



Sustainability
Report



Sustainability Report

We believe that each one of us leaves a mark on this earth. At Hemas we are passionate about our belief that as we grow our businesses and create value for our shareholders and other stakeholders, we must also work towards creating long term sustainability both for our businesses and the community we operate in, as we strive to Enrich Lives.

This report sets out the manner in which we have dealt with the Community, our Business Partners and our Employees as well as measures we have taken to minimize our Environmental impact. Our programs and strategies in each area, as well as the manner in which we monitor and report on them are in a constant state of improvement as we increase our focus on this area.

Community

As a future oriented company, our community development projects have laid emphasis on enriching the lives of those who will form the future of our nation - the next generation. Over the years we have dedicated our efforts towards helping to improve the education of our nation's children, specifically through Early Childhood Care and Development (ECCD).

Piyawara - the foundation for future success

For over five years our pivotal Corporate Social Responsibility Project, the Piyawara Program has been promoting Early Childhood Care & Development (ECCD) through the establishment of child friendly pre-schools across Sri Lanka. The Piyawara model is now an integrated

educational programme making a valuable contribution to the development of the overall government educational system. The program has developed into one that proposes a holistic approach to pre-school education.

The project brought into being a sustained and comprehensive curriculum together with complimenting infrastructure to facilitate the learning and developmental needs of children in specific, less well-endowed communities.



Piyawara pre school in Wennappuwa

At present, the programme fosters 32 pre-schools island wide with a reach that extends all the way up to Jaffna in the Northern Peninsula. It focuses on children under five years of age with emphasis on developing the full potential of the child through cognitive, physical, social and emotional development.

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The Programme has been a catalyst in the integration of resources from the State as well as the private sector to work towards a common goal. External resources from the Ministry of Child Development and Women's Empowerment, local government authorities and Divisional Secretaries, faculty and staff of the University of Colombo, National Children's Foundation, faculty members of the University of Peradeniya, and the Sri Lanka Police - Bureau for the prevention of abuse for children and women have each played a role in making this programme a success.

The Piyawara Programme impacted the lives of approximately 3,160 children, 150 teachers and 6,320 parents during this year.

Infrastructure Development

Renovations and upgrades to existing preschools were conducted during the year that included the construction of pre-schools through donors, the provision of proper sanitation and drinking water, development of play areas and development of a safe environment conducive for infants and toddlers.



Piyawara Children's Park in Gampaha

The "Piyawara Lamapuraya" the first in a long line of planned children's parks was completed and handed over to the Gampaha Mayor in October 2007. Subsequently a second park was inaugurated in conflict affected Pottuvil bringing great joy to the children of the area.

During the year, another "Piyawara" model school was constructed in Dankotuwa and handed over to the Urban Council of Wennapuwa in August 2007.

Education

Teacher Training programmes and fostering under-developed schools in the country through "Piyawara" model centers were the primary activities falling under this sector.

A national campaign was launched through the popular broadcast media programme "Nugasevana" to create greater awareness of the criticality in providing adequate ECCD to infants and toddlers. In supplementing the television campaign, radio messages along the lines of "Thought of the Day" were aired on a variety of national radio stations.

A four day community development programme for community development officers together with a teacher training programme was conducted in August 2007 under the aegis of the Ministry of Child Development.

Psychosocial development programs

A number of parental awareness programmes and child protection programmes were held during the year.

A pilot project was launched together with the Colombo North Police Division to train officers in 3 Police Divisions to curtail child abuse. The launch was held in Kiribathgoda in the presence of Minister of Child Development, Sumedha Jayasena and DIG Sarath Jayasundara. A two-day residential training programme was conducted for a team of 40 police officers thereafter.

Parental awareness programmes were conducted at all the "Piyawara" preschools during the year.

EMPLOYEES

Increased focus has been given for attracting and retaining talent within the organization. A Group Human Resource function at the centre sets the policy and monitors HR practices group wide which have been streamlined and process-oriented.

HR Information Systems

We are currently in the process of implementing an HRIS system for the group enabling the provision of a central HR database which will provide real time data for performance monitoring and evaluation as well for administrative purposes. This is expected to reduce overall HR administrative costs while freeing resources for human resource development.

Living Hemas Values

The Hemas value system is based on the vision of our founders, and has played an important role in moulding the organization's continuity and success.

These values are;

- Passion for customers
- Driven by innovation
- Obsession for performance
- Concern for people

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They are strongly embedded in our organizational culture and have been the corner stone of its success. The "Living Hemas Values Award" further ingrains these values by encouraging staff to nominate people who live up to these values on a regular basis for recognition. This is awarded on a quarterly basis. The Hemas Values have also been incorporated into our Performance Management System by linking it to the Rewards System.

In addition to this award, Hemas also recognizes managers for their outstanding contribution to the group at the annual "CEO's Award" ceremony.

Recruitment

We have enforced tighter controls in the recruitment process to rationalize the number of group wide new recruits and to ensure that we attract high quality employees compatible with our organizational culture. Keeping the growth of manpower costs under control while improving productivity receives emphasis in this process.

