

PURPOSE DRIVEN STRATEGY

The Aitken Spence Group, with its rich heritage of over 150 years, has seen many evolving strategic approaches taken throughout its journey to adapt and grow through the many challenging socio-economic periods faced in history. At present, the Group embraces a tripartite strategic approach to effectively navigate the challenges of a volatile, uncertain, complex, and ambiguous (VUCA) world. With a strong commitment to innovation and stakeholder value creation, the Group has experienced significant growth as a diverse and reputed conglomerate over the years. The Group has continuously been committed to its triple bottom line, placing greatest emphasis on the sustainability of its operations. Aitken Spence's strategy combines transactional and transformational leadership, empowering Spensonians to undertake impactful initiatives.

As reflected in our theme of tripartite cognition, Aitken Spence fosters self-awareness, promoting emotional intelligence and creating a supportive environment for effective leadership to undertake increasingly more impactful solutions for a better future for all stakeholders.

This purposeful tripartite cognition of the Group has driven its ability to remain attuned to its surroundings through insightful understanding and reflective hindsight, that enables the Group to lead with foresight through adversity. Aitken Spence prioritises strategic awareness by comprehending market trends, customer needs, and competitive forces for informed decision-making and goal setting.

Adaptability is central to Aitken Spence's strategy, cognisant of the dynamic nature of the business environment. The Group constantly develops and adjusts its plans, modifies objectives, re-allocates resources and explores new opportunities to remain relevant and resilient.

Continuous learning both in strategic as well as at operational levels, is ingrained in the Group's approach, leveraging on the Group's many years of experiences to enhance decision-making and refine strategies over time.

Aitken Spence remains committed to its purpose of "Inspire to Create Great Futures for All."



OUR PURPOSE

"Inspire to create great futures for all"



