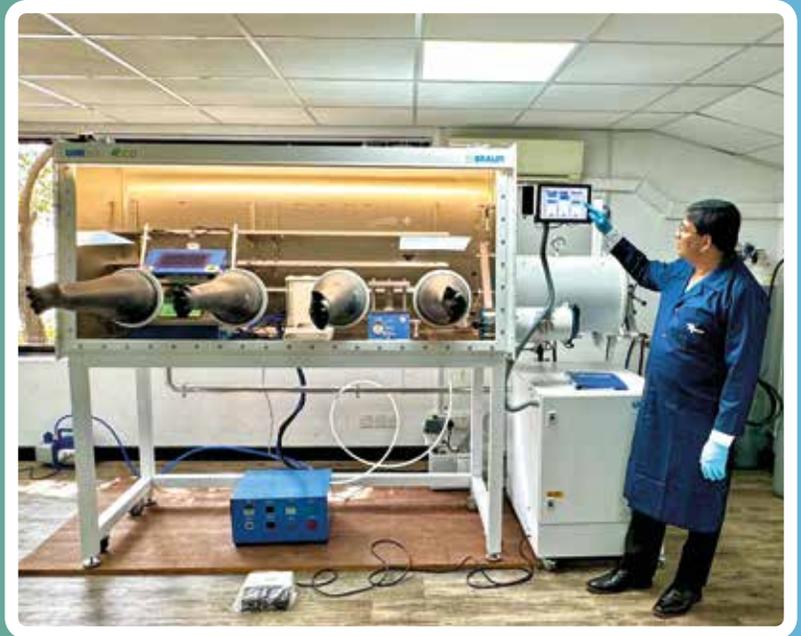




INTELLECTUAL CAPITAL



Our commitment to future-focused innovation has enabled the development of a range of products, services and processes that contribute to a more sustainable tomorrow. A strong new product pipeline underpinned by strategic innovation, digitisation and continuous improvement of processes, and a brand synonymous with technical and manufacturing excellence has positioned the Group for future growth



OUR INTELLECTUAL CAPITAL

FUTURE FOCUSED INNOVATION

Underpinned by a highly skilled, multi-disciplinary team and tacit knowledge garnered over 50 years of operations.



THE HAYCARB BRAND
Which embodies customer centricity, technical excellence, innovation, and sustainability.

PATENTS AND PROPRIETARY PROCESSES

DIGITAL INFRASTRUCTURE

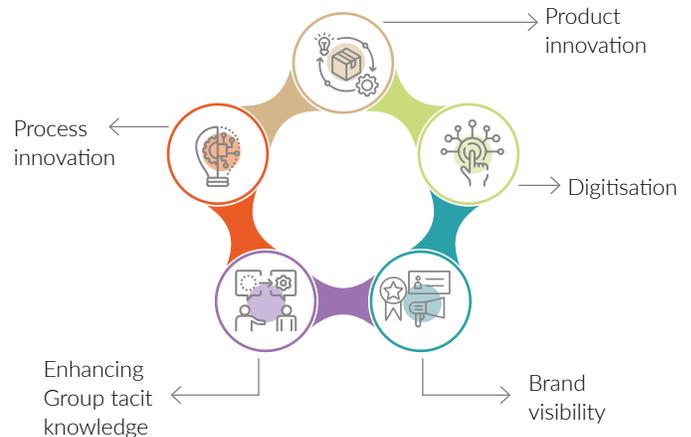
>25

CERTIFICATIONS

A BROAD AND FUTURE FOCUSED PRODUCT RANGE THAT CATERS TO ALMOST EVERY ACTIVATED CARBON APPLICATIONS

- >1,500 activated carbon products
- >100 Environmental Engineering products and solutions.

FOCAL AREAS IN 2023/24



- Research and development investment – Rs. 231.4 Mn
- Training and development investment – Rs. 11.3 Mn
- Digital technology investment – Rs. 23.9 Mn
- Strategic marketing expenses – Rs106.7 Mn

VALUE CREATED IN 2023/24

- Future-focused R&D initiatives strengthened our product pipeline through strategic research and development efforts aimed at capturing emerging opportunities.
 - Process excellence through compliance with a range of certifications.
 - Strengthened Group tacit knowledge through knowledge sharing and investments in training and development.
 - Enhanced brand visibility in the global arena through strategic marketing initiatives.
 - Invested in a state of the art Electro-chemical laboratory to strengthen R&D capabilities.
- No. of new products launched – **14**
 - Revenue from new products – **Rs.478.8 Mn**
 - Training hours per employee – **12.1 Hrs**

