

# MANAGEMENT APPROACH DISCLOSURES



# MANAGEMENT APPROACH DISCLOSURES

The management approach disclosures contain a detailed description of the strategies and approach adopted by the John Keells Group (Group) in managing its material topics identified under each capital.

## MANAGEMENT APPROACH OF IDENTIFIED MATERIAL TOPICS

A summary of this management approach to the Group's economic performance, ethics and human capital, environmental responsibility, product stewardship, supply chain management and social responsibility is contained below.

### Human Capital

Human resources are an appreciating asset bringing continuing returns, whilst being the catalyst for world class performance. Being in predominantly service based industries, productivity, efficiency, customer focus, and skills are of vital importance in obtaining a competitive advantage.

The Group is committed to being 'More than just a Workplace' while the foundation of its HR philosophy is to be an equal opportunity employer.

The Group has in place policies regarding human resources covering all aspects of employment.

- All Group companies adhere to all relevant local labour laws and regulations.
- The Group does not discriminate its employees on the basis of gender, race, nationality, age, social status, origin, disability, religion, sexual orientation or any other.
- The Group recognises the rights of employees and provides forums, support groups and policies to address their concerns and resolve issues and conflicts in a fair and transparent manner.
  - ◆ Details of the Group's Human Capital can be found in the Group Consolidated Review of the Annual Report 2019/20.

### Financial and Manufactured Capital

The Group's continued success is dependent on its triple bottom line performance, by providing economic value addition, financial value through to its shareholders, pay back on investment to its investors, payment of debt financing to its financiers and benefits to its employees, whilst also maintaining its social license to operate.

The John Keells Group is committed to delivering sustainable economic performance and growth to all its diverse stakeholders.

The Group's sound financial management is based on a diversified approach aiming to increase economic value whilst ensuring stringent internal controls and robust Enterprise Risk Management processes.

- Employees are targeted through a performance centric compensation culture which results in high levels of efficiency and productivity.
- The Group seeks to stimulate the economies through its commitment to developing and working with local suppliers.
  - ◆ Details of the Group's Financial and Manufactured Capital can be found in the Group Consolidated Review of the Annual Report 2019/20.

### Natural Capital

The Group has significant operations in various sectors which have high environmental impacts such as energy, water consumption, emissions, waste and effluents and biodiversity. The Group is aware that it is a custodian of the environment for future generations and as such takes best efforts to minimise negative environmental impacts and comply with all applicable laws and regulations. The Group is also aware of the importance of preserving the country's natural resources, serving to enhance the unique value proposition of the Group's products and services.

The John Keells Group is committed to promoting sound environmental practices within our key businesses, through the establishment of policies and practices that enable us to conduct our operations in a sustainable and environmentally sound manner.

- The John Keells Group places great importance on the management and reduction of energy, water consumption, carbon emissions, waste generation and effluent discharge in all areas of operations.
- Complementing the overall Environment Policy, the Group has in place several other policies such as its Energy Management Policy, Water Management Policy as well as policies such as the Hazardous Waste Management Policy covering waste management.
  - ◆ Details of the Group's Natural Capital can be found in the Group Consolidated Review of the Annual Report 2019/20.

### Intellectual Capital

The delivering of optimal levels of quality and ensuring maximum satisfaction to all its customers and clients has always been imperative and material to the Group.

The John Keells Group strives to maintain products and services at the highest standards with all relevant local and international statutory and regulatory requirements in the markets it serves.

- The Group develops and markets products and services that meet customer requirements and meet the highest product quality standards whilst ensuring customer health and safety.
- The Group follows the ICC Code of Advertising and Marketing Communication for all its products and services.
- The Group adheres to all product labelling requirements specified in all relevant laws and regulations in the countries it operates.
  - ◆ The Group's product related information is found in the relevant Industry Group Review section of the Annual Report 2019/20.

## Social and Relationship Capital

### Community

The Group aims to proactively contribute to the development of the nation by aligning its focus areas to the Sustainable Development Goals (SDGs) adopted by Sri Lanka.

The Group abides by the values of caring, trust and integrity through demonstrating our commitment to the community and environment we operate in, in line with its CSR Vision 'Empowering the Nation for Tomorrow'.

The Group focuses on education, health, environment, livelihood development, arts & culture and disaster relief.

- The Group has contributed towards the development of society through infrastructure, public services and local community engagement initiatives.
  - ◆ Details of the Group's Social and Relationship Capital can be found in the Group Consolidated Review section of the Annual Report 2019/20.

### Supply chain

Engaging with a vast number of business partners across its various industry groups, the Group recognises the importance of entrenching sustainability across its value chain, acting to promote a responsible business culture whilst reducing supply chain risk.

The Group engages with its significant suppliers to assess whether their working conditions are safe, workers are treated with respect and dignity, and that operations are carried out in an environmentally responsible manner.

- The Group has introduced a comprehensive Supplier Management Framework including a Supplier Code of Conduct.
- Awareness creation and engagement of suppliers are carried out through supplier fora.
- Significant suppliers are assessed annually on labour practices, human rights and environmental impacts through an internally developed supplier checklist.
  - ◆ Details of the Group's supplier engagements can be found in the Group Consolidated Review of the Annual Report 2019/20.

### Ethics

The Group is committed to upholding the universal human rights of all its stakeholders whilst maintaining the highest ethical standards in all its business operations.

The John Keells Group places the highest value on ethical practices and has promulgated a zero-tolerance policy towards corruption and bribery in all its transactions.

- All business units and functions of the Group are required to include and analyse the risk of corruption as a part of their risk management process.
- The Group employs stringent checks during its recruitment process to ensure the minimum age requirements are met.
- The Group ensures that all companies are educated on the possible sources of forced and compulsory labour.
- The Group has zero tolerance for physical or verbal harassment based on gender, race, religion, nationality, age, social origin, disability, sexual orientation political affiliations or opinion.
  - ◆ The Group's governance mechanism and internal control procedures can be found on the Corporate website.

