



DISCLOSURES OF MANAGEMENT APPROACH

At Hemas, sustainability is a way of life.

We believe in creating sustainable value to all our stakeholders as the only way to achieve long-lasting success. To our shareholders, we are committed to delivering superior returns consistently over the long term. This will be possible only if we successfully deliver enduring value to our customers, employees and other stakeholders.

As a process, sustainable value creation or 'Sustainability',

- Begins with stakeholder engagement
- Is measured quarterly to ensure performance against targets
- Is a key consideration in all our decisions and is part of our strategy formulation
- Is demonstrated in our all actions

In order to understand our stakeholders' interests and respond to them, the Group periodically engages in an independent third-party led stakeholder engagement exercise, further to the continuous internal engagements conducted. This is key to the success of our business as the significant economic, environmental and social impacts identified as highly relevant to our key stakeholders are identified as material topics which are then integrated into our Group-wide sustainability strategy, allowing us to address common issues and develop long-term solutions, while managing risks in our business environment.

These material topics also provide the basis for measuring of sustainability performance against key sustainability related performance indicators, which forms the Group's triple bottom line. Sustainability performance is monitored, analysed and reported periodically for decision making purposes and the data is also incorporated into its Annual Report which communicates the Group's triple bottom line performance to our stakeholders.

This document elucidates the Hemas Group's Management Approaches towards the Group's material sustainability aspects, which are reviewed annually through an internal materiality assessment exercise undertaken by the Sustainability division along with the senior management of the Group and all its subsidiaries, to ensure that the sustainability strategy and reporting process remains relevant, is continuously improved and applicable given the external operating environment. The management approaches also cover the reporting boundary as disclosed in the Sustainability Reporting boundary Section of the Group's Annual Report.

The Management Approaches contained in this document are reviewed annually by the Sustainability Division, senior management of the various operating units as relevant. Based on feedback from these sources, as well as results from the internal and external stakeholder engagements and independent third-party assurances, changes and modifications to these Management Approaches are carried out to ensure relevance, practicality and ensuring that the risks identified by the above sources are effectively mitigated.

The Group adheres to the Global Reporting Initiative (GRI) Standards and ensures independent third party assurance of the sustainability information disclosed in the public domain through its annual report.

ECONOMIC

“Established on sound governance, ethics, and accountability, the Hemas Group is dedicated to enhancing its contribution to all stakeholders via the triple bottom line, generating significant economic value addition while delivering sustainable performance.”

Topics Covered: GRI 201: Economic Performance; GRI 205: Anti Corruption

Management Approach

As one of Sri Lanka’s largest conglomerates, the Hemas Group has a responsibility to all its stakeholders and the economic pillar of the Triple Bottom Line sustainability strategy are of utmost importance. As the Economic Policy suggests, the Group is dedicated to enhancing its contribution to all stakeholders via the triple bottom line, generating significant economic value addition while delivering sustainable performance. Therefore focus is given to good governance, rigorous internal controls and a risk management process which are defined in the organisation-wide policy that has been adopted. Furthermore, the Group’s Financial Statements mirrors the Group’s commitment to delivering value to its shareholders.

The Hemas Group complies with all local regulations of countries in which it operates in, and ensures that its taxes and dues are settled on time, not only to its financiers and government bodies, but also to its suppliers and employees.

The Group’s Employment related policies ensure that timely and performance based remuneration also occurs for its employees, including benefits such as Employees’ Provident Fund (EPF) contributions, and Employees’ Trust Fund (ETF) contributions as well as a retirement gratuity, in line with the local labour laws and regulations.

The Group’s Outreach Foundation focuses on endeavours that support communities and stimulate local economies, while maintaining the Group’s social license to operate.

The Group Corporate Governance structure further explains the responsibilities related to alignment of stakeholder interests and the continuous engagement with shareholders, employees and other various stakeholder groups, to address their interests and concerns.

Performance Monitoring

The Group’s economic value-added statement is designed to give the reader a full but concise understanding of how the group enhances its economic impacts of it operations. It also serves as a measure of achieving strategic goals of the Group, such as delivering growth, driving innovation and creating sustainable solutions.

Moreover, the Group tracks its indirect economic impact through workforce details such as wages and benefits, community investments, availability of products and services for those on low incomes (such as preferential pricing of pharmaceuticals), operations in areas of high poverty and disadvantaged customer segments, and the number of jobs supported in the supply or distribution chain.

In order to enhance the economic value that the Group generates, it is understood that a performance and productivity-led culture is vital. The Group therefore adopts various measures to motivate and drive performance such as performance driven compensation. The Group also compensates according to market benchmarks to maintain its image as a market leader in Sri Lanka.

