supported by policies governing risk management and internal controls, corporate governance, business conduct and ethics, anti-bribery and corruption, whistleblowing, and corporate disclosures. Together, these policies provide clear guidance for decision-making, accountability, stakeholder transparency, and the integration of sustainability considerations into business strategy and operations. All policies are subject to periodic review and Board approval.

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# SLFRS Sustainability Related Financial Disclosures

## NOTE 7 Sustainability-Related Risks and Opportunities (SRROs)

This Note presents the five (5) financially material Sustainability-Related Risks and Opportunities (SRROs) identified through materiality assessment process (Note 5). These are the only SRROs that meet TTE's quantitative financial materiality threshold of Rs. 50 Mn or 1% of annual revenue or satisfy the qualitative criteria in Note 5.4. All other sustainability topics assessed as below this threshold are disclosed in the broader Integrated Report under the double-materiality framework but are excluded from these SLFRS S1/S2 disclosures to preserve decision-usefulness for primary users. The five material SRROs are presented in Sections 7.1–7.3 below. Financial exposure estimates carry the measurement uncertainties described in Note 4.3. Strategic responses are in Notes 8–9; financial effects in Note 10; scenario analysis in Note 11; risk governance in Note 12; metrics and targets in Note 13.

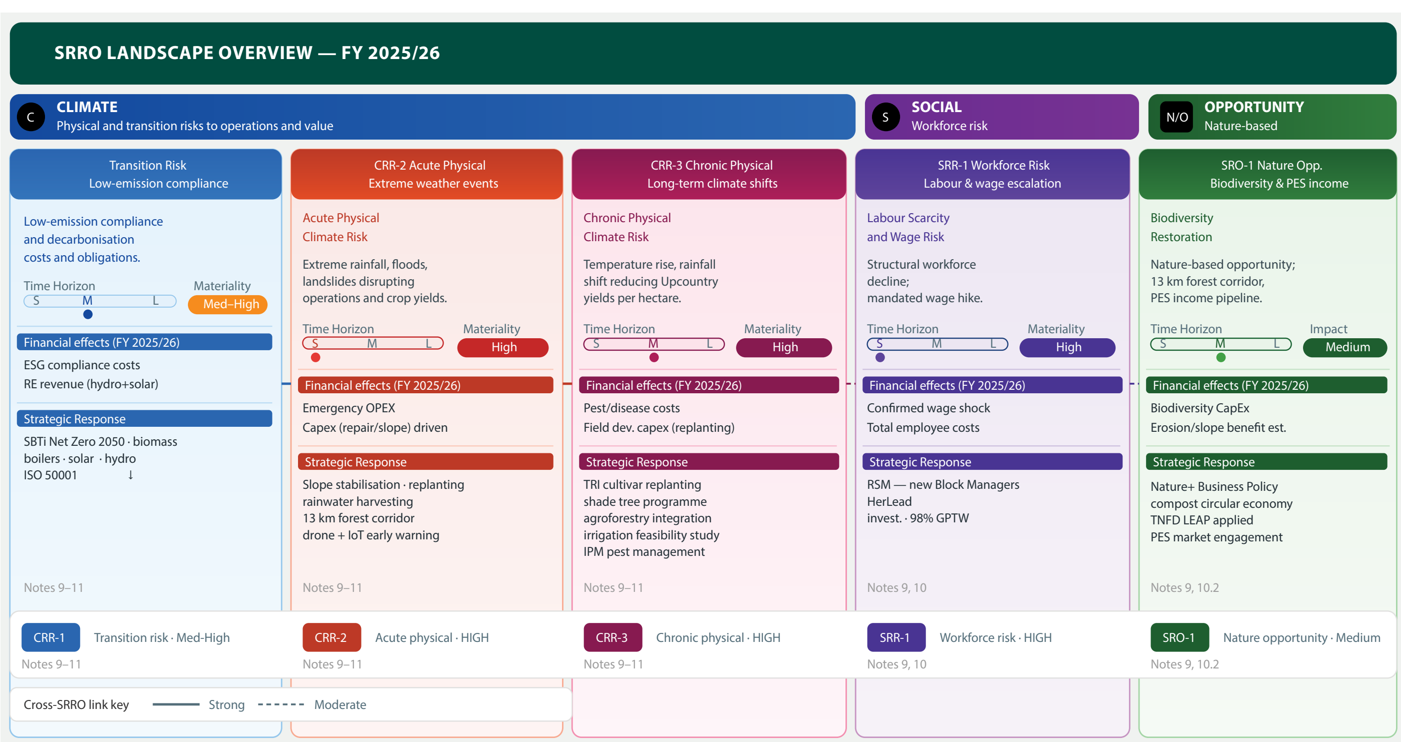
### SRRO Register — FY 2025/26 5 Financially Material CRRO/SRROs

*Materiality threshold applied: Rs. 50 Mn / 1% of annual revenue (Note 5.4)*

| ID | SRRO Name | Category | Time Horizon | Financial Materiality |
|---|---|---|---|---|
| CRR-1 | **Climate-related Transition Risk** | Climate · Transition | Short–Long | **Medium-High**<br>*Note Ref. 7.1, 9–13* |
| CRR-2 | **Acute Physical Climate Risk** | Climate · Physical | Short–Long | **High**<br>*Note Ref. 7.1, 9–13* |
| CRR-3 | **Chronic Physical Climate Risk** | Climate · Physical | Medium–Long | **High**<br>*Note Ref. 7.1, 9–13* |
| SRR-1 | **Labour Scarcity & Wage Escalation** | Social · Workforce | Short–Medium | **High**<br>*Note Ref. 7.2, 9–13* |
| SRO-1 | **Nature-based Opportunity — Biodiversity & Ecosystem Resilience** | Nature · Opportunity | Medium–Long | **Medium-High**<br>*Note Ref. 7.3, 9–13* |

### 7.1 Sustainability and Climate-Related Risks and Opportunities (CRR-1, CRR-2, CRR-3)

Three SRROs relate to climate-related physical and transition risks (CRR-1, CRR-2, CRR-3) and are disclosed in accordance with SLFRS S2. One SRRO relates to a social workforce risk (SRR-1) arising from structural labour market dynamics and government-mandated wage escalation, which represents TTE's single highest-impact SRRO by confirmed financial magnitude in FY 2025/26 (Rs. 187.4 Mn). One SRRO is a nature-based opportunity (SRO-1) arising from TTE's large-scale biodiversity restoration programme, which creates long-term estate productivity benefits and a Payment for Ecosystem Services (PES) income pipeline. The SRRO landscape for FY 2025/26, with estimated financial exposures over three years, is summarised in the diagram below.



## 7.2 Estimated Financial Exposure Across the Five Material SRROs

The chart above summarises TTE's estimated financial exposure across all five material SRROs, covering current year effects (FY 2025/26 with FY 2024/25 comparative), next year anticipated effects (FY 2026/27), and forward-looking effects across the short, medium and long term as defined in Note 1.4. Exposures are classified as either quantified (measured using management estimates and historical data) or directional-only (assessed qualitatively where measurement uncertainty is too high for useful quantification - Note 4.4). All estimates are management's best estimates before the effect of management responses, subject to the uncertainties in Notes 4.3 and 4.5.

SRR-1 Labour Scarcity and Wage Escalation and CRR-2 Acute Physical Climate Risk are the largest quantified risk exposures; CRR-1 Climate Transition Risk carries the smallest net cost due to renewable energy revenue offsetting compliance costs; and SRO-1 Nature-based Opportunity is the only positive-direction SRRO. Full financial effects by SRRO across the three financial statements, with current year, next year and anticipated figures, are in Note 10. Scenario-based ranges are in Note 11.

### FINANCIAL EXPOSURE SUMMARY — 5 MATERIAL SRROs

| | | | CURRENT YEAR · P&L EFFECT | | NEXT YEAR | ANTICIPATED EFFECTS · NOTE 1.4 HORIZONS | | | |
|---|---|---|---|---|---|---|---|---|---|
| Pillar | ID | SRRO Name | FY 2025/26 confirmed | FY 2024/25 comparative | FY 2026/27 range | Short term below 1 yr | Medium term 1–3 yrs | Long term beyond 3 yrs | Nature |
| A · Statement of Financial Performance — P&L Impact & Financial Exposure Bars | | | | | | | | | |
| E Env. | CRR-1 | **Climate Transition Risk** ESG compliance, decarbonisation costs and RE revenue offset **Med-High** | ↓ 98.9 RE Rev offset Rs. 106 Mn | ↓ 108 FY24/25 | ↓ 100–135 | ↓ 100–110 | ↓ 120–160 | ↓ 135–185 | RISK |
| E Env. | CRR-2 | **Acute Physical Climate Risk** Extreme weather disrupting operations, crop yields and infrastructure **High** | ↓ 41.9 Infra impairment + hydro loss | ↓ 23 FY24/25 | ↓ 45–60 | ↓ 45–60 | ↓ 45–75 | ↓ 49–90 | RISK |
| E Env. | CRR-3 | **Chronic Physical Climate Risk** Temperature rise reducing Upcountry yields; pest/disease cost escalation **High** | ↓ 119.8 IAS 41 asset risk · LG yield −12.8% | ↓ 23 FY24/25 | ↓ 87–131 | ↓ 87–131 | ↓ 77–202 | ↓ 87–241 | RISK |
| S Soc. | SRR-1 | **Labour Scarcity & Wage Escalation** Sep 2024 wage hike Rs. 270 Mn; workforce continuity and productivity risk **High** | ↓ 187.4 EBITDA pressure · incremental CBA uplift | ↓ 270 FY24/25 | ↓ 231–273 | ↓ 231–273 | ↓ 231–273 | ↓ 284–386 | RISK |
| N/O Nat.Opp | SRO-1 | **Nature-based Opportunity** Biodiversity restoration, PES income pipeline and ecosystem co-benefits **Positive** | ↑ 162.4 Timber + solar + eco-tourism + diversification | ↑ 38 FY24/25 | ↑ 151–171 | ↑ 151–171 | ↑ 151–178 | ↑ 161–202 | OPP |

**PILLAR KEY** E Environmental · S Social · N/O Nature Opp. **EXPOSURE KEY** Quantified measured · Directional only (Note 4.4) **RISK LEVEL KEY** High · Med-High · Low / Positive

**NET FINANCIAL EXPOSURE — 5 MATERIAL SRROs · CURRENT YEAR FY 2025/26 WITH FY 2024/25 COMPARATIVE & ANTICIPATED RANGE**

| FY 2025/26 COMBINED NET P&L | FY 2024/25 COMPARATIVE (RESTATED) | NEXT YEAR FY 2026/27 RANGE | LONG-TERM COMBINED NET |
|---|---|---|---|
| ↓ 285.6 | ↑ 21.1 | ↓ 616–808 | ↓ 879–1,317 |
| Rs. Mn · 3.6% of revenue | Rs. Mn net benefit | Rs. Mn (scenario range) | Rs. Mn (all scenarios) |
| Gross risk Rs. 448 Mn less SRO-1 Rs. 162.4 Mn | Biodiversity income exceeded aggregate risk costs | CBA wage round primary driver · Note 11 | SSP1-2.6 low to SSP2-4.5 high · Note 11 |

# SLFRS Sustainability Related Financial Disclosures

## NOTE 8 Business Model and Value Chain

### 8.1 Business Model Overview

TTE operates a vertically integrated, estate-based plantation business model across 16 estates and 15 factories in Sri Lanka's Upcountry and Low-Country agro-climatic zones. The business transforms six capitals natural, human, social, manufactured, intellectual, and financial into certified, premium-grade tea and allied products (cinnamon, rubber, renewable energy, tea-tourism), generating value for shareholders, workforce communities, and ecosystem stakeholders.

The structure of TTE's value chain covering upstream input sourcing, estate cultivation and manufacturing, and downstream auction and export channels is described in Note 2. This Note focuses on how that business model gives rise to, and is affected by, the material SRROs identified in Note 7, and on the outputs, outcomes, and capital trade-offs that result.

### 8.2 How the Business Model Links to Material CRRO/SRROs

TTE's three operational stages each carry distinct SRRO exposures. The table below maps each stage to its primary material SRRO, the nature of the financial linkage, and the cross-reference for detailed assessment.

| Stage | Primary SRROs | Financial Linkage | Detail |
|---|---|---|---|
| **Cultivation** | CRR-2 · CRR-3 · SRR-1 | Yield loss, emergency CapEx, wage escalation compressing margins | Note 7 |
| **Manufacturing** | CRR-2 · CRR-1 | Factory disruption, energy cost exposure, transition compliance costs | Note 7 |
| **Commercialisation** | CRR-1 · SRO-1 | Certification premium maintenance, ESG buyer access, nature-finance upside | Note 7 |
| **Support / Governance** | SRR-1 · SRO-1 | Workforce retention investment, biodiversity CapEx enabling auction premiums | Notes 6, 9 |

The most financially concentrated SRRO intersections are CRR-2 × Cultivation (acute flood/landslide disruption to green-leaf harvest and infrastructure, estimated annual exposure Rs. 41.9 Mn) and SRR-1 × all stages (mandated wage escalation confirmed at Rs. 187.4 Mn for FY 2025/26). These linkages are the basis for the strategic priorities described in Note 9.

### 8.3 Outputs and Outcomes

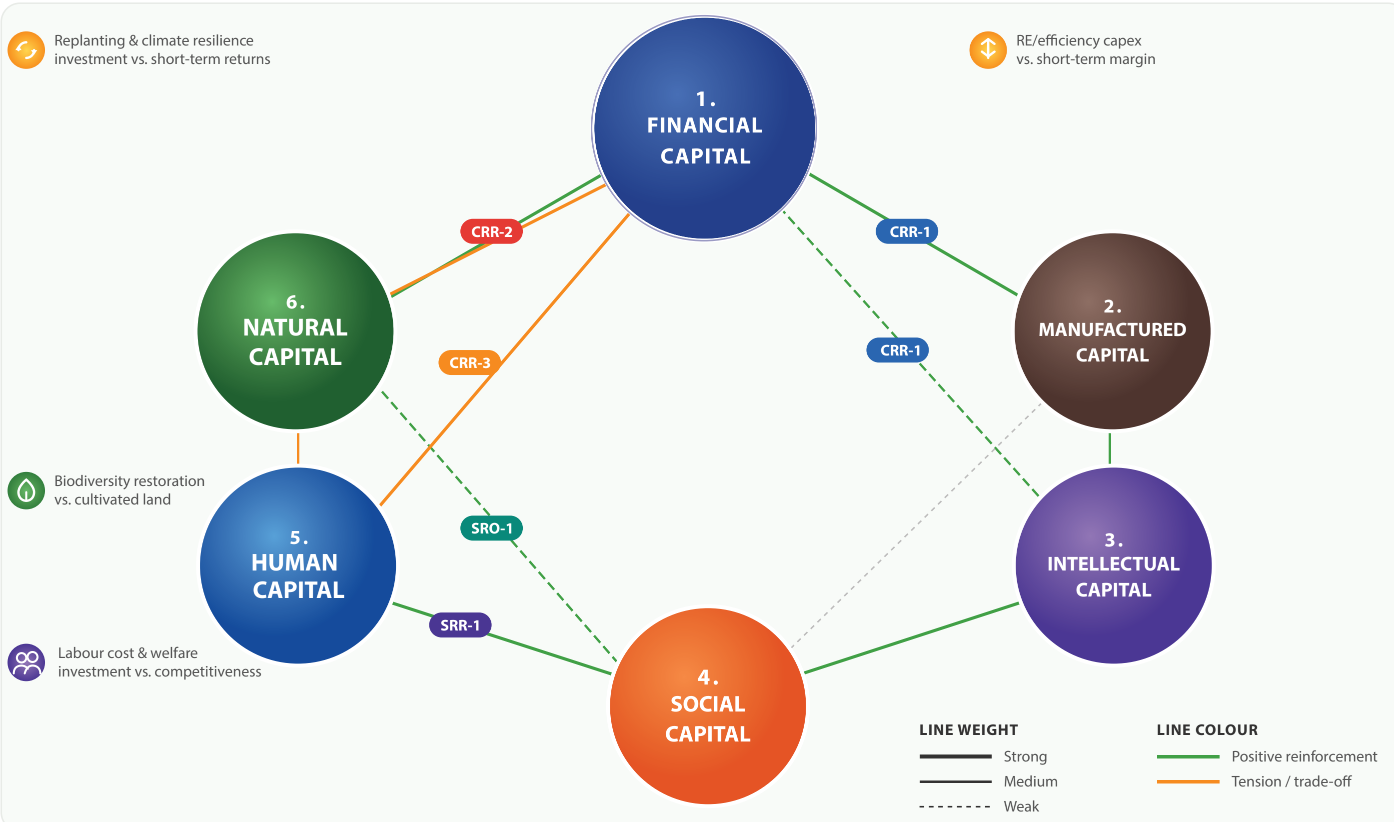
TTE's business model produces financial outputs (revenue, profit, cash flows), social outputs (employment, community welfare, supplier payments), environmental outputs (GHG emissions, water use, biodiversity impact), and regenerative outcomes (soil health improvement, forest restoration, carbon sequestration).

| Output Category | FY 2024/25 | FY 2025/26 |
|---|---|---|
| **Financial** | Revenue ~Rs. 7,806 Mn, PAT Rs. 1,234.8 Mn, RE revenue Rs. 84 Mn, Tax Rs. 543 Mn, Dividends paid, ROCE 19.14% | Revenue Rs. 7,851 Mn, PAT Rs. 926 Mn, RE revenue Rs. 80 Mn, Tax Rs. 426 Mn, Dividends paid Rs. 374.7 Mn, ROCE 13.29% |
| **Tea production** | Made tea 5,519 MT, GSA Rs. 1,403.74/kg, Premium Rs. +178.57/kg over national, 1 RPC 7th year, 6 top 10 Garden Marks | Made tea 5,687 MT, GSA Rs. 1,338.07/kg, Premium Rs. 170.36/kg over national, 1 RPC 8 year |
| **Social / workforce** | 5,247 employees, Rs. 3,712 Mn wages, Rs. 119 Mn community investment, Rs. 944.96 Mn smallholder payments | 4,849 employees, Rs. 1,236.8 Mn wages, Rs. 120.8 Mn community investment, Rs. 602.3 Mn smallholder payments |
| **Environmental** | Scope 1+2: 27% cumulative reduction vs FY 2022/23, 30,848 GJ RE, 441,571 trees | Scope 1+2: 6.73% cumulative reduction vs BY 2022/23, Sc.1+2 $tCO_2e$: 10,127, Scope 3: 14,822 $tCO_2e$, FLAG: 8,299 $tCO_2e$, 28,314 GJ RE |

Regenerative outcomes soil organic carbon improvement, forest corridor restoration, and carbon sequestration are not yet monetised but are tracked as leading indicators of long-term natural capital resilience. Progress is reported in Note 13.

### 8.4 Capital Trade-offs and Interdependencies

TTE's integrated business model creates interdependencies among the six capitals that give rise to inherent trade-offs. These trade-offs are a normal feature of long-horizon, estate-based plantation management and are explicitly considered in TTE's strategic decision-making (Note 9) and capital allocation framework (Note 6.6).




## 8.5 Concentrations of CRROs/SRROs across the Business Model and Value Chain

TE's five material CRROs/SRROs are not uniformly distributed across its business model or value chain. Concentration analysis across four dimensions geographic zone, business model stage, asset type, and value chain position reveals that own-operations cultivation carries the highest overall SRRO density, Upcountry estates (>1,600 m) bear the primary concentration of physical climate risk, and human capital is the single most financially exposed asset class in the near term. These concentrations directly inform capital allocation priorities and strategic responses described in Note 9.

Concentrations of CRROs/SRROs across the business model and value chain

Upstream → Own-operations [Cultivation · Manufacturing · Commercialisation] → Downstream

High concentration | Med-high | Medium | Low / incidental

| | | Own-operations | | | |
|---|---|---|---|---|---|
| | Upstream · Smallholders & inputs | Cultivation · 16 estates · field ops | Manufacturing · 15 factories · processing | Commercialisation · Auctions & export | Downstream · Buyers & markets |
| CRR-1 Transition risk | Medium Both zones biomass input supply chain | Low | High Both zones boiler fuel energy systems | High Both zones EUDR/CBAM export access | Low Buyer ESG compliance EU buyer ESG |
| CRR-2 Acute physical | Low | High Both zones Upcountry primary flood/slide risk | High Both zones factory access asset risk | Low | Low Indirect via EU buyer ESG |
| CRR-3 Chronic physical | — | High Upcountry yield decline buyer profile | Medium Both zones throughput water pressure | Low | Low |
| SRR-1 Labour & wages | Medium Low-Country labour contracts | High Both zones labour complaints | High Both zones | Med-High Both zones office & field export staff | Low |
| SRO-1 Biodiversity opportunity | Low | Medium Both zones 13 km corridor SOC restoration | Low | High Both zones RA premium PES income | High Both zones RA certs ESG buyer req. |

Primary geographic concentration: Upcountry estates >1,800 m elevation. Dashed border = Own-operations boundary (operational control, Note 7).

# SLFRS Sustainability Related Financial Disclosures

## NOTE 9 Strategy and Decision-Making

TTE's response to its five financially material SRROs is embedded in the ReGen Agenda 2030 a regenerative business framework that aligns capital investment, workforce management, and environmental stewardship with long-term value creation. Strategy is not treated as a separate sustainability programme but as the primary mechanism through which each material SRRO is managed. This Note presents the strategic framework (9.1), the SBTi Commitment plan (9.2), SRRO effects on capital allocation (9.3), and the current, anticipated and forward strategy effects.

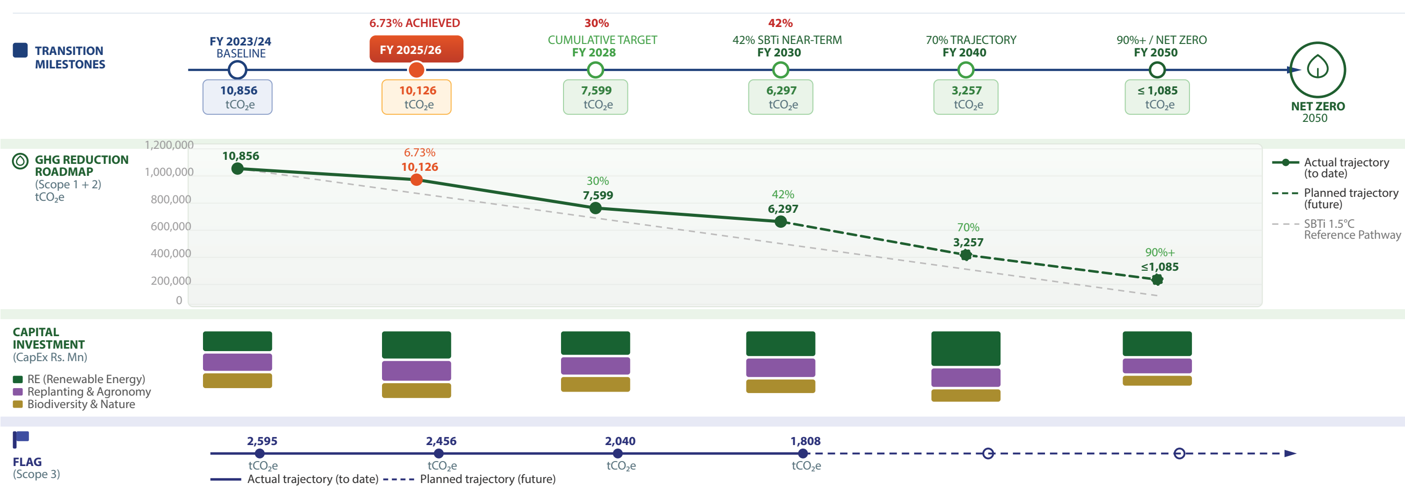
### 9.1 Strategic Framework — ReGen Agenda 2030

The ReGen Agenda 2030 is structured around five Strategic Imperatives (SIs). Each SI is directly mapped to one or more material SRROs. The table below shows each SI, its primary SRRO linkage, the key initiatives in progress, and the FY 2025/26 performance placeholder. Together, these five SIs address every dimension of TTE's material SRRO exposure — from acute weather events and chronic yield risk, through to wage escalation, decarbonisation, and nature-based opportunity. Capital allocation decisions supporting each SI are detailed in Note 9.3 below.

| Strategic Imperative | SRRO | Key Initiatives - FY 2025/26 Progress |
|---|---|---|
| **SI-1 Winning with the Customer Market Intelligence Leadership** | CRR-1 | Maintain RA and ISO 22000:2018 certifications · Kiruwanaganga first full year · AI colour-sorters · ESG specialty buyer channel · EUDR traceability readiness |
| **SI-2 Operational Excellence Integrated Precision Operations** | CRR-1 CRR-2 CRR-3 | All 15 factories on biomass; 6.73% cumulative Scope 1+2 reduction achieved · SBTi re-verified · ISO 50001 expansion · Slope stabilisation at high-risk estates · Fertilizer reduction 4.7% YoY |
| **SI-3 Nurturing Our People Empowered Human Capital Leadership** | SRR-1 | RSM: 334 Block Managers; Deniyaya 100% RSM; scaling to all estates · HerLead women in leadership · GPTW 98% satisfaction · Rs. 120.8 Mn community investment (housing, healthcare, schools |
| **SI-4 Environmental Stewardship Nature & Climate Positive Regenerative Leadership** | CRR-2 CRR-3 SRO-1 | SBTi Net Zero 2050 trajectory · 65.7 ha climate-resilient reforestation · 13 km biodiversity corridor (50,000+ trees) · SOC target 10.5% by 2030 · Rainwater harvesting · TNFD LEAP alignment · IPM pesticide reduction |
| **SI-5 Business Diversification Focused Value Stream Expansion** | CRR-2 CRR-1 | RE revenue Rs. 80 Mn FY 25/26; solar expansion · Cinnamon 16 MT; Rubber 46 MT · Tea tourism: Somerset TeaTel, Spice Country, glamping · Radella Green Tea specialty channel |

### 9.2 Climate Transition Commitment

TTEL's climate ambition is guided by its SBTi-validated Net Zero 2050 commitment, making it the world's first plantation company to secure SBTi validation covering Scope 1, Scope 2 and land-sector Scope 3 emissions. The commitment provides the strategic direction for emissions reduction, renewable energy expansion, regenerative agriculture, and long-term climate resilience initiatives across the business. Implementation actions and investment priorities continue to be refined through the Company's climate governance processes.




The financial effects of CRR-1 (transition costs and RE revenue) at each milestone are quantified in Note 10.2. Business resilience under SSP1-2.6

(Scenario A), SSP2-4.5 (Scenario B), and SSP3-7.0 (Scenario C) scenarios is tested in Note 11. All capital expenditure estimates are subject to BAC approval and the measurement uncertainties described in Note 4.3.

### 9.3 CRRO/SRRO Effects on Capital Allocation and Financial Planning

Each of the five material SRROs has directly shaped TTE's capital expenditure programme, operating cost planning, and revenue strategy for FY 2025/26. The following table documents how each SRRO category has influenced financial planning.

| Planning Dimension | SRRO | How SRRO Has Shaped the Plan FY 2024/25 Actuals → FY 2025/26 |
|---|---|---|
| **Climate CapEx — RE and energy efficiency** | **CRR-1** | Biomass, solar, hydro and ISO 50001 funded through BAC ESG-screened CapEx, directly tracking the SBTi milestone programme. RE revenue Rs. 80 Mn in FY 2025/26 substantially offsets the Rs. 98.9 Mn ESG compliance and transition cost line. → FY 25/26: |
| **Climate CapEx — replanting and biodiversity** | **CRR-3**<br>**SRO-1** | 65.7 ha climate-resilient reforestation and the 13 km biodiversity forest corridor are treated as long-cycle productive capital investment in both the balance sheet and capital plan. Field development CapEx Rs. 306Mn. |
| **Climate CapEx — factory and infrastructure** | **CRR-2** | Kiruwanaganga factory (Rs. 714 Mn) enters its first full operating year in FY 2025/26, delivering quality uplift that supports premium revenue. Slope stabilisation and drainage investment at Deniyaya and high-risk Upcountry estates reduces emergency OPEX exposure. |
| **OPEX — wage escalation; RSM offset** | **SRR-1** | September 2024 and January 2026 government-mandated total 29.6% wage increase added Rs. 354 Mn and is embedded in the FY 2025/26 base OPEX plan. RSM productivity improvement is modelled as a partial medium-term. |
| **Revenue — certified-tea premium and RE** | **CRR-1 (positive)** | Premium of Rs. +170.36/kg over national GSA is treated as a structural revenue assumption, contingent on maintaining RA and ISO certifications. RE income is a growing revenue line as solar capacity expands. |

### 9.4 Current, Anticipated and Forward Strategy Effects

The strategy effects described below flow directly into the financial effects disclosed in Note 10, the scenario resilience assessment in Note 11, the risk management process in Note 12, and the metrics and targets in Note 13.

| | |
|---|---|
| **CRR-1 Climate Transition Risk**<br>**Current effect:** SBTi trajectory embedded in annual CapEx; RE revenue Rs. 80 Mn offsetting transition costs; ISO 50001 expanding to additional estates.<br>**Anticipated effect:** Continued RE expansion grows income; SBTi credentials increasingly differentiate TTE in global ESG-credentialed specialty tea markets | **Integration: Fully Integrated**<br>**Forward strategy:** Short: maintain ≥27% cumulative reduction. Medium: reach 42% by FY 2030; RE revenue Rs. 130–160 Mn range. Long: Net Zero 2050 — 90% Scope 1+2 reduction. |
| **CRR-2 Acute Physical Climate Risk**<br>**Current effect:** Emergency OPEX provisions in annual budget; slope stabilisation, drainage and proposed IoT early-warning systems active across Deniyaya and Upcountry high-risk estates with collaboration with Disaster Management Centre DMC.<br>**Anticipated effect:** Increasing event frequency requires escalating capital resilience investment; could elevate credit risk premium if unmanaged. | **Integration: Fully Integrated**<br>**Forward strategy:** Short: maintain estate emergency protocols. Medium: proactive drainage CapEx programme. Long: Full estate infrastructure climate-hardening plan |
| **CRR-3 Chronic Physical Climate Risk**<br>**Current effect:** 65.7 ha climate-resilient reforestation; shade tree programme; agroforestry integration at Holyrood, Logie and Somerset estates.<br>**Anticipated effect:** Long-horizon elevation-zone portfolio rebalancing may be required for 2035+ under RCP 8.5. LKAS 41 bearer plant monitoring enhanced. | **Integration: Partially Integrated**<br>**Forward strategy:** Long-horizon elevation-zone rebalancing strategy to be developed in FY 2026/27 strategic cycle, informed by Note 11.3 scenario outputs. |
| **SRR-1 Labour Scarcity and Wage Escalation**<br>**Current effect:** RSM rollout (334 Block Managers; Deniyaya 100%); HerLead; GPTW 98%; Rs. 120.8 Mn community investment. Rs. 354 Mn wage shock absorbed in base operating costs.<br>**Anticipated effect:** Full RSM across all 16 estates converts fixed wage to variable-performance model, materially reducing net SRR-1 exposure over the medium term. | **Integration: Fully Integrated**<br>**Forward strategy:** Short: RSM to majority of estates. Medium: all 16 estates by FY 2028; wage cost per unit declined. Long: entrepreneurial workforce model sustaining the generational workforce transition.. |
| **SRO-1 Nature-based Opportunity**<br>**Current effect:** 13 km forest corridor (50,000+ trees); Nature Positive Business Policy active; TNFD LEAP identification applied; SOC improving toward 10.5% target by 2030.<br>**Anticipated effect:** PES income stream as voluntary carbon and biodiversity markets develop; RA certification advantage strengthening as buyer biodiversity standards increase. | **Integration: Partially Integrated**<br>**Forward strategy:** PES monetisation strategy and TNFD LEAP quantification phase under development. PES income contingent on Sri Lanka carbon/biodiversity market maturity (Note 4.4). |

# SLFRS Sustainability Related Financial Disclosures

## NOTE 10 Financial Position, Performance and Cash Flows

This Note quantifies the financial effects of TTE's five BAC-approved material SRROs on the Group's Statement of Cash Flow, Statement of Financial Position, and Statement of Financial Performance for the year ended 31 March 2026. Format and structure are consistent with FY 2024/25 to ensure year-on-year comparability and assurance continuity. FY 2024/25 comparative data is provided for all quantified items. Where quantification is not reasonably practicable, the six-element qualitative disclosure applies (Note 4.4). Supplementary financial performance metrics and balance-sheet monitoring are provided in Note 10.2 and 10.3.

### 10.1 CRRO/SRRO Financial Impact Matrix

The matrix below maps each material SRRO to its financial effect across three financial statements, following the same structure as the FY 2024/25 disclosure. Forward financial effects (Short / Medium / Long term) are drawn from the forward scenario ranges developed in Note 11.

| CRRO / SRRO Risk Driver | FY 2025/26 Rs. Mn | FY 2024/25 Rs. Mn | YoY % | FS Note Reference | Key Drivers & Quantification Methodology | Short Term (1 yr) | Medium Term (2–3 yrs) | Long Term Rs. (beyond 3 yrs) |
|---|---|---|---|---|---|---|---|---|
| **Statement of Cash Flows** | | | | | | | | |
| CRR-2 Acute Physical Risk | ↓ 27.1 | ↓362.0 | (92.5%) | CF — Note B | Replanting + factory repair & construction; transport disruption from landslide/flood events | ↓ 3 – 3 Mn | ↓ 3 – 4 Mn | ↓ 3 – 4 Mn |
| CRR-3 Chronic Physical Risk | ↓122.6) | ↓271.0 | (54.8%) | CF — Note A | Climate-attributed field development (40% of Note A); replanting linked to soil stress & dry spells | ↓ 290 – 300 Mn | ↓ 290 – 360 Mn | ↓280 – 360 Mn |
| CRR-1 Transition Risk | ↓43.1) | ↓52.0 | (17.1%) | Notes 33.3, 15 | Solar capex (55% transition-attributed) + HPM organic tea subsidiary investment | ↓ 50 – 66 Mn | ↓ 66 – 99 Mn | ↓ 124 – 182 Mn |
| SRR-1 Labour & Wage Risk | ↓210.4) | ↓270.0 | (22.1%) | B-4.1 | Estate housing, worker access roads, health & social services — Workforce Continuity | ↓200 – 250 Mn | ↓ 250 – 311 Mn | ↓ 250 – 341 Mn |
| SRO-1 Biodiversity Opportunity | ↑79.2 | ↑22.0 | 259.9% | CF — Note 13-C | Timber sale proceeds — growing inflow as commercial forestry matures | ↑ 72 – 78 Mn | ↑72 – 85 Mn | ↑82 – 100 Mn |
| **Statement of Financial Position** | | | | | | | | |
| CRR-2 Acute Physical Risk | ↓20.5 | Minor | - | Notes 14B.1 | BBA derecognition: field dev write-off (Rs.20.3Mn) + Indola WO (Rs.0.2Mn) net of new provision (Rs.5.1Mn) | ↓ 9.6 – 14.4 Mn | — | — |
| CRR-3 Chronic Physical Risk | Subtle | Subtle | - | Note 17 | Produce on bearer bio assets — Level 2 FV decline; gradual erosion of bearer plant carrying value | ↓ 16 – 24 Mn | — | — |
| CRR-1 Transition Risk | ↑43.1 | ↑41.7 | 3% | Notes 14A, 15 | ESG assets capitalised: Solar capex (55%) + HPM investment; no transition liabilities posted | N/A | N/A | N/A |
| SRR-1 Labour & Wage Risk | ↓26.4 | ↓179.0 | (85%) | Notes 23, 26 | RBO increase Rs.55.5Mn | ↑ 62 – 96 Mn | — | — |
| SRO-1 Biodiversity Opportunity | ↑0.8 | ↑22.8 | (96%) | Note 14C | Consumable bio assets (timber) — YoY carrying value change | ↑ 68.0 – 68.0 Mn | — | — |
| **Statement of Financial Performance (P&L)** | | | | | | | | |
| CRR-2 Acute Physical Risk | ↓41.9 | ↓23.0 | 82.1% | Notes 6.1, 14B.1 | Acute hydro revenue loss Rs.17.9Mn + emergency OPEX Rs.12.1Mn + field dev WO Rs.20.3Mn + provisions Rs.5.4Mn | ↓ 45 – 60 Mn | ↓ 45 – 75 Mn | ↓49 – 90 Mn |
| CRR-3 Chronic Physical Risk | ↓119.8 | ↓23.0 | 420.8% | Notes 17.1, 6.2 | Counterfactual crop yield loss Rs.102.9Mn + Bio FV adverse swing Rs.7.5Mn + chronic hydro Rs.12.0Mn | ↓87 – 131 Mn | ↓ 77 – 202 Mn | ↓ 87 – 241 Mn |
| CRR-1 Transition Risk | ↓98.9 | ↓108.0 | (8.5%) | Notes 25, 9 | Directly confirmed Rs.15.4Mn (assurance, certs, depreciation) + ESG supply chain premium Rs.83.4Mn | ↓100 – 110 Mn | ↓120 – 160 Mn | ↓135 – 185 Mn |
| SRR-1 Labour & Wage Risk | ↓187.4 | ↓270.0 | (30.6%) | Notes 9, 23, 26 | Net YoY statutory wage escalation Rs.349.5Mn (+29.6%) DOMINANT DRIVER (net wage method isolates volume) | ↓ 231 – 273 Mn | ↓231 – 273 Mn | ↓284 – 386 Mn |
| SRO-1 Biodiversity Opportunity | ↑162.4 | ↑38.0 | 327.4% | Note 7 | Timber Rs.63.2Mn + Solar Rs.20.5Mn + Eco-tourism Rs.42.2Mn + Diversification Rs.15.8Mn + Lease Rs.14.9Mn + Grant Rs.6.0Mn | ↑ 151 – 171 Mn | ↑ 151 – 178 Mn | ↑161 – 202 Mn |

↑ = positive / income / inflow / asset addition / liability increase. ↓ = negative / cost / outflow / asset decline.

### 10.2 Significant Risk of Material Adjustment to Carrying Amounts

The following balances involve significant climate-related estimation uncertainty and may require material adjustment within the next reporting period. Estimated ranges are derived from the anticipated scenario model using SSP1-2.6 (Low) to SSP2-4.5 (High) climate pathways. Carrying amounts are presented as at 31 March 2026.

| Asset / Liability | Carrying Amount 31 Mar 2026 Rs.'000 | Climate-Linked Assumption at Risk | Sensitivity / Adjustment Risk (FY26/27) | FS Note |
|---|---|---|---|---|
| Bearer Biological Assets — Mature Tea Plantations | Rs. 1,631,616 | Tea yield decline may shorten useful life and increase annual depreciation charge. | If mature fields reduce useful life by 2 years, additional depreciation may arise. Estimated adjustment risk: Rs. 16.3–24.5 Mn. | Note 14B; Note 3.7.7.1; Note 9 (Bearer BA Dep. Rs.101.9Mn) |
| Consumable Biological Assets — Managed Timber | Rs. 679,515 | Timber fair value may be affected by market price, discount rate, disease, fire and climate stress. | Changes in timber price, discount rate or climate damage may reduce fair value. Estimated downside risk: Rs. 68 Mn. | Note 14C; Note 14.C.2 (sensitivity table) |
| Retirement Benefit Obligations | Rs. 1,237,844 | Future salary increases (CBA uplift) and discount rate movements may raise employee benefit liabilities significantly. | Higher wage growth or actuarial discount rate changes may increase RBO. Estimated adjustment risk: Rs. 936–1,561 Mn. | Note 23; Note 4.3 |
| Mini Hydro Power Assets | Rs. 202,291 | Lower annual rainfall may reduce generation, weaken revenue, and trigger LKAS 36 recoverable amount assessment. | Continued decline in hydro revenue may require impairment review. Estimated carrying value at risk: Rs. 9.6–14.4 Mn. | Note 6.2 (Hydro segment); Note 3.12 (LKAS 36) |

### 10.3 Combined-Effects Aggregate

This table presents the combined financial effect of TTE's key climate- and sustainability-related risks and opportunities on the Statement of Financial Performance. It aggregates the estimated FY 2025/26 and FY 2024/25 impacts arising from acute and chronic physical risks, transition risks, labour and social risks, and biodiversity-related opportunities, showing the overall net financial exposure after considering both adverse impacts and related financial benefits. FY 2024/25 comparatives have been restated using a consistent methodology. The FY 2025/26 net result reflected a positive impact of Rs. 21.1 Mn, mainly driven by biodiversity-related opportunities offsetting the estimated aggregate risk impacts.

| Effect Category | FY 2025/26 Rs. Mn | FY 2024/25 Rs. Mn | YoY Change Rs. '000 | % of FY26 Revenue | Source / Quantification Basis |
|---|---|---|---|---|---|
| CRR-2 Acute Physical P&L charge | (41.9) | (23.0) | 18,888 | (0.5%) | WP-10-CRR2. Acute hydro Rs.17.9Mn + OPEX Rs.3.4Mn + write-offs Rs.15.4Mn + provision Rs.5.1Mn |
| CRR-3 Chronic Physical P&L charge | (119.8) | (23.0) | 96,786 | (1.5%) | WP-10-CRR3. Counterfactual crop loss 19(a) Rs.102.9Mn + Bio FV Rs.4.9Mn + chronic hydro Rs.12.0Mn |
| CRR-1 Transition Risk P&L charge | (98.9) | (108.0) | (9,132) | (1.3%) | WP-10-CRR1. Direct Rs.15.4Mn (confirmed) + ESG supply chain premium Rs.83.4Mn (estimated §19a) |
| SRR-1 Labour & Wage P&L charge | (187.4) | (270.0) | (82,587) | (2.4%) | WP-10-SRR1. Net YoY statutory wage escalation (net wage method). Statutory CBA uplift +29.6% |
| SRO-1 Biodiversity P&L income | 162.4 | 38.0 | 124,403 | 2.1% | WP-10-SRO1. Timber Rs.63.2Mn + Solar Rs.20.5Mn + Eco-tourism Rs.42.2Mn + Diversification + Lease + Grants |
| **GROSS RISK COST (before biodiversity offset)** | **(448.0)** | **(424.0)** | **(23,955)** | **(5.7%)** | **All four climate/social risk SRROs combined before biodiversity offset** |
| Less: Biodiversity Opportunity Income (SRO-1) | 162.4 | 38.0 | 124 | 327.4% | SRO-1 biodiversity income offset — all Note 7 streams |
| **COMBINED NET P&L 21(c) Rs. (285.6) Mn = 3.6% of FY26 Group Revenue Rs.7,851 Mn** | **(285.6)** | **(386.0)** | **100,448** | **(3.6%)** | **Mandatory combined disclosure. FY25: Rs. +10.0Mn net benefit (biodiversity income exceeded risk costs).** |

# SLFRS Sustainability Related Financial Disclosures

## 10.4 Anticipated Financial Effects

### 10.4.1 Basis

Anticipated effects use three-time horizons: Short-term; Medium-term; Long-term. Two scenario bounds SSP1-2.6 (Scenario A - low) and SSP2-4.5 (Scenario B - TTE base case). The SSP3-7.0 stress scenario (Scenario C) (Scenario C, updated per BAC approval Note 11) adds further medium and long-term downside. Ranges are not projections; they reflect genuine uncertainty and will be refined as the data gap items are resolved.

### 10.4.2 Anticipated Capital Allocation Changes

| Capital Item | FY26 Rs. Mn | Short-term Rs. Mn | Medium-term | Long-term |
|---|---|---|---|---|
| Field Dev — replanting + cinnamon (CRR-3) | 306 | 290-300 | 290-360 | 280-360 |
| PPE Climate Resilience (CRR-2) | 3.4 | 3.2-3.4 | 3.2-3.7 | 2-4 |
| Solar Expansion — Transition (CRR-1) | 36 | 49.5-66 | 66-99 | 124-182 |
| Worker Housing & Social (SRR-1) | 210 | 200-250 | 250-310 | 250-341 |
| Timber Proceeds — Inflow (SRO-1) | 79 | 72-78 | 72-85 | 82-100 |
| RBO Liability Growth (SRR-1) | 9.7 | 11-21 | 21-32 | 33-59 |

# NOTE 11 Business Resilience

Business resilience is the Company's capacity to sustain long-term value creation while adapting to material sustainability-related risks and opportunities across a range of plausible futures. This Note presents TTE's climate scenario analysis across three IPCC-aligned pathways (11.1–11.3), the scenario financial outcomes and quantified impacts (11.4), the annual resilience assessment scored against actual FY 2025/26 data (11.5), and the going-concern confirmation (11.6). The five material risks and opportunities assessed are:

CRR-1 transition risk; CRR-2 acute physical risk; CRR-3 chronic physical risk; SRR-1 labour and wage risk; and SRO-1 nature-based opportunity. Scenario assumptions are reviewed annually. All financial ranges carry the measurement uncertainties described in Note 4.3 and are not financial projections.

## 11.1 Scope and Boundaries of the Assessment

The assessment covers all 16 estates and 15 factories across three agro-climatic zones Upcountry (>1,200 m), Low-Country (<50 m) and transitional mid-elevations together with TTE's two mini-hydropower subsidiaries (Radella and Somerset) and the Group's solar generation portfolio. The full scope aligns with the operational control boundary described in Note 3.

| Scope Dimension | Coverage | Data Source / Limitation |
|---|---|---|
| **Physical climate risks** | Acute: extreme rainfall, flooding, landslides, drought crop yield and infrastructure. Chronic: temperature rise, rainfall shifts upcountry yield per hectare. FY26 events: 7 minor landslides, 6 floods, 9 road washouts. | Estate meteorological station records; Dept. of Meteorology SL; MIROC5/CCSM4 tea suitability models; IPCC AR6 WGI regional atlas; Sri Lanka NDC 3.0 (submitted 22 September 2025). |
| **Transition risks** | EUDR, CBAM, SBTi compliance; buyer ESG expectations; energy transition; carbon pricing all estates and value chain. | NDC 3.0 energy sector targets; EU CBAM published schedule; IEA STEPS; ISO 14064-1:2018 GHG inventory; DEFRA 2025 emission factors. |
| **Nature-related opportunity** | Biodiversity forest corridor (18 km cumulative, 65.5 ha under restoration) PES income, carbon sequestration, biodiversity credit potential; SOC improvement. | RA geospatial risk assessment; NDC 3.0 forestry targets (32% forest cover, 7M TROFs); TNFD LEAP identification phase applied. |
| **Time horizons** | Short: 1 years \| Medium: 2–3 years \| Long: >3 years. | Defined in Note 1 Basis of Preparation. Consistent with prior year. All forward-looking financial estimates presented as ranges or scenarios, not point forecasts. |
| **Scenario** | Three scenarios selected, developed and updated by the ESEG Steering Committee. | ESEG Steering Committee meeting minute |

## 11.2 Climate Scenario Framework and Selection Rationale

TTE selected three climate scenarios to bracket the range of plausible futures relevant to its plantation operations, renewable energy assets, and labour-intensive cost structure. The Company applies a quantitative-plus-qualitative approach, commensurate with its high exposure to physical and transition climate risks and the analytical capabilities built over three consecutive reporting cycles. Each scenario differs materially in its assumptions about policy coordination, technology transition speed, and physical climate severity.

| Scenario A | Net Zero (SSP1-2.6) \| Paris-aligned \| ~1.5°C warming by 2100 |
|---|---|

Strong global policy coordination with early and sustained climate action. Carbon pricing is effective and broad; ESG regulations (EUDR, CBAM) are implemented comprehensively and early. Sri Lanka benefits from green finance flows and technical support. Tea cultivation in Upcountry Sri Lanka is supported by stable, managed rainfall and temperature conditions. Premium ESG-credentialed tea is highly valued by global buyers. Carbon and biodiversity markets are well-developed and liquid by 2030–2035, activating PES income. The IEA Net Zero 2050 scenario is the primary reference pathway, supplemented by IPCC AR6 SSP1-2.6 regional projections. This is TTE's aspirational scenario and tests the upside of the Company's regenerative strategy.

| Scenario B | NDC Pathway / Current Policy Trajectory (SSP2-4.5) \| ~2–2.5°C warming \| TTE CENTRAL CASE |
|---|---|

National commitments (NDCs) are implemented with moderate effort, but global coordination is incomplete. Sri Lanka pursues its NDC 3.0 targets (submitted 22 September 2025) with partial success. Physical climate risks intensify gradually - drought frequency and rainfall variability increase in the Upcountry by mid-century. Carbon markets exist but are fragmented. ESG regulations (EUDR) are implemented but with extended transition periods. This is TTE's base-case planning scenario, most closely aligned with current observed trajectories and anchored to Sri Lanka's NDC 3.0 physical climate projections (near-term +0.7°C; mid-century +1.5°C). These temperature figures are drawn from NDC 3.0 Table 3.1 (September 2025), which represents the most current nationally authoritative Sri Lanka-specific physical climate projections available; NDC 3.0 uses SSP5-8.5 as the reference modelling scenario for its national physical vulnerability

| Scenario C | High Emissions / Divergence Path (SSP3-7.0) \| >3°C warming \| Stress Test |
|---|---|

Minimal global policy coordination; carbon pricing absent or ineffective; physical climate risks escalate significantly. Sri Lanka faces severe weather intensification, prolonged droughts, and extreme flooding by 2040. High-elevation Upcountry tea cultivation faces material yield decline without adaptation. Export markets diverge; some premium buyers retreat on ESG grounds as certification credibility erodes. Carbon and biodiversity markets fail to develop. TTE's strategy in this scenario relies entirely on adaptation investment, crop diversification, and domestic market resilience. The stress test reveals the Company's vulnerability limits.

## 11.3 Scenario Inputs and Calibration — FY 2025/26 Updates

The following table presents the key inputs and assumptions for each scenario. Scenario B parameters are calibrated to actual FY 2025/26 outturn. Where the actual FY26 data is shown as a calibration anchor (←), this confirms that the current trajectory is consistent with Scenario B projections.

| Parameter | Scenario A — Net Zero | Scenario B — NDC Pathway (Central) | Scenario C — High Emissions |
|---|---|---|---|
| **Reference pathway** | SSP1-2.6 / Paris-aligned | SSP2-4.5 / Sri Lanka NDC 3.0 (policy pathway; physical inputs from NDC 3.0) | SSP3-7.0 / IEA STEPS-aligned |
| **Global warming by 2050** | +1.0°C (Paris 1.5°C goal) | Near-term +0.7°C; mid +1.5°C ← FY26 actual: +0.3°C YoY upcountry (source: NDC 3.0) | +2.4°C mid-century; >3°C by 2100 |
| **SL temperature (NDC 3.0)** | Near-term +0.5°C; mid +0.8°C | Near-term +0.7°C; mid +1.5°C ← FY26 actual: +0.3°C YoY upcountry | Near-term +0.7°C; mid +1.5°C → +2.4°C (2060–2079) |
| **Rainfall variability** | SW monsoon +8–12%. NE stable. | SW +12–18% ← FY26 actual: SW +10.3%, NE +26.1% | Extreme variability. SW +20–25%. Flash floods double. |
| **FY26 hydro generation** | Radella 3,378 vs 5yr avg 3,799 MWh (–11.1%) | Same actual — calibration anchor | Same actual — Sc.C projects further deterioration |
| **Tea suitability 2050 (MIROC5)** | Optimal –5%; HG resilient | Optimal –10.5%; LG severely affected ← FY26 LG –17.4% vs FY25; climate attr 40% | Optimal –18 to –22%; LG viability at risk |
| **Transition environment** | CBAM 2030, SBTi required, carbon pricing 2028 | CBAM phased 2026–2032; NDC 3.0 moderate ← FY26 CBAM exposure 7% | CBAM delayed; conditional NDC targets missed |
| **Labour** | Wage stabilised; RS model scales 50% | Wages rising — FY26 actual: Rs.1,750/day (+29.6%); shortage 6.5% | Wages decouple; shortage 20–30%; social licence at risk |
| **PES / Biodiversity market** | Strong — Rs.20+ Mn/yr PES by 2030 | Growing — FY26 actual Rs.4.1 Mn (+17% YoY) | Weak — Rs.3–5 Mn/yr; no external validation |

# SLFRS Sustainability Related Financial Disclosures

## 11.4 Scenario Financial Outcomes — Physical, Transition and Social Risks

The following table presents the quantified financial outcomes across all three scenarios and all five material CRROs and SRROs. Scenario B (NDC Pathway) values represent the base case and are grounded in FY 2025/26 actual financial data. Scenario A and Scenario C apply attribution multipliers to actual data consistent with the respective climate pathways. All values are in Rs. Mn. Brackets indicate costs or losses; unbracketed values in the SRO1 row indicate income.

| CRRO/SRRO | Scenario | Short-Term P&L Rs. Mn | Med-Term P&L Rs. Mn | Long-Term P&L Rs. Mn | SFP Rs. Mn | Cash Flow Rs. Mn | Resilience Score |
|---|---|---|---|---|---|---|---|
| CRR2 Acute | A | (45.7) | (22.9) | (13.7) | (21) | (27) | Moderate |
| | B | (41.9) | (60.4) | (75.5) | (21) | (27) | Moderate |
| | C | (70.1) | (140.3) | (210.4) | (26) | (27) | Low |
| CRR3 Chronic | A | (177.2) | 44.3 | 177.2 | - | (123) | Moderate-Strong |
| | B | (119.8) | (248.4) | (310.5) | - | (123) | Moderate-Strong |
| | C | (253.1) | (354.3) | (455.6) | - | (123) | Low |
| CRR1 Transition | A | (108.1) | 162.2 | 270.3 | (43) | (36) | Strong |
| | B | (98.9) | (135.7) | (160.3) | (43) | (36) | Strong |
| | C | (91.6) | (45.8) | (36.7) | 0 | 0 | Low |
| SRR1 Labour | A | (216.8) | (173.5) | (130.1) | (27) | (210) | Moderate |
| | B | (187.4) | (318.0) | (231.3) | (27) | (210) | Moderate |
| | C | (433.7) | (650.6) | (564.8) | (33) | (231) | Low |
| SRO1 Biodiversity | A | 158.3 | 205.8 | 284.9 | (79) | - | Strong |
| | B | 162.4 | 136.1 | 177.5 | (79) | - | Strong |
| | C | 88.2 | 79.4 | 70.6 | (79) | - | Moderate |
| **COMBINED NET P&L IMPACT** | | **(389.6)** | **(285.6)** | **(758.0)** | **(138)** | - | **Sc.B: 3.6% of revenue** |

Labour wage escalation (SRR1) is the dominant financial risk across all scenarios at Rs.187.4 Mn in FY 2025/26, escalating to Rs.433.7 Mn under Scenario C, and is largely independent of climate trajectory. Physical risks compound progressively even under the central case (Scenario B), combined physical and chronic exposure exceeds Rs.370 Mn long-term. Under Scenario A, transition costs reverse to income in the medium term as carbon revenue and ESG premiums accumulate, confirming TTE's regenerative strategy is well-positioned for an orderly transition. Biodiversity income (Rs.162.4 Mn) provides a meaningful near-term offset but deteriorates sharply under Scenario C as ESG markets fail to develop. The Scenario B combined net exposure of Rs.285.6 Mn (3.6% of revenue) is within management capacity; the Scenario C long-term stress exposure of Rs.1,196.6 Mn defines the Company's vulnerability boundary and informs the adaptation priorities in Note 9.

Financial Effects Disclosure — Scenario B (Central Case) by Statement

| CRRO / SRRO | Short-Term P&L Rs. Mn | Med-Term P&L Rs. Mn | Long-Term P&L Rs. Mn | Direction | Key Drivers |
|---|---|---|---|---|---|
| CRR2 — Acute Physical Risk | (41.9) | (60.4) | (75.5) | Rs. Mn (↑ risk) | Ditwah Cyclone OPEX Rs.3.4 Mn (P&L) + Hydro capex Rs.23.6 Mn (capitalised). FD write-off Rs.15.1 Mn. Provision Rs.5.4 Mn. Acute hydro loss Rs.17.9 Mn. |
| CRR3 — Chronic Physical Risk | (119.8) | (248.4) | (310.5) | Rs. Mn (↑ risk) | §19(a) crop loss Rs.102.9 Mn (LG –17.4% vs FY25; 40% climate attr). Bio FV adverse Rs.4.9 Mn (Note 17.1). Chronic hydro Rs.12.0 Mn. |
| CRR1 — Transition Risk | (98.9) | (135.7) | (160.3) | Rs. Mn (↑ cost) | Direct confirmed: Rs.15.4 Mn (assurance, certs, depreciation, organic cert). ESG supply chain premium Rs.83.4 Mn. |
| SRR1 — Labour & Wage Risk | (187.4) | (318.0) | (231.3) | Rs. Mn (↑ cost) | Wage +29.6% (Rs.1,350→Rs.1,750). Net additional labour cost. RS model 32% coverage partially mitigates. |
| SRO1 — Biodiversity Opportunity | 162.4 | 136.1 | 177.5 | Rs. Mn (income) | Timber Rs.63.2 Mn, solar Rs.15.8 Mn, eco-tourism Rs.42.2 Mn, diversification Rs.20.5 Mn, land lease Rs.14.9 Mn, grants Rs.6.0 Mn. Positive offset. |
| **NET COMBINED EFFECT (Scenario B)** | **(285.6)** | **(626.4)** | **(600.1)** | **3.6% of revenue** | **After biodiversity income offset. Gross risk: Rs.447.9 Mn (5.7% of revenue).** |

### 11.5 Business Resilience Assessment — FY 2025/26

TTE's climate resilience is assessed annually across five dimensions, each evaluated against a structured scoring methodology. FY 2025/26 scores are determined from actual estate-level data and the computed financial impacts in 11.4. Scores are presented on a five-point scale (1 = Low, 3 = Moderate, 5 = Strong) and compared to the prior year to identify improving, deteriorating, or stable dimensions.

| Resilience Dimension | FY 2025/26 | FY 2024/25 | Change | Key Evidence — FY 2025/26 |
|---|---|---|---|---|
| Physical Risk — Acute | MODERATE | MODERATE | No change | Acute P&L Rs.41.9 Mn (0.5% of revenue). Ditwah Cyclone OPEX Rs.3.4 Mn. FD written-off Rs.15.1 Mn. Ditwah Hydro capex Rs.23.6 Mn (capitalised). Provision Rs.5.4 Mn. Acute hydro Rs.17.9 Mn. |
| Physical Risk — Chronic | MODERATE | STRONG | ↓ Downgrade | LG production −17.4% vs FY25 (265,195 kg decline). Climate attr 40% = Rs.102.9 Mn crop loss. Bio FV adverse Rs.4.9 Mn. Replanting 21 ha. |
| Transition Risk | STRONG | STRONG | No change | Scope 1 −9.2% YoY to 8,473.88 tCO2e. RE share 88.2%. SBTi validated. RA all estates pass. CBAM 7% exposure mapped. N2O: 44.4%→38.76% (chemical leasing). |
| Labour & Wage Risk | MODERATE | MODERATE | No change | Wage +29.6% (Rs.1,350→Rs.1,750). Net wage escalation Rs.187.4 Mn (net wage method). Workforce continuity Rs.210.4 Mn CF. Shortage 6.5%. |
| Biodiversity Opportunity | STRONG | STRONG | No change | PES Rs.4.1 Mn (+17%). Restoration 65.5 ha (+3.5 ha). 18 km+ corridors. RA certified. Timber income Rs.63.2 Mn (+142%). NDC 3.0 forestry policy tailwind. |
| Overall Resilience — Average Score 3.4 / 5.0 | MODERATE-STRONG Consistent with FY 2024/25 overall position. One dimension downgraded (Chronic Physical Risk). | | | |

#### 11.5.1 Implications for Strategy and Business Model

Under Scenario A (Net Zero), the implications are predominantly positive for TTE. The Company's renewable hydro and solar generation assets gain value as grid emission factors improve; the certified-sustainable tea segment grows as low-carbon supply chains attract premium pricing in EU markets; and the Company's existing investments in shade-tree cover and clonal replanting align with science-based agriculture pathways. Required response: accelerate the cultivar transition programme to capture the full medium-term opportunity.

Under Scenario B (NDC Pathway central case), physical risks generate moderate annual P&L drag (Rs.41.9 Mn acute + Rs.119.8 Mn chronic = Rs.161.7 Mn combined), partially offset by biodiversity income (Rs.162.4 Mn). The wage shock (Rs.354 Mn) is the dominant near-term financial pressure, with the revenue-share model providing a partial structural offset as coverage expands. Required responses: expand RS model coverage (currently 32%); maintain replanting pace at minimum 29 ha annually; progress slope bunding to 80% coverage.

Under Scenario C (High Emissions), the implications are predominantly negative. LG yield decline of 18–22% would render a significant portion of the Low-Country estate portfolio economically marginal without crop conversion. A structural labour shortage of 20–30% would erode the social licence to operate. The absence of carbon markets eliminates the PES income pipeline. Required response: initiate an LG estate diversification and conversion plan by FY 2027/28; accelerate slope protection and drainage investment; build domestic-market resilience as a hedge against ESG export market retreat.

#### 11.5.2 Significant Areas of Uncertainty Considered in the Resilience Assessment

Four material uncertainties affect the resilience assessment; each is noted with its directional impact and monitoring approach.

(i) Physical climate parameters at sub-national resolution. The IPCC AR6 and NDC 3.0 projections used in Scenarios B and C are regional-scale outputs that do not resolve estate-level micro-climate variation above 1,200 m. If Upcountry warming exceeds the NDC 3.0 near-term projection of +0.7°C, CRR-3 chronic yield risk could materialise faster than modelled. TTE's 16 estate meteorological stations provide annual calibration; deviations ≥0.2°C from Scenario B trajectory trigger an out-of-cycle ESEG review.

(ii) Jurisdictional carbon-policy timing and pass-through mechanism. Sri Lanka's NDC 3.0 (September 2025) sets conditional targets dependent on international climate finance. The pace of domestic carbon pricing, CBAM extension to tea, and renewable tariff reform is uncertain. Early implementation (Scenario A) strengthens the certified-tea premium; delay or absence (Scenario C) eliminates the PES income pipeline. Monitored half-yearly via TTE's regulatory intelligence cycle.

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(iii) Smallholder supplier adaptation capability. Bought-leaf smallholders (Kiruwanaganga and Deniyaya catchments) sit outside TTE's operational-control boundary but are a material upstream climate-exposure pathway. If smallholder crop loss exceeds 25% in a severe climate year, bought-leaf volumes could fall below factory minimum viable throughput. Monitored via the annual Rainforest Alliance supplier assessment corrective action plans reviewed quarterly by the ESEG Committee.

(iv) Labour market structural dynamics and CBA outcome uncertainty. SRR-1 wage escalation is the dominant near-term financial risk and is uncertain across all scenarios. The January 2027 CBA review outcome and the pace of RSM rollout are key variables. Full RSM coverage by FY 2028 would materially reduce medium-term SRR-1 exposure; if CBA escalation outpaces RSM rollout, the combined net P&L impact under Scenario B could exceed the 5.7% gross-risk figure. Monitored quarterly via the ESEG dashboard (RSM coverage, CBA status, workforce KPIs).

### 11.5.3 Capacity to Adjust or Adapt to Climate Change

Three capacity dimensions assessed as at 31 March 2026.

(1) Availability and flexibility of existing financial resources. Revenue Rs. 7,851 Mn, PAT Rs. 926 Mn, ROCE 13.29% (FY 2024/25: Rs. 7,806 Mn; Rs. 1,234.8 Mn; 19.14%). RE revenue Rs. 80 Mn provides a climate-linked income buffer. Total BAC-approved climate and ESG capex was Rs. 681 Mn (PPE Rs. 375 Mn + Field Development Rs. 306 Mn), funded from internal capital with Hayleys PLC group liquidity as backstop. No covenant constraints apply to the adaptation programme. Estate insurance is maintained across all 16 estates; terms reviewed annually. Detailed liquidity and debt position is disclosed in the Financial Statements (Page 284).

(2) Ability to redeploy, repurpose, upgrade or decommission existing assets. Tea fields can be inter-planted with cinnamon (16 MT, FY 2025/26), rubber (46 MT), or shade-tree species on a 5–10 year timeline, as demonstrated at Holyrood, Logie, and Somerset. All 15 factories run on biomass and are upgradeable. Mini-hydro assets (Rs. 202 Mn carrying value) are resilient under Scenarios A and B but face generation risk under Scenario C drought (sensitivity Rs. 9.6–14.4 Mn — Note 10.2). Solar assets gain value under Scenario A. BBA useful-life reviews performed at 31 March 2026 (Note 14B; Rs. 1,631.6 Mn); a two-year shortening under Scenario B/C adds Rs. 16.3–24.5 Mn annual depreciation (Note 10.2). The 65.7 ha reforestation and 13 km biodiversity corridor are not impaired under any scenario.

(3) Effect of current and planned investments in climate mitigation, adaptation and opportunities. FY 2025/26 climate capital deployment totalled Rs. 681 Mn: PPE Rs. 375 Mn (slope stabilisation, drainage, factory upgrade) and Field Development Rs. 306 Mn (replanting, reforestation, cinnamon). The BAC-approved FY 2026/27–FY 2028/29 forward programme includes field development Rs. 280–360 Mn/year, PPE climate resilience works Rs. 350–410 Mn/year, and solar expansion targeting RE revenue of Rs. 130–160 Mn by FY 2030 (Notes 9.3, 10.4.2). This programme is expected to maintain the SBTi Net Zero trajectory and recover 3–5 percentage points of chronic yield resilience through cultivar transition. Capital deployment is disclosed as a cross-industry metric in Note 13.2.5.

### 11.6 Scenario Analysis Governance, Reporting Period and Going-Concern Confirmation

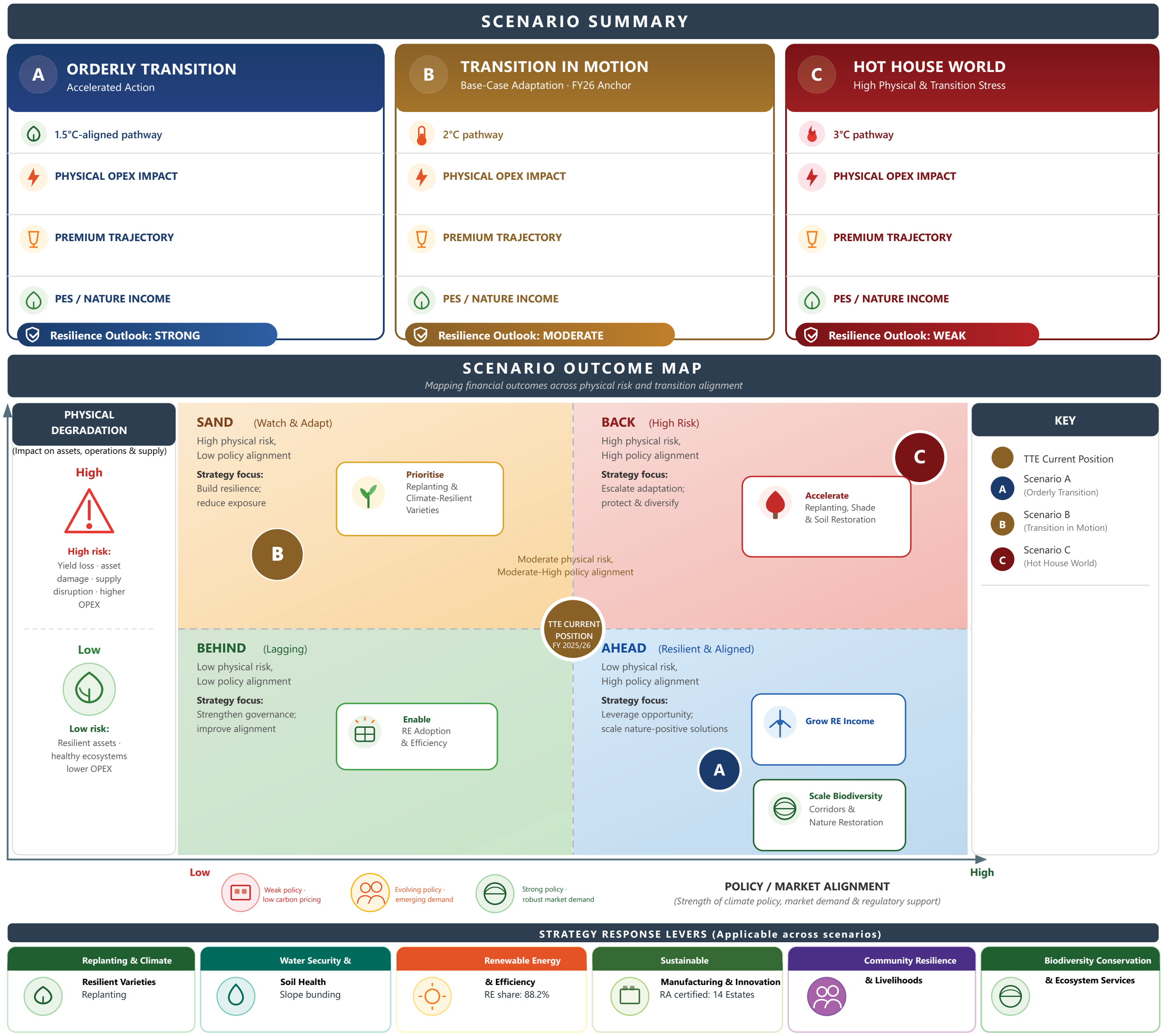
The scenario analysis was first applied in FY 2023/24, refreshed in FY 2024/25, and calibrated to FY 2025/26 actuals in the current period. The full scenario framework is refreshed on a three-year strategic planning cycle (next refresh: FY 2026/27); the resilience assessment is updated annually.

**Governance approval**

The three-scenario framework and FY 2025/26 resilience assessment were reviewed. The ESEG Steering Committee prepares and maintains the analysis; BAC provides Board-level oversight (Note 6.3).

**Going-concern confirmation**

TTE has assessed going concern incorporating the scenario outputs above. Under Scenario B (central case), the combined net P&L exposure of Rs. 285.6 Mn (3.6% of revenue) is within the Group's management capacity, supported by cash generation and the BAC-approved capital programme. Under Scenario C (stress test), long-term exposure of Rs. 758 Mn (9.7% of revenue) would require strategic adaptation but does not create a going-concern risk within a 12-month horizon.



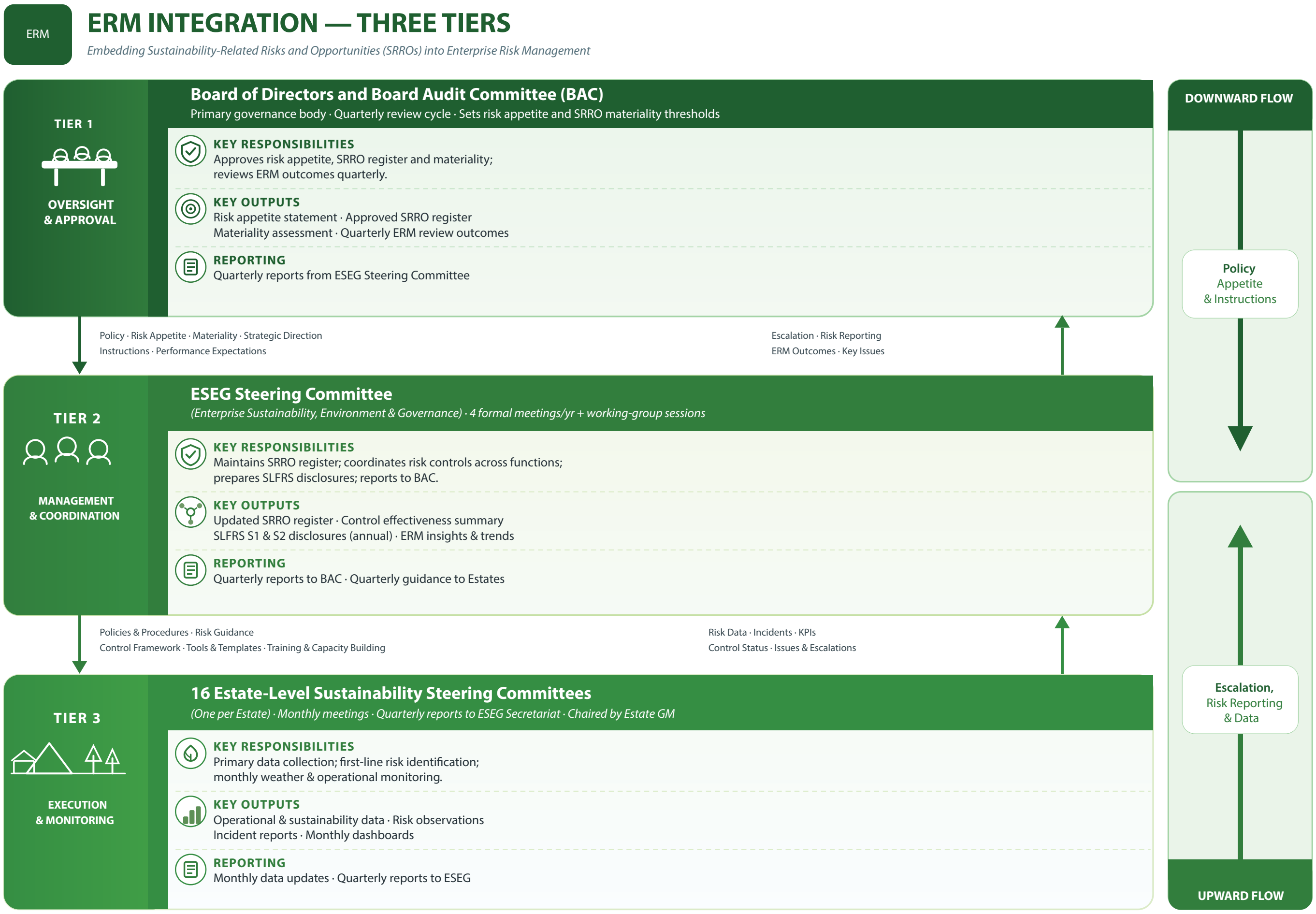

# NOTE 12 Risk Management

TTE applies an enterprise-wide risk management (ERM) framework in which the five financially material SRROs (Note 7) are fully integrated — not managed as a sustainability silo but embedded in the same governance structures, reporting cadences and escalation protocols as all enterprise risks. This Note describes: the three-tier governance ownership model (12.1); risk identification sources and assessment criteria (12.2); the SRRO prioritisation register (12.3); mitigation and control mechanisms (12.4); and the monitoring, reporting and continuous improvement cycle (12.5).

## 12.1 ERM Framework — Three-Tier Governance and Risk Ownership

Risk ownership is assigned across three governance tiers, each with defined responsibilities, escalation protocols and ERM output obligations. The full governance structure including Board and BAC Terms of Reference and ESEG Committee mandate is described in Note 6 and in the Corporate Governance Report of the Integrated Report (Corporate Governance Report Page 234).

# SLFRS Sustainability Related Financial Disclosures




The ERM cycle runs continuously through the three tiers: Estate Committees identify ➝ ESEG Committee assesses and prioritises ➝ BAC approves and monitors ➝ ESEG reports and improves. Full ERM process narrative is in the Risk Management section of the Integrated Report (Risk Report Page 218).

## 12.2 Risk Identification Sources and Assessment Criteria

Risk identification draws from five sources reviewed on defined cycles: climate and weather data (monthly), sustainability audit findings (quarterly/annual), estate operational reports (monthly), market and regulatory intelligence (half-yearly), and scenario analysis outputs (annual). Any source detecting a potential financial impact of Rs. 10 Mn or more triggers an out-of-cycle SRRO assessment.

Each identified risk is assessed against five criteria using both quantitative evidence and structured qualitative judgement, as set out below. Supporting evidence is held in the ESEG Committee's BAC-approved risk register.

**STEP 1 · IDENTIFY**

- Climate data — Mo · estates
- Sustainability audits — Qtr / yr
- Estate operations — Mo · ESEG
- Market & regulatory — Half-yr
- Scenario analysis — Yr · IPCC

Any source > **Rs. 10 Mn** → out-of-cycle SRRO assessment

**STEP 2 · ASSESS (FIVE CRITERIA)**

| | | | | |
|---|---|---|---|---|
| **Likelihood** | **High** ≥60% | · **Med-H** 40–60% | · **Med** 20–40% | · **Low** <20% |
| **Magnitude** | **High** >Rs.100Mn | · **Med-H** 50–100 | · **Med** 25–50 | · **Low** <25 |
| **Time horizon** | **Short** 1 yr | · **Medium** 2–3yr | · **Long** >3yr | |
| **Speed of onset** | **Immediate** <3mo | · **Rapid** 3–12mo | · **Gradual** >1yr | |
| **Controllability** | **High** direct levers | · **Med** partial | · **Low** price-taker | |

## 12.3 SRRO Prioritisation Register

The SRRO register below records the outcome of the five-criteria assessment for each of TTE's five financially material SRROs, their overall priority, and the primary strategic response. The register is BAC-approved (Note 7.4); the full assessment evidence is held in the ESEG Committee's risk register maintained by ESEG commitee. For additional SRRO risk narrative, see the Risk and Opportunity section (Page 218).

| SRRO | Likelihood | Magnitude | Horizon | Speed of onset | Controllab-ility | Residual risk | Priority & Strategic Response |
|---|---|---|---|---|---|---|---|
| CRR-1 | MEDIUM | MEDIUM-HIGH (net of RE offset) | Short–Long | Gradual | HIGH | LOW-MEDIUM | PRIORITY 2 — Decarbonisation investment. All factories on biomass; solar/hydro expansion; ISO 50001; SBTi trajectory on track (6.73% cumulative). Note 9.2 SI-5. |
| CRR-2 | HIGH | HIGH | Short–Medium | Immediate | MEDIUM | MEDIUM | PRIORITY 1 — Immediate resilience investment. Slope stabilisation; drainage; early-warning; crop diversification. Note 9.1 SI-4. |
| CRR-3 | MEDIUM-HIGH | HIGH | Med–Long | Gradual | MEDIUM | MEDIUM | PRIORITY 1 — Long-cycle adaptation. TRI cultivar replanting (62 ha FY24/25); shade trees; agroforestry; elevation-zone rebalancing in development. Note 9.1 SI-4. |
| SRR-1 | HIGH | HIGH Rs. 270 Mn confirmed | Short–Medium | Rapid | LOW | MEDIUM-HIGH | PRIORITY 1 — HIGHEST FINANCIAL IMPACT. RSM (Deniyaya 100%; scaling all estates); HerLead; GPTW 98%; Rs. 120.8 Mn community invest. Note 9.1 SI-3. |
| SRO-1 | MEDIUM | MEDIUM | Med–Long | Gradual | HIGH | MEDIUM (PES market risk) | PRIORITY 2 — Nature-positive investment. 13 km forest corridor; TNFD LEAP; PES pilot programme; biodiversity credit engagement. Note 9.1 SI-4. |

## 12.4 Monitoring, Reporting and Continuous Improvement

TTE's sustainability and climate risk processes are fully embedded within the Company's Enterprise Risk and Opportunity Management (EROM) Framework, which governs all business, financial and operational risks across the enterprise. The full EROM Framework is described in the Risk and Opportunity section (Page 218).

All five material SRROs are assessed using the same five-criteria methodology, reviewed at the quarterly BAC cadence and governed through the Three Lines of Defence described in Note 12.2. Climate scenario outputs (Note 11) feed directly into the SRRO register each year, updating likelihood and controllability ratings and ensuring scenario analysis informs enterprise risk prioritisation. Board-approved risk appetite thresholds, including the acute disruption OPEX cap of Rs.80 Mn per year and the SBTi pathway commitment, apply uniformly across all risk categories and govern CapEx allocation described in Note 9.

# SLFRS Sustainability Related Financial Disclosures

### Changes vs FY 2024/25

Three process changes were made this year; the five-criteria methodology, materiality thresholds and SRRO register scope are unchanged.

| Change | From | To | Effect on climate risk |
|---|---|---|---|
| Estate Committees formalised | No formal integration SLFRS related for estate-level governance | 16 committees with Board-approved ToR; monthly ESEG reporting | Weather, slope and yield anomalies escalated within 48 hours |
| Three-scenario climate analysis adopted | Informal estate weather logs only | Annual SSP scenario analysis integrated into EROM cycle | CRR-2 and CRR-3 carry scenario-conditional exposure ranges, not point estimates |

### Monitoring and escalation

The following monitoring and escalation framework outlines the governance structure established to oversee sustainability-related risks, performance indicators, and strategic response actions across operational and board levels. It defines the reporting frequency, key outputs, and escalation triggers to ensure timely review, accountability, and decision-making on material sustainability matters.

| Level | Owner · Frequency | Output | Escalation trigger |
|---|---|---|---|
| **Estate committees**<br>Estate Managers<br>16 estate-level teams | Monthly | Weather logs · slope movement<br>yield deviation · flood incidents | **KRI breach →**<br>ESEG within 48 hrs |
| **ESEG dashboard** | Quarterly | GHG trajectory · RA audit status<br>scenario trigger signals · KRI deviations | **SRRO change →** |
| **BAC review**<br>Board Audit Committee<br>Director Finance (Secretary) | Quarterly | Integrated SRRO register<br>financial planning implications<br>scenario stress-test summary | **Rating change →**<br>Board |

### 12.5 Forward-Looking Risk Considerations

TTE continuously reviews emerging sustainability-related risks and regulatory trends that may affect future business continuity, financial performance, and long-term value creation. These forward-looking considerations are informed through scenario analysis, market and regulatory intelligence, climate data, and global ESG policy developments. Key anticipated risk shifts include climate regulation such as CBAM, increased rainfall volatility, biodiversity-linked financing and PES opportunities, deforestation-free supply chain requirements, and labour demographic challenges. TTE's preparedness includes regulatory monitoring, digital traceability systems, updated physical risk mapping, restoration-zone mapping, Rainforest Alliance compliance, verified agroforestry boundaries, social retention investments, and youth engagement initiatives.

## Note 13 Metrics and targets

This Note presents TTE's quantitative sustainability metrics and performance targets across eight sub-categories.

### 13.1 Metric Selection Basis

TTE selects metrics based on four criteria:

(i) direct relevance to one or more of the five material SRROs in Note 7;
(ii) alignment with SLFRS S1/S2 climate disclosure requirements (cross-industry and industry-specific metrics);
(iii) consistency with the SASB Agricultural Products standard (FB-AG) for sector-specific comparability; and
(iv) data availability and collection system quality sufficient.

Where data collection systems are still maturing, metrics are disclosed with appropriate uncertainty indicators per Note 4. All metrics are prepared using the Company's established data management, validation, and quality assurance processes and are presented on a two-year comparative basis (FY 2024/25 and FY 2025/26).

| Pillar | Metric | Connected SRRO | Measurement Scope | Time Horizon |
|---|---|---|---|---|
| Environmental | GHG emissions ($tCO_2e$) | CRR-1 · CRR-2 · CRR-3 | Scopes 1–3 total | Short–Long |
| | Acute OPEX (Rs. Mn) | CRR-2 | Estate disaster spend | Short–Medium |
| | Yield loss (Rs. Mn) | CRR-3 | Estate revenue loss | Medium–Long |
| | Restored area (ha) | SRO-1 | Restoration plots | Medium–Long |
| Social | Living-wage gap (%) | SRR-1 | Estate workforce | Short–Medium |
| | Absenteeism rate (%) | SRR-1 | Total workdays | Short |

Each metric below is mapped to its connected SRRO (Note 7), measurement scope and time horizon (Note 1.4), with financial impacts in Note 10, scenario projections in Note 11, and performance targets in Note 13.3.

## 13.2 Cross-Industry Metrics

### 13.2.1 Cross-Industry Metrics — Greenhouse Gas (GHG) Emissions

TTE measures and discloses GHG emissions in alignment with the GHG Protocol, ISO 14064-1:2018 and SLFRS S2. Disclosures cover all consolidated operations under the operational control boundary, including Scope 1, Scope 2 (location-based) and relevant Scope 3 categories. Reporting period: 1 April 2025 to 31 March 2026. Full GHG inventory at page 194.

**Summary of GHG Emissions (absolute gross measurement basis)**

| Scope | FY 2025/26 ($tCO_2e$) | FY 2024/25 ($tCO_2e$) | Interim Target (2030) | Target (2050) |
|---|---|---|---|---|
| Scope 1 | 8,473.91 | 9,335.75 | ↓42% | ↓90% |
| Scope 2 (location-based) | 1,652.39 | 1,702.12 | ↓42% | ↓90% |
| Scope 3 | 14,821.84 | 15,254.06 | ↓42% | ↓90% |
| **Total** | **24,949.00** | **26,291.92** | **N/A** | **N/A** |

**GHG Scope 1 and 2 Emissions**

| Description | Scope 1 $tCO_2e$ | Scope 2 $tCO_2e$ (Note 2) | Total $tCO_2e$ |
|---|---|---|---|
| Consolidated accounting group | 8,473.91 | 1,652.39 | 10,126.28 |
| Other investee — associates / JVs (Note 1) | Not applicable | Not applicable | Not applicable |
| **Total (Operational control approach)** | **8,473.91** | **1,652.39** | **10,126.30** |

Note 1: The Company does not have investments in associates and joint ventures.
Note 2: Scope 2 emissions are measured on the location-based method. No contractual instruments for electricity purchase.

**GHG Scope 3 Emissions — Value Chain by Category**

| # | Scope 3 Category | FY 2025/26 ($tCO_2e$) | FY 2024/25 ($tCO_2e$) | Rationale / methodology |
|---|---|---|---|---|
| 1 | Purchased goods and services | 6,721.94 | 6,813.80 | Fertiliser, packaging, agrochemicals. DEFRA 2026 spend-based |
| 2 | Capital goods | 234.96 | 415.89 | Kiruwanaganga factory drove FY24/25 increase. Spend-based |
| 3 | Fuel and energy-related activities | 478.03 | 569.63 | Upstream electricity/fuel processing. SLSEA EF. Follows Sc.2 boundary |
| 4 | Upstream transport and distribution | 564.32 | 480.26 | Material. DEFRA 2025 road freight ~180 km avg. Note 3.3 |
| 5 | Waste generated in operations | 6.29 | 2.00 | Tea waste, packaging. DEFRA 2025 |
| 6, 7 | Business travel + employee commuting | 84.39 | 86.71 | Small categories. DEFRA 2025; ICAO. Survey-based commuting ±50% |
| 9 | Downstream transport and distribution | 978.76 | 989.50 | Factory to Colombo Auction. DEFRA 2025. Note 3.3 |
| 10, 12 | Processing of sold products + end-of-life | 5629.03 | 5,716.12 | Customer blending; packaging disposal. High uncertainty — Note 4.4 |
| 13 | Downstream leased assets | 124.11 | 179.55 | Sub-leased hectarage. Local research-based factor |
| **Total** | | **14,821.84** | **15,254.06** | |

# SLFRS Sustainability Related Financial Disclosures

### 13.2.2 GHG Measurement Methodology and Emission Factors

TTE measures and reports GHG emissions in accordance with the GHG Protocol and ISO 14064-1, applying recognised emission factors from IPCC, DEFRA and SLSEA. The methodology covers Scope 1 emissions from biomass combustion and fertiliser use, Scope 2 from purchased grid electricity, and material Scope 3 categories. Emission factors and activity data are reviewed annually to improve accuracy and consistency. IPCC AR6 GWP100 values applied throughout.

**Key Assumptions and Sources used for GHG Measurement**

| Scope | Emission Category | Activity | Data Source | Emission Factor (EF) Source | GWP Values |
|---|---|---|---|---|---|
| Scope 1 | Stationary combustion | Diesel, Petrol, firewood, LPG | Fuel invoices, estate-level use logs | 2006 IPCC AR5 V2_2_Ch2_ Stationary_Combustion; SLSEA/ DEFRA | IPCC (AR6) 2021 |
| Scope 1 | Mobile combustion | Fuel used in estate vehicles & Company own vehicles and Manager fuels | Fuel bills, monthly estate summaries | 2006 IPCC AR5 V2_3_Ch3_Mobile_ Combustion, DEFRA factors | IPCC (AR6) 2021 |
| Scope 1 | Fertiliser application | Fertiliser applied (N-based) | Estate-level application records | 2006 IPCC AR5 V4_11_Ch11_ N2O&CO2 | IPCC (AR6) 2021 |
| Scope 2 | Purchased electricity | Electricity use (CEB grid) | Monthly CEB bills | SLSEA 2022 EF; location-based only | IPCC (AR5) 2014 |
| Scope 3 | Cat.1: Purchased goods and services | Fertiliser, packaging, tea sacks | Purchase orders, ledger entries | DEFRA 2025, GZA Scope 3 Calculator (Expenditure based) | IPCC (AR5) 2014 |
| Scope 3 | Cat.2: Capital goods | Emissions from construction and equipment | Asset ledger, CapEx registry | GZA Scope 3 Calculator (Expenditure based) | IPCC (AR5) 2014 |
| Scope 3 | Cat.3: Fuel and energy related activities | Upstream energy processing | Fuel and electricity purchase data | DEFRA 2025, SLSEA 2022 EF | IPCC (AR5) 2014 |
| Scope 3 | Cat.4: Upstream transport and distribution | Inbound logistics (inputs) | Good receiving records, estimated distance & Financial expenditures | GZA Scope 3 Calculator (Expenditure based) | IPCC (AR5) 2014 |
| Scope 3 | Cat.5: Waste generated in operations | Tea waste, packaging waste , E-waste , Plastic & other bio-degradable waste | Estate-level logs | DEFRA 2025 | IPCC (AR5) 2014 |
| Scope 3 | Cat.6: Business travel | Staff travel (vehicle, air) | Travel logs, ticket records | DEFRA, ICAO Carbon Emissions Calculator (ICEC) | IPCC (AR5) 2014 |
| Scope 3 | Cat.7: Employee commuting | Worker and staff commuting | Survey and route assumptions | India Specific Rail Transport Emission Factors for Passenger Travel and Material Transport | IPCC (AR5) 2014 |
| Scope 3 | Cat.9: Downstream transport and distribution | Factory to buyer logistics | Waybills, transporter data, Survey for warehouse emission | DEFRA 2025, GZA Scope 3 Calculator (Expenditure based) | IPCC (AR5) 2014 |
| Scope 3 | Cat.10: Processing of sold products | Tea blending, packaging by customers | Assumed industry avg. | GZA Scope 3 Calculator (Expenditure based) | IPCC (AR5) 2014 |
| Scope 3 | Cat.12: End-of-life treatment of sold products | Disposal of tea bags, packaging | Sales data, industry ratios | DEFRA 2025 | IPCC (AR5) 2014 |
| Scope 3 | Cat.13: Downstream leased assets | Sub-leased hectarage | Hectarage statement | Local research-based factor | IPCC (AR5) 2014 |

IPCC AR6 GWP100 values used throughout. IPCC AR5 retained for Scope 3 categories where the GZA calculator tool is built on AR5 factors.

### 13.2.3 Other Cross-Industry Metrics

TTE discloses additional metrics reflecting its exposure to climate-related physical and transition risks, the Company's capital allocation to climate action, and integration of climate considerations into internal carbon pricing and executive remuneration policies.

**Vulnerability of Assets or Business Operations to Climate-related Physical Risks**

| Metric | FY 2025/26 | FY 2024/25 | Comment |
|---|---|---|---|
| % of estate land in flood-/landslide-prone zones | 8.4% | 6.1% | Mapped using geospatial risk overlays |
| Climate disruption cost (% of OPEX) | 5.4% | 0.47% | Linked to storm damage, road washouts, yield losses |
| Rainwater harvesting coverage | Not assessed | Not assessed | Capacity increase planned |

**Vulnerability of Assets or Business Operations to Climate-related Transition Risks**

| Metric | FY 2025/26 | FY 2024/25 | Comment |
|---|---|---|---|
| % of Scope 1 emissions from fossil fuels | 9.6% | 7.95% | Mainly diesel; mitigation underway via RE expansion |
| Fertiliser-linked emissions ($N_2O$ share of Scope 1) | 38.82% | 34.68% | High-cost exposure if future regulation applies |

**Capital Deployment**

| Category | Amount (Rs. Mn) | Use |
|---|---|---|
| Renewable energy infrastructure | 35.95 | Small hydro, solar PV |
| Landscape-level adaptation | 43.19 | Bunding, drains, rainwater systems |
| Efficiency upgrades | 9.87 | VFDs, LED lighting, boiler retrofits |
| **Total climate-aligned CapEx** | **89.01** | |

**Climate-Related Opportunities**

| Metric | FY 2025/26 | FY 2024/25 | Target 2030 | Comment |
|---|---|---|---|---|
| Income from renewable energy (solar + hydro) | 603,123 | 717,923 | 2 Mn | Renewable energy credit income |
| Renewable energy share | 88% | 88% | 95% | Strategy under CapEx roadmap 2025–2027 |

## Internal Carbon Pricing

TTE has not implemented internal carbon pricing as of FY 2025/26. The Company continues to evaluate the feasibility of introducing a shadow carbon price to support future investment and decarbonisation planning.

## Remuneration Linkage

TTE is evaluating the integration of climate-related performance into its remuneration framework. As of FY 2025/26, remuneration is not yet formally linked to specific sustainability-related risks or opportunities (SRROs).

## 13.2.4 Climate-Related Targets — SBTi and Net Zero Trajectory

TTE's GHG targets form the quantitative backbone of its climate transition commitment. The Scope 1 and 2 reduction target (42% by 2030; 90% by 2050) is tracked through the SBTi-validated Net Zero milestone programme, funded through theESG CapEx programme. The Scope 3 value-chain target (30% reduction by 2030) is pursued through supplier engagement, Rainforest Alliance certification and smallholder extension. The FLAG land-sector target (30% reduction by 2030) is delivered through TTE's biodiversity corridor and reforestation programme, underpinning TTE's status as the world's first plantation company with SBTi FLAG validation.

| Disclosure Category | Metric Name | Metric Type | Metric Definition | Objective of the Target | Unit | Comparative Information | | | Interim Target (2030) | Target (2050) |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | FY 2025/26 | FY 2024/25 | YoY Change | | |
| Transition Risk — GHG compliance & energy market shifts | Scope 1 & 2 GHG emissions | Core GHG Mitigation Metric | Absolute GHG emissions from fuel and electricity use ($tCO_2e$) | Reduce direct emissions to align with TTE's net-zero pathway | $tCO_2e$ | 2,469.43 | 2,444.66 | 1.01% | 42% | 90% |
| Transition Risk — Value chain exposure | Scope 3 GHG emissions | Value Chain Emissions | Emissions from purchased inputs, logistics, and customer lifecycle | Lower upstream/ downstream emissions through supplier engagement | $tCO_2e$ | 13,049.66 | 13,177.58 | -0.97 | 42% | 72% |
| Chronic Physical Risk — Land-based degradation | Scope 1 & 3 FLAG emissions | Land Use Emissions (GHG) | Emissions/removals from soils, biomass, and landscape-level change | Enhance land carbon sinks and curb landscape-based emissions | $tCO_2e$ | 8,299.27 | 9,434.24 | -12.03% | 30% | 72% |

# SLFRS Sustainability Related Financial Disclosures

## Validation and Alignment:

- Targets validated by the Science Based Targets initiative (SBTi) for near-term, long-term and NetZero 1.5°C alignment
- FLAG sector targets follow SBTi FLAG Guidance (land-use sector) and validated by SBTi — world's first plantation company validation
- Adaptation metrics align with TNFD LEAP Framework
- Strategy supports Sri Lanka's NDCs under the Paris Agreement

**Use of Carbon Credits:**

- TTE does not currently use carbon credits to meet targets
- Future use will prioritise insetting (e.g., soil carbon, afforestation on TTE lands)
- Verified standards (Gold Standard, VCS) and transparent disclosure of credit type, volume and application

### 13.2.6 Social and Workforce Metrics

Tracks social and workforce metrics covering employee composition, retention, satisfaction, wages, revenue share model (RSM) implementation, safety performance and community investment, supporting workforce stability, fair employment and estate-level social resilience.

| Disclosure Category | Metric Name | Metric Type | Metric Definition | Objective of the Target | Unit | Comparative Information | | | Interim Target (2028) | Target (2030) |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | FY 2025/26 | FY 2024/25 | YoY Change % | | |
| Wage Escalation — Cost Pressure Risk | Living Wage (Average daily wage per worker) | Labour Cost Metric | Statutory and negotiated daily wage (Rs) for permanent estate and factory workers | Ensure workers earn a living wage that supports wellbeing and financial security | % of gap closed | 88% | 21% | 319% | 80% | 100% |
| Labour Cost Buffering — Wage-Productivity Linkage | Revenue-share wage model coverage | Social Resilience Metric | % of workforce enrolled in the 45% revenue-share incentive wage scheme | Strengthen productivity and resilience by linking compensation to performance | % | 20% | 28% | -29% | 40% | 50% |
| Labour Availability — Absenteeism | Annual absenteeism rate | Workforce Availability Metric | Absenteeism rate among estate and factory workers vs total available workdays | Enhance operational continuity by reducing unplanned workforce absences | % | <10% | <10% | - | <15% | <10% |
| Retention & Wellbeing | Workforce continuity investment | Enabling Infrastructure Spend | Annual CapEx + OPEX for housing, maternal care, sanitation, schools and childcare | Improve employee retention through strategic investments in wellbeing infrastructure | Rs. Mn/ yr | 120 | 103 | 17% | 110 | 150 |

### 13.2.7 Biodiversity and Nature Metrics (TNFD)

Biodiversity and nature metrics aligned with TNFD V2.0, covering tree planting, biodiversity corridors, soil organic carbon, agrochemical use, conservation investment, PES opportunities, water withdrawal and waste recycling.

| Disclosure Category | Metric Name | Metric Type | Metric Definition | Objective of the Target | Unit | Comparative Information | | | Interim Target (2030) | Target (2050) |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | FY 2025/26 | FY 2024/25 | YoY Change % | | |
| Dependencies & Impacts | Area under active ecosystem restoration (ha) | Core Sector Metric (TNFD FA3.1.1) | Total hectares under ecological restoration interventions (forest buffers, slope rehabilitation, agroforestry plots) | Expand natural capital by scaling landscape restoration | Hectares | 65.7 | 62 | 6% | 100 | 200 |
| Dependencies & Impacts | Water withdrawal intensity ($m^3$/ tonne made tea) | TNFD Core Metric (WE1) | Total water withdrawn from all sources per tonne of made tea produced | Net positive water impact — reduce withdrawal intensity | % | 1.82 | 1.85 | -1.6% | 5% | 25% |
| Impacts | Agrochemical use intensity (kg/ ha) | Core Sector Metric (TNFD FA2.1) | Reduction of Total agrochemical volume applied per cultivated hectare per year | Reduce chemical dependency to protect soil health and biodiversity | kg/ha | 2.35 | 2.30 | 2.3% | 10% | 20% |

Progress against targets is tracked in quarterly sustainability performance reviews and reported in ESG dashboards to the Board Audit Committee. Mid-Cycle Target Adjustments: Targets may be revised for major scenario-driven shifts (Note 11.3), market or regulatory changes, or new data systems enabling more accurate tracking

## 13.3 Target Setting and Review Mechanism

TTE sets and reviews sustainability-related targets through a structured governance and operational process. Targets are set only where material risks or opportunities have been identified, and where measurable progress can influence financial or strategic decision-making (as disclosed in Notes 7–12).

**Target-Setting Principles:**

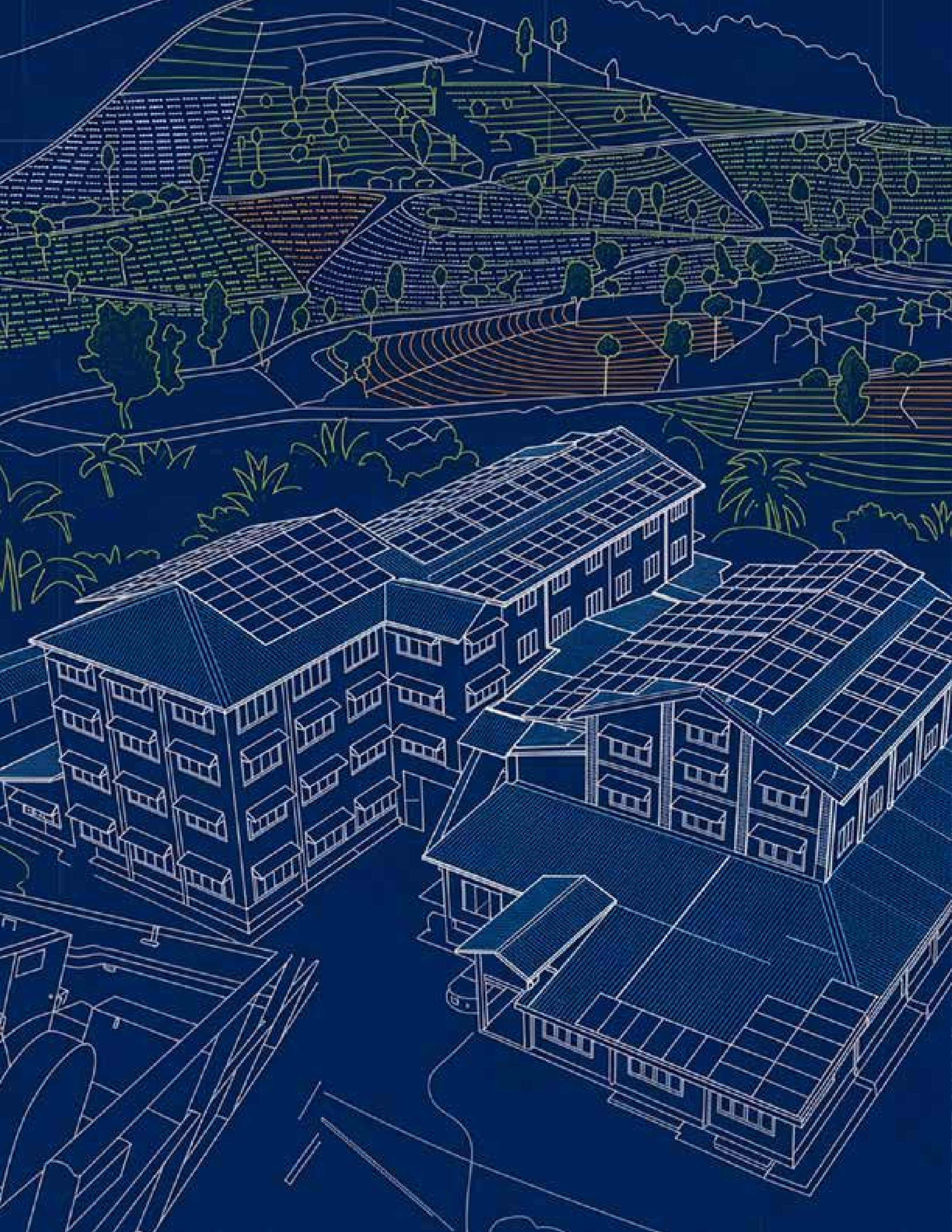
- Materiality-driven: Targets are only established for metrics linked to material SRROs
- Science-aligned and externally referenced: Climate targets aligned with SBTi and TNFD; environmental targets with Rainforest Alliance and ISO 14001
- Operationally feasible: Designed considering the unique constraints and resource conditions across TTE's upcountry and low-country estates
- Time-bound and measurable: All key targets have baseline years, progress tracking indicators, and review cycles

**Target Approval and Review Governance**

| Step | Responsible Body | Review Cycle |
|---|---|---|
| Target proposal and baseline setting | Central sustainability team | Annually (pre-budget cycle) |
| Technical validation and feasibility | Estate superintendents and sustainability team | Annually |
| Alignment with group and international frameworks | Head of Finance and Head of Sustainability | Annually |
| Board-level approval and target updates | ESEG Steering Committee to BAC to Main Board | Annually |

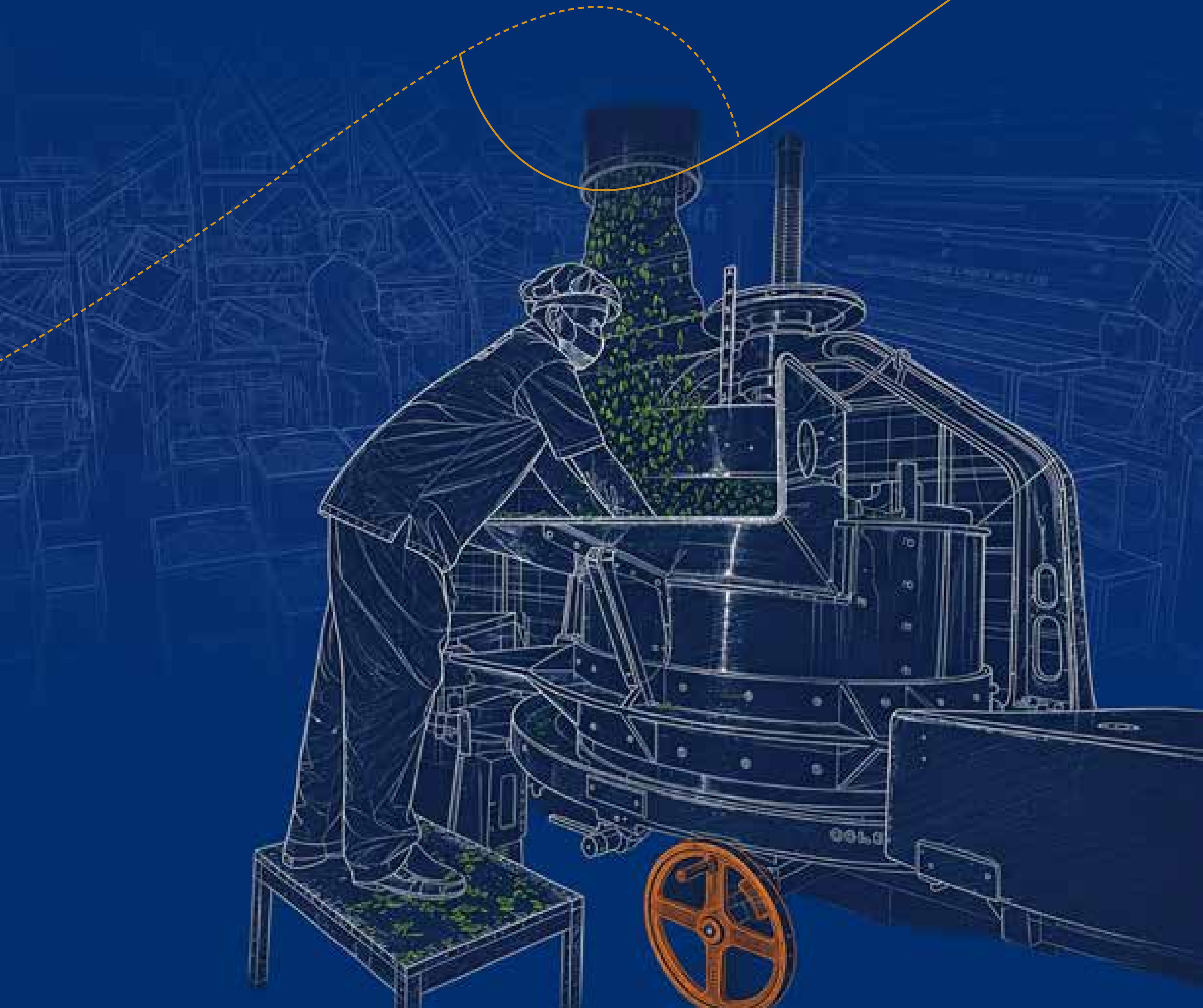
## 13.4 Performance Against Targets

This section discloses TTE's performance against its ESG targets for FY 2025/26. It consolidates progress reported across the ESG Target and Progress Table (page 78) and the ESG Consolidated Statement (page 275). Only targets linked to material risks and opportunities identified in Note 7 are included. For each, TTE reports the metric, current year performance, baseline, target year, and progress status. All data has been reviewed internally and verified where required by third-party certification or audit.



# REFINING THE RISE

**The next ascent is built on smarter systems and sharper execution. Through integrated operations, innovation, and efficiency, we are refining every process to create resilience and long-term productivity.**



# Business Review

## Operating Context

The macroeconomic, industry, and competitive context within which TTE operated during FY 2025/26 including global tea market dynamics, the national auction environment, geopolitical developments, and TTE's competitive positioning within the Sri Lankan plantation sector is analysed comprehensively in the Operating Environment section of this Report (page 54), which includes a detailed assessment of TTE's market leadership, the Sri Lankan RPC competitive landscape, and a global tea origin comparison.

Within this context, TTE's operating performance in FY 2025/26 was most directly shaped by four persistent structural challenges: labour outmigration, climate variability and extreme weather events, land and labour productivity constraints, and rising cost pressures stemming primarily from the mid-year wage revision. The Company's structured responses to each of these challenges guided by the Regenerative Agenda 2030 and supported by targeted investments across its key value drivers, are outlined in the below table.

**No. 1**
GSA ranking amongst RPC's

**5.3 Mn kg**
Made tea production

**Rs. 306 Mn**
Field development expenditure

## Navigating Operating Challenges

| Strategic Challenge | Business Impact | Management Response | Linked Capital |
|---|---|---|---|
| **Outmigration of Workers** | Reduced labour availability and pressure on harvesting, field maintenance and operational continuity. | • Strengthened welfare, housing, healthcare and community development. Increased employee engagement, skills development and productivity-linked incentives.<br>• Accelerated selective mechanisation and labour-saving technologies. | • Human Capital<br>• Manufactured Capital<br>*More Detail Pages 134 to 211* |
| **Climate Change & Erratic Extreme Weather Conditions** | Crop instability, yield fluctuations and greater exposure to weather-related operational disruptions. | • Adopted soil conservation, improved drainage.<br>• Shade management<br>• Drought-resistant and high-yielding cultivars.<br>• Data-driven agronomic planning aligned to the sustainability agenda. | • Natural Capital<br>• Manufactured Capital<br>*More Detail Pages 134 to 311* |
| **Low Labour & Land Productivity** | Lower field efficiency, weaker output per hectare and pressure on estate-level profitability. | • Improved pruning cycles, fertiliser optimisation, systematic replanting.<br>• Workforce training, closer supervision.<br>• Performance-based incentives and gradual mechanisation. | • Human Capital<br>• Natural Capital<br>• Financial Capital<br>*More Detail Pages 134 to 211* |
| **High Cost of Production** | Margin pressure due to rising input, labour, energy and operational costs. | • Implemented process optimisation, energy efficiency<br>• Better resource allocation<br>• Bulk procurement and supplier negotiations<br>• Continued quality improvement to secure stronger auction prices | • Financial Capital<br>• Manufactured Capital<br>*More Detail Pages 134 to 211* |

## Tea Production

TTE's total tea production in FY 2025/26 remained broadly in line with the previous year. High-grown estates continued to be the largest contributor to the Company's annual production volumes. While favourable climatic conditions and quality-focused plucking standards supported a 2% increase in average yield per hectare across high-grown estates, the overall impact on total production was modest, with volumes increasing marginally to 4,071,409 kg in FY 2025/26 from 3,997,232 kg in the previous year.

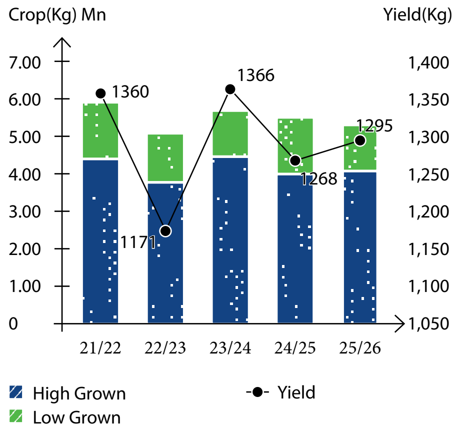
The Low-grown segment, which accounted for 24% of the Company's total production volumes, performed steadily during the year, with an Estate crop of 710,269 kg. Continued focus on field development initiatives aimed at enhancing quality, together with strategic investments in replanting, contributed to a marginal improvement in productivity. As a result, yield per hectare increased to 1,130 kg/ha in FY 2025/26 from 1,123 kg/ha recorded in the previous year. During the year we received a bought leaf crop of 546,289 kg.

Supported by stable production volumes TTE registered a healthy financial performance, notwithstanding continued softness in global bulk tea prices. Influenced by weaker auction prices throughout the year, TTE's Gross Sales Average declined compared to the previous year. However, productivity improvements and an ongoing shift towards specialty and value-added teas, helped to partially offset these pressures. Notably, the Company's premiumization strategy played an important role in supporting more stable price realization within higher-value segments.

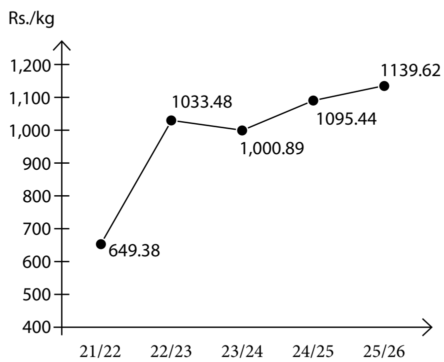
At the same time, the cost structure came under upward pressure, mainly as a consequence of the mid-year wage revision, implemented in line with sector agreements, which contributed to significant cost escalation.

Nevertheless, TTE's operational efficiency initiatives, encompassing investments in factory modernization, enhancing quality management systems and expansion in renewable energy integration, together helped improve operational discipline and safeguard margins.

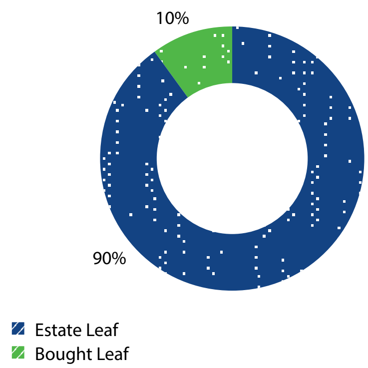
### Crop & Yield (Overall)




### TTE Cost of Production




### Est. Leaf & Bought Leaf




During FY 2025/26, average prices softened across all elevations compared to the previous year, reflecting broader market dynamics. The National Elevation Average declined to 1,167.71 from 1,225.17, while TTE's overall GSA decreased to 1,338.07 from 1,403.74. However, the differential narrowed slightly to 170.36 from 178.57, indicating a modest compression in the Company's price premium.

**"The true measure of plantation excellence is not the crop we harvest today, but the legacy of productivity, quality, and sustainability we create for tomorrow."**

**Mr. G K Wijesekera**

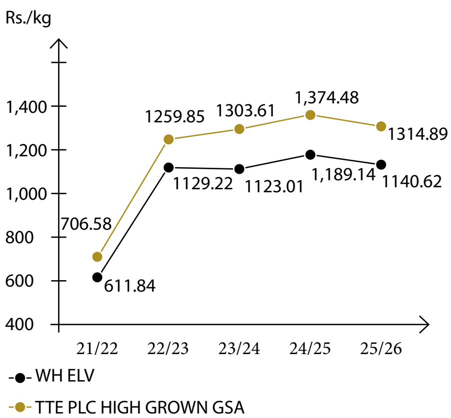
*Director - Plantations (Up Country)*

# Business Review

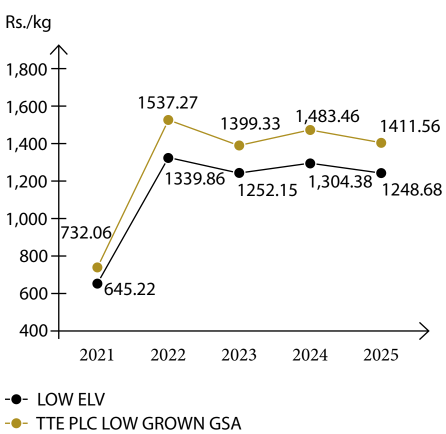
The trend was similar across both segments. In the High-grown/WHG category, the benchmark declined to 1,140.62, while TTE PLC's High-grown GSA reduced to 1,314.89, narrowing the differential to 174.27. In the Low-grown segment, the benchmark fell to 1,235.25, with TTE's Low-grown GSA declining to 1,411.56, narrowing the differential more notably to 176.31.

