

WHAT IT MEANS

JOHN KEELLS HOLDINGS PLC - SUSTAINABILITY REPORT 2008/09



Today, as we continue towards achieving our vision of 'Building businesses that are leaders in the region', we need to renew and reinvigorate our efforts to conduct our businesses on the principles of sustainability, optimising our economic, social and environmental responsibilities through our business priorities, so that our group will exemplify "what it means" to be a strong and sustainable business leader of the future.

Table of contents

Chairman's message	02
John Keells group: A profile	04
Group sustainability policy	08
About the report	10
Economic contribution	12
Environmental footprint	14
More than just a workplace	20
Social commitment	24
Customer centric	36
Agenda 2009/10	38
GRI index and UNGC principles	39
Assurance statement	42
Annexes	44

CHAIRMAN'S MESSAGE



Dear Stakeholder,

The success of the John Keells group has been its ability over the years to act innovatively and with foresight, due to the collective efforts of our dedicated employees and the foundation built on strong values and good corporate citizenship. Working with and for the community through the John Keells Social Responsibility Foundation and signing on as a member of the United Nations Global Compact are measures we have taken in the past to ensure that we build an ethical and conscientious business, with employees who share the same values and vision. Today, as we continue towards achieving our vision of 'Building businesses that are leaders in the region', we need to renew and re-invigorate our efforts to conduct our business on the principles of sustainability, optimising our economic, social and environmental responsibilities through our business priorities, so that our group will

continue to be a strong and sustainable business leader of the future. This is especially important in the light of meeting the demand for higher ethical standards of products and services by local and global markets.

As discussed in the Annual Report of 2007/08, we have implemented our decision to publish a stand-alone Sustainability Report, aligned with the Global Reporting Initiative (GRI) framework. This initiative and the changes it entailed have helped us in better integrating sustainability within the group's value chain.

It is my strong belief that our renewed commitment to the highest levels of corporate citizenship in all spheres of our daily work will lead to a stronger John Keells brand, differentiated products and services, better risk management, improved efficiencies, reduced costs and,

most importantly, contribute to our common goals of protecting the environment for future generations and achieving equitable social progress for all. Never before have these been the most important business imperatives, as they are today.

In spite of the global recession, Sri Lanka is on the brink of a new era of development. There is finally an end to the three decade long scourge of terrorism, which would bring about hitherto unimagined opportunities, especially for the corporate sector - opportunities to participate in the development of the North and East of the island and the ability to join hands with more culturally diverse communities and integrate them into the development drive of our homeland.

In the face of these almost tectonic economic, environmental and social shifts taking place today and the imperative for corporate accountability in all areas, we appreciate the need to address our responses through a formal framework within the organisation. In this respect, we formed a Sustainability Committee in order to lead our group wide efforts towards identifying emerging issues, developing coherent and effective strategies and policies and overseeing their implementation through to practice. Our initiatives were and will be rolled out throughout the group by a project named 'Change for the BEST - Building an Equitable and Sustainable Tomorrow'.

"THIS INITIATIVE AND THE CHANGES IT ENTAILED HAVE HELPED US IN BETTER INTEGRATING SUSTAINABILITY WITHIN THE GROUP'S VALUE CHAIN."

Accordingly, we formed task forces to address our sustainability priorities, as follows:

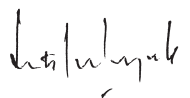
- Products and services
- Environment
- Employee health and safety
- Labour and human rights
- Society and stakeholder engagement
- Technology
- Economic

As a group, we have set ourselves several challenging targets for the next 3-5 years. We will work to reduce the environmental footprint of the group as a whole, focusing on reducing the use of energy and water, making recycling part of our work ethic, optimising opportunities for biodiversity in our areas of operations and creating a paperless office environment. With respect to our customers, all the products and services we offer will not just have to be of the highest quality, but will also need to

"OUR INITIATIVES WERE AND WILL BE ROLLED OUT THROUGHOUT THE GROUP BY A PROJECT NAMED CHANGE FOR THE BEST - BUILDING AN EQUITABLE AND SUSTAINABLE TOMORROW."

be ethical and provide direct contact details for feedback - all of which would entail making significant changes to our labeling processes and operations. Our contribution to society will also seek to make a larger impact through initiatives that would improve with constant monitoring and assessment. As an employer, we will strive to build on our existing human resources practices to make the group a much sought-after employer.

This is a time for foresight as well as reflection. This is a time to work for a common purpose. This is the time for change - a positive change that would reflect "what it means" to be a sustainable, successful and sincere organisation.



Susantha Ratnayake
Chairman
21 May 2009

THE JOHN KEELLS GROUP: A PROFILE

With a history in Sri Lanka spanning 130 years, the John Keells group has withstood the test of time by reinventing, realigning and repositioning itself and exploring new avenues. The holding company of the group is John Keells Holdings PLC (JKH). The origins of the group lie in a produce and exchange broking business started by two Englishmen, Edwin and George John, in Colombo, Ceylon, in the early 1870s. Since then, however, the company has expanded and diversified its businesses to become Sri Lanka's largest listed conglomerate, making its presence felt in every major sphere of the economy.

John Keells Holdings PLC (JKH) is a public limited liability company incorporated in 1979. Its ordinary shares are listed on the Colombo Stock Exchange (CSE); with Global Depository Receipts (GDR) issued on the Luxembourg Stock Exchange, it is also the first Sri Lankan company to be listed overseas. Furthermore, it is a full member of the World Economic Forum.

While this is the Sustainability Report of the John Keells group, in references to the holding company, the term used would be John Keells Holdings PLC or JKH.

The primary industry groups in which the group operates are Transportation, Leisure, Property, Consumer Foods and Retail, Financial Services and Information Technology among others. For the scope and boundary of this report, 37 companies have been selected on the criteria of management control. However, in certain cases, this includes companies of which ownership is less than 50 per cent. Moreover, investment/land holding companies, special purpose vehicles and companies with no assets or employees were excluded due to being insignificant from a sustainability perspective. It was also decided to exclude some companies on materiality of the scale of operations to the group i.e. if a segment of similar companies accounted for less than 2 per cent of revenue.

The 37 companies and the main brands they represent are as follows:

Scope and boundary of the Sustainability Report

Industry Group	Company	Brands
Transportation	Lanka Marine Services (Pvt.) Ltd. John Keells Logistics (Pvt.) Ltd. John Keells Logistics India (Pvt.) Ltd. John Keells Logistics Lanka (Pvt.) Ltd. John Keells Air Services India (Pvt.) Ltd.	John Keells Logistics
Leisure	Asian Hotels and Properties PLC* Trans Asia Hotel PLC Ceylon Holiday Resorts Ltd. Fantasea World Investment (Pvt.) Ltd. Habarana Lodge Ltd. Habarana Walk Inn Ltd. John Keells Maldivian Resorts (Pvt.) Ltd. Kandy Walk Inn Ltd. Tranquillity (Pvt.) Ltd. Travel Club (Pvt.) Ltd. Trinco Walk Inn Ltd. Yala Village (Private) Ltd. John Keells Hotel Management Services Ltd. Serene Holidays (Pvt.) Ltd. Walkers Tours Ltd. Whittall Boustead (Travel) Ltd.	Cinnamon Hotels and Resorts Chaaya Hotels and Resorts
Property	Asian Hotels and Properties PLC*	John Keells Land
Consumer Foods and Retail	Ceylon Cold Stores PLC Keells Food Products PLC Jaykay Marketing Services (Pvt.) Ltd.	Elephant Keells Keells Super, Nexus
Financial Services	John Keells Stock Brokers (Pvt.) Ltd.	
Information Technology	Auxicogent International Lanka Ltd. InfoMate (Pvt.) Ltd. John Keells Software Technologies (Pvt.) Ltd. John Keells Computer Services (Pvt.) Ltd. John Keells Office Automation (Pvt.) Ltd.	

Industry Group	Company	Brands
Other	John Keells PLC (Commodity brokers) John Keells Warehousing (Pvt.) Ltd. Tea Smallholder Factories PLC John Keells Holdings PLC (Centre) Keells Consultants Ltd. Mackinnon and Keells Financial Services Ltd. Whittall Boustead Ltd. (Real estate)	

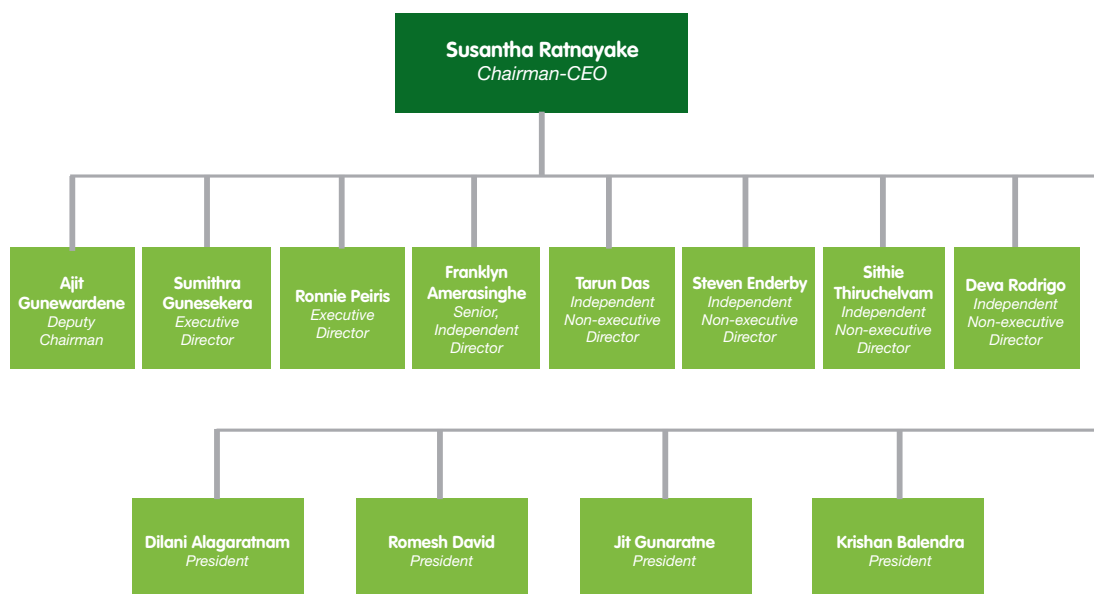
* Asian Hotels and Properties PLC is repeated as its operations span across 2 industry groups.

While its head office is located at 130, Glennie Street, Colombo 2, the group's diversified companies are spread around Sri Lanka as well as the Maldives, India, Mauritius, Singapore and the United Arab Emirates (UAE). It also serves markets in the UK and the USA, in addition to the countries and regions mentioned earlier, through its varied businesses.

The total employee population of the group was 10,501 as at 31 March 2009; and its net asset value as at 31 March 2009 was Rs. 45.58 billion. Total equity for the year was

Rs. 50.54 billion and total debt for the year was Rs. 21.60 billion. Net sales amounted to Rs. 41.02 billion.

The Board of Directors of John Keells Holdings PLC comprises a Chairman-CEO, 3 executive directors, 1 Senior Independent Director and 4 non-executive independent directors. Executive decisions regarding the company are also taken by the Group Executive Committee (GEC), which comprises the Chairman-CEO, 3 executive directors and 4 presidents.



The year 2008/09 saw the John Keells group undergo several significant changes.

Major investments during 2008/09

- A 44.0 per cent stake in Quattro Finance & Accounting Solutions (Pvt.) Ltd.
- Commencement of a phased investment in the Indian processed meats industry
- An 8.4 per cent stake in South Asia Gateway Terminals (Pvt.) Ltd.
- Rs. 170 million in the rights issue of Keells Food Products PLC

- 10.9 per cent of John Keells PLC
- 23.4 per cent of Ceylon Cold Stores PLC
- 43.7 per cent of Union Assurance PLC
- 49.0 per cent each in Mackinnons Keells Enterprises (Pvt.) Ltd. and Mackinnons Keells Air Services (Pvt.) Ltd.

Divestments during 2008/09

- 20.0 per cent in Associated Motorways PLC
- 26.0 per cent of Gamma Pizzakraft (Pvt.) Ltd. (formerly Keells Restaurants (Pvt.) Ltd.)
- 21.8 per cent of French Restaurants (Pvt.) Ltd. (formerly Crescat Restaurants (Pvt.) Ltd.)

Details on the above could be found in the 'Management Discussion and Analysis' section of the John Keells Holdings PLC Annual Report of 2008/09.

Credit ratings

- Fitch Ratings affirmed the national long-term credit rating of John Keells Holdings PLC at 'AAA(lka)'. Fitch has also affirmed the national long-term rating on JKH's senior unsecured notes at 'AAA(lka)' and the outlook as stable.

Restructuring

- Lanka Marine Services (Pvt.) Ltd. (LMS) - Judgement was delivered by the Supreme Court in a Fundamental Rights application regarding the privatisation of LMS, a wholly-owned subsidiary of JKH. The Supreme Court has in its judgment held, inter alia, that the land grant

to LMS (grant dated 19 January 2005 transferring ownership of the land on which LMS carries on its business), the Common User Facilities Agreement (agreement dated 20 August 2002 between the Government of Sri Lanka, the Sri Lanka Ports Authority, Ceylon Petroleum Corporation and LMS) and all agreements entered into between the Board of Investment of Sri Lanka and LMS are null and void. LMS is now conducting its business based on a different business model, using both on-shore and off-shore facilities.

During the year, the group received several awards and recognition from various bodies, across all its industries. The following table lists these awards:

Industry group	Company/Business unit	Awards received
Transportation	Mackinnons American Express Travel (Pvt.) Ltd. John Keells Logistics Lanka (Pvt.) Ltd.	<ul style="list-style-type: none"> Top Passenger Agents for Singapore Airlines in Sri Lanka 2007/08 Top Passenger Agents for Malaysian Airlines in Sri Lanka 2007/08 Certificate of Recognition by FIATA (Federation of International Freight Forwarders Associations) for FIATA Membership for over 25 years Certificate of Excellence for 2007/08 from Kuwait Airways
Leisure	Cinnamon Island Alidhoo Chaaya Island Dhonveli Chaaya Village Habarana Cinnamon Lodge Habarana Cinnamon Grand Colombo Chaaya Citadel Kandy Bentota Beach Hotel Walkers Tours Ltd.	<ul style="list-style-type: none"> Grand PATA Award - 'Education and Training' category Gold Choice Award - Best Winter 3 Star Accommodation by First Choice Asia Pacific Bartenders' Competition 2008 - First runner-up in the 'Classic cocktail' category (Nilmini Dissanayaka) 17th National Bartenders' Competition 2008 - Winner in the Classic category (Nilmini Dissanayake) SAGA Good Food award 17th National Bartenders' Competition 2008 - Winner in the Flaring category (Chandana Kumara) Presidential Tourism Award for Best Five Star City Hotel 17th National Bartenders' Competition 2008 - First runner-up in the Classic category (Vindya Fernando) 17th National Bartenders' Competition 2008 - Second runner-up in the Mocktail category (Vindya Fernando) 17th National Bartenders' Competition 2008 - First runner-up in the Flaring category (Keerthi Pushpakumara) Partners Unique Choice and Kanoo Holidays won the Sri Lanka Tourism Promotion Authority 'Best Agent' awards at the Arabian Travel Mart Presidential Tourism Award for Best Adventure Tourism Operator (Nature Odyssey) Presidential Tourism Award for Best Charter Airline of the Year (Condor Airlines) Presidential Tourism Award for Best Chauffeur Guide (Ananda Yatawara) Asia Travel and Tourism Creative Awards - Bronze award for Travel/Destination Brochure Asia Travel and Tourism Creative Awards - Bronze award for Website (Consumer Travel) Asia Travel and Tourism Creative Awards - Bronze award for Travel Photography

