



WEAR • THE • FUTURE

Sustainability Report 2011/12

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Sustainability for a Better Future

Dear Stakeholders,

It is with a deep sense of humility that I present to you the inaugural Sustainability Report of the Brandix Group.

Brandix has consistently been at the forefront of national and global efforts to adopt eco-friendly manufacturing practices. The signature Brandix Eco Centre in Seeduwa made history as the first LEED Platinum rated apparel factory in the world.

The Brandix Eco Centre also became the first apparel manufacturing facility in the world to obtain the prestigious ISO 50001 Energy Management Systems certification. In addition to this, Brandix won the 'Plan A Supplier of the Year' award in the General Merchandise category from Marks & Spencer at the Plan A Conference held in London in April 2012, and an "Eco Factory Attribute" from M&S for our manufacturing facility in Bangladesh. This is the first time an apparel factory has achieved this status in Bangladesh.

Four Brandix business units have received LEED certification, while three of these factories and our facility in Bangladesh are Marks & Spencer Plan A Eco Factory Attributed.

Further augmenting our environmental footprint in the region, Brandix India Apparel City - our 1,000 acre self-sufficient industrial park in Andhra Pradesh - has a 135 acre green belt, whilst the rest of the infrastructure conforms to the strictest environmental standards.

The recognition we receive for our pioneering efforts in environmental initiatives encourages us to raise the bar even higher in our sustainability goals. Initiatives that advance adherence to the Triple Bottom Line concept continue to be rolled out at Brandix, and customer schemes such as Plan A and Green Building rating systems like LEED, help us to set world-class parameters and targets.

Despite shrinking global retail inventories, our business strategy - supported by value chain integration and ethical manufacturing - has enabled us to achieve a healthy growth year-on-year.

Brandix was the first private-sector company to pioneer manufacturing in Sri Lanka's Eastern Province in the post-conflict period. We are now exploring the possibility of expanding our operations even further with the purpose of providing gainful employment for the people in this region. Our future strategies would revolve around regional growth

whilst consolidating our presence in India and Bangladesh, investing further in our value chain operations to enhance our verticality and expansions into new emerging markets such as India and China.

Meanwhile, the Group's CSR activities have made significant progress in 2011/12. The initiatives conducted throughout the year were identified from the dual perspectives of what is important for society and what is important for the Brandix Group.

In April 2012, the Group's flagship project 'Care for our Own' reached a milestone of five successful years. More than 1,600 Brandix Associates and their communities have benefitted from this initiative which implements micro water supply projects throughout the country. Going forward, we will strive to anticipate social needs and propose creative solutions based on our philosophy.

By delivering a unique value proposition - fuelled by our growth strategies within the country as well as the region - we will see Brandix grow into a company that leads the market place in the next five years. With this clear road map in place, we hope to provide gainful employment to over 50,000 citizens in the next five years. Once fully operational, Brandix India Apparel City as a separate entity will export over 1.2 billion dollars worth of apparel and will employ over 60,000 Associates. We also expect our Bangladesh operation to grow exponentially in the next five years providing employment to approximately 15,000.

With Group-wide operations being inseparably associated with an extensive stakeholder base, we take a pledge to remain committed to corporate growth that will balance economic progress while instilling a culture of sustainable development for the environment and community.