As a company based predominantly in Sri Lanka, the Group's senior management team are almost entirely hired locally. The Group also stimulates local economies by directly supporting families and indirectly supporting the livelihoods of various communities of Sri Lanka, through employment opportunities and procurement from local suppliers. The Group also engages in sub-contracting and contract manufacturing to enable the transfer of knowledge and support the local industries and economy. Moreover, the group's enterprise development and socio-economic development investments also create indirect value by increasing overall economic output.

Anti-Corruption

Hemas Holdings PLC has zero tolerance towards any form of corruption and all employees are expected to conform to the Group's Code of Conduct in all internal and external dealings.

The Hemas Group has a 'zero tolerance' approach to dishonest, corrupt and illegal conduct and thus takes a proactive approach to corruption prevention by assessing all its operations for risk of corruption as part of its risk management process, identifying probable risks of corruption and developing strategies to prevent and manage these risks effectively. This is further reflected in the Group's Anti-Corruption Policy. There are also structured processes in the group to review all business conduct and ensure compliance with legislation, company ethics, codes and policies, as well as channels to facilitate remedial actions that would result from any violations, such as grievance handling mechanisms.

Induction and other staff training programmes address expected behaviour in terms of the company's ethics, codes, policies and procedures. Ongoing communication through employee handbooks and letters of appointment (employees sign their respective letter of appointment at recruitment level, which includes the Group's Code of Conduct) reinforce our commitment to our values and expected behaviour. All new employees participate in induction training and orientation. To ensure that conflicts of interest are avoided, staff are required to formally declare any direct or indirect interests in contracts and/or businesses.

A whistle blowing mechanism as well as a grievance handling procedure are also in place to support the above mechanisms.

The group is also a signatory to the UN Global Compact of which Principle 10 addresses corruption. For details on the UN Global Compact, see: www.unglobalcompact.org.

ENVIRONMENT

“As a leading manufacturer and conglomerate, Hemas Holdings PLC is committed to minimise harmful practices and embrace emerging trends that will assist the organisation in leaving behind a gentler environmental footprint. The Group is therefore mindful of its impact to the environment and has instigated numerous policies to ensure the Group conducts its business in an environmentally sustainable manner, while adhering to all environmental regulations of the countries we operate in. The Group operates on the basis of the precautionary principle, where it strives based on available information to take a cautious approach in undertaking operations that may impact the environment. Further, the Group strives to encourage its distributors, customers, contract manufacturers, suppliers and the public to support its commitment to the environment.”

Topics Covered: GRI 302: Energy; GRI 303: Water; GRI 304: Biodiversity; GRI 305: Emissions; GRI 306: Effluents and Waste; GRI 307: Environmental Compliance; GRI 308: Supplier Assessment - Environment

Management Approach

As a large conglomerate with subsidiaries in various business sectors, the Hemas Group is highly resource intensive. Therefore, the Group is committed to utilising its environmental resources efficiently and minimising its environmental impacts which occur through operations, through environmental management systems such as ISO 14001 in many of its operating subsidiaries as relevant. The Group has also extended its policies and environmental impact management procedures to its value chain.

The Group especially places importance on the management and reduction of energy use, water consumption, carbon emissions, waste generation and effluent discharge, and any impacts to biodiversity, and seeks to manage the above aspects with the use of reduction targets and best practices to minimise negative environmental impact, while complying with all applicable laws and regulations.

The Group’s overall environmental policy is supported by sub-policies and management approaches which are reviewed regularly by senior management, while the Sustainability Division operationalises the above policies through the CEOs of companies, Heads of Divisions and Sustainability Champions of each subsidiary.

The Group also established a set of Standard Operating Procedures (SOPs) in the 2018/19 financial year to streamline processes and ensure data accuracy, which will be supported with a dynamic internal sustainability assurance process, going forward. The Group understands the importance of the need for external assurance of its publicly disclosed sustainability information and the Sustainability Division of the Group therefore employs an annual external assurance conducted by an independent third party to ensure reliability of information.

The management approach covers the reporting boundary as disclosed in the Sustainability Reporting boundary Section of the Annual Report.

Performance Monitoring

The Hemas Group tracks and analyses its environmental performance against material sustainability topics. The sustainability topics identified while being based on the GRI Standards, also incorporates areas of strategic importance to the Group and which resonate with the Group’s values. The Group is compliant with all local laws and regulations related to the environment, and any environment related grievances or any other feedback from

stakeholders are also recorded and corrective action taken immediately should any further improvements to processes be needed.

