

SUSTAINABILITY REPORT

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Chairman's Message

Corporate Social Responsibility is commonly referred to as "making a contribution to society". This sounds trite. However, we at Hayleys believe it is fundamental.

A company's *raison d'être* is to "make money". While profits are necessary for any business entity to exist and must be a primary result of a company's existence, we believe that "making profits" is a means to a larger end and not the end in itself. We recognize that all groups in society should strive to add value and make life better for society as a whole. It is interesting to consider the derivation of the word "Company" which is a joining of two Latin words *cum* and *panis* which means "breaking bread together". How this translates in today's businesses environment is subject to varied interpretation but we think it underlies the reality that businesses rely on the environment in which they operate and cannot prosper or even exist in isolation.

A business such as Hayleys which has, over 130 years grown to be one of Sri Lanka's largest multinationals, is "large" enough - in resources, mind and spirit to be a serious and sincere advocate and example of CSR interwoven in business. I believe we have over many decades, moved beyond a narrow focus on the immediate priority to look at the larger picture. This is reflected in our being chosen "Sri Lanka's Best Corporate Citizen" for three consecutive years from 2004-2006. Being amongst the

few Sri Lankan entities to become a signatory to the 10 principles of the United Nations Global Compact in 2007 was also natural for us.

Hayleys approach to CSR has always been one of involvement in areas naturally linked to our core businesses. Our businesses have integrated CSR into their everyday operations and way of life. Our choices with regard to the businesses we want to be in have been guided very much by our values. Our business actions such as nurturing small scale suppliers and sub contractors, purchasing from out-growers the agricultural produce we add value to and export, and restoring tanks in agricultural communities in which we are a key supplier of agricultural inputs, are examples of win-win scenarios.

In 2007, Hayleys became the first Sri Lankan entity and amongst the first ten worldwide to endorse the CEO Water Mandate of the United Nations Global Compact. The Group's large scale manufacturing facilities makes Hayleys a large consumer of water, and it is appropriate that we take leadership in this strategic framework to make water sustainability a priority. Details of this initiative are given elsewhere in this report.

This year we report our CSR work of the past year according to the GRI (Global Reporting Initiatives) Guidelines which has enabled a more structured and formal presentation, and greater

transparency. Hayleys has over the past four decades set benchmarks in reporting and won local and international recognition for its financial reporting. This being the first year of using the GRI Guidelines, many were the challenges our team had to overcome.

The size and diversity of our business has been the most formidable challenge.

The structured framework of GRI reporting will help us build on our capacity to understand and disseminate knowledge on different stakeholder issues of CSR.

As we refine our systems and processes to increase the value we generate we intend to set in place more formalized processes for capture and dissemination of data. This year's report we hope contributes to our continuing efforts to improve user friendly information to all key stakeholders - our shareholders, our employees, the community, the society at large, government and environmental authorities, for instance.

We welcome feedback to help us improve our reporting and indeed our practices.



N.G. Wickremeratne
Chairman and Chief Executive

Key Impacts, Risks and Opportunities

Economic Impact

The economy posed many challenges during the year for the players on its stage. Whilst Sri Lanka's economy grew by 6.8% overall, development was uneven across sectors and regions, and inflation rose to new highs. Rapidly escalating oil prices globally and dramatic increases in electricity tariffs at home, challenged not only business performance but also the quality of life of Sri Lankans.

The Services sector consisting of telecommunications, cargo handling, transport and financial services contributed to most of Sri Lanka's GDP growth. The businesses of Hayleys are mainly within Agriculture and Manufacturing. These are sectors in which over half the population seek their livelihood, and they are sectors in which growth has been low.

Whilst Services are certainly necessary, their growth is unsustainable if the rest of the economy is not enabled to perform. Given the spread and diversity of our business and the reach and depth of Hayleys presence across Sri Lanka, Hayleys is a reliable mirror of Sri Lanka's performance. That Hayleys has not performed to potential in recent times is indicative that greater attention is needed to key concerns that have emerged in the economy.

2007/08 was a year in which Hayleys PLC took some hard decisions. The Group began to implement a re-alignment of management processes and direction from the "centre". Some unprofitable ventures were discontinued. These are steps that will carry the Group to greater success in the future.

Social Impact

We are proud to be able to play a significant role in bettering the lives of people through many programmes undertaken by Companies in the Group.

Our activities are closely aligned to the principles of the United Nations Global Compact (UNGC). The UNGC, through the power of collective action seeks to promote responsible corporate citizenship so business can be part of the solution to the challenges of globalization.

These principles flow across key areas such as Labour, Human Rights and Anti-Corruption activities, and have helped the Group focus its social engagement and its reporting of the initiatives undertaken.

In the conduct of our business, we find out how and where our expertise, products and services could be applied beyond a narrow business focus, to meet the needs of the wider community, our employees and other stakeholder groups. Our comprehensive portfolio of effort is described in the section on "Social Performance" that follows.

Environmental Impact

Hayleys has a long history of "watching out for the environment".

Looking at our business profile, one can see areas where the environment could well have been impacted adversely, had we not been aware of the risks and been proactive in dealing with them.

Here are a few:

- The process of charcoaling coconut shell for the production of coconut shell derived activated carbon.
- The outflow of effluent from many of our manufacturing businesses.
- The use of chemical based crop protection and fertilizer substances.
- Soil erosion and related problems on our plantations.
- Threats to the eco system from our resort activities.

This report, describes later on, the measures Hayleys has in place to safeguard the environment from harm, and even to enhance aspects of it.

A major story for the year in review was the Group's endorsement of the CEO Water Mandate under the aegis of the UNGC. These and many other initiatives are laid out in the section titled "Environmental Performance".

SUSTAINABILITY REPORT

Awards & Accreditations



Institute of Chartered Accountants' Annual Report Awards Competition 2007

Hayleys PLC

- Joint Overall Second Runner-up
- Joint Sector Winner (Diversified Holdings - Groups above 5 subsidiaries category)
- Fourth Runner-up in Corporate Governance Disclosures
- Fourth Runner-up in Corporate Social Responsibility Reporting

Talawakelle Tea Estates PLC

- Sector Winner (Plantations)

Hayleys Advantis Ltd.

- Joint Sector Runner-up (Services)

Dipped Products PLC

- Certificate of Merit in the Manufacturing Companies sector

Kelani Valley Plantations PLC

- Certificate of Recognition in the Plantations sector

SAFA Awards 2006 (Awarded in 2007)

Hayleys PLC

- Joint Winner - Hospitality, Health, Transport, Shipping & Services Category.

National Agri Biz Awards 2007 presented by the National Agri-business Council

Hayleys Agro Products Ltd.

Gold Award (Large Scale Category - Seeds and Planting Materials, Machinery and Agricultural Equipment, Livestock and Veterinary Supplies.

Silver award - Fertiliser & Agrochemicals).

Awards & Accreditations

Quality Seed Company Ltd.

Gold Awards (Large Scale Category - Seeds Advisory & Supplies)

National Business Excellence Awards 2007

Hayleys Agro Products Ltd.

Gold Award for Agriculture and Plantation companies.

National Sciences and Technology Awards 2007

Recogen Ltd.

Recognized for developing eco-friendly processes for industry.

National Productivity Awards 2006/07

Hayleys MGT Knitting Mills PLC

Joint first place- Manufacturing (Large scale)

Asia Pacific Quality Award 2005

Hayleys MGT Knitting Mills PLC

Presidential Export Awards 2005 (held in 2007)

- HJS Condiments Ltd.
- Ravi Industries Ltd.
- Rileys Ltd.

Textainer Award 2006 (held in 2007)

Logistics International Ltd. - Best Textainer Depot in the Region.

Best Customer Service Award - 2007

Hayleys Advantis Group - Best Customer Service Award of the ICS, Sri Lanka Branch for 6 years running.

