

# Our Strategy



## Vision

To achieve excellence in all our activities, establish high growth businesses in Sri Lanka and across new frontiers and become a globally competitive market leader in the region.

## Purpose

“Inspire to Create Great Futures for All”

## Our Values

- » Reliable
- » Honest & Transparent
- » Warm & Friendly
- » Genuine
- » Inspire Confidence



## Transformational Leadership

In order to strive towards greater competitive market leadership, Aitken Spence recognises the importance of transformative leadership in its next phase of expansion. As a result, the Group's leadership evolution strategy focuses on building leaders who can effectively bring about the transformational reforms to achieve this objective. To drive development in a volatile, unpredictable, complex, and ambiguous (VUCA) world, we must enable our leaders to work effectively in the new norm by adopting digitalisation in every aspect of operations. Building the next generation of leaders who can successfully support the growth cycle and step into the forefront to address future problems is also critical. The Group has recognised this need and has included it in our year-ahead strategy, with major resources devoted to its fulfilment.



## Integrating ESG

As a part of our Group strategy, we have integrated environmental and social governance (ESG) into all functional strategies. We strongly believe sustainable growth is not possible without socioeconomic and environmental sustainability. ESG criteria and priorities are integrated into the Group's processes and centrally coordinated by a dedicated team. Based on the material topics identified for the Group, we measure and monitor our performance on ESG targets. The quantified outcomes are measured against the objectives set for the material topics. This guides us to facilitate efficient resource allocation and compliance with defined ESG goals creating an environmentally and socially conscientious workforce and sustainable operations.



# Our Strategy

| Functional Strategy   | Objective  |
|---|--|
|  <b>Growth through investments, mergers &amp; acquisitions</b> | <ul style="list-style-type: none"> <li>» Strengthen existing businesses with customer value creation.</li> <li>» Diversify into new geographies and new business segments as a catalyst for transformation.</li> </ul>   |
|  <b>Organisational effectiveness</b>                           | <ul style="list-style-type: none"> <li>» Focus on customer centric offerings</li> <li>» Optimise asset utilisation</li> <li>» Strengthen and nurture our capitals</li> <li>» Process re-engineering for process improvement</li> </ul>   |
|  <b>Empowering our people</b>                                  | <ul style="list-style-type: none"> <li>» Fostering an innovative learning organisation</li> <li>» Leadership development and building bench strength for critical positions</li> <li>» Inculcating a performance-driven work culture</li> <li>» Ensure diversity, equity and inclusion</li> <li>» Effective employee engagement to ensure wellness and well-being</li> <li>» Optimise Semi-Virtual Mobility (SVM) work model in the new normal</li> </ul>                      |
|  <b>Digital strategy</b>                                     | <ul style="list-style-type: none"> <li>» Enable new innovative experiences for our customers</li> <li>» Digitise and digitalise business operations</li> <li>» Develop a digital centric and efficient workforce</li> <li>» Build a technologically resilient organisation/culture</li> <li>» Inculcate a cyber-safe workplace</li> <li>» Digital learning organisation</li> </ul>   |
|  <b>Demand creation &amp; management</b>                     | <ul style="list-style-type: none"> <li>» Increase visibility</li> <li>» Creation/ differentiation of the unique selling proposition (USP) of our products and services</li> <li>» Retention and expansion of customer portfolio</li> </ul>   |
|  <b>Financing &amp; investment</b>                           | <ul style="list-style-type: none"> <li>» Concentration of investments in priority sectors of the economy such as renewable energy</li> <li>» Diversification of investment portfolio</li> <li>» Ensure investments meet the identified hurdle rate of the Group</li> <li>» Effective use and trade-off of resources</li> <li>» Management of cost structures</li> <li>» Sustained growth of the value of the company</li> <li>» Availability and access to finances</li> </ul> |
|  <b>Managing supply chains</b>                               | <ul style="list-style-type: none"> <li>» Continuous and secure business networks</li> <li>» Responsible procurement</li> <li>» Diversification of the sourcing network</li> <li>» Opportunities for local suppliers</li> <li>» Maintaining lead times and contingency reserves</li> </ul>  |