The Group identified general environment grievances through its comprehensive stakeholder engagement exercise that was carried out by an independent third party. Environmental grievances are also recorded at each operating location of each subsidiary. A designated officer acts as a key contact for any environmental grievances of the local community, regulatory authorities or any other relevant stakeholder. Where required, issues are escalated through the middle management of the subsidiary to the CEO of the subsidiary, who is also part of the Group's Board of Management.

Environmental reporting and management methods are constantly being improved to ensure improvement of day-to-day management and monitoring of environmental issues.

Energy and Emissions Management

Hemas Holdings PLC commits to optimize its energy use in an attempt to reduce operating costs and minimise damage to the environment and society, including its overall carbon footprint by adopting lean manufacturing practices and exploring opportunities to use renewable energy sources

As a responsible corporate citizen, the Group ensures that its energy and emissions management policy focuses on minimising the Group's overall carbon through improvement of its energy consumption, non-renewable energy efficiency and by exploring opportunities to increase use of renewable energy sources. These are entrenched in the group's strategic planning processes and operations.

Regular maintenance and lean operational practices ensure that operations run optimally and consume less energy. The group also utilises the skills and expertise of a maintenance engineers to identify and coordinate the maximisation of energy efficiency opportunities across the group, and has in place a Group Environmental Committee that meets periodically to share information and best practices across the various operating units of the Group.

All electricity and fossil fuel consumption are monitored through calibrated metering. The greenhouse gas protocol of the World Resources Institute (WRI) and the World Business Council for Sustainable Development (WBCSD) is used to measure the Group's carbon emissions, while carbon emission factors found in the IPCC guidelines for national greenhouse gas inventories published by the Institute of Global Environmental Strategies (IGES) are also used for calculating our carbon footprint. Currently, the carbon intensity of the Group is calculated using the total Group revenue, which also forms the base for carbon reduction targets in the years to come.

Water Management

The Group seeks to conserve and optimize its use of water. The Group seeks to minimise usage and withdrawal of blue water sources, recycle and reuse discharged water wherever possible and prevent wastage through regular maintenance. All water discharged to the environment will meet the discharge quality levels stipulated by regulations.

The Group recognises that water is an increasingly scarce and critical global resource and has adopted a water management policy to ensure that all group companies are committed to be responsible custodians of water resources by measuring, monitoring, managing and reporting its water use as standard business practice. The Group is also committed to more efficient water consumption through reduced use, increased recycling and by proactively implementing other initiatives that conserve water or mitigate the effects of its use for business operations if and when necessary. The policy also establishes that all discharged waste water must be compliant with discharge quality levels specified by local laws and regulations.

Water consumption and discharge is measured through water meters and where meters are unavailable, through estimates based on pump time. Further, Group companies with significant water usage are required to ensure that water withdrawn is measured at source, and identify applicable new technologies and/or process improvements to conserve water where commercially sensible, including enhanced resilience to water scarcity. Special attention is given to sourcing from catchments in areas with water stress and both upstream and downstream water use will be included for data collection purposes whenever plausible. Currently, the water intensity of the Group is calculated using the total Group revenue, which will form the base for water reduction targets in the years to come.

These efforts are supported by awareness generation activities to instigate behavioural change in employees, as well as surrounding communities and suppliers, which are carried out centrally through the central Sustainability Division. The Group hopes that such programs will assist to steward water as a shared resource and minimize any risk of water stress.

Waste Management

Hemas Holdings PLC commits to minimizing waste by reusing, recycling and by purchasing recycled or recyclable goods if available, economical, suitable for the purpose and is in line with international standards of hygiene and safety. The Group further commits to ensure proper disposal of all types of waste. The Group also maintains a policy on hazardous waste that ensures pre-approved guidelines are followed.

The Group recognises that with the increase of its operational footprint, there is also an increase in the consumption of raw materials and in turn, waste generation. Therefore the Group's waste management policy calls for the optimal use of virgin material through reusing and recycling. Both hazardous and non-hazardous waste streams are monitored by type, volume, disposal method and destination. While the group is committed to reporting all waste by weight or volume to ensure consistency and comparability, it also places emphasis on overall reduction of waste and responsible disposal of the same.

The Group also maintains a Hazardous Waste Management Policy with guidelines for the disposal of such waste through licensed third party contractors.

The above policies are supported by generating awareness on policy guidelines across its locations, and encourages waste segregation and the use of appropriate disposal methods to operationalize these policies. Waste generation data is based on electronic measurements, dispatch/issue notes generated at security points prior to waste items leaving the site as well as other estimation methods. Targets on waste management will be established based on the operational activity of the relevant subsidiary. The Group is aware of its requirement to further streamline its waste segregation and measurement processes prior to establishing Group level targets.

