

# SUSTAINABILITY INTEGRATION, STAKEHOLDER ENGAGEMENT AND MATERIALITY



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The following section provides an overview of the Group’s sustainability integration process, the policies, framework and methodologies in place for sustainability reporting and the process of defining material sustainability topics.

## SUSTAINABILITY INTEGRATION

Integration and entrenchment of sustainability within the core of its businesses has been an integral part of the John Keells Group strategy, based on the vital interrelationships between financial performance, environmental stewardship and social responsibility. The following section details the Group’s approach towards sustainable development from a business perspective, and how it is carried out by way of its policies and management approach, its reporting methodology and boundaries, and its definition and prioritisation of material sustainability topics.

### Group Sustainability Policy

- The Group will strive to conduct its activities in accordance with the highest standards of corporate best practice and in compliance with all applicable local and international regulatory requirements and conventions.
- The Group monitors and assesses the quality and environmental impact of its operations, services and products whilst striving to include its supply chain partners and customers, where relevant and to the extent possible.
- The Group is committed to transparency and open communication about its environmental and social practices in addition to its economic performance. It seeks dialogue with its stakeholders in order to contribute to the development of global best practice, while promoting the same commitment to transparency and open communication from its partners and customers.
- The Group strives to be an employer of choice by providing a safe, secure and non-discriminatory working environment for its employees whose rights are fully safeguarded and who can have equal

opportunity to realise their full potential. All Group companies will abide by national laws and wherever possible, will strive to emulate global best practice governing the respective industry groups, seeking continuous improvement of health and safety in the workplace.

- The Group will promote good relationships with all communities of which we are a part and enhance their quality of life and opportunities while respecting people’s culture, ways of life and heritage.

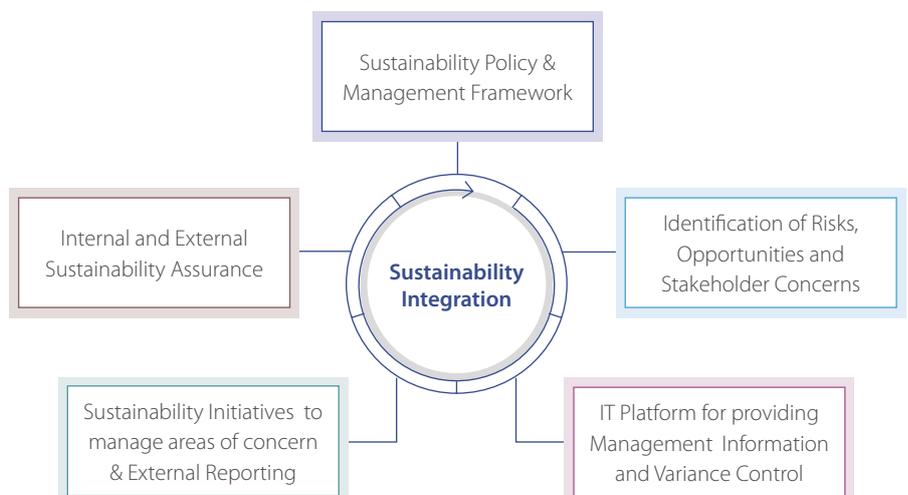
## Sustainability Management Framework

The Group has in place a sustainability management framework which is implemented through a sustainability organisational structure, management information, benchmarking and gap analysis, internal and external target setting and awareness creation.

This management framework is continually updated and improved upon in line with the varied operational requirements of companies and global sustainability trends, bolstered by a common IT platform used for tracking key sustainability and risk indicators, Standard Operating Procedures, and internal sustainability assurances, along with internal audit and external assurance processes. It is synchronised with the other management systems which include environmental management, human resources, health and safety and product quality, as well as linked to business processes such as risk management, internal audit, legal and statutory compliance and corporate social responsibility initiatives.