Warm Regards,
Ashroff Omar
Chief Executive Officer,
Brandix Lanka Limited

CEO'S MESSAGE



INTRODUCTION

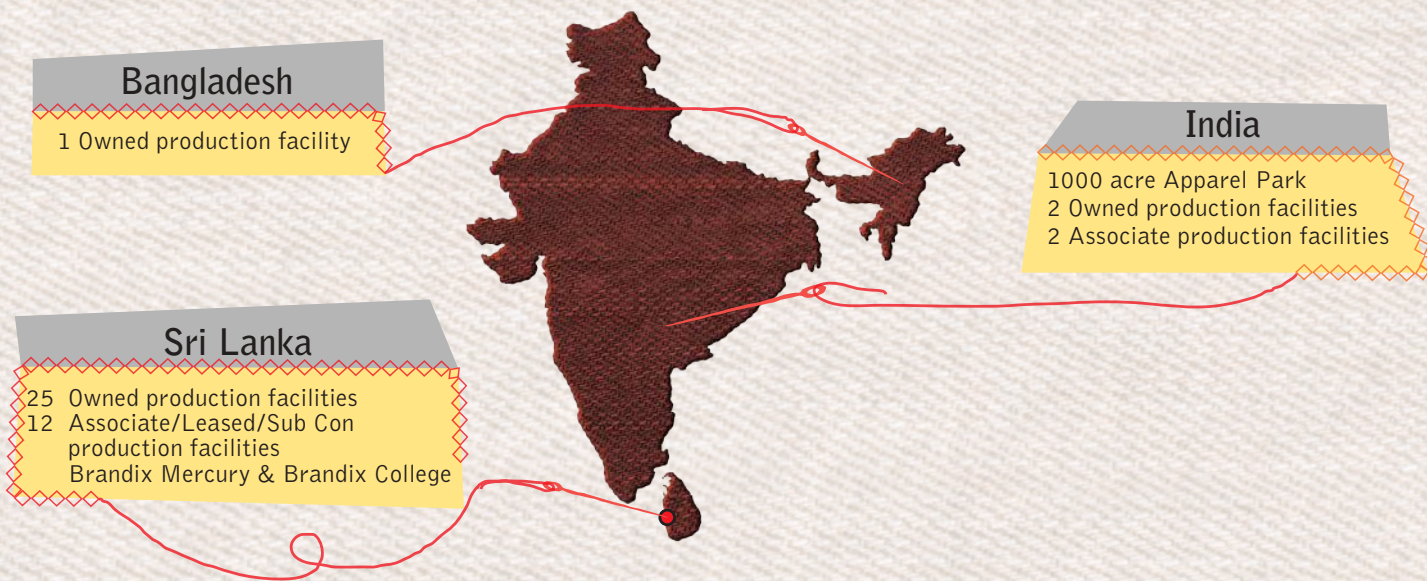
OUR BUSINESS

The Brandix Group has pioneered the concept of holistic apparel solutions from a unique, customer-centric standpoint since its inception in the year 2002. Its unconventional approach to a conventional sector has propelled Brandix to the forefront of the industry as the single-largest apparel exporter in Sri Lanka with a turnover of US\$ 600 Mn. The public limited company's fast expanding network of factories and offices span across the South Asian sub-continent. Brandix Lanka holds 42 manufacturing facilities which include group companies, joint ventures, subsidiaries and leased factories. They span over three countries: Sri Lanka, India and Bangladesh, and employ over 42,000 people directly

The Group specializes in manufacturing casual bottoms, intimate apparel, underwear, lounge and sleepwear, bras, woven and knitted fabrics and a host of apparel industry accessories. A backward and forward integrated operation, the company manufactures its own fabric, buttons, thread and hangers, lending a tactical edge in the apparel sector. This core strength further reinforces our advanced research and development, outstanding design, fabric printing, washing, dyeing, wet processing, finishing, and relentless quality control services with fastest turnaround times.



