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WE ARE COMMITTED TO THE GLOBAL COMPACT...



As a business that is committed to creating sustainable livelihoods to declare their dedication to sustainability and corporate citizenship, MAS Holdings has adhered to the regulations of the United Nations Global Compact (UNGC) by submitting the annual Communication on Progress (COP).

As accountability policy to the UNGC, this COP presents our company's commitment to the Ten Principles on Human Rights, Labor Conditions, Environment and Anti-Corruption and the activities and measures we have taken to achieve this.

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01

MESSAGE OF CONTINUED SUPPORT

I am proud to present MAS Holdings' Communication on Progress for 2011, for the 8th consecutive year.

Our strong commitment to the welfare of our people continues to be at the nucleus, sustaining and continuously improving the workplace experience to align with individual aspirations. We also draw our strength from our community standing, our plants being integrally connected to their operating communities as we invest in their wellbeing and that of the future generations. These two key tenets give us license to operate as the company looks forward to the next 25 years. The "art of belonging" is part of our corporate ethos, with our stakeholders being proud partners in various aspects of building a great organization.

This Communication on Progress for 2011 shows our commitment to the Global Compact principles on Human Rights, Labor, Environment and Anti -Corruption. This is re-iterated at the highest levels of leadership in the organization. We proudly share with you various projects that perpetuate the ten principles in our operating DNA. A special mention should be made of the Women's Empowerment Principles - jointly developed by UN Women and UN Global Compact. We were a part of the consultative process in the formulation of these principles and we were proud to become a signatory of these principles in November 2011.

We are not only about making great products, but understand our duty towards our people and our country, as we look together to take Sri Lanka progressively forward. We will work collaboratively with our stakeholders towards sustainable development of our nation.

We pledge our continued commitment to the UN Global Compact and its 10 principles.



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02

Dian Gomes
Head, Group Branding and CSR
MAS Holdings

HUMAN RIGHTS

PRINCIPLE 1: Businesses should support and respect the protection of internationally proclaimed human rights.

PRINCIPLE 2: Businesses should make sure they are not complicit in human rights abuses.

LABOUR STANDARDS

PRINCIPLE 3: Businesses should uphold freedom of association and effective recognition of the right to collective bargaining.

PRINCIPLE 4: Businesses should support the elimination of all forms of forced and compulsory labor.

PRINCIPLE 5: Businesses should support the effective abolition of child labor.

PRINCIPLE 6: Businesses should support the elimination of discrimination in respect of employment and occupation.

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ENVIRONMENT

PRINCIPLE 7: Businesses should support the precautionary approach to environmental challenges.

PRINCIPLE 8: Businesses should undertake initiatives to promote greater environmental responsibility.

PRINCIPLE 9: Businesses should encourage the development and diffusion of environmentally friendly technologies.

ANTI-CORRUPTION

PRINCIPLE 10: Businesses should work against corruption in all its forms, including extortion and bribery.

PRINCIPLE 1: Businesses should support and respect the protection of internationally proclaimed human rights.

MAS Holdings has a 25 year tradition as an ethical manufacturer. As we look at expanding into new regions and diversifying into other areas “doing the right thing” will continue to govern our corporate identity. With a global employee base of over fifty thousand associates, our values continue to be the key differentiator.

As a strong voice in the local apparel industry we will continue to influence industry standards.

A Strong Policy Framework

MAS Holdings has a policy framework that governs the entire employee life cycle at the organization from hire to retire. These policies are drafted and vetted using our lawyers and the Employers Federation of Ceylon (EFC) which are consultants to over 300 blue chip companies in Sri Lanka. As such the policies are not only legally compliant most often they go above and beyond what the statutory law requires.

As an example, our recruitment policy or related communication does not discriminate on age, gender, disability, although there is no strict law in Sri Lanka stipulating non-discrimination at the point of recruitment. The majority of companies advertise with specific age and gender based criteria. MAS does not discriminate and recruitment is based on the premise of “best person for the job” clear criteria is provided in a job description that focuses on knowledge, skills and abilities.

All job descriptions are weighted using the internationally recognized Hay methodology and pay and grading for jobs are based on knowledge, skills and responsibilities to ensure equity and fairness across all roles within the organization.

Even at the point of exit – candidates are required to go through an exit interview process to ensure equity and fairness. Wherever the company is forced to terminate contracts due to misconduct or fraud the company ensures that each employee is given a hearing in the presence of an impartial inquiring officer and an impartial report on the case is produced and accessible to the employee. It is based on this report that the management take the decision to terminate or re-instate. In domestic law there is no strict necessity to ensure impartial hearing etc. where there is misconduct, however MAS as a company has maintained a robust practice to ensure employee rights are upheld even at the point of termination.

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PRINCIPLE 1: Businesses should support and respect the protection of internationally proclaimed human rights.

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SPECIAL INITIATIVES

TRAIL – a journey by the living

On the 27th of July, Trail – the Journey by the Living, for Life - a walk to raise funds for the development of a Pediatric Cancer Ward in Jaffna reached Point Pedro in Jaffna, ending 27 days of walking from Dondra Point in the south of Sri Lanka. A journey of 670 km, 27 days, 900,000 steps, 135 hours and 30,000 participants was a testament to the true Sri Lanka spirit.

Nathan Sivagananathan (CEO of MAS Design) and Sarinda Unamboowe (CEO of Linea Aqua) who initiated this walk, were amongst 13 MAS colleagues who were “Trail -blazers” that walked the entire journey of 670 km. The country and the company rallied around Nathan and Sarinda as they turned a dream into a unique fundraising initiative to support those suffering from cancer. Trail was born and organized through the Colours of Courage Trust which was set up to help the National Cancer Institute in Maharagama.

The incredible 27 day journey saw many well-known personalities and parliamentarians, cricketers Mahela Jayawardena, Kumar Sangakkara, Angelo Mathews, T M Dilshan and several celebrities taking part in the walk. Participation and support from other Corporates, schools and MAS' customers was also tremendous. Musicians Bhatiya and Santhush made their contribution to Trail with the theme song. The most motivating aspect was the involvement of MAS employees along the route, to help organize the event, to support with logistics, to walk the Trail or cheer on their team mates. The rush of support from the country and communities along the route was unexpected.

Both Nathan and Sarinda agree that “*it was a totally humbling experience to witness the incredible spirit of generosity throughout the journey*”. The spirit of “giving” was visible throughout the journey, no different in any city, town or village – as warm hearted Sri Lankans everywhere who came forward to give whatever they could.

Some of the most touching moments were those of children who gave away their piggy banks and stories of individuals who gave from their very livelihoods by way of bread, bananas, biscuits, milk and drinks.