## Key Results

- ✓ Revenue Rs. 54.7 Bn
- ✓ Total assets Rs. 197.3 Bn
- ✓ Net assets Rs. 66.0 Bn
- ✓ Profit attributable to equity shareholders Rs. 10.5 Bn

***Detail discussion in Chairman's statement, Deputy Chairman & Managing Director statement, Financial Capital and in Sector reviews***

- ✓ EBITDA margin of 30%
- ✓ Profit from operations Rs.16.4 Bn
- ✓ Brand equity and loyalty
- ✓ Market share and positioning

***Detail discussion in Chairman's statement, Deputy Chairman & Managing Director statement, Financial Capital and in Sector reviews***

- ✓ Value distributed to employees Rs. 9.8 Bn
- ✓ Transition to semi-virtual mobility
- ✓ Learning coverage – 11 learning hours per employee
- ✓ Employees over 10 years of services 29%
- ✓ 40% female representation in the workforce
- ✓ 50% female representation in the Group Supervisory Board

***Detail discussion in Human Capital report and Gender parity report***

- ✓ Omni-channel and connected customer experiences
- ✓ Digital transformation and Robotic Process Automation
- ✓ Technologically certified cross-functional teams that are driven by innovation
- ✓ Autonomous change management and learning built into the culture

***Read more in the Digital Transformation report, Human Capital report and Sector Reviews***

- ✓ Revised brand strategy to engage with target markets through more accessible channels
- ✓ Developing strategic relationships with customers through value addition
- ✓ Efforts taken to strengthen the communications teams to serve our customers better

***Read more in the Social Relationship Capital and Intellectual Capital***

- ✓ Sustainable financial returns and cash flows to stakeholders
- ✓ Strong balance sheet
- ✓ Sustainable improvement of ROCE
- ✓ Market capitalisation of Rs. 29.9Bn
- ✓ Healthy debt to equity and liquidity ratios

***Detail discussion in Deputy Chairman's statement, Financial Capital and in the Sector reviews.***

- ✓ Maintenance of resilient supply chains
- ✓ Timely and quality delivery of goods and services
- ✓ Uninterrupted business operations
- ✓ ESG procedures rolled out through the supply chain

***Read more in the Social Relationship Capital and Intellectual Capital.***

# Our Value Creation Model

## Relevant SDGs



## OUR INPUTS

### MANUFACTURED CAPITAL



Buildings

**Rs. 52.2 Bn**



Plant & Equipment

**Rs. 21.5 Bn**



Assets under construction

**Rs. 287.4 Mn**

### FINANCIAL CAPITAL



Equity  
**Rs. 65.9 Bn**

Interest Bearing Loans & Borrowings

**Rs. 57.9 Bn**



Market Capitalisation

**Rs. 29.2 Bn**

### HUMAN CAPITAL



Employees  
**12,606**

**40.1%**  
FEMALE Employees

**PROFESSIONAL SKILLS & INDUSTRY ACUMEN**

### INTELLECTUAL CAPITAL

Over **140** Management systems out of which over 80 are certified



**INNOVATION & DIGITISATION**

Over **20** registered trademarks



Strong **BRAND** presence

### NATURAL CAPITAL

Land base  
**Rs. 18.9 Bn**



Total Water used  
**790,024 m<sup>3</sup>**

Over **8,080** Hectares of green coverage

Total energy consumption  
**918,173 GJ**

### SOCIAL & RELATIONSHIP CAPITAL



**SUPPLIERS CUSTOMERS COMMUNITIES GOVERNMENTS**

## PROCESSES

### Factors within our control

Strategy

Relationships with our stakeholders

Effective resource allocation

Effective governance and compliance



### TOURISM

- Destination Management
- Hotels
- Airline GSA

### MARITIME & FREIGHT LOGISTICS



- Maritime & Port services
- Freight Forwarding & Courier
- Integrated Container Services
- Airline GSA (Cargo)
- Education

