

SUSTAINABILITY REPORT

Message from the Chairman

Today, sustainability has become an imperative for all kinds of organisations. Hence, it is essential that both the Government and the Private Sector give due consideration to conducting their activities sustainably.

It is heartening to note that the Government has already taken certain initiatives in this regard at a macro-level over the past several years. These measures include enacting necessary legislation, establishing required organisational structures (such as setting up the Sustainable Energy Authority, National Nanotechnology Initiative, Environmentally Sustainable Transport Initiative etc.), and granting of fiscal incentives, with a view to adapting to climate change, prudent use of natural resources, addressing rising cost of energy, safeguarding bio-diversity, promoting responsible tourism, ensuring food security and minimising air pollution.

Correspondingly, large Private Sector organisations have taken noteworthy steps and devoted a fair share of their resources to integrate sustainability into their business activities. Notable initiatives have been taken by companies in the plantations, tourism and apparel sectors.

I am pleased that the Hayleys Group, one of Sri Lanka's premier diversified conglomerates, has demonstrated over 134 years, that an emphasis on corporate sustainability is no barrier to progress, but instead an indication of it. Hayleys in fact reported its best ever results in 2011/12, as detailed in the financials.

We are fully aware and proud of the role we play in the private sector. Our export income benefits the nation's coffers and fosters entrepreneurialism and innovation in outreach communities and within our own teams.

Our commitment to excellence in all aspects of our operations deliver value to those that invest in us. At the same time, we have held firm to our commitment towards the 'health' of our triple bottom line in our business operations, ensuring the long-term sustainability of the Group.

Whether we create, transport, power or build, sustainability is integrated into all we do. The year under review has been a period of tremendous activity and achievement for corporate sustainability at Hayleys.

The foundation for a well-structured, aligned and inbuilt sustainability system was set in place. The credit for this achievement lies with the vision, professionalism, energy and ingenuity of the Hayleys Corporate and Group Companies.

A Sustainability Gap Analysis was conducted through a process of interviews and fact-finding audits, in order to identify current sustainability practices and opportunities for improvement. To take this forward, a proficient sustainability team representing the entire Group was formed and trained through capacity building workshops.

The measure of success of this enterprise was proven through our ability to identify the material topics and issues derived from the entire diversified conglomerate and its stakeholders, and through inculcating policies and systems to address them.

I note the full impact and success of this initiative through the coherence and accuracy of this year's Sustainability Report. The quality of information that is currently available to our stakeholders undoubtedly surpasses previous reporting efforts.

In addition, for the first time, our Report is externally assured, which is an indication of the importance we attach and the commitment we have to sustainability across the Group.

Last year, we set ourselves an ambitious goal of working towards measuring the carbon footprint of the Hayleys Group. I am pleased to report that this initiative has been successful, and a preliminary study has been successfully conducted. Going forward, we set ourselves the challenge of further increasing the depth of our scope of analysis, and identifying initiatives to reduce our environmental impact, waste and ultimately our cost base. We still have a long way to go. Due to the diverse nature of our businesses, systems and processes still need to be improved.

Being a signatory to the United Nations Global Compact underlines our respect for, and commitment to international standards. We continue to be guided by these principles, which seek to promote responsible corporate citizenship to surmount challenges posed by globalisation – the same principles that earned Hayleys the title of Sri Lanka's Best Corporate Citizen on four separate occasions.

I am immensely proud of the hard work and commitment shown in achieving our sustainability targets. I thank our customers, suppliers, business partners and most importantly our employees who are integral stakeholders in this commitment. As our 135th year dawns, we continue to build on the robust foundation we have put in place, and retain our emphasis on concerted, structured corporate sustainability in our pursuit of growth.



A.M. Pandithage
Chairman and Chief Executive

Hayleys - In the Context of Sustainability

In operating a viable and sustainable business enterprise, Hayleys is challenged to evaluate, understand and mitigate impacts and risks that its business activities may exert on the overarching goals of sustainability. It is similarly challenged to comprehend and leverage opportunities arising from its drive to attain true sustainability.

In this segment we examine this subject in a high-level, concise and objective manner.

Risk and Impact

General

Hayleys maintains close relationships with public and regulatory bodies, which require effective management and consistently fruitful dialogue and engagement. Falling short in this area could compromise the Company's ability to fully benefit from potential business opportunities.

Parity and consonance of view in values of sustainability, do not always exist amongst the buyer community. This factor, as well as a prevalent market slowdown could negatively impact business by constraining leeway for major projects to flourish and be availed of in a sustainable manner.

The withdrawal of the GSP in Europe was highlighted as a risk by all export industries.

Sector Specific Risks

Global Markets and Manufacturing

Climate changes affect supply of fibre and also impact the quality standards of stocks in hand for the Fibre sector.

Changing weather patterns in natural rubber producing regions make supply forecasting difficult for the Hand Protection sector. Floods, in rubber producing countries, also affects supply of natural rubber.

Increasing shortages of the key raw material coconut shell charcoal can negatively impact the manufacture of our Purification products.

High cost of energy and escalating prices of other raw materials causes an increase in the cost of production of manufacturing industries thereby making our products less competitive in export markets.

Agriculture

Adverse weather conditions that prevail at critical periods create difficulties in catering to buyers' requirements on time.

Increased pest resistance to traditional crop protection products and disruptions to weather patterns could result in reduction in the overall extent of cultivation. This in turn reduces demand for the Company's agricultural inputs. In addition, weather influenced changes impact the demand for certain products such as flower seeds and can lead to loss in revenue.

Further, crop diseases could affect supplies of fruits and vegetables thereby affecting the financial performance of our value added agricultural exports.

A further risk encountered is the looming shortage of labour in the Agriculture Sector.

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Plantations

Disruption of normal weather patterns and temperature change encourage the growth of pests and diseases which impact the quality of the final product.

Transportation and Logistics

Fluctuations in oil prices and resulting fluctuations in freight rates create a risk for our bunkering business.

Poor climatic conditions can affect oil exploration activities and similarly cause route cancellations and deviations, forcing alterations on shipping and freight forwarding activities, resulting in additional costs.

Adverse climate can negatively impact our businesses by curtailing operations, delaying vessel calls, inland transportation of goods, etc.

Introspective Risk Review

Any inadequacies in terms of awareness and understanding of the elements of sustainable business at the highest echelons of Hayleys could affect the cascading of desired sustainability values and culture across the Group. An associated risk factor could be posed if the desired corporate culture and approach to sustainability across the rank and file is not maintained and employee understanding and participation is not adequately forthcoming.

The commitment to reductions in terms of cost of energy and resource consumption, whilst a desirable trait in the context of sustainability, could also challenge business, should it lead to difficulties in achieving overall targets.

The considerable diversity that exists within Hayleys, in terms of systems, processes, and customer and staff demographics among many other factors, has made sustainability tracking from a Group perspective, a challenging task. Whilst Hayleys is proactively tackling this task, risks could arise from shortfalls in internal

processes that could lead to inadequacies in result reporting, thereby compromising the overall sustainability process of Hayleys.

Opportunities Do Exist

General

Sri Lanka's major drive to effect infrastructural development, and towards tourism including eco-tourism, is widely publicised both locally and internationally.

This positive publicity generates opportunity by way of attracting more foreign direct investment and offering more projects and joint ventures for business communities. In this regard, Sri Lanka is in search of a diverse mix of reliable, affordable energy resources. Opportunity lies in meeting this rising demand in a safe and environmentally responsible manner.

Sector Specific Opportunities

Global Markets and Manufacturing

There are instances when Hayleys benefits from regulations and legislation. Stronger environmental and health/safety legislation in our buyers' markets and development of specialised applications such as use of activated carbon for energy storage put us at an advantage. The emergence of the regeneration of activated carbon as an attractive business line will benefit the Group.

Haycarb's Recogen plant is the world's only pollution-free charcoaling plant registered and trading carbon credits under the Kyoto Protocol. Our environment-friendly coconut shell charcoaling process reduces greenhouse gas emissions and also generates electricity that is supplied to the National Grid, contributing towards reducing fossil fuel driven power generation in the country.

Increasing awareness and demand for eco-friendly products will certainly benefit the Group. Hayleys' portfolio of eco-friendly products constitutes an opportunity to further the Company's sustainability agenda. In like manner, the existing brand equity we enjoy with Group

brands that have inculcated sustainability in their business model, tangibly support a responsible and emancipated sustainability initiative.

Agriculture

We look to leverage weather patterns and expand cultivation of fruits and vegetables in the North and the East. This also provides the Sector with an opportunity to search for crops that can grow all season round.

Agriculture companies in the Group have the opportunity of marketing drought resistant plant material and catering to the increasing demand for new generation, low toxic, target specific crop protection products. They can also leverage the potential for drip irrigation, improved water management processes, and look to increase levels of mechanisation. Products that cater to public health and termite protection systems are also on offer.

Plantations

In the event of dry spells, the yield could increase. In addition, our replanting programmes and usage of alternative energy provides opportunities for new business ventures.

Power and Energy

The drive to stabilise growth in CO2 emissions and rising cost of power and energy offers the opportunity to explore alternative, renewable energy resources such as wind and mini-hydro power projects. Although hydro-power projects are vulnerable to adverse climatic conditions, Hayleys recognises the opportunities in this area, amidst growing concern across the globe to look for sustainable power generation resources. Hayleys has invested heavily in eco-friendly green energy (wind and hydro power) and will continue to focus on feasibility and business development relating to activities on wind, solar and bio-diesel projects.

Investments and Services

Today, Business Process Outsourcing (BPO) is seen as a preferred option for international companies to curb their overheads.

Hayleys Business Solutions International (HBSI) has played a decisive role towards branding Sri Lanka as a sustainable outsourcing destination by obtaining Carbon Neutral certification, having reduced and offset CO2 emissions to net zero in accordance with The CarbonNeutral Protocol. As a result, the Company is Sri Lanka's first and only CarbonNeutral® certified BPO business, as verified by an independent organisation. The certification makes a clear and credible statement about the action HBSI has taken on climate change and is expected to meet growing demand for climate-friendly solutions. Clients stand to benefit immensely from the fact that the work they outsource is CarbonNeutral.

An Integrated Perspective

At a holistic perspective, our close working relationships with international bodies such as UNGC, USAID, INSEAD, IUCN and Fair Trade amongst others, have enhanced the standing of the Hayleys brand vis-à-vis sustainability. Several Hayleys companies are signatories to these Initiatives.

Enhanced management systems are in place to support businesses, including Quality, Food Safety, Occupational Health and Safety, Environmental and Information Security Management. A full list of certifications received and renewed during the reporting period is found on pages 066-067, although this is in no way an exhaustive list of those currently held by Group Companies.

Both the world's first Fair-Trade rubber gloves and the first Ethical Tea Brand of the world have emerged from respective businesses within the Hayleys Group. Thus, the outlook of the Hayleys Group, illustrated by these certifications, ventures and attention to international mandates, provides immense opportunities in a world where focus on sustainability is paramount.

Our Approach

At Group level, our Corporate Sustainability team looks to spearhead corporate sustainability projects, whilst individual business units are

permitted to manage their own projects. Several policies are in the process of revision and will be launched and communicated over the course of the year 2012. Energy management and waste minimisation strategies will meet the strategic direction of cost minimisation. These will come into effect on the back of the carbon footprint identification, which will highlight areas of priority. Hayleys is actively pursuing the generation of renewable energy via wind and mini-hydro power projects.

The Company pursues accreditation of its systems and processes thus generating sustainable competitive advantage, with associated advantages to be had of a regulatory and legal nature. We have put in place a far reaching group of functions in the cause of sustainability including mapping of issues, internal consultation and support for sustainability issues, intra-Company knowledge sharing and training including the understanding of GRI, its reporting format and sustainability reporting.

We have scaled back impromptu social initiatives of donations and sponsorships, unless they are identified as part of a larger project or investment. Instead, we focus on material areas and investments identified by businesses to have sustainable implications.

Managing Impact and Risk

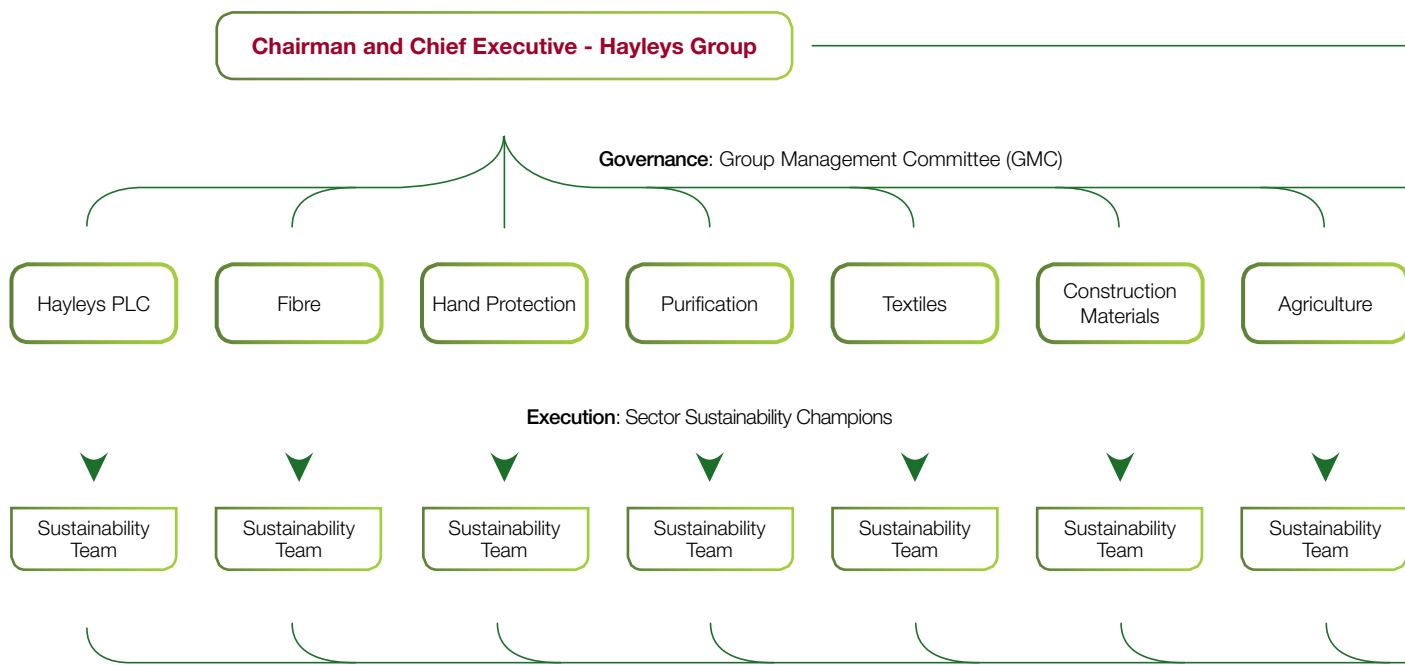
A Sustainability Governance Structure has been set up with channel access reaching the Chairman and Chief Executive.

The appointment of a Sustainability Champion has also taken place at each sector. Within the particular sector, the Head or the Group Management Committee member in charge would need to manage the specific risks and opportunities.

A risk assessment structure is in place at Hayleys, which looks into sustainability risks as well. The structure appears in the Risk Management chapter on page 143 to 150 of this report.

