

Sustainability Report

2010/2011



*"Give a man a fish; you have fed him for today.
Teach a man to fish; and you have fed him for a lifetime"*
-Author unknown-

*We would add, "... Teach a man how to teach others to
fish: and you have fed the whole village for a lifetime"*

*This statement brilliantly illustrates what sustainability
is all about. Technically, sustainability is defined as
"Meeting the needs of the present without compromising
the ability of future generations to meet theirs."*

*Sustainability is all about the future. It is all about
fulfilling our responsibility to ensure that the world
would keep on going after we are gone.*

*Since of late, the term sustainability has gotten into the
business jargon. We talk about sustainable development,
sustainable buildings, sustainability reporting and so
on. With all this interest about sustainability, we also
have taken the initial steps to be a party to this global
initiative. Let us share with you our understanding of
sustainability and how we have internalized it into our
day-to-day operations.*

*Corporate Sustainability Team
Access Engineering Limited*

CONTENTS

Message from the COO	05
Organizational Profile	06
Corporate Governance	08
Principles and Policies	09
Key Sustainability Issues and Challenges	10
Stakeholders Engagement	12
Reporting Principles	13
Economic Contribution	14
Direct Economic Contribution	
Indirect Economic Contribution	
Market Presence	
The Environment	20
Environmental Management System	
Saving Electricity	
Going Green	
Employee Relations	26
Employment	
Performance Management	
Training and Development	
Health, Safety and Welfare	
Sharing the Ownership	
Employee Rights	
Community Relations	32
Differently-abled Community	
War-affected Communities	
Product Responsibility	36
Procuring of Business	
Core Competencies	
Quality Assurance	
Looking to the Future	42

HIGHLIGHTS

- Total economic value distributed in the year 2010/11 is Rs. 2,836 million
- Tree planting programme continued during the last year as well with 530 trees being planted at various locations which brings the total to over 6,000 trees
- Added a new chapter to Sri Lanka's corporate history by gifting 120 million shares worth Rs. 3.0 billion among over 1000 employees of the Company
- Initiated the process of obtaining ISO 17025:2005 for the Geotechnical and Laboratory Services Division in order to further improve the quality of its operations



Message from the Chief Operating Officer

“Establishing a strong business case for sustainability required the identification of key sustainability issues and how to deal with them as a part of the Company’s strategy and performance management system”

Although most organizations recognize a need for action in the area of sustainability, action itself is often lacking, or is poorly executed. There is a need to go beyond ad-hoc philanthropic activities, and to incorporate a wider perspective. Due to this narrow, myopic view, sustainability often manifests itself in well-presented promotional material, but with little indication of whether sustainable development is embedded in the organization’s business model or whether senior management take sustainability issues seriously. At Access Engineering Limited (AEL), we have identified that it requires a wider, strategic perspective on the impact of the company’s operations on the economy, environment and society, to call ourselves a sustainable business.

A strategic perspective promotes the integration of sustainability issues at a strategic level, so that they are embedded in organizational development covering strategy, planning, risk management, and organizational learning processes. Thinking about sustainability issues strategically has enabled us to establish and re-establish the ‘why’ of sustainability, and to recognize what sustainable development stands for, i.e., what we enjoy today should not impact the livelihood and enjoyment of future generations. This understanding has made it easier for us to integrate sustainability into our day-to-day operations and also to share a clear understanding of its meaning and how it relates to the organization.

Establishing a strong business case for sustainability required the identification of key sustainability issues and how to deal with them as a part of the Company’s strategy and performance management system. It was an opportunity to align sustainability issues with strategy and was the start of a systemic process for managing economic, environmental and social impacts. Establishing

the business case to highlight what sustainable development means to the organization, and how improved sustainability performance can translate into enhanced business performance has enabled us to rally the support of all stakeholders towards sustainability initiatives. It has also contributed to a better understanding of the benefits that might be achieved from embedding sustainability.

AEL is a complex and highly decentralized company, carrying out multidisciplinary engineering projects organized into nine construction sectors, being present all over the island, and being managed through three offices called Projects Offices. Being project-based, the organization is constantly changing shape as teams of employees and subcontractors form, disband and reform over the lifetime of a project. The workforce turnover at project level can be as much as 20-30% per month. Nevertheless, our commitment to contribute to a more sustainable world is resolute and we have made every effort to overcome these challenges in order to achieve our sustainability objectives.

On the following pages we point out challenges, opportunities and risks that we face, the policies and strategies we employ to address these and evidence that we do our best to ‘walk the talk’. We welcome you to take a glimpse of our sustainability efforts during the last year and our plans for the future.



Rohana Fernando
Director / Chief Operating Officer

Organization Profile

AEL was incorporated on July 31, 2001 as a Public Limited Company. Prior to its incorporation as a separate legal entity it was the Engineering Division of Access International Private Limited. As at the date of this report AEL is owned by the three founder shareholders. Over the years AEL has been reckoned as a preferred and reliable entity delivering multi disciplinary construction projects for both the public and private sector, partnering with world renowned construction companies.

As at the end of the reporting period AEL had a Subsidiary namely, Access Realities Private Limited (ARL) which engages in the business of owning and operating the real estate assets of the group and over which AEL had 64% control.

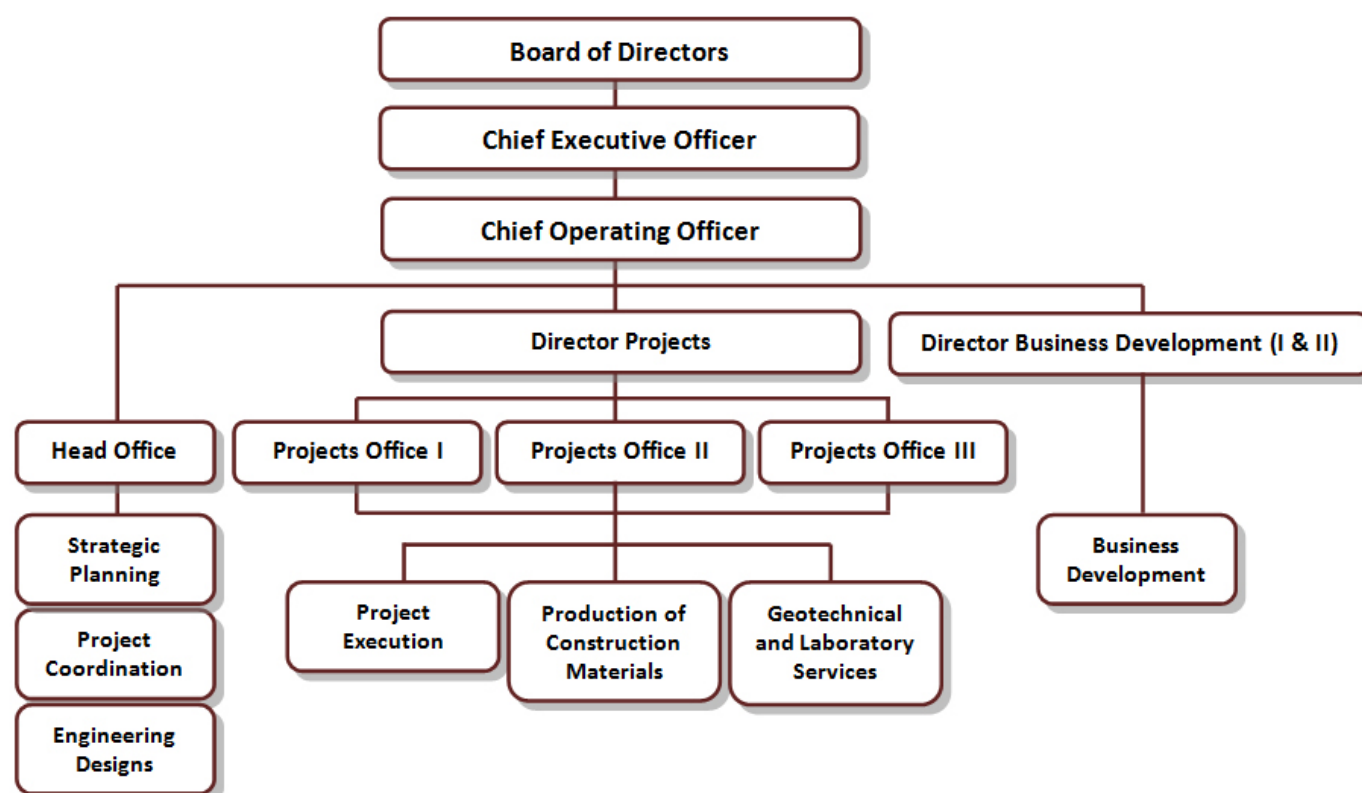
AEL is headquartered at Level 8, Access Towers, No. 278, Union Place, Colombo 02. Projects Office I and II of AEL are located at No.117, Dehiwala Road, Boralesgamuwa, while Projects office III, which was formed very recently, is located within the premises of headquarters. In addition AEL also operates temporary project offices at every location where it is engaged in civil engineering construction activities.

As at April 01, 2010 the stated capital of the Company comprised of 100,000,000 fully paid ordinary shares with a value of Rs. 1,000,000,000. On March 21, 2011, by way of a capitalization of reserves, 200,000,000 fully paid ordinary shares were issued in the proportion of two new shares for every one existing share held. On March 31, 2011 there was a sub-division of one existing share into two shares. Therefore, as at March 31, 2011 the capital structure of the Company comprises of 600,000,000 fully paid ordinary shares worth of Rs. 3,000,000,000.

