

SUSTAINABILITY REPORT

KEY IMPACTS, RISKS AND OPPORTUNITIES

ECONOMIC IMPACT

In 2008/09, the economy recorded growth of 6%. This statistic belies the difficulties that dogged commercial enterprise during this period.

For most of 2008, the country was beset by high energy costs, whilst inflation and interest rates were high. The exchange rate policy followed meant the Sri Lankan Rupee was overvalued.

The effects of global recession, began to be felt well before the year-end.

Reversals of capital flows from overseas caused an outflow of foreign capital, leading to a run on Sri Lanka's external official reserves. By end 2008, the country's reserves had depleted by approximately 50%.

Growth of the economy was driven by the Services sector (57%), the Industry sector (28%) and the Agricultural sector (15%).

However, in comparison with the previous year, growth in the Industry and Services sectors decelerated to 5.9% and 5.6% respectively from last year's high of 7%.

The Agricultural sector on the other hand grew by 7.5%, benefiting from favourable weather, the renewed plus the emphasis on agriculture and the reawakening of opportunity with peace gradually returning to the Eastern Province.

SOCIAL IMPACT

The scope and size of Hayleys places us amidst diverse communities both in Sri Lanka and overseas.

The fundamental principles that we espouse in determining Hayleys' role in society requires that we play a significant role in uplifting and improving the lives of people through our enterprise.

We are guided by the principles of the United Nations Global Compact (UNGC). The UNGC seeks to promote responsible corporate citizenship to surmount the challenges posed by globalisation.

The UNGC's principles provide focus to Hayleys in its social engagement and the reporting of these initiatives.

An account of our interaction with society appears in the section titled 'Social Performance'.

ENVIRONMENTAL IMPACT

The impacts of our business activities on the environment are as varied as our portfolio.

Within our segment 'Environmental Performance', we present a full account of the risks we recognise and the impacts our enterprise can and does have on the environment and the mitigatory steps we have taken.

SUSTAINABILITY REPORT

AWARDS AND ACCREDITATIONS

Institute of Chartered Accountants' Annual Report Awards 2008

Hayleys PLC

- Joint Overall Winner
- Sector Winner - Diversified Holdings - Groups above 5 Subsidiaries Category
- Joint First Runner-up for Management Commentary

Hayleys Advantis Ltd.

- Second Runner-up in the Sector (Services)

SAFA Awards 2008

Hayleys PLC

- Silver Award - Hospitality, Health, Transport, Shipping and Services Category

National Agri Biz Awards 2008, presented by the National Agri-business Council

- Gold Award - Large Scale Category - Hayleys Agro Products Ltd. for Agrochemicals and Fertilizers
- Gold Award - Large Scale Category - in Livestock and Veterinary Supplies - HAPL
- Gold Award for Marketing (Large Category) - HJS Condiments Ltd.
- Silver award - Large scale category for Extension Services - HAPL
- Bronze Award - (Large Scale Category for Farm Machinery, Equipment and Tools) - HAPL
- Bronze Award for Services Medium Category - HAPL

National Business Excellence Awards 2008, conducted by the National Chamber of Commerce

- Gold Award - Agriculture and Plantations Sector Kelani Valley Plantations PLC
- Silver Award - Food & Beverage Sector - HJS Condiments Ltd.
- Silver Award - Trading Sector Category - HJS Condiments Ltd.

National Chamber of Exporters - NEC Export Award for 2007 Awarded in 2008

- Gold Award - Agriculture Sector, Value added Extra Large Category - HJS Condiments Ltd.
- Gold Award - Service Providers to Exporters Extra Large Sector - Kelani Valley Plantations PLC

National Productivity Awards, awarded by National Productivity Secretariat

- Merit Award, Kiruwananganga Estate of TTE PLC

Presidential Export Awards 2006 (held in 2008)

- Gold Award - Non-Traditional Products and services in the Coconut and Coconut Product Category - Ravi Industries Ltd.
- Merit Award - HJS Condiments Ltd.
- Merit Certificate for Non-Traditional Products and Services - Superfelt Ltd.

National Safety Award 2008

- Merit Award for the Safest Work Place (Sectoral Category) - HJS Condiments Ltd.

Industrial Safety Awards - Department of Labour

- Merit Award - TTE's Kiruwananganga Estate

The Institute of Chartered Shipbrokers Sri Lanka

- Best Customer Service Award for Europe and North American Trade - Hayleys Advantis Ltd. (For 7th Consecutive Year)

Annual Sri Lanka- Malaysia Business Awards Organised by the Sri Lanka-Malaysia Business Council

- Bronze Award for Transport Category - Hayleys Advantis Ltd.

Outstanding Achievements in Electrical and Thermal Energy Savings presented by Ceylon Petroleum Corporation

- Merit Award - HJS Condiments Ltd.

Corporate Accountability Rating by LMD - Inaugural Rating held in January 2009

- Bronze Award - Hayleys Advantis Ltd.

Presidential Recognition via Ministry of Agriculture

- For obtaining HACCP, ISO 22000:2005, TASL-SGS Certification in all 13 Black Tea Factories - Kelani Valley Plantations PLC

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- ISO 14001: Environment Management Systems - 8 companies
 - Forest Stewardship Council (FSC) Certification - 4 companies
 - ISO 9001:2000 (Quality Assurance Systems) - 21 companies updated their Quality Assurance Systems from ISO 9001:1994
 - ISO 22000:2005 certification - 3 companies
 - ISO 13485:2003 (for Medical Products Suppliers) - DPL Thailand
 - BRC (British Retail Consortium) Global Standards Certification for Consumer Products from European Food Safety Inspection Service (EFSIS) UK
 - SGS-TASL Product Certification - Kelani Valley Plantations PLC
 - Hazards Analysis & Critical Control Points (HACCP) certification - 3 companies
 - SA 8000 - Social Accountability International (SAI) - Hayleys MGT Knitting Mills PLC is Sri Lanka's first fabric manufacturer to be thus certified
 - OH-SAS 18000:2007 - 1 Company

SUSTAINABILITY REPORT

REPORT PARAMETERS

THE SCOPE AND BOUNDARY OF THIS REPORT

This Sustainability Report, which is our second, has been compiled with data and performance indicators for the period 1st April, 2008 to 31st March, 2009, 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.

Due to the diversified nature of our business, some data presented may not cover the entire Group. In ensuing years, we will strive to improve our reporting to more fully encompass the provisions stipulated by the GRI. Where required, data measurement techniques have been described.

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 the businesses within the Hayleys Group. Our businesses/ units proactively engage with the respective stakeholders who have a major interest or are substantially affected by the performance of these businesses.

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, 2009. 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 - Messrs 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.