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Hayleys Sustainability Governing Council Structure



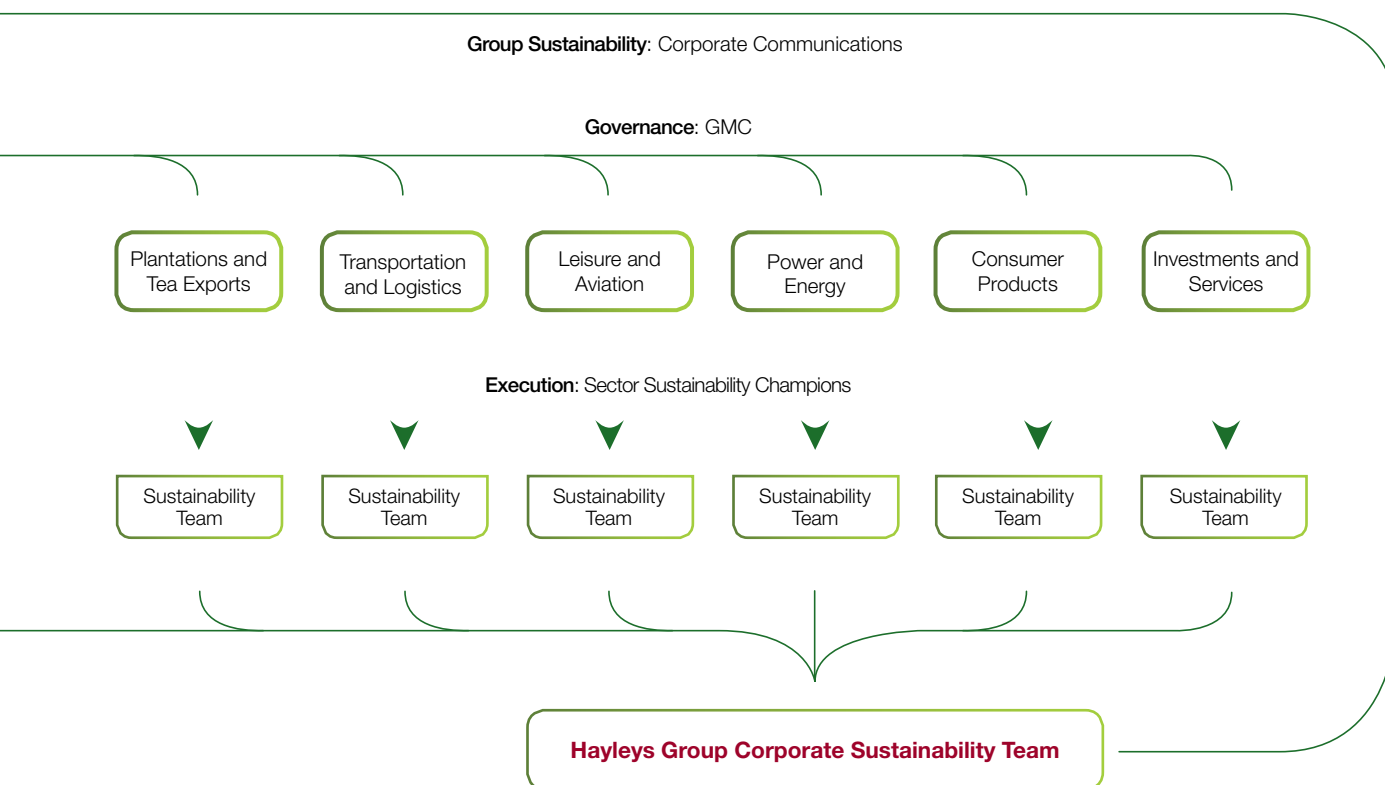
We set ourselves the following targets last year.

- To identify the existing gaps and thereafter align our Group companies by bringing in a clear structure to address any and all sustainability issues.
- To work towards measuring the carbon footprint of the Hayleys Group across our diverse sectors of business in order to set ourselves targets - a daunting yet surmountable task.

We successfully achieved these targets during the year.

Targets Established for Future Reporting

- The newly acquired business of Amaya Leisure PLC and the Mabroc Group will be brought within our reporting format in the Sustainability Report 2012/13.
- According to the topics and concerns raised through stakeholder engagement, Hayleys will respond through the following changes in policies and systems.
- Policies mentioned earlier that are developed will be communicated and driven across the Group by end 2012, in order to strengthen internal systems and processes.
- A Group level Integrated Management System on Environment, Health, Safety and Quality will be developed by end of the fourth quarter 2012/13.
- Group-wide Waste Management/ Minimisation and Energy Management campaigns will be implemented by end of first half 2012/13 in line with the conglomerate's strategy to control the cost base.
- The plotting and adaptation of our Materiality Matrix will continue, to cover the period 2012/13 in order to monitor the significant areas of sustainability within the Group.



- Our carbon footprinting initiatives will be expanded to capture data from over 90% of our businesses across the Group, yet limited to Scope 1 and 2 activities and certain Scope 3 activities.
- We plan to improve processes through the usage of an IT Tool for information gathering, plotting and calculation within the ambit of sustainability programmes, to ensure more inclusive reporting, whilst generating increased productivity.

Hayleys PLC in Profile



Hayleys' enterprise cuts a wide swathe in terms of diversity and scope. Our interests have been grouped into eight main clusters - Global Markets and Manufacturing, Agriculture, Plantations and Tea Exports, Transportation and Logistics, Leisure and Aviation, Power and Energy, Consumer Products and Investments and Services.






More information on business sectors, subsidiary companies and the nature of business within each cluster can be retrieved from our website, www.hayleys.com

A comprehensive insight into the Products and Services of Hayleys PLC appears in the section titled 'Our Portfolio of Businesses' on pages 10 and 11 of this Annual Report.

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The information we present below details the business sectors, subsidiary companies and the nature of business within each cluster.

Sector	Name of Company	Nature of Business
 Global Markets & Manufacturing		
Fibre	Hayleys Exports PLC	Value added coir-based products
	Bonterra Lanka Ltd.	Value added coir-based products
	Chas P. Hayley & Company (Pvt) Ltd.	Coir and treated rubber timber products
	Ravi Industries Ltd.	Industrial and household brushware
	Rileys (Pvt) Ltd.	Cleaning devices
	Creative Polymats (Pvt) Ltd.	Moulded rubber products
	Haymat (Pvt) Ltd.	Coir fibre mats
	Volanka Exports Ltd.	Coir-based products and essential oil
	Toyo Cushion Lanka (Pvt) Ltd.	Needled and rubberised coir products
	Lignocell (Pvt) Ltd.	Coir fibre pith
	Haylex BV	Marketing
Hand Protection	Dipped Products Group	General purpose and specialty rubber gloves
Purification Products	Haycarb Group	Activated Carbon and Environmental Purification Solutions
Textiles	Hayleys MGT Knitting Mills PLC	Knitted fabric
Construction Materials	Alumex Group	Aluminium extrusions
 Agriculture		
Agriculture	Hayleys Agriculture Holdings Ltd.	Crop production and protection materials, agricultural equipment and animal health products
	Hayleys Agro Fertilisers (Pvt) Ltd.	Fertiliser
	Haychem (Pvt) Ltd.	Crop protection, household and public health chemicals
	Agro Technica Ltd.	Agricultural machinery and equipment
	Haychem (Bangladesh) Ltd.	Crop protection chemicals
	HJS Condiments Ltd.	Retailled-packed, processed vegetables
	Sunfrost (Pvt) Ltd.	Fresh/processed vegetables
	Quality Seed Company (Pvt) Ltd.	Hybrid flower seeds
	Hayleys Agro Farms (Pvt) Ltd.	Planting material
	Hayleys Agro Biotech (Pvt) Ltd.	Horticultural tissue culture products
Plantations & Tea Exports	Kelani Valley Plantations PLC	Processed tea and rubber
	Talawakelle Tea Estates PLC	Processed black and green tea
	DPL Plantations (Pvt) Ltd.	Plantation Management
	Hayleys Plantation Services (Pvt) Ltd.	Plantation Management
	Kelani Valley Green Tea (Pvt) Ltd.	Manufacture of green tea
	Kelani Valley Instant Tea (Pvt) Ltd.	Manufacture of ready to drink tea powder
	Mabroc Group	Export of bulk and retail packed tea

	Sector	Name of Company	Nature of Business
	Transportation & Logistics		
	Transportation & Logistics	Hayleys Advantis Group	Shipping agency, international freight forwarding, express freight, bunkering, husbanding and port agency, ship chartering, ocean container repairing and conversion, container yard operation, inland logistics, energy logistics, warehousing and third-party logistics
	Leisure & Aviation		
	Leisure & Aviation	Hotel Services (Ceylon) PLC	Leisure
		Amaya Leisure Group	Leisure
		Hunas Falls Hotels PLC	Leisure
		Carbotels (Pvt) Ltd.	Hotel Investment
		Hayleys Leisure Holdings (Pvt) Ltd.	Hotel Management
		Negombo Hotels Ltd.	Leisure
		Eastern Hotels (Pvt) Ltd.	Leisure
		Millennium Transportation (Pvt) Ltd.	Airline representation
		Air Global (Pvt) Ltd.	Airline representation
		North South Lines (Pvt) Ltd.	Airline representation
		Hayleys Travels & Tours (Pvt) Ltd.	Travel Agency and Destination Management
	Power & Energy		
	Industry Inputs	Hayleys Industrial Solutions (Pvt) Ltd.	Engineering and projects, power generation, pigments and industrial raw materials
		Haycolour (Pvt) Ltd.	Textile dyestuff and binders
		Hayleys Life Sciences (Pvt) Ltd.	Supplying health care equipment
	Power	Recogen (Pvt) Ltd.	Charcoal and power generation
		Bhagya Hydro (Pvt) Ltd.	Hydro power
		Hayleys Hydro Energy (Pvt) Ltd.	Hydro power
		Kalupahana Power Company (Pvt) Ltd.	Hydro power
		Neluwa Cascade Hydro Power (Pvt) Ltd.	Hydro power
		TTEL Hydro Power Company (Pvt) Ltd.	Hydro power
		TTEL Somerset Hydro Power (Pvt) Ltd.	Hydro power
		Nirmalapura Wind Power (Pvt) Ltd.	Wind power
		Power Engineering Solutions (Pvt) Ltd.	Marketing of power generating equipment
	Consumer products		
	Consumer	Hayleys Consumer Products Ltd.	Lighting products and solutions, photo imaging, health care, FMCG products
		Hayleys Electronics Lighting (Pvt) Ltd.	Lighting products and solutions
	Investments & Services		
	Investments & Services	Dean Foster (Pvt) Ltd.	Investments
		Hayleys Business Solutions International (Pvt) Ltd.	Business Process Outsourcing and Centralised Shared Services
		Hayleys Group Services (Pvt) Ltd.	Secretarial/Investments
		Volanka (Pvt) Ltd.	Investments
		Volanka Insurance Services (Pvt) Ltd.	Insurance broking

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Awards received during the reporting period

National Agri Business Awards - 2011 - Awarded by National Agri Business Council

Hayleys Agriculture Holdings Ltd.

- Gold (Large Category) - Input Suppliers (Agro Chemical)
- Gold (Large Category) - Extension Services
- Silver (Large Category) - Import and Supply of Farm Machinery, Equipment and Tools
- Silver (Medium Category) - Veterinary Care Products

Hayleys Agro Fertilizer (Pvt) Ltd.

- Bronze (Large Category) - Fertilizers

Agro Technica Ltd.

- Silver (Medium Category) - Manufacture of Machinery, Equipment and Tools

Quality Seed Company Ltd.

- Silver (Small Category) - Seed Farm/Producers

Hayleys Agro-Biotech (Pvt) Ltd.

- Bronze (Small Category) - Retail/Wholesale Marketing of Agricultural Produce

HJS Condiments Ltd.

- Gold (Large Category) - Export of Fruits and Vegetables

Sunfrost Ltd.

- Gold (Large Category) - Extension Services

Montgomery Black Box Culinary Competition - Champion 2011

Hotel Services (Ceylon) PLC

(Ceylon Continental Hotel)

Chef's Guild Culinary Art Competition - 2011

Hotel Services (Ceylon) PLC

(Ceylon Continental Hotel)

- 4 Gold; 6 Silver; 4 Bronze Medals

Outstanding Achievement in Quality Health Care Services - 2010

Awarded by Plantation Human Development Trust

Talawakelle Tea Estates PLC

- Winner - (High Grown Estates Category) - Health Team 2010 - Bearwell Estate
- 1st Runner Up - (Low Grown Estates Category) - Health Team 2010 - Deniyaya Estate

Outstanding Achievement in Settlement Development (Housing 2010) - Awarded by Plantation Human Development Trust

Talawakelle Tea Estates PLC

- Winner - (Low Grown Estates Category) - Indola Estate

Outstanding Achievement in Settlement Development Enhancing Quality of Life of the Residents - Awarded by Plantation Human Development Trust

Kelani Valley Plantations PLC

- All Island - 1st Runner up - Kiriporuwa Estate

Outstanding Achievement in Estate Worker Housing co-operative for improving Quality of Members - Awarded by Plantation Human Development Trust

Kelani Valley Plantations PLC

- All Island - Dewalakanda Estate

Outstanding Achievement - Best Manager - Awarded by Plantation Human Development Trust

Kelani Valley Plantations PLC

- Kegalle Region - 1st Place - Dewalakanda Estate

Outstanding Achievement - Child Development Centre - Awarded by Plantation Human Development Trust

Kelani Valley Plantations PLC

- Kegalle Region - 1st Place - We Oya Estate

Outstanding Achievement in Health - Awarded by Plantation Human Development Trust

Kelani Valley Plantations PLC

- Kegalle Region - 2nd Place - Kelani Estate

Highest Sales Average (High and Low Elevations) at Colombo Auctions - Awarded by Forbes & Walker Tea Brokers (Pvt) Ltd.

Talawakelle Tea Estates PLC

National Green Awards 2011 - Awarded by Central Environmental Authority

Talawakelle Tea Estates PLC

- Bronze (Food and Beverage Category) - Mattekelle Estate (for Environmental/ Sustainability Initiatives)

Specialty Teas - Awarded by the Russian Tea & Coffee Association

Talawakelle Tea Estates PLC

- Silver (Pekoe Category - Dimbula Region) - Somerset Estate
- Merit Award (BOP & BOPF Category - Dimbula Region) - Somerset Estate

Kelani Valley Plantations PLC

- Silver - (OP - Nuwara Eliya Region) Pedro Estate
- Bronze - (BOP1 - Sabaragamuwa Region) - Kelani Estate
- Merit (BOP & Pekoe - Nuwara Eliya Region) Pedro Estate

Vision Awards Annual Report Competition 2010 - Awarded by League of American Communications Professionals (LACP)

Hayleys PLC

- Gold (Joint Winner) - Conglomerates & Holding Companies

Talawakelle Tea Estates PLC

- Bronze - Agri Business

Haycarb PLC

- Bronze - Chemicals

Kelani Valley Plantations PLC

- Gold - Agri Business

**ICASL Strategic Level Training Certification
- Awarded by The Institute of Chartered
Accountants of Sri Lanka**

Hayleys Business Solutions
International (Pvt) Ltd.

