

MANAGING CLIMATE AND SUSTAINABILITY RELATED RISKS AND OPPORTUNITIES - SLFRS S1 AND S2 DISCLOSURES

INTRODUCTION

Haycarb PLC recognises that sustainability and climate-related risks and opportunities have become increasingly interconnected with the Group's long-term strategic direction, operational resilience, financial performance and stakeholder value creation. As a global leader in coconut shell activated carbon solutions operating across multiple geographies, markets and applications, the Group remains exposed to evolving environmental, social, technological, geopolitical and regulatory developments which continue to reshape the global business landscape.

During the year under review, the Group further strengthened the integration of sustainability and climate-related considerations into its governance structures, strategy formulation processes, enterprise risk management framework and operational decision-making mechanisms. This continued evolution reflects Haycarb's commitment to maintaining resilient operations while navigating emerging risks and opportunities across multiple horizons.

The Group continued to align its sustainability governance and reporting practices with the SLFRS Sustainability

Disclosure Standards, including SLFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information and SLFRS S2 Climate-related Disclosures.

This report presents the Group's governance structures, strategic responses, risk management approaches and metrics relating to sustainability and climate-related risks and opportunities which could reasonably be expected to affect the Group's business model, strategy, operations, financial performance and long-term resilience.

The report is structured around the following key pillars:



Governance

Explains the governance processes, controls, and procedures we use to monitor, manage and oversee sustainability and climate related risks and opportunities.



Risk Management

Provides information on our processes in identifying, assessing, prioritising and monitoring sustainability and climate related risks and opportunities.



Strategy

Describes our sustainability and climate related risks and opportunities and the strategies we have implemented for its effective management.



Metrics

Defines the metrics and the targets we have established to determine our performance in relation to our sustainability and climate related risks and opportunities.

SCOPE AND BASIS OF PREPARATION REPORTING ENTITY, ORGANISATION BOUNDARY AND REPORTING PERIOD

This document has been prepared to support disclosure of selected sustainability-related and climate-related risks and opportunities in line with SLFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information and SLFRS S2 Climate-related Disclosures. It covers four climate-related risks and opportunities (CRRO 1 to CRRO 4) and three sustainability-related risks and opportunities (SRRO 1 to SRRO 3) identified through the Group's current-year assessment process.

The reporting entity is Haycarb PLC and subsidiaries. The reporting boundary is aligned to the Group financial reporting boundary used for financial reporting purposes, and the reporting boundary used for the SLFRS Sustainability Disclosure Standards is consistent with the financial reporting boundary. The reporting boundary is aligned to the Group financial reporting boundary, while extending to relevant value-chain exposures where these are necessary to understand the effect of a risk or opportunity on the business model, strategy, operations, or financial performance. The reporting period for these disclosures is the year ended 31 March 2026.

APPLICATION OF SLFRS SUSTAINABILITY DISCLOSURE STANDARDS

The Group has applied the SLFRS Sustainability Disclosure Standards as the basis for structuring governance, strategy, risk management, and metrics and targets disclosures relating to sustainability-related and climate-related matters that could reasonably be expected to affect the Group's business model, strategy, operations, financial performance and long-term resilience. The identification of potentially material SRROs and CRROs draws on comprehensive materiality assessment, stakeholder engagement and analysis of megatrends, including reference to SASB (Chemical Industry Standard),

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The current disclosure set reflects a focused selection of seven matters for deeper analysis: four CRROs and three SRROs.

These are; CRRO 1 Physical Climate Risk to Raw Material Supply; CRRO 2 Physical climate-related water risk; CRRO 3 Transition Opportunity: Scaling Renewable Energy Adoption Driven by Fossil Fuel Price Volatility and Supply Disruptions, CRRO 4 Transition Opportunity: Growing Demand for Activated Carbon in Climate-Solution Applications; SRRO 1 Environmental Compliance and Regulatory Tightening Risk; SRRO 2 Workforce Capability and Skilled Labour Availability Risk; and SRRO 3 Occupational Health and Safety Risk.

VALUE CHAIN DESCRIPTION

The Group's selected climate-related and sustainability-related risks and opportunities are assessed across relevant parts of the value chain, including upstream supply, own operations and downstream market or customer interfaces. The value-chain mapping breaks this into upstream raw materials and procurement, own operations including manufacturing, processing, packaging and office functions, and downstream distribution, logistics, customer demand/customer management, and product end of life.

The value-chain mapping identifies key dependencies and impacts across these stages. Upstream, Haycarb depends on coconut shell availability from tropical agricultural systems, charcoal supplier networks, climatic stability in coconut-growing regions, supplier technical capability, contract stability, and logistics for raw material aggregation. Within own operations, the key dependencies include energy supply, water availability, skilled workforce, process efficiency, product quality systems, environmental permits, ESG governance and data systems, and capital allocation. Downstream, the mapping highlights industrial and municipal demand for activated carbon, regulatory-driven demand in water and air applications, customer expectations on product performance and sustainability, freight and export logistics, and end-of-life pathways including waste handling and regeneration/reuse opportunities.

This value-chain mapping supports the positioning of CRRO 1 mainly in upstream sourcing and procurement, CRRO 2 mainly in own operations and selected upstream exposure, CRRO 3 mainly in own operations through energy-intensive manufacturing and related capex decisions and CRRO 4 mainly in downstream demand and product/market development. It also supports the three selected SRROs being located predominantly within own operations, while still recognising downstream and stakeholder implications for regulatory compliance, labour capability and health and safety performance.

BASIS OF MATERIALITY

The Group's disclosure focus is based on sustainability-related and climate-related risks and opportunities that could reasonably be expected to affect cash flows, access to finance, or cost of capital over the short, medium or long term. Materiality is considered using both qualitative and quantitative factors.

Materiality judgements consider quantitative factors as well as qualitative factors, entity-specific and external factors, possible future events with uncertain outcomes, and changed circumstances. Qualitative considerations include the nature of exposure, affected geographies, affected parts of the value chain, strategic relevance, resilience implications, stakeholder expectations and regulatory or market context.

FINANCIAL MATERIALITY THRESHOLD

The Group applies a threshold based approach in assessing whether identified sustainability related risks and opportunities are financially material for disclosure purposes. Profit before tax (PBT) is used as the primary financial reference point in this assessment, as it provides a consistent basis for evaluating the significance of potential adverse financial effects on the Group.

An adverse effect of approximately more than 10% of PBT is regarded as high, between approximately 7%-10% as medium, between approximately 3%-7% as low and approximately 3% or less as very low.

FUNCTIONAL CURRENCY

The functional currency and presentation currency applied in these disclosures is Sri Lankan Rupees (LKR), consistent with the Group's internal and financial reporting context. Quantified financial effects, where included in the climate-related analysis, have therefore been expressed in LKR unless a non-financial operating unit is more appropriate.

TIME HORIZONS

The basis-of-preparation uses the following disclosure horizons across the current disclosures:

- » Short term as 1 year (FY 2026/27)
- » Medium term as 2- 3 years (FY 2027/28 to FY 2029/30)
- » Long term as beyond 3 years (FY 2029/30 and beyond)

These time horizons align with the Company's strategic planning framework, where short-term corresponds to annual operational budgeting, medium term aligns with the three-year business plan for capital allocation and market strategy, and long-term supports strategic assessments of supply chain resilience and climate adaptation. This alignment ensures climate-related risks and opportunities directly inform Board and management decision making processes

SIGNIFICANT JUDGEMENTS AND UNCERTAINTIES

Preparation of this disclosure requires management to apply judgement in determining the scope of selected risks and opportunities, the boundaries of analysis, the relevance of value-chain exposures, the selection of metrics and targets, and the level of detail appropriate for disclosure. Estimation uncertainty remains relevant where the assessment depends on scenario assumptions, operational projections, evolving regulatory conditions, changing market demand, external climate variables, and management actions that may alter future outcomes.

Area	Key judgement or uncertainty	Disclosure approach
Selection of material CRROs and SRROs	Judgement is required to determine which matters are sufficiently significant for inclusion in the focused disclosure set.	The current-year process uses a consolidated selected set of four CRROs and three SRROs for detailed disclosure.
Reporting boundary	Judgement is required to align the disclosure boundary with the Group financial reporting boundary and relevant value-chain exposures.	The disclosure applies the financial reporting boundary and extends analysis to relevant upstream, own-operations and downstream interfaces where needed.
Time horizons	Judgement is required in assigning effects to ST, MT and LT.	The disclosure uses ST FY 2026/27, MT FY 2027/28 to FY 2029/30, and LT beyond FY 2029/30.
Financial materiality assessment	Judgement is required in interpreting when a matter becomes financially material and decision-useful for disclosure.	The disclosure uses a threshold based approach that takes PBT as the primary financial reference point and is supported by revenue, cost, EBITDA, employees, capex and resilience considerations rather than a single mechanical trigger.
Use of scenarios and forward-looking assumptions	Uncertainty arises from climate, operational, market and strategic assumptions in assessing anticipated effects and resilience.	Forward-looking statements are framed as scenario-based, directional or sensitivity-based where relevant rather than as forecasts.
Metrics and targets completeness	Judgement is required on which KPIs are mature enough for disclosure and how to align them to roadmap commitments.	The disclosures uses currently monitored management metrics and roadmap-linked indicators, with further refinement possible in later reporting cycles.
External variables	Uncertainty arises from climate variability, regulatory developments, demand conditions, supply availability and other external factors beyond the Group's direct control.	The disclosures explain exposure and response without overstating certainty regarding future outcomes.
Data maturity and overlap	Judgement is required where overlapping issues are consolidated into fewer reportable items.	Standalone disclosures are limited to seven selected matters, while overlapping items are embedded as drivers within the chosen CRROs/SRROs.

PROPORTIONALITY

The Group's disclosures are prepared on a proportional basis, using information that is reasonable and supportable at the reporting date and available without undue cost or effort, while focusing on matters assessed as most relevant to decision making and long term resilience. Proportionality is applied when determining the depth of explanation and quantification for each risk or opportunity, taking into account data availability, the maturity of internal methodologies and the degree of estimation uncertainty.

In practice, this means the level of detail varies by issue. Climate related risks and opportunities that are already supported by stronger internal analysis, such as

CRRO 1, CRRO 2, CRRO 3 and CRRO 4, are accompanied by more developed quantitative or semi quantitative information, including scenario style sensitivities and directional financial indications. Other risks and opportunities that were considered in the assessment but not selected as standalone disclosures are addressed in a more concise manner, or embedded within the narrative for the selected CRROs and SRROs, where separate quantification would currently involve a higher level of uncertainty or would not add meaningful decision useful insight for readers.

GOVERNANCE

GOVERNANCE FRAMEWORK FOR SUSTAINABILITY-RELATED RISKS AND OPPORTUNITIES

Haycarb PLC has established a governance framework to oversee sustainability-related risks and opportunities (SRROs), across its global operations. The framework supports integration of sustainability considerations into strategic planning, enterprise risk management, capital allocation and operational decision-making.

The governance structure is supported through:

- » Board-approved mandates and governance structures
- » Committee Terms of Reference (TORs)

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- » Delegated management responsibilities
- » Sustainability-related policies and procedures
- » Integrated risk management processes
- » Periodic monitoring and reporting mechanisms

BOARD OVERSIGHT RESPONSIBILITIES

The Board of Directors retains ultimate accountability for overseeing SRROs across the Group. The Board's responsibilities are formalised through the Group's ESG Roadmap 2030 ACTIVATE, Board mandates, Committee Terms of Reference and enterprise risk management structures.

The Board oversees the integration of sustainability considerations into:

- » Group strategy and long-term planning
- » Enterprise risk management
- » Capital allocation and major investments
- » Supply chain and operational resilience
- » Sustainability-related disclosures
- » Climate-related and nature-related governance practices

The Board also oversees the identification, assessment and prioritisation of material SRROs that may affect the Group's

operations, financial performance and long-term resilience.

DELEGATION TO COMMITTEES

To support effective governance over sustainability and climate-related risks and opportunities, the Board delegates oversight responsibilities to various Board Sub Committees and management-level governance structures.

The governance framework operates through coordinated reporting, escalation and oversight mechanisms to ensure accountability, transparency and effective management of material sustainability and climate-related matters.

The key governance structures supporting sustainability oversight include:

AUDIT COMMITTEE

The Audit Committee oversees the integrity and reliability of sustainability-related disclosures and internal control mechanisms relating to sustainability data, reporting processes and governance structures.

THE COMMITTEE:

- » Reviews sustainability-related disclosures before it is published within the Annual Report.

- » Oversees the effectiveness of internal controls relating to sustainability reporting.
- » Reviews assurance readiness relating to sustainability disclosures.
- » Monitors the reliability and consistency of sustainability-related information.
- » Reviews sustainability related risks and opportunities reporting integrated within the enterprise risk management framework.

NOMINATIONS AND GOVERNANCE COMMITTEE

The nominations and Governance Committee oversees Board composition, ensure appropriate skills and experience in sustainability climate change and stakeholder governance and arrange training and capacity development for the Board of Directors where needed.

SUSTAINABILITY GOVERNANCE STRUCTURE



BOARD COMPETENCY AND SKILLS DEVELOPMENT

The Board and Executive Management collectively possess extensive experience across finance, manufacturing, global operations, supply chain management, sustainability, risk management and international business operations.