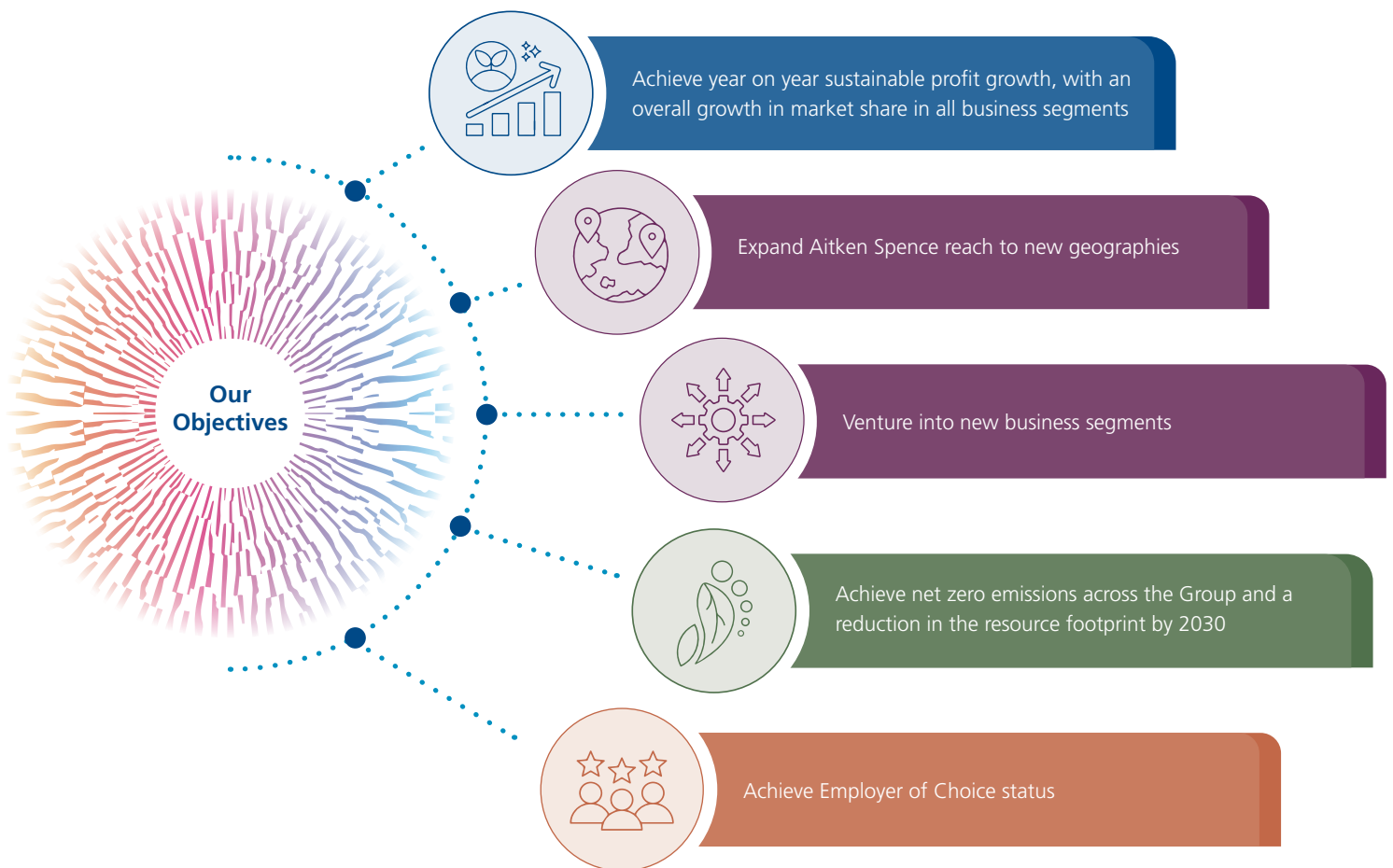
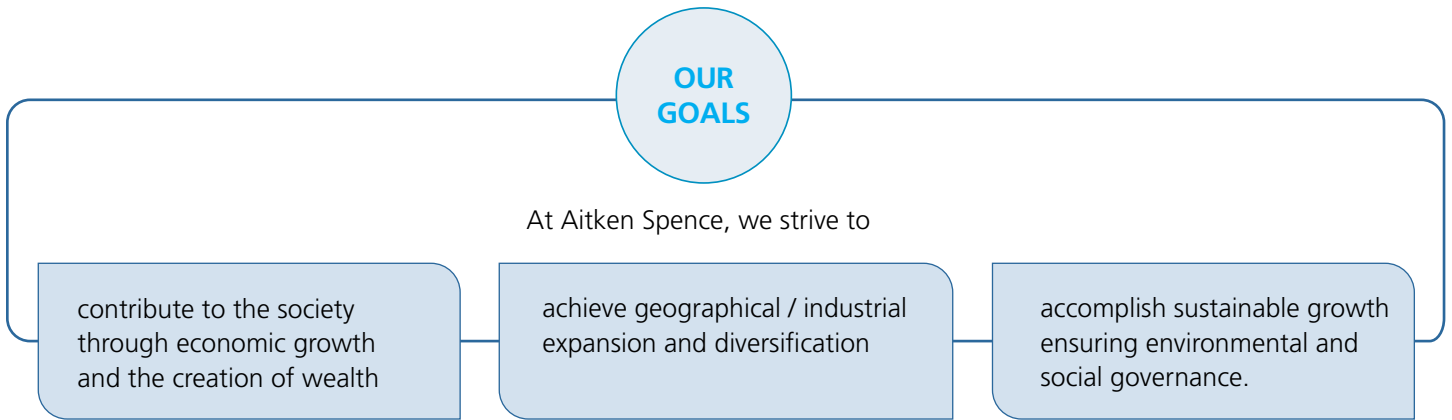
OUR VISION

To achieve excellence in all our activities, establish high growth businesses in Sri Lanka and across new frontiers and become a globally competitive market leader in the region



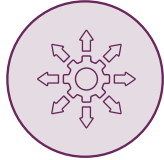





OUR VALUES



- » Reliable
- » Honest & Transparent
- » Warm & Friendly
- » Genuine
- » Inspire Confidence





