

FINANCIAL CAPITAL

Aitken Spence PLC maintained a strong performance during the year, despite the many challenging economic conditions experienced in both Sri Lanka and globally. The financial year saw the Sri Lankan rupee (LKR) appreciate by 8.2%, which had a significant impact on the revenue and profitability due to a substantial portion of the Groups revenue being either in US Dollars (USD) or invoiced in Sri Lankan Rupee pegged to USD. However, the operational performance of all 16 business segments remained steady, demonstrating the effectiveness of the Group’s diversification strategy. Despite the challenges faced during the year the Group has remained steadfast in its market dominance in the industries the Group operates in. This underscores the Group’s capacity to navigate economic fluctuations and maintain operational efficiency while preserving a commanding presence in the industry.



Earnings

Rs. 97.5 Bn

Revenue

Rs. 13.2 Bn

EBIT

Rs. 6.7 Bn

PBT

Rs. 4.5 Bn

PAT

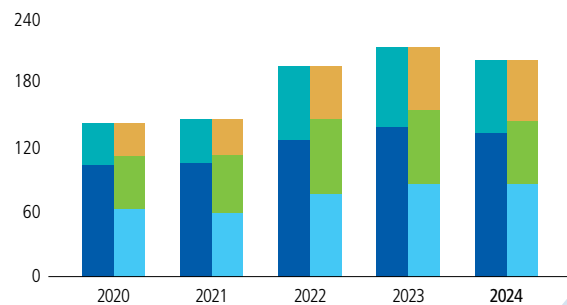


Resilience

Assets & Funding

(as at 31st March)

Rs. Bn



■ Non Current Assets
 ■ Current Assets
 ■ Equity
 ■ Current Liabilities
 ■ Non Current Liabilities



Liquidity & Funding

0.45

Debt to Equity Ratio

1.73

Interest Cover

1.19

Current Ratio

1.12

Quick Asset Ratio



Profitability

0.47

Asset Turnover

13.6%

Operating margin

4.6%

Net profit margin



Value to Shareholders

Rs. 7.21

Earnings per Share

Rs. 181.86

Net Assets per Share

Rs. 130.25

Market Price per Share

18.06

PE ratio

0.72

PBV ratio



Investment Philosophy

Aitken Spence PLC strategically focuses its investments on sectors identified as priority within the country, such as renewable energy, tourism, and maritime & freight logistics. The Group places great emphasis on using advanced technologies within these industries to achieve sustainable long-term returns. This proactive approach not only fosters sectoral growth but also positions the company as a leader in innovation and sustainable practices.

Over the years, Aitken Spence has actively pursued geographical expansion. By leveraging its established expertise, the Group has successfully entered and thrived in new markets outside Sri Lanka. This geographical diversification is part of a broader strategy to enhance the Group's global presence and tap into new economic opportunities while strategically broad basing its investments.

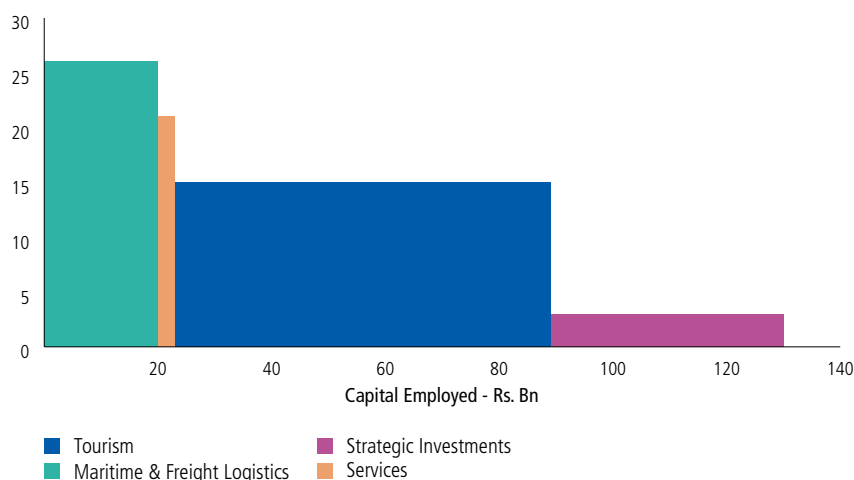
The investment strategy of Aitken Spence is finely attuned to the prevailing investment climate and specific financial metrics, such as hurdle rates. This ensures that all investments not only promise adequate returns but are also resilient to changing economic conditions. By adhering to these disciplined investment criteria, the Group manages to maintain financial stability and growth, even in volatile markets. This

strategic approach reflects a deep understanding of both local and global economic landscapes, enabling Aitken Spence to make informed decisions that align with its long-term objectives and sustainability commitments.

Aitken Spence prides itself on having obtained the necessary approvals for its investments through transparent processes. The Group adheres unwaveringly to strict ethical guidelines and places the utmost importance on sound governance when initiating any new investments. For the past 25 years the Group has successfully financed its new investments through internally generated funds along with prudent debt compositions without requesting its equity shareholders for additional funds. Notwithstanding these investments, the Group has consistently followed an attractive dividend payout to shareholders.

Portfolio Returns

ROCE %



Strategic Priorities	Key Achievements 2023/24	Future Focus
<ul style="list-style-type: none"> ▪ Concentrating investments in priority sectors of the economy. ▪ Diversifying into new geographical locations and business segments. ▪ Diversifying into new geographical locations and business segments. ▪ Managing and optimising cost structures. ▪ Targeting an annual average year-over-year sustainable profit growth of 10% across the Group. 	<ul style="list-style-type: none"> ▪ Invested Rs. 800 Mn in acquiring two apparel manufacturing plants to diversify our product range to include knitwear. ▪ Invested Rs. 1.6 Bn in a new 100,000 sq.ft, state-of-the-art Container Freight Station which commenced commercial operations during the year. ▪ Expanded operations into two new geographical locations. ▪ Repaid interest-bearing borrowings and loans amounting to Rs. 7.5 Bn. ▪ Debt-to-equity ratio improved to 0.45. 	<ul style="list-style-type: none"> ▪ Maintaining a constant emphasis on liquidity and foreign exchange management to maximise the Group's pre-tax profit. ▪ Sustaining investments in ventures that will drive growth and meet the identified hurdle rate. ▪ Implementing operational transformations to enhance efficiency and productivity across all business segments, thereby improving operational profits.

VALUE TO SHAREHOLDERS

Aitken Spence PLC is deeply committed to its responsibility of enhancing shareholder value, consistently placing shareholders at the forefront of its strategic decision-making process.

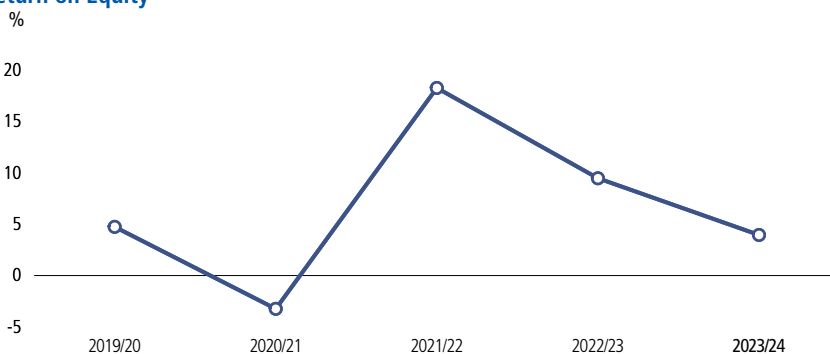
The Group recorded a modest decrease in overall revenue which declined by 0.6% primarily due to the appreciation of Sri Lankan rupee (LKR) during the year. In contrast, the operating profit decreased by 30% mainly due to the foreign exchange loss of Rs. 2.6 Bn recorded for the year, which was a reversal from the previous year's foreign exchange gain of Rs. 1.9 Bn. The financial challenges were compounded by an 8% increase in direct and operating expenses. As a result of these impacts, the Group profit for the period declined from Rs. 8.1 Bn to Rs. 4.5 Bn.

The net profit attributable to shareholders stood at Rs. 2.9 Bn for the year, however the financial year saw a decline in total equity attributable to equity holders. This reduction was primarily driven by the appreciation of the LKR vis-a-vis the USD, which adversely affected the valuation of the Group's overseas assets, which constitutes 44% of the total assets.

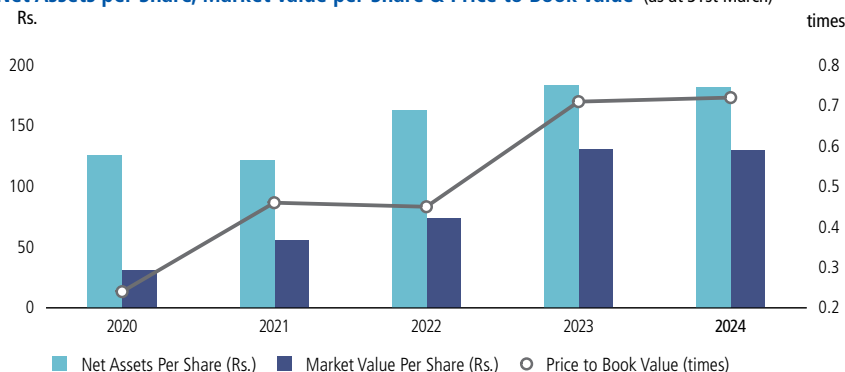
Aitken Spence Group continuously navigates the intricate investment landscape with the objective of discovering new opportunities to enhance returns to its shareholders. Its ongoing efforts include staying agile in response to global market dynamics, regulatory changes, and consumer preferences while ensuring a high-quality product offering. By maintaining a strategic focus on long-term shareholder value, the Group invests in innovation, sustainability, and brand equity and despite the economic volatility remains committed to delivering consistent returns to its shareholders.

Earnings

Return on Equity



Net Assets per Share, Market Value per Share & Price to Book Value (as at 31st March)



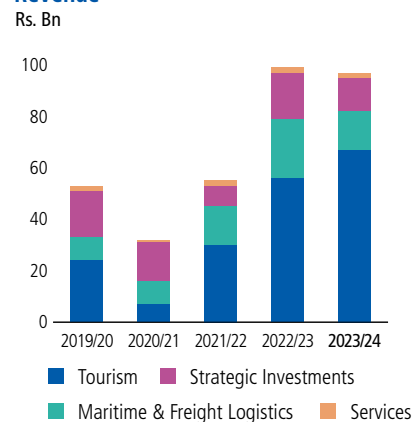
REVENUE

The Group revenue decreased marginally by 0.6% to Rs. 97.5 Bn. This is largely attributable to the appreciation of the LKR, affecting approximately 60%-70% of the Group’s top line, and the decline in freight rates as global supply chains normalised post pandemic. The 20% revenue growth in the Tourism Sector offset the decline across the other three Sectors, which were affected by the appreciation of the LKR, lower freight rates, and a decline in demand for goods and services in European and US markets. The Tourism Sector revenue improved significantly due to the resurgence in tourist arrivals to Sri Lanka. The Tourism Sector accounted for 69% of the revenue received from external customers.

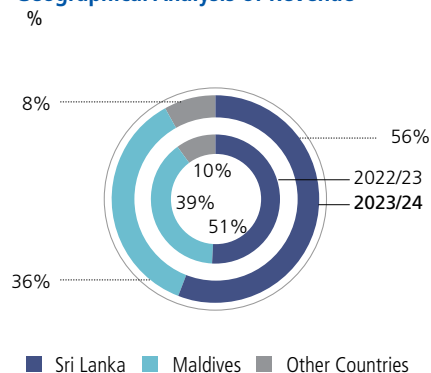
The Maritime & Freight Logistics Sector recorded healthy volumes, although this is not reflected in the revenue numbers due to the steep decline witnessed in freight rates, import restrictions, and the appreciation of the LKR. The Strategic Investments Sector

saw revenue declines across all segments, with the most significant decline observed in the apparel manufacturing segment, which was an industry-wide phenomenon due to subdued demand for manufactured garments in the US and European markets. Revenue in the Services Sector declined marginally due to the performance of the money transfer segment being impacted by the volatility of the LKR despite the increase in transaction volumes recorded by the segment. This decline negated the strong growth recorded by the insurance, elevators, and property segments. Revenue from the Sri Lankan operations increased by 9% over the year, attributable to the enhanced performance of domestic hotels and destination management segments. In contrast, revenue from overseas operations experienced a decline, impacted by the appreciation of the LKR compared to the previous year, which resulted in lower conversion rates for foreign currency revenues.

Revenue

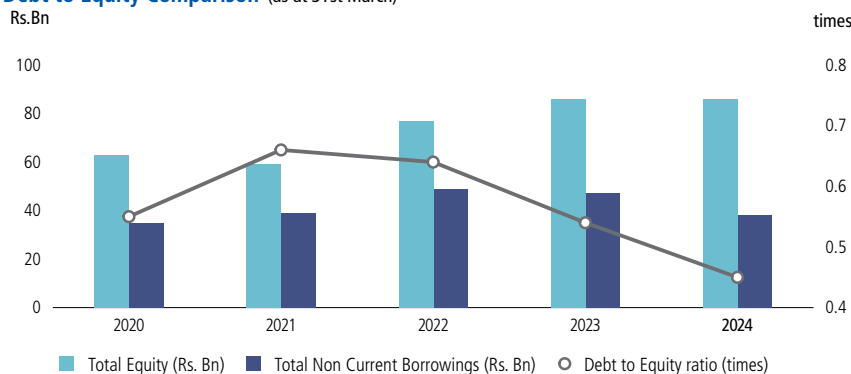


Geographical Analysis of Revenue

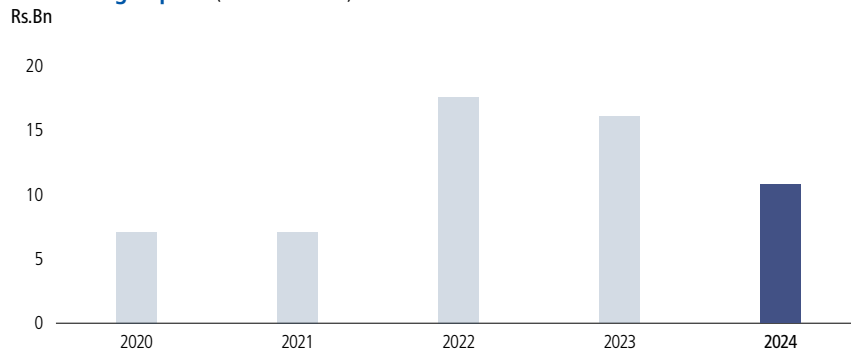


Stability

Debt to Equity Comparison (as at 31st March)



Net Working Capital (as at 31st March)



OPERATING EXPENSES

Operating expenses remained consistent year-over-year, with reductions in raw materials and consumables balancing the increases in other direct operating expenses. The decrease in raw materials and consumables stemmed from alternative arrangements for certain raw materials used in the operations of the Strategic Investments Sector which were a pass-through cost the previous year. The alternate arrangement during the year resulted in the customer directly bearing this cost. Meanwhile, increases in operating expenses were primarily driven by heightened operational activities within the Sri Lankan hotels and destination management segments. Further the steep increases in energy were a main catalyst towards the increase in operating costs recorded during the year. Conversely, there was a decline in other direct operating expenses in the apparel segment, attributable to lower volumes.

OPERATING PROFIT (EBIT)

Operating profit declined by 30% to Rs. 13.2 Bn as the improved profitability of the Tourism Sector was offset by decreases in profitability in the Maritime & Freight Logistics and Strategic Investments Sectors. The operating profit was also impacted by a foreign exchange loss of Rs 2.6 Bn recorded by the Group during the year, compared to a foreign exchange gain of Rs 1.9 Bn reported in the previous year. There was a decline of 8% in operating profits excluding the foreign exchange impact.

All sectors, except the Strategic Investments Sector, made positive contributions to operating profits. The Strategic Investments Sector recorded a loss of Rs. 258.3 Mn owing to the subdued performance of the apparel segment, which faced significant challenges due to the reduced demand in key markets.

The Tourism Sector was the largest contributor to operating profits with a share of 68%, while the Maritime & Freight Logistics Sector and the Services Sector contributed 27% and 5%, respectively.

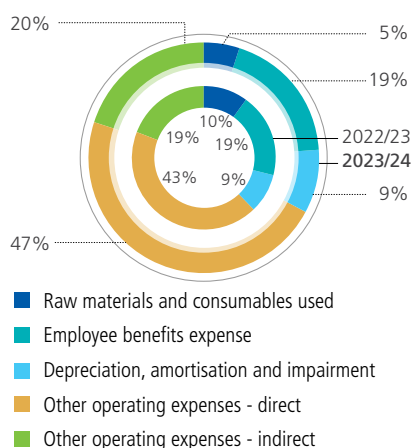
NET FINANCE COSTS

Finance income increased marginally while finance costs decreased by 9% to Rs.10.7 Bn as interest rates declined and the Group also reduced exposure to interest bearing liabilities. Both AWDR and AWPLR declined by over 1,000 basis points during the year under review. Interest cover decreased to 1.7 times due to the decline in profitability. The Tourism Sector accounts for 75% of the Group's long-term interest-bearing liabilities and accounted for 67% of the net finance cost. The Strategic Investments Sector accounted for a further 32% of the net finance cost as capital intensive power projects were funded through long-term borrowings.

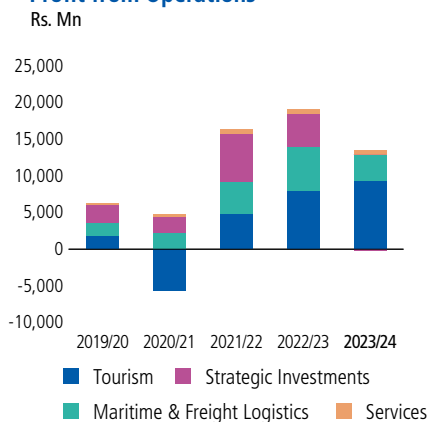
Extracts From Consolidated Statements of Financial Position

For the year ended 31st March	GROUP	
	2024 Rs. Mn	2023 Rs. Mn
Revenue	97,486	98,104
Revenue taxes	(1,237)	(1,115)
Net revenue	96,249	96,989
Other operating income	(2,307)	2,022
Operating expenses	(80,716)	(80,027)
Profit from operations	13,226	18,984
Finance income	2,909	2,884
Finance expenses	(10,728)	(11,737)
Net finance expense	(7,820)	(8,853)
Share of profit of equity-accounted investees	1,318	1,070
Profit before tax	6,725	11,201
Income tax expense	(2,273)	(3,125)
Profit for the period	4,452	8,076
Earnings per share (Rs.)	7.21	16.36

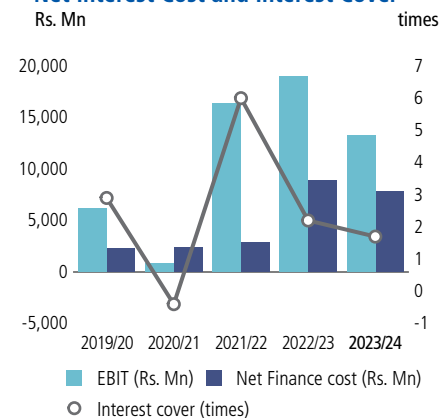
Analysis of Operational Expenses



Profit from Operations



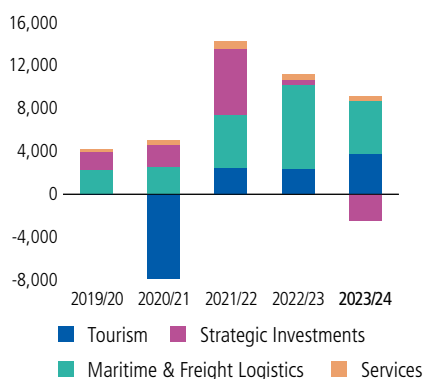
Net Interest Cost and Interest Cover



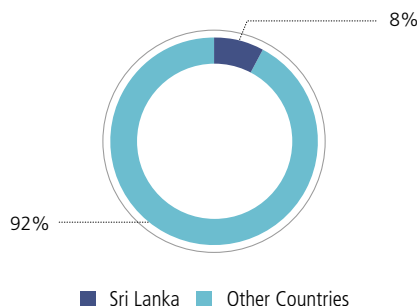
PROFIT BEFORE TAX (PBT)

Pre-tax profits declined by 40% to Rs.6.7 Bn with all Sectors contributing positively except for the Strategic Investments Sector. Equity accounted investees contributed Rs.1.3 Bn to profit before tax which was a 23% increase over the previous year. It is noteworthy that the Group made a recovery from the losses in the first two quarters to record a phenomenal fourth quarter, supported by increases in tourist arrivals, lower interest rates and a resurgence in economic activity. The geographical analysis of the profit before tax reflects the significant contribution made by the Group's overseas sector. During the year the overseas companies accounted for a contribution of 92% towards the current year's pre-tax profits compared to the 65% contribution made in the previous year.

Profit before Tax
Rs. Mn



Geographical Analysis of Profit before Tax



TAXATION

(GRI 207- 1, 2, 3)

The Group reported a tax expense for the year of Rs. 2.3 Bn, which is a 27% decline compared to the previous year (2022/23 – Rs. 3.1 Bn). The reduction in tax expense for the year is primarily attributable to the deferred tax income (reversal) recognised during the year of Rs. 215.7 Mn compared to deferred tax expense (charge) recorded in the prior year of Rs. 336.6 Mn.

The current tax expense for the year stood at Rs. 2.5 Bn compared to Rs. 2.8 Bn in the prior year. The Inland Revenue amending Act No. 45 of 2022, which is effective from 1st October 2022, significantly raised the tax rates from 14% to 30% for companies that previously benefited from concessional tax rates that were specifically available for priority sectors (tourism and exports). Although the full impact of the revised corporate tax rates introduced under the Inland Revenue amending Act No. 45 of 2022 was in effect for the current financial year under review, the decrease in the Group profitability resulted in a 10.8% reduction in current tax expense compared to previous year.

The current tax for the year includes withholding tax on dividends paid by subsidiaries on its taxable profits amounting to Rs. 220.7 Mn, compared to the previous year of Rs. 53.5 Mn. The increase in withholding tax on dividends is due to the 15% Advance Income Tax (AIT) introduced under Inland Revenue (Amendment) Act No. 45 of 2022 from 01st January 2023. Prior to the amending Act, the recipient company was subject to income tax on the dividends received and therefore the related expense is captured under tax on current year profits.

