

## NATURAL CAPITAL



We are ever mindful of the interconnections between our operations and the environment, and we are committed to augmenting our favourable environmental impacts while proactively addressing any adverse consequences. Our ongoing efforts focus on advancing the sustainable management of our operations, implementing strategic interventions to optimise resource utilisation and minimise our environmental footprint. Our goals include achieving a net zero status of emissions across the Group and reducing our resource footprint by 2030.

Strategic Priorities	Key Achievements 2022/23	Priorities for 2023/24
Increase proportion of energy consumption from renewable sources	<ul style="list-style-type: none"> <li>» 26.5% of total energy consumed within the operation, or 31% of the direct energy consumed, was generated from renewable energy sources.</li> </ul>	<ul style="list-style-type: none"> <li>» Increase energy efficiency</li> <li>» Reduce dependence on non-renewable sources by 6% YoY</li> </ul>
Strategic investments in sustainable business models and resilient infrastructure.	<ul style="list-style-type: none"> <li>» The investment in Sagasolar Power, a utility-scale solar power plant, has led to a remarkable 44% increase in renewable energy generation within the power segment</li> <li>» Group's direct energy consumption and purchased energy consumption (electricity consumption) matched with the renewable energy produced by 137% and 507% respectively.</li> <li>» 194,172 MT of total municipal solid waste was utilised for energy generation and therefore, kept away from landfills</li> </ul>	<ul style="list-style-type: none"> <li>» Increase energy efficiency of existing properties and operations</li> <li>» Reduce dependence on non-renewable sources by 6% YoY</li> <li>» DRR teams to strengthen emergency response procedures for key natural disasters identified in vulnerability assessments across the Group.</li> </ul>
Preserve, restore, and promote the sustainable use of natural ecosystems.	<ul style="list-style-type: none"> <li>» Over 8,080ha of green cover maintained including 198 acres of forest cover protected in its pristine condition adjacent to the Heritage Kandalama hotel for over 2 decades</li> <li>» Coral reef restoration projects maintained by the team at our Adaaran properties in the Maldives.</li> </ul>	<ul style="list-style-type: none"> <li>» Increase engagement with Sponsonians to influence a culture of conservation and sustainable consumption</li> <li>» Increase carbon sinks using our operations</li> </ul>
Sustainable management of emissions, effluents, and solid waste.	<ul style="list-style-type: none"> <li>» 33,314 MT, and 1,704 units of solid waste and 114,094 litres of effluents safely disposed</li> <li>» 651,347 m<sup>3</sup> of wastewater treated for safe reuse/ discharge</li> </ul>	<ul style="list-style-type: none"> <li>» Increase engagement with Sponsonians to promote the 7R principle</li> <li>» Increase resource efficiency across the Group</li> </ul>

## Our approach to Environmental Sustainability (GRI 3-3)

Aitken Spence takes a precautionary approach in managing environmental impacts by prioritising the identification of adverse environmental impacts from our operations as the basis of our strategies.

### The Group's environmental footprint contributing to potential and actual environmental impacts in a nutshell



#### Sectoral breakdown of resource consumption

Water consumption	67%	5%	28%	1%
Emissions, scope 1&2	42%	12%	37%	9%
Total Energy Consumption	44%	10%	45%	1%
Solid Waste Generation	3%	5%	92%	0%
Effluents	3%	5%	92%	0%



#### Water consumption by source (GRI 303-1, 3,5)

- Surface Water - 35%
- Municipal Water - 30%
- Harvested Rainwater - 19%
- Ground Water - 15%



#### Energy consumption by source (GRI 302 - 1)

- Diesel - 41%
- Renewable Energy - 26%
- Grid Electricity - 16%
- Furnace Oil - 15%
- LPG - 2%
- Petrol & Kerosene - 0%