PURPOSE DRIVEN STRATEGY


Objective	Strategies
 <p>Achieve year on year sustainable profit growth, with an overall growth in market share in all business segments</p>	<ul style="list-style-type: none"> » Ongoing business transformation in identified segments of the Group and creating a detailed roadmap that outlines the operational, cultural and digital priorities in the medium and long-term » Product/ service differentiation through innovation with an aim of providing unique value propositions to customers » Strengthening of supply chain through backward integration » Business expansion by enhancement of customer reach » Targeted marketing and sales strategies » Price competitiveness » Performance review and exit strategies for low performing businesses » Improvement of operational efficiencies
  <p>Expand Aitken Spence reach to new geographies and venture into new business segments</p>	<ul style="list-style-type: none"> » Market research and entry strategies » Continuous improvement and value addition to enhance and enrich the customer experience » Explore mutually benefiting strategic alliances / partnerships » Product/ service differentiation » Invest in emergent skills and infrastructure that drive innovation » Leveraging cutting-edge technology » Realign - Reinvent – Relaunch of products and services
 <p>Achieve net zero emissions across the Group and a reduction in the resource footprint by 2030</p>	<ul style="list-style-type: none"> » Systemic efforts and progressive improvements for environmental impact control and sustainable value addition » Investments in energy efficient technology, retrofitting for greener buildings and renewable energy » Alignment to global benchmarks in ESG » Progressively improve environmental awareness among Spensonians and enable a 'Green Workforce' » Ensure a sustainable supply chain » Strategic interventions to influence sustainable consumer behaviour

KPIs	Progress 2022/23	Resources Allocated
Five-year CAGR of PBT	11%	<p>A dynamic and committed team worked with strategic partners to drive top line growth and increase market share.</p> <ul style="list-style-type: none"> » Increase in financial capital – Rs. 18.3 Bn » Dividends declared – Rs. 1.6 Bn » Capital Expenditure – Rs 4.5 Bn  <p>Strategic Alignment to SDGs</p> 
Year on year growth in EBIT	16%	
% Annual increases in;		
» Hotel occupancy	26%	
» Pax handled	73%	
» TEUs handled	(7%)	
» Apparels manufactured	11%	
» Renewable Power generated	12%	
» Inward money remittances	9%	

New products innovated & markets secured	21	<p>Sound business processes, industry expertise, strategic partnerships and financial strength propel our growth as we move into new businesses and new geographies.</p> <ul style="list-style-type: none"> » Investment in infrastructure – Rs.4.5 Bn » New geographies reached – 2 » Revenue generated from external customers – Rs. 98.1 Bn  <p>Strategic Alignment to SDGs</p> 
Companies acquired and incorporated during the year	3	
New processes and technologies implemented	Over 10 process automations done across the Group	
New customers secured	18.051	
Customer satisfaction rankings and scores	A comprehensive set of customer satisfaction surveys known as Spence way was conducted across all 16 segments.	

Energy consumed from renewable sources as a percentage of total energy demand of the Group	26.5% (Target – 50% by 2030)	<p>Aitken Spence takes a precautionary approach to manage environmental impacts. This is driven by sound ESG frameworks and management systems integrated into our business models. Our efforts are maintained by committed, experienced Spensonians, guided by our top management, and supported by our key stakeholders.</p> <ul style="list-style-type: none"> » Investments in sustainability driven processes – Rs. 98 Mn » Investment in renewable energy – Rs. 1.4 Bn » Team capacity across the Group for ESG related management systems – over 600  <p>Strategic Alignment to SDGs</p> 
Total emissions reduced/ offset	95,333 tonnes CO _{2e}	
Use of harvested rainwater as a percentage of total water demand of the Group	19%	
Emission sinks or green cover developed & maintained	8,109 ha	
Number of natural ecosystems adversely impacted by our operations	None	

PURPOSE DRIVEN STRATEGY

Objective	Strategies
 <p data-bbox="99 562 487 590">Achieve Employer of Choice status</p>	<ul style="list-style-type: none"><li data-bbox="548 369 1247 396">» Enhance talent bench strength for leadership and all critical positions<li data-bbox="548 405 1159 432">» Establish an objective based talent management eco-system<li data-bbox="548 441 1330 468">» Attract best-in-class talent using a powerful Employee Value Proposition (EVP)<li data-bbox="548 476 1446 504">» Enable Performance Management (PM) practices to support organisational transformation<li data-bbox="548 512 1015 539">» Nurture a value centric organisational culture<li data-bbox="548 548 971 575">» Focused talent retention for critical mass<li data-bbox="548 583 1208 611">» Enhance employee experience throughout the employee lifecycle<li data-bbox="548 619 1068 646">» Commitment to Diversity, Equity & Inclusion (DE&I)<li data-bbox="548 655 1154 682">» Develop competencies to drive innovation and digitalisation