SUSTAINABILITY REPORT

REPORT PARAMETERS

Sector	Name of Company	Nature of Business
GLOBAL MARKETS & MANUFACTURING		
Fibre 	Chas P. Hayley & Company (Pvt) 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 brushware
	Hayleys Exports PLC	Value added coir based products
	Lignocell (Pvt) Ltd.	Coir fibre pith
	O E Techniques Ltd.	Essential oil
	Rileys (Pvt) Ltd.	Cleaning devices
	Haymat (Pvt) Ltd.	Coir fibre mats
	Toyo Cushion Lanka (Pvt) Ltd.	Needled and rubberised coir products
	Superfelt (Pvt) Ltd.	Needled and thermo bonded felt pads
	Creative Polymats (Pvt) Ltd.	Moulded rubber products
	PT Tulus Lanka	Coir, coir fibre, pith & related products
	Tianjing Shanglon Mattress Co. Ltd.	Rubberised coir
Hand Protection 	Dipped Products Group	General purpose and speciality rubber gloves
Purification Products 	Haycarb Group	Activated Carbon

SUSTAINABILITY REPORT

REPORT PARAMETERS

Sector	Name of Company	Nature of Business
GLOBAL MARKETS & MANUFACTURING		
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 (Pvt) Ltd.	Planting material
	Haychem (Pvt) Ltd.	Crop protection, household and public health chemicals
	Hayleys Agro Biotech (Pvt) Ltd.	Phyto chemicals & horticultural tissue culture products
	Agro Technica Ltd.	Agricultural machinery and equipment
	Haychem (Bangladesh) Ltd.	Crop protection chemicals
Agri Products 	Quality Seed Company Ltd.	Hybrid flower seeds
	Sunfrost (Pvt) Ltd.	Fresh/processed vegetables
	HJS Condiments Ltd.	Retail-packed, processed vegetables
Plantations 	DPL Plantations (Pvt) Ltd.	Plantation management
	Kelani Valley Plantations PLC	Processed tea and rubber
	Hayleys Plantation Services (Pvt) Ltd.	Plantation management
	Talawakelle Tea Estates PLC	Processed black tea

SUSTAINABILITY REPORT

REPORT PARAMETERS

Sector	Name of Company	Nature of Business
TRANSPORTATION & INFRASTRUCTURE		
Industry Inputs 	Hayleys Industrial Solutions (Pvt) Ltd.	Engineering and projects, power generation, pigments and industrial raw material
	Haycolour (Pvt) Ltd.	Textile dyestuff and binders
	Hayleys Lifesciences Ltd.	Supplying health care equipments
Power & Energy 	Recogen (Pvt) Ltd.	Charcoal and power generation
	Bhagya Hydro (Pvt) Ltd.	Hydro power
	Neluwa Cascade Hydro Power (Pvt) Ltd.	Hydro power
	TTEL Hydro Power Company (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
Transportation 	Biofuels D Z (Pvt) Ltd.	Bio fuels
	Hayleys Advantis Group	Travel, ticketing, shipping, airline agencies/freight forwarding and warehousing/ocean container repairing and container yard operations
CONSUMER & LEISURE		
Consumer 	Hayleys Consumer Products Ltd.	Lighting, photo imaging, healthcare
	Hayleys Consumer Marketing (Pvt) Ltd.	FMCG
	Hayleys Electronics Group	Consumer durables
	Hayleys Electronics Lighting (Pvt) Ltd.	Lighting products

SUSTAINABILITY REPORT

REPORT PARAMETERS

Sector	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 & Services 	Hayleys Group Services (Pvt) Ltd.	Secretarial services
	Dean Foster (Pvt) Ltd.	Investment
	Volanka (Pvt) Ltd.	Investment
	Volanka Insurance Services (Pvt) Ltd.	Insurance broking

SUSTAINABILITY REPORT

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
- Monthly meetings of Clusters
- 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
- Participation at International Trade Fairs, with a view to expanding network of business partners and reach of product distribution.

SUSTAINABILITY REPORT

ECONOMIC PERFORMANCE

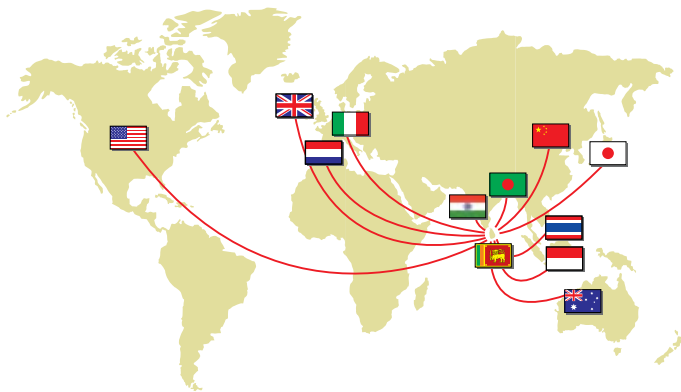
Group turnover grew by nearly 5% despite the year 2008/09 being one of the most challenging years for Hayleys in the recent time. Group's heavy exposure to manufacturing and to international trade posed greater challenges for the Group in the year concluded. Increases in cost of production as a result of high energy and other input costs, high levels of domestic bank lending rates, stronger Rupee against the Dollar and lately the global economic slowdown created a rather hostile economic condition for the Group. Operating profit before net finance cost from continuing operations for 2008/09 stands at Rs. 2.5 bn.

Performance of the Hand Protection, Purification and Agri Input sectors of the Group were very heartening in this difficult year.

Despite the challenges and the financial performance achieved, the Group proposes a dividend of Rs. 3 per share (2007/08 - Rs. 3 per share), reflecting the Group's continuous commitment to deliver reasonable returns to shareholders even at times of difficulties.

The Group continues to focus on bringing up internal efficiencies to work processes and rationalising its investments where possible, to counter the challenges it faces.

Our Global Presence



SUSTAINABILITY REPORT

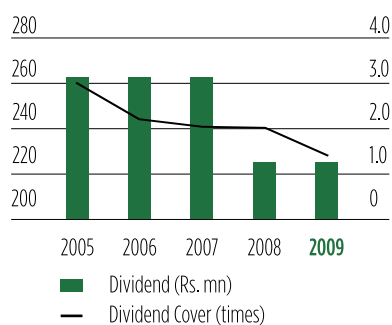
ECONOMIC PERFORMANCE

GROUP VALUE ADDITION

	2008/09		2007/08	
	Rs. mn		Rs. mn	
Turnover	32,443		31,327	
Other Income	-		-	
	32,443		31,327	
Cost of Materials and Services bought in	(23,288)		(22,861)	
	9,155		8,466	
	Share %		Share %	
To Employees as Remuneration	58	5,302	57	4,812
To Government Revenue	14	1,201	11	944
of Sri Lanka		1,061		848
Overseas		140		96
To Shareholders as Dividends	2	225	3	225
To Lenders of Capital	18	1,658	21	1,796
Interest on Borrowings		1,166		1,159
Minority Interest		492		637
Retained in the Business	8	769	8	722
Depreciation		799		838
Profit Retained		(30)		(116)
	100	9,155	100	8,499

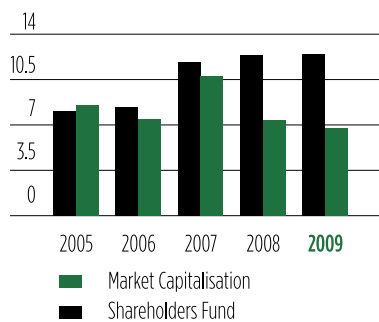
DIVIDEND Vs DIVIDEND COVER

Rs. (mn)



SHAREHOLDERS' FUNDS Vs MARKET CAPITALISATION

Rs. (bn)



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
2009				75,000	Rs. 3.00 p.s.	225,000
Total			75,000	75,000		2,504,083

SUSTAINABILITY REPORT

ECONOMIC PERFORMANCE

STOCK EXCHANGE

The Audited Company and Consolidated Income Statements for the year ended 31st March, 2009 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:

	2009 Rs.	2008 Rs.	2007 Rs.
Highest	150.00 (on 28th July, 2008)	156.50 (on 19th April, 2007)	165.00 (on 13th February, 2007)
Lowest	85.00 (on 11th March, 2009)	95.00 (on 23rd January, 2008)	85.00 (on 20th June, 2006)
Year End	90.00	97.75	142.00

DIVIDEND PAYMENTS

Interim dividend - Rs. 1.50 per share (free of tax) paid on 21st May, 2009 (2007/08 - Rs. 1.50 per share). Proposed final dividend Rs. 1.50 per share to be declared on 29th June, 2009 and payable on 7th July, 2009 (2007/08 - Rs. 1.50 per share).

