

# **SUSTAINABILITY INTEGRATION, STAKEHOLDER ENGAGEMENT AND MATERIALITY**



**John Keells Holdings PLC**  
Annual Report 2021/22

# 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

Over the years, the Group has made sustainable practices a strategic priority and ensured it is embedded into all operations, recognising that social responsibility and environmental stewardship are inseparable from its financial objectives. The Group remains steadfast in its commitment to being responsible and sustainable in its operations that safeguard the well-being of both, people, and the planet. Sustainability is at the heart of the Group’s operations and business-as-usual. 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.

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-wide and Group-level basis, with continuous awareness creation and enabling benchmarking, gap analysis and external and internal target setting.

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

The Group has well-established sustainability integration processes such as Standard Operating Procedures, 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.

**The Group is committed to transparency and open communication about its environmental and social practices in addition to its economic performance.**

## 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 stakeholder 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, and working closely with the central sustainability division, have responsibility for implementing sustainability initiatives and management of performance of their individual businesses.

The Group firmly embeds Sustainability concerns 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 hopes 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, including materiality assessments and management policies and processes. The Group's Annual Report 2021/22 constitutes the Group's seventh 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. 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 which are then aligned to the six Capitals of Integrated Reporting.

Sustainability disclosures found in the Annual Report 2021/22, 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 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. Year on year comparisons can be made

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subject to explanations provided with respect to divestments or changes in operational activity and 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

89 legal entities of the John Keells Group create the financial reporting boundary of the Annual Report 2020/21 of which, 82 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 82 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 50 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, 5 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's 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"> <li>Meet requirements for products and services</li> <li>Ensure high quality &amp; safe products and services</li> <li>Environmentally and socially responsible products &amp; services</li> </ul>	<ul style="list-style-type: none"> <li>Provide a safe and enabling environment</li> <li>Ensure equal opportunity within a meritocratic culture</li> <li>Enhancement of skills and knowledge, continuous engagement</li> <li>Work-life balance</li> </ul>	<ul style="list-style-type: none"> <li>Stimulate local economy through procurement</li> <li>Provide direct and indirect employment</li> <li>Operations with minimal impact on shared natural resources</li> </ul>
<ul style="list-style-type: none"> <li>Road shows, trade fairs and field visits - Annually</li> <li>One-on-one meetings, discussion forums, progress reviews - Biannually</li> <li>Customer satisfaction Surveys - Quarterly</li> <li>Information dissemination through printed reports, telephone, SMS, e-mail, corporate website, workshops and business development activities - Ongoing</li> </ul>	<ul style="list-style-type: none"> <li>Employee satisfaction surveys, Group-wide year end get-together - Annually</li> <li>Performance reviews, skip level meetings - Biannually</li> <li>Intranet communications - Regularly</li> <li>Training &amp; development, team building, joint consultative committees, open door policy, sports events, Corporate Social Responsibility programmes - Ongoing</li> </ul>	<ul style="list-style-type: none"> <li>Community Engagement prior to entry and on exit via one-on-one meetings, workshops, forums – One-off</li> <li>Regular engagement while operating via one-on-one meetings, workshops, forums - Monthly</li> <li>Corporate Social Responsibility programmes - Ongoing</li> </ul>
<ul style="list-style-type: none"> <li>Growth of business and brands</li> </ul>	<ul style="list-style-type: none"> <li>Human Capital and productivity</li> </ul>	<ul style="list-style-type: none"> <li>Social license to operate</li> </ul>

Institutional investors, fund managers, analysts, leaders, multilateral lenders	Government, government institutions and departments	Legal and regulatory bodies
<ul style="list-style-type: none"> <li>Consistent economic performance</li> <li>Economic value generation</li> </ul>	<ul style="list-style-type: none"> <li>Contribute to economy through strategic investments,</li> <li>Create direct and indirect employment</li> <li>Timely payment of taxes and levies</li> </ul>	<ul style="list-style-type: none"> <li>Compliance with laws and regulations</li> <li>Practice sound corporate governance</li> </ul>

◆ Stakeholder Expectations    ◆ Methods of Engagement    ◆ Significance of Stakeholder

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

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

◆ 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 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 and 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. Such 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 methods 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.

During the reporting year, the Group faced challenges related to the ongoing COVID-19 pandemic specifically related to health and safety, product quality, and responsiveness, areas that the Group has tackled through stringent health and safety, and sanitation practices for its employees, supply chain, customers, as well as through responsiveness to customer demands alongside new and rapidly changing requirements of stakeholders. In addition, the Group has strived to ensure that its focus on its supply chain and community-based engagements continued despite difficulties due to the pandemic.

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Further, the Group was also challenged by the economic situation of the country, which resulted in record inflation, scarcity of commodities and shortages of fuel. The Group's management continuously engaged with relevant policymakers and other stakeholders to navigate this challenging phase.