To ensure appropriate oversight of SLFRS S1 and S2 climate-related disclosures, the self-assessment was conducted in FY 2025/26 evaluating the Board Audit Committee members' competencies in climate risk assessment, scenario analysis, and sustainability reporting frameworks. The assessment identified existing strengths in financial materiality evaluation and risk governance, and highlighted opportunities for enhanced training in climate-related risk management. The Group continues to strengthen sustainability-related governance capabilities through:

- » Ongoing management engagement
- » Industry benchmarking
- » Sustainability-focused strategic discussions
- » Participation in sustainability-related initiatives and forums
- » Internal coordination across operational functions

Continuous enhancement of sustainability-related reporting and governance practices

As sustainability disclosure standards and stakeholder expectations continue to evolve, the Group intends to progressively strengthen governance competencies relating to climate-related risks and opportunities through structured training programs and periodic competency assessments.

BOARD REPORTING AND INFORMATION FLOWS

The Board receives periodic quarterly updates relating to SRROs through:

- » ESG Steering Committee updates
- » Enterprise risk management reviews
- » Sustainability performance monitoring
- » Strategic planning discussions

- » Operational risk assessments

Material sustainability-related matters may also be escalated outside normal reporting cycles where operational, financial, reputational or strategic implications are considered significant.

INTEGRATION OF SUSTAINABILITY INTO STRATEGY AND DECISION-MAKING

Sustainability considerations continue to be integrated into the Group's strategic planning and operational decision-making processes.

This includes integration into:

- » Capital allocation decisions
- » Operational expansion projects
- » Energy management initiatives
- » Manufacturing optimisation projects
- » Product development initiatives
- » Supply chain strategies
- » Risk management frameworks
- » Long-term strategic planning

The Group continues to recognise sustainability as a key strategic enabler supporting operational resilience, innovation, customer relevance and long-term value creation.

OVERSEEING AND MONITORING OF SUSTAINABILITY-RELATED RISKS AND OPPORTUNITIES

During the year, the Board exercised oversight of sustainability-related risks and opportunities (SRROs) through periodic reviews of the Group's sustainability governance framework, strategic priorities and enterprise risk management processes. The Board continued to oversee the integration of sustainability and climate-related considerations into the Group's strategy, operational planning, capital allocation and risk management activities across its global operations.

The Board reviews, on a quarterly basis, emerging sustainability and climate-related developments that may affect the Group's

operations, financial performance, supply chain resilience and long-term strategic direction. These reviews include stakeholder expectations, regulatory developments, environmental and climate-related risks, nature-related dependencies, raw material availability challenges, supply chain vulnerabilities, energy-related developments and transition-related market changes across varying time horizons.

The Board periodically reviews sustainability-related policies, strategic initiatives and operational developments relating to sustainable sourcing, energy management, operational efficiency, climate resilience, employee wellbeing, occupational health and safety and environmental stewardship. The Board also reviews the progress of strategic sustainability initiatives, including backward integration projects, renewable energy initiatives and sustainability-focused operational investments across the Group.

The Board further oversees the identification, assessment and prioritisation of material sustainability-related risks and opportunities through the Group's enterprise risk management framework, ensuring sustainability considerations are integrated into strategic and operational decision-making. In evaluating major investments and operational initiatives, the Board considers trade-offs associated with sustainability-related risks and opportunities, including operational resilience, long-term competitiveness, resource availability and evolving stakeholder expectations.

The Board also oversees the establishment of sustainability-related objectives, targets and key performance indicators relating to material sustainability-related risks and opportunities. Progress against such targets is monitored quarterly through updates provided by Executive Management, the ESG Steering Committee and relevant operational functions.

In addition, the Board continues to monitor evolving sustainability-related disclosure requirements, including developments relating to SLFRS Sustainability Disclosure Standards, climate-related disclosures and emerging nature-related reporting frameworks, with the objective of progressively strengthening the Group's

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sustainability governance and reporting practices.

MANAGEMENT ROLE IN THE GOVERNANCE PROCESS

The Board is supported by Executive Management and designated management-level governance structures in overseeing sustainability-related risks and opportunities (SRROs) across the Group. Management is responsible for implementing the Board-approved sustainability strategy and integrating sustainability considerations into operational activities, risk management processes and day-to-day decision-making. The Group has established governance processes, controls and procedures to support the identification, monitoring, management and escalation of material sustainability-related risks and opportunities, while ensuring alignment with broader enterprise risk management and operational governance frameworks.

ESG STEERING COMMITTEE

The Board has delegated responsibility for identifying, managing and monitoring the Group's material sustainability and climate-related risks and opportunities to the ESG Steering Committee. The Committee operates in accordance with its Terms of Reference, which guide its activities in relation to the oversight and management of the Group's sustainability and climate-related matters. The key roles and responsibilities of the ESG Steering Committee during 2025/26 included;

- » Overseeing the implementation of the Group's sustainability strategy,
- » Monitoring material sustainability and climate-related risks and opportunities,
- » Reviewing sustainability-related initiatives and supporting integration of sustainability considerations into strategic and operational decision-making processes.

The ESG Steering Committee is chaired by the Managing Director and comprises senior management representatives from key functions across the Group. The Committee is responsible for ensuring that its members possess the skills and competencies required to identify, assess and effectively respond

to the Group's sustainability and climate-related risks and opportunities. During the year under review, the Committee continued to strengthen its competencies through ongoing engagement and sustainability-related capacity-building initiatives.

The Committee met three times during 2025/26 to evaluate the Group's sustainability and climate-related risks and opportunities, with key findings and recommendations reported to the Board on a quarterly basis.

Through the activities of the ESG Steering Committee, sustainability and climate-related considerations continued to be integrated into the Group's strategic planning and enterprise risk management processes, supporting decision-making relating to significant investments, operational initiatives and research and development activities aimed at capturing emerging sustainability and climate-related opportunities. Sustainability and climate-related risks and opportunities also continued to play a significant role in shaping the Group's long-term energy strategy and operational resilience initiatives, including instances where long-term strategic objectives were balanced against short-term financial considerations.

CORPORATE SUSTAINABILITY AND ESG DEPARTMENT

Haycarb's Corporate Sustainability and ESG Department is primarily responsible for driving the implementation of ACTIVATE in collaboration with relevant internal and external stakeholders. The Department supports the integration of sustainability and ESG considerations across the Group's operations, governance structures and strategic decision-making processes.

The Department's key responsibilities for 2025/26 include:

- a. Supporting the development and implementation of ESG policies, frameworks and strategic sustainability initiatives
- b. Tracking, monitoring and reporting ESG metrics and material sustainability-related information to support effective decision-making.

- c. Facilitating the integration of ESG considerations into operational and strategic decision-making processes through the provision of relevant qualitative and quantitative analysis.
- d. Monitoring stakeholder engagement outcomes, identifying material ESG-related risks and opportunities and providing periodic updates and strategic feedback to the Board on ESG performance and emerging sustainability-related matters.

CONTINUOUS IMPROVEMENT

Haycarb remains committed to continuously strengthening its sustainability governance framework and disclosure practices through:

- » Periodic training and awareness programmes for Directors, senior management and relevant employees;
- » Enhancement of sustainability-related data collection processes, systems and internal controls across the Group;
- » Progressive strengthening of assurance processes over sustainability-related disclosures and data;
- » Continuous improvement of stakeholder engagement mechanisms to support transparent and meaningful disclosures; and
- » Ongoing integration of sustainability-related considerations into strategic planning, risk management and operational decision-making processes across the Group.

RISK MANAGEMENT METHODOLOGY FOR ASSESSING CLIMATE-RELATED AND SUSTAINABILITY-RELATED RISKS AND OPPORTUNITIES

The Group applies a structured methodology across selected CRRs and SRROs using a broader enterprise approach that considers impacts across the value chain and evaluates material items through identification, assessment, prioritisation and monitoring stages. Identification is based on sources of guidance, materiality assessment, stakeholder engagement and analysis of megatrends, and the assessment includes both qualitative and quantitative review of potential vulnerability and impact.

The approach is value-chain based. Risks and opportunities are considered across upstream supply, own operations and downstream interfaces, and then linked to the parts of the business model most exposed to disruption, cost pressure, regulation, capability requirements, demand shifts or transition opportunity. This value-chain framing supports a more decision-useful assessment than a narrow site-only view because several of the most material matters originate outside direct legal operations but still affect financial performance and resilience through sourcing

systems, customer demand or supply-chain dependencies.

IDENTIFICATION

Identification of risks and opportunities starts with a broader universe of sustainability-related and climate-related matters gathered through internal operational review, management inputs, strategic planning discussions, stakeholder considerations and value-chain mapping. The value-chain assessment then links these issues to specific dependencies and

impacts across raw materials, procurement and sourcing, manufacturing, processing and packaging, office functions, distribution and logistics, customer demand/customer management, and product end of life, allowing Haycarb to identify where material climate or sustainability pressures arise and how they may be transmitted into strategy, operations or financial effects.

For the four selected climate-related risks and opportunities, identification draws on a combination of internal data, external data and management analysis.

Evidence type	Main components
Internal operating and financial data	Raw material sourcing volumes and rates by geography and supplier; supplier concentration and source-country dependence; production and sales mix by product and application; energy and fuel use; renewable energy generation; water use and water-source mix; washing-intensity and operational water-use assumptions; site-level engineering and operational information; financial performance indicators; capex and project pipeline information; compliance information; and strategic plans for product mix and capacity development.
External climate and market data	Climate and weather information; rainfall variability and hydrological stress patterns; El Niño related disruption patterns; agricultural productivity conditions in sourcing regions; fuel-price developments and supply volatility; market demand trends; customer application trends in water purification, air purification, emissions control and energy-related uses; environmental and other regulatory developments; and relevant macroeconomic or sector information used to assess exposure, timing and plausibility.

The identification of the four CRROs draws on the internal and external evidence summarised above, including key production, input, water, energy, market, regulatory and climate related data for major operating and sourcing geographies.

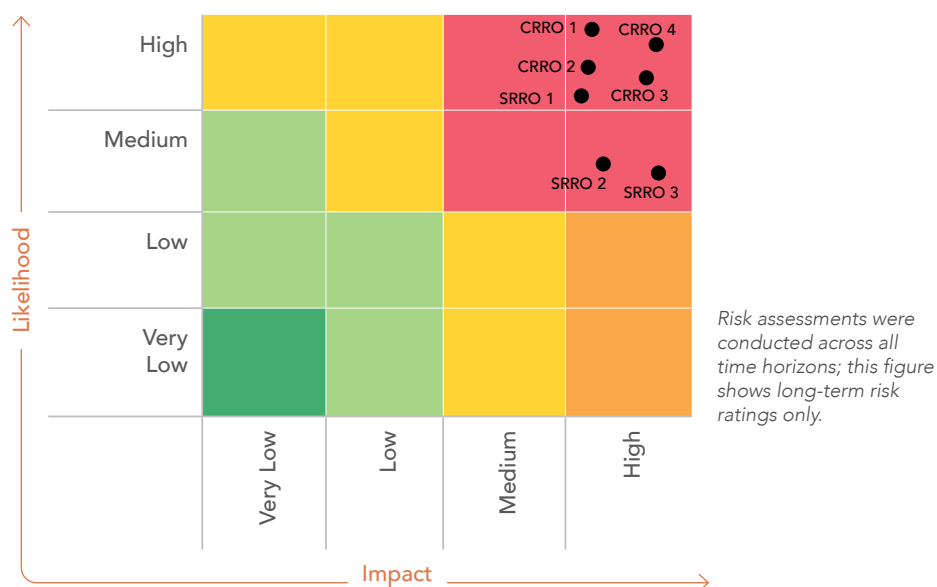
ASSESSMENT

Assessment uses both qualitative and quantitative information, depending on the issue and data availability. It focuses primarily on potential effects on profit before tax (PBT), applying the PBT based sensitivity thresholds set out in the Basis of Preparation, and also considers effects on revenue, cost of sales, cash flows, access to finance and overall resilience, including possible future events with uncertain outcomes.

IMPACT / LIKELIHOOD MATRIX

The Group uses an impact likelihood matrix to identify, assess and prioritise climate and sustainability related risks and opportunities

across all considered time horizons. Items are assessed based on the severity of their potential effect and their likelihood, so that more material items are prioritised for deeper review and disclosure.



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Prioritisation Criteria: Impact

Impact rating	Metric	Threshold definition
High	PBT	PBT: more than 10% adverse impact.
	Employee turnover	More than 20% turnover or loss of critical technical / operational capability affecting continuity.
	Loss of customers	Threatened or actual loss of 10% of strategic customers.
	Reputation damage	Negative media coverage persisting for more than 6 months.
Medium	PBT	PBT: 7% adverse impact.
	Employee turnover	15% to 20% turnover, or difficulty filling critical operational / technical roles.
	Loss of customers	Threatened or actual loss of 5% to 10% of strategic customers.
	Reputation damage	Negative media coverage persisting for 3 to 6 months.
Low	PBT	PBT: 5% adverse impact.
	Employee turnover	10% to 15% turnover or localised skill gaps.
	Loss of customers	Threatened or actual loss of 2% to 5% of strategic customers.
	Reputation damage	Negative media coverage persisting for 1 to 3 months.
Very Low	Revenue / PBT	PBT: less than 3% adverse impact.
	Employee turnover	Less than 10% turnover.
	Loss of customers	Threatened or actual loss of less than 2% of strategic customers.
	Reputation damage	Negative media coverage persisting for less than 1 month.

Prioritisation Criteria: Likelihood

Likelihood rating	Threshold definition
High	Occurs every 1–3 years
Medium	Occurs every 3–5 years
Low	Occurs every 5–10 years
Very Low	Occurs less often than once in 10 years.