Overall, while prices moderated during the year, TTE continued to maintain a premium over the relevant elevation benchmarks, though with a modest contraction in differentials. During the year 25/26, we secured 219 top prices and 01 all-time record.

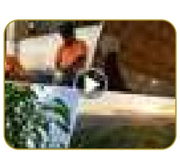
**Western High Grown (WHG) Elevation Against TTE PLC High Grown GSA**



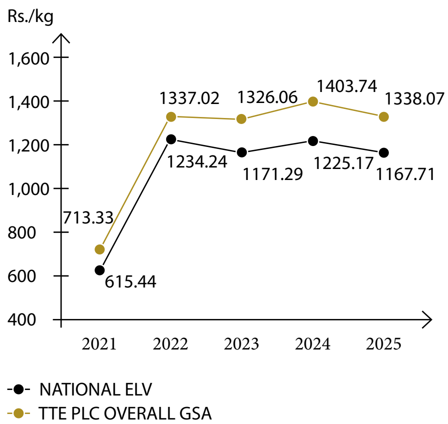

**Low Grown (LG) Elevation Against TTE PLC Low Grown GSA**




SCAN TO WATCH VIDEO STORY



**National Elevation Against TTE PLC Overall GSA**




## Field Development

Against the backdrop of persistent challenges within Sri Lanka's plantation sector including ageing tea bushes, soil degradation, and increasing climate variability, TTE accelerated its field development programme in the current year.

The ongoing replanting programme was significantly expanded. The programme focuses on systematically replacing old seedling tea with high-yielding vegetatively propagated (VP) clones, supported by improved field establishment practices such as optimal spacing, enhanced drainage, and targeted soil conditioning. In addition, shade management and agroforestry practices are integrated into replanted areas to strengthen microclimatic stability and enhance long-term ecological balance. During the year, 20.81hectares were replanted (2024/25: 21.12 hectares). While replanting entails a gestation period before full yield realisation, the newly replanted lands are expected to deliver significant long-term benefits in terms of yield improvement, quality enhancement, and cost efficiency.

In parallel, nursery operations were also strengthened to ensure a consistent supply of high-quality, climate-resilient planting material to support both replanting and infilling requirements. Several new clonal varieties with higher yield potential and greater pest resistance were introduced, coupled with enhanced nursery management practices such as improved soil media preparation, refined shade management, and controlled irrigation systems. Another key initiative undertaken during the year was the integration of more organic and sustainable inputs to reduce the dependency on synthetic chemicals while improving plant health.

Equally importantly, soil rehabilitation also gathered momentum with efforts directed towards addressing long-term fertility decline and soil structure deterioration commonly associated with plantation landscapes. Key interventions included the application of organic matter such as compost and green manure to enhance soil

structure and microbial activity, as well as the implementation of soil conservation measures to improve soil health, water retention, and nutrient availability. Likewise the application of climate-smart practices was also strengthened through moisture retention techniques and reduced chemical input dependency. The investment in field development activities increased from Rs. 268 Mn in 24/25 to Rs. 306 Mn in 25/26.

### Crop Diversification

Crop diversification has been a longstanding aspect of TTE's efforts to develop a multi-crop, high-value agricultural portfolio. The current year marked a decisive shift towards high value crops, climate-resilient, and market-driven crops.

During the year, approximately 91.34 hectares were brought under new diversified crops. Cinnamon cultivation saw notable expansion, with 15.94 hectares newly planted, increasing total extent by 19% to 100.50 hectares. Strawberry cultivation also recorded strong growth during the year, with total production reaching 4,257 kg and generating a profit of Rs. 4 Mn.

Meanwhile, coconut and other intercrops were further integrated into suitable elevations to optimise land use efficiency and enhance long-term soil productivity.

### Revenue Diversification – Organic Tea Operations

TTE PLC made a strategic move towards revenue diversification in the 2025/26 financial year by acquiring Hayleys Produce Marketing Limited in December 2025, which specializes in certified organic tea cultivation and supply. Throughout the review period, the Company successfully managed 98.34 hectares of land that generated a revenue of Rs. 833,255. This initiative underscores the dedication to advancing sustainable and value-added agricultural practices while strategically positioning itself to meet the increasing global demand for organic products.

### Commercial Forestry

The estimated value of commercial forestry assets as at 31st March 2026 stood at Rs. 679.5 Mn, with earnings contributions for the year estimated at Rs. 680.5 Mn. The long-term revenue pipeline is expected to grow to Rs. 79.2 Mn per annum as forestry assets mature.

TTE's commercial forestry programme which focuses primarily on ustainable land use, forms as an integral part of the Company's nature -based climate action agenda driving the committment to Net Zero alingnment under the Science Based Targets initiatives (SBTi).

During the year under review, approximately 17.60 hectares were allocated for commercial forestry and agroforestry initiatives to strengthen biodiversity connectivity, watershed protection, and ecosystem restoration. The total investment in forestry development amounted to Rs. 18 Mn in FY 2025/26.

In addition to financial returns, forestry assets which contribute towards improving soil stability, enhancing water retention, and increasing biodiversity value, while contributing to productivity upliftment across in tea lands through improved microclimatic conditions, are deemed a key component of TTE's Natural Capital.

### Renewable Energy

Renewable energy integration is identified as a key enabler of TTE's Net Zero transition that aims to advance decarbonization in line with the commitments made to the Science Based Targets initiative (SBTi).

Biomass remains the primary source of renewable energy for TTE, accounting for the majority share of the renewable energy mix. Systematic investments in biomass technology over the years have ensured that biomass is used for the tea drying process at all 14 TTE factories. Biomass is sourced from licensed third-party suppliers as well as the Company's own fuelwood plantations. TTE has allocated over 80 hectares within high-grown estates for fuelwood cultivation, including 17.60 hectares added in the current year. Eucalyptus spp. makes up 76% of this area, with the rest under mixed forestry.

Solar energy has been the most rapidly expanding renewable energy source for TTE. Through the progressive expansion of rooftop solar installations across estates, TTE today has the capacity to generate 819.43 kWp of solar energy. Taking steps to further expand its solar energy infrastructure, TTE received approvals to allocate 25–28 acres of land at the Welendawa Division of Moragalla Estate for the installation of a 7 MW ground-mounted solar project developed by Hayleys Fentons Limited.

Hydropower capacity 2.1Mw has remained a stable and reliable component within TTE's renewable energy mix, supported by a network of mini-hydro plants at the Somerset, Radella, and Palmerston estates which are all located in close proximity to designated catchment areas.

# Story of Our Subsidiaries

## Empowering Sustainable Growth Through Resilient Energy and Sustainable Agriculture

### Overview of Subsidiaries

Talawakelle Tea Estates PLC, through its subsidiaries, continues to strengthen its position as a diversified, sustainability-driven group operating across renewable energy and sustainable Agriculture :


**These businesses collectively support TTEPLC strategy of sustainable growth, climate resilience, and diversified income generation, continued to operate in full compliance with environmental regulations and alignment with renewable energy certification standards and long-term carbon reduction objectives.**

## Hydropower Sector - Strategic Progress and Performance

**Harnessing Nature's flow to Deliver Clean, Renewable Power for the Nation's Generations to Come...**

Our 100% Owned subsidiaries, TTEL Hydro Power Company and TTEL Somerset Hydro Power Company, continued to play a vital role in Sri Lanka's clean energy transition during 2025/26 through the supply of clean electricity to the national grid, notwithstanding the increasing influence of climate variability on hydropower generation, with shifting rainfall patterns and changing hydrological conditions reinforcing the sector's exposure to evolving climate risks. Despite these challenges, the subsidiaries continued to demonstrate operational resilience and adaptive capacity, strengthening their contribution to a more sustainable and diversified national energy mix.

As a hydropower operator, the subsidiary contributed Rs. 70 million in revenue to the parent company during the year. Total generation reached 6,991 MWh up to the onset of Cyclone DITWAH. However, compared to the previous year, the impact of the cyclone resulted in a 25% decline in revenue and a 12% reduction in energy generation.

## Impact and Response to Cyclone DITWAH – November 2025

Cyclone Ditwah in November 2025 resulted in a significant operational disruptions for TTEL's hydropower portfolio in turn highlighting the increasing exposure of hydropower assets to climate-related risks and extreme weather variability. The cyclone caused severe impact on plant assets, including water conveyance systems, intake structures, civil works, and electro-mechanical components. In order to ensure safety and undertake comprehensive damage assessments, temporary shutdowns were required across affected facilities, leading to a short-term reduction in generation output during the recovery phase.

Based on internal and external assessments, TTEL Hydro Power Company recorded damages of approximately Rs. 31 million at the Palmerston Plant and Rs. 9.3 million at the Radella Plant, while TTEL Somerset Hydro Power Company reported damages of approximately Rs. 18.7 million at the Somerset Plant. These costs reflected restoration of civil infrastructure, repair of electro-mechanical systems, and rehabilitation of damaged hydrological channels and protective structures.

Insurance coverage was maintained for hydropower assets, and claims were duly submitted in respect of cyclone-related damages. However, during FY 2025/26, insurance recoveries did not fully offset the total extent of losses incurred, highlighting the need to further strengthen the adequacy and responsiveness of existing coverage frameworks.

Restoration activities were promptly undertaken across all affected sites.

| | | |
|---|---|---|
| **Palmerston Plant** | **Electrical and Mechanical Components** | Including the hydraulic unit, generator, and governor systems, were repaired and re-commissioned, alongside restoration of control panels and software-based signaling systems. |
| | **Civil Works** | Included repairs to damaged gates, desilting structures, penstock anchors, and spillway channels, as well as the construction of protective retaining structures to enhance long-term resilience. |
| **Radella Plant** | **Civil Works** | Canal pathways and retaining wall structures were rehabilitated and are currently under reconstruction.<br><br>In comparison to the other two plants, the level of damage observed at the Radella Plant was comparatively minor. |
| **Somerset Plant** | **Electrical and Mechanical Components** | Reconstruction of damaged transformer plinths, and replacement HT bushing, repair of a 1.25 MVA transformer and associated panel systems. |
| | **Civil Works** | restoration of canal paths intake, reinforcement of landslide-affected areas, developed retaining wall in transformer areas. |

Following the completion of restoration work in line with our growth roadmap, all the hydropower plants were successfully commissioned from April onwards, marking a major milestone for FY 2026/27. Generation stability also continued to be monitored to ensure efficient water resource management and enhanced operational efficiency during post-disruption recovery phases.

# Story of Our Subsidiaries

## Strengthening Future Climate Events

### Enhanced Operational and Risk Management Frameworks

- Upgraded risk management frameworks across the hydropower portfolio to improve climate resilience.
- Integrated climate risk considerations into strategic planning and operational decision-making.
- Increased alignment with international best practices in environmental and risk governance.

### Improved System Recovery and Asset Protection

- Strengthened system recovery protocols to ensure faster restoration after extreme weather events.
- Implemented advanced asset protection measures in climate-vulnerable locations.
- Established redundancy systems and contingency plans to minimize operational disruptions.

### Preventive Maintenance and Early Warning Systems

- Expanded preventive maintenance programs to reduce infrastructure failure risks.
- Introduced data-driven maintenance scheduling using predictive analytics.
- Enhanced early warning mechanisms through real-time monitoring and weather forecasting integration.
- Improved coordination with national disaster management and meteorological agencies.

Talawakelle Tea Estates®

### People and Workforce Resilience

- Prioritized employee safety and wellbeing during disaster response situations.
- Conducted regular emergency preparedness training and simulation exercises.
- Strengthened internal communication systems for crisis situations.
- Provided mental health and psychosocial support during and after climate events.

### Strengthened Risk Governance

- Adopted more rigorous and structured risk assessment methodologies.
- Enhanced asset valuation practices to reflect climate-related risks and long-term sustainability.
- Established stricter provisioning and financial risk management approaches.
- Increased transparency and accountability in risk reporting at all organizational levels.

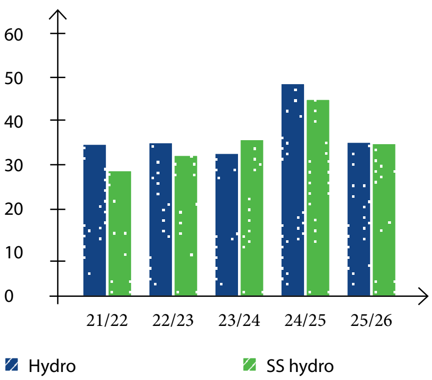
### Continuous Improvement and Learning

- Conducted post-event reviews to identify lessons learned and improve future responses.
- Updated policies and procedures based on evolving climate risk scenarios.
- Fostered a culture of continuous improvement and adaptive resilience.

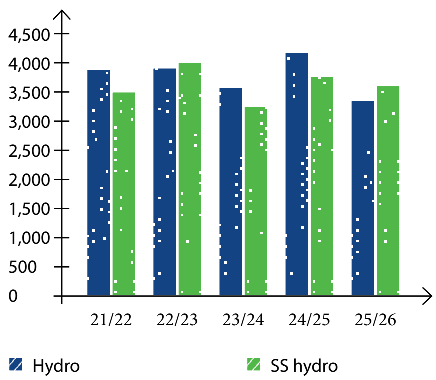
### Sustainability and Long-Term Climate Strategy

- Embedded climate resilience into long-term business and sustainability strategies.
- Increased focus on sustainable energy generation with minimal environmental impact.
- Monitored and reported climate-related risks in line with global frameworks (e.g., TCFD).

**Revenue**




**Generation**




| Capital | KPI's | 2025/26 | | | 2024/25 | | |
|---|---|---|---|---|---|---|---|
| | | TTEL Somerset Hydro Power Company | TTEL Hydro Power Company | Total | TTEL Somerset Hydro Power Company | TTEL Hydro Power Company | Total |
| **Fiancial** | Revenue (Rs. Mn) | 35.14 | 35.46 | 70.60 | 45.27 | 48.76 | 94.03 |
| | PBT (Rs. Mn) | 2.4 | (24.60) | (22.20) | 17 | 12.33 | 29.33 |
| | Dividend Paid (Rs. Mn) | 8.6 | 2.48 | 11.08 | 4.4 | 24.9 | 29.3 |
| **Manufactured** | Machinery Maintenance & Depreciation (Rs. Mn) | 26.8 | 54.2 | 81 | 14 | 15.5 | 29.5 |
| **Human** | Engagement in Business (Nos) | 4 | 9 | 13 | 4 | 11 | 15 |
| | Employee Benefits (Rs. Mn) | 6.2 | 8.4 | 14.6 | 6.8 | 11.5 | 18.3 |
| **Natural** | Energy Generation(Gj) | 13,040 | 12,129 | 25,169 | 15,106 | 13,604 | 28,710 |
| | IREC Credits | - | 1,753 | 1,753 | - | 1,878 | 1,878 |

## Financial Highlight

**Rs. 11.08 Mn**
Total Dividend Paid

**Rs. 9.23 Mn**
Net finance Income

**Rs. 135.77 Mn**
Short Term Investment

## Non- Financial Highlight

**1,753IREC**
Renewable Energy

**5,129.80 $tCO_2e$**
GHG Saving

**6,991 MWh**
Energy Generation

# Story of Our Subsidiaries

## Organic Tea Segment – Strategic Diversification

**Sip Clean, Live Green:
The Power of Organic Tea**

Organic tea is gaining popularity as a healthier and more sustainable choice. Grown without harmful chemicals, it offers a pure, natural taste while supporting personal health and protecting the environment. Choosing organic tea reflects a conscious commitment to well-being and sustainability.

TTEPLC entered the organic tea sector through the acquisition of Hayleys Produce Marketing Limited on 1 December 2025 for Rs. 7.5 million, marking a strategic expansion into sustainable agriculture. The subsidiary focuses on the cultivation of certified organic green leaf, which is supplied to its parent company, Talawakelle Tea Estates PLC, for the production of premium organic teas.

98.34 hectares of areas in Talawakelle region have been maintained under organic cultivation without the use of chemical fertilizers or agrochemicals.

### Business Model

- Production of certified organic green leaf
- Supply to TTEL factories for premium tea manufacturing
- Focus on environmentally sustainable cultivation

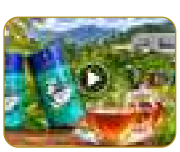
| SUSTAINABLE DEVELOPMENT GOALS | 7 AFFORDABLE AND CLEAN ENERGY | 12 RESPONSIBLE CONSUMPTION AND PRODUCTION | 13 CLIMATE ACTION |
|---|---|---|---|
| TTE PLC Metric | Renewable Energy Generation | | |
| Our 2030 Target | Achieve 99% renewable energy use across total consumption by 2030 | | |
| Contribution | 88.2% Renewable Energy usage in this year | | |
| Related Targets | 7.2 | | |

### Certificates

USDA ORGANIC

MAYACERT

JAS Mayacert



SCAN TO WATCH VIDEO STORY

### Performance Highlights

**4,273Kgs**
Initial harvest volume

**Successfully Completed the Certification**

**Rs. 137,964**
Initial PBT

**Rs. 833,255**
Initial Revenue

### Strategic Importance

- Revenue diversification
- Sustainability positioning
- Exposure to premium global markets

### Future Outlook

Overall, the organic tea segment is expected to become an increasingly important contributor to the Group's diversified portfolio, supporting sustainable revenue growth, enhanced market positioning, and long-term value creation.

### Key Priorities

- Expansion of Organic Cultivation
- Scaling organic tea operations
- Strengthening risk management frameworks
- Market Development and Export Growth
- Research and Innovation

The Group will continue to focus on delivering consistent performance, improving energy stability, and creating long-term sustainable value.

# Economic Value Added

GRI 3-3, 201-1, 13.2.1,13.22.1, 13.22.2

**" The tea industry continued to stand as a cornerstone of Sri Lanka's economy during the year, making a substantial contribution to national growth and social progress. Despite considerable challenges, the TTE displayed remarkable resilience, highlighting its capacity to adapt, innovate, and perform consistently under changing conditions."**

## Distributed to Stakeholders

**Rs. 4,859.6 Mn - 84%**
Total distributed to stakeholders

**Employees**
**Rs. 4,038.3 Mn**
**70%**
Salaries and other staff costs

**Government**
**Rs. 446.4 Mn**
**7%**
Income tax and other taxes

**Shareholders**
**Rs. 374.7 Mn**
**6%**
Dividends

**Lenders of Capital**
**Rs. 0.16 Mn**
**1%**
Interest on loan outstanding

**Rs. 5,787.7 Mn**
Total Value Created

## Retained for Reinvestment

**16%**
of total value created

**Rs. 928 Mn**
Retained for re-investment and future growth

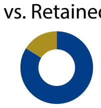
## Value Creation at a Glance

**Rs. 5,787.7 Mn**
Total Value Crated

**Rs. 4,859.6 Mn**
Total Distributed to Stakeholders

**Rs. 928 Mn**
Retained for Reinvestment

Value Distributed vs. Retained



Distributed 84%
Retained 16%

## Driven by Strong Foundation

**Rs.7,851.1 Mn**
Revenue

**Rs. 5,787.7 Mn**
Total Value added

**74%**
Value Added Margin

# Economic Value Added

The tables below compare the economic value created and distributed during the 2025/26 and 2024/25 fiscal years. This breakdown details our revenue and income generation, combined with the value shared with employees, government, and shareholders. The year-on-year data highlights our commitment to consistent financial performance and a balanced reinvestment strategy.

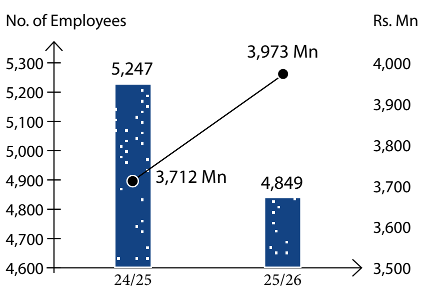
## Statements of Value Added

| | (Group) Rs. 000' | | | | (Company) Rs. 000' | | | |
|---|---|---|---|---|---|---|---|---|
| | 2025/26 | | 2024/25 | | 2025/26 | | 2023/24 | |
| Total Revenue | 7,851,079 | | 7,805,693 | | 7,787,769 | | 7,711,657 | |
| Purchase of goods and services | (2,754,991) | | (2,485,830) | | (2,497,620) | | (2,456,029) | |
| | 5,276,088 | | 5,319,863 | | 5,290,149 | | 5,255,628 | |
| Other Income | 511,670 | | 467,764 | | 505,429 | | 481,655 | |
| **Total Value Added** | **5,787,758** | | **5,787,627** | | **5,795,578** | | **5,737,283** | |
| | | | | | | | | |
| **Value created and shared with** | | % | | % | | % | | % |
| To Government (Income Tax and Other Taxes) | 446,368 | 7 | 543,249 | 8 | 439,253 | 8 | 530,057 | 9 |
| To Employees (Salaries and other staff costs) | 4,038,352 | 69 | 3,712,287 | 64 | 4,022,267 | 68 | 3,696,032 | 64 |
| To lenders of Capital (Interest on Loan Outstanding) | 164 | 1 | 183 | 1 | 164 | 1 | 183 | 1 |
| To Shareholders (Dividends) | 374,775 | 6 | 339,625 | 7 | 374,775 | 6 | 339,625 | 6 |
| Retained for re-investment and future growth | 928,099 | 17 | 1,192,283 | 20 | 959,119 | 17 | 1,171,385 | 20 |
| | **5,787,758** | **100** | **5,787,627** | **100** | **5,795,578** | **100** | **5,737,283** | **100** |

### Value Distributed for the Employee

Employee value increased to Rs. 4.03 bn, reflecting wage revisions despite workforce reduction.

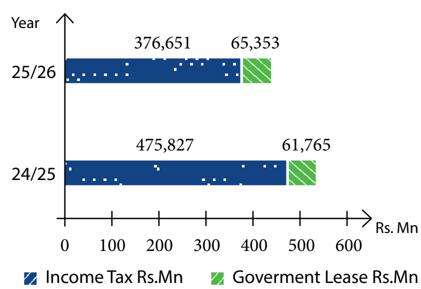
Employees-Combination




### Value Distributed to the Government

Government value distribution reached Rs. 446 mn through taxes, levies, and statutory contributions.

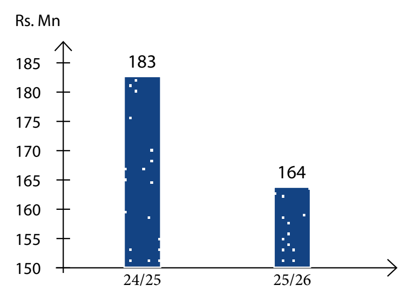
Government Payments




### Value Distributed to Lenders of Capital

Payments to lenders declined to Rs. 0.16 mn, reflecting limited borrowing exposure.

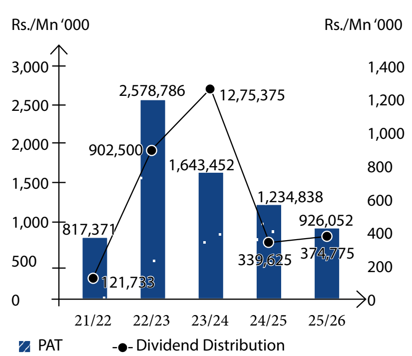
Shareholders-Combination Interest PAYMENTS




### Value Distributed to Shareholders

Dividend distribution declined to Rs. 374 mn amid lower profits and margin pressures.

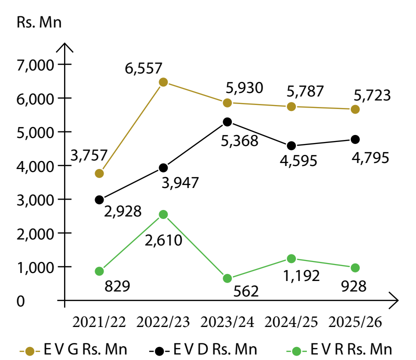
Shareholders-Combination




### Value Distributed to Expansion and Growth

Retained earnings of Rs. 928mn continued funding strategic investments and growth initiatives.

Economic Value Trend Analysis



# Summary of Capital Performance

| ASPECT | OBJECTIVE | UNIT | TARGET | GOAL ACHIEVEMENT | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | 2026/27 | 2025/2026 | 2025/26 | 2024/25 | 2023/24 | 2022/23 | 2021/22 |
| Financial Capital | 1. Revenue | Rs.Mn | 7,961 | 8,386 | 7,851 | 7,806 | 7,764 | 8,199 | 4,727 |
| | 2. Gross Profit | Rs.Mn | 1,159 | 1,455 | 1,434 | 1,818 | 1,775 | 2,857 | 920 |
| | 3. Return on equity (ROE) | % | 9.14 | 12 | 13 | 17 | 26 | 43 | 19 |
| | 4. Debt to equity | % | 6.28 | 7.59 | 6.49 | 6.92 | 7.04 | 5.16 | 6.96 |
| Manufactured Capital | 1. New Machinery Acquisitions | Rs.Mn | 39 | 24.4 | 46 | 257.7 | 4.2 | 29.1 | 29.4 |
| | 2. Production - Made Tea | kgs.Mn | 5.5 | 5.9 | 5.3 | 5.5 | 5.7 | 5.1 | 5.9 |
| | 3. Production - Hydro generation | MWh | 8,460 | 6,238 | 6,991 | 7,995 | 6,860 | 7,933 | 7,421 |
| | 4. Made Tea Outturn | % | 22.5 | 23 | 22.95 | 23.26 | 22.65 | 23.1 | 23.9 |
| Intellectual Capital | Recognitions & Awards | Number of main awards | 100 | 95 | 99 | 93 | 69 | 54 | 37 |
| | Certification Coverage | | | | | | | | |
| | ISO 22000:2005 –FSMS | Number of Factories | 15 | 15 | 15 | 15 | 15 | 15 | 15 |
| | Rainforest Alliance | Number of Estates | 14 | 14 | 14 | 14 | 14 | 14 | 14 |
| | Great Place to Work | % | 100 | 100 | 100 | 100 | 100 | 100 | 100 |
| | ISO 14064-1:2018 GHG | % | 100 | 100 | 100 | 100 | 100 | 100 | 100 |
| | ISO 14001:2015-EMS | Number of Factories | 6 | 6 | 5 | 5 | 5 | 5 | 5 |
| | ISO 9001:2015-QMS | Number of Factories | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| | ISO 50001:2018 EnMS | Number of Factories | 2 | 2 | 1 | 1 | 1 | 1 | 1 |
| | ECO Lable | Number of Factories | 16 | 16 | 16 | 16 | 16 | 16 | - |
| | Reputation and Brand Value | RPC Ranking | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Relationship Capital | 1. Customer Complaints | Nos | 0 | 0 | 1 | 11 | 5 | 6 | 14 |
| | 2. Customer Satisfaction Index | % | 100 | 100 | 92 | 92 | 86 | 86 | 86 |
| | 3. Total Local Supplier Percentage | % | 100 | 100 | 100 | 100 | 100 | 100 | 100 |
| | 4. Made-tea from Tea Smallholder Supplies | kgs | 626,000 | 700,000 | 546,289 | 816,714 | 624,274 | 700,779 | 814,317 |
| | 5. Price Earnings Ratio | Times | 9 | 7.00 | 7.49 | 5.36 | 3.28 | 1.63 | 2.48 |
| Social & Human Capital | 1. Investment on Employee Training | Rs. Mn | 10 | 10.00 | 15.66 | 11 | 14.4 | 13.8 | 1.4 |
| | 2. Worker Turnover | % | 7 | 6 | 7.6 | 3.4 | 11 | 8.6 | 8.6 |
| | 3. Investment on Social Infrastructure Development | Rs. Mn | 15 | 8.0 | 37.02 | 36.9 | 8.2 | 5.7 | 65.5 |
| | 4. Investment on Social Activities and Community Development | Rs.Mn | 75 | 100 | 83.77 | 82.21 | 95.4 | 159.7 | 41.9 |
| Natural Capital | 1. Yield Per Hectare | kg/Hec | 1,332 | 1,363 | 1,295 | 1,268 | 1,366 | 1,171 | 1,360 |
| | 2. Renewable Energy Generation | kWh-Mn | 10 | 10 | 7.87 | 8.6 | 7.5 | 8.5 | 8.1 |
| | 3. Energy Consumption | TJ | 175 | 175 | 228 | 218 | 214 | 188.02 | 208 |
| | 4. Energy Intensity | MJ/ kg of Made tea | 37 | 37 | 40.6 | 39.47 | 37.18 | 34.96 | 33.3 |
| | 5. GHG emissions-carbon Footprint | tCO2e | 23,022 | 24,707 | 24,948 | 23,385 | 25,194 | 29,782 | 9,504 |
| | 6. GHG emissions Intensity | tCO2e/Tonne of Made Tea | 4 | 4 | 4.39 | 4.24 | 4.41 | 5.7 | 1.5 |
| | 7. Investment on environmental Initiatives and Field Development | Rs.Mn | 45 | 45 | 50.1 | 58.3 | 46.8 | 48.9 | 48.6 |

# THE POWER BEHIND THE ASCENT

**Sustainable transformation begins with people. By investing in wellbeing, knowledge, and leadership, we are cultivating a workforce prepared to adapt, lead, and thrive in the next phase of our journey.**

# FINANCIAL CAPITAL

SDG Index

1 NO POVERTY
8 DECENT WORK AND ECONOMIC GROWTH
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
17 PARTNERSHIPS FOR THE GOALS

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**Financial capital represents the funds available to TTE through equity, debt, and internally generated resources that empower the Company to execute its strategic objectives. It forms the foundation for sustaining plantation operations, investing in growth initiatives, supporting innovation, and ensuring operational continuity. By effectively managing financial capital, TTE converts monetary resources into long-term value, aligning day-to-day operations with broader strategic priorities under the ReGen Agenda 2030, while maintaining resilience, productivity, and sustainable shareholder returns.**

## WHAT FINANCIAL CAPITAL MEANS TO TTE

Financial capital refers to the funds available to TTE PLC through equity, debt, and internally generated resources to support its business operations, investments, and growth plans. At TTE, financial capital forms the monetary foundation that enables the Company to manage its plantation operations, invest in strategic projects, strengthen productivity, and support long-term business sustainability.

## WHY FINANCIAL CAPITAL IS IMPORTANT TO TTE

Financial capital is important to TTE because it supports the Company's strategic goals, operational continuity, and long-term resilience. A strong financial position in TTE enables the Board and management to formulate and execute effective business strategies while ensuring that adequate resources are available to respond to changing market conditions. Given the labour-intensive nature of our operations, with wages representing approximately 65% of production costs, effective working capital management is essential to ensure uninterrupted operational continuity.

## HOW FINANCIAL CAPITAL SUPPORTS VALUE CREATION GOALS

TTE uses financial capital as a key input in its value creation model by converting financial resources into long-term value for stakeholders. The Company allocates financial capital to agricultural activities, tea processing, research and development, ESG initiatives, renewable energy, climate action, biodiversity conservation, and community development.

## LINK TO TTE STRATEGY

- Winning with the Customer
- Operational Excellence
- Nurturing Our People
- Business Diversification

## MATERIAL MATTERS

- Economic Performance
- Climate Related Risk
- Wage and Material Costs
- Tax

## CAPITAL PERFORMANCE

| Rs. 19.50 | Rs. 1.85 Bn | Rs. 7.89 | Rs. 180 |
|---|---|---|---|
| Earning Per Share | Investment in fixed-income non-current financial assets | Dividend per share | Share Price - 52-Week High |

## MANAGEMENT APPROACH

**TTE's approach to managing Financial Capital aims to sustain operational stability, support future growth opportunities, and strengthen its capacity to create long-term value despite operating within an increasingly complex and volatile external environment. The emphasizes is on disciplined cost management, proactive cash flow planning, and continuous monitoring of financial risks arising from commodity price volatility, weather-related disruptions, inflationary pressures, and changes in labour costs. In parallel, capital allocation decisions are guided not only by short-term financial returns, but also by the Company's broader strategic priorities under the Regen Agenda 2030 to ensure that investments contribute towards long-term resilience, productivity enhancement, and sustainable earnings quality. At the same time, the Company remains committed to shareholder value creation through prudent dividend policies and responsible capital stewardship.**

## GOVERNANCE

### Strategic Oversight

- Board Guides and controls how financial capital is used
- Audit Committee ensures financial capital is properly reported, protected, and controlled
- Group Management Committee ensures alignment with group strategy
- The Head of Finance ensures that financial capital is properly planned, Efficiently used, Carefully controlled and Transparently reported

### Risk & Decision Intelligence

- Identify risks affecting financial capital such as operational risk, Liquidity risk, Credit risk, Market risk, Investment risk
- Data-Driven Decision Making
- Opportunity Identification

### Operational Execution

- Structured approvals, and strict asset control
- Structured budgeting, cost control, investment appraisal and performance monitoring processes
- disciplined allocation, monitoring and reinvestment of funds across the Company's core business activities.
- ensuring the availability of working capital

### Monitoring, Assurance & Reporting

- Reviewed through management reporting, variance analysis, internal controls, internal audit assessments and Board-level oversight
- Monitored through regular review of budgets, cash flows, operating costs, capital expenditure, profitability, borrowings and return on investments

## KEY OUTCOMES

**Rs. 160.33**
Net Asset Per Share

**12.58%**
ROE

## TRADE OFF

Please refer page 141

**How financial capital interacts with and impacts other capitals in creating balanced value.**

## FUTURE OUTLOOK

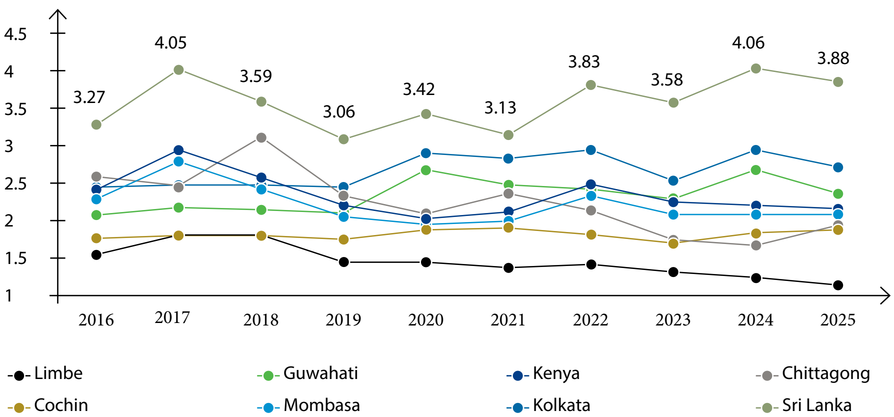
Please refer page 141

**Short, medium, and long-term impact driving resilience, performance, and strategic value creation.**

# Financial Capital

## Sri Lanka Tea Industry Performance and Competitive Strength

### World Auction Prices In USD - 2016 To 2025




*Source: Tea Review 2025 Forbes & Walker*

Sri Lanka's tea industry outperforms many countries by focusing on quality and value rather than volume. As a leading producer of orthodox tea, Sri Lanka is known for its distinctive flavor, strong aroma, and high purity standards, which allow it to command premium prices in global markets. Compared to other major producers like Kenya and Vietnam, which mainly supply bulk tea at lower prices, Sri Lanka consistently achieves higher auction prices due to its superior product quality and strong "Ceylon Tea" brand reputation.

In addition, Sri Lanka benefits from a strong export-oriented structure, with around 90% of its tea production exported globally. The industry generates high export earnings through value-added products such as tea bags and packaged tea, rather than relying solely on bulk sales. Combined with stable demand in key markets and the ability to capture premium segments, Sri Lanka maintains a competitive advantage by maximizing value per kilogram rather than increasing production volume.

## Role of Financial Capital in TTE

For TTE, operating in the capital-intensive and weather-sensitive tea industry, the management of financial capital is not merely a corporate discipline, it is a strategic imperative. Sustaining daily estate operations, funding field development, navigating volatile commodity prices, and delivering consistent shareholder returns all demand a carefully structured and actively managed capital base

Over the past two and a half decades, TTE has demonstrated a remarkable transformation in its capital management framework, evolving from a relatively leveraged and liquidity-constrained position in the early 2000s to a highly resilient, equity-driven structure in recent years. In the early period (2002–2011), TTE operated with higher debt levels, with debt-to-equity ratios exceeding 100% at times and comparatively lower levels of shareholders' funds. Liquidity indicators such as the current ratio remained below or close to 1.0 in several years, reflecting tighter working capital conditions. However, even during this phase, the foundation for disciplined financial management was evident through steady capital employed growth and gradual strengthening of reserves.

This position improved significantly over the subsequent decade, as the TTE adopted a more conservative and strategic capital structure. From 2012 onwards, TTE steadily deleveraged its balance sheet, reducing reliance on borrowings while enhancing internally generated funds. Shareholders' funds grew consistently, reaching over Rs. 7.6 Bn by 2025/26 and further strengthening thereafter, supported by sustained profitability and retained earnings. At the same time, debt levels were progressively reduced to minimal levels, with the debt-to-equity ratio declining to single digits in recent years, alongside strong interest cover ratios exceeding 20 times. Liquidity also improved markedly, with current ratios consistently above 2.0 and peaking above 4.0 in certain years, demonstrating strong working capital management.

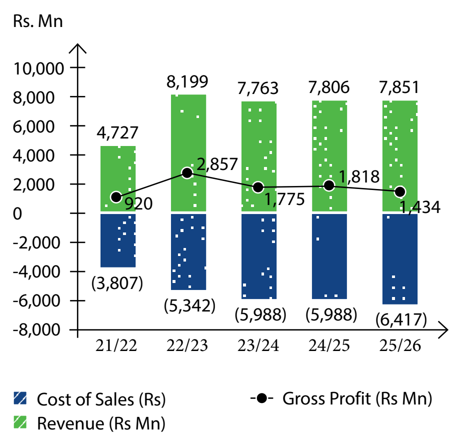
Overall, this long-term shift reflects TTE's disciplined and forward-looking capital management strategy, focused on strengthening equity, maintaining low financial leverage, and preserving liquidity buffers. The result is a robust capital structure that not only provides resilience against economic volatility but also enables TTE to pursue growth opportunities with confidence, delivering sustainable value to shareholders over the long term.

## Analysis of Profit and Loss

### Revenue

For the year ended March 2026, the Company recorded a turnover of Rs. 7,851 Mn, reflecting a marginal increase of Rs. 45.39 Mn compared to the previous year. This performance demonstrates the Company's resilience in sustaining its topline despite operating within a highly challenging and uncertain environment.

### Top-line Performance



## Segmental Performance

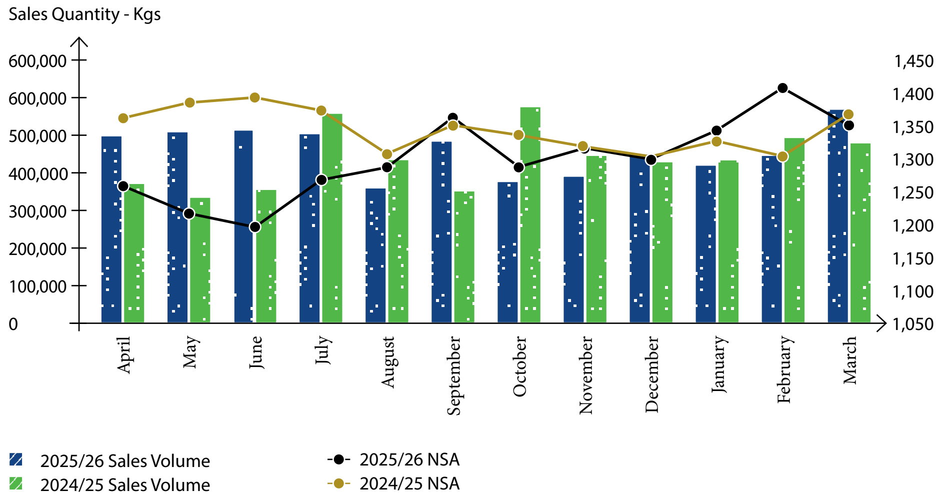
Tea remains the Company's core product, accounting for 96% of total revenue during the 2025/26 financial year. The Company's sales performance reflects a clear divergence between volume growth and price realization during the year. While sales volumes recorded an upward trend across most months compared to the previous year, net sales averages (NSA) remained under pressure, particularly during the mid-year period. This highlights the impact of adverse market conditions, where increased supply and global price pressures limited price gains despite higher throughput. Notably, the latter part of the year saw a recovery in volumes, supporting revenue stability.

The Company's main diversified crop, cinnamon, recorded an increase in revenue of Rs. 20.8 Mn. This growth was entirely driven by higher sales volumes, which increased by 5,684 kgs, while the average selling price remained largely unchanged.

The rubber segment, which is being strategically phased out due to limited scope for improvement, recorded a revenue decline of Rs. 2.8 Mn. This was driven by a decrease in the average selling price by Rs. 44.51, along with a reduction in sales volume of 1,097 kg.

Other revenue decreased by Rs. 24 Mn, primarily due to a decline in income from the sale of Absolute Refuse Tea and Tea Centers, despite a notable increase of 6.6 Mn in Direct Tea Exports Moreover, the Ditwah cyclone in late November 2025 caused considerable damage and disrupted hydropower operations. This reversed earlier gains in the segment, resulting in a Revenue loss of Rs. 30 Mn compared to the last year.

### TTE NSA and Sales Volume




## Gross Profit

Despite stable revenue growth, profitability was impacted by significant cost pressures. The tea industry remains highly labour-intensive, with wages constituting the largest component of the cost of production.

Recently, the Company absorbed a 35% increase in daily wages from middle of the previous financial year, followed by a further 15% increase in the final quarter, substantially elevating cost levels.

Notwithstanding these challenges, the Company's dominant Revenue Share Model, combined with disciplined cost management initiatives, helped mitigate the overall impact on profitability.

Consequently, the Company reported a gross profit of Rs. 1,434 Mn, representing a year-on-year decline of 21%.

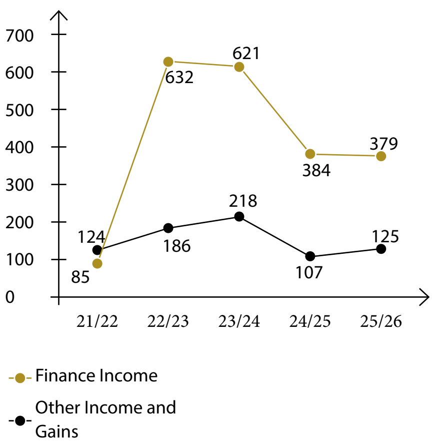
| Segment | Contribution to Group Revenue (Rs Mn) | | Contribution to Group GP (Rs Mn) | |
|---|---|---|---|---|
| | 24/25 | 25/26 | 24/25 | 25/26 |
| Tea | 7,436 | 7,518 | 1,654 | 1,367 |
| Rubber | 32 | 29 | (19) | (30) |
| Cinnamon | 36 | 57 | 11 | 15 |
| Other | 207 | 183 | 126 | 114 |
| Hydro Power | 94 | 64 | 46 | (31) |
| **Total** | **7,806** | **7,851** | **1,818** | **1,434** |

## Finance Income

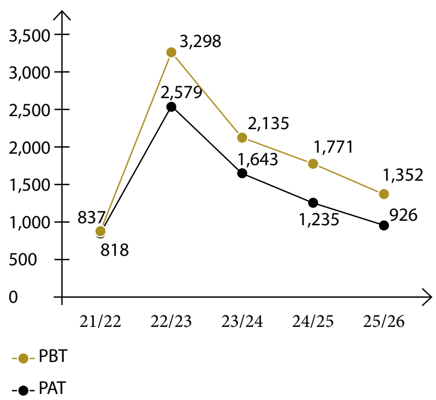
Finance income represents returns generated from investments in fixed-income instruments, unit trusts, and exchange gains. As at year-end, the total investment portfolio stood at Rs. 4.7 Bn, compared to Rs. 4.2 Bn in the previous year. This generated a return of Rs. 377 Mn, reflecting a slight decline from Rs. 384 Mn recorded in the preceding year. The marginal decrease in income is primarily attributable to the low interest rate environment maintained by the Central Bank of Sri Lanka to support economic recovery. The effective interest rate for the year 2025/26 was 8.12%, compared to 9.55% in 2024/25.

# Financial Capital

### Finance and other Income




### Bottom line Performance




### Other Income and Gains

An increase was recorded in other income, mainly driven by higher proceeds from the sale of timber following the stabilization of the timber market, increased income from the leasing of land for telecommunication towers, and improved performance of the strawberry project as it expanded beyond its trial stage.

### Profit Before Tax

GRI 207-1-2

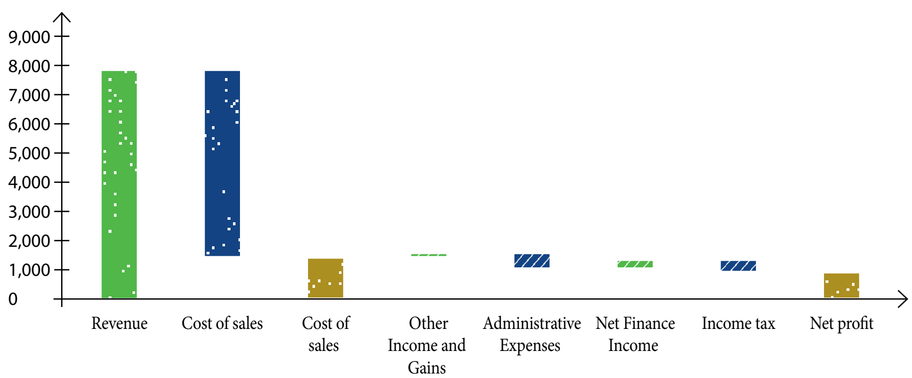
Profit before tax for the year reflects the combined impact of marginal revenue growth, other income streams and a significantly higher cost of production, mainly driven by the wage bill, which dominates the cost structure and increased twice during the last two years — first by 35% and subsequently by a further 15%

Accordingly, the Company recorded a profit before tax of Rs. 1,352 Mn for the year ended March 2026, compared to Rs. 1,771 Mn in the previous year, reflecting a decline.

### Profit After Tax

Following a tax charge of Rs. 426 Mn, profit after tax for the year amounted to Rs. 926 Mn, compared to Rs. 1,235 Mn in the previous year.

### Revenue to profit conversion




### Profitability and Returns

Despite continued pressure on both revenue and cost fronts, driven by the government-mandated wage increase and ongoing geopolitical uncertainties that have become the norm, the Company demonstrated resilience and delivered solid financial performance during the year.

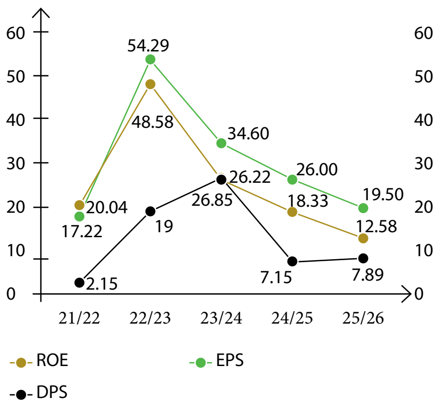
The Company reported earnings of Rs. 19.50 per share, reflecting its ability to sustain profitability under challenging conditions. In line with its commitment to rewarding shareholders, a dividend of Rs. 7.89 per share, representing a 40% payout ratio, was declared for investors who place their continued trust in the Company.

As at year-end, the Company's share price stood at Rs. 129.75, trading at a P/E ratio of 6.6 times, indicating attractive valuation levels and reinforcing investor confidence in the Company's long-term prospects.

**"Financial capital is not merely the fuel that powers our business—it is the foundation upon which we create enduring value, sustainable growth, and a stronger future."**

**Mrs. V A Perera**
*Director - Finance*

### Profitability and Returns



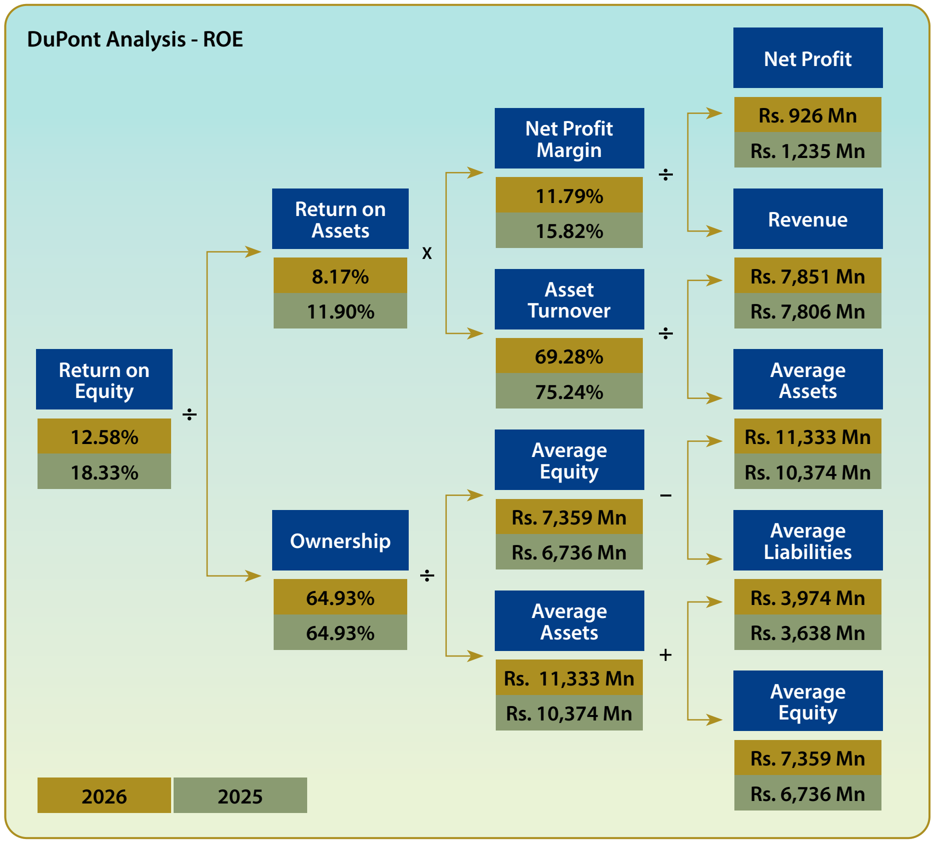

## DuPont Analysis - ROE

The TTE's Return on Equity (ROE) declined to 12.58% in 2025/26 from 18.33% in the previous year, reflecting the combined impact of reduced profitability and moderating asset efficiency, while maintaining a strong and stable capital structure.

A DuPont decomposition indicates that the decline in ROE was primarily driven by a contraction in the net profit margin, which decreased from 15.82% to 11.79%, in line with the reduction in profit after tax to Rs. 926 Mn from Rs. 1,235 Mn. This margin compression was largely attributable to the significant increase in cost of production, particularly wage increments, coupled with prevailing global price pressures in the tea market.

From a capital structure perspective, the TTE continued to maintain a conservative and equity-driven financing model, with an ownership ratio of approximately 65%, reflecting minimal reliance on debt. This stability in financial leverage helped cushion the overall decline in ROE and underscores the TTE's strong balance sheet and low financial risk profile.

This pattern suggests that the decline in ROE is primarily cyclical and margin-driven rather than structural, positioning the Company to rebound strongly with improvements in market pricing and cost conditions.




## Analysis of Financial Position

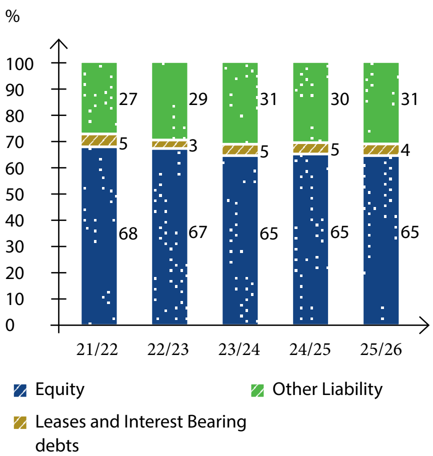
### Equity and Reserves

TTE reached a significant milestone during the year, with its total asset base surpassing Rs. 11 Bn, reflecting strong growth and financial stability. The company continues to maintain an exceptionally robust and resilient capital structure, characterized by a strategic reliance on equity and minimal dependence on debt. This approach provides TTE with a high degree of financial independence, enhances its ability to withstand macroeconomic volatility, and supports sustainable long-term expansion. In the 2025/26 financial year, equity funding accounted for 65% of the total capital base, reinforcing a strong equity-to-asset ratio and ensuring a solid foundation for operational and investment activities.

In line with its prudent financial strategy, TTE maintains very low leverage, significantly reducing its exposure to interest rate fluctuations—an important advantage in uncertain economic conditions. The TTE's gearing ratio further improved to 6.09% during the year, down from 6.47% in the previous year, underscoring its disciplined approach to debt management.

# Financial Capital

### Capital Structure

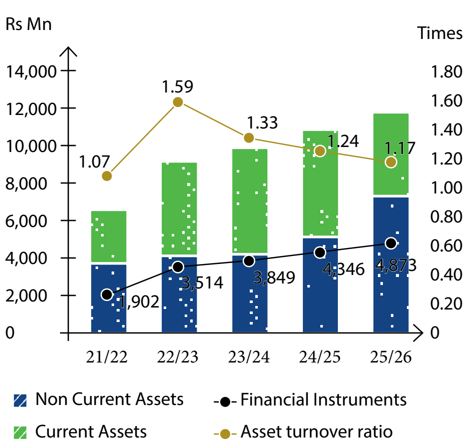



## Total Assets

TTE's total asset base expanded by 8% to Rs. 11,775 Mn as at 31 March 2026, compared to Rs. 10,891 Mn at the end of the previous financial year, reflecting continued growth momentum. This increase was primarily driven by strategic investments in property, plant and equipment, bearer biological assets, and financial instruments. The asset turnover ratio (excluding investments in financial instruments) is 1.17, indicating enhanced efficiency in the utilization of operating assets.

Investments in financial instruments accounted for 41% of total assets and generated income of Rs. 377 Mn during the 2025/26 financial year.

### Assets Position

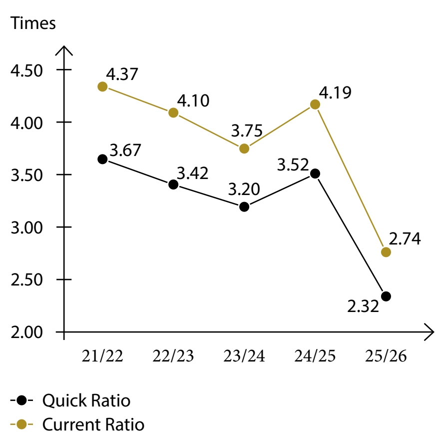



## Liquidity Position

The TTE's liquidity position, as reflected in the current and quick ratios, declined during the 2025/26 financial year, with the current ratio reducing to 2.74 from 4.19 and the quick ratio decreasing to 2.32 from 3.52 in the previous year. Despite this moderation, both ratios remain well above conventional benchmarks, demonstrating that the TTE continues to maintain a strong capacity to meet its short-term obligations and sustain operational stability.

This decline was primarily driven by the strategic reallocation of approximately Rs. 1.85 Bn into fixed-income non-current financial instruments during the year. In the prior financial year, these funds were largely held as short-term investments within current assets. This deliberate shift towards longer-term, income-generating investments reflects TTE's focus on optimizing returns and strengthening its long-term financial position, while prudently maintaining sufficient liquidity to support ongoing operational requirements.

### Liquidity positions

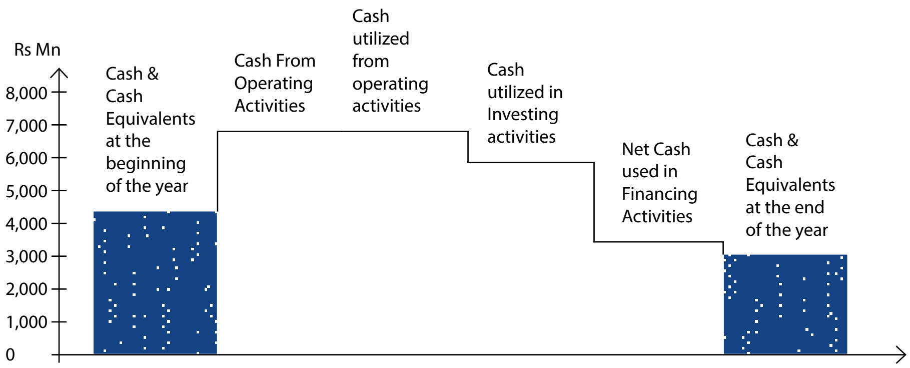



## Cash Movement

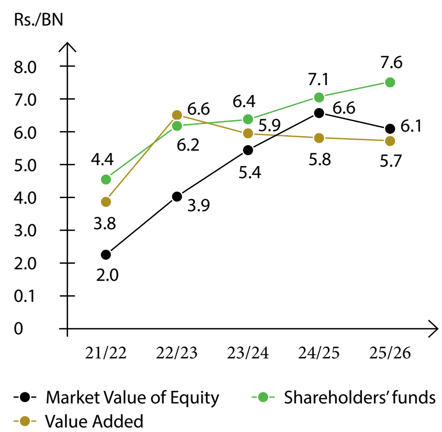
Cash flows during the 2025/26 financial year reflect TTE's disciplined financial management and strong operational cash generation. The TTE generated net cash inflows of Rs. 1,492 Mn from operating activities, demonstrating healthy cash conversion and the underlying strength of core business operations. Investing activities represented a significant outflow of Rs. 2,456 Mn, primarily driven by strategic investments in property, plant and equipment, field development expenditure, and the reallocation of funds into non-current financial instruments, consistent with the TTE's long-term growth and income optimization strategy.

Financing activities recorded a net cash outflow of Rs. 358 Mn, mainly attributable to dividend payments and lease-related obligations, reflecting the Company's continued commitment to shareholder returns while meeting its financial obligations. Overall, the TTE recorded a net decrease in cash and cash equivalents of Rs. 1,321 Mn during the year, resulting in a closing cash balance of Rs. 3,073 Mn, compared to Rs. 4,394 Mn at the beginning of the year. Despite this reduction, the closing cash position remains robust, ensuring adequate liquidity to support ongoing operations, investments, and future strategic initiatives.

## Cash Movement




## Shareholder Value Creation and Market Performance




## Shareholder Value Creation and Market Performance

Over the past five years, TTE has demonstrated a steady creation of shareholder value, as reflected in the consistent growth of both shareholders' funds and the market value of equity. Shareholders' funds increased from Rs. 4.4 Bn in 2021/22 to Rs. 7.6 Bn in 2025/26, highlighting sustained capital accumulation driven by strong earnings and disciplined reinvestment. Similarly, the market value of equity recorded a significant rise from Rs. 2.0 Bn to Rs. 6.1 Bn over the same period, indicating growing investor confidence in the Company's long-term prospects.

While value-added performance showed some fluctuations during the period, it remained at healthy levels and continued to support overall value creation. The alignment between internal value generation and external market recognition underscores TTE's ability to translate operational performance into enhanced shareholder wealth. This sustained alignment between intrinsic value and market capitalization reflects investor confidence in TTE's disciplined financial stewardship and long-term growth strategy.

## Trade-offs

### 01 With Manufacturing Capital

Investment in reforestation, soil conservation, and renewable energy infrastructure temporarily raises operational costs, but enhances long-term efficiency and reduces fossil fuel dependency.

### 02 With Human Capital

Financial allocation toward climate and environmental initiatives limits short-term cash flow for other areas but creates employment, skills development, and sustainable livelihoods for estate communities.

## Future Outlook

**Short Term**

Maintain disciplined cash flow, invest in field, machinery, and factory upgrades, follow structured budgeting, and secure a stable, productive workforce to ensure operational continuity.

**Medium Term**

Invest strategically in productivity, digital transformation, AI, specialty tea, and cinnamon cultivation, optimize operations, manage risks, and balance sustainability and community program spending.

**Long Term**

Build resilient financial capital, fund climate adaptation, biodiversity, and agricultural innovation, maintain disciplined dividends, and strengthen organizational capability against market and environmental volatility.

# MANUFACTURED CAPITAL

SDG Index

7 AFFORDABLE AND CLEAN ENERGY | 8 DECENT WORK AND ECONOMIC GROWTH | 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE | 12 RESPONSIBLE CONSUMPTION AND PRODUCTION | 13 CLIMATE ACTION

More Detail - Page 76

**In an operating landscape influenced by market uncertainty, productivity pressures and the growing effects of climate change, the disciplined management of manufactured capital remains essential to long-term value creation. For the Company, manufactured capital represents the physical infrastructure, machinery, equipment and facilities that enable reliable operations, consistent product quality and cost-effective production.**

**Our approach to capital expenditure is therefore guided by a clear focus on operational resilience, efficiency improvement and future readiness. Investments are prioritized based on their ability to strengthen core operations, improve asset performance, support quality standards and contribute to sustainable growth. The following section presents the key practices that shape our CAPEX decisions as we continue to consolidate existing operations while selectively pursuing expansion opportunities.**

## WHAT MANUFACTURED CAPITAL MEANS TO TTE PLC

Manufactured capital refers to the Company's physical assets, including factories, machinery, buildings, estate infrastructure, vehicles and renewable energy assets. These assets support efficient operations, product quality, cost control and operational resilience, while enabling TTE PLC to create sustainable long-term value.

## WHY MANUFACTURED CAPITAL IMPORTANT TO US

It forms the physical foundation of our operations. Well-maintained factories, machinery, infrastructure and equipment help us improve productivity, maintain consistent tea quality, reduce operational costs and strengthen resilience against market, labour and climate-related challenges.

## HOW MANUFACTURED CAPITAL SUPPORTS OUR VALUE CREATION GOALS

Manufactured capital supports our value creation goals by enabling efficient field and factory operations, consistent product quality and reliable service delivery. Investments in factories, machinery, infrastructure and renewable energy assets help improve productivity, reduce costs, enhance safety and strengthen the Company's ability to deliver sustainable value to stakeholders.

## LINK TO TTEL'S STRATEGY

- Winning with the Customer
- Operational Excellence
- Environmental Stewardship & Climate Action
- Business Diversification

## MATERIAL MATTERS

- Estate Infrastructure
- Field Development
- Factory Maintenance
- Plant, Machinery & Equipment
- Renewable Energy

## CAPITAL PERFORMANCE

| Rs. 31.7 Mn | Rs. 3.1 Mn | Rs. 36 Mn | Rs. 306 Mn |
|---|---|---|---|
| Strawberry Project-Radella | Glamping Site-Greatwestern | Solar Infrastructure | Field Development |

## MANAGEMENT APPROACH

GRI 3-3, 13.22.1

**TTEL's approach to developing Manufactured Capital aims to ensure the Company's assets and infrastructure remain efficient and reliable and also adaptable to changing operational, environmental, and market conditions, while continuing to meet the evolving expectations of its stakeholders. Accordingly, the company focuses on strategic investment and optimization to ensure that estate lands, factories, equipment, and supporting infrastructure are continuously developed in line with long-term business priorities.**

## GOVERNANCE

### Strategic Oversight

- Board and Group Management Committee provide strategic guidance.
- Estate and factory management review investment and maintenance plans.
- Head of Finance monitors capital allocation for infrastructure and production upgrades.

### Risk & Decision Intelligence

- Integrated risk assessment to identify machinery, energy, and production process vulnerabilities.
- Scenario analysis for operational continuity and climate-related impacts on factory operations.
- Energy price and transition risk monitoring to guide operational decisions.

### Operational Execution

- Strong factory-level execution ensuring maintenance, safety, and efficiency targets are met.
- Estate Management Committees oversee local energy, water, and waste management.
- ISO-based monitoring systems and climate-linked targets embedded in operational routines.

### Monitoring, Assurance & Reporting

- Centralized data management using TTE CUBE platform for real-time sustainability reporting.
- Independent assurance of operational and sustainability KPIs.
- Alignment with ESG disclosures, SLFRS standards, and corporate reporting requirements.

## KEY OUTCOMES

**5.7 Mn/kg**
Made tea production

**1**
Gold Rated Green Buidling Factory

## TRADE OFF

Please refer page 147

**How manufacturing capital interacts with and impacts other capitals in creating balanced value**

## FUTURE OUTLOOK

Please refer page 147

**Short, medium, and long-term impact driving resilience, performance, and strategic value creation.**

# Manufactured Capital

## Property Plant And Equipment (PPE)

As a plantation company, Property, Plant and Equipment (PPE), consisting of estate lands (biological assets), tea processing factories, re-processing centres, and renewable energy infrastructure, essentially serves as the backbone of the Company's business model. In light of its critical role in driving operational capability, PPE investments are careful planning and integrated with the annual strategic planning and budgeting processes.

### CAPEX Decision & Implementation Process

1. Need Assessment
2. Financial Feasibility & Risk Assessment to determine ESG alignment
3. Budget Proposal Development
4. Internal Approvals (Department Heads / Finance considering pre-approved CAPEX budget limits)
5. Board/Management Approval
6. Procurement Process Initiated in line with Procurement Policy
7. Vendor Selection & Contracting in line with Procurement Policy guidelines
8. Implementation & Commissioning
9. Monitoring & Evaluation

GRI 203 - 1,2 13.22.3,13.22.4

| Asset Type | 2025/26 Cost (Rs.'000) | 2024/25 Cost (Rs.'000) |
|---|---|---|
| Biological Assets | 3,725,762 | 3,464,726 |
| Buildings | 1,128,430 | 1,109,093 |
| Motor Vehicles | 698,115 | 469,028 |
| Plant & Machinery | 1,542,152 | 1,490,686 |
| Furniture & Fittings | 25,823 | 25,361 |
| Equipment & Tools | 200,810 | 186,027 |

Bearer Biological assets across the 16 estates constitute the largest portion of the total asset base, representing approximately 55% of the total listed PPE cost as at 31 March 2026. This is followed by buildings and plant & machinery, which account for approximately 17% and 15%, respectively, of the total PPE Cost as at end-March 2026.

Additions to PPE in the year under review, amounted to Rs. 366 Mn.

SUSTAINABLE DEVELOPMENT GOALS

8 DECENT WORK AND ECONOMIC GROWTH | 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE | 11 SUSTAINABLE CITIES AND COMMUNITIES

| | |
|---|---|
| TTE PLC Metric | Smart infrastructure coverage |
| Our 2030 Target | Increase in the number of factories adopting AI, IoT & digital infrastructure |
| Contribution | By enhancing productivity through smart factories and AI, while estate infrastructure and tourism projects create fair, safe jobs and build skills in rural communities. |
| Related Targets | 8.2, 8.5 |

GRI 201-4

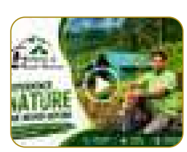
## Enhancing Asset Performance

TTE's approach to enhancing asset performance is based on risk-driven asset management framework, which enables the Company to systematically identify, assess, and mitigate operational risks through factory modernisation, upgrading processing facilities and incorporating innovative technologies to enhance adaptability and long term performance of the asset base.

Equally importantly, asset rationalisation is undertaken to ensure underperforming assets, especially biological assets are reallocated to more productive uses such as higher-margin crops. A longstanding effort in this regard is TTE's crop diversification and field development strategy, where approximately 91.34 hectares of unutilised rubber lands on low elevation estates have been allocated for planting of Cinnamon and Coconut. The company has also expanded into strawberry cultivation in poly tunnels, which recorded strong growth during the year, with total production reaching 4,257 kg. Rs. 306 Mn was spent on field development in the current financial year., while a further Rs. 2.8 Mn was received as government grants for replanting activities.

In recent years, underperforming lands have also been allocated towards other revenue diversification initiatives, most notably, the ongoing development of the Glamping Site at the Greatwestern estate for eco-tourism. Approximately Rs.18 Mn has been invested to-date towards this initiative.

SCAN TO WATCH VIDEO STORY



With the above improvements, 2% crop increment compared to last year were able achieved.

Crop  achievement as follows:

| Region | Estate | No.of Factories | Processing Types | Crop (kg) | % |
|---|---|---|---|---|---|
| **High Grown** | | | | | |
| Talawakelle | 7 | 6 | Orthodox - Rotorvane | 2,541,264 | 48 |
| Nanu Oya | 5 | 3 | Orthodox - Rotorvane | 1,530,145 | 29 |
| | | | Orthodox -  Leafy Green Tea | | |
| **Low Grown** | | | | | |
| Galle | 1 | 1 | Orthodox - Rotorvane | 84,975 | 2 |
| Deniyaya | 3 | 2 | Orthodox - Rotorvane | 1,171,583 | 21 |

## Decarbonising Physical assets

Decarbonising physical assets has become an increasingly crucial element of TTEL's overall effort to optimise the performance of its physical asset base. A systematic approach starting with periodic energy reviews conducted to identify high-emission equipment and infrastructure, across carbon-intensive processes such as withering, drying, rolling, thermal energy systems, and electricity consumption. Each asset is evaluated based on its energy intensity, fuel dependency, and contribution to Scope 1 and Scope 2 emissions, enabling the Company to prioritise decarbonisation efforts where they matter most.


Assessment findings help to drive continuous improvement, specifically through investments in energy efficient equipment and energy regulating infrastructure. These initiatives are further strengthened through the progressive integration of renewable energy, including solar rooftop installations, biomass utilisation, and investment in mini-hydro infrastructure, thereby reducing reliance on grid electricity and lowering overall emission intensity associated with TTEL's manufacturing assets.

Decarbonisation efforts are also closely aligned with the Company's broader climate commitments, including its science-based targets and land-use considerations. Special initiatives in this regard focus on climate-resilient field development, with a strong emphasis on regenerative agriculture and soil conservation practices to preserve the value of biological assets. Enhancements in water stewardship, including rainwater harvesting and improved irrigation systems, further support resource efficiency and climate adaptation to preserve the integrity of the Company's biological assets.

## Safeguarding Asset Infrastructure

A robust Business Continuity Planning (BCP) framework, aligned with international best practices, is fully integrated into TTEL's Enterprise Risk and Opportunity Management (EROM) system, enabling a coordinated approach to risk identification, mitigation, and response for safeguarding estates, factories, and supporting infrastructure.

BCP governance is underpinned by strong Board-level oversight and a well-established risk governance culture embedded within the broader enterprise risk management framework supported by formalised internal control policies and clearly defined roles and responsibilities across all levels of the organisation.

SCAN TO WATCH VIDEO STORY

# Manufactured Capital

### BCP Core Components

**Business Impact Analysis**

Identification of critical functions and interdependencies.

**Risk Assessment**

Evaluation of threats such as climate, operational, and social risks.

**BCP Development**

Immediate response protocols to protect people, assets, and the environment.

**Implementation & Testing**

Simulations, tabletop exercises, and full-scale drills to ensure effectiveness.

Ongoing improvements in the current year saw the scope of the BCP framework further expanded to cover the Company's recent diversification into crops such as cinnamon and coconut, as well as tourism-related initiatives. Routine fire drills, emergency response exercises, tabletop simulations, and full-scale operational testing continued throughout the year. Employees were also trained in critical response capabilities such as first aid, fire-fighting, and emergency management.

## Field Development

GRI 204-4

Our estates are certified by the Rainforest Alliance (RA) and are managed according to its standards, covering key areas such as nursery management, harvesting, soil care, and replanting, commercial forestry and crop diversfication.

Equally importantly, asset rationalization is undertaken to ensure underperforming assets, especially biological assets are reallocated to more productive uses such as higher-margin crops. Total field development expenditure amounted to Rs. 306 Mn, reflecting a 14% increase over the previous financial year. The replanting programme was further supported by government grants amounting to Rs. 2.8 Mn.

## Estate Infrastructure Development

Our approach to infrastructure development focuses on both building new facilities and upgrading existing assets, including factory buildings and processing areas, to support efficient operations. At the same time, we remain committed to improving the living conditions of our estate communities by investing in roads, housing, and essential water and sanitation facilities. During the year we have invested Rs. 37 Mn.

To ensure high standards of quality and reliability, we engage experienced architects, contractors, and engineers who are selected through a transparent tender process based on their expertise and proven track record.

We also work closely with government and non-governmental organizations within the plantation sector to implement community-oriented infrastructure projects. These collaborations enable us to address local needs effectively while ensuring compliance with relevant regulations.

## Developing Renewable Energy Infrastructure

Renewable energy infrastructure continues to play a vital role in driving operational efficiency and sustainability improvements. This is supported by ongoing investments in energy-efficient equipment and energy management systems across our operations. These efforts are further enhanced by the gradual integration of renewable energy solutions, including solar rooftop installations, biomass utilisation, and mini-hydro projects. Collectively, these initiatives help reduce dependence on grid electricity while lowering the overall emissions intensity associated with TTE's manufacturing assets.

SUSTAINABLE DEVELOPMENT GOALS — 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE; 7 AFFORDABLE AND CLEAN ENERGY

| | |
|---|---|
| TTE PLC Metric | Investment in industrial and community infrastructure |
| Our 2030 Target | Increase sustainable infrastructure across estates |
| Contribution | By procuring machinery under a sustainability-focused framework, and upgrading both industrial and community infrastructure, we foster inclusive and sustainable industrial development. |
| Related Targets | 9.1, 9.4 |

### Factory Rooftop Solar Units

| Project | Capacity KWP | Generation Kwh | % Generation Capacity |
|---|---|---|---|
| Bearwell | 108.24 | 114,857 | 87% |
| Moragalla | 149.80 | 137,016 | 75% |
| Deniyaya | 118.19 | 132,738 | 92% |
| Dessford | 113.95 | 129,354 | 93% |
| Calsay | 109.68 | 79,216 | 59% |
| Kiruwanaganga | 220.00 | 272,585 | 101% |
| **Total** | **819.86** | **865,766** | **86%** |

## Mini Hydro

| Project | Capacity KWP | Generation Kwh | % Generation Capacity |
|---|---|---|---|
| Radella | 0.2 | 826,812 | 101% |
| Somerset | 1.1 | 3,622,254 | 95% |
| Palmerston | 0.8 | 2,542,244 | 87% |
| **Total** | **2.1** | **6,991,310** | **93%** |

**The generation capacity was reduced during the year 2025/26 due to the Ditwah cyclone.*

*Factory rooftop solar - Bearwell Estate*

*Mini Hydro - Somerset Estate*

## Strengthening Digital Infrastructure

Recognizing the critical role of a robust IT backbone in supporting efficient front-end operations, the Company has consistently strengthened its digital capabilities over the years. Continuous investments in IT systems, infrastructure, and digital solutions have enhanced operational efficiency, improved data management, and enabled more informed decision-making. This ongoing focus on technology ensures greater connectivity across estates and functions, while supporting the Company's drive towards innovation and long-term sustainability. An investment of Rs. 26 million was made during the year towards the following key initiatives

- **Automation of factory processes:** Introduced automation across key stages of factory operations to enhance efficiency, ensure consistency in quality, and reduce manual intervention.
- **Drone-supported fertilizer spraying:** Adopted drone technology for fertilizer application, improving precision, reducing labour dependency, and ensuring uniform coverage across plantation areas.
- **Remote monitoring systems (CCTV):** Implemented CCTV-based monitoring systems across factories and estates to strengthen security, improve oversight, and support real-time operational monitoring.
- **Digital weighing systems:** Deployed digital weighing solutions to enhance accuracy, transparency, and efficiency in measuring green leaf and processed output=

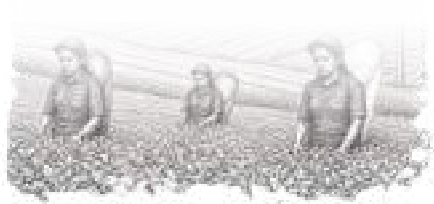
## Trade-offs

### 01 With Financial Capital

Capital-intensive investments in factory modernisation, renewable energy infrastructure and digital systems reduce short-term cash flows but enhance processing efficiency, asset longevity and long-term returns.

### 02 With Natural Capital

Expanding factory capacity, estate infrastructure and crop diversification requires careful land allocation to balance productive asset development with ecosystem preservation and biodiversity conservation.



## Future Outlook

**Short Term**

Strengthen operational support facilities and workplace conditions across estates, and increase land allocation for diversification into high-margin crops including specialty teas, cinnamon and strawberry cultivation.

**Medium Term**

Invest in factory machinery to enhance processing capabilities and product diversification, scale renewable energy through expanded solar and mini-hydro capacity, and strengthen climate-resilient infrastructure.

**Long Term**

Deploy predictive maintenance and data analytics across manufacturing assets, increase investment in green processing technologies, and advance towards a fully decarbonized, digitally integrated asset base aligned with Net Zero 2050.

# INTELLECTUAL CAPITAL

SDG Index

More Detail - Page 76

**Intellectual capital at TTE represents the knowledge, systems, standards, brands, partnerships, digital platforms and innovation capabilities that convert plantation heritage into future-ready value. It combines estate expertise, R&D, certification architecture, market intelligence and responsible technology to strengthen quality, buyer confidence, premium positioning and long-term competitiveness.**

## WHAT INTELLECTUAL CAPITAL MEANS TO TTE

- Estate know-how, SOPs, quality systems, brands, certifications, data platforms and partnerships.
- Knowledge that is captured, codified and used to improve products, decisions and trust.
- A bridge from plantation heritage to premium, future-ready tea value.

## WHY INTELLECTUAL CAPITAL IS IMPORTANT TO US

- Supports premium Ceylon tea positioning through auction strength, recognition and buyer confidence.
- Protects consistency, traceability, certification readiness and assurance credibility.
- Turns innovation, organic capability and data discipline into competitive advantage.

## HOW INTELLECTUAL CAPITAL SUPPORTS VALUE CREATION

- Converts field and factory insights into Matcha, specialty, organic and value-added tea formats.
- Uses CUBE, dashboards, AI and audits to shorten decision cycles.
- Links reputation, standards and partnerships to market access and resilience.

## LINK TO TTEL'S STRATEGY

- Winning with the Customer
- Operational Excellence
- Nurturing Our People
- Environmental Stewardship & Climate Action
- Business Diversification

## MATERIAL MATTERS

- Economic Value Creation and Inclusive Growth
- Innovation and Technology for Operational Excellence
- Brand Equity and Market Influence
- Digital Governance and Assurance Discipline

## CAPITAL PERFORMANCE

Acquisition of full ownership of Hayleys Produce Marketing Limited - a company specialising on the manufacture of organic tea for local and

Partnered with a Local Agricultural University to expand Precision Agriculture techniques

* Partnered with the Nucleus Foundation and Solidaridad Asia to advance regenerative and climate-resilient agriculture across selected estates

Obtained the Ecosystem Restoration Standard covering all TTEL estates

Significantly increased the use of digital tools and AI to streamline backend processes, enhance data-driven decision-making, and improve operational efficiency across estates and factory operations

## MANAGEMENT APPROACH

**TTE's comprehensive approach to managing intellectual capital is based on building, safeguarding, and enhancing the intangible assets that clearly differentiate the Company and underpin its competitive advantage. Central to this approach is the consolidation of TTEL's industry leadership, achieved through multi-pronged strategies to continuously strengthen its reputation and influence.**

**In parallel, TTE seeks to further develop its intangible assets by building the internal knowledge base by expanding R&D capabilities and leveraging synergies across the Hayleys Group alongside conscious efforts to adopt globally recognised standards and certifications that benchmark the Company against international best practices. Additionally, by integrating digital tools and data analytics, TTEL aims to reinforce in its internal ecosystems to derive a distinctive advantage against peers.**

## GOVERNANCE

### Strategic Oversight

Board and management oversight guide how estate expertise, R&D, certifications, digital platforms and partnerships are prioritised to strengthen premium positioning and long-term competitiveness.

Intellectual Capital initiatives are aligned with business strategy, buyer expectations and product differentiation, ensuring that knowledge investments create visible market and operational value.

### Risk & Decision Intelligence

Digital systems, dashboards and estate-level data capture convert field, factory and sustainability records into timely management insight for better decision-making.

Knowledge from audits, certifications, buyer feedback and market performance is used to identify risks and opportunities related to quality, traceability, innovation and premium market access.

### Operational Execution

Estate knowledge is embedded through SOPs, mentoring, training, digital weighing systems, factory controls and quality practices, improving consistency across operations.

R&D and partnerships are converted into practical outcomes such as Matcha, organic tea capability, value-added products, AI-enabled tea analysis and precision agriculture.

### Monitoring, Assurance & Reporting

Certifications, ISO systems, Rainforest Alliance, organic standards, SBTi and GHG assurance strengthen the credibility of TTE's knowledge systems and external disclosures.

Performance dashboards, sustainability data platforms and annual report reporting tools support transparent monitoring, faster reporting and continuous improvement.

## KEY OUTCOMES

| | |
|---|---|
| 2 Organic estates Great Western & Logie | 8 New digital initiatives |
| 14 RA coverage reported | 15 ISO 22000 coverage reported |
| 2 New Value Added Products | 3 New Innovative Products |
| 99 Awards in LMD 2025 Most Awarded Entities | #1 High, low and overall GSA ranking among RPCs |

## TRADE OFF

Please refer page 157

**How intellectual capital interacts with and impacts other capitals in creating balanced value**

## FUTURE OUTLOOK

Please refer page 157

**Short, medium, and long-term impact driving resilience, performance, and strategic value creation.**

# Intellectual Capital

## Reputation and Market Influence

**Auction Strength**
No. 1 across high, low and overall categories shows premium quality remains visible in the market.

**Recognition Visibility**
Awards provide external proof that widens awareness beyond tea auctions.

**Brand Equity**
TeaTel, organic and specialty products turn technical capability into a consumer-facing story.

TTEL's reputation as a market leader in the Sri Lankan tea industry is anchored to the Company's heritage, longstanding track record for excellence, and commitment to sustainability leadership.

Having consistently achieved top rankings at the Colombo tea auctions across high-grown, low-grown, and national categories, TTE is positioned as a premium producer of Ceylon tea for the global market. In recent years, TTE has further expanded its global presence via its range of innovation-led specialty artisanal teas. With their distinctive flavour profiles and consistent quality, TTE's branded artisanal teas continue to command strong international demand across key export markets.

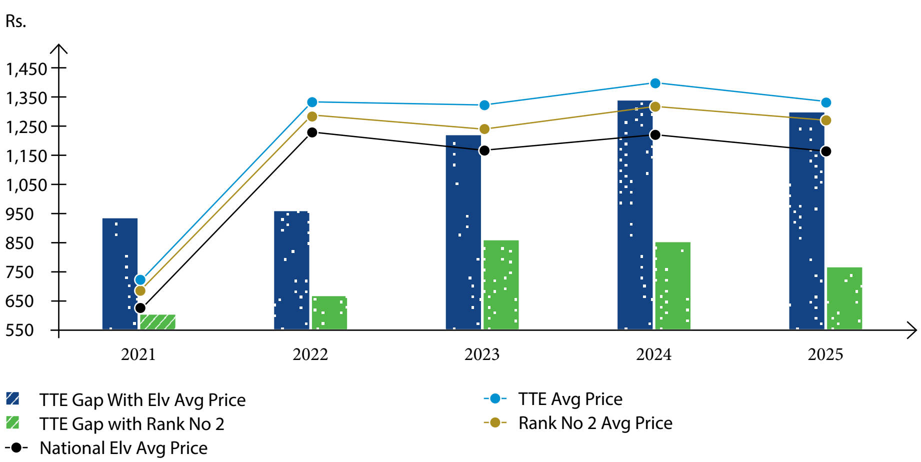
**No1 in GSA ranking Amongst RPC'S 2025**

**High Grown**
TTE High Grown Avg - Rs. 1,314.89, Rs. 174.27 above elevation 15.27% on EA

**Low Grown**
TTE Low Grown Avg - Rs. 1,411.56, Rs. 176.30 above elevation 14.27% on EA

**Overall**
TTE Overall Avg - Rs. 1,338.07, Rs. 170.36 above elevation 14.59% on EA

### Market Performance & Competitor Analysis




The Company's recent strategic expansion into the organic tea manufacturing domain through the acquisition of full ownership of Hayleys Produce Marketing Limited in the current financial year, marks another significant step in enhancing its reputation and standing in the global tea market. The targeted move which is aimed at capturing modern global consumer preferences, is expected to spearhead TTE's efforts to make inroads into the high-value global organic market.

Recognising that tea represents a rich narrative shaped by culture, heritage, and nature, TTE has continued to translate these perspectives through strategic diversification to experiential tea tourism. Aiming to engage a wider audience, the tea tourism value proposition focuses on unique, curated experiences from estate tours, guided tastings, and more recently glamping that showcase the legacy of Ceylon tea.

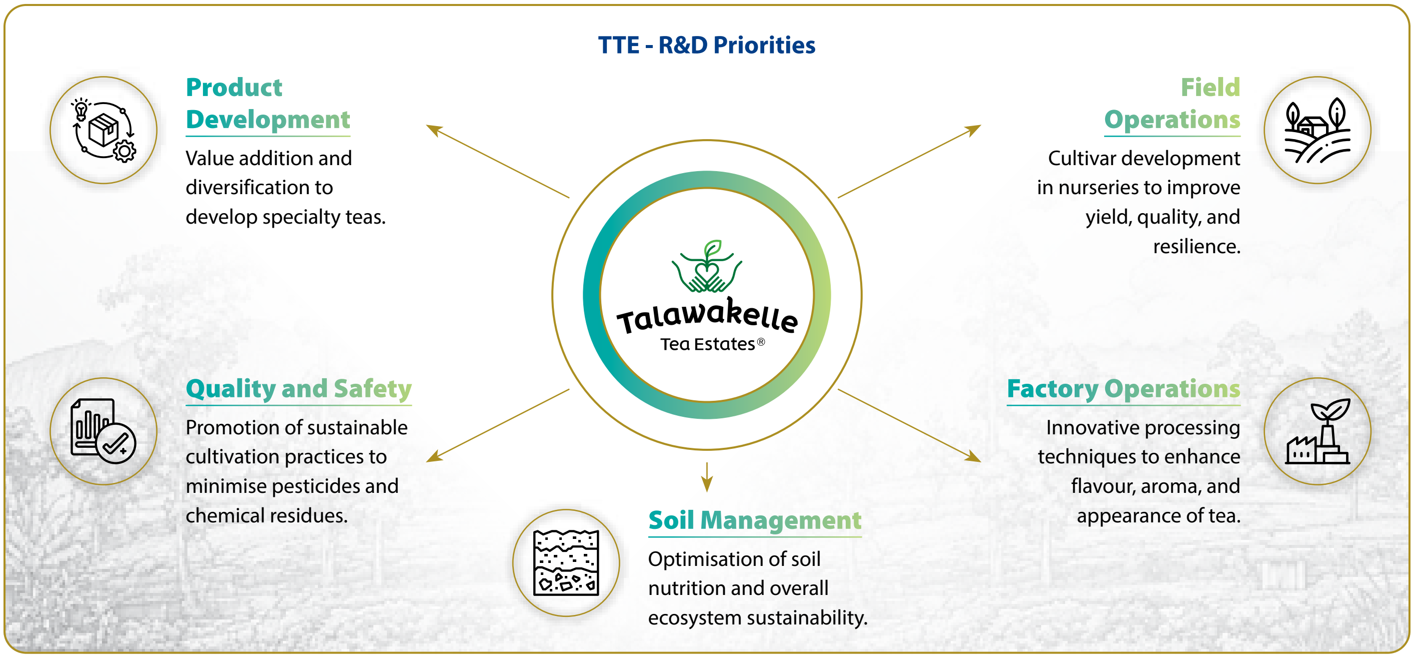
Beyond operational excellence, the advocacy and commitment to environmental stewardship stands as a key differentiator that has propelled TTE to the forefront of sustainable tea manufacturing in the Country and beyond. Being one of the first plantation companies in Sri Lanka to receive formal validation by the Science-Based Targets Initiative (SBTi) for climate action in line with the 1.5°C pathway, TTE has led from the front in exemplifying sustainability leadership through the implementation of cleaner production models to prioritise renewable energy, waste minimisation and biodiversity conservation across plantations as well as factory operations.

Moreover, the 'Regen Agenda', TTE's strategic sustainability roadmap, continues to break conventional barriers and redefine industry benchmarks by demonstrating the validity of climate-smart agriculture practices such as precision agriculture, digital systems, and regenerative practices, in building climate resilience and preserving ecosystem health.

## Institutional Knowledge

TTE's institutional knowledge represents a powerful asset that provides a strong competitive advantage. The collective knowledge of the Company's top management, estate management and longstanding employees play a critical role in maintaining quality consistency and driving continuous improvement to preserve the authenticity of Ceylon tea. Acknowledging the value of developing its institutional knowledge, knowledge transfer through mentoring, coaching, training, and capability-building initiatives is undertaken to ensure critical expertise is retained and enhanced to ensure continuity of excellence over time.

## Research & Development (R&D)

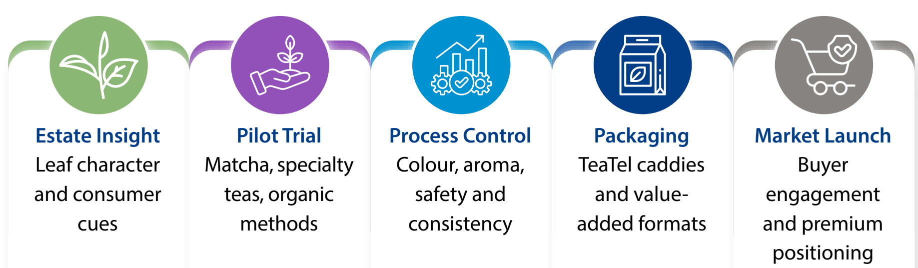



TTE's institutional knowledge landscape is underpinned by a strong and evolving Research and Development (R&D) function, which serves as a critical bridge between traditional plantation expertise and scientific advancement. The R&D team plays a central role in advancing agronomic and manufacturing capabilities through innovation-led and evidence-based approaches.

At the field level, R&D initiatives focus on the development of high-yielding and climate-resilient cultivars, improved soil health through optimised nutrition management, and ecosystem sustainability. Greater emphasis is placed on promoting sustainable cultivation practices that minimise reliance on chemical inputs while safeguarding leaf quality and long-term land productivity. In line with this focus, selected fields within Great Western and Logie Estates have been certified as organic production areas, enabling the manufacture of organic teas compliant with EU, JAS, and USDA organic standards, and strengthening TTE's institutional capabilities in certified organic tea production.

Within factory operations, R&D-led initiatives support the adoption of innovative processing techniques aimed at enhancing the flavour profile, aroma, and visual appeal of tea, thereby reinforcing product quality and consistency. R&D also plays a pivotal role in driving value-added product innovation, particularly in the development of premium speciality and artisanal tea ranges.

As a key R&D milestone during the year, Great Western Estate initiated the production of MATCHA tea, responding to the growing demand among younger consumer segments for wellness-oriented and functional beverages. This initiative has further expanded the Company's knowledge base in shade-grown cultivation, specialised processing, and quality control. Complementing this effort, a value-added MATCHA caddy was launched to the market under the TeaTel brand, enabling customers to experience authentic Ceylon MATCHA produced at Great Western Estate, while strengthening brand differentiation and premium market positioning.




| Area | What stands out in 2025/26 |
|---|---|
| **Ceylon Matcha** | Great Western Matcha and TeaTel Matcha caddy create a visible wellness-led product story. |
| **Organic capability** | Great Western and Logie strengthen certified organic production capability. |
| **Manufacturing reach** | Full ownership of HPM supports organic and value-added manufacturing. |
| **Commercial value** | A portfolio of 50 value-added products gives innovation a clear market outlet. |

# Intellectual Capital


## Standards and Certifications

Standards and certifications provide the foundational architecture for codifying best practices and embedding discipline across operations, thereby serving dual objectives of elevating the Company's credibility in international markets, while also strengthening overall institutional knowledge in the areas of innovation, risk management, and continuous improvement across multiple disciplines.

### Food Safety
ISO 22000, HACCP and GMP make factory quality easier to trust.

### Responsible Agriculture
RA, organic certification and ERS make sustainability visible.

### Management Systems
ISO 14001, 50001 and 45001 show structured operations.

### Market Confidence
SBTi and ISO 14064-1 support credibility with buyers.

### TTE's Portfolio of Standards and Certifications

**Rainforest Alliance**
Covering 14 estates and factories
14 internal audits | 01 external audits

**Science Based Targets Initiative (SBTi)**
Covering all TTE operations

**ISO 22000:2018**
Covering 15 factories
15 internal audits | 15 external audits

**ISO 9001:2015**
Covering 01 factory
01 internal audits | 01 external audits

**ISO 45001:2018 (Implemented)**
Covering 01 factories

**Responsible Care Certification**
Covering TTE operations

**Organic Certification**
EU, JAS, USDA – Great Western & Logie Estates

**ISO 14064-1:2018**
Covering all TTE operations
01 internal audits | 01 external audits

**UN Climate Neutral Now**
Covering all TTE operations

**ISO 14001:2015**
Covering 05 factories
05 internal audits | 05 external audits

**ISO 50001:2018**
Covering 01 factories
01 internal audits | 01 external audits

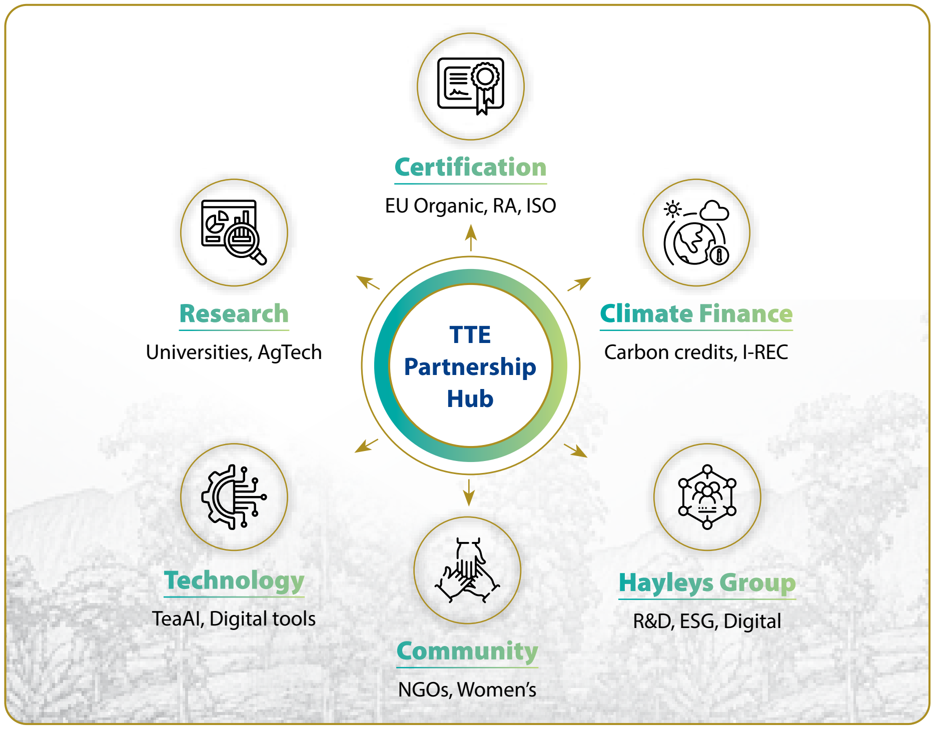
**Great Place to Work**
Covering all TTE operations

**Eco Label Certification**
Covering TTE operations

**The Ecosystem Restoration Standard**
Coverring TTE Estates

## Strategic Partnerships

Strategic business partnerships form a vital component of TTE's intellectual capital by facilitating the transfer, co-creation, and amplification of knowledge and expertise particularly to enhance operational efficiency, drive innovation, and strengthen sustainability outcomes. Partnerships also facilitate the adoption of proprietary technologies and create opportunities for new revenue streams by providing insights for expanding market access and reinforcing premium positioning. At the same time, the Company pursues collaborations that gain access to stakeholder insights to assist in furthering its community agendas.




| | Strategic Partner | Scope and Purpose |
|---|---|---|
| **Ongoing Partnerships** | Lanka Responsible Care | Improve chemical using practices & share knowledge with workers on safe handling of chemicals. |
| | Hayleys Agro Fertilizers (Pvt) Ltd | Strengthened responsible sourcing and improving chemical using efficiency across estates. |
| | Tea Leaf Trust,World Vision, PHDT | Support for long-term community programmes such as A Home for Every Plantation Worker, aimed at improving workforce stability, wellbeing, and social license to operate. |
| | Tea Brokers & Strategic Buyers | Improved market intelligence, pricing, and premium positioning through specialty tea development, and direct engagement. |
| | TeaAI | AI-powered Tea Leaf Analysis System at Holyrood Factory for improved grading accuracy. |
| | Sri Lanka Carbon Crediting Scheme of Sri Lanka Climate Fund | Generate 775 carbon credits from rooftop solar projects, for the period August 2021 to July 2023.<br><br>Reinvest income to develop the Nature-Based Solution (NBS) center, introduce carbon-neutral tea products, and initiate the Tea Forest project. |
| | Climate & Conservation Consortium (CCC) to register credits in I-REC | Generate 1753 .03 MWh Units renewable energy credits, with a value of $ 2,044.87 in 2024.<br><br>Reinvest income to expand the mini-hydro project capacity, leading to increased mini hydro electricity generation. |
| **New Partnerships Established in FY 2025/26** | International Certification Bodies (EU Organic & USDA NOP) Scope: | Streamline audits and ensure compliance in order to expand access to premium international organic tea markets. |
| | Local Agricultural University | Develop practical applications to introduce precision farming techniques on TTE estates to improve crop yield, monitor soil health, and implement data-driven pest and disease management. |
| | Digital Farming Solutions Provider | To introduce farming tools, including soil sensors, weather monitoring, and crop management software to digitise plantation operations for better efficiency and traceability. |
| | Nucleus Foundation & Solidaridad Asia | Improve soil health and long-term productivity through the introduction of cover crops, organic soil amendments, and reduced reliance on synthetic inputs to advance regenerative and climate-resilient agriculture across selected estates. |
| | Janathakshan (GTE) Ltd, Coca-Cola Foundation and Neptune Recyclers (Pvt) Ltd | To launch a PET Bottle Recycling Project at Somerset Estate to promote circular waste management practices in the Nuwara Eliya region. |
| | Community NGO Partnerships | Support for Women Empowerment & Livelihood Programmes to promote gender equality, support women-led livelihoods, and improve socio-economic conditions around the estate. |

# Intellectual Capital

## Group Synergies

Synergies derived as a subsidiary of Hayleys PLC serve as an important source of institutional knowledge for TTEL, The Company's R&D team often collaborate with the Hayleys Group R&D & Innovation Teams to gain access to advanced tea processing technologies, quality improvement methods, and sustainable packaging solutions, collectively strengthening competitiveness positioning.

Similarly, TTE leverages Group-wide expertise to optimise sourcing and supply chain practices and adopting responsible sourcing frameworks. Moreover, the Hayleys PLC Group's strong expertise in the area of digital adoption have proven instrumental in modernising TTEL's backend workflow systems. TTE also benefits significantly from the Hayleys PLC Group's leadership in Environmental, Social, and Governance (ESG) practices, with the Group's strong governance culture and ESG frameworks paving the way for TTE to align with global standards, reporting requirements, and stakeholder expectations.

| SUSTAINABLE DEVELOPMENT GOALS | 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE · 4 QUALITY EDUCATION · 12 RESPONSIBLE CONSUMPTION AND PRODUCTION |
|---|---|
| TTE PLC Metric | Investment in R&D Development |
| Our 2030 Target | Improve investment in R&D development |
| Contribution | R&D, cultivar development, MRL safety, and specialty tea innovations enhance local innovation and sustainable growth, while digitalisation supports modern, resilient infrastructure. |
| Related Targets | 9.5 |

## Memberships and Affiliations

GRI 2-28

### TTE's Memberships & Affiliations

Memberships and affiliations with industry associations, research bodies, and professional networks provide access to best practices, emerging technologies, and sector-specific insights, enabling TTE to benchmark its operations against global standards and stay informed of evolving trends in tea cultivation, processing, sustainability and ESG practices.

**Benchmarking**
Compare and elevate performance against global standards.

**Industry Insights**
Stay informed on emerging trends, technologies and best practices.

**Collaboration & Leadership**
Partner, share and lead for a more sustainable tea sector.

**TTE's Ongoing Memberships & Affiliations**

**Nature & Sustainability**
- Corporate Member of Wildlife & Nature Protection Society, Sri Lanka
- General Members of Biodiversity Sri Lanka platform
- Pledge CEO Water Mandate

**Global Commitments**
- Signatory member of UN Global Compact
- Pledged UN Women's Empowerment Principles

**Industry & Business Networks**
- Ceylon Chamber of Commerce
- Planters' Association of Ceylon
- Employers' Federation of Ceylon
- Colombo Tea Traders Association

**Social & Business Partnerships**
- Ceylon Chamber of Commerce
- Planters' Association of Ceylon
- Employers' Federation of Ceylon
- Colombo Tea Traders Association

**Ongoing participation in these networks strengthens sector alignment, responsible business practices and long-term value creation.**

## AI and Digital Integration

### TTEL's Digital Integration Journey

**Existing Systems**

**Digital / AI Tools (Operations)**
- Digital field weighing system
- Factory digital focal units
- Digital bought leaf weighing system
- AI-driven colour sorting machines at Kiruwanaganga Factory

**Digital / AI Tools (Back-end)**
- Prompt Performance Monitoring System with newly enhanced AI-based features
- Microsoft O365 Cloud-based Office Platform
- Web-based Online Marketing Ledger System

**New Initiatives for FY 2025/26**
- Introduction of drone technology for precise, safe agrochemical application and monitoring of field and crop health
- Implementation of IoT-enabled climate-smart plantation and forestry management system
- AI-powered Tea Leaf Analysis System (TeaAI) - pilot at Holyrood Factory
- AI-powered decision support system for estate management
- Online sustainability data entry platform
- Annual report AI chatbot
- Annual report website Data Dashboard
- Auditor to support the Internal Quality Assurance team to conduct audits and inspections

TTE's digital systems enhance operational precision, support regulatory compliance, and enable data-driven decision-making. Digital infrastructure investments during FY 2025/26 focused on HRIS consolidation, sustainability data management, artificial intelligence deployment, and information security policy renewal.

Oracle Cloud-based HRIS deployment completed during FY 2025/26 consolidated payroll, leave management, performance appraisal, and training records across all estates into a single platform. The system enables centralized workforce analytics, regulatory reporting automation, and self-service portals reducing administrative workload. Integration with biometric attendance systems ensures accurate time-tracking and payroll calculation.

Digital weighing systems installed at all estates replace manual weight recording with automated data capture, reducing human error and enabling real-time traceability from field to factory. Weight data feeds directly into Hayleys CUBE for sustainability reporting and quality control dashboards tracking yield per hectare, leaf quality distribution, and processing efficiency metrics.

Artificial intelligence deployment at Holyrood Factory through the TeaAI system automates tea grading using computer vision algorithms trained on thousands of expert-graded samples. The system achieved 98.5% accuracy during FY 2025/26 operational trials, processing of tea with consistent grading that reduces batch-to-batch variability and enables premium price realization through quality assurance. TeaAI deployment required establishment of an AI Policy governing model validation protocols, bias monitoring, accountability for AI-driven decisions, and audit documentation—the first such policy in TTE's history.

Information Security Policy refresh during FY 2025/26 aligned TTE's cybersecurity controls with ISO 27001:2022 requirements. Policy enhancements include:

- System access management protocols requiring multi-factor authentication for critical systems and role-based access controls limiting data exposure
- Data backup procedures with daily incremental backups, weekly full backups, and offsite archival ensuring business continuity
- Cybersecurity monitoring through intrusion detection systems, vulnerability scanning, and annual penetration testing
- Incident response protocols defining escalation procedures, forensic investigation requirements, and stakeholder communication protocols
- Annual information security audits conducted by external assessors, with remediation plans for identified gaps

Business continuity planning during FY 2025/26 included disaster recovery drills testing backup restoration procedures, tabletop exercises simulating cyberattack scenarios, and documentation of IT disaster recovery procedures with recovery time objectives (RTO) for critical systems.

SLFRS S1/S2 Data Connectivity: Digital systems provide the data backbone for TTE's sustainability-related financial disclosures under Sri Lanka Financial Reporting Standards on Sustainability (SLFRS S1 and S2). Hayleys CUBE captures operational metrics (energy consumption, water usage, waste generation, renewable energy generation) which flow into SLFRS S2 climate-related disclosures. HRIS provides workforce diversity metrics, training hours, and health and safety performance supporting social disclosures. Digital weighing and quality systems provide product traceability supporting governance disclosures on supply chain transparency. Data quality controls including validation rules, access permissions, audit trails, and automated alerts ensure assurance-readiness, enabling independent assurance engagement under SLSAE 3000.

# Intellectual Capital

## Information Technology, Digital Enablement and Information Security

As part of its intellectual capital management, TTEL continues to strengthen its information technology capabilities to support operational excellence, innovation, and data driven decision making. Digital systems and technology-enabled processes play a vital role in preserving institutional knowledge, improving productivity, enabling traceability, and reinforcing the Company's competitive positioning in the global tea market.

## IT Governance and Digital Oversight

IT governance at TTEL is aligned with Hayleys Group technology governance frameworks to ensure accountability, consistency, and effective oversight of digital initiatives across the organisation. Governance mechanisms support the alignment of IT investments with business objectives, promote standardisation of systems, and enable controlled adoption of emerging technologies.

As part of its ongoing governance strengthening efforts, the Company updated its Information Security Policy during the year to address evolving cyber risks, increasing digitalisation, and enhanced reliance on data-driven systems. The updated policy defines clear responsibilities, control requirements, and acceptable use standards to safeguard the Company's digital and information assets.

In response to the growing deployment of advanced analytics and AI-enabled solutions, TTEL also introduced a new Artificial Intelligence (AI) Policy. This policy establishes guiding principles for the responsible, ethical, and secure use of AI technologies, ensuring that innovation is pursued in a manner consistent with the Group's risk management framework, governance standards, and stakeholder expectations.

Together, these policy frameworks strengthen oversight, reinforce internal controls, and provide a structured foundation for informed decision-making as the Company continues to scale its digital and technology-enabled operations.

## Digital Systems and Data Driven Operations

The Company continues to expand its use of digital tools & Technology across estate operations, factory processes, and backend functions. This includes the use of digital agriculture platforms, AI-enabled analytics, automated workflow systems, and integrated reporting tools. These systems enhance operational visibility, support precision agriculture practices, improve production efficiency, and facilitate data backed decision-making across multiple levels of the organisation. Increased digital integration has also strengthened reporting accuracy and transparency, particularly in areas related to sustainability performance, certifications, and traceability requirements.

## Information Security and Cyber Risk Management

With the growing reliance on digital platforms, safeguarding information assets has become a critical priority. TTEL adheres to Group-wide information security policies designed to protect the confidentiality, integrity, and availability of business and operational data. Key controls include system access management, user authentication protocols, data backup procedures, and cybersecurity monitoring measures to mitigate technology-related risks.

Information security considerations are embedded into the design and deployment of systems, including AI-driven and cloud-based applications, and are extended to third-party service providers through contractual and governance mechanisms.

Periodic system reviews and monitoring processes are undertaken to identify vulnerabilities and maintain resilience against evolving cyber threats.

To strengthen assurance and governance, the effectiveness of information security controls is further reinforced through annual information security audits conducted in line with Hayleys Group governance requirements. These audits support the early identification of control gaps, promote continuous improvement of the security environment, and provide management with independent assurance over the robustness of cyber risk management practices.

### Data Protection and Responsible Use of Technology

The Company recognises the importance of responsible data management in safeguarding stakeholder trust. Practices are in place to ensure that data collected through digital agriculture systems, analytics platforms, and enterprise applications is used appropriately and protected from unauthorised access or misuse. TTEL manages personal and sensitive data in compliance with applicable data protection legislation, including the Personal Data Protection Act of Sri Lanka, and Group-wide data governance requirements.

User access to systems and data is role-based, and controls are maintained to prevent unauthorised disclosure, data loss, or corruption. Data protection requirements are integrated into system design, vendor engagement, and operating procedures, supporting the secure and responsible use of technology while reinforcing privacy, accountability, and regulatory compliance across digital operations.


### Business Continuity and System Resilience

To ensure operational continuity, TTEL follows Group level business continuity and disaster recovery guidelines. These frameworks support system availability and data recovery in the event of technology disruptions, thereby protecting critical operations and preserving institutional knowledge. Backup procedures and recovery mechanisms are periodically reviewed to ensure reliability as digital dependence increases.


### Capability Building and Awareness

Supporting the effective and secure use of IT systems, TTEL continues to build digital capabilities across the organisation through user training, guided adoption of new systems, and ongoing awareness initiatives. These efforts help reinforce responsible system usage, strengthen internal controls, and maximise the value derived from digital investments.

## Trade-offs

### 01 With Financial Capital

**With Financial Capital**

Significant investment in digital systems, AI deployment, R&D and certification architecture increases operational costs but strengthens premium positioning and long-term competitiveness.

### 02 With Human Capital

Accelerating digital transformation and AI integration demands workforce upskilling and change management, creating short-term skill gaps while building long-term organisational capability.

## Future Outlook

**Short Term**

Scale digital agriculture tools including sensors, data analytics and automated monitoring systems across estates, and codify AI governance frameworks to support responsible technology adoption.

**Medium Term**

Commercialize Matcha, organic and specialty tea formats into targeted export markets, expand drone-enabled precision agriculture across all estates and integrate digital reporting systems to support traceability and certification audits.

**Long Term**

Position TTE as a digitally advanced, innovation-led plantation company by embedding AI-driven quality assurance, predictive analytics and fully integrated knowledge systems that convert data into sustained market advantage and assurance confidence.

SDG Index

More Detail - Page 76

# SOCIAL AND RELATIONSHIP CAPITAL

**Social and Relationship Capital reflects the trust and partnerships TTE builds with customers, suppliers, estate communities and other stakeholders. We strengthen this capital through product quality, food safety, responsible sourcing, stakeholder engagement, grievance mechanisms and inclusive community development.**

## What Social and Relationship Capital Means to TTE

Social and Relationship Capital represents TTE's relationships with customers, suppliers, communities, regulators and partners, built through product quality, responsible sourcing, transparent engagement, community investment and long-term collaboration.

## Why Social and Relationship Capital Is Important to Us

Strong relationships protect customer confidence, supplier reliability and community trust, supporting market access, operational stability, reputation, compliance, social acceptance and long-term stakeholder confidence.

## How Social and Relationship Capital Supports Our Value Creation Goals

By strengthening customer engagement, supplier partnerships and community development, TTE improves product credibility, supply chain resilience, local livelihoods and licence to operate

## LINK TO TTEL'S STRATEGY

- Winning with the Customer
- Operational Excellence
- Nurturing Our People
- Business Diversification

## MATERIAL MATTERS

- Customer Experience, Food Quality, Safety and Security
- Innovation and Technology for Operational Excellence
- Economic Value Creation and Inclusive Growth
- Responsible Supply Chain, Traceability and Sourcing
- Community Development and Livelihoods

## CAPITAL PERFORMANCE

| 0 | 40 | Rs. 1,528 Mn | Rs. 120.8 Mn |
|---|---|---|---|
| Product Recalls | Weekly Tea Tasting Sessions | Supplier Payments | Community Investment |

## MANAGEMENT APPROACH

GRI 3.3, 13.10.1, 13.12.1

**TTE's approach to managing social and relationship capital is driven by the commitment to responsible and ethical business practices, building strong ties and investing in sustainable development initiatives to cultivate long-term stakeholder trust and confidence.**

## GOVERNANCE

### Governance Bodies

- Board of Directors
- Group Management Committee
- Estate Management

### Compliance

- Sale of goods Ordinance
- Sri Lanka Tea Board Laws

### Monitoring and Reporting

- Hayleys CUBE" Sustainability Data Management System

### Internal Mandates and Guidelines

- Quality and Food
- Safety Policy
- Procurement Policy
- Social Policy

### Voluntary Best Practices

- ISO 22000: 2018 Food Safety Management Systems
- ISO 9001: 2015 Quality Management System
- ECO Label Certification Rainforest Alliance Certification

### Resource Allocation Highlights for FY 2025/26

- Expanding the product portfolio through the introduction of Great Western Organic and Logie Organic Teas, and Western Matcha Tea
- Ongoing quality and safety improvements in line with the ISO 22000 and Rainforest Alliance Certification standards
- LKR 1,527.60 Mn paid to suppliers
- 72 supplier evaluations conducted covering 3% of the existing supplier base
- LKR 120.8 Mn invested in total under the "A Home for Every Plantation Worker" programme including LKR 52.9 Mn on health and nutrition

## KEY OUTCOMES

**294,809**
Total Beneficiaries

**92%**
Customer Satisfaction Rate

## TRADE OFF

Please refer page 171

**How financial capital interacts with and impacts other capitals in creating balanced value.**

## FUTURE OUTLOOK

Please refer page 171

**Short, medium, and long-term impact driving resilience, performance, and strategic value creation.**

# Social and Relationship Capital

## Customers

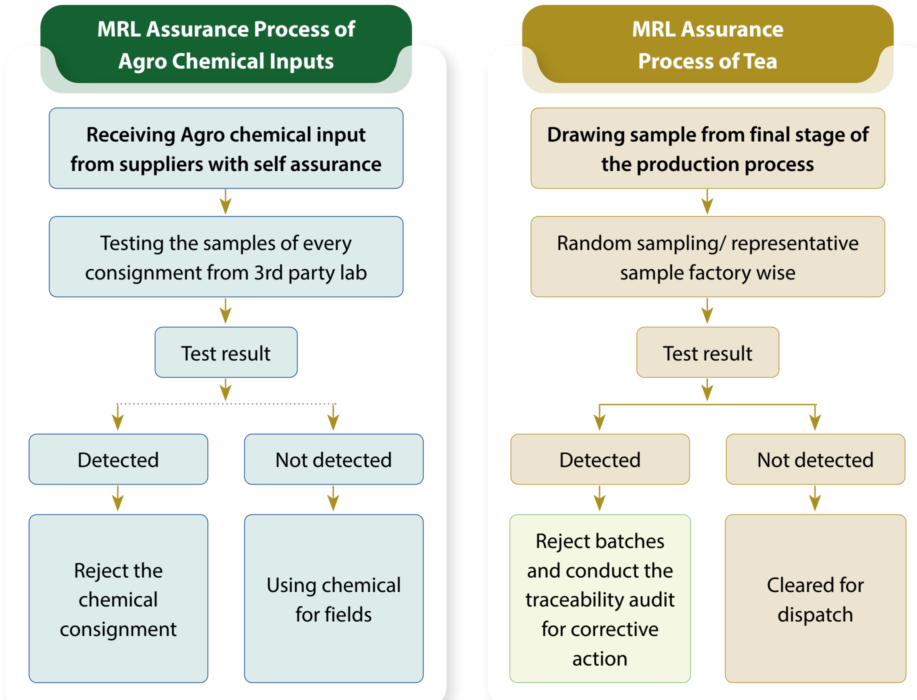
GRI 3-3 | 416-1, 2 | 13.10.1 | 13.10.2 | 13.10.3 | 13.10.4 | 13.10.5

### Management Approach

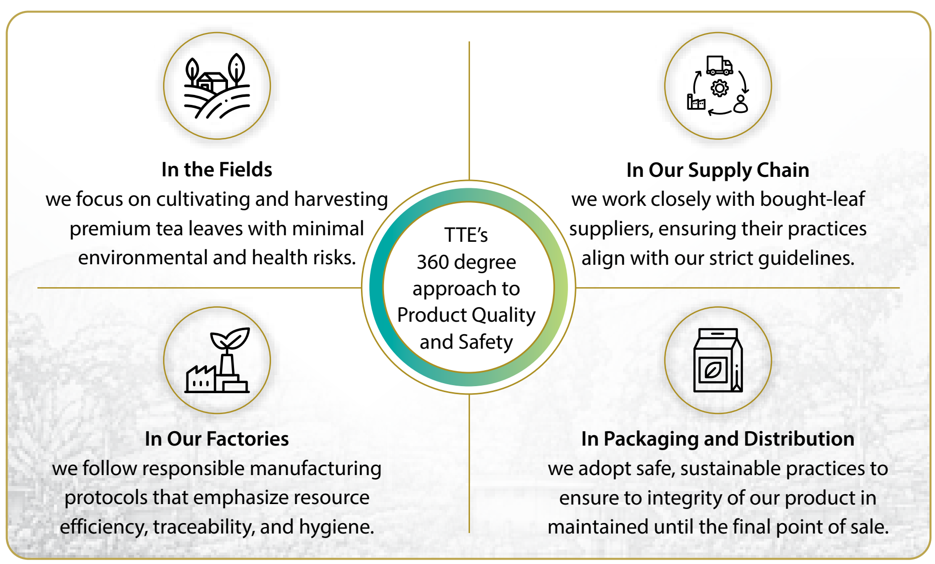
TTE's approach to developing and retaining a loyal customer base is centred around a comprehensive value proposition that prioritises 100% regulatory compliance and integrates best practices across every stage of the customer's journey. During FY 2025/26, 5,528 MT of tea production was manufactured through sites 100% certified ISO 22000, an internationally recognised food safety management standard.