# MANAGEMENT APPROACH DISCLOSURES

## FINANCIAL AND MANUFACTURED CAPITAL

### MATERIAL IMPACTS

The sustainability of the Group's economic performance and management of its financial capital is of utmost importance to its shareholders, its employees and other stakeholders. The Group's continued success is dependent on its Triple Bottom Line performance, by providing economic value addition, financial value to its shareholders, payback on investment to its investors, payment of debt financing to its financiers and benefits to its employees, whilst also maintaining its social license to operate, stimulating the local economy through its procurement practices and assisting local communities with much needed social infrastructure projects.



#### ECONOMIC POLICY

The John Keells Group is committed to delivering sustainable economic performance and growth to all its diverse stakeholders.

### MANAGEMENT APPROACH

The economic pillar of the John Keells Group's sustainability strategy is bolstered by the Group's emphasis on sound financial management based on a diversified approach, aiming to increase economic value whilst ensuring stringent internal controls and a robust risk management process. The Group is committed to delivering value to its shareholders and this is reflected through the Group's financial statements. Employees are targeted through a performance-centric compensation culture which results in high levels of efficiency and productivity, whilst the Group ensures all legal obligations regarding employee benefits are met in all countries within which the Group operates.

In addition, the Group also seeks to stimulate the economies within which it has business operations, through its commitment to developing and working with local suppliers in particular in the Consumer Foods, Retail and Leisure industry groups, which have fostered close ties with local communities through the purchasing of products and services at fair prices. Similarly, adding value to local communities through expenditure on community investments is also an integral part of the Group's sustainability strategy.

### EVALUATION OF MANAGEMENT APPROACH

The economic value addition by the Group is monitored through the Economic Value Added (EVA) statement found in the Annual Report 2019/20. Such economic value has been created for stakeholders, whilst ensuring that all internal controls, best practices and standards of corporate governance are met. The Group ensures this through stringent internal and external audits whilst having in place formal whistle-blowing mechanisms as described further in the overview of the Corporate Governance framework found on the Corporate website. The Group ensures that it complies with all regulations and that all dues are settled on time. It also carries out periodic market checks to ensure that employees are remunerated in line with market norms whilst taking performance of each employee into consideration. Its performance driven compensation culture has led to increased productivity and the alignment of employee, management and stakeholder interests.

The Group's contribution to the economy and local communities is monitored through the tracking of the proportion of its local spending and the amount allocated towards social infrastructure. Given that the majority of the Group's operations are carried out within Sri Lanka, senior management is hired locally, and details of diversity are found in the Group Consolidated Review of the Annual Report 2019/20.

The Group over the years has, and continues, to positively stimulate the Sri Lankan economy and the community around its operational sites through the distribution of a significant portion of its economic value add by purchases of goods, services and utilities. The Sri Lankan resorts sector procures all its fresh produce such as fruits, vegetables, fish, meat and eggs locally, thereby contributing to the economy of those communities. Walkers Tours operates a significant portion of its transportation fleet through a model of outsourcing where the vehicles are owned and operated by third parties which has provided drivers and self-employed personnel with livelihoods. Competitive prices on vehicles have been facilitated for such personnel through the intervention of Walkers Tours. The Transportation industry group also follows a similar outsourcing model for a majority of its fleet, providing employment to

drivers, helpers and self-employed personnel in the logistics business. The Consumer Foods and Retail sectors obtain some of its key raw materials such as ginger, vanilla, treacle and cashew from farming communities in the Central, Eastern and North Central Provinces. Ceylon Cold Stores procures a significant portion of raw materials from local farmer communities, while Keells Foods guarantees a significant volume of its purchases of spices, vegetables and other meat products to local suppliers. 'Keells' supermarkets collect low country and upcountry vegetables from farming families in the North Central, Southern and Central Provinces. Further details on the Group's contribution to the economy through localised purchasing can be found in the Group Consolidated Review and in the respective industry group sections of the Group's Annual Reports.

Entrenching sustainable development in the value chain is also a priority for the Group, with several significant suppliers identified for internal assessment to ensure compliance, at a minimum, to local environmental and labour laws. Supplier Forums in Sri Lanka and the Maldives are carried out on an annual basis, as a means of appraising suppliers of the need for sustainable practices and the standards required by the Group.

The following GRI disclosures are used as a means of tracking and monitoring the impacts related to financial capital.

Material Topic	GRI Disclosures
Economic Performance	201-1:2016 201-3:2016
Indirect Economic Impacts	203-1:2016
Procurement Practices	204-1:2016



## NATURAL CAPITAL

### MATERIAL IMPACTS

The John Keells Group places great importance on the effective management of its natural capital, both as vital inputs and as a means of value creation for its businesses. As such, it seeks to manage and reduce its energy and water consumption, its carbon emissions, waste generation and effluent discharge whilst conserving the biodiversity in the areas of operations.

With energy intensive operations in Leisure, Consumer Foods and Retail, the Group constantly seeks to manage its energy consumption and thereby its emissions through the management of its carbon footprint. The above industries also generate a significant quantity of effluents which may result in pollution of water bodies if not treated, and generation of waste, which may result in greater landfill if not managed. Water and biodiversity are vital natural resources and are important elements of the Group's significant industry groups. The Group's management approach seeks to manage its environmental impacts, whilst expanding and building on its current operations, as means of minimising costs, improving efficiencies and preserving the natural capital that many of its companies are dependent on, either as inputs to its production processes or as unique selling points.

### MANAGEMENT APPROACH

The John Keells Group is committed to protect and conserve the environment for itself, the community and future generations, and its environmental policy revolves around this principle. The Group has significant operations in sectors such as Leisure, Retail, Consumer Foods, Transportation and Plantation Services, which have high environmental impacts such as energy, water consumption, emissions, waste and effluents and biodiversity. The Group is aware that it is a custodian of the environment for future generations and as such takes best efforts to minimise negative environmental impacts and comply with all applicable laws and regulations. Complementing the Group's overall Environmental Policy, specific policies and management approaches on the above environmental topics are operationalised through each Business Unit Head and its relevant Sustainability Champion. To further streamline the Group's sustainability drive, Sustainability Standard Operating Procedures (SOPs) ensure consistency of processes and

data accuracy, and robust internal and external audits are carried out on an annual basis to ensure that the processes adopted by the business units are in line with these SOPs. The Group's value chain forms an important component of its operations and the Group expects compliance and environmental responsibility in their operations. Business units have been encouraged to identify their significant suppliers and assess them on environmental impact areas, with the Group's Supplier Code of Conduct reiterating the Group's commitment in this regard.