Based on this process, CRRO 1–4 and SRRO 1–3 were prioritised for standalone disclosure; other topics (for example, customer decarbonisation pressure, standalone energy security, standalone extreme weather damage, supply chain traceability, product quality and technology or innovation adoption) were assessed but treated as drivers within the seven selected matters.

Assessment combines several layers: mapping each issue to the value chain and key transmission channels; considering

inherent exposure in terms of dependency, sensitivity and strategic relevance; linking to current year operational and financial baselines where possible; and assessing anticipated effects using directional, scenario based or sensitivity based analysis rather than point forecasts where future uncertainty is high.

PRIORITISATION

Prioritisation is based on the impact likelihood matrix and the Group's PBT based materiality lens, focusing on items with the

strongest combination of impact, likelihood and decision useful relevance. Overlapping topics are consolidated rather than disclosed separately (for example, extreme weather within CRRO 1 and CRRO 2, energy security within CRRO 3, supply chain traceability within CRRO 1, and technology or innovation adoption within CRRO 4 and strategic capex).

As a result, some matters remain important in business terms without becoming standalone SRROs/CRROs where they are more decision usefully treated as drivers or sub factors within broader selected matters.

MONITORING CLIMATE RISKS AND OPPORTUNITIES

Monitoring of climate related and sustainability related risks and opportunities is carried out through periodic management review and a defined set of indicators and KPIs for each selected CRRO and SRRO. Performance against these indicators, together with progress on related targets, is reported to the Board and relevant committees in line with the governance

arrangements described in the Governance section and is summarised in more detail in the Metrics and Targets section.

CHANGES IN CLIMATE RISK AND OPPORTUNITY MANAGEMENT PROCESSES COMPARED WITH THE PREVIOUS REPORTING PERIOD

In 2024/25, Haycarb reported a broader set of 17 climate related and sustainability related risks and opportunities across the value chain. For the current reporting period, this population was re evaluated using the updated impact-likelihood thresholds and the strengthened materiality lens, and overlapping items were deliberately consolidated into a smaller number of more decision useful themes. Physical raw material and water related risks, which were previously described through multiple separate items (for example, raw material disruption, water stress, extreme weather damage to operations and elements of supply chain sustainability), have been brought together into two primary CRROs focused on coconut shell/charcoal supply and water availability and hydrological variability.

Transition related topics such as renewable energy, energy security, customer decarbonisation expectations and demand growth for environmental applications have been streamlined into two CRROs centered on demand for climate solution applications and the renewable energy transition, with the remaining transition drivers treated as

components of these themes rather than standalone disclosures. Several sustainability related risks that were previously listed separately (including technology adoption, product quality/process consistency and elements of social and community exposure) have been embedded within broader compliance, capability and safety considerations instead of being duplicated. At the same time, a new sustainability related risk on workforce capability and skilled labour availability has been added as a distinct SRRO, reflecting the growing importance of specialist technical, operational and engineering skills for maintaining safe, efficient and resilient activated carbon operations. As a result, the current year disclosure focuses on four CRROs and three SRROs that together capture the most material climate related and sustainability related exposures and opportunities for Haycarb while reducing fragmentation and overlap in the risk narrative.

INTEGRATION WITH OVERALL RISK MANAGEMENT

Haycarb integrates our four Climate-Related Risks and Opportunities and three Sustainability-Related Risks and Opportunities into our overall risk management framework through a structured governance model based on the Three Lines of Defense.

STRATEGY

CLIMATE TRANSITION AND ADAPTATION PLANS

Haycarb's climate transition and adaptation plans for the four climate related risks and opportunities focus on strengthening raw material resilience, water stewardship, energy transition, operational adaptation and selective growth in higher value activated carbons, with a mix of near term operational actions and longer term capital and capability investments. These plans are embedded throughout this disclosure in the Strategy, Risk Management and Metrics and Targets discussions, and are being integrated into sourcing strategies, site level water and energy programmes, product and portfolio development, and medium term capital allocation to reduce exposure to climate sensitive supply, water and energy constraints while preserving and selectively expanding growth options.

CLIMATE-RELATED RISKS AND OPPORTUNITIES

GRI 201-2

Haycarb has identified four material climate-related risks and opportunities, CRROs, that could reasonably be expected to affect its business model, operations, value chain, financial position, performance, cash flows, access to finance or enterprise value over the short, medium and long term. These comprise both climate-related risks and climate-related opportunities arising from physical climate effects, transition dynamics, and evolving market demand for climate-solution products.

CRRO	Primary area of impact	Main strategic relevance	Financial effect assessment
CRRO 1: Climate Risk to Raw Material Supply	Feedstock sourcing and supply chain	Securing raw materials and protecting margins	Quantified cost of sales impact; qualitative long term view.
CRRO 2: Climate Related Water Risk Arising from Changes in Water Availability. Water Quality and Hydrological Variability	Manufacturing sites and local water sources	Ensuring process water availability and license to operate	Quantified revenue impacts stress years; qualitative long term view
CRRO 3: Opportunity for Scaling Renewable Energy Adoption Driven by Fossil Fuel Price Volatility and Supply Disruption	Energy mix at manufacturing sites	Reducing fossil fuel exposure and stabilising energy costs though increasing renewable energy	Quantified cost and earnings sensitivities.
CRRO 4: Opportunity due to Growing Market Demand for Value-Added Carbons Used in Energy Storage, and Advanced Water & Air Purification	Customer markets and product portfolio	Growing value added climate solution revenues	Quantified illustrative revenue uplift and earnings resilience

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CRRO 1: CLIMATE RISK TO RAW MATERIAL SUPPLY (COCONUT SHELL AND COCONUT SHELL CHARCOAL)

Description:

CRRO 1 is the risk that climate-related disruption to coconut-growing systems and charcoal conversion networks reduces the availability of coconut shells and coconut shell charcoal, increases procurement costs, and constrains Haycarb's ability to manufacture coconut-shell-based activated carbon. The risk affects major revenue-generating applications including gold

recovery, air purification, water purification, and energy storage carbon because these products depend on coconut-shell-derived feedstock.

Physical/transition:

CRRO 1 is primarily a physical climate risk with both chronic and acute characteristics. The chronic element arises from rainfall variability, tree ageing, insufficient replanting, and changing agricultural productivity, while the acute element arises from El Niño-linked droughts, rainfall deficits, and short-term supply shocks;

secondary transition-related features may also affect supply economics.

Time period: S, M, L

Current Year Effects Of CRRO On Business Model And Value Chain And Where It Is Impacted:

While the business model remains highly dependent on coconut shell charcoal, the current assessment indicates CRRO 1 has not resulted in material financial effects on the Group's business model and value chain in FY 2025/26.

Anticipated Effects on Business Model and Value Chain

Horizon	Business Model Effect	Value Chain Effect
Short-term (FY 2026/27)	Production expansion increases feedstock intensity, elevating working capital requirements and raw material costs, directly impacting gross margins and cost of sales.	Greater procurement volumes strain supply aggregation and necessitate higher-cost fallback imports.
Medium-term (FY 2027/28 to FY 2029/30)	Financial resilience depends on pricing discipline to offset El Niño-driven cost volatility and margin compression. Potential revenue growth constraints if price increases cannot be passed through.	Supplier financial stress during climate events and elevated inventory management costs.
Long-term (FY 2029/30 and beyond)	Transition from low-cost charcoal reliance to climate-resilient sourcing strategy requires strategic capex for backward integration, diversification, and efficiency improvements to sustain profitable growth.	Structural agricultural climate resilience becomes critical for long-term cost competitiveness and supply security.

Concentration

Horizon	Business Model Effect	Value Chain Effect
Short-term (FY 2026/27)	Value chain: Upstream sourcing and import channels. Business model: Activated carbon and energy carbon production lines.	Sri Lanka
Medium-term (FY 2027/28 to FY 2029/30)	Value chain: Agricultural supplier base and logistics networks. Business model: Procurement, inventory management, and pricing strategy.	Sri Lanka, Thailand, Indonesia
Long-term (FY 2029/30 and beyond)	Value chain: Multi-country agricultural sourcing and supplier development. Business model: Strategic capital allocation and product-mix diversification.	Multi-country

How Haycarb Has Responded to or Plans to Respond to CRRO In Business Strategy and Decision:

Direct adaptation actions already in place or planned include backward integration into shell supply, multi-country sourcing, efficiency improvements, evaluation of alternative raw materials, and phased expansion planning. In Sri Lanka specifically,

the strategy focuses on sustaining or reducing reliance on local charcoal volumes while diversifying import channels to enhance supply resilience and cost stability.

Indirect adaptation actions include product-mix management toward higher-value-added products, pricing discipline and pass-through where possible, inventory strategy,

and selective phasing of capacity expansion where feedstock security is a constraint.

How Haycarb is resourcing, and plans to resource the above (resource allocation- financial and non-financial):

Financial resourcing for CRRO 1 is expected to come through procurement effort, working capital, inventory management, backward-

integration spending, supplier development, and strategic capex or operating changes that improve carbon yield or reduce exposed charcoal per unit of output.

Indicative resource needs are concentrated in Sri Lanka due to the largest charcoal spend, reliance on imported fallback volumes (requiring adequate foreign currency reserves and import financing capacity), and planned energy storage carbon expansion. Maintaining sufficient liquidity for import procurement is critical to supply continuity, although Indonesia and Thailand also remain relevant as part of the Group's multi-country sourcing resilience.

Non-financial resourcing includes management attention to sourcing strategy, supplier diversification, monitoring of key climate-sensitive source countries, and commercial discipline in product and pricing decisions.

Progress Of the Plans and Initiatives:

- » **Green Charcoal Intake**
 - o 2025/26: 61%
 - o 2024/25: 44%
- » **Backward integration shell procurement percentage**
 - o 2025/26: SL - 20%, Thailand - 62% , Indonesia - 18%
 - o 2024/25: SL - 34% , Thailand - 66% , Indonesia - 0%

More info on targets and progress listed under "Metrics & Targets" Section in Page 104.

Current Year Financial Effects:

The current assessment indicates CRRO 1 has not resulted in material financial effects in 2025/26.

Significant Risk of Material Adjustments Within The Next Annual Reporting Period

CRRO 1 has been considered in assessing forward looking assumptions relevant to margins, utilisation, inventory and procurement costs for the next financial year. At the reporting date, CRRO 1 creates meaningful sensitivity in these assumptions; however, no asset specific impairment or other material adjustment has been identified solely on the basis of this risk in the absence of more specific triggering evidence.

Anticipated Financial Effects Over Short, Medium and Long Term:

The anticipated financial effects are presented as scenario based sensitivities rather than forecasts. The main quantitative channel is incremental raw material cost increase driven by climate related pressure on coconut shell and charcoal availability, with resulting effects on cost of sales and margin resilience.

Climatic / operational driver	Indicative driver (quantified)	Time horizon	Indicative financial impact	Qualitative description
Immediate expansion in Sri Lanka with first step Energy storage carbon demand, ongoing elevated procurement prices and near term climate variability affecting coconut shell and charcoal supply	Sri Lanka local charcoal cost increase band of about 25%–35%; India import band of about 30%–40%; Indonesia and Thailand local charcoal bands of about 15%–25% and 10%–20% respectively	ST (2026/27)	Incremental raw material cost increase of about 5.5–8.3 bn LKR	Represents near term expansion linked charcoal intensity and immediate supply stress effects, concentrated mainly in Sri Lanka where local and imported charcoal purchases are largest and Energy Storage Carbon expansion is most significant
El Niño sensitive window around 2027 combined with larger Activated Carbon, specifically EC throughput, tighter shell availability and stress on suppliers and import channels across Sri Lanka, Indonesia and Thailand	Sri Lanka local charcoal cost increase band of about 60%–90%; India import band of about 80%–120%; Indonesia and Thailand local charcoal bands of about 40%–70%	MT (2027/28–2029/30)	Incremental raw material cost increase of about 14.3–22.8 bn LKR compared to current year	Period of highest combined stress, as climate driven supply tightness overlaps with higher charcoal requirements from AC and Energy Storage Carbon expansion and stronger reliance on higher cost fallback import channels.
Structural plantation ageing, inadequate replanting and repeated climate volatility leading to persistent feedstock tightness and higher charcoal prices across sourcing countries	Sri Lanka local charcoal cost increase band of about 120%–180%; India import band of about 140%–200%; Indonesia and Thailand local charcoal bands of about 90%–140% and 80%–120% respectively	LT (2030 onwards)	Incremental raw material cost increase of about 29.2–43.9 bn LKR compared to current year	Long run structural stress case in which sustained climate and agricultural pressures tighten supply across multiple geographies, requiring significant adaptation in sourcing, efficiency, product mix and commercial response to preserve growth and margin resilience

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These effects are concentrated first in Sri Lanka, then in Indonesia and Thailand, with imported fallback channels adding additional cost sensitivity in severe stress conditions.

Climate Resilience (Summary)

Climate resilience for CRRO 1 was assessed in FY 2025/26 using the common Net Zero and Divergence scenario framework applied across the wider workstream. Net Zero was used as a directional comparator, while Divergence was used as the principal

quantitative case because it includes stronger assumptions on rainfall variability, El Niño linked disruption, shell availability and charcoal cost escalation, consistent with the 5–15% cost pressure and 1–3% to 2–7% revenue band logic used in the CRRO 1 financial effects tables. The business model was assessed as resilient in the short term (with Low to Medium downside in stress years) but increasingly conditional in the medium and long term, where resilience depends on sourcing diversification, backward integration and product mix

discipline to keep cost of sales and PBT effects within the management ranges disclosed for this risk.