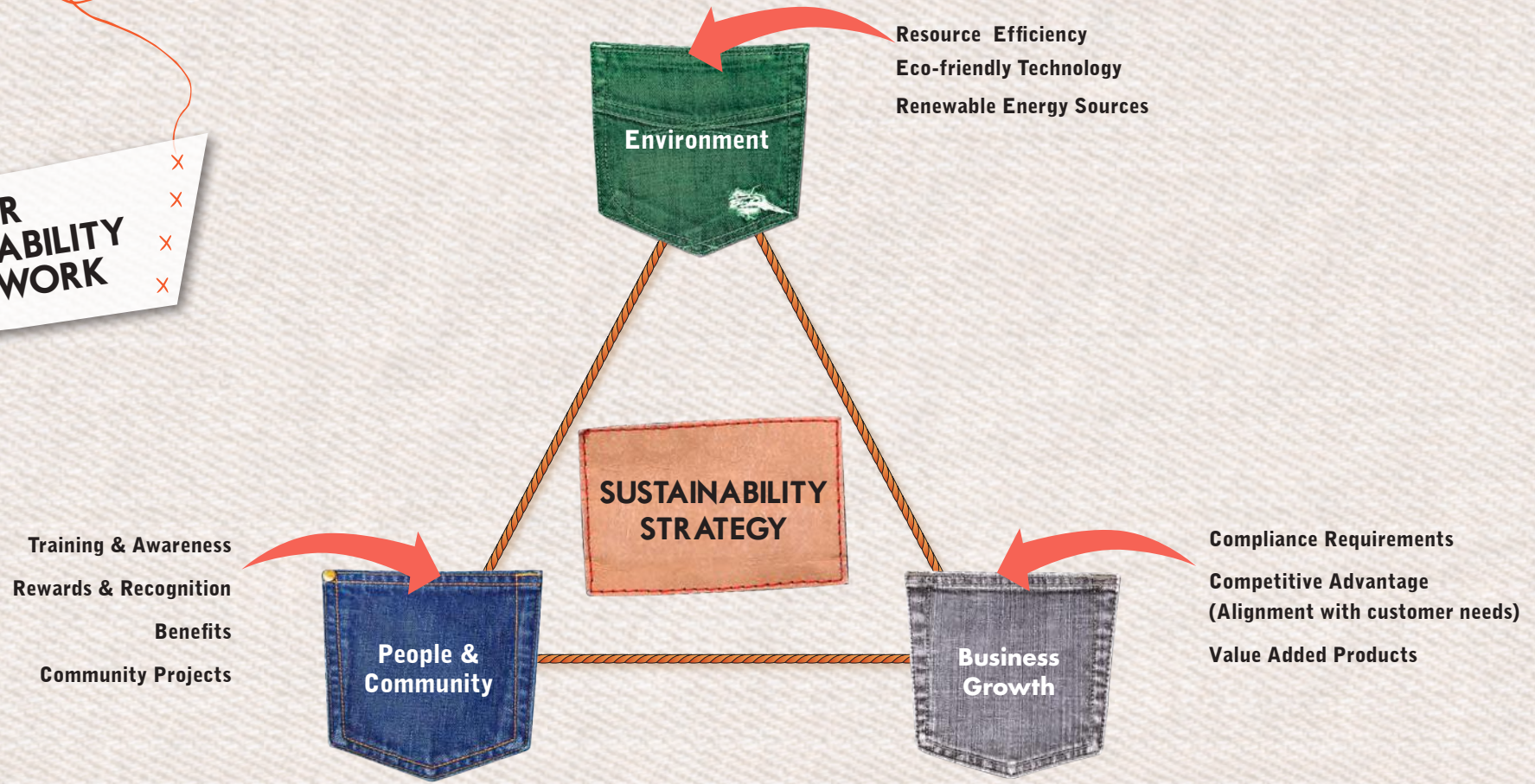
Geographical Presence



Our Vision is to create ‘Inspired Solutions through sustainable practices’.

At Brandix, we strongly believe that sustainability is a joint partnership between sustainable business growth, environmental mindfulness, development of people and investment in the community. We have devised a robust sustainability framework by leveraging on these fundamental elements:

OUR SUSTAINABILITY FRAMEWORK



- Environmental Sustainability is brought about through Resource Efficiency and by investing in Eco-friendly Technology.
- Sustainable Business Growth is brought about by adhering to relevant Compliance Requirements, obtaining Competitive Advantage by aligning the group with customer needs, and through value addition to our products.
- Sustainability in the People and Community is ensured by Training & Awareness, Benefits and Rewards & Recognition for the Brandix workforce, and Community Projects for the Community.

THE ENVIRONMENT





Our vision is to replace all non-renewable energy sources with renewable sources

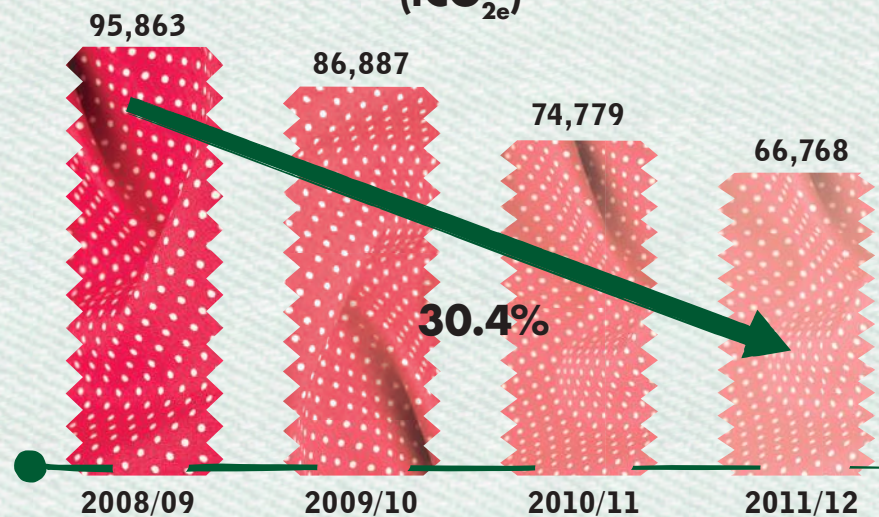
Conservation of energy and the search for renewable energy sources is one of the salient initiatives that Brandix has embarked on in its pursuit of sustainability. In order to identify the positive impact that our reduction in energy consumption has on the environment, we have

combined energy reduction with the carbon footprint of the group. The group made a pledge in 2008 to reduce its carbon footprint by 30% by the end of 2012. We are proud to say that this target has been achieved, and that too, ahead of the commitment period.

OUR PLEDGE REDUCTION OF OUR CARBON FOOTPRINT BY 30% BY END 2012



Group Carbon Footprint
(tCO_{2e})



In comparison to leading sustainability companies on the S&P 500 Index, Brandix currently ranks just above the second quintile of the index amongst less energy intensive service sectors such as banks, media and technology companies, with a carbon intensity of 114 tCO_{2e}/ \$Mn Revenue Earned.

