



## PLANTATIONS

The Group's three regional plantation companies (RPCs), Kelani Valley Plantations PLC, Talawakelle Tea Estates PLC and Horana Plantations PLC rank among the country's most sustainable, innovative and profitable plantation companies driving the industry forward through embracing nature-positive agriculture, equitable remuneration models and technology-driven transformation.

# PLANTATIONS

**Supplier value addition**  
Rs. 5.24 bn payments  
82% local suppliers

**Socio-economic value generation**

**Economic value**  
Rs. 1.20 bn tax contributions

**Communities empowered**  
Over 129,500 residents of estate communities supported through investments of Rs. 382 mn in multi-faceted community initiatives



**Rs. 13.72 bn**  
Economic value added



**9%**  
Contribution to Group's value creation










**Cultivation of tea, rubber and other crops**

**Employment generation**  
 Direct employees: 15,360 including over 13,900 estate workers  
 Value created to employees: Rs. 9.29 bn (+16%)

**Tea**  
 Manufacturer of Sri Lanka's best-quality tea, which consistently ranks among the Colombo Tea Auction's highest price takers

**Rubber**  
 Manufacture of rubber that fetches premium pricing at the auction.

**Other crops**  
 Produces a range of other crops including cinnamon, coconut and other minor crops.

 <b>Revenue</b> Rs. 18.13 bn (+13%)	 <b>Profit Before Tax</b> Rs. 3.0 bn (-40%)	 <b>Profit After Tax</b> Rs. 2.1 mn (-40%)	 <b>Assets</b> Rs. 26 bn (+0%)	 <b>Liabilities</b> Rs. 15.5 bn (-2%)	 <b>Employees</b> 15,360 (+23%)	 <b>Carbon footprint</b> 26,122 tCO <sub>2</sub> e (+40%)
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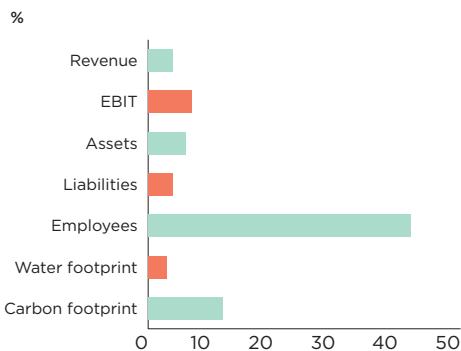
+ denotes y-o-y growth - denotes y-o-y decline

## PLANTATIONS

### SECTOR OVERVIEW

As one of the country's largest plantation groups, the three RPCs under Hayleys, collectively cultivate over 13,800 hectares of tea and rubber across 55 estates. The Hayleys Plantation companies have played a key role in driving Sri Lanka's tea sector forward, redefining industry standards in sustainability, innovation and quality. The long-term viability of Sri Lanka's tea sector is being threatened by rising costs, intensifying implications of climate change and increased volatility of prices. At this critical juncture, the Hayleys Plantation companies are at the forefront of propelling the industry's transformation to a modern, dynamic and sophisticated industry, in which stakeholder value is equitably distributed across the entire value chain.

### CONTRIBUTION TO GROUP



#### KELANI VALLEY PLANTATIONS PLC

Produces of tea, and rubber in 25 estates

##### Contribution to Sector

Revenue: 40%  
PBT: 37%

##### Performance 2023/24

Revenue: 12% decline  
PBT: 53% decline



#### TALAWAKELLE TEA ESTATES PLC

Produces tea in 16 estates

##### Contribution to Sector

Revenue: 42%  
PBT: 57%

##### Performance 2023/24

Revenue: 5% decline  
PBT: 36% decline



#### HORANA PLANTATIONS PLC

Produces, tea, rubber, oil palm and coffee in 14 estates

##### Contribution to Sector

Revenue: 18%  
PBT: 6%



Following its acquisition on the 31st of March 2023, Horana Plantations has been consolidated to this year's performance. From FY 2023/24, Mabroc Teas and Martin Bauer Hayleys (which were previously categorised in the Plantations Sector) have been classified as a separate sector under Tea Exports. Kindly refer to page 235 for the Tea Exports Sector Review.