The Group has in place common guidelines for data measurements; all electricity consumption, and fossil fuel consumption are metered, with calibration of such meters carried out regularly. While water withdrawal is also measured through inlet water meters and divisional water meters, waste water discharge is measured through meter readings as well as estimates based on pump time. Waste generated is also largely based on estimates, while waste inventorisation is carried out at operational sites. The Group's carbon emissions are measured in accordance with the greenhouse gas protocol governed by the World Resources Institute (WRI) and the World Business Council for Sustainable Development (WBCSD). The calculations use the carbon emission factor source of the IPCC guidelines for national greenhouse gas inventories, published by the Institute for Global Environmental Strategies (IGES) and includes only CO<sub>2</sub>, which the Group has been comparing on a per rupee of revenue basis since 2009/10. All business units identified in the reporting boundary for sustainability have been considered in computing its carbon footprint. Based on horizon scanning and external review, the Group will continuously review and improve its policies and management approach regarding the environment.



### ENVIRONMENTAL POLICY

The John Keells Group is committed to promoting sound environmental practices within our key businesses, through the establishment of policies and practices that enable us to conduct our operations in a sustainable and environmentally sound manner. We will strive to continuously identify all potential impacts on the environment and manage such impacts whilst using our resources in a sustainable and efficient manner.

### Energy Management and Emissions

Group policy requires that all business strive to minimise their environmental footprint resultant from the use of energy and for businesses to seek out methods for energy conservation through embracing lean energy management practices and replacement of fixtures with energy efficient alternates. Businesses are also encouraged to assess the feasibility of renewable sources of energy where possible and applicable. Through its energy management policy, the Group seeks to monitor and manage its carbon footprint to reduce businesses' impact on natural capital.

As part of its commitment to ongoing improvements, the Group established an energy reduction target to be achieved by this year.

### Water Management

The Group policy requires all business units to conserve and optimise its use of water obtained from surface and ground water sources, and wherever possible to reuse waste water after treatment in a bid to reduce the intake of water from blue water sources. The policy further requires that discharge of waste water, at a minimum should adhere to the quality levels stipulated by regulations, with recommendations to reuse treated waste water as far as practically possible, for purposes such as gardening to reduce the quantity of waste water discharged to the environment. All Group companies with significant water usage must ensure that systems and processes are in place to measure water withdrawn at source, identify key points of usage and identify and implement applicable technologies, process improvements and motivate staff behavioral changes to conserve water.

The Group has in place a 2020 water reduction target through the commitments of significant industry groups.

# MANAGEMENT APPROACH DISCLOSURES

## NATURAL CAPITAL

### Waste Management

The Group acknowledges that with increasing operational activity more raw materials would be needed by its operating units and thus seeks to minimise the use of virgin material through the re-use and recycling of material. Overall reduction and responsible disposal of waste is the primary focus of the Group's approach to waste management. The Group's Hazardous Waste Management policy has established guidelines for the disposal of such waste through specialised third-party contractors. The Group has deployed collection bins encouraging segregation, and carries out staff awareness across its locations, in operationalising its policies, and through its social entrepreneurship project Plasticcycle, aims at encouraging the reduction of the use of single-use plastics and supports responsible disposal and recycling initiatives.

### Conservation of Biodiversity

The Group is aware of the global and national value of the Sri Lanka's natural resources, with the country recognised as a global biodiversity hotspot, and seeks to safeguard the biodiversity of the localities in which its businesses operate. Protection of biodiversity and the environment is linked to the performance of some of its key operating sectors, in particular the Leisure industry group, and the Group strives to sustain the unique value proposition of Sri Lanka's natural beauty. While many of the Group's operations are located in urban, suburban and industrial zones, thereby having minimal impact on biodiversity, the Group's resort hotels operate, in certain instances, in proximity to protected areas. Details of such sites can be found in the Leisure industry group section in the Annual Report, and the specific biodiversity conservation projects carried out by the Group can be found in the Group Consolidated Review section of the John Keells Holdings PLC Annual Report.

### Evaluation of management approach

While at a minimum, all Group companies adhere to all relevant local environmental laws and regulations, goals and targets have been established in most of the Group's significant operational entities through a reputed third-party benchmarking assessment and are monitored and reported internally on a regular basis. In addition, where applicable, companies have obtained and seek to maintain the relevant certifications for environmental management and practices. The strategies and initiatives carried out by the Group's business units are further described within the relevant industry group sections of the Annual Report. The resources allocated for the industry-specific initiatives fall under the purview of each sector and the resourcing of human and financial capital is based on the feasibility of the initiative in concern. The Group tracks its environmental performance every quarter through the tracking of the related GRI disclosures shown below, as well as obtaining regular formal and informal feedback from our significant stakeholders. Internal sustainability information is tracked and monitored through a dedicated IT system through which quarterly analytical reports are circulated to the Group's highest governance bodies and external stakeholders. Business Unit Heads also use these reports to track and monitor the environmental performance of their respective companies, identify areas for improvement and implement necessary initiatives. As part of its sustainability strategy, the Group also focuses on the environmental impact of its value chain and has commenced tracking and monitoring the environmental performance of its significant suppliers and customers. Based on horizon scanning and external review, the Group will continuously review and improve its policies and management approach with regard to the environment.

The following GRI disclosures are used as a means of tracking and monitoring the impacts related to natural capital.

