

# STRATEGIES, POLICIES & PRACTICES

## Sustainable Development Strategy

Our Sustainability roadmap up to 2030 and Sustainable Development Strategies are aligned to our international commitments. Therefore, our growth strategy incorporates the principles and objectives of these international commitments towards Human Rights, Labour Right, Environmental Conservation, Anticorruption, Sustainable Technologies and Social Welfare.

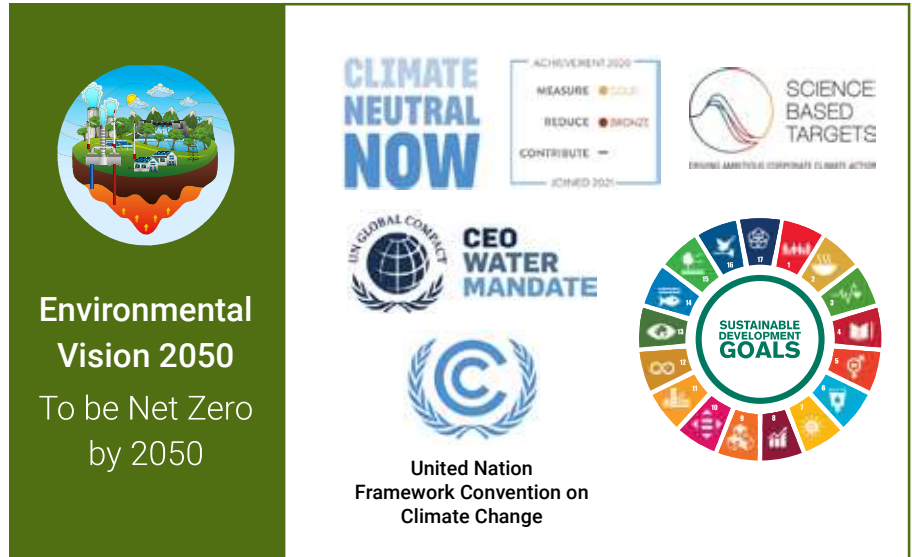
### GRI 2-23 Policy Commitments for Responsible Business Conduct

In addition to our good governance practices, HPL has a Comprehensive Policy Framework, reflecting our business philosophy and ethics, to guide our sustainability strategy and its deployment.

### Our Commitment to Global Sustainability Initiatives

- United Nations Framework Convention on Climate Change (UNFCCC)
- United Nations Sustainability Development Goals (UNSDGs).
- United Nations Global Compact (UNGC)
- United Nations Climate Neutral Now
- United Nations CEO Water Mandate
- Science Based Targets Initiatives (SBTI)

Having formally adopted to the UNGC and UNSDG commitments, HPL reports on its progress annually, to the UNGC. We kindly request all interested parties to access these reports for further details of our progress with regards these commitments.



1. HPL's UNGC Annual Progress :
2. The GHG Inventory Report, verified by the Sri Lanka Climate Fund:
3. Ecosystem Restoration Verification Public Summary:



### Membership in sustainability forums

- Biodiversity Sri Lanka (BSL)
- Wildlife and Nature Protection Society (WNPS)
- Sri Lanka Association for the Advancement of Quality and Productivity (SLAAQP)
- United Nations Global Compact (UNGC)