National Chamber of Exporters - Export Award 2006

Hayleys Advantis Group - Silver award

The Institute of Chartered Shipbrokers Sri Lanka (held in Feb 2008)

Hayleys Advantis Group

Winner - Colombo/USA Sector and Colombo/ Europe Sector

Accreditations

- ISO 14001: Environment Management Systems - 6 companies
- Forest Stewardship Council Certification - 2 companies
- ISO 9001:2000 (Quality Assurance Systems) - 25 companies updated their Quality Assurance Systems from ISO 9001:1994
- ISO 22000:2005 certification - both plantation companies
- BRC(British Retail Consortium) Global Standards Certification for Consumer Products from European Food Safety Inspection Service (EFSIS) UK - HJS Condiments Ltd.
- SGS-TASL Product Certification - Kelani Valley Plantations PLC
- Hazards Analysis & Critical Control Points (HACCP) certification - 04 companies
- SA 8000 - Social Accountability International (SAI) - Hayleys MGT Knitting Mills PLC is Sri Lanka's first fabric manufacturer to be thus certified



SUSTAINABILITY REPORT

Report Parameters

The Scope and Boundary of this Report

This is our first annual Sustainability Report based upon data and performance indicators for the period 1st April, 2007 to 31st March, 2008, except for the sections on Awards and Accreditations, which include more recent updates.

We have employed the reporting principles and methodology of the year 2006 version of the GRI guidelines - G3. The relevant technical protocols have been followed when reporting various indicators.

This is our first attempt at producing a Sustainability Report to comply with GRI - G3 guidelines. Due to the diversified nature of our business, some of the data presented may not reflect results of the entire Group at all times. We have presented the data available to us at the time of writing. In the ensuing years, we will improve our reporting to more fully encompass the provisions stipulated by GRI. Where required, data measurement techniques have been provided.

Hayleys PLC is headquartered at No 400, Deans Road, Colombo 10, Sri Lanka. For any further information or clarification, please write to the Corporate Affairs Unit at the above address or e-mail: info@cau.hayleys.com

Explaining the Processes

This report covers the performance of all the businesses that constitute Hayleys Group. Our businesses/units proactively engage with respective stakeholders who, either have a major interest or are substantially affected by the performance of these businesses/units.

A summary of such stakeholder engagement appears elsewhere in this report.

This "Triple Bottom Line" performance is reported in accordance with the criteria pertaining to Level B of the GRI - G3 guidelines. We affirm that no stakeholder engagement has been undertaken specifically for the purposes of sustainability reporting.

The report on Economic Performance has been prepared from data contained in the Group's Audited Accounts for the financial year ended 31st March, 2008. The Audited Accounts were prepared in

accordance with the provisions of the Companies Act No: 7 of 2007 and the Sri Lankan Accounting Standards, and have been audited by an external audit firm - M/s KPMG Ford, Rhodes, Thornton & Company.

Data on the environment and safety issues has been compiled from actual operating data maintained by the various businesses, factories, hotels and other units of the Group.

The data on social responsibility was obtained on-site.

Our Business Footprint

Name of Company

Nature of Business

Global Markets & Manufacturing





Fibre



Chas P. Hayley & Company Ltd.	Coir and treated rubber timber products
Volanka Exports Ltd.	Coir based products and essential oils
Haylex BV Group	Marketing
Ravi Industries Ltd.	Industrial and household brush ware
Hayleys Exports PLC	Value added coir based products
Lignocell Ltd.	Coir fibre pith
O E Techniques Ltd.	Essential Oil
Rileys Ltd.	Cleaning devices
Haymat Ltd.	Coir fibre mats
Toyo Cushion Lanka (private) Ltd.	Needled and rubberized coir products
Superfelt Ltd.	Needled and thermo bonded felt pads
Creative Polymats Ltd.	Moulded rubber products
PT Tulus Lanka	Coir, coir fibre, Pith & related products
Tianjing Shanglong Mattress Co. Ltd.	Rubberised coir

SUSTAINABILITY REPORT

Report Parameters

Name of Company	Nature of Business
Global Markets & Manufacturing	
Hand Protection	
Dipped Products Group	General purpose and specialty rubber gloves
Purification Products	
Haycarb Group	Activated Carbon
Textiles	
Hayleys MGT Knitting Mills PLC	Knitted fabric
Agriculture & Agri Business	
Agri Inputs	
Hayleys Agro Products Ltd.	Crop production and protection materials, agricultural equipment and animal health products
Hayleys Agro Fertilizer (Pvt) Ltd.	Fertilizer
Hayleys Agro Farms (private) Ltd.	Planting material
Haychem Ltd.	Crop protection, household and public health chemicals
Hayleys Agro Biotech (Pvt) Ltd.	Phytochemicals & horticultural tissue culture products
Agro Technica Ltd.	Agricultural machinery and equipment
Haychem (Bangladesh) Ltd.	Crop protection chemicals

SUSTAINABILITY REPORT

Report Parameters

Name of Company	Nature of Business
Agriculture & Agri Business	

Agri Products



Quality Seed Company Ltd.	Hybrid flower seeds
Sunfrost Ltd.	Fresh/processed vegetables
HJS Condiments Ltd.	Retail-packed, processed vegetables

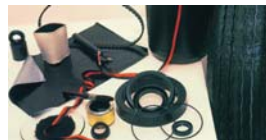
Plantations



DPL Plantations Ltd.	Plantation Management
Kelani Valley Plantations PLC	Processed tea and rubber
Hayleys Plantation Services Ltd.	Plantation Management
Talawakelle Tea Estates PLC	Processed black tea

Transportation & Infrastructure

Industry Inputs



Hayleys Industrial Solutions Ltd.	Engineering and projects, power generation, pigments and industrial raw material
Haycolour Ltd.	Textile dyestuff and binders

SUSTAINABILITY REPORT

Report Parameters

Name of Company	Nature of Business
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● Transportation & Infrastructure

Power & Energy



Recogen Ltd.	Charcoal and power generation
Bhagya Hydro (Pvt) Ltd.	Hydro power
Neluwa Cascade Hydropower (Pvt) Ltd.	Hydro Power
TTEL Hydro Power Co. (Pvt) Ltd.	Hydro Power
Hayleys Hydro Energy (Pvt) Ltd.	Hydro Power
TTEL Somerset Hydro Power (Pvt) Ltd.	Hydro Power
Nirmalapura Wind Power (Pvt) Ltd.	Wind Power
Mawanana Power Company (Pvt) Ltd.	Hydro Power
Biofuels D Z (Pvt) Ltd.	Bio fuels

Transportation



Hayleys Advantis Group	Travel, ticketing, shipping, airline agencies/freight forwarding and warehousing/ocean container repairing and container yard operations
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● Consumer & Leisure

Consumer Products



Hayleys Consumer Products Ltd.	Lighting, photo imaging, healthcare
Hayleys Consumer Marketing (Pvt) Ltd.	FMCG
Hayleys Electronics Ltd.	Consumer durables
X I L Industries Ltd.	Fans and sewing machines
Hayleys Electronics (Manufacturing) Ltd.	Consumer durables
Hayleys Electronics (Retailing) Ltd.	Consumer durables

SUSTAINABILITY REPORT

Report Parameters

Name of Company	Nature of Business
Consumer & Leisure	
Resorts	
The Lighthouse Hotel PLC	Hoteliering
Hunas Falls Hotels PLC	Hoteliering
Carbotels (Pvt) Ltd.	Hotel Investment
Tropical Villas (Pvt) Ltd.	Hoteliering
The Royal Heritage Hotel (Pvt) Ltd.	Hoteliering
Seashells Hotels Ltd.	Hoteliering
Eastern Hotels Ltd.	Hoteliering
Negombo Hotels Ltd.	Hoteliering
Jetwing Hotels Ltd.	Hoteliering
Investments, Information Technology & Services	
Hayleys Group Services Ltd.	Secretarial services
Dean Foster (Pvt) Ltd.	Investment
Volanka Ltd.	Investment
Volanka Insurance Services (Pvt) Ltd.	Insurance broking
Infocraft Ltd.	Software products and services
Diesel & Motor Engineering Co. Ltd.	Automobiles, Automotive Components, Construction Machinery, Power System
AIG Hayleys Investment Holdings (Pvt) Ltd.	Investment
Hayleys AIG Insurance Co. Ltd.	Insurance

