





“With the potential of Sri Lanka now unravelled, our challenge to drive our businesses forward in line with our corporate vision whilst ensuring the sustainability of the environment as well as the communities we operate in, will now become more pronounced.”



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“The John Keells Group, over the years, has been known for its focus not merely on its financials, but more importantly on reaching our business goals under a principle of sustainable development where priority is given to the Triple Bottom Line (TBL). Though the global economy faced some of its most challenging times recently, Sri Lanka took the first steps of a new beginning with the conclusion of the 30-year-old ethnic conflict and is now on course for greater development and progress.

Our proactive strategies and structured risk management, resulted in the negative effects of the external factors on our businesses being kept to a minimum last year. Our thrust was to share resources and optimise on the opportunities that were available to us. Challenged like never before, during the reporting period, we successfully faced unfamiliar risks and overcame them through a planned approach.

With the potential of Sri Lanka now unravelled, our challenge to drive our businesses forward in line with our corporate vision whilst ensuring the sustainability of the environment as well as the communities we operate in, will now become more pronounced.

Our second stand-alone sustainability report shares in detail the path we took, and how exactly we made it happen...”

How to read our report

The approach used by John Keells Holdings, when making business decisions is to use a holistic framework covering both risk and stakeholders. This year's Sustainability Report - our second attempt at a stand-alone report - reflects this. While the report is prepared in accordance with the Global Reporting Initiative (GRI) framework, we are also participants of the United Nations Global Compact (UNGC) initiative since 2002, making this report the Communication On Progress (COP), further endorsing the Groups' commitment in being a participant of UNGC initiative. Reporting on the period between 1st April 2009 to 31st March 2010, this report elaborates on our economic performance, environmental initiatives, people engagement and social commitment. To help our readers understand our sustainability journey, we have structured our discussions in a logical progression, linking management approaches, policies and workplace practices. The GRI G3 Content Index and UNGC Principles displayed on pages 80 - 82 of the report can be used as a resource tool by readers to access performance information specific to GRI specifications.

Also noteworthy is that this standalone report draws emphasis to the group's sustainability performance in addition to the Annual Report which elaborates on the group's financial performance within the reporting period.



Chairman's Message

Dear Stakeholders,

The formula for success in today's challenging corporate world is undoubtedly the combination of good corporate citizenship and a strong stakeholder focus - both of which are epitomised in the strong values of John Keells. Our business ethic over the last 130 years has ensured that the negative impact we have on the environment is kept at a minimum and the quality of life of the communities we engage in is uplifted.

As a result of the global downturn last year, the sustainability of almost all organizations, both locally and globally, were put to the test like never before. It was our stakeholders – whether they be shareholders, customers, consumers and most importantly the backbone of our organization, our employees – together with our proactive adaptation to the emerging environment, innovation, entrepreneurship and hard work that helped the John Keells group successfully meet the challenges that came with the times and come out even stronger than before.

This year, the John Keells Group achieved the impressive milestone of reaching a market capitalisation of one billion dollars, further confirming the efficacy of our efforts in the past and creating in us an excitement for the times ahead of us. Committed to upholding and integrating sustainability through the value chain of each and every sector in the Group, we have focused, and will continue to focus, not just on our financials, but on the triple bottom line of economic, environmental and societal performance.

Understanding the importance of identifying and engaging with all relevant stakeholders, our commitment to the sustainable development of the communities we serve is further endorsed by our participation in the United Nations Global Compact (UNGC) initiative. The UNGC principles on Human Rights Labour, Environment and Anti-corruption are further elaborated throughout this report with specific disclosures on our commitment, systems and activities. Furthermore, we continue to support the country's obligations in achieving the Millennium Development Goals. This report, which is at a Global Reporting Initiative (GRI) disclosure Level B(+), has been assured by a third party and obtained a 'GRI Level check' which is a first in the country.

The John Keells Group will continue to be a market leader not in just building a strong corporate brand, but also in leading the way in good corporate citizenship. We strive to provide our customers and consumers the best products and services, keep our employees safe, healthy and content by way of active employee engagement, structured talent management and effective HR processes and also ensure that our environment is protected for our future generations. Thus, I am pleased to say that the group has made significant progress in achieving the objectives of our sustainability agenda set out for 2009-10 on selected initiatives in relation to our economic contribution as well as our labour and social commitments, whilst an action plan

has been set and is ongoing in the areas of our environmental footprint and products and services.

In taking our sustainability initiative forward this year we, similar to last year, continued with task forces in the areas of Economic, Environment, Employee Health and Safety, Labour and Human Rights, Society and Products and Services. By setting up many challenging but realistic targets where ever possible and applicable for the upcoming years, we have initiated and institutionalised processes and policies and integrated these into our businesses.


These goals, taken forward by our task force teams, are multi-pronged. They are aimed at reducing our environmental footprint by focusing on the reduction in energy and water consumption and in initiating other sustainable environmental actions to conserve and enhance biodiversity in the localities we operate. As an employer, we will, while striving to further develop our human resources practices, increase the number of hours utilized for training of all our employees.

With regard to our customers and consumers, while continuing to market our diverse portfolio of products and services, we will ensure ethical standards and take measures to improve direct customer contact and feedback. Through our sustainability initiatives we hope to create a niche for ourselves in terms of product development and service delivery. We also plan to make a larger impact on the communities we operate in, ensuring that our societal contribution is sustainable.

We, collectively as an entity, will continue this journey to address and balance our economic, social and environmental responsibilities with our business priorities, ensuring that the group will continue to be a strong and sustainable business leader in the future.

Sri Lanka is on its way to great development and progress. With our horizons opening up, the John Keells Group has the opportunity to challenge itself like never before. We are more than ready to give leadership to, and set the pace in, this voyage of discovery and resultant development.

Yours sincerely,



Susantha Rátnayake
Chairman

31st May 2010

Profile: What Makes Us the John Keells Group

The origins of the John Keells Group goes back to 1870 when two Englishmen, Edwin and George John, formed E. John & Co in Colombo, Ceylon as a produce and exchange broking company. Business opportunities in the post-Independence economy spurred growth and expansion throughout the Fifties and Sixties. With Sri Lanka becoming a republic in 1972, social and political change helped drive John Keells’ expansion and diversification even further. Today, the John Keells Group is the largest listed conglomerate, making its presence felt in every major sphere of business in the country.

John Keells Holdings PLC (JKH) is a public limited liability company incorporated in Sri Lanka in 1979. Its ordinary shares

are listed on the Colombo Stock Exchange (CSE). In 1994, JKH became the first Sri Lankan Company to obtain a listing abroad and issued Global Depository Receipts (GDRs) that were quoted on the Luxembourg Stock Exchange.

While its head office is located at 130, Glennie Street, Colombo 2, the group’s diversified companies have offices spread around Sri Lanka as well as the Maldives, India, Mauritius, Singapore, UK, USA and the UAE.

Operating structure

The primary industry groups in which the group operates are Transportation, Leisure, Property, Consumer Foods and Retail, Financial Services, Information Technology among others.



The operating companies including subsidiaries and joint ventures, a description of the company and the regions they operate in are listed in the table given below.

Company by Industry Group and Sector	Business Description	Region **
TRANSPORTATION		
Ports and Shipping		
Keells Shipping (Pvt) Ltd	Shipping agency representation & logistics services	
Mackinnon Mackenzie & Co (Shipping) Ltd	Shipping agency representation & logistics services	
Transportation		
John Keells Logistics (Pvt) Ltd	Integrated supply chain & third party logistics solutions	
John Keells Logistics India (Pvt) Ltd	Shipping agency representation & logistics services	India
John Keells Logistics Lanka (Pvt) Ltd	International freight forwarder & logistics services	
Lanka Marine Services (Pvt) Ltd	Importer & supplier of heavy marine fuel oils & lubricants	
Mackinnon Mackenzie & Co of Ceylon Ltd*	Foreign recruitment agents & consultants	
Trans-ware Logistics (Pvt) Ltd*	Integrated container depot operations & logistics services	
Whittall Boustead (Pvt) Ltd - Cargo Division	International freight forwarder & logistics services	
John Keells Air Services India (Pvt) Ltd	General sales agents for airlines in India.	India
Mack Air (Pvt) Ltd	General sales agents for airlines	
Mackinnons Travels (Pvt) Ltd	IATA accredited travel agent and travel related services	
Mack Air Services Maldives (Pte) Ltd	General sales agents for airlines in the Maldives	Maldives
LEISURE		
Hotel Management		
Keells Hotel Management Services Ltd	Manager & marketer of resort hotels	
John Keells Maldivian Resorts (Pte) Ltd	Hotel holding company in the Maldives	Maldives
John Keells Hotels PLC*	Holding company of group resorts hotel companies in Sri Lanka and Maldives	
John Keells Hotels Mauritius (Pvt) Ltd*	Hotel holding company in Mauritius	Mauritius
City Hotels		
Asian Hotels and Properties PLC - Cinnamon Grand	Owner & operator of the five star city hotel "Cinnamon Grand"	
Trans Asia Hotels PLC	Owner & operator of the five star city hotel "Cinnamon Lakeside"	
Resort Hotels		
Ceylon Holiday Resorts Ltd-Bentota Beach Hotel	Owner & operator of "Bentota Beach Hotel" in Bentota	
Ceylon Holiday Resorts Ltd - Coral Gardens Hotel	Owner & operator of "Coral Gardens Hotel" in Hikkaduwa	
Fantasea World Investments (Pte) Ltd	Owner & operator of "Chaaya Lagoon Hakuraa Huraa" in Maldives	Maldives
Habarana Lodge Ltd	Owner & operator of "The Cinnamon Lodge" in Habarana	
Habarana Walk Inn Ltd	Owner & operator of "Chaaya Village Habarana"	
International Tourists and Hoteliers Ltd*	Owner of real estate	
John Keells Maldivian Resorts (Pte) Ltd	Operator of "Chaaya Island Dhonveli" in Maldives	Maldives
Kandy Walk Inn Ltd	Owner & operator of "The Chaaya Citadel" in Kandy	
Rajawella Hotels Ltd*	Owner of real estate	
Resort Hotels Ltd	Owner of real estate	
Tranquility (Pte) Ltd	Owner and operator of "Cinnamon Island Alidhoo" in Maldives	Maldives
Travel Club (Pte) Ltd	Operator of "Chaaya Reef Ellaidhoo" in Maldives	Maldives
Trinco Holiday Resorts (Pte) Ltd	Owner of the "Club Oceanic Hotel" in Trincomalee	
Wirawila Walk Inn Ltd*	Owner of real estate	
Yala Village (Pvt) Ltd	Owner and operator of "Yala Village" in Yala	
Destination Management		
Serene Holidays (Pvt) Ltd	Tour operators in India	India
Walkers Tours Ltd	Inbound tour operators	
Whittall Boustead (Travel) Ltd	Inbound tour operators	
PROPERTY		
Property Development		
Asian Hotels and Properties PLC - Crescat Boulevards, The Monarch, The Emperor	Developer and manager of integrated properties	
Real estate		
J K Properties (Pvt) Ltd	Property developers	
Keells Realtors Ltd	Owner of Land and building	
Whittall Boustead Ltd - Real Estate Division	Renting of office space	

Company by Industry Group and Sector	Business Description	Region **
CONSUMER FOODS AND RETAIL		
Consumer Foods		
Ceylon Cold Stores PLC	Beverages, frozen confectionery, processed meats, dairy products and holding company of JayKay Marketing Services (Pvt) Ltd	
Keells Food Products PLC	Manufacturer and distributor of branded meat and convenience food products.	
John Keells Foods India (Pvt) Ltd	Manufacturer and distributor of branded meat and convenience food products.	India
Keells Food Products Mauritius (Pvt) Ltd*	Investment company	Mauritius
Retail		
JayKay Marketing Services (Pvt) Ltd	Operator of "Keells Super" chain of supermarkets	
FINANCIAL SERVICES		
John Keells Stock Brokers (Pvt) Ltd	Share broking services	
Union Assurance PLC	Life and general insurance underwriters	
INFORMATION TECHNOLOGY		
IT Services		
John Keells Computer Services (UK) Ltd	Software development services (UK)	UK
John Keells Computer Services (Pvt) Ltd	Software services	
John Keells Software Technologies (Pvt) Ltd	Marketer of software packages	
Office Automation		
John Keells Office Automation (Pvt) Ltd	Dealers in office automation equipment	
IT Enabled Services		
Auxicogent Alpha (Pvt) Ltd*	Investment holding company	Mauritius
Auxicogent Holdings (Pvt) Ltd.	Holding company of Auxi group companies	Mauritius
Auxicogent International (Pvt) Ltd*	Investment holding company	Mauritius
Auxicogent International Lanka (Pvt) Ltd	BPO operations	
Auxicogent International US Inc	To manage the US based Sales Team for Quattrro Business Support Services	US
Auxicogent Investments Mauritius (Pvt) Ltd*	Investment holding company	Mauritius
InfoMate (Pvt) Ltd	IT enabled services	
OTHERS		
John Keells Holdings PLC	Holding company	
Plantation Services		
John Keells PLC	Commodity brokers	
John Keells (Teas) Ltd*	Manager of brought tea factories & others	
John Keells Warehousing (Pvt) Ltd	Warehousing of rubber and tea	
Tea Smallholder Factories PLC	Owner and operator of factories for tea smallholders	
Strategic Investments		
Facets (Pvt) Ltd	Owner of real estate	
John Keells Holdings Mauritius (Pvt) Ltd	Holding company in the Mauritius	Mauritius
John Keells International (Pvt) Ltd	Regional holding company providing administrative & function based services	
J K Packaging (Pvt) Ltd*	Printing and packaging services provider for the export market	
John Keells Singapore (Pte) Ltd	International trading services	Singapore
Keells Consultants Ltd	Company secretarial services to the group	
Mackinnon and Keells Financial Services Ltd*	Rental of office spaces	
Mortlake Ltd*	Investment company	
Nexus Networks (Pvt) Ltd	Operator of a loyalty card programme	

** In Sri Lanka if not specified

* Non Operational Company/Investment Company/Land only/Holding Company/Investment Holding Company/Managing Company/Rental of office spaces

The companies serve a variety of customers ranging from individuals to businesses to governments. The primary customers served by the sectors are:

- Individual – Consumer Foods & Retail, IT, Financial Services, Property, Leisure
- Businesses – IT, Transportation, Leisure, Other (Plantation Services)
- Government - IT

These services are provided through the primary brands listed below:

- Transportation – John Keells Logistics
- Leisure – Cinnamon Hotels and Resorts, Chaaya Hotels and Resorts
- Property – John Keells Land
- Consumer Foods and Retail – Elephant, Fountain Café, Keells, Keells Super, Super K, Krest, K choice

The above brands include brands which have been introduced newly during the reporting period.

The total employee population of the groups was 10,675 as at 31 March 2010; and its net asset value as at 31 March 2010 was Rs. 49.83 billion. Total equity for the year was Rs. 56.26 billion and total debt for the year was Rs. 17.45 billion. Net sales amounted to Rs. 47.98 billion.

The Group had growth opportunities to most of its businesses due to the end of the war. Consumer Foods and Retail with its distribution network expanding to the North and the East and Financial Sector, primarily Union Assurance opening branches in these areas benefited the most. Resort hotels acquired 4 acres of land in Beruwala and the “Club Oceanic” hotel in Trincomalee will be re-opening under “Chaaya Blu” with the number of rooms expanded to 81.

The use of outsourced products and services for the primary business operations are limited to the companies where it is an industry practice to do so or it has been proven to be an efficient and effective business model versus performing these functions in-house. For example, in the transportation industry group, certain transportation and loading functions as well as the barge crew and warehousing staff are outsourced to gain maximum efficiency in the respective operations. Similarly, the production and or the packaging of certain products in the Consumer Foods and Retail industry group too are outsourced.

Significant changes during the reporting period

Acquisitions

Mandatory offer for the shares of Union Assurance PLC

As stated in the JKH Annual Report for 2008-09, at the conclusion of the mandatory offer to purchase all shares of Union Assurance (UA) in May 2009, JKH had paid Rs. 70.1 million as consideration to the remaining shareholders who had opted to take up the offer. Accordingly the JKH stake in UA increased to 80.6 per cent and hence is now consolidated as a subsidiary of JKH.

Full ownership of Mackinnons American Express Travel (Pvt) Ltd

In November 2009, JKH acquired full ownership of Mackinnons American Express Travel (Pvt) Ltd (MAET) by acquiring the remaining 30 per cent stake for a consideration of Rs. 13.7 million. MAET is one of the leading IATA accredited out bound travel agents in Sri Lanka.

Acquisition of a stake in Central Hospitals (Private) Ltd

As part of JKH's endeavor to further diversify into growth sectors of the economy, a 24.6 per cent stake in Central Hospital (Private) Limited (CHL) was acquired in December 2009 for an investment of Rs. 900 million. CHL is a new 260 room, state of the art hospital project by the Asiri Group of Hospitals and is located on Norris Canal Road, Colombo 10. The hospital commenced operations in April 2010.

Investments

Additional equity infusion

Due to additional capital requirements arising from the proposed expansion plans for John Keells Logistics Lanka (Pvt) Ltd (JKLLL), an equity infusion of Rs. 40 million was made by JKH in April 2009. Formerly known as Mack International Freight (Pvt) Ltd., JKLLL is a 100 per cent owned subsidiary of JKH and a member under the “John Keells Logistics” brand.

Rights Issue of John Keells Hotels PLC

In January 2010, John Keells Hotels PLC (KHL) announced a 1:3 Rights Issue at a price of Rs. 10.00 per share. The proceeds of the Rights Issue are earmarked to fund the construction and refurbishment of hotels in Sri Lanka and for the acquisition of land for new resort hotels. JKH sold 150 million rights in KHL for a consideration of Rs. 751 million and subscribed for the entirety of its remaining rights. In total, JKH invested Rs. 1.95 billion and post Rights Issue, JKH increased its stake to 82.9 per cent of KHL. Further, the JKH effective stake in companies held by KHL were also revised accordingly.

Conversion of Nations Trust Bank Warrants

JKH exercised its option to convert into share its holdings of Nations Trust Bank (NTB) warrants which were due to mature in March 2010. Accordingly in March 2010, JKH received 8,385,733 ordinary shares of NTB for a total consideration of Rs. 251.6 million.

Restructuring

Sale of stake in Information Systems Associates

In September 2009, the 49 per cent stake in Information Systems Associates held by JKH, was divested to John Keells Computer Services (Private) Ltd (JKCS), a subsidiary of JKH, for a consideration of Rs. 46.5 million.

Amalgamation of Walkers Air Services Limited with Mack Air Limited

Walkers Air Services Limited (WAS) was amalgamated with Mack Air (Private) Limited (MAL) with the surviving entity being Mack Air (Private) Limited in February 2010. This amalgamation was effected to realise potential synergies & operational efficiencies since both WAS & MAL had similar business operations.

Awards won by Group companies – 2009-10

Industry Group	Company/ Business Unit	Awards Received
Transportation		
	Mackinnons Travels (Pvt) Ltd.	<ul style="list-style-type: none"> Cathay Pacific - Top Travel Agent 2009 - Bronze Award Singapore Airlines - Top Agent – 2008 - 09
Leisure		
City Hotels	Cinnamon Lakeside	<ul style="list-style-type: none"> Annual Reports Awards 2009 - Organized by the Institute of Chartered Accountants of Sri Lanka (ICASL) – Best Annual Report in the Hotel Sector – Bronze Award (The only 5 star city hotel to win a top award) World Spice Food Festival 2009 organised by the Tourist Board - winner of Best Spiced Ice cream and Best Decorated Stall awards Culinary Art 2010 organised by Chefs’ Guild of Sri Lanka – 28 medals won and 2nd place amongst 5 Star city hotels Chairman’s Award 2009 - Best Team Award for best crisis-handling during the LTTE attack on the Inland Revenue Building Honoured Citizen 2010 Award, in recognition of the valuable contribution made for city development by making payments (Municipal rates) on time during the last 5 years
	Cinnamon Grand	<ul style="list-style-type: none"> Colombo Municipal Council – ‘Best Kitchen’ Award. Chefs Guild Culinary Award 2010 - Beer Cocktail (Gold) and Arrack Cocktail (Gold) Culinary Art 2010 - 2 Gold, 9 Silver and 12 Bronze medals Marie Brizard All Island Cocktail Competition 2009 - 2 silver medals Chaine Des Rotisseurs Plaque for Fine Dining awarded to the London Grill Best Five Star Kitchen in the City (Awarded by the Municipal Council)
Resort Hotels	John Keells Hotels PLC	<ul style="list-style-type: none"> STING Corporate Accountability Index 2010 - Gold Award and placed first in the “Hotels & Travel” sector Annual Reports Awards 2009 - Organized by the Institute of Chartered Accountants of Sri Lanka (ICASL) – Best Annual Report in the Hotel Sector – Gold Award 18th National Bartenders’ Competition organized by the Ceylon Hotels School Graduates Association - Winner Flaring category and 2nd Runner up – Classical category
	Chaaya Island Dhoveli	<ul style="list-style-type: none"> TUI UK, “GOLD CHOICE 2008” *** Star Accommodation Award
	Chaaya Reef Ellaidhoo	<ul style="list-style-type: none"> Trip Advisor Travellers’ Choice 2010 Award - ranking fifth on the list of Top 10 Hotels in Asia under the category of Romance
Consumer Foods & Retail		
	Ceylon Cold Stores PLC	<ul style="list-style-type: none"> Ceylon National Chamber of Industries - Industrial Excellence - Gold award for Manufacturing Large category (National Level) Productivity Secretariat - National Productivity Award – Merit Award in Manufacturing Large Category for Provincial Level Annual Reports Awards 2009 - Organized by the Institute of Chartered Accountants of Sri Lanka (ICASL) – Best Annual Report in the Food and Beverage Sector – Gold Award SLIM-Nielsen Peoples Awards 2010 – Most Popular FMCG Beverage Brand of the Year for Elephant House Cream Soda
	Keells Food Products PLC	<ul style="list-style-type: none"> Annual Reports Awards 2009 - Organized by the Institute of Chartered Accountants of Sri Lanka (ICASL) – Best Annual Report in the Food and Beverage Sector – Silver Award
Information Technology		
	InfoMate (Private) Limited	<ul style="list-style-type: none"> National Chamber of Exporter Awards 2008 Large Sector - Bronze Medal in the category of export of business and professional services. Awarded in September 2009

Industry Group	Company/ Business Unit	Awards Received
Financial Services		
	Union Assurance PLC	<ul style="list-style-type: none"> Annual Reports Awards 2009 - Organized by the Institute of Chartered Accountants of Sri Lanka (ICASL) <ul style="list-style-type: none"> - Best Annual Report in the Insurance sector – Gold Award - Corporate Governance Disclosures - Gold Award - Management Commentary – Gold Award - Corporate Social Responsibility Reporting - Silver Award - Overall Excellence in Annual Financial Reporting - Bronze Award 1st place for 2008 Annual Report in the non-banking financial services category by the South Asian Federation of Accountants (SAFA). Insurance sector for corporate governance disclosures - 1st place Awarded a National Business Excellence award from the National Chamber of Commerce in recognition of UA's management practices, business and financial sustainability, corporate governance and social responsibility Association of Chartered Certified Accountants (ACCA) Sri Lanka Sustainability Reporting Awards Ceremony 2009 – Medium scale category - Runner-up
Property		
	Asian Hotel & Properties PLC	<ul style="list-style-type: none"> Annual Reports Awards 2009 - Organized by the Institute of Chartered Accountants of Sri Lanka (ICASL) – Diversified Holdings (Group up to 5 subsidiaries) - Certificate of Compliance
Others		
	John Keells Holdings PLC	<ul style="list-style-type: none"> Annual Reports Awards 2009 - Organized by the Institute of Chartered Accountants of Sri Lanka (ICASL) <ul style="list-style-type: none"> - Corporate Social Responsibility Reporting - Gold Award - Diversified Holdings (Group above 5 subsidiaries) - Silver Award - Corporate Governance Disclosure Awards - Bronze (Joint Award) Association of Chartered Certified Accountants (ACCA) Sri Lanka Sustainability Reporting Awards Ceremony 2009 – Large-scale category – Joint runner-up Corporate Accountability by STING Consultants Sri Lanka – Gold South Asian Federation of Accountants (SAFA) - Best Presented Accounts Award 2008 - 1st Runner Up and Overall 1st joint runner up Fitch Ratings - Colombo/Mumbai/Singapore-20 March 2009: Fitch Ratings affirmed the National Long-term rating of JKH at 'AAA(Ika)' Fitch affirmed the National Long-term rating on JKH's senior unsecured notes at 'AAA(Ika)' Forbes Asia's Best Under A Billion - 15/09/2009 Asia's 200 Best Under A Billion (Forbes Asia, 21 September 2009) (Forbes Asia Magazine recently listed the best 200 Asia Pacific companies, earning revenues under a billion dollars a year. The winners were picked from 25,326 publicly listed companies. JKH is the only company from Sri Lanka on the list Honoured Citizen 2010 Award, in recognition of the valuable contribution made for city development by making payments (Municipal rates) on time during the last 5 years
	Mackinon & Keells Financial Services Ltd	<ul style="list-style-type: none"> Honoured Citizen 2010 Award, in recognition of the valuable contribution made for city development by making payments (Municipal rates) on time during the last 5 years
	Tea Smallholder Factories PLC	<ul style="list-style-type: none"> Annual Reports Awards 2009 - Organized by the Institute of Chartered Accountants of Sri Lanka (ICASL) – Manufacturing Companies - Certificate of Compliance
	John Keells PLC	<ul style="list-style-type: none"> Annual Reports Awards 2009 - Organized by the Institute of Chartered Accountants of Sri Lanka (ICASL) – Diversified Holdings (Group up to 5 subsidiaries) - Bronze Award

ISO certification for Group companies – 2009-10

Industry Group	Company/ Business Unit	Certifications
Transportation		
	Mackinnons Travels (Pvt) Ltd.	ISO 9001 in June 2009
	Mack Air (Pvt) Ltd	ISO 9001 in June 2009
Leisure		
City Hotels	Cinnamon Grand Colombo	OHSAS 18001
Resort Hotels	Cinnamon Lodge	Certified for Green Globe 21 standards, Bird-Friendly Resort
	Cinnamon Island Alidhoo	for ISO 22000
	Chaaya Village, Habarana	ISO 14001, OHSAS 18001, ISO 22000
	Chaaya Citadel	ISO 14001, OHSAS 18001, ISO 22000
	Chaaya Lagoon Hakuraa Huraa	ISO 14001, OHSAS 18001, ISO 22000
	Bentota Beach Hotel	ISO 14001, OHSAS 18001, ISO 22000
Inbound	Walkers Tours Ltd and Whittall Boustead Travels Ltd	ISO 9001 and ISO 1401 in February 2010, and is the first and only destination company in Sri Lanka to obtain both these certifications.
Consumer Foods & Retail		
	Ceylon Cold Stores (CCS)	ISO 22000 in 2008 and is valid for 3 years, up until 2011.
		ISO 9000 in 2008 and is valid for 3 years, up until 2011.
	Keells Food Products PLC (KFP)	ISO 22000: 2005 in July 2009.
Information Technology		
	John Keells Computer Services (JKCS)	ISO 9001: 2000 upgraded and renewed to ISO 9001: 2008 on 30th March 2010.
	John Keells Office Automation (JKOA)	ISO 9001: 2000 renewed for 3 yrs on 23rd Feb 2010.
	InfoMate	ISO/IEC 27001: 2005 in January 2009.
Others		
	Hingalgoda Tea Factory	ISO 22000 - 2005 in November 2009 for the manufacturing of Black Tea.
	John Keells Warehousing Ltd	ISO 22000 in 2009/2010.