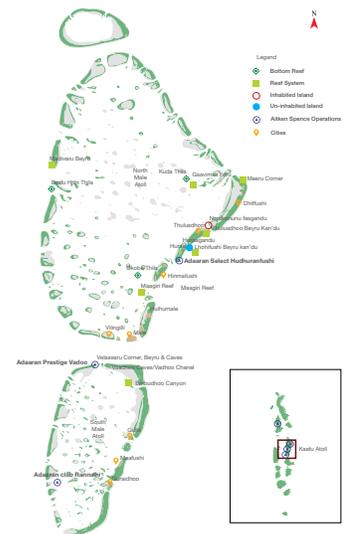


#### Emissions by source (GRI 305-1, 2)

- Grid Electricity - 30%
- Diesel - 29%
- Furnace Oil - 24%
- Fugitive emissions from fertilizer/ refrigerants - 15%
- LPG - 1%
- Emissions from fuelwood (non-biogenic) - 0%
- Petrol & Kerosene - 0%

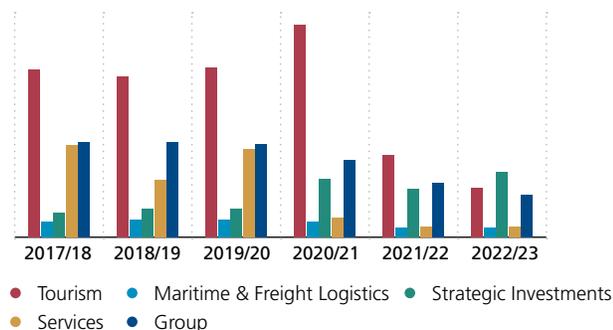


## Locations of operation mapped against protected areas and areas of high biodiversity value (GRI 304-1, 2)



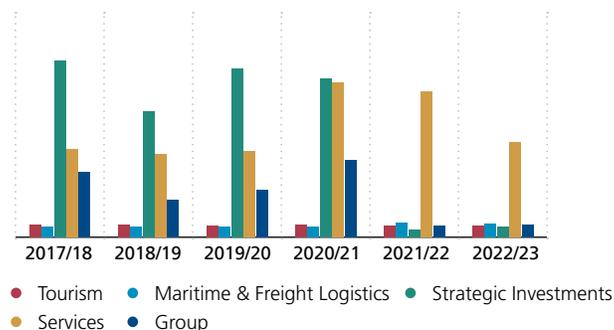
### Pattern of Water Consumption per unit Revenue

(m<sup>3</sup>/ Rs. Bn)



### Pattern of Total Scope 1 & 2 Emissions per Unit Revenue

(tonnesCO<sub>2</sub>e/ Rs. Bn)



### Materials used (GRI 301-1, 2, 3)

		Group total
Lubricating oil/ grease	L	105,191.27
Paper	MT	4,400.53
Biodegradable packing material	MT	58.76
Biodegradable packing material	Nos	37,671.53
Non-biodegradable packing material	MT	0.06
Non-biodegradable packing material	Nos	1,940,250.00
Repurposed biodegradable packing material	MT	0.04
Repurposed biodegradable packing material	Nos	1.00
Fabrics (Yards)	Yards	2,364,839.00
Inorganic fertiliser	MT	3,093.47
Organic fertiliser	MT	4,700.65
Pesticides	MT	2.17
Agricultural chemicals	MT	14.70
Green leaf - produced	MT	11,493.87
Green leaf - bought from local suppliers	MT	6,869.98
Latex - produced	MT	754.57
Latex - bought from local suppliers	MT	164.15
Residual municipal solid waste	MT	194,172.00

The freight segment fulfils 5% of the non-biodegradable packing material (bubble wrap) requirements and 3% of the paper-based packing material requirements through repurposed materials whereas 100% of the input materials for the waste to energy power plant are repurposed residual municipal solid waste. The hotels segment reclaims more than 20 types of solid waste for safe reuse or disposal.