CAPITAL TRADE-OFFS

- Building a strong product pipeline through innovation, adoption of digital platforms and technology, strengthening organisational tacit knowledge and enhancing the visibility of our brand requires the investment of financial resources, thereby adversely impacting Financial Capital in the short-term.
- However, in the long-term, these investments will facilitate growth and thereby strengthen Financial Capital.
- Investments in product innovation and technology that enhances the convenience of customers will strengthen relationships with customers,

WAY FORWARD

- Ongoing emphasis on enhancing our product pipeline through strategic research and development investments aligned with emerging needs.
- Increased emphasis on integrating technology and AI tools into our processes to facilitate data driven decision making
- Process innovation and excellence in adherence with a range of external accreditations.
- Strengthening the tacit knowledge of the Group through our strategic focus on creating a learning organisation.

LINK WITH MATERIAL TOPICS:

M6, M15, M13, M2, M5

LINK WITH KEY RISKS AND OPPORTUNITIES / SRROS / CRROS

R7, R8, O1, O3, O4, O5

ALIGNMENT WITH STRATEGIC PRIORITIES



CONTRIBUTION TO SDGS



INTELLECTUAL CAPITAL

MANAGEMENT APPROACH

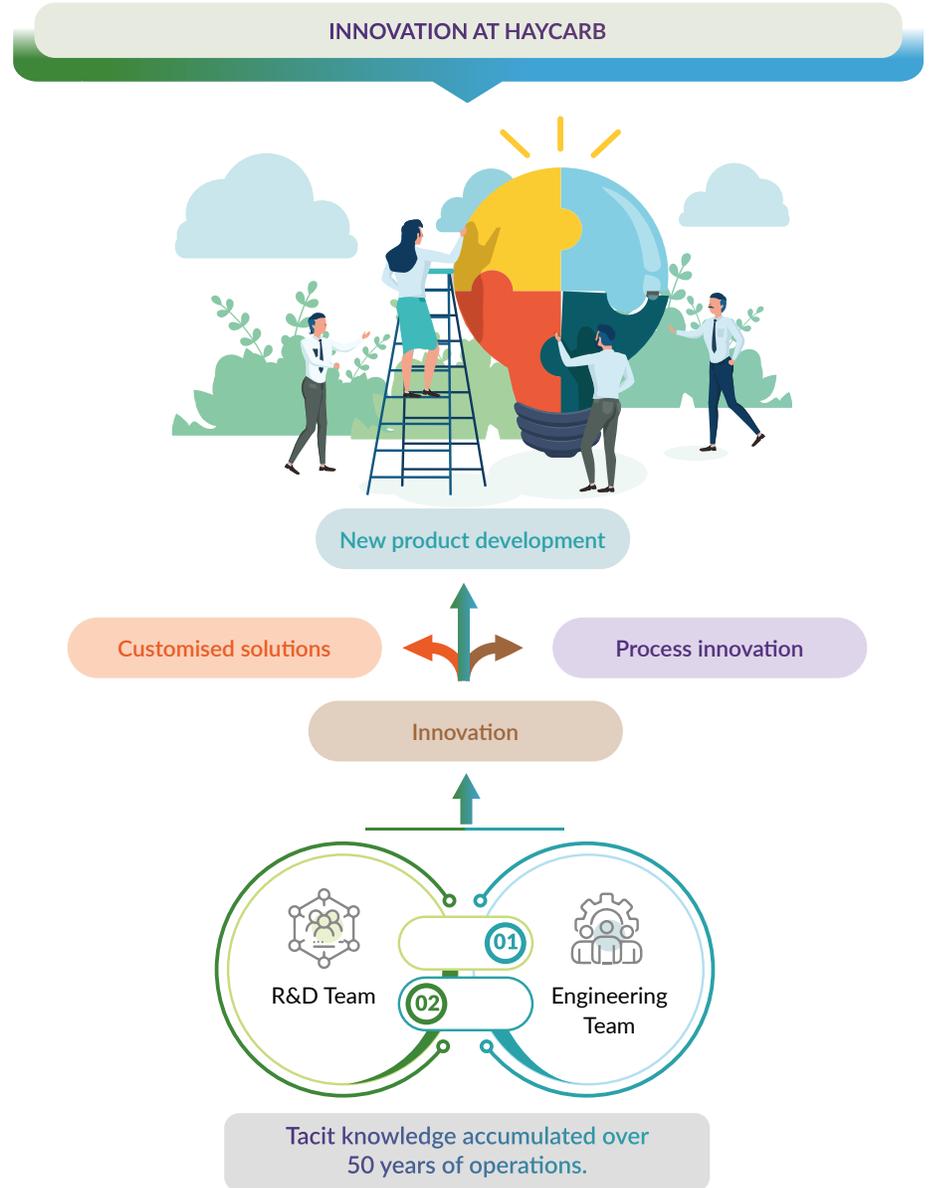
Haycarb adopts a strategic approach to managing its Intellectual Capital, fostering a culture of innovation aligned with its strategic objectives, sustainability goals and market trends. Our Innovation policy guides our innovation process, promoting creativity and supporting new product development and process improvements. Moreover, our Information Security policy governs our commitment towards safeguarding information assets and protecting the confidentiality, integrity and availability of information.

