

Strategy, Resource Allocation and Trade-offs

"Our integrated strategy—grounded in regenerative principles—guides us in making smart decisions on resource allocations and trade-offs, fostering sustainable growth.

We operate in a complex business environment; with an interplay of risks, challenges, and opportunities—deeply influenced by socio-economic disruptions, market volatility, regulatory dynamics and more so, the intricacies of climate change. Focused and steadfast in creating long-term value for all stakeholders, we continued in the year to roll-out a well-integrated strategy, with ESG considerations taking precedence. This aligns seamlessly with our 2030 Regenerative Agenda, paving the path to achieve operational efficiency, sustainability and equitable growth.

To this end, we sought to make further structural changes, even going beyond traditional norms. Our five strategic imperatives which have been redefined to be in line with the 2030 agenda, prioritise transformations of our business model, agricultural operations, value chain management and employee and resident community engagement. Our aim is to minimise negative impacts of our operations, whilst proactively contributing to the regeneration of ecosystems and communities. This necessitated us to be smarter in the way we allocate resources, integrate technology and balance out trade-offs to meet short-term performance goals as well as to secure long-term resilience and success. Our initiatives have indeed culminated in positive financial and operational results this reporting year, despite the complexities we faced amidst an evolving and challenging business backdrop.



Basis of Resource Allocation



		Strategic Imperatives				
Capitals						

Strong reliance
 Medium reliance
 Low reliance

Strategy, Resource Allocation and Trade-offs

 <p>Strategic Imperative: Winning with the Customer</p> <p>Aligned with our regenerative business principles, we stand committed to create long-standing and reciprocal relationships with our customers—delivering exceptional customer experience; ensuring their wellbeing; and exceeding their expectations, consistently.</p>	<p>Stakeholders Impacted</p> <p>Shareholder, Customer, Employee; Supplier, Community</p> <p>UNSDGs</p> 
<p>Risks</p> <ul style="list-style-type: none"> Market Dynamics: Declining market demand for tea, and intense competition from local and global tea manufacturers can dampen revenue and bottom-line profitability. Quality Issues: Lapses in quality may bring disrepute to the brand image. Supply Chain Disruptions: This may result in shipping delays and impact quality. Consumer Preferences: Changing preferences and trends may impact demand and revenue. Compliance: Issues in meeting import regulations, quality standards, or labeling requirements of different export markets may result in delays, rejects and legal implications. 	<p>Opportunities</p> <ul style="list-style-type: none"> Lifestyle Changes: Consumer awareness of health benefits of tea may increase demand for black and specialty teas. Green and Ethical Business Practices: This can differentiate and strengthen the brand and market positioning—appealing to social and environmentally conscious consumers. Value Addition: Adding value and innovating new tea blends and flavours can attract new market opportunities. Branding and Marketing: Strengthening the brand identity and marketing initiatives can attract and retain lucrative markets amidst global competition.
<p>Short-term Strategy (01-03 years)</p> <ul style="list-style-type: none"> Invest in quality measures in line with best agriculture and food safety practices—in conformance with international certification bodies, and accepted standards and guidelines. Stay abreast of latest market trends, monitor competitor activity, diversify and penetrate new and niche markets through greater value addition and specialty teas. <p>Medium-term Strategy (03-05 years)</p> <ul style="list-style-type: none"> Invest in market research to identify high growth potential and underserved market segments. Roll-out a branded product line of specialty teas. Invest in branding, with emphasis on the company's history, values and commitment to quality. <p>Long-term Strategy (05 years above)</p> <ul style="list-style-type: none"> Continue to explore new markets and invest in research and development to produce new tea blends. Invest in research and development to explore the potential of emerging technologies on strengthening product quality, brand and markets. <p>Strategy in Action FY 2023/24</p> <ul style="list-style-type: none"> Rolled out the field development programme to adopt sustainable agriculture practices; with frugal applications of agrochemicals and in line with RA certification. Upheld product stewardship to comply with MRL Assurance and ISO food safety and quality management standards. Followed through with supply chain sustainability—advocating and guiding suppliers to follow best social and environmental practices in line with RA certification across the value chain. Closely engaged and consistently networked with buyers and brokers along with focused branding and marketing initiatives. 	