**Sri Lanka National Quality Award -
Awarded by Sri Lanka Standards Institute**

Logiwiz Ltd.
• Merit (Medium Service Category)

**Awards from Institute of Chartered Ship
Brokers (UK)**

Hayleys Advantis Group
• Best Shipping Agent (Customer Service
- Colombo-Mediterranean sector) -
Award received for 3rd year in succession
and 5 times overall
• Best Customer Service (Colombo-USA
Sector) - Award received for 8th consecutive
year
• Best Customer Service
(Colombo-Australasia Sector)

ARC Annual Report Awards - 2011

Hayleys PLC
• Gold for Financial Data - Diversified
Business Category
• Honours for Overall Annual Report -
Diversified Business Category

Dipped Products PLC

• Honours for Non-Traditional Annual Report
- Manufacturing and
Distributing Category

**Institute of Chartered Accountants' Annual
Report Awards - 2011**

Hayleys PLC
• Gold - Diversified Holdings (Groups above
05 Subsidiaries) Sector

Hayleys Advantis Group

• Silver - Services Category

Kelani Valley Plantations PLC

• Silver - Plantation Companies Category

**South Asian Federation of Accounts
Award for Annual Reports
'Best Presented Accounts Awards 2010' in
the Agriculture Sector**

Kelani Valley Plantations PLC
• 1st Runner Up

**National Business Excellence Awards -
2010 conducted by National Chamber
of Commerce**

Lignocell (Pvt) Ltd.
• First Runner-Up (Medium Category)
Lignocell (Pvt) Ltd.
• Runner-Up - (Manufacturing -
Non-Traditional Export Sector)

Bonterra Lanka Ltd.
• Second Runner-Up - (Small Category)
Bonterra Lanka Ltd.
• Merit Award - (Agriculture Value Added
Category)

**National Business Excellence Awards -
2011 Conducted by National Chamber
of Commerce**

Kelani Valley Plantations PLC
• Winner (Agriculture and Plantations
Category)
Lignocell (Pvt) Ltd.
• Merit (Manufacturing Other)

**NCE Export Awards 2010 - National
Chamber of Exporters, Sri Lanka**

Lignocell (Pvt) Ltd.
• Bronze - (Agriculture Value Added -
Medium Category)
Bonterra Lanka Ltd.
• Silver - (Agriculture Value Added -
Small Category)
Haycolour (Pvt) Ltd.
• Merit - (Large Scale Exporters Category)

**Presidential Export Award -
2007 and 2008 (Awarded in 2011)**
• Ravi Industries Ltd. and Rileys (Pvt) Ltd.

**Remarkable Achievement Award 2011 -
Awarded by Shimadzu, Japan**

Hayleys Life Sciences (Pvt) Ltd.

**Best Corporate Citizen Award 2011 -
Awarded by Chamber of Commerce**

Kelani Valley Plantations PLC
• Special Project on Corporate Social
Responsibility - Environmental Category

LMD Top 50 (2010/11)

Hayleys PLC
• Ranked 2nd

LMD - Most Respected Entities (2010/11)

Hayleys PLC
• Ranked 9th

**LMD - Business Person of the Year 2011
(Ranked amongst Top 10)**

• Mr. Mohan Pandithage -
Chairman and Chief Executive
• Mr Dhammika Perera -
Deputy Chairman

Business Today - Top 20 (2010/11)

Hayleys PLC
• Ranked 14th

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Accreditations received or renewed during the reporting period



ISO 9001:2008 Quality Management System Certification

HJS Condiments Ltd.
Haychem Ltd.
Hayleys Agro Bio Tech (Pvt) Ltd.
Hayleys Agro Fertilizer (Pvt) Ltd.
Alumex (Pvt) Ltd.
Hayleys Advantis Group Company
Logistics International Ltd.
Hayleys Energy Services Lanka (Pvt) Ltd.
Hayleys Energy Services
Mountain Hawk (FedEx)
Logiwiz Ltd.
Ravi Industries Ltd.
Hayleys Exports PLC
Bonterra Lanka Ltd.
Toyo Cushions Ltd.
Chas P. Hayley (Pvt) Ltd.
Haycarb Group



ISO 14001:2004 Environmental Management System Certification

HJS Condiments Ltd.
Haychem Ltd.
Hayleys Agro Fertilizer (Pvt) Ltd.
Hayleys Energy Services Lanka (Pvt) Ltd.
Ravi Industries Ltd.
Haycarb Group



ISO 22000:2005 Food Safety Management System

HJS Condiments Ltd.
Talawakelle Tea Estates PLC



OHSAS 18001:2007 Certification

HJS Condiments Ltd.
Hayleys Energy Services Lanka (Pvt) Ltd.



Kosher Certification

HJS Condiments Ltd.



Halaal Certification

HJS Condiments Ltd.



FDA Approval from USA

HJS Condiments Ltd.

GLOBAL G.A.P.

Global GAP Certification

Hayleys Agro Biotech (Pvt) Ltd.
Kelani Valley Plantations PLC
(all tea estates - recertified)



BRC Global Standard for Food Safety

HJS Condiments Ltd.



Australian Quarantine and Inspection Service

Hayleys Agro Biotech (Pvt) Ltd.



USDA NOP Certification of Organic Production Methods

HJS Condiments Ltd.



Organic EU Certification of Organic Production Methods

HJS Condiments Ltd.



SA 8000

HJS Condiments Ltd.
Hayleys Energy Services Lanka (Pvt) Ltd.



Ethical Tea Partnership Certification

Talawakelle Tea Estates PLC
Kelani Valley Plantations PLC



Rainforest Alliance Certification

Talawakelle Tea Estates PLC
Kelani Valley Plantations PLC



UTZ Certification

Talawakelle Tea Estates PLC



NSF 42 Certification Renewal

Haycarb Group



ISO 27001 - Information Security Management Certification

Hayleys Business Solutions International (Pvt) Ltd.



BRC Global Standard for Consumer Products

Issue 3: Feb 2010, Achieved Grade - A
Dipped Products Group



Forest Stewardship Council

Ravi Industries Ltd.



International Air Transport Association

Hayleys Travels and Tours (Pvt) Ltd.

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Our Report Parameters, Scope and Boundary

This Report covers the period 1st April, 2011 to 31st March, 2012.

Hayleys adopts an annual reporting cycle; hence the last published Sustainability Report appeared in the Hayleys Annual Report of 2010/11.

Any inquiries or clarifications pertaining to this Sustainability Report may be directed to the Corporate Communications/Sustainability team at corporate.communications@ccu.hayleys.com.

The Report covers the performance of constituent businesses of the Hayleys Group, based in Sri Lanka. Amaya Leisure PLC and Mabroc Group were not included this year, as the systems and processes are not yet fully in place post-acquisition.

Due to the ongoing restructuring at Hayleys MGT Knitting Mills PLC, the processes for capturing information at this company are not fully in place. Therefore, it is envisaged that the re-inclusion of Hayleys MGT will occur within the parameters of the Sustainability Report for the year 2013/14.

This year we report sustainability data measurement techniques, basis of calculations and assumptions as per the GRI 3.1 framework. In the case of partially reported indicators, we have provided timelines for when these can be improved.

In 2010/11, we presented 75 indicators, some of which were partially reported. This year, we consciously decided to report fully on 22 indicators identified as material areas. We have obtained external assurance for this report and we present the same at a B+ level. The reasons for any deviations have been clearly stated wherever applicable. In the case of partially reported indicators, where timelines are not specifically indicated, we commit to report fully on these in the subsequent report.

Hayleys applies a precautionary principle across all Group Companies with regard to social and environmental sustainability. We are aware of the social and environmental impact of our actions. Before embarking upon new ventures and initiatives we take necessary steps to assess any impacts through adequate risk management processes. This is further explained on page 143 to 150.

Process of Reporting

Guided by the GRI process of reporting, the following process was followed in order to determine materiality of topics and issues of Hayleys and its Group Companies.

A gap assessment of Hayleys' sustainability processes was conducted amongst a representation of Hayleys companies, in the course of which current sustainability practices were evaluated with particular relevance to the triple bottom line.

Concurrently a team of Sustainability Champions was formed, the members of which represent each major business sector of the Hayleys Group. Internal capacity building sessions further honed the skills and understanding of the Team.

The Group's stakeholders were identified and prioritised using a Weighted Matrix, after which a sector-wide process of identification and weightage of material issues and subsequent collation took place. This allowed us to plot a Materiality Matrix for the Hayleys Group - a framework that prioritises issues and areas of sustainability at Hayleys.

This exercise has allowed Hayleys to home in on the most relevant and material areas to report on and the corresponding map of key GRI indicators for application across the Group.

Engaging Our Key Stakeholders

Conducting business successfully across the diversity and scope of the Hayleys Group requires constant engagement and dialogue with our stakeholders. Understanding the impacts and implications of our enterprise on these groups, both internal and external and how they think and respond to issues of importance to them is vital to the long-term prosperity and well-being of both Company and stakeholder.

This year, we formally began the process of identifying and prioritising stakeholder groups sector wise. This process will help us to better identify the challenges and issues faced by various stakeholders within the Group and in turn lend impetus to the channelling of our efforts towards addressing these issues and challenges and identify which issues are most material for our business operations.

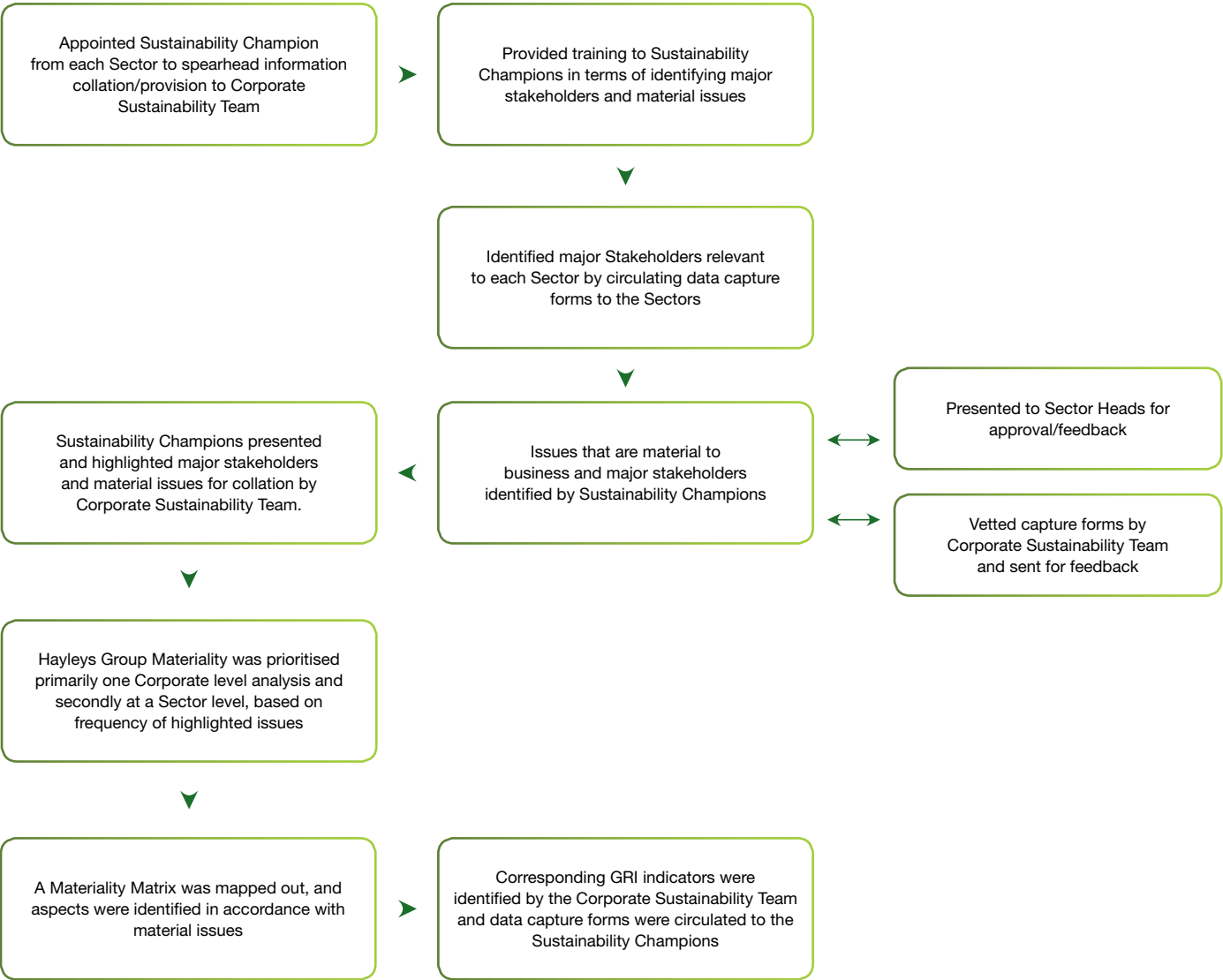
Our business sectors have various mechanisms for engaging with their stakeholders which are described on page 70.

This activity has also facilitated the re-formulation of the Group's Sustainability Strategy and Sustainability Governance Structure.

Data on Environmental and Safety Issues has been compiled from actual operating data maintained by the various businesses, factories, hotels and other units of the Group. Data on Social Responsibility was obtained on-site.

The flow chart on the opposite page depicts the process that was followed by the Group last year on stakeholder engagement and identification of issues material to them and the Group.

Stakeholder Engagement Process at Hayleys PLC



SUSTAINABILITY REPORT

Stakeholder	Process of Engagement and Frequency
Shareholders	<ul style="list-style-type: none"> • Annual General Meeting, which provides an opportunity to review the past year's performance and engage in discussion with the management • Quarterly financial reports, which provide a review of current performance during the year, as do simultaneous media releases • An open door policy, which enables shareholders to visit and obtain information from the Company Secretaries and engage in dialogue • Website, regularly updated • Meetings with fund managers, share brokers and investment analysts • Email address, provided for comments and suggestions
Employees	<ul style="list-style-type: none"> • A performance management system facilitates transparent evaluation, dialogue and performance based remuneration and reward • Formal meetings and less structured contact in the course of work • 'Job Banding' has been launched and upon completion will facilitate uniformity of designations and remuneration, greater transparency and clarity with regard to designations and 'organisational fit' across the companies and sectors • The CEO's Forum quarterly provides an interactive forum with senior management, discussing current performance and future prospects and allowing a frank question and answer session • Monthly meetings of Clusters • Employee intranet, accessible to any employee having access to e-mail • Quarterly internal magazine • The Hayleys Group Recreation Club provides many opportunities for interaction and fellowship across the Group, bringing employees together regardless of rank or designation
Customers	<ul style="list-style-type: none"> • A Customer Satisfaction Index is maintained by many of our companies • Customer Relationship Management (CRM) enables companies to keep in touch with their customers on a regular basis • Regular customer visits and reviews help build and maintain rapport • Events such as Dealer and Distribution Conventions are held periodically
Business Partners	<ul style="list-style-type: none"> • Visits from principals and to principals' locations facilitate engagement • Conventions for partners, distributors and dealers are held once a year or at regular intervals • Robust communication systems enable continuing dialogue on product quality, marketing, customer satisfaction and problem solving • Corporate updates on important group activities via brochures, DVDs and the like • Website, regularly updated • Participation at International Trade Fairs, with a view to expanding network of business partners and reach of product distribution
Community	<ul style="list-style-type: none"> • Social impact assessments carried out in areas of operations to identify risks associated with operating in such communities. • Ongoing community development initiatives and social impact assessments • Other sector initiatives such as dental awareness programs and eye clinics are project based
Government	<ul style="list-style-type: none"> • Regular Meetings, discussions, presentations, representation on national committees and Chambers of Commerce
Society/Pressure Groups/Media	<ul style="list-style-type: none"> • Ongoing Engagements with society, pressure groups and media are carried out via websites, social media channels and interaction with the media • Annual communication of Hayleys' sustainable practices and initiatives through our sustainability report • Quarterly participation at GCNC Sustainability Hub • Annual Communication on Progress (COP) to the United Nations Global Compact

The following sustainability aspects were identified as material based on analysis and stakeholder engagement (the aspects were analysed with respect to stakeholders and to Hayleys PLC and its Group Companies).

Aspects

Economic

- Profitability
- Availability of Raw Materials
- Access to New Markets

Environmental

- Energy
- Water
- Biodiversity
- Emissions, Effluents, and Waste

Social

- Employment
- Labour/Management Relations
- Non-discrimination
- Freedom of Association and Collective Bargaining
- Child Labour
- Forced and Compulsory Labour
- Local Communities
- Corruption
- Product and Service Labelling
- Products and Services
- Marketing Communications
- Compliance

Good Governance...Sustainable Engagement

Hayleys enterprise has been founded on sound principles of governance, as can be expected from an entity with a history of 134 years of operation.

A comprehensive review of Hayleys' governance practices is contained in the chapter, 'Governance at Hayleys' appearing on page 119 to 142 of this Report.



