SOCIAL & RELATIONSHIP CAPITAL

OVERVIEW

Social and relationship capital is an essential asset for any organisation: Our ability to maintain long term viability, profitability and integrity of the organisation is dependent on our ability to foster strong, sustainable relationships with our stakeholders.

OUR PHILOSOPHY

Our vision to achieve excellence in all our activities, establish high growth businesses in Sri Lanka and across new frontiers, and become a globally competitive market leader in the region, is strengthened by the social and relationship capital of Aitken Spence PLC. Our focus is on;

» Building long term relationships with stakeholders that sustain our business

» Creating shared value for sustainable socioeconomic development through our social and relationship capital

» Working with our stakeholders to ensure sustainable product and service quality through social governance and compliance with international benchmarks

Our ethos over generations has not changed. We are driven by the same values and guiding principles. Our focus and value proposition to our key stakeholder have not changed; reliability, stability, and strength in our diversity.

Long term relationships with stakeholders that sustain our business;

9,000+
Network of direct suppliers and service providers

Over 200
international tour operators represented in Sri Lanka

Relationship with Singapore International Airlines spanning over 4 decades. Longest standing General Service Agents (GSAs) of Singapore International Airlines within all GSAs of SIA.

Over 140 Years
(since 1876)
As survey and claim settling agents for Lloyd's of London, covering the commercial ports in Sri Lanka and the Republic of Maldives

Signatory to the UN Global Compact and members of the Local Network Sri Lanka and the Steering Committee since its inception. Being members of the Board of UNGC Local Network Sri Lanka, Dr. Rohan Fernando held the position of Chairman of the Board through the 2017/18 financial year.

Part of the World's largest destination management company through our partnership with TUI

1st Sri Lankan resort operator to engage with a global hotel chain to introduce all-inclusive hotel experience to Sri Lanka

1st Sri Lankan company to enter into a Public Private Partnership overseas with our partnership with the Fiji Ports Corporation

2000+
sub-agent network over locations countrywide, including banks, financial institutions and retail outlets offering Western Union Money Transfer services in Sri Lanka

Joint venture with Mercantile Merchant Bank, Sri Lanka to offer Western Union Money Transfer services in Sri Lanka

One of the first corporates in the world to become signatory to the Women's Empowerment Principles (UN Women)

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More than 130

*diverse industry organisations and
institutions associated through
our memberships, affiliations and
engagement*

*Partnerships and joint ventures
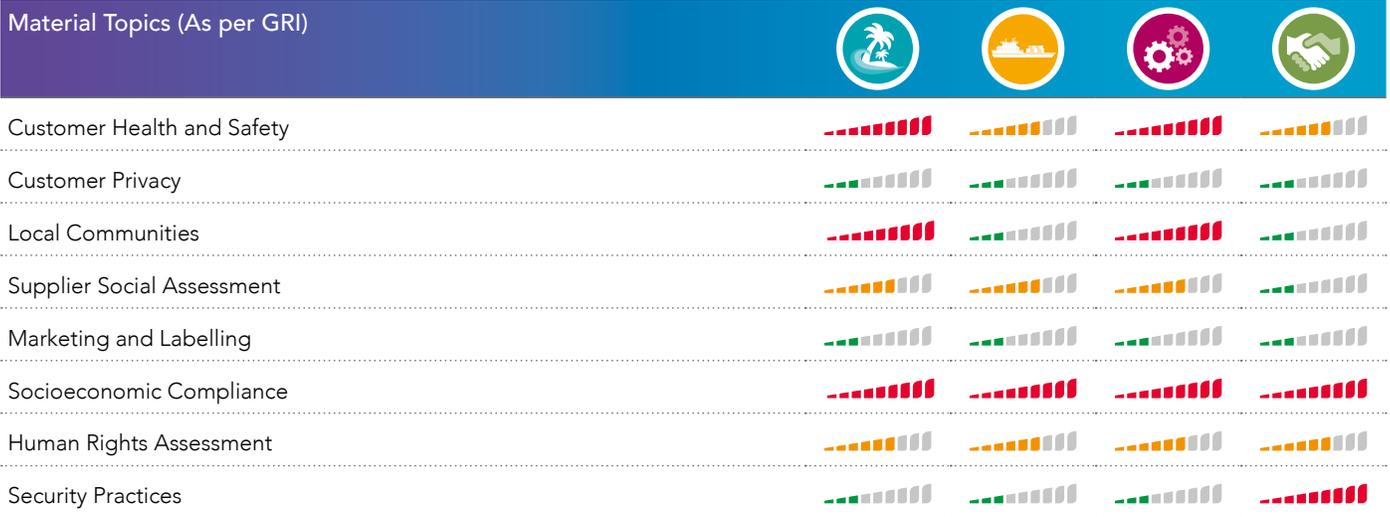with global leaders*

