

STRATEGY AND RESOURCE ALLOCATION



We will continue our journey towards realizing our Corporate Purpose of Driving Value and Changing Lives to create a sustainable and prosperous future for Haycarb and its stakeholders.

DRIVING SUSTAINABLE GROWTH THROUGH SHARED VALUE

Haycarb's strategy is formulated in alignment with its purpose and vision and takes into careful consideration of, potential threats and opportunities within the operating environment, key stakeholder concerns and its own strengths and weaknesses. Five key strategic priorities guide our strategy execution and resource allocation over the short, medium and long term. Our strategic pillars of Market growth, Innovation led growth, Strengthening global supply chains and Purpose driven & committed team are underpinned by our commitment to sustainability through the ESG mindset pillar. This enables environmentally and socially responsible value creation for stakeholders.

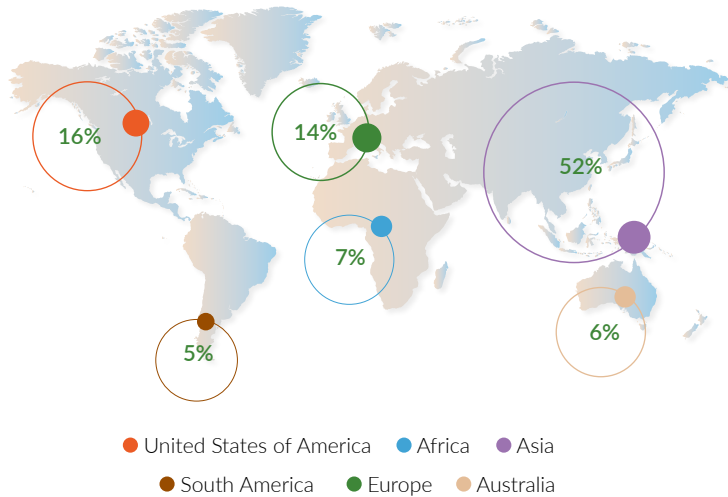


STRATEGY AND RESOURCE ALLOCATION



MARKET GROWTH

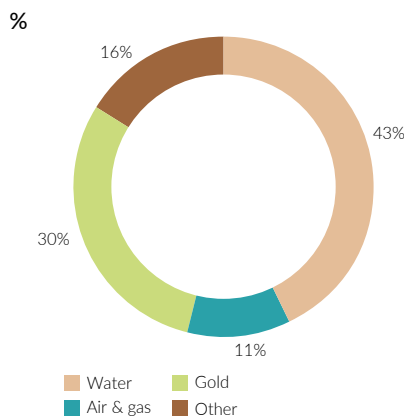
Region-wise revenue contribution



Strategic interventions in 2023/24

- One on one engagements with existing and prospective customers to consolidate and expand market share in a challenging global environment of intense competition from carbon manufacturers in India and Philippines.
- Intense strategic market initiatives to promote newly developed value-added specialty carbon including energy storage carbons and chemically activated wood carbon for PFOA and PFAS removal in water purification.
- Deeper penetration to existing markets and business development strategies in new markets to increase market share.
- Initiate the expansion to the fourth manufacturing location in Philippines through incorporation of Haycarb Philippines Corporation.
- Environmental Engineering : Re-entry to infrastructure and B2B projects for water and wastewater treatment solutions in Maldives
- Environmental Engineering : Strategic agencies/ collaborations for marketing RO membranes, specialty pumps and chemicals for water treatment market established in Sri Lanka and Maldives
- Strengthening of digital marketing and corporate communication efforts and brand building to enhance the image of Haycarb as a sustainable and innovative activated carbon company.