Sustainability policy and framework

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

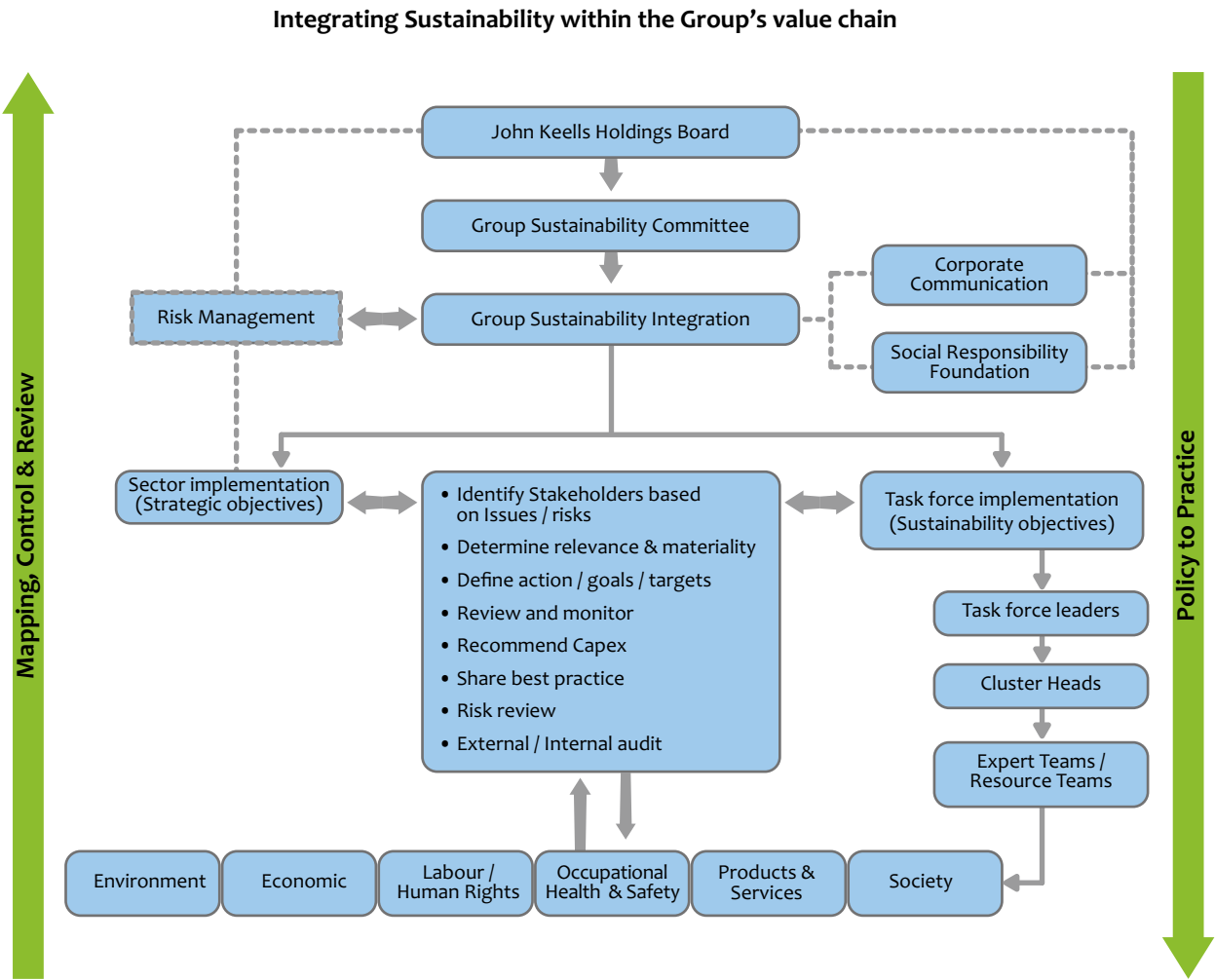
All companies in which JKH has a controlling interest will be subjected to this policy as per the relevance to their business.

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.



Corporate Governance

Committed to upholding the highest standards of business integrity and professional ethics on all scores, the John Keells Group's corporate governance framework rewards our stakeholders with a greater creation of value, year on year.

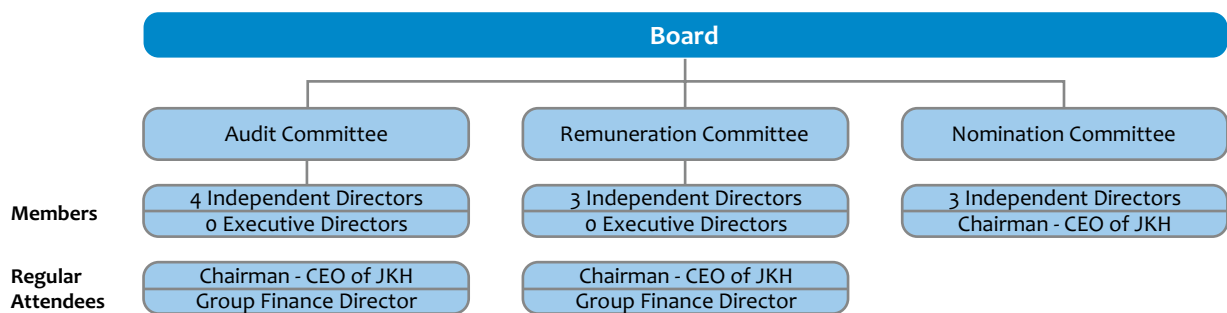
The board has, subject to pre-defined limits, delegated its executive authority to the Chairman-CEO who exercises this authority through the Group Executive Committee (GEC), which he heads and to which he provides leadership and direction.

While the board sets the high level strategic direction and the overall policy framework of the group, it has delegated the implementation of board set strategies/policies and strategy formulation at specific industry-group level to the Chairman-CEO. Details of the group's management, operating and overlay structures are detailed later in the report.

The board has also delegated some of its functions to board committees while retaining final decision rights pertaining to matters under the purview of these committees.

Board decision rights, as opposed to executive director decision rights, covering people, strategy and planning and finance are well defined and meticulously followed and ensure the balance between the speed of decision and appropriate debate. These decision rights will be reviewed to ascertain whether they are appropriate in the new operating environment Sri Lanka finds itself in.

All three committees are chaired by Independent directors appointed by the board. The sustainability function's ultimate reporting authority is the Chairman-CEO of JKH.



Role of the Chairman-CEO

The Chairman, who is also the Chief Executive Officer (CEO), is responsible for leading the board and for its effectiveness and executing the strategies and policies of the board.

The appropriateness of combining the roles of Chairman and CEO is discussed regularly (in the minimum, once a year) and on the basis of such discussions and the 'pros' and 'cons' that emerged from the review by the Boston Consulting Group in 2003, the board deems that combining the two roles is more appropriate for the group at present, in meeting stakeholder objectives in a conglomerate setting.

The Chairman, while leading the board in effectively discharging its duties towards all stakeholders, ensures with the assistance of the Board Secretary, that board procedures are followed, directors receive timely and accurate and clear information, updates on matters arising between meetings and Board agendas are dispatched 2 weeks prior to the board meeting leaving 10 clear calendar days for the directors to read the material and prepare for the meetings.

The Chairman also sets the tone for the governance and ethical framework of the group and ensures that constructive working relations are maintained between the executive and non-executive members of the board.

As the CEO, he guides and supervises executive directors in striking a balance between their board and executive responsibilities.

The Chairman-CEO has structured direct discussion with the non-executive directors on one occasion during the year, without the presence of the other executive directors. Issues arising from such discussion have been actioned in consultation with the appropriate persons.

The board composition, group organisation, and in particular, the committee overlay structures discussed, in this report, ensure that no one individual has unfettered powers of decision making. As the head of the Group Executive Committee (GEC), the Chairman-CEO provides the overall direction and policy/execution framework for the board's decisions via this structure. Experience has proved that this structure has enabled him to effectively balance his role as the Chairman of the board and the CEO of the company/group.

Communication between stakeholders and the highest governance body

Constructive use of Annual General Meetings

Shareholders have the opportunity at scheduled Annual General Meetings (AGMs), to put questions to the Board and to the Chairman-CEO of JKH and the chairmen of the various committees. The contents of the Annual Report too enable existing and prospective stakeholders to make better informed decisions in their dealings with the company.

In general, all steps are taken to facilitate the exercise of shareholder rights at AGMs, including the receipt of notice of the AGM and related documents within the specified period, voting for the election of new directors, new long term incentive schemes or any other issue of materiality that requires a shareholder resolution.

Dialogue with shareholders

The company has a well-developed investor relations programme to address the information needs of investment institutions and analysts regarding the company, its strategy, performance and competitive position. Given the wide geographic distribution of the company's current and potential shareholders, this programme includes regular road shows to Asia Pacific, Europe and the USA. Matters discussed, and issues raised at these meetings are brought to the attention of the GEC and/or the board, as appropriate, and addressed.

The company, through its Investor Relations division (IR), maintains an active dialogue with shareholders, potential investors, investment banks, stockbrokers and other interested parties. Any concerns raised by a shareholder are addressed promptly at the department level and are forwarded, when necessary, to the GEC for consideration and advice. Analysts reports are circulated among the GEC, as and when available, and its contents debated.

The Senior Independent Director (SID) is available to meet and or discuss with shareholders regarding any concerns/conflicts that arise during the course of the financial year.

Open communication with employees

The JKH board believes in maintaining open-door policies for its employees and key stakeholders and this is promoted at all levels of 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. These range from the management being encouraged to practice an 'open door' policy, 360 degree evaluations done for employees at senior levels, the availability of an online forum to forward new suggestions for business opportunities as well as a knowledge-share blog, regular skip

level meetings at assistant manager and above levels to obtain continuous feedback on the company and its management from different perspectives, a direct email address to the Chairman being available to employees for bringing to the notice of the management any transgression of Values and exit interviews for all employees of the executive level and above.

Whistleblower policy

The Group has established a mechanism for employees to report to the Chairman through a communication link named 'Chairman Direct' on concerns about unethical behaviour and any violation of group values. Employees reporting such incidents are guaranteed complete confidentiality and such complaints are investigated and addressed via a select committee under the direction of the Chairman.

While this is a key process within the Group to support and promote honest and ethical behaviour, this course of action is to be used where the systems and processes that are already in place do not, or are not, capable of addressing the issue at hand.

Ombudsperson

In order to further strengthen our governance structures and encourage/facilitate all employees to live by our values, an ombudsperson was appointed for the Group in 2009-10. The Ombudsperson entertains complaints from an employee or a group of employees, of alleged violations of the published "Code of Conduct", when that employee or group of employees feel that an alleged violation has not been addressed satisfactorily using the available/existing procedures and processes.

The findings of the Ombudsperson and recommendations thereon are confidential and is communicated by the Ombudsperson to the Chairman/CEO or the Senior Independent Director (SID), where applicable, in writing.

The Chairman/CEO or the SID, as the case may be, will place before the Board,

1. the decision and the recommendations;
2. action taken based on the recommendations;
3. Where the Chairman/CEO or the SID disagrees with any or all of the findings and or the recommendations thereon the areas of disagreement and the reasons therefore.

In situation 3 the Board shall consider the areas of disagreement and decide on the way forward. The Chairman/CEO or the SID is expected to take such steps as are necessary to ensure that the complainant is not victimized for having invoked this process.

Young forum

With a view to broadening the top level communication with the rest of the group employees, the group set up young fora consisting of the 7 youngest female and male employees of the group from various levels of the group from executive

level upwards. The goal of this forum is for these young representatives to meet with the Chairman, Deputy Chairman and the Group Finance Director in an informal setting, once every 2 months, to discuss issues of hard and soft matters relating to the company, with the President of Group Human Resources and Legal also in attendance. The interaction has yielded many positives and the feedback received, certain ideas and suggestions made already implemented and others being looked in to. The company is confident that the outcomes of these fora will contribute towards its HR Vision of making John Keells “more than just a work place” for its employees.

During the reporting period, dialogue encouraged through all stakeholder involvement has frequently resulted in discussion of issues pertaining to economic value. Public relations and awareness have resulted in external parties inquiring on the possibilities of having strategic business partnerships with the company and in Sri Lanka. Positioning created for directors and the organization have resulted in directors and its senior personnel being invited to join associations and think-tanks as resource personnel to contribute to way forward for Sri Lanka to fully benefit from the peace dividend.

With regard to environmental performance, our constant dialogues with stakeholders have resulted in the emergence of the “going green” concept within the organization. This has resulted in the establishment of a task force under the sustainability reporting to look in to energy consumption and carbon foot print, which is further explained later on in the report.

Awareness created under the stakeholder model established approximately 4 years ago, has established that the success of the organization lies in how well it intertwines with society. This has led to the Group moving from a philanthropy based organization to one of partnership.

Pay for performance

A customised ‘pay for performance’ scheme based on the pillars of individual performance rating and organisational performance rating was implemented during the previous financial year for all group employees at manager level and above, and on the pillar of individual performance rating only for all group employees at assistant manager and executive levels. The rationale for the exclusion of organisational rating in linking pay to performance at the lower levels was that the individuals at those levels had little direct influence on the bottom line of their organizations.

The key principles underlying the group’s remuneration policy are:

- All Assistant Vice President (AVP) and above roles across the group have been banded by an independent third party on the basis of the relative worth of jobs, thereby enabling internal equity
- Compensation is set at levels that are competitive to enable the recruitment and the retention of high calibre

executives in the identified career levels/job bands - as guided by the median, 65th percentile and 75th percentile of the best comparator set of companies (from Sri Lanka and the region, where relevant)

- Compensation, comprising of fixed (base) payments, short term incentives and long term incentives are tied to individual performance at all levels and organisational performance at manager levels and above
- Performance is measured annually on well defined individual and organisation objectives and metrics which reflect, and are positively correlated to, the company’s objectives, thereby aligning employee, management and stakeholder interests. Organisational ratings are additionally modified to reflect market conditions via a set of pre-agreed peer comparators
- The more senior the level of management, the higher the proportion of the incentive component, and thereby lower proportion of the fixed (base) component of total compensation
- As the decision influencing capability of the position on organisational results, increases, the individual performance holds lesser weightage than the organisational performance when determining total compensation and incentives
- Long term incentives have, for sometime, taken the form of Employee Share Options (ESOP) and were offered to employees, in defined career levels, based on pre-determined criteria which are uniformly applied across the same. Such options were offered at market prices prevailing on the date of the offer. The last ESOP award was made on 17 December 2009
- All remuneration policies are based on considerations of affordability and sustainability
- Communication and transparency in current and proposed policies

Make-up of remuneration for executive directors

The remuneration of the Chairman-CEO and the executive directors is determined as per the remuneration principles described in the “Human Capital” section of the Annual Report. At this higher level, the benchmark weightage between individual and organization performances in establishing compensation is a 20:80.

The remuneration of executive directors have a significant element which is variable, such variability being linked to the peer adjusted consolidated group bottom-line and minimum returns on shareholder funds.

In order to further align the interests of executive directors and shareholders, the executive directors, like other eligible employees, have received employee share options based on role responsibility and actual performance against the same. The number so awarded was recommended to the board by

the remuneration committee. Such options were awarded at the closing market price on the date of award. The last ESOP Award was made on the 17th December 2009.

The share options made available to each of the executive directors for the year has been disclosed in the Annual Report of the Board of Directors 2009-10 and also disclosures are made to the Colombo Stock Exchange and the Board of Directors as and when executive directors exercised their share options.

Board composition and independence

As at the date of this report, the board consists of 8 members, comprising of 3 executive and 5 non-executive independent directors.

Independence of the Directors have been determined in accordance with the criteria suggested by the Combined Code and the criteria of the CSE Listing Rules revised in January

2010 and have been identified as such in the board profiles given earlier in this report. The 5 independent non-executive members have submitted signed confirmations of their independence.

Avoiding conflicts of interest

Over and above the issue of independence, each director has a continuing responsibility to determine whether he or she has a potential or actual conflict of interest arising from external associations, interests or personal relationships, in material matters which are considered by the board from time to time. Directors who have had an interest in a matter under discussion have excused themselves from deliberations on the subject matter and have abstained from voting on them. Abstentions, where applicable, from board decisions, are duly minuted.

Name of director	Type	Involvement/interest in JKH					
		Share Holding ¹	Management	Material business relationship	Employed by the company ²	Continuously served for nine years	Family member a director or CEO
S Ratnayake	ED	●	●	●	●	N/A	N/A
A Gunewardene	ED	●	●	●	●	N/A	N/A
S Gunesekera *	ED	●	●	●	●	N/A	N/A
R Peiris	ED	●	●	●	●	N/A	N/A
F Amerasinghe	NED/SID	●	●	●	●	●	●
T Das	NED/ID	●	●	●	●	●	●
S Enderby	NED/ID	●	●	●	●	●	●
D Rodrigo	NED/ID	●	●	●	●	●	●
S Tiruchelvam	NED/ID	●	●	●	●	●	●

* retired w.e.f. 30 June 2009

ED - executive director, NED - non-executive director, SID - senior independent director ID - independent director

1. None of the individual Director shareholding exceeds 1%

2. None of the NEDs has been an employee of the company prior to his/her appointment

● Yes ● No

Name of director	Type	Involvement/interest in other companies ¹		
		Employed	Director	Material Business Relationship ²
F Amerasinghe	NED/SID	●	●	●
T Das	NED/ID	●	●	●
S Enderby	NED/ID	●	●	●
D Rodrigo	NED/ID	●	●	●
S Tiruchelvam	NED/ID	●	●	●

● Yes ● No

1. In which a majority of the other directors of the company are employed or are directors.

2. Two years immediately preceeding appointment.

Prior to appointment to the board, eligible persons are requested to make known their various interests that could potentially conflict with the interest of the company. Once appointed to the board, all directors are expected to inform the board and obtain board clearance prior to accepting any position, or engaging in any transaction that could create a potential conflict of interest. All non-executive directors are required to notify the Chairman-CEO of changes to their current board representations. Details of companies in which board members hold board or board committee membership is available with the company, for inspection by shareholders on request.

Non Executive/Independent Directors and the Board Balance

All non-executive directors (NED) are encouraged to propose discussion items for the board meetings.

The board is of the view that its present composition ensures a right balance between executive expediency and independent judgment. Collectively, the non-executive directors bring a range of value adding domestic and international experience, and expertise, in specialised functions. The company is conscious of the need to maintain an appropriate mix of skills and experience on the board and to refresh progressively its composition over time. The company also notes the value that has been brought to bear by the non-executive directors on the governance of the group. The non-executive directors of the board collectively possess strong financial acumen and are in good positions to assess the integrity of the group's financial reporting systems and controls, continually review and critique these systems and make changes to them as necessary.

The responsibility for identifying and proposing suitable candidates for appointment as non-executive directors to the board of JKH, in keeping with the target board composition and skill requirements, lies with the Nominations Committee. The nomination committee assesses the current needs and the emerging needs of the group in determining the future composition of the Board. The emerging needs combined with the objectives and the strategies set for the coming years are considered key when identifying skill sets required especially skills that may not be readily available within Sri Lanka. The nominations committee based on these requirements then scans the external environment to identify potential candidates that can add value to the existing board. Currently the Board members have varying qualifications in economic, environmental and social topics and are involved in many committees and associations that serves the business community as a whole. Our board members are also involved in numerous economic, environmental and social activities beyond the scope of their board duties.

Our corporate governance philosophy founded on a culture of performance within a framework of conformance and compliance "sets the pace" to succeed in today's competitive business environs in a manner that is sustainable and equitable to all our stakeholders. This philosophy has been institutionalised at all levels in the group through a strong set of corporate values and a written code of conduct that all employees, senior management and the Board of Directors are required to follow in the performance of their official duties and in other situations that could affect the group's image. All are expected to entrench the expected behaviour at all levels in the organisation through communication and role modelling.

Our Values

We are passionate about

- Changing constantly, re-inventing and evolving
- Striving to get things right the first time
- Doing the right things always

- Constantly raising the bar
- Fostering a great place to work
- Building strong relationships based on openness and trust

Code of Conduct

The four basic principles of the Group's code of conduct and ethics are;

- The allegiance to the Company and the Group
- The compliance with rules and regulations applying in the territories that the group operates in
- The conduct of business in an ethical manner at all times and in keeping with acceptable business practices
- The exercise of professionalism and integrity in all business and 'public' personal transactions

The Group's corporate governance philosophy practiced is in full compliance with the following and where necessary, have explained any deviations as allowed by the relevant rules and regulations.

- Companies Act of 2007
- Listing rules of the Colombo Stock Exchange(CSE) (revised January 2010)
- The recommendations of the Combined Code of 2008 to the extent that they are practicable in the context of the nature of our diverse businesses and their risk profiles
- All provisions of the Code of Governance of the Institute of Chartered Accountants of Sri Lanka
- All laws applicable to the businesses

Note: Refer Group sustainability objectives, policy and relevant information available in this report for the economic, environmental, and social performance and the status of their implementation.

Board responsibilities and decision rights

The Board of Directors is accountable to the shareholders for the governance of the company. All directors are accountable for the proper stewardship of the company's affairs and share a responsibility in ensuring the highest standards of disclosure and reporting, ethics and integrity across the group. Powers specifically reserved for the board as highlighted in the Group's 'decision matrix' include –

- Providing direction and guidance to the company in the formulation of its strategies and in the pursuance of its operational and financial goals
- Monitoring systems of governance and compliance
- Overseeing systems of internal control and risk management
- Determining any changes to the discretions/authorities delegated from the board to the executive levels
- Approving major acquisitions and disposals and capital expenditure

- Reviewing HR processes with emphasis on top management succession planning
- Approving annual budgets and strategic plans
- Approving any changes to constitutional documents and the issue of JKH equity/debt securities
- Appointing and reviewing the performance of the Chairman-CEO

Board meetings, agenda and attendance

As a general rule, the board of JKH meets once every quarter, in the least. During the year under review, the board met on 3 occasions which is 1 less than the recommended due to the transition from meeting every other month to meeting once a quarter. However the Board has met 5 times in the last 13 months. Sustainability has been discussed in each of the Board meetings held during the year.

