

STRATEGIC ESG INTEGRATION

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

CLIMATE CHANGE

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

WIDENING INEQUALITIES

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

TRANSITION TO A LOW CARBON ECONOMY

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

HUMAN RIGHTS

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

LOSS OF BIODIVERSITY

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

IMPACTS OF PRODUCTS AND SERVICES

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

WATER STRESS

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

DIVERSITY AND EQUITY

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



ESG INTEGRATION: AMBITION TO ACTION

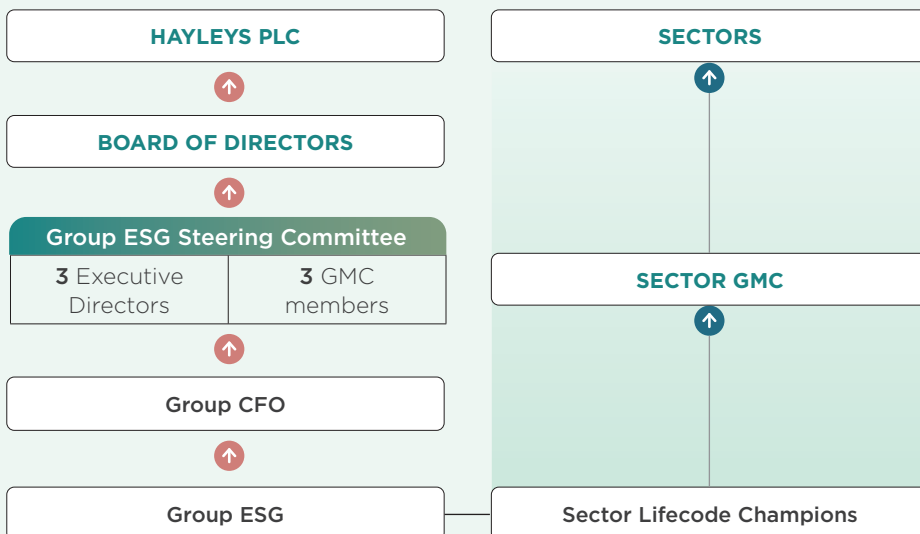


ALIGNMENT OF PURPOSE, GOVERNANCE AND STRATEGY:

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

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

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



SECTORS WHICH LAUNCHED ESG ROADMAPS IN 2023/24

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

DEVELOPMENTS IN 2023/24

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

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

ESG INTEGRATION: AMBITION TO ACTION

TARGETS AND MEASUREMENTS

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

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

ESG IN PRACTICE

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

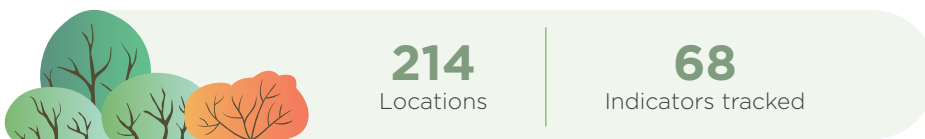
- Quarterly monitoring of performance against ESG targets
- Consideration of ESG aspects in key investment decisions
- ESG risks are assessed quarterly and submitted to the Audit Committee
- Awareness and culture building through employee induction and ongoing programmes

TRANSPARENCY AND ENGAGEMENT

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

Collaboration and knowledge sharing

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



CROSS-SECTOR NETWORKS

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



ACADEMIC-INDUSTRY PARTNERSHIPS

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






KNOWLEDGE SHARING





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

MULTI-STAKEHOLDER INITIATIVES

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

DELIVERING RESULTS

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

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