### Product Stewardship

Given its reputation as a producer of the finest ceylon tea, product stewardship remains a critical business imperative that underpins TTE's market access and long-term brand credibility. Governed by a 360-degree Quality and Food Safety Policy, TTE's commitment to product stewardship begins at the plantation level, encompassing sustainable cultivation practices, stringent field management protocols, and responsible input application where detailed internal guidelines govern the responsible use of agrochemicals in compliance with Maximum Residue Level (MRL) requirements as prescribed by relevant regulatory authorities supported by scheduled weekly inspections and monthly visits conducted by the Company's Sustainability and Quality Control teams to verify adherence.




The commitment to product stewardship extends seamlessly across harvesting, processing, and final delivery, where all operational practices are aligned to globally recognised standards and certifications covering quality assurance, food safety, and sustainability. Regular audits and assessments conducted by internationally accredited certification bodies provide independent assurance confirming the integrity of the Company's products in line with global food safety and quality benchmarks.




**Ongoing quality and safety improvements in line with the ISO 22000 and Rainforest Alliance Certification standards saw the following new initiatives implemented in the current financial year;**

- Factory-level capacity re-sequencing to better align production flows with quality peaks to ensure optimal preservation of leaf quality during critical processing periods.
- Strengthened leaf acceptance protocols to gain better control at source in order to ensure greater consistency in raw material quality.
- Use of real-time digital dashboards to improve elevation-wise planning to enable more precise coordination of plucking, processing, and quality control activities.
- Focus on reducing variability across production lots and exercising more stringent control over processing conditions to maintain cup consistency in high-grown teas.

During 2025/26, 100% of TTEL's tea product categories were assessed for health and safety impacts through quality assurance, MRL testing, food safety checks, certification audits and customer compliance requirements. Accordingly, 100% of products were assessed for health and safety impacts, with zero incidents of non-compliance relating to product health and safety, and zero product recalls during the year.

Prompted by the growing consumer interest in single-origin and specialty teas, TTE expanded its product portfolio through the introduction of Great Western Organic and Logie Organic Teas, as well as Great Western Matcha Tea, targeting niche and wellness-focused market segments in Sri Lanka and around the world.


## Product Diversity and Innovation

Product diversity and innovation have proven to be critical differentiators in deepening TTE's presence, both in local and global markets. Leveraging its presence across multiple elevations and agro-climatic regions, the Company offers a diverse range of tea grades and flavour profiles to cater to customers across both traditional and emerging global tea markets.

Innovation at TTE is an ongoing exercise driven by a deep understanding of customer insights, and emerging consumption trends for value-added and differentiated products, including specialty grades, ethically certified teas, and eco-labelled offerings that align with the growing demand for sustainable and responsibly sourced products.

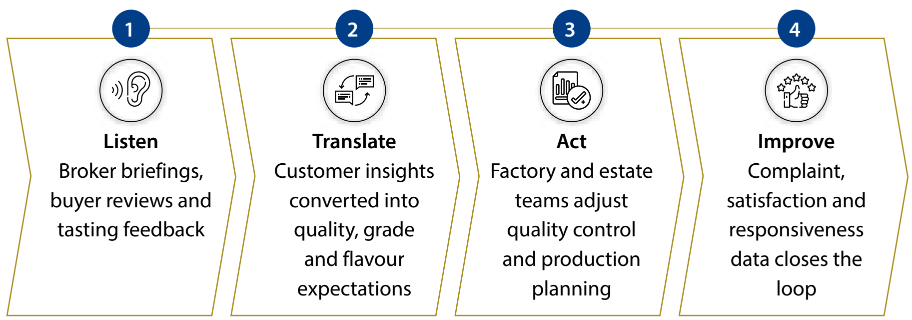
## Product Labelling

TTE's unwavering commitment to full compliance with all product labelling requirements stands as a testament to its accountability and responsibility towards its global customer base. Accordingly, all bulk tea packages, including paper sacks, are packed in line with the guidelines stipulated by the Sri Lanka Tea Board and the Colombo Tea Traders Association, where each package contains standardised labeling including key details such as the tea grade, selling mark, net weight, invoice number, and bag count.

Labelling practices for value added products are aligned with both local guidelines as well as international standards and contain comprehensive information on ingredients, brewing instructions, storage guidelines, net weight, expiry date, batch identification, origin of the tea, and applicable certifications. In addition, reflecting TTE's commitment to environmental responsibility, labels also incorporate guidance on appropriate recycling and disposal practices, encouraging sustainable consumption behaviours.

## Marketing and Communications

### Customer Insight Loop




With marketing and communications serving both as a platform to promote the Company's product portfolio as well as a mechanism to strengthen relationships and build trust with its diverse customer base, TTE adopts a targeted approach to marketing and communications. Direct engagement is prioritised with local tea brokers who are the main customer segment, accounting for approximately 94% of the Company's average annual revenue. Continuous dialogue with tea brokers through daily briefings, weekly tea tastings, and monthly review meetings help to drive product quality improvements in line with expected grades, appearances, and liquors and refine its pricing strategies in response to evolving market dynamics. Likewise pre and post-auction one-to-one calls with top buyers help to review outcomes after weekly/fortnightly in auction cycles. Further expanding the communication framework in the current year on-site tea-tasting sessions were introduced at estates to enable managers to gain practical insights from buyers regarding desired flavour profiles and quality standards, in facilitating improvements across field-level and processing operations.

Meanwhile at the international level, TTE actively undertakes targeted marketing initiatives to strengthen its global presence and deepen customer engagement. In particular, participation in global tea exhibitions, industry events, and roadshows, provide opportunities to showcase its diverse product portfolio, highlight its sustainability credentials, and engage directly with overseas buyers. Such interactions are usually followed up with buyer familiarisation visits to estates and factories and scheduled quarterly/bi-annually site visits that offer an insight into TTE's cultivation methods, sustainability and cleaner production practices in line with global certifications.

# Social and Relationship Capital

## Our Customers

**Tea Brokers**
Colombo Tea Auctions (95 tea brokers account for 96% of annual sales volume)

**Tea Boutiques - Value Added**
TeaTel Brand and Somerset Brand to Local Customers & Foreign Visitors

**Local Exporters and Buyers**

**Direct Overseas Buyers**
in Japan | Taiwan | Australia

## Customer Interactions - FY 2025/26

**03**
Briefings

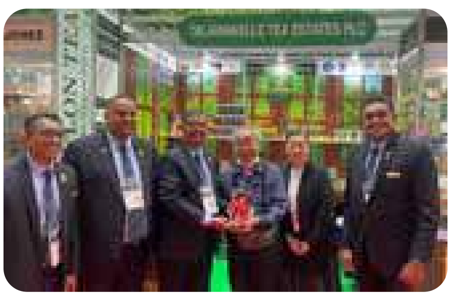
**40**
Weekly Tea Tasting Sessions

**05**
Broker Review Meetings

**03**
Direct Marketing Campaigns

**15**
Buyer Familiarisation Tours

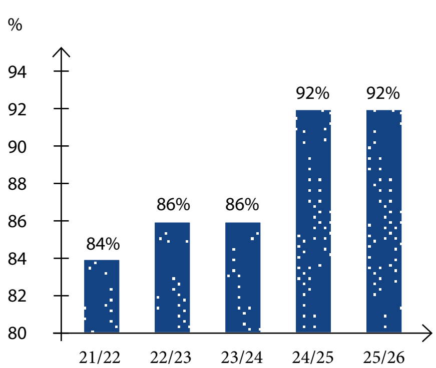
**03**
Global Tea Events/ Roadshows/ Exhibitions



### Measuring Customer Satisfaction

Satisfaction surveys were conducted with each active buyer post-auction cycles to monitor key performance indicators. Ratings are indicated below;

**Customer Satisfaction**



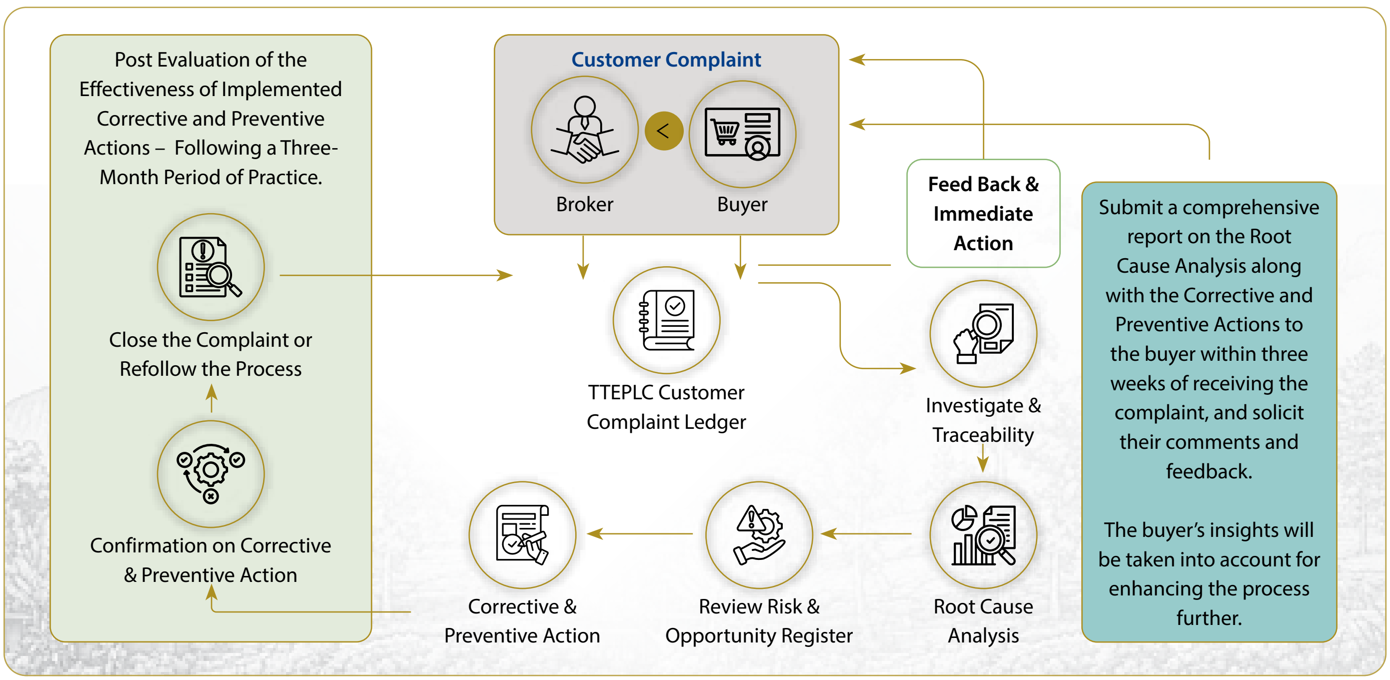

**92%**
Overall Satisfaction Score

## Managing Complaints

GRI 2 - 25, 26

| 0<br>Product Recalls | 0<br>Product Safety non-Compliance | 3<br>Privacy Focus Areas |
|---|---|---|
| No product recalls issued/recalled | Zero incidents reported during the year | Portal access, CRM hygiene and secure handling |

In an industry where purchasing decisions are often based on subtle variations in liquor, leaf, and grade, even the smallest deviation can influence buyer confidence and pricing outcomes at auction, effective complaint management is critical for TTE . As such, the ability to promptly capture, assess, and resolve customer concerns is essential to safeguarding both immediate sales performance and long-term brand credibility. TTE's digital complaint management system prioritises the timely resolution of customer complaints. The closed loop system which tracks the entire complaint lifecycle from intake to investigation including root cause analysis and corrective action to closure.




## Customer Privacy and Data Security

| Stronger Portal Controls | CRM Data Hygiene | Secure Team Behaviour |
|---|---|---|
| Role-based access, audit logs, stronger authentication and data retention practices. | Buyer contact information and communication preferences maintained more accurately. | Training for commercial and estate teams on buyer documentation and responsible data sharing. |

As the Company that engages with brokers, buyers, and other stakeholders across multiple platforms, the responsible handling of commercially sensitive information and customer data is critical to maintaining the integrity of business relationships. A robust framework of data protection safeguards, including controlled system access, secure storage and transmission practices, and clearly defined approval hierarchies for information sharing are in place supported by regular system monitoring and periodic reviews to further strengthen oversight. Existing systems were further strengthened in the year under review, with the implementation of the following initiatives:

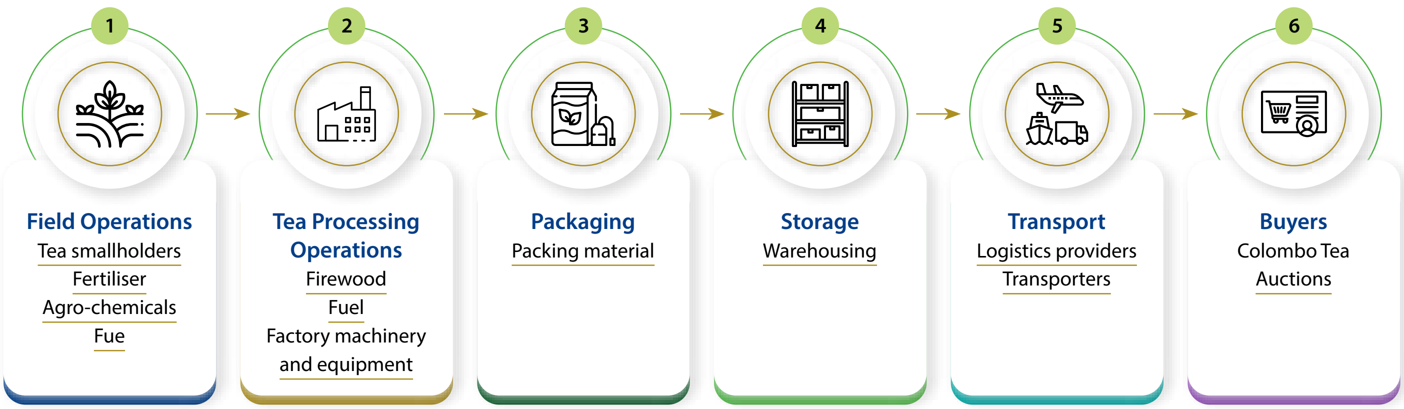
- Controls within the online complaint management portal were further strengthened by incorporating role-based access, comprehensive audit logs, and stronger authentication protocols, alongside standardised data retention practices aligned with enterprise governance requirements.
- Improved CRM data hygiene and consent management to ensure that buyer contact information and communication preferences are accurately maintained and managed in line with transparency and data protection commitments embedded within key account management (KAM) practices.
- Targeted awareness and training programmes for commercial and estate teams on the secure handling of buyer-related documentation, responsible data sharing, traceability, and adherence to approval protocols.

# Social and Relationship Capital

## Suppliers

GRI 3-3 | 2 - 6 | 204 - 1

**TTE Supply Chain**




### Management Approach

GRI 3-3, 13.23.1, 13.23.2, 13.23.3, 13.23.4

TTE's approach to supply chain management focuses on building a resilient and reliable network of suppliers aligned with the Company's stringent operational standards and strategic sourcing priorities. A structured framework is in place to support supplier selection based on quality, compliance, and sustainability criteria, with preference given to women-led enterprises, youth entrepreneurs, and local community-based micro entrepreneurs.

### Supplier Payments

GRI 204-1

| Supplier Category | FY 2025/26 Rs. Mn | % of Total | FY 2024/25 Rs. Mn | % of Total | FY 2023/24 Rs. Mn | % of Total |
|---|---|---|---|---|---|---|
| Bought Leaf | 602.30 | 39.43% | 944.96 | 47.70% | 721.17 | 37.44% |
| Agro Chemical and Fertiliser | 431.40 | 28.24% | 453.02 | 22.87% | 523.14 | 27.16% |
| Fuel | 99.20 | 6.49% | 100.13 | 5.05% | 90.48 | 4.70% |
| Firewood | 129.10 | 8.45% | 119.52 | 6.03% | 143.50 | 7.45% |
| Machinery and Equipment | 156.00 | 10.21% | 253.77 | 12.81% | 334.91 | 17.39% |
| Packing Materials | 32.20 | 2.11% | 38.23 | 1.93% | 38.33 | 1.99% |
| Logistics and Transport Services | 77.40 | 5.07% | 71.53 | 3.61% | 74.55 | 3.87% |
| Total | 1,527.60 | 100.00% | 1,981.17 | 100.00% | 1,926.08 | 100.00% |

Note: % of Total is calculated automatically against each year's total supplier As all supplier payments for the years presented were made to local suppliers, the percentage of total supplier payments is 100% for local suppliers in each year.

SUSTAINABLE DEVELOPMENT GOALS

1 NO POVERTY | 2 ZERO HUNGER | 10 REDUCED INEQUALITIES

| | |
|---|---|
| TTE PLC Metric | Investment and beneficiaries for community |
| Our 2030 Target | Improve the living environment investment and beneficiaries by 50% by 2030 |
| Contribution | By improving living conditions, building skills, and promoting inclusive growth, the company helps reduce poverty and boost estate residents' economic well-being. |
| Related Targets | 1.4 |

### Procurement Best Practices

GRI 407-1 | 13.18.2

TTE's responsible sourcing process screens suppliers against ethical, labour, environmental and regulatory requirements, including ILO principles, absence of child or forced labour, valid licences, permits and traceability controls. Suppliers are required to comply with TTE's Code of Business Conduct & Ethics, including anti-bribery and anti-corruption clauses. Compliance is monitored through pre-qualification, spot checks, unannounced visits, periodic audits and corrective actions. During FY 2025/26, no TTE operation or selected supplier was identified as having significant risk of restricting freedom of association or collective bargaining rights.

## Supply Chain Traceability

GRI 13.9.1, 13.9.2, 13.23.1,13.23.2,13.23.3,13.23.4

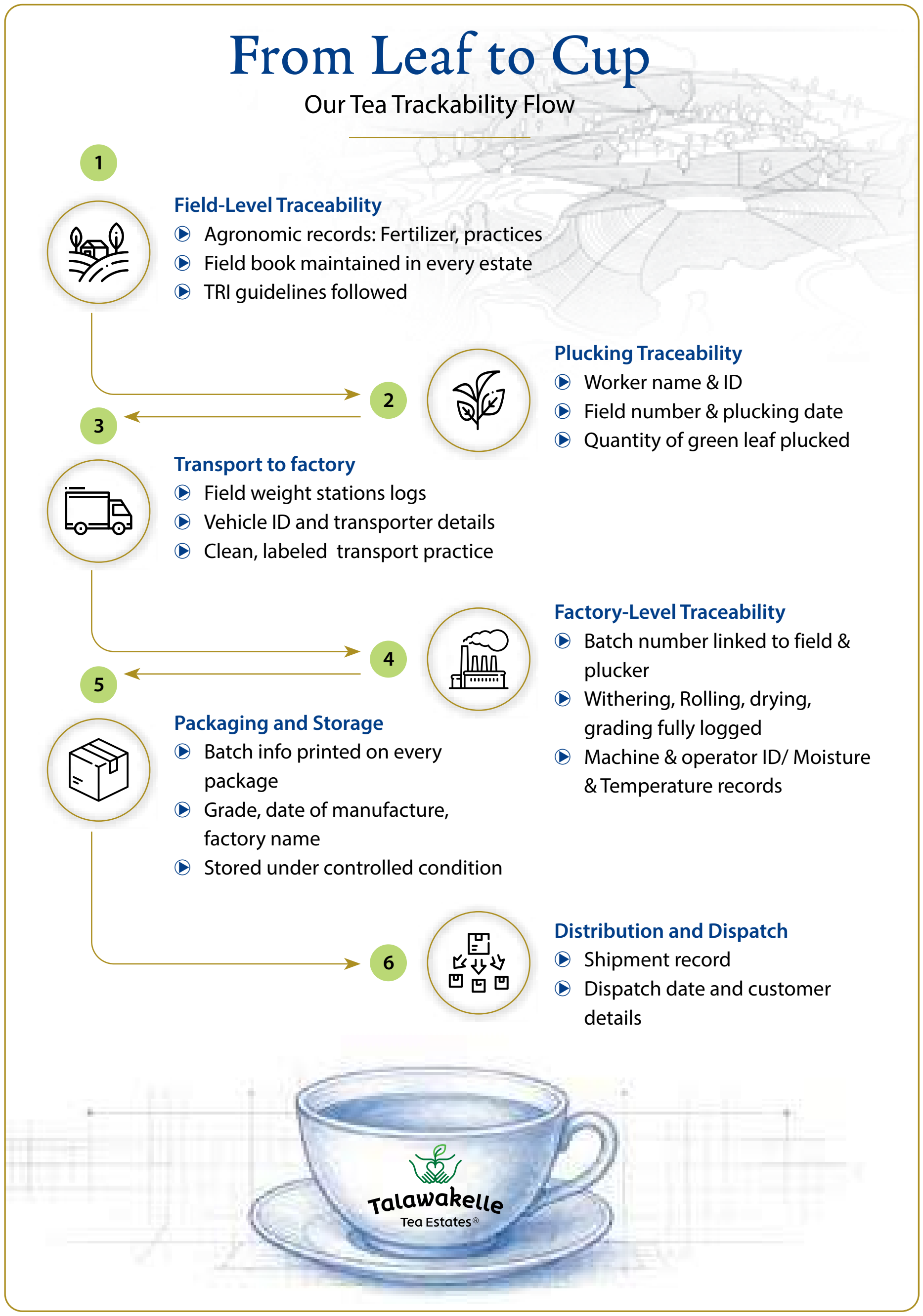
TTE manages traceability through its "Leaf to Cup – Tea Traceability Flow," a six-point model providing real-time visibility from cultivation and plucking to processing, packaging and dispatch. During 2025/26, 5528 MT of production was covered by traceability-linked certifications, including , 14 RA certified 100 % ISO 22000 certifications, where applicable. These standards include traceability requirements such as segregation, batch records and chain-of-custody documentation.

Food loss remains minimal at approximately 0.1%, supported by responsible sourcing, proper green leaf handling, timely transport, calibrated processing, real-time monitoring and staff training. Refuse tea generated after the primary black tea manufacturing process is further processed for reuse, ensuring usable material is not discarded while improving resource efficiency across the value chain.

## Supplier Development

Supplier development focuses mainly on supporting bought-leaf and fuelwood suppliers, many of whom are micro-entrepreneurs operating within rural communities. In particular, with approximately 321 of bought-leaf suppliers operating as individual block managers operating within TTE estates under the Revenue Share Model, the Company provides targeted technical advisory support to enhance productivity, improve leaf quality, and minimise environmental impact. Technical advice is also provided to help suppliers optimise harvesting, processing, and storage practices in order to reduce waste thereby minimising food loss.

In this regard, the Company continues to work towards aligning all suppliers with internationally recognised environmental management standards such as ISO 14000, while more emphasis is placed on developing key suppliers to adopt best practices set out under recognised sustainability standards, including the Rainforest Alliance Certification and Ethical Tea Partnership. In this regard, TTE delivered over 1,200 supplier training hours in FY 2025/26, focusing on occupational health and safety, sustainable agricultural practices, and quality and compliance standards. Another key initiative that commenced in the current year was to align suppliers with TTE's Nature Positive 2030 and Net Zero 2050 goals.



# Social and Relationship Capital

## TTEL Grievance Handling Mechanism – WeCare 360⁰

GRI 2-25

### Our Commitments

- Rainforest Alliance Standards
- ILO Conventions & OECD Guidelines
- Gender Equality & Inclusion
- Child & Forced Labor Prevention
- Anti-Harassment & Violence
- Occupational Health & Safety

### Submission Channels

- Boxes
- Hotline
- Letter
- Email
- Person
- Passbook

### Stakeholder Engagement

- Democratically elected reps
- Gender focal persons
- Quarterly committee reviews
- Annual awareness sessions

### Grievance Resolution Journey

| | |
|---|---|
| 48 Hours | **Acknowledgement** Confirmation via same channel |
| 5 Days | **Risk Assessment** Severity & admissibility check |
| 2 Days | **Safeguarding** Immediate protection measures |
| 4 Weeks | **Investigation** Evidence gathering & interviews |
| 6 Weeks | **Decision & Communication** Findings shared with parties |
| 12 Weeks | **Short-term Remediation** Immediate corrective actions |
| 50 Weeks | **Long-term Solutions** Systemic improvements & policy |

### WeCare 360° Committee

| Estate | Company |
|---|---|
| Manager + HR<br>Workers + Gender<br>Union Reps | Sr. Management<br>Sustainability<br>External Advisors |

### Beyond Grievances

- Triennial risk assessments
- Annual gender evaluations
- Proactive impact monitoring
- Corrective action plans

### Effectiveness Metrics

| 100% Acknowledged | 98% Resolved |
|---|---|

**UN Guiding Principle 31**

- Legitimate
- Accessible
- Predictable
- Equitable
- Transparent
- Rights-Based
- Learning
- Dialogue

"The hotline allowed me to raise concerns anonymously and resolved within weeks."
*Plantation Worker*

SUSTAINABLE DEVELOPMENT GOALS

8 DECENT WORK AND ECONOMIC GROWTH | 3 GOOD HEALTH AND WELL-BEING | 10 REDUCED INEQUALITIES

| | |
|---|---|
| TTE PLC Metric | Frequency of occupational accidents |
| Our 2030 Target | Ensure Zero work-related accidents and injuries by 2030 |
| Contribution | Company's occupational health & safety programs, grievance mechanisms, and child-friendly estate model directly improve labor conditions. |
| Related Targets | 8.8 |

# COMMUNITY

GRI 3-3 | 203-1, 413-1 | 13.12.1 |13.12.2 | 13.22.1 | 13.22.3

## Management Approach

TTE's community investment approach focuses on strengthening estate communities through living environment improvements, health and nutrition, capacity building and youth empowerment. Under the "A Home for Every Plantation Worker" programme, TTE invested Rs. 120.8 Mn during FY 2025/26, benefiting 294,809 people through initiatives that improved household wellbeing, nutrition awareness, home gardening, health access and community resilience. Programmes are implemented with partners such as to further strengthen these efforts, TTE regularly collaborates with the Ministry of Plantations, Plantation Human Development Trust, and other reputed government and non-government organisations to deliver targeted and impactful interventions.

## Community Engagement

GRI 203-2, 413-2 | 13.9.1, 13.12.3, 13.22.2

Community engagement is critically important for TTE, given that a significant proportion of its workforce and their families reside within estate premises, forming a larger plantation community whose wellbeing the Company remains directly responsible for. As such, the independent Community Advisory Panel (CAP), comprising representatives from TTE's senior management, HRD, community leaders, and occasionally external advisors or NGO partners, functions as a consultative body to identify key community issues and prioritise development initiatives. As the main steward entrusted with community activities, the CAP is also tasked with monitoring ongoing social development programmes and CSR activities to ensure they remain relevant and impactful.

CAP meetings are held on a quarterly basis, or more frequently as required, to review ongoing initiatives, assess community feedback, and plan upcoming interventions. Recommendations arising from these discussions are escalated to Company management for review and approval, ensuring that community voices are systematically integrated into decision-making and implementation processes. To further streamline these processes, quarterly community forums were introduced in the current year between TTE's senior management, CAP representatives and community leaders to discuss development initiatives and resolve issues collaboratively.

In addition, dedicated community relations teams have been appointed at each estate to interact directly with local communities to identify needs. In FY 2025/26 several new channels were introduced, among them.

- Installation of community suggestion boxes at selected locations across the estate to enable anonymous submission of feedback and concerns.
- Launch of a dedicated WhatsApp managed by the Employees & Community Relations team to receive queries, concerns, and suggestions.
- Digital Feedback Platform (Pilot) accessible via smartphone to capture suggestions and complaints, particularly from younger community members and workers, with tracked follow-up mechanisms to ensure closure.

| Impacts to the Community owing to TTE's activities | | |
|---|---|---|
| **Positive Impacts** | **Negative Impacts** | **Action to Mitigate Negative Impacts** |
| Creation of employment opportunities for local and estate communities, including initiatives that promote women's participation and inclusion. | More workforce may increase demand on estate facilities | Upgrade estate housing, sanitation, water, and transport facilities through planned development and regular assessments. |
| Contribution towards the development of local infrastructure including roads, electricity, and water supply facilities. | Possible disruption to local communities during construction of roads, electricity, and water infrastructure projects. | Coordinate with authorities, plan works carefully, and communicate schedules to minimize community disruption. |
| Implementation of social development initiatives under Women in Leadership (WIL), Gender Equality, and Child Protection programmes to enhance community wellbeing. | Resistance or misunderstanding of social programmes among certain community groups. | Conduct awareness campaigns and continuous stakeholder engagement to build acceptance and participation. |
| Support for community wellbeing through awareness programmes, welfare initiatives, and stakeholder engagement. | Limited community participation or uneven access to welfare programmes and awareness initiatives. | Improve outreach, inclusive communication, and targeted engagement for remote and vulnerable groups. |

# Social and Relationship Capital

## Community Resilience in Action

**Cyclone Ditwah Response Framework**

### 1. Immediate Safety

Emergency coordination, employee and resident safety, and rapid assessment of damage and urgent needs.

- Emergency Coordination
- Employee/ Resident Safety
- Rapid Assessment

### 2. Relief and Basic Services

Delivery of essential supplies, support to affected families, and restoration of basic services to stabilise estate communities.

- Essential Supplies
- Support to Affected Families
- Restoration of Basic Services

### 3. Recovery and Preparedness

Coordination with government authorities, NGOs, Ethical Tea Partnership and Centre for Child Rights alongside estate-level learning to strengthen future disaster readiness.

- Essential Supplies
- Support to Affected Families
- Restoration of Basic Services

**Key Response Metrics**

| | |
|---|---|
| **12** | No. of estates affected |
| **534** | No. of families affected |
| **980** | No. of relief packs distributed |
| **464** | Houses/Line rooms impacted (Damaged or Fully destroyed) |
| **Rs.5.59 Mn** | Value of assistance mobilised & distributed |

**Key Partners Involved:** Government authorities | NGOs | Ethical Tea Partnership | Centre for Child Rights

Cyclone Ditwah had a significant impact on plantation estates, affecting both operational activities and employee well-being. Heavy rainfall and strong winds resulted in damage to tea fields, estate infrastructure, access roads, and worker housing, leading to disruptions in field operations and daily activities.

In addition to operational challenges, many employees were directly affected through property damage and displacement, resulting in social and economic hardships within estate communities. The Company's Disaster Management Team responded promptly, implementing emergency response measures to ensure the safety and protection of employees and residents.

The Government Disaster Management authorities provided technical guidance, while external stakeholders extended valuable support during the response and recovery phase. Immediate relief measures were undertaken, including the distribution of essential supplies, restoration of basic services, and continuous coordination with relevant authorities.

## Community Empowerment Projects

# A Home for Every Plantation Worker

**Building dignified living conditions, stronger families and resilient estate communities**

| Living Environment | Health & Nutrition | Capacity Building | Youth Empowerment |
|---|---|---|---|
| **Rs. 37 Mn** Investment | **Rs. 52.9 Mn** Investment | **Rs. 23.2 Mn** Investment | **Rs. 7.7 Mn** Investment |
| **6,724** Beneficiaries | **212,644** Beneficiaries | **29,182** Beneficiaries | **46,259** Beneficiaries |
| Stronger Communities | Better Health & Nutrition | Empowered Families | Future-Ready Youth |

### Living Environment

**Focus Area**
Enhancing physical infrastructure and communal spaces to uplift living conditions in estate communities.

**On-Ground Actions**
Housing upgrades and renovations; access roads; water and sanitation facilities; child development spaces.

**Community Value**
Safer, healthier and more dignified communities with a better quality of life.

### Health & Nutrition

**Focus Area**
Promoting wellness and resilience through preventive healthcare and nutrition support.

**On-Ground Actions**
Immunisation drives; nutrition education; antenatal and postnatal care; child wellbeing services; auxiliary healthcare support.

**Community Value**
Healthier families and more productive, resilient estate communities.

### Capacity Building

**Focus Area**
Strengthening household resilience and alternative livelihood opportunities.

**On-Ground Actions**
Housing loans and microfinance; savings schemes; community-based training initiatives.

**Community Value**
Improved financial independence, stronger livelihoods and better living standards.

### Youth Empowerment

**Focus Area**
Equipping youth with skills, confidence and awareness to pursue rewarding life paths.

**On-Ground Actions**
Vocational and technical training; soft skills and leadership development; social awareness education.

**Community Value**
A future-ready youth population that is empowered, employable and capable of positive transformation.

| | | |
|---|---|---|
| **294,809** Total Beneficiaries | **Rs. 120.8 Mn** Total Investment | Together, these pillars create a holistic and sustainable impact across estate communities. |

TTE's flagship community investment programme, "A Home for Every Plantation Worker," continued to strengthen estate communities through four integrated pillars: living environment, health and nutrition, capacity building and youth empowerment. During FY 2025/26, the programme mobilised Rs. 120.8 Mn and reached 294,809 beneficiary instances, reflecting the scale of recurring estate-level interventions delivered across the year. The largest reach was recorded under Health and Nutrition, driven by preventive healthcare, nutrition awareness, immunisation support, maternal and child wellbeing services and other community health initiatives.

Together, these interventions supported safer living conditions, improved household resilience, stronger family wellbeing and greater opportunities for youth and vulnerable groups across TTE's estate communities.

# Social and Relationship Capital

## Community Impact Stories

**From Support to Self-Reliance**

### Livelihood Resilience

**Story Intro**

A gender-inclusive pilot that introduces mechanical tea harvesting to improve productivity while creating sustainable livelihood opportunities for women-led families through training in equipment operation and maintenance.

**Challenge**

Very few women are involved in mechanical tea harvesting due to lack of training, confidence and social perceptions. Intervention

**Intervention**

Trained women workers on machine operation and safety, provided harvesting machines and encouraged women's participation through awareness and supervision support.

**Evidence KPIs**

- 15 harvesting units provided to deserving women
- Improved productivity and increased family income.

**Future Scale**

Expand the programme to more estates, provide advanced skills training and increase women's leadership in mechanized field operations.

### Family Care Resilience

**Story Intro**

Through collaboration with the Centre for Child Rights and Business and Save the Children, this initiative strengthens childcare, maternal wellbeing and child protection for working mothers and their children across estate communities.

**Challenge**

Awareness levels among workers regarding maternal health, nutrition and child care practices remain uneven, which affects effective participation in the initiative.

**Intervention**

Introduced the Mother & Child Friendly Seal by strengthening policies, awareness, healthcare support, childcare facilities, nutrition and safety measures for mothers and children.

**Evidence KPIs**

- All 16 Estates Covered
- Mother & Child Friendly Seal certification from the Centre for Child Rights.

**Future Scale**

- Increase awareness programmes, strengthen monitoring and maintain certification standards continuously.

### Health Resilience

**Story Intro**

In partnership with the Department of Ayurveda and the Central Province Ayurvedic Medical Centre, clinics across High Grown Estates provide accessible, affordable and culturally accepted preventive healthcare for estate communities.

**Challenge**

Employees have limited access to traditional Ayurvedic healthcare, especially in estate areas.

**Intervention**

Introduced Ayurvedic clinics for employees and communities to provide treatment, health advice and preventive care

**Evidence KPIs**

- 12 clinics conducted (High grown Region 100% covered)
- Established a Model Ayurvedic Garden at Mattakelle Estate

**Future Scale**

- Expand clinics to Low Grown Estates. Increase awareness programmes.
- Strengthen partnerships with Ayurvedic doctors and hospitals

MOTHER AND CHILD FRIENDLY SEAL FOR RESPONSIBLE BUSINESSES

### Engagement of International Fundraising Advisor to Strengthen Social Development Initiatives

During the year, TTE further strengthened its social development and community empowerment efforts through the engagement of an international volunteer Fundraising Advisor from WUSC. Building on the previous year's support from an international gender equality expert, this advisory support focused on enhancing the Company's capacity to identify funding opportunities, develop stronger project proposals, and mobilise partnerships for estate-level welfare and development initiatives.

This engagement supports TTE's broader human capital and community development agenda by improving access to external expertise, global best practices and potential funding channels. Through this collaboration, the Company aims to scale impactful initiatives in areas such as women's empowerment, child development, youth engagement, health, education and community wellbeing, while strengthening the long-term sustainability of its social investment programmes.

*Organized a workshop on Building Inclusive Futures & Empowering Youth with Essential Skills - funded by WUSC*


| | |
|---|---|
| **TTE PLC Metric** | Investment in Health and Nutrition investment |
| **Our 2030 Target** | Improve the Health and Nutrition investment and beneficiaries by 50% by 2030 |
| **Contribution** | By promoting food security through home gardening, nutrition awareness, and sustainable cooking initiatives that enhance community resilience and reduce food dependency. |
| **Related Targets** | 2.2 \| 2.3 |

## Trade-offs

**01 With Financial Capital**

Substantial community investment in housing, health, nutrition and youth empowerment programmes reduces short-term returns but strengthens workforce stability and social license to operate.

**02 With Natural Capital**

Expanding estate infrastructure and community facilities to improve living conditions requires responsible land use to minimize ecological disruption across estate environments.

## Future Outlook

**Short Term**

Strengthen engagement with communities, suppliers, and customers, improving responsiveness to social and operational needs.

**Medium Term**

Expand community programs, customer outreach, and supplier initiatives to support livelihoods, inclusion, and social development across estates.

**Long Term**

Build resilient, trusted relationships with customers, suppliers, and communities, fostering long-term social value, trust, and sustainable organizational growth.

# HUMAN CAPITAL

SDG Index

1 NO POVERTY
3 GOOD HEALTH AND WELL-BEING
4 QUALITY EDUCATION
5 GENDER EQUALITY
10 REDUCED INEQUALITIES

More Detail - Page 76

**Human capital is at the heart of our operations and long-term success. Our employees' skills, knowledge, wellbeing and commitment drive productivity, quality, innovation and sustainable growth across the organization. At TTE, we take a people-centered approach by investing in employee development, leadership, inclusion, safety and wellbeing while fostering a positive and engaging work environment. This section explains how we develop, manage and strengthen our workforce to create long-term value for both our people and the organization.**

## What Human Capital Means to TTE

Human capital is a strategic asset that drives productivity, profitability and sustainable growth through a skilled, experienced and committed workforce. It includes employee knowledge, leadership capability, continuous learning and innovation across all operational and functional areas. Employee wellbeing, safety and retention strengthen organizational stability, performance and long-term competitive advantage within the industry.

## Why Human Capital Important to Us

A skilled and motivated workforce drives organizational success through improved productivity, efficiency, quality and innovation. Strong human capital management enhances employee engagement, teamwork, leadership development and retention while supporting business growth and positive employer-employee relationships. Employee knowledge, experience and commitment contribute to operational excellence, customer satisfaction, sustainability and long-term value creation.

## How Human Capital Supports Our Value-creation Goals

Effective workforce management enhances productivity, performance and employee capabilities while fostering innovation, engagement and continuous improvement. It supports strategic objectives, improves operational efficiency, reduces costs and builds strong leadership and succession pipelines. Effective people management also strengthens talent retention, minimizes employee turnover and ensures a skilled, committed and future-ready workforce.

## LINK TO TTEL'S STRATEGY

- Nurturing Our People
- Operational Excellence
- Business Diversification

## MATERIAL MATTERS

- Workplace Safety
- Labour Compliance
- Fair Remuneration
- Employee Relations
- Productivity/ Performance efficiency
- Talent Management
- Capability Development

## CAPITAL PERFORMANCE

| 4,849 | 52% | Rs.15 Mn | Rs.3,731 Mn |
|---|---|---|---|
| Workforce | Women Workforce | Training Investment | Remuneration & Benefits |



## MANAGEMENT APPROACH

GRI 3-3 | 13.15.1, 13.16.1, 13.17.1, 13.18.1, 13.19.1

**As a large-scale plantation Company TTE is inherently dependent on its workforce. Acknowledging that employees are a critical driver of operational success and long-term value creation, the Company adopts an integrated approach to Human Capital development guided by three key pillars: Positive and Progressive Workplace, Employee Value Proposition and Safety & Wellbeing. Collectively, these pillars work in tandem to create an environment where all employees are empowered to perform at their best, thereby building a high-performing workforce capable of carrying forward the Company's strategic objectives.**

## GOVERNANCE

### Strategic Oversight

- Board oversight of HR strategy aligned with corporate strategy
- Approval of policies on workforce, ethics and labour standards
- Oversight of talent management, succession planning and leadership development
- Ensuring alignment of human capital strategy with ESG commitments

### Risk & Decision Intelligence

- Identification and management of workforce-related risks
- Monitoring HR compliance risks
- Use of workforce data analytics for decision-making
- Early warning systems for employee grievances and productivity issues

### Operational Execution

- Implementation of HR policies across estates, factories and regional offices
- Recruitment, training and performance management execution
- Health, safety and welfare program delivery
- Day-to-day employee relations and grievance handling

### Monitoring, Assurance & Reporting

- Regular HR performance monitoring
- Internal audits of HR compliance and labour practices
- Reporting to senior management and Board on human capital metrics
- ESG and sustainability reporting on workforce-related indicators

## KEY OUTCOMES

**98%**
Employee Satisfaction Rate

**92.4%**
Employee Retention Rate

## TRADE OFF

Please refer page 189

**How Human capital interacts with and impacts other capitals in creating balanced value.**

## FUTURE OUTLOOK

Please refer page 189

**Short, medium, and long-term impact driving resilience, performance, and strategic value creation.**

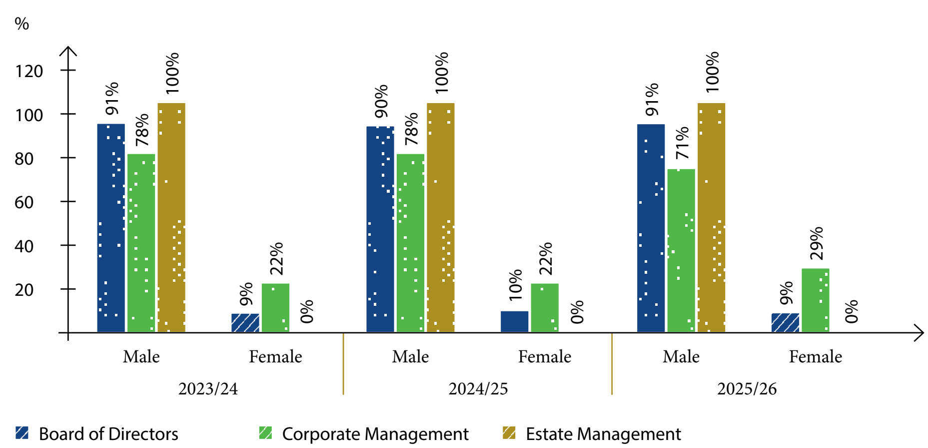
# Human Capital

GRI 2 -7, 2 - 8 | 405-1 | 13.15.2,13.21.1,13.21.2,13.21.3

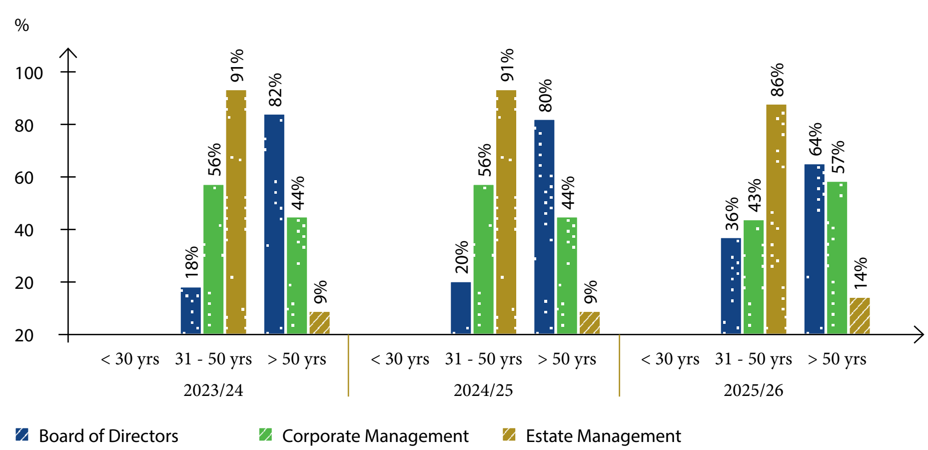
| Employee Statistics | Status | Central Male | Central Female | Southern Male | Southern Female | Western Male | Western Female | Total Male | Total Female | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| | | **FY 2025/26** | | | | | | | | |
| Employees by Type | Permanent | 1,234 | 1,740 | 319 | 383 | 22 | 16 | 1,575 | 2,139 | 3,714 |
| | Contract | 468 | 126 | 303 | 236 | 0 | 2 | 771 | 364 | 1,135 |
| | **Total** | **1,702** | **1,866** | **622** | **619** | **22** | **18** | **2,346** | **2,503** | **4,849** |
| | | **FY 2024/25** | | | | | | | | |
| Employees by Type | Permanent | 1,363 | 1,929 | 356 | 421 | 22 | 15 | 1,741 | 2,365 | 4,106 |
| | Contract | 403 | 214 | 291 | 228 | 3 | 2 | 697 | 444 | 1,141 |
| | **Total** | **1,766** | **2,143** | **647** | **649** | **25** | **17** | **2,438** | **2,809** | **5,247** |
| | | **FY 2023/24** | | | | | | | | |
| Employees by Type | Permanent | 1,437 | 2,085 | 326 | 365 | 21 | 13 | 1,784 | 2,463 | 4,247 |
| | Contract | 21 | 4 | 2 | 4 | 1 | 5 | 24 | 13 | 37 |
| | **Total** | **1,458** | **2,089** | **328** | **369** | **22** | **18** | **1,808** | **2,476** | **4,284** |

*As per the Company's policy, all TTE employees are engaged in full-time roles. The Company does not engage employees on a part-time or casual (non-guaranteed) basis. In the period under review, TTE did not engage any non-employee workers whose work was controlled by the Company. Independent service providers and leaf suppliers operate autonomously under the Revenue Share Model (RSM), without being subject to the Company's direction or control, and are therefore excluded from these disclosures*

### Gender Profile of Governance Bodies




### Age Profile of Governance Bodies




## Positive and Progressive Workplace

GRI 405-1, 2, 406-1 | 13: 13.15.2, 13.15.3

### Diversity, Equality and Inclusion (DEI)

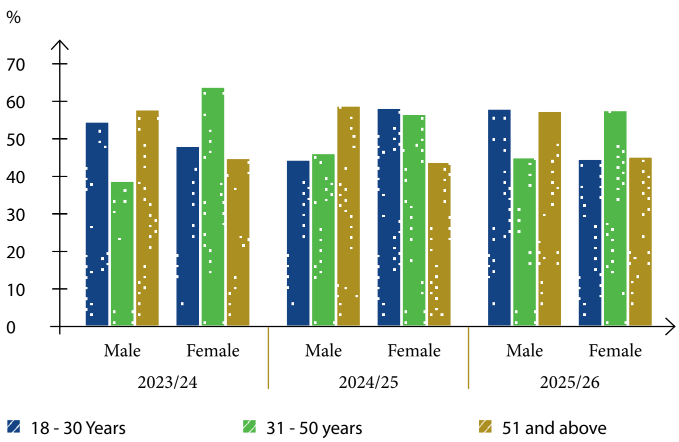
As a large-scale employer with over 52% of its workforce represented by women, TTE distinguishes itself as a keen advocate for Diversity, Equity, and Inclusion (DEI) in the workplace. Demonstrative of this commitment, DEI principles are embedded across the full employee lifecycle to ensure every stage of the employees' journey from recruitment, training and career growth is defined by equal opportunity and based solely on merit, competence, and performance. DEI principles are put in practice with leaders expected to integrate these practices into day-to-day operations, while gender sensitisation and inclusion programmes are conducted regularly to raise employee awareness on topics such as respect, dignity, unconscious bias, and equitable leadership.

Pay equity forms an integral component of the DEI commitment. TTE's strict policy of maintaining a 1:1 ratio in the entry level salaries between men and women. Furthermore, no significant differentiation exists in the salary and benefit structures between genders across all other employee categories. TTE also strives to increase female participation and retention across the workforce through the provision of maternity & family benefits, childcare support, health & wellbeing and safe working conditions that aim to create an enabling environment for women to thrive in the workplace.

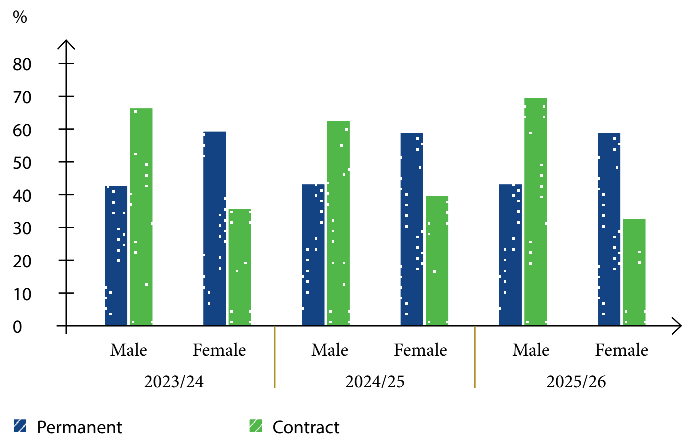
In line  with efforts to institutionalise DEI, TTE implemented a new Gender Equality & GBV (Gender-Based Violence)Policy during the current year. This was complemented by targeted awareness sessions for planting executives, Human Resource Development staff, and workers to educate them on gender equality, GBV prevention and women inclusion as well as to reinforce child protection & safety.

Ongoing efforts to increase women's participation in the workforce and at leadership also gathered momentum in the current year. In this regard, the scope of the Company's ETP-supported Women in Leadership (WIL) Initiative aimed at empowering female employees was significantly expanded in the current year with more emphasis on leadership, empowerment, communication, and gender equality training for workers and staff delivered in both Tamil and Sinhala to ensure inclusivity and equal access.

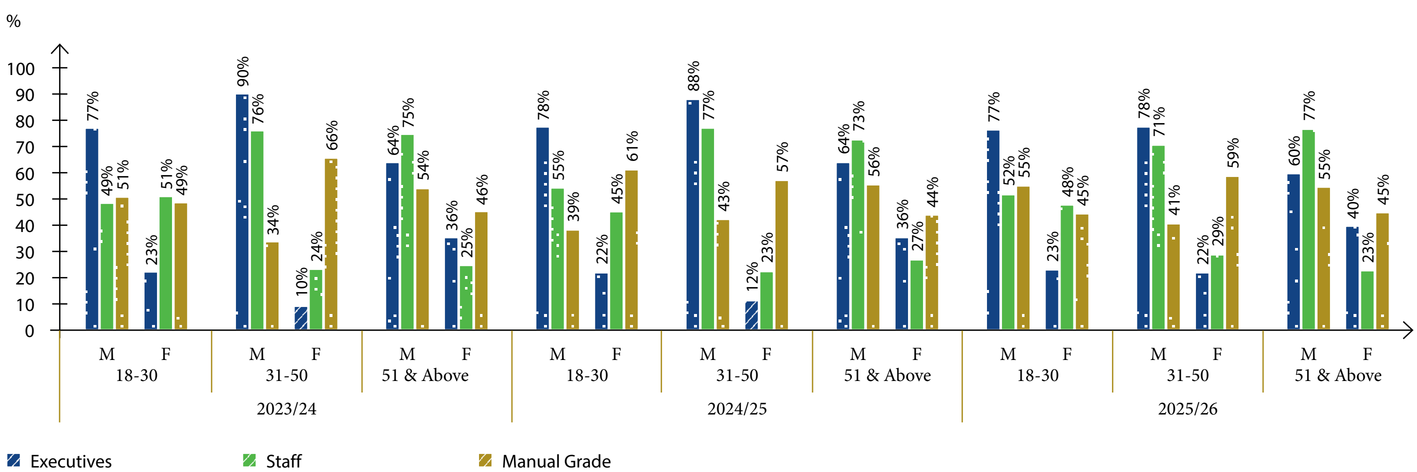
### Profile of Employee Categories - By Age & Gender




### Profile of Employee Grade Categories - By Gender & Type




### Employee categories by Age and Gender




### Strengthening TTE's HR Management Framework - Key Highlights for FY 2025/26

#### Governance

- Expanded role of Regional HRD to coordinate group-wide initiatives and strengthen reporting.
- Improved coordination between Estates, Regional HRD, and Corporate HR for decision-making and monitoring.

#### Compliance

- Standardised contract and appointment procedures for all employee categories, including formal appointment letters and fixed-term contracts are provided.
- Strengthened HR oversight through compliance monitoring, audits, and alignment with governance standards.

#### Policy Development

- Strengthened existing HR-related policies and procedures.
- Gender Strategy was implemented.
- Child Protection & Safeguarding Procedures were  enhanced to meet regulatory and certification requirements.

# Human Capital

Talawakelle Tea Estates®

## Women in Leadership Programme

Advancing inclusion, capability and dignity across plantation communities

During 2025/26, Talawakelle Tea Estates PLC continued the Women in Leadership Programme in partnership with the Ethical Tea Partnership and The Republic of Tea, strengthening its focus on gender equality, women's inclusion and leadership development across estate operations.

The programme moved beyond awareness creation to address the practical realities that influence women's participation in the plantation workforce, including workplace safety, grievance responsiveness, health and wellbeing, skills development, caregiving responsibilities and leadership opportunities. Through executive sensitisation, gender grievance committee meetings, "Empower U" capacity building, agriculture training, medical check-ups, haemoglobin studies, psychological first aid and project evaluations, the initiative supported both women workers and the estate management systems that enable inclusive workplaces.

By linking gender inclusion with workforce resilience, productivity and long-term estate sustainability, the programme continues to strengthen TTE's Human Capital agenda. It reflects a clear shift from viewing women's empowerment as a standalone social initiative to embedding it as a core part of ethical, future-ready plantation employment.



*Psychological first aid training*


*NILS certificate awarding ceremony for "Empower U" trainees - field, factory, office*


*Agriculture training for tea harvesters*


*Gender equality, GBV, negotiation and basic counseling training for the gender grievance committee in TTE estates*


*Awareness & Sensitization for Planting Executives - Gender Equality, GBV, WIL, Women Inclusion and Child Protection & Safety*


*Visit by ETP CEO - funding partner*

**2025 Focus Areas**

- Gender equality
- Women's leadership
- Workplace safety
- Health & wellbeing
- Skills development
- Inclusive participation

# Gender Strategy – Women in Leadership Project

Embedding gender equality into estate-level people management

During 2025/26, TTE developed a dedicated Gender Strategy under the Women in Leadership Project, funded by the Ethical Tea Partnership. The strategy provides a structured and practical framework to strengthen gender equality across estate operations, with a particular focus on improving women's participation, representation and progression within the plantation workforce.

The strategy builds on TTE's existing policy framework, including grievance handling, anti-sexual harassment, child protection, disciplinary and whistleblowing mechanisms. However, its purpose is not only to restate policy commitments, but to translate them into consistent estate-level practice. It seeks to harmonise procedures, strengthen accountability and improve the tracking of gender-related outcomes across estates.

Developed through worker consultations and stakeholder engagement, the strategy recognises the barriers that affect women's long-term participation in estate employment, including caregiving responsibilities, financial vulnerability, limited leadership pathways and youth migration from estate communities. These are not soft issues. They directly affect workforce retention, productivity, employee engagement and the future talent pipeline of the plantation sector.

By promoting gender-responsive training, safer workplaces, inclusive leadership opportunities and stronger support systems, the Gender Strategy positions gender equality as a core Human Capital priority and a strategic enabler of ethical, resilient and future-ready plantation employment.

*Preliminary Discussion with Top Management*

*Resource Person's Field Visit to gather insights*

# Plantation Talent & Excellence Awards 2026

Celebrating people, performance and progress

The Plantation Talent & Excellence Awards 2026 was held in Araliya Green Hills, Nuwara Eliya, recognising outstanding contributions across plantation operations, employee performance, youth achievement, women's leadership and community development.

The awards celebrated excellence under several key categories, including Pride of the Tea Fields(Manual Grade Employees), Factory Excellence(Manual Grade Employees), Field Leadership Excellence (Female Field Staff) , Academic Excellence (Estate Youth), Emerging Professional Star (from an Estate Family), Women in Leadership ( Estate Team Leaders) and Community Leadership & Impact (Gender Champion-Male).

This initiative reinforced TTE's commitment to recognising talent at every level of the plantation ecosystem. It created visibility for Field and Factory Employees, estate youth, women leaders, emerging professionals and community contributors whose efforts are often central to estate performance but not always formally recognised.

Importantly, the awards also supported the wider objectives of the Women in Leadership Programme. Categories focused on female field leadership, women in leadership and selected women for mechanical tea harvesting helped create role models within estate communities and encouraged greater participation of women in both operational and leadership roles.

For TTE, the Plantation Talent & Excellence Awards 2026 was more than a recognition event. It was a platform to strengthen dignity of work, celebrate capability, inspire estate youth and demonstrate that the future of plantations will be shaped by people, performance, inclusion and continuous progress.

*Deniyaya Estate Winners (Low Country)*

*Great Western Estate Winners (Up Country)*

# Human Capital

GRI 406-1 13.15.4

| TTE DEI Tracker | FY 2025/26 | FY 2024/25 | FY 2023/24 |
|---|---|---|---|
| Gender Diversity (overall) | M 2346<br>F 2503 | M 2438<br>F 2809 | M 1808<br>F 2476 |
| Female Recruits (as a % of total recruits) | 39% | 54% | 55% |
| Females Promoted (as a % of total promotions) | 14% | 20% | 15% |
| Female representation in leadership roles (%) | 11% | 13% | 13% |
| Gender Pay Equity (overall) | 1:1 | 1:1 | 1:1 |
| Gender Pay Equity (at a leadership level) | 1:1 | 1:1 | 1:1 |
| Training hours for women (overall) | 18067 | 14750 | 26807 |
| Training hours for women (at a leadership level) | 460 | 176 | 363 |
| Incidents of Discrimination ( TTE's operations + bought leaf suppliers and any other business partners) | ZERO | ZERO | ZERO |

## Human Rights

GRI 406-1 | 13: 13.15.2, 13.15.3

### Non-Discrimination

TTE's approach to non-discriminatory employment is based on the respectful treatment of employees to ensure no individual is disadvantaged on the basis of gender, caste, religion, ethnicity, political opinion, disability, marital status, or union membership. Non-discriminatory principles are embedded across all employment practices encompassing fair and equitable recruitment and selection processes, equal pay practices, and a formal grievance handling mechanism that allows concerns to be raised confidentially and without fear of retaliation. Ongoing awareness and sensitisation programmes further reinforce employee understanding of their rights, fostering a workplace culture grounded in respect, fairness, and accountability.

| Salary Ratios | | | | | | |
|---|---|---|---|---|---|---|
| Employee Category | FY 2025/26 | | FY 2024/25 | | FY 2023/24 | |
| | M | F | M | F | M | F |
| Managerial | 1:1 | | 1:1 | | 1:1 | |
| Executives | | | | | | |
| Staff | | | | | | |
| Manual Grade | | | | | | |

| SUSTAINABLE DEVELOPMENT GOALS | 5 GENDER EQUALITY | 8 DECENT WORK AND ECONOMIC GROWTH | 10 REDUCED INEQUALITIES |
|---|---|---|---|
| TTE PLC Metric | Gender in leadership positions | | |
| Our 2030 Target | Improve work place diversity index by 25% in 2030 | | |
| Contribution | The company's leadership development initiatives and maternity care programs promote equal opportunities and a gender-sensitive work environment. | | |
| Related Targets | 5.5 | | |

### Freedom of Association & Collective Bargaining

GRI 2-30 | 407-1 | 13: 13.18.1, 13.18.2

The Company fully recognises and respects employees' rights to freedom of association and collective bargaining, with employees free to join or form trade unions in line with Sri Lankan labour laws. Given that approximately 98% of TTE's estate workforce is organised under trade unions with collective bargaining agreements in place, the Company strives to build strong relations through regular interactions with worker representatives and estate welfare committees to ensure employee concerns, policy updates, and welfare matters are addressed transparently. In line with the provisions of the current collective bargaining agreement, a 20% salary increase for estate staff was implemented in October 2025, followed by annual increments in January 2026.

### Elimination of Child Labour

GRI 408-1 | 13: 13.17.1, 13.17.2

TTE adopts a zero-tolerance approach to child labour and operates in full compliance with national regulations and as well as the best practices set out under the International Labour Organization (ILO) Conventions and the United Nations Global Compact (UNGC) Principles. A clearly defined policy prohibits the employment of individuals below the legal minimum working age with necessary due diligence conducted as part of the selection process to verify the age of new recruits. A special clause pertaining to child protection is also included in the letter of appointment given for every new employee.

Additionally, at all TTE estates, a dedicated child Protection focal point has been appointed and entrusted with the responsibility of raising awareness among estate communities about the importance of education and encouraging parents to ensure their children remain in school. Rigorous audits are also conducted regularly across all estates to identify any potential risks and for child-labour. At the same time, TTE also continues to work closely with the Save the Children Fund and the Centre for Child Rights and Business to incorporate standard child protection procedures across all operations.

Efforts to prevent Child Labour extend across the Company's value chain, with bought-leaf suppliers and other business partners expected to commit to TTE's standards for the prevention of child labour. Regular training and ongoing engagement with suppliers and business partners emphasise the importance of eliminating child labour within the supply chain.

In the year under review, no incidents of child labour were reported across TTE's operations, among bought leaf suppliers or any other business partners

## Employment Practices

GRI 13.20.1

At TTE, we are committed to ethical, inclusive, and transparent employment practices. Our Ethical Recruitment Policy applies to all estates and factories and strictly prohibits recruitment fees and the retention of workers' identity documents. As TTE does not use third-party recruitment agencies, all hiring is conducted directly by the company, ensuring full compliance with our internal standards. Any breaches are addressed through established grievance mechanisms, including the "We Care 360" platform.

We provide fair and timely wages without unjustified deductions and offer in-kind benefits such as housing, childcare, and community services. To safeguard labour rights throughout our value chain, we evaluate suppliers against national and international labour standards. This includes monitoring risks related to informal or disguised employment and ensuring workers are employed under legally recognized contracts where required.Through these workforce practices, TTE promotes safe, equitable, and rights-based employment, reinforcing our commitment to decent work and sustainable livelihoods within Sri Lanka's plantation sector.

## Prevention of Forced & Compulsory Labour

GRI 409-1 | 13: 13.16.1, 13.16.2

The Company strictly prohibits all forms of forced, bonded, or compulsory labour, underscoring the belief that employment is based entirely on voluntary engagement. Accordingly, employees are free to resign from the company subject to the agreed terms and conditions of employment. The Company does not retain personal documents, wages, or belongings, nor any use of coercion or intimidation in employment practices. These safeguards are reinforced through regular internal audits and independent assessments, ensuring ongoing compliance and strengthening trust across the workforce.

During the reporting period, TTE identified no incidents of forced, bonded or compulsory labour across its operations, including estate and factory activities. No grievances, complaints, lawsuits, fines or non-monetary sanctions were reported in relation to forced or compulsory labour or related human rights violations during the financial year. Compliance is monitored through internal audits, management reviews and estate-level supervision

## Employee Relations

GRI 2-25, 2- 26, 2- 30 | 402-1, 407-1 | 13.18.2

TTE places strong emphasis on open communication as the basis of building strong, positive workplace relationships. Managers at all levels are encouraged to maintain close connections with their teams through regular meetings and briefings. In keeping the commitment to build employee trust, TTE maintains an open-door policy that enables employees to approach management freely to voice their concerns. Monthly labour forums further strengthen engagement by providing estate workers with direct access to management.

With a significant proportion of the workforce covered under collective bargaining agreements, regular engagement with trade union representatives is a critical component of TTE's employee relations approach. Monthly interactions with union representatives facilitate ongoing dialogue and collaboration. Meetings during the current year focused on wage negotiations and periodic revisions aligned with statutory requirements and estate

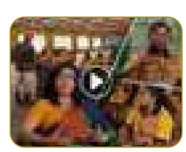
Performance along with enhancements to worker welfare provisions, including improvements in housing, healthcare support, and transportation. In parallel, targeted training and awareness programmes were conducted to strengthen employee understanding of their rights and responsibilities covered under the collective agreement.

As a policy, operational changes are communicated in a timely manner with adequate notice of four weeks prior to implementation. Executives are informed via email, while estate staff and manual workers are notified through notice boards and on-ground briefings. Union representatives are also kept updated at monthly meetings.

Meanwhile, the formal grievance handling and resolution framework, aligned with Rainforest Alliance standards, is in place to manage estate level grievances, while the "Chat with HR" enables corporate employees to feedback and share concerns. These frameworks are further reinforced by the whistleblower mechanism, which encourages employees to report misconduct or rights violations with full assurance of confidentiality and protection. All grievances and whistleblower complaints are treated with utmost seriousness, investigated promptly, and escalated to regional or corporate HR teams where necessary to ensure fair and timely resolution.

During the year under review, TTE enhanced internal communication by introducing WhatsApp groups, email updates, and internal portals to disseminate estate news, HR updates, and welfare-related information more efficiently across executives, staff, and manual workforce. Additionally, grievance management processes were closely integrated with welfare initiatives, enabling coordinated responses to employee concerns related to working conditions, housing, and social protection, particularly for the estate workforce. In parallel, a structured grievance tracking system accompanied with standardised timelines was introduced to monitor cases, ensure timely resolution, and reinforce accountability across management levels. To support effective utilisation of these mechanisms, awareness sessions were conducted to educate employees on their rights, available reporting channels, and the grievance resolution process.

SCAN TO WATCH VIDEO STORY



# Human Capital

### Measuring Employee Satisfaction

Acknowledging that employee satisfaction is a critical driver of engagement, productivity, and long-term organisational success, TTE has established a range of feedback loops to capture employee insights on an ongoing basis, to facilitate targeted actions and measurable improvements across the organisation.

At the core of this approach are periodic employee surveys conducted by the HRD function to identify emerging trends, highlight gaps, and prioritise actionable areas for improvement. These surveys, which cover all employees categories to assess key dimensions such as work environment, recognition, career development opportunities, and communication effectiveness.

Findings from these surveys and feedback sessions are consolidated and presented to management to form the basis of targeted action plans addressing areas such as career progression, recognition, training, and employee welfare.

These efforts are further complemented by TTE's participation in external initiatives such as the Great Place to Work (GPTW ™) platform which provides independent benchmarking of workplace culture and engagement. Findings from the latest GPTW ™ saw a 98% Employee Satisfaction Rate.

Likewise, feedback from Women in Leadership (WIL) programmes offers valuable insights into employee perceptions around empowerment, inclusion, and gender equality.

## Fair and Equitable Recruitment

GRI 401-1, 13.20.1

TTE's commitment to fair and equitable recruitment is led by a merit-based framework designed to attract talent aligned with the Company's strategic priorities. The process is underpinned by a multi-tiered approach, with clearly defined responsibilities to ensure recruitment decisions are both purposeful and aligned with operational needs while upholding principles of equal opportunity and non-discrimination.

Estate-level (manual) workforce recruitment is managed by Estate Managers operating under the supervision of the Corporate HR function, while estate staff hiring is carried out in line with approved staffing plans developed in consultation with the Director Plantations and the Chief Executive Officer. Recruitment of executive-level roles is centrally managed by Corporate HR, subject to final approval by the Managing Director.

### Strengthening TTE's Recruitment Practices - Key Highlights for FY 2025/26

#### Executives

- Introduction of competency-based selection processes, with a stronger focus on succession planning to support leadership continuity and reduce reliance on external hiring.
- Enhanced involvement of Regional Management and HRD ensured greater consistency and governance in appointments.

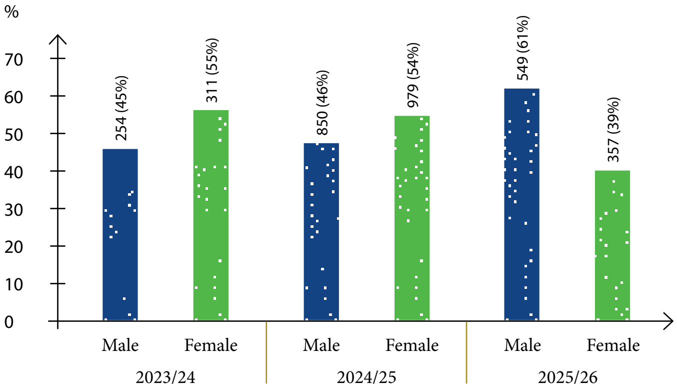
#### Staff

- Introduced standardised job descriptions, panel interviews, and formal background checks.
- All hiring decisions were aligned with approved cadre and budgets, ensuring fairness, objectivity, and effective workforce planning.

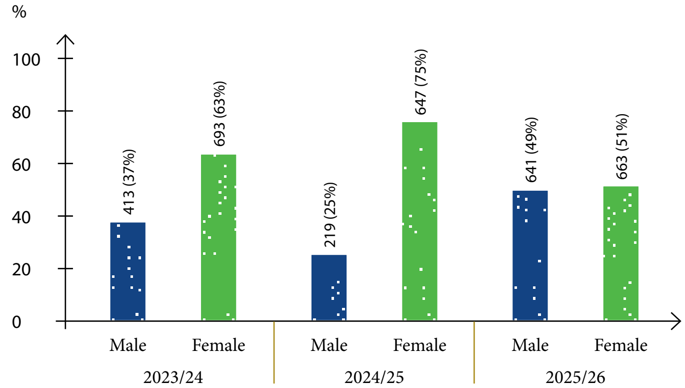
#### Manual Workforce

- Increased community-based outreach, simplified onboarding, and streamlined documentation processes.
- Closer coordination between Estate Management, HRD, and Welfare teams to facilitate smoother induction, improved compliance, and stronger early-stage retention.

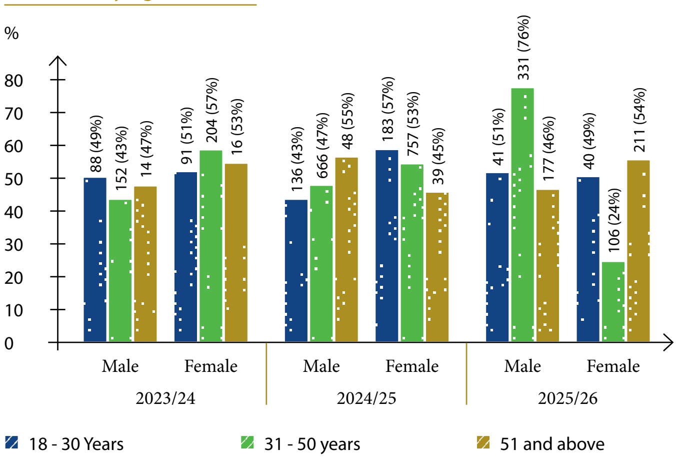
### New Hires by Gender



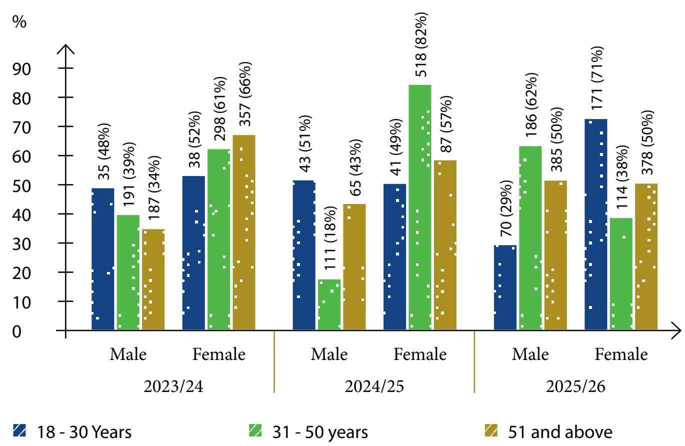

### Employee Turnover by Gender



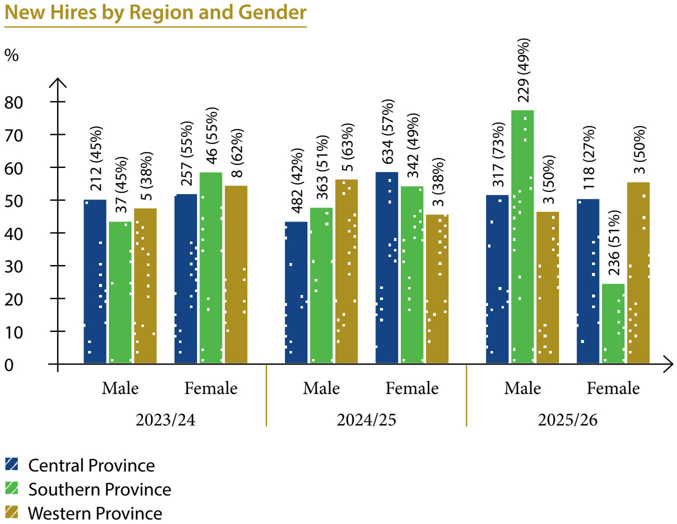

### New Hires by Age & Gender



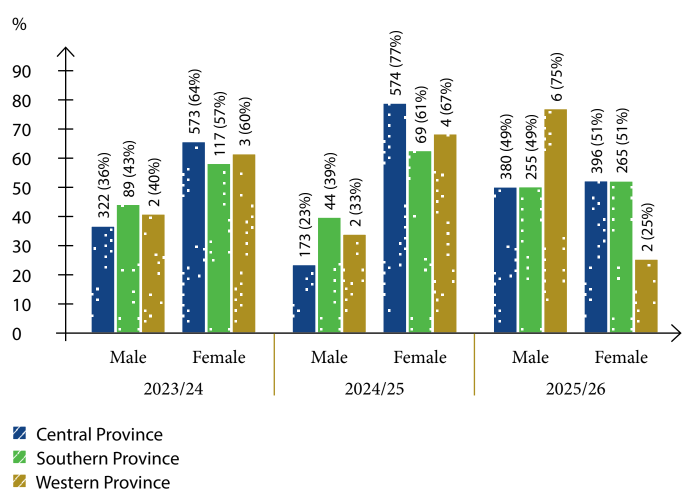

### Employee Turnover by Age and Gender




### New Hires by Region and Gender




### Employee Turnover by Region and Gender



# Human Capital

### Employee Value Proposition

GRI 201-3, 401-2,405-2; 407-1

Sector Standards 13.15.3, 13.18.2

### Industry Competitive Remuneration and Benefits

TTE's remuneration and benefits structures are designed to ensure full compliance with applicable labour laws, while maintaining industry competitiveness. All statutory obligations are met, including contributions of 12% to the Employees' Provident Fund (EPF) and 3% to the Employees' Trust Fund (ETF), calculated on basic salaries. Employees are also entitled to gratuity in line with the provisions of the Gratuity Act upon completion of the required period of continuous service.

For executive grades, remuneration is determined by the Remuneration Committee, taking into account role requirements, qualifications, experience, and individual performance, while remaining aligned with market benchmarks. Salary increments are linked to performance outcomes derived through the annual performance evaluation process, ensuring a strong pay-for-performance culture.

For estate staff and manual workers, wages are governed by the Plantation Workers Wages Board Ordinance and relevant collective agreements. With a highly unionised workforce, compensation structures, including annual increments are determined through collective bargaining processes, which are formally reviewed every three years. While the statutory wage establishes a baseline, TTE also offers productivity-linked components beyond the statutory minimum. Moreover, efforts to progressively transition estate workers towards the Revenue Share Model (RSM) provides further opportunities to supplement their earnings, underscoring the Company's broader commitment to fair compensation, improved livelihoods, and economic dignity across its workforce.

| Remuneration and Monetary Benefits Paid to Employees | FY 2025/26 Rs. Mn | FY 2024/25 Rs. Mn | FY 2023/ 24 Rs. Mn |
|---|---|---|---|
| Remuneration | 2,598.40 | 2320.4 | 2253.3 |
| Performance Incentives | 966.6 | 968.6 | 1022.3 |
| Welfare Benefits | 166.6 | 192 | 174.5 |
| Total Remuneration and Monetary Benefits | 3,731.60 | 3481 | 3450.2 |
| EPF | 223.9 | 180.6 | 151.5 |
| ETF | 55.9 | 45.1 | 37.9 |
| Gratuity Provision | 200.7 | 179 | 202.4 |
| Gratuity Payments | 200.4 | 160.7 | 196.1 |

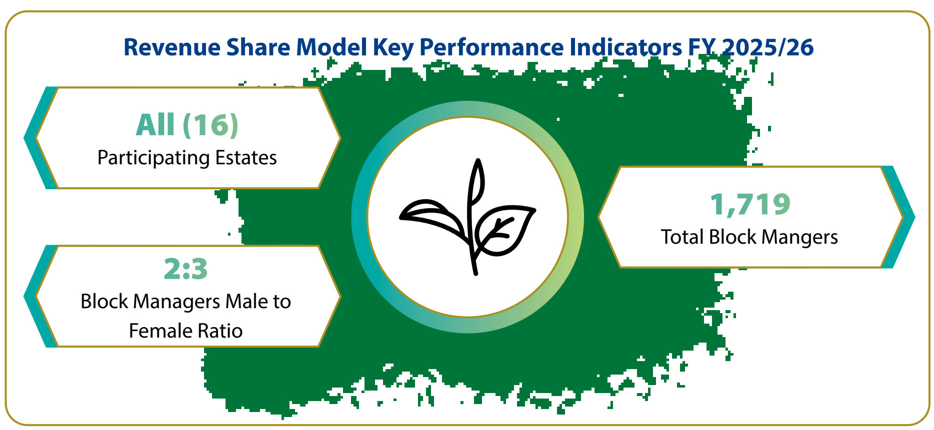
### Living Income and Living Wage

GRI 13.21.1, 13.21.2, 13.21.3

TTE's Revenue Share Model (RSM) represents a definite commitment to enhance the living income of plantation workers. The RSM is a ground breaking initiative that continues to challenge traditional plantation employment norms through the appointment of " Block Managers" responsible for the cultivation and harvesting of tea. The model provides the autonomy for "Block Managers" to directly influence their earnings based on effort and performance, while additional performance-based recognition programmes, including "Best Harvester" awards, further support income enhancement and employee motivation.

TTE's estate workforce was covered by collective bargaining on wage terms. Using the Anker methodology, RA-aligned wage matrix and IDH Living Wage Roadmap, TTE confirmed that 100% of male and female employees were paid at or above the applicable living wage benchmark. Progress is monitored through annual wage matrix updates, RA tools, supplier certifications and internal audits, with no Company-controlled non-employee workers engaged.

Living income considerations are fully integrated into TTE's broader business model to reflect the true cost of sustainable tea production through the commitment to inclusive fair worker compensation.



## Employee Benefits Coverage – 2025/26

GRI 401 -2, 401 -3

Supporting employees and their families through category-specific benefits.

| Benefit | Estate Manager | Estate Executive | Estate Staff | Estate Manual | Corporate Manager | Corporate Executive | Corporate Staff |
|---|---|---|---|---|---|---|---|
| Housing with electricity and water | ✓ | – | – | – | – | – | – |
| Living quarters with electricity and water | – | – | ✓ | – | – | – | – |
| Line rooms with electricity and water | – | – | – | ✓ | – | – | – |
| Employee medical insurance – OPD, spectacles and hospitalisation | ✓ | ✓ | ✓ | – | ✓ | ✓ | ✓ |
| Immediate family medical insurance – OPD, spectacles and hospitalisation | ✓ | ✓ | ✓ | – | ✓ | ✓ | ✓ |
| Free prescription drugs | – | – | – | ✓ | – | – | – |
| Medical facilities and free medical clinics | – | – | – | ✓ | – | – | – |
| Maternity benefits and child care facilities | – | – | – | ✓ | – | – | – |
| Mid-day meal nutrition programme | – | – | – | ✓ | – | – | – |
| Milk and wheat flour for children | – | – | – | ✓ | – | – | – |
| Scholarships for children | – | – | – | ✓ | – | – | – |
| Death donations | – | – | – | ✓ | – | – | – |

**Legend:** ✓ Applicable – Not Applicable

Benefits are provided based on employee category, residential status, operational role level and applicable company policy.

GRI 401-3

| | FY 2025/26 | FY 2024/25 | FY 2023/24 |
|---|---|---|---|
| **Parental Leave**<br>In compliance with the Shop and Office Employees Act of 1954 and the Wages Board Ordinance Amendment Act, female employees are entitled to 84 days paid maternity leave, post-delivery as well as two hours nursing time for a period of one year after recurring to work.<br><br>Currently, there is no scheme for paternal leave. However, all employees are entitled to statutory leave of 14 annual and 7 days of casual along with 21 medical leave. | | | |
| Total number of employees that were entitled to parental leave | 2503 | 2839 | 2476 |
| Total number of employees that took parental leave | 12 | 39 | 37 |
| Total number of employees that returned to work in the reporting period after parental leave ended | 6 | 13 | 21 |
| Retained after 12-months of return from maternity leave | 5 | 71 | 29 |

**83.3%**
Retention Rate

**50%**
Return to Work Rate

## Employee On-Boarding

GRI 401-1, 13: 13.20.1

As a large-scale plantation sector employer, TTE recognises that systematic and well-structured onboarding is critical to integrating employees effectively and enabling individuals to contribute productively from the outset, thereby minimising early-stage attrition. During the year, a more formal on-boarding framework was introduced comprising programmes tailored for each employee category.

Executive onboarding was enhanced through the introduction of a structured induction programme to convey the Company's strategic priorities, sustainability agenda, operational practices, policy orientation and leadership expectations. Clearly defined mentorship and reporting structures were also established to support smoother integration into estate and regional management teams. Standardised onboarding timelines further enabled executives to transition quickly into their roles and assume responsibilities with minimal disruption.

At the staff level, role-specific induction sessions were introduced combined with HR and administrative briefings and streamlined documentation processes to reduce administrative delays. Another notable initiative was the introduction of buddy systems to promote better employee integration.

Likewise onboarding of manual workforce focused on community-based orientation sessions conducted at the estate level helped familiarise workers with workplace expectations, safety procedures, and operational practices, while dedicated support from HRD and Welfare teams were tasked with ensuring workers received continuous guidance during induction.

# Human Capital

## Performance Management

GRI 404 -3

Performance management is a key component of TTE's Employee Value Proposition as it serves as a key platform for recognising and rewarding employees for their contribution and commitment to the Company's strategic objectives. To that end, TTE follows customised approaches for each employee category.

Performance of Executive level employees is tracked via the cloud-based Oracle HRIS, with quarterly reviews conducted to provide timely feedback and facilitate course correction as needed. All Executive level employees also received a formal annual appraisal based on the Balanced Scorecard methodology to evaluate outcomes, identify development needs, and support career planning. Outcomes from the annual appraisal directly inform decisions on promotions, salary increments, and performance-based rewards, while high-performing individuals are further developed through targeted training, coaching, and mentorship to prepare them for future leadership roles.

For estate staff, performance is managed through a combination of ongoing feedback and structured annual evaluations by Estate Managers and validated by senior leadership. Annual performance discussions also help identify skill gaps and training needs, supporting continuous improvement, while high-performing employees are recognised through additional increments and advancement opportunities beyond those provided under collective agreements.

For manual workforce, performance management is centred on simple and clearly defined criteria such as attendance, output, adherence to safety and quality standards. Productivity is monitored daily against predefined benchmarks, with supervisor-led coaching providing real-time guidance and recognition. A digital weighing system ensures accurate and transparent measurement of output, while the Future Navigator mobile application enables real-time tracking of individual performance. Incentive mechanisms reward employees who exceed targets, reinforcing a culture of productivity and accountability

| Employee Category | % Employees benefiting from the performance appraisals FY 2025/26 | |
|---|---|---|
| | M | F |
| Managerial | 100% | 100% |
| Executives | | |
| Staff | | |
| Manual Grade | | |

## Training and Development

GRI 404 -1, 404 - 2

Employee training remained a key enabler in strengthening a skilled, motivated and future-ready workforce. During the year, training needs for executives and staff were identified through the annual performance appraisal process, functional requirements and emerging business priorities, ensuring that learning interventions were aligned with performance improvement, career progression and organisational capability building.

In 2025/26, executive and staff development focused on priority capability areas such as sustainability and climate readiness, digital and data literacy, leadership communication, strategic decision-making, governance awareness, legal and commercial understanding, diversity and inclusion, and cyber safety. Learning was delivered through internal knowledge-sharing, external professional programmes, conferences, workshops and international exposure visits. These interventions supported employees to respond more effectively to evolving expectations relating to sustainability reporting, digital transformation, regulatory compliance, operational excellence and inclusive leadership.

Training for the estate workforce continued to be coordinated through regional cluster HR units and estate-level HR teams, in consultation with the Corporate HR Department. Estate-level programmes focused on practical capability building and behavioural improvement, including field productivity, attendance improvement, mechanical harvesting skills, health, hygiene, nutrition, reproductive health awareness, waste management, dengue prevention, environmental protection, financial literacy, savings, insurance, household resilience, gender grievance awareness, inclusion and respectful workplace behaviour. These programmes were designed to improve day-to-day work practices while supporting the wellbeing and social resilience of estate employees and their families.

Peer-learning workshops and inter-estate knowledge-sharing initiatives were also conducted to promote best practices and improve consistency across field and factory operations. Overall, TTE's 2025/26 training agenda moved beyond routine skills development towards building a more agile, digitally capable, sustainability-conscious and inclusive workforce, supporting long-term business resilience and responsible plantation management.

SUSTAINABLE DEVELOPMENT GOALS — 4 QUALITY EDUCATION | 8 DECENT WORK AND ECONOMIC GROWTH | 10 REDUCED INEQUALITIES

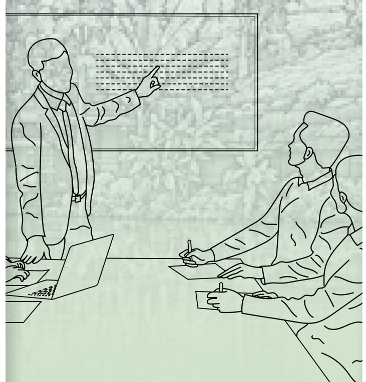
| | |
|---|---|
| TTE PLC Metric | Total Training hours & investment |
| Our 2030 Target | Improve the capacity building investment and beneficiaries by 50% by 2030 |
| Contribution | We invested Rs. 15.6 Mn in FY 2025/26 for leadership development and training across estates, ensuring inclusive access to education and career growth. |
| Related Targets | 7.3 |

## Training Focus Areas – 2025/26

One Learning Agenda, Two Workforce Pathways

### Executive & Staff Development

- **Diversity, Equity & Inclusion (DEI)**
  DEI awareness, male allyship and inclusive workplace practices.
- **Leadership & Communication**
  Speech crafting, strategic thinking, management forums and professional conferences.
- **Digital & Data Capability**
  Data visualization, Power BI, Oracle awareness and digital transformation.
- **Governance, Risk & Compliance**
  PDPA awareness, cyber safety, tax, legal and commercial awareness.
- **Business & Global Exposure**
  Agribusiness innovation, international conferences and Foodex Japan learning exposure.
- **Sustainability & Climate Readiness**
  Carbon markets, climate finance, integrated reporting and sustainability.



### Estate Staff & Manual Grade Development

- **Field Productivity**
  Field productivity, attendance improvement, work discipline and mechanical harvesting skills.
- **Health & Wellbeing**
  Health, hygiene, nutrition and reproductive health awareness.
- **Occupational Safety**
  First aid, fire safety, emergency preparedness and safe work practices.
- **Environmental Awareness**
  Waste management, dengue prevention and environmental protection.
- **Financial Resilience**
  Financial literacy, savings, insurance and household resilience.
- **Inclusion & Workplace Culture**
  Gender grievance awareness, inclusion and respectful workplace behaviour.

Training needs are identified through appraisal outcomes, operational priorities, estate-level requirements and emerging business expectations to ensure learning drives performance, wellbeing and long-term value.

**Person Head Count Trained**

| Employee Category | FY 2025/26 | | | FY 2024/25 | | | FY 2023/24 | | |
|---|---|---|---|---|---|---|---|---|---|
| | M | F | Total | M | F | Total | M | F | Total |
| Managerial | 1,049 | 64 | 1,113 | 246 | 33 | 279 | 416 | 66 | 482 |
| Executives | 38 | 60 | 98 | 10 | 19 | 29 | 26 | 9 | 35 |
| Staff | 561 | 1,142 | 1,703 | 552 | 984 | 1,536 | 955 | 1,774 | 2,729 |
| Manual Grade | 2,180 | 8,518 | 10,698 | 3,697 | 7,550 | 11,247 | 3,163 | 10,760 | 13,923 |
| | 3,828 | 9,784 | 13,612 | 4,505 | 8,586 | 13,091 | 4,560 | 12,609 | 17,169 |

**Average Training Hours**

| Employee Category | FY 2025/26 | | | FY 2024/25 | | | FY 2023/24 | | |
|---|---|---|---|---|---|---|---|---|---|
| | M | F | Total | M | F | Total | M | F | Total |
| Managerial | 3.87 | 7.19 | 4.06 | 4.50 | 5.33 | 4.60 | 4.45 | 5.50 | 4.59 |
| Executives | 5.79 | 4.03 | 4.71 | 2.00 | 1.84 | 1.90 | 9.81 | 6.67 | 9.00 |
| Staff | 5.02 | 4.26 | 4.51 | 3.34 | 3.77 | 3.61 | 2.64 | 2.56 | 2.59 |
| Manual Grade | 1.99 | 1.47 | 1.57 | 1.97 | 1.43 | 1.61 | 2.25 | 2.03 | 2.08 |

# Human Capital

## Training Impact Dashboard – 2025/26

Learning investment, participation and capability-building indicators.

**29,497**
Total Training Hours
FY 2025/26

**13,612**
Total Trained Person Head Count FY 2025/26

**2.16**
Average Training Hours per Person Head Count
FY 2025/26

**Rs. 15.6 Mn**
Training Investment
FY 2025/26

*Awareness programme on Employee Engagement and RSM*

*Training Workshop on Employee Relations & Productivity*

*Agriculture Training for the Field Staff at Tea Research Institute*

*Training on the Structure of Labor-Management Negotiations and Consultations in Japan*


*Hayleys Speechcrafter Programme*

*Critical thinking for strategic decision making - overseas training*

## Career Growth

GRI 404-2, 404-3

At TTE, career growth is supported through development pathways that align with both individual potential and organisational priorities. For executives, the combination of annual performance evaluations and succession planning identifies high-potential leaders for future managerial and critical leadership roles. Similarly, annual appraisals and skill assessments determine promotion readiness of staff, while among Manual Workforce, skill mapping and job role tracking highlight experienced individuals who can assume supervisory or specialised responsibilities.

Identified successors and high performers benefit from specialised developmental training, on-the-job training and exposure & cross-functional assignments guided by coaching, and mentorship from senior managers or supervisors to build leadership readiness and exposure for career growth. TTE also provides scholarships, and course fee reimbursements for Executives to pursue recognised professional and vocational qualifications that will enable them to further complement their career ambitions.

### Promotions Granted

| Employee Category | 2025/26 | | 2024/25 | | 2023/24 | |
|---|---|---|---|---|---|---|
| | Men | Women | Men | Women | Men | Women |
| **Executive** | 7 | 0 | 13 | 2 | 18 | 4 |
| **Staff** | 11 | 3 | 7 | 3 | 10 | 1 |

# Employee Recognition

## Estate Excellence Recognition - Staff Awards

Estate staff performance is evaluated through estate-level reviews, with formal assessments conducted annually by the CEO and Director Plantations. On 28th July 2025, TTE recognised top performers in Field, Factory, Office, HR, and Support & Maintenance with Gold, Silver, and Bronze awards at Prince Hall, Hatton, reinforcing a culture of excellence, accountability, and healthy competition.


## Great Division to Work Audits & Staff Symposium

TTE conducted the Great Division to Work programme for the second time to assess employee engagement, discipline, teamwork, welfare, and workplace experience. Top-performing estates included Calsay, Clarendon, Dessford, Great Western, Holyrood, Indola, Kiruwanaganga, Logie, Mattakelle, Radella, Somerset, and Wattegodde. The initiative promotes continuous improvement in facilities, engagement, teamwork, and leadership, supporting TTE's goal of a motivated, high-performing workforce.

## Leadership Recognition by Plantation Human Development Trust

During the year, TTE senior leaders were recognised by the Plantation Human Development Trust (PHDT) for their contribution to employee and community wellbeing. Our Deputy General Manager – Human Resources, received the "Champion of Care" Award for her dedication, compassion, and impact on staff and community welfare. Our, Director Plantations – Up Country, received the "Pulse of the Organization" Award for his teamwork, support, and commitment.These awards reflect TTE's continued focus on care, collaboration, and accountability in strengthening sustainable plantation communities.

## Honouring our Field Champions - Manual Grade Employees

Manual employee productivity is monitored daily against targets for green leaf plucking and field operations, with employees exceeding targets recognised and incentivised. TTE uses a daily operation monitoring system and the Future Navigator mobile app for real-time tracking and transparent performance assessment. Exceptional productivity and consistency are acknowledged, reinforcing a culture of motivation and excellence. Best Tea Harvesters at each estate are recognised monthly with certificates personally signed by the Managing Director and a gift pack.


# Human Capital

## Safety and Wellbeing

GRI 403-1, 2, 3, 4, 5, 6, 7, 8, 9, 10 | 13.19.1,13.19.2, 13.19.3, 13.19.4 13.19.5, 13.19.6, 13.19.8, 13.19.9,13.19.10, 13.19.11, SASB FB-AG-320a.1

### Occupational Health and Safety

Given the nature of TTE's plantation operations, employees may be exposed to a range of occupational health and safety risks, including physical strain from manual employees, exposure to agrochemicals, use of machinery and tools, and environmental factors such as extreme weather conditions and terrain-related hazards.

| Hazard Area | Key Risks | Management Methods |
|---|---|---|
| **Factory Machinery Safety** | Injuries from rotating parts, sharp edges and unsafe machine operation | Machine guarding, safety signage, operator training, authorised operation and safe work procedures. |
| **Physical Work Environment** | Noise, poor illumination and fuel-related risks | Mandatory PPE, illumination improvements, safe fuel handling practices and employee awareness. |
| **Fire and Emergency Safety** | Fire incidents, emergency response delays and unsafe evacuation | Fire extinguishers, fire teams, emergency preparedness plans, fire drills and employee training. |
| **Boiler and Pressure Equipment Safety** | Explosion or equipment failure risks | Statutory inspections, authorised inspection procedures and trained licensed boiler operators. |
| **Chemical and Agrochemical Safety** | Exposure during chemical spraying and agrochemical handling | Mandatory PPE, bathing facilities, health screening, safe chemical handling training and emergency response procedures. |
| **Field-Level Occupational Hazards** | Pest-related risks, chemical exposure and unsafe field conditions | Hazard identification, worker awareness, emergency procedures, PPE provision and location-based risk communication. |

TTE's comprehensive approach to occupational health and safety (OHS) is guided by a formal OHS Policy and an established Safety Manual which creates the ecosystem for ensuring the safety of employees and any third parties present on Company-owned premises. Developed in full compliance with national regulatory requirements, including the Factories Ordinance No. 45 of 1942 and its subsequent amendments, while also aligning with global best practices, the Safety Manual establishes comprehensive procedures for preventive safety measures, risk assessments, hazard identification, and incident investigation protocols for managing workplace risks.

Oversight of implementation of the Safety Manual guidelines is entrusted to dedicated OHS Committees at each estate.

Additionally, all manual workers are covered under workmen's compensation insurance in the event of injury or illness from the workplace, while staff and executives receive health insurance benefits, including accident and surgical cover.

#### Health & Safety Training and Work-Related Injury Indicators – FY 2025/26

**Health and Safety Focus Areas**

- Chemical Safety: Safe handling of chemicals & spraying
- Hazard Control: Hazard identification
- Emergency Care: First aid
- Fire Readiness: Fire fighting & fire drills
- PPE Discipline: Use of personal protective equipment

**Training Coverage**

| 6,111 | 8,672 | 1.4 hrs |
|---|---|---|
| Estate Employees Trained | Training Hours | Average Training Hours per Estate Employee |

**Estate Work-Related Injury Indicators**

| 9.9 Mn | 78 | 7.8 | 79 |
|---|---|---|---|
| Hours Worked | Injuries | Injury Rate | Lost Work Days |

No work-related ill health, no permanent or partial disability, no occupational diseases and no work-related fatalities were reported during the year.

| SUSTAINABLE DEVELOPMENT GOALS | 3 GOOD HEALTH AND WELL-BEING | 8 DECENT WORK AND ECONOMIC GROWTH |
|---|---|---|
| TTE PLC Metric | Percentage of work sites with zero incidents reported | |
| Our 2030 Target | Ensure Zero work-related accidents and injuries by 2030 | |
| Contribution | We support employee wellbeing through healthcare access, awareness programs, and proactive safety measures including hazard prevention and risk assessments. | |
| Related Targets | 3.8 | 3.9 |

## Employee Wellness

Employee wellness programmes focus on holistic wellbeing of TTE's workforce, with significant resources allocated each year towards conducting health camps, mobile medical clinics, and awareness sessions on key health topics including maternal care, child nutrition, sanitation, and disease prevention. In addition, the Company collaborates with regional health authorities and NGOs, to organise special clinics that provide screenings for chronic illnesses such as diabetes, hypertension, and vision impairment. Wellness programmes are coupled with work-life balance initiatives, flexible work arrangements for executives, effective shift and leave management for staff and workload optimisation and social support for manual workers.

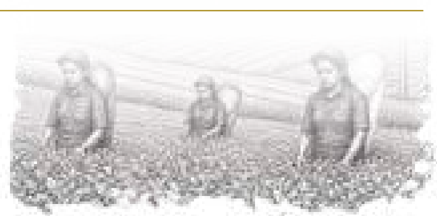
### Trade-offs

**01 With Financial Capital**

Increased investment in employee remuneration, training, and welfare benefits reduces short-term profitability but strengthens workforce productivity and long-term value creation.

**02 With Natural Capital**

Expanding estate operations to sustain employment and livelihoods requires careful land and resource management to minimize environmental impact on ecosystems and biodiversity.



### Future Outlook

**Short Term**

Standardize onboarding frameworks and strengthen grievance tracking systems across all estates to improve early-stage retention, employee satisfaction and HR governance consistency.

**Medium Term**

Expand the Women in Leadership programme, deepen succession planning for executive roles and embed digital HR tools to enhance workforce planning, performance management and skills development.

**Long Term**

Build a future-ready, inclusive and resilient workforce through living wage advancement, comprehensive wellbeing ecosystems and technology-enabled people practices that position TTE as an employer of choice in the plantation sector.

# NATURAL CAPITAL

SDG Index

More Detail - Page 76

**Natural capital remains central to our operations, resilience and long-term value creation. From soil health and water resources to biodiversity and climate stability, these ecosystems form the foundation of our plantation business. At TTE, our Second Curve is shaped by a regenerative approach that moves beyond impact reduction towards restoration, climate-smart agriculture and ecosystem renewal. This section explains how we measure, manage and improve our environmental footprint, while protecting the landscapes that sustain our estates, communities and future growth.**

## WHAT NATURAL CAPITAL MEANS TO TTE PLC

Natural capital represents the soil, water, biodiversity, forests, climate stability and ecosystem services that support our plantation operations. At TTE PLC, these resources form the foundation of crop productivity, estate resilience and long-term value creation.

## WHY NATURAL CAPITAL IMPOTANT TO US

Our tea business depends directly on healthy ecosystems. Soil degradation, water stress, biodiversity loss and climate change can affect yields, quality, costs and community wellbeing. Protecting natural capital helps us reduce risk and strengthen resilience.

## HOW NATURAL CAPITAL SUPPORTS OUR VALUE-CREATION GOALS

Through our Second Curve and regenerative approach, we protect and restore natural capital through soil conservation, reforestation, biodiversity restoration, renewable energy, water stewardship and climate-smart agriculture, supporting efficiency, certification, stakeholder trust and future growth.

## LINK TO TTEL'S STRATEGY

- Winning with the Customer
- Operational Excellence
- Environmental Stewardship & Climate Action
- Business Diversification

## MATERIAL MATTERS

- Climate, Energy & Emission
- Materials & Waste
- Soil and Land
- Water
- Biodiversity & Ecosystems

## CAPITAL PERFORMANCE

| Rs 50.1 Mn | 6,990 Mwh | 474 Kg | Rs. 53.5 Mn |
|---|---|---|---|
| Environment Related Investement | Hydro Power Generated | Waste Recycled | Invested in Renewable Energy |

## MANAGEMENT APPROACH

GRI 3-3 | 13.1.1, 13.7.1, 13.8.1

**As a plantation company, Natural Capital stands as the mainstay of TTEL's business model. Having understood the dynamics of this inherently interdependent relationship very early on, TTEL has progressively sought to transition from conventional sustainability practices towards a more purpose-driven approach to not only minimise the loss of Natural Capital, but actively regenerate nature positive outcomes. Guided by its 2030 ReGen Agenda, the Company now focuses on four interconnected pillars that work in unison to protect, restore, and enhance ecosystems: Climate Action & Net-Zero 2050 Commitment | Circularity & Resource Efficiency | Water Security & Soil Health | Biodiversity Conservation & Ecosystem Restoration.**

## GOVERNANCE

### Strategic Oversight

- Board-level oversight and strategic integration drive long-term value
- Board Audit Committee oversight of climate & natural capital risks
- ESG Steering Committee review of targets & progress.
- ReGen Agenda 2030 and Net Zero 2050 integrated into strategy
- Capital approval for renewable energy & adaptation; quarterly reviews

### Risk & Decision Intelligence

- Integrated risk intelligence informs resilient and adaptive decisions
- Climate, water & biodiversity risk assessments.
- Catchment vulnerability & scenario analysis
- Energy price & transition risk analysis
- Supply chain risk integration into ERM

### Operational Execution

- Strong execution at estate and operational level drives impact
- Estate Environmental Management Committees
- Estate-level energy & water monitoring
- Factory sustainability coordinators & KPI-linked reviews
- ISO-based monitoring systems & climate-linked targets

### Monitoring, Assurance & Reporting

- Robust data, assurance and reporting ensure transparency and trust
- ISO 14064-1 GHG assurance
- SLFRS Sustainability-related Financial Disclosures
- GRI reporting framework & internal data verification
- Independent assurance & monthly KPI dashboards

## KEY OUTCOMES

**5.1%**
Reduction in Carbon Footprint

**88.2%**
Renewable Energy Consumption

## TRADE OFF

Please refer page 211

**How Natural capital interacts with and impacts other capitals in creating balanced value.**

## FUTURE OUTLOOK

Please refer page 211

**Short, medium, and long-term impact driving resilience, performance, and strategic value creation.**

# Natural Capital

*"In a world of change, sustainability is not just a choice; it's the foundation of our future. At Talawakelle Tea Estates, we embed natural capital practices across our operations to safeguard the environment, strengthen ecosystems, and build resilience for the generations ahead."*

At Talawakelle Tea Estates PLC, Natural Capital is central to our sustainable operations. We believe that integrating nature into our business model not only strengthens the environment but also ensures long-term operational success. This section covers our efforts in safeguarding ecosystems and driving responsible resource management.

### We Focus on Five Key Areas

**Climate & Energy**
Climate Change, Energy and Emissions

**Circular Economy**
Materials, Waste and Circular Resource Management

**Agriculture & Soil**
Sustainable Agriculture, Soil Health and Agrochemical Management

**Water Management**
Water Stewardship & Risk Assessment

**Biodiversity**
Biodiversity, Ecosystems and Land Stewardship

## 1. Climate Change, Energy and Emissions

### Transition Plan for Climate Change Mitigation

GRI 102-1

| 42% | 90% | 88.2% | LKR 35.9 Mn | 5,127 $tCO_2e$ |
|---|---|---|---|---|
| Scope 1 & 2 reduction target by 2030 | Full value-chain GHG reduction by 2050 – Net Zero pathway | Renewable energy share to total energy mix FY 2025/26 | Investment for Solar Capacity Expansion FY2025/26 | Emission Saving |
| SBTi Validated | 1.5°C Aligned | Target 95% by 2030 | Board Approved | Using Renewable Energy Generation |

TTE's transition plan aligns with the 1.5°C pathway, informed by SBTi Net-Zero and climate scenario analysis. Detailed disclosures are provided in the SLFRS Sustainability-related Financial Disclosures section; this page offers a cross-reference overview.

covers the requirements of GRI 102-1. It describes our transition plan, including decarbonisation of estates, factories, and energy systems, with key actions such as renewable energy expansion, efficiency improvements, EV pilots, and regenerative agriculture (Notes 8 and 9). The report details our 1.5°C alignment and scenario methodology aligned with the SBTi Net-Zero framework (Notes 9 and 11), as well as implementation expenditure of Rs. 89.01 Mn for climate-related projects (Notes 13.2.3). Governance and integration of climate considerations in strategy, investments, and risk management are described (Notes 6, 9, and 12), along with targets and progress on GHG reduction, fossil fuel phase-down, and renewable energy (Note 13). Finally, the report addresses just transition, biodiversity impacts, and public policy engagement, including community and livelihood programmes (Notes 7, 9, and 13).

| SUSTAINABLE DEVELOPMENT GOALS | 13 CLIMATE ACTION | 7 AFFORDABLE AND CLEAN ENERGY | 6 CLEAN WATER AND SANITATION |
|---|---|---|---|
| TTE PLC Metric | GHG emission within our organization boundary | | |
| Our 2030 Target | Achieving net-zero greenhouse gas emissions by 2050. | | |
| Contribution | 15.25% reduction of total GHG emission compared to base year | | |
| Related Targets | 13.1 | 13.2 | |

## Climate Adaptation and Resilience

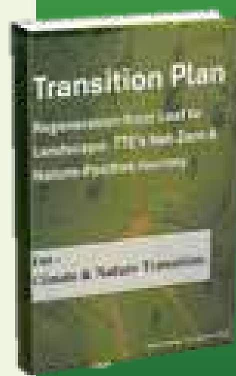
GRI 102-2

TTE's climate adaptation and resilience strategy addresses physical and transition risks across estates, factories, water systems, biodiversity, communities, and the value chain. Key actions include climate-smart agriculture, drainage improvements, water stewardship, ecosystem restoration, infrastructure upgrades, and low-carbon operations, supported by governance, capital planning, scenario analysis, targets, and annual performance monitoring. Detailed disclosures on climate risks, assumptions, metrics, targets, financial effects, and resilience planning are available in the SLFRS Sustainability-Related Financial Disclosures section.

## Just Transition for Climate Adaptation

GRI 102-3

TTE's Just Transition Plan ensures that the benefits of its climate & nature transition are shared fairly among workers, suppliers & communities. Built on five pillars worker rights, smallholder support, community resilience, inclusive governance & sector leadership the Plan aligns with ILO Just Transition Guidelines and FPIC principles, ensuring no stakeholder is left behind as TTE advances its Net Zero, Nature Positive & Net Positive Water commitments. Covering around 50,000 people, it aims to support over 500 smallholders by 2027 & includes the rollout of the "WeCare 360" grievance mechanism across estates to strengthen confidential feedback & resolution channels.




Our transition plan have explained more how we mitigate, adapt and resilience nature

Scan me to download

### Climate Change & the Tea Industry

Tea is one of the world's most climate-sensitive crops, grown within narrow temperature, elevation, and rainfall ranges that are now shifting faster than ever.

### Physical & Agronomic Impacts

- Rising heat and erratic rainfall affect crop cycles, yield, leaf quality, flavor, and plucking rhythms.
- 20–35% projected yield decline in Sri Lanka's high-grown teas by 2050
- Source: TRI Climate Vulnerability Assessment, 2022

### Economic & Transition Effects

Lower yields, floods, landslides, and road damage increase costs and reduce revenue. Export markets also demand GHG data, traceability, certifications, and biodiversity compliance.

### Social & Community Dimension

Estate communities face heat, heavy rainfall, floods, and landslides. Climate action protects worker wellbeing, housing, livelihoods, and long-term community stability.

### Resilience Measures

To adapt, TTE has implemented irrigation optimization, shade management, soil and erosion control, infrastructure reinforcement, sensor-based soil moisture monitoring, climate-smart scheduling, and disaster preparedness training. These strengthen both crop resilience and community safety, with detailed strategies reported in the SLFRS Climate Resilience Assessment.

### Managing Our Emissions

GRI 102- 4, 5, 6, 7, 8, 9

We sets and monitors short-, medium-, and long-term GHG reduction targets across Scope 1, Scope 2, and Scope 3 emissions, expressed in $CO_2$-equivalent values and relative to the base year. Biogenic $CO_2$ emissions are not included in these targets. Scope 1 and 2 cover direct emissions from estate operations and purchased electricity, while Scope 3 emissions are calculated in $tCO_2e$. Due to emission factor availability, Scope 3 targets are expressed in $tCO_2e$ based on the best available data for indirect emissions.

The base year for calculation is FY2023, revised from the previous 2019 baseline due to operational expansion, ensuring the emissions baseline reflects current estate boundaries and activities. Recalculations were triggered by changes in operational scale and updated data, replacing previously reported 2019 emissions.

**Base year Emissions (FY2022/23)**

| | |
|---|---|
| Scope 1 | 8,651.90 $tCO_2e$ Emissions |
| Scope 2 | 2,205.03 $tCO_2e$ Emissions |
| Scope 3 | 18,578.99 $tCO_2e$ Emissions |

# Natural Capital

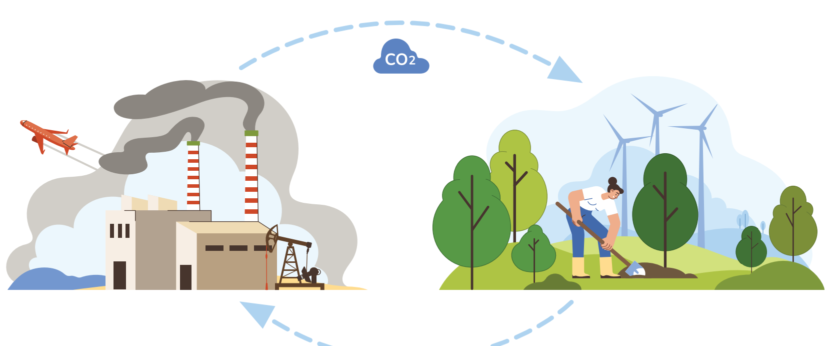
## Current Year Emission Distribution

| Item | 2025/26 | | | | 2024/25 | | | | % of YoY Change |
|---|---|---|---|---|---|---|---|---|---|
| | ($tCO_2$ e) | | | | ($tCO_2$ e) | | | | |
| | $tCO_2$ | $CH_4$ | $N_2O$ | Total | $tCO_2$ | $CH_4$ | $tN_2O$ | Total | |
| **Scope 01** | | | | | | | | | |
| Stationary Fossil Fuel Combustion | 98.99 | 0.37 | 0.19 | 99.55 | 88.96 | 0.30 | 0.15 | 81.41 | 22.28% |
| Stationary Biomass Combustion | | 1,598.26 | 215.47 | 1,813.73 | | 1,499.60 | 202.17 | 1,701.77 | 6.58% |
| Mobile Combustion | 686.79 | 7.97 | 22.73 | 717.50 | 632.68 | 6.56 | 21.89 | 661.13 | 8.52% |
| Fugitive Emissions | - | - | - | 5,843.12 | - | - | - | 6,891.44 | -15.21% |
| **Total Scope 01** | **785.78** | **1,606.60** | **238.39** | **8,473.91** | **721.64** | **1,506.46** | **224.21** | **9,335.75** | **-9.23%** |
| **Scope 02** | | | | | | | | | |
| Indirect emissions from imported electricity | - | - | - | 1,652.39 | - | - | - | 1,702.12 | -2.92% |
| **Total Scope 02** | **-** | **-** | **-** | **1,652.39** | **-** | **-** | **-** | **1,702.12** | **-2.92%** |
| **Scope 03** | | | | | | | | | |
| (Category 1) Purchased goods and services | | | | 6,721.94 | | | | 6,813.80 | -1.35% |
| (Category 2) Capital goods | | | | 234.96 | | | | 415.89 | -43.50% |
| (Category 3) Fuel- and energy-related activities | | | | 478.03 | | | | 569.63 | -16.08% |
| (Category 4) Upstream transportation & distribution | | | | 564.32 | | | | 480.26 | 17.50% |
| (Category 5) Waste generated in operations | | | | 6.29 | | | | 2.00 | 214.50% |
| (Category 6) Business travel | | | | 74.29 | | | | 75.22 | -1.24% |
| (Category 7) Employee commuting | | | | 10.10 | | | | 11.49 | -12.10% |
| (Category 9) Downstream transportation & distribution | | | | 978.76 | | | | 989.50 | -1.09% |
| (Category 10) Processing of sold products | | | | 844.36 | | | | 822.70 | 2.63% |
| (Category 12) End of life treatment of sold products | | | | 4,784.67 | | | | 4,894.02 | -2.23% |
| (Category 13) Downstream leased assets | | | | 124.11 | | | | 179.55 | -30.88% |
| **Total Scope 03** | | | | **14,821.84** | | | | **15,254.06** | **-2.8%** |
| **Total Emission** | | | | **24,949.00** | | | | **26,291.92** | **-5.1%** |
| **Biogenic Emission from Firewood and Briquettes** | | | | **22,099.42** | | | | **20,735.32** | **6.6%** |

TTE covers all emission scopes and subcategories, excluding Scope 3 Categories 8, 11, 14, and 15. Emissions are consolidated via operational control and calculated per the GHG Protocol and ISO 14064-1:2018, using IPCC, national grid, DEFRA, and verified sector factors. FY 2024/25 emissions were restated after adding newly identified activities, and fertilizer-related indirect emissions previously under Scope 3 FLAG are now in Scope 1. Details are in the GHG Emission Calculation Methodology section.