Applicationwise revenue contribution



Resources allocated

- Business development expenditure – **Rs 133 Mn**
- Investment in technology and digital platforms – **Rs 23.9 Mn**
- Investments in enhancement of new applications segment like energy storage (to enhance market, product and customer knowledge)

Value creation for stakeholders

- Shareholder value creation through improved financial performance.
- Enhanced our customer value proposition.
- Employment opportunities and creation of knowledge base, exposure, and training



Applications that will drive our future growth

- Energy storage carbons
- Water purification carbons
- Air treatment carbon
- Gold carbon
- Water and wastewater treatment solutions



Progress made in 2023/24

- Retained our market position despite a global slowdown in the activated carbon industry.

Key performance indicators	2023/24	2022/23	y-o-y % change
Activated Carbon segment			
Revenue (Rs. Mn)	41,659.7	59,646.8	(30%)
PBT (Rs. Mn)	6,065.7	8,499.7	(29%)
Market share (Coconut shell based activated carbon)	16%	16%	-
Environmental Engineering Solutions segment			
Revenue (Rs. Mn)	1,519.6	1,296.4	17%
PBT (Rs. Mn)	56.4	(244.1)	123%



WAY FORWARD

Short term focus

- Enhance market share in newly developed countries in Asia, North, East & West Africa, South America and the Middle East and deeper penetration of existing markets in Asia, USA and Europe
- Commence the construction of phase 1 of manufacturing facility in Philippines giving the breath of manufacturing capacity to grow market share
- Capacity expansion of energy storage carbons in Sri Lanka
- Focus on marketing of activated carbon to new and emerging applications in specialized water carbons and energy storage carbons globally with emphasis on USA, Europe, South Korea, China and India.
- Phase 1 of CRM solution implementation to enhance customer management and increase efficiencies in managing sales and marketing initiatives
- Environmental Engineering – growth in infrastructure and B2B segment in Sri Lanka and Maldives, secure O&M service contracts and grow trading operations for RO membranes, specialized pumps and chemicals for reputed brands as exclusive agent in Sri Lanka and Maldives

Medium to Long term focus

- Increase global market share through strategic product development aligned with emerging applications and entry and growth in new markets for existing applications.
- Environmental engineering – Development of Infrastructure integrated water solutions projects in the region in tandem with complete suite of O&M services and trading of related products in Sri Lanka and the region.

Link to
SDGs



Link to
Stakeholders



Link to
Capitals



STRATEGY AND RESOURCE ALLOCATION



INNOVATION LED GROWTH

Strategic interventions in 2023/24

- Successful developments in energy storage carbon range including hard carbon and improvements of EDLC carbon performance for volumetric capacitance.
- Investment in R&D including Electro-chemical laboratory for development of energy storage carbons and Pilot Manufacturing Line for Hard Carbon manufacture
- Strengthen R&D team with new recruitments including technical expertise on energy storage carbons
- Ongoing emphasis on developing the product pipeline through strategic R&D in close collaboration with marketing teams and business partners.
- Innovated processes to enhance operational efficiency and reduce environmental footprint.
- Environmental Engineering - SAP S/4 HANA implemented for Puritas Pvt. Ltd., to improve efficiency and timely information.
- Enhanced the tacit knowledge of the Group through focused training and development programs.

Resources allocated

- Investment in research and development – **Rs 231.4 Mn**
- An R&D team of over **60** multi skilled individuals.
- Investment in training and development – **Rs 11.3 Mn**

Value creation for stakeholders

- Shareholder value creation through the enhancement of the Group's future growth potential.
- Enhanced our customer value proposition through innovative new products.

Progress made in 2023/24

Key performance indicator	2023/24	2022/23	y-o-y % change
New products launched	14	16	(13%)
Products in the pipeline	7	4	75%
% Contribution of value-added carbon to total revenue – Activated Carbon segment*	25%	25%	-

Link to
SDGs



Link to
Stakeholders



Link to
Capitals



WAY FORWARD

Short term focus

- Strategic innovations in energy storage carbons including the hard carbon product range to capture emerging opportunities.
- Increase the contribution of value-added carbons to total revenue to 30%.
- Process innovation to enhance productivity and reduce our environmental impacts.
- Digitization of processes including production data capture in order to reduce costs, improve access to real-time data and facilitate insightful decision making.

