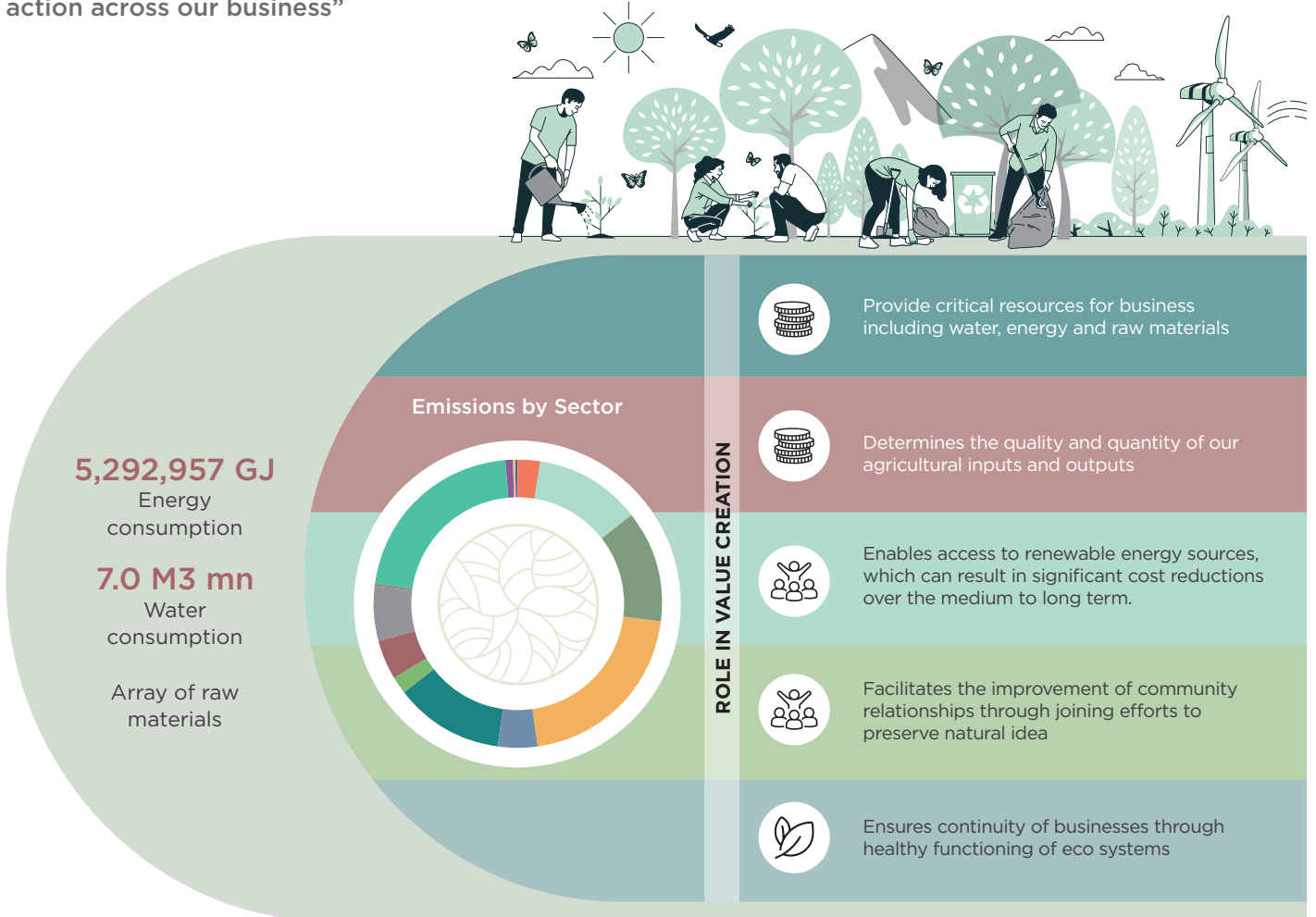


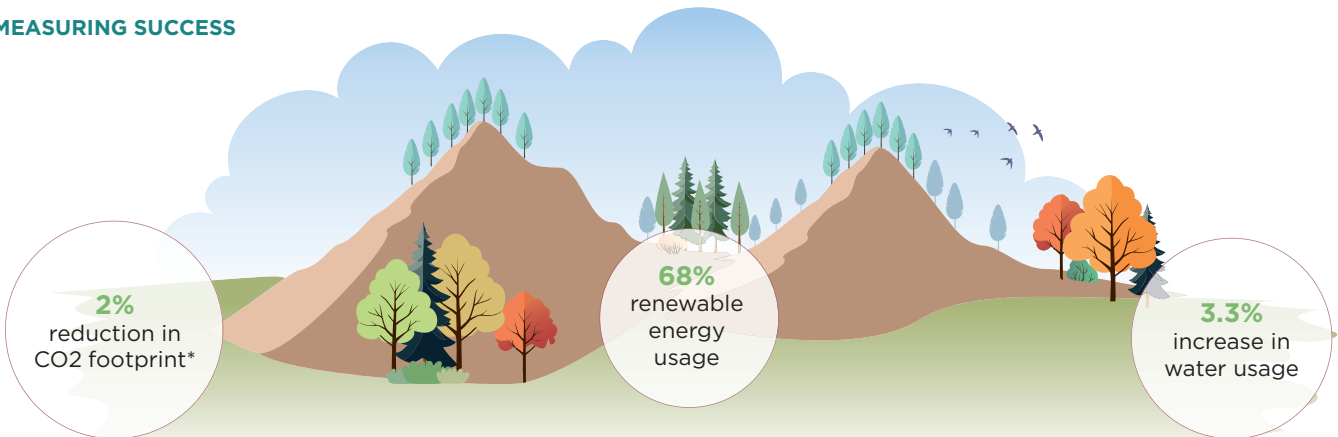
# NATURAL CAPITAL

As a Group which relies heavily on agriculture-based input materials Hayleys' commercial success is linked to the health of the planet and natural resources. We are deeply committed to driving efforts to keep our operations resilient to environmental risks while adopting environment and climate-positive action across our business"



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

## MEASURING SUCCESS



\*Excluding the emissions arising from new acquisitions during the year

# NATURAL CAPITAL

## APPROACH TO MANAGING ENVIRONMENTAL IMPACTS

The environmental challenges we face today are the most defining ones of this generation and we are responding with innovation, deep commitment and urgency. While environmental consciousness has long-been embedded into our thinking and decision-making, our approach to managing our environmental impacts center on identifying where and how we can make the greatest impact. The Group’s environmental strategy is clearly set out in its ESG Roadmap-the Hayleys Lifecode and supported by a comprehensive suite of policies and certifications.

**CERTIFICATION**

The Lifecode includes environmental policies which have been designed to align with regulatory frameworks, environmental certifications and voluntary

**COMMITMENTS**

Committed to Science-Based-Targets-Initiative (4 companies)  
UNGC Ten Principles

**POLICIES**

The Lifecode includes environmental policies which have been designed to align with regulatory frameworks, environmental certifications and voluntary standards including UN Global Compact Principles 7 to 9.

**REPORTING FRAMEWORKS**

GRI Standards, SASB Standards, TCFD Framework incorporated into the SLFRS S1 and S2 reporting standards

**2030 ENVIRONMENTAL TARGETS**

**30%**  
reduction in Scope 1 & 2 GHG emissions

**ZERO**  
landfill waste

**50%**  
sustainable water sourcing

**100%**  
safe chemical management

**5 Times**  
Enhance biodiversity to 5 times the area occupied

## ENERGY

Reducing energy consumption and increasing our energy efficiency is key to achieving the Group’s emission reduction targets. The Group’s energy strategy in recent years has centered on gradually reducing dependence on fossil fuels through opting for sustainable and renewable energy sources while optimising energy usage across our operations. Energy consumption is tracked and monitored across all operating locations and performance

against reduction targets is reported to sector-level ESG Steering committees at least on a quarterly basis. Key interventions to achieve the Group’s energy targets are set out below:

### Energy efficient infrastructure and operations

Energy efficiency principles are incorporated in the design process of the new building, with due consideration given to temperature, natural light and humidity. Energy saving features include

