

SUSTAINABILITY INTEGRATION

Hemas prioritises sustainability, recognising its impact on the financial performance of the Group, its brand reputation, and long-term success. The Group believes strong corporate governance, product and service excellence, environmental stewardship, and social responsibility are the cornerstones of a sustainable business.

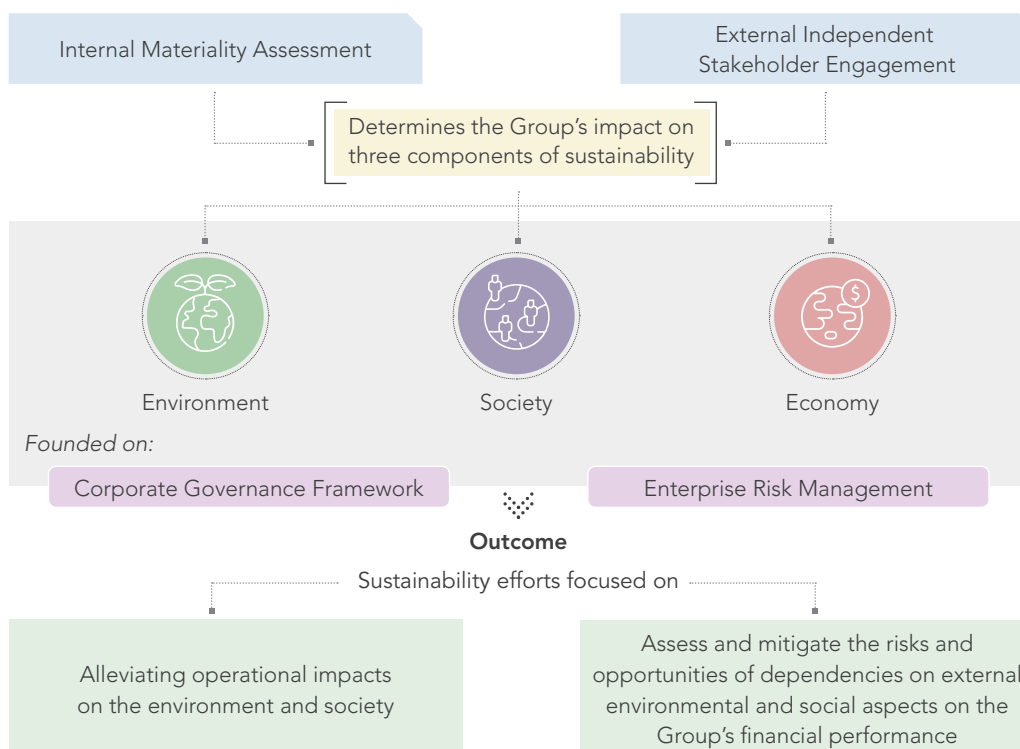
As a result of this commitment, the Group integrates responsible business practices throughout its operations and identifies and tracks key environmental, social, and governance (ESG) performance indicators. This section of the Annual Report details the ESG strategy of the Group, its governance structure, key initiatives, and performance metrics.



ESG AT HEMAS

At Hemas, ESG principles are not just a compliance exercise, but a way of life. The Group fosters a work culture that embraces ESG as a natural choice for every business decision and daily operations. The Group inculcates ESG into its day-to-day operations through learning, sharing, collaborating, and reinforcing.

The Group's overarching Sustainability Policy and management framework has been developed after taking into consideration the results of an internal materiality assessment and external independent stakeholder engagement exercise undertaken by the Group.



The Group Sustainability Policy, consisting of policies on environment, society, and economy, embeds the Precautionary Principle wherein the Group commits to take preventative action in the face of uncertainty to prevent potential risk and associated impact to its stakeholders and environment.

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COMPLIANCE ACROSS THE VALUE CHAIN

Being a predominantly manufacturing organisation, the Group focuses significantly on the human rights of its workforce and as a result, the Group Human Resources policies, processes, and practices are fully in adherence to Sri Lanka labour regulations which are aligned to the International Labour Organisation (ILO), guaranteeing the respect of human rights of its workforce, whilst ensuring the respect of human rights in its value chains as practicably as possible.