Stakeholder Engagement

Shareholders

Sustainability Issues & Concerns

- Profit and growth

Process of Engagement

- 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
- Web site, regularly updated
- Meetings with fund managers, share brokers and investment analysts
- Email address, provided for comments and suggestions

Employees

- Remuneration and benefits
- Career progress
- Work stimulation
- Health and safety
- Balance between professional and personal life
- Working facilities and environment

- A performance management system is being implemented facilitating transparent evaluation, dialogue and performance based remuneration and reward
- Formal meetings and less structured contact in the course of work
- 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
- Employee intranet, accessible to any employee
- Quarterly news letter
- Hayleys Group Recreation Club activity, which provides many opportunities for interaction and fellowship across the Group, bringing employees together regardless of rank or designation

Customers

- Product quality
- Availability
- Standard of after care
- Availability of after care

- 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

- Market share
- Profitability
- After care

- 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

SUSTAINABILITY REPORT

Economic Performance

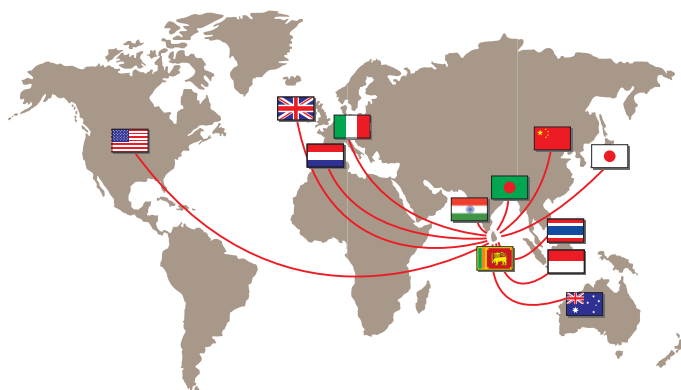
In a challenging year, Hayleys grew turnover by 17% and profit before accounting for discontinued operations, by 11%. Discontinued operations took a heavy toll on the ultimate profit recorded but the exits are a necessary investment for the future.

While productivity enhancements have been and will be pursued by the Group, they cannot counter the impact of economic conditions such as those felt during the year - specifically the combination of high inflation, high interest rates and a Rupee which has not responded sufficiently to accommodate the effects of inflation in Sri Lanka.

Excellent performances in an otherwise difficult year emerged from the Group's businesses in Textiles, Transportation, Plantations and Purification Products.

That the dividend proposed has reduced only by a small proportion of that paid for several years (to Rs. 3 per share rather than Rs. 3/50) reflects the Group's confidence in its resilience and ability to recover from a period of poor results, despite the harsh business conditions still prevailing.

Our Global Presence



SUSTAINABILITY REPORT

Economic Performance

Hayleys in the National Context

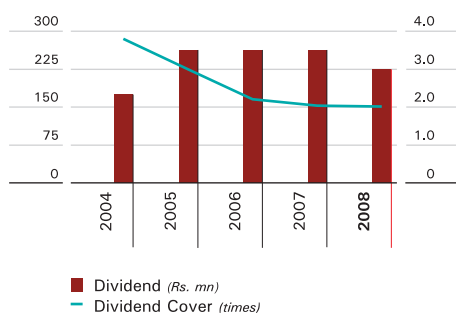
Hayleys accounts for **2.6%** of Sri Lanka's export income.

Group Value Addition

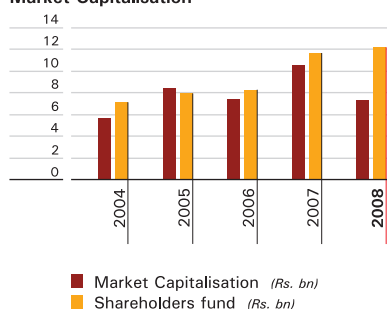
	2007/08 Rs. mn.	2006/07 Rs. mn.
Turnover	31,327	27,585
Cost of materials & Services bought in	(22,898)	(20,443)
	8,429	7,142

	Share %		Share %	
To Employees as remuneration	57	4,779	54	3,832
To Government Revenue	11	944	11	804
of Sri Lanka		848		727
Overseas		96		77
To Shareholders as dividends	3	225	4	263
To Lenders of capital	21	1,796	20	1,414
Interest on borrowings		1,159		858
Minority interest		637		556
Retained in the business	8	685	11	829
Depreciation		838		830
Profit retained		(153)		(1)
	100	8,429	100	7,142

Dividend Vs Dividend Cover



Shareholders' Funds Vs Market Capitalisation



SUSTAINABILITY REPORT

Economic Performance

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
1972				250	11	275
1973				250	11	275
1974	Bonus	1:01	250	500	1	275
1975				500	18	450
1976				500	10	442
1977				500	1	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
Total			75,000	75,000		2,279,083

SUSTAINABILITY REPORT

Economic Performance

Stock Exchange

The Audited Company and Consolidated Income Statements for the year ended 31st March, 2008 and the Audited Balance Sheets of the Company and of the Group as at that date, have been submitted to the Colombo Stock Exchange within three months of the Balance Sheet date.

Market Value

The market value of Hayleys PLC ordinary shares was:

	2008 Rs.		2007 Rs.		2006 Rs.
Highest	156.50 (on 19th April '07)		165.00 (on 13th February '07)		136.50 (on 05th October '05)
Lowest	95.00 (on 23rd January '08)		85.00 (on 20th June '06)		86.00 (on 28th December '05)
Year End	97.75		142.00		98.50

Dividend Payments

Interim dividend - Rs. 1.50 per share (free of tax) paid on 09th May, 2008 (2006/07 - Rs. 1.75 per share). Proposed final dividend Rs. 1.50 per share to be declared on 27th June, 2008 and payable on 4th July, 2008 (2006/07 - Rs. 1.75 per share).

Share Trading

	2008	2007	2006
No. of transactions	1,532	4,854	4,366
No. of shares traded	3,452,500	11,364,400	11,315,000
Value of shares traded (Rs.)	414,535,025	1,482,144,725	1,333,156,550

Composition of the 4,102 Shareholders as at 31st March, 2008 (2007 - 4,075)

No. of shares held	Residents			Non - Residents			Total		
	No. of share-holders	No. of shares	%	No. of share-holders	No. of shares	%	No. of share-holders	No. of shares	%
1 - 1,000	2,836	644,976	0.9	25	7,298	0.0	2,861	652,274	0.9
1,001 - 5,000	702	1,619,573	2.2	14	32,060	0.0	716	1,651,633	2.2
5,001 - 10,000	150	1,092,992	1.4	17	127,097	0.2	167	1,220,089	1.6
10,001 - 50,000	211	4,698,417	6.3	19	416,553	0.6	230	5,114,970	6.8
50,001 - 100,000	41	2,889,329	3.8	6	382,571	0.5	47	3,271,900	4.4
100,001 - 500,000	49	9,969,296	13.3	5	1,091,722	1.4	54	11,061,018	14.7
500,001 - 1,000,000	9	6,378,162	8.5	1	568,197	0.8	10	6,946,359	9.3
Over 1,000,000	16	42,854,038	57.1	1	2,227,719	3.0	17	45,081,757	60.1
	4,014	70,146,783	93.5	88	4,853,217	6.5	4,102	75,000,000	100.0

Of the issued ordinary share capital 93.5% is held by residents of Sri Lanka.

