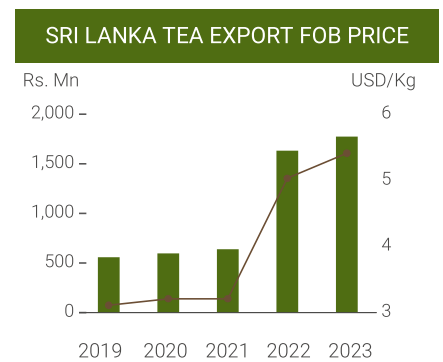
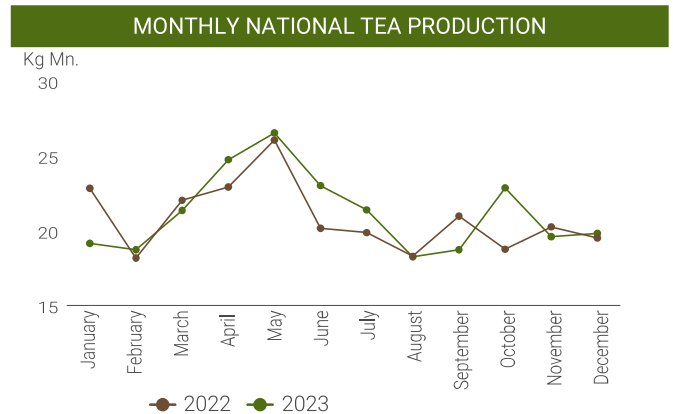
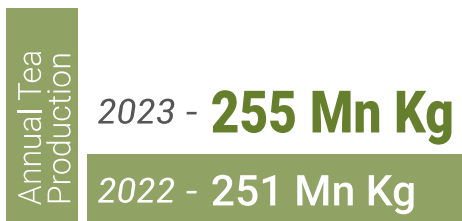
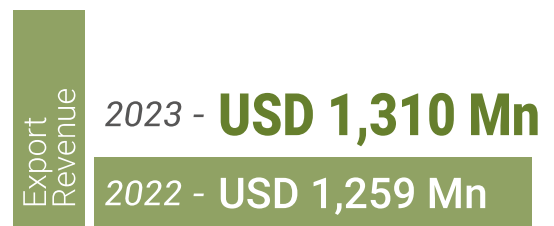
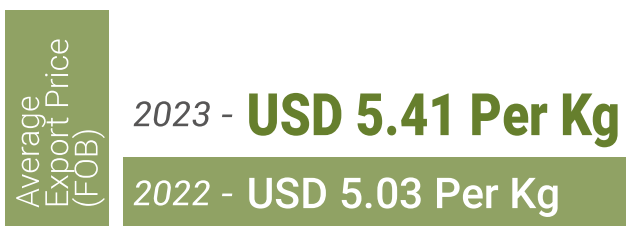


OPERATING ENVIRONMENT

TEA INDUSTRY

Earnings from Tea exports increased in 2023, reflecting higher export prices as well as increase in export volumes. The total volume of Tea produced in the country in 2023 increased to 256 Mn Kgs from 251 Mn Kgs in 2022. Export value of Tea on the other hand came to US\$ 1,310 Mn compared to US\$ 1,259 Mn in 2022. The main export bloc for Ceylon Tea remained with the Middle East, but exports declined from 114 Mn kgs in 2022 to 111 Mn Kgs. CIS countries were the next major export bloc, where exports again declined from 41 Mn Kgs, to 36 Mn Kgs in 2023.



Source: Sri Lanka Tea Board
 Source: Central Bank of Sri Lanka

RUBBER INDUSTRY

Sri Lanka's natural Rubber production declined year-on-year, from 70.9 million kgs in 2022, to 64.4 million kgs due to the erratic weather patterns and the highest ever rainfall on record in the Rubber growing regions aggravated the pestalotiopsis disease. Rubber exports also declined in 2023, with total exports valued at US\$ 28 million, compared to US\$ 41 million in 2022, with exports to the EU declining to US\$ 5.5 million in 2023 from 8.5 million in 2022.

Annual Rubber Production

2023 - **64 Kg Mn**

2022 - **71 Kg Mn**

SRI LANKA MONTHLY RUBBER EXPORT REVENUE

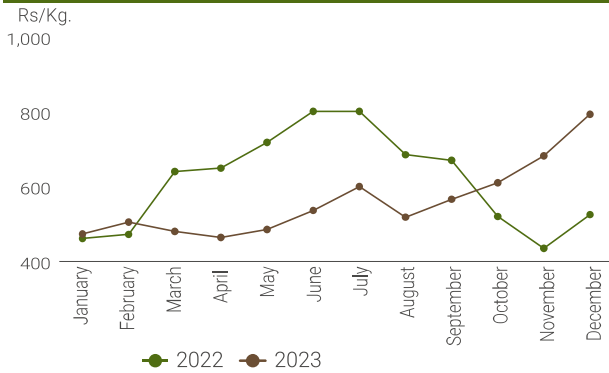


Export Revenue

2023 - **USD 28 Mn**

2022 - **USD 41.4 Mn**

NATIONAL RUBBER PRICE MOVEMENT : RSS1



Average Export Price (FOB)

2023 - **USD 2.21 Per Kg**

2022 - **USD 2.73 Per Kg**

RUBBER EXPORT FOB PRICE MOVEMENT



NATIONAL RUBBER PRODUCTION



Source: Central Bank of Sri Lanka

OPERATING ENVIRONMENT

OIL PALM (COMPANY)

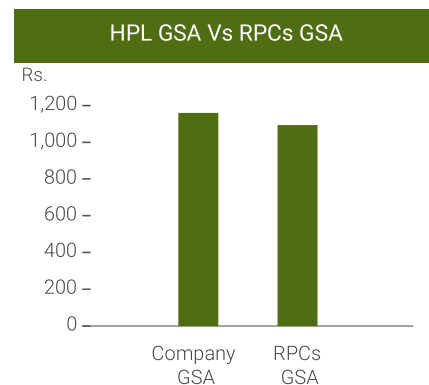
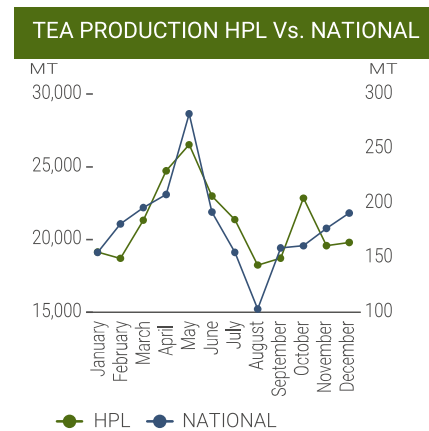
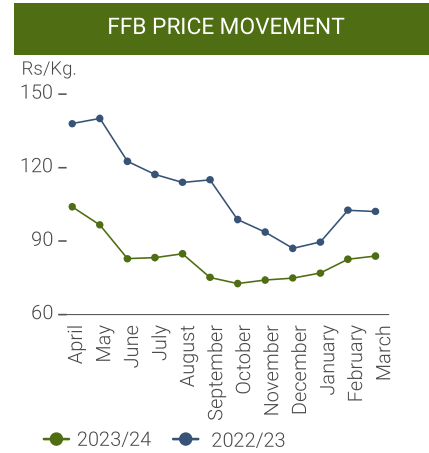
The production of Oil Palm saw an 18% rise compared to the previous year. However, the lifting of import restrictions on edible oils led to reduced demand for locally produced Palm Oil. Consequently, the price of HPLs FFB dropped by 23%.

HPL VS INDUSTRY PERFORMANCE 2023

We have continued to command higher prices for almost all our agricultural produce against the national average.

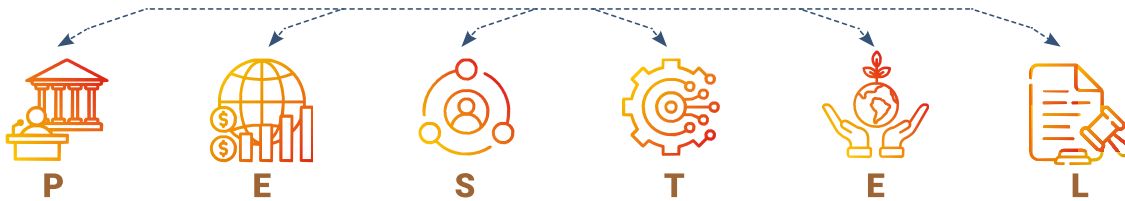
OUTLOOK

The Central Bank expects the rate of inflation to remain below the target of 5% in 2024, which will contain the cost of living. Sri Lanka is also likely to benefit from tourism and continued workers' remittances alleviating pressure on foreign exchange availability. The Government is committed to continue fiscal consolidation in line with the IMF-EFF supported program, which will attract further foreign financing assistance from multilateral agencies such as the IMF, Asian Development Bank (ADB), and the World Bank, along with the envisaged resumption of bilateral funding. Market interest rates, particularly lending interest rates, are expected to normalise further, supporting recovery and growth of businesses. Therefore, Sri Lanka's economic outlook for 2024 is positive with anticipated continued economic recovery in 2024.



PESTEL ANALYSIS

The company conducted a comprehensive analysis to evaluate key external macro-environmental factors impacting the industry and our organization. By identifying potential threats and opportunities, we adapted our strategies and decision-making processes to gain competitive advantages. Utilizing the PESTEL analysis framework, a clear understanding of the critical factors is depicted.



POLITICAL

Government Policies

- Changes in Tax Policies
- Establish an investment Friendly environment in the Renewable Energy Sector

Political Stability

The Sri Lankan economy is stabilising despite major challenges that remain. Foreign exchange liquidity pressures eased, with usable foreign rising. The first review by the IMF Board rated 'Sri Lanka's performance as satisfactory.

Trade Restrictions

The government decided to relax certain import restrictions to mitigate the adverse impacts on the economy.

FACTORS AFFECTED

THREATS

- Elimination of the VAT exemption for Tea and Rubber had indirect negative impact on market demand.
- Disruptions to supply chains.
- Labor costs increased reflecting the higher cost of living.

OPPORTUNITIES

- New opportunities to invest in renewable energy sector with confidence.
- Opportunity to invest in tourism activities.
- Reduced fertilizer, chemical & packing material cost with removing import restriction.
- Increased availability of machinery and essential equipment of the operation.

STRATEGIC RESPONSE & DECISION MAKING

- Increased investment in renewable energy.
- Uninterrupted replanting despite economic difficulties, enabled sustained high quality and higher yields.
- Diversification of operations & Products.
- Registered under SVAT and increased SVAT purchases and Sales to minimized the impact of VAT change.
- Investment in Holiday Bungalow & Establishment of Tea Experience Centre to attract tourism.

OPERATING ENVIRONMENT

ECONOMIC

FACTORS AFFECTED

Decline of Interest Rates
Rupee Appreciation
High Freight Rates
Relief Imports Restrictions
Decline of Inflation
Tax Changes
Conflicts in Ukraine and the Gaza Region

THREATS

- The Russian-Ukraine war, alongside the conflicts in the Gaza region and Red Sea shipping route, has disrupted commodity markets and international trade, leading to a rise in freight rates.
- The appreciation of the Sri Lankan rupee made Ceylon Tea less competitive against other lower cost Tea producers.
- New VAT policy for Tea and Rubber has negatively impacted buyers' Purchasing Power.

OPPORTUNITIES

- The decline in interest rates has led to a reduction in the cost of financing.
- Strengthening of the rupee & Relief imports restriction has resulted in lower costs for Input Materials and Machinery Spare Parts.

STRATEGIC RESPONSE & DECISION MAKING

- Developed the market
- Engage in negotiations with banks to reduce interest premiums applied to current loans.
- Expansion of investment in diversified crops.
- Continued development in Value Added portfolio to facilitate growth in direct exports segment.

SOCIAL

Demographic Changes

- Old Aging Workforce
- Declining Population in Plantations
 - Gender Dynamics
 - Migration of workers
- Economic Diversification of workers
 - Worker Shortages

Consumer Behavior Changes

- Health Consciousness
- Sustainability and Ethical Consumption
 - Flavor and Variety
- Cultural and Social Influences

FACTORS AFFECTED

THREATS

- Estates continued to experience high levels of worker outmigration.
- Trained and experienced employees continued to leave for employment overseas.
- High number of old age workers in the carder, with fewer younger aged individuals entering into the plantation sector.
- There is an improvement in the education and skill levels of the plantation population. This is leading to a shift in aspirations away from traditional plantation work.

OPPORTUNITIES

- Consumers are increasingly looking for Tea products that offer health benefits, such as antioxidant properties, weight loss, and stress relief.
- There is a growing preference for organic and naturally sourced Teas, free from pesticides and synthetic additives.
- Consumers are more concerned about Environmental Sustainability and prefer Tea products that use eco-friendly packaging and sustainable farming practices.
- There is a higher demand for Teas that are certified as Fair Trade, ensuring that workers are paid fairly.
- Consumers are increasingly interested in trying new and Exotic Tea flavors.

STRATEGIC RESPONSE & DECISION MAKING

- Providing education and training programs to enhance the skills of the current workforce and attract new talent.
- Conducted capacity-building programs.
- Increasing mechanization to counteract labour shortages and improve productivity.
- Introduced machine harvesting methods.
- Increased Value-Added Tea Production with new flavors.
- Expand the Fair-Trade Certifications.
- Encourage Carbon Neutral Tea production

OPERATING ENVIRONMENT

TECHNOLOGICAL

FACTORS AFFECTED

- Global Technological Advancements
 - Robotic Harvesters
 - Renewable Energy
 - Online Marketplaces
- Protecting Data and Systems
- Cybersecurity and Data Protection

THREATS

- Disruption from Technological Failures.
- Lack of Skilled Workforce.
- Increased training cost.
- Technology Mismanagement.
- Cybersecurity Risks.
- Dependency on Technology Providers.
- Internet connection frailer.

OPPORTUNITIES

- Enhanced Productivity and Efficiency with Adoption of Mechanical Harvesting and Automated Processing Equipment.
- New market Access and Expansion.
- Cost Reduction and Operational Efficiency with Automated Processing and Remote Sensing and Monitoring.

STRATEGIC RESPONSE & DECISION MAKING

- Investing in Solar to reduce operational costs and Carbon Footprints.
- Update the Company official website to attract varies Stakeholders.
- Incorporating Modern Technology solutions into the traditional cultivation and manufacturing system.
- Implemented Automated Temperature control system and automated weighing systems.
- Internet of Things (IoT) for Rubber Estates.
- Introduced Cloud technology for Tea Factories.

ENVIRONMENTAL

<p>Physical Risk</p> <ul style="list-style-type: none"> - Climate Variability and Extreme Weather - Soil Degradation - Loss of Biodiversity - Loss of Water Resources - Diseases 	<p>Energy Consumption</p> <ul style="list-style-type: none"> - Cost of reducing emissions - Sustainability of Low Carbon Technologies 	<p>Compliance</p> <ul style="list-style-type: none"> - Increased Environmental Laws and Regulations - Increased Health and Safety Regulations. - Labor Laws and Social Standards 	<p>FACTORS AFFECTED</p>
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<p>THREATS</p> <ul style="list-style-type: none"> • Rubber production declined significantly due to excessive rains in 2023-24. • Tea outputs and bushes were negatively impacted by weather variations.

<p>OPPORTUNITIES</p> <ul style="list-style-type: none"> • Expand Renewable Energy portfolio. • Lead to produce Carbon Neutral Tea to the market. • Improve Air Quality and ultimately mitigate Climate Change. • Reduced health issues among estate community. • Enhanced reputation.

<p>STRATEGIC RESPONSE & DECISION MAKING</p>	<ul style="list-style-type: none"> • Declaring regenerated forest as a conservation area saving Biodiversity. • Two estates offset their organization level GHG emissions and produces Carbon Neutral Tea. • We launched the Reforestation project "REGROW." • We are committed to achieving internal environmental management targets towards becoming Carbon Neutral by 2030. • Investment in Renewable Energy. • We commenced Bio Char and Compost project to minimise the Soil Degradation.
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LEGAL

<ul style="list-style-type: none"> -Land encroachment remains a critical legal and operational challenge. -Legal matters regarding wage escalation of estate workers. 	<p>FACTORS AFFECTED</p>
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<p>THREATS</p> <ul style="list-style-type: none"> • Increased cost of legal charges • Reputation Risk
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<p>OPPORTUNITIES</p> <ul style="list-style-type: none"> • Opportunity to shift productivity-based wage model.

<p>STRATEGIC RESPONSE & DECISION MAKING</p>	<ul style="list-style-type: none"> • Review the scenario for new opportunity. • Discussed the mechanization of agricultural tasks.
--	--

FINANCIAL CAPITAL

HPL's financial health continued to improve in the financial year 2023/24 as a result of sustained profitability, which strengthened the Company's financial position.

It is also noteworthy that although profitability declined compared to the previous financial year, HPL has maintained its capital investments and good agricultural practices, as well as investments in Research and Development. These efforts will directly contribute to sustaining growth in the future.

Profit from Operations

Rs. **461** Mn

Net Assets

Rs. **880** Mn

Dividend Paid

Rs. **66** Mn



International commitments United Nations' Sustainable Development Goals

FINANCIAL GOVERNANCE

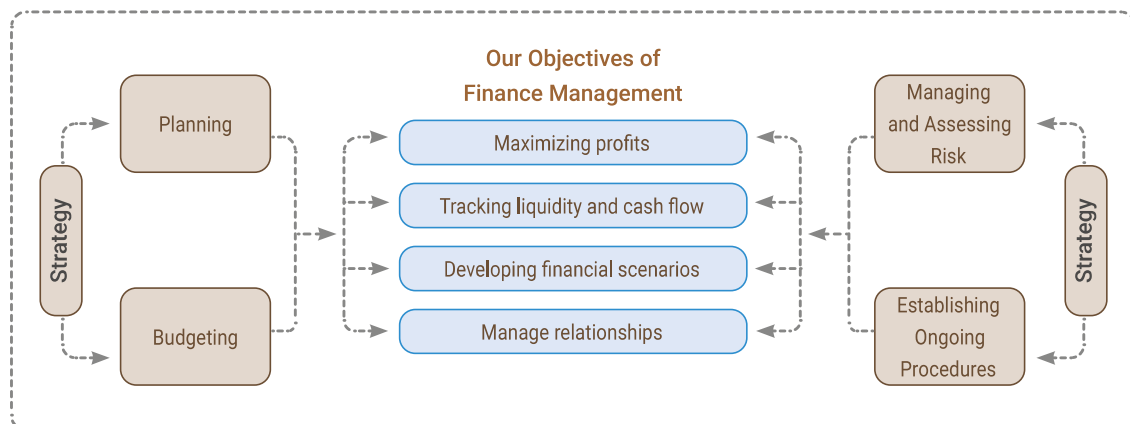
The Financial Statements of the Company are prepared and presented in compliance with all applicable laws, regulations and guidelines. The material accounting policies used in the preparation of the Financial Statements are deemed appropriate and have been consistently applied by the Company. Significant accounting estimates that involved a high degree of judgment and complexity were reviewed by the Audit Committee and External Auditors.

EFFECTIVE MANAGEMENT OF FINANCIAL CAPITAL

Proper Financial Capital Management is crucial for the survival, growth, and achievement of financial goals in a business. It entails meticulous planning, organizing, controlling, and monitoring of financial resources to meet our business targets.



HPL's Strategy and Objectives of Finance Management,



FINANCIAL CAPITAL

DEVELOPED A CLEAR BUSINESS PLAN

The business plan outlines HPL's current status and its goals for the next five years. It is comprehensive, covering every facet of the business, such as operations, marketing, finance, human resources, and varied operational procedures. Additionally, it provides strategic guidance to the HPL finance team on actions and targets necessary to achieve the set financial objectives.

EFFECTIVELY MONITORING THE FINANCIAL POSITION

We regularly monitor our business progress by tracking bank balances, sales volumes, and inventory levels. The Finance, Marketing, and Purchasing Departments collaborate closely to assess funding needs and establish priorities.

CAPITAL STRUCTURE AND WORKING CAPITAL MANAGEMENT

We uphold positive and trusting relationships with Tea brokers and buyers. To monitor the collection of sales proceeds, we have an effective debtor management system in place. Our inventory controls are efficient, ensuring the right amount of inventory is available in the appropriate estate at the right time across all estates. This approach prevents unnecessary capital tie-up and ensures the smooth operation of our supply chain.

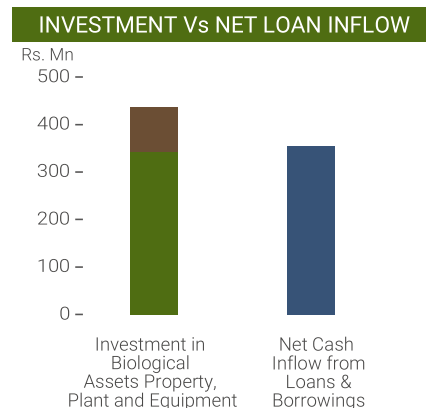
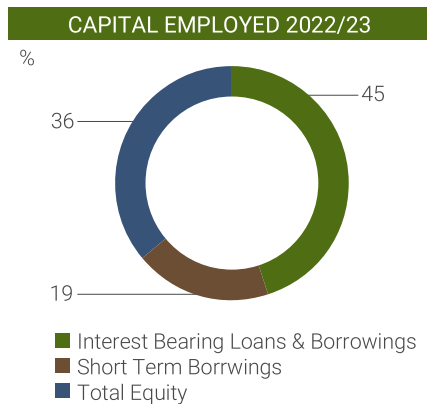
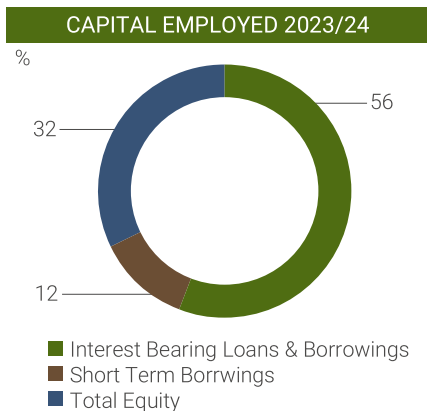
GET THE RIGHT FUNDING

We managed the overdraft facility and loan portfolio effectively, to minimise the interest cost by utilising low interest sources and negotiations with fixed interest funding in a way that benefits the Company.

STRENGTHENING OUR CAPITAL BASE

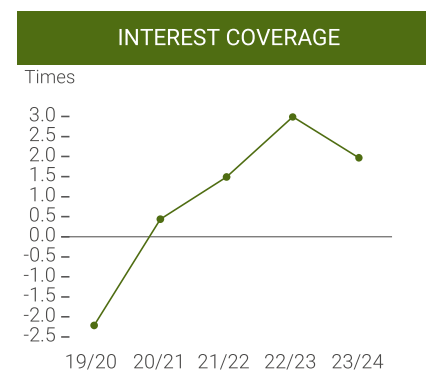
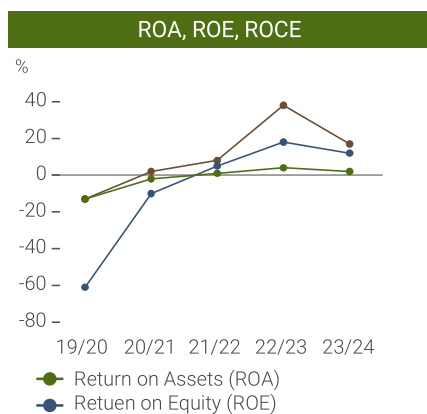
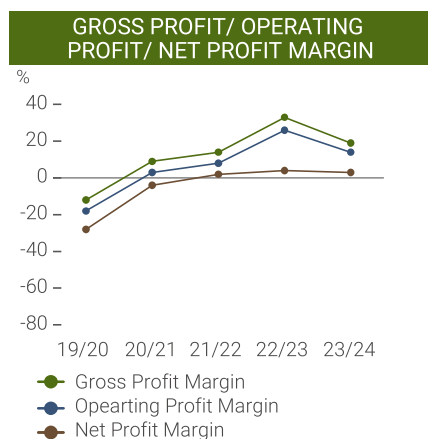
Managing the risks associated with our debts remained a priority throughout the year as we focused on rebalancing our debt portfolio through negotiations for more favourable interest rates. Despite increases in both interest-bearing and short-term borrowings as at March 31, 2024, we have strategically enhanced our asset base by investing in replanting, leveraging lower debt interest rates. We anticipate robust future viability and sustained profitability growth.

Capital Structure	2023/24 Rs.Mn	Capital Employed %	2022/23 Rs.Mn	Capital Employed %
Interest bearing Loans & Borrowings	1,546	56	1,191	45
Short Term Borrowings	324	12	497	19
Total Equity	880	32	930	36
	2,750	100	2,618	100



KEY FINANCIAL INDICATORS

Throughout the year, we maintained stringent controls over costs and cash flows to minimize the impacts of macroeconomic volatility on the bottom line, including rising costs and revenue fluctuations due to commodity market dynamics. All capital investments were carefully selected to enhance efficiencies and cost savings, ensuring positive returns into the future. This prudent financial strategy has strengthened the Company's financial health.



EMPLOYEE PRODUCTIVITY

As a highly labor intensive industry, employee productivity is a key driver of profitability and competitiveness. During the year our employee productivity indicators have continued.

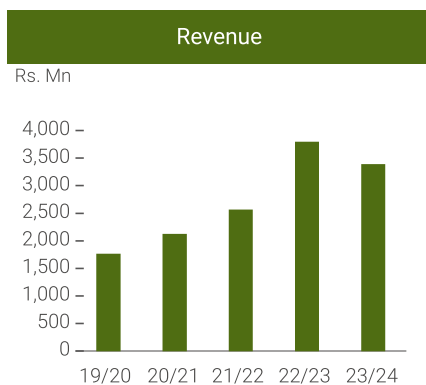
Capital Structure	2023/24	2022/23	2021/22	2020/21
Number of Employees	3,455	3,434	4,186	4,895
Remuneration/Employee (Rs.)	0.38Mn	0.36Mn	0.28Mn	0.24Mn
Revenue/Employee (Rs.)	0.98Mn	1.10Mn	0.61Mn	0.43 Mn
Net Profit/Employee (Rs.)	0.03Mn	0.05Mn	0.01Mn	(0.01Mn)

FINANCIAL CAPITAL

PROFIT OR LOSS

Revenue

HPL's total revenue reached Rs 3,386 Mn from Rs 3,794 Mn in the previous financial year. The rate of revenue growth, which was 48% in the previous year, declined to 11% in the current year due to lower revenues across most sectors during the financial year 2023/24.



Segmental Revenue

Tea remained the largest contributor to total revenue, accounting for 76% of revenue. Although Tea outputs increased by 7% year on year, total revenues from Tea declined by 12% compared to the previous year due to lower NSA. The National Average price for Western High Grown Tea declined from Rs. 1,151 per kg to Rs. 1,142 per kg, while the National average price for Low Grown Tea declined from Rs. 1,379 per kg to Rs. 1,278 per kg. However, HPL commanded above-average prices in high grown at Rs. 1,154 per kg.

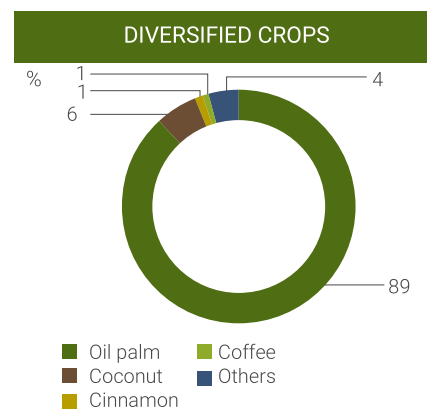
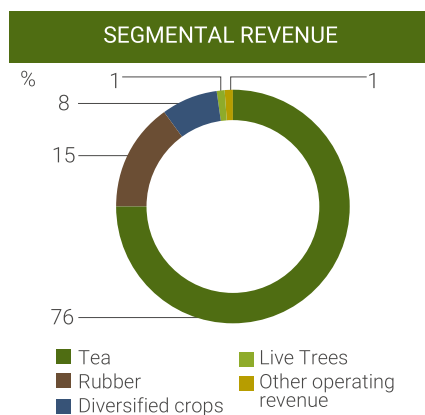
Revenue from natural rubber declined by 25% year on year as extreme weather and black spot disease caused yields to decline drastically.

HPL's diversified crops portfolio currently comprises Coconut, Cinnamon, Coffee and Ancillary Crops, which achieved a

combined revenue of Rs. 29 Mn. The majority of the diversified crops are yet in immature state.

Revenue which is derived from sale of Oil Palm decreased by 10% in the current financial year due to lower FFB prices.

Capital Structure	2023/24	2022/23	Change
	Rs. Mn	Rs. Mn	
Tea Sector	2,557	2,912	-12
Rubber Sector	513	558	-8
Diversified crops	261	279	-7
Live Trees	28	20	38
Other Operating Revenue	27	25	9
	3,386	3,794	-11



Value Added Products

Value addition is a key aspect of our growth strategy and we have continued to expand. The total revenue from value-added products increased by 59% against the previous year and represented 0.16% of total revenue.

Gross Profit

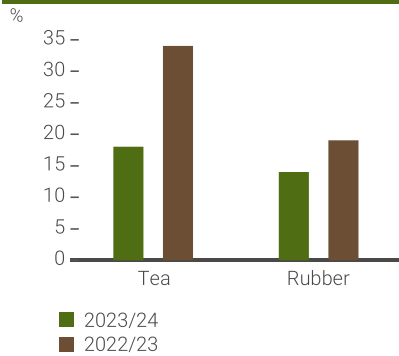
The growth rate of the gross profit declined against the previous year's record growth rate of 233%. The gross profit decreased from Rs. 1,235 Mn to Rs 653 Mn which is a year-on-year decline of 47%.

The contribution to gross profit from Tea was Rs. 461 Mn, while Rubber contributed

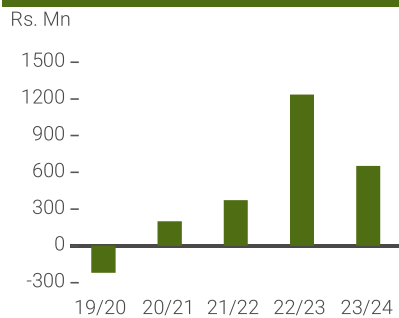
Rs. 74 Mn, and Oil Palm accounted for Rs. 115 Mn. The sustained growth in gross profit was mainly due to higher outputs of Tea and ongoing cost management initiatives to control variable costs that included:

- Use of renewable energy to containing the energy costs that continued to increase.
- Use of firewood sources from estates.
- Improved vehicle running efficiency using a GPS tracker system.
- Fuel efficiency system for vehicles used by Supervisors.
- Reduced labor costs due to the mechanized harvesting.