Refer **pages 100 - 114** for the Group's approach to Human Resource Management >

Third-party contract manufacturing operations undertaking dedicated production for the Group are audited by the respective businesses on the adherence to Sri Lanka labour regulations, environmental compliance and health and safety practices in their factories. The Group's Supplier Code of Conduct and its policy on supplier assessments on their environmental and social compliances also form part of the Group's efforts to encourage third parties with business relationships to align to the Group's sustainability and other related policies.

Refer **pages 139 - 142** for the Group's approach to Supplier Relationships >

POLICY COMMITMENTS AND INTEGRATION

All Group policies including the Sustainability Policy, Environmental Policies, Economic Policies, Labour Policies, Product-related policies and Health and Safety Policies are approved and ratified by Group CEO and the Board of Management. Commitment to these policies, the manner of implementation and handling any grievances are implemented as part of the business specific management process and is contained in the Disclosures of Management Approach (DMA) which is hosted on the Group website www.hemas.com. However, certain policy commitments relating to Group Human Resources policies are confidential in nature and are not

Highlights

- ♦ All Group policies are approved and ratified by the Group CEO and the Board of Management.
- ♦ The Group's policy commitments, as well as the approach to their implementation and grievance management are contained in the DMA found at www.hemas.com.
- ♦ Confidential policies are available to employees via the Group Intranet or by contacting their respective HR divisions.
- ♦ All employees of significant sectors sign the Group's Code of Conduct, the 'Hemas Way'.
- ♦ The Group's Environmental and Social initiatives are aligned to the UNSDGs and have been ratified by the Board of Management.

considered a public disclosure by the Group. These policies are available to employees through the Group Intranet or by contacting their respective HR divisions.

All employees of significant sectors at the time of induction sign the 'Hemas Way' document, the Group's Code of Conduct which provides guidance on Hemas' ethical standards and culture. The Group's Environmental and Social initiatives including initiatives of the Hemas Outreach Foundation are aligned to the United Nations Sustainable Development Goals and have been ratified by the Board of Management of the Group.

The Group relies on its ESG management framework to identify and remediate any negative impacts of its operations have on the environment, society, and employees. The Group also has in place an Environmental Agenda that addresses its environmental footprint, prioritising initiatives that promote responsible plastic consumption, safeguard the ecosystem, and protect natural resources.

GRIEVANCE HANDLING MECHANISMS

A grievance handling mechanism is in place for employees which includes suggestion boxes, joint consultative committees, and employee surveys. Additionally, each business unit has a dedicated senior team member(s) responsible for engaging with both formal and informal stakeholders to identify and, if necessary, address community grievances in and around its operational areas. All grievances are reported to the relevant Division within the Group for appropriate action, with senior leadership kept informed. Subsequently, the relevant team members engage with the affected parties to ensure their concerns are addressed satisfactorily, and where feasible, seek confirmation from the stakeholder.

REPORTING ON ESG PERFORMANCE

Aligned with the Group's commitment to reporting best practices, external assurance is obtained annually on both financial and non-financial disclosures in the Group Annual Report through a reputable accounting body. The sustainability assurance statement for the Group Annual Report 24/25, detailing the assurance process, standards used, and the level of assurance obtained, can be found on page 291 of the report.

The Group Management Approaches are supported by Key Sustainability Performance Indicators (KSPIs) to support the implementation of its sustainability policies. This enables the Group to identify, measure, track and report on the Group's identified material topics, leading to the mitigation of any ESG risks. The performance of each of the Group's material topics and its contribution to the value creation to each of the six capitals of Financial Capital, Manufacturing Capital, Intellectual Capital, Natural Capital, Human Capital and Social/Relationship Capital, is contained in the Integrated Group Review sections of this report. While the Disclosure of Management Approach are summarised within the relevant capital reports, and the full text is available online on the Group website, www.hemas.com.

The Group has also developed Standard Operating Procedures (SOP) for each material sustainability topic to ensure consistency, accuracy and completeness of data and conducts regular training to familiarise the Sustainability Champions and users of the policies, management approaches and SOPs.



ESG Management Framework
Used to identify and remediate any negative impacts of the Group’s operations on the environment, society, and employees.



Environmental Agenda
Addresses the Group’s environmental footprint, prioritising initiatives that promote responsible plastic consumption, safeguard the ecosystem, and protect natural resources.



Grievance Handling Mechanism
Supports employees through grievance handling mechanisms such as suggestion boxes, joint consultative committees, and employee surveys.