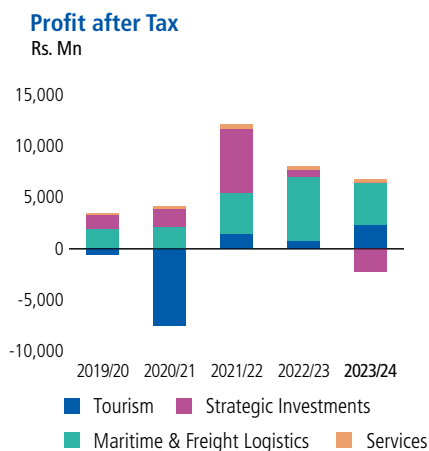
As a result of the above, the effective tax rate for the Group for the current financial year stood at 34% compared to 28% in 2022/23.

How we manage taxation

The Group is currently expanding its business operations in the region, and it is compulsory for the Group to adhere to the country specific laws and regulations related to direct & indirect taxes. To comply with the ever-evolving tax changes in each country the Group operates, it has established policies and compliance processes in each country to ensure the integrity, accuracy and timeliness of the tax information submitted and meeting the statutory deadlines for filing tax returns. The Group is working in tandem with the tax authorities of the respective countries to ensure compliance with laws and regulations and obtain clarifications on the implications of certain tax provisions to minimise the tax exposures of varying tax interpretations. The Group also engages with tax professionals of the local jurisdictions to obtain expert opinion on matters related to complex transactions to ensure proper compliance. Group provides adequate training both internally and externally, to its staff to be abreast with the tax law changes and to handle the tax compliance work smoothly.

PROFIT AFTER TAX (PAT)

Profit after tax declined by 45% to Rs. 4.5 Bn compared to Rs. 8.1 Bn in the previous year, as high interest rates in the first two quarters subdued performance in the Strategic Investments Sector, LKR appreciation, and high levels of costs weighed on performance. The Maritime & Freight Logistics Sector, accounting for 62% of the profit after tax, was the highest contributor to the Group’s post-tax profit for the year. The Tourism Sector also provided a considerable boost by contributing 34% to the Group’s profit. The Services Sector returned a share of 4% of the Group’s profit after tax, while the returns from the Strategic Investments Sector were negative for the year.

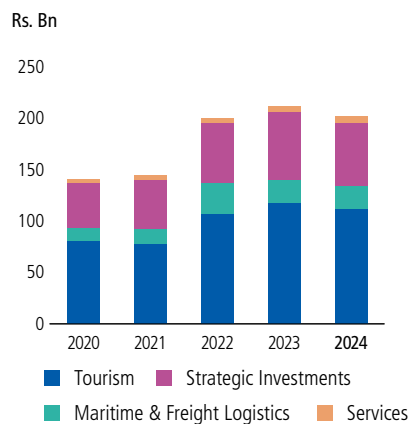


GROWTH

Total assets decreased by 6% to Rs. 201.2 Bn as at the end of the financial year. This reduction was primarily influenced by the appreciation of the LKR, as 44% of our Group’s assets are based overseas and were thus converted at a lower exchange rate.

The Group remained vigilant in managing liquidity, working capital, and cost of borrowing during the year. The Group’s current ratio remains healthy at 1.19, reflecting the effective management of working capital.

Total Assets (as at 31st March)

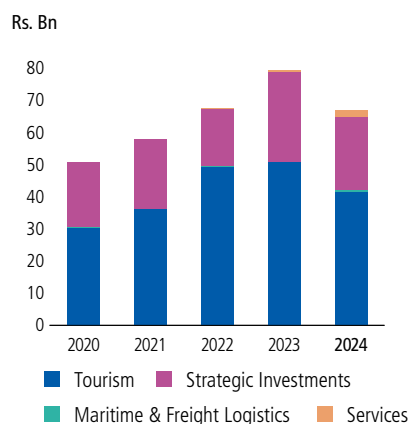


RESILIENCE

The equity portion of total assets inclusive of minority interests constituted 43%, with total non-current liabilities representing 29% of total assets. Notably, minority interest alone accounted for 6% of total assets. The Group achieved a notable decrease in its debt-to-equity ratio from 0.54 to 0.45 as a result of the repayment of long term debt and the settlement of short term borrowings aided by strong cash flows generated by the Tourism Sector and the settlement of outstanding receivables in the Strategic Investments Sector. Although there was a slight decline in both the current ratio and the quick asset ratio the Group successfully maintained a robust liquidity position throughout the year.

Long-term & Short-term Borrowings

(as at 31st March)



Net Foreign Currency Exposure as at 31st March 2024

Assets/(Liabilities)

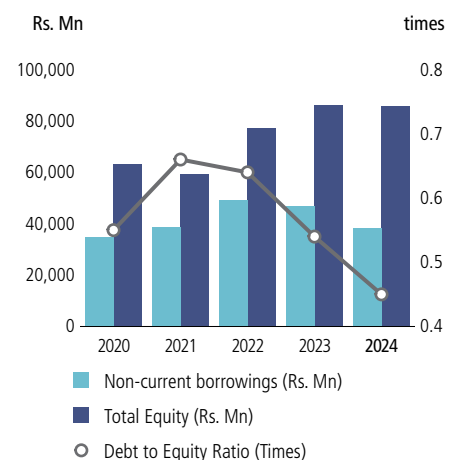
USD 89.8 Mn

EUR (27.3 Mn)

Additionally, the net exposure to foreign currency assets and liabilities at the balance sheet date has been reported demonstrating prudent management of net assets. This reflects the Group’s careful approach to balancing its currency exposure and enhancing its financial stability.

Debt to Equity Comparison

(as at 31st March)



CASH FLOW

Net cash generated from operating activities saw a significant increase rising from Rs. 3.5 Bn to Rs. 11.9 Bn. This substantial growth is largely attributed to improvements in the Group’s working capital, notably influenced by the Ceylon Electricity Board (CEB) settling its long standing dues to the power generation segment. The increase in business activity in the Tourism Sector during the fourth quarter resulted in higher trade payables. These factors improved the working capital position to a positive of Rs. 2.9 Bn enhancing the liquidity position and operational cash flow of the Group.

During the year, the Group actively invested in its infrastructure allocating Rs. 5.5 Bn towards the acquisition and upgrade

Extracts From Consolidated Statements of Financial Position

As at	GROUP	
	31.03.2024 Rs. Million	31.03.2023 Rs. Million
Non-current assets	133,669	139,964
Property, plant and equipment	101,029	105,499
Right-of-use assets	16,364	19,137
Investments in equity-accounted investees	9,947	9,238
Current assets	67,418	74,204
Inventories	4,160	5,274
Trade and other receivables	19,854	21,244
Other current assets	25,375	27,073
Cash and short-term deposits	12,133	16,216
Assets classified as held for sale	169	169
Total assets	201,257	214,338
Equity attributable to shareholders	73,836	74,404
Non-controlling interests	11,884	11,812
Total equity	85,720	86,216
Non-current liabilities	58,959	69,969
Interest-bearing loans and borrowings	38,464	46,949
Lease liabilities	12,847	15,714
Current liabilities	56,578	58,153
Interest-bearing loans and borrowings	9,197	9,619
Lease liabilities	1,780	1,831
Trade and other payables	25,262	22,769
Bank overdrafts and other short-term borrowings	19,389	22,791
Total equity and liabilities	201,257	214,338
Net assets per share (Rs.)	181.86	183.26

of property, plant, and equipment. This investment is indicative of the Group's commitment to enhancing its operational capacity and efficiency. Furthermore, the Group reduced its financial obligations by settling Rs. 7.5 Bn of interest bearing loans and borrowings.

Despite these developments the cash and cash equivalents at the end of the year were a negative Rs. 7.3 Bn, marking a decline of Rs. 680.5 Mn compared to the previous year which is inclusive of Rs. 60.2 Mn impact due to exchange rate fluctuations. This decrease can be attributed to the substantial investments and debt repayments made during the year.

Managing the Group's Liquidity Profile

The elevated interest rate environment began to gradually normalise beginning from the second quarter of the financial year, and declined to single digit levels by the end of the fourth quarter helped by policy rate cuts executed the Central Bank of Sri Lanka (CBSL). The liquidity level of the LKR also improved considerably by the fourth quarter of the financial year. The Group continued its prudent management of liquidity by utilising the approved bank facilities to reduce interest costs and improve overall financial performance.

With the objective of minimising any future negative impacts resulting from new regulations reducing single borrower limits the Group negotiated several bank facility enhancements during the period under review. Additionally, the Group commenced exploring avenues for reducing its long-term interest costs through refinancing of some of the term loans by taking advantage of the lower interest rates.

Improvements in the receivable balances of the Group were recorded as a result of reduced payment delays from the power utility enhancing overall liquidity. The Group continued to focus on shortening the working capital cycle through prudent management of debtors.

Mitigating the Impact of Interest Rate and Forex Movements

The financial year began with an appreciation of the LKR vis-à-vis USD and throughout the year the exchange rate remained volatile. This introduced an element of uncertainty to the business environment as the Group's multitude of foreign exchange generating SBUs had difficulties in pricing their products and service offerings. The USD liquidity of the market improved considerably during the second and third quarter of the financial year and became normalised by the fourth quarter aided by increased foreign remittances and the tourism earnings. Although the CBSL relaxed some of the restrictions placed on foreign exchange transactions, many constraints introduced during the previous three years continue to remain making the business environment difficult for corporates. The LKR continued to appreciate during the fourth quarter resulting in an adverse translational impact in the financial statements of the Group as the majority of the consolidated revenue is foreign exchange denominated.

The Group strategically managed foreign currency liabilities to align with foreign currency assets, mitigating the effects of exchange rate fluctuations. In the fourth quarter the Group recommenced the utilisation of forward contracts as and when required to mitigate foreign exchange risks while taking advantage of the volatility of the exchange rate for making conversions at the most appropriate moment. The London Interbank Offered Rate (LIBOR) was discontinued during the period and the Group converted its foreign exchange denominated facilities to Secured Overnight Financing Rate (SOFR) linked facilities. The market expectation for the USD interest rate at present is dovish although a rapid decline is unlikely due to the persistent high inflation rate in the USA. The Group remains vigilant to market developments and is ready to capitalise on improvements to ensure continued gains to shareholders.

HUMAN CAPITAL

Our growth and performance are driven by a team of 13,281 enthusiastic Sponsonians who create a competitive advantage across significant sectors of the economy. Our continued focus on people and strong employer brand help us retain our employees and attract new talent to support the Group’s strategic imperatives. We remain committed to improving the competencies of our employees within a diverse, equitable, and inclusive culture and creating opportunities for progression. A retention rate of 76%, an average tenure of 9 years and an Employee Satisfaction score of 74% stand as testaments to the effectiveness of our efforts and prepare the Group for the future.



Improved Benefits

- Continued temporary crisis allowance
- Extended carried forward leave
- Enhanced professional membership reimbursement
- Provided a special financial grant for staff in partnership with “DEG Impulse gGmbH”



Diversity, Equity & Inclusion

Child/Elder Care

- Crèche facilities for children of Plantations staff
- Elders’ home for retired Plantations staff
- Telemedicine facility for families of staff Group-wide



Employee Satisfaction

Employee satisfaction is a key metric that we intend to leverage in creating an engaged workforce within a performance-driven culture. Initiatives implemented to improve employee satisfaction in 2023/24 are:

- Continued remote/hybrid working
- Enhanced employee benefits
- Engagement, recreational and well-being initiatives

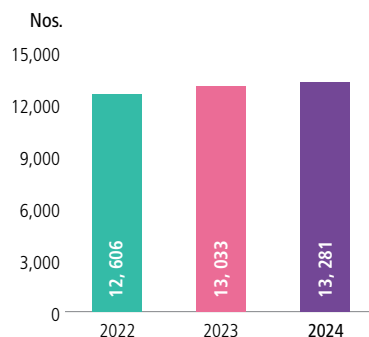
Employee Satisfaction Score

74%

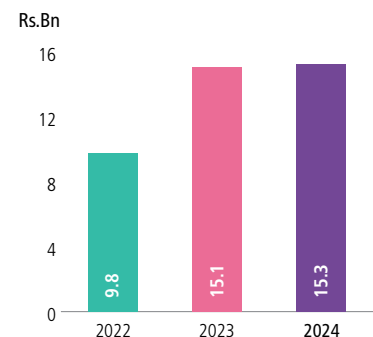


Monitoring Progress

Team Strength



Remuneration





Leadership Development

- 107 potential successors nurtured for 161 critical positions Group-wide
- Identified training needs for 82% of successors
- Focused development initiatives such as EDP, Spence LEAD and Spence ALPHA

Parental Leave

- Maternity leave of 100 days
- Paternity leave of 5 days

Services

- Counselling services
- Special medical assistance for pregnant staff
- Special awareness sessions

Launched in 2023/24

- 'SpenceKids', a subsidised childcare facility for all staff
- 'SpenceInspire', a female mentorship programme
- 'SpenceAscend', a female leadership certification (mini-MBA)

Nurturing Our Talent



Average Training Hours by Gender

17

13



Talent Development

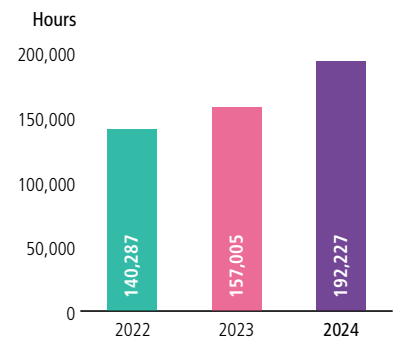
Our commitment to developing people is affirmed by the resources dedicated to Learning & Development.

192,227 Training Hours **Rs. 18.6 Mn** Training Investment

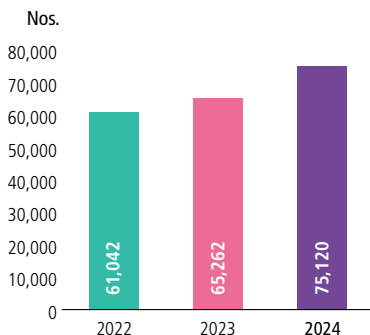
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Average Training Hours per Employee

Training Hours



Training Participation



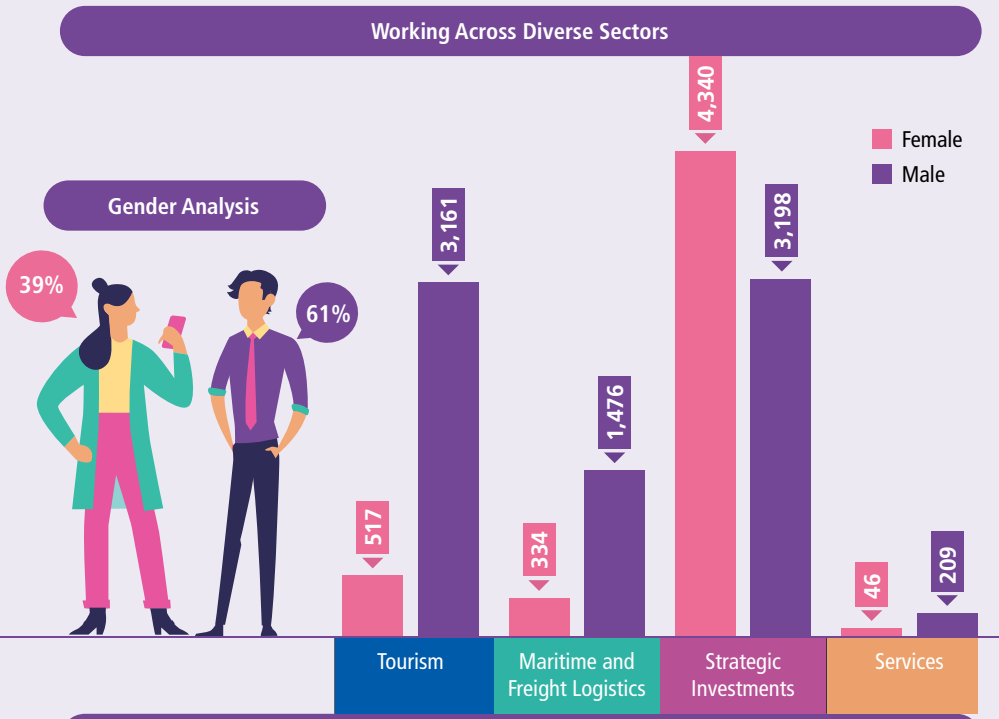
PEOPLE STRATEGY

Strategic Priorities	Key Achievements 2023/24	Focus for 2024/25
Enhance bench strength of leadership pipeline for critical positions	<ul style="list-style-type: none"> ▪ Integrate the new talent philosophy to the Performance Management System (PMS) framework ▪ Devise an online succession planning/reviewing platform 	<ul style="list-style-type: none"> ▪ Institutionalise a talent council ▪ Ensure bi-annual revision of succession plan
Establish an objective based talent management eco-system	<ul style="list-style-type: none"> ▪ Develop a robust Individual development planning process ▪ Review talent analytics & metrics in line with best practices 	<ul style="list-style-type: none"> ▪ Devise segment specific technical competencies
Attract best-in-class talent using a powerful Employee Value Proposition (EVP)	<ul style="list-style-type: none"> ▪ Omnichannel employer / employee branding ▪ Establish strategic partnerships ▪ Relaunch Management Trainee programme ▪ Incorporate assessment tools 	<ul style="list-style-type: none"> ▪ Revamp the existing EVP
Enable Performance Management (PM) practices to support organisational transformation	<ul style="list-style-type: none"> ▪ Launch an awareness campaign to develop a performance culture 	<ul style="list-style-type: none"> ▪ Design and implement a new PM architecture
Nurture a value-centric organisational culture	<ul style="list-style-type: none"> ▪ Design a programme to recognise value-centric behaviour in support of cultural transformation 	<ul style="list-style-type: none"> ▪ Award, reward and appreciate employee champions
Focused talent retention for critical mass	<ul style="list-style-type: none"> ▪ Identify critical mass via succession plan ▪ Review rewards & recognition schemes – Phase 01 	<ul style="list-style-type: none"> ▪ Evidence-based HR approach by leveraging predictive analytics ▪ Talent chats with senior leadership ▪ Review rewards & recognition schemes – Phase 02
Enhance employee experience throughout the employee lifecycle	<ul style="list-style-type: none"> ▪ Share Voice of Spensionians (VoS) survey findings with Management Council/HoDs/HR Business Partners ▪ Share segment VoS survey action plans with Group HR ▪ Action key VoS survey findings ▪ Establish a structured stay interview process 	<ul style="list-style-type: none"> ▪ Action key VoS survey findings ▪ Develop persona-based employee engagement strategy
Commitment to Diversity, Equity & Inclusion (DE&I)	<ul style="list-style-type: none"> ▪ Set Sector-wise targets for fair gender representation ▪ Facilitate awareness sessions ▪ Review policies to strengthen DE&I strategy 	<ul style="list-style-type: none"> ▪ Establish Employee Assistance Programmes (EAP) & DE&I networks
Develop competencies to drive innovation and digitalisation	<ul style="list-style-type: none"> ▪ Spence Robo-Leap for digitalisation (Robotic Process Automation etc.) ▪ Training to promote innovation and a digital culture 	<ul style="list-style-type: none"> ▪ Conduct Hackathon and TechFest to recognise digital champions ▪ Organise SpenceInnova awards

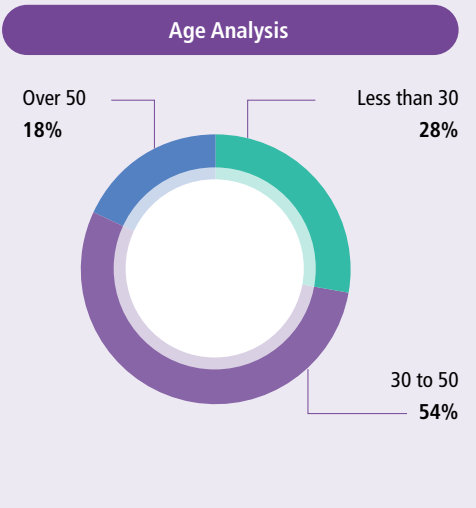
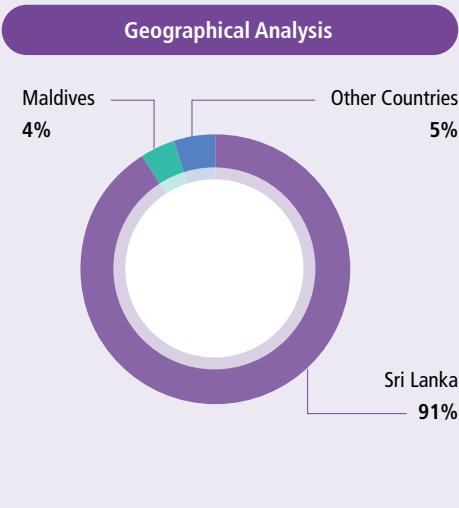
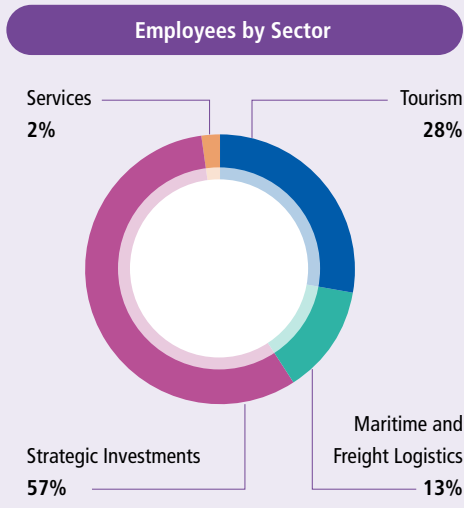
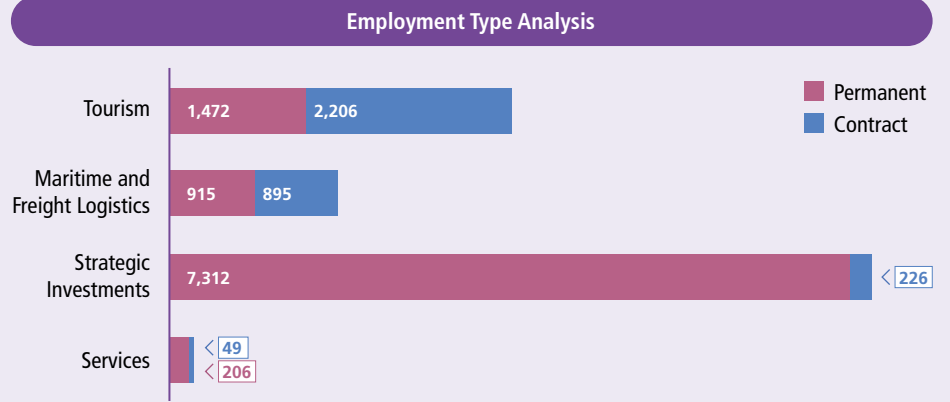
A DIVERSE TEAM

(GRI 3-3, 2-7, 2-8, 405-1)

The Spensonian team is critical to our success as they are the pivotal component that differentiates the Group by upholding the high standards of service excellence, ethics and conduct that are a part of our heritage. The generational diversity of our team nurtures a unique culture that facilitates sharing experiences which serves to constantly enhance our tacit knowledge. The geographic footprint of the Group supports talent mobility across borders in addition to movement across Sectors and functions, minimising risks of layoffs and improving employability. All employees of the Group are full-time employees and there is no seasonal employment. The charts below provide a snapshot of our diverse team.