SHARE TRADING

	2009	2008	2007
No. of transactions	3,242	1,532	4,854
No. of shares traded	18,624,352	3,452,500	11,364,400
Value of shares traded (Rs.)	2,432,610,266	414,535,025	1,482,144,725

COMPOSITION OF THE 3,805 SHAREHOLDERS AS AT 31ST MARCH, 2009 (2008 - 4,102)

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	2,728	600,196	0.8	26	6,614	0.0	2,754	606,810	0.8
1,001 - 5,000	583	1,333,263	1.8	13	29,810	0.0	596	1,363,073	1.8
5,001 - 10,000	143	1,050,356	1.4	18	134,197	0.2	161	1,184,553	1.6
10,001 - 50,000	176	3,899,318	5.2	19	416,518	0.6	195	4,315,836	5.8
50,001 - 100,000	35	2,516,799	3.4	5	285,832	0.4	40	2,802,631	3.7
100,001 - 500,000	35	7,711,210	10.3	6	1,319,461	1.8	41	9,030,671	12.0
500,001 - 1,000,000	5	3,586,574	4.8	1	568,197	0.8	6	4,154,771	5.5
Over 1,000,000	11	49,290,536	65.7	1	2,251,119	3.0	12	51,541,655	68.7
	3,716	69,988,252	93.3	89	5,011,748	6.7	3,805	75,000,000	100.0

Of the issued ordinary share capital, 93.3% is held by residents of Sri Lanka.

Categories of shareholders	31.03.2009			31.03.2008		
	No. of Share' holders	No. of shares	%	No. of Share holders	No. of shares	%
Individuals	3,496	46,248,076	61.7	3,741	32,049,685	42.7
Institutions	309	28,751,924	38.3	361	42,950,315	57.3
	3,805	75,000,000	100.0	4,102	75,000,000	100.0

SUSTAINABILITY REPORT

SOCIAL PERFORMANCE

HR 4 & 5

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

“We are committed to the development and well-being of the milieu within which we operate. Thus empowerment and enrichment of the lives of all our stakeholders, accomplished whilst upholding rights and espousing sound ethics, lie at the heart of the Group”

LA 14

There is no disparity in the ratio of basic salary of men to women by employee category in Group companies.

HUMAN RESOURCE AND LABOUR

Our Approach

Hayleys PLC is an equal opportunity employer. We practice the policy of non-discrimination across every aspect of life in the Group.

We recognise and respect our employees' right to collective bargaining and encourage free and frank dialogue across all grades. Companies within the Hayleys Group maintain cordial relations with Trade Unions.

Hayleys offers pay and benefits that are fair and competitive and all our operations pay above the minimum wage.

Our infrastructure, plant and equipment are set within an environment that promotes and protects the health and safety of all our workers.

Helping every individual who works for us reach their full potential is a value we cherish. The Company's personal development strategies are thus an important component of corporate strategy.

Transparency and fair play form a firm base in all our dealings – be they with our employees, principals, customers, dealers, business rivals or the community at large.

The Group is also guided by UNGC Principles as is explained under the segment on Human Rights which appear on pages 94 & 96 of the report.

Human Resources – A Core Strength

The success with which the Company's business proceeds from drawing board to market, whilst achieving business objectives, is

largely dependent on the quality and strength of the people who work within it.

Thus we begin by recruiting the best. Hayleys then provides the environment and resources that enables every employee to advance on merit as far as their skills and talent will take them.

We pursue excellence in our enterprise and recognise this quality as being a necessity across all HR applications in the Company – from recruitment to reward, retention and advancement of the individual. Likewise, we seek this quality in their performance and reward outstanding achievement whilst encouraging those who strive but have yet to reach required standards.

The Company's Performance Management System has been developed to incorporate an enlightened approach to goal based performance appraisal across executive and management grades in the Company.

It features Group wide goal setting and cascading to those covered, an on-line monitoring system that is being implemented to display goal achievement and progress against set targets, the maintenance of a set of competencies that develop the capabilities of the Group and an uniform approach to appraisal of staff.

It is also a good medium in terms of employee information management.

The roll out of the new system began last year and currently, 80% of Group companies are on-line.

Succession Planning processes are also in place across the Group.

SUSTAINABILITY REPORT

SOCIAL PERFORMANCE

Manpower Strength	As at 31st March, 2009
Directors, Executives & Confidential Secretaries	1,897
Clerical, Supervisory & Minor Staff	2,438
Manual Grades	29,376
Total	33,711

Professional/Academic Qualifications of Executives	(No.)
Agriculture	195
Engineering	87
Accountancy	92
Marketing	57
Business Management	61
Information Technology	47
Law	4
Shipping	20
Degree - Science	139
Degree - Humanities	5
Master's in Business Administration	52
Others	114
Total	873

Gender Breakdown for Executive, Clerical & Manual Categories	
Female	56%
Male	44%
<i>(The above includes plantations and is not for the entire group. Statistics for most other Group companies are being compiled.)</i>	

LA 3

- Membership of HGRC
- Household items under easy payment schemes
- Loans & advance facilities

The Group's HR Division implements Corporate HR Policy across all sectors of the Group with the support of the HR Cluster. The cluster includes representatives from all sectors of the Group.

The key initiatives of the Group's HR Division focused on issues pertaining to the executive and management levels. They are:

- Improvement of Recruitment Processes.
- PMS related training initiatives at Hayleys MGT and HJS Condiments.

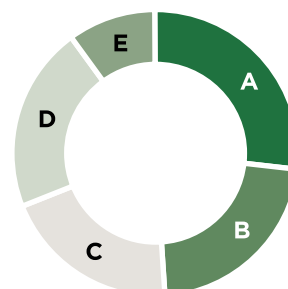
EN 28

No non-compliance with environmental laws and regulations during the last financial year and hence no fines were incurred by any of the Group Companies.

A notable feature was that Senior Management teams' views on the PMS at Hayleys PLC, Haycarb, Hayleys Consumer, Hayleys Agro, Hayleys Advantis and the Fibre Cluster were sought and feedback obtained. Suggestions for improvements which were thought to be required, were also obtained.

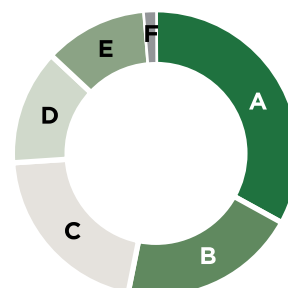
- Refresher training sessions were held at Advantis, Hayleys Agro and Hayleys Consumer where changes that were suggested

AGE ANALYSIS OF EXECUTIVES - 2009



A	<30	27%
B	30-35	22%
C	36-40	20%
D	41-50	21%
E	>50	10%

SERVICE ANALYSIS OF EXECUTIVES - 2009



A	<5	33%
B	5-10	20%
C	11-15	21%
D	16-20	13%
E	21-30	12%
F	>30	1%

and accepted at the performance reviews were implemented.