Scenario-Based Resilience Interpretation By CRRO

The table below summarises how the CRRO's resilience is interpreted under the Net Zero and Divergence scenarios, and the main conditions under which the business model remains viable in each case.

CRRO	Primary climate / transition focus	Net Zero scenario (NZ) – resilience conditions	Divergence scenario (DV) – resilience conditions	Overall resilience conditions
CRRO 1 – Physical climate risk to raw material supply (coconut shell and charcoal)	Rainfall variability, ENSO/ El Niño, coconut yield and plantation dynamics, agricultural adaptation	Lower long-run physical stress and stronger adaptation support more stable coconut yields and shell availability; feedstock risk is reduced but not eliminated.	Higher rainfall variability, amplified ENSO impacts and weaker adaptation increase risk of feedstock tightness, price escalation and supply shocks.	Resilience depends on backward integration, multi-country sourcing, efficiency and product-mix management to maintain feedstock security and margin resilience, especially under DV.

Further detail on the risk-specific resilience assessment, including scenario analysis and supporting context, is provided in the Climate Resilience section (page 94–100).

Significant Judgement and Uncertainties:

Several significant judgments and uncertainties are embedded in the CRRO 1 analysis. These include the use of the 2025/26 charcoal purchase cost base of 27.86 bn LKR as the principal climate-sensitive financial baseline, the calibration of geography-specific cost increase bands by horizon, the interpretation of El Nino-related stress windows, the treatment of imported fallback channels, and assumptions about pass-through, sourcing adjustment, inventory strategy, and margin protection. There is also uncertainty around how rainfall variability, agricultural productivity,

replanting, plantation ageing, supplier conversion capability, and regional sourcing responses will interact in practice across different countries and seasons, which is why financial effects are expressed as ranges and scenario-based sensitivities rather than point forecasts.

Methodology:

The CRRO 1 analysis combines internal operating and financial data (raw material quantities and rates, local/import mix, expansion linked charcoal needs and internal revenue comparisons) with future production assumptions tailored for this assessment. Climate and market assumptions draw on internal sourcing risk analysis and external evidence on rainfall variability, El Niño linked disruption, coconut productivity and physical stress in key sourcing geographies, using a

divergence pathway as the main quantitative case and a net zero aligned pathway as a qualitative comparator. Climate sensitive exposure is assessed as the incremental increase in charcoal related raw material costs relative to the current year charcoal cost base, across Sri Lankan, Indonesian and Thai charcoal streams and fallback imports, assuming that expansion increases charcoal intensity and that realised outcomes depend on pass through, sourcing flexibility, inventory management, product mix and operating response rather than raw material cost escalation alone.

Proportionality:

The CRRO 1 analysis reflects proportionality by focusing the heaviest quantification on the areas that are most material and supportable with evidence. Sri Lanka is treated as the principal quantitative driver because it combines the largest charcoal spend, dependence on imported fallback volumes, and planned energy storage carbon expansion, while Indonesia and Thailand are also quantified because they carry large local charcoal volumes. Other source-country exposures are captured through import and climate-context assumptions rather than unnecessary false precision, and scenario-based financial ranges are used instead of point forecasts because the purpose of the disclosure is to show plausible exposure under climate stress rather than exact future procurement outcomes.

**CRRO 2: PHYSICAL CLIMATE-RELATED
WATER RISK ARISING FROM CHANGES
IN WATER AVAILABILITY, WATER
QUALITY, AND HYDROLOGICAL
VARIABILITY ACROSS OPERATIONS AND
KEY UPSTREAM SUPPLY LOCATIONS.**
Description:

CRRO 2 is the risk that climate-related changes in rainfall patterns, hydrological variability, water quality, groundwater stress, and associated regulatory tightening reduce the reliable availability of usable water required for steam generation, washing, cooling, and other operational needs across key Haycarb manufacturing locations. The risk is most acute in Sri Lanka and Thailand, where key plants depend on groundwater, surface water, and rainwater harvesting systems that are sensitive to dry-season stress, low-flow conditions, reservoir allocation pressure, and rainfall variability. Activated carbon production depends on water both directly and indirectly. All energy storage carbon grades in Sri Lanka are treated as washing dependent, and most Sri Lankan water and air purification grades, together with a smaller share of Thai production, also require washing as part of post activation processing.

Physical/transition:

CRRO 2 is primarily a physical climate risk, but it also includes important transition-like regulatory features because groundwater abstraction, industrial water use, tariff setting, and effluent discharge standards can tighten in response to climate stress and water-sector reform. The chronic element arises from longer-term changes in rainfall reliability, low-flow conditions, salinity pressure, groundwater stress, and increasing need for treatment, recycling, storage, and alternate sourcing, while the acute element arises from drought periods, severe dry-season constraints, extreme rainfall and flood events, and operational water-quality disruptions.

Time Period: S, M, L
**Current Year Effects of CRRO On
Business Model And Value Chain and
Where It Is Impacted:**

While the business model remains highly dependent on reliable water access, the current assessment indicates CRRO 1 has not resulted in material financial effects on the Group's business model and value chain in FY 2025/26.

**Anticipated Effects On Business Model And Value Chain**

Horizon	Business Model Effect	Value Chain Effect
Short-term (FY 2026/27)	Higher washing demand from energy storage carbon ramp-up increases revenue sensitivity to dry-season water usability and availability constraints.	Greater operational dependence on rainwater harvesting, reverse osmosis, and storage infrastructure at water-intensive sites.
Medium-term (FY 2027/28 to FY 2029/30)	Water availability becomes more tightly linked to the viability of expected product mix and growth plans, with potential constraints of higher-margin washed grades.	Water allocation, quality degradation, and emerging regulatory constraints increase the need for resilience capex and operational balancing across sites.
Long-term (FY 2029/30 and beyond)	Business model resilience depends on expanded water adaptation investments and achieving lower water-intensity per unit of output to sustain profitable growth.	Structural hydrological stress and regulatory pressure raise the importance of long-term water resilience measures including alternative sources and efficiency technologies.

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Concentration

Horizon	Concentration	Main Geography
Short-term (FY 2026/27)	Value chain: Washing and boiler operations at major production sites. Business model: Energy storage carbon production and washed-grade revenue streams.	Sri Lanka
Medium-term (FY 2027/28 to FY 2029/30)	Value chain: Own operations (washing, steam generation, treatment). Business model: Product-mix strategy and expansion planning.	Sri Lanka, then Thailand
Long-term (FY 2029/30 and beyond)	Value chain: Multi-site operations and strategic capex allocation. Business model: Water-intensity reduction and climate-resilient production model.	Sri Lanka, Thailand, selected Indonesia hotspots

How Haycarb Has Responded To Or Plans To Respond To CRRO In Business Strategy And Decision Making:

Direct adaptation actions already in place or planned include rainwater harvesting, existing reverse osmosis treatment in Sri Lanka, proposed expansion of RO and recycling capacity, storage enhancement, alternate sourcing, and site-level operational allocation of water toward the highest-value grades when constraints arise.

Haycarb Badalgama already has RO capacity and rainwater contribution, while Shizuka in Thailand relies significantly on harvested rainwater, showing that water adaptation is already embedded in operations. Indirect adaptation actions include product-mix prioritisation, growth planning that explicitly considers water intensity, and treatment of energy storage carbon as a strategically prioritised grade where washing water becomes constrained.

The strategy combines technical measures with commercial and operating decisions that prioritise higher value production when water becomes a binding constraint.

How Haycarb Is Resourcing, And Plans To Resource The Above (Resource Allocation- Financial And Non-Financial):

Financial resourcing for CRRO 2 is expected to come through targeted capex and opex related to reverse osmosis, recycling, storage, alternate sourcing, rainwater

harvesting, and broader process-water management. The analysis recognises that water itself is not the main cash-cost driver, but resilience capex and the avoidance of lost production make water-related investment strategically important, especially in Sri Lanka where total projected water demand is expected to rise from about 460,840 m3 in 2025/26 to around over ~600,000 m3 in the medium term and over ~700,00 m3 in the long term.

Non-financial resourcing includes site-level operational planning, technical management of water treatment and recycling systems, monitoring of water regulation, and management attention to product and capacity choices under water constraints.

Progress of the plans and initiatives:

- » **Sustainable water sourcing:**
 - o 2025/26: 123,171 m3 (16% of total water consumption)
 - o 2024/25: 85,188.31 m3 (12% of total water consumption)
- » **Volume of water recycled:**
 - o 2025/26: 30,483 m3 volume of water recycled (4% of total water consumption)
 - o 2024/25: 16,361 m3 volume of water recycled (2% of total water consumption)

» Water intensity:

- o 2025/26: 11.79 m3/Rs Mn revenue
- o 2024/25: 16.12 m3/Rs Mn revenue (27% year on year water intensity reduction)

More info on targets and progress listed under "Metrics & Targets" Section in Page 105.

Current year financial effects:

The current assessment indicates CRRO 2 has not resulted in material financial effects in 2025/26.

Significant Risk of Material Adjustments Within the Next Annual Reporting Period:

A significant risk of material adjustment within the next annual reporting period is not identified solely from CRRO 2 on the reporting date because current operations remain functional and no asset-specific impairment trigger has been identified only on the basis of this risk. However, there is significant sensitivity in assumptions relevant to expected production, water treatment, storage, resilience capex, and the viability of washed product mix in Sri Lanka and selected Thai facilities, so the risk remains relevant to forward-looking estimates and planning judgments.



Anticipated Financial Effects Over Short, Medium and Long Term:

For CRRO 2, the primary financial transmission channel is potential reduction in expected production where usable washing grade water becomes constrained

by climate related water stress, quality deterioration, groundwater pressure or tighter abstraction and effluent controls. The scenario analysis focuses mainly on washing dependent grades because these are the most operationally flexible and financially

sensitive part of the water balance, and the resulting revenue sensitivity bands are expressed as incremental reductions relative to current year Group revenue.

Climatic / operational driver	Indicative driver (quantified)	Time horizon	Indicative financial impact	Qualitative description
Climate related dry season stress, rainfall variability and hydrological variability reducing usable washing grade water at key Sri Lankan and Thai sites, affecting washing intensive EC and purification grades	Usable washing water loss of about 5%–10% in a severe short term stress year	ST (2026/27)	Incremental Revenue sensitivity band of about ~0.5–1.7 bn LKR, ~1%–3% of Group revenue in a severe stress year	Mainly affects washing dependent water and air purification volumes; Energy Storage Carbon is generally prioritised under stress, so downside is concentrated in other washed grades rather than in total production shutdowns
Same climate and regulatory drivers, combined with higher dependence on washing intensive production as Energy Storage Carbon ramp up and growth in washed grades increase total washing water demand in Sri Lanka and selected Thai operations	Usable washing water loss of about 15%–30% in a severe medium term stress year	MT (2027/28–2029/30)	Incremental Revenue sensitivity of ~ 2–6 bn LKR in the early medium term and around 2–8 bn LKR by 2028/29, roughly ~3%–9% of current Group revenue per severe stress year	Larger share of expected revenue becomes washing dependent; under more severe divergence cases, some expected Energy Storage Carbon production may also be affected if resilience measures (RO, recycling, storage, alternate sourcing) and prioritisation are insufficient
Longer term rainfall variability, low flow pressure, groundwater stress and tighter abstraction/effluent controls creating recurrent constraints on usable washing grade water if adaptation does not keep pace	Usable washing water loss of about 20%–30% in severe long term stress years (with higher recurrence risk under divergence)	LT (beyond 2029/30)	Incremental Revenue sensitivity band of about ~3–8.0 bn LKR per severe event year, roughly ~5%–12% of current Group revenue	Long term outcomes depend increasingly on expansion of RO, recycling, rainwater harvesting, storage and alternate sourcing; absent sufficient adaptation, repeated stress years could produce cumulative medium to high downside for washing dependent growth and margin resilience

Climate Resilience (Summary):

Climate resilience for CRRO 2 was assessed in FY 2025/26 using the common Net Zero and Divergence scenario framework. Net Zero assumes more orderly water sector adaptation and lower effective shortfalls in usable washing water, while Divergence assumes stronger hydrological stress and tighter water related constraints, consistent

with the 1–3% and 2–7% revenue downside ranges used for short , medium and long term stress years in the CRRO 2 financial effects table. Operations were assessed as reasonably resilient in the short term (with Limited current year impact identified solely from CRRO 2), but medium and long term resilience depends increasingly on expansion of RO, recycling, storage and alternate sourcing, and on product allocation

discipline, to keep downside within those disclosed bands if severe stress years recur.

Scenario-based resilience interpretation by CRRO

The table below summarises how the CRRO's resilience is interpreted under the Net Zero and Divergence scenarios, and the main conditions under which the business model remains viable in each case.

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CRRO	Primary climate / transition focus	Net Zero scenario (NZ) – resilience conditions	Divergence scenario (DV) – resilience conditions	Overall resilience conditions
CRRO 2 – Physical climate-related water risk	Hydrological variability, groundwater stress, dry-season low flows, water-quality and regulatory pressure	More orderly investment in water resilience, storage, treatment and reuse reduces effective shortfalls in usable washing water; severe events still occur but are better buffered.	Stronger and more frequent low-flow periods, tighter abstraction and effluent controls and higher climate stress raise the probability that water becomes a binding operational constraint.	Resilience depends on expanding RO, recycling, storage and alternate sourcing and on disciplined prioritisation of washing water to higher-value grades, particularly under DV.

