

CORPORATE GOVERNANCE COMMENTARY



JOHN KEELLS HOLDINGS PLC
Annual Report 2022/23

CORPORATE GOVERNANCE COMMENTARY

The Group's robust and comprehensive corporate governance framework, endeavours to create an enabling environment for growth in a structured, predictable and sustainable manner. The Group's corporate governance philosophy is institutionalised across all its business units, and it is this philosophy that has continuously created value for all its stakeholders, notwithstanding the external environment and macro conditions.

1 EXECUTIVE SUMMARY

The Group's robust and comprehensive corporate governance framework, endeavours to create an enabling environment for growth in a structured, sustainable and transparent manner. The Group's corporate governance philosophy is institutionalised across all its business units, and it is this philosophy that has continuously created value for all its stakeholders, notwithstanding the external environment and macro conditions.

The Group's governance framework is supported by internal policies processes and structures aimed at meeting and where possible, exceeding accepted best practice, in addition to the 'triggers' which ensure compliance with mandatory regulatory requirements. This framework is regularly reviewed and updated to reflect global best practice, evolving regulations, and dynamic stakeholder needs, while maintaining its foundational principles of accountability, participation, integrity and transparency.

The ensuing discussion comprises of the following key aspects:

- Significant components of the JKH Corporate Governance System
- Monitoring mechanisms in place to ensure strict compliance to the Group's Governance policy
- Outlook and emerging challenges for corporate governance
- JKH's compliance with all mandatory requirements of law and its voluntary adoption of recommended codes in the governance field

1.1 Compliance Summary

1.1.1 Regulatory Benchmarks

Standard / Principle / Code	Adherence
The Companies Act No.7 of 2007 including regulations Listing Rules of the Colombo Stock Exchange (CSE), including circulars	Mandatory provisions - fully compliant
Securities and Exchange Commission of Sri Lanka (SEC) Act No. 19 of 2021, including rules, regulations, directives and circulars	
Code of Best Practices on Related Party Transactions (2013) advocated by the Securities and Exchange Commission of Sri Lanka (SEC)	
Code of Best Practice on Corporate Governance (2013) jointly advocated by the SEC and the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka)	Voluntary provisions - fully compliant
Code of Best Practice on Corporate Governance (2017) issued by CA Sri Lanka	Voluntary provisions - compliant with the 2017 Code to the extent of business exigency and as required by the John Keells Group

1.1.2 Key Internal Policies

- Articles of Association of the Company
- Recruitment and selection policies
- Learning and development policies
- Policies on equal opportunities, non-discrimination, career management and promotions
- Rewards and recognition policy
- Leave, flexi-hours, tele-working and agile working policies including health and safety enhancements and protocols
- Code of conduct which also includes policies on gifts, entertainment, facilitation payments, proprietary and confidential information
- Policies on diversity, equity and inclusion, including a gender policy
- Policy against sexual harassment
- Policies on forced, compulsory and child labour and child protection
- Disciplinary procedure
- Policy on grievance handling
- Policies on anti-fraud, anti-corruption and anti-money laundering and countering the financing of terrorism
- Policy on communications and ethical advertising
- Ombudsperson policy
- Group accounting procedures and policies
- Policies on enterprise risk management
- Policies on fund management and FX risk mitigation
- IT policies and procedures, including data protection, classification and security
- Group sustainability, environmental and economic policies
- Whistleblower policy
- Policies on energy, emissions, water and waste management
- Policies on products and services
- Policy on bidding for contracts, including on government contracts

1.2 Key Governance Highlights for 2022/23

- JKH was ranked first in the Transparency in Corporate Reporting (TRAC) Assessment by Transparency International Sri Lanka (TISL) for the third consecutive year, with a 100 per cent score for transparency in disclosure practices. This ranking is based on an assessment of corporate disclosure practices among the top 100 companies listed on the Colombo Stock Exchange, under four different thematic areas crucial to fighting and preventing corruption:
 - reporting on anti-corruption programmes,
 - transparency in company holdings,
 - disclosure of key financial information in domestic operations and
 - disclosure on gender and non-discrimination policies.
- During the year, the Group conducted the 'Great Place To Work' (GPTW) survey among all its employees. GPTW survey is conducted by the Great Place To Work Institute and seeks to provide a comprehensive insight into how employees perceive the culture, structure, and management of an organisation, among others. The feedback received from this exercise will be used towards crafting an inclusive and more cohesive workplace, which will in turn drive productivity across the Group.
- As a part of the Group's ongoing efforts towards increasing emphasis on environmental, social and governance (ESG) aspects, the Group, in liaison with a third-party consultant, embarked on formulating the Group's ESG framework, setting Group-wide ESG ambitions and translating such ambitions to ESG related targets.
- Select Group policies related to ESG areas were further enhanced in line with best practice advocated by internationally reputed institutions such as the Asian Development Bank and International Finance Corporation, particularly given their focus on development impacts and positive externalities.
- In November 2022, the Group recorded the Policy for bidding on contracts and tenders, which entails a standardised set of guidelines for bidding, including to those of local and foreign governments and related bodies.

Policy for bidding on contracts and tenders

- The Policy for bidding on contracts and tenders, is a step towards promoting organisational transparency and consistent organisational behaviour. Whilst Group companies are required to adhere to local statutory provisions and Government procurement guidelines and meet the requirements stipulated in the request for proposal/guidance notes specified in the contracts/tenders, the policy also requires the bidding entity within the Group to adhere to all Group policies including the Code of Conduct, anti-corruption, anti-bribery and anti-money laundering and gift policies.
- This policy applies to all Group companies and, as applicable, to consultants, agents, representatives, and supply chain partners.

- During the year under review, the Group further strengthened its Policy on gifts and entertainment to include a reporting and monitoring mechanism for all gifts or benefits received or given. Accordingly, all gifts or benefits of a value above USD 50 per gift if given or received, based on business exigencies, are monitored to ensure conformance with the Group's policies. Such exceptions are required to be reported to the respective Finance Head of the business, where in turn, these are collated and monitored centrally.
- The following key initiatives and targets were rolled-out, in furtherance of the Group's emphasis on creating an inclusive, diverse and equitable work environment;
 - The Group introduced an equal 100 days of maternity and paternity days as parental leave at the birth or adoption of a child. In this regard, while the Group will continue to offer 100 days of maternity leave on the birth or adoption of a child, the five-days of paternity leave was enhanced to 100 days, ensuring equity, and recognising the importance of both parents' roles in early childcare.

- As noted in previous Annual Reports, the Group has set a goal of increasing women participation in its employee cadre up to 40 per cent by the end of 2025/26. In this regard, women participation as at the end of the year stood at 33 per cent [2021/22: 33 per cent].
- The Group also adopted gender-neutral terminology with the objective of avoiding word choices which may be interpreted as biased, discriminatory or demeaning and with the intention of being inclusive of gender non-binary persons.
- As a first step to developing a focused strategy around increasing career opportunities for persons with disabilities (PWDs), a tri-lingual survey to understand the needs and perceptions of PWDs was launched. This was one aspect of a structured phased-out roadmap, which includes identifying roles across the Group that can provide opportunities for PWDs with reasonable accommodation, the appointment of supported employment officers, and conducting job mapping and awareness sessions by industry experts.
- The Group continued to strengthen its Fraud Deterrent and Investigation Framework which provides an integrated platform for handling all aspects of fraud and stakeholder assurance. This framework reinforces uniformity across common processes, employs a data driven approach to the continuous assessment of control efficacy and assesses and deploys appropriate preventive and detective controls against frauds.
- In August 2022, the Company concluded the issuance of unlisted, unsecured, LKR denominated convertible debentures amounting to Rs.27.06 billion, through a private placement to HWIC Asia Fund, a subsidiary of Fairfax, Canada. The coupon interest payable on the debenture is at three per cent per annum.
- The 39,025,204 options issued to the Asian Development Bank under the second phase of the private placement expired on 19 January 2023, without the options being exercised.



Refer Financial and Manufactured Capital Review for further details.

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- Given the significant macroeconomic challenges and developments prevalent in the country – the Board of Directors and the Group Executive Committee (GEC) frequently deliberated and evaluated the resilience of the Group under multiple stress-tested scenarios.
- Cognisant of the economic hardships faced by the Group employees on account of rising prices and the scarcity of essential items, JKH provided a one-off, uniform financial care package in the form of an ex-gratia payment, to all eligible Group employees during the month of April 2022.
- A monthly temporary crisis allowance was introduced to all Group employees with effect from January 2023, to assist in mitigating the impacts of the rapidly elevated cost of living, impacts of taxes and high inflationary environment, among others.
- A set of initiatives and programmes in the form of non-financial and indirect financial support were rolled-out. These included awareness sessions and webinars on managing personal finances in the current economic climate, emotional support with counsellors and employee supplier catalogues to name a few.
- Having completed nine consecutive years, Mr. A Omar retired from the Board of Directors with effect from 27 June 2022.
- With effect from 1 January 2023, Dr. S Coorey was appointed to the Board as an Independent, Non-Executive Director of the Company.
- The Board declared a final dividend of Rs. 0.50 per share in June 2022 for the financial year 2021/22. For the year under review, the Board declared a first interim dividend of Rs. 1.00 per share in November 2022 and a second interim dividend of Rs. 0.50 per share in January 2023.

JKH acknowledges the need for diversity in Boards and is conscious of the need to attract appropriately skilled Directors who reflect and complement the values and requirements of its businesses and vision.

1.3 Highlights of the 43rd Annual General Meeting Held on 24 June 2022

- Dr. S S H Wijayasuriya, who retired in terms of Article 84 of the Articles of Association of the Company was re-elected as a Non-Executive Independent Director of the Company.
- Mr. J G A Cooray, who retired in terms of Article 84 of the Articles of Association of the Company was re-elected as a Director of the Company.
- Ernst & Young (E&Y) was re-appointed as the External Auditors of the Company and the Directors were authorised to determine the remuneration of E&Y.

1.4 Outlook

The need for maintaining a robust and well-grounded corporate governance framework has become vital when operating in a dynamic and challenging socio-economic environment, exacerbated by global volatility. A strong governance mechanism is pivotal in enhancing accountability to diverse stakeholders, ensuring corporate transparency, fair-mindedness and creating sustainable value. In this light, the Group will continue to stay abreast of governance best practice and assess its level of preparedness and its capability in meeting and managing evolving internal and external challenges.

The pursuit of continuous improvement in governance, emphasis on environmental and social considerations and a call for increased accountability and transparency continue to influence and shape the role of board governance aspects. The primary areas of focus and challenges, amongst many others, being continuously addressed by JKH are detailed in the ensuing section.

1.4.1 Board Diversity

JKH acknowledges the need for diversity in Boards and is conscious of the need to attract appropriately skilled Directors who reflect and complement the values and requirements of its businesses and vision. Whilst the Group is of the view that diversity ranging across demographic attributes, backgrounds, experiences and social networks improve a Board's understanding of its vast pool of stakeholders, provide diverse connections with the external environment and aid the Group in addressing stakeholders' claims in a more responsive manner, JKH is also conscious of the need to maintain a strong culture of meritocracy, ensuring that Board diversity does not come at the expense of Board effectiveness. In this regard, every effort will be made to attract suitably qualified personnel from diverse demographics, experiences and backgrounds.

In furtherance of these initiatives, Dr. S Coorey, who brings in invaluable experience, including through her career spanning over three and a half decades at the International Monetary Fund, was appointed to the Board during the year under review.

1.4.2 Board Independence

There is increased focus on board independence by stakeholders, stock exchanges and regulatory bodies worldwide. It is JKH's view that, in order for a Board to be effective, companies must take steps, both in their structures and nominating procedures, to ensure fostering of independent decision-making and mitigating potential conflicts of interest which may arise.

The criteria for defining independence of boards vary significantly across countries. There is evidence that the intended vision of achieving improved governance and higher independence can be achieved through various checks and balances, whilst not compromising on the underlying operating model of a corporate. These checks and balances may entail, among others, establishment of various assurance mechanisms and the use of systematic and comprehensive board evaluation processes and independent director lead engagement. To this end, JKH will continue to place emphasis on further augmenting the Board's independence whilst striking a balance with the Group's operating model, which addresses the complexities and intricacies of a diversified conglomerate setting.

1.4.3 Anti-Fraud, Anti-Corruption and Anti-Bribery

The Group places the highest value on ethical practices and has promulgated a zero-tolerance policy towards corruption and bribery in all its transactions and strives to maintain a culture of transparency and honesty as opposition to fraud and corruption. Based on this commitment, the Code of Conduct, anti-fraud, fraud prevention, anti-corruption, anti-bribery, gifting, audit and transparency policies, amongst many others, outline the principles to which the Group is committed in relation to preventing, reporting and managing fraud and corruption. It covers inter-alia, theft, embezzlement, overriding controls, giving or receiving kickbacks, facilitation payments, bribery, allowing oneself to be placed in situations of conflict of interest and statements (financial or non-financial) dishonestly and recklessly made contrary to the factual position. Accordingly, all forms of fraud and corruption, including, but not limited to, theft, embezzlement, overriding controls, giving or receiving kickbacks, facilitation payments and bribery is prohibited across the Group.

The Group seeks to ensure that ethical business practices are the norm from the business unit level, down to the individual employee. Its transparent control and prevention mechanisms also extend to its value chain, to its customers, suppliers and business partners.

The Group will continue its stance of zero-tolerance towards corruption and bribery in all its transactions and foster transparency and honesty in all business dealings, whilst continually developing its governance frameworks in line with international best practice. The Group's continuous effort to strengthen transparency in Corporate Reporting is evident by JKH being placed first for the third consecutive year in the Transparency in Corporate Reporting (TRAC) Assessment by Transparency International Sri Lanka (TISL) 2022, whilst being the only entity to obtain a full overall score for transparency in disclosure practices among the top 100 companies listed on the CSE.

1.4.4 Increasing Emphasis on Environmental, Social and Governance (ESG) Aspects

ESG analysis and investing continue to gain traction amongst Governments, investment professionals and high net worth investors, given the aim of reducing negligent and irresponsible corporate behaviour that may have an adverse impact on the environment, harm human rights and foster corruption and bribery, among others, and disintegrate the corporate in the long-term. Moreover, implementing effective ESG policies is crucial for companies to attract talent and retain employee loyalty.

JKH is of the view that emphasis on ESG fosters a 360-degree analysis of performance and enables a sustainable business model, which can derive value to all stakeholders. Various measures have been, and are, in place, to ensure a holistic view of performance including managing scarce natural resources, mitigating impact of the Groups' businesses on the environment, enhancing the well-being of all stakeholders and ensuring effective governance mechanisms. Such metrics are revisited regularly during decision-making. The Group will stay abreast of developments in this regard and continue to integrate ESG elements with business strategy, operations and in reporting.

As a part of the Group's continuous efforts towards increasing emphasis and focus on ESG aspects, the Group, along with an international consultant, has commenced work to formulate the Group's ESG framework and set Group-wide ESG related targets.

The key expectation of this engagement is to align the ESG efforts across the Group, resulting in a clearly defined framework and communication of the Group's ESG agenda. Each of the Group's sectors are envisaged to have clearly established short, medium- and long-term goals, along with defined roadmaps to achieve the said targets.

Pursuant to the private placement of Company shares to ADB in January 2022, the involvement of the Asian Development Bank (ADB) as a strategic partner in select ESG areas given its focus on development impacts and positive externalities, continues to augur well and helps augment the current initiatives across the Group and enables a rapid scale up given its strong expertise and experience in this area. To this end, select Group policies related to ESG areas were further enhanced in line with best practice advocated by ADB as well as the International Finance Corporation.

The Group places the highest value on ethical practices and has promulgated a zero-tolerance policy towards corruption and bribery in all its transactions and strives to maintain a culture of transparency and honesty as opposition to fraud and corruption.

1.4.5 Continual Strengthening of Internal Controls

Augmenting transactional and financial internal controls with operational aspects, in line with international best practice, remains a medium-term priority for the Group. Continuous strengthening of internal controls through a streamlined process that optimises and facilitates process audit information, life cycle management and related processes are expected to:

- eliminate inefficiencies inherent in manual processes.
- provide a platform based on process enforcement.
- enable management follow-up based on centrally held data in a compliance repository.
- identify trends, action taken, effectiveness and opportunities for process improvement by analysing movement of the compliance posture.
- strengthen the Group's ability to prevent and detect fraud.

Refer Section 5.5.2 for initiatives during the year aimed at strengthening internal controls.