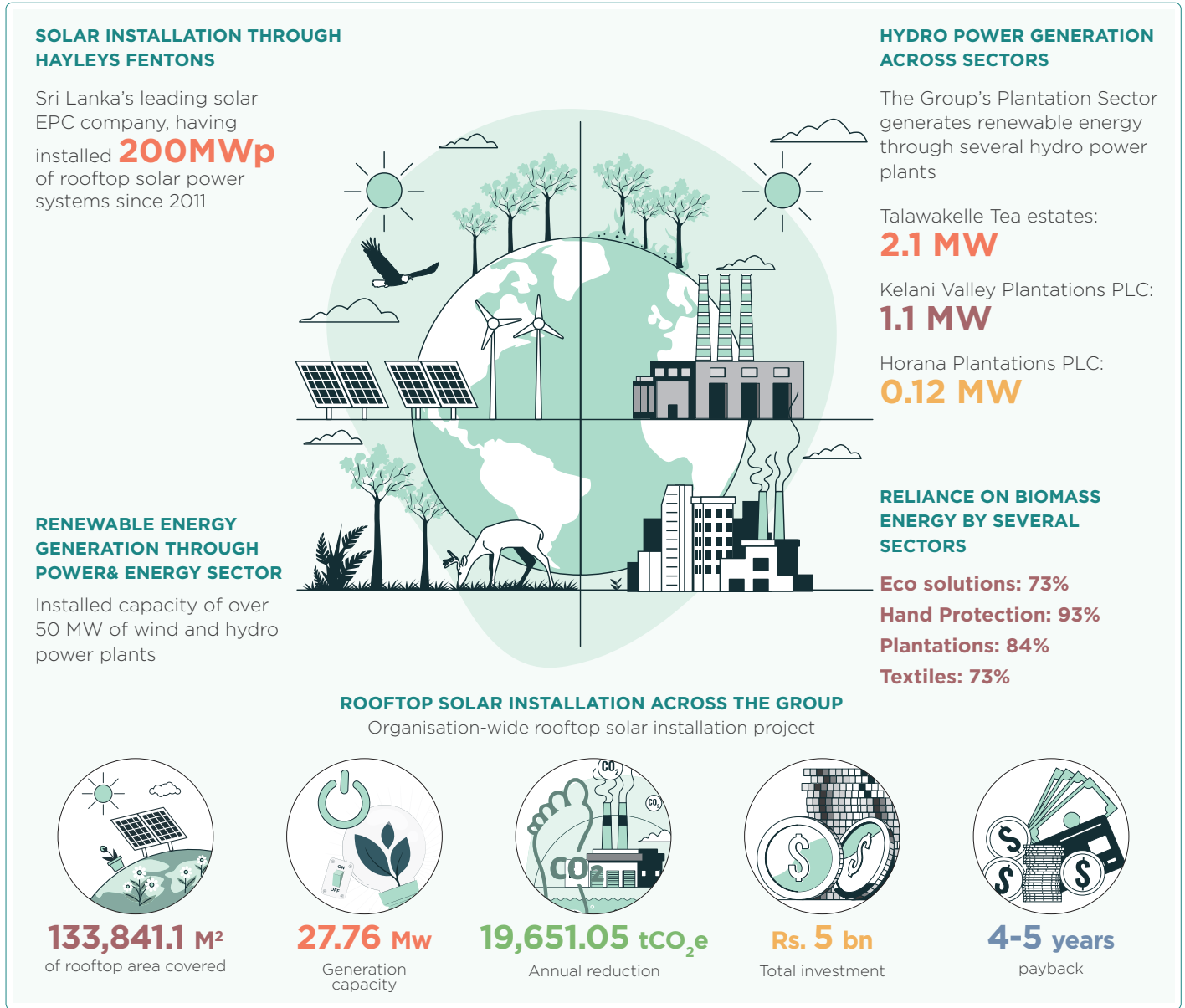
passive design, energy management certifications and energy efficient equipment.

### Transportation services

The Group has deployed 14 buses (at Head Office), along several key commuting routes to facilitate the transportation of employees. During the year, approximately 450 employees utilised this service, which in turn has been estimated to save emissions of approximately 4.84 tonnes Co2e.

**Supporting Sri Lanka's renewable energy transition**

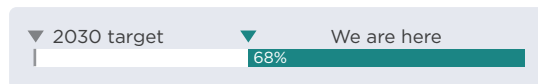
As Sri Lanka gears up to meet its net-zero commitments, as articulated in the Net Zero Carbon Roadmap, renewable energy is poised to replace fossil fuels. As a Group, Hayleys is catalysing the country's transition to renewable energy, both through reducing dependence of fossil fuels in its own operations and commercial installations across the country as illustrated below.



**Energy performance indicators**

The Group's total energy consumption increased by 10% during the year, with wood log - rubber, wood chip and other alternative biomass emerging as the most significant energy sources with a collective share of 54%. Energy intensity as measured by GJ/Revenue Rs. mn, also increased by 22%. The Group's energy composition continued to tilt towards renewable energy, which accounted for 68% of total energy consumed during the year. In line with the Group's third party verification on its carbon footprint, energy-related information has been restated for 2022/23.