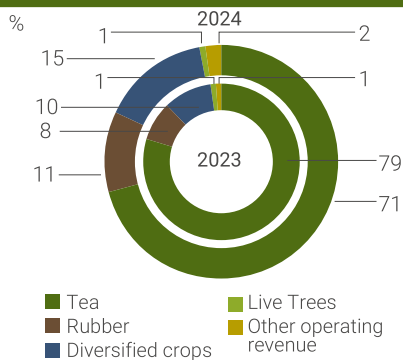
GROSS PROFIT MARGIN COMPARISON



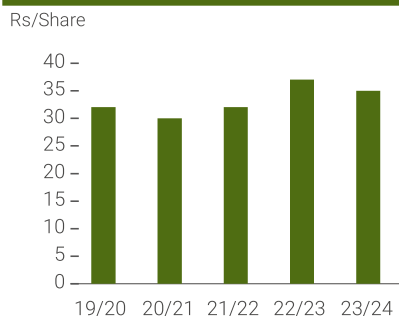
5 YEARS GROSS PROFIT VALUE ANALYSIS



GROSS PROFIT COMPOSITION



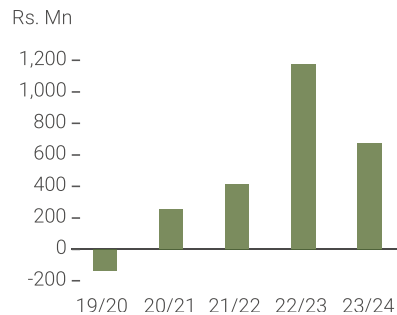
NET ASSETS PER SHARE



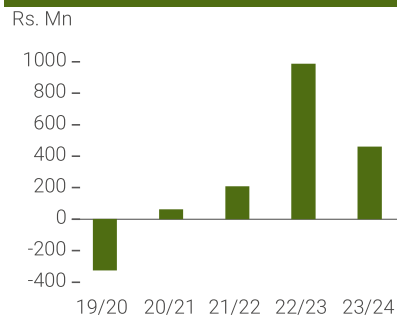
Profit from Operations

The Operating Profit margin decreased to 14% from the previous year's margin of 26%. The Operating Profit decreased by 53% to Rs. 461 Mn from Rs. 987 Mn compared to the 373 % increase in the previous year.

EBITDA



PROFIT FROM OPERATIONS



Profit for the year

Reflecting overall lower Revenues and increasing costs, profit growth moderated in the current financial year compared to the large increase in the previous year. The Profit Before Tax decreased by 66%, to Rs. 226 Mn, compared to the 862% increase in the last year. The lower interest rates on average for the current financial year, supported positively for this growth. The Net Finance Expenses for the year was Rs. 235 Mn compared to Rs. 329 Mn, in the previous year.

The company recorded a Net Profit of Rs. 105 Mn for the financial year 2023/24, compared to the Rs. 170 Mn of 2022/23.

Taxes

HPL's total tax expenses decreased by 75% to Rs. 122 Mn in the current financial year mainly due to the decrease in deferred tax charge.

FINANCIAL POSITION

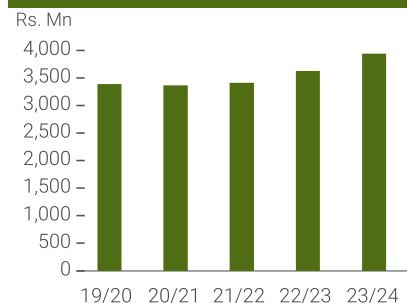
Assets and Liabilities

The Company's total asset base grew by 8% reaching Rs. 4,700 Mn in value. This growth was driven by increasing investment in replanting Tea, Rubber, Coconuts and Diversified crops.

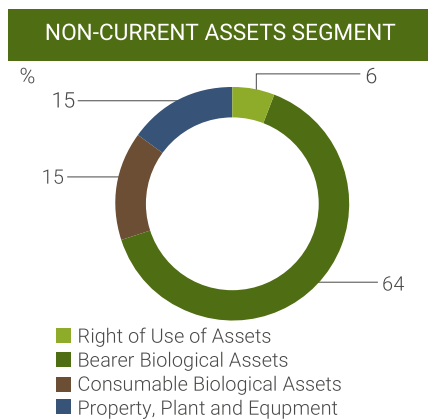
The current assets increased by 4 % to Rs.761 Mn which was mainly made up of Inventories and Cash and Cash Equivalents.

The total equity decreased by 5 % to Rs. 880 Mn from Rs. 930 Mn, while total liabilities increased by 12% to Rs. 3,820 Mn from Rs. 3,425 Mn, which is mainly made up of Interest bearing loans & borrowings, lease liability and retirement benefit obligations.

NON-CURRENT ASSETS



FINANCIAL CAPITAL



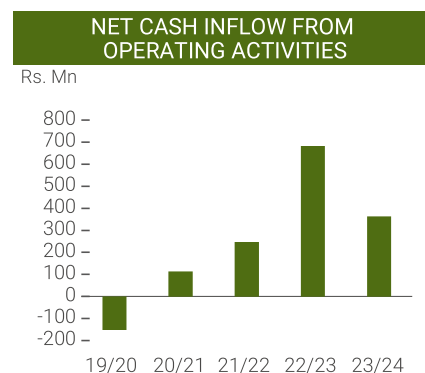
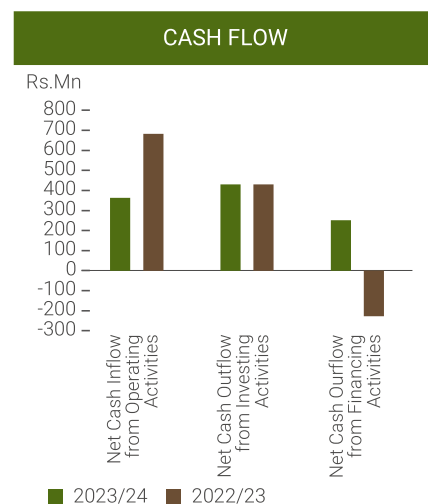
Loans and Borrowings

The Company's borrowings consist of interest bearing loans and borrowings, and short term borrowings including bank overdrafts. As at the end of the financial year 2023/24, the total loans and borrowings increased by 11% against the previous year, due to a new loan facility received for the replanting program.

Cash Flows

HPL's net cash inflow from operating activities decreased to Rs. 363 Mn, while the net cash outflow from investing activities was Rs. 430 Mn and the net cash inflow from financing activities was Rs. 250 Mn respectively. Cash and cash equivalents increased by 26% to Rs. 47 Mn and the utilization of bank overdraft facilities decreased by 35% to Rs. 324 Mn as at reporting date.

Cash Inflows	2023/24 Rs. Mn	2022/23 Rs. Mn	Change Rs. Mn	Change
Net Cash Inflow from Operating Activities	363	682	(318.65)	(47%)
Net Cash Outflow from Investing Activities	430.24	430.11	(0.13)	(0.03%)
Net Cash Inflow/(Outflow) from Financing Activities	251	(227)	477.71	210%



OUR ECONOMIC CONTRIBUTIONS

3-3 Management of Material Topics

GRI 201: Economic Performance 2016



13.2 Climate adaptation and resilience

13.22 Economic inclusion

<p>13.22.1 Describe actions taken to support the economic inclusion of farmers and fishers, and their communities (e.g., direct support through investments, partnerships, or training) and the effectiveness of these actions (e.g., increased yields or productivity, number of farmers or fishers reached, percentage of products sourced from small producers).</p>	<ul style="list-style-type: none"> • The company provides land to external farmers for cultivating seasonal crops like pineapple. This initiative aims to support the farmers and, since HPL is GAP certified for pineapple cultivation, the external farmers also benefit from this certification. • The company provide vegetable seeds free of charge to the Estate farmers. • The company collaborates with NGOs that offer livestock subsidies, extending these benefits to small livestock farmers on the estate. • The company purchases green leaf from smallholders and its prices are based on the average GSA of the estates for the purchased leaf suppliers. HPL GSA is the third highest price in the RPC ranking, which consequently benefits the external green leaf suppliers.
<p>a. Impacts</p>	<p>We have contributed towards economic recovery and growth through our uninterrupted business activities that have contributed to commodity markets, export revenues, the incomes of our suppliers and the economic welfare of our employees, particularly women.</p>
<p>b. Negative impacts</p>	<p>We invest in sustainable agricultural practices to control potential negative environmental impacts. Please refer the Natural Capital chapter for details. However, we did experience negative impacts due to extreme weather & disease.</p>
<p>c. Policies /commitments</p>	<ul style="list-style-type: none"> • Please refer Strategies and Policies chapter.
<p>d. Actions to manage impacts including remediation:</p>	<p>Actions to prevent or mitigate potential negative impacts include:</p> <ul style="list-style-type: none"> • Sustainable agricultural practices • Equal employment opportunities • Grievance management systems • Reporting and monitoring mechanisms <p>We have established supplier chain and supplier management systems, and a customer complaints management system for remediation of any negative impacts. Environmental regulatory parameters are monitored regularly to prevent negative environmental impacts. In addition:</p> <ul style="list-style-type: none"> • We conduct regular reviews of operations • Regular supplier reviews • Regular environmental audits • Compliance with environmental and social accreditations

FINANCIAL CAPITAL

<p>e. Processes to track the effectiveness of the actions;</p>	<p>We conduct regular internal audits as well as annual independent external audits by accreditation bodies to measure social and environmental impacts and external financial audits to measure economic impacts of our operations.</p> <p>Our goals are:</p> <ol style="list-style-type: none"> 1. Be No. 01 in the national Gross Sales Average (GSA) ranking for tea Indicator – we review the monthly GSA ranking of the company 2. Attract foreign buyers to enter the export market and increase our foreign currency earnings. Indicator – Number of new markets reached <p>The effectiveness of our actions can be seen in that</p> <ul style="list-style-type: none"> • HPL is among the top 03 in the national GSA the ranking indicating the quality of our tea. • HPL rubber has maintained its high quality standards
<p>iv. Incorporating lessons learned</p>	<p>By evaluating buyers' expectations, we identify new quality aspects expected by buyers and incorporate these buyer requirements into the Company's best practices.</p>
<p>f. How engagement with stakeholders has informed the actions taken</p>	<ul style="list-style-type: none"> • Employees are included into our economic decision making through the collective agreement which sets estate staff salaries and other employee benefits. • Regular communications are maintained with suppliers and customers/buyers to meet their requirements

13.22 Economic inclusion

GRI 201-1 Direct Economic Value Generated and Distributed

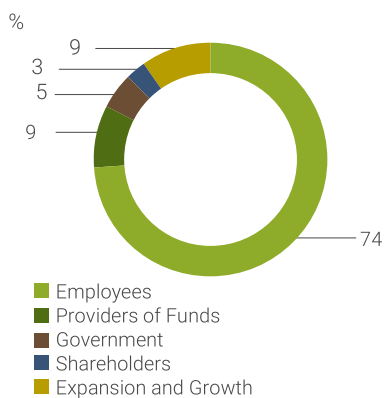
The main beneficiaries of the economic value created through our business activities during the 12 months under review were employees, who benefited in the form of Salaries and Other Benefits, accounting for 74% of total value creation, compared to 59% in the previous financial year. Our contribution to government was 5% and 8% was paid to providers of funds. Our contribution to shareholders was 3%. We invested 10% towards Company expansion and growth.

Direct economic value generated and distributed (EVG&D) on an accrual basis.

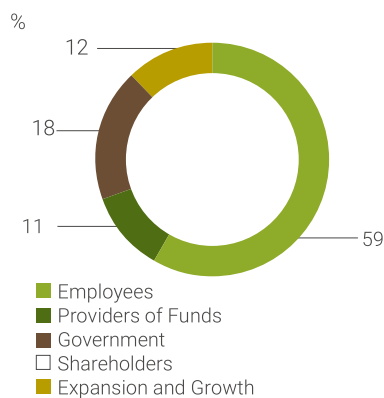
Value Added Statement

For the year ended 31st March	2023/24		2023/2022	
	Rs'000	%	Rs'000	%
Revenue	3,385,735		3,794,035	
Other Income	42,223		3,405	
	3,427,958		3,797,440	
Cost of Materials and Services obtained	(1,072,432)		(1,097,437)	
Value Addition	2,355,525		2,700,003	
Distribution of Value Addition:-				
To Employees				
Salaries and Other Benefits	1,745,028	74	1,576,049	59
To Providers of Funds				
Interest Cost	201,975	8	305,792	11
To Government				
Income Tax	84,344		471,503	
Lease Interest	32,645		23,626	
	116,989	5	495,129	18
To Shareholders				
Dividends to Shareholders	66,250	3	-	-
To Expansion and Growth				
Profit Earned	16,693		133,830	
Depreciation	208,590		189,203	
	225,283	10	323,033	12
	2,355,525	100	2,700,003	100

Distribution of Value Addition
2023/2024



Distribution of Value Addition
2022/2023



FINANCIAL CAPITAL

13.2 Climate adaptation and resilience

GRI 201-2 Financial implications and other Risks and Opportunities due to Climate Change

a. Risks and opportunities from climate change	HPL identifies climate change as a strategic risk which directly impacts the Company's operations and financial sustainability.
i. Impact of the risk	<p>Unpredictable weather conditions directly impact activities such as harvesting, planting and transportation. As a result, quality of the products and production volumes may fluctuate according to climatic changes.</p> <p>During the current financial year, our natural rubber yields were significantly reduced due to excessive rains. The current financial year experienced around 6843mm of rain compared to the previous 6 year average range of around 5130 mm. This extreme wet weather (298 Wet Days) caused the lowest tapping days in this year.</p> <p>Our tea cultivations also experienced excess rains and dry weather during the year, which made timely tea production and tea plucking difficult.</p>
ii. Financial implications of the risk or opportunity before action is taken;	<p>If we do not take any action, there will be a significant drop in production volume and product quality. As a result of that, we will be unable to achieve our targeted revenue (Low NSA due to poor quality).</p> <p>Cost of production will also increase as there are no economies of scale. Therefore, gross profit margins will decrease, and it will finally reduce profitability of the Company.</p>
b. Methods used to manage the risk	<p>We have adopted multiple strategies to manage climate change risks. These are:</p> <ul style="list-style-type: none"> • Crop diversification to reduce the dependency on Tea and Rubber. • The Company adopts prudent agricultural practices such as TRI recommended clones. • Rain guards for Rubber trees in order to minimise the loss of crops due to adverse weather conditions. • Increase the number of Rain water harvesting ponds in anticipation of dry spells. • Improving soil conditions by applying relevant fertilizer on time and promoting organic fertilizer. • The Company strives to produce high quality Tea and Rubber products whilst maintaining internationally accepted certifications to retain competitive positioning in the market.
c. Costs of actions taken to manage the risk	<ul style="list-style-type: none"> • Investment in Diversified crops – Rs. 243 Mn • Cost incurred on fixing Rain Guards- Rs. 25 Mn

GRI 201-3 Defined Benefit Plan Obligations and Other Retirement Plans

<p>a. If the plan's liabilities are met by the organization's general resources, the estimated value of those liabilities.</p>	<ul style="list-style-type: none"> Retirement Benefit Obligation as at end March 2024, was Rs. 562 Mn against Rs. 459 Mn for the previous year. (based on actuarial valuation). The Company contributes 12% on consolidated salary of the employees to Ceylon Planters' Provident Society (CPPS)/Estate Staff's 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. 									
<p>b. Is there a separate fund to pay the plan's pension liabilities</p>	<p>Not Applicable</p>									
<p>c. If a fund set up to pay the plan's pension liabilities is not fully covered, explain the strategy, to work towards full coverage</p>	<p>Not Applicable</p>									
<p>d. Percentage of salary contributed by employee or employer</p>	<ul style="list-style-type: none"> Gratuity payment amount fully contributes by the employer Defined Contribution Plan, <table border="1" data-bbox="503 1081 1161 1249"> <thead> <tr> <th>Capital Structure</th> <th>Employee Contribution</th> <th>Employer Contribution</th> </tr> </thead> <tbody> <tr> <td>CPPS/ESPS/EPF</td> <td>10% & 8%</td> <td>12%</td> </tr> <tr> <td>ETF</td> <td>-</td> <td>3%</td> </tr> </tbody> </table>	Capital Structure	Employee Contribution	Employer Contribution	CPPS/ESPS/EPF	10% & 8%	12%	ETF	-	3%
Capital Structure	Employee Contribution	Employer Contribution								
CPPS/ESPS/EPF	10% & 8%	12%								
ETF	-	3%								
<p>e. Level of participation in retirement plans, such as participation in mandatory or voluntary schemes, regional, or country-based schemes, or those with financial impact</p>	<p>Both Defined Benefit Plan and Defined Contribution Plan are mandatory participations,</p> <ul style="list-style-type: none"> Defined Benefit Plan - Payment of Gratuity Act No 12 of 1983 Defined Contribution Plan – EPF Act and ETF Act 									

GRI 201-4 Financial Assistance Received from Government

<p>a. Total monetary value of financial assistance received by the organization from any government during the reporting period</p>	
<p>i. Tax Relief and Tax Credits</p>	<p>During the year – Nil</p> <p>(However, Agro Farming is exempt from Income Tax from 01.04.2019 to 31.03.2024)</p>
<p>ii. Subsidies</p>	<p>Tea Replanting Subsidies – Rs. 0.5 Mn</p>

FINANCIAL CAPITAL

iii. Investment grants, research and development grants, and other relevant types of grant	During the year – Nil
iv. Awards	HPL does not receive any of these benefits
v. Royalty holidays	
vi. Financial assistance from Export Credit Agencies (ECAs)	
vii. Financial incentives	
viii. Other financial benefits received or receivable from any government for any operation	
b. Whether, and the extent to which, any government is present in the shareholding structure	1 Golden Share held by Secretary to the Treasury of the Government of Sri Lanka.

3-3 Management of material topics

GRI 203: Indirect Economic Impacts 2016

13.22 ECONOMIC INCLUSION

OUR INDIRECT ECONOMIC CONTRIBUTIONS

a, b. Impacts	<p>Our indirect economic impacts during the current year were mainly towards overall economic revival by supporting supply chains, value chains and indirect employment creation by prioritizing local purchases, investing in renewable energy instead of imported fossil fuels and through ongoing community development projects and partnerships that we continued, despite rising costs. Two noteworthy projects initiated during the year are the She-Essential project which directly contributes towards women’s economic empowerment and our reforestation project with the Wildlife and Nature Protection Society which will benefit the entire country by preserving ecosystems that have great economic value.</p> <p>We did not encounter any negative impacts such as human rights violations, or environmental or social problems as indirect economic outcomes of our business operations during the year.</p>
c. Policies /commitments	Please refer Strategies and Policies chapter.

<p>d, e and f. Actions to manage impacts including remediation:</p>	<p>Our indirect economic impacts are primarily generated through our supply chain and value chain. Therefore, please refer the 13.22 Economic inclusion section above, as well as GRI 204: Procurement Practices 2016 and UNGC Principles 1, 2 and 3 discussed in the Social Capital chapter for responses on how we manage our positive and negative impacts.</p> <p>For community related impacts, please refer GRI 413: Local Communities 2016 in the Social Capital chapter for information on how we manage impacts including potential negative impacts.</p>
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GRI 203-1 Infrastructure Investments and Services Supported

<p>a. Extent of development of significant infrastructure investments, and services supported.</p>	<p>Investments during the financial year 2023-24:</p> <ul style="list-style-type: none"> • Developing/maintaining road networks within our estates and also in the vicinity of our estates. • Electrification for road lighting and houses including line houses. • Housing facilities for our estate communities, and maintain line houses • Water and sanitation facilities for our estate communities. • Other community infrastructure such as field rest room, Skill development center.
<p>b. Current or expected impacts on communities and local economies, including positive and negative impacts where relevant.</p>	<p>By developing the road networks and road lighting systems, and by providing electricity for line houses we contribute directly towards the safety of estate communities, particularly women and children.</p> <p>The development of toilets and safe drinking water facilities as well as individual housing units for estate families, contributed towards the health and welfare of estate families including women, children and the elderly</p>
<p>c. Whether these investments and services are commercial, in-kind, or pro bono engagements</p>	<p>Developing estate road networks directly supports our business operations by facilitating transport of goods and workers. However, we do not make additional commercial gains through these investments by charging estate communities, or the public, a fee for using these roads or for road lighting.</p> <p>On the other hand, community infrastructure developments are pro bono, but have received financial support from government and non-governmental agencies.</p>

MANUFACTURED CAPITAL

During the current financial year, we enhanced our physical assets through strategic investments into growth opportunities that will contribute towards the future sustainability of the Company.

A highlight of the year, was opening a new Tea Experience Center at Gouravilla estate that marks HPL's entry into the new market of tourism, by positioning HPL on the Tea Tourism trail that will facilitate direct access to growing tourist inflows.

Biological Assets Additions

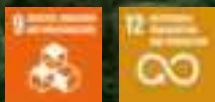
Rs. **341** Mn

Fixed Assets Additions

Rs. **93** Mn

Replanting Extent

148 Ha



International commitments United Nations'
Sustainable Development Goals

Building our value-added portfolio, which we commenced in 2022, remained a top priority in order to address commodity market risks and enhance future revenues. Therefore, we are pleased to Value Added Tea, Coconut Oil, Coffee Products and a few of our Greenhouse Produce.

Our structural assets, which are mainly our Tea and Rubber factories, were continually improved for greater efficiency with a focus on modernizing our Tea and Rubber factories and also automating our Tea and Rubber harvesting process.

We have also continued to expand our mixed cropping strategy to optimize our Biological Asset base.



PROGRESS OF OUR MANUFACTURING TARGETS

Manufacturing Targets	Progress to date
Process Automation and Digitalization of all Tea factories by 2030.	<ul style="list-style-type: none"> Bambrakelley and Gouravilla Tea factories are semi-automated. Next estate in the list is Fairlawn.
Increase production volume of other crops to up their Revenue Contribution to 10% of total revenue by 2030. (Currently revenue from other crops is 1% from the total revenue)	<ul style="list-style-type: none"> Replanted 108 Ha of Coffee Replanting 40 Ha of Coconut in the Low Country Region.
Establish a Specialty Tea Production facilities	<ul style="list-style-type: none"> Introduced a trim leaf manufacturing project at Tillicoultry estate. Total quantity produced for the year was 161,773 Kgs.
Expand Coconut Oil Extraction Unit	<ul style="list-style-type: none"> A small-scale plant was established in Frocester estate to operate as a pilot project.
Open a coffee processing unit	<ul style="list-style-type: none"> In order to have optimum quantity of Coffee to operate a processing unit, we commenced coffee planting program in year 2023/24 (103 Ha of Coffee planted during the year).

MANUFACTURED CAPITAL

CAPITAL INVESTMENTS IN 2023/24

The total capital expenditure for the year 2023/24 came to Rs. 436 Mn. The major investment areas were; additions to Property, Plant and Equipment at Rs. 95 Mn and investments in Biological Assets at Rs. 342 Mn.

All major capital investments are assessed and approved by the Board of Directors. This includes proposals for new machinery and equipment, which are presented at quarterly Board meetings for review and approval. For routine interventions, project proposals are developed by Senior Management at the estate level. These proposals are then reviewed for feasibility and budgetary allocation by the Company's Finance Division, before being presented to the CEO/MD for final review and approval.

HORANA PLANTATIONS TEA EXPERIENCE CENTRE IN GOURAVILLA ESTATE

A significant addition to our assets was a new a state-of-the-art Tea Experience Center at our Gouravilla estate, at an initial cost of Rs.15 Mn. Designed to provide a hands-on Tea Tourism experience, the Center will play a central role in our tea tourism strategy, which is linked to the Pekoe Trail.

A 300 km EU funded hiking route, the Pekoe Trail is a sustainable tourism venture that takes visitors through Sri Lanka's beautiful upcountry tea lands, at a leisurely walking pace. Located within close proximity of the Pekoe Trail, our new Tea Experience Center provides the perfect

setting to showcase the range of HPL tea to visitors and existing customers, for brand promotion and greater customer relationship development. The Center allows visitors to sample HPL tea, which are among the best in the world, and will also facilitate factory visits to experience HPL's sustainable Tea manufacturing operations and learn about Tea tasting and Tea grading, promoting the tradition of Ceylon Tea globally, through an experiential tourism concept.



A Voyage Filled with moments you'll cherish forever Tea experience with Horana Plantations



Tea Experience Center- Gouravilla Estate

NEW INVESTMENTS IN MANUFACTURED OUTPUTS

Green Houses

We set up poly tunnels at a cost Rs. 7.2 Mn to cultivate vegetables in Green houses.



Automating Rubber Harvesting

We commenced automation of Rubber harvesting in Frocester and Neuchatel estates at a cost of Rs. 6 Mn. By mechanizing the Rubber harvesting process, we can optimize our Rubber production costs while also maximize labor efficiency and productivity.



QR card Introduce for Rubber Harvesters

Value Added Product Mix

Value addition to our plantation commodities is a key component of our growth strategy to address commodity market risks and to enhance revenues. We commenced our value addition strategy in 2022, with the production of Value Added Tea. Our value added portfolio continued to expand in 2023 with the addition of a many new products.



In addition to our range of Value Added Black Tea and Green Tea that we started in 2022, we commenced the production of Value Added Coffee in 2023 at our Coffee processing facility in Tillicoultry estate. We have already introduced Full City Roasted Coffee beans, Powder and Drip Coffee to the market, in attractive packaging. We also introduced our own Coconut Oil in 2023, produced at our first white Coconut Oil factory located in Forcester estate. We commenced the production of Cinnamon Oil in 50 ml bottles, at experimental level, at Mirishena estate, as we have already introduced packaged Cinnamon Quills to the market. From the Greenhouses of Tillicoultry and Stockholm estates, which were also set up in 2023, we started producing packs of Scotch Bonnet, Beef Tomato, Gherkin and Bell Pepper. From our Bee farms in our Low Country estates, we have introduced bottled Bees Honey to add to our Value Added portfolio.

We also continued to produce high quality, Value Added natural Rubber from Frocester and Neuchatel Rubber factories, that are renowned for Sole Crepe and Crepe Rubber.

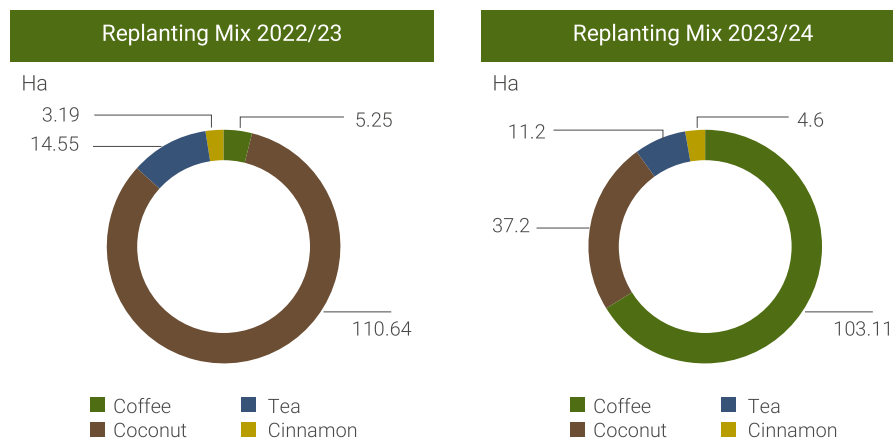
Biological Assets

Our Biological Assets are the core of our business and comprise cultivations of Tea, Rubber, Oil Palm, Coconut, Diversified Crops and Consumable Biological Assets. As at end March 2024, the total value of our Bearer Biological Assets came to Rs. 2,516 Mn and Consumable Biological Assets to Rs. 594 Mn.

MANUFACTURED CAPITAL

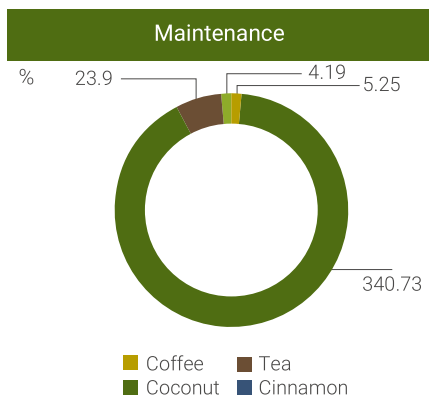
As at 31st March 2024	Hectares	Value (Rs. Mn)
Tea		
Mature	1,914	600
Immature	35	151
Rubber		
Mature	966	782
Immature	29	36
Oil Palm		
Mature	250	224
Immature	-	4
Coconut		
Mature	51	61
Immature	370	433
Cinnamon		
Mature	72	62
Immature	8	23
Diversified Crops		
Mature	52	33
Immature	120	106

As part of extending this exercise, we introduced Ancillary Crops, such as Coffee in High Grown Tea areas and began growing Cinnamon and Coconut in Low Grown Rubber areas. Additionally, we focused on extensive crop mixing to diversify risk in our low yielding lands.



Enhancing our Biological Assets

In developing our Tea lands, we have traditionally followed a crop diversification strategy focused on complementing Tea growing through replanting or infilling. However, we decided to expand our crop diversification strategy with the aim of enhancing land productivity through crop mixing.



High Density Tea Replanting in Millakanda Estate



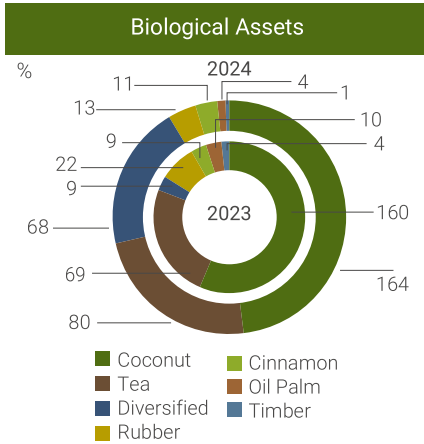
Intercropping Pineapples with coconuts



High Density Tea Planting - Millakanda Estate



Coconut Planting



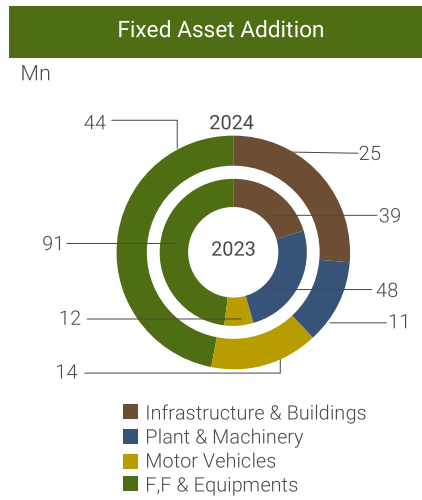
FIXED ASSETS

The main investments into fixed assets during the 12 months under review came to Rs. 95 Mn. The total value of our fixed assets came to Rs 580 Mn as at the end of the financial year 2023/24.