1.4.6 Digital Oversight and Cyber Security

Whilst the rapidly advancing nature of technology and the continual integration of the Group's operations with technological progress has enhanced and streamlined processes and controls across the Group and opened up opportunities, it has resulted in increased vulnerability for the Group from a digital standpoint. As a result, the Board places significant emphasis on ensuring that the Group's soft and hard infrastructure is designed in a manner, and adequate, to deal with a potential breach. Data protection and cyber security are regularly addressed during the Risk Management and Audit Committee meetings and periodically discussed at a Board level.

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1.4.7 Data Protection, Information Management and Adoption

The presence of continuously evolving IT infrastructure and platforms to meet requirements of day-to-day business, continues to augur well for the Group. Although the Group continues to witness an acceleration of digitisation and better user adoption, the adoption of such systems and features remain at a relatively early stage across the Group and is a key focus area for the Group.

Given the emergence of regulations such as European Union General Data Protection Regulation (GDPR) and the Sri Lankan Personal Data Protection Act No. 9 of 2022, data security, integrity and information management has become pivotal. In addition to this, the Group's initiatives on advanced data analytics also necessitate an established governance framework to manage the flow of data. To this end, the Group will continue to strengthen its data governance structure to ensure ownership and accountability of clearly articulated data governance policies and processes and Group-wide data quality standards.

1.4.8 Greater Employee Involvement in Governance

Whilst all necessary compliance and assurance frameworks are believed to be in place, JKH recognises the pivotal role played by employees in reinforcing an effective governance system across the Group. JKH will continue to encourage greater employee participation through:

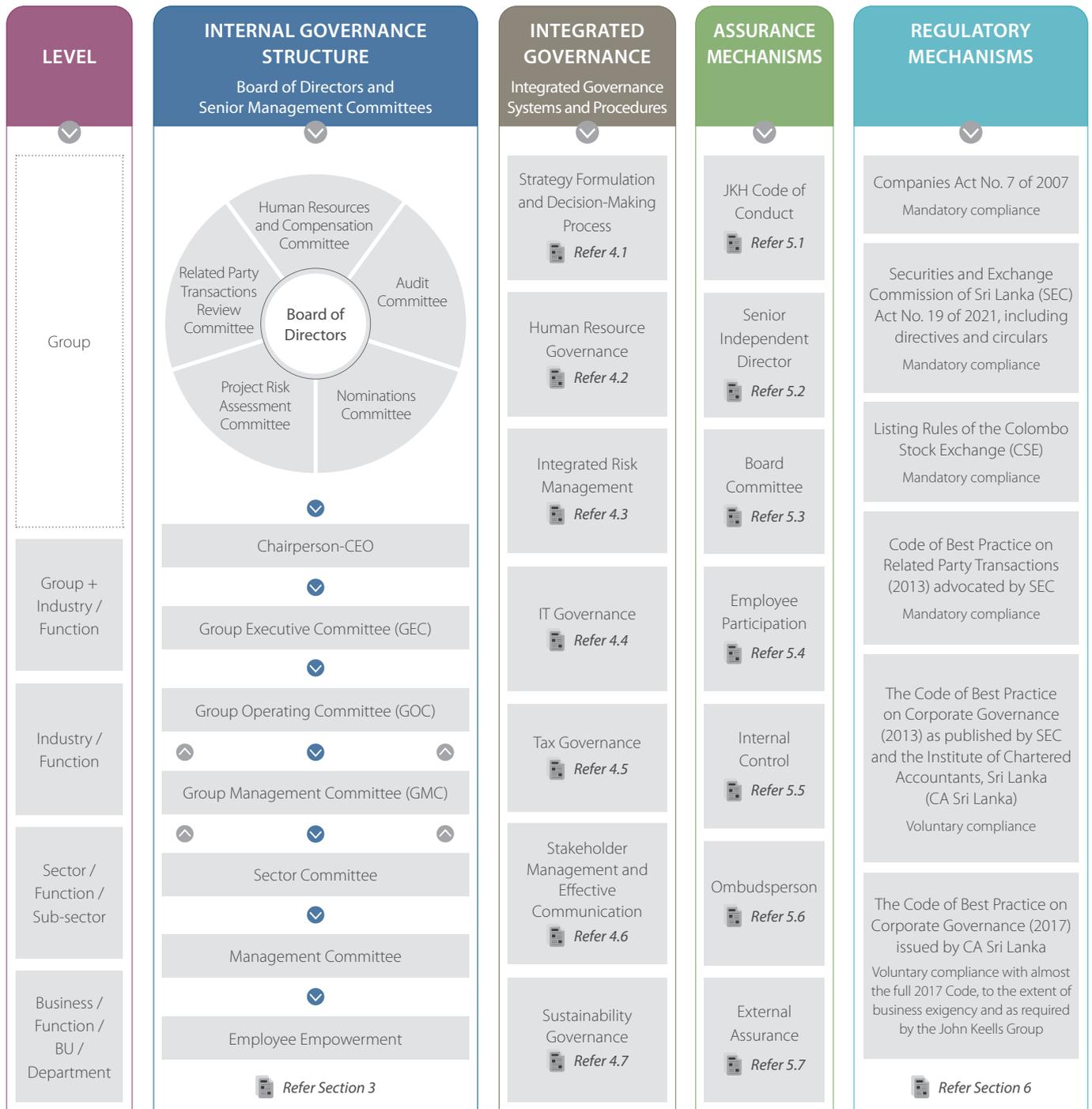
- a further strengthened continuous performance management process, which envisages continuous feedback and enhanced engagement via employee information systems.
- engagement and empowerment via greater delegation of authority.
- increased communication and collaboration.
- adoption of differentiated means of communication based on the age dynamics of employee segments.
- ongoing training and refreshers on the Code of Conduct and related governance policies.

1.5 Key Governance Disclosures

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Human Resources and Compensation Committee	3.2.2
Nominations Committee	3.2.3
Related Party Transactions Review Committee	3.2.4
Project Risk Assessment Committee	3.2.5
Chairperson-Chief Executive Officer	3.3
Group Executive Committee and other Management Committees	3.4
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The presence of continuously evolving IT infrastructure and platforms to meet requirements of day-to-day business, continues to augur well for the Group. Although the Group continues to witness an acceleration of digitisation and better user adoption, the adoption of such systems and features remain at a relatively early stage across the Group and is a key focus area for the Group.

2 THE CORPORATE GOVERNANCE SYSTEM



- All 5 Board Sub-Committees are chaired by Independent Directors appointed by the Board.
- The Chairperson-CEO is present at all Human Resources and Compensation Committee meetings unless the Chairperson-CEO's performance assessment or remuneration is under discussion. The Deputy Chairperson/Group Finance Director is invited as necessary.
- Audit Committee meetings are attended by the Chairperson-CEO and the Deputy Chairperson/Group Finance Director. The Head of Group Business Process Review, External Auditors and the Group Financial Controller are regular attendees.
- The GOC acts as the binding agent to the various businesses within the Group towards identifying and extracting Group synergies.
- Only the key components are depicted in the diagram.

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3 INTERNAL GOVERNANCE STRUCTURE

The Internal Governance Structure comprises of the committees which formulate, execute and monitor Group strategies and initiatives and the policies, processes and procedures employed for doing so. These components have an impact on the execution and monitoring of all governance related initiatives, systems and methods, and is illustrated as follows:

Board of Directors Refer 3.1

Purpose: Assess the overall direction and implement strategy of the business; fiduciary duty towards protecting stakeholder interests; monitor the performance of the senior management; ensure effectiveness of governance practices; implement a framework for risk assessment and management, including internal controls etc.

<p>Audit Committee</p> <p>Purpose: To assist the Board in meeting its oversight responsibilities pertaining to Group financial statements, risk management, internal controls, legal and regulatory frameworks</p> <p style="text-align: right;"> Refer 3.2.1</p>	<p>Human Resources and Compensation Committee</p> <p>Purpose:</p> <ul style="list-style-type: none"> To assist the Board in the establishment of remuneration policies and practices To review and recommend appropriate remuneration packages for the CEO and other Executive Directors <p style="text-align: right;"> Refer 3.2.2</p>	<p>Nominations Committee</p> <p>Purpose:</p> <ul style="list-style-type: none"> To lead the process of Board appointments and recommendations to the Board. To define and establish a nomination process for Non-Executive Directors. <p style="text-align: right;"> Refer 3.2.3</p>	<p>Related Party Transactions Review Committee</p> <p>Purpose: To ensure that all related party transactions of the Group are consistent with the Code on Related Party Transactions issued by SEC and with the Listing Rules of the CSE.</p> <p style="text-align: right;"> Refer 3.2.4</p>	<p>Project Risk Assessment Committee</p> <p>Purpose: To evaluate and assess risks associated with significant new investments at the initial stages of formulation and in any event prior to making any contractual commitments for the long term.</p> <p style="text-align: right;"> Refer 3.2.5</p>
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Leadership and control

Accountability through reporting obligations

Chairperson-CEO Refer 3.3

<p>Purpose as Chairperson:</p> <ul style="list-style-type: none"> To provide leadership to the Board whilst inculcating good governance and ensuring effectiveness of the Board. Ensure constructive working relations are maintained between the Executive and Non-Executive members of the Board. Ensure, with the assistance of the Board Secretary, that: Board procedures are followed. Information is disseminated in a timely manner to the Board. 	<p>Purpose as CEO:</p> <ul style="list-style-type: none"> Execute strategies and policies of the Board. Ensure the efficient management of all businesses. Guide and supervise Executive Directors towards striking a balance between their Board and Executive responsibilities. Ensure the operating model of the Group is aligned with short and long-term strategies of the Group. *Ensure succession at the very senior levels is planned.
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Reporting obligations

Operations Management Performance feedback

Delegated authority

Senior Management Committees Refer 3.4

Purpose: Led by the Chairperson-CEO, these committees execute strategies and policies determined by the Board, manages through delegation and empowerment, the business and affairs of the Group, makes portfolio decisions and prioritises the allocation of the capital, technical and human resources thereby ensuring that value is created/enhanced for all stakeholders throughout the value chain

Employee Empowerment Refer 3.5

Purpose: Effective recruitment, development and retention of this vital stakeholder, by equipping employees with the necessary skill set and competencies, to enable them to execute management decisions

The above components in the structure are strengthened and complemented by internal policies, processes and procedures such as strategy formulation and decision making, human resource governance, sustainability governance, integrated risk management, IT governance, tax stewardship and stakeholder management and effective communication.

3.1 The Board of Directors

3.1.1 Board Responsibilities

In carrying out its responsibilities, the Board promotes a culture of openness, productive dialogue and constructive dissent, ensuring an environment which facilitates employee empowerment and engagement and creates value to all stakeholders.

The Board's key responsibilities include:

- Providing direction and guidance to the Group in the formulation of sustainable, high-level, medium, and long-term strategies which are aimed at promoting the long-term success of the Group.
- Reviewing and approving annual plans and long-term business plans.
- Tracking actual progress against plans.
- Ensuring business is conducted with due consideration on environmental, social and governance (ESG) factors.
- Reviewing HR processes with emphasis on top management succession planning, including the diversity, equity and inclusion (DE&I) strategy.
- Ensuring operations are carried within the scope of the Enterprise Risk Management framework.
- Appointing and reviewing the performance of the Chairperson-CEO.
- Monitoring systems of governance and compliance, including concerns on ethics, bribery and corruption.
- Overseeing systems of internal control, risk management and establishing whistle-blowing conduits.
- Determining any changes to the discretions/authorities delegated from the Board to the executive levels.
- Reviewing and approving major acquisitions, disposals and capital expenditure.
- Approving any amendments to constitutional documents.
- Approving the issue of JKH equity/debt/hybrid securities.
- Ensuring all related party transactions are compliant with statutory obligations.

3.1.2 Board Composition

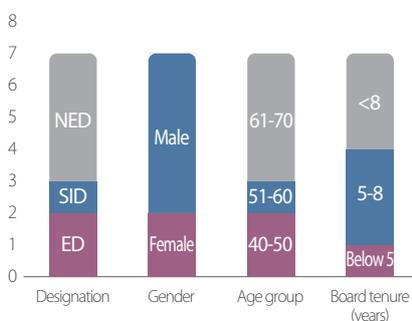
As at 23 May 2023, the Board comprised of 7 Directors, with 5 of them being Non-Executive Independent Directors.

Non-Executive Independent Directors add imperative value to strategic discussions and decision-making, whilst enhancing fair-mindedness. The Group policy is to maintain a healthy balance between the Executive, Non-Executive and Independent Directors, in keeping with the applicable rules and codes, with the Executive Directors bringing in deep knowledge of the businesses and the Non-Executive Independent Directors bringing in experience, objectivity and independent oversight.

The key changes to the Board composition during the year under review are as follows:

- Dr. S Coorey was appointed to the Board with effect from 1 January 2023 as an Independent, Non-Executive Director.
- Mr. A Omar retired from the Board with effect from 27 June 2022, having completed nine consecutive years on the Board.

The current composition of the JKH Board is illustrated as follows:



Note: The Board having noted that Mr. N Fonseka have attained the age of 70 years and retire in terms of Section 210 of the Companies Act, has recommended the passing of ordinary resolutions at the Annual General Meeting of the Company which propose that the age limit stipulated in Section 210 of the Companies Act shall not apply to Mr. A N Fonseka and he be re-elected as a Director of the Company.

3.1.3 Board Skills

Collectively, the Board brings in a wealth of diverse exposure in the fields of management, business administration, banking, finance, economics, taxation, marketing and human resources. All Directors possess the skills, expertise and knowledge complemented with a high sense of integrity and independent judgement.



Further details of their qualifications and experience are provided under the Board Profiles section of the Annual Report.

The Group is also conscious of the need to maintain an appropriate mix of skills and experience in the Board through a regular review of its composition in order to ensure that the skills representation is in alignment with current and future needs of the Group.

3.1.4 Access to Independent Professional Advice

To preserve the independence of the Board and to strengthen the decision making, the Board is encouraged to seek independent professional advice, in furtherance of their duties, at the Group's expense. This is coordinated through the Board Secretary, as and when requested.

3.1.5 Board Appointment

Board appointments follow a structured and formal process within the purview of the Nominations Committee.



The Terms of Reference for the members of the Nominations Committee and the Committee report can be found in section 3.2.3 of this Commentary.

Details of new Directors are disclosed to shareholders at the time of their appointment through a public announcement. Details of such appointments are also carried in the relevant Interim Releases and the Annual Reports. Directors are required to report any substantial change in their professional responsibilities and business associations to the Nominations Committee, which will examine the facts and circumstances and make recommendations to the Board accordingly.

Collectively, the Board brings in a wealth of diverse exposure in the fields of management, business administration, banking, finance, economics, taxation, marketing and human resources. All Directors possess the skills, expertise and knowledge complemented with a high sense of integrity and independent judgement.

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3.1.6 Board Induction and Training

When Directors are newly appointed to the Board, they undergo a comprehensive induction where they are apprised, inter-alia, of the Group values and culture, its operating model, policies, governance framework and processes, the Code of Conduct and the operational, environmental and social strategies of the Group.

Additionally, the newly appointed Directors are granted access to relevant parts of the business and are given the opportunity to meet with key management personnel and other key third-party service providers such as External Auditors and Risk Consultants.

The Board of Directors recognise the need for continuous training and expansion of knowledge and undertakes such professional development, as they consider necessary, to assist them in carrying out their duties as Directors.

3.1.7 Re-Election

All Non-Executive Directors are appointed for a period of three years and can serve up to a maximum of three successive terms, unless an extended Board tenure is necessitated by the requirements of the Group. All contracts are renewed by the Board based on the recommendation of the Nominations Committee. One third of all the Directors, are eligible for re-election post retirement and are re-elected by rotation at the annual general meeting by the shareholders.

Annually, the Board discusses the possibility of any impairment of Director independence due to extended Board tenures, and collectively evaluates the re-election of such Board members. The Executive Directors, other than the Chairperson-CEO, are re-elected in a manner that is similar to the re-election of Non-Executive Directors.

The Group takes necessary steps to ensure that Directors avoid situations in which they have, or could have, a direct or indirect interest which conflicts with, or might possibly conflict with, the interests of the Group.

3.1.8 Board Meetings

3.1.8.1 Regularity of Meetings and Pre-Board Meetings

During the financial year under review, there were six Board meetings. All pre-scheduled Board meetings are generally preceded by a Pre-Board meeting, which is usually held on the day prior to the formal Board Meeting. In addition to these Pre-Board meetings, the Board of Directors communicate, as appropriate, when issues of strategic importance requiring extensive discussions arise.