**Performance against targets**

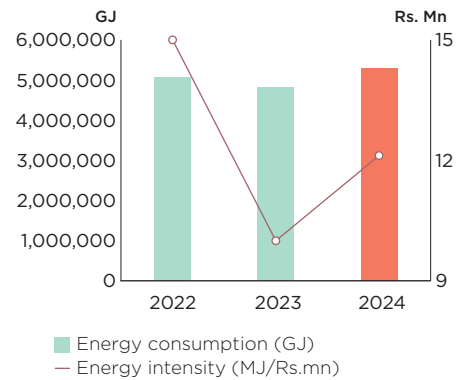


**Target 1:** 90% sustainable and renewable energy applications (Actual: 68%)

# NATURAL CAPITAL

	Energy consumption		
	GJ	Y-o-y change(%)	% composition
Eco Solutions	132477	36	3
Hand Protection	2055012	4	39
Purification	240589	-9	5
Textiles	1476777	-2	28
Construction materials	81117	-2	2
Plantations	591950	150	11
Agriculture	30968	-15	1
Consumer & Retail	58507	-21	1
Leisure	117900	24	2
Industry Inputs, Power & Energy	6487	459	-
Transportation & Logistics	487569	13	9
Projects & Engineering	8299	-50	-
Tea Exports	2218	-32	-
Others	3087	-73	-

## ENERGY CONSUMPTION (3 YEAR TREND)



**ENERGY FOOTPRINT**

**10%** increase in energy consumption

**25%** increase in energy intensity

**ENERGY HANDPRINT**

**68%** reliance on renewable energy

**>3.5 mn** renewable energy generation

## EMISSIONS

The Group measures its carbon footprint in line with the WBCSD/WRI Greenhouse Gas (GHG) Protocol Corporate Standard, ISO 14064 and the PAS 2050. The Group has committed to reducing its Scope 1 & Scope 2 emissions by 30% by 2030, to be achieved through Group-wide efforts to increase reliance on renewable energy, reduce energy consumption and reduce dependence on fossil fuels. The Group’s emission reduction aspirations are integrated to its climate strategy, which centers on building a climate-resilient business model while driving continued reductions in the Group’s carbon footprint. Please refer to page 294 of this Report for further information on our climate-related risks and opportunities.

### Operational interventions

- Increasing reliance on renewable and sustainable energy sources
- Energy efficiency drives across the Group, particularly in the 14 sectors
- Waste to value initiatives driving circularity and decarbonisation across operations

### Value chain interventions

- Solar installation through Hayleys Fentons
- Emission reductions across supply chains
- Energy efficient solutions for industries
- Energy storage solutions



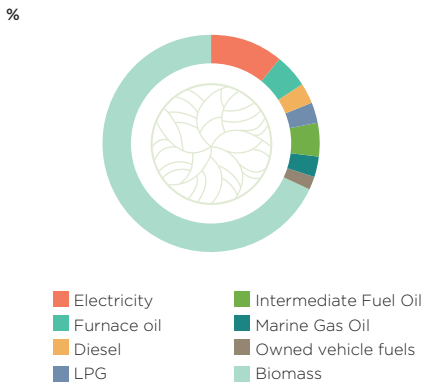
### Integrating climate considerations

- Strengthen governance and risk management oversight on climate-risk
- ESG considerations during the Group’s budgeting and financial planning processes
- Developing the Group’s climate action skills

### Leveraging opportunities

- Access to new markets through low-carbon product solutions (i.e Hand Protection Sector and Construction Materials Sector)
- Driving long-term cost reductions through increased investments in solar

**ENERGY CONSUMPTION BY SOURCE**



**Carbon footprint performance indicators**

The Group’s carbon footprint for 2022/23 was restated following the independent verification on the GHG inventory. The accuracy and completeness of the computation was considerably improved following the verification and the same improvements feature in the GHG computation for 2023/24. Despite the acquisition of new entities and expansion of the business, the Group successfully curtailed the increase in its emissions to 2% reflecting the Group’s increased focus on renewable energy and energy efficiency.



**2%** increase in carbon footprint

**13%** increase in emission intensity

**CONTEXT**

Water security and our ability to safeguard bodies of freshwater resources are increasingly at risk. With the global increase in demand for water, the World Resource Institute projects that there will be a deficit in water supply of about 56\$ by 2030. Currently about 25% of the global population lives in countries that suffer from water stress.



**COMMITMENT**

The Group’s Water Management Policy seeks to conserve and optimise water obtained from various sources, seek avenues of recycling and reusing waste-water and responsible disposal of waste-water generations in its operations.



