

# NATURAL CAPITAL



## OVERVIEW

- Natural capital is a vital asset to any organization;
- » Any organization is inherently dependent on many ecosystem services as well as the opportunities stemming from the biodiversity and the natural environment. These opportunities make our operations possible
  - » In addition to the more evident ecosystem services, the less visible services such as climate regulation, providing natural defence against events such as floods and landslides as well as providing carbon sinks through forests and other natural environs enable a sustainable environment in which businesses can thrive
  - » There are many environment related risks that may arise. As such, there is need for businesses to identify its impacts and manage these risks and opportunities that could arise from our response to those risks
  - » The cost of neglecting natural capital can result in loss of biodiversity, possible declining human ecosystem productivity and resilience over time, and could subject regions to adverse weather conditions such as floods and droughts which can in turn have drastic impacts on how we do business.



## OUR PHILOSOPHY

Adopting the precautionary approach, the Group's ethos is to proactively identify potential adverse environmental impacts and establish control measures through 'Environmental Management Systems (EMS)'. Our purpose is to identify and reduce environmental risk and to enhance positive impact directly within our operational scope and our extended sphere of influence.

## OVERVIEW

- The stock of natural capital and ecosystem services that sustain our businesses include;
- » Energy
  - » Water
  - » Crops and forest cover
  - » Natural environment and biodiversity



### Breakdown of the Water Consumption Within the Operation

	51.8%	1.5%	44.9%	1.8%
 12.14% Municipal Water 17.74% Ground Water 70.08% Surface Water 0.04% Harvested Rainwater				

### Total energy consumed within the organisation

 <b>689,807 GJ</b>	50%	16%	32%	2%
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### Scope 1 Emissions

 <b>370,126 tCO<sub>2</sub></b>	5%	2%	93%	Negligible
Green House Gas emissions from direct energy consumed				

### Scope 2 Emissions

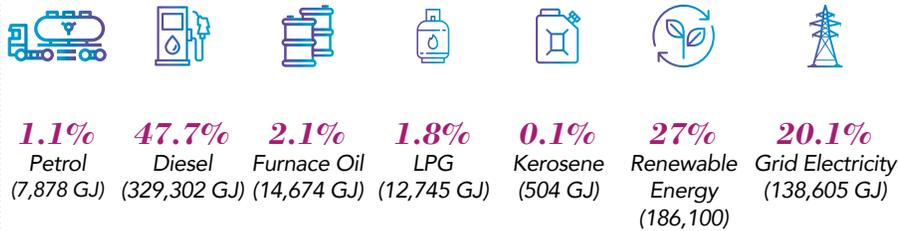
 <b>29,125 tCO<sub>2</sub></b>	62%	10%	21%	6%
Green House Gas emissions from indirect energy consumed				

### Breakdown of Total Renewable Energy Generated

 <b>243,286 GJ</b>	4.1%	0.3%	95.6%	-
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## Breakdown of Energy Consumed Within the Organisation



## Diligence to Natural Environment and Ecosystems



**8,000+ ha**  
Surveyed for biodiversity within the plantations segment

Heritage Kandalama hotel, has undertaken the conservation of 58 acres of forest area, flora and fauna within the hotel and another 198 acres of forest area rich in bio diversity outside the hotel preserving;



**128**  
Species of native flora



**183**  
Species of birds



**19**  
Species of reptiles and amphibians



**64**  
Species of butterflies and dragonflies

## POTENTIAL IMPACTS ON THE ENVIRONMENT (SUMMARY)



Emission of greenhouse gases (GHG) and other toxic fumes



Generation of solid waste



Generation of effluents



Depletion of natural resources



Depletion of nonrenewal resources



**Rs. 108.6 Mn**

Total investment on sustainability driven processes and action plans in 2017/2018



Office operation and owned fleet of Aitken Spence Travels is carbon neutral

Aitken Spence Printing & Packaging is carbon neutral for the 4th consecutive year