Board and CEO's performance appraisal

The board continued with its annual board performance appraisal in 2009/10. It is a formalised process of self appraisal, whereby each member assesses, on an anonymous basis, the performance of the board under the headings of:

- 'role clarity and effective discharge of responsibilities' (in relation to the responsibilities highlighted earlier in this report)
- 'people mix and structures'
- 'systems and procedures'
- 'quality of participation' and
- 'board image'

The below chart refers primarily to memberships maintained by the Industry Group.

Industry Group	Memberships in Associations
Transportation	Travel Agents Association of Sri Lanka
	International Air Transport Association (IATA) Agents Association
	International Air Transportation Association Sri Lanka
	American Chamber of Commerce
	Sri Lanka - France Business Council
	Sri Lanka Freight Forwarders Association (SLAFFA)
	Sri Lanka Association of Airline Representatives (SLAAR)
	Sri Lanka German Friendship Association
	Sri Lanka Airline Cargo Association (SLACA)
	American Chamber Of Commerce (AMCHAM)
	Sri Lanka -Korea Economic Co-operation committee
	Employers' Federation of Ceylon (EFC)
	Association of Licensed Bunker Operators
Consumer Foods & Retail	The Consumer Goods Forum
	Chamber of Commerce
	Chamber of Industries
	Committee for Drafting Food Regulations
	Institute of Chemistry
	Food Processors Association

The scoring, and open comments, were collated by the SID and the results were analysed to give the board an indication of its effectiveness as well as areas that required addressing and/or strengthening. Despite the original anonymity of the remarks, the open and frank discussions that follow including some directors identifying themselves as the person making the remark, reflects the keenness of the board to make these discussions more effective. The evaluations revealed that whilst areas previously identified as weak had strengthened, there were others which could be further improved.

The Remuneration Committee, chaired by the SID, appraises the performance of the Chairman-CEO on the basis of pre-agreed objectives for the group set in consultation with the board as follows.

Group's performance	Group's performance	Soft Issues*
Against Plan	Against peers revenue growth market share profit growth earnings per share	Company Image Customer Orientation Human Resources Management Societal Trust

* Difficult to quantify

Industry Group	Memberships in Associations
Information Technology	Sri Lanka Association of Software and Service Companies (SLASSCOM)
	Employers' Federation of Ceylon (EFC)
	Sri Lanka - Nordic Business Council
	Sri Lanka Association for the Software Industry
	Sri Lanka German Business Council
	Sri Lanka Benelux Business Council
	Software Exporters Association
	Sri Lanka Institute of Directors
	European Chamber of Commerce of Sri Lanka
	American Chamber of Commerce in Sri Lanka
	Bilateral business councils with several countries
Leisure	Tourist Hotels Association of Sri Lanka (THASL)
	Sri Lanka Tourist Board
	Sri Lanka Association of Inbound Tour Operators (SLAITO)
	Pacific Asia Travel Association
	International Association of Travel & Tourism Professionals (SKAL)
	Wild Life and Nature Protection Society
	Sri Lanka Association of Professional Conference & Exhibition Organisers (SLAPCEO)
	Sri Lanka Institute of Directors
	Travel Trade Sports Club
	Friends of Sri Lanka Association – UK
	German Business Council
	Russia Business Council
	France Business Council
	Benelux Business Council
	Italy Business Council
	John Keells Maldivian Resorts - Maldivian Association of Tourism Industry or MATI
Financial Services	Colombo Stock Brokers Association
	Insurance Association of Sri Lanka
Other	Colombo Borkers Association
	Private Tea Factory owners association
	Ceylon Tea Traders Association (CTTA)
	Employers' Federation of Ceylon (EFC)
	The Ceylon Chamber of Commerce
	World Economic Forum
	Association of HR professionals
	Sri Lanka Instuite of Directors
	The Ceylon Chamber of Commerce - Australia and New Zealand business council
	The Ceylon Chamber of Commerce - Sri Lanka and Pakistan business council
	The Ceylon Chamber of Commerce - Sri lanka and Nordic countries business council
	The Ceylon Chamber of Commerce - Sri Lanka and China business council
	The Ceylon Chamber of Commerce - Sri Lanka and Maldives Bilateral Business council
	The Ceylon Chamber of Commerce - The council for Business with Britain
	The Ceylon Chamber of Commerce - Indo Lanka Chamber of commerce and Industry
	The European Chamber of Commerce

About the report

Report profile

The John Keells Group, with the commitment to Sustainability started its reporting process by publishing the inaugural Sustainability report in accordance to the GRI – G3 guidelines, during the financial year of 2008-09, with group publishing its report on 21 May 2009. This commitment for continuous improvement has led to the second year of successful Sustainability integration within the organisation of which the outcome is disclosed through this Sustainability report which illustrates the group's performance and commitment for the period, 1st April 2009 to 31st March 2010. The Sustainability Report will be published annually. Similar to last year, Det Norske Veritas (DNV) has been engaged for verification and the assurance statement is available on page 84 and 85.

Report scope and boundary

GRI framework which uses a multi-stakeholder consensus seeking approach is developed on the premise of Stakeholder theory. We at John Keells are also in the opinion that our value chain growth and efficiencies are attributable to stakeholder performance. Therefore it was quite apparent that the strategy of our businesses had to take shape with its stakeholders mapped diligently as depicted in the "Stakeholder engagement process". This step was a continuous improvement from the previous year and thus enabled the organisation to further its commitment when rationalising the indicators from a C level disclosure in previous year to a B level currently, on the basis of materiality. The key topics under which the GRI indicators would be elaborated are 'Economic performance', 'Environmental impact', 'More than just a workplace', 'Health & safety', 'Ethical business', 'Our contribution' and 'Product stewardship'.

The above key topics depict an extension of last year's report which consists of indicators disclosed last year, further to the new indicators considered for the current year based on the materiality concept.

This year's report has increased the boundary to 73 companies from last year's 37 on the basis that each of these companies is a legal entity and for which John Keells Group is accountable with substantial control and a sphere of influence. However, the scope covers all activities within the group over which we have direct control. This report which is a standalone report is a progression from the previous year. Therefore, the increase in boundary negates the possibility of a year on year comparison in most indicators. However, from next year the comparison would be possible and only vary if an acquisition or divestment occurs.

All data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the indicators and other information in the report are in accordance to the indicator

protocols with a clear justification if not applied. In terms of restatements, in comparison to the previous year 2008-09, previous year's phrases have been re-arranged, wherever necessary, to conform to the current year's presentation; namely in the Economic value statement for 2008-09 carried as Annex 1 on page 44 for the John Keells Holdings PLC Sustainability Report 2008-09.

Precautionary approach or principle addressed

The Group has revealed the need to address the precautionary approach through embedding the impact on climate change and environment as a key risk throughout the value chain. A group wide initiative to reduce energy consumption at all levels and thus reduce the carbon footprint has been of great success and further facilitated the above cause. Furthermore, at The John Keells Group climate change and environment has become the order of the day and a key aspect when considering day to day operations.

Triple Bottom Line (TBL) principles and other initiatives endorsed by the group

The John Keells Groups corporate governance philosophy practiced is in full compliance with a number of external initiatives and principles and where necessary, we have explained any deviations as allowed by the relevant rules and regulations. These initiatives include the Companies Act of 2007, the listing rules of the Colombo Stock Exchange (CSE) (revised January 2010), the recommendations of the Combined Code of 2008 to the extent that they are practicable in the context of the nature of our diverse businesses and their risk profiles and all provisions of the Code of Governance of the Institute of Chartered Accountants of Sri Lanka.

As made clear throughout our report, the Group follows the Global Reporting Initiative (GRI) framework to report our economic, environmental and social performances. While the Group is a participant of the United Nations Global Compact (UNGC) initiative, we also support the Millennium Development Goals (MDGs).

Stakeholder engagement at the John Keells Group

Stakeholder engagement is a process of systematically gathering and analyzing qualitative information to determine whose interests should be taken into account when considering the decision making of an organisation and its way forward.

The purpose of stakeholder engagement is to build trust between the Group and its stakeholders. This trust will enable us to learn from its stakeholders resulting in improved products / services and processes. Stakeholder engagement can lead to better understanding of the business environment and market developments, better management of risk and reputation and in the long run, a sustainable business strategy

for the company. The stakeholder engagement is to identify the critical stakeholder groups relevant to each business and its issues from a Sustainability perspective.

Stakeholders of the Group are individuals or organizations with a vested interest. They also mostly have a substantial influence / impact to or from the organisation. These stakeholders, or “interested parties”, were grouped into the following categories: Customers, Employees, Community around us, Investors, Government, Legal & Regulatory bodies, Business partners / Principals, Society / Pressure groups / Media and Industry peers / Competitors.

Customers

All businesses need customer information, but to stay ahead of the competition requires proactive research. We evaluate ourselves from our clients’ perspective. This approach enables the organisation to find the existing gaps as well as receive an unbiased status whether we need to measure awareness of our brand, explore service requirements or simply check that customers are satisfied.

Employees

We believe that employees are the foundation on which the organisation is built on, thus making each individual play a vital role in the Groups’ functionality. We strive to create a working environment where employees are informed and involved in company activities with a work culture that is focused on learning and development followed by recognition and reward.

Community around us

As the largest conglomerate in the country we believe that our sphere of responsibility is extensive. Therefore, it is of utmost importance that our operations take place under the most stringent measures, preventing any adverse impact to the community around us. This has been engrained in the values of the organisation through the adoption of voluntary and statutory codes and processes. The Group further disperses its core competences, through the John Keells Social Responsibility Foundation (JKSRF) which carries out various initiatives in focused areas based on a thematic approach.

Investors

Our investors vary from one to another. However, one commonality is their expectations of growth, good governance and sustainability. Therefore, it is of our best interest that the organisation identifies these requirements and takes appropriate measures to achieve these objectives while communicating the performance through various forums. It has been a common practice that the group associates all its investors on a regular basis and thus a healthy relationship continued.

Government

As a diversified Group, we understand the importance of regular engagement with Government. This is of critical importance as Sri Lanka, which is emerging from a war of over 25 years needs to identify its place as an emerging market in the global playing field. Therefore, a strategic growth from a corporate and country perspective needs to be established immediately. Furthermore, the Group has pledged its support towards the government of Sri Lanka in achieving the Millennium Development Goals (MDG’s).

Legal & Regulatory bodies

With the reasons leading to the recent global economic crisis been quite evident today’s Business society is closely followed by legal and regulatory bodies. In a time where compliance has become a critical success factor the Group proactively engages with its relevant legal & regulatory bodies in order avoid the risk of non-compliance and the implications.

Business partners / Principals

In today’s context supply chain demands a prominent role in every business. Likewise our business partners and principals are of great importance as we coexist to fulfil customer needs. However, this relationship does not solely focus on the quality and efficiency of delivery. The group has taken initiatives to introduce such measures to its supply chain since the risk of reputation is prevalent even though the organisation might not be directly attributable for certain functions.

Society / Pressure Groups / Media

These categories of Stakeholders are commonly encountered by the organisation at various instances. The reputation and image of the Group relies on the action taken by such stakeholders. Therefore the Group takes necessary measures to engage with this segment understanding their needs, values and beliefs and makes sincere efforts in incorporating such ideas as and when possible.

Furthermore, functions such as corporate communications play a vital role in engaging and directing such stakeholders through two way communication

Industry peers / Competitors

This segment is of strategic importance to the Group. When considering industry peers / competitors it is important for us to be aware of the changes in the business environment and the shift in focus which would impact the business and its sustainability. Forging ahead of competition in the most ethical methods is an entrenched philosophy.

Stakeholder categorisation and current engagement at John Keells Group

Stakeholder	Stakeholder sub-category	Current level of engagement
Customers	Individual, corporate (B2B)	Personal meetings, Discussion forums, Questionnaires, Field visits, Conference Calls, Progress reviews, Reports available via Telephone, SMS, Internet and as hard copies as appropriate, Workshops , Business development activities, Road Shows and Trade Fairs
Employees	Executive, non-executive, Director	Direct reporting, Employee satisfaction surveys, Open door policy at all management levels, Annual get to gathers, Trainings, Team building activities.
Community around us (immediate environment)	Neighbours, local communities	CSR Activities, Training and regular drills, one on one discussions, workshops, forums
Investors	Shareholders, Institutional investors, Fund managers and analysts, banks, multilateral finance agencies	Annual reviews, quarterly reports, one on one meetings, phone calls
Government	Government of Sri Lanka, Government Institutions	Meetings, discussions, Phone calls, Newsletters and circulars, Presentations and briefings, Advice and association, Lobbying via Chambers
Legal & Regulatory Bodies	Local Authorities, Municipal council, Bribery Commission, Consumer Affairs Authority, Inland Revenue, Customs Department, Security and exchange commission, Colombo stock exchange, Tourist Board	Regular meetings, Representation through associations
Business Partners / Principals	Business Partners, Joint venture partners, Principals	Regular meetings, Correspondence, Monthly market reports, Conference calls and e-mails, Circulars, Lobbying as an Industry
Society / Pressure groups / Media	Opinion leaders, Media, Environmental Groups, NGOs, Voluntary Organisations	Correspondence, Discussions, Media coverage, Certification and accreditation
Industry Peers /Competitors	Trade Associations, Competitors	Participation in conferences/discussion forums, Representing the associations
Society / Pressure groups / Media	Opinion leaders, Media, Environmental Groups, NGOs, Voluntary Organisations	Correspondence, Discussions, Media coverage, Certification and accreditation
Industry Peers /Competitors	Trade Associations, Competitors	Participation in conferences/discussion forums, Representing the associations

Stakeholder engagement process

Feedback was obtained from all Industry groups and their respective key business units in order to identify the key Stakeholder, based on certain parameters as explained below.

Each business unit selected the most critical stakeholder group or sub group, based on specific issues which were predetermined at a strategic level.

These specific parameters are:

- Issues that have direct short-term financial impacts
- Issues where the company has agreed policy statements of a strategic nature
- Issues which comparable organizations consider within their sphere of materiality
- Issues that your stakeholders consider important enough to act on (now or in the future)
- Issues which are considered social norms

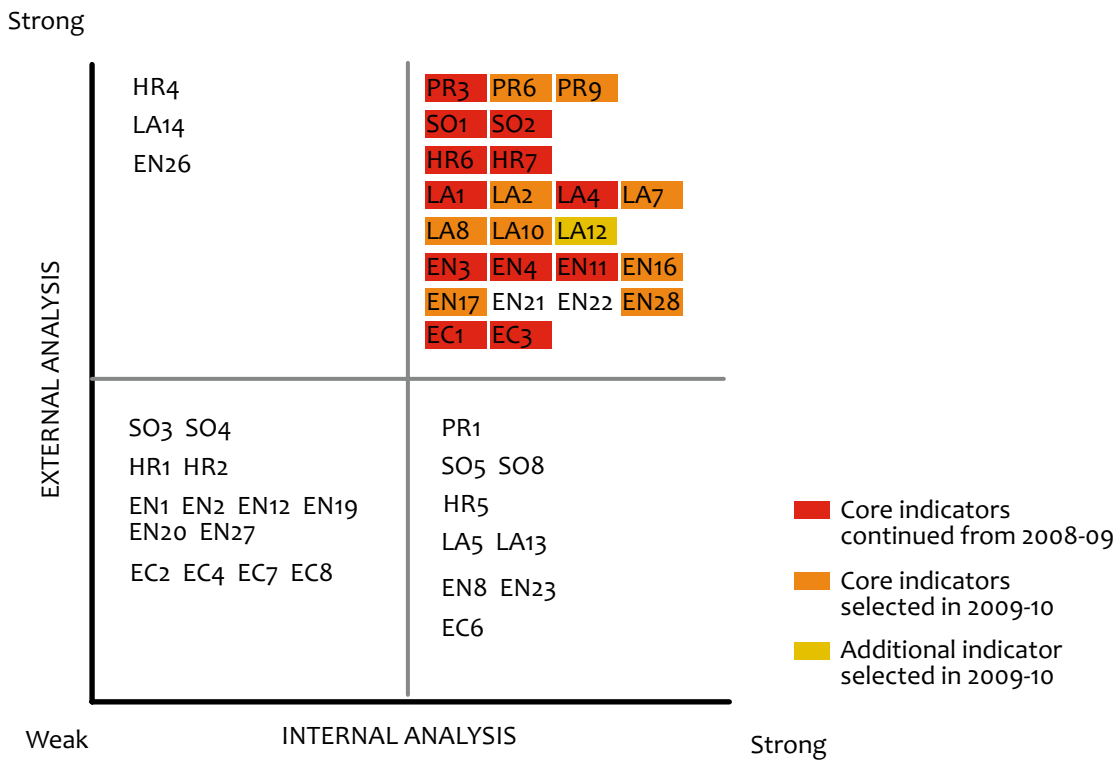
Rating was provided for each issue based on the level impact or influence to and from the organisation. A further probability of occurrence was factored in to each issue in order to identify the most critical issues and such stakeholders. Depending on the significance of the issue a specific stakeholder, method of engagement and direct impact to Sustainability was analysed.

Therefore, the issue based output of the above mentioned exercise which considered the organisational strategy and its internal perspective was further re-aligned as per the stakeholder outlook and expectations. This holistic approach considered by the Group enabled the organisation to identify its critical issues based on the triple bottom line and establish performance indicators to monitor and mitigate future risks. This mechanism also incorporates all processes required to address the key concerns and issues raised through the Stakeholder engagement.



The process identifies each issue from a risk perspective which in turn enables the management to identify and mitigate certain risks at an early stage. Many issues which are identified as operational and / or not possible to be linked to the GRI aspects or indicators are addressed solely through the risk grids which enable the relevant business unit to track its performance on a periodic basis.

Based on the materiality test conducted as an internal (Organisational) and external (Stakeholder) analysis, the indicators which were identified are depicted through the quadrant below.

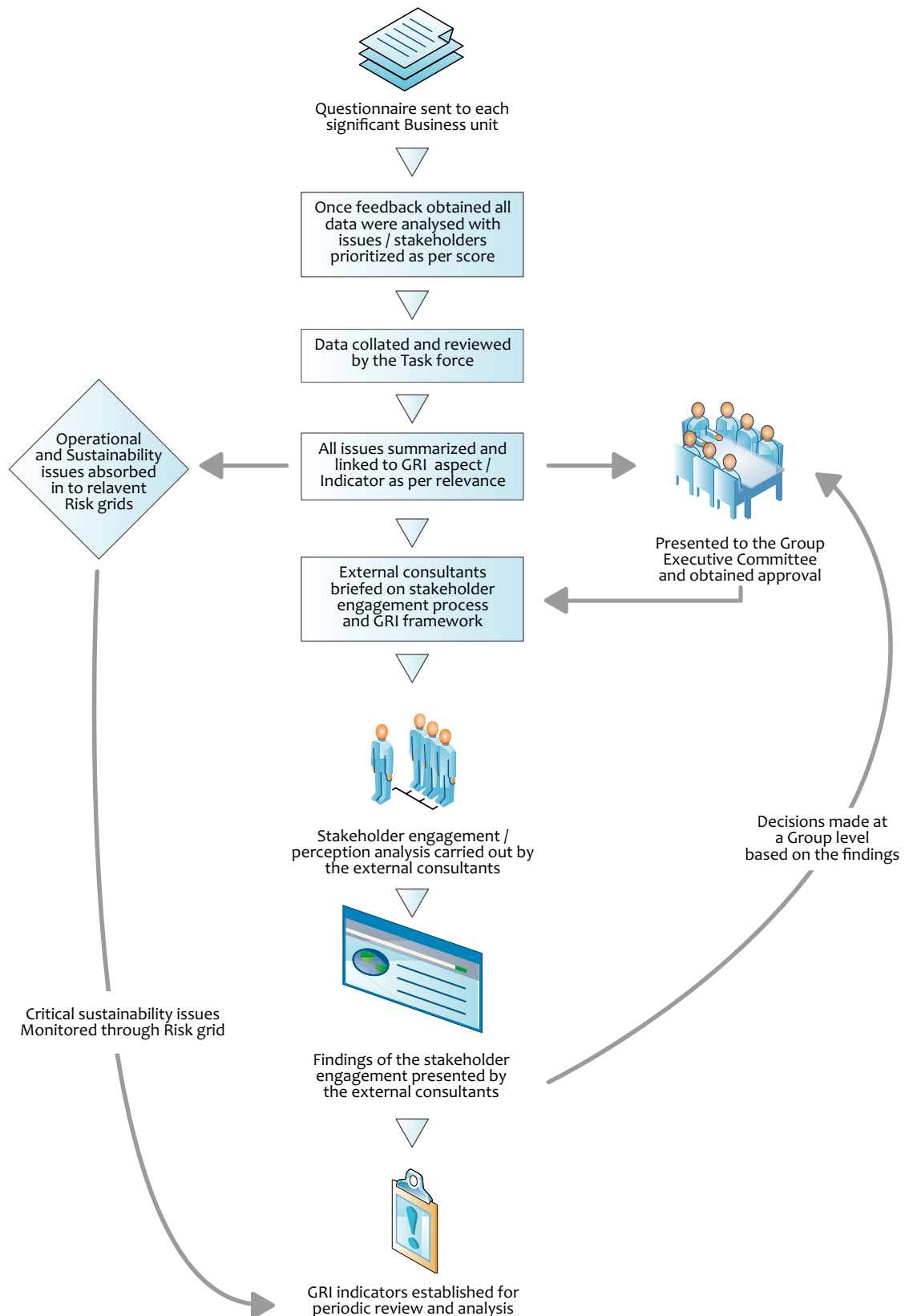


Indicators stated in red are the core indicators which were reported for 2008-09 and indicators in orange are the newly identified indicators through the materiality test. LA12 been an additional indicator was considered as its materiality was justified through the stakeholder analysis. Though, EN21 and EN22 been identified with significant materiality were considered to be disclosed at later stage as it required a structured process in place for accurate baseline identification and analysis.

When considering the above analysis of materiality it was evident that the indicators identified within the strong external (stakeholder) quadrant was a direct representation of the issues identified through the stakeholder engagement. Therefore addressing such indicators would mitigate such issues and concerns.

The flow chart below would elaborate the process in which the Group conducted its Stakeholder Engagement and further obtained validation on the issues identified by the internal line managers.

This enabled the organisation to identify current gaps prevailing within the group as well as rationalise the Stakeholders as per their importance to the organisation and its Sustainability.



Key opportunities and challenges

When considering sustainability in the group, there are many challenges, opportunities and risks that necessitate continuous evaluation and analysis. The grid below depicts these findings related to sustainability.

Triple Bottom Line	Challenges	Opportunities	Risks
Economic	<ul style="list-style-type: none"> The global economic meltdown, crises of confidence, risk aversion, liquidity crunch, fluctuations in foreign exchange rates and commodity prices. Delays in project implementation due to political unrest. 	<ul style="list-style-type: none"> Tapping market potential via growing sectors i.e. Insurance, Health care & Leisure. Expanding opportunities in cleaner production technologies. Improving market share through enhanced brand equity. 	<ul style="list-style-type: none"> Ambitious economic targets could result in challenges in relation to cost allocation for Sustainability related capital expenditure. This could result in the inability to achieve specific targets set by the Sustainability task force.
Environment	<ul style="list-style-type: none"> Balancing customer demands and Company objectives to conserve energy and reduce emissions through improved design. Getting local suppliers to provide required goods and services at competitive costs while adhering to environmental and social standards. Conserving resources like water, energy and material 	<ul style="list-style-type: none"> Leverage cleaner and advanced technologies to cut emissions, conserve energy and material, reduce operational costs and develop new products under the green concept etc. Explore market opportunities and increase usage of renewable energy sources. Apply energy management solutions to help customers be more energy efficient. Obtain accreditation to green organisation and achieve a niche segment in the process. 	<ul style="list-style-type: none"> Environmental degradation, due to the increased consumption of energy, could result in an increase in the groups' carbon footprint. Lack of sophisticated waste recycling and emission control mechanisms could bring about environmental degradation.
Social	<ul style="list-style-type: none"> Employee retention due to brain drain. Ensuring protection of human rights, decent work practices for contract workers employed by our sub-contractors and vendors and ensuring strict conformance to all labour legislations. Ensuring the health and safety of employees at the workplace. Pressure from various stakeholders slowing down the day to day operations 	<ul style="list-style-type: none"> Increasing employability due to the practice of high standards and structured training programs. Reaching out to rural communities at remote locations through the John Keells Social Responsibility Foundation. Participating in community building through continued initiatives in the thematic areas of education, environment, health, arts & culture, disaster relief and employee volunteering 	<ul style="list-style-type: none"> The extensive expansion plans and the boom in certain industries such as tourism could have a strain on certain social and cultural aspects within the community, hence increasing the societal risk

Sustainable risk management

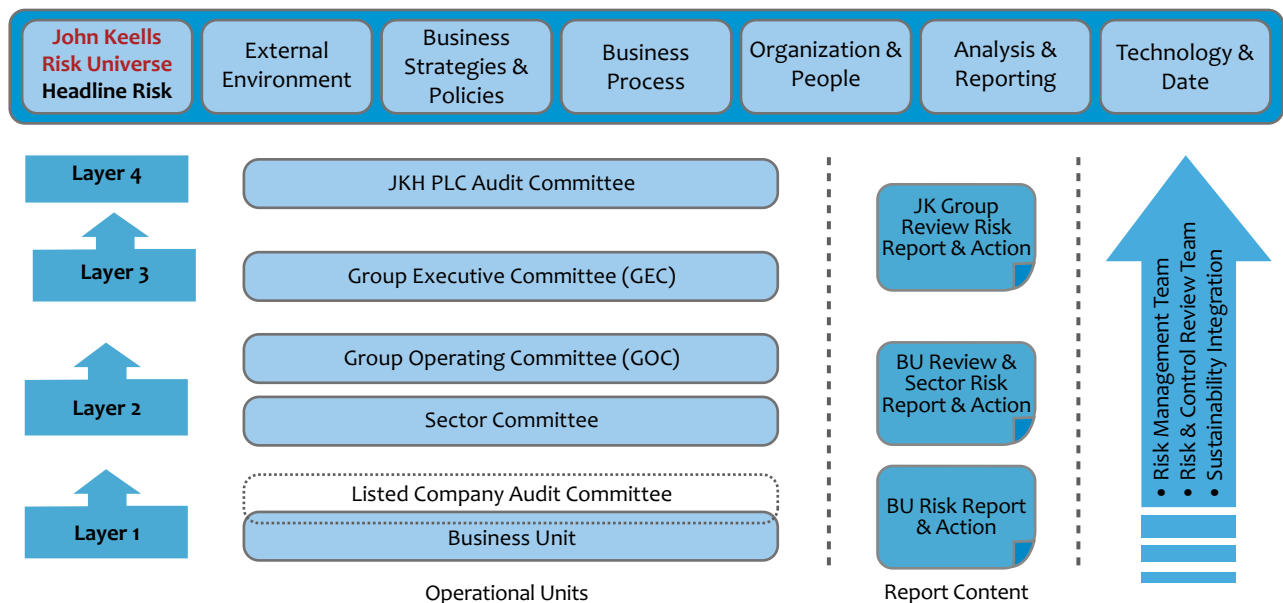
Risk management, is now an integral part of 'Sustainability' in the group and it had enabled the group to identify and manage risks, harness opportunities, adapt to the changing environment and adopt long term and short term strategies which link well with the overall objective of the group.

