

Communication On Progress - 2022

"Children of Today will make Tomorrow's World"

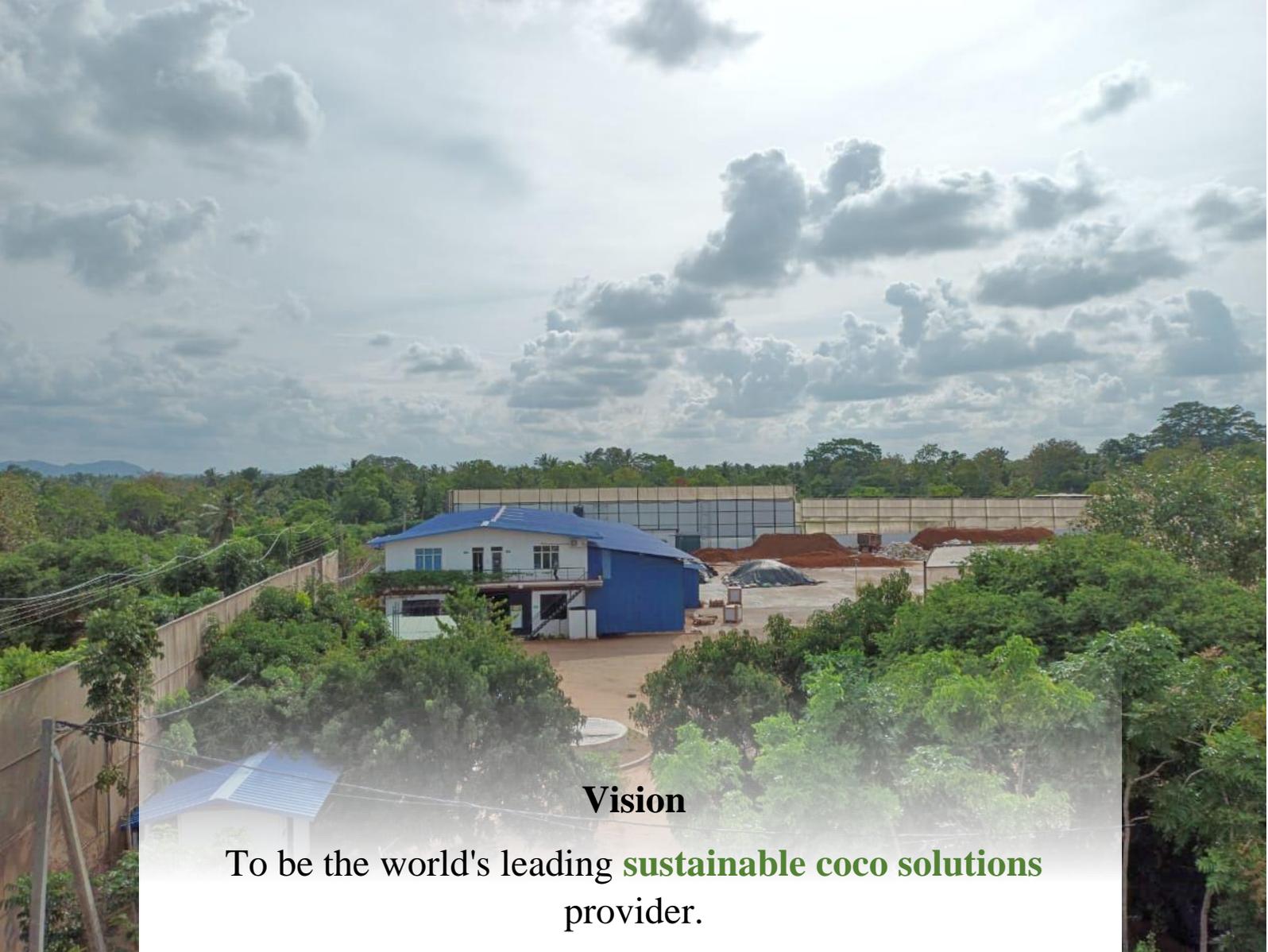


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1. Who we are,

Euro Substrates (Pvt) Ltd.