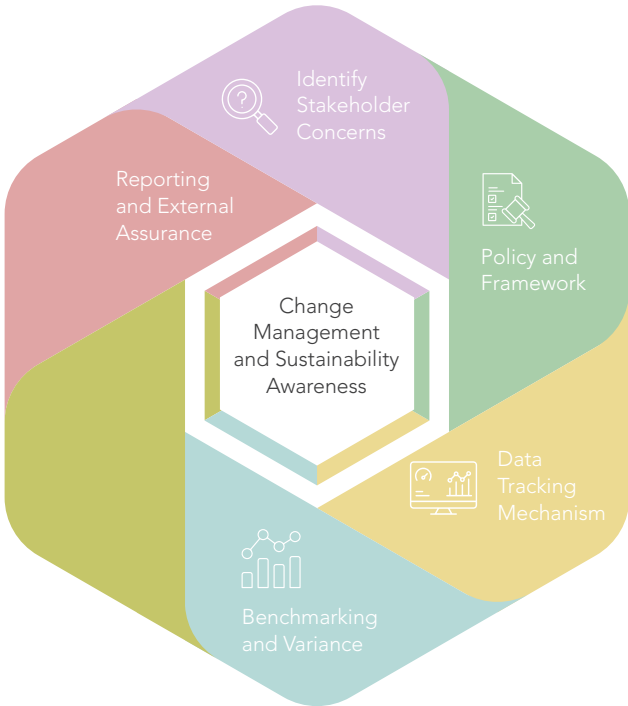


External Assurance of Reporting Content
Obtained annually in terms of both financial and non-financial disclosures in the Group Annual Report through a reputable accounting body.



Performance on Material Topics
Performance of material topics and their contribution to value creation is reported in relation to the six capitals, and contained in the Group Integrated Review.

ESG MANAGEMENT FRAMEWORK



Recognising the importance of integrating sustainability practices into the core of its business operations, the Group has in place a comprehensive ESG Management Framework which provides a systematic approach to achieving long-term sustainability goals and fostering a culture of responsible business conduct.

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The Group ESG framework is anchored by a well-defined organisational structure:



The Group also has established clear benchmarks and targets for its key ESG indicators. This ensures the Group prioritises impactful initiatives that align with the principles of a triple-bottom-line approach, considering environmental, social, and economic factors.

The Group ESG Management Framework is further strengthened by its integration with established management systems:

Quality, Environmental, Health & Safety Management

Group entities with significant operations are certified under ISO 14001 (Environmental Management System), ISO 45001 (Occupational Health & Safety Management System), and ISO 9001 (Quality Management System), while the remaining entities have adopted the Group policies on quality, environment and safety.

Risk Management

ESG considerations are embedded within the Group comprehensive risk management processes.

Internal Audit

Regular internal audits ensure adherence to ESG policies and best practices.

Compliance

Strong compliance culture of the Group ensures alignment with relevant ESG regulations.

Social Responsibility

The Group's focus on empowering families to aspire for a better tomorrow results in dedicated social responsibility processes being in place, which contribute to the positive development of the communities it operates in.

The Group ESG Management Framework is also periodically reviewed and updated, ensuring it remains aligned with evolving operational needs and industry best practices, enabling the Group to continuously elevate its ESG performance.

ESG GOVERNANCE

The following diagram sets out the various roles and responsibilities of the Group's governing bodies and employees with respect to ESG Governance.

The Board of Directors

- ♦ The Board of Directors of the Group is responsible for and drives the integration of sustainability within the Group.
- ♦ The Board of Directors delegates various aspects of the Group's ESG Management Framework to the Board of Management which is led by the Group CEO.

Group CEO and The Board of Management

The Board of Management, which includes Managing Directors of each of the Group business units reviews and approves the Group's Sustainability Policy and other related policies including Groups' Environmental policies, Human Resources policies, its policies on product quality and health and safety etc, which are developed, owned, reviewed, and updated by the respective divisions within the Group and its businesses.

The Board of Directors has also delegated to the Group CEO and the Managing Directors (MD) of each of the business units to:

- ♦ Work with the Group Corporate Affairs Division (GCA) to carry out internal materiality assessment to identify the material ESG topics covering areas of economic impact, social impact, and environmental impacts, including impacts from climate change and emissions.
- ♦ The implementation of the overarching Group Policies in their respective sectors to manage the identified material topics.
- ♦ The responsibility for implementation of Management Approach and SOPs within their businesses.
- ♦ Improving the performance of the Sustainability KPIs which are aligned to the Group's material sustainability topics.
- ♦ Undertaking internal and external assurances of the sustainability processes
- ♦ Review of external stakeholder engagement studies.