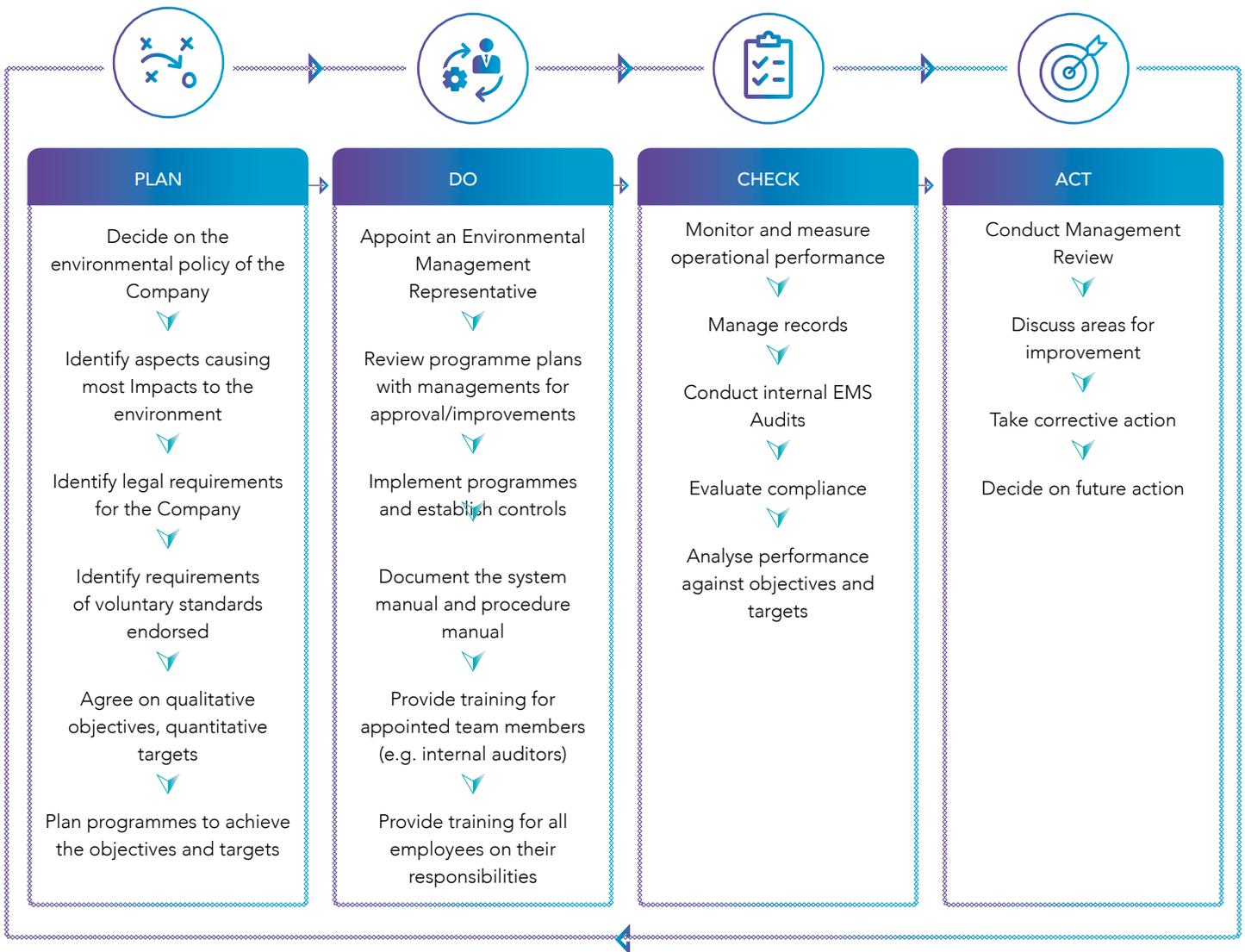


To peruse our locations against protected areas and areas of high biodiversity value, please follow the link [www.aitkenspence.com/annualreport/](http://www.aitkenspence.com/annualreport/)



Refer to the Manufactured Capital section for more details about our locations of operations.

The general process used to identify material topics for action (i.e. possible impacts of our operations on natural capital) and to prioritise action has been described in previous reports. This information is available online for further reading. The process to plan action for environmental impact control is summarised in the following diagram.