Industry group	Company/Business unit	Certification
	Whittal Boustead Travels (Ltd.)	<ul style="list-style-type: none"> • Presidential Tourism Award for Destination Loyal Partners - Foreign Tour Operator category (Kuoni Travels Ltd.) • Presidential Tourism Award for Best National Guide Lecturer (Theekshana Wijesinghe)
	Trans Asia Hotels PLC John Keells Hotels PLC	<ul style="list-style-type: none"> • Agent of the Year award from Kuoni UK - Runner up • ICASL Best Annual Report Awards - Certificate of recognition • ICASL Best Annual Report Awards - Silver award in the Hotel Companies category
Property	Asian Hotels and Properties PLC	<ul style="list-style-type: none"> • ICASL Best Annual Report Awards - Certificate of recognition
Consumer Foods and Retail	Ceylon Cold Stores PLC	<ul style="list-style-type: none"> • Felicitation by the Kandy Vanilla Farmers' Association • ICASL Best Annual Report Awards - Gold award in Food and Beverage sector category • SLIM Brand Excellence Awards - Bronze award for Best New Entrant of the year for Apple Soda • SLIM-AC Nielsen Peoples' Award (POP Award) 2008 - Beverage of the Year for Cream Soda
	Keells Food Products PLC	<ul style="list-style-type: none"> • National Chamber of Exports - Silver medal for exports • ICASL Best Annual Report Awards - Silver award in the Food and Beverage sector category
Information Technology	John Keells Office Automation (Pvt.) Ltd.	<ul style="list-style-type: none"> • Quality Service Campaign 2007 - Silver Award, Distributor Category Hardware + Network, Group A - awarded by Toshiba Singapore Pte. Ltd. • Outstanding Performance, Copier Business - Silver Award - awarded by Toshiba Singapore Pte. Ltd. • E-Studio Championship 2008, E-Studio Star Sales - Gold Award in the Individual Category, awarded by Toshiba Singapore Pte. Ltd. (won by Sujeewa Rajapaksha) • E-Studio Championship 2008, E-Studio Star Sales - Silver Award in the Individual Category, awarded by Toshiba Singapore Pte. Ltd (won by Naushan Rafeel) • E-Studio Championship 2008, E-Studio Star Sales - Silver Award in the Group Category, awarded by Toshiba Singapore Pte. Ltd (won by Sujeewa Rajapaksha and Naushan Rafeel)
	John Keells Computer Services (Pvt.) Ltd.	<ul style="list-style-type: none"> • "Energy Star" award by the United States Environmental Protection Agency for a Low Carbon IT Campaign
Other	John Keells Holdings PLC	<ul style="list-style-type: none"> • LMD Sri Lanka's Most Respected Entities 2008 - Ranked first • Business Today Top Ten - Ranked first • LMD 50 - Ranked second • ICASL Best Annual Report Awards - Bronze award for overall excellence • ICASL Best Annual Report Awards - Silver award in the Diversified Holdings category • SAFA Annual Report Awards - Platinum award • SAFA Annual Report Awards - Joint overall winner for Best Presented Accounts 2007 • SAFA Annual Report Awards - Gold awards in Hospitality, Health, Transport and Shipping sectors • Recognition by the Lions International District 306A-1 for the Vision Project of the John Keells Social Responsibility Foundation
	John Keells PLC	<ul style="list-style-type: none"> • ICASL Best Annual Report Awards - Bronze award in the Diversified Holdings category
	Tea Smallholder Factories PLC	<ul style="list-style-type: none"> • ICASL Best Annual Report Awards - Bronze award in the Manufacturing Companies category

GROUP SUSTAINABILITY POLICY

Objective of the policy

Sustainable development is a globally accepted approach to sustaining economic growth without harming our planet or exhausting its resources while improving the quality of life for its current and future inhabitants. Long-term value creation for our varied stakeholder groups depends on the sustainability of the performance of our businesses, our environment and the communities in which we operate. In this endeavour, we are committed to achieving the highest standards of corporate citizenship.

Our policy

- The group will strive to conduct its activities in accordance with the highest standards of corporate best practice and in compliance with all applicable local and international regulatory requirements and conventions.
- The group monitors and assesses the quality and environmental impact of its operations, services and products whilst striving to include its supply chain partners and customers, where relevant and to the extent possible.
- The group is committed to transparency and open communication about its environmental and social practices in addition to its economic performance. It seeks dialogue with its stakeholders in order to contribute to the development of global best practice, while promoting the same commitment to transparency and open communication from its partners and customers.
- The group strives to be an employer of choice by providing a safe, secure and non-discriminatory working environment for its employees whose rights are fully safeguarded and who can have equal opportunity to realise their full potential. All group companies will abide by national laws and wherever possible will strive to emulate global best practice governing the respective industry groups, seeking continuous improvement of health and safety in the workplace.
- The group will promote good relationships with all communities of which we are a part and enhance their quality of life and opportunities while respecting people's culture, ways of life and heritage.

How we do it

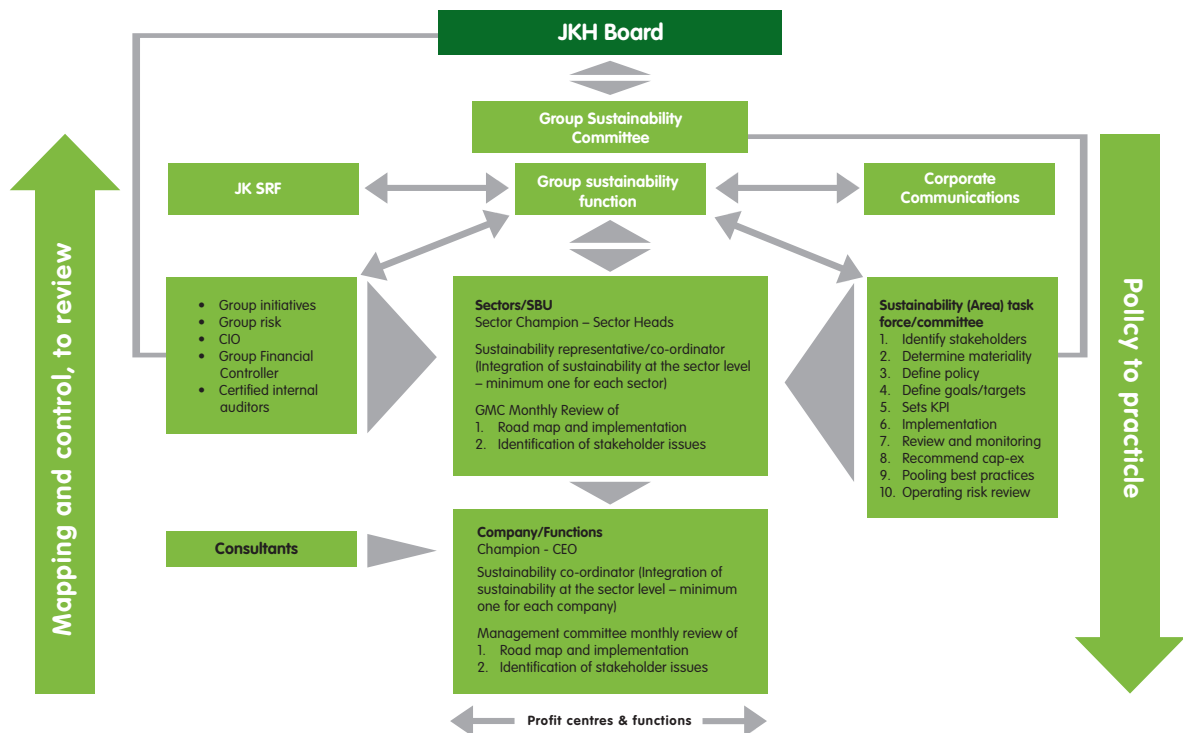
All companies in which JKH has a controlling interest will be subjected to this policy as per the relevance to their business.

Through frequent awareness and integration of sustainability within the organisation, we will encourage other companies in which we have a substantial stake or over which we exercise significant influence, either as supply chain partners or otherwise, to implement similar policies.

This broad policy statement will be complemented internally with more detailed and specific guidelines, procedures and codes governing all areas of sustainability practices to be adopted throughout the group.

We will encourage and empower our staff to be proactive on sustainable performance, at work, at home and in the community.

We will monitor our performance against a progressively stringent yardstick and report periodically as per the Global Reporting Initiative (GRI) framework and review policies, practices and targets pertaining to sustainability through the feedback received via regular and ongoing stakeholder engagements.



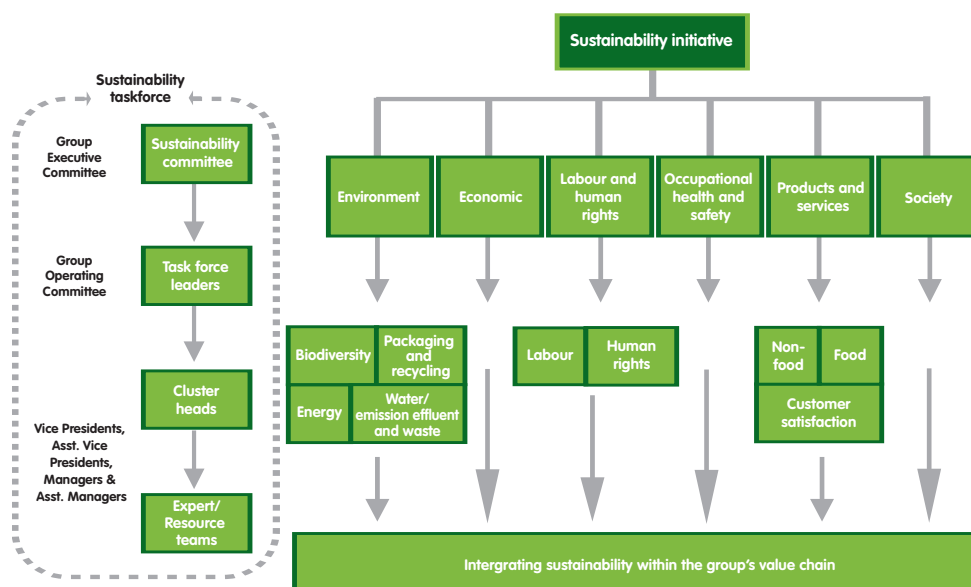
The role of each task force

Managing sustainable development issues is a core responsibility for each task force team. It involves assessing the issues the group faces, formulating a strategy based on the assessment and implementing the strategy through an appropriate organisational structure. It also involves self-assessment and auditing to confirm that action has been taken, as well as reporting on performance.

The members of the task forces were given intensive training by international consultants on the issues of sustainability, in order to prepare them for the task ahead.

The following tools aid in managing the activities of these task forces, such as formulating strategy and policy and reporting performance:

1. Self-assessment questionnaires to confirm that action plans for implementing the sustainable development policy are being carried out and risk management procedures followed; as well as enterprise risk management (ERM) to identify and evaluate business risks and planning and implementing effective risk control measures to ensure sustainable business growth.
2. Stakeholder engagement to identify stakeholder issues which may impact the stakeholder or the business.
3. 'Benchmarking' to identify gaps between current business practices and the most advantageous way of carrying out the business.
4. Global Reporting Initiative (GRI - G3)'s framework to report in a consistent manner to stakeholders and analyse internal performance.



ABOUT THE REPORT

Report profile

Based on the commitment by senior management in the previous year and learning gathered through the intensive studies conducted by the designated task force representatives within the various GRI categories, the John Keells group has decided to publish a stand-alone Sustainability Report according to the GRI-G3 framework. This is, therefore, the first Sustainability Report as per GRI standards published by the John Keells group and its reporting period will be 1 April 2008 to 31 March 2009. The Sustainability Report will be published annually.

Scope and boundary of the report

In order to determine the fundamental topics, the specific task force of each category was assigned to understand each industry group and its relevant issues. This enabled them to draw upon current issues highlighted by the specific stakeholders through the line managers of the various departments. The validity of these issues was established from an internal perspective. Therefore, the topics this report would highlight are 'Economic contribution', 'Environmental footprint', 'More than a just workplace', 'Social commitment' and 'Customer centric'. The main stakeholders who would use this report would be shareholders, employees, consumers, regulators and government and the community at large.

The report covers all activities of the John Keells group with primary focus on the businesses over which we have control. This specific category includes the companies in which JKH has a majority stake or management control (decision making). For the current reporting period, we have decided to limit our scope to the internal operations, i.e. the 37 companies specified earlier, and thus, focus on a systematic sustainability deployment throughout the value chain in time to come. This enables us to consolidate our internal functions before considering our external links, further emphasising on the strategy of 'continuous improvement' (Kaizen). Furthermore, the basis of reporting has been disclosed earlier in this report (on page 4).

When selecting the indicators for detailed analysis, the main consideration was the balance between our stakeholders and the organisational strategy. Therefore, the indicators have been reported as per sector, considering the boundary and scope as mentioned earlier. However, the economic indicators would represent the entire group and not be subjected to the above limitations. Since this is our first attempt at a stand-alone Sustainability Report as per the GRI framework, much focus was directed to have a robust process with a responsibility delegated to senior management, as per the

relevant scope determined. As this is our first report, there are no re-statements of information or other significant changes arising from previous reports.

We have engaged Det Norske Veritas (DNV) for verification and the assurance statement is available on page 42.

Our stakeholders

The John Keells group, as a diverse conglomerate, inherently networks with a wide array of stakeholders. Each industry group has its own stakeholders, whose criticality and importance could vary. The rationale behind the selection of stakeholders was initially to identify all stakeholders within each industry group and then rate them on their influence and legitimacy towards the organisation. Each sector was then collated to obtain the final identification of the most significant stakeholders for the group during the given period, which the organisation would ideally address through this Sustainability Report, as per GRI-G3 standards.

Furthermore, the 12 indicators selected for reporting purposes would also complement the stakeholder group in addressing common issues as well as the commitment made by the organisation towards the stakeholders in the coming year.

Community - The John Keells group has a close affinity to the community, not only as the largest conglomerate in the country, but also due its commitment to corporate responsibility through the John Keells Social Responsibility Foundation (JKSRF). Through the Foundation, the group carries out a number of varied initiatives, in focus areas as diverse as health, education, community/livelihood development, environment, disaster relief and arts and culture.

Employees - We believe that we should be more than just a workplace, because at the John Keells group, employees are considered significant stakeholders of the organisation. To this end, we try to create a work culture that is focused on learning and development, recognition and rewards and a sense of enjoyment and pride in a job well done. We also encourage our employees to do more than just 'hold a job' - we encourage them to develop and create a successful career for themselves. John Keells Holdings also invites its employees to be its shareholders, thus strengthening the bond and commitment towards the organisation.

Regulators and government - As the group claims ownership to various businesses, relationships need to be maintained between many regulators and government agencies. The group has always complied with all local regulatory requirements and is committed to uplifting its standards

beyond legal requirement, adhering to a strict code of business ethics and practices at all times.

Shareholders - As the owners of the organisation, shareholders play a vital role in its sustainability. JKH understands the importance of its sustainable performance in enhancing shareholder value; is committed to transparency and accountability, essential in running a publicly-quoted company, and seeks to effectively address the questions raised by shareholders, both at the Annual General Meeting and throughout the year.

Consumers - As a multi-faceted conglomerate, the group has the opportunity to serve various groups of consumers within a market. This has transpired through the well-known brand name which demands that high standards be delivered at all times through its products and services.