Working through this framework allows the Group to monitor, benchmark and report, both internally and externally, on its sustainability performance, allowing the Group to assess and track individual companies’ sustainability performance, identify areas of risk and provide management with information to ensure any necessary corrective action.

## Sustainability Integration Process



## SUSTAINABILITY ORGANISATIONAL STRUCTURE

The Group's overall sustainability strategy is formulated and steered by the Group Executive Committee, through the Sustainability, Enterprise Risk Management and Group Initiatives Division, which is responsible for operationalising the Sustainability Management Framework throughout the Group and its constituent business units. The Division is responsible for carrying out Group-wide sustainability processes such as identification of significant stakeholders and material issues, risk reviews, creating awareness amongst Group companies and the overall review and monitoring of the framework, to ensure a culture of sustainability permeates through all businesses. At a business unit level, dedicated Sustainability Champions work closely with the Division, and are responsible for sustainability initiatives and overall sustainability performance under the supervision of their respective Heads of Business Units and Sector Heads.

Group companies use a holistic approach to the strategic planning process and annual plan cycle, with an integrated strategy of striving to optimise financial performance through a 'People, Planet, Profit' perspective. Business units identify their material impacts which they seek to minimise through committing to medium term management strategies. Non-financial risks and impacts are identified and assessed, and sustainability initiatives and other green projects to address these are included in annual objectives. This strategy enables the alignment of business unit and employee objectives with sustainability concerns and has resulted in an organisational culture which has deeply entrenched triple bottom line goals.

This structure is utilised to integrate sustainability both within Group operations as well as extending to the value chain with respect to assessing and developing its sustainable practices. As part of its overall strategy, the Group strives to encourage significant suppliers to embrace a sustainable mindset in their own operations. The Group carries out internal assessments of supply chain partners, which assess environmental, labour and social risks emanating from its value chain, with annual Supplier Fora to create awareness. This is bolstered by the Code of Conduct for all significant suppliers bidding for the Group's centrally sourced goods and

services and the Supplier Management platform which ensures transparency during auctions, efficiency in negotiations and minimal paper usage during the centrally driven sourcing process.

### Sustainability Disclosures

The Group uses its annual reports and corporate website as two of the primary methods in responding to stakeholder concerns, detailing the processes by which the Group identifies key sustainability related risks, its significant stakeholders, the assessment of material topics relative to their importance to both the Group and stakeholders, as well as the policies and processes by which these topics are managed and mitigated. The Group's Annual Report 2019/20 constitutes the Group's fifth Integrated Annual Report, compiled as per the International <IR> Framework (IIRC), detailing the interrelationships between the six capitals, the Group's business model and value creation.

The Engagement of Significant Stakeholders section below outlines the process by which the Group determines what information is required by stakeholders and identification and prioritisation of material issues, while the Key Sustainability Concerns section explains the outcomes of the stakeholder engagement process and establishes the relevance of the material topics and sustainability disclosures that the Group reports on.

The Annual Report 2019/20 covers the Group's overall strategy, an overview of its corporate governance framework, highlights of its risk management processes and its financial and non-financial performance. Material topics and triple bottom line performance are discussed from both a Group-wide perspective, as well as from an industry group basis. Each industry group section and the Group Consolidated Review outlines the relationship between material topics identified and the significant impacts they have on financial performance, human and community relationships, to give an overview on the applicable risks, opportunities and strategy.

The Annual Report 2019/20 provides year on year comparisons for both financial and non-financial information relevant to those significant stakeholders identified in the Engagement of Significant Stakeholders section below and highlighted in the Annual Report, seeking to provide a clear, concise and balanced overview of the Group's sustainability performance. The disclosures

strive to ensure completeness and contextual information on Group performance as well as on a sectoral basis for those identified material topics for each industry group, discussed in the Industry Group Review section of the Annual Report 2019/20, in keeping with the reporting principles of defining report content along with stakeholder inclusiveness and materiality. The Identification of Sustainability Topics section below also sets out the Group's material topics and boundaries.