Medium to Long term focus

- Evolve our product portfolio in line with emerging trends including capitalizing on the business opportunities that arise from the transition to a low carbon economy
- Increase the contribution of value-added carbons to total revenue to 50%.
- Innovate processes to optimise costs and improve efficiencies
- Expand and build expertise necessary for specialized applications including energy storage carbons to be a key contributor of revenue and profits



STRENGTHEN GLOBAL SUPPLY CHAINS

Strategic interventions in 2023/24

- On-going emphasis on creating mutual value for our global supplier network through close engagement and ethical sourcing principles.
- Emphasis on developing a localized supplier network in close proximity to manufacturing locations in Sri Lanka, Thailand and Indonesia
- Actively promote and support transitions to green charcoaling technologies with increase of 23 environment friendly charcoaling units under the Haritha Angara initiative in Sri Lanka and 3 premium charcoaling units in Thailand.
- Continued ESG awareness through capacity building and supplier assessments
- Supported the Sri Lanka Coconut Cultivation Board's initiative to expand coconut cultivation in Sri Lanka in the Northern region by contributing 25,000 coconut seedlings.

Resources allocated

- Payments to coconut shells and charcoal suppliers - **Rs 12.8 Bn**
- Investments in supplier capacity building - **Rs 2.6 Mn**
- Investment in the coconut tree planting initiative - **Rs 1.9 Mn**

Value creation for stakeholders

- Shareholder value creation through supply chain resilience.
- Value creation for our suppliers through economic value distributed and ethical sourcing practices.
- Positively impacted our communities through the promotion of sustainable charcoaling practices.

Progress made in 2023/24

Key performance indicators	2023/24	2022/23	y-o-y % change
New charcoal suppliers added	172	242	(29%)
Payments to coconut shells and charcoal suppliers (Rs. Mn)	12.8	17.6	(27%)
Number of suppliers assessed for environmental and social considerations*	56	10	460%

*Scope of suppliers assessed for environmental and social considerations increased from charcoal suppliers to all suppliers in 2023/24 compared to 2022/23

WAY FORWARD

Short term focus

- Ongoing emphasis on expanding the supplier network.
- Maintain focus on greening our supply chains in Sri Lanka, Indonesia, and Thailand and building supply chain resilience.
- Increase supplier assessments to ensure compliance with environmental and social considerations.
- Initiate supply chain network for coconut shell charcoal in Philippines within the committed framework of ESG practices including environment friendly charcoaling methodologies

Medium to Long term focus

- Build a diversified and resilient supply chain to ensure an uninterrupted supply of raw materials.
- Sustainable and responsible sourcing of raw materials by increasing the proportion of green charcoal at all manufacturing locations by 2030
- Increase the proportion of suppliers assessed for environmental and social considerations to 40% by 2030.
- Establishing a central sourcing and storage facility of charcoal in Indonesia as a strategic inventory location

Link to
SDGs



Link to
Stakeholders



Link to
Capitals



STRATEGY AND RESOURCE ALLOCATION



PURPOSE DRIVEN AND COMMITTED TEAM

Strategic interventions in 2023/24

- Leveraging on Haycarb's purpose statement and inculcating the core values among Haycarb team
- Re-organised the HR function to strengthen the implementation of our HR strategy and respond more swiftly to employee needs.
- Enhanced occupational health and safety while implementing multiple programmes to enhance overall employee well-being.
- Provided an array of training and development opportunities aligned with creating a learning organisation.
- Implemented targeted development programmes to foster the growth of middle management for senior leadership roles.
- Strengthened employee engagement through one-on-one meetings between the HR department and factory level employees.
- Promoting healthy and balances life style through health camps, interactive workshops and awareness sessions.
- Continued focus on internal succession planning

Resources allocated

- Payments to employees – **Rs 5.4 Bn**
- Investments in employee well-being – **Rs 6.9 Mn**
- Investments in creating a learning organisation – **Rs 11.3 Mn**

Value creation for stakeholders

- Investing in the most valued asset of the company; A team of empowered and motivated employees.