The attendance at the Board meetings held during the financial year 2022/23 is given below:

Name	Year of Appointment to the Board	26 Apr 22	23 May 22	20 June 22	27 July 22	04 Nov 22	31 Jan 23	Eligibility	Attended
K. Balendra	2016/17	✓	✓	✓	✓	✓	✓	6	6
G. Cooray	2016/17	✓	✓	✓	✓	✓	✓	6	6
N. Fonseka	2013/14	✓	✓	✓	✓	✓	✓	6	6
A. Cabraal	2013/14	✓	✓	✓	✓	✓	✓	6	6
P. Perera	2014/15	✓	✓	✓	✓	✓	✓	6	6
H. Wijayasuriya	2016/17	✓	✓	✗	✓	✓	✓	6	5
A. Omar*	2012/13	✓	✓	✓	N/A	N/A	N/A	3	3
S Coorey**	2022/23	N/A	N/A	N/A	N/A	N/A	✓	1	1

*Retired on 27 June 2022

**Appointed with effect from 1 January 2023

3.1.8.2 Timely Supply of Information

The Directors were provided with necessary information, well in advance, by way of electronic Board papers and proposals, as relevant, for all Board meetings held during the year, in addition to the routinely submitted information pertaining to the Group, in order to ensure robust discussion, informed deliberation and effective decision making. The Directors continue to have access to and independent contact with the corporate and senior management of the Group.

3.1.8.3 Board Agenda

The Chairperson-CEO ensured that all Board proceedings were conducted smoothly and efficiently, approving the agenda for each meeting prepared by the Board Secretary. The typical Board agenda in 2022/23 entailed ratification of Circular Resolutions, discussion of matters arising from the previous minutes, submission of Board Sub-Committee reports, status updates of major projects and raising of capital, review of performance, strategy formulation, approval of quarterly and annual financial statements, review of risk, sustainability and corporate social responsibility related aspects, ratification of capital expenditure, among others. Added emphasis was also placed on business performance in lieu of the challenges stemming from the macroeconomic volatilities and uncertainties.

3.1.8.4 Board Secretary

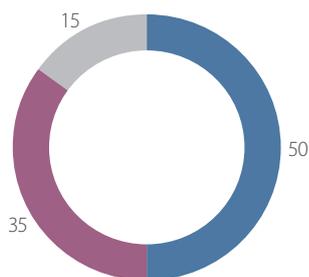
The President Legal, Secretarial and Corporate Social Responsibility (CSR) of the Group, who is an Attorney-at-Law by profession is the Secretary to the Board. In addition to maintaining Board minutes and Board records, the Board Secretary provides support in ensuring that the Board receives timely and accurate information in addition to advice relating to corporate governance matters, Board procedures and applicable rules and regulations during the year. All concerns raised and wished to be recorded have been documented in sufficient detail.

The scoring and open comments are collated by the Senior Independent Director, and the results are analysed to give the Board an indication of its effectiveness as well as areas that require addressing and/or strengthening. Despite the original anonymity of the remarks, the open and frank discussions that follow include some Directors identifying themselves as the person making the remark, reflecting the openness of the Board. This process has led to an improvement in the Board dynamics and its effectiveness.

3.1.9 Time Dedicated by Non-Executive Directors

The Board has dedicated adequate time for the fulfilment of their duties as Directors of the Group. It is estimated that Non-Executive Directors each devote a minimum of 30 full time equivalent days to the Group during the year. The general time allocation is as illustrated below.

Time Commitment (%)



- Strategy and performance
- Assurance and risk management
- Other board matters

In addition to attending Board meetings and Pre-Board meetings, the Directors have attended the respective Sub-Committee meetings and have also contributed to decision making via Circular Resolutions and one-on-one meetings with key management personnel, when necessary.

3.1.10 Board Evaluation

The Board conducted its annual Board performance appraisal for the financial year 2022/23. This formalised process of individual appraisal enabled each member to self-appraise, on an anonymous basis, the performance of the Board under the areas of:

- Role clarity and effective discharge of responsibilities
- People mix and structures
- Systems and procedures
- Quality of participation
- Board image

The scoring and open comments are collated by the Senior Independent Director, and the results are analysed to give the Board an indication of its effectiveness as well as areas that require addressing and/or strengthening. Despite the original anonymity of the remarks, the open and frank discussions that follow include some Directors identifying themselves as the person making the remark, reflecting the openness of the Board. This process has led to an improvement in the Board dynamics and its effectiveness.

3.1.11 Managing Conflicts of Interests and Ensuring Independence

The Group takes necessary steps to ensure that Directors avoid situations in which they have, or could have, a direct or indirect interest which conflicts with, or might possibly conflict with, the interests of the Group.

In order to avoid such potential conflicts or biases, the Directors make a general disclosure of interests, as illustrated below, at appointment, at the beginning of every financial year and during the year as required. Such potential conflicts are reviewed by the Board from time to time to ensure the integrity of the Board's independence. Details of companies in which Board members hold Board or Board Committee membership are available with the Company Secretary for inspection by shareholders, on request.

Prior to Appointment

- Nominees are requested to make known their various interests

Once Appointed

- Directors obtain Board clearance prior to:
 - Accepting a new position.
 - Engaging in any transaction that could create or potentially create a conflict of interest.
- All NEDs are required to notify the Chairperson-CEO of any changes to their current Board representations or interests and a new declaration is made annually.

During Board Meetings

- Directors who have an interest in a matter under discussion:
 - Excuse themselves from deliberations on the subject matter.
 - Abstain from voting on the subject matter (abstention from decisions is duly minuted).

CORPORATE GOVERNANCE COMMENTARY

The independence of all its Non-Executive Directors was reviewed on the basis of criteria summarised below:

Criteria for defining independence	Status of conformity of NEDs
1. Shareholding carrying not less than 10 per cent of voting rights	None of the individual EDs' or NED/IDs' shareholdings exceed 1 per cent.
2. Director of another company*	None of the NED/IDs are Directors of another related party company.
3. Income/non-cash benefit equivalent to 20 per cent of the Director's annual income	NED/ID income/cash benefits are less than 20 per cent of an individual Director's annual income.
4. Employment at JKH and/or material business relationship with JKH, currently or in the two years immediately preceding appointment as Director	None of the NED/IDs are employed or have been employed at JKH.
5. Close family member is a Director, CEO or a Key Management Personnel	No family member of the EDs or NED/IDs is a Director or CEO or a Key Management Personnel of a related party company.
6. Has served on the Board continuously for a period exceeding nine years from the date of the first appointment	All NEDs, except Mr. A Cabraal and Mr. N Fonseka, satisfy these criteria. The Board has determined that, although Mr. A Cabraal and Mr. N Fonseka do not satisfy the said criteria, they do, in the opinion of the Board satisfy the other qualifying criteria in terms of independence. Having also considered all other factors, the Board is of the view that Mr. A Cabraal and Mr. N Fonseka are Independent.
7. Is employed, has a material business relationship and/or significant shareholding in other companies*. Entails other companies that have significant shareholding in JKH and/or JKH has a business connection with	None of the NED/IDs are employed, have a material business relationship or a significant shareholding of another related party company as defined.

* Other companies in which a majority of the other Directors of the listed company are employed, or are Directors or have a significant shareholding or have a material business relationship.

No Non-Executive Independent Director has a conflict of interest as per the criteria for independence outlined above.

3.1.11.1 Details in Respect of Directors

The following table illustrates the total number of Board seats (excluding Group Board seats) held in other listed companies (outside the Group) by each Director.

Name of Director	No. of Board Seats Held in Other Listed Sri Lankan Companies	
	Executive Capacity	Non-Executive Capacity
K Balendra	Nil	Nil
G Cooray	Nil	Nil
N Fonseka	Nil	Nil
A Cabraal	Nil	Ceylon Beverage Holdings PLC Lion Brewery (Ceylon) PLC Sunshine Holdings PLC
S Coorey	Nil	Nil
A Omar*	Nil	Nil
P Perera	Nil	Nil
H Wijayasuriya	Nil	Dialog Axiata PLC

* Retired from the Board with effect from 27 June 2022.



Refer Profiles of the Board of Directors for other appointments held in trade associations, regional and sectoral councils, regulatory bodies, among others.

3.1.12 Director Remuneration

3.1.12.1 Executive Director Remuneration

The Human Resources and Compensation Committee is responsible for determining the compensation of the Chairperson-CEO and the Deputy Chairperson/Group Finance Director, both Executive Directors of the Group. The Human Resources and Compensation Committee operates in conformity with applicable rules and regulations.

The HRCC committee comprises solely of Independent, Non-Executive Directors. Whilst Independent Non-Executive Directors are appointed based on the recommendations of the Nominations Committee, they are put forward for shareholder voting at the Annual General Meeting, whereby the HRCC serves as an independent conduit for shareholder and other stakeholder interests.

 Refer Section 3.2.2 of this Report for further details.

A significant proportion of Executive Director remuneration is variable. The variability is linked to the peer adjusted consolidated Group bottom line and expected returns on shareholder funds. In determining remuneration, other ESG considerations, including non-financial KPIs, are also given due prominence. Further, the Human Resources and Compensation Committee consults the Chairperson-CEO about any proposals relating to the Executive Director remuneration, other than that of the Chairperson-CEO.

During the year, ESOPs, valued using a binomial pricing model, were granted to the Executive Directors as well as to all other eligible employees.

 Further details are found in the Notes to the Financial Statements section and Share Information section of the Annual Report.

Excluding ESOPs granted, the total aggregate remuneration paid to Executive Directors for the year under review was Rs. 196 million [2021/22: Rs. 106 million] of which Rs. 54 million [2021/22: Rs.23 million] was the variable portion linked to the performance benchmark as described above and Rs. 142 million [2021/22: Rs.83 million] was the fixed remuneration.

3.1.12.2 Non-Executive Director Remuneration

The compensation of Non-Executive Directors was determined in reference to fees paid to other Non-Executive Directors of comparable companies, and adjusted, where necessary, in keeping with the complexity of the Group. Non-Executive Directors were paid additional fees for either chairing or being a member of a Sub-Committee and did not receive any performance/incentive payments/share option plans.

Total aggregate of Non-Executive Director remuneration for the year was Rs. 20 million [2021/22: Rs.16 million].

3.1.12.3 Compensation for Early Termination

In the event of an early termination of a Director, there are no compensation commitments other than for:

- Executive Directors: as per their employment contract similar to any other employee.
- Non-Executive Directors: accrued fees payable, if any, as per the terms of their contract.

3.2 Board Sub-Committees

The Board has delegated some of its functions to Board Sub-Committees, while retaining final decision rights. Members of these Sub-Committees focus on their designated areas of responsibility and impart knowledge and oversight in areas where they have greater expertise.

The five Board Sub-Committees are as follows:

- Audit Committee
- Human Resources and Compensation Committee
- Nominations Committee
- Related Party Transactions Review Committee
- Project Risk Assessment Committee

The Board Sub-Committees comprise predominantly of Independent Non-Executive Directors. The membership of the five Board Sub-Committees is as follows;

Board Sub-Committee Membership as at 31 March 2023	Audit Committee	Human Resources and Compensation Committee	Nominations Committee	Related Party Transactions Review Committee	Project Risk Assessment Committee
Executive					
K Balendra – Chairperson-CEO			●		●
G Cooray – Deputy Chairperson / Group Finance Director					●
Senior Independent Non-Executive					
N Fonseka	●	●		●	
Independent Non-Executive					
A Cabraal	●	●	●	●	
P Perera	●		●	●	●
H Wijayasuriya		●	●		●
S Coorey					

- Committee Member
- Committee Chair

CORPORATE GOVERNANCE COMMENTARY

3.2.1 Audit Committee

Composition

- All members are Non-Executive Independent Directors, with at least one member having significant, recent and relevant financial management and accounting experience, and membership in a recognised professional accounting body.
- The Chairperson-CEO and the Group Finance Director are permanent invitees for all Committee meetings. The Group Financial Controller is also present at discussions relating to Group reporting.
- The Head of the Group Business Process Review division is the Secretary of the Committee.

Scope

- Overseeing the preparation and presentation and review of the quarterly and annual financial statements, including the quality, transparency, integrity, accuracy and compliance with accounting standards, laws and regulations.
- Assess the adequacy and effectiveness of the internal control environment in the Group and ensure appropriate action is taken on the recommendation of the internal auditors.
- Evaluate the competence and effectiveness of the risk management systems of the Group and ensure robustness and effectiveness in monitoring and controlling risks.
- Review the adequacy and effectiveness of internal audit arrangements.
- Recommend the appointment, re-appointment and removal of the External Auditors including their remuneration and terms of engagement by assessing qualifications, expertise, resources and independence.

3.2.1.1 Report of the Audit Committee

Role of the Committee

The role of the Audit Committee is to assist the Board in fulfilling its oversight responsibilities in relation to the integrity of the financial statements of the Company and the Group, the internal control and risk management framework and systems of the Group, compliance with legal and regulatory requirements, the External Auditors' suitability, performance, and independence, and, the adequacy and performance of the internal audit function undertaken by the Group Business Process Review division (Group BPR). The scope of functions and responsibilities are adequately set out in the terms of reference of the Committee which has been approved by the Board and is reviewed annually.

The Committee's responsibilities pertain to the Group as a whole and in discharging its responsibilities, the Committee places reliance on the work of other Audit Committees in the Group without prejudicing the independence of those Committees. However, to the extent, and in a manner, it considers appropriate, the Committee provides feedback to those entities for their consideration and necessary action.

The effectiveness of the Committee is evaluated annually by each member of the Committee and the results are communicated to the Board.

Composition of the Committee and Meetings

The Audit Committee comprises the undersigned and the following Independent Non-Executive Directors:

A Cabraal
P Perera

The Head of the Group BPR division served as the Secretary to the Audit Committee.

The Audit Committee met five times during the financial year. Information on the attendance at these meetings by the members of the Committee is given in the ensuing section. The Chairperson-CEO, the Deputy Chairperson/Group Finance Director, Group Financial Controller and the External Auditors attended most parts of these meetings by invitation. The Internal Auditors carrying out outsourced assignments and relevant executives of the Company and the Group also attended these meetings, when needed. The Committee engaged with the management to review key risks faced by the Group as a whole and the main sectors, with a view to obtaining assurances as appropriate and ensure effective risk mitigation strategies were in place.

The activities and views of the Committee were communicated to the Board of Directors quarterly through verbal briefings, and by tabling the minutes of the Committee's meetings.

The activities and views of the Committee were communicated to the Board of Directors quarterly through verbal briefings, and by tabling the minutes of the Committee's meetings.

Financial Reporting

The Audit Committee has reviewed and discussed the Group's quarterly financial statements and the annual statements with the Management. The External Auditors were engaged to conduct a limited review of the Group's interim financial statements for the six months ended 30 September 2022. The results of this review were discussed with the External Auditors prior to publication of these statements. The scope of the review included ascertaining compliance of the statements and disclosures with the Sri Lanka Accounting Standards, the appropriateness and changes in accounting policies and material judgemental matters. Discussions were also held with the External Auditors and Management on matters communicated to the Committee by the External Auditors in their reports to the Committee on the audit for the year.

The Committee obtained independent input from the External Auditors on the effects of any new Sri Lanka Accounting Standards that came into effect for the year under review and satisfied themselves that the necessary preparatory work was carried out, to enable the Company to comply with these new standards.

Internal Audit, Risks and Controls

The Committee reviewed the adequacy of the Internal Audit coverage for the Group and the Internal Audit Plans for the Group with the Head of the Group BPR division and the Management. The Internal Audit function of most Group companies is outsourced to leading professional firms under the direction and control of the Group BPR division.

The Group BPR division regularly reported to the Committee on the adequacy and effectiveness of internal controls in the Group and compliance with laws and regulations and established policies and procedures of the Group. Reports from outsourced Internal Auditors on the operations of the Company and some of the unquoted subsidiaries of the Company were also reviewed by the Committee. Follow-up action was taken on the recommendations of the outsourced Internal Auditors and any other significant follow-up matters were documented and presented to the Committee on a quarterly basis by the Head of Group BPR. The Committee reviewed the effectiveness of digital forensic tools used by Group BPR.