The individual risk categories are founded on the success factors which are critical for the implementation and attainment of group objectives. The risks in the group are identified and analysed using a universal risk register which has, over the years, been adapted to meet the group's specific needs. The key operational, strategic and financial risks include areas such as socio- economic factor, competition, internal processes,

procurement, product, currency and interest rate fluctuations, information technology and human resources.


Each risk event is analysed by a simple formula that identifies possible occurrence and further analysed for the likelihood (probability) and outcome (severity). Based on these two variables a view is taken on management of the subjected risk. Risk management process within the group is now well entrenched and is supported by appropriate documentation and assignment of risk owners.

Risk management takes place as a bottom-up approach, as depicted below;



Internal risk management is further complimented by the group wide Stakeholder engagement process. Risk issues identified during Stakeholder engagement process are considered and addressed through the selection of a relevant indicator found in the Global Reporting Initiative (GRI) framework. Some of the

issues which are not directly addressed by the indicators are monitored through the relevant risk matrix. The risks matrices are reviewed quarterly with the emphasis on the outcome of either mitigation, transfer, avoidance or acceptance of the risk based on the risk appetite.

An aerial photograph of an industrial and urban landscape. In the foreground, there's a large body of water, possibly a river or canal, with several buildings along its banks. One prominent building has 'John Keells' written on its facade. In the background, there are numerous industrial structures, including cranes and large storage tanks, suggesting a port or manufacturing area. A large, thick red curved banner spans across the lower half of the image, containing the text 'ECONOMIC PERFORMANCE' in white, bold, capital letters.

ECONOMIC PERFORMANCE

The economic policy of the Group is geared towards a sustainable growth and performance. 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. Whilst shareholder returns are a priority, equal importance is given to our responsibility towards the community and hence conducting business in an ethical manner is considered a critical element.

The Group's investment philosophy is based on commitment to delivery and flexibility to change by striving constantly to realign, reposition and reinvent its portfolio of investments in pursuing growth sectors. Whilst these strategies are geared to provide above average long-term growth and superior returns to our shareholders, during the financial year, the approach was to cautiously evaluate opportunities to strengthen the diversified portfolio whilst emphasising more on organic growth and internal cost controls. The sound investment decisions made in the past along with tight cash management helped the Group adapt to the volatile environment that was present until last year.

The John Keells Group aligns employee rewards to organisational performance and provides superior rewards to superlative performers with the 'pay for performance' culture that has been created. This reward scheme has led to increased productivity and better performance, greater employee recognition and consequently better rewards and the alignment of employee, management and stakeholder interests. 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 accordance with the provisions of the Companies Act

Economic policy

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



and presented in compliance with the Sri Lanka Accounting Standards and provides information required by the Listing Rules of the Colombo Stock Exchange.

Economic value statement

The generation of wealth and its distribution among the stakeholders of the group is depicted in the economic value statement. It also reveals the amounts reinvested for the replacement of assets and retained for the growth and development of operations. The “Economic 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, could also be derived from this statement.

The direct economic value generated by the group increased from Rs.48.22 billion in 2009 to Rs.55.68 billion in 2010. Of this, 67 per cent (2009 – 65 per cent) was expended towards operating costs whilst 10 per cent (2009 – 10 per cent) of the total economic value generated was retained for future expansion and strategic investments. Of the remainder, 28 per cent (2009 – 31 per cent) was paid to providers of funds; 49 per cent (2009 – 46 per cent) was distributed to employees and 23 per cent (2009 – 23 per cent) accrued to the government by way of taxes.

The economic performance of the sectors is described in detail in the Management Discussion and Analysis section of the annual report for 2009-10.

A downward trend in allocation on community investments compared to last year is due to the group’s focus on qualitative contribution rather than of quantitative nature. The life cycle of certain large community projects coming to an end too, is another reason for this. However, the focus on sustainability

For the year ended 31 March	2010 Rs'millions	%	2009 Rs'millions	%	2008 Rs'millions	%
Direct economic value generated						
Revenue	47,980	86.18	41,023	85.08	41,805	89.11
Interest income	2,947	5.29	2,266	4.70	2,084	4.44
Dividend income	44	0.08	54	0.11	93	0.20
Share of results of associates	2,556	4.59	2,340	4.85	2,243	4.78
Profit on sale of assets & other income	2,151	3.86	2,496	5.17	688	1.47
Valuation gain on IP	-	-	41	0.09	-	-
	55,678	100.00	48,220	100.00	46,913	100.00
Economic value distributed						
Operating costs	37,396	67.17	31,202	64.71	30,663	65.36
Employee wages & benefits	6,138	11.03	5,544	11.50	5,005	10.66
Payments to providers of funds	3,565	6.40	3,811	7.90	5,200	11.08
Payments to government*	2,913	5.23	2,781	5.77	2,453	5.22
Community investments	30	0.05	38	0.08	49	0.10
	50,042	89.88	43,376	89.96	43,370	92.42
Economic value retained						
Depreciation	1,737	3.12	1,690	3.50	1,432	3.05
Amortisation	541	0.97	305	0.63	169	0.36
Profit after dividends	3,358	6.03	2,849	5.91	1,942	4.14
	5,636	10.12	4,844	10.04	3,543	7.58

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

For the year ended 31 March	2010 Rs'millions	2009 Rs'millions	2008 Rs'millions
Payment to government by country			
Sri Lanka	2,227.2	2,146.2	1,869.1
Maldives	684.7	631.0	579.2
India	0.2	2.7	4.3
Other	0.4	0.8	0.8
	2,912.5	2,780.7	2,453.4

* Payment to Government

and related efforts has increased across the group during the reporting year; the costs associated with such efforts are reflected under separate headings in the books of the head office and the business units.

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 employer's 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 may be.

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	2010	2009	2008
Employer contributions to the trust fund	76,680	64,477	58,615
Employer contributions to the provident fund	359,041	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	2010	2009	2008
Employee benefit liability as at 31 March	1,041,395	956,917	798,600
Payments during the financial year	107,904	92,960	77,830

We also abide by the country regulations for The Maldives and India which is inclusive in the figure shown above in the defined contribution and benefit plan obligations.

Comparative information

The presentation and classification of the economic value statement of the previous year have been amended, where relevant, for better presentation and to be comparable with those of the current year.





ENVIRONMENTAL IMPACT

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.

Environmental responsibilities continue to be a high priority for the John Keells Group. This chapter elaborates on the how we reached our goals neither compromising on the needs of our stakeholders nor the environment. Continuing to focus primarily on energy and biodiversity, this year we have taken on the additional responsibilities of putting in place a robust mechanism to identify the group wide carbon footprint, initiatives to mitigate environmental impacts of our products and services, as well as monitoring the monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations with regard to all group companies.

Similar to last year, our primary focus has been energy and biodiversity during the reporting period. Sustainable energy usage is strongly encouraged throughout the group, with group companies being involved in numerous energy saving initiatives. Our energy management processes were being constantly updated in keeping with the latest technologies and best practices available in order to reach our objective of optimising the Group's business goals through energy efficient management practices and most importantly minimise the impact of energy related environmental damage. Our approach with regard to biodiversity during the reporting period was streamlined with the group's Biodiversity Conservation Policy and Management Guidelines, to which all Group companies adhere to.

Group energy usage

The sustainable energy usage with regard to managing our operations is a vital aspect of consideration for the John Keells Group. Our sustainable goal is two-pronged; minimizing the impact of energy related environmental damage and enhancing the Group's competitiveness through energy costs savings by embracing lean energy management practices. We have and will continue to use all energy resources responsibly and efficiently with a view to optimising the Group's energy consumption by constantly developing our energy management processes and exploring emerging technologies and best practices.

In order that the above said objectives could be fully realized going forward, the basic systems and processes as stated previously in our management approach were successfully rolled out during the year. This provided all Group companies a sound platform to measure baseline consumption, to set up Key Performance Indicators, project probable operational savings in energy consumption and share best practices from within and outside the group on better energy management practices.

Energy initiatives rolled out during the year

Energy management initiatives institutionalized during the year based on the previous years commitment has been well embraced among all business sectors across the John Keells Group as an on going strategic priority.

Energy management teams

Energy Management teams were formed at a group level and within each industry group or sector comprising a cross section of senior and middle management. The mandate of these teams was to roll out our commitment of maximizing efficiencies in the consumption of energy related resources and minimizing the impact of environmental impacts through sustainable and lean energy management practices.

The key responsibilities of the teams in the year under review included the following:

- Determining the Baseline for energy consumption
- Identifying and reviewing Key performance Indicators
- Setting up of Energy consumption Benchmarks within each industry/operations
- Implementation of a formal system of review meetings for the initiative
- Recommending operational improvements and related investments where required for management approval
- Evaluate alternative/renewable energy sources
- Managing the communication process on sustainable energy usage/best practices within the industry sector and the group
- Set up a reward program for energy savings
- Liaise with external institutions with regard to evaluation and implementation of renewable energy sources

Key Performance Indicators

The sectors within the Group have identified and developed Key Performance Indicators relative to each of their operations during the year under review. This would now enable the business units to set measurable targets for projected energy savings during the ensuing year.

Training and awareness

Focussed training, workshops and awareness sessions has been conducted among employees within each sector during the year to promote efficient energy usage in their day to day operations. A further training session was conducted by the Sustainable Energy Authority of Sri Lanka for the Group engineers on the technical aspects of efficient energy usage and conservation in operations. Handouts, stickers and posters with energy savings tips are pasted in common areas, within offices and also distributed among staff with a view to elicit a behavioural change and optimum user involvement.

Few sectors have introduced employee reward programs to motivate staff in achieving energy efficiency in their respective operations.

Technological improvements

Some of the improvements carried out by certain sectors as a part to energy saving initiative during the year under review are as follows;

- The Real Estate Sector carried out an initiative to convert 182,000 BTU of Spilt type air conditioners using compressed refrigerants into chilled water operated units.
- Introduction of energy saving technology to maintain ambient temperature in spilt type units
- Phased replacement of CRT Monitors with LCD Monitors across all group companies
- Installation and upgrade of Power Factor Correction System in the consumer food & retail, leisure and property sector sites is an ongoing initiative
- Investment in energy star rated machinery and office equipment mandated across all Group companies. for example air conditioners, computer equipment



Energy audits

Internal Energy audits/ reviews were carried out on primary utility systems at all manufacturing facilities, hotels and offices complexes in order to ascertain baseline usage and set benchmarks to improve energy efficiency.

The group energy usage

In the table below the data reveals a slight reduction in the energy footprint of the group although the scope of the report has increased as mentioned earlier. Although a significant success in energy reduction programmes could be claimed, it is also evident that the reduction of the footprint is not solely due to the efficiencies in place but also due to other external factors as mentioned below.

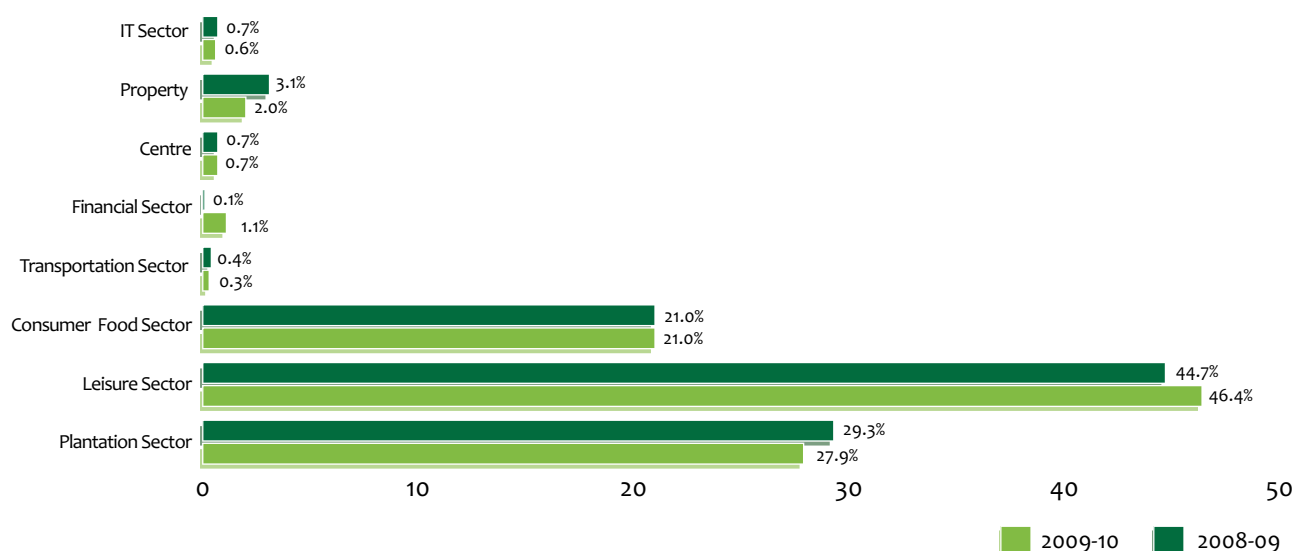
The composites of the Group energy consumption as shown in the table below, depicts a slight decrease in diesel consumption, thus increasing our consumption from the national grid. This is primarily due to Yala Village, which is a resort hotel, shifting from diesel power generation to the national grid. Further, the acquisition of Union Assurance PLC during the reporting year also contributed to the increase the group's dependency on the national grid. The reduction in furnace oil consumption is largely due to closure of some resort and city hotels for refurbishment during the reporting year 2009-10.

The following table describes John Keells Group's energy usage for the reporting years of 2008-09 and 2009-10.

Description	Unit of Measure	Energy Usage		Consumption in Giga Joules	
		2008 - 09	2009 - 10	2008 - 09	2009 - 10
Direct Energy				379,923	363,479
Fossil fuel				215,719	209,463
Diesel	Liters	5,062,249	4,917,264	153,671	149,270
Petrol	Liters	2,434	8,971	67	247
Furnace Oil	Liters	1,477,169	1,365,423	46,791	43,251
Liquid Petreloum Gas	Kg	345,456	379,695	15,189	16,695
Renewable Energy				164,205	154,016
Renewable Energy (Solar)	KwH	227,408	238,771	819	860
Renewable Energy (Bio Mass)	Cu M	34,552	32,389	163,386	153,156
Indirect Energy		-	-	236,135	246,259
Electricity From National Grid	KwH	65,593,062	68,405,343	-	-
CEB - Hydro (40%)	KwH	26,237,225	27,362,137	94,454	98,504
CEB - Thermal (60%)	KwH	39,355,837	41,043,206	141,681	147,756
Total Energy Consumption			-	616,058	609,738

(Diesel, petrol, furnace oil, solar power and electricity from CEB are converted to gigajoules based on GRI conversion table. Bio Mass and LPG are converted based on the conversion factors given by the Sri Lanka Sustainable Energy Authority.)

Energy Consumption by Sector



Energy management practices undertaken within the Group and by Sectors

Energy Management Practices across the Group

- Conversion of incandescent lighting to energy saving lighting
- Managing the total load factor by switching on large energy consuming machinery in a sequential manner.
- Capacitor banks are installed to optimize the power load and reduce cost.
- Replacement of magnetic ballasts with the electronic ballasts for lighting
- Regular preventive maintenance of all machinery and equipment
- Employee behavioural change programs through training programs and poster campaigns to elicit optimum user involvement
- Redesigning existing facilities to derive maximum energy efficiency as and when refurbishments are carried out.
- Introduction of solar control films on the external façade of the buildings
- Implementation of task lighting
- Managing ambient temperatures of HVAC systems



Leisure sector

- Installation of energy saving key tags for rooms to optimize 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.
- Rationalization 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.
- Introduction of thematic promotions in Maldivian hotels to reduce the energy usage in dining areas
- Installation of LED lighting in Club Oceanic, Trincomalee

Food & Beverage sector

- Maximizing production throughput and energy consumed by optimum production runs on a two shift basis.
- Replacing existing electric oil pre heaters in the boilers with of steam operated oil pre heaters
- Procurement of energy efficient servers
- Replacing open type island freezers & chillers with closed door freezers at retail outlets
- Internal energy compliance audits are carried out on a monthly basis in retail outlets
- Introduction of reward programs – energy savings beyond set targets are shared among staff

Other

- Biomass energy from Gliricida wood for withering of tea leaves and other furnace operations
- Planting of Gliricida trees within the out growers tea plantations providing a sustainable source of renewable energy
- Reducing of bulbs per light fitting where possible

The initiatives below capture our way forward with regard to energy consumption as a Group:

- Reinforce the management practices currently institutionalized through a process of continuous improvement
- To improve on our current energy management practices and embrace emerging technologies in achieving a lower emission rate of green house gases and a lower carbon foot print
- To partner local and international environmental conservation agencies to assist the group in evaluating cheaper, sustainable and renewable energy sources and related funding for implementation

- To be involved in public policy in relation to Climate Change and GHG emissions
- To progressively move towards converting existing facilities where possible to be more energy efficient buildings and mandate new developments to be governed by globally accepted standards such as LEEDS and Green Globe certifications

Conservation of biodiversity

Sri Lanka is categorized as one of the most valuable biodiversity hotspots of the world and the John Keells Group, seeks to conserve, and where possible, enhance biodiversity of the locality in which it operates in.

This is done primarily through the adherence of local and governmental laws and the implementation of best practices relating to conservation and protection of biodiversity including the adherence to ISO 14001 Environmental Management Systems. The group operates strictly by the guidelines setup by Government and regulatory authorities such a Central Environment Authority and Department of Wildlife Conservation etc.

The year 2009-10 saw the development of the group's Biodiversity Conservation Policy and Management Guidelines which were circulated to all Group companies to ensure adherence.

The following Management Guidelines were issued to all companies in the Group.

- All companies 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 biodiversity 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 biodiversity policy of the group.
- 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 organizations, business associations and other interested stakeholders in striving to develop effective and sustainable legislature and solutions

Policy on the conservation of biodiversity

The Group shall seek to conserve, and where possible, enhance biodiversity of the locality through the adherence of local and Governmental laws and the implementation of best practices relating to conservation and protection of biodiversity in areas where operations of the Group are carried out.

The Group understands and acknowledges its responsibility in conserving and protecting the biodiversity of the areas it carries out operations, not only for the purpose of ensuring sustainable business, but to take care of the planet and preserve its diversity, beauty, resources and strength for future generations.



to minimize the impact on the biodiversity in the areas of operations.

Management approach and conservation initiatives carried out

In line with the Biodiversity Conservation Policy and Management Guidelines, Group companies operating close to biodiversity hot spots and protected areas carried out surveys through their resident naturalists and recorded the visible flora and fauna in the premises of each identified group company. Such lists would be used to by each group company to closely monitor how its operations would impact on the flora and fauna in the vicinity of its operational sites.

In addition, most Group companies located in environmentally sensitive areas such as hotels provided periodic training to the staff with regard to the value conservation of the flora and fauna in the vicinity of their location.

Walkers Tours whose business operations are greatly dependent on the biodiversity of the country, engaged in several community awareness events to enhance the understanding of villagers on the need for conservation of biodiversity in their locality. These activities were carried out from their operations bases at Habarana, Yala and Hikkaduwa.

Yala Village along with Walkers Tours has also assisted in setting up a school nature club at Sri Devananda School, Yodhakandiya and conducted sessions for children on biodiversity conservation.

The Group's Leisure Sector recently commenced whale watching tours in the seas off the southern cost of the country. The Leisure Sector works in collaboration with the Tourist Board and the Department of Wild Life Conservation in carrying out such operations. The Group is represented in the committee for drafting guidelines to govern whale watching in order to ensure the conservation and protection of whales and marine life.

During the reporting year, Yala Village established minimum specifications for the type of jeeps that could be used in providing tours for its guests within the National Park. The jeeps are currently owned and operated by third parties, who are arranged by the hotel at the request of guests. The minimum vehicle specifications introduced are with the aim of reducing noise and emissions while on safari, and the jeep owners have been issued with the minimum specifications that would be required on their vehicles in order to be eligible for selection.

Further, the Yala Village hotel premise has also been declared as a noise free zone. Honking is not allowed within Yala Village in order to avoid disturbance to the wildlife around the hotel.

The butterfly garden at Habarana created by group's naturalists at the Cinnamon Lodge is a direct conservation attempt by creating an ideal habitat for local butterflies. This 5 acre butterfly garden was setup under the expertise of consultant lepidopterist, the renowned Dr. Michael van der Poorten. Mostly available in the dry zone, more than 30 varieties of species have been observed in the facility up until now. Similar to last year, the main objective of this project is conserving and protecting these species. Creating awareness with regard to the significance of butterflies and biodiversity as a whole by educating guests, employees and residents of the area, in turn helps protect such species.

Impacts on biodiversity

In 2008-09, the Group considered a location base of 37 companies from which the companies that potentially had the greatest impact on bio-diversity of the area were considered. This year, the Group considered a location base of 73 companies.

The table below identifies the selected group companies as per the boundary. This considers the nature of operations of such companies and their locality, based on the following categories, namely:

- City / Urban
- Suburban
- Rural / Exotic Area / protected area

Companies whose nature of business fall within the consumer foods manufacturing, bunkering/ hotels/ warehousing/ tea factory areas and companies that are located in rural, exotic areas or close to protected areas were identified and is depicted within the highlighted area of the table found on the following page.

Identification process of the Group companies in relation to high biodiversity

	City & urban areas	Suburban areas	Rural areas / Exotic areas / Close to protected areas
Consumer Foods Manufacturing		Ceylon Cold Stores - Factory Keells Food Products	
Hotels, Logistics & Warehousing, Tea Factories, Bunkering	Whittal Boustead Cargo Lanka Marine Services Cinnamon Grand Cinnamon Lakeside	John Keells Logistics John Keells Logistics Lanka Transware Logistics	Coral Gardens Hotel Bentotal Beach Hotel Cinnamon Lodge Chaaya Village Chaaya Citadel Rajawella Hotel Club Oceanic Hotel John Keells Warehousing Wirawila Walk Inn (Land only) Yala Village Hotel Hakuraa Huraa Maldives Hotel Alidhoo Maldives Hotel Ellaidhoo Maldives Hotel Dhonveli Maldives Tea Small Holder Factories
Retail Outlets & Offices	Auxicogent International Lanka Auxicogent International Auxicogent International USA Auxicogent Investments Mauritius Infomate John Keells Computer Services UK John Keells Computer Services John Keells Software Technologies John Keells Office Automation John Keells John Keells Tea John Keells Properties Keells Realtors Whittal Boustead Real Estate Crescat Boulevard John Keells Holdings PLC John Keells International John Keells Singapore Keells Consultants Mackinnons Keells Financial Services Mortlake John Keells Holdings Mauritius Facets Mack Air Mack Air Services Maldives Mackinnons Travels (Pvt) Ltd John Keells Air Services India Mackinnon Mackenzie & Co Ceylon John Keells Logistics India Mackinnon Mackenzie Shipping Keells Shipping JK Packaging Ceylon Cold Stores - Head Office Keells Food India Keells Food Products Mauritius JayKay Marketing Services Nexus Networks John Keells Stock Brokers Union Assurance Walkers Tours Whittal Boutead Travel Serene Holidays John Keells Hotels Keells Hotels Management Services John Keells Hotels Mauritius Auxicogent Alpha Auxicogent Holdings		

With regard to The Maldives which harbours a rich biodiversity, its atolls are significant due to them being by far the largest group of coral reefs in the Indian Ocean, with an area in excess of 21,000 km² and a total reef area of more than 3,500 km². Over 1,100 species of reef fishes and over 250 species of corals are found.