Training on Integrated Pest Management, in Ampara

SUSTAINABILITY REPORT





ENVIRONMENT CONSERVATION FOREST REPLANTING PROGRAMME (FRP)

We recognise the urgency of combating climate change and preserving the planet for future generations. The private sector today has a moral responsibility to engage people to become active agents of sustainable development.

Biodiversity Conservation and Enrichment is a key aspect of sustainability, and the Forest Replanting Programme is a major environmental initiative connected with a larger study and assessment of flora, fauna and biodiversity carried out by a team of environmental scientists. The objective of the Forest Replanting Programme is to plant 7,000 plants over a seven hectare area within the Halgolle Estate. Over 6,000 plants have been planted thus far, with practical participation from both company staff and interested stakeholders from other corporates.

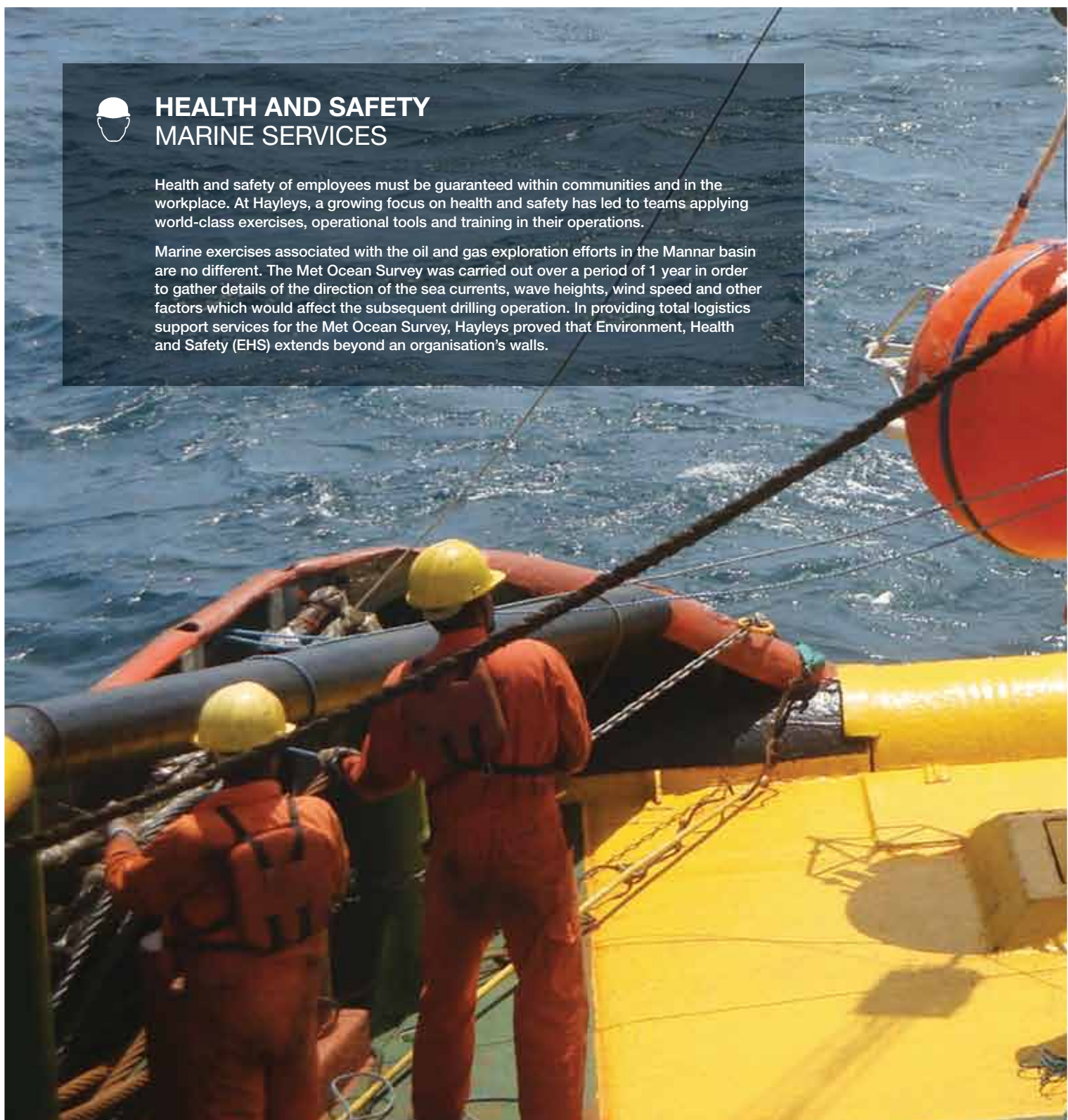
SUSTAINABILITY REPORT



HEALTH AND SAFETY MARINE SERVICES

Health and safety of employees must be guaranteed within communities and in the workplace. At Hayleys, a growing focus on health and safety has led to teams applying world-class exercises, operational tools and training in their operations.

Marine exercises associated with the oil and gas exploration efforts in the Mannar basin are no different. The Met Ocean Survey was carried out over a period of 1 year in order to gather details of the direction of the sea currents, wave heights, wind speed and other factors which would affect the subsequent drilling operation. In providing total logistics support services for the Met Ocean Survey, Hayleys proved that Environment, Health and Safety (EHS) extends beyond an organisation's walls.





SUSTAINABILITY REPORT



COMMUNITIES FIRSTLIGHT INITIATIVE

The spread of our activities across the country, has resulted in our companies being an integral part of the communities they operate in, and hence, assessment of societal requirements are part of everyday interactions at these localities. The Group is mindful at all times of the impact its operations may exert on these communities and conversely, the impact community considerations may have on its business.

'Firstlight' is aimed at improving the quality of life of disadvantaged farmers located in remote villages of Sri Lanka. The foundation of 'Firstlight' is fair trade in rubber latex, in order to empower farmers to be self-reliant and to sustain their families by partnering an ethical business initiative. The Firstlight Foundation addresses wide-ranging issues impacting the lives of these smallholders: from the youngest to the eldest member of their communities.



SUSTAINABILITY REPORT





CUSTOMERS AND SUPPLIERS VEGETATION TRAINING

Hayleys owes much of its growth to its longstanding and mutually rewarding relationships established over the years with suppliers and partners. Our supplier base cuts across geographical and social boundaries; with businesses that are widespread, the impact of our activities on our stakeholder is broad-based and far reaching.

Adopting a strong 'Grow Sri Lanka' orientation, Hayleys has several hundreds of local suppliers who employ many thousands more. They range from raw material suppliers to subcontractors to outgrowers, from all over the country. Many have grown with us, some over several generations and are proud entrepreneurs today.

We work together with farmers in the identification of their needs. Farmer training classes, demonstration programmes and individual visits are conducted by over 200 extension officers island-wide.

SUSTAINABILITY REPORT





GREEN PRODUCTS AND SERVICES TRADING CARBON CREDITS

Hayleys is committed to environmental sustainability in the products we manufacture and services we offer. Eco-friendly products and services within our portfolio include eco-friendly wind and hydro power generation, activated carbon, geotextiles, coir fibre pith, engineering, solutions for pollution control and energy saving lamps.

This year, local engineering skills and innovation led to the achievement of a major milestone, when Hayleys registered and traded carbon credits under the Kyoto Protocol. The credits were awarded to Haycarb's Recogen plant, the world's only pollution-free charcoaling plant, whose environment-friendly coconut shell charcoaling process reduces greenhouse gas emissions and also generates electricity that is supplied to the national grid, contributing towards reducing fossil fuel driven power generation in the country.

SUSTAINABILITY REPORT

ECONOMIC PERFORMANCE

A challenging operating environment notwithstanding, Hayleys Group has posted its best annual earnings in the history of the 134 year old conglomerate.

With Hand Protection, Agriculture and Purification sectors turning in particularly strong performances, the Group improved turnover to Rs. 62.5 bn, growing by Rs. 8 bn of 15% over the 12 months ending 31st March, 2012.

Pre-tax profit more than doubled to Rs. 4.8 bn, and profit after tax grew 212% to Rs. 3.8 bn. While capital gains of Rs. 2.1 bn contributed substantially to these results, profit before tax from operations excluding capital gains reflected a growth of 30%. Hayleys has consciously taken strong positions in industries that have tremendous future growth potential based on long-term economic and socio-political trends. At the same time, we are well aware that with a

paradigm shift in the Sri Lankan economy since 2009, there are new growth areas in the economy that the Group ought to have exposure to. It is well-established that the Leisure sector will be a major growth area in Sri Lanka in the next decade. The exposure of Hayleys to the Leisure sector is holistic, ranging from hotel ownership, management, travel agency and tour operations. The recent acquisition of the Amaya Group has already brought in significant earnings and also brings in synergies in resort management. With the refurbishment of the Ceylon Continental Hotel, Hayleys will have a modern and diverse leisure portfolio, well-positioned to take advantage of the impending tourism boom.

Hayleys investments in wind power and mini-hydro power are also expected to add to the Group's bottom line in years to come as renewable energy takes on ever-increasing significance in a growing economy which demands energy.

Hayleys offers retiring employees defined benefits, which in the year 2011/12 amounted to 881 mn. Comprehensive data on this subject appears in the section - Accounting policies, appearing on pages 162 to 170 of this Report.

The Government's Export Development Rewards Scheme (EDRS) was a stimulus package introduced to reward direct exporters to manage vulnerabilities and risks associated with the global economic crisis. Under this scheme, Group Company, Haycarb PLC received Rs. 9.734 mn for their export activities in 2009/10, during the financial year under review.

Hayleys seeks to recruit Sri Lankans in local areas of operation unless requisite competencies to match the profiles of posts to be filled are not available within Sri Lanka. Hayleys has within its roster, six expats, two at Hotel Services (Ceylon) PLC (Ceylon Continental Hotel) and four at Hayleys MGT Knitting Mills PLC.

A Hayleys JV - The First Private 'Vessel of Enterprise' at Hambantota Port



Pictured is the foundation stone laying ceremony, amidst a gathering of senior government officials and senior representatives from Hayleys and Dragon Asia Fertiliser.

Hayleys PLC and Dragon Asia Fertiliser Ltd. of Hong Kong became the first Private Sector entities to invest in the Magam Ruhunupura Mahinda Rajapakse Port at Hambantota.

This JV between Hayleys and Dragon Asia embodies a commitment to expend US\$ 7 mn to develop a local and international fertilizer transshipment and distribution hub, incorporating fertilizer storage, processing, bagging and distribution activities.

Construction began on the 4th of December, 2011.

Once operational, the state-of-the-art Hambantota International Fertilizer Distribution Hub hopes to attract major fertilizer shipments from the Baltic Sea region to the Port of

Hambantota, by employing its strategic location to deliver freight advantages to buyers in terms of cost and time savings.

Such cost advantages will in turn benefit the local agriculture industry, enabling the local farmers to thrive.

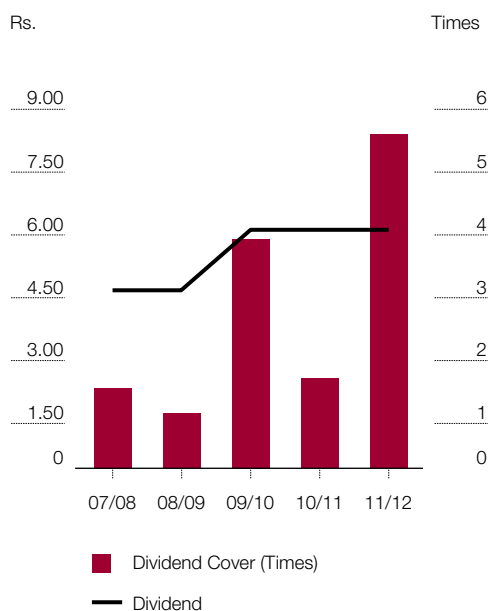
It is envisaged that these bulk fertilizer shipments which arrive at the Hambantota port on larger mother vessels will also be distributed to the Indian subcontinent and South East Asia on feeder vessels.

In addition to attracting fertilizer shipments, the new facility is also expected to open up new markets such as Africa, which has the potential to be catered to, via the Hambantota Port.

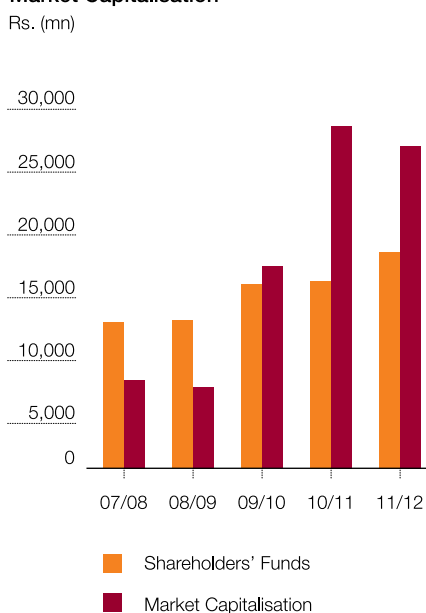
Group Value Addition

		2011/12 Rs.Mn		2010/11 Rs.Mn
Turnover		62,465		54,370
Other Income				
		62,465		54,370
Cost of materials & Services bought in		(43,722)		(40,545)
Total Group Value Addition		18,744		13,825
	Share %		Share %	
To Employees as remuneration	46	8,582	48	8,038
To Government Revenue	17	3,132	14	2,601
Of Sri Lanka	16	2,944	12	2,433
Overseas	1	188	2	168
To Shareholders as dividends	2	300	3	300
To Lenders of capital	15	2,902	14	1,297
Interest on borrowings		1,576		846
Minority interest		1,326		451
Retained in the business	20	3,828	21	1,589
Depreciation		1,621		1,263
Profit retained		2,207		326
Total Group Value Addition	100	18,744	100	13,825

Dividend Vs Dividend Cover



Shareholders' Funds Vs Market Capitalisation



SUSTAINABILITY REPORT

Strengthening the Fibre Industry - A Homegrown Solution

A new wholly locally-designed and fabricated semi-automated fibre processing mill that integrates several stages of the process of extracting fibre from coconut husks has been unveiled in Sri Lanka, significantly enhancing efficiency, product quality, safety and earning potential.

Researched, developed and fabricated by Engineer A. P. S. Luxman Wijesinghe, the new machine has been installed at a Fibre Mill at Nattandiya, following an intervention by the Hayleys Group's Fibre sector subsidiary Ravi

Industries, which supported its inventor by purchasing and leasing out the new machine.

The Hayleys Group's Fibre sector has also pledged to support the manufacture and roll-out of the new machine for the benefit of the local fibre industry, by purchasing five machines and leasing them out to fibre suppliers.

As a Group that has been at the forefront of the coir industry for 133 years, Hayleys, and its fibre sector companies have played a pioneering and enduring role in the development and mechanization of the industry. This latest innovation enhances incomes and working

conditions of fibre industry employees, and improves the quality of their output by significant margins.

Studies have shown that working the new machine for eight hours a day, a fibre supplier can extract fibre from 6000 husks, generating income of Rs 1.2 million for a month of 25 working days, and earning a minimum profit of Rs 250,000 a month after raw material, electricity, maintenance, consumables and labour costs.