The Sustainability and Enterprise Risk Management division reported to the Committee on the process of identification, evaluation and management of all significant risks faced by the Group. The report covered the overall risk profile of the Group for the year under review in comparison with that of the previous year, and the most significant risks from a Group perspective together with mitigatory action. The Group functions in an environment where not all risks can be completely eliminated and in this context the Committee reviews remedial measures taken to manage risks that do materialise and the level of residual risk.

Formal confirmations and assurances were obtained from the senior management of Group companies on a quarterly basis regarding the efficacy and status of the internal control systems and risk management systems and compliance with applicable laws and regulations.

The Committee reviewed the whistleblowing arrangements for the Group and had direct access to the Ombudsperson for the Group. The effectiveness and resource requirements of the Group BPR division were reviewed and discussed with the management and changes were effected where considered necessary.

External Audit

The External Auditors' Letter of Engagement, including the scope of the audit, was reviewed and discussed by the Committee with the External Auditors and the management prior to the commencement of the audit.

The External Auditors kept the Committee advised on an on-going basis regarding matters of significance that were pending resolution. Before the conclusion of the audit, the Committee met with the External Auditors and the management to discuss all audit issues and to agree on actions. This included the discussion of formal reports from the External Auditors to the Committee. The Committee also met the External Auditors, without management being present, prior to the finalisation of the financial statements to obtain their input on specific issues and to ascertain whether they had any areas of concern relating to their work. No matters other than those already discussed with the management were raised by the External Auditors.

The External Auditors' final management reports on the audit of the Company and the financial statements of the Company and Group for the year 2022/23 were discussed with the management and the Auditors.

The Committee is satisfied that the independence of the External Auditors has not been impaired by any event or service that gives rise to a conflict of interest. Due consideration has

been given to the nature of the services provided by the Auditors and the level of audit and non-audit fees received by the Auditors from the John Keells Group. The Committee also reviewed the arrangements made by the Auditors to maintain their independence and confirmation has been received from the Auditors of their compliance with the independence guidance given in the Code of Ethics of the Institute of Chartered Accountants of Sri Lanka.

The performance of the External Auditors have been evaluated with the aid of a formal assessment process with input provided by the senior management of the Company and the Committee has recommended to the Board that Ernst & Young be re-appointed as the Lead/ Consolidation Auditor of the Group for the financial year ending 31 March 2024, subject to approval by the Shareholders at the Annual General Meeting.



N Fonseka
Chairperson of the Audit Committee

23 May 2023

3.2.1.2 Audit Committee meeting attendance

No. of meetings – 05

	Eligible to Attend	Attended
A Cabraal	5	5
N Fonseka	5	5
P Perera	5	5
By Invitation		
K Balendra	5	5
G Cooray	5	5

Note: The Committee convened at least once every quarter.

CORPORATE GOVERNANCE COMMENTARY

3.2.2 Human Resources and Compensation Committee

Composition

- Committee comprises exclusively of Independent Non-Executive Directors.
- The Chairperson of the Committee must be Independent Non-Executive Director.
- The Chairperson-CEO and Group Finance Director are invited to all Committee meetings unless the Chairperson-CEO or Executive Director remuneration is under discussion respectively.
- The Deputy Chairperson/Group Finance Director is the Secretary of the Committee

Scope

- Review and recommend overall remuneration philosophy, strategy, policies and practice and, performance-based pay plans for the Group.
- Determine and agree with the Board a framework for the remuneration of the Chairperson and Executive Directors based on performance targets, benchmark principles, performance related pay schemes, industry trends and past remuneration.
- Succession planning of Key Management Personnel.
- Determining compensation of Non-Executive Directors is not under the scope of this Committee.

3.2.2.2 Human Resources and Compensation Committee meeting attendance

No. of meetings – 02

	Eligible to Attend	Attended
A Cabraal	2	2
A Omar*	N/A	N/A
H Wijayasuriya	2	2
By Invitation		
K Balendra	2	2
G Cooray	2	2

* Retired from the JKH Board and the sub-committee appointment on 27 June 2022.

3.2.2.1 Report of the Human Resources and Compensation Committee

The Human Resource and Compensation Committee forms a key part of the governance framework of the Group and carries the mandate to oversee the compensation and benefits policies adopted by the Group, and in doing so, review and recommend overall remuneration philosophy, strategy, policies and practices and performance-based pay plans. Furthermore, it reviews performance, compensation and benefits of the Chief Executive Officer (CEO), the other Executive Directors, and key executives who support and implement decisions at an apex level, the overall business strategy and make recommendation thereon to the Board of Directors. The Committee also reviews and monitors the performance of the Group's top talent for purposes of organisational growth and succession planning, with particular emphasis on succession at key executive levels.

In performing this role, the Committee is conscious of the need to ensure that stakeholder interests are aligned, and the Group is able to attract, motivate and retain talent and ensure their loyalty; the integrity of the Group's compensation and benefits programme is maintained and importantly, that the compensation policy and schemes are compliant with applicable laws and regulations.

In this context, the Committee determined the remuneration of the Executive Directors including the Chairperson-CEO in terms of the methodology set out by the Board, upon an evaluation of their performance by the Non-Executive Directors. The evaluation of the members of the Group Executive Committee (GEC) was considered by the Committee and remuneration was determined based on performance, market comparators for similar positions and in accordance with the Company's Compensation and Benefits policy.

As per the mandate outlined, the report from the Chairperson of the Human Resources and Compensation Committee continues to be a standing agenda item at the quarterly Board meetings. The Chairperson of the Committee reports on the developments which have taken place since the last Board meeting, if any, and updates the Board on various matters, as relevant and requested.

The Committee wishes to report that the Company has complied with the Companies Act in relation to remuneration of Directors. The annual performance appraisal scheme, the calculation of short-term incentives, and the award of ESOPs were executed in accordance with the approvals given by the Board, based on discussions conducted between the Committee and the Management.



A Cabraal

Chairperson of the Human Resources and Compensation Committee

22 May 2023

3.2.3 Nominations Committee

Composition

- Majority of the members of the Committee shall be Non-Executive Directors together with the Chairperson-CEO.
- The Chairperson of the Committee must be an Independent Non-Executive Director.
- The Secretary to the Board is the Secretary of the Committee.

Scope

- Assess the skills required on the Board given the needs of the businesses.
- From time to time assess the extent to which the required skills are represented at the Board.
- Prepare a clear description of the role and capabilities required for a particular appointment.
- Identify and recommend suitable candidates for appointments to the Board.
- Ensure, on appointment to Board, Non-Executive Directors receive a formal letter of appointment specifying clearly expectation in terms of time commitment, involvement outside of the formal Board meetings, participation in Committees, amongst others.
- Ensure that every appointee undergoes an induction to the Group.
- The appointment of the Chairperson and Executive Directors is a collective decision of the Board.

3.2.3.1 Report of the Nominations Committee

The Nominations Committee as at 31 March 2023, consisted of the following members:

- A Cabraal (Chairperson)
- K Balendra
- P Perera
- H Wijayasuriya

**Note: A Omar resigned as the Chairperson of the Nominations Committee consequent to his resignation from the Board of John Keells Holdings PLC (JKH) on 27 June 2022.*

The Nominations Committee reaffirmed its mandate to:

- Recommend to the Board the process of selecting the Chairperson and Deputy Chairperson.
- Assess the skills required for each business, based on the strategic demands to be met by JKH and other listed companies of the Group.
- Identify suitable persons to be appointed as Non-Executive Directors to the Board of JKH and make recommendations to other listed companies in the Group.
- Review the structure, size, composition and skills of each Board.
- Ensure that every appointee undergoes an induction.
- Make recommendations on matters referred to it by the Board.

During the reporting period, the following appointments were made consequent to the recommendation of the Committee:

John Keells Holdings PLC

- A N Fonseka (renewal)
- D A Cabraal (renewal)
- S S H Wijayasuriya (renewal)
- S A Coorey (new appointment)

Ceylon Cold Stores PLC

- S T Ratwatte (renewal)
- R S Wilson Wijeratnam (renewal)

John Keells PLC

- A K Gunawardhana (renewal)
- B A I Rajakarier (renewal)
- C N Wijewardane (renewal)

John Keells Hotels PLC

- K A Gunasekera (renewal)
- A K Moonesinghe (renewal)
- H Premaratne (new appointment)

Keells Food Products PLC

- S De Silva (renewal)
- A E H Sanderatne (renewal)
- I Samarajiva (renewal)
- P D Samarasinghe (renewal)

Tea Smallholder Factories PLC

- A S Jayatilleke (renewal)

Trans Asia Hotels PLC

- S A Atukorale (new appointment)
- N L Gooneratne (renewal)

The Committee reports its activities at each Board Meeting.

The Committee continues to work with the Board on reviewing its skills mix, based on the immediate and emerging needs of the Group. Further, the Committee discusses with the Board the outputs of the annual JKH Board evaluation.



A Cabraal

Chairperson of the Nominations Committee

22 May 2023

3.2.3.2 Nominations Committee meeting attendance

No. of meetings – 02

	Eligible to Attend	Attended
A Cabraal*	1	1
K Balendra	2	2
A Omar**	1	1
P Perera	2	2
H Wijayasuriya	2	2

** Appointed to the Committee and as Chairperson of the Committee effective 27 June 2022.*

*** Retired from the JKH Board and the sub-committee appointment on 27 June 2022.*

CORPORATE GOVERNANCE COMMENTARY

3.2.4 Related Party Transactions Review Committee

Composition

- The Chairperson shall be an Independent Non-Executive Director.
- Members of the committee should be a combination of Non-Executive Directors and Independent Non-Executive Directors.
- The composition may include Executive Directors at the option of the Listed Entity.

Scope

- The Group has broadened the scope of the Committee to include senior decision makers in the list of key management personnel, whose transactions with Group companies also get reviewed by the Committee, in addition to the requisitions of the CSE.
- Develop, and recommend for adoption by the Board of Directors of JKH and its listed subsidiaries, a Related Party Transaction Policy which is consistent with the operating model and the delegated decision rights of the Group.
- Update the Board on related party transactions of each of the listed companies of the Group on a quarterly basis.
- Define and establish the threshold values for each of the subject listed companies in setting a benchmark for related party transactions, related party transactions which have to be pre-approved by the Board, related party transactions which require to be reviewed annually and similar issues relating to listed companies.

3.2.4.1 Report of the Related Party Transactions Review Committee

Composition

The following Directors served as members of the Committee during the financial year:

P Perera
N Fonseka
A Cabraal

The Chairperson-CEO, Deputy Chairperson/Group Finance Director, and Group Financial Controller attended meetings by invitation. The Head of Group Business Process Review served as the Secretary to the Committee. The Committee held four meetings during the financial year, which were held on a quarterly basis. Information on the attendance at these meetings by the members of the Committee is given alongside.

Objective and Governing Policies

The objective of the Committee is to exercise oversight on behalf of the Board of John Keells Holdings PLC and its listed subsidiaries, to ensure compliance with all applicable rules and regulations, namely the Code on Related Party Transactions, as issued by the Securities and Exchange Commission of Sri Lanka ('The Code') and the Listing Rules of the Colombo Stock Exchange (CSE). The Committee has also adopted best practices as recommended by the Institute of Chartered Accountants of Sri Lanka and ensures that transactions are in line with the Groups' internal governance framework and associated policies.

Procedure

The Committee in discharging its functions primarily relied on processes that were validated from time to time and periodic reporting by the relevant entities and Key Management Personnel (KMP) with a view to ensuring that:

- there is compliance with 'The Code' and the Listing Rules of the CSE
- shareholder interests are protected; and
- fairness and transparency are maintained.

Non-recurrent Related Party Transactions (RPTs) of listed entities:

The Committee advocated the Management to implement appropriate procedures to ensure that all non-recurrent RPTs of the Group's listed entities are submitted to the Committee, for pre-approval. Accordingly, the Committee reviewed and pre-approved all proposed non-recurrent Related Party Transactions (RPTs) of the parent, John Keells Holdings PLC, and all its listed subsidiaries, namely: Asian Hotels and Properties PLC, Ceylon Cold Stores PLC, John Keells PLC, John Keells Hotels PLC, Keells Food Products PLC, Tea Smallholder Factories PLC, Trans Asia Hotels PLC and Union Assurance PLC.

Recurrent RPTs of listed entities:

The Committee has endorsed guidelines to facilitate disclosures and assurances to be provided by the senior management of listed entities in the Group so as to validate compliance with sec 9.5(a) of the Listing Rules and thus exclusion from the mandate for review and pre-approval of such transactions by the Committee.

Accordingly, Recurrent RPTs as well as the aforesaid disclosures and assurances were reviewed annually by the Committee.

Other significant transactions of non-listed subsidiaries:

Material transactions of non-listed subsidiaries in the Group were presented to the Committee for information.

The Group continued to adopt a broader scope in defining key management personnel including therein all senior decision makers. Accordingly, in addition to the Directors, all Presidents, Executive Vice Presidents, Chief Executive Officers, Chief Financial Officers and Financial Controllers of respective companies/sectors have been designated as KMPs in order to increase transparency and enhance good governance. Annual disclosures from all KMPs setting out any RPTs they were associated with, if any, were obtained and reviewed by the Committee.

The activities and views of the Committee have been communicated to the Board of Directors, quarterly, through verbal briefings, and by tabling the minutes of the Committee's meetings.



P Perera

Chairperson of the Related Party Transactions Review Committee

22 May 2023

3.2.4.2 Related Party Transactions Review Committee meeting attendance

No. of meetings – 04

	Eligible to Attend	Attended
A Cabraal	4	4
N Fonseka	4	4
P Perera	4	4
By Invitation		
G Cooray	4	4
K Balendra	4	4

Note: The Committee convened at least once every quarter.

3.2.5 Project Risk Assessment Committee

3.2.5.1 Project Risk Assessment Committee Meeting Attendance

No. of meetings – The committee didn't convene during the year.

3.2.5.1 Report of the Project Risk Assessment Committee

The following Directors served as members of the Committee during the financial year:

H Wijayasuriya (Chairperson)
K Balendra
G Cooray
P Perera

The Project Risk Assessment Committee was established with the purpose of further augmenting the Group's Investment Evaluation Framework. The Committee provides the Board with enhanced illumination of Risk perspectives with respect to large scale new investments, and also assists the Board in assessing the potential impact of risks associated with such investments. Investments which are referred to the Committee are those which exceed a board-agreed threshold in terms of quantum of investment and/or potential impact to the Group. The Committee accordingly provides early-stage recommendations to the Board with respect to the extent of risk and adequacy of mitigation strategies.

Given the extenuating impact of Sri Lanka's macroeconomic crisis on Group businesses and the trailing impacts of the pandemic on specific sectors; Board discussions took place at a higher frequency, affording the opportunity for matters pertaining to Group investments and risk assessments to be deliberated by the full Board.



H Wijayasuriya

Chairperson of the Project Risk Assessment Committee

22 May 2023

Composition

- Should comprise of a minimum of four Directors.
- Must include the Chairperson-CEO and Group Finance Director.
- Must include two Non-Executive Directors.
- The Chairperson must be a Non-Executive Director.

Scope

- Review and assess risks associated with large-scale investments and the mitigatory plans thereto, if mitigation is possible, and identify risks that cannot be mitigated.
- Ensure stakeholder interests are aligned, as applicable, in making this investment decision.
- Where appropriate, obtain specialised expertise from external sources to evaluate risks, in consultation with the Group Finance Director.
- Recommend to the Board, necessary action required, to mitigate risks that are identified in the course of evaluating a project in order to ensure that those risks are captured by the Group Risk Matrix for monitoring and mitigation.
- Note that the Committee shall convene only when there is a need to transact in business as per the terms of its mandate.

3.3 Combined Chairperson-CEO Role

The Group's Chairperson continued to play the role of the CEO, in addition to the role of Chairperson. The appropriateness of combining the two roles is discussed in detail in the ensuing section.

3.3.1 Appropriateness of Combining the Roles of Chairperson and CEO

The appropriateness in combining the roles of the Chairperson-CEO was established after evaluation and debate, internally and externally. The appropriateness of continuing with the combined role is revisited and rigorously evaluated periodically - the Board continues to maintain its position that the combination of the two roles is more appropriate for the Group in meeting stakeholder objectives in a large, diversified conglomerate setting. This view takes into consideration not only the diversity of the industries the Group engages in but also the macroeconomic conditions which requires the leadership to be nimble and agile. These discussions are supported by international best practice accessed through consultancy services and experts.