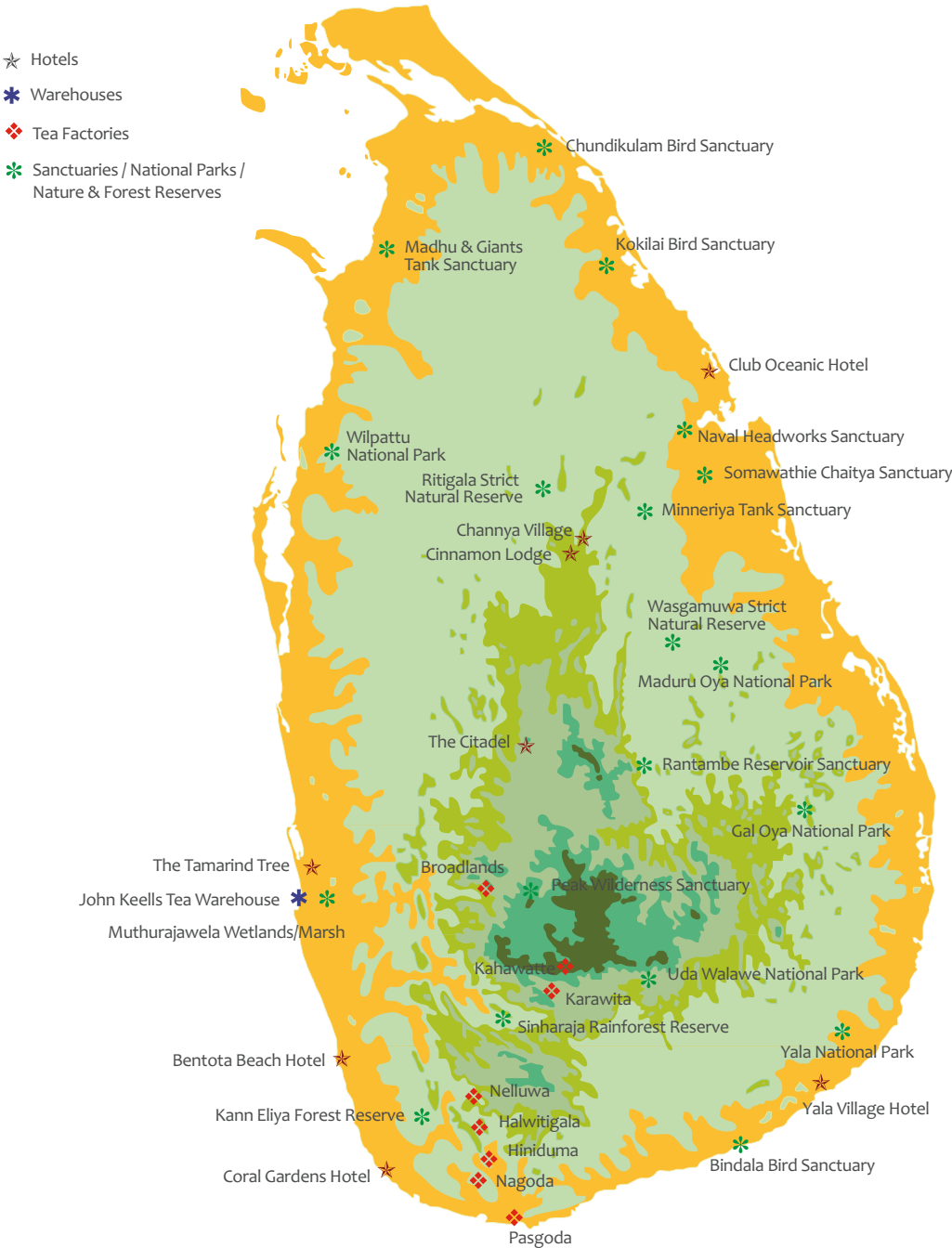
Among animal groups that are internationally threatened are populations of green and hawksbill turtles as the Maldives is perhaps the most important feeding area for hawksbill turtles in the Indian Ocean. It is also home to globally significant populations of whale shark, reef sharks and manta rays as well as at least 21 species of whale and dolphin. Other globally significant coral reef species include the Napoleon wrasse, Giant Grouper, giant clam and black coral. In addition to coral

reefs, the Maldivian atoll ecosystems are comprised of a variety of other habitats including extensive shallow and deep lagoons, deep slopes, sandy beaches, and limited mangrove and sea grass areas. Due to this, construction and operations within Maldives are governed by stringent regulation which needs to be in compliant.

As the Group operate 4 hotels in The Maldives as mentioned in the chart below, we in turn comply with several government departments that are responsible for ensuring the conservation and sustainability of marine and coastal biodiversity in The Maldives, including the Ministry of Environment, Energy and Water (now the Ministry of Housing, Transport and Environment), the Ministry of Fisheries, Agriculture and Marine Resources, and the Ministry of Atolls Administration.

Company	Geographic location	Subsurface / under-ground land utilised	Type of operation	Size of site in acres
John Keells Warehousing	Muthurajawela	Nil	Tea Warehouse	6.00
Tea Small holders Factories				
Neluwa	Neluwa	Nil	Tea Factory	18.27
Halwitigala	Halwitigala	Nil	Tea Factory	12.27
Hingalgoda	Hiniduma	Nil	Tea Factory	12.52
Kurupanawa	Nagoda	Nil	Tea Factory	12.40
Pasgoda	Pasgoda	Nil	Tea Factory	5.41
New Panawenna	Kahawatta	Nil	Tea Factory	10.59
Broadlands	Pitawala	Nil	Tea Factory	4.14
Karawita	Uda Karawita	Nil	Tea Factory	4.99
John Keells Group Hotels				
Chaaya Village	Habarana	Nil	Hotel	9.34
Cinnamon Lodge	Habarana	Nil	Hotel	25.47
Chaaya Citadel	Kandy	Nil	Hotel	5.79
Bentota Beach Hotel	Bentota	Nil	Hotel	11.02
Club Oceanic	Trinco	Nil	Hotel	28.24
Coral Gardens Hotel	Hikkaduwa	Basement of 3600sqm	Hotel	4.36
Yala Village	Yala	Nil	Hotel	10.00
Hotel Hakuraa Huraa	Meemu Atoll Republic of Maldives	Nil	Hotel	13.42
Hotel Dhonveli	North Male Atoll Republic of Maldives	Nil	Hotel	36.96
Hotel Alidhoo	Haa Alif Atoll Republic of Maldives	Nil	Hotel	35.00
Hotel Ellaidhoo	North Ari Atoll Republic of Maldives	Nil	Hotel	13.75

The locations within Sri Lanka mentioned in the table above and their proximity to biodiversity hotspots and protected areas are depicted below.



Group's Carbon Footprint

We have taken steps to establish our Carbon Footprint which is estimated to be 62,130 MT CO₂eq in 2009-10. This constitutes of 15,505 MT of Scope 1 (direct emissions) and 46, 625 MT of Scope 2 (in-direct) emissions.

As an environmentally responsible organization which has a regional impact, we have taken the necessary initiatives to establish our baseline carbon footprint and periodically monitor the continuous improvement efforts carried out. As a conglomerate which has reduction of carbon emissions as one of its top most priorities, the establishment of its baseline footprint is a step towards our vision of becoming a carbon neutral organization.

Our carbon emissions have been measured using Greenhouse Gas Protocol governed by World Resources Institute (WRI) and the World Business Council for Sustainable Development (WBCSD). The emission factors have been derived from IPCC Guidelines for National Greenhouse Gas Inventories. For the year 2009-10, our boundary for the emissions measurement has been governed scope 1 and scope 2.

- Scope 1 is GHG emissions occurring directly from sources that are owned or controlled by our organization
- Scope 2 is indirect emissions generated in the production of electricity consumed.

Electricity – The main constituent of the carbon emissions is generated from electricity sourced from the national grid, contributing approximately 75 per cent of the footprint. The sectors with the highest consumption of electricity are leisure as well as food & beverage. To reduce this effect, we have implemented a group-wide strategy of conserving electricity as well as improving the efficiency of our equipment and buildings.

Diesel – The second main constituent of the carbon emissions is produced from generators which are powered using diesel, contributing approximately 18% of the footprint. Generators are mainly used as a backup source of power at the companies and hotels in Sri Lanka, whilst in the Maldivian resorts it is the only source of power due to the unavailability of grid power to the remote islands. In order to reduce the level of emissions as well as reliance on diesel, we have installed solar panels to generate power for smaller functions such as water heating etc.

As our way forward, we hope to expand our boundary to scope 3 to capture all other indirect emissions that are a consequence of the activities of our organization, but occur from sources not owned or controlled by us. We are currently laying out a framework to capture the numerous variables under scope 3 and we hope to establish a dynamic system to report the emission data on a regular basis.

John Keells Group's Carbon Footprint

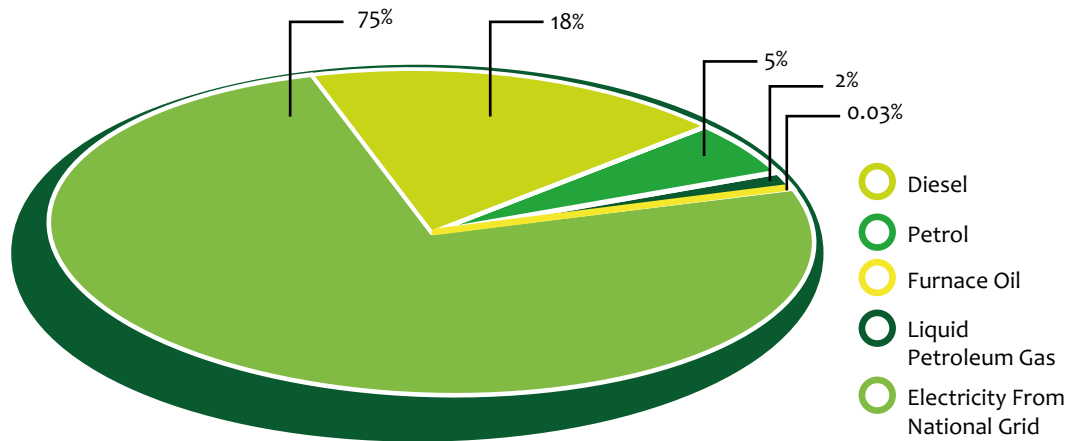
Description	Unit of Measure	Energy Usage	Consumption in Giga Joules	Consumption in Tera Joules	Emission Factor (kg/TJ)	Carbon Footprint (MT CO ₂ eq)
Diesel	Litres	4,917,264	149,270	149.27	74,100	11,060.91
Petrol	Litres	8,971	247	0.25	69,300	17.12
Furnace Oil	Litres	1,365,423	43,251	43.25	78,000	3,373.58
Liquid Petroleum Gas	Kg	379,695	16,695	16.70	63,100	1,053.45
Scope 1 - Direct Energy			209,463	209.46	284,500	15,505

Description	Unit of Measure in kWh	Consumption in MW	Emission Factor (T CO ₂ eq/MwH)	Carbon Footprint (MT CO ₂ eq)
Electricity From National Grid	68,405,343	68,405.34	0.6816	46,625.08
Scope 2 - In-Direct Energy	68,405,343	68,405.34	0.6816	46,625

Carbon Footprint Base Line Established (MT CO₂eq)

62,130

John Keells Group's Carbon Footprint 62,130MT CO₂eq in 2009 / 2010



Compliance with environmental rules and regulations

For the reporting year, written confirmation was obtained from each group company as to the value of monetary fines and sanctions and the total number of non monetary sanctions that may have been imposed by any regulatory authority for non compliance of environmental laws and regulations.

We are pleased to announce that no company of the John Keells group was fined or levied monetary or non monetary sanctions for non-compliance of environmental laws and regulations in any of the countries where operations of the Group took place during the year.

Initiatives undertaken by Group companies and its respective savings based on environmental impacts

The mitigation of the environmental impact of our operations is an integral part of our business. Many initiatives and processes are in place by the group to minimize any such impacts.

The initiatives taken by certain Group companies to counter environmental impacts relevant to the areas of material use, water, emissions, effluents, noise and waste are given below.



Company	Relevant area	Description	Details	Volume/Weight savings measure
Cinnamon Grand	Material use	Energy intensive	1. Furnace oil saving due to replacement of stem trap and modification 2. Energy saving due to replacement of CFL bulbs	185,000 Liters 8,608 Kwh
	Water use	-	Balancing of all cooling tower water basin water levels, with new pipe system to prevent overflowing	Annual savings of 7,300 M3 of water
	Emissions	-	Adjustment of fuel injector nozzle to improve the efficiency of the boiler and the replacement of defective traps and necessary insulations	185,000 Liters per year
Cinnamon Lakeside	Material use	Energy intensive	1. Placing of energy-saving bulbs in the lobby 2. Placing of T4 bulbs for 10 guest room toilets 3. Placing of Energy saving bulbs in the link restaurant	242 Kwh / day 0.32 Kwh / day 20 Kwh / day
		Toxic material	Water treatment chemical cans handed back to the supplier	25 cans for the year
Union Assurance	Material use	Non renewable energy	1. Few steps taken to reduce electricity consumption 2. Recycling of used stationary weekly 3. Reusing of printer toners and photo conductor shells	1. 47,680 units 2. 20,250 Kg's a year 3. 148 toners, and 35 photo conductors were reused
AHPL - Crescat	Water use	-	Utilizing of ground water for floor washing and toilet flushing - water consumption in Boulevard to be reduced by 5%	6 M3 a day
	Noise	-	Sound attenuators were installed in kitchen exhaust system to reduce noise levels	70 db at boundary
	Waste	-	All wet garbage collected in the Boulevard is now taken to the piggery farm	150 kg
JKCS	Material use	Energy intensive	Electricity use – optimizing office space and consolidation of physical servers and the use of energy management software on PC's	29% on electricity Kwh
Hakura	Material use	Energy intensive	Education of all concerned, including guests	2.5%
	Water Use	Washing	Planned introduction of water saving toilet accessories to all guest rooms and the use of high pressure guns	3% - 4%
	Waste	Other	STP waste used as fertilizer	1,500 Kg per year
Ellaidhoo	Water use	Volumes used	Desalination plant, reduction in production of water	2,670 Units
		Washing	Reduction in water consumption for laundry	1,220 units
	Effluents	Quality of water used	Reduction of water use by reusing treated gray water for the gardens	6,000 L
Alidhoo	Water use	Volumes used	Reduction of desalination plant water production	15,670 units
Dhonveli	Water use	Volumes used	Reduction of desalination plant water production	3,929 units
		Washing	Reduction in water consumption for laundry	757 units

Company	Relevant area	Description	Details	Volume/Weight savings measure
	Waste	Non reclaimable	Disposed to “Thelafushe” island for landfill	-
Chaaya village	Material use	Energy intensive	Switched to CFL bulbs	60,000 Kwh annually
Club oceanic	Material use	Energy intensive	Awareness programs conducted to educate all concerned on the reduction of energy	0.3%
	Water use	Volumes used	Educating staff and guests on reduction in water consumption	3.5%
		Washing	Already planned to use water savings	3% - 4%
	Emissions	Ozone depleting emissions	1. Use of ozone-friendly gases for refrigeration and air-conditioning 2. Regular preventive maintenance program in place	
	Waste	Other	Plans to make fertilizer out of STP waste	1,200 Kg per year
Habarana Lodge	Material use	Energy intensive	1. Introduction of best energy efficient systems 2. Carrying out proper preventive maintenance 3. Educating staff 4. Section wise room allocation as per occupancy pattern	08% reduced
		Toxic material	Plan to reduce consumption after upgrading water plant in May 2010	
	Water use	Other	Planning to obtain treated water from sewer plant to the garden after upgrading in May 2010	
	Waste	Other	STP waste used for the making of compost and sell	10,330 kg / year sold during the last year
Bentota Beach Hotel	Material use	Energy intensive	Fixing CFL bulbs	Saving of 73,800 Kwh units per year
	Waste	Other	Processing of garden waste to compost	Saving of 6,000 bags of garbage per annum
Citadel Kandy	Effluents	Quality of water used	Quarterly testing of drinking water	
	Noise	-	Sound proof wall around generator	
Yala village	Water use	Volumes used	STP plant in operation using water waste from sewage and kitchen. Treated effluent water being used for gardening purposes and rest sent to lake to use during season and animal use	85,000 Liters of water treated per annum
	Waste	Other	Disposal of systematic solid waste project using bio – gas technology. Bio gas is used for the kitchen and produces fertilizer for the garden	Use of LP gas would be reduced
Ceylon Cold Stores	Water use	Volume used	Water meters have been fixed to monitor the water usage in the manufacturing process.	



A larger portion of the companies within the group that have implemented initiatives to mitigate negative environmental impacts of its operations belong to the Leisure sector, with many of the resorts and hotels following common best practices in its mitigation initiatives. Other sectors in the Group such as Property and IT too have implemented such initiatives. It should also however be noted that sectors such as Transport and IT use and produce minimal levels of the key focus areas highlighted in the above section. A concerted effort is also observed across all Group companies to implement various initiatives along with efficient monitoring and tracking of performance of such initiatives.

Furthermore, the leisure sector has committed to increase its environmental responsibility through adherence of Green Globe standards. This has resulted in 5 properties committing to achieve Green Globe certification within the year of 2010. This further contributes to the collective goal of initiatives that mitigate environmental impact within the Group. The Green Globe program traces its roots back to the United Nations Earth Summit in Rio de Janeiro which was held in 1992 – when the term “sustainability” was at an infant stage - where 182 heads of state from around the world endorsed the Agenda 21 principles of sustainable development. With the development of the tourism industry, the pioneering operators were concerned about the effect their operations had on the environment which grew rapidly and how it could be best measured. Green Globe was the way forward for such organizations who were interested in measuring their environmental impact and then developing and implementing strategies in order to reduce them.

The Green Globe certification is a seal of independence recognizing sustainability achievements of businesses and communities. The standards on which each property needs to comply with, covers main areas within the business namely facility, energy, water, emissions, recycle, purchasing, etc from which each organization has to comply with 50% of the total applicable numbers. Our goal as a Group which is recognized as the leading conglomerate within Sri Lanka, is to be a sustainable entity, setting an example to the community.



By offering all our employees a performance centric work culture, and by engaging employees through a fair and rewarding work environment we continuously strive to attract, develop and retain all our employees.

The group's Human Resource practices are constantly revisited and improved to ensure that we strive toward excellence. An initiative was undertaken to cascade the code of conduct to non executive levels of the group which carry the essence of our value system. To further strengthen our governance structure and encourage/facilitate all employees to live by our values the Group appointed an "ombudsperson".

At John Keells we believe that ensuring open communication enables trust and confidence. To further enhance on the communication model that we practice in the group an electronic forum called "JK Connect" has been introduced. This forum widens the opportunity for employees in a diverse organisation such as ours to share knowledge, communicate information and foster a more employee engaged culture.

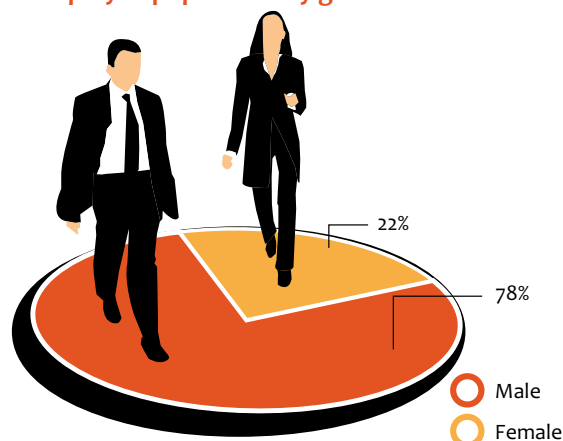
The boundaries within which the data is reported has expanded from previous years as cited in the introduction of the report.

Employee number by category

Sector	Assistant Vice President & above	Manager	Assistant Manager	Executive	Non Executive	Total head count
Consumer Foods & Retail	16	58	107	207	2,490	2,878
Transport	10	23	23	138	139	333
Leisure	25	46	66	463	3,719	4,319
Information Technology	12	51	55	607	93	818
Other-Centre Functions	19	20	28	47	14	128
Property	5	11	13	21	54	104
Plantations	7	18	9	34	1,031	1,099
Financial Services	13	196	167	322	298	996
TOTAL	107	423	468	1,839	7,838	10,675
	1.00%	3.96%	4.38%	17.23%	73.42%	

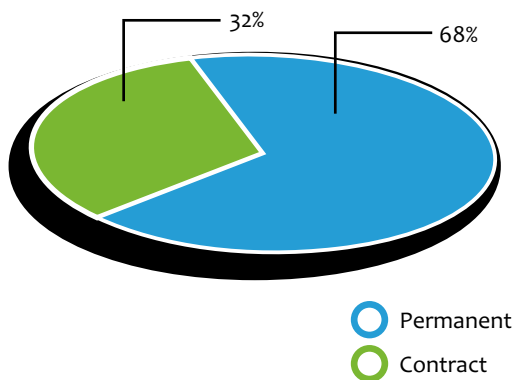
Employee population by gender

The gender breakdown of the group's population portrays a 4:1 male to female ratio. When considering the group's composition of industries, this figure reflects country norms.



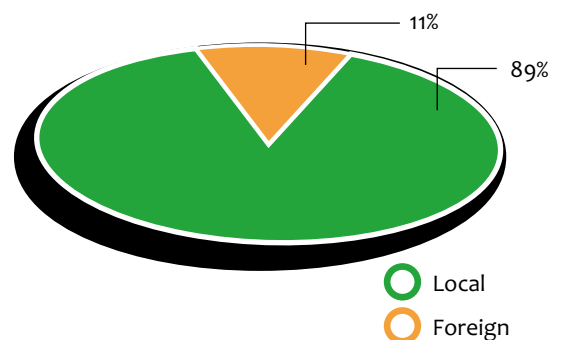
MORE THAN JUST A WORKPLACE

Employee population by type



Leisure and Consumer Food & Retail sectors are the main contributor toward the 32 per cent of contract employees due to the nature of their industry and work. Although an evident increase in scope has been accounted for in the present year's report, a considerable reduction in contract employees is a positive sign when considering a performance measure. Furthermore, the John Keells Group consists of only fulltime employees as per the National legislation, with the total work force of the group (10,675) being full time employees.

Employee population by region

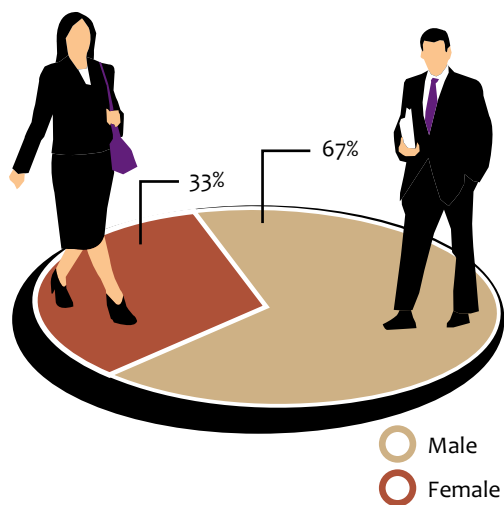


11 per cent of the Group's total staff population is employed in overseas subsidiaries, which also includes offshore staff in Leisure and Information Technology sectors.

Group attrition analysis

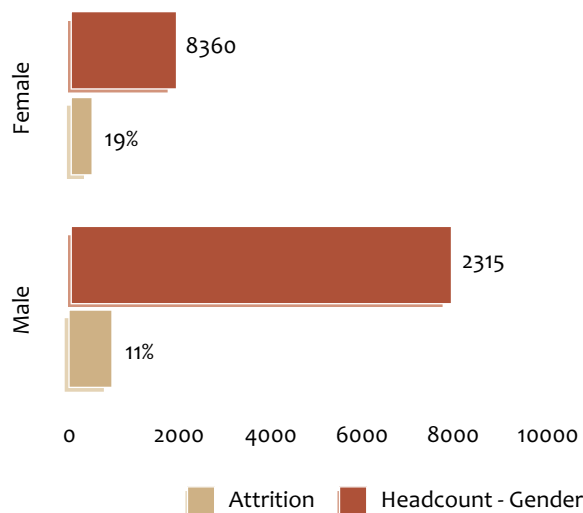
When considering the current year it was decided to report on attrition rates across the group. This is a formidable indicator of an organisation’s employee performance and thus enables the organisation to identify specific issues within employee segments such as gender, age etc.