## Our Emission Savings from Renewable Energy Usage

| Item | 2025/26 | 2024/25 | % of YoY Change |
|---|---|---|---|
| GHG saving from electricity (Hydro)- $tCO_2e$ | 4,531.77 | 5,452.72 | -17% |
| GHG saving from electricity (Solar)- $tCO_2e$ | 594.32 | 405.97 | 46% |
| Total GHG Saving- $tCO_2e$ | 5,126.08 | 5,858.69 | -13% |
| Emission intensity of per Kg of tea ($tCO_2e$/Kg) | 0.00439 | 0.00447 | -1.91% |




GREENHOUSE GAS VERIFICATION OPINION

Sri Lanka Climate Fund (Pvt) Ltd

Ministry of Environment

Organization Level GHG statement developed by

**Talawakelle Tea Estates PLC**

**No. 400, Deans Road, Colombo 10, Sri Lanka**

complying with the requirements of ISO 14064-1:2018 has been verified in accordance with the specification of ISO 14064-3:2019 with reasonable level of assurance *

Opinion No : SLCF/CFP/0542

Date of Issue : 04.05.2026

Period of Assessment : 01.04.2025 – 31.03.2026

Selected Boundary : Operationally controlled business operations of Talawakelle Tea Estates PLC (Head Office and 16 Tea Estates)

Direct GHG Emissions : 8,474 tonnes of $CO_2$ equivalent

Indirect GHG Emissions : 16,475 tonnes of $CO_2$ equivalent

**Total GHG Emissions : 24,949 tonnes of $CO_2$ equivalent**

****Scope 1** Direct GHG Emissions : 8,474 tonnes of $CO_2$ equivalent

**Scope 2** Electricity Indirect GHG Emissions : 1,653 tonnes of $CO_2$ equivalent

**Scope 3** Other Indirect GHG Emissions : 14,822 tonnes of $CO_2$ equivalent

SLAB ACCREDITED

ISO/IEC 17029 and ISO 14066

VVB 001-01

Chairman
Sri Lanka Climate Fund (Pvt) Ltd

Chief Executive Officer
Sri Lanka Climate Fund (Pvt) Ltd

**Validity period of the certificate**: 04.05.2026 – 30.06.2027

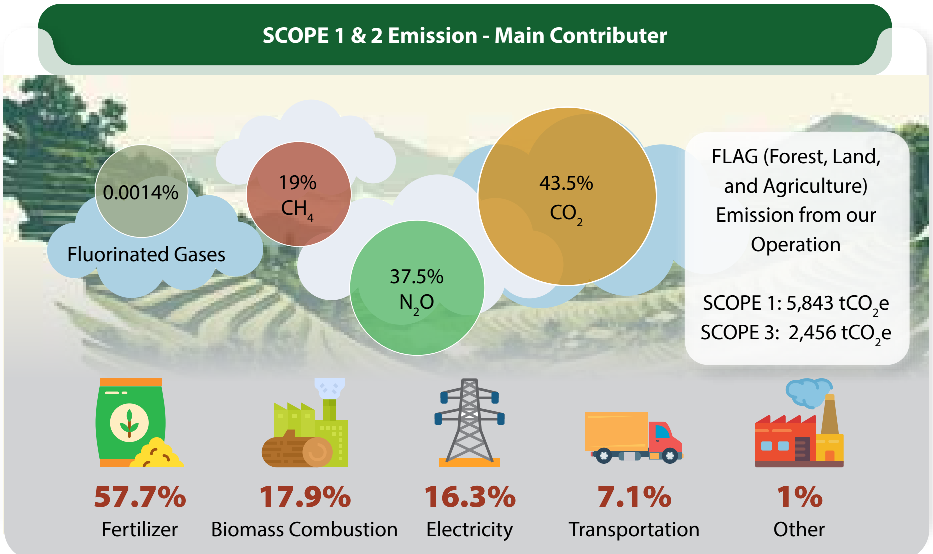
**Exclusions**: GHG emissions from Land use change

*Materiality threshold is below 5%, The reported GHG emissions are rounded up to the nearest highest value.

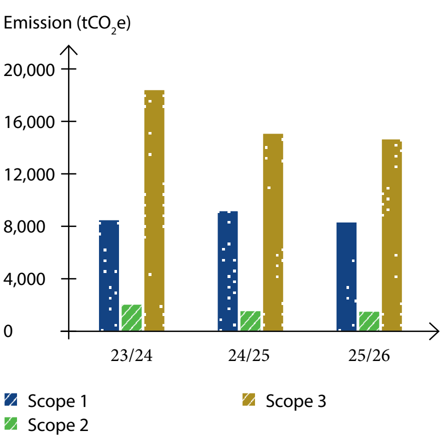
**GHG emissions have been reported in accordance with GHG Protocol

*Certified ISO 14064-1:2018 for GHG Inventory preparation & management by Sri Lanka Climate Fund.*

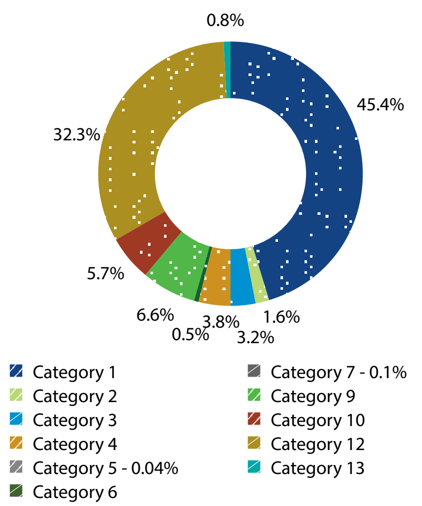
## Emission at a Glance




### GHG Emission (3 Year Trend)




### 2025/26 Scope 3 emission ditribuition ($tCO_2e$)




## Carbon Credit - Creating Value , Reducing Impact

GRI 102-10 , 13.1.10

Talawakelle Tea Estates PLC has implemented a rooftop solar PV project across multiple estates to support its renewable energy and climate action goals, significantly reducing greenhouse gas emissions. The solar systems are grid-connected and monitored using the Combined Margin $CO_2$ factor from SLESA under AMS-I.D v18, with verified emission reductions of 775 $tCO_2e$ to date. These systems are permanently installed and tracked under the SLCCS Track II registry, with calibrated meters verified by the Sri Lanka Climate Fund, ensuring long-term sustainability and accurate emission accounting. The project also engages stakeholders to encourage clean energy adoption, minimize environmental impact, and support biodiversity, while community engagement and careful rooftop utilization reduce social and land-use trade-offs. Overall, the initiative contributes to energy transition, climate resilience, and the creation of sustainable value for stakeholders.


Scan QR for find more details about the project

## Managing Other Air Pollutants

GRI 305- 6, 7

Beyond GHG emissions, TTE manages air pollutants from manufacturing, estate operations, transport, and community activities. Operations do not release significant ozone-depleting substances, and NOx, SOx, and other regulated emissions are minimal, monitored through cleaner energy, operational controls, and ISO 14001.

Ozone-Depleting Substances (ODS): Refrigeration and air-conditioning equipment are the only potential sources, managed via maintenance, responsible servicing, and compliance controls to minimize leakage.

### Key Actions to Reduce Non-GHG Emissions

1. Biomass Boiler Management – Efficient combustion reduces smoke emissions and meets stack standards.
2. Air Quality Monitoring – ISO 14001-based monitoring ensures compliance and identifies abnormal emissions.
3. Waste Management – Open burning is prevented; waste is segregated, composted, or disposed of responsibly.
4. Cleaner Energy Transition – Use of mini-hydro, solar, and biomass reduces fossil fuel use and lowers NOx, SOx, and particulates.
5. Low-VOC Green Building – Kiruwanaganga Factory uses low-VOC paints and responsible materials to minimize indoor pollutants.

# Natural Capital

## GHG Removals in our Value Chain

Our Scope 1 removals focus on biomass and soil-based carbon storage, driven by responsible forestry management and biomass systems across estates. The biogenic $CO_2$ storage from biomass and land use is carefully tracked and monitored.

GHG removals action in our operation

- Maintain existing trees and prevent deforestation or pruning that reduces carbon stock.
- Apply compost and biochar to enrich soil organic carbon.
- Maintain cover crops to reduce erosion, retain moisture, and increase soil carbon storage.
- Afforestation/reforestation on marginal lands or underutilized areas.
- Capture organic residues from manufacturing and processing for soil application.

## Impact on People & Environment

These forestry and bioenergy initiatives have multiple positive outcomes: they enhance soil health and support sustainable land management, create employment opportunities for local communities in forestry management and bioenergy harvesting, and contribute to biodiversity protection through habitat restoration linked to forestry projects.

SBTi
NET ZERO
FY 2025

**TTE commits to net-zero greenhouse gas emissions across its full value chain by FY2050 validated by the Science Based Targets initiative.**
During FY2025/26, Talawakelle Tea Estates PLC strengthened its climate commitments by aligning its GHG reduction pathway with the SBTi Corporate Net-Zero Standard, including FLAG sector guidance. The commitment covers Scope 1, 2, and 3 emissions across operations, purchased energy, and the value chain, with near-term targets to 2030 and long-term targets to 2050.

## Net Zero Pathway

| 2019 | FY2023 | Dec 2025 | FY2030 | FY2050 |
|---|---|---|---|---|
| Prior Base Year | Current Base Year | No Deforestation | Near-term Targets | Net Zero Achieved |

## Near-Term Targets – FY2030 from FY2023 Base Year

| 2030 NEAR TERM From FY2023 Base Year | Scope 1 & 2: | Scope 3: | FLAG – Scope 1 & 3: |
|---|---|---|---|
| | **42%** Absolute reduction in direct and electricity-related GHG emissions | **42%** Reduction in value chain emissions, including purchased goods & logistics | **30.3%** Land-sector emissions from fertilizer use, soil carbon, and forest-linked activities |

## Long-Term Targets – FY2050 From FY2023 Base Year

| 2030 NEAR TERM From FY2023 Base Year | Scope 1 & 2: | Scope 3: | FLAG – Scope 1 & 3: |
|---|---|---|---|
| | **90%** Absolute reduction in direct and electricity GHG emissions | **90%** Reduction in value chain emissions – residual neutralized with high-integrity removals | **72%** Land-sector GHG reduction across agricultural and forest-related emission sources |

## Energy Management

GRI 103-1, 2, 3, 4, 5

TTE's energy management strategy is anchored in our Energy Management Policy and operationalized through the ISO 50001:2018 Energy Management System across key factories and estates. Our approach focuses on reducing consumption, improving efficiency, and transitioning to renewables.

TTE's operations generate positive impacts across the environment, economy, and communities. Reduced fossil-fuel use lowers the carbon footprint, with biomass managed on 749 ha using mixed forestry to protect soil and native flora, while biodiversity corridors near catchments buffer erosion and landslides. Self-generated renewables, including a solar investment of LKR 35.9 Mn this year, strengthen energy security across 16 estates and provide a hedge against grid price volatility. Electrification and renewable transition mitigate air pollution risks for workers and communities, and the energy strategy integrates indigenous knowledge to enhance community resilience.

### The Energy Transition Staircase

TTE's structured energy hierarchy each step built on the last, climbing from conservation to net zero. Replace the traditional pyramid with an ascending commitment pathway.

**5 Net Zero 2050**
Continuously track emissions, offset residuals, and follow the SBTi-validated pathway.

**4 Hydro & Solar**
Mini-hydro plants and rooftop solar PV panels supply clean electricity to estates.

**3 Biomass Thermal**
Sustainably sourced fuelwood is used in boilers for steam generation and tea drying.

**2 Improve Efficiency**
Install VFD motors, schedule off-peak operations, and recover heat from processes for reuse.

**1 Eliminate Waste**
We monitor operations daily, optimize resource use, and enforce equipment shutdown protocols.

### Major Energy Initiatives • 2025/26

At Mattakelle Estate Factory, in collaboration with the Tea Research Institute, we are piloting the installation of Variable Frequency Drives (VFDs). As a trial, two VFDs have been installed in the factory.

VFDs adjust motor speeds to match actual load instead of running at full power, reducing electricity use, lowering machinery wear, and improving efficiency. The pilot at Mattakelle Estate monitors energy savings and production performance, with potential to expand to other factories.

### Energy Consumption by Source

| Energy consumption by scope | 2025/26 | % Share | 2024/25 | % Share | % Change |
|---|---|---|---|---|---|
| **Within the organization (Gj)** | | | | | |
| **Renewable Energy** | | | | | |
| Biomass | 197,318.80 | 85.45% | 185,137.00 | 84.7% | 6.6% |
| **Non Renewable** | | | | | |
| Diesel | 7,019.56 | 3.0% | 6,686.53 | 3.1% | 5.0% |
| Petrol | 3,256.58 | 1.4% | 2,884.23 | 1.3% | 12.9% |
| Grid Electricity usage | 14,255.38 | 6.2% | 14,684.00 | 6.7% | -2.9% |
| Self generated consumption (Hydro) | 6,469.42 | 2.80% | 6,274.00 | 2.9% | 3.1% |
| Total Energy consumed within the organization (1) | 228,319.74 | 98.9% | 215,666.00 | 98.7% | 5.9% |
| **Outside the organization (Gj)** | | | | | |
| Fuel usage for Transport | 2,596.37 | 1.1% | 2,810.42 | 1.3% | -7.6% |
| Energy consumed outside the organization (2) | 2,596.37 | 1.1% | 2,810.42 | 1.3% | -7.6% |
| Total energy consumed (1+2) | 230,916.11 | | 218,476.42 | | 5.7% |
| Made tea output (Kilograms) | 5,687,083 | | 5,878,994 | - | -3.3% |
| AVG energy consumed per unit of made tea inside the organisation (GJ/KG) | 0.04015 | | 0.03668 | - | 9.4% |
| AVG energy consumed per unit of made tea outside the organisation (GJ/KG) | 0.00046 | | 0.00048 | - | -4.5% |

# Natural Capital

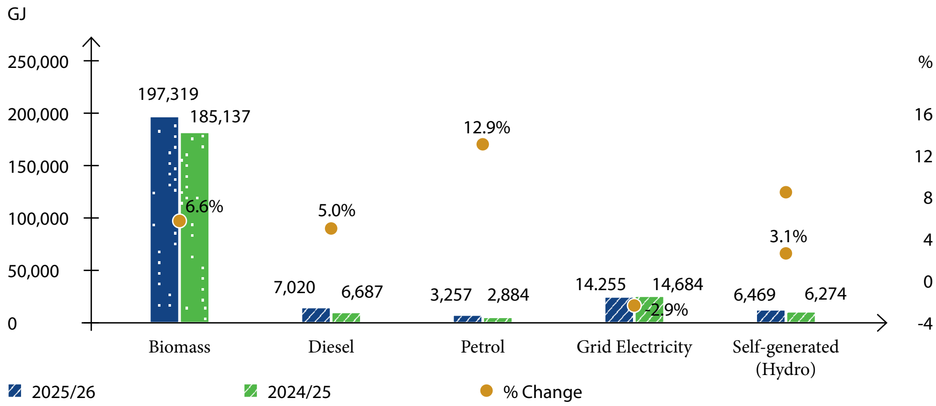
### Energy Reduction and Standards, Methodologies & Calculation Tools

During FY 2025/26, TTE strengthened energy management across its operations. Although total energy consumption increased by 5.7%, renewable energy use, including biomass, increased significantly, while grid electricity consumption declined by 2.92%. These improvements were driven by energy efficiency initiatives such as IE3 motor upgrades, VFD installation on dryer fans, heat recovery in tea drying, and off-peak load scheduling, helping reduce overall energy demand.

Energy consumption includes fuel, biomass, diesel, and purchased electricity, while heating from steam systems is accounted for under biomass. Monitoring is based on utility bills, fuel records, and biomass logs, using the IPCC 2006 Guidelines and local fuel density values to ensure consistency. Reported energy use reflects TTE's operational boundary, while transportation energy outside the organization is reported separately. FY 2023/24, with total energy consumption of 213,177.12 GJ, was selected as the baseline year to reflect current operations and infrastructure and to track future progress. Fuel usage outside the organization for FY 2024/25 was restated due to the inclusion of new activity data.

TTE purchases grid electricity from the CEB under standard tariffs and reports all electricity using the location-based method. Self-generated hydro and solar electricity are separately metered. No contractual instruments, such as RECs or PPAs, are used to attribute renewable energy characteristics.

#### Energy Consumption by Source within the Organisation (GJ)




### Renewable Energy as a Driver of Operational Resilience

Our investment in renewable energy is critical to lowering our overall carbon footprint. Over the years, we have expanded our renewable energy portfolio through mini-hydro, biomass and rooftop solar, with the aim of improving energy self-sufficiency. As at 31 March 2026, these initiatives enabled TTE to meet a significant portion of its annual energy requirement through renewable sources, with clean energy accounting for 88.25% of total energy consumption.

#### Biomass

**85.5%**
of total energy mix

Biomass remains the largest contributor to TTE's renewable energy mix. All TTE factories are equipped with biomass-powered steam systems for tea drying. Fuelwood is mainly sourced from sustainably managed estate fuelwood plots, including allocated hectares and high-grown estates. Eucalyptus spp. accounts for most of this area, with the balance under mixed forestry. Briquettes are used where applicable to supplement supply.

#### Solar Energy

**879,924 Kwh**
of total energy generation

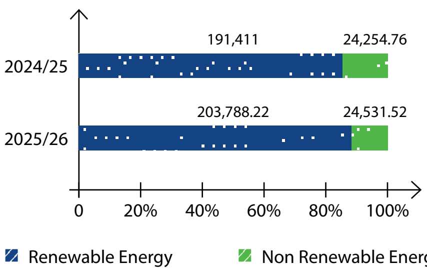
Solar energy generation 15.3% of TTE's total electricity usage mix. To date, TTE has invested LKR 82.6 Mn in rooftop solar systems across selected estates, with a total installed capacity of 899.86 kWp. Our solar installation at Kiruwanaganga Tea Factory demonstrates sustainable design by incorporating energy-efficient systems, natural lighting, recycled materials and green building principles.

#### Hydropower

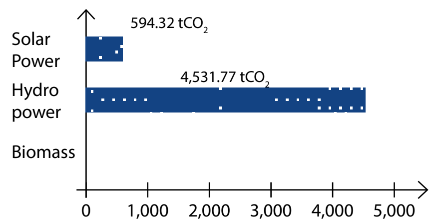
**6,991,310 Kwh**
Hydro Power Generated

Hydropower has served as a reliable renewable energy source for many years, supported by mini-hydro plants that harness natural water flows. Mini-hydro facilities located at Somerset, Radella and Palmerston estates operate within designated hydro-catchment areas and collectively contribute approximately 6.2% to TTE's renewable energy mix

### Share of Renewable vs Non-Renewable Energy (Within the Organization)




### $tCO_2e$ Saving via Renewable Energy Generation




| | 2025/26 | 2024/25 | $tCO_2e$ Saving via Renewable energy generation |
|---|---|---|---|
| Biomass (Gj) | 197,319 | 185,137 | |
| Hydropower (Gj) | 25,169 | 28,783 | 4,531.77 |
| Solar Power (Gj) | 3,145 | 2,064.50 | 594.32 |

## 2. Water Management

GRI 303-1, 2, 3, 4, 5 | 13.7.2, 13.7.3, 13.7.4, 13.7.5, 13.7.6

| 147 | 98.5% | 10.326 ML |
|---|---|---|
| Natural water sources protected across estates | Water discharge quality compliance | Total water withdrawn |

### Interactions with Water as a Shared Resource

GRI 303-1

TTE recognises water as a vital shared resource for estates, communities, and ecosystems, and is committed to responsible stewardship. Water for employee use, cleaning, irrigation, and processing is sourced from surface water and rainwater harvesting, with discharges managed to minimise impacts. Risks are assessed through water footprint analyses, environmental assessments, and stakeholder input, using tools such as WRI Aqueduct and WWF Risk Filter. Management measures include rainwater harvesting, buffer zones, effluent treatment, and efficiency improvements. Stakeholder engagement spans the Great Western PES Project with UNDP and communities, knowledge-sharing with smallholder suppliers, and coordination with government and NGOs. These efforts align with TTE's water policies, the CEO Water Mandate, and the sustainability roadmap, supporting operational resilience and long-term environmental stewardship.

| SUSTAINABLE DEVELOPMENT GOALS | 6 CLEAN WATER AND SANITATION | 12 RESPONSIBLE CONSUMPTION AND PRODUCTION | 15 LIFE ON LAND |
|---|---|---|---|
| TTE Metric | Contribution to Watershed management & Reducing pollutant discharge | | |
| Our 2030 Target | Improve water quality by reducing the discharge of pollutants into water bodies by 100% by 2030 | | |
| Contribution | By investing in treatment facilities and rainwater harvesting, we contribute to ecosystem health and responsible water use | | |
| Related Targets | 6.3 | 6.6 | |

WE SUPPORT

CEO Water Mandate

We follow the UN CEO Water Mandate Principle

### Management of water discharge related impacts

GRI 303-2

TTE ensures responsible management of effluent discharges to safeguard water quality and protect aquatic ecosystems, following international standards and best practices. Minimum effluent quality standards are maintained across all operations, including sites without local discharge requirements. These standards are set using in-house benchmarks aligned with best available practices, sector-specific standards, characteristics of the receiving waterbody, and applicable legal requirements. Effluent quality is monitored regularly, enabling compliance verification and continuous improvement, while potential discharge impacts are mitigated through treatment systems, process controls, and effective housekeeping.

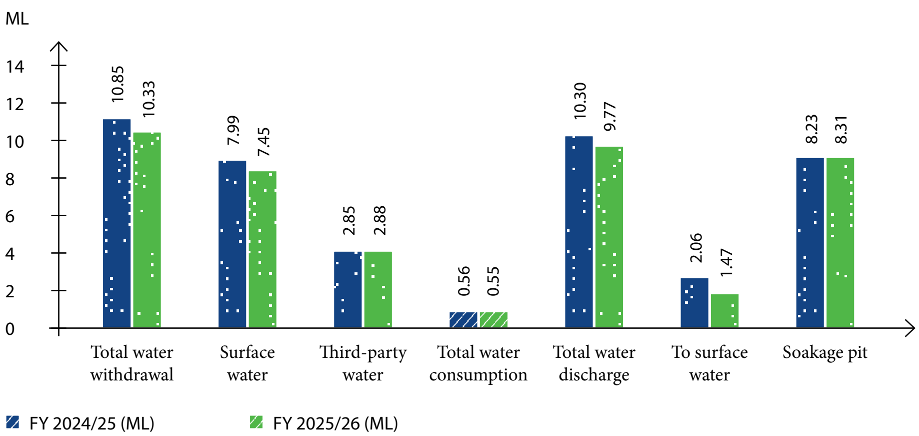
### Water Management Methodology

TTE measures and monitors water usage across all estates and factories under operational control, using estate-level flow meters and factory consumption records. Where meters are not installed, volumetric estimates are calculated based on tank size and fill frequency. All water withdrawn is classified as freshwater , with periodic quality testing to ensure accuracy. Total water consumption is determined by subtracting discharge from withdrawal, following GRI 303-5 guidance. Effluent quality is monitored in accordance with the Sri Lanka National Environmental Act and ISO 14001 EMS protocols, with quarterly reviews to remediate any non-compliance. Data reporting encompasses all 16 estates and 15 factories under TTE's operational control, excluding subsidiary hydro companies.

# Natural Capital

| Metric (Surface Water - Freshwater) | FY 2025/26 | FY 2024/25 | Variance |
|---|---|---|---|
| GRI 303-3 · Water Withdrawal | | | |
| Total water withdrawal (ML) | 10.326 | 10.847 | 4.80% |
| Surface water | 7.449 | 7.998 | 6.86% |
| Third-party water | 2.877 | 2.849 | -0.98% |
| GRI 303-5 · Water Consumption | | | |
| Total water consumption (ML) | 0.552 | 0.555 | 0.5% |
| GRI 303-4 · Water Discharge | | | |
| Total water discharge (ML) | 9.774 | 10.292 | 5.0% |
| To surface water | 1.4661 | 2.0584 | 28.8% |
| soakage pit | 8.308 | 8.2336 | -0.9% |
| Non-compliance discharge incidents | 0 | 0 | |

**Water Metrics Overview - FY 2025/26 vs FY 2024/25**




SBTN · Science Based Targets for Nature | Added FEB 2026

## Sri Lanka's First & Only Company on the SBTN Ambition Board

Talawakelle Tea Estates PLC stands alone among Sri Lankan companies in publicly committing to science-based targets for nature joining 30 pioneering companies globally.

### What this Means

**A landmark commitment to nature, backed by global standards**

TTE has publicly signalled its intent to submit SBTN Step 1 — the materiality screening and value chain assessment — for external validation by June 2026.

This formal public declaration, on SBTN's global Ambition Board, makes TTE the sole Sri Lankan company among 30 international organisations advancing toward science-based targets for nature.

### Tte's Nature Journey

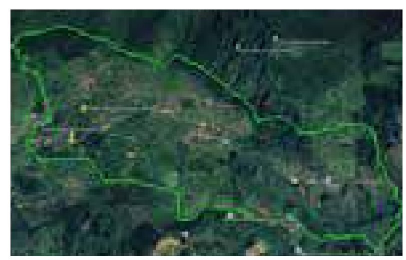
- **Nature-Positive Business Policy (2024)**
  Zero Net Loss by 2030 · Full Recovery by 2050
- **First in Sri Lanka — TNFD adoption**
  First Sri Lankan company to adopt TNFD LEAP
- **World's First — SBTi verification**
  Plantation company globally · Land Scope 3
- **SBTN Ambition Board — Step 1**
  Validation submission target: June 2026

**SBTN Ambition Board — Agricultural Products Sector · Sri Lanka**
Listed alongside 30 global companies stepping up for nature · sbtn.info

Sector: Agricultural products
Only Sri Lankan Company

**Payment for Ecosystem Services (PES) for Watershed Conservation**

Talawakelle Tea Estates PLC (TTE) launched a Payment for Ecosystem Services (PES) initiative at Great Western Estate to strengthen watershed conservation and secure long-term water availability for nearly 250 estate community families. The project focuses on ecosystem restoration, water source protection, erosion control, reduced chemical use near waterways, and biodiversity conservation through nature-based solutions and community participation.The initiative aligns with global and national sustainability frameworks, including the SDGs, Paris Agreement, and Sri Lanka's biodiversity and climate policies.



Technical support and scientific monitoring will be supported through partnerships such as UNDP BIOFIN Sri Lanka to ensure measurable environmental and social outcomes.

BIOFIN
The Biodiversity Finance Initiative

**How We Improve Ground Water Table in Our Estate Level**

Rainwater harvesting helps recharge groundwater by capturing rainfall and allowing it to slowly infiltrate into the soil rather than running off the surface. In Sri Lanka's Central Highlands, which are the source of many major rivers, this process supports sustained base flow and improves water availability downstream. By reducing surface runoff, it also minimizes soil erosion and enhances water retention in catchment areas. Over time, this contributes to higher groundwater levels and greater resilience to dry periods. We have several rainwater harvesting ponds in our estate. We have newly build another rainwater harvesting pond in our Kiruwanagnga estate.

## Water Risk Assessment Overview

Talawakelle Tea Estates periodically evaluates water-related risks across its estate clusters to ensure sustainable water management and protect local ecosystems. The assessment considers both likelihood and severity of potential water stress, using internationally recognised tools including the WRI Aqueduct Water Risk Atlas 3.0 and WWF Water Risk Filter 5.0. Field data, historical hydrology, and estate operational information are integrated to determine vulnerability and prioritize mitigation measures.

The table and map below summarize the results of this assessment for each estate cluster, highlighting key risk levels and guiding our interventions for water conservation, stakeholder engagement, and adaptive management.

| Region | Estate Cluster | District | Primary Risk Driver (WRI Aqueduct/ WWF Filter) | L | S | Score | Risk Level |
|---|---|---|---|---|---|---|---|
| A | Nanu Oya/ Talawakelle | Nuwara Eliya | Seasonal variability & community demand | 3 | 3 | 9 | Medium |
| B | Moragalla | Galle | Dry season flow reduction | 3 | 2 | 6 | Medium |
| C | Deniyaya/ Sinharaja | Matara | High rainfall - low acute stress | 2 | 2 | 4 | Low |
| D | Kiruwanaganga | Matara | Dry season flow reduction | 3 | 3 | 9 | Medium |

| SUSTAINABLE DEVELOPMENT GOALS | 15 LIFE ON LAND | 6 CLEAN WATER AND SANITATION | 13 CLIMATE ACTION |
|---|---|---|---|
| **TTE PLC Metric** | Area (ha) of restored or rehabilitated habitat Number of biodiversity assessments conducted Number of faunal species protected | | |
| **Our 2030 Target** | Achieve a net-positive impact by restoring and protecting 100 hectares of land | | |
| **Contribution** | Completed 67 hectare of forest restoration through Analog Forestry system | | |
| **Related Targets** | 15.1 | 15.5 | 15.9 |

# Natural Capital

## Water Footprint Assessment

### What We Have Done

- Selected representative sample estates from four regions, considering production scale and tea type.
- Completed the first detailed assessment at Bearwell Estate and Factory.
- Conducted a site assessment covering factory processes, cleaning, office use and utilities.
- Installed sub-meters at selected points for accurate measurement.
- Began quantifying green, blue and grey water footprints.

**This initiative Supports the Company to**

TTE focuses on improving water efficiency and minimizing unnecessary usage while identifying operational risks linked to water scarcity and climate change. This approach ensures compliance with the growing expectations of global tea buyers regarding water transparency, supports TNFD and ESG reporting requirements, and establishes a long-term, sustainable water management framework.

### Next Steps

- Expand assessment to selected estates across all regions.
- Improve data accuracy through stronger monitoring and measurement systems.
- Develop estate-level water profiles to identify high water-use areas.
- Introduce water efficiency measures based on findings.
- Integrate results into sustainability reporting and decision-making.

## 3. Materials, Waste and Circular Resource Management

### Material Consumption

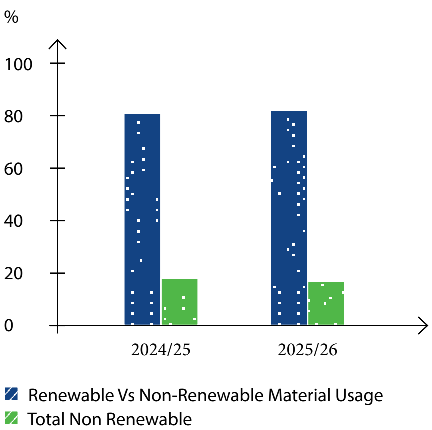
GRI 301-1, 2, 3

| 80% | 20% | 700t | 0.474 MT |
|---|---|---|---|
| Renewable Materials 2025/26 | Non-Renewable Materials 2025/26 | Compost Generation via bio degradable waste | Waste Recycled |

Green leaf constitutes over 80% of total input a renewable agricultural resource. Non renewables (fertilizers, agrochemicals, dolomite) account for the remaining 20%. Recycled Input Materials: TTE currently does not integrate recycled materials into its production process . Currently, recycled materials are not integrated into our production process. As an export-focused operation, reclaiming and reusing packaging materials is not practical. However, we utilize recyclable paper sacks and prefer suppliers who provide sustainable, low-footprint packaging solutions.

| Material Input | 2025/26 (t) | % Share | 2024/25 (t) | % Share |
|---|---|---|---|---|
| **Factory Operations** | | | | |
| Green Leaf (raw material) | 19,948.00 | 79.63% | 20,213.00 | 80.69% |
| Packing material | 83.00 | 0.33% | 83.00 | 0.33% |
| **Total Renewable** | **20,031.00** | **79.96%** | **20,296.00** | **81.02%** |
| **Field Operations** | | | | |
| Fertilizer (without dolomite) | 3,134.95 | 12.51% | 3,624.00 | 14.47% |
| Agrochemicals | 12.06 | 0.05% | 11.80 | 0.05% |
| Dolomite | 1,873.00 | 7.48% | 1,634.00 | 6.52% |
| **Total Non-Renewable** | **5,020.01** | **20.04%** | **5,269.80** | **21.04%** |

Renewable Vs Non-Renewable Material Usage




## Waste Management

GRI 306-1, 2, 3, 4, 5 | 13.8.2, 13.8.3, 13.8.4, 13.8.5, 13.8.6

### Waste Generation & Significant Impacts

TTE's waste management is governed by circular economy principles and industrial symbiosis concept. Significant waste streams arise from estate households (biodegradable/non-biodegradable), tea processing (refuse tea), agrochemical containers, and e-waste. Organic waste is composted or converted to biogas; refuse tea becomes value-added products; agricultural waste is briquetted as biomass fuel.

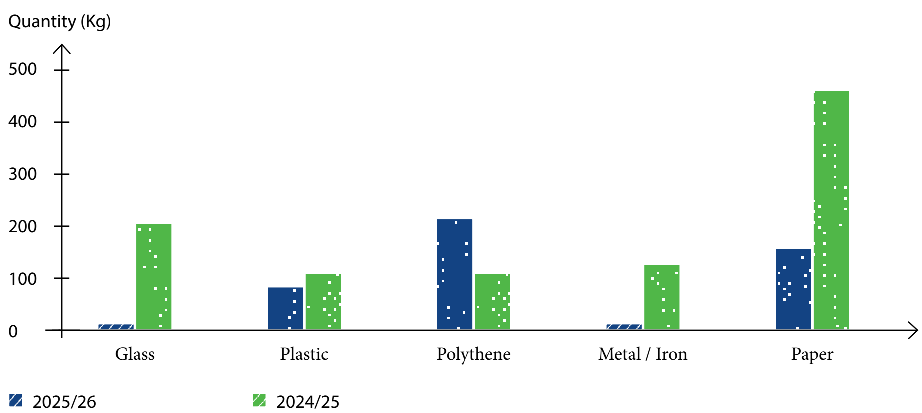
### Management of Significant Impacts

Non-biodegradable waste is collected, segregated and channelled through recycling. Empty agrochemical containers are returned to suppliers. Hazardous e-waste is stored on-site and disposed through a CEA-authorized company. A biogas project at Dessford Estate converts food and garden waste to renewable energy. In partnership with local authorities and estate residents segregate biodegradable and non-biodegradable waste weekly under guidance from Public Health Inspectors and Environmental Officers. Waste data is collected via estate-level manual records and waste transfer documentation from contracted collectors serve as primary data sources, validated annually during integrated reporting.

| Waste Stream | Category | Disposal Method | 25/26 (kg) | 24/25 (kg) |
|---|---|---|---|---|
| **Waste Diverted From Disposal** | | | | |
| Biodegradable mix waste | Non-Hazardous | Composting (on-site) | 700,367 | 222,200 |
| Glass | Non-Hazardous | Recycling (off-site) | 8 | 206 |
| Plastic | Non-Hazardous | Recycling (off-site) | 85 | 111 |
| Polythene | Non-Hazardous | Recycling (off-site) | 215 | 111 |
| Metal / Iron | Non-Hazardous | Recycling (off-site) | 7.5 | 128 |
| Paper | Non-Hazardous | Recycling (off-site) | 158 | 459 |
| Total Recycling | Non-Hazardous | Off-site recyclers | 473.5 | 1,015 |
| E-waste | Hazardous | On-site storage → CEA-authorized disposal | 123 | 91 |
| Used bulbs | Hazardous | On-site storage → CEA-authorized disposal | 2 | 76 |
| Total On-site Hazardous Storage | Hazardous | CEA-authorized company (off-site disposal) | 125 | 167 |
| **Waste Directed To Disposal** | | | | |
| Non-hazardous mix waste | Non-Hazardous | Authorized Landfill | 0 | 222,200 |
| **Total Waste Generated** | | | **700,966** | **223,382** |

Due to the small quantity generated, this is tracked in kilograms rather than metric tonnes.

Waste Recycling by Waste Type



# Natural Capital

**Waste Management Within Estate and collaboration with local authorities**

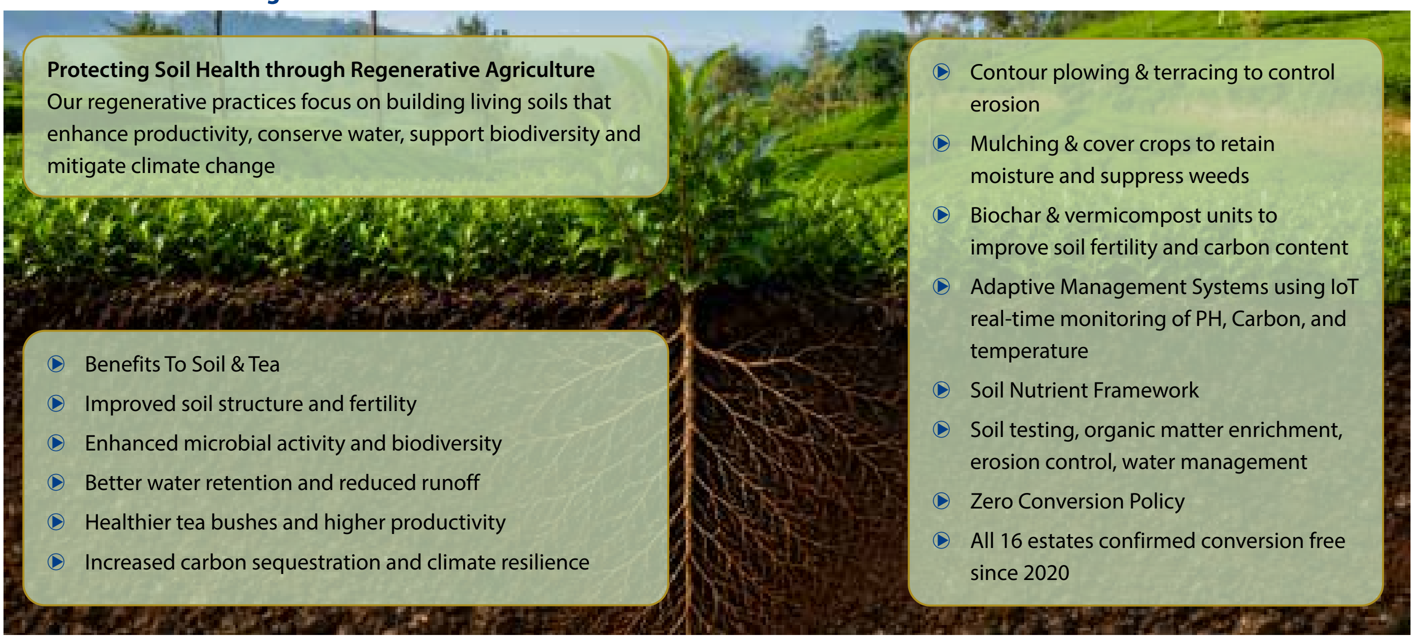
Talawakelle Tea Estates PLC, in partnership with the Nanu Oya Pradeshiya Sabha, has implemented a structured waste segregation initiative across its estates. The program goes beyond awareness by introducing a practical system where estate residents separate and hand over biodegradable and non-biodegradable waste every Friday, guided by Public Health Inspectors and Environmental Officers.

This initiative benefits the estates by reducing waste management costs, improving sanitation, and maintaining cleaner operational areas. For the community, it promotes responsible waste handling, reduces environmental pollution, and supports public health, while fostering awareness and participation in sustainable practices.

## 4. Sustainable Agriculture, Soil Health and Agrochemical Management

GRI 13.5.1,13.6.1,13.6.2

### Sustainable Land Management



**Protecting Soil Health through Regenerative Agriculture**

Our regenerative practices focus on building living soils that enhance productivity, conserve water, support biodiversity and mitigate climate change

- Benefits To Soil & Tea
- Improved soil structure and fertility
- Enhanced microbial activity and biodiversity
- Better water retention and reduced runoff
- Healthier tea bushes and higher productivity
- Increased carbon sequestration and climate resilience

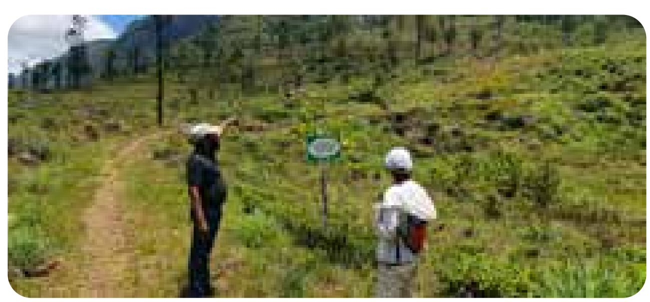
- Contour plowing & terracing to control erosion
- Mulching & cover crops to retain moisture and suppress weeds
- Biochar & vermicompost units to improve soil fertility and carbon content
- Adaptive Management Systems using IoT real-time monitoring of PH, Carbon, and temperature
- Soil Nutrient Framework
- Soil testing, organic matter enrichment, erosion control, water management
- Zero Conversion Policy
- All 16 estates confirmed conversion free since 2020

**Enriching Soil Health**

In 2025/26 TTE applied biochar and compost across estates which has reduced fertilizer usage showing 15.2 % reduction in direct emissions from fertilizer. About 92 Ha at Highgrown division transtioned to organic cultivation under TRI guidance.

**Dedicated Organic Tea Fields for Soil Health**

TTE established dedicated organic tea fields at Great Western and Logie, certified under EU Organic, USDA NOP-US, and JAS standards. This initiative supports soil health by reducing synthetic agrochemical use and enhancing soil fertility, microbial activity, and land resilience. The low risk fields and fully organic Logie factory prevent cross-contamination and safeguard product integrity.



**Advancing Regenerative Agriculture Across Estates**


TTE has launched a strategic regenerative agriculture program with Solidaridad Network Asia and The Nucleus Foundation to enhance sustainable plantation management. Key interventions include composting, cover cropping, reduced tillage, mulching, rainwater harvesting, biodiversity corridors, restoration, and carbon sequestration within the supply chain. The program aims to improve soil health, water retention, biodiversity, and reduce chemical input use. It also includes capacity building for estate teams, embedding regenerative practices into daily operations to strengthen climate resilience and land productivityWith the Ditwah impact remaining low, TTE's regenerative agriculture approach has prwoven valuable in strengthening estate resilience against climate pressures. The company will scale soil carbon practices to further reduce synthetic fertilizer dependency and expand cover crops, shade tree programmes, and biodiversity corridors to improve ecosystem connectivity and stability.

**Innovative Technology and Best Practices Adopted in Estate Operations**

Continues to strengthen estate operations by adopting innovative technologies and practical land management approaches that improve efficiency, worker safety, climate resilience and environmental performance. These initiatives support the Company's transition towards more data-driven, climate-smart and regenerative plantation management.

**Drone Technology for Precise and Safe Agrochemical Application**

TTE used drone technology to apply agrochemicals across 1,247 hectares, improving precision, reducing chemical wastage, and enhancing worker safety by limiting exposure in high-risk areas. Looking ahead, the company plans to expand drone use for field mapping and yield prediction, enabling better soil and crop health monitoring, forecasting, and resource allocation.

**IoT-Enabled Climate-Smart Plantation and Forestry Management**

TTE has implemented an IoT-enabled climate-smart plantation and forestry management system for real-time monitoring of rainfall, soil moisture, and temperature. This system aids estate managers in decision-making on field operations, resource use, and climate risk preparedness. It reduces reliance on manual judgment, tracks local environmental trends, and supports carbon-smart forestry practices by monitoring reforestation and aligning with climate action and nature-positive goals.


| | | | |
|---|---|---|---|
| TTE PLC Metric | Waste generation within in our estate | | |
| Our 2030 Target | Increase the adoption of permaculture practices by 100% of estates by 2030 | | |
| Contribution | Estate-level waste segregation, composting, and biogas use help reduce environmental pollution and promote circular economy principles | | |
| Related Targets | 12.4 | 12.5 | |

Partnering with Hayleys PLC, Rotary Sri Lanka is planting one million trees utilizing site-specific species within plantation areas.

- This unique project features five years of nurturing, emotional "tree stories," and carbon certification
- By restoring biodiversity and forest cover, we ensure a sustainable future
- Impactfully, one hectare of these trees offsets the carbon footprint of 25 Sri Lankans for twenty years

# Natural Capital

## Agrochemical & Pesticide Management

GRI 13.6.1 | 13.6.2

TTE's environmental policy governs all agrochemical practices, using only registered products from authorized suppliers in compliance with national standards. Participating in the Chemical Leasing initiative with Lanka Responsible Care, TTE minimizes runoff. Drone technology enables precise application, reducing chemical use and safeguarding workers.

Integrated Pest Management (IPM) emphasizes biological and natural control, guided by FAO principles, while research with TRI explores nature-based solutions. Only low-hazard chemicals are used, avoiding WHO Class Ia/Ib pesticides. Although agrochemical use slightly increased, all containers are returned to suppliers with zero landfill waste.

All personnel handling chemicals receive regular training on pest management, application techniques, PPE, and safety protocols, with annual reviews. Pesticide application is monitored according to toxicity hazard levels to ensure responsible chemical use.

| Pesticide Type | WHO Class | Intensity/ha | Volume Used |
|---|---|---|---|
| Herbicide (Glyphosate) | Class III | 1.4–2.8 L/ha | 11,536 L |
| Fungicide (Copper Hydroxide) | Class II | 280–320 g/ha | 614 kg |
| Fungicide (Copper Oxide) | Class II | 280–420 g/ha | 195 kg |
| Extremely Hazardous (Class Ia) | - | - | NONE |
| Highly Hazardous (Class Ib) | - | - | NONE |
| Unlikely Acute Hazard (Class U) | - | - | None recorded |
| Pesticide Type | WHO Class | Intensity/ha | Volume Used |
| Herbicide (Glyphosate) | Class III | 1.4–2.8 L/ha | 11,536 L |
| Fungicide (Copper Hydroxide) | Class II | 280–320 g/ha | 614 kg |
| Fungicide (Copper Oxide) | Class II | 280–420 g/ha | 195 kg |

**Chemical Leasing for Low-Emission Agriculture**

TTE, in partnership with Lanka Responsible Care and Hayleys Agro Fertilizers, implemented a Chemical Leasing model to improve fertilizer and pesticide efficiency. Unlike traditional volume-based purchasing, this approach focuses on outcomes such as nutrient management, pest control, and precise application, reducing unnecessary chemical use and wastage. Initial assessments included site visits and field-level data collection to guide efficiency improvements and support responsible chemical use, in line with TTE's Climate Action and Environmental Policies.

**Initiative: Regenerative Agriculture and Integrated Pest Management**

TTE implements regenerative agriculture and Integrated Pest Management (IPM) to reduce synthetic agrochemical use and promote nature-based crop protection. Practices include biochar and compost application, cover crops, manual weeding, biodiversity monitoring, and natural pest control. Estate teams maintain cover crops to prevent erosion, apply compost and biochar to enhance soil health, and use manual weeding to limit herbicide use. IPM relies on field observations, early pest detection, and predator-based control before chemicals. While this approach increases short-term labor and monitoring costs, it delivers long-term benefits by improving soil health, water retention, biodiversity, and reducing chemical exposure.

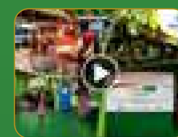
*Buy-back of weeds and compost production to reduce fertilizer use.*

# Resource Recovery & Recycling

### Somerset ECO Material Collection Centre

Talawakelle Tea Estates PLC, in collaboration with the Coca-Cola Foundation, Janathakshan, and Neptune Recyclers, is establishing the Somerset ECO Material Collection & Processing Centre. The facility collects, segregates, and recycles PET bottles from estates and surrounding communities, powered by hydroelectricity for zero-emission operations. Due to this initiative, it provides a practical solution for plastic waste disposal in upcountry areas, while creating employment and skills opportunities especially for women and youth and demonstrating a scalable circular economy model in the plantation sector.

SCAN TO WATCH VIDEO STORY



# Pioneering PES Model in Sri Lanka

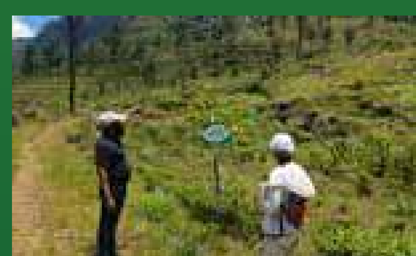
### Securing Ecosystems while Empowering Local Communities

Talawakelle Tea Estates PLC has partnered with the Pekoe Trail Company and UNDP (BIOFIN) to pioneer a Payment for Ecosystem Services (PES) model at Wattagoda Estate By restoring native flora and implementing nature-based solutions like erosion control, we are safeguarding critical biodiversity This initiative benefits the local community through "green jobs" while enhancing the scenic experience for global tourists Together, we are aligning tea plantation management with international biodiversity and climate goals.

# Pioneering Organic Excellence in Tea Production

### Securing Global Organic Certification for Traceable, Chemical-Free, and Sustainable Tea Manufacturing

Talawakelle Tea Estates secured international organic certification for the Great Western and Logie gardens. Collaborating with the Tea Research Institute, we implemented chemical-free cultivation and dedicated processing systems. This initiative enhances soil health and biodiversity while opening premium global markets. Our next step is the global launch of this certified range, reinforcing our leadership in regenerative agriculture and ensuring long-term sustainability and environmental integrity.



# Natural Capital

## 5. Ecosystem Conservation and Biodiversity Restoration

GRI 101-1, 2, 3, 4, 5, 6, 7, 8 | 13.3.1,13.3.2,13.3.3,13.3.4,13.3.5 | 13.3.6 | 13.3.7 || 13.3.8 | 13.3.9 | 13.4.1,13.4.2,13.4.3,13.4.4,13.4.5

| TNFD | Rs. 50.1 Mn | 65.7 ha | 0 ha |
|---|---|---|---|
| 1st Sri Lankan Company to adapt TNFD standard | Invested in Environment Initiatives | Forest Area Restored or Rehabilitated | Natural Ecosystem Converted (since 1992) Zero conversion – maintained |

### TTE's Path to Nature Positive by 2030 & Full Recovery by 2050

**Zero Net Loss from 2020 baseline · Mapped against the KM Global Biodiversity Framework**

In 2024, TTE unveiled its Nature-Positive Business Policy, formally committing to halt and reverse nature loss. Mapped against the Kunming-Montreal Global Biodiversity Framework (KM-GBF), our policy aims for Zero Net Loss of Nature from our 2020 baseline, Net Positive impact by 2030 through transformative regenerative agriculture and business practices, and Full Recovery by 2050 through ecosystem regeneration and responsible agricultural stewardship.

**A. Protect & Restore**
**Halt conversion; restore degraded habitats**

**C. Share Benefits Fairly**
**Community NTFP, employment, ABS principles**

**B. Prosper with Nature**
**Integrate biodiversity in all business decisions**

**D. Invest & Collaborate**
**Multi-stakeholder landscape initiatives**

Kunming-Montreal GLOBAL BIODIVERSITY FRAMEWORK

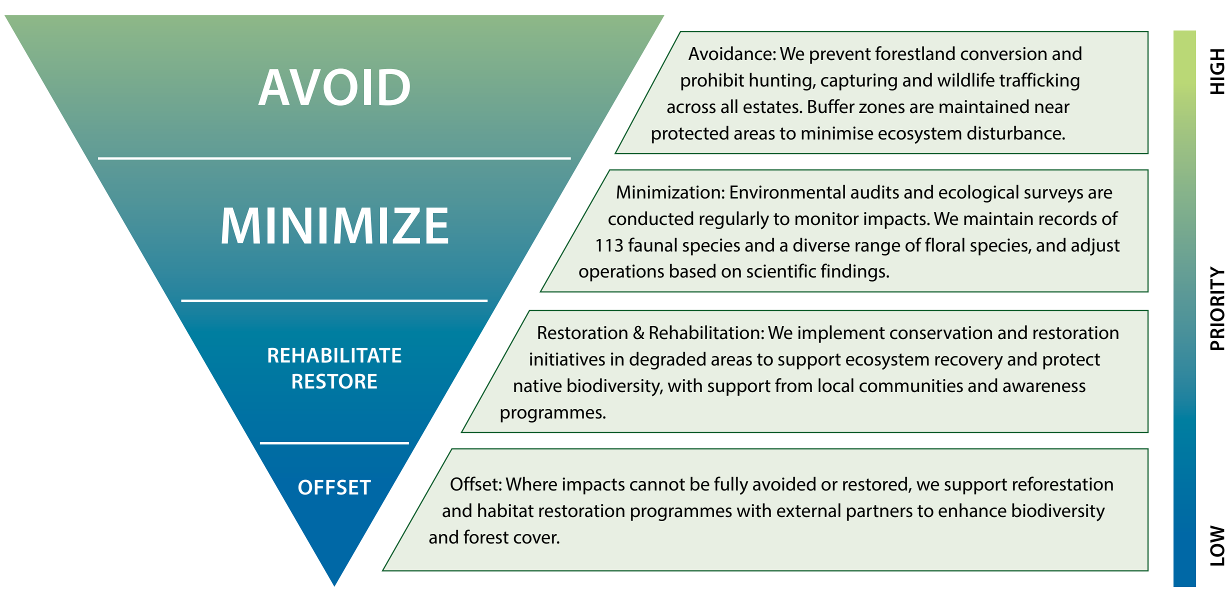
TTE aligns with 18 out of the 23 targets of the Kunming-Montreal Global Biodiversity Framework

### Nature Ecosystem Conservation & Biodiversity Management

TTE maintains a zero-conversion policy for all lands under its management since 2020, ensuring no natural ecosystems are cleared or altered for tea cultivation. All 16 estates are confirmed conversion-free through biodiversity mapping, land-use records, and geospatial analysis.

Suppliers are also monitored to ensure no forest or ecosystem conversion occurs post-base year, supporting responsible upstream sourcing.

Estates are in high-value biodiversity regions, including central highlands and areas bordering the Sinharaja Rainforest. TTE applies the mitigation hierarchy avoidance, restoration, and enhancement through habitat protection, buffer zones, and sustainable land management. Assessments use field surveys, satellite imagery, and expert consultation to monitor ecosystem conversion across estates and suppliers.



## Adaption to TNFD Framework to Biodiversity Management and Identify Locations with Biodiversity Impacts

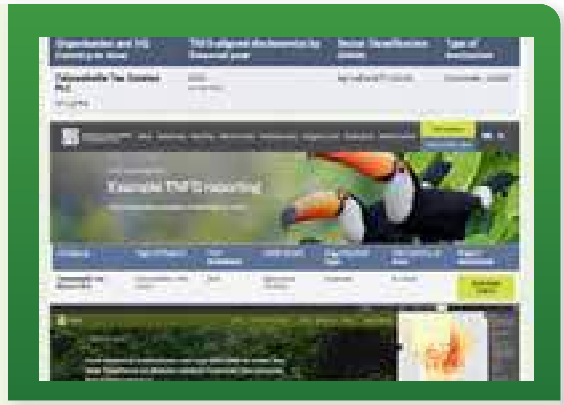
At Talawakelle Tea Estates PLC, we apply the TNFD LEAP framework (Locate, Evaluate, Assess, Prepare) to manage how our operations depend on and impact nature. Plantations, factories, and mini-hydropower sites are digitally mapped, assessing dependencies on critical ecosystem services such as water, soil fertility, and pollination. To identify the greatest biodiversity impacts, we use a risk-based prioritization, ranking estates, supply chain sites, products, and processes by ecological sensitivity, species richness, overlap with protected areas, and operational intensity. High-impact locations and suppliers are monitored using primary field data and secondary datasets (satellite imagery, ENCORE, WWF Biodiversity Risk Filter), ensuring data-driven assessment and mitigation of environmental impacts.

**First Sri Lankan Company to adapt TNFD Reporting Framework**

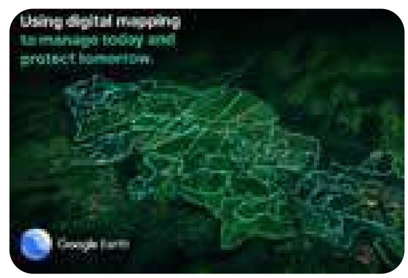
- Applied ENCORE for natural capital risk mapping aligned with TNFD. Only Sri Lankan company to formally adopt TNFD and SBTN.
- 2023/24: Published first TNFD disclosures in the ESG Report.
- 2024/25: Expanded with detailed LEAP assessment.

Scan QR code for find our TNFD report

Beyond Reporting: TNFD informs decision-making by quantifying ecosystem value, guiding soil and water conservation, biodiversity restoration, and long-term business resilience.



We systematically identified biodiversity impacts across our operations and supply chain. The 16 core estates forming the backbone of direct operations span highland and lowland regions. Using digital mapping techniques, we delineated and geospatially analyzed all estate boundaries to locate areas with potential ecological sensitivity. This digital approach ensures precise spatial understanding of each operational unit within the Sri Lankan landscape, enabling data-driven decisions for conservation and biodiversity management. A map image shows the exact placement of each estate.



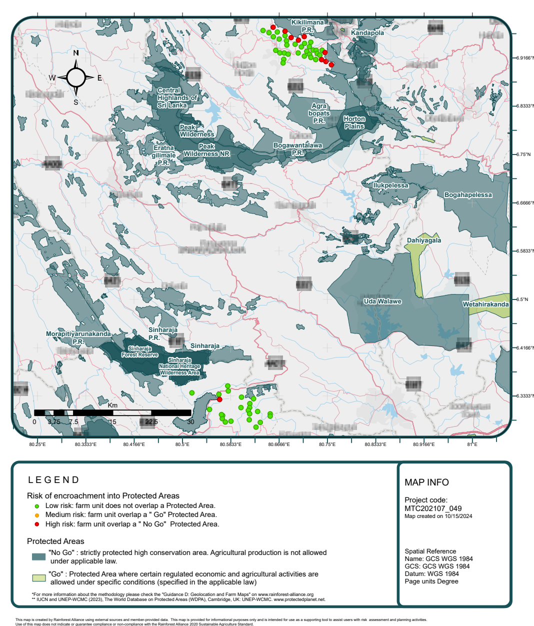

**Protected Area Encroachment Risk and TNFD Priority Locations**

Sites overlapping with legally protected areas are classified as high-risk, and initial mitigation measures such as habitat restoration, native species replanting, and protection initiatives are already underway, with further site-specific actions planned in upcoming TNFD-aligned reporting.

**"As shown in this map, TTE has identified areas overlapping with legally protected conservation zones and high-priority protected areas."**

TTE has assessed biodiversity impacts across its 16 core estates and supply chain. Protected Area Risk: 1,413 hectares overlap with "No-Go" conservation zones, including estates such as Great Western, Wattegoda Upper, Dessford, and Deniyaya. Activities at these sites include tea cultivation and manufacturing, soil and water conservation, forest buffer protection, and habitat restoration, benefiting local communities and other stakeholders. High-impact suppliers are mapped, and ongoing monitoring ensures minimal ecosystem disturbance.

All TTE operational and sourcing areas are outside zones of high ecosystem integrity, areas of rapid decline in ecosystem integrity, and areas with high physical water risks. For water management, we ensure that no water withdrawals occur from regions with high physical water risk, supporting sustainable resource stewardship.



# Natural Capital

### Ecosystem Services and Our Stewardship

We have identified the ecosystem services and beneficiaries that are or could be affected through on-ground biodiversity observations, estate-level natural resource monitoring with experts, and stakeholder input, including estate managers and community feedback. **Ecosystem Services (ES)** describe what nature provides: provisioning services such as freshwater from estate-managed watersheds; regulating services including erosion control, microclimate regulatio n, and water purification; cultural services like scenic landscapes supporting tourism and spiritual value of endemic species; and supporting services such as habitat provision, soil formation, and nutrient cycling.

**Services to Ecosystems (S2E)** represent what we do for nature. Protecting services include establishing buffer zones, no-chemical areas, and conservation of high-biodiversity areas. Enhancing services involve sustainable land management, soil conservation, and community-led stewardship. Restoring services include reforestation with native species, removal of invasive species, and rehabilitation of degraded lands and riparian zones. Supporting services focus on strengthening ecosystem resilience and connectivity, creating green jobs, engaging communities, and promoting sustainable livelihoods linked to conservation.

## Rapid Biodiversity Assessments 2025

To strengthen our conservation actions and build resilient ecosystems, TTE, in partnership with WNPS and PLANT, conducted rapid biodiversity assessments across key estates in the Central Highlands.

| Assessment Coverage | Species Richness Recorded | Endemic Species | Key Flagship Fauna |
|---|---|---|---|
| **~1,863 ha** | **Hundreds** | **32%** | **Leopard, Purple-faced Langur** |
| Across key estates in 3 regions | of species across 7 taxonomic groups | 65 species endemic to Sri Lanka | and many threatened mountain species |

### Areas Assessed

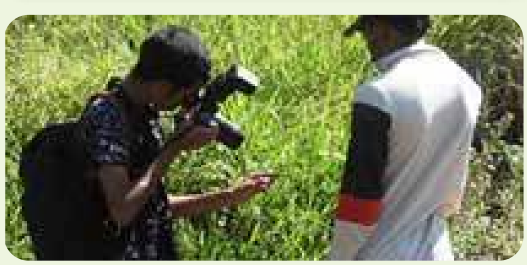
- Bearwell Estate — 424.3 ha
- Holyrood Estate — 465 hat
- Somerset Estate — 456.4 ha
- Palmerston Estate — 103.5 ha
- Desford Estate — 435 ha and neighbouring Calsay Mahaeliya
- Riparian corridors along the Agra Oya and Nanu Oya river basins

### Key Findings

- High biodiversity recorded across mammals, birds, reptiles, amphibians, butterflies, dragonflies and plants.
- Many threatened species identified, including Critically Endangered Agra Danio, Sri Lanka Dark-shouldered Cornuted Shrubfrog and Sri Lanka Long-tailed Shrew.
- Frequent signs of Sri Lankan Leopard and Purple-faced Langur observed, highlighting important wildlife corridors.
- Range extensions recorded for species such as Wiegman's Kangaroo Lizard, adding new scientific value.

### Key Threats Identified

- Habitat fragmentation limits wildlife movement.
- Invasive species such as Guinea Grass, Lantana and Miconia outcompete native flora.
- Poaching, forest fires and domestic animals threaten wild populations.
- Pollution from garbage dumping and ornamental fish introductions degrade stream networks.



### Direct Drivers of Biodiversity& Ecosystem Loss & Changes to the State of Biodiversity

We systematically identifies and manages biodiversity impacts across its 16 core estates and supply chain. The main drivers include land-use change, resource use, pollution, and invasive species.

Land-Use Change: No natural ecosystems have been converted since the 2020 cut-off. Protected Area Risk spans 1,413 hectares, including areas within estates such as Great Western, Wattegoda Upper, Dessford, and Deniyaya.

Resource Use & Pollution: TTE does not harvest wild species, and water use is closely monitored. Agrochemicals, wastewater, and solid waste are carefully managed, and invasive species are identified and mitigated through estate-level biodiversity assessments.

The affected ecosystems are terrestrial, including tropical and subtropical forests in highland estates, supporting forest vegetation, shade trees, and soil habitats essential for biodiversity. Ecosystem condition is monitored annually and has remained unchanged between the base year and the current reporting period, demonstrating stability and effective management practices.

### Native & Endemic Tree Species Identified & Preserved within Estate Areas

Although no ecosystem degradation occurred, several important native and endemic tree species have been identified and preserved within estate areas.

| Local Name | Scientific Name | Status |
|---|---|---|
| **Maha rathmal** | Rhododendron arboreum ssp. zeylanicum | Endemic |
| **Bombu/ Wal bombu** | Symplocos cochinchinensis ssp. laurina var. laurina | Native |
| **Bulu** | Terminalia bellirica | Native |
| **Keena** | Calophyllum tomentosum | Endemic |
| **Aridda** | Campnosperma zeylanicum | Endemic |
| **Gini sapu / Sapu** | Michelia champaca var. champaca | Native |

### TTE PLC approach to Access Biodiversity Resources And Fair Distribution Of Benefits

Sri Lanka currently has no specific regulations on access and benefit sharing (ABS), and we does not engage in activities involving the commercial or research use of genetic or biochemical resources. However, TTE adopts a voluntary approach to ensure fair and equitable benefit-sharing by supporting community wellbeing and biodiversity conservation. Estate communities are granted regulated access to firewood and non-timber forest products, while restoration initiatives such as reforestation, habitat conservation, and buffer zone management generate local employment opportunities. These efforts contribute to both ecosystem protection and improved community livelihoods.

## Trade-offs

**01 With Financial Capital**

In FY 2025/26, TTE invested Rs. 50.1 Mn in reforestation, soil conservation and renewable energy infrastructure. While this raises short-term costs, it supports long-term value through climate resilience, lower environmental risk and reduced dependence on fossil fuels.

**02 With Human Capital**

Environmental initiatives also create jobs and learning opportunities for estate communities. In FY 2025/26, over 3,822 estate workers participated in tree planting, compost making, biodiversity corridor restoration and integrated pest management. These actions build skills, support income, and strengthen the stewardship of the land.

## Future Outlook

**Short Term**

Strengthen estate-level environmental data systems to better track water, energy and other resource use, improving responsiveness to environmental risks.

**Medium Term**

Expand nature-based solutions, including biodiversity corridors, reforestation and regenerative agriculture to improve soil health, water retention and climate resilience.

**Long Term**

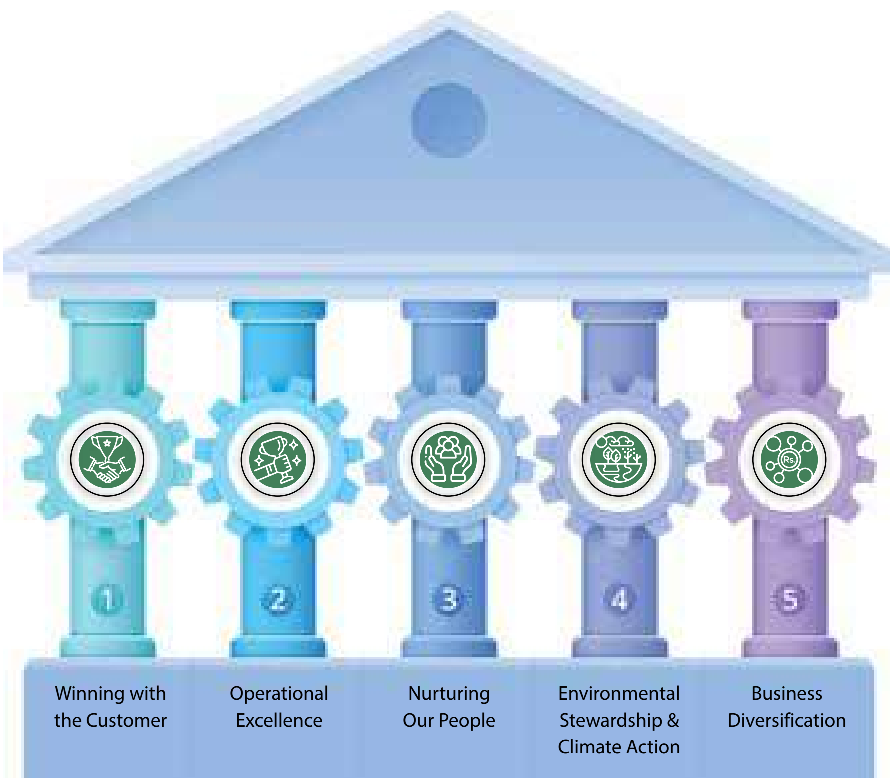
Position TTE as a leader in climate-smart agriculture by integrating renewable energy, circular waste practices and ecosystem restoration across operations, moving towards a net-positive environmental impact.

# Way Forward

While TTEL's existing strategic framework has delivered steady progress and strengthened the Company's operating foundations over the years, the realities of the external environment increasingly signal the need for a more focused and future-oriented strategic evolution. Shifting global market dynamics, intensifying climate-related disruptions, structural labour cost pressures, and the growing sensitivity of the Company's earnings profile collectively indicate that the current operating model must now evolve beyond incremental optimisation towards a more transformative and resilient growth trajectory. It is against this backdrop that TTEL has begun transitioning towards its "Second Curve of Growth."

The Second Curve of Growth is not a departure from the current strategic pillars, but rather the next stage in its execution and maturation. It seeks to build upon the strong foundations already established, while introducing greater precision, sharper strategic focus, stronger integration, and more disciplined long-term value creation. At its core, the Second Curve reflects a strategic shift from broad-based progression towards more targeted, high-impact execution across the Company's most critical value drivers.

As part of the Second Curve of Growth, TTEL will progressively refine its five strategic priorities into more focused and outcome-oriented growth pillars.




Winning with the customer: The Company's customer strategy will evolve beyond traditional market responsiveness towards leverage deeper market intelligence to gain deeper insights into evolving buyer preferences, thereby enabling informed participation in higher-value segments and non-traditional markets to shore up TTEL's positioning in premium markets around the world.

Operational Excellence: TTEL will aim to transition from the focus on factory-level efficiency to fully integrated, buyer-aligned value chain leadership. This would involve a precision-led operating model that brings together estate management, agronomy, manufacturing, energy management, and digital systems into a more connected and data-driven platform. The objective is to strengthen productivity, improve consistency, optimise resource utilisation, and enhance overall operational resilience amidst increasing cost and climate pressures.

Nurturing our People: The Company's people strategy will pivot towards a more empowered and participatory workforce model built around a strong ownership culture, leadership development, capability, and inclusive talent progression across all employee categories.

Environmental Stewardship & Climate Action: Moving beyond traditional environmental stewardship, the Company will further deepen the regenerative approach to actively restore ecosystem health while enhancing long-term agricultural productivity and resilience. Through the adoption of nature-positive practices, SBTi-aligned net-zero pathways, biodiversity restoration initiatives with WNPS PLANT, regenerative agronomy, and emerging Payment for Ecosystem Services models, TTEL aspires to transition from a framework of minimising impact to one of creating net positive environmental value.

Business Diversification: TTEL's diversification strategy is being refined towards the disciplined expansion of scalable, higher-value business streams capable of strengthening earnings quality and reducing exposure to traditional commodity-driven volatility. This includes continued focus on renewable energy, specialty and branded products, value-added agriculture, nature-linked opportunities, and selected tourism-related ventures aligned with the Company's broader regenerative growth philosophy.

| Strategic Focus Area | FY 2025/26 Target | 2027–2030 Goals |
|---|---|---|
| **Pillar 1 Winning with the Customer — Market Intelligence Leadership** | | |
| Customer Engagement & Satisfaction | Score ≥92%; complaint resolution time reduced | ≥95% satisfaction; NPS ≥60 for top-50 buyers by 2030 |
| Auction Price Leadership | Maintain #1 RPC ranking; price premium vs. National Auction Average | Sustain top RPC ranking; ≥10% price premium for branded marks |
| Direct Trade & Branded Market Expansion | Boutique sales ≥25% YoY; ≥10 new direct buyers; 3 roadshows; TeTel, Somerset, Spice Country, TTE Organic sub-brands | Direct trade & branded sales ≥15–20% of Group revenue; ≥5 new export geographies |
| End-to-End Digital Traceability | Live across all 16 estates & 15 factories | 100% branded teas with consumer-facing traceability by 2028; full bought-leaf traceability by 2030 |
| Quality & Sustainability Certifications | 100% ISO 22000:2018 factories; 100% Rainforest Alliance estates; ETP & GACP audit-ready | Full global quality certifications; 20–30% regenerative/ organic coverage; carbon-labelled premium portfolio |
| **Pillar 2 Operational Excellence** — Integrated Precision Operations | | |
| AI Quality Control Roll-Out | AI colour sorting & vision-based defect detection across all eligible factories; reject rate ≥15% reduction | ≥30% reject rate reduction vs FY2024/25; 100% factory coverage by 2028 |
| Energy Efficiency Programme | Specific energy ≥5% reduction YoY; IE3 motors & VFDs; Holyrood model to ≥3 estates | ≥40% energy intensity reduction; 100% production with product-level carbon footprint; HFO eliminated by 2027 |
| Field-to-Factory Digital Integration | Real-time green leaf, factory throughput & quality data for ≥50% of estate-factory pairs | ≥20% yield improvement; ≥30% estate area under regenerative practices; climate-resilient clones across all estates |
| Yield & Cost Discipline | Cost of Production/kg flat in real terms; replanting ≥60 ha; new density & clone protocols piloted | Fully integrated sustainable value chain; 100% certified & traceable supply; measurable reduction in embedded product emissions |
| **Pillar 3 Nurturing Our People — Empowered Human Capital Leadership** | | |
| Revenue Share Model (RSM) Scale-Up | ≥1,800 active Block Managers; ≥5.0 Mn kg green leaf via RSM | RSM ≥50% of total green leaf supply; Block Manager network ≥3,000 by 2030 |
| HerLead — Female Leadership Pipeline | Second supervisory cohort trained & deployed across ≥6 estates | Female supervisory representation ≥30%; senior management gender ratio ≥1:1 by 2030 |
| EmpowerU — Estate Youth Pathways | ≥40 youth trainees across Factory, Field & Office tracks | ≥200 estate-community youth professionalised; ≥50% retained in TTE careers by 2030 |
| Workplace Excellence & GPTW | Satisfaction ≥95%; retention ≥96%; turnover ≤4%; zero fatalities; community investment ≥Rs.100 Mn | ≥95% satisfaction & ≥98% retention sustained; zero work-related accidents (SDG 8.8) |
| Training & Capability Development | Training investment ≥Rs.12 Mn; ≥4 hrs per employee per year | 100% permanent workforce certified to skill standards; ≥8 hrs training per employee by 2030 |
| **Pillar 4 Environmental Stewardship & Climate Action — Nature & Climate-Positive Regenerative Leadership** | | |
| Scope 1 & 2 GHG Reduction (SBTi-Aligned) | ≥5% reduction vs FY2024/25; SBTi target validation submitted | –42% vs 2022/23 base by 2030; net-zero pathway to –90% by 2050 |
| Scope 3 / Value Chain Emissions | Supplier engagement on top-3 Scope 3 categories; FLAG inventory refined | –30% vs 2022/23 base by 2030; supplier-led decarbonisation programme |
| Renewable Energy Mix | Solar capacity ≥1,000 kWp; 100% sustainable biomass; specific energy ≤82 GJ/MT | ≥90% energy from renewables; intensity ≤73 GJ/MT; HFO eliminated by 2027 |
| Biodiversity Corridors & Ecosystem Restoration | Corridor area expanded; native species planting scaled (WNPS PLANT partnership) | Restored/set-aside area ≥5% of landholding; PES revenue ≥Rs.20 Mn/year by 2030 |
| Soil Health, Water & Responsible Agrochemicals | Soil OC +1% in monitored fields; water/kg made tea reduced ≥5%; 100% MRL compliance | Soil OC +1.5% annually in restoration areas; zero water-quality non-compliance sustained |
| **Pillar 5 Business Diversification — Focused Value Stream Expansion** | | |
| Mini-Hydropower Optimisation | Generation ≥7,000 MWh; capacity factor uplift via preventive maintenance | Mini-hydro revenue ≥Rs.100 Mn/year; ≥8,500 MWh annual generation by 2030 |
| Solar Power Expansion | Installed solar ≥1,000 kWp; Kiruwanaganga model replicated at next factory | Solar capacity ≥2,000 kWp; renewable energy revenue ≥Rs.50 Mn/year by 2030 |
| Ceylon Cinnamon —Scale-Up | Hectarage extended; Peeling Centre output ≥30% YoY growth | Cinnamon revenue ≥Rs.200 Mn/year; ≥100 ha under cultivation by 2030 |
| Tea Tourism & Hospitality | Tourism revenue ≥30% YoY; new experiences — cinnamon farm-tour, factory experience | Tourism/experiential revenue ≥Rs.150 Mn/year; brand-building via buyer-trail conversions |
| Specialty & Branded Tea Portfolio | ≥6 specialty SKUs; specialty grade revenue share ≥5% of tea revenue | Specialty/branded tea ≥15% of revenue; ≥3 internationally distributed SKUs; forestry carbon credits by 2028 |

# Independent Assurance Report on the Integrated Reporting

Shape the future with confidence

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ey.com

**Independent practitioner's assurance report to the Board of Directors of Talawakelle Tea Estates PLC on the Integrated Annual Report 2025/26**

## Scope

We have been engaged by Talawakelle Tea Estates PLC to perform a 'limited assurance engagement,' as defined by Sri Lanka Standard on Assurance Engagements, here after referred to as the engagement, to report on Talawakelle Tea Estates PLC's Information on how it's strategy, governance, performance and prospects, in the context of its external environment, lead to the creation, preservation or erosion of value over the short, medium and long term (the "Subject Matter") contained in the Talawakelle Tea Estates PLC's (the "Entity's") Integrated Annual Report for the year ended 31 March 2026 (the "Report").

Other than as described in the preceding paragraph, which sets out the scope of our engagement, we did not perform assurance procedures on the remaining information included in the Report, and accordingly, we do not express a conclusion on this information.

## Criteria applied by Talawakelle Tea Estates PLC

In preparing the Subject Matter, Talawakelle Tea Estates PLC applied the Integrated Reporting Framework (<IR> Framework) initially developed by the International Integrated Reporting Council (IIRC) and currently maintained by the Integrated Reporting and Connectivity Council (IRCC) of the IFRS Foundation. (the "Criteria"), Such Criteria were specifically designed for the purpose of assisting in determining whether the capital management, stakeholder engagement, business model, strategy, organizational overview & external environment outlook presented in the Integrated Annual Report is presented in accordance with the relevant criteria; As a result, the subject matter information may not be suitable for another purpose.

## Talawakelle Tea Estates PLC's responsibilities

Talawakelle Tea Estates PLC management is responsible for selecting the Criteria, and for presenting the Subject Matter in accordance with that Criteria, in all material respects. This responsibility includes establishing and maintaining internal controls, maintaining adequate records and making estimates that are relevant to the preparation of the subject matter, such that it is free from material misstatement, whether due to fraud or error.

## Ernst & Young's responsibilities

Our responsibility is to express a conclusion on the presentation of the Subject Matter based on the evidence we have obtained.

We conducted our engagement in accordance with the Sri Lanka Standard for Assurance Engagements Other Than Audits or Reviews of Historical Financial Information (SLSAE 3000 (Revised), and the terms of reference for this engagement as agreed with the Talawakelle Tea Estates PLC on 05 May 2026. Those standards require that we plan and perform our engagement to express a conclusion on whether we are aware of any material modifications that need to be made to the Subject Matter in order for it to be in accordance with the Criteria, and to issue a report. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risk of material misstatement, whether due to fraud or error.

We believe that the evidence obtained is sufficient and appropriate to provide a basis for our limited assurance conclusions.

## Our independence and quality management

We have maintained our independence and confirm that we have met the requirements of the Code of Ethics for Professional Accountants issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and have the required competencies and experience to conduct this assurance engagement.

EY also applies International Standard on Quality Management 1, Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services engagements, which requires that we design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

[illegible]

### Description of procedures performed

Procedures performed in a limited assurance engagement vary in nature and timing from and are less in extent than for a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Our procedures were designed to obtain a limited level of assurance on which to base our conclusion and do not provide all the evidence that would be required to provide a reasonable level of assurance.

Although we considered the effectiveness of management's internal controls when determining the nature and extent of our procedures, our assurance engagement was not designed to provide assurance on internal controls. Our procedures did not include testing controls or performing procedures relating to checking aggregation or calculation of data within IT systems.

A limited assurance engagement consists of making enquiries, primarily of persons responsible for preparing the subject matter and related information and applying analytical and other appropriate procedures.

Our procedures included:

- Performed a comparison of the content of the Integrated Annual Report against the Guiding Principles and Content Elements given in the Integrated Reporting Framework (<IR> Framework).
- Checked whether the information contained in the Integrated Annual Report – Financial Capital element information has been properly derived from the audited financial statements.
- Conducted interviews with the selected key management personnel and relevant staff and obtained an understanding of the internal controls, governance structure and reporting process relevant to the Integrated Report.
- Obtained an understanding of the relevant internal policies and procedures developed, including those relevant to determining what matters most to the stakeholders, how the organization creates value, the external environment, strategy, approaches to putting members first, governance and reporting.
- Obtained an understanding of the description of the organization's strategy and how the organization creates value, what matters most to the stakeholders and enquiring the management as to whether the description in the Integrated Report accurately reflects their understanding.
- Checked the Board of Directors meeting minutes during the financial year to ensure consistency with the content of the Integrated Report.
- Tested the relevant supporting evidence related to qualitative & quantitative disclosures within the Integrated Report against identified material aspects.
- Read the Integrated Report in its entirety for consistency with our overall knowledge obtained during the assurance engagement.

We also performed such other procedures as we considered necessary in the circumstances.

### Emphasis of matter

Economic, Environment, Social and Intellectual capital management data/information are subject to inherent limitations given their nature and the methods used for determining, calculating and estimating such data. Such inherent limitations are common in Sri Lanka.

We also do not provide any assurance on the assumptions and achievability of prospective information presented in the Entity's Annual Report.

### Conclusion

Based on our procedures and the evidence obtained, we are not aware of any material modifications that should be made to the information contained in the Integrated Annual Report of Talawakelle Tea Estates PLC for the year ended 31 March 2026, in order for it to be in accordance with the Criteria.

Ernst & Young

2nd June 2026
Colombo

# WHERE GROWTH MEETS RENEWAL

**The next ascent is not only about business growth, but responsible growth. Through climate-positive thinking, sustainable cultivation, and environmental stewardship, we are ensuring progress remains deeply rooted in preservation.**

# Risks and Opportunities

**Talawakelle Tea Estates PLC operates across sixteen estates in Sri Lanka's upcountry, mid-country and low-country agro-climatic zones — an environment that is inherently shaped by climate variability, structural labour market pressures, evolving ESG certification requirements, and dynamic global buyer sustainability demands. Each of these forces presents both risks and opportunities that we must manage with discipline and rigour to deliver long-term value for our stakeholders.**

Proactive, structured risk and opportunity management is central to the way we run our business. By embedding risk thinking into strategic planning, capital allocation, replanting decisions and operational management, we respond quickly to emerging conditions and maintain resilience through commodity and climate cycles. Our approach is forward-looking: we do not simply protect against downside risk — we actively pursue the opportunities that responsible, nature-positive plantation management creates.

### Our FY 2025/26 Risk Environment

FY 2025/26 was defined by three intersecting pressures that collectively elevated our risk exposure and sharpened our focus on operational resilience. The South-West monsoon season brought above-average rainfall intensity to several Upcountry estates, heightening acute physical risk from floods and slope instability. The September 2024 wage revision — the largest in recent years — created an immediate and material increase in estate operating costs. Simultaneously, advancing global regulatory frameworks on supply-chain sustainability began to translate into concrete buyer due-diligence requirements that TTE must prepare for.

Despite these headwinds, group-wide risk-bearing capacity remained stable. Our estate-level emergency response capabilities, strengthened through slope engineering and drainage investments, contained disruption events within acceptable OPEX thresholds. The biodiversity corridor initiative and ongoing RA certification compliance continued to strengthen TTE's nature-positive credentials, creating long-term competitive differentiation.

**FY 2025/26 Actions**

- Strengthened slope engineering and drainage infrastructure across HIGH-exposure Upcountry estates, reducing acute physical risk profile.
- Formalised all 16 Estate-Level Sustainability Steering Committees with Board-approved Terms of Reference, improving first-line risk intelligence.
- Implemented the Internal Controls for Sustainability Reporting (ICFSR) — the first full-year operation of formalised sustainability data controls.

**Future Focus**

- Advance the 13 km Nanu Oya/ Agra Oya biodiversity corridor, targeting PES revenue certification by FY 2027/28.
- Deploy stochastic climate modelling to strengthen scenario analysis and improve quantification of value at risk across the estate portfolio.
- Progress the SBTi near-term target submission and align CapEx programme with the validated decarbonisation pathway.

### Our Risk Management Approach

TTE's Enterprise Risk and Opportunity Management (EROM) Framework is a Board-approved, systematically implemented approach to identifying, assessing, prioritising, controlling and monitoring all material risks and opportunities across the full enterprise. The Framework is reviewed and approved by the Board annually and covers all risk categories business, climate, sustainability, financial and operational under a unified structure.

The Framework employs a bottom-up approach, with estate-level data and operational intelligence flowing up through the ESEG Steering Committee to the Board Audit Committee (BAC). This is reinforced by a structured quarterly top-down review by the BAC to ensure completeness, proportionality and continuous improvement. The EROM Framework directly feeds the sustainability-related financial disclosures presented separately in this report.

### Five Integrated EROM Components:

| | |
|---|---|
| Culture & Values | Embedding risk awareness, accountability and ethical behaviour across all 16 estates, 15 factories and central functions. Supported by the Hayleys Way Code of Conduct. |
| Risk Taxonomy | Six-category risk universe: Business, Sustainability, Climate, Financial, Operational and Opportunity. Consistent classification enables enterprise-wide comparability. |
| Risk Processes | Five mandatory identification sources, five-criteria assessment framework, composite scoring methodology and four-level monitoring system. |
| Risk Governance | Three-tier governance model (Board / Management / Operational), Three Lines of Defense, and BAC oversight with defined escalation protocols. |
| Technology | Estate-level digital data collection, ESG dashboard, KRI/KPI tracking systems and centralised sustainability data infrastructure. |

## Risk-Bearing Capacity

Maintaining adequate risk-bearing capacity is the foundation of TTE's prudent risk management. Risk-bearing capacity is assessed across three dimensions.

**Estate & Asset Insurance**

Comprehensive plantation and factory insurance programme. All 16 estates and 15 factories covered for asset damage and tea stocks business interruption. Annual coverage reviewed against risk appetite thresholds.

**Financial Liquidity**

Stable liquidity profile maintained through strong management of tea operations and disciplined working capital management. Followed Group treasury guidelines and instructions.

**Operational Resilience Capacity**

Estate-level reserve capacity through business continuity protocols, emergency OPEX provisions and the three-tier Continuresponse framework. Operational RBC embedded in estate management practices.

## EROM DESIGN IMPERATIVES

1. Effectively and proactively identify, assess, quantify and mitigate all material risks and opportunities.
2. Consider both the positive and negative dimensions of every risk — every risk contains an opportunity.
3. Identify and pursue strategic opportunities arising from the ESG transition, nature-positive positioning and climate resilience investments.

## Embedding Our Erom Framework

Maturing our risk and opportunity management is a journey that will enhance our long-term strategic resilience and enable sustained value creation across all capitals.

**Risk Identification**

Proactive identification of emerging internal and external risks through structured assessments, industry best practices, and cross-functional collaboration.

**Risk Measurement**

Comprehensive evaluation and prioritization of risks using qualitative and quantitative assessment methodologies supported by systematic risk tracking.

**Risk Control**

Implementation of robust internal controls, clear accountability, and organization-wide awareness to strengthen risk mitigation and governance.

**Risk Monitoring**

Continuous monitoring and timely escalation of risks to ensure the effectiveness of mitigation measures and support proactive decision-making.

# Risks and Opportunities

| | Where we were | Where we are | Where we want to be |
|---|---|---|---|
| Risk Maturity | Estate-level risk data collected in isolation; no enterprise-wide view. Risk treated as a compliance function. | Structured EROM Framework operational across all 16 estates. Quarterly BAC risk reviews. KRI/KPI system active. Five-criteria composite scoring applied consistently. | Stochastic modelling of multi-risk clusters. Predictive, data-driven risk intelligence. SRRO financial effects quantified with high precision across all time horizons. |
| Climate & Nature Integration | Climate risks tracked informally through estate weather logs. No scenario analysis. Biodiversity managed as a certification requirement only. | Three-scenario climate analysis (SSP1-2.6, SSP2-4.5, SSP3-7.0) conducted annually. Biodiversity corridor programme underway. RA geospatial risk assessment completed. | Full TNFD LEAP nature-related risk assessment integrated into EROM. Climate financial effects quantified across all scenarios. PES revenue streams generating income. |
| Governance & Controls | Risk governance limited to Board and management level. No formal estate-level governance. Sustainability data collected without formal controls. | Three-tier governance fully operational with 16 Estate Sustainability Steering Committees. ICFSR implemented. Three Lines of Defense embedded. | Mature ICFSR with annual effectiveness assessment. Reasonable assurance over sustainability data quality. Integrated risk and financial controls. |
| Strategic Value Enabler | ESG managed as a certification and reporting obligation. Risk and sustainability silos. | ESG and sustainability risks fully integrated into the EROM Framework. Sustainability-related risks elevated to same level as financial and operational risks in BAC review. | Forward-looking approach where nature-positive and climate-resilient positioning drives strategic competitive advantage and unlocks new revenue streams. |

## Balancing Risk Capacity, Appetite and Tolerance

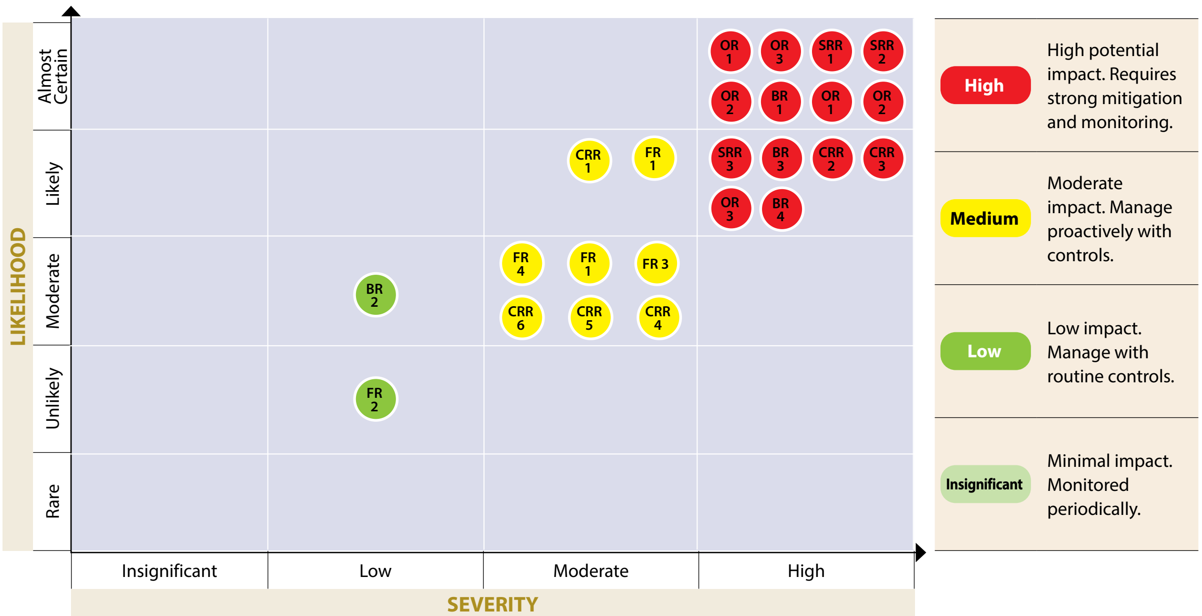
| | RISK CAPACITY | RISK APPETITE | RISK TOLERANCE |
|---|---|---|---|
| **Definition** | The total amount of risk TTE may bear across all categories, assuming all other factors remain constant. | The total level of risk TTE is willing to accept in pursuit of its strategic objectives and the Hayleys ReGen Agenda 2030. | The specific maximum level of exposure by risk category or SRRO that the Board considers acceptable. |
| **Measurement** | Assessed in terms of TTE's operating cash flow stability, asset base, insurance coverage and CapEx headroom. | Measured through composite risk scores against priority bands. Appetite for HIGH-band SRROs is LOW; appetite for SRO-1 (Biodiversity Opportunity) is HIGH. | Tolerance thresholds are expressed as Rs. amounts and operational KPI limits — e.g., acute disruption OPEX cap Rs. 80 Mn/year; absenteeism <25%; SBTi pathway maintained. |
| **Application** | Used by the BAC at the annual EROM review and monitored quarterly to ensure TTE's risk profile remains within capacity limits. | Applied in setting CapEx priorities, replanting cycles, energy transition investments and estate social welfare programmes. | Used by management as an early-warning trigger. KRI threshold breaches against tolerance levels are escalated to ESEG and BAC within defined timeframes. |

The board annually evaluates and reaffirms TTE's risk capacity, appetite and tolerance thresholds as part of the EROM Framework review cycle. This allows the board to assess whether TTE is exploiting the full potential of its risk appetite, protecting itself sufficiently from the risks associated with value creation, and making the appropriate disclosures to its stakeholders.

## Principal Risks — Heat Map Assessment

As part of our dynamic risk assessment process, all material risks are evaluated across short (18-month), medium and long-term time horizons. The heat maps below present the 18-month and five-year views of TTE's seven principal risks, assessed on likelihood and magnitude dimensions.

### Risk Matrix 2025/26



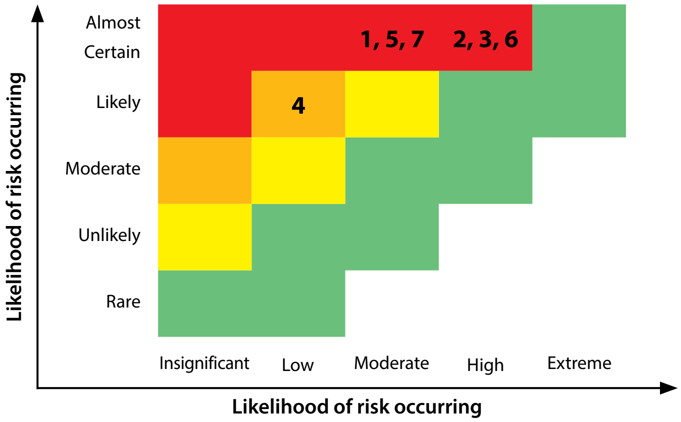

### Five Year Risk Trend Analiysis

High Medium Low

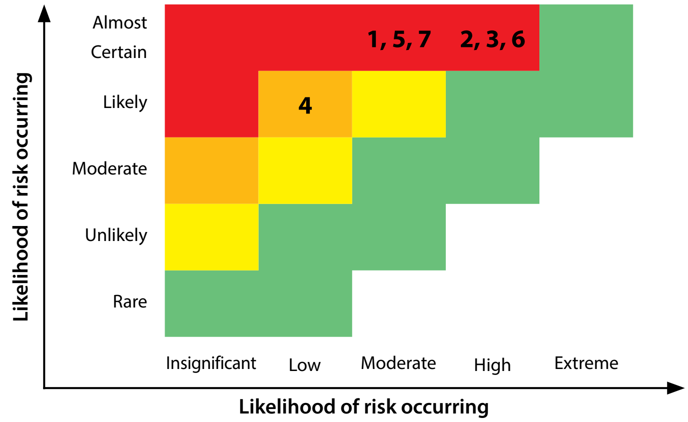
| | Risk Title | Risk Rating | | | | |
|---|---|---|---|---|---|---|
| | | 2025/26 | 2024/25 | 2023/24 | 2022/23 | 2021/22 |
| | Inflation Risk | High | Medium | High | Medium | High |
| | Interest Rate Risk | Medium | Medium | Medium | Low | Low |
| | Geo-political developments | High | High | High | High | High |
| | Macroeconomic and political developments | Low | Low | Low | Low | Low |
| | Compliance Risk | High | High | High | High | Low |
| | Exchange Rate Risk | Medium | Medium | Low | Low | Medium |
| | Competitor Risk | High | High | High | High | Medium |
| | Climate Change & Extreme Weather Risk | High | Medium | High | Medium | Medium |
| | Biological Risk | Medium | Medium | Medium | Medium | Medium |
| | Labour Scarcity & Wage Escalation Risk | High | High | High | High | High |

# Risks and Opportunities

## Year Time Horizon




## 5 Years Time Horizon




Extreme / High Risk | High / Medium Risk | Medium Risk | Low Risk

| | |
|---|---|
| 1 | Acute Physical Climate Risk (CRR-2)-High |
| 2 | Labour Scarcity & Wage Esalation (SRR-1)-High |
| 3 | Chronic Physical Climate Risk (CRR-3)-High |
| 4 | Climate Transition Risk (CRR-1)-Med-High |

| | |
|---|---|
| 5 | Health Risk from Pesticide and agrochemical Exposure (SRR-3)-High |
| 6 | ESG Certification Compliance and Sustainability Requirements (SRR-2)-High |
| 7 | Ecosystems and Biodiversity (SRO-1)-High |

## Year-On-Year Change and Risk Appetite Mapping

**Elevated Risk**

Risk has increased in likelihood, magnitude or financial exposure relative to FY 2024/25.

**Reduced Risk**

Risk has decreased due to effective mitigation actions, improved controls or favourable operating conditions.

**Static Risk**

Risk profile is broadly unchanged from the prior year. Monitoring continues at the same intensity and escalation tier.

### Mapping Strategic Priorities Across Our Risk Appetite Profile

| Extreme<br>Eager to be innovative; choose options offering higher potential reward despite higher inherent risk | High<br>Willing to consider options and choose one likely to result in successful delivery | Medium<br>Preference for safe options with reasonable risk and limited potential reward | Low<br>Preference for extremely safe options with low risk and limited reward | Insignificant<br>Avoidance of risk and uncertainty is the key objective | |
|---|---|---|---|---|---|
| **IS**<br>Invest Strategically | **Extreme to High**<br>Strategic CapEx for climate adaptation (slope works, factory upgrades), replanting programme and nature-positive investment reflects high risk appetite for growth-creating investments that deliver long-term competitive positioning. | | | | |
| **OC**<br>Optimise Capital | **High to Medium**<br>Strong cash generation and disciplined balance sheet management provide headroom to fund ESG investments. High appetite for broadening funding sources and securing climate-aligned (green) financing. Low appetite for covenant breach or rating downgrade. | | | | |
| **CR**<br>Drive Climate Resilience | **Medium**<br>TTE has a medium risk appetite for the pace of climate transition investment. SBTi pathway is non-negotiable; however, capital deployment is sequenced against financial capacity constraints. LOW appetite for being on the wrong side of regulatory developments. | | | | |
| **WS**<br>Workforce Sustainability | **Low to Medium**<br>Workforce is TTE's primary operational asset. Zero tolerance for occupational safety failures or violations of statutory wage obligations. Low appetite for workforce instability. Social licence to operate is foundational. | | | | |
| **NP**<br>Nature-Positive Operations | **High Opportunity**<br>TTE actively seeks to exploit the high-value opportunity created by biodiversity restoration and nature-based finance. Board appetite for SRO-1 (Biodiversity Opportunity) is fully favourable. CapEx allocation approved at Rs. 22–25 Mn/year. | | | | |
| **OE**<br>Operational Excellence | **Medium Tto Low**<br>Low appetite for OPEX overruns beyond approved thresholds. Active appetite for productivity improvements and technology adoption that reduce cost per kg tea. Zero tolerance for fraud or data integrity failures in sustainability reporting. | | | | |
| **FY25/26** | **Extreme to High** | **High to Medium** | **Medium** | **Low to Medium** | **High OPP. (NP)** |

TTE's Board-approved risk appetite framework applies differentiated tolerance positions across its six strategic priorities rather than a single aggregate threshold. Each calibration reflects the distinct risk-reward logic of that priority and governs capital allocation, SRRO escalation, and management response across the year.

IS commands the broadest appetite Extreme to High anchored in the conviction that sustaining competitive relevance through structural industry change demands bold capital commitment. OC is set at High to Medium, disciplined by balance sheet guardrails while pursuing climate-aligned financing. CR carries a Medium appetite, sequencing transition investment against financial capacity without compromising regulatory commitments. WS is Low to Medium, reflecting zero tolerance for safety failures, wage violations, and anything that erodes TTE's social licence to operate. NP is uniquely designated High Opportunity biodiversity and ecosystem assets are treated as a source of financial value, not compliance cost. OE holds a Medium to Low appetite, with zero tolerance for data integrity failures in sustainability reporting.

Taken together, the FY 2025/26 profile reflects a Company willing to absorb growth-creating risk while holding firm boundaries over operational, workforce, and regulatory exposures.

# Risks and Opportunities

## Three Lines of Defense

**First Line - Operational Control**

Estate Managers, Factory Supervisors and 16 Estate Sustainability Steering Committees own and manage risks within their operations. They generate primary risk data, execute mitigation actions, implement controls, and escalate threshold breaches within 48 hours.

**Second Line - Risk Oversight**

ESEG Steering Committee, design and monitor the EROM Framework, maintain the SRRO register, review data quality, provide risk reporting to BAC, conduct scenario analysis and oversee policy compliance.

**Third Line - Independent Assurance**

Board Audit Committee, Hayleys Internal Audit Division and the external sustainability assurance provider deliver independent assurance on the effectiveness of risk management, internal controls, and the accuracy of sustainability disclosures.