Dipped Products, Hayleys Agro, Hayleys Consumer, Advantis, HJS/Sunfrost are some of the sectors whose PMS went on-line during the year, whilst Hayleys PLC, Haycarb and Hayleys MGT are scheduled to go on-line by May 2009.

The Succession Planning Processes set in place within the Group during the year resulted in successors for the top 3 levels

SUSTAINABILITY REPORT

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of each sector being identified. Where it was not possible to identify an internal successor who could grow into a role within the short term, decisions were made to recruit successors externally as appropriate.

During the year in review, the Group launched Phase I of 'Hayllo' - its new Intranet linking all divisions and offices. This has been an invaluable tool for disseminating information on a real time basis and fostering dialogue across the Group. Phase II which will be launched next year, will bring us a step closer in our journey towards a paperless world.

EC 4

No financial assistance was received from the Government during the last financial year.

LA 8

- Dengue prevention programmes at factories
- Educational programmes on reproductive health & HIV prevention in conjunction with The Family Planning Association and the ILO
- Regular Educational programmes on different health topics and diseases

HAYSTORM - Sustaining a Learning Culture

Haystorm is an initiative that focuses on sustaining a learning orientation amongst the senior management of the Hayleys Group.

The original intention was to keep alive and cascade the learning content from leadership development programmes that our senior managers had been exposed to under the auspices of the Indian School of Business.

The objectives have been broadened from the original concept to include providing exposure to the senior management team of Hayleys in respect of new

Coverage of Defined Benefit Plan obligations: Year 2008/09 - Rs. 1.9 bn (Excluding Associate Companies, including Subsidiaries).

Plan details for companies excluding plantations exceed statutory requirements and are 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 pay retiring gratuities as required under the Payment of Gratuity Act No. 12 of 1983 and the Indian Repatriate Act No. 34 of 1978.

developments and emerging trends in global business, whilst building a cohesive team who meet and communicate freely and openly on matters relevant to the Group.

Proceedings take the form of a forum where participants are often addressed by eminent persons whose expertise and insights in their fields of specialisation are valuable.

The Hayleys Group Recreation Club (HGRC)

This is a pivotal body for employees where recreation, welfare, social service and many other aspects of work life, meet.

During the year under review, the HGRC continued to organise programmes for the benefit of our employees as well as social service programmes.

Captured in brief, some of the main employee-oriented activities were - the 'heARTS afire' Art Competition for employees and their children conducted at all locations of the Company, a Quiz Night, children's christmas party, Vesak Bakthi Gee Programme,

cricket, netball, basketball, carrom and draught tournaments and a swimming meet, as well as a Sports and Games day.

The HGRC is an informal but vital channel for staff motivation, which it fosters through its considerable calendar of activity.

HUMAN RIGHTS

Our Approach

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 solid framework provided by these principles has been espoused by Hayleys and incorporated in every facet of its activity.

Enshrining Human Rights in Our Ethos

Our interaction and engagement with people across the spectrum is characterised by respect, accommodation and fairness.

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Firstlight... the Dawn of New Prosperity

'Firstlight - Tap Into Potential - A Path to Sustainability' - a statement that encapsulates what our subsidiary Dipped Products PLC is trying to achieve for 3,000 smallholder rubber farmers around the country.

DPL counts a relationship spanning 30 years with many of these farmers, who supply 70% of the Company's requirements of latex.

'Firstlight' seeks to help smallholder rubber farmers realize their potential, offer them fair prices for field latex, educate and empower them and provide other inputs to help them develop their business.

The ethically sourced natural rubber latex that comes to us through the 'Firstlight' project takes an innovative turn in the hands of DPL. For every pair of natural rubber gloves, sold with the 'Firstlight' logo on the packing, US\$ 0.005 is set aside to sustain the projects undertaken on behalf of the farmer.

DPL's gloves have found their way onto supermarket shelves in the UK. Under the brand Traidcraft, which is UK's leading fair trade organization, the packaging carries the legend 'I'm washing Unfair Trade Away'.

The world is increasingly demanding to know how ethically products are manufactured and marketed. Personal values rather than typical demographic segmentation such as age, gender or income distinguish FairTrade's customer base. Here is an interesting statistic from the UK - leading supermarkets now stock fair trade and ethical products and the UK market for fair trade and ethical products and services stands at an estimated £ 32 bn.

Hayleys has never been in doubt about the benefits of 'Firstlight'.



Drinking Water facility for Karavila Sri Pemananda Maha Vidyalaya in Moneragala



SUSTAINABILITY REPORT

SOCIAL PERFORMANCE

From recruitment policies, working conditions and work culture where our employees are concerned, to the manner in which we engage and interact with stakeholders, respect for rights influences our behaviour.

As a responsible employer, we find the concept of child labour totally abhorrent; there is no child

recruitment or employment of the under-aged within our Group.

We are in business for gain; gain achieved whilst upholding integrity and ethics. This is why Hayleys shuns the idea of 'greasing palms' - we have not indulged in such a practice in the past, even though this has resulted in our having to forego business, and we will not in the future either.

The UNGC Principles

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.

Environment

Principle 7 - Advocates support for a precautionary approach to environmental challenges.

Principle 8 - Calls for initiatives for greater environmental responsibility.

Principle 9 - Advocates development and diffusion of environmentally friendly technologies.

Anti-Corruption

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

SOCIETY

Our Approach

The Hayleys Group is a multi-national enterprise consisting of 140 companies representing a large and diverse business and product portfolio.

We operate in a multitude of locations amidst different communities, with whom we have forged strong ties over a 130-year history of enterprise and relationship.

Our approach to issues pertaining to the societies we operate within has been one of empowerment, in which Hayleys has sought to be a responsible and productive partner in the welfare of such communities.

The Group has a substantial catalogue of endeavours that run across a wide range of needs.

Hayleys in Society

The Group has an active and visible presence in the community. Beginning with our products and services that bring benefit and well being to people from all walks of life, through to staff and corporate driven initiatives that sustain the life of the community, Hayleys has a substantial body of work that stands testimony to our commitment to society.

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.

	Indirect Employees	Quantity	Value (Rs. mn)
Charcoal Purchases - SL	*200 Suppliers	16,436 MT	491
Charcoal Purchases - Overseas	*98 Suppliers	26,259 MT	490
Coconut Shell Suppliers	*40 Suppliers	14,025 MT	96
Rubber Small Holders	3,090	3.3 mn Dry Kgs	613
Tea Small Holders -	2,231	6,888 MT	323
Gherkins	6,000 farmers	6,900 MT	173
Fibre Subcontractors	6,000	5,286 MT	141.4
Fruit and Vegetable	290 farmers	1,300 MT	62
Seed Paddy	196 farmers	873 MT	36

* Denotes suppliers and not indirectly employed persons.

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Social activity at Hayleys covers a wide spectrum across an equally wide range of businesses.

The initiatives undertaken by our Plantations illustrate well the size, scope and depth of our commitment to the community.