Further details on the risk-specific resilience assessment, including scenario analysis and supporting context, is provided in the Climate Resilience section (page 94-100).

Significant Judgement and Uncertainties:

Significant judgements include the assumed washing intensity for Sri Lankan energy storage carbon, the assumed washed share of Sri Lankan purification products, the treatment of severe stress years, the degree of prioritisation afforded to energy storage carbon in constrained periods, and assumptions around regulatory tightening, water quality deterioration and site level adaptation effectiveness. Uncertainty remains around the frequency and severity of dry season constraints, rainfall reliability, groundwater performance, treatment efficiency, the timing of resilience capex, and the extent to which product mix can be flexed without disproportionate commercial downside. Financial effects are therefore expressed as scenario based revenue sensitivity bands rather than point estimates.

Methodology:

The CRRO 2 analysis uses internal water use data, current and projected production mix, assumed washing intensities and qualitative climate stress pathways to estimate how reductions in usable washing grade water affect washed production and related revenue. Baselines include current year water use and source mix profiles by

geography, with particular emphasis on Sri Lanka given its concentration of washed premium products and planned energy carbon growth. The methodology assumes energy storage carbon is prioritised over lower value washed grades when water is constrained, with RO, recycling, storage, alternate sourcing and rainwater harvesting partly mitigating but not eliminating severe stress risk. Scenario logic applies severe stress year usable water loss assumptions across the short, medium and long term and translates these primarily to washed grades and energy storage carbon where water becomes a binding constraint.

Proportionality:

The CRRO 2 analysis applies proportionality by concentrating the heaviest quantification on Sri Lanka and then Thailand, where current and projected washing-dependent production is most material. Indonesia is included qualitatively and in baseline water-use terms because its absolute exposure is smaller in this analysis even though freshwater usability remains relevant in selected upstream sites.

This proportionality logic overlaps partly with CRRO 1 in Sri Lanka because both risks become more material where expansion heightens dependence on climate-sensitive inputs, but the financial transmission channels remain distinct.

CRRO 3: OPPORTUNITY FOR SCALING RENEWABLE ENERGY ADOPTION DRIVEN BY FOSSIL FUEL PRICE VOLATILITY AND SUPPLY DISRUPTIONS.

Description:

Volatility in fossil fuel prices and potential supply disruptions, driven by geopolitical conditions and global energy market dynamics, create a strategic opportunity for Haycarb to accelerate renewable energy adoption across our operations. Activated carbon production is energy-intensive and depends materially on furnace oil, LPG and diesel for kilns, drying and other thermal processes, which exposes the business to cost fluctuations and supply risk when fossil energy markets tighten. In Sri Lanka, domestic LPG and transport fuel prices have been revised repeatedly, with individual adjustments in recent years often falling in the roughly 10% to 25% range, demonstrating the reality of fuel-price volatility in one of Haycarb's major manufacturing bases. This operating context strengthens the strategic case for replacing a larger share of fossil fuel demand with solar, biomass-based generation and waste-heat recovery where technically feasible.

Time period: S, M, L

Current Year Effects of CRRO On Business Model and Value Chain and Where It Is Impacted:

While the business model remains highly energy-dependent and has undertaken renewable energy transition to a certain level, the current assessment indicates CRRO 3 has not resulted in material financial effects on the Group's business model and value chain in FY 2025/26.

Anticipated Effects on Business Model And Value Chain

Horizon	Business Model Effect	Value Chain Effect
Short-term (FY 2026/27)	Accelerated renewable energy adoption reduces fossil fuel cost exposure and improves EBITDA margin resilience against fuel price volatility. Cost savings from completed dryer conversions and planned renewable projects begin to materialise.	Operational energy mix shifts further toward renewables, reducing dependency on imported fossil fuels and enhancing supply security at key production sites.
Medium-term (FY 2027/28 to FY 2029/30)	Continued renewable energy investments improve cost competitiveness, enabling more stable pricing strategies and strengthening profitability from energy-intensive washed grades and energy storage carbon expansion.	Energy self-sufficiency increases at major sites, reducing exposure to grid reliability issues and fuel logistics disruptions. Enhanced operational flexibility through diversified energy sources.
Long-term (FY 2029/30 and beyond)	Near-complete transition to renewable energy positions the business model for long-term cost leadership, regulatory compliance with emerging carbon pricing mechanisms, and competitive advantage in sustainability-focused markets. Strategic capex in renewable infrastructure delivers sustained margin benefits.	Structural reduction in fossil fuel dependency creates resilient, low-carbon operations aligned with customer sustainability requirements and regulatory expectations. Energy efficiency gains reduce overall energy intensity per unit of production.

Concentration

Horizon	Business Model Effect	Value Chain Effect
Short-term (FY 2026/27)	Value chain: Upstream sourcing and import channels. Business model: Activated carbon and energy carbon production lines.	Sri Lanka
Medium-term (FY 2027/28 to FY 2029/30)	Value chain: Agricultural supplier base and logistics networks. Business model: Procurement, inventory management, and pricing strategy.	Sri Lanka, Thailand, Indonesia
Long-term (FY 2029/30 and beyond)	Value chain: Multi-country agricultural sourcing and supplier development. Business model: Strategic capital allocation and product-mix diversification.	Multi-country

How Haycarb Has Responded To Or Plans To Respond To CRRO In Business Strategy And Decision Making:

Haycarb has responded through the ACTIVATE ESG Roadmap, which sets a target to increase renewable energy usage by 50% relative to the 2022/23 baseline and prioritises practical decarbonisation levers that also improve energy security.

Actions already implemented or underway include solar installations in Sri Lanka, dendro-based Recogen generation, waste-heat recovery for steam generation, selected

LPG-to-waste-heat dryer conversions, and design choices in new projects that favour renewable or waste-heat-based configurations.

Strategically, this opportunity is considered in capital planning, plant engineering and expansion decisions by favouring technologies that reduce reliance on externally purchased fossil fuels in energy-intensive sites. While current year focus was Recogen expansion and floating solar, future resourcing is expected to include solar and waste heat recovery projects.

How Haycarb is resourcing, and plans to resource the above (resource allocation-financial and non-financial):

Financial resourcing for CRRO 3 is occurring through direct capital allocation to renewable energy and waste-heat projects, supported by both internal funding and external green finance where appropriate. Around LKR 600 million was spent on solar installations in Sri Lanka in the prior year and two rooftop solar installations were financed using a green loan from banks at a more favorable rate. While current year focus was Recogen expansion and floating solar, future resourcing is expected to include solar installation and waste heat recovery projects, together with engineering, project management and

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operating support to integrate these systems into day-to-day production.

Non-financial resourcing also includes site-level technical capability, operational process redesign and management oversight to ensure renewable energy projects are aligned with production reliability and expansion plans.

Progress Of The Plans And Initiatives :

- » **Total renewable energy consumption**
 - o 2025/26: 77%
 - o 2024/25: 75%
- » **Total solar electricity generation**
 - o 2025/26: 3,152,155 kWh
 - o 2024/25: 1,523,609 kWh

(Energy intensity reduction from 26.43 to 18.44 GJ per Rs Mn revenue representing 30% y-o-y reduction)

More info on targets and progress listed under “Metrics & Targets” Section in Page 106.

Current year financial effects:

The current assessment indicates CRRO 3 has not resulted in material financial effects in 2025/26.

Significant risk of material adjustments to carrying value of assets and liabilities in the next financial year:

CRRO 3 has been considered in assessing forward-looking assumptions relevant to energy costs, fossil-fuel price exposure, and renewable-energy investment returns for the next financial year. At the reporting date, CRRO 3 does not create significant risk of material adjustments to the carrying value of assets or liabilities in the next annual reporting period. Renewable-energy and waste-heat investments are progressing in

line with plan, and no material adjustment has been identified on the basis of this opportunity.

Anticipated financial effects over short, medium and long term:

The anticipated financial effects are expected to differ by time horizon. In the short term, Haycarb is expected to incur higher capital expenditure and associated implementation costs as solar, floating solar, Recogen upgrades and additional waste-heat systems are developed and commissioned. In the medium to long term, these investments are expected to lower the company's exposure to fossil fuel cost escalation and supply disruption, thereby reducing pressure on cost of sales and supporting greater stability of operating margins and revenue conversion.

Climatic / operational driver	Indicative driver (quantified)	Time horizon	Indicative financial impact	Qualitative description
Fossil fuel price volatility and supply risk affecting kilns, dryers, steam generation and plant logistics at the current energy mix	2025/26 energy profile: total energy about 1,237,238 GJ with approximately 289,555 GJ non renewable and about 947,683 GJ renewable (77% of total)	ST (near term; FY 2026/27)	Cost of sales sensitivity on roughly 289,555 GJ of non renewable energy to fuel price shocks in the 10%–25% range observed in recent LPG and diesel revisions in Sri Lanka	Short term financial profile is still driven by residual fossil exposure; repeated fuel price revisions in Sri Lanka and similar risks in other geographies can move manufacturing costs materially on the non renewable portion before additional renewable projects are implemented
Same fossil price and supply drivers, with a higher share of thermal and electrical demand met through solar, Recogen and waste heat projects under ACTIVATE	Renewable energy usage already about 9% above the 2022/23 baseline by 2025/26, with a medium term ambition of around 30% above baseline through identified solar, Recogen and waste heat projects	MT (2027/28–2029/30)	Potential reduction in fossil-driven cost pressure of around 5%–15% relative to a no-transition case; possible positive effect on revenue/ earnings resilience of approximately 0% to +10%	Medium term effects are expected once additional solar, Recogen and waste heat systems are operational, reducing net fossil consumption and dampening the pass through of external fuel price shocks into cost of sales and EBITDA.
Persistent fossil price volatility combined with fully embedded renewable and waste heat configurations in core plants and planned expansions	Long term ACTIVATE ambition to sustain a renewable energy usage increase of around 50% versus the 2022/23 baseline, supported by further solar (including floating solar), Recogen and waste heat projects	LT (beyond 2029/30)	Structural cost-of-sales reduction of around 10%–15% versus a high-fossil-energy pathway; potential improvement in earnings resilience of approximately +5% to +15%	Long term effects are structurally positive as renewable and waste heat systems become part of the base asset configuration, lowering reliance on external fossil fuels and reducing the risk that future fuel market shocks materially disrupt production economics

Climate resilience (summary)

Climate resilience for CRRO 3 was assessed through current year strategy and capital planning using the common scenario framework and operational energy data. Under both Net Zero and Divergence, higher renewable energy use improves resilience by reducing exposure to approximately 289,555 GJ of current non renewable energy and the associated 5–10% short term fossil driven

cost of sales sensitivity and 5–15% medium to long term cost reduction ranges already used in the CRRO 3 financial effects table. Net Zero is more supportive of long run renewable deployment and cost stability, but even under Divergence the opportunity was assessed as resilient and increasingly value protective as ACTIVATE projects progress and a larger share of energy demand is met from renewable and waste heat sources.

Scenario-based resilience interpretation by CRRO

The table below summarises how the CRRO's resilience is interpreted under the Net Zero and Divergence scenarios, and the main conditions under which the business model remains viable in each case.

CRRO	Primary climate / transition focus	Net Zero scenario (NZ) – resilience conditions	Divergence scenario (DV) – resilience conditions	Overall resilience conditions
CRRO 3 – Transition opportunity: renewable-energy adoption	Fossil-fuel price volatility, energy transition pace, renewable and waste-heat deployment	Faster transition and stronger policy support enhance the business case for renewables; higher renewable share reduces fossil-driven cost volatility and strengthens earnings resilience.	Fossil prices remain volatile and policy progress is more uneven; renewable projects still improve resilience by lowering exposure to external fuel markets, but implementation may be more challenging.	Resilience depends on executing ACTIVATE projects (solar, Recogen, waste heat) to reduce dependence on purchased fossil fuels and stabilise cost of sales across both NZ and DV.

Further details on the risk-specific resilience assessment, including scenario analysis and supporting context, is provided in the Climate Resilience section (page 94-100).

Significant judgement and uncertainties:

Significant judgment is involved in defining which energy sources and projects count toward the ACTIVATE target, especially where legacy waste-heat systems existed before the baseline year. Pre-2022/23 waste-heat kiln use is excluded from the ACTIVATE target increase calculation to avoid overstating progress from grandfathered assets, while new post-baseline renewable and waste-heat projects are included. There is also uncertainty around the timing, cost and performance of planned renewable projects, future fossil fuel price pathways, regional fuel-pricing policy changes and the extent to which future capacity expansions will alter total energy demand. These factors may influence the pace at which the company can move from our current estimated 9% increase above baseline toward its medium-term ambition of around 30% above baseline.

Methodology:

Operational energy data are taken from site level records for fossil fuels, grid electricity, renewable electricity and waste heat steam, with in facility renewable use distinguished from total generation. Progress against the ACTIVATE target is assessed relative to a 2022/23 baseline, counting only post baseline renewable and waste heat projects to avoid overstating gains. Anticipated financial effects and resilience implications are evaluated qualitatively and semi quantitatively by considering the share of energy still dependent on furnace oil, LPG and diesel, the proportion already met by renewables, the status of committed projects, recent fuel price developments and the Group's revenue, cost of sales and expansion profile, with impacts expressed as fossil displacement, cost of sales sensitivity and earnings resilience ranges rather than single point forecasts.