Progress made in 2023/24

Key performance indicator	2023/24	2022/23	y-o-y % change
Employee retention rate	92%	95%	(3%)
Training hours per employee	12.1	8.9	36%
No. of workplace injuries	32	30	7%
% of factory level employees engaged in one-on-one meetings with the HR department	49%	-	
% of additions to the senior management promoted internally	75%	100%	(25%)

WAY FORWARD

Short term focus

- Maintain a strong employee value proposition to engage and retain staff.
- Ongoing emphasis on occupational health and safety and overall well-being.
- Empower our team through continuous training and learning.
- Continue initiatives to promote physical and mental well-being of employees and work-life balance through awareness sessions and medical care schemes.
- Increase focus on up skilling employees and creating a knowledge base including digital technology

Medium to Long term focus

- Nurture a diverse and empowered team of employees well equipped to approach organisational goals and problem-solving with innovation.

Link to
SDGs



Link to
Stakeholders



Link to
Capitals





ESG MINDSET

Strategic interventions in 2023/24

- Formalized a strategic approach to minimise our environmental footprint through the launch of Activate, our ESG Roadmap 2030 which clearly articulates our environmental, social and governance targets.
- Numerous initiatives to enhance energy resilience including the installation of solar PV panels.
- Implemented initiatives to enable sustainable water withdrawal and reduce consumption including rainwater harvesting, recycling and pump tests in Sri Lanka to ascertain the sustainable water yield.
- Increased emphasis on enhancing business resilience to the implications of climate change through a strategic assessment of the related risks and opportunities and relevant mitigating strategies.
- Long-term focused initiatives, including Puritas Sath Diyawara and Puritas Sath Diyawara – Going Beyond that positively impacted the community.
- Focus on community empowerment through improving health, nutrition, and education through initiatives such as Sisu Divi Pahana, Sath Diyawara, Going Beyond and assistance to university students.
- Continued contribution to tree planting initiatives and turtles conservation in Sri Lanka.

Resources allocated

- Investments in solar power generation - **Rs 1,061.3 Mn**
- Investments in enhancing the sustainability and efficiency of our operations - **Rs 176.2 Mn**
- Investments in CSR initiatives - **Rs. 40.8 Mn**

Value creation for stakeholders

- Value created to all stakeholders through socially and environmentally responsible business practices.

Progress made in 2023/24

Key performance indicator	2023/24	2022/23	y-o-y % change
Energy intensity (GJ/Rs. Mn)	26.24	19.81	32%
Water intensity (m ³ /Rs. Mn)	16.97	10.66	59%
Emissions intensity - Scope 1 & 2 (tCO ₂ e/Rs Mn)	0.56	0.43*	24%
No. of beneficiaries from CSR initiatives	>105,000	>100,000	2%

*Re-stated figures as per third-party assurance provided by Sri Lanka Climate Fund Pvt Ltd.

WAY FORWARD

Short term focus

- Strategic emphasis on achieving the interim goals derived from our 2030 ESG targets.

Medium to Long term focus

- Achieve environmental, social and governance targets outlined in Activate, our ESG targets 2030

Some key targets are:

- *To be 100% renewable on electricity consumption through solar PVs installation and Recogen plant capacity enhancement
- *To adopt sustainable water sourcing
- *Reduce fossil fuel consumption through use of biomass thermic fluid heaters and induction dryers
- *Increase CSR beneficiaries by 50%
- *Increase per employee training hours to 40 hours

For further details on the "Activate" ESG road map 2030



Link to
SDGs



Link to
Stakeholders



Link to
Capitals