The Report, which is published annually, has been externally verified and assured through an independent assurance process undertaken by DNV GL represented in Sri Lanka by DNV GL Business Assurance Lanka (Private) Limited. The data measurement techniques, calculation methodologies, assumptions and estimations applied in the compilation of the sustainability indicators contained in this Report, are in accordance with standard industry practices and GRI Standard protocols. Such data measurement techniques, methodologies, assumptions and estimations are detailed in the relevant Management Approach Disclosures section and can be found online at [www.keells.com/sustainability-and-csr](http://www.keells.com/sustainability-and-csr). Reference to specific information and disclosures required by the GRI Standards can be found through the GRI context index. A year on year comparison can be made subject to explanations provided with respect to divestments mentioned previously as well as changes in operational activity and discussed in the Industry Group Review sections. Figures and statements have been rearranged wherever necessary to conform to the present year's presentation in terms of restatements and comparisons to the previous year.

John Keells Holdings has been participant of the United Nations Global Compact as of 2002, and the initiatives described within the report demonstrate its commitment to operating in conformity with the principles of the UNGC initiative. All projects carried out by the John Keells Foundation, Group Sustainability, and Human Resources divisions, as well as individual businesses are mapped to the Sustainable Development Goals and aligned to the six capitals of Integrated Reporting.

### Scope & Boundary

87 legal entities of the John Keells Group create the financial reporting boundary of the Annual Report 2019/20 of which, 80 companies are directly controlled by the Group or significantly interact with the environment

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GRI 102-40, 102-43, 102-46, 102-49

or society. The remaining 7 have not been included for sustainability reporting, as they do not fall within direct control of the Group. Of the 80 companies, 34 have been excluded for reporting purposes as they do not carry out any operations that significantly interact with the environment or society at large. Such companies are either non-operational entities, investment entities, land-only holding companies, managing companies or companies that rent out office spaces. The other 46 companies have been listed in the Group Directory of the Annual Report and any other exclusions made have been clearly explained under the relevant sustainability topics. Apart from 15 new 'Keells' outlets included in the reporting scope during the reporting period, no other significant changes were made to the reporting scope regarding the organisation's size, structure, ownership, or its supply chain, during the year under review.

## Engagement of Significant Stakeholders

The diversity of the Group, with operations in several industry sectors across different geographical markets, necessitates maintaining relationships with a large number of stakeholder groups with varied and numerous expectations. The Group identifies those stakeholders who have a significant influence over or who are significantly impacted by Group operations. The details of engagement with such stakeholders are covered over the following sections.

During the 2019/20 reporting year, the Group built on the comprehensive qualitative stakeholder engagement carried out previously, by conducting a quantitative stakeholder engagement as a second phase. The engagement was carried out for key

stakeholders on a sectoral and Group basis as a means of yielding a sustainability index by which the Group and its companies could measure the perceptions of its sustainability performance and progress on an ongoing basis going forward. This reinforced further the findings from the previous study and helped to understand materiality, emerging trends and perceptions towards the Group and its constituent businesses and brands.

The mechanisms by which the Group manages and conducts its engagement with significant stakeholders on an ongoing basis include formal and informal consultations, participation, negotiations, communication, mandatory and voluntary disclosures, certification and accreditation. The following section details the various methods and frequencies of engagement with significant stakeholders:

### Customers – individual, corporate B2B

**Expectations** – Meeting customer expectations on product and service features, ensuring high quality and safe products and services delivered in an environmentally and socially responsible manner

Frequency	Methods of engagement
Annually	Road shows, trade fairs and field visits
Bi-annually	One-on-one meetings, discussion forums, progress reviews
Quarterly	Customer satisfaction surveys
Ongoing	Through information dissemination through printed reports, telephone, SMS, e-mail, corporate website, workshops and business development activities