Categories of shareholders	31.03.2008			31.03.2007		
	No. of Share-holders	No. of shares	%	No. of Share-holders	No. of shares	%
Individuals	3,741	32,049,685	42.7	3,683	39,220,200	52.3
Institutions	361	42,950,315	57.3	392	35,779,800	47.7
	4,102	75,000,000	100.0	4,075	75,000,000	100.0

SUSTAINABILITY REPORT

Social Performance

“We believe in social development and contribute to the welfare of the communities in which we operate. Empowering employees and suppliers and benefiting society at large is our consistent aim”

Our Approach

We begin by recognising and respecting the right to collective bargaining. Free and frank dialogue is encouraged. Group Companies have many Collective Agreements with Trade Unions.

Hayleys is an equal opportunity employer. We espouse non-discriminatory practices in every aspect of the life of the Group.

We respond at every opportunity to ensure transparency and fair play in our dealings - be it with our employees, principals, customers, dealers, business rivals or the community at large.

In all its areas of endeavour, Hayleys is guided by the 10 principles concerning human rights, labour, environment and anti-corruption promulgated by the United Nations Global Compact (UNGC). The Company is a signatory to these principles.

The UNGC Principles

The principles applicable to Social Development are:

Human Rights

Principle 1 - Businesses should support and respect the protection of internationally proclaimed human rights.

Principle 2 - Businesses should make sure that they are not complicit in human rights abuses.

Labour

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

Principle 4 - Businesses should uphold the elimination of all forms of forced and compulsory labour.

Principle 5 - Businesses should uphold the effective abolition of child labour.

Principle 6 - Businesses should uphold the elimination of discrimination in respect of employment and occupation.

Anti-Corruption

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

Human Resources - In Philosophy and in Practice

Hayleys believes ‘people will make the difference’. Thus our key objective in building our employee base is to recruit the best and develop them to lead us to achievement of our business objectives.

The Company provides the setting and resources to enable every employee to advance on merit as far as their skills and talent will take them.

We identify excellence in performance, professionalism and effectiveness as determining factors for selection, retention, reward and advancement. We recognise and reward good performance and manage unsatisfactory performance with as much empathy as we can muster.

SUSTAINABILITY REPORT

Social Performance

Manpower Strength As at 31st March, 2008

Directors Executives & Confidential Secretaries	2,807
Clerical, Supervisory & Minor Staff	3,092
Manual Grades	29,517
Total	35,416

Professional/Academic Qualifications of Executives	(No.)
Agriculture	180
Engineering	119
Accountancy	96
Marketing	125
Business Management	149
Information Technology	87
Law	3
Shipping	24
Degree - Science	66
Degree - Humanities	3
Masters in Business Administration	47
Others	166
	1,065

Gender Breakdown for Executive, Clerical & Manual Categories

Female	57%
Male	43%

(The above includes plantations and is not for the entire group. Statistics for most other Group companies are being compiled.)

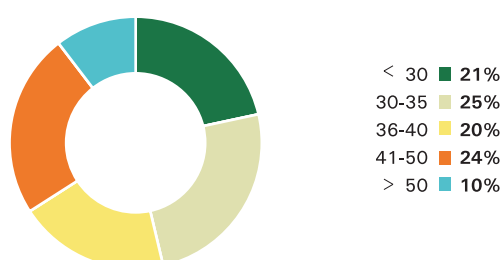
Training and development is indispensable for individual employee development. The Company provides many opportunities to employees to help us achieve desired corporate goals as well and help them in their own self- development.

The Company runs its own school, the 'Hayleys Business School' (HBS). It is in the final stages of designing and developing of the HBS Diploma Courses initiated with inputs from the Indian

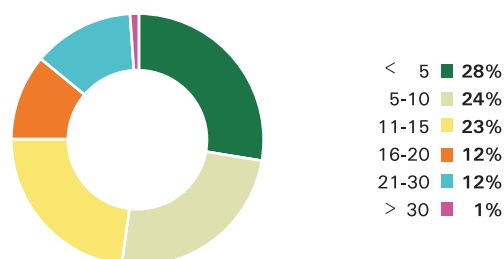
School of Business (ISB). These courses are based on model curricula from Corporate Universities of global companies. The Diplomas offered by HBS will correspond to *four key transitions* an individual may progress through in the management hierarchy.

Currently, exploratory discussions are underway with foreign and local Universities specialising in Business Management, which are aimed at their collaboration with HBS and accreditation of its qualifications.

Age Analysis of Executives - 2008



Service Analysis of Executives - 2008



No incidents of discrimination and no operations were identified where the right to exercise freedom was found to be at risk.

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HBS Training Programmes

- Attended by in house employees during the year: 1,003
- Average duration of a HBS training programme: 6 hours
- Total hours of training: 6,018

Hayleys offers pay and benefits that are fair and competitive.

Benefits Provided to Full Time Employees

- Medical expenses
- Reimbursement of professional expenses

Through the Group's Recreation Club

- Funeral Fund
- Gifts for weddings
- Gifts for new born babies of employees
- Gifts for employees' children who obtain 8 distinctions at O'Levels
- Retirement gifts for employees who have served for more than 10 years.

A key change during the year under review was the formation of a Group HR Division. The new division is tasked with introducing and implementing corporate HR Policy across all sectors of the Group, with a greater degree of uniformity, and uses the HR Cluster to support this effort. The Cluster includes representatives from all sectors of the Group.

Group HR's key initiatives, all of which are focused on executive and management levels, are:

- Improvement of Recruitment Processes
- Establishment of Performance Management Systems and Pay & Reward Schemes closely aligned to these, with an emphasis on Variable Pay starting in the year 2008/09
- Initiation of Talent Management & Succession Planning processes
- Reintroduction of a Management Trainee Programme
- Implementation of an HR Information System

The Group has set in place a number of measures to improve productivity, not just of factory employee but also of management employees. Of great significance is the new Performance Management System (PMS), which is geared to facilitate a performance-based remuneration scheme, which in turn would recognise and stimulate increased productivity.

During the year in review, the Group developed an Intranet linking all divisions and offices and employees. Branded 'Hayllo', the new facility will be an invaluable tool in disseminating information and fostering dialogue across the Group.

Percentage of Employees Covered by Collective Bargaining Agreements

Clerical	33%
Manual	90%

(Average of 3 companies including plantations)

Minimum Notice

Not specified in agreement but adequate notice is given to employees and operational changes are made in consultation with them.

Health & Safety Topics Covered in formal Agreements with Trade Unions

Although no agreements exist with Trade Unions, Health & Safety aspects are covered by many enactments and our establishments abide by all statutory health and safety regulations applicable for a workplace. In addition, there are many other measures that most of our companies subscribe to voluntarily to ensure worker health & safety, for example process control and safety and product hygiene certification such as: ISO 22000, HACCP and TASL-SGS.

Coverage of Defined Benefit plan obligations: Year 2006/07 - Rs. 1.7 bn. (Excluding associate companies, including subsidiaries).

Plan details for companies excluding plantations exceed statutory requirements and is as follows:

Length of service (Years)	No. of months salary for each completed year of service
up to 20	1/2
20 up to 25	3/4
25 up to 30	1
30 up to 35	1 1/4
over 35	1 1/2

Plantations plan is as required under the Payment of Gratuity Act No. 12 of 1983 and the Indian Repatriate Act No. 34 of 1978 for eligible workers

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Human Rights

With the UNGC Principles providing a solid base for every activity of the Group, the Hayleys' approach to human rights is not narrowly confined to CSR activity.

Respecting Human Rights is part of our ethos impinging on every activity and process, from recruitment policies, working conditions and workplace culture to how we conduct our business.

