

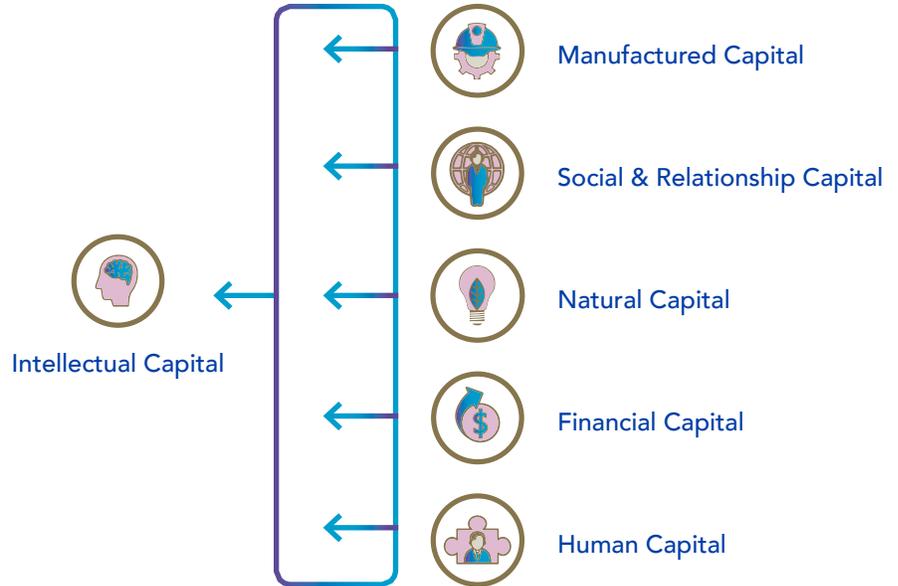
INTELLECTUAL CAPITAL

OVERVIEW

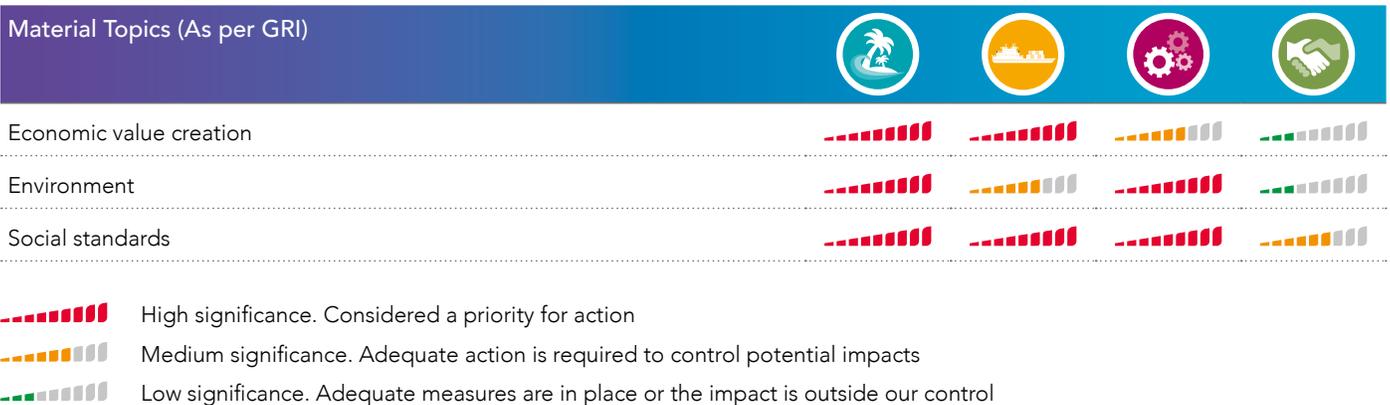
Intellectual capital is a collective outcome of our other capitals such as manufactured capital, social and relationship capital, natural capital, financial capital, and human capital. These capitals are mutually inclusive in contributing towards our intellectual capital and thereby strategically enhances its intangible value across the Company.