Over 200

schools and community institutions and

Over 30,000

*individuals that directly connect with
Aitken Spence through diverse channels
of engagement and development
opportunities*

Approximated significance of material topics on Social Standards for the sectors/

Material Topics (As per GRI)				
Customer Health and Safety	High	Medium	High	Medium
Customer Privacy	Low	Low	Low	Low
Local Communities	High	Low	High	Low
Supplier Social Assessment	Medium	Medium	Medium	Low
Marketing and Labelling	Low	Low	Low	Low
Socioeconomic Compliance	High	High	High	High
Human Rights Assessment	Medium	Medium	Medium	Medium
Security Practices	Low	Low	Low	High

High significance. Considered a priority for action

Medium significance. Adequate action is required to control potential impacts

Low significance. Adequate measures are in place or the impact is outside our control

Sustainable socioeconomic development

GRI 203 –1, 204 –1, 413 –1

Our experience, expertise, and effort is cascaded through the network of schools and community institutions we engage with to empower communities to harness resilient social, environmental and economic development

Total funds channelled through Aitken Spence companies for community development;

Funds Channeled for community Development
Rs. Mn

Year	Value
2014/15	140.23
2015/16	71.7
2016/17	135
2017/18	128.2
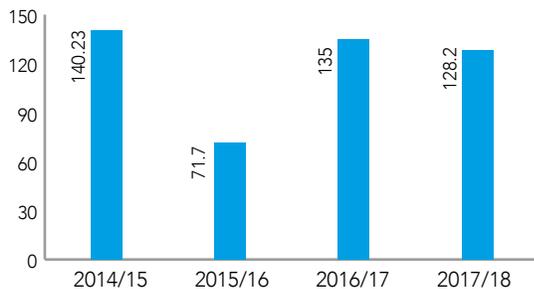
Over 3 Mn

visitors including students and researchers educated on sustainable development and coexistence with natural ecosystems

Over 1500

migrant workers reached per annum with financial literacy education through the Sri Lanka Bureau of Foreign Employment (SLBFE)

Over 10,000

community members reached per annum across the Group through diverse programmes established to improve access to economic opportunities and quality of life

Tree planting programmes held at Mattakkuliya Aitken Spence Garage premises and Horana Forest Monastery as a reforestation project with participation of the Travels' staff members

Aitken Spence Travels joined the monthly beach cleaning programmes of Turyaa Kalutara, also engaging local community members and guests. This was followed by a skills development session for community members

Staff members of the apparel segment volunteering their time to bring some cheer to the cancer patients at Apeksha Cancer Hospital in Maharagama.

The apparel segment provided lunch and spent the day with the cancer patients enabling an opportunity for employees to volunteer through the company

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Overview of community development initiatives carried out by the sectors during the 2017/18 financial year;