TRAIL raised US\$1.3 million in aid of the Pediatric Cancer Ward in Jaffna and the foundation stone for the unit was laid at the culmination of the walk. It also launched the Trail Auction on the website where tickets for the glamorous Victoria's Secret Fashion Show donated by Limited Brands USA, airline tickets courtesy of Etihad Airways and American Airlines and cricket memorabilia will be auctioned. Trail also aims to sell 100,000 bricks through

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The walk is done, but the journey continues as Trail is determined to reach its target of US\$ 2 million through various funding initiatives.

Overall Trail was an incredible journey. It has been a nation uniting together to give a new and happy beginning for many children through the installation of the new cancer ward. It has been a nation uniting to help make the future cancer free.

Please visit www.trailsl.com for information on how you can support.

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A Nation Unites



Applause



Land of Giving



Linea Aqua: Nawodhya Project

The Nawodhya Project is another one of the company's grassroots CSR initiatives; the organization donates monthly for the running of the Nawodhya School. This is a special school for mentally disabled children from under privileged backgrounds.

Apart from donations, employee volunteerism and involvement is a key tenet of this initiative. Employees and the children organize various recreational activities. These interactions not only benefit the children's lives but also enrich the lives of the employees.

MAS Active: Partnership with SOS Children's Villages Sri Lanka

For 2011 MAS Active tied up with SOS Children's Village, a charity that works with children without parental care. Moving beyond the concept of an orphanage and giving long-term, sustainable, home-based care to children at risk. MAS ACTIVE sponsored the annual educational cost for 10 children. Some of our employees also took on personal undertakings to sponsor individual children or their education.

Bodyline: Career Guidance workshops

Many children in villages, post-secondary education, are unsure of their career direction. This is often attributed to schools and communities lacking guidance by professional bodies or individuals. Many children are misguided by unaccredited higher educational institutes offering ad hoc programs.

Bodyline identified this gap and as a capacity building initiative for the next generation, they embarked on a series of career guidance workshops for school-leavers. Done in consultation with a reputed Career Guidance Expert, educational authorities and school principals of the area, the objective is not only career guidance but also confidence building and training on interview skills. The first career guidance workshop was conducted at the Horana Municipality Council Auditorium with the participation of over 200 students from the locality.

PRINCIPLE 2: Businesses should make sure they are not complicit in human rights abuses

MAS ensures adherence to Principles 1 and 2, the law of the land, standard dictated by relevant external parties and via self-governance through internal standards, policies and procedures.

Thus far, no violation with respect to human rights has emerged within the organization.

Policies and Procedures

90% of employees at MAS are women; apart from general policies the company prides itself in paying special attention to areas that affect women.

Together with the ILO and the EFC the company drafted a sexual harassment policy that will be implemented across the Group by 2012.

Employees were provided with gender sensitivity training and training related to sexually transmitted diseases with a special emphasis on AIDS awareness.

The Human Resource Teams, as a collective fraternity, were trained in these areas and the company now has a trained group of HR personnel that act as peer educators. They carry a specific badge and engage in counseling and educators to all women in the company. They can be approached by employees at any time for assistance with issues and problems in this area.

Going forward the company plans to appoint an external ombudsmen that will mediate, counsel and support any woman who may be subject to harassment at MAS.

To date we have no litigation, notwithstanding the fact that 90% of our 50,000 workforce population is female, and despite the fact that it is an offence in the penal code of Sri Lanka. We believe this is due to the fact that internal initiatives have succeeded in educating and protecting the vulnerable.

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Compliance & Risk Management

MAS continues to adopt a proactive approach to compliance, internal standards often surpassing legislation, third party affiliate requirements or customer mandates. Globally benchmarking our standards, a robust compliance and risk management framework ensures continuous improvement and adherence of workplace conditions in such areas as forced labour, harassment and abuse, wages and benefits, working hours, child labour, discrimination, women's rights, freedom of association, disciplinary framework, record keeping and documentation, health & safety, ergonomics and security.

Clear leadership is demonstrated in this area, compliance at Divisional and business unit level being driven by Compliance Managers. At MAS Intimates compliance is driven by the Compliance and Risk Management (CRM) unit, with the leadership of the Director, Quality & Compliance, overlooking the CRM functions and performance across the division.

At MAS Active, compliance is driven by the Sustainable Business unit with the leadership of Head of Sustainable Business (General Manager) overlooking the functions of compliance and risk management, industrial relations and communication, environmental sustainability and CSR & Women Go Beyond.

General Points

Audits integrating labor and health and safety, Supply Chain Security and Brand Protection, (and at some plants also environmental sustainability and Women Go Beyond & CSR performance) are conducted by the central compliance audit team, for each plant at least bi-annually.

A comprehensive audit tool and methodology (including worker interviews) with an objective rating system is used to risk-rate the plants to encourage healthy competition to drive each plant towards perpetual improvement of their standards and in some plants these results are linked to annual internal awards.

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Random inspections and risk based assessments of production units

MAS Intimates adopts a web-based Compliance share point used by the Compliance team as a platform to share information on compliance related activities and best practices. MAS Active has a structured Compliance Management system guided divisionally. The division has come up with 52 internal policies on HR & Labour, Health & Safety and Environmental Sustainability which provide clear directions on implementing and maintaining the standards. The policies are accessible to all the MAS Active employees through the share point. Annual training programs are conducted by the compliance team to enhance employee knowledge and to ensure proper implementation. The share point provides easy access to national laws and legislation, customer standards and training and reference materials on compliance.

Customer audits were conducted throughout the year for which we have been rated above 95% on average, depicting a near-perfect image in terms of social compliance.

Our transparency, commitment and the persistent effort to maintain standards of exceptional performance, has convinced the brands to empower us by training our compliance team through joint audits, so that self-audits can be conducted. This is a landmark achievement for MAS in terms of trust, integrity & capacity for self-reliance, as perceived by the brands/customers.

MAS Active was selected by several customers as a benchmark organization and our best practices were shared with the other vendor suppliers, aptly signifying our leadership in Compliance.

Connectivity, collaboration and knowledge sharing is also achieved through monthly and quarterly compliance forums.

The incorporation of Ergonomics principles into the MAS Operating System (MOS - based on lean manufacturing principles) has created a great deal of interest in providing safe and good ergonomics solutions specific to sewing operators and support services.

A dedicated MOS unit is set up to conduct regular assessments with the objective of improving the work environment, safety aspects and work methods across the MAS Group.

A strong local and national network of partners and stakeholders plays an important role by working closely with our teams in the overall management of social compliance activities.