A 3-Step Energy Management Plan was deployed in order to achieve this reduction



The 3-Step Energy Management Plan

- 1) Introduction of Energy Efficiencies
- 2) Introduction of New 'Green' Technology
- 3) Replacing Fossil Fuels with Renewable Energy Sources



Introduction of Energy Efficiencies and Green Technology

Energy efficiencies and 'green' technologies have been introduced in the following systems: Lighting Systems, Air Conditioning Systems, Compressed Air Systems and Boiler Systems. Further, Building Monitoring Systems are installed in order to monitor the operation of energy systems and to control them remotely in factories.

In 2011, over US\$ 3 Million was invested in energy efficiency improvements.

We saved 28,000 GJ of energy and nearly US\$ 800,000 through the Energy Management Plan.

Replacing fossil fuels with renewable energy sources

Currently, 2% of our energy comes from renewable sources. We operate two biomass boilers in which fossil fuels are replaced by firewood. Nearly 80% of our factories are equipped with skylights that use natural sunlight, thereby replacing electricity bulbs.

The use of firewood as a source of biomass has also helped improve relations with the community in the areas surrounding the factories, as it helps the income of the out growers.

During the year 2012, most of the group facilities will be equipped with biomass boilers which would replace approximately 6.4 Million litres of furnace oil in a year. This initiative will see that 42% of our energy consumption will come from renewable sources (this excludes electricity that cannot be replaced). We are hoping that by 2020, at least 95% of our energy consumption (excluding electricity) will be derived from renewable energy sources.

We have replaced 115,000 liters of fossil fuel with 281,000 kgs of biomass last year.





Our vision is to achieve zero water wastage.

At Brandix, the conservation of water is given a prominent place, since we believe 'Water is Life'. Along with basing our CSR activities on the theme of Water, the valuable resource has an important role to play in our environmental efforts. In 2009, we had pledged to

achieve water consumption of 35 litres per day per head in our apparel factories by the end of 2012, which we have already achieved. In comparison to the national average water use per person, our employees now use 50% less water in the apparel factories.

OUR PLEDGE TO ACHIEVE WATER CONSUMPTION OF 35 LITRES PER DAY IN OUR APPAREL FACTORIES BY 2012



Water Management Strategy

We have a clear hierarchy of methodology when it comes to water management. Our foremost effort is to minimize water usage before commencing recycling or reusing. Next, we recycle/reuse the water we have already used after various treatments. Finally, we increase the use of 'green water' sources which are water sources that are wasted if not captured and used.

Step 1 - Minimize Water Usage

Many impactful initiatives were implemented across the group's operations, which combined water efficient technology and best practices to reduce the group water consumption drastically.

140 Mn litres of water saved due to initiatives, which is a 41% reduction from the baseline, taking into account head-count increase

Step 2 – Recycle/Reuse Water

Brandix treats 100% of its waste water using various waste water treatment technology, so that the required environmental parameters are met, although it is not always mandatory. A majority of the treated waste water is then recycled/reused by using it in gardening and also as flush water in toilets.

This year, we have recycled and reused 44% of our total water

intake. This amounted to 958,000 m3 of treated water

Step 3 – Increase the use of 'green water' sources

By employing rainwater harvesting, we capture rainwater which is a green water source. This is the best source of water, as it doesn't affect the eco system, unlike withdrawing from sources such as the ground water or surface water. This water is used for all purposes other than drinking.

Our factories collect 213,840 m3 of rainwater water per annum

17 houses of Brandix employees around the island have been fitted with rainwater harvesting tanks, which are able to provide 68% of the total consumption of these households, thus saving 1.3 Mn litres of water per annum.

The 3-Step Water Conservation Plan

- 1) Leak Detection
- 2) Water Efficient Fixtures & Fittings
- 3) Best Practices



Our vision is to achieve zero material wastage

Sending waste to landfills has devastating effects on the environment in many ways. It releases harmful gases during decomposition that are both detrimental to human health as well as produce global warming effects. It also disturbs surrounding ecosystems by introducing poisonous materials into surrounding water systems and via seepage through soil, thereby affecting organisms. Furthermore, it proves to be an eye-sore. We had pledged to achieve zero waste to landfill by 2012, and we are currently 3/4th of the way there. We are hoping to fulfil this pledge by the end of 2012..