The plantations segment has set strategic priorities to manage the use of fertiliser as well as the fugitive emissions from the same. Mechanisms utilised by the plantations segment to manage the use of fertiliser is detailed in the Strategic Investments Sector review in this report as well as the annual report of Elpitiya Plantations PLC.

Considering the environmental footprint relevant to the nature and scale of our diverse operations, these are the environmental topics material to the Group by priority;

	High significance	Medium significance	Low significance
Governance	Compliance & ESG	Innovation	
Environmental impact control	Energy consumption	Supplier environmental assessment	Materials
	Emission control		
	Effluent control	Biodiversity	
	Water consumption		
	Solid waste management		

**Our approach to environmental impact management**

To manage the environmental topics mentioned and curb actual/ potential impacts, the Group employs environmental management systems (EMSs) aligned with international standards (ISO 14001, ISO 50001, RA, FSC, Travelife, etc.). Business segments implement customised systems based on their operational priorities and identified impacts, guided by the Group's integrated sustainability framework. The Group and its companies also strive to enhance positive value creation as a key component of this strategy.

Operational decisions for environmental impact control are made at segment level, with Managing Directors overseeing progress and approving actions. The Sustainability Division guides segmental sustainability subcommittees, while internal inspections ensure compliance and improvement. Significant decisions are reviewed at GSB and escalated to the Board level.



## General strategies adopted across the Group for environmental impact control at a glance;

### Systemic efforts and progressive improvements for environmental impact control and sustainable value addition

For example;

- M**  
Must Do
- » Implementation of an EMS mandated for all segments
  - » Internal inspections and reviews to be conducted at least once a year
  - » Alignment of ESG due diligence procedures to global benchmarks

- S**  
Should Do
- » Operations within or adjacent to protected areas or areas of high biodiversity value should have higher environmental impact controls to ensure zero adverse impacts on natural ecosystems

- C**  
Could Do
- » Segment could seek certification for their EMS



### Management systems



- » 98 Management systems maintained across the Group for environmental impact control
- » 40 Management systems are certified in accordance with international standards and global best practices

### Invest in energy efficient technology, retrofitting for greener buildings and renewable energy

- » 100% of the factory roofs in Elpitiya Plantations utilised to generate solar power
- » Energy audit conducted at Aitken Spence Towers during the year under review by the National Cleaner Production Centre (NCPC)



### Progressively improve environmental awareness among Spensonians and enable a 'Green Workforce'

- » Power Learning sessions, webinars with topic experts and focused training programmes conducted for Spensonians
- » 100% new recruits briefed on the Group's commitments to sustainability through the Group's Roots to Excellence orientation programme



### Engage with suppliers and key stakeholders to ensure a sustainable supply chain

- » 1,203 suppliers screened during the year (over 4,000 in total and roughly 4% of our supply chain) to ensure due diligence with ESG (GRI 308-1)



### Plan strategic interventions to influence sustainable consumer behaviour

- » The destination management segment provides guidelines on sustainable tourism practices to guests and also use conservation programmes to increase awareness about ecosystem sustainability through the 'Travel Kindly' brand



**Our performance in a nutshell;**

Our key targets	Current performance
Source 50% of the Group's energy requirements from renewable sources by 2030	26.5%
Match the Group's energy consumption from non-renewable sources with renewable energy produced by 100%	Direct energy consumed from non-renewable sources matched by 137%  Energy consumed from grid electricity matched by 507%
Ensure zero adverse impacts on water bodies and natural ecosystems from our operations	Achieved for 2022/23
Reduce overall resource footprint	Proportion of ground water and surface water withdrawn dropped by 37% and 17% respectively while the water consumed from harvested rainwater increased by 322%
Achieve net zero emission status by 2030	Group's energy consumption per unit revenue reduced by 27% from 2021/2022 while the water consumption per unit revenue reduced by 23% in the same period.  The Group partnered with the NCPC to revise the Group's targets and develop an action plan

**Accelerating climate ambitions**



Aitken Spence was the first diversified Group to make a public commitment to set a science-based target for emission reduction in alignment with the SBTi target setting criteria. Aitken Spence is also a member of the Business Ambition for 1.5 C campaign, an urgent call to action from a global coalition of UN agencies, businesses, and industry leaders in partnership with the Race to Zero. Accordingly, the Group is currently working with the National Cleaner Production Centre (NCPC) to re-assess the Group's emission benchmarks and develop action plans to achieve net zero emission status by 2030.