External Partners

- Employer's Federation of Ceylon
- Federation of Chambers of Commerce and Industry of Sri Lanka
- Institute of Engineers, Sri Lanka
- National Institute of Occupational Safety and Health
- Industrial Safety Division of the Department of Labor
- District Factory Inspecting Engineer
- District Labor Department
- Board of Investment
- Central Environmental Authority of Sri Lanka
- Regional Medical Officer / Public Health Inspector
- International Labor Organization
- Commercial Audit Companies
- St. John Ambulance
- Sri Lanka Red Cross
- Fire Department
- Air Force Personnel
- OSH Experts
- National Armed Forces
- Security Agencies

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2011 Highlights at a glance

MAS Active

- 63 audits in total
- WRAP – All MAS ACTIVE facilities are WRAP Certified – 10 facilities
- GWG – 9 MAS ACTIVE facilities are Garments Without Guilt Certified
- Customer Audits – 50
- Internal Audits - 22.
- All audits passed successfully.
- MAS Active Shadowline is currently part of the FLA.

MAS Intimates

- 56 audits in total - (Certification audits -7; Brand audits -49)
- All audits passed with no failures and/ critical issues.
- MAS Intimates Bangladesh - 2 internal surveillance audits. Passed the WRAP audit without any negative comments, consecutively for 2 years.
- Achievement of Quarterly Vendor Scorecard by biggest customer – Obtained 95% in Compliance audit conducted by the local office of our strategic customer, structured on objective assessment by the customer's compliance team.
- Participating supplier of FLA – 6 factories for MAS Intimates
- Fairtrade Cotton Certified
- Continuous T&D of all compliance executives.

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Safety & Health for All at MAS Intimates

- Hazardous materials management systems
- Emergency preparedness and response systems
- Occupational health systems
- Environmental monitoring system
- Injury and illness systems, with a "zero accident" vision
- Personal safety and hygiene systems / first aid
- Product Safety
- Equipment safety systems
- Training and continuous improvement programs
- Contractor health and safety systems
- Self- audit Program - Internal and independent monitoring systems

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ESH Management system at MAS Active

Divisional guidelines and training is given on proper implementation and maintaining these standards.

- General Work Environment
- HSE Committee
- Occupation exposure limits
- Personal protective equipment
- Respiratory protection
- Heat stress management
- Blood borne pathogens
- Machine guarding
- Emergency action
- Injury illness system management
- Fire safety management
- Medical Services & First Aid
- Electrical Safety
- Control of Hazardous energy
- Asbestos
- Confined Spaces
- Contractor Safety
- Ergonomics
- Fall Protection
- Maintenance safety
- Occupational Noise exposure
- Radiation
- Traffic vehicle management
- Sanitation
- Drinking water
- Canteen management
- HSE Management system
- Air emissions
- Hazardous materials
- Hazardous waste
- Solid waste
- Waste water
- Storage tanks
- PCB

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To ensure that our health and safety management system is operating effectively and efficiently at all of our sites, we have devised a robust management system and a continuous improvement program in partnership with the Labour Department and other interested authorities.

We continue to manage occupational safety risks based on OHSAS18001 standards (Organizational Health & Safety Assessment Series) with a view to managing risks efficiently and systematically. Thus adding more transparency and improving the company's long term reputation as an ethical manufacturer, while at the same time providing an accident/ injury free environment.

Employee Wellness and Lifestyle

Our worksite employee wellness and lifestyle programs have a dimensional approach emphasizing the physical and psychological aspects of a balanced lifestyle. It is one that is woven into the fabric of the organizational culture to ensure that employees at all levels inevitably reap the rewards by following the directions and guidance given. It's a religion and a way of life.

Our wellness program includes

- 1) Monthly awareness sessions on sexual and reproductive health, HIV, AIDS and family planning with the assistance of the Employers Federation and Labor Department.
- 2) Monthly clinic for pregnant women by a general medical practitioner. Participants are given a medical check-up and advice on essential vaccinations and nutrition. In addition they are also given a special meal every day.
- 3) Awareness program on harassment, healthy life-styles, nutritional foods, etc. is conducted monthly for all workers
- 4) Maintenance of injury, accident and illness records with an in depth analysis of the same, which is fed back into the system initiate preventive action.

A range of activities/sessions conducted by a pool of professional resource persons.

Activities include:

- Dental clinic
- Eye clinic
- Full body check-up
- Awareness of work related risks/diseases
- Awareness in sexual & reproductive health
- Video learning platform for health related topics
- Legal aid clinic

- 5) On-site medical facility manned by a Doctor and qualified nurses; Special attention for pregnant women

AIDS/ HIV awareness programs

- 6) Fully equipped gymnasium at no cost to employees;
- 7) Opportunity to participate in various sports

We believe in a culture of perpetual improvement. We do not rest on our laurels, but strive to work with our teams, internal and external stakeholders to meet evolving requirements.

LABOUR STANDARDS

PRINCIPLE 3: Businesses should uphold freedom of association and effective recognition of the right to collective bargaining

Whilst formal unions are not present with MAS, the Joint Consultative Committee (JCC) is the voice of the employees.

The JCC's role has evolved. It is no longer only a grievance mediator but plays a wider function by getting involved in a variety of projects on employee engagement, wellbeing and CSR.

Policies and Procedures

Each unit has a JCC elected annually by an employee vote. The function of the JCC is to highlight issues pertaining to the workforce. Each month a meeting is held with CEO or Plant Head, HR and senior management presence to ensure employees are able to voice concerns.

All meetings are documented and the minutes of the meeting are sent to central HR with a time and action plan for resolution of issues. The HR Director visits each unit every quarter and engages with the JCC to ensure issues highlighted are addressed.

The company also promotes an open door policy where any employee irrespective of designation can approach the CEO or Head of the plant/ function and personally highlight issues.

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LABOUR STANDARDS

PRINCIPLE 4: Businesses should support the elimination of all forms of forced and compulsory labour

MAS ensures that no forced labour or bonded labour is utilized in the facilities. The employer/employee agreement is transparent and well documented.

Policies and Procedures

The company ensures employees are provided with leave as stipulated by the law. Apart from this employees are also taught skills to ensure work life balance. Hobbies such as arts and crafts, sports and skills such as computer training and English language training are also provided and encouraged.

A leave swap program is also implemented at each factory. This program allows employees to swap their leave dates with colleagues in order that they can attend and balance personal/family needs.

The company also has a clear policy that all vacancies be advertised internally prior to any form of external search. This is to actively promote internal resources to move laterally or even to higher levels in order that they are provided with a variety of career options.