### OPERATING ENVIRONMENT

Sri Lanka's tea production increased marginally to 256.04 mn Kgs in 2023 as the industry struggled to recover

from detrimental policy decisions and worsening implications of climate change. Meanwhile, tea prices (in rupee terms) declined by 7% in 2023, in view of the appreciation of the Sri Lankan Rupee – a trend which persisted in the first quarter of 2024. The surge in chemical fertilizer prices, coupled with significant variability in rainfall and persistent labour shortages continue to affect the long-term sustainability of the country's tea industry. While prices commanded at the Colombo Tea Auction remained elevated in comparison to counterparts, Sri Lanka's international competitiveness is being threatened by high cost of production, relatively low yields and inadequate plucking. Changing aspirations of the younger generations continue to drive increased labour migration from the estate sector, resulting in significant labour shortages.

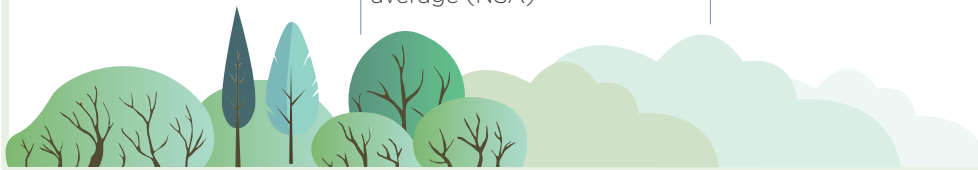
### COMPETITIVE POSITION

Sri Lanka's largest plantation sector group, collectively accounting for **4.6% and 4.1% of the country's tea and rubber cultivation**

**Consistently ranking as the top 3 prices takers in the Colombo Tea Auction**, the three companies have continued to command a premium over national sales average (NSA)

Among the most awarded companies in Sri Lanka with the Sector winning a total of **119 awards** during the year

Benchmark of quality as the most **certified plantation companies** in Sri Lanka, which includes 38 certifications and 14 management systems across all three RPCs



Meanwhile, Sri Lanka's rubber industry witnessed yet another year of considerable challenges with total production falling by 10% in view of excessive rain and pest attacks. These challenges were further compounded by the appreciation of the Sri Lankan Rupee which led to a 6% decline in rupee prices.



**+2%**

Growth in Sri Lanka's tea production



**-18%**

Decline in tea prices (in rupee terms)



**-10%**

Decline in Sri Lanka's rubber production

### Summary of external drivers

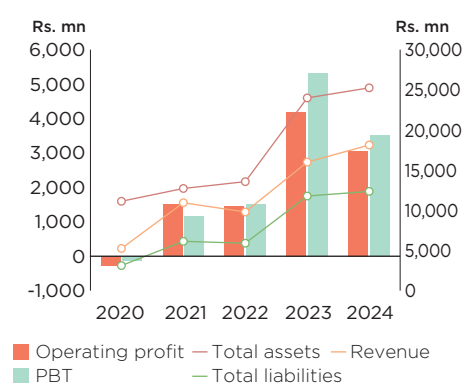
	Driver	Driver Significance of impact	Implications on Sector
Economic and geo-political context	Appreciation of the Sri Lankan Rupee	H	- Lower prices commanded by exporters in Rupee terms
	Increase in energy costs	M	- Adverse implications on cost of production
	Global geo political tensions	H	- Decline in export volumes to both Russia and Ukraine, which are among Sri Lanka's largest tea markets
Industry context	Persistent labour shortages due to migration from estates	H	- Inadequate plucking and resultant loss in crop
	High cost of labour	H	- Impact on profitability margins - Adverse implications on global competitiveness over the long-term
	Relatively low labour productivity	M	+ Increased cost of compliance - Adverse impacts on cost of production
	Global surge in fertilizer prices	M	- Implications on profitability margins
Sustainability context	Increasing focus on health and well-being	M	+ Global recognition of tea as a beverage with significant health benefits
	Escalating implications of climate change including variability rainfall patterns and temperature	M	- Implications on quality, yield and quantity of tea