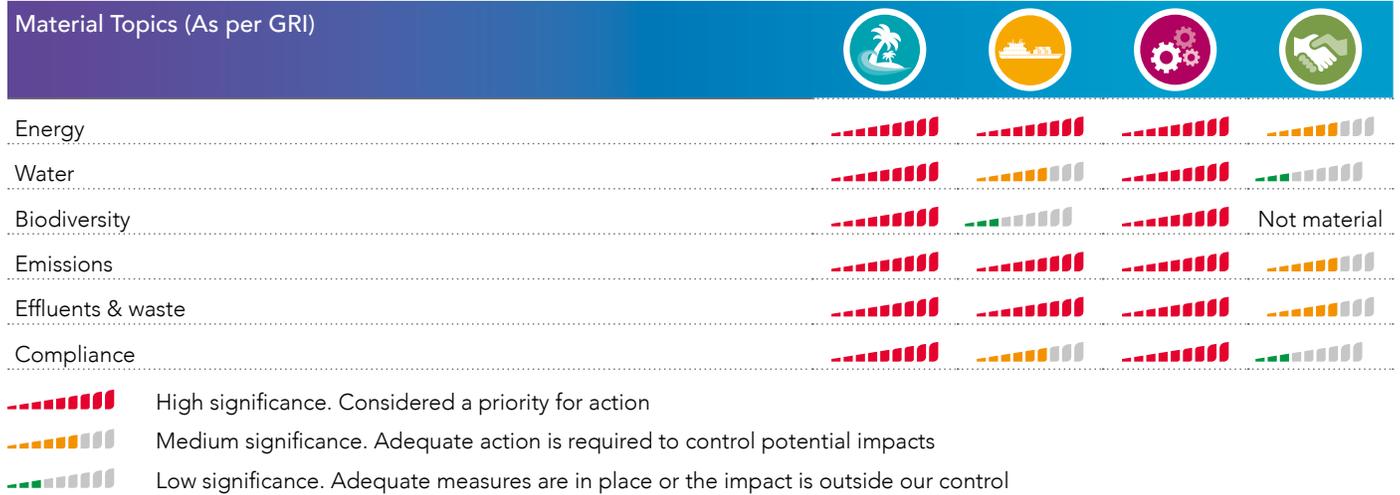


Our Performance Over the Year

 To peruse details of how our operations are evaluated for impacts and how priorities are selected for action, please follow the link [www.aitkenspence.com/annualreport/](http://www.aitkenspence.com/annualreport/)

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Approximated significance for the sectors based on the potential to have an impact and/ or the opportunity to create positive influence;



## Management of environmental impacts;

### Systematic approach to identify impacts and implement action;

 GRI 302, 303, 304, 305, 306 and 307

#### ESSENTIAL

- » Every SBU is expected to use an environmental management system (EMS) to identify activities that cause impacts. Based on the findings of an evaluation to pinpoint impacts, the SBU is expected to conduct internal discussions and choose priorities for action. This is referred to as an 'Essential Action' in the integrated sustainability policy framework of Aitken Spence
- » Most SBUs use EMS' in line with the ISO 14001 system standard. Some SBUs have opted for different management systems that meet the purpose in line with industry requirements.
- » The social and environmental governance due diligence evaluation process of the group includes legal requirements of Sri Lanka for environmental impact control as well as guidelines extracted from the resources shared by the United Nations Global Compact (for Principles 7, 8 and 9) as well as the IFC Performance Standards on environment.

#### EXPECTED

- » For identified impacts, SBUs are expected to implement action beyond the minimum requirements (i.e. essential action) that are stipulated at Group level
- » For example, in addition to the environmental management systems, Aitken Spence hotels have implemented energy management systems in line with the ISO 50001 system standard to manage their energy use per guest night. This is because energy consumption is a material topic where the segment has the highest possible impact as can be seen from the energy consumption breakdown presented earlier in this section.
- » The plantations segment has many impact areas due to the nature and scale of the operation and is vulnerable to risks from the environment as well. Hence, to control environmental impacts and risks, the segment utilizes the Rainforest Alliance certification system to implement action across the upcountry cluster of estates. The low country cluster of estates maintain action in line with the requirements of the Forestry Stewardship Council certification
- » The garments segment implements action in line with the Worldwide Responsible Accredited Production (WRAP) certification requirements