Spensonians
A team of skilled individuals who go the “extra mile and a half” to make a difference, united by Spensonian values.

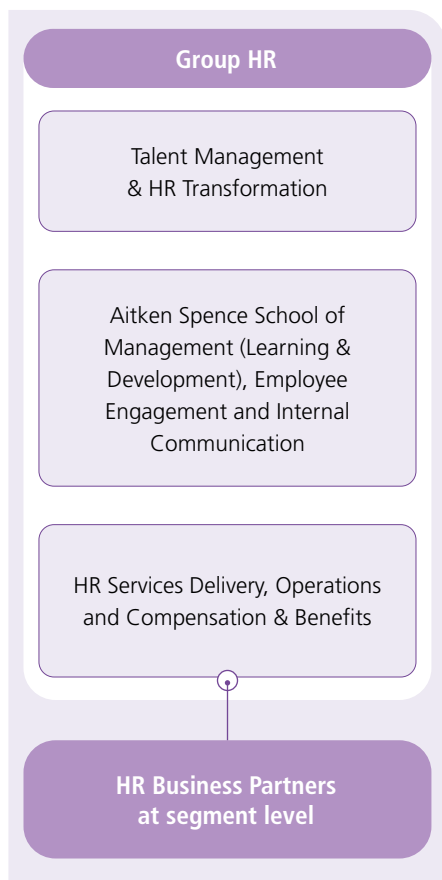


HR GOVERNANCE (GRI 3-3)

HR plays an essential role in guiding the most critical asset of “human resource” in achieving the Group’s strategic purpose and objectives. In doing so, HR is tasked with managing numerous facets including adherence to top management expectations, employee sentiments, labour regulations, and global best practices. In streamlining value creation, the Group has established a robust governance structure.

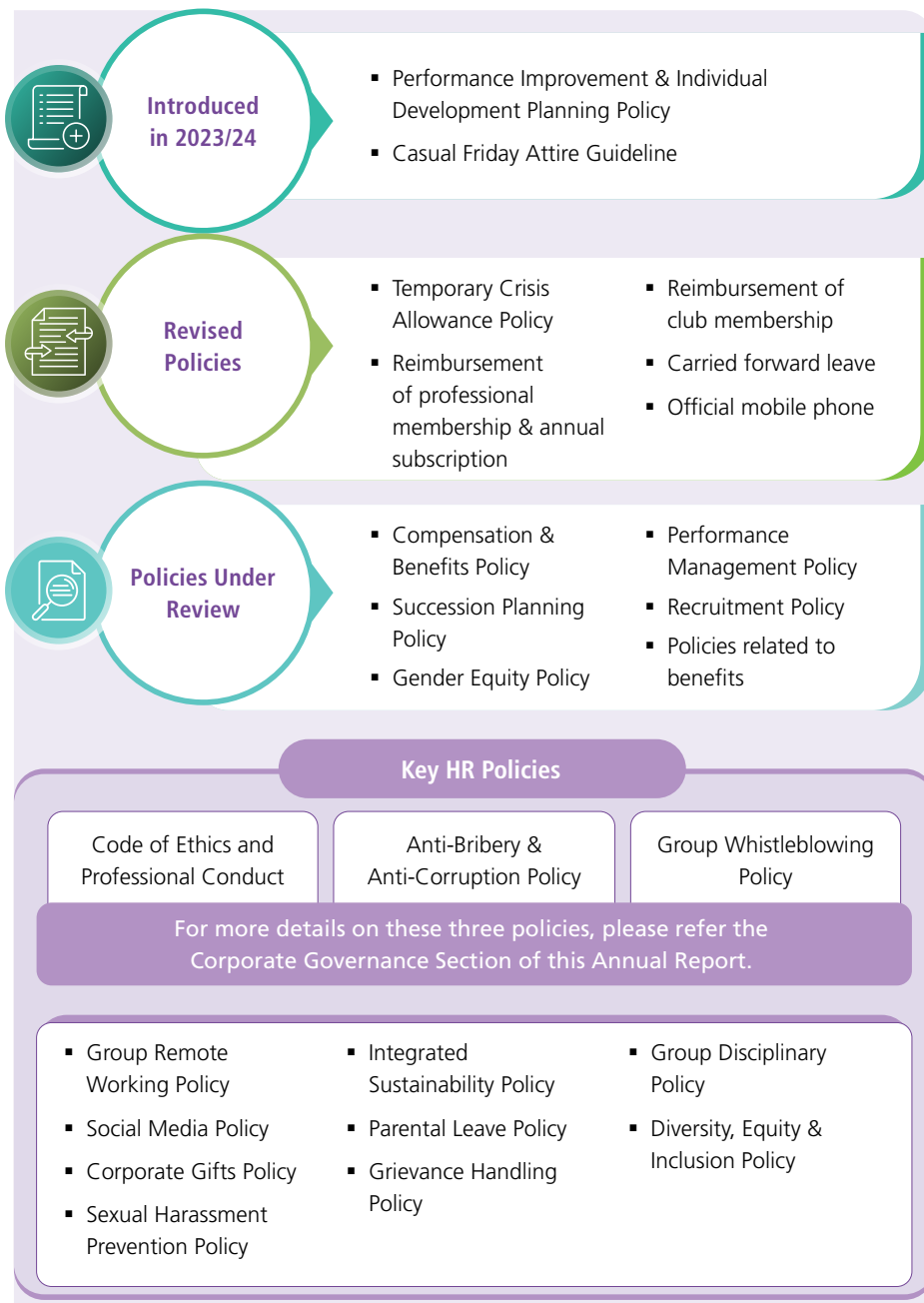
The Group CHRO represents employee interests in the Group Supervisory Board (upon invitation) and the Management Council. The People strategy is then cascaded to the Group HR division whose core functions are three-fold as set out below. The division collaborates with the HR Business Partners at segment level to drive initiatives seamlessly.

For more details on the HR governance structure, please refer the Corporate Governance Section of this Annual Report.



POLICY FRAMEWORK (GRI 406-1, 408-1, 409-1, 410-1)

The HR policy framework is regularly reviewed by Group HR in consultation with the GSB, updated to cater to socio-economic requirements and legal standards, communicated to all employees, and awareness assessed via the LMS (Tartan).



We are committed to establishing an inspiring workplace and fostering an inclusive culture that values dignity for all. Our policy framework mandates a zero-tolerance approach to sexual harassment, child labour, and forced labour, with stringent measures to uphold human rights. We enforce compliance with legal requirements, including the Factories Ordinance, Shop and Office Employees Act, and the Employment of Women, Young Persons, and Children Act, through policies and dedicated HR functions at Group, Sector and segment levels. No incidents of discrimination or non-compliance with labour laws were reported during the year.

KEY CHALLENGES IN 2023/24

The past year posed ongoing challenges due to sustained pressure from a multitude of external factors. Employees faced constraints on their disposable incomes, primarily due to an increase in PAYE tax from the previous fiscal year. Additionally, persistently high inflation rates during the first quarter and a subsequent rise in VAT rates in the fourth quarter exacerbated the strain, contributing to escalating living costs. Additionally, concerns regarding the country's economy gave rise to employee migration in the aftermath of the crisis in 2022, a development that was witnessed across the country. While the Sri Lankan rupee appreciated during the year, the steep devaluation of the previous year continues to exert pressure on inflation and household budgets, diminishing the purchasing power. Although there are positive indicators of an economic recovery, migration plans remain on the minds of many.

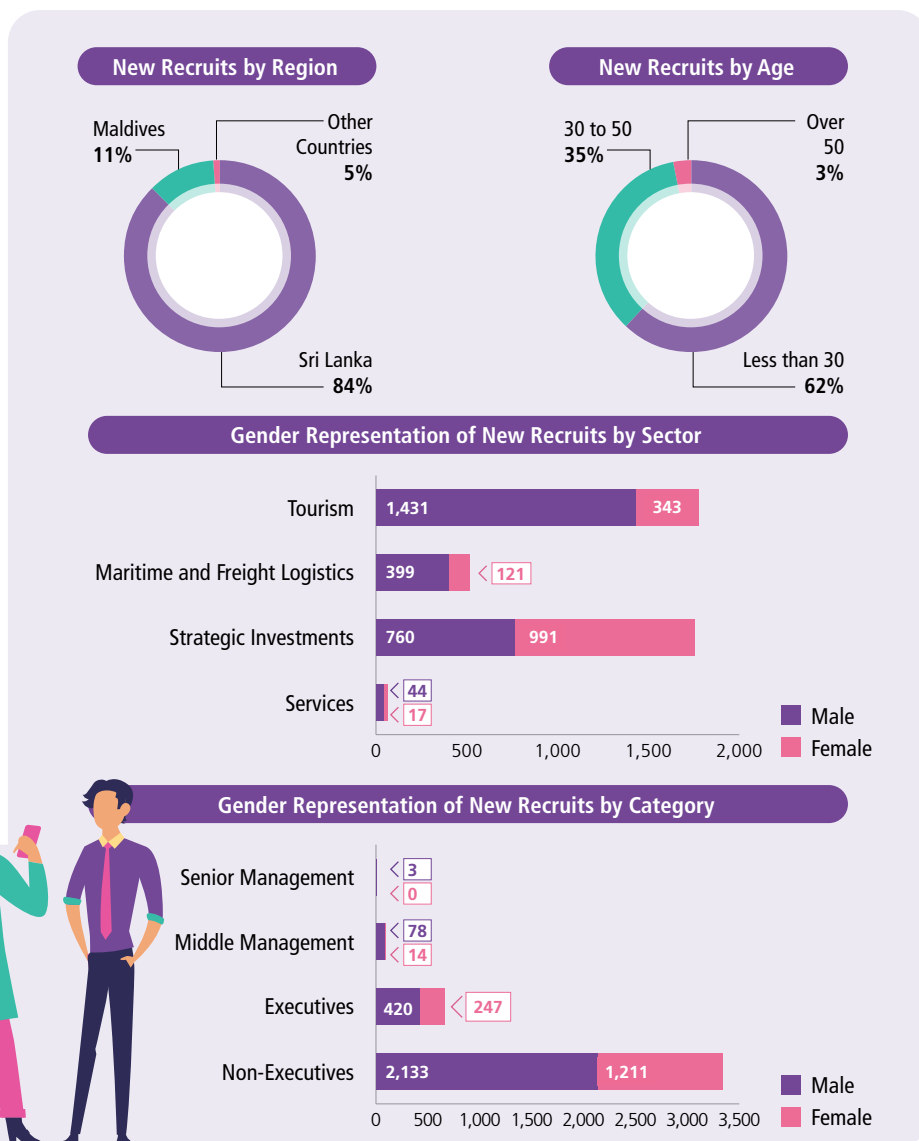
TALENT ATTRACTION

(GRI 3: 401-1)

The Group hires based on merit i.e. how a candidate's knowledge, skills and attitude match the job, with due consideration towards the established DE&I goals to ensure fair gender representation. A strong employer brand nurtured over 150 years supports our efforts to engage with talent.

The Talent Acquisition process has improved in recent years, with the use of benchmarked selection tools such as psychometric assessments, sourcing channels such as LinkedIn and partnerships with educational/professional institutions. Additionally, digital platforms are used to enhance efficiency. Internal talent is prioritised when opportunities emerge to encourage career development, but we also look for external talent to bring in fresh perspective, depending on the role.

During the year we recruited 4,106 employees to our team and their profile is given below.



New Jobs Created 52

New Recruits 4,106

Staff Turnover 22%

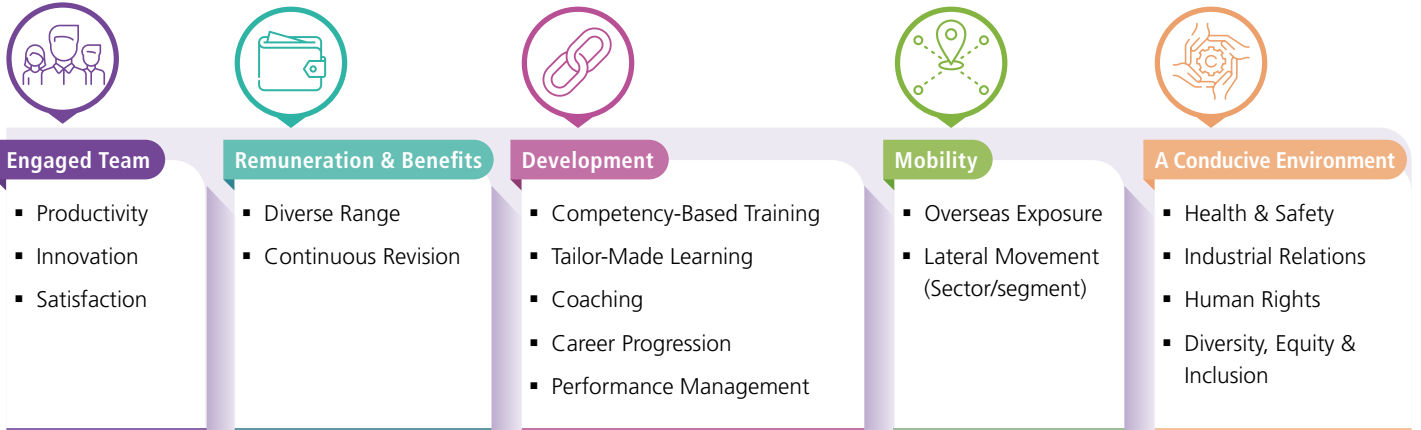


The Group's induction programme 'Roots to Excellence' is held monthly for new recruits to support their transition/integration into the Sponsonian team. The programme covers an introduction to the Group and its values, the Code of Ethics and Professional Conduct and many more pertinent topics.

The Group Management Trainee Programme was re-introduced as 'Elevate with Aitken Spence' with a rigorous social media campaign. Its aim is to create a young talent pool engaged in an accelerated journey of 15 months to take up leadership positions in the near future. The blended development curriculum includes exposure to multiple industries, especially curated project-based assignments, competency-based learning, coaching and mentorship.

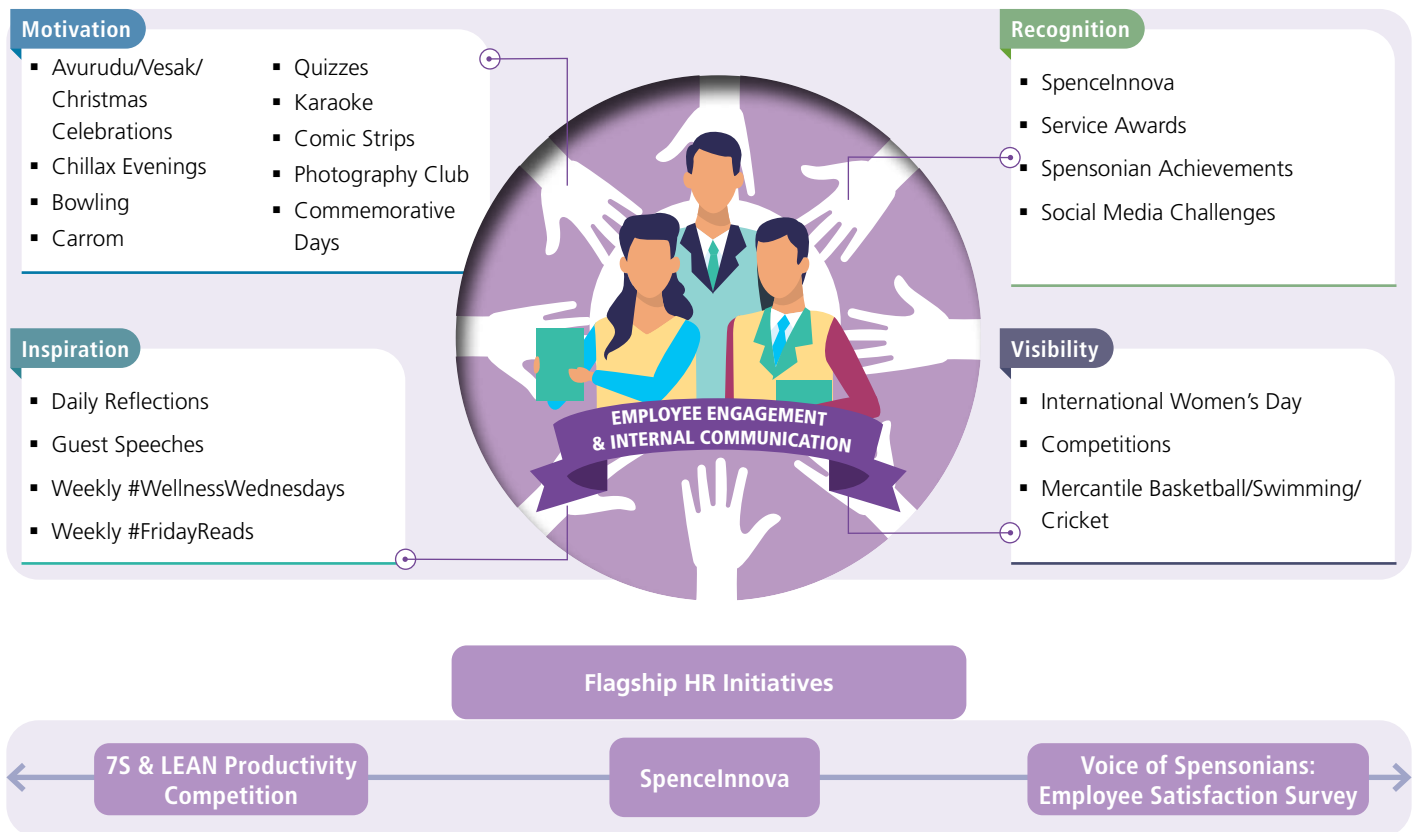
EMPLOYEE VALUE PROPOSITION

A strong employee value proposition written into our purpose underpins our People strategy. Our purpose is to “Inspire to Create Great Futures for All” while we always aim to “Go the Extra Mile and a Half” and encourage diversity, equity and inclusion through the “Freedom to be me” agenda.



Engaging Our Employees

Employee engagement and internal communication played a key role in the Group HR agenda by enhancing employee experience, keeping Spensonians abreast of business developments and keeping a finger on the pulse of our people.



7S & LEAN Productivity Competition

The Group 7S & LEAN Productivity Competition recognises teams for exemplary implementation of productivity standards in our operations. The competition which was put on hold during lockdowns resumed in 2023. The flagship Group productivity competition kicked off its 13th edition with nearly 60 entities representing all Sectors in Sri Lanka and the Maldives. The competition has been a driving force in maintaining and uplifting workplace organisation and safety standards across the Group since it was launched in 2002. Lean Six Sigma and Ergonomics were pertinent additions to this year's competition framework.



SpenceInnova

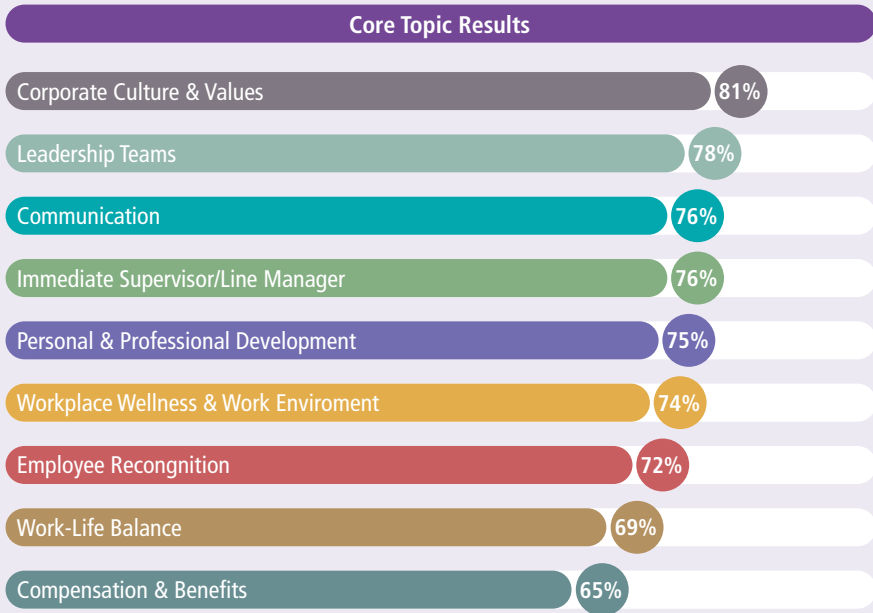
This initiative is a pivotal effort in the Group's business transformation journey. As an organic evolution of our SpenceLab which recognised innovative ideas, SpenceInnova was introduced to spotlight individuals/teams who implement innovative plans for products/services, processes, and/or new ventures. We received 62 plans from Spensonians across the Group, conducted progress review panel discussions, and look forward to organising the selection and awards ceremony soon.



Voice of Spensonians: Employee Satisfaction Survey

The first ever Group-wide Employee Satisfaction survey titled 'Voice of Spensonians (VoS)' was concluded in 2023 (excluding Estate Associates in the Plantations segment and Non-Executives in our overseas hotels only). The survey was conducted anonymously with strict systems and processes in place to ensure the confidentiality of the information shared by the employees.

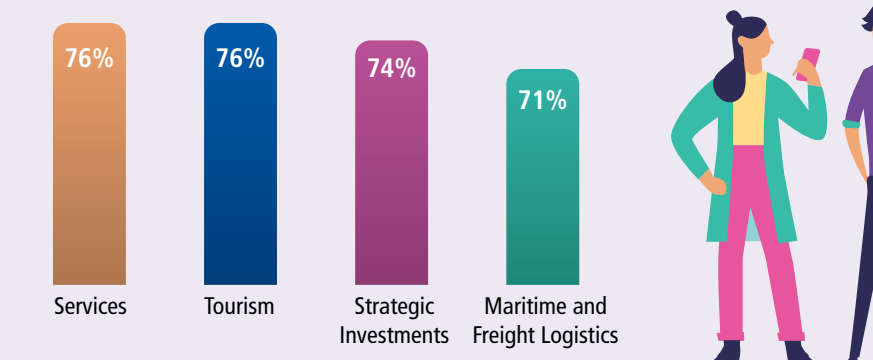
Survey feedback was presented by the Group HR team and discussed in detail with the respective segment Heads and Top Management teams. Segments have devised comprehensive action plans to address the concerns and suggestions raised via the survey and are in the process of execution.