As at 31-03-2024	Value (Rs. Mn)
Infrastructure & Buildings	262
Plant & Machinery	112
Motor Vehicles	29
Furniture, Fixtures & Equipment	176

Fixed Assets Additions

Additions	2023/24 (Rs.Mn)	2022/23 (Rs.Mn)	2021/22 (Rs.Mn)
Infrastructure & Buildings	25	39	3
Plant & Machinery	11	48	30
Motor Vehicles	14	12	-
Furniture, Fittings & Equipment	44	91	21



Rubber Processing Center

INTELLECTUAL CAPITAL

A vital component of our modernization strategy is to gradually build our own intellectual asset base in agro-manufacturing. As a plantation company, our intellectual property has traditionally been limited to the specialized agro-production knowledge of our people.

However, we are now actively investing in acquiring modern, science-based research and development (R&D) practices by partnering scientific institutions in the country, while also incorporating modern technology solutions into the traditional cultivation and manufacturing system. Our objective is to reduce costs, increase value addition, productivity, efficiency, and achieve greater diversification while also conserving natural resources.

Reserch & Development Projects

9

Certifications & Licenses

13

Number of MoU Signed

2



International commitments United Nations'
Sustainable Development Goals

During the year under review, we continued to invest in developing our intellectual asset base, taking us closer towards our objectives of transforming HPL into a modern, technology based agri-business. We continued to research new scientific concepts and applications, and tested new technologies and science-based agricultural theories within our estates and factories, that are adding to the collective knowledge of the Company while also generating cost benefits and efficiency gains.



Contribution to science

We are pleased to report that a research paper, based on HPL's collaboration with Wayamba University, was published in an international journal. Please Scan QR Code.

PROGRESS OF OUR INTELLECTUAL CAPITAL TARGETS

Intellectual property targets for 2030	Progress to date
• Replace 25% inorganic foliar by vermi- compost and vermi wash.	5% replacement
• Increase machine plucking to 30% and tapping to 20%	3% Machine-plucked green leaf: 277,314 Kg
• 100% agrochemical spraying by drones	An experimental feasibility study was conducted in upcountry tea estates during the current financial year
• Automate all our factories	Implemented automated temperature control system in Frocester and Neuchatel Semi-Automated factories - 04 Tea Factories - 02 Rubber Factories

INTELLECTUAL CAPITAL

R&D INITIATIVES

Digital technology to predict the weather

We had already adopted the AccuWeather app to support decision making in areas such as, application of fertilizer, planting tea, rubber and other crops, plucking operations, processing tea and nursery operations.

In the current financial year, we partnered with Dialog to develop and test a more advanced and customized weather application. The Nowcast weather app is designed to provide real-time weather forecasts to enhance operational decision-making, especially in rubber estates. The app offers a comprehensive weather forecast 6 hours into the future and is being tested in Fairlawn, Bambrakelly, Neuchatel and Halwathura Estates.

Other research activities

We conducted many other research activities during the year aimed at product development, and also towards facilitating social welfare for estate communities and to support biodiversity protection. These include:

1. Using reusable bamboo pots as an alternative to polythene nursery bags at Gouravilla estate.
2. Introduced Agarwood as shade trees at an experimental site in Gouravilla estate.
3. Testing the effect of bio-weedicide as an alternative to glyphosate at experimental sites in Tillicoultry and Stockholm estates.
4. Biochar produced in our estates was tested for value additions and product development.
5. Camera traps were installed to study the behavior of leopards.

6. Species identification in both low country and up-country estates with the involvement of specialists from the Wildlife and Nature Protection Society.
7. A survey was conducted in collaboration with ADIC in Upcot estates, to identify socio economic factors that affect estate community living standards.
8. A survey was conducted to identify problems faced by estate women, resulting in the introduction of low-cost, reusable sanitary napkins, to a sample group of women at Alton estate.

Progress of R&D MOU with Wayamba University

HPL signed a MOU with the university in 2021-22. Our collaboration with the university facilitates experimentation on tea, coffee and oil palm, to continually modernize our production systems.

Research studies were conducted with Wayamba University on using firewood for black tea manufacturing and tea drying, changing processing aspects to improve quality of coffee, incorporating bee-keeping in oil palm plantations, the use of vermi-wash and inorganic liquid fertilizer for tea cultivation and developing an automated temperature controlling system to reduce tea withering time. As at the end of the current financial year, these

research studies have been successfully concluded and are now in the process of being incorporated into our manufacturing systems.

A new research study commenced with a group of undergraduates, at our Bambrakelly estate, to design and develop an IoT based, automated, monitoring system, to enhance withering efficiency in black tea manufacturing.

Creating an innovation culture

We are incorporating the findings from our research studies, as well as innovative new technologies, into our operations. These include:

- Successful application of vermi-technologies to increase yields
- Successful application of biochar as a soil amendment
- GIS mapping of All estates
- We are using controlled farming techniques (poly-house cultivations)
- We have adopted solar-powered water pumping systems
- Successful implementation of portable biochar units in the field
- Introduce reusable bamboo pots instead of ploy bags in tea nurseries



Biochar production Unit



Sustainable Bamboo pots

AUTOMATION AND DIGITALIZATION

Internet of Things (IoT) for rubber Factories

We implemented an IoT-based solution to remotely monitor, control, and automate the rubber drying process. This system has reduced wastage and operational costs incurred in rubber manufacturing.

We also introduced IoT technology and artificial intelligence, to measure rubber latex collection, instead of traditional dipsticks. Computer vision is used to identify the density of the latex. The use of modern technologies will eliminate data manipulation and provide more accurate rubber collection data.

Digitizing green leaf collection

Our cloud-based solution transforms traditional green leaf collection by enabling management to view field collection data, even from distant head office locations. It also facilitates field-to-factory traceability, offering a transparent and accountable supply chain.



Digital Latex weighing

Weighbridges

Weighbridges have been installed for weighing accuracy and operational efficiency.

Machine plucking and machine tapping

We invested in 200 single-handled plucking machines at a cost of Rs. 32 million. Mechanization addresses the challenges of labour shortages and rising labour costs, while also doubling the output compared to manual work. On average, a single worker can produce a maximum of 20kgs per day, but through mechanization we achieved an impressive 40kgs per day.



Machine Harvesters



Integration of drone technology - Training programme

INTELLECTUAL CAPITAL

Cloud technology for tea factories.

This cloud-based solution provides field-to-factory traceability, thereby reducing the overall cost of production while offering greater visibility within field collection activity.

Factory Total Gross Weight (kg)	Factory Total Bag Count	Factory Bag Defectives (kg)	Factory Moisture Defectives (kg)	Factory Net Weight (kg)	Factory Total Net Weight: 11,880,711 kg
11,270,000	1112	407,200	1,281,700	11,581,100	<div style="display: flex; justify-content: space-between;"> <div> <p>Complaints Total: 17,888 (kg)</p> <p>Moisture Defectives: 1,281,700 (kg)</p> <p>Bag Defectives: 407,200 (kg)</p> </div> <div> <p>Loss (Other) (kg): 1,000</p> <p>Loss (Net) (kg): 1,000</p> </div> </div>

12 items Search

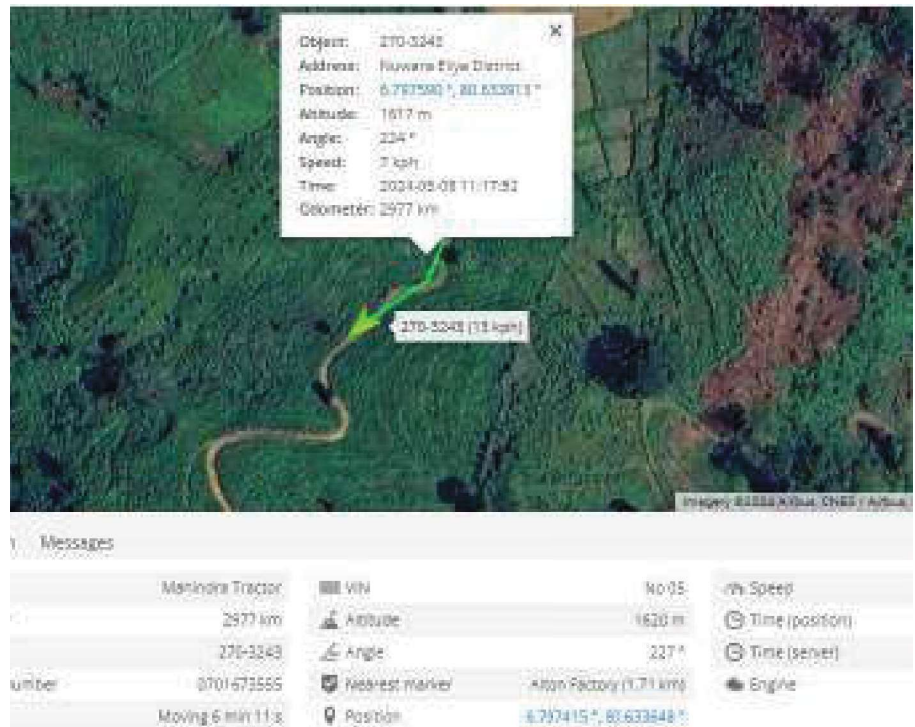
Supplier Estate	Supplier Division	Supplier Field	Factory Total Gross Weight (kg)	Factory Total Bag Count	Factory Bag Defectives (kg)	Factory Moisture Defectives (kg)	Factory Total Net Weight (kg)
Stockholm	STOCKHOLM	Stockholm	1,762,600	240	8,000	247,800	1,414,800
Stockholm	STOCKHOLM	Stockholm	1,040,000	88	10,000	14,200	1,025,800
Stockholm	STOCKHOLM	Stockholm	427,900	34	11,800	41,200	374,900
Stockholm	STOCKHOLM	Stockholm	488,000	48	15,100	49,700	363,200
Stockholm	STOCKHOLM - B	Stockholm	170,000	17	1,500	18,400	150,100
Stockholm	STOCKHOLM - B	Stockholm	108,000	10	1,000	12,000	95,000

Dry tea weighing machines

Dry tea weighing machines were installed at Stockholm, Alton and Gouravilla tea estates to ascertain accurate gross weights.

GPS tracking of vehicles

A GPS tracking system – 'Track My Car' - was implemented as part of the Company's tea transportation management process for real-time visibility of locations and status of vehicles. The system supports timely and secure delivery of tea leaves and also aids in optimizing transportation routes, reducing fuel consumption, and enhancing overall operational efficiency. The ability to track vehicles in remote, or challenging terrains ensures the safety of both the tea cargo and the transport personnel.



GPS Tracking System

Real-time monitoring of solar power generation

Our Sunny Portal software enables real-time monitoring of solar power generation. The WhatsApp web portal is used to share solar generation data.

ENHANCING ORGANIZATIONAL KNOWLEDGE

We have continued to enhance the intellectual capital of our Company through specialized, technical education for our employees. Employees also participated in forums and educational events to share knowledge and learn from others.

• International Plantations Sustainability summit

Hayles Plantations organized the International Plantations Sustainability Summit in the current financial year, which included several panel discussions with ESG professionals to share knowledge among stakeholders.



International Plantations Sustainability Summit

• Tea Industry Conference

Personnel from the Human Resource Division and sustainability team, attended the 'Co-Creating Family Friendly Tea Industry Conference,' and were exposed to a number of ESG topics such as gender equality, dignity, HR policy development etc...



Tea Industry Conference

• UNGC programs

The sustainability team participated in the SDG Innovator Accelerator program and Climate Ambition Accelerator program, conducted by UNGC to identify new ventures related UN SDG's and climate related action.

TRAINING EVENTS TO DEVELOP TECHNICAL SKILLS

During the year, many training programs were conducted on cultivation, maintenance and manufacturing, through technical industry bodies to transfer technical knowledge to our employees.

- The Rubber Research Institute (RRI) conducted training on rubber tapping and 21 of our tappers obtained the NVQ level 3 qualification. Employees were also educated on the leaf fall disease.
- TRI conducted training programs on machine plucking for harvesters in the upcountry.
- The Cinnamon Training Academy conducted programs on cinnamon field operations for low country estate managers and field officers
- Training on establishing and maintaining in-house R&D units, was conducted by the Industrial Development Board.
- NIPM conducted bee-keeping training.
- The National Cleaner Production Center conducted several training programs for our sustainability team on topics such as development of energy management systems, quantification of carbon footprint, and corporate environment sustainability through greening industries.
- Personnel from the Finance Department were trained on financial reporting by the Institute of Chartered Accountants of Sri Lanka.

INTELLECTUAL CAPITAL

- NIPM conducted a training on forestry and wood management in plantation industries for our forestry management personnel.
- Managers/Assistant Managers in tea harvesting were exposed to training on scientific management.
- A training program on Arabica coffee agronomy, coffee quality and processing, was held in Upcot region



Machine Harvesting Training



NVQ 03 certificate Awarding Ceremony



Training On Coffee Planting



HUMAN CAPITAL

As a Plantation Company HPL is highly labor intensive, making our employees a vital component of our business. However, Sri Lanka's plantation industry as a whole is facing historic changes due to continued outmigration of resident estate employees, such as Tea pluckers and field workers.

HPL has identified labor outmigration/skill migration as a material topic in this annual report due to its wide-reaching impacts on operations. In addition, HPL has identified the topics of Employment, Employee Wellbeing, Training and Education and Labour Relations as material topics under Human Capital. As signatories to the UNGC we are also required to report progress under relevant UNGC Principles. Therefore, this chapter will focus on our efforts to manage these material topics during the year under review.



International commitments United Nations' Sustainable Development Goals

Total Number of Employees

3,455

Number of Training Programmes

60



International Commitments



United Nations Global Compact (UNGC)



99% of our employees said....

"This is a great place to work"

Regulatory Compliance 2023-24

HPL did not face any significant fines or penalties during the year under review for non-compliance or delays in compliance with any applicable Labour regulations. All statutory payments have been made on time.



PROGRESS OF OUR HUMAN RESOURCE TARGETS

Human Resource Targets	Progress to date
1. Implementation of HRIS – ORACLE IT Solution	On ongoing
2. Training on GMRs and GAPs	Several training sessions had been conducted on GMR and GAPs on RA & ISO 22000 and 45001 trainings.
3. Capacity building of worker community	HPL have conducted several capacity building programs during the year 2023/24.
4. Appointment of women supervisory staff	We appointed a female field officer at Stockholm Estate, in Upcot, starting from 01st April 2023. We hope to recruit more female employees for supervisory staff
5. Safe and Affordable Housing	15 Housing Units
6. Zero anemia among workers	No recorded anemia cases in 2023/24

HUMAN CAPITAL

13.20-EMPLOYMENT PRACTICES

13.21- LIVING INCOME AND LIVING WAGE

PROGRESS OF UNGC PRINCIPLES UNDER LABOUR

<p>UNGC Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;</p>	<p>Sri Lanka has ratified the ILO Conventions on freedom of association and collective bargaining and Sri Lankan Labour laws recognize the right to unionize and collective bargaining. Sri Lanka's plantation sector is also fully unionized with multiple unions operating within the sector.</p> <ul style="list-style-type: none"> • HPL has been fully compliant with all regulations on unionization and collective bargaining and did not receive any complaints, or accusations of any regulatory noncompliance. • We respect the right of all workers to form and join a trade union and do not discriminate such workers through policies or procedures. We do not interfere with the activities of worker representatives while they carry out their functions in ways that are not disruptive to regular company operations. • Please refer GRI 402: Labour/Management Relations 2016 for further details • Collective bargaining <p>Existing collective agreements which plantation companies have signed with unions spells out the conditions related to work & disciplines other than worker wages. Wages applicable to workers are decided by the Wages Board. HPL is signatory to such Collective Agreements through the Employers' Federation of Ceylon.</p> <p>In addition, we also provide workers' representatives with appropriate facilities to assist in the development of effective collective agreements.</p> <ul style="list-style-type: none"> • Please also refer GRI 2-30 Collective bargaining agreements
<p>Principle 4: the elimination of all forms of forced and compulsory Labour;</p>	<p>Forced and compulsory Labour</p> <p>Sri Lanka has ratified the ILO Convention on Forced Labor (1930) and the International Protocol P029 of 2014, to the Convention Concerning Forced or Compulsory Labor that came into effect in 2014. Therefore, Sri Lankan labor laws make it illegal to employ forced and/or compulsory Labour.</p> <ul style="list-style-type: none"> • HPL does not use forced or compulsory labor in any of its work locations. • HPL is fully compliant with all labor laws including the above and has not faced any complaints or regulatory action for noncompliance with the above regulations.
<p>Principle 5: the effective abolition of child labor;</p>	<p>Child Labour</p> <p>Sri Lanka has a strong legal framework to protect children/minors, which governs HPL's recruitment and work conditions as a business entity. These national regulations include The Employment of Women, Young Persons and Children Act No. 47 of 1956, The Shop and Office Employees Act No. 19 of 1954 and the Factories Ordinance No. 45 of 1942. In addition Sri Lanka has a strong labor-law enforcement mechanism including physical visits to business premises by officials of the Labor Department.</p> <ul style="list-style-type: none"> • HPL has not received any complaints of child labor, or faced any regulatory actions for child labor in its business activities. • HPL does not recruit, or use child labor in any part of its business operations including field work, factories and offices. • HPL has many ongoing programs to promote child welfare and protection within its estates. Please refer the Social Capital chapter for details on these.

Principle 6: the elimination of discrimination in respect of employment and occupation.

Equal Opportunity Employer

HPL is an equal opportunity employer and makes all recruitments, rewards and promotions, non-discriminately, based on merit.

Gender Equality Policy

1. Promote a family friendly workplace for men and women;
 - Flexible working arrangements
 - Breastfeeding facilities within plantations
 - Maintain awareness around family and domestic violence
2. We provide equitable opportunities for male and female employees
 - Ensure that gender equity exists with regard to remuneration of employees
 - Ensure that there is gender representation in all cross functional teams, interview and assessment panels
 - Seek opportunities to encourage gender diversity in positions historically filled by gender stereotypes
 - Offer support to other local organizations wishing to become accredited through the White Ribbon Program
 - Ensure senior representation on external networks that address gender equity issues
 - Support external organizations that demonstrate gender equity.

OUR EMPLOYEE PROFILE

GRI 2-7 **Employees**

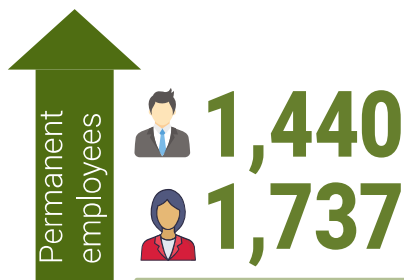
a. Total number of employees and a breakdown of total by gender and by region



All Employees By Region

	Upcot	Lindula	Low Country	Head Office
Number of employees	1,675	772	976	32

b. (i) Permanent employees, and a breakdown by gender and by region



Permanent Employees By Region

	Upcot	Lindula	Low Country	Head Office
Number of employees	1,665	768	716	28

HUMAN CAPITAL

(ii) Contract employees, and a breakdown by gender and by region



Contract Employees By Region

	Upcot	Lindula	Low Country	Head Office
Number of employees	7	4	255	3

Trainees by Gender



Trainees By Region

	Upcot	Lindula	Low Country	Head Office
Number of employees	2	1	3	3

(iii) non-guaranteed hours employees, and a breakdown by gender and by region

N/A

(iv) full-time employees, and a breakdown by gender and by region

Same as All employees.

(v) part-time employees, and a breakdown by gender and by region

All employees at HPL are full – time employees

c. methodologies and assumptions used to compile the data including whether the numbers are reported in head count, full-time equivalent (FTE), or using another methodology

- Each month, estate administrations report employee numbers to our HPL head office.
- Subsequently, we meticulously input this data into the Hayleys CUBE portal, categorizing it by gender, region, and category.
- Additionally, regional HR meetings are held on a monthly basis, facilitating closer oversight and management of human resources within each region.
- Furthermore, management convenes quarterly HR meetings to discuss broader organizational strategies and initiatives.
- Estate employee head counts are counted by-monthly, at a general muster by the management, and reconciled with the records in the IT system. Estate workers who have not reported to work for 30 days continually are automatically deleted from the system. This is a physical count which is certified by the estate management.

GRI 2-8 Workers who are not Employees

i. the most common types of worker and their contractual relationship with the organization;	We employ approximately 269 contractual workers, mainly in our Company. They are been paid on pre agreed tasks.
i. the type of work they perform	<ul style="list-style-type: none"> • Harvesting • Sundry work such as – Weeding/Fertilization/Draining/ Forking/ Replanting • Factory work • Watchers • Kanganies
Methodologies used to compile the data, including whether the number of workers who are not employees is reported	<ul style="list-style-type: none"> • Method used is a physical count and the numbers are recorded and reported

GRI 2-30 Collective Bargaining Agreements

a. Percentage of total employees covered by collective bargaining agreements	<p>In the financial year 2023-24, there was no collective agreement in force as negotiations were inconclusive.</p> <p>However, 100% of HPLs manual grade labor force& Estate Non executive staff are normally covered by collective agreements. This represents 98% of total permanent employees.</p> <p>The minimum wage standards stipulated by the Wages Board Ordinance serves as the overarching mandate for determining wage structures for our estate workforce, with any changes falling under the Collective Agreement.</p>
a. For employees not under collective bargaining agreements, whether working conditions and terms of employment are based on collective bargaining agreements that cover other employees, or based on collective bargaining agreements from other organizations	<ul style="list-style-type: none"> • Salary scales for executive level employees (this grade is not covered under collective bargaining agreements) are market competitive and reflect our commitment to merit-based pay. As a non-discriminatory employer, we maintain a 1:1 ratio in the remuneration provided to men and women in similar roles. • The benefit structures for executives are based primarily on the Shop and Office Employees Act of 1954, EPF Act, ETF Act and the Payment of Gratuity Act of Sri Lanka. Accordingly, we contribute 12% of an employees' basic salary to the Employees Provident Fund and a further 3% to the Employees Trust Fund As specified under the Act, we make provision for Gratuity Payment annually for all employees who have been employed by the Company for over 60 months. <p>In addition to the statutory benefits, all permanent employees are entitled to the following benefits;</p> <ul style="list-style-type: none"> • Medical • Workmen's Compensation • Meal Facilities • Attendance incentive • Opportunities for other income generation such as Out grower Model, Buy Back weeds • Healthcare insurance - outpatient medical expenses • Production, attendance, shift and grading incentives • Bonus

HUMAN CAPITAL

3-3 MANAGEMENT OF MATERIAL TOPICS

GRI 401: **Employment 2016**

EMPLOYMENT AT HPL

<p>Actual and potential, negative and positive impacts on the economy, environment, and people, including impacts on human rights;</p>	<p>(a) Actual and Potential Negative Impacts</p> <p>No significant negative impacts of employment at HPL were reported on the environment, economy or human rights.</p> <p>Potential negative impacts on employees such as injuries at work, sexual harassment, discrimination, child labor, forced labor etc... are mitigated or prevented by total compliance with labor laws, safety practices and sound HR practices.</p> <p>However, due to shortage of estate workers - only 60% is available for the required work – there is a negative impact on the national production and thereby, the economy.</p> <p>(b) Negative impacts due to business partners</p> <p>There were no reports of any negative impacts due to employment during the year under review from our activities or the activities of our business partners.</p> <p>Actual and Potential positive Impacts</p> <ul style="list-style-type: none"> • Total jobs created during the year - 511 • Total women employed during the year – 1,879 • we have introduced technological solutions, notably plucking machines, to mitigate labor shortage.
<p>a. Policies or commitments regarding the material topic</p>	<p>HPL is committed towards fostering gender equity in the Company:</p> <ul style="list-style-type: none"> • Equal pay and equal opportunities • Flexible working arrangements • Breastfeeding facilities within plantations • Maintain awareness around family and domestic violence
<p>13.20.1 Policies or commitments regarding recruitment of workers,</p>	<p>HPL is a leading plantation sector employer with an ethical and transparent recruitment policy that complies with all Labour regulations as well as industry best practices.</p>
<p>Approach to worker compensation - bonuses and piece rates, and any deductions or withholdings from compensation;</p>	<p>Approach to worker compensation</p> <ul style="list-style-type: none"> • All permanent employees are paid fixed salaries and also received bonuses • Estate workers are paid on a daily wage, and also receives incentive payments when targets are exceeded <p>Deductions or withholdings from compensation</p> <p>All deductions are statutory deductions under the EPF and ETF regulations. Other deductions include repayments for loans, and union memberships.</p>
<p>Approach to address situations where work undertaken within the supply chain does not take place within appropriate institutional and legal frameworks</p>	<p>All our suppliers are audited for compliance with international accreditations. In instances of deviations, we inform the supplier and review after a suitable period. If corrective action is not taken, we discontinue the party from our supplier database.</p>

d. (i) (ii) (iii) Managing impacts

Actions to mitigate potential negative impacts

- Safety systems

We have implemented Occupational Health and Safety management system.

- **Grievance management**

- o Each estate have grievance handling committee.
- o Employees can speak directly to the HR head.
- o Estate management teams educate their workforce in their local language regarding the mechanics of the grievance procedure.
- o Workers can raise grievances through union leaders or through discussions with the Child Development Committees, Kovil Committees, Voluntary Worker Committees, Youth committees and Sport Committees.
- o Plantations Executives also meet union representatives on request to discuss and settle matters related to industrial disputes and worker welfare.

- **Awareness raising among employees**

- o We arrange for regular awareness sessions by the Labor Department of the Sri Lanka to educate our estate workforce on labor rights and the solutions available to them.
- o HPL has conducted several awareness sessions with the collaboration of Alcohol & Drug Information Center (ADIC)
- o Plantation Executives to conduct weekly discussions with union leaders on matters of concern and meet the unions on request
- o Awareness programs are conducted for both employees and estate communities on gender rights and child protection
- o Company Code of Conduct is communicated to all employees
- o Training programs are conducted on correct application of quality standards to prevent any negative impacts on production
- o Regular review of policy, procedures and strategies to ensure gender equity principles are maintained
- o Ensure gender representation in all cross functional teams, interview and assessment panels
- o Ensure that gender equity exists with regard to remuneration of employees
- o Seek opportunities to encourage gender diversity in positions historically filled by gender stereotypes

HUMAN CAPITAL

(ii) Actions to address actual negative impacts

There were no significant negative impacts due to HPL's business activities during the year under review.

- The main negative impact with regards to employment during the year, was the high employee turnover due to outmigration of estate workers.

(iii) Actions to manage positive impacts

The Company has many incentives to retain its employees. These include:

- Investing in infrastructure and equipment to enhance working conditions
- Regular training and development opportunities
- Employee recognition and rewards
 - Awarding gold coins
 - Offering Best plucker/tapper certificates
 - Food pack distribution
 - Incentives
 - Appreciation lunch
- Employee motivational activities
 - o Productivity incentives are given to Tea pluckers for every kilo of tea harvested, over the 18 kg mark per day, and rubber tappers are granted an additional allowance.
 - o Attendances incentives are provided to pluckers /tappers.
 - o Profit sharing is done based on the respective estate profits.
 - o Appreciation incentives are provided for good standard of work –plucking, field and cultivation
 - o Every month, the best plucker/ tapper of the Estate is rewarded with household gifts or rations.
- Work life balance initiatives
 - Safe heaven project
 - Social and cultural events

<p>e. (i), (ii), (iii), (iv) Tracking the effectiveness of the actions taken</p>	<p>(i) (ii) (iii) Tracking effectiveness of actions</p> <ul style="list-style-type: none"> • Great place to work employee surveys were conducted this year • Performance reviews are held that also facilitate feedback between workers and management • Employee grievance management • Discussions with trade unions <p>(iv) How lessons learned are incorporated into policies and procedures</p> <ul style="list-style-type: none"> • Learnings regarding employee concerns and aspirations are communicated to senior management by HR and policies are amended if required. • In addition, we engage management, HR personnel, and employees, in the process of incorporating lessons learned into policies and procedures. Seek input and feedback to ensure that the lessons are effectively integrated into the organization's practices. • Provide training and guidance to employees on the updated policies and procedures. • Clearly communicate the updates to policies and procedures to all employees.
<p>f. How engagement with stakeholders inform actions</p>	<ul style="list-style-type: none"> • Exit interviews are conducted to understand reasons for leaving • Trade union and employee concerns from grievance management are incorporated into HR practices • Employee skill development requests during performance evaluations are taken into account in developing annual training calendars. • Feedback from customers are taken into account for employee training • Directives from regulatory bodies are immediately incorporated into HR policies and procedures

EMPLOYEE ENGAGEMENT EVENTS IN 2023/24

Employee Recognition

We recognized our workers on their retirement with an appreciation letter issued by our Managing Director. In addition we also organized award ceremonies to formally recognize exceptional achievements.

Awarding Gold Coins

In an effort to motivate and recognize outstanding performance, we awarded a gold coins to the best harvester of the year in each estate. This initiative, recognizes contributions of individuals by providing tangible recognition for their efforts. The value of offered gold coin is 85,200/-.



Gold Coin Awarding for Best Harvesters

HUMAN CAPITAL

Best Plucker/Tapper Certificates

We selected the best plucker/tapper every month, per division, and train them for the final competition, organized in grand manner. The best plucker is selected according to criteria such as leaf quantity, leaf quality, bush maintenance, attendance etc... The best tapper is selected according to criteria such as condition of the tapping bark, latex quantity, attendance ect. Winners are awarded certificates and gifts.

Work-life Balance

Work-life balance initiatives for our workforce are centered on holistically supporting the needs of estate communities (Refer Social and Relationship Capital for more details). HPL aligns with the Hayleys Group initiatives to enable its executive employees to benefit from a better work-life balance.

'Safe Haven for All', worker housing program

HPL has a housing program for workers and their families, to move out of traditional line houses, into individual housing units

that are designed in line with national housing health and sanitation standards. The Company provides plots of estate land to construct houses, in collaboration with the Plantation Human Development Trust (PHDT). In the fiscal year 2023/24, we supplied 15 houses to Halwatura Estates with Water & electricity.

Implementation of paper bag project in par with International Women's day 2024 – Recognizing the abilities of women with special needs.

In commemoration of International Women's Day, we have launched a significant initiative focused on empowering women with special-needs within the Alton Estate community. Through the establishment of a paper bag production project, we aim to provide these women with meaningful employment opportunities and a platform for skill enhancement. This endeavor is not only a testament to our commitment to gender equality and women's empowerment but also a demonstration of our dedication to inclusivity and social responsibility. By engaging in this project, we strive

to celebrate the achievements and capabilities of all women while fostering economic independence and social integration for those with special needs.