Proportionality:

The CRRO 3 analysis is proportionate because energy is a core input into Haycarb's manufacturing model and non-renewable energy remained material at about 289,555 GJ in 2025/26 despite the company's already high renewable share. The issue therefore affects production economics, capital allocation, emissions performance, and resilience across multiple manufacturing geographies. This proportionality logic overlaps partly with CRRO 2 where energy and water resilience interact operationally, but CRRO 3 remains primarily focused on fossil-fuel dependence and related transition opportunity value.

MANAGING CLIMATE AND SUSTAINABILITY RELATED RISKS AND OPPORTUNITIES - SLFRS S1 AND S2 DISCLOSURES

CRRO 4: OPPORTUNITY FOR GROWING MARKET DEMAND FOR VALUE- ADDED CARBONS USED IN ENERGY STORAGE, ADVANCED WATER AND AIR PURIFICATION

Description:

The global transition toward a lower carbon and more resource constrained economy is expected to increase demand for activated carbon products used in energy storage and environmental applications, including supercapacitors, silicon carbon battery systems, drinking water and wastewater

treatment, reuse and remediation systems, solvent recovery, flue gas treatment, VOC removal and gas purification. For Haycarb, the main transition linked growth opportunity is the expansion of energy storage carbon products, supported by existing sales into energy, water and air/gas segments and planned increases in energy carbon production capability in Sri Lanka.

Time period: S, M, L

CURRENT YEAR EFFECTS OF CRRO ON BUSINESS MODEL AND VALUE CHAIN AND WHERE IT IS IMPACTED:

While Haycarb's air and water purification portfolio has consistently generated revenue growth, this climate-related opportunity specifically focuses on energy storage carbon revenue driven by transition scenarios. As energy storage carbon expansion remains in early stages, CRRO 4 has not resulted in material financial effects on the Group's business model and value chain in FY 2025/26.

Anticipated Effects on Business Model and Value Chain

Horizon	Business Model Effect	Value Chain Effect
Short-term (FY 2026/27)	Energy storage carbon capacity expansion in Sri Lanka begins to materialise revenue growth from transition-driven demand (decarbonisation, electrification). Higher revenue per unit from energy storage carbon improves overall product mix margins as volumes scale.	Production scheduling and country-level product mix shift toward energy storage carbon in Sri Lanka, while Thailand and Indonesia maintain water and air purification supply. Customer qualification and technical know-how development accelerate.
Medium-term (FY 2027/28 to FY 2029/30)	Revenue growth accelerates as energy storage carbon reaches larger commercial scale, driven by battery storage expansion and grid decarbonisation trends. Business model increasingly captures transition-sensitive demand premium while maintaining resilient baseline from water/air purification. Potential for market share gains in high-value energy storage applications.	Country-level product mix optimisation matures, with Sri Lanka specialised in energy storage carbon and regional facilities optimised for application-specific production. Process conversion capability and product qualification expand market access.
Long-term (FY 2029/30 and beyond)	Business model positioned for sustained revenue growth and margin expansion aligned with global decarbonisation, electrification, and environmental compliance trends. Energy storage carbon becomes material revenue contributor with premium pricing power. Water and air purification revenues benefit from climate-linked water stress, wastewater treatment needs, and emissions standards.	Integrated value chain supports both transition response (energy storage carbon for decarbonisation) and adaptation response (water/air purification for climate-driven environmental quality needs). Manufacturing capability positioned for long-term climate-aligned demand.





Concentration

Horizon	Concentration	Main Geography
Short-term (FY 2026/27)	Value chain: Product development, production scheduling, and technical qualification of export customer applications Business model: Energy storage carbon revenue stream and margin structure optimisation.	Sri Lanka (energy storage carbon), Thailand and Indonesia (water/air purification)
Medium-term (FY 2027/28 to FY 2029/30)	Value chain: Application-specific production specialisation with energy storage carbon concentrated in Sri Lanka and water/air purification across multiple countries; customer mix diversification. Business model: Dual revenue streams (transition-upside from energy storage carbon + resilience floor from water/air purification).	Sri Lanka (primary energy storage carbon), Thailand and Indonesia (supporting resilience)
Long-term (FY 2029/30 and beyond)	Value chain: Optimised production network with climate-aligned product portfolio and market-facing capability. Business model: Climate-resilient revenue diversification across transition and adaptation demand drivers.	Multi-country with strategic specialisation by application

How Haycarb Has Responded To Or Plans to Respond to CRRO In Business Strategy and Decision Making:

Haycarb's planned response is a targeted expansion of value added production capability, with Sri Lankan output increasingly directed toward energy storage carbon while maintaining existing water and air oriented product mixes in Thailand and Indonesia. In FY 2025/26, the Group invested approximately 1.4 bn LKR in expanding the energy storage carbon facility in Sri Lanka, with this expansion expected to increase energy carbon capacity over the short and medium term and align production more closely with transition sensitive demand segments, while remaining within the Group's current financial sensitivity thresholds for a high impact.

This expansion can be described as a direct transition response, because it reconfigures manufacturing toward applications most exposed to decarbonisation, electrification, water quality regulation and environmental compliance. It can also be characterised as an indirect adaptation response, because maintaining capacity in water and air purification products positions the Group to respond to climate linked

water stress, wastewater treatment needs, industrial emissions standards and growing requirements for contaminant removal in gas streams.

How Haycarb Is Resourcing, And Plans to Resource the Above (Resource Allocation- Financial and Non-Financial):

Haycarb is resourcing this opportunity through a combination of financial and non financial commitments. Financial resourcing includes capital allocated to energy carbon expansion, process conversion capability and product qualification. Non financial resourcing covers technical knowhow, product development effort, customer qualification work and production planning discipline to manage country level mix shifts. Operationally, Sri Lanka is planned to carry the main burden of energy carbon scaling, while Thailand and Indonesia support resilience and continuity in other application categories.

Taken together, CRRO 4 is being resourced through manufacturing expansion, product mix optimisation and market facing capability development rather than a single one off capex decision.

Progress of the plans and initiatives:

- » Capex spent on energy storage carbon expansion in Sri Lanka: 1.4 LKR BN
- » Revenue through sales percentage of climate-solution applications
 - o 2025/26: Air purification 10%, Energy Carbon 6%, Water purification 34%
 - o 2024/25: Air purification 9%, Energy Carbon 2%, Water purification 38%
- » Production volume percentage of climate solution applications:
 - o 2025/26: Air purification 7%, Energy Carbon 1%, Water purification 39%
 - o 2024/25: Air purification 12%, Energy Carbon 1%, Water purification 45%

More info on targets and progress listed under "Metrics & Targets" Section in Page 107.

MANAGING CLIMATE AND SUSTAINABILITY RELATED RISKS AND OPPORTUNITIES - SLFRS S1 AND S2 DISCLOSURES

Current year financial effects:

The current assessment indicates CRRO 4 has not resulted in material financial effects in 2025/26. (energy storage carbon revenue has not yet reached the Group's materiality threshold for high impact).

Significant risk of material adjustments to carrying value of assets and liabilities in the next financial year:

CRRO 4 has been considered in assessing forward-looking assumptions relevant to demand growth for Energy Storage Carbon, water purification, and air purification products, as well as related production

capacity and capital allocation for the next financial year. At the reporting date, CRRO 4 does not create significant risk of material adjustments to the carrying value of assets or liabilities in the next annual reporting period. Market development for climate-solution carbons is progressing as anticipated, and no material adjustment has been identified on the basis of this opportunity.

Anticipated financial effects over short, medium and long term:

Anticipated financial effects are described as a range based opportunity assessment

that combines internal baselines with external scenario demand views. In the short and medium term, effects arise mainly from expanding Sri Lankan energy carbon output and from continued demand support in water and air purification, with energy carbons providing the strongest transition linked upside and purification channels offering a more resilient demand base in the long term.

Climatic / operational driver	Indicative driver (quantified)	Time horizon	Indicative financial impact	Qualitative description
Growing demand for value added energy storage carbons and advanced water and air purification products under tightening decarbonisation, water and emissions standards, with first step Energy Storage Carbon expansion in Sri Lanka	Energy Storage Carbon volume increases by about two thirds from the FY 2025/26 level, with almost all additional output dedicated to climate solutions; current Energy Storage Carbon revenue about 3.23 bn LKR.	ST (FY 2026/27)	Energy Storage Carbon revenue is expected to be around 4–5 bn LKR, implying an incremental uplift of roughly 1–2 bn LKR versus the current baseline.	Short term effects are led by Energy Storage Carbon mix improvement, while water and air purification revenues of about ~20 bn LKR and ~5 bn LKR respectively continue to provide a broad climate solution revenue base
Same transition and adaptation drivers, with Energy Storage Carbon expansion to early MT and later MT levels and continued structural demand for water and air purification across all climate scenarios	Energy Storage Carbon saleable output roughly triples versus the FY 2025/26 level by later MT, with around half of each MT phase dedicated to climate solutions	MT (FY 2027/28–FY 2029/30)	Energy Storage Carbon revenue is expected to be in the range of about 5–10 bn LKR, implying an uplift of roughly 2–10 bn LKR versus the current baseline.	Medium term effects represent the main uplift period, with higher Energy Storage Carbon volumes providing significant upside while water and air purification demand remains structurally supported by water stress, reuse requirements and industrial emissions controls
Longer term evolution of decarbonisation, electrification and environmental regulation affecting demand for Energy Storage Carbon water and air products across different climate and policy pathways	Energy Storage Carbon volumes are held at the later MT level in the long term planning case, with more than half of output dedicated to climate solutions and scenario dependent upside or downside, and Energy Storage Carbon revenue per MT held at the FY 2025/26 realised level for sensitivity purposes.	LT (beyond FY 2029/30)	Indicative Energy Storage Carbon revenue of about 12.5 bn LKR, sustaining an incremental uplift of around 9–10 bn LKR versus the current baseline, before any further scenario driven variation in price or volume.	Long term financial effects remain positive but become more scenario sensitive for Energy Storage Carbon than for purification; portfolio resilience arises from the combination of high upside Energy Storage Carbon exposure with more persistent and regulation driven water and air purification revenues

Climate resilience (summary)

Climate resilience for CRRO 4 was assessed as the ability of the value added carbon opportunity set to remain relevant across multiple climate pathways. Net Zero provides the strongest upside for energy storage carbons, consistent with the Net Zero-scenario demand spreads and Energy Storage Carbon revenue uplift ranges already used in the CRRO 4 tables (for example, moving from the current 3.23

bn LKR Energy Storage Carbon baseline toward the higher ST, MT and LT opportunity bands), while Divergence still supports water and air purification demand because physical water stress, wastewater reuse and industrial emissions controls remain significant under weaker transition pathways. The portfolio was therefore assessed as resilient overall, with scenario sensitive upside in energy storage carbons and a more persistent demand floor in water and

air purification across both Net Zero and Divergence.

Scenario-based resilience interpretation by CRRO

The table below summarises how the CRRO's resilience is interpreted under the Net Zero and Divergence scenarios, and the main conditions under which the business model remains viable in each case.

CRRO	Primary climate / transition focus	Net Zero scenario (NZ) – resilience conditions	Divergence scenario (DV) – resilience conditions	Overall resilience conditions
CRRO 4 – Transition opportunity: value-added carbons for energy, water and air	Energy transition, electrification, water and air-quality regulation, adaptation demand	Strong transition increases demand for energy storage carbons (Energy Storage Carbon) and maintains strong demand for water and air purification; upside is highest for Energy Storage Carbon under NZ.	Slower transition reduces Energy Storage Carbon upside, but water and air purification demand remains supported by physical climate impacts and regulatory responses to water stress and air pollution.	Portfolio resilience comes from diversification: Energy Storage Carbon provides high upside in NZ, while water and air purification provide a resilient demand base in both NZ and DV, so the opportunity does not rely on a single climate outcome.

Further detail on the risk-specific resilience assessment, including scenario analysis and supporting context, is provided in the Climate Resilience section (page 94-100).

Significant judgement and uncertainties:

The main judgements in this assessment are the mapping of demand pathways to the transition scenarios used in the analysis; the use of market-demand series for energy storage carbon, water purification and air purification applications; and the translation of those external demand signals into company-relevant product opportunity channels. Additional judgement is involved in treating Sri Lanka as the main energy-carbon growth location, holding Thailand and Indonesia at FY 2025/26 product-mix levels, and treating the Philippines qualitatively rather than quantitatively in the current phase. Financial uncertainty also remains around realised pricing, product qualification timing, conversion efficiency, customer uptake, and utilisation ramp-up. For audit-defensible modelling, these uncertainties are managed through range-based quantification rather than point

forecasts, with management using price and utilisation sensitivities in the internal model and updating them as execution progresses.

Methodology:

The methodology combines external climate scenarios with internal operational and financial data, using FY 2025/26 realised revenue, MT sold and revenue per MT by channel and geography as the baseline, together with planned Energy Storage Carbon capacity expansions in Sri Lanka, and an assumption that Thailand and Indonesia follows an extrapolated FY 2025/26 mix. Demand shifts for energy storage, water and air applications under Net Zero, Current Pathway and Divergent scenarios are mapped into channel level revenue opportunity ranges over current, short, medium and long term, positioning uplift within lower, central or upper bands versus the baseline, with energy storage carbons currently produced only in Sri Lanka. The anticipated financial effects are taken primarily from Sri Lanka's energy storage carbon expansion and its associated revenue, with potential future projections

to incorporate upside from other climate solution grades such as air and water purification. Resilience is assessed by testing that channels remain positive across pathways and that the portfolio retains material value through diversification, supporting scenario linked uplift methodology anchored in realised data.