Summary

- Nearly **5,000** Group Respondents
- 81%** Group Response Rate
- 74%** Group Satisfaction Score
- 77%** Group Executive Satisfaction Score
- 72%** Group Non-Executive Satisfaction Score

Sector Findings



REMUNERATION & BENEFITS

(GRI 201-3, 401-2)

The Group upholds a comprehensive total rewards philosophy, blending monetary and non-monetary incentives. Employee compensation consists of both fixed and performance-based components. Throughout the year, employee compensation and benefits underwent regular scrutiny due to escalating inflation, which elevated the living expenses for all staff members.

Benefits at beginning of year

- Reimbursement of outdoor medical expenses
- Indoor health insurance
- Critical illness cover of 1 Mn per event for all Sponsonians
- Financial assistance for educational pursuits
- Enhanced parental leave (100 days - Maternity Leave & 5 days - Paternity Leave)
- Free holiday vouchers at Aitken Spence Hotels
- Holiday bungalows for executives
- Telemedicine facility
- Subsidised childcare facility for all staff
- Crèche facility for Plantation workers
- Annual subscriptions for professional memberships
- Club memberships
- Aitken Spence Sports and Welfare Society
- Housing loans at concessionary rates
- Awareness programmes by medical professionals
- Transport facilities/travel reimbursements
- Subsidised meals in select segments

Relief measures for economic crisis

- Temporary crisis allowance
- Special financial grant in partnership with "DEG Impulse gGmbH"
- Meals for workers in selected categories
- Adjusted fuel allowance

Increase in other benefits

- Increased value of holiday vouchers
- Enhanced professional membership reimbursement
- Extended validity of carried forward leave

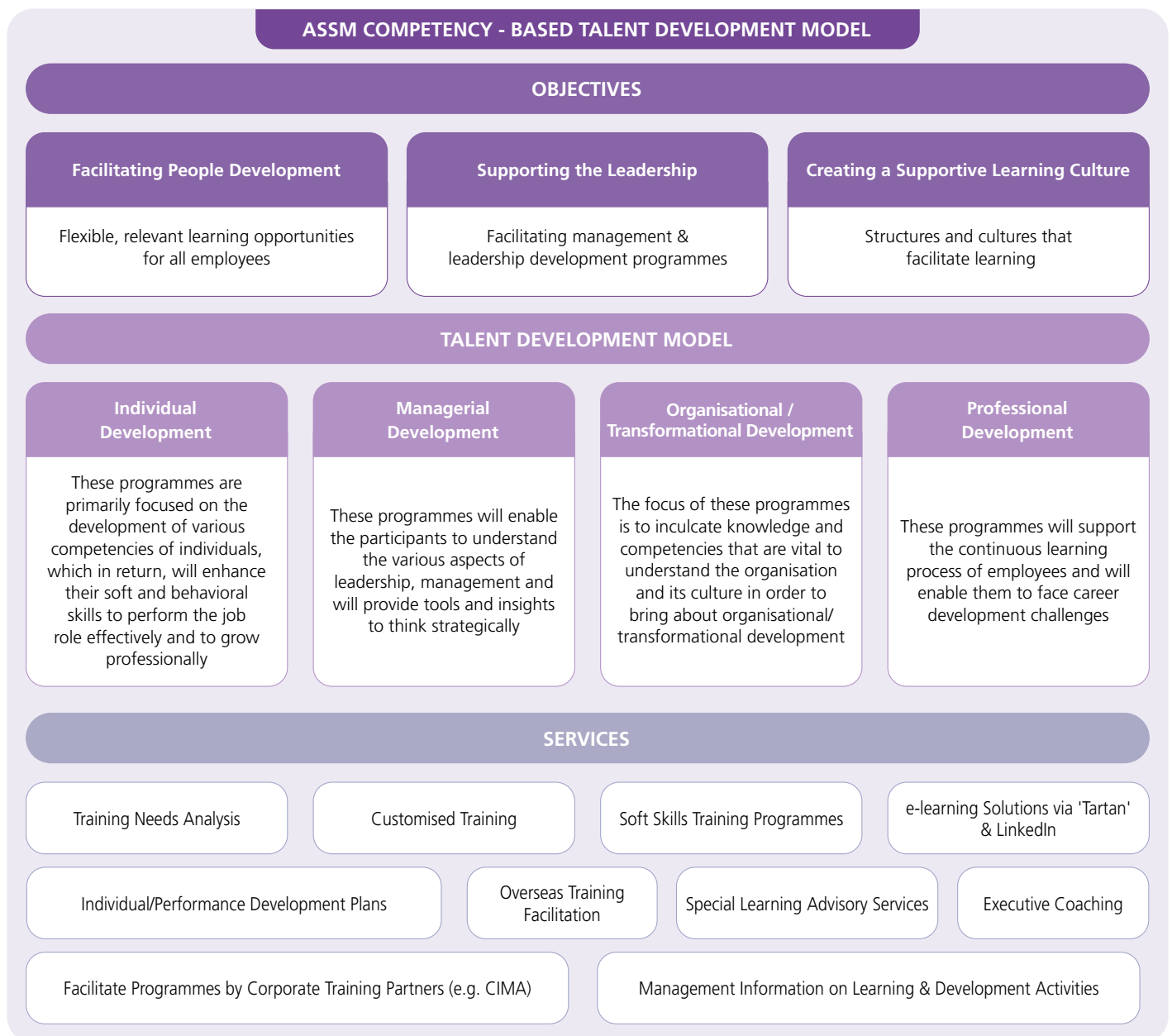


DEVELOPING OUR TEAM (GRI 404-1, 404-2, 404-3)

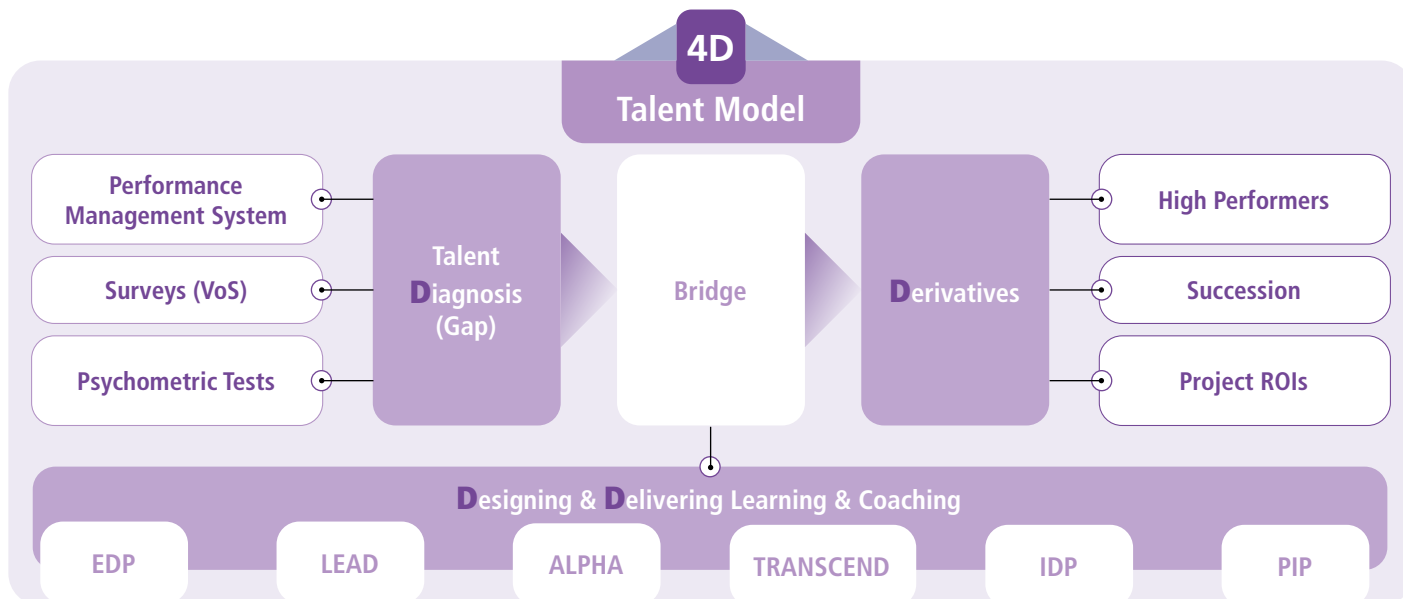
Developing our team is a key priority to ensure that all Spensonians are equipped with the required skills, knowledge, attitude and behaviours to contribute significantly towards the achievement of Group goals. We also aim to unlock their potential, creating talent pipelines for the Group's needs while also creating opportunities for career progression. All executives within the Group receive performance appraisals. A majority of technical training requirements are addressed at segment level. For example, a dedicated Learning & Development team at Aitken Spence Hotels with expertise/specialised knowledge on hotel operations spearheads Learning & Development for the segment; the Plantations segment trains estate associates; and the Apparel segment trains sewing machine operators.

Further, the Group has established special entities to support youth employment in relevant fields such as Aitken Spence Institute of Hotel Management for the hospitality trade and the elevators segment in collaboration with CINEC Campus has developed a NVQ Level 6 programme to train on elevator maintenance.

Learning and development is centrally coordinated by Group HR and delivered through the Aitken Spence School of Management (ASSM).



ASSM placed special emphasis on multi-channel training needs identification to ensure tailor-made learning solutions encompassing both performance and potential dimensions and connected to the Aitken Spence Behavioural Competency (ABC) framework. Therefore, we have introduced the 4D model: **Diagnose, Design, Deliver, and Derive**.



INITIATIVES IMPLEMENTED DURING 2023/24

In addition to the “business as usual” L&D interventions, ASSM focused on special initiatives to facilitate the Group’s transformation trajectory, Succession Plan, digital aspirations and LEAN-enabled productivity. In this venture, ‘Transcend Nexus’ was a novel curriculum organised introducing 4 programmes covering critical competencies: Spence LEAP 360°, Strategic Communication for Leaders, ROBOLEAP, Speechcraft and SpenceGuru. A training evaluation form is administered immediately after a programme to assess overall effectiveness.

Spence LEAD (Leadership Excellence & Accelerated Development)

This comprehensive initiative aimed at providing strategic insights and coaching was conducted for all GMs and DGMs across the Group covering 110 employees. It was designed to be delivered in 2 phases. The 1st phase incorporated multiple talent diagnostics such as 360° reviews, psychometric evaluations, virtual development centres, and individual performance development discussions. The 2nd phase included a series of 6 full-day learning interventions connected to our ABCs.

ROBOLEAP

Engage employees on 4 platforms: Power BI, Power Apps, Robotics, and AI to accelerate the development of tech enthusiasts within the Group, particularly self-learners.

Speechcraft

Enhancing business communication capabilities and confidence of junior Spenonians to support self-motivated individuals.

Spence LEAP 360° (Leadership, Entrepreneurship, Agility, Performance, & 360° Innovation)

A holistic development programme incorporating a personality assessment and engaging modules on leadership, self-development, project management and LEAN projects, crafted to transform participants into effective people leaders.

LEAN Transformation

Guiding productivity champions across our Sectors through a comprehensive awareness session while the concept was embedded in our ASSM curriculum including flagship projects such as Spence LEAP 360° etc.

Strategic Communication for Leaders

Equipping Managers and Assistant General Managers with the skills to confidently and assertively lead discussions at business forums and connect impactfully in professional settings.

SpenceGuru

Launched to develop an internal resource pool assisting ASSM with Group-wide L&D initiatives.

A CONDUCTIVE ENVIRONMENT FOR ALL EMPLOYEES

(GRI 403-1, 403-2, 403-3, 403-4, 403-5, 403-7, 403-8, 403-9)

Health & Safety

Health and safety of our employees and all stakeholders across the Group is a central component of our HR and sustainability strategies. Towards this, standard procedures have been implemented at our business segments using the Hazard Identification, Risk Assessment, and Control model (HIRAC), structured around the Must Do (essential action), Should Do (expected where relevant), and Can Do (exemplary or optional) guidance framework of the Group's sustainability strategy. Accordingly, segments with more stringent occupational health & safety (OHS) priorities have implemented diverse management systems to ensure a safe and healthy working environment for all stakeholders.

To maintain these procedures and management systems, the Group has a network of almost 500 trained Spensonians taking on diverse responsibilities for OHS. To ensure the effectiveness of our controls, our teams are provided training and education in the required skills. Further, these teams conduct regular briefings, inspections and engage external parties for additional controls where required.

Policy Statement

Aitken Spence is committed to use occupational health and safety management systems to ensure a safe and healthy working environment for all stakeholders. (Commitment N, Integrated Sustainability Policy of Aitken Spence PLC)

Objective

Provide a safe, inclusive working environment for all employees and external stakeholders with zero accidents.

Strategy

- Basic approach of 'Hazard Identification, Risk Assessment and Control' adopted in all operations
- Segments with higher OHS risks seek higher benchmarks through certified management systems.
- SOPs and management in place across the Group with segmental OHS teams taking on diverse responsibilities to ensure a safe and healthy workplace for all employees

Certifications for OHS

ISO 45001:2018 for Occupational Health & Safety

Tourism Sector

Aitken Spence Travels (Pvt) Ltd

Maritime, Freight & Logistics Sector

- Logilink (Pvt) Ltd
- Ace Distriparks (Pvt) Ltd
- Ace Containers (Pvt) Ltd
- Hapag-Lloyd Lanka (Pvt) Ltd

Strategic Investments Sector

Aitken Spence Printing and Packaging (Pvt) Ltd (within the integrated management system certification)

Services Sector

Aitken Spence Elevators (Pvt) Ltd

In addition to ISO 45001, the Group's business segments maintain 49 certifications or verified benchmarks aligned with Travelife, Rainforest Alliance certification, Forestry Stewardship Council certification, Worldwide Responsible Accredited Production, Higg Index and Sedex, all of which integrated OHS, labour standards and overall wellness for all stakeholders.

Initiatives implemented in 2023/24

The property development segment worked to strengthen the OHS procedures at Aitken Spence Towers by implementing a management system aligned with ISO 45001:2018 and on-site inspections have been carried out by external experts. The team hopes to obtain certification for this system in 2024/2025.

Our Employee Safety Record 2021/22

(GRI 5: 403-3, 403-5, 403-6, 403-9)

	Tourism	Maritime & Freight Logistics	Strategic Investments	Services	Total
Workplace related accidents	54	94	192	0	340
Workplace related fatalities	0	0	0	0	0
No. of lost workdays due to workplace related injuries	63	278	214	0	555

Trainings conducted on OHS

4,552 hours

1,391 employees

INDUSTRIAL RELATIONS

(GRI 2-30, 402-1, 407-1)

The Group continues to uphold our employees’ rights to freedom of speech, expression, and association. More than 30% of the Group’s employees are members of Trade Unions and are covered by collective agreements; a majority of them are from the Plantations segment. Besides Trade Unions, our employees in the Apparel segment participate in Worker Councils/ Joint Consultative Committees (JCC). We organise regular conversations with Trade Unions and employee representatives as it helps us to engage and deal with the issues and concerns of our more vulnerable employees. Formal methods are used to communicate with the 20 Trade Unions across the Group regularly. Friendly relations were maintained with Trade Unions during the year. A minimum notice period of 4 weeks to employees is given before making any significant operational change that would affect them significantly.



HUMAN RIGHTS

(GRI 3-3, 414-1)

As signatories to the UN Global Compact (UNGC), aligned with the "Respect and Remedy" pillars of the United Nations Guiding Principles on Business and Human Rights, Aitken Spence is committed to ensuring that all employees are aware of their rights and have equal access to remedial mechanisms in case of any violations of rights. Our HR Business Partners and their teams numbering a total of 123 serve as the focal points in this process and ensure that our employees can access our grievance handling procedures, which are designed to ensure fairness and confidentiality. Additionally, our open-door culture permits employees to escalate issues directly to the Managing Directors/CEOs ensuring resolution.

To give an example of our efforts to strengthen the awareness of human rights among our employees and key stakeholders, we provide routine briefings to our security personnel as they are the first points of contact for all stakeholders who enter our premises. We also participated in the first accelerator programme of the UNGC for Business and Human Rights in Sri Lanka and currently lead the Working Group of the UNGC for Business and Human Rights where pertinent topics are discussed with industry peers to find solutions collectively. We are also part of the Supply Chain Working Group of the UNGC where we see to strengthen our efforts to cascade the Group’s environmental and social governance benchmarks across the supply chain. During the year, 559 suppliers have been screened in total. In 2023-2024, we formed a formal committee for Supply Chain Control where we will be working with the respective heads of operations to streamline our efforts for ethical conduct within our supply chains.

(GRI 2-26)

Grievance Handling & Whistleblowing Procedures of the Group

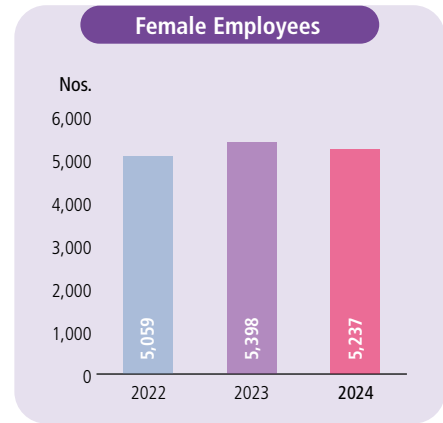
Aitken Spence has an established Grievance Handling Policy to ensure that legitimate work-related complaints are brought to light, discussed and resolved to the satisfaction of all parties concerned. It comprises a comprehensive procedure to be followed by an individual employee or group of employees. An employee can approach either the Immediate Supervisor, Head of Department, Managing Director or GSB-appointed Grievance Committee (including the Group CHRO) in a step-by step manner depending on the nature of the grievance.

For details on the Whistleblowing Policy, please refer the Corporate Governance Section of this Annual Report.

GRI Standard	The Performance Indicator	Response for 2022/23	Response for 2023/24
(None)	Harassment related grievances reported	None	01
(None)	Harassment related grievances resolved	None	01
GRI 412-1	Total number of grievances filed through formal grievance mechanisms during the reporting period	03	03
GRI 205-3	Total number and nature of confirmed incidents of corruption and action taken	None	None
GRI 206-1	Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices	None	None
GRI 406-1	Total number of incidents of discrimination and corrective action taken	None	None
GRI 411-1	Incidents of violations involving rights of indigenous peoples	None	None

GENDER REPORT

Sri Lanka's female labour force participation rate has declined from 36.6% in 2017 to 32% in 2023 and a concerted effort is required to move this rate which is one of the lowest in Asia. Accordingly, Aitken Spence Group has set in place mechanisms to increase fair gender representation across the Group. The Group was among the first entities in the world to endorse the 7 United Nations Women's Empowerment Principles. We were part of the UNGC's Target Gender Equality programme for the third time, reiterating our commitment to expand our capacity to work on achieving gender parity at work. Also, Aitken Spence has set in place a focused Diversity, Equity & Inclusion (DE&I) agenda themed 'Freedom to be me'. We will also unveil a Gender Equity Policy next year.



The Voice of Spensonians Survey

Female Satisfaction Score

74%



Male Satisfaction Score

74%



*Female & male employees equally highly satisfied

Female Executive Attrition

36%



2022/23

31%



2023/24

*Significant reduction in female executives leaving the Group in Sri Lanka

100%



of female employees returned to work after availing 100 days of maternity leave

83%



of female employees who returned to work after availing maternity leave remained with the Group after 1-year's time

Fair gender representation is reflected at the leadership level of Group Supervisory Board (50% females) and Ms. Stasshani Jayawardena was appointed as Joint Deputy Chairperson and Joint Managing Director of the Group during the year.

As part of the #SpenceWomenAtWork focus from 2022-2024, the Group introduced Parental leave and formed segment DE&I Committees the previous year. This year, the following initiatives were launched:

SpenceKids

A subsidised childcare facility for Spensonian parents to leverage, particularly mothers, to pursue their professional and personal aspirations while promoting work-life balance.

SpenceInspire

A mentorship programme aimed at partnering junior female employees with female employees holding senior management positions, thereby providing the opportunity to leverage a treasure trove of experience.

SpenceAscend

A focused talent intervention aimed at upskilling and transcending high potential female employees to take up leadership roles in the future.

Inspiring Inclusion on International Women's Day

This International Women's Day, we strived to further empower our women at work via a robust celebration with a Spensonian debate on "A woman's career destiny lies within her own hands", a guest speech on how to "Inspire Her Inclusion", pledges by employees, social media challenges, inspirational stories and much more.

SEXUAL HARASSMENT PREVENTION POLICY

Aitken Spence has an established “Sexual Harassment Prevention Policy” to ensure its commitment to address and prevent workplace sexual harassments, which is applicable to all employees of the Group.

Aitken Spence is committed to providing a safe environment for all its employees free from discrimination on any ground and from harassment at work including sexual harassment. The Group will operate a zero-tolerance policy for any form of sexual harassment in the workplace and will promptly investigate all reported incidents/complaints of sexual harassment. Any person found to have sexually harassed another will face disciplinary action, up to and including dismissal from employment. All complaints of sexual harassment will be treated with respect and in confidence. No one will be victimised for making such a complaint. However, employees are cautioned that such reports/complaints should be made in good faith and without malice.

Excerpt from the Group Sexual Harassment Prevention Policy

RESPONSIBLE BRAND

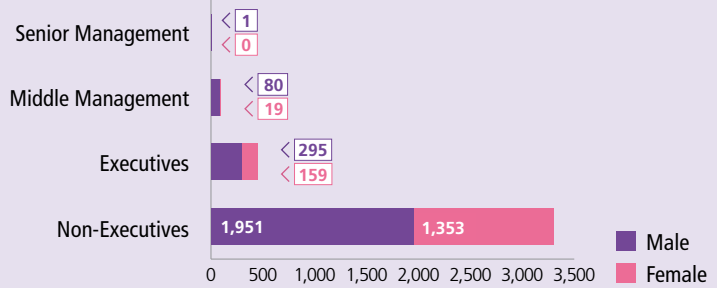
Evaluation of Gender Bias in Advertising and Communications

We are conscious of our responsibility to be objective and inclusive and make a concerted effort to avoid depicting attitudes that are discriminatory or offensive to a gender in the Group’s marketing, advertising and other communications.