Vision

To be the world's leading **sustainable coco solutions** provider.

Mission

Passionately pursue product and process innovation to ensure that our Stakeholders achieve their goals.

WE, Euro Substrates Pvt Ltd continue to focus on coir growing media business since we started in 2009 and have been promoting sustainable development by producing new and innovative uses for coir. We are a trusted global leader in providing exceptional products to our customers. Customers rely on us to deliver world-class solutions that will maximize their returns and increase their long-term business success and most importantly support their sustainability goals. We always try to reach our vision by satisfying our customers.

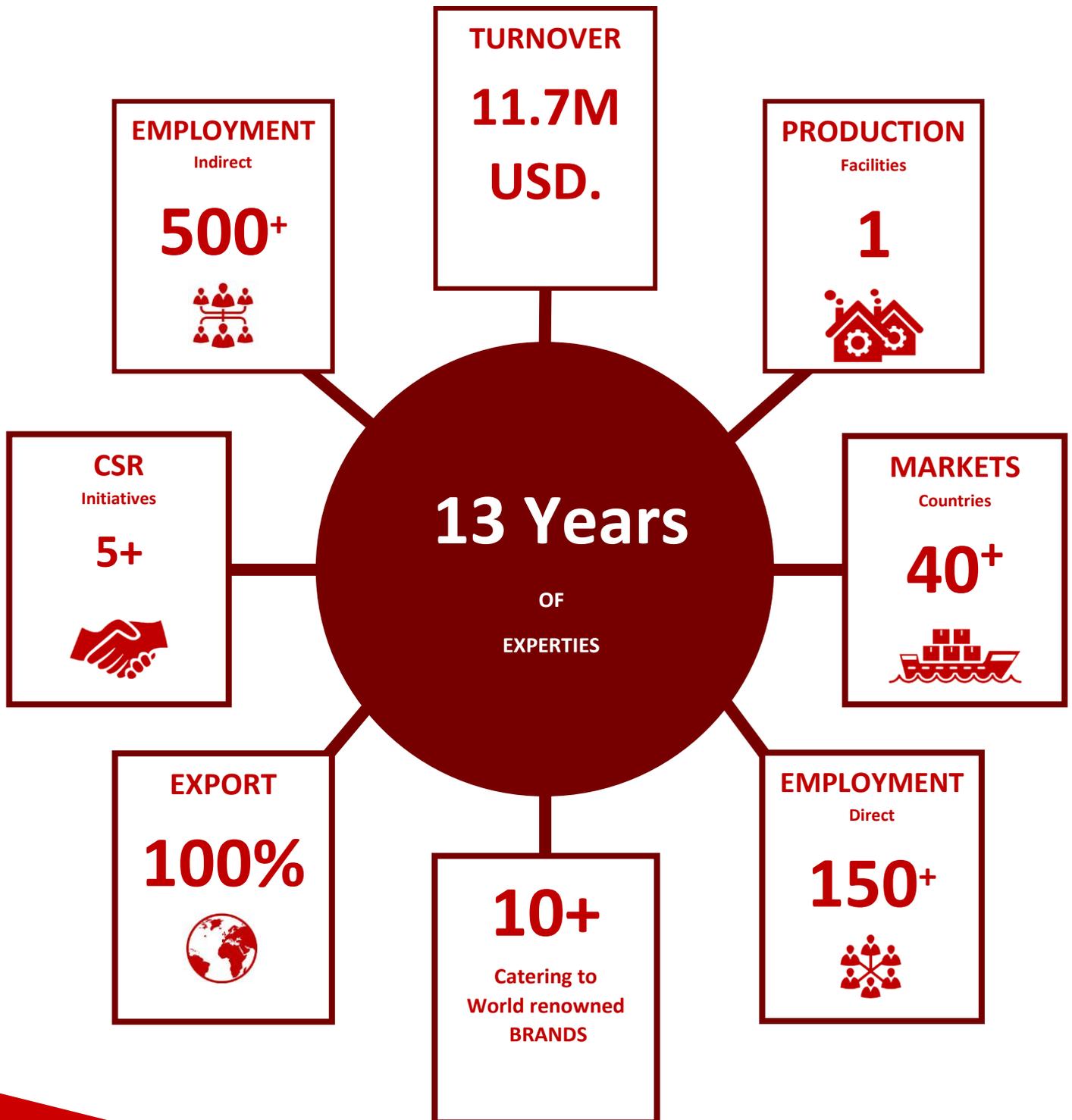
The nature of our business dictates that the products and services we provide to customers have varying impacts on the environment, our employees and the communities in which we operate. These manifests themselves in varying degrees through the products which we export to our global customers which include:

- The production of coir growing media, much of which is sourced from many coconut plantations is itself a waste product from the desecrated coconut industry. As a consequence, we are mindful of ensuring that all relevant environmental controls and proper labour practices are applied throughout our supply chain.
- The washing, drying of coir at our plants where we use water is closely monitored to be within the stringent requirements of the environmental laws of Sri Lanka. We as a responsible company focus on reducing usage of water by 50% by 2022. The company is focusing to establish an Effluent Treatment Plant in the said factory by 2023. And plan to reduce water usage further by 15% aiming at a target in 2024.
- Our team required for operations are recruited from the local community. Our factory is located in a rural area providing much needed employment. We therefore recognize the importance of maintaining a strong bond with the community and to support their sustainability goals.
- Many of our team members who work in our plants are female and work with industrial machinery and equipment and we recognize the importance of providing them with the appropriate training, tools and equipment to create a safe and healthy working environment.
- The delivery of our products and services involves a high level of logistics and we therefore understand the importance of continually reviewing the routing of delivery vehicles to ensure the most efficient delivery of products throughout our entire supply chain.
- We have taken many steps for the safety of our employees from the global pandemic situation COVID -19 and managed to operate our facilities without any interruptions. As a company we have introduced a separate Protocol for the safety and health from COVID-19 apart from the main Health and Safety guidelines.

Further strengthening our obligations to a sustainable lifestyle is achieved through our adherence to:

Good Manufacturing Practices: *GMP -It controls the quality of our raw materials and finished products*

1.1 Organizational Dashboard



2 Statement of Managing Director

Dinesh Fernando
Managing Director
(Growrite Substrates (Pvt) Ltd.)



I am pleased to submit the details pertains to Euro Substrates Pvt Ltd Annual Communication on Progress for the first year to the United Nations Global Compact (UNGC). We are proud to announce that we as a company successfully practices the policies and procedures to be in line with the UNGC ten principles from the inception. Apart from the Human Resources Management Procedures, Health and Safety manuals, Sustainability statements, we continue to maintain the protocol to face the global pandemic COVID - 19 aiming the safety and health of our team members and other stake holders further.

We being a motivated team has committed to build and maintain trusts in our community and our stake holders while simultaneously attempting to solve the complex social issues affecting the communities in which we work. This has been digested in our work ethic at Euro and is the key driver of the various CSR initiatives undertaken by the company annually.

Euro Team is fully involved in using the relationships which we have cultivated over the many years, to create a lasting beneficial impact through the many positive changes that have contributed to the company's success.

Being the Managing Director I am confident and also proud of the way Euro's team members use their skills, knowledge and experience to create value for communities. Their dedication and wholehearted enthusiasm for supporting our organizational goals and objectives has helped to make a tremendous impact on the people and communities around them.

Participation in the Global Compact COP provides Euro with recognition and respect from the stake holders. Many of our customers are continuing to demand higher levels of cooperation and innovation in the areas outlined in the Global Compact's ten principles. Further we aim and commit to manage ourselves in a more sustainable way, in keeping with our commitment to the UNGC 10 principles.

3 Story of sustainability

Our Corporate Social Responsibility (CSR) company policy refers to our responsibility towards our Environment, Economy, and Society. Doing the right thing at the right time has always been a way of life at our company. As an organization we have to strive to achieve the highest standards not only in our performance but also in our commitment to serve our community. From the very inception we have demonstrated a strong desire to uphold ethical practices, respect human rights, denounce any form of discrimination and have given priority to empower our team, uplifting the community and reducing our impact on the planet.