OUR PHILOSOPHY

To invest in our intellectual capital as it not only gives us a competitive edge but helps us strive to assimilate an integrated thinking into every level of the business by making it an integral part of our strategy. Our intellectual capital is derived from our other capitals as shown below.



Approximated significance of material topics with the potential to contribute to the intellectual capital of Aitken Spence



Refer to the Natural Capital and Social & Relationship Capital sections for more details about the specific measures for environmental and social impact control implemented by our SBUs.

What intellectual capital means to Aitken Spence

Aitken Spence values a broader set of resources and relationships, which IR (Integrated Reporting) classifies as 'capitals'. Our strategy was designed to leverage on all aspects of our business model that includes intellectual among the other capitals – financial, manufactured, human, social and relationship and natural.

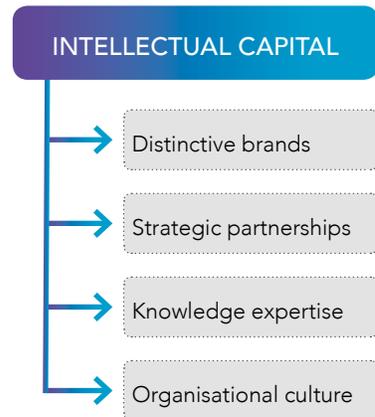
Intellectual Capital is the group of knowledge assets that are attributed to an organisation and most significantly contribute to an improved competitive position of an organisation by adding value to defined stakeholders (Marr & Schiuma, 2001). Intellectual capital is distinct from human capital in that it can be reproduced and shared. Among the other capitals such as human, social and relationship, and natural; intellectual capital is also an integral part of the Group because we believe that our intellectual capital is a key driver of sustainable growth.

- » It encompasses our brand, reputation and know-how that have helped us to differentiate and gain a competitive edge in the market. .
- » In an ever-changing competitive environment intellectual capital remains most relevant and enables us to implement our strategy in the most effective and efficient way possible. This



in turn translates into sustainable value creation for all our stakeholders such as gaining economic return relevant to our financial capital and creates value addition for other capitals as well.

- » We recognise that our intellectual capital collectively with other capitals, function as a key value driver to our success for over a decade and a half. In this report we discuss four areas of intellectual capital, they are, distinctive brands, strategic partnerships, knowledge expertise and organisational culture.



Distinctive Brands



Our parent brand "Aitken Spence" is cascaded across the Group as a unique differentiator to secure a competitive edge in their respective markets. Integrity is the core of what "Aitken Spence" stands for and in safeguarding its reputation, the Group takes a proactive approach to ensure all communications are aligned and consistent with the identity of the parent brand. We are meticulous and follow stringent measures in safeguarding our intellectual property. A total of 52 trademarks owned across the Group is frequently monitored by the Group Secretarial Division of Aitken Spence PLC.

Our goals and commitments to ensure we better manage our intellectual capital

What we plan to do for the year 2018/2019

- » Harness the intellectual capital acquired through the expansion of our senior management structure
- » Optimise information-sharing platforms
- » Encourage a culture of innovation
- » Evaluate the security, functionality and efficiency of business processes and systems
- » Translate learnings from stakeholder engagement into sustainable business practices
- » Cultivate a culture to actively drive innovation programs among employees and external stakeholders to ensure we remain relevant
- » Optimise business processes and information-sharing platforms

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- » The Group's subsidiaries such as in hospitality, maritime and logistics, plantations sectors are pioneers in their respective industries, strengthened by the equity of the parent brand. In addition, each SBU strengthens their respective brand, such as in the hospitality industry, where popular brands such as "Heritage" and "Turyaa" maintains high customer loyalty.
- » Another aspect that has contributed to upholding our parent and sub-brands are our accolades won during this financial year. We believe that this among others have further strengthened the overall brand perception and borne a compelling testimony to our vision. In keeping in line with our vision, Aitken Spence PLC and its companies continuously strive towards achieving excellence across all our industries. In that effort, we have received recognition that echoes the success of our management approach.