## Identification of Material Topics

The Group maps topics that are of concern to stakeholders and are significant in terms of its business 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 value chain, 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:

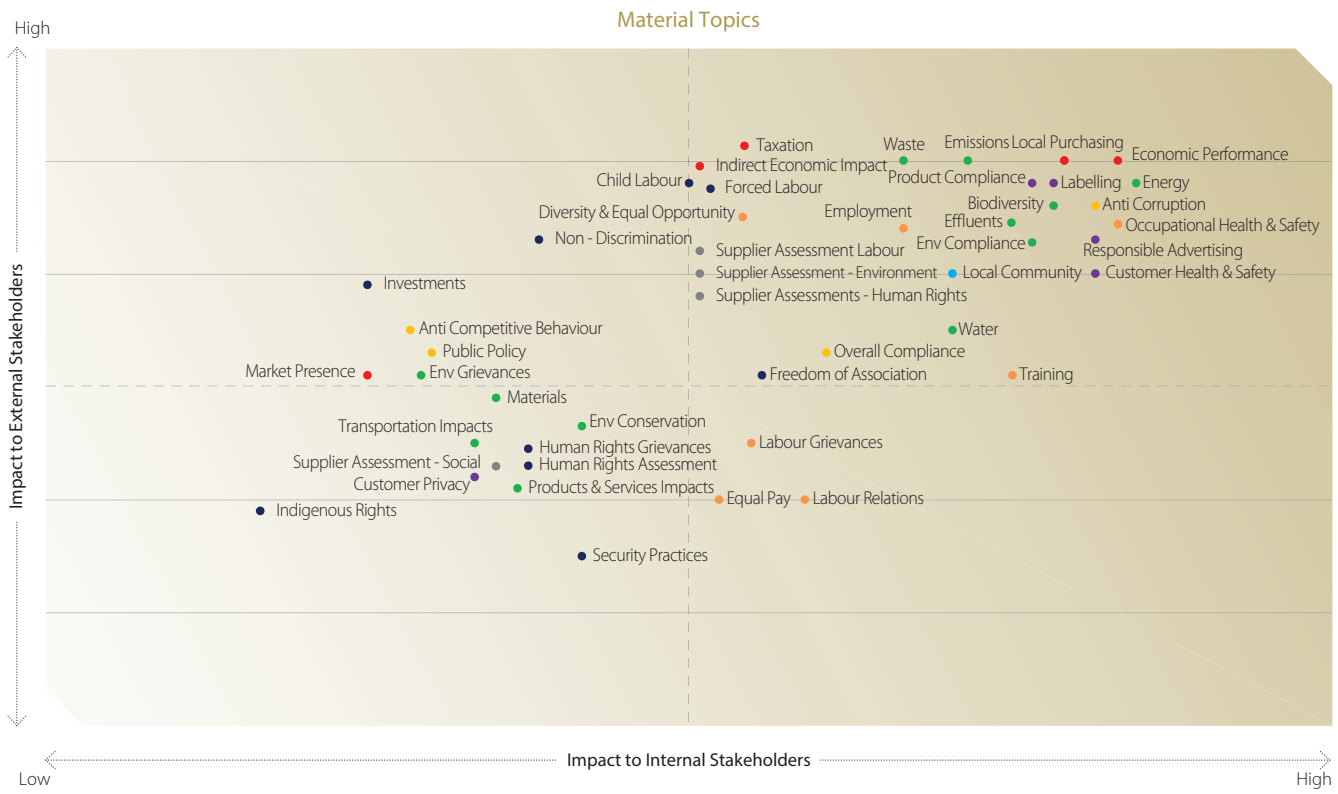
## External Stakeholders



## 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 (Environmental and Labour)
◆	◆	Product Quality and Compliance, Labelling, Marketing Communications, Customer Health & 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
<b>Economic</b>	Economic performance, taxation, procurement practices, indirect economic impacts	Financial and Manufactured Capital
<b>Environment</b>	Energy, water, biodiversity, emissions, effluents, waste, compliance	Natural Capital
<b>Employees</b>	Employment, training & development, diversity & equal opportunity, occupational health & safety	Human Capital
<b>Ethical Business &amp; Human Rights</b>	Anti-corruption, compliance, prevention of child labour, prevention of forced and compulsory labour, freedom of association	Human Capital
<b>Product Responsibility</b>	Product labelling, responsible advertising, product compliance, customer health & safety	Intellectual Capital
<b>Supplier Assessment</b>	Assessment of suppliers for environment stewardship, labour practices and human rights	Social and Relationship Capital
<b>Social Responsibility</b>	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\\_2021\\_22.pdf](https://www.keells.com/resource/Management_Approach_Disclosures_2021_22.pdf)



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