Material Topic	GRI Disclosures
Energy	302-1:2016, 302-4:2016
Water & Effluents	303-1:2018, 303-2:2018, 303-3:2018, 303-4:2018
Biodiversity	304-1:2016
Emissions	305-1:2016, 305-2:2016
Effluents & Waste	306-2:2016, 306-3:2016
Environmental Compliance	307-1:2016
Supplier Environmental Assessment	308-1:2016



## HUMAN CAPITAL

### MATERIAL IMPACTS

The John Keells Group recognises that its human capital is an appreciating asset, bringing continuous returns, and acts as the catalyst for world class performance. As an organisation seeking to build businesses that are leaders in the region, all processes and systems strive to unleash the potential of all its assets, including that of its people, to the optimum, with a human resource (HR) vision to be 'More Than Just a Workplace'

Being in predominantly service based industries, the Group understands that productivity, efficiency and customer focus, along with other necessary skills are of vital importance in obtaining a competitive advantage.

The Group is an equal opportunity employer and does not discriminate on the basis of gender, race, nationality, age, social origin, disability, religion, sexual orientation & gender identity or any other basis. Employee hiring is done based on the recruitment policy and the policy on equal opportunity and is supported by a role clarification document. The Group's operating structure is designed in a manner that ensures all people-related decisions are made by committees, not by individuals and are decided based on the strategic requirements of each business unit. Decisions relating to hiring, performance, promotion, learning and development, career development, compensation management, talent management and reward and recognition are also made in this manner, ensuring meritocracy rules at every stage of an employee's journey in the Group.

The Group's newly implemented human resource information platform enables proactive management of its Human Capital, ranging from, recruitment, employee engagement, performance management, learning and development, recognition and rewards in its move towards digitalisation.

<p><b>Policy on Health and Safety</b></p>	<p>The John Keells Group believes in the importance of its human capital as an integral part of its long-term strategy of sustainable business growth. It is committed to ensuring a safe working environment for its employees and prides itself in providing a 'Safe Place to Work'. The Group is similarly committed towards its contractors and visitors who are involved in any business or transaction with the John Keells Group.</p>
<p><b>Policy on Child Labour</b></p>	<p>The John Keells Group does not engage children in employment. As a general practice, the Group does not employ any person below the age of eighteen years at the workplace.</p>
<p><b>Policy on Forced or Compulsory Labour</b></p>	<p>No employee of the John Keells Group is made to work against his/her will, or subject to corporal punishment or coercion of any type related to work.</p>
<p><b>Policy on Equal Opportunities</b></p>	<p>The John Keells Group is an equal opportunity employer. Accordingly, the Group is committed to hiring, developing and promoting individuals who best meet the requirements of available positions, possess the required competencies, experience and qualifications to carry out assigned tasks and have the potential for growth within the organisation; and has put in processes and systems that ensure the same.</p>
<p><b>Anti-Corruption Policy</b></p>	<p>The John Keells Group places the highest value on ethical practices and has promulgated a zero-tolerance policy towards corruption and bribery in all its transactions.</p>

### MANAGEMENT APPROACH

With efficiency, innovation and productivity being key determinants of the Group's success, this is enabled through encouraging a happy, diverse, skilled and healthy workforce, whilst maintaining cordial employer-employee relations. To achieve this objective, the Group has in place policies with regards to human resources covering all topics of employment, including performance management, labour relations, training and development, equal opportunity and health and safety of its workforce. Employee career development and training requirements are identified through the annual performance management cycle carried out for all staff in employment.

The Group's model of human resources is designed to enable sectors and business units' human resource divisions to operationalise their relevant HR processes whilst adhering to the key HR policies driven by Group Human Resources Centre of Excellence. Through this model, the Group tracks metrics such as attrition, diversity, any form of discrimination, training hours per employee and health and safety incidences. In addition, the Group also undertakes training and counselling on workplace issues and serious diseases, such as HIV aids, for its employees and their families. Additionally, the Group has introduced 'Sexual Orientation and Gender Identity' into its Non-discrimination policy and is also covered in the Group Code of Conduct. This ensures the continuance of zero tolerance for discrimination in the Group and has been promoted in the Group with the support of awareness sessions and JK Forums.

The Group recognise the rights of employees and provides forums, support groups and policies to address their concerns and resolve issues and conflicts in a fair and transparent manner, in addition to the various engagement methods adopted at business unit level. These engagement methods include processes such as collective bargaining, joint consultative committees, following an open door policy, institutionalising an ombudsperson position, a robust grievance handling procedure, including the addressing of complaints of sexual harassment along with a sexual harassment policy, direct email access to the chairman, skip-level meetings at assistant manager and above levels, innovation teams, CSR volunteerism programmes, social media forums and other e-communication channels.

# MANAGEMENT APPROACH DISCLOSURES

## HUMAN CAPITAL

The Group regularly carries out engagement surveys, building on the comprehensive and focus driven findings of these exercises, with the most recent study carried out in the current reporting year. The feedback from these surveys enables the Group to assess how its business units have progressed with regards to its human resource practices and to proactively manage employee expectations and experiences.

The results of such surveys have indicated the demand for work life flexibility which the Group has sought to address through Flexi-hour policies for executive level employees, as well as a Teleworking policy to accommodate working from home, which has particularly assisted working mothers within the Group. The Group also has in place a paternity leave policy which grants male employees five days of additional leave at the birth of their children.

### Employee diversity and retention of talent

The Group maintains a focus on employee diversity & retention of talent across all its business sectors. It monitors the diversity of its workforce based on age and gender and continuously tracks and monitors new hire and attrition rates, with particular attention to those industries with typically high staff turnover rates. Staff retention continues to be keenly monitored by both HR and Business heads, with the Group tracking attrition of employees identified at 'Talent' at both a sector and Group level, paying particular attention to the career development of such personnel, with ongoing dialogue to understand and manage aspirations and ensure retention.