Group CEO and The Board of Management

The ESG and Sustainability Champions of each business, who have been appointed by the respective MD's are delegated the authority to:

- ♦ Provide ESG performance data for the Group's Key ESG Performance Indicators on a quarterly basis which includes aspects such as emissions and mitigating the impacts of climate change,
- ♦ Communicate ESG level risks,
- ♦ Champion ESG initiatives,
- ♦ Assist in the implementation of the Management Approaches and SOPs.

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ESG RISK MANAGEMENT

As a part of its Enterprise Risk Management process the Group assesses and identifies mitigation action for its enterprise levels risks, which includes the management of Physical Risks and Transitional Risks related to climate change.

To address the physical risks arising from climate change, such as natural disasters that could disrupt the operations of the Group, each business has in place Business Continuity plans, evacuation preparedness, and relevant insurance coverage to safeguard the safety of workers and protect property, plant, and equipment. The Group has also assessed the risks associated with transitioning to a low carbon operation from both financial and non-financial perspectives. To mitigate these transitional risks, the Group has commissioned the installation of rooftop solar panels across its businesses with significant operations, including its Head Office. The Group addresses its supply chain risks by diversifying the supply chain and mapping its critical suppliers.

Refer **pages 74-75** for more information on the Group's approach to ESG Risk Management.

Mitigating Physical Risks

- ♦ Business continuity plans
- ♦ Evacuation preparedness
- ♦ Relevant insurance coverage to safeguard the safety of workers and protect property, plant, and equipment
- ♦ Addressing supply chain risks by diversifying the supply chain and mapping its critical suppliers

Mitigating Transitional Risks

- ♦ Commissioning the installation of rooftop solar panels across businesses with significant operations, including its Head Office, to reduce reliance on fossil fuels and align with evolving energy standards.

MANAGING AND MEASURING ESG PERFORMANCE

The Board of Directors and Board of Management together with the Corporate Affairs team review the Group's Key Sustainability Performance Indicators (KSPIs) quarterly, assessing any changes, their underlying causes, and emerging ESG risks, including climate-related impacts requiring attention. Based on these reviews, they provide strategic direction to the Board of Management, who then guide ESG/Sustainability Champions and operational teams to take corrective actions or enhance performance.

Further details on KSPI performance can be found in the relevant capital write-ups in this report.

The Group's KSPIs encompass metrics such as climate impact, waste management, water consumption, occupational health and safety, and other environmental, social responsibility, and compliance metrics. Further details on KSPI performance can be found in the relevant capital write-ups in this report.

RESPONSIBILITIES OF THE GROUP CORPORATE AFFAIRS TEAM:

The Group Corporate Affairs (GCA) team is responsible for formulating Group-level environmental initiatives.

The following processes form the basis of communicating frontier risks and emerging areas of concern to the various decision-making bodies. The sustainability performance analysis and outstanding critical areas in relation the Group's material topics are communicated to the Board of Management on a quarterly basis.

Partnering with External Consultants to:

- ♦ Undertake periodic assessments of the Group's material sustainability topics,
- ♦ Update the sustainability standard operating procedures in line with changes in operating environment,
- ♦ Undertake quarterly data capture and analysis of sustainability performance based on established KSPIs via an automated performance monitoring system for reporting of such information to the Board of Directors and Board of Management.

Partnering with Sustainability Champions to:

- ♦ Track the performance and progress of the Group's KSPIs,
- ♦ Determine their contribution towards achieving Group level goals
- ♦ Facilitate internal audits of the Group's key operational facilities on a random basis.

Providing Updates to the Board of Directors on:

- ♦ The GCA's function
- ♦ Its challenges and deliverables
- ♦ Any improvements to the organisation's sustainability integration process, followed by discussions and implementation.

Responsible for Formulating Group-Level Environmental Initiatives

In addition to the above, sector-specific initiatives are undertaken by the sustainability and brand champions of the particular sector.