## Our goals and commitments to reduce environmental impacts

- » Reducing our energy consumption from non-renewable sources and GHG emissions is a priority for the group. We hope to achieve this by reducing the consumption of energy through non-renewable sources, and by increasing resource efficiency. We are also committed to gradually increasing the proportion of energy used from renewable energy sources
- » We are committed to control our water footprint and generation of effluents. We hope to achieve this by influencing best practices for water use, harvesting rainwater where possible, reusing treated effluents where possible and treating effluents for safe disposal where reuse is not an option.
- » Aitken Spence is committed to reduce the generation of waste by improving resources efficiency and by identifying processes where the generation of waste itself can be eliminated. We use the '7R Principle' to manage our waste.
- » The legacy of Aitken Spence is effulgent in the examples of co-existing successfully within the ecosystems with high biodiversity where we have operations. We remain committed to control our impacts and to enrich sensitive ecosystems
- » While Aitken Spence companies have focused on climate change mitigation, adaptation to the effects of climate change is an area that is still in preliminary stages. The Group has taken example from SBUs such as the plantations segment that has proactively

evaluated risks from the effects of climate change to the business and commenced action to work with SBUs to identify possible risks to respective industries. The action is still in the assessment stage and the Group hopes to roll out comprehensive frameworks for SBUs to assess risks from climate change and to implement mechanisms to plan action for adaptation as a medium term target.

## Benchmarking our practices



- » Implementation of environmental management systems is a minimum requirement across the Group. However, certification of the management system is an 'exemplary action' that is optional to SBUs depending on the needs of the SBU
- » For specific SBUs, certain material topics are considered as high priority and require communication of the action implemented to a wider audience. These SBUs opt for certification of their management systems in line with the system standards to which they have aligned their operational activities.
- » Accordingly, 5 hotel properties, the destination management operation, the freight forwarding operation and our printing facility in Mawaramandiya are ISO 14001 certified for environmental impact control and management.
- » In the Heritage hotel chain, 4 properties are ISO 50001 certified for energy management
- » Of our manufactured capital, 3 properties are certified for Leadership in Energy and Environmental Design (LEED) which is a rating system devised by the United States Green Building Council (USGBC) to evaluate the environmental performance of a building and encourage market transformation towards sustainable design.
- » Within the hotels sector, 8 properties are Travelife Gold certified and the destination management operation secured the Travelife Partner status in the last financial year
- » In the plantations segment, 6 estates in the upcountry cluster are Rainforest Alliance certified
- » In the Maldives, 3 of our hotel properties are Green Fins accredited members which shows compliance with environmental standards and code of conduct for the diving and snorkelling industry
- » The garments segment is Platinum certified for WRAP

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To peruse more details of the Group’s practices to control environmental impacts, please follow the link [www.aitkenspence.com/annualreport/](http://www.aitkenspence.com/annualreport/)



Refer to the Sector Reviews for more details about the specific measures for environmental impact control implemented by our SBUs.

## Challenges;

- » Services and specialised solutions required for environmental impact control are financially unviable due to the scarcity of required accredited skills in the country
- » Many novel methods to reduce resource use and generation of solid waste face

obstacles in implementation due to outdated regulatory requirements and red tape

- » Aitken Spence has been the first to take action in several movements to reduce environmental impacts. For example, Heritage Kandalama opted for a LEED certification when the certification had not been used by any organization

outside USA. Environmentally viable options require a higher cost of production. However, many markets we operate in are still not accustomed to seeking environmental friendly services or products at a higher cost and demand the lowest cost. Maintaining commitments to environmental impact control is a challenge in such operating environments.

What we have achieved;

## Environmental governance

- » Aitken Spence companies have implemented over 40 environmental management systems across our operations
- » Over the years, we have trained employees to take on the role of internal environmental auditors in line with the requirements of the ISO 14001 system standard. This has resulted in a network of over 200 trained internal auditors across our SBUs.