CORPORATE GOVERNANCE COMMENTARY

- In recent years, companies in certain geographies have moved toward separating the Chairperson and CEO roles, as it is believed, in theory, that an Independent Chairperson improves the ability of the Board of Directors to oversee management.
- However, more recently, empirical research has suggested that combining the roles is likely to yield better performance of the company, and that the independence status of the Chairperson is not a material indicator of firm performance or governance quality [Liu, R (2019), Mubeen, R. et al. (2021)].
- Empirical evidence suggests that Board effectiveness is also affected by the Chairperson's industry knowledge, leadership skills, and influence on Board process rather than by the particular leadership structure chosen.
- The intended objective of achieving improved governance and higher independence can be better achieved via a focus on certain complementary actions, which have proven to be an effective assurance mechanism to the role of a combined Chairperson-CEO. If the same objective can be achieved under the guidance of a combined Chairperson-CEO, the introduction of a segregated role should not compromise the underlying operating model of a corporate, including that of JKH – particularly if there is no proven effectiveness in segregation. Such 'checks and balances' entail:
 - (i) Establishing a strong independent governance element via assurance mechanisms such as:
 - Presence of a Senior Independent Director who will act as the independent party to whom concerns could be voiced on a confidential basis and ensure that matters discussed at the Board level are done so in an environment which facilitates independent thought by individual Directors.
 - A Nominations Committee that ensures the nomination of Non-Executives who are truly independent.
 - The presence of a Board which comprises of a majority Independent Directors.
 - Presence of an Ombudsperson.
 - (ii) Use of systematic, comprehensive Board and CEO/chair evaluations.
 - (iii) Ensuring active involvement of the Board in CEO succession and strategy formulation.

As the head of the Group Executive Committee, the Chairperson-CEO provides the overall direction and policy/execution framework for the Board's decisions via this structure.

Experience has proved that the JKH Board composition of majority independent Directors coupled with the role of the Senior Independent Director, and other supporting Board dynamics have enabled the Chairperson-CEO to effectively balance the dual role as the Chairperson of the Board and the CEO of the Company/Group.

Given the need for a combined Chairperson-CEO role, the Chairperson does not come up for re-election as in the case with other Executive and Non-Executive Directors. It is noted that the Articles of Association of the Company allow for this.

3.3.2 Chairperson-CEO Appraisal

The Human Resources and Compensation Committee, appraised the performance of the Chairperson-CEO on the basis of pre-agreed goals for the Group, set in consultation with the Board. These goals cover the ensuing broad aspects and is also based on the Group's performance assessed against the goal and peers which involve other listed companies on the CSE:

- Creating and adding shareholder value
- Success in identifying and implementing projects
- Sustaining a first-class image

- Developing human capital
- Promoting collaboration and team spirit
- Building sustainable external relations
- Leveraging Board members and other stakeholders
- Ensuring good governance and integrity in the Group

3.3.3 Direct Discussions with the Non-Executive Directors

The Chairperson-CEO conducts direct discussions with Non-Executive Directors at meetings held exclusively for Non-Executive Directors, which are convened by the Senior Independent Director. Issues arising from these discussions are actioned in consultation with the relevant persons. During the year under review, the Non-Executive Directors met once without the presence of the Executive Directors.

3.4 Group Executive Committee and Other Management Committees

The Group Executive Committee and the other Management Committees met regularly as per a timetable communicated to the participants 6 months in advance. In the absence of a compelling reason, attendance at these Committee meetings is mandatory for the Committee members. All the Committees carried out specific tasks entrusted to each component, as expected.

Whilst the Chairperson-CEO and Presidents are ultimately accountable for the Company/Group and the industry groups/sectors/business functions respectively, all decisions are taken on a committee structure as described below.

3.4.1 Group Executive Committee (GEC)

As at 23 May 2023, the 8-member GEC consisted of the Chairperson-CEO, the Deputy Chairperson/Group Finance Director and the Presidents of each business/function. The GEC is the overlay structure that implements, under the leadership and direction of the Chairperson-CEO, the strategies and policies determined by the Board, manages through delegation and empowerment, the business and affairs of the Group, makes portfolio decisions and prioritises the allocation of all forms of Capital.

A key responsibility of the members of the GEC is to act as the enablers of the operating model of the Group. The members of the GEC are well equipped to execute these tasks and bring in a wealth of experience and diversity to the Group in terms of their expertise and exposure.



Refer GEC Profiles section of the corporate website for more details.

The GEC meets twice a month, in addition to the meetings that are scheduled as necessitated by the requirements of the Group. During the year, the frequency of GEC meetings increased significantly considering the challenging operating conditions that prevailed throughout the year.

3.4.2 Group Operating Committee (GOC)

As at 23 May 2023, the 19-member GOC consisted of the Chairperson-CEO, the Deputy Chairperson/Group Finance Director, the Presidents and the Executive Vice Presidents in charge of sectors and the finance functions of the industry groups and Executive Vice Presidents who are functional heads at Centre Functions. The GOC provided a forum to share learnings, and identify synergies, across industry groups, sectors, business units and functions. The GOC meets once a month during the year and is instrumental in preserving a common group identity across diverse business units.



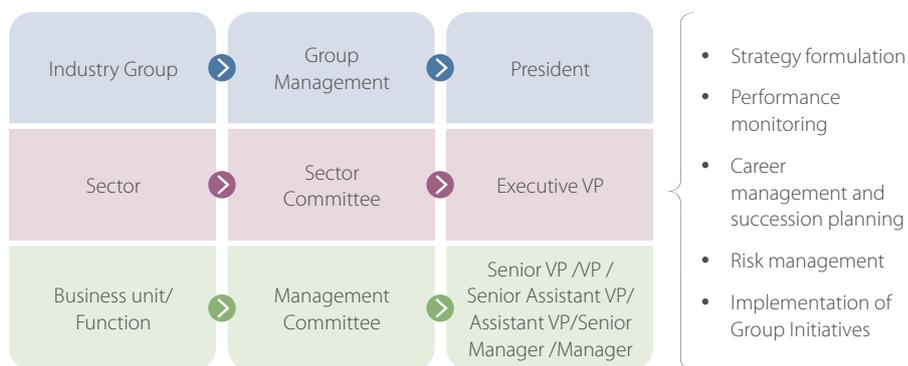
Refer GOC Profiles section of the corporate website for more details.

3.4.3 Other Management Committees

These include the Group Management Committee, Sector Committee and Management Committee which are responsible at the industry group level, sector level and business unit level respectively. The underlying intention of forming these Committees is to encourage the respective business units to take responsibility and accountability at the grass-root level via suitably structured Committees and teams by objective setting.

The agendas of these Committees are carefully structured to avoid duplication of effort and to ensure that discussions and debate are complementary, both in terms of a bottom-up and top-down flow of information and accountability. These Committees met regularly and carried out their tasks in keeping with their scope. The Management Committees proved to be key in enhancing employee engagement and empowerment.

Illustrated below is the structure of the three Committees.



Note: Vice President (VP)

3.5 Employee Empowerment

The Group ensures that the necessary policies, processes and systems are in place to ensure effective recruitment, development and retention of this vital stakeholder. The bedrock of these policies is the Group's competency framework. To support these policies, the Group continued with, and further strengthened, the following practices.

- Top management and other senior staff are mandated to involve, as appropriate, all levels of staff in formulating goals, strategies and plans.
- Decision rights were defined for each level of employment in order to instil a sense of ownership, reduce bureaucracy and speed-up the decision-making process.
- A bottom-up approach was taken in the preparation of annual and long-term plans and the Group also ensured employee involvement in strategy, and thereby empowerment.
- Organisational and Committee structures are designed to enable, and facilitate, high accessibility of all employees to every level of management.
- Open, honest, frank and constructive communication is encouraged at all levels. The Group strongly believes that constructive disagreement is essential for optimal decision making.

The Group prioritises a safe, secure and conducive environment for all its employees, allows freedom of association and collective bargaining, prohibits child labour, forced or compulsory labour and any discrimination based on gender, race, religion, gender identity or sexual orientation, and promotes workplaces which are free from physical, verbal or sexual harassment.

During the year under review, the Group conducted the Great Place to Work (GPTW) survey for all Group employees which provided insights into how employees perceive the culture, structure, and management of an organisation, among others. The feedback received from this exercise will be used towards crafting a better and more cohesive workplace, which will in turn drive productivity across the Group.

4 INTEGRATED GOVERNANCE SYSTEMS AND PROCEDURES

Listed below are the main governance systems and procedures of the Group. These systems and procedures strengthen the elements of the JKH Internal Governance Structure and are benchmarked against industry best practice.

- Strategy formulation and decision-making process
- Human resource governance
- Integrated risk management
- IT governance
- Tax governance
- Stakeholder management and effective communications
- Sustainability governance

CORPORATE GOVERNANCE COMMENTARY

4.1 Strategy Formulation and Decision-Making Processes

4.1.1 Strategy Mapping

Strategy mapping exercises, concentrating on the short, medium and long-term aspirations of each business, are conducted annually and reviewed, at a minimum, quarterly/half-yearly or as and when a situation so demands.

This exercise entails the following key aspects, among others.

- Progress and deviation report of the strategies formed.
- Competitor analysis and competitive positioning.
- Analysis of key risks and opportunities.
- Management of stakeholders such as suppliers and customers.
- Value enhancement through initiatives centred on the various forms of Capital under an integrated reporting framework.

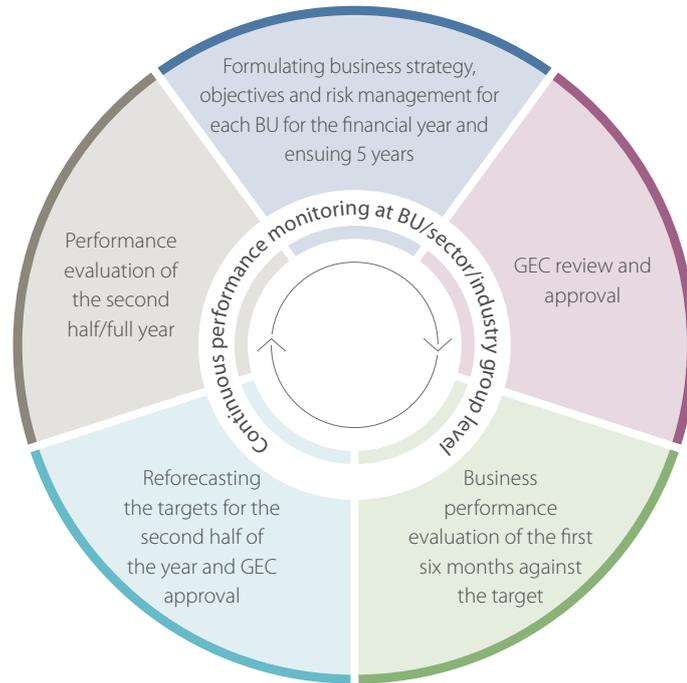
The strategies of the various business units, operating in diverse industries and markets, will always revolve around the Group strategy, while considering their domain specific factors. The prime focus always is to enhance value for all stakeholders.

The Group's investment appraisal methodology and decision-making process ensures the involvement of all key stakeholders that are relevant to the evaluation of the decision.

In this manner:

- Several views, opinions and advice are obtained prior to making an investment decision.
- A holistic view is taken on the commercial viability and potential of any project, including operational, financial, funding, legal, risk, sustainability and tax implications.
- Sensitivity and scenario analysis are conducted to understand the impacts from the macroeconomic environment, especially during periods of volatility and uncertainty.
- All investment decisions are consensual in nature, made through the afore-discussed management committee structure where no single individual has unfettered decision making powers over investment decisions.
- The ultimate responsibility and accountability of the investment decision rests with the Chairperson-CEO.

The following section further elaborates on the Group's strategy formulation and planning process.



4.1.2 Medium-term Strategy

The ensuing section illustrates the comprehensive process followed by each business in developing the business's strategy for the medium term.

Values and Promises

- Identification of the core values the business will operate with and the internal Promises that the business will strive to deliver to stakeholders interests

Brand and Business Review

- Review of global and regional trends
- Identification of insights, risks, challenges, opportunities and implications, collated into key themes

Brand Plan

- Identifying key activities required to be undertaken under each theme and the articulation of the varied brand-led themes and activities
- Identification of KPIs to measure delivery of Promises

Long-term Business Plan

- Setting of a long-term goal and agreeing on the core pillars that would deliver growth
- Target setting, scheduling activities and identifying workstreams to execute long-term initiatives
- Identifying operating and capital expenditure along with capability resources

Annual Business Plans

- Articulation and approval of detailed project plans for execution of workstreams
- Approval of Annual Business Plan

Performance Measurement

Measure of performance against:

- Promises
- Annual plans and projects
- Long-term initiatives
- Financial objectives

Projects undertaken at the Group follow a detailed feasibility report covering key business considerations under multiple scenarios, within a framework of sustainability. The feasibility stage is not restricted to a financial feasibility and encompasses a wider scope of work covering risk management, sustainable development, ESG and HR considerations.

4.1.3 Project Approval Process

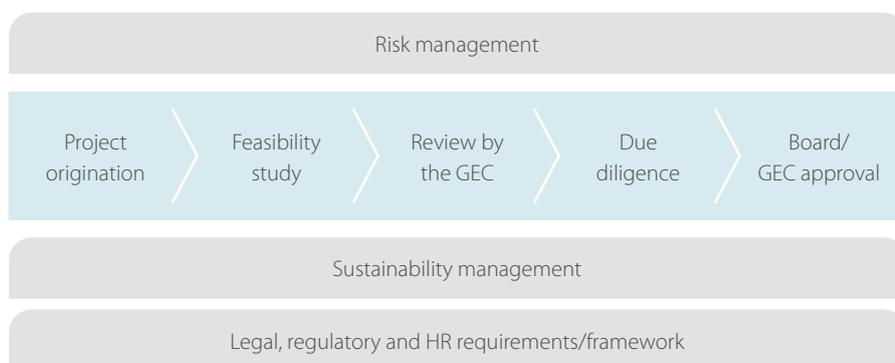
Projects undertaken at the Group follow a detailed feasibility report covering key business considerations under multiple scenarios, within a framework of sustainability. The feasibility stage is not restricted to a financial feasibility and encompasses a wider scope of work covering risk management, sustainable development, ESG and HR considerations.

Based on the decision rights matrix, subsequent to review by the relevant leadership committee of the feasibility report and post in principle approval, a multi-disciplined project team will proceed to the next phase of the project evaluation which will focus on detailed operational, commercial, financial and legal due diligence. Discussions will also commence with regulatory and licensing authorities, financial institutions and possible partners, worker representatives, as relevant and deemed necessary.

Social and environmental impacts will also be considered. Where the transaction involves the transfer or lease of land, title searches would be conducted for both private and State land. In case of State land, every action would be taken to ensure compliance with the relevant rules and regulations. As appropriate, written authority and approvals will be obtained. Where the project is a part of a privatisation, the entire process will be conducted in line with the directives of the relevant administrative authority as communicated through expressions of interests, request for proposals, pre-bid meetings and official approvals and correspondence.

Subsequent to the project satisfying the above highlighted criteria, the final approval to proceed will be granted by the Board. Based on thresholds of the investment quantum, the Project Risk Assessment Committee will review and assess risks associated with such investments and the mitigatory plans thereto, if mitigation is possible, and identify risks that cannot be mitigated on behalf of the Board. The aim of this intervention is to ensure alignment with the interest of various stakeholders and to recommend to the Board, necessary action required, to mitigate risks that are identified in the course of evaluating a project in order to ensure that those risks are captured by the Group Risk Matrix for monitoring and mitigation. When appropriate, the GEC is empowered to approve such proposals in terms of the delegated decision rights with the Board being kept informed.

The aforementioned project appraisal framework flow is illustrated below:



4.2 Human Resource Governance

The Group human resource governance framework is designed in a manner that enables high accessibility by any employee to every level of management. Constant dialogue and facilitation are also maintained ranging from work related issues to matters pertaining to general interest that could affect employees and their families. The Group follows an open-door policy for its employees and this is promoted at all levels of the Group.

The state-of-the-art cloud based Human Resource Information System (HRIS) manages the entire lifecycle of the employee from onboarding to performance management, succession planning, compensation, learning and development, through to offboarding.

4.2.1 Performance Management

The Performance Management System, as illustrated below, is at the heart of many supporting human resource management processes such as learning and development, career development, succession planning, talent management, rewards/recognition and compensation/benefits.

Whilst the employees are appraised for their performance, equal emphasis is placed on how well they embody Group Values, namely: Caring, Trust, Integrity, Excellence and Innovation.