Scale of Operations

Number of employees	1,628	
Number of operations	36 projects carried out during the year	
Net Sales (Rs. Mn)	Private sector	2,086 (59.3%)
	Public sector	1,432 (40.7%)
Total capitalization (Rs. Mn)	Equity	4,244 (74.8%)
	Debt	1,432 (25.2%)
Total assets (Rs. Mn)	5,767	

Operational Structure



Primary Products and Services

As an integrated engineering company the core business of AEL is the development of large and complex infrastructure development projects by utilizing innovative and state of the art technological solutions in construction. The primary products and services offered by the company are as follows.

Products

- Roads and Highways
- Bridges and Flyovers
- Water and Wastewater Schemes
- Irrigation and Land Drainage
- Harbours and Marine Work
- Dredging and Reclamation
- Environment and Waste Management Schemes
- Telecommunication Infrastructure
- Buildings

Services

- Engineering Designs
- Piling
- Quarry Operations
- Supply of Asphalt Concrete
- Supply of Ready-mix Concrete
- Geotechnical Laboratory Services
- Maintenance of Construction Infrastructure

To date AEL has successfully completed over 100 civil engineering projects island-wide. All construction activities of AEL are propelled through unique value engineering services and modern technologies and construction methods, thus enabling the Company to augment its project infrastructure expertise. The above products are delivered through a construction management process that carries a project from its conceptual stage right up to its commissioning and maintenance phases. All design, construction and maintenance work related to the above products are carried out by our internal workforce, with the exception of certain specialized works executed by sub-contractors under our supervision engagement of unskilled labour.

In an attempt to expand the business, we have recently moved into several fields of engineering services including both vertical integration (design, piling and maintenance) and horizontal integration (supply of construction materials and laboratory services).

Markets

AEL serves both public and private sector markets in construction engineering services. The beneficiaries of the civil engineering projects of AEL are spread across diverse sectors of the country and include the general public who utilize roads and highways, bridges and flyovers, water and wastewater schemes, harbours and marine structures and telecommunication infrastructure.

Sector	Location
Roads and Highways	Eastern, North Central, North Western, Northern, Sabaragamuwa, Southern and Western Provinces
Bridges and Flyovers	Eastern, Northern and Western Provinces
Water and Wastewater Schemes	Western and Southern Provinces
Harbours and Marine Works	Western Province
Dredging and Reclamation	Western Province
Telecommunication Infrastructure	Western Province
Piling works	Western Province

Awards

- LMD's Most Respected Business Entities, 2010 - No. 56
- LMD's Most Respected Business Entities, 2011 - No. 11
- National Business Excellence Awards, 2010 –
 - Winner 'Best Knowledge Integrator'
 - Runner-up 'Construction Sector'
- ICTAD (Institute for Construction Training & Development) Construction Performance Awards, 2010
 - 'Innovative Techniques in Construction'
 - 'Construction Performance - Telecommunication Sector'
 - 'Construction Performance - Harbor Sector'
 - 'Construction Performance - Bridge Sector'
 - 'Construction Performance - Irrigation Sector'
- The Platinum Technology Award for Quality & Best Trade Name 2010 – Geneva, Switzerland
- The Golden Award for Quality & Business Prestige 2011 – Berlin, Germany



Corporate Governance

Constructed on a philosophy of transparency, ethics, values, accountability and sincerity of action, AEL's corporate governance ethos works within a culture of performance that emphasizes a framework of conformance and compliance. To us, corporate governance goes beyond the tenets of conformance and compliance into a milieu where our business is grown and nurtured into a sustainable and equitable one, presenting all our stakeholders with a future to grow with us. Maximizing shareholder wealth on a sustainable basis while safeguarding the rights of multiple stakeholders are fundamentals which are permeated through all levels of our management and staff, who in turn work on the trusses of truth, trust, principles and honesty to ensure that the end justifies the means and remain strategically aligned to the core principles of our corporate governance practice.

Our governance and operating model facilitates efficient and timely decision making coupled with pragmatic resource allocations, which in turn are integrated into a transparent, accountable and ethical framework that are compliant not only with the laws of the country but also with self-imposed codes of ethics, standards and regulations that position us on a platform of critical governance features to ensure a culture that goes beyond compliance. This is thus manifested in the composition of the corporate management team, division of powers and duties and the promotion of sound corporate ethics across the company.

The company's vision and mission remain firmly embedded in our future journey with the Board of Directors and Executive Management providing the necessary stewardship to our team and other stakeholders to achieve our objectives. Evaluating and setting the direction of the company's strategic initiatives, performance objectives and targets also remain entrenched within the leadership, in addition to strengthening the overarching company principle of protecting the interests of all stakeholders and consolidation of business activities to ensure continuity and sustainability.

The Board of Directors of AEL endeavours to provide entrepreneurial leadership through effective formulation and execution of policies and procedures to attain the objectives of the Company. The Board comprises of eight Directors out of which six are Executive Directors and two are Non-Executive Directors. AEL has identified and is in the process of obtaining the service of two to three independent directors to its Board, who would have no interests or relationships in relation to the affairs of the Company. This would drive the Company to demonstrate more transparency and independent judgment in the decision making

process. Moreover, the Company has already taken steps to adopt the main corporate governance committees; Audit Committee and Remuneration Committee to strengthen its commitment on corporate governance with the view of procuring a status as a listed company in near term.

Access Engineering's Corporate Management team is committed to achieving sustained value creation for the benefit of all stakeholders through adherence to a set of well-defined corporate governance principles, coupled with maintaining effective structures and processes within the company. The team, which comprises the Chief Executive Officer, Chief Operating Officer, Board Members and Senior Management meet at regular intervals to discuss the management of business activities. Project implementation is carried out by the Projects Offices wherein the Project Director, General Managers and Deputy General Managers work on plans and targets, matching those to realistic time frames and ensuring any shortfalls or delays are speedily rectified. Authority is exercised within an ethical framework of business practices established by the Board, which demands compliance with existing laws and regulations as well as best practices in dealing with employees, customers, suppliers and the community at large.

We have also infused a milieu of increased participation by middle management to permeate the need for a more responsible, transparent and accountable administration, which in turn will strengthen the financial discipline of the company. The culture of high authority tied-up with high accountability has given us the freedom to respond to customer needs faster than most of the competitors which has been the cornerstone of our competitive advantage. The permeation of authority and accountability right down to the shop-floor level and the front-line has freed up the top management to dwell on the more strategic and conceptual inputs.

Driving a team branded on excellence, people remain centric to our entire operational capabilities and engineering competencies. The experience and professionalism within our team has been the catalyst in integrating our core competencies into strategic partnerships. Maintaining a healthy work life balance with an environment of superior human resource development via a comprehensive Quality Management System inculcates the culture of meritocracy and performance oriented individuals who make up for an excellent team, driven to achieve ambitious goals



Principles and Policies

The operations of AEL are governed by a strong base of policies, beliefs and values. The policy framework that directly influence sustainability initiatives are enumerated below.

Vision

"To be the foremost Sri Lankan business enterprise in value engineering"

Mission

"To meet the challenges in the development of multi sector civil engineering projects, providing innovative solutions whilst developing long term progressive relationships with all our stakeholders"

Sustainability Framework

"Our sustainability efforts are organized into a sustainability framework which incorporates organizational values and beliefs, sustainability policy, sustainability objectives and sustainable business"



Sustainability Policy

In order to reach our vision of being a sustainable business, we will:

Be accountable for our impacts on the economy, the environment and society and our decisions and actions that lead to such impacts

Implement practices that promote economic security, environmental stewardship and social betterment and will strive for continuous improvement in these areas

Behave ethically based on the values of honesty, equity and integrity

Respect, consider and respond to the interests of our stakeholders

Respect international norms of behavior, while abiding by the rule of legislative and regulatory requirements

Respect human rights and recognize both their importance and universality

Raise awareness of our employees on sustainability issues while soliciting their full corporation in all our sustainability initiatives

Encourage our suppliers and subcontractors into the process of sustainable business by auditing and development

Be a source of knowledge for our external stakeholders on sustainability issues

Establish and constantly monitor quantifiable objectives for our sustainable performance

Make available the tools and resources required to make it a reality, and will support each employee as they live this vision.

Key Sustainability Issues and Challenges

When incorporating sustainability into the corporate agenda, it was important to be clear about how sustainable development fits with the organization's core business, objectives and activities. Identifying the drivers for embedding sustainability allowed us to build a business case for our sustainability, as well as highlighting our relevant and material sustainability issues which should form the focus of our sustainable agenda. To effectively engage and connect to economic, environmental and social issues, we needed a comprehensive analysis of the organization and its interface with sustainability and sustainable development issues.

This involved identifying and understanding relevant issues by establishing facts and other information available in the public domain, and from an analysis of the competitive environment. Monitoring new development in sustainability issues involved a range of activities including tracking the emergence of environmental facts, findings and research; public opinion; employee views and attitudes; the activities of environmental and social groups; the activities, profile and attitudes of suppliers and customers; and what is considered 'best practice' in one's industry.