**WATER**

As a Group which has several water-intensive manufacturing processes, we are cognisant of the potential disruptions to our operations stemming from waster stress. This year,

in preparation for the full adoption of IFRS S1 we are aligning with the CDSB Framework’s Guidance for water-related disclosures as listed below

**CDSB Framework’s Guidance for Water-Related Disclosures**

**Governance:** The governance of water related matters is aligned to that of the Group’s other environmental aspects, with the Group ESG Steering Committee monitoring water-related performance indicators on a quarterly basis. Water withdrawal is monitored across all of the Group’s operating locations and submitted to the Group ESG Division through the Hayleys CUBE. At an operational level, factory managers and/or engineering units are responsible for water management within the respective locations

**Management’s environmental policies, strategy and targets:**

**Context:** Sri Lanka is considered ‘highly water stressed’ with the country consuming 90.8% of its total available renewable freshwater resources. The Group’s interaction with water as a shared source stems primarily from its use in manufacturing operations, in which certain sectors such as Textiles, Hand Protection and Purification are relatively water intensive. Water is also

used for cleaning and employee usage across the Group. The Group’s water sources include groundwater, surface water, pipe borne water and harvested rainwater. Metering is available for main water inputs and wastewater outputs, ensuring the complete and accurate reporting of all relevant date on a timely basis to Hayleys Group ESG Division.

**Primary uses of water in Hayleys**

**Industrial Use**

- Glove manufacturing
- Fabric manufacturing
- Blending of industrial raw materials

**Agriculture**

- Cultivation of tea, rubber and other crops

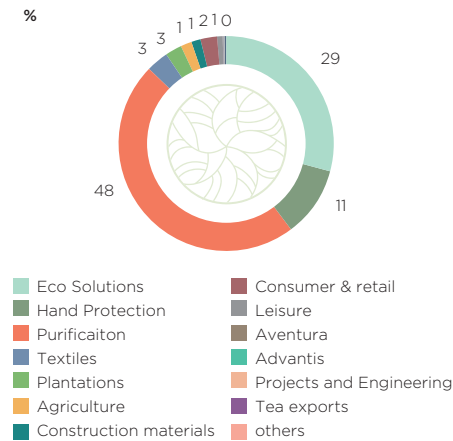
**Other**

- Sanitation
- Employee use
- Gardening use

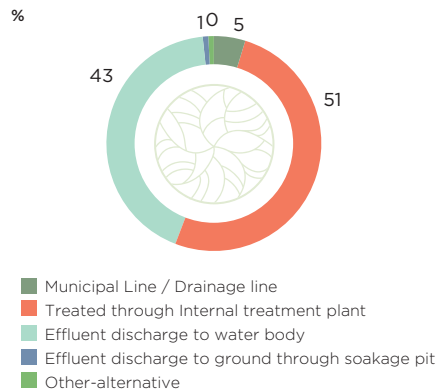


# NATURAL CAPITAL

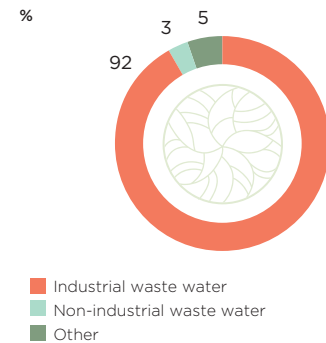
## WATER WITHDRAWAL BY SECTOR



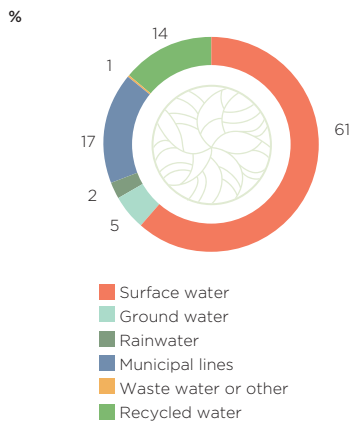
## EFFLUENTS BY METHOD OF DISPOSAL



## EFFLUENTS BY TYPE



## WATER WITHDRAWAL BY SOURCE



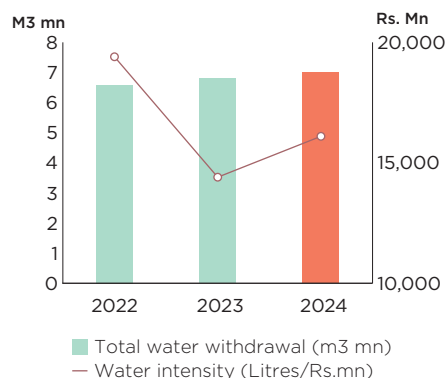
**Water discharge:** The Group’s manufacturing processes involve the discharge of wastewater, and effluent treatment plants to responsibly dispose of effluents. Wastewater is typically treated and recycled for re-use for gardening and/or organic farming purposes. Effluents discharged from our operations comply with the requisite water quality standards of BOD, COD, TSS, pH and oil and grease levels are checked on a regular basis by independent assessors to ensure it meets compliance levels.

**Policy and targets:** The Group’s Water Management policy is applicable to all entities within the Group and clearly sets out targets, action plans and deliverables. The policy is in line with the UNGC CEO’s Water Mandate and all relevant laws and guidelines and national and international standards.