Kelani Valley Plantations PLC runs the programme 'A Home for Every Plantation Worker'. It provides our estate community with housing, water, sanitation and other facilities that go towards building a home for the estate worker. During the year 114 new worker houses were constructed, and 752 existing units were re-roofed, whilst another 59 were rehabilitated. 788 toilets were constructed; 562 houses received electricity and 49 km of roads giving access to worker homes were rehabilitated.

Talawakelle Tea Estates PLC has its own initiatives such as the Child Development Centre (CDC) Programme and others that are geared to nurture and educate estate children. During the year 2 CDCs were set up with improved facilities for child learning and recreation. This is a 'first of its kind project in the plantations' with substantial assistance for the project coming from the MJF Charitable Foundation. For 2008, the Foundation has spent a sum of Rs. 10.5 mn on this initiative.

In the year under review, the community and the Group had the satisfaction of seeing 7 students from our estates enter Universities for higher education - a culmination of our joint efforts through out the lives of these children, to educate and uplift them towards a bright future.

Responding to IDP Needs... with Compassion and Speed

Hayleys Group in a speedy response to the humanitarian needs of thousands of Sri Lankans who fled the conflict zones in the North, launched its own relief effort on 25th April, 2009. The assistance was the result of a Group effort, which mobilised many of the Group's resources to make an effective response.

Recognising that speedy delivery is critical for an effective response, and as drinking water, sanitation and food were identified as the top priorities, the first consignment of assistance from Hayleys proceeded to Omanthai on 25th April accompanied by two of our managers. The consignment included:

- Infrastructure including two 20' water containers with two flexi tanks with a capacity of 48,000 litres capable of delivering 150,000 litres a day.
- Ten 2,000 litre drinking water storage tanks along with two water pumps.
- Items of food.

Donations to Manik Farm

The second co-ordinated relief effort was similar to that which Hayleys mounted in the aftermath of the tsunami in 2004. Voluntary contributions from employees across Hayleys Group yielded donations in kind.

A collection point was set up at the Corporate Office where donations of dry rations, clothes and other items donated by our employees were sorted by volunteers, packed and transported to Manik Farm in three 40-foot containers provided by our logistics arm. Containers also included materials to build 100 temporary toilets such as 100 steel drums, squatting pans and accessories, pvc tubes and cement blocks; roofing sheets, 200, plastic barrels with and without taps, mattresses and rubber gloves.

In addition, a contribution of a day's pay by employees is underway. The latter amount is to be matched by Hayleys Group companies and will be used at the next phase of assistance for the displaced.



Hayleys' team leader Lasantha Wickramasekera distributes packs of biscuits at a civilian entry point in Omanthai

SUSTAINABILITY REPORT

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The Group regards such responses to National needs as a responsibility a corporate must discharge.

Social Initiatives of the Hayleys Group Recreation Club (HGRC)

Aid to Cancer Hospital

This year too the HGRC donated to the Cancer Hospital to meet expenses for several of their activity programmes one of which was a children's concert staged by the inmates of four children's wards. The programme coincided with World Children's Day.

This is an annual activity and this year the Club's contribution was Rs. 285,000.

The Cancer Hospital and the National Blood Bank have been regular recipients of support from the HGRC.



The concert by the Cancer hospital's child patients



Hayleys Agro's stall in Jaffna where all the goods were sold out

Projects of Other Group Companies

Helping Myanmar

Several Group companies joined hands to send aid to flood victims of Myanmar.

Dipped Products PLC sent rubber gloves, our Plantation companies sent tea, the fibre cluster donated camping mattresses whilst Hayleys MGT supplied bed spreads.

Hayleys Agro at 'Future Minds of Jaffna'

Under the auspices of the Security Forces in Jaffna, a 3-day Industrial and Educational Exhibition themed 'Future Minds of Jaffna' was held in Vembadi Girls High School and Jaffna Central College, in December 2008.

RELATIONSHIPS WITH PRINCIPALS

Name of Principal	Duration of Relationship
Bayer CropScience	46 years
Symrise	46 years
Detia Degesch	36 years
Elementis	34 years
Lanxess Deutschland	34 years
Rheinchemie	34 years
Cabot	31 years
Philips Lighting	26 years
Allam Marine (generators)	21 years
Stamford (alternators)	21 years
Monsanto	21 years
Polymer Latex	16 years
Kerr McGee	16 years
Fuji Hunt Photographic Chemicals	16 years
Dow AgroSciences	16 years
Den Hartigh	16 years
Nufarm	16 years
Durst Phototechnik	15 years
Blue Cross Laboratories	13 years
Sigma Pharmaceuticals	13 years
Fuji Film	12 years
Gujarat Reclaim Rubbers	10 years
Akzo Chemicala BV	10 years
Gelita	10 years
Shangdong Weicha	10 years
Laboratories Hipra, S.A.	10 years
Namdhari Seeds	07 years
ABB	06 years
Natraj Albums	06 years
Global Hydro Energy	05 years
Bayer Material Science	05 years
Supreme Petro Chemicals	05 years
S.P. Veterinaria, S.A.	05 years
Shimadzu	04 years
Procter & Gamble	04 years
GP Batteries	04 years
Neolait	04 years
Gillette	03 years
FedEx	03 years
ICI Pakistan	01< year

S04

No incidents of corruption were reported by Group Companies.

SUSTAINABILITY REPORT

SOCIAL PERFORMANCE

MAJOR OVERSEAS INVESTMENT PARTNERS IN SRI LANKAN PROJECTS

Partner	Partnership	Duration
Syngenta Seeds B.V., Holland	49% equity in Quality Seed Company Ltd.	29 years
Toyo Cushion Co. Ltd., Japan	25% equity in Toyo Cushion Lanka (Pvt) Ltd.	19 years
Sanyo Food Products Co., Japan	25% equity in HJS Condiments Ltd.	16 years
Bonterra Weiland GmbH, Germany	50% equity in Bonterra Ltd.	15 years
Orlatrade, Monaco (Promar Overseas)	6% equity in Dipped Products PLC	15 years
Delta Plus Group, France	6% equity in Dipped Products PLC	15 years
American International Group, U.S.A	85.5% equity in AIG Hayleys Investment Holdings (Pvt) Ltd.	09 years
AES Corporation, U.S.A	90% equity in AES Kelanitissa (Pvt) Ltd.	08 years
Enkev BV, Holland	8% equity in Toyo Cushion Lanka (Pvt) Ltd.	06 years
Transworld Holdings Ltd, India	34% equity in Hayleylines Ltd.	06 years
Agricultural Resources & Investment Inc, BVI	49% equity in Hayleys Ago Fertilisers (Pvt) Ltd.	05 years

Hayleys Agro participated through a trade stall at which the vast range of agri inputs, including tissue-cultured plantlets displayed, drew vast interest. Such was the interest, that all goods taken by the Company to Jaffna were sold out.

The event also combined entertainment in the form of musical shows and a carnival.

Hayleys Agro presented a two-wheel tractor worth Rs. 200,000 as a prize to the first runner-up of the 'North Star' singing competition, Kulendran Jagadisan, a visually impaired musician. The Company also sponsored the printing of 100,000 handbills for the event.

PRODUCT RESPONSIBILITY

Our Approach

Hayleys PLC has a diverse portfolio of products and services offered to its customer base.

We report on some of our initiatives in this area, such as safeguarding the health and safety of our customers, fulfilling their rights in terms of product information and labelling and quality assurance.

Product Responsibility in Practice

Our pursuit of responsibility 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.