Proportionality:

This disclosure applies proportionality by placing the greatest analytical emphasis on energy storage carbons, then air and water purification, because those are the channels most directly linked to the transition opportunity being assessed and the channels management intends to combine with internal financial modelling. Broader applications remain in the overall business model discussion but do not need the same depth of scenario analysis within CRRO 4. This proportionality overlaps with CRRO 2 where water purification has adaptation-linked demand relevance, but the financial logic in CRRO 4 is opportunity-led rather than risk-loss-led.

MANAGING CLIMATE AND SUSTAINABILITY RELATED RISKS AND OPPORTUNITIES - SLFRS S1 AND S2 DISCLOSURES

SUSTAINABILITY-RELATED RISKS AND OPPORTUNITIES

Haycarb has identified three material sustainability-related risks and opportunities, SRROs, that could reasonably be expected

to affect its business model, operations, value chain, financial position, performance, cash flows, access to finance or enterprise value over the short, medium and long term. These risks are presented separately from

climate-related risks and opportunities, CRROs, although certain sustainability-related risks may also be influenced by broader climate, environmental or regulatory developments.

SRRO	Primary area of impact	Main strategic relevance	Financial effect assessment
SRRO 1: Environmental Compliance and Regulatory Tightening Risk	Own operations	License to operate, permitting, environmental controls and expansion readiness	Qualitative, with potential future capex and opex implications
SRRO 2: Workforce Capability and Skilled Labour Availability Risk	Own operations and technical functions	Operational continuity, technical capability, maintenance reliability and automation readiness	Qualitative, with potential future training, recruitment and capability-building costs
SRRO 3: Occupational Health and Safety Risk	Own operations and contractor activities	Workforce protection, operational integrity, regulatory exposure and production continuity	Qualitative, with potential future safety investment, disruption and reputational implications

SRRO 1: ENVIRONMENTAL COMPLIANCE AND REGULATORY TIGHTENING RISK

Time Horizon: M, L

Description:

SRRO 1 is the risk that tightening environmental regulations relating to air emissions, wastewater discharge, waste management, environmental permitting and environmental monitoring increase compliance requirements across Haycarb's manufacturing footprint in Sri Lanka, Thailand and Indonesia, and for future operations in the Philippines.

Over time, regulators in these jurisdictions may strengthen requirements relating to stack emissions, boiler and kiln operation, effluent quality, solid and hazardous waste handling, groundwater abstraction, environmental reporting and site-level

monitoring. This may require additional controls, investments or operating changes at plant level.

In Sri Lanka, the risk is linked to requirements under the National Environmental Act and the Environmental Protection License regime administered by the Central Environmental Authority. In Thailand, it is linked to the Environmental Quality Act and factory environmental rules. In Indonesia, it is linked to environmental regulations issued by the Ministry of Environment and Forestry. For future operations in the Philippines, relevant requirements include the Clean Air Act, Clean Water Act and Ecological Solid Waste Management Act.

Although this is presented as a sustainability-related risk rather than a climate-specific risk, part of the regulatory tightening

overtime may also be influenced by broader climate, air-quality and environmental policy developments.

Current Year Effects on The Business Model and Value Chain:

No material current-year effects of SRRO 1 on the Group's business model and value chain were identified in FY 2025/26.

As SRRO 1 is primarily qualitative in nature, the assessment was not based solely on financial thresholds but also considered other impact criteria described in the Risk Management section, including potential loss of customers and reputation damage.

Anticipated Effects on Business Model and Value Chain

Horizon	Business Model Effect	Value Chain Effect
Short-term (FY 2026/27)	Maintaining environmental compliance is necessary to preserve license to operate and avoid production interruptions. Business model resilience depends on continued regulatory engagement and operating discipline to meet permit conditions and stakeholder expectations.	Ongoing compliance requirements for kiln, boiler, washing, wastewater treatment, and waste-handling activities at major manufacturing sites. Process configuration and permitting timelines affect production scheduling and operational continuity.
Medium-term (FY 2027/28 to FY 2029/30)	Evolving environmental standards and customer sustainability expectations may require enhanced compliance investments and operational adjustments. Failure to maintain compliance could result in loss of customers, reputation damage, and constraints on production capacity or market access.	Stricter wastewater quality standards, air emissions limits, and waste management requirements may necessitate process upgrades, treatment infrastructure investment, and enhanced monitoring systems across production sites.
Long-term (FY 2029/30 and beyond)	Long-term business model resilience depends on proactive environmental performance that exceeds minimum compliance to maintain stakeholder confidence, customer approval, and competitive positioning in sustainability-focused markets. Strategic investments in cleaner production technologies support both regulatory resilience and market differentiation.	Structural improvements in environmental performance through advanced treatment technologies, process efficiency, and circular economy approaches (waste reduction, resource recovery) become critical to sustaining license to operate and meeting customer expectations.

Concentration

Horizon	Concentration	Main Geography
Short-term (FY 2026/27)	Value chain: Own operations (kiln, boiler, washing, wastewater treatment, waste handling) and site management. Business model: Regulatory compliance, permitting processes, and stakeholder engagement.	Sri Lanka, Thailand, Indonesia
Medium-term (FY 2027/28 to FY 2029/30)	Value chain: Wastewater treatment systems, air emission controls, waste management infrastructure, and environmental monitoring. Business model: Customer retention, reputation management, and regulatory risk mitigation.	Sri Lanka, Thailand, Indonesia
Long-term (FY 2029/30 and beyond)	Value chain: Integrated environmental management systems and cleaner production infrastructure across operations. Business model: Proactive environmental leadership, stakeholder confidence, and long-term license to operate.	Multi-country

MANAGING CLIMATE AND SUSTAINABILITY RELATED RISKS AND OPPORTUNITIES - SLFRS S1 AND S2 DISCLOSURES

Strategic Response and Decision-Making:

Haycarb's response to SRRO 1 is to embed environmental compliance into operating and investment decisions across the manufacturing footprint, rather than treating it as a stand-alone legal requirement.

Strategic responses include maintaining and strengthening site-level environmental management systems, integrating environmental requirements into process design and project planning, improving monitoring and control of emissions, effluent and waste streams, and using maintenance, housekeeping and process-efficiency measures to reduce compliance risk at source.

Site-level environmental management systems are structured around applicable regulatory frameworks, including the NEA and EPL regime in Sri Lanka, Thai effluent and emissions standards for factories, Indonesian wastewater and air-emission regulations, and, for future Philippine operations, the Clean Air, Clean Water and Ecological Solid Waste Management Acts.

Environmental compliance is also managed through a structured legal and other requirements process, supported by site-level procedures and compliance tracking aligned with recognised environmental management practices, such as ISO 14001-style compliance registers and local licensing requirements. This provides a systematic basis to identify applicable obligations, monitor regulatory change, assign responsibilities and support timely corrective or preventive action as standards evolve.

How Haycarb Is Resourcing, And Plans to Resource the Above:

Resourcing for SRRO 1 includes both financial and non-financial commitments across Sri Lanka, Thailand and Indonesia.

Financial resourcing includes, and is expected to continue to include capital and operating expenditure on emissions-control systems, effluent-treatment and waste-handling infrastructure, environmental monitoring equipment, permit-related upgrades and broader site-level environmental improvements.

Non-financial resourcing includes environmental management capability, technical and engineering oversight, site-level operating discipline, training on environmental procedures, regulatory monitoring and management attention to compliance-related planning and decision-making.

Taken together, SRRO 1 is being resourced through a combination of environmental infrastructure, operational controls and management systems.

Progress Of Plans and Initiatives:

- » Environmental regulatory non-compliance incidents

o 2025/26: 0	2024/25: 0
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- » Compliance related certifications achieved.

o 2025/26: 32	2024/25: 32
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Further information on related targets and progress is provided in the Metrics and Targets section on page 108.

Current -Year Effects on The Business Model and Value Chain:

The current assessment indicates SRRO 1 has not resulted in material financial effects in FY 2025/26.

Given the primarily qualitative nature of this risk, financial effects are difficult to quantify in isolation from ongoing operational compliance costs.

Significant Risk of Material Adjustments to Carrying Value of Assets and Liabilities in The Next Financial Year:

Not identified.

Anticipated Financial Effects on The Business Model and Value Chain:

At present, Haycarb does not have sufficiently reasonable and supportable information to provide a robust quantitative financial assessment of SRRO 1 on a standalone basis. The effects are therefore disclosed qualitatively. As the Group's disclosure maturity develops and regulatory frameworks become more certain, future disclosures are expected to include more quantified financial estimates.

Resilience Mapping:

From a strategy-resilience perspective, SRRO 1 is mapped as a managed operating and license-to-operate risk. Resilience depends on maintaining visibility over environmental obligations, anticipating regulatory change, integrating compliance needs into project and plant decisions, and sustaining environmental systems and operating discipline to support compliant production.

The business model is expected to remain resilient provided Haycarb continues to invest in environmental capability, monitoring, treatment and control systems, and continues to manage compliance proactively as standards tighten.

Further information is available in the Natural Capital and Manufacturing Capital sections on pages 170-198 and 248-257.

Significant Judgements and Uncertainties:

Key judgements for SRRO 1 include the expected pace and direction of environmental regulatory change in Sri Lanka, Thailand, Indonesia and the Philippines; the compliance areas most likely to require additional investment or operational change; and the extent to which future plant upgrades or expansion plans may need to be adjusted in response.

Uncertainty remains around the timing and stringency of future regulations, enforcement intensity, permitting timelines, stakeholder expectations and the scale of site-specific upgrades that may be required over time. There is also uncertainty as to how far future environmental tightening may be influenced by broader climate, air-quality and sustainability policy developments.

For these reasons, SRRO 1 is presented as a qualitative strategic exposure, supported by management systems, compliance processes and environmental performance indicators, rather than as a quantified financial scenario.

SRRO 2: WORKFORCE CAPABILITY AND SKILLED LABOUR AVAILABILITY RISK**Time Horizon: M, L****Description:**

SRRO 2 is the risk that challenges in attracting, developing and retaining skilled employees, particularly in technical, engineering, maintenance and operational roles, affect Haycarb's ability to operate plants efficiently, maintain critical equipment and sustain product quality and safety across its manufacturing footprint in Sri Lanka, Thailand and Indonesia.

This risk is relevant because activated carbon manufacturing depends on experienced

operators, technicians, supervisors and engineers, as well as emerging capabilities in automation, process control, maintenance reliability, digital systems and Industry 4.0 readiness. Labour-market conditions in key operating geographies may become more challenging over time as skills gaps, workforce ageing, migration pressures and demand for higher technical capability continue to shape manufacturing employment markets.

Current Effects on The Business Model and Value Chain:

No material current-year effects of SRRO 2 on the Group's business model and value chain were identified in FY 2025/26.

As SRRO 2 is primarily qualitative in nature, the assessment considered impact criteria described in the Risk Management section, including employee turnover and loss of customers. While an increase in employee attrition has been observed compared to last year, this has not yet breached materiality thresholds. Core operations continue, and further impacts are expected only if workforce conditions tighten in future periods.

Anticipated Effects on Business Model and Value Chain

Horizon	Business Model Effect	Value Chain Effect
Short-term (FY 2026/27)	Higher training and recruitment costs to maintain capable plant teams and preserve technical know-how. Operational efficiency depends on successful onboarding, knowledge transfer, and retention of critical technical roles. Potential minor delays or inefficiencies where specialised skills are not immediately available.	Ongoing pressure on plant operations, equipment maintenance, and process control capability. Knowledge transfer and structured onboarding programs are essential to reduce dependence on experienced individuals. Automation function and digital tools deployment begin to reduce reliance on scarce skills in specific tasks.
Medium-term (FY 2027/28 to FY 2029/30)	Increased investment in training, succession planning, and retention initiatives for critical technical, engineering, and digital roles. Greater dependence on automation, standardisation, and process-control systems to mitigate skills scarcity. Risk of operational inefficiencies or product quality impacts if capability gaps widen, particularly as manufacturing becomes more sophisticated.	Workforce planning aligned with expansion, automation, and Industry 4.0 readiness. Cross-skilling and internal capability development become critical to support more automated and digitally controlled manufacturing environments. Potential constraints on expansion timelines if technical capabilities lag operational requirements.
Long-term (FY 2029/30 and beyond)	Business model resilience depends on developing internal technical, digital, and cross-functional capabilities aligned with advanced manufacturing requirements. Strategic investment in automation and process control reduces vulnerability to labor-market constraints while supporting operational excellence and competitive positioning. Failure to build capabilities could constrain growth or erode operational reliability.	Integrated workforce strategy supports automated, process-controlled, and digitally enabled manufacturing footprint. Succession planning, knowledge management, and continuous upskilling embedded in operational culture. Capability depth in automation, maintenance reliability, and digital systems becomes structural competitive advantage.



MANAGING CLIMATE AND SUSTAINABILITY RELATED RISKS AND OPPORTUNITIES - SLFRS S1 AND S2 DISCLOSURES

Concentration

Horizon	Concentration	Main Geography
Short-term (FY 2026/27)	Value chain: Plant operations, maintenance, technical supervision, and process control at manufacturing sites. Business model: Training and recruitment costs, operational continuity, and efficiency maintenance.	Sri Lanka, Thailand, Indonesia
Medium-term (FY 2027/28 to FY 2029/30)	Value chain: Technical, engineering, maintenance, automation, and digital systems capabilities across operations. Business model: Capability development investment, automation capex, and operational risk mitigation.	Sri Lanka, Thailand, Indonesia
Long-term (FY 2029/30 and beyond)	Value chain: Comprehensive technical and digital capability across multi-site operations, maintenance, and process control systems. Business model: Long-term capability investment, automation-enabled efficiency, and operational resilience	Multi-country

Strategic Response and Decision-Making:

Haycarb's response to SRRO 2 is to embed workforce capability into operational planning, succession thinking and continuous improvement across the manufacturing footprint.