Investor Information

History of Dividends and Scrip Issues

Year ended 31st March,	Issue	Basis	No. of Shares '000	Cum. no of Shares '000	Dividend (%)	Dividend Rs. '000
1952	Initial Capital		20	20		
1953	First dividend			20	80	160
1954	Rights (at Rs. 10/-)	1:02	10	30	55	165
1955				30	50	150
1956	Bonus	5:06	25	55	32.5	179
1957	Bonus	3:11	15	70	37.5	330
1958	Bonus	3:07	30	100	20	200
1959				100	10	100
1960				100	18	180
1961	Bonus	1:02	50	150	7.5	262
1962	Bonus	1:03	50	200	15	300
1963				200	15	300
1964	Bonus	1:04	50	250	15	375
1965				250	20	500
1966				250	18	450
1967				250	15	375
1968				250	12.5	313
1969				250	15	375
1970				250	15	375
1971				250	15	375

Year ended 31st March,	Issue	Basis	No. of Shares '000	Cum. no of Shares '000	Dividend (%)	Dividend Rs. '000
1972				250	11	275
1973				250	11	275
1974	Bonus	1:01	250	500	11	275
1975				500	18	450
1976				500	10	442
1977				500	11	460
1978				500	15	584
1979	Bonus	1:02	250	750	15	852
1980				750	16	958
1981	Bonus	1:03	250	1,000	20	1,863
1982	Bonus	1:04	250	1,250	21	2,385
1983	Bonus	1:05	250	1,500	25	3,451
1984				1,500	27	3,774
1985				1,500	27.5	3,525
1986	Bonus	1:03	500	2,000	33	6,600
1987	Bonus	1:02	1,000	3,000	33	9,900
1988	Bonus	1:03	1,000	4,000	33	13,200
1989	Bonus	1:04	1,000	5,000	33	16,500
1990	Bonus	1:05	1,000	6,000	33	19,800
1991	Bonus	1:04	1,500	7,500	33	24,750
1992	Bonus	1:05	1,500	9,000	33	29,700
1993	Bonus	1:06	1,500	10,500	30	31,500
1994	Bonus	4:21	2,000			
	Rights (at Rs. 160/-)	1:05	2,500	15,000	30	40,500
1995	Bonus	1:05	3,000	18,000	30	54,000
1996	Bonus	1:09	2,000	20,000	30	60,000
1997	Bonus	1:10	2,000	22,000	30	66,000
1998	Bonus	1:11	2,000	24,000		
	Share Trust (at Rs. 210/-)		2,400	26,400	30	79,200
1999	Bonus	1:06	4,400	30,800	30	92,400
2000	Bonus	1:14	2,200	33,000	30	99,000
2001	Rights (at Rs. 10/-)	1:11	3,000	36,000	35	126,000
2002	Rights (at Rs. 15/-)	1:09	4,000	40,000	35	140,000
2003	Rights (at Rs. 20/-)	1:08	5,000	45,000	35	157,500
2004	Rights (at Rs. 20/-)	1:09	5,000	50,000	35	175,000
2005	Rights (at Rs. 20/-)	1:10	5,000	55,000		
	Bonus	4:11	20,000	75,000	35	262,500
2006				75,000	35	262,500
2007				75,000	Rs. 3.50 p.s.	262,500
2008				75,000	Rs. 3.00 p.s.	225,000
2009				75,000	Rs. 3.00 p.s.	225,000
2010				75,000	Rs. 4.00 p.s.	300,000
2011				75,000	Rs. 4.00 p.s.	300,000
2012				75,000	Rs. 4.00 p.s.	300,000

SUSTAINABILITY REPORT

Stock Exchange

Interim Financial Statements of the 4th Quarter, for the year ended 31st March, 2012 have been submitted to the Colombo Stock Exchange as required by the Listing Rules.

Market Value

The market value of Hayleys PLC ordinary shares was:

	2011 Rs.		2010 Rs.		2009 Rs.
Highest	426.00	(on 19th April, 2011)	415.00	(on 1st February, 2011)	240.00 (on 12th March, 2010)
Lowest	295.00	(on 3rd November, 2011)	223.00	(on 1st April, 2010)	86.00 (on 07th April, 2009)
Year end	360.00		382.10		225.00

Dividend Payments

Proposed first and final dividend Rs. 4/- per share to be declared on 29th June, 2012 and payable on 10th July, 2012 (2010/11 - first and final - Rs. 4/- per share).

Share Trading

	2012	2011	2010
No. of transactions	1,741	6,916	3,601
No. of shares traded	18,938,893	22,585,884	5,275,900
Value of shares traded (Rs.)	7,188,680,168	7,697,117,910	858,357,100

Ordinary Shareholders as at 31st March 2012

No. of Shares Held	Residents			Non-Residents			Total		
	No. of Shareholders	No. of Shares	%	No. of Shareholders	No. of Shares	%	No. of Shareholders	No. of Shares	%
1 - 1,000	2,528	503,686	0.6716	40	12,904	0.0172	2,568	516,590	0.6888
1,001 - 10,000	535	1,771,046	2.3614	33	131,038	0.1747	568	1,902,084	2.5361
10,001 - 100,000	166	5,259,914	7.0132	26	613,332	0.8178	192	5,873,246	7.8310
100,001 - 1,000,000	29	8,263,783	11.0184	6	1,901,871	2.5358	35	10,165,654	13.5542
Over 1,000,000	7	56,542,426	75.3899				7	56,542,426	75.3899
	3,265	72,340,855	96.4545	105	2,659,145	3.5455	3,370	75,000,000	100.0000

Category

Individuals	2,992	51,522,923	68.6972	96	2,635,487	3.5140	3,088	54,158,410	72.2112
Institutions	273	20,817,932	27.7572	9	23,658	0.0315	282	20,841,590	27.7888
	3,265	72,340,855	96.4545	105	2,659,145	3.5455	3,370	75,000,000	100.0000

Of the issued ordinary share capital, 96.88% is held by residents of Sri Lanka.

Environmental Performance

At Hayleys, caring for the Environment is inbuilt; it is made up of a host of commitments that have stretched across its network of companies in its 134 year history.

Our efforts have been two pronged. One is to proactively design and manufacture products that protect the environment and second to minimise the impact of our activities. Whilst being conscious of the fact that profit is the *raison d'être* of business, we are mindful that sustainable profit does not happen in isolation of our People and our Planet.

With the need to combat climate change made urgent over the recent years we are mindful of the need to enhance our R&D in environmental protection products whilst intensifying our efforts to minimise.

We take pride in our diverse array of eco-friendly products and services, ranging from activated carbon, coir fiber pith, horticulture products, and our in-house R&D which has pioneered many turnkey solutions for the purification of gases, air and liquids. Not satisfied with merely complying with environmental regulation, we are increasingly seeking accreditations from reputed bodies.

Apart from manufacturing, we also represent leading global brands in agriculture, consumer products, industrial solutions, leisure and aviation and transportation and logistics. Our choice of the most appropriate principal, is not based merely on how commercially attractive the liaison would be, but also on compatibility of eco-friendly principles.

Hayleys has continuously focused on implementing 'best practices', by investing in waste water treatment, air purification, recycling of latex waste/spent activated carbon, reducing

gaseous emissions, noise control, sewage disposal, conservation of energy, recovery of waste gas heat systems, replacement of fossil fuels with renewable energy - mini-hydro and wind-power plants.

Hayleys aims to minimise waste and energy consumption with regard to energy, water, emissions, effluents and waste, whilst managing the environmental impact of waste generation and disposal. These will be done by raising awareness with a view to achieving significant reductions, upgrading current waste collection and disposal systems, assessing current barriers to effective

waste minimisation and overcoming them and developing and improving current capacities for effective waste minimisation through targeted awareness/programmes. We will inculcate better processes at floor level to capture data from the relevant sectors.

Through these initiatives, we aim to realise significant reductions in the quantity of waste, establish sustainable waste minimisation programmes, permanent waste management positions and adopt a Regulatory and Evaluation Mechanism in addition to creating on-going awareness on the subject.

Our 'Black' Carbon Earns 'Green' Credits

Haycarb PLC, the world's largest coconut shell based activated carbon producer, has become one of the first companies in Sri Lanka to successfully register and trade-in carbon credits under the Kyoto Protocol.

The credits were awarded to Haycarb's Recogen Plant situated in Badalgama, the world's only pollution-free charcoaling plant, whose environment-friendly coconut shell charcoaling process reduces greenhouse gas emissions and also generates electricity that is supplied to the national grid, contributing towards reducing fossil fuel driven power generation in the country.

Under the Kyoto Protocol's Clean Development Mechanism, Recogen earned over 4000 Certified Emission Reduction (CER) credits generated during the period 2009/10, for which the Company has received the approved payment.

Each CER is equivalent to a ton of carbon dioxide reduced, which can be 'sold' and set off against greenhouse gas reduction targets as established under the Kyoto Protocol.

Designed and implemented in-house with local engineering and technical expertise, the Recogen project has a patented process for 'Green Charcoaling.' The project allows Haycarb to significantly reduce its carbon footprint, enabling the company to claim that it produces the world's most 'green' activated carbon with the lowest carbon footprint per ton of activated carbon produced.

Haycarb - At the forefront of the 'Black' to 'Green' Revolution!

SUSTAINABILITY REPORT

Hayleys Business Solutions becomes Sri Lanka's first and only CarbonNeutral® BPO



Mohan Pandithage – Chairman and Chief Executive, Hayleys Group (third from left) receives the certificate from Subramaniam Easwaran – Co Founder, Carbon Consulting Company.

Hayleys Business Solutions International (Pvt) Ltd. (HBSI) recently became the first and only BPO in the country to obtain CarbonNeutral® certification.

This pioneering achievement, unique in Sri Lanka's business process outsourcing services industry, was earned after a focused effort by HBSI to adopt practices that reduce or eliminate greenhouse gas emissions. The certificate was awarded by The CarbonNeutral Company, a world-leading provider of carbon reduction solutions.

In accordance with *The CarbonNeutral Protocol*, a global standard for carbon neutral certification, an independent assessment of the Company's CO₂ emissions was undertaken. HBSI has reduced and offset its CO₂ emissions to net zero. As a result, the Company is Sri Lanka's first and only CarbonNeutral® certified BPO Company, as verified by an independent organisation.

HBSI has already implemented several energy management initiatives in accordance with its offset-inclusive emissions reduction programme.

Materials - Consumed and Recycled

Our Group is engaged in a wide diversity of business and consequently, consumes a wide variety of materials. Keeping track of our material consumption facilitates the monitoring of material efficiency and cost of material flows.

We reported all available data on materials last year. However, we find that it is more useful and progressively valid to track the top few materials of each sector and focus on their consumption and monitoring. Therefore, we have decided not to provide information on this for 2011/12 and we are committed to reporting this next year.

Reclaiming Packaging Material

Hayleys maintains a responsible stance with regard to disposal of waste material.

We use packaging material in our Agriculture Export business. A variety of materials such as paper cartons, jars, pouches, plastic barrels, cardboard barrels and cans are reclaimed through the direct buyer who does further processing of the product at their warehouse. Out of 44.8 MT of packaging material used, 8.5 MT was reclaimed during 2011-12.

Our Carbon Footprint

We have commenced measuring and reporting our greenhouse gas (GHG) emissions on a voluntary basis from the year under review. It is based on the guidelines provided in the revised edition of WBCSD/WRI Greenhouse Gas Protocol Corporate Accounting and Reporting Standard.

This is our first attempt, and hence, there are some limitations. The organisational boundary is broadly the same as that used in our GRI-based Sustainability Report, except that not all companies are included in the GHG emissions (carbon footprint) computation due to non-availability of data. The other main limitation relates to the few estimates that had to be made in respect of some measurements.

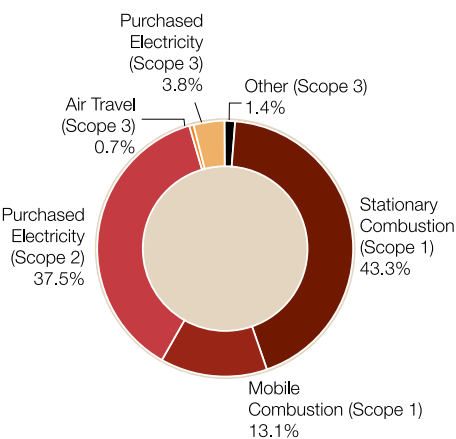
Nevertheless, we have made a bold start, as we believe what gets measured gets managed. We plan to refine our data capture and validation processes as we go along, and also ensure that there is a fuller representation of entities that come within the defined organisational boundary when we report our carbon footprint next time. We are reporting each entity separately to maintain year-on-year comparability.

Financial control is being used as the basis for consolidating the GHG emissions of the reporting entities. Accordingly the consolidated carbon footprint of the Hayleys Group during the year under review amounted to 54,014 tonnes carbon dioxide equivalent (t CO₂e) subject to the limitations noted above.

As will be seen from the table giving the carbon footprint of reporting entities, direct GHG emissions arising from stationary combustion sources, a Scope 1 item, accounted for 43% of the Hayleys Group total. This is closely followed by an almost 38% share from purchased electricity (an indirect source of emissions) consumed in facilities owned by the reporting entities and reported under Scope 2. Indirect emissions from purchased electricity consumed in premises under an operating lease accounted for almost 4% of the Group total and are reported under scope 3 as per the chosen GHG consolidation approach. The Dipped Products Group was the largest GHG emitter among reporting entities and accounted for 30% of the total emissions of the Hayleys Group, followed by the Haycarb Group with a 21% share of the total. Both Dipped Products and Haycarb are large manufacturing Groups serving global markets. Haycarb's figure for the year under review is considerably lower than what was reported in the previous year. This is due to the exclusion of direct carbon dioxide emissions from biologically sequestered carbon arising from the combustion of biomass, which do not get reported under the GHG Protocol scopes.

These are preliminary findings that offer some insights despite the limitations noted above. We will continue to develop our systems and procedures for the faithful representation of our GHG emissions in the years ahead with the objective of producing credible and unbiased information. That would not only make us a more environmentally responsible corporate citizen but also contribute positively to bottom line profits through more effective and efficient resource utilisation.

Share of GHG Emissions by Source



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Carbon Footprint (tonnes Co₂ Equivalent)

Sector and Reporting Entity	Scope 1		Scope 2	Scope 3			Total GHG Emissions by Entity	Share of GHG Emissions by Entity
	Stationary Combustion	Mobile Combustion	Purchased Electricity	Air Travel	Purchased Electricity	Other		
Global Markets & Manufacturing								
Fibre								
Fibre IFL (Group)	124.32	64.07	1,160.58	18.00			1,366.97	2.5%
Ravi Industries Ltd.	27.45	33.63	428.91	14.24			504.23	0.9%
Rileys (Pvt) Ltd.	38.79		504.60	3.55			546.94	1.0%
Hand Protection								
Dipped Products Group	10,270.05		5,982.85	74.12			16,327.02	30.2%
Purification								
Haycarb Group	8,963.30	971.74	1,272.43	40.99			11,248.46	20.8%
Construction Material								
Alumex Group	2,313.12	1,353.37	2,282.71	5.67			5,954.87	11.0%
Agriculture								
Agriculture								
Agro Technica Ltd.	53.10		38.83				91.93	0.2%
Haychem (Pvt) Ltd.	5.38	11.24	57.19	3.54			77.35	0.1%
Hayleys Agro Bio Tech (Pvt) Ltd.		20.12	138.69	2.04			160.85	0.3%
Hayleys Agro Fertilisers (Pvt) Ltd.		120.20	39.95	26.41			186.56	0.3%
HJS Condiments Ltd.	610.72	115.81	301.68	13.96			1,042.17	1.9%
Quality Seed Company (Pvt) Ltd.	36.73	11.67	35.52	5.14			89.06	0.2%
Sunfrost (Pvt) Ltd.	4.32	925.12	50.90				980.34	1.8%
Plantations								
Kelani Valley Plantations PLC	227.59	1,377.50	3,522.85				5,127.94	9.5%
Talawakelle Tea Estates PLC	49.22	619.60	2,469.36	4.40			3,142.58	5.8%
Transportation & Logistics								
Hayleys Advantis Group	11.84	1,450.78	658.66	95.18	191.26	48.31	2,456.03	4.5%

Sector and Reporting Entity	Scope 1		Scope 2	Scope 3			Total GHG Emissions by Entity	Share of GHG Emissions by Entity
	Stationary Combustion	Mobile Combustion	Purchased Electricity	Air Travel	Purchased Electricity	Other		
Consumer Products Group				14.48	72.03	717.24	803.75	1.5%
Leisure & Aviation Hotel Services (Ceylon) PLC	673.24			42.14	1,766.10		2,481.48	4.6%
Industry Inputs Hayleys Industrial Solutions (Pvt) Ltd.			67.77	5.09			72.86	0.1%
Investment & Services Hayleys Business Solutions International (Pvt) Ltd.				3.91	47.34		51.25	0.1%
Holding Company Hayleys PLC	5.19	27.68	1,261.50	7.07			1,301.44	2.4%
Total GHG Emissions by Source	23,414.36	7,102.53	20,274.98	379.93	2,076.73	765.55	54,014.08	
Share of GHG Emissions by Source	43.3%	13.1%	37.5%	0.7%	3.8%	1.4%		100%

Energy Savings Earned from Conservation

The Agricultural sector introduced a new method for pasteurising which achieved a 23% reduction in consumption of furnace oil. They also installed Variable Speed Drive (VSD) controllers for two specific functions, achieving 65% savings and reducing electricity consumption by 65%.