Key Performance Indicators

All Estates
RA Certified

15 Factories
ISO 22000:2018
Food Safety
Management

1 Factory
ISO 9001:2015
Quality
Management

86%
Customer
Satisfaction
Score

5% ↓
Customer
Complaints

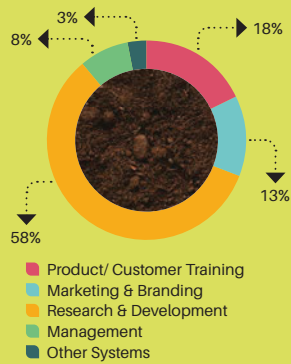
ZERO Rejects,
Monetary Claims
and Incidents
of Health and
Safety Impacts in
Products

Resource Allocation FY 2023/24

- 3,925 Hectares
- Conventional Tea Fields
- 5% Chemical-free Tea Fields
- Biodiversity Conservation

- 4,824 Workforce
- Field Operations
- Factory Processing
- Quality Management
- Rs. 46.6 Mn Research and Development

Winning with the Customers



Trade-offs

↑ Medium to Long-term

Financial Capital

- Increased revenue

Human Capital

- Better customer engagement

Social and Relationship Capital

- Solid product portfolio
- Enhanced brand image
- Customer loyalty and satisfaction

↓ Medium to Long-term



Financial Capital

- Ongoing financial costs of customer centric initiatives.

Producing quality teas is central to our customer strategy. We prioritise hand-picking tea leaves to guarantee premium quality teas. Therefore, our investment in labour is extensive. This coupled with key investments in technology, quality control, certifications, standards and marketing and branding, underscores our unwavering commitment to customers. Yet, we must carefully weigh these investments, ensuring that the trade-off between benefits and returns exceed expenses and balances operational efficiency, infrastructure maintenance and the needs of other stakeholders, including employee training and the wellbeing of our resident communities.

Refer : Social and Relationship Capital, Pages 136 - 151.; Intellectual Capital, Pages 128 - 135

Strategy, Resource Allocation and Trade-offs

 <p>Strategic Imperative: Operational Excellence</p> <p>Aligned with our regenerative business principles, we stand committed to create long-standing and reciprocal relationships with our customers—delivering exceptional customer experience; ensuring their wellbeing; and exceeding their expectations, consistently.</p>	<p>Stakeholders Impacted</p> <p>Shareholder, Employee, Customer, Supplier, Community, Society, Government</p> <p>UNSDGs</p> 
<p>Risks</p> <ul style="list-style-type: none"> Environmental Challenges: Climate and environmental challenges can impact crop yield and quality. Labour Issues: Unavailability of labour and industrial unrest can result in loss of work days, financial losses and reputational damage. Quality Issues: Lapses in quality control can adversely impact the brand image in the market. Supply Chain Disruptions: This can impact timely processing and delivery, with significant financial losses. Technological Advancements: Resistance or sluggishness to adopt latest technology can result in operational inefficiencies and loss of market share. 	<p>Opportunities</p> <ul style="list-style-type: none"> Sustainable Agriculture and Technology: Adoption of sustainable practices along with technological advancements can enhance resource utilisation, innovation, efficiency and quality of teas. Supply Chain Optimisation: This can improve supplies, lead times, traceability, and logistics. Energy Efficient Technology: This can minimise energy cost and curtail the carbon footprint. Employee Motivation: Ensuring community wellbeing and upholding fair labour practices can improve productivity, motivation and employee loyalty.
<p>Short-term Strategy (01-03 years)</p> <ul style="list-style-type: none"> Identify and address productivity issues, inefficiencies and wastage in field and factory operations. Carry out energy audits, minimise usage and implement cost-effective energy efficient measures. Extend focused training to enhance skills and productivity of the workforce. Strengthen the supply chain traceability and address bottlenecks. <p>Medium-term Strategy (03-05 years)</p> <ul style="list-style-type: none"> Invest further in field mechanisation technology and digitalisation for smart plantation management. Initiate and invest in state-of-the-art factory processes and systems. Develop a clear and consistent brand message to showcase the unique value proposition. Develop a compelling employer brand that articulates the company's values and culture. Invest in innovative technologies and solutions to address and manage social and environmental challenges. <p>Long-term Strategy (05 years above)</p> <ul style="list-style-type: none"> Invest in research to develop improved climate resilient and high yielding cultivar. Strategy in Action FY 2023/24 Increased replanting of tea by Increased the investment on the field development programme Increased the investment on new machinery and equipment for factory operations Increased the investment on maintenance of factory machinery and equipment Upgraded estate infrastructure at an investment 	