Training & Development

A competency development framework for staff has been established which is linked to employees annual performance review enabling the identification of areas for development. Employees at all levels benefit from comprehensive professional and personal development programmes.



Outbound Training

A Management Trainee Programme which is designed to develop a general management team with leadership skills and overall exposure to the sectors and key functions within the group was introduced during the year under review. Candidates were selected via a rigorous recruitment process and are then put through a carefully structured training programme offering fast tracked career progression.

The long-term personal development of senior management was carried out through Individual Development Centres (IDC). The IDCs tested these candidates against a set of seven key competencies that were identified as crucial to the organization. Recruitment and evaluation of top management is now based on these competencies.

Rewards & Compensation

The compensation structure has been rationalized to reflect performance based reward structure driving a culture of performance and accountability. A system wide goal setting process where goals are discussed and agreed upon and set as the benchmark for performance evaluation is in place and has been widely accepted by staff. There is a greater emphasis on variable compensation which will be based on achievement of business and individual goals.

Customers and Business Partners

Our FMCG business is committed to delivering superior and consistent quality to consumers. Our new state of art manufacturing facility in Dankotuwa is ISO 9001 certified and adheres to GMP - Good Manufacturing Practices relevant to the cosmetic manufacturing industry. We constantly endeavor to deliver greater value to the consumer and have dedicated R&D staff conducting micro biology research, trials and testing within our cutting edge laboratory.

Being in a business that is integral to a customer's daily routine and personal life, the success of Hemas' FMCG brands are dependent on how far the products engage the customer. Gauging customer satisfaction and consumer needs is therefore critical, and each brand regularly commissions quantitative and qualitative research that supports the measurement of such factors, while regular field visits are also undertaken by brand custodians.

The FMCG brands have a clearly defined method of handling customer complaints, which ensures that complaints at any level in the distribution chain reach the individual brand manager quickly. Investigations into complaints are conducted through a customer complaint format developed by the quality control division, and relevant action is triggered. The cycle completes with prompt feedback to the customer on the status of his complaint.

We are also mindful of the crucial role played by our business partners and have a number of initiatives in place to ensure a smooth business operation on both sides. Assistance has been given to micro entrepreneurs to purchase equipment in some instances while alignment of

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quality standards with suppliers is achieved by sharing a quality manual. A detailed transparent evaluation scheme for suppliers ensures a proper selection procedure based on merit. Regular meetings are held with major suppliers to agree on timing and quantity and the presence of Hemas quality control staff at supplier manufacturing plants have led to a greater understanding of each others requirements resulting in quality standards being met.

Much time and resources are also spent on training and providing necessary facilities to our distributors. All distributors are now equipped with a hand held device to upload sales information enabling the provision of real time sales and stock movement data. Best producing distributors are recognized at an annual event.

A strict code of ethics governs the Pharmaceutical industry with emphasis laid on compliance with Cosmetic Drugs and Devices Authority (CDDA) requirements. Our pharmaceutical warehouse has implemented the Japanese 5S system which sets in place procedures and systems enabling tighter control on monitoring compliance with CDDA requirements. Periodic compliance audits are carried out together with representation from the Pharmaceutical Principal.

Feedback to Principals relating to packaging requirements, customer information and primary and secondary sales information create a working relationship based on mutual understanding. A Business Process Reengineering (BPR) process was undertaken recently to define each activity of the business in a process driven manner with the customer as the focus in order to streamline procedures and achieve cost efficiencies.



Ranbaxy received an award as the 'Best Supplier of Pharmaceuticals'

Close relationships are maintained at all levels with Principals enabling the sharing of best practices as well as awareness of global trends.

Our Principal, Ranbaxy received an award as the 'Best Supplier of Pharmaceuticals' for the second consecutive year by the State Pharmaceuticals Corporation of Sri Lanka, at their supplier convention held at Kandalama Hotel, Dambulla, in June 2007. Ranbaxy is ranked as the fourth largest pharmaceutical company in Sri Lanka.

Hotel Dolphin's superior performance in customer satisfaction is evidenced by the recognition given by tour operator First Choice, who awarded them the Gold award for the 3rd consecutive year.

Environment

We are progressively working towards reducing the impact our businesses have on the environment and inculcating the habit of environment consciousness among our staff.

While a number of initiatives have been taken in this area group wide, the environmental conservation policies implemented at Hotel Sigiriya stand out as a benchmark for the hotel industry. The following measures have been implemented during the year



Organic garden produce at Hotel Sigiriya

- Energy conservation: Solar water heating panels, card key switching of room air-conditioning, scheduled light switching, change to CFL lighting, installation of bio-mass gasifier for steam production.
- Water Conservation: Self contained biological sewerage plant, discharged water used for garden irrigation, water-saving cisterns, optional re-use of room linen. Approximately 30,000 litres of treated water output from Sewage Treatment Plant per day are used for irrigation.
- Solid Waste Management: Gradation of garbage and recycling, reusing, reducing, composting of garden refuse including vermi-composting; reduced use of plastic.