Water - Consumed, Recycled, Reused

Across the Group, constituent companies have in place strategies and initiatives towards water conservation.

For the year under review Hayleys consumed 4,310,582 m³* water and 457,284.8 m³ ** was recycled/reused.

* *Advantis, Agriculture, Alumex, DPL, Fibre, Haycarb, KVPL and TTEL*

** *Advantis, Agriculture, DPL, Fibre, KVPL and TTEL*

We are committed to report on businesses within the manufacturing, agriculture and plantation sectors as these are primary consumers of water. We will set in place capture mechanisms at a corporate level and we hope to report more comprehensively next year.

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Biodiversity Conservation and Enrichment

In the true spirit of conducting sustainable business, Hayleys takes many an initiative to safeguard biodiversity in terms of the Hayleys Group Environmental Policy. With vast extents of land under its management, it is the plantation sector that is most relevant in this context. We are guided by a comprehensive Biodiversity Assessment Inventory of fauna and flora within all our plantations. We have also developed a check-list to identify High Conservation Value Forests (HCVF) within our plantation boundaries.

Biodiversity is rich across all elevations, with a high proportion of endemic flora and fauna.

Kelani Valley Plantations PLC (KVPL) has a range of initiatives in force, to protect the environment.

Good agricultural practices are in place, which often exceed the stipulations of the Tea and Rubber Research Institutes. This has helped the Company gain GLOBAL GAP certification for all its estates.

Wewalthalawa Conservation Forest is an unexplored biodiversity hot spot and is home to more than a hundred different vascular plants, birds, reptiles and mammals. Recent studies have revealed that there are unidentified plant species. It has magnificent sightseeing places such as Dripping Rock, Mini World's End, Waul Lena, Olu Ella and natural swimming pools.

Situated in the Yatiyantota area, Halgolle Estate is home to exotic flora and fauna and its topography consists of natural hill crest formations which have been preserved by the Company in their natural state.

The specific initiatives taken in this regard included the following:

- Establishment of buffer zones
- Leaving of wildlife corridors
- Setting aside land for conservation and protection
- Enrichment of conservation forests
- Continued tree planting programme in denuded areas which commenced in 2009

Given below are the details of this major biodiversity conservation project carried out by the Group.

Location	Halgolle Estate
Size (km ²)	930 Ha
Activity	Conservation and Enrichment of Biodiversity
Name of third party partnership, if any	International Union for Conservation of Nature (IUCN)

Forest Replanting Programme (FRP) is one of the key aspects of KVPL's environmental initiatives which also include the study and assessment of flora, fauna and biodiversity carried out by the team of environmental scientists. This team was led by the specialist in the field attached to the UN. The Forest Replanting Programme involves the planting of 7,000 plants over 7 Ha, at Wewalthalawa Conservation Forest.

The Deutsche Bank Asia Foundation with the collaboration of KVPL, carried out the 2nd phase of the Halgolle Biodiversity initiative by planting native tree species in denude areas at Wewalthalawa in Halgolle Estate.

The participants had hands-on experience in preserving nature for future generations. Halgolle, is an ideal location for people living in cities to experience nature first hand.

Social Performance

With businesses that are widespread, the impact of our activities on our stakeholders are broad-based and far reaching. The spread of our activities across the country, has resulted in our businesses being an integral part of the communities they operate in, and hence, assessment of societal requirements are part of everyday interactions at these localities.

This segment of our report deals with the impacts Hayleys enterprise has on the social systems within which it operates. We are mindful of our calling; to deal responsibly and fairly with the different stakeholder groups and whilst we seek to achieve our business goals, we simultaneously commit ourselves to the development and well-being, and the empowerment and enrichment of the lives of all our stakeholders whilst not compromising good ethics. In this section, we examine this aspect in greater detail. Our reporting is structured around the key segments of Employee Relations, Human Rights, Customer Relations and Society.

People...The Human Stakeholder

At Hayleys, we believe that people make the difference between a good organisation and an excellent one. The Group consists of over 36,000 employees. The aspirations, competencies and commitment of our people are at the heart of all our achievements. Thus we develop and implement programmes and strategies for them; our most valued resource.

We recognise the importance of individual contribution through our performance management system which is linked to the rewards of each individual. We promote career growth and advancement within the Group through talent management and succession planning programmes. Our Human Resources Information System facilitates informed decision-making by maintaining up-to-date employee information.

In this segment of our Report, we will be looking at the many ways our enterprise impacts the lives of employees and the manner in which Hayleys has striven to handle such interaction in the most sustainable manner possible.

Moulding a Winning Team... Our Employees

We have in place the structure and culture that equips us as an organisation to win in a dynamic environment. Therefore, we believe that when putting together a winning team we require the world's best in talent and skill to meet today's challenges.

Our goals are to attract, develop and retain talent which is crucial for our continued success. In order to ensure this we constantly audit the skill requirements across the Group and in our key global functions in order to ensure we have the required human resources in place to successfully run and expand the business while guaranteeing less adversity to the environment.

Part of our winning culture is to constantly support our employees' growth by helping them reach their full potential. We have developed a new performance-based reward structure that recognises people who have delivered exceptional results and who practice our corporate values. We have analysed and further enhanced the process of setting goals for our employees, ensuring it gives a more precise direction on priorities and responsibilities.

Furthermore, we have developed performance measures that allow us to introduce more customised and diverse ways to reward people and promote excellence on all levels within the Company.

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Profiling the Hayleys Employee

Workforce by Employment Type/Contract

Sector/Company	Executive & Above	Clerical & Supervisory	Manual Grade	Total
Fibre	154	145	1,308	1,607
Hand Protection	213	111	1,582	1,906
Purification Products	204	73	702	979
Textiles	179	265	665	1,109
Construction Material	55	91	259	405
Agriculture	208	254	735	1,197
Plantations	196	1,193	23,842	25,231
Transportation and Logistics	603	1,580	82	2,265
Power and Energy	119	63	13	195
Consumer Products	94	130	1	225
Leisure and Aviation	229	566	268	1,063
Investments and Services	162	33	6	201
Total	2,416	4,504	29,463	36,383

Figures above include permanent, contract and casual employees as well as those from overseas locations and those contracted through third party service providers.

Security Staff of the Group

Security is outsourced and several service providers are utilised. Within 74 locations, 502 security service personnel are contracted. Janitorial staff are also outsourced and these numbers will be provided in future reports.

Employee Category-wise Turnover

Turnover % - Permanent + Contract				
	Executives & Above	Clerical & Supervisory	Manual Grade	Total
Turnover	289	242	201	732
Ave HC	2,157	2,653	2,514	7,324
Turnover %	13.40	9.12	8.00	9.99

This excludes Casual staff/Overseas staff/Service Provider staff of the Group and Manual grade staff of plantation companies.

Steps have already been taken to capture staff turnover gender-wise and will be reported in next year's Sustainability Report.

Caring for the Hayleys Employee Our Exclusive Benefit Package

Full-time employees are entitled to reimbursement of medical and professional expenses. Through the Group's Recreation Club, financial support is disbursed to staff for weddings, newborns, prizes for employees etc. Employees of the Hayleys Group with service spanning 15 years and beyond are recognised at Long Service Awards Ceremonies at a sector level.

Emoluments to part-time and temporary employees are confined to the payment of their basic salary and statutory dues. They are not entitled to employment benefits which are granted to full-time employees.

Enshrining a Right

Freedom of Association is a right enshrined in the Hayleys ethos. All labour representation enjoys a collective bargaining process and agreements are prevalent in all relevant operating centres of the Group.

Sector	Number of employees covered by Collective Bargaining Agreements
Fibre	297
Hand Protection	376
Purification Products	301
Plantation	23,393
Agriculture	70
Total covered by CBAs	24,326
Total permanent employees	30,275
Percentage	80.35

A Planned and Deliberate Approach to Operational Change

Hayleys extends due notice to staff regarding impending operational changes. Due to the diversity and individual characteristics of each cluster, such lead times may change from one company to the other. However, the Group strictly maintains the right of staff to receive adequate

and timely notice of such moves, although no specific provision has been made in the collective agreements with regard to the minimum notice period(s) for effecting significant operational changes.

Keeping Staff Healthy and Safe

What we promote for our long-term prosperity is also for the sustainability of our employees. As part of our sustainability strategies, we have set targets for creating a better, healthier and committed workplace. Part of this initiative includes reducing workplace injuries, accidents and improving employee fitness and nourishment.

Health and safety of employees must be guaranteed within the workplace and in external communities and operations. At Hayleys, a growing focus on health and safety has led to teams applying world-class exercises, operational tools and training in their operations. We aim to drive forward an integrated management system on Environment, Health and Safety, and Quality in an attempt to bind all Group companies to high levels of social accountability standards at the workplace.

Worker Representation on Health and Safety Committees

Sector	% of Worker Representation
Transportation and Logistics	13
Agriculture	10
Fibre	4
KVPL	5
TTEL	3
Hand Protection	11
Purification Products	4

Preventive Strategies for Managing Health and Safety

Hayleys has many programmes within the Group to address these concerns.

Group constituent companies conducted training programmes across subjects such as Conflict Management, Best Practice, Health and Well-being, First Aid, Safe Behaviour, Reproductive Health Issues (STD/HIV/AIDS), TB Awareness and Dental Health Awareness.

Training and Developing Employees

Our workforce is an important part of our business success. It is in our interest to ensure that apart from other forms of growth that they are also supported by the Company to acquire skills and competencies that will enable them to fulfil their career paths with great distinction.

Hayleys has a strong reputation for the quality of its management and workplace training. Training is the core on which all skills and capabilities are developed and enhanced.

All training processes provided by the Hayleys Group are designed to upgrade skill levels, develop the individual, promote career advancement and pay heed to the 'life after career' aspect of every employee.

Twenty seven Training Programmes were carried out by Hayleys for employees across the Group in the year under review, covering sustainability awareness, finance and accounting, business communications, project management, mentoring to name a few areas.

Training

Highlighted below are the significant Group-wide training initiatives for 2011/12

Internal

- Orientation Programmes conducted twice every quarter.
- Speechcrafter Programme – successful completion of two more batches (completing a total of 6 batches). Trained by the Toastmasters of Nations Trust Bank.

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- Business English courses - successful completion of two more batches, and the introduction of the pre-intermediate level programme, facilitated by the Wendy Whatmore Academy.
- Training Needs Analysis (TNA) training for those in the Group. This programme preceded the training needs identification process for the FY2012/13.
- A Group-wide programme introducing the concept of mentoring its practices and benefits.

External

- Participation at the Chartered Accountants, Sri Lanka - INSEAD Global Leadership Programme; aimed at grooming high-end corporate executives and business leaders with global leadership qualities necessary for today's ever evolving business context

We present below the relevant data by business segment:

Average Hours Training Per Year (in hours)

Sector/ Company	Executive Management	Clerical/ Supervisory	Manual Grade
Transportation and Logistics	5,743	505	–
Agriculture	1,530	1,564	2,700
Construction Materials	774	212	43.5
Hand Protection	5,801	358	13,883
Fibre	266	1,437	798
Purification Products	3,477	–	1,351
HBSI	67	–	–
TTEL	1,694	9,585	32,440
KVPL	1,893	10,712	36,256
Consumer Products	877	1,536	–

Performance and Career Development Reviews

The Employee Performance and Career Development Process is widely applied across all constituent companies of Hayleys PLC. 100% of employees receive performance and career development reviews.

The online Performance Management System (PMS) has been implemented across the Group. Group companies (with the exception of new business acquisitions, Amaya Leisure PLC, Mabroc Group and Alumex Group, which would go on-line towards end 2012) implement performance evaluations using the automated Performance Management System (PMS).

Refresher sessions and performance review meetings were conducted to ensure the sustainability of the initiative and continuous improvement of the system.

Rewards are linked to the performance rating of each individual. The annual performance based merit increment is granted for employees' performance during the previous year.



Hayleys Advantis launched "Saluting Our Stars" on the 7th of December, in four separate events to capture all sector staff. The Recognition Scheme is designed to ensure that all aspects of an employee's contribution are recognized and rewarded.

Technical Competencies

Technical competencies for all executives and above at the Fibre Cluster were identified and descriptors were developed as a first step to minimising the technical competency gaps within the sector.

This project will be extended to other Group companies within the financial year 2012/13.

Job Banding

In order to maintain standardization of 'jobs' and 'remuneration and benefits' structure across the Group, a requirement was to evaluate and band all jobs based on an evaluation methodology. Hence 'Job Banding' was introduced in February 2010 initially to the Hayleys Advantis Group and thereon to Hayleys Travels and Hayleys Consumer where, a day's workshop on Job Description (JD) writing and Job Evaluation for selected individuals were conducted during the year under review.

Further to the initial training, another session was organized to a selected group of individuals who were solely responsible for ensuring that all JDs across the Group were written as per the new JD format.

All completed JDs were then evaluated as per a scientific tool used by a team of trained personnel. These evaluated jobs will be banded into grades and finally pay scales and benefits will be identified accordingly.

The above methodology will be applied to all sectors within the Group.

Hayleys Management Trainees Programme

The Hayleys Group Management Trainee programme was launched on the 15th of March 2012 with a group of promising young graduates coming on board for the career experience of their lives.

Our Management Trainee programme aims to develop young graduates to be competent executives who have the potential to be developed into management roles 'as future leaders' within our businesses from two to three years of recruitment

The programme will provide overall exposure specifically within the business sectors and the Group in general whilst developing managerial competencies, knowledge, attitudes and behaviour enabling them to perform effectively to achieve our business objectives.

The Management Trainees will go through a group-wide orientation with exposure to all our diverse business sectors and thereafter engage in trainings and specific projects centered at Sector level. The training plan also includes quarterly evaluations and a final assessment at the end of the 12 month programme to determine their suitability to be recruited as an executive to the relevant company.

Human Rights - Our Approach

The Ten Principles promulgated by the Global Compact (UNGC) concerning human rights, labour, the environment and anti-corruption, underpin every endeavour at Hayleys Group.

The Group is a signatory to these principles. All Hayleys companies are guided by the principles of the UNGC and Sri Lanka's legal and regulatory regimes concerning safeguarding of human rights.

Diversity and Equal Opportunity

Hayleys Group is an extremely diverse organisation in terms of its ethnic and cultural make-up. The composition of our management and workforce teams using tested parameters also highlights the aspect of equal opportunity that prevails within our Group.

There is no disparity in terms of salary across all positions in the Group with respect to gender. Salary distinctions are based on factors such as performance and market comparisons for the relevant skill group.

No employee of the Group is forced to work more than the number of hours stipulated by law.

In areas of the Group where extended working hours are required by the nature of business, a roster system is followed to ensure an equitable division of working hours for every employee.

Hayleys PLC has put in place a comprehensive Grievance Handling Policy that ensures employee grievances are heard and resolved as expeditiously and as satisfactorily as possible. The Group employs a multi-layered format where grievances unresolved at immediate supervisor level will be channelled further up the administrative chain until resolution is reached. There have been no instances of grievances reported related to discrimination or human rights during the period under review.