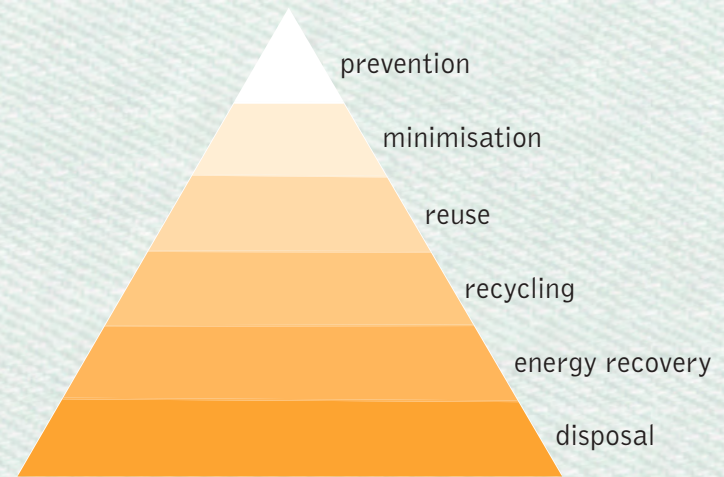
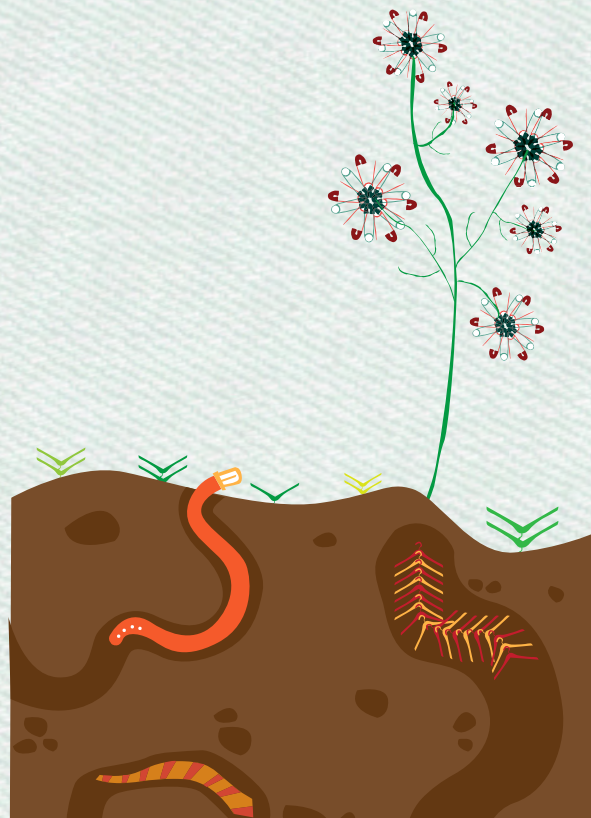
OUR PLEDGE TO ACHIEVE ZERO WASTE TO LANDFILL BY 2012



Waste collection infrastructure is in place in all factories. Waste generated at point is collected by colour coded bins, while designated waste storage areas house waste according to type. Waste stream audits are carried out bi-annually in order to help identify the quantity of each type of waste generated at factories in order to target areas that need improvement.

Waste Management Strategy

We strongly believe that waste is resource, but in a different form. Hence, waste produced is reused, recycled or considered a form of energy, while the last option is its disposal. Our waste management strategy consists of the following hierarchy:





Preventing & Minimizing Resource Usage

Paper Neutral Policy: The policy was introduced in order to maximize recycling and minimizing paper and cardboard usage, and the ultimate vision was to achieve a paper neutral entity where the amount of paper recycled is equal to the amount of paper used. The policy saw 430,000 kg paper being recycled this year.

Process Improvements: Cutting material for garment production produces a large amount of fabric waste rendered useless every year. Our apparel factories employ processes that improve fabric cutting efficiency in order to reduce fabric cut waste.

Diversion from Landfill through Reuse and Recycle

Fabric cut waste: Brandix exports 100% cut waste generated to the amount of 2,494,061 kg, earning an income of US\$ 521,442.

Defected garments: The garments we produce, which are most often brand protected render any defective garments useless. These garments, which were sent for incineration in the past, are now shredded, successfully diverting 100% of defected garments from incineration. The shredded garments are then recycled by selling them to local buyers for various purposes such as handicrafts, cleaning, etc. In 2011, 164,140 kg of garments were diverted from incineration.

Sludge: Approximately 250 tonnes of sludge is produced by our factories per month as a by-product of waste water treatment. A sludge brick project was carried out where sludge was converted to bricks, which were then donated to communities as a tsunami relief effort. Since the production of sludge bricks is not sustainable due to the addition of cement to increase its compressive strength, we are now looking at mixing dried sludge with coal ash and briquetting the mixture in order to be used as a fuel in our coal boiler.