### Employees – directors, executives, non-executives

**Expectations** – Providing a safe and enabling environment, equal opportunity and a culture of meritocracy, enhancement of skills and knowledge, continuous engagement, providing feedback and encouraging work-life balance

Frequency	Methods of engagement
Annually	Employee satisfaction surveys and dip stick surveys, Group-wide year end get-together
Bi-annually	Performance reviews, skip level meetings
Regularly	Intranet communications through JK Connect and My Portal
Ongoing	Professional training, development activities and team building through internal and external programmes, joint consultative committees, open door policy at all management levels, sports events, Corporate Social Responsibility programmes

### Community – neighbours, community, community leaders, society

**Expectations** – Stimulating local economy through procurement and providing direct and indirect employment whilst carrying out operations, with minimal impact on shared natural resources

Frequency	Methods of engagement
One-off	Engagement with the community is carried out prior to entry into the community area and on exit via one-on-one meetings, workshops, forums
Monthly	Engagement is then carried out on a monthly basis while operating via one-on-one meetings, workshops, forums
Ongoing	Corporate Social Responsibility programmes, creating awareness and education

**Institutional investors, fund managers, analysts, leaders, multilateral lenders**

**Expectations** – Consistent economic performance leading to greater economic value generation

Frequency	Methods of engagement
Annually	Annual reports, disclosures and reviews
Quarterly	Quarterly reports
Regularly	Investor road shows
Ongoing	Phone calls, e-mail, written communication, websites, one-on-one meetings

**Government, government institutions and departments**

**Expectations** – Contribution to the country’s economy through strategic investments, creating direct and indirect employment, timely payment of taxes and levies and stimulating local economies

Frequency	Methods of engagement
Quarterly	The senior management are members of chambers and industry associations who meet at least on a quarterly basis
Ongoing	Engagement with the government is carried out on an on-going basis through meetings, business forums, newsletters, circulars, presentations and briefings, advisory meetings of industry associates

**Legal and regulatory bodies**

**Expectations** – Carrying out operations in compliance to all relevant laws and regulations and operating as a responsible corporate citizen adhering to sound corporate governance practices

Frequency	Methods of engagement
Quarterly	The senior management are members of chambers and industry associations who meet at least on a quarterly basis
Ongoing	Engagement with the legal and regulatory bodies are carried out on an on-going basis through meetings, periodic disclosures, correspondence with bodies such as local authorities, municipal councils and other institutions such as Consumer Affairs Authority, Department of Inland Revenue, Customs Department, Securities & Exchange Commission, Colombo Stock Exchange and Tourist Board of Sri Lanka

**Business partners, principals, suppliers**

**Expectations** – Fostering long terms business relations and benefitting from the growth of the Group, adherence to contractual obligations, knowledge sharing and active representation in business councils and committees in the relevant industry sectors

Frequency	Methods of engagement
Annually	Distributor conferences, contract renegotiations and reviews, road shows, supplier assessments, supplier fora
Quarterly	Supplier review meetings, one-on-one meetings
Regularly	Market reports
Ongoing	Conference calls, e-mails, circulars, corporate website and sourcing, contracting & supplier management platform

**Society, media, pressure groups, NGOs, environmental groups**

**Expectations** – Carrying out operations in accordance to social norms, prevailing culture, with minimal impact on society and environment, whilst adhering to all relevant laws and regulations and operating as a responsible corporate citizen adopting sound corporate governance practices

Frequency	Methods of engagement
Ongoing	Website, press releases, media briefings, correspondence, disclosures, media coverage, participation in NGO forums, certification and accreditation

**Industry peers and competition**

**Expectations** – Carrying out operations in a fair and ethical manner, active participation in business councils and committees and discouraging anti-competitive behavior

Frequency	Methods of engagement
Quarterly	The senior management are members of chambers and industry associations who meet at least on a quarterly basis
Regularly	Communication through membership of trade associations, conferences, discussion forums

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GRI 102-40, 102-42, 102-43, 102-44, 102-46, 102-47

## Key Sustainability Concerns

The second phase of the stakeholder engagement carried out in the 2019/20 reporting year reiterated public perception of the Group and its businesses as sustainable organisations operating with a triple bottom line approach. Similar to the previous qualitative engagement, stakeholders noted the importance of a continuing commitment and adherence to policies and standards. The outcomes of the study allow the key sectors to prioritise the key sustainability concerns of their respective stakeholders and develop long term strategies to best reach these groups, create awareness and address material impacts.