STING Corporate Accountability Index 2018

Aitken Spence was rated Platinum for its corporate accountability practices and performance in the STING Corporate Accountability Index 2018 for the 6th consecutive year. Moreover, as a leading conglomerate it has been ranked among the top three companies in the index since 2011.

Best Corporate Citizen Sustainability Award 2017

In 2017, Aitken Spence also won the prestigious "Best Corporate Citizen Sustainability Award" by the Ceylon Chamber of Commerce. We have been

If we fail to uphold and enhance the reputation of the parent brand and its subsidiary brands it can negatively impact the Company that may cause disruption to business and growth. Therefore, it is important to protect the various aspects that contribute towards the overall reputation of the Company;

Systematic approach to identify impacts and implement action;



- » Across the Group, every SBU must follow the standard protocol in corporate communication.
- » The company brand and trademarks must adhere to approved corporate identity specifications. In ensuring that these are represented correctly, all SBUs should seek guidance or report misuse to the Business Development Division.
- » All requests, including the use of Aitken Spence's name or an employee endorsement in any business provider's advertising or literature must be co-ordinated and approved by authorised officials.

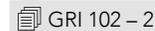


Study industry specific reputational risks and establish continual action to effectively address prioritised risks.

selected as a Top Ten Best Corporate Citizen for 11 years consecutively. Aitken Spence was also identified as one of the most iconic and respected brands in the Interbrand Best Sri Lankan Brands 2017. The awards speak boldly to show that collectively the parent brand "Aitken Spence" has excelled in bringing shared value to all its stakeholders.

Specific featured awards and certifications received are highlighted in the manufactured capital and natural capital. Collectively, these have contributed to strengthening the overall corporate image and reputation of our Company.

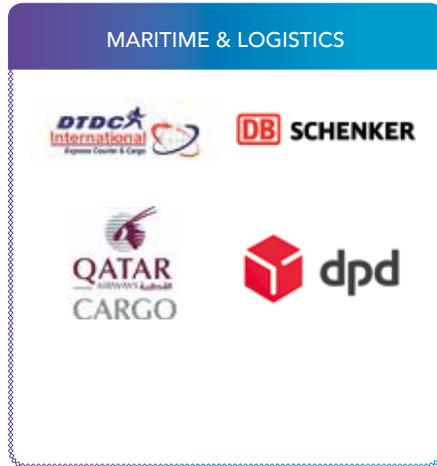
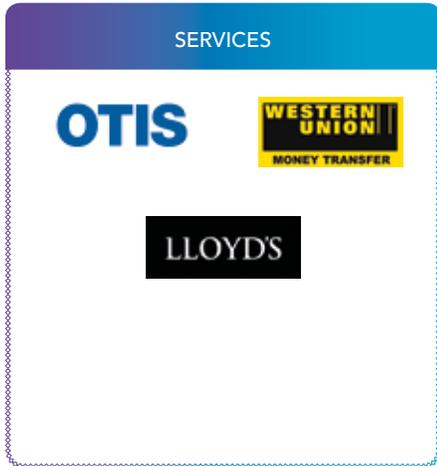
Strategic Partnerships



It is noteworthy to highlight the Group's ability to establish and nurture relationships beneficial for business growth. From its inception, the various sectors of Aitken Spence such as tourism, maritime and logistics, services have formed strategic partnerships with organisations that have been instrumental in building the Group's legacy over the years (depicted in the table). These alliances foster formation and maintenance of our intellectual capital particularly through value creation for our shareholders that positively influences our financial capital. To illustrate, our maritime portfolio has been strengthened as we have ventured into conducting productive improvements to container terminals worldwide. Subsequent to operating in some of the busiest ports in the African continent, we have entered into a partnership with the Fiji Port Corporation, in the first Public-Private partnership overseas by a Sri Lankan Company to operate Fiji's major ports.