CORPORATE GOVERNANCE

John Keells Holdings PLC (JKH) is committed to the highest standards of business integrity, ethical values and professionalism in all its activities towards rewarding its stakeholders with greater creation of value, year-on-year. Our governance framework is based on the following:

- The board of JKH is responsible to shareholders to fulfil its stewardship obligations, in the best interest of the company and its stakeholders.
- Maximising shareholder wealth-creation on a sustainable basis while safeguarding the rights of multiple stakeholders is a fundamental value shared by all levels of our management and staff.
- The methods we employ to achieve our goals are as important to us as the goals themselves, and this has been well communicated to the individual businesses and functional units within the group.
- Our governance and operating models facilitate the making of business decisions and resource allocations in an efficient and timely manner, within a framework that ensures transparent and ethical dealings which are compliant with the laws of the country and the standards of governance our stakeholders expect of us. The model ensures that no one person has unfettered powers of decision-making.
- We believe that building and improving stakeholder relationships is an integral aspect of board effectiveness and a responsible approach to business.
- We take an active role in discussing with the relevant regulatory bodies the implementation of governance regulations, accounting standards and economic

reforms in Sri Lanka and other jurisdiction where the group has major business interests.

- We opt, when practical, for early adoption of best practice governance regulations and accounting standards.
- We understand that our resolve to maintain strong governance practices presents strong commercial advantages for us through the reduction of our cost of capital via the strengthening of stakeholder confidence, particularly the confidence of our investors, both institutional and individual.

Our full governance report appears in the comprehensive Annual Report for 2008/09 under the chapter 'Corporate Governance' and is also available in the Investor Relations section of www.keells.com. Please note that the standard disclosure grid at the end of this report has been completed in relation to the disclosures on governance made in our Annual Report.

ECONOMIC CONTRIBUTION

As a responsible corporate entity, the John Keells group is distinctly aware of its responsibility in the area of financial performance, towards all its stakeholders. The economic policy of the group is therefore geared towards a sustainable growth and performance.

Economic policy

The John Keells group is committed to delivering sustainable economic performance and growth to all its diverse stakeholders.

The John Keells investment philosophy is based on a positive outlook, bold approach, commitment to delivery and flexibility to change by striving constantly to realign, reposition and reinvent its portfolio of investments in pursuing growth sectors. These strategies are geared to provide above average long-term growth and superior returns to our shareholders.

The group is committed to the "pay for performance" culture that has been created within the organisation, which aligns employee rewards to organisational performance and provides superior rewards to superlative performers. The group is committed to ensuring that it complies with all statutory laws and regulations and that all dues as per these statutory requirements are paid within the specified timeframes. It is also committed to purchasing products and services from communities and suppliers at fair and reasonable prices and ensuring that all other terms and conditions are complied with.

The financial statements of the group have been prepared in compliance with the Sri Lanka Accounting Standards issued by the Institute of Chartered Accountants of Sri Lanka.

Economic value statement

The economic value statement shows how the wealth was generated, and how it was distributed among the stakeholders of the group, taking into account the amounts retained and reinvested for the replacement of assets and the development of operations. The statement also reveals the value added, which is a measure of wealth created by the activities of a business by adding value to the cost of raw materials and services purchased.

The group's direct economic value generated has grown from Rs. 46.35 billion in 2008 to Rs. 46.84 billion in 2009.

Operating costs represented 64 per cent (2008 - 66 per cent) of the total value generated whilst 10 per cent (2008 - 8 per cent) of the total value was retained for future expansion and strategic investments. Of the remainder, 30 per cent (2008 - 39 per cent) was paid to providers of funds; 46 per cent (2008 - 41 per cent) was distributed to employees and 24 per cent (2008 - 20 per cent) accrued to the government by way of taxes.

Details of the economic performance of the sectors are included in the Management Discussion and Analysis section of the comprehensive Annual Report for 2008/09.

Economic Value Statement for 2008/09

For the year ended 31 March	Group total			
	2009		2008	
	Rs. 000s	%	Rs. 000s	%
Direct economic value generated				
Revenue	41,023	88	41,805	90
Interest income	2,266	5	2,084	4
Dividend income	54	-	93	-
Share of results of associates	2,350	5	2,243	5
Profit on sale of assets	1,102	2	124	1
Valuation gain on IP	41	-	-	-
	46,836	100	46,349	100
Economic value distributed				
Operating costs	29,995	64	30,493	66
Employee wages & benefits	5,544	12	5,005	11
Payments to providers of funds	3,578	8	4,794	10
Payments to government	2,781	6	2,453	5
Community investments	38	-	49	-
	41,936	90	42,794	92
Economic value retained				
Depreciation	1,732	4	1,444	3
Amortisation	310	1	169	1
Profit after dividends	2,858	5	1,942	4
Retained for reinvestment / growth	4,900	10	3,555	8

Please refer Annex 1 for a detailed breakdown of the Economic Value Statement.

Defined contribution plan obligations

Employees are eligible for Employees' Provident Fund (EPF) contributions according to the terms of the Employees' Provident Fund Act No. 15 of 1958 and its subsequent amendments and for Employees' Trust Fund

(ETF) contributions according to the terms of the Employees' Trust Fund Act No. 46 of 1980 and its subsequent amendments. The companies contribute the relevant percentages of the eligible gross emoluments of employees to the respective provident funds and to the Employees' Trust Fund respectively, both of which are externally funded.

Subject to the rules of the provident fund, to which such contributions are made, the group contributes 12 - 20 per cent as the employers contribution and the employees contribute 8 - 15 per cent to their respective provident funds. Further, the group also contributes 3 per cent to the Employees' Trust Fund managed by the Department of Labour. In the case of provident funds, contributions are made to the Employees' Provident Fund, managed by the Central Bank of Sri Lanka, or to a private provident fund maintained by the company as the case maybe.

The private provident funds are controlled and administered by committees of management appointed by the members and governed by an approved set of rules. The assets of the funds, available for investment, are invested from time to time in suitable income generating instruments, in keeping with the investment limits prescribed in the guidelines, as decided by the committees of management, and the accounts of the funds are audited every year. The committees and members meet once a year to ratify the financial statements and all members of the funds are entitled to examine the audited financial

statements and the entries applicable to them made during the year in the registers.

Rs. 000s	2009	2008
Employer contributions to the trust fund	64,477	58,615
Employer contributions to the provident fund	321,375	291,618

Defined benefit plan obligations

Employees are entitled to retirement gratuity, payable under the Payment of Gratuity Act No. 12 of 1983 and an employee with more than 5 years of service will receive half a months' salary for every year of service on retirement or termination of service.

The liability recognised by the group in respect of employee benefit liabilities in the balance sheet is the present value of the defined benefit obligation of the group at the balance sheet date using the projected unit credit method.

The employee benefit liabilities of listed companies with more than 100 employees are based on an actuarial valuation. The liabilities of all other companies in the group are based on the gratuity formula specified by Sri Lanka Accounting Standard 16, governing employee benefits.

Rs. 000s	2009	2008
Employee benefit liability as at 31 March	956,917	798,600
Payments during the financial year	92,960	77,830

We are committed to delivering sustainable economic growth.



A 'pay for performance culture' prevails within the group.



ENVIRONMENTAL FOOTPRINT

With regard to its environmental footprint, the John Keells group decided to focus on two main topics in this report - namely, energy and biodiversity. Therefore, this chapter elaborates on the group's performance and impact with regard to the above mentioned areas, further committing to continuous improvement.

Environmental policy

The John Keells group is committed to promoting sound environmental practices within our key businesses, through the establishment of policies and practices that enable us to conduct our operations in a sustainable and environmentally sound manner. We will strive to continuously identify all potential impacts on the environment and manage such impacts whilst using our resources in a sustainable and efficient manner.

Management approach and guidelines for energy

The John Keells group acknowledges the importance of sustainable energy usage in managing its operations. To this end, our objective will be to use all energy resources responsibly and efficiently with a view to optimising the group's energy consumption by continuously improving on our energy management processes and embracing emerging technologies and best practices that would help us achieve our twin goals of:

- 1) Minimising the impact of energy related environmental damage
- 2) Enhancing the group's competitiveness through energy cost savings by embracing lean energy management practices

The group will implement the following to achieve these twin goals:

- To develop energy management teams within each industry group that would undertake the responsibility of achieving cost savings through sustainable and lean energy management practices

- Set benchmarks and key performance indicators within the varied industry groups to monitor performance on energy consumption
- Encourage employees to achieve energy savings through rewards and the group's performance management system
- To continuously improve on our current energy management practices and embrace emerging technologies in achieving the objectives set out above as an ongoing effort
- To continuously disseminate information on energy savings practices and emerging best practices among all employees within the group as a part of the user behavioural change initiative
- To liaise with environmental conservation organisations and funds to assist the group in looking at cheaper, sustainable and environmentally friendly energy sources and related funding

Group energy usage

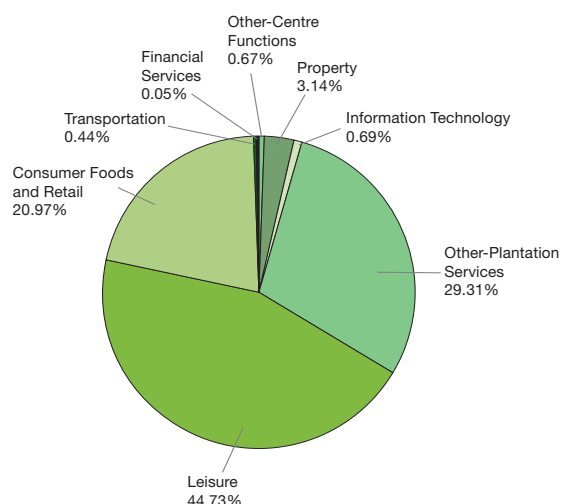
For the past financial year the group reports on direct sources of energy consumption and indirect energy consumption.

The following table describes the John Keells group's energy usage for the financial year 2008/09 which relates to the 37 companies as per the boundary disclosure.

Description	Unit of measure	Energy usage	Consumption in gigajoules
Direct energy			379,923
<i>Fossil fuel</i>			215,719
Diesel	Litres	5,062,249	153,671
Petrol	Litres	2,434	67
Furnace oil	Litres	1,477,169	46,791
Liquid Petroleum Gas	Kg	345,456	15,189
<i>Renewable energy</i>			164,205
Renewable energy (Solar)	KwH	227,408	819
Renewable energy (Biomass)	Cu M	34,552	163,386
Indirect energy			236,135
<i>Electricity From National Grid</i>	KwH	65,593,062	236,135
CEB - Hydro (40%)	KwH	26,237,225	94,454
CEB - Thermal (60%)	KwH	39,355,837	141,681
Total energy consumption			616,058

Note: Diesel, petrol, furnace oil, solar power and electricity from the Ceylon Electricity Board are converted to gigajoules based on the GRI conversion table. Biomass and LPG are converted based on the conversion factors given by the Sri Lanka Sustainable Energy Authority.

Energy consumption by industry group:



Current energy management activities within the group

Improving energy efficiency is considered as an on-going business priority of the John Keells group. The group commenced its energy management exercises across all business sectors as a part of a group wide energy-conservation initiative. To this end, all industry group within the group had the strategic priority of reducing energy consumption whilst improving energy efficiency in their operations.

The key initiatives undertaken up to the period under review are as follows:

- Periodic reviews/energy audits were carried out on primary utility systems at all manufacturing facilities, hotels and office complexes, with a view to identifying areas for improvement. These would comprise areas primarily of steam generation, water usage, electricity distribution, compressed air consumption, lighting, heating, ventilation and air conditioning systems of the group.
- Training and workshops were conducted to create awareness and promote responsibility among employees on energy conservation. Stringent energy efficiency targets are set as part of the key performance indicators at each level to improve energy efficiency in their respective units.

The other on-going energy management practices within the group and within specific industry groups for 2008/09 are as follows:

Energy management practices across the group

- Conversion of incandescent lighting to energy saving lighting
- Installation of solar control films to all exterior glass panels to minimise heat absorption
- Regulating ambient temperatures of air conditioning units based on outside temperatures
- Managing the total load factor by switching on large energy consuming machinery in a sequential manner
- Awareness training, workshops and campaigns in relation to user behaviour conducted on a regular basis among staff in order to promote the use of energy in an efficient manner, including the operation of personal equipment and machinery
- Capacitor banks installed to optimise the power load and reduce cost
- Magnetic ballasts replaced with electronic ballasts
- Procurement of energy star rated machinery and office equipment
- Planned preventive maintenance of all machinery and equipment
- Monitoring energy consumption KPIs at each unit level
- Reconfiguring general office light switching, to light a maximum of 3 points from a single switch
- Employee behavioural change programmes to elicit optimum user involvement

Leisure

- Installation of building management systems for the city hotels to monitor, control and minimise energy wastages in the hotel lighting systems, air-conditioning, hot water systems, chilled water pumps and refrigeration
- Energy saving key tags fixed in every guest room to optimise power usage
- Regular maintenance and upgrading done for the air conditioning systems by replacing air blowers, chillier pumps and variable speed drivers to prevent any energy wastages
- Rationalisation of power usage during low occupancy
- Increased usage of alternative energy sources such as solar power in the Maldivian resorts, Cinnamon Lodge, Chaaya Village and Yala Village

Consumer Foods and Retail

- Maximising production throughput and energy consumed by optimum production runs on a two shift basis
- Replacing air blowers with compressed air receiver tanks
- Incorporation of an energy management committee to carry out energy efficiency initiatives and project implementation across the sectors
- Procurement of energy star rated bottle coolers and freezers for merchandising
- Benchmarking of energy consumption against international and local manufacturers

Other-Plantation Services

- Biomass energy from *Gliricidia* (*scientific name: Gliricidia sepium*) wood for withering of tea leaves and other furnace operations
- Planting of *Gliricidia* trees within the out growers' tea plantations, providing a sustainable source of renewable energy
- Eliminating the use of more valuable timber for such purposes and transportation of such raw material from distant areas

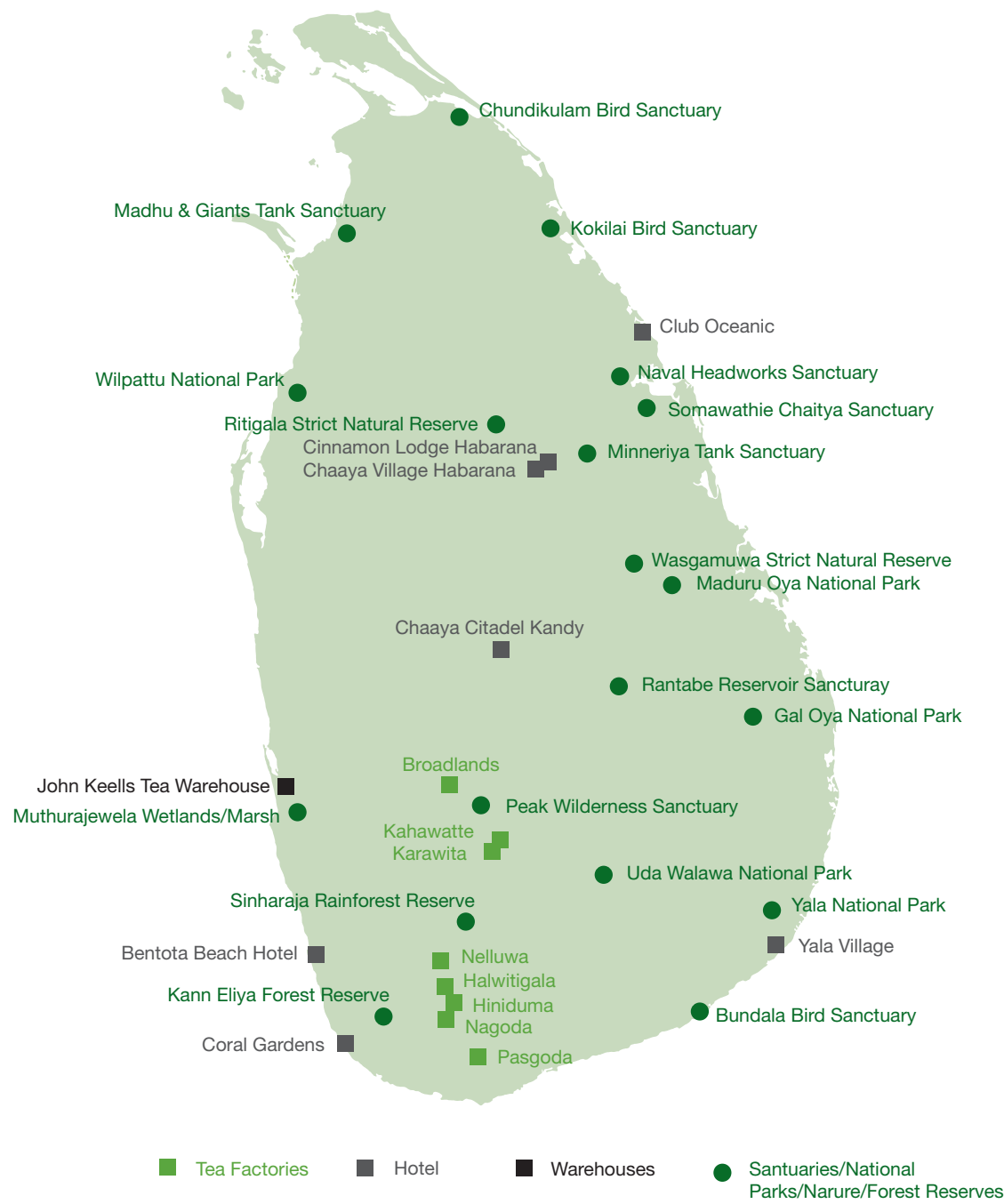
Future energy management activities

- Continuing to improve on the current energy management practices across the group
- Carrying out continuous periodic energy audits to identify any areas for improvement and also validate the implementation of energy management programmes
- Continuing with programmes targeting employees' behavioural change in energy conservation and management
- Continuing to evaluate the use of renewable energy as a primary source within the group's operations