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LABOUR STANDARDS

PRINCIPLE 5: Businesses should support the effective abolition of child labour

No form of child labour is used in our operations, with a strict policy framework in place.

Policies and Procedures

It is a national issue that as a country we do not have adequate universities or vocational training centers to accommodate the number of students that pass out of the GCE Advance Level (high school). As a result there was a trend where younger workers were forced into low paying, low skilled work with very little regulation/ protection. In order to remedy this, the Government reduced the employment entry age to 16 years.

In response to this, MAS also reduced its age of recruitment to 17 years. We believe that this will contribute to the national effort of ensuring equal opportunity and safe employment for young workers.

Special initiatives for 17 year old recruits will be as follows;

- ◊ A special monitoring mechanism and plan set up from the training module itself to monitor the 17 year olds via the plant Employee Relations team.
- ◊ The HR Manager shall take the responsibility of personally overlooking the recruitment and general work of team members falling into this category.
- ◊ Women Go Beyond team ensures specially targeted programs on women's health, hygiene, sexual harassment etc.
- ◊ "Big Sister" programs implemented at the plant called "Chooty nanga" where each of the 17 year old team members will have a mentor assigned to them – ideally this would be a GO Beyond Champion
- ◊ Mandatory counseling will be introduced to the 17 years olds. They will be required to visit the counselor every week and the counselor shall submit monthly reports on progress.

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The policy was adopted in the last quarter of 2011. Currently there is less than 1% of 17 year olds in the MAS workforce population in 6 factories, and they are recruited to factories that follow the general working shift pattern.

A quarterly report shall be issued on the pilot project prior to launching the formal policy at Group level, in order that learning outcomes can be shared across the group.

PRINCIPLE 6: Businesses should support the elimination of discrimination in respect of employment and occupation



MAS continues as a champion of equal opportunity for all.

As a company we ensure equal opportunity at every stage of the employee life cycle. Noteworthy is the pay and grading system we employ. Each job is graded and paid using a formula that quantifies the knowledge, skills and accountability levels of the job. Roles are not demarcated based on age, gender or any other criteria that would exclude certain groups. This system is known as the "Hay methodology". It is employed by fortune 500 firms and the Hay consultancy group established the practice over 10 years ago and it is diligently reviewed and followed to date.

We are also continuing our positive action programs to address the specific need of redressing structural disadvantages. The "I can too" program for other abled colleagues continues, year on year, to provide mainstreaming for several members from the communities where we operate.

Special Initiatives

MAS Women Go Beyond Program

With 90% of our 50,000 associates being women, MAS Holdings believes as imperative that we support and uplift our female workforce, both for organizational development and personal growth. 'Women Go Beyond' not only marked the dawn of a new era in apparel manufacturing by stabilizing the position of the machine operator, but also crystallized MAS Holdings' position as a pioneer of ethical business practices in Sri Lanka. Recognizing and rewarding women for their personal and professional progression proved to be a powerful initiative.

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Program category	Number of programs held	Number of participants engaged in the program
Training for career enhancement	35	2,516
Work life balance initiatives	118	41,924
Skill development initiatives	61	5,015
Rewarding excellence	23	14,815

New initiatives:

Awareness on HIV/AIDS

In 2010 with the collaboration of ILO Sri Lanka and The Employers' Federation of Ceylon (EFC) MAS Women Go Beyond program initiated the MAS HIV-AIDS program as part of the Work Life Balance Initiative. A pilot program was successfully completed in 2010 with 5 SBUs, and during 2011 the second phase targetted all MAS manufacturing facilities including apparel and Fabric cluster.

Objectives of the program:

To create awareness at all levels of the employees on HIV and AIDS and its impact on health, social and economic aspects.

To prevent HIV infection among the workers and their families.

To create a supporting environment for prevention of HIV infection in women workers in the apparel industry.

This project was financed by ILO and supported by EFC. It was conducted as a train the trainer program for MAS. Today MAS has over 40 trainers who are taking this message to all their employees and to their communities through special programs developed and conducted at SBU level. By end of 2012 we foresee this program will impact all MAS employees and their communities.

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Prevention of Violence against Women

As part of the new strategy of working closely with the business units to support the critical issues of labour turnover and absenteeism, we introduced several new programs. The first of which is focused on the prevention of violence against women. The rationale for this programme is based on the fact that in Sri Lanka 60% of women are subjected to violence, and also the reports from the counselling programmes conducted within the SBUs indicate that the highest number of people visiting the counsellor is due to issues related to domestic violence. Women who are subjected to domestic violence due to their emotional status as well as physical injuries will be less productive at work and this could subsequently lead to absenteeism and labour turnover.

Clear benefits for the employee include, a more stable environment, physical safety and emotional stability, reduced stress and safety for children. The resultant positive effects for the organization are reduced absenteeism, reduced labour turnover and increased productivity. Through such pioneering efforts in this sensitive area, MAS is also seen in the communities as a champion of human rights, especially women's empowerment.

This programme is conducted in collaboration with "Diripiyasa" and with technical support from UNFPA. Under this programme, we are currently conducting training programmes for selected SBUs to take a proactive role in building awareness on the prevention of violence against women.

By the end of 2011, 200 "Agents of Change" have been trained in 10 SBU's and by 2013 this programme will impact all MAS employees and their communities

A significant milestone for the MAS Women Go Beyond initiative was our Chairman, Deshamanya Dr. Mahesh Amalean signing the CEO's Support for the Women's Empowerment Principles in November 2011.

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Recognition

Excellence is a way of life at MAS. Our ethos defines who we are as an organization, as a people.

Shadowline Felicitated : Commitment to Include People with Disabilities

In November 2011 Shadowline was awarded for their commitment to include people with disabilities to build an inclusive society in Sri Lanka. The award was given under the Economic Self Sufficiency Project by Sri Lanka Foundation for the Rehabilitation of the Disabled. Shadowline was ear-marked in 2010 to be a role model plant in creating a disability friendly workplace at MAS Active and we have been working together with Rehab Lanka to implement disabled inclusive initiatives at the plant. In 2012 MAS Active will roll out the initiatives carried out at Shadowline across the division.



Team Member

Award Winners

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MAS Intimates – Wins Asia's Best Employer Brand Award

Asia's Best Employer Brand Award is hosted by the Employer Branding Institute, World HRD Congress and Stars of the Industry Group with CMO Asia as strategic partner. MAS Intimates emerged as the winner in the award category for "Best HR Strategy in Line with Business". The award ceremony took place at the Suntec Singapore International Exhibition and Convention Center.

Initiatives are ongoing under the 8 main work streams of the Sustainability Plan; namely sustainability standards, waste management, energy management, water management, carbon emission management, sustainability culture, eco product and sustainability branding.