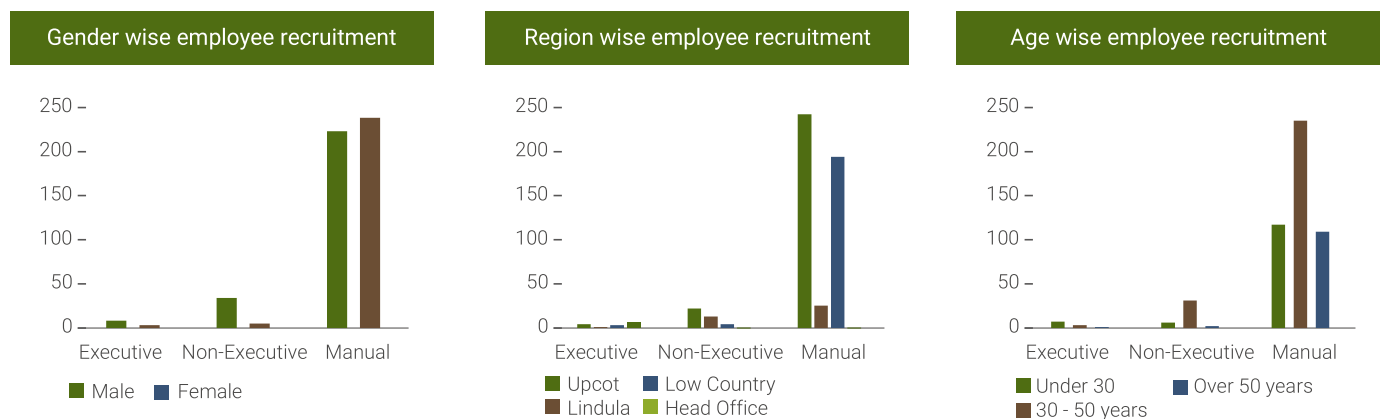
GRI 401-1 New Employee Hires and Employee Turnover

We experienced a high rate of employee turnover during 2023-24 mainly in the manual category, as employees left for employment abroad or to find other employments, due to the escalating cost of living. Compared to the previous financial year, total new recruitments increased by 270 in all categories.

GRI 401-3 Parental Leave

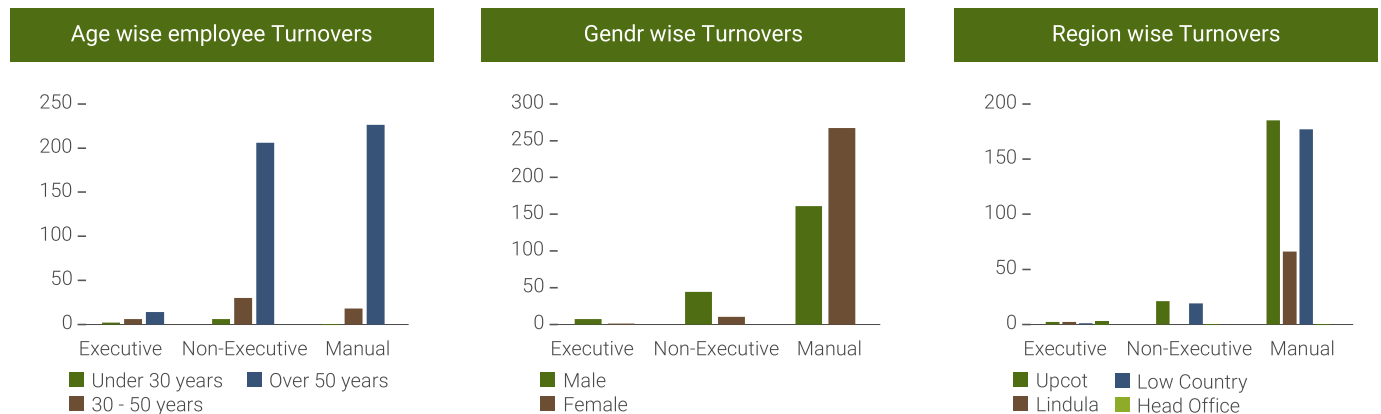
HPL offers maternity leave to eligible women employees, ensuring they receive the necessary support during this important time. In the financial year 2023/24, a total of 43 employees benefited from the maternity leave program, highlighting HPL's commitment to supporting its workforce through comprehensive maternity benefits.

a. New employee hires during the reporting period, by age group, gender and region.



Category	Category	Executive	Non-Executive	Manual	Total
Age Group	Under 30 years	7	6	117	130
	30-50 years	3	31	235	269
	Over 50 years	1	2	109	112
Total	Total	11	39	461	511
Gender	Male	8	34	223	265
	Female	3	5	238	246
Total	Total	11	39	461	511
Region	Up Country	1	22	242	265
	Lindula	1	13	25	39
	Low Country	3	4	194	201
	Head Office	6	-	-	6
Total	Total	11	39	461	511

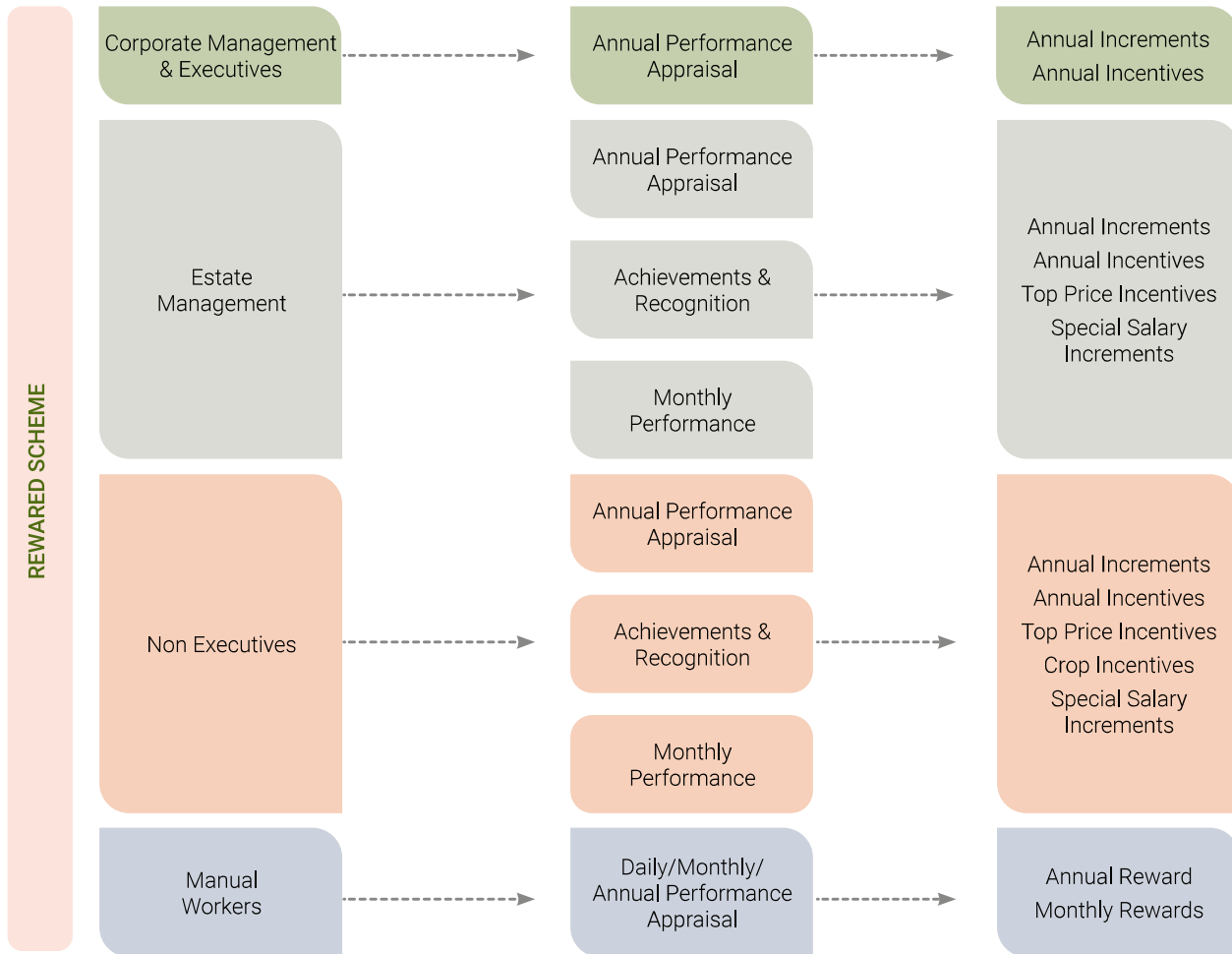
b. Total employee turnover during the reporting period, by age group, gender and region.



Category	Category	Executive	Non-Executive	Manual	Total
Age Group	Under 30 years	4	6	14	22
	30-50 years	4	30	206	242
	Over 50 years	-	18	208	226
Total	Total	8	54	428	490
Gender	Male	7	44	161	212
	Female	1	10	267	278
Total	Total	8	54	428	490
Region	Upcot	4	21	185	208
	Lindula	2	14	66	82
	Low Country	1	19	177	197
	Head Office	1	-	-	3
Total	Total	8	54	428	490

HUMAN CAPITAL

HPL's Performance and Rewards System



3-3 MANAGEMENT OF MATERIAL TOPICS

GRI 402: Labour/Management Relations 2016

LABOUR RELATIONS

a. b. Actual and potential, negative and positive impacts on the economy, environment, and people, including impacts on human rights;

(a) (b) Actual and potential, negative impacts

During the current financial year, HPL did not experience significant negative impacts of industrial relations due to HPL's activities or due to activities of its business partners.

However, on-going wage negotiations can disrupt industry activities, which will have a negative impact on the overall economy.

Actual and potential, positive impacts

HPL has continued to create economic value due to good labor relations and also support employee incomes.

a. Policies or commitments regarding the material topic	Please refer : o UNGC Principle 3 o GRI 2-30 Collective bargaining agreements
d. (i) (ii) (iii) Managing impacts	<ul style="list-style-type: none"> • The HR Department maintains continuous communications with union representatives as well as employees to receive prior warning of industrial action. • A reporting process is available to report any industrial actions and to arrange negotiations • Educating employees on Company policies and benefits for employees • We arrange for regular awareness sessions to be conducted by the Labor Department of the Sri Lanka to educate our estate workforce on labor rights and the solutions available to them.
e. (i) (ii) (iii) Tracking the effectiveness of the actions taken	Tracking the number and frequency of labor disputes and resolutions of labor grievances
(iv) How lessons learned are incorporated into policies and procedures	HR makes recommendations are reviewed by legal personnel and policy and procedural changes are made if required
f. How engagement with stakeholders inform actions	<ul style="list-style-type: none"> • Discussions with unions are communicated to senior management • As a member of the Ceylon Planters' Association, HPL also participates in broader industry-level forums with Unions, the Commissioner of Labor, Ministry of Plantations Industries etc... to resolve issues pertaining to workers.

GRI 402: Labor/Management Relations 2016

a. Minimum number of weeks' notice typically provided to employees and their representatives prior to the implementation of significant operational changes that could substantially affect them.	At least 01 month prior to any changes being implemented.
a. Is the notice period and provisions for consultation and negotiation, specified in collective agreements.	Yes

HUMAN CAPITAL



EMPLOYEE WELLBEING

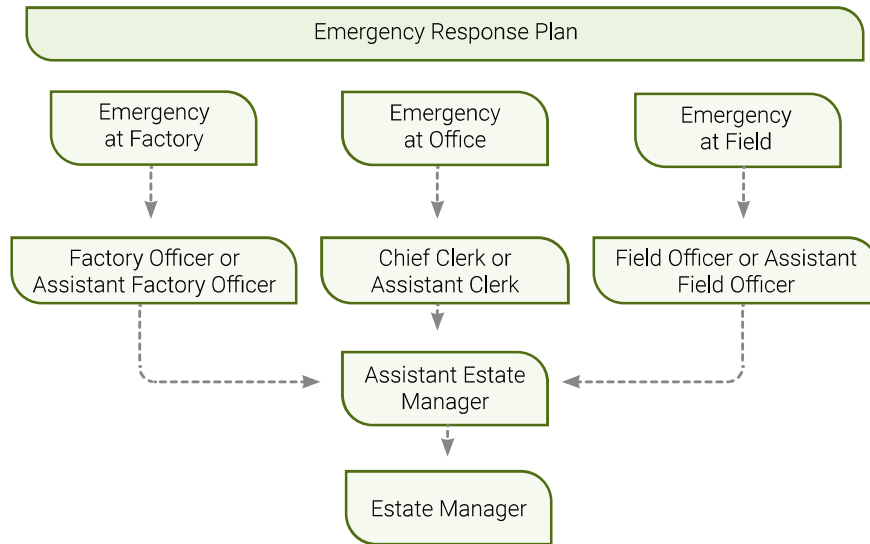
We are pleased to report that during the financial year 2023-24, three of our factories, Alton, Gouravilla and Fairlawn, became the first tea processing centres in Sri Lanka to obtain ISO 45001 : 2018 certification for occupational health and safety, demonstrating our commitment towards the welfare of our employees.

3-3 Management of Material Topics

GRI 403: Occupational Health and Safety 2018

13.19 Occupational Health and Safety

<p>a. b. Actual and potential, negative and positive impacts on the economy, environment, and people, including impacts on human rights;</p>	<p>Actual and Potential Negative Impacts</p> <p>No fatalities or other significant injuries or ill health were reported during the year due to our activities or that of our business partners. Negative impacts could include injuries and fatalities to employees</p> <p>Actual and Potential Positive Impacts</p> <ul style="list-style-type: none"> • HPL did not experience any loss of manhours or work stoppages due to injuries. Therefore employee productivity was sustained
<p>c. Policies or commitments regarding the material topic</p>	<ul style="list-style-type: none"> • Occupational health and safety policy
<p>d. Managing impacts</p>	<p>No significant incidents occurred during the financial year 2023/24, and only 07 minor injuries were reported. Therefore, no lost workdays were recorded.</p> <p>How we manage health and safety related impacts</p> <ul style="list-style-type: none"> • Pre-employment health screening for factory workers by qualified medical officers. • All regulatory health and safety standards are maintained in all our facilities • Implementing occupational health and safety management system (ISO 45001:2018) • Health & safety training for executives/staff and labor force • Provided Personal Protective Equipment (PPE) to all our employees • Executives are covered with a Personal Accident Insurance Cover • Executives are covered with Surgical and Hospitalization Insurance • Workers are covered under the Workmen's Compensation Act and receive medical Incentives • We introduced an accident & near-miss policy for workers in partnership with a leading insurance company. • Trainings from external sources such as Red Cross, for to all categories of manual workers. • Annual Medical Tests are carried out for factory workers and agro chemical sprayers • We have set up an Emergency Response Plan to handle Health and Safety Issues



e. (i) Tracking the effectiveness of the actions taken

Establish Metrics and Tracking Mechanisms, such as

- Define clear and measurable goals for training and medical examinations.
- Implement a system to track relevant metrics before and after interventions, such as:
 - Number of work-related injuries or illnesses
 - Absenteeism rates
 - Employee feedback on the usefulness and impact of training
 - Results of annual medical examinations, including any improvements in health indicators

(ii) How lessons learned are incorporated into policies and procedures

We have appointed qualified Estate Medical Assistant (EMA) to our estates. All injuries and their causes are verified, recorded and notified to management. Preventive measures are proposed, approved and adopted, and incorporated into the OHS procedures

a. How engagement with stakeholders has informed the actions

- Any recommendations/directions from regulatory bodies such as the Labor Department and Central Environmental Authority, on health and safety, are immediately adopted.
- Advice from accreditation bodies are implemented
- Consumer/customer requirements on ethical work place practices are adopted
- We encourage greater employee participation in hazard identification at our factories.
- We have also incorporated OHS as a key topic in our discussion forums with employee representatives. Stemming from this, we introduced a new accident cover policy for workers in partnership with a leading Insurance Company.

HUMAN CAPITAL

GRI 403-1 Occupational health and safety management system

<p>a. Whether an occupational health and safety management system has been implemented</p>	<p>HPL has a formal OHS training plan & occupational Health and safety system drawn up by an independent professional Occupational Health and Safety officer, and is based on holistic risk assessment of HPL's business model and value chain. As per the OHS plan:</p>
	<p>Each estate under HPL has a health and safety committee comprised of Estate executives, Factory officers, HRD staff, and manual-grade employees.</p>
<p>(i) Whether the safety system is because of legal requirements and, if so, a list of the requirements;</p>	<p>HPL's occupational health and safety management system complies with Sri Lankan labor regulations including:</p> <ol style="list-style-type: none"> 1. The Factory Ordinance No 45 of 1942 2. Workmen Compensation Act 3. Occupational Health and Safety Policy 2014 4. Compliance to MSDS criteria in Agro chemicals <p>In addition, our occupational health and safety management system incorporates international best practices in health and safety.</p>
<p>(i) Whether the safety system based on recognized risk management and/or management system standards/guidelines and, if so, a list of the standards/guidelines</p>	<ul style="list-style-type: none"> • ISO 45001 : 2018 • HPL's Occupational Health and Safety Plan was designed and implemented following a formal health and safety risk assessment conducted by a professional, independent health and safety specialist. • The safety system complies fully with Part ii and iii of the Factories Ordinance of Sri Lanka.
<p>b. Description of the scope of workers, activities, and workplaces covered by the occupational health and safety management system, and an explanation of whether and, if so, why any workers, activities, or workplaces are not covered.</p>	<ul style="list-style-type: none"> • All workers are covered by the OHSMS • Estate and factory workers who deal with machinery and agrochemical application have been categorized as high risk in terms of health exposure and provided with all required Personal Protective Equipment. • All high-risk workers are further required to present themselves for annual medical tests to verify their health status.

GRI 403-3 Occupational health services

Occupational health services play a crucial role in identifying and eliminating workplace hazards and minimizing risks. These services conduct regular assessments, provide health screenings, and implement safety protocols to ensure a safe working environment. The organization ensures the quality of these services through continuous monitoring, regular audits, and adherence to industry standards and regulations. Additionally, the organization facilitates workers' access to

these services by offering on-site clinics, promoting health programs, and ensuring clear communication channels for reporting concerns. This comprehensive approach helps maintain a healthy and safe workplace for all employees.

The organization ensures the confidentiality of workers' personal health information through strict data protection policies, secure storage, and limited access to authorized personnel. Employees are trained on privacy practices, and encrypted digital systems are used

to prevent unauthorized access. Regular audits and prompt corrective actions for any breaches further ensure compliance with privacy regulations, maintaining the protection of health data. The organization prioritizes confidentiality and privacy regarding workers' health information and participation in health services to prevent any biased treatment. This approach fosters a workplace culture centered on employee well-being, fairness, and trust.

GRI 403-4 Worker participation, consultation and communication on occupational health and safety

HPL has implemented Occupational Health and Safety (OHS) committees for each estate. These committees comprise Estate Executives, Factory Officers, Welfare Officers, and workers. Monthly committee meetings are held, during which discussions are conducted on OHS policies.

GRI 403-6 Promotion of worker Health

The organization actively supports its workforce's well-being by facilitating access to non-occupational medical services. Tailored programs provide seamless access to essential healthcare resources, including guidance on navigating healthcare systems, scheduling appointments, and information about

community services. This ensures prompt and effective support for employees' healthcare needs, fostering a culture of health and wellness.

- Medical Camp (104)
- Distributing Spectacles
- Health & Nutrition Programs
- OHS Training
- Awareness Sessions

The organization provides voluntary health promotion services to address non-work-related health risks, aiming to empower workers in maintaining their well-being beyond the workplace. These include fitness classes, nutritional counseling, stress management workshops, and smoking cessation programs, ensuring comprehensive support. Mechanisms like

clear communication channels, flexible scheduling, and awareness campaigns are in place to facilitate easy access and promote engagement among employees.

GRI 403-7 Prevention and mitigation of occupational health and safety impact directly linked by business relationships

The organization proactively addresses occupational health and safety risks associated with its operations, products, and services, particularly through business relationships. It recognizes the interconnectedness of risks, prioritizes effective measures, conducts thorough risk assessments, and implements preventive actions. This approach safeguards the well-being of all individuals involved or affected by its activities, fostering a culture of health and safety throughout its business network.

GRI 403-8 Workers covered by an occupational health and safety management system

i. The number & percentage of all employees and workers who are not employees but whose work and/or work place is controlled by the organization who are covered by such a system.	HPL is 100% covering all the employees. (3455)
ii. The number and percentage of all employees and workers who are not employees but whose work and/or workplace is controlled by the organization, who are covered by such a system that has been internally audited;	Same as above
iii. a. The number and percentage of all employees and workers who are not employees but whose work and/or workplace is controlled by the organization, who are covered by such a system that has been audited or certified by an external party.	32% of workers have been audited by an external party.
b. Whether and, if so, why any workers have been excluded from this disclosure, including the types of worker excluded.	N/A
c. standards, methodologies, and assumptions used.	ISO 45001:2018

HUMAN CAPITAL

GRI 403-9 Work-related injuries

a. For all Employees

The number and rate of fatalities as a result of work-related injury	Nil
The number and rate of high-consequence work-related injuries (excluding fatalities)	Nil
The number and rate of recordable work-related injuries	7 no of minor injuries were recorded. Rate is 0.2%
The main types of work-related injury	Wasp Attack Scratch

b. For all workers who are not employees but whose work and/or workplace is controlled by the organization:

The number and rate of fatalities as a result of work-related injury	Nil
The number and rate of high-consequence work-related injuries (excluding fatalities);	Nil
The number and rate of recordable work-related injuries	Nil
The main types of work-related injury	Nil
The number of hours worked	Nil

c. d. e. f. g. Work-related hazards

a. The work-related hazards that pose a risk of high-consequence injury	Estate and factory workers who deal with machinery and agrochemical application have been categorized as high risk in terms of health exposure
i. how these hazards have been determined;	On the severity of damaged / injuries & occupational health and safety risk assessment.
iii. which of these hazards have caused or contributed to high-consequence injuries during the reporting period	Nil
vi. actions taken or underway to eliminate these hazards and minimize risks using the hierarchy of controls.	<ul style="list-style-type: none"> • Personal Protective Equipment is provided • Special shower stations have also been installed within each division to store PPE, chemical supplies and facilitate necessary clean up protocols after handling the chemical. • All high risk workers have annual medical tests to verify their health status. • Every estate has qualified medical assistants who provide first aid and basic medical treatment to workers in case of emergencies. • Ambulances services are available at all our estates. • All employees are required to undergo specific training inclusive of first aid and fire drill procedures which are conducted by qualified professionals from the Sri Lanka Red Cross society.

<p>d. Any actions taken or underway to eliminate other work-related hazards and minimize risks using the hierarchy of controls.</p>	<p>Identification of Hazards: Our company has identified various occupational health and safety hazards such as manual lifting of heavy loads, lack of personal protective equipment, inadequate drinking water supply, and lockout procedures.</p> <p>Risk Assessment: We through research and assessments, risks associated with these hazards have been rated based on severity and frequency from the workers' perspective. This helps in understanding the level of risk posed by each hazard.</p> <p>Control Measures: Manual Lifting: Training programs on hazards and control of manual lifting have been implemented to reduce the risk of injuries from manual handling of heavy loads. As example we conducted health awareness meetings for pluckers.</p> <p>Personal Protective Equipment (PPE): Providing adequate PPE like gloves, goggles, and boots to prevent injuries from contact with sharp objects or hazardous substances. As example: - we conducted training program on occupational health and safety at Neuchatel & Frocester Estates.</p> <p>Drinking Water Supply: Ensuring a proper supply of drinking water to prevent dehydration and infections among workers.</p> <p>Lockout Procedures: Training on lockout procedures to prevent accidents and injuries related to machinery operation.</p> <p>Continuous Monitoring: Implementing a system for continued monitoring and evaluation of these control measures to ensure their effectiveness in reducing risks and improving occupational health and safety in our company.</p>
<p>e. Whether the rates have been calculated based on 200,000 or 1,000,000 hours worked.</p>	<p>N/A</p>
<p>f. Whether and, if so, why any workers have been excluded from this disclosure, including the types of worker excluded.</p>	<p>N/A</p>
<p>g. Any contextual information necessary to understand how the data have been compiled, such as any standards, methodologies, and assumptions used</p>	<p>N/A</p>

HUMAN CAPITAL

3-3 Management of Material Topics

GRI 404: Training and Education 2016



LEARNING AND GROWTH

<p>a, b. Actual and potential, negative and positive impacts on the economy, environment, and people, including impacts on human rights;</p>	<p>Actual negative impacts were due to costs associated with training HPL employees as well as suppliers</p> <ul style="list-style-type: none"> • Potential negative impacts Out migration of trained, skilled labour is a loss in terms of time and funds • Health and safety risks due to lack of awareness on correct handling of equipment/machinery, vehicles agrochemicals and food health and sanitation during manufacturing • Potential loss of customers and revenue due to poor quality • Unnecessary wastage and other costs due to inefficiencies • High costs associated with training for compliance requirements for multiple international accreditations for quality standards, OHS and ethical standards. • Due to high labor outmigration, releasing available employees for training, impacts productivity • Potential negative impacts along the supply chain due to poor OHS and labor standards of suppliers • Cost of evaluating and training suppliers <p>Actual and Potential Positive Impacts</p> <ul style="list-style-type: none"> • Improved safety standards • Higher productivity • Less wastage • Cost savings • Maintain/improve product quality • Maintain food quality and safety standards (Ensure Maximum Residue Levels of black tea) • Better customer satisfaction • Introduce process and system innovations
<p>a. Policies or commitments regarding the material topic</p>	<p>HPL has a regular training calendar</p>
<p>d. (i) (ii) (iii) Managing impacts</p>	<ul style="list-style-type: none"> • The annual training calendar covered all HPL employees including the estate workforce. • Follow ups on trainings were held to evaluate effectiveness of the training • Employees were given scholarships and funding for education. • Employees are encouraged to subscribe to memberships in professional associations. • Plan training and resource personnel in line with accreditations • Plan training event to minimize work disruptions • Due diligence and training suppliers for conformity along the supply chain • We try to retain our trained employees through incentives and rewards programs • We conduct train the trainer programs to build inhouse training resources • Utilizing digital training wherever possible • Local resource personnel were used to mitigate costs

e. Tracking the effectiveness of the actions taken	<ul style="list-style-type: none"> The annual training plan is reviewed quarterly. Corporate Management monitors the program. We obtain feedback from the participants on how effective the training has been Appraisals are used to measure performance before and after training to identify improvements in performance.
(iv)How lessons learned are incorporated into policies and procedures	<ul style="list-style-type: none"> Training programs are continually updated, improved or newly created based on lessons learned Executives and staff are encouraged to share their learning and training experiences with their colleagues and the management. Training assignments also serve as an important tool for knowledge sharing.
f. How engagement with stakeholders has informed the actions taken	<ul style="list-style-type: none"> Product and service related feedback is obtained regularly from customers and buyers which are used to identify training needs and develop training programs Employee feedback on training needs are obtained during appraisals and from trade unions Feedback from universities and research institutions are used to provide training on modern scientific methods Feedback from regulatory bodies such as the Labor Department, are immediately adopted We also collaborate with leading external training specialists such as JESTICA, NIPM, ETP and Labor Department to implement technical, soft skill and leadership training for Executives/ Non-Executives and Staff. Such programs are usually followed by impact assessments to establish how the business is benefitting from these targeted interventions.

GRI 404-1 Average Hours of Training per Year, per Employee

a. Average hours of training that the organization's employees have undertaken during the reporting period,

During the current financial year we have invested above 6.6 Mn for Training & developments. We covered 24711 training hours for the year 2023/24 the following types of training were provided

Gender	Average Training Hours
Male	9
Female	5.5

404-2 Training during the Year

- Mechanical harvesting of tea and rubber
- Good agricultural practices
- NVQ level 03 tappers training program.
- Bio char training program
- Gender diversity and inclusion in the workplace for seal members.
- Cinnamon field operation training

- Discipline and labour tribunals training program
- Beekeeping training program
- Training on production of reusable sanitary napkins
- Training on demand side management activities for government buildings & plantations
- ISO 45000 training
- Training on forestry & wood management in plantation industry
- ISO 50001 training program "new solutions for low-emission food production in Sri Lanka
- 5s training

Overseas Training Programs

We provide advanced and specialized training in agriculture and business management through overseas training .

- Fair trade overseas training
- Praguna prawardhana overseas training program in Malaysia

- Study tour in Thailand conducted by japan Sri Lanka technical & cultural association

Health and safety training during the year

- Training for chemical sprayers
- Menstrual hygiene management awareness sessions
- Fire Drill training
- First Aid training with Red cross

GRI 404-3 Performance evaluation

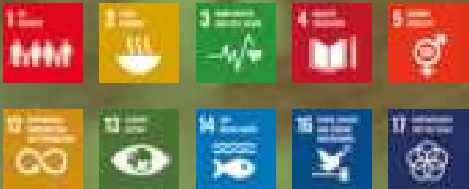
All permanent employees face regular performance evaluations used to determine bonus entitlements, increments and also form the basis on which promotions are established, as well as to develop suitable training.

During the current financial year evaluations were conducted for all Non-Executive & Executive categories.

SOCIAL & RELATIONSHIP CAPITAL

While growing our business, we did not forget the vital importance of building our relationships with our key stakeholders to enhance mutual trust and understanding. In doing so, we continued to uphold the highest ethical standards as well as respect for human rights, while complying with all applicable regulations in dealing with various stakeholder groups.

We are pleased to report progress across all our stakeholder engagement activities that have contributed to quality of life improvements of all our stakeholders, and in particular our estate communities. This chapter describes our progress with regards to UNGC Principles on human rights and anti-corruption, as well as UNSDGs.



International commitments United Nations' Sustainable Development Goals

New Suppliers

140

Dental clinics

28

Nutrition Programmes

4



International Commitments



United Nations Global Compact (UNGC)



Sustainable Development Goals



Mother and Child Friendly Workplace



CEO Water Mandate

UNGC Child Rights and Business Principles Framework



As a responsible and ethical business, we continually invest in the welfare of our estate communities in terms of health, safety and nutrition, education and personal development, and economic opportunities. We have also established a number of welfare goals for our estate communities and progress in this regard is summarized below.