Employee attrition by gender

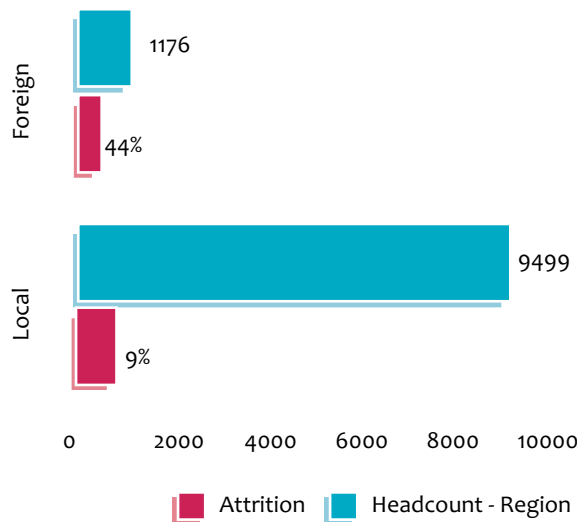


The genderwise attrition rate for the group is 33 per cent of female and 67 per cent of male. However when compared based on the total population of females and males of the group the analysis reflects a 19 per cent female attrition and a 11 per cent male attrition as per the attrition by gender headcount depicted in the graph below.

Attrition by gender headcount

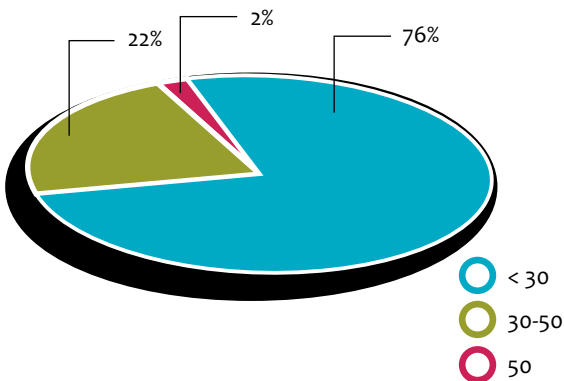


Employee attrition by region



The bar graph above considers the group’s employee base differentiated by its foreign and local employees. When analysing this it is evident that 44 per cent attrition level prevails in the foreign cadre and a 9 per cent attrition in the local cadre. However it is noteworthy that the high attrition rate in the foreign cadre is due to this representing a large composition of the Business Process Outsourcing (BPO) arm of the group which is located in India.

Employee attrition by age



The main contributor to the 2 per cent attrition over the age of 50 years is seen in the Leisure sector where most skilled persons become easily employable in the market.

The highest attrition as per age is once again seen in the BPO arm of the group where high attrition is the norm in the industry, which is followed by the Insurance industry. The reason for high attrition in the Insurance industry has been identified as the competitive nature within the industry and

the new entrants to the market resulting in greater employee opportunities. Thirdly, the Retail sector draws significance in terms of attrition which is mainly due to the profiles of the retail entry-level employees and their employability in similar markets.

Using the results of the robust exit interview process the group follows, capturing and analyzing data is done to ensure that proactive measures will be taken to address attrition if unhealthy trends are visible. Since this year being the first in reporting group wide attrition, the analysis will provide more comparable data on attrition in years to come keeping this year's figures as a baseline.

Freedom of association and collective bargaining

The John Keells Group has established many policies and practices that contribute to build employee engagement. These initiatives enable the creation of an organisation of citizenship and commitment that in return ensures the success of employee relations.

Formal and informal types of collective bargaining are prevalent within the group. Formal collective agreements are found only in the Consumer Foods Sector and John Keells PLC of the Plantation Services Sector. The Tea Small Holder Factories in the Plantation Services Sector is not a signatory of a collective agreement but the company follows the same structure governing the plantation industry of Sri Lanka with regards to terms and conditions of employment.

We strongly believe in employee engagement to act as an enabler for positive social impacts of our organisation. Many human resource policies and practices contribute in ensuring engagement is carried out to its fullest. Few which can be mentioned would be, the management practising an "open door" policy and a 360 degree evaluation done at

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.



Employees covered by collective bargaining

Total number of employees	10,675
Consumer Foods & Retail	1,347
Leisure	604
Plantation Services (John Keells PLC)	30
Employees covered by collective bargaining	1,981
	18.59%

senior manager level where subordinates and peers have the opportunity to comment on the employee concerned. Further to this, regular skip level meetings, a direct email address to chairman, committee structures of the organisation at worker level, joint consultative committees, a policy and a process to handle grievances reiterates the above.

Whilst we strive to attract and retain the best employees, locally and regionally, through our robust employee value proposition, we also identify and assist employees to reach their true potential through continuous learning and development opportunities. A majority of our development programs are instructor-led and we will be offering e-based learning and development opportunities in the future.



Training hours by category

When elaborating the John Keells group’s training capacity, it has been analysed that the group’s employees have spent 255,000 hours of training on business focus and soft skill learning and development during the year, averaging to 25 hours of training per employee. With the environment taking a positive turn we believe that all our employees will need to be ready to seize many diverse opportunities and challenges. By further reinforcing the learning culture we foster at John Keells we will increase the number of hours utilized for training in the future.

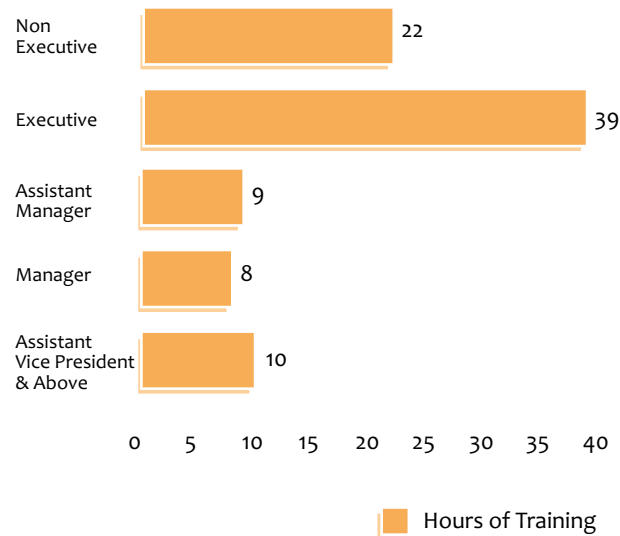
The bar chart elaborates on the training hours segmented by category within the reporting year. We have a comprehensive and integrated performance management system endorsing our performance driven culture. The foundation for this system is based on the accurate objective setting whilst the main elements of the system are formal feedback at two intervals in the performance cycle, evaluation, reward, training and talent identification and management.

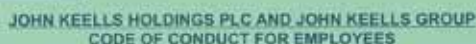
All our employees – non-executive and executive - which amounts to a 100 per cent, receive feedback all year around, whilst formal feedback is given during midyear and year-end appraisals. Performance levels, competency based feedback training requirements and career development reviews are discussed during this feedback sessions. To improve the skills of supervisor giving feedback as well as subordinates receiving feedback, the number of training sessions conducted on “Feedback giving & receiving” will be increased in the coming year.

At certain non executive levels, especially employees governed by collective agreements, a formal process of performance appraisal will not take place. However, depending on their role,

performance feedback will be given regularly on productivity and efficiency. All employees of the group received performance feedback for the reporting year as stated in the performance appraisal policy. Furthermore, employees who are on probation will not fall in to the main stream performance management system. They will receive feedback constantly till the end of the probation period and feedback will be considered at the time of absorbing them to the permanent cadre.

Training hours by category





BASIS OF CODE OF CONDUCT

The Code is founded on the following principles:

- (i) Allegiance to John Keells Holdings Plc and the Group and upholding of its Values;
- (ii) Compliance with the laws and company Rules and Regulations applying in the territories that the Group operates;
- (iii) The conduct of business in an ethical manner at all times and in line with acceptable business practices;
- (iv) The exercise of professionalism and integrity in all business and "public" personal transactions.

The Code of Conduct comprises of the following sections:

- * FAIR DEALING
- * CONFLICT OF INTEREST
- * ANTI FRAUD POLICY
- * CONFIDENTIALITY AND INSIDER INFORMATION
- * GIFTS AND ENTERTAINMENT
- * COMPLIANCE WITH THE LAW
- * BEHAVIOUR IN PUBLIC
- * OTHER OBLIGATIONS

Read the complete Code of Conduct which is at:

- ★ Executives
Intranet (<http://myportal.keells.lk/irj/portal>)-->MyESS
- ★ Non Executives
Sector HR Teams

January 2010

அலர் பீதி கங்குலய
நள்ளெழிக் கோளவ

ಅಂದರೆ ಬೆಳಗ್ಗೆ ಆಗುತ್ತಿರುವಂತಹ ರೀತಿಯಲ್ಲಿ ಎಲ್ಲರೂ ಬೆಳಗ್ಗೆ ೫.೩೦ ರಿಂದ ೬.೩೦ ರವರೆಗೆ ಕೆಲಸ ಮಾಡುವಂತಹದ್ದು. ಇದು ಉತ್ತಮವಾದದ್ದು. ಇದು ಉತ್ತಮವಾದದ್ದು.

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- * தனியாக அலுவலகம்
- * கட்டிட விலை
- * உட்கட்டுமானம்
- * மின்சாரம்
- * தொலைபேசி
- * இணையம்
- * பூங்கா
- * பூங்கா

A strong commitment to upholding the universal human rights of all individuals has been inherent in the John Keells Group throughout its existence. We have imbued the values of “doing the right things, always”, “fostering a great place to work” and “building strong relationships based on openness and trust” by ensuring that through our actions we demonstrate our commitment and respect for all our stakeholders. This commitment has translated into the management systems and processes which govern our businesses.

The John Keells Group's standard on the minimum age for admission to employment is more stringent than the applicable statutory definitions as well as the ILO conventions.

During the year under review, the Human Rights Task Force worked on institutionalizing the John Keells Group policy on child labour by developing and disseminating the related guidelines among the management and introducing systematic reporting processes via circulation of questionnaires. These are due to be verified through a quarterly compliance checklist with effect from 2010-11.

The processes confirmed that the risk of child labour is very remote at the John Keells Group. Companies within the Group already have in place best practices relating to observing and verifying the minimum age of employment and no case of non-conformity has been detected so far. The 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 same in the personal file. In addition, in the Consumer Foods Sector, where outsourced labour is engaged in certain 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.

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

Meanwhile, steps were taken to address the employment of young workers by a few companies of the Group due to the nature of their business operations. The steps taken by the respective companies are as follows.

Jaykay Marketing Services (Private) Limited (JMSL), the operator of the Keells supermarket chain, had 122 trainees below the age of 18 as at 31st March 2009. In keeping with the Group policy on child labour, JMSL stopped recruiting any new staff below the age of 18 from 1st May 2009. By 31st March 2010 JMSL had only 15 trainees who were below 18 years of age. By October 2010, all 15 of them will be 18 years or more. Whilst HR departments will be conducting spot audits to ensure adherence to this policy going forward, strict instructions have been given to Outlet Managers to adhere to requirements pertaining to the employment of young workers as per applicable law, until such time as the said trainees turn 18.

With regard to resorts managed by John Keells in the Maldives, it has been verified that some of the resorts do engage trainees who are below the age of 18 attached to the John Keells School of Hospitality in the Maldives. However, this is in the nature of an internship with the duration of such internship lasting no more than a maximum of 3 months. In keeping with the Group policy on child labour, the Leisure group will not employ any person below the age of 18 years.

Forced or compulsory labour

During the year under review, the Human Rights task force also worked on institutionalizing the Group policy on forced or compulsory labour by disseminating the policy among the management and introducing systematic reporting processes via circulation of questionnaires. These too are due to be verified through a quarterly compliance checklist with effect from 2010-11.

Policy on equal opportunities

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.

Policy on forced or compulsory labour

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 processes confirmed that the risk of forced or compulsory labour is insignificant at the John Keells Group and its subsidiary companies. So far, no case of non-conformity has been detected companies within the group already have in place best practices in this respect. As regards training, especially where the training cost is significant, companies within the Group also ensure that employees are required to understand and agree that they will work an adequate duration which would not exceed the value of the training. 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.

Non-discrimination

In keeping with its policy, on equal opportunities for all, the 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 process 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 and the Employers' Federation of Ceylon.

During the year under review, the Human Rights Task Force worked on institutionalizing the Group policy on equal opportunity by developing and disseminating the related guidelines among the management. Changes were also introduced in texts of advertisements as well as forms used in the recruitment process which draw attention to the relevant Group policies.

Anti-corruption

At the John Keells Group, we have a set of shared values. Our values guide the way in which we do business and influence the way we think and act. It is by putting these shared values into everyday working practice that we can operate successfully as a company. Our values are expressed in our Code of Conduct which further elaborates on how we live them out on a day-to-day basis.

A code has no practical use unless it is part of an active process of compliance, monitoring and reporting. The Board of JKH is responsible for this process, with the day-to-day responsibilities lying with the next levels of management around the Group.

The code is communicated to all executives and above across the Group. We have recently updated our intranet with the revised version of the code which is found in all three languages for a more comprehensive coverage.

As part of our Group-wide positive assurance process, each year our BU heads and CEO's give a written assurance that their business is in compliance with the Code. The Board of JKH reviews these responses as it is also captured through the individual risk matrix. Internal audit is used to provide reassurance that the process is working satisfactorily.

Any breaches of the Code must be reported in accordance with procedures set by the Group Sustainability function. The adherence to the Code is paramount and the management will not be found for any loss of business resulting from adherence to our Code.

We expect and encourage employees to bring to our attention any breach of the Code and no employee will suffer as a consequence of reporting a breach. Based on the authority levels as per the group operating model established in 2005 all companies and functions have a process to prevent / reduce the risk of corruption. We also have appointed an ombudsman who could be directly contacted by any employee in order to raise any concerns in complete confidence, and anonymously if they wish. The staff portal/ Intranet, carries the ombudsperson's contact.

Last year's reporting boundary which was at 37 companies - analysed for risk resulting from the conduct of employees and further subjected to independent audit reviews - made a 100% compliant level under the said indicator. With the current year's reporting boundary almost doubling at **73 companies**, further analysis goes to show that the non-compliant companies comprise Holding companies, Investment companies,

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.

Managing companies, Non-operational, Land only and Rental of office spaces, and thus become non-applicable in terms of analysing risk. Therefore, the Group is **100 per cent compliant when considering percentage of business units analysed for risks related to corruption.**

As our way forward we aspire to increase our reach of exposure to our business partners thus establishing a code of business principles. This would commit us to establish mutually beneficial relations with our suppliers, customers and business partners. This would also enforce our partners to adhere to business principles consistent with our own. However, successful implementation of such codes would require healthy relationships and would be mutually benefiting with a strong mode of communication and thus be best implemented as per staggered approach.

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.

John Keells Group is committed to provide a work environment that protects the health and safety of its stakeholders. To carry out the policy on health and safety the Occupational Health & Safety (OHS) task force was formed.

One objective achieved by this task force was to ensure a safety procedure and work instruction manual in compliance with Occupational Health and Safety Assessment Series (OHSAS) by 31st March 2010, for all business units of the John Keells Group.

In its quest to be a health and safety conscious organisation, the Group companies were segmented as seven major categories for the purpose of health and safety implementation. This categorisation was formulated in order to address commonalities within the area of concern.

- Transportation
- Office / IT
- Property / Construction
- Warehousing
- Hotels
- Retail
- Factory

Representatives were chosen from each industry group to liaise between the group OHS task force and the individual companies under each category. The Group OHS direction and strategies for the future were derived from the key issues gathered through a status analysis performed across the Group.

Information was requested from companies regarding availability of OHS officers, committees, OHS related manuals and certifications, existence of methods to record



HEALTH AND SAFETY

incidents and whether OHS related awareness programs were carried out.

The analysis revealed that some Group companies possess OHSAS certification. (Please refer table on page 12)

Based on the analysis, a Group level policy was formulated to address the issues identified and assist to achieve the objectives set out above. Meanwhile it is planned to formulate a second level of policy in each category or company. This would be customised and focused to their respective operations while keeping in line with the group level OHS policy.

Key indicators were selected as the primary group level measures. This entails Rates of Injury, Occupational diseases, lost days, absenteeism and total number of work related fatalities. Furthermore an analysis on programs carried out on education, training, counselling, prevention and risk control programs in place to assist workers, their families and the community regarding serious diseases and other health hazards were concluded.

The Group was assessed in terms of OHS during the reporting year by measuring the rates of occupational injury and diseases, lost days, absenteeism, total number of work related fatalities, programs carried out on education, training, counselling, prevention and risk control programs in place to assist workers, their families and the community regarding serious diseases and other health hazards.

For the reporting year in concern, zero fatalities and occupational diseases were recorded from any of the Group companies, which excluded outsourced employees. However, outsourced employees engaged in operations within its Group companies, will be included in future assessments.

Injury Rate is defined for the Group as the frequency of injuries relative to the total time worked by the total workforce in the reporting period. For the period in concern, 238 employees were affected by occupational injuries of which 21 employees were based in The Maldives which is further elaborated in the table below.

No. of Staff affected by Occupational Injuries	238
Total Number of days in the period	3,896,375

Lost Day Rate is defined for the Group as the impact of occupational accidents and diseases as reflected in time off work by the affected workers. The calculation 'Lost days' commence from the day after the injury takes place and such calculation entails calendar days. Minor occupational injuries/diseases that occur causing an employee to be unable to report to work for less than one day have been excluded.

The **Total Man Days Lost** for the Group was 1023.5, of which 182.5 were from the Group companies based in The Maldives.



The table below depicts the percentage of the Man Days Lost in respect of the Total Man days in the period in concern.

Total Man Days Lost (TMDL)	1,023.5
Total number of Man days in the period	3,896,375
TMDL as a per cent of Total Man days in the period	0.0263

An absentee was defined as an employee absent from work because of incapacity of any kind, not just as the result of work-related injury or disease. Or in other words an absentee day would constitute a day lost by an employee due to occupational causes and non -occupational causes as well.

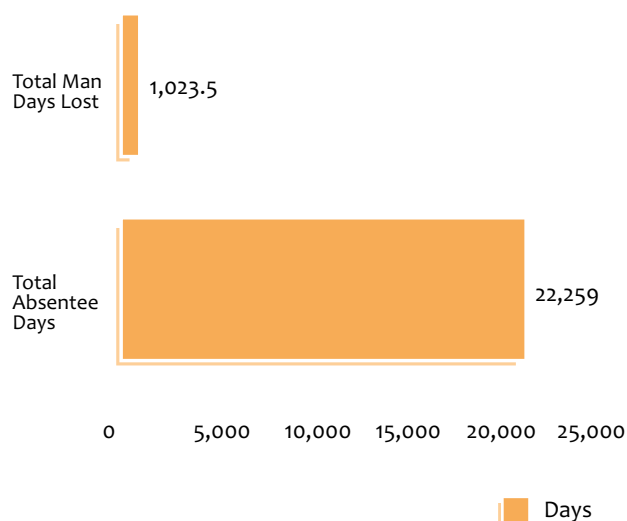
Absentee Rate refers to a measure of actual absentee days lost as defined above, expressed as a percentage of total days scheduled to be worked by the workforce for the same period. Here the Group took these days as the total number of days in the period for purpose of calculation.

The table below depicts the percentage of the Absentee Days in respect of the Total Man days in the period.

Total Absentee Days (TAD)	22,259
Total number of Man days in the period	3,896,375
TAD as a per cent of Total Man days in the period	0.5713

The graph below depicts the contribution of the total Man Days Lost due to Occupational Injuries and Diseases to the total Absentee Days of employees in the Group.

Total Man Days Lost vs Total Absentee Days



With regard to conducting awareness programs for the workers, families and surrounding community it was noted that particular group companies were involved in this type of activity.

As part of the initiative where the John Keells Hotels Group adopted the HIV/AIDS workplace policy on the 1st of December 2009, the resort hotels conducted various activities to educate the employees and community at large. For an example the Cinnamon Lodge team has done over 13 HIV/AIDS awareness programs covering over 1,750 individuals. Chaaya Citadel

conducted a street drama in the Kandy town educating and creating awareness among the Kandy city dwellers and also went on a special awareness tour to the Peradeniya Botanical Gardens targeting couples.

Furthermore, Bentota Beach Hotel launched a specialized Health Camp for its community as a part of its own and John Keells Social Responsibility Foundation together with the Rotary Club of Colombo. The participating medical team comprised of consultant Paediatricians, Surgeons, General Physicians, Gynaecologists and trained pharmacists. Over 800 registered patients attended the medical camp and over a 100 more unregistered patients too were treated due to the demand.

None of the industry groups or companies reported employees involved in activities that would expose them to a high risk or incidents of specific occupational diseases. Furthermore it is the Group mandate that precautionary measures are to be implemented in any such areas identified as high risk.

It is planned in the future for all companies to form safety committees that will be responsible for compliance of the respective companies with the OHS policies formulated. The members of these committees will also undergo training programs to develop and enhance their skills and knowledge in all aspects of basic OHS.

John Keells Group also plans to obtain the OHSAS certification for all business units in the Factory, Warehousing, Transportation, Hotels and Retail businesses by 31st March 2011. We also plan to substantiate a threshold of zero fatalities or accidents by 31st December 2010, while we also plan to reduce compensation paid for accident victims to less than one million a year from 1st January 2011.

Furthermore, the importance of conducting basic OHS awareness and prevention programs for staff, their families and the surrounding community where possible will also be communicated to all companies and they will be encouraged to conduct same as this could be seen as an area of development for the Group.

The final goal is for all Group companies (other than IT/office industry groups) to obtain the OHSAS certification by March 2011.



Our CONTRIBUTION

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

John Keells and the community

During the year under review, the John Keells Group continued its involvement with its six key focus areas of social responsibility – namely, education, health, environment, community and livelihood development, arts and culture and disaster relief, with the initiatives in each focus area being aligned to the Millennium Development Goals (MDG) as well as United Nations Global Compact (UNGC) of which John Keells Holdings PLC is a pioneer member.

John Keells Social Responsibility Foundation (“Foundation”) – a company duly incorporated under the law and also registered as a “Voluntary Social Service Organisation” with the Ministry of Social Welfare – continued to drive the Group’s social responsibility initiatives from the Centre while individual companies of the Group also engaged in community service activities which complement their respective businesses as well as the broad focus areas of the Foundation.

Social responsibility has the highest commitment of the senior leadership and management of the John Keells Group, with the Chairman, John Keells Group and the other executive directors of John Keells Holdings PLC (JKH) comprising the

Policy on social responsibility

The John Keells Group believes in wider societal needs than our own and meaningfully enriching the lives of communities of which we are an integral part. We abide by the values 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.

Executive Committee of the Foundation. While the Foundation has a management committee (MC), the foundations initiatives and activities continue to be handled by the Manager of the Foundation, with the support of a cross-functional team of 18 senior executives drawn from various industry groups within the company. 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.

JKSRF Project alignment to the Millennium Development Goals & Global Compact Principles

JKSRF Projects	Millennium Development Goals	Global Compact
Village Adoption Project – Halmillawe	Goal 1: Eradicate extreme poverty and hunger	Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights
Mahavilachchiya BPO Project	Goal 2: Achieve universal primary education	
English Language Scholarship Programme	Goal 3: Promote gender equality and empower women	Principle 2: Make sure that they are not complicit in human rights abuses
Neighbourhood Schools Development Project		
Employment of differently abled persons		Principle 6: The elimination of employment discrimination
Vision Project	Goal 6: Combat HIV/AIDS, malaria, and other diseases	
HIV/AIDS Awareness Campaign		
Nature Field Centre at Rumassala, Galle	Goal 7: Ensure environmental sustainability	Principle 8: Undertake initiatives to promote greater environmental responsibility
Paper Conservation / Recycling Project		
Keells Super Red Bag Initiative		
Butterfly Garden at Cinnamon Lodge, Habarana		
Compost Bag project at Cinnamon Lodge, Habarana		
University Soft Skills Programme	Goal 8: Develop a global partnership for development.	
Transport & Logistics Management Degree Programme [BSc (T&LM) Hons.] at the University of Moratuwa		
Kala Pola		

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.

During the year under review, the flagship project continued to be the **English Language Scholarship Programme of John Keells Social Responsibility Foundation**, an “Approved Charity” under the Inland Revenue Act, No. 10 of 2006 (Gazette No. 1,561 dated 01st August 2008). Launched in 2004 in collaboration with Gateway Language Centre, this long-term project is aimed at enhancing English language skills of schoolchildren and youth across the island towards improving their opportunities for higher learning and sustainable employment in the modern age and has to date empowered the lives of over 3,000 individuals.

