

SUSTAINABILITY INTEGRATION, STAKEHOLDER ENGAGEMENT AND MATERIALITY



John Keells Holdings PLC
Annual Report 2020/21

SUSTAINABILITY INTEGRATION, STAKEHOLDER ENGAGEMENT AND MATERIALITY

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, and engagement of key stakeholder groups.

SUSTAINABILITY INTEGRATION

Sustainability matters deeply to the John Keells Group, which operates in line with the belief that environmental stewardship and social responsibility are inseparable from financial objectives. Sustainable practices are thus embedded throughout the Group’s operations. The Group’s approach to sustainability is defined by its Sustainability Policy which describes its priorities, expectations and lays the foundation on which the Group’s management system is developed and implemented.



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 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 it is a part and enhance their quality of life and opportunities while respecting people’s culture, ways of life and heritage.

This is enabled by the Group’s Sustainability Management Framework (SMF) which encompasses its sustainability organisation structure, guiding policies and processes. The Group utilises a common IT platform to track and monitor its key sustainability and risk indicators. This framework allows the provision of management information on a company-level and Group-wide basis, enabling benchmarking, gap analysis and external and internal target setting.

The Group has well-established sustainability integration processes such as Standard Operating Procedures and assurance processes, both internal and external, and its sustainability framework works alongside other key functions and management systems such as human resources, health and safety and product responsibility processes, as well as risk management, internal audit, legal and statutory compliance and corporate social responsibility initiatives. The Sustainability Management Framework is updated on a continuous basis to incorporate changing requirements and updates to the global sustainability landscape.

Sustainability matters deeply to the John Keells Group, which operates in line with the belief that environmental stewardship and social responsibility are inseparable from financial objectives, embedding sustainable practices throughout its operations.

Our Approach

The Group’s sustainability approach is based on four strategic pillars.



Sustainability Integration



Sustainability Organisation Structure

Group Executive Committee

Responsible for formulating and steering the Group's overall sustainability strategy

Sustainability, Enterprise Risk Management and Group Initiatives Division

Operationalises the Sustainability Management Framework and carries out Group-wide processes, including identification of stakeholders and material issues, stakeholder engagements, risk assessments, Group-wide awareness campaigns and overall review and monitoring of the SMF.

Business Units

Each business unit is responsible for their sustainability performance, operating under the umbrella of the Group's SMF. Sustainability Champions under the leadership of their respective Heads of Business/Sector Heads, work closely with the central sustainability division, and are responsible for implementing sustainability initiatives and management of performance of their individual businesses.

Sustainability concerns are firmly embedded within the Group's strategic planning process, with companies striving to optimise performance from a triple bottom line lens. All business units are required to identify non-financial risks and material impacts and include strategies to address these through sustainability initiatives and projects. Business and individual objectives are therefore aligned with overall sustainability goals, resulting in an entrenched focus on sustainability.

The SMF extends beyond Group boundaries, also focusing on the Group's value chain with the purpose of benefitting suppliers and their own dependent supply chains. Through its Supplier Code of Conduct, annual assessment of supply chain partners and ongoing awareness and engagement through Supplier Fora, the Group strives to have a positive impact on key external stakeholders.

Sustainability Disclosures

The Group uses both its Annual Integrated Reports and corporate website as the primary means of responding to stakeholder concerns and outlining its sustainability strategy, materiality assessments and management policies and processes. The Group's Annual Report 2020/21 constitutes the Group's sixth 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 and seeking to provide a clear, concise and balanced overview of the Group's sustainability performance. Its sustainability reporting applies the GRI reporting principles of stakeholder inclusiveness, sustainability context, materiality and completeness for defining report content, with content determined through assessment of materiality. John Keells Holdings has also been a participant of the United Nations Global Compact as of 2002, and the initiatives described within the Annual Report demonstrate the Group's commitment to implementing the 10 principles of the UNGC initiative. 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.

Sustainability disclosures found in the Annual Report 2020/21, set out the Group's year on year performance on both a Group-wide and industry group basis, and also covers the Group's overall strategy, its governance and risk management frameworks to provide stakeholders with a clear, concise and balanced overview of the Group's impacts. The Report has been externally verified and assured through an independent assurance process undertaken by DNV 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 Disclosures of Management Approach section and can be found online at www.keells.com/sustainability-and-csr. Reference to specific information and disclosures required by the GRI Standards can be found through the GRI

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content index. Year on year comparisons can be made subject to explanations provided with respect to divestments or changes in operational activity and are discussed in the 'Industry Group Review' sections of the Annual Report. 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.

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 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, 32 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 48 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. This year, Cinnamon Bentota Beach, Cinnamon Velifushi Maldives and 15 new 'Keells' outlets were included in the reporting scope during the year under review.