We completely eschew child labour - there have been no instances of child recruitment or employment of the under aged.

To illustrate our response to the issue, we touch on the initiative undertaken by our Plantations, and specifically Kelani Valley Plantations PLC's programme 'A Home for Every Plantation Worker' on their plantations. Housing for the workers in Sri Lanka's plantation industry has always needed addressing. Hayleys has gone a significant step further...KVPL is talking of 'Homes', not 'Houses'. This takes them well beyond providing mere dwellings, to a comprehensive programme where key concerns such as Health & Nutrition, Community Capacity Building and the Empowerment of Youth are addressed.

Hayleys MGT Knitting Mills PLC became the first textile manufacturer to receive certification for SA 8000, the world's most stringent Social Accountability Standard. A third party certification by SGS Italia officially recognises that the Hayleys MGT factory conforms to international work place norms, ILO conventions, the Universal Declaration of Human Rights and the UN Convention on the Rights of the Child.

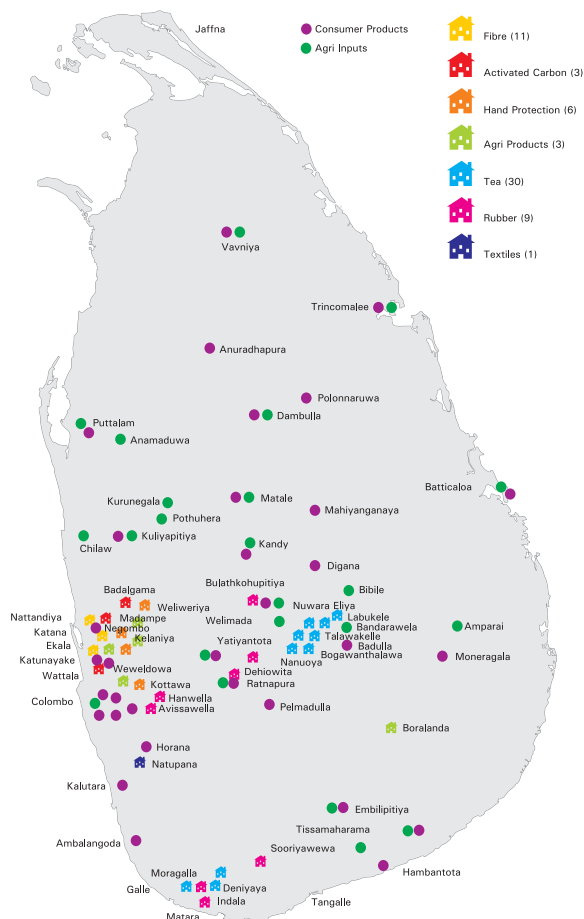
We believe that whilst profit is the *raison d'être* of business, it should always be made without compromising integrity and ethics.

In this respect, Hayleys PLC has a stringent view on 'greasing palms' - we

have not indulged in such a practice and we will not in the future. Many are the occasions when we have had to forego business because we would not compromise on this value, which we hold dear.

	Indirect Employees Nos.	Quantity Kg Million	Value LKR Million
Gherkin farmers	5,500	6.9	105
Vegetable and fruit farmers	514	1.6	37
Tea smallholders	2,010	6.6	315
Rubber smallholders	1,996	3.0	597
Coconut shell suppliers	100	12.8	64
Seed Paddy	204	1.0	23

Our Islandwide Reach



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Major Overseas Investment Partners in Sri Lankan Projects

Partner	Partnership	Duration
Syngenta Seeds B.V., Holland	49% equity in Quality Seed Company Ltd.	28 years
Toyo Cushion Co. Ltd., Japan	25% equity in Toyo Cushion Lanka (Pvt) Ltd.	18 years
Sanyo Food Products Co., Japan	25% equity in HJS Condiments Ltd.	15 years
Bonterra Weiland GmbH, Germany	50% equity in Bonterra Ltd.	14 years
Orlatrade, Monaco (Promar Overseas)	6% equity in Dipped Products PLC	14 years
Delta Plus Group, France	6% equity in Dipped Products PLC	14 years
American International Group, U.S.A	80% equity in AIG Hayleys Investment Holdings (Pvt) Ltd.	08 years
AES Corporation, U.S.A	90% equity in AES Kelanitissa (Pvt) Ltd.	07 years
Enkev BV, Holland	8% equity in Toyo Cushion Lanka (Pvt) Ltd.	05 years
Transworld Holdings Ltd, India	34% equity in Hayleylines Ltd.	05 years
Agricultural Resources & Investment Inc, BVI	49% equity in Hayleys Ago Fertilisers (Pvt) Ltd.	04 years

Relationships with Principals

Name of Principal	Duration of Relationship	Name of Principal	Duration of Relationship
Daimler Chrysler (Mercedes Benz)	69 years	Fuji Hunt Photographic Chemicals	15 years
Robert Bosch GmbH	54 years	Michelin	15 years
TATA International	46 years	Polymer Latex	15 years
Dystar	45 years	Kerr McGee	15 years
Symrise (Haarman & Reimer)	45 years	Nufarm	15 years
Bayer CropScience	45 years	Durst Phototechnik	14 years
Komatsu	39 years	Blue Cross Laboratories	12 years
Detia Degesch	35 years	Volvo (industrial engines)	12 years
Elementis (and previously Sasol Servo)	33 years	Fuji Film	11 years
Lanxess Deutschland (formerly Bayer Rubber Chemicals)	33 years	Shangdong Weicha	09 years
Rheinchemie	33 years	Laboratories Hipra	09 years
Cabot	30 years	BF Goodrich	08 years
Philips Lighting	25 years	MRF	07 years
Lister Petter (engines)	23 years	Namdari Seeds	06 years
Allam Marine (generators)	20 years	ABB	05 years
Monsanto	20 years	Gugler Hydro Energy	04 years
Stamford (alternators)	20 years	Chrysler International	04 years
Mahindra & Mahindra	18 years	Procter & Gamble	03 years
Dow AgroSciences	15 years	Shimadzu	03 years
Den Hartigh	15 years	Gillette	02 years
		FedEx	02 years

No financial assistance was received from the the Government during the financial year 2007/08.

Social Performance

We keep ourselves reminded always that respect for human dignity is fundamental to our success.

Lighting the Path to Prosperity



To illustrate, a typical initiative, is 'Firstlight - Tap Into Potential - A Path to Escape Poverty', undertaken by our Group Company Dipped Products PLC.

The programme seeks to help our smallholder farmers to utilize their resources, skills and expertise to produce latex, in a climate of dialogue and mutual respect. We pay the smallholder farmer a fair price for his produce, and eliminate middlemen in the process. We encourage environmental responsibility because a secure future depends on the sustainability of supplies of the resources and materials we use.

Eighty-eight farmers in the impoverished area of Moneragala were provided Insurance Policies. We signed contracts with them, which gave them comfort and security that we were there in support. We developed sports facilities, provided drinking water facilities and presented sports and educational equipment to schools in Badalkumbura and Moneragala. Some of this activity was initiated by farmers on our books, implemented with

our support. The Company also helped start up farming projects.

We motivated recipients and Company employees alike, by providing highly visible branding for the project, such as 'Firstlight' shirts and stickers plus vehicle branding, among others.

Our relationships with customers and suppliers have grown and been fine tuned over our 130-year history in business.

Farmer training on best agricultural practices, the supply of products of high quality, yield and resilience to farmer customers, the purchase of significant quantities of raw material supporting a sizeable supplier community and the step of seeking voluntary standards certification for our products in the FMCG category - these and other initiatives exemplify the Hayleys Way...as embodied in the Statement of Values, which is *"GOOD CITIZENSHIP - caring for the communities in which we work, actively supporting their growth and being environmentally responsible in all we do"*.

Hayleys and the wider Community

Hayleys is multi-national in its operations. The Group consists of 141 companies representing a vast and diverse business and product portfolio.