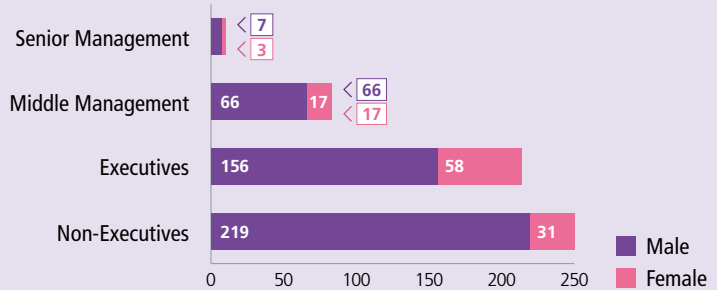
GENDER PAY GAP (GRI 405-2)

Employee Category	Gender Pay Gap 2024 (Ratio of male to female pay) in Sri Lanka
Non-Executives	1 : 0.87
Executive	1 : 0.82
Middle Management	1 : 1.01
Senior Management	1 : 0.98

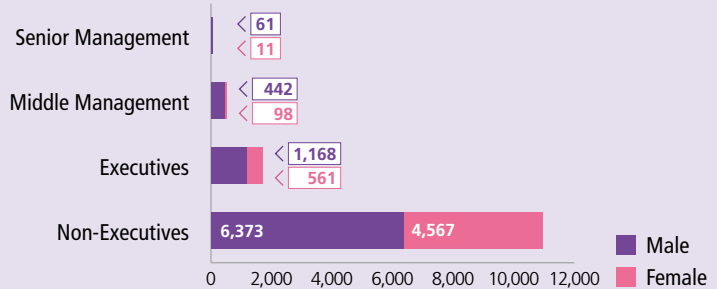
Exits Gender Analysis by Category



Promotions Gender Analysis by Category



Team Gender Analysis by Category



Scan the QR code for more insight into parental leave data and other details (GRI 401-1, 401-3).





Aitken Spence Toastmasters Club, installation ceremony of the 2023 - 2024 Ex-Co

25 Years of Service Awards



Spence ALPHA Graduation

Photography Competition & Exhibition

Mercantile Swimming



Quiz Night

LEAN Transformation

Karaoke Night



Carrom Tournament

Chillax Evenings

INTELLECTUAL CAPITAL

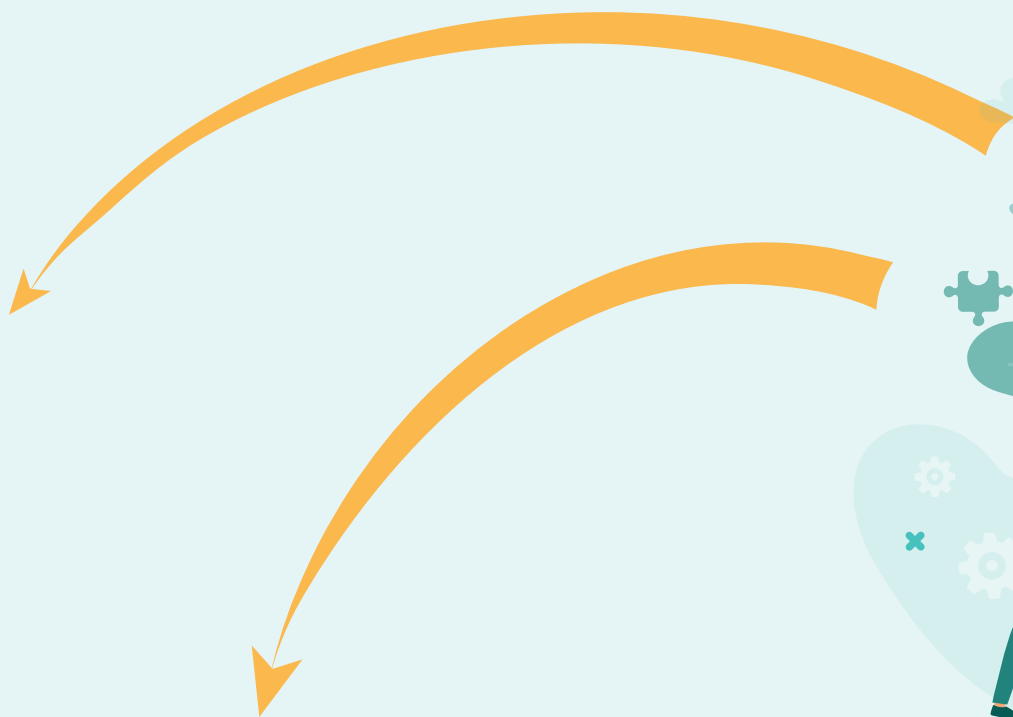
Our intellectual capital comprising of renowned brands, tacit knowledge and robust systems and processes have been instrumental in driving the Group forward in an increasingly competitive operating environment. We therefore continue to strategically invest in research and skills development, inculcate a culture of innovation and entrepreneurship, and adapt digital transformation to enhance our intellectual capital.



Quality Focus

Product and process certification is a key element of our quest for exceptional quality, and we continue to invest resources to strictly adhere to global standards of excellence.

45
certified management systems out of 60 systems in total.



Digitising our Processes

The Group is on a steady journey of digital transformation across all its sectors to enhance scalability of operations, drive agility and boost organisational resilience.

21 process improvements carried out in financial year 2023/2024



Tracking Progress: Innovation, Digital Enhancements, Business Growth, and Awards

21

Process innovations

Top 3

Most Awarded Entities ranking in the Diversified category - LMD

32

New product & service offerings

06

New business ventures

16

Innovative plans

Rs. 964.6 Mn

Total investment in digital infrastructure

Product/Service Innovations



Tourism Sector

Aitken Spence Travels

was the 1st DMC to implement Chinese currency transactions through Union pay.

Only DMC company to offer oDoc doctor channelling and consultation services to all clients visiting Sri Lanka.

Staying ahead of the Competition



Driving Innovation

Ongoing training and recognition programmes were conducted as part of our ongoing efforts to foster a culture of innovation.

SpenceInnova was introduced to spotlight the Spensonian individuals/teams who go the extra mile and implement innovative plans

Spence Robo-Leap for digitalisation that focuses on Robotic Process Automation

The Group 75 Competition recognises teams for exemplary implementation of productivity standards in our operations



Maritime & Freight Logistics Sector

Aitken Spence Freight

launched 'Spence Viz', an innovative Customs House Brokerage (CHA) online portal system for the first time in Sri Lanka which gives clients increased visibility online in real time with regard to shipments clearance and delivery for smooth operations and updates.



Strategic Investments Sector

Aitken Spence Plantations

introduced the Biochar project 'Fix to Fix it' - a holistic approach in environmental sustainability that is focused on improvement of soil carbon and carbon sequestration to reduce GHG emissions. The project was recognised at the Best Corporate Citizen Sustainability Awards.



Services Sector

Aitken Spence Elevators

has moved onto the next phase of its enhanced CRM system that enables improved communication with customers, streamlined processes and efficient contract management.

INNOVATION STRATEGY

Strategic Priorities	Key Achievements 2023/2024	Priorities for 2024/2025
Digital transformation of business activities	<ul style="list-style-type: none"> Ongoing roll-out of Robotic Process Automation across 4 segments 8 system upgrades 	<ul style="list-style-type: none"> Enhance the digital landscape to optimise asset utilisation and customer value creation using intelligent automation
Fostering a culture of innovation	<ul style="list-style-type: none"> Over 190,000 hours of training hours provided Employees recognised through programmes such as SpenceInnova and submissions for Spence Robo-Leap 	<ul style="list-style-type: none"> Foster an innovative learning organisation through continuous improvement and leadership development using trending technologies including artificial intelligence (AI) and machine learning (ML)
Investments in management system certifications	<ul style="list-style-type: none"> The Group maintains almost 200 management systems, with more than 70 of them being certified 	<ul style="list-style-type: none"> Assist supply chain in obtaining industry specific certifications through capacity building and connecting them with the relevant stakeholders to grow their business and improve standards
Strengthen strategic partnerships	<ul style="list-style-type: none"> Closer engagement with existing partners and entered into several new partnerships to drive greater synergies 	<ul style="list-style-type: none"> Strengthen existing partnerships and cultivate new relationships to drive growth Explore new markets through strategic alliances and leverage synergies within the Group to expand
Intellectual property protection	<ul style="list-style-type: none"> Intellectual assets were protected with suitable legal measures: Compliance with intellectual property laws was maintained, and regular reviews were conducted 	<ul style="list-style-type: none"> Enhance legal protections for intellectual assets, strengthen compliance, update strategies, and intensify employee training to safeguard against emerging digital challenges

BRANDS

Our brand portfolio comprises of names that continue to drive our market leadership position across the sectors we operate in

Tourism



Maritime & Freight Logistics



Strategic Investments



Services



CERTIFICATIONS



At Aitken Spence, we uphold stringent management practices across our operations by maintaining over 180 management systems that align with international standards and global best practices. These systems are integral to our robust approach in managing environmental impacts, occupational health and safety (OHS), quality control, product responsibility, and social sustainability.

Detailed information on the certifications for each of the segments is provided in the Management Discussion and Analysis section.

AWARDS



The Group remains a distinguished recipient of numerous awards and accolades, which underscore our steadfast commitment to excellence across all operational facets. These accolades not only highlight our unwavering dedication but also affirm our leadership status within each of the industry segments we operate. The array of prestigious awards received over the past year serves as a testament to our superior performance and innovative strategies.

The key awards received by the Group are outlined under each business segment in the Management Discussion and Analysis. For a complete list of awards and accolades the group has achieved, refer our website <https://aitkenspence.com/sustainability>



Aitken Spence Cargo - ISO 14001 EMS recertification



Aitken Spence Logistics' Mobile Storage Solutions first to receive ISO certifications for food safety and occupational health and safety in Sri Lanka



Aitken Spence Toastmasters celebrate double win at Ovation 2024



Aitken Spence won multiple awards at the Best Corporate Citizen Sustainability Awards 2023 organised by Ceylon Chamber of Commerce



Heritage Ayurveda named Best Ayurveda Resort Sri Lanka by FIT Health & Wellness Awards



Aitken Spence Travels category winner of Hospitality & Tourism at CPM Best Management Practices Awards 2024

ENHANCING OUR INTELLECTUAL CAPITAL

Management Approach



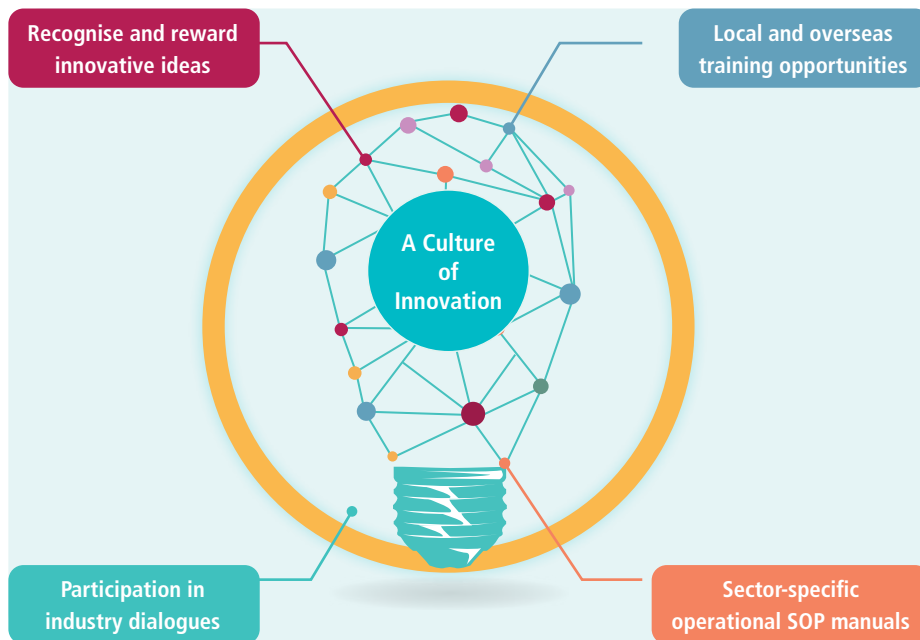
Our intellectual capital which has been carefully developed over the years, is one of our key differentiators. We continue to nurture our intellectual capital by instilling a culture of innovation, and continuous learning. This is supported with ongoing investments in cutting edge technologies that enable us to continuously push boundaries and stay ahead of our competition.

Fostering a Culture of Innovation

We foster a culture of innovation by encouraging continuous learning for employees and by providing multiple platforms to voice their ideas, opinions and knowledge. Local and overseas training opportunities are provided and active participation in industry associations and industry forums is encouraged at all levels to expose employees to latest developments in their respective fields. Meanwhile sector specific operational SOP manuals have been developed and are updated regularly to ensure that tacit knowledge is retained within the Group. Initiatives such as SpenceInnova and Spence Robo-Leap empower employees to share their visionary ideas and recognise their contribution.



Aitken Spence received multiple recognitions such as Most Respected Entities and among the Top 3 Most Awarded in the diversified category – organised by LMD



INVESTING IN DIGITAL INFRASTRUCTURE

We continue to invest in enhancing the Group's digital infrastructure to drive process efficiencies, improve productivity and to better understand our customers thereby differentiating ourselves in terms of efficiency, customer service, scalability and resilience. Robotic Process Automation and digitalisation of processes continued across sectors.

Segment	Digital infrastructure
Hotels	<ul style="list-style-type: none"> Improved customer engagement for obtaining real time feedback through the implementation of QR code based surveys at key guest touch points in Sri Lanka. Aitken Spence Hotels (Maldives) introduced HO3, a cutting-edge Service Culture training program crafted by their own L&D team.
Airline GSA/Aviation	<ul style="list-style-type: none"> A new online based selling platform was introduced by the principal with the aim of improving direct sales and eliminating the need for intermediaries. Implementation of a new system for cargo operations.
Agency Representation	<ul style="list-style-type: none"> Completed full integration of suppliers and all products to a single customer/operational platform. Automation of supplier billing.
Logistics	<ul style="list-style-type: none"> Microsoft Power Platform WMS Solution: Streamlined operational tasks and improved customer service at General CFS. Power BI Dashboard: Enabled management to monitor all aspects of CFS operations, including documentation, inventory, and transportation, through a comprehensive dashboard. Benefits of Microsoft Power Platform: Replaced traditional logbooks with digital registers, reduced manual data entry with automated processes, and maintained a detailed shipment database. Container Seal Inventory System: Developed for recording and efficiently allocating container seals to customers, capturing essential details such as seal number and dates.
Freight	<ul style="list-style-type: none"> CHA Online Portal system product that gives clients increased visibility online in real time with regard to shipments clearance and delivery for smooth operations and updates. Tracking software to provide seamless tracking across the globe via all modes of freight logistics services.
Plantations	<ul style="list-style-type: none"> Adoption of precision agriculture practices and products in berry cultivation.
Elevator Agency	<ul style="list-style-type: none"> Rolled out a Field Force Management System. Enhanced CRM system with a 24/7 dedicated call centre.

MANUFACTURED CAPITAL

Investments in our manufactured capital remains pivotal in shaping our competitive advantage, dictating our revenue potential across the industries we operate in. We continue to enhance this vital asset through targeted investments, aimed at boosting revenue streams, enhancing productivity and minimising our environmental impact.



Strategic Expansion of Capacity

Demand driven capacity enhancements in growth sectors have enabled us to seize opportunities and achieve sustainable growth.

Capacity Enhancements in 2023/2024

Rs. 1.6 Bn
Construction of a Container Freight Station

Rs. 889 Mn
Apparel Manufacture

Total investment in Capital expenditure

Rs. 5.5 Bn



Strengthening our Global Footprint

Tourism Sector



Rs. 1.8 Bn

invested in the refurbishment and modernisation of our resorts.

Rs. 1.1 Bn
in Maldives

Rs. 466.9 Mn
Sri Lanka

Rs. 287.1 Mn
in Oman

Rs. 37.1 Mn
in India

Maritime & Freight Logistics Sector



- Established regional offices in Singapore and Dubai
- CINEC has expanded its campuses to Jaffna and Trincomalee

Strategic Investment Sector



Rs. 906.7 Mn
in Printing

Rs. 558.3 Mn
in Power plants

Rs. 11.3 Mn
in Apparels

Services Sector



Rs. 9.5 Mn
in Property management

Rs. 6.7 Mn
in Elevator agencies

Aitken Spence continues to expand its global reach through strategic infrastructure investments across regions.

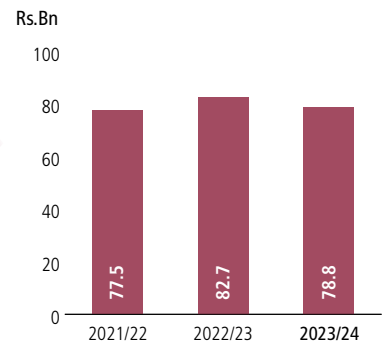


Building the Future: Tracking Capital Growth

Total investment in Manufactured Capital during 2023/2024 amounted to

Rs. 5.5 Bn

Growth in Manufactured capital





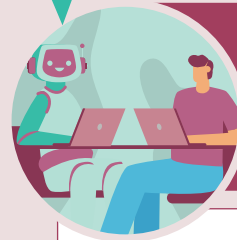
Investing in our Infrastructure



Greening our Spaces

During the year we continued to invest in making our facilities and spaces more environmentally friendly. A total of Rs. 90 Mn was spent during the year in making our operations more sustainable.

- Rooftops of our operations utilised to generate 19,836 MWh of clean energy for the national grid
- Waste to energy power plant converted 220,616 MT of waste to renewable energy for the national grid reducing roughly 131,223 tCO₂e from landfills
- Wastewater treatment units maintained at our operations treating 709,553 m³ of wastewater for reuse or safe disposal
- Procedures commenced to implement an integrated management system combining management systems for energy, environment and OHS at Aitken Spence Towers
- State-of-the-art Container Freight Station (CFS), spreading over 100,000 sq. ft., providing end-to-end supply chain solutions, storage, inventory management and distribution with rooftop solar panels, battery operated forklifts, rainwater harvesting and wastewater treatment units to reduce environmental footprint

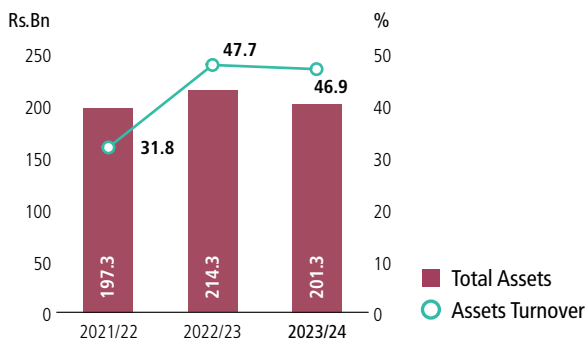


Digitisation and Process Automation

Investments in IT infrastructure are driving enhanced development in automation and digitisation.

Rs. 215.5 Bn
in IT hardware in 2023/2024

Asset Turnover

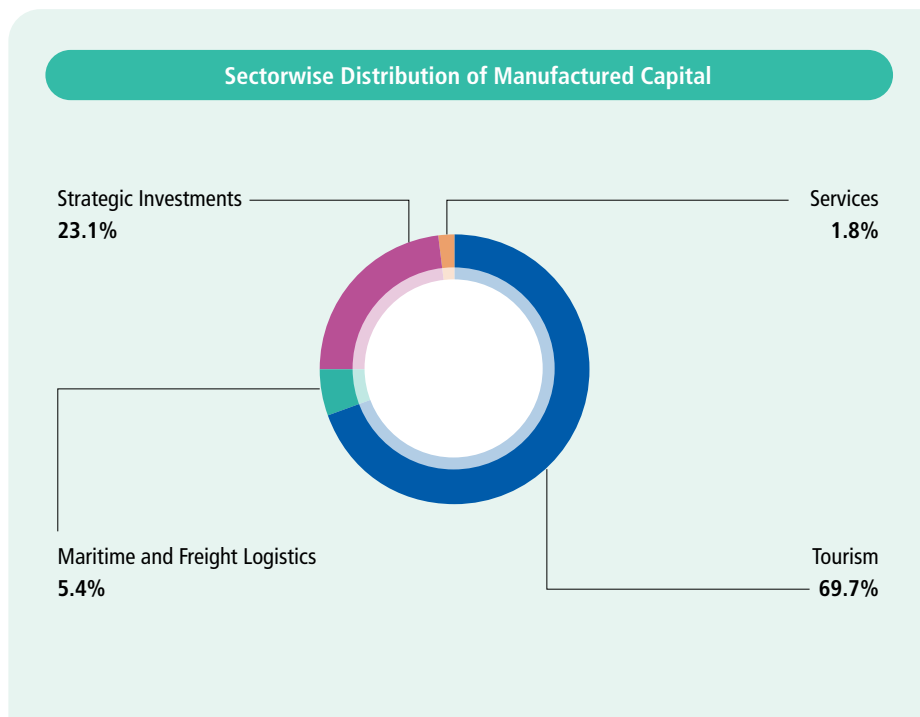


INVESTMENT STRATEGY

Strategic Priorities	Key Achievements 2023/24	Priorities for 2024/25
Strategically invest in expanding capacity in key growth sectors	<ul style="list-style-type: none"> Investment in a 100,000 sq.ft Container Freight Station in the main logistics complex at Mabole Acquisition of two new circular knits manufacturing facilities Berry Expansion Project 	<ul style="list-style-type: none"> Modernisation of the apparel manufacture facilities in Koggala & Mathugama.
Drive operational sustainability through ongoing investments in eco-friendly technology and sustainable buildings.	<ul style="list-style-type: none"> Carbon neutral certification was received for Ace Apparels and Aitken Spence Garments 	<ul style="list-style-type: none"> Invest in roof top solar for our apparel manufacturing plants in Koggala.
Drive digitisation agenda to enhance operational efficiency through process automation.	<ul style="list-style-type: none"> Implementation of RPA in Container Freight Station Automation of identified depot functions Digitalisation of the CHA operation 	<ul style="list-style-type: none"> Investment in ERP system in the apparel segment
Ensure regular maintenance and upkeep of manufactured capital to minimise disruptions.	<ul style="list-style-type: none"> Rs. 1.8 Bn spent on refurbishments to hotel properties 	<ul style="list-style-type: none"> Repositioning and re profiling the Sri Lankan Resorts. Refurbishment and renovation of our resorts in Maldives , Oman and India

GROUP MANUFACTURED CAPITAL

Our Manufactured capital comprise of our extensive bank of physical assets, including iconic hotel properties, cutting edge manufacturing facilities, state-of-the art warehousing facilities, extensive fleet of vehicles and other plant and equipment, used across our 16 business segments. The value of the Group’s Manufactured Capital amounted to Rs. 78.8 billion as at 31st March 2024.



Almost 70% of our manufactured capital belongs to the tourism sector. The second highest concentration of our manufactured capital is spread out across strategic investment sectors such as power generation, apparel manufacture, printing & packaging and plantations segments.

Tourism

Investments in 15 iconic properties across Sri Lanka, India, Oman and the Maldives, focusing on modern amenities, sustainable technologies and continual upgrades, to maintain competitiveness and guest satisfaction in the global tourism market.