The ESG Champions meet regularly to share best practices and knowledge, facilitating a common understanding of sustainability across the Group. Furthermore, the Environment Committee comprising of Chief Engineers of the businesses meets with the Group Corporate Affairs team on a bi-monthly basis to discuss progress on agreed initiatives and share knowledge.

ENGAGING WITH STAKEHOLDERS

Businesses need the goodwill of stakeholders throughout its supply chain to drive sustainable growth.

The Group considers its key stakeholders to be stakeholders that have a significant influence over the Group, or who would be significantly impacted by Group operations.

The Hemas Group takes a structured approach to stakeholder engagement to identify their motivations, concerns of the operations of the Group, create awareness on Group policy and best practices on responsible business conduct, and views on the implementation of such policies.

The stakeholders are able to use the Group hotline or e-mail that is available on its products, relevant stakeholder communication channels and websites to highlight any concerns regarding the operations and business conduct of the Group. When a concern is raised the relevant division or party is informed of such concern and an investigation is carried out in line with the SOP in place.

The following diagram provides a description of our key stakeholders and their identified concerns.

Engagement with External Experts



Objective

To address the environmental impact of the Group operations and biodiversity concerns within the country



Action taken

The Group's partnership with the Wildlife and Nature Protection Society continued, with action taken to protect 17 critically endangered endemic species in Sri Lanka, out of a total commitment of 52 such species.

The Group with Clean Ocean Force and Eco Spindle to tackle marine pollution in Sri Lanka.



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	Consumers	Employees	Business Partners
Key Concerns	<ul style="list-style-type: none"> ♦ Quality of products, and efficient and effective services ♦ Affordability and accessibility ♦ Environmental and social responsibility 	<ul style="list-style-type: none"> ♦ Fair remuneration ♦ Opportunities for growth ♦ Concern for employees ♦ Safety and dignity/respect ♦ Engagement, feedback and grievance mechanisms 	<ul style="list-style-type: none"> ♦ Shared growth ♦ Technical assistance and knowledge transfer ♦ Domain knowledge, skills and expertise ♦ Long term partnerships
Group Response	<ul style="list-style-type: none"> ♦ Growing portfolio of affordable products and services to enrich the lives of the communities ♦ Efficient distribution networks to reach consumers 	<ul style="list-style-type: none"> ♦ Strategic management of HR processes with Board oversight ♦ Healthy workforce initiatives 	<ul style="list-style-type: none"> ♦ Timely payments ♦ Fair play and transparent processes ♦ Initiatives to share knowledge and build capacity
	Across all Stakeholders <ul style="list-style-type: none"> ♦ Meetings ♦ Press releases ♦ Websites ♦ Social media ♦ Correspondence ♦ Industry exhibitions ♦ Roadshows 	Specialised Mechanisms <p><i>Consumers:</i></p> <ul style="list-style-type: none"> ♦ Satisfaction Survey (ongoing) ♦ Annual Engagement Survey ♦ Hotlines <p><i>Employees</i></p> <ul style="list-style-type: none"> ♦ Annual Engagement Survey ♦ Performance Reviews ♦ Joint Consultative Committees 	Specialised Mechanisms <p><i>Business Partners</i></p> <ul style="list-style-type: none"> ♦ Annual Supplier Registration <p><i>Investors</i></p> <ul style="list-style-type: none"> ♦ Annual and Quarterly Reports ♦ Notices to CSE (needs basis) <p><i>Government</i></p> <ul style="list-style-type: none"> ♦ Regulatory Reports (as specified)
			
	Investors	Government	Community
Key Concerns	<ul style="list-style-type: none"> ♦ Sustainable growth and returns ♦ Good governance and transparency ♦ Risk management ♦ Timely communications 	<ul style="list-style-type: none"> ♦ Compliance with regulatory requirements ♦ Partner socioeconomic development in country 	<ul style="list-style-type: none"> ♦ Environmental and social responsibility ♦ Opportunities for shared growth ♦ Support for community needs
Group Response	<ul style="list-style-type: none"> ♦ Regular dividends ♦ Continuous enhancement of earning capacity ♦ Maintaining strong governance and risk management processes ♦ Continuous transparent communication 	<ul style="list-style-type: none"> ♦ Established processes to ensure compliance with regulatory requirements ♦ Investments in growth sectors of the economy ♦ Timely payment of regulatory dues 	<ul style="list-style-type: none"> ♦ Established two trusts for engaging in projects at national level ♦ Engagement with local communities by businesses ♦ Maximise inputs from SMEs where possible

IDENTIFICATION OF SUSTAINABILITY TOPICS

The Group aligns all identified key sustainability concerns of significant stakeholders to the relevant sustainability topics of the GRI framework.