CAPACITY TO INNOVATE

Haycarb's commitment to innovation is driven by the combined expertise of its R&D and engineering teams and is underpinned by the Group's unique knowledge base accumulated over 5 decades of operations in the activated carbon industry.

Our highly skilled R&D and engineering team, comprises engineers and chemists who drive product innovation for emerging applications in the activated carbon industry and collaborates closely with customers to tailor solutions to fulfil specific needs. Customer-centric innovation has contributed to a robust product portfolio that aligns with emerging applications with a strong pipeline of new products in development. This has enabled us to retain our competitive edge in an intensely competitive industry and positioned us for future growth.

Our in-house R&D and engineering teams, drive our machine and process innovations. Their expertise extends to re-engineering and re-purposing existing machinery to meet the requirements of our manufacturing process enhancing the sustainability of our operations while optimising our capital expenditure.

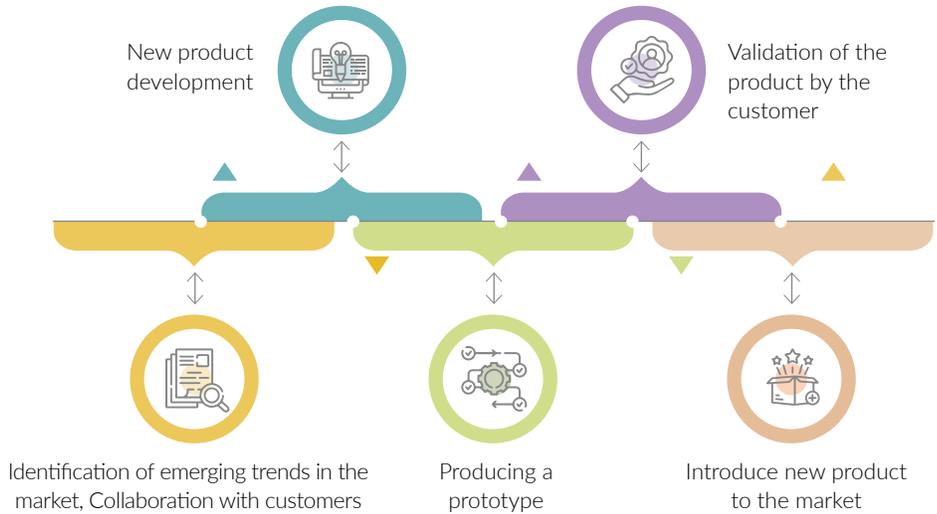


Extensive tacit knowledge has enabled us to anticipate emerging opportunities in the activated carbon industry and strategically direct our innovation efforts. Our strategic focus on creating a learning organisation and enhancing employee retention through

a strong employee value proposition facilitates the retention of our unique knowledge base and strengthens our long-term innovation capability.

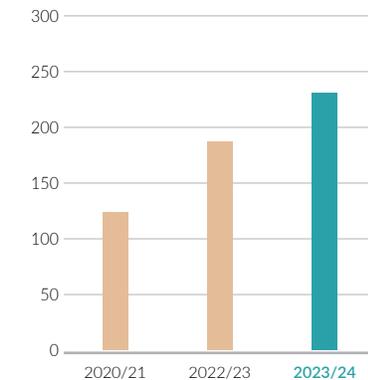


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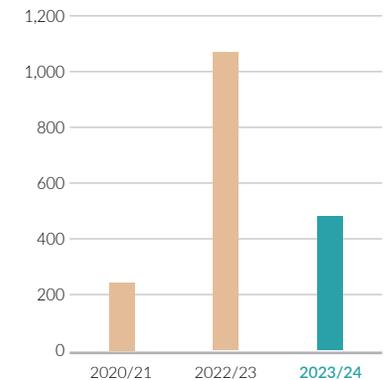


NEW PRODUCT DEVELOPMENT PROCESS

Investment in R&D (Rs Mn)



Revenue from new products



FUTURE FOCUSED PRODUCT RANGE

Our new product development investments are strategically aimed at capturing opportunities in emerging applications driven by the global shift towards a more sustainable future, including the transition to a low carbon economy, increased resource efficiency and more stringent ESG regulations. Highlights of our product pipeline is given below.