Key Performance Indicators

16.65% ↑
Yield Per
Hectare

21.45% ↑
Average Daily
Harvested
Output

97%
ESG Rating

34.96
MJ/Kg of
Made Tea
Energy
Intensity

69%
Factory
Capacity
Utilisation

2.70 Kg
Labour
Productivity
Ratio

Zero
Incidents of
Corruption/
Bribery/
Fraud

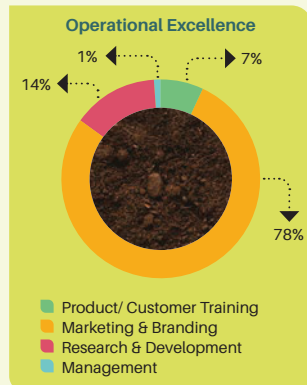
Resource Allocation FY 2023/24

Machinery & Equipment

- Field Operations
- Factory Processing

Training

- Productivity
- Administration
- Business Ethics



Trade-offs

↑ Medium to Long-term

Financial Capital

- Cost savings and higher profits

Human Capital

- Skilled workforce
- Higher productivity and efficiency

Intellectual Capital

- Enhanced work processes and quality standards

Social and Relationship Capital

- Strong corporate image and reputation

Natural Capital

- Sustainable agriculture practices
- Efficient energy usage

↓ Medium to Long-term

Financial Capital

- Upfront cost of investing in new field and factory technology, infrastructure, training and research and development

We strive to enhance our systems, processes and productivity levels following best and ethical business practices to achieve excellence in operations. We invest well in mechanisation of field operations, automation and digitalisation of factory processes, energy efficient technologies, sustainable agriculture practices and skills training. Although, the financial outflows are high in the short-term, these investments enhance product quality; employee productivity and capabilities; lower costs; and increase earnings in the medium to long-term with greater sustainability.

Refer : Human Capital, Page 150.; Social and Relationship Capital, Page 136; Manufactured Capital, Page 122; Intellectual Capital, Page 128; Natural Capital, Page 170

Strategy, Resource Allocation and Trade-offs

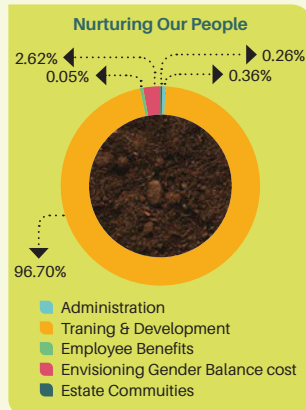
	<div>Strategic Imperative: Nurturing Our People</div> <p>Upholding regenerative business values, we seek to extend a progressive workplace; focused on innovation, productivity and sustainability. We stand committed to build, develop and empower our employees as well as the resident communities living across our estates.</p>	<div>Stakeholders Impacted</div> <p>Employees Resident estate communities</p> <div>UNSDGs</div> <div></div>
<div>Risks</div> <ul style="list-style-type: none">Labour Availability: High labour out-migration and turnover can disrupt operations, lead to loss of tacit knowledge and increase recruitment and training costs.Workplace Safety: Accidents and injuries can lead to legal issues, higher compensation costs and disrupt operations.Employee Health: Poor employee health can result in increased absenteeism, lower productivity and higher healthcare insurance costs.Compliance Issues: Non-compliance with labour laws can result in legal action and damage the company’s reputation.Skills Gap: Lack of skills can impact performance and productivity, hindering value creation optimisation.Employee Engagement: Poor engagement, labour disputes and trade union activities can lead to absenteeism, lower productivity and financial losses.Community Engagement: Neglecting community concerns can lead to the loss of community trust and support and attract negative media publicity.	<div>Opportunities</div> <ul style="list-style-type: none">Employer of Choice: Elevating the corporate image as a leading employer can attract top talent.Skills Development: Investing in training can improve productivity and capabilities.Inclusivity and Diversity: Fostering a diverse and open workplace with employee engagement can boost their morale, team spirit, creativity and innovation.Employee Wellbeing: Investing in employee welfare and wellness can ensure health and safety of the workforce for higher productivity.Recognition and Rewards: Duly recognising and rewarding employees for their contribution can bolster performance and increase productivity.Leadership Development: Fostering leadership and succession planning can achieve seamless organisation growth.	
<div>Short-term Strategy (01-03 years)</div> <ul style="list-style-type: none">Foster an inclusive workplace with focused skills training initiatives to enhance employee productivity, performance and empowerment.Extend training opportunities for managerial staff on conflict resolution and negotiation skills.Establish a joint labor-management committee to address grievances and concerns.Closely engage communities, ensure their wellbeing and empowerment. <div>Medium-term Strategy (03-05 years)</div> <ul style="list-style-type: none">Develop and implement a comprehensive employee engagement strategy.Increase the focus on women empowerment.Conduct due diligence on company’s operations, suppliers and business partners to identify and address potential human rights violations. <div>Long-term Strategy (05 years above)</div> <ul style="list-style-type: none">Promote equitable value sharing amongst resident estate communities through a revenue share model. <div>Strategy in Action FY 2023/24</div> <ul style="list-style-type: none">Recognised as a ‘Best Place to Work’ by Best Workplaces in Sri Lanka.Extended industry competitive remuneration and further developed the non-wage model.Extended a comprehensive programme on occupational health and safety for all employees across estates.Identified skills gap and rolled out a well-rounded training programme for employees across grades.		