KPIs	Progress 2022/23	Resources Allocated
Availability of internal successors for 70% of critical roles	Identified 135 critical positions & 170 successors	This strategy seeks to attract, develop and retain talent by positioning Aitken Spence as an employer of choice by offering a unique employee value proposition
Business segments using best-in-class talent acquisition tools to recruit competent talent in support of current and emerging business needs	Ongoing. Use of LinkedIn Recruiter tool Introduction of Harrisons Psychometric tool	<ul style="list-style-type: none"> » Corporate HR Team acting as the Centre of Excellence for all specialised HR functions » Dedicated 21 strategic HR Business Partners and other extended members amounting to over 130 Sponsonians supporting HR needs of 16 business segments.
Develop a robust and equitable performance management system	Ongoing	» Investment in best-in-class HR tools amounting to Rs. 23 Mn
Staff retention rates of critical mass (Asst. Manager & above) against set targets	90%	» Total Human Capital Investment – Rs. 15.1 Bn
Employee engagement/ satisfaction survey score on key lifecycle touch points	74%	» Centralised DE&I steering committee and subsidiary sub committees driving the "Freedom to be me" agenda
Increase female representation in the Group to 45%	41%	
Number of curated HR initiatives to develop a culture of innovation	SpenceInnova Spence Hackathon Spence Robo-Leap	
Performance & potential based talent mapped to 9 box grid to identify top talent of the Group	55% completed	



Strategic Alignment to SDGs



VALUE CREA



Purpose



Inspire to create great futures for all



Vision



To achieve excellence in all our activities, establish high growth businesses in Sri Lanka and across new frontiers and become a globally competitive market leader in the region.

VALUE CREATION MODEL

OUR INPUTS: RESOURCES AND RELATIONSHIPS

Page 193



Financial Capital

Foreign exchange liquidity and resultant restrictions proved to be a challenge while high interest rates deterred borrowings and investments.

Rs. 214.3 Bn
Total Assets

Rs. 56.6 Bn
Total Debt

Rs. 86.2 Bn
Equity

Page 204



Human Capital

High levels of economic migration increased employee turnover, placing a strain on talent pools. The combination of inflationary pressures and reduced availability of talent has had an impact on the quality and affordability of this essential resource.

13,033 Employees

Page 229



Social & Relationship Capital

Consistent and continual engagement and proven trust enabled the Group to strengthen and retain relationships during a challenging year for the country. Acknowledging stakeholder concerns through frank and open discussions paved the way for higher levels of support to manage challenges resulting from the economic conditions.

26 Joint Venture Partners

28,000+ Supply Chain Partners

50,890 Customers

Page 225



Manufactured Capital

Investments in Property, Plant & Equipment was minimal during the year due to market uncertainties and high costs of capital.

Rs. 105.5 Bn
Property, Plant & Equipment

60 Locations in Sri Lanka

10 Countries

Page 217



Intellectual Capital

Our intellectual capital continues to evolve to ensure that our operations are future ready, enabling the Group to compete effectively across multiple sectors and countries.

- » Governance structures, systems and processes
- » Tacit knowledge
- » Digital architecture
- » Brand and reputation