The Group also continuously monitors print and electronic media and no adverse reports relating to environmental and social concerns pertaining to Group operations and its companies have been highlighted this year, indicating the confidence held by its stakeholders with respect to its overall corporate and sustainability strategies and performance. Customer feedback is responded to in a structured manner, with particular attention to social media.

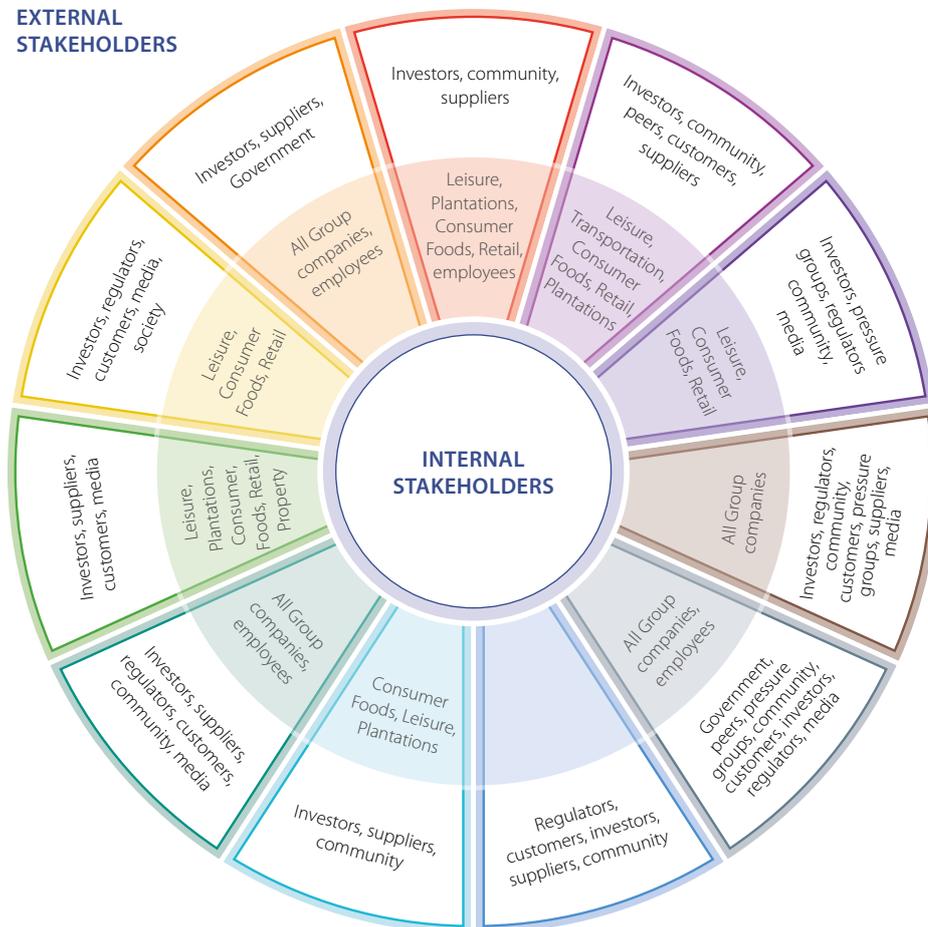
In addition to the demand for consistent long term returns on their investment, shareholders also insist on a holistic approach to sustainability, with a focus on environmental and social performance and the corporate governance framework. These concerns are addressed through the Group's annual reports and ongoing improvements to its policy frameworks and management approaches, taking into account material impact areas. The Group also continually engages with its employees as a key pillar of its overall sustainability strategy, focusing on talent retention, employee welfare and training and development. Environmental and biodiversity conservation and responsible utilisation of such resources are a focal point of stakeholders such as society as a whole, regulatory authorities and pressure groups and remain areas of high priority to the Group. This is in addition to a strong focus on the development of communities where the Group operates, as part of its commitment to being a responsible corporate citizen. Further, the Group's supplier performance management process which includes supplier assessments, assists the Group in identifying material sustainability concerns that