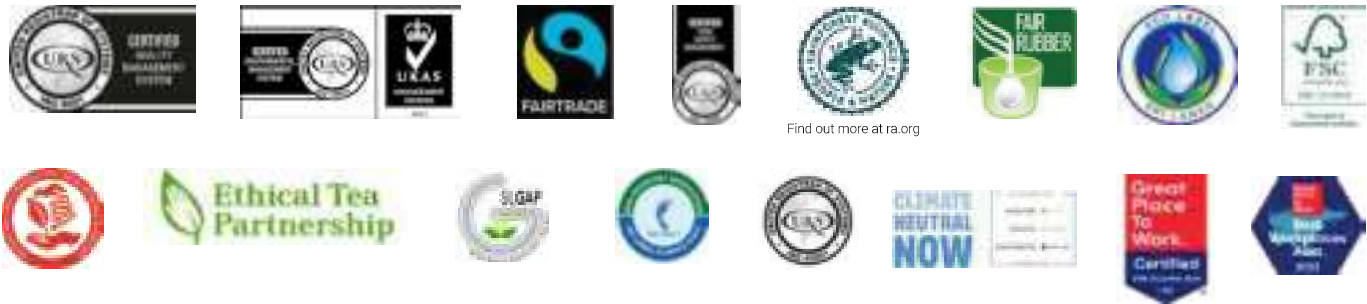
PROGRESS OF HPL'S SOCIAL SUSTAINABILITY TARGETS

Social targets for 2030	Progress to date
• Safe drinking water facilities for all family units	100% completed. (Tillicoultry water project, ADRA water projects, World Vision water projects)
• Individual sanitation units for each family	65 units constructed during the 2023/2024
• Open e-learning centers in all estates	1 in Alton Estate (Under Construction)
• Literacy rate of 90%	75%
• Zero school drop outs	For 31st march 2024 school drop outs were 0 . In 2022/23 FY school drop out were 15 (Survey conducted by ADIC)
• Open skill development centers in 3 regions	Upcot region – established 01 Lindula & Horana region – Work in progress
• Increase female representation by 50% in administration	2023/ 2024 = 32% 2022/ 2023 = 10%

SOCIAL AND RELATIONSHIP CAPITAL

OUR SOCIAL CREDIBILITY

Quality accreditation	Environmental Safety accreditation	Ethical business accreditations
ISO 9001: 2015	ISO 14001:2015	Fair Trade
ISO 22000:2018	ISO 14064-1:2018	Rainforest Alliance
HACCP	Eco Label	Fair Rubber
Chain of Custody (COC)	Forest Stewardship Council (FSC)	Ethical Tea Partnership
SL-GAP	Eco System Restoration	Mother and Child-Friendly Seal for Responsible Business
	Carbon Neutral Organization	ISO 45001: 2018
		Great Place to Work



PROGRESS OF UNGC COMMITMENT

UNGC Principle	HPL's status
UNGC Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights;	<p>HPL is fully compliant with all human rights laws in Sri Lanka, including any international human rights conventions ratified in Sri Lanka. The Company did not face any complaints, fines or penalties for violations of human rights during the year.</p> <p>• Child and mother's rights</p> <p>Under the Safe Haven program HPL has adopted the UNGC Child Rights and Business Principles Framework. Therefore, we have partnered with the Ministry of Women's and Children's Affairs and Save the Children Sri Lanka, to implement a Child Protection policy across all 14 estates and to create a safe working environment for working mothers. Demonstrating effective implementation HPL has received the Mother and Child Friendly seal for responsible business</p> <p>Digital app to report sexual harassment</p> <p>We implemented a digital app to report sexual harassment and child abuse, in the collaboration with Save the Children . Complaints can be directly reported to the Director/ CEO and higher management.</p>

UNGC Principle	HPL's status
	<p>Supplier Policy</p> <p>All our suppliers are required to comply with the following principles;</p> <ul style="list-style-type: none"> • No Child Labor • No Forced Labor • No Discrimination & Workplace Violence • No Mistreatment & Sexual Harassment <p>Customer rights</p> <ul style="list-style-type: none"> • A formal customer complaints mechanism is available • Number of customer complaints : 0 • Number of resolved complaints : 0 <p>Supplier rights</p> <p>A supplier grievance management process is available.</p>
<p>UNGC Principle 2: make sure the company is not complicit in human rights abuses.</p>	<p>Social Impact assessments</p> <p>We conduct social impact assessments, including gender impact assessments, for our estates every 5 years. with the help of external experts. Please visit https://www.horanaplantations.com/ to access these report</p> <p>International accreditations for ethical business</p> <p>We comply with international accreditations for ethical business practices and our operations are audited by external agencies for compliance, minimizing even inadvertent negative impacts on human rights</p> <p>Ethical business accreditations</p> <ul style="list-style-type: none"> Fair Trade Rainforest Alliance Fair Rubber Ethical Tea Partnership Mother and Child-Friendly Seal for Responsible Business ISO 45001: 2018 Great Place to Work
	<p>Preventing human rights abuses in the supply chain</p> <ul style="list-style-type: none"> • Suppliers are subjected to regular due diligence for continued alignment with accreditation standards and HPL business ethics. • From time to time, social and environmental impact assessments are conducted to identify potential negative impacts across our supply chain. Based on our findings, we offer guidance to suppliers to help them rectify shortcomings and improve their social and environmental credentials. We follow up and review, the implementation of recommendations via the due diligence process. • A total of 140 suppliers were subjected to social and environmental assessments in FY 2023/24

SOCIAL AND RELATIONSHIP CAPITAL

UNGC Principle	HPL's status
UNGC Principle 3: Businesses should work against corruption in all its forms, including extortion and bribery.	<p>We comply with all nationally applicable regulations, and we advocate respect for the rule of law and responsible citizenry throughout our Company and our estate communities.</p> <ul style="list-style-type: none"> • A strict code of conduct, including anticorruption, is communicated to all employees • All recruitments, rewards, and evaluations are conducted in a transparent manner <p>Procurement practices to prevent corruption</p> <ul style="list-style-type: none"> • We have Board approved, standardized, procurement process, with digital transaction capabilities that enhance transparency, traceability and merit-based contracts, while discouraging corruption and fraud. • All procurement activities are subject to regular internal audits. • Procurement practices have been developed based on industry best practices. • All procurement is done centrally, for transparency and quality controlling. • All selected suppliers are required to follow company policies and accreditation standards and agree to an annual audit by the management.

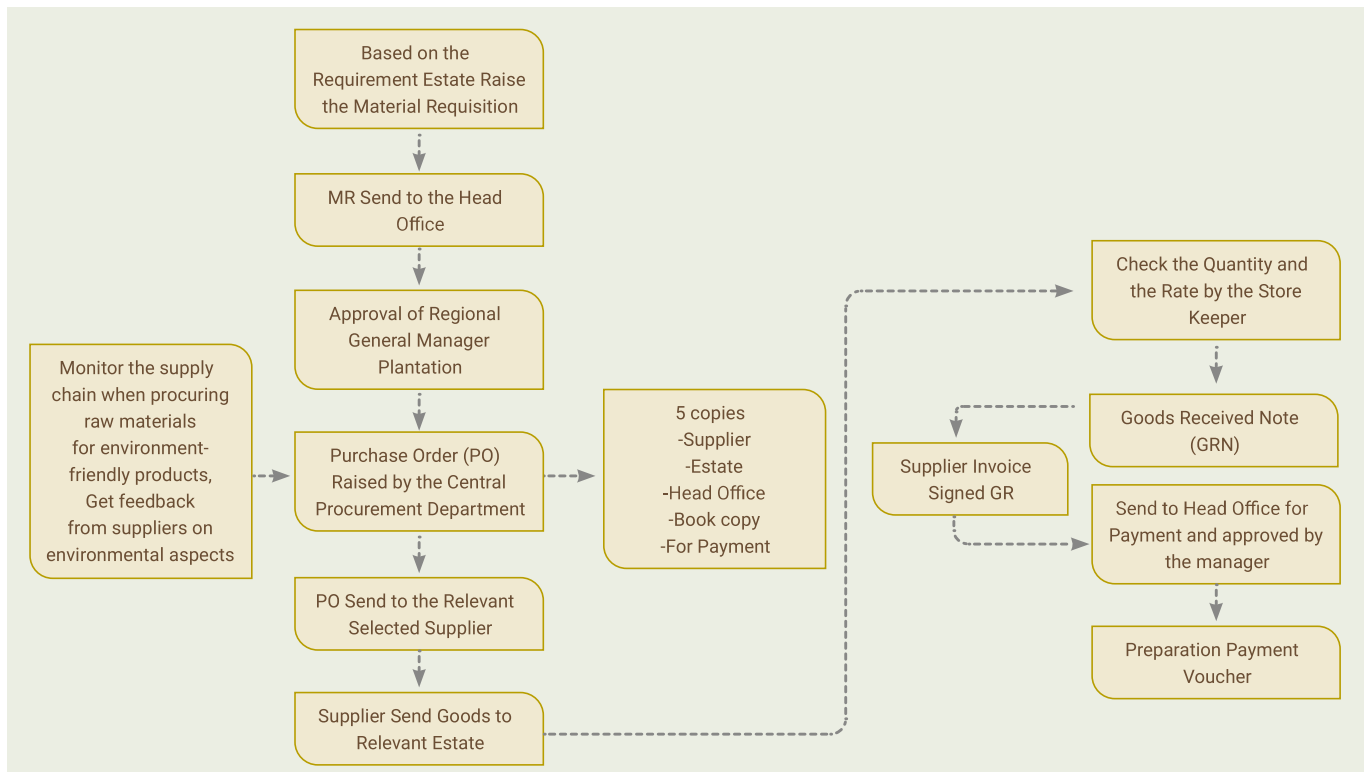
3-3 MANAGEMENT OF MATERIAL TOPICS

GRI 204: Procurement Practices 2016

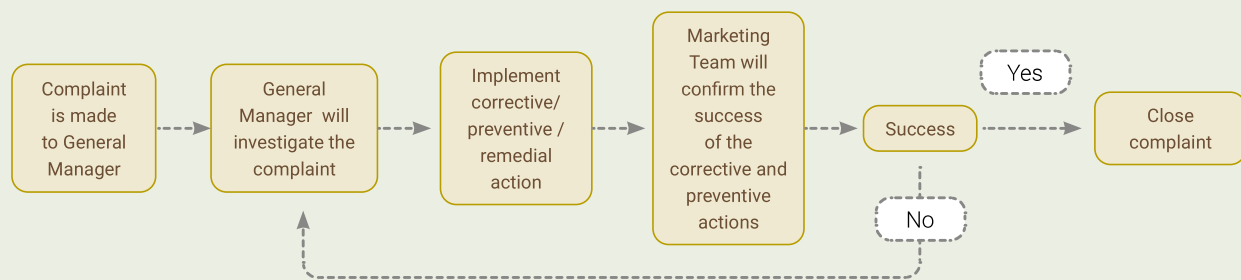


13.23 Supply chain traceability/

BEST PRACTICES ALONG THE SUPPLY CHAIN



a. Positive and negative impacts on the economy, environment, and people, including impacts human rights	<p>HPL's stringent procurement policies and practices described under UNGC Principles 2 and 3, prevent any significant negative environment, social and human rights violations.</p> <p>Positive impacts through our procurements include:</p> <ul style="list-style-type: none"> • Employment generation along supply chains and value creation for multiple upstream players • Support for local industries • Support estate communities with additional incomes by including them in our supply chain wherever possible • Customer safety and satisfaction, increase consumer trust and loyalty • Promotes sustainable sourcing of environmentally friendly materials and practices.
13.23.1 Describe the rationale and methodology for tracing the source, origin, or production conditions of the products sourced by the organization (such as raw materials and production inputs purchased).	<ul style="list-style-type: none"> • Monthly conduct traceability practice on input material • Maintain a centralized Database for supplier Details • Conduct supplier evaluations regularly, following the supplier evaluation policy
b. Negative impacts through company activities or as a result of business relationships	There were no negative impacts reported during the year due to our procurement practices, or due to our business relationships.
c. Policies or commitments regarding the material topic;	Please refer chapter titled Strategies, policies and commitments
d. (i, ii, iii)Actions to manage the topic and impacts	(i) There were no negative impacts from our procurement activities reported during the year. However, suppliers or other stakeholders negatively impacted through our procurement activities can lodge a complaint with our Marketing Department.



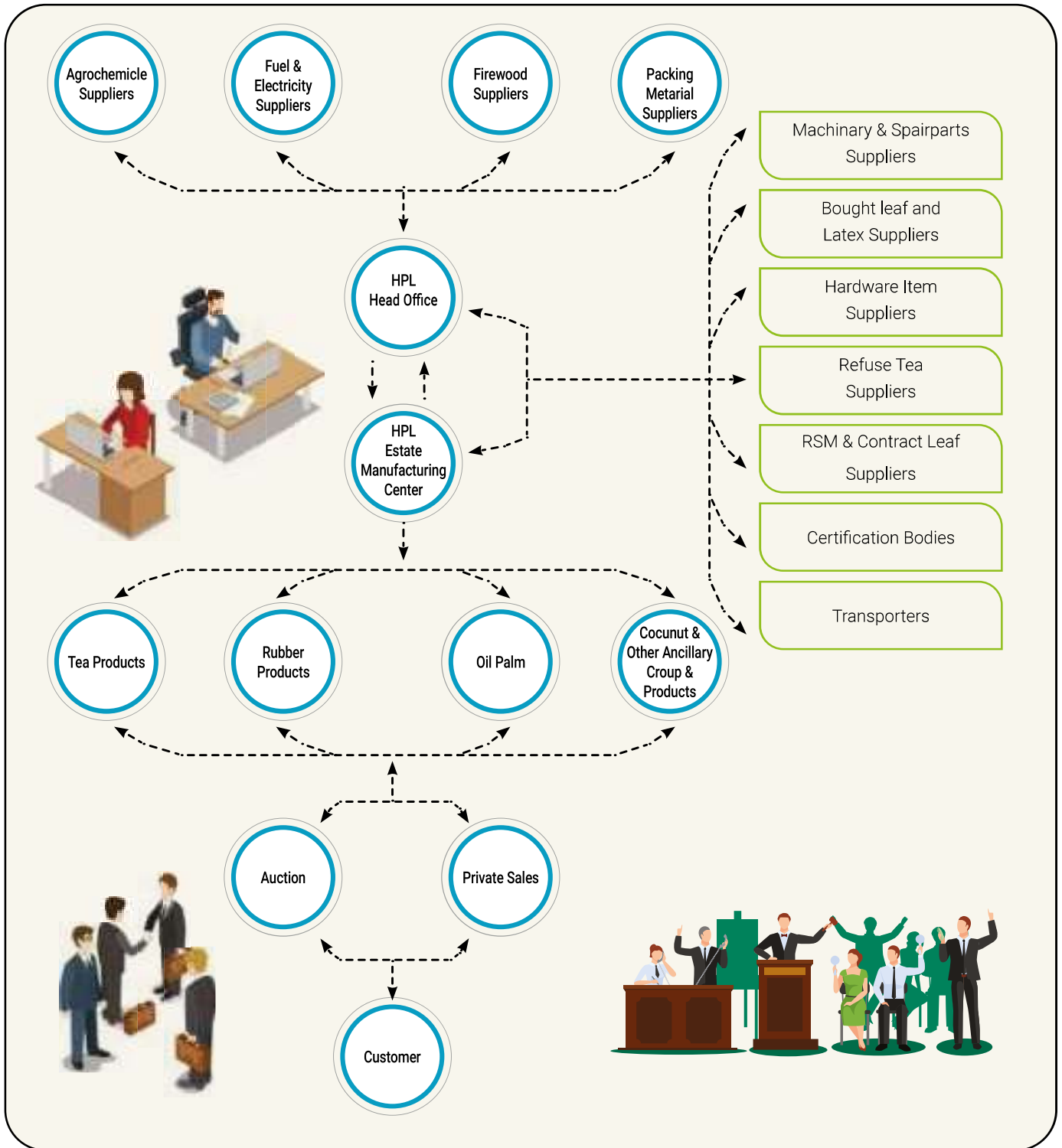
- (ii) Actions to prevent or mitigate potential negative impacts include:
- Supplier training on our sustainability policies and accreditation requirements
 - Supplier audits
 - Annual supplier evaluations

SOCIAL AND RELATIONSHIP CAPITAL

	<p>(iii) Actions to manage actual and potential positive impacts</p> <ul style="list-style-type: none"> • We encourage compliant suppliers through repeat purchases • We provide financial assistance to bought leaf suppliers • We encourage local suppliers through supplier awareness programs to enhance the quality and the service of the supply. • Regularly review and conduct cost-benefit analysis • Obtain certifications such as Fairtrade for suppliers to ensure fair wages and working conditions for workers
e. (i, ii, iii, iv) Tracking the effectiveness of the actions taken:	<p>(i) Processes used to track the effectiveness of the actions</p> <ul style="list-style-type: none"> • Regular internal audits • Annual independent external audits • Annually conduct supplier evaluations <p>(ii) Goals, targets and indicators used to evaluate progress</p> <p>Goal: Widen the local suppliers base to support more local producers and enhance domestic economic and environmental returns.</p> <p>Primary indicator: Number of local suppliers registered during the year (categorization – small, medium & large, and material suppliers and service suppliers)</p> <p>(iii) Progress toward the goals</p> <p>During the year the company registered 140 new local suppliers.</p> <p>(iv) Lessons learned and how they were incorporated into operational policies and procedures</p> <p>We take note of any quality variances in the supplies, different after-sale services, and supplier payment methods. These are evaluated and incorporated into the company's procurement procedures.</p>
f. How engagement with stakeholders has informed the actions taken	<ul style="list-style-type: none"> • Regular communications are maintained with suppliers and customers to understand their requirements • Feedback from customers are used to improve sourcing and product quality • We also take into account advice from accreditation agencies to maintain an ethical supply chain

GRI 204-1 Proportion of spending on local suppliers

a. Percentage of the procurement budget used for significant locations of operation that is spent on suppliers local to that operation (such as percentage of products and services purchased locally).	Local purchases as a percentage of the procurement budget were 100%
The organization's geographical definition of 'local'.	HPL's country of operations - Sri Lanka
The definition used for 'significant locations of operation'.	Regions within the country of operations - Up Country Region - Low Country Region



SOCIAL AND RELATIONSHIP CAPITAL

3-3 Management of material topics

13.10 Food safety / GRI 416: Customer Health and Safety 2016



CUSTOMER HEALTH AND SAFETY

<p>a. Impacts on the economy, environment, and people, including human rights</p>	<p>As a producer of food HPL's production activities are highly regulated through both domestic regulations as well as international quality systems. Therefore, actual negative impacts did not occur during the current year.</p> <p>However, we take precautions against potential negative impacts such as:</p> <ul style="list-style-type: none"> • Legal repercussions on the Company including fines and penalties • Loss of Company/brand credibility and reputation • Loss of certifications and operating licenses • Customer health problems • Employee health problems <p>Positive impacts from our customer health and safety systems include:</p> <ul style="list-style-type: none"> • Ensure crops and products meet food safety standards • Customer health and safety • Efficient and safe production systems • Creation of value-added products • Environmentally friendly production • Increased market share
<p>b. Negative impacts through company activities or business relationships,</p>	<p>There were no negative impacts reported during the year with regards to customer health and safety from our operations or operations of our business partners.</p>
<p>c. Policies or commitments regarding the material topic;</p>	<p>Quality certifications and Food safety management systems</p> <ul style="list-style-type: none"> • ISO 22000: 2018 FSMS standards on food safety • HACCP • Compliance with regulations on food labelling requirements • Policy on Food Safety and Allergens <p>The policy is to make sure that black tea from our factories are free from physical, chemical and microbiological hazards and conform to the relevant statutory and regulatory requirements.</p> <p>• Maximum residue levels</p> <p>We stringently observe the maximum residue levels stipulated by Japan, USA & the EU. As per the Sri Lanka Tea Board requirements, HPL teas are tested regularly for maximum residue levels from accredited laboratories.</p> <p>• Marketing and Labelling</p> <p>Our teas are mainly sold in bulk form at the Colombo tea auctions and comply with the product labelling guidelines set out by The Sri Lanka Tea Board and Ceylon Tea Traders Association.</p>

d. (i, ii, iii) Actions to manage the topic and impacts

(i) Actions to manage impacts and mitigate potential negative impacts

- Employees are trained on product safety and quality
- Safety procedures are followed during customer/buyer visits
- Periodically check quality parameters to ensure product safety - Tea sample analysis (Physical, Chemical, and Microbial parameters)
- Conduct internal audits periodically
- We check the Maximum Residue Level (MRL) in both Tea & Rubber to ensure no harmful chemical impacts on customers
- We obtain and maintain health and safety certifications from recognized certification bodies
- Comply with certification requirements

(ii) Actions to address actual negative impacts

There were no negative impacts reported with regards to customer health and safety. However, we respond to any customer complaints.

(iii) Actions to manage actual and potential positive impacts

- Strictly enforce compliance with food safety standards
- Inform customers and buyers about safety standards
- Share test reports with stakeholders

e. (i, ii, iii, iv) Tracking the effectiveness of the actions taken:

(i) Processes used to track the effectiveness of the actions

- Regular quality checks on products from accredited laboratories.
- Regular feedback from consumers and stakeholders
- Tracking level of compliance with food safety regulations and accreditations, and identifying any deviations

(ii) Goals, targets, and indicators used to evaluate progress

1. Zero customer complaints on health & safety
2. Zero fines /penalties for non-compliance with food safety regulations and accreditation requirements
3. Zero fines/penalties on product labeling regulations

SOCIAL AND RELATIONSHIP CAPITAL

(iii) Progress toward the goals and targets

- We did not incur any fines, or penalties, for non-compliance with relevant regulations
- We did not receive any significant customer complaints, or rejection of our products, due to food safety concerns, or due to non-compliance with safety requirements specific to any particular customer.

(iv) Lessons learned and how they are incorporated into operational policies and procedures

There were no food safety-related concerns in the current financial year.

However, previous learnings through the above actions are incorporated into the production processes to prevent a recurrence.

f. How engagement with stakeholders has informed the actions taken

- Recommendations and regulatory guidelines from regulatory bodies, with regards to food/product health and safety are immediately implemented.
- Adopt any product labelling guidelines set by the regulatory bodies such as Sri Lanka Tea Board, Ceylon Tea Traders Association Regular communications are maintained with and customers to meet their requirements
- Any customer complaints or feedback is collected and responded
- Advice from accreditation agencies are always taken into consideration

GRI 416-2

Incidents of non-compliance concerning the health and safety impacts of products and services

HPL faced no incidents of non-compliance with regulations and/or voluntary codes concerning the health and safety impacts of products and services within the reporting period.



COMMUNITY AND LIVELIHOOD DEVELOPMENT

During the current financial year, Gouravilla estate also obtained Fairtrade certification, making it the third HPL estate to become Fair Trade certified, validating our ethical business model.

In total over 29000 men, women and children live in HPL estates and we conduct many social and economic welfare programs for them. While some welfare facilities are provided by the Company, others are delivered by partnering with both government and non-government organizations to channel both funding and specialized technical expertise.

3-3 Management of material topics

GRI 413 Local Communities 2016

13.12 Local communities

<p>a. Impacts on the economy, environment, and people, including impacts on human rights;</p>	<p>GRI 413-2 Operations with significant actual and potential negative impacts on local communities</p> <p>None of HPL's operations have any actual or potential negative impacts on local communities and no such incidents were reported during the year.</p> <p>Actual and potential positive Impacts</p> <ul style="list-style-type: none"> • Improve housing and living of estate families • Improve health and education of estate communities • Instilling concepts of gender equality by changing traditional practices towards women • Direct and indirect employment opportunities for estate communities
<p>b. Whether negative impacts are through company activities or business relationships</p>	<p>There were no negative impacts through our activities or business partnerships. On the contrary, our community involvements with our partners have helped uplift estate communities.</p>
<p>c. Policies or commitments regarding the material topic</p>	<p>Please refer:</p> <ul style="list-style-type: none"> • Progress under UNGC Principles 1,2 and 3 above • Strategies, Policies and Practices chapter
<p>d. (i, ii, iii)Actions to manage the topic and impacts</p>	<p>(i) Actions to manage impacts and mitigate potential negative impacts</p> <p>It must be clarified that as a large Regional Plantation Company, HPL has many ongoing, as well as new projects for estate community welfare. Some of these projects are described at the end of this section. The Company is highly experienced in the delivery of community projects and has established systems and processes with dedicated personnel, to track these projects from the ground up.</p> <ul style="list-style-type: none"> • We partner with specialized government and nongovernment agencies in identifying, designing and delivering community projects to incorporate the required knowledge, skills and resource personnel, to conduct the project successfully. • We adhere to ethical certifications • Train our staff on social accountability concepts, gender rights and child rights • Women empowerment training programs • Awareness and training for members of the cooperatives and estate community committees • Awareness sessions conducted involving highly qualified professionals • Create children clubs, youth clubs, and volunteer clubs for capacity building development, skill development and improve community engagement

SOCIAL AND RELATIONSHIP CAPITAL

	<p>(ii) Actions to address actual negative impacts</p> <p>Structures for reporting and remedial actions are available through community committees and estate managers.</p> <p>(iii) Actions to manage actual and potential positive impacts</p> <p>Review mechanisms are available for all community activities involving multiple stakeholders. Activities and processes with positive outcomes are recorded and continued and also reused as part of the organization knowledge base.</p>
<p>e. (i, ii, iii, iv) Tracking the effectiveness of the actions taken:</p>	<p>(i) Processes to track the effectiveness of actions</p> <ul style="list-style-type: none"> • All community projects are continually tracked at the estate/community level and progress or problems are reported • Stakeholder meetings • Number of grievances or complains of the local community • Through questionnaires and surveys • Feedback from external stakeholders <p>(ii) Goals, targets, and indicators used to evaluate progress</p> <ul style="list-style-type: none"> • All community projects have clear specific targets set for different projects at project design • Clear budgets are set and approved for each project • Progress of projects are evaluated against targets <p>(iii) Progress toward the goals and targets</p> <p>Some community projects are ongoing while others have been concluded</p> <p>(iv) Lessons learned and how they are incorporated into operational policies and procedures</p> <p>Experiences from each different project is taken into account when designing new projects.</p>
<p>f. How engagement with stakeholders has informed the actions taken</p>	<p>Regular meetings with community representatives, and community committees provide information on how effective or not, our actions have been with regards to all our projects. Such feedback is used to adjust project delivery parameters in future.</p>

GRI 413-1 Operations with local community engagement, impact assessments, and development programs

Business operations with local community engagement

- Fair Trade/ Fair Rubber: HPL receives a premium for certified transactions from Fair Rubber/Fair Trade buyers. This payment is transferred directly to the estate’s Fair Rubber/Fair Trade welfare accounts and used for community initiatives.
- In the current financial year, Fair Trade premium was used to construct the reusable sanitary napkin production unit at Alton estate.
- Livelihoods and income generation

Under our Revenue Share Model, we buy tea leaves from out growers who account for more than 25% of our annual procurement spend. We also provide financial support for high-performing bought-leaf suppliers to help scale up their businesses in the form of a special credit line.

PARTNERSHIPS FOR DEVELOPMENT 2023-24



We have ongoing partnership projects for estate community welfare with:

Fair Trade	Plantation Human Development Trust (PHDT)
Fair Rubber	The National Labor Department
ADRA- Sri Lanka,	Rainforest Alliance
Oxfam Foundation	Women Development Center (WDC)
Farm Foundation	Save the Children
	Alcohol and Drug Information Center (ADIC)

Development activities 2023-24

Social welfare activity	No of Units
Dental Clinics & Oral Cancer Screening	28
New Houses built	15
Water Scheme	18
Electrification housing units	5
Sanitation - Toilets	65
Community Centers	01

HEALTHCARE & NUTRITION

13.9 Food Security



Home gardening and freshwater fish cultivation

We conduct home gardening and freshwater fish farming projects, across each of our estates. The objective is to mitigate malnutrition due to the rising cost of living, which is making it harder for estate families to afford nutritious food.

Abandoned lands within our estates were repurposed for cultivating vegetables. With the Ministry of Agriculture, The National Aquaculture Development Authority of Sri Lanka, and PHDT, we have implemented training programs facilitated by expert resource persons to educate estate families to cultivate vegetables in their home gardens. The company provides the seeds to families.

SOCIAL AND RELATIONSHIP CAPITAL



Freshwater Fish Cultivation



Seeds Distribution for Home gardening

Polyhouse cultivation

HPL has introduced Polyhouse cultivation in Tillicultry estates to safeguard the food security of estate communities in this financial Year. The current environment of high food prices has made estate communities vulnerable to inadequate nutrition. This project mainly focuses on food for the mid-day meal for children in Child development centers in up-country estates.



Polyhouse Cultivation



Access to safe water

- Rainwater harvesting ponds have been established in all estates to collect Rainwater
- Drinking water projects are implemented with the help of ADRA, World Vision, Rainforest Alliance, and the Fair-Trade Foundation.
- Introducing vegetative barriers to protect water sources prevent surface wash-off and Enhance water Quality.
- Map all water sources within estates and implement buffer zones surrounding water source areas
- Conducting periodic water quality testing.



Water Sources Map – Eildonhall Estate

Health and life insurance

All of our estate workers and their families are covered by health insurance provided by the Company. Additionally, we have introduced a life insurance policy in collaboration with Janashakthi Insurance.

Community health activities

- Children in HPL CDC's are provided free mid-day meals



Mid-Day Meals provided in CDCs

- An eye camp was conducted in Gouravilla estate, targeting the estate community in all 5 estates in Upcot (Alton, Gouravilla, Stockholm, Mahanilu, Fairlawn). Following the eye checkups, lenses and glasses were distributed to the patients.



Medical camp – Fairlawn Estate



Eye clinic – Gouravilla Estate

- A health screening program was held to test for dengue and hemoglobin levels, etc....
- Awareness sessions for mothers related to breast feeding was organized by estates and clinics for non- communicable diseases.
- Dental clinics and oral cancer screening was held with the participation of 974 members. As a result, one oral cancer patient was diagnosed from Fairlawn estate, who successfully faced surgery under Company guidance.



Dental clinic – UPCOT Region.



SOCIAL AND RELATIONSHIP CAPITAL

- Halwathura estate organized a blood donation program for their resident population with the involvement of its MOH. Halwathura estate also organized King Coconut (Thambili) donation program for patients at the Maharagama Cancer Hospital, Army Hospital and Police Hospital.
- Menstrual hygiene management awareness sessions were held for estate women in all three regions. Qualified doctors conducted the sessions.

Region and sessions	Total number of participants
Upcot – 4 sessions	446
Lindula – 4 sessions	305
Low country – 4 sessions	266



Menstrual hygiene management awareness sessions

EDUCATION SUPPORT

Estate Child Development Centers



Within our estates, we have 29 pre-school facilities. The total hours of practical sessions conducted during the current financial year was 215,820 hours.

The Company operates Child Development Centers and pays salaries of qualified child development officers who are experienced diploma holders. These pre-schools and day care centers take-in both girls and boys below 5-years of age and play a key role in the development of children of estate families.