### Performance appraisals

All Group employees undergo regular appraisals to receive feedback on their performance. The Group performance management policy requires bi-annual formal feedback to be provided to the executive cadre and to all others at least once a year. Further, the Group has introduced a platform to provide continuous feedback online to the Executive staff via its new Human Resources Information System. Employee recognition and rewards are carried out at a Group level through awards such as the Chairman's awards, innovation awards, CSR award and sustainability awards. In addition, each sector and business unit reward and recognises employee performance and values through schemes such as 'Employee of the Year', 'Champion of the Year' and 'Bravo'.

### Training and development

The Group places great emphasis on capacity and skill building. The employees are provided training and development on key competencies and a management and leadership development to address current and future requirements. The Group's learning and development philosophy and practices are flexible and dynamic, accommodating lifelong learning crucial to building a sustainable competitive advantage. Recent years have seen a stronger shift towards learning on online and digital platforms, complemented through the 'Success Factors' - Learning Management System (LMS), facilitating a more engaged and proactive learning solution.

With regard to career development, the Group carries out programmes on leadership development, management development, and development centres with both local and international reputed institutes. Engagement Fora are carried out with the intention of developing management skills in executive and above levels through interactions in a real-life setting, with the business leaders of the Group.

Hotels, Consumer Foods, Retail and the Insurance businesses have dedicated learning and development teams that design and implement customised development initiatives, while supervisors at floor level are empowered to teach and coach employees on an ongoing basis.

### Collective bargaining

The Group ensures that formal and informal types of collective bargaining are accommodated, with formal agreements found in the manufacturing segments such as in the Consumer Foods & Retail industry groups, while tea small holder factories in the Plantation Services sector customarily follow the wage structures of the plantation industry of the country. Additionally, the resort hotels have entered into memoranda of understanding with staff representatives as a collective bargaining strategy.

### Health and safety

The Group places paramount importance on occupational health and safety for its workforce. Driven by the John Keells Group's health and safety policy, all business units

within the Group have been empowered to undertake any measure it may deem necessary to ensure that it is a 'Safe Place to Work'. The Group strives to ensure that its work environment is safe and enabling, with health and safety given high importance at industry group level in accordance with all legal and regulatory requirements, in addition to maintaining international health and safety standards as appropriate. As per such requirements, potential hazards are identified, training and access to medical care is provided, and safety processes and controls are implemented along with procedures for investigations and follow up. The Group records and reports on rates of injury, lost days, and total number of work-related casualties of its workforce, including contractors' personnel. These statistics are monitored through the Group's management processes including accident logs and attendance registers and captured on the Group's sustainability IT platform and considered within the Group's risk management framework. Minor occupational injuries or diseases that occur causing an employee to be unable to report to work for less than one day have been excluded for reporting purposes, although records are maintained for such injuries.

### Employee benefit plans

The Group adheres to all country regulations with regard to defined benefit plans for its employees. In Sri Lanka, employees are eligible for Employees' Provident Fund (EPF) contributions, and for Employees' Trust Fund (ETF) contributions.

Employees are also entitled to retirement gratuity, payable under the payment of gratuity act no. 12 of 1983 and an employee with more than 5 years of service will receive half a month's last drawn salary for every year of service on retirement or termination of service.

All employees who are Maldivian nationals and employed in the Maldives are eligible for Maldives Retirement Pension Scheme (MRPS) contributions according to the terms of the Maldives pension act law no.8/2009 handled by Maldives Pension Administration Office (MPAO). The companies contribute the relevant percentages of the eligible basic salary of employees to the Maldives retirement pension scheme.

## Ethical Business

Integrity, care and trust are core values intrinsic to the John Keells Group. Accordingly, the Group is committed to upholding the universal human rights of all its stakeholders whilst maintaining the highest ethical standards in all its business operations. Carrying out business in an ethical manner is a key value driver for the Group, upholding its valued brand reputation and of high importance to investors. As such, the Group has stringent policies governing the areas of child labour, forced labour, human rights and anti-corruption, prioritising ethical practices within the Group's operations and its value chain. The Group ensures that all companies are educated on the possible sources of forced and compulsory labour and are expected to respect and uphold the rights of employees to enter, remain and terminate employment. The Group seeks to ensure that ethical business practices are the norm from the business unit level, down to the individual employee and its transparent control and prevention mechanisms also extend to its value chain, to its customers, suppliers and business partners.

Under Sri Lankan law, a 'Child' is defined as a person who is under the age of fourteen years while 'Young Worker' denotes a person who has attained the age of fourteen years but is under the age of eighteen years. The John Keells Group however enforces a higher standard on the minimum age for employment than the statutory regulations and ILO conventions. Stringent checks during its recruitment process are employed to ensure the minimum age requirements are met. This also applies to the industry groups such as Leisure and Consumer Foods which have a high degree of seasonal outsourced demand.

The Group ensures that all companies are educated on the possible sources of forced and compulsory labour and all companies are expected to respect and uphold the rights of employees to enter, remain and terminate employment. Further, as per the Group's policy, no employees of the Group should be coerced or subject to overtime hours that exceed those stipulated by law or subject to intimidation, nor are employees expected to surrender deposits or personal documents as an employment term. In the event that training of significant cost is provided to an employee, the employee is appraised of the expectation that they will be required to work for a duration that does not exceed the value of the training provided.

In line with legal and industry norms, adequate compensation through overtime or variable pay is provided for employees that work beyond normal working hours in addition to being provided with meals and transport where appropriate.

The Group's policy on equal opportunity is applied in the recruitment and promotion processes as well as in advertising for vacancies. In addition, John Keells Group is a member of the Employer Network on Disability of the Employer's Federation of Ceylon and currently employs differently-abled persons within the Group.

The Group has zero tolerance for physical or verbal harassment based on gender, race, religion, nationality, age, social origin, disability, political affiliations or opinion. There is also a comprehensive process with regard to dealing with complaints regarding sexual harassment, with the option of seeking out either the Ombudsperson or an internal committee to tackle such an issue.