may stem from its suppliers, and processes such as quality checks help in ensuring that suppliers are in accordance with regulations and best practices, with further engagements utilised to ensure minimising of any anomalies and better development of value chain partners' processes.

## Identification of Material Topics

The Group identifies its internal stakeholders as its business units and employees, whilst its external stakeholders are made up of shareholders, investors, lenders, customers, suppliers, business partners, Government and regulatory authorities, peers, pressure groups, media and the community. Over past years, the Group has also focused on its value chain to assess potential risks, along supplier and distribution networks. This year does not see significant changes in the list of material topics and topic boundaries compared to previous reporting periods, and the material topic boundary which takes into consideration the key sustainability concerns of its significant stakeholder groups, is as follows:

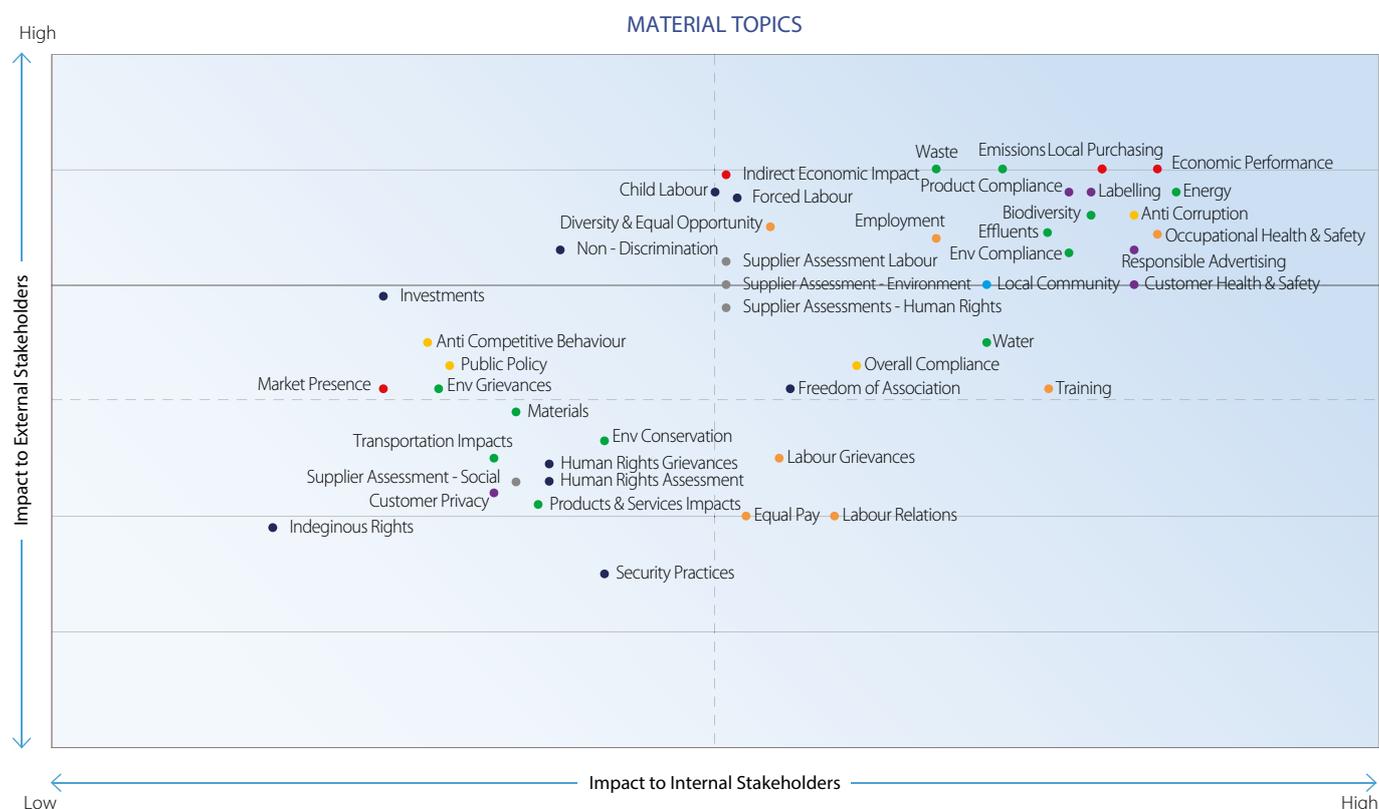
## EXTERNAL STAKEHOLDERS



## Topic Grouping

Internal	External	
<span style="color: #e67e22;">●</span>	<span style="color: #e67e22;">●</span>	Economic Performance
<span style="color: #9b59b6;">●</span>	<span style="color: #9b59b6;">●</span>	Procurement Practices, Indirect Economic Impact
<span style="color: #6b8e23;">●</span>	<span style="color: #6b8e23;">●</span>	Energy and Emissions
<span style="color: #8e6c39;">●</span>	<span style="color: #8e6c39;">●</span>	Water, Effluents and Waste
<span style="color: #5dade2;">●</span>	<span style="color: #5dade2;">●</span>	Biodiversity and Environmental Compliance
<span style="color: #3498db;">●</span>	<span style="color: #3498db;">●</span>	Employment, Diversity and Equal Opportunity, Labour Relations, Freedom of Association, Training, Occupational Health and Safety
<span style="color: #2980b9;">●</span>	<span style="color: #2980b9;">●</span>	Non-discrimination, Prevention of Child Labour, Prevention of Forced and Compulsory Labour