Disclosure	Description					
<b>MATERIAL TOPIC: COMPLIANCE</b>						
307 – 1	Total number of non-monetary sanctions for non-compliance with environmental laws and regulations	None	None	None	None	None



**27%**

Of our total energy consumption is from renewable energy sources

**34%**

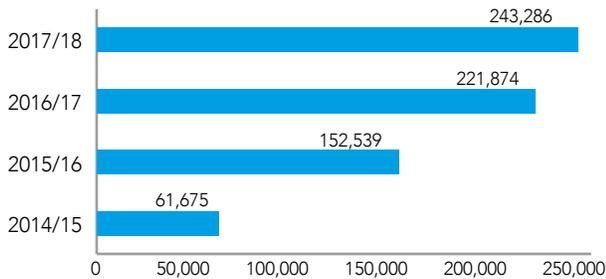
Of our direct energy consumption is from renewable energy sources

**20% increase**

In direct energy consumption from renewable energy sources since 2016/17

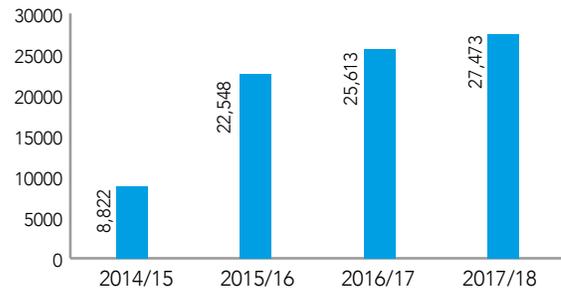
**Generation of Energy from Renewable Sources**

(294% increase from 2014/15)



**Quantified Amount of Emissions Reduced and/or Offset**

(tonnes CO<sub>2</sub>)



Disclosure Description



**MATERIAL TOPIC: ENERGY**

302 – 1	Total direct energy consumption from non-renewable sources (GJ) (Consumption of energy for Aitken Spence operations)	252,048	94,068	16,929	2,057	365,103
	Petrol (GJ)	2,251	1,719	2,332	1,576	7,878
	Diesel (GJ)	224,370	92,318	12,133	481	329,302
	Furnace oil (GJ)	13,165	-	1,510	-	14,674
	LPG (GJ)	12,262	32	451	-	12,745
	Kerosene (GJ)	-	-	504	-	504
	Total direct energy consumption from renewable sources (GJ) (Consumption of energy for Aitken Spence operations)	10,082	686	175,331	-	186,099.56
	Biomass/ fuel wood (GJ)	9,503	-	170,184	-	179,687
	Briquettes (GJ)	-	-	4,521	-	4,521
	Hydropower (GJ)	-	-	333	-	333
	Biogas (GJ)	85	-	-	-	85
	Solar energy (GJ)	494	686	-	-	1,180
	Wind energy (GJ)	-	-	293	-	293
	Total Indirect Energy consumption – grid electricity (GJ)	82,125	17,591	30,047	8,842	138,605
	Total energy generated from non-renewable sources for external consumption (GJ)	-	-	83,065	-	83,065
	Total energy produced from renewable sources for external consumption (GJ)	-	-	57,186	-	57,186
302 – 4	Reductions achieved in energy consumption (GJ)	Reduction in energy consumption cannot be measured this year as the reporting boundary has changed.				

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Disclosure Description



## MATERIAL TOPIC: EMISSIONS

305 – 1	Direct greenhouse gas (GHG) emissions (Scope 1) (tCO2)	18,223	6,824	344,935	144	370,126
305 – 2	Energy indirect GHG emissions (Scope 2) (tCO2)	18,189	2,942	6,176	1,817	29,125
305 – 5	Amount of emissions reduce and/ or offset (tCO2)	1,842	146	25,467	17	27,473



**211%**

*Increase in the quantified amount of GHG emissions reduced and/ or offset since 2014/2015*

**7.26%**

*Increase from 2016/17*

Aitken Spence Printing and Packaging and Aitken Spence Travels offset the emissions through purchased carbon credits. The proportion of emissions offset includes the total emissions offset with carbon credits as well as emissions offset from the recycling of paper waste, potential emissions reduced by replacing diesel consumption with biomass, and replacing potential generation of energy from furnace oil with cleaner sources of energy.