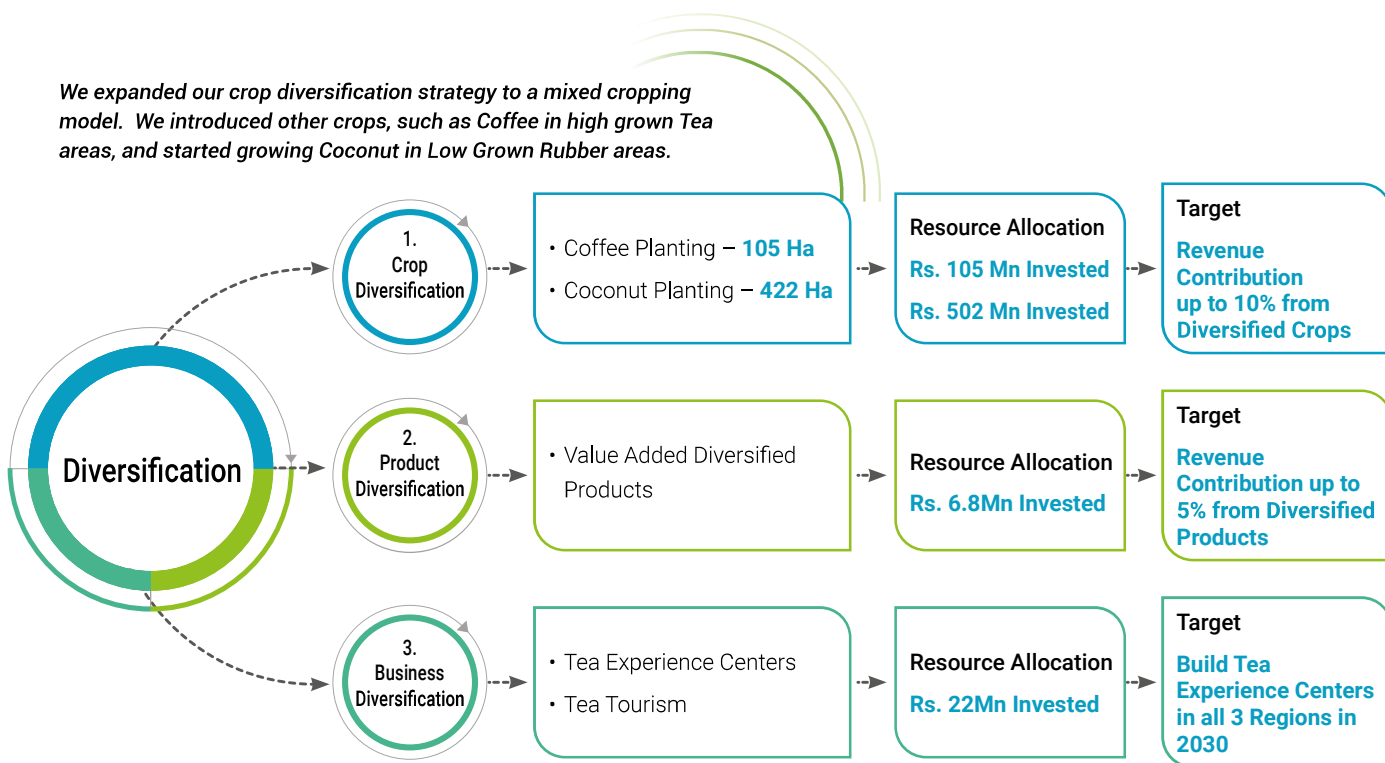


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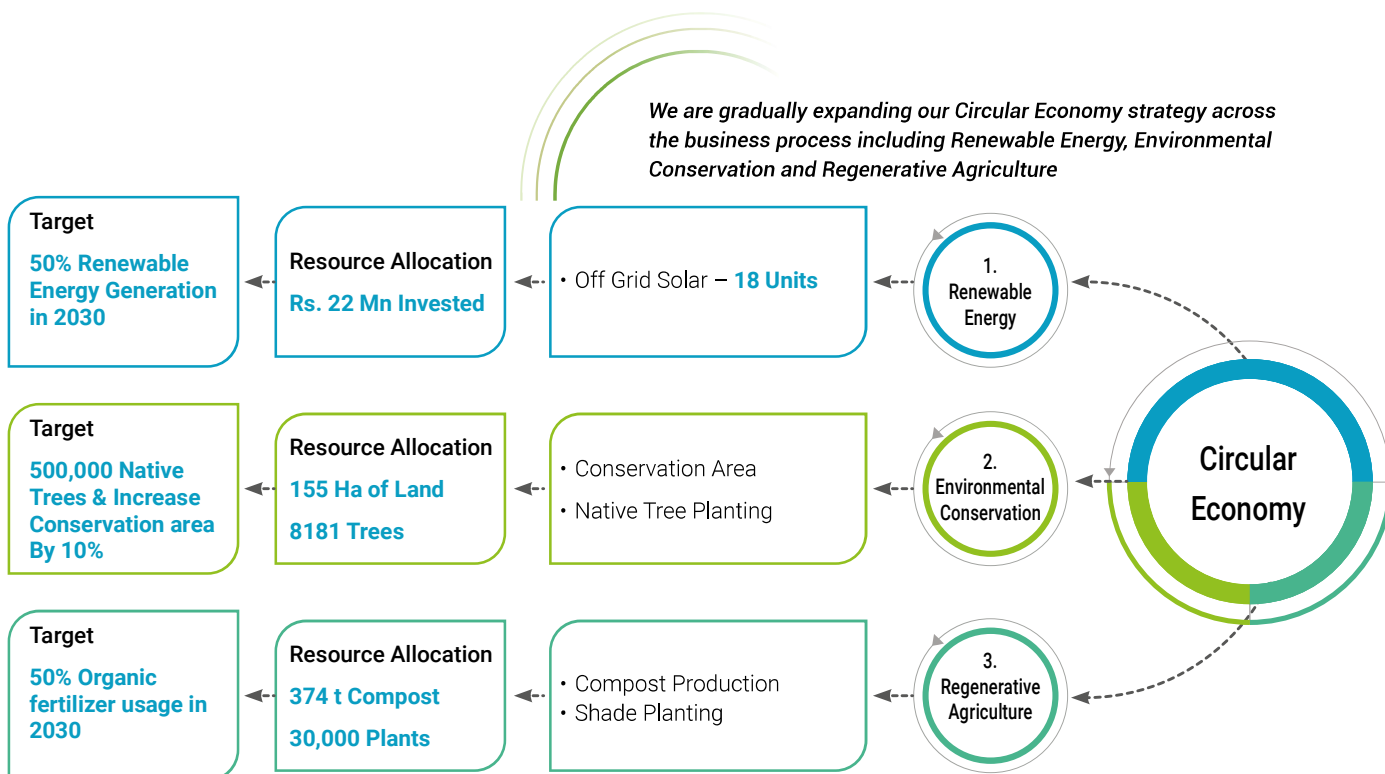
## RESOURCE ALLOCATION & PROGRESS AGAINST TARGETS