AEL takes its sustainability inspiration from many external sources, including Global Reporting Initiative (GRI), United Nations Global Compact, ISO 26000:2010, AA 1000 and others. From these it has developed its own Sustainability Agenda to better focus strategies and actions that balance the never-ending trade-off between Economic, Environmental and social considerations. Using the GRI framework, AEL has defined its sustainability priorities using the Triple Bottom Line headings of Economic, Environmental and social responsibility.

Since our inception we have tried to proactively identify and manage risks and hence we have been in a better position to seize opportunities. This applies to managing sustainable development opportunities and risks as well. We have considered these opportunities and risks as part of an existing risk strategy and approach, rather than as a newly created layer of risk management focusing specifically on sustainability issues. Integrating sustainable development opportunities and risks into our existing framework and strategy has allowed us to have a better understanding of their relationship to the organization's business goals and other activities.

<i>Event/Situation</i>	<i>Challenge</i>	<i>Mitigation</i>
Boom in the construction industry in the short to medium term	Expansion of the business in terms of financial resources, human resource and machinery is needed to grab the new business	Private placement of 180 million shares worth Rs. 4.5 billion, since the organic growth is insufficient to meet the requirements for financial resources;; investment in building capacity in the short to medium term, mainly through procuring of plant and machinery and development of human resources with Corporate Management level representation
Unfavourable political and economic changes	Since the prospects of the construction sector are closely linked to Government policy on infrastructure development and prospects of the property sector closely follows the economic conditions, adverse political and economic conditions can dampen the progress of the Company	Highly skilled staff who continuously monitor the political and economic development of the country and the reactions in the industry in response to these developments and make informed decisions on future actions
Exposure to increased competition in the future	We face fierce competition from both local and foreign competitors for construction business	Strong reputation of the Company as an established player in the industry with a proven track record and the highest level of certification / accreditation for quality of service; moving into niche markets such as design and build projects, Public-Private Partnerships, hydropower generation and leisure sector
Uncertainties with the procurement of business and delayed payments	Issues of availability of funding to implement infrastructure projects; delayed payments leading to uncertainties on the procurement; payment for completed work of existing projects	Strong partnership with the foreign partners who are capable of providing a total solution to the project; long-established relationship with state agencies; strong balance sheet and working capital
Construction and development delays and cost overruns	Delays experienced during the implementation stage of development projects and price fluctuations of key inputs are likely to have an adverse effect leading to delays and cost overruns	Skills to anticipate and successfully mitigate adverse conditions which can cause delays in project implementation

Environmental issues and challenges

<i>Event/Situation</i>	<i>Challenge</i>	<i>Mitigation</i>
Environmental regulations	New environmental regulations can impose restrictions on the operations of the Company, especially involving natural resources and waste management	Compliance with such regulations are considered at design stage
Availability and cost of raw materials	With the depletion of natural resources such as sand and metal, sourcing such items are becoming more and more difficult and the price is also increasing	Diversion into alternate materials and carrying out research and development to come up with methods for recycling some these materials and also to come up with new options
Impacts of climate change	With the changes experienced in climate patterns, we can expect floods, land-slides, droughts, etc. which may damage or delay construction activities	Proper planning of activities to avoid having to face such events; sufficient insurance cover to reduce risk; long-term environmental initiatives to mitigate climate change

Social issues and challenges

<i>Event/Situation</i>	<i>Challenge</i>	<i>Mitigation</i>
Lack of competent employees in the labour market	There is a dearth of suitable employees in all areas, from competent managers to skilled workers which compromise the quality of work	Strengthening the training and development activities; building our own pool of prospective employees through trainee and apprenticeship programmes; establishing a training school to supply the industry with suitable employees
Loss of key employees	Loss of key employees can lead to decline in quality of service, incurring additional cost for replacements and even loss of business	Provision of highly competitive remuneration package, which will be set above the industry norms following a salary survey; provision of extensive training and development opportunities; improvement of all HR policies and practices; gift of company shares to employees
Protection of employee rights	With the rapid expansion of construction activities into rural underprivileged areas, there is a possibility of child labour and forced labour Ensuring the protection of basic human rights and provision of a respectable work environment for workers employed by the subcontractors and suppliers	Strict enforcement of employee rights procedures in all projects; education of the project staff on the possibility of violation of rights and action to be taken Constant monitoring of the activities of the subcontractors/suppliers through performance reviews and audits; education of the subcontractors/suppliers on the requirements of upholding human rights



Stakeholder Engagement

We believe that the value of our Company is implicated by the quality of our relationships with internal and external stakeholders, which are maintained through a process of informing and making decisions in conjunction with these different stakeholder groups. Our ability to communicate effectively with the key stakeholders has been critical to our success thus far and will also be critical to our long-term success. Discussions with stakeholders have helped us to highlight particular interests and concerns and also to be better at anticipating issues and dealing with them proactively. Since our economic, environmental, and social performance have been aligned with strategic aims and objectives, rather than simply react to external pressure, efficient stakeholder engagement has lead to broad business and sustainable development benefits that clearly outweigh the effort required.

The benefits of integrating stakeholder engagement at the strategic level have included pooling of resources that can help all parties to gain insights and knowledge, solve problems, and reach goals and targets that none of them could reach alone. With regard to sustainability, advantages of effective stakeholder engagement have been to align with and capitalize on stakeholder values, pre-empt stakeholder action, sustain the value chain and capture operational efficiencies

<i>Stakeholder</i>	<i>Concerns</i>	<i>Mode of engagement</i>
Board and Corporate Management Team	Developing commonly shared understanding of sustainability performance that may be important to the company, the needs and expectations of various stakeholder groups and dimensions of performance	Upward communication of Company performance through periodical reporting; sharing of feedback from other stakeholders; Monthly Corporate Management meetings
Investors	Determining the risk inherent in, and return provided by, their investment in the Company	Maintaining cordial relationships with open communication
Lenders	Determining the risk factors associated with the Company's business practices	Maintaining cordial relationships with open communication
Employees	Judging if the Company is a stable employer and a respected corporate citizen; information about levels of remuneration, retirement benefits and the nature and extent of their employment opportunities	Periodical management-employee meetings; 'open-door' policy where employees have ready access to the management; performance evaluations
Government and regulators	Regulating the activities of the Company and determining policies regarding competition, taxation, the environment, consumers and social affairs	Maintaining cordial relationship with all relevant statutory bodies; providing timely feedback through submission of reports, etc.
Customers	Judging the continuing prosperity of the Company; understanding the values and attitudes that underpin the activities of the Company; knowing whether the products they are buying are environmentally and socially friendly	Project oriented progress review meetings; publication of Annual Reports, including sustainability reports; web site
Suppliers	Understanding the risks and opportunities that may affect their businesses	Continuous subcontractor/supplier evaluation; regular progress review meetings; provision of training and sharing information for their improvement; publication of Annual Reports; web site
NGOs	Understanding Company's values, principles, attitudes, performance and goals	Publication of Annual Reports; web site
The public	Knowing the Company's performance in providing employment opportunities, sourcing inputs from local suppliers and supporting community projects; evaluating the Company's environmental performance	Regular meetings with local communities; identification of community issues and providing solutions; working in collaboration with the communities; publication of Annual Reports; web site

Reporting Principles

This sustainability report covers the financial year 2010/2011. This is the first dedicated sustainability report published by AEL and as such there are no previous reports. An annual reporting cycle has been adopted in presenting this report.

The main purpose of this Sustainability Report is to provide means of communication and engagement between the Company and our stakeholders. From a stakeholder perspective, the publication of this report will provide an avenue to benchmark and assess our performance with respect to laws, norms, codes, performance standards and voluntary initiatives. This report also demonstrates how the company influences and is influenced by expectations about sustainable development.

The objectives of this report include demonstrating transparency; creating financial value; enhancing reputation; achieving continuous improvement; improving regulatory compliance; strengthening risk awareness and management; encouraging innovation; enhancing management systems and decision making; motivating and aligning staff, and attracting talent, attracting long-term capital under favourable financial conditions; and establishing competitive positioning and market differentiation.

In preparing this Report, utmost care has been exercised to adhere to the basic reporting principles of balance, comparability, accuracy, timeliness, clarity and reliability. The Report is arranged into six major sections – economic contribution, the environment, employee relations, community relations, product responsibility and looking to the future. The report meets the requirements of a 'C' level report according to GRI (G3) guidelines. Currently this Report is neither checked nor assured by a third party, but action will be taken to obtain third part assurance for subsequent reports.

This report covers only the sustainability issues addressed by AEL. Access Realities Ltd (ARL) became a fully owned subsidiary of AEL only in March 2011. Since the industries ARL and AEL operate considerably differ in nature reporting aspects are not compatible among the two companies. Due to the above mentioned reasons sustainability issues pertaining to ARL are not covered in this report. However measures will be taken to include the issues of ARL in the sustainability report of 2011/2012.

During the financial year concerned there was one Joint Venture (JV) agreement for which AEL was a party. However this JV contributed only to 1.19% of the total revenue of AEL and as such it is not included in this sustainability report. For the sustainability issues relating to any Joint Venture (JV) to be included in the sustainability report of AEL, the contribution of such JV to the total turnover of AEL must be more than 5%. This threshold has been accepted by the management of AEL as a reasonable and a fair basis in determining the materiality of a JV.



Economic Contribution

"Wealth, like happiness, is never attained when sought after directly. It comes as a by-product of providing a useful service."