As a matter of policy, Hayleys PLC does not employ anyone under the age of 18. Whether in our direct recruitment regime or when sourcing labour requirements through third party suppliers, this policy is firmly enshrined.

In line with the very clear stance Hayleys adopts in eschewing any form of forced or compulsory labour in operations across its supply chain and whilst we are extremely familiar with the position and practice of third party contractors in this regard, we do recognise the need to bring this aspect into the formal agreements we sign with such parties. Hayleys is already working on making this a reality, and we look forward to reporting our progress next year.

Labour Contractor's Agreement

Hayleys finalised the new labor contractor agreement in English and Sinhala in order to ensure a quality labour supply while maintaining the statutory requirements.

Risk Mitigation of Workers' Rights

Hayleys is addressing existing policies to take care of matters relating to human rights and currently fully supports the right of Freedom of Association, Collective Bargaining and enactment of Collective Agreements.

Twelve companies within the Group operate Collective Bargaining Agreements with four unions. Employees are fully supported to engage in dialogue with the Company on any issues they wish to voice and seek redress on.

We are an equal rights employer, with an open door policy and conduct all our business dealings with stakeholders without bias. During the year under review, we have had no reported restrictions on freedom of association and collective bargaining and incidents of child labour in violation of this ethic.

All security personnel have been outsourced. Contractors implement basic level training for their personnel before they are deployed for duty. Monthly meetings at Hayleys ensure standards are met. Any instances of violations are recorded. To date there have been no violations of human rights.

In Support of Society at Large

Hayleys' enterprise touches lives far beyond office, factory or estate. In this section we present an account of our activities for the year under review.

Buying Local

Hayleys has a traditional policy of procuring most of its materials and services locally. Imports are resorted to only if a requirement is not locally available.

Our contribution to the country's economy is substantial through this practice, given the size and scope of Hayleys' diversified operations.

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Special mention is merited on the operations of HBSP, which holds a BPO in Uduvil in Jaffna in partnership with the Foundation for Advancing Rural Opportunity (FARO). When selecting employees, preference is given to those in the locality.

We Care for Society and its Well-being

Hayleys' social commitment is an established part of its sustainability strategy and corporate policy. We are a part and parcel of the society and we believe in being a responsible corporate citizen. We see this as an investment in society's future and a long-term contribution to a positive business environment. Our Group policy outlines targets to grow the business while reducing our carbon footprint and increasing the positive contribution we make to society. As part of our social commitment we have successfully carried out numerous society and environment-based projects throughout the country.

The main sectors that conduct business within specific communities are Agriculture, Plantations and Manufacturing. Out of the total number of Agriculture and Plantations operations, 100% are covered by impact assessment programmes. Out of the manufacturing industries, three out of five sectors conduct such programmes. More information is provided below.

Plantations' Bought Leaf Operation

This is a separate initiative to issue tea plants and fertilizers to the Bought Leaf suppliers to improve their properties along with free transport for their produce and advisory/consultancy services.

Outgrowers and Extension Services

The outgrower system and extension services around the island are an acclaimed backward integration venture that enhances supplier relations and provides steady income streams to farmers throughout the country.

The Buy Back Agreement with the farmer community assures adherence to commitments made. Growing of fruits and vegetables through farmers in the operation is further supported by conducting impact assessments, reviewing of farmer income, profitability/sustainability, development programs, extension services and training for higher productivity. Thereby the company is not only ensuring the best of products for their customers but are creating entrepreneurs in the rural areas.

Firstlight

The local community engagement project 'DPL Firstlight' was launched in June 2007 and is ongoing within all plants in all locations in DPL's Sri Lankan operations. Farmer training and community capacity development are still at the forefront of this internationally acclaimed initiative.

A Home for Every Plantation Worker

Our Plantations Sector, spearheads an ongoing initiative - the 'A Home for Every Plantation Worker' and is also extremely proactive in the health arena, conducting clinics and awareness programmes on eye (including cataract surgery and provision of spectacles) and dental care, dengue disease, prevention of alcoholism, cancer prevention, AIDS, typhoid etc. An ambulance service also operates within the plantation region.

Working through the Estate Worker Housing Co-operatives, loans are provided for estate housing improvement, purchase of vehicles, and redemption of mortgaged properties all of which aid community capacity building. The Company also educates the estate community on effective use of loans, household cash management and savings programmes.

Effective programmes conducted for empowerment of estate youth included courses in sewing, bridal and beauty care, self-employment and home gardening.

Other Initiatives

Other Group companies from the Manufacturing and Agriculture sectors provided vocational training for school leavers across a gamut of enterprise and Regional Centres to facilitate technology transfer, imparting of knowledge and agronomy updates.

Being Aware...that 'Corruption Can Corrupt'

Hayleys Group has always conducted its business within a strict framework of integrity and ethics, with zero tolerance of corruption.

We are guided by the UNGC and our Corporate Values. Many of our subsidiaries have extended this core value by incorporating it in their own guides, handbooks and codes.

Within the Group, 166 staff members were trained in specific disciplines of anti-corruption during the year.

Participation in Public Policy Development and Lobbying

Hayleys PLC makes no financial or in-kind contributions to political parties, politicians or related institutions.

Hayleys PLC plays an active and participatory role in the public policy development domain. Ours is also a clear voice when lobbying issues of relevance.

Given below is a complete list of trade organisations/chambers in which Hayleys Group has affiliations with.

Type of Membership	Council	Role
Vice President of Sri Lanka	Vietnam Business Council of the Ceylon Chamber of Commerce	Facilitate trade and investment between Sri Lanka and Vietnam
Committee Member	Environmental Management Systems Users and Promoters Association	Dedicated to mobilise development and maintenance of sound Environment Management Systems (EMS)
Presidency	Agricultural Machinery Manufacturers' Association	Enhancing local industry through the provision of agricultural machinery
Directorship	Sri Lanka Institute of Nanotechnology (NANCO)	Enhancing technology based economic development in Sri Lanka via innovation
Executive Committee Membership	National Agribusiness Council	Contributing to the growth of Sri Lankan Agri related business
Committee Membership	Committee on Biotechnology of the National Science Foundation	Active involvement in promoting research, development and innovation in the field of biotechnology
Committee Membership	Ceylon Chamber of Commerce	Enhancing business networking via affiliated associations and bilateral business councils.
Executive Committee Membership	CropLife, Sri Lanka	Promoting the safe use of pesticides for crop protection
Committee Membership	University Grants Commission	Supporting the development of a University System of the highest quality appropriate to national needs and aspirations, in keeping with global trends
Committee Membership	Institute of Food Science & Technology	Strengthening and sustaining Sri Lanka's food industry
Committee Membership	Seed Producers Association of Sri Lanka	Involvement in producing, processing, certifying and distributing seed and planting material to farmers
Corporate Membership	All Island Poultry Association (AIPA)	Ensuring sustainability of the poultry industry in Sri Lanka
Director	Plantation Human Development Trust	Providing sustainable development programs in the plantations industry
Vice-President and Secretary	Friends of Horton Plains, Talawakelle	Enhancing sustainability in the Nuwara Eliya district
Committee Member	Ceylon Rubber Traders Association	Representing the interest of rubber sellers
Committee Member	Planters Association	Representing the interests of regional planters
General Council Member	SLASSCOM	Promoting research and innovation
Network Representative & Board Membership	Global Compact Network Ceylon	Facilitate the progress of companies engaged in the Global Compact with respect to implementation of the ten principles of the Global Compact in Sri Lanka.
Advisory Council Membership		Acts in an advisory capacity to the CASA Executive Committee
Executive Committee Member	Ceylon Association of Ships Agents (CASA)	Decision-making role with regard to related to shipping matters.
Member of Committee of Main Lines & Feeder		Address operational matters and reports to the Executive Committee
Member of the Ocean Freight Sub Committee	Sri Lanka Freight Forwarding Association	Committing towards the promotion, development and protection of the Sri Lankan freight forwarding industry
Committee Member	Ceylon Chamber of Commerce - Sri Lanka - Russia Business Council	Facilitate trade and investment between Sri Lanka and Russia
Committee Member, Infrastructure Committee	Ceylon Chamber of Commerce	Contributing to physical infrastructure development
Director	Sri Lanka Port Management and Consultancy Services Limited	Contributing to Port development

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Type of Membership	Council	Role
Executive Committee Member	Association of Clearing and Forwarding Agencies	Providing support and leverage to the shipping industry
Executive Committee Membership	Association of Container Depot Operators	Supporting the interest and business of Container Depot Operators in Sri Lanka
Steering Committee Member	Council for Business with Britain	Promoting bilateral trade between Sri Lanka and Britain
Executive Committee Membership	Association of Container Transporters	Enriching and setting standards of the container transport industry in Sri Lanka
Director	American Chamber of Commerce	Encouraging trade, business and investment activities between Sri Lanka and the United States of America.
Steering Committee Member	Ceylon Chamber of Commerce	Ports, Shipping, Aviation and Logistics Council Supporting growth and competitiveness of shipping, aviation and logistics industries
Vice President	Ceylon Chamber of Commerce - Sri Lanka	France Business Council Facilitate trade and investment between Sri Lanka and France
Vice President	Chartered Institute of Logistics and Transport	Encouraging the art and science of logistics and transport
Vice President	Indonesia Business Council	Facilitate trade and investment between Sri Lanka and Indonesia

Product Responsibility

Customers need constant assurance on the safety and ethics behind the products they use. In this segment of the Report, we answer all these queries to make sure that our customers understand our commitment towards the well-being of our society. The human and environmental safety of our products is an absolute priority and it is important to us that every one of our customers knows that buying a Hayleys product means they are choosing to buy the most optimal combination of safety and efficacy.

Advertising is our way of communicating with our customers and informing them of the benefits and innovation that go in to every Hayleys product. It is also a way for us to interact and address our customers' concerns. We are aware of the influence marketing and advertising has on our customers. We make it a point not to utilise this to manipulate them. This means we ensure that all claims made by us are of sound scientific basis and that all such communication passes through the baseline test of being legal, decent and honest.

Accordingly, we obtain prior approval from the relevant authorities and adhere to all guidelines of the principles of marketing communications. For example, we seek the approval of the

Registrar of Pesticides and/or the Deputy Director of Agriculture of the Department of Agriculture of the respective district for all agro chemicals, approval of the Registrar of Veterinary Medicines for Veterinary Medicines. Similarly, we strictly adhere to the corporate compliances and guidelines of our principals and the guidelines of the Consumer Affairs Authority relating to all our products.

Satisfying the Customer

The Fibre sector conducts Customer Satisfaction Surveys monthly, quarterly, biannually and annually and a Customer Satisfaction Index is arrived at. One-on-one interviews supplement this process. Issues arising out of these are attended to expeditiously. The sector also maintains a Reliability Index to track timely delivery of goods and services. We hope to provide a more comprehensive report of this aspect next year.

DPL conducts customer surveys annually. Additional random feedback are obtained on an on-going basis.

Haycarb conducts customer satisfaction surveys annually to further improve customer relations. Haycarb measures customer satisfaction under

Quality of Products, Flexibility, Communication with Customers, Packaging and Labelling, Delivery Time and Price.

Alumex customer surveys indicated top ratings on co-operativeness and product dimensions. Alumex takes steps to provide product familiarisation when new products are introduced. Each year, the Company provides training facilities for key customer personnel such as Engineers, Architects and Technical Officers. When new aluminium profiles are introduced to the market, training programmes are organised for key decision-makers within the industry such as Engineers, Architects and Technical Officers.

Within the constituent companies of the Advantis Group, customer satisfaction surveys are done annually and in some instances biannually. Additionally, FedEx has conducted an external market research during the year under review. Over 90% satisfaction rate has been recorded, with some units recording a level of 97%.

The Consumer Products sector carries out consumer and market surveys quarterly/ biannually or as defined by the business or brand strategy. Feedback is used to formulate business strategy.

Ensuring Product Safety

When a customer buys a product they put their faith in us to provide products that are safe. Product safety is priority and is considered at the initial stage when designing a new product or process. We constantly reassess our safety standards and processes. Based on sound science, our safety methods take a precautionary approach, ensuring that we rectify any mishap even before it happens. If we are not confident about the safety of an ingredient or product, we will not introduce it to the market.

Constituent companies of the Group embed product safety across their production chain - across processes such as R & D, marketing, promotion, transport and distribution and storage among others.

An integral component of the process is adherence to applicable regulatory frameworks be they in terms of prevailing law or mandated quality standards.

Product Certifications

Hayleys has diligently pursued the process of accreditation and certification of its products and services, which are internationally-accepted measures of quality and service standards.

A full listing appears under the section Accreditations appearing on pages 66 and 67 of this Report.

Product and Service Labelling

It is the duty of Hayleys companies to educate people about the benefits of our products. It is also a way for us to engage with consumers on issues that matter to them.

Imparting this information to our customers whether it be on a product label, leaflet, media activity or by other means is what we will consider here.

DPL provides data relating to the following on their product and service information and labelling, including the sourcing of components, content - particularly with regard to substances that might produce an environmental or social impact and safe use of the product or service.

All relevant agricultural fertilizer products and pesticides display poison warnings. Safe storage instructions are displayed on pesticides and fertilizer. On veterinary products and pesticides safe application procedures, information on antidotes in case of contamination/consumption and poison centre contact details are given amongst other information. We comply with the regulations of FAO Code of Conduct and those of the Department of Agriculture, the Registrar of Pesticides and other relevant authorities.

Hayleys Agriculture fully complies with the plant quarantine procedures for import and export of plants. All our value added food products display Net Content, 'Best Before Date' or Produced Date and Shelf Life, Lot Identification, Instructions for Use, Storage Information, Nutritional Value and Energy Value. Safety aspects and other health requirements are included in compliance with local and international regulations and standards.

Hayleys Advantis complies with stipulated requirements by displaying users' rights and obligations in transportation documents such as Bills of Lading, Waybills (Air and Sea), Goods Received Notes and Combined Transportation Documents as specified by relevant conventions.

SUSTAINABILITY REPORT

Marketing Communications

Hayleys PLC is of the view that the marketing of any or all of its products must be attended by the highest levels of responsibility. Unless responsibility informs all aspects of a product, from inception to consumption, our business cannot claim to be sustainable.

We are happy to record here that there have been no instances of non-compliance with regulation and voluntary codes concerning marketing communication and related activity, reported from any company in Hayleys Group.

A feedback mechanism is given on the Hayleys corporate website, official social media channels and in other forms of documentation including this Annual Report, to redirect all such inquiries or complaints to Hayleys Corporate Communications/Sustainability Unit.

Likewise, there have been no complaints of breach of customer privacy and data loss. No fines were levied against us for non-compliance with laws and regulations concerning the provision and use of products and services.

Customer privacy is crucial to the BPO sector which is indicated within the case study on the right.

Compliance

Our companies are aware of regulations and legal matters of compliance such as intellectual property, product information and labelling, health and safety impacts through regular proactive communication and advice through the Group Legal Department.

We have defined the significant fine limit as Rs. 1 mn for any business sector within the Group.

There was one reported instance in which the significant fine limit was exceeded during the period under review.

HBSI awarded International Accreditation for Information Security Management



Mohan Pandithage – Chairman and Chief Executive, Hayleys Group, receives the certificate from Ms. Shyama Wijayathunga – Operations Manager, DNV Business Assurance Colombo

Hayleys Business Solutions International (HBSI), the Hayleys Group's BPO and Shared Services Company, was recently awarded the internationally recognised ISO 27001:2005 certification for Information Security Management from Det Norske Veritas (DNV).

The objective of the ISO standard itself is to provide a model for establishing, implementing, operating, monitoring, reviewing, maintaining, and improving an Information Security Management System and the receipt of such certification will enable the Company to assure confidence of data security in local and foreign markets.