Key Performance Indicators



Resource Allocation FY 2023/24

- Training Hours
 - Corporate
 - Field
 - Factory
- 3,825 Hectares
 - Wage Model
 - Revenue Share Model



Trade-offs

↑ Medium to Long-term

Financial Capital

- Higher productivity and efficiency
- Long-term growth

Human Capital

- Progressive workplace
- Skilled workforce

Intellectual Capital

- Enhanced organisational tacit knowledge

Social and Relationship Capital

- Strong corporate image and reputation
- Enhanced wellbeing of resident communities

↓ Medium to Long-term

Financial Capital

- Funds allocated for training, remuneration and benefits for employees and initiatives to uplift estate communities

With a large and diverse workforce, our investment in labour management is considerable. We invest in skills training and development, offer industry competitive remuneration and comprehensive benefits to empower our employees and ensure their wellbeing. Our people-centric initiatives extend to communities living in our estates. The trade-off is short-term financial outflows. Yet, our HR and community-based investments enable us to muster the workforce, boost their morale and increase their productivity to achieve growth and sustainability in the medium to long term.

Refer : Human Capital, Page 150; Social and Relationship Capital, Page 136; Intellectual Capital, Page 128

Strategy, Resource Allocation and Trade-offs

<div data-bbox="115 411 207 491"></div> <div data-bbox="318 327 993 352" data-label="Section-Header"> <h3>Strategic Imperative: Environment Stewardship and Climate Action</h3> </div> <p>Under the regenerative business model, we recognise our responsibility to preserve the ecosystems in which we operate; while focusing on climate action in our quest to achieve carbon neutrality. This holistic approach encompasses sustainable land management, waste management, water management, shifting towards renewable energy, and conserving biodiversity.</p>	<div data-bbox="1177 327 1414 352" data-label="Section-Header"> <h3>Stakeholders Impacted</h3> </div> <p>Shareholders Community Society</p> <div data-bbox="1252 474 1341 499" data-label="Section-Header"> <h3>UNSDGs</h3> </div> <div data-bbox="1138 533 1446 583"></div>
<div data-bbox="120 604 180 625" data-label="Section-Header"> <h3>Risks</h3> </div> <ul style="list-style-type: none"> Climate Impact: Extreme weather and shifts in climate patterns can damage plantations and infrastructure; impacting crop yields, leaf quality, pest and disease prevalence, water availability and supply chains. Environmental Degradation: This can lead to supply chain disruptions, limiting the availability of quality tea leaves and hinder potential crop yields. Regulatory Demands: Evolving and stringent environmental laws, rules and regulations can impact operational costs, marketability, profitability and long-term planning. Water Contamination: Agricultural run-off and factory waste water can pollute water sources, harming ecosystems, employee and community health and the company's reputation. Compliance: Not complying with environmental laws and regulations can result in fines, penalties, sanctions and legal action. Energy Issues: Rising energy demand, supply disruptions and the cost of adopting renewable energy can lead to energy scarcity and impact profitability. 	