**Energy and emission management** (GRI 3-3, 302-1, 2, 3, 4, 5; 305-1, 2, 3, 4, 5, 6, 7)

Managing energy consumption is a key priority for the Group and Aitken Spence employs several strategies to effectively manage our energy footprint, including enhancing energy efficiency, transitioning to renewable energy sources for our energy requirements, and making investments in renewable energy generation.

In-house monitoring and reporting practices were further improved during the year to include targeted emissions in emission related calculations. However, limitations still exist in calculating fugitive emissions included in the scope 1 emissions calculated for the Group (emissions from refrigerants and other ozone depleting substances as applicable). We do not calculate energy consumption outside the organisation and scope 3 emissions as past assessments conducted on the Group's energy consumption and emissions indicated direct energy usage (scope 1 emissions) to be the primary source of our emissions followed by scope 2 emissions (emissions from purchased energy). Although we currently do not monitor or report energy consumption outside the organisation and scope 3 emissions, we are working with the NCPC to establish benchmarks and re-assess these aspects towards our 'net zero' action plans. The waste to energy power plant routinely monitors NOx, SOx and PPM levels and remained within stringent global benchmarks during the year.

Due to the nature of our operations, it is difficult to differentiate the energy consumed per product or service. As a result, we evaluate the energy requirements of the Group per unit of revenue to gain insights into these aspects. It should also be noted that we currently do not report on the emissions absorbed by the carbon sinks maintained within our operations and the emissions offset by diverting municipal solid waste from landfills to generate energy. We hope to include these figures into our reports from 2023/24.



	Unit of Measure	Group				
<b>Total Direct Energy Consumption within the Organisation (GRI 302-1)</b>						
Non-renewable sources						
Petrol	GJ	4,063	1,273	527	1,623	639
Diesel	GJ	360,473	272,602	69,510	16,584	1,777
Furnace Oil	GJ	128,943	-	-	128,943	-
LPG	GJ	20,149	19,854	14	281	-
Kerosene	GJ	1	-	-	1	-
Total energy consumed from non-renewable sources	GJ	513,629	293,729	70,051	147,432	2,417
Renewable sources						
Biomass/fuel wood	GJ	174,661	10,480	-	164,181	-
Briquettes	GJ	116	-	-	116	-
Hydropower	GJ	1,402	-	-	1,402	-
Solar energy	GJ	2,166	2,166	-	-	-
Wind energy	GJ	361	-	-	361	-
Municipal solid waste	GJ	55,985	-	-	55,985	-
Total energy consumed from renewable sources	GJ	234,692	12,646	-	222,046	-
Total indirect energy consumption within the organisation	GJ	138,598	84,418	16,761	30,120	7,300
Total energy consumption within the organisation - 2022/23	GJ	886,920	390,794	86,812	399,598	9,717
Energy consumption per unit revenue (Rs. Billion) - 2022/23 (GRI 302-3)	GJ/ Rs. Bn	9	7	4	23	5
Reduction in energy consumption (GRI 302-4,5) i. e. YoY difference in energy used per unit revenue for products/ services	%	27%	42%	25%	22%	-77%
<b>Emissions</b>						
Direct (Scope 1) GHG emissions (GRI 305 - 1)	tCO <sub>2</sub> e	65,584	21,708	8,011	29,005	6,861
Energy indirect (Scope 2) GHG emissions (GRI 305 - 2)	tCO <sub>2</sub> e	27,827	17,699	2,748	5,940	1,440
Reduction of GHG emissions/ emissions offset (GRI 305 - 5)	tCO <sub>2</sub> e	95,333	1,229	94	94,006	4
Emission intensity (emissions per unit revenue, GRI 305-4)	tCO <sub>2</sub> e /Rs. Bn	1.0	0.7	0.5	2.0	4.0