In a history spanning 130 years, Hayleys has operated amidst all communities in a multitude of locations. Our integration with them, the mutual understanding we enjoy and the contribution we have been able to make to these communities is for us a matter of pride and satisfaction.

The Group's catalogue of endeavours is thus large and covers many aspects of community life.

Our social activity runs the gamut - from donating medical equipment and supplies of activated carbon to State hospitals - the latter as an antidote for poisoning, through renovating hospitals, temples/places of worship and schools around the country, to involving ourselves in estate community related issues such as health, education and medical programmes and vocational training for rural youth.

Social Performance

Making a House a Home

This story has its beginnings deep in plantation country. Each morning, thousands upon thousands leave the barest of domiciles and make for field and factory where they'll pluck green gold or tap white sap - working the tea gardens and rubber estates all over Sri Lanka.

The plantation industry in Sri Lanka has been in existence for well over a century. It is a labour intensive one and provides employment, directly or indirectly to over 1 million people. A feature unique to this industry is that the majority of those directly employed live with their families within the plantations.

This creates both a responsibility and an opportunity for the employer to reach out to employees and make a difference in their lives.

This is where Kelani Valley Plantations PLC (KVPL) enters our story. A subsidiary of Dipped Products PLC and a part of the Hayleys Group, KVPL comprises 27 estates extending over 13,000 hectares situated in Nuwara Eliya, Dickoya and Yatiyantota-Bulathkohupitiya, with almost equal extents in tea and rubber.

It first began as a KVPL initiative to improve dwelling conditions. It then spread into other areas of assistance - in health, sanitation, childrens' education, and the like.



It was in 2007, that we put a name to what we were really doing - "A Home for Every Plantation Worker".

What changed was that we broad based our care, identified needs and placed them under one umbrella - under one objective - that of upgrading the lifestyle and quality of life of the plantation worker.

Our programme covers the **Living Environment**, assisting with building and refurbishing houses; **Health and Nutrition**, assisting with pre-school child support and medical facilities to enhance the quality of life - through preventive and curative health care, maternal care,

immunization and child growth and development programs; **Community Capacity Building**, providing nursery and preschool facilities, recreation facilities and skill/social development projects, and **Empowerment of Youth**, monitoring child development, guiding education and providing vocational training.

Product Responsibility

Increased awareness has raised customer expectations and demands, and these will continue to grow.

Hayleys begins with responsible strategy, building in safety, quality, social and environmental consciousness, ethics, ensuring human rights across processes from manufacture through marketing to consumption...and more.

We move from drawing board through manufacture to the market and consumer. We check how we're doing; how our product is accepted; where we need to improve if at all...and the cycle begins again.

It is this approach that has placed Hayleys amongst the world's top sources in its key export products, enabled a significant market share for its domestic products and made its brands synonymous with quality.

In the mutual interests of customers and ourselves, we sought and have obtained some of the world's most prestigious accreditations - HACCP then ISO 22000, TASF-SGS, BRC (British Retail Consortium for Consumer Products) and ISO 22000:2005. We were pioneers in obtaining HACCP accreditation for the Group's tea factories and BRC certification in respect of the export of gherkins by HJS Condiments, a supplier of retail packed, processed vegetables to customers such as McDonalds, Burger King and Unilever.



SUSTAINABILITY REPORT

Social Performance

A Strong Voice

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

Hayleys enjoys presence within key organisations such as the Ceylon Chamber of Commerce, the Employers' Federation Council, the Planters' Association, The Tea Research Institute and the Tea Small Holders' Authority.

We have representation at the National Council for Economic Development (NCED) - Agri Sector, where our input includes sectoral recommendations for the National Budget. The scope of such recommendations encompasses areas such as land policy incentives for agriculture, extension services and statutory issues affecting agriculture.

The Group has representation in several authoritative bodies as mentioned:

Committee Membership in the Ceylon Chamber of Commerce
Presidency of the Sri Lanka-France Business Council
Council Membership in the Employers' Federation of Ceylon
Chairmanship of the Planters' Association of Ceylon
Directorship in the Sri Lanka Tea Board
Directorship in the Rubber Research Board
Chairmanship of (SLACA) Sri Lanka Airline Cargo Association
Chairmanship of (SLAAR) Sri Lanka Association of
Air Line Representatives
Vice Chairmanship of (SLFFA) Sri Lanka Freight Forwarders' Association
Directorship of (SLPMCS) Sri Lanka Port Management and
Consultancy Services Limited
Executive Committee Membership of (CASA) Ceylon
Association of Ship Agents

To cite a few examples from the Group our subsidiaries HJS Condiments and TTE which are Hazards Analysis & Critical Control Points (HACCP) certified adhere to stringent procedures regards provision of product information.

Some examples of Product & Service labelling information in the Group include:

HJS Condiments:

- Net content
- Lot identification
- Production and storage information
- Best before date of shelf-life period.
- Instructions for use
- Nutritional value
- Energy value

TTE:

ISO standards for tea, Lion logo to indicate Pure Ceylon tea, Voluntary HACCP, ISO 22000, TASL-SGS.

Advantis:

Customers and users rights/ liabilities in transportation documents such as Bills of Lading, Waybills (Air and Sea), Goods Received Notes and Combined Transportation Documents as governed by international convention for transport intermediaries.

Hayleys Agro:

Poison warnings on pesticides, safe storage instructions on pesticides and fertilizer, safe application procedures on veterinary products and pesticides, antidotes in case of contamination/ consumption, poison centre contact information.

Environmental Performance

“To give as much to the world as we take out of it”

This was the Environmental Policy Statement Hayleys made the basis for an overarching approach for all its businesses. Our Environmental Policy is two-pronged - on the one hand we recognise the impacts our businesses have on the environment and concerted seek to mitigate them; on the other we proactively manufacture and provide products and services that help others do the same on a larger platform.

From this statement came specific objectives the Group set out to achieve:

- Go beyond compliance and deal with environmental issues at source or as close to it as possible.
- Design and develop products with minimum environmental impact in manufacture, use and disposal.
- Optimise usage of energy and recycle where possible.
- Cascade environmental best practices to employees through training, education and development.
- Promote care for the environment and raise standards through lobbying and interaction with industry bodies, regulators and associates.
- Remain responsive to emerging issues, new knowledge and public concerns.

This Policy Statement and set of objectives underpin 'Hayleys' approach to Environmental issues.

A Key Environmental Concern

The emerging problem in regard to water resources and climate change in Sri Lanka has become a very pressing reality.

Agriculturally based as we still are as a nation, the importance of water cannot be over stated in the country's agricultural, industrial and hydro power sectors. These are sectors in which Hayleys has active business involvement. In this we see a compelling rationale for supporting the principles of the United Nations Global Compact's (UNGC's) CEO Water Mandate (see separate story).

As is stated elsewhere in this report, Hayleys PLC is a member of the UNGC, which seeks to promote responsible corporate citizenship so business can become part of the solution to the challenges of globalisation.

It is relevant here to examine the Group's initiatives vis-à-vis three key principles of the UNGC.

UNGC Principle No. 7 advocates support for a precautionary approach to environmental challenges.

Hayleys' large manufacturing facilities are significant users of water. The Group consumes nearly 8,400 cubic metres of water per day. All users of large quantities of water within the Group are ISO 14000 accredited and continuously seek to reduce the impact of water use and/or contamination of this resource, often going beyond the regulatory requirements stipulated by environmental authorities.

Hayleys manages nearly 20,000 hectares of Tea, Rubber and Forest lands in the country. We deploy a number of sustainable agricultural practices across our plantations, which honour the spirit and meet the letter of what is required from us under Principle 7.

