

Boundless Impact

Operating Environment



Operating Environment







2024/25 presented unprecedented challenges as the availability of our key raw material, coconut shells and coconut shell charcoal significantly declined across all source markets. While responding to these challenges required considerable management

attention and resources, we remained cognisant of the opportunities that emerged given increasing global concern over the environmental and health effects of pollution and climate change. Although shifting policy positions have introduced new

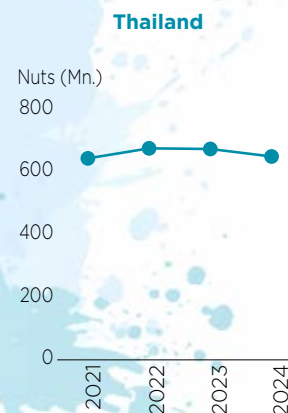
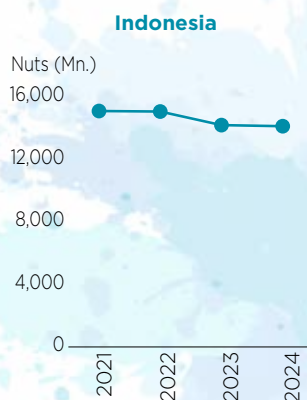
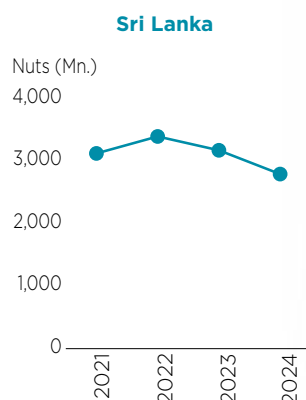
uncertainties for global trade, we remain committed to navigating this evolving landscape through strategic interventions that drive progress towards our long-term strategic goals.

Decline in Raw Material Availability

A significant shortage of our key raw material, coconut shells and coconut shell charcoal, arose across all source markets during the year under review. While the underlying factors driving the shortage in each market varied, their combined impact led to significant supply challenges, intensified competition for limited volumes and consequent price increases. The primary challenges affecting each source market are summarised below.

SOURCE COUNTRY					
	Sri Lanka	Indonesia	Thailand	Philippines	India
					
A reduction in crop yield and size due to the El Nino weather phenomenon.	✓	✓		✓	✓
A sharp increase in whole coconut exports.		✓			
Decline in fertiliser application adversely impacting yields.	✓				
Pest outbreaks	✓				✓
Heightened competition for raw materials	✓	✓	✓	✓	✓
Physical implications of climate change	✓	✓	✓	✓	✓

PRODUCTION OF COCONUT (MILLION NUTS YEAR) ACROSS KEY SOURCE MARKETS



OUR RESPONSE

- Deepened relationships with existing coconut shell and coconut shell charcoal suppliers across all markets.
- Leveraged our operational scale to access new raw material sources.

- Strengthened charcoal and shell procurement teams to expand and penetrate the supply chain across all source countries in Sri Lanka, Thailand, Indonesia, Philippines, India and Vietnam.
- Re-launched the digitalised procurement measurement and

payment system together with improved traceability for supply chain location management

- Actively exploring opportunities for deeper backward integration across all the countries in which we operate.



GLOBAL

- Heightened geopolitical tensions and the expansion and escalation of global conflicts have resulted in the identification of state-based conflict as the top immediate risk for 2025 by the World Economic Forum (Global Risk Report, 2025).

SRI LANKA

- 2024/25 was a peaceful transition of power following presidential and parliamentary elections.
- The new GoSL remained committed to implementing the ongoing IMF-EFF programme.

IMPACT ON HAYCARB

- (-) Supply chain disruptions and implications on costs
- (-) Demand uncertainty
- (-) Implications on commodity and energy prices

OUR RESPONSE

- Geographic diversity in manufacturing, supply chains and markets.
- Closely monitored developments in the global environment and assessed its implications on business activities.
- Created value for developing economies through tax payments, foreign exchange generation, job creation, and by strengthening economic opportunities for micro-entrepreneurs.