The Group human resource governance framework is designed in a manner that enables high accessibility by any employee to every level of management. Constant dialogue and facilitation are also maintained ranging from work related issues to matters pertaining to general interest that could affect employees and their families. The Group follows an open-door policy for its employees and this is promoted at all levels of the Group.

CORPORATE GOVERNANCE COMMENTARY

Identification of:

- Performance rating
- Competency ratings

Identification of:

- Chairperson's Award
- Employee of the Year
- Champion of the Year

Identification of:

- High performers
- High potential



Identification of:

- Long-term development plans
- Competency-based training needs
- Business focussed training needs

Identification of:

- Promotions
- Inter-company transfers
- Inter department transfers

Identification of:

- Jobs at risk
- Suitable successors
- Readiness level of successors
- Development plans
- External recruitments

4.2.2 Performance Based Compensation Philosophy

The JKH Group Compensation Policy is as follows:

Performance Management

'Pay for performance'

Greater prominence is given to the incentive component of the total target compensation.

Satisfaction

'More than just a workplace'

Continuously focuses on creating a sound work environment covering all aspects of employee satisfaction.

Compensation Policy

- Compensation comprises of fixed (base) payments, short-term incentives, and long-term incentives.
- Higher the authority levels within the Group, higher the incentive component as a percentage of total pay.
- Greater the decision influencing capability of a role, higher the weight given to organisational performance as opposed to individual performance.
- Long-term incentives are in the form of Employee Share Options and cash payments.

Internal Equity

- Remuneration policy is built upon the premise of ensuring equal pay for equal roles
- Manager and above level roles are banded using the Mercer methodology for job evaluation, on the basis of the relative worth of jobs

External Equity

- Fixed compensation is set at competitive levels using the median, 65th percentile and 75th percentile of the best comparator set of companies (from Sri Lanka and the region, as relevant) as a guide.
- Regular surveys are done to ensure that employees are not under / over compensated

4.2.2.1 Equity Sharing

Employee Share Option Plans are offered at defined career levels based on pre-determined criteria which are uniformly applied across the eligible levels and performance levels. These long-term incentives have been significantly instrumental in inculcating a deep sense of ownership in the recipients and is seen to be a key driver of performance driven rewards. Share options are awarded to individuals on the basis of their immediate performance and potential importance of their contribution to the Group's future plans.

The Company issues share options not exceeding a specified percentage of the total issued shares of the Company as at the date of awarding every such option, which is subject to in-principle approval of the Exchange and shareholder approval, by way of a Special Resolution at a General Meeting.

4.3 Integrated Risk Management

JKH's Group-wide risk management programme focuses on wider sustainability development, to identify, evaluate and manage significant Group risks and to stress test various risk scenarios, including a review of materiality. The programme ensures that a multitude of risks, arising as a result of the Group's diverse operations, are effectively managed in creating and preserving stakeholder wealth. The Group manages its enterprise risk, audit and incident management processes through an automated risk management platform that enables the maintenance of live, dynamic and virtual risk registers which are linked to business goals and responsible personnel. Features such as the provision of timely alerts on action plans and escalation processes for risks, where action plans are over-due, ensure maintenance of live risk grids.

Continuous steps taken towards promoting the Group's integrated risk management process are:

- Integrating and aligning activities and processes related to planning, policies/procedures, culture, competency, internal audit, financial management, monitoring and reporting with risk management.
- Supporting executives/managers in moving the organisation forward in a cohesive integrated and aligned manner to improve performance, while operating effectively, efficiently, ethically and legally within the established limits for risk taking. The risk management programmes have allowed greater visibility and understanding of risk appetites. Enabled by the automated risk management platform, key management personnel have virtual visibility of the risks, as relevant, while the Board has visibility of all Group risks.

The Board, GEC and Group Management Committees, oversee risk management across the Group to ensure that risks are brought within tolerance, managed and/or mitigated.

 Please refer the Risks, Opportunities and Internal Controls section and Notes to the Financial Statements of the Annual Report and the Risk, Opportunities and Internal Controls section of the corporate website.

4.4 Information Technology (IT) Governance

IT governance stewardship roles are governed through layered and nested committees, cascading from the Board, GEC, GOC, the Group IT Steering Committee and to the Group IT Operations Committee with well-defined roles and responsibilities across the Group with a federated governance structure to cater to the holistic Group-level as well as specific industry level nuances and to ensure empowerment and enablement to act with a singular and more robust governance and policy framework across the Group, whilst being agile and nimble.

The Group's IT governance framework focuses on five broader segments, namely strategic alignment, value delivery, performance management, risk management, and resource management. Additionally, the IT governance framework used within the Group leverages on best practice and industry leading models such as CoBIT (Control Objectives for Information and Related Technology), ISO 35800, ISO27001, ISO 9001:2015, COSO (Committee of Sponsoring Organisations of the Treadway Commission)/BCP (Business Continuity Planning), ITIL (Information Technology Infrastructure Library), CMMI (Capability Maturity Model Integration), NIST (National Institute of Standards and Technology), FAIR (Factor Analysis of Information Risk), among others, in formulating a state-of-the-art framework for IT governance, risk and compliance management across the Group. The key focus areas of the governance framework are as follows:



The Group continually focusses on enhancing the IT governance framework in line with its business and IT strategies with a focused shift towards a zero-trust model built on a mobile-first, internet-first, cloud-first and AI-first strategy.

CORPORATE GOVERNANCE COMMENTARY

4.5 Tax Governance

The Group's tax governance framework and tax strategy is guided by the overarching principles of compliance, transparency and accountability, and acknowledges the Group's duty in fulfilling its tax obligations as per fiscal legislation, while preserving value for other stakeholders, particularly investors.

Governance Structure	<ul style="list-style-type: none"> • Voluntary compliance and efficient tax management are key aspect of the Group's overall tax strategy. • This is enabled through a decentralised tax structure where expertise is built at each industry group level to support decision making. • The Head of Tax of each industry group, reporting functionally to the Group Head of Tax, ensures uniformity of interpretation, robust compliance management and roll out of Group tax strategy across all businesses.
Policy and Strategy	<ul style="list-style-type: none"> • Ensure: <ul style="list-style-type: none"> • Integrity of all reported tax disclosures. • Robust controls and processes to manage tax risk. • Openness, honesty, and transparency in all dealings. • Presence of legitimate business transactions underpinning any tax planning or structuring decision/opportunity. • Contribute to fiscal policy formulations constructively in the interest of all stakeholders.
Role	<ul style="list-style-type: none"> • Implement and maintain strong compliance processes. • Analyse and disseminate business impact from change in tax legislation. • Provide clear, timely, and relevant business focused advice across all aspects of tax. • Ensure availability of strong and well documented technical support for all tax positions. • Obtain independent/external opinions where the law is unclear or subject to interpretation.
Review and Monitoring	<ul style="list-style-type: none"> • Leverage on digital platforms to support, record and report on tax compliance status across the Group. • Periodic updates to the Board of Directors on the Group Tax positions (quarterly at minimum).

The Group's approach to tax governance is directly linked to the sustainability of business operations. The presence of a well structure tax governance framework ensures the following:

- Ability to manage tax exposures efficiently by reducing the tax burden on the Group, within the ambit of applicable laws.
- Manage tax risks and implications on Group reputation through adequate policies and proactive communication defence.
- Facilitate healthy relationships amongst stakeholders, Government and tax authorities.
- Ensuing integrity of reported numbers and timely compliance.

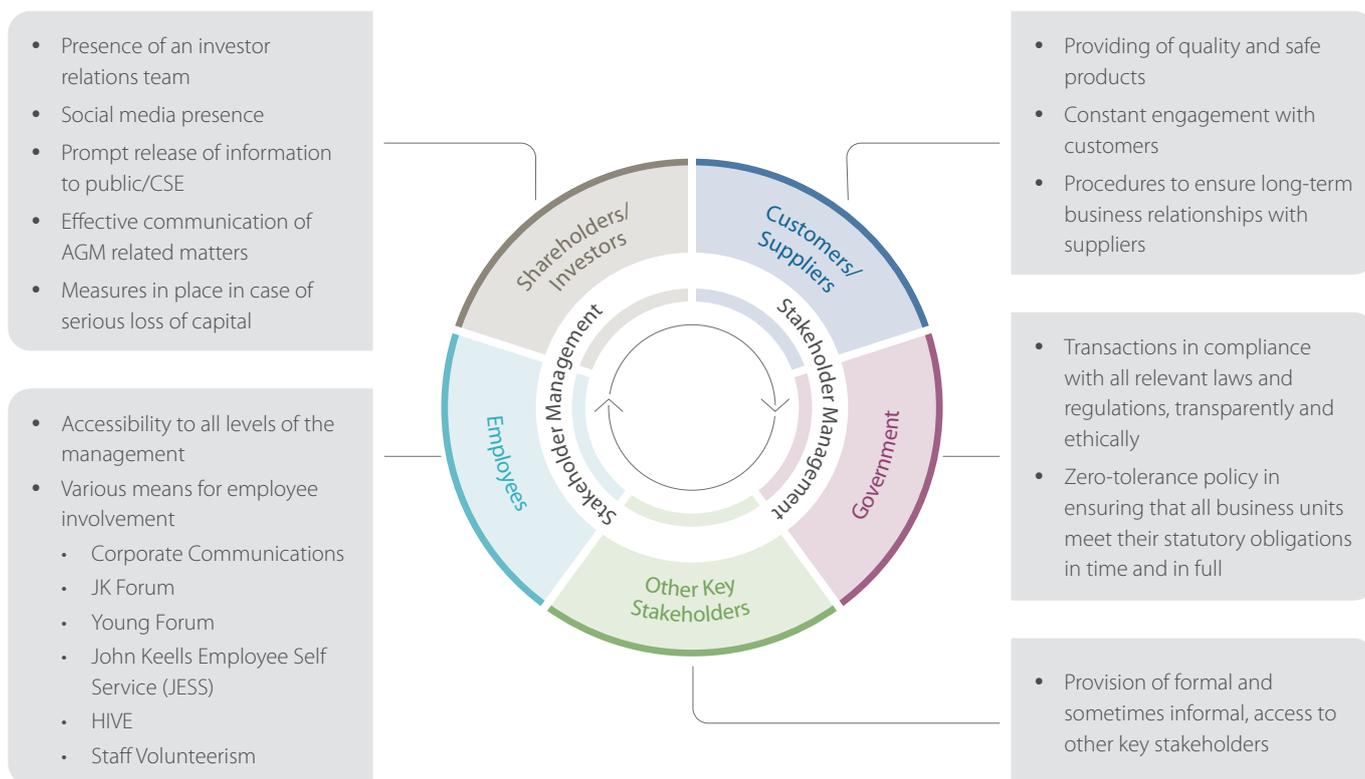
The Investor Relations team has regular discussions with shareholders, as and when applicable, to share highlights of the Group's performance as well as to obtain constructive feedback. The online quarterly investor forums provide stakeholders the opportunity to directly engage with the Group's Executive Directors. Investor Presentations, which include an update on the latest financial results, are made available on the corporate website, to provide easier access and in-depth detail of the operational performance of the Group.

4.6 Stakeholder Management and Effective Communication

Following are the key stakeholder management methodologies adopted by the Group.



Please refer the Sustainability Integration, Stakeholder Relationships and Materiality section of the Annual Report for a detailed discussion.



4.6.1 Communication with Shareholders

The primary modes of communication between the Company and the shareholders are through the announcements made to the CSE, Annual Reports, Quarterly Reports and the Annual General Meeting (AGM).

4.6.1.1 Investor Relations

The Investor Relations team of the Group is responsible for maintaining an active dialogue with shareholders, potential investors, investment banks, analysts and other interested parties in ensuring effective investor communication.

The Investor Relations team has regular discussions with shareholders, as and when applicable, to share highlights of the Group's performance as well as to obtain constructive feedback. The online quarterly investor forums provide stakeholders the opportunity to directly engage with the Group's Executive Directors. Investor Presentations, which include an update on the latest financial results, are made available on the corporate website, to provide easier access and in-depth detail of the operational performance of the Group.

Shareholders may, at any time, direct questions, request for publicly available information and provide comments and suggestions to Directors or management of the Group by contacting the Investor Relations team, Secretaries, the Senior Independent Director or the Chairperson, although individual shareholders are encouraged to carry out adequate analysis or seek independent advice on their investing, holding or divesting decisions at all times.

4.6.1.2 Release of Information to the Public and CSE

The Board of Directors, in conjunction with the Audit Committee where applicable, is responsible in ensuring the accuracy and timeliness of published information and in presenting a true and fair view, and balanced assessment of results in the quarterly and annual financial statements. Accordingly, JKH has reported a true and fair view of its financial position and performance for the year ended 31 March 2023 and at the end of each quarter of the financial year 2022/23.

All other material and price sensitive information about the Company is promptly communicated to the CSE and such information is also released to employees, the press and shareholders. Shareholders may, at any time, direct questions, request for publicly available information and provide comments and suggestions to Directors or Management of JKH. Such questions, requests and comments should be addressed to the Company Secretary.

The Group focuses on open communication and fair disclosure, with emphasis on the integrity, timeliness and relevance of the information provided. The Group ensures that information is communicated accurately and in a manner that will avoid the creation or continuation of a false market.

4.6.1.3 Annual General Meeting

Information is provided to the shareholders prior to the AGM to give them an opportunity to exercise the prerogative to raise any issues relating to the businesses of the Group. Annual Reports are made available to shareholders in electronic form. Shareholders may at any time elect to receive an Annual Report from JKH in printed form, which is provided free of charge.

CORPORATE GOVERNANCE COMMENTARY

The Group makes use of the AGM constructively towards enhancing relationships with the shareholders and towards this end the following procedures are followed:

- Notice of the AGM and related documents are made available to the shareholders along with the Annual Report within the specified time.
- Summary of procedures governing voting at the AGM are clearly communicated.
- Most Executive and Non-Executive Directors are made available to answer queries.
- The Chairperson-CEO ensures that the relevant senior managers are also available at the AGM to answer specific queries.
- Separate resolutions are proposed for each item that is required to be voted on.
- Proxy votes, those for, against, and withheld (abstained) are counted.

4.6.1.4 Serious Loss of Capital

In the unlikely event that the net assets of a company fall below half of its stated capital, shareholders will be notified, and the requisite resolutions would be passed on the proposed way forward.

4.6.1.5 Extraordinary General Meetings, including Shareholder Approval through Special Resolution

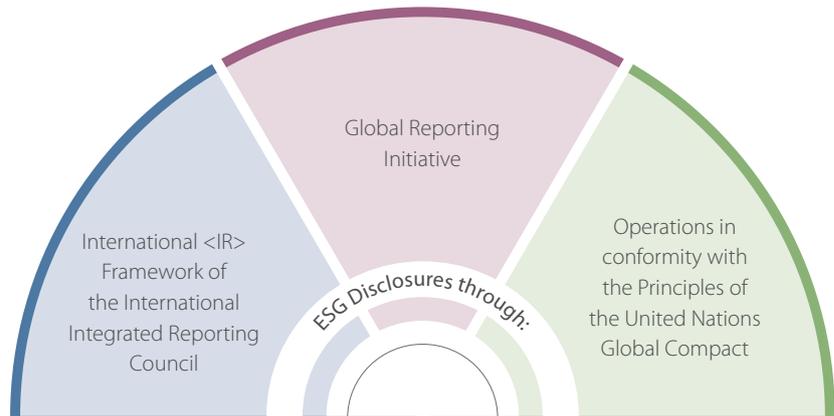
The Company will seek shareholder approval, either via special or ordinary resolution as permitted under applicable law, when transactions and events which are material in the context of Group and Company occur or are undertaken in line with all applicable rules and regulations.

4.7 Sustainability Governance

The John Keells Group places great importance on sustainable development. The Group believes that its financial performance and brand image are closely aligned with sound management of environmental, social and governance (ESG) factors. The Group's approach to sustainability continues to be aligned to support the Sustainable Development Goals adopted by the United Nations in 2015, which expands on the Millennium Development Goals.

 Refer the Sustainability Integration, Stakeholder Management and Materiality section on the Corporate Website for further details.