Impact on biodiversity

With regards to identifying the biodiversity and the impact on it by the group, an exercise to map all biodiversity hot spots in line with the group's operations was carried out. This enabled the group to further isolate certain operations which has a greater relevance as depicted on the next page:

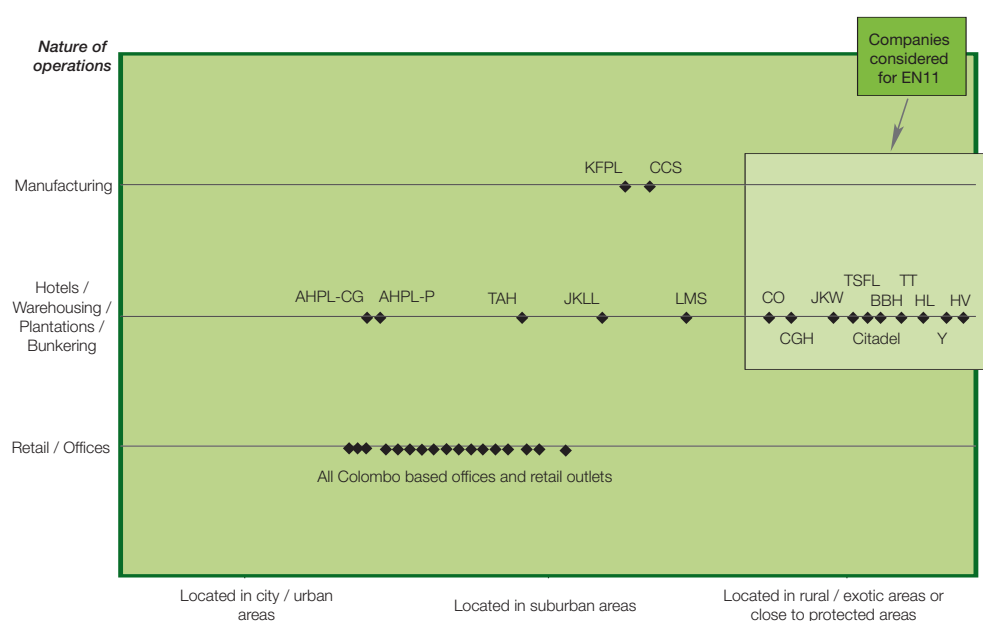
**Distribution of identified group company operations
across the island in relation to biodiversity hotspots**



Company/Business unit	Geographic location	Subsurface/underground land utilised	Type of operation	Size of operational site in acres
John Keells Warehousing (Pvt.) Ltd.	Muthurajawela	Nil	Tea warehouse	6.00
Tea Smallholder Factories PLC				
Neluwa	Neluwa	Nil	Tea factory	18.27
Halwitigala	Halwitigala	Nil	Tea factory	12.26
Hingalgoda	Hiniduma	Nil	Tea factory	9.61
Kurupanawa	Nagoda	Nil	Tea factory	5.41
Pasgoda	Pasgoda	Nil	Tea factory	10.59
New Panawenna	Kahawatta	Nil	Tea factory	15.58
Broadlands	Pitawala	Nil	Tea factory	1.22
Karawita	Uda Karawita	Nil	Tea factory	4.98
John Keells Hotels PLC				
Chaaya Village Habarana	Habarana	Nil	Hotel	9.34
Cinnamon Lodge Habarana	Habarana	Nil	Hotel	25.47
Chaaya Citadel Kandy	Kandy	Nil	Hotel	5.79
Bentota Beach Hotel	Bentota	Nil	Hotel	11.72
Club Oceanic	Trinco	Nil	Hotel	28.24
Coral Gardens	Hikkaduwa	Basement of 3600sqm	Hotel	4.36
Yala Village	Yala	Nil	Hotel	10.00
Chaaya Lagoon Hakuraa Huraa	Meemu Atoll, Republic of Maldives	Nil	Hotel	13.42
Chaaya Ialand Dhonveli	North Male Atoll Republic of Maldives	Nil	Hotel	18.62
Cinnamon Island Alidhoo	Haa Alif Atoll Republic of Maldives	Nil	Hotel	36.96
Chaaya Reef Ellaidhoo	North Ari Atoll Republic of Maldives	Nil	Hotel	13.75

Method of determining relevant operations/companies

Distribution of group company operations by area type



The group identified the companies/business units that would be reported under the requirements of GRI EN11 by considering the nature of these operations (y axis) and the localities in which they are situated, based on whether they are city/urban, suburban or rural/exotic area/protected areas (x axis).

Companies/business units whose nature of business falls within the manufacturing, hotels, warehousing, plantations, bunkering areas and such operations located in the rural/exotic areas or close to protected areas were identified for reporting under EN11.

The abbreviations in the above chart represent the following companies/business units:

Abbreviation	Company/Business unit
AHPL-CG	Cinnamon Grand Colombo
AHPL-P	Crescat City
BBH	Bentota Beach Hotel
CCS	Ceylon Cold Stores PLC
CGH	Coral Gardens
Citadel	Chaaya Citadel Kandy
CO	Club Oceanic
HL	Cinnamon Lodge Habarana
HV	Chaaya Village Habarana
JKLL	John Keells Logistics (Pvt.) Ltd.
JKW	John Keells Warehousing (Pvt.) Ltd.
KFPL	Keells Food Products PLC
LMS	Lanka Marine Services (Pvt.) Ltd.
TAH	Trans Asia Hotels PLC
TSFL	Tea Small Holder Factories PLC
Y	Yala Village

Management approach and guidelines for biodiversity

All companies in the group, including new companies which may be acquired, merged or formed and in which the group exercises management control, shall fall within the purview of the group's environment policy.

At a minimum, all such group companies shall comply with all applicable local and governmental legal/regulatory obligations. In the event the group feels that existing legal

requirements are insufficient to cover the group's operations, sound management practices and procedures will be applied to ensure that the biodiversity of the area is protected.

The group will share best practices with regard to the conservation of biodiversity within the group and ensure that all relevant personnel are provided with the skills and knowledge to comply with the environmental policy of the group.

At present, extensive workshops are carried out among the staff of Yala Village to ensure that they do not harm any flora/fauna in the vicinity as well as to safeguard employees and guests from venomous reptiles. Further, an on-going programme with the Nature Odyssey team has been implemented to relocate such poisonous reptiles to the Yala National Park

All group companies shall monitor emerging issues and keep abreast of regulatory changes, technological innovations and stakeholder interests. The group shall carry out and support projects that conserve and raise awareness about the importance of maintaining the integrity of essential ecosystems.

The group shall continue to work with the government, academia, non-governmental organisations, business associations and other interested stakeholders in striving to develop effective and sustainable legislature and solutions to minimise the impact on the biodiversity in the areas of operations.

At present, the resort hotel complex in Habarana which houses both Cinnamon Lodge and Chaaya Village maintains a butterfly garden under the expertise of consultant lepidopterist, the renowned Dr. Michael van der Poorten. Butterflies seen mostly in the dry zone and numbering over 30 varieties of species have been observed in the facility. The main objective of this project is to conserve and protect such species whilst simultaneously creating awareness about the significance of butterflies in protecting biodiversity among guests, employees and villagers, which in turn would help to protect such species.

The butterfly garden at the Cinnamon Lodge exemplifies biodiversity.



We delight in helping our guests appreciate the beauty of the country.



MORE THAN JUST A WORKPLACE

Creating a safe, secure and conducive environment for our stakeholders - particularly our employees - is a high priority for the John Keells group. In this light, we have formulated policies on health and safety, freedom of association and collective bargaining, child labour, forced or compulsory labour and discrimination.

Policy on health and safety

Through practices which are on par with international standards, we strive to provide a feeling of safety to our employees, customers and visitors who are involved in any business or transaction with the John Keells group.

Policy on freedom of association and collective bargaining

The John Keells group respects the right of its employees to join or to refrain from joining an employee organisation, including labour organisations or trade unions, without fear of reprisal, intimidation or harassment. The company is committed to bargaining in good faith through open and constructive dialogue with freely chosen representatives of employees or groups of employees.

Management approach and guidelines

The group designs its overall human resources (HR) structure to enable the achievement of its strategic goals through workforce planning. The diversity of the group has attracted and ensured talent retention over the years through robust career development programmes.

The total number of employees of the group (as per the boundary of this report) as at 31 March 2009 is given below divided by industry group as well as rank. All statistics exclude contract employees of third parties, i.e. contract factory workers, security personnel etc., as per the defined scope of this report.

Employee population by grade

Industry group	AVP & above	Manager	Asst. manager	Executive	Non-executive	Grand total
Transport	5	10	12	38	39	104
Leisure	22	55	51	628	3227	3983
Property	5	11	13	22	69	120
Consumer Foods and Retail	14	53	101	209	2633	3010
Financial Services	4	1	5	16	1	27
Information Technology	12	36	51	439	100	635
Other-Plantation Services	6	19	8	37	958	1028
Other-Centre Functions	22	21	28	49	105	225
Total	90	206	269	1438	7132	9135

The total is as per the boundary of this report. This is 87 per cent of the group's total employee population.

In this current challenging environment, employment has been forced to re-model itself to enable the group to contribute to the overall economic development and sustainability of the businesses. One of many initiatives of addressing these challenges through human capital interventions was to revisit the employment model itself.

Moving into more flexible, project- or assignment-based contracts have helped both the employee and employer reap benefits. Endorsing the flexible nature of the work model, the group maintains 45 per cent of fixed term contract staff.

Employee population by nature of employment

Industry group	Contract	Permanent	Grand total
Transport	101	91	192
Leisure	1765	228	3983
Property	14	106	120
Consumer Foods and Retail	1029	1981	3010
Financial Services	1	26	27
Information Technology	255	383	638
Other-Plantation Services	916	112	1028
Other-Centre Functions	7	130	137
Total	4088	5047	9135
<i>Composition (%)</i>	45	55	

Employee population by gender

Industry group	Female	Male	Grand total
Transport	55	137	192
Leisure	356	3627	3983
Property	20	100	120
Consumer Foods and Retail	701	2309	3010
Financial Services	9	18	27
Information Technology	194	444	638
Other-Plantation Services	587	441	1028
Other-Centre Functions	62	75	137
Total	1984	7151	9135
<i>Composition (%)</i>	22	78	

9 per cent of the group's total staff population are employees of overseas subsidiaries and offshore staff in Transportation, Leisure and Information Technology. In addition, certain companies of the group use outsourced

labour in instances such as to meet seasonal requirements or cover absenteeism of company staff.

Employee population by geography

Industry group	Local	Foreign	Grand total
Transport	158	34	192
Leisure	3265	718	3983
Property	120		120
Consumer Foods and Retail	3010	-	3010
Financial Services	27	-	27
Information Technology	600	38	638
Other-Plantation Services	1028		1028
Other-Centre Functions	137	-	137
Total	8345	790	9135
<i>Composition (%)</i>	<i>91</i>	<i>9</i>	

The gathering and monitoring of employee related data is carried out through the group's robust ERP system, which is SAP (HR). The system is fully integrated, with accurate and timely information and acts as a strategic tool for decision-making.

Collective bargaining agreements

Industry group	Number of employees covered through agreements
Consumer Foods and Retail	1254
Leisure	493
Other-Plantation Services	929
Total	2677
Composition (%)	29

Management approach and guidelines

The group has established many people-related policies and practices that contribute to build employee engagement. These initiatives enable the creation of an organisational citizenship and commitment that, in return, ensure the success of employee relations.

Formal and informal types of collective bargaining are prevalent in the group.

The HR units are designed in a manner that enables high accessibility by any employee to every level of management. Constant dialogue and facilitation are also maintained, relating to work-related issues as well as matters pertaining to general interest that could affect employees and their families. Several channels of communication have been established, including:

- The management is encouraged to practice an 'open door' style of management
- 360 degree evaluations are done for employees at senior levels, whereby subordinates and peers are given the opportunity to comment on the employee in question

- An online forum is available to forward new suggestions for business opportunities
- Regular skip level meetings at assistant manager and above levels are held to obtain continuous feedback on the company and its management from different perspectives
- A direct email address to the Chairman is available to employees for bringing to the notice of the management any transgression of values, in the event that other possible avenues have been exhausted
- The committee structures of the organisation; at worker level, joint consultative committees, Kaizen groupings etc.
- Monthly meetings of all employees at business unit and staff meetings for discussion and feedback
- A policy and process for grievances, whereby employees could bring to notice any issue
- Exit interviews for all employees of the executive level and above

Policy on human rights related practices

As a general practice, the John Keells group does not employ any person below the age of 18 (eighteen) years at the workplace.

No employee of the John Keells group is made to work against his/her will, or subject to corporal punishment or coercion of any type related to work.

The John Keells group is an equal opportunity employer. Accordingly, the group is committed to hiring, developing and promoting individuals who best meet the requirements of available positions, possess the required competencies, experience and qualifications to carry out assigned tasks and have the potential for growth within the organisation; and has put in processes and systems that ensure the same.

Management approach and guidelines

The risk of child labour is very remote at the John Keells group. Companies within the group already have in place policies and practices relating to the minimum age of employment. The current processes relating to recruitment and selection require verification of age with reference to the original of the birth certificate and National Identity Card of the employee and, in certain cases, school leaving certificate as well as maintaining copies of the same in the personal file. In addition, in the manufacturing sector, where outsourced labour is engaged in instances such as to meet seasonal requirements or cover absenteeism of company staff, multiple controls are in place to ensure strict compliance by labour suppliers. So far, no case of non-conformity has been detected.

However, due to the nature of certain business operations - such as within the retail and hotels business units - there is a possibility of young workers between the ages of 16 and 18 years being employed. What is significant, though, is that these business units generate opportunities for these young individuals to be gainfully employed in viable avenues of income while simultaneously pursuing their studies and professional training.

The above information has been obtained via a questionnaire distributed by the labour and human rights task force among the management of relevant group companies towards ascertaining status quo, including the employment of children and young workers as defined under national law.

The labour and human rights task force has also initiated a group policy, checklists and guidelines to further strengthen the existing controls and processes in this regard.