~ Henry Ford ~



An organization's economic performance is fundamental to understanding the organization and its basis for sustainability. The economic dimension of sustainability concerns the organization's impacts on the economic conditions of its stakeholders and on economic systems at local, national, and global levels. This section illustrates the flow of capital among different stakeholders and the main economic impacts of the organization throughout society. However, most of this economic information is already well reported in our financial accounts

and reports. Here we enumerate our contribution to the sustainability of the economic systems in which we operate. Given the fact that an organization may be financially viable even by creating significant externalities that impact other stakeholders, we have identified some economic performance indicators that are intended to demonstrate the economic outcomes of the organization's activities and the effect of these outcomes on a broad range of stakeholders

Rs. 2,836m
Total economic value distributed in
2010/11

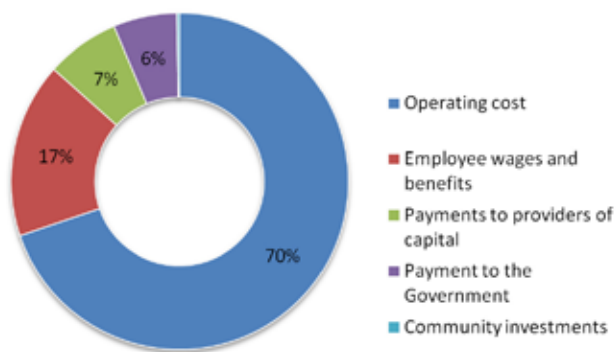
Direct Economic Contribution

The direct economic contribution of our operations manifest through the immediate consequences of monetary flow between the organization and its stakeholders. Data on the creation and distribution of economic value, as indicated in the table below, provide a basic indication of how the organization has created wealth for stakeholders. Several components of the table also provide an economic profile of AEL, which may be useful for normalizing other performance figures.

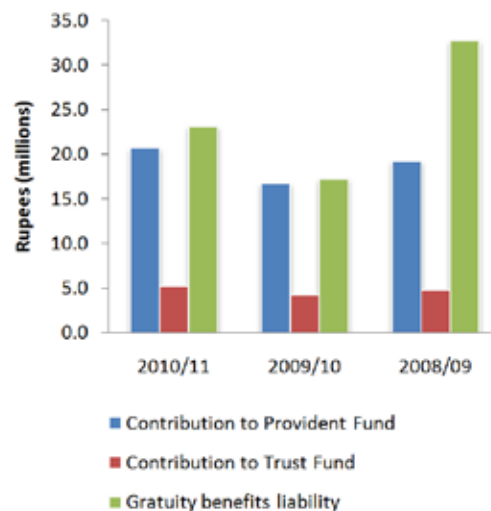
"Data on the creation and distribution of economic value provide a basic indication of how the organization has created wealth for its stakeholders"

Component	Description	2010/11	2009/10	2008/09
Economic value generated		3,518.0	3,032.5	3,384.7
Economic value distributed				
Operating cost	Payments to suppliers, non-strategic investments, royalties, and facilitation payments	1,979.2	1,695.0	1,832.1
Employee wages and benefits	Total monetary outflows for employees (current payments, not future commitments)	476.7	422.0	443.9
Payments to providers of capital	All financial payments made to the providers of the organization's capital	200.0	186.0	50.0
Payment to Government	Gross taxes	173.6	144.3	131.3
Community investments	Voluntary contributions and investment of funds in the broader community (includes donations)	7.0	3.8	11.1
Total Economic value distributed		2,836.6	2,451.2	2,468.5
Economic value retained		888.7	699.7	957.5

Economic value distributed in 2010/11



Coverage of benefits plans



Employee wages and benefits

Right from the beginning, the philosophy of AEL has been to pay the employees above the market norms and statutory requirements. As per the salary and benefits survey carried out through KPMG Executive Search (Pvt) Ltd, the monetary benefits of all the 17 job designations surveyed were found to be above market average, in some cases by over 35%. As far as the employees falling under the purview of Wages Boards Ordinance are concerned, the company minimum wage is 17.6% to 26.5% above the minimum specified in the applicable Wages Board decisions.

AEL has aligned employee rewards to organizational performance and has provided superior rewards to superlative performers with the 'reward for performance' culture that has been created. This reward scheme has led to increased productivity and better performance, greater employee recognition and consequently better rewards and the alignment of employee, management and stakeholder interests.

In addition to the current payments, employees are eligible for Employees' Provident Fund (EPF) contribution according to the terms of the Employees' Provident Fund Act No. 15 of 1958 and its subsequent amendments and for Employees Trust Fund according to the terms of the Employees' Trust Fund Act No. 46 of 1980 and its subsequent amendments. Employees are also entitled to retirement gratuity payable under the Payment of Gratuity Act No. 12 of 1983.

Payment to providers of capital

Subject to the provisions of the Companies Act No. 7 of 2007 and the Articles of Association of AEL, the actual amount and timing of dividend payments on the Ordinary Voting Shares of the Company is recommended and approved by the Board of Directors of the Company. The dividend policy of the Company is based on a number

of factors, including but not limited to the Company's earnings, cash flow position, future investments and funding of growth and the maintenance of a sound and efficient capital structure and any other factors where the Board of Directors may deemed relevant. During the last three years, there has been a steady growth in the dividends paid to the shareholders, substantiating the sustainability of the Company.

Payment to Government

The company is liable to Income Tax at the concessionary rate of 15% on construction income and 35% on other income. Further during the year the Company has paid Economic Service Charge (ESC) at the rate of 0.5% on its liable turnover on construction activities and at the rate of 1% on its liable turnover on other business. In addition, the Company has made a contribution of Rs. 8.6 million to the Construction Industry Guarantee Fund (CIGF).

Community Investment

During the year under review, two main themes governed our community investments, namely uplifting the differently-abled community and facilitating the recovery of the war-affected communities. Apart from these two main themes, another Rs. 4.4 million was given away as donations for various causes. With the strengthening of the Corporate Sustainability Team, it is expected to carry out more focused and beneficial community investments in the future.

Indirect Economic Contribution

Indirect economic contribution is an important part of AEL's economic influence in the context of sustainable development. Since most of our projects are in the sphere of infrastructure development, there is invariably a huge economic contribution through our operations. The infrastructure development projects have been designed to maximize the economic impact to the local communities and on the country as a whole. With the valuable inputs from our Design Team, we have

engaged in a continuous dialogue with our clients and developers to propose ways and means to maximize the positive economic impacts and to minimize the negative ones. Also with the numerous opportunities we have got to work in underprivileged communities we have been able to play an important role as a participant in socio-economic change.

<i>Sector</i>	<i>Projects handled in 2010/11</i>	<i>Indirect economic impacts</i>
Roads and Highways	Trincomalee Integrated Infrastructure Project	Assist the rehabilitation effort of the Trincomalee area which has been subject to natural disasters for many years and also help the economic and social development of the region
	Jaffna-Kankasanthurai Road	Form part of a larger transport network connecting key economic hubs in the northern part of Sri Lanka and will aid in the recovery and economic growth of the war torn region of the country
Water and wastewater management	Batticaloa Water Supply Project	Provide water to nearly 85% of the population of Batticaloa town and its suburbs
	Walawe River Salinity Barrier Project	Facilitate provision of good quality drinking water to the recipients
Ports and marine structures	Colombo Mega Port – Phase III	Turning Colombo Port in to a Mega Port will result in huge economic advantages to Sri Lanka, especially from the US market
Flyovers and bridges	Aruvi Aru Bridge	Uninterrupted mobility for people living in Arippe in either side of Malwathu Oya
	Sangupiddy Bridge on Mannar-Pooneryn-Karativu Road	Open a more convenient and quicker access path between the mainland and the Jaffna Peninsula
Pilling	500 Housing Units at Dematagoda	Assist in providing houses for shanty dwellers and also help to liberalize prime land currently occupied by them
Telecommunication	Islandwide Optical Fibre Backbone Network Project	Enhance transmission of data capacity, bandwidth strength and deliver services beyond Colombo city area



Market presence

During the last year, we have carried out construction work in the Northern and Eastern Provinces, where the economy is just recovering from the 30-year civil war. By securing these projects we have been able to contribute immensely to the economic development of the areas. Apart from the projects themselves having tremendous positive economic impacts as mentioned above, we have been able to uplift the economic condition of the residents of these areas by providing employment and opportunities to provide other services for construction activities.

With the expansion of our operations to remote locations of the country, recruitment from local communities have become a priority, both for the benefit of the Company (due to savings on accommodation and transportation) and the local community (through generation of employment opportunities for local professionals and craftsmen who can contribute back to their communities).

Another way in which we exercise our economic discretion, for the good of social and environmental considerations, is through our supply chain. With the increase in construction projects in rural areas, we have made a conscious effort to purchase material from local sources. By supporting local business in the supply chain, we have been able to indirectly enhance the investment in the local economy. We have identified local sourcing as a strategy to help ensure supply and to support stable local economy. As the value of purchases of materials and products increases from local, under-developed sources, basic social and environmental auditing of prospective suppliers has allowed us to influence their performance and aspirations.



The Environment

*"We do not inherit the earth from our ancestors, we
borrow it from our children."*

~ Native American Proverb ~



By its nature, construction has the potential to create negative impacts on the natural environment when not actively managed. The construction industry is one of the major users of natural resources with around 50% of all global resources going into the industry and around 70% of all timber being used for buildings. On top of that the industry create the most CO₂ emissions, create the most waste, use most non-energy related resources, and is responsible for the most pollution. With this understanding, AEL recognizes the significance of making the environment issues a priority in carrying out its business activities while discharging its responsibility to customers, employees and the general public in order to minimize environmental impacts.