As evident from the various frameworks in place, environmental issues such as climate change and resource scarcity, social issues such as the Group's labour practices, talent management, product safety and data security and Governance aspects such as board diversity, executive pay and business ethics are given significant emphasis within the Group. The Group's ESG framework is an amalgamation of the various frameworks within the Group and through this, the Group endeavours to ensure sustainable value creation for all stakeholders and mitigate any adverse impacts of Group businesses on the environment, economy and society. As such, the ESG disclosures across the Report are captured through the following frameworks:



5 ASSURANCE MECHANISMS

The Assurance Mechanisms comprise of the various supervisory, monitoring and benchmarking elements of the Group Corporate Governance System which are used to measure 'actuals' against 'plan' with a view to highlighting deviations, signalling the need for quick corrective action, and quick redress when necessary. These mechanisms also act as 'safety nets' and internal checks in the Governance system. The Group also conducts internal and external audits on a periodic basis, annually at minimum.

As outlined in the ensuing sections, the Group has various mechanisms in place for concerns to be escalated and raised at a Board level or GEC level. Other than matters on significant transactions linked to the operations of the Group, there were no critical concerns which have a material adverse effect on the Group were raised during the year.

5.1 The Code of Conduct

JKH Code of Conduct

- Allegiance to the Company and the Group, that ensures the Group will 'do the right thing', by going further than the letter of any contract, the law and our written policies.
- Compliance with rules and regulations applying in the territories that the Group operates in.
- Conduct all businesses in an ethical manner at all times in keeping with acceptable businesses practices and demonstrate respect for the communities we operate in and the natural environment.
- Exercise of professionalism and integrity in all business and 'public' personal transactions.

The Code of Conduct also entails conformance to all Group policies, and also includes, amongst many others, policies on gifts, entertainment, facilitation payments, proprietary and confidential information. Policies on anti-fraud, anti-corruption and anti- money laundering and countering the financing of terrorism and JKH's Code of Conduct, amongst other policies, also encompass:

- anti-bribery controls to prevent payments and contributions being made with the aim of obtaining an improper business benefit from any party including, but not limited to, clients, service providers, customers, business associates and political parties; and

- controls on gifting and favours. The giving or accepting gifts or favours in whatsoever form, including from clients, service providers, customers, business associates and political parties and any other stakeholder we engage with in the course of carrying out duties in our professional capacity, is prohibited if it was possible on the part of a 'reasonable person' to conclude that the giving/ acceptance of such gifts or favours could directly or indirectly affect one's independence in decision making and conduct as an employee and/or if it could be seen by others as a consideration for an official or business favour. The 'reasonable person' test should also be applied in respect of charitable donations and sponsorships (financial or in-kind) that are made.

In the event a gift or benefit of a threshold of above USD 50 per gift is given or received, based on business exigencies, these are monitored to ensure conformance with the Group's policies, including policies on gifts and entertainment. Such exceptions are required to be reported to the respective Finance Head of the business (Chief Financial Officer or Sector Financial Controller), where in turn, these are collated and monitored centrally.

The Code of Conduct, and thereby all Group policies apply to all employees and directors. All policies of the Company are readily available to employees in the primary languages used in the country the Company operates in i.e. in Sinhala, Tamil and English.

The objectives of the Code of Conduct are strongly affirmed by a strong set of Values which are well institutionalised at all levels within the Group through structured communication. The degree of employee conformance with Values and their degree of adherence to the JKH Code of Conduct are key elements of the reward and recognition schemes.

The Group Values continue to be consistently referred to by the Chairperson-CEO, Presidents, Sector and Business Unit Heads during employee and other key stakeholder engagements, in order to instil these values in the hearts and DNA of the employee.



Group Values are found in the Business Model section of the Annual Report.

5.2 Senior Independent Director

Considering the combined role of the Chairperson-CEO, the presence of the Senior Independent Director is important in ensuring that no one person has unfettered decision making powers, and that matters discussed at the Board level are done so in an environment which facilitates independent thought by individual Directors. The Senior Independent Director also acts as the independent party to whom concerns could be voiced on a confidential basis.

The Senior Independent Director meets with other Non-Executive Directors, without the presence of the Chairperson-CEO, at least twice every year to evaluate the effectiveness of the Chairperson-CEO and has regular meetings with the other Non-Executive Directors on matters relating to the effectiveness of the Board or the Board as appropriate. The Senior Independent Director is also kept informed by the Ombudsperson of any matters in respect of the JKH Code of Conduct which has come to his attention.

Independent Directors

A Cabraal
S Coorey (appointed with effect from 1 January 2023)
N Fonseka
A Omar (retired on 27 June 2022)
P Perera
H Wijayasuriya

The independence of each Director has been established based on the information and declarations submitted by them. The Board has concluded that all Non-Executive Directors are independent.

Apart from unstructured and informal contacts, the Independent Directors had two virtual meetings without Executive Directors participating, to discuss matters relevant to their responsibilities as Non-Executive Directors. These meetings concluded with a wrap up session with the Chairperson-CEO, who provided responses to matters raised, or agreed to provide further information or clarification at Board meetings. The Covid-19 pandemic continued to have an adverse impact on the operations of the Group although to a far lesser extent than in the previous year as business activity in most sectors recovered to pre-pandemic levels by the end of the financial year. Earlier in the financial year, global commodity price increases and Sri Lanka's worsening macroeconomic conditions led to social unrest, higher interest rates, sharp depreciation of the Rupee and acute foreign exchange shortages and exposed the Group to higher risks. The management and mitigation of these risks received special attention of the Non-Executive Directors and are referred to in greater detail in the Annual Report. Remuneration of Executive Directors was also determined at a meeting of the Non-Executive Directors.

The minutes of meetings of the Group Executive Committee (GEC) are circulated to the Non-Executive Directors to ensure a high degree of transparency and interaction between the Executive and Non-Executive members of the Board. The Non-Executive Directors are also kept advised on the progress of key ongoing projects and management responds to any clarifications sought.

The Ombudsperson has reported to me that no issues have been brought to his attention that indicate mismanagement, unfair treatment or justified discontent on the part of any employee or ex-employee during the financial year.

The Independent Directors thank the Chairperson-CEO, Deputy Chairperson/Group Finance Director, members of the Group Executive Committee, Sector Heads and members of the management team for their openness and co-operation on all matters where their input was sought by the Non-Executive Directors.

N Fonseka
Senior Independent Director

22 May 2023

CORPORATE GOVERNANCE COMMENTARY

5.3 Board Sub-Committees

The Board Sub-Committees play an important supervisory and monitoring role by focusing on the designated areas of responsibility passed to it by the Board.



For more information on the Board Sub-Committees refer section 3.2 of this Report.

5.4 Employee Participation in Assurance

The Group is continuously working towards introducing innovative and effective ways of employee communication and employee awareness. The importance of communication – top-down, bottom-up, and lateral-in gaining employee commitment to organisational goals has been conveyed extensively through various communications issued by the Chairperson-CEO and the management. Whilst employees have many opportunities to interact with senior management, the Group has created the ensuing formal channels for such communication through feedback, without the risk of reprisal.

- Skip level meetings
- Exit interviews
- Young Forum meetings
- 360-degree evaluation
- Employee surveys
- Monthly staff meetings
- Ombudsperson
- Access to Senior Independent Director
- Continuous reiteration and the practice of the 'Open-Door' policy

Additionally, the Group continued with its whistle-blower policy and securities trading policy. The Group has witnessed an increased level of communication flow from employees. Such communication and feedback received from the employees by the management are recorded, irrespective of the level of anonymity, and subsequently discussed and followed up. The respective outcomes are duly recorded.

5.5 Internal Controls

The Board has taken necessary steps to ensure the integrity of the Group's accounting and financial reporting systems and internal control systems remain robust and effective via the review and monitoring of such systems on a periodic basis.

The Group is continuously working towards introducing innovative and effective ways of employee communication and employee awareness. The importance of communication – top-down, bottom-up, and lateral-in gaining employee commitment to organisational goals has been conveyed extensively through various communications issued by the Chairperson-CEO and the management. Whilst employees have many opportunities to interact with senior management, the Group has created the ensuing formal channels for such communication through feedback, without the risk of reprisal.

5.5.1 Internal Compliance

A quarterly self-certification programme requires the Presidents, Sector Heads and Chief Financial Officers of industry groups to confirm compliance with statutory and other regulatory procedures, and also to identify any significant deviations from the expected norms. The compliance statement which gets collated every quarter and tabled at the respective Audit Committee meetings, is subject to periodic review and where applicable revised, to reflect and capture any material changes that drive the macro and micro operating contexts, for reporting and monitoring purposes.

5.5.2 System of Internal Control

The Board has taken steps to obtain assurance that systems designed to safeguard the Company's assets and provide management information are functioning according to expectations and proper accounting records are in place through the involvement of the Group Business Process Review function.

This also entails automated monitoring and workflow based escalation in order to facilitate timely clearing of all transactional entries including complete reconciliation, unreconciled and open entries being flagged and periodically scrutinised, and formal disclosure being made to the relevant Audit Committees, efficient management and tracking of cash and cheques deposits, in line with international best practice and continual streamlining and optimisation of the Internal Audit function via identification of focus areas, improvement opportunities and feedback reporting in order to reinforce governance and assurance.

The Group has in place two integrated frameworks, the 'Fraud Deterrent and Investigation Framework' and the 'Process Review Framework' that complement each other to strengthen the Group's effort to promote anti-fraud, anti-corruption and anti-bribery by proactively recognising the changing context and operating landscape. The integrated fraud deterrent and investigation framework which enables an integrated platform for handling all aspects of fraud and stakeholder assurance, reinforces uniformity across common processes in matters relating to fraud, employs a data driven approach to the continuous assessment of control efficacy and assesses and deploys appropriate preventive and detective controls against frauds. The Integrated Process Review Framework provides an innovative approach to internal audits which enable audits to be specific and very focussed on matters relevant to a business entity. Emphasis is placed on use-cases and events stemming from the current business strategy, which must get facilitated by participating processes, systems, and personnel which form micro-value chains with special attention to the efficacy of control and its placement to ensure the integrity of transaction as each traverse through each micro-value chain, at the time of audit reviews. The digital system for quarterly financial and operational information management implemented, continues to perform as per expectations facilitating data capturing for compliance reporting, providing a sustainable and structured mechanism to enable top-down and bottom-up stakeholder engagement, and tracking the progression of how the compliance posture at an entity level has evolved, among others. The Forensic Data Analytics platform feeds into 'Internal Audit Scoping' and continues to be used to identify areas for process optimisation, strengthening controls and in feedback reporting to reinforce governance (management) and assurance structures.

Initiatives to Strengthen Internal Controls

- The Group continued with its journey of strengthening its internal audit and process review framework by further augmenting, through automation, its holistic approach to internal audits and process reviews. Aimed at fostering better synergy and alignment of process, technology, and people, in optimising the interplay between these components, this framework continues to provide a stable platform to:
- operationalise the structured integrated multimodal process review framework that encourages auditors to report on value added recommendations, identify candidates for full/partial process automation based on independent assessment of fit within the applicable domain of use cases, industry best practice and access to global knowledge bases.
- ascertain the degree of alignment and enforcement between process controls and information technology functions, particularly in handling the domain of use-cases.
- expand the knowledge base of known types of frauds for which process and system controls have been evaluated, and progressively engage in continuous improvement and feedback initiatives based on cumulative learnings.
- maintain a central repository of data sets associated with each process to undertake retrospective forensic data analysis, as well as the use of the data as a prospective tool as input to steer audit scoping.

financial controls creates unintended exposures within the Group. SoD dictates that problems such as fraud, material misstatements and manipulation of financial statements have the potential to arise when the same individual is able to execute two or more conflicting, sensitive transactions. Separating disparate jobs into task-oriented roles can often result in inefficiencies and costs which do not meet the cost versus benefit criteria. Whilst the attainment of a zero SoD conflict state is utopian, the Group continues to take steps, to identify and evaluate existing conflicts and reduce residual risks to an acceptable level under a cost versus benefit rationale. No material conflicts were reported during the year.

5.5.4 Internal Audit

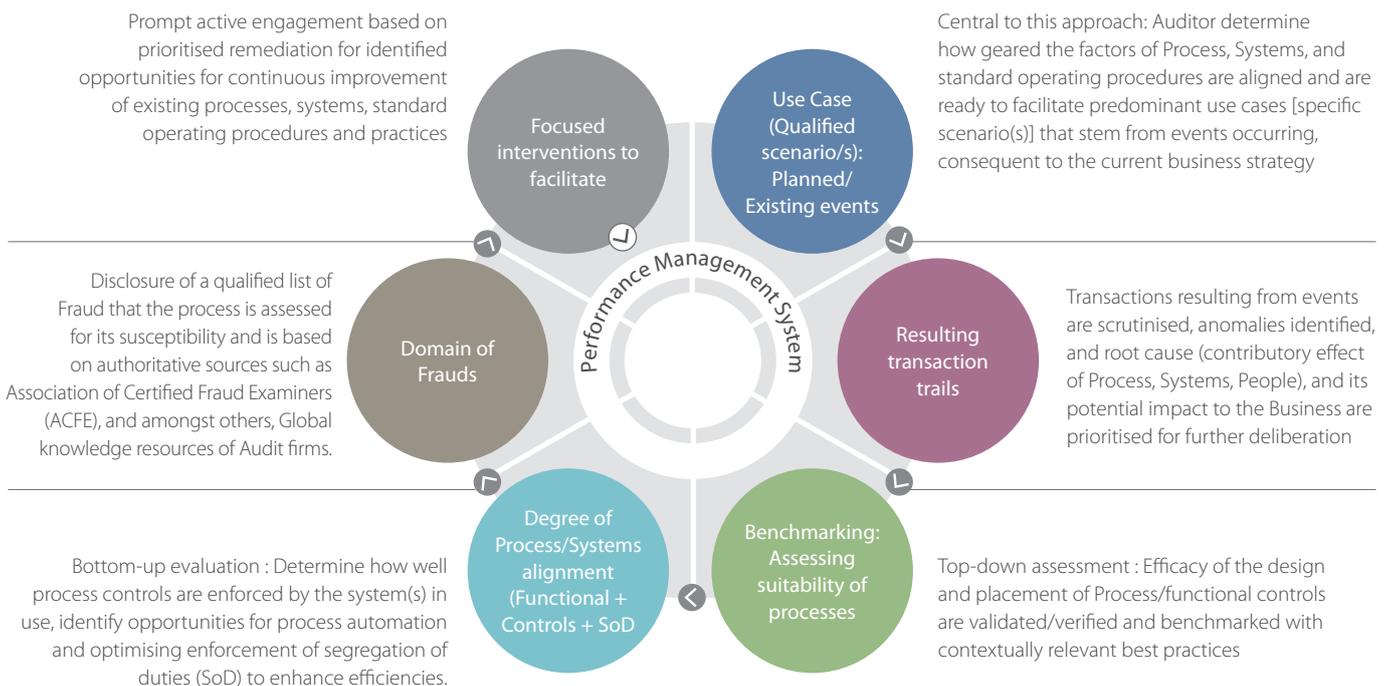
The ensuing diagram provides a helicopter view of the new Internal Audit Approach that has been rolled out within the Group. Central to this approach is the business strategy and how the current processes, systems, and people, are geared to efficiently and effectively handle the deliverables of the current business strategy at the time of review. The outer elements reflects the reporting elements which are noted in audit reports, either as observations and/or value-added recommendations.

The risk review programme covering the internal audit of the whole Group is outsourced. Reports arising out of such audits are, in the first instance, considered and discussed at the business/functional unit levels and after review by the Sector Head and the President of the industry group are forwarded to the relevant Audit Committee on a regular basis. Further, the Audit Committees also assess the effectiveness of the risk review process and systems of internal control on a regular basis.

5.5.3 Segregation of Duties (SoD) under Sarbanes-Oxley (SOX) Guidelines

The Group is very aware of the need to ensure that no individual has excessive system access to execute transactions across an entire business process or business processes which have critical approval linkages, in the context that increasing use of information technology and integrated

The new internal audit approach: Continuous emphasis on context



➤ To Facilitate

CORPORATE GOVERNANCE COMMENTARY

Whilst there are merits and demerits associated with outsourcing an internal audit, the Group is of the view that having an external based auditor is more advantageous. However, there are certain industries where the domain is very operationally specific and requires an internal auditor in addition to the external auditor.

5.5.4.1 Forensic data analytics to identify anomalies and facilitate behavioural oversight

Traditionally, internal auditing followed an approach which was based on a cyclical process that involves manually identifying control objectives, assessing and testing controls, performing tests, and sampling only a relatively small population of the dataset to measure control effectiveness and operational performance. Today, the Group operates in a complex and dynamic business environment where the number of transactions has increased exponentially over the years and the traditional cyclical/sample based internal auditing techniques are becoming less effective. As such, the Group continues to use 'big data analysis' techniques on the total data using Standard Deviations and Z-Scores in establishing real time, user-friendly 'outlier identification' and 'early warning triggers'.