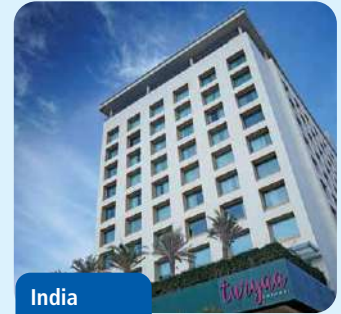
Sri Lanka
8 properties



Maldives
5 properties



Oman
1 property



India
1 property

Maritime & Freight Logistics



- Three container yards with a capacity of 6500 TEU'S



- 470,074 sq.ft of industry specific warehousing



- Specialised equipment for port operations and logistics operations



- Campus spanning approximately 10 acres

Service Sector

- 195,000 sq.ft of smart building space in Colombo



Strategic Investment



Power Generation

- 100 MW Thermal power plant
- 10 MW Waste to energy plant
- 4 Hydro power plants with a total capacity of 9.2 MW
- 3 MW Wind power plant
- 10 MW ground mounted solar plant
- Roof mounted Solar Plant



Printing and Packaging

- LEED Gold Certified Printing Complex with six colour machines and digital printing press



Apparel Manufacture

- Three manufacturing facilities in Mathugama and Koggala



Plantations

- Land base of 8,800 hectares, 17 factories with 5 manufacturing plants

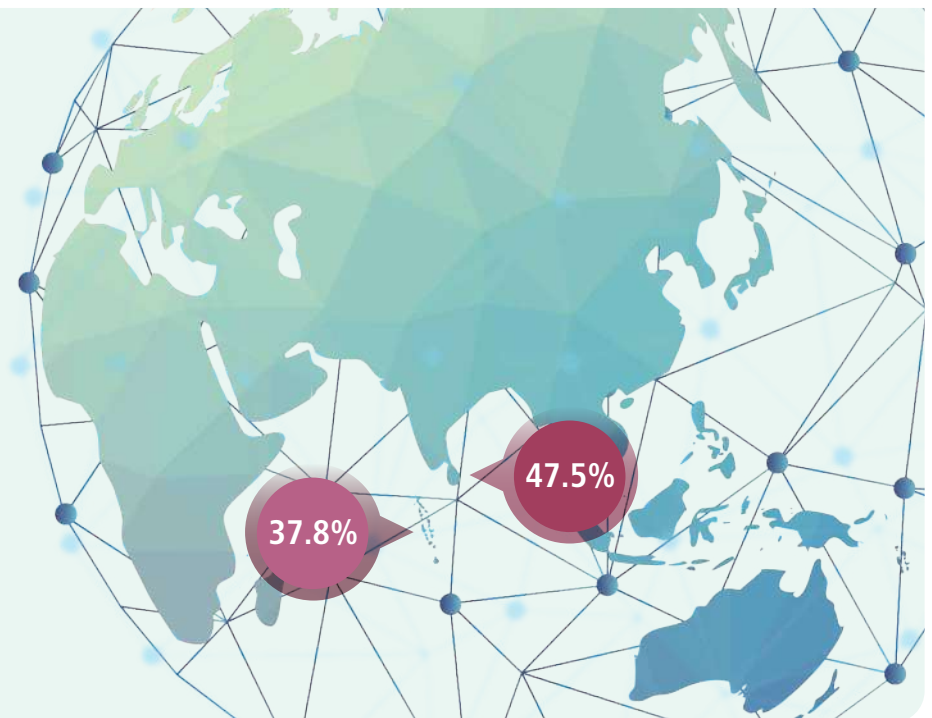
Regional Distribution of our Manufactured Capital

The Group's manufactured capital investments are distributed as follows:

47.5% in Sri Lanka,

37.8% in the Maldives

14.7% in other regions.



ENHANCING OUR INTELLECTUAL CAPITAL

Management Approach



We continue to add value to our manufactured capital through an investment strategy aimed at expanding and diversifying our geographical and business presence, driving operational excellence by investing in the latest technology and by prioritising regular maintenance and upkeep of our manufactured capital. Our maintenance practices are guided by the standards specified in the numerous certifications we have obtained, ensuring that we consistently meet industry benchmarks.

FUTURE OUTLOOK



We will continue to strategically invest in our infrastructure in order to expand our geographical presence and elevate our customer offering. Whilst supporting our growth objectives, our manufactured capital will play a critical role in our journey towards a more sustainable, climate friendly operation. We will therefore continue to focus on minimising our environmental footprint through our investments in manufactured capital.

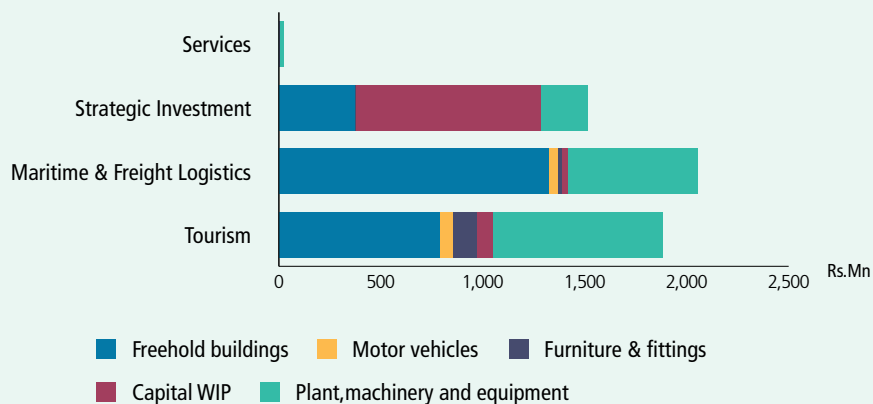
Value Addition to Manufactured Capital in 2023-2024

The Group's capital expenditure for the year under review amounted to Rs. 5.5 billion, with the Maritime & Freight Logistics and Tourism Sectors accounting for 37.5% and 34.5%, respectively. Key investments during 2023/24 are as follows.

Key Investments in 2023-2024

Sector	Description	Value of investment (Rs. Mn)	As a % of total Capex Investment
Tourism	Cadjan Replacement	162	3
	Sports Centre in Aarah	12	0.2
Strategic Investments	Expansion of production capacity of apparels in Koggala	800	14
Maritime & Freight Logistics	Container Freight Station	1,625	30
	Yard Development project	7	0.13
	Container Handlers	257	5

Capital Expenditure by Sector - 2023/24



SOCIAL AND RELATIONSHIP CAPITAL

The strength of our relationships with our customers, business partners and communities remain key to maintaining the Group’s leadership across various segments and driving its continued success. We therefore continue to nurture these relationships by striving to create mutual value in the long term.



Partnerships for Growth

More than 50% of our business partnerships exceed 10 years.



Customer Centricity

CUSTOMER



Customer centricity is the bedrock upon which we build our customer relationships. Consistently high Net Promotor Scores (NPS) across segments are a testament to the customer centricity of our customer value propositions.



Empowering Connections, Inspiring Success

Customer success story



Aitken Spence Freight developed and launched its newest product ‘SpenceViz’, aimed at becoming a game changer for the CHA services of freight forwarding. This has enabled a seamless tracking system for customers.

Supplier success story



Aitken Spence Travels in collaboration with the Palugaswewa villagers in Sri Lanka, offer handcrafted reed bags as welcome packs for visitors. The initiative champions sustainability whilst uplifting the local community. By sourcing directly from these artisans, we ensure fair compensation and support traditional craftsmanship.

Business partner success story



MMBL Money Transfer Services reached a milestone and opened its 3000th outlet in the Western Union network in Sri Lanka. This remarkable achievement marks its 15-year partnership.



Community Empowerment

More than
Rs. 200 Mn

In funds channelled towards impactful community development initiatives during 2023/2024



Nurturing our Relationships

PARTNERSHIPS



Strong partnerships that have been nurtured over the years, continue to support our growth objectives. Several of the Group's enduring alliances originated as agency relationships and evolved into equity partnerships, highlighting the significant value it generates for its business collaborators. As we look towards a new phase of growth for the Group we will continue to strengthen our existing partnerships.



Monitoring Progress

COMMUNITY



Our strong relationships with communities position us as a responsible corporate citizen. This continues to enable us not only to strengthen our own brand but also drive our broader social agenda of community empowerment and sustainable growth.



Supply Chain Resilience

SUPPLIER



We strive to build supply chain resilience by having in place robust policies, processes and procedures to proactively identify and address key risks in our supply chains. This ongoing engagement continues to strengthen our relationships with our suppliers.

Rs. 67.2 Bn

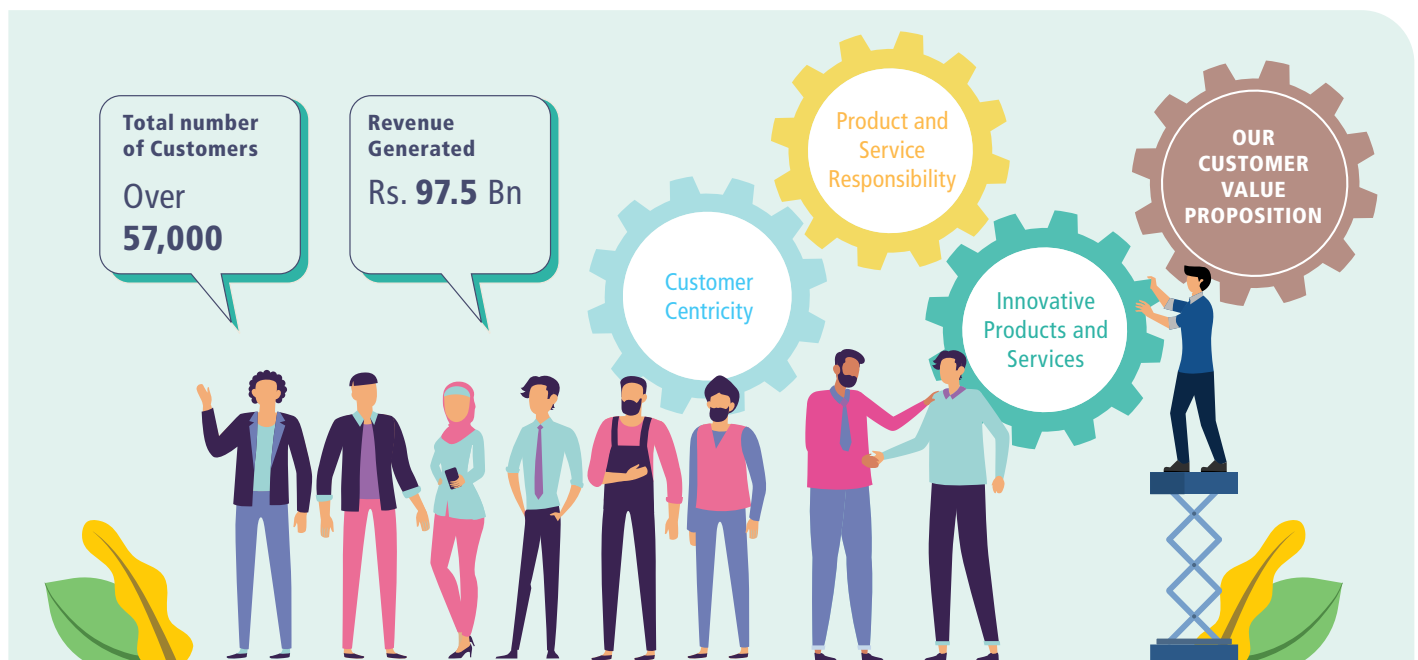
Total payments made to suppliers

CRAFTING CONNECTIONS, DRIVING STRATEGY

Strategic Priorities	Key Achievements 2023/24	Priorities for 2024/25
Improve Customer Value proposition through Innovation	<ul style="list-style-type: none"> Over 32 new product and service offerings were introduced during the year Positive NPS maintained across all segments 	<ul style="list-style-type: none"> Drive innovation at Group and SBU levels through the transformation strategy Revamp the Group's brand strategy
Strengthen Partnerships	<ul style="list-style-type: none"> Over 30 strategic partnerships are being sustained and expanded. 	<ul style="list-style-type: none"> Explore new partnerships in new markets
Supply Chain Risk Management	<ul style="list-style-type: none"> 559 new suppliers screened and assessed for environmental and social criteria Continue developing strong relationships within the supply chain to secure more competitive pricing, superior quality materials, and enhance the reliability of supply chains 	<ul style="list-style-type: none"> Enhance supply chain governance and oversight by forming a team with Group-wide representation. Each Strategic Business Unit (SBU) will map its own supply chain and its integration into the overall value chain Technology Integration: Employing technologies like ERP systems, Power Apps, and RPA to continually enhance visibility, tracking, and efficiency throughout the supply chain
Socio Economic Empowerment through community engagement	<ul style="list-style-type: none"> More than Rs. 200 Mn channelled towards impactful community development initiatives More than 13,000 direct and indirect employment opportunities generated Rs. 67.2 Bn in payments to suppliers 	<ul style="list-style-type: none"> Build sustainable supply chains across the Group by working with UNGC Sri Lanka on the working group with other signatory member companies

CUSTOMERS

Aitken Spence's customer demographic is as diverse as its global footprint, reaching across continents through operations in Sri Lanka, India, Bangladesh, the Maldives, Oman, Fiji, Mozambique, and Myanmar. Catering to a wide audience, the Group's customer base includes luxury travel enthusiasts, eco-conscious consumers, global business partners, and investors focused on sustainable and ethical business practices. This diversity is a testament to Aitken Spence's commitment to sustainability, which is integral to its operations across various sectors. By adhering to international standards such as the UN Global Compact and Women's Empowerment Principles, Aitken Spence attracts a customer base that values responsible and sustainable practices, reflecting the company's global appeal and ethical approach to business.



ENGAGING WITH OUR CUSTOMERS

We engage with our customers on an ongoing basis through a multitude of channels. Customers can provide feedback through our Group website or our SBU websites while some SBUs also maintain Customer Relationship Management (CRM) platforms. Most B2B SBU's have direct points of contact to manage communication. In addition to these mechanisms, one-to-one buyer audits, site visits and other face-to-face interactions provide customers opportunities to directly engage with us.

Customer surveys are carried out both at the Group level and SBU level, which complement direct channels of engagement with customers. The annual SpenceWay service excellence survey was performed across all 16 business segments to obtain feedback on four key areas. Based on the findings a Net Promoter Score was developed for each business, enabling us to gauge customer satisfaction levels. The majority of the Group's customers are B2B engagements. Given the diversity of the Group's operations each SBU manages customer feedback and maintains their own databases. Furthermore, feedback/complaints received through general channels such as email (info@aitkenspence.lk), the corporate website, general phone line, and the official social media pages are monitored by the corporate strategy and sustainability team at the Group level.

INNOVATIVE PRODUCTS AND SERVICES

We are committed to driving innovation to continuously enhance our product and service offerings in response to evolving customer requirements. With customer dynamics changing rapidly in the post COVID-19 era we continue to focus our efforts on developing innovative products and services that are more convenient, sustainable and reliable. Key product and service developments introduced during the year are listed below;

Key Product and Service Developments Introduced during the year

Tourism	<p>Destination Management</p> <p>A number of innovative guest offerings such as 'Green tours', 'Live like a local' experiences, "Inner peace and mental well-being – Day with temple priest" and Community tourism were developed together with introduction of innovative customer loyalty programmes</p> <p>Hotels</p> <p>"Trails of Bawa" by Heritage Hotels and Resorts was launched to the Indian market which takes architecture enthusiasts on a journey through some of Bawa's greatest designs in Sri Lanka. The flagship brand of Aitken Spence Hotels owns the most number of Bawa designed resorts in Sri Lanka.</p>
Maritime and Freight Logistics	<p>Enhanced our offering with value additions such as "SpenceViz" platform and "Spence Tracking" to provide real-time visibility from PO to GRN.</p>
Strategic Investments Sector	<p>Plantations</p> <p>Introduced nine new products through the Harrow House value added range.</p> <p>Apparel</p> <p>Expanded the product portfolio to meet diverse customer needs</p> <p>Printing and Packaging</p> <p>Many value added packaging solutions were introduced to customers in the tea industry</p>



PRODUCT AND SERVICE RESPONSIBILITY (GRI 416-1, 417-1)

Product and service responsibility involves ensuring that our products and services have no adverse impact on the health and well-being of customers or wider society. SBUs adhere to stringent internal and external standards to ensure the product and service quality is high. This necessitates adherence to almost 200 internationally accepted management systems for social sustainability including occupational health and safety, quality, food safety and ESG. (Please refer Intellectual Capital for the list of certified

management systems or website <https://aitkenspence.com/sustainability>). Robust quality control mechanisms and periodic audits also ensure that standards are strictly adhered to.

Transparent communication and responsible marketing are also key aspects of ensuring product responsibility. All press releases and advertisements are vetted by the Group’s Corporate Communications and Branding unit before they are published. This ensures that the integrity and accuracy of the content are upheld throughout the Aitken Spence Group.



COMPLIANCE

Total number of grievances filed through formal grievance mechanisms during the reporting period		03
GRI 416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	None
GRI 417-2	Total number of incidents of non-compliance with regulations and/or voluntary codes concerning product and service information and labelling	None
GRI 417-3	Total number of incidents of non-compliance with regulations and/or voluntary codes concerning marketing communications	None
GRI 418-1	Total number of substantiated complaints received concerning breaches of customer privacy	None
GRI 2- 27	Total monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	None

JOINT VENTURE PARTNERS AND PRINCIPALS

Our principals and joint venture partners play a key role in our growth, connecting the Group with global networks and opportunities. In turn, we remain committed to delivering returns commensurate with the risks and strictly complying with the global standards set by our principals and equity partners.

Ongoing engagement with principals and joint venture partners has enabled us to understand our partners’ and principals’ requirements and keep them apprised of the progress of the venture and challenges faced in a timely and transparent manner. A high level of transparency and mutual trust forms the foundation of our partnerships and ensures the long-term sustainability of our engagements with principals and partners.

Expanding our partner network

With geographical and business expansion being a strategic priority across the Group, we continued to explore new partnerships that could drive greater synergies. During the year, the Group entered seven new partnerships in the agency representation segment as part of our efforts to expand geographically. We partnered with Concordia Consultancy Services to strengthen our insurance segment. A groundbreaking partnership with CAFT on R&D projects in the plantation segment was also entered into during the year. In the hotel segment Heritance Negombo entered a strategic franchise partnership with Sentido of DER Touristik Hotels & Resorts GMBH, an international hotel brand established in 2009, with an extensive network spanning across Africa, Asia, and Europe.



Our JV partner and Principal network includes over 30 leading global players from across the globe.

Rs. 4.9 Bn

Dividends paid to our Equity Partners

The Group formed a joint venture in UAE to invest in commercial enterprises worldwide and management of international ports. A joint venture was established between Aitken Spence International Pte. Ltd, and IRIS Tech Ventures Sdn Bhd that will provide business process outsourcing services to offshore clients.

The Group's freight segment entered into a joint venture with DPEX to carry out international freight forwarder services.

SUPPLIERS

Our supply chains play an integral role in enabling us to maintain the quality and reliability our brands are recognised for. The Group's complex network includes over 30,000 suppliers and service providers across the regions we operate in, ranging from small and medium-scale entrepreneurs to large-scale businesses.

We take a holistic approach to ensuring supply chain resilience, working in close collaboration with the suppliers to build supplier capacity and minimise supply chain risks.

Supplier Development

We are committed to promoting sustainable practices in our supplier operations and supporting them through their respective sustainability journeys. This not only ensures that our suppliers adhere to the same high standards we do but also contributes to our broader objective of propagating sustainable practices and behaviour. We therefore have incorporated stringent social and environmental criteria into our supplier assessment processes and supplier contracts. We also conduct capacity building and awareness programmes for suppliers on an ongoing basis.

INDUSTRY AFFILIATIONS AND MEMBERSHIPS

(GRI 2-28)

We are active participants of over 130 industry organisations. Our involvement in these associations enables us to meaningfully engage in industry dialogues that shape the future of the industries we are involved in. Membership in these associations also enables us to keep abreast of the latest developments in the local and global fronts which in turn would strengthen our operational frameworks for environmental and social governance, as well as responsible product and service delivery (visit our website aitkenspence.com/sustainability for details of our Memberships and Affiliations).



Rs. 67.2 Bn

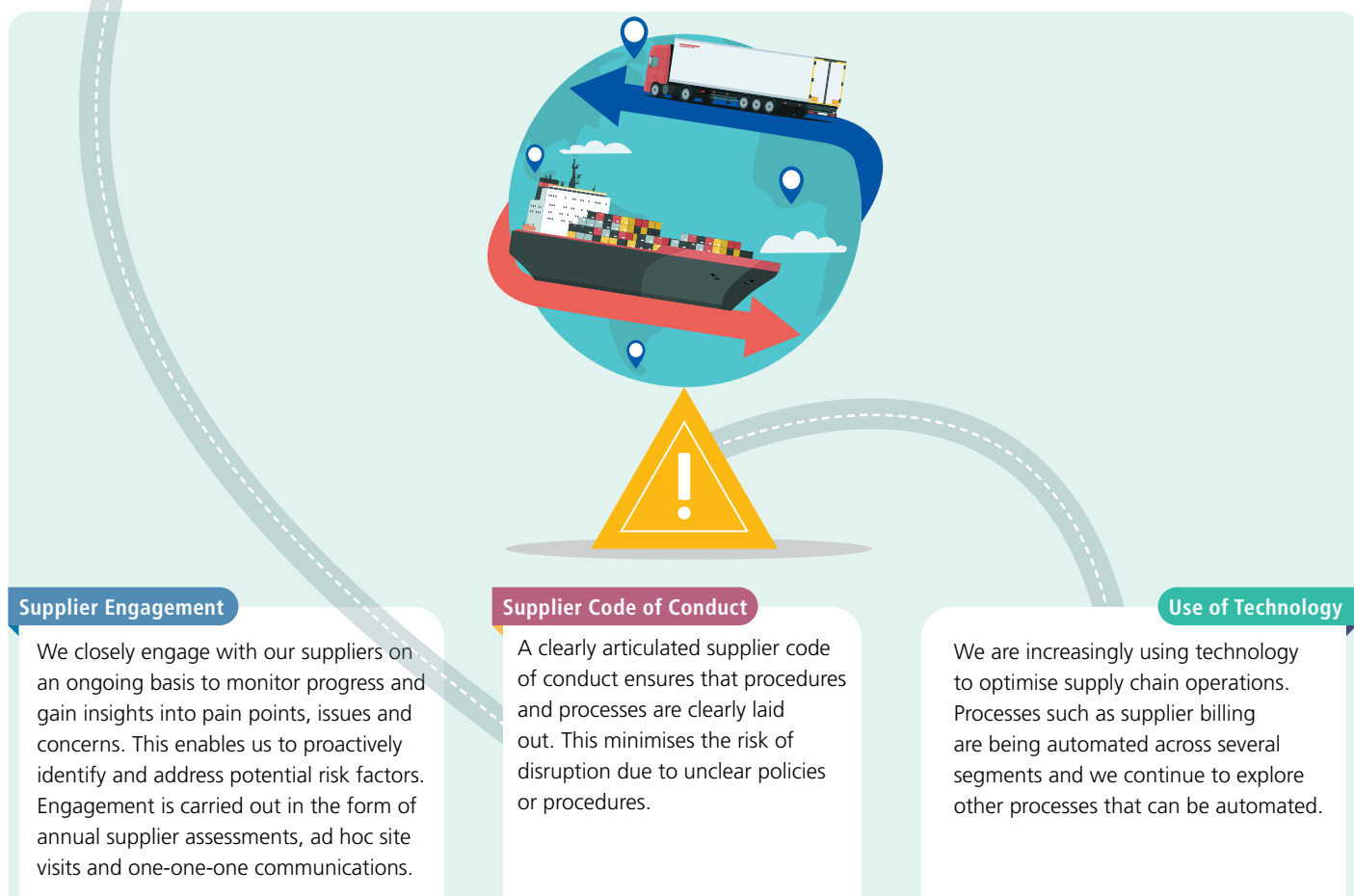
Total Payments to suppliers

Capacity building through our partnerships and networks such as;

- UNGC Sustainable Supply Chain Working Group
- WEConnect International Regional Conference and corporate matchmaking programme.
- SBU-led supplier training and development programmes





SUPPLY CHAIN RISK MANAGEMENT

Supply chain risk management has become increasingly important amidst changing supplier dynamics due to geo-political developments, economic and market risks, climate change and regulatory requirements. The following mechanisms are some of the ways in which we manage our supply chain risks.