Environmental Management System

AEL is the pioneer engineering company in Sri Lanka in adopting a formal Environmental Management System (EMS) and obtaining ISO 14001:2004 certification back in September 2009. Gaining the certification involved carrying out a stringent but comprehensive analysis of all its systems and procedures. The EMS is being continued with the same vigour and enthusiasm and was subject to a surveillance audit by the certifying body Det Norske Veritas (DNV) in March 2011. The audit revealed only one minor non-conformance and no major non-conformances. The non-conformance has been corrected immediately and corrective and preventive actions have also been carried out.

Our commitment to environment did not stop at modelling and gearing ourselves to address environment concerns through implementation of ISO 14001:2004. For example, the Company prepares Environmental Compliance Plans for all major projects and environment aspects are managed as per these plans during execution of construction works. Environmental Rehabilitation Plans are drawn up to ensure that the environment is restored in the best possible way following quarry operations. These plans carefully consider the concerns of the localities and specific activities carried out in these projects in addition to concerns addressed by ISO 14001:2004

Environmental Policy

Access Engineering Ltd. recognizes that in carrying out its activities it has a responsibility to customers, employees and the general public to minimize environmental impacts.

The environmental policy of Access Engineering Ltd. is to:

- Ensure compliance with all applicable legal and other requirements, which relate to its environmental aspects
- Promote environmental awareness and commitment to the policy amongst all employees and stakeholders through training and communications to encourage suppliers and subcontractors to apply sound environmental principles
- Avoid the wastage of materials, water and energy by paying careful attention to their efficient use
- Prevent pollution and minimizing environmental disturbance from the activities carried out by the Company
- Apply continual improvement by reviewing the environmental aspects related to activities by setting appropriate targets and objectives for improving performance



"Our commitment to environment did not stop at modelling and gearing ourselves to address environment concerns through implementation of ISO 14001:2004"



Saving Electricity

With the implantation of the EMS, operational controls were imposed on the use of electricity at the Head Office (HO), Projects Office 1 (PO I) and Projects Office 2 (PO II). Initially, the operational controls included generic actions such as educating the employees on the need for saving electricity and encouraging employees to switch off unnecessary lights,

Encouraged by this achievement, the management set an objective of reducing the electricity consumption by a further 2% by the end of 2010 through the implementation of several management programmes. The management programmes included isolating the board room AC from the central system, dividing the lighting system into several zones with separate switches, installing a power factor correction capacitor, using thermal insulation for roofs, introducing an energy saving/surge protection system, introducing LCD monitors for desktop computers and switching to laptop computers. With the implementation of these programmes, we were able to exceed the target and achieve a 4.0% reduction in electricity consumption.

For the year ahead, we have planned another management programme, to introduce LED bulb systems with structural changes and the usage of AC will be further reduced by adjusting the operational hours.

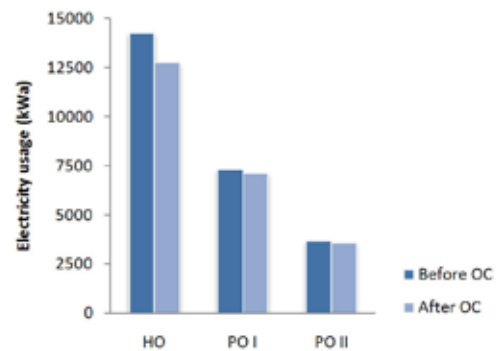
Going Green

The Company has adopted a philosophy of Going Green, which requires every level of the Company to adopt and implement an eco-friendly concept in all standards, systems, processes, and practices used in its construction work. The green initiatives ranged from eco-friendly designs and construction procedures to paper re-use to tree planting.

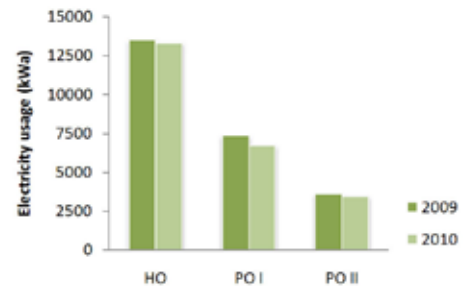
From a design perspective, we have had the opportunity to contribute our expertise in several bridge and building designs for making these projects more environmentally friendly. In the Trincomalee Integrated Infrastructure Project, we designed five major bridges where we used high strength Grade 50 concrete for the superstructure and high strength strands, selected the most economical beam sections and introduced couplers instead of reinforcement lapping in order to reduce the use material, introduced re-usable materials and used locally available resources as much as possible. To control slope erosion we used river bank protection with Reno mattresses and rubble pitching, river training works and Gabion retaining walls. When designing buildings, we have adopted techniques such as multifunctional spaces at intermediate floor levels, maximum utilization of natural ventilation and lighting, 'Passive Solar Building Design', increasing efficiency of lighting systems and AC systems, water conservation and rainwater harvesting.

7.1%
*Electricity saving
through operational
control*

Electricity saving through operational controls



Electricity saving through management programmes



During the year under review, we carried out two construction projects in the dry zone of the country, namely construction of Aravi Aru bridge in the Mannar District and raising of Unnichchai tank in Batticaloa District. The project offices and other facilities had to be located in areas where the temperature reached above 35° C during day time. When designing the temporary facilities, we made a conscious decision to make it as eco-friendly as possible. The natural vegetation of the area was preserved as much as possible by designing the buildings around the existing trees. Many recycled material and waste material were used for the construction. We used natural lighting and ventilation wherever we could to minimize energy usage. Not a single air-conditioner was used in the facilities and even fans were used sparingly. With these actions, were we able to minimize the ecological impact we would have had if we followed conventional methods of building temporary facilities for construction projects.

Most traditional foolproof material used in the construction is concrete. However concrete is not regarded as a sustainable material due to its high energy consumption, polluting byproducts, etc. Realizing this fact and the comparatively high sustainability of steel over concrete due to its low energy consumption, low harmful by products and 100 percent reusability, we have taken steps to promote steel construction in the country. As a part of this sustainable initiative we, in partnership with Mabey Bridge UK, pioneered in bringing prefabricated steel flyovers in to the country. These flyovers were constructed in record time in areas with high density of traffic with minimum disturbance to the movement of daily traffic. Examples are Kelaniya Flyover, Dehiwala Flyover and Nugegoda Flyover. Also, extending the same technology further

530

*Number of trees
planted during
2010/11*

we recently completed the construction of Sangupiddy bridge as a prefabricated steel bridge. As most of the bridge/ flyover components were fabricated outside of the country there was minimum impact to our environment.

Felling of trees is invariably associated with construction activities, especially road widening projects. When undertaking such projects, we exercised our environmental responsibility to negotiate with the client and engineer to workout design changes to preserve trees. In the project for widening and improvements to Padeniya-Anuradhapura road, there were over 200 instances where trees were saved with design changes such as shifting of the center line and diverting the drains. The trees which had to be felled will be compensated by planting new trees along the roadside.



The Head Office had used 2.4 metric tons of paper in 2009 and this prompted us to take some initiative to minimize the environmental damage we are causing by the use of such a huge amount of paper. We initiated two actions in this regard, one was to install a computer software to monitor the number of copies and printouts and the other was to have two copier/printers using exclusively used paper. By re-using paper for copying and printing, we have been able to save 472 kg of new paper.

The tree planting programme continued during the last year as well with 530 trees including mango, kumbuk, mahogany, naa, teak and halmilla trees being planted at various locations which brings the total to over 6,000 trees. This year tree plantations were carried out at Rattanapitiya Maha Vidyalaya, Ratmalana Technical College, Pannipitiya Doowa Temple, Bokundara Dhamma Samadhi Temple, Attidiya Police Academy and Modara-Mattakuliya Road.

8 trees
15,000 litres of water
1,890 Kwh of electricity
828 litres of oil
1.5 m3 of landfill

Savings by re-using paper for copying and printing



EMPLOYEE RELATIONS

*"Treat people as if they were what they ought to be, and
you will help them become what they are
capable of becoming."*

~ Goethe ~



Human Resource function of AEL is decentralized with a manager functioning at head office whilst a dedicated HR manager functioning at each of its project offices. The human resource policy of the Company is built with a view of recruiting the right person for the right job, equipping the individual with the appropriate tools and skills for optimum performance while rewarding and recognizing their excellence. We believe that this policy will allow the best people to produce their best work under the best conditions.

Employment

AEL is committed to develop and maintain personnel policies and procedures that are in compliance with applicable labour laws and regulations and administer them in a consistent and impartial manner. These policies and procedures are designed to enhance the relationship between the Company and its employees and subscribe to the mission of the Company.