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

### STRATEGY AND INTEGRATED PERFORMANCE REVIEW

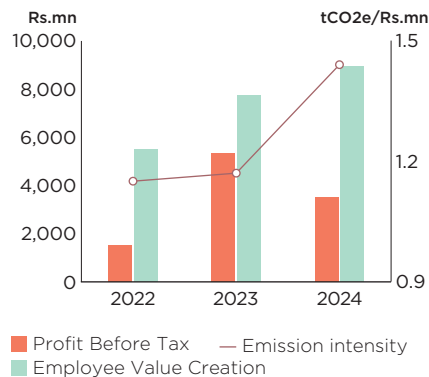
The Sector adopted a strategic reset during the year, with the aim of driving transforming its plantation management approach to dynamic and holistic value-added systems management. Accordingly, strategic focus was placed on creating social business enterprises through more equitable remuneration models, regenerative agriculture and data-driven decision making. While these interventions entail long-term outcomes, the Sector's results for the year attest to the significance of these actions; the Sector generated a Revenue growth of 13% to Rs. 18.13 bn during the year reflecting the consolidation of Horana Plantations PLC. Production volumes grew by 3% compared to the industry growth of 2%. Sector profitability was inevitably impacted by the fall in prices and the appreciation of the Sri Lankan Rupee, which resulted in Profit Before Tax and Profit After Tax declining by a respective 34% and 40% during the year.

### SECTOR FINANCIAL PERFORMANCE



## PLANTATIONS

### INTEGRATED PERFORMANCE



The critical challenge of labour shortages in the industry is driven by the perception of low dignity associated with working in estates. In addressing this issue, the Hayleys Plantations have sought to dismantle the archaic daily-wage based system through introducing an innovative revenue share model, aimed at creating social business enterprises within the estates. Offering increased flexibility in working hours and directly linked to productivity, the new model enables workers to multiply their earnings through an entrepreneurial model. Meanwhile the Sector continues to invest in strengthening engagement between estate workers and the management teams, building camaraderie and driving goal congruence across the business. The Sector invested a total of Rs. 30.41 mn in training and development initiatives during the year, translating to total training hours of over 123,000. It is noteworthy that all three companies with the Sector have obtained the 'Great Place to Work' certification, attesting to the strength of its employee value propositions.

Regenerative agriculture is a key pillar of the Sector's strategy and is aimed at revitalising relationships between ecosystems, soil, human and crops. Key developments during the year included expanding the coverage of manual weeding to generate compost, resulting in the Sector increasing its

organic fertilizer, thereby improving soil health through the use of biochar and organic soil enrichment, biodiversity assessments (refer table below) and preservation of natural ecosystems. The Sector is also actively pursuing crop diversification, with increased investments being deployed towards expanding coconut and coffee production during the year.

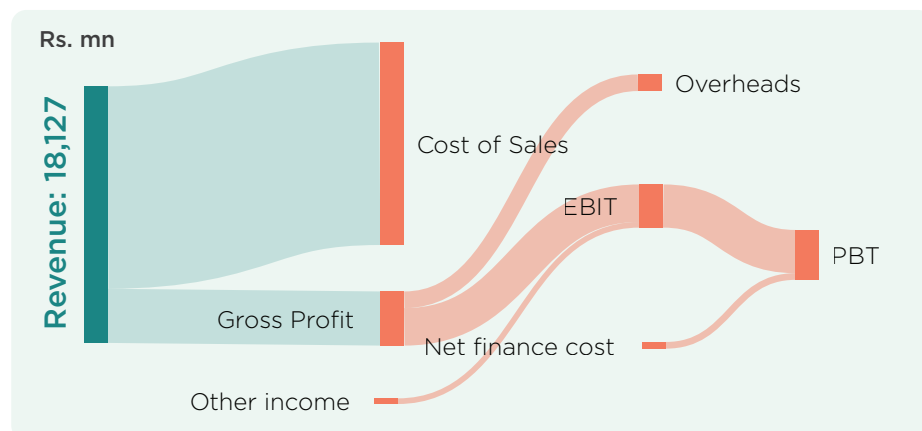
The Sector also continues to drive socio-economic empowerment in one of the country's most vulnerable communities through ongoing investments in its unique and holistic initiative 'Home for Every Plantation Worker' programme. Investment in this programme amounted to Rs. 313 mn during the year with a total beneficiary base of more than 411,000.