Educational sessions with ADIC

To reduce alcohol-related problems in Upcot estates, a survey was conducted by ADIC using social mapping, questionnaires, interviews and focuss group discussions. Several interventions were held to educate target groups.

- Awareness sessions were held for managers, Asst. Managers, workers and estate community.
- Capacity building programs were done for estate HR teams
- Monthly online progress discussions were held with estate HR teams
- Formation of youth clubs, children clubs and volunteer clubs and organized programmes
- A coordinator from ADIC was appointed to stay in the estates, to closely monitor user families and to continue working with children, and youth in the divisions.

Poster campaigns with alcohol prevention messages were displayed, cultural events were organized. Children improved their self-confidence and showcased their talents and two magazines were published featuring their creations.

Stationery packs distribution

School stationery packs were distributed to school children in Alton and Stockholm estates by using Fair Trade funds. Youth empowerment

We facilitate sports training and vocational training events for our estate youth to enhance their knowledge in areas such as:

- Home Gardening
- Bridal & Beauty Care
- Computer Based Education
- Small Business Management
- Environmental Conservation

HPL also organizes leadership training programs for youth, encouraging them to take on leadership roles within their communities or educational institutions.

HPL promotes physical fitness and teamwork through sports and recreational activities. These initiatives contribute not only to physical health but also to the development of teamwork and leadership skills



Cricket Tournament organized by PHDT

HPL maintains an active youth club in each division of its estates that offers a range of initiatives to support the well-rounded growth of estate youth. In our estates,

Women Empowerment

In the current financial year, trainings were held for estate women, facilitated by Women's Development Center, Kandy on following areas,

- Re-usable sanitary napkin production
- Slippers production
- Envelop and paper bag production
- Candles and soap production
- Uniform stitching

Career Development Opportunities

HPL provides training programs, mentorship, and professional development opportunities (Information Technology) to support women in advancing their careers. This includes training in home gardening and self-employment for women who are unable to work in estates.

Financial Literacy Workshops:

HPL conducts workshops with the help of financial institutes, on financial literacy to empower women with knowledge about budgeting, savings, and investments. This equips them with the skills to make informed financial decisions and work towards financial independence.

Social events for estate communities

Horana Plantations PLC conducts annual programs to celebrate Women's Day, Mother's Day, Children's Day, cultural events, a pooja ceremony, and an appreciation lunch for the community.

NATURAL CAPITAL

HPL has made many commitments towards environmental sustainability under international sustainability initiatives in addition to Company policies, which the Company has continued to uphold.

The Natural Capital chapter presents a snapshot of our progress during the year, with regards to our international commitments, as well as our own internal environmental management targets towards achieving our vision to become Net zero by 2050.

Conservation Area

230Ha

Harvested Rainwater

66.3Mn L

Trees Planted

8,181



International commitments United Nations' Sustainable Development Goals



Environmental Vision 2050
To be Net Zero by 2050



United Nations Global Compact (UNGC)



UNGC CEO Water Mandate



Science-based targets (CDP, UNDP, World Resources Institute and the World Wide Fund for Nature)



Climate Neutral Now (CNN) from the United Nations Framework Convention on Climate Change (UNFCCC) signatory to CNN from 2020 on awards. 2022 latest achievement Gold, Silver, Bronze status for reduce, measure and contribute.



UN Sustainable Development Goals (SDGs)

PROGRESS OF OUR ENVIRONMENTAL TARGETS AS AT 31ST MARCH 2024

HPL environmental targets by 2030	Progress to date												
Carbon neutral tea production	Alton and Gouravilla garden marks were certified carbon neutral in 2023 by the Sri Lanka Climate Fund and produce Carbon Neutral Tea to the Market												
Rooftop solar units at all factories and bungalows	On-grid Solar: 5 Factory Rooftops (Alton, Stockholm, Fairlawn, Gouravilla, Mahanilu) Total capacity – 715 Kw Off-grid Solar: 18 units, total capacity – 80 Kw												
Generate 1,000 Mw of renewable energy annually	<table border="1"> <thead> <tr> <th>Type of renewable energy</th> <th>Total renewable energy 31st March 2024</th> </tr> </thead> <tbody> <tr> <td>Solar power</td> <td></td> </tr> <tr> <td>• On grid</td> <td>719,100 Kwh</td> </tr> <tr> <td>• Off grid</td> <td>61,193 KWh</td> </tr> <tr> <td>Hydropower</td> <td>330,639 KWh</td> </tr> <tr> <td>Total</td> <td>1,110 Mwh</td> </tr> </tbody> </table>	Type of renewable energy	Total renewable energy 31st March 2024	Solar power		• On grid	719,100 Kwh	• Off grid	61,193 KWh	Hydropower	330,639 KWh	Total	1,110 Mwh
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Hydropower	330,639 KWh												
Total	1,110 Mwh												
Shift 20% of vehicle fleet to electric vehicles/ low emission vehicles	Low emission vehicles - 5 %												

NATURAL CAPITAL

HPL environmental targets by 2030	Progress to date									
Increase organic fertilizer application by 50%	<table border="1"> <thead> <tr> <th></th> <th>Volume Kgs</th> <th>% of total requirement</th> </tr> </thead> <tbody> <tr> <td>Compost</td> <td>374,233</td> <td>20%</td> </tr> <tr> <td>Vermi wash</td> <td>3300 L</td> <td>2%</td> </tr> </tbody> </table>		Volume Kgs	% of total requirement	Compost	374,233	20%	Vermi wash	3300 L	2%
		Volume Kgs	% of total requirement							
	Compost	374,233	20%							
Vermi wash	3300 L	2%								
Alternative to Glyphosate	GOWEED bio herbicide applied to Tillicoultry and Stockholm as a experiment. (30 L applied)									
Recycle /Reuse 100% of inhouse waste	Alton reuse paper sacks to prepare paper gift bag									
Increase the conservation extent by 10%.	2023/2024 – 230 Ha 2022/2023 – 75 Ha									
Plant 500,000 native plants	Planted 8181 trees during 2023/2024 2022/2023 – planted 5322 trees									

While our 14 tea and rubber estates are primarily commercial plantations, our estates also accommodate large areas of forest cover and rich bio diversity, as well as surface and ground water systems. We are fully conscious of our responsibility towards the protection and upkeep of these finite and fragile natural resources. Therefore, the Company has developed a full range of environmental policies, in addition to good agricultural practices. As part of our environmental protection initiatives we invest large sums of money every year on the conservation of these natural resources.

- Gouravilla and Alton garden marks offset their organization level GHG emissions and produced carbon neutral tea
- Frocester Estate was certified for Sri Lanka Good Agricultural Practices (SL-GAP) for fruits
- Gouravilla Estate certified under fairtrade



Off Grid Roof Mounted Solar

ENVIRONMENTAL ACHIEVEMENTS IN 2023-24

- Declaration of 155 ha of regenerated forest cover as conservation area.
- HPL's REGROW project becomes the first reforestation project in Asia to qualify under the Eco System Restoration Verification standard



Tree Planting Programme

OUR NATURAL CAPITALS

The Company's 14 estates are spread over a total area of 6,519 ha, primarily in the Central and Western provinces of Sri Lanka.

Land extent	6,519 ha	
Cultivated	Tea- 1,950 Ha	Rubber- 996 Ha
	Oil palm- 250 Ha	Cinnamon- 88 Ha
	Coconut- 420 Ha	
Timber and Forestry extent	621 Ha	
Conservation Areas	230 Ha	
Water sources	<ol style="list-style-type: none"> 1. Maskeliya Starting from Fairlawn estate flows through Gouravilla, Alton, Mahanilu and Stockholm Estates to Maussakelle reservoir. 2. Kalu river Flows through the Forester and Neuchatel estates 3. The Fairlawn waterfall 4. Many small waterfall, natural ponds and marshes 	

PROGRESS OF UNGC COMMITMENTS UNDER ENVIRONMENTAL PRINCIPLES

UNDP Principle	Our response																														
UNGC Principle 7: Businesses should support a precautionary approach to environmental challenges;	International environmental accreditations																														
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NATURAL CAPITAL

In addition to external certifications, HPL complies with the precautionary principles through:

1. Bio-diversity Assessments

We conducted bio diversity assessments and compiled species lists on all our estates with external expertise, in order to map our biodiversity richness. The assessments discovered many endangered and endemic species that require habitat protection for their future survival. We have responded by initiating reforestation programs and other initiatives to address these needs.



Birds and Insects



2. Environmental and Social Impact Assessments (ESIA)

HPL conducts an ESIA covering all estates to determine the social and environmental performance of each estate water quality, soil profile, air quality, waste footprint, biodiversity impact, as well as employment credentials, labor rights and other social considerations and their possible impacts on local communities. The findings of these assessments are evaluated by HPL's central sustainability team to making necessary recommendations for enhancing the positive impacts and minimizing the negative effects.

Our processing centers are ISO 14001: 2015 EMS certified for environmental management systems.

3. High conservation value forest assessment report.

To access full report please visit <https://www.horanaplantations.com/sustainability>

4. Manufacturing Precautions

- Boundary Noise levels, Indoor Environment Air Quality and furnace air emission, are checked annually, and maintained within acceptable levels.
- Steam boilers and leaf hoisters are licensed annually by a government registered boiler inspection engineer for optimum performance.
- All boiler operators have valid license to operate
- All employees are trained on correct handling and use of materials and equipment to minimize environmental damage

- All employees with the risk of physical and chemical hazardous are provided with PPE's



Personal Protection Equipment's usage

- Quality of waste water periodically checked (pH, BOD, COD, Oil, Grease, TSS) and maintained within acceptable level.

UNGC PRINCIPLE 8: UNDERTAKE INITIATIVES TO PROMOTE GREATER ENVIRONMENTAL RESPONSIBILITY;

- Regrow project - HPL collaborate with Wildlife and Nature Protection Society,
 - o HPL's habitat restoration project
 - o Restoration to protect aquatic areas
- Maintained peak ridge leopard corridor to conserve leopard population within estates
- HPL's partnership with the Ministry of Environment and the Ministry of Plantation Industries and UNDP Sri Lanka Project to Mainstream Biodiversity and Sustainable Land Management
- HPL's Green Planet tree planting program
- Restoration zones established using live plant species such as bamboo, Kumbuk, Mee, Galweralu, Thelkeena, Dawulkurudu, Kenda, Sapu, weralu.
- Environmentally harmful activities are prohibited in the restoration zones.



Awareness programme of Inversive Species

- Awareness training for Field Officers, Supervisors, workers and other stakeholders



- Introduce sustainable bamboo pots for replacing tea nursery polybags

- Implemented rainwater harvesting ponds to reduce water usage and minimize water pollution
- Inland fisheries in rainwater harvesting ponds to enhance aquatic ecosystem
- Frequently conduct animal traps removing programs
- Switch to 100% LED bulbs in all factories and office premises
- Produce reusable sanitary napkins in Alton estate to mitigate land fill waste
- Increase the extent of riparian buffer zones and chemical free zones in estates
- Introduce native shade trees to replacing introduced high shade plants
- From renewable energy initiatives (on-grid, off-grid solar, hydro) in 2023 HPL reduced 639.07 t CO₂-e
- Introduced proper E-waste management system - handed over E waste to CEA approved/ licensed authorities



Energy Review conducted by NCPC

- Implementation of ISO 50001: 2018 with collaboration of National Cleaner Production Centre in order to manage energy and reduce GHG emissions

UNGC PRINCIPLE 9: ENCOURAGE THE DEVELOPMENT AND DIFFUSION OF ENVIRONMENTALLY FRIENDLY TECHNOLOGIES.

1. MOU signed in 2023 with National Cleaner Production Center (NCPC) under the Promise Project to develop techniques for waste minimization and resource efficiency, in line with sustainable consumption and production.
2. MOU signed in 2023 with NCPC to develop new solutions for low-emission food production in Sri Lanka

3. MOU with Wayamba University on R&D for agriculture
4. Polyhouse Cultivation
5. Go Green Energy - Solar Project
6. Go Green Energy- Hydropower
7. Circular economy initiatives – Biochar project, Vermiwash project
8. Rainwater harvesting ponds
9. Green building concept – implement eco friendly female hygiene units and field rest rooms
10. Use IoT solution (Temperatures sensors) for monitoring drying temperature in rubber factories
11. Monitor biomass moisture level through moisture meter during purchases in order to reduce wastage
12. To reduce vehicle fuel consumption, implement GPS tracking system – Track My Car - <https://gps.trackmycar.lk/>
13. To monitor solar generation introduced Sunny Portal - <https://ennexos.sunnyportal.com/dashboard>

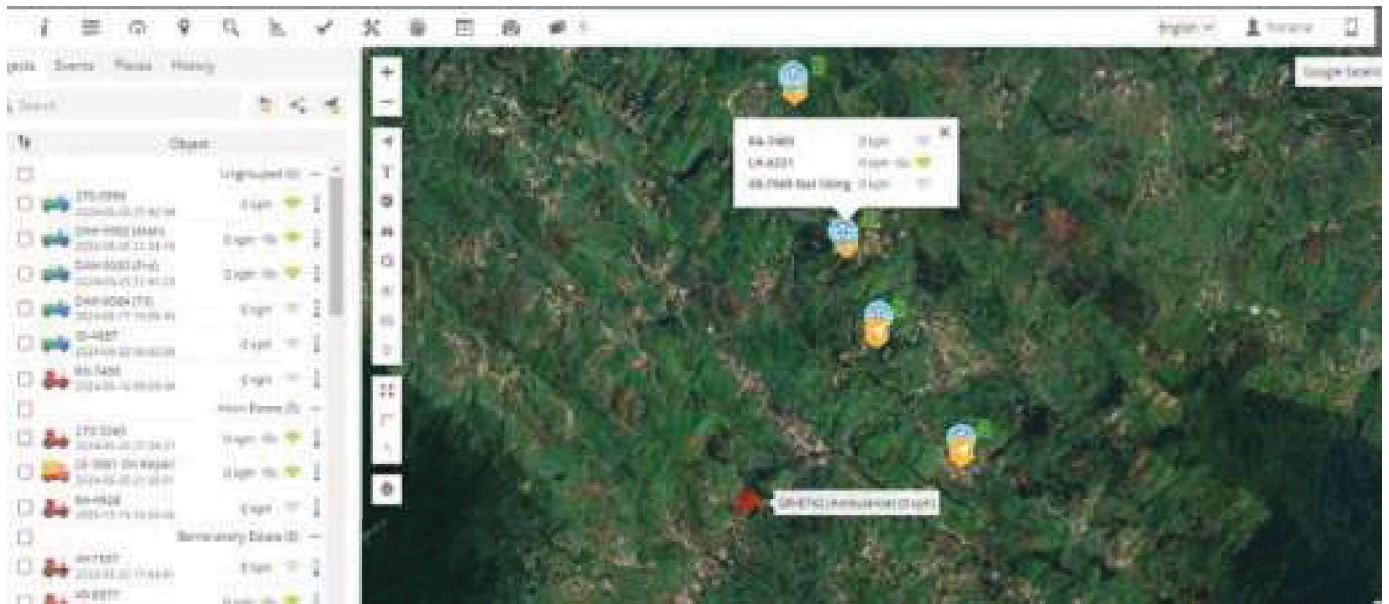
NATURAL CAPITAL



Polyhouse Cultivation - Tillicoultry Estate



IoT Temperature Monitoring System for Drying Towers



GPS Monitoring System

13.6 Pesticide Used

Integrated pest-management (IPM)

HPL maintains an IPM plan, which is based on ecological principles for the control of harmful pests. Therefore, it also gives priority to the use of physical, mechanical, cultural and biological control methods, and the least possible use of agrochemicals.

Minimum use of agrochemicals

Agro-chemical application is minimum at all estate of HPL. However, as a policy, HPL will not use any chemical banned by the Sri Lanka Pesticide Registrar General, Sri Lanka Tea Board and WHO. In the case of use, HPL will follow strict regulations on the justification of using particular chemicals, use of appropriate safety gear by the handlers and sprayers.

Further, HPL will support the integrated pest management approaches. Chemical use records will be maintained at all times by relevant offices. Introduced vermi technologies, Shakasara, bio char, compost, bio herbicides, as an alternative to glyphosate



ENERGY CONSERVATION AND RENEWABLE ENERGY

Managing energy consumption and energy diversification is important for HPL not only due to the rising costs of energy but also due to our commitment to become carbon neutral by 2030. We have already initiated a number of renewable energy projects to transition the Company from fossil fuels to more environmentally sustainable energy options.

3-3 MANAGEMENT OF MATERIAL TOPICS

GRI 302: Energy 2016

<p>a. Actual and potential, negative and positive impacts on the economy, environment, and people, including impacts on human rights;</p>	<p>Actual and Potential Negative Impacts</p> <p>Negative impacts are due to the use of fossil fuels in manufacturing, that contribute to climate change, global warming and air pollution.</p> <p>Actual and potential positive impacts</p> <p>Transitioning to renewable energy sources to reduce energy dependency, lower energy costs and GHG emission reductions</p> <p>2023/2024 renewable energy consumption = 89%</p> <p>2022/2023 renewable energy consumption = 86%</p> <p>GHG Emission reductions = 639 tCO2e</p>
<p>b. Whether the organization is involved with the negative impacts through its activities or as a result of its business relationships</p>	<p>Negative impacts are due to HPL's manufacturing activities and other business operations such as transport, use of electricity in office spaces etc..</p>
<p>c. Policies or commitments regarding the material topic</p>	<ol style="list-style-type: none"> 1. United Nations Global Compact (UNGC) 2. UN Sustainable Development Goals (SDGs) no 7. 3. ISO 50001: 2018 implementation stage 4. Climate Neutral Now (CNN) 5. Science-based targets 6. GHG inventory verification 7. Carbon neutral certification - quantified and verified from Sri Lanka Certified Emission Reductions plus (SCER+) and registered under Sri Lanka Carbon Crediting Scheme (SLCCS)
<p>d. (i) Actions to prevent or mitigate potential negative impacts</p>	<p>Please see below for programs to address negative impacts</p>

NATURAL CAPITAL

<p>(ii) actions to address actual negative impacts, including actions to provide for or cooperate in their remediation;</p>	<ul style="list-style-type: none"> • Improve energy efficiency by implementing ISO 50001:2018 with the consultation of National Cleaner Production Centre (NCPC). • Successfully conducted an energy review in Gouravilla tea factory. • Replaced old panel boards with new ones to improve energy efficiency • Installed VFD controllers to control fan speed. • Control biomass moisture level continuous monitoring by using moisture meters. • Usage of bicycles in order to minimize fuel usage. Purchase new bikes which consume low fuel for its usage. • Increased participation of trainings and awareness sessions related to energy management. Example – ISO 50001 training program – new solutions for low emission food production in Sri Lanka. <p>Go Green Energy</p> <p>HPL implemented Grid-connected and off-grid Rooftop Solar PV Projects at Upcot-Maskeliya, Lindula and Horana regions. Under this project, it is planned to install 58 solar PV systems in 2030, actual implemented 23 solar pv systems up to now – total capacity 795 KW located at 14 estates.</p> <p>As at end of the current financial year, the solar PV projects comprised 784597 Kwh Two mini hydro power plants also came online in 2023 in Fairlawn and Bambarakelly estates which has increased the hydropower capacity by 120Kw. Currently we are using this only for internal usage but planned to supply to the national grid in near future.</p>
<p>(iii) actions to manage actual and potential positive impacts</p>	<ul style="list-style-type: none"> • Implementation of ISO 50001:2018 with collaboration of NCPC • To achieve 2030 target we are going to invest to rebuild Mincinglane mini hydro unit which total capacity of 75 KW. (Expand our mini hydro projects) • Diversifying energy sources and reducing reliance on fossil fuels can mitigate risks associated with energy price volatility • Embracing energy efficient technologies – install VFD
<p>e. Tracking the effectiveness of the actions taken</p>	<ul style="list-style-type: none"> • Solar generation is tracked through SUNNY PORTAL • Daily monitoring of hydro power generation • Monthly comparison analysis report prepared for solar generation • Drying tower temperature heat monitored through an app - https://dialog.althinect.io/admin/login
<p>f. How engagement with stakeholders has informed the actions taken (3-3-d) and how it has informed whether the actions have been effective (3-3-e).</p>	<ul style="list-style-type: none"> • Daily solar generation communicated through HPL Solar Whatsapp group • Monthly energy related data upload to Hayleys CUBE Portal

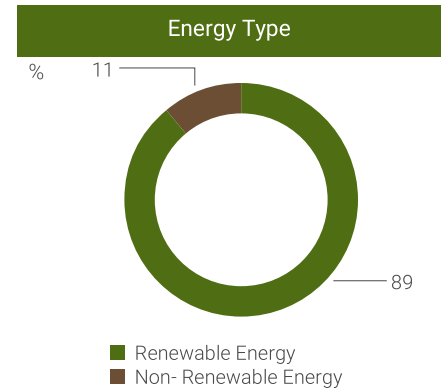
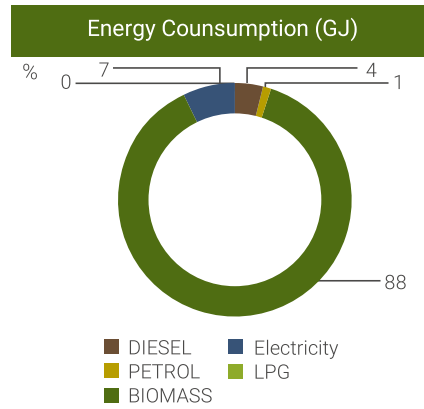
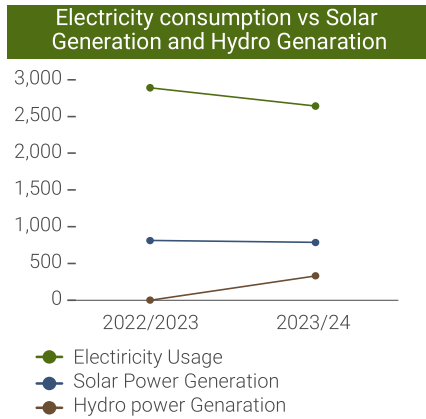
GRI 302-1 Energy consumption within the organization

a. Total fuel consumption within the organization from non-renewable sources, in joules or multiples, and including fuel types used.	2023/2024 = 6946 GJ 2022/2023 = 7063 GJ
b. Total fuel consumption within the organization from renewable sources, in joules or multiples, and including fuel types used.	2023/2024 = 133554 GJ 2022/2023 = 108321 GJ
c. In joules, watt-hours or multiples, the total:	
i. electricity consumption	2023/2024 = 9508 GJ, 2022/2023 = 9849 GJ
ii. heating consumption	2022/2023 = 133,554 GJ, 2022/2023 = 108,321 GJ
iii. cooling consumption	-
iv. steam consumption	-
d. In joules, watt-hours or multiples, the total:	
i. electricity sold	2588 GJ (2023/2024)
ii. heating sold	-
iii. cooling sold	-
iv. steam sold	-
e. Total energy consumption within the organization, in joules or multiples.	2023/2024 = 151,419 GJ 2022/2023 = 125,234 GJ
f. Standards, methodologies, assumptions, and/or calculation tools used.	ISO 14064-1 : 2018 1 kWh = 0.0036 GJ 1 MJ = 0.001 GJ
g. Source of the conversion factors used.	IPCC AR 6 (2023) https://www.ipcc.ch/assessment-report/ar6/

GRI 302-4 Reduction of energy consumption

a. Amount of reductions in energy consumption achieved as a direct result of conservation and efficiency initiatives, in joules or multiples. (excluding reductions from reduced production capacity or outsourcing)	Total reductions = 1361 GJ
b. Types of energy included in the reductions; whether fuel, electricity, heating, cooling, steam, or all.	776 GJ reduction from grid electricity compared to 2022/2023 585GJ reduction from diesel consumption compared to 2022/2023
c. Basis for calculating reductions in energy consumption, such as base year or baseline, including the rationale for choosing it.	Year 2022 / 2023 Reason = We consider all 14 estates for GHG Inventory verification (according to ISO 14064-1 standard) from 2022/2023 onwards
d. Standards, methodologies, assumptions, and/or calculation tools used.	ISO 14064-1: 2018 standard 1 kWh = 0.0036 GJ 1 MJ = 0.001 GJ
e. Is energy reduction estimated, modelled, or sourced from direct measurements. If estimation or modelling is used, disclose the methods used.	Source from direct measurements

NATURAL CAPITAL



REDUCING EMISSIONS



During the current financial year, HPL marked 2 significant milestones in its journey towards carbon neutrality by 2030:

- HPL's rooftop solar project was registered under the Sri Lanka Carbon Crediting Scheme
- Gouravilla and Alton factories certified as carbon neutral under Sri Lankan certified emission reduction plus by the Sri Lanka Climate Fund
- 22 rainwater harvesting ponds in HPL are used to sink carbon through the use of microalgae that absorb atmospheric carbon dioxide at an unparalleled rate

3-3 Management of material topics

GRI 305 Emissions 2016

a. Actual and Potential Negative Impacts

Negative impacts include air pollution, global warming and climate change. Please refer the emissions summary below for emissions during the year. During the year, extreme weather conditions reduced labor productivity, which had an economic impact.

Emission Source	Total (tCO ₂ e) 2023
Total Direct Emission (Round-up)	3,380
Category 1: Direct GHG emissions in tonnes CO ₂ e	3,379.56
1.1 Direct emission from stationary combustion	923.74
Operation of on-site diesel generators	54.58
Firewood Combustion	860.37
LPG Consumption	8.79
1.2 Direct emission from mobile combustion	417.59
Company owned diesel vehicles	174.74
Company owned petrol vehicles	27.20
Company owned off road vehicles(Diesel)	147.91
Agricultural Machineries (Petrol)	67.74

Emission Source	Total (tCO₂e) 2023
1.3 Direct emission from the release of GHG's in anthropogenic systems	2,038.23
CO ₂ emission from Urea application	405.27
CO ₂ emission from Dolomite application	240.00
N ₂ O emissions from Nitrogenous Fertilizers	1,149.24
Waste water generated	243.60
CO ₂ fire extinguishers	0.12
Total Indirect Emission (Round-up)	1,709
Indirect GHG emissions in tonnes CO ₂ e	1,709.26
Category 2: Indirect GHG emissions from imported energy	1,130.33
Purchased electricity	1,130.33
Category 3: Indirect GHG emissions from transportation	96.35
Final Product Transport	29.20
Packing Materials Transport	4.10
Firewood Transport	50.77
Fertilizer Transport	12.29
Category 4: Indirect GHG emissions from product used by the organization	373.50
N ₂ O emissions from Nitrogen Volatization	114.92
N ₂ O emissions from Nitrogen leaching & run-off	258.58
Category 6: Indirect emissions from other sources	109.07
Loss of grid energy in transmission & distribution for supplying purchased grid electricity	109.07
Total emissions in tones CO₂e	5,089

ACTUAL AND POTENTIAL POSITIVE IMPACTS

- Carbon cycle balancing positively contributes to economic growth, as CO₂ emissions indirectly support photosynthesis in plants which results in higher yields
- By addressing emissions, HPL drives innovation and technological advancements to mitigate emissions and lead to produce carbon neutral tea to the market.
- Through the HPL reforestation programs we protect ecosystem, biodiversity, improve air quality and ultimately mitigate climate change.
- Carbon (C) sequestration programs like HPL Regrow and Green Planet tree planting programs, which capture above ground and below ground carbon, are necessary to reach the UNFCCC Paris Agreement targets and limit the global average temperature increase to well below 1.5°C. Planting trees is an effective way to capture carbon.
- Addressing emission reduction measures, HPL promotes the right to health by reducing respiratory diseases and other health issues among estate community.

NATURAL CAPITAL

b. Whether the organization is involved with the negative impacts through its activities or as a result of its business relationships	HPL is actively cutting down its emissions. No new, significant negative impacts were reported through our activities or business partnerships during the reporting period.
c. policies or commitments regarding the material topic	<ul style="list-style-type: none"> • UNSDG 13 • Climate Neutral Now (CNN) • Science-based targets • HPL comply with GHG Inventory Verification – ISO 14064-1: 2018 • ISO 14001:2015
d. (i) actions to prevent or mitigate potential negative impacts	Please refer HPL's ongoing programs below to address negative impacts
(ii) actions to address actual negative impacts, including actions to provide for or cooperate in their remediation;	<ul style="list-style-type: none"> • Shift from non-renewable energy to renewable energy – Solar and Hydro power plants • Shift to electric vehicles, Purchased low emission bikes • The 22 rainwater harvesting ponds with microalgae absorb atmospheric carbon dioxide and removes gigatons of carbon through photosynthesis. The capacity of 22 rainwater harvesting ponds are 23 acre-foot • From renewable energy initiatives (on-grid, off-grid solar, hydro) in 2023/2024 HPL reduce 158 t CO2e when compared with 2022/ 2023. • Under HPL REGROW project Planted 8,181 trees during 2023/2024 • Under the Green Planet tree planting program planted 5,322 native trees • Planted 30,000 shade trees during the year 2023/2024
(iii) actions to manage actual and potential positive impacts	<ul style="list-style-type: none"> • Increase compost production • Vermi-compost and Vermi-wash production • Expand the weed buy-back system • Increase reforestation programs

e. Tracking the effectiveness of the actions taken

Processes used to track the effectiveness of the actions;

- Annually conduct carbon footprint calculations
- Measure the GHG emissions associated with each estate's operations
- Conduct ecosystem reforestation verification
- Conduct energy review
- Conduct emission and air quality test annually

Goals, targets, and indicators used to evaluate progress;

Targets under the energy management policy

Target	Status as at end-March 2024
• Reduce carbon emissions associated with energy consumption by 50% by 2030	Total reduction to date is 639 t CO2 e
• Carbon neutral our products by 2030	2 out of 8 tea garden marks are now carbon neutral
• Install solar panels to all factory rooftops by 2030	Out of a total 12 factories 5. have solar panels installed
• Switch to 100% LED bulbs by 2024	100% achieved
• 50% Reduction of Chemical fertilizer usage by 2030	22% total requirement fulfill by organic fertilizer (compost and Vermi technologies)
• Reopening of Fairlawn Hydropower Plant	Achieved. Generation 2023/2024 = 308 MWh
• Installing of Variable Frequency Drivers(VFD) to factories by 2027	7.% of requirement has been met
• Construction of Rainwater Harvesting ponds in each division by 2026	Out of 51 divisions rainwater ponds have been built in 22 divisions

NATURAL CAPITAL

	<p>Effectiveness of the actions, including progress toward the goals and targets;</p> <ul style="list-style-type: none"> • Monitor organizational level GHG emissions annually. Also see above table with status of targets • Conduct ecosystem reforestation verification audits • Conduct energy review • Conduct emission and air quality test annually <p>Lessons learned and how these have been incorporated into the organization's operational policies and procedures;</p> <ul style="list-style-type: none"> • Learnings from carbon footprint management is incorporated into business processes in the form of investing in renewable energy, composting, replanting programs etc... • Learnings from ISO 50001 are incorporated into business process by reducing organization energy consumption • Improve efficiency by applying IoT based solutions for rubber processing
f. How engagement with stakeholders has informed the actions taken (3-3-d) and how it has informed whether the actions have been effective (3-3-e).	<ul style="list-style-type: none"> • Obtain advisory services from external experts on GHG Inventory preparation and published report annually • Annually submitted emission reductions, measures and contributions to the Climate Neutral Now initiative under UNFCCC and published in the website • Engage with the Sri Lanka Climate Fund (SLCF) to get the verification • Engage with National Cleaner Production Centre for energy audits, energy reviews and ISO 50001 trainings • Engage with independent third party certified laboratories related emission testing

GRI 305-1 Direct (Scope 1) GHG emissions

a. Gross direct (Scope 1) GHG emissions in metric tons of CO2 equivalent	3380 t Co2 e
(13.1.2) include land use change emissions if land is converted from one land use category to another, including natural ecosystem conversion.	
b. Gases included in the calculation; whether CO2 , CH4 , N2O, HFCs, PFCs, SF6 , NF3 , or all.	CO2 , CH4 , N2O
c. Biogenic CO2 emissions in metric tons of CO2 c. equivalent	Biogenic CO2 emissions are excluded from our GHG Inventory calculations
d. Base year for the calculation, if applicable	2023

(i) emissions in the base year;	3380 t CO ₂ e
(ii) the context for any significant changes in emissions that triggered recalculations of base year emissions	
e. Source of the emission factors and the global warming potential (GWP) rates used, or reference to the GWP source.	The greenhouse gas protocol: A corporate accounting and reporting standard, WRI/ WBCSD Sri Lanka Sustainable Energy Authority (SLSEA), National Energy Balance (2021) https://ghgprotocol.org/sites/default/files/ghgp/Global-Warming-Potential-Values%20%28Feb%2016%202016%29_1.pdf
f. Consolidation approach for emissions; whether equity share, financial control, or operational control.	Operational control
g. Standards, methodologies, assumptions, and/or calculation tools used.	Prepared in accordance with ISO 14064-1: 2018 Assessment covers GHG emissions sources of – Direct GHG emissions: Operations from on-site diesel generator, Firewood combustion, Company owned diesel vehicles, Company owned off-road vehicles (diesel), Agricultural machineries (Petrol), Company owned petrol vehicles, LPG consumption, Waste water generated, CO ₂ fire extinguishers, CO ₂ emission from Urea application, CO ₂ emission from dolomite application, N ₂ O emission from nitrogenous fertilizers.