2011 was designated the year focused on “Energy” and across the board several major energy efficiency and conservation projects were identified and implemented. Highlights are detailed below.

Sustainability Reporting

MAS Holdings hopes to produce our first Sustainability report in line with the GRI (Global Reporting Initiative) in 2012. After understanding the expectations of the stakeholders, a report team was constituted with members from different divisions and business units, with competencies across the group to successfully report on the triple bottom line for the sustainability report.

PRINCIPLE 7: Businesses should support the precautionary approach to environmental challenges

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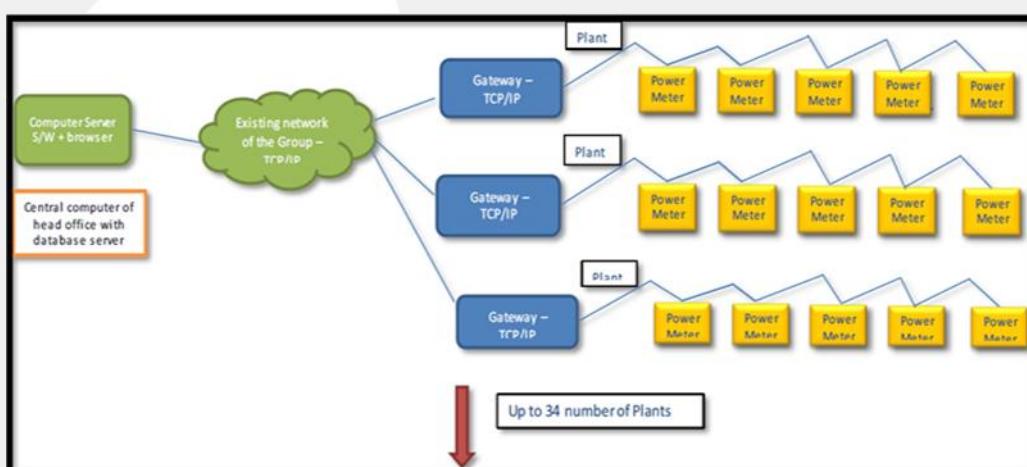
Sustainability Standards

ISO 14001 : 2004 was identified as the standard to drive across all factories of MAS. Currently 18 plants are certified out of which Nirmaana, Shadeline, LAITC, Leisureline, Shadowline, Asialine, Contourline, Sleekline, Synergy, Thurulie, Linea clothing, Linea Intimates, Slimline were certified during 2011 and there are 12 more to be certified. All factories of MAS are to be certified under the ISO 14001: 2004 by the end of 2012. The mechanism is a continuous improvement process with annual re-certification.

Energy Management

A key milestone was the implementation of a centrally controlled, Group-wide **Energy Management System (EMS)**. This would enable plants and their respective divisions to monitor their electricity use real-time through a web-browser.

The system not only measures the main power line, but also the electricity use of multiple sub-sections of the facility. This solution is introduced to all MAS facilities to measure the electricity cost and usage at a more detailed level, to understand how to optimize usage and reduce waste. This system will also enable the management to measure the success of energy saving initiatives that have been implemented against the overall target set by MAS Holdings in 2010, targeting for 20% reduction of energy intensity by 2012.



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There have also been several localized and centralized initiatives in different areas under the energy management banner, including :

- ◊ Compressed air leak prevention
- ◊ T5 bulbs retrofit instead of T8 bulbs in factories
- ◊ Energy efficient chiller projects
- ◊ Sewerage treatment plants
- ◊ Variable speed drives (VSDs) installed into many different areas involving pumps
- ◊ Skylights to optimize the use of natural lighting
- ◊ LED task lights introduced to each machines to bring down energy consumption

ENVIRONMENT

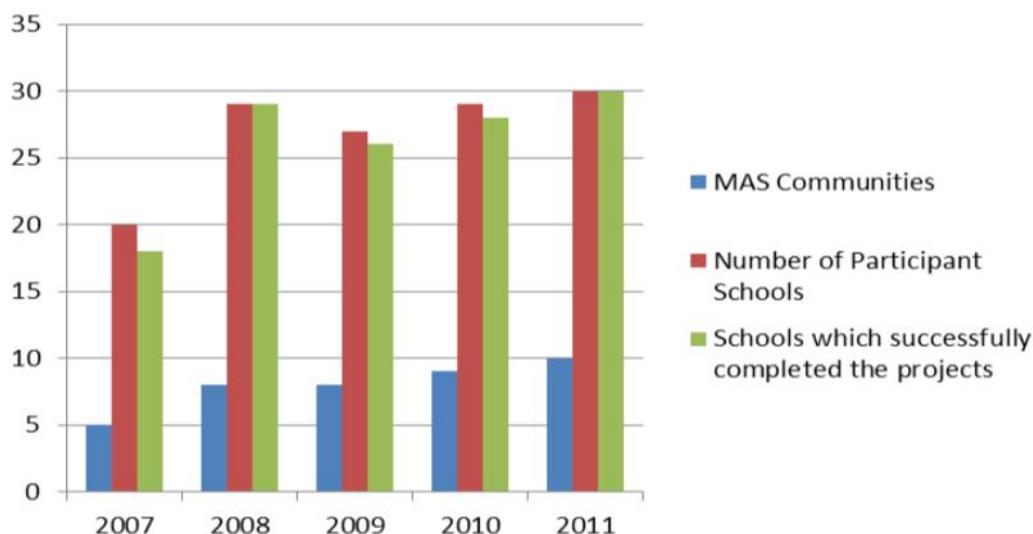
PRINCIPLE 8: Businesses should undertake initiatives to promote greater environmental responsibility



Special Initiatives

MAS Eco Go Beyond Sustainable Development Education Program

Eco Go Beyond which is key strategic community outreach initiative of MAS Holdings has been operational for 5 years. Launched in 2006, this Program is supported by the Ministry of Education in Sri Lanka. The objective of this Program is to create and raise awareness on the concept and practice of sustainable development. The model and curriculum was developed by accessing expertise in the field from the United Nations Environment Program (UNEP), Youth Exchange (YXC) and the Consumer Citizenship Network's (CCN) LOLA toolkit. This initiative is endorsed and supported by the Ministry of Education in Sri Lanka.



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	2007	2008	2009	2010	2011
MAS Communities	5	8	8	9	10
Number of Participant Schools	20	29	27	29	30
Schools which successfully completed the projects	18	29	26	28	30

Program 2011

As mentioned in the COP of 2010, plans were made to completely restructure the Eco Go Beyond Program for 2011. In keeping with this the Program was restructured into a 3 year Program spanning from 2012-2013.