<div data-bbox="821 604 971 625" data-label="Section-Header"> <h3>Opportunities</h3> </div> <ul style="list-style-type: none"> Sustainable Agriculture: Implementing practices to preserve soil health, protect water sources and biodiversity can minimise the company's environmental impacts. Sustainable Energy: Establishing an energy management system and opting for renewable energy can reduce the dependency on fossil fuels and lower the carbon footprint. Biodiversity Conservation: Conserving and enhancing biodiversity in estates can protect estate ecosystems and lower the carbon footprint. Climate Change: Develop and adopt climate resistant agriculture practices including new tea varieties to minimise the vulnerability to climate change, improve crop production and gain a competitive advantage. Stakeholder Engagement: Collaborating with employees, local communities, suppliers and non-government organisations to promote sustainable practices can advocate shared environmental stewardship and strengthen the corporate reputation.
<div data-bbox="120 1335 480 1360" data-label="Section-Header"> <h3>Short-term Strategy (01-03 years)</h3> </div> <ul style="list-style-type: none"> Set clear and measurable environmental performance goals with consistent monitoring and compliance. Expand and further invest in crop diversification. Improve permaculture business practices to enable productivity, efficiency and ecological balance. Set ambitious green-house-gas emission reduction targets and roll-out carbon offsetting initiatives. <div data-bbox="120 1539 509 1564" data-label="Section-Header"> <h3>Medium-term Strategy (03-05 years)</h3> </div> <ul style="list-style-type: none"> Invest and implement climate smart and adaptation technology, practices and measures. Collaborate with tea research institutions to implement climate resilient agriculture practices. Invest in market research to ascertain consumer preferences and develop innovative tea varieties resistant to climate change. Invest in renewable energy sources and energy efficient technology. <div data-bbox="120 1743 513 1768" data-label="Section-Header"> <h3>Long-term Strategy (05 years above)</h3> </div> <ul style="list-style-type: none"> Completely transition to regenerative agriculture practices. <div data-bbox="120 1818 441 1843" data-label="Section-Header"> <h3>Strategy in Action FY 2023/24</h3> </div> <ul style="list-style-type: none"> Followed through an effective natural resources management plan—focusing on renewable material, efficiency of agrochemical inputs, water conservation; and waste water purification. Prioritised controlling green-house-gas emissions through renewable energy generation and consumption; upheld science-based target commitment; and further invested in fuelwood planting. 	

Key Performance Indicators

Zero
Incidents of
non-compliance
Environmental
Laws and
Regulations

0.05% ↓
Agrochemical
Usage

34.91 MJ
Energy Intensity

11,045 ↑
GHG Emissions

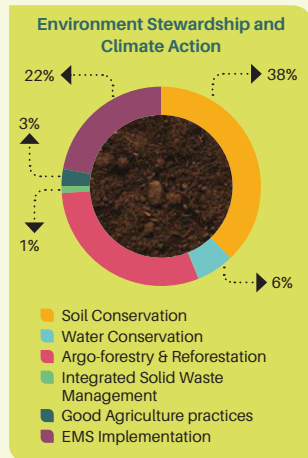
8 Mn Kwh
Renewable
Energy
Generation

86%
Renewable
Material Usage

Resource Allocation FY 2023/24

- Material Usage
- Renewable
- Non-renewable

- 3,825 Hectares
- Tea Fields
- Forest Conservation
- Replanting



Trade-offs

↑ Medium to Long-term

Financial Capital

- Long-term savings
- Energy efficient technology
- Sustainable resource management

Social and Relationship Capital

- Strengthening brand and market positioning
- Regulatory compliance
- Driving innovation
- Competitiveness

↓ Medium to Long-term

Financial Capital

- Upfront and ongoing costs for environmental initiatives

With an extensive environmental footprint, we have been investing in sustainable agriculture practices over the years; prioritising soil health, waste management, water conservation, wastewater treatment, renewable energy, and curtailing carbon emissions. Despite short-term trade-offs in funds and human resources, these investments underscore our environmental stewardship and our sustainability in the medium to long term—enhancing our brand and good reputation; positively contributing to financial capital.