In 2009-10, the Foundation continued with its “English for Life” course, designed to help youth aged between 17-25 gain practical skills in English together with a basic knowledge of IT and soft skills, thereby enhancing their employability, which was implemented through Gateway Language Centres. The programme, which was advertised in local newspapers Sinhala, Tamil, attracted over 4,000 applicants of whom over 1,500 were enrolled after a placement test set by Gateway. The scholarships cover course fees, examination fees, text book and other course material. The programme was conducted via two batches in 11 districts – namely Ampara, Anuradhapura, Batticaloa, Colombo, Galle, Gampaha, Jaffna, Kalutara, Kandy, Trincomalee and Vavuniya – with 1,310 students registered in total. 931 students of the first intake completed the course and sat for the final examination, with a recorded 92% passing it. 334 students registered for under the second intake of the programme which is due to finish in by May 2010. Highlights during the year were the launch of the English Language Scholarship Programme in Jaffna for the first time in November 2009 – coincidentally the year which had been declared by the Government of Sri Lanka as the year for English and ICT – and the representation of John Keells at the inauguration of the programme at each of the locations (including the North and the East) by staff volunteers from across the Group totalling 23.

Towards catering to different age groups of children and youth, the Foundation’s intends to shift focus in 2010-11 and

re-introduce a foundation course aimed at schoolchildren aged 12-14 from various parts of the Island.

The Final Step, a five-day series of soft skills workshops designed for the benefit of final year university undergraduates towards grooming them for employment, was conducted for the second successive year at the University of Moratuwa in collaboration with the Career Guidance Unit (CGU) of the University.

The programme received a very positive feedback from the students, faculty members and the CGU. This was the fourth such soft skills programme presented by the Foundation since its launch in 2006, comprising two programmes each at the University of Kelaniya and the University of Moratuwa. Based on the overwhelming success of, and growing demand for the programme, more such programmes are planned for the future.

The Transportation Group of John Keells Holdings PLC continued its sponsorship of the **Scholarship Programme for the students reading for an Honours degree of Bachelor of Science in Transport and Logistics Management (BSc (T&LM) Hons.) at the University of Moratuwa**. This 4-year programme, which commenced in 2006, is a strategic CSR project 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. 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. 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 2009-10, a total of 26 first, second and third year students were granted scholarships. Meanwhile, as all lectures are conducted entirely in English, the first-year students (numbering 47) were also provided English Language training via a custom-made programme conducted by Gateway. Students also had access

Project	Overall Objective	Project Location/s in 2009-10	Focus Area in 2009-10	Direct Impact	Volunteers
The Final Step- University Soft Skills Project	Enhancing employability of undergraduates by providing soft skills	University of Moratuwa	Panel Discussions on Employer Expectations and Team Building & Leadership Skills; Workshops on: Personality Development & Confidence Building; Adapting to the Corporate Environment; Personal Grooming; and Corporate Hospitality	Average of 360 students each day	10

to mentoring facilities. As part of the scheme, scholars can opt for an industrial placement period at the Group and one student was selected for internship at John Keells Logistics (Pvt) Ltd during the year under review. Moreover, the scheme also offers employment within the John Keells Group to at least 5 graduates annually.

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 businesses of the John Keells Group), towards creating an environment more conducive for learning. The project is implemented through the CSR teams of Cinnamon Grand Colombo and Cinnamon Lakeside Colombo. The table below depicts the work that was undertaken in the five schools in 2009-10.

During the year under review (as in the case of 2008-09) eligible students of the five schools could also apply for scholarships under the English Language Scholarship Programme of the Foundation. A total of 11 students who passed the placement test and registered themselves for the programme were granted scholarships and followed classes conducted weekly in one of the schools.

Whittall Boustead (Travel) Limited, a subsidiary of John Keells Holdings and an Inbound Tour Operator company, has sponsored the school requirements of the students of **Sidhuhath Vidyalaya in Gallala, Ratnapura** for the 9th successive year. Each year, since 2001, the staff, tour leaders

and suppliers of the company and its principals Kuoni and their staff have voluntarily contributed to the purchase of stationery requirements of all the students of this disadvantaged school (presently numbering 205), 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. The stationery requirements of all the students (the school has classes up to Ordinary Level only) for the whole year were distributed by the WBL's staff including a donation of books to the school library and a curtain for the stage. Around 25 staff volunteers and tour leaders participated in the project.

As a part of their community development activities, many other group companies engaged in education-related initiatives. (Please refer Annex 2).

Health

The John Keells Group believes that a healthy society is a productive one. During 09/10, the Foundation continued its long-term focus on two areas of health which are considered pertinent to Sri Lanka as a developing nation.

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

Project	Overall Objective	Project Location/s in 2009/10	Focus Area in 2009/10	Direct Impact	Volunteers
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	* Rewiring of entire classroom building; * Replacement of switches	250 students 12 teachers	4 (Cinnamon Grand)
		Holy Rosary Tamil Vidyalaya	No Work done during the year	220 students 16 teachers	
		Al Iqbal Muslim Balika Vidyalaya	* Donation of 3 sewing machines (for vocational training); * Donation of one ceiling fan; * Sponsorship of an environment-related art competition among all students under the theme "Go Green" and award of prizes in two age categories	456 students 28 teachers	11 (Cinnamon Lakeside)
		Sri Sariputta Maha Vidyalaya	* Renovation of toilets with new doors; * Painting of school wall	278 students 18 teachers	
		T. B. Jayah Maha Vidyalaya	* Installation of a computer room with 6 computers; * Painting of main hall and renovation of wooden stage * Donation of 35 plastic chairs * Sponsorship of an art competition under the theme "Protecting the Environment" among all students and award of prizes in two age categories	450 students 25 teachers	

locations, other corporate entities, most at-risk persons (MARPs) and the general public. In 2009-10, the programme continued with its dual objectives of creating awareness amongst MARPs as well as workplace education. The Group is committed to combating HIV and AIDS to ensure that its status in Sri Lanka remains 'low prevalent'. In this regard, the Group supports prevention through education and access to correct information. 57 sessions were carried out during the year, educating over 6,358 persons as detailed below (far surpassing the year's target of 5000 persons). Accordingly, the cumulative total of persons educated under the Campaign since its launch in 2005 is 17,275.

A highlight during the year under review was the adoption of an **HIV/AIDS Workplace Policy** across the John Keells Group leisure industry companies in Sri Lanka: namely, Bentota Beach Hotel, Chaaya Citadel Kandy, Chaaya Village Habarana, Cinnamon Grand Colombo, Cinnamon Lakeside Colombo, Cinnamon Lodge Habarana, Coral Gardens Hikkaduwa, Walkers Tours, Whittall Boustead (Travel), and Yala Village. Being the first such roll out by a Sri Lankan conglomerate, it can serve as a model to be emulated by other private sector companies and conglomerates in the country. An HIV/AIDS workplace policy makes it safe for persons living with HIV and AIDS to work in and contribute to organizations, while the critical prevention aspect of the policy aims to halt the spread of the disease via education and information dissemination among employees of the organization. Therefore, an HIV/AIDS Workplace Policy is a win-win proposition for both organizations and their employees. The Policy as adopted by the John Keells Group's leisure industry companies consist of four principles based on the ILO's Code of Practice for Workplaces. As a lead up to the adoption of the Policy, a comprehensive action plan was implemented in each related company encompassing the formation of an HIV/AIDS staff action committee, training of a total of 26 employees as Master Trainers to educate employees on HIV/AIDS, holding mandatory HIV/AIDS awareness sessions for all staff, launch of integrated internal communication plans to spread knowledge on HIV and AIDS within the workplace, and the formal adoption of the Policy itself in each organization involving all staff.



With World AIDS Day 2009 (1st December) falling on a Poya holiday, the Foundation commemorated the event on 30th November 2009 by pinning of the AIDS ribbon on the executive directors of JKH. This was preceded by four awareness programmes conducted at the four John Keells office complexes in Colombo on 24th November at which a total of approximately 225 staff were educated. A special feature was the use of newly trained internal resources of the Group for the first time. Meanwhile, companies of the Leisure group conducted their own initiatives to mark World AIDS Day under the HIV/AIDS Workplace Policy ranging from staff awareness sessions to street dramas for the benefit of the public, and also extended their cooperation to the Foundation by conducting community awareness programmes during the rest of the year.

Focus Area	Project	Overall Objective	Project Location/s in 2009-10	Focus Area in 2009-10	Direct Impact	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; John Keells Mackinnons Office Complex; John Keells Vauxhall Street Office Complex; Taj Samudra Hotel; Hilton Hotel; University of Moratuwa; Ramada Colombo; John Keells Group's Leisure Inbound Sector; Sri Lanka Air Force Bases in Diyatalawa, Sigiriya, Vavuniya, Puravasikulam, Weerawila, Ampara, Batticaloa, Tissapura, Suranga, China Bay, Morawewa, Anuradhapura, Palavi and Hingurakgoda; Mount Lavinia Hotel; Cinnamon Lakeside; Cinnamon Grand; Army Transit Camp, Habarana; Habarana Police Station; ICASL; Jetwing Beach; Palugaswewa Divisional Secretariat; Sri Lanka Army Welikanda; Sri Lanka Institute of Tourism and Hospitality Management; Cinnamon Lodge, Habarana and Watchguard Security Services.	<ul style="list-style-type: none"> * Creating awareness among Group staff and at-risk groups; * Roll out of HIV/AIDS Workplace Policy across 10 Sri Lankan companies of the Leisure Group of John Keells 	6,358 persons educated in 57 sessions	29

Meanwhile, the Foundation pursued its goal to eradicate avoidable blindness due to cataract in Sri Lanka through the **John Keells Vision Project**. In 2009-10, the Project continued to touch the lives of vision-impaired persons, with a reported 608 cataract operations being carried out islandwide, bringing the total number of operations since the launch of the initiative in 2004 to 3,626. In addition, 703 reading glasses were provided to adults during the year under review. The eye camps held under the project continued to attract volunteers from across the group, in spite of being held during Sundays and holidays in remote parts of the country, with many volunteers sharing their sense of fulfilment at being part of this initiative. The Foundation hopes to increase the medical resources available to this Project towards enhancing its coverage and impact.

As a part of their community development activities, many other group companies engaged in health-related initiatives. (Please refer Annex 3).

Environment

The rapid development taking place around us has undoubtedly taken its toll on our environment. Whilst a conscious and collective effort is necessary to save our planet, the John Keells Group recognizes its responsibility in this regard as a conglomerate. Hence, whilst the Sustainability Initiative of the John Keells Group (as reported in the Environmental Impact section) drives efforts at minimising the impact of the Group's operations on the environment, the Foundation spearheads the Group's commitment to give back to the communities and environment that have been the backbone of the Group's success.

2009-10 saw the consolidation of the activities at the **Nature Field Centre at Rumassala, in Galle** – a collaboration of the Foundation with the Central Environment Authority (CEA) to facilitate experiential learning about the environment, primarily among schoolchildren.

The Centre conducts half-day programmes for schoolchildren 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. The Centre attracts an average of about 150-300 visitors per month, mostly schoolchildren. The appointment by the CEA of Mr. Nayanadara Jayawardena as the Divisional Environmental Officer and Officer-in-Charge of the Rumassala Center has given an additional fillip to the number of visitors educated at the Centre during the year as indicated by the statistics given below. By promoting environmental awareness in the younger generation through experiential learning, the Centre has given impetus to the conservation efforts of John Keells whilst also creating an opportunity for a successful public-private partnership with the CEA.

Meanwhile, the Foundation has also continued to leverage 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, and previously collaborated by donating a fully equipped library and related facilities to the Centre, sponsored the installation of book shelves and also donated books worth Rs. 75,000/- to the Centre during 2009-10.

The **Butterfly Garden at Cinnamon Lodge, Habarana**, launched in 2008, continued to attract many visitors, including guests of Cinnamon Lodge and Chaaya Village, Habarana as well as schoolchildren of the area. The Garden attracts about 75-150 visitors per month, while the total number of visitors since the project began has been over 2400. The project has helped visitors appreciate butterflies in a natural setting, while offering these precious insects a habitat to thrive in. The project also helps Cinnamon Lodge, Habarana, to reinforce its position as a green hotel.



Focus area	Project	Overall objective	Project location/s in 2009-10	Focus area in 2009-10	Direct impact	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 bio-diversity	RUMASSALA in the Galle District of the Southern Province of Sri Lanka.	Awareness sessions for school children of:-		1
				Bentota Gamini Jathika School, Galle	52	
				Kottawa School, Yakkalamulla	47	
				Southlands / Sudharma / Muslim Ladies College, Galle	52	
				Jayawardena School, Hakmana	80	
				Sumedha School, Matara	50	
				Maharaja School, Matara	50	
				Sri Sumangala College, Hikkaduwa	50	
				Southlands, Galle and Christ Church, Baddegama	45	
				Uluwitige M V, Akmeemana	50	
				Mahagoda Vidyalaya, Galle	52	
				St. Anthony's College, Baddegama	50	
				St. Thomas' College, Matara	41	
				Sangamitta Vidyalaya, Galle	50	
				Rahula Vidyalaya, Matara	61	
				Ananda College, Kitulanpitiya	51	
				Madakumbura MV, Karadeniya	50	
				Southlands, Galle	68	
				Angulugaha Vidyalaya, Imaduwa	48	
				Dammissarala school, Habaraduwa	32	
				Dharmaraja School, Karadeniya	47	
				Pattigala Junior School, Pasgoda	54	
				St. Mary's, Matara	64	
				Devinuwara Maha Vidyalaya	49	
				Thawalama Panangala School	55	
				Malharusulviya School, Galle	47	
				Narawelpita School, Hakmana	61	
				Thihagoda Maha Vidyalaya	59	
				Hambantota Boys School	29	
				Sujee Jathika School, Hambantota	82	
				Ratnasiri School, Batuwanhena	50	
				Devananda School, Galbada	56	
				Total	1,632	

The following statistics have been reported during the period under review:

Visitors to the Butterfly Garden 01 April 2009 - 31 March 2010	
April	114
May	73
June	55
July	170
August	146
September	110
October	89
November	73
December	78
January	204
February	144
March	141
Total	1,397

Following the launch of its successful pilot in 2008-09, Cinnamon Lodge, Habarana continued with the **Compost Project** during 2009-10, selling packs of compost to its visitors and guests, as well as those of the neighbouring Chaaya Village, Habarana. 75 bags (5kg each) of compost are sold on average, per month, with about 2000 compost bags having being sold since the project began. Whilst the hotel itself uses the compost to produce organic herbs and vegetables, it has also started

providing compost by tones and by tractor loads to certain buyers, thereby reducing the usage of inorganic fertilizers in gardens and farms. Sold in attractive packaging and at a relatively negligible cost, the compost is made up of the garden waste collected from the two Keells hotels in Habarana, along with farmyard manure, crop residue, dolomite and top soil. A new development during the year under review initiated by the Foundation is a commercial arrangement, whereby Cinnamon Lodge supplies compost packs for retailing through some of the Keells Super outlets towards enabling easy access of compost to the customers of the supermarket chain.



Compost Production and Sales - 2009-10

Month	Production (Kg)	Sale			
		Hotel (Bags)	Keells (Bags)	Others (Bags)	Revenue (Rs.)
April '09	1,000	40	-	-	4,000
May	1,000	54	-	-	5,400
June	1,000	50	-	-	5,000
July	2,000	54	-	-	5,400
August	1,000	29	-	23	5,768
September	500	44	15	35	11,850
October	7,000	23	38	1200	91,440
November	1,000	17	12	4	3,600
December	-	26	-	-	2,600
January '10	500	53	52	-	9,200
February	1,000	17	50	Tract. Lo.01	7,350
March	500	14	-	-	1,400
Total	16,500	421	167	1,262	144,258
				Tract. Lo.01	

1 bag = 5 Kg

Keells Super Red Bag Project - 2009-10	
Total Red Bags Sold	102,678
Total Red Bags Reused	266,934
Total Red bag Usage	369,612

Jaykay Marketing Services, which operates the Keells Super supermarkets, became in 2007 the pioneer retail chain to introduce reusable cloth bags, known as “Red Bags”, as an alternative to polythene. During 2009-10, the supermarket chain continued to make steady progress in promoting the sale and re-use of the Red Bag with the objective of reducing the use of polythene.

A marginal reduction is seen during the current against the previous reporting year as indicated below.

Reporting Year	Polythene Usage (KG)	Total Customer Count	Polythene Usage per visit (KG)
2008-09	77,966	7,701,222	0.0101239
2009-10	90,193	9,291,882	0.0097067

The gradual change in mindset of the Sri Lankan consumer, together with greater commitment to using more environment-friendly alternatives to polythene, will undoubtedly have a significant impact on the project itself as well as the overall object of reduced usage of polythene.

The John Keells Group’s **Paper Conservation Project**, involving the collection of waste paper from the Group’s business locations for shredding and recycling, has gained momentum during the year under review. The project’s main objectives are the saving of trees and reducing the amount of waste paper otherwise ending up as landfill. The project also takes into account the following environmental issues

1. **Impact on biodiversity** - As the demand for paper has increased, more timber has been needed to meet the demand for wood pulp. In some cases this has meant the loss of valuable wildlife habitats and ecosystems, as old forests have been replaced by managed plantations, usually of fast-growing conifers. The lack of tree species diversity in managed forests has a direct impact on the biodiversity of the whole forest.
2. **Disposal problems are reduced** by using waste paper to produce new paper. Paper is a biodegradable material. This means that when it goes to landfill, as it rots, it produces methane, which is a potent greenhouse gas (20 times more potent than carbon dioxide). It is becoming increasingly accepted that global warming is a reality, and that methane and carbon dioxide emissions have to be reduced to lessen its effects.
3. Producing recycled paper involves between 28-70 per cent **less energy consumption** than virgin paper and uses **less water** (as most of the energy used in papermaking is the pulping needed to turn wood into paper).
4. Recycled paper produces **fewer polluting emissions** to air (95 per cent of air pollution) and water. Recycled paper is not usually re-bleached and where it is, oxygen rather than chlorine is usually used. This reduces the amount of dioxins which are released into the environment as a by-product of the chlorine bleaching processes.

The contractor for collection and onward transmission for recycling since 2006 has been Neptune Papers (Pvt) Ltd. (NP) As per the contractor’s report, during the period 1st April 2009 to 31st March 2010, the direct and indirect impact of the project is as follows

Waste paper collected by NP 1 April 2009 - 31 March 2010		Direct Impact - Payment	Indirect Impact - Savings				
			Trees (Nos)	Water (Ltrs)	Electricity (Kwh)	Oil (Ltrs)	Landfill (Cub Mts)
April	2,262	2,520	38	71,886	9,048	3,969	6.78
May	3,520	6,306	59	111,865	14,080	6,177	10.58
June	2,320	1,950	39	73,729	9,280	4,071	6.96
July	1,668	0	28	53,009	6,672	2,927	5
August	1315	0	22	41,790	5,260	2,307	3.94
September	3,069	5,130	52	97,532	12,276	5,386	9.2
October	9,185	41,160	156	291,899	36,740	16,119	27.55
November	3,037	15,185	51	96,515	12,148	5,329	9.11
December	5,384	26,920	91	17,1103	21,536	9,448	16.15
January	7,464	37,320	126	237,205	29,856	13,099	22.39
February	4,040	20,200	68	128,391	16,160	7,090	12.12
March	4,497	22,485	76	142,914	17,988	7,892	13.49
Total	47,761	17,9176	806	1,517,838	191,044	83,814	143.27

A significant development during the year was the re-negotiation of payment rates with the contractor, towards incentivizing the companies participating in the project. Accordingly, from November 2009, the requirement of a minimum collection per visit to become eligible for payment was cancelled, thus enabling payment for each kilogram of waste paper collected by the contractor. This is resulted in a significant increase in the payment made during the rest of the year under review, with the total aggregating to Rs. 179,176/-. Companies participating in the project directly benefit from the proceeds and the Foundation's has recommended that

these proceeds be utilized for CSR activities of the respective companies.

Meanwhile, Union Assurance PLC also commenced a paper recycling project in the company with effect from 26th May 2009. Its daily waste paper (excluding documents for secure disposal) is handed over to National Paper Company (successor to National Paper Corporation), a government-owned company currently functioning under the Ministry of Nation Building & Estate Infrastructure. The direct and indirect impact of the project is as follows.

Waste paper handed over by UA to NPC 26 May 2009 - 31 March 2010		Indirect Impact - Savings				
		Trees	Water (Ltrs)	Electricity (Kwh)	Oil (Ltrs)	Landfill (Cub Mts)
May	182	3	5,784	728	319	0.55
June	859	15	27,299	3,436	1,508	2.58
July	1,227	21	38,994	4,908	2,153	3.68
August	1,125	19	35,753	4,500	1,974	3.38
September	966	16	30,699	3,864	1,695	2.9
October	965	16	30,668	3,860	1,694	2.9
November	565	10	17,956	2,260	992	1.7
December	1,691	29	53,740	6,764	2,968	5.07
January	1,518	26	48,242	6,072	2,664	4.55
February	484	8	15,382	1,936	849	1.45
March	924	16	29,365	3,696	1,622	2.77
Total	10,506	179	333,882	42,024	18,438	31.53

As a part of their community development activities, many other group companies engaged in environment-related initiatives. (Please refer Annex 4).

Community/ Livelihood development

The John Keells Group reaches out to the communities surrounding its operations through constructive dialogue with stakeholders and staff volunteerism, translating in 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 village of Halmillawe - a hamlet located in the North Central Province about 20 km from Habarana along the Palugaswewa-Kekirawa road with a total population of about 550, most of whom are dependent on agriculture 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.

2009-10 marked an important milestone in the project, being the fifth year since its launch in 2005. The primary focus during the year has been women's empowerment through

entrepreneurship development. The women's society, 'Diriyen Idriyata' (literally, "moving forward with courage") continued to make great strides. The savings scheme (in which the Foundation initially matched the women's savings one-for-one and continued to supplement the deposit base periodically), is flourishing with about 56 active members. The scheme has not only enabled them to make a monthly saving, but facilitated taking of loans to finance individual projects. Repayment of loans is reported to be very good. The status of the saving scheme as at 12th March 2010 is reported as follows.

Income	Rs.	Expenditure	Rs.
Capital	14,395	Loans to members	131,152
Member savings	34,419	General expenses	5,751
Interest on loans	36,359	Monies in hand	28,270
Donation by JKSRF	80,000		
Total	165,173	Total	165,173

As per plan reported in the Sustainability Report of 2008-09, an initiative was launched to provide sewing classes to women towards enabling them to be self-sufficient in supplying the clothing of themselves and their families. Accordingly, a 6-month sewing course was conducted by a professional tailor in the village itself, following which at least 9 women are now fully capable of sewing clothes for their families, and some even for commercial purposes. In March 2009, certificates were

handed over to the women who had successfully completed the sewing course which was also a fitting commemoration of International Women's Day falling on 8th March. At the same occasion, pre-school children performed items of entertainment donned in their new and impressive school uniforms sewn by one of the trainees. An initiative is underway to provide the women training in fabric painting, towards enhancing their entrepreneurship skills. As an impetus to the women trained in mushroom cultivation in 2008-09, two huts were built during the reporting period to facilitate hygienic cultivation and storage, with the technical support of the farm manager of Cinnamon Lodge, Habarana. The Puttalam-based NGO, Wilpotha Kantha Ithurum Parishramaya, which has acted as the animator of the women's empowerment initiatives at Halmillawe, continued to partner the Foundation actively in these projects during 2009-10.

Other initiatives undertaken in 2009-10 include the provision of solar power to the pre-school and the dharmashalawacum-community centre in this village lacking electricity. Improvements were also effected to the feeder channel previously sponsored by the Foundation to improve the rain water catchment into the Halmillawe tank, thereby increasing the period during which agricultural activities could be carried out.

The Village Adoption Project marked its fifth anniversary through a simple ceremony organized by the villagers on 10th March 2010 in the village. The event was attended by a representative gathering of villagers as well as teams representing the Foundation, Cinnamon Lodge, Habarana and the Wilpotha Kantha Ithurum Parishramaya. At the ceremony, a review of work accomplished over the 5-year period took place. The villagers also took the opportunity to pay tribute to all of the sustainable initiatives undertaken by the Foundation in collaboration with Cinnamon Lodge.

“Our village is truly fortunate to have been chosen for this project,” said Sunil Premaratne, a community leader and member of the Farmer Society. “We greatly appreciate all that we have received, especially the building of the dam which has been a huge asset to us, since we are mainly dependent on agriculture. In addition, our school and pre-school were developed, while residential facilities for the teachers too were arranged. Educating our children is the most important thing for us, and they are already enjoying the benefits of this project,” he added.

A total of 41 staff members volunteered in the Halmillawe Project, with the greater majority of them representing Cinnamon Lodge.

While the Foundation will be phasing out of the village to focus on another deserving village in the country, it is expected that Cinnamon Lodge and Chaaya Village would continue to support the village in the future as part of their community development initiatives.

OnTime Technologies (Pvt.) Limited at Mahavilachchiya (OnTime) in the North Central Province, Sri Lanka's first recorded rural BPO, is also flourishing, three years into its operations. The company works as a service provider to InfoMate Private Limited (a subsidiary of John Keells Holdings PLC) 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.