Food Waste: A moral buy-in is obtained from our associates by increasing their awareness regarding food shortages around the world. Visual aids such as posters and the public display of food wasted on the previous day at the canteen also help to reduce food waste. Food wastage in our factories is minimized by regular monitoring and auditing controls.

Thread Cones and packaging/cartons: 100% thread cone waste is directed for reuse by selling used thread cones back to American & Effird Threads and Coats, which are the two biggest thread manufacturers in the island. Cardboard and Polythene from packaging/cartons are recycled by sending them to buyers who reuse them.

Hazardous waste disposal: We are in the process of diverting approximately 2,500 Compact Fluorescent Lights which contain mercury, a poisonous component, by diverting them from the landfill and sending them for recycling at a third-party facility.

Further to these projects, we also encourage designated green areas in our factories where gardens are maintained and which house indigenous plants and trees that require little water and maintenance. These green areas provide an aesthetically pleasing setting and enhance the ambience of the area. Brandix also carried out a tree planting campaign, 'ViyamuThuruviyana', which saw 10,000 trees being planted in factories and surrounding locale such as parks and schools in order to promote greenery in communal areas. These trees are being nurtured and maintained by the local Brandix factories.



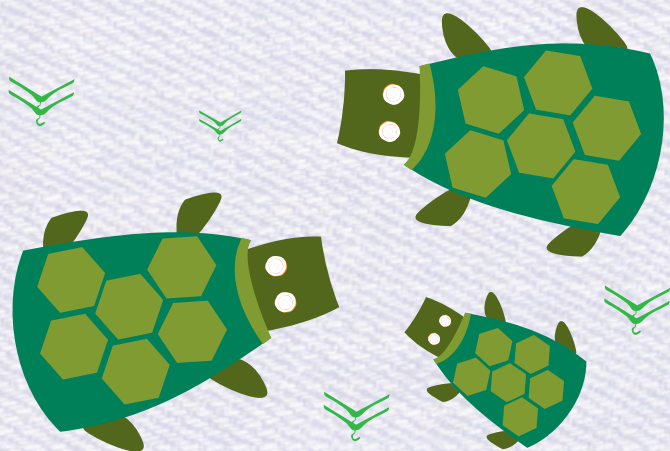
THE PEOPLE



THE PEOPLE

In Sri Lanka, we have 29,000 employees of which approximately 26,000 are female. We leverage on the island-wide locations of our 42 factories to provide employment in all the provinces. It is of significance that all our employees are employed full-time, which reflects the company's willingness to make a long term commitment to invest in its people. Our deep employee engagement has unlocked their potential and unleashed productivity, innovation and loyalty across the organization, thereby aligning with the belief that 'We are the future'!

Our way of working is all about accepting and embracing our core values, and acting with social responsibility. It is also about a young and dynamic entity which supports its employees to blossom in a vibrant environment. At Brandix, interest in People is balanced with Business Strategies and Global Changes that impact our Group.



BRANDIX CORE VALUES

- **Integrity**
- **Teamwork**
- **Customer Service**
- **Ownership & Commitment**
- **Learning & Development**



TRAINING AND DEVELOPMENT

Training and Development is one of the core values of Brandix and we are fully committed to it.

The ultimate aim is to ensure that all employees are provided the opportunity to attend training that will enhance their job capability and stimulate career growth. This Learning and development function at Brandix will support the organization's philosophy of investing in its people and providing them with the opportunity to develop their potential.

T&D programmes are based on gathering individual needs, business needs and skills requirements of the business targeting future growth across the group. The learning arm of the company focuses on many spheres of intelligence such as leading and managing teams, strategic thinking, working under pressure, innovating thinking, communication and negotiation, planning and execution, technical training and customized business solutions.

Training & Development Tools

- **On-the-job training**
- **Well designed and structured programs are facilitated through workshops/role play, case studies, videos, theatre workshops, etc.**
- **Participation in local and overseas programmes**
- **Coaching and mentoring by leaders who act as teachers**
- **Benchmark visits/field visits.**
- **A Performance Improvement Plan (PIP) for low performers for skills enhancement**
- **Peer reviews and 360 degree feedback and counseling for employee development**
- **Recognition schemes to encourage development**
- **A knowledge center is being currently developed to equip our executive employees with the required knowledge for business and performance**
- **Specifically tailored Leadership Training programs that foster our future leaders.**



EMPLOYEE ENGAGEMENT

All facilities have an employee engagement plan which is scheduled at the beginning of the year, in addition to large scale employee engagement initiatives that actively encourage participation of employees in activities such as sports events, social activities, trips, religious functions and theme nights.

'Rasadiya Kusalanya' Volleyball Championships

A group wide Volleyball tournament conducted annually for all non-executive employees of brandix. The 2012 finals took place at the Sugathadasa Indoor Stadium.