Biodiversity

Hemas Holdings PLC recognises and accepts its ethical and legal responsibilities in the stewardship of biodiversity, both on our land holdings and where our activities may have an impact. Therefore the Group is committed to support local regulators to conserve protected areas and ensure that our operations do not impact the biodiversity of such environmentally sensitive areas.

While the Group's operations do not have a large impact on biodiversity, some of its operations are in the vicinity of protected areas. The Group also places great importance in persevering the local natural habitats and ecosystems and therefore its impact on biodiversity is continuously monitored. The Group has a comprehensive grievance mechanism in place to record any biodiversity related grievances of the surrounding communities and any official complaints from regulatory authorities.

The Group also plans to conduct biodiversity audits in locations closest to protected areas, to ensure that its presence has a positive impact on the surrounding environment.

Compliance/Spillage

Entrenched in our code of ethics and code of conduct is the requirement to be compliant with the law and to protect the environment. This is regarded as the minimum requirement and the group strives to conduct its operations as a responsible corporate citizen. Where possible, we also participate in the formulation of responses to draft policy and legislation.

The Group tracks and monitors any fines paid by the Group Companies, spillages and all other compliance related requirements as per Sri Lankan legislation. Related Operational Health and Safety incidents are also tracked for the same purpose. Standard Operating procedures that inter-alia, require safeguards such as secondary containment are used to report and minimize impacts from spillages and overall environmental impacts.

LABOUR PRACTICES & DECENT WORK

“The Workplace Policy sets out the Group’s position on what we expect from our employees as work-place ethics and how we aim to be a just and fair employer upholding the values that have shaped us into a blue-chip Sri Lankan conglomerate from our humble beginnings in 1948.

Our base values include: integrity; open-society; simplicity: to be humble, simple and cost-conscious; a sense of urgency; boldness in thought: in taking challenges and leading by example.

Topics Covered: GRI 401: Employment; GRI 403: Occupational Health and Safety; GRI 404: Training; GRI 407: Freedom of Association

Management Approach

Hemas Group considers its human resources an asset to the group and the foundation of its success. As an organisation that predominantly engages in the service industry, ‘people’ are identified as a strategic focus area in the business. One of the group’s most vital attributes is creating value through - and for - employees by attracting, developing and retaining globally competitive people necessary to maintain a competitive advantage, reach our vision and achieve our growth targets.

To achieve this objective, the Group has in place HR policies covering areas of employment, training and development, and occupational health & safety. The management approach covers the reporting boundary as disclosed in the Sustainability Reporting boundary Section of the Annual Report.

Performance Monitoring

Hemas Group continuously works towards maintaining a healthy, diverse and skilled workforce together with high employee satisfaction. All Group companies, at minimum, adheres to all relevant local labour laws and regulations which are based on ratified ILO conventions. The Group also practices beyond compliance through benchmarking ourselves against peers and industry best practices.

Hemas Group monitors and reports all relevant GRI indicators such as attrition, training hours, health and safety incidents and wellness of employees, which are then reported to top management for review and decision making purposes. The Group’s Sustainability division then operationalizes these policies and approaches through Heads of Sectors and through the HR business partners of each of the Group’s subsidiaries.

Currently, employee engagement surveys are carried out periodically, to understand areas of concern and potential conflict, especially of those in the workforce who do not have access to email. Further, the Group sought to identify labour grievances across a sample of employees across several locations, through its independent stakeholder engagement survey. Further, an open-door policy is followed as an engagement method adopted at business unit level, in addition to the policies which are in place to address concerns and resolve issues/conflicts in a fair and transparent manner.

All Sri Lankan employees are eligible for Employees' Provident Fund (EPF) contributions, and Employees' Trust Fund (ETF) contributions. As per the Gratuity Act No 12 of 1983, employees are also entitled to retirement gratuity where employees with more than 5 years of service receive half a month's last drawn salary for every year of service on retirement or termination of service. The Group adheres to all the above country regulations with regard to benefit plans for employees at a minimum.

As a leading conglomerate Hemas Group also practices beyond compliance through best practices such as medical leave, paternity leave and flexible working arrangements.

Moreover, the Group has an established culture that celebrates meritocracy. Therefore a performance appraisal process is used to enhance employee performance management and create an open platform for employees and their supervisors to discuss areas of improvement, establish future goals, discuss expectations and accomplishments and obtain overall employee feedback. Under this process, all employees of the group undergo annual appraisals to receive feedback on their performance.