## Principal Risks and Opportunities

TTE's risk and opportunity register covers the full enterprise — from climate and sustainability risks to financial, operational and business risks. Each item has been identified through TTE's five-source EROM identification process, assessed against five criteria, and scored using the Board-approved composite methodology. Where a risk also meets the financial materiality threshold for sustainability-related financial disclosures, a cross-reference to the relevant Sustainability Disclosure Note is provided.

| BM — Business Model | VC — Value Chain | P&P — Performance and Prospects |
|---|---|---|
| High Impact | Medium Impact | Low Impact |

| Elevated | Reduced | Static |
|---|---|---|
| Risk has increased in FY 2025/26 | Effective mitigation has reduced risk | Risk profile broadly unchanged |

## Business Risks (BR)

| BR-1 | Geo-Political Developments | | YoY Change | High FY24/25 Status |
|---|---|---|---|---|
| Risk appetite: LOW TO MODERATE | Score: H×H = Adj. 12 | Horizon: Short to Medium | | High |

### Description and Implications for Value Creation

Political conflicts and geopolitical tensions disrupt global trade flows, shipping access and export market predictability. Volatility in commodity prices and supply chain disruption translate directly into revenue and cost uncertainty for TTE.

| Response and mitigating actions | Opportunities arising |
|---|---|
| • Proactive scenario testing for geopolitical shocks and their export market impacts.<br>• Diversification into new and emerging markets to reduce concentration risk.<br>• Strengthening domestic and international buyer relationships for early risk signal detection.<br>• Regular review and updating of contingency and business continuity plans. | • Geographic market diversification opens access to high-growth markets (US, Middle East, Japan).<br>• Supply chain disruptions faced by competing origins create opportunities for Ceylon Tea to capture incremental market share.<br>• Strong buyer relationships provide intelligence advantage in volatile market conditions. |

| BM | VC | P&P | Committee | Geography | Capitals |
|---|---|---|---|---|---|
| H | H | H | ESEG Steering Committee · Director/ CEO | All estates · Export markets globally | Financial Capital · Social & Relationship Capital |

| BR-2 | Macroeconomic and Political Developments | | YoY Change | Low — Stable - FY24/25 Status |
|---|---|---|---|---|
| Risk Appetite: Moderate | Score: L×L = Adj. 4 | Horizon: Short | | Low |

## Description and Implications for Value Creation

Inflation, exchange rate fluctuations, and global demand dynamics for plantation commodities directly influence TTE's revenue and cost base. Political stability supports export performance and investment flows, while prolonged uncertainty can defer investment and dampen buyer confidence.

| Response and Mitigating Actions | Opportunities Arising |
|---|---|
| Scenario testing for key macroeconomic sensitivities.<br>Engagement with trade organisations and industry associations for market intelligence.<br>Robust financial planning with inflation-adjusted cost assumptions.<br>Diversification of revenue streams to reduce commodity price concentration. | Strong post-reform political stability creates a conducive environment for export-led growth.<br>Exchange rate movements can provide revenue upside for LKR-denominated cost bases with USD export receipts.<br>Inflation-driven input cost pressures accelerate productivity investment, improving long-term competitiveness. |

| BM | VC | P&P | Committee | Geography | Capitals |
|---|---|---|---|---|---|
| L | L | L | Director Finance · ESEG Committee | All operations · Export markets | Financial Capital · Social & Relationship Capital |

| BR-3 | Civil Unrest | | YoY Change | High - Static - FY24/25 Status |
|---|---|---|---|---|
| Risk Appetite: Low | Score: H×H = Adj. 12 | Horizon: Short | | High |

## Description and Implications for Value Creation

Civil unrest disrupts estate operations, reduces workforce availability, and can result in property and infrastructure damage. It deters investment, delays export activities, and undermines market credibility. Estate communities are both TTE's workforce and its primary social licence constituency.

| Response and Mitigating Actions | Opportunities Arising |
|---|---|
| Active community engagement and welfare investment to sustain social stability.<br>Maintaining strong labour relations across all 16 estates and 15 factories.<br>On-site security and business continuity protocols for escalation scenarios.<br>Adequate insurance coverage for property and operational disruption. | Proactive community investment builds long-term loyalty, reducing social friction and turnover risk.<br>Estates with strong community relations attract better workforce quality and reduce absenteeism.<br>Demonstrating responsible community stewardship strengthens RA certification and buyer ESG assessments. |

| BM | VC | P&P | Committee | Geography | Capitals |
|---|---|---|---|---|---|
| H | H | H | ESEG Steering Committee · Director/ CEO · DGM HR | All 16 estates across agro-climatic zones | Human Capital · Social & Relationship Capital · Financial Capital |

| BR-4 | Inflation Risk | | YoY Change | High - Elevated - FY24/25 Status |
|---|---|---|---|---|
| Risk Appetite: Low to Moderate | Score: H×M = Adj. 10 | Horizon: Short | | High |

## Description and Implications for Value Creation

Escalating input costs — particularly labour, energy, fertiliser and agrochemicals — exert persistent pressure on operating margins. The September 2024 wage revision compounded an already elevated cost environment, with limited ability to pass through cost increases at the commodity auction level.

| Response and Mitigating Actions | Opportunities Arising |
|---|---|
| Continuous efficiency improvements and productivity enhancement across estates and factories.<br>Cost benchmarking and lean operations initiatives to sustain competitiveness.<br>Strategic procurement of key agricultural inputs to reduce unit cost exposure.<br>Integration of cost reduction targets within the Hayleys ReGen Agenda 2030 initiatives. | Cost inflation pressure accelerates modernisation and mechanisation investment, improving long-term productivity.<br>High-cost environment favours premium and certified tea segments where value-to-cost ratios are more favourable.<br>Operational efficiency gains from renewables (solar, hydro) reduce energy cost exposure over time. |

| BM | VC | P&P | Committee | Geography | Capitals |
|---|---|---|---|---|---|
| H | H | H | Director Finance · ESEG Committee · Estate Managers | All estates and factory operations | Financial Capital · Manufactured Capital · Human Capital |

# Risks and Opportunities

## Financial Risks (FR)

| FR-1 | Liquidity Risk | | YoY Change | Medium - Static - FY24/25 Status |
|---|---|---|---|---|
| Risk Appetite: Low to Moderate | Score: M×M = Adj. 6 | Horizon: Short | | Medium |

### Description and Implications for Value Creation

Exposure to cash flow pressures from tea price fluctuations, crop volume variability, wage cycle commitments and geopolitical macroeconomic uncertainty. Adequate liquidity buffers are essential to fund operations, CapEx and debt service without disrupting strategy execution.

| Response and Mitigating Actions | Opportunities Arising |
|---|---|
| • Preservation of cash and unutilised credit facilities to maintain adequate liquidity headroom.<br>• Maintaining diversified banking relationships and access to short and long-term credit facilities.<br>• Proactive cash flow forecasting aligned with tea auction cycle and seasonal crop patterns.<br>• Scenario planning for liquidity under adverse price and yield assumptions. | • Strong cash generation from certified-tea premium sales reduces base liquidity risk.<br>• Exploring sustainability-linked financing to access new funding sources at competitive terms.<br>• Renewable energy income provides a stable, non-tea revenue buffer during adverse commodity cycles. |

| BM | VC | P&P | Committee | Geography | Capitals |
|---|---|---|---|---|---|
| M | M | M | Director Finance · ESEG Committee | Group treasury and all operational cash flows | Financial Capital |

| FR-2 | Credit Risk | | YoY Change | Low - Reduced - FY24/25 Status |
|---|---|---|---|---|
| Risk appetite: Low | Score: L×L = Adj. 3 | Horizon: Short | | Low |

### Description and Implications for Value Creation

Exposure to potential financial loss from delays or defaults in buyer or customer payments. TTE's primary exposure is through tea auction receivables and direct export buyer accounts. Current credit quality of the buyer base remains sound.

| Response and Mitigating Actions | Opportunities Arising |
|---|---|
| • Regular follow-up procedures to ensure timely settlement of outstanding balances.<br>• Continuous monitoring of outstanding customer balances and ageing analysis.<br>• Stringent credit policies and pre-approved credit limits for direct export buyers.<br>• Periodic balance confirmations to ensure agreement with counterparty records. | • Conservative credit management maintains strong receivables quality.<br>• Long-term direct buyer relationships reduce credit risk through relationship accountability. |

| BM | VC | P&P | Committee | Geography | Capitals |
|---|---|---|---|---|---|
| L | L | L | Director Finance | Tea auction receivables · Direct export buyers | Financial Capital |

| FR-3 | Interest Rate Risk | | YoY Change | Medium — Static - FY24/25 Status |
|---|---|---|---|---|
| Risk Appetite: Low to Moderate | Score: M×M = Adj. 6 | Horizon: Short to Medium | | Medium |

### Description and Implications for Value Creation

Fluctuations in market interest rates impact borrowing costs on TTE's variable-rate facilities and the opportunity cost of capital allocation. Rising rates increase debt service costs and raise the hurdle rate for CapEx investment decisions.

| Response and Mitigating Actions | Opportunities Arising |
|---|---|
| • Close monitoring of financial market conditions and central bank policy signals.<br>• Diversifying investment and liability portfolios to reduce rate concentration.<br>• Maintaining strong banking relationships to ensure competitive refinancing terms.<br>• Integration of interest rate sensitivity into OPEX and CapEx financial planning. | • Declining interest rate environment improves debt service economics and supports CapEx deployment.<br>• Sustainability-linked loan structuring can access preferential rate margins through ESG performance linkage. |

| BM | VC | P&P | Committee | Geography | Capitals |
|---|---|---|---|---|---|
| M | M | M | Director Finance | Group treasury — all borrowing facilities | Financial Capital |

| FR-4 | Exchange Rate Risk | | YoY Change | Medium - Static - FY24/25 Status |
|---|---|---|---|---|
| Risk Appetite: Low to Moderate | Score: M×M = Adj. 6 | Horizon: Short | Medium | |

### Description and Implications for Value Creation

Currency volatility in LKR/USD creates exposure on foreign currency-denominated borrowings and on the USD value of export receipts. LKR depreciation improves export revenue in local currency terms but increases imported input costs.

| Response and Mitigating Actions | Opportunities Arising |
|---|---|
| • Continuous monitoring of FX market movements and macroeconomic trends.<br>• Hedging exposure through approved financial instruments where material.<br>• Optimisation of currency conversion timing to manage exchange rate gains.<br>• Maintaining FX risk within Group treasury guidelines. | • LKR depreciation increases LKR-denominated revenue from USD export receipts.<br>• Structured hedging programme provides predictability in planning, enabling better investment decisions.<br>• Diversified export currency exposure reduces concentration in any single currency. |

| BM | VC | P&P | Committee | Geography | Capitals |
|---|---|---|---|---|---|
| M | M | M | Director Finance | Export receivables · USD-denominated borrowings | Financial Capital |

## Operational Risks (OR)

| OR-1 | Fraud and Anti-Corruption Risk | | YoY Change | High — Static - FY24/25 Status |
|---|---|---|---|---|
| Risk Appetite: Zero Tolerance | Score: H×H = Adj. 10 | Horizon: Short | High | |

### Description and Implications for Value Creation

Exposure to potential financial and reputational risks from fraudulent activities, misappropriation of assets or unethical conduct in operational processes. TTE operates across dispersed estate locations, requiring robust distributed controls.

| Response and Mitigating Actions | Opportunities Arising |
|---|---|
| • Sound internal controls framework supported by audit & assurance procedures.<br>• Hayleys Way Code of Conduct: anti-bribery, anti-corruption, zero-tolerance policy.<br>• Whistleblower channel for anonymous reporting of suspected fraud.<br>• Continuous employee training & awareness programmes on ethical conduct.<br>• Strengthening digital approval workflows to reduce manual intervention risk. | • A strong ethical culture and zero-tolerance governance framework is a reputational asset for buyers and investors.<br>• Digital controls reduce fraud vulnerability and improve process efficiency simultaneously.<br>• Transparent governance standards support TTE's position as a preferred corporate partner in ESG supply chains. |

| BM | VC | P&P | Committee | Geography | Capitals |
|---|---|---|---|---|---|
| H | H | H | Director Finance · BAC · Internal Audit · Hayleys Group | All estate and factory operations | Intellectual Capital · Financial Capital · Social & Relationship Capital |

| OR-2 | Technology and Data Integrity Risk | | YoY Change | HIGH - Elevated - FY24/25 Status |
|---|---|---|---|---|
| Risk appetite: Low | Score: H×H = Adj. 10 | Horizon: Short | High | |

### Description and Implications for Value Creation

Exposure to information technology failure, cybersecurity breaches and unauthorised data leakage across TTE's estate management, ESG data collection and financial reporting systems. Digitisation of sustainability reporting increases data integrity risk if controls are inadequate.

| Response and Mitigating Actions | Opportunities Arising |
|---|---|
| • Access controls and multi-factor authentication for all key systems.<br>• Licensed software procurement and periodic IT audits.<br>• Antivirus, firewall and controlled access environment across all IT assets.<br>• Employee awareness programmes on data confidentiality and cybersecurity.<br>• Enhanced data governance and formal information security policies. | • Cybersecurity investment enables digital transformation of estate operations without unacceptable risk.<br>• Robust ESG data infrastructure supports credible sustainability disclosures and assurance engagement.<br>• Digital systems improve ESG data quality, reducing the measurement uncertainty in sustainability reporting. |

| BM | VC | P&P | Committee | Geography | Capitals |
|---|---|---|---|---|---|
| H | H | H | SM Management Information Systems · ESEG Committee | All IT systems: estate, factory and corporate | Intellectual Capital · Financial Capital · Manufactured Capital |

# Risks and Opportunities

| OR-3 | Competitor Risk | | YoY Change | High — Static - FY24/25 Status |
|---|---|---|---|---|
| Risk Appetite: Moderate | Score: H×M = Adj. 8 | Horizon: Short to Medium | | High |

### Description and Implications for Value Creation

Competitive pressure from other Ceylon Tea Regional Plantation Companies and alternative beverage categories threatens market share, auction pricing and buyer relationships. Competitors with stronger ESG credentials or lower cost structures may displace TTE in premium buyer portfolios.

| Response and Mitigating Actions | Opportunities Arising |
|---|---|
| • Product innovation and diversification into value-added teas, tea tourism and renewable energy strengthen TTE's premium market position.<br>• Strong buyer relationships, brand reputation and RA/Fairtrade certification create a competitive barrier to entry. | • Deep ESG certification credentials and Hayleys Group scale create strong competitive barriers and market-access advantages.<br>• First-mover positioning in specialty tea categories such as Matcha and organic tea strengthens brand value and premium market differentiation. |

| BM | VC | P&P | Committee | Geography | Capitals |
|---|---|---|---|---|---|
| H | H | H | Director/CEO · GM Sustainability | Colombo Tea Auction · Direct export buyer market | Financial Capital · Intellectual Capital · Social & Relationship Capital |

## Climate-Related Risks and Opportunities (CRR / CRRO)

| CRR-1 | Climate Transition Risk — Low Emission Compliance | | YoY Change | Med-High - Elevated - FY24/25 Status |
|---|---|---|---|---|
| Risk Appetite: Moderate | Score: L×M = Adj. 9 | Horizon: Short to Long | | Med-High |

### Description and Implications for Value Creation

The global shift to a low-carbon economy creates compliance costs through carbon pricing, mandatory GHG disclosure and buyer-driven Scope 3 targets. TTE's Scope 1 intensity (biomass processing, diesel, fertiliser) requires active CapEx investment in the decarbonisation transition.

| Response and Mitigating Actions | Opportunities Arising |
|---|---|
| • Annual renewable energy CapEx focused on solar PV expansion and biomass combustion efficiency improvements.<br>• SBTi-aligned Scope 1 and 2 reduction tracking, supported by ISO 14064-1:2018 GHG inventory, assurance and regulatory horizon scanning. | • Renewable energy investments reduce long-term energy costs while supporting Scope 2 emission reductions.<br>• SBTi-aligned low-carbon credentials strengthen access to premium buyers, green financing and sustainability-focused markets. |

| BM | VC | P&P | Committee | Geography | Capitals |
|---|---|---|---|---|---|
| H | H | H | BAC · Director Finance · GM Sustainability | All estates · EU export markets (CBAM monitoring) | Natural Capital · Financial Capital · Intellectual Capital |

| CRR-2 | Acute Physical Climate Risk — Extreme Rainfall, Floods & Landslides | | YoY Change | HIGH - Elevated - FY24/25 Status |
|---|---|---|---|---|
| Risk Appetite: Low - Zero Tolerance | Score: L×M = Adj. 16 | Horizon: Short to Medium | | High |

### Description and Implications for Value Creation

Extreme rainfall events during the South-West monsoon season cause floods, slope failures, factory shutdowns and direct crop losses across TTE's Upcountry and mid-country estates. Speed of onset is very high (hours), making preventive infrastructure investment the primary control lever.

| Response and Mitigating Actions | Opportunities Arising |
|---|---|
| • Strengthen vulnerable slopes through retaining walls, drainage channels and soil anchoring, supported by flood early-warning alerts.<br>• Maintain annual monsoon preparedness by pre-positioning equipment, reviewing emergency plans and monitoring emergency OPEX against the Rs. 80 Mn tolerance cap. | • Proactive resilience investment reduces event-related losses, protects long-term asset quality and strengthens estate climate resilience.<br>• Climate-resilient estates improve ESG buyer positioning, support RA certification strength and enhance green finance eligibility. |

| BM | VC | P&P | Committee | Geography | Capitals |
|---|---|---|---|---|---|
| H | H | H | BAC · ESEG · Director Plantations · Estate Managers | Upcountry and Mid-Country estates — highest exposure | Natural Capital · Manufactured Capital · Financial Capital |

| CRR-3 | Chronic Physical Climate Risk — Rising Temperatures and Yield Decline | | YoY Change | High — Static - FY24/25 Status |
|---|---|---|---|---|
| Risk appetite: Low To Moderate | Score: L×M = Adj. 12 | Horizon: Medium to Long | | High |

### Description and Implications for Value Creation

Progressive warming at Upcountry elevations above 1,600 m affects leaf flush rates, crop quality, pest incidence and varietal agro-climatic suitability. IPCC AR6 projections under TTE's base scenario (SSP2-4.5) indicate cumulative yield decline from the late 2020s.

| Response and Mitigating Actions | Opportunities Arising |
|---|---|
| • Align annual replanting with TRI climate-resilient varieties and estate-level vulnerability mapping to prioritise high-risk areas.<br>• Apply agronomic adjustments and SLAS 36 climate scenario reviews to protect crop resilience and long-term asset value. | • Early replanting and climate-adapted varieties position TTE ahead of competitors while supporting premium specialty market opportunities.<br>• Crop diversification and deep TRI engagement reduce climate concentration risk and build strong agronomic knowledge that is difficult to replicate. |

| BM | VC | P&P | Committee | Geography | Capitals |
|---|---|---|---|---|---|
| H | H | H | BAC · ESEG · Director Plantations · Head of Agronomy | Upcountry estates (primary) · All zones over the long term | Natural Capital · Manufactured Capital · Financial Capital |

| CRR-4 | Reputational Risk from Environmental Performance | | YoY Change | Medium — Static - FY24/25 Status |
|---|---|---|---|---|
| Risk Appetite: Low to Moderate | Score: L×M = Adj. 6 | Horizon: Short to Medium | | Medium |

### Description and Implications for Value Creation

Negative stakeholder perceptions regarding the environmental impact of tea cultivation — chemical use, water consumption, land-use change — can erode brand value, buyer confidence and investor sentiment. ESG reputation risk is increasingly amplified by digital monitoring and NGO scrutiny.

| Response and Mitigating Actions | Opportunities Arising |
|---|---|
| • Strengthen ESG performance across plantation and factory operations through RA, ISO 14001, Fairtrade, GRI reporting and transparent annual disclosures.<br>• Advance large-scale reforestation, biodiversity corridors and water stewardship initiatives to reinforce environmental resilience and sustainability leadership. | • Leading ESG performance and transparent reporting strengthen TTE's reputation as a sustainability leader.<br>• Strong environmental credentials and nature-positive positioning attract ESG-oriented buyers, sustainability-linked investors and above-auction margin opportunities |

| BM | VC | P&P | Committee | Geography | Capitals |
|---|---|---|---|---|---|
| H | H | H | ESEG · GM Sustainability · Director/ CEO | All estates · Brand exposure: global buyer markets | Social & Relationship Capital · Intellectual Capital · Natural Capital |

| CRR-5 | Biological Risk — Pests, Pathogens and Crop Disease | | YoY Change | Medium - Static - FY24/25 Status |
|---|---|---|---|---|
| Risk Appetite: Low to Moderate | Score: L×M = Adj. 5 | Horizon: Medium | | Medium |

### Description and Implications for Value Creation

Changing microclimatic conditions are increasing the prevalence of pests, pathogens and crop diseases across TTE's estates. Higher agronomic inputs are required to maintain yield and quality, adding cost and creating residue management challenges.

| Response and Mitigating Actions | Opportunities Arising |
|---|---|
| • Apply IPM, regular crop surveillance and disease monitoring to reduce chemical dependency and strengthen early pest control.<br>• Improve soil and plant health through nutrient programmes, organic matter management and field supervisor training on IPM protocols. | • IPM adoption and proactive disease management reduce chemical input costs, strengthen RA compliance and protect crop quality.<br>• Soil health improvements build long-term estate productivity resilience and support stronger auction price realisation. |

| BM | VC | P&P | Committee | Geography | Capitals |
|---|---|---|---|---|---|
| M | M | M | Director Plantations · Head of Agronomy · GM Sustainability | All estates across agro-climatic zones | Natural Capital · Manufactured Capital · Financial Capital |

# Risks and Opportunities

| CRR-6 | Water Scarcity and Changing Rainfall Patterns | | ▲ YoY Change | Medium - Elevated - FY24/25 Status |
|---|---|---|---|---|
| Risk Appetite: Low to Moderate | Score: L3×M2 = Adj. 5 | Horizon: Medium to Long | | Medium |

### Description and Implications for Value Creation

Changes in rainfall seasonality, rising evaporation rates and potential groundwater depletion threaten irrigation availability and tea processing water supply. Dry-season water stress can reduce leaf flush, constrain factory operations and damage soil structure.

| Response and Mitigating Actions | Opportunities Arising |
|---|---|
| • Expand rainwater harvesting, water storage and efficient irrigation practices to improve estate-level water security.<br>• Monitor water use and rainfall trends while aligning water stewardship initiatives with RA certification requirements. | • Water efficiency investments reduce per-unit operating costs, improve RA audit performance and strengthen buyer ESG confidence.<br>• Best-practice water stewardship supports long-term soil health, estate productivity and differentiation with water-sensitive buyers. |

| BM | VC | P&P | Committee | Geography | Capitals |
|---|---|---|---|---|---|
| M | M | M | GM Sustainability · Director Plantations · Estate Managers | All estates — highest exposure in dry-zone regions | Natural Capital · Manufactured Capital · Financial Capital |

## Sustainability-Related Risks and Opportunities (SRR / SRO)

| SRR-1 | Labour Scarcity and Wage Escalation | | ▲ YoY Change | High - Elevated - FY24/25 Status |
|---|---|---|---|---|
| Risk Appetite: Low | Score: H×H = Adj. 16 | Horizon: Short to Medium | | High |

### Description and Implications for Value Creation

Structural decline in estate labour supply, driven by demographic change and alternative employment, creates persistent harvest capacity risk. The September 2024 wage revision resulted in a material increase in estate OPEX. Absenteeism above the 25% threshold directly reduces crop volumes and quality.

| Response and Mitigating Actions | Opportunities Arising |
|---|---|
| • Strengthen workforce stability through estate welfare programmes, absenteeism monitoring, gender diversity initiatives and female workforce participation.<br>• Manage labour cost and productivity pressures through targeted mechanisation pilots, wage planning and OPEX sensitivity analysis. | • Welfare investment, labour standards compliance and workforce training strengthen loyalty, reduce turnover and support certified-tea premiums.<br>• A stable workforce and selective mechanisation improve productivity and tea quality, helping offset wage cost escalation. |

| BM | VC | P&P | Committee | Geography | Capitals |
|---|---|---|---|---|---|
| H | H | H | Director/CEO · DGM HR · ESEG Committee · Estate Managers | All 16 estates across all agro-climatic zones | Human Capital · Social & Relationship Capital · Financial Capital |

| SRR-2 | ESG Certification Compliance and Buyer Sustainability Requirements | | ▲ YoY Change | High - Elevated - FY24/25 Status |
|---|---|---|---|---|
| Risk Appetite: Low | Score: H×H = Adj. 12 | Horizon: Short to Medium | | High |

### Description and Implications for Value Creation

Failure to meet evolving sustainability standards — Rainforest Alliance 2020, Fairtrade International, ISO 22000 — risks loss of certified-tea premiums (Rs. 185/kg High-Grown; Rs. 166/kg Low-Grown) and access to ESG-focused buyer contracts. Global certification requirements are intensifying, not stabilising.

| Response and Mitigating Actions | Opportunities Arising |
|---|---|
| • Conduct annual RA and ISO 22000 audits with proactive internal reviews to maintain consistent certification readiness across all estates.<br>• Monitor evolving buyer ESG requirements and train staff on certification compliance and Good Agricultural Practices. | • Premium certifications and EUDR readiness strengthen access to ESG-committed buyers and position TTE ahead of competitors.<br>• A strong certification profile supports first-mover advantage, green financing and sustainability-linked lending opportunities. |

| BM | VC | P&P | Committee | Geography | Capitals |
|---|---|---|---|---|---|
| H | H | H | GM Sustainability · ESEG Committee · Estate Managers | All 16 estates · Low-Country factory operations | Financial Capital · Intellectual Capital · Social & Relationship Capital |

| SRR-3 | Health Risks from Pesticide and Agrochemical Exposure | | ▲ YoY Change | High — Static - FY24/25 Status |
|---|---|---|---|---|
| Risk appetite: Low | Score: H×H = Adj. 12 | Horizon: Short | | High |

### Description and Implications for Value Creation

Pesticide exposure poses direct health risks to estate workers, increasing absenteeism and healthcare costs. Regulatory and legal liability from non-compliance with occupational health standards, combined with reputational damage, can threaten RA certification and buyer relationships.

| Response and Mitigating Actions | Opportunities Arising |
|---|---|
| • Strengthen worker safety through appropriate PPE, regular health monitoring and strict adherence to occupational health, safety and regulatory standards.<br>• Reduce agrochemical risk through integrated pest management, proper storage, handling and labelling of all agrochemical inputs. | • Transitioning to organic and low-chemical practices creates access to premium organic market segments and reduces long-term input costs.<br>• Strong worker health and safety standards support RA and Fairtrade certification while lowering environmental liability. |

| BM | VC | P&P | Committee | Geography | Capitals |
|---|---|---|---|---|---|
| H | H | H | DGM HR · GM Sustainability · Estate Managers | All 16 estates and 15 factories | Human Capital · Natural Capital · Social & Relationship Capital |

## Business Related Opportunity (BO)

| BO-1 | Robust Global Demand for Plantation Products | | ▲ YoY Change | High — Elevated Opportunity FY24/25 Status |
|---|---|---|---|---|
| Risk Appetite: High Appetite | Score: M×M = Adj. 9 | Horizon: Short to Medium | | High OPP. |

### Description and Implications for Value Creation

Growing global demand for premium tea, cinnamon and rubber — particularly from the US, Germany, China and Middle Eastern markets — creates sustained export opportunity. Rising consumer preference for organic, sustainable and provenance-verified plantation products directly aligns with TTE's certification credentials.

| Response and Mitigating Actions | Opportunities Arising |
|---|---|
| • Diversify export markets across multiple geographies while leveraging institutional support from the Sri Lanka Export Development Board.<br>• Strengthen ISO and RA-backed product quality through enhanced processing, innovation and value addition. | • Market diversification reduces concentration risk while accessing higher-growth regions and premium direct-buyer opportunities.<br>• Ceylon Tea heritage, sustainability-certified products, cinnamon and rubber diversification strengthen premium positioning and create uncorrelated revenue streams. |

| BM | VC | P&P | Committee | Geography | Capitals |
|---|---|---|---|---|---|
| M | M | M | Director/CEO · ESEG Committee | All estates · Global export markets | Financial Capital · Social & Relationship Capital · Intellectual Capital |

| BO-2 | Strong Demand for Value-Added Products | | ▲ YoY Change | Medium - Elevated Opportunity FY24/25 Status |
|---|---|---|---|---|
| Risk Appetite: High Appetite | Score: M×M = Adj. 9 | Horizon: Medium | | High OPP. |

### Description and Implications for Value Creation

Shifting from raw commodity sales to processed, packaged and specialty products — Matcha, organic tea, cinnamon-based products, tea tourism — improves revenue quality, reduces commodity price volatility exposure, and creates defensible brand positioning in premium segments.

| Response and Mitigating Actions | Opportunities Arising |
|---|---|
| • Accelerate branded and value-added product lines through improved processing, packaging technology and product differentiation.<br>• Use market research and quality standards such as ISO and HACCP to strengthen consumer relevance and product credibility. | • Premium value-added products such as Matcha, cold brew and cinnamon blends generate higher margins and build brand/IP value beyond bulk auction teas.<br>• Tea tourism and value-added product expansion create non-commodity income streams, reducing exposure to Colombo Tea Auction price volatility. |

| BM | VC | P&P | Committee | Geography | Capitals |
|---|---|---|---|---|---|
| M | M | M | Director/CEO · Director Plantations · GM Sustainability | Select estates with tourism and processing capability | Intellectual Capital · Financial Capital · Manufactured Capital |

# Risks and Opportunities

## Sustainability - Related Opportunity (SRO)

| SRO-1 | Ecosystems and Biodiversity - Nature-Based Value Creation | | ▲ YoY Change | High - Elevated Opportunity FY24/25 Status |
|---|---|---|---|---|
| Risk Appetite: High Appetite | Score: Opp. Score Adj. 16 | Horizon: Medium to Long | | High OPP. |

### Description and Implications for Value Creation

TTE's estate lands in Sri Lanka's Central Highlands — a globally recognised biodiversity hotspot — host endemic species, riparian habitats and ecologically sensitive forest fragments. The Kirulu and St. Clair restoration projects and the 13 km Nanu Oya/Agra Oya biodiversity corridor create measurable conservation value and commercial opportunity through Payment for Ecosystem Services (PES).

| Response and Mitigating Actions | Opportunities Arising |
|---|---|
| • Allocate annual biodiversity restoration CapEx of Rs. 22–25 Mn to advance corridor development, ecological monitoring and the 13 km Nanu Oya/Agra Oya restoration programme.<br>• Integrate the Nature-Positive Business Policy, RA geospatial risk updates and TNFD LEAP assessment into estate capital allocation and nature-related risk management. | • PES income of Rs. 20 Mn/year by FY 2030 and green financing opportunities create diversified revenue and potential lower cost of capital.<br>• Nature-positive positioning, biodiversity corridor development and ReGen Agenda 2030 alignment strengthen watershed resilience, premium buyer appeal and Group ESG reputation. |

| BM | VC | P&P | Committee | Geography | Capitals |
|---|---|---|---|---|---|
| H | H | H | BAC · ESEG · GM Sustainability · Director Plantations | All 16 estates · Highest activity: Central Highlands corridor zone | Natural Capital · Financial Capital · Social & Relationship Capital |

| SRO-2 | Access to High-Value Export Markets Through Certifications | | ▲ YoY Change | HIGH - Elevated Opportunity FY24/25 Status |
|---|---|---|---|---|
| Risk Appetite: High Appetite | Score: H×H = Adj. 12 | Horizon: Short to Medium | | High OPP. |

### Description and Implications for Value Creation

Rainforest Alliance and Fairtrade International certifications unlock access to premium buyer contracts, improve revenue quality and strengthen brand reputation in ESG-driven markets. Certification credentials are increasingly a prerequisite — not a differentiator — for EU and North American premium buyers.

| Response and Mitigating Actions | Opportunities Arising |
|---|---|
| • Invest in sustainable farming practices, internal audits and continuous improvement to maintain and expand certification coverage.<br>• Engage premium buyers and plan certification investments strategically to convert credentials into long-term contracts. | • Certified teas generate premiums of Rs. 166–185/kg above uncertified teas, strengthening TTE's premium revenue base.<br>• Certification supports buyer ESG requirements and long-term contracts, improving price visibility and reducing auction price volatility exposure. |

| BM | VC | P&P | Committee | Geography | Capitals |
|---|---|---|---|---|---|
| H | H | H | GM Sustainability · Director/CEO | All certified estates (RA, Fairtrade) | Financial Capital · Intellectual Capital · Social & Relationship Capital |

| SRO-3 | Renewable Energy and Low-Carbon Transition | | ▲ YoY Change | Medium - Elevated Opportunity FY24/25 Status |
|---|---|---|---|---|
| Risk Appetite: High Appetite | Score: M×M = Adj. 9 | Horizon: Medium | | High OPP. |

### Description and Implications for Value Creation

TTE's solar and mini-hydropower assets generate renewable energy income and reduce Scope 2 electricity costs. Expanding low-carbon capacity supports the SBTi decarbonisation pathway, strengthens ESG buyer credentials, and positions TTE to access sustainability-linked financing.

| Response and Mitigating Actions | Opportunities Arising |
|---|---|
| • Deploy annual climate-aligned CapEx for solar PV expansion and biomass efficiency upgrades to support low-carbon operations.<br>• Track Scope 1+2 GHG reduction against the SBTi pathway, supported by energy-efficiency awareness and renewable asset monitoring. | • Renewable energy generation creates a stable non-tea revenue stream while reducing long-term operating costs.<br>• Low-carbon operations and SBTi alignment strengthen buyer market access and support green or sustainability-linked financing opportunities. |

| BM | VC | P&P | Committee | Geography | Capitals |
|---|---|---|---|---|---|
| M | M | M | GM Sustainability · Director Finance · Director Plantations | Estates with solar installations · Hydro operations | Natural Capital · Financial Capital · Manufactured Capital |

| SRO-4 | Adoption of Organic and Low-Chemical Farming Practices | | ▲ YoY Change | HIGH - Elevated Opportunity FY24/25 Status |
|---|---|---|---|---|
| Risk Appetite: High Appetite | Score: H×H = Adj. 12 | Horizon: Medium to Long | | High OPP. |

### Description and Implications for Value Creation

Transitioning to organic and low-chemical practices improves soil health, reduces worker health risk and environmental footprint, and unlocks access to premium organic market segments. Initial transition costs are offset by long-term input cost reduction and market premium benefits.

| Response and Mitigating Actions | Opportunities Arising |
|---|---|
| • Implement organic, low-chemical farming and integrated pest management to reduce chemical input dependency across estates.<br>• Strengthen soil health through composting, erosion control, organic matter improvement and workforce training on sustainable farming practices. | • Organic and natural tea certification supports premium pricing, stronger buyer due diligence compliance and improved market access.<br>• Reduced chemical inputs improve RA certification scores, lower environmental liability and strengthen soil health, biodiversity and carbon sequestration benefits. |

| BM | VC | P&P | Committee | Geography | Capitals |
|---|---|---|---|---|---|
| H | H | H | Director Plantations · GM Sustainability · Head of Agronomy | Select estates in phased rollout | Natural Capital · Financial Capital · Human Capital |

## Climate Risk Related Opportunities (CRRO)

| CRRO-1 | Climate-Smart Agriculture (CSA) | | ▲ YoY Change | HIGH — Elevated Opportunity FY24/25 Status |
|---|---|---|---|---|
| Risk Appetite: High Appetite | Score: H×H = Adj. 12 | Horizon: Medium | | High OPP. |

### Description and Implications for Value Creation

Adoption of climate-smart agriculture — drought-resistant cultivars, precision agronomy, soil carbon sequestration, optimised irrigation — enhances yield stability, reduces resource inputs and improves environmental performance aligned with ESG standards.

| Response and Mitigating Actions | Opportunities Arising |
|---|---|
| • Cultivate drought-resistant and climate-adapted crop varieties across vulnerable estates to strengthen climate resilience.<br>• Apply precision agriculture, soil and water conservation, and ESG-aligned monitoring to improve resource efficiency and ecosystem resilience. | • CSA investments reduce chronic climate risk exposure by improving crop resilience and yield per hectare.<br>• Improved soil management supports carbon sequestration, Scope 1 emission reduction and stronger buyer ESG positioning. |

| BM | VC | P&P | Committee | Geography | Capitals |
|---|---|---|---|---|---|
| H | H | H | Director Plantations · Head of Agronomy · GM Sustainability | All estates with climate-vulnerable profiles | Natural Capital · Manufactured Capital · Financial Capital |

| CRRO-2 | Innovation and Product Diversification | | ▲ YoY Change | Medium - Elevated Opportunity FY24/25 Status |
|---|---|---|---|---|
| Risk Appetite: Moderate to High | Score: M×M = Adj. 9 | Horizon: Medium | | High OPP. |

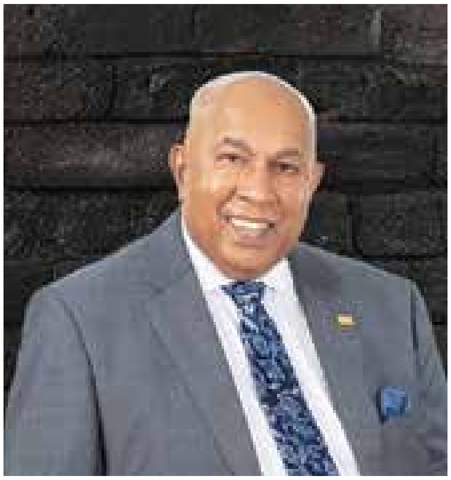
### Description and Implications for Value Creation

Development of climate-resilient crops, value-added products and alternative revenue streams reduces systemic risk from commodity and climate dependence. Portfolio diversification creates multiple income streams across different risk profiles.

| Response and Mitigating Actions | Opportunities Arising |
|---|---|
| • Introduce climate-resilient, high-demand crops such as cinnamon, rubber and specialty tea to diversify estate income.<br>• Develop value-added products such as Matcha, specialty blends and packaged teas, supported by R&D and expansion into premium niche markets. | • Product diversification and new crop revenue streams reduce dependence on tea commodity price cycles and strengthen long-term estate viability.<br>• Climate-resilient varieties, specialty teas and value-added products improve yield stability while generating premium margins over bulk auction teas. |

| BM | VC | P&P | Committee | Geography | Capitals |
|---|---|---|---|---|---|
| M | M | M | Director/CEO · Director Plantations · GM Sustainability | Select estates with diversification capability | Financial Capital · Natural Capital · Intellectual Capital |

# Corporate Governance



## Chairman's Note on Corporate Governance

On behalf of the Board of Directors, I am pleased to introduce the Corporate Governance Report of Talawakelle Tea Estates PLC for the financial year ended 31st March 2026.

The year under review was characterized by an exceptionally challenging operating environment. The Company faced the adverse impacts of Cyclone Ditwah, continued geopolitical tensions, and a further government mandated workers' wage increase of 15%, implemented soon after a significant 35% wage hike in the previous year. These factors collectively exerted considerable pressure on costs, operational stability, and overall performance.

Despite these external challenges, the Company successfully achieved the targets set at the beginning of the year. This outcome underscores the strength and effectiveness of TTE's cooperative and integrated corporate governance framework, which enabled the Board and Management to respond decisively, manage risks proactively, and maintain operational discipline under difficult circumstances.

Our governance approach is founded on clear strategic alignment, robust oversight, accountability, and ethical conduct. The Board, supported by its specialised Committees, maintained strict vigilance over strategy execution, financial performance, enterprise risk management, human capital governance, ESG, and digital resilience. These governance drivers functioned as an interconnected system, ensuring informed decision-making and timely corrective action when required. The Board placed particular emphasis on integrated risk management and human capital governance. Sustainability and ESG considerations also remained firmly embedded in strategic and operational decisions, reinforcing long-term resilience and stakeholder trust.

As part of ongoing Board refreshment, I am pleased to welcome Mr. Nishantha Prasanna Abeysinghe, who was appointed Executive Director/Chief Executive Officer with effect from 1 August 2025, following the resignation of Mr. Senaka Bandara Alawattegama with effect from 31 July 2025. In addition, Mr. Anura Weerakoon was appointed as a Non-Executive Director with effect from 15 September 2025, further enhancing the depth, diversity, and expertise of the Board.

I wish to confirm that the Company remained fully compliant with applicable regulatory requirements, including the Listing Rules of the Colombo Stock Exchange and the Code of Best Practice on Corporate Governance, while upholding the ethical standards articulated in the "Hayleys Way" Code of Conduct.

Looking ahead, the Board remains confident that TTE's governance framework will continue to serve as a critical enabler of performance, resilience, and sustainable value creation for the benefit of all stakeholders.

Mohan Pandithage
Chairman

## 1 Talawakelle Tea Estates PLC (TTE) Corporate Governance Approach

GRI 2-9

Talawakelle Tea Estates PLC (TTE) practices a corporate governance approach grounded in transparency, accountability, and ethical behavior, integrating these values into its culture and decision-making processes. Governance starts with a strong Board of Directors, which defines the company's strategic direction. With a balanced structure of Executive, Non-Executive, and Independent Directors, clear separation between leadership roles, and a Senior Independent Director to reinforce impartial guidance, the Board ensures responsible oversight. Regular board refreshment promotes a diverse mix of competencies, including finance, agribusiness, and ESG expertise.

To strengthen oversight, TTE operates through four specialized Board Committees—Audit, Remuneration, Nominations and Governance, and Related Party Transactions Review—each functioning under a dedicated Charter. These committees safeguard the integrity of financial reporting, ensure fair and performance-linked remuneration practices, uphold rigorous governance standards, and guarantee transparency in related-party dealings.

All governance activities are supported by "The Hayleys Way," the ethical framework of the Hayleys Group, which reinforces zero-tolerance policies on bribery and corruption, and provides safe, confidential channels for whistleblowers to report concerns without fear of retaliation.

TTE's governance philosophy also extends to sustainability, risk management, and stakeholder engagement. The Board assumes overall responsibility for ESG performance, supported by the ESEG Steering Committee, while the Enterprise Risk and Opportunity Management (EROM) framework ensures that strategic, operational, and sustainability-related risks are effectively identified and managed. Digital governance—particularly in IT and cybersecurity—strengthens operational resilience. Through transparent communication channels such as the Annual Integrated Report, quarterly financial disclosures, and the AGM, TTE maintains trust-based, open dialogue with shareholders and broader stakeholder groups.

In support of its governance objectives, TTE complies with a comprehensive framework consisting of mandatory regulatory requirements, internationally recognized standards, and internal governance mechanisms, as outlined below

### Mandatory Regulatory Frameworks – fully compliant

- The Companies Act No. 7 of 2007 including applicable regulations
- Securities and Exchange Commission of Sri Lanka (SEC) Act No. 19 of 2021, including rules, regulations, directives and circulars
- Listing Rules of the Colombo Stock Exchange (CSE), including circulars
- Sri Lanka Accounting & Auditing Standards Act no 15 of 1995 Issued by Institute of Chartered Accountants of Sri Lanka

### Voluntary Frameworks and Standards

- Code of Best Practice on Corporate Governance (2023) issued by Chartered Accountants (CA) Sri Lanka – compliant to the extent of business exigency and as required by the Group
- UN Sustainable Development Goals
- UN Global Compact Principles

### Reporting Frameworks

- International Integrated Reporting Framework published by the International Integrated Reporting Council (IIRC)
- Global Reporting Initiative Standards (GRI and GRI -13)
- Sustainability Disclosure Standards SLFRS S1 and SLFRS S2
- Task Force on Nature - Related Financial Disclosure (TNFD)

### Internal Mechanisms

- Articles of Association
- Board Charter and Board Sub-Committee Charters
- Internal Policies

## Regulatory Compliance

GRI 2-27

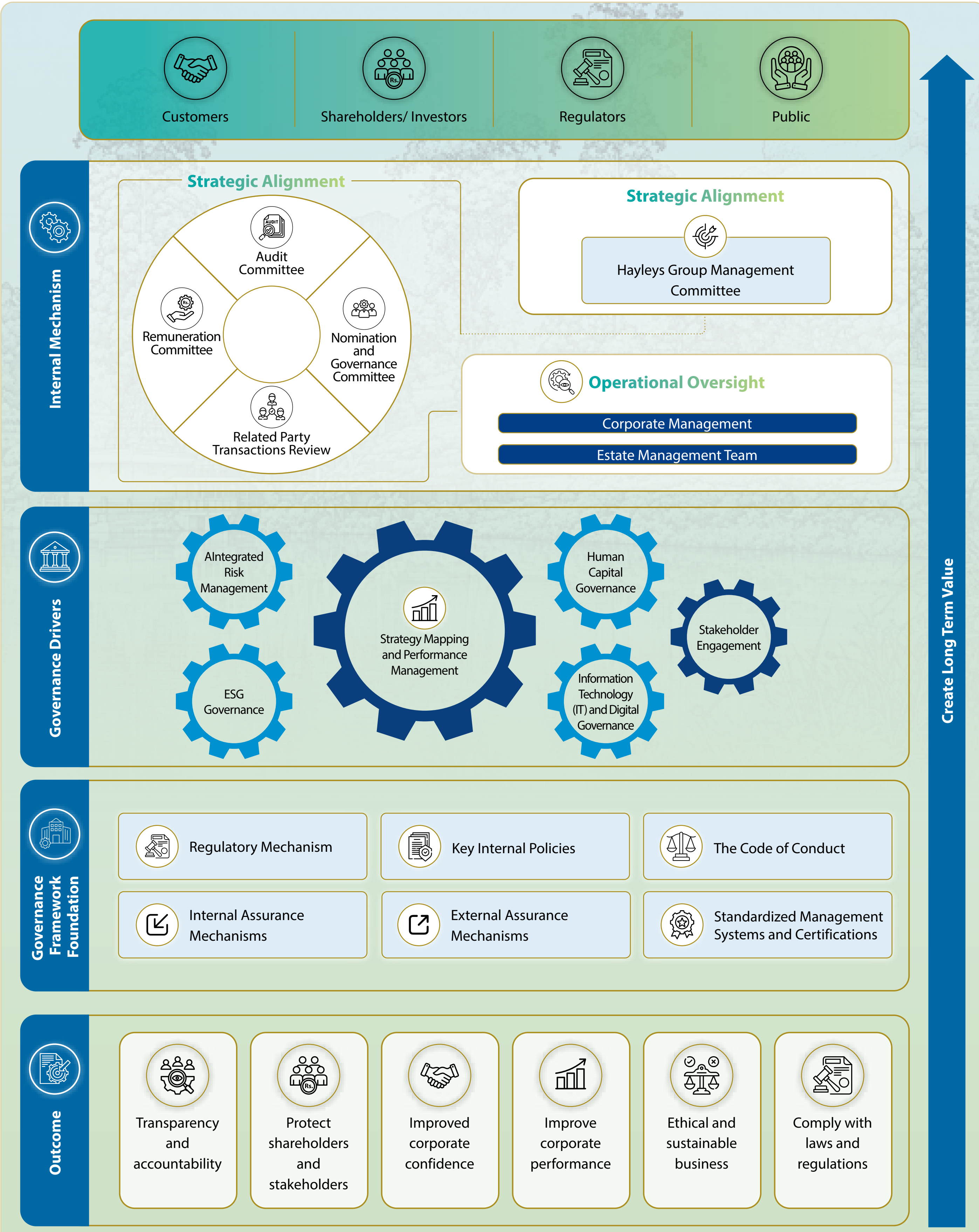
The Board of Directors of TTE has ultimate responsibility for ensuring that the Company operates with integrity and in compliance with applicable legal, regulatory and ethical requirements. This responsibility is discharged through Board oversight, Board Committee review, the Senior Leadership Team, the Company Secretary, internal policies, compliance monitoring, internal audit processes and regular reporting to the Board.

The Board and Management remain alert to evolving regulatory requirements through engagement with regulatory authorities, legal advisors, professional bodies and subject matter experts. This enables the Company to align its governance practices with current requirements and adopt emerging regulatory expectations where relevant.

TTE has also established formal reporting and whistleblowing channels through which employees and stakeholders may confidentially raise concerns or report suspected breaches of legal, regulatory or ethical standards without fear of retaliation.

During 2025/26, there were no incidents of non-compliance with laws and regulations. Accordingly, the Company did not incur any monetary fines, non-monetary sanctions, legal actions or regulatory penalties arising from non-compliance during the year.

# Corporate Governance



## 2 The Board

GRI 2-12,13,14,15,19,20

The Board of Directors of TTE serves as the company's highest governing authority and chief custodian, responsible for providing strategic direction and oversight to protect the interests of all stakeholders. The Board's role is defined by its duty to act in good faith and in the best interests of the company

| Core Responsibilities | | | | |
|---|---|---|---|---|
| **Strategy and Leadership** The Board establishes TTE's mission, vision, purpose and long-term goals. It is responsible for the formulation and implementation of business strategy and ensures that Key Management Personnel have the necessary skills to execute it | **Financial Oversight** It ensures the integrity and accuracy of financial reporting, overseeing the preparation of statements that reflect a true and fair view of the company's performance. This includes adopting appropriate accounting policies and fostering compliance with financial regulations | **Risk and Internal Control** The Board steers the Enterprise Risk and Opportunity Management (EROM) Framework. It establishes policies and controls to embed risk considerations into strategic planning, ensuring systems are in place for compliance with laws and regulations, internal controls, business continuity, and cybersecurity | **ESG and Sustainability Governance** The Board holds ultimate responsibility for ESG governance, ensuring sustainability is integrated into the overall strategy. It approves climate strategies, sets the sustainability risk appetite, and monitors progress against environmental and social targets | **Ethical Oversight By** setting the "tone at the top," the Board promotes a culture of integrity and risk awareness anchored in the "Hayleys Way" code of conduct |

| Matters Reserved Expressly for the Board | |
|---|---|
| Capital and Liquidity | Changes to capital structure, approval of the annual capital plan, and defining the risk appetite |
| Financial Results | Approval of interim and final financial statements and dividend distributions |
| Major Investments | Approval of capital projects, acquisitions, mergers, and disposals |
| Governance Appointments | Board and Sub-committee appointments, and the removal of Key Management Personnel or the Company Secretary |

| Oversight via Specialized Committees | |
|---|---|
| Audit Committee | Oversees financial reporting, internal controls, and risk management and ensures adequacy of sustainability-related disclosures |
| Remuneration Committee | Establishments remuneration policies and evaluates the performance of the MD and KMPs |
| Nominations and Governance Committee | Manages Board composition, succession planning, and the overall governance framework |
| Related Party Transactions Review Committee | Ensures all related party transactions comply with regulatory requirements and are conducted transparently and on an arm's-length basis. |

### Board Composition

GRI 2-9, 17

The board composition of TTE is designed to maintain a healthy balance between Executive, Non-Executive, and Independent Directors, ensuring that deep internal knowledge is coupled with objective, independent oversight. The Board is governed by TTE's Articles of Association and a specific "Policy on Matters Pertaining to the Board of Directors" which outlines its purpose, scope, and responsibilities and aligned with Regulatory Compliance such as Listing Rules of the Colombo Stock Exchange and best practices

TTE maintains a well-balanced Board by periodically assessing the collective competencies of its Directors against the evolving needs of the plantation industry. The Board collectively possesses knowledge and experience in sustainable development, including ESG, climate-related risks, environmental stewardship, employee wellbeing, community development, governance, risk management and compliance. This knowledge supports Board oversight of TTE's sustainability strategy.

### Transparent Selection and Nominations

To ensure the right mix of skills and perspectives, the Nominations and Governance Committee follows a formal and transparent selection process when recommending new Directors. Candidates are evaluated on professional qualifications, integrity, industry relevance, and financial soundness, while also prioritizing diversity in experience, gender, and age to strengthen Board composition.

# Corporate Governance

### Robust Induction and Onboarding

New Directors undergo a structured induction program designed to familiarise them with TTE's business model, governance framework, and operational realities. This includes orientation materials, site visits to estates and factories, and engagement sessions with senior management, enabling them to contribute effectively from the outset.

### Commitment to Continuous Learning

TTE places strong emphasis on ongoing professional development to ensure Directors remain current with industry trends, regulatory changes, and emerging risks. Annual ESG-focused training, external leadership and governance programmes, and regular regulatory briefings equip the Board with up-to-date knowledge needed for informed decision-making.

### Performance Evaluation and Succession Planning

The Board conducts an annual evaluation of its own effectiveness individually and collectively to identify opportunities for improvement. Insights from these assessments guide enhancements to Board skills and training needs. Complementing this, a formal succession planning process ensures continuity of leadership by developing potential successors within Key Management Personnel.

### Annual "Fit and Proper" Declarations

To ensure these standards are maintained over time, TTE requires all Directors and the CEO to provide an annual declaration. This declaration confirms that they have continuously satisfied the Fit and Proper Assessment Criteria as set out in the Listing Rules of the Colombo Stock Exchange (CSE) throughout the financial year. The Board formally examines these declarations to verify the ongoing suitability of each member.

As at 31st March 2026, the TTE Board comprised 12 Directors: 03 Executive Directors and 09 Non-Executive Directors, of whom 04 were Independent Non-Executive Directors. Profiles of all current Board members are featured on pages 40 to 45 of the annual report

## Board Composition


| Male - 92% | Female - 8% |
|---|---|

| Skill | Directors |
|---|---|
| Strategic Leadership | 3 |
| Agribusiness Management | 4 |
| Corporate Finance & Governance | 4 |
| Sustainability & ESG | 3 |
| Global Trade & Logistics | 1 |
| Tourism & Brand Strategy | 1 |
| Procurement & Supply | 1 |
| Manufacturing and Engineering | 1 |
| Public Service & Policy | 2 |

| Age | Independent | Non-Independent |
|---|---|---|
| 40-50 years | | |
| 50-70 years | | |
| Over 70 years | | |

### Appointment / Re-Election / Resignation / Retirement of Directors

GRI 2-10

TTE maintains a structured and transparent process for Board appointments, re-elections, resignations, and retirements under its Policy on Matters Relating to The Board of Directors in September 2024. The Board Nominations and Governance Committee (NGAC) is responsible for identifying and evaluating potential candidates for appointment. This process includes a detailed assessment of each nominee's professional qualifications, industry expertise, integrity, reputation, and potential conflicts of interest, while also considering diversity attributes such as age and gender to strengthen the Board's overall effectiveness.

In keeping with these governance standards, recommended candidates are submitted to the Board for approval, and any interim appointments are subsequently presented to shareholders for ratification at the next Annual General Meeting (AGM). In accordance with the Company's Articles of Association, one-third of the Directors—excluding the Managing Director and those appointed since the last AGM—retire by rotation and offer themselves for re-election. The Board evaluates each Director's eligibility for re-election based on their past performance, including their level of participation, engagement, and contributions to Board proceedings.

TTE also ensures full regulatory compliance and transparency in communicating changes to the Board. All new appointments and resignations are promptly disclosed to the Colombo Stock Exchange (CSE), accompanied by a detailed profile outlining the individual's qualifications, relevant experience, other directorships, and any shareholding in the

Company. This timely disclosure supports informed stakeholder decision-making and reinforces TTE's commitment to strong corporate governance practices

## Board Changes for FY 2025/26

| New Appointments | Resignations | Retirement | Re-election |
|---|---|---|---|
| Mr. Nishantha Prasanna Abeysinghe appointed as Executive Director/CEO with effect from 1st August 2025 | Mr. Senaka Bandara Alawattegama, Director/CEO, resigned with effect from 31st July 2025 | Mr. N. Ekanayake, Independent Non-executive Director, retired by rotation | Mr. N. Ekanayake, Independent Non-executive Director, being eligible offer for re-election |
| Mr. Anura Weerakoon was appointed as Non-Executive Director with effect from 15th September 2025 | | Mr. M. C. B. Talwatte, Independent Non-executive Director, retired by rotation | Mr. M. C. B. Talwatte, Independent Non-executive Director, being eligible offer for re-election |
| | | Ms. H. D. K. Randiligama, Independent Non-executive Director, retired by rotation | Ms. H. D. K. Randiligama, Independent Non-executive Director, being eligible offer for re-election |

## Non-Executive Directors

The presence of Non-Executive Directors (NEDs) on the TTE Board brings an essential layer of independent oversight, contributing to sound decision-making and strengthening the integrity of Board processes. By actively engaging in Board deliberations, sub-committees, and governance activities, NEDs reinforce transparency, accountability, and ethical conduct across the organisation in turn building stakeholder confidence and trust. To preserve their independence, all Independent Non-Executive Directors are required to be free from any relationships or associations that could materially impair, or be perceived to impair, their ability to act in the best interests of the Company. The independence of each NED is assessed in accordance with the criteria set out in the Corporate Governance Code issued by the Institute of Chartered Accountants of Sri Lanka and listing rules. The Board affirms that all currently serving Independent Non-Executive Directors meet the established independence criteria and continue to contribute meaningfully to the effective oversight and governance of TTE

| | |
|---|---|
| Definition | Independence is determined against criteria as set out in the Listing Rules of the Colombo Stock Exchange and in compliance with Schedule C of the CA Sri Lanka Code of Best Practice on Corporate Governance 2023 |
| Assessment | Independent assessment of directors is conducted annually by the Board, based on annual declaration and other information submitted by Non-Executive Directors. The Board discusses the possibility of any impairment of Directors independence due to extended Board tenures, and collectively evaluates the re-election of such Board members |
| Outcome for FY 2025/26 | The Board is satisfied there are no relationships or any other circumstances likely to affect or appear to affect directors' independence during the period under review.<br><br>With effect from 1st August 2025, Mr. Nishantha Prasanna Abeysinghe appointed as Executive Director/CEO and Mr. Anura Weerakoon was appointed as Non-Executive Director with effect from 15th September 2025 |

## Duties and Responsibilities of Individual Directors

Individual Directors at TTE carry out their responsibilities through a structured approach grounded in oversight, informed judgement, and ethical behavior. Their role is designed to ensure that the Board consistently acts in the best interests of shareholders as well as a broader set of stakeholders.

A key aspect of their role is maintaining continuous inquiry into management's performance. Directors assess whether management actions are reasonable and rely on timely, accurate information to make decisions. Their oversight spans strategic initiatives, financial performance, risk management, and ESG-related areas.

To participate effectively in discussions, Directors receive relevant materials such as electronic Board papers and proposals well ahead of quarterly Board meetings. This enables them to prepare thoroughly and contribute meaningfully to Board deliberations.

Directors also take on specialized responsibilities through service on Board Sub-Committees. By participating in committees such as Audit, Nominations and Governance, Related Party Transactions Review, and Remuneration, they provide targeted oversight in areas aligned with their expertise.

Continuous professional development is another critical element of the Director's role. Each Director must stay updated on relevant laws and governance practices and may seek independent professional advice at the Group's expense to support sound and unbiased decision-making.

# Corporate Governance

| Executive Directors Training - FY 2025/26 | |
|---|---|
| CEO | MD |
| Cyber Awareness & Digital Safety Workshop | Participated in the FOODEX Exhibition in Tokyo |
| Participated in the FOODEX Exhibition in Tokyo | Participation for Global Tea Coalition forum held in India. |

Directors further participate in an annual anonymous performance appraisal, which evaluates the Board's effectiveness in areas such as clarity of roles, the quality of participation, and the handling of emerging risks. Throughout all responsibilities, Directors are expected to act with integrity, sound judgement, and a strong commitment to protecting the interests of all stakeholders.

### Conflict of Interest

GRI 2-15

They also have a clear duty to manage conflicts of interest and uphold their independence. To support this, the Company maintains clear protocols for identifying, disclosing, and managing conflicts, requiring Directors to exercise due diligence in recognizing such situations and to report any potential conflict to the Board without delay. Upon appointment and subsequently on a quarterly basis, Directors must formally declare all direct, indirect, beneficial, and non-beneficial interests in any existing or proposed contracts involving the Company, with these disclosures documented in the Directors' Interests Register, which is maintained for regulatory inspection. Whenever a conflict arises, the Director concerned is expected to withdraw from all related discussions and abstain from voting, ensuring that Board decisions remain objective, transparent, and free from undue influence.

Oversight of conflict-of-interest matters falls under the purview of the Related Party Transactions Review Committee (RPTRC), which is tasked with reviewing disclosures made by Directors and recommending appropriate courses of action to the Board to address and mitigate any conflicts in a fair and transparent manner. The Company confirms that no Director holds a direct or indirect interest in any contract or proposed contract with the Company, other than those disclosed in Note 33 of the Financial Statements.

### Board Meeting

## Structured Approach To Board Meeting Effectiveness

**1 Meeting Planning and Frequency**

**Annual Schedule and Frequency**
- prepared annually and
- Communicated to all members

**Agenda Setting**
- Chairman sets agenda, consulting Senior Independent Director and Board Secretary

**2 Information Dissemination and Access**

**Board Packs**
- Circulate at least 7 working days before meeting

**Unrestricted Access**
- Directors have unrestricted access to info, operations, documents

**Independent Advice**
- can obtain at company's expense to fulfill responsibilities

**3 Conduct and Leadership**

**Chairman's Role**
- Leads meetings to ensure effectiveness

**Inclusivity**
- Encourages diverse perspectives
- Strict focus on agenda items and resolutions

**Management Involvement**
- Senior management & key associates frequently invited

**4 Documentation and Governance**

**Participation Modes**
- Physical or Audio-visual

**Minutes**
- Company Secretary prepares & maintains accurate minutes

**Confidentiality**
- Maintain strict confidentiality

**Committee Reporting**
- Sub-Committee Chairman provide updates to full Board on significant matters

TTE ensures the effectiveness of its Board meetings through a structured approach to planning, information dissemination, and leadership conduct.

### Meeting Planning and Frequency

**Schedule and Frequency :** Board meetings are held at least quarterly, with a minimum of four meetings per year. A meeting calendar is prepared annually in advance by the Company Secretary and communicated to all members.

**Agenda Setting :**The Chairman sets the Board agenda, where relevant, consulting the Senior Independent Director and Board Secretary. Directors have the right to make written requests to the Chairman to include additional matters in the agenda.

### Information Dissemination and Access

GRI 2-16

During the reporting period, Zero critical concerns were formally communicated to the highest governance body. Board Members continued to receive Board Packs well in advance, ensuring adequate time for review and informed decision-making. Continuous professional development was supported through company-funded training and learning opportunities.

**Board Packs :** To allow sufficient time for review, the finalized agenda and a comprehensive Board pack containing relevant papers are circulated to all Directors at least seven (07) working days before the meeting.

**Unrestricted Access :**Directors have unrestricted access to information, operations, and relevant documents. They may also engage with senior management to seek clarifications as required.

**Independent Advice:** If necessary to fulfill their responsibilities, Directors can obtain independent professional advice at the company's expense.

### Conduct and Leadership

**Chairman's Role :** The Chairman leads the meetings to ensure effectiveness by fostering active participation, balanced debate, and collaboration among all members.

**Inclusivity :** Meetings are designed to encourage diverse perspectives while maintaining a strict focus on addressing all agenda items and Board resolutions.

**Management Involvement :** Members of senior management and other key associates are frequently invited to meetings to provide additional insight into specific discussion items.

### Attendance and Participation

**Participation Modes :** Directors can participate physically or via audio-visual communication, with the latter counting toward the quorum.

**Minimum Attendance :** Directors are required to attend at least 50% of Board meetings held during the financial year (or at least two meetings if only four are held). A Director who is absent for more than 50% of meetings may be considered to have vacated their post.

### Documentation and Governance

**Minutes :** The Company Secretary is responsible for preparing and maintaining accurate minutes. These are reviewed and approved by the Chairman before being circulated to the Directors and relevant Corporate Management participants.

**Confidentiality:** Directors are mandated to maintain strict confidentiality regarding all Board discussions and information received in their capacity as Board members.

**Committee Reporting :** The Chairman of each Board sub-committee provides an update to the full Board during meetings regarding significant matters discussed in their respective sub-committees.

### Attendance at Meetings

| Directors | Status | Year of Appointment | Board | Audit Committee | Related Party Transactions Review Committee | Remuneration Committee | Nomination and Governance Committee |
|---|---|---|---|---|---|---|---|
| Mr A M Pandithage *(Chairman)* | ED | 2009 | 4/4 | - | - | - | - |
| Dr. W. G. R. Rajadurai *(MD)* | ED | 2013 | 4/4 | - | - | - | - |
| Mr. Nishantha Prasanna Abeysinghe *(Appointed on 1st August 2025) (CEO)* | ED | 2025 | 3/3 | - | - | - | - |
| Mr S B Alawattegama *(Director/CEO) Resigned w.e.f. 31st July 2025* | ED | 2020 | 1/1 | - | - | - | - |
| Mr Malik J Fernando | NED | 1998 | 2/4 | - | - | - | - |
| Mr S L Athukorala | NED | 2016 | 4/4 | 4/4 | 4/4 | 1/1 | 3/3 |
| Lt.Col J M Kariapperuma | INED | 2020 | 4/4 | | | | |
| Mr N Ekanayake | SID | 2024 | 4/4 | 4/4 | 4/4 | 1/1 | 3/3 |
| Mr M C B Talwatte | INED | 2024 | 4/4 | 4/4 | 4/4 | 1/1 | 3/3 |
| Mr Jamuni Darshana Nayantha Gunasekera | NED | 2024 | 4/4 | - | - | - | - |
| Ms H D K Randiligama | INED | 2024 | 4/4 | - | - | - | - |
| Mr T M Hewagama | NED | 2025 | 3/4 | - | - | - | - |
| Mr Anura Weerakoon *(appointed on 15 Sep 2025)* | NED | 2025 | 3/3 | - | - | - | - |

ED – Executive Director | NED – Non Executive Director | INED – Independent Non Executive Director | SID Senior Independent Director

# Corporate Governance

## Board sub-committees

GRI 2-12,13

The Board delegates specific functions that require focused oversight and specialised expertise. While the Board retains final decision rights, Board Sub Committees allow members to impart knowledge in designated areas to drive more robust and informed deliberations. In keeping with good governance best practices, the Chairman of each Board sub-committee is required to present an update to the Board outlining any significant matters discussed at their respective Board sub-committee meetings held since the previous Board meeting.

| The Committee | Areas of Oversight | Composition 2025/26 | More Information |
|---|---|---|---|
| **Audit Committee (AC)** | Financial Reporting<br>Internal Control<br>Internal and External Audit<br>Risk Management<br>Sustainability Related non-financial Information | Mr N Ekanayake (SID) Chairman<br>Mr M C B Talwatte (INED)<br>Mr S L Athukorala (NED) | AC Report on Page 257 |
| **Nominations and Governance Committee (NGC)** | Appointment of Key Management Personnel KMPs and Directors<br>Succession Planning<br>Monitoring and evaluating the effectiveness of the Board, its composition and its Committees<br>Reviews company's overall corporate governance framework<br>Ensure complies with the Listing Rules and other relevant regulations | Mr N Ekanayake (SID) Chairman<br>Mr M C B Talwatte (INED)<br>Mr S L Athukorala (NED) | NGC Report on Page 255 |
| **Remuneration Committee (RC)** | Remuneration policy for KMPs<br>Goals and Targets for KMPs<br>Monitoring and evaluation of performance of MD and KMPs<br>Review annual salary increment and bonuses | Mr N Ekanayake (SID) Chairman<br>Mr M C B Talwatte (INED)<br>Mr S L Athukorala (NED | RC Report on page 260 |
| **Related Party Transactions Review Committee (RPTRC)** | Review related party transactions | Mr N Ekanayake (SID) Chairman<br>Mr M C B Talwatte (INED)<br>Mr S L Athukorala (NED | RPTRC Report on page 261 |

## Division of Responsibilities and Company Secretary

GRI 2-11

TTE maintains a clear division of responsibilities at the leadership level to ensure that no single individual has unfettered decision-making power, thus ensuring both governance and management functions are conducted with high standards of professionalism and integrity.

Because TTE's Chairman serves in an executive capacity, the Company has appointed a Senior Independent Director to serve as a channel for independent oversight, and act as a point of contact for matters where impartial guidance or shareholder concerns may arise.

The Company Secretary plays a key role in supporting TTE's governance framework by assisting the Board in fulfilling its oversight, compliance and governance responsibilities. Secretarial services are provided by Hayleys Group Services (Private) Limited, headed by an Attorney-at-Law and qualified Chartered Secretary, supported by professionally qualified registered company secretaries.

### Chairman

- Provides strategic leadership and direction to the Board
- Ensures Board effectiveness by fostering active participation, balanced debate, and collaboration among members
- Sets the Board's annual work plan and agenda in coordination with the Company Secretary and MD/CEO
- Promotes transparent and regular communication with shareholders, ensuring their views are conveyed to the Board
- Upholds stakeholder trust and ensures an appropriate balance of power between Executive and Non-Executive Directors
- Oversees the performance and effectiveness of the Board and its Sub-Committees

### Managing Director / CEO

- Prepares and recommends budgets aligned with the Company's strategic objectives for Board approval
- Monitors organisational performance, ensuring compliance with applicable regulatory and policy frameworks, with regular reporting to the Board
- Ensures that operations are conducted within the risk appetite approved by the Board
- Establishes an efficient and well-structured organisational framework for the Company
- Oversees succession planning and performance evaluation of the Executive Team
- Fosters a corporate culture aligned with the Company's core values

### Senior Independent Director (SID)

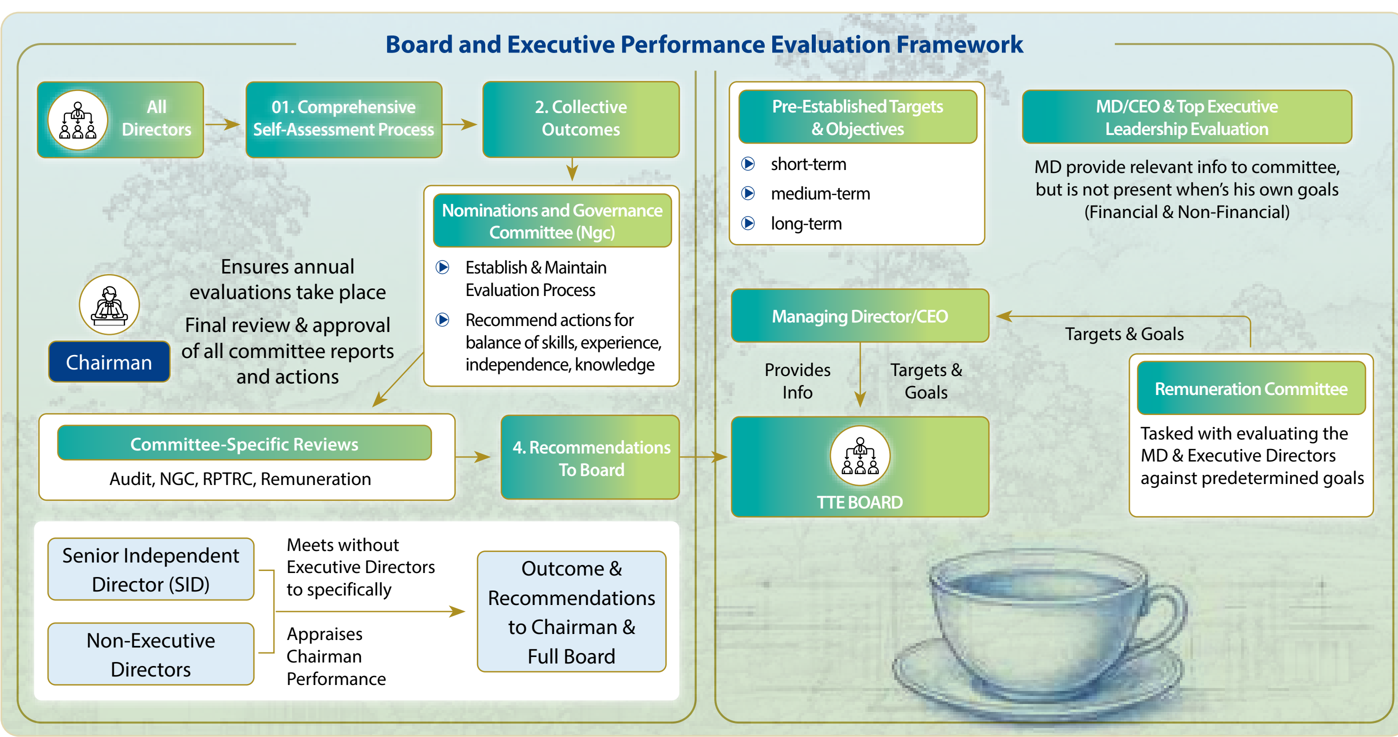
- Acts as a trusted intermediary, representing the views of Non-Executive Directors and supporting open dialogue on governance matters
- Addresses Board effectiveness issues by raising concerns with the Chairman or relevant Board members
- Supports the Chairman and MD/CEO on Board matters and facilitates Director interactions
- Serves as the primary contact for Directors to confidentially discuss unresolved concerns, including those related to the Chairman–MD/CEO relationship
- Meets annually with Non-Executive and Executive Directors separately to discuss governance matters and communicates key concerns to the Board
- Attends shareholder meetings and remains informed of shareholder concerns

### Company Secretary

- Guides the Board in discharging its duties in line with corporate governance best practices
- Keeps the Board informed of relevant legislative and regulatory developments
- Ensures Board and General Meetings comply with the Articles of Association and applicable laws and regulations
- Maintains accurate minutes of Board meetings, ensures review by the Chairman, circulation to members, and formal approval
- Keeps the official minute book accessible for inspection by any Director
- Provides Directors with access to necessary advice and services to ensure compliance with governance procedures
- Facilitates Directors' requests for independent professional advice at the Company's expense

## Evaluating the performance of its highest governance bodies and its top executive leadership

TTE maintains a structured and transparent process for evaluating the performance of its highest governance bodies and its top executive leadership



# Corporate Governance

## Board and Board Sub-Committee Evaluation

GRI 2-18

The effectiveness of the Board and its sub-committees is assessed on an annual basis through a comprehensive self-assessment process.

- **Process and Scope**: All Directors complete a self-evaluation that provides insights into the Board's composition, balance, strategic focus, decision-making processes, and overall performance. The Chairman is responsible for ensuring these annual evaluations take place.
- **Oversight by Nominations and Governance Committee (NGC)**: The NGC is responsible for establishing and maintaining the evaluation process. It compiles the collective outcomes of the self-assessments and makes recommendations to the Board on necessary actions to improve the balance of skills, experience, independence, and industry knowledge.
- **Committee-Specific Reviews**: Each of the Board's four Sub-Committees undergoes a similar annual performance assessment to ensure they are carrying out their functions effectively in accordance with their respective Charters
- **Role of the Senior Independent Director (SID)**: The SID meets annually with Non-Executive Directors, without the presence of Executive Directors, to specifically appraise the performance of the Chairman. The outcomes and recommendations from these meetings are then communicated to the Chairman and the full Board.

## Evaluating the Performance of the Managing Director, CEO and Key Management Personnel

The performance of TTE's MD, CEO and KMPs is subject to a rigorous annual evaluation overseen by the Board.

Structured Methodology: The evaluation assesses achievement against pre-established financial and non-financial targets and objectives. These objectives are aligned with the company's short, medium, and long-term goals.

Remuneration Committee's Role: This Committee is tasked with evaluating the performance of the MD, CEO and KMPs against the predetermined goals set by the Board. During the 2025/26 period, the committee reviewed performance against the previous year's targets to determine annual increments and bonuses.

Performance-Linked Rewards: Remuneration for MD, CEO and KMPs includes a variable component directly linked to the achievement of sustainable business objectives, including performance against ESG-related targets.

**01 Board Oversight**
Annual evaluation process overseen by the Board.

**02 Structured Methodology**
Performance is assessed against pre-established financial and non-financial targets and objectives, aligned with the company's short-, medium- and long-term goals.

**03 Remuneration Committee's Role**
The Committee evaluates the MD, Executive Directors and KMPs against predetermined goals set by the Board. During 2025/26, performance against the previous year's targets was reviewed to determine annual increments and bonuses.

**04 Performance-Linked Rewards**
Remuneration includes a variable component directly linked to the achievement of sustainable business objectives, including performance against ESG-related targets.

## 3 Integrated Governance Systems and Procedures

### Strategy Mapping and Performance Management

**Strategic Direction**

Strategy mapping at TTE is a structured and methodical process that aligns the company's purpose—"Brewing a Better Future"—with its operational priorities and long-term value creation agenda. Central to this alignment is the 2030 Regenerative Agenda (ReGen), which serves as the organization's strategic compass, guiding decision-making and resource allocation across all business units.

**Core Strategic Imperatives**

TTE's strategy is anchored on five core Strategic Imperatives that shape planning, execution, and performance evaluation across the Company:

- **Winning with the Customer**

  Building strong, reciprocal customer relationships by offering exceptional, ethically sourced, and fully traceable premium products.

- **Operational Excellence**

  Improving efficiency by embedding regenerative agricultural principles into production, sourcing, and resource management practices.

- **Nurturing Our People**

  Cultivating an empowered, inclusive, and high-performing workforce through capability development, wellbeing initiatives, and supportive work environments.

- **Environmental Stewardship and Climate Action**

  Safeguarding ecosystems and progressing toward carbon neutrality through sustainable land, water, and biodiversity management.

- **Business Diversification**

  Expanding into new markets, product lines, and renewable energy initiatives to reduce dependency on traditional core businesses.

**Strategic Execution Through the Annual Budgeting Process**
To translate high-level strategic direction into operational action, TTE primarily relies on its Annual Budgeting Framework.

**Budget Preparation and Approval Workflow**
**Estate-Level Planning:**
At the beginning of each year, every estate formulates its budget in close consultation with the Corporate Management Team, ensuring full alignment with the Company's Strategic Imperatives.

**Management Review and Approval:**
Submitted budgets undergo a detailed evaluation by the Company's Management, followed by revisions and approval as necessary.

**Corporate Consolidation**:
Once approved, estate-level budgets are consolidated into a company-wide budget by the Corporate Management Team.

**Group and Board Approval**:
The consolidated budget is presented for approval at Group level and subsequently submitted to the TTE Board for final endorsement.

**Performance Monitoring and Governance**
TTE maintains a robust performance management system to ensure disciplined execution against strategic priorities.

## Operational and Financial Monitoring

**Tea Crop Yield:**
Monitored every ten days to track agricultural performance and identify early interventions.

**Net Sale Average (NSA):**
Reviewed monthly against budget and benchmarked across Hayleys Plantation Sector factories and the wider industry.

**Monthly Profitability:**
Estate-wise financial results are compared against budgeted performance, prior-year outcomes, and consolidated Company performance, forming a key part of Group-level evaluation.

## Quarterly Reporting and Oversight

**Financial Performance:**
Quarterly results are presented to the Audit Committee and the Board, evaluated against budget, previous year performance, and industry peers.

**ESG and Regenerative Metrics:**
Climate, biodiversity, and labour indicators are tracked via a central digital dashboard and reviewed quarterly by the Board Audit Committee for governance and accountability

## Human Capital Governance

As a large plantation Company with operations spread across multiple estates and factory operations, the Board ensures that a structured governance framework is in place to manage the complexities of human resource management effectively. While overall strategic direction and Policy oversight remain with the Board, day-to-day responsibilities are systematically delegated. The Central HR Head is entrusted with translating Board directives into Company-wide HR policies and frameworks covering areas such as recruitment, performance management, learning and development, and employee engagement

The Board has directed DE&I (Diversity, Equity and Inclusion) as a key theme across all these aspects. At the operational level, Estate HR Managers are responsible for implementing these policies on the ground. They act as the primary touch points for employees across estates, ensuring that all HR initiatives are aligned with the Company's principles of fairness, equity, and inclusion. This includes managing employee welfare, addressing grievances, and creating a safe, healthy, and respectful work environment that supports the physical and mental wellbeing of all employees.

For more information - please refer to the Human Capital Report on page 172.

## Integrated Risk Management

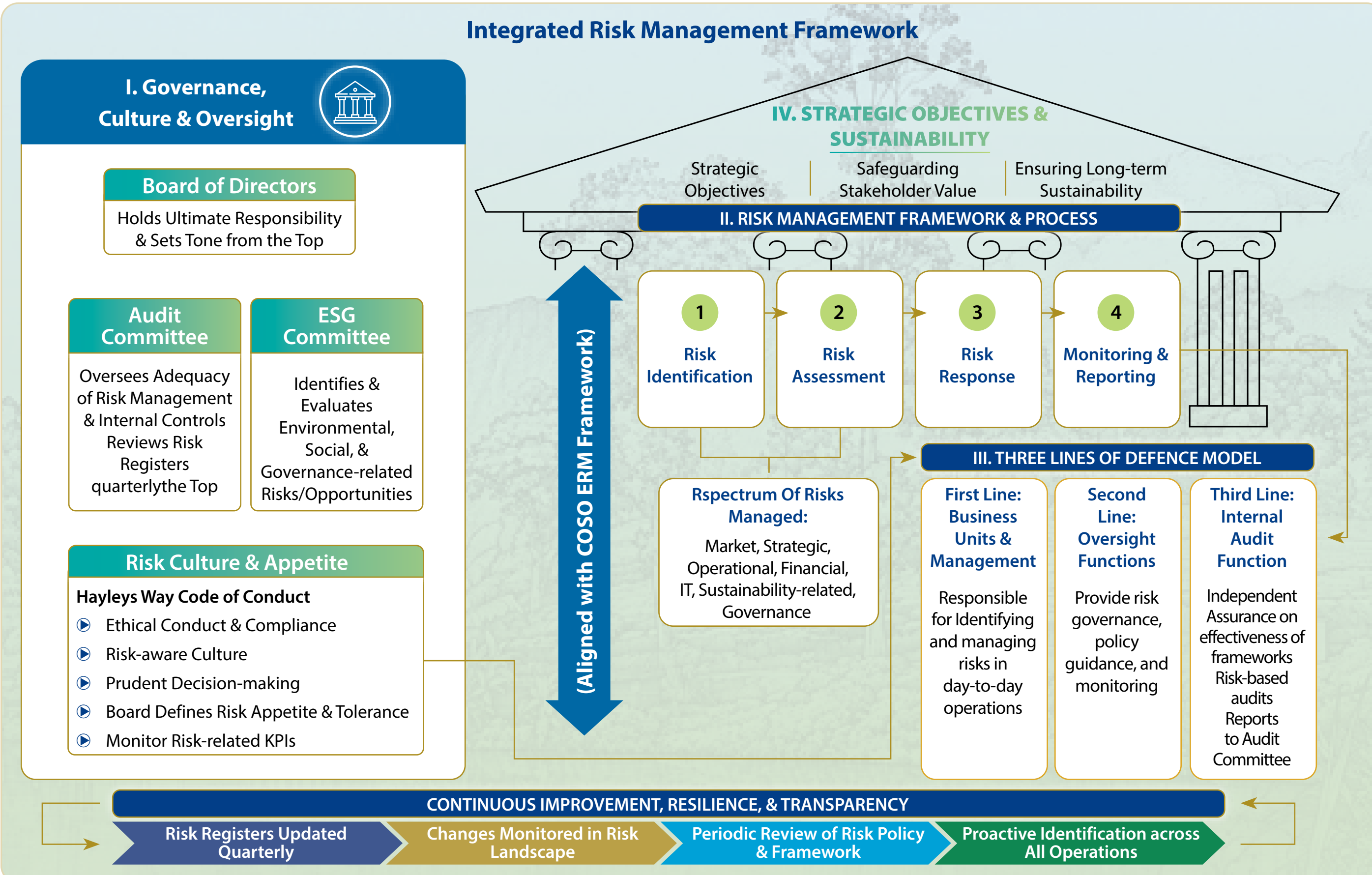
GRI 2-12,13,26

TTE recognises that effective risk management is integral to achieving its strategic objectives, safeguarding stakeholder value, and ensuring long-term sustainability in a dynamic operating environment. TTE has established a structured and integrated risk management framework that enables the proactive identification, assessment, management, and monitoring of risks across all business operations.

**Risk Management Framework**
The TTE's approach to risk management is aligned with the COSO Enterprise Risk Management (ERM) Framework, enabling risk considerations to be embedded into strategy formulation, business planning, performance management, and decision-making processes across all levels of the organisation. This integrated approach ensures that risks are viewed in the context of both value creation and value preservation.

The framework provides a consistent and systematic methodology for managing a broad spectrum of risks, including market, strategic, operational, financial, information technology, sustainability-related, and governance risks.

# Corporate Governance




## Governance and Oversight

The **Board of Directors** holds ultimate responsibility for risk management and internal controls, setting the tone from the top and ensuring that risk management is aligned with the TTE's strategic priorities and defined risk appetite. The Board is supported by the **Audit Committee**, which oversees the adequacy and effectiveness of the risk management and internal control systems, including financial, operational, compliance, and reporting controls.

In addition, the **ESG Committee** plays a key role in identifying and evaluating environmental, social, and governance-related risks and opportunities, ensuring that emerging sustainability trends and stakeholder expectations are appropriately addressed.

Risk management responsibilities are clearly delineated in accordance with the **Three Lines of Defence Model**, which promotes accountability, transparency, and independent assurance:

**First Line**: Business units and management are responsible for identifying and managing risks in day-to-day operations.

**Second Line**: Oversight functions provide risk governance, policy guidance, and monitoring.

**Third Line**: The Internal Audit function provides independent assurance on the effectiveness of risk management and internal control frameworks.

## Risk Culture and Risk Appetite

The TTE promotes a strong risk-aware culture underpinned by ethical conduct and compliance, guided by the "Hayleys Way" Code of Conduct. Continuous training and awareness programmes reinforce the importance of prudent, risk-based decision-making across the organisation.

The Board defines the TTE 's risk appetite and tolerance levels, which guide strategic and operational decisions. Performance against defined risk-related KPIs is regularly monitored, ensuring alignment between risk exposure and strategic objectives.

## Risk Identification and Assessment

Risks are identified at business unit level with the involvement of cross-functional teams and senior management. This process incorporates internal assessments, analysis of the external operating environment, materiality assessments, strategic performance reviews, and engagement with key stakeholders.

Identified risks are recorded in a standardised Risk Register, which captures both financial and non-financial risks, including sustainability-related risks. Risks are assessed based on likelihood and impact over the short, medium, and long term, taking into consideration financial, operational, reputational, social, environmental, and regulatory factors. This structured approach enables the prioritisation of principal risks requiring management attention.

## Risk Response and Monitoring

Appropriate risk responses are determined based on assessed risk levels and include avoidance, mitigation, transfer, or acceptance, in line with the TTE's risk appetite. Risk mitigation actions are assigned to responsible owners and tracked through periodic reviews.

The effectiveness of risk management and internal controls is independently evaluated by the Internal Audit Function, which conducts risk-based audits in accordance with an approved annual audit plan. Audit findings and key risk-related issues are reported to the Audit Committee, ensuring timely escalation and corrective action where required.

### Review, Reporting, and Continuous Improvement

Risk registers are updated on a quarterly basis and presented to the Audit Committee for review. The TTE continuously monitors changes in its risk landscape arising from strategic initiatives, regulatory developments, technological advancements, market conditions, and evolving stakeholder expectations.

The Risk Management Policy and framework are subject to periodic review to ensure continued relevance and effectiveness, reinforcing the TTE's commitment to resilience, transparency, and sustainable value creation.

## Information Technology (IT) and Digital Governance

GRI 2-12, 2-13

The Board holds apex responsibility for governing technology and information at TTE, ensuring that digital investments are strategically aligned with the company's long-term objectives for operational excellence and sustainability. During the 2025/26 period, the Board heightened its attention on strengthening ICT governance and cybersecurity measures to protect the integrity of the company's digital assets.

### Strategic Digital Roadmap

Guided by the Hayleys Group Digital Roadmap, TTE's digital transformation centers on five key pillars designed to "rewire" the organization:

**Digital Innovation**: Deploying digital capabilities at scale to improve estate management and factory efficiency.

**Digital Literacy**: Enhancing the digital skills of our workforce to support the adoption of new technologies.

**Change and Communication**: Ensuring a structured approach to organizational change as digital processes are integrated.

**Digital Product Delivery**: Streamlining the delivery of technology-driven solutions across the value chain.

**Data-to-Value**: Leveraging data analytics to drive informed decision-making and unlock operational insights.

### IT Policy Framework

TTE's IT governance is supported by a comprehensive suite of policies, which were refreshed during the year to align with modern security requirements and new Listing Rules:

**Hayleys IT Policy**: Sets the overarching standards for technology usage across the Group.

**Acceptable Use Policy**: Establishes clear guidelines for employees on the responsible use of digital assets.

**Group Access Policy**: Governs user permissions and data access to prevent unauthorized entry and protect sensitive information.

### Cybersecurity and Resilience

The Board regularly monitors the management of IT and cyber-related risks, with a focus on system stability and availability. Key interventions include:

**Strategic Initiative Review**: Evaluating the business case for significant digital programs, such as application modernization and workflow automation.

**System Modernization**: The transition to scalable, flexible ERP platforms (such as RISE with SAP) to reduce governance costs and enhance system uptime.

**Compliance**: Ensuring all digital operations adhere to relevant data protection laws and cybersecurity standards.

## Stakeholder Engagement

GRI 2-25,26,29

While the Board retains high-level responsibility for stakeholder engagement, the day-to-day management of these relationships has been delegated to the Company's leadership.  As per the guidelines set by the Board, operational management is tasked with implementing appropriate initiatives to interact with stakeholders to understand their concerns and expectations. Further details on the methodologies employed for engaging with different stakeholders, including the frequency of engagement and other pertinent information, can be found in the Stakeholder Engagement section on page 158 to 171 of this report

## Shareholder Relations

GRI 2-16

The TTE Board is committed to building trust-based relationships with its 15,128 shareholders through transparent communication and inclusive engagement.

Communication Policy: TTE maintains a formal Shareholder and Investor Communications Policy to ensure equal and timely access to accurate information. This includes the publication of quarterly and annual financial statements, disclosures to the Colombo Stock Exchange (CSE), and the Annual Integrated Report.

Annual General Meeting (AGM): The AGM serves as the primary mode of two-way dialogue. The Board encourages active participation, and the Annual Report and meeting notices are distributed at least 15 working days in advance

Role of the Senior Independent Director (SID): Because the Chairman serves in an executive capacity, the SID acts as a trusted intermediary. The SID is specifically available to shareholders to discuss concerns that cannot be addressed by the Chairman or MD/CEO.

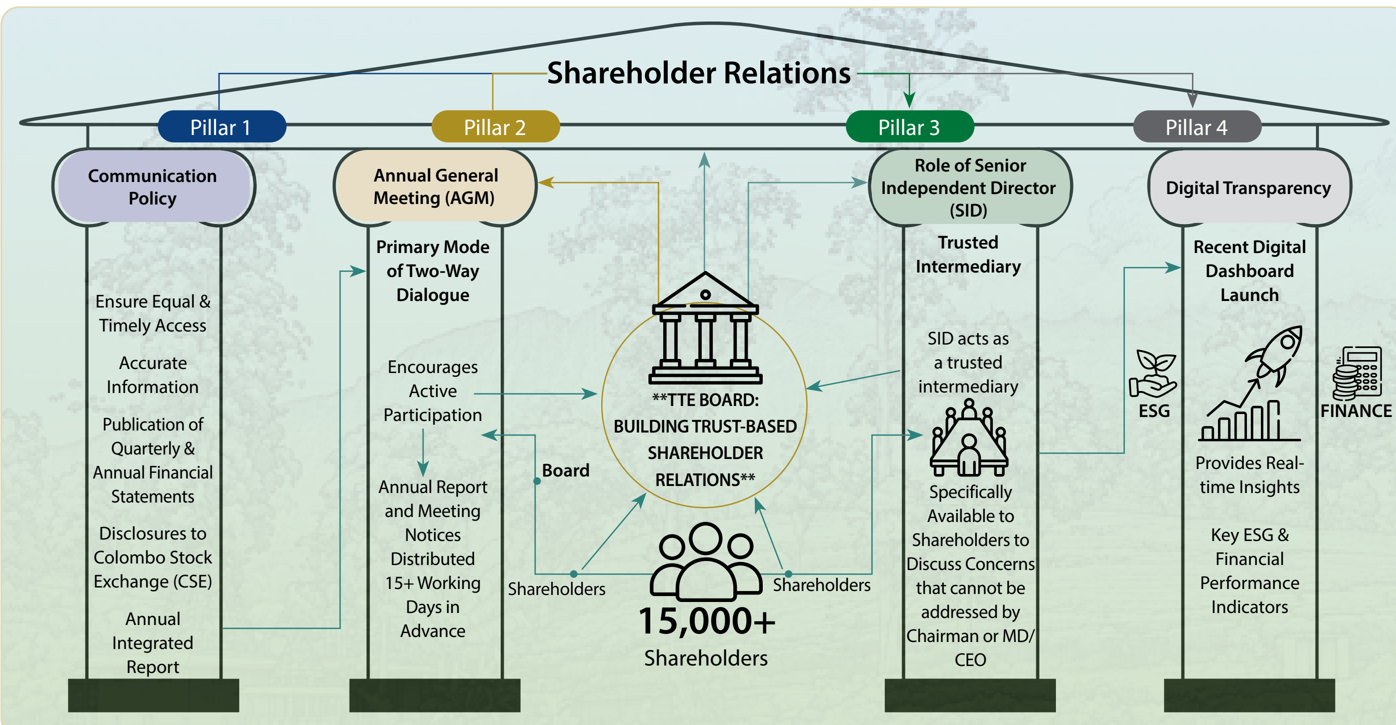
**Digital Transparency:** TTE recently launched a digital dashboard that provides stakeholders with real-time insights into ESG and financial performance indicators

# Corporate Governance

**Corporate Disclosure Policy and Shareholder Relations**

Talawakelle Tea Estates PLC's Corporate Disclosure Policy plays a vital role in fostering strong and transparent relationships with its shareholders. The policy ensures that all material information relating to the Company's financial performance, strategic developments, and governance practices is disclosed accurately, consistently, and on a timely basis through recognised and regulated channels. By adhering to applicable legal and regulatory requirements, including the Companies Act, Colombo Stock Exchange Listing Rules, and SEC regulations, the Company promotes equitable access to information and fair treatment of all shareholders.

Through disciplined disclosure practices, clear accountability, and safeguards against selective disclosure and insider trading, the policy enhances shareholder confidence in the integrity of the Company's communications. This transparency supports informed decision-making, encourages constructive shareholder engagement, and reinforces trust in the Board and management, thereby contributing to sustainable long-term relationships with shareholders.




## Annual General Meeting (AGM)

The AGM serves as the main platform for shareholders to connect with the TTE's leadership. All Directors and senior management members are present at the AGM, facilitating two-way dialogue between shareholders and key decision makers of the Company. The Annual Report, notice of the AGM, resolutions requiring shareholder approval, and voting instructions are distributed to shareholders at least 15 working days prior to the meeting, thus allowing ample time for shareholders to prepare for the AGM. TTE's 2024/25 AGM held in June 2025 concluded successfully with a high degree of shareholder participation. The Company's 2025/26 AGM is scheduled to be held on 25th June 2026.

## ESG Governance

GRI 2-9, 12, 13, 14

The TTE Board holds ultimate responsibility for ESG governance, ensuring that sustainability considerations are integrated into the Company's overall strategy and operations. TTE's approach is aligned with the Hayleys Group's broader ESG structures, where the Hayleys Board holds overall responsibility for formulating the Group's aspirations, strategies, and policies relating to ESG and sustainable development. Supporting these efforts, the Company's ESEG Steering Committee, chaired by the CEO of TTE monitors, manages, and oversees Sustainability-related Risks and Opportunities (SRROs) and Climate-related Risks and Opportunities (CRROs), provides quarterly updates to the TTE Board and the Hayleys Group Management Committee.

In addition, the Audit Committee also reviews the Company's principal risks, including those related to sustainability. TTE's principal approach to ESG is based on integrating CRROs and SRROs into the overall strategy in line with short, medium, and long term business targets. Performance against SRROs and CRROs targets is carefully measured and reported, ensuring transparency and accountability to stakeholders. The Board also acknowledges its responsibility to report transparently to stakeholders on TTE's commitment to sustainable value creation through the Annual Report. In compliance with the provisions of the CSE's new listing rules on Corporate Governance issued in 2024, a formal Policy on Environmental, Social and Governance Sustainability was approved by the Board and implemented with effect from September 2024

## Board Guidance in Action: From Oversight to Value Creation

| Area | Board guidance | Management response | Value created | Capital Impact |
|---|---|---|---|---|
| **Leadership continuity** | Oversaw CEO succession and guided a smooth leadership transition. | Ensured structured handover and alignment of senior management priorities. | Maintained strategic stability, stakeholder confidence and uninterrupted operational leadership. | Human+, Intellectual+ Social+ |
| **Board composition** | Strengthened governance through the appointment of a new Non-Executive Director. | Integrated the new Director into Board deliberations and oversight processes. | Enhanced Board perspective, governance capability and independent challenge. | Intellectual+ Social+ |
| **Crop diversification** | Guided diversification beyond tea after reviewing the performance of cinnamon cultivation at Moragalla Estate. | Expanded cinnamon cultivation planning and allocated estate resources for replanting and crop development. | Supported revenue diversification, land productivity and long-term resilience against tea market volatility. | Financial+ Natural+ Manufactured+ |
| **Specialty tea / value addition** | Emphasised the need to move towards higher value-added tea products. | Developed matcha tea, with the initial production batch fully sold within three months | Demonstrated market acceptance and strengthened product innovation potential. | Financial+ Intellectual+ Social+ |
| **Wage increase and cost pressure** | Reviewed financial and operational implications of the mandated wage revision. | Focused on cost control, productivity improvement and labour efficiency. | Helped protect profitability while meeting wage-related regulatory and social expectations. | Financial+ Human+ |
| **Adverse weather / cyclone response** | Monitored operational recovery, worker safety and estate continuity following adverse weather impacts. | Implemented recovery actions, safety measures and continuity arrangements across affected estates. | Reduced operational disruption, protected workers and supported faster estate-level recovery. | Natural+ Human+ Manufactured+ |
| **Operating volatility** | Reviewed performance in a challenging environment marked by adverse weather, production shortfalls and declining tea prices. | Maintained disciplined cost management, market focus and operational controls. | Preserved profitability and demonstrated business resilience under difficult external conditions. | Financial+ Intellectual+ |
| **Workforce compliance** | Guided management to classify the workforce into registered workers, fixed-term contract workers and RSM workers; encouraged absorption of committed casual workers where appropriate. | Reviewed workforce categories, attendance patterns and compliance requirements. | Strengthened labour compliance, protected employee benefits and improved workforce stability. | Human+ Social+ |
| **Asset management policy** | Mandated that scrapped vehicle disposals follow Department of Motor Traffic guidelines and be publicly advertised. | Applied transparent disposal procedures and ensured regulatory compliance. | Improved asset governance, transparency and control over disposal processes. | Manufactured+ Social+ |
| **Internal controls** | Directed attention to recurring control issues such as factory labour output variances, field/factory/check-roll green leaf variances and delayed gratuity payments. | Strengthened follow-up on audit findings and required management to act on recommendations. | Improved financial discipline, operational accountability and control reliability. | Financial+ Intellectual+ |
| **IT controls and cyber resilience** | Placed special emphasis on IT general controls, business continuity planning and privileged access audits conducted by TechCERT and KPMG. | Initiated corrective actions to address audit findings and improve IT control discipline. | Reduced exposure to IT control breaches and strengthened cyber and business continuity resilience. | Intellectual+, Manufactured+ Financial+ |
| **Risk management** | Regularly reviewed the Risk Assessment Matrix to identify, monitor and mitigate emerging business risks. | Updated risk registers and strengthened risk monitoring through management review. | Improved preparedness, faster risk response and stronger enterprise risk governance. | Financial+ Intellectual+ |
| **SLFRS S1/S2 readiness** | Oversaw sustainability-related financial disclosures and assurance readiness. | Strengthened sustainability data, disclosure alignment and internal review processes. | Improved reporting credibility, regulatory readiness and confidence in ESG disclosures. | Financial+ Natural+ Social+ |
| **ESG oversight** | Reviewed ESG priorities including environmental management, stakeholder engagement, social compliance and governance improvement areas. | Advanced ESG monitoring through committee-level review and operational follow-up. | Strengthened integrated thinking, stakeholder trust and sustainability performance management. | Natural+ Social+ Financial+ |

# Corporate Governance

## 4 Governance Assurance Framework

In the governance framework of TTE, assurance mechanisms serve as the supervisory, monitoring, and benchmarking elements used to measure actual performance against plans, highlight deviations, and signal the need for corrective actions

## Key Internal Policies

GRI 2-23,24

The governance framework is operationalized through a comprehensive set of internal policies. The Board monitors adherence to these policies and addresses any material departures. Key policies include;

- Policy on Matters Relating to The Board of Directors
- Policy on Board Committees
- Policy on Corporate Governance
- Policy on Remuneration
- Policy on Corporate Disclosure
- Policy on Risk Management and Internal Controls
- Policy on Internal Code of Business Conduct and Ethics for Directors and Employees including policies on trading in the entity's listed securities
- Policy on Anti-Bribery and Corruption
- Policy on Whistleblowing
- Policy on Control and Management of Company Assets and Shareholder Investments
- Policy on Environment Social and Governance Sustainability
- Policy on Relations with Shareholder and Investor

### Internal Assurance Mechanisms

Board Audit Committee (BAC) Oversight: All sections of the company's Integrated Report, covering both financial and non-financial information, are reviewed by the BAC to provide the Board with assurance regarding accuracy, consistency, and completeness. The BAC also oversees the integrity of the financial reporting system and the effectiveness of internal controls.

- **Internal Audit Function:** The Hayleys PLC's Management Audit and System Review Division (MA & SRD) conducts periodic independent audits based on an annual plan approved by the BAC. These audits provide objective assurance on the effectiveness of the risk management framework and ensure that established policies and procedures are consistently followed across all subsidiaries.
- **Management Responsibility and Compliance Statements:** The Board obtains Statements of Compliance from Business Unit heads and reviews routine management information reports to evaluate the financial reporting system. The Managing Director, CEO, and Director Finance also issue a formal responsibility statement confirming that internal controls are sound and that financial statements reflect a true and fair view.
- **Internal ESG Verification** Sustainability data is internally verified through the "Hayleys Cube" platform to ensure 100% completeness and accuracy before public disclosure.

### External Assurance Mechanisms

Financial Statement Audit: TTE's external auditors, Messrs. Ernst & Young, provide an independent audit opinion on the annual financial statements, validating the integrity of the company's financial position. The appointment/re-appointment of these auditors was recommended by the Audit Committees to the Boards of Directors. The Audit Committee, comprising majority of Independent Non Executive Directors, annually review the appointment of External Auditors and recommend the appointment of auditors for shareholder approval at the Annual General Meeting. The Committee has recommended retaining Ernst & Young as the company Auditors. The Auditors maintain independence through routine rotation of partners.

The audit fees paid by the Company to its auditors are separately disclosed in the Notes to the Financial Statements of the Annual Report

- **Limited External Assurance on Integrated Reporting**: TTE obtains independent limited assurance for its Integrated Annual Report to confirm that it is prepared in accordance with the International Integrated Reporting Council (IIRC) framework.
- **ESG and Sustainability Assurance**: TTE voluntarily seeks limited external assurance for its ESG consolidated statements and its sustainability-related financial disclosures (aligned with SLFRS S1 and S2). This includes checking the accuracy of key metrics and methodologies against GRI Universal and Sector Standards.
- **GHG Emission Verification**: The company's greenhouse gas (GHG) emission quantification is subject to external verification in accordance with ISO 14064-1:2018 and is certified by the Sri Lanka Climate Fund.

## Standardized Management Systems and Certifications

TTE uses rigorous certification processes as a tangible form of assurance for customers and partners:

- **Management System Audits**: The company maintains seven core management systems (including ISO 9001, 14001, 22000, and 50001) which are subject to regular internal and external audits to verify compliance with quality, environmental, and food safety standards.
- **Rainforest Alliance (RA) Certification**: TTE's estates and factories undergo annual internal and external audits under the RA program to verify adherence to human rights, ethical labor practices, and environmental stewardship standards.

## The Code of Conduct

The Group Code of Business Conduct and Ethics, known as the "Hayleys Way," serves as the vital conduit between TTE high-level governance framework and its workforce by translating abstract principles into concrete daily actions and standards for every employee. It is the primary tool used to operationalize governance through the following mechanisms:

### Providing an Ethical Roadmap

The Code acts as a unified ethical framework that establishes clear standards for appropriate business behaviour. It moves governance from the boardroom to the field by reinforcing core values like honesty, integrity, and respect for human rights in all operational contexts. By defining expectations for business integrity, competition, and consumer protection, it ensures that every employee understands how to embody the company's governance commitments.

### Distributing Responsibility for Implementation

Unlike high-level policies that may remain at the management level, the Code of Conduct is explicitly designed for individual implementation. Every employee is held personally responsible for adhering to and implementing the Code within their own working environment. This approach decentralizes governance, making every member of the staff a custodian of the company's ethical standing.

### Integrating Key Compliance Policies

The Code operationalises the governance framework by integrating specific, actionable policies that protect the organization's integrity:

- Anti-Bribery and Corruption (ABC): It reinforces a zero-tolerance approach toward kickbacks and facilitation payments, applying this standard uniformly across all grades of employees.
- **Whistleblowing**: It provides a safe, confidential channel for employees to report misconduct or breaches of the Code, ensuring that governance is self-correcting and that every voice can contribute to oversight.
- **Conflicts of Interest**: It provides employees with clear guidance on acting in the best interests of the company and avoiding the misuse of their positions for personal gain.

### Internalisation Through Training and Awareness

The framework is made operative through continuous education. In FY 2025/26, TTE conducted 1,317 training hours specifically to help employees internalise the updated Code, including new focus areas like climate governance and biodiversity responsibility. This ensures the Code is not just a document but a living part of the organizational culture.

### Accountability and Enforcement

The Code provides the governance framework with "teeth" by establishing clear d**isciplinary consequences** for non-compliance. Failure to adhere to the "Hayleys Way" can lead to serious outcomes, including termination of employment, which reinforces the non-negotiable nature of the company's ethical standards.

## Supporting Employee Rights and Well-being

The Code operationalises the Group's **Social Governance** by mandating equal opportunity and fair treatment. It forbids discrimination based on gender, race, or religion and strictly prohibits the use of child or forced labour, thereby aligning employee conduct with international best practices like the **UN Global Compact principle.**

## Anti-corruption Risk Assessment and Performance

GRI 205-1, 205-2, 205-3 | GRI 13.26.2, 13.26.3, 13.26.4

Building on the Code of Conduct framework described above, TTE monitors corruption-related risks through operational controls, internal audits, delegated authority limits, procurement approvals, supplier screening and reporting channels. During 2025/26, corruption-related risk assessments covered all key operations of the Company, representing 100% of total operations, including estates, factories, corporate functions, regional offices and relevant business units. No confirmed incidents of corruption were reported during the year.

Anti-corruption policies and procedures were communicated to applicable governance body members, employees and relevant business partners during the year. Role-based anti-corruption awareness/training was provided to employees and relevant personnel with exposure to procurement, approvals, supplier dealings, finance and operational decision-making.

# Corporate Governance

## List of Other Directorships

| Name of the Director | Name of the Company | Capacity |
|---|---|---|
| Mr. Mohan Pandithage - Chairman | Hayleys PLC | ED |
| | Haycarb PLC | ED |
| | Dipped Products PLC | ED |
| | Singer (Sri Lanka) PLC | ED |
| | Hayleys Fabric PLC | ED |
| | The Kingsbury PLC | ED |
| | Horana Plantations PLC | ED |
| | Hayleys Leisure PLC | ED |
| | Kelani Valley Plantations PLC | ED |
| | Hayleys Fibre PLC | ED |
| | Alumex PLC | ED |
| | Diesel & Motor Engineering PLC | NED |
| | Sojitz Kelanitissa (Private) Ltd | ED |
| | Beata Power (Private) Ltd | ED |
| | Joule Power (Private) Ltd | ED |
| | Ocean Network Express Lanka (Private) Ltd | ED |
| | The Beach Resorts Ltd | ED |
| | Delmege Forsyth & Co. Exports (Private) Ltd | ED |
| | Delmege Coir (Private) Ltd | ED |
| | Delmege Forsyth & Co. (Shipping) Ltd | ED |
| | Delmege Freight Services (Private) Ltd | ED |
| | Lewis Shipping (Private) Ltd | ED |
| | Lewis Brown Air Services (Private) Ltd | ED |
| | Director of 132 unlisted companies in the Hayleys Group | ED |
| Dr. W. G. R. Rajadurai | Kelani Valley Plantations PLC | ED |
| | Horana Plantations PLC | ED |
| | Director of 9 unlisted companies in the Hayleys Group | ED |
| | World Vision Lanka (Guarantee) Limited. | NED |
| Mr. Nishantha Abeysinghe - CEO | Director of 4 unlisted companies in the Hayleys Group | ED |
| Mr. Malik J Fernando - NED | Dilmah Ceylon Tea Company PLC | ED |
| | Kahawatte Plantations PLC | NED |
| | Elpitiya Plantations PLC | NED |
| | Renuka Hotels PLC | NED |
| | Printcare PLC | NED |
| | Aitken Spence Plantation Managements PLC | NED |
| | Brown Hills Development (Private) Ltd | ED |
| | Cape Weligama (Private) Ltd | ED |
| | Ceylon Tea Farmers (Private) Ltd | ED |
| Mr. Malik J Fernando - NED (contd.) | City Properties (Private) Ltd | ED |
| | Coco Palm Beach (Private) Ltd | ED |
| | Dilmah Property Development (Private) Ltd | ED |
| | Dilmah Ceylon Cinnamon Company (Private) Ltd | ED |
| | Forbes Plantations (Private) Ltd | ED |
| | Ereula Hotels (Private) Ltd | ED |
| | Leopard Research Association | ED |
| | Packages Lanka (Private) Ltd | ED |
| | Water Villas (Private) Ltd | ED |
| | Merrill J Fernando & Sons (Private) Ltd | ED |
| | MJF Beverages (Private) Ltd | ED |
| | Dilmah Properties (Private) Ltd | ED |
| | MJF Charitable Foundation | ED |
| | MJFCF-CPLF Centre for Children with Cerebral Palsy and Other Developmental Disorders | ED |
| | MJF Corporate Services (Private) Ltd | ED |
| | MJF Exports (Private) Ltd | ED |
| | MJF Foundation Investments (Private) Ltd | ED |
| | MJF Holdings (Private) Ltd | ED |
| | MJF Leisure (Private) Ltd | ED |
| | MJF Media (Private) Ltd | ED |
| | MJF Properties (Private) Ltd | ED |
| | MJF Tea Gardens (Private) Ltd | ED |
| | MJF Teas (Private) Ltd | ED |
| | PCL Solutions (Private) Ltd | ED |
| | Tea Country Homes (Private) Ltd | ED |
| | Sanctuary Day Resort (Private) Ltd | ED |
| | Timber Concepts (Private) Ltd | ED |
| | Wild Coast Lodge (Private) Ltd | ED |
| | Dilmah Sea (Private) Ltd | ED |
| | Eastern Resources Holdings (Private) Ltd | ED |
| | Maddecumra Power Co (Private) Ltd | ED |
| | New Peacock Cottage (Private) Ltd | ED |
| | Epoch Investments Lanka (Private) Ltd | ED |
| | Monty Beach (Private) Ltd | ED |
| | Resplendent Retail (Private) Ltd | ED |
| | Resplendent Traveller (Private) Ltd | ED |
| | Tourism Alliance (Guarantee) Limited | ED |
| | Wild Island Botanicals (Private) Ltd | ED |
| | Tea Trails (Private) Ltd | ED |
| | Patiagama Estates (Private) Ltd | ED |
| | Resplendent Ceylon (Private) Ltd | ED |

| Name of the Director | Name of the Company | Capacity |
|---|---|---|
| Mr. Malik J Fernando - NED (contd.) | Kahawatte Cinnamon (Private) Ltd | ED |
| | Elpitiya Lifestyle Solutions (Private) Ltd | NED |
| | E P P Hydro Power Company (Private) Ltd | NED |
| | Hayleys Plantations Services (Private) Ltd | NED |
| | Pekoe Trail Company (Guarantee) Ltd | NED |
| | Printcare Secure Ltd | NED |
| | Printcare Universal (Private) Ltd | NED |
| | TTEL Hydro Power Company (Private) Ltd | NED |
| | TTEL Somerset Hydro Power Company (Private) Ltd | NED |
| | La Forteresse (Private) Ltd | NED |
| | Durdans Medical & Surgical Hospitals (Private) Ltd | NED |
| | Elpitiya Tea Farmers (Private) Ltd | NED |
| | Puttalam Holdings (Private) Ltd | NED |
| | Puttalam Ilmenite (Private) Ltd | NED |
| | Forbes & Walker (Private) Ltd | NED |
| Mr. S. L. Athukorala - NED | Hayleys Consumer Products Limited | NED |
| | Asset Line Finance Limited | NED |
| Lt. Col. J. M. Kariapperuma – INED | Sri Lanka Convention Bureau | ED |
| Mr. Nandana Ekanayake - SID | Kelani Valley Plantations PLC | NED |
| | Hayleys Fabric PLC | NED |
| | Siam City Cement (Lanka) Ltd | ED |
| | Mahaweli Marine (Private) Ltd | ED |
| | INSEE Ecocycle Lanka (Private) Ltd | ED |
| Mr. Malaka Talwatte - INED | Horana Plantations PLC | NED |
| | Kelani Valley Plantations PLC | NED |
| | Saffron Leisure (Private) Ltd | ED |
| | Saffron Solutions (Private) Ltd | ED |
| | Saffron Investments (Private) Ltd | ED |
| | Saffron Capital (Private) Ltd | ED |
| | Saffron Telecom (Private) Ltd | ED |
| | Commercial Equipment Supplier (Private) Ltd | ED |
| | Turtle Beach Properties (Private) Ltd | ED |
| | Jesselton (Private) Ltd | ED |
| | Gammanpila Investments (Private) Ltd | ED |
| | Faris Developers (Private) Ltd | ED |
| | Slice Foods (Private) Ltd | ED |
| | The Ceylon Tea Collection (Private) Ltd | ED |
| | Leisure Beach (Private) Ltd | ED |
| | Island Hospitality (Private) Ltd | ED |
| | Sandvillage (Private) Ltd | ED |

| Name of the Director | Name of the Company | Capacity |
|---|---|---|
| Ms. Harshani Randiligama - INED | Hayleys Leisure PLC | NED |
| | National Apprentice and Industrial Training Authority (NAITA) Sri Lanka | NED |
| | Board of Investment of Sri Lanka | NED |
| Mr. Darshana Gunasekera - NED | Dilmah Ceylon Tea Company PLC | ED |
| | Kahawatte Plantations PLC | NED |
| | Patiagama Estates (Private) Ltd | ED |
| | MJF Epigro Renewables (Private) Ltd | ED |
| | Tea Time Rocks (Private) Ltd | ED |
| | MJF Beverages ANZ Limited | ED |
| | MJF Corporate Services (Private) Ltd | ED |
| | Wild Island Botanicals (Private) Ltd | ED |
| | Resplendent Traveller (Private) Ltd | ED |
| | Resplendent Retail (Private) Ltd | ED |
| | Bank of Ceylon | NED |
| | Hayleys Plantations Services (Private) Ltd | NED |
| Mr. Milinda Hewagama - NED | Kelani Valley Plantations PLC | NED |
| | Hayleys Leisure PLC | NED |
| | The Kingsbury PLC | NED |
| | Director of 40 unlisted companies in the Hayleys Group | NED |
| Mr. Anura Weerakoon - NED | Director of 3 unlisted companies in the Hayleys Group | NED |

ED – Executive Director NED – Non-Executive Director INED – Independent Non-Executive Director SID – Senior Independent Director

- Listed Entities
- Unlisted Entities

# Statement by the Senior Independent Director

[Profile of Mr. N. Ekanayake is given on page 43 of this report.]

In order to comply with Section 9. 6. 3 of the Listing Rules of the Colombo Stock Exchange, the Board of Directors of the Company designated me as the Senior Independent Director (SID) of the Company.

Section 9.6.3 of the Listing Rules and the Code of Best Practice on Corporate Governance 2023 issued by the Institute of Chartered Accountants of Sri Lanka provide that in situations where the Chairman and CEO are the same person or where the Chairman is not an Independent Director, a Senior Independent Director (SID) shall be appointed. At Talawakelle Tea Estates PLC although the Chairman is not the CEO, he is not an Independent Director.

## Role of the Senior Independent Director

The Senior Independent Director (SID) provides guidance to the Chairman on matters of governance of the Company.

The role of the SID also provides emphasis to transparency on matters relating to governance and calls for a review of the effectiveness of the Board.

The SID makes himself available to any Director or any employee to have confidential discussions on the affairs of the Company, should the need arise.

## Activities During the Year

In line with the regulatory requirements, I presided over the following meetings and exercised my voting rights where necessary.

Meetings were held with the Non-Executive Directors without the presence of the Executive Directors. At these meetings the performance of the Chairman and the Executive Directors were appraised.

A meeting was held with only the Independent Directors. Discussions were held on matters relating to the Company and the operation of the Board.

The outcome of these meetings together with recommendations was duly informed to the Chairman and the Board.

The Company follows a policy of strict compliance with mandatory requirements while embracing voluntary adherence, in order to enhance stakeholder acceptance and making a positive impact on value creation.

I believe that I have fulfilled the obligations entrusted to the SID in accordance with the Corporate Governance guidelines.

**N. Ekanayake**
*Senior Independent Director*

16th May 2026

# Nominations and Governance Committee Report

**Nandana Ekanayake**
*Chairman*

**66%**
Independence
(as at end March 2026)

**02**
Meetings

**03**
Members

**Evaluation of governance policies adopted**
During the year, Board evaluation, Director independence reviews and governance policy adoption strengthened Board effectiveness and long-term value creation.

The Board has an established Nominations and Governance Committee ("the Committee") which complies with Section 9.11 of the Listing Rules of Colombo Stock Exchange and the Code of Best Practice on Corporate Governance 2023 issued by the Institute of Chartered Accountants of Sri Lanka.

## Composition

GRI 2-10

The Committee is appointed by, and is responsible to the Board of Directors. The Committee comprises two Independent Non-Executive Directors and one Non-Executive Director.

The members who served on the Committee during the financial year are as follows:

- Mr. Nandana Ekanayake (Chairman, Senior Independent Director)
- Mr. Sarath Lakshman Athukorala
- Mr. Malaka Chaminda Bandara Talwatte

## Attendence of the Committee

The Committee meets as often as necessary. The Committee held three formal meetings during the financial year 2025/26 and the member attendance records are given below.

| Name of the member | Date of Appointment to the Committee | Number of Meetings Attended |
|---|---|---:|
| Mr. N. Ekanayake***(Chairman) | 08th January 2024 | 3/3 |
| Mr. S. L. Athukorala**Member | 01st January 2023 | 3/3 |
| Mr. M. C. B. Talwatte***Member | 08th January 2024 | 3/3 |

***Non-Executive Director*
****Independent Non-Executive Director*

The Chairman of the Committee is an Independent Non- Executive Director.

The Chairman of the Board, Managing Director and Chief Executive Officer of the Company attend the meetings of the Committee by invitation.

The Committee has well-defined Terms of Reference approved by the Board outlining the Committee's purpose, composition, quorum, authority, responsibilities, and meeting related matters. The Terms of Reference of the committee were reviewed during the financial year.

Hayleys Group Services (Private) Limited, the Secretary of the company, serves as the Secretary to the Committee.

## Duties of the Nominations and Governance Committee

- To establish and maintain a formal and transparent procedure to evaluate, and recommend the appointment of Directors of the Company considering the required skills,experience and qualifications necessary.
- To maintain a set of criteria for selection of Directors such as academic/ professional qualifications, skills, experience and key attributes required for eligibility taking into consideration the nature of the business of the Company and industry specific requirements.
- To consider and recommend (or not recommend) the re-election of current Directors taking into account the combined knowledge, experience, performance and contribution made by the Director to meet the strategic demands of the Company and the discharge of the Boards overall responsibilities and the number of directorships held by the Director in other listed and unlisted companies and other principal commitments.
- To approve a suitable process for the periodic evaluation of the performance of Board Directors and the Managing Director of the Company to ensure their responsibilities are satisfactorily discharged.
- To review the succession plans for the Board of Directors and Key Management Personnel and evaluate the training and the Development requirement for those identified for succession.
- To Review and recommend the overall Corporate Governance framework of the Company taking into account the Listing Rules and other applicable regulatory requirements and industry best practices.
- To review and update the Corporate Governance policies/ framework in line with regulatory and legal developments relating to same.
- To periodically review the Insurance Cover "Directors and Officers Liability Cover " for Directors and other Key Management Personnel.

# Nominations and Governance Committee Report

- To receive reports from the Management on compliance of the Corporate Governance framework of the Company including the Company's compliance with provisions of the Securities and Exchange Commission Act, Listing Rules of the Colombo Stock Exchange and other applicable laws and reasons for any deviations or non-compliances.
- To Ensure that induction takes place for the new Directors.

## Disclosure Of Activities

GRI 2-23, 24

The Committee reviewed and evaluated the profiles of proposed Directors and recommended their appointment to the Board. The Committee also reviewed the structure and composition of the Board and Board Committees and recommended additions to Committees. Board performance evaluation was carried out and discussed at Board meetings. This entails the evaluation of performance of the Board, its Committees and the performance of the Managing Director.

Newly appointed Directors were given an induction to the Company prior to their first Board meeting. The orientation programme includes inviting the Directors to the factories and estates to gain an understanding of the operations of the Company and its subsidiaries. Requirements as per the Listing Rules and applicable rules and regulations are informed to the new Directors. Existing Directors are regularly updated with Corporate Governance requirements, Listing Rules and other applicable laws.

Non-Executive Directors have submitted declarations regarding their independence/non-independence. The fitness and proprietary of the Directors were examined. All Independent Directors of the Company meet the criteria set out in the Listing Rules of the Colombo Stock Exchange for determining independence.

The Independent Directors are kept informed by the Chairman and the Managing Director in the event any major issues arise.

The Policies of the Company were reviewed during the year and necessary amendments were incorporated. The Company maintains policies covering governance, ethics, sustainability, human rights, environment, health and safety, and compliance. These policies are periodically reviewed and updated by the relevant Board Committees and management.

Policy commitments are embedded through Board oversight, employee communication, training, operational procedures, internal controls, audits and compliance monitoring. Approved policies are made available internally and, where applicable, uploaded to the Company's website. Sub Committee Terms of References were reviewed and amended where necessary. The list of policies of the Company is given on page 268 of the Report of the Board of Directors.

The Committee also assessed the Independence of the Directors against the criteria for independence as set out in the Listing Rules. The Committee ensured that the declaration of independence is carried out by the Independent Directors and concluded that all Independent Directors of the Company meet the criteria for determining independence. The Committee also evaluated all the Directors against the Fit and Proper assessment criteria.

## Re-Appointments / Re- Elections

One Third (1/3) of the all the directors except the Managing Director and those who have been appointed to the Board since the last Annual General Meeting, retire by rotation in terms of the Articles of Association and being eligible submit themselves for re-election at the Annual General meeting.

Accordingly, the Committee has recommended to re-elect Mr. Nandana Ekanayake and Mr. Malaka Chaminda Bandara Talwatte and Ms. Harshani Dinusha Kumari Randiligama to the Board at the Annual General Meeting to be held on 25th June 2026, based on their performance and the contribution made to achieve the objectives of the Board.

Mr. Nandana Ekanayake was appointed to the Board ion 03rd January 2024, and last re-appointed as a Director was in 2024. His directorships and other principal commitments are given in the profile on page 43

Mr. Malaka Chaminda Talwatte was appointed to the Board on 03rd January 2024 and last re-appointed as a Director was in 2024 His other directorships and other principal commitments are given in the profile on page 44.

Ms. Harshani Dinusha Kumari Randiligama was appointed to the Board on 27th December 2024 and last re-appointed as a Director was in 2025. Her other directorships and other principal commitments are given in the profile on page 45.

Mr. Nishantha Prasanna Abeysinghe, Executive Director who was appointed on 01st August 2025 and Mr. Anura Weerakoon, Non-Executive Director who was appointed 15th September 2025 will come up for re-election by the shareholders at the Annual General Meeting. Their profiles in pages 42 and 45 set out their other principal commitments and directorships. They do not serve on any committees.

Due to the invaluable contribution made to the Board as a result of their many years of experience, industry knowledge and business acumen, the Committee has recommended to reappoint Mr. Mohan Pandithage and Mr. Lakshman Athukorala who are over seventy years and who retire in terms of Section 210 of the Companies Act No. 7 of 2007.

The Directors who are being proposed for re-election or their family members, have no relationship with the Directors of the Company or shareholders having more than 10% of the shares of the Company.

The Committee has ensured Board diversity by bringing a wide range of experience and skills to the Board. Age and gender diversity have been essential factors contributing to the effective performance of the Company's Board.

The Corporate Governance requirements stipulated under the Listing Rules of the Colombo Stock Exchange are met by the Company and details are given in pages 234 to 253.

**N. Ekanayake**
Chairman
Nominations and Governance Committee

11th May 2026

# Audit Committee Report

**Nandana Ekanayake**
*Chairman*

**66%** Independence (as at end March 2026)

**04** Meetings

**03** Members

**06** **Oversight Areas for Value Creation**
Corporate Reporting , Audit , Business and sustainability Risk , Compliance, Ethics

The Audit Committee ("the Committee") is appointed by and is to the Board of Directors of the Company in fulfilling its oversight responsibilities on financial reporting ,it reviews the financial reporting process, the integrity of the financial statements , the systems of internal control, the audit process and the Company's process for monitoring compliance with laws and regulations.

## Composition

The Committee comprises of two Independent Non-Executive Directors and one Non-Executive Director. The members who served on the Committee during the financial year are as follows:

- Mr.Nandana Ekanayake (Chairman, Senior Independent Director)
- Mr. Sarath Lakshman Athukorala
- Mr. Malaka Chaminda Bandara Talwatte

The Chairman of the Committee is a Senior Chartered Accountant .He is a fellow member of the Institute of Chartered Accountants of Sri Lanka (FCA) an Associate Member of the Institute of Certified Practicing Accountants (CPA), Australia and a Fellow Member of the Certified Management Accountants (FCMA) of Sri Lanka. The other members possess relevant knowledge, qualifications and experience in financial reporting, control, legal and regulatory requirements.

Brief profiles of each member are provided on pages 43 and 44 of this report. Their individual and collective financial knowledge and business acumen and the independence of the Committee, are brought to bear on their deliberations and judgments on matters that come within the Committee's purview.

Hayleys Group Services (Private) Limited, the Secretary of the Company, serves as the Secretary to the Committee.

## Charter of the Audit Committee

The Audit Committee Charter is periodically reviewed and revised with the concurrence of Board of Directors to make sure that new developments relating to the function of the Committee are updated. The Terms of Reference of the Committee are clearly defined in the Audit Committee Charter. The Terms of Reference of the Committee was revised during the year under review to include oversight responsibilities on Sustainability and ESG related reporting.

The 'Rules on Corporate Governance' under the Listing Rules of the Colombo Stock Exchange and the 'Code of Best Practice on Corporate Governance' issued by the Institute of Chartered Accountants of Sri Lanka in 2023, further regulate the composition, roles and functions of the Committee.

## Meetings of the Audit Committee

The Committee meets as often as necessary. The Committee had quarterly formal meetings to discuss the annual Financial Statements for the financial year under review.

The attendance of the Members at these meetings is as follows:

| Name of the member | Date of Appointment to the Committee | Number of Meetings Attended |
|---|---|---:|
| Mr. N. Ekanayake***(Chairman) | 08th January 2024 | 4/4 |
| Mr. S. L. Athukorala**Member | 01st January 2023 | 4/4 |
| Mr. M. C. B. Talwatte***Member | 08th January 2024 | 4/4 |

** *Non-Executive Director*
****Independent Non-Executive Director*

The Chairman of the Board, Managing Director, Director/Chief Executive Officer, Director-Finance of the Company and Hayleys Group Chief Financial Officer attend the meetings of the Committee by invitation.

Other members of the Board of Directors, Management Committee of the Company and the Head of Group Management Audit and System Review Department (MA & SRD) of Hayleys PLC were present at the meetings of the Committee where appropriate. The External Auditors are also invited to be present where relevant.

The proceedings of the Committee are reported quarterly to the Board of Directors. Audit Committee meeting papers, including the agenda, minutes and related reports and documents, are circulated to the committee members in advance.

# Audit Committee Report

## The Authority of the Audit Committee

- Recommend appointment, reappointment, dismissal, service period and fees of the external Auditor.
- Establish and maintain a direct communication channel with the external auditor.
- Resolve any issues regarding financial reporting between the management and the external auditor.
- Pre-approve all auditing and non-audit services performed by the firm of external auditor and internal audit service providers.
- Seek any information it requires from employees or external parties relating to investigations.
- Meet with the management, external auditors as necessary to carry out the assigned duties.

## Activities in 2025/26

The Audit Committee, inter alia, engaged in the following activities during the financial year under review.

## Financial Reporting System

The Committee reviewed the quality and integrity of the financial reporting system adopted by the Group in the preparation of its quarterly and annual Financial Statements to ensure reliability of the processes and consistency of the accounting policies and methods adopted and their compliance with the Sri Lanka Accounting Standards (SLFRSs and LKASs) issued by The Institute of Chartered Accountants of Sri Lanka (ICASL), financial reporting requirements under the Companies Act No. 07 of 2007 and Listing Rules of the Colombo Stock Exchange / Securities and Exchange Commission Act.

The Committee also reviewed the key judgements applied in the preparation of Consolidated Financial Statements, which are described in the relevant accounting policies and detailed Notes to the Financial Statements on pages 286 to 346.

The Committee, in its evaluation of the financial reporting system, also recognized the adequacy of the content and quality of routine management information reports forwarded to its members.

The Audit Committee obtained Statements of Compliance from the Business Unit Heads where appropriate. Having reviewed the financial reporting system, the Committee is satisfied that the system complies in all material respects with the regulatory and statutory requirements. The Committee reviewed the adequacy of disclosures and presentation formats of the draft Annual and Interim Financial Statements before recommending their publication to the Board and also adequacy of the content and quality of routine management information forwarded to its members.

The Committee engaged in discussion with the Company's External Auditor on the results of the External Auditors' examinations and their judgement on the acceptability of the accounting principles adopted by the Company.

The Committee recommended the Financial Statements to the Board for its deliberations and issuance.

## Internal Control Systems

The Committee reviewed the process to assess the adequacy and effectiveness of the Internal Financial Controls that have been designed to provide reasonable assurance to the Directors that Group assets are safeguarded and that the financial reporting system can be relied upon in preparation and presentation of Financial Statements.

## Internal Audits

The Hayleys Group MA&SRD regularly reports on key control elements and procedures in Group companies that are selected according to a Group annual Internal Audit Plan. Internal Audits are outsourced wherever necessary, to leading audit firms in line with the annual audit plan. The Committee obtained significant findings and recommendations together with the Management's responses on the review of the internal controls carried out by the internal auditors and provided recommendations for improvement. Follow up reviews were scheduled to ascertain that audit recommendations are being acted upon.

The Committee also evaluated the Internal Audit Function covering key areas such as scope, quality of internal audits, independence and resources. The Committee appraised the independence of the Hayleys Group MA&SRD, in the conduct of their assignments.

The Annual Internal Audit Plan is approved by the Audit Committee and its progress is reviewed on a quarterly basis in order to reflect the changing business needs and to ensure new and emerging risks are considered. During the financial year 2025/26, 13 internal audits were performed.

## Risk Management

The Committee obtained and reviewed statements from the Heads of Business Sectors identifying their respective major business risks, and mitigation action taken or contemplated for the management of these risks. The COSO Enterprise Risk Reporting Process is presently being implemented within the Group.

The Committee also conducted ESG risk assessments during the year, thereby identifying, prioritising and monitoring sustainability-related-risks and opportunities.

The Committee reviewed the risk management, internal controls, business continuity planning, information security system and potential cyber risks in the Group and appropriate remedial actions were recommended to the Management and the Board.

A review of the insurance policies and their adequacy was also carried out.

## External Audit

During the year under review, the Committee held meetings with the External Auditor to review the nature, approach, scope of the audit, Audit Plan and the Audit Management Letters of Group Companies. Actions taken by the Management in response to the issues raised, as well as the effectiveness of the internal controls in place, were discussed with the heads of business units. Remedial action was recommended wherever necessary.

The Committee has reviewed the other services provided by the External Auditor to the Group to ensure that their objectivity and independence as External Auditor has not been impaired. The Committee provides the opportunity to External Auditor to meet the Audit Committee Members independently, if necessary.

The Committee annually reviews the appointment of the External Auditor and makes recommendations to the Board accordingly. During the year under review, the Committee assessed the independence and effectiveness of the External Audit function and is satisfied that the independence of the External Auditor had not been impaired by any event or service that gives rise to a conflict of interest. Due consideration has been given to the nature of the services provided by the External Auditor and the level of audit and non-audit fees received by the Auditor, in order to ensure that it did not compromise their independence.

The Committee obtained written assurance from the External Auditors that they are and have been independent throughout the conduct of the audit engagement in terms of all relevant professional and regulatory requirements and has made a determination of the independence of auditors based on the same.