Strategic responses include training and upskilling for operators, technicians and engineers; structured onboarding and knowledge transfer to reduce dependence on a small number of experienced individuals; development of supervisors and technical staff to support plant reliability and process discipline; and alignment of workforce planning with expansion, automation, process-control and maintenance needs at sites in Sri Lanka, Thailand and Indonesia.

This is reinforced by the establishment of a dedicated automation function in FY 2025/26 and by automation initiatives already underway at the energy carbon factory in Sri Lanka. These developments show that capability-building is being linked directly to evolving operating and technology requirements, rather than being treated as a general HR matter.

In this context, workforce strategy increasingly includes not only retention and recruitment, but also the development of technical, digital and cross-functional capabilities needed to support more automated and process-controlled manufacturing environments.

How Haycarb Is Resourcing, And Plans to Resource, The Above:

Resourcing for SRRO 2 includes both financial and non-financial commitments across key operating geographies.

Financial resourcing includes training budgets, recruitment costs, selected retention and development initiatives for critical roles, and investment in automation, digital tools, process-monitoring systems and related operational support measures that reduce dependence on scarce skills in specific tasks. This includes resourcing associated with the newly established automation function and automation underway at one of the energy carbon factories in Sri Lanka.

Non-financial resourcing includes management attention to succession planning, site-level technical leadership, cross-training, internal knowledge transfer, role-specific capability development and coordination between HR, operations,

engineering, automation and maintenance teams.

Taken together, SRRO 2 is being resourced through a combination of people development, organisational planning, cross-skilling and operational capability-building.

Progress of plans and initiatives:

- » Average training hours per employee per year is 31.1
- » 14.7% attrition rate
- » 100% Coverage of permanent employee performance appraisals

Further information on related targets and progress is provided in the Metrics and Targets section on page 109.

Current -Year Effects on The Business Model and Value Chain:

The current assessment indicates SRRO 2 has not resulted in material financial effects in FY 2025/26.

Given the primarily qualitative nature of this risk, financial effects are difficult to quantify in isolation from ongoing training, recruitment, and operational costs.

Significant Risk of Material Adjustments to Carrying Value of Assets and Liabilities in The Next Financial Year:

Not identified.

Anticipated financial effects on the business model and value chain:

At present, Haycarb does not have sufficiently reasonable and supportable information to provide a robust quantitative financial assessment of SRRO 2 on a standalone basis. The effects are therefore disclosed qualitatively. As the Group's disclosure maturity develops and workforce planning data becomes more granular, future disclosures are expected to include more quantified financial estimates.

Resilience Mapping:

From a strategy-resilience perspective, SRRO 2 is mapped as a managed workforce and operational-capability risk. The business model is expected to remain resilient provided Haycarb continues to build internal technical capability, maintain knowledge continuity and align workforce development with the operational, maintenance and technology needs of its plants in Sri Lanka, Thailand, Indonesia and, in future, the Philippines.

Resilience is strongest where critical know-how is spread across teams rather than concentrated in a few individuals, where training and succession planning support continuity, and where automation and process-control systems reduce dependence on individual manual interventions in selected operations.

The establishment of the automation function and the automation underway at the Sri Lanka energy carbon factory support resilience by strengthening process consistency, operating discipline and continuity, while complementing broader cross-skilling and workforce-development efforts.

Further information is available in the Human Capital and Manufacturing Capital sections on pages 206-233 and 248-257.

Significant Judgements and Uncertainties:

Key judgements for SRRO 2 include identifying the roles most critical to operational continuity, assessing how quickly capability needs may change as plants expand or technologies evolve, and determining the extent to which internal development, retention, cross-skilling and automation can offset external labour-market constraints.

Uncertainty remains around labour availability, wage pressure, employee mobility, retirement and ageing trends, migration-related labour dynamics in Thailand, and the pace at which more advanced technical, digital and maintenance capabilities will be required across manufacturing operations.

For these reasons, SRRO 2 is presented as a qualitative strategic exposure, supported by people-related metrics and management actions, rather than as a quantified financial scenario.

SRRO 3: OCCUPATIONAL HEALTH AND SAFETY RISK

Time Horizon: S, M, L

Description:

SRRO 3 is the risk that occupational health and safety incidents arising from high-temperature activation processes, steam systems, pressurised equipment, heavy industrial machinery, material handling and supporting utilities cause harm to employees or contractors, damage facilities or disrupt production across Haycarb's manufacturing operations.

This risk is particularly relevant in activated carbon manufacturing because kiln operations, boilers, dryers, pressure equipment, hot surfaces, moving machinery, dust, noise, maintenance work and utility systems all require disciplined controls and competent operation to prevent injuries and unsafe events.

The risk is managed not only through site-level procedures, but through a broader health and safety framework aligned with recognised manufacturing good practice and occupational health and safety management principles such as those reflected in ISO 45001.

Current Effects on The Business Model and Value Chain:

No material current-year effects of SRRO 3 on the Group's business model and value chain were identified in FY 2025/26. As SRRO 3 is primarily qualitative in nature, the assessment was not based solely on financial thresholds but also considered other impact criteria described in the Risk Management section, including reputational damage, employee turnover and loss of customers.

The number of health and safety incidents recorded during FY 2025/26 confirms SRRO 3 has had a direct current-year operational impact at manufacturing sites. While this incident has operational and reputational implications, it has not resulted in material financial effects. This reinforces the importance of safety controls, supervision, and incident-prevention measures.

MANAGING CLIMATE AND SUSTAINABILITY RELATED RISKS AND OPPORTUNITIES - SLFRS S1 AND S2 DISCLOSURES

Anticipated Effects on Business Model and Value Chain

Horizon	Business Model Effect	Value Chain Effect
Short-term (FY 2026/27)	Continued investment in safety-critical equipment, inspections, certifications, and training essential to maintain license to operate and avoid operational disruptions. Potential reputational impacts from require reinforced safety leadership and stakeholder engagement to maintain customer and regulatory confidence.	Ongoing safety management systems, risk assessments, safe-work procedures, permit-to-work controls, and incident reporting processes across manufacturing sites. Enhanced workforce and contractor training for higher-risk tasks involving kilns, boilers, pressure systems, confined spaces, and material handling. Incident learnings drive reinforcement of critical safety controls.
Medium-term (FY 2027/28 to FY 2029/30)	Business model resilience depends on maintaining strong health and safety performance to protect asset value, preserve license to operate, and avoid regulatory action or reputational damage. Failure to prevent serious incidents could result in operational disruption, increased insurance costs, regulatory penalties, customer loss, or constraints on expansion approvals. Greater emphasis on safety leadership, accountability, and workforce engagement.	Continued evolution of ISO 45001-style management systems emphasising hazard identification, risk control, worker participation, and continual improvement. Integration of safety considerations into equipment selection, maintenance planning, and project design for expansions. Enhanced preventive maintenance discipline and safety-critical equipment reliability.
Long-term (FY 2029/30 and beyond)	Long-term business model sustainability requires embedding health and safety as a foundational operating requirement, not standalone compliance. Strategic investments in engineering controls, automation, and safer process design reduce inherent hazards while supporting operational excellence. Strong safety culture becomes competitive advantage for talent attraction, customer confidence, and regulatory relationships.	Structural improvements in workplace safety through advanced engineering controls (guarding, interlocks, ventilation), monitoring devices, emergency-response capability, and safety-critical equipment reliability. Mature safety management systems with strong leadership, competence development, and incident-prevention culture embedded across manufacturing footprint.

Concentration

Horizon	Concentration	Main Geography
Short-term (FY 2026/27)	Value chain: Site-level operations, maintenance, contractor management, and safety-critical equipment (kilns, boilers, pressure systems). Business model: Safety investment, operational continuity, and reputational risk management.	Sri Lanka, Thailand, Indonesia
Medium-term (FY 2027/28 to FY 2029/30)	Value chain: Manufacturing operations, maintenance systems, project design, and contractor control across sites. Business model: Multi-country regulatory compliance (occupational health and safety legislation, factory registration, boiler/pressure equipment certification), stakeholder confidence, and operational risk mitigation.	Sri Lanka, Thailand, Indonesia
Long-term (FY 2029/30 and beyond)	Value chain: Comprehensive safety culture across operations, maintenance, engineering, and project execution. Business model: Long-term asset value protection, license to operate, and stakeholder trust.	Multi-country

Strategic Response and Decision-Making:

Haycarb's response to SRRO 3 is to treat occupational health and safety as a foundational operating requirement across the manufacturing footprint, rather than as a stand-alone compliance activity.

Strategic responses include maintaining and strengthening site-level health and safety management systems; applying risk assessments, safe-work procedures, permit-to-work controls and incident reporting processes; integrating safety considerations into equipment selection, maintenance planning and project design; and reinforcing workforce and contractor training for higher-risk tasks involving kilns, boilers, pressure systems, confined spaces, electrical work and material handling.

Management response also includes continued review of incident learnings, reinforcement of critical safety controls, and further emphasis on leadership, accountability and workforce engagement in safety practices.

This approach is consistent with recognised manufacturing safety practice and with ISO 45001-style management principles, which emphasise hazard identification, risk control, worker participation, incident prevention and continual improvement. In Sri Lanka, the approach is also relevant to the requirements of the Factories Ordinance and related regulations covering factory registration, steam boiler registration and certification, dangerous occurrences, industrial diseases, first aid, excessive noise and other workplace safety conditions.

How Haycarb Is Resourcing, And Plans to Resource, The Above:

Resourcing for SRRO 3 includes both financial and non-financial commitments across Sri Lanka, Thailand and Indonesia.

Financial resourcing includes expenditure on guarding, interlocks, ventilation, boiler and pressure-equipment inspection and certification, maintenance of safety-critical equipment, personal protective equipment, first-aid arrangements, monitoring devices, emergency-response capability and broader site-level safety improvements. In FY 2025/26, Haycarb invested LKR 354 million in boiler replacement and digitalisation enabling remote monitoring from isolated control rooms, reducing the need for operators to work in close proximity during inspections and maintenance. Two boilers at our two manufacturing locations in

Sri Lanka were digitised as a pilot, with testing and monitoring in progress. Non-financial resourcing includes site-level safety leadership, training and refresher programmes, safety champions training, contractor control, incident investigation, preventive maintenance, safety committee structures and management oversight of health and safety performance.

Taken together, SRRO 3 is being resourced through a combination of engineering controls, maintenance discipline, workforce competence and management systems.

Progress Of Plans and Initiatives:

- » Average training hours per employee per year
 - o 2025/26: 31.1 o 2024/25: 17.3
- » Attrition rate
 - o 2025/26: 14.7% o 2024/25: 9%
- » 100% Coverage of permanent employee performance appraisals

Further information on related targets and progress is provided in the Metrics and Targets section on page 110.

Current Year Effects on The Business Model and Value Chain:

The current assessment indicates SRRO 3 has not resulted in material financial effects in FY 2025/26. Given the primarily qualitative nature of this risk, financial effects are difficult to quantify in isolation from ongoing safety expenditure, maintenance, training, and operational costs.

Significant Risk of Material Adjustments to Carrying Value of Assets and Liabilities in The Next Financial Year:

Not identified

Anticipated Financial Effects on The Business Model and Value Chain:

At present, Haycarb does not have sufficiently reasonable and supportable information to provide a robust quantitative financial assessment of SRRO 3 on a standalone basis. The effects are therefore disclosed qualitatively.

As the Group's disclosure maturity develops and health and safety data becomes more granular, future disclosures are expected to include more quantified financial estimates.

Resilience Mapping:

From a strategy-resilience perspective, SRRO 3 is mapped as a managed operational-integrity and workforce-protection risk.

The business model is expected to remain resilient provided Haycarb continues to maintain fit-for-purpose health and safety systems, competent supervision, disciplined maintenance, contractor control and effective operating procedures across its plants in Sri Lanka, Thailand and Indonesia.

Resilience is strongest where hazards are systematically identified, higher-risk equipment such as boilers and pressure systems is properly inspected and maintained, emergency response is prepared, and safe behaviours are reinforced through training, leadership and worker participation.

This is consistent with international safety practice in higher-risk manufacturing, where resilience depends on combining engineering safeguards, preventive maintenance, formal management systems and a strong safety culture rather than relying on any single control.

Further information is available in the Human Capital section on page 206-233.

Significant Judgements and Uncertainties:

Key judgements for SRRO 3 include assessing which activities and equipment create the most significant safety exposure at each site, determining the level of control and supervision needed for higher-risk tasks, and deciding how far safety systems, training and maintenance practices should evolve as operations expand or change.

Uncertainty remains around the timing and nature of equipment failures, human error, contractor performance, maintenance quality, site-specific hazards and the extent to which future regulatory expectations or enforcement practices may tighten across jurisdictions.

There is also judgement involved in determining how closely site-level controls align with recognised standards and best practice, including ISO 45001-type management principles and local regulatory requirements for boilers, pressure vessels, dangerous occurrences and worker protection.

For these reasons, SRRO 3 is presented as a qualitative strategic exposure, supported by health and safety metrics and management controls, rather than as a quantified financial scenario.