The risk of forced or compulsory labour is insignificant at the John Keells group. Companies within the group already have policies and practices in this respect and comply with local and international regulatory requirements as applicable. Companies within the group also ensure that employees are given training only upon agreement

and the understanding that they will work an adequate duration which would not exceed the value of the training, where the training cost is significant. Employees who work beyond normal hours are compensated adequately by means of overtime or variable pay (as applicable) and are also supported with meals and transport facilities, in compliance with applicable law.

The above information has been obtained via a questionnaire distributed by the labour and human rights task force among the management of relevant group companies towards ascertaining status quo, including issues pertaining to forced or compulsory labour.

The labour and human rights task force has further initiated a group policy, checklists and guidelines to further strengthen the existing controls and processes in this regard.

In addition to the above areas, the John Keells group is also committed to maintaining workplaces that are free from physical or verbal harassment or discrimination on the basis of race, religion, gender, age, nationality, social origin, disability, political affiliation or opinion. The group also has a comprehensive policy in place regarding the prevention of sexual harassment, pursuant to subscribing to the Code of Conduct and procedures to address sexual harassment in the workplace, developed by the Ceylon Chamber of Commerce (CCC) and the Employers' Federation of Ceylon (EFC).

Creating a safe and secure environment for our team is our priority.



We seek to make the John Keells group 'more than just a workplace'.



SOCIAL COMMITMENT



A strong commitment to society and the environment has been inherent in the John Keells group throughout its existence. This commitment has been translated into through our sponsorships and community investment programmes, our staff engagement with the wider community through voluntary service as well as our on-going dialogue with our stakeholders to better understand their needs.

Policy on social responsibility

The John Keells group believes in meeting wider societal needs than our own and meaningfully enriching the lives of communities of which we are an integral part. We abide by the value of 'doing the right things, always' by ensuring that through our actions we demonstrate our commitment and respect for all our stakeholders, including the communities and the environment in which our businesses operate.

The John Keells group and the community

The John Keells group's social commitment is defined by diversity, carrying out as it does a range of initiatives, both long- and short-term, in six key focus areas - namely, education, health, environment, community and livelihood development, arts and culture and disaster relief - all united under the John Keells group banner and reflecting the diversity within the conglomerate. The initiatives in each focus area are aligned with the Millennium Development Goals as well as the United Nations Global Compact of which John Keells Holdings PLC is a member.

The John Keells Social Responsibility Foundation ('Foundation') is the vehicle through which the John Keells group has strategised, planned and implemented its social responsibility activities since 2005. Individual companies of the John Keells group have the right and liberty to engage in community service activities which complement their respective businesses as well as the broad focus areas of the Foundation. The Foundation is duly incorporated under the law and is also registered as a 'voluntary social service organisation' with the Ministry of Social Welfare.

Social responsibility has the highest commitment of the senior leadership and management of the John Keells

group. Chairman, John Keells group, heads the Executive Committee of the Foundation, while the three other executive directors comprise the rest of the membership. The Foundation's initiatives and activities are managed by the manager of the Foundation and the Foundation Management Committee (MC), composed of a cross-functional team of 19 senior executives drawn from the various industry groups, some of whom act as CSR co-ordinators of their respective industry group. Each project is championed by a member of the MC and implemented by a project sub-committee comprising volunteers from across the group. The MC meets monthly, the Foundation's activities are reported to the Executive Committee on a quarterly basis and its accounts are audited annually.

In addition to the initiatives detailed below, companies of the John Keells group have supported numerous other community service projects through donations of cash and kind.

Education

The John Keells group firmly believes that education is the foundation stone of an enlightened and civilised society. As such, education-related initiatives take high priority on its agenda of corporate responsibility.

The flagship project in this area is the 'English language scholarship programme' of the Foundation. Launched in 2004 in collaboration with Gateway Language Centre, this long-term project is aimed at enhancing the English language skills of schoolchildren and youth across the island and improving their opportunities for higher learning and sustainable employment in the modern age. Over the years, the programme has sponsored a range of scholarships, from the internationally-recognised two-year Edexcel diploma programme to a shorter course with a 4-month curriculum, for schoolchildren, school-leavers, undergraduates and trackers at the Yala National Park, thereby empowering the lives of over 1,500 individuals.

In 2008, it was decided to specifically target school-leavers and young people to enhance their employability. Entitled 'English for life', this customised course teaches

business English together with basic IT and soft skills to the 17-25 age group. Classes were initially launched in 12 locations - Anuradhapura, Colombo (2 centres), Galle, Gampaha, Kalutara, Kandy, Kurunegala, Nawala, Negombo, Panadura, Trincomalee and Wattala. The initial advertisements calling for applications drew over 3,000 applicants, out of whom 1,000 were awarded scholarships after a placement test set by Gateway. 931 students have been regularly attending the weekend classes conducted over a period of four months. The scholarships cover course fees, examination fees, text books and other course material. 3 volunteers work on this project, while 22 others represented the Foundation at the inaugural programmes at the different centres.

Another employment-driven educational initiative of the Foundation is 'The final step', a five-day series of soft skills workshops designed for the benefit of university undergraduates towards grooming them for employment. Involving two panel discussions and three interactive workshops conducted with the patronage of leading personalities and professional trainers of the corporate world, the programme deals with such varied subjects as employer expectations, team building and leadership skills, adapting to the corporate environment, personality development and confidence building, personal grooming and corporate hospitality. Held this year at the University of Moratuwa in collaboration with the Career Guidance Unit (CGU) of the University, it was the first such programme of its kind at this University and was completed successfully, with each day of the workshop attracting over two hundred final year undergraduates. 6 John Keells group volunteers helped out with the project.

A strategic CSR project engaged in by the Transportation industry group is the support of students reading for an Honours degree of Bachelor of Science in Transport and Logistics Management (BSc.T&LM Hons.) at the University of Moratuwa. The 4-year programme, which commenced in 2006, is designed to develop the knowledge, skills and attitudes necessary to equip the undergraduates to face the modern day challenges in the fields of aviation, shipping, logistics and supply chain management or public transport. Admission to the degree programme is based on the selection criteria of the University Grants Commission and the intake is limited to 50 students. The scholarship programme consists of an aggregate of 26 scholarships awarded on a both need- and merit-based scheme. The first year students will have access to a need-based scholarship while the second, third and fourth year students will benefit from a merit-based scholarship. In 2008/09, a total of 17 first and second year students were granted scholarships. Meanwhile, as all lectures are conducted entirely in English, the first-year students (numbering 48) were also provided English Language training. Students, moreover, had access to mentoring facilities. The recipients of the scholarships can opt for an industrial placement period at the John Keells group, which also annually offers employment within the group to at least 5 students who graduate from the BSc. T&LM Hons. degree.

Whilst the scholarship programme is a great boon to the undergraduates, not only supporting their tertiary studies but also facilitating a host of attractive career choices, it also helps develop a much needed resource base of professionals for the country's growing transportation industry.

Focus area	Project	Overall objective	Project location/s in 2008/09	Focus area in 2008/09	Direct impact	JKH volunteers
Education	Moratuwa University Transport & Logistics degree programme	Scholarship programme for students reading for an Honours degree of Bachelor of Science in Transport and Logistics management (BSc. T&LM Hons.) at the University of Moratuwa	University of Moratuwa	First and second year students of the BSc.T&LM Hons. degree programme	17 scholarships (need & merit) 48 scholarships for English	2

Under the 'Neighbourhood schools development project', the Foundation continues to support the development and maintenance of infrastructure and facilities of five disadvantaged government schools in Colombo 2 (the location of the head office and several offices of the John

Keells group), towards creating an environment more conducive for learning. The project is implemented through the CSR teams of Cinnamon Grand and Trans Asia. The following work was undertaken in the five schools in 2008/09:

Focus area	Project	Overall objective	Project location/s in 2008/09	Focus area in 2008/09	Direct impact	JKH volunteers
Education	Neighbourhood schools development project	Improving the overall educational facilities of 5 disadvantaged government schools located near John Keells head office in Colombo 2	Holy Rosary Sinhala Vidyalaya	Construction of a water sump	250 students 12 teachers	5
			Holy Rosary Tamil Vidyalaya	Roof repairs	220 students 16 teachers	
			Al Iqbal Muslim Balika Vidyalaya	Painting of school wall exterior, ceiling fan and books for library, garden landscaping, IT training for teacher	456 students 28 teachers	10
			Siri Sariputta Maha Vidyalaya	Wash basins for Junior classrooms, iron fence for stage, garden landscaping, colourwashing of school building (exterior and interior), internet and networking facilities for computer room	320 students 19 teachers	
			T. B. Jayah Maha Vidyalaya	Construction of computer room, concrete base and landscaping of school garden	450 students 25 teachers	

In 2008/09, eligible students of the five schools could also apply for scholarships under the English Language Scholarship Programme of the Foundation. 19 students were granted scholarships and were following classes conducted weekly in one of the schools.

Meanwhile, Whittall Boustead (Travel) Limited, an inbound tour operator company of the group, has sponsored the school requirements of the students of Sidhuhath Vidyalaya in Gallala, Ratnapura for the 8th successive year. Each year, since 2001, the staff, tour leaders and suppliers of the company have voluntarily contributed to the purchase of stationery requirements of all students of

this disadvantaged school (presently numbering 200), including the provision of shoes and an extra uniform for some children who could not afford it. All government schools provide free education to the students including text books and one free uniform. However, the students are required to purchase exercise books and all other stationery items which most children from rural areas find difficult to fund. Around 30 staff volunteers and tour leaders participated in the project this year.

In addition, many of the John Keells group companies engaged in education-related initiatives as part of their community service activities (*Please refer Annex 2*).

'The Final Step' was held at the University of Moratuwa in March 2009.



HIV/AIDS awareness is taken to different groups of society.



Health

The John Keells group believes that a healthy society is a productive one. Therefore, the Foundation focuses on two areas of health which are considered pertinent to Sri Lanka as a developing nation.

One of the gravest challenges facing the world in this century is the battle against HIV and AIDS. The situation in Sri Lanka, though not critical as yet, leaves no room for complacency. In 2007 alone, 996 new cases have been reported and the number of new infections seems to be on the rise. The group believes that the key to preventing the spread of the virus and also mitigating the stigma associated with it is awareness, which is readily

accessible. Hence, since 2005, we have been actively involved in raising HIV/AIDS awareness.

The 'John Keells HIV/AIDS awareness campaign', implemented through the Foundation, has targeted the employees of the John Keells group, the communities around its business locations, other corporate entities, most at-risk persons (MARPs) and the general public. In 2008/09, the programme continued with its dual objectives of creating awareness amongst at-risk groups as well as workplace education. 32 sessions were carried out during the year, reaching out to over 3,495 individuals as detailed in the table below.

Focus area	Project	Overall objective	Project location/s in 2008/09	Focus area in 2008/09	Direct impact	JKH volunteers
Health	John Keells HIV/AIDS awareness campaign	Preventing the spread of HIV/AIDS through education and awareness within and outside the workplace, including high-risk groups	John Keells head office, John Keells Galaha Office Complex, SLIIT Campus, Malabe, Earl's Regency Kandy, The Heritage, Nuwara Eliya, Chaaya Village & Cinnamon Lodge, Habarana, Dankotuwa Factory, Dankotuwa, Dialog Telecom, Bentota/Beruwela Hoteliers Association, Police College, Kalutara, Chevron Factory, Kolonnawa, Tangerine Hotel, Kalutara, Sri Lanka Army – Anuradhapura, Auxicogent, Coral Gardens, HSBC Call Centre, Dipped Products Limited, Trans Asia Hotel, Galadari Hotel, Cinnamon Grand, Colombo	Workplace education and creating awareness amongst at-risk groups	3,495 persons covered in 32 sessions	5

The Foundation held its annual commemoration of World AIDS Day on 1 December 2008 at the head office of the John Keells group. The day commenced with the pinning of the AIDS ribbon on the executive directors of JKH and was followed by an awareness session on HIV/AIDS for the benefit of staff attended by approximately 90 employees. Meanwhile, Coral Gardens (which had been selected by International Labour Organisation/United States Department of Labour (ILO/USDOL) HIV/AIDS workplace education programme to pilot a sustainable HIV/AIDS workplace programme) partnered the Foundation through special commemorative activities to mark the day. The highlight was an awareness programme on HIV/AIDS for the benefit of both staff and the surrounding community which drew an audience of approximately 235 including 190 external invitees, representing local government bodies, the police, schools, NGOs and the local community. 80% of the participants were working women. Coral Gardens also ceremonially launched its HIV/AIDS workplace policy on the day. Coral Gardens is the first entity of the John Keells group to adopt an HIV/AIDS workplace policy.

In the corporate world, the Foundation continues to play a leading role in the sphere of HIV/AIDS as a member of both the CSR Steering Committee of the Ceylon Chamber of Commerce (in which it heads activities relating to Millennium Development Goal 6 - namely, Combating HIV/AIDS, malaria and other diseases) and the Lanka Business Coalition on HIV and AIDS towards creating awareness among workers of the private/industrial sector.

Cataract is recognised as the primary cause of blindness in Sri Lanka. The tragedy is that, in the majority of cases, it is curable. Yet, due to ignorance or lack of resources to access timely healthcare, most patients risk progressive blindness. With the resultant loss of social and economic independence, the consequences to the individual, his/her family and society as a whole are enormous. This was the rationale for the launch of the 'John Keells vision project' in 2004. Implemented via the Foundation since its establishment, the project has continued to touch the lives of vision-impaired persons, with a reported 839 cataract operations being successfully carried out island wide during the course of 2008/09, both at government hospitals and the Lions Gift of Sight hospital, bringing the

total number of operations to 3,018 since the launch of the initiative in 2004. In addition, 13 spectacles were donated to children and 229 reading glasses and other spectacles provided to adults. Eye camps were held at Boralanda and Horadorowwa in Haputale and Karagahaulpata in Welimada, both in the Nuwara Eliya district; and at Halmillawe in the Anuradhapura district. 7 JKH volunteers have helped at eye camps.

In addition, many of the companies of the John Keells group engaged in health-related initiatives as part of their community service activities (*Please refer Annex 3*).

Environment

The silent victim of development is the environment and it is undoubtedly the responsibility of all individuals and organisations to mitigate their negative impacts on nature. As noted in the 'Environmental Footprint' section of this report, the communities in which the group operates face many significant environmental issues. In addition to working towards minimising the impact of its operations on the environment, the group supports campaigns to raise environmental awareness and conservation.

Focus area	Project	Overall objective	Project location/s in 2008/09	Focus area in 2008/09	Direct impact	JKH volunteers
Environment	Nature Field Centre at Rumassala, Galle	A collaboration with the Central Environment Authority to educate schoolchildren about the importance of nature and conservation in a natural setting rich in biodiversity	Rumassala in the Galle District of the Southern Province of Sri Lanka	<p>Completion of construction and formal opening of centre on 1 July 2008</p> <p>Shramadana at the facility by students of Buona Vista School</p> <p>Awareness session for zonal educational directors of the Southern province</p> <p>Session for students of Sudharma Vidyalaya</p> <p>Session for school children from surrounding schools in view of World Children's Day</p> <p>Session for Sujatha Balika Vidyalaya - Matara</p> <p>Session for Uragaha Maha Vidyalaya</p> <p>Monthly meeting of Zonal Environmental officers</p> <p>Session for Galbada Athuruwella Vidyalaya</p> <p>Session for Southland Balika Vidyalaya</p> <p>Session for Walanduwa Laksaru Association, Galle (Adults)</p> <p>Awareness event for the surrounding fishing community</p> <p>World Wetland Day event for Students from the Ruhunu University</p> <p>Periodic steering committee meetings and site visits to evaluate project progress and site maintenance</p>	<p>53</p> <p>48</p> <p>61</p> <p>85</p> <p>32</p> <p>80</p> <p>60</p> <p>40</p> <p>57</p> <p>20</p> <p>16</p> <p>42</p>	<p>3</p> <p>2</p>

An important new initiative undertaken by the Foundation in 2008/09 was its collaboration with the Central Environment Authority (CEA) to facilitate experiential learning about the environment, primarily among school children of the Southern province. The Nature Field Centre at Rumassala, in Galle, constructed in an area rich in biodiversity including several species of endemic birds,

marine life, coral reefs and a number of rare medicinal plants, was jointly declared open by the Minister of Environment and Natural Resources and the Head of CSR, John Keells Holdings PLC in July 2008. Aesthetically designed by the Faculty of Architecture of the University of Moratuwa, the facility includes an auditorium, library and canteen and primarily targets schoolchildren. It is operated

by the regional staff of the CEA from Galle. The centre conducts half-day programmes for school children and other interested groups to raise awareness on the rich biodiversity of the area, eco-friendly practices and the importance of co-existing in harmony with the environment as listed in the table below.