Type of projects				
Education and skills development	✅ Ongoing programmes benefiting local youth, suppliers, service providers and community members	✅ 126 internships completed	✅ Diverse, ongoing programmes focusing on advancing skills of local community members	✅ 1,774 migrant workers provided financial literacy education
Infrastructure development			✅ Multiple ongoing projects to uplift quality of life benefiting over 7,000 immediate community members	
Social welfare	✅ Ongoing engagement with local schools and community institutions to ensure welfare	✅ Need based programmes focusing on immediate community	✅ Ongoing programmes to develop the quality of life of community members	✅ Routine programmes carried out to increase awareness among stakeholders
Employee volunteerism	✅ Ongoing, periodic programmes in place with the participation of staff members	✅ Need based initiatives at SBU level and support given to Group initiatives	✅ Ongoing, periodic programmes in place with participation of staff members	✅ Routine educational and skills development programmes with the contribution of staff members
Movements for industry level behaviour changes	✅ Internal programmes and forums to influence positive trends and practices Participation in public forums to share experience	✅ Multiple programmes launched to encourage maritime education and community development	✅ Internal programmes and forums to influence positive trends and practices Participation in public forums to share experience	✅ Internal programmes and forums to influence positive trends and practices

✅ Carried out selectively across the sector

✅ Extensive, structured programmes in place in most SBUs of the sector

Where our operations can contribute towards economic development in rural, less developed communities, priority is given to local recruitment and sourcing to channel benefits to local community members;

Disclosure	Description				
MATERIAL TOPIC: MARKET PRESENCE					
202 – 2	Proportion of senior management from the local community	Over 20%	Fiji – 70%	Over 20%	Not Applicable
	Proportion of employees from the local community	Over 60%	Fiji – 100%	Over 60%	Not Applicable
204 -1	Proportion of spending on local suppliers	Over 75% of the produce and other resources (hotel properties in Sri Lanka). Almost 100% of the safari vehicles and 30% of the tour guides (destination management operation).	N/A	Over 25% tea leaves sourced from local growers and planters	Not Applicable

The term 'Local' in reference to locations in Sri Lanka is an indication to the immediate community within 35 – 40km radius to our operations outside Colombo. This is incorporated into the implementation guidelines of clauses M (Partner in community development projects and ensure employee participation) and N (Support local communities by providing employment and purchasing from local suppliers wherever possible) of the Group's integrated sustainability policy. Our priority is to make sure our immediate community benefits from our presence in their community by ensuring opportunities for economic and professional development are extended to them. We also aspire to take development outside Colombo. At the same time, we also focus on working with our immediate community within 5 – 7km radius to our operations in Colombo to facilitate social development.

Aitken Spence operations give priority to local suppliers and extend opportunities for local youth to seek employment within the Company;

» Recruitment and career progression within Aitken Spence operations are merit based. The SBUs work towards equipping local youth with the required skills through focused workshops and internships opportunities

» Purchasing schemes have been established at specific SBUs such as Aitken Spence Hotels and the plantations segment to support local suppliers.

» Local suppliers are educated about required quality standards so that they can maintain the working relationship with the Company.

To peruse details of our integrated sustainability policy framework, stakeholder engagement practices, supply chain management process, and other processes to prioritise and manage social and relationship capital, please follow the link www.aitkenspence.com/annualreport/

GRI 202 – 2, 204 – 1

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Product responsibility and customer satisfaction

GRI 416 – 1, 417 – 1

ESSENTIAL

» At Group level, it is expected that SBU maintain minimum required standards in social and environmental governance in the provision of products and services

» Annual assessments and inspections on site take stock of social and environmental governance practices in place to ensure product responsibility and ethical provision of service

to create sustainable value to our stakeholders.

EXPECTED

» SBUs have processes to evaluate products and services for improvement on criteria such as quality, possible health and safety risks, compliance with legal requirements and durability. As such, 100% of our products and services are subject to some level of assessment for improvement at some point.

» Moving beyond compliance, many of the SBUs have benchmarked their products and services to international best practices, and standards to enhance the value and to enrich the experience offered to our customers. Aitken Spence companies have implemented relevant management systems to establish and continually improve standard procedures to streamline the quality, safety, reliability and sustainability of the product/service we offer.

  – For example, food safety management systems in line with the ISO 22000 food safety management system standard have been implemented at the hotel properties and the tea factories

  – Many operations maintain quality management systems in line with internationally recognized systems for quality management such as ISO 9001. The destination management operation, freight forwarding operation, maritime and shipping operation,

the printing facility, and the garments manufacturing facility in Mathugama maintain certified quality management systems in line with the ISO 9001:2015 system standard.