As an industry pioneer and leader in plantation sector sustainability, the Sector continued to be recognised both locally and internationally for excellence in social and environmental commitment. In a landmark achievement, TTE was recognised with the prestigious 'Best Corporate Citizen Sustainability Award 2023', sweeping the awards with the highest-ever number of wins by one company and marking the first-time in history in which a plantation company won the flagship award. TTE was also recognised as Sri Lanka's sole representative in the UN Global Company-Accenture SDG Stocktake Report in 2023.

### ESG IN ACTION

As an industry that is deeply interconnected to both the natural environment and surrounding communities, sustainability has always been part of the Sector's DNA supporting its social license to operate and commercial viability. The Sector's commitment to embedding ESG into its' operations and strategy has been recognised through numerous accolades, certifications and recognition. During the year, the Sector focused on strengthening its sustainability governance and risk management practices and key developments during the year are listed below:

- Establishment of Sector ESG Steering Committee with representation from all 3 RPCs
- Strengthen ESG risk assessment and integration with existing risk processes
- Monthly and quarterly monitoring and reporting of performance against ESG targets with the participation of relevant personnel from manufacturing facilities
- Third-party verification of GHG emissions (2023/24)



HOW WE DEFINE VALUE



HOW WE CREATE VALUE

Strategic priorities	Transforming labour dynamics	Regenerative agriculture	Commitment to quality
<p><b>Resource Allocation</b></p>	<p>Ongoing worker awareness and engagement on potential benefits of new remuneration model</p>	<p><b>Rs.780 mn</b> Investments in replanting</p> <p><b>Rs.54 mn</b> Investments in new crops</p> <p><b>300 MT</b> Organic fertilizer applied</p>	<p><b>38</b> Certifications</p> <p><b>14</b> Management systems implemented</p>
<p><b>Strategic KPI/ Pre-financials</b></p>	<p>Workers shifted to Revenue-share model</p> <p><b>10%</b> Increase in payments to workers</p>	<p><b>Rs.87 mn</b> Revenue from crop diversification</p>	<p>Top 3 price takers at CTA</p> <p><b>119</b> Awards won during the year</p>

HOW WE DELIVER AND PRESERVE VALUE

- Total economic value generated during the year declined by 5% reflecting the normalisation of tea prices
- Payments to employees increased by 16% during the year
- Value generated to Governments amounted to Rs. 1.20 bn and 8% of the total value created
- Payments to lenders of capital decreased by 39%
- Value retained in the business for future investment amounted to 14% compared to 22% the previous year

VALUE DISTRIBUTION



# PLANTATIONS

## FINANCIAL PERFORMANCE

Rs.mn	2024	2023	% y-o-y	2022
Revenue	18,128	15,998	13	9,795
Earnings Before Interest and Tax	3,052	4,186	(27)	1,439
Net Finance Income/(Cost)	473	762	(38)	34
Profit Before Tax	3,525	5,318	(34)	1,520
Profit After Tax	2,254	3,767	(40)	1,500
Assets	25,244	23,991	5	13,568
Liabilities	12,354	11,777	5	5,907
Operating Cash Flow	2,415	4,183	(42)	7,662
<b>Performance against targets</b>				
	<b>Target</b>	<b>Actual</b>	<b>Reason for variance</b>	
ROCE	>10%	19%	In line with target	
ROE	KVPL/TTEL<10% Horana <30%	5% 68%	Normalisation of tea prices in comparison to the previous year	
<b>OPERATIONAL HIGHLIGHTS</b>				
	<b>2024</b>	<b>2023</b>	<b>% y-o-y</b>	<b>2022</b>
Production volumes (MT)				
- Tea	11,774	11,444	3	13,464
- Rubber	2,639	3,361	(21)	3,771
Average pricing of tea (Rs/KG)				
- TTE	1,230	1,517	(19)	718
- KVPL	1,167	1,501	(22)	718
- HPL	1,066	1,310	(18)	625
Energy Intensity (GJ/Revenue Rs.mn)	33	15	120	40
Water Intensity (Litres/Revenue Rs.mn)	12,181	5,683	114	9,670
Carbon Intensity (tCO2e/Revenue Rs.mn)	1.44	1.17	23	0.74
No. of Employees	15,360	12,451	23	13,906
Revenue per Employee (Rs.mn)	1.18	1.28	(8)	0.70
Remuneration per Employee (Rs.mn)	0.61	0.62	(1)	0.4