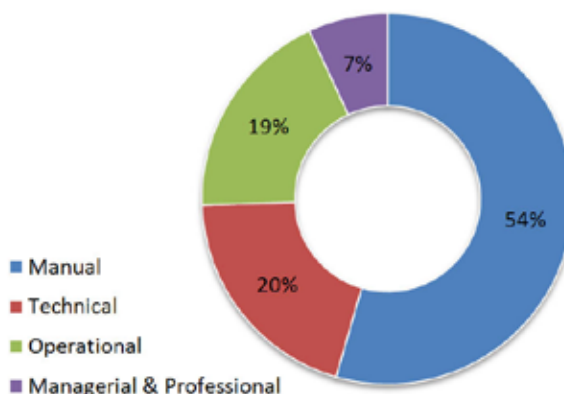
As at March 31, 2011 the total staff strength of AEL amounted to 1628 employees, of which almost 40% were in the technical and operational categories which epitomize our policy of transferring the responsibilities down to technical and operational levels

We consider staffing to be the critical step in our HR process. The main aim for having a sound recruitment and selection policy is to attract employees who demonstrate potential through relevant skills and experience who can make a positive and valued contribution towards the work of AEL. Every individual appointed is selected on merit and we are committed to being an equal opportunities employer who values its staff and others who come into contact with it, irrespective of gender, marital status, sexuality, race, ethnic or national origin, political or religious belief, disability or age. In all of our recruitment and selection procedures, we ensure that there is no discrimination, either direct or indirect.

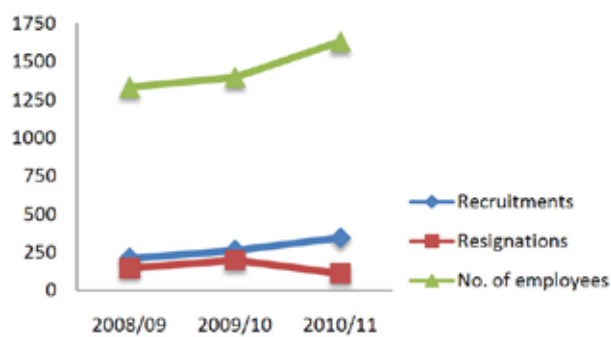
Net employment fluctuation, evidenced by data over the course of several years is an important indicator of the organization's contribution to the overall economic development and sustainability of the workforce. Over the last three years, there has been a gradual increase in net employment – 4.9% in the year 2009/10 and 16.6% in the year 2010/11.

Another indicator we closely monitor is employee turnover. A high employee turnover can indicate levels of uncertainty and dissatisfaction among employees, or may signal a fundamental change in the structure of the organization's core operations. An uneven pattern of turnover by age or gender can indicate incompatibility or potential inequity in the workplace.

Employee strength by job category



Employee movement for the last three years



Inherently, the turnover rate is high in the construction industry due to several reasons – inherently transient nature of the workforce, migratory nature of the workstations, employment opportunities abroad, influx of international contractors who pay high salaries for a short duration, etc.. Most of these reasons are beyond our control. Yet, we have been able to maintain employee turnover in single digit at 6.8%, a significant improvement from 10.9% in 2008/09 and 14.6% in 2009/10. Our turnover rates are well below the industry average of 20-30%, which is testimony to the effectiveness of our work ethic based on responsibility, authority and accountability.

Performance Management

Performance evaluation of staff is carried out through periodic review and annual appraisals which gives a comprehensive feedback on their performance, matched against target and real output. AEL has a well established rewards structure to recognize the achievements of its staff who portray excellence during their employment and execution of skills.

Training and Development

All personnel recruited by AEL are given a proper induction, which explicate the code of ethics and working standards of the Company. A high level of integrity is considered to be of prime importance in conducting business activities and is strongly embedded into the corporate culture of AEL.

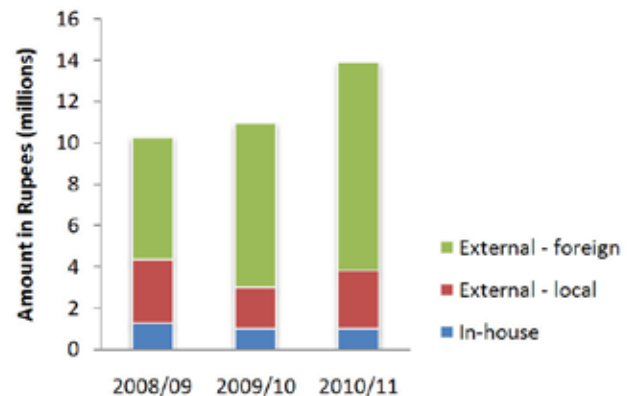
AEL places a high importance in training its staff which requires development of skills and competences that have been the springboard in enhancing performance. The training calendar is designed annually by the HR division, chartered using the training and development requirements of each division and matched against the projects in hand and future projects envisaged, with the skills and knowledge required for optimum performance. In addition, team members are given the opportunity to participate in relevant external seminars, workshops and training programmes both local and overseas to whet their respective skills. During the financial year 2010/11, we have spent Rs. 13.8 million on training, which is an increase of 26.7% from the previous year, again indicating our commitment to employee development.

During the year in focus, we have focused mainly in uplifting the knowledge and skills of the operations staff, whom we believe is the core of our efforts to drive ahead in the industry. On average, the staff categories have received 5.9 hours of training per employee while the non-staff categories have received 1.1 hours. We have identified that there is scope for improvement in providing training and development opportunities for employees and several targetted actions will be taken in the future to address this issue.

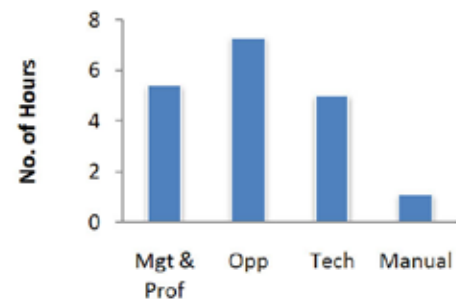
Rs. 13.8 million

**Training expenditure
for 2010/11**

Training expenditure



**Training hours per
employee per year**



Being a knowledge based entity, AEL continuously strives to contribute in creating a knowledge gaining culture by encouraging team members to pursue higher studies and professional qualifications, which the Company sponsors, as it adds value to the pool of knowledge available within the Company for it to draw upon.

Job rotation is one of the key methods adopted by AEL for the professional development of the employees. In order to create a workforce with multiple competences, the employees are provided an opportunity to change over to new areas of operation at regular intervals. During the last three years, there have been 52 instances of job rotation, which have given the employees opportunities to enhance their competences while identifying hidden talents and also to move into jobs which would give them a higher level of job satisfaction.

Career development is another primary tool for engaging the workforce and at AEL we have continuously looked at providing the employees with opportunities for career development and growth within the organization. There has been a steady increase in the number of promotions granted to the employees and in 2010/10 the figure stood at 38, which is one promotion for every 20 employees during the year.

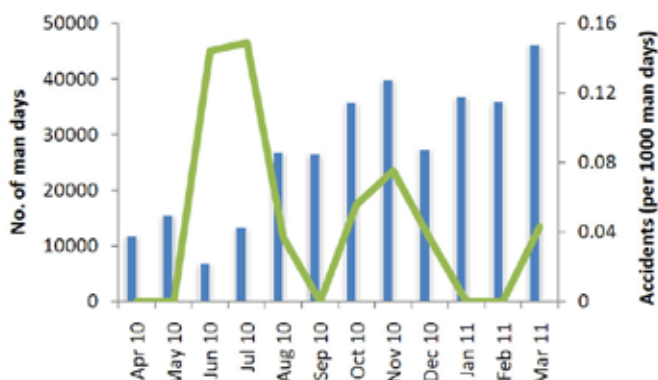
Health, Safety and Welfare

As a Company operating in the construction and infrastructure development arena, AEL provides and maintains a high standard of health and safety for all its employees and general public who may be affected by the operation, in accordance with the applicable health and safety regulations and safety manual of the Company. Health and safety training has been provided to create awareness, whilst sharing information, supervision and maintaining preparedness to meet health and safety emergencies are some of the policy initiatives taken to ensure a safe and healthy working environment at all project offices and sites.

0.04
*Number of accidents
 per 1,000 man days
 during 2010/11*



Work-related accidents



Staff welfare in AEL is given high priority with an expenditure of Rs. 7.3 million during the year under review. The practices are periodically reviewed in order to uplift the quality of work life of its human resource. Life insurance covers, comprehensive medical covers and annual trips are some of the welfare facilities available to our employees and their families.

The Head Office staff made their annual trip to Sigiriya for three days in October. During these three days, the staff engaged themselves in various activities, including playing cricket, swimming and taking part in a wildlife safari. The Projects Office staff made their annual trip to Nuwara Eliya for three days in November. During the stay, the staff visited the Upper Kothmale project and hiked a nearby mountain. These events have provided the opportunity for the employees to unwind after period of physical and mental exertion and also to develop a stronger relationship with fellow employees.

The Annual Access Christmas Carnival was held in December at the Havelock Grounds. This event was a fun filled moment for all the families of AEL which brought tremendous joy to the kids as well as to the adults alike with its colourful carnival atmosphere and many unlimited joy rides such as roller coaster, bouncer, flying saucer etc. made every one thrilled to bits.

Sharing the Ownership

AEL added a new chapter to Sri Lanka's corporate history by gifting 120 million shares worth Rs. 3 billion among over 1000 employees of the Company. For the first time in history a private company came forward to gift shares to its employee free of charge. There had been instances where the Government had gifted shares to employees during privatization, but this is the first instance where a private company has done so.

This has been done in a very equitable and transparent manner taking into consideration the basics of remuneration and profit-sharing practices adopted in the past. The shares were awarded to the employees after categorizing 50 managers and assistant managers into 11 categories, 235 executive staff into 14 categories, 94 clerical staff into four categories and 727 support staff into three categories. The gifting of shares will contribute to make over 250 of our employees millionaires and multimillionaires, not to forget over 750 of others who will also benefit in varying amounts, which will result in an enormous improvement in their economic status.