  – The hotel properties align their management practices with the Travelife Gold certification while the destination management operation maintains procedures in line with the ISO 14001:2015. ISO 9001: 2015 and Travelife Partner system requirements to provide the best experience to their customers

  – To manage information security and data protection, the Group follows procedures established by the Group IT Department which is following system standards in line with the ISO 27001 standard

  – Although specific requirements have not been stipulated on product and service information and labelling, many of our SBUs use these benchmarks to communicate product details to key stakeholders. For example, the packaging on the tea produced from Rainforest Alliance certified estates carry the trademarked logo on the packaging as well as the estate name and the ISO 22000 logo assuring food safety. Communications to key

suppliers and clients carry the ISO certification logos and the UN Global Compact logo to communicate commitments of the freight forwarding operation.

» Internal and external audits required to maintain these management systems ensure evaluation of products and services on risks to customer health and safety, improvement of quality and other process improvements at period intervals

» To ensure sustainability of our products and services in their lifespan, our SBUs are constantly looking at ways to influence sustainable consumer choices. For example, Aitken Spence Hotels have taken a decision to eliminate the use of plastic straws. The straws will be gradually replaced with biodegradable options and straws will only be provided to guests on request.

» Aitken Spence Travels has developed 'Green Travel Tips' to be given to guests to influence responsible tourism practices in the industry. The destination management operation will implement this practice by May 2018 and are also planning action to promote less visited national parks in Sri Lanka to reduce congestion in popular national parks that put a strain on the wildlife of these locations.

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

Supply chain management

Key links of the supply chain (summary)

| Sourcing of equipment, materials, services | Provision of required services
Delivery of products/services | Manufacturing | Distribution of products and services
Safe disposal of generated streams of waste |
|---|---|---|---|

Key components of the supply chain

- » Banks and financial institutions
- » Container leasing companies
- » Direct suppliers and passengers
- » Freight forwarders
- » Global distribution systems
- » Global insurers
- » Global and local suppliers for material, machinery and equipment
- » Global and local service providers, consultants, agencies

- » Local community
- » Local suppliers of contracted staff
- » Partners, agents and associates
- » Shippers/ consignees
- » Shipping lines/ feeder operators
- » Tenant farmers
- » Tour operators
- » Travel and cargo agents

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ESSENTIAL

» The Group's integrated sustainability policy implementation framework necessitates that SBUs evaluate potential risks of engaging with specific suppliers (i.e. essential action in the integrated sustainability policy framework of the company)

» Group level inspections have been carried out on recycling service providers for paper, cardboard and scheduled waste and the list of suppliers has been shared with Group companies

» Authorisation by the Central Environmental Authority to manage specific waste types is a minimum requirement for any waste management service provider at Group level

EXPECTED

» Certain tasks within the Group's integrated sustainability policy implementation framework are selectively applicable to SBUs based on the nature and scale of the operation and the potential risks involved (i.e. expected action)

» SBUs have established specific practices adequate to meet the nature and scale of their operations to screen suppliers on social and environmental governance concerns

   – For example, all service providers are screened in the garments segment to meet requirements of the compliance systems in place

– Aitken Spence Hotels select local suppliers to ensure quality and freshness of the produce and to also provide development opportunities to key stakeholders. As an additional step in this process, the management engages with local suppliers to provide education and support services to improve the quality of produce and other services provided to the hotels

– Aitken Spence Travels continues to educate tour guides and chauffeurs about biodiversity,

wildlife conservation, responsible tourism, and minimum requirements to ensure customer health and safety

» Group level procedures are being developed to screen suppliers and service providers on social and environmental governance where the SBU is likely to face higher risks from the suppliers. This is a current priority for the Group and in this process, experiences of SBUs from existing practices to screen suppliers will be used as guidance to develop practicable screening practices.