5.6 Ombudsperson

An Ombudsperson is available to report any complaints from employees of alleged violations of the published Code of Conduct if the complainant feels that the alleged violation has not been addressed satisfactorily by the internally available mechanisms.

The findings and the recommendations of the Ombudsperson, subsequent to an independent inquiry, is confidentially communicated to the Chairperson-CEO or to the Senior Independent Director upon which the involvement duty of the Ombudsperson ceases.

On matters referred to him by the Ombudsperson, the Chairperson-CEO or the Senior Independent Director, as the case may be, will place before the Board:

- i. the decision and the recommendations;
- ii. action taken based on the recommendations;
- iii. where the Chairperson-CEO or the Senior Independent Director disagrees with any or all of the findings and or the recommendations thereon, the areas of disagreement and the reasons therefore.

In situation (iii) the Board is required to consider the areas of disagreement and decide on the way forward. The Chairperson-CEO or the Senior Independent Director is expected to take such steps as are necessary to ensure that the complainant is not victimised, in any manner, for having invoked this process.

The current Ombudsperson is an attorney-of-law by profession.

Mandate and Role

For purposes of easy reference, the Ombudsperson's mandate and role is set out below:

- (a) legal and ethical violations of the Code of Conduct for employees, but in an appellate capacity, when a satisfactory outcome using existing procedures and processes has not resulted or when the matter has been inadequately dealt with;
- (b) violations referred to above by individuals at the Executive Vice President, President and Executive Director levels, including that of the Chairperson-CEO, in which case the complainant has the option of either complaining to the Ombudsperson in the first instance, or first exhausting the internal remedies;
- (c) sexual harassment, in which event the complainant has the option of either complaining to the Ombudsperson in the first instance or first exhausting the internal remedies.

The mandate excludes disciplinary issues from the Ombudsperson's responsibilities. The right to take disciplinary action is vested exclusively in the Chairperson-CEO and those to whom this authority has been delegated.

No issues were raised by any member of the companies covered during the year under review.

Ombudsperson
31 March 2023

5.7 External Audit

Ernst & Young are the external auditors of the Company as well as many of the Group companies. The individual Group companies also employed KPMG Ford, Rhodes, Thornton & Co, Price Waterhouse Coopers, and Luthra and Luthra, India as external auditors. The appointment/re-appointment of these auditors was recommended by the individual Audit Committees to their respective Boards of Directors.

The Audit Committee, led by the Senior Independent Director and Independent Non-Executive Directors of JKH, annually review the appointment of external auditors and recommend the appointment of auditors for shareholder approval at the Annual General Meeting. They have recommended retaining Ernst & Young as the Group lead consolidating auditor given the various complexities of the Group and related nuances. The Auditors maintain independence through routine rotation of partners.

The audit fees paid by the Company and Group to its auditors are separately classified in the Notes to the Financial Statements of the Annual Report.

6 REGULATORY AND ACCOUNTING BENCHMARKS

The Board, through the Group Legal division, the Group Finance division and its other operating structures, strived to ensure that the Company and all its subsidiaries and associates complied with the laws and regulations of the countries they operated in.

The Board of Directors also took all reasonable steps in ensuring that all financial statements were prepared in accordance with the Sri Lanka Accounting Standards (SLFRS/ LKAS) issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and the requirements of the CSE and other applicable authorities. Information contained in the financial statements of the Annual Report is supplemented by a detailed Management Discussion and Analysis which explains to

shareholders, the strategic, operational, investment, sustainability and risk related aspects of the Company, and the means by which value is created and how it is translated into the reported financial performance and is likely to influence future results.

JKH and its subsidiaries are fully compliant with all the mandatory rules and regulations stipulated by the:

- Listing Rules published by the CSE; and
- Companies Act No.7 of 2007

The Group has also given due consideration to the Best Practice on Corporate Governance (2017) Reporting guidelines set out by CA Sri Lanka and have in all instances, barring a few, embraced such practices, voluntarily, particularly if such practices have been identified as relevant and value adding. In the very few instances where the Group has not adopted such best practice, the rationale for such non-adoption is articulated.

7 COMPLIANCE SUMMARY

Towards the continuous stride in achieving a more cohesive and efficient approach to corporate reporting, and in order to keep the report relevant and concise, the ensuing sections reflect a high-level summary of JKH's conformance with standards and governance codes.

7.1 Statement of Compliance under Section 7.6 of the Listing Rules of the Colombo Stock Exchange (CSE) on Annual Report Disclosure

MANDATORY PROVISIONS - FULLY COMPLIANT

Rule	Compliance Status	Reference (within the JKH Annual Report)
(i) Names of persons who were Directors of the Company	Yes	Corporate Governance Commentary
(ii) Principal activities of the entity and its subsidiaries during the year, and any changes therein	Yes	Management Discussion and Analysis
(iii) The names and the number of shares held by the 20 largest holders of voting and non-voting shares and the percentage of such shares held	Yes	
(iv) The float adjusted market capitalisation, public holding percentage (%), number of public shareholders and under which option the Listed Entity complies with the Minimum Public Holding requirement.	Yes	Share Information
The public holding percentage in respect of non- voting Shares (where applicable)	Not Applicable	
(v) A statement of each Director's holding and Chief Executive Officer's holding in shares of the Entity at the beginning and end of each financial year	Yes	
(vi) Information pertaining to material foreseeable risk factors of the Entity	Yes	Risk, Opportunities and Internal Controls
(vii) Details of material issues pertaining to employees and industrial relations of the Entity	Yes	Sustainability Integration, Stakeholder Engagement and Materiality
(viii) Extents, locations, valuations and the number of buildings of the Entity's land holdings and investment properties	Yes	Group Real Estate Portfolio
(ix) Number of shares representing the Entity's stated capital	Yes	
(x) A distribution schedule of the number of holders in each class of equity securities, and the percentage of their total holdings	Yes	Share Information
(xi) Financial ratios and market price information	Yes	
(xii) Significant changes in the Company's or its subsidiaries' fixed assets, and the market value of land, if the value differs substantially from the book value	Yes	Notes to the Financial Statements
(xiii) Details of funds raised through a public issue, rights issue and a private placement during the year	Yes	Share Information
(xiv) Information in respect of Employee Share Ownership or Stock Option Schemes	Yes	
(xv) Disclosures pertaining to Corporate Governance practices in terms of Rules 7.10.3, 7.10.5 c. and 7.10.6 c. of Section 7 of the Listing Rules	Yes	Corporate Governance Commentary/Note 44 of the Notes to the Financial Statements
(xvi) Related Party transactions exceeding 10 per cent of the equity or 5 per cent of the total assets of the Entity as per audited financial statements, whichever is lower	Yes	

CORPORATE GOVERNANCE COMMENTARY

7.2 Statement of Compliance under Section 7.10 of the Listing Rules of the CSE on Corporate Governance

MANDATORY PROVISIONS - FULLY COMPLIANT

CSE Rule	Compliance Status	JKH Action / Reference (within the Report)
7.10 Compliance		
a./b./c. Compliance with Corporate Governance Rules	Yes	The Group is in compliance with the Corporate Governance Rules and any deviations are explained where applicable.
7.10.1 Non-Executive Directors (NED)		
a./b./c. At least 2 members or 1/3 of the Board, whichever is higher should be NEDs	Yes	5 out of 7 Board members are NEDs. The JKH Group is conscious of the need to maintain an appropriate mix of skills and experience on the Board and to refresh progressively its composition over time.
7.10.2 Independent Directors		
a. 2 or 1/3 of NEDs, whichever is higher shall be 'independent'	Yes	All NEDs are Independent.
b. Each NED to submit a signed and dated declaration of his/her independence or non-independence	Yes	Independence of the Directors has been determined in accordance with CSE Listing Rules and where relevant, Board determinations made. The 5 Independent NEDs have submitted signed declarations confirming independence.
7.10.3 Disclosures relating to Directors		
a./b. Board shall annually determine the independence or otherwise of NEDs	Yes	All Independent NEDs have submitted declarations as to their independence.
c. A brief resume of each Director should be included in the annual report including the Directors' experience	Yes	Corporate Governance Commentary
d. Provide a resume of new Directors appointed to the Board along with details to CSE for dissemination to the public	Yes	Detailed resumes of the new Independent NEDs appointed are submitted to the CSE. Dr. S Coorey was newly appointed to the Board, during the year under review.
7.10.4 Criteria for defining independence		
a. to h. Requirements for meeting the criteria to be an Independent Director	Yes	Corporate Governance Commentary.
7.10.5 Remuneration Committee		
a.1 Remuneration Committee shall comprise of NEDs, a majority of whom will be independent	Yes	The Human Resources and Compensation Committee (equivalent of the Remuneration Committee with a wider scope) only comprises of Independent NEDs.
a.2 One NED shall be appointed as Chairman of the Committee by the Board of Directors	Yes	An Independent NED is the Chairperson of the Committee.
b. Remuneration Committee shall recommend the remuneration of the CEO and the Executive Directors	Yes	The remuneration of the Chairperson-CEO and the Executive Directors is determined as per the remuneration principles of the Group and recommended by the Human Resources and Compensation Committee.
c.1 Names of Remuneration Committee members	Yes	Refer Board Committees section of the Annual Report.
c.2 Statement of Remuneration policy	Yes	Refer Director Remuneration section.
c.3 Aggregate remuneration paid to EDs and NEDs	Yes	Refer Director Remuneration section.
7.10.6 Audit Committee		
a.1 Audit Committee (AC) shall comprise of NEDs, a majority of whom should be independent	Yes	The Audit Committee comprises only of Independent NEDs.
a.2 A NED shall be the Chairman of the committee	Yes	The Chairperson of the Audit Committee is the Senior Independent NED.
a.3 CEO and CFO should attend AC meetings, unless otherwise determined by AC	Yes	The Chairperson-CEO, Group Finance Director, Group Financial Controller and the External Auditors attended most parts of the AC meetings by invitation.
a.4 The Chairman of the AC or one member should be a member of a recognised professional accounting body	Yes	The Chairperson of the AC is a member of a recognised professional accounting body.
b. Functions of the AC	Yes	The AC carries out all the functions prescribed in this section.
b.1 Overseeing of the preparation, presentation and adequacy of disclosures in the financial statements in accordance with SLFRS/LKAS	Yes	The AC assists the Board in fulfilling its oversight responsibilities for the integrity of the financial statements of the Company and the Group.
b.2 Overseeing the compliance with financial reporting requirements, information requirements as per laws and related regulations and requirements	Yes	The AC has the overall responsibility for overseeing the preparation of financial statements in accordance with the laws and regulations of the country and also recommending to the Board, on the adoption of best accounting policies.

CSE Rule	Compliance Status	JKH Action / Reference (within the Report)
b.3	Yes	The AC assesses the role and the effectiveness of the Group Business Process Review division which is largely responsible for internal control and risk management.
b.4	Yes	The AC assesses the external auditor's performance, qualifications and independence.
b.5	Yes	The Committee is responsible for recommending the appointment, re-appointment or removal of External Auditors and also providing recommendations on remuneration and terms of Engagement.
c.1	Yes	Refer Board Committees section.
c.2	Yes	Refer Report of the Audit Committee.
c.3	Yes	Refer Report of the Audit Committee.

7.3 Statement of Compliance under Section 9.3.2 of the Listing Rules of the CSE on Corporate Governance

MANDATORY PROVISIONS - FULLY COMPLIANT

Rule	Compliance Status	Reference (within the JKH Annual Report)
(a) Details pertaining to Non-Recurrent Related Party Transactions	Yes	Notes to the Financial Statements
(b) Details pertaining to Recurrent Related Party Transactions	Yes	Notes to the Financial Statements
(c) Report of the Related Party Transactions Review Committee	Yes	Refer Report of the Related Party Transactions Review Committee
(d) Declaration by the Board of Directors as an affirmative statement of compliance with the rules pertaining to Related Party Transactions, or a negative statement otherwise	Yes	Annual Report of the Board of Directors

7.4 Statement of Compliance pertaining to the Companies Act No. 7 of 2007

MANDATORY PROVISIONS - FULLY COMPLIANT

Rule	Compliance Status	Reference (within the JKH Annual Report)
168 (1) (a) The nature of the business of the Company or subsidiaries or classes of business in which it has an interest together with any change thereto	Yes	Group Directory
168 (1) (b) Signed financial statements of the Group and the Company	Yes	Financial Statements
168 (1) (c) Auditors' Report on financial statements	Yes	Independent Auditors' Report
168 (1) (d) Accounting policies and any changes thereto	Yes	Notes to the Financial Statements
168 (1) (e) Particulars of the entries made in the Interests Register	Yes	Annual Report of the Board of Directors
168 (1) (f) Remuneration and other benefits paid to Directors of the Company	Yes	Notes to the Financial Statements
168 (1) (g) Corporate donations made by the Company	Yes	Notes to the Financial Statements
168 (1) (h) Information on the Directorate of the Company and its subsidiaries during and at the end of the accounting period	Yes	Group Directory
168 (1) (i) Amounts paid/payable to the External Auditor as audit fees and fees for other services rendered	Yes	Notes to the Financial Statements
168 (1) (j) Auditors' relationship or any interest with the Company and its Subsidiaries	Yes	Report of the Audit Committee / Financial Statements
168 (1) (k) Acknowledgement of the contents of this Report and signatures on behalf of the Board	Yes	Financial Statements / Annual Report of the Board of Directors
168 (2) Information specified in paragraphs (b) to (j) of subsection (1) in relation to Subsidiaries.	Yes	Financial Statements / Annual Report of the Board of Directors

CORPORATE GOVERNANCE COMMENTARY

7.5 Code of Best Practice of Corporate Governance 2013 Issued Jointly by the SEC and CA Sri Lanka

VOLUNTARY PROVISIONS - FULLY COMPLIANT

Directors

- The Company is directed, controlled and lead by an effective Board that possess the skills, experience and knowledge and thus all Directors bring independent judgement on various subjects, particularly financial acumen.
- Combining the roles of Chairperson and CEO is justified given the nature of the Group, at this juncture. The Chairperson-CEO is appraised annually.
- Board Balance is maintained as the Code stipulates.
- Given the combined role of Chairperson and CEO, the Group has a Senior Independent Director.
- Whilst there is a transparent procedure for Board Appointments, election and re-election, subject to shareholder approval, takes place at regular intervals.

Directors' Remuneration

- The Human Resource and Compensation Committee, consisting of exclusively NEDs is responsible for determining the remuneration of Chairperson-CEO and EDs.
- ED compensation includes performance related elements in the pay structure. Compensation commitments in the event of early termination, determination of NED remuneration, remuneration policy and aggregate remuneration paid is disclosed under Section 3.1.12 and is in line with the Code.

Relationship with Shareholders

- There is constructive use of the AGM, as per Code. Notice of Meeting, with adequate details, is circulated to shareholders as per statute.
- The Group has in place multiple channels to reach shareholders as discussed under Section 4.5.1.

Accountability and Audit

- Interim and other price sensitive and statutorily mandated reports are disclosed to Regulators. As evident from the Annual Report of the Board of Directors, the company carried out all business in accordance with regulations and applicable laws, equitably and fairly.
- The Company continues to be a going concern and remedial action for any material events is in place. All related party transactions are reported under the Notes to the Financial Statements.
- There is an annual review of effectiveness of Internal Control which ensures the maintenance of a sound system of internal control.
- The Internal Audit function and the Audit Committee, functions as stipulated by the Code.

Institutional Investors

- The Company conducts regular and structured dialogue with shareholders based on a mutual understanding of objectives. This is done via the Investor Relations team and through the AGM.

Other Investors

- Individual shareholders investing directly in shares of the Company are encouraged to carry out adequate analysis and seek independent advice in all investing and/or divesting decisions. They are encouraged to participate at the AGM and exercise their voting rights and seek clarity, whenever required.

Sustainability

- ESG (environmental, social, and governance) is a pivotal consideration in the Group's decision making. In reporting performance, the Annual Report covers ESG disclosures through the <IR> framework, GRI standards and operations in conformity with the Principles of the United Nations Global Compact and United Nations Sustainable Development Goals.

7.6 Code of Best Practice on Corporate Governance (2017) issued by CA Sri Lanka

The Company is compliant with almost the full 2017 Code of Best Practice on Corporate Governance issued by the CA Sri Lanka to the extent of business exigency and as required by the Group.



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