GRI 305-2 Energy indirect (Scope 2) GHG emissions

a. Gross location-based energy indirect (Scope 2) GHG emissions in metric tons of CO ₂ Equivalent	1130 t Co ₂ e
b. If applicable, gross market-based energy indirect (Scope 2) GHG emissions in metric tons of CO ₂ equivalent.	Not applicable
c. If available, the gases included in the calculation; whether CO ₂ , CH ₄ , N ₂ O, HFCs, PFCs, SF ₆ , NF ₃ , or all.	-
d. Base year for the calculation, if applicable	2023
i. the rationale for choosing it;	Because we commenced GHG inventory and carbon foot print calculations for all 14 estates and identified new emission sources for the calculation from 2023 onwards
ii. emissions in the base year	1130 t CO ₂ e
iii. the context for any significant changes in emissions that triggered recalculations of base year emissions.	None

NATURAL CAPITAL

e. Source of the emission factors and the global warming potential (GWP) rates used, or a reference to the GWP source	The greenhouse gas protocol: A corporate accounting and reporting standard, WRI/ WBCSD Sri Lanka Sustainable Energy Authority (SLSEA), National Energy Balance (2021) Ceylon Electricity Board (CEB), Statistical digest (2022) https://ghgprotocol.org/sites/default/files/ghgp/Global-Warming-Potential-Values%20%28Feb%2016%202016%29_1.pdf
f. Consolidation approach for emissions; whether equity share, financial control, or operational control.	Operational control
g. Standards, methodologies, assumptions, and/or calculation tools used.	ISO 14064-1: 2018 standard Each month each estate conducts a stock verification and confirms that all the used values are accurate. Manager/ Asst Manager of each estate is responsible for this verification and for all the invoice bills. By using this accurate data, GHG emissions were calculated according to the IPCC guidelines based on annual fuel usage

GRI 305-3 Other indirect (Scope 3) GHG emissions

a. Gross other indirect (Scope 3) GHG emissions in metric tons of CO2 equivalent (13.1.4) include land use change emissions	579 t Co2e
b. If available, the gases included in the calculation; whether CO2 , CH4, N2O, HFCs, PFCs, SF , NF , or all	N2O, CH4, CO2
c. Biogenic CO2 emissions in metric tons of CO2equivalent	Biogenic CO2 emissions are excluded from our GHG Inventory calculations
d. Other indirect (Scope 3) GHG emissions categories and activities included in the calculation	Loss of grid energy in transmission & distribution for supplying purchased grid electricity, Upstream and downstream transport, Nitrogen volatilization, Nitrogen leaching and run-off
e. Base year for the calculation, if applicable, including	2023
i. the rationale for choosing it	Because we commenced GHG inventory and carbon foot print calculations for all 14 estates and identified new emission sources for the calculation from 2023 onwards
ii. emissions in the base year	579 t Co2 e
iii. the context for any significant changes in emissions that triggered recalculations of base year emissions	None
f. Source of the emission factors and the global warming potential (GWP) rates used, or a reference to the GWP source	The greenhouse gas protocol: A corporate accounting and reporting standard, WRI/ WBCSD Sri Lanka Sustainable Energy Authority (SLSEA), National Energy Balance (2021) Ceylon Electricity Board (CEB), Statistical digest (2022)

g. Standards, methodologies, assumptions, and/or calculation tools used	<p>ISO 14064-1: 2018 standard</p> <p>Assessment was done based on, Indirect GHG emissions from imported energy – purchased electricity</p> <p>Indirect GHG emissions from products used by organization – N2O emission from Nitrogenous Vitalization, N2O emission from Nitrogenous leaching & run-off</p> <p>Indirect emission from other sources – loss of grid energy in transmission & distribution for supplying purchased grid electricity</p>
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GRI 305-4 GHG Emissions Intensity

For the year 2023/24, the GHG emission intensity was 0.0000238.

GRI 305-5 Reduction of GHG Emission

For the year 2023/24, the reduction in greenhouse gas (GHG) emissions amounted to 639 metric tons of CO2 equivalent (CO2e).



13.4 NATURAL ECO SYSTEM CONVERSION

Biodiversity protection

HPL’s biodiversity protection initiatives were expanded in the current financial year by partnering with the Wildlife and Nature Protection Society to launch one of the country’s largest reforestation projects, while continuing its ongoing conservation activities.

Natural Ecosystem Reforestation Project with the Wildlife and Nature Protection Society

Hayleys Plantation companies, including HPL, are signatories to MOU with Wildlife and Nature Protection Society (WNPS) to protect wild animals and plants and to co-operate on nature conservation and provide support for study and research concerning wildlife. Under this agreement HPL has committed to protect and develop forest eco system by implementing forest corridors, reforestation by re-planting etc...

During the current financial year HPL initiated one of the country’s largest reforestation projects to establish a forest corridor along the banks of the Maskeliya-Oya. The project coverage extends to 55 Ha that was identified and mapped out in the Upcot Valley to rehabilitate the Riparian ecosystem using native mountain plants such as *Macaranga peltata*, *Elaeocarpus montanus*, *Elaeocarpus serratus*, *Cinnamomum cassia (L.) J.Presl*, *Rhodomyrtus tomentosa*, and others. This project was initiated on the International Mountain Day 2023. As at end March 2024, a total of 8,181 trees were planted. Additionally, we have identified 100 hectares in Halwathura Estate to restore the natural ecosystem in the Low Country Region.

Green Planet tree planting program

Under this reforestation project our target is to plant 500,000 trees by 2030. Under green planet tree planting program, we have planted 5,322 plants. We have also planted 60,005 shade trees in 2022/2023 and 30,000 shade trees during 2023/2024 to prevent soil erosion, reduce the risk of earth slips, creates habitats for the birds and other species for nesting. The forest

includes timber to increase biodiversity within our plantations.



Shade Planting – Alton Estate

Project to Mainstream Biodiversity and Sustainable Land Management

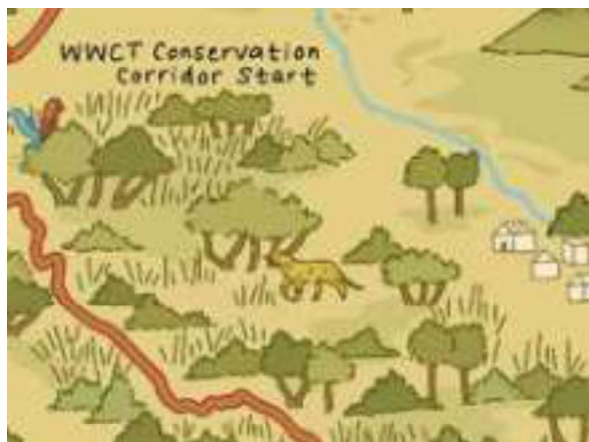
HPL partners with the Ministry of Environment and the Ministry of Plantation Industries and UNDP Sri Lanka, in this project aimed at biodiversity conservation by improving land management practices in tea and rubber plantations areas in the wet climatic zones by managing our land areas coming under the project. The project is called the Partnerships and Innovative Financing to Mainstream Biodiversity and Sustainable Land Management in the Wet Climate Zones.

NATURAL CAPITAL

Goals	Objectives
Bio-Diversity Conservation	Restore and enhance the diversity of plant and animal species within the ecosystem
Habitat Restoration	Restore and create suitable habitats for native species
Erosion Control	Prevent and control soil erosion to maintain soil fertility and prevent sedimentation in water bodies
Carbon Sequestration	Enhance the ecosystem's capacity to sequester and store carbon
Climate Resilience	Increase the ecosystem's ability to adapt to climate change impacts
Water Quality Improvement	Improve the quality of water within the ecosystem
Economic Benefits	Generate sustainable economic benefits from restored ecosystems (e.g., ecotourism)



Bamboo Planting



Leopard Corridor

HPL's habitat restoration project

HPL's habitat restoration project nurtures a number of environment preservation action steps; including protecting existing forest patches, diversification of forestry patches, re-vegetation of under utilized and unutilized lands, developing home gardens as a refuge for native flora and fauna and establishment of habitat corridors along river banks, animal traps removing programs in the forests. In addition HPL implement measures to upkeep invasive species which are compete with native vegetation. As water resource management strategy HPL established

riparian beffer zones to improve water quality.

Leopard corridor

HPL's flagship biodiversity conservation initiative, the Peak-Ridge Leopard Corridor is designed to protect the leopard population and other endemic species in the Upcot region by creating a forest corridor spanning 18 km between Castlereagh and Maussakelle reservoirs. This corridor intersects HPL's Stockholm, Mahanilu and Alton estates extending to the Ballapennumgala forest reserve.

A Memorandum of Understanding was signed in February 2021 to help protect Leopards and other biodiversity on 18km mountain ridge between Castlereagh and Moussakelle reservoirs, near Ceylon Tea Trails and adjacent to the 224 sq km Peak Wilderness Sanctuary. This is a collaborative project between HPL, Biodiversity Sri Lanka, Dilmah Conservation and the Wilderness and Wildlife Conservation Authority. As continuation of this initiative awareness programs were conduct in order to protect and conserve leopard species. Recently, camera traps were fixed to capture leopard behaviors as an experiment purpose.

Biodiversity assessment : Lists of species

HPL's biodiversity assessments have identified and documented fauna and flora in two estates of the Upcot region in the Kalutara District.

Species	Assessment region		
	Upcot, Maskeliya	Neuchatel	Frocester
	Near the Peak Wilderness Nature Reserve, which is Designated UNESCO a World Heritage Site.	Kalutara district, extent 902 Ha.	Kalutara district at an elevation between 165 and 330 feet. 1196 ha
Fauna			
Mammals	18 small, medium and large mammal species, including 3 endemic species, Purple faced leaf monkey (<i>Trachypithecusvetulus</i>), Toque monkey (<i>Macacasinica</i>) and Loris (<i>Loris lydekkerianus</i>)	19 species of mammals including 3 endemics, out of which the Sri Lanka red slender loris (<i>Loris tardigradus</i>) is listed as vulnerable in the National Conservation Status (NCS).	Same
Birds	57 species inhabiting of which 7 endemic species, 7 migratory species and 5 rare species	66 bird species belonging to 35 families including 10 endemics. 3 species are listed as threatened in the National Red List. The Pied Bushchat (<i>Saxicola caprata</i>) is listed as Critically Endangered (CR)	Same
Reptiles	16 Tetrapod Reptiles including 3 endemic and 2 threatened species	16 species of reptiles belonging to 10 families, 2 identified as endemic species – The Sri Lanka Wolf Snake and the endangered Sri Lanka Krait	Same
Amphibians	14 species and 12 endemics, and rediscovery of Pseudophilautus leucorhinus which has not sighted for many decades in Sri Lanka.	6 species belong to 4 families, with 4 endemics, with one species identified as endangered	Same
Fresh water fish	Endemic Stone Sucker/ Gal Pandiya (<i>GarraCeylonensis</i>) a nationally threatened species of freshwater fish and native Malabar Danio Devariomalabaricus (Rathkailaya, Dankolasalaya)	13 species of fresh water fish from 8 families, of which 8 species are endemic and 4 endangered. 1 exotic fresh water fish species.	Same
Butterflies	21 species, 3 endemic.	44 species from 5 families, 6 endemics and 2 endemics identified as threatened species	Same

NATURAL CAPITAL

Species	Assessment region		
Dragonflies and Damselflies	9 species of dragonflies and damselflies. Including Red-Striped Thread tail and Mountain Reedling that are endemic.	8 species of odonats, one endemic	Same
Land Mollusks	6 species of exotic land mollusks, out of which 2 species are invasive.	-	-
Flora			
• Natural forests - 11 endemic species and 20 indigenous species.		97 species of flowering plants from 42 families,	
• Ravines- 35 species and few endemic and indigenous species		18 endemic plants.	
• Old timber forests- 19 indigenous species		3 endemics, 2 indigenous plants are listed as endangered.	
• Riverine forests - 34 species, including 11 endemic species and 16 indigenous species.		4 endemic plants identified as vulnerable plant species	
• Scrubland- poor in endemic and indigenous species but rich in exotic and invasive species, total of 8.		4 species of invasive Alien species and a potentially invasive alien species were recorded.	

3-3 Management of material topics

GRI 304: Biodiversity 2016

13.3 BIODIVERSITY

<p>a. Actual and potential, negative and positive impacts on the economy, environment, and people, including impacts on human rights;</p>	<p>Actual and Potential Negative Impacts</p> <p>HPL does not encroach on protected areas within our estates and is involved in active conservation activity to minimize losses of biodiversity. Therefore, no actual negative impacts on biodiversity in protected areas within our estates, were reported.</p> <p>However, potential negative impacts could include:</p> <ul style="list-style-type: none"> • Loss of biodiversity reduces the productivity of the ecosystem • Reduced biodiversity lead to ecosystem instability, making ecosystems more vulnerable to disturbances such as invasive species, diseases and extreme weather events. • Decreased biodiversity, increase costs for relying on ecosystem services. • Loss of biodiversity can increase the health risks.
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Actual and Potential positive Impacts

- Biodiversity within plantations, such as diverse crop varieties and agroforestry enhance soil fertility, pest control, resilience to climate change, leading to increase yields
- Environmental conservation
- Protecting of rare, threaten and endangered species
- Habitat creation and protection
- Sequester more carbon and mitigate climate change
- Increase the aesthetic value of properties
- Additional income generation from environmental values
- Reputational gains
- Partnership opportunities
- Improve the physical and mental well-being of estate people by providing recreational spaces, fresh air and opportunities for outdoor activities.

b. Whether the organization is involved with the negative impacts through its activities or as a result of its business relationships

No negative impacts through our activities or business partnerships were reported during the year.

a. policies or commitments regarding the material topic

- MOU with Wildlife and Nature Protection Society (WNPS)
- United Nations Global Compact (UNGC)
- UN Sustainable Development Goals (SDGs).UN SDG 14, UN SDG 15
- Member of Biodiversity Sri Lanka
- Comply with ISO 14000 series
- Comply with Forest Stewardship Council (FSC)
- Ecosystem Restoration verification standard
- Ecosystem Restoration Policy

Restoration will be maintained to protect the aquatic areas from erosion, pollution and other damages. Restoration zones will be established using live plant species such as bamboo and Kumbuk, and other native trees, water conservation plants as per the SAN parameters. Any environmentally harmful activity, such as road construction, operation of heavy machinery, waste disposal, chemical use, uprooting of large trees etc., will be prohibited in the restoration zones. The environment quality of the restoration zones will be further improved by planting suitable native species whenever possible. Field Officers, Supervisors, Workers and Contractors will be thoroughly aware of the restored zones and the activities that are banned in those areas.

NATURAL CAPITAL

d. (i) actions to prevent or mitigate potential negative impacts	<ul style="list-style-type: none"> • Educate employees and resident communities through awareness programs • Signing MOU with environmental leading entities • Closely work and get advices from environmentalists and experts in biology • Adopt biodiversity conservation efforts • Restoration – fighting against climate change • Tree planting programs • World Mountain Day and World Bamboo Day celebrated by engaging community and stakeholders
(ii) actions to address actual negative impacts, including actions to provide for or cooperate in their remediation;	No negative impacts reported
(iii) actions to manage actual and potential positive impacts	<ul style="list-style-type: none"> • Membership in biodiversity forums such as Biodiversity Sri Lanka and Wildlife and Nature Protection Society • Conduct biodiversity assessments and high conservation value assessments periodically. • Conduct ecosystem reforestation verification • With the collaboration of WNPS conduct baseline survey for migrated species identification • Maintain conservation areas, riparian buffer zones • Do collaborative projects to conserve biodiversity • Periodically conduct animal trap removing program
e. Tracking the effectiveness of the actions taken	<p>(i) processes used to track effectiveness of actions;</p> <ul style="list-style-type: none"> • Biodiversity assessment reports done by environment specialists to track the effectiveness of conservation. • First ever Asian Eco System Reforestation Verification done by Preferred by Nature. • Environment related audits (FSC, ISO 14001:2015, RA, Fairtrade, Eco label) conduct by independent external parties. <p>(ii) goals, targets, and indicators used to evaluate progress;</p> <ul style="list-style-type: none"> • Through biodiversity assessments, Identifying flora and fauna within the categories of endemics, endangered, vulnerable, near threatened and least concern. • Through eco system restoration verification consider the following goals to be fulfilled.

Goals	Objectives
Bio-Diversity Conservation	Restore and enhance the diversity of plant and animal species within the ecosystem
Habitat Restoration	Restore and create suitable habitats for native species
Erosion Control	Prevent and control soil erosion to maintain soil fertility and prevent sedimentation in water bodies
Carbon Sequestration	Enhance the ecosystem's capacity to sequester and store carbon
Climate Resilience	Increase the ecosystem's ability to adapt to climate change impacts
Water Quality Improvement	Improve the quality of water within the ecosystem
Economic Benefits	Generate sustainable economic benefits from restored ecosystems (e.g., ecotourism)

(iii) lessons learned and how these have been incorporated into the organization's operational policies and procedures;

- Recognized the importance of maintaining habitat connectivity by implementing landscape level planning and restoration initiatives such as wildlife corridors, reforestation to reconnect fragmented habitats.
- Lessons from activities have been used in developing eco system restoration activities and conservation activities
- Learnings from rainwater harvesting ponds (aquatic ecosystem) – “This diversity of ponds is reflected in the range of carbon sequestration rates found across the literature. One study found that small ponds sequester 79-247g of organic carbon per square meter annually, a rate 20-30 times higher than woodlands, grasslands and other habitat types (Taylor et al., 2019).” These studies help to achieve our environment targets of 2030 easily.

f. How engagement with stakeholders has informed the actions taken (3-3-d) and how it has informed whether the actions have been effective (3-3-e).

- We conduct stakeholder meetings regularly to discuss progress of the biodiversity initiatives and to get their ideas about to improve and mainly focused on conservation . In addition, we arrange training and awareness sessions with industry experts, stakeholders and local community.
- Participation of environment conservation and educational programs facilitated by various external industry experts.
- To educate stakeholders about our biodiversity efforts and actions taken to protect biodiversity, we have designed our product labels and hampers to share knowledge with them.
- Celebrate World mountain day and World Bamboo day by engaging with stakeholders

NATURAL CAPITAL

GRI 304-3 Habitats protected or restored

a. Size and location of all habitat areas protected or restored, and whether the success of the restoration measure was or is approved by independent external professionals

Estate	Place	Extent
Upcot region	Alton, Stockholm, Fairlawn, Gouravilla, Mahanilu	55 ha
Alton	Upper division conservation Block	2 ha
Halwathura	Kahagala and lower division	100 ha
Bambrakelley	9TC-1	8 ha
Bambrakelley	Dell division	39 ha
Frocester	Bodhikanda	2 ha
Frocester	Govinna	6 ha
Mirishena	Wathurana	2.84 ha
Millakanda	New	2 ha
Hillstream	Wathurana	1 ha

External biodiversity assessments, Ecosystem Restoration Verification, Environment related audits have been conducted to verify protection activities

- b. Partnerships with third parties to protect habitat areas distinct from where the organization has overseen and implemented restoration or protection measures: HPL collaborates with the WNPS and follows the preferred by Nature Ecosystem Restoration verification guidelines
- c. Status of each area based on its condition at the close of the reporting period: All areas are in good condition without any loss of conservation extent. The total habitat restoration area in the financial year 2022-23 was 113 ha. This increased by 92% in the current financial year to 217.84 ha.



Conservation Area- Halwathura Estate



Sign Board – Halwathura Estate



Bamboo Planting in UPCOT

WATER CONSERVATION AND EFFLUENTS MANAGEMENT

Water is vital for HPLs operations as a cultivator and also for the health and wellbeing of the Company's large resident estate population. Therefore, HPL continued to educate employees and estate communities regarding the



vital importance of water conservation, as extreme weather incidents continued during the year. Water management committees in each estate are greatly supported for conserving water and

effluent management in respective estates. With community involvements HPL is also expanding ongoing water management initiatives to better manage climate change impacts on crops and communities.

3-3 Management of material topics

GRI 303: Water and Effluents 2018

13.7 WATER AND EFFLUENTS

<p>a. Actual and potential, negative and positive impacts on the economy, environment, and people, including impacts on human rights;</p>	<p>Actual and Potential Negative Impacts</p> <p>No actual negative impacts on the environment were reported due to HPL's business activities during the reporting period.</p> <p>However, potential negative impacts could include:</p> <ul style="list-style-type: none"> • Economy- High cost for management (comply with environment regulations, investments in effluent treatment), • Environment- Environment pollution, water quality degradation, Soil degradation, biodiversity loss, loss of habitats of aquatic ecosystem • People- Unsafe drinking water, health risks to nearby estate community through contamination of drinking water sources, water scarcity
<p>b. Whether the organization is involved with the negative impacts through its activities or as a result of its business relationships</p>	<p>Actual and Potential positive Impacts</p> <ul style="list-style-type: none"> • Economy: Increased production, partnership with external stakeholders – UNGC, ADRA, Rainforest alliance: receive funds for water conservation projects, • Environment: Rainwater harvesting ponds, create new aquatic eco systems, water conservation, improving ecosystem services such as water purification and flood control, carbon sequestration • People: Water availability, inland fishing, reduce the risk of waterborne diseases – enhance quality of life within estate community <p>No negative impacts were reported during the current financial year through our activities or business partnerships</p>
<p>c. Policies or commitments regarding the material topic</p>	<ol style="list-style-type: none"> 1. Adhere to Environment Protection Licence (EPL) under National Environment Act 2. United Nations Global Compact (UNGC) 3. UN Sustainable Development Goals (SDGs). UN SDG 6, UN SDG 14, UN SDG 3, UN SDG 13 4. UNGC CEO Water Mandate 5. Water conservation policy 6. SLS 614:2013 (Comply with drinking water standard)

NATURAL CAPITAL

d. (i) Actions to prevent or mitigate potential negative impacts	<ul style="list-style-type: none"> • Established and maintain effluent treatment plants • Training and awareness programs on water conservation for staff and estate communities • Continuous supervision and monitoring of water use and effluent disposal • Waste water treated through filtering system • Water pollution is mitigated through maintenance of buffer zones • Raising employee awareness in relation to handling chemicals, such as washing equipment and sprayers of chemicals in allocated places and disposing chemical bottles in an appropriate method. • Industrial wastewater generated during the manufacture of rubber is channeled to the wastewater treatment plant.
<p>Rainwater harvesting</p>	
<p>Already 22 rainwater harvesting ponds have been commissioned at our upcountry and low country estates which has harvestable rain water capacity of 66.3 Mn L. Water collected in these ponds are diverted to plantations during dry seasons and also used by estate communities.</p>	
(ii) actions to address actual negative impacts, including actions to provide for or cooperate in their remediation;	No actual negative impacts during the year
(iii) actions to manage actual and potential positive impacts	<ul style="list-style-type: none"> • Regular water testing by accredited laboratories. Based on these water tests, corrective actions are carried out including proper waste water disposal through establishing waste water treatment plants. • We have implemented rainwater ponds. Water collected is diverted to plantations during the dry season apart from directed for the use of estate communities to fulfil their day-to-day water requirements. • We have also made water maps available on estates to locate water sprouts, streams, ponds and water tanks for conservation and management. • Implemented Riparian buffer zones and chemical free zones • Established estate wise water management committees • Treated water is tested in line with CEA parameters for pH, BOD (Biochemical Oxygen Demand), COD (Chemical Oxygen Demand) and TSS (Total suspended solids) before being channelled back for irrigation of our rubber lands. • To in line with standard parameters SLS 614: 2013 drinking water quality checked periodically by accredited laboratories • Implement vegetative barriers (Kumbuk) to enhance water quality • Annually update water maps to identify water sprouts, streams, ponds, water tanks for the easiness of conservation and management

e. Tracking the effectiveness of the actions taken

i. processes used to track the effectiveness of the actions;

- Obtain waste water testing reports regularly through accredited laboratories.
- Drinking water quality tested according to the SLS 614:2013 standard by accredited laboratories
- Environment audits (FSC, RA, Eco Label)
- in accordance with the standards and criteria prescribed by The National environmental (Protection and Quality) Regulations No. I of 2008, . published in the gazette No 1534/ IB dated 01.02.2008 amended by gazette No.2264i17 dated 27.01.2022 and the National (Environmental noise Control) Regulation No.01 of 1996, published in the gazette No 924/ 12 dated 23.05 .1996.

ii. goals, targets, and indicators used to evaluate progress;

- Waste water Tested parameters: pH, COD, BOD, TSS, Fecal coliform count, Turbidity
- Drinking water tested parameters: pH, Turbidity, Sulphate, Nitrate, Sodium, free residual chlorine, fecal coliform
- We have committed to UNGC CEO water mandate. By endorsing we have committed to act across 6 key areas of water stewardship: direct operations, supply chain and watershed management, collective action, public policy, community engagement and transparency.
- Target: 100% treated waste water reuse for plantation operations, Harvest of 500 Mn Lts. of rainwater by 2030.

iii. the effectiveness of the actions, including progress toward the goals and targets;

- Maintain and even reduced effluents
- Increase implementations of drinking water and water conservation
- Investing in sustainable practices such as reforestation to protect water sources.
- Ecosystem quality enhancement and aquatic habitat generated through rainwater harvesting ponds
- Harvestable rainwater 2023/2024 – 66.3 Mn L
- Successful water conservation strategies
- Successful water recycling and reuse initiatives
- Regular monitoring and reporting on water discharge and water quality

iv. lessons learned and how these have been incorporated into the organization's operational policies and procedures;

NATURAL CAPITAL

	<p>We have used the knowledge from our efforts to:</p> <ul style="list-style-type: none"> • Develop comprehensive water management plan which outline water usage, manage and implement water conservation strategies, and strategies for minimizing water pollution, • Reduce effluents and implement effective effluent treatment systems to ensure that waste water from our plantation operations is treated before discharge • Arrange awareness programs and training programs related to proper chemical handling procedures, water conservation practices • Recycle and reuse the water • Increase implementation of water conservation projects • More engagement with local communities and stakeholders for collaboration in water and effluent management efforts. • Develop contingency plans for responding to water related emergencies such as droughts, floods etc.
f. How engagement with stakeholders has informed the actions taken (3-3-d) and how it has informed whether the actions have been effective (3-3-e).	<p>We obtain feedback from estate communities, unions/employees, NGOs and national regulatory bodies in implementing our water and effluent management strategies. The main stakeholders are:</p> <ul style="list-style-type: none"> • Central Environment Authority- Test water samples for EPL • NGOs- (ADRA, World vision, Farm Foundation- Water Projects) • Rainforest Alliance (RA) – Funds for water projects • PHDT- Provide new water Projects • Pradeshiya sabha - Water projects, Approvals for water projects • Worker Unions- Water project beneficiary list • Personnels from water management committee in each estate – responsible management of water resources within estates and directly connect with estate management and ADRA. • Third party accredited laboratories – for water quality testing

GRI 303-2 Management of water discharge related impacts

a. Minimum standards set for the quality of effluent discharge, and how these minimum standards were determined	We are fully compliant with all CEA guidelines - in accordance with the standards and criteria prescribed by the National environmental (Protection Quality) Regulations No. I of 2008, . published in the gazette No 1534/IB dared 01.02.2008 amended by gazette No.2264i17 dated 27.01.2022 and the National (Environmental noise Control) Regulation No.01 of 1996, published in the gazette No. 924/ 12 dated 23.05 .1996. regarding water discharge and effluent treatment.
a. How standards for facilities operating in locations with no local discharge requirements were determined;	No such locations. All HPL operational locations are under the CEA and all our operational locations are fully compliant with CEA guidelines and regulations.
b. Any internally developed water quality standards or guidelines;	All water quality standards and guidelines conform with National requirement

c. Any sector-specific standards considered;	No
d. Whether the profile of the receiving waterbody was considered	Yes. This aspect is covered by CEA guidelines on water and effluent discharge.