## Water and Effluents

GRI 306 – 2

- » Effluents generated at all hotel properties, the printing facility, and the power plants are channeled to effluent treatment units. Hotel properties in Sri Lanka reuse the treated water to water the hotel gardens to eliminate the use of fresh water for the purpose.
- » A water treatment unit has been implemented in the container yard in Mabola to ensure waste water generated from washing containers is treated to remove any possible contaminants. Treated water is reused in the container yard for dust control. During external audits, improvement areas were identified for the treatment unit and the team has developed standard operating procedures and action plans to implement improvements in the short term. The port management operation in Fiji has cemented the surface of the premises and implemented a primary

level treatment unit to remove any oil from surface runoff.

- » The plantations segment has implemented washing bays, septic tanks/ primary level treatment units to ensure effluents do not damage natural water bodies.
- » The printing segment, and the plantations segment have invested in rainwater harvesting mechanisms. The logistics sector is also contemplating possibilities to harvest rainwater for yard operations.



**35%**

*Of the total water withdrawn is treated for reuse or safe disposal*

**Zero**

*Significant impact on water bodies from our operations*

Percentage of Total Water Withdrawn that is Treated for Reuse or Safe Disposal



51%

(100% of the waste water)



15%



4%



Not applicable

Disclosure Description



ASPECT: WATER

Disclosure	Description	1,156,598	34,503	1,002,004	40,388	2,233,493
303 – 1	Total water withdrawal (m3)	1,156,598	34,503	1,002,004	40,388	2,233,493
303 – 2	Water sources significantly affected by withdrawal of water	None	N/A	None	Not applicable	None
303 – 3	Volume of waste water/ grey water that is treated for reuse or safe disposal (m3)	593,346	5,184	39,657	Not applicable	638,187
306 – 1	Percentage of waste water recycled and reused	100% of the total waste water	15% of the total water withdrawn	4% of the total water withdrawn	Not applicable	35% of the total water withdrawn

Waste management

GRI 306 – 1

» Waste management practices across the Group strive to achieve zero waste dumping of waste to landfill by gradually channelling generated waste to recycling service providers or selling selected waste resource for reuse .

Disclosure Description



MATERIAL TOPIC: EFFLUENTS AND WASTE

Disclosure	Description	30.8	5.4	1,584.4	16.9	1,637.5
306 - 2	Total weight of waste	30.8	5.4	1,584.4	16.9	1,637.5
	Sold for recycling/ reuse or handed over for reuse to authorized vendors;					
	Paper and cardboard (tons)	30.8	5.4	1,584.4	16.9	1,637.5
	Plastic/ plastic scrap (no. of units)	-	-	-	111	111
	Plastic/ plastic scrap (tons)	12.2	-	0.1	-	12.3
	Polythene (tons)	5	-	3.6	-	8.6
	Iron scrap/ scrap metal (tons)	23	54.9	-	-	77.9
	Composted biodegradable waste (tons)	-	-	1.2	--	1.2
	Food waste (Kg) - Handed for discarding; composted; or reused in biogas generator	2,376.5	35.60	42	8.9	2,463.0
	Waste/ burnt oil (Litres) -	5,776	12,150	-	-	17,926
	Used containers (tons)	-	-	1.3	-	1.3
	Foiling reels (tons)	-	-	13.1	-	13.1
	Handed over for recycling to an authorized vendor;					
	CFL Bulbs (no. of units)	788	432	711	270	2,201

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Disclosure	Description					
	TFL Bulbs (no. of units)	-	-	-	940	940
	Glass (no. of units)	29,041	-	-	-	29,041
	Glass (tons)	9.9	-	-	-	9.9
	Handed over to an authorized vendor/ kept in storage for recycling; sold for reuse; exchanged for new units;					
	Lead acid batteries (no. of units)	-	90	-	1,962	2,052
	Lead acid batteries (Kg)	521	-	-	-	521
	Reused or sold for reuse;					
	Tires (no. of units)	20	422	-	-	442
	Tubes (no. of units)	-	240	-	-	240
	Flaps (no. of units)	-	214	-	-	214
	Non-biodegradable packing material (e.g. bubble wrap) - reused (Kg)	-	50.9	-	-	50.9
	Biodegradable packing material - (e.g. demi paper) - reused (Kg)	-	190.5	-	-	190.5
	Corrugated boxes (Kg)	-	-	9.8	-	9.8
	Used plywood (no. of units)	-	4	-	-	4
	Disposed in line with CEA requirements; or treated and handed over to an authorised recycling service provider;					
	ETP Sludge (tons)	-	-	0.6	-	0.6
	HFO Sludge (tons)	-	-	666.6	-	666.6
	E-waste (no. of units)	22	-	-	-	22
	E-waste (tons)	0.2	-	-	-	0.2
	Fabric waste (tons) - Handed over for incineration to a certified vendor	-	-	87	-	87
	Used cotton – handed over for incineration or kept in storage (tons)	0.7	2.2	28.8	1.3	33.0
306 – 3	Total number and volume of significant spills	None	N/A	None	N/A	None