Disclosure	Description				
414 – 1	New suppliers that were screened using social criteria	All suppliers are routinely checked on compliance and quality requirements. For example, in the apparel manufacturing segment, suppliers are screened in line with the industry requirements for social and environmental governance. At the port management operation in Fiji, about 20% of the suppliers are screened for social as well as environmental benchmarks. Services providers for scheduled waste management have been screened on environmental standards as well as compliance. Group level action is to be introduced to establish more concerted reviews on social and environmental governance concerns.			

Disclosure	Description	Group 2017/2018
SUB-CATEGORY: SOCIAL STANDARDS		
407 – 1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	None identified currently based on general assessments. A more comprehensive supplier screening process is being developed to evaluate suppliers on these criteria.
408 – 1	Operations and suppliers at significant risk for incidents of child labour	
409 – 1	Operations and suppliers at significant risk for incidents of forced or compulsory labour	
414 – 2	Negative social impacts in the supply chain and actions taken	

Social governance and the way forward

GRI 410 – 1, 412 – 2

ESSENTIAL

» The Group has developed a standard mechanism to identify and prioritise social concerns and to implement action. This mechanism includes legal requirements on environmental impact control, labour standards, and compliance and is 'calibrated' based on the lessons learnt and experience shared by the SBUs across the Group as well as guidelines provided within the frameworks which we have voluntarily endorsed; such as the 10 principles of the UN Global Compact and the 7 Women's Empowerment Principles. We have also perused additional resources such as the IFC Performance Standards and ISO 26000 guidelines to plan frameworks and to recommend action to our SBUs.

» In addition, the social and environmental governance due diligence evaluation process of the group is an annual 'performance review' mechanism for the SBUs to evaluate overall processes and mechanisms in place for social and environmental governance. This process is mandated for SBUs to be completed and the findings to be discussed with the senior management team at least once a year.

» At Group level, specific action is carried out for social governance with the guidance of the HR Partners of the companies. For example, action plans to ensure the protection of human rights at the workplace are discussed with the Chief Human Resource Officer and is planned within the HR Partners network which connects directly with all employees. Human Rights Support Givers have been appointed and trained on key topics of human rights at the workplace to assist the HR Partners where required.

» In addition, security personnel of the group are trained on different topics of human rights at the workplace in relevance to their scope of responsibility at our Companies. We have maintained our ongoing educational programmes and almost 100% of the security staff at Aitken Spence Towers were given a refresher training during the year with some participation from the security teams of other location of operation. These programmes will be continued as a quarterly engagement with improved participation from the security teams at other locations of operation included as well. We also hope to carry out on-site training for other locations of operation to improve participation.

» Group wide inspections are carried out once year where operational practices on environmental and social impact control are evaluated on site. We hope to improve this process by introducing an internal, cross subsidiary inspection process in between the Group inspections as well. The network of internal auditors will be strengthened with improved capacity and focus training on the social and environmental governance requirements to fulfil this objective.

EXPECTED

» Sharing our experience on public platforms and enabling platforms to voice ideas and thoughts on social governance is an expected area of action across the Group. Leading the way, Aitken Spence PLC has hosted many events with the same purpose.

» In October 2017, knowledge sharing forum convened by the United Nations Development Program and the United Nations Global Compact Network Sri Lanka under the theme 'UN Guiding Principles on Business and Human Rights' was hosted at the Aitken Spence Auditorium.

» Aitken Spence Travels conducted a 'Green Day' to translate the

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company's commitments to achieve responsible tourism to knowledge about individual responsibility. A panel discussion was hosted by the SBU with industry experts to allow

key decision makers of the SBU to enhance understanding.

» Members from our SBUs have also participated in similar events over

the year in public platforms to share ideas and experience within our network of stakeholders and to compel action for social and environmental sustainability.