Modeled along the lines of an Environmental Management System (EMS) the participant schools successfully undertook work in the following areas within each school :

- ◊ Increasing Green Cover - Growing trees and grass
- ◊ Composting of Biodegradable Waste
- ◊ Recycling on Non-biodegradable Waste
- ◊ Increasing Nutrition by growing leafy vegetables within school premises
- ◊ Reduction of Energy Consumption
- ◊ Reduction of Water Consumption
- ◊ Promoting Eco-friendly lifestyles
- ◊ Increasing Productivity through implementation of 5S



The 2011 Program is operational in the communities of Horana, Agalawatte, Pannala, Kuliyapitiya, Hanwella, Awissawella, Pallekele, Thulhiriya, Koggala as well as Embilipitiya which joins the Program for the first time -a total of 10 communities comprising of 30 schools. Overall in 2011 the Program impacted 6000 children bringing the overall impact of the Program to 17500 over the last 5 years.

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Measurement of outcome for 2011

TOTAL NUMBER OF TREES PLANTED	987
TOTAL NEW GRASSY AREA	4162.55 M ²
TOTAL NUMBER OF COMPOST PRODUCTION UNITS	152
TOTAL WEIGHT OF COMPOST PRODUCED TO DATE	1674.4 KG
TOTAL CULTIVATED AREA	22722.76 M ²
TOTAL NUMBER OF UNHEALTHY FOOD ITEMS REMOVED FRO CANTEENS	82
TOTAL NUMBER OF NUTRITIOUS FOOD ITEMS INTRODUCED TO CANTEEN	96
TOTAL NUMBER OF 5S PROGRAMS COMPLETED IN SCHOOLS	67

The culmination of the 2011 segment of Eco Go Beyond was the Awards Ceremony where awards were presented to the 8 subcategories.

Pallekanugala Junior School won a record three categories – Green Cover, Biodegradable Waste Management and Productivity. Yatiyanthota St. Mary's Tamil Maha Vidyalaya won the two categories of Water Conservation and Eco-friendly Lifestyles. The remaining 3 categories were won by SWRD Bandaranayake National School for Non- Biodegradable Waste Management, Thulhiriya Maha Vidyalaya for Nutrition and Kuliyanpitiya Central College for Energy Conservation.

Outline for Program 2012

As this is a three year Program all schools are expected to continue to further improve on the 8 categories of 2012. The parameters under each category will be further developed as well as a few new categories will be added to increase the level of competition.

*As mentioned in the previous COP report

Linea Aqua: The Rejuvenation of Bundala National Park

It started six years ago, when a group of Linea Aqua's wildlife enthusiasts were having a common discussion regarding the diminishing quality of the wildlife watching experience at Bundala National Park.

The park had been plagued by the growth of invasive plants such as 'Proposis Juliflora' (a type of shrubby foliage) and Cactus which had led to the destruction of the park's delicate ecosystems; driving out most of the indigenous flora, fauna and bird life. These groups of wildlife aficionados were motivated to improve the situation in the park, so that its natural splendor could be enjoyed by all, and thus began the Bundala Project.

Through the generous donations and support of key partners Hatton National Bank, ODEL and IUCN, Linea Aqua was able to collect the funding and resources required for a project of this magnitude.

Harnessing the surrounding community for manpower, Linea Aqua worked closely with the villagers of the area. As a result, the project evolved from being a simple restoration project with a primary environmental focus, to one that also empowered people.

This initiative benefits close to one hundred underprivileged villagers who come from the surrounding community. A majority of the workforce is made up of women and the income provided by this project has helped these villagers build houses, educate their children and significantly improve their overall living standards.

Six years in, and this project has achieved its primary goal, the wildlife experience at Bundala has greatly improved. This is evident in the growing number of bird and wildlife sightings that have been reported by the increasing number of visitors and nature lovers to the park.

Initially, Linea Aqua made a commitment of clearing and restoring two hundred hectares. However, the multiple benefits that the project yielded have secured it as a long term project in the company's diverse CSR portfolio. For Linea Aqua, this project epitomizes national pride and the importance of giving back to the country.

In the long run, Linea Aqua hopes to turn this into a self-sustainable project that will continue to provide employment whilst restoring the park.

Linea Aqua was awarded The Best CSR Project under the Special Projects category at the Ceylon Chamber of Commerce Best Corporate Citizen Awards Ceremony 2011.

"Bundala is a park that has always been close to my heart, it is a park that I frequented as a child. However, over the years, I had seen a steady deterioration of the environment. I consider myself very fortunate to be able to do something towards restoring a national beauty and I am extremely grateful for the support we have received from the community and our sponsors. This is a long term project that we will continue to spearhead." - Sarinda Unamboowe, CEO of Linea Aqua

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Awards



Wildlife



Sanctuary



Eco Product

The Carbon Neutral Lingerie - Leaves

MAS partnered with Marks & Spencer to create the first Carbon Neutral product range for the UK high street in 2011. Under this project, MAS footprinted a product range for M&S which includes 3 bras, 3 panties and 1 suspender, and used carbon offsets to create the carbon neutral products. This was the first time carbon footprints of complex garments such as bra/panties were calculated/declared globally.

The products were footprinted using PAS2050 standard of UK working with the Carbon Trust. Under the PAS2050 standard, emissions are mapped across maps the emissions from the raw materials all the way to use and final disposal by the consumer. The footprints were certified by UK's Carbon Trust.