HPL's Sustainable Growth Strategies are Diversification, Circular Economy, Community Empowerment and Automation & Digitalization,

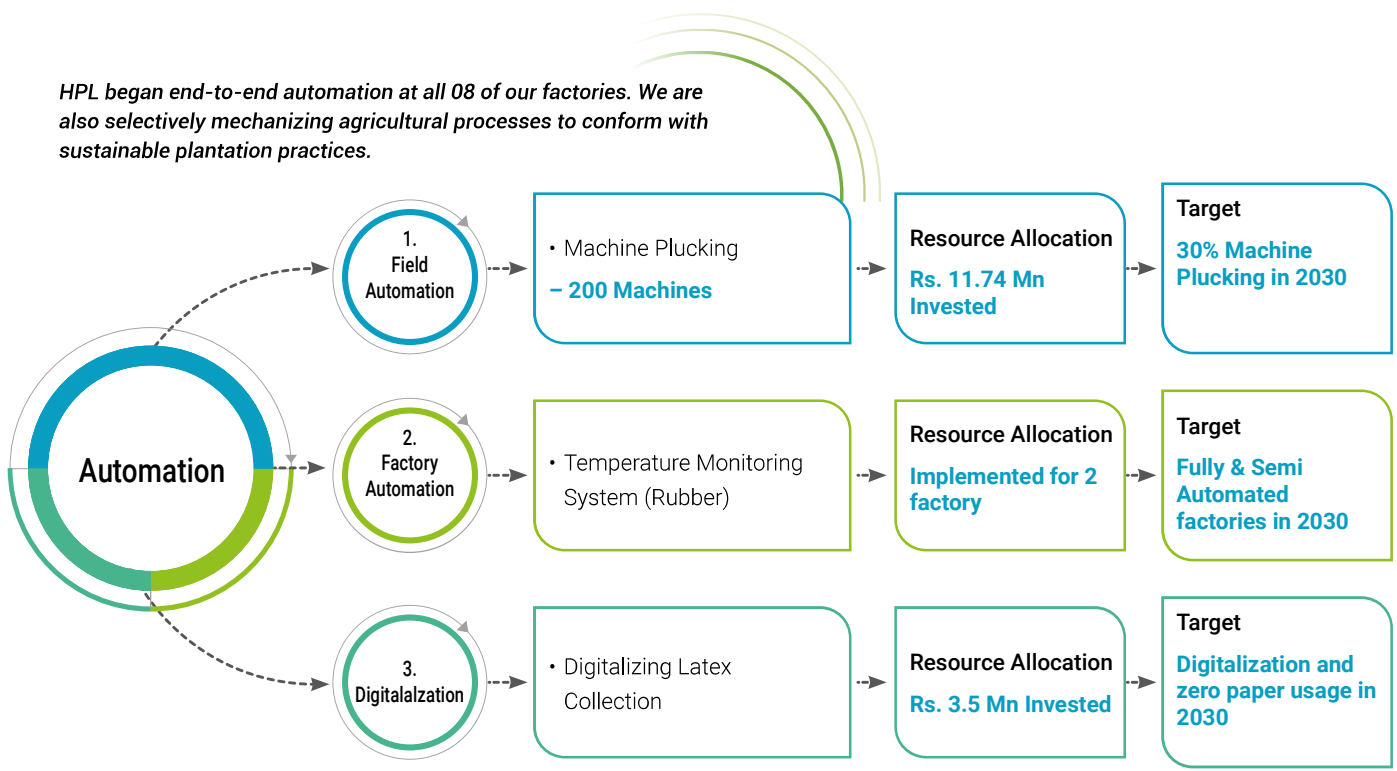
*We expanded our crop diversification strategy to a mixed cropping model. We introduced other crops, such as Coffee in high grown Tea areas, and started growing Coconut in Low Grown Rubber areas.*