Employee of the Year Award

Forty five employees who have excelled in performance and made significant contributions to the success of Brandix in 2011/12 were rewarded. They will also be provided with a valuable opportunity to further enhance their skills through study tours to China, India and Bangladesh.



Mech Challenge

Inter-cluster competition between mechanics for a cash prize of Rs. 500,000.





Brandix Blood Drive

Inter-cluster Employees of Brandix donated a record 2,277 pints of blood to the National Blood Transfusion Service (NBTS) in 2011, marking the largest blood donation by a single institution.

Youth Forum

Over 100 international delegates from all around the world shared their ideas and experiences with the delegates and corporate sector of Sri Lanka at a one-day workshop held at the Moratuwa University. The Energy and Environment team of Brandix sponsored the Environmental Sustainability section of the programme, posing a challenging case study for the delegates to tackle.



Go Green & Live Green Campaign

The 'Go Green & Live Green' campaign, spearheaded by the Chairman Desamanya Ken Balendra, was put in place to persuade employees to adopt a sustainable lifestyle. This is a continuous campaign that encourages employees to reduce resource consumption and adopt a better way of life through best practices.





THE COMMUNITY



THE COMMUNITY

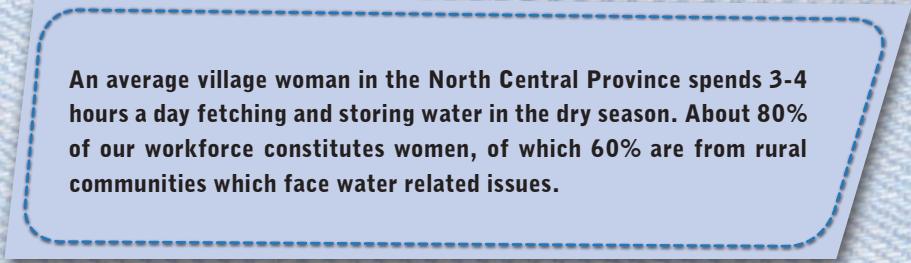
“Through close relationships with our community we are able to identify current issues and challenges faced by them in the water sector. This helps us target our initiatives accordingly”

One of the common complaints amongst communities surrounding our factories is the lack of access to safe and hygienic sources of water. Realizing an opportunity to make a definitive impact, Brandix has focused its attention on bringing the elixir of life to these deprived communities through a CSR theme that is based on the theme ‘water’.

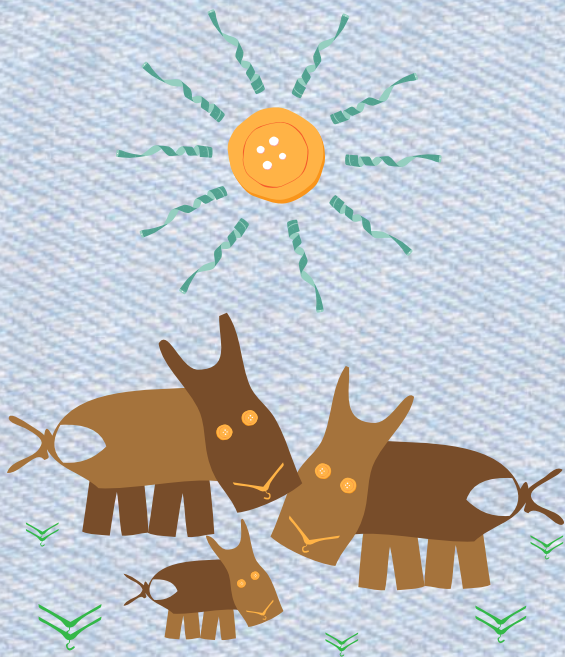
The ‘Care for Water, Care for Women’ initiative identified communities facing water problems and then embarked on

individual projects to sustain those communities. In identifying communities we looked inward at our employees, some of whom hail from regions where water scarcity was an undeniable part of their lives. Furthermore, they expressed an urgent need for clean water and sanitation, which resulted in our embracing these two issues as a priority sustainability platform.

As the projects were completed, we saw how access to water benefitted the entire community. The construction of a tube well, water storage tank or an entire water supply system visibly improved the lives of the entire village. It also gave our people a sense of pride to work for an organization that cared not only for them, but for their entire community.



An average village woman in the North Central Province spends 3-4 hours a day fetching and storing water in the dry season. About 80% of our workforce constitutes women, of which 60% are from rural communities which face water related issues.