The Foundation has also leveraged on the associates of the John Keells group to add value to the centre. The IUCN (The World Conservation Union), which is involved in the study of coral reefs in the area, has collaborated by donating a fully equipped library and related facilities to the centre. It is also expected that Nature Odyssey, a member of the John Keells group and an award-winning inbound tour operator specialising in nature and adventure, will carry out periodic programmes on biodiversity for the benefit of school children visiting the centre.

Meanwhile, the 'Butterfly garden' at Cinnamon Lodge, Habarana, is flourishing well. 300 new plants were planted during the year, which have made a great difference to the number of butterflies attracted. Over five nature field trips have been conducted at site for the benefit of school children in the area.

The simple yet original initiative by Cinnamon Lodge, Habarana to sell 5 kg and 10 kg packs of compost to its visitors and guests, as well as those of the neighbouring Chaaya Village, Habarana, is also making progress. Sold in attractive packaging and at a relatively negligible cost, the compost is made up of the garden waste collected from the two hotels, along with farmyard manure, crop residue, dolomite and top soil.

The red bag initiative

Jaykay Marketing Services (JMSL), which operates the Keells Super supermarkets, is the pioneer retail chain to introduce reusable cloth bags, known as 'Red bags', as an alternative to polythene. Since the introduction of the red bag, the supermarket chain continued to make steady progress in its attempt to reduce the use of polythene. In August 2008, Keells Super, together with a coalition of four other leading supermarkets in Sri Lanka, introduced an initiative under the patronage of the Central Environmental Authority to discourage the use of plastic shopping bags by their customers, by charging a nominal price for polythene bags. However in October 2008, the Supreme Court made an order to the Consumer Protection Authority to stop the supermarkets charging money for polythene bags and to implement this order within one week.

Year	Month	Red bag sale	Red bag re-use	Estimated polythene bag reduction
2008	4	17,281	2,650	19,931
2008	5	11,548	2,905	14,453
2008	6	7,892	2,811	10,703
2008	7	7,038	4,823	11,861
2008	8	35,119	35,226	70,345
2008	9	17,145	45,584	62,729
2008	10	9,063	35,877	44,940
2008	11	4,062	19,004	23,066
2008	12	6,791	14,278	21,069
2009	1	3,797	11,537	15,334
2009	2	4,684	11,655	16,339
2009	3	7,542	15,607	23,149

The nature field centre educates visitors on the importance of biodiversity.



The red bag initiative aims to reduce the use of polythene shopping bags.



The group's paper conservation project has set in place a process for the collection of waste paper from the group's business locations for shredding and recycling. The contractor for collection and onward transmission for recycling since 2006 has been Neptune Papers (Pvt.) Ltd.

As per the contractor's report, during the period 1 April 2008 to 31 March 2009, an aggregate of 65,057 kilograms of waste paper had been collected from the John Keells group. According to their estimates, the overall impact on the environment is as follows:

- Saved the felling of 1,106 trees
- Saved 2,067,511 litres of water
- Saved 260,228 kwh of electricity
- Saved 114,175 litres of oil required to turn wood in to paper
- Saved 195.17 cubic meters of landfill

Engaging employees and communities in protecting the environment has been one of the John Keells group's most keenly-supported volunteering activities. Many of the companies of the group engaged in related initiatives as part of their community service activities (*Please refer Annex 3*).

Community/livelihood development

The John Keells group reaches out to the communities surrounding its operations through constructive dialogue with stakeholders and staff volunteerism, translating into a range of community service initiatives. Fostering the spirit of entrepreneurship as a key to sustainable development

is the primary objective of the Foundation-driven community projects.

The 'Village adoption project' of the Foundation is aimed at integrated village development through self-reliance. The pilot project under this initiative is the remote village of Halmillawe located in the Central province of Sri Lanka with a total population of about 556, most of whom are dependent on agriculture and livestock farming for a living. Since its 'adoption' in 2005, the village has made slow but steady progress in multiple spheres including irrigational infrastructure, agriculture, education, vocational training and entrepreneurship development.

In 2008/09, the primary focus has been women's empowerment activities in the village. The women's society, '*Diriyen Idiriyata*' (literally meaning, 'moving forward with courage') has made significant progress and the savings scheme (in which the Foundation initially matched the women's savings one-for-one and continues to supplement the deposit base periodically), is flourishing, thereby helping the women to be more financially empowered. They not only make a monthly saving under this programme, but have even taken loans from the scheme to finance their projects.

The most recent initiative has been to empower these women to generate a more steady income of their own. To this end, the Foundation, with the help of the team at Cinnamon Lodge, Habarana (located about 20 km away), have trained a group of women to cultivate mushrooms. This project has been successful as these women now sell their mushroom harvest to other villagers as well as a

Focus area	Project	Overall objective	Project location/s in 2008/09	Focus area in 2008/09	Direct impact	Indirect impact	JKH volunteers
Community/ livelihood development	Village adoption project	Poverty alleviation at village level by a sustainable and integrated development programme through self- reliance	Halmillawe, a remote village located in the Palugaswewa Divisional Secretariat in the Anuradhapura district of the North Central province of Sri Lanka	Women's savings scheme	67	268	
				Training in making Thalaguli	6	24	
				Training in growing mushrooms	6	24	
				Training in weaving handicrafts	16	64	
				Monitoring of women's empowerment (relating to all of above)			
				Repair of dam	100	400	3
				Painting of pre-school	12	48	
				Donation of 40 coconut plants to school garden	45	180	
				Maintenance of primary school building	45	180	
				Sponsoring a volunteer teacher to the school	45	180	
				Donation of books to library	45	180	
						Estimated at direct impactees x 4	

few grocery stores in the area. An initiative is presently being designed to provide sewing classes to women possessing sewing machines towards enabling them to be self-sufficient in supplying the clothing of their children. Partnering the Foundation in implementing these projects are members of a women's community based organisation in Wilpotha, Puttalam, who have achieved success in planning and implementing similar projects in their hometown and tsunami-affected areas of the Southern province.

OnTime Technologies (Pvt.) Limited at Mahavilachchiya in the North Central province, Sri Lanka's first recorded rural Business process out-sourcing (BPO), is flourishing, two years into its operations. The company works as a service provider to InfoMate Private Limited (a John Keells group company) and carries out transaction processing, as an extension of InfoMate's role of captive finance and accounting service provider for the John Keells group.

This ground-breaking project in the local BPO industry was initiated by John Keells Holdings PLC together with the

Foundation for Advancing Rural Opportunity (FARO) in March 2007. The immediate objective of the project was to create sustainable employment for talented rural youth, enabling them to work from the familiar environment of their own village. The long-term vision of the initiative is to create BPO capacity for Sri Lanka's future outsourcing growth.

The village of Mahavilachchiya was selected for this pilot as it had the highest density of computers of any village in the country together with a comparatively large number of youth possessing basic IT and English skills. Innovative technology was employed to facilitate this model as it was necessary to electronically transmit images of accounting documents and extend the systems of the John Keells group to a remote location securely. Initial training was provided to OnTime staff by InfoMate in its premises in Colombo, whilst facilitating accommodation, meals and travelling.

Focus area	Project	Overall objective	Project location/s in 2008/09	Focus area in 2008/09	Direct impact	JKH volunteers
Community/ livelihood development	Mahavilachchiya BPO project	Increasing employment opportunities for rural youth within their own village in collaboration with OnTime Technologies (Pvt) Limited and FARO	Mahavilachchiya, a village located in the Anuradhapura district of the North Central province of Sri Lanka	Increasing the number of agents employed by OnTime by means of outsourcing additional functions of InfoMate	10	
				Assisted FARO in securing PAP Grant amounting to Rs. 5 million from the ICT Agency of Sri Lanka towards upgrading the facility in line with international BPO requirements and also for training and mentoring the young management team of OnTime	10	
				Undertake periodic visits through members of JKSRF and InfoMate in order to engage with, train and mentor the OnTime team.	10	10

The women of Halmillawe have been taught various entrepreneurial skills.



The BPO centre at Mahavilachchiya is a sustainable business model.



In 2009, the Foundation assisted FARO in securing a PAP Grant amounting to Rs. 5 million from the ICT Agency of Sri Lanka. The grant was utilised to upgrade the facility in line with international BPO requirements and also in training and mentoring the young management team of OnTime. The BPO currently engages 10 youth from the village who are making commendable progress and plans are underway to expand the operation in a sustainable manner. The project bears all the signs of a sustainable business model, creating economic benefits to the company whilst simultaneously generating sustainable employment opportunities for rural youth.

The sustainable sourcing initiative of the Consumer Foods and Retail group of John Keells boosts agricultural activity

in villages and raises the standard of living in diverse communities. It is one of our largest and most successful sustainable projects with many sub-projects such as the ginger and vanilla out-grower programmes, dairy production, the treacle project, purchase guarantees of pork, chicken and assistance in the expansion of local, mechanised, de-boned meat. The retail chain, Keells Super, sources a variety of low country vegetables from 35 farming families in Thambuttegama of the North Central Province. Meanwhile, in the Leisure industry group, resorts and hotels seek to purchase most of their fresh supplies such as fish, fruits, vegetables, flowers, etc. from their surrounding communities whilst local entrepreneurship is fostered through the patronage of local delicacies and sweetmeats of acceptable quality.

Product	Location	Primary suppliers/ Project partners	No. of farmers	Total annual supply	Total payment (Rs.)
Ginger	Aludeniya Galabawa Poojapitiya Uduwa all of Hataraliyadda in Kandy district	CCS, ginger growers and the Kandurata Development Bank supported by Central Bank of Sri Lanka	225	38,418 kg	11,968,220
Vanilla	Meegammana West, Wattegama, Kandy	Kandy Vanilla Growers' Association	2500	650 kg	3,627,449
Treacle	Waralla, Deniyaya	Nilwala Food Products	12	34,320 kg	4,376,500
Milk	Maskeliya Hatton Dikoya Dimbulla Lakshapana	Seven Hills Farms	1100	705,000 Ltrs	42,000,000

Other community development initiatives of the group include the maintenance of the Slave Island Railway Station in Colombo 2 under the patronage of John Keells Holdings PLC in collaboration with the General Manager, Railways since 2003. This colonial-style fully functional railway station has since been fully refurbished by John Keells PLC, which also provides all routine maintenance of the building and service areas with the support of Trans Asia Hotel. Work carried out during 2008/09 include refurbishing and modernising of the level crossing bridge and other amenities within the station as well as routine maintenance of public areas towards ensuring a clean and user-friendly environment for the thousands of commuters who use the station on a daily basis. Approximately 9 staff volunteers of the group are engaged in carrying out monthly inspections and the project is expected to have benefited 720,000 commuters during the year. Since the collaboration permits companies of the John Keells group to advertise their products and services in the station premises, six companies which have made use of this facility could also be considered beneficiaries of the project.

As an equal opportunity employer, the John Keells group actively supports the gainful employment of differently abled members of the community. As a steering committee member of the Employers' Network on Disability of the Employers' Federation of Ceylon (EFC), John Keells Holdings PLC (JKH) has been actively supporting the initiatives of the network. In 2008/09, JKH hosted a job fair at its head office premises at Glennie Street, organised by the EFC, to enable a pre-screening of differently abled jobseekers. The event drew a group of 41 individuals, with speech, auditory, visual and physical disabilities. Applicants were interviewed by HR personnel from JKH, I D Lanka Ltd. and MAS Holdings Ltd. with a view to enabling placement wherever possible within their organisations as well as circulating resumes among the other members of the Employers' Network on Disability. The John Keells group had 12 differently abled employees in its cadre during 2008/09.

Arts and culture

The John Keells group is committed to sponsoring arts and culture towards safeguarding and promoting the cultural heritage of the community.

Sri Lanka's highly popular open-air art gallery cum art fair, 'Kala Pola', came alive on Sunday, 25 January 2009 on the sidewalks of Ananda Coomaraswamy Mawatha, Colombo. Conceptualised by the George Keyt Foundation, the Kala Pola enjoyed the unbroken patronage of the John Keells group for the 15th consecutive year. Over 250 artists and sculptors displayed their creativity on canvas and other media to an

increasingly appreciative clientele in a fun-filled atmosphere of music, refreshments and entertainment.

While Kala Pola initially took off from the concept of open air summer art fairs in European capitals, like the legendary Montmartre in Paris, the underlying rationale for its existence goes beyond the search for fascinating colour, exuberance and camaraderie. It is, more importantly, a valuable forum to launch the careers of talented artists and sculptors, foster the development of a client base and thereby, promote art as a lucrative and professional career.

Focus area	Project	Overall objective	Project location/s in 2008/09	Focus area in 2008/09	Direct impact	Indirect impact	JKH volunteers
Arts and culture	Kala Pola	A collaboration with the George Keyt Foundation to create a platform for local artists and craftsmen to launch their careers and build up a valuable clientele	Sidewalks of Ananda Coomaraswamy Mawatha, Colombo (Opposite National Art Gallery)	Artists and sculptors	257 artists and sculptors	Estimated at direct impactees x 4	6

The premises of Walkers Tours Ltd. (an award-winning inbound tour operator company of the John Keells group) located in Colombo 2, is home to a stunning collection of paintings of the internationally-renowned Sri Lankan artist, George Keyt. This valuable collection of artwork is on permanent public display in the premises, making it accessible to both local and foreign art lovers.

In addition, all resort hotels of the group continue to support local art and culture by engaging local artistes in entertainment provided to guests. Hotels such as Bentota Beach Hotel further foster local art by licensing artists to exhibit and sell their creations in the hotel premises. All hotels also arrange traditional wedding ceremonies for foreign guests on request, replete with all local customs and rituals.

Disaster relief and philanthropic initiatives

The Foundation co-ordinated the following initiatives by way of disaster relief in 2008/09:

- A donation of 5,000 packs of essential food items - including rice, tea, sugar and meat balls - worth approximately Rs. 2.5 million to the Ministry of Disaster Management and Human Rights, to be distributed among the flood victims of Bandaragama
- A donation of over Rs. 500,000 worth of canned food for cyclone victims in Myanmar
- A donation of Rs. 80,000 to Friends of Lanka Tsunami Relief for sponsoring the performance of over 75 children of the LAK SURA School of Dance Drama and Music at the Art Trail and Film Fest in Galle, as a pre-event to the Galle Film Festival

JKH hosted a job fair for the differently abled.



Held in January 2009, the vibrant Kala Pola was a success.



Staff volunteerism and corporate support at John Keells

Staff volunteerism has become an integral part of the group's community engagement strategy. This not only connects the John Keells family more closely with one another and the community, but also enables our employees to gain skills, motivation and enjoyment, while giving something back to the community.

The group encourages its employees to volunteer their services in corporate social responsibility (CSR) activities initiated both at centre (by the Foundation) and business unit level. In fact, the Foundation has only two dedicated employees. The Management Committee and the project teams of the Foundation comprise group employees who volunteer their time in the respective capacity. Project activities are supported by a wider team of volunteers drawn from across the group.