To peruse a detailed list of awards, certifications as well as a list of our memberships and affiliations within industry organisations and institutions, please follow the link www.aitkenspence.com/annualreport/



Among the numerous achievements, Aitken Spence is proudly known for its strategic partnerships. Fostering partnerships with other reputed organisations can positively impact the longevity of our business and enhance our reputation;

Systematic approach to identify impacts and implement action;



SBU's should be mindful of partnerships overseas as the rules and regulations differ across countries and SBU's must act within both home and host country stipulations.



SBU's are expected to establish and nurture relationships with key stakeholders beneficial for business growth.

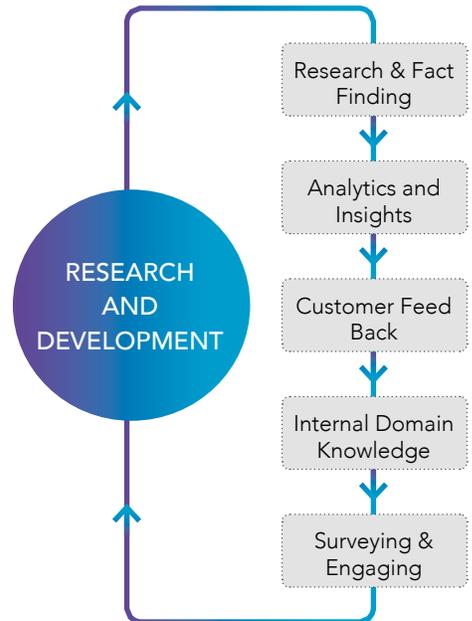
Knowledge expertise

The brain of the intellectual capital resides in our knowledge expertise. At Aitken Spence, we believe that our knowledge expertise gives us an added advantage in a fiercely competitive environment and that it is closely linked to the Human Capital. We have 13% of our employees with 15 or more years of experience which has inevitably contributed to the knowledge expertise across all our companies. This in turn has promoted industry thought leaders and experts that enable Aitken Spence to respond to the constantly changing environment. In addition to recognising our knowledge expertise that comes from employees' work experience, we classify knowledge expertise into two components, they are, research and development and new technologies.

Research and Development (R&D)

Intellectual Capital adopted at Aitken Spence is mainly focused on the recycling of knowledge. Creating, shaping and updating intellectual capital requires the formulation of a strategic vision. Hence, Research and Development is a part of Aitken Spence's strategic vision, where inter-company learning, and knowledge sharing is a key element.

Research and development is an ongoing practice at Aitken Spence as we continuously strive to improve the quality of



Our Performance Over the Year

our services and products, understand the different and new trends while effectively managing resources and promoting innovation in all our companies. Across the Group over 1,000 hours are devoted towards research and development efforts.

Intellectual capital is divided into five main areas under research and development;

- » Fact finding
- » Analytics and insights
- » Surveying and engaging
- » Internal domain knowledge
- » Customer feedback

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Fact finding is the most commonly used method of research conducted at Aitken Spence. This is where facts are collected from all available sources be it government publications, online information, other books and magazines etc. Another example of fact finding is to understand the topic of search from experts such as our research and development team.

Once the information is collected, it is then analysed and compared against the industry standards. Thereafter, important insights are derived using a bottom-up approach in helping with the decision-making process that is enabled by the leadership in the company.

We believe that there are strong linkages between the Intellectual Capital and Human Capital at Aitken Spence. Human capital consists of the knowledge wealth possessed by our employees and they are the most significant aspect in knowledge sharing within the company (refer section on Human Capital). The work culture plays a vital role in the internal domain knowledge as Aitken Spence is diverse across 19 sectors there is vast amounts of knowledge each one can learn from the other when it comes to conducting new businesses and even in existing work procedures. Learning from each other through one's own mistakes and together making corrective decisions as one to be better is what Aitken Spence employees stand for (refer organisational culture -values driven culture).