Throughout our CSR and sustainability journey, we have implemented many initiatives successfully for the benefit of our team members, suppliers, community at large and to preserve the nature. We believe that the journey of sustainability is a path we need to step forward with the unity of all the interested parties of the organization.

We ensure that we do not risk the health and safety of our teams and community. As a part of this incessant task, we are engaged in activities ranging from providing shelter by financially supporting people to build their houses. We have been conducting “Kruthaguna Piyasa” project for several years and been able to help most of our employees who had the need of our support.

Promoting education for children by facilitating free English and IT classes, donating computers, computer tables, chairs and other facilities for schools with the intention of supporting our future generations to gather global knowledge to go forward with the world other than cornering it to the limited area.

We ensure the health and safety of our team members by upgrading medical facilities and encouraging safety first culture within the organization and helping the society to build health-conscious community by providing financial support and equipment to hospitals and other health related authorities and organizing medical campaigns.



4 CSR Model

Euro Corporate Social Responsibility principles

The company CSR policy is in line with the Triple Bottom Line approach which takes into consideration Environmental and Social Factors and unifies the three pillars People, Planet and Profit.

Responsible business - We being a responsible team commits to build and maintain trust in our community and our stake holders.

Ethics - We recognize that ethics of our stake holders is vital to the long-term sustainability of both our company and the community which we operate in.

Compliance - We follow the rules and regulations to the expected standards, and we have a mechanism to verify same.

Good corporate governance - Our commitment also extends to our community which plays a central role in our success.

Transparency - We are open to all stake holders and welcome their ideas.

Commitment to Society - By creating strong links over the last decade, we forged a strong sense of civic duty, and we are deeply committed to improving the living conditions in our community.

Commitment to the Environment - Our group has a project called Anagathaya Wawamu to cultivate 500,000 coconut trees by end 2025 have planted 97,000 trees by end July 2022.

The key initiatives which we have undertaken during the year 2021/2022 include,

- a. Donated LKR 50,000 each for 10 employees and LKR 100,000 each for 2 staff members under the program of “Kruthaguna Piyasa” in the year 2022.
- b. Spent LKR 1,800,000 for Coconut Plantation Project 2021/2022

5 Main Risk Management Procedure

We follow the below given policies and practice same to mitigate the risk we face.

- a. HR Policies
- b. Health and Safety Policies
- c. Financial Risk Regulations
- d. Purchasing policies and procedures
- e. Quality standards i.e., ISO 9001, ISO 14001, SA 8000, GMP, RHP etc.



We manage risk through,

- a. Communication
- b. Identification
- c. Assessment
- d. Treatment
- e. Monitoring

6 How we measure the value we create

Following pillars underpin everything we do. Each pillar has defined key performance indicators (KPIs) and targets that we set for the business and against which we measure our financial and non-financial performance: Please refer para 7 for further details.

Safety and Health	- Maintain a safe working environment.
Environment	- To minimize our impact on the environment.
Socio-political	- To partner in the benefits of mining with local communities and government.
People	- To create sustainable competitive advantage through capable people and an effective, performance-driven organization.
Production	-To sustainably produce valuable products.
Financial	-To deliver sustainable returns to our shareholders.

7 Key Performance Indicators

Safety and Health

- a. Fatal Injury Frequency Rate (FIFR)
- b. Total Recordable Injury Rate (TRIR)
- c. New cases of occupational diseases

Environment

- a. Energy consumption
- b. Water consumption
- c. Air pollution

Socio-political

- a. Social way assessment scores

People

- a. Labour turn over
- b. Women in Management
- c. Women in work force

Production

- a. Per KG cost
- b. Cost against budget
- c. Quantity against budget

Financial

- a. Turn over
- b. Gross profit
- c. EBIDTA Margin



8 How do we honor the UNGC Ten principles.

Our formal commitment to the UNGC and its ten principles of human rights, labor rights, environment, and anti-corruption was initially made in 2007. The following report reflects actions we took during the year 2021 and as the UNGC and its principles are further strengthened and integrated into our business.