## Audit Committee Report

The Audit Committee provides the opportunity to External Auditors to meet Audit Committee members independently, if necessary.

The current Auditor Messrs. Ernst & Young, Chartered Accountants was initially appointed as External Auditor in 2012 and continues to hold that position at present. A partner rotation of the External Auditors takes place periodically. A rotation of partner took place in the financial year 2023/24.

## Appointment of External Auditors

The Audit Committee has recommended to the Board of Directors that Messrs. Ernst & Young, Chartered Accountants, continue as the External Auditors for the financial year ending 31st March 2027, after evaluating the scope, delivery of the audit, resources, and the quality of the assurance initiatives undertaken during the financial year 2025/26.

## Compliance

The Committee received confirmation from the Managing Director and Director Finance on the Group's operational and financial status. It was satisfied that the financial records are properly maintained and that the financial statements accurately reflect the Group's operations and financial position. The Committee also obtained representations from the management of the Company on the adequacy of provisions made for possible liabilities and reviewed reports tabled by the Group certifying their compliance with relevant statutory requirements. Further, the Committee obtained regular updates on HR and Legal regarding compliance matters.

## Ethics and Good Governance

The Committee continuously emphasized on upholding ethical values of the staff members. In this regard, Internal Code of Business Conduct and Ethics, the policies on Whistleblowing and Anti-Bribery and Corruption were put in place. The Policies were followed by educating and encouraging all members of the staff. All appropriate procedures are in place to conduct independent investigations into incidents reported through Whistleblowing or identified through other means. The Whistleblower Policy guarantees strict confidentiality of the identity of the Whistleblowers.

## Sri Lanka Accounting Standards

The Committee reviewed the revised policy decisions relating to the adoption of new and revised Sri Lanka Accounting Standards (SLFRS/LKAS) applicable to the Company and made recommendations to the Board of Directors. The Committee continues to monitor compliance with relevant Accounting Standards and keeps the Board of Directors informed at regular intervals. The Committee has sought the assistance of Messrs. Ernst & Young to assess and review the existing SLFRS policies and procedures adopted by the Group and continuously monitors the progress of the implementation of SLFRS as per the requirements of Sri Lanka Accounting Standards.

## Support to the Committee

The Committee received information and support from the Management during the year to enable it to carry out its duties and responsibilities effectively.

## Evaluation of the Committee

An independent evaluation of the effectiveness of the Committee was carried out by the other members of the Board during the year. Considering the overall conduct of the Committee and its contribution on the overall performance of the Company, the Committee has been and rated as highly effective.

**N. Ekanayake**
**Chairman- Audit Committee**

11th May 2026

# Remuneration Committee Report

**Nandana Ekanayake**
*Chairman*

**66%**
Independence
(as at end March 2026)

**02**
Meetings

**03**
Members

**Leadership accountability through remuneration governance**
KPM's performance , leadership, and accountability reviews and shareholder value creation.

The Board has an established Remuneration Committee ('the Committee') which complies with section 9.12 of the Listing Rules of Colombo Stock Exchange and the Code of Best Practice on Corporate Governance 2023 issued by the Institute of Chartered Accountants of Sri Lanka.

## Composition

GRI 2-19, 20

The Committee comprises two Independent Non-Executive Directors and one Non-Executive Director.

## Attendence of the Committee

The Committee meets as often as necessary. The Committee met twice during the year.

| Name of the member | Date of Appointment to the Committee | Number of Meetings Attended |
|---|---|---|
| Mr. N. Ekanayake***(Chairman) | 08th January 2024 | 2/2 |
| Mr. S. L. Athukorala**Member | 01st January 2023 | 2/2 |
| Mr. M. C. B. Talwatte***Member | 08th January 2024 | 2/2 |

** *Non-Executive Director*
****Independent Non-Executive Director*

The Chairman of the Committee is an Independent Non-Executive Director. The Remuneration Committee has well defined Terms of Reference, which were reviewed during the financial year.

The Chairman of the Board, Managing Director and Chief Executive Officer attend the meetings of the Committee by invitation.

The members of the Committee are free from business, operational, personal or other relationships which may interfere with their independent, unbiased judgment.

Hayleys Group Services (Private) Limited the Secretaries of the Company, serves as the Secretary to the Committee.

## Responsibilities of the Remuneration Committee

- To make recommendations to the Board of Directors regarding the framework of remuneration to the Executive Directors Key Management Personnel.
- To evaluate the compensation of the Managing Director, Executive Directors and the Key Management Personnel.
- To review, approve the guidelines, policies and parameters for the compensation structures of Key Management Personnel within the Group taking into consideration industry norms.
- To review from time to time information related to Executive and Non-Executive Directors payments, to ensure that they are on par with the market/industry rates.
- To evaluate the performance of the Managing Director, Executive Director and the Key Management Personnel, against predetermined targets and goals set by the board.
- To assess and recommend to the Board of Directors promotions of the Key Management Personnel and to address succession planning.
- To recommend annual salary increments and bonuses.

## Remuneration Policy

The Remuneration policy of the Group is to attract, motivate and retain a highly qualified and experienced executive team, and reward performance accordingly in the backdrop of industry norms. These compensation packages provide compensation appropriate for business and commensurate with each employee's level of expertise and contributions, bearing in mind the business' performance and shareholder returns.

The remuneration packages which are linked to individual performances are aligned with the Group's short term and long-term strategy.

All Non-Executive Directors (other than the Directors who are employed by Hayleys PLC) receive a fee for serving on the Board and serving on sub committees. They do not receive any performance related incentive payments.

## Activities in 2025/2026

During the year the Committee reviewed the performance of the Managing Director, Director/ Chief Executive Officer, Executive Directors and Key Management Personnel on the targets set in the previous year and determined the bonus payable and the annual increments.

Reviewed the compensation parameters of the Key Management Personnel and implemented market corrections where necessary The Committee also recommended that compensation packages to be in line with the market median.

Recommended the bonus payable and annual increments to be paid based on the ratings of the Performance Management System.

The aggregate remuneration of the Executive and Non Executive Directors for the Financial Year amounted to Rs. 111.12 Mn.

**N. Ekanayake**
*Chairman*
Remuneration Committee

11th May 2026

# Related Party Transactions Review Committee Report

**Nandana Ekanayake**
*Chairman*

**66%**
Independence
(as at end March 2026)

**04**
Meetings

**03**
Members

**RPTs Reviewed for Compliance and Board Reporting**
During the year, related party transactions of TTEL and its subsidiaries were reviewed for compliance and reported to the Board.

The Related Party Transaction Review Committee ("the Committee") of the Company has been established in compliance with the Governance Rules stipulated in Section 9.14 of the Listing Rules of Colombo Stock Exchange. And as per the requirements of the Code of Best Practice of Sri Lanka for Chartered Accountants.

## Composition

The Committee is appointed by and is responsible to the Board of Directors and comprises two Independent Non-Executive Directors and one Non- Executive Director.

## Attendence of the Commitee

The Committee meets on a quarterly basis or as often as necessary. During the financial year 2025/26, the Committee met Quarterly to review the related party transactions.

| Name of the member | Date of Appointment to the Committee | Number of Meetings Attended |
|---|---|---|
| Mr. N. Ekanayake***(Chairman) | 08th January 2024 | 4/4 |
| Mr. S. L. Athukorala**Member | 01st January 2023 | 4/4 |
| Mr. M. C. B. Talwatte***Member | 08th January 2024 | 4/4 |

***Non-Executive Director*
****Independent Non-Executive Director*

The Chairman of the Committee is an Independent Non-Executive Director. Profiles of the Committee members are given in Pages 43 and 44.

The Chairman, Managing Director, Director/ Chief Executive Officer, Director Finance and any other officers as may be required by the Committee attend the meetings by invitation.

Hayleys Group Services (Private) Limited, the Secretaries of the Company, serves as the Secretary to the Committee and Minutes of Committee meetings are tabled at the Board meetings, thereby providing the Directors access to the deliberations of the Committee.

## The Duties of the Committee

- To review in advance all proposed related party transactions of the Group either prior to a transaction being entered into or, if the transaction is expressed to be conditional on such review, prior to the completion of the transaction.
- Seek any information the Committee requires from the Management, employees or external parties with regard to any transaction entered into with a related party.
- Obtain knowledge or expertise to assess all aspects of proposed related party transactions where necessary, including obtaining appropriate professional and expert advice from suitably qualified persons.
- To recommend where necessary, to the Board and obtain their approval prior to the execution of any related party transaction.
- To monitor that all related party transactions of the Group are transacted on normal commercial terms and are not prejudicial to the interests of the entity and its minority shareholders.
- Meet with the management Internal Auditors/External Auditors as necessary to carry out the assigned duties.
- To review the transfer of resources, services or obligations between related parties regardless of whether a price is charged.
- To review the economic and commercial substance of both recurrent/non-recurrent related party transactions.
- To monitor and recommend the acquisition or disposal of substantial assets between related parties, including obtaining 'competent independent advice' from independent professional experts with regard to the value of the substantial asset of the related party transaction.
- To ensure that there is an adequate and effective process in place to capture information which is relevant to its review function.

## Policy and Terms of Reference

The Committee has established a clear Policy and Terms of Reference approved by the Board, setting forth the procedure to identify the related parties and the process of reporting the transactions with related parties to the Committee on a quarterly basis. The Policy outlines the composition of the Committee, meeting procedures and the responsibilities of the Committee. It also specifies the approval processes and disclosure requirements, including market announcements and Annual Report disclosures. The Policy guides the Committee and makes them responsible for ensuring that no director or major shareholder takes advantage of their position to the detriment of the interest of minority shareholders.

# Related Party Transactions Review Committee Report

## Task of the Committee

The Committee reviewed the related party transactions and their compliance of Talawakelle Tea Estates PLC and its subsidiaries and communicated the same to the Board.

The Committee in its review process recognized the adequacy of the content and quality of the information forwarded to its members by the management.

## Disclosures

A detailed disclosure of all the related party transactions including Recurrent and Non Recurrent related party transactions which are required to be disclosed under Section 9.14.8 of the Listing Rules of the Colombo Stock Exchange has been made in Note 33 to the financial statements given in page 286 to 346 in this report.

## Declaration

A declaration by the Board of Directors on compliance with the rules pertaining to related party transactions appears on the report of the Board of Directors on page 260 of this Annual Report.

**N. Ekanayake**
*Chairman*
Related Party Transactions Review Committee

11th May 2026

# Annual Report of the Board of Directors on the Affairs of the Company

## General

The Board of Directors of Talawakelle Tea Estates PLC ("the Company") have pleasure in presenting the Annual Report of the Board of Directors on the affairs of the Company and of the Group together with the Audited Consolidated Financial Statements for the year ended 31st March 2026.

The details set out herein provide the pertinent information required by the Companies Act No. 07 of 2007 ("the Companies Act"), the Listing Rules of the Colombo Stock Exchange (CSE), the Code of Best Practice on Corporate Governance 2023 issued by the Institute of Chartered Accountants of Sri Lanka and are guided by recommended best accounting practices.

The Financial Statements were reviewed and approved by the Board of Directors on 11th May 2026.

## Principle Activities, Business Review and Future Developments

The principal activity of Talawakelle Tea Estates PLC is the cultivation and manufacture of Tea and Cinnamon .The fully owned subsidiaries of the Company, TTEL Hydro Power Company (Private) Limited and TTEL Somerset Hydro Power (Private) Limited are engaged in generating hydro power. Hayleys Produce Marketing Limited which was acquired by the Company on 30th December 2025 engaged in cultivation of organic tea.

There were no material changes in the nature of business of the Company and the Group during the financial year.

There has been no non-compliance with laws or regulations and the Directors to the best of their knowledge and belief, confirm that the Company has not engaged in any activity that contravenes applicable laws and regulations. There have been no material fines imposed on the Company by the Government or any regulatory authority in any jurisdiction where the Company operates.

## Group Structure

The Group Structure is given on page 33.

## Vision, Mission and Corporate Conduct

The Company's vision, mission and purpose statement are given on page 6. The 'Group Code of Business Conduct and Ethics - Hayleys Way' provides the frame work for our corporate conduct. The Group is committed to conduct its business operations with honesty, integrity, to comply with the laws and regulations of the country and with respect to the rights and interests of all stakeholders.

## Business Review/ Future Development

A review of financial and operational performance and future business developments of the Group is contained in the Chairman's Statement (pages 24 to 27) Managing Director's Review (pages 28 to 32) and Management Discussion and Analysis (pages 120 to 215) of the Annual Report.

These reports, together with the audited financial statements, reflect the state of affairs of the Company and the Group.

## Financial Statements

The Financial Statements of the Company and the Group prepared in conformity with the Sri Lanka Accounting Standards (SLFRS/LKAS) as required by Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995 and comply with the requirements of the Companies Act. The Financial Statements of the Company and the Group for the year ended 31st March 2026, have been duly signed by the Chief Financial Officer and two Directors of the Company. Refer page 292.

## Auditor's Report

The Company's Auditors Messrs. Ernst and Young, Chartered Accountants, carried out an audit on the Financial Statements of the Company and the Group as at 31st March 2026, and their Report is given on pages 286 . to 289.

## Accounting Policies

The Material Accounting Policies adopted in the preparation of the Financial Statements of the Company and the Group are given on pages 296 to 309.

The Financial Statements and Notes thereto give a true and fair view of the Company's and the Group's financial position as of 31st March 2026 and of their performance for the year ended on that date.

There were no material changes in the Accounting Policies adopted from those of the last year, other than disclosed in note 2.3 to the financial statements.

## Group Revenue

The revenue of the Group during the year was Rs. 7,851.08 Mn (2024/25 Rs. 7,805.69 Mn). An analysis of the Group's revenue, profits, and asset allocation relating to different segments are given in Note 6 to the Financial Statements.

In comparison to 2024/25, the Group to revenue for the financial year 2025/26 from tea increased by Rs. 81.09 Mn from rubber decreased by Rs.2.8 Mn from Cinnamon increased by Rs. 20.75 Mn and from hydro power decreased by Rs. 29.89 Mn.

Trade between Group Companies is conducted at fair market prices.

## Operational Results and Dividends

The Group profit before taxation amounted to Rs. 1,352.39 Mn (2024/25 - Rs. 1,770.58 Mn) during the period under review. After charging Rs. 426.34 Mn (2024/25 - Rs. 535.74 Mn) for taxation and no group profit attributable to non controlling interest and entire group profit attributable to equity holder of the company from operating activities for the period was Rs. 926.05 Mn (2024/25 – Rs. 1,234.84 Mn).

The first interim dividend of Rs. 1.74 (Rupees one and cents Seventy-Four) per share was paid to the shareholders on 23rd October 2025. The Second interim dividend of Rs. 1.55 (Rupees One and Cents Fifty-Five) per share

# Annual Report of the Board of Directors on the Affairs of the Company

was paid to the shareholders on 26th January 2026 and Third interim dividend of Rs. 4.60 (Rupees Four and Cents Sixty) per share was paid to the shareholders on 27th April 2026.

The Directors have confirmed that the Company satisfies the solvency test requirement under Section 56 of the Companies Act for all dividends paid. Auditors' Solvency Certificates have been obtained as required.

## Group Investment

Total capital expenditure of the Group including investments in field development during the year amounted to Rs. 681.75 Mn (2024/25 - Rs. 633.6 Mn).

During the Year, The Group acuired 100% of the ordinary shares of Hayleys Produce Marketing Limited for Rs. 7.5 Mn.

## Property, Plant and Equipment

Group investment on property, plant and equipment and capital work in progress during the year amounted to Rs. 375.33 Mn (2024/25 - Rs. 362.48 Mn) whilst that of the Company was Rs. 375.33 Mn (2024/25 - Rs. 362.48 Mn). The Company investment on replanting of tea, cinnamon, timber and other crops during the year amounted to Rs. 203.47 Mn. (2024/25 – Rs. 174.87 Mn), Rs. 64.47 Mn (2024/25 - Rs. 53.31 Mn) and Rs. 17.63 Mn (2024/25 - Rs. 22.87 Mn) and Rs. 20. 84 Mn (2024/25 - Rs. 20.06 Mn) respectively.

Information relating to movement in property, plant & equipment and replanting is given in Notes 12, 13 and 14 to the Financial Statements.

## Market Value of Properties

The Group does not possess any freehold land.

## Stated Capital and Reserves

The stated capital of the Company as at 31st March 2026 consists of 47,500,000 Ordinary Shares and one (01) Golden Share amounting to Rs. 350,000,010/-. There was no change in the stated capital during the year ended.

Total Group reserves at 31st March 2026 amount to Rs. 7,265.47 Mn (2024/25 - Rs. 6,752.32 Mn), comprising retained earnings of Rs. 6,794.88 Mn (2024/25 – Rs. 6,253.11 Mn), biological crop reserve of Rs. 20.27 Mn (2024/25 - Rs. 32 Mn) and timber reserves of Rs. 450.32 Mn (2024/25 – Rs. 467.16 Mn). The movement in reserves during the period is shown in the Statement of Changes in Equity in the Financial Statements.

## Provision for Taxation

The profit of the Company is liable for income tax at varying rates. The profit earned on Agro Farming, Agro processing, Interest Income and Other source of income are liable at 30 % and Dividend Income is liable at 15%.

TTEL Hydro Power Company (Private) Limited and TTEL Somerset Hydro Power (Private) Limited liable at 20%, and the Interest income is liable at 30%. Hayleys Produce Marketing Limited is liable at 30%.

The Group has also provided deferred tax on all known temporary differences under the liability method.

Information on the income tax and deferred tax of the Company and the Group is given in Note 10 to the Financial Statements.

## Directors' Interests in Transactions

The Directors of the Company have made the general disclosures provided for in Section 192(2) of the Companies Act. Note 33 to the Financial Statements dealing with related party disclosures includes details of their interests in transactions.

## Directors` Interests In Shares

Directors of the Company who have relevant interests in the shares of the Company have disclosed their shareholding and any acquisitions/disposals to their Boards, in compliance with Section 200 of the Companies Act.

## Interests Register

The Company, in compliance with the Companies Act, maintains an Interests Register. Particulars of entries in the Interests Register are detailed below;

Merril J Fernando & Sons (Private) Limited hold 2,369,400 shares (4.99%) in which Mr. Malik J. Fernando and Mr. Darshana Gunasekera are Directors.

Shareholders of subsidiary Companies have unanimously agreed to dispense with the requirement to maintain an Interest Register.

## Directors' Shareholdings

The shareholdings of the Directors as at 31st March 2026 were as follows;

| Name of the Director | As at 31/03/2026 | As at 31/03/2025 |
|---|---|---|
| Mr. Mohan Pandithage (Chairman) | - | - |
| Dr. Roshan Rajadurai (Managing Director) | 7,000 | 5,000 |
| Mr. Malik Fernando | - | - |
| Mr. Lakshman Athukorala | - | - |
| Mr. Nandana Ekanayake (Senior Independent Director) | - | - |
| Lt. Col. Manuja Kariapperuma | - | - |
| Mr. Malaka Talwatte | 1,200 | 1,200 |
| Ms. Harshani Randiligama | - | - |
| Mr. Darshana Gunasekera | - | - |
| Mr. Milinda Hewagama | - | - |
| Mr. Nishantha Abeysinghe (appointed w.e.f. 01st August 2025) | - | - |
| Mr. Anura Weerakoon (appointed w.e.f. 15th September 2025) | - | - |
| Mr. Senaka Alawattegama (Chief Executive Officer) resigned w.e.f 31st July 2025 | - | - |

No shares are held by the Directors in the subsidiaries of the Company. None of the Directors of their close family members have any material business relationship with other Directors of the Company.

## Directors' Indemnity and Insurance

The ultimate parent of the Company, Hayleys PLC has obtained a Directors' and Officers' Liability insurance from a reputed insurance company in Sri Lanka providing worldwide cover to indemnify all past, present and future Directors and Officers of the Group.

## Payment of Remuneration to Directors

Executive Directors' remuneration is determined within an established framework by the Board's Remuneration Committee to whom this task is entrusted.

The Directors are of the opinion that the framework assures appropriateness of remuneration and fairness for the Company. The total remuneration for Executive Directors for the year ended 31st March 2026 is Rs. 103.77 Mn (31.03.2025 - Rs. 46.1 Mn), which includes the value of perquisites granted as part of terms of service and is formally approved. The total remuneration of Non-Executive Directors for the year ended 31.03.2026 is Rs. 7.35 Mn (2024/25 - Rs. 7.5 Mn) determined according to scales of payment decided upon by the Board previously. The Board is satisfied that the payment of remuneration is fair to the Company.

## Corporate Donations

The donations made during this year by the Company amounted to Rs. 0. 80 Mn (2024/2025 – Rs. 0.92 Mn).

The donations made by the Company and the Group are disclosed in Note 9 on page 313.

No donations were made for political purpose.

## Directorate

The names of the Directors who held office during the financial year are given below and their brief profiles appear on page 42 and 45.

## Executive Directors

- Mr. Mohan Pandithage (Chairman)
- Dr. Roshan Rajadurai (Managing Director)
- Mr. Nishantha Abeysinghe (Chief Executive Officer) (appointed w.e f 01st August 2025)
- Mr. Senaka Alawattegama (Chief Executive Officer) (resigned w.e.f.31st July 2025)

## Non-Executive Directors

- Mr. Malik Fernando
- Mr. Lakshman Athukorala
- Mr. Darshana Gunasekera
- Mr. Milinda Hewagama
- Mr. Anura Weerakoon (appointed w.e.f. 15th September 2025)

## Independent Non-Executive Directors

- Mr. Nandana Ekanayake (Senior Independent Director)
- Mr. Malaka Talwatte
- Lt. Col. Manuja Kariapperuma
- Ms. Harshani Randiligama

With a view to improving the collective effectiveness and performance of the Board, Board and Sub-committee evaluations were carried out during the year, including an assessment of the systems and processes which are in place.

## Resignations, New Appointments and Re-Elections to the Board

Mr. Nishantha Abeysinghe and Mr.Anura Weerakoon was appointed to the Board on 01st August 2025 and on 15th September 2025 respectively . In terms of Article 28(2) of the Articles of Association of the Company, Shareholders will be requested to re-elect them at the Annual General Meeting.

Mr. Senaka Alawattegama resigned with effect from 31st July 2025.

In terms of Article 30 (1) of the Articles of Association of the Company, Mr. Nandana Ekanayake ,Mr. Malaka Talwatte and Ms. Harshani Randiligama retire by rotation and being eligible offer themselves for re-election.

Notice has been given of the intention to propose ordinary resolutions in terms of Section 210 of the Companies Act for the re-appointment of Mr. Mohan Pandithage and Mr. Lakshman Athukorala who are over seventy years of age, resolving that the age limit of seventy years stipulated in Section 210 of the Companies Act shall not apply to the aforesaid directors.

# Annual Report of the Board of Directors on the Affairs of the Company

In accordance with Rule 9.8.5 of the Listing Rules of CSE Independent Directors have submitted a signed and dated declaration as per the specimen given in Appendix 9A of the Continuing Listing Rules of CSE.

The name of Directors of the subsidiaries are given below.

**TTEL Hydro Power Company (Pvt) Ltd**
Mr. A. M. Pandithage
Mr. M. J. Fernando
Dr. W. G. R. Rajadurai
Mr. N. P. Abeysinghe
Ms. V. A. Wijeweera

**TTEL Somerset Hydro Power (Pvt) Ltd**
Mr. A. M. Pandithage
Mr. M. J. Fernando
Dr. W. G. R. Rajadurai
Mr. N. P. Abeysinghe
Ms. V. A. Wijeweera

**Hayleys Produce Marketing Limited**
Mr. A. M. Pandithage
Dr. W. G. R. Rajadurai
Mr. S. C. Ganegoda

## Management Fees

No management fee has been charged by Hayleys Plantation Services (Pvt) Ltd from financial year 2014/15 consequent to a board decision to waive off management fee.

## Corporate Governance

The Company has complied with the revised Corporate Governance rules laid down under the Listing Rules of the Colombo Stock Exchange and the recommendations provided in the Code of Best Practice on Corporate Governance 2023, issued by the Institute of Chartered Accountants of Sri Lanka. The Corporate Governance Report on pages from 234 to 253 discusses this further.

Mr. Nandana Ekanayake was appointed as the Senior Independent Director, in accordance with the Corporate Governance requirements. The Board was of the opinion that Mr. Mohan Pandithage should remain as the Executive Chairman of the Company due to his extensive experience, deep insights and domain knowledge evidenced through the leadership provided to the Company. Please refer the Senior Independent Director's Report on page 254.

The Directors and Managing Director satisfy the Fit and Proper Assessment Criteria stipulated in the Listing Rules of the Colombo Stock Exchange. There were no non-compliances by any Director or Managing Director during the financial year.

The Directors have declared all material interests in contracts involving the Company and the Group and they refrain from voting on matters in which they have a material interest.

The Board has updated themselves with the applicable laws, rules and regulations and are aware of the changes to the Listing Rules of the Colombo Stock Exchange and other regulatory requirements.

## Directors' Meeting

The number of Directors' meetings comprises Board meetings, Sub-Committees meetings and the attendance of Directors at these meetings are given on page 241 Furthermore, the Directors contributed towards policy advocacy and direction by participating in the deliberations of the Board-appointed Subcommittees on strategic review, procurement and disposal of assets.

## Board Subcommittees

The Board, while assuming the overall responsibility and accountability for the affairs in the management of the Company, has appointed an Audit Committee, Remuneration Committee, Nominations and Governance Committee and Related Party Transactions Review Committee with specific terms of reference.

The Committee Reports are given on pages 255 and 262 of this report.

## Related Party Transactions

The related party transactions of the Group during the year have been reviewed by the Related Party Transactions Review Committee and are in compliance with the Section 09 of the CSE Listing Rules. Please refer Related Party Transactions Review Committee Report on page 261.

## Directors' Responsibility For Financial Reporting

The Directors are responsible for the preparation of the Financial Statements of the Company to present a true and fair view of the state of its affairs. The Directors are of the view that these Financial Statements have been prepared in conformity with the requirements of the Sri Lanka Accounting Standards, The Companies Act and the Listing Rules of the Colombo Stock Exchange. The Statement of Directors' Responsibility for Financial Reporting is given on page 269 which forms an integral part of the Annual Report of the Board of Directors.

## Auditors

The Financial Statements for the year have been audited by Messrs. Ernst & Young, Chartered Accountants.

The Auditors Messrs Ernst & Young, Chartered Accountants were paid Rs. 9.27 Mn (31.03.2025 – Rs. 7.26 Mn) as audit fees and audit related work of the Company and Rs. 0.68 Mn (31.03.2025- Rs. 1.42 Mn) as audit fees by the two subsidiaries, TTEL Hydro Power Company (Private) Limited and TTEL Somerset Hydro Power (Private) Limited.

As far as the Directors are aware, the Auditors of the Company and of the Subsidiaries do not have any relationships (other than that of an Auditor) with the Company or any of its Subsidiaries other than those disclosed above. The Auditors also do not have any interests in the Company or any of its Group companies.

Messrs. Ernst & Young, Chartered Accountants have expressed their willingness to continue in office and in accordance with the Companies Act, a resolution proposing the re-appointment of Messrs. Ernst & Young, Chartered Accountants, as Auditors and to authorize the directors to determine their remuneration is being proposed at the Annual General Meeting.

## Share Information

Information relating to Earnings, Dividend, Net Assets per Share, Market Value Per Share and Share Trading is shown in page 348 and 351.

## Shareholders

It is the Company's policy to endeavor to ensure equitable treatment to its shareholders. The Twenty major shareholders' names, comparative number of shares held and the percentage held as at 31st March 2026 and public shareholding percentage and total number of public shareholders are shown on page 350.

## Goldern Shareholder

Rights of the Golden Shareholder as given in the Articles of Association of the Company are as follows;

Definition of the 'Golden share' - a share allotted to the Secretary to the Treasury in his official capacity and not in his own name, for and on behalf of the state of the Democratic Socialist Republic of Sri Lanka, and or by any transferee permitted in terms of the Articles.

Definition of 'Golden shareholder' – The holder of the 'Golden Share'.

- The concurrence of the Golden Shareholder in writing shall be first obtained to amend the definition of the words 'Golden Share' and 'Golden Shareholder' and the Articles 5(1) to 5(17) of the Articles of Association of the Company which deals with the Golden shareholder.
- The Golden Share may be converted into an ordinary share with the concurrence of the Golden Shareholder and the concurrence of a majority of the shareholders.
- The Company shall obtain the written consent of the Golden Shareholder prior to sub-leasing, ceding or assigning its rights in part or all of the lands set out in the Article of Association of the Company.
- The Golden Shareholder shall be entitled to call upon the Board of Directors of the Company once in every three-month period if desired to meet with the Golden Shareholder and or his nominees, and the Directors if so called upon shall meet with the Golden Shareholder and or his nominees to discuss matters of the Company of interest to the State of the Democratic Socialist Republic of Sri Lanka.
- The Golden Share shall only be held by the Secretary to the Treasury in his official capacity and not in his own name, for and on behalf of the State of the Democratic Socialist Republic of Sri Lanka, or by a company in which the State of the Democratic Socialist Republic of Sri Lanka owns ninety-nine (99) per centum or more of the issued share capital.
- The Golden Shareholder and/or his nominee shall be entitled to inspect the books of accounts of the Company after giving two weeks written notice to the Company.
- The Company shall submit to the Golden Shareholder, within sixty (60) days of the end of each quarter, a quarterly report relating to the performance of the Company during the said quarter in a pre-specified format agreed to by the Golden Shareholder and the Company.
- The Company shall submit to the Golden Shareholder, within ninety 90 days of the end of each fiscal year, information relating to the Company in a pre-specified format agreed to by the Golden Shareholder and the Company.
- Golden shareholder has power to appoint not more than 03 persons as his proxies to attend on the same occasion at the General Meetings.

## Events Occurring After the Date of the Statement of Financial Position

No circumstances have arisen since the date of the Statement of Financial Position, which would require adjustments to, or disclosure of other than those disclosed in Note 32 to the Financial Statements on page 337.

## Employees and Industrial Relations

The Company has a structure and a culture that recognizes the aspirations, competencies and commitment of employees. Career growth and advancement within the Company is promoted. Details of the Company's human resource practices and employee and industrial relationships are given in Human Capital Section. The number of persons employed by the Company at financial year end was 4,849 (31.03.2025- 5,247) of which 4,809 (31.03.2025 – 5,205) are engaged in employment outside the District of Colombo.

## Statutory Payments

The Directors, to the best of their knowledge and belief, are satisfied that all statutory payments due in relation to employees and the Government have been made promptly and are up to date.

The declaration relating to statutory payments is made in the Statement of Directors Responsibilities on page 269.

## ESG Risk And Opportunities

The Group's efforts to conserve scarce and non-renewable resources, as well as its environmental objectives and key initiatives, are described in the environment section of the Sustainability Report from page 96 to 109.

The Group's business activities can have direct and indirect effect on the environment. It is the Group's policy to minimize any adverse effects its activities may have on the environment and to promote co-operation and compliance with the relevant authorities and regulations.

## Material Issues Pertaining to Employees And Industrial Relations

Details relating to material issues pertaining to employees and industrial relations are given in Human Capital on page 172.

## Exposure to Risk

The Company has a structured risk management process in place support its operations. The Audit Committee plays a major role in this process. The risk management section referred in pages 218 to 233 elaborates these practices and the risk factors.

# Annual Report of the Board of Directors on the Affairs of the Company

## Policies

The Company has adopted the following policies, effective from 1st October 2024 and has uploaded them to the Company's website;

- Policy on Matters Relating to The Board of Directors
- Policy on Board Committees
- Policy on Corporate Governance
- Policy on Remuneration
- Policy Corporate Disclosure
- Policy on Risk Management and Internal Controls
- Policy on Internal Code of Business Conduct and Ethics
- Policy on Anti-Bribery and Corruption
- Policy on Whistleblowing
- Policy on Control and Management of Company Assets and Shareholder Investments
- Policy on Environment Social and Governance Sustainability
- Policy on Shareholder and Investor Communication

'The Hayleys Way' serves as the Internal Code of Business conduct and Ethics for all Directors, Key Management Personnel and other employees. The 'Hayleys Lifecode' includes a suite of environmental, social and governance related policies which are applicable across the Company.

The Company has adopted own policies including "ReGen Agenda 2030." its ESG Roadmap is in line with the ESG framework of Hayleys PLC.

## Communication with Shareholder

The Group endeavors to ensure equitable treatment of its shareholders. The policy on relations with Shareholders and Investors is available on the Company's website: https://www.talawakelleteas.com. The contact person for communication with Shareholders is also provided on the website and in the Corporate Information page 383 in this Report. The Board has established a process to make directors aware of any major issues and concerns of shareholders, and it is set out in the Governance Report on page 247.

## Environmental Protection

The Group's business activities can have direct and indirect effects on the environment. It is the Group's policy to minimise any adverse effects its activities may have on the environment and to promote co-operation and compliance with the relevant authorities and regulations. The environment section of the Sustainability Report is given from pages 190 to 211.

## Internal Controls

The Directors acknowledge their responsibility for the Company's system of internal control. The system is designed to give assurance, inter alia, regarding the safeguarding of assets, the maintenance of proper accounting records, reliability of financial information generated and cyber security.

All internal controls which include financial controls, operational and compliance controls and risk management have been reviewed by the Board of Directors and they have obtained reasonable assurance of the effectiveness of the existing controls. The successful adherence to existing controls has been ascertained and improvements have been carried out where necessary. The Board is satisfied with the Company's adherence to and the effectiveness of these controls.

## Going Concern

The Directors, after making necessary inquiries and reviews including reviews of the Company's budget for the ensuing year, capital expenditure requirements, future prospects and risks, cash flows and borrowing facilities, have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Therefore, the going concern basis has been adopted in the preparation of the Financial Statements.

## Ratios and Market Price Information

The ratios relating to equity and debt as required by the listing requirement of the Colombo Stock Exchange are given in pages 348 and 355 of this report.

## Shareholding

As at 31st March, 2026, there were 15,128 (31.03.2025 – 14,807) registered shareholders. The percentage of shares held by the public was 20.17% (31.03.2025 – 20.26%) of the issued shares held by 15,121 shareholders (31.03.2025 – 14,801).

The twenty major shareholders as at 31st March 2026 are given on page 350

## Annual General Meeting

The Annual General Meeting will be held on, Monday, 25th June 2026 at 1.00 p.m. at the Chas P. Hayley Lounge of Hayleys PLC, No. 400, Deans Road, Colombo 10. The Notice of the Annual General Meeting appears on page 380.

For and on behalf of the Board,

**Mohan Pandithage**
*Chairman*

**Roshan Rajadurai PhD, D.Sc.**
*Managing Director*

**Hayleys Group Services (Private) Limited**
*Secretaries*

No. 400, Deans Road
Colombo 10
11th May 2026

# Statement of Directors' Responsibility

The Directors are responsible under Sections 150 (1), 151, 152 (1) and 153 of the Companies Act No. 07 of 2007 ('the Companies Act'), to ensure compliance with the requirements set out therein to prepare Financial Statements for each financial year giving a true and fair view of the state of affairs of the Company and the Group as at the end of the financial year and of the profit and loss of the Company and the Group for the financial year.

The Directors are also responsible, under Section 148 of the Companies Act to ensure that proper accounting records are kept to enable determination of the financial position with reasonable accuracy, preparation of Financial Statements and audit of such statements to be carried out readily and properly.

The Board accepts responsibility for the integrity and objectivity of the Financial Statements presented. The Directors confirm that in preparing the Financial Statements, appropriate accounting policies have been selected and applied consistently while reasonable and prudent judgments have been made so that the form and substance of transactions are properly reflected. They also confirm that the Financial Statements have been prepared and presented in accordance with the Sri Lanka Accounting Standards, the Companies Act and the Listing Rules of the Colombo Stock Exchange.

The Directors are of the opinion, based on their knowledge of the Company and the Group key operations and specific inquiries, that adequate resources exist to support the Company and the Group, on a going concern basis over the next year. These Financial Statements have been prepared on that basis.

The Directors have taken proper and sufficient measures to safeguard the assets of the Group and, in that context, have instituted appropriate systems of internal control and accounting records to prevent and detect frauds and other irregularities. These have been reviewed, evaluated and updated on an ongoing basis.

The Directors have confirmed that the Company satisfied the solvency test requirement under Section 56 of the Companies Act for first, second, third interim dividends paid. Solvency certificates were obtained from the Auditors in respect of the Interim dividends paid.

The external Auditors, Messrs. Ernst & Young, Chartered Accountants who were reappointed in terms of Section 158 of the Companies Act were provided with every opportunity to undertake the inspections they considered appropriate to enable them to form their opinion on the Financial Statements. The Report of the Auditors, shown on pages 286 to 289 sets out their responsibilities in relation to the Financial Statements.

## Compliance Report

The Directors confirm that to the best of their knowledge, all statutory payments relating to employees and the Government that were due in respect of the Company and the Group, and its subsidiaries as at the Balance Sheet date have been paid or provided where relevant.

By Order of the Board,

**Hayleys Group Services (Private) Limited**
*Secretaries*
11th May 2026

# Managing Director's, Chief Executive Officer's and Director- Finance's Responsibility Statement

GRI 2-14

The Financial Statements of Talawakelle Tea Estates PLC and the Consolidated Financial Statements of the Group as at 31st March, 2026 are prepared and presented in compliance with the requirements of the following:

- Sri Lanka Accounting Standards issued by CA of Sri Lanka;
- Companies Act No 07 of 2007;
- Sri Lanka Accounting and Auditing Standards Act No 15 of 1995;
- Listing rules of the Colombo Stock Exchange;
- Code of Best Practice on Corporate Governance-2023 issued by CA Sri Lanka.

We confirm that the Material accounting policies used in the preparation of the Financial Statements are appropriate and are consistently applied, as described in the Notes to the Financial Statements. The material accounting policies and estimates that involved a high degree of judgment and complexity were discussed with the Audit Committee and our External Auditors. During the year, company opted for the voluntary Third year adaptation of SLFRS S1 and S2 Sustainability Disclosure Standards and obtained Independent limited assurance on SLFRS Sustainability Disclosure Standards S1 and S2 from Messers Ernst & Young. The Audit Committee of the company has reviewed and approved the disclosures to ensure they provide a fair and balanced representation of sustainability -related financial information.

We have also taken proper and sufficient care in installing systems of internal control and accounting records to safeguard assets and to prevent and detect frauds as well as other irregularities. These have been reviewed, evaluated and updated on an ongoing basis. Reasonable assurances that the established policies and procedures of the Company have been consistently followed were provided by periodic audits conducted by Group's internal auditors. However, there are inherent limitations that should be recognized in weighing the assurances provided by any system of internal controls and accounting.

The Audit Committee of the Company meets periodically with the Internal Auditors and the Independent Auditors to review the effectiveness of the audits and to discuss auditing, internal control and financial reporting issues. The Independent Auditors and the Internal Auditors have full and free access to the Audit Committee to discuss any matter of substance.

The Financial Statements were audited by independent external auditors, Messers Ernst & Young, Chartered Accountants. Their report is given on pages 286 to 289 of the Annual Report.

The Audit Committee approves the audit and non-audit services provided by the External Auditor, in order to ensure that the provision of such services do not impair their independence.

We confirm that,

- the Company and its subsidiaries have complied with all applicable laws, regulations and prudential requirements;
- there are no material non-compliances; and
- there are no material litigations that are pending against the Group other than those disclosed in the Note 31 to the Financial Statements in this Annual Report.

**Roshan Rajadurai PhD,DSc.**
*Managing Director*

**Nishantha Abeysinghe**
*Chief Executive Officer*

**Vindya Perera**
*Director Finance*

11th May, 2026

# Directors' Statement on Internal Controls

The following statement fulfils the requirement to publish the Directors' Statement on internal control as per the Code of Best Practice on Corporate Governance 2023 issued by CA Sri Lanka.

The Board of Directors is responsible for maintaining a sound system of internal controls to safeguard shareholders' investments and the Company's assets. The Board has established an ongoing process for identifying, evaluating and managing the significant risks faced by the Company and Group. This process includes enhancing the system of internal controls as and when there are changes to business environment or regulatory guidelines. The process is regularly reviewed by the Board.

The Board is of the view that the system of internal controls in place is sound and adequate to provide reasonable assurance regarding the reliability of financial reporting, and the preparation of financial statements for external purposes and is in accordance with relevant accounting principles and regulatory requirements.

The Board has implemented the following to obtain reasonable assurance that proper systems of internal controls are in place:

- Instituted various committees to assist the Board in ensuring the effectiveness of Company's operations and the operations are in accordance with the corporate strategies, objectives and annual budget.
- The Management Audit and System Review Division (MA & SRD) to review and report on the internal control environment and control procedures in the Company and Group. Audits are carried out on all subsidiaries in accordance with the annual audit plan approved by the Audit Committee. Findings are submitted to the Audit Committee for review at their periodic meetings.
- The Audit Committee reviews internal control issues identified by MA & SRD and management, and evaluates the adequacy and effectiveness of the risk management and internal control systems. They also review the internal audit functions with particular emphasis on the scope of audits and quality of internal audits. The minutes of the Audit Committee meetings are tabled at the Board meetings of Talawakelle Tea estates PLC.
- The adoption of Sri Lanka Accounting Standards comprising LKAS and SLFRS, processes that are required to comply with new requirements of recognition, measurement, presentation and disclosures were introduced and implemented. The required processes have been established to ensure compliance with the SLFRS S1 and S2 Sustainability Standards. The necessary monitoring is being carried out to support effective implementation and reporting in line with these standard.
- The comments made by External Auditors in connection with the internal control system during the financial year were taken into consideration and appropriate steps have been taken to incorporate them where appropriate.

## Conclusion

The Board having implemented the above is aware that such systems are designed to manage rather than eliminate the risk of failure to achieve business objective and can only provide reasonable and not absolute assurance against material misstatements of loss.

The Board of Directors confirm that the financial reporting system has been designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of Financial Statements for external purposes has been done in accordance with the Sri Lanka Accounting Standards, requirements of the company's Act No 7 of 2007 and the Listing Rules of the Colombo Stock Exchange.

By order of Board,

**Mohan Pandithage**
*Chairman*

**Roshan Rajadurai PhD,DSc.**
*Managing Director*

**Nandana Ekanayake**
*Chairman, Audit Committee*

11th May,2026

# Independent Assurance Report

Ernst & Young
Chartered Accountants
Rotunda Towers
No. 109, Galle Road
P.O. Box 101
Colombo 03, Sri Lanka

Tel: +94 11 246 3500
Fax: +94 11 768 7869
Email: eysl@lk.ey.com
ey.com

**IIndependent practitioner's assurance report to the Board of Directors of Talawakelle Tea Estates PLC on the Sustainability reporting criteria presented in the Integrated Annual Report FY 2025/26**

## Scope

We have been engaged by Talawakelle Tea Estates PLC to perform a 'limited assurance engagement,' as defined by Sri Lanka Standard on Assurance Engagements, here after referred to as the engagement, to report on Talawakelle Tea Estates PLC's Economic, Environment, Social and Governance (EESG) indicators (the "Subject Matter") contained in Talawakelle Tea Estates PLC's (the "Entity's") Integrated Annual Report for the year ended 31 March 2026 (the "Report").

Other than as described in the preceding paragraph, which sets out the scope of our engagement, we did not perform assurance procedures on the remaining information included in the Report, and accordingly, we do not express a conclusion on this information.

## Criteria applied by Talawakelle Tea Estates PLC

In preparing the Subject Matter, Talawakelle Tea Estates PLC applied the following criteria ("Criteria"):

- The Global Reporting Initiative's (GRI) Sustainability Reporting Guidelines, publicly available at https://www.globalreporting.org
  (GRI 13: Agriculture, Aquaculture and Fishing Sectors 2022)

Such Criteria were specifically designed for the purpose of assisting you in determining whether Entity's Economic, Environment, Social and Governance (EESG) indicators contained in the Entity's Report is presented in accordance with the relevant criteria; As a result, the subject matter information may not be suitable for another purpose.

## Talawakelle Tea Estates PLC's responsibilities

Talawakelle Tea Estates PLC management is responsible for selecting the Criteria, and for presenting the Subject Matter in accordance with that Criteria, in all material respects. This responsibility includes establishing and maintaining internal controls, maintaining adequate records and making estimates that are relevant to the preparation of the subject matter, such that it is free from material misstatement, whether due to fraud or error.

## Ernst & Young's responsibilities

Our responsibility is to express a conclusion on the presentation of the Subject Matter based on the evidence we have obtained.

We conducted our engagement in accordance with the Sri Lanka Standard for Assurance Engagements Other Than Audits or Reviews of Historical Financial Information (SLSAE 3000 (Revised), and the terms of reference for this engagement as agreed with the Talawakelle Tea Estates PLC on 05 May 2026. Those standards require that we plan and perform our engagement to express a conclusion on whether we are aware of any material modifications that need to be made to the Subject Matter in order for it to be in accordance with the Criteria, and to issue a report. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risk of material misstatement, whether due to fraud or error.

We believe that the evidence obtained is sufficient and appropriate to provide a basis for our limited assurance conclusions.

## Our independence and quality management

We have maintained our independence and confirm that we have met the requirements of the Code of Ethics for Professional Accountants issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and have the required competencies and experience to conduct this assurance engagement.

EY also applies quality management standards, which requires that we design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

## Description of procedures performed

Procedures performed in a limited assurance engagement vary in nature and timing from and are less in extent than for a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Our procedures

Partners: [illegible]

Principals: [illegible]

[illegible]

# Independent Assurance Report

were designed to obtain a limited level of assurance on which to base our conclusion and do not provide all the evidence that would be required to provide a reasonable level of assurance.

Although we considered the effectiveness of management's internal controls when determining the nature and extent of our procedures, our assurance engagement was not designed to provide assurance on internal controls. Our procedures did not include testing controls or performing procedures relating to checking aggregation or calculation of data within IT systems.

A limited assurance engagement consists of making enquiries, primarily of persons responsible for preparing the subject matter and related information and applying analytical and other appropriate procedures.

Our procedures included:

- Validated the information presented and checked the calculations performed by the organization through recalculation.
- Performed a comparison of the content given in the Report against the criteria given in the selected sustainability standards/frameworks.
- Conducted interviews with relevant organization's personnel to understand the process for collection, analysis, aggregation and presentation of data. Interviews included selected key management personnel and relevant staff.
- Read the content presented in the Report for consistency with our overall knowledge obtained during the course of our assurance engagement and requested changes wherever required.
- Provided guidance, recommendations and feedback on the improvement of the sustainability reporting indicators to improve the presentation standard.

We also performed such other procedures as we considered necessary in the circumstances.

## Emphasis of matter

Economic, Environment, Social management data/information are subject to inherent limitations given their nature and the methods used for determining, calculating and estimating such data. Such inherent limitations are common in Sri Lanka.

We also do not provide any assurance on the assumptions and achievability of prospective information presented in the Entity's Report.

## Conclusion

Based on our procedures and the evidence obtained, we are not aware of any material modifications that should be made to the information on the Economic, Environment, Social and Governance (EESG) contained in the Integrated Annual Report of Talawakelle Tea Estates PLC for the year ended 31 March 2026, in order for it to be in accordance with the Criteria.

02nd June, 2026
Colombo

# Consolidated ESG Statement

| | Note | 2025/26 | 2024/25 | 2023/24 | 2022/23 | 2021/22 |
|---|---|---|---|---|---|---|
| **Environmental Performance** | | | | | | |
| **Resources** | | | | | | |
| Energy consumption (GJ) | 2.1 | 230,916 | 218,476 | 214,663 | 201,664 | 208,303 |
| Renewable energy generation (GJ) | 2.2 | 28,336 | 30,848 | 26,937 | 30,767 | 29,296 |
| Water consumption (m^3) | 2.3 | 487 | 555 | 521 | 1,742 | 2,492 |
| Portion of renewable materials use of material mix (%) | 2.4 | 82% | 79.40% | 83% | 88% | 89% |
| **Waste** | | | | | | |
| Total solid non-hazardous waste generated (Tonnes) | 2.5 | 700 | 225 | 145 | 135 | 239 |
| Total solid hazardous waste generated (Tonnes) | 2.5 | 0.125 | 0.167 | 1 | 1 | 1 |
| **Emission** | | | | | | |
| Scope 1 (Direct) tCO2e | 2.6 | 8,474 | 9,336 | 9,263 | 8,999 | 2388 |
| Scope 2 (Indirect) tCO2e | 2.6 | 1,653 | 1,703 | 1,961 | 2,205 | 2606 |
| Scope 3 (Indirect) tCO2e | 2.6 | 14,822 | 15,254 | 13,970 | 18,578 | 289 |
| **Investment in environment and biodiversity conservation** | | | | | | |
| Biodiversity conservation and protection (Rs. 000) | 2.7 | 440 | 1,507 | 1,491 | 1,982 | 983 |
| Environment friendly Agriculture practices (Rs. 000) | 2.7 | 50,132 | 56,782 | 45,317 | 47,576 | 49,348 |
| **Environmental compliance** | | | | | | |
| Breaches of environmental regulatory | 2.8 | 0 | 0 | 0 | 0 | 0 |
| **Social performance** | | | | | | |
| **Employees** | | | | | | |
| Total employees | 3.1 | 4,849 | 5,247 | 4,284 | 4,825 | 5279 |
| Employee turnover (%) | 3.2 | 7.59% | 3.40% | 11.2% | 8.6% | 8.6 |
| Employee Trust Index (%) | 3.3 | 98% | 99% | 99% | 97% | 96% |
| Frequency of occupational accidents (number per million working hours) | 3.4 | 7 | 6.1 | 9.98 | 8.58 | 6.05 |
| Average training hours per employee | 3.5 | 2.17 | 1.91 | 2.3 | 2.5 | 2.05 |
| Training Investment (Rs. Mn) | 3.6 | 15.6 | 11 | 14.4 | 13.78 | 1.46 |
| Gender in leadership positions (ratio men: women) | 3.7 | 54.7 | 55.8 | 55:8 | 31:6 | 25:1 |
| Gender in the Board of Directors (ratio men: women) | 3.7 | 11:01 | 10:01 | 10:1 | 9:1 | 9:1 |
| **Community** | | | | | | |
| Investment on living environment (Rs. Mn) | 3.8 | 37 | 36.9 | 8.2 | 5.7 | 65.5 |
| Investment on capacity building (Rs. Mn) | 3.8 | 23.2 | 21.2 | 24.5 | 20.1 | 33.8 |
| Investment Youth Empowerment (Rs. Mn) | 3.8 | 7.7 | 1.2 | 0.7 | 1.0 | 1 |
| Investment on Health and Nutrition (Rs. Mn) | 3.8 | 52.9 | 59.7 | 70.2 | 138.6 | 7.2 |
| **Value chain** | | | | | | |
| Customer satisfaction rate (%) | 3.9 | 92 | 92 | 86% | 86% | 86% |
| Customer rejections and complaints | 3.9 | 1 | 0 | 5 | 6 | 14 |
| Supplier assessment on ESG performance and compliance | 3.10 | 100.00 | 80 | 84% | 82% | 0 |
| **Social compliance** | | | | | | |
| Breaches of laws and regulation | 3.11 | 0 | 0 | 0 | 0 | 0 |
| **Governance performance** | | | | | | |
| **Board Quality** | | | | | | |
| Board position (ratio Indipendat:Non independent) | 4.1 | 1:02 | 4:07 | 1:1 | 1:1 | 1:1 |
| **Code of conduct** | | | | | | |
| Employees trained on code of conduct (Head Hours) | 4.2 | 1,317 | 1,139 | 1,134 | 1,023 | 377 |
| Number of whistle-blower cases reported and solved | 4.3 | 0 | 0 | 0 | 0 | 0 |
| **Management Systems** | | | | | | |
| Number of management system standardize and certified | 4.4 | 7 out of 7 | 7 out of 7 | 7 out of 7 | 7 out of 7 | 7 out of 7 |
| Major Nonconformities on system failure | 4.5 | 0 | 0 | 0 | 0 | 0 |
| Number of ESEG meeting conducted | 4.6 | 5 | 4 | 3 | 1 | 0 |

# Notes to the Consolidated ESG Statement

## Section 01 – Basis of Preparation

### General Reporting Standards and Principles

*Page 14, ESG Report – 2025/26 of Talawakelle Tea Estates PLC, www.talawakelleteas.com*

The Consolidated ESG Statement of Talawakelle Tea Estates PLC presents the key environmental, social and governance indicators that are material to the Company's operations, stakeholders and long-term value creation. The statement is intended to provide a concise, evidence-based explanation of ESG performance, the basis of measurement, and the controls used to support reliability of reported information. The statement is prepared with reference to the Company's sustainability strategy, stakeholder engagement outcomes, double materiality assessment, enterprise risk management process and applicable national and international reporting frameworks.

| Reporting Area | Frameworks / Standards Applied |
|---|---|
| Narrative Reporting | International Integrated Reporting Framework <IR> – 2021Guidelines for Presentation of Annual Reports by CA Sri Lanka – 2025 |
| Sustainability Reporting | GRI Sustainability Reporting Standards GRI 13: Agriculture, Aquaculture and Fishing Sector Standard – 2022IFRS Sustainability Accounting Standards Board SASB: Agriculture Products Non-Financial Reporting Guideline – CA Sri Lanka – 2025Colombo Stock Exchange: Communicating Sustainability – Version 02 |
| Greenhouse Gas GHG Emission Reporting | ISO 14064-1:2018 – Quantification and Reporting of GHG Emissions GHG Protocol WRI/WBCSD – Corporate Standard FLAG Emissions Disclosure under GHG Protocol Land Sector Guidance – 2023 |
| Sustainability and Climate-related Financial Disclosures | SLFRS S1 – General Requirements for Disclosure of Sustainability-related Financial Information SLFRS S2 – Climate-related Disclosures IFRS S2 – Industry-based Guidance: Agriculture |
| Nature Related Financial Disclosures - TNFD | Taskforce on Nature-related Financial Disclosures (TNFD) Recommendations v1.0 and LEAP Approach Guidance – 2023, Additional sector guidance – Food and agriculture v1.0 2024 Guidance on Biomes v1.0 2023 |
| Governance | Code of Best Practices on Corporate Governance – CA Sri Lanka – 2023 |

### Reporting Principles

Reporting principles are aligned with GRI, SLFRS S1 and S2, and SASB, ensuring quality, comparability, and relevance of data.

**Inclusivity:** Stakeholder engagement spans internal and external actors including customers, suppliers, estate communities, and business partners. This year's report deepens stakeholder integration through the use of grievance logs, feedback analytics, and engagement outcomes.

**Materiality:** The report reflects issues of strategic importance identified through double materiality assessments. Climate transition, biodiversity, and labour dynamics were among the top material topics validated for 2025/26. Issues are linked to specific strategies, targets, and performance metrics.

**Responsiveness:** The report demonstrates how the company responded to evolving expectations e.g., SBTi re-verification, GHG Scope 3 expansion, and scenario analysis for climate resilience aligned with SLFRS S2.

**Impact:** The report conveys positive and negative impacts across capitals natural, human, social, and intellectual. This year introduces FLAG-related land sector impacts and enhanced biodiversity investment tracking.

**Consolidation:** ESG data covers field and factory operations, corporate and regional offices, and all support divisions. Hydropower operations under TTEL subsidiaries are also included.

Accuracy, Completeness, Verifiability: Data has undergone internal verification through the Hayleys Cube sustainability data platform and external limited assurance for key disclosures, reinforcing transparency and credibility. Comparability: A consistent methodology has been used across periods, unless otherwise noted. Historical baselines are retained where material. Any changes in calculation methodology are transparently disclosed within each section

## Section 02 – Environmental Performance

### 2.1 Energy Consumption

*Page 197*

| | 2025/26 | % Share | 2024/25 | % Share | % Change |
|---|---|---|---|---|---|
| **Within the organization (Gj)** | | | | | |
| Renewable Energy | 203,788.22 | 88.25% | 191,411.00 | 87.6% | + 0.65% |
| Non Renewable | 24,531 | 11.75% | 24,254.76 | 12.4% | - 0.65 % |
| **Outside the organization (Gj)** | | | | | |
| Fuel usage for Transport | 2,596.37 | 1.1% | 2,810.42 | 1.3% | -7.6% |
| Total energy consumed | 230,916.59 | | 218,476.42 | | + 5.7% |

Total energy consumption in FY 2025/26 stood at 230,916.59 GJ, reflecting a 5.7% change compared to FY 2025/26. The energy profile includes both direct (98.9%) and indirect (1.1%) energy use, with a continued shift toward more sustainable sources.

**Basis of Measurement**

Covers all operational energy inputs electricity, thermal energy from renewable sources (firewood and briquettes, solar & hydro with non-renewable fossil fuels (diesel and gasoline). Solar Data is sourced from utility bills, meter readings, and fuel usage logs across all estates and processing units. Energy sources are converted into gigajoules using accepted conversion factors. The scope includes energy used for field operations, manufacturing, transport, offices and other operational activities.

## 2.2 Renewable Energy

*Page 198*

In FY 2025/26, renewable energy generation reached 28,336 GJ, marking a 8.1% decrease from FY 2025/26. Renewable sources include three mini-hydropower plants and five rooftop solar installations, contributing significantly to decarbonisation under the company's FLAG targets.

| Unit | Type | Capacity (kW or kWp) | Generation Kwh | Generation |
|---|---|---|---|---|
| Radella | Mini Hydro | 200 | 826,812 | 110% |
| Somerset | Mini Hydro | 1,100 | 3,622,254 | 95% |
| Palmerston | Mini Hydro | 800 | 2,542,244 | 87% |
| Bearwell | Solar | 108.24 | 114,857 | 87% |
| Moragalla | Solar | 149.08 | 137,016 | 75% |
| Dessford | Solar | 113.95 | 129,354 | 93% |
| Deniyaya | Solar | 118.19 | 132,738 | 92% |
| Calsay | Solar | 109.68 | 79,216 | 59% |
| Kiruwanaganga | Solar | 220 | 272,585 | 101% |
| **Total** | | 2,100 (Hydro) + 819.14 (Solar) | - | - |

**Basis of Measurement**

Solar generation data is captured through system-integrated meters and inverter records. Hydropower generation data is recorded through plant-level generation records maintained by TTEL Hydropower Company (Pvt) Ltd and TTEL Somerset Hydropower Company (Pvt) Ltd. Renewable energy is reported in kWh and converted to GJ for ESG reporting.

## 2.3 Water Consumption

*Page 200*

| Surface Water Consumption for Factory Operation | Total (L) | Total (m3) | Variance |
|---|---|---|---|
| 2025/2026 | 555,000 L | 555 | 0.5% |
| 2024/2025 | 552,000 L | 552 | |

Total water consumption for FY 2025/26 stood at 555 $m^3$, reflecting a 0.5% increase compared to the previous year. Water is mainly used for factory cleaning, sanitation, welfare facilities and selected operational requirements. Rainwater and natural estate-level water sources continue to support field-level ecosystem functions.

**Basis of Measurement**

Water data is sourced from utility bills, meter logs, and estimates (where meters are absent). Rainwater usage is tracked through irrigation logs at estate level.

## 2.4 Renewable Materials

*Page 203*

| Material Input | 2025/26 (t) | % Share | 2024/25 (t) | % Share |
|---|---|---|---|---|
| Green Leaf (raw material) | 19,948 | 82.11% | 20,213 | 79.06% |
| Packing material | 83 | 0.34% | 83 | 0.32% |
| **Total Renewable** | 20,031 | 82.46% | 20,296 | 79.39% |

# Notes to the Consolidated ESG Statement

Renewable materials including green leaf and eco-packaging, accounted for 82.46% of the total material use in FY 2025/26. Non-renewable materials such as agrochemicals and dolomite made up the remaining 17.54%.

**Basis of Measurement**

Material usage data is compiled from estate-level procurement and application records. The renewable ratio is calculated based on total tonnage consumed across all estates.

## 2.5 Waste

Page 203

| Waste Stream | Category | Disposal Method | 2025/26 (kg) | 2024/25 (kg) |
|---|---|---|---|---|
| **Waste Diverted From Disposal** | | | | |
| Biodegradable mix waste | Non-Hazardous | Composting (on-site) | 700367 | 222,200 |
| Glass | Non-Hazardous | Recycling (off-site) | 8 | 206 |
| Plastic | Non-Hazardous | Recycling (off-site) | 85 | 111 |
| Polythene | Non-Hazardous | Recycling (off-site) | 215 | 111 |
| Metal / Iron | Non-Hazardous | Recycling (off-site) | 7.5 | 128 |
| Paper | Non-Hazardous | Recycling (off-site) | 158 | 459 |
| **Total Recycling** | Non-Hazardous | Off-site recyclers | 473.5 | 1015 |
| E-waste | Hazardous | On-site storage → CEA-authorized disposal | 123 | 91 |
| Used bulbs | Hazardous | On-site storage → CEA-authorized disposal | 2 | 76 |
| **Total On-site Hazardous Storage** | Hazardous | CEA-authorized company (off-site disposal) | 125 | 167 |
| **Waste Directed To Disposal** | | | | |
| Non-hazardous mix waste | Non-Hazardous | Authorized Landfill | 0 | 222,200 |
| **Total Waste Generated** | | | 700965 | 223,382 |

The Company maintained structured waste management across operations, with non-hazardous waste making up 99.98% and hazardous waste constituting 0.02% of total waste generated. Efforts to reprocess refuse tea and reduce landfill waste continued.

**Basis of Measurement**

Waste data is collected through estate and factory waste registers, disposal records, handover notes, vendor documentation and hazardous waste disposal evidence. Waste is classified into hazardous and non-hazardous categories based on regulatory and operational definitions.

## 2.6 Emission

Page 194

Total GHG emissions for FY 2025/26 stood at 24,948 $tCO_2e$, decrease of 5.1% over FY 2025/26. This includes,

- Scope 1 (Direct): 8,474 $tCO_2e$
- Scope 2 (Indirect – energy): 1,652 $tCO_2e$
- Scope 3 (Indirect – other): 14,822 $tCO_2e$

**FLAG** emissions were also disclosed for the first time in line with updated GHG Protocol Land Sector Guidance, enhancing alignment with SBTi targets.

**Emission Factor Sources**

- Energy: IPCC AR5, 2006
- GWP: IPCC 6th Assessment Report (2020)

**Scope 3 Categories Included**

| # | Category | Method |
|---|---|---|
| 1 | Purchased goods and services | Screening + Quantification |
| 2 | Capital goods | Screening only |
| 3 | Fuel- and energy-related activities | Screening + Quantification |
| 4 | Upstream transport and distribution | Screening + Quantification |
| 5 | Waste in operations | Screening + Quantification |
| 6 | Business travel | Calculation |
| 7 | Employee commuting | Screening + Quantification |
| 8 | Upstream leased assets | N/A |
| 9 | Downstream transport and distribution | Screening + Quantification |
| 10 | Processing of sold products | N/A |
| 11 | Use of sold products | Quantification |
| 12 | End-of-life treatment of sold products | Screening |
| 13 | Downstream leased assets) | Screening |
| 14 | Franchises | N/A |
| 15 | Investments | N/A |

**Basis of Measurement**

Emissions were calculated using ISO 14064-1:2018, the GHG Protocol, and IPCC AR5 emission factors. Scope 3 emissions are calculated using activity-based data where available. Where direct data is unavailable, spend-based, distance-based or screening-level estimation methods are applied. The Company continues to improve primary data collection through supplier engagement and internal process improvements.

## 2.7 Environment and Biodiversity Conservation

*Pages 208-211*

In FY 2025/26, the Company invested Rs. 3,790,132, a 16% decrease  from FY 2025/26, toward biodiversity protection, ecosystem restoration, and regenerative agriculture. Projects aligned with TNFD-aligned scenario analysis and TTE's nature-positive pathway.

| Investment/ Cost LKR | 2025/2026 | 2024/2025 |
|---|---|---|
| Biodiversity Protection | 440,000 | 1,507,000 |
| Ecosystem Friendly activities | 50,132 | 56,732 |
| Regenerative Agriculture | 3300,000 | 3000,000 |
| **Total** | 3,790,132 | 4,563,732 |

**Basis of Measurement**

Estate and central finance teams report conservation expenditures. Verified through financial records and linked to specific project outcomes (e.g., restoration acreage, corridor connectivity).

## 2.8 Environmental compliance

*Page 235*

No breaches of environmental laws and regulations were reported in FY 2025/26. Independent audits and regulatory inspections confirmed full compliance across operational locations.

**Basis of Measurement**

Reported incidents are verified against records from the Central Environmental Authority (CEA) and other local bodies. Internal audits supplement formal inspection outcomes.

**Section 03 – Social Performance**

## 3.1 Employees

*Page 174*

As at 31 March 2026, the total employee strength stood at 4849, reflecting a 398 decrease compared to 2024/25. Workforce stability remained a priority amidst sector-wide labour pressures.

**Reporting Methodology**

Headcount includes all full-time employees and excludes contract labour, outsourced personnel, and interns. Verified against HRIS and payroll data.

## 3.2 Employee Turnover

*Page 181*

| | 2025/26 | 2024/25 |
|---|---|---|
| Employee Turnover | 7.6 | 3.4 |

Employee turnover rate for FY 2025/26 stood at 7.6%, versus 3.4% in 2024/25. Retention efforts focused on housing, welfare improvements, and leadership pipeline development.

**Basis of Measurement**

Turnover rate = (Last Year Headcount - This year headcount)÷ Last Year Head count × 100. Temporary employees excluded.

## 3.3 Employee Trust Index

*Page 180*

| | 2025/26 | 2024/25 |
|---|---|---|
| Employee Trust Index | 98 | 99 |

The Great Place to Work® survey conducted independently during the year reported a Trust Index of 98%, reaffirming TTE's standing among Sri Lanka's most employee-trusted workplaces.

**Basis of Measurement**

Survey conducted across job categories, capturing anonymized feedback. GPTW Global Model used to benchmark results against international standards.

## 3.4 Occupational Accidents

*Page 188*

| Days/ Absenteeism | 2025/26 | 2024/25 |
|---|---|---|
| Injuries | 78 | 56 |
| Occupational Diseases | 0 | 0 |
| Lost Working days | 79 | 62 |
| Fatalities | 0 | 0 |

In FY 2025/26, there were 78 minor Occupational Injuries, resulting in 79 lost workdays reflecting a 39% change from the previous year in Injuries. A zero-fatality target was maintained.

**Basis of Measurement**

Reported using the Lost Time Injury Frequency Rate (LTIFR) per million hours worked. Includes estate operations but excludes contractors and interns.

# Notes to the Consolidated ESG Statement

## 3.5 Training Hours

Pages 185 and 186

| Category | Head Count | | | P/Hours | | |
|---|---|---|---|---|---|---|
| | Male | Female | Total | Male | Female | Total |
| Managerial | 1,049 | 64 | 1113 | 4,056 | 460 | 4,516.00 |
| Executive and Junior Executive | 38 | 60 | 98 | 220 | 242 | 462.00 |
| All Other | 2,741 | 9,660 | 12,401 | 7,153.50 | 17,365.00 | 24,518.50 |
| All | 3828 | 9784 | 12612 | 11,429.50 | 18067 | 29,496.50 |

Average training hours per employee increased to 2.16 hours in 2025/26, representing a 13% growth over the previous year, driven by new digital tools, ESG awareness, and productivity upskilling.

**Basis of Measurement**

Training logs were compiled from HR records and verified against training plans. Average is computed as: total training hours ÷ headcount.

## 3.6 Training Investment

Page 186

| | 2025/26 | 2024/25 |
|---|---|---|
| Training Investment | 15.66 Mn | 11.04 Mn |

Training investment rose by 36% to Rs. 15.66 million in 2025/26, with emphasis on ESG compliance, regenerative agriculture, and managerial development.

**Basis of Methodology**

Capex and Opex allocated to training were extracted from estate accounts and consolidated into corporate-level reporting. Third-party invoices included for audit trail.

## 3.7 Gender Diversity

Page 174

| | Male | Female |
|---|---|---|
| 2025/26 | 2346 | 2503 |
| 2024/25 | 2438 | 2809 |

In 2025/26, the gender ratio in leadership stood at 2346:2503 (M: F), and at board level at 10:1, reflecting ongoing gaps. The company reaffirmed its commitment to the 2030 Gender Equality Agenda through targeted leadership mentoring for women.

| Category | Male | Female | Total |
|---|---|---|---|
| Am & Above | 54 | 7 | 61 |
| Executives | 18 | 11 | 29 |
| Clerical & Supervisory | 251 | 118 | 369 |
| Manual Grade | 2023 | 2367 | 4390 |
| | 2346 | 2503 | 4849 |

**Basis of Measurement**

Based on year-end employee list for those in leadership roles (Assistant Manager and above). Board gender ratio computed from director register.

## 3.8 Community Development

Pages 167-171

| | 2025/26 (Rs. Mn) | 2024/25 (Rs. Mn) |
|---|---|---|
| Living environment | 37.02 | 36.94 |
| Community Capacity Building | 23.15 | 21.19 |
| Youth Empowerment | 7.71 | 1.15 |
| Health & Nutrition | 52.90 | 59.71 |
| **Total** | 120.79 | 119 |

Community development investment reached Rs. 120.79 million in 2025/26 (1.5% increase vs 2024/25), under the "Home for Every Plantation Worker" program.

**Basis of Measurement**

Investment records compiled from estate-level community development plans. Contributions from government/NGOs accounted separately. Verified against audited accounts.

## 3.9 Customer Satisfaction

Page 162

Customer satisfaction reached 92% in 2025/26, reflecting proactive engagement and low complaint ratios. Product complaints/rejections remained to 1 case (vs 11 in 2024/25), driven by process automation and compliance to MRLs.

**Basis of Measurement**

Customer feedback collected bi-annually via digital platforms in line with ISO 9001:2015. Complaints and rejections were tracked through a central quality control registry.

### 3.10 Supplier Assessment

*Pages 164-165*

72 supplier assessments were conducted in FY 2025/26, covering 100% of the supplier base. ESG-aligned assessment criteria were fully operationalized, with emphasis on.

- Human rights and wage compliance
- Environmental footprint of inputs
- Responsiveness to climate-related risks

**Basis of Measurement**

Assessments conducted jointly by Head Office and estate teams. Templates aligned to Hayleys Supplier Code and ESG KPIs. Evidence is documented and reviewed annually.

### 3.11 Laws and Regulations

*Page 235*

No breaches of labour or social-related laws were recorded in FY 2025/26. All estates maintained compliance with wage board decisions, union agreements, and national employment regulations.

**Basis of Measurement**

Compliance tracked via internal audits, regulatory notifications, and statutory inspection reports. External legal counsel is consulted for incident classification when required.

## Section 04 – Governance Performance

### 4.1 Board Quality

*Page 237*

The Board structure as at 31 March 2026 maintained a balanced 1:2 ratio of Independent to Non-Independent Directors, consistent with previous years. Diversity of expertise across finance, sustainability, and operational domains strengthened oversight over ESG matters, including SLFRS S1/S2 compliance.

**Reporting Methodology**

Board profiles and independence classifications are reviewed against regulatory guidelines and company records. Attendance, committee participation, and ESG oversight responsibilities are also considered.

### 4.2 Training on Code of Conduct

*Page 251*

In FY 2025/26, a total of 1,317training hours were conducted across all divisions to internalize the updated Code of Business Conduct and Ethics, including additions relating to climate governance, biodiversity responsibility, and supplier due diligence.

**Basis of Measurement**

Training hours tracked through attendance logs and HR reports. The rollout schedule is aligned with the governance calendar and risk review cycles.

### 4.3 Whistle-blower Cases

*Page 251*

No whistle-blower cases were recorded in FY 2025/26. Continuous awareness campaigns and assurance of confidentiality under the Group's Whistle-blower Policy contributed to an open reporting culture.

**Basis of Measurement**

Cases (if any) are logged confidentially through a third-party platform and reviewed by the Group's Internal Audit Division. Documentation is secured in a central compliance register.

### 4.4 Management Systems

*Page 50*

All 07 core management systems remained certified under internationally accredited bodies. Certifications included ISO 14001, ISO 45001, Rainforest Alliance, and ISO 9001, supporting the company's integrated ESG assurance framework.

**Basis of Measurement**

Total certified systems reported against the total number of implemented systems across estates, factories, and corporate divisions. Audit certificates are retained and verified annually.

### 4.5 System Failure

*Page 275*

No major system non-conformities were identified in FY 2025/26. This outcome reflects rigorous internal audits, digital monitoring through Hayleys Cube, and enhanced estate-level accountability mechanisms.

**Basis of Measurement**

Non-conformities identified in internal/external audits are captured in a centralized audit register. Severity and recurrence are reviewed by the management committee.

### 4.6 ESEG Meetings

*Pages 22 and 275*

The ESEG (Economic, Social, Environmental, and Governance) Steering Committee held 05 meetings during FY 2025/26. Discussions focused on,

- SBTi re-verification and FLAG emissions integration
- SLFRS S1/S2 implementation and external assurance readiness
- TNFD-aligned biodiversity scenario planning
- Stakeholder grievance response monitoring

**Basis of Measurement**

Meeting frequency and agenda compliance verified against the ESEG Steering Committee Charter. Minutes are documented and reviewed quarterly by the Sustainability and Risk Management Committees.

# EXTENDING THE ARCS OF PROGRESS

**True evolution comes from recognising opportunities beyond the familiar. By strengthening value streams, exploring innovation, and broadening our reach, we are shaping a future defined by versatility and renewed momentum.**

# Financial Calendar - 2025/2026

## 1 AUDITED FINANCIAL STATEMENTS AUTHORIZATION & AGM SCHEDULE

| Date of Authorisation for Issue the Audited Financial Statements | Financial Year | Annual General Meeting |
|---|---|---|
| 11 May 2026 | 2025/26 | 25 June 2026 |
| 05 May 2025 | 2024/25 | 23 June 2025 |
| 09 May 2024 | 2023/24 | 24 June 2024 |
| 11 May 2023 | 2022/23 | 26 June 2023 |
| 12 May 2022 | 2021/22 | 28 June 2022 |
| 12 May 2021 | 2020/21 | 25 June 2021 |
| 28 May 2020 | 2019/20 | 23 July 2020 |
| 08 May 2019 | 2018/19 | 24 June 2019 |
| 15 May 2018 | 2017/18 | 25 June 2018 |
| 09 May 2017 | 2016/17 | 28 June 2017 |
| 10 May 2016 | 2015/16 | 21 June 2016 |

## 2 DIVIDEND CALENDAR

| | Rs. Per Share | Date of Declaration | Date of Payments |
|---|---|---|---|
| Third Interim Dividend for 2025/2026 | 4.60 | 31 March 2026 | 27 April 2026 |
| Second Interim Dividend for 2025/2026 | 1.55 | 31 December 2025 | 26 January 2026 |
| First Interim Dividend for 2025/2026 | 1.74 | 30 September 2025 | 23 October 2025 |
| Third Interim Dividend for 2024/2025 | 2.40 | 27 March 2025 | 22 April 2025 |

## 3 ANNUAL GENERAL MEETING (AGM) CALENDER

| | 2025/2026 | 2026/2027 |
|---|---|---|
| Annual Report and Accounts for the year signed/to be signed | On 11 May 2026 | in May 2027 |
| Annual General Meeting to be held | On 25 June 2026 | in June 2027 |

## 4 INTERIM FINANCIAL STATEMENTS CALENDAR-SUBMISSION TO THE COLOMBO STOCK EXCHANGE (CSE)

| Period | Listing Rules | 2025/2026 | 2026/2027 |
|---|---|---|---|
| First Quarter Results (Q1) | within 45 days of the end of quarter | 31 July 2025 | 15 August 2025 |
| Second Quarter Results (Q2) & Half Year Results | within 45 days of the end of quarter | 04 November 2025 | 15 November 2026 |
| Third Quarter Results (Q3) | within 45 days of the end of quarter | 03 February 2026 | 15 Febuary 2027 |
| Fourth Quarter Results (Q4) & Year End Results | within 60 days of the end of quarter | 11 May 2026 | 31 May 2027 |

Interim Financial Statements Calendar-Submission to the Colombo Stock Exchange (CSE)
Submitted of unaudited consolidated financial statements to the CSE in accordance with Listing Rule 7.4(a)(i)(1).

# FINANCIAL REPORTS

# Independent Auditor's Report

Ernst & Young
Chartered Accountants
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CAY/VM/DRM

## TO THE SHAREHOLDERS OF TALAWAKELLE TEA ESTATES PLC

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### *Opinion*

We have audited the financial statements of Talawakelle Tea Estates PLC ("the Company") and the consolidated financial statements of the Company and its subsidiaries ("the Group"), which comprise the statement of financial position as at 31 March 2026, and the statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of material accounting policies .

In our opinion, the accompanying financial statements of the Company and the Group give a true and fair view of the financial position of the Company and the Group as at 31 March 2026, and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

### *Basis for opinion*

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements section of our report*. We are independent of the Group in accordance with the Code of Ethics issued by CA Sri Lanka (Code of Ethics) and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### *Key audit matters*

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters*. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Partners: D K Hulangamuwa FCA FCMA LLB (London), Ms. Y A De Silva FCA, Ms. G G S Manatunga FCA, W K B S P Fernando FCA FCMA FCCA, B E Wijesuriya FCA FCMA, R N de Saram ACA FCMA, N M Sulaiman FCA FCMA, Ms. L K H L Fonseka FCA, Ms. P V K N Sajeewani FCA, A A J R Perera FCA ACMA, N Y R L Fernando ACA, D N Gamage FCA ACMA, C A Yalagala ACA ACMA, Ms. P S Paranavitane ACA ACMA LLB (Colombo), B Vasanthan ACA ACMA, W D P L Perera ACA, M U M Mansoor ACA

Principals: T P M Ruberu FCMA FCCA MBA, G B Goudian ACMA, D L B Karunathilaka ACMA, W S J De Silva Bsc (Hons) - MIS Msc - IT, V Shakthivel B.Com (Sp)

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| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| **Measurement of retirement benefit obligation**<br>As disclosed in Note 23 to the financial statements, the Group's retirement benefit obligation amounted to Rs. 1,238 Mn and represented 30% of the Group's total liabilities as of 31 March 2026. The value of the retirement benefit obligation was based on the actuarial valuation carried out by an external actuary engaged by the Group.<br><br>This was a key audit matter due to:<br><br>★ Materiality of the reported retirement benefit obligation balance; and<br>★ Changes in key assumptions could result material movements in the recognized liability.<br><br>Key areas of significant assumptions, judgements and estimates used in assessing the value of the retirement benefit obligation included judgements involved in ascertaining the discount rate and future salary/ wage growth rate as disclosed in Notes 4.3 and 23 to the financial statements. | Our audit procedures included the following:<br><br>★ Assessed the competence, capability and objectivity of the external actuary engaged by the Group.<br>★ Tested the data used in the valuation of retirement benefit obligations by agreeing key information to source documents and accounting records.<br>★ Read the external actuary's report and identified the key estimates made and the approach taken by the actuary in determining the value of the retirement benefit obligation.<br>★ Assessed the reasonableness of the significant judgements, assumptions and estimates made by the external actuary such as discount rate and future salary/ wage growth rate in measuring the value of the retirement benefit obligation.<br><br>We have also assessed the adequacy of the disclosures made in Note 23 to the financial statements relating to the significant judgements and estimates. |
| **Measurement of Bearer Biological Assets**<br>The Bearer Biological Asset is a significant non-current asset of the Group representing 20% of the total assets comprising with Rs.1,632 Mn as Mature plantations and Rs.739Mn as Immature Plantations as at 31 March 2026 as disclosed in Note 14B to the financial statements.<br><br>Measurement of Bearer Biological assets in the financial statements was a key audit matter due to following:<br><br>★ Materiality of the balance and its significance to total assets (20%) of the group.<br>★ Identification of costs to be capitalised as immature plantations, Involvement of management judgement regarding the point at which transfers are to be made from immature plantations to mature plantations and for the identification of triggers of impairment (if any) as disclosed in Note 14B to the financial statements. | **Our audit procedures included the following:**<br>★ Obtained an understanding of management's expense allocation process and the identification of expenses to be capitalized in relation to immature plantations.<br>★ Tested the significant expenses incurred by capital expenditure authorizations and other corroborative evidence.<br>★ Assessed the reasonableness of depreciation provided on the matured plantations by performing independent computations.<br>★ Inspected the ageing profile of the immature biological assets as of the reporting date to ensure that possible indicators of impairment have been identified, assessed for probable impairment charges/ losses accounted for in the financial statements.<br><br>We also assessed the adequacy of the related disclosures given in Notes 3.7.7.1 and 14B in the financial statements. |

# Independent Auditor's Report

***Other information included in The Company's 2026 Annual Report***

Other information consists of the information included in the Annual Report, other than the financial statements and our auditor's report thereon. Management is responsible for the other information.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

***Responsibilities of management and those charged with governance***

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's and the Group's financial reporting process.

***Auditor's responsibilities for the audit of the financial statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SLAuSs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SLAuSs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal controls of the Company and the Group.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with ethical requirements in accordance with the Code of Ethics regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**Report on other legal and regulatory requirements**

As required by section 163 (2) of the Companies Act No. 07 of 2007, we have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company.

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is M-7752

Ernst & Young

11 May 2026
Colombo

# Statement of Profit or Loss

| For the year ended 31st March, | Notes | Group 2026 Rs.'000 | Group 2025 Rs.'000 | Company 2026 Rs. '000 | Company 2025 Rs.'000 |
|---|---|---|---|---|---|
| Revenue | 6.1 | **7,851,079** | 7,805,693 | **7,787,769** | 7,711,657 |
| Cost of Sales | | **(6,417,381)** | (5,987,638) | **(6,321,747)** | (5,939,601) |
| **Gross Profit** | | **1,433,698** | 1,818,055 | **1,466,023** | 1,772,056 |
| Change in Fair Value of Biological Assets & Investment Property | 14 C.1a | **(7,499)** | 24,011 | **(8,241)** | 24,011 |
| Other Income | 7 | **132,828** | 83,384 | **135,814** | 105,128 |
| Administrative Expenses | | **(515,600)** | (471,640) | **(503,461)** | (456,485) |
| **Results from Operating Activities** | | **1,043,427** | 1,453,810 | **1,090,135** | 1,444,710 |
| Finance Income | 8.1 | **378,842** | 384,380 | **369,615** | 376,528 |
| Finance Expenses | 8.2 | **(164)** | (184) | **(164)** | (184) |
| Interest Paid to Government and Other on Leases | 8.3 | **(69,717)** | (67,423) | **(69,717)** | (67,423) |
| **Net Finance Income** | | **308,961** | 316,773 | **299,735** | 308,921 |
| **Profit Before Tax** | 9 | **1,352,388** | 1,770,583 | **1,389,869** | 1,753,631 |
| Tax Expense | 10.1 | **(426,336)** | (535,745) | **(419,338)** | (522,387) |
| **Profit for the Year** | | **926,052** | 1,234,838 | **970,531** | 1,231,244 |
| **Attributable To:** | | | | | |
| Equity holders of the Parent | | **926,052** | 1,234,838 | **970,531** | 1,231,244 |
| Non- Controlling Interest | | **-** | - | **-** | - |
| | | **926,052** | 1,234,838 | **970,531** | 1,231,244 |
| **Basic / Diluted Earnings Per Share (Rs.)** | 11 | **19.50** | 26.00 | **20.43** | 25.92 |
| **Dividend Per Share (Rs.)** | 11 | **7.89** | 7.15 | **7.89** | 7.15 |

Notes to the Financial Statements from Pages 296 to 346 form an integral part of these Financial Statements. Figures in brackets indicate deductions.

# Statement of Comprehensive Income

| For the year ended 31st March, | Notes | Group 2026 Rs.'000 | Group 2025 Rs.'000 | Company 2026 Rs. '000 | Company 2025 Rs.'000 |
|---|---|---|---|---|---|
| Profit for the Year | | **926,052** | 1,234,838 | **970,531** | 1,231,244 |
| **Other Comprehensive Income** | | | | | |
| **Other comprehensive income not to be reclassified to profit or loss in subsequent periods:** | | | | | |
| Actuarial Gain/(Loss) on Retirement Benefit Obligations | 23 | **(54,515)** | (232,021) | **(54,890)** | (231,894) |
| Tax effect on Other Comprehensive Income | 10.2 | **16,392** | 69,594 | **16,467** | 69,568 |
| **Other Comprehensive Income for the year, net of tax** | | **(38,123)** | (162,427) | **(38,423)** | (162,326) |
| **Total comprehensive income for the year, net of tax** | | **887,928** | 1,072,411 | **932,108** | 1,068,918 |
| **Attributable to:** | | | | | |
| Equity holders of the Parent | | **887,928** | 1,072,411 | **932,108** | 1,068,918 |
| Non-controlling Interest | | **-** | - | **-** | - |
| | | **887,928** | 1,072,411 | **932,108** | 1,068,918 |

Notes to the Financial Statements from Pages 296 to 346 form an integral part of these Financial Statements. Figures in brackets indicate deductions.

# Statement of Financial Position

| As at 31 March, | Notes | Group 2026 Rs.'000 | Group 2025 Rs.'000 | Company 2026 Rs. '000 | Company 2025 Rs.'000 |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| **Non Current Assets** | | | | | |
| Right of Use Assets | 12 | 452,017 | 455,855 | 443,055 | 455,794 |
| Investment Property | 13 | - | - | 8,162 | - |
| Tangible Assets Other Than Immature/Mature Plantations | 14A | 1,882,717 | 1,765,364 | 1,680,988 | 1,547,392 |
| Bearer Biological Assets | 14B | 2,381,278 | 2,205,728 | 2,381,278 | 2,205,728 |
| Consumable Biological Assets | 14C | 679,515 | 678,715 | 679,515 | 678,715 |
| Intangible Assets | 14D | 11,472 | 9,309 | 7,842 | 9,309 |
| Investments in Subsidiaries | 15 | - | - | 233,292 | 225,792 |
| Non Current Financial Assets | 16 | 1,850,000 | - | 1,850,000 | - |
| Deferred Tax Asset | 10.4 | 504 | 461 | - | - |
| | | 7,257,503 | 5,115,432 | 7,284,132 | 5,122,730 |
| **Current Assets** | | | | | |
| Produce on Bearer Biological Assets | 17 | 20,268 | 32,049 | 20,268 | 32,049 |
| Inventories | 18 | 673,296 | 889,048 | 673,296 | 889,048 |
| Trade and Other Receivables | 19 | 735,075 | 434,537 | 730,956 | 422,983 |
| Amounts due from Related Companies | 20 | 10,978 | 10,178 | 12,963 | 12,041 |
| Short Term Investments | 21.1 | 3,023,326 | 4,346,278 | 2,885,191 | 4,234,419 |
| Cash and Bank Balances | 21.2 | 54,214 | 62,984 | 52,522 | 60,932 |
| | | 4,517,157 | 5,775,074 | 4,375,196 | 5,651,472 |
| **Total Assets** | | 11,774,660 | 10,890,506 | 11,659,328 | 10,774,202 |
| **EQUITY AND LIABILITIES** | | | | | |
| **Equity** | | | | | |
| Stated Capital | 22 | 350,000 | 350,000 | 350,000 | 350,000 |
| Revenue Reserves | | 7,265,474 | 6,752,320 | 7,202,551 | 6,645,218 |
| **Total Equity** | | 7,615,474 | 7,102,320 | 7,552,551 | 6,995,218 |
| **Non Current Liabilities** | | | | | |
| Retirement Benefit Obligations | 23 | 1,237,844 | 1,182,334 | 1,234,366 | 1,179,084 |
| Deferred Tax Liability | 10.4 | 668,604 | 635,269 | 668,604 | 635,269 |
| Deferred Income | 24 | 133,091 | 136,216 | 133,091 | 136,216 |
| Lease Liability | 25.3 | 469,543 | 454,923 | 469,464 | 454,844 |
| | | 2,509,082 | 2,408,742 | 2,505,525 | 2,405,413 |
| **Current Liabilities** | | | | | |
| Trade and Other Payables | 26 | 1,241,873 | 1,043,764 | 1,193,837 | 1,043,994 |
| Lease Liability | 25.3 | 20,511 | 21,413 | 20,506 | 21,408 |
| Amounts due to Related Companies | 27 | 276,716 | 145,951 | 278,924 | 150,615 |
| Income Tax Payable | | 106,849 | 153,215 | 103,828 | 142,453 |
| Bank Overdraft | 21.3 | 4,155 | 15,101 | 4,155 | 15,101 |
| | | 1,650,104 | 1,379,444 | 1,601,251 | 1,373,571 |
| **Total Liabilities** | | 4,159,187 | 3,788,186 | 4,106,776 | 3,778,984 |
| **Total Equity and Liabilities** | | 11,774,660 | 10,890,506 | 11,659,328 | 10,774,202 |
| Net Assets Per Share (Rs.) | | 160.33 | 149.52 | 159.00 | 147.27 |

Notes to the Financial Statements from Pages 296 to 346 form an integral part of these Financial Statements.
These Financial Statements have been prepared in compliance with the requirements of Companies Act No. 7 of 2007.

**Vindya Perera**
*Director-Finance*

The Board of Directors is responsible for these Financial Statements.
Signed for and on behalf of the Board by,

**Mohan Pandithage**
*Chairman/ Director*

**Roshan Rajadurai PhD, D.Sc.**
*Managing Director*

11 May 2026
Colombo.

# Statement of Changes in Equity

| For the year ended 31 March | | Attributable to equity holders of the parent Revenue Reserves | | | | |
|---|---|---|---|---|---|---|
| Group | Stated Capital Rs.'000 | Retained Earnings Rs.'000 | Biological Crop Reserve Rs.'000 | Timber Reserve Rs.'000 | Total Rs.'000 | Total Equity Rs.'000 |
| Balance as at 01 April 2024 | 350,000 | 5,520,525 | 22,598 | 476,411 | 6,019,534 | 6,369,534 |
| Profit for the Year | - | 1,234,839 | - | - | 1,234,839 | 1,234,839 |
| Other Comprehensive Income | - | (162,427) | - | - | (162,427) | (162,427) |
| Transferred to the Timber Reserve | - | (14,561) | - | 14,561 | - | - |
| Transferred to Biological Crop Reserve | - | (9,450) | 9,450 | - | - | - |
| Realised Gain on Timber Sales | - | 23,810 | - | (23,810) | - | - |
| Dividends to equity holders | - | (339,625) | - | - | (339,625) | (339,625) |
| **Balance As at 31 March 2025** | 350,000 | 6,253,110 | 32,048 | 467,162 | 6,752,320 | 7,102,320 |
| Profit for the Year | - | 926,052 | - | - | 926,052 | 926,052 |
| Other Comprehensive Income | - | (38,123) | - | - | (38,123) | (38,123) |
| Transferred to the Timber Reserve | - | (4,281) | - | 4,281 | - | - |
| Derecognition due to falling under the reservation area | - | 5,150 | - | (5,150) | - | - |
| Transferred to Biological Crop Reserve | - | 11,781 | (11,781) | - | - | - |
| Realised Gain on Timber Sales | - | 15,970 | - | (15,970) | - | - |
| Dividends to equity holders | - | (374,775) | - | - | (374,775) | (374,775) |
| **Balance As at 31 March 2026** | 350,000 | 6,794,883 | 20,268 | 450,323 | 7,265,474 | 7,615,474 |

| | | Revenue Reserves | | | | |
|---|---|---|---|---|---|---|
| Company | Stated Capital Rs.'000 | Retained Earnings Rs.'000 | Biological Crop Reserve Rs.'000 | Timber Reserve Rs.'000 | Total Rs.'000 | Total Equity Rs.'000 |
| Balance as at 01 April 2024 | 350,000 | 5,416,915 | 22,598 | 476,411 | 5,915,924 | 6,265,924 |
| Profit for the Year | - | 1,231,244 | - | - | 1,231,244 | 1,231,244 |
| Other Comprehensive Income | - | (162,325) | - | - | (162,325) | (162,325) |
| Transferred to the Timber Reserve | - | (14,561) | - | 14,561 | - | - |
| Transferred to Biological Crop Reserve | - | (9,450) | 9,450 | - | - | - |
| Realised Gain on Timber Sales | - | 23,810 | - | (23,810) | - | - |
| Dividends to equity holders | - | (339,625) | - | - | (339,625) | (339,625) |
| **Balance As at 31 March 2025** | 350,000 | 6,146,007 | 32,048 | 467,162 | 6,645,218 | 6,995,218 |
| Profit for the Year | - | 970,531 | - | - | 970,531 | 970,531 |
| Other Comprehensive Income | - | (38,423) | - | - | (38,423) | (38,423) |
| Transferred to the Timber Reserve | - | (4,281) | - | 4,281 | - | - |
| Derecognition due to falling under the reservation area | - | 5,150 | - | (5,150) | - | - |
| Transferred to Biological Crop Reserve | - | 11,781 | (11,781) | - | - | - |
| Realised Gain on Timber Sales | - | 15,970 | - | (15,970) | - | - |
| Dividends to equity holders | - | (374,775) | - | - | (374,775) | (374,775) |
| **Balance As at 31 March 2026** | 350,000 | 6,731,960 | 20,268 | 450,323 | 7,202,551 | 7,552,551 |

The Timber Reserve relates to change in fair value of managed trees which includes commercial timber plantations cultivated on estates.
The Biological Crop Reserve relates to change in fair value of harvestable produces growing on bearer biological assets.

Notes to the Financial Statements from Pages 296 to 346 form an integral part of these Financial Statements. Figures in brackets indicate deductions.

# Statement of Cash Flows

| For the year ended 31st March, | Notes | Group 2026 Rs.'000 | Group 2025 Rs.'000 | Company 2026 Rs. '000 | Company 2025 Rs.'000 |
|---|---|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | | | |
| Profit Before Tax | | **1,352,388** | 1,770,583 | **1,389,869** | 1,753,631 |
| **ADJUSTMENTS FOR** | | | | | |
| Provision for Retirement Benefit Obligations | 23 | **201,363** | 179,857 | **200,760** | 179,084 |
| Depreciation/Amortisation | 9 | **326,906** | 261,161 | **312,589** | 244,025 |
| Amortisation of Grants | 24 | **(5,951)** | (9,046) | **(5,951)** | (9,046) |
| Dividend Income | 7 | **-** | - | **(9,418)** | (24,894) |
| Finance Costs | 8.2 | **164** | 183 | **164** | 183 |
| Interest Paid to Government and Other on Lease | 8.3 | **69,812** | 67,423 | **69,717** | 67,423 |
| Profit on disposal of Property, Plant & Equipments | 7 | **(1,946)** | (7,016) | **(1,946)** | (7,016) |
| Profit on Sale of Trees | 7 | **(63,215)** | (26,159) | **(63,215)** | (26,159) |
| Debtors/Stocks write off | | **1,737** | 5,682 | **1,737** | 5,682 |
| Field Development Written-off | 14B/14C | **20,263** | - | **20,263** | - |
| (Gains)/Loss on Fair Value of Biological Assets | 14C.1a | **7,499** | (24,011) | **8,241** | (24,011) |
| **Operating Profit before Working Capital Changes** | | **1,901,753** | 2,218,657 | **1,915,543** | 2,158,902 |
| (Increase)/Decrease in Inventories | | **215,752** | (141,151) | **215,752** | (141,151) |
| (Increase)/Decrease in Trade and Other Receivables | | **(300,538)** | 16,561 | **(307,973)** | 19,932 |
| (Increase)/Decrease in Amounts Due from Related Companies | | **(801)** | (4,650) | **(922)** | (3,595) |
| Increase/(Decrease) in Trade and Other Payables | | **493,288** | 227,642 | **442,872** | 222,925 |
| Increase/(Decrease) in Amounts Due to Related Companies | | **130,765** | (72,714) | **128,309** | (75,193) |
| **Cash Generated from Operations** | | **2,447,486** | 2,244,345 | **2,400,849** | 2,181,820 |
| Finance Costs Paid | 8.2 | **(164)** | (183) | **(164)** | (183) |
| Payment of Income Tax/VAT | | **(754,479)** | (568,794) | **(743,176)** | (561,263) |
| Retirement Benefit Obligations Paid | 23 | **(200,368)** | (162,443) | **(200,368)** | (160,714) |
| **Net Cash from Operating Activities** | | **1,492,476** | 1,512,925 | **1,457,141** | 1,459,660 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | | | |
| Grant Received | 24 | **2,826** | 13,222 | **2,826** | 13,222 |
| Proceeds from Sale of Trees | | **79,185** | 49,969 | **79,185** | 49,969 |
| Proceeds from Disposal of Property, Plant & Equipments | | **1,739** | 8,112 | **1,739** | 8,112 |
| Field Development Expenditure | Note A | **(306,424)** | (271,116) | **(306,424)** | (271,116) |
| Purchase of Property, Plant & Equipment | Note B | **(375,331)** | (362,486) | **(375,331)** | (362,486) |
| Dividend Income Received | 7 | **-** | - | **9,418** | 24,894 |
| Investment in Subsidiaries | 15 | **(7,500)** | - | **(7,500)** | - |
| Investment in Non Current Financial Assets | 16 | **(1,850,000)** | - | **(1,850,000)** | - |
| **Net Cash used in Investing Activities** | | **(2,455,504)** | (562,299) | **(2,446,086)** | (537,405) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | | | |
| Dividend Paid | | **(270,275)** | (387,125) | **(270,275)** | (387,125) |
| Payment of Government lease rentals | | **(71,132)** | (68,528) | **(71,132)** | (68,528) |
| Payment of Other lease rentals | | **(16,341)** | (16,438) | **(16,341)** | (16,438) |
| Repayment of loans | | **-** | (2,619) | **-** | (2,619) |
| **Net Cash used in Financing Activities** | | **(357,748)** | (474,710) | **(357,748)** | (474,710) |
| **Net Increase/(Decrease) in Cash & Cash Equivalents** | | **(1,320,776)** | 475,916 | **(1,346,693)** | 447,546 |
| Cash & Cash Equivalents at the beginning of the year (Note C) | | **4,394,161** | 3,918,245 | **4,280,251** | 3,832,705 |
| **Cash & Cash Equivalents at the end of the year (Note D)** | | **3,073,385** | 4,394,161 | **2,933,557** | 4,280,251 |

Notes to the Financial Statements from Pages 296 to 346 form an integral part of these Financial Statements. Figures in brackets indicate deductions.

| **For the year ended 31 March** | **Group** | | | | | |
|---|---|---|---|---|---|---|
| | Tea<br>Rs.'000 | Rubber<br>Rs.'000 | Cinnamon<br>Rs.'000 | Others<br>Rs.'000 | Hydro<br>Rs.'000 | Total<br>Rs.'000 |
| **NOTE A: Investment in Field Development Expenditure** | | | | | | |
| Investment in Immature Plantations 2026 (Note 14.B.1 & 14.C) | 203,471 | 2,029 | 64,471 | 36,452 | - | 306,424 |
| Investment in Immature Plantations 2025 | 174,876 | 2,150 | 53,312 | 40,778 | - | 271,116 |
| **NOTE B: Investment in Property, Plant & Equipment** | | | | | | |
| Investment in Property, Plant & Equipment 2026 (Note 14.A) | 375,331 | - | - | - | - | 375,331 |
| Investment in Property, Plant & Equipment 2025 | 362,486 | - | - | - | - | 362,486 |

| **For the year ended 31 March** | **Company** | | | | | |
|---|---|---|---|---|---|---|
| | Tea<br>Rs.'000 | Rubber<br>Rs.'000 | Cinnamon<br>Rs.'000 | Others<br>Rs.'000 | Hydro<br>Rs.'000 | Total<br>Rs.'000 |
| **NOTE A: Investment in Field Development Expenditure** | | | | | | |
| Investment in Immature Plantations 2026 (Note 14.B.1 & 14.C) | 203,471 | 2,029 | 64,471 | 36,452 | - | 306,424 |
| Investment in Immature Plantations 2025 | 174,876 | 2,150 | 53,312 | 40,778 | - | 271,116 |
| **NOTE B: Investment in Property, Plant & Equipment** | | | | | | |
| Investment in Property, Plant & Equipment 2026 (Note 14.A) | 375,331 | - | - | - | - | 375,331 |
| Investment in Property, Plant & Equipment 2025 | 362,486 | - | - | - | - | 362,486 |

| | **Group** | | **Company** | |
|---|---|---|---|---|
| For the year ended 31st March, | 2026<br>Rs.'000 | 2025<br>Rs.'000 | 2026<br>Rs. '000 | 2025<br>Rs.'000 |
| **NOTE C** | | | | |
| **Cash & Cash Equivalents at the beginning of the year** | | | | |
| Cash & Bank Balances | **62,984** | 32,082 | **60,932** | 18,876 |
| Short Term Investments | **4,346,278** | 3,924,891 | **4,234,420** | 3,852,557 |
| Bank Overdrafts | **(15,101)** | (38,728) | **(15,101)** | (38,728) |
| | **4,394,161** | 3,918,245 | **4,280,251** | 3,832,705 |
| **NOTE D** | | | | |
| **Cash & Cash Equivalents at the end of the year** | | | | |
| Cash & Bank Balances | **54,214** | 62,984 | **52,522** | 60,932 |
| Short Term Investments | **3,023,326** | 4,346,278 | **2,885,191** | 4,234,420 |
| Bank Overdrafts | **(4,155)** | (15,101) | **(4,155)** | (15,101) |
| | **3,073,385** | 4,394,161 | **2,933,557** | 4,280,251 |

Notes to the Financial Statements from Pages 296 to 346 form an integral part of these Financial Statements. Figures in brackets indicate deductions.

# Notes to the Financial Statements

## 1. REPORTING ENTITY

Talawakelle Tea Estates PLC was incorporated on 22 June 1992 under the Companies Act No. 17 of 1982 (The Company was re-registered under the Companies Act No. 07 of 2007) in terms of the provisions of the Conversion of Public Corporation and Government-Owned Business Undertakings into Public Companies under Public Companies Act No. 23 of 1987.

The registered office of the Company is located at No. 400, Deans Road, Colombo 10, and Plantations are situated in the planting districts of Talawakelle, Nanuoya, Galle and Deniyaya. All companies in the Group are limited liability companies incorporated and domiciled in Sri Lanka.

The ordinary shares of the Company are listed on the Colombo Stock Exchange of Sri Lanka.

The Consolidated Financial Statements of Talawakelle Tea Estates PLC comprises the Company and its fully owned Subsidiaries namely TTEL Hydro Power Co (Pvt) Ltd , TTEL Somerset Hydro Power (Pvt) Ltd and Hayleys Produce Marketing Limited (together referred to as the 'Group').

### 1.1 Principle Activities and nature of the operations

During the year, the principal activities of the company were the producing and processing of Tea. Principal activities of other companies in the Group are as follows.

| Company | Nature of the business | Registered office |
|---|---|---|
| TTEL Hydro Power Co (Pvt) Ltd | Generating hydropower | No. 400, Deans Road, Colombo 10 |
| TTEL Somerset Hydro Power (Pvt) Ltd | Generating hydropower | No. 400, Deans Road, Colombo 10 |
| Hayleys Produce Marketing Limited | Manufacturing Organic Teas | No. 400, Deans Road, Colombo 10 |

### 1.2 Holding Company

The Company is a subsidiary of Hayleys Plantation Services (Pvt) Ltd which is a subsidiary of Dipped Products PLC whose ultimate parent enterprise is Hayleys PLC.

### 1.3 Date of Authorization for issue

The financial statements of Talawakelle Tea Estates PLC for the year ended 31 March 2026 were authorized for issue by the Board of Directors on 11 May 2026.

### 1.4 Responsibility for Financial Statements.

The responsibility of the Directors in relation to the Financial Statements is set out in the Statement of Directors' Responsibility Report in the Annual Report.

## 2. BASIS OF PREPARATION

### 2.1 Statement of Compliance

The Consolidated Financial Statements of the Group and the Separate Financial Statements of the Company have been prepared and presented in accordance with Sri Lanka Accounting Standards (SLFRSs and LKASs) laid down by the Institute of Chartered Accountants of Sri Lanka. They comply with the requirements of the Companies Act No. 07 of 2007 and amendments thereto.

### 2.2 Basis of Measurement

These Consolidated Financial Statements have been prepared in accordance with the historical cost convention other than following items in the Financial Statements

- Managed consumable biological assets are measured at fair value.
- Harvested Agricultural Produce growing on bearer biological assets are measured at fair value less cost to sell.
- Investment Property measure at fair-value less cost to sell.
- Liabilities for defined benefit obligations are recognised at the present value of the defined benefit obligation

Where appropriate, the specific policies are explained in the succeeding Notes.

No adjustments have been made for inflationary factors in the Consolidated Financial Statements.

### 2.3 New accounting standards, interpretations and amendments adopted by the group

The following amendments and improvements do not have a significant impact on the Group's financial statements during the year ended 31st March 2026.

- Amendments to LKAS 21 – Lack of Exchangeability.

### 2.4 Functional and Presentation Currency

The Financial Statements are presented in Sri Lankan Rupees (Rs.), which is the Group's functional and presentation currency. All financial information presented in Sri Lankan Rupees has been given to the nearest rupee, unless stated otherwise.

### 2.5 Materiality and Aggregation

Each material class of similar items is presented separately in the Consolidated Financial Statements. Items of a dissimilar nature or function are presented separately unless they are immaterial.

## 3. SUMMARY OF MATERIAL ACCOUNTING POLICIES

The accounting policies set out below are consistent with those used in the previous year. Accounting policies of subsidiaries are consistent with the policies adopted by the Group.

### 3.1 Going Concern

The Consolidated Financial Statements have been prepared on the assumption that The Company is a going concern. The Directors have made an assessment of the Group's ability to continue as a going concern in the foreseeable future. Furthermore, board is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as going concern and they do not intend either to liquidate or to cease operations of Group. Therefore, the Consolidated Financial Statements continue to be prepared on the going concern basis.

### 3.2 Basis of Consolidation

The Consolidated Financial Statements comprise the Financial Statements of the Company and its subsidiaries as at 31st March 2026. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- ★ Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- ★ Exposure, or rights, to variable returns from its involvement with the investee
- ★ The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- ★ The contractual arrangement with the other vote holders of the investee
- ★ Rights arising from other contractual arrangements
- ★ The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

At the Company level investments in subsidiaries are recognized at cost.

#### 3.2.1 Business Combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any Non-Controlling Interest in the acquiree. For each business combination, the Group elects whether it measures the Non-Controlling Interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition - related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

If the business combination is achieved in stages, any previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

### 3.3 Current versus non-current classification

The Group presents assets and liabilities in statement of financial position based on current/ non-current classification. An asset as current when it is:

- ★ Expected to be realised or intended to be sold or consumed in normal operating cycle

# Notes to the Financial Statements

- ★ Held primarily for the purpose of trading
- ★ Expected to be realised within twelve months after the reporting period.

Or

- ★ Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

The Group classifies all other assets are classified as non-current.

A liability is current when:

- ★ It is expected to be settled in normal operating cycle
- ★ It is held primarily for the purpose of trading
- ★ It is due to be settled within twelve months after the reporting period.

Or

- ★ It does not have a right at the reporting date to defer the settlement of the liability for at least twelve months after the reporting date.

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

### 3.4 Fair Value Measurement

The Group measures financial instruments and non-financial assets at fair value at each statement of financial position date. Fair value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed are summarized in the following notes:

- ★ Managed Consumable Biological Assets Note 14C
- ★ Investment Property Note 13
- ★ Produce Growing on Bearer Biological Assets Note 17

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- ★ In the principal market for the asset or liability; or,
- ★ In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- ★ Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- ★ Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- ★ Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

External valuers are involved for valuation of significant assets, such as managed biological assets. Involvement of external valuers is decided upon annually by the Management Committee after discussion with and approval by the Company's Audit Committee. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Management Committee decides, after discussions with the Group's external valuers, which valuation techniques and inputs to use for each case.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

### 3.5 Foreign Currencies

The Group's consolidated financial statements are presented in Sri Lankan Rupees, which is also the parent company's functional currency. For each entity the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognised in profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in OCI until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in OCI.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

### 3.6 Cash dividend and non-cash distribution to equity holders of the parent

The Company recognizes a liability to make cash or non-cash distributions to equity holders of the parent when the distribution is authorized and the distribution is no longer at the discretion of the Company. A distribution is authorized when it is approved by the shareholders. A corresponding amount is recognised directly in equity.

Non-cash distributions are measured at the fair value of the assets to be distributed with fair value re measurement recognised directly in equity.

Upon distribution of non-cash assets, any difference between the carrying amount of the liability and the carrying amount of the assets distributed is recognised in the statement of profit or loss.

### 3.7 Property, Plant & Equipment

The group applies the requirements of LKAS 16 on 'Property Plant and Equipment' in accounting for its assets which are held for and use in the provision of the services, for rental to other or for administration purpose and are expected to be used for more than one year.

#### 3.7.1 Basis of Recognition

Property Plant and Equipment is recognised if it is probable that future economic benefit associated with the assets will flow to the Group and cost of the asset can be reliably measured.

#### 3.7.2 Measurement

Items of Property, Plant & Equipment are measured at cost, less accumulated depreciation and accumulated impairment losses, if any.

*3.7.2.1 Borrowing Cost*

Borrowing costs that are directly attributable to acquisition, construction or production of a qualifying asset, which takes a substantial period of time to get ready for its intended use or sale are capitalized as a part of the asset.

Borrowing costs that are not capitalized are recognised as expenses in the period in which they are incurred and charged to the Statement of profit or loss.

The amounts of the borrowing costs which are eligible for capitalisation are determined in accordance with LKAS 23 – 'Borrowing Costs'.

Borrowing costs incurred in respect of specific loans that are utilized for field development activities have been capitalised as a part of the cost of the relevant immature plantation. The capitalisation will cease when the crops are ready for commercial harvest.

*3.7. 3 Owned Assets*

The cost of Property, Plant & Equipment includes expenditures that are directly attributable to the acquisition of the asset. Such costs includes the cost of replacing part of the property, plant and equipment and borrowing costs for long term construction projects if the recognition criteria are met. The cost of self-constructed assets includes the cost of materials and direct labour, any other cost directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located.

Purchased software that is integral to the functionality of the related equipment is capitalized as a part of that equipment.

When significant parts of property, plant and equipment are required to be replaced at intervals, the entity recognises such parts as individual assets (major components) with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the statements of profit or loss as incurred. The present value of the expected cost for the decommissioning of the asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

Capital work-in-progress is transferred to the respective asset accounts at the time of first utilization or at the time the asset is commissioned.

#### 3.7.4 Leases

The Group assesses at the contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

**Group as a lessee**

The Group applies a single recognition and measurement approach for all leases, except for short term leases and leases of low-value assets. The Group recognises lease liability to make lease payments and right to use of assets representing the right to use the underlying assets.

*3.7.4.1 Right of Use Assets*

The Group recognises right to use of assets at the commencement date of a lease (i.e., the date the underlying asset is available for use). Right of use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right to use of assets includes the amount of lease liabilities recognized, initial direct cost incurred, and lease payments made at or before the commencement date less any lease incentive received.

Right of use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets. If ownership of the leased asset transferred to the Group at the end of the lease period or the cost reflect the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

*3.7.4.2 Lease Liabilities*

At the commencement date of the lease, the Group recognises lease liability measured at

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the present value of lease payment to be made over the lease term. The lease payment includes fixed payments (including in-substance fixed payments) less any lease incentive receivables, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees.

The lease payment also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflect the Group exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs. In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because of the interest rate implicit in the lease is not readily determinable. After the commencement date, amount of lease liability is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of the lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments or a change in the assessment of an option to purchase the underlying asset.

### 3.7.5 Derecognition

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the Statement of profit or loss when the asset is derecognized.

### 3.7.6 Land Development Cost

Permanent land development costs are those costs incurred in making major infrastructure development and building new access roads on leasehold lands.

These costs have been capitalised and amortized over the remaining lease period.

Permanent impairments to land development costs are charged to the Statement of Profit or Loss in full or reduced to the net carrying amounts of such assets in the year of occurrence after ascertaining the loss.

### 3.7.7 Biological assets

Biological assets are classified in to mature biological assets and immature biological assets. Mature biological assets are those that have attained harvestable specifications or are able to sustain regular harvests. Immature biological assets are those that have not yet attained harvestable specification. Tea, rubber, other plantations and nurseries are classified as biological assets.

Biological assets are further classified as bearer biological assets, produce on bearer biological assets and consumable biological assets. Bearer biological assets includes tea, rubber, cinnamon and other plants, those that are not intended to be sold or harvested, however used to grow for harvesting agricultural produce from such biological assets. Consumable biological assets includes managed timber trees that are to be harvested as agricultural produce or sold as biological assets.

The entity recognize the biological assets when, and only when, the entity controls the assets as a result of past events, it is probable that future economic benefits associated with the assets will flow to the entity and the fair value or cost of the assets can be measured reliably.

#### *3.7.7.1 Bearer Biological Asset*

The bearer biological assets are measured at cost less accumulated depreciation and accumulated impairment losses, if any, in terms of LKAS 16 – "Property, Plant & Equipment".

The cost of land preparation, rehabilitation, new planting, replanting, crop diversification, inter-planting and fertilizing, etc., incurred between the time of planting and harvesting (when the planted area attains maturity), are classified as immature plantations. These immature plantations are shown at direct costs plus attributable overheads. The expenditure incurred on bearer biological assets (Tea, Rubber, Cinnamon etc ) which comes into bearing during the year, is transferred to mature plantations.

#### *3.7.7.2 Infilling Cost on Biological Assets Bearer*

The land development costs incurred in the form of infilling have been capitalized to the relevant mature field, only where the number of plants per hectare exceeded 3,000 plants and, also if it increases the expected future benefits from that field, beyond its pre-infilling performance assessment. Infilling capitalized costs are depreciated over the newly assessed remaining useful economic life of the relevant mature plantation, or the unexpired lease period, whichever is lower.

Infilling costs that are not capitalized have been charged to the Statement of profit or loss in the year in which they are incurred.

#### *3.7.7.3 Consumable Biological Asset*

Consumable biological assets include managed timber trees that are to be harvested as agricultural produce or sold as biological assets. Expenditure incurred on consumable biological assets (managed timber trees) is measured on initial recognition and at the end of each reporting period at its fair value less cost to sell in terms of LKAS 41. The cost is treated as approximation to fair value of young plants as the impact on biological transformation of such plants to price during this period is immaterial. The fair value of timber trees are measured using DCF method taking into consideration the current market prices of timber, applied to expected timber content of a tree at the maturity by an independent professional valuer. All other assumptions and sensitivity analysis are given in Note 14C.

The main variables in DCF model concerns.

| Variable | Comment |
|---|---|
| **Timber content** | Estimate based on physical verification of girth, height and considering the growth of the each species in different geographical regions. Factor all the prevailing statutory regulations enforced against harvesting of timber coupled with forestry plan of the Company |
| **Economic useful life** | Estimated based on the normal life span of each species by factoring the forestry plan of the Company |
| **Selling price** | Estimated based on prevailing Sri Lankan market price. Factor all the conditions to be fulfill in bringing the trees in to saleable condition. |
| **Planting cost** | Estimated costs for the further development of immature areas are deducted. |

The gain or loss arising on initial recognition of consumable biological assets at fair value less cost to sell and from a change in fair value less cost to sell of consumable biological assets are included in profit or loss for the period in which it arises.

Permanent impairments to Biological Asset are charged to the Statement of profit or loss in full and reduced to the net carrying amounts of such asset in the year of occurrence after ascertaining the loss.

### 3.7.7.4 Nursery Plants

Nursery cost includes the cost of direct materials, direct labour and an appropriate proportion of directly attributable overheads, less provision for overgrown plants.