Even though this is called a gifting of shares, in another sense this is actually more than just a gift. This is the way we say thank you to those who worked tirelessly to bring AEL to where it is today. This also is an incentive for staff who joined the Company during the last few years to commit themselves for a brighter future in the Company with a sense of ownership.

Employee Rights

Anti-discrimination policy is a key requirement of international conventions and social guidelines and we have fully endorsed to such conventions and guidelines. At AEL we define discrimination as the act and the result of treating a person unequally by imposing unequal burdens or denying benefits rather than treating the person fairly on the basis of individual merit. An effective monitoring system has been established to ensure compliance throughout the organization's operations. The guidelines are provided through the Code of Ethical and Working Standards and the need to have a fair and equal treatment for all employees is emphasized at appropriate forums.

The abolition of child labour is a key principle and objective of major human rights declarations and legislation and AEL fully support the concept. Since the presence and effective implementation of policies on child labour are a basic expectation of socially responsible conduct, we have identified some operations that have a risk of child labour and have taken precautionary measures to prevent such occurrences. The quarries, crusher plants and road construction projects have a risk of child labour, not due to our intentions, but due to the poor economic conditions and unemployment prevalent in the areas. We have provided explicit instructions to the managers of such operations to check official identification to ascertain the age before deployment.

Not to be subjected to forced labour or compulsory labour is considered a fundamental human right which is also a provision of the UN Universal Declaration of Human Rights. AEL strictly condemns the use of forced/compulsory labour. Our employees may be required to perform reasonable overtime in order to fulfill customer requirements. The Company adheres to the law of the land, concerning labour which automatically sets limits on the working hours of the employees. We have identified that the construction projects nearing completion, especially during the last three months, carry the risk of forcing the employees to perform longer hours against their discretion. The heads of Project Offices are instructed to monitor the total working hours of the employees to ensure that they are not worked beyond reasonable limits and they get adequate rest between workshifts.

COMMUNITY RELATIONS

"Philanthropy is commendable, but it must not cause the philanthropist to overlook the circumstances of economic injustice which make philanthropy necessary."

~ Martin Luther King, Jr ~



Further to the construction projects undertaken by us, we have engaged in self-initiated projects that contribute to the economic development of communities at both local and national levels. These projects are often initiated by the project management teams and supported by the project offices and the head office. In order to maintain equity and transparency in community projects, they are reviewed by the Corporate Sustainability Team. During the year in review, two main themes governed our community development projects – uplifting the differently-abled community and facilitating the recovery of the war-affected communities.

Differently-abled Community

Daya Mina Centre for Differently-abled Children

We designed and constructed a playground with a pavilion and donated it to differently-abled children at the Daya Mina Centre for Differently Abled Children at Embuldeniya, Nugegoda in February 2011. Daya Mina is a day center for young girls and boys and currently has attendance of over 40 students from the Colombo district. It offers educational facilities for the mentally challenged children as well as opportunities for them to participate in art, handicraft and life skills. The playground will bring about an enormous benefit to the children at Daya Mina since they did not have a place for their sporting activities



The Ceylon School for the Deaf and Blind

We also contributed in many ways to the Ceylon School for the Deaf and Blind, Ratmalana. This is the foremost institute catering for the education of the deaf and blind children in the country. The School looks after about six hundred impaired children, providing them an education, vocational training, food and lodging, healthcare and recreational facilities. During the last year, we have made donations for the provision of hearing aids for hearing impaired children and meals for the sight impaired children.



"Two main themes governed our community development projects - uplifting the differently-abled community and facilitating the recovery of the war-affected communities."



War-affected Communities

Madukaraya in Mannar Divisional Secretariat

The civil life is just picking up in the war-affected areas in the Northern and Eastern Provinces. One of the critical areas in the re-building process is education for the children. With a ravaged infrastructure and a depleted economy, the children are finding it extremely difficult to get back to any sort of normalcy. Understanding the sustainability impact of education in these areas, we undertook a project to facilitate school education of the war-affected Mannar Divisional Secretariat by distributing school items to selected students of the area. The programme was held at Madukaraya Village on 09th July 2010, with the patronage of Rear Admiral A.R. Amarasinghe, Commander North Central Naval Area. School items worth of Rs. 465,000.00 were distributed among 310 students from four schools - Madukaraya Maha Viddiyalaya, Murunkan Viddiyalaya, Pariharakandal Viddiyalaya and Nanaddan Viddiyalaya. The short-term objective of the project was facilitating the efforts to bring the children back to school and the obvious long-term objective was raising the living standards of the community.



Chennaiyoor and Mawadichchenai in Verugal Divisional Secretariat

During the heavy rains experienced during January this year, many areas in the island were affected by floods. When planning our contributions towards flood victims, Northern and Eastern Provinces were our main focus. On 21st January 2011 we organized a programme to distribute dry foods and water among flood victims living in Chennaiyoor and Mawadichchenai villages in Verugal Divisional Secretariat. There was no access to those villages due to inundation of A15 and B10 roads. The project staff of A15 Road Rehabilitation Project took the initiatives to distribute the items with the help of the Army and assistance of the Divisional Secretary. We were the first relief team to reach the area due to the difficulties in transportation. We distributed a pack of dry food worth Rs. 1,000.00 and a bottle of water to 225 families.



P PRODUCT RESPONSIBILITY

*"Quality in a service or product is not what you put into it.
It is what the client or customer gets out of it."*

~ Peter Drucker ~



At AEL, maintaining high standards for our product responsibilities (including both goods and services) is the governing principle across all our operations. Since we involve in engineering operations across the whole spectrum, from designing through design and built to construction, our actions to realize product responsibilities have far reaching consequences.

As a contractor, most of the time we are required only to follow designs given by the designer (Architects, Engineers) and to produce an end product that will fit for its intended purpose. To ensure that our operations and products do not harm users, either directly or indirectly, we always have a strong communication/dialogue with the designers. As a responsible contractor we are always aware of our duty to alert the designer if the specifications or designs are not in accordance with current industry practices and standards. Furthermore, our construction activities are carried out with strict compliance with international

standards including British Standards (BS), American Standards, Australian Standards and Indian Standards. Also we comply with Sri Lankan Standards (SL). Thus, when it comes to product responsibility we operate diligently to ensure that the ultimate product has met designer's requirements as well as the fitness for purpose.

Designing aspect of our operations is carried out by a designated Design Division which was initially established to cater to the in-house design requirements while carrying out construction projects. The establishment and development of the Design Division has equipped us with the competence to move into stand-alone design projects and to seize the opportunity of the recent shift in the construction industry from construction contracting to design and built projects. We have swiftly and effortlessly moved into these new markets which has opened the doors for a new business unit.

This has created new challenges with regard to product responsibility. We have strengthened our Design Division and at present the engineering team of the Division encompasses Chartered Engineers, Chartered Architects and Engineers. The team is reinforced by an experienced advisory consultant in the field of structural designs. With the recent expansion and development of the Division, it has acquired the capability of handling many types of civil and structural designs, utilising the most advanced and modern design software for structural and foundation analysis, and advanced drafting software to produce engineering drawings. In an attempt to ensure product safety, we always seek second opinions from a third party which include University academics and other consultants.

"The realization of our product responsibility is rooted in having developed several core competencies, which not only has enabled us to execute our duty as a responsible corporate citizen, but also to be a formidable player in the civil engineering space in Sri Lanka."



Procuring of Business

Product responsibility starts from the point of procuring of business. During its short span in existence, AEL has been able to procure and execute a significant amount of infrastructure related civil engineering projects in Sri Lanka in diversified sectors either on behalf of Government of Sri Lanka (GoSL) or together with third party developers. Procuring of business by AEL in relation to construction, improvements and completion of infrastructure projects directly sourced by the GoSL takes place through a transparent tender process by the respective authorities. Depending on the scope of construction, specialized nature of project, stipulated timeframe and project funding, AEL would participate in the bidding process either individually or jointly with internationally reputed construction companies specialized in the respective fields of construction.

In addition to the above method of procuring business, AEL works with third party developers who have already secured infrastructure development projects from the GoSL or authorities, in the capacity as JV partners. In most instances these third parties involved are leading foreign contractors/developers who have the expertise and experience in their respective fields. Over the years, AEL through JVs and strategic alliances has been able to develop a strong relationship with leading foreign contractors/developers who have carried out infrastructure projects in Sri Lanka. In some instances, AEL has been responsible for introducing these parties to Sri Lanka, and hence has a continued relationship and a sound understanding with regard to the working arrangements, which would enable the Company to secure business of these parties on a preferential basis.

Participation of AEL in most of the mega road developments, bridge constructions, flyover construction, water supply and port development projects undertaken in the recent past has been through JVs, mainly collaborating with leading contractors from China, Malaysia, UK etc.. These JVs have given the opportunity for AEL to demonstrate its capabilities and reliability as a JV partner in executing some complex projects. It is believed that the expertise gained through the working relationship with these JVs would enable AEL to procure construction work of major infrastructure projects in the future, while internalizing product responsibility in a broader sense.



Core Competencies

The realization of our product responsibility is rooted in having developed several core competencies, which not only has enabled us to execute our duty as a responsible corporate citizen, but also to be a formidable player in the civil engineering space in Sri Lanka.