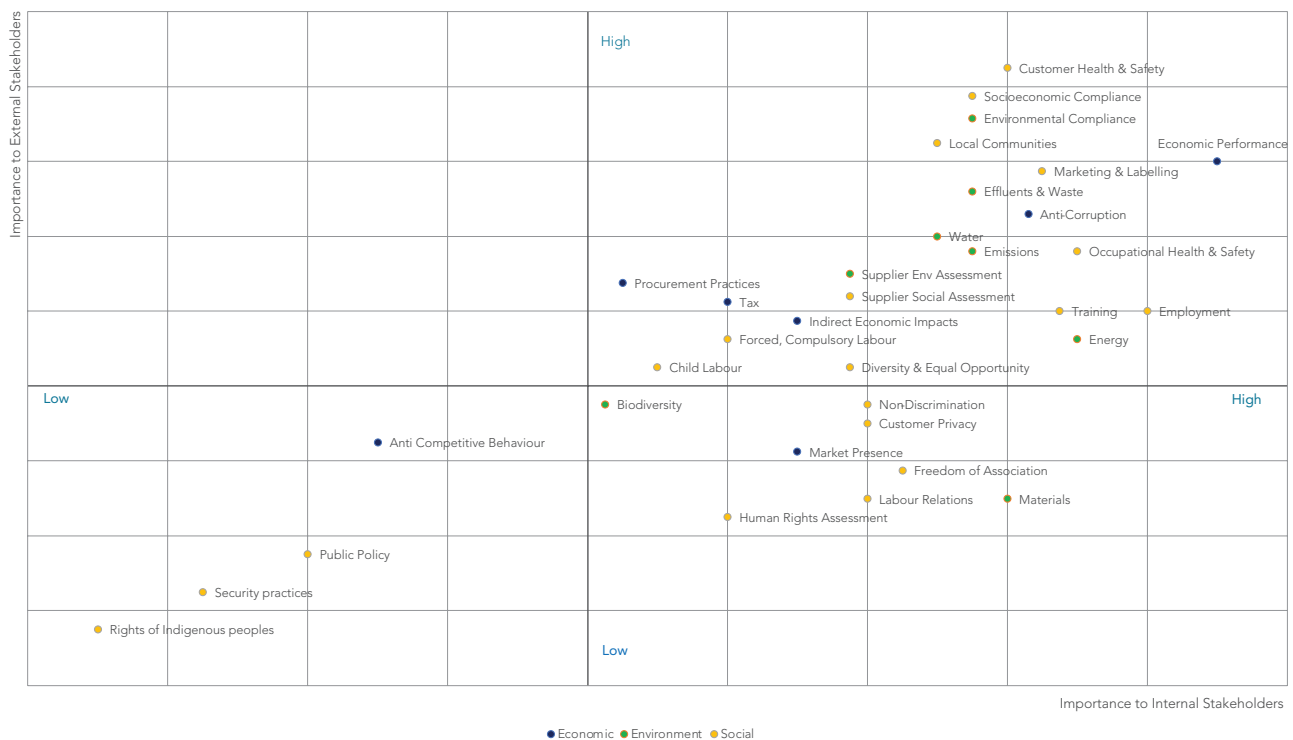
During FY 22, in an effort to further entrench ESG practices across its operations, the Group revisited its sustainability topics. This resulted in the Group prioritising its impacts from operations using the GRI Standards Topics as a baseline of potential impact areas, and then utilising those material impacts to identify the ESG risks and sustainability-related risks and opportunities (SRROs) that arise from

such impacts, with consideration also provided to dependencies of resources. This ESG risks assessment exercise to understand the organisation's SRROs were undertaken based on the principles of the COSO Risk Management Framework utilising the severity of impact and likelihood of occurrence, leading to the Group identifying its financially material topics. This framework was used in tandem with the six-part materiality assessment of the AA1000 Standard of Accountability (UK) to prioritise the material topics from an impact perspective, thereby ensuring that the Group's materiality assessment encompassed an approach of double materiality. The materiality assessment

process was undertaken based on the actual and potential negative and positive impacts considering the severity of impacts and the likelihood of occurrence. The identified topics were reviewed by the Managing Directors of each business and Group CEO, and once approved was consolidated at Group level.


