As much as research and development is conducted internally to improve and share knowledge, as and when the need arises we conduct stakeholder surveys, solicit customer feedback and utilise analysed information to ensure a multi-perspective view is captured when decisions are being made.

For example, the stakeholder engagement study conducted in 2017 was done by a third-party service provider, STING Consultants. The study included a

diverse sample of all stakeholders such as employees, customers, suppliers, regulators and activists. They were interviewed to obtain information on their awareness about Aitken Spence, how well the end-product/ service is delivered to the customer, verify material issues, areas for improvement, etc.

Furthermore, we have an ongoing survey carried out across all Aitken Spence companies to understand how our companies manage their suppliers in adopting sustainability. This is carried out to understand the varying challenges faced by each subsidiary in managing its suppliers while being sustainability consciousness. The data is currently in use to better analyse our value chain and to make improvements by encouraging our suppliers to adopt sustainability into their business practices. We use such an approach as we strive to continuously excel alongside ensuring that we are integrated in our efforts for sustainable value creation.

Technologies

In addition to research and development, technology is another aspect that contributes towards our knowledge expertise. The use of technology is the key factor that delivers productivity. The Company is enriched with a strong technology backbone whereby it operates through an Enterprise Resource Planning (ERP) system which covers all processes. This ERP platform is the foundation that connects across all our subsidiaries.

Having implemented an ERP 20 years ago, our data remains one of the most critical and valuable assets within the IT domain. Additionally, the Company uses globally renowned software applications such as Oracle®, Opera® and Shuttlework® which validates that the technology we use is agile and up-to-date in responding to the rapidly changing market conditions. We maintain the highest level of security while we continue to set high standards such as conforming to ISO 27001:2013.

As early adapters of technology we are able to derive a competitive advantage. Moreover, the strong information culture enables us to take proactive steps to improve, and implement the latest technology while safeguarding our systems. The credibility of these systems and processes in our technology, builds confidence among both our internal and external stakeholders.

The successful implementation of new technologies, is dependent on many factors including the efficient management of human resources systems and processes. The Human Resource Department is well positioned to ensure the success of knowledge management programs, which are directed at capturing and using employees' knowledge, and by meaningfully implementing an appreciation for preserving Intellectual Capital (refer section on Human Capital).

To elaborate, the SoFi Enterprise Sustainability Performance Software (SoFi is the leading corporate sustainability software for accurate and fast reporting plus integrated performance management for the value chain (SoFi Software, 2018) was introduced few years back and now implemented across all Aitken Spence companies to ensure sustainability data is systematically fed into an online system. This has made knowledge transferable and available to others in need of that information. Furthermore, the SoFi System enables knowledge repository that has translated into an invaluable resource database for the organisation and for better managing information relevant for the other capitals such as natural capital (e.g. energy, water and waste) and human capital (injuries and fatalities). We have been proactive in seeking opportunities to reduce our carbon and water footprint, efficient waste management and other environmental legislation ultimately benefiting natural capital. Using the SoFi software, these measurements are systematically monitored monthly. Thus, having implemented the SoFi Software,

it has resulted to a more efficient system to transfer that knowledge across the organisation to gain maximum sustainable benefit for the business and all stakeholders, monitor and reduces unforeseen environmental and social risks that could be detrimental to the existence of the business.

The knowledge and experience of our employees has the potential to create opportunity to learn and grow further;

Systematic approach to identify impacts and implement action;



SBUs should encourage and nurture a culture of sharing knowledge within their respective SBUs and wherever required within the broader Group.



SBUs are expected to share their knowledge and expertise (i.e. new learnings) among other SBUs where information can be relevant in making improvements in existing systems and procedures.

SBUs are expected to conduct ongoing research and development to be aware of current trends, opportunities and risks relevant for the business.

