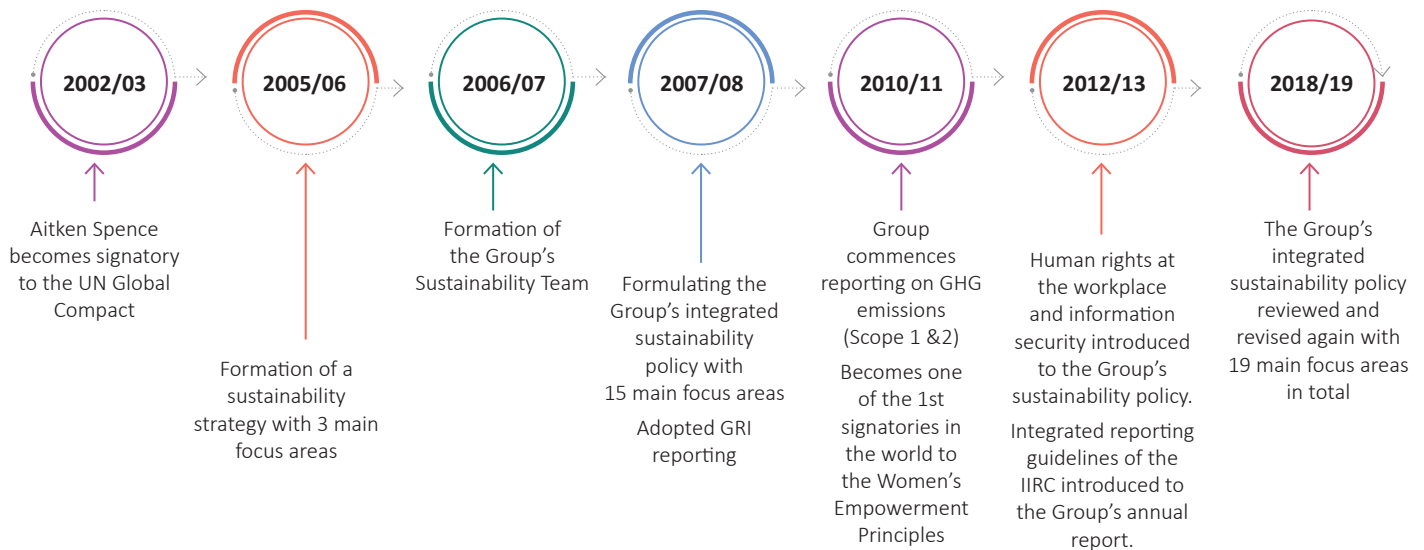


MATERIALITY

Aitken Spence is a pioneer in the sustainability movement in Sri Lanka and adopted a systemic and scientific approach early on to manage social and environmental priorities of the Group.



The Group developed a process to identify and prioritise material topics for environmental and social performance. A summary of this process is given below;

Process to Determine Material Topics

1. ASSESS POTENTIAL SOCIAL AND ENVIRONMENTAL IMPACTS

Mechanisms to identify impacts

- Defining the Group's Sustainability Framework- review of national and global development priorities, requirements of voluntary endorsements such as the UN Global Compact, Women's Empowerment Principles, Global Reporting Initiative etc.
- Desk reviews of our operations (e.g. operating environment and context for environmental and social impacts, compliance requirements, etc.)
- Feedback from our Sustainability Sub-Committees within the Subsidiaries
- Results of internal and external inspections and non-financial audits
- Feedback from key stakeholders

2. PRIORITISE MATERIAL TOPICS

Our filters to prioritise material topics

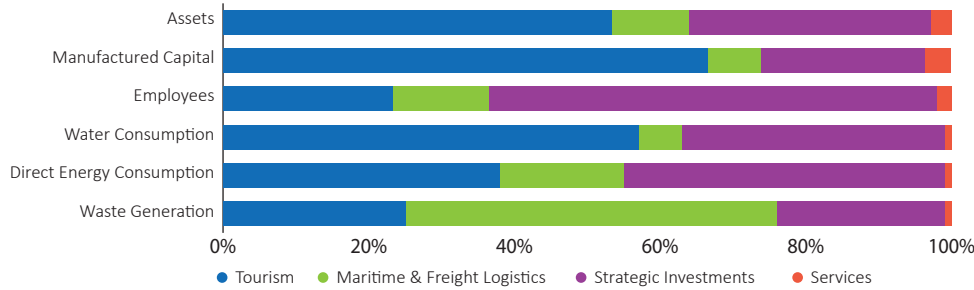
- Scale of the Impact: potential impact from the activity/ operation is significant
- Frequency of the Impact: perceived impact is low, but the frequency of impact occurrence is high
- Compliance Requirements: specific control measures are required by law for the activity/ operation or is stipulated within voluntary endorsements
- Risks to the company or key stakeholders: perceived risks have a high likelihood to disrupt the operation
- Public Perception: Key stakeholders such as community members consider action or control measures to be a requirement

Mechanism to prioritise topics;

- If any one of these criteria are marked as 'high' for an identified topic (operational aspect), it is considered a material topic.
- If the impact as well as the impact frequency are marked 'moderate', it is considered a material topic.
- If 4 out of the above-mentioned criteria are marked 'moderate', it is included into the list of priorities to be considered for action.
- All other aspects are revisited in routine reviews to assess materiality.