Our Stakeholders

The Group defines significant stakeholders as those who have significant influence over or are significantly affected by the Group's

operations. With operations in several industry sectors over varied geographical markets, the Group interacts with a wide range of stakeholders who represent the communities and regions within which it operates. The Group therefore establishes a number of different platforms for dialogue and communication to incorporate stakeholder perspectives and concerns into the Group's policies and commitments. 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 its significant stakeholders:

Customers – individual, corporate B2B	Employees – directors, executives, non-executives	Community – neighbours, community, community leaders, society
<ul style="list-style-type: none"> Meet requirements for products and services Ensure high quality, safe products and services Environmentally and socially responsible products and services 	<ul style="list-style-type: none"> Provide a safe and enabling work environment Ensure equal opportunity within a meritocratic culture Enhancement of skills and knowledge, continuous engagement Work-life balance 	<ul style="list-style-type: none"> Stimulate local economy through procurement Provide direct and indirect employment Operations with minimal impact on shared natural resources
<ul style="list-style-type: none"> Road shows, trade fairs and field visits – Annually One-on-one meetings, discussion forums, progress reviews – Biannually Customer satisfaction surveys – Quarterly Information dissemination through printed reports, telephone, SMS, e-mail, corporate website, workshops and business development activities – Ongoing 	<ul style="list-style-type: none"> Employee satisfaction surveys, Group-wide year end get-together – Annually Performance reviews, skip level meetings – Biannually Intranet communications – Regularly Training & development, team building, joint consultative committees, open door policy, sports events, Corporate Social Responsibility programmes – Ongoing 	<ul style="list-style-type: none"> Community engagement prior to entry and on exit via one-on-one meetings, workshops, forums – One-off One-on-one meetings (onsite, online/remotely), discussion forums, progress reviews, surveys – Ongoing, periodically and need-based Corporate Social Responsibility programmes – Ongoing
<ul style="list-style-type: none"> Growth of business and brands 	<ul style="list-style-type: none"> Human Capital and productivity 	<ul style="list-style-type: none"> Social license to operate
Institutional investors, fund managers, analysts, multilateral lenders	Government, government institutions and departments	Legal and regulatory bodies
<ul style="list-style-type: none"> Consistent economic performance Economic value generation 	<ul style="list-style-type: none"> Contribute to economy through strategic investments Create direct and indirect employment Timely payment of taxes and levies 	<ul style="list-style-type: none"> Compliance with laws and regulations Practice sound corporate governance

■ Stakeholder Expectations
 ■ Methods of Engagement
 ■ Significance of Stakeholder

Institutional investors, fund managers, analysts, multilateral lenders	Government, government institutions and departments	Legal and regulatory bodies
<ul style="list-style-type: none"> Annual reports, disclosures and reviews - Annually Quarterly reports - Quarterly Investor road shows - Regular Phone calls, e-mail, written communication, websites, one-on-one meetings - Ongoing 	<ul style="list-style-type: none"> Participation of senior management in chambers and industry associations - Quarterly Meetings, business forums, newsletters, circulars, presentations and briefings, advisory meetings of industry associates - Ongoing 	<ul style="list-style-type: none"> Participation of senior management in chambers and industry associations - Quarterly Meetings, periodic disclosures, correspondence - Ongoing
<ul style="list-style-type: none"> Growth and equity 	<ul style="list-style-type: none"> Provision of trading conditions 	<ul style="list-style-type: none"> License to operate

Business partners, principals, suppliers	Society, media, pressure groups, NGOs, environmental groups	Industry peers and competition
<ul style="list-style-type: none"> Long term business relations and adherence to contractual obligations Knowledge sharing Representation in business councils and committees 	<ul style="list-style-type: none"> Operate in accordance to social norms and cultures with minimal negative social and environmental impact Adhere to laws and regulations Operate as a responsible corporate citizen 	<ul style="list-style-type: none"> Ethical business practices Participation in business councils and committees
<ul style="list-style-type: none"> Distributor conferences, contract renegotiations and reviews, road shows, supplier assessments, supplier fora - Annually Supplier review meetings - Quarterly Market reports - Regularly Conference calls, e-mails, circulars, corporate website and sourcing, contracting & supplier management platform - Ongoing 	<ul style="list-style-type: none"> Website, press releases, media briefings, correspondence, disclosures, media coverage, participation in NGO forums, certification and accreditation - Ongoing 	<ul style="list-style-type: none"> Participation of senior management in chambers and industry associations - Quarterly Membership of trade associations, conferences, discussion forums - Regularly
<ul style="list-style-type: none"> Inputs for goods and services 	<ul style="list-style-type: none"> Information and trends 	<ul style="list-style-type: none"> Collaboration and fair trading conditions

■ Stakeholder Expectations
 ■ Methods of Engagement
 ■ Significance of Stakeholder

Key Sustainability Concerns

Building on the foundations of the most recent quantitative and qualitative stakeholder engagements, the overarching perception of the Group and its businesses is of an organisation which places high value on sustainable practices and priorities. The Group continuously monitors key channels of communication to ascertain key concerns of stakeholders and ensure its policies and processes prioritise issues material to these stakeholder groups. Print and electronic media are monitored as a part of the Group's key risk indicator tracking to highlight and address any significant reports relating to environmental and social concerns raised. Centrally developed policies inform customer feedback guidelines, with particular attention to social media and ensure responses are carried out in a structured manner.