Health and Safety

Hemas Holdings PLC is committed to minimize any avoidable injuries and occupational illnesses, thereby striving to create a zero-accident environment for our employees, customers and all other relevant stakeholders through the adoption of sound risk management principles.

The Group's philosophy of creating a zero accident environment for all relevant stakeholders ensure that business units operate under a strict risk management audit protocol incorporating health and safety. Moreover as mentioned, the Group's workforce is a vital asset and therefore, recognizes the importance for the Group to continuously invest in occupational health and safety (OHS) and conduct continuous awareness generation activities.

The scope of this policy includes all employees included in the organization, contractors, agency workers and employees or suppliers, customers or other business partners, Workers who are not employees and whose work and workplace are not controlled by the organization, but the organization's operations, products or services are directly linked to significant occupational health and safety impacts on those workers by its business relationships as well as its customer base.

As per the Group's health and safety policy, all subsidiaries must take a proactive stance with regard to OHS management practices and comply with prevailing legislation. The Group has also implemented the OHSAS 18001 management system in subsidiaries where relevant.

OHS is the direct responsibility of subsidiary CEOs, augmented by provision of information by the Groups risk management and sustainability divisions. At present, the Group records on rates of injury, occupational diseases, near misses, lost days, absenteeism and total number of work related casualties of its workforce. Minor occupational injuries or diseases that result in less than one lost day is excluded from these reports. Health and safety reporting is reviewed on a quarterly basis by the Sustainability Division as well as the senior management. However, in the forthcoming years, the Group hopes to track and monitor more leading indicators such as the number of workers trained in hazard identification and reporting, the frequency of health and safety inspections or audits, the average time it takes to implement the recommendations of an inspection or audit, and response times for the investigation and elimination of hazards.

To support a culture of health and safety, various awareness programs and trainings are conducted on a continuous basis. Safety control is made operational through continuous monitoring by the sites' safety officers. While fire and other disaster evacuation drills are conducted periodically to ensure a prompt response in case of an emergency.

The Group's Sustainability division conducts regular internal assurances at all significant SBUs to ensure data accuracy and understand probable risks from a sustainability perspective. This includes OHS related matters which are shared with Management for necessary action.

Training and Development

We invest in training to build the competencies of our staff which will enable them to contribute to the sustainable growth of Hemas Group, whilst achieving their personal growth.

The Group recognises that achieving its vision and sustainable value-creation objectives rests on the ability of its people. Therefore, developing and retaining globally competitive people is necessary to implement the group's strategy and meet its growth targets. This objective is achieved through focused talent identification, recruitment, individual employee development plans, career-paths, training and development programmes, competitive reward systems and careful succession planning. This is supported by the Group's performance appraisal process. Further, career development programmes such as mentoring programmes, sponsorships to obtain professional qualifications and linkages to university and other technical colleges to gain industrial expertise is also conducted by the Group Human Resources Division.

The Group believes that lifelong learning is necessary for career development and building a sustainable competitive advantage.

Freedom of Association

We recognise the right to freedom of association and have made no restrictions for our employees to bargain collectively, within the laws of the country in which we are operating.

We recognise the right to freedom of association and have made no restrictions for our employees to bargain collectively, within the laws of the country in which we are operating. Therefore, all our employees are free to join an industrial association and take industrial action when required, provided that these actions conform to the laws of the country. Moreover, the Group conducts direct management-worker meetings periodically, to promote cooperative conflict and grievance resolution practices.

HUMAN RIGHTS

The Group views the advancing and protecting of human rights as an imperative. Related policies set out how the Group aims to create a work environment that embraces the values of our Group and respects the dignity and rights of our employees and all stakeholders associated with Hemas, thereby endorsing practices that conform to universally accepted human rights. These policies which are based on the principles of compliance and good corporate citizenship, are continuously being embedded into our daily operations.

Topics Covered: GRI 408: Child Labour; GRI 409: Forced, Compulsory Labour;

Material Topics and Management Approach

Employee grievances related to disrespecting human rights are identified through various mechanisms such as employee surveys which are carried out regularly, the periodic independent stakeholder engagement activities, the formal grievance procedure available at each SBU, suggestion/grievance boxes, a dedicated HR division for each subsidiary, a central HR division, and an open-door policy where any employee can meet their supervisors and discuss any issues candidly and freely. Such mechanisms are in place to address concerns and resolve issues/conflicts in a fair and transparent manner.

The management approach covers the reporting boundary as disclosed in the Sustainability Reporting boundary Section of the Annual Report.