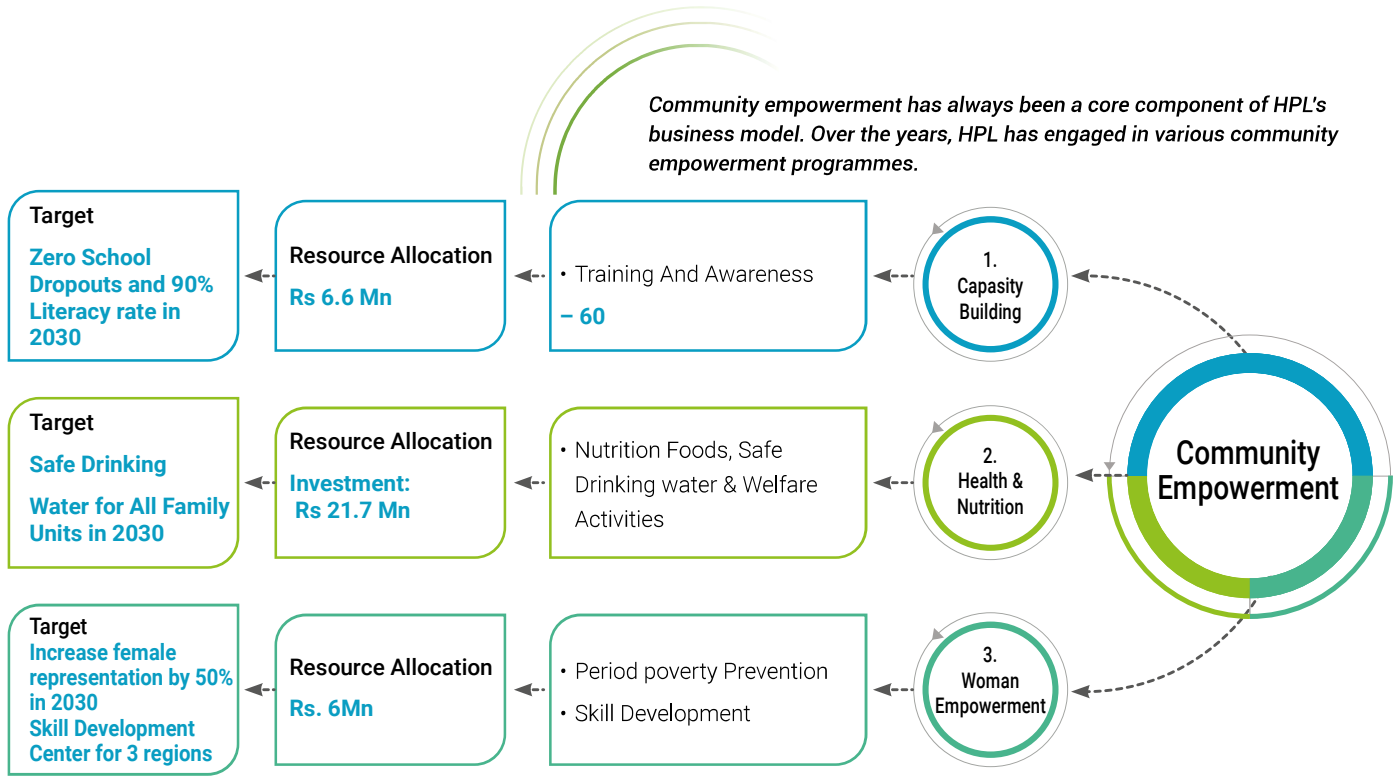
*We are gradually expanding our Circular Economy strategy across the business process including Renewable Energy, Environmental Conservation and Regenerative Agriculture*



HPL began end-to-end automation at all 08 of our factories. We are also selectively mechanizing agricultural processes to conform with sustainable plantation practices.











Community empowerment has always been a core component of HPL's business model. Over the years, HPL has engaged in various community empowerment programmes.