[Link to Material Topic](#) - M5, M19

[Link to Risk and Opportunities](#) - R2, R4, R9

[Link to Strategy](#) - Market growth

[Link to future outlook](#) - refer Haycarb Future outlook page 114

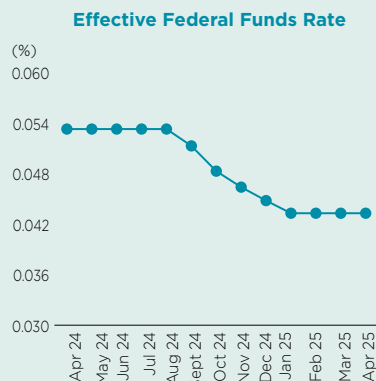
Operating Environment

GLOBAL

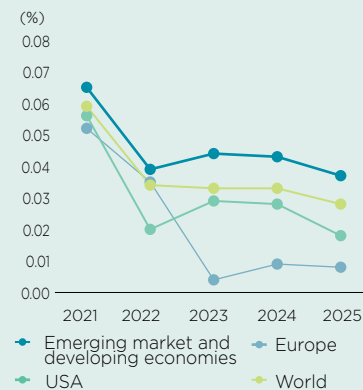
- Global economic growth remained relatively stable in 2024, with an estimated increase of 3.3%, though performance varied across regions.
- While growth for 2025 was initially projected to remain at similar levels, the USA's announcement of trade tariffs at historically unprecedented levels in April 2025, subsequent shifts in its policy position and the resultant escalation in trade tensions and uncertainty has led to a downward revision in growth expectations.
- Accordingly, in April 2025, the IMF, in its reference forecast for global economic growth, revised its projections downward to 2.8% from a forecast of 3.3% in January 2025.

Federal Funds rates

- A series of rate cuts implemented between September and December 2024 resulted in the Effective Federal Funds Rate declining to 4.33% as at end-March 2025.

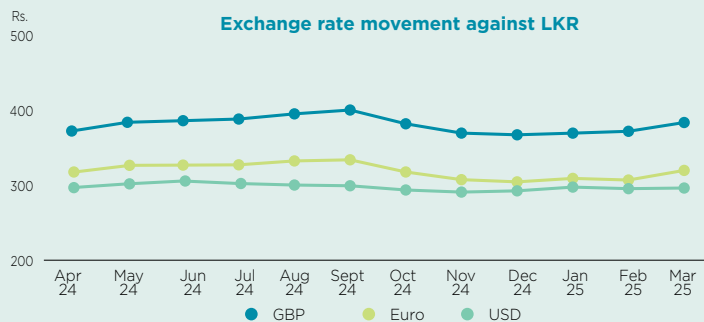


Global economic growth trends

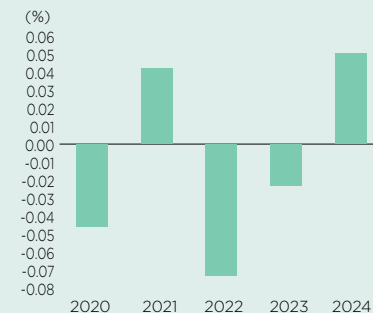


SRI LANKA

- Sri Lanka's economy continued to make progress in 2024 supported by recovery across multiple sectors.



GDP Growth Rate



- Gross official reserves improved to USD 6.1 Bn as at end-2024 compared with USD 4.4 Bn as at end-2023. The nation's reserve position increased further to USD 6.5 Bn as at end-March 2025.
- Sri Lanka's fiscal performance also improved in 2024 supported by reforms implemented under the IMF-EFF programme, resulting in a positive primary balance.
- Most notably, given the near-completion of the nation's international debt restructuring programme and broad-based economic recovery, international rating agencies upgraded Sri Lanka's sovereign rating, strengthening investor and stakeholder confidence.

IMPACT ON HAYCARB

- (-) Exchange rate appreciation on export revenue
- (+) Exchange rate appreciation on Import of raw material cost
- (+) Reduction in borrowing cost



OUR RESPONSE

- Pursued a strategy of diversification across markets, products and innovation.
- Maintained focus on expanding our value-added product range for emerging applications.
- Leveraged technology to access new markets.
- Deepened relationships with existing customers through proactive engagement and a strong customer value proposition.
- Entered into selective forward bookings to manage exchange rate volatility.

[Link to Material Topic](#) - M5, M19

[Link to Risk and Opportunities](#) - R2, R4, R9

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[Link to future outlook](#) - refer Haycarb Future outlook page 114

- The entry of Gen Z into the workforce is reshaping traditional workplace norms and pushing organisations to respond to shifting values and expectations.
- Rising inequality in income and access to opportunities is placing greater ethical responsibility on organisations to ensure fair compensation, support equal opportunity in employment, and respond to community needs.
- Increasing social and environmental consciousness is compelling organisations to embed ethical and sustainable practices across the value chain.
- A diverse and inclusive workplace is widely recognised to foster innovation and creativity while enhancing overall business performance.

IMPACT ON HAYCARB

- Financial implications that include higher health costs, litigation and work disruption.
- Challenges in employee attraction and retention.
- Implications on employee motivation and productivity.
- Positive, long-standing relations with the communities we operate in has resulted in a strong social license to operate.