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

Accreditation of Quality

In the mutual interests of customers and ourselves, we sought and have obtained some of the world's most prestigious accreditations - HACCP, TASL-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.

To cite an example, our

subsidiaries HJS Condiments and TTE which are Hazards Analysis & Critical Control Points (HACCP) certified, adhere to stringent procedures as regards provision of product information.

Advantis possesses C-TPAT. C-TPAT recognises that US Customs and Border Protection (CBP) can provide the highest level of cargo security only through close cooperation with the ultimate owners of the international supply chain such as importers, carriers, consolidators, licensed customs brokers and manufacturers. It is a certification for businesses, to assure the integrity of their security practices and communicate and verify the security guidelines of their business partners within their supply chains.

Hayleys is Awarded B2B 'Superbrand' Status

Hayleys became a Business Superbrand in 2007.

This globally renowned accreditation is an endorsement of the Hayleys brand's exceptional status. The Superbrands awards stamp can be used by the Company in its advertising, and promotional activities, for a period of 3 years from the date of signing up

The Business Superbrands

SUSTAINABILITY REPORT

SOCIAL PERFORMANCE

The 'Learning' Child...

Each day, the 'baton' changes hands... a child becomes an adult... a student becomes a professional... a young person takes over the family business...

For those of us who can, it is a duty to develop our youth to take charge.

Hayleys, views this as another manifestation of 'Succession Planning' for the wider society and we have had the privilege of conducting several programmes with youth at their core, this year.

G.V.S. De Silva Primary School, Kathaluwa... the Legacy Continues...

This school was a tsunami affected institution when Hayleys stepped in to rebuild it in May 2006.

Hayleys has maintained continuing interest in the school not only in maintaining the infrastructure in pristine condition but also supporting the academic progress of students. We provide scholarships of Rs. 10,000 each to five students who score the highest marks at the year-5 scholarship examination.

The Company also provides financial resources to meet the wages of three teachers and some workers.

Career Planning...

Such is the world we live in, that young people today have a surfeit of choice, when it comes to selecting a career. This prompted our subsidiary Haycarb to conduct a 5-day educational-cum-recreational residential workshop for 46 Grade 6 students who had excelled at the Year 5 Scholarship examination of 2007.



The initial aim was to support the Ministry of Education in training and developing selected students who were to participate at the International Science and Maths Olympiad Competition.

The objectives of the workshop were to inculcate good values such as self discipline and self learning, whilst absorbing skills in presentation, planning and reading and writing. It was also meant to assist the students to plan their future careers.

Students who followed the workshop were able to win 3 Bronze medals at the Olympiad held in Indonesia in November 2008.

Haycarb plans to conduct a follow-up workshop in August 2009.

Hayleys MGT's Educational Programmes for School Children

For the second successive year, Hayleys MGT conducted an educational programme in Maths and Psychology for a group of O'Level students drawn from schools in proximity to their factory.

130 students from 8 schools as well as children of MGT employees participated in the programme.



PR 9

No incidents of non-compliance with laws and regulations were reported.

SUSTAINABILITY REPORT

SOCIAL PERFORMANCE

High achievers were rewarded with medals, certificates and gifts.

Hayleys' Export Shipping Department (ESD) Uplifts Rural Schools

The Export Shipping Department (ESD) of Hayleys together with subsidiary Volanka donated laboratory furniture and equipment and computers to the Kimbissa Kanishta Vidyalaya, an impoverished school set in a remote area near Sigiriya.

This school which lacked basic infrastructure, was the recipient of a building with laboratory facilities aided by funding from Jetwing Hotels, a Group's associate Company.

ESD also initiated a scholarship scheme for the first student of the school to pass the Ordinary Level Examination with 7 distinctions. Her parents, being farmers, found it difficult to support her in higher studies. The request for assistance through the school was met by another the Group subsidiary Civaro Lanka and Rs. 2,500 a month is awarded to her.

Personnel from our subsidiary HJS Condiments introduced the 5S system to the school as well.



A Hayleys' IT team who helped setup the computers donated by ESD in the school's new lab

publication, released on 12th August, 2008 at a tribute event at which these brands were felicitated provides the right sophisticated environment and media vehicle to enable the essence of Hayleys to be captured. Its highly targeted distribution is expected to take the Hayleys story to key stakeholders such as prospective and existing investment partners and clients, government servants, students, statutory bodies, banks and the media.

Jetwing Receives Business Superbrand Status

Jetwing became the first Sri Lankan company in the tourism industry to be voted a Business Superbrand.

As a company that has been at the forefront of the leisure industry for over 30 years, owning 13 exclusive properties in unique locations, Jetwing is honoured by this accolade.

Product and Service Labelling

Group Companies abide by requirements to convey as much product information as possible through product labelling. Here are some examples:

HJS Condiments provides information such as Net Content, Lot Identification, Production and Storage Information, 'Best Before' Date and Shelf Life information, Instructions for Use, Nutritional Value and Energy Value.

The labelling on TTE's products carry the ISO Standards for Tea accreditation, the Lion Logo which indicates that the pack contains Pure Ceylon Tea, Voluntary HACCP, ISO 22000 and TASL-SGS certification.

Hayleys Advantis shows customers' and users' rights/ obligations in transportation documents such as Bills of Lading, Waybills (Air and Sea), Goods Received Notes and Combined Transportation Documents as governed by the relevant conventions.

Hayleys Agro Products displays poison warnings on pesticides, safe storage instructions on pesticides and fertilizer, safe application procedures on veterinary products and pesticides, information on antidotes in case of contamination/consumption and poison centre contact information among other details.

Here's our concluding thought as we close this segment of our report:

We remember always that respect for human dignity is fundamental to our success.

EC 2

Our Agriculture sector was affected by crop losses due to excessive rains in the case of Agri business and by drought conditions in tea growing areas. Transportation foresees possible risks of declining air freight due to increased concern for air pollution and sea freight due to inclement sea conditions. The rubber sector could be affected by price fluctuations due to adverse weather.

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.

- Chairmanship, Financial Reporting Faculty, ICASL
- Presidency, Sri Lanka Airline Cargo Association
- Chairmanship, (SLAAR) Sri Lanka Association of Air Line Representatives
- Vice Chairmanship, Agricultural Machinery Manufacturers' Association
- Directorship, Coconut Development Authority
- Directorship, (SLPMCS) Sri Lanka Port Management and Consultancy Services Ltd.
- Directorship, Sri Lanka Institute of Nanotechnology (SLINTech)
- Directorship, National Science Foundation
- Membership, Presidential Committee on Maritime Matters
- Membership, Agriculture Cluster of the National Council for Economic Development
- Membership, Tax Committee of the Ceylon Chamber of Commerce
- Membership, Subcommittee on Human Resources – Ceylon Chamber of Commerce
- Membership, CASA (Ceylon Association of Ship Agents)

EC 7

When recruitment criteria is met, individuals living in close proximity to an operation are given preference by our Group companies.

A Fillip for Farming...

When our subsidiary Sunfrost, entered into a partnership with USAID to revitalise farming in the Eastern and Uva Provinces of the island, not only was this a ground breaking venture, but extremely topical in terms of the rehabilitation and resurgence that will take place as peace returns to these regions.

The Sunfrost-USAID collaboration ran for six months from April to September 2008. Its aim was to motivate farmers in the districts of Moneragala and Ampara, some of whom had been affected by conflict, to embrace modern agricultural practices and empower them to substantially improve their income, by switching to cash crops that show demand.