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## INTEGRATION OF INTERGOVERNMENTAL COMMITMENTS INTO HPL'S POLICY FRAMEWORK

No	UNSDG	Progress /Initiatives under the Commitment
		<p>Our initiatives for poverty alleviation target our tea estate population of over 29,000. These include programs designed to generate additional incomes, beyond the traditional wages from tea plucking and estate labor. These include:</p> <ul style="list-style-type: none"> <li>• Employments for estate worker family members</li> <li>• Support to start poly-house cultivation and home gardening</li> <li>• Sundry contracts are provided for sundry works in estates, in addition to regular estate labor.</li> <li>• Premiums from Fairtrade and Fair Rubber production are credited to a separate account for welfare</li> <li>• Produce reusable sanitary napkins to help prevent period poverty.</li> </ul>
		<p>We address poor nutrition among estate communities.</p> <ul style="list-style-type: none"> <li>• Nutrition programs on all estates for children</li> <li>• Midday meals for toddlers at 17 estate crèches</li> <li>• Free lunch packets for Workers during the cropping seasons</li> <li>• 24 Home gardening Projects For all estates</li> <li>• Distributing wheat flour to meet the calorie requirements of the estate employees</li> </ul>
		<p>Estate community health initiatives include:</p> <ul style="list-style-type: none"> <li>• Nutritious food</li> <li>• Health and safety at work – ISO 45001:2018</li> <li>• Awareness creation regarding healthy lifestyles</li> <li>• Awareness of health and cleanliness</li> <li>• Separate housing units for workers</li> <li>• She-Essentia project</li> </ul>
		<p>We provide training and education for all employees, including estate workers. Families of estate workers and their children are also provided educational support including scholarships, free school supplies and vocational training.</p> <ul style="list-style-type: none"> <li>• 40 rubber tappers from HPL rubber estates obtained NVQ 3 certification</li> <li>• HPL is among the plantation companies to award Skills Passports for field staff.</li> <li>• Our estate creches for estate children</li> <li>• E-learning platform for estate school-going children</li> <li>• Pre-school facilities for Estate Children</li> </ul>

No	UNSDG	Progress /Initiatives under the Commitment
		<p>A majority of employees in our tea plantations are women. We maintain a strict merit-based payments system, and zero tolerance approach to sexual harassment, to change traditional mindsets among estate communities.</p> <ul style="list-style-type: none"> <li>• In addition, HPL maintains a gender equality policy with regards to all aspects of employment, including recruitment, wages, promotions, training opportunities and rewards.</li> </ul>
		<p>We invest in clean water for estate communities.</p> <ul style="list-style-type: none"> <li>• Drinking water projects for estate communities with the technical support of external non-governmental organizations (ADRA, World vision, Rainforest Alliance and Fairtrade Foundation)</li> <li>• Improving sanitation standards by building toilets for estate families (with help of the PHDT)</li> <li>• Housing for workers that include hygienic toilets.</li> <li>• Construct sustainable female hygiene units on every Division</li> </ul>
		<p>Horana Plantations PLC has invested in renewable energy,</p> <ul style="list-style-type: none"> <li>• On-grid rooftop Solar – 5 units</li> <li>• Off-grid Rooftop Solar – 18 Units</li> <li>• Hydropower Plant – 2 Units</li> </ul>
		<p>HPL has a comprehensive employment policy framework in compliance with national labor laws and equal opportunity employment commitments, that fosters a decent work environment for all employees. In addition, we support economic growth through both direct and indirect employment creation.</p> <p>HPL Employment Policy Framework</p> <ul style="list-style-type: none"> <li>- Employment Policy (including anti-child labor and anti-forced/compulsory labor)</li> <li>- Occupational Health and Safety Policy</li> <li>- Sexual Harassment Prevention Policy</li> <li>- Gender Equality Policy</li> <li>- Anti- Anti-discrimination and Anti-harassment Policy</li> <li>- Youth Policy</li> <li>- Contagious Diseases Policy</li> <li>- Anti-bribery Policy</li> <li>- Freedom of Association Policy</li> </ul>