Refer : Natural Capital, Page 170

Strategy, Resource Allocation and Trade-offs

<div data-bbox="115 411 207 491"></div> <div data-bbox="428 327 883 352"> Strategic Imperative: Business Diversification </div> <p>Reducing the risk of dependency on our core value offering, we are increasingly looking at diversifying our business to fortify our market position in a dynamic operating environment. Aligned with regenerative business principles, we seek to leverage our expertise to take on emerging business opportunities, explore new product lines and expand into new markets.</p>	<div data-bbox="1175 327 1412 352"> Stakeholders Impacted </div> <p>Shareholders, Customers Employees, Suppliers</p> <div data-bbox="1252 474 1339 499"> UNSDGs </div> <div data-bbox="1166 533 1419 579"> </div>
Risks <ul style="list-style-type: none"> Resource Allocation: Allocating scarce resources to new ventures can limit the growth and divert the focus from the core business. Resource Planning: Complications can arise in labour planning and resource management when producing and harvesting other crops. Operational Changes: New products/markets may require changes to the manufacturing processes, distribution channels, and logistics. Expertise and Experience: Lack of planning, market research, testing on new products and understanding of operational challenges can hinder the expected return on investment. Supply Chain: Diversifying and building relationships with new suppliers may lead to disruptions in the existing supply chain. Compliance: Challenges may arise in complying with new regulations and standards. 	Opportunities <ul style="list-style-type: none"> New Markets: Venturing into untapped markets can broaden the customer base. Single Product: Reduces the dependency on the core offering, mitigating risks and increasing other revenue streams. Customer Preferences: Adds value to the corporate image, enabling the organisation to meet diverse and changing customer preferences, market trends and foster customer loyalty. Competitive Advantage: Differentiates the organisation, giving an edge over the competition.
Short-term Strategy (01-03 years) <ul style="list-style-type: none"> Further invest in expanding the value-added specialty and organic tea product lines. Increase the investment in non-core crop operations including cinnamon, agarwood, Medium-term Strategy (03-05 years) <ul style="list-style-type: none"> Carry out feasibilities including on market opportunities to expand the crop diversification programme. Invest in promoting tea tourism in scenic estates. Long-term Strategy (05 years above) <ul style="list-style-type: none"> Pursue collaborations and partnerships within the group to develop and market branded range of specialty teas and other products. Strategy in Action FY 2023/24 <ul style="list-style-type: none"> Invested to expand the extent of fuel wood, timber, agar wood and cinnamon. Invested to expand the production of green tea and specialty tea range. Harvested fuelwood and timber Promoted tea tourism in Somerset estate Participated and promoted specialty teas and other export crops 	

Key Performance Indicators

Harvesting
Fuel Wood

Crop
Diversification

Tea Tourism

Specialty Tea
Gardens

Specialty Tea
Exports

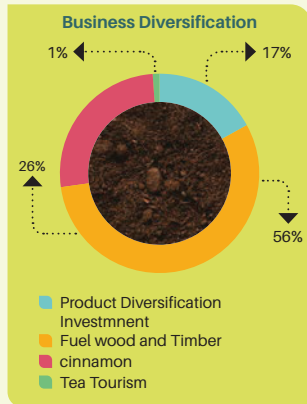
Green Tea
Exports

Cinnamon
Exports

Resource Allocation FY 2023/24

- 113 Hectares
- Crop Diversification
- 60% Cinnamon
- 1% Agar Wood
- 39% Other Crop

- 3,825 Hectares
- 74% Tea Fields
- 13% Forest Conservation
- 3% Replanting
- 10% Other



Trade-offs

↑ Medium to Long-term

Financial Capital

- New revenue streams
- Financial stability

Social and Relationship Capital

- New market opportunities
- Enhanced brand image

↓ Medium to Long-term

Financial Capital

- Investment funds for diversification initiatives

Business diversification—focusing on non-tea crops—seeks to mitigate the risks of dependency on tea whilst exploring new markets and boosting viability. In this endeavour, we have to balance the potential reduction in tea yields, soil modifications suitable for other crops, pest and disease management, infrastructure and equipment requirements; and the issues arising in scheduling the workforce and addressing skills requirements. This necessitates substantial investments in the short-term. However, this sets the pace for medium to long-term business growth with greater agility, resilience and adaptability.

Refer : Business Review, Page 100; Financial Capital, Page 114; Manufactured Capital, Page 122; Natural Capital, Page 170