8.1 Ten principles - Human rights

Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and

Principle 2: make sure that they are not complicit in human rights abuses
Assessment, Policy and Goals

As a practice from the inception, we at Euro, wholeheartedly acknowledge the importance of supporting and respecting the protection of internationally proclaimed human rights processes. Our policies and procedures have been designed to ensure that we are not complicit in any human rights abuses. Our main human rights risks relate to our suppliers. We reduce these risks by closely managing our supply chain and only awarding contracts to a few trusted suppliers that we have worked with over the last decade that the company has been in existence. We respect the race, color, ethnicity or national origin, gender, sex, religion and political conviction of all stake holders. Our HR Policies are in compliance with all Sri Lankan legal rules clearly stipulating the number of work hours, ages of employees and leave entitlements for all company employees. Our organization is also committed to improving the quality of education

providing generous scholarships to children of all company employees to ensure a bright future for all.

Lastly with the completion of our policies and procedures, our attention now shifts to developing a supplier code of conduct in order to ensure that the values of the UNGC which have tremendously benefit us will also be experienced by our suppliers.



8.2 Ten principles - Labour rights



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

Principle 4: the elimination of all forms of forced and compulsory labour;

Principle 5: the effective abolition of child labour; and

Principle 6: the elimination of discrimination in respect of employment and occupation Assessment, Policy and Goals

Our Human Resources Policies and Procedures outline importance of Human Rights of all employees and committed to upholding the conventions and recommendations of the ILO Core Conventions. A direct impact on our overall strategic performance is clear evidence of our ability to look after the well-being and development of all our people. By engaging our people, we have improved our customer's satisfaction with our products and retention of employees and ultimately leading to enhanced growth prospects for Euro.

In addition, we invest in the development of our people's skills and in 2021/2022 we spent approximately LKR 1.15 million on training and development all of which have helped us retain our valued employees. Further we do appreciation of our responsibility to our employees, and the importance of creating and maintaining a working environment where the basic rights of all employees are recognized.

Furthermore, our anti-discriminatory criterion outlined in our HR Policies Document is in accordance with Principle 6 of the Global Compact. We also have specific practices relating to workplace health and safety in order to ensure that our employees are not forced to work in unsafe conditions. We provide all employees with compensation if injury or incidence does occur and are also currently reviewing our HR Policies so that all suppliers and business partners are made aware of our labour principles. This review reinforces our company commitment through our policies to eliminate forced labour, child labour, and employment discrimination. We will continue to refine our policies to incorporate the principles of the UNGC into all aspects of our work.

8.3 Ten principles – Environmental

Respect for our environment is central to our approach to sustainable development and we continue to acknowledge the importance of our business activities supporting a cautionary approach to environmental challenges. We vigorously undertake initiatives to promote greater environmental responsibility and encourage the development of environmentally friendly technologies. We remain fully committed to protecting the environment both through our own actions and also by working with our suppliers. By effectively planning and implementing these programs, we limit the environmental impact of our activities thereby conforming to the UNGC environmental principles.

One of our objectives is to reduce water footprint and energy (electricity) footprint and in order to achieve same we have plans to set up an Effluent Treatment plant at Euro Factory and to source energy through solar power by 2023.

Principle 7: Businesses should support a precautionary approach to environmental challenges;

Principle 8: Undertake initiatives to promote greater environmental responsibility; and

Principle 9: Encourage the development and diffusion of environmentally friendly technologies

8.4 Ten principles –Anti-Corruption

Principle 10: Businesses should work against corruption in all its forms

Euro is committed to Principle 10 of the Global Compact. Our company's HR Policies, states that employees and the employers will not engage in fraud or corruption, report any fraudulent or corrupt behavior, report any breaches of the law as well as generally accepted practices of good conduct along with understanding and applying all relevant accountability requirements. We are committed to eliminating acts or corruption and have a zero-tolerance policy for any violation of this policy.



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