## Water-related risks and opportunities

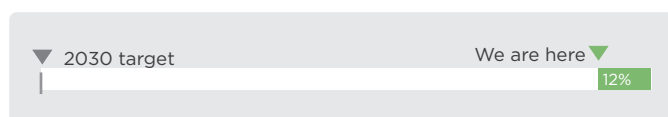
Risk/ Opportunity	Description	Potential business and financial impacts
<b>Physical risk</b>	Fluctuations and limited availability in water supply stemming from the country’s water scarcity	Considerable impacts on the business continuity and manufacturing cost of the Textiles and Hand Protection Sector which are water-intensive operations
<b>Precipitation and rainfall</b>	Changes in precipitation patterns and variability in weather patterns which lead to changes in temperature, water stress and coastal erosion	Implications on the yield, quality and quantity of our Plantation Sector products including tea, rubber and other crops. Impacts on the Agriculture Sector can stem from weaker demand due to crop losses
<b>Market</b>	Shifting customer preference to water efficient products and technologies	Increased pressure from customers (particularly in the European region) who demand water targets and disclosure of performance against targets
<b>Reputational risk</b>	Stakeholder perceptions of the Group’s use and discharge of water and negative media coverage	Adverse implications on community relations due to water stress and potential impacts on social license to operate
<b>Resource efficiency</b>	Increased use of water recycling and reduced water usage and wastage	Opportunity to drive increased efficiencies and curtail costs, particularly in Sectors which are water intensive
<b>Products and services</b>	Development of less-water intense products and services and water-climate adaptation	Sectors such as Textiles can drive customer acquisition and access new markets through water-conscious innovations

## WATER WITHDRAWAL TRENDS



Target 1: 30% sustainable water sourcing by 2030:

**49%**  
Actual



Target 1: 30% reduction in water intensity:

**12%** (Increased)  
Actual

The Group's total water withdrawal increased by 3.3% during the year to reach 7 mn, driven by increased usage in key sectors of plantations, Industry Inputs power and energy and Projects and Engineering. Total intensity also recorded an increase of 12% during the year.

## MATERIALS AND CIRCULARITY

The Group consumes an extensive variety of materials across its diverse operations and in recent years has sought to embed the principles of circularity across its business through increasing reliance on recycled and renewable materials. This agenda continues to feature prominently in product design/development phase and progress made in this front is summarised below. Other aspects of the Group's material management include minimising chemical usage, use of eco-friendly raw materials and responsible sourcing.



### Use of PET bottle recycled yarn by multiple Sectors

The Textile Sector and Hand Protection Sectors uses recycled PET yarn as an input for its fabric and glove manufacturing respectively



### Warna by Mahogany by Textiles Sector

A pioneering waste to fashion initiative which extracts dye in house using waste material generated by the local furniture industry



### Circular product solutions

Eco-One is an additive which is applied during the manufacturing process to enhance the biodegradation of plastic and polythene products.

Carbon nano tube product for the glove industry, uses carbon black recovered from used tires which in turn leads to significant reduction of crude oil consumption.



### Use of recycled Aluminium

The Construction Materials Sector continues to increase the use of recycled aluminium in its production process, thereby reducing the need for virgin aluminium

**56%**  
Use of recycled aluminium



### Use of recycled brass

The Group's Agriculture Sector sources recycled brass to manufacture components for spray machines

## NATURAL CAPITAL

The Group’s material consumption is set out below:

Sector	Metric	2022/23
Purification	Coconut charcoal (MT)	101,753
	Coconut Shells (MT)	50,468
Hand protection	Latex (MT)	34,458
Plantations	Green Leaf (MT)	47,458
	Packing Material (MT) TTE+KVPL	142
Eco Solutions	Coconut husks (Nos)	2,480,232
	Fibre pith (MT)	21,530
	Yarn (Kg)	6,536
<b>Non-Renewable materials</b>		
Construction materials	Aluminium billets (MT)	3,352
Plantations	Dolomite (MT)	3,863
	Fertilizer (MT)	4,473
Textile	Yarn (recycled)	1,805
	Yarn (non-renewable and other than recycled) (Kg)	10,685
	Dyes and Chemicals (Kg)	11,358

## WASTE

### CONTEXT

Waste including plastics, e-waste and other types of waste pollutes land and waterways and contaminates the air we breathe. The systems and infrastructure in place is not adequate to effectively collect and redistribute the increasing quantum of materials that are consumed by the global population.