GRI 303-3/ 303-4/ 303-5 Water withdrawal, Water discharge and Water consumption

Hpl uses only surface water for our production processes , hence - In the 2023/24 FY HPL withderew, consumed, and discharged a total of 22555 m3



WASTE MANAGEMENT

HPL’s waste management strategy now extends well beyond safe collection and disposal of waste. HPL aim is to drive towards polythene free plantation. We have successfully introduced alternatives in order to reduce usage of plastic and polythene. We have invested in many circular economy initiatives that are now successfully converting byproducts and waste from manufacturing into useful inputs that are directly contributing towards cost savings. Progress of our circular economy initiatives are described below. Our circular economy approach aimed to connect our waste management projects with our sustainable agricultural practices. We want to turn waste into opportunity.

3-3 Management of material topics

GRI 306: Waste 2020

13.8 WASTE

<p>a. Actual and potential, negative and positive impacts on the economy, environment, and people, including impacts on human rights;</p>	<p>Actual and Potential Negative Impacts</p> <p>Due to HPL’s stringent waste management systems, no actual negative impacts on biodiversity within our estates and in protected areas within our estates, were reported due to HPL’s business activities during the reporting period.</p> <p>However, potential negative impacts could include:</p> <ul style="list-style-type: none"> • Environmental pollution • Habitat destruction • Climate change due to emit greenhouse gases • Damages to ecosystems • High cost of management • Exposure to waste may having significant health risk to estate community • Regulatory impacts such as penalties, legal actions <p>Actual and Potential positive Impacts</p> <ul style="list-style-type: none"> • Waste reduction initiatives lead for cost saving • Resource recovery – organic waste repurposes for composting • Environmentally friendly and sustainable practices, • Enrich soil fertility by incorporation of compost, biochar • Reputational gains – attracting environmentally conscious stakeholders, investors, consumers etc. • Additional income from sustainable trade channels
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NATURAL CAPITAL

b. Whether the organization is involved with the negative impacts through its activities or as a result of its business relationships	No negative impacts reported during the reporting period due to HPL's actions or actions of our business partners.
c. policies or commitments regarding the material topic	<ul style="list-style-type: none"> • UNSDG 12 & 09 • Waste Management Policy <p>We are committed to minimizing waste production by employing Reduction, Re-use, and Recycling techniques at every stage of our operation. We ensure that all operations and activities are fully compliant with all current waste management legislation.</p> <ul style="list-style-type: none"> • MOU signed with National Cleaner Production Centre for implementing waste minimization and resource efficiency in line with sustainable consumption and production • Comply with environment certifications (ISO 14001:2015, ISO 9001:2015, FSC, Eco label, RA, Fairtrade) • Adhere to Environment Protection Licence (EPL) under National Environment Act
d. (i) actions to prevent or mitigate potential negative impacts	<ul style="list-style-type: none"> • Training for employees on waste management standards and regulations • Practicing waste segregation • Compost, Vermiwash, Biochar production from waste • Apply the 3R principles across operations • Periodic testing of water and soil • Conduct progress evaluations, waste assessments and reviews annually. • Obtain EPL and scheduled audits, corrective actions taken
(ii) actions to address actual negative impacts, including actions to provide for or cooperate in their remediation;	No actual negative impacts
(iii) actions to manage actual and potential positive impacts	<ul style="list-style-type: none"> • Expand circular economy initiatives • Provide training on circular economy and 3R initiatives • Provide waste segregation bins. • Align factories with ISO 14001:2015. • Obtain 3rd party test report for parameters • Adhere to Environment Protection Licensing requirements from CEA. • Strongly adhere to 3R concept

	Reduce	Grid-Electricity consumption reduces through on-grid,off-grid solar and hydro and Implement energy management system
		Agricultural waste reduces through weed buy back system, composting, vermi technologies, shaka sara production, bio char production
		Reduce usage of non-degradable materials for female hygiene units and they have been developed by using bio degradable materials such as bamboo.
		Shift to sustainable packing materials by reducing non degradable packing materials
	Reuse	Machinery parts reuse
		Alton estate produce reusable sanitary napkin for the wellbeing of its female community - Disposable sanitary napkins pose environmental challenges due to their non-biodegradable nature therefore switching to reusable sanitary napkin is one way to mitigate these concerns
		Instead of polythene bags, we are using reusable bamboo pots for our tea nurseries
Recycle	Refuse tea use for composting Recycle water for estate operations	

NATURAL CAPITAL

e. Tracking the effectiveness of the actions taken

i. processes used to track the effectiveness of the actions;

- Check waste water samples through physical and chemical analysis
- Soil fertility improvement check - Soil sample parameters tested by Tea Research Institute and Rubber Research Institute (To check whether soil fertility has improved)
- Drinking water quality tested
- Environment related audits conducted
- Emission test conducted annually
- Energy review conducted
- Annually conduct GHG verification by Sri Lanka Climate Fund

ii. goals, targets, and indicators used to evaluate progress;

- Waste water Tested parameters: pH, COD, BOD, TSS, Fecal coliform count, Turbidity
- Drinking water tested parameters: pH, Turbidity, Sulphate, Nitrate, Sodium, free residual chlorine, fecal coliform
- Emission test parameters – GHG gases and other gases, ash, dust and suspended particles
- Energy review – target is reduction of energy wastage and identify potential cost saving paths
- GHG inventory Verification – quantify annual GHG emissions and measures taken to reduce emissions

iii. the effectiveness of the actions, including progress toward the goals and targets;

- We periodically check the waste water from accredited laboratories and maintain it below the hazardous levels
- We periodically check drinking water quality and ensure below the threshold level
- Non-renewable energy consumption reduced and increase renewable energy consumption through solar hydro power and biomass

iv. Lessons learned and how these have been incorporated into the organization's operational policies and procedures;

- Using our learning, we have implemented many circular economy initiatives and 3R practices involving our estate communities
- Through our resource recovery initiatives we strive our goals towards cost saving, environment benefits from waste reductions
- To achieve the target of polythene free plantation we have implemented sustainable alternations to reduce our plastic and polythene consumption. (Move to reusable sanitary napkins, reusable bamboo pots for tea nurseries, use sustainable product packaging etc)

f. How engagement with stakeholders has informed the actions taken (3-3-d) and how it has informed whether the actions have been effective (3-3-e).	<p>We conduct regular meetings with employees, estate staff, estate communities to discuss progress and new initiatives</p> <p>Having meetings, visits and online survey with regulators and certification bodies to obtain feedback and advice on our ongoing initiatives.</p> <p>Regularly stakeholders visit to monitor the actions taken and progress (Buyers visit, PHI visit etc)</p> <p>Waste reduction initiatives and resource optimization assessment conducted by NCPC and report submitted. We have taken corrective actions as per their comments and submitted the implementation progress to the relevant parties.</p>
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GRI 306-2 Management of significant waste related impacts

a. Actions, including circularity measures, taken to prevent waste generation in the organization’s own activities and upstream and downstream in its value chain, and to manage significant impacts from waste generated.

Circularity measures

o Weed-buy-back for composting :We have successfully operationalized a weed-buy-back system with our estate workers. The weed is then recycled into compost. We produced 374 t of compost from bought-back weeds and refused tea during the year 2023/2024 and incorporated all compost production to estate consumption.

13-5 Soil Health

o Bio Char Project : Biochar project is another carbon sinking project through our own agricultural waste. We are working with the PLANBOO organization (Swedish & New Zealand advisory team) to produce biochar and carbon credit to reduce the Company’s environmental impact and carbon footprint. The project commenced May 2022 in our low country estates and we derive biochar from biomass produced using our agricultural waste, rubber, bamboo and cinnamon sticks. By far, we have produced 10 t of biochar and we have used biochar as a soil amendment for our rubber, oil palm and cinnamon cultivations. As an expansion of this project we have implemented portable containers in order to increase biochar production.

o Vermi technology :We utilized globally accepted vermi technology; vermicompost and vermi-wash methods as an environmentally friendly alternative for synthetic fertilizer. A cost-effective method and an effective project for waste minimization, this nutrient and micro-organisms’ rich organic fertilizer has facilitated maintenance of healthy soil and improved yield in estates. Due to the significant amounts’ nutrients, vermi-compost and vermi-wash like vermitech

methods are globally accepted as environmental, social and economic friendly, feasible alternative to synthetic agricultural inputs. As a solution to the current fertilizer demand, HPL has been working with estate worker community to produce nutrients and micro-organisms’ rich organic fertilizer for maintain healthy soil and increase yield in estates. By far, we have produced 1800 L of vermi wash for our estate consumption as a foliar spray.

- o Shakasara organic liquid fertilizer: Produced in our low country estates by using freely available organic materials such as green manure, farm yard manure, crop residues, locally available ERP and Dolomite. This is incorporated into the soil in our rubber and oil palm plantations. Benefits include:
 - Environmentally friendly, economically viable organic fertilizer
 - Most suitable for low growth immature rubber plants
 - Enhance soil fertility and inorganic fertilizer use efficiency
 - Under girding of immature Hevea can be overcome by the application of “Shaka Sara” with extra dose of inorganic fertilizers in an integrated manner
- o Recycling factory ash: Ash generated from the factory are used the tea fields to maintain pH, for composting mixtures.
- o Reusing refuse tea: Refuse tea, which is the waste of black tea manufacturing, is reprocessed and the remaining waste tea is used for compost production. 20 tons of compost have been produced through refuse tea. This process ensures zero waste from our black tea manufacturing process.

WASTE IMPACT MANAGEMENT

- Oil and grease generated in the factories are controlled by treatment plants. Industrial waste water generated from the manufacture of rubber is channeled to the treatment plant.
- Separate and collect nonhazardous waste in separate bins of organic, plastic/polythene, glass and metal

NATURAL CAPITAL

- Establishment of Buffer Zones and vegetative barriers (Kumbuk) to prevent contamination of chemicals to water bodies & environment
- Waste water management, purification systems, testing and monitoring wastewater quality
- Any form of spillage such as oil, chemicals and fertilizer are minimized by adopting proper storage practices.
- Cleaning and washing of machinery and vehicles in natural water sources such as streams and rivers are not permitted.
- Monitor biomass moisture level through moisture meter in order to minimize wastages during purchases.
- To minimize organic waste, we have implemented initiatives to produce compost, vermi technologies, biochar
- To reduce usage of non-degradable materials we have implemented female hygiene units by using ecofriendly resources such as bamboo etc.



Biochar Production unit



Vermi wash Product

- To strive the company goal towards plastic free plantation we have initiated sustainable practices such as bamboo pots for tea nurseries, reusable sanitary napkin, sustainable packing materials for reduce usage of polythene and plastic consumption.
- Implement ISO 50001 energy management systems to reduce energy wastages.

b. Processes to determine whether third parties manage waste, in line with contractual or legislative obligations.

Third parties involved in waste management are mainly national/government bodies that are authorized to safely dispose specific types of waste (e waste), and other private organizations registered with the relevant government bodies and are authorized to dispose of specific types of waste. Therefore, HPL is assured of safe disposal of waste.

- Polythene, plastic, metal, glass waste is segregated for collection by the local authorities and reputed waste disposal organizations in the country.
- Chemical containers and personal protective equipment are handed over to the CEA approved collectors.
- Used oil is stored in special containers and sent to professional disposal agencies.
- Clinical waste is sent to the Government hospitals for disposal.
- E-waste, CFL collected by the estate are dispatched to the CEA approved collectors.

c. The processes used to collect and monitor waste-related data.

1. All HPL processing centers and commercial offices have installed separate waste bins for waste segregation.
2. Maintain separate B stock for store wastage which is having economical value (metal and machinery parts)
3. Hazardous waste is segregated at origin and recorded
4. Hazardous, plastic and glass waste is measured, recorded and disposed through designated third parties.
5. Organic waste is recycled and output is measured
6. Monthly waste records are maintained at all processing centers and offices.
7. Waste water withdrawal and waste water discharge monitored and reported.
8. Conduct energy audits, other environment audits and GHG verification where necessary.



MATERIALS MANAGEMENT

Managing our input and output materials to reduce wastage, landfill and pollution is a fundamental aspect of HPL's responsible consumption and production model. In the current financial year, we continued to monitor and review our procurement and production systems to increase recycled materials and reduce consumption.

3-3 Management of material topics

GRI 301: Materials 2016

a. Actual and potential, negative and positive impacts on the economy, environment, and people, including impacts on human rights;

Actual and Potential Negative Impacts

No actual negative impacts on the environment were reported due to HPL's business activities during the reporting period.

However, potential negative impacts could include:

Economy : market uncertainty and price fluctuations of depreciation of rupees

Environment : climate changes due to GHG emissions, environment pollution, Increase carbon foot print due to usage of non-renewable materials

People: Health issues due to pollution, safety concerns including injuries

Actual and Potential positive Impacts

Economy: Better management of materials and recycling could increased the profitability by reducing the cost of production and reducing inputs

Environment: Management of materials can mitigate soil damage, reduce GHG emissions, reduce the atmospheric temperature, mitigate climate change through sequestering carbon dioxide from atmosphere, energy security

People : Chance to get additional incomes through recycling etc., Create job opportunities through enhancing their employability and socio economic mobility(employment in sanitary napkin production unit), Improve living standard of estate community, skill development

b. Whether the organization is involved with the negative impacts through its activities or as a result of its business relationships

No negative impacts through our activities or business partnerships

NATURAL CAPITAL

<p>c. policies or commitments regarding the material topic</p>	<ul style="list-style-type: none"> • Monitor the supply chain when procure raw materials for environment friendly product, Get feed-back from suppliers on environment aspects. • MOU signed with National Cleaner Production Centre for implementing waste minimization and resource efficiency in line with sustainable consumption and production • Environment certifications (ISO 14000 series, FSC, RA, Fairtrade, Eco label)
<p>Waste Management Policy</p>	
<p>We segregate our waste at point of origin as organic, non-hazardous and hazardous waste.</p>	
<ul style="list-style-type: none"> • The non-hazardous waste is metal, polythene, plastic and glass which is handed over to the Pradeshiya sabha. • The hazardous waste such as oil and grease, chemical cans, E-waste, CFL bulbs are handed over to CEA registered waste collectors • Organic waste is used for composting and vermi-tech applications 	
<p>d. (i) actions to prevent or mitigate potential negative impacts</p>	<ul style="list-style-type: none"> • Measure carbon-footprint and conduct GHG inventory verification annually • Conduct energy audits and other environmental audits • Conduct internal audits and take corrective actions • Expand the implementation of off-grid and on-grid solar panels • Re-open mini hydro projects • increase vermi-technologies and compost production • expand weed buy-back system • Emission test conduct periodically to ensure air purification • Shift to sustainable packing materials • Implement green building concept in plantations – female hygiene units implemented by using eco-friendly materials such as bamboo
<p>(ii) actions to address actual negative impacts, including actions to provide for, or cooperate, in their remediation;</p>	<p>No actual negative impacts</p>

(iii) actions to manage actual and potential positive impacts	<ul style="list-style-type: none"> • Adapt 3R concept • Increase the efficiency of material usage <ul style="list-style-type: none"> o Machine plucking and tapping o Reduce the wastage during field operations and transporting o Conduct R& D for alternatives • Increase the usage of renewable materials and renewable energy • Switch off non using appliances at the end of the day • Use energy efficient appliances • Shift to sustainable packing materials • Through the she-essentia project create job opportunities and improve living standard to unemployed women within the estates • Adapt to energy management system
e. Tracking the effectiveness of the actions taken	<p>(i) Processes used to track effectiveness of actions;</p> <ul style="list-style-type: none"> • Prepare GHG inventory in accordance with ISO 14064-1:2018 • Once every month each estate conducts a stock verification and confirms that all the values are accurate • Manager/ Asst. Manager of each estate is responsible for this verification and for all the invoices of bills • Monthly monitor and collect data related to the material usage and material out-puts • Conduct energy review and environment audits to verify effectiveness of the actions taken <p>(ii) goals, targets, and indicators used to evaluate progress;</p> <ul style="list-style-type: none"> • Monitor tea, rubber, coconut, coffee and cinnamon actual yields per hectare against targets to check effectiveness of composting, check soil fertility etc.. • Track electricity output budget for tea - 1.275 and actuals for tea = 0.94 • Track firewood output- budgets – 160, actuals – 145 • Track agrochemical output budgets - 4773 Ha and actuals = 4379 Ha • Track fertilizer outputs as rations budget - 5400 Ha and actuals = 3370 Ha <p>(iii) the effectiveness of the actions, including progress toward the goals and targets;</p> <p>We budget the targets annually as above, and follow the progress monthly and reported to the system. If any deviation is observed, management takes immediate action to correct it.</p>

NATURAL CAPITAL

(iv) lessons learned and how these have been incorporated into the organization's

operational policies and procedures;

- Developing the Energy Management Policy
- Introduce energy management system
- Developing company policies and guidelines for agrochemical application for different crops
- Deciding crop targets for budget guidelines
- Material use guidelines are indicated in budget guidelines
- Manage GHG risk and identify reduction opportunities
- Introduce new initiatives for resource optimization

f. How engagement with stakeholders has informed the actions taken (3-3-d) and how it has informed whether the actions have been effective (3-3-e).

- Feedback from the Sustainable Energy Authority, tea buyers and tea brokers are taken into consideration in developing environmentally sustainable actions.
- Feedback from the Ministry of Plantation Industry, Tea Board, Rubber Development Board, Coconut Cultivation Board are used in developing crop production details, and agrochemical usage
- Feedback from certification bodies are used in agrochemical usage
- Feedback and advice from the Ministry of Agriculture is taken into account in crop prediction, fertilizer usage etc..
- Feedback from NCPC assessment report related to waste reductions and resource optimization
- Feedback from Sri Lanka Climate Fund take into consideration for GHG emissions reductions, guide the company to achieve carbon neutral targets
- Published public summary of our sustainable practices and commitment in the respective websites. Please refer:

Climate Neutral Now



CEO Water Mandate



UNGC Annual Progress



Solar Bundle Project HPL



Science Based Targets:



GRI 301-1 Material used by Weight or Volume

Material used in production

Material type	unit	2023/24
Fertilizer	Tons	1221
Dolomite	Tons	500
Compost	Tons	374

GRI 301-2 Recycled input materials used

a. Percentage of recycled input materials used to manufacture the organization's primary products and services.

% of input materials 2022-23	% of input materials 2023-24
Treated Waste water – 100% (31.1 Mn L)	Treated Waste water – 100% (22.5 Mn L)

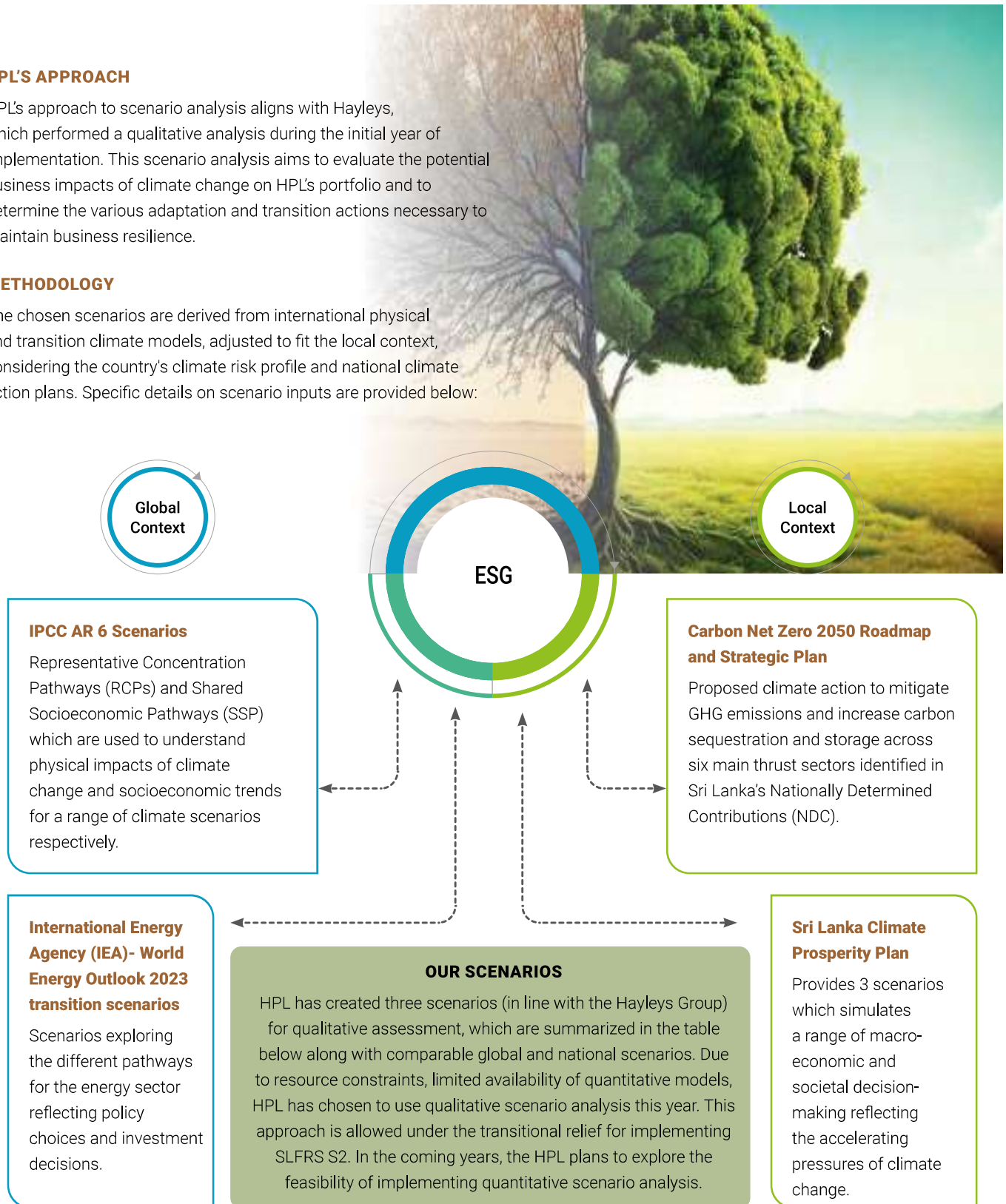
CLIMATE CHANGE - SCENARIO ANALYSIS

HPL'S APPROACH

HPL's approach to scenario analysis aligns with Hayleys, which performed a qualitative analysis during the initial year of implementation. This scenario analysis aims to evaluate the potential business impacts of climate change on HPL's portfolio and to determine the various adaptation and transition actions necessary to maintain business resilience.

METHODOLOGY

The chosen scenarios are derived from international physical and transition climate models, adjusted to fit the local context, considering the country's climate risk profile and national climate action plans. Specific details on scenario inputs are provided below:



NATURAL CAPITAL

Our Scenario	Description and Assumptions	Reference Global Scenarios		Local Context
Scenario A • Net Zero	<ul style="list-style-type: none"> Sri Lanka meets its conditional and unconditional NDC commitments achieving rapid decarbonisation of energy systems and technically, socially and financially feasible transition plans. Significant reduction in the demand for fossil fuels and pricing strategies for fuel which in turn leads to steep declines in emissions. The increase in global temperature is limited to 20 while Sri Lanka's temperature rise will be lower than the global average, estimated around 1.20 Forest cover rebounds beyond the NDC target. Sri Lanka will see 70% of its energy requirement fulfilled by renewable sources by 2030, while electricity will be fully generated by low carbon resources. Extensive investments in mitigation efforts. 	C3/SSP 1-2.6	NZE	CPP
Scenario B • Current pathway	<ul style="list-style-type: none"> The country meets its unconditional NDC commitments, meetings its adaptation ambitions and sectoral reduction targets. Limited external investments in technology and funding to drive the transition to low carbon. Average temperatures expected to increase by approximately 2.50 	C6/SSP 2-4.5	APS	NDC
Scenario C • Divergence	<ul style="list-style-type: none"> Global and local implementation gap to achieve decarbonisation goals with significant weather-related impacts on businesses and communities. No specific climate related interventions and represents a continuation of the current trajectory. 	C7/SSP 3-7.0	STEPS	BAU

RESULTS OF SCENARIO ANALYSIS

HPL has carried out scenario analysis for the CRROs identified in the risk assessment process and the results are as follows,

EXTREME RAINFALL

Scenario A Net Zero			Scenario B Current Pathway			Scenario C Divergence		
Yield/Volume			Yield/Volume			Yield/Volume		
<ul style="list-style-type: none"> Enhanced crop resilience due to favorable rainfall, leading to stable or slightly improved yields and volume. 			<ul style="list-style-type: none"> Higher humidity levels, often associated with increased rainfall, can promote fungal diseases like blight and root rot, further reducing Tea yield. Heavy and prolonged rainfall can disrupt tapping operations, leading to reduced latex collection. 			<ul style="list-style-type: none"> Continued variability in crop yields due to unpredictable weather patterns will significantly affect the yield and volume. 		
Quality			Quality			Quality		
<ul style="list-style-type: none"> Potential increase in quality of Tea and Rubber due to favorable growing conditions. 			<ul style="list-style-type: none"> Potential degradation in the quality of produce, affecting market prices. 			<ul style="list-style-type: none"> Variability in weather patterns will result in severe quality differences. 		
Financial Impact			Financial Impact			Financial Impact		
Financial Performance	Cost of Capital	Financial Position	Financial Performance	Cost of Capital	Financial Position	Financial Performance	Cost of Capital	Financial Position
With the improved yields and volumes, Revenue will be increased and a decrease in COP will result in healthy profits.	As a positive performer, access to the Capital will be straightforward with favorable cost of capital.	Healthy profits strengthen the Financial Position.	Revenue will be decreased as the low quantities and low NSA due to quality of the product. Higher COP will erode the profits.	As the Company reaches struggling stage, access to the Capital will be difficult and may be available at high cost.	Negative results will lead to weakened financial position.	Financial performance continued to be low as high COP due to poor productivity and low revenue.	Cost of capital will be high as the low shareholder confidence and debt providers may reluctant to provide capital.	Continuing losses will lead to a decrease in shareholder funds.

NATURAL CAPITAL

TEMPERATURE

Scenario A Net Zero			Scenario B Current Pathway			Scenario C Divergence		
Yield/Volume			Yield/Volume			Yield/Volume		
<ul style="list-style-type: none"> Improved stability in climate conditions can result in relatively stable Tea yields. Rubber trees are likely to experience minimal stress from temperature changes, maintaining yield stability. 			<ul style="list-style-type: none"> Higher temperatures may stress Tea plants and potentially reduce yield. Higher temperatures could stress Rubber trees, potentially lowering latex production. 			<ul style="list-style-type: none"> Gradual decline in Tea yields due to ongoing climate variability/high temperature. Gradual decrease in latex production over time, impacting overall yield. 		
Quality			Quality			Quality		
<ul style="list-style-type: none"> Potential increase in quality of Tea and Rubber due to favorable growing conditions. 			<ul style="list-style-type: none"> Possible reduction in quality of the Tea. 			<ul style="list-style-type: none"> Long-term decline in the quality. 		
Financial Impact			Financial Impact			Financial Impact		
Financial Performance	Cost of Capital	Financial Position	Financial Performance	Cost of Capital	Financial Position	Financial Performance	Cost of Capital	Financial Position
With the improved yields and volumes, Revenue will be increased and a decrease in COP will result in healthy profits.	As a positive performer, access to the Capital will be straightforward with favorable cost of capital.	Healthy profits strengthen the Financial Position.	Revenue will be decreased as the low quantities and low NSA due to quality of the product. Higher COP will erode the profits.	As the Company reaches struggling stage, access to the Capital will be difficult and may be available at high cost.	Negative results will lead to weakened financial position.	Financial performance continued to be low as high productivity and low revenue.	Cost of capital will be high as the low shareholder confidence and debt providers may reluctant to provide capital.	Continuing losses will lead to a decrease in shareholder funds.

PROLONG DROUGHT

Scenario A Net Zero			Scenario B Current Pathway			Scenario C Divergence		
Yield/Volume			Yield/Volume			Yield/Volume		
<ul style="list-style-type: none"> Minimal impact on Tea yields due to moderate temperature rise. Rubber yields are likely to remain stable or improve slightly. 			<ul style="list-style-type: none"> Moderate decline in Tea yields due to higher temperatures and increased drought. Noticeable decline in Rubber yield as higher temperatures stress rubber trees. 			<ul style="list-style-type: none"> Significant decline in Tea yields due to prolonged drought conditions. Sharp decline in rubber yield with prolonged drought and lack of adaptation. 		
Quality			Quality			Quality		
<ul style="list-style-type: none"> Potential for stable or slightly improved Quality with better climatic conditions. 			<ul style="list-style-type: none"> Greater incidence of pests and diseases affecting Quality. 			<ul style="list-style-type: none"> Significant drop in quality from both Tea and Rubber. 		
Financial Impact			Financial Impact			Financial Impact		
Financial Performance	Cost of Capital	Financial Position	Financial Performance	Cost of Capital	Financial Position	Financial Performance	Cost of Capital	Financial Position
With the improved yields and volumes, Revenue will be increased and a decrease in COP will result in healthy profits.	As a positive performer, access to the Capital will be straightforward with favorable cost of capital.	Healthy profits strengthen the Financial Position.	Revenue will be decreased as the low quantities and low NSA due to quality of the product. Higher COP will erode the profits.	As the Company reaches struggling stage, access to the Capital will be difficult and may be available at high cost.	Negative results will lead to weakened financial position.	Financial performance continued to be low as high COP due to poor productivity and low revenue.	Cost of capital will be high as the low shareholder confidence and debt providers may reluctant to provide capital.	Continuing losses will lead to a decrease in shareholder funds.

NATURAL CAPITAL

CHANGING BUYER REQUIREMENTS

Scenario A Net Zero			Scenario B Current Pathway			Scenario C Divergence		
Market Demand			Market Demand			Market Demand		
<ul style="list-style-type: none"> Increased demand for sustainably sourced products. Potential rise in market preference for organic and climate-resilient varieties. 			<ul style="list-style-type: none"> Heightened emphasis on sustainability and climate resilience from buyers. 			<ul style="list-style-type: none"> Possible market challenges from competitors with stronger climate strategies. 		
Financial Impact			Financial Impact			Financial Impact		
Financial Performance	Cost of Capital	Financial Position	Financial Performance	Cost of Capital	Financial Position	Financial Performance	Cost of Capital	Financial Position
Revenue and profitability will be high due to better margins from the products and high volumes.	As a positive performer, access to the Capital will be straightforward with favorable cost of capital.	Healthy profits strengthen the Financial Position.	If the company can fulfill buyers' requirements (sustainably sourced products etc.), there is a possibility to achieve higher profits.	As a positive performer, access to the Capital will be straightforward with favorable cost of capital.	Healthy profits strengthen the Financial Position.	Competition among the market players will be high and profitability may reduce.	Cost of capital will be increased.	Negative results will lead to weakened financial position.