14

New products launched in 2023/24

New Products

- Unique blend of activated carbon for POU filters
- Specialized sized product developed for water filter applications
- PFOA removal in water filter applications
- High active specialized size carbon developed for respirator applications
- Special wood based super premium blended with Coconut shell based catalytic carbon
- Special wood based super premium carbon for PFOA/PFOS removal, blended with Coconut shell based carbon to enhance Lead removal capacity
- Special size wood based super premium carbon
- ASTM 20X50 size ,medium active grade product for water filter applications
- Very high active specialized size product developed for clean room application
- New product developed for water filters & Carbon block filters
- High active cabin air carbon developed for car cabin filters
- High capacity EN products for gas phasa applications
- Special product grades developed for specialized applications.
- Pellet carbon developed for unpleasant odor removal

INTELLECTUAL CAPITAL

TECHNOLOGY FOCUS

Recognising the potential of technology in enhancing, optimising and increasing the efficiency of processes, Haycarb has placed increased emphasis on implementing new technologies including digital platforms. The Group presently has in place, SAP ERP system and other software applications to facilitate data exchange, optimise workflows and improve information analysis reporting across business processes.

During the year under review the following initiatives were implemented:

- The latest EHP upgrade to existing SAP servers
- Implementation of SAP S/4 HANA for the Environmental Engineering business segment.



These investments complement existing customer-centric digital infrastructure including, the Haycarb Virtual Experience platform and the systems that support the automation of key processes related to raw material procurement implemented last year in Sri Lanka.



KEY AREAS OF FOCUS IN THE YEAR AHEAD INCLUDE



PRODUCT AND PROCESS INNOVATION

- R&D initiatives to develop new products and improve processes aimed at enhancing customer value proposition and drive sustainable mindset.



INFORMATION SYSTEMS UPGRADE AND INTEGRATION

- Upgrade and integrate information systems with latest digitalization platforms through projects such as production data capture digitalization, upgrade SAP ERP system and standardize ERP solutions across manufacturing entities and use of CRM solutions and AI technologies to improve efficiency of customer interface. These initiatives are expected to improve efficiencies, reduce response times and facilitate insightful decision making.

IT AND CYBER SECURITY GOVERNANCE

GRI 418-1

To ensure the security of our systems, we have established a robust governance structure to manage our technology and information assets. Emerging cyber security risks, the probability of its occurrence and potential impacts on our business are evaluated on a quarterly basis and actions plans are updated accordingly by the Haycarb IT team. The effectiveness of our evaluation process and adequacy of mitigation plans are evaluated by the Board Audit Committee on a quarterly basis and any deviations or threats are escalated to the Board of Directors.

Haycarb's management of cyber security is also overseen by the Hayleys Group IT Division and Chief Information Security Officer. The Heads of IT Divisions within the Hayleys Group meet monthly to assess emerging threats, new developments in security guidelines and industry best practices.

Our commitment to maintaining effective information security practices throughout our organisation is outlined in our Information Security policy. We recognise the criticality of protecting customer data and have implemented a comprehensive IT security plan accordingly. We use an

array of data security tools and servers to protect critical user data and prevent data loss. External auditors conduct audits on a periodic basis to identify risks. Employees are also trained to protect against user related risks. We also perform annual disaster recovery drills of our core systems to ensure business continuity. During the year under review, no occurrences of system security breaches, data losses, breaches of customer privacy or losses of customer data were reported.

Members of our IT team receive regular training to stay abreast of the latest developments related to cyber security.

INTELLECTUAL CAPITAL



To ensure the security of our systems, we have established a robust governance structure to manage our technology and information assets



Group IT policy

- Group Connectivity
- Disaster recovery plans
- External security audits
- Backup & Recovery
- IT Equipment & Software procurement, maintenance, use and disposal
- Access Control and Management
- System Communications and Networks Management

Group information security policy

- Confirmation of information
- Confidentiality, availability and integrity of information
- Protection of information from unauthorised access
- Information security training
- Reporting breaches of information security
- Regulatory requirements
- Business continuity plans
- IT policy embedded in to employee induction programme

Guidelines for corporate website

- Guidelines for secure web development
- Guidelines for web hosting Enforcement

THE HAYCARB BRAND

Haycarb's 50-year legacy of manufacturing and technical excellence coupled with its commitment to innovation and customer-centricity has established it as a leader in the coconut shell activated carbon industry

with a strong 16% global market share. We proactively invested in building the strength of our brand during the year, through strategic marketing initiatives driven by our marketing and business development teams based in Colombo and overseas,

participation in global trade shows and industrial exhibitions and leveraging digital marketing tools. Our strong focus on sustainability enables further differentiation, positioning Haycarb as the preferred manufacturer within the coconut shell activated carbon industry.