## ESG HIGHLIGHTS



### CLIMATE ACTION

- Increased reliance on biomass, hydro and solar power
- TTE and HPL have committed to the SBTi, with the former being the first plantation company in the world to obtain verification of its targets
- Sector's emission reduction agenda centers on the use of renewable energy and reducing dependence on chemical fertilizer



	2024	2023	Y-o-y	Target
Carbon footprint (tCO2e)	26,122	18,710	40	Based
Reliance on renewable energy (%)	84	75	9	on SBTi

### WOMEN IN LEADERSHIP

TTE launched a historical initiative to empower women to achieve career progression in the plantations sector.



**24 females**

promoted as field supervisors

**28 females**

harvesters recognised as team leaders

### WORLD'S FIRST INTERNATIONAL PLANTATIONS SUSTAINABILITY SUMMIT



#### Towards Sustainable Plantations - Reimagined | Redesigned | Resilient

The Summit marked a collaborative effort between over 700 representatives from local and international academia, plantation operators, policy makers and others on the integration of biosphere, geosphere, social and economic elements in achieving long-term sustainability and equitable value sharing in the Plantations Sector

### ADDRESSING PERIOD POVERTY



In a unique initiative aimed at addressing period poverty and driving economic empowerment, HPL set up women-led facility to manufacture reusable sanitary pads. The initiative has provided employment to 6 females from the community, including those with disabilities who are engaged in packaging.



**PROSPECTS AND PLANS**

The short-to-medium term outlook of the country's tea industry remains somewhat volatile at this juncture, reflecting global headwinds including geopolitical tensions and logistical disruptions as well domestic challenges including labour shortages, declining yields and escalating cost of production. Despite these challenges, the strategic foresight of Hayleys Plantations and interventions made to modernise and transform our estate operations is expected to augur well for the Group, enabling all three RPCs to maintain their standing as the most profitable, sustainable and high-quality producers of tea in Sri Lanka. The short, medium and long-term outlook and plans in place to respond to the emerging risks and opportunities are presented below:

**INDUSTRY RISK AND OPPORTUNITY LANDSCAPE**

**⊖ Labour shortages in the plantation industry**

Labour shortages in the plantation industry, driven by the changing aspirations of the younger demographic continue to pose a key challenge for the industry, resulting in high-turnover, low labour productivity and inadequate plucking.

**Response**

Transforming remuneration models to build an empowered, entrepreneurial workforce.

**⊖ Escalating cost of production**

Sri Lanka's cost of production continues to be higher than competing producers due to low labour productivity and declining yields, which over the medium to long-term is likely to affect the country's competitiveness in the international market

**Response**

Regenerative agricultural models focused on preserving soil quality and improving yields as well as interventions to improve labour productivity

**⊖ Geopolitical tensions**

Escalating geopolitical tensions in Sri Lanka's major tea markets have led to considerable volatility and is likely to impact demand and pricing over the short-term, which would be further compounded by potential logistical disruptions

**Response**

Ongoing monitoring of external developments and increased focus on value-addition

**⊕ Transformation of the global beverage industry**

Consumers are increasingly tilting towards products that contribute to their health and well-being, giving rise to the convergence of sustainability and wellness in beverages

**Response**

Strategic focus on ensuring superior quality of produce through certifications and adopting global best practices

**Sustainability related risks and opportunities (SRRO)**

**Evolving requirements of buyers**

Global customers are increasingly demanding responsible social and environmental practices along the entire value chain, necessitating higher supply chain visibility and traceability

<b>&lt; 1 year</b>	Limited impact in the short-term
<b>1-5 years</b>	European customers are expected to strengthen due diligence along the value chain, given emerging regulations and disclosure requirements
<b>&gt;5 years</b>	Anticipated stringency and global implementation of regulations driving ethical sourcing and traceability across value chains
<b>Response</b>	Assurance to customers through independent third-party verifications and compliance to a range of certifications on quality, sustainability and ethical business

**Increasingly erratic weather patterns**

Escalating implications of climate change have led to significant volatility in rainfall and precipitation levels as well as considerable fluctuations in temperature levels