Thus, 200 farmer families began to cultivate three potentially high revenue generating cash crops – gherkins, pineapple and jalapeno peppers on 62 acres of land that had either lain fallow, or had been utilized for subsistence farming.

The project enabled these farmers, by imparting the latest knowledge and techniques and providing other inputs required to help them reap a bountiful harvest in all respects.

Now, Sunfrost is joined by, HJS Condiments to take this project into Phase II, which envisages reaching 2000 farmers in the Eastern Province, covering an area of 600 acres.

Sunfrost and Hayleys together provided varied inputs-such as soil testing, farmer training on technical, growing and commercial aspects as well as seed, suckers, fertilisers, agro chemicals, expertise on modern cultivation methods, transportation and packaging methods and assistance to source markets, through their outgrower arrangements.

Such inputs were made available on credit to the selected farmer families.

USAID provided matching support.

In selecting farmer families for the pilot project, we ensured that all ethnic communities were represented.

We are looking to replicate the success of our pilot project in other areas of the country as well.



USAID and Sunfrost staff on a visit to a gherkin field in the East

SUSTAINABILITY REPORT

ENVIRONMENTAL PERFORMANCE

In a world increasingly concerned about the impact dwindling natural resources exerts on life, the need of the hour is responsible consciousness.

Our Approach

'To give as much to the world, as we take out of it'

This is the guiding principle that Hayleys adopts with regard to environmental issues and it applies across the Group's businesses.

Hayleys takes a two pronged approach in its Environmental Policy. On the one hand, we recognise the impacts our businesses have on the environment and seek to reduce or eradicate negative aspects whilst amplifying beneficial influences. On the other, we actively seek to place in the market, products and services that help others to achieve the same results in their businesses.

The Group's approach is captured in the following objectives:

- 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.

Enterprise and the Environment

The environmental dimension of sustainability concerns the impact Hayleys' enterprise has on living and other natural systems, including eco-systems and land, water and air.

Hayleys PLC is a signatory to the United Nations Global Compact (UNGC) Principles, which seek to promote responsible corporate citizenship so business can become part of the solution to the challenges of globalisation.

The Group is also a pioneer signatory to the CEO Water Mandate of the 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.

In adhering to the provisions under the Water Mandate, Hayleys has improved the processes it employs to measure water usage and waste water discharge, bringing them more in line with GRI guidelines.

	2009	2008
EN 8 Total water withdrawal by source	8,159 M ³ /Day	8,400 M ³ /Day
EN 9 Total water discharge	7,101 M ³ /Day	7,400 M ³ /Day
EN 10 Percentage and total volume of water recycled and used for the year	8.33%	7.2%
EN 21 Water sources significantly affected by withdrawal of water	- Surface & Ground water bodies	

SUSTAINABILITY REPORT

ENVIRONMENTAL PERFORMANCE

In the global context, the increasing concern caused by climate change and its repercussions were brought into focus when at the UNGC's Leaders Summit in 2007, the UN Secretary General launched 'Caring for Climate - the Business Leadership Platform'.

'Caring for Climate' is a voluntary global initiative that seeks to mobilise the business community to develop solutions that reduce climate risk whilst at the same time creating value for individual companies.

The initiative was jointly developed by the United Nations' Global Compact (UNGC), the United Nations Environment Programme (UNEP) and the World Business Council for Sustainable Development (WBCSD).

Hayleys was honoured to have its Chairman receive an invitation from the United Nations' Secretary General, to attend the UN's first Private Sector Forum on 'The Millennium Development Goals and Food Sustainability' held in New York in September 2008.

Hayleys' Chairman was one of a select group of six high profile private sector representatives, invited to address the opening plenary sessions.

He addressed the Forum on 'Water Access and Management with Respect to Food Sustainability', since the current international food crisis is closely linked with another crisis - dwindling water resources.

The Chairman of Hayleys was also invited to join an elite Asia Society Leadership Group concerned with water security in the Asian region. This group has

formulated a comprehensive water security strategy to help avoid conflicts within the region. This initiative stems from the position that decreased access to a safe, stable water supply in Asia will have a profound impact on security throughout the region, since reduced access to fresh water leads to impaired food production, the loss of livelihood security, large-scale migration within and across borders, and increased economic and geopolitical tensions and instabilities.

Hayleys was one of nineteen global business entities who lobbied the 'Group of Eight' (G8) on the emerging global crisis concerning water and sanitation. Approximately 1 billion people lack access to safe drinking water and 2.6 billion do not have access to adequate sanitation. In a letter released by the UNGC Office, the Chief Executive Officers of these companies called on G-8 leaders to actively address the issue of water during their Summit in Japan in July 2008.

In Sri Lanka, as the conflict in the North reaches a final resolution, many thousands of inhabitants have been displaced by war and are crowding temporary camps. Hayleys reacted within 24 hours to the developing situation, despatching treated water and critically needed sanitation equipment for these displaced citizens. The Group also donated drinking water storage tanks and other equipment, as well as provisions and clothing donated by Group employees.

Agriculturally based as we still are as a nation, the importance of

water cannot be overstated in the country's agricultural, industrial and hydro power sectors. These are sectors in which Hayleys has active business involvement.

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. 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 not only the letter but also the spirit of what is expected 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 on any Hayleys Plantation. These practices include contour drainage systems, adoption of Sloping Agriculture Land Technology (SALT), planting of shade and green manure belts, live and stone terracing and recycling green manure and tea prunings back into the soil to provide Nitrogen.

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

As a leading supplier of crop protection chemicals and fertilizers, reaching both the organised 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 on use of chemicals, pesticides and weedicides are strictly complied with.

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. 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 on 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 stabilisation 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.

Sectoral Initiatives

Emissions, Effluent and Waste

In many areas of the country, particularly rural Sri Lanka, where modern sewage disposal systems are not a part of social infrastructure,

sewage treatment and disposal involves the employment of septic tanks and soakage pits.

The environmental implications of such disposal methods, particularly on ground water systems, are only too well known.

Grossart, a subsidiary in the DPL group situated in an area that lacks modern sewage disposal infrastructure installed its own eco-friendly Sewage Treatment Plant during the year.

The plant is designed to handle sewage and wash water from employee facilities catering to around 300 persons. It incorporates grease/oil traps at all outlets from kitchens, canteens and lunchrooms.

It consists of an anaerobic/aerobic biological treatment system with no addition of chemicals except for the use of chlorine (Hypochlorite) for the removal of pathogens.

Energy

Grossart is engaged in the manufacture of gloves for the household and industrial sectors in export markets. The boilers operated by this company used



Fuelwood fired boiler at Grossart

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approximately 5000 litres of Heavy Furnace Oil a day to generate steam for the production process.

Concerned with this substantial usage of a fossil fuel, the Company switched to a wood fired boiler.

With this change, the Company began to incentivise the growth of sustainable fuelwood, choosing easily grown and plentiful varieties such as Glyricidia and Rubberwood as alternate fuel sources. The project provided livelihoods for fuel wood growers and suppliers.

Grossart also pays close attention to the replanting and management of forest areas to avoid adverse effects such as deforestation and indiscriminate felling of trees. Dipped Products itself along with its subsidiary Kelani Valley Plantations actively pursues the cultivation of firewood on a sustainable basis.