OUR BRAND ATTRIBUTES



Customer centric

- Customer centric approach is enshrined in the values and culture of the organisation.

Technical excellence

- Technical excellence in process and product has been the foundation on which we have grown assuring consistency and quality to all our customers globally.

Innovative

- Innovative implementation and review form a constant cycle of competitive value.

Green

- Green emphasizing energy conservation and effective resource management at every stage from production through to delivery.

PROCESS INNOVATION

Process innovation at Haycarb centres on enhancing operational efficiency and productivity and minimising our environmental footprint. Key process innovations during the year under review include,

- Optimizing air treatment production facility with improved feeding system
- Optimization of process path of activated carbon for point of use carbon filter blocks
- Reduction in fuel consumption of charcoal and carbon dryers
- Improving the yield of gold carbon production process
- Improving yield of the water and acid washing process



INTELLECTUAL CAPITAL

PROCESS EXCELLENCE CERTIFICATIONS

Haycarb complies with a range of local and international certifications in quality,

food safety environmental management and occupational health and safety. Compliance with certifications enables the benchmarking of our processes to

international best practices while providing assurance to third parties about our business processes. The key certifications and affiliations are listed below.

CERTIFICATIONS

Haycarb Group	Quality Management	Food Safety Management	Environmental Management	Occupational health and safety
Haycarb Sri Lanka	<ul style="list-style-type: none"> ISO 9001:2015 Recertification by SLSI – Sri Lanka 	<ul style="list-style-type: none"> ISO 22000:2018 Certification from SGS – Sri Lanka HACCP Certification from SGS – Sri Lanka GMP Certification from SGS – Sri Lanka Halal Certification from the Halal Accreditation Council KOSHER Certification Orthodox Union – USA NSF Product Certification by NSF International USA 	<ul style="list-style-type: none"> ISO 14001:2015 Recertification by SGS – Sri Lanka WQA Sustainability Certification WQA – USA 	<ul style="list-style-type: none"> ISO 45001:2018 Occupational health and safety
PT Mapalus Makawanua Charcoal Industry – Indonesia	<ul style="list-style-type: none"> ISO9001: 2015 Recertification by SLSI – Sri Lanka 	<ul style="list-style-type: none"> Halal Certification from the Halal Accreditation Council KOSHER Certification Orthodox Union – USA NSF Product Certification by NSF International USA 	<ul style="list-style-type: none"> ISO 14001: 2015 Certification by SLSI – Sri Lanka 	
Haycarb Palu Mitra – Indonesia	<ul style="list-style-type: none"> ISO 9001: 2015 Recertification by SLSI – Sri Lanka 	<ul style="list-style-type: none"> Halal Certification from the Halal Accreditation Council NSF Product Certification by NSF International USA 	<ul style="list-style-type: none"> ISO 14001: 2015 Certification by SLSI – Sri Lanka 	
Carbokarn – Thailand	<ul style="list-style-type: none"> ISO 9001: 2015 Recertification by SGS – Thailand 	<ul style="list-style-type: none"> NSF Product Certification by NSF International USA Halal Certification 	<ul style="list-style-type: none"> ISO 14001: 2015 Recertification by SLSI – Sri Lanka 	
CK Regen Systems – Thailand	<ul style="list-style-type: none"> ISO 9001:2015 Recertification by SGS – Thailand 		<ul style="list-style-type: none"> ISO 14001:2015 Recertification by SLSI – Sri Lanka 	
Shizuka – Thailand	<ul style="list-style-type: none"> ISO9001: 2015 Recertification by SGS – Thailand 			

Haycarb Group	Quality Management	Food Safety Management	Environmental Management	Occupational health and safety
Eurocarb Products - UK	<ul style="list-style-type: none"> • ISO 9001: 2015 Certification • REACH registration 			
Puritas Sri Lanka	<ul style="list-style-type: none"> • ISO 9001: 2015 Recertification by SLSI - Sri Lanka • C2 Grade on Main Construction Contractor's Registration - CIDA Sri Lanka • EM1 Grade on Specialist Construction Contractor's Registration - CIDA Sri Lanka 			