Challenges;

» Screening of suppliers and service providers on social and environmental governance is an ongoing process. While we can assess suppliers on available information, many local suppliers do not have certifications to credibly verify

their claims of compliance with required standards. The efforts of SBUs to educate suppliers about expected standards is a crucial component to overcome this challenge

» There are limitations resources and time to educate employees and other key

stakeholders on topics such as human rights at the workplace. Developing training and educational material in-house takes effort and time to research material available on other platforms and to develop content to fit the needs of our stakeholders

Disclosure	Description				
414 – 1	Operations with potential negative impacts on local communities	✓	✓	✓	✓

✓ Potential to create impacts exist to some extent. Management systems and channels of engagement are in place to proactively engage with community members and the SBU is planning action to reduce impacts

✓ Potential impacts exist theoretically. SBUs have proactively implemented action and reduced the risk of potential impacts to create adverse impacts

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 social and relationship capital. Refer to the remaining sections of this report to review our commitment to other goals.

Goal 4 – Quality education:
Creating new avenues for employment through education on specific skills in diverse industries (e.g. maritime skills, hospitality etc.)

Targets that we hope to contribute towards;

Target 4.4 By 2030, substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship (Indicator for guidance – 4.4.1 Proportion of youth and adults with information and communications technology (ICT) skills, by type of skill)

Target 4.6 By 2030, ensure that all youth and a substantial proportion of adults, both men and women, achieve literacy and numeracy (Indicator for guidance – 4.6.1 Percentage of population in a given age group achieving at least a fixed level of proficiency in functional (a) literacy and (b) numeracy skills, by sex)

Target 4.7 By 2030, ensure that all learners acquire the knowledge and skills needed to promote sustainable development, including, among others, through education for sustainable development and sustainable lifestyles, human rights, gender equality, promotion of a culture of peace and non-violence, global citizenship and appreciation of cultural diversity and of culture's contribution to sustainable development (Indicator for guidance – 4.7.1 Extent to which (i) global citizenship education and (ii) education for sustainable development, including gender equality and human rights, are mainstreamed at all levels in: (a) national education policies, (b) curricula, (c) teacher education and (d) student assessment)

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 8.6 By 2020, substantially reduce the proportion of youth not in employment, education or training

Target 8.9 By 2030, devise and implement policies to promote sustainable tourism that creates jobs and promotes local culture and products

Target 8.10 Strengthen the capacity of domestic financial institutions to encourage and expand access to banking, insurance and financial services for all

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 9.1 Develop quality, reliable, sustainable and resilient infrastructure, including regional and transborder infrastructure, to support economic development and human well-being, with a focus on affordable and equitable access for all

Our Performance
Over the Year

SOCIAL & RELATIONSHIP CAPITAL

Disclosure	Description	Group 2017/2018
SUB-CATEGORY: SOCIAL STANDARDS		
MATERIAL TOPIC: ANTI COMPETITIVE BEHAVIOUR		
206 – 1	Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices	None
MATERIAL TOPIC: CUSTOMER HEALTH AND SAFETY		
416 – 2	Incidents of non-compliance concerning the health and safety impacts of products and services	None
MATERIAL TOPIC: MARKETING AND LABELLING		
417 – 2	Incidents of non-compliance concerning product and service information and labelling	None
417 – 3	Incidents of non-compliance concerning marketing communications	None
MATERIAL TOPIC: CUSTOMER PRIVACY		
418 – 1	Substantiated complaints regarding concerning breaches of customer privacy and losses of customer data	None
MATERIAL TOPIC: SOCIOECONOMIC COMPLIANCE		
419 – 1	Non-compliance with laws and regulations in the social and economic area	None

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

UNGC

This section of the report contains information relevant to principles 1, 2, 3, 4, and 5 of the United Global Compact on Human Rights and Labour Standards

GRI

The social and relationship capital section of the report contains disclosures for the following material topics of the GRI Standard for sustainability reporting;

GRI 206 – Anti Competitive Behaviour
GRI 410 – Security Practices
GRI 412 – Human Rights Assessment
GRI 413 – Local Communities
GRI 414 – Supplier Social Assessment
GRI 416 – Customer Health and Safety
GRI 417 – Marketing and Labelling
GRI 418 – Customer Privacy
GRI 419 – Socioeconomic 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 social and relationship capital was useful to make decisions about Aitken Spence.