As Hayleys Chairman Mr Mohan Pandithage remarked, "This is the first step in HBSI's journey towards becoming a preferred Business Process Outsourcing and Shared Services partner. Certified assurance in the processes and protocols of data security is a substantial achievement in gearing the Company to cater to discerning clients and markets".

Our Brands



Global Markets and Manufacturing



Agriculture



Plantations and Tea Exports



Transportation and Logistics



Leisure and Aviation



Consumer Products



Investments and Services



SUSTAINABILITY REPORT

INDEPENDENT ASSURANCE STATEMENT ON THE NON-FINANCIAL REPORTING



Introduction

Det Norske Veritas AS ("DNV") has been commissioned by the management of Hayleys PLC ('Hayleys' or 'the Company') to carry out an independent assurance engagement on the sustainability performance reported in the Hayleys Annual Report 2011–12 ('the Report') in its printed format. This assurance engagement has been conducted against the Global Reporting Initiative 2011 Sustainability Reporting Guidelines Version 3.1 (GRI G3.1) and AccountAbility's AA1000 Assurance Standard 2008 (AA1000AS (2008)). The verification was conducted during May 2012, for the year of activities covered in the Report i.e. 1st April 2011 to 31st March 2012.

DNV is a global provider of sustainability services, with qualified environmental and social assurance specialists working in over 100 countries. DNV states its independence and impartiality with regard to this assurance engagement. DNV was not involved in the preparation of any statements or data included in the Report, with the exception of this Assurance Statement. DNV maintains complete impartiality toward any people interviewed. DNV expressly disclaims any liability or co-responsibility for any decision a person or entity would make based on this Assurance Statement.

The intended users of this assurance statement are the management of the Company and readers of this Report. The management of Hayleys is responsible for all information provided in the Report as well as the processes for collecting, analyzing and reporting the information. DNV's responsibility regarding this verification is to Company only and in accordance with the agreed scope of work. The assurance engagement is based on the assumption that the data and information provided to us is complete and true.

Scope, boundary and limitations of Assurance

The scope of work agreed upon with Hayleys includes verification of the following:

- The content of the sustainability performance reported in the Annual Report 2011–12 i.e. review of the policies, initiatives, practices and performance described in the Report as well as references made in the Report, except for Hayleys MGT Knitting Mills PLC;
- Evaluation of the AccountAbility principles and specified performance information, described below, for a Type 2, moderate level of assurance, in accordance with the requirements of AA1000AS (2008) detailed below:
 - Information relating to company's sustainability issues, responses, performance data and underlying systems for the management of such information and data;
 - Information relating to company's materiality assessment and stakeholder engagement processes;
- Confirm that the Report meets the requirements of the GRI G3.1 for an Application Level 'B+', as declared by Hayleys.

The reporting boundary is as set out in the Report, covering entities in Sri Lanka over which Hayleys has management control and significant influence as explained in the report. During the verification process, there were no limitations encountered on the scope for the assurance engagement.

Verification Methodology

This assurance engagement was planned and carried out in accordance with the AA1000AS (2008) and the DNV Protocol for Verification of Sustainability Reporting¹. The Report has been evaluated against the following criteria:

- Adherence to the principles of **Inclusivity**, **Materiality** and **Responsiveness** as set out in the AA1000AS (2008); the **Reliability** of specified sustainability performance information, as required for a Type 2, moderate level assurance engagement,

- Adherence to the additional principles of **Completeness** and **Neutrality** as set out in DNV's Protocol, and
- The principles and requirements of the GRI G3.1 for an application level B+.

As part of the engagement, DNV has verified the statements and claims made in the Report and assessed the robustness of the underlying data management system, information flow and controls. In doing so, we have:

- Reviewed the company's approach to stakeholder engagement and its materiality determination process;
- Verified the sustainability-related statements and claims made in the Report and assessed the robustness of the data management system, information flow and controls;
- Examined and reviewed documents, data and other information made available by the Hayleys;
- Visited the Corporate-Office, other sectorial offices located at corporate office, manufacturing locations of Hayleys (i.e. Ravi Industries Ltd., Toyo Cushion Lanka (Pvt.) Ltd., Hayleys Exports PLC at Ekala and Kotugoda, Dipped Products PLC at Kottawa, Haycarb Group at Badalgama and Alumex Group at Sapugaskanda, Makola), Third party logistics (i.e. Logiwiz Ltd. at Kelaniya) and Food Processing site (fruit and vegetable exports i.e. HJS Condiments Ltd. at Biyagama);
- Conducted interviews with key representatives including data owners and decision-makers from different sectors and functions of the Company;
- Performed sample-based reviews of the mechanisms for implementing the company's sustainability related policies, as described in the Report;
- Performed sample-based checks of the processes for generating, gathering and managing the quantitative data and qualitative information included in the Report.

¹ <http://www.dnv.com/cr>

Opportunities for Improvement

The following is an excerpt from the observations and opportunities for improvement reported to the management of the Company to improve its sustainability performance management and these opportunities for improvement are considered for drawing our conclusion on the Report; however they are generally consistent with the management's objectives:

- Establish medium and long term triple bottom-line objective and goals (3-5 years), covering the broader sustainability topics that are material to Hayleys Group;
- The sustainability performance data may be captured at source at the various manufacturing locations through the existing resource planning software to further improve the accuracy and reliability of reported data;
- Implement a continuous and systematic quality assurance procedure for data management system to further improve the quality of reported sustainability performance data;
- Fully report on key material performance indicators that are partially reported, in the subsequent reports.

Specific evaluation of the information on sustainability performances

We consider the methodology and process for gathering information developed by the Company for its sustainability performance reporting is appropriate and the qualitative and quantitative data included in the Report, was found to be reliable, identifiable and traceable; the personnel responsible were able to demonstrate the origin and interpretation of the data. We also assessed the reported progress against the company's commitments as disclosed in its previous Report and observed that the Report presents a fair description of the sustainability activities and the goals achieved.

Conclusions

Hayleys has identified its sector wise core sustainability risks, its impacts and the associated sustainability challenges and opportunities. In our opinion the Report, provides a fair representation of the company's sustainability

policies, objectives, management approach and performance during the reporting year. We have evaluated the Report's adherence to the following principles on a scale of 'Good', 'Acceptable' and 'Needs Improvement':

AA1000AS (2008) Principles

Inclusivity: As a part of its stakeholder engagement process, the Company engages with its identified stakeholders through different modes and at determined intervals and the inputs from the stakeholder engagement has been taken into consideration for redefining its systems and procedures.

In our view, the level at which the Report adheres to this principle is 'Good'.

Materiality: The Company has identified material aspects for reporting based on the inputs from stakeholder engagement process for the reporting period; in our opinion the identified material aspects needs to be appropriately prioritised and needs to arrive at the relative materiality of the selected aspects; also Company may re-evaluate and report all the material aspects based on the adopted guidelines and frame work for sustainability performance management. In our view, the level at which the Report adheres to this principle is 'Acceptable'.

Responsiveness: We consider that the Company has fairly responded to key stakeholder concerns, through its policies and management systems and the same are fairly reflected in the Report and provides a balanced representation of material issues related to the company's sustainability performance.

In our view, the level at which the Report adheres to this principle is 'Acceptable'.

Reliability: The majority of data and information verified at corporate office and sites were found to be accurate. Some of the data inaccuracies identified during the verification process were found to be attributable to transcription, interpretation and aggregation errors and the errors have been corrected.

Hence in accordance with the AA1000AS (2008) requirements for a Type 2, moderate level of assurance engagement, we conclude that the specified sustainability data and information

presented in the Report is generally reliable and acceptable.

Additional Parameters as per DNV's Protocol

Completeness: The report covers over 20 core performance indicators for the application level 'B'; some of the reported core indicators have been reported partially and the rationale behind partial reporting are explained within the Report;

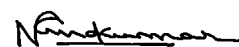
In our view, the level at which the Report adheres to this principle is 'Acceptable'.

Neutrality: The sustainability performance and related issues are reported in this report in a transparent and balanced manner, in terms of content and tone.

In our view, the level at which the Report adheres to this principle is 'Good'.

DNV confirms that the GRI Application Level 'B+' has been attained in reference to the various application levels defined in the GRI G3.1.

For Det Norske Veritas AS



Nandkumar Vadakepatt

Lead Verifier

Head-Sustainability & Business Excellence Services(South)

Det Norske Veritas AS, India



Antonio Astone

Reviewer

Global Sustainability Manager
DNV Business Assurance, Italy.

Bangalore, India, 1st June 2012

SUSTAINABILITY REPORT

GRI Compliance Index

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2.3	Operational Structure of the Organisation	Sustainability Report	●	62-63
2.4	Location of Organisation's Headquarters	Corporate Information	●	Inner Back Cover
2.5	Number of countries where the Organisation operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the Report	Our Portfolio of Businesses	●	10-11
2.6	Nature of ownership & legal form	Corporate Information	●	Inner Back Cover
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2.8	Scale of the Reporting Organisation	Our Portfolio of Businesses	●	10-11
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4.6	Processes in place for the highest governing body to ensure conflicts of interests are avoided	Hayleys Governance	●	119-142
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● Fully Reported ○ Partially Reported □ Not Reported

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EC7	Procedures for local hiring and proportion of senior management hired from the local community at locations of significant operation	Sustainability Report	●	82
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EN1	Materials used by weight or volume		□	
EN2	Percentage of materials used that are recycled input materials		□	
EN3	Direct energy consumption by primary energy source	Sustainability Report	○	89
EN4	Indirect energy consumption by primary source	Sustainability Report	○	89
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EN6	Initiatives to provide energy-efficient or renewable energy-based products and services, and reductions in energy requirements as a result of these initiatives	Sustainability Report	○	39
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EN9	Water sources significantly affected by withdrawal of water		□	
EN10	Percentage and total volume of water recycled and reused	Sustainability Report	○	91
EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	Sustainability Report	●	92
EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas	Sustainability Report	●	92
EN13	Habitats protected or restored	Sustainability Report	○	92
EN14	Strategies, current action & future plans for managing biodiversity		□	
EN15	Number of IUCN Red List Species & National Conservation List Species with habitats in areas affected by operations		□	
EN16	Total direct and indirect greenhouse gas emissions by weight	Sustainability Report	○	90-91
EN17	Other relevant indirect greenhouse gas emissions by weight	Sustainability Report	○	90
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved		□	
EN19	Emissions of ozone-depleting substances by weight		□	
EN20	NO, SO, and other significant air emissions by type and weight		□	

● Fully Reported ○ Partially Reported □ Not Reported

Index No.	Description	Report Section	Status	Page
EN21	Total water discharge by quality and destination		<input type="checkbox"/>	
EN22	Total weight of waste by type and disposal method		<input type="checkbox"/>	
EN23	Total Number of & Volume of significant spills		<input type="checkbox"/>	
EN24	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally		<input type="checkbox"/>	
EN25	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and runoff		<input type="checkbox"/>	
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation	Sustainability Report	●	87
EN27	Percentage of products sold & their packaging materials reclaimed	Sustainability Report	○	88
EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations		<input type="checkbox"/>	
EN29	Significant environmental impacts of transporting products and other goods and materials used for the organisation's operations, and transporting members of the workforce		<input type="checkbox"/>	
EN30	Total environmental protection expenditures and investments by type		<input type="checkbox"/>	
Society				
SO1	Percentage of operations with implemented local community engagement, impact assessments, and development programs	Sustainability Report	●	98
SO2	Percentage and total number of business units analysed for risks related to corruption		<input type="checkbox"/>	
SO3	Percentage of employees trained in organization's anti-corruption policies and procedures	Sustainability Report	○	98
SO4	Actions taken in response to incidents of corruption		<input type="checkbox"/>	
SO5	Public policy positions and participation in public policy development and lobbying	Sustainability Report	●	98-100
SO6	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country		<input type="checkbox"/>	
SO7	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes		<input type="checkbox"/>	
SO8	Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with laws and regulations		<input type="checkbox"/>	
SO9	Operations with significant potential or actual negative impacts on local communities		<input type="checkbox"/>	
SO10	Prevention and mitigation measures implemented in operations with significant potential or actual negative impacts on local communities		<input type="checkbox"/>	

● Fully Reported ○ Partially Reported □ Not Reported

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Index No.	Description	Report Section	Status	Page
Labour Practices and Decent Work				
LA1	Total workforce by employment type, employment contract, and region, broken down by gender	Sustainability Report	○	94
LA2	Total number and rate of new employee hires and employee turnover by age group, gender, and region	Sustainability Report	○	94
LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operations	Sustainability Report	●	95
LA4	Percentage of employees covered by collective bargaining agreements	Sustainability Report	●	95
LA5	Minimum notice period(s) regarding operational changes, including whether it is specified in collective agreements	Sustainability Report	●	95
LA6	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advice on occupational health and safety programmes	Sustainability Report	○	95
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work related fatalities by province		□	
LA8	Education, training, counseling, prevention of diseases, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases	Sustainability Report	●	95,98
LA9	Health and safety topics covered in formal agreements with trade unions		□	
LA10	Average hours of training per year per employee by employee category		□	
LA11	Programmes for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings		□	
LA12	Percentage of employees receiving regular performance and career development reviews, by gender		□	
LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity		□	
LA14	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operations		□	
LA15	Return to work and retention rates after parental leave, by gender		□	
Human Rights				
HR1	Percentage and total number of significant investment agreements and contracts that include clauses incorporating human rights concerns, or that have undergone human rights screening	Sustainability Report	●	97
HR2	Percentage of significant suppliers, contractors and other business partners that have undergone human rights and actions taken		□	
HR3	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained		□	

● Fully Reported ○ Partially Reported □ Not Reported

Index No.	Description	Report Section	Status	Page
HR4	Total number of incidents of discrimination and corrective actions taken	Sustainability Report	●	97
HR5	Operations and significant suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and actions taken to support these rights	Sustainability Report	●	97
HR6	Operations and significant suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labor	Sustainability Report	●	97
HR7	Operations and significant suppliers identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of all forms of forced or compulsory labor	Sustainability Report	●	97
HR8	Percentage of security personnel trained in Organisation policies & Procedures concerning aspects of human rights that are relevant to operations		□	
HR9	Total number of incidents of violations of rights of indigenous people and actions taken		□	
HR10	Percentage and total number of operations that have been subject to human rights reviews and/or impact assessments		□	
HR11	Number of grievances related to human rights filed, addressed, and resolved through formal grievance mechanisms	Sustainability Report	●	97
Products Responsibility				
PR1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures		□	
PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services		□	
PR3	Type of product & service Information required by procedures and percentage of significant products and services subject to such information requirements	Sustainability Report	●	100-101
PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labelling		□	
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction		□	
PR6	Programmes for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship	Sustainability Report	●	100, 102
PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes		□	
PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data		□	
PR9	Monetary value of significant fines for noncompliance with laws and regulations concerning the provision and use of products and services	Sustainability Report	●	102

● Fully Reported ○ Partially Reported □ Not Reported

SUSTAINABILITY REPORT

UNGC Principles - GRI Indicators Cross Reference

Issue Areas	GC Principles	Page/s
Human Rights	Principle 1 Businesses should support and respect the protection of internationally proclaimed human rights	95, 97
	Principle 2 Businesses should make sure that they are not complicit in human rights abuses	97
Labour	Principle 3 Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining	95, 97
	Principle 4 Businesses should uphold the elimination of all forms of forced and compulsory labor	97
	Principle 5 Businesses should uphold the effective abolition of child labour	97
	Principle 6 Businesses should uphold the elimination of discrimination in respect of employment and occupation	97
	Principle 7 Businesses should support a precautionary approach to environmental challenges	68, 87
Environment	Principle 8 Businesses should undertake initiatives to promote greater environmental responsibility	90, 91, 92
	Principle 9 Businesses should encourage the development and diffusion of environmentally friendly technologies	39
Anti-Corruption	Principle 10 Businesses should work against corruption in all its forms, including extortion and bribery	98