<span style="color: #27ae60;">●</span>	<span style="color: #27ae60;">●</span>	Local Communities
<span style="color: #2ecc71;">●</span>	<span style="color: #2ecc71;">●</span>	Anti-corruption and Regulatory Compliance
<span style="color: #f1c40f;">●</span>	<span style="color: #f1c40f;">●</span>	Supplier Assessment (Environmental and Labour)
<span style="color: #e67e22;">●</span>	<span style="color: #e67e22;">●</span>	Product Quality and Compliance, Labelling, Marketing Communications

In defining report content, the Group prioritises the material impacts based on their relative importance to internal and external stakeholders. This prioritisation and identification of material topics for reporting is shown below.



Colour Code of Category	Material Topic	Management Approach
Economic	Economic performance, procurement practices, indirect economic impacts	Financial and Manufactured Capital
Environment	Energy, water, biodiversity, emissions, effluents, waste, compliance	Natural Capital
Employees	Employment, training & development, diversity & equal opportunity, occupational health & safety	Human Capital
Ethical Business & Human Rights	Anti-corruption, compliance, prevention of child labour, prevention of forced and compulsory labour, freedom of association	Human Capital
Product Responsibility	Product labelling, responsible advertising, product compliance, customer health & safety	Intellectual Capital
Supplier Assessment	Assessment of suppliers for environment stewardship, labour practices and human rights	Social and Relationship Capital
Social Responsibility	Local community	Social and Relationship Capital



A detailed description of the strategies and approach adopted by the Group in managing its material topics are contained the management approach disclosures section hosted on the Group website [https://www.keells.com/resource/Management\\_Approach\\_Disclosures\\_2019\\_20.pdf](https://www.keells.com/resource/Management_Approach_Disclosures_2019_20.pdf)



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