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- Organic Vegetable Garden - crops grown include corn, cauliflower, radish, curry leaves, green chilies, beans etc
- Air Quality Management: Reduced usage of aerosols, no incineration.
- 85% wet garbage and 75% of dry garbage is re-cycled. Less than 5% of total garbage is disposed without some form of re-cycling
- No chemical fertilizers used in gardening; treated water used for garden irrigation; margoza oil used as insecticide; compost/sludge from sewerage plant used as manure



Compost pit

Total mitigation measures (reduction of co2 emissions) per guest night due to initiatives already taken by hotel Sigiriya

| 2007/08 | Amount of CO2 emissions reduced per annum | Unit |
|--|---|------|
| By using solar panels | 4.21 | Mt |
| By using CFL bulbs | 2.16 | Mt |
| By card key controls for A/C s | 6.08 | Mt |
| By using bullock cart to reduce tractor & Lawn Mower usage | 0.84 | Mt |
| Absorbed by trees | 8.30 | Mt |
| Placement of Gasifier | 51.8 | Mt |
| Re-use of Linen | 0.06 | Mt |
| Water Re-cycling | 3.05 | Mt |
| Total reduction of CO2 emission | 76.5 | Mt |

| | | |
|--|---------|--------|
| Total No. of Guest Nights (at 39% occupancy) | 19,959 | |
| Reduction of CO2 per guest night | 0.00383 | Mt |
| Average duration of stay of a guest | 2.5 | Nights |
| Reduction of CO2 per guest stay | 0.0096 | Mt |
| CO2 reduction per average guest stay | 9.6 | kg |

Summary of results.

| | 2005/06 | 2006/07 | 2007/08 | |
|--|--------------|--------------|--------------|-----------|
| Total carbon footprint | 322.5 | 240.2 | 166.8 | Mt |
| Co2 equivalent per average guest stay (2.5 days) | 37.1 | 23.0 | 21.0 | kg |
| Total CO2 reduction in CO2 equivalent | | 9.0 | 9.6 | kg |
| Average financial saving | 32,854 | 31,600 | | USD |

The Chief Executive Officer of Serendib Hotels Mr Srilal Miththapala was invited to present a case study on this project at the recently concluded PATA Chief Executive Officer Challenge in 'Confronting Climate Change' in Bangkok.

Dr Sriyani Miththapala, renowned conservationist has commenced conducting an awareness program on the environmental impact of individual choices for our staff which is being rolled out group wide. This program which highlights the effect of simple day to day choices such as the use of polythene and plastic products, efficient use of CFL lighting, recycling paper, conserving water and many other actions, also quantifies the impact of each individual's change in behavior on the environment. This has proved insightful for many of us and many changes have been made in our office environment as a result, some as minute as eliminating polythene lunch sheets as straws in our canteen to staff switching off lights when they leave the office. This initial awareness program which is currently in progress will culminate in a Group policy on environmental conservation.

Our new Fast Moving Consumer Goods (FMCG) factory complex at Dankotuwa includes waste water and sewage water treatment plants enabling the recycling of water for maintaining the gardens, deep bore wells, gardens laid with indigenous trees and a number of features in line with minimizing the impact on the environment.

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The Heladhanavi power plant in which is a contributor to high carbon emissions in particular has taken measures to curb waste emissions, by selling sludge to small entrepreneurs who further refine it for sale. Heladhanavi also has several key environment-friendly features such as a green belt of 3000 acacia trees which reduce noise pollution and harvesting rainwater at two lakes on its perimeter.

Our Piyawara programme too incorporates awareness programmes relating to environmental preservation in its pre school education curricula. A number of tree planting campaigns were carried out during the year where children are asked to nurture a new plant during their school year inculcating the importance of preservation at an early age.

We recognize that much more needs to be done to conserve the environment for future generations. And we are proactively seeking avenues through which we can make this happen.

Accolades & Recognition

The Piyawara programme won an Award of Excellence for 'Support and Improvement of Education in Asia region' as an outstanding, innovative and sustainable project in Asia, at the annual Asian CSR Awards 2007 held in Ho Chi Minh City, Vietnam. The Asian Institute of Management presented the award.

Principal Hosts of this event were United Nations, Actionaid and Asian Institute of Management. This year's awards saw 186 entries from 117 companies in 14 countries, including

Sri Lanka vying for the prestigious awards. We are proud to note that all other winners were Fortune 500 companies, Multinationals and INGOs.

The Piyawara programme also won recognition at the Annual Corporate Citizens Awards 2007 held under the auspices of the Ceylon Chamber of Commerce. Winning under the Special Projects on CSR Disaster Relief Category, the award was in special recognition of the programme's preschool project.

The Ministry of Child Development and Women's Empowerment gave special recognition to Hemas when it appointed Hemas to the Government National Coordination Committee on ECCD which oversees the development and implementation of the National Policy on ECCD, a first for a member of the corporate sector.