Page 239



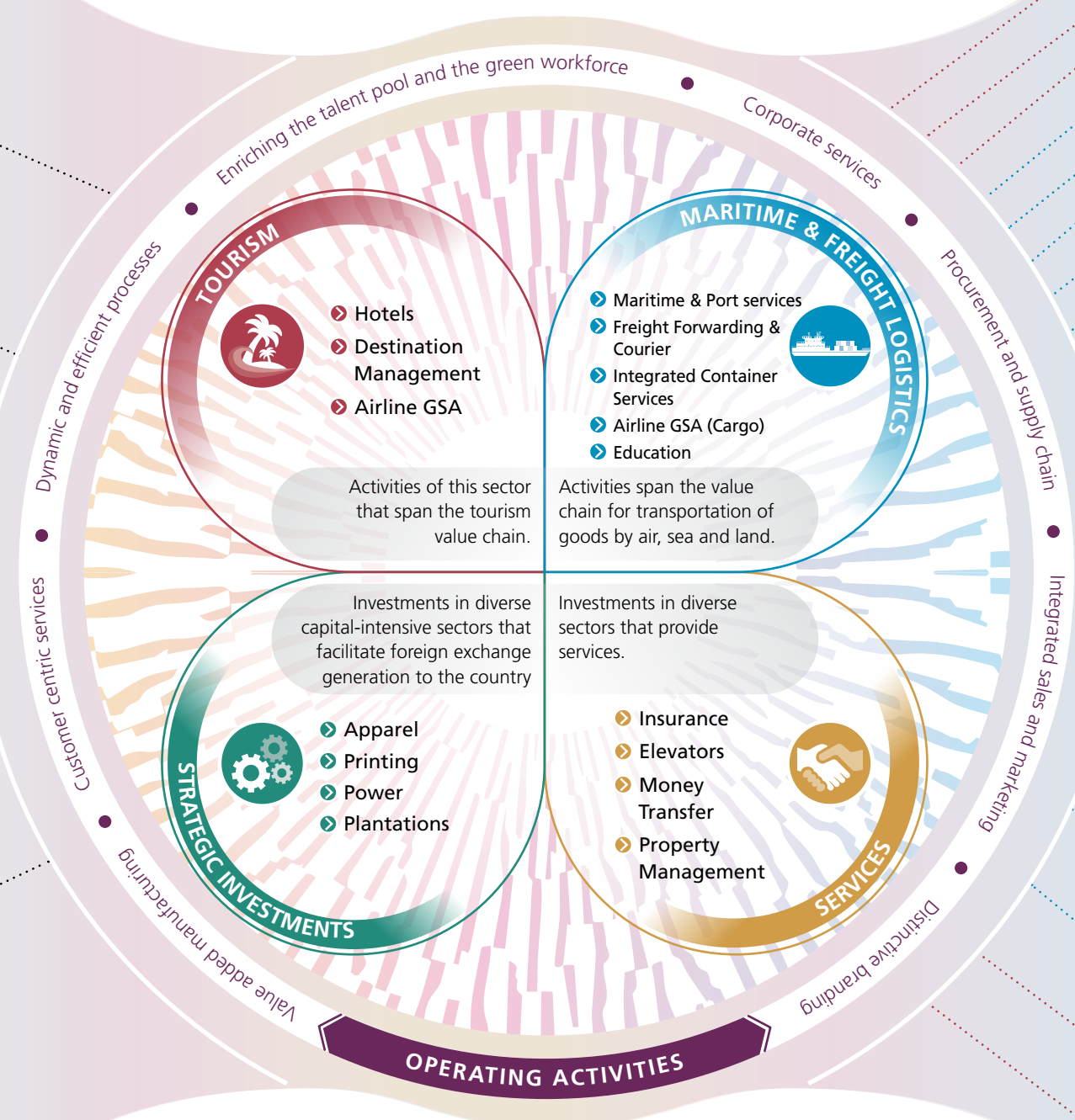
Natural Capital

Natural capital refers to the stock of renewable and non-renewable resources that contribute to producing our goods and services. To manage our natural capital, we take systemic interventions aligned to the precautionary principle such as environmental management systems, and the 7R Principle. The Group maintains 98 diverse management systems that contribute towards environmental impact control.

- » Use of energy and water
- » Operations interacting with natural ecosystems
- » Green cover exceeding 8,080 ha
- » Control of emissions, effluents, and solid waste

WHAT WE DO






OUR BUSINESS ACTIVITIES



We own and manage a portfolio of investments functionally classified into 4 main sectors and 16 segments with operations spanning 10 countries.