### STRATEGIC INVESTMENTS

- Printing
- Power
- Plantations
- Apparel



### SERVICES

- Insurance
- Elevators
- Money Transfer
- Real Estate



### Factors beyond our control

Impact of COVID 19

Depreciation of Sri Lankan Rupee

Foreign exchange reserve

Political instability of the country

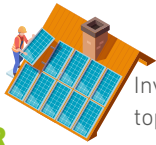
Russia & Ukraine conflict

Commodity prices

## KEY ACTIONS TAKEN DURING THE YEAR

### MANUFACTURED CAPITAL

Acquisition of **WALTRIM HYDROPOWER PLANTS**



Investing in roof top solar panels in our manufacturing plants



Commenced construction of the **NEW WAREHOUSE FACILITY**

### FINANCIAL CAPITAL

Stringent control of **OVERHEADS**

Increase in **INVESTMENTS**

Maintaining an EBIT margin of **30.0%**

### HUMAN CAPITAL

**VACCINATION PROGRAMME** conducted for employees

**REIMBURSEMENT** of COVID 19 related and general **MEDICAL EXPENSES** of the employees



Improved **GENDER** diversity

Semi-virtual mobility extended to **35%** of staff

### INTELLECTUAL CAPITAL

**DIGITAL TRANSFORMATION** of the Group

Continuously **REVIEWED & UPDATED** strategies

Investment in digitisation through **RPA INITIATIVE**

### NATURAL CAPITAL

Contribution to the country's **RENEWABLE ENERGY** portfolio

**RAINWATER HARVESTED** for consumption

Commitment to invest in sustainable industrialisation, resilient infrastructure, and concerted efforts to protect ecosystems

Reduction in **ENERGY CONSUMPTION**

### SOCIAL & RELATIONSHIP CAPITAL

Acquired new **PRINCIPALS & RETAINED** all previous ones

**VALUE** added to the community

**TAX PAID** to Governments

Long standing and **TRUSTED PARTNERSHIPS** with suppliers

Support local communities through **CSR PROJECTS**

Facilitated **FOREIGN EXCHANGE REMITTANCES** to Sri Lanka

## OUR OUTPUTS

### TO OUR INVESTORS, SHAREHOLDERS, BANKS & FINANCIAL INSTITUTIONS

**Rs.3.8 Bn**  
Finance Expense

**Rs. 10.5 Bn**  
Profit attributable to equity holders

**Rs. 1.6 Bn**  
Interim dividend proposed to be paid to equity holders

**Rs. 1.5 Bn**  
Dividends paid to Joint venture partners

### TO OUR EMPLOYEES

**Rs. 9.8 Bn**  
Remuneration & benefits

**Rs. 19.9 Mn**  
Investment in training

**140,287**  
Training hours

### TO GOVERNMENTS AND REGULATORS

**Rs. 4.3 Bn**  
Total Taxes paid to Governments

**Rs. 40.8 Bn**  
Foreign exchange facilitated to the country

**456,818 GJ**  
Contribution to the national power grid

### TO OUR COMMUNITIES

**Rs. 48.9 Bn**  
Paid to suppliers

**Over 30%**  
of the management teams at our hotels are from local communities

**Rs.127.5 Mn**  
CSR investment

### TO OUR CUSTOMERS

**754,500**  
Guest Nights

**4.5 Mn Kg**  
Tea produced

**60,974**  
Tourist pax handled

**3,600 MT**  
Printed materials

**941,108**  
TEU's handled

**3.9 Mn**  
Pieces of Apparel Manufacture





# Our Value Creation Model

## CREATION, CONSUMPTION AND PRESERVATION OF VALUE

### INVESTORS, SHAREHOLDERS, BANKS FINANCIAL INSTITUTIONS

In an extremely difficult operating environment, the Group delivered positive results to our investors in the form of capital appreciation and dividend growth. We met our debt obligations to our capital lenders by repaying capital and interest when it became due.