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No	UNSDG	Progress /Initiatives under the Commitment
		<p>We make an annual capital allocation for research and development (R&amp;D).</p> <p>R&amp;D objectives:</p> <ul style="list-style-type: none"> <li>• Collaborate with universities, clients and suppliers for new technologies.</li> <li>• Maintain human and financial resources allocated for R&amp;D.</li> <li>• Protect and exploit results of our R&amp;D</li> <li>• Strengthening our scientific and technological bases.</li> <li>• Provide access to our employees to relevant technological information to acquire new knowledge</li> <li>• Encourage ideas of our employees and encourage teamwork</li> </ul>
		<p>We have developed a holistic approach towards addressing and reducing inequalities. Gender discrimination of women is prevalent within Sri Lankan society and is a deep rooted tradition in Sri Lankan estate communities.</p> <ul style="list-style-type: none"> <li>• Therefore, we maintain a non-discriminatory organization culture, where recruitment, pay and all career development opportunities are merit based.</li> <li>• We educate all employees and estate communities about gender discrimination, sexual harassment and the rights of women to change attitudes and to create a safe living and working environment for women and children.</li> <li>• We conduct many projects to empower women. One such highly successful initiative is the She-Essentia project.</li> </ul>
		<ul style="list-style-type: none"> <li>• We have been investing in renewable energy and we have expanded our renewable energy investments as a key component of creating a sustainable work infrastructure.</li> <li>• As an ongoing maintenance activity, every year, we invest in developing and maintaining road networks within our estates.</li> <li>• Every year we contribute towards community housing, sanitation and access to drinking water, as well as developing rainwater harvesting systems within our estates. We also build and maintain creches for children of our estate communities and many other community infrastructures.</li> </ul>
		<p>Responsible consumption and production are at the heart of our sustainability strategy through energy management, water and effluent treatment, waste and material management through circular economy initiatives and correct disposal.</p> <p>Please refer Natural Capital chapter for information on our initiatives</p>

No	UNSDG	Progress /Initiatives under the Commitment
		We support climate action to achieve Net Zero status by 2027 and carbon neutral status by 2030. Please refer Natural Capital chapter for information on our initiatives.
		<ul style="list-style-type: none"> <li>Establishing riparian buffer zones along the streams and water channels to prevent potential water pollution from agricultural activity</li> <li>Preventing illegal fishing to conserve aquatic animals.</li> </ul>
		We have many highly impactful projects to protect our biodiversity and natural resources. Please refer Natural Capital chapter for information on our initiatives
		<ul style="list-style-type: none"> <li>We comply with all applicable regulations on labor, environment, customer safety and community welfare.</li> <li>We promote respect for rule of law and responsible citizenry throughout our Company and our estate communities.</li> <li>A responsible supply chain management system is operational to comply with ethical and socially and environmentally responsible operations.</li> </ul>
		We have a wide network of partners, including government, nongovernment and academic establishments, to obtain specialized technical knowledge and funding for sustainability initiatives including social welfare activities as well as environmental conservation projects and for agricultural innovations. Please refer the Social Capital and Natural Capital chapters for information on our ongoing projects and project partners.

**GRI 2-24**

**Embedding policy commitments**

We embed our Sustainability Policy Commitments into our Value Chain, Supply Chain and all grades of employees, through targeted training programs, Standard Operating Procedures (SOPs), compliance with international accreditations and national regulations, environmental and social impact assessments and due diligence of suppliers. These are described below;

• **Appointment of a Central Sustainability Team**

A Central Sustainability Team has been appointed that reports to the Managing Director and the CEO.

• **Sustainability Certification**

SOPs are aligned with accreditation standards in line with our policy

commitments and employees are trained to comply with the accreditation requirements. Conformity is validated annually, through external audits. We have qualified for multiple sustainability accreditations and management quality standards, demonstrating a high level of sustainability integration within the Company hierarchy.

HPL is the first Company to be accredited for Certified Oil Palm in the world. This global recognition was awarded by the Forest Stewardship Council (FSC) and confirms through independent, external verification that our oil palm cultivations are environmentally and socially sustainable.

**Our Sustainability Accreditations includes:**

- Sri Lanka Good Agricultural practices (SL-GAP) for fruits (01 estate)

- Forest Stewardship Council (FSC) (Oil palm cultivation)
- Rainforest Alliance Certification (08 Tea Estates)
- Ethical Tea Partnership (ETP) (09 Tea Estates)
- Fair-trade Certification (03 Tea Estates)
- Fair Rubber (01 rubber estate)
- Forest Stewardship Council accreditation (FSC™) (01 Rubber Estates)
- Eco Label Certification (8 estates)
- GHG Inventory verification (ISO 14064-1:2018) (14 Estates)
- Eco-System Restoration Verification – (6 Estates)

**Environmental, Social Impact Assessments (ESIA) in Estates**

We conduct annual ESIA on all our estates

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to monitor Social and Environmental performance of each estate with the support of external experts and findings are presented to HPL's Central Sustainability Team with recommendations on improvements.

## Supplier Social and Environmental Impact Assessments

Annual due diligence is conducted with suppliers. In addition, around every 5 years, or as required by external sustainability accreditation requirements, social and environmental assessments are conducted on selected business partners including firewood suppliers, bought leaf suppliers and waste collectors, with the assistance of an independent external consultant.