<b>&lt; 1 year</b>	Volatility in production levels and variations in quality
<b>1-5 years</b>	More pronounced impacts of volatile weather patterns, which will impact leaf quality, yields and prices
<b>&gt;5 years</b>	If climate adaptation measures are not adopted, Sri Lanka's tea industry could suffer significant challenges
<b>Response</b>	Pursuing climate-smart and regenerative agriculture practices

**Declining land productivity**

Limited investments in replanting and infilling have led to long-term decline in productivity of Sri Lanka's tea lands, resulting in relatively lower yields

<b>&lt; 1 year</b>	Limited impact in short-term
<b>1-5 years</b>	Further declines in yields and resultant escalation in cost of production is likely to affect Sri Lanka's international competitiveness in the global market
<b>&gt;5 years</b>	Commercial viability of Sri Lanka's tea industry could be threatened
<b>Response</b>	Strategic focus on the use of organic fertilizer to preserve soil health and regenerative agricultural practices to improve yields



## PLANTATIONS

FUTURE PLANS	
Short-term	Medium-to-long term
<ul style="list-style-type: none"> <li>Drive improvements in yield through increasing plucking rounds and harvesting modules</li> <li>Improving labour productivity through transforming remuneration models</li> <li>Increase efficiency and efficacy of input materials</li> <li>Increased crop diversification</li> <li>Use of technology and mechanisation to drive increased efficiency</li> </ul>	<ul style="list-style-type: none"> <li>Pursue diversification of new crops including cinnamon, coconut and coffee</li> <li>Increase reliance on renewable energy through investments in solar</li> <li>Develop specialty teas catering to evolving customer requirements</li> <li>Increased customer acquisition in rubber</li> </ul>
<b>Short-term goals</b> ROE>10% Gearing<10% (TTEL/KVPL) Gearing<35% Horana	<b>Medium-to-long term goals</b> ROE>20% Gearing<10% (TTEL/KVPL) Gearing<35% Horana

### SASB DISCLOSURES

Agricultural Products Standard- Sustainability Disclosure Topics & Accounting Metrics

TOPIC	ACCOUNTING METRIC	UNIT OF MEASURE	CODE	DISCLOSURE/Pg. reference
<b>Greenhouse Gas Emissions</b>	Gross global Scope 1 emissions	Metric tons (t) CO <sub>2</sub> -e	FB-AG-110a.1	17,433
	Discussion of long-term and short-term strategy or plan to manage Scope 1 emissions, emissions reduction targets, and an analysis of performance against those targets	-	FB-AG-110a.2	TTE has obtained verification of its targets from SBTi while the other RPCs are awaiting approval of targets
	Fleet fuel consumed Percentage renewable (total renewable energy % from the fleet fuel consumed)	GJ %	FB-AG-110a.3	18,983
<b>Energy Management</b>	(1) Operational energy consumed	GJ	FB-AG-130a.1	507,530
	(2) Percentage grid electricity	%	FB-AG-250a.3	29%
	(3) Percentage renewable	%		84
	(1) Number of recalls issued (2) total amount of food product recalled	Number MT		NA
<b>Workforce Health &amp; Safety</b>	(1) Total recordable incident rate (TRIR)	Rate	FB-AG-320a.1	10
	(2) Fatality rate			0
	(3) Near miss frequency rate (NMFR) for (a) direct employees and (b) seasonal and migrant employees			0
<b>Environmental &amp; Social Impacts of Ingredient Supply Chain</b>	Percentage of agricultural products sourced that are certified to a third-party environmental and/or social standard, and percentages by standard	Percentage (%) by cost	FB-AG-430a.1	N/A
<b>Ingredient sourcing</b>	Identification of principal crops and description of risks and opportunities presented by climate change		FB-AG-440a.1	Refer to page 292
	Percentage of agricultural products sourced from regions with High or Extremely High Baseline Water Stress			Sri Lanka is considered at high risk for water security
ACTIVITY METRICS				
Production by principal crop		MT	FB-AG-000.A	
Tea				11,774
Rubber				2,639
Number of processing facilities		Number	FB-AG-000.B	50
Total land area under active production		Hectares	FB-AG-000.C	16,738