The Group is also a signatory to the UN Global Compact, of which Principles 1 and 2 specifically address this issue. For details on the UN Global Compact, see: www.unglobalcompact.org.

Monitoring of Performance

All Group companies adhere to policy guidelines related to human rights related material topics, which are also aligned to the local labour laws and regulations. This is further monitored by the continuous tracking of incidents related to human rights violations (especially child labour, and forced labour) through the Group's quarterly sustainability performance assessment process

While the Group ensures that information regarding the policies and violation of the same is disseminated amongst all its subsidiaries, related trainings are also provided to relevant employees. The Group's Sustainability division conducts regular internal assurances at all significant SBUs to ensure data accuracy and understand probable risks from a human rights perspective. These are then shared with Management for necessary action.

Child Labour

Hemas Holdings PLC has zero tolerance towards child labour and therefore does not hire any person below the age of 18 nor endorse it among any of our stakeholders, including our supplier base, distributors and contract manufacturers

The Group does not have child labour as it is contrary to the Group's code of ethics and values.

In accordance with the local legal terms, a 'child' is a person under the age of 14 years and a 'young worker' is a person who is under the age of 18 years, but has already completed the age of 14. Being part of a nation that has ratified the major ILO Conventions related to child labour (Minimum Age to Employment, 1973 No.138 and Convention on the Worst Forms of Child Labour, 1999 No.182), Hemas Group also adheres to the same, and ensures that employment of young persons under the age of 18 years is prohibited in its operations.

Cross checks are conducted using identification (both birth certificates and national identity cards) to ensure that minimum age requirements are met, and at least one type of identification is checked at site at the entry point for casual / daily workers.

Forced or Compulsory Labour

Hemas Holdings PLC ensures that all employees are employed at their own will, and are not subject to corporal punishment or coercion of any type related to work. The Group also strives to ensure that its suppliers respect human rights and take reasonable steps to satisfy it that this precondition is being met.

The Group does not have forced or compulsory labour as it is contrary to the Group's code of ethics and values. As per the above mentioned Group policy, no employees of the Group are coerced or subject to overtime hours that are not compliant with the legally stipulated hours, or subject to intimidation. In line with legal requirements and industry standards, compensation through overtime or variable pay is provided for employees who work beyond normal working hours, in addition to being provided with meals and transport where applicable.

SOCIETY

As a large conglomerate with island wide operations, Hemas Group enables sustainable development in surrounding communities. Given the nature of operations, communities inevitably become a crucial stakeholder of the business and therefore our core values such as integrity is demonstrated by our commitment to this stakeholder group. In line to this, all Group subsidiaries adhere to stipulated social and environmental laws and regulations and strive to manage all impacts of our operations on the surrounding communities and the environment.

*Topics Covered: GRI 413: Local Communities;
GRI 419: Socio - Economic Compliance;*

Materiality and Management Approach

The Group has in place a policy governing social responsibility which reflects our aim to create a sustainable future for all our stakeholders and be a responsible corporate citizen. These principles are continuously being embedded into our daily operations. The group contributes to the socio-economic development of its regions directly through employment, paying local taxes and levies, and through its corporate social investment programs initiated by the Group's CSR arm – the Hemas Outreach Foundation.

The Group is also committed to business integrity and openness and thus carries out its business in an ethical manner, thereby protecting its brand reputation. This is further strengthened by the Group's anti-corruption policy mentioned under the economic performance management approach.

The Group believes that this management approach will in turn protect the Group brand through the promotion of good corporate citizenship and the retention of a social license to operate. The management approach covers the reporting boundary as disclosed in the Sustainability Reporting boundary Section of the Annual Report.

Measuring Performance

To understand the impact of our social performance, the Group tracks and monitors indicators such as the percentage of operations with implemented local community engagement, percentage of operations assessed for risks related to corruption and value of fines for non-compliance with laws and regulations.

The Sustainability division ensures that all subsidiaries assess the risk of socio-economic non-compliance and potential issues related to corruption as part of the comprehensive risk management process. These reviews are shared with top management for advise and corrective action and action plans to prevent and mitigate such issues are continuously monitored.

While these policies and procedures are made available to all subsidiaries, all employees also require to read and sign the code of ethics at the point of recruitment. Moreover, the Sustainability division conducts internal assurances to identify potential risks and findings are shared with governance bodies for further action.