## Carbon Footprint Measurement

We conduct carbon footprint measurement exercises to raise awareness among all employees toward sustainable operations.

## Compliance with Environmental and Health and Safety Regulations

All our factories comply with Central Environmental Authority (CEA) directives and are subject to annual inspections by the CEA. We also comply with the Factories Ordinance, including its health and safety directives, which are inspected annually by the Labour Department.

## Application of Global Best Practices

Employees are trained in best practices on health and safety, agricultural practices, land irrigation, water use, effluent treatment, waste water disposal and waste disposal. We also conduct training programs with environmentalists to increase awareness.

## Community and Employee Participation in Sustainability Initiatives

We conduct a range of initiatives with estate community participation as described in our strategies. We provide

training and conduct awareness programs to embed sustainability concept into estate families. In addition, we have established community committees to oversee sustainability-related aspects. These include:

- Estates wise Water Management Committees.
- Gender Committees in estates wise to address gender issues.
- Every estate division has a Child Protection Focal Point person and a mobile monitoring application has been developed to monitor that child protection protocols are observed.
- Sustainability Champions are appointed for every estate.
- Estate Wise Youth clubs.
- Estate Wise Waste Management Committees.

## GRI 2-25 Processes to Remediate Negative Impacts

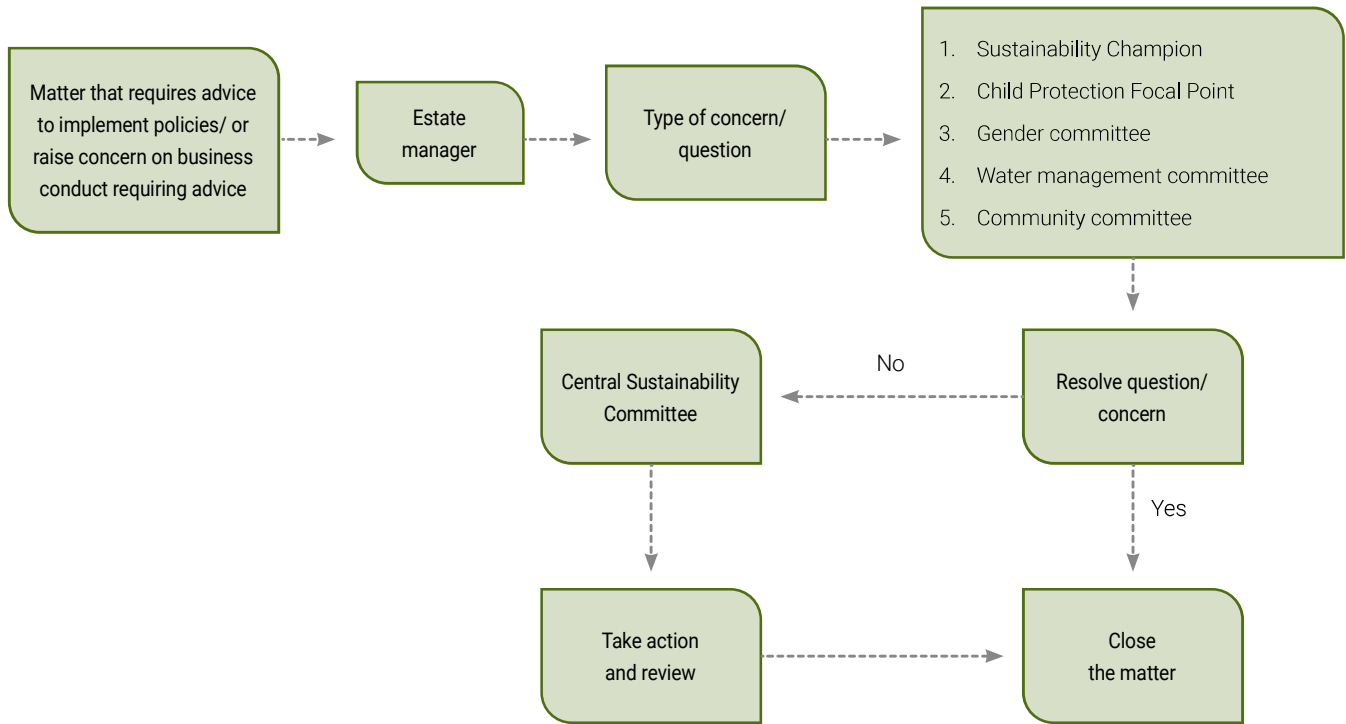
In the case of any negative impacts, there is a system to initiate corrective action. The negative impact is communicated to the Sustainability Team and corrective action is formulated. The Sustainability Champion at each estate is tasked with implementing corrective actions at an operational level, under the guidance of the Central Sustainability Team.