### COMMITMENT

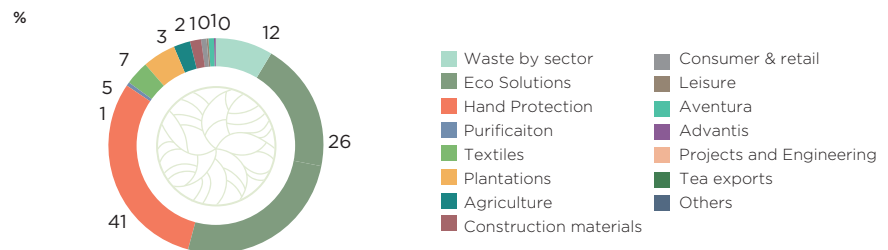
#### Material & waste management policy

The Hayleys Group strives to minimise waste generation and seeks to effectively manage the waste generated through sustainable disposable methods



Key types of waste generated by the Group include agricultural waste, industrial waste, glass, polythene, plastic, food waste and paper among others. The Hayleys Lifecode sets out a clear target of achieving zero landfill waste by 2030. All Sectors have stepped up efforts to engage in the segregation and responsible disposal of waste, in compliance with regulatory requirements and industry best practice. The Group’s waste profile is as follows:

### WASTE BY SECTOR



In addition to circular business models described above, the following large-scale waste management efforts are in place across the Group.



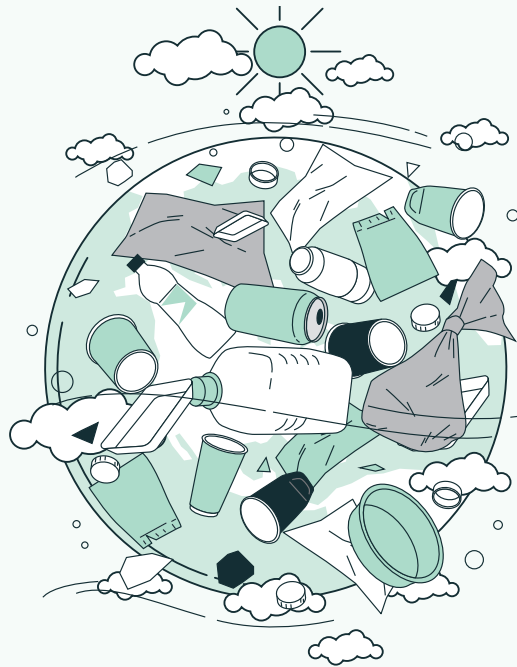
**E-WASTE COLLECTION:**

Singer conducts a largescale, island-wide e-waste collection initiative, through which customers are encouraged to return used electronic items. With over 407 collection points around the island Singer directly contributes towards reducing the country’s landfill waste.

- Televisions: 1898**
- Washing machines: 46**
- Refrigerators: 130**
- Others: 25**

**COMMUNITY WASTE MANAGEMENT IN PLANTATIONS:**

In line with the certification standards of the Rainforest Alliance and ISO 14,001: 2015 Environmental Management System, the Sector conducts ongoing awareness building initiatives and training programmes on the responsible disposal of biodegradable and non-biodegradable waste



**WASTE-TO-ENERGY GENERATION:**

Through a patented green charcoaling technology, Recogen, Haycarb generates electricity using waste which is supplied to the national grid.

**800,000 Kwh of electricity generated**

**ACCELERATING BIODEGRADATION OF PLASTICS:**

Hayleys Aventura’s Eco One solution is an organic additive that accelerates biodegradation of plastic and polythene, thereby drastically shortening the timespan such products are retained in landfills from centuries to a few years.

**Rate of degradation increased to 18 months**

**WASTE-TO-VALUE BUSINESS PROPOSITION:**

Haycarb PLC’s business model is built on a waste-to-value proposition which entails converting waste coconut shells to pursued sustainable innovation strategies that provides solutions to purification of air and water and more recently, in storage of renewable energy

**Waste performance indicators**

The Group’s total waste generation for the year increased by 26% to 20,850 reflecting improved waste reporting across the organisation and increased operational activity in selected sectors. Non-hazardous waste accounted for 76% of the Group’s total waste.