In defining report content, the Group prioritises material topics according to their impacts and importance to significant internal and external stakeholder groups.















Mapping of Material Topics



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Prioritised material topics are categorised according to the Group's management approaches accordingly. More information of the Group's Disclosure of Management Approach can be found on the Group website www.hemas.com/sustainability.

Material Topic	GRI Standard	Disclosure of Management Approach	Management of Capital	Relevant UNSDGs
Economic Performance	GRI 201: Economic Performance GRI 201-1: Direct Economic Value Generated GRI 201-3: Defined Benefit Plan Obligation and Other Retirement Plans and Distributed	Economic Performance	Financial and Manufactured Capital	  
Anti- Corruption	GRI 205: Anti-Corruption GRI 205-1: Operations Assessed for Risk Related to Corruption			
Energy	GRI 302: Energy GRI 302-1: Energy Consumption within the Organization GRI 302-3: Energy intensity	Environment	Natural Capital	 
Water	GRI 303: Water 303-1: Interactions with water as a shared resource 303-2: Management of water discharge-related impacts 303-3: Water Withdrawals 303-4: Water Discharge 303-5: Water consumption			 
Emissions	GRI 305: Emissions GRI 305-1: Direct (Scope 1) GHG Emissions GRI 305 -2: Energy Indirect (Scope 2) GHG Emissions 305-4: GHG emissions intensity 305-5: Reduction of GHG emissions			  
Waste	GRI 306: Waste GRI 306-1: Waste Generation and significant waste related impacts GRI 306-2: Management of significant waste related impacts. GRI 306-3: Waste generated			  
Employment	GRI 401: Employment GRI 401-1: New Employee Hire and Employee Turnover	Labour Practices and Decent Work	Intellectual and Human Capital	
Occupational Health & Safety	GRI 403: Occupational Health & Safety GRI 403-1: Occupational health and safety management system GRI 403-2: Hazard identification, risk assessment, and incident investigation GRI 403-3: Occupational health services GRI 403-4: Worker participation, consultation, and communication on occupational health and safety			 

Material Topic	GRI Standard	Disclosure of Management Approach	Management of Capital	Relevant UNSDGs
Occupational Health & Safety	<p>GRI 403-5: Worker training on occupational health and safety</p> <p>GRI 403-6: Promotion of worker health</p> <p>GRI 403-7: Prevention and mitigation of occupational health and safety impacts directly linked by business relationships</p> <p>GRI 403-9: Work related injuries</p>			 
Training	<p>GRI 404: Training</p> <p>GRI 404-1: Average hours of training per year per employee</p> <p>GRI 404-3: Percentage of employees receiving regular performance and career development reviews</p>	Labour Practices and Decent Work	Intellectual and Human Capital	 
Freedom of Association and Collective Bargaining	<p>GRI 407: Freedom of Association and Collective Bargaining</p> <p>GRI 407-1 : Operations and suppliers in which the right to freedom of association and collective bargaining might be at risk</p>			
Prevention of Child Labour	<p>GRI 408: Prevention of Child Labour</p> <p>GRI 408-1: Operations and suppliers at significant risk for incidence of Child Labour</p>			 
Prevention of Forced or Compulsory Labour	<p>GRI 409: Prevention of Forced and Compulsory Labour</p> <p>GRI 409-1: Operations and Suppliers at Significant Risks for Incidents of Forced or Compulsory Labour</p>			
Local Communities	<p>GRI 413: Local Communities</p> <p>GRI 413-1: Operations with Local Community Engagement, Impact Assessments, and Development Programs</p>	Society	Social and Relationship Capital	     
Customer Health and Safety	<p>GRI 416: Customer Health and Safety</p> <p>GRI 416-2: Incidents of non compliance concerning the health and safety impacts of products and services</p>	Product and Service Responsibility		
Marketing and Labelling	<p>GRI 417: Marketing and Labelling</p> <p>GRI 417-2: Incidents of non compliance concerning product and service information and labelling</p>			
Customer Privacy	<p>GRI 418: Customer Privacy</p> <p>418 – 1: Substantiated complaints concerning breaches of customer privacy and losses of customer data</p>			