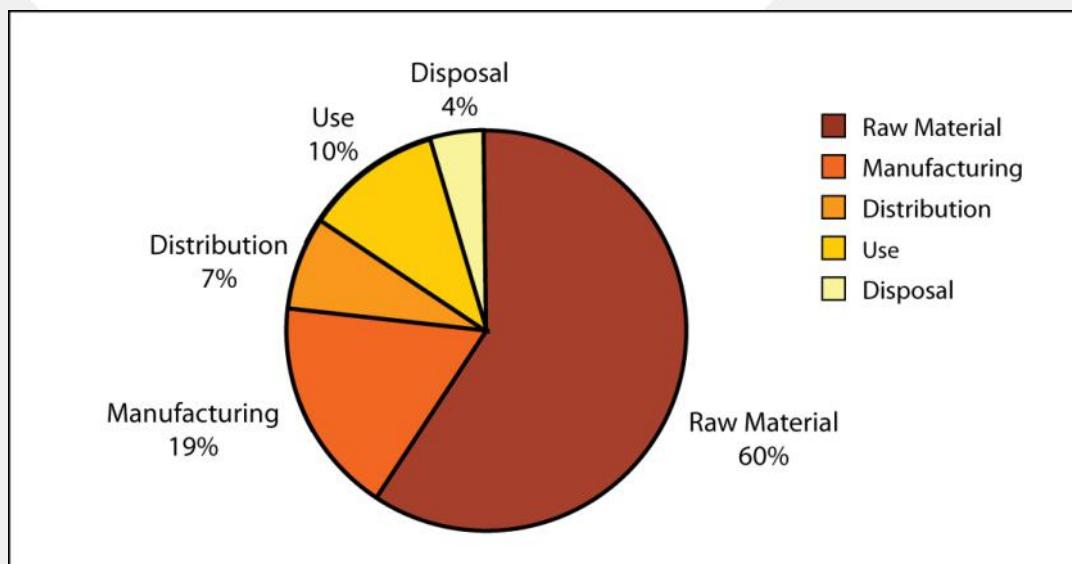


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A bra is a complex garment which typically has about 20 components. The products footprinted had 34 discrete components (including packaging) coming from 16 different suppliers. However, most component products did not by themselves have calculated emission factors (footprints). This required MAS to calculate carbon footprints for each individual component such as different types of elastics, different types of fabrics, bra cups, embroidery, hooks & eye, underwire etc before working on the product footprint. Consumer surveys were conducted in the UK to understand wear/wash/dry/disposal patterns of end consumer. Logistics operations of M&S and store emissions were analysed to calculate the distribution/retail footprint.

The products had a lower manufacturing footprint owing to the fact that they were made at MAS Intimates Thurulie, the green factory designed for low carbon operations. This resulted in a 67% reduction of the manufacturing footprint, resulting in a reduction of 30% off the overall footprint.

The breakdown for one of the products is as follows :



To make the product carbon neutral, MAS working with Conservation Carbon Company (CCC) developed a project to generate sufficient carbon credits to offset the emissions. The credits were certified by Plan Vivo. The project was conducted with the partnership of Rainforest rescue International to build a biodiversity corridor between the Polgahakanda and Kinneliya Forest Reserves for species and gene flow. The project saw 6,500 trees planted by 9 farmers between the two forests creating a physical link. The project generated 1,500 credits and the funds from these credits ensure the trees are looked after by the farmers (through monthly subsidies) for 25 years.

The products were launched in the UK market in April 2011. The product also carried a distinct label on its carbon neutrality and Sri Lankan origin.

MARKS & SPENCER

carbon neutral

The Plan A way to source

This beautiful lingerie has been made in an award winning, environmentally efficient factory in Sri Lanka and is carbon neutral. We've invested in local community projects in Sri Lanka which will save the equivalent estimated greenhouse gas emissions generated from the production, delivery and washing of this garment.

Find out more at marksandspencer.com/PlanA

DOING THE RIGHT THING

Loving support

Give your figure and the environment a boost with M&S's beautiful new range of carbon-neutral lingerie.

When you're shopping for luxurious lingerie, helping save the rainforest is probably the last thing on your mind. But thanks to the latest in carbon-cutting technology of carbon-neutral underwear, you can now combine the two. As part of its Plan A commitment to tackling climate change, M&S has teamed up with MAS Intimates to create the first ever carbon-neutral lingerie, using energy-efficient lingerie manufacturing plant in central Sri Lanka. This innovative factory produces 300 per cent fewer carbon emissions than comparable plants in Europe. To make the lingerie range carbon neutral by investment in local renewable projects (see right) to make the products carbon neutral.

To help with the development of the exquisite Autograph Leaves Collection, M&S and MAS Intimates worked with The Carbon Trust to make the total carbon footprint of the range as low as possible. This includes the energy use of all these individual components, from weaving, transport and even machine-washing after purchase. Pascual Llorente, Head of Technology for M&S lingerie, says: "We've learned that consumers are increasingly interested in reducing the carbon footprint of future products in lingerie, and across all M&S products." Richard Gillies, director of Plan A, adds: "As part of our Plan A zero and ethical mission, we believe that our customers will have an environmental, social or health benefit by 2030."

Grand designs

The ranges amazing eco credentials aren't the only appeal. Sophie Jenkinson, Head of M&S lingerie design, explains: "The new range is sophisticated, elegant and comfortable. We've used a combination of delicate lace and stretch fabrics. Every piece is designed to be comfortable as well as beautiful. Soziale adds: "We've chosen mesh and microfibre stretch fabrics for their softness, fit and support. And the whole range is machine washable – we recommend you use an eco-wash setting to take the best care of your lingerie and the environment."

Style picks

Every piece in the Autograph Leaves Collection is carbon neutral and helps to support the restoration of the Sri Lankan rainforest.

Autograph Leaves Collection multiway bra, £22, and tie-leg knickers, £19.99 (0845 600 9842)

Autograph Leaves Collection push-up multiway bra, £22.99 (0845 600 9842)

Autograph Leaves Collection suspender belt, £12.99 (0845 600 9842)

Autograph Leaves Collection bra, £20, and Brazilian knickers, £14.99 (0845 600 9842)

"The range is inspired by the intricate patterns of nature and the exotic foliage of the rainforest, which it helps support."

Sophie Jenkinson, Head of M&S lingerie design

LEFT: Autograph Leaves Collection multiway bra and tie-leg knickers, £39.98 (0845 600 9842)

ECO FASHION

COMMUNITY SPIRIT

To offset increasing carbon emissions from the production of the new Autograph range, M&S is working with local farmers in Sri Lanka and the Conservation Clusters Company in Sri Lanka, to invest in local renewable heating projects:

- Sri Lankan organic farmers harvest around 90 per cent of the country's apples, but are predominantly growing varieties that are not particularly native to America, which is why carbon-reducing carbon and building biomass for local welfare.
- Five clusters have been established in the country, but the collaboration of 100 different clusters will help to increase the number of different helped families. Pending no present restrictions.
- M&S' investors have given £10,000 each year to the land of new farmers, creating confidence for future success such as the purple-based orange cluster and the Ceylon Pine cluster.
- This autumn, M&S' first ever 100% renewable energy 25kW wind farm is planned and generates power for farmers and their families by introducing that once isolated, to the very first wind farm to generate power for the region. The new farm and its income will benefit.

MAS HOLDINGS

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Waste Management

A waste management policy was institutionalized across the Group which consisted of definitions of types of wastes and necessary handling and disposal methods. Reliable and ethical waste vendors were identified and shared among all plants to plan out proper disposal for most of the waste generated at plant level. Annually a waste management forum is conducted to revisit and evaluate the waste management plan and to discuss about potential strategies of reuse and recycling waste and methods to reduce waste generation.