At the employee level, every employee agrees to comply with the Group's Code of Conduct, Anti-Fraud and Policy Against Sexual Harassment, when accepting the terms and conditions of employment and all executive and above staff need to complete a mandatory learning course on the aforementioned policies, which is carried out through the LMS. Through this, all employees are familiarised with the conditions of the Group's Anti-Corruption policy which also extends to any agents who are authorised representatives of the Group and are educated on human rights practices. Employees also expected to report any breach of the Code with the assurance of discretion and employees are provided with a number of channels to facilitate such reporting, such as Chairman Direct, Ombudsperson service and business unit-specific grievance handling process.

At a business unit level, each company has procedures and processes to enable the prevention and reduction of corruption. Each business unit is also expected to assess the risk of corruption as part of their risk management process and put in place mitigation measures to reduce such risks.

In dealing with its value chain, the Group ensures transparency and fair practices, fostering mutually beneficial relationships

based on open communication that stresses the importance of business partners adhering to the ethical standards that underlie all business practices. Further, a comprehensive selection process of key suppliers is carried out for the Group's key suppliers by the Group Initiatives Division which involves evaluation committees including independent category managers and neutral parties. All suppliers that are selected are required to agree to adhere to the Group's Supplier Code of Conduct which covers its human rights and anti-corruption expectations and are required to submit their audited financial statements for the two most recent financial years upon registration. Further, if it is discovered that the supplier has violated the supplier code of conduct including Anti-Corruption breaches, this is reason for termination of contracts and cessation of dealings.

## EVALUATION OF MANAGEMENT APPROACH

The Group tracks its performance every quarter through the tracking of identified indicators and is monitored through the Group's HR platform and through the Group's dedicated sustainability IT platform from which analytical reports are circulated to the Group's highest governance bodies and appropriate action taken to address any areas of potential concern. Attrition of talent, incidences of occupational health and safety and training hours per employee and employee satisfaction as assessed by the employee surveys, are key performance indicators for business heads as well as HR heads.

While at a minimum, all Group companies adhere to all relevant local labour laws and regulations, which are for the most part compliant with ILO conventions, some of the Group policies are based directly on the ILO codes of practices. The Group also benchmarks its HR processes against peers and industry norms and are monitored internally.

Group companies adhere to all relevant local labour laws and regulations while in the case of child labour adhering to more stringent guidelines set by the Group. The Group also monitors and tracks incidences of child labour, forced labour and corruption through its quarterly sustainability performance of the relevant GRI disclosures. In addition, independent audits and Group Management Committees continually review policies and

# MANAGEMENT APPROACH DISCLOSURES

## HUMAN CAPITAL

assess the risk of non-compliance regarding corruption. At a business unit level, all companies and functions have a process for the prevention and reduction of corruption, with business units required to include and analyse the risk of corruption as part of their risk management process. In order to ensure compliance, businesses undertake independent audit reviews to constantly assess the risk of corruption. Employees are also assessed on those values set out in the Group's Code of Conduct as part of the performance appraisal cycle.

The Group carries out assessments to ascertain the human rights practices of its key suppliers based on Sri Lankan labour law and seeks to ensure any outsourced service providers are educated on the same and strive to mitigate these issues. The Group also carried out internal assessments of its significant suppliers with regard to instances of child labour and forced and compulsory labour to identify potential areas of risk and areas for improvement.

The following GRI disclosures are used as a means of tracking and monitoring the impacts related to human capital.

Material Topic	GRI Disclosures
Employment	401-1:2016
Occupational Health and Safety	403-1: 2018, 403-2: 2018, 403-3:2018, 403-4:2018, 403-5:2018, 403-6:2018, 403-7:2018, 403-9:2018
Training and Education	404-1:2016, 404-3:2016
Diversity and Equal Opportunity	405-1:2016
Supplier Social Assessment	414-1:2016
Freedom of association and collective bargaining	407-1:2016
Child Labour	408-1:2016
Forced or Compulsory Labour	409-1:2016
Anti-Corruption	205-8:2016



## SOCIAL AND RELATIONSHIP CAPITAL

### GROUP SUPPLY CHAIN

Engaging with a vast number of business partners providing goods and services, the Group is focused on obtaining high quality raw materials and services procured at competitive rates, whilst ensuring that such products and services are delivered to the Group in an environmentally and socially responsible manner.

### MATERIAL IMPACTS

The Group considers this topic to be materially impactful as it reduces risks such as price volatility, product quality issues, disruption to operations and possible implications of brand reputation.

In entrenching sustainability across its value chain, the Group intends to engage with its significant suppliers in ensuring that their working conditions are safe, workers are treated with respect and dignity, and that operations are carried out in an environmentally responsible manner. The John Keells Group's suppliers, are expected to at a minimum, to operate in full compliance with the laws, rules, and regulations which are in force in the countries in which they operate. At present, the scope is limited to the first tier of suppliers which the Group directly deals with.

All suppliers of the Group are located in the main geographical areas in which the Group operates, namely in Sri Lanka and the Maldives. Maldivian suppliers consist of goods and services providers for the Group owned hotels in the Maldives. The types of suppliers include public limited companies, private limited companies and individuals who supply goods independently to the Group.

Given the diversified nature of its industry groups, some of the significant suppliers in relation to the Group's primary activities, products and services include food and beverage, hotel suppliers, capital equipment, packaging and communication and IT services as well as other support services such as advertising and insurance.

### MANAGEMENT APPROACH

The Group's procurement drive has been structured in order to cover a majority of high value items required commonly by all business units of the Group through the Group sourcing initiative, procurement of items that are common to specific sectors through the respective central purchasing offices, and

individual business unit requirements through their dedicated purchasing departments.

The Group Initiatives Division which carries out sourcing for the Group through its supplier management platform, has established rigorous processes and mechanisms to ensure that supplier selection for the high value items it sources occur in a transparent and fair manner. This is operationalised through an independent cross functional team assigned to each procurement category, a robust tendering process with necessary financial, operational and legal terms and conditions to cover both the companies and supplier interests, documented evaluation process and a periodic supplier review and engagement process to understand and address supplier concerns.

While the Group Initiatives Division only engages in the sourcing of products and services, the Central Purchasing offices and purchasing departments of business units, engage in the purchasing of such Group sourced items and in the sourcing of sector specific and business unit specific goods and services.