## Water and effluent management

(GRI 303-1, 2, 3, 4, 5)

Aitken Spence places a strong emphasis on responsible water consumption and minimising negative impact on water bodies. These priorities are integrated within the environmental management systems implemented throughout the Group. Systematic interventions undertaken within these EMSs to address these priorities, include enhancing water use efficiency, treating wastewater to ensure safe reuse or disposal, harvesting rainwater, and actively promoting awareness among Spensonians about the significance of responsible water consumption.

The quantities reported combine water withdrawal and consumption, treating the total water withdrawn as consumed, as the reported quantities are not returned to the original source. Effluents from plantations, printing, hotels, power, and apparel segments are treated for safe reuse to reduce freshwater withdrawal or discharged in compliance with regulations. The plantations segment maintains measures to prevent contamination from surface runoff, including dedicated wash bays and buffer zones for pollutant filtration and water flow regulation. The printing segment upgraded its effluent treatment facility to treat all generated effluents on-site. The hotels segment treats 100% of

the wastewater generated in Sri Lanka and the Maldives for gardening, also reusing the separated sludge as fertiliser.

Minimum standards for the quality of effluent discharge were determined based on compliance requirements stipulated in the respective environmental protection licenses. We assume 100% of the water withdrawn to be the water requirement for our products and services. Although we conduct tests on the wastewater to ensure it meets the minimum standards specified in the EPLs, a limitation we have identified is that the discharge is not monitored separately by destination. The Group will introduce this aspect into future reviews.

Water usage	Unit of Measure	Group				
Total water withdrawn (GRI 303 - 3)	(m3)	1,094,597	728,845	53,730	306,404	5,619
Water recycled and re-used/ safely disposed (GRI 303 - 3,5)	(m3)	651,347	610,206	6,336	34,683	122
% of water recycled and re-used/ disposed (GRI 303 - 3,5)	%	60	84	12	11	2
Water sources significantly affected by withdrawal of water (GRI 303 - 2)		None	None	None	None	None
Water withdrawn from areas in water distress (GRI 303-5)		None	None	None	None	None

### Resource consumption and waste management

(GRI 3-3, 306-1, 2, 3, 4, 5)

Aitken Spence embraced the 7R principles over two decades ago, as a guiding framework for responsible consumption and production of resources within the organisation. These principles have since become deeply ingrained in our culture and serve as the foundation for all decisions concerning resource usage in the management systems across the Group. The 7R principle focuses on promoting sustainable and responsible resource utilisation across our operations, aiming to maximise resource efficiency, minimise waste generation, and reduce our overall environmental impact.



### Waste generated within the organisation is sold for recycling/ reuse or handed over for reuse to authorised vendors (GRI 306 - 1, 3, 4, 5)

Waste by Type and Disposal Method	Unit of Measure	Group				
Solid waste - hazardous	Tonnes	3,519	50	4	3,466	0.1
	Units	464	0	373	15	76
Solid waste - non-hazardous	Tonnes	29,795	1,157	763	27,866	9
	Units	1,240	-	491	749	-
Waste oil, ETP/ STP sludge - hazardous	Litres	92,400	-	-	92,400	-
Waste oil, ETP/ STP sludge - non-hazardous		21,694	3,285	6,048	12,361	-
Total number and volume of significant spills or adverse impacts from the waste generated		None	None	None	None	None

With the establishment of the waste to energy power plant, a total quantity of 194,172 MT of municipal solid waste from the Colombo district has been diverted from disposal to be converted to energy for the national grid. The hotels segment disposed 883MT of miscellaneous waste compliant with the stipulations in the Maldives. All other waste including hazardous waste such as plastic waste, is diverted from disposal compliant to stipulations in the country to be repurposed or recycled.