Environmental, social and governance concerns are scrutinised by shareholders and investors alongside their demand for long term returns on investment. These concerns are responded to and managed through the Group's annual integrated reporting and through strengthening and updating of its policies and management frameworks as necessary. Areas of importance to stakeholders such as society, pressure groups and regulatory authorities are issues of high priority that the Group addresses through its environment and biodiversity management systems and policies, in addition to engaging with and positively impacting local communities and its value chain through its corporate social responsibility programme and supplier management frameworks. Supplier assessments highlight any gaps related to material sustainability focus areas and are

addressed through supplier engagements such as regular meetings and knowledge sharing fora.

Internally, ongoing engagements are carried out with employees, with enhancement of human capital considered of vital importance and addressing needs through prioritising skill enhancement, employee welfare and talent retention.

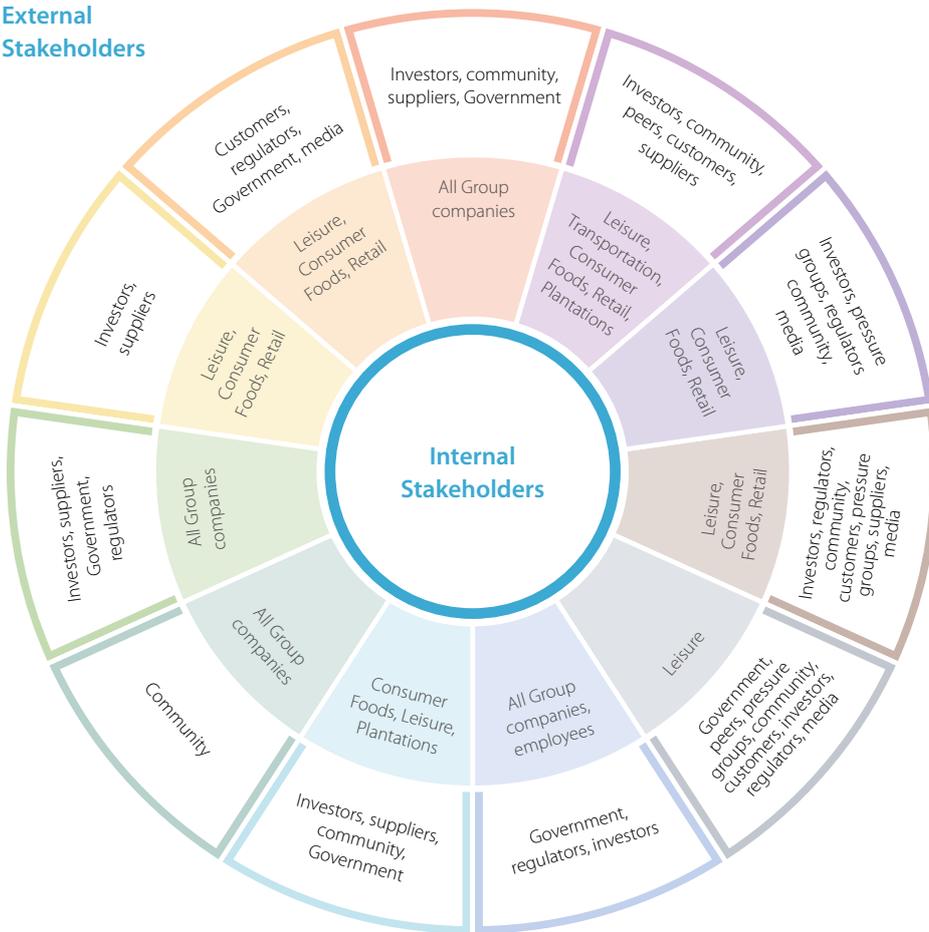
This year, challenges raised by the ongoing COVID-19 pandemic have highlighted sustainability concerns related to health and safety, product quality and responsiveness - areas that the Group has tackled through stringent health and safety and sanitisation practices for its employees, supply chain and customers, as well as through responsiveness to customer demands in the context of new and rapidly changing requirements of its stakeholders.