Plantation companies follow a comprehensive agricultural policy that helps minimise adverse effects on soil fertility, water, atmosphere/air quality and bio diversity. Thus, it is common to find scientific agricultural practices such as contour drainage systems, adoption of Sloping Agriculture Land Technology (SALT), planting of shade and green manure belts, live and stone terracing, recycling green manure and tea prunings back into the soil to provide Nitrogen and other measures, practised on any Hayleys plantation.

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Environmental Performance

The Group's rubber plantations have been certified to be well managed forests, by the Forest Stewardship Council of the UK.

UNGC Principle No. 8 calls for initiatives for greater environmental responsibility.

As a leading supplier of crop protection chemicals and fertilizers, reaching both the organized plantation sector and one in four rural farmers, it is incumbent on the Group that we impart training on the correct and safe usage of these products. This we do. We also advise farmers on measures to prevent excess water extraction and contamination of water sources.

On the Group's plantations, effluent treatment plants are set up on rubber estates and a systematic and sustainable programme is underway to incorporate compost and organic matter to maintain prescribed carbon levels, organic activity and healthy microbial levels.

On our tea plantations, Tea Research Institute parameters are strictly complied with on use of chemicals, pesticides and weedicides.

Our manufacturing operations and plantations have for years moved to rely less on national grid supplied electricity and fossil fuel based energy and more on alternate sources instead. A great deal has been done to use waste heat recovered from manufacturing processes, to use biomass as fuel and to use mini hydro energy generated on location.

UNGC Principle No. 9 advocates development and diffusion of environmentally friendly technologies.

Hayleys is a pioneer manufacturer of coconut shell derived activated carbon. Our product begins life from a 'green' renewable platform due to its derivation from natural sources. It is a premium grade product, used extensively in water and air purification.

The Group has also developed and produced geotextile blankets made from woven, bio-degradable coconut fibres, which are used for soil stabilization and erosion control. Coconut fibre slabs are used as 'floating islands' from which water plants are induced to extract nitrates and other contaminants from water bodies.

We also develop mini hydro electricity projects which enable our own operations and others to reduce their

reliance on grid supplied electricity or replace it altogether.

We believe these activities are very well aligned to the focus areas of the UNGC's CEO Water Mandate. It is particularly relevant in the Mandate's areas of Direct Operations, Supply Chain and Watershed Management.

Some Sectoral Contributions

The 'Green' Approach to Purity

Puritas a subsidiary of Haycarb PLC is an environmental engineering company that provides turnkey solutions for purification of raw water and treatment of liquid effluents, sewage and polluted air.

It also provides engineering services for the generation of thermal and electrical energy, using biomass as an alternative to fossil fuel. Puritas manufactures and markets many value-added activated carbon-based products such as face masks and odour removers.



Rainwater Harvesting

Environmental Performance

The plants designed and constructed by Puritas for water, sewage and industrial effluent treatment in hotels, factories, hospitals and commercial establishments are in full operation and the treated effluent is well within the standards laid down by the Central Environmental Authority (CEA). In some instances, treated water is recycled for irrigation and process use.

Puritas also functions as a turnkey contractor for Dendro Power Plants and actively promotes conversion from fossil fuels to the environmentally friendly 'Dendro' option.

Its expertise has been sought by an overseas client to design, install and commission a sewage treatment plant for a resort in the Maldives Islands.

Water - Harvested and Protected

Quality Seed Company (QSC) functions within our Agri Products Sector and is engaged in producing hybrid flower seeds.

Whilst setting about its business QSC began to make significant contributions to environmental best practice in two main areas - energy saving and pollution reduction.

As one of its energy saving initiatives it constructed rain water harvesting tanks with a distribution network for part fulfilment of project water requirements. The capacity of the tank network is 5.5 million litres. Water from these tanks is distributed by siphoning, which eliminates the need for electricity and attendant maintenance costs.

In reducing pollution, QSC collects and forwards for recycling all polythene arriving at the project. Thus it is also polythene free.

Soil erosion is minimized through rain water harvesting tanks built in proximity to several green houses. The system is also integrated into the drainage system, along with silt traps, and this minimizes soil erosion from the project premises.

QSC encourages the breeding of fresh water fish in water collection areas as they control mosquito larvae and prevent mosquito breeding. This is supported by concerted efforts to eliminate mosquito breeding sites around the project and thus prevent the spread of diseases like dengue. For the future, QSC wants to utilize their rain water harvesting tanks to

breed endemic species of fish facing extinction, thus contributing to conserving and protecting such species of fish.

Our Resorts - A Gentle Footfall Amidst Thriving Bio-Diversity

Our Resorts Sector consists of several blue-chip Jetwing hotels situated in some of Sri Lanka's most vibrant and exotic locations. Jetwing has its own environmental policy, which is largely synchronous with Hayleys' own.

We present the experiences of three Jetwings resorts in the context of good environmental habits and processes.

Hunas Falls, Elkaduwa, in close proximity to the hill capital of Kandy, is renowned for its lush surroundings.

The Hotel has a butterfly and dragonfly park within its environs, where nectar and larval host plants are grown. One can presently observe about 30 species of butterfly and 25 species of dragonfly at this location.

Hunas Falls is also a haven for birds. 127 species of bird have been spotted and recorded at the location of which 13 are endemic to Sri Lanka. The Hotel has designed special trails to heighten the viewing experience with minimal disruption to bird life.

Also on the cards is a wetland to attract water birds - this is planned for 2008/09.

Total water withdrawal by source	8,400 m ³ per day
Water sources significantly affected by withdrawal of water	Ground and inland water bodies
Percentage and total volume of water recycled and reused for the year	7.2%
Total water discharge	7,400 m ³ per day

SUSTAINABILITY REPORT

Environmental Performance

Hunas Falls is also blessed with lush flora - about 130 indigenous and 90 horticultural species grow in abundance here. There is active reforestation, undertaken by the Hotel using indigenous tree species.

The Hotel has the services of two resident naturalists who interact with guests and staff and promote knowledge, understanding and appreciation of the wealth of nature abounding round the property.

The naturalists visit schools and give freely of their time and knowledge via environmental awareness programmes.

Vil Uyana - from inception this property was built upon a strong appreciation of nature conservation and environment protection.

Whilst in construction, assessments were made as to the richness of bio-diversity of the location. After habitat creation and enrichment, a follow up assessment showed species diversity had actually increased.

Detailed records are maintained by the resort on factors such as seasonal abundance and species variation.

This resort too has the services of a resident naturalist. A special 'wildlife board' is situated at the reception area where guests can record their own sightings. Hotel staff members are trained to identify many species of fauna and most of them can help a guest out on this.

Vil Uyana, like the other Jetwing resorts, supports conservation by providing board and lodging for researchers, students and academics.

The difference is that unlike other hotels, Vil Uyana has dedicated facilities for such visits and these are not dependent on low occupancy.

Biodiversity Facts (species diversity)

Hotel	Fish	Mammals	Birds	Reptiles	Dragonflies	Butterflies	Amphibians	Plants
Jetwing Lighthouse	N/A	9	37	17	13	15	5	40
Jetwing Beach	N/A	4	23	7	7	9	3	44
Jetwing Hunas Falls	5	18	127	15	25	61	8	132
Jetwing Vil Uyana	27	14	112	N/A	N/A	48	N/A	N/A
Jetwing Tropical Villas	N/A	3	45	9	6	16	2	30

N/A: Not Available



Land owned in areas of high biodiversity value

Hanford Estate	45 hectares
Kiruwanaganga Estate	7 hectares
Moragolla Estate	100 acres
Great Western Estate	5 hectares
Radella Estate	10 hectares
Kivul Kela in Deniyaya	30 hectares
KVPL PLC estates	1,110 hectares
Hunas Falls Hotel PLC	8 hectares
The Royal Heritage Hotel (Pvt) Ltd. (Vil uyana)	10.2 hectares

Environmental Performance

Greening the Black

Recogen is a subsidiary of Haycarb PLC, engaged in producing coconut shell charcoal which is then used in the manufacture of activated carbon.