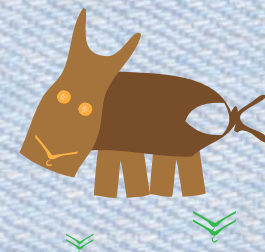
Care for Our Own

In 2006, we at Brandix developed the 'Care for our Own' initiative to respond to the desperate need for clean water supply systems among employees and their communities and to contribute to the national goal of 'water for all' by 2025. The focus on water was also partly prompted by the importance of water in the manufacturing process in the apparel industry.

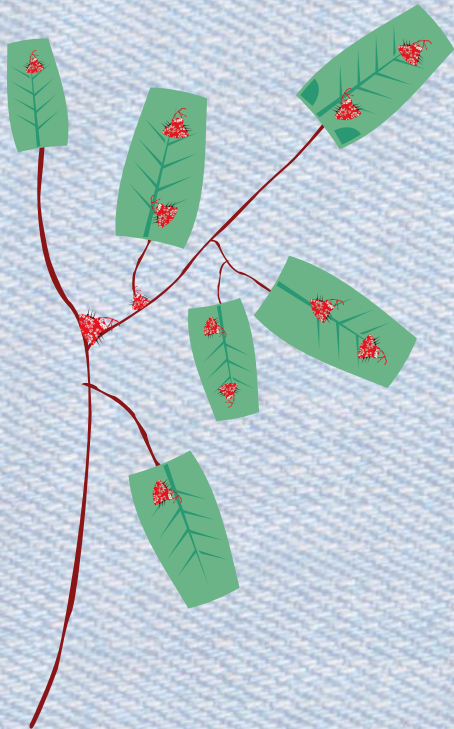
In 2011/12, 17 rainwater harvesting systems were implemented for the first time under this initiative. Over 1,500 employees have benefitted directly with the indirect benefits being multifold.

Over the past three years, projects under the initiative included:

- Establishing desalination plants along the coastal belt, an initiative that was most beneficial in the post-tsunami period
- Constructing tube wells and water storage tanks
- Establishing the Brandix Water Resources Board Centre for water conservation and management, in Anuradhapura.



COMMITMENT
TO VULNERABLE
COMMUNITIES



- **Health and Water Clinics**

A series of health and water clinics were conducted in the North Central Province of the country to identify families at risk of renal failure due to low quality drinking water. More than 400 low maintenance fluoride filters were distributed to these families. More than 1,500 employees in Anuradhapura, Polonnaruwa and Giritale have been screened - with blood tests and analysis of their drinking water conducted at clinics funded by Brandix under the group's community initiative. Those found to be consuming water with a fluoride content of more than 0.8mg/litre were provided with filters specially designed by Sri Lankan scientist J. P. Padmasiri.

- **Water Supply System**

Life sustaining water was brought to the doorstep of 215 families in a remote village in Mannar (Northern Province), when Brandix together with the 54th Division of the Army commissioned an entire water supply system in the heart of the settlement

- **Assisting Indigenous People**

The indigenous people living in the remote jungle village of Dambana (Mahiyangana) have been suffering for many years as a result of the lack of water. A water supply system was built in the village in order to assist the 60 families with a population of 300 in this village, who depend mainly on agriculture as a livelihood.

WATER RESOURCES RESEARCH AND TRAINING CENTRE



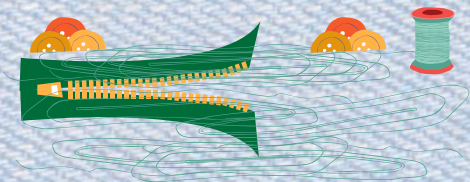
Constructed and equipped at a cost of Rs 25 million by Brandix in consultation with the Water Resources Board (WRB), the 'Water Resources Research and Training Centre' in Anuradhapura conducts training programmes to educate and train rural youth on the ill-effects of consumption of contaminated drinking water and on the use of cheap but effective purification and filtration techniques.

The rationale for the Centre and its location in Anuradhapura was the high incidence in the North Central Province (NCP) of Dental Fluorosis, Chronic Renal Failure and other health hazards associated with contaminated drinking water.

The 7,000 square-foot Laboratory and Training Centre is dedicated to reducing the occurrence of such health problems through a combination of awareness and training programmes on water purification; conservation, management and the manufacture and distribution of low cost household water filters across the province.

Comprising a Lecture Hall, Laboratory, Library, residential accommodation for the officer-in-charge, four lecturing staff and up to 20 students, an office, kitchen, dining and recreation room, staff rooms and a reception area, the Centre will be managed by the Water Resources Board and expects to train 80 to 100 people a month. Trainees will be selected from each village in the province and will on completion of their training - train and educate the inhabitants of their respective villages.

The concept of the Centre received a commendation at the World Bank's 2006 Global Development Marketplace competition for ideas that provide concrete benefits to communities by meeting basic needs for clean water, hygienic sanitation and access to energy.



PROJECTS
IMPLEMENTED