MATERIALITY


Operating environment and context for environmental and social impacts



The following material topics prioritised for our companies are commensurate with the nature and scale of the operational activities, resources that cause impacts, emissions, effluents and solid waste generated as well as concerns raised by key stakeholders in our assessments. The Group’s sustainability strategy given on the next page explains how we use a three-pronged approach to guide our companies to implement action on identified priorities.

Note:

1. the significance of the organisation’s impacts for the economy, environment or society
2. their substantive influence on the assessments and decisions of stakeholders.

Non-financial material topics (in summary)								
	1	2	1	2	1	2	1	2
Energy management	High	Medium	Medium	Medium	High	High	Low	Low
Water consumption	High	High	Low	Low	High	High	Low	Low
Effluent control	High	High	Medium	Medium	High	High	Low	Low
Emission control	High	Medium	Medium	Medium	High	High	Low	Low
Solid waste management	High	High	Medium	Medium	High	High	Medium	Medium
Impacts on biodiversity	High	High	Low	Low	High	High	No	No
Supplier environmental performance	High	Medium	Medium	Low	High	Medium	Low	Low
Environmental compliance	High	High	Medium	Medium	High	High	Low	Low
Employment practices	High	High	High	High	High	High	High	High
Employee relations	High	High	High	High	High	High	High	High
Health and safety	High	High	High	High	High	High	High	High
Employee skills development	High	Medium	High	High	High	Medium	High	High
Human rights at the workplace	High	High	High	High	High	High	High	High
Local communities	High	High	Medium	Medium	High	High	Low	Low
Supplier social performance	High	Medium	Medium	Medium	High	High	Low	Low
Customer health and safety	High	High	Medium	Medium	High	High	High	High
Product responsibility	High	High	Medium	Medium	High	High	High	High
Socio economic compliance	High	High	Medium	Medium	High	High	Low	Low

○ No significance ● Low significance ● Medium significance ● High significance

Please refer to the GRI Index for the detailed list of topic specific standards that we have reported on.

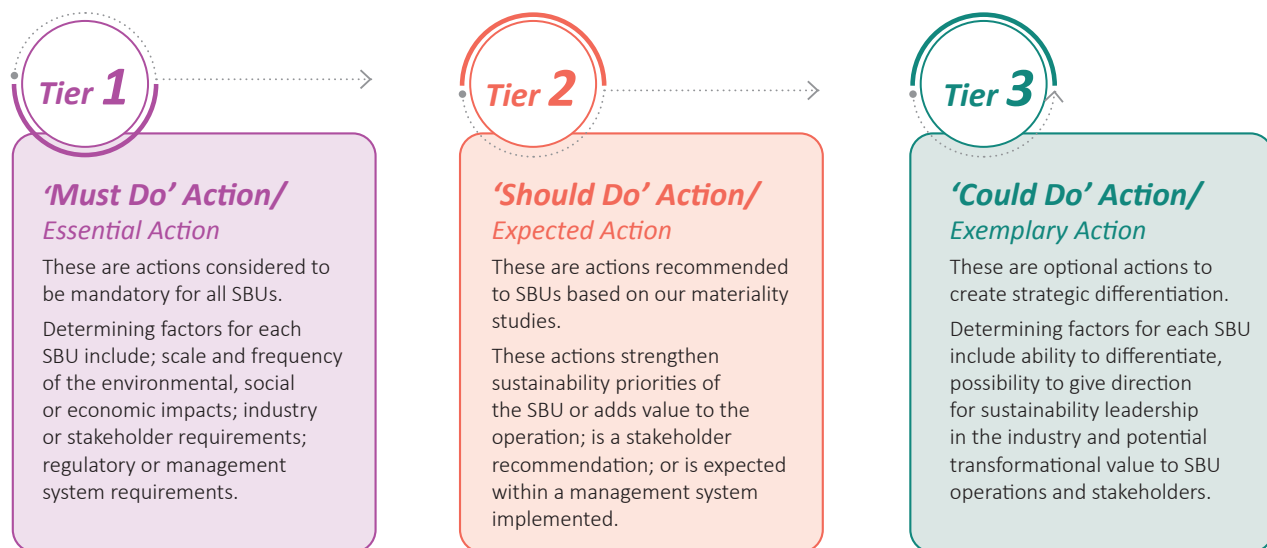
Our Integrated Sustainability Strategy

One of the biggest challenges we faced in developing a sustainability strategy was addressing the diversity of our organisation. The Group’s integrated sustainability policy was formulated in 2008 as the general guideline for benchmarks to be

maintained on environmental and social performance standards. This policy is a public document available on our website in Sinhala, Tamil and English. Our policy is supported by an implementation framework which lists required control measures, and

recommended action for SBUs which take into consideration the diverse sustainability priorities of the Group. The policy is reviewed and revised routinely to keep it relevant to the changing needs of our stakeholders and the nature and scale of our operations.