It has replaced traditional charcoaling with a new process, rendering obsolete the original, environmentally unfriendly pit charcoaling model.

Today Recogen abates 890 MT of Methane per annum, from a total of 2,000 MT, which would otherwise have been released into the atmosphere.

Energy Saving Initiatives

Talawakelle Tea Estates (TTE PLC):

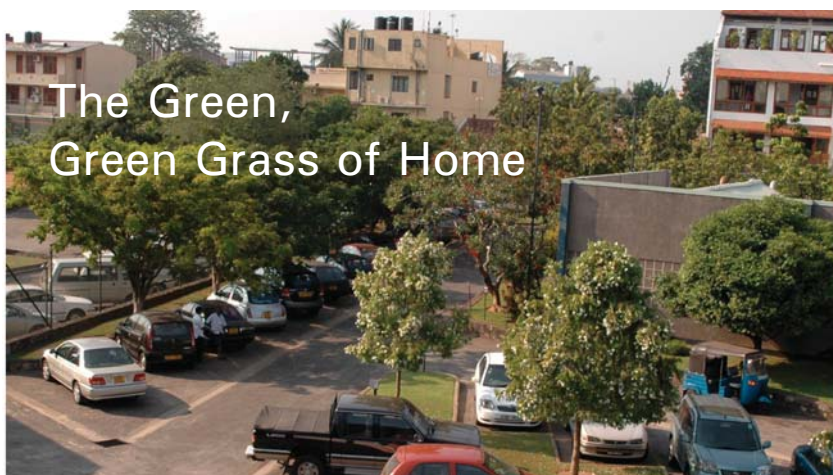
- Replacement of 1.6 mn litres diesel per annum with renewable energy (Eucalyptus) for processing of tea.
- Upgrading of electrical systems for more efficient use of energy in tea factories.

HJS Condiments:

- Installation of gassifiers powered by locally grown Gliricidia generates steam that replace furnace oil. Use of 1,000 litres of furnace oil is replaced by 5,000 kg of Gliricidia wood at the HJS Condiments factory.

Kelani Valley Plantations (KVPL):

- Trough - switching to energy saving fans saves 828,000 kWh
- Conversion of boilers from liquid fuel to firewood saves 1,150,538 litres of liquid fuel.
- Additional power generation from hydropower saves 175,000 kWh



Our account has taken us across the Group; across a diversity of terrains and endeavours. Now we will return to Hayleys PLC's Head Office.

The Group is proud of its home premises. Its surroundings are among the greenest in a commercial location in Sri Lanka. The planning and nurturing that has gone into the end product that we and visitors to our office see today has been extensive. It has been a labour of love and skill and dedication.

Hayleys has an abundance of trees and other flora, all meticulously identified and labelled.

You will find more than 100 species of tree including rare varieties of herbal, forest and fruit trees. The turfed area also has a variety of grasses.

SUSTAINABILITY REPORT

Environmental Performance

Material Consumption in year 2007/08

Raw Materials

Materials	Qty.	Unit
Coconut shells	13	MN KG
Coconut Shell Charcoal	24	MN KG
Latex	7.6	MN KG
Green leaf	53	MN KG

Associated Process Materials

(Statistics are only of a same Company within the Agro & Textiles sector)

Materials	Qty.	Unit
Chemicals	6,377	Litres
Dolomite	811.2	MT
Coconut fibre dust	2,119	Cu m

Cost of yarn consumed	USD 27,349,856
Cost of dyes & chemicals consumed	USD 6,173,598

Direct energy by primary source

Haycarb	Furnace oil	700	'000 Gallons
DPL	Electricity from national grid	11.4	KWh (MN)
KVPL	- do -	7.9	KWh (MN)
TTE PLC	- do -	6.4	KWh (MN)
Haycarb	- do -	6.0	KWh (MN)
Head office complex	- do -	2.6	KWh (MN)
Haycarb	Gliricidia	354	MT

Intermediate energy consumption

Haycarb	1	KWh (MN)
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Environmental Performance



The CEO Water Mandate

Hayleys and the CEO Water Mandate

Hayleys PLC became one of the first ten signatories worldwide to the CEO Water Mandate of the United Nations Global Compact (UNGC), and the only Sri Lankan entity to endorse this strategic framework to make water sustainability a corporate priority. Hayleys has the distinction of being appointed to the Global Steering Committee for the Mandate.

As one of the founder signatories, with many large manufacturing facilities collectively consuming around 8,400 cubic metres of water per day, our Group will be expected to give leadership to efforts to secure Sri Lankan corporate sector commitment to make water resources management a priority.

The structure of the CEO Water Mandate covers six key areas - Direct Operations, Supply Chain and Watershed Management, Collective Action, Public Policy, Community Engagement and Transparency.

In a presentation made in New York on behalf of the Chairman by Mr Arjun Senaratna, Director, the point was made that sustainable use of water was not a new concept for Sri Lanka and that the world could well draw inspiration from and follow the examples and practices of smaller countries.

Water has played an unparalleled role in Sri Lanka's history, over the course of 2,500 years. The Sri Lankan Kings of yore were not so much palace builders as skilled hydro engineers. The unparalleled and amazing 'hydraulic civilization' that existed in Sri Lanka, remnants of which works are to be found in the country even today was a

wonderful support system for the thriving agricultural base Sri Lanka, as the Granary of the East, was in those days.

The presentation acknowledged the emerging problem of water and climate change in Sri Lanka as a very pressing reality. The importance of water to the country's Agricultural, Industrial and Hydro Power bases, in which Hayleys is substantially involved, was a compelling rationale for the Group's support of this Mandate.

In testimony to the seriousness with which the world views this issue, the audience in New York included fellow Mandate signatories, the Coca Cola Co., Levi Strauss & Co. Nestle SA, SABMiller, SUEZ Environment, Hindustan Construction Co. Ltd., SunOpta Inc, Diageo plc, Westpac Banking Corporation and PepsiCo Inc. Representatives from the UNDP, UNICEF, UNESCO, WWF and the World Economic Forum were also present.

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* N/A- Not Applicable

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UNGC Principles - GRI Indicators Cross Reference

Issue Areas	GC Principles	Relevant GRI Indicators
Human Rights	Principle 1	
	Businesses should support and respect the protection of internationally proclaimed human rights	LA4, LA9, LA13, HR4, HR5, HR6, SO5
	Principle 2	
	Businesses should make sure that they are not complicit in human rights abuses	HR4, HR5, HR6, SO5
Labour	Principle 3	
	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining	LA4, LA5, HR5, SO5
	Principle 4	
	Businesses should uphold the elimination of all forms of forced and compulsory labor	SO5, HR7
	Principle 5	
	Businesses should uphold the effective abolition of child labour	HR6, SO5
Environment	Principle 6	
	Businesses should uphold the elimination of discrimination in respect of employment and occupation	LA2, LA13, HR4, SO5
	Principle 7	
	Businesses should support a precautionary approach to environmental challenges	EN26, SO5
	Principle 8	
	Businesses should undertake initiatives to promote greater environmental responsibility	EN1, EN3, EN4, EN5, EN6, EN8, EN10, EN11, EN21, EN26, EN28, SO5, PR3
Anti-Corruption	Principle 9	
	Businesses should encourage the development and diffusion of environmentally friendly technologies	EN5, EN6, EN10, EN26, SO5
	Principle 10	
	Businesses should work against corruption in all its forms, including extortion and bribery	SO4, SO5, SO6

		2002 In Accordance	C	C+	B	B+	A	A+
Mandatory	Self Declared							
	Third Party Checked							
	GRI Checked							
Optional				Report Externally Assured		Report Externally Assured		Report Externally Assured