Talawakelle Tea Estates PLC commissioned two hydro power projects on their Somerset and Palmerston Estates, producing a combined capacity of 2 MW. When deployed at full capacity, the plants will meet the total energy requirement of the Company's high grown tea estates.

In our Fibre sector, Ravi Industries Ltd. used a drying process using wood fired boilers and electrically powered kilns.

With energy costs rising and environmental concerns growing, the company innovated a solution by building a greenhouse which uses sunlight for drying. Apart from the environmental benefit, the cost savings from this initiative are estimated at around Rs. 50,000 per month.

Daylight Harvesting is another initiative we have pursued actively over the year, to save energy costs and reduce dependency on electricity.

Hayleys MGT initiated a daylight harvesting programme during the year which has provided illumination for the daytime operations of its Finishing and Dyeing plants which earlier depended on electrical power for lighting.

Transparent roofing sheets strategically laid allowed the company to capture sunlight all day, providing the light needed.

This initiative is estimated to have yielded a cost saving of approximately Rs. 500,000 for the year.

Similarly, the Hayleys Advantis subsidiary Logiwiz's Central Logistics Hub at Thulhiriya has also maximised the use of natural lighting using translucent roofing. The use of glasswool insulation and an adequate airflow through the dock doors enables the facility to cut heat generated, without resorting to electrically powered cooling mechanisms.

Other Environmental Initiatives

Over the past year, our associate Jetwing Hotels has carried on the Jetwing Eternal Earth Project (JEEP) culminating with Jetwing Earth Day in January 2009.

JEEP is Jetwing's contribution towards minimising the effects of global warming. It began a year ago, with a model re-forestation project on 100 acres of land adjacent to Hunas Falls Hotel in Elkaduwa. To date, 8 acres have been planted with 1,200 trees, following analog forestry and forest garden concepts. Jetwing have been innovative in promoting the project amongst the guests in Hunas Falls who have responded generously by sponsoring the planting of 1000 trees of the total planted to date.



A Green house for drying wet fibre at Ravi Industries



Daylight harvesting at MGT

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The company is actively promoting community involvement, including the participation of children, who are educated on global warming, bio-diversity, home/school gardening and good earth saving practices.

In response to the 'Mealy Bug' (Piti Makuna) menace, a virulent pest which is afflicting many species of fruit and foliage plants, Hayleys Agro has set up a Help Desk to assist the public to fight this pest attack. Officials of the company are contactable round the clock and offer guidance and advice on combating the menace. In addition to the support offered through this Help Desk, Hayleys Agro has also deployed teams of extension staff to conduct educational campaigns via mobile units and has mobilised control measures such as spraying programmes in 12 areas in the

Colombo and Gampaha Districts. The company is also working closely with the Department of Agriculture to fight the threat.

Kelani Valley Plantations (KVPL) PLC commissioned a team of environmental scientists to conduct a bio-diversity assessment on all its plantations identifying freshwater reserves and resident and endangered species of fauna. The resultant comprehensive bio-diversity inventory will be a strong base for the Company's environmental management strategy.

Environmental Accreditation

Many of the Group's subsidiaries have earned accreditation and recognition for responsible environmental practices.

The Group's rubber plantations have been certified to be well managed forests by the Forest Stewardship Council (FSC) of the

UK. The FSC accreditation provides confirmation that all our estates conform to their parameters of environmentally sound management.

The 19-tea estates of DPL's subsidiary KVPL PLC have been accredited by SGS - New Zealand as being GLOBALG.A.P. compliant.

GLOBALG.A.P. (EUREPGAP) is a private sector body that sets voluntary standards for the certification of agricultural products around the globe. The GLOBALGAP standard is primarily designed to reassure consumers about how food is produced on a farm by minimising the detrimental environmental impacts of farming operations, reducing the use of chemical inputs and ensuring a responsible approach to worker health.

EN 26

Crop Protection business introduced low volume and low toxic products to replace high toxic and high volume chemicals.



Mealy bug (Piti Makuna) - a virulent pest attacking foliage plants



Bio-diversity inventory - an environmental initiative

SUSTAINABILITY REPORT

ENVIRONMENTAL PERFORMANCE

MATERIAL CONSUMPTION IN YEAR 2008/09

Sector	
Type of Energy	Quantity Units
Purification	
- Sri Lanka	
Furnace Oil	1,526,926 Litres
Diesel	127,674 Litres
Industrial Kerosene Oil	617,593 Litres
Electricity	6,505,842 KWh units
- Overseas	
Furnace oil	1,137,210 Litres
Diesel	656,309 Litres
Electricity	3,771,684 KWh units
Hand Protection	
Biomass	28,500,000 Kg
Furnace oil	4,950,000 Litres
Gas	191,000 Kg
Electricity	11,900,000 KWH
Plantations	
Electricity	12,702,078 kWh
Diesel	52,622 Litres
Firewood	52,130 Cubic metres
Agri Inputs	
Electricity	255,042 KWh
Diesel	15,000 Litres
Agri Products	
Electricity	801,600 KWh
Furnace Oil	7,836 Giga joules
Fire wood/Dendro	6,492 Giga joules

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

Raw Materials	Quantity	Units
Charcoal Local Purchases and Imports	28,780	MT
Charcoal Purchases overseas	26,259	MT
Coconut Shells	14,025	MT
Natural Latex	8,203,275	Kg
Synthetic Latex	1,913,162	Kg
Skim Rubber	263,000	Kg
Bought Leaf	7,567,488	Kg
Fibre	21,040	MT
Coir fibre	1,750	M ³
Fibre Pith	564	MT
Timber	2,500,000	Sq ft
Gherkin	6,900	MT
Pineapple	670	MT
Papaya	83	MT
Mango	98	MT
Bell Peppers	58	MT
Twine	425	MT
Palmyrah	261	MT
Wire	501	MT
Salt	1,821	MT
Sugar	360	MT
Vinegar	344,727	Litres
Associated Process Materials	Quantity	Units
Chemicals	4,722,013	Kg
Iso Propyle Alcohol	420	Litres
Dolomite	1,200	MT
PVC	150	MT
Brass Scrap	50	MT
Packing Materials	1,075,189	Kg
Caps	5,112,000	Nos.
Glass jars	5,112,000	Nos.
Glass Bottles	1,221,555	Nos.
Pouches	1,560,000	Nos.
Cartons	482,000	Nos.
Poly Bags	1.7	MT
Plastic tubs	60,000	Tubs
Styrofoam boxes	400	Boxes
Cost of yarn consumed	25,307,641	USD
Cost of dyes and chemicals consumed	6,399,026	USD

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* N/A- Not Applicable

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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	
Labour	Businesses should make sure that they are not complicit in human rights abuses	HR4, HR5, HR6, SO5
	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, LA 14, HR4, SO5, EC5, EC7
	Principle 7	
	Businesses should support a precautionary approach to environmental challenges	EN26, SO5, EN9, EN14
	Principle 8	
	Businesses should undertake initiatives to promote greater environmental responsibility	EN1, EN3, EN4, EN5, EN6, EN8, EN10, EN11, EN21, EN26, EN28, SO5, PR3
	Principle 9	
Anti-Corruption	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	C	C+	B	B+	A	A+
		In Accordance						
Mandatory	Self Declared							
	Third Party Checked			Report Externally / Assured		Report Externally / Assured		Report Externally / Assured
	GRI Checked							