Employees whose involvement is required in CSR activities are released with minimum restraint and the senior management exercises a flexible policy toward the time devoted by staff to such projects. The John Keells group does not account or charge for time spent by employees on CSR voluntarism. Similarly, the Foundation does not account or charge for human resources, planning and administration and overhead costs attributable to any of its projects.

Project related transport outside a 10km radius is facilitated by the Foundation through hire of vehicles from the Leisure industry group of the John Keells group. Under a special arrangement between Walkers Tours Ltd. (the inbound tour operator) and the Foundation, vehicles for CSR-related activities are made available at concessionary rates.

Meanwhile, under a similar arrangement between John Keells Hotels PLC and the Foundation, the food and accommodation requirements of project teams on CSR-related site visits in the proximity of John Keells group hotels are met at concessionary rates (for both staff and

external resource persons comprising the respective project team). The management of the respective hotels also work in close collaboration with the project team to provide ancillary support for the team's activities in the proximity of the hotels.

In November 2008, the Foundation published a booklet entitled 'John Keells staff volunteer initiative 2008/09' towards highlighting the key social responsibility projects engaged in by the group and encouraging more staff to volunteer their time and efforts to any project of their choice. Printed in both Sinhala and English, approximately 8,000 copies were circulated among existing staff, new inductees and management trainees of the group. Based on responses received from employees across the group on a purely voluntary basis, a database of 344 volunteers has been developed for future mobilisation. Volunteers who have already participated in various CSR initiatives have often shared their sense of fulfilment at being part of a community based activity, which has been circulated among others of the team for motivational purposes. In 2009/10, it is proposed to engage the volunteers on a more interactive basis, commencing with 'town hall' meetings with volunteers grouped into the focus areas of the Foundation.

The John Keells group will continue to explore possible new community investment and engagement initiatives which align with the Foundation's focus areas and strengthen the sustainability of the communities in which we operate.

Employee volunteers help at vision camps.



Staff voluntarism is an integral part of our social commitment.



Management approach and guidelines for corruption

A risk that all companies face in this day and age is corruption. At the John Keells group, integrity is not just a buzzword - it is a practice. As such, we have in place a policy and processes that will ensure an ethical organisation.

Anti-corruption policy

The John Keells group places the highest value on ethical practices and has promulgated a zero tolerance policy towards corruption and bribery in all its transactions.

The group upholds the distinction of being identified as one of the most respectable organisations operating within the country, having been named 'The most respected entity' by the Lanka Monthly Digest (LMD) in their annual, nation-wide survey, for four consecutive years. Its credibility is further strengthened by its stand that it is governed by a zero tolerance policy with regards to corruption as well as many regulations with a mandatory requirement in compliance.

The group also has identified a three-pronged approach, which has evolved through time, further mandating the policy through a transparent process:

1) Values/code of conduct for executives

The John Keells code of conduct ('code') for executives encompasses rules regarding bribery and corruption and is promulgated to all executives at the time of their induction. Each employee signs off on his/her Letter of Appointment which refers to compliance at all times with the rules, regulations, policies and procedures that shall be in force. Compliance with this code forms part of the John Keells values and furthermore, each employee is assessed bi-annually on whether he/she embraces these values.

2) Processes to reduce corruption during business operations

All companies and functions have a process to prevent/reduce the risk of corruption e.g. procurement process, authority levels as per the group operating model (February 2005), reporting requirements etc. These are stated policies and their implementation and review, are taken up at sector committee meetings or group management committee meetings as relevant and in addition independent internal audit reviews are undertaken to ensure compliance with the processes.

3) Corruption as a specific organisational risk

All business units carry out a risk evaluation for their businesses annually in the form of a risk matrix. Where ever corruption is considered a risk it has been captured in the BU's risk matrix and analysed at sector committee meetings or group management committee meetings as relevant.

In the future the group, whilst continuing the current practices, would further statute a code of conduct from the executive level and above of it employee cadre, establishing a formal process of communication. Corruption will be included as a specific section in the risk grid and be evaluated formally on a regular basis by the BUs and be process driven and documented for analysis.

When considering the current reporting boundary of 37 companies, it is evident that these companies are analysed for risk resulting from the conduct of employees and further subjected to independent audit reviews. This makes it 100 per cent compliant under the said indicator.

Integrity is not just a buzzword - it is a practice.



The group is recognised as one of the most respected entities in Sri Lanka.



CUSTOMER CENTRIC

At the John Keells group, our customers are important to us, whether they are in the local market or the international arena. Bearing them in mind, we have formulated a policy that will ensure the highest standards in the products and services we deliver.

Products and services policy

The John Keells group will strive to maintain products and services at the highest standards through embracing industry and corporate best practice and compliance with all relevant local and international statutory and regulatory requirements in the markets we serve. All products and services will seek to identify and assess any environmental and social impact through their communications, services and operations and supply chain.

Management approach and guidelines

In pursuit of customer trust, all products and services will aim to be transparent in terms of their scope, ingredients, service deliverables and standards, whilst indicating the degree of environmental impact where applicable. The group will invest in improving standards, seek certification by recognised authorities and display such certifications by appropriate labelling where applicable. Through proactive customer engagement, we will identify changing needs and innovate, thereby working towards the delivery of product and service excellence.

The group companies included in this area are specifically those that package, label and brand their products and services as well as other POS material, in different ways. While this is straightforward in the case of companies such as those in the Consumer Foods and Retail industry group (ice cream, carbonated drinks and convenience foods), it requires more discernment in companies such as those in the Leisure and Property industry groups (fact sheets, brochures, flyers).

With reference to the manufacturing sector of Consumer Foods and Retail, it is evident that three main product portfolios need to be addressed, these being the beverages, ice cream and convenience foods. All these

products conform to the statutory labelling standards with the exports having to adhere to international labelling standards and disclosures.

The Leisure industry group has developed its own home-grown brands 'Cinnamon hotels & resorts' and 'Chaaya hotels & resorts', both consisting of city hotels and resort hotels within Sri Lanka and the Maldives. When considering the information with regard to the services provided, much diligence is required as most of the consumers belong to various parts of the world. This further requires such service providers to comply with international standards.

The Property industry group, under its brand, John Keells Land, markets two upmarket apartment complexes - namely, The Monarch and The Emperor - as well as the popular shopping centre, Crescat Boulevard, all of which conform to statutory requirements as per the product information provided to potential buyers.

The specific groups mentioned above have been considered material to the indicator addressed and constitutes 100 per cent coverage with compliance to such procedures.



JOHN KEELLS LOGISTICS



The group companies have ensured conformity with statutory and regulatory requirements and accordingly, provide required information in the process of labelling, as well as in their communication to different target groups. Moreover, the pertinent companies have also sought to go beyond simply adapting all industry standards, choosing, instead, to emulate benchmark standards in their respective industries. In the Consumer Foods and Retail industry group, food safety standards have been achieved through certification on international specification standards, given the paramount importance of same. In the other industry groups, too, system certification has been pursued based on industry standards, where applicable. Customer engagement, too, has been addressed to varying degrees, through customer feedback system, complaints handling systems, customer satisfaction surveys, etc.

In continuing to market its numerous products and services, the John Keells group will focus on the following measures:

- Continuing to conform to labelling requirements, both statutory and regulatory
- Looking to protect the environment and avoid degradation, whilst embarking on eco-friendly solutions
- Identifying key elements for continuous improvement, supporting them with training and development, whilst exceeding customer expectations and looking to make positive contributions to the society
- Adopting a customer care policy and implementing a feedback system and complaint handling procedure, along with corrective and preventive action
- Establishing key performance indicators to assist in our endeavours
- Progressing with systems certifications based on industry requirements

Our customers are important to us.



All the products and services we offer will be of the highest quality.



AGENDA 2009/10

Focus area	Agenda for 2009/10
Economic contribution	<ul style="list-style-type: none"> We aim to provide above average growth and superior returns to our shareholders through operations which are fully integrated with sustainability and ethical business conduct
Environmental footprint	<ul style="list-style-type: none"> We aim to reduce the environmental footprint of the group as a whole, making recycling part of our work ethic and creating a paperless office environment We will continue to improve on the current energy management practices across the group We will carry out continuous periodic energy audits to identify any areas for improvement and also validate the implementation of energy management programmes We will continue with programmes targeting employees' behavioural change in energy conservation and management Continuing to evaluate the use of renewable energy as a primary source within the group's operations All group companies shall monitor emerging issues and keep abreast of regulatory changes, technological innovations and stakeholder interests We will carry out and support projects that conserve and raise awareness about the importance of maintaining the integrity of essential ecosystems We will seek to optimise opportunities for and develop effective and sustainable legislature and solutions to minimise the impact on the biodiversity in our areas of operations The group will share best practices with regard to the conservation of biodiversity within the group and ensure that all relevant personnel are provided with the skills and knowledge to comply with our biodiversity policy
More than just a workplace	<ul style="list-style-type: none"> We will strive to build on our existing human resources practices to make the group a much sought-after employer We will work towards addressing any risk of employment of young persons We will focus on developing and implementing comprehensive policies to avoid discrimination Since education and awareness play a large role in disseminating such policies, we will seek to make all our employees conversant with them via communication tools like the intranet
Social commitment	<ul style="list-style-type: none"> We will engage the volunteers on a more interactive basis We will further statute a code of conduct from the executive level and above of it employee cadre, establishing a formal process of communication Corruption will be included as a specific section in the risk grid and be evaluated formally on a regular basis by the BUs and be process driven and documented for analysis
Customer centric	<ul style="list-style-type: none"> All the products and services we offer will be of the highest quality, conforming to both statutory and regulatory labelling requirements We will adopt a customer care policy and provide direct contact details for feedback We will seek to achieve systems certifications based on industry requirement We will avoid environmental degradation and seek eco-friendly solutions where applicable

In this report, we have reported on the United Nations Global Compact principles that adhere to the GRI-G3 indicators. However, in the future, we hope to cover all the principles of UN Global Compact, thereby strengthening our commitment to it.

Contact point for queries on the Sustainability Report:

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 John Keells Holdings PLC,
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 Colombo 2,
 Sri Lanka.
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GRI INDEX AND UNGC PRINCIPLES



Standard disclosures on GRI-G3 index and UNGC principles		Status	Page	Global Compact
1.	Strategy and analysis		3, 4	
1.1	CEO's statement	●	2	
1.2	Description of key impacts, risks and opportunities	○		
2.	Organisational profile			
2.1	Name of the organisation	●	4	
2.2	Primary brands, products and/or services	●	4, 5	
2.3	Operational structure of the organisation	●	4, 5	
2.4	Location of organisation's headquarters	●	5	
2.5	Number and name of countries where the organisation has its operations	●	5	
2.6	Nature of ownership and legal form	●	4	
2.7	Markets served	●	5	
2.8	Scale of the reporting organisation	●	5, 6	
2.9	Significant changes during the reporting period	●	5, 6	
2.10	Awards received in the reporting period	●	6, 7	
3.	Report parameters - Report profile			
3.1	Reporting period	●	10	
3.2	Date of most recent previous report	●	First report	
3.3	Reporting cycle	●	10	
3.4	Contact point for questions regarding the report	●	38	
	Report parameters - Report scope and boundary			
3.5	Process for defining report content	●	4,10	
3.6	Boundary of the report	●	4,10	
3.7	State any specific limitations on the scope or boundary of the report	●	4,10	
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities	●	4,10	
3.9	Data measurement techniques and the bases of calculation	○		
3.10	Explanation of any re-statements of information provided in earlier reports and reason	●	10	
3.11	Significant changes from previous reporting periods in the scope, boundary or measurement methods	●	10	
	Report parameters - GRI context index			
3.12	Table identifying the location of the standard disclosures in the report	●		
	Report parameters - Assurance			
3.13	Policy and current practice with regard to seeking external assurance for the report	○		
4.	Governance			
4.1	Governance structure of the organisation	● ■	11	
4.2	Indicate whether the chair of the highest governance body is also an executive officer	■		
4.3	Number of members of the highest governance body that are independent and/or non-executive members	■		
4.4	Mechanisms for shareholders and employees to provide recommendations or direction	■		
4.5	Linkage between compensation for top and middle management and organisational performance	■		
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided	■		
4.7	Process for determining the qualifications and expertise of the members of the highest governance body	○		
4.8	Internally developed statements of mission or values, codes of conduct, and principles	○		
4.9	Procedures of the top management for overseeing the organisation's identification and management of the TBL	■		
4.10	Processes for evaluating the highest governance body's own performance, with respect to the TBL	○		
	Commitments to external initiatives			
4.11	Explanation of the precautionary approach or principle addressed	■		
4.12	Externally developed economic, environmental, and social charters, principles or other initiatives	■		
4.13	Memberships in associations and/or national/international advocacy organisations	○		
	Stakeholder engagement			
4.14	Stakeholder consultation	●	10	
4.15	Basis for identification and selection of stakeholders	●	10, 11	
4.16	Approaches and frequency of engagement by type and by stakeholder group	○		
4.17	Key topics and concerns that have been raised through stakeholder engagement	○		
5.	Management approach and performance per category - Economic, Environmental and Social			
	Economic performance indicators			
EC1	Disclosure on management approach	●	12	
EC2	Economic value generated and distributed	●	12	
	Financial implications and other risks and opportunities for the organisation's activities due to climate change	○		

EC3	Coverage of the organisation's defined benefit plan obligations	●	12, 13	
EC4	Financial assistance received from government	○		
EC6	Practices and proportion of spending on locally-based suppliers at significant locations of operation	○		
EC7	Procedures for local hiring and proportion of senior management hired from the local community	○		
EC8	Development and impact of investments and services provided primarily for public benefit	○		
Environmental performance indicators				
	Disclosure on management approach	●	14, 19	
EN1	Materials used by weight or volume	○		
EN2	Percentage of materials used that are recycled input materials	○		
EN3	Direct energy consumption by primary energy source	●	15	8
EN4	Indirect energy consumption by primary source	●	15	8
EN8	Total water withdrawal by source	○		
EN11	Location and size of land owned, leased, managed in, or adjacent to, areas protected / high biodiversity value outside protected areas	●	17-18	8
EN12	Description of significant impacts of activities on land owned, leased, or managed in, or adjacent to, protected areas	○		
EN16	Total direct and indirect greenhouse gas emissions by weight	○		
EN17	Other relevant indirect greenhouse gas emissions by weight	○		
EN19	Emissions of ozone-depleting substances by weight	○		
EN20	NOx, SOx, and other significant air emissions by type and weight	○		
EN21	Total water discharge by quality and destination	○		
EN22	Total weight of waste by type and disposal method	○		
EN23	Total number and volume of significant spills	○		
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation	○		
EN27	Percentage of products sold and their packaging materials that are reclaimed by category	○		
EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	○		
Social performance indicators : Labour practices and decent work				
	Disclosure on management approach	●	20, 21	
LA1	Breakdown of total workforce by employment type and by region	●	20, 21, 22	
LA2	Total number and rate of employee turnover	○		
LA4	Percentage of employees covered by collective bargaining	●	22	1 8
LA5	Employee representation and consultation regarding operational changes	○		
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work related fatalities	○		
LA8	Education, training, counselling, programmes in place to assist workforce members, their families, or community	○		
LA10	Average hours of training per year per employee by employee category	○		
LA13	Composition of governance bodies' and breakdown of employees per category according to gender, age group, minority group	○		
LA14	Ratio of basic salary of men to women by employee category	○		
Social performance indicators : Human rights				
	Disclosure on management approach	●	22, 23	
HR1	Significant investment agreements that include human rights clauses or have undergone human rights screening	○		
HR2	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken	○		
HR4	Incidents of discrimination	○		
HR5	Incidents of violations of freedom of association and collective bargaining	○		
HR6	Operations identified as having significant risk for incidents of child labour,	●	23	1 2 5
HR7	Incidents of forced or compulsory labour	●	23	1 2 5
Social performance indicators : Society				
	Disclosure on management approach	●	24, 35	
SO1	Programmes/practices that assess and manage the impacts of operations on communities, including entering, operating, and exiting	●	24-34	
SO2	Percentage and total number of business units analysed for risk related to corruption	●	35	10
SO3	Percentage of employees trained in organisation's anti-corruption policies and procedures	○		
SO4	Actions taken in response to incidents of corruption	○		
SO5	Public policy positions and participation in public policy development and lobbying	○		
SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	○		
Social performance indicators : Product responsibility				
	Disclosure on management approach	●	36	
PR1	Stages in which H&S impacts of products and services are assessed for improvement, and percentage of products and services	○		
PR3	Type of product information required by procedures, and percentage of significant products subject to such information requirement	●	36-37	8
PR6	Programmes for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship	○		
PR9	Monetary value of significant fines for non-compliance with laws and regulations	○		

All core indicators are displayed in the standard disclosure grid above.