## Biodiversity

 GRI 304 – 1, 304 – 2, 304 – 3, 304 – 4

- » Locations of our operations marked against national parks, protected areas and areas of high biodiversity value can be perused on our resources published online. SBUs located within close proximity to areas of high biodiversity value take necessary action to minimise if not eliminate impacts on natural ecosystems.
- » The plantations segment has conducted surveys of biodiversity across over 8,000 ha of land space and documented the biodiversity in the vicinity. Most of the flora and fauna within the estates have been identified with daily records being maintained by field officers. The

segment works to educate plantation communities about the commitments of the company and their role to achieve these commitments. Buffer zones have been identified and demarcated to separate estates from natural forests and to prevent disturbance to natural ecosystems as much as possible.

- » The hotel operations work towards protecting over 128 species of native flora, 183 species of birds, 19 species of reptiles and amphibians, 17 species of mammals and 64 species of butterflies and dragonflies
- » The destination management operation has taken their scope to create positive influence in the tourism industry and

planned several programmes to increase awareness about individual responsibility to establish sustainable tourism practices in the country. Initiatives such as the Aitken Spence Travels Green Day, panel discussion with industry leaders and their move to promote nature based excursions to the clients are some examples of these programmes. The Aitken Spence Travels team actively promotes travellers to explore diverse national parks that offer equal opportunities to observe wildlife in their natural habitat to reduce the congestion in Yala National Park.

## Alignment with Sustainable Development Goals (SDGs)

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



### Goal 6 – Clean water & sanitation:

Decreasing demand on fresh water by managing consumption effectively, by using harvested rain water and treated water

#### *Targets that we hope to contribute towards;*

Target 6.3 By 2030, improve water quality by reducing pollution, eliminating dumping and minimizing release of hazardous chemicals and materials, halving the proportion of untreated wastewater and substantially increasing recycling and safe reuse globally (Indicator for guidance – 6.3.1 Proportion of wastewater safely treated)

Target 6.4 By 2030, substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of freshwater to address water scarcity and substantially reduce the number of people suffering from water scarcity (Indicator for guidance – 6.4.1 Change in water-use efficiency over time)



### Goal 8 – Decent work & economic growth:

Ensuring a safe and conducive workplace for the workforce and facilitating economic growth for local suppliers and service providers

#### *Targets that we hope to contribute towards;*

Target 8.4 Improve progressively, through 2030, global resource efficiency in consumption and production and endeavour to decouple economic growth from environmental degradation, in accordance with the 10-year framework of programmes on sustainable consumption and production, with developed countries taking the lead (Indicators for guidance – 8.4.1. Material footprint, material footprint per capita)



### Goal 9 – Industry, innovation & infrastructure:

Advancing operational priorities through innovation, standardization 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 12.2 By 2030, achieve the sustainable management and efficient use of natural resources (Indicator for guidance – 12.2.1 Material footprint, material footprint per capita)

Target 12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse (Indicator for guidance – 12.5.1 Recycling rate, tons of material recycled)

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

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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/](http://www.aitkenspence.com/annualreport/)



This section of the report contains information relevant to principles 7, 8, and 9 of the United Global Compact on Environment



Natural capital section of the report contains disclosures for the following material topics of the GRI Standard for sustainability reporting;

GRI 302 – Energy	GRI 303 – Water
GRI 304 – Biodiversity	GRI 305 – Emissions
GRI 306 – Effluents and waste	GRI 307 – Compliance
GRI 102 – 12 Voluntary endorsement of policies/ charters	



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 on how we manage natural capital was useful to make decisions about Aitken Spence.