- » Financial stability and access to financial capital
- » Continuous engagement with funders and investors
- » Preserving liquidity
- » Sound risk management and strong governance practices.
- » Equal treatment to all shareholders in terms of access to information, management, and feedback
- » Focused on Improving robustness of business and strength of balance sheet

#### Capital Trade Offs



#### Material Topics



#### Link to Strategy

- » Growth through investments, mergers & acquisitions
- » Financing & investment

### EMPLOYEES

In a resource-constrained climate, retaining jobs and guaranteeing continued professional development are vital to our human capital, which is critical to our operational efficiency and social and relationship capital.

- » Promote employees' health and safety
- » Increase engagement
- » Continuous learning and development
- » Vaccination programs conducted & keen concern on employee vaccination
- » Reskilled workforce to face the changing dynamics of the working environment
- » Focus on inclusion and embedding diversity into our culture

#### Capital Trade Offs



#### Material Topics



#### Link to Strategy

- » Organisational effectiveness
- » Empowering our people

### CUSTOMERS

As a diversified Group our products and services are used by government institutions and businesses. Consistent and superior product quality and reliability is the hallmark of our customer value proposition. We therefore invest in enhancing our product offering and service capabilities across sectors through investments in our people, tangible and intangible assets to deliver sustainable value to this diverse group of stakeholders. We meet customer needs in a timely and cost-effective manner.

- » Differentiated products and services to satisfy customer solutions
- » Constructive and transparent engagement to foster win-win relationships
- » Consistent and predictable delivery of high-quality products that meet specifications

#### Capital Trade Offs



#### Material Topics



#### Link to Strategy

- » Demand creation & management
- » Growth through investments, mergers & acquisitions
- » Organisational effectiveness

## SUPPLIERS & SERVICE PROVIDERS

We strive to strengthen our social and relationship capital by interacting with suppliers in a collaborative manner. We have trustworthy suppliers and business partners, which was key in achieving the sustainable growth.

- » Empowerment through skill development
- » Work with suppliers to grow their businesses, particularly in enterprise and supplier development
- » Engage with suppliers regarding our ESG goals

### Capital Trade Offs



### Material Topics



### Link to Strategy

- » Organisational effectiveness
- » Financing and investment
- » Managing supply chains

## GOVERNMENT & REGULATORS

Indirect and direct taxes form a vital part of the revenue generation to a country, which in turn paves the way for facilitating the Government's development policies to achieve macroeconomic growth and stability. The Aitken Spence Group as a conscientious corporate citizen stringently complies with all statutory provisions and payments.

- » Sustainable sources of funding for social programs and public investments. Programs providing health, education, infrastructure and other services are important to achieve the common goal of a prosperous, functional and orderly society.

### Capital Trade Offs



### Material Topics



### Link to Strategy

- » Growth through investments, mergers & acquisitions
- » Financing & investment

## COMMUNITIES

We continue building social and relationship capital as sound community relationships are key to our social license to operate. We recognise the significant impact we can have on our communities due to our strong presence in economically and socially important sectors across geographies. Our environmental priorities are integrated into our business strategies, with the objective of lowering our negative environmental impact.

- » Create business opportunities for local enterprises
- » Jobs for unemployed youth and other community members
- » Invest in CSR initiatives
- » Attempts to increase local skill capacity
- » Solid & sustainable social relationship
- » Minimise environmental impact

### Capital Trade Offs



### Material Topics



### Link to Strategy

- » Organisational effectiveness
- » Empowering our people
- » Financing & investment
- » Managing supply chains

● Deduction of capital ● Enhancement of capital