● Fully disclosed ○ Not relevant as per C level reporting ■ Disclosed in Annual Report

Report Application Levels

		2002 In Accordance	C	C+	B	B+	A	A+
Mandatory	Self Declared					Report Externally Assured		Report Externally Assured
	Third Party Checked							
Optional	GRI Checked			Report		Report Externally Assured		Report Externally Assured





ASSURANCE STATEMENT

Introduction

Det Norske Veritas AS ('DNV AS') has been commissioned by the management of John Keells Holdings PLC (JKH) to carry out an assurance engagement on the Company's 2008 Sustainability Report ('the Report') in its printed format against the Global Reporting Initiative (GRI) 2006 Sustainability Reporting Guidelines Version 3.0 (G3) and AccountAbility's AA1000 Assurance Standard (2008) (AA1000AS 2008).

JKH is responsible for the collection, analysis, aggregation and presentation of information within the Report. Our responsibility in performing this work is to the management of JKH only and in accordance with terms of reference agreed with the Company. The assurance engagement is based on the assumption that the data and information provided to us is complete and true.

Scope of Assurance

The scope of work agreed upon with JKH included the following:

- Verification of the entire Report covering social, environmental and economic indicators for the period 1 April 2008 to 31 March 2009;
- Verification in accordance with the requirements for a Type 2 and Moderate Level engagement, as set out in the AA1000AS (2008);
- The boundary of the Report covers 37 companies under John Keells Holdings PLC, based on management control as explained in the Report;
- The work was performed at the JKH Head office and Sectoral Head Offices in Colombo. No other location was visited;
- DNV carried out the verification during April-May 2009;
- The report was verified for GRI Application Level "C".

Verification Methodology

DNV is a global provider of sustainability services, with environmental and social assurance specialists working in over 100 countries. Our assurance engagement was planned and carried out in accordance with the DNV Protocol for Verification of Sustainability Reporting, which draws on the GRI G3 and AA1000AS (2008). The Report has been evaluated against the following principles: Materiality, Completeness, Neutrality, Reliability, Responsiveness and Stakeholder Inclusiveness, as set out in the DNV Protocol.

As part of the verification DNV has challenged the sustainability-related statements and claims made in the Report and assessed the robustness of the underlying data management system, information flow and controls. We have:

- Examined and reviewed documents, data and other information made available to DNV by JKH;
- Visited the Head-Office and Sectoral Head Offices, selected based on the results of a materiality assessment;
- Conducted 48 interviews with Senior Management at JKH's Head Office and seven of the Sectoral Head Offices, including data owners and decision-makers from different divisions and functions of the Company;
- Performed sample-based reviews of the mechanisms for implementing the Company's own sustainability related policies, as described in the Report, and for determining material issues to be included in the Report;
- Performed sample-based checks of the processes for generating, gathering and managing the quantitative and qualitative data included in the Report;
- Reviewed the process of acquiring information and economic data from the financial data presented in the 2008-09 certified consolidated Balance Sheet.

Conclusions

In DNV's opinion, the Report is a fair representation of the Company's sustainability-related strategies, management systems and performance. The Report meets the general content and quality requirements of the GRI G3, and DNV confirms that the GRI requirements for Application Level 'C+' have been met.

We have evaluated the Report's adherence to the following principles on a scale of 'Good', 'Acceptable' and 'Needs Improvement':

Materiality: Acceptable. The process developed internally has not missed out any significant, known material issues, but the process should be validated with more specific inputs for each business area to bring out material issues that reflect short, medium and long term impacts.

Completeness: Acceptable. The Report covers performance against the GRI G3 core indicators that are material within the Company's reporting boundary. The Report gives a detailed description of the limitations in scope and boundary. The Company may consider increasing the

scope and boundary to bring further credibility to future reports.

Neutrality: Good. The Company has reported sustainability related issues in a balanced manner, in terms of content and tone. Challenges and limitations are presented together with commitments to future improvements.

Reliability: Acceptable. The Company has developed its own data management system for capturing and reporting its sustainability performance. Although no systematic errors have been detected, DNV has identified some manual discrepancies which have subsequently been corrected.

Responsiveness: Acceptable. The Company has adequately responded to stakeholder concerns through its policies and management systems, and this is reflected in the Report.

Stakeholder Inclusiveness: Acceptable. The Company demonstrates an active commitment in the Report to dialogue with selected stakeholders. The engagement process may be further strengthened by formally documenting the expectations on sustainability expressed by stakeholders through different engagement channels.

Opportunities for Improvement

The following is an excerpt from the observations and opportunities reported back to the management of JKH. However, these do not affect our conclusions on the Report, and they are indeed generally consistent with the management objectives already in place.

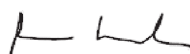
- To address the overall sustainability goals of the organisation, more performance indicators specific to the individual business areas should be identified based on the materiality assessment of each different business area;
- Internal systems and processes across different business areas should be coordinated to benchmark sustainability performance;
- The boundary of the Report may be progressively expanded to include entities over which JKH has 'control' and 'influence' as well;
- Implementation of systematic internal review and auditing of internal data management system will help further improve the reporting process by increasing the reliability of reported data.

DNV's Independence

DNV was not involved in the preparation of any statements

or data included in the Report except for this Assurance Statement. DNV did not provide any services to JKH during 2008 that could conflict with the independence of our work. DNV maintains complete impartiality toward stakeholders interviewed during the verification process. DNV expressly disclaims any liability or co-responsibility for any decision a person or entity would make based on this Assurance Statement.

For Det Norske Veritas,



Prasun Kundu
Lead Verifier
Det Norske Veritas AS



Dr Helena Barton
Service Area Manager:
CR Report Verification
Det Norske Veritas AS

21 May 2009, Kolkata, India

ANNEX 1

Economic value statement for 2008/09

For the year ended 31st March <i>In Rs. 000s</i>	Transportation		Leisure		Property		Consumer Foods & Retail		Financial Services	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
Direct economic value generated										
Revenue	11,717	13,204	10,296	10,472	1,777	2,771	14,483	11,674	501	163
Interest income	115	155	219	230	91	146	11	21	142	23
Dividend income	12	42	162	715	31	44	-	-	-	-
Share of results of associates	1,959	1,866	-	-	-	-	-	-	448	348
Profit on sale of assets	(8)	19	(4)	55	10	235	-	26	-	-
Valuation gain on IP	-	-	9	-	168	-	-	-	-	-
	13,795	15,286	10,682	11,472	2,077	3,196	14,494	11,721	1,091	534
Economic value distributed										
Operating costs	10,617	11,440	5,992	6,166	1,295	1,843	11,230	8,604	474	27
Employee wages & benefits	656	454	1,923	1,753	74	142	1,674	1,455	113	71
Payments to providers of funds	571	1,004	1,206	1,748	321	902	257	274	35	8
Payments to government	672	289	687	607	44	91	697	871	154	138
Community investments	7	8	8	11	1	5	5	8	2	3
	12,523	13,194	9,816	10,287	1,735	2,983	13,863	11,212	778	247
Economic value retained										
Depreciation	96	84	1,003	821	10	27	363	312	9	3
Amortisation	-	-	112	112	-	17	179	27	-	-
Profit after dividends	1,176	2,007	(249)	252	331	169	89	170	304	284
Retained for reinvestment / growth	1,272	2,091	866	1,185	342	213	631	509	313	287

Information Technology		Others		Total		Elimination /Adjustments		2009	Group total		%
2009	2008	2009	2008	2009	2008	2009	2008		%	2008	
1,771	2,295	2,637	3,319	43,182	43,898	(2,159)	(2,093)	41,023	88	41,805	90
17	75	1,874	1,670	2,469	2,320	(203)	(236)	2,266	5	2,084	4
-	-	2,542	3,327	2,747	4,128	(2,693)	(4,035)	54	-	93	-
(128)	(98)	71	127	2,350	2,243	-	-	2,350	5	2,243	5
1	1	1,297	102	1,296	438	(194)	(314)	1,102	2	124	1
-	-	-	-	177	-	(136)	-	41	-	-	-
1,661	2,273	8,421	8,545	52,221	53,027	(5,385)	(6,678)	46,836	100	46,349	100
1,215	1,611	1,642	2,522	32,465	32,215	(2,470)	(1,722)	29,995	64	30,493	66
488	548	616	582	5,544	5,505	-	-	5,544	12	5,005	11
91	95	3,187	4,025	5,668	8,056	(2,090)	(3,262)	3,578	8	4,794	10
52	80	475	377	2,781	2,453	-	-	2,781	6	2,453	5
2	4	13	10	38	49	-	-	38	-	49	-
1,848	2,338	5,933	7,516	46,496	47,778	(4,560)	(4,984)	41,936	90	42,794	92
46	26	204	171	1,732	1,444	-	-	1,732	4	1,444	3
16	9	3	4	310	169	-	-	310	1	169	1
(249)	(100)	2,281	854	3,683	3,636	(825)	(1,694)	2,858	5	1,942	4
(187)	(65)	2,488	1,029	5,725	5,249	(825)	(1,694)	4,900	10	3,555	8

ANNEX 2

Education-related initiatives by group companies

- Cinnamon Grand built toilets for the students of Sri Sidhdhartha Vidyalaya with the help of funds collected from the hotel's associates, which are expected to benefit 208 children. The hotel also donated 150 milk packets to the school for its annual sports meet.
- Chaaya Citadel facilitated two educational visits to the hotel by students of Sirimalwatte College and Walala A.Rathnayake College, aggregating to approximately 80 students.
- Chaaya Citadel made a cash donation to the First Regiment of the Special Force, Naula, Matale, towards building a school for the children of disabled soldiers.
- Bentota Beach Hotel supports on an on-going basis the IT training programme implemented by Sri Dharmawijayaramaya, Pitaramba, Bentota for the benefit of village children by sponsoring the monthly cost of the trainer.
- Chaaya Reef Ellaidhoo renovated classrooms of the Hangnaameedhoo school.
- John Keells Computer Services (JKCS), a global provider of airline software solutions, awarded scholarships to undergraduates of the University of Colombo, School of Computing (UCSC) towards developing the IT skills of the country's youth in a bid to make Sri Lanka a leading-edge IT hub in Asia.
- JKCS held a movie night as a fundraiser to purchase 122 pairs of shoes for the students of Wannipulugollewa Vidyalaya in Gambiriswewam Anuradhapura. The gift vouchers were delivered to the school on 12 December 2008.
- John Keells Office Automation (JKOA) provided a drinking water facility to St. Joseph's Educational Foundation for the Hearing Impaired in Kuliyaipitiya.
- JKOA donated 2 computers in November 2008 to Vihara Maha Devi Balika Vidyalaya.
- Asian Hotels and Properties PLC granted a four-year sponsorship for the education of 9-year old Chamodi under the Ranaviruvo Scholarship Fund.
- The John Keells group has provided 85 internships to undergraduates and graduates during the year.

ANNEX 3

Health-related initiatives by group companies

- Cinnamon Grand raised Rs.1.8 million towards sponsoring the purchase of an operating theatre lamp for the Cancer Hospital, Maharagama. The full amount was handed over to the hospital with the assurance that the balance sum would be utilised for other projects at the Hospital. Over 400 patients are expected to have benefited from the donation.
- Cinnamon Grand also continued with its tradition of celebrating all the birthdays of the children at the Cancer Hospital on one day of each month. Over 100 such children were given gifts as well as hampers consisting fruits and cookies during the year. A drama was also performed by the hotel associates in order to entertain the children.
- Bentota Beach Hotel carried out extensive renovation work at the OPD section and surrounding garden of the government hospital, Bentota.
- Chaaya Village painted the Horiwila hospital with the support of 15 staff volunteers.
- Chaaya Citadel organised a blood donation campaign at which 90 pints of blood were collected for donation.
- Cinnamon Island Alidhoo organised a health camp at the Haa Alif Baarah, Republic of Maldives. More than 200 islanders were treated at this camp whilst a wheel chair was donated to the island hospital of Baarah.
- Cinnamon Island Alidhoo serviced air-conditioning plants of regional hospitals of Haa Alif Atoll. Having selected 3 hospitals in the region (Dhidhoo Hospital, Kuluhdufushi Hospital and Baarah Hospital), more than 50 A/C machines were repaired. This project was carried out by the A/C technicians of the resort with the support of all associates.
- Chaaya Island Dhonveli organised a medical camp at the Huraa Island in the Maldives for which a team of specialists, including cardiologists, paediatricians, gynaecologists, eye surgeons and general surgeons, were flown in from Sri Lanka. About 350 islanders attended the camp.
- Chaaya Island Dhonveli also organised a blood donation campaign in association with the Ministry of Health and the Indira Gandhi Memorial Hospital.
- Asian Hotels and Properties PLC contributed Rs. 50,000 to the Kandy Kidney Protection Society (formed by a group of doctors at the Kandy General Hospital) towards assisting poor patients who are unable to afford dialysis consumables.
- Asian Hotels and Properties PLC also donated an electronic weighing scale with height measurement facilities and 2 wheelchairs to the Army Surgical Ward of the Kalubowila Hospital.
- John Keells Office Automation (JKOA) sponsored a programme at the National Thalassaemia Centre at Kurunegala towards purchasing 450 9-volt batteries required for injections of 75 children over a period of 6 months.

ANNEX 4

Environment-related initiatives by group companies

- The CSR team of Ceylon Cold Stores PLC (CCS) in collaboration with the Western Province Road Development Authority (WPRDA) initiated a tree planting programme to celebrate National Tree Planting Day 2008 on 17th September 2008 at Mahawela (located on the Ranala-Habarakada road). 30 Na (*English common name: Iron Wood; Scientific name: Mesua nagassarium*) saplings were planted beside a selected road stretch. 25 employees of the company, together with some government officials, members of local environmental organisations and a few villagers, participated in the initiative.
- The CCS CSR team also spearheaded the cleaning of the Depa-Ela canal in Ranala and tree planting in the area with the involvement of 15 staff volunteers.
- Cinnamon Lodge Habarana celebrated the World Environment Day (5 June 2008) and the World Responsible Tourism Day (12 November 2008) with students of Hiriwadunna School in the area and also donated library books towards promoting greater awareness of the environment.
- Bentota Beach Hotel supported the Tree Planting Programme organised by Sri Lanka Tourism covering the Bentota coast (on 11 July 2008) and World Beach Clean-up Day (on 20 September 2008), by sponsoring meals and refreshments for the participants.
- Walkers Tours Limited organised 3 workshops during the year for the members of the Nature Club and teachers of Yodakandiya school in Yala.
- John Keells Office Automation (Pvt) Ltd. (JKOA) collaborated with the Federation of Chamber of Commerce and Industry Sri Lanka (FCCISL) and the Central Environmental Authority (CEA) in organising a seminar on plastic recycling towards raising awareness on the importance and advantages of collecting and recycling plastic waste in a systematic manner.