Organisational Culture

Our organisational culture is central to the existence of intellectual capital. It is this organisation’s culture that drives our employees to embrace creative thinking and innovation while conducting business ethically. The organisational culture provides an underpinning in promoting other aspects of intellectual capital (i.e. strategic partnerships, knowledge

expertise). How the organisational culture reinforces other aspects of intellectual capital is explained in the following paragraphs. The two components in our organisational culture stand out as the dominant areas in shaping the intellectual capital are; ethical leadership and values driven culture.

Ethical Leadership

At Aitken Spence, ethical leadership is a fundamental aspect and it is engraved in our DNA. The Board approved Group Code of Ethics is central to how we operate and grow sustainably. Our code of ethics refutes unethical behaviour, fraud and corruption while it assists to eliminate dishonest practices and promote strong business relationships. In turn other aspects of the intellectual capital such as strategic relationships and distinctive brands are reinforced through ethical leadership. As such, ethical business practices supported by the top management is cascaded to other employees in carrying out day-to-day business and is also guided by our values driven culture discussed next.

Values driven culture

Our values at Aitken Spence bears witness to our organisational culture and knowledge-based intangible assets that are critical to our ability to sustain and excel in growing the business. Our values play an essential role in encouraging a knowledge sharing culture that seeks for continuous improvement in whichever aspect of our business. Best practices in a SBU are shared across the company for key learnings to be valued and understood by other SBUs. In other instances, best practices have set the benchmark for the industry. To illustrate, Heritance Kandalama was the first hotel in the world and the first property outside USA to receive the LEED certification (Leadership in Energy and Environmental Design – refer section on Natural Capital). Heritance Negombo followed suite to secure this LEED certification. While this is a testament to the environment

performance of our properties, it also resonates how strongly we value the learnings to be applied from one company to another and to the industry at large. Moreover, such practices cultivate a culture of thought leadership, through continuous exposure to the latest trends.

Another aspect of our values driven culture is reflected in the mentoring system that is in place for every new employee that joins our Company. This type of mentor coaching ensures that all our employees grow both professionally and personally while instilling values driven work-culture that fosters knowledge sharing.

The skills, experience and expertise we have gathered over the years can be attributed to the work we do to manage the other capitals. At the same time, our intellectual capital has the potential to create positive influence on how we continue to manage the assets that make the business sustainable.

Systematic approach to identify impacts and implement action;



All SBUs should continuously review operations to eliminate any unethical practices through a process involving employees and promote conduct in line with Group’s Code of Ethics.

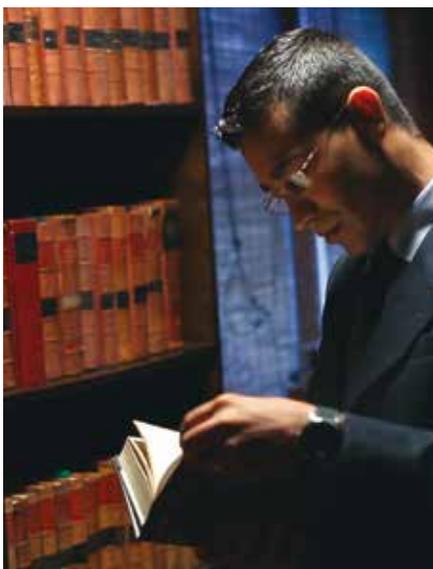


SBUs to screen external suppliers and service providers, within the sphere of control of Aitken Spence operations, and educate them to elevate their operational practices to meet the ethical and values-based benchmarks maintained by Aitken Spence companies.

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Reviewing our performance in the current financial year, the below table points out areas that were identified as challenges and our strategic responses to seek opportunity(ies) to create positive influence.