Local Communities

“Social Responsibility is embedded in the traditions and values of Hemas Group. While pursuing profit, the Group recognizes the need to; engage with all stakeholders, respect the environment and give back to the society in which we operate. The Social Responsibility Policy is not a comprehensive set of regulations but a broad statement that reflects our aim to create a sustainable future for all our stakeholders and be a responsible corporate citizen. The Group employs it Hemas Outreach Foundation (an approved charity by the Government of Sri Lanka governed by a board of trustees) to implement the Group social responsibility strategy and related initiatives.”

Further to facilitating infrastructure development, the Group seeks to contribute to the social development of the nation by fostering good relationships with communities within which we operate. The Group’s Social Responsibility policy reflects these values.

The Group has established a ‘Foundation’ which drives the Group’s social responsibility initiatives from the centre. While the Foundation independently drives the CSR strategy and acts as the base for policy and strategy formulation specific to its area, it continues to be monitored under close scrutiny of the Group’s top management. Focus areas of the Foundation will be aligned to the United Nations Sustainable Development Goals, and all initiatives will be structured based on a social impact assessment. Further to this, all Group Companies also simultaneously engage in their own social responsibility activities such as financial contributions etc., to complement their respective businesses while aligning any other initiative to the focus areas of the Foundation, to ensure they maintain a social license to operate.

Socio-Economic Compliance

As a large conglomerate, the Group is driven by the maxim of creating sustainable value for all its stakeholders and therefore understands the significance of complying with all socio-economic laws and regulations to ensure the sustainability of its operations. The group is committed to responsible business conduct and best practices and thus all business activities are guided by the governance framework of ethics and a commitment to legal compliance as well as voluntary standards. Therefore, the Group tracks and monitors any fines paid by the Group Companies and all other compliance related requirements as per Sri Lankan legislation.

PRODUCT & SERVICE RESPONSIBILITY

The Hemas Holdings PLC and its subsidiaries strive to provide products and services that are of highest standards, and meet international standards of customer health and safety through compliance with all relevant local and international statutory and regulatory requirements in the markets we operate in. The Group ensures that all products and services will be assessed for sustainability impacts in terms of operations, communications and the supply chain, which will then continually improved through consistent monitoring, measuring and enhancing of procedural systems.

Topics Covered: GRI 416: Customer Health & Safety; GRI 417: Marketing & Labelling; GRI 418: Customer Privacy

Materiality and Management Approach

The Group embraces the concept of Product/Service Stewardship to ensure that health, safety and environmental protection are integral to the whole product lifecycle. Our responsibility spans every stage of our operations; from the sourcing of raw materials in an increasingly fragile environment, to environmentally sensitive manufacturing processes and efficient use and disposal of the finished products.

As the Group's Quality Policy suggests, the Group is committed to ensuring that all products and services provided by the group comply with the applicable legislation and regulation as well as voluntary standards, thereby ensuring stakeholder satisfaction.

This policy is adhered to by all subsidiaries to ensure that quality standards are met, especially with regard to customer health and safety and customer privacy. Some subsidiaries have implemented quality management systems such as ISO 9001, the Group hopes to extend this management system to all relevant subsidiaries, in the forthcoming years as applicable.

The Group adopts sound risk management principles and risk of breach of customer privacy, issues related to customer health and safety as well as non-compliance with marketing and labelling requirements are assessed as part of the risk management process at each business unit and preventative and mitigation plans are put in place to reduce such risks.

The management approach covers the reporting boundary as disclosed in the Sustainability Reporting boundary Section of the Annual Report.

Performance monitoring

The management approach is especially important as it assists to ensure product and service quality as well as customer satisfaction, and ultimately safeguard the Hemas brand. The Corporate Communication Division and Quality Division periodically provide feedback to management in regards to this and updated the Group's communication policy during the year.

The Group aspires to benchmark its quality and safety standards against best practices as this is increasingly becoming a customer expectation. Moreover, the Group conducts regular risk assessments, and has established a

culture of safety and compliance as initial steps in achieving process excellence. This is also supported by the ISO 9001 certification.

While the Group closely monitors non-compliance related to product and service responsibility, significant fines over LKR 1,000,000 are recorded and reported to the Sustainability Division on a quarterly basis, which are also shared with top management for review.

Customer Health & Safety

Customer health and safety is a critical aspect of the group's products, services and customer solutions. In representing leading global brands, our customer solutions are backed by warranties, guarantees and product responsibility, as well as design features that uphold high product safety. This is further reflected in the Health and Safety policy of the Group, which is also extended to its external customers.

As mentioned, some of the operations undergo periodic audits to maintain the ISO 9001 standard, which drives the quality and safety aspects of the products.