OUR RESPONSE

- A holistic employee value proposition that fosters diversity, priorities wellbeing and nurtures growth (for more details refer page 144 Human Capital).
- Strategic focus on propagating ethical and sustainable business practices within our operations and along the value chain through the implementation of "Activate" (for more details refer page 50).
- Numerous voluntary health and safety, environment and quality certifications to assure stakeholders of the quality of our product propositions (for more details refer page 136 Intellectual Capital).
- Long term focused community engagement initiatives including, Puritas Sath Diyawara, Going Beyond, school book donation and the school meal programme (for more details refer page 160 social and relationship capital).
- Empowered communities through the Haritha Angara programme (for more details refer page 160 Social and Relationship Capital)

[Link to Material Topic](#) - M3, M8, M13, M15, M16

[Link to Risk and Opportunities](#) - R7, R12, O2

[Link to Strategy](#) - Market growth, strengthen global supply chains, Purpose-driven and committed teams, ESG mindset

[Link to future outlook](#) - refer Haycarb Future outlook page 114

Operating Environment

TECHNOLOGY

- The rapid evolution of technology has presented a range of new opportunities for businesses.
 - The growing integration of digital tools and platforms has facilitated increased market reach and enhanced customer convenience.
 - Technological advances are empowering manufacturing excellence by providing access to cutting edge tools, precision instruments and superior automation systems.
 - Data analytics and AI support data-driven decision making and operational efficiencies.
 - Emerging clean technologies have driven demand for specialised activated carbon products.
- However growing reliance on digital systems have also increased exposure to cyber threats and elevated the risk of data breaches.

IMPACT ON HAYCARB

- Adverse implications of cyber threats.
- Emerging opportunities for value added activated carbon products and access to new markets.
- Opportunities to enhance customer engagement and convenience through system integration.
- Potential for operational efficiency and reduction of waste and cost optimisation.

OUR RESPONSE

- Developed and implemented a digital marketing strategy to strengthen our digital presence and access new markets.
- Integrated technology into business operations to enhance occupational health and safety, automate routine processes, facilitate data analytics and support data-driven strategic decision making.
- A comprehensive IT security management strategy that encompasses policies, investments in the latest cybersecurity technology, regular audits and employee training (for more details refer Digital Capital).

Link to Material Topic - M3, M8, M13, M15, M16

Link to Risk and Opportunities - R7, R12, O2

Link to Strategy - Market growth, strengthen global supply chains, Purpose-driven and committed teams, ESG mindset

Link to future outlook - refer Haycarb Future outlook page 114

ENVIRONMENT

- Unsustainable levels of production and consumption continue to drive increasing levels of pollution, climate change and biodiversity loss.
- Air pollutants such as black carbon and methane are accelerating the pace of climate change while contaminants in freshwater and marine environments such as PFAS, micro and nano-plastics are increasingly affecting human and ecosystem health.
- While the physical effects of climate change continue to rise and adverse weather events increase in frequency and intensity, global commitment to a low carbon transition remains uneven.

IMPACT ON HAYCARB

- The shortage in supplies of our primary raw material and the price increase.
- Stringency in emission regulations may lead to additional costs and investments to reduce GHG emissions generated from our operations.
- Implications on operating efficiency and risk profile.
- The global transition to a low carbon economy presents opportunities to strengthen our financial performance and competitive position.
- Rising regulatory requirements related present business opportunities for activated carbon for challenges such as PFAS removal and providing the water treatment solutions of Puritas.
- Regulations on the air quality emitted from industrial activity.

OUR RESPONSE

- R&D to develop new products that minimise the environmental implications of industrial activity.
- Strategic focus on minimising our environmental impacts through the implementation of "Activate".
- Diversified supply chains across multiple coconut-producing countries to mitigate risks of climate change.
- Complied with all environmental regulations in the countries we operate in.

[Link to Material Topic](#) - M1, M2, M7, M10, M11, M12, M13, M17

[Link to Risk and Opportunities](#) - R18,R23,O3,O4,O5

[Link to Strategy](#) - ESG mindset

[Link to future outlook](#) - refer Haycarb Future outlook page 114

- Our global footprint requires compliance with country specific regulatory frameworks across multiple jurisdictions.
- These regulatory landscapes are dynamic, requiring proactive monitoring to ensure timely compliance and prevent inadvertent non-compliance.

IMPACT ON HAYCARB

- Regulatory non-compliance resulting in fines, penalties, reputational damage and compliance cost.

OUR RESPONSE

- We proactively monitored the regulatory landscape across all jurisdictions to ensure compliance.
- Maintained compliance with all legal and regulatory requirements during the year under review.
- Aligned our processes with global best practice through voluntary certifications related to occupational health and safety, quality and environmental management.

[Link to Material Topic](#) - M1, M2, M7, M10, M11, M12, M13, M17

[Link to Risk and Opportunities](#) - R6,R15,R22

[Link to Strategy](#) - Market growth, Innovation led growth, Strengthen global supply chain, Purpose-driven and Committed teams, ESG mindset

[Link to future outlook](#) - refer Haycarb Future outlook page 114