OUTPUT

Tours & Excursion
Guest Nights
Airline Representation
TEUs of Exports Handled
TEUs of Imports Handled
Liner Representation
Courier Services provided
Tertiary & Vocational Education
Printing Impressions
Tea, Rubber, Palm Oil & Minor Crops
Renewable Energy Generation
Apparel Manufacture
Elevators Maintained
Inward Remittance Transactions
Commercial Office Space

	93,411 tonnes CO _{2e} Emissions
	651,347 m ³ Waste water and effluents
	3,519 MT and 464 units hazardous solid waste
	29,795 MT and 1,240 units non-hazardous solid waste
	19,966 trees added to our green cover

Economic



Rs. 47.6 Bn
Value Created

Rs. 15.1 Bn
Employee Benefits

Financial



Rs. 108.9 Bn
Revenue

Rs. 11.2 Bn
Profit Before Tax

Social



13,033
Employment Generated

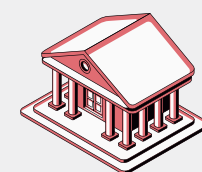
Rs. 42.4 Mn
Invested in Training

Environment



194,172 MT
Residual municipal solid waste converted to energy

Governance



Zero
Non-compliance with Laws and Regulations and Voluntary Codes of Conduct

OUTCOMES

Rs. 81.9 Bn
Foreign Exchange Inflows Facilitated

83,741
Arrivals Handled to Sri Lanka

Rs. 1.6 Bn
Dividends paid to Equity Shareholders

Rs. 10.0 Bn
Direct and Indirect Exports

Rs. 9.4 Bn
Taxes paid

Rs. 8.1 Bn
Profit After Tax

9.5%
ROE

Rs. 16.36
Earnings per Share

Rs. 8.9 Bn
Net Finance Expense

Rs. 4.5 Bn
Total Capital Expenditure

Rs. 260.0 Mn
Funds Channelled for Communities

Rs. 58.4 Bn
Payments to Suppliers

19,694
Students Enrolled at CINEC

893
Suppliers Screened for ESG

Rs. 98.0 Mn
Investment in Sustainability Processes

~1%
of the Country's Annual Energy Demand Provided for Through Renewable Energy

31.4%
of the Total Direct Energy Consumed from Renewable Sources

100%
Effluents from Manufacturing Operations Treated for Safe Disposal

Zero
Ecosystems Adversely Impacted by Our Operations

98
Management Systems for Environmental Impact Control

82
Management Systems for OHS

57
Management Systems for Quality

SYNOPSIS: THE GROUP'S ALIGNMENT TO THE SDGS

STRAATEGY MODEL

Our Goals

Our Objectives

We strive to;

- » contribute to society through economic growth and the creation of wealth;
- » achieve geographical/ industrial expansion and diversification; and
- » accomplish sustainable growth ensuring environmental and social governance.



Sustainable profit growth



Geographical expansion



Diversify into new business segments



Reduce resource footprint and achieve net zero emission status



Employer of choice



Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all

One of the key methods through which we contribute to SDG 4 is by providing technical education and skills development opportunities to our employees. Led by the Group HR Division, the company has structured programmes for technical education, vocational training, upskilling/ reskilling, and leadership development of our Spensonians. Our companies also work to ensure children, youth and women from our communities have access to quality education and skills development. Further, the CINEC Campus provides tertiary education and vocational training including undergraduate and post graduate programmes recognised by the University Grants Commission of Sri Lanka.

Specific target within the SDG we are aiming to contribute to;

- 4.3** By 2030, ensure equal access for all women and men to affordable and quality technical, vocational and tertiary education, including university
- 4.4** By 2030, substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship
- 4.6** By 2030, ensure that all youth and a substantial proportion of adults, both men and women, achieve literacy and numeracy
- 4.7** By 2030, ensure that all learners acquire the knowledge and skills needed to promote sustainable development, including, among others, through education for sustainable development and sustainable lifestyles, human rights, gender equality, promotion of a culture of peace and non-violence, global citizenship and appreciation of cultural diversity and of culture's contribution to sustainable development

KPIs for the Group (i. e. applicable to all Sectors) aligned to indicators within the SDG targets	Target/ benchmark	Performance in 2022/23
> Learning/ skills development programmes - YoY growth	-	12%
> Number of L&D opportunities extended to external stakeholders (e. g. local youth, migrant workers, community members, suppliers etc.)	-	Over 1,400 students received school supplies or scholarships
KPIs specific for the education segment (CINEC) -		
> Total number of student registrations	>15,000	19,694
> Percentage of female student registrations in degree programmes	50%	52%
> Percentage of female students in the graduating classes of the year	40%	38%