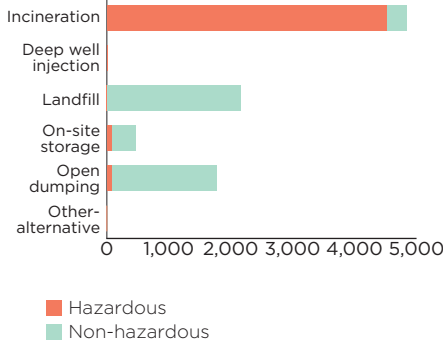
We have enhanced our waste reporting this year, with increased disclosure on type of waste, recovery method and disposal method

**Total waste by type and composition**

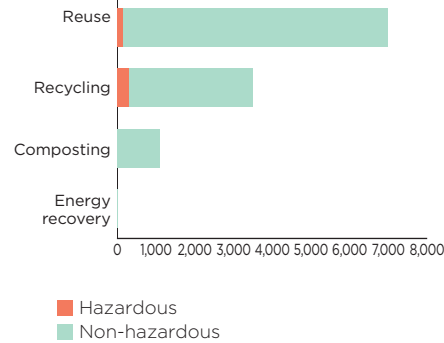
Hazardous waste	Quantity (MT)	Non-hazardous waste	Quantity (MT)
Sludge	4428	Food	419
Contaminated materials	30	Paper	232
E-waste	52	Cardboard	1183
Fluorescent lights	1	Polythene	493
Chemical waste/oil	86	Mixed waste	7104
Ash	317	Glass	26
Mixed waste	20	Metal	169
Other	111	Garden waste	46
		Biomass waste	379
		Wet garbage	146
		Other	4414

# NATURAL CAPITAL

## WASTE BY DISPOSAL METHOD



## WASTE BY RECOVERY METHOD



## BIODIVERSITY AND ECO-SYSTEMS

The unsustainable use of land and resources has led to significant losses in biodiversity habitats, severely threatening the balance of the ecosystem and emerging as a key environmental risk facing the world today. The operations of several of our sectors are closely linked to the health of the natural ecosystems surrounding our locations of operations. The Plantations Sector’s tea and rubber estates in the hill country and low country wet zones are particularly rich in biodiversity and we are committed to preserving the natural habitats and ecosystems in these areas.

A high-level overview of the progress made Group’s diverse biodiversity and eco system preservation initiatives during the year summarised below:

**244**  
hectares with rich biodiversity

Calsay estate, Nanuoya borders the Conical Hill National Forest, Agrabopaththalawa

Watershed and catchment areas feeding national rivers Nilwala, Gin, Kotmale Oya and Nanu Oya

Great Western, Radella & Holyrood estates are located near Kikiliyamana Natural Forest Reserve



### Project Kirulu

Project Kirulu the Group’s flagship biodiversity program, seeks to leverage the Group’s extensive land bank, cross-sector synergies and insights on ecosystems to preserve Sri Lanka’s rich and vibrant ecosystems. Actioned by Talawakelle Tea Estates, the programme involves the planting of native, endemic trees with the contribution of Group companies.

### Advantis Blue Carbon

The Transportation Sector’s Project Advantis Blue C seeks increase the national blue carbon sinking capacity by supporting the conservation and replenishment of coastal ecosystems. The initiative is focused on accelerating the natural regeneration of mangroves at Anawilundawa. The Project received the UN Decade of Restoration Flagship Award for Sri Lanka by the UNEP and FAO of the United Nations

### Green belt and Wetland Biodiversity Zone at Hayleys Fabrics:

The Group’s Textile Sector has reserved 20 acres and 9 acres of land adjoining the factory as a Green Belt and Wetland Biodiversity Zone respectively. Conducted under the guidance of the Central Environment Authority, the initiative included a biodiversity survey by the Environmental Ministry Secretariat, which identified 146 plant species belonging to 63 families and 149 animal species, including 2 endemic plant species and 18 endemic animal species.

#### BIODIVERSITY PRESERVATION IN OUR PLANTATIONS SECTOR

- **Project REGROW by Horana Plantations** in partnership with WNPS Plant aims to restore a nine-kilometre-long forest corridor along the Maskeliya Oya creating 55 hectares of new forests in the process. In the future, this initiative will, enable species to move among larger forest patches in an uninterrupted manner.
- **Talawakelle Tea Estate PLC's large-scale tree planting initiative** at St Clair Reservoir, aims to plant and establish secondary forests across significant hectarages with native and endemic plants across Talawakelle Tea Estates' plantations.
- Both these projects obtained Ecosystem Restoration Verification from Preferred by Nature for these two projects, the first of its kind in Asia
- KVPL in partnership with IUCN launched the **Surakimu Ganga initiative** which strives for collaboration between the private, sector and international organisations to adopt nature-based solutions for greening the river basin in We Oya catchment area in the Kelani river.

#### WAY FORWARD

- Widen Scope 3 emission reporting across the Group
  - Ongoing transition to renewable energy with several sectors including Transportation & Logistics, Purification and Hand Protection committing to large solar power projects
  - Align with increasingly stringent environmental regulations including the European Union's Deforestation Regulation and the Carbon Border Adjustment Mechanism
- 