With product quality being of paramount importance, the Group only contracts with suppliers who have maintained the highest levels of quality whilst ensuring superior service levels. In addition to the stringent quality assurance processes carried across the Group, it has also begun to entrench its sustainability strategy down its value chain, through the introduction of a comprehensive supplier management framework.

#### Supplier Management Framework

- Supplier Code of Conduct.
- Awareness creation & engagement.
- Internal reviews and identification of risks in value chain.
- Carrying out external third-party assessments on a sample basis.

influence the Group's operations as well as the Group being able to influence the operations of the supplier. Significant suppliers were identified based on specific criteria including topics such as supplier dependency, potential environmental, labour and human rights risks and industry market structures.

Supplier fora are carried out each year for all Group sourced suppliers for its Sri Lankan operations and significant suppliers in the Maldives. Suppliers are briefed on the supplier management framework with regard to sustainability, which includes a Supplier Code of Conduct, the Group's sustainability practices and initiatives and encouraged to embark on their own journey of sustainability.

The Group also assesses its identified significant suppliers on an annual basis, with these suppliers being assessed for labour practices, human rights and environmental impacts, using an established Group-wide supplier assessment process developed based on all relevant laws and regulations.

### EVALUATION OF MANAGEMENT APPROACH

The Group maps its supply chain identifying significant suppliers by type, industry in which they operate and potential environmental and social impacts. These suppliers were selected on the basis of such suppliers being able to

# MANAGEMENT APPROACH DISCLOSURES

## SOCIAL AND RELATIONSHIP CAPITAL

### CORPORATE SOCIAL RESPONSIBILITY

**"The Group's Corporate Social Responsibility (CSR) ethos, represents how its values, corporate culture and operations are intrinsically intertwined and connected to social, economic and environment concerns."**

The Group proactively identifies, assesses and contributes to causes affecting the social and economic development of our nation, while working toward maximising the positive impact of businesses on society and the environment. The Group supports community engagement, social empowerment and environmental sustainability, as these pillars are fundamental to ensure sustainable growth through equitable access to social, economic, environmental and basic human rights of people. The Group's Corporate Social Responsibility (CSR) ethos, represents how its values, corporate culture and operations are intrinsically intertwined and connected to social, economic and environmental concerns.

not charge or account for human resources deployed in and overhead costs attributable to any of its CSR projects whether in planning, implementation or administration.

### MATERIAL IMPACTS

The Group sees great importance in providing educational opportunities to disadvantaged groups of the community, with a strong belief that relevant education is the foundation for an enlightened and civilised society, while it also believes that productivity is best ensured via a society that fosters the holistic health of its members. The Group is also committed to minimising the impact of its operations on the environment, through a conscious and collective effort, whilst promoting environmental conservation and sustainability.

The fostering of entrepreneurship and self-sustenance while facilitating essential community infrastructure, building capacity and access towards enabling sustainable development in communities surrounding the Group's operations, is yet another focus area for the Group's CSR initiative. In addition, the Group is committed to sponsoring arts and culture towards safeguarding and promoting the cultural heritage of Sri Lanka, stimulating social dialogue, as well as boosting the livelihoods of those engaged in arts and culture. The Group also carries out collective relief efforts in times of natural and man-made disasters. JKF's lean administration is supported by staff volunteers from across the Group which typically fosters outcomes such as pride in the organisation, motivation, community concern and camaraderie among staff as well as personal and interpersonal skills.

### MANAGEMENT APPROACH

#### Focus Areas

The Group's social commitment is defined by the diverse initiatives, both medium-to-long and short-term, in six key focus areas – namely, Education, Health, Livelihood Development, Environment, Arts & Culture and Disaster Relief.



#### SOCIAL RESPONSIBILITY POLICY

The John Keells Group believes in wider societal needs than our own, to meaningfully enrich the lives of the communities of which we are an integral part. We abide by the values of caring, trust and integrity by ensuring that through our actions we demonstrate our commitment to and respect for all our stakeholders, including the communities and the environment in which our businesses operate.

John Keells Foundation (JKF), a company duly incorporated under the law and also registered as a 'Voluntary Social Service Organisation' with the Ministry of Social Welfare, drives the Group's social responsibility initiatives from the centre, reaching out to underserved communities in various parts of Sri Lanka through multiple medium to long term strategic and sustainable projects inspired by its vision 'Empowering the Nation for Tomorrow' within a framework of six focus areas. Individual companies of the Group also engage in community service activities, sponsorships and donations to complement their respective businesses, as well as the broad focus areas of JKF. The activities of JKF are funded by companies within the Group out of their profits and the Group generally commits 1% of its PAT to CSR. The Group does



#### Education

JKH is committed to provide better access to educational opportunities for those in need towards enhancing their employability and entrepreneurship.



#### Health

JKH is committed to foster healthy communities towards enhancing wellbeing and productivity of Sri Lanka and Sri Lankans.



#### Environment

JKH is committed to minimize the impact of our operations and promote conservation and sustainability towards enhancing environmental and natural capital.



#### Community and Development

JKH fosters sustainable livelihoods through relevant skills, capacity and infrastructure enhancement towards building empowered and sustainable communities.



#### Arts and Culture

JKH is committed to nurture the livelihoods of artists and preserve our cultural heritage towards safeguarding and promoting Sri Lankan arts and culture.



#### Disaster Relief

JKH is committed to come to the aid of Sri Lankans and global communities in times of adversity and disaster towards enabling them to rebuild their lives and livelihoods.

**EVALUATION OF MANAGEMENT APPROACH**

CSR initiatives of the Group are aligned to national priorities, Sustainable Development Goals (SDGs) and principles of the United Nations Global Compact (UNGC), to ensure a collective and targeted focus towards addressing key universal needs for the development of people, focusing on the three dimensions of sustainable development - economic growth, social inclusion and environmental protection.