## Biodiversity conservation

(GRI 3-3, 304-2, 3, 4)

Our operations cover various industries and geographical regions, often intersecting with areas of significant biodiversity. In the plantation sector, we operate near valuable natural resources, and as a prominent player in the tourism industry, we frequently interact with national parks, protected areas, and ecologically important sites. To fulfil our proactive and precautionary approach to environmental and social impact management, we are firmly dedicated to the preservation of biodiversity and the ecosystems we encounter. Our commitment is demonstrated through focused conservation initiatives that aim to safeguard and conserve the diverse natural resources within our operational domains.

## Conservation of natural ecosystems



### Forest ecosystems

- » Over 8,000 ha of green cover maintained in the plantations segment
- » 198 acres of forest cover adjacent to Heritance Kandalama along with 58 acres inside the property maintained in its pristine condition for over 2 decades with a further 13 acres acquired in 2022/23 for conservation at an investment of Rs. 48 million

### Marine ecosystems

- » 'Save the LUNGS, Save the OCEANS' programme, launched in June 2020 by Adaaran Resorts Maldives, maintained to date to restore coral reefs
- » The Travel segment supported the Turtle Conservation Project in Rekawa, covering nocturnal beach patrolling costs to protect turtle nests.
- » Coastal hotels in Sri Lanka conduct weekly beach cleaning programmes with guest and community participation.

## Reforestation



- » 350 trees added to the tree belt at the Embilipitiya power plant, with an additional 850 trees donated for community tree planting projects

### Plantations segment;

- » As of 2023, 37% of the designated land area for buffer zones has been successfully converted. This progress includes the addition of 7,975 bamboo clusters over 14.5 hectares during the year, resulting in a total of 33,729 plants added to the buffer zones so far.
- » 1,912 indigenous trees (Hora, Jack, Kumbuk, Mee) planted to restore stream reservations and connect animal corridors over 166 ha
- » 8,879 high shade trees planted in the fields

## Protecting biodiversity



- » Our efforts to preserve habitats has led to the protection of a range of fauna and flora including,
  - » 19 species of reptiles and amphibians
  - » 64 species of butterflies and dragonflies
  - » 128 species of native flora
  - » 183 species of birds

This includes IUCN Red List species and national conservation list species with habitats in the forest cover maintained by Heritance Kandalama hotel as well as the plantations segment.

- » The tree belt maintained at the Embilipitiya power plant is home to 6 bee colonies
- » The destination management segment adopted another baby elephant named 'Anagi' after 'Bhanu' was released back into the wild after being nurtured for 5 years at the Elephant Transit Home, Ath Athuru Sevana.

## Employee engagement for education and awareness on conservation



- » 100% Sponsonians in the destination management segment are educated on sustainable tourism practices following the Travelife standard. The teams are also guided to promote less popular national parks to reduce congestion in popular parks like Yala.
- » Sponsonians who won a quiz on the 7Rs visited the 'Zero-Trash' plastic collection site to learn about the impacts of plastic pollution and how to reduce it.
- » The apparel segment introduced the Haritha Kedella programme, distributing vegetable plants to employees to encourage cultivation in their households.
- » The apparel segment expanded the 'Ape Rahe Piyasa' program to the Koggala facility, fostering sustainability and an entrepreneurial mindset. It included an eco-friendly store where staff sold homegrown produce and homemade food, with profits benefiting the employees.

## Engaging with suppliers for conservation



- » The destination management segment educates safari drivers annually on guidelines to be followed in the national parks and the importance of conserving ecosystems and biodiversity.
- » During the year, the segments maintained their efforts to cascade ESG due diligence procedures across the supply chain;

(GRI 308-1, 414-1)

	Suppliers screened during the year	Total suppliers screened to date
	144	1,428
	576	1,278
	112	1,552
	61	185
	1,203	4,443

*New and existing suppliers screened on ESG*