**GRI 2-26 Mechanisms for seeking advice and raising concerns**

A clear mechanism is available for individuals including employees and estate communities, to seek advice on implementing HPL's policies and practices for responsible business conduct, and to raise concerns regarding business conduct.



**GRI 2-27 Compliance with laws and regulations**

There have been no instances of significant non-compliance with laws and regulations by Horana Plantations PLC, during the reporting period.

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## WAY FORWARD

With the evidence of economic stability, a positive growth rate is predicted for the ensuing year. HPL intend investing in sustainable agri businesses with Solar Energy and expansion in Oil Palm cultivation, and ensure a better Climate Smart Crop Diversification in our portfolio and to maximize from the land mass, with less dependency on Tea revenues, and sustain healthier revenue streams that are less worker intensive. With an aging Plantation population and the reluctance of the younger generation taking to Plantation, Community Empowerment and skill enhancement through Technology Transformation to an agribusiness venture, and, with a higher earning capacity to the aspiration of the younger generation, the family unit in the plantations would retain for the Plantations' sustainability. Automation and Mechanization to reduce worker dependency, lead time, improve product quality and productivity are avenues we intend investing in the ensuing years.



### Short Term;

Implement renewable energy interventions, adopt climate-smart agricultural practices to mitigate risks, automate factories to minimize costs, and collaborate across departments to ensure a comprehensive approach to working capital management.

### Medium Term;

Invest in poly tunnels, optimize new technology, create value-added products, invest in plantation tourism, and adopt regenerative agricultural practices to improve water quality.

### Long Term;

Develop its trademark, achieve net-zero carbon emissions, trade carbon credits, maintain matured land with a motivated workforce, and diversify into new agribusiness ventures.

## SHORT TERM;

In the immediate term, interventions are made for the use of renewable energy, by way of factory and bungalow roofs' space to be used up for solar energy production and mini hydro optimization to reduce the high cost of energy in manufacturing, narrowing cost. Climate smart agricultural practices to be expedited to mitigate climate change repercussions on production outputs and revenue losses and adverse impacts on livelihoods. Automation in factories to be undertaken to reduce cost and improve productivity.

Inclusive Community Empowerment training to be undertaken by professional trainers, for the sustenance of the industry and to create a climate to encourage new recruitment, and retain the existing cadre, and for shared revenue employment opportunities to be introduced to create farming entrepreneurs. Intensive planting of Oil Palm in the low elevated wet zone to maximize the productivity of land use for higher revenue generation.

By implementing effective working capital management and liquidity strategies, the

Company has successfully managed the working capital and maintained sufficient liquidity to support the operations and growth. This includes regularly forecasting cash flows to meet short-term liquidity needs, efficiently managing receivables and payables to minimize inventory-to-cash conversion time, and monitoring debtor and inventory aging reports to address overdue receivables and slow-moving inventories. The Company maintains access to short-term credit lines for unexpected cash flow shortfalls and establishes minimum cash reserves

based on its risk profile. Cost control measures and operational cost reviews are regularly conducted to reduce unnecessary expenses and enhance cash flow, with collaboration between finance, operations, and sales departments ensuring a comprehensive approach to working capital management.

#### **MEDIUM TERM;**

Invest in Poly Tunnels and create Value Added Products to optimize new technology and land use. In the medium term, With the intensive promotion on tourism and high inflows of foreign travelers expected, Invest on plantation tourism, with a view to create a niche Tea Plantation Tourism with its nature and biodiversity to be discovered by making use of the PEKOE TRAIL and the Bungalows with a very rich heritage of the plantation Raj, by high worth travelers. Consolidate Coffee plantations and intercrop with High Density Tea plantations for higher product diversity in the Tea Plantation , maximizing from its high elevations, for a high quality end product. Regenerative agricultural practices to be intensified with a view of improving Soil Carbon, Bio Diversity, Climate Resilience,

improving Water Quality and Working towards a Carbon Neutral by 2030.

#### **LONG TERM;**

In the long term, all Agro produce manufactured would be Value Added and trademarked to add value to the plantation Company and to maximize higher revenues. The Company would be a Net Zero Carbon emitting plantation Company and would be in a position to trade off Carbon Credits for higher revenues. With the cultivable land being in productive stage, with a highly motivated specialized work force, the Company would diversify into new agribusiness ventures for growth.