The Group’s commitment to the above focus areas of education, health, environment, livelihood development, arts & culture and disaster relief, translates through a plethora of community investment programmes and staff engagement via voluntary service as well as the ongoing dialogue with its stakeholders to better understand their needs.

The Group’s social performance is tracked through GRI disclosures focusing on areas such as the percentage of operations with implemented local community engagement, and development and impact of infrastructure investments.

All the Group’s local community engagement projects are initially structured based on a social impact assessment which includes formal and informal engagement with all significant stakeholders, specific selection criteria for identifying beneficiaries, and a periodic evaluation process. This process is formalised via a mandatory questionnaire, which must be completed and signed off by each business head. This questionnaire is designed to include all elements that result from conducting business in the community. Each business unit conducts a review annually, to analyse the impact of each operation carried out and where applicable, action plans to mitigate risks will be formulated at Sector Committee or Management Committee meetings. In critical projects, this evaluation process has been carried out by independent third parties.

The details of the ongoing initiatives, targets and impacts of the Group’s CSR projects, are contained within the Group Annual Report 2019/20.

**Operation**

Although the Group’s CSR initiatives have been predominantly centralised via JKF, the recently introduced John Keells *Praja Shakthi* (community empowerment) initiative aims to enhance the business centric approach to CSR, customising JKF’s CSR projects under the six focus areas to the Group’s business locations, enabling the entire community to benefit from CSR interventions over the long term. It also seeks to enhance business engagement in CSR via direct involvement in strategising, implementing, monitoring and reporting as well as staff participation in volunteerism. Individual Business Units also engage in their own CSR initiatives such as community service initiatives, sponsorships and donations to complement their respective businesses, as well as the broad focus areas of the Foundation.

The projects of JKF are planned and implemented by the JKF team comprising four full-time employees, namely, the Head of Operations and three CSR coordinators, with the strategic guidance of JKF’s Management Committee (MC) - a cross-functional team of senior executives drawn from various industry groups within the company. Each project is headed by a project champion and implemented with the support of a project sub-committee comprising volunteers from across the Group. Project updates are reported at meetings of the MC and quarterly to the GEC and shareholders. Financial audits of JKF take place annually while internal audits are conducted once every two years.

**Action Plans**

The Group has contributed towards the development of society through infrastructure, public services and local community engagement initiatives and details of such initiatives are contained within the Group Social and Relationship Capital section of the Annual Report.

The following GRI disclosures are used as a means of tracking and monitoring the impacts related to social and relationship capital.

Material Topic	GRI Disclosures
Local Communities	413-1:2016

# MANAGEMENT APPROACH DISCLOSURES



## INTELLECTUAL CAPITAL

### MATERIAL IMPACTS

For the John Keells Group, the delivering of optimal levels of quality to all of its significant stakeholders has always been imperative and material. While meeting such optimum quality standards and ensuring maximum satisfaction with respect to stakeholders such as customers, shareholders, employees, suppliers, governmental and statutory bodies, society, media and other interest groups, the Group also focuses heavily on ensuring compliance with its environmental, labour and ethical business policies, with regards to responsible labelling, marketing communication and customer health and safety.



#### PRODUCTS AND SERVICES POLICY

The John Keells Group will strive to maintain products and services at the highest standards through embracing industry and corporate best practice and compliance with all relevant local and international statutory and regulatory requirements in the markets we serve. All products and services will seek to identify and assess any environmental and social impact through communications, service, operations and supply chain.

### MANAGEMENT APPROACH

The Group Products and Services policy is adhered to by all Group businesses to ensure they continue to meet the highest quality standards when servicing all customers.

The management approach adopted by the Group has been to develop and market products and services that meet customer requirements and meet the highest product quality standards which ensures customer health and safety through assessing the product life cycle. In addition, the relevant product and service labelling, ethical marketing communications and privacy of customer information obtained through the sale of the product of service and products stewardship and compliance is ensured.

Stakeholder engagements have reinforced these material areas by highlighting the requirement of consumers for products and services that satisfy their needs, superior product quality, product information to be provided in a standard format by all industry players, clear product specific information, and the need for marketing communications that are contemporary in nature.

### EVALUATION OF MANAGEMENT APPROACH

The Group aspires to achieve recognised external quality certification where relevant, benchmarking their quality processes and standards against national and/or international best practices.

All consumers expect a safe product or service and the Group continuously reviews its products and services for safe use by consumers, through the assessment of its systems and procedures during the entire manufacturing and service delivery process. Group companies engaged in the manufacture of consumer foods have obtained ISO 9001 and ISO 22000 as initial steps in achieving process excellence. In the Leisure sector, Walkers Tours has obtained ISO 9001 while Hotels have obtained ISO 18001 Occupational Health & Safety certification, establishing a process and culture of health & safety which permeates through to the end product or service.

In addition, Group companies closely monitor any incidences of product related fines or sanctions, setting a zero figure as their target whilst all companies are required to maintain lists of fines payable.

Further, the Group recognises the importance of informing and engaging our customers with regard to important product specific information as identified by stakeholder engagements, and continues to adhere to product labelling requirements specified in the Food Act No. 26 of 1980, the regulations contained in the Food (labelling and advertising) Regulations 2005, the Consumer Affairs Authority Act No. 9 of 2003, and the ICC code of Advertising and Marketing Communications for all its products and services.

A special Group committee monitors and evaluates advertising campaigns for socially insensitive/unethical/irresponsible advertising against the guidelines and procedures laid down.

All related information with regards to the Group's products and services, labelling and marketing communication, in keeping with customer needs, customer health & safety and global and regional trends, can be found in the Consumer Foods and Retail industry group sections in the Annual Report.

As customer driven businesses, companies in the Consumer Foods, Retail and Leisure industry groups maintain dedicated channels to address any customer related grievances including those over social media which has increasingly become a significant means of communication.

The following GRI disclosures are used as a means of tracking and monitoring the impacts related to intellectual capital.

Material Topic	GRI Disclosures
Customer Health and Safety	416-1:2016
Marketing and Labelling	417-1:2016, 417-3:2016
Socioeconomic Compliance	419-1:2016



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