Ethical Sourcing (GRI 414-2, 308-2)

We strive to ensure that all our suppliers adhere to the highest environmental and social standards. 559 suppliers were screened during the year to ensure due diligence with ESG. There were no reported incidents of significant negative impacts on communities or the environment or non-compliance with laws, regulations or minimum standards established for product responsibility. (GRI 414-2 and 308-2).

	 Tourism	 Maritime & Freight Logistics	 Strategic Investments	 Services
New Suppliers screened using social/ environmental criteria in 2023/2024	37	-	443	78
Suppliers screened using social/ environmental criteria in 2022/2023	144	576	112	61

COMMUNITIES

(GRI 411-1; 413-1, 413-2; 205-3)

We are deeply intertwined with the communities linked to our operations due to the nature and extent of our enterprises. This places us in a unique position to meaningfully contribute to the socio-economic upliftment and empowerment of wider communities. We do this by integrating surrounding communities into our supply chain and through strategic CSR initiatives. We also ensure strict compliance with all laws and regulations and that we act responsibly. There were no reported instances of non-compliance with laws and regulations concerning social, economic and ethical considerations, corruption or negative impacts on local communities.

SUPPORTING OUR COMMUNITIES (GRI 203-2)

Local Purchasing (GRI 204-1)

We prioritise local purchasing wherever possible and have in place policies to this effect. In the hotel segment, for example, fresh produce is sourced from surrounding areas. We also positively contribute to the local economy by promoting local activities, products and services to our guests. Furthermore, in the plantation sector a significant proportion of green leaf and latex rubber is sourced from small holders in the surrounding communities. Meanwhile all resources required for day-to-day operations across the Group are sourced locally and where possible from surrounding communities.

In the Tourism Sector approximately 15% is sourced from local suppliers. 100% of the vehicles used for safari and other miscellaneous resources used in excursions are from local tour guides.

In the plantations segment approximately 30% of the green leaf is sourced from local suppliers.

Recruitment from Local Communities (GRI 202-2)

We provide direct employment opportunities to over 13,000 employees across Sri Lanka and the countries the Group operates in. With operations in Northern, Central, Southern, Sabaragamuwa, Eastern as well as Western provinces in Sri Lanka we directly contribute to employment generation in rural communities throughout the country.

Proportion of senior management hired from the local community (GRI 202-2)

Tourism	30%
Maritime & Freight Logistics	N/A
Strategic Investments	10%
Services	N/A

Strategic CSR (GRI 203-1)

Multiple groups of beneficiaries benefited from community development initiatives and interventions carried out by different segments within the Group. A selection of the activities carried out during the year are presented below;

- Provision of essentials to plantations community alongside medical and elders homes
- Towards the “Infant Paws” project, to support the Department of Wildlife Conservation Horton Plains National Park, 50 staff members of the park were provided with blankets
- World Children’s Day Donation to Daranagama Primary School
- Stationery distribution for schools in need- Project “Hands for hope”
- Blood Donation camp organised

- Installed, tested and commissioned the elevator free of charge with free maintenance of the unit for a period of five years yielding substantial cost savings to the Lions Gift of Sight Hospital
- A USD 2,000 worth of training scholarship was awarded to Meedhu school’s best student
- Ongoing beach cleaning and book donations



CLIMATE ACTION

Aitken Spence is steadfast in our commitment to climate action across our diverse operations. As a leader in sustainability, we recognise the urgency and significance of addressing climate change. Our actions are customised to address the specific nature of our impacts, balancing local and global development priorities, and leveraging our scale to create meaningful change. We continue to invest in impact control and proactive measures for both mitigation and adaptation. This summary highlights our initiatives, metrics, and targets, underscoring our dedication to this critical issue that affects all stakeholders and the ecosystems sustaining life.



Strategic Interventions for Energy Management & Environmental Impact Control

Our most significant emissions come from Scope 1 emissions (direct energy consumption), followed by Scope 2 emissions (indirect energy consumption from purchased energy). Therefore, reducing emissions is a priority in our climate action strategy. Aitken Spence is dedicated to addressing the issue at its source by implementing systemic emission reduction strategies, particularly where eliminating fossil fuel use is not feasible. We utilise management systems aligned with ISO standards, including ISO 14001 for environmental impact control and ISO 50001 for energy management. Additionally, we adopt integrated systems aligned with global benchmarks, such as Rainforest Alliance certification, Forest Stewardship Council (FSC) certification, and Travelife certification. These systems enable us to identify and manage our impacts, ensuring meaningful action is taken to mitigate environmental effects within our business model.

104 management systems maintained for environmental impact control

42 management systems certified against global benchmarks



Renewable Energy Generation

Aitken Spence contributes towards the nationally determined contributions (NDCs) of Sri Lanka towards the Paris Agreement and Agenda 2030 by making meaningful investments in renewable energy. By leveraging solar, wind, hydro as well as waste incineration, Aitken Spence is working to increase the renewable energy proportion in Sri Lanka's national energy mix. Despite many challenges, we continue to invest in renewable energy which underscores our commitment to responsible energy practices.

27% of the Group's total energy consumption and **32%** of the Group's direct energy consumption stems from renewable sources (target: 50%)

775,947GJ of renewable energy was generated in 2023/2024. Considering the average electrical energy consumption per capita for Sri Lanka (Source: IRENA), this energy is equivalent to the electrical energy needed to power over 340,000 average households for a year.



Ecosystem Conservation

Aitken Spence is dedicated to protecting ecosystems as a vital part of its climate action strategy. The company systematically controls environmental impacts and increases green cover through reforestation projects. Additionally, Aitken Spence creates awareness among stakeholders, educating them on sustainable practices to enhance value creation. By building a network of informed individuals who visit and support these efforts, the company amplifies its impact, fostering a collective approach to ecosystem protection and sustainable tourism.

8,109 ha
forest cover/
green cover maintained



Green Infrastructure

Green buildings are a vital component of climate action, playing a significant role in reducing energy consumption, lowering greenhouse gas emissions, and promoting the use of sustainable materials. In addition to investing in renewable energy infrastructure for the national grid, Aitken Spence has demonstrated leadership in green buildings by investing in LEED-certified buildings, a recognised standard for green buildings. As the first company outside the USA to adopt LEED certification, and the first company in the world to bring LEED benchmarks to a hotel, Aitken Spence introduced green buildings to the industry and the region. This commitment to sustainable construction aligns with global climate goals and sets a high standard for corporate responsibility in Sri Lanka, demonstrating a comprehensive approach to environmental stewardship.



Heritance Kandalama

1st LEED certified hotel in the world and the
1st LEED certified building outside USA



Aitken Spence Printing & Packaging

1st LEED certified, carbon neutral
green printing facility in South Asia



Heritance Aarah

1st LEED certified building in the Maldives



Heritance Negombo

1st LEED certified hotel in the
Gampaha district



Developing Climate Resilience & Risk Reduction Strategies

Proactive strategies are crucial to address the growing impacts of climate change



Industries such as plantations are particularly vulnerable to climate change. For example, altered rainfall patterns can adversely affect productivity as well as the lives of estate communities. **Rainwater harvesting** is a crucial strategy for adapting to these impacts, by ensuring a reliable water supply during dry periods and reducing dependence on external sources. During the drought period in the past year, our plantations segment was able to continue cultivation while also ensuring access to water to the estate communities due to proactive rainwater harvesting strategies of the segment.

43,568 M³ of rainwater harvested during the year

Disaster Risk Reduction and Business Continuity Management (DRR/BCM)



DRR/ BCM strategies are essential for adapting to the impacts of climate change and ensuring business resilience. Recognising this, Aitken Spence established a DRR team in 2018. By collaborating with stakeholders like the Asia Pacific Alliance for Disaster Management (APAD) and the Sri Lanka Preparedness Partnership (SLPP), we work to strengthen our preparedness and response capabilities. This year, the DRR team received refresher training, including a workshop and field visit, supported by APAD-SL, further strengthening their ability to identify vulnerabilities and develop effective DRR/ BCM strategies.

NATURAL CAPITAL

We understand the potential of our operations to create adverse environmental impacts and are committed to proactively managing these impacts by establishing controls commensurate with the nature and scale of our operations and their potential to create impacts. For this, we prioritise systemic interventions following a simple concept; build back better by improving existing systems and build better before to prevent creating damage by improving our business models in a viable and sustainable manner.

Energy management	Emission control	Water and effluent management
<p>Energy management is a key priority for the Group as it constitutes the company's largest source of emissions due to direct energy consumption. We work to control energy use by implementing rigorous management systems, adopting energy-efficient technologies and utilising renewable energy where possible.</p> <p>104 diverse management systems maintained for environmental impact control out of which 42 systems are certified in line with global benchmarks.</p>	<p>Understanding the significant risks that climate change poses to businesses, and being cognizant of the emissions of the Group, controlling emissions is a material topic for the Group. Our primary emission reduction strategies include energy management, investments in renewable energy and greener infrastructure.</p> <p>239,205 tCO2e emissions reduced through the emission control strategies of the Group.</p> <p>220,616 MT of municipal solid waste kept away from landfills.</p>	<p>Effective management of water and effluents is a material topic for Aitken Spence, particularly in the tourism and strategic investments sectors which consumed the highest proportion of water within the Group. We understand the importance to protect water bodies and natural ecosystems and utilise management systems to align our efforts with global best practices.</p> <p>Zero water bodies adversely impacted by the withdrawal of water for our operations.</p>

Energy consumption by source

(GRI 302-1)

Petrol & Kerosene	>1%
LPG	3%
Diesel	40%
Furnace Oil / HFO	15%
Grid electricity	15%
Renewable energy	27%

Emissions by source

(GRI 305-1, 305-2)

Total emissions from petrol	0%
Total emissions from diesel	32%
Total emissions from furnace oil	32%
Total emissions from LPG	2%
Total emissions from kerosene	0%
Fugitive emissions from fertilizer and refrigerants	8%
Emissions from fuelwood (non-biogenic)	1%
Total emissions from indirect energy (grid electricity)	25%

Water consumption by source

(GRI 303-1, 303-3, 303-5)

Municipal water	>27%
Ground water	>12%
Surface water	59%
Harvested rainwater	>3%

Sector wise breakdown of the environmental footprint

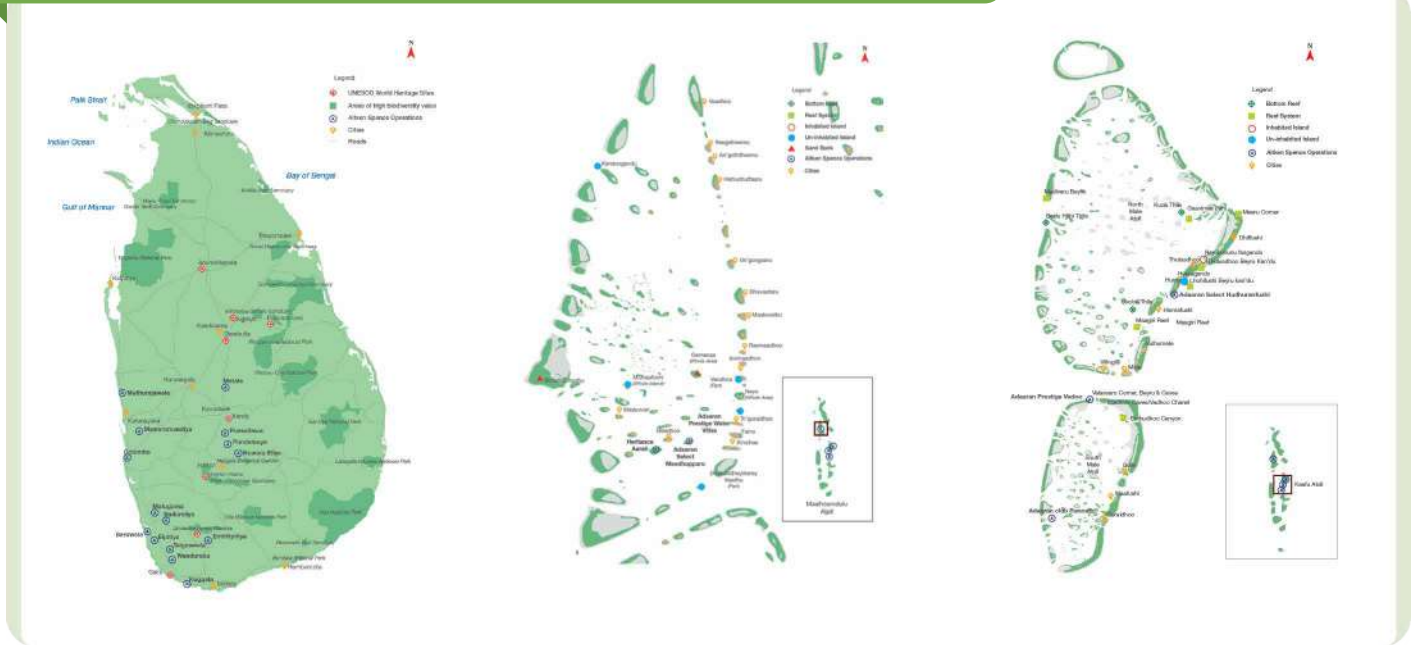
	Tourism	Maritime & Freight Logistics	Strategic Investments	Services
Water consumption (%)	89	2	9	0
Emissions, scope 1&2 (%)	49	5	45	1
Total energy consumption (%)	49	6	44	1
Solid waste generation (%)	27	0	73	0
Effluents (%)	18	0	82	0



Accordingly, our initiatives focus on a few key areas: energy management, emission control, water and effluent management, resource efficiency, responsible solid waste management, biodiversity and ecosystem conservation, supply chain control and advocacy to increase value creation. This section of the report details our efforts and achievements in managing our natural capital, reflecting our dedication to environmental protection and sustainable development.

Resource efficiency and responsible solid waste management	Biodiversity and ecosystem conservation	Advocacy and awareness building
<p>The company is committed to ensure sustainable consumption of resources and responsible solid waste management by employing the 7R principle: Reject, Reduce, Reuse, Reclaim, Repair, Replace and Recycle. These principles serve as the foundation for all decisions concerning resource usage in the management systems across the Group.</p> <p>40,264MT and 10,862 units of solid waste and 31,595 litres of effluents were kept away from landfills through responsible repurposing or disposal during the year</p>	<p>Uncontrolled business activities can adversely impact biodiversity and natural ecosystems. This is especially pertinent in our Tourism and Strategic Investments Sectors, where business activities within our operational control involve direct interactions with biodiversity and natural ecosystems. Ensuring that our operations result in a 'net positive' impact on biodiversity and ecosystems is a material priority for Aitken Spence, necessitating stringent controls and proactive management strategies</p>	<p>In addition to strengthening awareness and involvement among Sponsonians, we believe it is important to engage with our stakeholders to build a network of informed individuals to amplify our efforts for impact control and value creation. We believe this is essential to bring about meaningful change. Therefore, our priorities include;</p> <ul style="list-style-type: none"> ▪ Environmental and social awareness among Sponsonians through targeted training ▪ Strategic interventions to influence sustainable consumer behaviour ▪ Capacity building for suppliers on sustainability issues

Locations of operation mapped against protected areas and areas of high biodiversity value (GRI 304-1, 2)



NET ZERO AND NET POSITIVE STRATEGY

Strategic Priorities	Key Achievements 2023/24	Priorities for 2024/25
Reduce emissions from energy consumption and increase energy usage from renewable sources	<ul style="list-style-type: none"> Due to increase in business functions, the Group's total energy consumption per unit revenue increased by 11% However, 27% of total energy consumed within the operation, or 32% of the direct energy consumed, was generated from renewable energy sources 	<ul style="list-style-type: none"> Establish segmental targets and action plans to abate emissions from energy consumption
Strategic investments in sustainable business models and resilient infrastructure	<ul style="list-style-type: none"> The Group's direct energy consumption and purchased energy consumption (electricity consumption) matched with the renewable energy produced by 149% and 580% respectively 220,616 MT of total municipal solid waste was utilised for energy generation and therefore, kept away from landfills Refresher training and field visits conducted for the DRR/BCM Core Team 	<ul style="list-style-type: none"> Increase energy efficiency of existing properties and operations Reduce dependence on non-renewable sources DRR teams to strengthen emergency response procedures for key natural disasters identified in vulnerability assessments across the Group
Preserve, restore, and promote the sustainable use of natural ecosystems	<ul style="list-style-type: none"> Over 8,100ha of green cover maintained including 198 acres of forest cover protected in its pristine condition adjacent to the Heritage Kandalama hotel for over 2 decades Destination management segment took on more commitments to protect endangered species and sensitive ecosystems 	<ul style="list-style-type: none"> Increase engagement with Spensonians to influence a culture of conservation and sustainable consumption Increase carbon sinks using our operations
Sustainable management of emissions, effluents, and solid waste	<ul style="list-style-type: none"> 40,264 MT and 10,862 units of solid waste and 31,595 litres of effluents safely disposed 709,553 m3 of wastewater treated for safe reuse/ discharge 	<ul style="list-style-type: none"> Increase engagement with Spensonians to promote the 7R principle Increase resource efficiency across the Group

STRATEGY

Our Approach to Environmental Sustainability

(GRI 3-3)

We adopt a precautionary approach to managing our environmental impact. Accordingly, the Group employs environmental management systems (EMSs) aligned with international standards (Ex. ISO 14001, ISO 50001, RA, FSC, Travelife, etc.). The Group and its companies also strive to enhance positive value creation as a key component of this strategy.

Governance Framework

Our business segments implement customised management systems based on the operational priorities of the respective segments, guided by the Group's integrated sustainability policy framework which is detailed in the Corporate Governance section of this report.

Operational decisions for environmental impact control are made at segment level, with Managing Directors overseeing progress and approving actions. The Sustainability division guides segmental sustainability subcommittees, while internal inspections ensure compliance and improvement. Significant decisions are reviewed at GSB and escalated to the Board level.

104

Total management systems maintained

42

Total management systems certified

Over 600

Spensonians across the Group working on sustainability priorities

PROGRESS ACHIEVED ON OUR ENVIRONMENTAL TARGETS

Targets	Progress
Source 50% of the Group's energy requirements from renewable sources by 2030	<ul style="list-style-type: none"> On track at 27%
Match the Group's energy consumption from non-renewable sources with renewable energy produced by 100%	<ul style="list-style-type: none"> On track Direct energy consumed from non-renewable sources matched by 149% Energy consumed from grid electricity matched by 580%
Ensure zero adverse impacts on water bodies and natural ecosystems from our operations	<ul style="list-style-type: none"> Achieved
Reduce overall resource footprint	<ul style="list-style-type: none"> Our energy consumption per unit revenue across the Group increased by 11% due to an increase in operational functions. The Group is exploring options to determine targets for our business segments and to establish mechanisms to abate emissions through fuel switching and electrification of energy needs where practicable. Our water consumption per unit revenue also increased by 50% largely due to increased functions in the Tourism Sector. The rainwater harvested dropped due to the drought conditions experienced earlier in the year. Despite the setbacks, the Group is working to improve our natural resource efficiency.
Achieve net zero emission status by 2030	<ul style="list-style-type: none"> During the year, the Group calculated Scope 3 emissions within the reporting boundary which confirmed that the most significant impacts stem from our Scope 1 emissions at over 60% followed by Scope 2 emissions at just over 20%. Accordingly, the Group is currently reviewing targets to achieve net zero status of emissions by 2030.

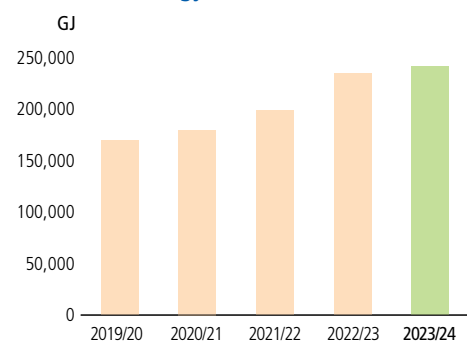


ENERGY AND EMISSION MANAGEMENT

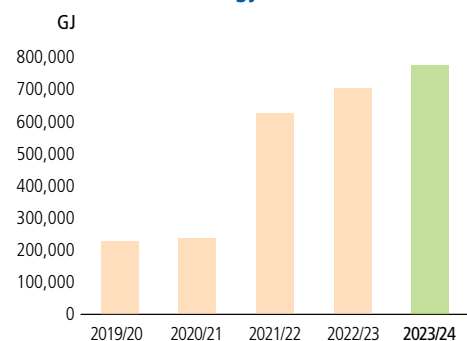
(GRI 3-3, 302-1, 2, 3, 4, 5; 305-1, 2, 3, 4, 5, 6, 7)

Aitken Spence was the first diversified Group to make a public commitment to set a science-based target for emission reduction in alignment with the criteria set forth by the Science Based Targets initiative (SBTi). Aitken Spence is also a member of the Business Ambition for 1.5 C campaign, an urgent call to action from a global coalition of UN agencies, businesses, and industry leaders in partnership with the Race to Zero. Accordingly, the Group is currently working with the National Cleaner Production Centre (NCPC) to reassess the Group's emission benchmarks and develop action plans to achieve net zero emission status by 2030.

Total Direct Energy Consumption from Renewable Energy



Total Renewable Energy Generated



Supporting these targets are the Group's cohesive efforts towards improving energy efficiency, gradually transitioning to renewable energy sources and electrification of services where practicable. Renewable energy sources now account for 27% of the Group's total energy consumption. The Group continues to support Sri Lanka's ambitious targets to increase the proportion of renewable energy in the country's energy portfolio to 70% through investments in solar, wind, hydro and waste to energy power.