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Identification of Material Topics

The Group maps topics that are of concern to both internal and external stakeholders to ascertain the criticality and priority for focus and disclosure. 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 and business partners, Government and regulatory authorities, peers, pressure groups, media and the community. This year did 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:

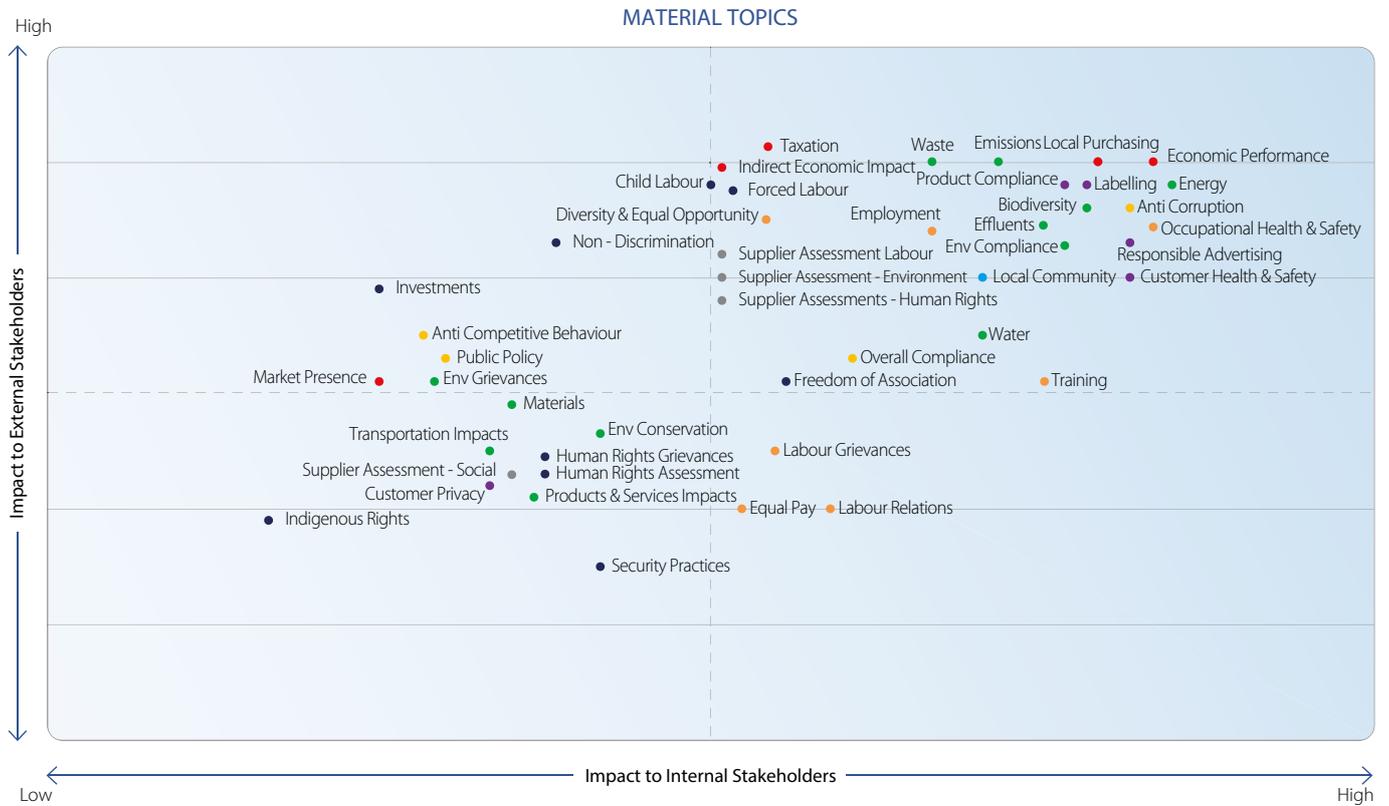
External Stakeholders



Topic Grouping

Internal	External	Material Topics
		Economic Performance, Taxation
		Procurement Practices, Indirect Economic Impact
		Energy and Emissions
		Water, Effluents and Waste
		Biodiversity and Environmental Compliance
		Employment, Diversity and Equal Opportunity, Labour Relations, Freedom of Association, Training, Occupational Health and Safety
		Non-discrimination, Prevention of Child Labour, Prevention of Forced and Compulsory Labour
		Local Communities
		Anti-corruption and Regulatory Compliance
		Supplier Assessment (Environment, Labour and Human Rights)
		Product Quality and Compliance, Labelling, Marketing Communications, Customer Health and Safety

In defining report content, the Group sought to prioritise 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, taxation, 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 in the management approach disclosures section hosted on the Group website https://www.keells.com/resource/Management_Approach_Disclosures_2020_21.pdf



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