The implementation framework groups these benchmarks into a three-pronged tier system to help our SBUs to plan action for identified impacts;



The Group has over 140 diverse management systems including more than 60 environmental management systems and over 70 certified management systems maintained to provide sustainable products and services to our customers. The Group’s sustainability strategy and management systems are supported by a pool of over 400 team members including trained internal auditors, environmental management representatives, first aid officers, fire wardens and HR partners across the Group.

The Group consistently reviews this policy and its implementation framework to ensure it is inclusive of the changing dynamics of the local and global operating environment and industries.

In line with the Group’s sustainability strategy, our SBUs have the independence to decide the targets to achieve and how

they implement action to meet required benchmarks.

Considering the outcomes of the materiality study and the priorities identified by the sectors, the Group’s key targets are;

- Uphold compliance & ethics
- Create economic value
- Ensure occupational health & safety
- Uphold exemplary labour standards
- Efficient use of energy, water & other resources
- Reduction and safe management of emissions and solid waste
- Reduction and safe management of effluents
- Increase female representation in the workforce
- Biodiversity conservation

As a Group, we are signatories to the UN Global Compact and the Women’s Empowerment Principles.



MATERIALITY

We also use the Sustainable Development Goals (SDGs) to identify material topics and action plans. SDGs are 17 goals and 169 targets within a world-wide plan of action called 'Agenda 2030' describing local and global development priorities. We align the Group's efforts to the following specific SDGs. Additionally, the SBUs also select SDGs to create sustainable value through their operations. Given below is a summary of our efforts to contribute towards achieving the SDGs. Please refer to the Management Discussion And Analysis section of this report and our website (www.aitkenspence.com/sustainability) for more details.

Summary of the 7 Sustainable Development Goals Aitken Spence PLC has Aligned to as a Group



- Goal 4 :** Inclusive and equitable quality education and lifelong learning opportunities for all
Targets 4.3, 4.4, 4.6, and 4.7
- Enabling access to online learning tools for employees to continue learning
 - Increasing access to students in Sri Lanka for higher education in STEM subjects;
 - Roughly 50% of the student population is female
 - 13,939 student registrations during the year



- Goal 5 :** Achieve gender equality and empower women and girls
Targets 5.1, 5.5 and 5B
- 41% female representation in the workforce
 - 16% female representation in managerial positions



- Goal 6 :** Ensure sustainable management of water and decrease demand on freshwater
Targets 6.3, and 6.4
- 147,895m3 rainwater harvested for consumption
 - 339,482m3 waste water treated for safe reuse or disposal



- Goal 8 :** Sustained, inclusive and sustainable economic growth by ensuring a safe and conducive workplace and facilitating economic growth for local suppliers and service providers
Targets: 8.4, 8.5, 8.6, 8.8, 8.9, and 8.10
- Over 3,500 suppliers educated and evaluated on social and environmental governance
 - Over 140 diverse management systems maintained to provide a safe and conducive workplace for employees and all stakeholders



- Goal 9 :** Resilient infrastructure, inclusive and sustainable industrialisation
Targets 9.1 and 9.4
- >45,000 MT of residual municipal solid waste kept away from landfills through Sri Lanka's first waste to energy power plant
 - 1st carbon neutral, LEED certified green printing facility in South Asia; LEED certified hotel in the Maldives



- Goal 12 :** Sustainable consumption and production
Targets 12.2, 12.5, 12.6, 12.8 and 12B
- Managing resource efficiency through innovation, standardization, responsible construction and production
 - 36% of the Group's total energy consumption and 44% of the Group's direct energy consumption sourced from renewable energy
 - Zero waste dumping to landfills using the 7R principle



- Goal 15 :** Protect, restore and promote sustainable use of terrestrial ecosystems
Targets 15.2 and 15.5
- Working towards protecting our biodiversity and all ecosystems.
 - Over 80ha forest cover protected in its pristine condition
 - Over 8,000ha forest cover surveyed for biodiversity conservation
 - Plant nursery and a tree belt of over 15,000 trees maintained at our power plant in Embilipitiya