Under implementation initiatives, shredders are used to shred the ex-stock or rejected garments adhering to brand protection. And these scrapped materials are segregated and sent for recycling to different vendors locally and internationally which eliminates incineration of these materials. This is currently carried out in Unichela Koggala, Unichela Panadura, Slimline and Linea Clothing. and linea clothing.

A few waste to energy projects were carried out in some of the plants where food waste and other types of wastes from the factory is used to generate bio gas which is then used in the kitchen for cooking purposes. A biogas plant was initiated in 2011 in Asialine. It has been completed and the commissioning is underway.

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Sustainability Culture

As a step to make all at MAS more aware and vigilant, an intranet site known as "Sustainability Insights" was launched in August 2011 where the Environmental sustainability steering team updated progress and the latest happenings in the Group; working towards connectivity, collaboration and an inclusive culture. Annually the sustainability steering team organizes a sustainability forum where employees who are driving the initiative across the Group join together to share the developments and the proceedings of the year in each of their divisions and the way forward.

In line with greater inclusivity of the general workforce population, a company-wide poster competition was also held under the topic of "sustainability". The winning entries were recognized and awards distributed at the 2nd annual sustainability forum held in October 2011.

ENVIRONMENT

PRINCIPLE 9: Businesses should encourage the development and diffusion of environmentally friendly technologies

Carbon Emission Management

Currently MAS has four ongoing CDM (Clean Development Mechanism) projects.

We undertook a large project to change the traditional furnace boilers to biomass boilers which cuts down our emissions significantly. Also waste to energy projects, referred above, initiated in some of our plants help achieve further reduction in emissions.

RECOGNITION

MAS Intimates : Winner – Category Award for Environment at the Ceylon Chamber of Commerce Best Corporate Citizens Award

The Best Corporate Citizens Awards is organized annually by the Ceylon Chamber of Commerce with the purpose of promoting Corporate Social Responsibility (CSR) and Strategic Corporate Sustainability within the business sector in Sri Lanka. MAS Intimates was awarded 1st place in the Category Award for Environment in recognition of the work carried out in the area of Environmental Sustainability.

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INDOMITABLE SPIRIT

MAS has been labeled as a “breeding ground for champions” both in the corporate and sporting arenas. Sports in our culture plays multiple roles; from creating role models and icons within our colleagues, to adding resilience, grit, discipline and team spirit into our work ethic; to uniting us as a company and country via collective goals; and of course recreational sports contribute to the well-being of our employees.

2011 continues as another year of great sporting achievements for our colleagues :

- ◆ A.M. Amila Nuwan, wins a bronze medal in the Light Fly Weight under 49kg category, at the Second Shaheed Benazir Bhutto Memorial International Boxing Tournament 2011 held in Pakistan. The tournament held this December was keenly contested by 23 countries.
- ◆ Fazil Marija captained the Sri Lanka Rugby team
- ◆ T.M Dilshan captains the Sri Lanka Cricket team
- ◆ Anuruddha Gunathilake awarded best boxer at the Layton Cup Boxing Tournament
- ◆ MAS Holdings won the mercantile championships for Cricket, Rugby and Swimming.
- ◆ MAS Boxing Team wins National Boxing Tournament conducted by the Amateur Boxing Association of Sri Lanka

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MAS continues to support colleagues with active sporting careers as well as providing opportunities through sport for underprivileged youth in our communities.

For 2012 we are hopeful as two female boxers (Anusha Kodituwakku and Nilmini Jayasinghe) make a historic attempt to qualify for the Olympics in London where female boxing is featured for the first time. The two young ladies from Pannala are working hard towards the ultimate goal for any sportsman – a chance to participate in the Olympics. The hope of a country anxiously waiting for the qualifiers in May 2012, are accompanied by the prayers and aspirations of 50,000 colleagues at MAS who cheer them on.



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PRINCIPLE 10: Businesses should work against corruption in all its forms, including extortion and bribery

Honesty and integrity is the first building block in the MAS value framework. All employees are briefed on the importance of working within the value framework of MAS. Breaches in this area are subject to strict disciplinary action which can do lead to termination of employment.

Financial Control Environment

- Annual budgets are prepared, reviewed & approved by the BOD
- Actual performances are measured against the budgets on monthly basis & reasons for major variances are inquired, corrective actions will be taken to avoid unjustifiable variances. (Budgetary control of the operation)
- All payments should have supporting documents, will be checked & approved by the Accountant & Finance Manager & will be authorized by two signatories.
- Segregation of duties of the financial function is maintained at all times.
- All unbudgeted payments will be approved by the Finance Director or Deputy Chairman.
- Safe custody of all the company assets are ensured by keeping a proper Fixed Asset Register.
- All Capital Assets addition & disposal are supported by proper documentation to ensure the authorization on such transactions. The authorization levels will link to the value of the assets.
- Accounts of the Company is prepared based on the International Financial Reporting Standards (IFRS).
- Annual statutory audit is performed by an internationally recognized audit firm.
- Internal risk & control team is functioning to ensure proper monitoring of internal controls framework of the company.
- All the employees signed a IT & HR policy manual which gives the general guide lines to the employees.

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THE WAY FORWARD

THE WAY FORWARD

The shattering effect of the financial crisis tsunami is slowly ebbing, and the world as a whole has awakened to the importance of corporate integrity. MAS is proud to have always upheld fairness and justice, as reflected in how we do business and in what defines the organization to our community, the country and globally to our stakeholders.

As in everything we do, we believe continuous improvement and striving for greater excellence in engaging our stakeholders, the community and our environment. To this end we look forward to working with Global Compact towards the high standards it expects of its signatories.

In 2012 we see ourselves working on further integrating the ten principles and the blue print into our operating DNA, as well as implementing an improved mechanism for reporting and measuring our progress.

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OVERALL MEASUREMENT OF CSR ACTIVITIES

SOCIAL SUSTAINABILITY

MAS is not just about great products and working places. We are defined by the social and economic development in our operating localities. In 2011 we continued our social investments and working together with key community stakeholders; on a localized need based structure which has proven to be effective.

Organization	Number of activities
Bodyline I	30
Bodyline II	27
Asialine	18
Contourline	5
Shadeline	15
Leisureline	11
Linea Intimo	13
Synergy	6
Nirmaana	11
AITC	7
Shadowline	14
Sleekline	12
Operations Centre	7
MDS-7	7
UPL- Panadura-6	6
Koggala-11	11
Slimline-18	18
Slimtex- 8	18
Casualline-2	2
Thurulie- 5	5
LC/LI- 6	6

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