Competent Workforce

The Company has an experienced corporate management team who has extensive expertise in their respective domains. The corporate management team of AEL is committed to attain sustained value creation for its stakeholders through effective structures and processes within the Company. The experience and professionalism within the team has been the catalyst in integrating the core competencies into strategic partnerships which enables AEL to capitalize on future market opportunities.

In addition to the management team, AEL possesses a qualified and trained workforce who has mastered the operations in respective service divisions. This skilled resource of the Company possesses the requisite expertise and experience in the use and handling of modern construction equipment and machinery. Skill sets of employees provide the Company the flexibility to adapt to the needs of its clients and the technical specifications of the various projects undertaken by AEL.

Quality Assurance

The Company is committed to ensure high quality in deliverables to its clientele. In attaining the requisite quality, it endeavours to maintain an experienced human resource base and the latest construction equipment portfolio in its operations. Our work quality is governed by a Quality Management System (QMS) which is in accordance with ISO 9001:2008 standards, where quality assurance procedures are strictly followed. The quality policy of AEL focuses on facilitating high quality civil construction services with effective, efficient and innovative solutions. The Company adheres to stringent measures to ensure effective quality control including creation of quality standards, their implementation and employee training.

The utmost consideration of the Company to its customers, staff, principals, subcontractors, suppliers as well as the society is reflected through the continuous upgrade to its quality management system whilst adhering to the ISO 9001:2008 standards and other applicable regulatory requirements by each of the service divisions of AEL. During the period of reporting, the QMS was subject to two audits by the certifying body,

Modern and Advanced Technology

A key success factor that has driven AEL to procure a successful growth over the years is its technical competency and incessant innovativeness in the infrastructure development field. The Company is known to be in the forefront in initiating and utilizing some of the advanced, modern and comprehensive systems and equipments in the civil construction sector that has strengthened the value engineering arm of the Company through shorter construction period, cost efficiency, increased productivity and enhanced operational capability whilst delivering a better value for its clientele.

Strong Research and Development Focus

The integrated service divisions of AEL endeavour to continuously adapt and respond to the new inventions and standards in civil construction sector. The Company is constantly working with international contractors and consultants to gain knowledge in value engineering and use of more cost efficient techniques in carrying out construction related activities.

DNV of India. The audits revealed only eight minor non-conformances and no major non-conformances, which is testimony to our efforts in maintaining quality of our products and services.

The Geotechnical and Laboratory Services Division of AEL is responsible to ensure the quality control during each phase of construction projects. To further improve the quality of the operations, we are in the process of obtaining ISO 17025:2005 (General requirements for the competence of testing and calibrating laboratories) certification from the Sri Lanka Accreditation Board. The process was initiated in January 2011 and the required documents have been subject to the preliminary audit. The auditors have identified several shortcomings in the documentation and the improved version has been re-submitted for approval. It is expected to obtain certification within this year.



LOOKING TO THE FUTURE

"For tomorrow belongs to the people who prepare for it today"

~ African Proverb ~



Initial Public Offering

Following the successful Rs. 4.5 billion private placement offering of 180 million shares to corporate and high net worth investors and gifting of 15% of shareholding representing a staggering 120 million shares worth Rs. 3.0 billion among the employees, AEL intends to list itself in the Colombo Stock Exchange (CSE) through a Initial Public Offer in early 2012, with the objective of further broad basing the ownership. In evaluating the company's prospects, we believe that the size and magnitude of the company will enable us to be among the top 25 companies in the CSE around the time of listing and moving up over time.

Capacity Building

We will consolidate our premier position in the industry and continue to aggressively seek growth opportunities in the short to medium term in sectors in which we have a proven capability such as roads and bridge construction, ports and related work, water management and civil construction of buildings. In order to avail from impending opportunities in the sector, AEL expects to further invest in building

capacity within the Company in the short to medium term, mainly through procuring of requisite plant and machinery and development of human resources with Corporate Management level representation.

In the future more attention will be given to in-house training of employees. The training plans for the last five years will be reviewed to identify the unmet training requirements that could be provided through in-house training. In order to expand in-house training activities it is proposed to form a pool of trainers from within the Company and provide them with training of trainers (TOT) programme. Another proposal is to establish a web-based 'Knowledge Portal' to collect, store and disseminate knowledge and experience. Finally, the groundwork will be done to establish a 'Training Academy' through which all of the current and future training requirements will be carried out.



Consolidating in Current Markets

With the primary focus of the Government being towards the development of infrastructure in the country, there is a significant potential for the players in the construction industry to contribute to economic development. AEL, being one of the essential players in the construction industry, is expected to play a key role in this movement, due to its vast expertise and capability in handling a multitude of complex projects as demonstrated in the past.

Over the next ten years, development of road network is considered to be the key investment consideration in the infrastructure development sector of the country. The 'Project Pipeline' of the Ministry of Finance and Planning for the period from 2010 - 2012 includes approximately Rs. 269 billion investment for roads and transportation sector.

Currently only 82% of the population in Sri Lanka has access to safe drinking water out of which only 40% has access to pipe borne water. NWSDB has an ambitious investment plan for the next 5 years for water supply and sewerage projects. In line with the 'Millennium Development Goals' of the United Nations, the GoSL has a target of achieving 100% coverage for safe drinking water by 2025. The immediate goal is to reach 85% coverage by 2015. NWSDB has a target to provide pipe borne water for 45% of the population by 2015 and 60% by 2020.



The 'Road Master Plan 2007-2017' of RDA includes the plan for construction of 21 flyovers and rehabilitation and reconstruction of 256 bridges in the country.

With the successful track record of AEL in infrastructure development projects, it is expected that the Company will have a potential to secure some of these projects and contribute to these sectors in years to come.

Entering New Markets

The Company intends to capitalize on the up turn of the property development market of the country in medium to long term by setting up township and residential projects in Colombo and adjacent metropolitan areas. The construction and development of such projects are expected to be lucrative and is buoyed by the significant demand created by the rapid pace of urbanization and changes in the lifestyle of the community.

Property development in the leisure and tourism sector is another area AEL intends to aggressively pursue. This sector is expected to experience enormous growth in the medium to long term, particularly due to the post-war optimism and the exponential growth in tourist arrivals. The outlook of the sector has vastly improved subsequent to the cessation of the war in Sri Lanka in May 2009 and is expected to be a significant catalyst to the economic development of the country.

AEL has a long term plan to develop/operate various leisure sector projects throughout the country mainly utilizing its expertise in the construction arena. AEL believes that this strategy of leveraging its core competence and proven track record in civil construction will pave the way for the Company to achieve significant growth in its profitability.

Entering into Public Private Partnerships (PPPs)

We would further boost our commitment towards the national economy in the future by engaging in community development projects in collaboration with the GoSL through Public Private Partnerships (PPP). We have already identified water management and electricity generation as potential areas to initiate infrastructure projects through PPP. These PPPs would enable us to generate long-term business opportunities with relative certainty and security, while continuing to be a significant contributor to the economic development of the country.

Improving Quality Management Systems

Our QMS, which is in its eighth year, has reached a mature stage and with it some complacency has crept into the system. These shortcomings were observed at the recently concluded internal audit and it was unanimously agreed to overhaul the QMS with the introduction of practices and procedures appropriate for a Quoted Public Company, especially issues on accountability and transparency. New procedure will be developed for all major operations through workshops which will be facilitated by external subject specialists. The internal audit team, which is the cornerstone of the whole system will be strengthened with the addition of new competent team members and further improving the competency of existing members.

The process of obtaining ISO 17025:2005 for the Geotechnical and Laboratory Services Division (GLSD) will be completed during 2011. At present, we are awaiting the approval of the system documentation and once conformation is received, action will be taken to obtain certification within six months. Implementation of the system will enable the laboratory to operate a quality system that ensure the generation of technically valid results taking account of the equipment, procedures and personnel. When the system is refined through the external audits and is fully operational at the GLSD, the policy and procedures will be implemented at all other project-based laboratories located in different parts of the country.

Forming a Compliance Committee

With the upcoming Initial Public Offering (IPO), there is a need for further strengthening corporate accountability. To meet this requirement, it is proposed to form a 'Compliance Committee' consisting of corporate management members representing all business units. The Committee will be entrusted with all compliance-related functions including internal audits which will ensure optimum practices in corporate governance, accountability, transparency and sustainability reporting. The Committee will play a key role as a policy formulating body and a link between the Board of Directors and the employees, facilitating both top-down and bottom-up communication.

Expanding the Corporate Sustainability Team

With the planned expansions in business operations, the issue of sustainability will come into the fore unlike any other time in the history of the company. There will be additional economic risks, environmental impacts and social issues. To face the increasing demands for a robust sustainability management system, the Corporate Sustainability Team will be expanded with Board level and Corporate Management level representation. The team members will be provided with specific training on sustainability, especially environmental management and community involvement. The Team will be empowered to coordinate and streamline the sustainability related activities of all the projects and project offices. Through this team, the sustainability initiatives of the company will be focused to produce more tangible benefits at local, regional and national level.

Sustainability Reporting

This is the first dedicated Sustainability Report of AEL. This report is based on the GRI G3 reporting guidelines and the information is arranged into chapters corresponding to the sections of the Guideline. To further improve the coverage of information provided through the report, it will be expanded to meet Level A reporting criteria next year. Next report will also be subjected to third party checking and verification to ensure accuracy and reliability of the information

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This report is available online at
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