### 3.7.8 Depreciation and Amortization

**(a) Depreciation**

Depreciation is recognised in the Statement of profit or loss or on a straight-line basis over the estimated useful economic lives of each part of an item of Property, Plant & Equipment since this is most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Assets held under leases are depreciated over the shorter of the lease term and the useful lives of equivalent owned assets unless it is reasonably certain that the Group will have ownership by the end of the lease term. Lease period of land acquired from SLSPC will be expired in year 2045. The estimated useful lives for the current and comparative periods are as follows:

| | No. of Years |
|---|---|
| Buildings | 20.25 (Over the remaining lease period) |
| Roads | 5 |
| Plant & Machinery | 20 |
| Electronic Machinery | 13 |
| Solar System | 15 |
| Hydro Power Plant | 30 |
| Motor Vehicles-Utility | 10 |
| Motor Vehicles-Supervisory | 5 |
| Green House | 5 |
| Equipment | 4 |
| Furniture & Fittings | 10 |
| Computer Accessories | 4 |

Mature Plantations (Replanting and New Planting)

| Mature Plantations | No. of Years |
|---|---|
| Tea | 20.25 (Over the remaining lease period) |
| Rubber | 20 |
| Cinnamon | 20 |

Depreciation of an asset begins when it is available for use and ceases at the earlier of the date on which the asset is classified as held for sale or is derecognized. Depreciation methods, useful lives and residual values are reassessed at the reporting date and adjusted prospectively, if appropriate. Mature plantations are depreciated over their useful lives or unexpired lease period, whichever is less.

No depreciation is provided for immature plantations.

**(b) Amortization**

The leasehold rights of assets taken over from SLSPC are amortized in equal amounts over the shorter of the remaining lease period and the useful lives as follows:

| | No. of Years |
|---|---|
| Right of Use Asset – Land & Immovable Estates Asset | 20.25 (Over the remaining lease period) |
| Right of Use Asset – Head office & Other | 05 |
| Buildings | 20.25 (Over the remaining lease period) |
| Machinery | 20 |

### 3.7.9 Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangibles, excluding capitalized development costs, are not capitalized and the related expenditure is reflected in the Statement of profit or loss in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite

# Notes to the Financial Statements

useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates.

The amortization expense on intangible assets with finite lives is recognized in the statement of profit or loss in the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of profit or loss when the asset is derecognized.

*3.7.9.1 Research and Development*

Research costs are expensed as incurred. Development expenditures on an individual project are recognised as an intangible asset when the Group can demonstrate:

- ★ The technical feasibility of completing the intangible asset so that the asset will be available for use or sale
- ★ Its intention to complete and its ability and intention to use or sell the asset
- ★ How the asset will generate future economic benefits
- ★ The availability of resources to complete the asset
- ★ The ability to measure reliably the expenditure during development

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit. Amortisation is recorded in cost of sales. During the period of development, the asset is tested for impairment annually.

A summary of the policy applied to the Group,

| Asset | Acquired or Business Combination | Amortization & Life Span |
|---|---|---|
| Development Cost | Acquired | 15 Year (Finite) |
| ERP System | Acquired | 10Year (Finite) |
| Goodwill | Business Combination | Indefinite (Subject to Annual Impairment Review) |

### 3.7.10 Investment Property

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, the investment properties are stated at fair values, which reflect market conditions at the reporting date.

Gains or losses arising from changes in fair values of investment properties are included in the Statement of Profit or Loss in the year in which they arise, including the corresponding tax effect.

Investment properties are derecognised either when they have been disposed of, or when they are permanently withdrawn from use and no future economic benefits are expected from their disposal. The difference between the net disposal proceeds and the carrying amounts of the asset is recognised in Statement of Profit or Loss in the period of derecognition.

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner occupied property the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit. Amortization is recorded in cost of sales. During the period of development, the asset is tested for impairment annually.

## 3.8 Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

### 3.8.1 Financial Assets

*3.8.1.1 Initial Recognition & Measurement*

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value
through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

The Group's financial assets include cash and short-term deposits, Non-current financial assets and trade and other receivables.

*3.8.1.2 Subsequent Measurement*

For purposes of subsequent measurement, financial assets are classified in four categories:

- ★ Financial assets at amortized cost (debt instruments)
- ★ Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- ★ Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- ★ Financial assets at fair value through profit or loss

**a) Financial assets at amortized cost (debt instruments)**

The Group measures financial assets at amortized cost if both of the following conditions are met:

- ★ The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows

and

- ★ The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

Financial instruments at amortized cost comprise of investments in financial assets (Long & Short Term), trade receivables and other receivables.

**b) Financial assets at fair value through OCI (debt instruments)**

The Group measures debt instruments at fair value through OCI if both of the following conditions are met:

- ★ The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling

and

- ★ The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in the statement of profit or loss and computed in the same manner as for financial assets measured at amortized cost.

The remaining fair value changes are recognized in OCI. Upon derecognition, the cumulative fair value change recognized in OCI is recycled to profit or loss. The Group does not have any debt instruments at fair value through OCI.

**c) Financial assets at fair value through OCI (equity instruments)**

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under LKAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

**d) Financial assets at fair value through profit or loss**

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

*3.8.1.3 Derecognition*

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- ★ The rights to receive cash flows from the asset have expired
- ★ The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The

# Notes to the Financial Statements

transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

*3.8.1.4 Impairment of financial assets*

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

### 3.8.2 Financial liabilities

*3.8.2.1 Initial recognition and measurement*

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities comprise trade and other payables and bank overdrafts.

*3.8.2.2 Subsequent measurement*

The subsequent measurement of financial liabilities depends on their classification as described below:

**(a) Financial liabilities at fair value through profit or loss**

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term.

Gains or losses on liabilities held for trading are recognized in the statement of profit or loss.

**(b) Financial liabilities at amortized cost**

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in the Profit or Loss Statement when the liabilities are derecognized as well as through the effective interest rate method (EIR) amortization process.

Financial liabilities comprise interest bearing loans and borrowings, trade payables, other payables, income tax payables and amounts due to related parties.

*3.8.2.3 Derecognition*

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

### 3.8.3 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the Consolidated Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

Financial risk management objectives and policies have been disclosed under Note 35.

## 3.9 Harvestable agricultural produce on bearer biological assets

In accordance with LKAS 41, company recognise agricultural produce growing on bearer plants at fair value less cost to sell. Change in the fair value of such agricultural produce recognized in profit or loss at the end of each reporting period.

For this purpose, quantities of harvestable agricultural produce ascertained based on harvesting cycle of each crop category by limiting to one harvesting cycle based on last day of the harvest in the immediately preceding cycle. Further 50% of the crop in that harvesting cycle considered for the valuation.

For the valuation of the harvestable agricultural produce, the company uses the following price formulas.

★ Tea – Bought Leaf rate (current month) less cost of harvesting & transport

## 3.10 Inventories

Finished Goods Manufactured from Agricultural Produce of Biological Assets.

These are valued at the lower of cost and estimated net realisable value. Net realisable value is the estimated selling price at which stocks can be sold in the ordinary course of business after allowing for cost of realisation and/or cost of conversion from their existing state to saleable condition.

**Input Material, Spares and Consumables**

At actual cost on weighted average basis.

**Agricultural produce harvested from biological assets**

Agricultural produce harvested from biological asset are measured at their fair value less cost to sell at the point of harvest. The finished and semi-finished inventories from agricultural produce are valued by adding the cost of conversion to the fair value of the agricultural produce.

### 3.11 Cash and Cash Equivalents

Cash and cash equivalents comprise cash balances and short term investments. Bank overdrafts that are repayable on demand form an integral part of the Group's cash management and are included as a component of cash and cash equivalents for the purpose of the Statements of Cash Flow.

### 3.12 Impairment of Non-Financial Assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations, including impairment on inventories, are recognised in the statement of profit or loss in expense categories consistent with the function of the impaired asset, except for properties previously revalued with the revaluation taken to Other Comprehensive Income. For such properties, the impairment is recognised in Other Comprehensive Income up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

Goodwill is tested for impairment annually as at 31st March 2026 and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

Intangible assets with indefinite useful lives are tested for impairment annually as at 31st March at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

### 3.13 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of profit or loss net of any reimbursement

### 3.14 Employees Benefits

**(a) Defined Contribution Plans - Provident Funds and Trust Fund**

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to Provident and Trust Funds covering all employees are recognised as an expense in profit or loss in the periods during which services are rendered by employees.

The Company contributes 12% on consolidated salary of the employees to Ceylon Planters' Provident Society (CPPS)/Estate Staff Provident Society (ESPS)/ Employees' Provident Fund (EPF).

All the employees of the Company are members of the Employees' Trust Fund, to which the Company contributes 3% on the consolidated salary of such employees.

**(b) Defined Benefit Plan**

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The liability recognised in the Financial Statements in respect of defined benefit plan is the present value of the defined benefit obligation at the Reporting date. The defined benefit obligation is calculated annually using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash flows using the interest rates that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms

# Notes to the Financial Statements

of the related liability. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised as in retained earnings through other comprehensive income. Past service costs are recognised immediately in statement of profit or loss.

The provision has been made for retirement gratuities from the first year of service for all employees, in conformity with LKAS 19, Employee Benefits. However, under the Payment of Gratuity Act No. 12 of 1983, the liability to an employee arises only on completion of 5 years of continued service.

The Liability is not externally funded.

The key assumptions used in determining the retirement benefit obligations are given in Note 23.

## 3.15 Capital Commitments and Contingencies

Capital commitments and contingent liabilities of the Group have been disclosed in the respective Notes to the Financial Statements.

## 3.16 Events Occurring after the Reporting Date

All material events after the Statement of Financial Position Date have been considered where appropriate; either adjustments have been made or adequately disclosed in the Financial Statements.

## 3.17 Earnings per Share

The Group presents basic earnings per share (EPS) for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

## 3.18 Deferred Income

### 3.18.1 Grants and Subsidies

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, it is recognised as deferred income and released to income in equal amounts over the expected useful life of the related asset.

Where the Group receives non-monetary grants, the asset and the grant are recorded gross at nominal amounts and released to the Statement of profit or loss over the expected useful life and pattern of consumption of the benefit of the underlying asset by equal annual installments. Where loans or similar assistance are provided by governments or related institutions with an interest rate below the current applicable market rate, the effect of this favorable interest is regarded as additional government grant. Assets are amortised over their useful lives as follows.

Grants related to Property, Plant & Equipment other than grants received for forestry are initially deferred and allocated to income on a systematic basis over the useful life of the related Property, Plant & Equipment as follows: Assets are amortised over their useful lives or unexpired lease period, whichever is less.

| | |
|---|---|
| Buildings | 20.25 Years (Over the remaining lease period) |
| Roads | 5 Years |
| Glamping site | 5 Years |

Grants received for forestry are initially deferred and credited to income once when the related blocks of trees are harvested.

## 3.19 Statements of Profit or Loss

For the purpose of presentation of statement of profit or loss, the function of expenses method is adopted, as it represents fairly the elements of the Group's performance.

### 3.19.1 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. Under SLFRS 15, revenue is recognised upon satisfaction of performance obligation.

The Group is in the business of cultivation, manufacture and sale of black tea, rubber, other crops (Plantation Produce) and hydro. Revenue from contracts with customers is recognized when control of the goods are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods. The Group has generally concluded that it is the principle in its revenue arrangements, because it typically controls the goods before transferring them to customer.

#### *3.19.1.1 Revenue from contracts with customers*

★ Sale of Plantation produce

Revenue from sale of plantation produce is recognized at the point in time when the control of the goods are transferred to the customer. Black tea produce are sold at the Colombo tea Auction and the highest bidder whose offer is accepted shall be the buyer, and a sale shall be completed at the fall of the hammer, at which point control is transferred to the customer. Revenue from sale of other crops are recognized at the point in time when the control of the goods has been transferred to the customer generally upon delivery of the goods to the location specified by the customer and the acceptance of the goods by the customer.

There is no element of financing present as the Group's sale of plantation produce are either on cash terms (Immediate payment or advance payment not exceeding 30 days) or on credit terms ranging from 7 to 15 days.

★ Rendering of services

Service income from Group comprised with sale of hydro energy to the Ceylon Electricity Board (CEB). Revenue from sale of hydro energy recognized at the point of hydro energy releases to the national grid at a pre-determined unit price.

#### *3.19.1.2 Other Source of Income*

Revenue recognition criteria for the other source of income as follows;

★ Rental Income

Rental income is recognized on an accrual basis in accordance with the substance of the relevant agreement.

★ Dividend Income

Dividend income is recognized when the right to receive payment is established.

★ Interest Income

Interest income is recognized based on effective interest method.

Interest income of financial assets at amortized cost is calculated by using the effective interest method and is recognized as other income

**3.19.2 Expenses**

All expenditure incurred in the running of the business and in maintaining the Property, Plant & Equipment in a state of efficiency is charged to revenue in arriving at the profit or loss for the period.

*3.19.2.1 Finance Income and Finance Cost*

Finance income comprises interest income on funds invested.Interest income is recognised as it accrues in profit or loss.

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions, changes in the fair value of financial assets at fair value through profit or loss, and losses on hedging instruments that are recognised in profit or loss. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

The interest expense component of finance lease payments is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

*3.19.2.2 Taxes*

*3.19.2.2.1 Current Income Tax*

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

*3.19.2.2.2 Deferred Tax*

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

★ When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
★ In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

★ When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
★ In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in Other Comprehensive Income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognised subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognised in profit or loss.

## 3.20 Statement of Cash Flows

The Statement of Cash Flow has been prepared using the 'indirect method'. Interest paid is classified as operating cash flows, while dividends paid and Government grants received are classified as financing and investing cash flows, for the purpose of presenting the Statement of Cash Flow.

## 3.21 Segment Reporting

Segmental information is provided for the different business segments of the Group. An operating segment is a component of the Group that engages in business activities

# Notes to the Financial Statements

from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components.

Since the individual segments are located close to each other and operate in the same industrial environment, the need for geographical segmentation has no material impact.

The activities of the segments are described on Note 6.2 in the Notes to the Financial Statements.

Revenue and expenses directly attributable to each segment are allocated to the respective segments. Revenue and expenses not directly attributable to a segment are allocated on the basis of their resource utilisation, wherever possible.

Assets and liabilities directly attributable to each segment are allocated to the respective segments. Assets and liabilities, which are not directly attributable to a segment, are allocated on a reasonable basis wherever possible. Unallocated items comprise mainly interest bearing loans, borrowings, and expenses.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one accounting period.

All operating segments' operating results are reviewed regularly to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

## 4. USE OF ESTIMATES AND JUDGMENTS

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period and any future periods affected.

Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the Financial Statements is included in the following notes:

### 4.1 Taxation

Current tax assets and liabilities comprise amounts expected to be recovered from or paid to the Commissioner General of Inland Revenue in respect of the current year, calculated using the tax rates and tax laws enacted or substantively enacted at the reporting date, along with any adjustment to tax payable for prior years. Accordingly, the provision for taxation is based on the profit for the year, adjusted for taxation purposes in accordance with the provisions of the Inland Revenue Act No. 24 of 2017 and subsequent amendments thereto, at the rates specified in Note 10 to the Financial Statements.

### 4.2 Deferred Tax

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date Significant judgement was required to determine the total provision for current, deferred and other taxes pending the issue of tax guidelines on the treatment of the adoption of SLFRS in the financial statements and the taxable profit for the purpose of imposition of taxes. Uncertainties exist, with respect to the interpretation of the applicability of tax laws, at the time of the preparation of these financial statements. The Group recognized assets and liabilities for current deferred and other taxes based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income, deferred and tax amounts in the period in which the determination is made.

### 4.3 Measurement of Retirement Benefit Obligation

The present value of the retirement benefit obligation determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate; future salary increases and mortality rates. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting period.

In determining the appropriate discount rate, management considers the interest rates of Sri Lanka government bonds with maturities corresponding to the expected duration of the defined benefit obligation.

The mortality rate is based on publicly available mortality tables. Future salary increases are based on expected future inflation rate and expected future salary increase rates of the Group.

Further details about Retirement benefit obligations are provided in Note 23.

### 4.4 IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of LKAS 12 Income Taxes. The Company applies significant judgement in identifying uncertainties over income tax treatments. It assessed whether the Interpretation had an impact on its financial statements. The Company determined that it is probable that its tax treatments will be accepted by the taxation authorities.

### 4.5 Fair Valuation of Consumable Biological Assets

The fair value of managed timber depends on number of factors that are determined on a discounted method using various financial and nonfinancial assumptions. The growth of the trees is determined by various biological factors that are highly unpredictable. Any change to the assumptions will impact to the fair value of biological assets. Key assumptions and sensitivity analysis of the biological assets are given in the Note 14C.

### 4.6 Bearer Biological Assets

A mature plantation is an area of land developed with crops such as tea, rubber and other crops which has been brought into bearing ready for commercial harvesting. Hence, transfer of immature plantations to mature plantation fields happens at the point of commencement of commercial harvesting which depends on growth of plants, weather patterns and soil condition. Therefore, immature to mature transfer require significant management judgment in determining the point at which a plant is deemed ready for commercial harvesting.

### 4.7 Produce on Bearer Biological Asset

Management exercises judgement in determining the point at which produce is considered harvestable and identifying the most appropriate market prices for valuation purposes. In addition, the fair value measurement requires the use of key estimates, including expected harvest quantities, prevailing market prices and costs to sell.

However, they are subject to inherent uncertainty arising from factors such as climatic variability, crop quality, and price fluctuations.

### 4.8 Fair Value of Investment Property

The valuation of investment property arising from sub-leasing land involves significant judgement and estimation in accordance with LKAS 40. Management exercises judgement in determining the classification of such land as investment property, based on its use for earning rental income, and in assessing the terms of lease and sub-lease arrangements.

The fair value measurement requires key estimates, including expected rental income, lease tenure and renewal assumptions, as well as appropriate discount or capitalization rates. Accordingly, variations in these assumptions may have an impact on the fair value of the investment property and the financial results for the period.

### 4.9 Leases - Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the company's stand-alone credit rating).

## 5 STANDARDS ISSUED BUT NOT YET EFFECTIVE

### 5.1 SLFRS 18 Presentation and Disclosure in Financial Statements

SLFRS 18, which replaces LKAS 1, introduces significant enhancements to the way financial information is organized and communicated. The standard establishes new categories and subtotals in the statement of profit or loss to improve consistency and comparability across entities. It also requires entities to disclose management-defined performance measures (as specified in the standard), together with clear explanations and reconciliations. In addition, SLFRS 18 introduces strengthened requirements regarding the location, aggregation, and disaggregation of finance information. These changes are designed to ensure that financial statements present information more transparently and in a way that enhances users' understanding of an entity's financial performance and position.

SLFRS 18, and consequential amendments to the other accounting standards, are effective for annual reporting periods beginning on or after 1 January 2027. Early application is permitted.

The potential impact of SLFRS 18 on the financial statements and the related notes is currently being identified and evaluated.

### 5.2 SLFRS 19 Subsidiaries without public accountability: Disclosures

SLFRS 19 introduces reduced disclosure requirements for subsidiaries that do not have public accountability but continue to apply the full SLFRS recognition and measurement principles.

The purpose of SLFRS 19 is to lessen the financial reporting burden on qualifying subsidiaries by simplifying disclosure requirements, while still ensuring that financial statements remain high-quality, consistent, and comparable for users.

SLFRS 19 applies to Specified Business Enterprises, as defined in the Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995. Subsidiaries that fall within this category and do not have public accountability are eligible to apply for SLFRS 19.

The Standard becomes effective for annual reporting periods beginning on or after 1 January 2027. Early application is permitted.

The potential impact of SLFRS 19 is currently being identified and evaluated.

### 5.3 Classification and Measurement of Financial Instruments - Amendments to SLFRS 9 and SLFRS 7

The amendments introduce enhancements to the classification, measurement, derecognition, and disclosure requirements for financial instruments. Their objective is to strengthen transparency, promote greater consistency in financial reporting, and respond to emerging market developments - particularly features such as sustainability-linked terms and nature-dependent electricity contracts.

These amendments are effective for annual reporting periods beginning on or after 1 January 2026. Early application is permitted.

# Notes to the Financial Statements

## 6. REVENUE

### 6.1 Summary

| For the year ended 31st March, | Group 2026 Rs.'000 | Group 2025 Rs.'000 | Company 2026 Rs. '000 | Company 2025 Rs.'000 |
|---|---|---|---|---|
| **Sale of Goods** | | | | |
| Tea | **7,517,483** | 7,436,395 | **7,518,317** | 7,436,395 |
| Rubber | **29,162** | 31,960 | **29,162** | 31,960 |
| Cinnamon | **57,062** | 36,308 | **57,062** | 36,308 |
| Mini Hydro Power | **64,143** | 94,036 | **-** | - |
| Others | **183,229** | 206,994 | **183,229** | 206,994 |
| | **7,851,079** | 7,805,693 | **7,787,769** | 7,711,657 |

### 6.2 Segment Information

| For the year ended 31st March, | Group 2026 Rs.'000 | Group 2025 Rs.'000 | Company 2026 Rs. '000 | Company 2025 Rs.'000 |
|---|---|---|---|---|
| **a) Segment Revenue** | | | | |
| **Tea** | | | | |
| Revenue | **7,517,484** | 7,436,395 | **7,518,317** | 7,436,395 |
| Revenue Expenditure | **(5,696,739)** | (5,393,521) | **(5,696,739)** | (5,393,521) |
| Depreciation | **(253,371)** | (210,179) | **(253,371)** | (210,179) |
| Other Non Cash Expenditure | **(200,760)** | (179,084) | **(200,760)** | (179,084) |
| Segment Results | **1,366,614** | 1,653,611 | **1,367,447** | 1,653,611 |
| **Rubber** | | | | |
| Revenue | **29,162** | 31,960 | **29,162** | 31,960 |
| Revenue Expenditure | **(52,602)** | (44,636) | **(52,603)** | (44,636) |
| Depreciation | **(6,479)** | (5,904) | **(6,479)** | (5,904) |
| Segment Results | **(29,920)** | (18,580) | **(29,920)** | (18,580) |
| **Cinnamon** | | | | |
| Revenue | **57,061** | 36,308 | **57,062** | 36,308 |
| Revenue Expenditure | **(39,235)** | (23,268) | **(39,235)** | (23,268) |
| Depreciation | **(3,126)** | (2,003) | **(3,126)** | (2,003) |
| Segment Results | **14,701** | 11,037 | **14,701** | 11,037 |
| **Mini Hydro Power** | | | | |
| Revenue | **64,143** | 94,036 | **-** | - |
| Revenue Expenditure | **(80,715)** | (30,128) | **-** | - |
| Depreciation | **(14,317)** | (17,136) | **-** | - |
| Other Non Cash Expenditure | **(603)** | (772) | **-** | - |
| Segment Results | **(31,492)** | 46,000 | **-** | - |
| **Others** | | | | |
| Revenue | **183,229** | 206,994 | **183,229** | 206,994 |
| Revenue Expenditure | **(69,434)** | (81,005) | **(69,434)** | (81,005) |
| Segment Results | **113,795** | 125,988 | **113,795** | 125,988 |
| **Total** | | | | |
| Revenue | **7,851,079** | 7,805,693 | **7,787,769** | 7,711,657 |
| Revenue Expenditure | **(5,938,725)** | (5,572,559) | **(5,858,010)** | (5,542,431) |
| Depreciation | **(277,293)** | (235,222) | **(262,977)** | (218,086) |
| Other Non Cash Expenditure | **(201,363)** | (179,857) | **(200,760)** | (179,084) |
| Segment Results | **1,433,698** | 1,818,055 | **1,466,023** | 1,772,056 |

| For the year ended 31st March, | Group 2026 Rs.'000 | Group 2025 Rs.'000 | Company 2026 Rs. '000 | Company 2025 Rs.'000 |
|---|---|---|---|---|
| Change in Fair Value of Biological Assets & Investment Property | **(7,499)** | 24,011 | **(8,241)** | 24,011 |
| Other Income | **132,828** | 83,384 | **135,814** | 105,128 |
| Administrative Expenses | **(515,600)** | (471,640) | **(503,461)** | (456,485) |
| Finance Income | **378,842** | 384,380 | **369,615** | 376,527 |
| Finance Expense | **(164)** | (183) | **(164)** | (183) |
| Interest Paid to Government and Other Leases | **(69,717)** | (67,423) | **(69,717)** | (67,423) |
| **Profit Before Tax** | **1,352,388** | 1,770,584 | **1,389,869** | 1,753,631 |
| **b) Segment Assets** | | | | |
| **Non Current Assets** | | | | |
| Tea | **4,249,597** | 3,989,043 | **4,245,225** | 3,989,043 |
| Rubber | **65,526** | 79,951 | **65,526** | 79,951 |
| Cinnamon | **210,574** | 149,229 | **210,574** | 149,229 |
| Mini Hydro Power | **202,291** | 218,495 | **-** | - |
| Investment | **1,850,000** | - | **2,083,292** | 225,792 |
| Consumable Biological Asset | **679,515** | 678,715 | **679,515** | 678,715 |
| | **7,257,503** | 5,115,432 | **7,284,132** | 5,122,730 |
| **Current Assets** | | | | |
| Tea | **4,373,012** | 5,643,752 | **4,373,012** | 5,643,752 |
| Rubber | **2,184** | 7,720 | **2,184** | 7,720 |
| Mini Hydro Power | **141,962** | 123,601 | **-** | - |
| | **4,517,157** | 5,775,073 | **4,375,196** | 5,651,472 |
| **Total Assets** | **11,774,660** | 10,890,505 | **11,659,328** | 10,774,202 |
| **c) Segment Liabilities** | | | | |
| **Non Current Liabilities** | | | | |
| Tea | **2,505,525** | 2,405,413 | **2,505,525** | 2,405,413 |
| Mini Hydro Power | **3,557** | 3,328 | **-** | - |
| | **2,509,082** | 2,408,741 | **2,505,525** | 2,405,413 |
| **Current Liabilities** | | | | |
| Tea | **1,362,038** | 1,362,038 | **1,601,251** | 1,373,571 |
| Mini Hydro Power | **288,067** | 17,406 | **-** | - |
| | **1,650,104** | 1,379,444 | **1,601,251** | 1,373,571 |
| **Total Liabilities** | **4,159,187** | 3,788,185 | **4,106,776** | 3,778,984 |
| **d) Segment Capital Expenditure - Addition during the Year** | | | | |
| **Cost** | | | | |
| Tea | **578,802** | 537,362 | **578,802** | 537,362 |
| Rubber | **2,029** | 2,150 | **2,029** | 2,150 |
| Cinnamon | **64,471** | 53,312 | **64,471** | 53,312 |
| Others | **36,452** | 40,778 | **36,452** | 40,778 |
| | **681,755** | 633,602 | **681,755** | 633,602 |

# Notes to the Financial Statements

## 7. OTHER INCOME

| For the year ended 31st March, | Group 2026 Rs.'000 | Group 2025 Rs.'000 | Company 2026 Rs. '000 | Company 2025 Rs.'000 |
|---|---|---|---|---|
| Profit on Sale of Trees | 63,215 | 26,159 | 63,215 | 26,159 |
| Amortisation of Capital Grants | 5,951 | 9,046 | 5,951 | 9,046 |
| Profit on Disposal of Property,Plant & Equipments | 1,946 | 7016 | 1,946 | 7016 |
| Dividend Income | - | - | 9,418 | 24,894 |
| Lease of Land for Towers | 10,631 | 6,677 | 10,631 | 6,677 |
| Lease of Land for Vegetable Cultivation | 14,867 | 14,342 | 15,531 | 14,342 |
| Solar Income | 15,759 | 13,005 | 15,759 | 13,005 |
| Profit/(Loss) on Strawberry & Other Projects | 20,459 | 7,139 | 13,363 | 3,989 |
| | 132,828 | 83,384 | 135,814 | 105,128 |

## 8. FINANCE INCOME/ EXPENSE

| For the year ended 31st March, | Group 2026 Rs.'000 | Group 2025 Rs.'000 | Company 2026 Rs. '000 | Company 2025 Rs.'000 |
|---|---|---|---|---|
| **8.1 Finance Income** | | | | |
| Interest Income | 377,248 | 384,376 | 368,021 | 376,524 |
| Exchange Gain | 1,595 | 4 | 1,595 | 4 |
| | 378,842 | 384,380 | 369,615 | 376,528 |
| **8.2 Finance Expenses** | | | | |
| Overdraft Interest | (163) | (72) | (163) | (72) |
| Exchange Loss | (1) | (43) | (1) | (43) |
| Term Loan Interest | - | (69) | - | (69) |
| | (164) | (184) | (164) | (184) |
| **8.3 Interest Paid To Government and Other Leases** | | | | |
| Interest paid to Government on Lease | (65,353) | (61,765) | (65,352) | (61,765) |
| Interest paid on Other Lease | (4,364) | (5,658) | (4,364) | (5,658) |
| | (69,717) | (67,423) | (69,717) | (67,423) |
| **Net Finance Income** | 308,961 | 316,773 | 299,735 | 308,921 |

## 9. PROFIT BEFORE TAX IS STATED AFTER CHARGING

| | Group | | Company | |
|---|---|---|---|---|
| For the year ended 31st March, | 2026<br>Rs.'000 | 2025<br>Rs.'000 | 2026<br>Rs. '000 | 2025<br>Rs.'000 |
| Directors Emoluments | **111,124** | 53,594 | **111,124** | 53,594 |
| Emoluments of Other Key Management | **43,320** | 35,760 | **43,320** | 35,760 |
| Auditors Fees - Financial | **7,311** | 7,269 | **6,762** | 6,762 |
| - Non Financial Sustainability | **3,200** | 3,152 | **3,200** | 3,152 |
| Non Audit Services | **2,768** | 1,460 | **2,088** | 1,031 |
| **Depreciation/Amortisation** | | | | |
| - Right of Use asset-land | **20,054** | 18,585 | **20,051** | 18,581 |
| - Right of Use asset-building | **12,338** | 11,887 | **12,338** | 11,887 |
| - Right of Use asset-Immovable assets | **2,269** | 2,269 | **2,269** | 2,269 |
| - Intangible assets | **2,342** | 2,342 | **1,467** | 1,467 |
| - Tangible Property, Plant & Equipment | **190,788** | 135,855 | **174,545** | 119,594 |
| - Bearer Biological Assets | **101,919** | 90,226 | **101,919** | 90,226 |
| | **326,906** | 261,161 | **312,589** | 244,025 |
| Donations | **805** | 1,826 | **805** | 1,826 |
| Impairmment for Trade and Other Receivables | **1,239** | 1,802 | **1,239** | 1,802 |
| Provision for Write-Off of Inventores | **1,461** | 2,344 | **1,461** | 2,344 |
| Research & Development Cost | **14,136** | 36,458 | **14,136** | 36,458 |
| **Staff Costs** | | | | |
| Defined Benefit Plan Costs | **201,363** | 179,856 | **200,760** | 179,084 |
| Worker Related Other Costs | **1,138,003** | 1,198,418 | **1,138,003** | 1,198,418 |
| Defined Contributions Plan Costs - EPF & ETF | **252,613** | 226,889 | **251,172** | 225,729 |
| Workers/Staff Costs | **2,292,210** | 2,003,088 | **2,277,888** | 1,988,765 |

## 10. TAX EXPENSE

| | Group | | Company | |
|---|---|---|---|---|
| For the year ended 31st March, | 2026<br>Rs.'000 | 2025<br>Rs.'000 | 2026<br>Rs. '000 | 2025<br>Rs.'000 |
| **10.1 Income Statement** | | | | |
| **Income Tax Expense** | | | | |
| Current Income Tax Charge | **372,695** | 473,032 | **365,579** | 459,839 |
| Under/(over) provision in respect of previous year | **3,957** | 2,795 | **3,957** | 2,795 |
| | **376,651** | 475,827 | **369,536** | 462,634 |
| **Deferred Tax Expense** | | | | |
| Deferred Taxation Charge/(Reversal) | **49,685** | 59,918 | **49,802** | 59,753 |
| | **49,685** | 59,918 | **49,802** | 59,753 |
| **Total Tax Expense** | **426,336** | 535,745 | **419,338** | 522,387 |
| **10.2 Statement of Comprehensive Income** | | | | |
| Deferred tax related to items charged or credited directly to OCI during the year; | | | | |
| Net (gain)/loss on actuarial retirement benefit obligation | **16,392** | 69,594 | **16,467** | 69,568 |
| **Income tax charged directly to other comprehensive income** | **16,392** | 69,594 | **16,467** | 69,568 |

# Notes to the Financial Statements

## 10. INCOME TAX EXPENSE (CONTD.)

### 10.3 Reconciliation Between Tax Expenses and the Product of Accounting

Profit multiplied by the Statutory Effective tax rates are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| For the year ended 31st March, | 2026 Rs.'000 | 2025 Rs.'000 | 2026 Rs. '000 | 2025 Rs.'000 |
| Profit Before Tax | 1,352,388 | 1,770,584 | 1,389,869 | 1,753,631 |
| Aggregate Disallowable Expenses | 633,287 | 511,076 | 586,493 | 511,076 |
| Aggregate Tax deductible Expenses | (754,178) | (730,084) | (748,346) | (730,084) |
| Total statutory income | 1,231,497 | 1,551,576 | 1,228,016 | 1,534,623 |
| Taxable income from Business Income | 761,201 | 1,110,922 | 761,201 | 1,110,922 |
| Taxable income from subsidiaries | 3,672 | 62,036 | - | - |
| Other sources of Income | 476,042 | 423,701 | 466,815 | 423,701 |
| Total statutory income | 1,240,915 | 1,596,659 | 1,228,016 | 1,534,623 |
| Qualifying Payments | - | (1,826) | - | (1,826) |
| Tax exempt income | (9,418) | - | (9,418) | - |
| Total Taxable Income | 1,231,497 | 1,594,833 | 1,218,598 | 1,532,797 |
| Income Tax @ 20% | 588 | 10,837 | - | - |
| Income Tax @ 30% | 370,445 | 462,195 | 365,579 | 459,839 |
| Dividend Tax @ 15% | 1,662 | - | - | - |
| Income tax on current year profit | 372,695 | 473,032 | 365,579 | 459,839 |

The applicable tax rates are of the Group,

| Taxable income source | Description | Effective tax rate (%) |
|---|---|---|
| Business Income | Tax on taxable income at normal rate | 30.00% |
| Hydro Companies | Tax on taxable income at concessionary | 20.00% |
| Dividend Income | Tax on taxable income at normal rate | 15.00% |
| Other Investment Income | Tax on balance taxable income at normal rate | 30.00% |

### 10.4 Deferred Tax (Assets) and Liabilities

| For the year ended 31st March, | 2026 Temporary Difference Rs.'000 | 2026 Tax Effect Rs.'000 | 2025 Temporary Difference Rs.'000 | 2025 Tax Effect Rs.'000 |
|---|---|---|---|---|
| **As at 1 April** | **2,115,257** | **634,808** | 2,147,274 | 644,483 |
| Amount originating during the year | **111,745** | **33,293** | (32,016) | (9,675) |
| **As at 31 March** | **2,227,002** | **668,101** | 2,115,257 | 634,808 |
| | | | | |
| Temporary difference of Right of Use Asset | **451,262** | **135,379** | 455,855 | 136,750 |
| Temporary difference of Property, Plant and Equipment | **561,145** | **168,343** | 546,543 | 164,332 |
| Temporary difference of Bearer Biological Assets | **2,381,278** | **714,383** | 2,205,728 | 661,069 |
| Temporary difference of Consumable Biological Assets | **679,515** | **203,855** | 678,715 | 203,615 |
| Temporary difference of Produce on Bearer Biological Assets | **20,268** | **6,080** | 32,049 | 9,615 |
| Temporary difference of Unrealized Exchange Gain | **1,593** | **478** | (6,352) | (1,694) |
| Temporary difference of Inventory | **(5,214)** | **(1,564)** | (40) | (1,694) |
| Temporary difference of Bad Debt Provisions | **(3,000)** | **(900)** | (2,344) | (703) |
| Temporary difference of Retirement Benefit Obligation | **(1,236,685)** | **(371,005)** | (1,182,334) | (354,375) |
| Temporary difference of Deferred Income | **(133,134)** | **(39,940)** | (136,216) | (40,865) |
| Temporary difference of Lease Liability | **(490,026)** | **(147,008)** | (476,346) | (142,924) |
| As at 31 March | **2,227,002** | **668,101** | 2,115,257 | 634,808 |
| | | | | |
| **Company** | | | | |
| As at 1 April | **2,117,563** | **635,269** | 2,150,281 | 645,084 |
| Amount originating during the year | **111,118** | **33,335** | (32,717) | (9,815) |
| **As at 31 March** | **2,228,681** | **668,604** | 2,117,564 | 635,269 |
| | | | | |
| Temporary difference of Right-of-use asset | **443,055** | **132,916** | 455,794 | 136,738 |
| Temporary difference of Investment Property | **8,162** | **2,449** | - | - |
| Temporary difference of Property, Plant and Equipment | **559,085** | **167,726** | 543,453 | 163,685 |
| Temporary difference of Bearer Biological Assets | **2,381,278** | **714,383** | 2,205,728 | 661,069 |
| Temporary difference of Consumable Biological Assets | **679,515** | **203,855** | 678,715 | 203,615 |
| Temporary difference of Produce on Bearer Biological Assets | **20,268** | **6,080** | 32,049 | 9,615 |
| Temporary difference of Unrealized Exchange Gain | **1,593** | **478** | (40) | (12) |
| Temporary difference of Inventory | **(3,805)** | **(1,142)** | (4,239) | (1,272) |
| Temporary difference of Bad Debt Provisions | **(3,000)** | **(900)** | (2,344) | (703) |
| Temporary difference of Retirement Benefit Obligation | **(1,234,366)** | **(370,310)** | (1,179,084) | (353,725) |
| Temporary difference of Deferred Income | **(133,134)** | **(39,940)** | (136,216) | (40,865) |
| Temporary difference of Lease Liability | **(489,970)** | **(146,991)** | (476,252) | (142,876) |
| **As at 31 March** | **2,228,681** | **668,604** | 2,117,564 | 635,269 |

The effective tax rate used to calculate deferred tax liability for all the temporary difference as at 31 March 2026 is 30% (2024/25-30%) for the Company & Group.

# Notes to the Financial Statements

## 10. TAX EXPENSE (CONTD.)

### 10.4 Deferred Tax (Assets) and Liabilities (Contd.)

| For the year ended 31st March, | Group | | Company | |
|---|---|---|---|---|
| | 2026 Rs.'000 | 2025 Rs.'000 | 2026 Rs. '000 | 2025 Rs.'000 |
| Deferred Tax Assets | **(504)** | (461) | **-** | - |
| Deferred Tax Liabilities | **668,604** | 635,269 | **668,604** | 635,269 |
| | **668,101** | 634,808 | **668,604** | 635,269 |

Deferred taxes of the Company is computed at the rate of 30% (2024/25-30%)

## 11. EARNINGS PER SHARE

### 11.1 Basic Earnings Per Share

The calculation of the basic earnings per share is based on the profit attributable to owners of the parent and the weighted average number of ordinary shares outstanding during the year.

### 11.2 Diluted Earnings Per Share

The calculation of diluted earnings per share is based on the profit attributable to owners of the parent and the weighted average number of ordinary shares outstanding after adjustment for the effect of all dilutive potential ordinary shares.

There were no potentially dilutive ordinary shares outstanding at any time during the year/previous year.

Basic/diluted earning per share calculated as follows.

| For the year ended 31st March, | Group | | Company | |
|---|---|---|---|---|
| | 2026 Rs.'000 | 2025 Rs.'000 | 2026 Rs. '000 | 2025 Rs.'000 |
| **Amounts used as the Numerator :** | | | | |
| Net profit attributable to equity holders of the parent | **926,052** | 1,234,839 | **970,531** | 1,231,244 |
| **Amounts used as the Denominator :** | | | | |
| Weighted average number of ordinary shares of the parent | **47,500,000** | 47,500,000 | **47,500,000** | 47,500,000 |
| Basic/Diluted Earnings Per Share (Rs.) | **19.50** | 26.00 | **20.43** | 25.92 |

### 11. 3 Dividend Per Share

| For the year ended 31st March, | Group/Company | |
|---|---|---|
| | 2026 Rs. '000 | 2025 Rs.'000 |
| First interim dividend Rs. 1.74 per share, Second interim dividend Rs. 1.55 per share & Third interim dividend Rs. 4.60 per share | **374,775** | - |
| (2024/25-First interim dividend Rs. 2.25 per share & Second interim dividend Rs. 2.50 per share) Third interim dividend Rs. 2.40 per share | **-** | 339,625 |
| Basic/Diluted Earnings Per Share (Rs.) | **374,775** | 339,625 |
| Number of Ordinary Shares (000') | **47,500** | 47,500 |
| Dividend per share (Rs.) | **7.89** | 7.15 |

## 12. RIGHT OF USE ASSETS

| As at 31 March | Notes | Group 2026 Rs.'000 | Group 2025 Rs.'000 | Company 2026 Rs. '000 | Company 2025 Rs.'000 |
|---|---|---|---|---|---|
| Right of use asset-Land | 12.1 | **386,116** | 376,335 | **377,153** | 376,274 |
| Right of use asset-Building | 12.2 | **22,231** | 33,580 | **22,231** | 33,580 |
| Right of use asset-Immovable estate assets | 12.3 | **43,671** | 45,940 | **43,671** | 45,940 |
| | | **452,017** | 455,855 | **443,055** | 455,794 |

### 12.1 Right of use asset-Land

This Right-of-use asset-land is amortized over the remaining lease term or useful life of the right whichever is shorter and is disclosed under non-current assets. An adjustment to the "Right-of-use asset-land" could be made to the extent that the change relate to the future period on the reassessment of lease liability. The lease liability as at 01 April 2019 has been reassessed under the provisions of SLFRS 16 and both "Right-of-use asset-land" and "Lease Liability" has been enhanced."Right-of-use asset-land" have been executed for all estates for a period of 53 years. The Unexpired period of the lease as at the statement of Financial Position date is 20.25 years.

| As at 31 March | Group 2026 Rs.'000 | Group 2025 Rs.'000 | Company 2026 Rs. '000 | Company 2025 Rs.'000 |
|---|---|---|---|---|
| **Cost** | | | | |
| As at 1st April | **394,934** | 326,441 | **394,855** | 326,361 |
| Transferred in due to reassessment of lease liability. | **(18,581)** | (14,668) | **(18,581)** | (14,668) |
| Transferred to Investment Property (Note 13) | **-** | - | **(8,904)** | - |
| Reassessment of lease Liability at beging of the period | **29,835** | 83,162 | **29,835** | 83,162 |
| As at 31st March | **406,188** | 394,935 | **397,204** | 394,855 |
| **Amortisation** | | | | |
| As at 1st April | **18,600** | 14,683 | **18,581** | 14,668 |
| Transferred out Due to Reassessment of Lease Liability | **(18,581)** | (14,668) | **(18,581)** | (14,668) |
| Amortisation charge for the year | **20,054** | 18,585 | **20,051** | 18,581 |
| As at 31st March | **20,072** | 18,600 | **20,051** | 18,581 |
| Written Down Value | **386,116** | 376,335 | **377,153** | 376,274 |

# Notes to the Financial Statements

## 12. RIGHT OF USE ASSETS (CONTD.)

### 12.2 Right of use asset-Building

Talawakelle Tea Estates PLC (Head Office) as a tenant, occupying a building which belongs to Hayleys PLC (Ultimate Parent) and which was previously accounted as an operating lease under LKAS 17. Since, the SLFRS 16 supersedes LKAS 17 Leases, The Company adopted SLFRS 16 using the modified retrospective method of adoption to above lease arrangement. The effect to the Statement of Financial Position and depreciation of building to 31 March 2026 are as follows:

| As at 31 March | Group | | Company | |
|---|---|---|---|---|
| | 2026<br>Rs.'000 | 2025<br>Rs.'000 | 2026<br>Rs. '000 | 2025<br>Rs.'000 |
| **Cost** | | | | |
| As at 1st April | **45,468** | 55,347 | **45,468** | 55,347 |
| Transferred in due to reassessment of lease liability | **(11,887)** | (11,229) | **(11,887)** | (11,225) |
| Reassessment of lease Liability at beging of the period | **989** | 1,345 | **989** | 1,345 |
| As at 31st March | **34,569** | 45,467 | **34,569** | 45,467 |
| **Amortisation** | | | | |
| As at 1st April | **11,887** | **11,225** | **11,887** | **11,225** |
| Transferred out due to reassessment of lease liability | **(11,887)** | (11,225) | **(11,887)** | (11,225) |
| Amortization charge for the year | **12,338** | 11,887 | **12,338** | 11,887 |
| As at 31st March | **12,338** | 11,887 | **12,338** | 11,887 |
| Written Down Value | **22,231** | 33,580 | **22,231** | 33,580 |

### 12.3 Right of use assets-Immovable Estate Assets

At the time of privatisation of plantation estates, all immovable assets in these estates have been taken into the books of the Company retroactive to 22nd June 1992 under finance lease. These assets have been accounted in accordance with SLFRS 16 - Leases.

| As at 31 March | Group/Company | | | | | |
|---|---|---|---|---|---|---|
| | Improvement to Land<br>Rs.'000 | Mature Plantations<br>Rs.'000 | Buildings<br>Rs.'000 | Plant & Machinery<br>Rs.'000 | 2026 Total<br>Rs.'000 | 2025 Total<br>Rs.'000 |
| **Cost/ Revaluation** | | | | | | |
| Revaluation as at 22.06.1992 | 9,084 | 243,838 | 63,826 | 12,007 | **328,755** | 328,755 |
| Disposal during the period | - | - | (4,304) | (694) | **(4,998)** | - |
| As at 31 March | 9,084 | 243,838 | 59,522 | 11,313 | **323,756** | 328,755 |
| **Accumulated Amortisation** | | | | | | |
| As at 1st April | 7,834 | 199,147 | 63,826 | 12,007 | **282,815** | 280,546 |
| Amortisation charge for the year | 62 | 2,208 | - | - | **2,269** | 2,269 |
| Disposal during the period | - | - | (4,304) | (694) | **(4,998)** | - |
| As at 31 March | 7,896 | 201,355 | 59,522 | 11,313 | **280,086** | 282,815 |
| **Written Down Value** | 1,188 | 42,483 | - | - | **43,671** | 45,940 |

## 13 . INVESTMENT PROPERTY

The Company holds investment properties comprising estate land leased to Hayleys Produce Marketing Limited (fully owned subsidiary) for income generation. The investment properties are recognized in the financial statements in accordance with LKAS 40 – "Investment Property".

| Estate | Area (ha) | Lease Agreement Effective Date | Initial Cost Rs. '000 |
|---|---|---|---|
| Great Western | 82.1 | 03 November 2025 | 7,444 |
| Logie | 16.24 | 03 November 2025 | 1,470 |

| | Company | |
|---|---|---|
| As at 31 March | 2026 Rs. '000 | 2025 Rs.'000 |
| **Fair value :** | | |
| At the beginning of the year | - | - |
| Addition | 8,904 | - |
| Change in fair value during the year | (742) | - |
| At end of the year | 8,162 | - |

The fair value of investment property as at 31 March 2026 was LKR 8,161,814/=, determined based on:

| | Significant Inputs | | |
|---|---|---|---|
| Valuation Technique | Market Rental Rs. | Discount Rate | Tenors period |
| Income Approach (Discounted Cash Flows) | 204,875 | 14% | 5 Years |

The fair value measurement is classified as Level 3 in the fair value hierarchy due to the use of significant unobservable inputs.

| | Company | |
|---|---|---|
| For the year ended 31st March, | 2026 Rs. | 2025 Rs. |
| Rent Income from Investment Properties | 171,042 | - |

## 14. A. TANGIBLE ASSETS OTHER THAN IMMATURE / MATURE PLANTATIONS

| | Group | | | | | Company | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Balance as at 01.04.2025 Rs.'000 | Additions for the Year Rs.'000 | Disposals during the Year Rs.'000 | Transfer from/ (to) during the Year Rs.'000 | Balance as at 31.03.2026 Rs.'000 | Balance as at 01.04.2025 Rs.'000 | Additions for the Year Rs.'000 | Disposals during the Year Rs.'000 | Transfer from/ (to) during the Year Rs.'000 | Balance as at 31.03.2026 Rs.'000 |
| **Cost** | | | | | | | | | | |
| Buildings | 1,109,094 | 43,188 | (5,069) | (18,782) | 1,128,430 | 1,109,094 | 43,188 | (5,069) | (18,782) | 1,128,430 |
| Motor Vehicles | 469,028 | 250,471 | (21,384) | - | 698,115 | 469,028 | 250,471 | (21,384) | - | 698,115 |
| Plant & Machinery | 1,490,686 | 45,830 | (13,147) | 18,782 | 1,542,152 | 1,004,986 | 45,830 | (13,147) | 18,782 | 1,056,451 |
| Furniture & Fittings | 25,361 | 516 | (55) | - | 25,823 | 25,361 | 516 | (55) | - | 25,823 |
| Equipment & Tools | 186,027 | 26,367 | (11,585) | - | 200,810 | 184,873 | 26,367 | (11,585) | - | 199,655 |
| | 3,280,197 | 366,372 | (51,240) | - | 3,595,329 | 2,793,341 | 366,372 | (51,240) | - | 3,108,474 |

# Notes to the Financial Statements

### 14. A. TANGIBLE ASSETS OTHER THAN IMMATURE / MATURE PLANTATIONS (CONTD.)

| | Group | | | | | Company | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Balance as at 01.04.2025 Rs.'000 | Additions for the Year Rs.'000 | Disposals during the Year Rs.'000 | Transfer from/ (to) during the Year Rs.'000 | Balance as at 31.03.2026 Rs.'000 | Balance as at 01.04.2025 Rs.'000 | Additions for the Year Rs.'000 | Disposals during the Year Rs.'000 | Transfer from/ (to) during the Year Rs.'000 | Balance as at 31.03.2026 Rs.'000 |
| **Accumulated Depreciation** | | | | | | | | | | |
| Buildings | 257,107 | 45,828 | (2,890) | (475) | **299,570** | 250,893 | 46,303 | (2,890) | (475) | **293,830** |
| Motor Vehicles | 329,298 | 64,134 | (21,385) | - | **372,048** | 329,298 | 64,134 | (21) | - | **372,048** |
| Plant & Machinery | 828,550 | 60,573 | (10,761) | 475 | **878,836** | 566,919 | 43,908 | (11) | 475 | **600,541** |
| Furniture & Fittings | 10,685 | 1,880 | (50) | - | **12,515** | 10,685 | 1,880 | (50) | - | **12,515** |
| Equipment & Tools | 144,330 | 18,374 | (11,256) | - | **151,448** | 143,293 | 18,320 | (11,256) | - | **150,357** |
| | 1,569,971 | 190,788 | (46,341) | - | **1,714,418** | 1,301,088 | 174,545 | (46,341) | - | **1,429,291** |
| **Written Down Value** | 1,710,226 | | | | **1,880,911** | 1,492,254 | | | | **1,679,183** |

| | Group | | | | | Company | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Balance as at 01.04.2025 Rs.'000 | Additions for the Year Rs.'000 | Charged to the revenue during the Year Rs.'000 | Transfer from/ (to) during the Year Rs.'000 | Balance as at 31.03.2026 Rs.'000 | Balance as at 01.04.2025 Rs.'000 | Additions for the Year Rs.'000 | Charged to the revenue during the Year Rs.'000 | Transfer from/ (to) during the Year Rs.'000 | Balance as at 31.03.2026 Rs.'000 |
| Capital Work in Progress | 55,139 | 8,959 | (1,716) | (60,576) | **1,805** | 55,139 | 8,959 | (1,716) | (60,576) | **1805** |
| **Total Written Down Value** | 1,765,365 | | | | **1,882,717** | 1,547,393 | | | | **1,680,988** |

**Note** : The assets shown above are those movable assets vested in the Company by Gazette Notification at the date of formation of the Company (22nd June 1992) and all investments in tangible assets by the Company since its formation. The assets taken over by way of estate leases are set out in Notes 12.

No borrowing costs have been capitalised into Capital Work-in-Progress.

The cost of fully depreciated Property, Plant & Equipment of the Company & Group which are still in use as at the date of the Statement of Financial Position is Rs. 727.9 Mn- (2024/2025-Rs. 762.5 Mn).

### FULLY DEPRECIATED PROPERTY, PLANT & EQUIPMENT

| As at 31 March | Group 2026 Rs.'000 | Group 2025 Rs.'000 | Company 2026 Rs. '000 | Company 2025 Rs.'000 |
|---|---|---|---|---|
| Furniture & Fitting | **7,120** | 9,243 | **7,120** | 9,243 |
| Office Equipments | **127,158** | 162,899 | **126,185** | 162,884 |
| Plant & Machinery | **381,228** | 372,753 | **381,228** | 372,753 |
| Free Hold Motor vehicle | **212,364** | 217,629 | **212,364** | 217,629 |
| | **727,869** | 762,524 | **726,896** | 762,509 |

## 14. B. BEARER BIOLOGICAL ASSETS

| | Group/Company | | | | | |
|---|---|---|---|---|---|---|
| | Permanent Land Development Cost Rs.'000 | Roads Rs.'000 | Immature Plantations Rs.'000 | Mature Plantations Rs.'000 | 2026 Total Rs.'000 | 2025 Total Rs.'000 |
| **Cost** | | | | | | |
| *As at 1st April | 23,172 | 85,730 | 659,041 | 2,696,782 | **3,464,726** | 3,216,999 |
| Additions | - | - | 288,785 | (4,046) | **292,830** | 248,245 |
| Write off during the year | - | - | (248) | (26,408) | **(26,656)** | (517,786) |
| Transfers to mature | - | - | (203,033) | 203,033 | **-** | - |
| | 23,172 | 85,730 | 744,545 | 2,877,452 | **3,730,900** | |
| Provision for Immature | - | - | (5,138) | - | **(5,138)** | - |
| **As at 31st March** | 23,172 | 85,730 | 739,407 | 2,877,452 | **3,725,762** | 3,464,726 |
| **Accumulated Amortisation** | | | | | | |
| As at 1st April | 14,660 | 83,027 | - | 1,161,311 | **1,258,998** | 1,168,772 |
| Amortisation charge for the year | 420 | 541 | - | 100,958 | **101,919** | 90,226 |
| Write off during the year | - | - | - | (16,433) | **(16,433)** | - |
| **As at 31st March** | 15,081 | 83,568 | - | 1,245,836 | **1,344,484** | 1,258,998 |
| **Written Down Value** | | | | | | |
| **As at 31st March** | 8,091 | 2,163 | 739,407 | 1,631,616 | **2,381,278** | 2,205,728 |

### 14.B.1. Immature Plantations

| | Tea Rs.'000 | Rubber Rs.'000 | Cinnamon Rs.'000 | Diversification Rs.'000 | 2026 Total Rs.'000 | 2025 Total Rs.'000 |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| At the beginning of the year | 435,153 | 9,837 | 113,948 | 100,103 | **659,041** | 541,663 |
| Additions | 203,471 | 2,029 | 64,471 | 18,813 | **288,785** | 245,540 |
| Transfer to Mature | (161,598) | - | (27,684) | (13,752) | **(203,033)** | (127,644) |
| Write off during the year | - | - | - | (248) | **(248)** | (518) |
| | 477,026 | 11,867 | 150,735 | 104,917 | **744,545** | 659,041 |
| Provision for Immature | - | - | - | (5,138) | **(5,138)** | - |
| **At the end of the year** | 477,026 | 11,867 | 150,735 | 99,780 | **739,407** | 659,041 |

### 14.B.2. Mature Plantations

| | Tea Rs.'000 | Rubber Rs.'000 | Cinnamon Rs.'000 | Diversification Rs.'000 | 2026 Total Rs.'000 | 2025 Total Rs.'000 |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| At the beginning of the year | 2,514,832 | 140,192 | 41,758 | - | **2,696,782** | 2,569,138 |
| Additions | - | - | - | 4,046 | **4,046** | - |
| Transfer from immature | 161,598 | - | 27,684 | 13,752 | **203,033** | 127,644 |
| Write off during the year | - | (26,408) | - | - | **(26,408)** | - |
| **At the end of the year** | 2,676,430 | 113,784 | 69,442 | 17,797 | **2,877,452** | 2,696,782 |
| **Amortisation** | | | | | | |
| At the beginning of the year | 1,084,756 | 70,079 | 6,477 | - | **1,161,311** | 1,071,507 |
| Charge for the year | 89,326 | 6,479 | 3,126 | 2,026 | **100,958** | 89,804 |
| Write off during the year | - | (16,433) | - | - | **(16,433)** | - |
| **At the end of the year** | 1,174,082 | 60,125 | 9,603 | 2,026 | **1,245,836** | 1,161,311 |

# Notes to the Financial Statements

## 14. B. BEARER BIOLOGICAL ASSETS (CONTD.)

### 14.B.2. Mature Plantations (Contd.)

*The figures above are stated after adjusting for assets handed over to Tea Smallholdings Development Authority.

These are investments in immature/ mature plantations since the formation of the Company. The assets (including plantation assets) taken over by way of estate leases are set out in Notes 12. Further investment in immature plantations taken over by way of these leases are shown in the above note. When such plantations become mature, the additional investments, since initial investment to bring them to maturity, will be moved from immature to mature under this note.

The borrowing costs were not capitalized during the period under Immature Plantations (2024/2025-Nil).

The addition of Rs. 289 Mn (2024/25- Rs. 245 Mn) shown above includes the following costs among other costs incurred during the year in respect of Uprooting and Planting of Tea, Rubber, Cinnamon and Others.

| | Group / Company | | | |
|---|---|---|---|---|
| | 2026 | | 2025 | |
| As at 31 March | Extent - ha | Rs.'000 | Extent - ha | Rs.'000 |
| **Uprooting during the Year** | | | | |
| - Tea | **27.30** | **32,010** | 41.50 | 30,869 |
| | **27.30** | **32,010** | 41.50 | 30,869 |
| **Planting during the Year** | | | | |
| - Tea | **20.95** | **97,562** | 28.78 | 73,165 |
| - Cinnamon | **27.99** | **25,103** | 17.75 | 30,019 |
| | **48.94** | **122,665** | 46.53 | 103,230 |

## 14. C. CONSUMABLE BIOLOGICAL ASSETS

### TIMBER PLANTATIONS - MANAGED TREES

| | Group / Company | |
|---|---|---|
| As at 31 March | 2026<br>Rs.'000 | 2025<br>Rs.'000 |
| As at 1 April | **678,715** | 664,576 |
| Increase due to development | **17,639** | 22,871 |
| Transfer From Immature Planation | **-** | 518 |
| Gain/(loss) arising from changes in fair value less cost to sell attributable to physical change | **4,281** | 14,561 |
| Derecognition due to falling under the reservation area | **(5,150)** | - |
| Decrease due to harvest | **(15,970)** | (23,810) |
| **As at 31 March** | **679,515** | 678,715 |

### 14. C.1 Basis of Valuation

Under LKAS 41 - Agriculture the company has valued its managed plantations at fair value less cost to sell. Managed timber plantations as at 31st March 2026 comprised approximately 627.81 hectares

Managed trees include commercial timber plantations cultivated on estates. The cost of immature trees is treated as approximate fair value particularly on the ground of little biological transformation has taken place and impact of the biological transformation on price is not material. When such Plantations become mature, the additional investments since taken over to bring them to maturity are transferred from Immature to Mature.

The carrying amount of biological assets pledged as securities for liabilities as at the date of the statement of financial position is nill (2024/2025-nil).

The fair value of matured managed trees were ascertained in accordance with SLFRS 13.The valuation was carried by Messer's KPMG Real Estate & Valuation Services (Pvt) Ltd, chartered valuation surveyors, using Discounted Cash Flow (DCF) methods. In ascertaining the fair value of timber, a physical verification was carried out covering all the estates.

#### 14.C.1a Change in fair value of Biological Assets & Investment Property

| | Group / Company | | | |
|---|---|---|---|---|
| As at 31 March | 2026<br>Rs.'000 | 2025<br>Rs.'000 | 2026<br>Rs.'000 | 2025<br>Rs.'000 |
| Fair value of Investment Property (Note 13) | **-** | - | **(742)** | - |
| Change in fair value of consumable biological assets (Note 14 C) | **4,281** | 14,561 | **4,281** | 14,561 |
| Change in fair value of produce on bearer biological assets (Note 17) | **(11,781)** | 9,451 | **(11,781)** | 9,451 |
| | **(7,499)** | 24,012 | **(8,242)** | 24,012 |

### 14. C. 2. Information about Fair Value Measurements using Significant Unobservable Inputs (Level 3)

| Non Financial Asset | Valuation Technique | Unobservable Inputs | Range of Unobservable Inputs (Probability weighted average.) 2026 | 2025 | Relationship of Unobservable Inputs to Fair Value |
|---|---|---|---|---|---|
| Consumable Managed Biological Assets | DCF | Discounting Rate | **13.00%** | 13.00% | The higher the discount rate, the lesser the fair value |
| | | Optimum rotation (Maturity) | **15-25 Years** | 15-25 Years | Lower the rotation period, the higher the fair value |
| | | Volume at rotation | **25-190 cu.ft** | 25-190 cu.ft | The higher the volume, the higher the fair value |
| | | Price per cu.ft. | **Rs. 166/- to Rs. 2,009/-** | Rs. 60/- to Rs. 2,300/- | The higher the price per cu. ft., the higher the fair value |

**Other key assumptions used in valuation**

1. The harvesting is approved by the PMMD and the Forest Department based on the Forestry Development Plan.
2. The prices adopted are net of expenditure.
3. Though the replanting is a condition precedent for harvesting yet the costs are not taken in to consideration.

The valuations, as presented in the external valuation models based on net present values, take into account the long term exploitation of the timber plantations. The Board of Directors retains their view that commodity markets are inherently volatile and that long term price projections are highly unpredictable. It does, nevertheless, concern the Directors that no estimate can ever be completely accurate. Moreover, in the case of the Group's biological assets, small differences in valuation assumptions can have quite disproportionate effect on results. Therefore, the Board of Directors is of the opinion that the sensitivity analysis regarding selling price and discount rate variations as included in this note allows every investor to reasonably challenge the financial impact of the assumptions used in the SLFRS 13 / LKAS 41 valuations as included in the consolidated accounts against his own assumptions.

The biological assets of the Company are mainly cultivated in leased lands. When measuring the fair value of the biological assets it was assumed that these concession can and will be renewed at normal circumstances. Timber content expects to be realized in future and is included in the calculation of the fair value that takes into account the age of the timber plants and not the expiration date of the lease.

### 14. C.3. The Company is exposed to the following risks relating to its live tree plantation:-

#### 14.C.3.1 Regulatory and Environmental Risks

The Company is subject to laws and regulations in Sri Lanka. The Company has established environmental policies and procedures aimed at compliance with local environmental and other laws. Management performs regular reviews to identify environmental risks and to ensure that the systems in place are adequate to manage those risks.

#### 14.C.3.2 Supply and Demand Risks

The Company is exposed to risks arising from fluctuations in the price and sales volume of timber. When possible the Company manages this risk by aligning its harvest volume to market supply and demand. Management performs regular industry trend analysis to ensure that the Company's pricing structure is in line with the market and to ensure that projected harvest volumes are consistent with the expected demand.

# Notes to the Financial Statements

## 14. C. CONSUMABLE BIOLOGICAL ASSETS (CONTD.)

### 14.C.3.3 Climate and Other Risks

The Company's live tree plantations are exposed to the risk of damage from climatic changes, diseases, forest fires and other natural forces. The Company has extensive processes in place aimed at monitoring and mitigating those risks, including regular forest health inspections and industry pest and disease surveys.

**Sensitivity Variation Sales Price**

Values as appearing in the Statement of Financial Position are very sensitive to price changes with regard to the average sales prices applied. Simulations made for timber show that a rise or decrease by 10% of the estimated future selling price has the following effect on the net present value of biological assets:

| As at 31 March | Rs.'000 | Rs.'000 |
|---|---|---|
| Managed Timber | 10% | (10%) |
| **As at 31 March 2026** | **57,573** | **(57,573)** |
| As at 31 March 2025 | 57,456 | (57,456) |

**Sensitivity Variation Discount Rate**

Values as appearing in the Statement of Financial Position are very sensitive to changes of the discount rate applied. Simulations made for timber trees show that a rise or decrease by 1% of the discount rate has the following effect on the net present value of biological assets:

| As at 31 March | Rs.'000 | Rs.'000 |
|---|---|---|
| | 1% | (1%) |
| **As at 31 March 2026** | **(2,772)** | **2,937** |
| As at 31 March 2025 | (3,225) | 3,478 |

## 14.D. INTANGIBLE ASSETS

| Group | Development Cost Rs.'000 | ERP System Rs.'000 | Goodwill Rs.'000 | 2026 Total Rs.'000 | 2025 Total Rs.'000 |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| As at 1st April | 18,297 | 14,668 | - | **32,965** | 32,965 |
| Acquisition during the year | - | - | 3,630 | **3,630** | - |
| As at 31 March | 18,297 | 14,668 | 3,630 | **36,595** | 32,965 |
| **Accumulated Amortisation** | | | | | |
| As at 1st April | 17,421 | 5,359 | - | **22,780** | 21,314 |
| Amortization charge for the year | 876 | 1,467 | - | **2,342** | 2,342 |
| As at 31 March | 18,297 | 6,826 | - | **25,123** | 23,656 |
| **Written Down Value** | - | 7,842 | 3,630 | **11,472** | 9,309 |

| Company | Development Cost Rs.'000 | ERP System Rs.'000 | Goodwill Rs.'000 | 2026 Total Rs.'000 | 2025 Total Rs.'000 |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| As at 1st April | - | 14,668 | - | 14,668 | 14,668 |
| Acquisition during the year | - | - | - | - | - |
| As at 31 March | - | 14,668 | - | 14,668 | 14,668 |
| **Accumulated Amortisation** | | | | | |
| As at 1st April | - | 5,359 | - | 5,359 | 3,892 |
| Amortization charge for the year | - | 1,467 | - | 1,467 | 1,467 |
| As at 31 March | - | 6,826 | - | 6,826 | 5,359 |
| **Written Down Value** | - | 7,842 | - | 7,842 | 9,309 |

## 15. INVESTMENTS IN SUBSIDIARIES

Talawakelle Tea Estates PLC holds 6,900,000 (100%) ordinary shares of TTEL Hydro Power Company (Pvt) Ltd. and 6,000,000 (100%) ordinary shares of TTEL Somerset Hydro Power (Pvt) Ltd., and 14% redeemable cumulative preference shares of Rs.10/- each of TTEL Hydro Power Company (Pvt) Ltd. and TTEL Somerset Hydro Power (Pvt) Ltd. amounting to Rs. 53,109,300/= and Rs. 16,035400/= respectively redeemable at the option of the investee.

In 29th December 2025, the company acquired the 100% stake in Hayleys Produce Marketing Limited for the consideration of Rs. 7,500,000/=.

| As at 31 March | Company 2026 Number of Shares Rs.'000 | Company 2026 Rs.'000 | Company 2025 Number of Shares Rs.'000 | Company 2025 Rs.'000 |
|---|---|---|---|---|
| **Ordinary Shares** | | | | |
| TTEL Hydro Power Company (Pvt) Ltd | **6,900** | **74,556** | 6,900 | 74,556 |
| Acquistion during the year | - | - | - | - |
| | **6,900** | **74,556** | 6,900 | 74,556 |
| TTEL Somerset Hydro Power (Pvt) Ltd | **6,000** | **82,092** | 6,000 | 82,092 |
| Acquistion during the year | - | - | - | - |
| | **6,000** | **82,092** | 6,000 | 82,092 |
| Hayleys Produce Marketing Limited | - | - | - | - |
| Acquistion during the year | **250** | **7,500** | - | - |
| | **250** | **7,500** | - | - |
| | | **164,147** | | **156,647** |
| **Preference Shares** | - | - | - | - |
| TTEL Hydro Power Company (Pvt) Ltd | **8,887** | **53,109** | 8,887 | 53,109 |
| Acquistion during the year | - | - | - | - |
| | **8,887** | **53,109** | 8,887 | 53,109 |
| TTEL Somerset Hydro Power (Pvt) Ltd | **3,144** | **16,035** | 3,144 | 16,035 |
| Acquistion during the year | - | - | - | - |
| | **3,144** | **16,035** | 3,144 | 16,035 |
| | | **69,145** | | 69,145 |
| **Total Investment** | | **233,292** | | 225,792 |

# Notes to the Financial Statements

## 16. NON CURRENT FINANCIAL ASSETS

| As at 31 March | Group / Company | |
|---|---|---|
| | 2026 | 2025 |
| | Rs.'000 | Rs.'000 |
| 16.1 Fixed Deposits | 550,000 | - |
| 16.2 Unsecured Subordinated Trust | 1,300,000 | - |
| | 1,850,000 | - |

### 16.1 Fixed Deposits

The Company has placed fixed deposits with licensed Hatton National bank and Pan Asia bank for investment purposes. These deposits have original maturities exceeding five years and are therefore classified as non-current financial assets in the statement of financial position.

| As at 31 March | Group / Company | |
|---|---|---|
| | 2026 | 2025 |
| | Rs.'000 | Rs.'000 |
| Hatton National Bank | 200,000 | - |
| Pan Asia Bank | 350,000 | - |
| | 550,000 | - |

| Bank | Invested Amount Rs.'000 | Interest Rate (%) |
|---|---|---|
| Hatton National Bank | 200 | 10.50% |
| Pan Asia Bank | 350 | 10.75% |

### 16.2 Unsecured Subordinated Trust

The Group has invested in an unsecured subordinated trust instrument, which has the characteristics of: 1. Unsecured – no collateral backing, 2. Subordinated – ranks below senior creditors in the issuer's capital structure, 3. Issued through a trust structure, with a trustee acting on behalf of investors.

In the event of liquidation of the issuer, repayment is subject to the settlement of senior liabilities.

| As at 31 March | Group / Company | |
|---|---|---|
| | 2026 | 2025 |
| | Rs.'000 | Rs.'000 |
| Singer Finance PLC | 1,300,000 | - |
| | 1,300,000 | - |

| Description | Details |
|---|---|
| Principal amount | Rs.1,300,000,000 |
| Issue date | 10th March 2026 |
| Maturity date | 09th March 2031 |
| Interest rate | 13.75% |
| Interest payment terms | Annually |
| Security | None Security |
| Subordination | Subordinated |

## 17. PRODUCE ON BEARER BIOLOGICAL ASSETS

| As at 31 March | Group / Company 2026 Rs.'000 | Group / Company 2025 Rs.'000 |
|---|---|---|
| At the beginning of the year | **32,049** | 22,598 |
| Change in fair value less cost to sell | **(11,781)** | 9,451 |
| | **20,268** | 32,049 |

Level 2 inputs were used when arriving above figures.

### 17.1 . Fair Value Hierarchy

All assets and liabilities for which fair value is measured or disclosed in the Financial Statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole.

**Level 1** - Quoted (unadjusted) market prices in active markets for identical assets or liabilities

**Level 2** - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

**Level 3** -Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

**Group**

| As at 31 March | Date of Valuation | Level 1 | | Level 2 | | Level 3 | | Total | |
|---|---|---|---|---|---|---|---|---|---|
| | | 2026 Rs.'000 | 2025 Rs.'000 | 2026 Rs.'000 | 2025 Rs.'000 | 2026 Rs.'000 | 2025 Rs.'000 | 2026 Rs.'000 | 2025 Rs.'000 |
| **Assets measured at fair value** | | | | | | | | | |
| Fair value of consumable biological assets (Note 14 C) | 31 March | - | - | - | - | 679,515 | 678,715 | 679,515 | 678,715 |
| Fair value of produce on bearer biological assets (Note 17) | 31 March | - | - | 20,268 | 32,049 | - | - | 20,268 | 32,049 |
| | | - | - | 20,268 | 32,049 | 679,515 | 678,715 | 699,783 | 710,764 |

**Company**

| As at 31 March | Date of Valuation | Level 1 | | Level 2 | | Level 3 | | Total | |
|---|---|---|---|---|---|---|---|---|---|
| | | 2026 Rs.'000 | 2025 Rs.'000 | 2026 Rs.'000 | 2025 Rs.'000 | 2026 Rs.'000 | 2025 Rs.'000 | 2026 Rs.'000 | 2025 Rs.'000 |
| **Assets measured at fair value** | | | | | | | | | |
| Fair value of consumable biological assets (Note 14 C) | 31 March | - | - | - | - | 679,515 | 678,715 | 679,515 | 678,715 |
| Fair value of produce on bearer biological assets (Note 17) | 31 March | - | - | 20,268 | 32,049 | - | - | 20,268 | 32,049 |
| Fair value of Investment property (Note 13) | 31 March | - | - | - | - | 8,162 | - | 8,162 | - |
| | | - | - | 20,268 | 32,049 | 687,677 | 678,715 | 707,945 | 710,764 |

# Notes to the Financial Statements

## 18. INVENTORIES

| As at 31 March | Group 2026 Rs.'000 | Group 2025 Rs.'000 | Company 2026 Rs. '000 | Company 2025 Rs.'000 |
|---|---|---|---|---|
| Biological Assets - Nurseries | 25,465 | 27,251 | 25,465 | 27,251 |
| Biological Assets -Harvested Crop | 445,667 | 732,502 | 445,667 | 732,502 |
| Input Stocks, Consumables & spares | 205,970 | 131,639 | 205,970 | 131,639 |
| | 677,101 | 891,392 | 677,101 | 891,392 |
| Less : Provision for Slow Moving Stocks | (3,805) | (2,344) | (3,805) | (2,344) |
| | 673,296 | 889,048 | 673,296 | 889,048 |

### 18.1 Movement in the provision for Inventories

| As at 31 March | Group 2026 Rs.'000 | Group 2025 Rs.'000 | Company 2026 Rs. '000 | Company 2025 Rs.'000 |
|---|---|---|---|---|
| As at 01 April | (2,344) | - | (2,344) | - |
| Charge for the period | (1,563) | (2,344) | (1,563) | (2,344) |
| Reverse during the period | 102 | - | 102 | - |
| As at 31 March | (3,805) | (2,344) | (3,805) | (2,344) |

## 19. TRADE AND OTHER RECEIVABLES

| As at 31 March | Group 2026 Rs.'000 | Group 2025 Rs.'000 | Company 2026 Rs. '000 | Company 2025 Rs.'000 |
|---|---|---|---|---|
| Produce Debtors | 402,919 | 163,056 | 402,835 | 157,231 |
| Advances, Prepayments & Deposits | 126,744 | 145,173 | 125,000 | 141,123 |
| Investment Interest Receivables | 134,435 | 61,732 | 134,435 | 61,732 |
| Other Debtors | 72,298 | 67,136 | 71,685 | 67,136 |
| Income Tax Receivable | 1,679 | 1,679 | - | - |
| | 738,074 | 438,775 | 733,955 | 427,222 |
| Less: Provision for Doubtful Debt | (3,000) | (4,239) | (3,000) | (4,239) |
| | 735,075 | 434,537 | 730,956 | 422,983 |

### 19.1 Movement in the Provision for Trade and Other Receivables

| As at 31 March | Group 2026 Rs.'000 | Group 2025 Rs.'000 | Company 2026 Rs. '000 | Company 2025 Rs.'000 |
|---|---|---|---|---|
| As at 01 April | (4,239) | (2,437) | (4,239) | (2,437) |
| Charge for the period | (725) | (1,802) | (725) | (1,802) |
| Reverse during the period | 1,964 | - | 1,964 | - |
| As at 31 March | (3,000) | (4,239) | (3,000) | (4,239) |

### 19.2 The Aging Analysis of Trade Receivables is as Follows

| As at 31 March | | Neither Past Due nor impaired | | | | |
|---|---|---|---|---|---|---|
| | | 0-60 days | 61-120 days | 121-180 days | 181-365 days | > 365 days |
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Company | 730,956 | 538,030 | 40,121 | 53,711 | 46,572 | 52,522 |
| Group | 735,075 | 538,030 | 44,240 | 53,711 | 46,572 | 52,522 |

## 20. AMOUNTS DUE FROM RELATED COMPANIES

| As at 31 March | Relationship | Group 2026 Rs.'000 | Group 2025 Rs.'000 | Company 2026 Rs. '000 | Company 2025 Rs.'000 |
|---|---|---|---|---|---|
| TTEL Hydro Power Company (Pvt.) Ltd | Subsidiary Company | **-** | - | **1,650** | 1,209 |
| TTEL Somerset Hydro Power Company (Pvt.) Ltd | Subsidiary Company | **-** | - | **336** | - |
| Horana Plantations PLC | Related Company | **903** | 3,894 | **903** | 3,894 |
| Kelani Valley Plantations PLC | Related Company | **8,453** | 4,758 | **8,453** | 5,413 |
| Hayleys Agro Biotech (Pvt) Ltd | Related Company | **943** | 1,525 | **943** | 1,525 |
| Hayleys Consumer Products Ltd | Related Company | **134** | - | **134** | - |
| The Kingsbury PLC | Related Company | **175** | - | **175** | - |
| Hayleys Fentons Ltd | Related Company | **370** | - | **370** | - |
| | | **10,978** | 10,178 | **12,963** | 12,042 |

## 21. CASH AND CASH EQUIVALENTS

### 21.1 Short Term Investment

| As at 31 March | Group 2026 Rs.'000 | Group 2025 Rs.'000 | Company 2026 Rs. '000 | Company 2025 Rs.'000 |
|---|---|---|---|---|
| Unit Trust | **557,191** | 992,001 | **557,191** | 992,001 |
| Repo | **406,135** | 805,579 | **268,000** | 693,720 |
| Fixed Deposits | **2,060,000** | 1,801,500 | **2,060,000** | 1,801,500 |
| Treasury Bills and Bonds | **-** | 747,198 | **-** | 747,198 |
| | **3,023,326** | 4,346,278 | **2,885,191** | 4,234,420 |

### 21.2 Favorable Balances

| As at 31 March | Group 2026 Rs.'000 | Group 2025 Rs.'000 | Company 2026 Rs. '000 | Company 2025 Rs.'000 |
|---|---|---|---|---|
| Cash in hand | **4,632** | 3,426 | **4,582** | 3,376 |
| Cash at bank | **49,582** | 59,558 | **47,939** | 57,556 |
| | **54,214** | **62,984** | **52,522** | **60,932** |

# Notes to the Financial Statements

### 21.3 Unfavorable Balances

| As at 31 March | Group | | Company | |
|---|---|---|---|---|
| | 2026 Rs.'000 | 2025 Rs.'000 | 2026 Rs. '000 | 2025 Rs.'000 |
| Bank Overdraft | **(4,155)** | (15,101) | **(4,155)** | (15,101) |
| | **(4,155)** | **(15,101)** | **(4,155)** | **(15,101)** |
| **Cash and Cash Equivalents for the Purpose of Cash Flows** | **3,073,385** | 4,394,161 | **2,933,557** | 4,280,251 |

Short-term deposits are made for varying periods between one day and three months depending on the immediate cash requirements of the Group/ Company. Interest income is earned at the prevalent interest rates at the time of investment.

The securities pledged have been disclosed in Note 29 to the financial statements.

## 22. STATED CAPITAL

| As at 31 March | Group / Company | |
|---|---|---|
| | 2026 No. of Shares | 2025 No. of Shares |
| **Issued and Fully Paid Ordinary Shares** | | |
| Number of ordinary shares including one golden share held by the Treasury which has special rights | **47,500,001** | 47,500,001 |
| | Rs. '000 | Rs. '000 |
| Stated Capital including one Golden Share held by the Treasury which has special rights | **350,000** | 350,000 |

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. Special rights of the Golden share are given in the Annual Report to the Board of Directors on the Affairs of the Company.

## 23. RETIREMENT BENEFIT OBLIGATIONS

| As at 31 March | Group | | Company | |
|---|---|---|---|---|
| | 2026 Rs.'000 | 2025 Rs.'000 | 2026 Rs. '000 | 2025 Rs.'000 |
| **Provision for retirement benefit obligation** | | | | |
| At the beginning of the year | **1,182,334** | 932,949 | **1,179,084** | 928,821 |
| Interest Cost | **124,161** | 111,954 | **123,804** | 111,459 |
| Current Service Cost | **77,201** | 67,853 | **76,956** | 67,626 |
| Gratuity Payments for the year | **(165,945)** | (162,443) | **(165,945)** | (160,714) |
| Gratuity payments made for those employees who transferred out | **(34,423)** | - | **(34,423)** | - |
| Actuarial (Gain) / Loss due to changes in experience | **103,496** | 10,520 | **103,496** | 10,582 |
| Actuarial (Gain) / Loss due to changes in financial assumptions | **(48,981)** | 221,501 | **(48,607)** | 221,312 |
| **At the end of the year** | **1,237,844** | 1,182,334 | **1,234,366** | 1,179,084 |

According to the actuarial valuation report issued by the Actuarial & Management Consultants (Pvt) Ltd As at 31 March 2026, the actuarial present value of promised retirement benefits amounted to Rs. 1,237,844,217/- (2024/25-1,182,333,796/-). If the Group had provided for gratuity on the basis of 14 days wages & half months salary for each completed year of service, the liability would have been Rs.1,525,228,173/-.

LKAS 19 requires the use of actuarial techniques to make a reliable estimate of the amount of retirement benefit that employees have earned in return for their service in the current and prior periods using the Projected Unit Credit Method and discount that benefit in order to determine the present value of the retirement benefit obligation and the current service cost. This requires an entity to determine how much benefit is attributable to the current and prior periods and to make estimates about demographic variables and financial variables that will influence the cost of the benefit. The following key assumptions were made in arriving at the above figure.

The key assumptions used by actuary include the following.

| | 2026<br>Rs. '000 | 2025<br>Rs. '000 |
|---|---|---|
| **(i) Rate of Discount** | **10.0%<br>(per annum)** | 10.5%<br>(per annum) |

One of the principal assumptions is the discount rate, which should be based upon the yields available on government bonds or high quality corporate bonds at the accounting date with a term that matches that of the liabilities. LKAS 19 does not define "High quality", but this is generally taken to mean a security rating least AA.

| | 2026<br>Rs. '000 | 2025<br>Rs. '000 |
|---|---|---|
| **(ii) Rate of salary increase** | | |
| Workers | **8%<br>(per annum)** | 9%<br>(per annum) |
| Staff | **9%<br>(per annum)** | 10%<br>(per annum) |
| **(iii) Retirement Age** | | |
| Workers | **60 years** | 60 years |
| Staff | **60 years** | 60 years |
| Executive and Head Office staff | **60 years** | 60 years |

The actuarial Present Value of Retirement Benefit Obligation is carried on annual basis.

The weighted average duration of the Retirement Benefit Obligation at the end of the reporting period is 6.0 years and 6.7 years for staff and workers respectively.

The following payments are expected from the Retirement Benefit Obligation in future years.

| | Group | | Company | |
|---|---|---|---|---|
| As at 31 March | 2026<br>Rs.'000 | 2025<br>Rs.'000 | 2026<br>Rs. '000 | 2025<br>Rs.'000 |
| Within the next 12 months | **173,860** | 186,254 | **173,229** | 185,623 |
| Between 1-5years | **438,132** | 463,697 | **436,383** | 461,947 |
| Between 5-10 years | **325,505** | 308,684 | **324,965** | 308,144 |
| Beyond 10 years | **300,118** | 223,699 | **299,789** | 223,370 |
| **Total** | **1,237,615** | 1,182,334 | **1,234,866** | 1,179,084 |

# Notes to the Financial Statements

## 23. RETIREMENT BENEFIT OBLIGATIONS (CONTD.)

**Sensitivity Analysis - Salary/ Wage Escalation Rate & Discount Rate**

Values appearing in the financial statements are very sensitive to the changes of financial and non financial assumptions used. The sensitivity was carried for both the rate of wage increment and the salary increment. Simulation made for retirement benefit obligation show that a increase or decrease by 1% of the rate of wage/salary and discount rate have the following effect on the retirement benefit obligation.

**Sensitivity Analysis - Rate of wage/salary increment in every two years / per annum**

**Group**

| | Workers | | Staff | |
|---|---|---|---|---|
| As at 31 March | -1% | +1% | -1% | +1% |
| **As at 31 March 2026** | **(55,057)** | **60,450** | **(15,252)** | **16,720** |
| As at 31 March 2025 | (44,644) | 48,585 | (11,702) | 12,660 |

**Company**

| | Workers | | Staff | |
|---|---|---|---|---|
| As at 31 March | -1% | +1% | -1% | +1% |
| **As at 31 March 2026** | **(55,057)** | **60,450** | **(15,096)** | **16,553** |
| As at 31 March 2025 | (44,644) | 48,585 | (11,701) | 12,660 |

**Sensitivity Analysis - Discount Rate**

**Group**

| | Workers | | Staff | |
|---|---|---|---|---|
| As at 31 March | -1% | +1% | -1% | +1% |
| **As at 31 March 2026** | **62,200** | **(55,673)** | **15,962** | **(14,311)** |
| As at 31 March 2025 | 53,251 | (48,059) | 12,361 | (11,211) |

**Company**

| | Workers | | Staff | |
|---|---|---|---|---|
| As at 31 March | -1% | +1% | -1% | +1% |
| **As at 31 March 2026** | **62,200** | **(55,673)** | **15,811** | **(14,172)** |
| As at 31 March 2025 | 53,111 | (47,931) | 12,361 | (11,211) |

## 24. DEFERRED INCOME

| | Group / Company | |
|---|---|---|
| As at 31 March | 2026<br>Rs.'000 | 2025<br>Rs.'000 |
| **Deferred Grants and Subsidies** | | |
| Balance at the beginning of the year | **136,216** | 132,040 |
| Add : Grants received during the year | **2,826** | 13,222 |
| Less : Amortisation for the year | **(5,951)** | (9,046) |
| **Balance at the end of the year** | **133,091** | 136,216 |

The Company has received funding from Tea Board during the year and received fundings in prior years are included under the relevant classification of property, plant & equipment and the grant component is reflected under Deferred Grants and Subsidies. Grants are amortised over the life of the assets for which they are being deployed or lease period which is lower.

## 25. LEASE LIABILITY

| As at 31 March, | Notes | Group 2026 Rs.'000 | Group 2025 Rs.'000 | Company 2026 Rs. '000 | Company 2025 Rs.'000 |
|---|---|---|---|---|---|
| Lease liability on Right of Use asset- Land | 25.1 | **461,759** | 437,052 | **461,675** | 436,969 |
| Lease liability on Right of Use asset- Building | 25.2 | **28,295** | 39,284 | **28,295** | 39,284 |
| | | **490,054** | 476,336 | **489,970** | 476,252 |

### 25.1 Lease liability on Right-of-Use asset-Land

| As at 31 March, | Group 2026 Rs.'000 | Group 2025 Rs.'000 | Company 2026 Rs. '000 | Company 2025 Rs.'000 |
|---|---|---|---|---|
| Balance at the beginning of the year | **437,052** | 358,089 | **436,969** | 358,018 |
| Reassessment Adjustment | **29,835** | 83,162 | **29,835** | 83,162 |
| Accretion of Interest | **65,363** | 61,791 | **65,352** | 61,765 |
| Transferred to accrued Liability | **(10)** | (14) | **-** | - |
| Repayment during the year | **(70,481)** | (65,976) | **(70,481)** | (65,976) |
| **Balance as at end of the year** | **461,759** | 437,052 | **461,675** | 436,969 |

| As at 31 March, | Group 2026 Rs.'000 | Group 2025 Rs.'000 | Company 2026 Rs. '000 | Company 2025 Rs.'000 |
|---|---|---|---|---|
| **Gross Liability** | | | | |
| As at 01 April | **1,319,765** | 1,124,590 | **1,319,523** | 1,124,334 |
| Reassessment adjustment | **90,097** | 261,165 | **90,092** | 261,165 |
| Repayment during the year | **(70,481)** | (65,976) | **(70,481)** | (65,976) |
| Transferred to accrued Liability | **(10)** | (14) | **-** | - |
| Gross Liability as at 31 March | **1,339,372** | 1,319,765 | **1,339,134** | 1,319,523 |
| **Finance cost allocated to future periods** | | | | |
| Balance at the beginning of the year | **(882,713)** | (766,501) | **(882,554)** | (766,316) |
| Reassessment adjustment | **(60,262)** | (178,003) | **(60,257)** | (178,003) |
| Accretion of Interest during the year | **65,362** | 61,791 | **65,352** | 61,765 |
| Balance as at end of the year | **(877,613)** | (882,713) | **(877,459)** | (882,554) |
| **Net Liability as at 31st March** | **461,759** | 437,052 | **461,675** | 436,969 |

# Notes to the Financial Statements

## 25. LEASE LIABILITY (CONTD.)

### 25.1 Lease liability on Right of use asset-Land (Contd.)

#### 25.1.2 Maturity analysis of lease liability as follows,

| As at 31 March | Group 2026 Rs.'000 | Group 2025 Rs.'000 | Company 2026 Rs. '000 | Company 2025 Rs.'000 |
|---|---|---|---|---|
| **Payable within one year** | | | | |
| Gross liability | **70,496** | 65,991 | **70,481** | 65,976 |
| Finance cost allocated to future periods | **(64,645)** | (61,186) | **(64,634)** | (61,176) |
| Net liability transferred to current liabilities | **5,851** | 4,805 | **5,846** | 4,801 |
| **Payable within two to five years** | | | | |
| Gross liability | **211,491** | 197,977 | **211,442** | 197,928 |
| Finance cost allocated to future periods | **(188,560)** | (179,147) | **(188,518)** | (179,105) |
| Net liability | **22,931** | 18,830 | **22,924** | 18,824 |
| **Payable after five years** | | | | |
| Gross liability | **1,057,385** | 1,055,803 | **1,057,211** | 1,055,618 |
| Finance cost allocated to future periods | **(624,408)** | (642,386) | **(624,307)** | (642,274) |
| Net liability | **432,976** | 413,417 | **432,905** | 413,344 |
| Net liability payable after one year | **455,908** | 432,247 | **455,829** | 432,168 |

The base rental payable per year Rs.70,480,736/-.

Maturity analysis of Gross lease liability are shown under Note 34.3

| As at 31 March | Group Rs.'000 | Company Rs.'000 |
|---|---|---|
| Gross Liability | 1,339,371 | 1,339,134 |
| Finance Charge | (877,612) | (877,459) |
| Net Liability | 461,758 | 461,675 |

### 25.2 Lease Liability on Right of use asset- Building

| As at 31 March | Group 2026 Rs.'000 | Group 2025 Rs.'000 | Company 2026 Rs. '000 | Company 2025 Rs.'000 |
|---|---|---|---|---|
| As at 01st April | **39,284** | 48,785 | **39,284** | 48,785 |
| Reassessment Adjustments | **989** | 1,345 | **989** | 1,345 |
| Accretion of Interest | **4,364** | 5,658 | **4,364** | 5,658 |
| Payments during the year | **(16,341)** | (16,504) | **(16,341)** | (16,504) |
| **Balance as at 31st March** | **28,296** | 39,284 | **28,296** | 39,284 |
| Current Liability | **14,660** | 16,608 | **14,660** | 16,608 |
| Non Current Liability | **13,636** | 22,676 | **13,636** | 22,676 |
| **Total Lease Liability as at 31st March** | **28,296** | 39,284 | **28,296** | 39,284 |

### 25.3 Lease Liability

| As at 31 March | Group 2026 Rs. '000 | Company 2026 Rs. '000 |
|---|---|---|
| Current Liability | **20,511** | **20,506** |
| Non Current Liability | **469,543** | **469,464** |
| **Total Lease Liability as at 31 March** | **490,054** | **489,970** |

## 26. TRADE AND OTHER PAYABLES

| | Group | | Company | |
|---|---|---|---|---|
| As at 31 March | 2026 Rs.'000 | 2025 Rs.'000 | 2026 Rs. '000 | 2025 Rs.'000 |
| Trade Creditors | **116,097** | 117,476 | **116,097** | 117,476 |
| Payable to Employees | **215,432** | 208,861 | **215,432** | 208,861 |
| Statutory Payables | **43,629** | 42,279 | **43,629** | 42,279 |
| Provisions | **408,624** | 356,077 | **408,624** | 356,077 |
| Others | **107,333** | 215,718 | **107,333** | 215,718 |
| Accrued Expenses | **350,758** | 103,355 | **302,722** | 103,584 |
| | **1,241,873** | 1,043,764 | **1,193,837** | 1,043,994 |

## 27. AMOUNTS DUE TO RELATED COMPANIES

| | | Group | | Company | |
|---|---|---|---|---|---|
| As at 31 March | Relationship | 2026 Rs.'000 | 2025 Rs.'000 | 2026 Rs. '000 | 2025 Rs.'000 |
| Hayleys PLC. | Ultimate Parent | **21,537** | 10,389 | **21,184** | 10,189 |
| Hayleys Plantation Services (Pvt) Ltd | Parent Company | **139,441** | 72,420 | **139,441** | 72,420 |
| TTEL Hydro Power Company (Pvt.) Ltd | Subsidiary Company | **-** | - | **2,260** | 4,256 |
| TTEL Somerset Hydro Power Company (Pvt.) Ltd | Subsidiary Company | **-** | - | **-** | 618 |
| Hayleys Business Solutions International (Pvt) Ltd | Related Company | **496** | 384 | **486** | 375 |
| Kelani Valley Plantations PLC | Related Company | **8,297** | 2,371 | **8,297** | 2,371 |
| Logiwiz Ltd | Related Company | **64** | 54 | **64** | 54 |
| Hayleys Agro Fertilizer Limited | Related Company | **97,821** | 22,591 | **97,821** | 22,591 |
| Fentons Limited | Related Company | **-** | 36,897 | **-** | 36,897 |
| Hayleys Consumer Products Limited | Related Company | **11** | 9 | **11** | 9 |
| Hayleys Produce Marketing Limited | Related Company | **-** | - | **311** | - |
| Advantis Freight (Pvt) Limited | Related Company | **11** | 154 | **11** | 154 |
| Chas P Hayler Company | Related Company | **383** | - | **383** | - |
| Singer (Sri Lanka) PLC | Related Company | **8,656** | - | **8,656** | - |
| Innovative Solutions Lanka (Pvt) Ltd | Related Company | **-** | 490 | **-** | 490 |
| Hayleys Agriculture Holdings Limited | Related Company | **-** | 191 | **-** | 191 |
| | | **276,7156** | 145,951 | **278,924** | 150,615 |

# Notes to the Financial Statements

## 28. DIVIDEND PAID

| As at 31 March | Company 2026 Rs.'000 | Company 2025 Rs.'000 |
|---|---|---|
| **Dividend paid during the year** | | |
| First Interim dividend for 2024/25-Rs 2.25/- per share | - | 106,875 |
| Second Interim dividend for 2024/25-Rs 2.50/- per share | - | 118,750 |
| Third Interim dividend for 2023/24-Rs 4.00/- per share | - | 190,000 |
| First Interim dividend for 2025/26-Rs 1.74/- per share | **82,650** | - |
| Second Interim dividend for 2025/26-Rs 1.55/- per share | **73,625** | - |
| Third Interim dividend for 2025/26-Rs 2.40/- per share | **114,000** | - |
| | **270,275** | 415,625 |

## 29. ASSETS PLEDGED

Following assets have been pledged as security for liabilities.

| Bank | Nature of Assets | Nature of Liability | 2025/2026 Facility Amount Rs. Mn | 2025/2026 Outstanding Amount Rs. Mn |
|---|---|---|---|---|
| Commercial Bank of Ceylon PLC | Concurrent mortgage over stocks and debtors for Rs. 165 Mn. | Over Draft | 165 | 2.37 |

## 30. CAPITAL COMMITMENTS

Followings are the capital commitments as at the Statement of Financial Position date

| As at 31 March | Company 2026 Rs. Mn | Company 2025 Rs. Mn |
|---|---|---|
| Approved by the Board & Contracted for | - | - |
| Approved by the Board & not Contracted for | **651** | 802 |
| | **651** | 802 |

## 31. COMMITMENTS AND CONTINGENCIES

No circumstances have arisen since the Statement of Financial Position date, other than the matters disclosed below in the notes to the financial statements.

The company has received a Value Added Tax (VAT) assessment from the Department of Inland Revenue under the provisions of the Value Added Tax Act No. 14 of 2002, as amended. The assessment was issued by the Commissioner General of Inland Revenue for the taxable period from 01 January 2019 to 31 March 2019. The assessment amount was Rs. 4 Mn.

The company appealed to the Tax Appeals Commission, which upheld the assessment in favor of the Department of Inland Revenue. The company then filed an appeal before the Court of Appeal of the Democratic Socialist Republic of Sri Lanka. (Case Number: CA/Tax/152/2025 )

At the hearing, both parties confirmed receipt of the appeal briefs from the Tax Appeals Commission. The Court fixed the matter for 14 July 2026, directing the parties to confirm whether the briefs are in proper order.

As the assessment is subject to final determination, the potential liability has not been recognized in the financial statements and is disclosed as a contingent liability.

## 32. EVENTS AFTER THE REPORTING PERIOD

There have been no material events occuring after the statement of financial position date that require adjustments or disclosure in the Financial Statements.

## 33. RELATED PARTY DISCLOSURES

Transactions with the related parties were carried out at market price. Details of Significant Related Party Disclosures are as follows.

### 33.1 Recurrent Transactions with the parent and ultimate parent company

| | | | | Amounts (Rs.'000) | |
|---|---|---|---|---|---|
| Nature of the Company | Relationship | Name of Director | Nature of Transaction | 2026 | 2025 |
| Hayleys PLC | Ultimate Parent | Mr. A.M. Pandithage | Data Processing Services | **204,932** | 150,500 |
| | | | Secretarial Services , Office Rent & Management Salaries | | |
| | | | Settlements | **(193,937)** | (150,892) |
| Hayleys Plantation Services (Pvt) Limited | Parent | Mr. A.M. Pandithage | Reimbursement of Administration | **238,717** | 216,936 |
| | | Mr. Malik J. Fernando | Expenses | | |
| | | Dr. W. G. R. Rajadurai | Settlements | **(171,695)** | (265,216) |
| | | Mr. J. D. N. Gunasekera | | | |
| | | Mr. S. B. Alawattegama- (Resigned w.e.f 31st July 2025) | | | |
| | | Mr. N. P. Abeysinghe- (Appointed w.e.f 01st August 2025) | | | |

The managing agent Hayleys Plantation Services (Pvt) Limited has waived the management fee hereafter with effect from 01/04/2014.

### 33.2 Transactions with the subsidiaries

| | | | | Amounts (Rs.'000) | |
|---|---|---|---|---|---|
| Nature of the Company | Relationship | Name of Director | Nature of Transaction | 2026 | 2025 |
| TTEL Hydro Power Company (Pvt) Limited | Subsidiary | Mr.A M Pandithage | Preference Share Dividends | **2,106** | 21,153 |
| | | Mr. Malik J. Fernando | | | |
| | | Dr. W. G. R. Rajadurai | Electricity Capacity Charges | | |
| | | Mr. S. B. Alawattegama- (Resigned w.e.f 31st July 2025) | Settlements | **22,186** | 32,919 |
| | | Mr. N. P. Abeysinghe- (Appointed w.e.f 01st August 2025) | | **(24,182)** | (33,489) |

# Notes to the Financial Statements

## 33. RELATED PARTY DISCLOSURES (CONTD.)

### 33.2 Transactions with the subsidiaries (Contd.)

| Nature of the Company | Relationship | Name of Director | Nature of Transaction | Amounts (Rs.'000) 2026 | 2025 |
|---|---|---|---|---|---|
| TTEL Somerset Hydro Power (Pvt) Ltd | Subsidiary | Mr.A M Pandithage | Preference Share Dividends | 7,311 | 3,741 |
| | | Mr. Malik J. Fernando | Electricity Supply Charges | | |
| | | Dr. W. G. R. Rajadurai | Lent Labour Charges | 17,875 | 42,217 |
| | | Mr. S. B. Alawattegama-(Resigned w.e.f 31st July 2025) | Settlements | 1,485 | 1,418 |
| | | Mr. N. P. Abeysinghe-(Appointed w.e.f 01st August 2025) | | (18,493) | (44,755) |
| Hayleys Produce Marketing (Pvt) Ltd | Subsidiary | Mr.A M Pandithage | Purchase of Ordinary Shares | 7,500 | - |
| | | Dr. W. G. R. Rajadurai | Purchase of Organic Teas | (833) | |
| | | | Lent Labour Charges | 351 | |
| | | | Land Lease Rental | 171 | |

### 33.3 Recurrent Transactions with other related companies

| Name of the Company | Relationship | Name of Director | Nature of Transaction | Amounts (Rs.'000) 2026 | 2025 |
|---|---|---|---|---|---|
| Inovative Solutions Lanka (Pvt) Ltd | Affiliates | Mr. A.M. Pandithage | Purchase of Mosture Analyzer | 490 | 490 |
| | | | Settlements | (490) | |
| Hayleys Agriculture Holdings Limited. | Affiliates | Mr. A.M. Pandithage | Purchase of Equipment & Chemicals | 8,164 | 2,696 |
| | | | Settlements | (8,355) | (2,696) |
| Hayleys Agro Fertilizers (Pvt) Limited. | Affiliates | Mr. A.M. Pandithage | Purchase of Fertilizer | 182,808 | 540,892,696 |
| | | | Settlements | (107,578) | (580,226,490) |
| Kelani Valley Plantations PLC | Affiliates | Mr. A.M. Pandithage | Share of Head office maintenance cost | | |
| | | Dr. W. G. R. Rajadurai | - Receipts | 28,629 | 11,326 |
| | | | Share of Head office maintenance cost | | |
| | | | - Receipts | 18,077 | 19,314 |
| | | | - Settlements | (12,151) | (29,704) |
| Hayleys Business Solutions International (Pvt) Ltd. | Affiliates | Mr. A.M. Pandithage | Payroll/ FA processing cost | 6,048 | 4,942 |
| | | | - Settlements | (5,936) | (4,899) |
| Logiwiz Ltd | Affiliates | Mr. A.M. Pandithage | Providing of document storing service | 729 | 610 |
| | | | - Settlements | (720) | (601) |

| Name of the Company | Relationship | Name of Director | Nature of Transaction | Amounts (Rs.'000) 2026 | 2025 |
|---|---|---|---|---|---|
| Hayleys Consumer Products(Pvt) Ltd | Affiliates | Mr. A.M. Pandithage | Purchase of Accessories | 117 | 117 |
| | | | - Settlements | 115 | (117) |
| Horana Plantations PLC | Affiliates | Mr. A.M. Pandithage | Reimbursement of Administration Expenses | 508 | 11 |
| | | Dr. W. G. R. ajadurai | - Receipts | 9,808 | 10,228 |
| | | | - Settlements | (13,307) | (7,217) |
| Hayleys Advantis Freight (Pvt) Limited | Affiliates | Mr. A.M. Pandithage | Payment of Freight Cost | 1,472 | 1,230 |
| | | | - Settlements | (1,616) | (1,108) |
| Hayleys Aviation Projects (Pvt) Limited | Affiliates | Mr. A.M. Pandithage | Project Management Fee (KG Factory) | - | 3,208 |
| | | | - Settlements | - | (4,614) |
| Fentons Limited | Affiliates | Mr. A.M. Pandithage | Purchase of Solar Pannels & Electric Work | 64,715 | 49,539 |
| | | | - Settlements | (101,282) | (30,192) |
| Singer (Sri Lanka) PLC | Affiliates | Mr. A.M. Pandithage | Purchase of Computer Item & Electric Items | 16,165 | 7,393 |
| | | | - Settlements | (7,509) | (9,022) |
| Uni - Dil Packaging Solutions Ltd | Affiliates | Mr. A.M. Pandithage | Purchase of Packing Materials | 25,222 | 13,101 |
| | | | - Settlements | (25,222) | (13,101) |
| The Kingsbury PLC | Affiliates | Mr. A.M. Pandithage | AGM Expenses | 623 | 507 |
| | | | - Settlements | (623) | (507) |
| Puritas Ltd | Affiliates | Mr. A.M. Pandithage | Purchase of Masks | - | 25 |
| | | | - Settlements | - | (25) |
| Singer Finance (Lanka) PLC | Affiliates | Mr. A.M. Pandithage | Investment in Unsecured Suboardinated | 1,300,000 | - |
| | | | Trust Certificate | - | - |
| | | | - Settlements | - | - |
| Hayleys Travels (Pvt) Ltd | Affiliates | Mr. A.M. Pandithage | Purchase of Air Tickets & Visa Charges | 4,722 | 10,036 |
| | | | - Settlements | (4,722) | (10,036) |
| Hayleys Life Science (Pvt) Ltd | Affiliates | Mr. A.M. Pandithage | Purchase of Tools & Equipments | 887 | - |
| | | | - Settlements | (887) | - |
| Energy (Pvt) Ltd | Affiliates | Mr. A.M. Pandithage | Purchase of Lighting Protecting System | - | 2,300 |
| | | | - Settlements | - | (3,496) |
| Hayleys Agro Biotech (Pvt) Ltd | Affiliates | Mr. A.M. Pandithage | Laese of Land Income | 143 | - |
| | | | - Settlements | (726) | - |
| Culture Club Resorts Pvt Ltd | Affiliates | Mr. A.M. Pandithage | Company Outing Cost | 8,091 | - |
| | | | - Settlements | (8,091) | - |
| Chas P Hayley & Company (Pvt) Ltd | Affiliates | Mr. A.M. Pandithage | Purchase of Grow Bags for Strawberry Project | 675 | - |
| | | | - Settlements | (262) | - |
| Agro Technica limited | Affiliates | Mr. A.M. Pandithage | Purchase of Chemicals | 915 | - |
| | | | - Settlements | (915) | - |

# Notes to the Financial Statements

## 33. RELATED PARTY DISCLOSURES (CONTD.)

### 33.4 Transactions with the key management personnel of the company or parent

There were no material transactions with the Key Management Personnel of the Company and its parent other than those disclosed in Notes 9 & 33.1 to the Financial Statements.

Details of Directors and their spouses share holdings are given in the Annual Report of the Board of Directors of the Affairs of the Company.

### 33.5 Related Party Transactions

There are no related party transactions other than those disclosed in Notes 9, 13, 16, 20, 25.2, 27, & 33 to the financial statements.

There are no Non-recurrent Related Party Transactions where aggregate value exceeds 10% of the equity or 5% of the Total Assets and Recurrent Related Party Transactions where aggregate value exceeds 10% Gross revenue/income.

## 34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial liabilities, other than derivatives, comprise loans and borrowings, trade and other payables. The main purpose of these financial liabilities is to finance the Group's operations and to provide guarantees to support its operations. The Group has loan and other receivables, trade and other receivables, and cash and short-term deposits that arise directly from its operations. Accordingly the Group has exposure to namely Credit Risk, Liquidity Risk, Currency Risk and Market Risks from its use of financial instruments.

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk.

### 34.1 Financial risk Management Framework

The Board of Directors has the overall responsibility for the establishment and oversight of the group's financial risk management framework which includes developing and monitoring the Group's financial risk management policies.

The Group financial risk management policies are established to identify, quantify and analyze the financial risks faced by the Group, to set appropriate risk limits and controls and to monitor financial risks and adherence to limits. Financial risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

The TTE PLC Audit Committee oversees how management monitors compliance with the Group's financial risk management policies and procedures and reviews the adequacy of the financial risk management framework in relation to the risks faced by the Group.

### 34.2 Credit Risk

Credit Risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arise principally from the Group's receivable from customers and from its financing activities including deposits with banks and financial institutions foreign exchange transactions and other financial instruments.

The Group is exposed to credit risk from its operating activities (primarily trade receivables), other advances including loans and advances to staff/ workers, and from its financing activities, including deposits with banks and other financial instruments.

The carrying amount of financial assets represents the maximum credit exposure.

**Risk Exposure**

The maximum risk positions of financial assets which are generally subject to credit risk are equal to their carrying amounts. The following figures show maximum risk positions.

| As at 31 March | Group 2026 Rs.'000 | Group 2025 Rs.'000 | Company 2026 Rs. '000 | Company 2025 Rs.'000 |
|---|---|---|---|---|
| Trade and Other Receivables | **738,074** | 438,775 | **733,955** | 427,222 |
| Related Companies Receivables | **10,978** | 10,178 | **12,963** | 12,042 |
| | **749,052** | 448,953 | **746,918** | 439,264 |

| As at 31 March 2026 | Trade Receivables Days past due | | | | | |
|---|---|---|---|---|---|---|
| | Current Rs.000' | 0-30 Days Rs.000' | 61-120 Days Rs.000' | 120-180 Days Rs.000' | 181-365 Days Rs.000' | > 365 Days Rs.000' | Total |
| Expected credit loss rate | **0.17%** | **0.57%** | **0.004%** | **0.16%** | **0.19%** | **65.66%** | |
| Estimated total gross carrying amount at default | **403** | **27** | **55** | **82** | **168** | **3** | **738** |
| Expected credit loss | **690** | **156** | **2** | **132** | **318** | **2** | **3** |

| As at 31 March 2025 | Trade Receivables Days past due | | | | | | |
|---|---|---|---|---|---|---|---|
| | Current Rs.000' | 0-30 Days Rs.000' | 61-120 Days Rs.000' | 120-180 Days Rs.000' | 181-365 Days Rs.000' | > 365 Days Rs.000' | Total |
| Expected credit loss rate | 1.00% | 2.11% | 0.25% | 0.01% | 1.36% | 5.68% | |
| Estimated total gross carrying amount at default | 163 | 23 | 45 | 68 | 138 | 2 | 439 |
| Expected credit loss | 2 | 476 | 111 | 5 | 2 | 138 | 4 |

### 34.2.1 Trade and Other Receivables

The Group's exposure to credit risk is influenced by the individual characteristics of each customer. The Group's credit policy is monitored at the Board level. The new customers are analysed individually for credit worthiness before Group's standard payment and delivery terms and conditions are offered. Group review includes external ratings, when available and in some cases, bank references, purchases limit etc. which also subject to under review on quarterly basis. The past experience of the Management is considered when revisions are made to terms and conditions.

TTE PLC has a minimal credit risk of its trade receivables as the repayment is guaranteed within seven days by the Tea and Rubber auction systems.

# Notes to the Financial Statements

## 34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTD.)

*34.2.1.1 Credit Quality of Financial Assets*

As analysis of the credit quality of trade receivables that were neither past due nor impaired and the ageing of trade receivables that were past due but not impaired as at 31st March 2026 is as follows:

| | Carrying Value | | | |
|---|---|---|---|---|
| | Group | | Company | |
| As at 31 March | 2026<br>Rs.'000 | 2025<br>Rs.'000 | 2026<br>Rs. '000 | 2025<br>Rs.'000 |
| Below 30 days | **402,919** | 163,054 | **402,835** | 157,231 |
| 30-45 days | **-** | - | **-** | - |
| 46-60 days | **-** | - | **-** | - |
| 61 Over | **-** | - | **-** | - |
| | **402,919** | 163,054 | **402,835** | 157,231 |

The movement in the provision for impairment in respect of other receivables during the year was as follows :

| | Impairment | | | |
|---|---|---|---|---|
| | Group | | Company | |
| As at 31 March | 2026<br>Rs.'000 | 2025<br>Rs.'000 | 2026<br>Rs. '000 | 2025<br>Rs.'000 |
| At the beginning of the year | **(4,239)** | (2,437) | **(4,239)** | (2,437) |
| Provision for impairment | **(725)** | (1,802) | **(725)** | (1,802) |
| Reverse during the year | **1,964** | - | **1,964** | - |
| | **(3,000)** | (4,239) | **(3,000)** | (4,239) |

*34.2.1.2 Impairment Loss Recognized*

The Company believes that the unimpaired amounts that are past due by more than 45 days are still to be collected in full. Based on the Group's monitoring of customer credit risk, the Company believes that, except as indicated above, no impairment allowance is necessary in respect of trade receivables not past due.

*34.2.1.3 Amounts due from Related Companies*

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each Related Company.

The Group does not require a provision for impairment in respect of Related Companies Receivables.

*34.2.1.4 The Company considers a financial asset to be in default when:*

The debtor is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held);

or

the financial asset is more than 180 days past due.

*34.2.1.5 Trade & Other Receivables Write-off*

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirely or a portion thereof. For individual customers, the Group has a policy of writing off the gross carrying amount when the financial asset is 180 days past due based on historical experience of recoveries of similar assets. For corporate customers, the Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

During the period, the Group was not exposed to any default events requiring the recognition of write-offs (2024/25 - Nil).

34.2.2 Investments

Credit risks from invested balance with the financial institutions are managed by the Board of Directors. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to them. The limits are set to minimize the concentration of risks and therefore mitigate financial loss through potential counterparty's failure.

The Group held short term investments of Rs. 3,023.3Mn as at 31st March 2026 (2025 – Rs. 4,346.2 Mn) which represents the maximum credit exposure on these assets.

*34.2.2.1 Investment Portfolio Maturity Aging of Group as at 31 March 2026*

| Investment portfolio Maturity Aging of TTEL as at 31ST MARCH 2026 | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 0-30 Days | | 31-60 Days | | 61-90 Days | | 91-180 Days | | 181-364 Days | | Above 364 Days | | Grand Total | |
| Instrument | Investment amount (Rs) (Rs.000') | Interest rate (Range) (%) | Investment amount (Rs) (Rs.000') | Interest rate (Range) (%) | Investment amount (Rs) (Rs.000') | Interest rate (Range) (%) | Investment amount (Rs) (Rs.000') | Interest rate (Range) (%) | Investment amount (Rs) (Rs.000') | Interest rate (Range) (%) | Investment amount (Rs) (Rs.000') | Interest rate (Range) (%) | Investment amount (Rs) (Rs.000') | Interest rate (Range) (%) |
| FD | 210,000 | 8.50 | 575,000 | 8.45-8.75 | 165,000 | 8.5 | 910,000 | 8.10-9.67 | 200,000 | 9.00-9.40 | 550,000 | 10.50-10.75 | 2,610,000 | 8.1-10.75 |
| REPO | 49,178 | 7.2-7.75 | 36,283 | 7.60 | 24,895 | 7.5-7.75 | 45,779 | 7.5-7.85 | 250,000 | 8.25 | - | - | 406,135 | 7.2-8.25 |
| Unit Trust | 557,191 | 7.73-8.00 | - | - | - | - | - | - | - | - | - | - | 557,191 | 7.73-8.00 |
| Unsecured Subordinated trust | - | - | - | - | - | - | - | - | - | - | 1,300,000 | 13.75 | 1,300,000 | 13.75 |
| **Grand Total** | 816,369 | | 611,283 | | 189,895 | | 955,779 | | 450,000 | | 1,850,000 | | 4,873,326 | |

*34.2.2.2 Investment Portfolio Maturity Aging of Company as at 31 March 2026*

| Investment portfolio Maturity Aging of TTEL as at 31ST MARCH 2026 | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 0-30 Days | | 31-60 Days | | 61-90 Days | | 91-180 Days | | 181-364 Days | | Above 364 Days | | Grand Total | |
| Instrument | Investment amount (Rs) (Rs.000') | Interest rate (Range) (%) | Investment amount (Rs) (Rs.000') | Interest rate (Range) (%) | Investment amount (Rs) (Rs.000') | Interest rate (Range) (%) | Investment amount (Rs) (Rs.000') | Interest rate (Range) (%) | Investment amount (Rs) (Rs.000') | Interest rate (Range) (%) | Investment amount (Rs) (Rs.000') | Interest rate (Range) (%) | Investment amount (Rs) (Rs.000') | Interest rate (Range) (%) |
| FD | 210,000 | 8.50 | 575,000 | 8.45-8.75 | 165,000 | 8.5 | 910,000 | 8.10-9.67 | 200,000 | 9.00-9.40 | 550,000 | 10.50-10.75 | 2,610,000 | 7.75- 8.50 |
| Repo | 18,000 | 7.2-7.75 | - | - | - | - | - | - | 250,000 | 8.25 | - | - | 268,000 | 8.72 - 10.38 |
| Unit Trust | 557,191 | 7.73-8.00 | - | - | - | - | - | - | - | - | - | - | 557,191 | 7.3 - 9.00 |
| Unsecured Subordinated Trust | - | - | - | - | - | - | - | - | - | - | 1,300,000 | 13.75 | 1,300,000 | 13.75 |
| **Grand Total** | 785,191 | | 575,000 | | 165,000 | | 910,000 | | 450,000 | | 1,850,000 | | 4,735,191 | |

**34.2.3 Cash and Cash Equivalents**

The Group held cash at bank and in hand of Rs. 54.2 Mn as at 31st March 2026 (2025 – Rs.62.9 Mn) which represents its maximum credit exposure on these assets.