TOTAL DIRECT AND INDIRECT ENERGY CONSUMPTION WITHIN THE ORGANISATION

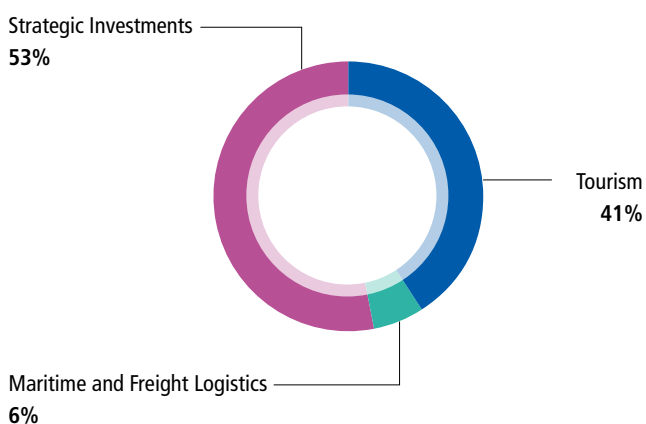
	Unit of Measure	Group	Tourism	Maritime & Freight Logistics	Strategic Investments	Services
Non-renewable sources						
Petrol	(GJ)	4,898	1,993	517	1,786	602
Diesel	(GJ)	358,158	298,942	44,960	13,671	585
Furnace Oil	(GJ)	134,385	-	-	134,385	-
LPG	(GJ)	22,422	22,144	-	277	-
Kerosene	(GJ)	2	-	-	2	-
Total energy consumed from non-renewable sources	(GJ)	519,864	323,079	45,477	150,120	1,187
Renewable sources						
Biomass/fuel wood	(GJ)	231,528	14,481	-	217,046	-
Briquettes	(GJ)	667	-	-	667	-
Hydropower	(GJ)	877	-	-	877	-
Solar energy	(GJ)	1,852	1,852	-	-	-
Wind energy	(GJ)	6,115	6,082	-	33	-
Municipal solid waste	(GJ)	477	-	-	477	-
Total energy consumed from renewable sources	(GJ)	241,516	22,415	-	219,101	-
Total indirect energy consumption within the organisation	(GJ)	133,714	94,029	5,562	30,580	3,544
Total energy consumption within the organisation - 2023/2024	(GJ)	895,094	439,523	51,039	399,801	4,731
Total energy consumption within the organisation - 2022/2023	(GJ)	853,924	392,308	51,227	401,927	8,462
Total energy generated from non-renewable sources for external consumption	(GJ)	128,981	-	-	128,981	-
Total energy generated from renewable sources for external consumption	(GJ)	502,985	-	398	502,587	-
Energy consumption per unit revenue (Rs.Mn) - 2023/2024 (GRI 302-3)	(GJ/ Rs. Mn)	10	7	6	30	3
Energy consumption per unit revenue (Rs.Mn) - 2022/2023 (GRI 302-3)	(GJ/ Rs. Mn)	9	7	3	23	4
Reductions achieved in energy consumption (GRI 302-4,5) i.e. change in energy consumption within the organisation based on energy used per unit revenue	%	11%	-	100%	30%	- 25%

OUR EMISSIONS

	Unit of Measure	Group	Tourism	Maritime & Freight Logistics	Strategic Investments	Services
Total Category 1 (Scope 1) Emissions (GRI 305-1) Direct emissions from petrol (mobile combustion), diesel (mobile and stationary combustion), HFO (stationary combustion), LPG (stationary combustion), kerosene (stationary combustion), and fugitive emissions from refrigerants, fire suppressants, fertilisers, and non-biogenic emissions from biomass.	tCO2e	61,922	25,567	3,425	32,726	203
Biogenic emissions from biomass	tCO2e	26,006	1,622	-	24,384	-
Total Category 2 (Scope 2) Emissions (GRI 305-2)	tCO2e	20,799	14,963	818	4,497	521
Total Category 3 (Scope 3) Emissions Employee commuting, business travel, transport of goods, supplies and waste, transport of guests (chartered flights and excursions only)	tCO2e	8,235	3,474	398	1,885	2,477
Total Category 4 (Scope 3) Emissions Emissions from waste management, water supply, transmission and distribution losses and emissions from wastewater treatment	tCO2e	2,060	1,517	79	417	47
Total emissions (Category 1,2,3 and 4)	tCO2e	93,015	45,522	4,720	39,525	3,248
Reduction of GHG emissions/ emissions offset (GRI 305-5)	tCO2e	239,205	3,845	78	235,273	7
Emission intensity (emissions per unit revenue) (GRI 305-4)	(tCO2e / Rs.Mn)	0.9	0.6	0.5	2.8	0.4

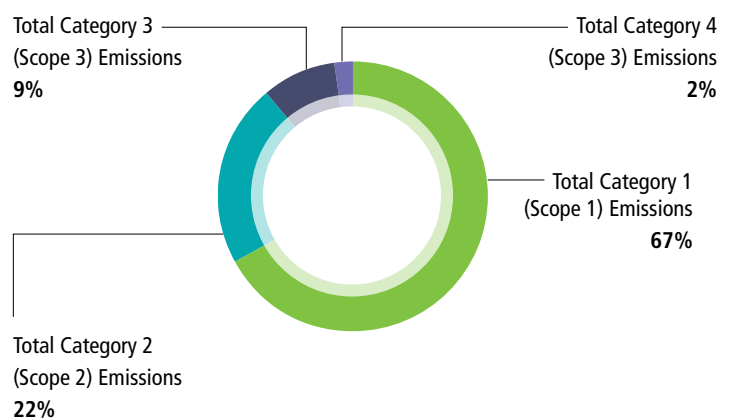
Breakdown of the Scope 1 Emissions by Sector

tCO2e



Breakdown of emissions by category

tCO2e



Highlights of sectoral strategies

Tourism Sector



The Tourism Sector accounts for the second-highest emissions within the Group, primarily due to diesel consumption. Emission reduction strategies prioritise improving energy efficiency, electrifying services where feasible, and transitioning to low-carbon energy options.

The hotels segment maintains stringent energy management systems to enhance efficiency and maintain the 2018 energy baseline. They are currently exploring renewable energy options for properties in the Maldives, where diesel consumption is highest.

The destination management segment is expanding carbon-free excursions and aims to increase combined transfers by 10% to reduce transport-related emissions further.

Maritime & Freight Logistics Sector



Although accounting for less than 10% of the Group's total emissions, the Sector has implemented strategies to reduce emissions and dependence on fossil fuels. The integrated logistics segment, with the highest energy consumption and emissions within the Sector, has invested in rooftop solar energy generation. The newly added 100,000 sq. ft. container freight station, offering end-to-end supply chain solutions, includes rooftop solar PVs and battery-operated forklifts. The segment plans to expand rooftop solar investments and is further exploring the possibility to use electric vehicles. Additional operational improvements include retrofitting lighting for energy efficiency and installing power factor correction (PFC) capacitor banks to optimise power usage and reduce emissions.

Strategic Investments Sector



The Strategic Investments Sector generates the highest emissions in the Group due to thermal power generation. To balance the Group's emission targets with national development needs, the segment works to continually improve fuel combustion efficiency and explores renewable energy investment opportunities. Currently, 79% of the Group's energy sold comes from renewable sources, with 21% from thermal energy.

In the printing and apparel manufacturing facilities, energy and emission reduction targets have been set, with systemic interventions and process controls in place. The printing segment has utilised their rooftop space for solar energy, while the apparel segment plans to install 250kW and 388kW rooftop solar PV systems in the coming year.

In the plantations segment, just over 90% of their energy needs are fulfilled from biomass, with significant investments already made in solar energy utilising 100% of the factory rooftops as well as hydro energy through mini hydro power plants. The highest emissions in the segment stem from non-biogenic emissions from fertiliser. Accordingly, the segment aims to reduce chemical fertiliser use by 50% by 2030, already having achieved a 30% reduction.

Services Sector



Operations in the Services Sector are based at Aitken Spence Towers, with primary energy consumption from the national grid. Following the 2022/2023 energy audit, the property management segment is collaborating with the National Cleaner Production Centre to establish an integrated management system at Aitken Spence Towers. This system will combine energy management, environmental impact control, and occupational health and safety.



WATER AND EFFLUENT MANAGEMENT

(GRI 303-1, 303-2, 303-3, 303-4, 303-5)

Water Usage	Unit of Measure	Group	Tourism	Maritime & Freight Logistics	Strategic Investments	Services
Water composition by sector (303-1)	%		88.8%	2%	8.8%	0.4%
Total water withdrawn (GRI 303 - 3)	(m3)	1,643,568	1,460,264	32,426	143,880	6,998
Municipal water consumption	(m3)	436,993	322,522	32,426	75,168	6,877
Ground water consumption	(m3)	190,553	170,800	-	19,753	-
Surface water consumption	(m3)	971,635	966,942	-	4,693	-
Harvested rainwater consumption	(m3)	44,388	-	-	44,266	122
Water recycled and re-used/ safely disposed (GRI 303 - 3,5)	(m3)	709,553	675,690	6,336	27,405	122
% of water recycled and re-used/ disposed (GRI 303 - 3,5)	%	43	46	20	19	2
Water sources significantly affected by withdrawal of water (GRI 303 - 2)		None	None	None	None	None
Water withdrawn from areas in water distress (GRI 303-5)		None	None	None	None	None
Water consumption per unit revenue	2023/2024	18	22	4	11	4
Water consumption per unit revenue	2022/2023	12	13	4	17	3
Difference in water consumption		50%	69%	0%	-35%	33%

We are committed to ensuring zero adverse impacts on water bodies and natural ecosystems from our operations. This involves minimising any potential negative impacts of effluents and ensuring responsible water consumption. The Tourism Sector has the highest water use, followed by the plantations segment. Other operations are not particularly water-intensive due to the nature of their operations.

Highlights of sectoral strategies

Tourism Sector
With the exception of the city properties in India and Oman that direct wastewater to municipal drainage systems, all our hotels treat 100% of wastewater and sewage, repurposing treated water to reduce the withdrawal of freshwater.
Maritime & Freight Logistics Sector
The integrated logistics segment consumes the highest volume of water within the Sector. To reduce the consumption of water, the segment has standardised the container washing process, which is the most water-intensive activity in the operation. Additionally, the segment treats wastewater to mitigate adverse environmental impacts from contamination.
Strategic Investments Sector
The plantations segment sources 72% of its water from harvested rainwater. Effluents from the rubber milling process are treated for safe disposal. The plantations also maintain dedicated wash bays and buffer zones to filter out pollutants and reduce contaminants in surface runoff. Similarly, the effluents generated in the apparel, power generation and printing segments are treated for safe reuse or disposal. Additionally, the printing segment has upgraded their effluent treatment facility to handle wastewater in-house.
Services Sector
In the Services Sector, a due diligence audit was conducted with the janitorial service providers to ensure the cleaning solvents and chemicals are biodegradable and safe for use in commercial properties to reduce contamination of wastewater produced from the operations at Aitken Spence Towers.

During the year, the consumption of water in the Tourism Sector and the Services Sector increased due to increased business operations. Progress on efforts to improve the efficiency of water use and responsible management of effluents is monitored through Group-wide environmental management systems.

RESPONSIBLE RESOURCE CONSUMPTION AND WASTE MANAGEMENT

(GRI 3-3, 306-1, 306-2, 306-3, 306-4, 306-5)

Materials used (GRI 301-1, 301-2, 301-3)	Unit of Measure	Tourism	Maritime & Freight Logistics	Strategic Investments	Services	Total
Agricultural chemicals	MT			49		49
Fabrics	Yards			2,902,200		2,902,200
Ink	MT			12,223		12,223
Inorganic fertiliser	MT			4,158		4,158
Lubricating oil/ grease	L		8,685	38,248	1,264	48,197
Organic fertiliser	MT			4,576		4,576
Packing material – biodegradable	MT		2,415	65		2,480
	Units		1,391	23,580		24,971
Packing material – biodegradable, repurposed	Units		173			173
Packing material – non biodegradable	MT	9	0	14		23
	Units			1,336,356		1,336,356
Paper	MT	6	7	2,960	-	2,973
Pesticides	MT			6		6
Residual municipal solid waste	MT			220,616		220,616

Aitken Spence companies prioritise responsible resource consumption and solid waste management to enhance resource efficiency and promote circularity. While our industries do not significantly harm the environment by sourcing raw materials, continuous improvement in sourcing the supplies required for our operations remains a priority.

Towards this objective, we adhere to the **7R principle—Reject, Reduce, Reuse, Reclaim, Repair, Replace and Recycle**. Companies are required to segregate all waste and ensure it is responsibly managed. Recycling service providers need to be screened for appropriate licenses and authority to recycle scheduled waste. Process improvements are continually implemented to reduce resource consumption and manage waste effectively.



Waste by Type and Disposal Method (GRI 306-1, 306-3, 306-4, 306-5)	Unit of Measure	Group				
			Tourism	Maritime & Freight Logistics	Strategic Investments	Services
Total waste recycled						
Total hazardous waste (tonnes)	MT	489	10	-	479	-
	Nos	823	787	-	32	4
Waste oil, ETP/ STP sludge - hazardous	Litres	19,800	-	-	19,800	-
Total non-hazardous waste	MT	938	30	-	901	7
	Nos	9,976	9,976	-	-	-
Total waste incinerated						
Total hazardous waste (tonnes)	MT	92	1	5	87	-
Total non-hazardous waste	MT	56	-	-	56	-
Total waste sold for reuse or repurposed						
Total hazardous waste (tonnes)	MT	6,090	-	-	6,090	-
	Nos	43	2	-	41	-
Total non-hazardous waste	MT	32,597	2,397	61	30,139	-
	Nos	20	20	-	-	-
Waste oil, ETP/ STP sludge - non-hazardous	Litres	11,795	5,775	-	6,020	-
Total waste kept away from landfills						
Total hazardous waste (tonnes)	MT	6,672	11	5	6,656	-
	Nos	866	789	-	73	4
	Litres	19,800	-	-	19,800	-
Total non-hazardous waste (tonnes)	MT	33,592	2,427	61	31,097	7
	Nos	9,996	9,996	-	-	-
	Litres	11,795	5,775	-	6,020	-
Total number and volume of significant spills	Litres/ m3	None	None	None	None	None



REJECT
If the resource you are consuming is bad for the planet, and if you have alternatives and substitutes, don't even use that resource.

REDUCE
If rejecting is not possible, reduce your consumption as much as possible.

REUSE
Seek mechanisms to reuse every resource.
Purchase repurposed items or things that can be reused.

RECLAIM
Reclaim all used resources so that they can be used for other processes.
Segregate all your waste and support the reclaim process.

REPAIR
Anything that can be safely reused.
Invest in items that can be repaired.

REPLACE
Replace what cannot be rejected, reduced, reused, reclaimed or repaired with better options. It's 2021. You have options.

RECYCLE
Recycle what cannot be rejected, reused, or repaired. You must start at the beginning of the pipeline, and not at the end once the waste has been generated.

With the establishment of the waste to energy power plant, a total quantity of 220,616 MT of municipal solid waste from the Colombo district has been diverted from disposal to be converted to energy for the national grid. The hotels segment disposes roughly 800 MT of miscellaneous waste compliant with the stipulations in the Maldives.

Highlights of sectoral strategies

Tourism Sector 

The hotels segment segregates waste into over 20 categories to ensure responsible solid waste management. Visitors to our hotels in Sri Lanka can observe these practices in the Eco Parks or Green Pavilions maintained at the hotels. In the Maldives, where recycling service providers are limited, our properties dispose of miscellaneous non-biodegradable waste in compliance with local regulations. Accordingly, roughly about 880Mt of waste is disposed from our properties in the Maldives. All other waste, including hazardous materials such as plastics, is diverted from disposal and repurposed or recycled according to national guidelines.

Maritime & Freight Logistics Sector 

The Sector repurposes packing materials to reduce resource consumption. For example, 7% of the packing materials used by the freight segment are repurposed items. The Sector also utilises Microsoft tools such as Microsoft Power Automate to digitise processes and reduce resource consumption.

Strategic Investments Sector 

In the Plantations segment, 100% of biodegradable organic waste is converted into compost to improve soil carbon levels, and all polythene waste is recycled with registered recyclers. The plantations are declared polythene-free zones, reclaiming and recycling plastic waste.

The Printing segment aims to reduce waste by 50% and maintain 80% capacity utilisation.

The current performance is at approximately 25% and 65%, respectively. The Apparel segment focuses on reducing canteen waste by 10-15%, cutting paper usage by 40% through ERP systems, and implementing regular interventions to recycle e-waste and PET bottles. Additionally, the segment plans to reduce fabric waste by 1-1.5% by introducing a new pattern-making system.

The waste-to-energy power plant converted 220,616 MT of municipal solid waste from the Colombo district, diverting waste from landfills and converting it to a resource to generate renewable energy for the national grid.

Services Sector 

Business segments within the Sector also utilise RPA systems to increase process efficiency and eliminate the use of paper. Further, the Sector maintains streamlined processes to manage solid waste.



BIODIVERSITY CONSERVATION

(GRI 3-3, 304-2, 304-3, 304-4)

The tourism and strategic investments sectors have direct interactions with biodiversity and sensitive ecosystems, making it imperative to proactively control business processes to prevent adverse impacts. Systemic interventions are established to mitigate negative effects, and efforts are made to enrich these ecosystems through value-added initiatives.

Tourism Sector

The destination management segment recognises the vital role they play in the industry to protect biodiversity and sensitive ecosystems and is committed to promoting sustainable travel through the “Travel Kindly” initiative. As part of this commitment, the company adopted their second baby elephant, “Anagi,” from the Elephant Transit Home in Udawalawa, covering her monthly expenses. The first foster elephant, Bhanu, was released into the wild in 2022 after five years of care.

Additionally, the segment supports the Turtle Conservation Project at Rekawa by funding night patrolling to protect turtle nests. A pioneering partnership with the Department of Wildlife Conservation in Sri Lanka aims to raise awareness about the protection of leopard cubs in the central hills of Sri Lanka. The project ‘Infant Paws’ will work to educate estate workers, plantation staff, and villagers on managing interactions with the endangered Sri Lankan leopard (*Panthera pardus kotiya*), endemic to Sri Lanka.

Nearly 100% of the staff are trained on the Travelife standard, and reservations teams guide tourists to less congested national parks, reducing stress on popular national parks like Yala.

The hotels segment exemplifies sustainable co-existence in sensitive ecosystems with LEED certified hotel properties like Heritance Kandalama and Heritance Aarah. The conservation forest maintained in its pristine condition for over two decades covers 198 acres of forest area adjacent to Heritance Kandalama along with 58 acres inside the hotel premises. In August 2023, a further 13 acres were added to this forest at an investment of 48 Mn, bringing the total areas protected to 211 acres, with the long-term goal of building an animal corridor. The forest is home to 19 species of reptiles and amphibians, 64 species of butterflies and dragonflies, 128 species of native flora and 183 species of birds. The properties in the Maldives also work to protect and conserve marine ecosystems through coral restoration projects. All coastal hotels conduct weekly beach cleanups to keep our beaches clean from non-biodegradable waste.

Maritime & Freight Logistics Sector

The Sector supports the protection of marine ecosystems by partnering with our hotels to reclaim plastic waste from our beaches.

Strategic Investments Sector

The plantations segment increased the green cover by 10% by planting shade trees in tea fields, roads, and boundaries. The segment also works to restore stream reservations by planting native trees over 166 hectares, to protect catchment areas and as well as to connect animal corridors. Biodiversity surveys are conducted across over 8,000 hectares, aligned with RA and FSC certified environmental and social management systems maintained at the estates, ensuring systemic interventions to protect these ecosystems.

In the power segment, the team at Western Power Company regularly cleans the canals near the power plant which are within the Muthurajawella wetland to protect this sensitive ecosystem. The Embilipitiya facility features a tree belt with over 25,000 trees of endemic and medicinal value. The thriving bee colonies within the premises are evidence of the successful control of pollution and noise levels, as bees are known to avoid high-noise areas.

Services Sector

Paper used in Aitken Spence Towers are Forestry Stewardship Council certified to ensure we do not damage virgin forests for our administrative tasks.



ADVOCACY AND AWARENESS BUILDING

(GRI 308-1, 414-1)

Engaging with our stakeholders to create awareness, educating them on sustainable practices to enhance value creation are important aspects of our strategy to protect our natural capital. It is important to build networks of informed individuals who support our efforts so that the company can amplify our efforts to control adverse impacts, fostering a collective approach to sustainable value creation.

<p>Tourism Sector </p> <p>The hotels segment incorporates health and safety inspections per ISO and Travelife standards, auditing most accommodation partners and ensuring nonconformities are promptly addressed. Heritance hotels publicly share policies on environmental management, purchasing, child protection, labour standards, human rights, and community engagement to create wider awareness about the company's commitments.</p> <p>Supply chains are assessed through a comprehensive sustainability checklist, evaluating health and safety, human rights, child labour, sustainable resource use, and service excellence. Baseline assessments are conducted annually, with physical visits to selected suppliers. Suppliers must adhere to the Group's core values and ethical standards, with non-compliance potentially resulting in termination of business relationships.</p> <p>The destination management segment screens all suppliers and service providers to ensure compliance with sustainability benchmarks. The segment educates suppliers on these standards and conduct annual briefings for national park drivers, tour guides, and chauffeur guides to maintain high standards.</p>
<p>Maritime & Freight Logistics Sector </p> <p>Ace Containers is registered as a SEDEX (Supplier Ethical Data Exchange) supplier which ensures that the company employs stringent supplier screening processes for environmental impact control, requiring all suppliers to meet high standards for environmental sustainability and responsible business practices.</p> <p>The freight segment works with partners focused on safety and standards, enhancing relationships through local and international collaborations, and raising awareness on quality, environmental, and safety practices.</p>
<p>Strategic Investments Sector </p> <p>The plantations segment enhances awareness of quality, health, and safety standards throughout their supply chain. This includes regular quality checks, visits, and performance evaluations of suppliers. The printing and apparels segments also screen suppliers for quality, environmental impact control and labour standards. The apparels segment conducts frequent visits and provides advice on sustainable practices and compliance requirements. Compliance audits are carried out with selected partners, Group HR and compliance teams offering recommendations for improvements.</p>
<p>Services Sector </p> <p>The property development segment conducts due diligence audits to ensure suppliers and service providers meet required governance standards for environmental and social impact control. An example is the review conducted by the segment to ensure all solvents and chemicals used for cleaning purposes on the premises are biodegradable.</p> <p>The elevators segment meticulously selects foreign and local suppliers based on criteria such as compliance with ISO 9001 for quality, ISO 45001 for safety, and ISO 14001 for environmental impact control. The segment also considers the ability to meet sustainability standards and technical support. By adhering to ISO 14001:2015, the segment takes into account environmental aspects, planned developments, emergency situations, and significant impacts, ensuring these are communicated across all organisational levels.</p>