Moreover, the Group seeks to minimize any avoidable injuries and provide a safe and secure environment, focusing on preventative maintenance, hazard assessment and mitigation, and continuous engagement; thereby celebrating a safety culture. The Group also periodically tracks and monitors the level of emergency preparedness and security protection at each of its branches, and any reported customer health and safety incidents.

Customers can contact the Head of Corporate Communications or senior management personnel to raise any concerns or communicate any grievances related to product and service responsibility.

Product and Service Labelling

The Hemas Holdings PLC is committed to the responsible marketing and labelling of our products and services. Our Marketing Policy sets forth our expectations in this regard and aligns the Groups commercial practices with our sustainability practices and values. All marketing and labelling will be conducted ethically and in line with stipulated local laws at minimum and in line with international best practices.

The Group is committed to ensuring that all products sold have the certification, labelling, product and service information required by law. This is especially material to the pharmaceuticals sector, which adheres to all requirements of the National Medicines Regulatory Authority (NMRA), which provides instructions on product and service labelling as well as information dissemination to customers. The Group also has in place a Corporate Communication Division whose responsibility is to ensure all product and service labelling adheres to the Group brand guidelines.

Values of fines and incidents related to non-compliance with regulations and voluntary codes concerning product/service labelling is recorded and reported to the Sustainability Division on a quarterly basis.

Customer Privacy

Hemas Holdings PLC recognizes the importance of protecting our customers' privacy and therefore the Customer Privacy Policy governs how the Group collects, uses and discloses our customers' information. The Group utilizes security measures appropriate to the sensitivity of the information and conducts regular audits to ensure that they are appropriate and are being administered properly. However, the Group also acknowledges that customer information may be processed if and when required by law.

Due the nature of business of some subsidiaries, the Group gives utmost priority to ensure confidentiality of its customers' personal information as part of its customer privacy policy and code of conduct.

The Group has established control mechanisms on IT systems and regular audits are also conducted to ensure security measures are adequate, while instances of loss of data and privacy, as well as customer complaints concerning the same are tracked and reported to the Sustainability Division on a quarterly basis.

SUPPLY CHAIN

As a large conglomerate, our supply chain is large and multi-tiered and therefore have established a systematic approach to managing the relationships with our suppliers. This includes mapping out supply chain risks to address any social concerns that may occur, whilst also realizing the opportunity to improve efficiencies and sustainability throughout procurement, production, and supply chain partners.

Topics Covered: GRI 308: Supplier Environmental Assessment, GRI 414: Supplier Social Assessment

Management Approach

Critical sources of information for risk-mapping exercises include the review of information as provided by suppliers as well as regular engagement with civil society organizations, unions, employer federations and with workers directly.

Although the Group has established workplace standards for our own employees, the Group is currently in the process of establishing a the supply chain code of conduct, which would also covers the supply chain related to labour related compliance, human rights, workers' health and safety and provisions to ensure environmentally sound factory operations for its contract manufacturing operations. To enforce compliance with the future standards the Group hopes to use rating system for the assessment of our suppliers, which will then be shared with our procurement teams which then decide whether and to which extent we continue the business relationship with a specific supplier.

The Group strives to build sound business relations with key suppliers and hopes to carry supplier forums to address any concerns they have and the continuous promotion of sustainability practices in the supply chain. .

The management approach covers the reporting boundary as disclosed in the Sustainability Reporting boundary Section of the Annual Report.

Performance Monitoring

The Group hopes to form a cross functional team to carry out audits of key suppliers to ensure they are complying with our Standards. In the area of compliance, the Group hope to use an Environmental Assessment and a Social and Human Rights Assessment Checklist with supplementary remediation guidelines to check and rate our suppliers. Audit results are reflected in a specific Key Performance Indicator (KPI) and those who have made a conscious effort to address issues holistically score higher. These scores will also be used to benchmark supplier performance while working with them on areas of improvement. These audits will then be used to rate suppliers according to their on its ability to deliver fair, healthy and environmentally sound workplace conditions in an effective manner. During the forthcoming years the Group hopes to increase the number of audits that will be carried out.

Moreover, annual reviews of all sourcing agreements will be carried out by key operational staff and the Head of Procurement of the subsidiary. The audit results will provide basis for these reviews and will also be reviewed by the Top Management of the Group.

Any third party grievances with regard to Supplier assessments and related activities could directly inform the Sustainability Division, the Head of Procurement of the subsidiary or the Quality Assurance teams.

These assessments and ratings are important as it communicates to key business partners the importance of social and environmental compliance scores and how it impacts business relationship. This transparency and integration with sourcing decisions is fundamental to the success of our efforts to drive improvements in workplace conditions.