- ★ Sampath Bank PLC – A A(lka)
- ★ Hatton National Bank PLC –AA (lka)
- ★ Bank of Ceylon – A A (lka)
- ★ Hong Kong and Shanghai Banking Corporation Ltd – AA-(lka)
- ★ Union Bank Colombo PLC – BBB- (lka)
- ★ Seylan Bank PLC – A+(lka)
- ★ DFCC Bank PLC - A(lka)
- ★ National Development Bank PLC - A(lka)
- ★ Commercial Bank PLC - AA- (lka)
- ★ Pan Asia Banking Corporation PLC- BBB (lka)

# Notes to the Financial Statements

## 34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTD.)

### 34.3 Liquidity Risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group does not concentrate on a single financial institution, thereby minimizing the exposure to liquidity risk through diversification of funding sources. The Group aims to fund investment activities of the individual and Group level by funding the long-term investment with long term financial sources and short term investment with short term financing. Where necessary the Group consults the Treasury Department and Strategic Business Development Unit in Parent Company for scrutinizing the funding decisions.

The Table below summarizes the maturity profile of the Groups financial liabilities based on contractual undiscounted payments.

| As at 31 March 2026 | On Demand<br>Rs.'000 | Less than 3 Months<br>Rs.'000 | Less than 3-12 Months<br>Rs.'000 | 2 to 5 years<br>Rs.'000 | >5 years<br>Rs.'000 | Total<br>Rs.'000 |
|---|---|---|---|---|---|---|
| **Group** | | | | | | |
| Lease liability on Right of use asset- Land | - | 17,624 | 52,872 | 211,491 | 1,057,385 | 1,339,372 |
| Lease liability on Right of use asset- Building | - | 3,665 | 10,995 | 13,636 | - | 28,295 |
| Bank Overdraft | 4,155 | - | - | - | - | 4,155 |
| | 4,155 | 21,289 | 63,867 | 225,127 | 1,057,385 | 1,371,823 |
| **Company** | | | | | | |
| Lease liability on Right of use asset- Land | - | 17,620 | 52,861 | 211,442 | 1,057,211 | 1,339,134 |
| Lease liability on Right of use asset- Building | - | 3,665 | 10,995 | 13,636 | - | 28,295 |
| Bank Overdraft | 4,155 | - | - | - | - | 4,155 |
| | 4,155 | 21,285 | 63,855 | 225,078 | 1,057,211 | 1,371,585 |

| As at 31 March 2025 | On Demand<br>Rs.'000 | Less than 3 Months<br>Rs.'000 | Less than 3-12 Months<br>Rs.'000 | 2 to 5 years<br>Rs.'000 | >5 years<br>Rs.'000 | Total<br>Rs.'000 |
|---|---|---|---|---|---|---|
| **Group** | | | | | | |
| Lease liability on Right of use asset- Land | - | 16,494 | 49,482 | 197,928 | 1,055,618 | 1,319,522 |
| Lease liability on Right of use asset- Building | - | 4,152 | 12,456 | 22,676 | - | 39,284 |
| Bank Overdraft | 15,101 | - | - | - | - | 15,101 |
| | 15,101 | 20,646 | 61,938 | 220,604 | 1,055,618 | 1,373,907 |
| **Company** | | | | | | |
| Lease liability on Right of use asset- Land | - | 16,498 | 49,493 | 197,977 | 1,055,618 | 1,319,586 |
| Lease liability on Right of use asset- Building | - | 4,152 | 12,456 | 22,676 | - | 39,284 |
| Bank Overdraft | 15,101 | - | - | - | - | 15,101 |
| | 15,101 | 20,650 | 61,949 | 220,653 | 1,055,618 | 1,373,971 |

### 34.4 Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise four types of risk: interest rate risk, currency risk & other price risk such as equity price risk. Financial instrument affected by market risk include loans & borrowings, deposits, available for sale investment & derivative financial instruments.

#### 34.4.1 Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates. The Group manages its interest rate risk by having a balanced portfolio of fixed and variable rate loans and borrowings. The Group has not engaged in any interest rate swap agreements.

The Group held long term borrowings with floating interest rates of Nil (2025 – Nil) which represents its maximum credit exposure on these liabilities.

#### 34.4.2 Commodity Risk

The Company is affected by the volatility of certain commodities. Its operating activities require the ongoing purchase and manufacturing process. Due to the significantly increased volatility of the price of the underlying, the management has developed and enacted a risk management strategy regarding commodity price risk and its mitigation. The Company constantly monitor the Tea, Rubber, Cinnamon for downwards trends and invest in bulk purchase when low prices are prevalent. Management may revise the selling price based on the commodity prices whenever possible.

#### 34.4.3 Equity Price Risk

The Group's listed & unlisted equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Group manages the equity price risk through diversification and by placing limits on individual and total equity instruments. Management of the Group monitors the mix of debt & equity securities in its investment portfolio based on market indices. Material investment within the portfolio are Managed on an individual basis and all buy and sell decision are approved by the Board. Equity price risk is not material to the financial statements. However, company does not hold any quoted shares as at the reporting date.

#### 34.4.4 Capital Management

The Group's policy is to retain a strong capital base so as to maintain investor, creditor & market confidence and to sustain future development of the business. Capital consists of share capital, reserves & retain earning of the Group. The Board of Directors monitors the return on capital, interest covering ratio, dividend to ordinary shareholders.

The gearing ratio at the reporting date is as follows.

| | Group | | Company | |
|---|---|---|---|---|
| As at 31 March | 2026<br>Rs.'000 | 2025<br>Rs.'000 | 2026<br>Rs. '000 | 2025<br>Rs.'000 |
| **Liability to make Lease Payment** | | | | |
| Current portion | **20,510** | 21,412 | **20,506** | 21,408 |
| Payable After one year | **469,543** | 454,922 | **469,464** | 454,844 |
| Bank Overdraft | **4,155** | 15,101 | **4,155** | 15,101 |
| | **494,209** | 491,436 | **494,125** | 491,353 |
| **Equity** | | | | |
| Equity | **7,615,473** | 7,102,320 | **7,552,551** | 6,995,217 |
| Equity & debts | **8,109,682** | 7,593,757 | **8,046,677** | 7,486,571 |
| Gearing ratio | **6.09%** | 6.47% | **6.14%** | 6.56% |

# Notes to the Financial Statements

## 34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTD.)

### 34.5 Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities.

The following tables demonstrate the sensitivity to a reasonably possible change in US Dollars (USD) exchange rate, with all other variables held constant. The impact on the Group's profit before tax is due to changes in the fair value of monetary assets and liabilities. The Group's exposure to foreign currency changes for all other currencies is not material.

| As at 31 March | Currency | Increase/ decrease in basis points | Effect on profit before tax Rs. '000 |
|---|---|---|---|
| **2025/26** | **USD** | **+5%** | **419** |
| | | **-5%** | **(419)** |
| 2024/25 | USD | +5% | 224 |
| | | -5% | (224) |

# Appendices

# Investor Relations

*Dear stakeholder,*

Our investment community consists of both current and potential shareholders, encompassing individual and institutional investors. As providers of vital financial capital, shareholders represent a key stakeholder group. Their rights and responsibilities are governed by the Companies Act No. 07 of 2007, and further reinforced by regulations of the Securities and Exchange Commission (SEC), the Colombo Stock Exchange (CSE) Listing Rules, and the OECD Principles of Corporate Governance.

## QUARTERLY PERFORMANCE IN 2026 COMPARED TO 2025 (AS PER RULE NO. 7.5 (A) (I) OF THE LISTING RULES OF THE CSE)

We wish to inform stakeholders that TTE has duly submitted its Interim Financial Statements for 2025/26 to the Colombo Stock Exchange (CSE) within the applicable statutory deadlines, continuing the Company's record of timely submissions as in 2024/25. The Financial Calendar on page 284 outlines these requirements and confirms compliance.

The Annual Report, including the Audited Financial Statements for the year ended 31 March 2026, will be submitted to the CSE within three months of the year-end, in accordance with Rule 7.5(a) of the CSE Listing Rules, as was complied with in 2024/25. The Annual Report will also be accessible on the Company's website in both PDF and interactive formats at https://www.talawakelleteas.com/.

Shareholders who prefer a printed copy may request one. The Company Secretary will respond to individual requests submitted using the specimen request letter included in the booklet circulated to shareholders.

## SHARE PERFORMANCE

During the financial year ended 31st March 2026, TTE recorded notable movements in its share performance. The market price of an ordinary share reached a high of Rs. 180 on 30th September 2025, while the lowest price was Rs. 128.50 on 25th March 2026. The year-end closing price stood at Rs. 129.75, compared to Rs. 139.25 in the previous year.

Trading activity reflected a decline compared to the prior year, with 8,527 transactions executed, involving 2,272,236 shares and a total trading value of Rs. 338.7 million, against 10,432 transactions and Rs. 617.5 Mn in 2025.

The company-maintained compliance with the Colombo Stock Exchange Listing Rules, with a public holding of 20.17% and a float-adjusted market capitalization of Rs. 1.24 billion, meeting the minimum requirement under Rule 7.13.1(a).

Dividend payments during the year amounted to Rs. 7.89 per share, distributed through three interim dividends (Rs. 1.74 in October 2025, Rs. 1.55 in January 2026, and Rs. 4.60 in April 2026). while the share price experienced volatility and a slight decline at year-end, shareholder returns were supported by strong dividend payouts, and the company continued to demonstrate compliance with regulatory requirements

## SUSTAINABLE VALUE CREATION

We thank our shareholders for their continued trust and support. TTE remains focused on sustainable growth, efficient operations and responsible financial management to deliver long-term value. Despite industry challenges, we continue to maintain stability through quality production and strong business practices, while ensuring transparent reporting of our financial and operational performance.

## DESCRIPTION OF ORDINARY SHARES TABLE

| | | |
|---|---|---|
| Security type | : | Quoted ordinary shares |
| Listed exchange | : | Colombo Stock Exchange (CSE) – Main Board |
| Featured stock indices | : | All Share Price Index (ASPI) |
| GICS Industry Group | : | Food Beverage & Tobacco |
| CSE stock symbol | : | TPL.N0000 |
| International Securities Identification Number (ISIN) | : | ISIN: LK0311N00007 |

## STATED CAPITAL

The Stated Capital of the Company is Rs. 350,000,010/- divided into forty-seven million & five hundred thousand (47,500,000) ordinary shares and one (01) Golden share.

## COMPOSITION OF THE ORDINARY SHAREHOLDERS AS AT 31ST MARCH 2026

The shareholder composition as required by CSE listing Rule 7.6 and their corresponding shares details are provided below.

Number of shareholders as at 31st March 2026 is 15,128 (31st March 2025-14,807)

| | RESIDENTS | | | NON-RESIDENTS | | | TOTAL | | |
|---|---|---|---|---|---|---|---|---|---|
| No. of Shares Held | No. of Shareholders | No. of Shares | % | No. of Shareholders | No. of Shares | % | No. of Shareholders | No. of Shares | % |
| 1 - 1,000 | 14,577 | 4,175,752 | 8.79 | 10 | 3,360 | 0.00 | 14,587 | 4,179,112 | 8.79 |
| 1,001 - 10,000 | 458 | 1,325,159 | 2.79 | 7 | 19,326 | 0.04 | 465 | 1,344,485 | 2.83 |
| 10,001 - 100,000 | 62 | 1,582,917 | 3.33 | 2 | 121,925 | 0.26 | 64 | 1,704,842 | 3.59 |
| 100,001- 1,000,000 | 10 | 2,402,161 | 5.06 | - | - | - | 10 | 2,402,161 | 5.06 |
| Over 1,000,000 | 2 | 37,869,400 | 79.73 | - | - | - | 2 | 37,869,400 | 79.73 |
| | 15,109 | 47,355,389 | 99.70 | 19 | 144,611 | 0.30 | 15,128 | 47,500,000 | 100.00 |
| **CATEGORY** | | | | | | | | | |
| Individuals | 15,016 | 7,513,043 | 15.82 | 19 | 144,611 | 0.30 | 15,035 | 7,657,654 | 16.12 |
| Institutions | 93 | 39,842,346 | 83.88 | - | - | - | 93 | 39,842,346 | 83.88 |
| | 15,109 | 47,355,389 | 99.70 | 19 | 144,611 | 0.30 | 15,128 | 47,500,000 | 100.00 |

Of the issued ordinary share capital, 99.70%, is held by residents of Sri Lanka.

## PUBLIC HOLDING

| PUBLIC HOLDING | 2026 | 2025 |
|---|---|---|
| Market Capitalization as at 31 March ( Rs. 000 ) | 6,163,125 | 6,614,375 |
| Public Holding percentage of the company (%) | 20.17 | 20.26 |
| No of Public shareholders | 15,121 | 14,801 |
| Float – adjusted Market capitalization ( Rs. 000 ) | 1,242,901 | 1,339,752 |

The complies with Option 5 of the Listing rules 7.13.1(i) (a) – which requires a minimum public holding of 20% for a company having a float adjusted market capitalization of Less than Rs. 2.5 Bn.

## SHARE PRICE MOVEMENT LAST FIVE YEARS

| Year | 2025/26 | 2024/25 | 2023/24 | 2022/23 | 2021/22 |
|---|---|---|---|---|---|
| Highest Price ( Rs. ) | **180.00** | 155.25 | 130.50 | 113.00 | 79.00 |
| Lowest price ( Rs. ) | **128.50** | 110.00 | 81.40 | 37.10 | 37.50 |
| Closing Price ( Rs. ) | **129.75** | 139.25 | 113.75 | 82.50 | 42.60 |

## LAST FIVE YEARS - SHARE TRADING

| Year | 12 months ended 31 March 2026 | 12 months ended 31 March 2025 | 12 months ended 31 March 2024 | 12 months ended 31 March 2023 | 12 months ended 31 March 2022 |
|---|---|---|---|---|---|
| No. of transactions | **8,527** | 10,432 | 16,661 | 13,282 | 13,674 |
| No. of shares traded | **2,272,236** | 4,732,703 | 4,933,032 | 8,295,457 | 7,715,052 |
| Value of shares traded (Rs.) | **338,655,020** | 617,549,269 | 519,142,635 | 693,143,800 | 392,306,916 |

## MOVEMENT OF VOTING SHARE PRICE DURING THE YEAR

| Month | April 25 | May 25 | June 25 | July 25 | Aug 25 | Sep 25 | Oct 25 | Nov 25 | Dec 25 | Jan 26 | Feb 26 | March 26 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Highest price ( Rs. ) | 148.75 | 148.50 | 145.00 | 168.75 | 165.00 | 180.00 | 179.75 | 168.00 | 158.00 | 160.00 | 148.00 | 143.00 |
| Lowest price ( Rs. ) | 135.00 | 139.50 | 138.00 | 141.75 | 155.25 | 158.00 | 157.50 | 155.75 | 138.50 | 140.00 | 140.00 | 128.50 |
| Closing price ( Rs. ) | 146.00 | 143.00 | 143.00 | 165.25 | 159.75 | 179.00 | 165.25 | 159.75 | 147.00 | 143.00 | 142.00 | 129.75 |

# Investor Relations

## DIVIDEND PAYMENT

| | Rs. per Share | Date of Payment |
|---|---|---|
| First interim Dividend | Rs. 1.74 | 23rd October 2025 |
| Second Interim Dividend | Rs. 1.55 | 26th January 2026 |
| Third Interim Dividend | Rs. 4.60 | 27th April 2026 |

## DIRECTORS' SHAREHOLDINGS AS OF 31ST MARCH 2026

| Name of Director | As at 31 March 2026 | As at 31 March 2025 |
|---|---|---|
| Dr. W. G. R. Rajadurai | **7,000** | 5,000 |
| Mr. M. C. B. Talwatte | **1,200** | 1200 |

(Mr. A.M Pandithage, Mr. N.P. Abesinghe, Mr. Malik J. Fernando, Mr. S. L Athukorala, Lt. Col. J.M.Kariapperuma, Mr. N.Ekanayake, Mr. J.D.N.Gunasekera, Ms. H.Randiligama, Mr. T. M Hewagama and Mr. A. Weerakoon who are directors of the company did not hold any shares of the company as at 31st March 2026)

## TWENTY LARGEST SHAREHOLDERS OF THE COMPANY

| | Name of the Shareholder | No.of Shares as at 31.03.2026 | % | No.of Shares as at 31.03.2025 | % |
|---|---|---|---|---|---|
| 1 | Hayleys Plantation Services (Private) Limited | **35,500,000** | **74.74** | 35,500,000 | 74.74 |
| 2 | Merrill J Fernando & Sons (Pvt) Limited | **2,369,400** | **4.99** | 2,369,400 | 4.99 |
| 3 | Hatton National Bank PLC/K.K. Shujeevan | **763,471** | **1.61** | 758,471 | 1.60 |
| 4 | Mr. Amila Jeevan Wijayawardhana | **400,000** | **0.84** | 416,773 | 0.88 |
| 5 | MSS Investments (Private) Limited | **328,965** | **0.69** | 162,820 | 0.34 |
| 6 | Dedunu Capital (Private) Limited | **170,043** | **0.36** | 158,000 | 0.33 |
| 7 | Mr. Chandima Bandara Welagedara | **166,000** | **0.35** | 160,485 | 0.34 |
| 8 | Mr. George Mohan Weerakoon | **134,222** | **0.28** | 185,855 | 0.39 |
| 9 | Cocoshell Activated Carbon Company (Private) Limited | **117,200** | **0.25** | 117,200 | 0.25 |
| 10 | People's Leasing & Finance PLC / S.P.S. Nishara | **111,815** | **0.24** | - | - |
| 11 | Mr. Allan Jagath Monesh Jinadasa | **106,000** | **0.22** | 70,000 | 0.15 |
| 12 | People's Leasing & Finance PLC / Mr. K.K.Shujeevan | **104,445** | **0.22** | 99,945 | 0.21 |
| 13 | Mr. Ramaiya Senthilnathan | **100,000** | **0.21** | 93,126 | 0.20 |
| 14 | Mr. Panagodage Somadasa | **99,905** | **0.21** | 100,122 | 0.21 |
| 15 | People's Leasing & Finance PLC / S.Weerathunga | **96,622** | **0.20** | - | - |
| 16 | Dr. Dushyantha Harshin Herath Wariyapola & Mrs. A.D. Wariyapola | **70,000** | **0.15** | 70,000 | 0.15 |
| 17 | Mr. Weligama Acharige Sugath Nalinda Milton | **64,179** | **0.14** | 64,179 | 0.14 |
| 18 | Mr. Nandana Arangala Withana | **50,970** | **0.11** | 50,970 | 0.11 |
| 19 | Mr. Azeez Jalaluddin Rumy | **50,000** | **0.11** | 34,999 | 0.07 |
| 20 | Mr. Ajith Surendra Ratnayake | **45,008** | **0.09** | 45,008 | 0.09 |
| | Sub Total | **40,848,245** | **86.00** | 40,457,353 | 85.17 |
| | Others | **6,651,755** | **14.00** | 7,042,647 | 14.83 |
| | Total | **47,500,000** | **100.00** | 47,500,000 | 100.00 |

## OPEN COMMUNICATION WITH INVESTORS

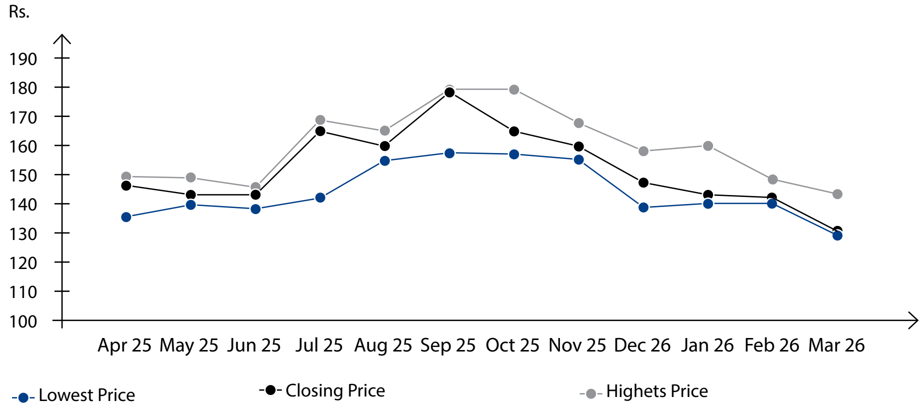
We are committed to maintaining clear, timely and transparent communication with our investors. Through our Annual General Meeting, reports and regular updates, we ensure shareholders stay informed and have opportunities to engage with the Company. Investor feedback is valued and helps improve our reporting and communication practices.

Investors and shareholders are encouraged to submit any queries or requests through the corporate website at https://www.talawakelleteas.com/. contact-us. This page provides a form where individuals may enter their details and messages. Inquiries may also be directed via email to tpl.tea@ttel.hayleys.com. , as indicated on the website. Additionally, correspondence can be made by ordinary mail or any other preferred mode of communication. All queries received will be reviewed and, where necessary, referred to the Board of Directors. Matters will be addressed at the subsequent Board meeting, or earlier if considered urgent.

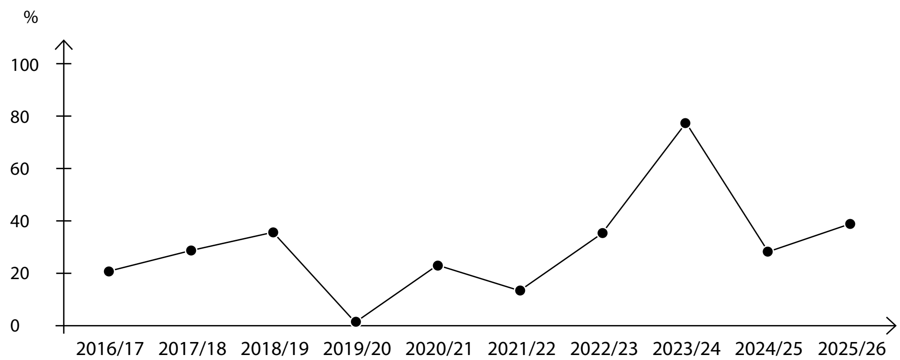
The company has in place the processes necessary to execute the company's commitment to transparency, accountability, and responsiveness to the needs and concerns of its investors and shareholders. By providing multiple communication channels and a structured process for handling of inquiries and requests, the company is able to foster trust and confidence among shareholders. Additionally, the involvement of designated officers and the Board of Directors ensures that inquiries and requests are addressed effectively and in accordance with established procedures.

## OTHER COMMUNICATION CHANNELS

## SHARE PRICE MOVEMENT DURING THE YEAR




## Dividend payout ratio




**Market Capitalization as at 31st March 2026**

**Rs. 6.16 Bn**

SYMBOL : TPL.N0000
ISIN : LK0311N00007

Talawakelle Tea Estates®

**LKR 129.75 Closing Price**

**LKR 180.00 Highest Price**

**LKR 128.80 Lowest Price**

# Vertical and Horizontal Analysis of Financial Statements

## STATEMENT OF PROFIT OR LOSS

### Horizontal Analysis

| Horizontal Analysis | 2025/26 | | 2024/25 | | 2023/24 | | 2022/23 | | 2021/22 | | 2020/21 | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Rs. Mn | % | Rs. Mn | % | Rs. Mn | % | Rs. Mn | % | Rs. Mn | % | Rs. Mn | % |
| Revenue | 7,851 | 1% | 7,806 | 1% | 7,764 | -5% | 8,199 | 73% | 4,727 | 5% | 4,516 | 16% |
| Cost of sales | (6,417) | 7% | (5,988) | 0% | (5,988) | 12% | (5,342) | 40% | (3,808) | 4% | (3,677) | 2% |
| **Gross Profit** | 1,434 | -21% | 1,818 | 2% | 1,775 | -38% | 2,857 | 211% | 920 | 10% | 839 | 186% |
| Change in Fair Value of Biological Assets | (7) | -131% | 24 | -86% | 172 | 44% | 119 | 121% | 54 | 133% | 23 | 74% |
| Other Income and Gains | 133 | 59% | 83 | 81% | 46 | -31% | 67 | -5% | 71 | 2% | 69 | 28% |
| Administrative Expenses | (516) | 9% | (472) | 12% | (422) | 25% | (336) | 33% | (253) | 22% | (208) | 5% |
| **Results From Operating Activities** | 1,043 | -28% | 1,454 | -7% | 1,571 | -42% | 2,707 | 242% | 791 | 9% | 724 | 343% |
| Finance Income | 379 | -1% | 384 | -38% | 621 | -2% | 632 | 634% | 86 | -2% | 87 | -8% |
| Finance Expenses | 0 | -10% | 0 | -71% | (0.63) | -49% | (1) | -25% | (2) | -23% | (2) | -12% |
| Interest Paid to Government and Other on Leases | (70) | 3% | (67) | 18% | (57) | 46% | (39) | 3% | (38) | 1% | (38) | 1% |
| **Net Finance Expenses** | 309 | -2% | 317 | -44% | 563 | -5% | 591 | 1176% | 46 | -3% | 48 | -13% |
| **Profit/(Loss) before taxation** | 1,352 | -24% | 1,771 | -17% | 2,135 | -35% | 3,298 | 294% | 837 | 8% | 772 | 253% |
| Income tax expense | (426) | -20% | (536) | 9% | (491) | -32% | (719) | 3512% | (20) | -67% | (60) | 170% |
| **Net profit/(Loss) for the period** | 926 | -25% | 1,235 | -25% | 1,643 | -36% | 2,579 | 215% | 817 | 15% | 712 | 262% |

### Vertical Analysis

| Vertical Analysis | 2025/26 | | 2024/25 | | 2023/24 | | 2022/23 | | 2021/22 | | 2020/21 | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Rs. Mn | % | Rs. Mn | % | Rs. Mn | % | Rs. Mn | % | Rs. Mn | % | Rs. Mn | % |
| Revenue | 7,851 | 100% | 7,806 | 100% | 7,764 | 100% | 8,199 | 100% | 4,727 | 100% | 4,516 | 100% |
| Cost of sales | (6,417) | -82% | (5,988) | -77% | (5,988) | -77% | (5,342) | -65% | (3,808) | -81% | (3,677) | -81% |
| **Gross Profit** | 1,434 | 18% | 1,818 | 23% | 1,775 | 23% | 2,857 | 35% | 920 | 19% | 839 | 19% |
| Change in Fair Value of Biological Assets | (7) | 0% | 24 | 0% | 172 | 2% | 119 | 1% | 54 | 1% | 23 | 1% |
| Other Income and Gains | 133 | 2% | 83 | 1% | 46 | 1% | 67 | 1% | 71 | 1% | 69 | 2% |
| Administrative Expenses | (516) | -7% | (472) | -6% | (422) | -5% | (336) | -4% | (253) | -5% | (208) | -5% |
| **Results From Operating Activities** | 1,043 | 13% | 1,454 | 19% | 1,571 | 20% | 2,707 | 33% | 791 | 17% | 724 | 16% |
| Finance Income | 379 | 5% | 384 | 5% | 621 | 8% | 632 | 8% | 86 | 2% | 87 | 2% |
| Finance Expenses | 0 | 0% | (0.18) | 0% | (0.63) | 0% | (1) | 0% | (2) | 0% | (2) | 0% |
| Interest Paid to Government and Other on Leases | (70) | -1% | (67) | -1% | (57) | -1% | (39) | 0% | (38) | -1% | (38) | -1% |
| **Net Finance Expenses** | 309 | 4% | 317 | 4% | 563 | 7% | 591 | 7% | 46 | 1% | 48 | 1% |
| **Profit/(Loss) before taxation** | 1,352 | 17% | 1,771 | 23% | 2,135 | 27% | 3,298 | 40% | 837 | 18% | 772 | 17% |
| Income tax expense | (426) | -5% | (536) | -7% | (491) | -6% | (719) | -9% | (20) | 0% | (60) | -1% |
| **Net profit/(Loss) for the period** | 926 | 12% | 1,235 | 16% | 1,643 | 21% | 2,579 | 31% | 817 | 17% | 712 | 16% |

## STATEMENT OF PROFIT OR LOSS

### Horizontal Analysis

| | 2025/26 | | 2024/25 | | 2023/24 | | 2022/23 | | 2021/22 | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Rs. Mn | % | Rs. Mn | % | Rs. Mn | % | Rs. Mn | % | Rs. Mn | % |
| **Assets** | | | | | | | | | | |
| **Non-Current Assets** | | | | | | | | | | |
| Right-of-use Assets | **452** | **-1%** | 456 | 13% | 404 | 40% | 288 | -7% | 311 | -5% |
| Tangible assets other than Immature/ Mature Plantations | **1,883** | **7%** | 1,765 | 15% | 1,540 | 10% | 1,395 | 21% | 1,156 | 61% |
| Bearer Biological Assets | **2,381** | **8%** | 2,206 | 8% | 2,048 | 7% | 1,909 | 5% | 1,816 | 2% |
| Consumable Biological Assets | **680** | **0%** | 679 | 2% | 665 | 37% | 484 | 25% | 386 | 18% |
| Intangible Assets | **11** | **23%** | 9 | -20% | 12 | -11% | 13 | -15% | 15 | 213% |
| Non-Current Financial Asset | **1,850** | | 0 | - | - | - | - | - | - | - |
| Deferred Tax Asset | **1** | **9%** | 0 | 0 | 1 | 0 | 1 | -55% | 3 | - |
| **Total Non-current Assets** | **7,258** | **42%** | 5,115 | 10% | 4,669 | 14% | 4,091 | 11% | 3,688 | 12% |
| **Current Assets** | | | | | | | | | | |
| Produce on Bearer Biological Assets | **20** | **-37%** | 32 | 42% | 23 | -1% | 23 | 31% | 17 | -23% |
| Inventories | **673** | **-24%** | 889 | 19% | 750 | -10% | 831 | 72% | 483 | 14% |
| Trade and Other Receivables | **735** | **69%** | 435 | -4% | 454 | -7% | 490 | 66% | 294 | 24% |
| Amounts due from Related Companies | **11** | **8%** | 10 | 84% | 6 | -78% | 25 | -82% | 138 | 1930% |
| Short Term Investments | **3,023** | **-30%** | 4,346 | 13% | 3,849 | 10% | 3,514 | 85% | 1,902 | 11% |
| Cash and Bank Balances | **54** | **-14%** | 63 | -42% | 108 | -38% | 173 | 486% | 30 | 14% |
| **Total Current Assets** | **4,517** | **-22%** | 5,775 | 11% | 5,189 | 3% | 5,055 | 77% | 2,864 | 18% |
| **Total Assets** | **11,775** | **8%** | 10,891 | 10% | 9,858 | 8% | 9,145 | 40% | 6,552 | 14% |
| **Equity and Liabilities** | | | | | | | | | | |
| **Equity** | | | | | | | | | | |
| Stated Capital | **350** | **0%** | 350 | 0% | 350 | 0% | 350 | 0% | 350 | 0% |
| Revenue Reserves | **7,265** | **8%** | 6,752 | 12% | 6,020 | 6% | 5,669 | 43% | 3,956 | 24% |
| Equity attributable to equity holders of the parent | **7,615** | **7%** | 7,102 | 12% | 6,370 | 6% | 6,019 | 40% | 4,306 | 22% |
| Non-Controlling Interests | **-** | **-** | - | - | - | -100% | 148 | 3% | 144 | - |
| **Total Equity** | **7,615** | **7%** | 7,102 | 12% | 6,370 | 3% | 6,167 | 39% | 4,450 | 26% |
| **Non Current Liabilities & Deferred Income** | | | | | | | | | | |
| Interest Bearing Loans & Borrowings | **0** | **0%** | 0 | 0% | 0 | -100% | 3 | -57% | 6 | -56% |
| Retirement Benefit Obligations | **1,238** | **5%** | 1,182 | 27% | 933 | 16% | 801 | -8% | 871 | -2% |
| Deferred Tax Liability | **669** | **5%** | 635 | -2% | 645 | 19% | 544 | 240% | 160 | -25% |
| Deferred Income | **133** | **-2%** | 136 | 3% | 132 | -3% | 137 | 0% | 137 | -1% |
| Lease Liability | **470** | **3%** | 455 | 16% | 393 | 52% | 259 | -5% | 272 | -2% |
| **Total Non-Current Liabilities & Deferred Income** | **2,509** | **4%** | 2,409 | 15% | 2,103 | 21% | 1,744 | 21% | 1,446 | -6% |
| **Current Liabilities** | | | | | | | | | | |
| Trade and Other Payables | **1,242** | **19%** | 1,044 | 5% | 993 | -9% | 1,094 | 83% | 599 | 4% |
| Interest Bearing Loans & Borrowings | **0** | **0%** | 0 | -100% | 3 | -25% | 3 | -54% | 8 | -62% |
| Lease Liability | **21** | **-4%** | 21 | 52% | 14 | -8% | 15 | 8% | 14 | 14% |
| Amounts due to Related Companies | **277** | **90%** | 146 | -33% | 219 | 161% | 84 | 231% | 25 | -51% |
| Income Tax Payable | **107** | **-30%** | 153 | 29% | 118 | 0% | 0 | 0% | 0 | 0% |
| Bank Overdraft | **4** | **-72%** | 15 | -61% | 39 | 3% | 37 | 281% | 10 | 27% |
| **Total Current Liabilities** | **1,650** | **20%** | 1,379 | 0% | 1,385 | 12% | 1,234 | 88% | 656 | -2% |
| **Total Liabilities** | **4,159** | **10%** | 3,788 | 9% | 3,488 | 17% | 2,978 | 42% | 2,102 | -4% |
| **Total Equity and Liabilities** | **11,775** | **8%** | 10,891 | 10% | 9,858 | 8% | 9,145 | 40% | 6,552 | 14% |

# Vertical and Horizontal Analysis of Financial Statements

## STATEMENT OF PROFIT OR LOSS

### Vertical Analysis

| | 2025/26 | | 2024/25 | | 2023/24 | | 2022/23 | | 2021/22 | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Rs. Mn | % | Rs. Mn | % | Rs. Mn | % | Rs. Mn | % | Rs. Mn | % |
| **Assets** | | | | | | | | | | |
| **Non Current Assets** | | | | | | | | | | |
| Right-of-use Assets | 452 | 4% | 456 | 4% | 404 | 4% | 288 | 3% | 311 | 5% |
| Tangible assets other than Immature/ Mature Plantations | 1,883 | 16% | 1,765 | 16% | 1,540 | 16% | 1,395 | 15% | 1,156 | 18% |
| Bearer Biological Assets | 2,381 | 20% | 2,206 | 20% | 2,048 | 21% | 1,909 | 21% | 1,816 | 28% |
| Consumable Biological Assets | 680 | 6% | 679 | 6% | 665 | 7% | 484 | 5% | 386 | 6% |
| Intangible Assets | 11 | 0% | 9 | 0% | 12 | 0% | 13 | 0% | 15 | 0% |
| Non-Current Financial Asset | 1,850 | 16% | - | - | - | - | - | - | - | - |
| Deferred Tax Asset | 1 | 0% | - | - | 1 | 0% | 1 | 0% | 3 | 0% |
| **Total Non-current Assets** | 7,258 | 62% | 5,115 | 47% | 4,669 | 47% | 4,091 | 45% | 3,688 | 56% |
| **Current Assets** | | | | | | | | | | |
| Produce on Bearer Biological Assets | 20 | 0% | 32 | 0% | 23 | 0% | 23 | 0% | 17 | 0% |
| Inventories | 673 | 6% | 889 | 8% | 750 | 8% | 831 | 9% | 483 | 7% |
| Trade and Other Receivables | 735 | 6% | 435 | 4% | 454 | 5% | 490 | 5% | 294 | 4% |
| Amounts due from Related Companies | 11 | 0% | 10 | 0% | 6 | 0% | 25 | 0% | 138 | 2% |
| Short Term Investments | 3,023 | 26% | 4,346 | 40% | 3,849 | 39% | 3,514 | 38% | 1,902 | 29% |
| Cash and Bank Balances | 54 | 0% | 63 | 1% | 108 | 1% | 173 | 2% | 30 | 0% |
| **Total Current Assets** | 4,517 | 38% | 5,775 | 53% | 5,189 | 53% | 5,055 | 55% | 2,864 | 44% |
| **Total Assets** | 11,775 | 100% | 10,891 | 100% | 9,858 | 100% | 9,145 | 100% | 6,552 | 100% |
| **Equity and Labilities** | | | | | | | | | | |
| **Equity** | | | | | | | | | | |
| Stated Capital | 350 | 3% | 350 | 3% | 350 | 4% | 350 | 4% | 350 | 5% |
| Revenue Reserves | 7,265 | 62% | 6,752 | 62% | 6,020 | 61% | 5,669 | 62% | 3,956 | 60% |
| Equity attributable to equity holders of the parent | 7,615 | 65% | 7,102 | 65% | 6,370 | 65% | 6,019 | 66% | 4,306 | 66% |
| Non-Controlling Interests | | | | | | | 148 | 2% | 144 | 2% |
| **Total Equity** | 7,615 | 65% | 7,102 | 65% | 6,370 | 65% | 6,167 | 67% | 4,450 | 68% |
| **Non Current Liabilities & Deferred Income** | | | | | | | | | | |
| Interest Bearing Loans & Borrowings | - | - | - | - | - | - | 3 | 0% | 6 | 0% |
| Retirement Benefit Obligations | 1,238 | 11% | 1,182 | 11% | 933 | 9% | 801 | 9% | 871 | 13% |
| Deferred Tax Liability | 669 | 6% | 635 | 6% | 645 | 7% | 544 | 6% | 160 | 2% |
| Deferred Income | 133 | 1% | 136 | 1% | 132 | 1% | 137 | 1% | 137 | 2% |
| Lease Liability | 470 | 4% | 455 | 4% | 393 | 4% | 259 | 3% | 272 | 4% |
| **Total Non-Current Liabilities & Deferred Income** | 2,509 | 21% | 2,409 | 22% | 2,103 | 21% | 1,744 | 19% | 1,446 | 22% |
| **Current Liabilities** | | | | | | | | | | |
| Trade and Other Payables | 1,242 | 11% | 1,044 | 10% | 993 | 10% | 1,094 | 12% | 599 | 9% |
| Interest Bearing Loans & Borrowings | 0 | 0% | 0 | 0% | 3 | 0% | 3 | 0% | 8 | 0% |
| Lease Liability | 21 | 0% | 21 | 0% | 14 | 0% | 15 | 0% | 14 | 0% |
| Amounts due to Related Companies | 277 | 2% | 146 | 1% | 219 | 2% | 84 | 1% | 25 | 0% |
| Income Tax Payable | 107 | 1% | 153 | 1% | 118 | 1% | 0 | 0% | 0 | 0% |
| Bank Overdraft | 4 | 0% | 15 | 0% | 39 | 0% | 37 | 0% | 10 | 0% |
| **Total Current Liabilities** | 1,650 | 14% | 1,379 | 13% | 1,385 | 14% | 1,234 | 13% | 656 | 10% |
| **Total Liabilities** | 4,159 | 35% | 3,788 | 35% | 3,488 | 35% | 2,978 | 33% | 2,102 | 32% |
| **Total Equity and Liabilities** | 11,775 | 100% | 10,891 | 100% | 9,858 | 100% | 9,145 | 100% | 6,552 | 100% |

# 10 YEAR SUMMARY

| | 2025/26 Rs.000 | 2024/25 Rs.000 | 2023/24 Rs.000 | 2022/23 Rs.000 | 2021/22 Rs.000 | 2020/21 Rs.000 | 2019/20 Rs.000 | 2018/19 Rs.000 | 2017/18 Rs.000 | 2016/17 Rs.000 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Trading Summary** | | | | | | | | | | |
| Group revenue | **7,851,079** | 7,805,693 | 7,763,611 | 8,199,353 | 4,727,355 | 4,488,639 | 3,886,417 | 4,025,913 | 4,061,310 | 3,334,494 |
| Earning before interest and taxes (EBIT) | **1,043,427** | 1,453,810 | 1,571,457 | 2,707,053 | 790,942 | 723,911 | 163,555 | 440,326 | 616,067 | 321,984 |
| Profit before Taxation | **1,352,388** | 1,770,584 | 2,134,647 | 3,298,269 | 837,291 | 771,718 | 218,789 | 483,681 | 616,828 | 266,388 |
| Tax Expense | **(426,336)** | (535,745) | (491,197) | (719,483) | (19,919) | (59,978) | (22,215) | (70,966) | (69,262) | (24,906) |
| Profit After Taxation | **926,052** | 1,234,839 | 1,643,450 | 2,578,786 | 817,372 | 711,740 | 196,574 | 412,715 | 547,567 | 241,482 |
| Non-controlling Interest | **0** | 0 | (1,289) | 3,636 | 2,996 | 3,178 | 876 | 7,878 | (870) | (7,713) |
| Profit attributable to owners of the parent | **926,052** | 1,234,839 | 1,644,741 | 2,575,150 | 814,376 | 708,562 | 195,698 | 404,837 | 548,437 | 233,769 |
| **Fund Employed** | | | | | | | | | | |
| Stated capital | **350,000** | 350,000 | 350,000 | 350,000 | 350,000 | 350,000 | 350,000 | 350,000 | 350,000 | 350,000 |
| Revenue reserve | **7,265,474** | 6,752,320 | 6,019,534 | 5,669,311 | 3,955,724 | 3,201,716 | 2,511,115 | 2,291,935 | 2,172,318 | 1,723,744 |
| **Equity attributable to equity holders of the parent** | **7,615,474** | 7,102,320 | 6,369,534 | 6,019,311 | 4,305,724 | 3,551,716 | 2,861,115 | 2,641,935 | 2,522,318 | 2,073,744 |
| Non-controlling Interest | **-** | - | - | 147,848 | 144,106 | 160,709 | 170,534 | 176,828 | 170,793 | 173,609 |
| Lease liability | **490,054** | 476,336 | 406,886 | 274,618 | 286,210 | 290,856 | 282,643 | 186,353 | 187,174 | 187,901 |
| Interest Bearing Loans & Borrowings (short and long-term) | **4,155** | 15,101 | 41,347 | 43,535 | 23,589 | 41,661 | 21,263 | 67,681 | 176,018 | 225,322 |
| **Asset Employed** | | | | | | | | | | |
| Non -current assets | **7,257,503** | 5,115,433 | 4,669,009 | 4,090,522 | 3,687,646 | 3,454,870 | 3,456,053 | 3,342,791 | 3,340,876 | 3,321,693 |
| Current assets | **4,517,157** | 5,775,073 | 5,188,757 | 5,054,918 | 2,863,867 | 2,458,001 | 1,632,224 | 1,679,708 | 1,384,270 | 814,914 |
| Current liabilities net of borrowings | **(1,625,438)** | (1,342,930) | (1,329,926) | (1,178,001) | (624,032) | (626,435) | (388,586) | (631,080) | (548,688) | (391,605) |
| Retirement benefit obligation | **(1,237,844)** | (1,182,334) | (932,949) | (801,095) | (871,316) | (890,953) | (1,024,164) | (969,573) | (811,824) | (801,101) |
| Deferred tax liability | **(668,604)** | (635,269) | (645,084) | (544,333) | (159,891) | (211,825) | (200,446) | (204,222) | (158,206) | (127,898) |
| Deferred income | **(133,091)** | (136,216) | (132,040) | (136,699) | (136,643) | (138,717) | (139,527) | (144,826) | (150,126) | (155,426) |
| **Capital Employed** | **8,109,683** | 7,593,757 | 6,817,767 | 6,485,312 | 4,759,629 | 4,044,942 | 3,335,555 | 3,072,798 | 3,056,303 | 2,660,576 |
| **Cash Flows** | | | | | | | | | | |
| Net Cash inflow/(outflow) from operating activities | **1,492,476** | 1,512,925 | 1,997,123 | 3,163,722 | 730,035 | 916,596 | 505,211 | 629,399 | 815,818 | 485,370 |
| Net Cash inflow/(outflow) from investing activities | **(2,455,504)** | (562,299) | (570,585) | (489,035) | (356,457) | (134,249) | (119,142) | (134,208) | (153,229) | (103,204) |
| Net Cash inflow/(outflow) from finance activities | **(357,748)** | (474,710) | (1,157,568) | (946,902) | (192,803) | (204,435) | (208,747) | (214,306) | (201,010) | (115,128) |
| Increase/(decrease) in cash & cash equivalents | **(1,320,776)** | 475,916 | 268,970 | 1,727,785 | 180,775 | 577,911 | 177,322 | 280,884 | 461,579 | 267,038 |
| **Key Indicators** | | | | | | | | | | |
| **Profitability Ratios** | | | | | | | | | | |
| Net Profit margin (%) | **11.80** | 15.82 | 21.17 | 31.45 | 17.29 | 15.86 | 5.06 | 10.25 | 13.48 | 7.24 |
| Gross Profit Margin (%) | **18.26** | 23.29 | 22.86 | 34.85 | 19.46 | 18.28 | 7.54 | 14.75 | 18.57 | 13.08 |
| Operating Profit Margin (%) | **13.29** | 18.62 | 20.24 | 33.02 | 16.73 | 16.13 | 4.21 | 10.94 | 15.17 | 9.66 |
| Return on equity (%) | **12.58** | 18.33 | 26.22 | 48.58 | 20.04 | 21.11 | 6.72 | 14.98 | 24.22 | 11.78 |
| Return on Asset (%) | **8.17** | 11.90 | 17.30 | 32.86 | 24.95 | 12.94 | 3.89 | 8.44 | 12.42 | 5.99 |
| **Liquidity Ratios** | | | | | | | | | | |
| Current ratio (times) | **2.74** | 4.19 | 3.75 | 4.10 | 4.37 | 3.69 | 3.99 | 2.46 | 2.20 | 1.70 |
| Quick ratio (times) | **2.32** | 3.52 | 3.19 | 3.40 | 3.60 | 3.01 | 3.24 | 1.79 | 1.46 | 0.94 |
| Stock Performance Ratios | | | | | | | | | | |
| Inventory Turnover Ratio (Times) | **14.40** | 8.17 | 12.47 | 8.13 | 8.39 | 10.09 | 9.50 | 7.57 | 7.97 | 8.27 |
| Inventory Turnover Period (Days) | **25.35** | 44.65 | 29.27 | 44.89 | 43.51 | 36.16 | 38.41 | 48.25 | 45.78 | 44.11 |
| **Investment/ Market Ratios** | | | | | | | | | | |
| EPS (basic) (Rs.)**** | **19.50** | 26.00 | 34.60 | 54.29 | 17.21 | 14.98 | 4.12 | 17.05 | 23.09 | 9.84 |
| Market price per share (Rs.) | **129.75**** | 139.25** | 113.75** | 88.6** | 42.6** | 37.5** | 39.9* | 48.7* | 54.5* | 32* |
| Dividend per share (Rs.) - Company**** | **7.89** | 7.15 | 26.85 | 19.00 | 2.15 | 3.38 | - | 6.00 | 6.50 | 2.00 |
| Dividend Yield (%) - Company | **5.40** | 5.13 | 23.60 | 21.44 | 5.05 | 9.01 | - | 12.32 | 11.93 | 6.25 |
| Dividend Cover ratio (times) - Company | **2.47** | 3.64 | 1.29 | 2.86 | 8.00 | 4.43 | - | 2.84 | 3.55 | 4.92 |
| Dividend payout ratio (%) - Company | **38.62** | 27.58 | 78.12 | 35.05 | 12.54 | 22.56 | - | 35.20 | 28.15 | 20.32 |
| Price earning ratio (times) | **7.49** | 5.36 | 3.29 | 1.63 | 2.48 | 2.50 | 4.84 | 2.86 | 2.36 | 3.25 |
| **Capital Structure Ratios** | | | | | | | | | | |
| Interest Cover Ratio | **14.93** | 21.50 | 27.26 | 67.09 | 20.25 | 18.27 | 4.13 | 9.26 | 12.00 | 4.99 |
| Debt Service Coverage Ratio (times) | **2.76** | 3.49 | 4.01 | 9.21 | 3.26 | 2.77 | 1.19 | 2.40 | 2.12 | 1.16 |
| Net assets per share (Rs.)**** | **160.33** | 149.52 | 134.10 | 129.83 | 93.68 | 74.77 | 60.23 | 111.24 | 106.20 | 87.32 |
| Debt to equity (%) | **6.49** | 6.92 | 7.04 | 5.16 | 6.96 | 8.96 | 10.02 | 9.01 | 13.49 | 18.39 |
| Return on Capital Employed (%) | **13.29** | 20.18 | 23.63 | 48.15 | 17.97 | 19.62 | 5.10 | 14.37 | 21.55 | 12.69 |

* Market Price before share split of 2 shares for every one ordinary share held

** Market price after share split of 2 shares for every one ordinary share held

*** Restated - Statement of Profit or Loss

**** Earning per shares, Dividend per share and Net asset per share in all reporting period were adjusted based on post sub- division of 2 shares for every one ordinary share held

# Code of Best Practice on Corporate Governance and Listing Rules

### APPENDIX I: STATEMENT OF COMPLIANCE PERTAINING TO COMPANIES ACT NO. 7 OF 2007

**Mandatory Provisions - Fully Compliant**

| Section | Requirement | Complied | Reference (within the Report) | Page |
|---|---|---|---|---|
| 168 (1) (a) | The nature of the business together with any change thereof | Yes | About Us | 33 |
| 168 (1) (b) | Signed financial statements of the Company and the Group | Yes | Financial Statements | 284 |
| 168 (1) (c) | Auditors' Report on financial statements | Yes | Independent Auditor's Report | 288 |
| 168 (1) (d) | Accounting policies and any changes therein | Yes | Note 2.3 to the Financial Statements | 296 |
| 168 (1) (e) | Particulars of the entries made in the Interests Register | Yes | Annual Report of the Board of Directors on the Affairs of the Company | 263 |
| 168 (1) (f) | Remuneration and other benefits paid to Directors of the Group | Yes | Note 9 to the Financial Statements | 313 |
| 168 (1) (g) | Corporate donations made by the Group | Yes | Annual Report of the Board of Directors on the Affairs of the Company | 263 |
| 168 (1) (h) | Information on the Directorate of the Group and its subsidiaries during and at the end of the accounting period | Yes | Annual Report of the Board of Directors on the Affairs of the Company<br>Our Story of Subsidiaries | 263<br>124 |
| 168 (1) (i) | Amounts paid/payable to the External Auditor as audit fees and fees for other services rendered | Yes | Note 9 to the Financial Statements | 313 |
| 168 (1) (j) | Auditors' relationship or any interest with the Group and its Subsidiaries | Yes | Report of the Audit Committee | 257 |
| 168 (1) (k) | Acknowledgement of the contents of this Report and signatures on behalf of the Board | Yes | Annual Report of the Board of Directors on the Affairs of the Company | 263 |

### APPENDIX II- STATEMENT OF COMPLIANCE UNDER SECTION 7.6 OF THE LISTING RULES OF THE COLOMBO STOCK EXCHANGE (CSE) ON ANNUAL REPORT DISCLOSURES

**Mandatory Provisions - Fully Compliant**

| Section | Requirement | Complied | Reference (within the Report) | Page |
|---|---|---|---|---|
| (i) | Names of persons who were Directors during the financial year | Yes | Annual Report of the Board of Directors on the Affairs of the Company | 263 |
| (ii) | Principal activities of the entity and its subsidiaries during the year, and any changes therein | Yes | About Us | 33 |
| (iii) | The names and the number of shares held by the 20 largest holders of voting shares and the percentage of such shares held | Yes | Investor Information | 348 |
| (iv) | The float adjusted market capitalization, public holding percentage (%), number of public shareholders and under which option the listed entity complies with the Minimum Public Holding requirement | Yes | Investor Information | 348 |
| (v) | Directors' and CEO's(MD's) holding in shares | Yes | Annual Report of the Board of Directors on the Affairs of the Company | 263 |
| (vi) | Information pertaining to material foreseeable risk factors of the Entity | Yes | Risk & Opportunities | 218 |
| (vii) | Details of material issues pertaining to employees and industrial relations of the Entity | Yes | Human Capital Report | 172 |
| (viii) | Extents, locations, valuations and the number of buildings of the Entity's land holdings and investment properties | Yes | Note 14 A - Property plant and Equipment to the Financial Statements | 320 |
| (ix) | Number of shares representing the Entity's stated capital | Yes | Note 22 - Stated Capital to the Financial Statements<br>Investor Information | 330<br>348 |
| (x) | A distribution schedule of the number of holders in each class of equity securities, and the percentage of their total holdings | Yes | Investor Information | 348 |

| Section | Requirement | Complied | Reference (within the Report) | Page |
|---|---|---|---|---|
| (xi) | Financial ratios and market price information | Yes | Ten Year Summary | 355 |
| (xii) | Significant changes in the Group's or its subsidiaries' fixed assets, and the market value of land, if the value differs substantially from the book value as at the end of the year | Yes | Note 14A - Property plant and Equipment to the Financial Statements | 320 |
| (xiii) | Details of funds raised through a public issue, rights issue and a private placement during the year | Not Applicable | | |
| (xiv) | Information in respect of Employee Share Ownership or Stock Option Schemes | Not Applicable | | |
| (xv) | Disclosures pertaining to Corporate Governance practices in terms of Section 9 of the Listing Rules | Yes | Corporate Governance Report | 334 |
| (xvi) | Related Party transactions exceeding 10 per cent of the equity or 5 per cent of the total assets of the Entity as per audited financial statements, whichever is lower | Yes | Note 33 - Related Party Transactions, to the Financial Statements | 337 |
| (xvii) | Disclosure relating to Foreign Currency denominated Securities, listed GSS+Bonds, Perpetual Debt Securities, Infrastructure Bonds, Shariah compliant Debt Securities, High Yield Corporate Debt Securities | N/A | N/A | |

| CSE Rule Reference | Corporate Governance Principles | Compliance Status | The Company's' Extent of Adoption |
|---|---|---|---|
| 9.2.1 | Policies | Compliant | The Company established and continues to maintain follwing policies<br>★ Policy on Matters Relating to The Board of Directors<br>★ Policy on Board Committees<br>★ Policy on Corporate Governance<br>★ Policy on Remuneration<br>★ Policy on Corporate Disclosure<br>★ Policy on Risk Management and Internal Controls<br>★ Policy on Internal Code of Business Conduct and Ethics<br>★ Policy on Anti-Bribery and Corruption<br>★ Policy on Whistleblowing<br>★ Policy on Control and Management of Company Assets and Shareholder Investments<br>★ Policy on Environment Social and Governance Sustainability<br>★ Policy on Shareholder and Investor Communication |
| 9.2.4 | Shareholders request for policies | Compliant | The Company will provide any of the above policies to its shareholders upon a written Request. |
| 9.3.1 | Board Committees | Compliant | The Company has established Nominations and Governance Committee, Remuneration Committee, Audit Committee and Related Party Transactions Review Committee |
| 9.3.2 | Board sub committees' composition, responsibilities and disclosures | Compliant | All 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 | Compliant | Company maintains records of all resolutions passed at General Meetings. |
| 9.4.2 | Communication and Relations with shareholders | Compliant | The Company has a Shareholder and Investor Communication policy, which is published on its corporate website.<br>The contact person is mentioned.<br>The policy includes a process whereby Directors are informed of major issues and concerns of shareholders. |
| 9.5. | Policy on matters relating to the Board of Directors | Compliant | The Company maintains a Policy on Matters relating to the Board of Directors. |

# Code of Best Practice on Corporate Governance and Listing Rules

| CSE Rule Reference | Corporate Governance Principles | Compliance Status | The Company's' Extent of Adoption |
|---|---|---|---|
| 9.5.1 (a) | Balanced representation between EDs and NEDs, covering Board composition, roles of the Chairperson and CEO, Board balance, and procedures for evaluating Board and CEO performance | Complaint | The company maintains a well-balanced board with a majority of Non-Executive Directors, including independent members. The Board undergoes annual performance evaluations through structured self-assessments reviewed and additionally, the MD/CEO's performance is assessed against predefined financial and non-financial targets, with outcomes linked to remuneration using a Balanced Scorecard approach |
| 9.5.1 (b)(i) | Chairperson and CEO | Complaint | The Chairperson and the CEO of the Company is not the same person. |
| 9.5.1 (b)(ii) | Board Charter | Complaint | The Board Charter contains the Terms of Reference and powers of the SID |
| 9.5.2 (c) | Diversity in Board Composition | Complaint | There is diversity in the composition of the Board and a range of skills, competencies, gender, industry and age. |
| 9.5.2 (d) | Maximum number of Directors | Complaint | Maximum number of Directors is twelve (12). Executive Directors represent the business verticals. Due to the need to have a balance between Executive and Independent Directors the maximum number is set at twelve in the Articles of Association. |
| 9.5.1 (e) | Frequency of Board meetings | Complaint | The Board meets on a quarterly basis to review the company performance against set targets and important matters |
| 9.5.1 (f) | Mechanism to keep the Directors updated on the Listing Rules and ongoing compliances | Complaint | Presentations are done during meetings to update the Directors on changes to Listing Rules and ongoing compliances together with an overview of obligations arising under such rules. |
| 9.5.1 (g) | Minimum number of meetings a Director must attend | Complaint | Directors are required to attend at least 50% of Board meetings held during the financial year |
| 9.5.1 (h) | Requirements relating to trading in securities of the Listed Entity and its listed group companies | Complaint | Directors, as Connected Persons, are prohibited from trading in the Company's securities while in possession of price-sensitive or privileged information that has not been disclosed to the public, or within three (03) market days after such information is released to the CSE. Where a Director buys or sells securities of the Company, the Director is required to inform the Board forthwith, and such transaction shall be disclosed to the CSE within five (05) market days |
| 9.5.1 (i) | Maximum number of Directorships | Complaint | Maximum number of directorships in listed companies that may be held by a Director is Twenty-Five (25) |
| 9.5.1 (j) | Right to participate in meetings via audio Visual Communication | Complaint | Directors are permitted to participate in Board and Sub Committee meetings via audio visual communication |
| 9.5.2 | Compliance with the requirements of the Policy on Matters relating to the Board of Directors | Complaint | The Company is fully compliant with the requirements of the Policy |
| 9.6.1 | Chairperson and CEO | Compliant | The Chairperson and the CEO of the Company is not the same person. |
| 9.6.3 | Senior Independent Director | Compliant | The Company appointed a Senior Independent Director (SID) since the Chairperson is an Executive Director. |
| 9.6.3. (b) | Senior Independent Director | Complaint | The SID holds a meeting once a year with the Independent Directors without the presence of other Directors to discuss matters and concerns relating to the Company. |
| 9.6.3. (c) | Senior Independent Director | Compliant | 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 | Compliant | The SID has made a disclosure demonstrating the effectiveness of duties of the SID in the report of the SID on page 221. |
| 9.6.4 | Rationale for appointing Senior Independent Director | Compliant | The rationale is given in the Statement of the Senior Independent Director. |

| CSE Rule Reference | Corporate Governance Principles | Compliance Status | The Company's' Extent of Adoption |
|---|---|---|---|
| 9.7.1<br>9.7.2 | Fitness of Directors and CEO | Compliant | The Company ensures that the persons recommended by the Nominations and Governance Committee fulfill the assessment criteria set out in the Listing Rules |
| 9.7.4 | Fitness of Directors and CEO | Compliant | The Directors and the CEO has 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 | Annual Report of the Board of Directors provides from pages 230 to 234 provide the relevant disclosure. |
| 9.8.1 | Minimum number of Directors | Compliant | The Board consisted of 10 Directors up to 31st March 2025. |
| 9.8.2 | Minimum No of Independent Directors | Compliant | Four Directors are Independent |
| 9.8.3 | Criteria for determining independence: | Compliant | All NEDs have submitted their confirmations on Independence as per the criteria set by the company which is in line with the regulatory requirements. |
| 9.8.5 | Independent Directors' annual declaration on independence status | Compliant | Each ID signed and submitted a declaration regarding his/her independence. The Board assessed the independence declared by the Director. |
| 9.9 | Alternate Directors | N/A | The Board does not have any Alternate Directors. |
| 9.10.1 | Disclosure relating to Directors | Compliant | The Policy on Matters Relating to the Board of Directors state that the maximum number of Directorships in listed companies which can be held by a director is Twenty (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.<br><br>Please refer pages 38 to 41 for the brief resume of each Director. |
| 9.10.3 | Immediate Market Announcement on changes to board and committee | Compliant | All changes to the composition of the Board of Directors and Board Committees were immediately informed to the Colombo Stock Exchange. |
| 9.10.4 | Disclosure relating to Directors | Compliant | Pages 38 to 41 of the Annual Report contains the relevant information. |
| 9.11.3 | Nominations and Governance Committee | Compliant | The Company has its own Nominations and Governance Committee which has clearly defined Terms of Reference. Refer the Nominations and Governance Committee Report on page 222. |
| 9.11.4 | Composition of the Nominations and Governance Committee | Compliant | The Nominations and Governance Committee comprises 2 Independent Non-Executive Directors and one Non-Executive Director. |
| 9.11.5 | Functions of the Nominations and Governance Committee | Compliant | Refer the Nominations and Governance Committee Report on page 222. |
| 9.11.6 | Disclosure in the Annual Report | Compliant | Refer the Nominations and Governance Committee Report on page 222. |
| 9.12.1 | Remuneration Committee | Compliant | Refer the Remuneration Committee Report on page 227. |
| 9.12.5 | Remuneration Committee | Compliant | The Remuneration Committee has written Terms of Reference. |
| 9.12.6 | Composition of the Remuneration Committee | Compliant | The Remuneration Committee of the Company comprises two Independent Non-Executive Directors and one Non-Executive Director. The Chairperson is an Independent Director |
| 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 | The aggregate remuneration paid to Directors is given in note 9 to the financial statements on page 275.<br>Refer Remuneration Committee Report on page 227. |

# Code of Best Practice on Corporate Governance and Listing Rules

| CSE Rule Reference | Corporate Governance Principles | Compliance Status | The Company's' Extent of Adoption |
|---|---|---|---|
| 9.13.1 | Composition of Audit Committee | Compliant | The Audit Committee comprises two Independent Non Executive Directors and one Non-Executive Director. The Committee has well defined Terms of Reference defining its scope, authority and duties. Refer Audit Committee Report on pages 224 to 226. |
| 9.13.4 | Audit Committee Functions | Compliant | |
| 9.13.5 | Disclosure in the Annual Report relating to Audit Committee | Compliant | |
| 9.14. 1<br>9.14.2 | Composition of the Related Party Transactions Review Committee (RPTRC) | Compliant | RPTRC comprises three Directors out of which two Directors are Independent. The Chairperson is an Independent Director.<br>Please see the Report of the Related Party Transactions Review Committee in page 228. |
| 9.14.3 | Functions of RPTRC | Compliant | Please refer the Report of the Related Party Transaction Review Committee in page 228. |
| 9.14.4 | RPTRC Meetings | Compliant | The Committee meets on a quarterly basis. During the financial year 2024/25, The Committee met four times to review the related party transactions. |
| 9.14.5 | Review of all proposed Related Party Transactions in advance and Review material changes to previously reviewed Related Party Transaction | Compliant | The Related Party Transactions Review Committee, reviews all related party transactions, while also considering any material changes to previously reviewed transactions under Rule 9.14.5. They assess transaction details, and Director independence, and may establish guidelines for ongoing deals, conducting annual compliance reviews. Refer the Related Party Transaction Review Committee Report |
| 9.14.6<br>9.14.7 | Shareholders approval for Related Party Transactions and immediate Market Announcement of Related Party Transactions | Compliant | There were no such transactions that required shareholder approval or immediate disclosure to the CSE. |
| 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 228. |
| 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 230 to 234. |
| 9.14.9 | Acquisition and Disposal of Assets from/to related parties | Compliant | There were no such transactions that required shareholder approval |
| 9.17 | Additional Disclosures | Compliant | Please refer the Report of the Board of Directors on pages 230 to 234. |

## COMPLIANCE WITH SECTION 9 OF THE LISTING RULE OF THE COLOMBO STOCK EXCHANGE

## COMPLIANCE WITH THE CODE OF BEST PRACTICE ON CORPORATE GOVERNANCE ISSUED BY THE INSTITUTE OF CHARTERED ACCOUNTANTS OF SRI LANKA IN 2023

| Code Ref | Requirement | Complied | Reference with the Report | Page |
|---|---|---|---|---|
| **A** | **Directors** | | | |
| A.1 | An effective Board should direct, lead and control the Group | Yes | The Board | 337 |
| A.1.1 | Regular Board meetings, provide information to the Board on a structured and regular basis | Yes | Board Meeting | 240 |
| A.1.2 | Role and Responsibilities of the Board | Yes | Key Board Responsibilities | 237 |
| A.1.3 | Act in accordance with laws of the Country and obtain Independent professional advise as where necessary | Yes | Board Directors Access to Information and Resources | 241 |
| A.1.4 | Access to advice and services of the Group Secretary | Yes | Board Secretary | 244 |
| A.1.5 | Independent judgment | Yes | Board Meetings | 240 |
| A.1.6 | Dedicate adequate time and effort to matters of the Board and the Group | Yes | Board Meetings | 240 |
| A.1.7 | Calls for resolutions by at least 1/3rd of Directors | Yes | Board Meetings | 240 |
| A.1.8 | Board induction and Training | Yes | Board induction and Onboarding | 238 |
| A.2 | Chairman and CEO | Yes | Division of Responsibilities | 244 |
| A.3 | Chairman's role in preserving good corporate governance | Yes | Division of Responsibilities | 244 |
| A.4 | Availability of financial acumen | Yes | Board Composition | 237 |
| A.5 | Board Balance | Yes | Board Composition | 237 |
| A.5.1 | The Board should include sufficient number of NEDs | Yes | Board Composition | 237 |
| A.5.2.& A.5.3 | Independence of Directors | Yes | Independence | 239 |
| A.5.4 | Annual declaration of independence by Directors | Yes | Independence | 239 |
| A.5.5 | Annual determination of independence of NEDs | Yes | Independence | 239 |
| A.5.6 | Alternate Directors | Yes | The Board does not have any Alternate Directors | |
| A.5.7 | Senior Independent Director (SID) | Yes | Statement by the Senior Independent Director | 254 |
| A.5.8 | The SID should make himself available for confidential discussions with other directors<br>Report from SID | Yes | Statement by the Senior Independent Director | 254 |
| A.5.9 | Annual meeting with NEDs | Yes | Chairman meets with NEDs on an informal basis | |
| A.5.10 | Recording of dissent in minutes | Yes | Board Meetings | 240 |
| A.6 | Supply of Information | Yes | Board Directors Access to Information and Resource | 241 |
| A.7.1 | Establishing a Nominations and Governance Committee, Chairman and Terms of Reference | Yes | Nominations and Governance Committee | 255 |
| A.7.2 | Annual assessment of Board composition | Yes | Board Changes | 239 |
| A.7.3 | Succession plan for MD, CEO and KMPs | Yes | Nominations and Governance Committee Report on page | 255 |
| A.7.4 | Disclosures on appointment of new directors | Yes | Board Changes | 239 |
| A8 | Directors to submit themselves for re-election | Yes | Board Changes | 239 |
| A.9 | Appraisal of Board and sub-Committee Performances | Yes | Board and Sub Committee Evaluation | 243 |
| A.10 | Annual Report to disclose specified information regarding Directors | Yes | Board Profiles<br>Meetings and Attendance<br>Conflict of Interests<br>Board Sub Committees<br>Number of directorships held in Sri Lankan companies and their names | 40<br>241<br>240<br>242<br>252 |
| A.11 | Appraisal of the Managing Director | Yes | Evaluating the Performance of the Managing Director / CEO | 244 |

# Code of Best Practice on Corporate Governance and Listing Rules

| Code Ref | Requirement | Complied | Reference with the Report | Page |
|---|---|---|---|---|
| **B** | **Directors Remuneration** | | | |
| B.1 | Establish process for developing policy on executive and director remuneration. | Yes | Directors Remuneration | 244 |
| B.2 | Level and Make Up of Remuneration | Yes | Directors Remuneration | 244 |
| B.3 | Disclosures related to remuneration in Annual Report<br>Remuneration Policy statement<br>Aggregate Board remuneration paid | Yes | Note 9 to Financial Statements<br>Remuneration Committee report | 313<br>260 |
| **C** | **Relation with Shareholders** | | | |
| C.1 | Constructive use of the AGM & Other General Meetings | Yes | Annual General Meeting (AGM) | 248 |
| C.2 | Communication with shareholders | Yes | Shareholder Relations | 247 |
| C.3 | Disclosure of major and material transactions | Yes | Notes 33 to Financial Statements | 337 |
| **D** | **Accountability and Audit** | | | |
| D.1 | Present a balanced and understandable assessment of the Group's financial position, performance, and prospects | Yes | Financial Reporting and Assurance | 284 |
| D.1.1 | The board should present an annual report including financial, prepared in accordance with the relevant laws and regulations | Yes | Annual Report of the Board of Directors on the Affairs of the Company | 263 |
| D.1.2 | Balanced and understandable communication | Yes | Financial Calender | 284 |
| D.1.4 | CEO/CFO declaration | Yes | Managing Director's, Chief Executive Officer's and Director- Finance's Responsibility Statement | 270 |
| D.1.4 | Directors Report declarations | Yes | Annual report of the Board of Directors on the Affairs of the Group | 263 |
| D.1.5 | Financial reporting -statement on board responsibilities, Statement on internal control | Yes | Statement of Directors' Responsibility<br>Directors' Statement on Internal Controls | 269 |
| D.1.6 | Management Discussion & Analysis | Yes | Respective Capital Reports | 136 |
| D.1.7 | In the event the net assets of the Company fall below 50% of the value of the Company's shareholders' funds, the directors shall forthwith summon an extraordinary general meeting of the company to notify shareholders of the position and of remedial action being taken | Yes | There has been no serious loss of capital to convene an EGM in terms of the Companies Act No. 7 of 2017. | |
| D.1.8 | Related Party Transactions | Yes | Notes 33 to Financial Statements | 337 |
| D.2 | Process of risk management and a sound system of internal control to safeguard shareholders' investments and the Group's assets | Yes | Risk Management and Internal control<br>Report of the Audit Committee<br>Directors' Statement of Internal Control<br>Risk & Opportunities | <br>257<br>264<br>218 |
| D.3 | Audit Committee | Yes | Audit Committee Report | 257 |
| D.4 | Risk Committee | Yes | Audit Committee Report | 257 |
| D.5 | Related Party Transactions Review Committee | Yes | Related Party Transactions Review Committee report | 261 |
| D.6 | Code of Business Conduct and Ethics | Yes | Conduct and Ethics | 250 |
| D.7 | Corporate Governance Disclosures | Yes | Corporate Governance Report | 234 |

| Code Ref | Requirement | Complied | Reference with the Report | Page |
|---|---|---|---|---|
| E&F | Institutional and other investors | Yes | Communications with Shareholders<br>Constructive use of AGM | 248 |
| G | Internet of Things & Cyber security | Yes | Information Technology (IT) and Digital Governance | 247 |
| H.1 | The board should consider sustainability/ESG risk and opportunities | Yes | ESG Governance | 248 |
| H.2 | The board and key management personnel should continuously engage with the views of its stakeholders to better understand and manage the company's sustainability/ESG risk and opportunities, | Yes | Risk & Opportunities | 218 |
| H.3<br>H.4 | The company should establish a governance framework and structure which includes conformance, performance and sustainability/ESGfactors | Yes | | |
| H5 | The company's annual report should contain sufficient information to enable investors and other stakeholders to assess how ESG risks and opportunities are recognized, managed, measured and reported. | Yes | | |
| I.1 | Listed entities shall establish and maintain policies relating to its governance | Yes | Corporate Governance Report | 234 |

# GRI Content Index

| | |
|---|---|
| Statement of use | Talawakelle Tea Estates PLC has reported in accordance with the GRI Standards for the period 01 April 2025 to 31 March 2026 |
| GRI 1 used | GRI 1: Foundation 2021 |
| Applicable GRI Sector Standard | GRI 13: Agriculture, Aquaculture and Fishing Sectors 2022 |

| GRI STANDARD/ OTHER SOURCE | DISCLOSURE | LOCATION | OMISSION | | | GRI SECTOR STANDARD REF. NO. |
|---|---|---|---|---|---|---|
| | | | REQUIREMENT(S) OMITTED | REASON | EXPLANATION | |
| General disclosures | | | | | | |
| GRI 2: General Disclosures 2021 | 2-1 Organizational details | Co. Info Page | | | | |
| | 2-2 Entities included in the organization's sustainability reporting | 07,09 | | | | |
| | 2-3 Reporting period, frequency and contact point | 07, 13, 14 | | | | |
| | 2-4 Restatements of information | 12 | | | | |
| | 2-5 External assurance | 11 | | | | |
| | 2-6 Activities, value chain and other business relationships | 35, 36 | | | | |
| | 2-7 Employees | 174 | | | | |
| | 2-8 Workers who are not employees | 174 | | | | |
| | 2-9 Governance structure and composition | 40, 93, 235, 237,238 | | | | |
| | 2-10 Nomination and selection of the highest governance body | 238, 255 | | | | |
| | 2-11 Chair of the highest governance body | 242 | | | | |
| | 2-12 Role of the highest governance body in overseeing the management of impacts | 93, 237, 242, 245, 247, 238 | | | | |
| | 2-13 Delegation of responsibility for managing impacts | 93, 237, 242, 245,247,238 | | | | |
| | 2-14 Role of the highest governance body in sustainability reporting | 13, 93, 237, 238, 270 | | | | |
| | 2-15 Conflicts of interest | 240 | | | | |
| | 2-16 Communication of critical concerns | 241, 247 | | | | |
| | 2-17 Collective knowledge of the highest governance body | 93, 237 | | | | |
| | 2-18 Evaluation of the performance of the highest governance body | 93, 244 | | | | |
| | 2-19 Remuneration policies | 237, 360 | | | | |
| | 2-20 Process to determine remuneration | 237, 360 | | | | |
| | 2-21 Annual total compensation ratio | - | 2-21 | Confidentiality constraints | constraints in disclosing total Compensation ratio | |

| GRI STANDARD/ OTHER SOURCE | DISCLOSURE | LOCATION | OMISSION | | | GRI SECTOR STANDARD REF. NO. |
|---|---|---|---|---|---|---|
| | | | REQUIREMENT(S) OMITTED | REASON | EXPLANATION | |
| GRI 2: General Disclosures 2021 | 2-22 Statement on sustainable development strategy | 24-27 | | | | |
| | 2-23 Policy commitments | 78, 250, 256 | | | | |
| | 2-24 Embedding policy commitments | 78, 250, 256 | | | | |
| | 2-25 Processes to remediate negative impacts | 247 | | | | |
| | 2-26 Mechanisms for seeking advice and raising concerns | 245, 247 | | | | |
| | 2-27 Compliance with laws and regulations | 235 | | | | |
| | 2-28 Membership associations | 154 | | | | |
| | 2-29 Approach to stakeholder engagement | 61-65 | | | | |
| | 2-30 Collective bargaining agreements | 178 | | | | |
| Material topics | | | | | | |
| GRI 3: Material Topics 2021 | 3-1 Process to determine material topics | 66-69 | | | | |
| | 3-2 List of material topics | 67 | | | | |
| 13.1 Emissions | | | | | | |
| GRI 3: Material Topics 2021 | 3-3 Management of material topics | 191 | | | | 13.1.1 |
| GRI 102: Climate Change 2025 | 102-1 Transition plan for climate change mitigation | 192 | | | | 13.1.2 |
| | 102-3 Just transition | 192 | | | | 13.1.3 |
| | 102-4 GHG emissions reduction targets and progress | 192 | | | | 13.1.4 |
| | 102-5 Scope 1 GHG emissions* | 193 | | | | 13.1.5 |
| | 102-6 Scope 2 GHG emissions | 193 | | | | 13.1.6 |
| | 102-7 Scope 3 GHG emissions* | 193 | | | | 13.1.7 |
| | 102-8 GHG emissions intensity | 193 | | | | 13.1.8 |
| | 102-9 GHG removals in the value chain | 193 | | | | 13.1.9 |
| | 102-10 Carbon credits | 195 | | | | 13.1.10 |
| GRI 305: Emissions 2016 | 305-6 Emissions of ozone-depleting substances (ODS) | 195 | | | | 13.1.11 |
| | 305-7 Nitrogen oxides (NOX ), sulfur oxides (SOX ), and other significant air emissions | 195 | | | | 13.1.12 |
| 13.2 Climate adaptation | | | | | | |
| GRI 3: Material Topics 2021 | 3-3 Management of material topics | 129 | | | | 13.2.1 |
| GRI 102: Climate Change 2025 | 102-2 Climate change adaptation plan | 193 | | | | 13.2.2 |
| | 102-3 Just transition | 193 | | | | 13.2.3 |

# GRI Content Index

| GRI STANDARD/ OTHER SOURCE | DISCLOSURE | LOCATION | OMISSION | | | GRI SECTOR STANDARD REF. NO. |
|---|---|---|---|---|---|---|
| | | | REQUIREMENT(S) OMITTED | REASON | EXPLANATION | |
| 13.3 Biodiversity | | | | | | |
| GRI 3: Material Topics 2021 | 3-3 Management of material topics** | 208 | | | | 13.3.1 |
| GRI 101: Biodiversity 2024 | 101-1 Policies to halt and reverse biodiversity loss | 208 | | | | 13.3.2 |
| | 101-2 Management of biodiversity impacts | 208 | | | | 13.3.3 |
| | 101-3 Access and benefit-sharing | 208 | | | | 13.3.4 |
| | 101-4 Identification of biodiversity impacts | 208 | | | | 13.3.5 |
| | 101-5 Locations with biodiversity impacts | 208 | | | | 13.3.6 |
| GRI 101: Biodiversity 2024 | 101-6 Direct drivers of biodiversity loss | 208 | | | | 13.3.7 |
| | 101-7 Changes to the state of biodiversity | 208 | | | | 13.3.8 |
| | 101-8 Ecosystem services | 208 | | | | 13.3.9 |
| 13.4 Natural ecosystem conversion | | | | | | |
| GRI 3: Material Topics 2021 | 3-3 Management of material topics* | 208 | | | | 13.4.1 |
| GRI 13: Agriculture, Aquaculture and Fishing Sectors 2022 | Deforestation- and conversion-free production | 208 | | | | 13.4.2 |
| | Deforestation- and conversion-free sourcing | 208 | | | | 13.4.3 |
| | Natural ecosystems converted by the organization | 208 | | | | 13.4.4 |
| | Natural ecosystems converted by suppliers | 208 | | | | 13.4.5 |
| 13.5 Soil health | | | | | | |
| GRI 3: Material Topics 2021 | 3-3 Management of material topics* | 204 | | | | 13.5.1 |
| 13.6 Pesticides use | | | | | | |
| GRI 3: Material Topics 2021 | 3-3 Management of material topics* | 206 | | | | 13.6.1 |
| GRI 13: Agriculture, Aquaculture and Fishing Sectors 2022 | Pesticides used by toxicity hazard levels | 206 | | | | 13.6.2 |
| 13.7 Water and effluents | | | | | | |
| GRI 3: Material Topics 2021 | 3-3 Management of material topics | 199 | | | | 13.7.1 |
| GRI 303: Water and Effluents 2018 | 303-1 Interactions with water as a shared resource | 199 | | | | 13.7.2 |
| | 303-2 Management of water discharge-related impacts | 199 | | | | 13.7.3 |
| | 303-3 Water withdrawal | 200 | | | | 13.7.4 |
| | 303-4 Water discharge | 200 | | | | 13.7.5 |
| | 303-5 Water consumption | 200 | | | | 13.7.6 |

| GRI STANDARD/ OTHER SOURCE | DISCLOSURE | LOCATION | OMISSION | | | GRI SECTOR STANDARD REF. NO. |
|---|---|---|---|---|---|---|
| | | | REQUIREMENT(S) OMITTED | REASON | EXPLANATION | |
| 13.8 Waste | | | | | | |
| GRI 3: Material Topics 2021 | 3-3 Management of material topics | 191 | | | | 13.8.1 |
| GRI 306: Waste 2020 | 306-1 Waste generation and significant waste-related impacts | 203 | | | | 13.8.2 |
| | 306-2 Management of significant waste-related impacts | 203 | | | | 13.8.3 |
| | 306-3 Waste generated** | 203 | | | | 13.8.4 |
| | 306-4 Waste diverted from disposal | 203 | | | | 13.8.5 |
| | 306-5 Waste directed to disposal | 203 | | | | 13.8.6 |
| 13.9 Food security | | | | | | |
| GRI 3: Material Topics 2021 | 3-3 Management of material topics* | 167 | | | | 13.9.1 |
| 13.10 Food Safety | | | | | | |
| GRI 3: Material Topics 2021 | 3-3 Management of material topics | 160 | | | | 13.10.1 |
| GRI 416: Customer Health and Safety 2016 | 416-1 Assessment of the health and safety impacts of product and service categories | 160 | | | | 13.10.2 |
| | 416-2 Incidents of non-compliance concerning the health and safety impacts of products and services | 160 | | | | 13.10.3 |
| GRI 13: Agriculture, Aquaculture and Fishing Sectors 2022 | Food safety certification | 160 | | | | 13.10.4 |
| | Food safety recalls | 160 | | | | 13.10.5 |
| 13.12 Local communities | | | | | | |
| GRI 3: Material Topics 2021 | 3-3 Management of material topics | 167 | | | | 13.12.1 |
| GRI 413: Local Communities 2016 | 413-1 Operations with local community engagement, impact assessments, and development programs | 167 | | | | 13.12.2 |
| | 413-2 Operations with significant actual and potential negative impacts on local communities | 167 | | | | 13.12.3 |
| 13.15 Non-discrimination and equal opportunity | | | | | | |
| GRI 3: Material Topics 2021 | 3-3 Management of material topics | 173 | | | | 13.15.1 |
| GRI 405: Diversity and Equal Opportunity 2016 | 405-1 Diversity of governance bodies and employees | 174-175 | | | | 13.15.2 |
| | 405-2 Ratio of basic salary and remuneration of women to men* | 182 | | | | 13.15.3 |
| GRI 406: Non-discrimination 2016 | 406-1 Incidents of discrimination and corrective actions taken | 178 | | | | 13.15.4 |
| GRI 13: Agriculture, Aquaculture and Fishing Sectors 2022 | Employment and compensation based on nationality and migrant status | - | 13.15.5 | Confidentiality constraints | Not reporting due to confidential information | 13.15.5 |

# GRI Content Index

| GRI STANDARD/ OTHER SOURCE | DISCLOSURE | LOCATION | OMISSION | | | GRI SECTOR STANDARD REF. NO. |
|---|---|---|---|---|---|---|
| | | | REQUIREMENT(S) OMITTED | REASON | EXPLANATION | |
| 13.16 Forced or compulsory labor | | | | | | |
| GRI 3: Material Topics 2021 | 3-3 Management of material topics | 173 | | | | 13.16.1 |
| GRI 409: Forced or Compulsory Labor 2016 | 409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor | 179 | | | | 13.16.2 |
| 13.17 Child labor | | | | | | |
| GRI 3: Material Topics 2021 | 3-3 Management of material topics | 173 | | | | 13.17.1 |
| GRI 408: Child Labor 2016 | 408-1 Operations and suppliers at significant risk for incidents of child labor | 178-179 | | | | 13.17.2 |
| 13.18 Freedom of association and collective bargaining | | | | | | |
| GRI 3: Material Topics 2021 | 3-3 Management of material topics | 164, 173 | | | | 13.18.1 |
| GRI 407: Freedom of Association and Collective Bargaining 2016 | 407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk | 178, 179, 182, 164 | | | | 13.18.2 |
| 13.19 Occupational health and safety | | | | | | |
| GRI 3: Material Topics 2021 | 3-3 Management of material topics** | 173 | | | | 13.19.1 |
| GRI 403: Occupational Health and Safety 2018 | 403-1 Occupational health and safety management system | 188 | | | | 13.19.2 |
| | 403-2 Hazard identification, risk assessment, and incident investigation | 188 | | | | 13.19.3 |
| | 403-3 Occupational health services** | 188 | | | | 13.19.4 |
| | 403-4 Worker participation, consultation, and communication on occupational health and safety | 188 | | | | 13.19.5 |
| | 403-5 Worker training on occupational health and safety | 188 | | | | 13.19.6 |
| | 403-6 Promotion of worker health | 188 | | | | 13.19.7 |
| | 403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships | 188 | | | | 13.19.8 |
| | 403-8 Workers covered by an occupational health and safety management system | 188 | | | | 13.19.9 |
| | 403-9 Work-related injuries | 188 | | | | 13.19.10 |
| | 403-10 Work-related ill health | 188 | | | | 13.19.11 |

| GRI STANDARD/ OTHER SOURCE | DISCLOSURE | LOCATION | OMISSION | | | GRI SECTOR STANDARD REF. NO. |
|---|---|---|---|---|---|---|
| | | | REQUIREMENT(S) OMITTED | REASON | EXPLANATION | |
| 13.20 Employment practices | | | | | | |
| GRI 3: Material Topics 2021 | 3-3 Management of material topics* | 180 | | | | 13.20.1 |
| 13.21 Living income and living wage | | | | | | |
| GRI 3: Material Topics 2021 | 3-3 Management of material topics* | 173 | | | | 13.21.1 |
| GRI 13: Agriculture, Aquaculture and Fishing Sectors 2022 | Wage and payment terms in collective bargaining agreements | 182 | | | | 13.21.2 |
| | Living wage | 182 | | | | 13.21.3 |
| 13.22 Economic inclusion | | | | | | |
| GRI 3: Material Topics 2021 | 3-3 Management of material topics* | 129 | | | | 13.22.1 |
| GRI 201: Economic Performance 2016 | 201-1 Direct economic value generated and distributed | 129-130 | | | | 13.22.2 |
| GRI 203: Indirect Economic Impacts 2016 | 203-1 Infrastructure investments and services supported | 144 | | | | 13.22.3 |
| | 203-2 Significant indirect economic impacts | 144 | | | | 13.22.4 |
| 13.23 Supply chain traceability | | | | | | |
| GRI 3: Material Topics 2021 | 3-3 Management of material topics** | 164 | | | | 13.23.1 |
| GRI 13: Agriculture, Aquaculture and Fishing Sectors 2022 | Traceability of products sourced | 164 | | | | 13.23.2 |
| | Traceability certification | 164 | | | | 13.23.3 |
| | Projects for supplier traceability certifications | 164 | | | | 13.23.4 |
| 13.26 Anti-corruption | | | | | | |
| GRI 3: Material Topics 2021 | 3-3 Management of material topics | 251 | | | | 13.26.1 |
| GRI 205: Anti-corruption 2016 | 205-1 Operations assessed for risks related to corruption | 251 | | | | 13.26.2 |
| | 205-2 Communication and training about anti-corruption policies and procedures | 251 | | | | 13.26.3 |
| | 205-3 Confirmed incidents of corruption and actions taken | 251 | | | | 13.26.4 |

# GRI Content Index

### TOPICS IN THE APPLICABLE GRI SECTOR STANDARDS DETERMINED AS NOT MATERIAL

[Please note: from the list below, delete all topics from GRI 13: Agriculture, Aquaculture and Fishing Sectors 2022 that are material to your organization and are included in the table above. Keep only those likely material topics that have been determined as not material to the organization, and include an explanation for why they are not material.

| TOPIC | EXPLANATION |
|---|---|
| GRI 13: Agriculture, Aquaculture and Fishing Sectors 2022 | |
| 13.11 Animal health and welfare | There is no engagement in any form of animal farming within operations |
| 13.13 Land and resource rights | There is no involvement in land or resource rights-related issues |
| 13.14 Rights of Indigenous Peoples | There is no involvement in matters concerning the rights of indigenous peoples |
| 13.24 Public policy | Low relevance across financial, stakeholder, and regulatory dimensions indicates immateriality |
| 13.25 Anti-competitive behavior | Minimal risk and stakeholder concern make this topic not material |

# Sustainability Standards Accounting Standard Borad (SASB) Index

Agricultural Products Sustainability Accounting Standard (Version 2023 - 12)

*Table 1. Sustainability Disclosure Topics & Metrics*

| Topic | METRIC | CATEGORY | UNIT OF MEASURE | CODE | DISCLOSURE |
|---|---|---|---|---|---|
| Greenhouse Gas Emissions | Gross global Scope 1 emissions | Quantitative | Metric tonnes (t) $CO_2$-e | FB-AG-110a.1 | 8,474 |
| | Discussion of long- and short-term strategy or plan to manage Scope 1 emissions, emissions reduction targets, and an analysis of performance against those targets | Discussion and Analysis | n/a | FB-AG-110a.2 | Page 192-197 |
| | Fleet fuel consumed, percentage renewable | Quantitative | Gigajoules (GJ), Percentage (%) | FB-AG-110a.3 | 0% |
| Energy Management | (1) Operational energy consumed, (2) percentage grid electricity and (3) percentage renewable | Quantitative | Gigajoules (GJ), Percentage (%) | FB-AG-130a.1 | 1) 230916 GJ<br>2) 6.2%<br>3) 88.25% |
| Water Management | (1) Total water withdrawn, (2) total water consumed; percentage of each in regions with High or Extremely High Baseline Water Stress | Quantitative | Thousand cubic metres ($m^3$), Percentage (%) | FB-AG-140a.1 | 1) 10326 $m^3$<br>2) 0% |
| | Description of water management risks and discussion of strategies and practices to mitigate those risks | Discussion and Analysis | n/a | FB-AG-140a.2 | Page 199-202 |
| | Number of incidents of non-compliance associated with water quality permits, standards and regulations | Quantitative | Number | FB-AG-140a.3 | 0 |
| Food Safety | Global Food Safety Initiative (GFSI) audit (1) non-conformance rates and (2) associated corrective action rates for (a) major and (b) minor non-conformances | Quantitative | Rate | FB-AG-250a.1 | Not applicable – the tea factory does not hold any GFSI-recognized certification. We maintain ISO 22000:2018 as our sole food-safety management system. |
| | Percentage of agricultural products sourced from suppliers certified to a Global Food Safety Initiative (GFSI) recognised food safety certification programme | Quantitative | Percentage (%) by cost | FB-AG-250a.2 | |
| | (1) Number of recalls issued and (2) total amount of food product recalled 1 | Quantitative | Number, Metric tonnes (t) | FB-AG-250a.3 | |
| Workforce Health & Safety | (1) Total recordable incident rate (TRIR), (2) fatality rate, and (3) near miss frequency rate (NMFR) for (a) direct employees and (b) contract employees | Quantitative | Rate | FB-AG-320a.1 | 1) 2.06<br>2) 0<br>3) Not Recorded |

# SUSTAINABILITY DISCLOSURE TOPICS & METRICS

| Topic | METRIC | CATEGORY | UNIT OF MEASURE | CODE | DISCLOSURE |
|---|---|---|---|---|---|
| Environmental & Social Impacts of Ingredient Supply Chain | (1) Percentage of agricultural products sourced that are certified to a third-party environmental or social standard, and (2) percentages by standard | Quantitative | Percentage (%) by cost | FB-AG-430a.1 | 0% |
| | Suppliers' social and environmental responsibility audit (1) non-conformance rate and (2) associated corrective action rate for (a) major and (b) minor non- conformances | Quantitative | Rate | FB-AG-430a.2 | Major non-conformance rate: 0.0% (0 of 312 small holder evaluation), Minor non-conformance rate: 4.5% (14 of 312 facilities audited) Major corrective action rate: N/A, Minor corrective action rate: 100% (14 of 14 minor non-conformances closed within the reporting period) |
| | Discussion of strategy to manage environmental and social risks arising from contract growing and commodity sourcing | Discussion and Analysis | n/a | FB-AG-430a.3 | Page 175, 182 |
| GMO Management | Discussion of strategies to manage the use of genetically modified organisms (GMOs) | Discussion and Analysis | n/a | FB-AG-430b.1 | We do not use any genetically modified organisms (GMOs) in our operations. |
| Ingredient Sourcing | Identification of principal crops and description of risks and opportunities presented by climate change | Discussion and Analysis | n/a | FB-AG-440a.1 | Page 96-97 |
| | Percentage of agricultural products sourced from regions with High or Extremely High Baseline Water Stress | Quantitative | Percentage (%) by cost | FB-AG-440a.2 | 0% |

*Table 2. Activity Metrics*

| ACTIVITY METRIC | CATEGORY | UNIT OF MEASURE | CODE | DISCLOSURE/PAGE REFERENCE |
|---|---|---|---|---|
| Production by principal crop | Quantitative | Metric tonnes (t) | FB-AG-000.A | 5,687,083 |
| Number of processing facilities | Quantitative | Number | FB-AG-000.B | 15 |
| Total land area under active production | Quantitative | Hectares | FB-AG-000.C | 5131.88 |
| Cost of agricultural products sourced externally | Quantitative | Presentation currency | FB-AG-000.D | 602.30 Mn |

# Glossary

## A

### Accounting Policies
Specific principles, bases, conventions, rules and practices adopted by an enterprise in preparing and presenting financial statements

### Actuarial Gains and Losses
Gain or loss arising from the difference between actuarial assumptions and actual experience in a company's pension plan.

### Amortization
The systematic allocation of depreciable amount of an intangible asset over its useful life.

## B

### BCP - Business Continuity Plan
The framework, policies, and processes used to oversee, manage, and ensure the effectiveness of the Business Continuity Plan within an organization

### Bearer Biological Assets
Biological assets those are not to be harvested as agricultural produce or sold as biological assets. (The biological assets other than the consumable biological assets).

### Bio char
A carbon-rich material made by pyrolyzing organic biomass. Applied to soils, it improves fertility, water retention, microbial activity, and stores carbon for climate mitigation.

### Borrowings/Debt
Interest bearing financial obligation of the company, including bank loans, overdraft long term loans, debentures and finance lease obligations.

### Briquettes
Compressed Block of coal dust or other combustible Biomass material (E.g.: Charcoal, Sawdust, Wood chip, peat, or paper) used for fuel and kindling to start a fire.

### Biological Assets
A living animal or plant

### Buffer Zone
A protective strip of vegetation or land maintained between agricultural areas and sensitive ecosystems (e.g., rivers or forests) to reduce erosion, filter runoff, and protect biodiversity.

## C

### CAPEX
Abbreviation for Capital Expenditure.

### Capital Employed
Total funds employed in the business, comprising shareholders' funds, non-controlling interest, and interest-bearing borrowings.

### Capital Employed
Total funds employed in the business, comprising shareholders' funds, non-controlling interest, and interest-bearing borrowings.

### Cash Equivalents
Liquid investments with original maturity periods of three months or less.

### Chemical Leasing Model (CHL)
A sustainable business model where chemicals are sold as a service, not by volume. The supplier provides the chemical and assumes responsibility for its optimal and minimal use, promoting efficiency and reducing environmental impact.

### Consumable Biological Assets
Includes managed timber trees that are intended to be harvested as agricultural produce or sold as biological assets.

### COP
Refers to the cost incurred in producing on kilo of produce, such as tea, rubber and cinnamon.

### Contingent Liability
A possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

### COS
Cost of Sale. The cost incurred in bringing goods to a saleable condition and making them ready for sale.

### Crop
The total produce harvested over a given period of time. (Usually during a financial year).

### Current Ratio
Current assets divided by current liabilities.

### Current Service Cost
The increase in the present value of the defined benefit obligation resulting from employee service in the current period.

# Glossary

## D

### Debt/ Equity Ratio
Debt as a percentage of shareholders' funds and non-controlling interests.

### Decarbonizing physical assets
Reducing the carbon emissions generated by an organization's tangible assets—such as buildings, machinery, vehicles, factories, and infrastructure

### Deferred Taxation
The tax effect of timing differences that are deferred to/from future periods and will be included in tax returns in subsequent periods.

### Dividend Cover
Profit attributable to ordinary shareholders divided by dividend. Measures the number of times dividend is covered by distributable profit.

### Dividend Pay Out
Dividend per share divided by Earnings per share.

### Dividend Per Share (DPS)
Dividend per share (DPS) is the sum of declared dividends issued by a company for every ordinary share outstanding. The figure is calculated by dividing the total dividends paid out by a business by the number of outstanding ordinary shares issued.

### Dividend Yield
Dividend per share as a percentage of the market price. A measure of return on investment.

### Dividends
Distribution of profits to holders of equity investments.

### Dividends
Distribution of profits to holders of equity investments.

## E

### Earnings Per Share (EPS)
Profit attributable to ordinary shareholders divided by the number of ordinary shares outstanding during the period.

### EBIT
Earnings Before Interest and Tax.

### EBITDA
Abbreviation for Earnings Before Interest Tax Depreciation & Amortization.

### EBITDA Margin
EBITDA divided by Revenue.

### Effluent Management
The treatment and proper disposal of liquid waste (effluent) from factories or domestic sources to minimize pollution and protect water bodies.

### Energy Intensity
The amount of energy used to produce a given level of output or activity.

### EnMS
Energy Management System

### Equity Growth
Increase in the ownership stake of a company over time, either in terms of total equity or equity per share.

### Equity ( Net Asset Value)
The value of an asset after all the liabilities or debts have been paid

### EROM
Enterprises Risk & Opportunity Management

### ETP
Ethical Tea Partnership

### ESEG Steering Committee
Environment, Social, Economic and Governance committee.

## F

### Fair Value
The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

### Financial Assets
Any asset that is cash, an equity instrument of another entity or a contractual right to receive cash or another financial asset from another entity.

### Financial Instruments
Any contract that gives rise to a financial asset of one entity and a financial liability or equity to another entity.

### Financial Liability
Any liability that is a contractual obligation to deliver cash or another financial asset to another entity.

## G

**GAP**
Good Agriculture Practices

**GHG**
Gases that trap heat in the atmosphere, contributing to global warming.

**GSA**
The Gross Sales Average. This is the average sale price obtained (over a period of time, for a kilo of produce) before any deductions such as Brokerage etc.

**GMP**
Good Manufacturing Practices for Biological, Chemical and Physical hazards

## H

**HACCP**
Hazard Analysis Critical Control Point System. A Scientific system which identifies, evaluates and control hazards which are significant for food safety.

**HRMS**
Human Resource Management System

## I

**IECM**
Integrated Environment Conservation Mode

**ILO**
International Labor Organization

**Infilling**
A method of field development whereby planting of individual plants is done in order to increase the yield of a given field, whilst allowing the field to be harvested

**Interest cost**
The increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

**Interest Cover**
Consolidated profit before interest and tax over finance expenses. Measuring the ability to cover interest obligations from operating profit.

**IOT**
Internet of things

**ISO**
International Organization for Standardization. A worldwide federation of national standard bodies.

**IUCN**
International Union for Conservation of Nature

## M

**Market Price Per Share (MPPS)**
Current price at which a single share of a company's stock can be bought or sold on the open market.

**Market Capitalization**
Number of shares in issue at the end of the period multiplied by the market price at the end of period.

**MRL**
Maximum Residue Levels

**METRICS**

★ **Gigajoules**
Unit of measurement of energy consumption
★ **Ha**
Hectare
★ **Kilogram(Kg)**
The kilogram, symbol kg, is the SI unit of mass
★ **Kiloliter (KL)**
Kiloliter is a unit of capacity equal to 1000 liters.
★ **KWh**
Kilowatts hour
★ **Metric Ton**
The metric ton is a unit of mass, and it is defined as 1,000 kilograms.
★ **MW**
Megawatts
★ **tCO2e**
tCO2e stands for tons (t) of carbon dioxide (CO2) equivalent (e).

## N

**Net Assets**
Total assets less current liabilities less long term liabilities less non-controlling interests.

**Net Assets Per Share (NAPS)**
Net assets at the end of the financial year divided by the number of shares in issue at the end of the year.

**Non-Controlling Interest**
The portion of the net results of operations and net assets of a subsidiary attributable to equity interests which are not owned, directly or indirectly, through Subsidiaries, by the Parent Company.

**NSA**
The Net Sales Average. This is the average sale price obtained (over a period of time) after deducting Brokerage fees. etc. (Also see GSA).

# Glossary

## O

**OHS**
Occupational Health & Safety

## P

**PBT (Profit before tax)**
A measurement of a company's profitability showing the profit earned before deducting income tax expense.

**Present value of a retirement benefit obligation**
The present value of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

**Price Earnings Ratio**
Market price of a share divided by earnings per share, measuring the price paid for each unit of earnings.

## R

**Rainforest Alliance (RA)**
The Rainforest Alliance functions as the Secretariat of the SAN and administrates its certification scheme; RA works to conserve biodiversity and ensure sustainable livelihoods by transforming land-use practices, business practices and consumer behaviors.

**Regenerative business**
A Regenerative business seeks to restore and replenish ecosystems, fostering positive social and environmental impacts while ensuring long-term sustainability

**Related Parties**
Parties who could control or significantly influence the financial and operating policies of the business.

**Return on Capital Employed**
Profit before tax and net finance cost divided by average capital employed.

**Return on Equity (ROE)**
Profits attributable to shareholders as a percentage of average shareholders' funds.

**Revenue Reserves**
Reserves considered as being available for distributions as dividends or for investment purposes.

**RSM**
Revenue Sharing Model

**RPC**
Regional Plantation Companies

## S

**Science Based Targets**
A greenhouse gas (GHG) emissions reduction goal aligned with climate science to limit global warming to well below 2°C, supporting net-zero pathways.

**Scope 1 Emission**
Emissions are direct greenhouse (GHG) emissions that occur from sources that are controlled or owned by an organization

**Scope 2 Emission**
Emissions are indirect GHG Emissions associated with the purchase of electricity, Steam, heat, or cooling

**Scope 3 Emission**
Encompasses emissions that are not produced by the company itself, and not the result of activities from assets owned or controlled by them

**SDG**
United Nations Sustainable Development Goals

**Shareholders' Funds**
Total of stated capital, capital reserves and revenue reserves.

**Segment**
Constituent business units grouped in terms of nature and similarity of operations.

**SLFRS/LKAS**
Sri Lanka Accounting Standards corresponding to International Financial Reporting Standards. (IFRS)

## W

**WIL**
Women in Leadership

**WUSC**
World University Services of Cana

**Working Capital**
Capital required financing day-to-day operations (Current Assets less Current Liabilities)

# Greenhouse GAS Verification Opinion

## GREENHOUSE GAS VERIFICATION OPINION

Sri Lanka Climate Fund (Pvt) Ltd

Ministry of Environment

Organization Level GHG statement developed by

**Talawakelle Tea Estates PLC**

**No. 400, Deans Road, Colombo 10, Sri Lanka**

complying with the requirements of ISO 14064-1:2018 has been verified in accordance with the specification of ISO 14064-3:2019 with reasonable level of assurance *

| | |
|---|---|
| Opinion No | : SLCF/CFP/0542 |
| Date of Issue | : 04.05.2026 |
| Period of Assessment | : 01.04.2025 – 31.03.2026 |
| Selected Boundary | : Operationally controlled business operations of Talawakelle Tea Estates PLC (Head Office and 16 Tea Estates) |
| Direct GHG Emissions | : 8,474 tonnes of $CO_2$ equivalent |
| Indirect GHG Emissions | : 16,475 tonnes of $CO_2$ equivalent |
| **Total GHG Emissions** | **: 24,949 tonnes of $CO_2$ equivalent** |

| | |
|---|---|
| ****Scope 1** Direct GHG Emissions | : 8,474 tonnes of $CO_2$ equivalent |
| **Scope 2** Electricity Indirect GHG Emissions | : 1,653 tonnes of $CO_2$ equivalent |
| **Scope 3** Other Indirect GHG Emissions | : 14,822 tonnes of $CO_2$ equivalent |

**ISO/IEC 17029 and ISO 14066**

**VVB 001-01**

Chairman
Sri Lanka Climate Fund (Pvt) Ltd

Chief Executive Officer
Sri Lanka Climate Fund (Pvt) Ltd

**Validity period of the certificate**: 04.05.2026 – 30.06.2027

**Exclusions**: GHG emissions from Land use change

*Materiality threshold is below 5%, The reported GHG emissions are rounded up to the nearest highest value.

**GHG emissions have been reported in accordance with GHG Protocol

# Notice of Annual General Meeting

**TALAWAKELLE TEA ESTATES PLC**
Company Registration No. PQ 36

**NOTICE IS HEREBY GIVEN THAT THE THIRTY FOURTH (34TH) ANNUAL GENERAL MEETING OF TALAWAKELLE TEA ESTATES PLC** will be held on **Thursday, 25th June 2026 at 1.00 p.m.** at the Chas P. Hayley Lounge of Hayleys PLC, No. 400, Deans Road, Colombo 10 for the following purposes:

1. To consider and adopt the Annual Report of the Board of Directors and the Statements of Accounts for the year ended 31st March 2026, with the Report of the Auditors thereon.
2. To re-elect as a Director Mr. N. P. Abeysinghe, who has been appointed to the Board since the last Annual General Meeting, in terms of Article 28 (2) of the Articles of Association of the Company.
3. To re-elect as a Director Mr. A. Weerakoon, who has been appointed to the Board since the last Annual General Meeting, in terms of Article 28 (2) of the Articles of Association of the Company.
4. To re-elect as a Director Mr. N. Ekanayake, who retires by rotation at the Annual General Meeting, in terms of Article 30 (1) of the Articles of Association of the Company
5. To re-elect as a Director Mr. M. C. B. Talwatte, who retires by rotation at the Annual General Meeting, in terms of Article 30 (1) of the Articles of Association of the Company.
6. To re-elect as a Director Ms. H. D. K. Randiligama , who retires by rotation at the Annual General Meeting, in terms of Article 30 (1) of the Articles of Association of the Company.
7. To propose the following resolution for the re-appointment of Mr. A.M. Pandithage, in terms of Section 211 of the Companies Act No. 07 of 2007.

   **Ordinary Resolution**
   'That, Mr. Abeyakumar Mohan Pandithage, who is over the age of seventy years be and is hereby re-appointed as a Director until the next Annual General Meeting and it is hereby declared that the age limit of seventy years referred to in Section 210 of the Companies Act No.07 of 2007 shall not apply to him.'
8. To propose the following resolution for the re-appointment of Mr. S.L. Athukorala, in terms of Section 211 of the Companies Act No. 07 of 2007.

   **Ordinary Resolution**
   'That, Mr. Sarath Lakshman Athukorala, who is over the age of seventy years be and is hereby re-appointed as a Director until the next Annual General Meeting and it is hereby declared that the age limit of seventy years referred to in Section 210 of the Companies Act No. 07 of 2007 shall not apply to him.'
9. To authorize the Directors to determine donations and contributions to charities for the ensuing year.
10. To re-appoint Messrs. Ernst & Young, Chartered Accountants as the Auditors of the Company for the year 2026/27 and to authorize the Directors to determine their remuneration.
11. To consider and if thought fit, to pass the following Special Resolution to amend the existing Article 51 (1) in the Articles of Association of the Company.

**Special Resolution**

**IT IS HEREBY RESOLVED THAT** Article 51 (1) of the Articles of Association of the Company be amended by the inclusion of the following paragraph at the end of Article 51 (1) ;

"The Company may serve any notice or document by electronic mail to an electronic mail account notified by a shareholder in writing or by any other acceptable means to the Company or to the Central Depository System (Pvt) Ltd. Where electronic mail is used, the notice or document shall be deemed to have been received by the shareholder upon the dispatch of same by the Company or by the Central Depository System (Pvt) Ltd, through electronic mail.

By Order of the Board
**TALAWAKELLE TEA ESTATES PLC**

**HAYLEYS GROUP SERVICES (PRIVATE) LIMITED**
*Secretaries*
Colombo
02nd June 2026

**Notes to shareholders:**

1. A Shareholder is entitled to appoint a proxy to attend and vote instead of him/ her and a proxy need not be a Shareholder of the Company. A Form of Proxy is enclosed for this purpose. The instrument appointing a proxy must be deposited at the office of the Company Secretaries at No. 400, Deans Road, Colombo 10, Sri Lanka not less than forty-eight (48) hours before the time fixed for the Meeting.
2. The Annual Report of the Company for 2025/26 is available on the corporate website www.talawakelleteas.com and on the Colombo Stock Exchange website - www.cse.lk. If you wish to have a printed copy of the Annual Report, please forward the duly completed 'Request Form - Annexure A' to the office of the Secretaries. A printed copy of the Annual Report will be forwarded within 8 market days from the date of receiving the Request Form
3. You may contact the undernoted person for any requests and queries.

**Contact Person :**
Chameera Gunawardena

**Contact Number :**
+94 11 2627653

**Email Address :**
Chameera.Gunawardena@secretarial.hayleys.com

**Mailing Address :**
Hayleys Group Services (Private) Limited,
Secretaries for Talawakelle Tea Estates PLC,
No. 400, Deans Road, Colombo 10.

# Form of Proxy

**TALAWAKELLE TEA ESTATES PLC**
Company Registration No. PQ 36

I/We................................................................................................................................................... (full name of shareholder)

NIC No./Reg. No. of Shareholder ...................................................................................................................................of

.......................................................................................................................................................being Shareholder/

Shareholders of TALAWAKELLE TEA ESTATES PLC hereby appoint:

(1)...................................................................................................................................................(full name of proxyholder

NIC No. of Proxyholder ..............................................................................................................................................of

.......................................................................................................................................................or, failing him/them.

(2) **ABEYAKUMAR MOHAN PANDITHAGE** (Chairman of the Company) of Colombo, or failing him, one of the Directors of the Company as my/our proxy to attend and vote as indicated hereunder for me/us and on my/our behalf at the Thirty Fourth Annual General Meeting of the Company to be held on Thursday, 25th June 2026, and at every poll which may be taken in consequence of the aforesaid meeting and at any adjournment thereof.

| | | For | Against |
|---|---|---|---|
| 1. | To adopt the Annual Report of the Board of Directors and the Statements of Accounts for the year ended 31st March 2026, with the Report of the Auditors thereon. | | |
| 2. | To re-elect as a Director Mr. N. P. Abeysinghe as set out in the Notice. | | |
| 3. | To re-elect as a Director Mr. A. Weerakoon as set out in the Notice. | | |
| 4. | To re-elect as a Director Mr. N. Ekanayake as set out in the Notice. | | |
| 5. | To re-elect as a Director Mr. M. C. B. Talwatte as set out in the Notice | | |
| 6. | To re-elect as a Director Ms. H. D. K. Randiligama as set out in the Notice. | | |
| 7. | To re-appoint Mr. A. M. Pandithage in terms of Section 211 of the Companies Act No. 07 of 2007. | | |
| 8. | To re-appoint Mr. S. L. Athukorala in terms of Section 211 of the Companies Act No. 07 of 2007. | | |
| 9. | To authorise the Directors to determine donations and contributions to charities for the ensuing year. | | |
| 10. | To re-appoint Messrs. Ernst & Young, Chartered Accountants as the Auditors of the Company for the year 2026/27 and to authorise the Directors to determine their remuneration. | | |
| 11. | To pass the special resolution to amend the Article 51 (1) in the Articles of Association of the Company. | | |

Signed on this ................................................ day of ................................................ 2026.

........................................................................
Signature of Shareholder

(Instructions are given overleaf)

# Form of Proxy

**Instructions:**

1. The completed Form of Proxy must be deposited with the Company Secretaries, Hayleys Group Services (Private) Limited, at No. 400, Deans Road, Colombo 10, Sri Lanka not less than forty-eight (48) hours before the start of the meeting. **Delayed Proxy Forms shall not be accepted.**
2. A Shareholder entitled to attend and vote at the Annual General Meeting of the Company, is entitled to appoint a Proxy to attend and vote instead of him/her and the Proxy need not be a Shareholder of the Company.
3. Full name of Shareholder/Proxy holder and their NIC Nos. are mandatory. Your Proxy Form will be rejected if these details are not completed.
4. A Shareholder is not entitled to appoint more than one Proxy to attend on the same occasion.
5. The duly completed Proxy Form must be dated and signed by the Shareholder.
6. Please indicate with an "X" in the space provided how your proxy is to vote on the resolutions. If no indication is given, the proxy can vote as he/she thinks fit.
7. In the case of a company/corporation the proxy must be executed in the manner prescribed by its Articles of Association or by a duly authorised Director.
8. Where the Form of Proxy is signed under a Power of Attorney (POA) which has not been registered with the Company, the original POA together with a photocopy of same or a copy certified by a Notary Public must be lodged with the Company along with the Form of Proxy.
9. In case of Marginal Trading Accounts (slash accounts), the Form of Proxy should be signed by the respective authorised Fund Manager/Banker with whom the account is maintained.

GRI 2-1

# Corporate Information

## NAME OF COMPANY

Talawakelle Tea Estates PLC

## LEGAL FORM

Public Limited Company
Incorporated in Sri Lanka on 22nd June 1992

## PRINCIPAL LINE OF BUSINESS

Cultivation and Manufacture of Tea, Rubber and Cinnamon

## COMPANY NUMBER

PQ 36

## TAX PAYER IDENTIFICATION NUMBER (TIN)

294001425

## FINANCIAL YEAR END

31st March

## STOCK CODE

TPL.N0000

## STOCK EXCHANGE LISTING

The ordinary shares of the Company are listed on the Colombo Stock Exchange of Sri Lanka.

## REGISTERED OFFICE

400, Deans Road, Colombo 10, Sri Lanka.

## HEAD OFFICE

400, Deans Road, Colombo 10, Sri Lanka.
Telephone: +94 11 262 7754, 2697203
E-mail: tpl.tea@ttel.hayleys.com Website: www.talawakelleteas.com

## DIRECTORS

### Executive Directors

Mr. A.M. Pandithage (Chairman)
Dr. W.G.R. Rajadurai (Managing Director)
Mr. N.P. Abeysinghe (Chief Executive Officer)
(appointed w.e f 01st August 2025)

### Non-Executive Directors

Mr. Malik J. Fernando
Mr. S.L. Athukorala
Mr. J. D. N. Gunasekera
Mr. M. T. Hewagama
Mr. Anura Weerakoon
(appointed w.e.f. 15th September 2025)

### Independent Non-Executive Directors

Mr. N. Ekanayake
(Senior Independent Director)
Mr. M.C.B. Talwatte
Lt. Col. J.M. Kariapperuma
Ms. Harshani Randiligama

Mr. S.B. Alawattegama
(resigned w.e.f. 31st July 2025)

## BOARD COMMITTEES

### Audit Committee

Mr. Nandana Ekanayake (Chairman)
Mr. S.L. Athukorala
Mr. M.C.B. Talwatte

## REMUNERATION COMMITTEE

Mr. Nandana Ekanayake (Chairman)
Mr. S.L. Athukorala
Mr. M.C.B. Talwatte

## NOMINATIONS AND GOVERNANCE COMMITTEE

Mr. Nandana Ekanayake (Chairman)
Mr. S.L. Athukorala
Mr. M.C.B. Talwatte

## RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

Mr. Nandana Ekanayake (Chairman)
Mr. S.L. Athukorala
Mr. M.C.B. Talwatte

## MANAGING AGENT

Hayleys Plantation Services (Private) Limited
400, Deans Road, Colombo 10, Sri Lanka.

## SECRETARIES

Hayleys Group Services (Private) Limited
400, Deans Road, Colombo 10, Sri Lanka.
Phone: + 94 11 262 7650
E-mail: Info.sec@hayleys.com

## SUBSIDIARIES

TTEL Hydro Power Company (Pvt) Ltd
TTEL Somerset Hydro Power (Pvt) Ltd
Hayleys Produce Marketing Limited

## SUBSIDIARIES - REGISTERED OFFICE

400, Deans Road, Colombo 10, Sri Lanka.

## SUBSIDIARIES - HEAD OFFICE

400, Deans Road, Colombo 10, Sri Lanka.

## BANKERS

Commercial Bank of Ceylon PLC
Sampath Bank PLC
Hatton National Bank PLC
National Development Bank PLC
Bank of Ceylon
Hongkong and Shanghai Banking Corporation Limited
Union Bank of Colombo PLC
DFCC Bank PLC
Seylan Bank PLC
Pan Asia Banking Corporation PLC

## AUDITORS/TAX ADVISORS

M/S Ernst & Young Chartered Accountants
Rotunda Towers,
No. 109, Galle Road, Colombo 03, Sri Lanka

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A full service design and print company.
www.optimadesigns.lk

**Talawakelle Tea Estates PLC**
400, Deans Road, Colombo 10, Sri Lanka.