CHALLENGES	STRATEGIC RESPONSES
Cultivating a culture of thought leadership, through continuous exposure to the latest trends, not limited to our industry	Commenced work on periodically presenting industry related innovation programs and establishing a thought provoke culture among leaders
Driving new projects that are outside of the general scope of business timely and effectively with existing resources	Contracting of specialist, external business consultants and more efficient project management processes explored
Intellectual capital often resides in our human capital, that is knowledge gained not translated to systems and processes that exist in the organisation. Therefore, when employees leave, this knowledge leaves with them	<p>We continue to focus on formalising our understanding of intellectual capital and ensuring it transfers across the organisation in such a way as to gain maximum sustainable benefit for the business and all stakeholders.</p> <p>We do so by cross training / job rotation within departments, so that knowledge is shared among many employees and the job functions can be replicated by another employee. This way the team can perform the activity done before similarly or in an even better manner.</p>
Impact of disruptive technology on our business model	Our organisational learning capacity support leaders in responding to the changing environment and challenging current assumptions around our business and continuously drive innovative thinking
Negative impacts on natural reserves in the country	<p>Aitken Spence gives strong emphasis on environmental and social aspects of business activities. Therefore, we take active measures to ensure that steps are taken to rectify the current issues we have in our country.</p> <p>For instance, congestion in natural reserves due to unsustainable numbers of tourists is causing a strain to biodiversity and natural ecosystems. Aitken Spence Travels is taking the initiative through the 'Travel Kindly' programme to establish proactive measures to promote new trends such as creating demand for other wildlife parks in the country and also to offset the carbon footprint of tourists.</p>



Alignment with Sustainable Development Goals (SDGs)

The Sustainable Development Goals are a universal call to action to achieve development needs of the World. From the 7 goals the Aitken Spence group has aligned to, these are the targets aligned with our management of intellectual capital. Refer to the remaining sections of this report to review our commitment to other goals.



Goal 9 – Industry, innovation & infrastructure:

Advancing operational priorities through innovation, standardisation and systematic improvements driven by sustainability

Targets that we hope to contribute towards;

Target 9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities (Indicator for guidance – 9.4.1 CO2 emission per unit of value added)



Goal 12 – Responsible construction & production:

Influencing circular economy through our commitment to practice the 7R principle

Targets that we hope to contribute towards;

Target 12.6 Encourage companies, especially large and transnational companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle

Target 12.8 By 2030, ensure that people everywhere have the relevant information and awareness for sustainable development and lifestyles in harmony with nature (Indicator for guidance 12.8.1 Extent to which (i) global citizenship education and (ii) education for sustainable development (including climate change education) are mainstreamed in (a) national education policies; (b) curricula; (c) teacher education; and (d) student assessment)

Target 12B Develop and implement tools to monitor sustainable development impacts for sustainable tourism that creates jobs and promotes local culture and products (Indicator for guidance – 12B.1 Number of sustainable tourism strategies or policies and implemented action plans with agreed monitoring and evaluation tools)



Goal 15 – Life on land:

Working towards contributing positively towards protecting our biodiversity and all ecosystems

Targets that we hope to contribute towards;

Target 15.2 By 2020, promote the implementation of sustainable management of all types of forests, halt deforestation, restore degraded forests and substantially increase afforestation and reforestation globally (Indicator for guidance – 15.2.1 Progress towards sustainable forest management)

Target 15.5 Take urgent and significant action to reduce the degradation of natural habitats, halt the loss of biodiversity and, by 2020, protect and prevent the extinction of threatened species (Indicator for guidance – 15.5.1 IUCN Red List Index)



To peruse more details of the Group's practices to control environmental impacts, please follow the link www.aitkenspence.com/annualreport/



Natural capital section of the report contains disclosures for the following material topics of the GRI Standard for sustainability reporting; GRI 102 – 2 Primary brands, products and services



A comprehensive shareholder feedback form is available at the end of the report to obtain feedback about this report so that the disclosures in future reports can be improved to suit the reader's needs better. Please let us know if the information in this section was useful to make decisions about Aitken Spence.