In 2009-10, the number of youth employed by OnTime increased to 13 and plans are underway to expand the operation to the maximum possible in a sustainable manner, by means of outsourcing additional functions of InfoMate. During 2009-10 InfoMate increased OnTime's scope of functions to include accounts receivable transactions, general ledger and bank reconciliations functions, compared to 2008-09 when the functions were mainly limited to accounts payable. Moreover, the work outsourced spans multiple industries and companies, increasing the scope for additional employment and revenue generation for OnTime. This resulted in an impressive 50% increase in OnTime's revenue compared to 2008-09. The access to more volumes and functions also resulted in higher earnings for the employees of OnTime whose average earnings increased by 20% against those of 2008-09. This in turn had a positive impact on retention, with 2009-10 recording a significant increase in retention. Training for the new functions was carried out in the InfoMate premises in Colombo during which period accommodation and other related expenses of the trainees were borne by InfoMate.

The project has proved to be a sustainable business model, creating economic benefits to the company whilst simultaneously generating sustainable employment opportunities for rural youth.

Focus Area	Project	Overall Objective	Project Location/s in 2009-10	Focus Area in 2009-10	Direct Impact	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 Foundation	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.	13	
				Undertake periodic visits through members of JKSRF and InfoMate in order to engage with, train and mentor the OnTime team.	14	10

The **Sustainable Sourcing Initiative** of the Consumer Foods and Retail Group of John Keells Holdings PLC continues to boost agricultural activity in villages and raise 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, mechanized,

de-boned meat. The retail chain, Keells Super, sources a variety of low country vegetables from 75 farming families in Thambuttegama of the North Central Province.

The following table demonstrates project performance during a three-year period commencing 1st April 2007 and ending 31st March 2010.

Sustainable Sourcing Projects of Ceylon Cold Stores PLC 2009-10

Product	Location	Primary Suppliers/ Project Partners	Year	No. of farmers	Total Annual Supply (KG/ LTRS)	Total Payment (Rs.)
Ginger	Aludeniya Galabawa Poojapitiya Uduwa all of Hataraliyadda in Kandy District	CCS, Ginger Growers and the andurata Development Bank supported by Central Bank of Sri Lanka	2007-08	230	30,000 Kg	11,250,000
			2008-09	225	38,418 Kg	11,968,220
			2009-10	125	14,514 Kg*	7,257,300
Vanilla	Meegammana West, Wattagama, Kandy	Kandy Vanilla Growers Association	2007-08	2,300	319 Kg	1,820,208
			2008-09	2,500	650 Kg	3,627,449
			2009-10	2,500	438 Kg **	2,762,049
Treacle	Waralla, Deniyaya	Nilwala Food Products	2007-08	14	36,355 Ltrs	4,709,062
			2008-09	12	34,320 Ltrs	4,376,500
			2009-10	12	39,000 Ltrs	5,070,000
Milk	Maskeliya Hatton Dikoya Dimbulla Lakshapana	Seven Hills Farms	2007-08	1,200	96,1218 Ltrs	42,430,384
			2008-09	1,100	705,000 Ltrs	42,000,000
			2009-10	1,100	948,761 Ltrs	46,241,976

* Volume drop in Ginger in 2009-10 is mainly due to shortage in supply as a result of yield drop (due to crop disease)

**Volume drop in Vanilla 2009-10 is due to delay in supplying during the second season (received in April 2010 whereas previous year in Feb/March)

Meanwhile, JayKay Marketing Services, the operator of Keells Super supermarkets, has reported the following two sustainability sourcing initiatives.

Sustainable Sourcing Projects of Keells Food Products PLC 2009-10

Product	Location	Primary Suppliers/ Project Partners	No. of farmers	Total Annual Supply	Total Payment (Rs.)
Pork	Kaluaggala, Diulapitiya Bujjampola, Giriulla, Weliweriya Katana, Kosgama, Pamunugama Dambulla, Kandy	Kaypro Farms, Maxies Livestock SN Brothers Farm Pussalla Farm Dilini Farms CIC Farms Sanjeewa Farms St Anthonys Farm	25	577,197 Kg	134,792,727
Chicken	Wennappuwa Hanwella, Kosgama Meethirigala	Maxies & Company Pussalla Farms New Anthonys Farm Nelna Farms	2,200	1,475,583 Kg	393,816,674

Sustainable Sourcing by JayKay Marketing Services in 2009-10

Procurement of low country vegetables

Vegetable collection centre at Thambuttegama is owned and operated by JayKay Marketing Services (Pvt) Ltd (JMSL). During the financial year 2009-10, JMSL procured 475,000 Kgs of vegetables and fruits for a value of Rs. 30,000,000/-. This entire volume was purchased direct from farmers in the Mahaweli 'H' region.

Executive in-charge of the collection centre is assisted by 5 workers employed by JMSL. The Centre works with approximately 75 farming families and at any given time approximately 40 farmers supply produce to the Thambuttegama collection centre.

From June 2009, the Thambuttegama Collection Centre and Connecting Regional Economies (CORE) program of USAID-Sri Lanka were involved with farmers from Kebethigollewa and

Galenbindunuwewa, two border villages of the North Central Province. Farmers from these two villages visited the collection centre for an educational tour and learnt selection processes, packaging, post harvest handling etc. and subsequently a full day workshop was held for these farmers at the Institute of Post Harvest Technologies, Anuradhapura organized by JMSL and CORE program. From July to October 2009, JMSL procured 30,000 Kg of Big Onion and 5,000 Kg of assorted fruits (mango, papaya, beli, wood apple, lime) from these border villages.

Procurement of Up country vegetables

Nuwara Eliya Agricultural Cooperative Society (AGCO) at Meepilimana operates the vegetable collection centre on behalf of JMSL. They have an operations manager, a supervisor and 15 full-time workers involved in this operation. AGCO has a membership of more than 1,000 farmers from in and around Nuwara Eliya and they procure all produce from the membership. In 2009-10, JMSL procured 650,000 Kg of vegetables at an aggregate value of Rs. 68,000,000/- from AGCO.

In each case, the value created to farmers is as follows:

- Increased income
- Assured market for quality produce
- Elimination of the middle man
- Technical assistance
- Market based cultivation
- Exposure to developed markets
- Personal and life style improvements
- Emergence of a quality focused farming community

Meanwhile, in the Leisure Sector, 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 sweet meats of acceptable quality.

Cinnamon Grand supports SMEs through its Nuga Gama Kade (boutique) which showcases a range of local handicrafts produced by small-scale rural craftsmen. The 30+ suppliers have been in the industry for generations but have minimal exposure to an urban market. As they cannot supply on a large scale, the items at Nuga Gama are tailor made and exclusive to Nuga Gama. By supporting these craftsmen, the hotel not only develops livelihoods, but also supports the sustenance of indigenous artistry and crafts.

Walkers Tours Limited (a member of the John Keells Group and an inbound tour operator company) partnered with 40 of its drivers in a project that assisted them to purchase modern vehicles on a self financed model. Having negotiated preferred rates on their behalf with both the vehicle seller and leasing company, Keells Tours also provided a guaranteed minimum income each month. The initiative has been very successful, with 20 drivers completing the lease and assuming full ownership of the vehicles, while the remaining 40 drivers are nearing the completion of their lease period.

Whittall Boustead (Travel) Limited, (a subsidiary of John Keells Holdings and an inbound tour operator company), also supports micro entrepreneurs through its following initiatives:

- (a) Dharshana Hettiarachchi originally offered to make hand crafted wooden elephants as souvenirs for Whittalls and Kuoni guests. Now the range of items has increased to key tags and wooden caskets and Hettiarachchi employs several craftsmen for the purpose.
- (b) Flamingo Safari at Kirinda operated by Mr. Wimalasiri Weerakone, is another successful partnership of Kuoni. Starting with just one safari jeep at the beginning of the partnership, Weerakone now owns a fleet of about 40 jeeps and provides employment to 50 drivers and mechanics all drawn from among the villagers of the area. In keeping with Kuoni's health and safety measures, Flamingo Safari is the only jeep operator in Tissamaharama certified to provide jeep services to Kuoni clients. Flamingo Safaris also created the first luxury jeep safaris in Yala. Today, Flamingo Safaris offers jeep excursions in Yala, Bundala, Katagamuwa and Udawalawe national parks receiving approximately 50% of business from the Group's DMCs.



Other community development initiatives of the Group include the ongoing refurbishment and maintenance of the **Slave Island Railway Station in Colombo 2** under the patronage of John Keells in collaboration with the General Manager, Railways since 2002. The station, built in the 1870's, was modelled typically on the Victorian style British Railway Stations and boasted a magnificent structure which was larger, more spacious and architecturally superior to any other station in the country. It is in this light that John Keells stepped into refurbish and maintain this social, economic and commercial treasure, while preserving its colonial architectural value. Commencing in 2002, the project aimed at restoring the station to its original splendour and enabling modern facilities to compliment the age-old architecture by refurbishing and modernizing the level crossing, bridge and other amenities within the station. On the basis that the station should not be just another amenity to the people who pass by, but more so, clean and user friendly, John Keells Limited ensures daily maintenance of the station.

Work carried out during the reporting year, include repair of the roof of the overhead bridge, benches, the window of the ticket room and roofing of the toilet, repair and painting of the store room and parts of the overhead bridge, painting of the Station interior, repair and fixing of lights and installation of new name boards, fencing the lawn within the station premises 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. The next phase will involve paving the concrete blocks and erecting a gate at the side entrance to facilitate the rush hour workers. The group hopes to continue maintaining the station at a high standard on a long-term basis. Project work (including all repairs and routine maintenance of the building and service areas) is sponsored and implemented by John Keells PLC under the guidance of John Keells Social Responsibility Foundation.

Approximately 5 staff volunteers of the Group are engaged in carrying out monthly inspections and the project is expected to

have benefited over 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, eight 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. The John Keells Group had 13 differently-abled employees in its cadre during 2009-10 and will continue to facilitate the social and economic integration of the differently-abled through employment opportunities and other means in the ensuing year.

As a part of their community development activities, many other group companies engaged in community-related initiatives. (Please refer Annex 5).

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, 21st February 2010 on the sidewalks of Ananda Coomaraswamy Mawatha, Colombo and was ceremonially inaugurated by H.E. Ashok K. Kantha, High Commissioner of India in Sri Lanka. Conceptualised by the George Keyt Foundation, the Kala Pola enjoyed the unbroken patronage of the John Keells Group for the 16th consecutive year. Over 302 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, accounting for estimated total sales of Rs. 5 million. The event drew over 4000 visitors and was supported by 30 volunteers from the John Keells Group.

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.

The premises of **Walkers Tours Limited** (a member of the John Keells Group and an award-winning inbound tour operator company) 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 towards making it accessible to both local and foreign art lovers alike.

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.

Union Assurance's ongoing CSR initiative **"Pasalen Karaliyata"** undertaken in collaboration with the Ministry of Education is aimed at promoting arts studies among school providing talented schoolchildren a platform to showcase their skills. First organized in 2007, season two had also been extremely successful with over 53,000 participants from 18 districts.

Pasalen Karaliyata – A CSR initiative by Union Assurance

'Pasalen Karaliyata' is a national program which was initiated in 2007 as a unique CSR initiative with the assistance of the Ministry of Education. The program was aimed at contributing towards the recognition of aesthetic talents of schoolchildren in national schools and rewarding them for their skills. The program was extended to recognize their performance as a university entry qualification.

The 'Pasalen Karaliyata' program also offers rich rewards for the winning school children as well as the schools which they belong to. Uniquely, it is not only the first, second and third place winners who are singled out for recognition since the schools they attend also receive cash awards.

Program 2

Number of Districts included in the competition - 18 (excluding north and east)

Number of participating schools - approximately 1,500 schools

Number of school children participating – over 53,000

Categories of competitions - Folk Dancing , Folk Music (individual and group) for grade 6 and above, Art competition for children below grade 5

Winners at the national level (first place , second place and third place) -

*Folk Dancing - 12 schools (360 schoolchildren)

*Folk Singing - 14 schools (420 schoolchildren)

*Announcing - 3 schools (3 children)

The awards ceremony under the above program is scheduled to be held in May 2010.

Having successfully conducted the program for the 2nd consecutive year, plans are afoot to launch the

3rd season of this unique program. Unlike the previous years the 3rd season will be extended to the North and East as the children in the war affected areas could not participate in the previous two programs. This will add a new flavour to this

national program with Sinhalese and Tamil cultures blending with each other.

This CSR initiative has been well received by both the Department of Education and national schools as this is the only program which encourages children to demonstrate the aesthetic skills in folk dancing, folk singing at individual level or group level to earn extra marks for the university entry qualification.

Since Sri Lanka has a rich heritage of folk dance, music, drama and creative art which must be preserved and fostered, the company's end objective is to ensure that Sri Lanka's cultural heritage is protected and nourished for the benefit of future generations.

Meanwhile, Cinnamon Grand launched the **'Sri Lankan Cultural Show'** at Nuga Gama on 1st March 2010. It showcases the rich heritage of Sri Lanka's performing arts and presents a platform for talented individuals to perform. The Shilpa Ranga Cultural Dance Troupe depicts Sri Lankan village folktales, myths and traditions through the art of dancing. The dance troupe is led by M. C. Werapitiya and consists of nine members; one drummer, one low country dancer, one traditional dancer, six village dancers and one vocalist. They have performed in over 40 countries including Germany, Thailand, Singapore and USA and have garnered both international and local acclaim for their skills.

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 employees to develop skills such as confidence, communication, leadership, teamwork, whilst giving them pride in the organization and a sense of personal fulfilment.

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.

A presentation on CSR is made to each group of executive inductees under the Centre Induction Programme with a request to consider volunteering for a project of their choice. This is also made an opportunity to make the inductees aware of the Group's commitment to the principles of the UN Global Compact (UNGC) and what it entails. The UNGC principles and the Millennium Development Goals are also posted on the Group's intranet for the benefit of staff. 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 10-km radius is facilitated by the Foundation through hire of vehicles from the Leisure-Inbound Sector 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 Hotel Management Services and the Foundation, the food and accommodation requirements of project teams on CSR-related site visits in the proximity of John Keells hotels are met at concessionary rates (for both staff and external resource persons comprising the respective project team). The managements 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 was able to build a database of 344 volunteers for future mobilisation. As per plan reported in the Sustainability Report of 2008-09, in 2009-10, the Foundation team (including Project Champions) was able to engage with some of these volunteers on a more interactive basis via "town-hall" meetings. The objectives of these meetings were to build rapport with staff who have volunteered for CSR projects, brief them on project achievements, future plans and how they can get actively involved in the project and provide them a platform to share their views, suggestions, etc. These informal meetings have generated positive outcomes, with some volunteers coming up with novel ways in which to enhance the various projects of the Foundation.

"One such volunteer is Kumudu Jayawardene, Manager Investments, Union Assurance PLC, who volunteered to conduct weekend computer classes for interested students of the five small schools in Slave Island supported by the Foundation under its Neighbourhood Schools Development Project. Kumudu initiated this project after participating in the "Town Hall" meeting on Education (see email excerpt below). In an interview by a journalist covering volunteerism at JKH, he said, "You feel good about yourself when you reflect on the change that you are making in the future of students who could not have afforded to go to a computer class. When you see a

student, who did not know how to move a cursor, typing letters and creating graphs in Excel, you feel really good about the contribution you made.” The volunteer experience has helped him “learn to understand people more, be empathic and patient,” while adding that he thinks it has improved his communication skills as well. Pointing out that volunteerism is a personal choice, and most often, it is one which gives a great deal of personal satisfaction, he noted, “You feel good about yourself and your perception of life changes in a positive way when you see that you can do some good to the society. You are never pushed to do something. You just volunteer and contribute if you feel you can make a difference.” Five students of Al Iqbal Balika Vidyalaya successfully completed the IT classes conducted by Kumudu”.

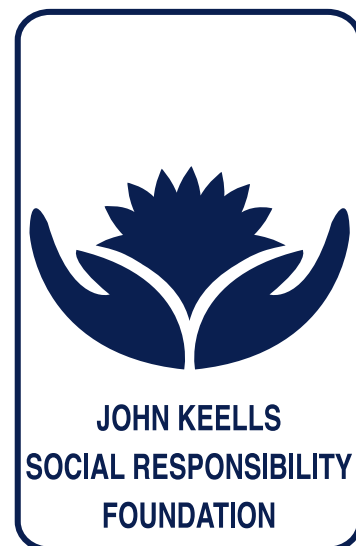
The Foundation recorded a minimum of 211 volunteer engagements in various projects implemented or overseen by the Foundation during the reporting period.

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.

During the reporting period, the Foundation also initiated various steps to recognize and reward volunteers. The participation of volunteers in various projects of the Foundation was acknowledged through notes of appreciation and news items posted on the intranet. A cross section of the volunteers was interviewed for a newspaper article on volunteerism at John Keells written by an independent journalist.

The Foundation also awarded a V-SPARC (Values-Superior Performance And Recognition Creation) to the project champion of Village Adoption Project-Halmillawe on the successful conclusion of the project. In the future, the Foundation hopes to expand its scheme for rewards and recognition. In the case of Group executives, their engagement in CSR is captured via an ‘Extra Mile’ rating in the Group’s performance management system. Engagement in CSR is also taken into account in rewarding high performers of the Group through the ‘Chairman’s Award’ – the pinnacle award for Group employees.

In the future, with the aim of strengthening the sustainability of the communities we engage with, the John Keells group will continue to explore new opportunities to bring together community investment and engagement initiatives which are aligned with the Foundation’s focus areas.



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, operations and supply chain.

At John Keells Group, we are aligned with our customers' expectations through offering products and services in line with the highest standards. We provide an extensive portfolio of products and services to address the varied and complex requirements of our customers and are able to do so due to the strategic diversification of our group. This credo is applicable to our customers both in the local and foreign arenas.

Whilst our business philosophy has moved from 'creating shareholder value' to 'creating stakeholder value', we continue to have a strong customer focus, with an emphasis on exceeding customer expectation. A proactive approach has been taken to meet this objective.

All products and services will continue to be transparent in terms of their scope, ingredients, service deliverables and standards and the environmental impact where applicable. Product and service excellence is an essential component of our strategy involving investment in certification by recognized authorities. Our labelling will include such certifications where applicable. Considering the increase in companies that are included in the report in relation to the last report, the compliance level still remains at 100% for all relevant businesses.

One of the initiatives taken by the retail group is to ensure all products that are approved and listed conform to the statutory requirements of the country. Further more, during the year under review, Keells Super launched its own private label brand, under the name "K Choice" which also conforms to the statutory requirements of the country. Furthermore, they have also taken the initiative to encourage an increasing number of suppliers to incorporate bar codes into their products.



PRODUCT STEWARDSHIP

A few of our hotels were voted by certain leading tour operators on customer service. Some of the certifications include further improvements on food handling.

With the focus on labelling increasing from within the group the current year has enabled us to strengthen compliance especially in the Consumer Foods and Retail industry group (ice cream, carbonated drinks and convenience foods). Although labelling per se does not directly apply to some of the other sectors, they are handled through various mechanisms to ensure that the service being offered is explained in detail.

In terms of standards, the businesses are on a continuous quest to retain their current accreditations from various standards bodies. Each business maintains standards and in some cases exceeding statutory requirements to ensure that the business is differentiated in terms of service. All businesses are on an ongoing basis, pursuing the latest versions of standards and keeping pace with the rapidly changing environment. They are periodically audited and undergo reviews to ensure compliance both internally and externally.

Another important fact is to keep the customer engagement at an optimum in order for the business to receive valuable feedback in terms of its performance with regard to customer satisfaction. Various mechanisms are used by businesses to ensure that there are a multitude of ways in which customer feedback can be received. This includes the use of technology as well as capturing the feedback in a simple but effective means. The retail group is also in the process of introducing a Customer Hotline within the next financial year to improve customer contact.

The table below represents the level of compliance. The numbers represent the companies that have provided the responses. It also includes companies which are Holding companies, Investment companies, Managing companies, Non-operational, Land only and Rental of office spaces.

Further more the Task force strives to enforce a common template and guideline which would be adoptable by all companies in order achieve a more accurate implementation of the above. It is also noteworthy that the Green Globe certification of Hotels in the Leisure sector will further discipline the operations in terms of accurate and detailed labelling through higher standards in sourcing of component, identifying hazardous content or substances, safe use and proper disposal.



Type of product and service information required by procedures and percentage of significant products and services subject to such information requirements.

	Sourcing of components	Content or substances with environmental and social impact	Safe use of product or service	Disposal of the product
Yes	28	18	18	6
No	45	55	55	67
Total Companies	73	73	73	73

Group's processes with regard to marketing communications

All companies are expected to conform to a set of guidelines extracted from the International Chamber of Commerce Code of Advertising and Marketing Communication Practice, with all businesses expected to comply with this code. The guide clearly explains how information should be communicated to the relevant stakeholders and the companies are expected to strictly uphold the code. A special committee evaluates and validates media advertisements to ensure compliance with the above guidelines.

A periodic review of these activities is expected according to the frequency and volume of activity. All companies indicate a 100% per cent compliance to this process and is reviewed periodically. To further strengthen the commitment, Business Unit Heads submit a statement indicating compliance to this code.

The next step in this initiative is to get companies to report on Non-compliances and incidents regarding this. The code covers the following aspects of Marketing Communication making sure that businesses comply. These can be broadly categorized into the following areas:

- to demonstrate responsibility and good practice in advertising
- to enhance overall public confidence in marketing communications
- to respect privacy and consumer preferences
- to ensure special responsibility as regards marketing communication and children/young people

In addition to this code there are procedures laid down for Marketing Communication implemented through the John Keells Committee on Advertising. The Committee's mandate is to screen advertising campaigns proposed by group businesses for socially insensitive/unethical/irresponsible advertising using the provisions highlighted in the ICC Code's General Provisions on Advertising and Communication Practice as a guide.

Compliance with rules and regulations on Group products and services

Although there are many ways in which product and service excellence can be measured, one key fact is to quantify incidences of not meeting customer expectations in terms of products and services. Being focused on a diverse number of areas requires a close look at the level of service and compliance to regulations.

The overall performance of each company in this regard is measured by mandating the Business Units to divulge occurrences of fines that are significant. The businesses are also required to maintain a list of all fines within a financial year.

Product responsibility policy

The John Keells Group will ensure the highest standards of ethical conduct with regard to all marketing communications such as advertising, promotions and sponsorships. All employees responsible for marketing communication, or in related functions will adhere to these standards. These standards will be ensured by The John Keells Committee on Advertising, using its code of conduct formulated based on an extract of the ICC Code's General Provisions on Advertising and Marketing Communication Practice.

The threshold limit of significant fines for a business was set at Rs. 1.0 million and if so required a declaration of the same to the task force. On analyzing the performance in the area of significant fines, only one company which represents just over 1% of the overall companies have reported an instance of such, which amounts to a total of Rs. 1.5 million within the reporting period. Although this is a significant achievement, it requires further improvement in terms of reducing the number of fines further to ensure a better class of service to all customers. It is the firm belief of the task force that tracking and reporting these incidences to a wider audience will improve the accountability of a business unit and further enhance its image as a responsible business entity.

An innovative approach to educate Public Health Inspectors was initiated by Keells Foods. This involved improving the knowledge of Public Health Inspectors on the manufacturing processes and was conducted throughout the island. Initiatives such as this improve the relationship that the organization has with the public sector which creates a win-win scenario.

The task force aims to implement a mechanism where the number of fines will also be tracked and investigated on a more regular basis. This will present businesses with more opportunities for improvement in products and services and streamline its business processes accordingly.

Agenda 2010-11

Focus area	Agenda for 2010-11
Economic performance	<ul style="list-style-type: none"> We will ensure that our operations will safeguard the sustainability of the environment and communities we operate in, whilst providing our stakeholders superior returns and services.
Environmental impact	<ul style="list-style-type: none"> We aim to reinforce the management practices currently institutionalised through a process of continuous improvements. We will improve on our current energy management practices and embrace emerging technologies in achieving a lower emission rate of green house gases and a lower carbon foot print. We aim to partner local and international environmental conservation agencies to assist the group in evaluating cheaper, sustainable and renewable energy sources and related funding for implementation. We aim to be involved in public policy in relation to climate change and GHG emissions. We will progressively move towards converting existing facilities where possible to be more energy efficient buildings and mandate new developments to be governed by globally accepted standards such as LEEDS and Green Globe certifications. We will work towards achieving our goal as a group which is recognized as a pioneer in the hotel trade, to be a sustainable entity, setting an example to the community. We will aim to improve our best practices sustainably to comply with as many standards as possible while growing as a successful business within the second quarter of the year 2010. Staying in line with the group's strategy to operate in a more sustainable manner, John Keells Logistics (Pvt) Ltd (JKLL) will embark on back haulage operations to minimize the carbon footprint of its operations. We plan to eliminate approximately 900km per week through back haulage operations, saving approximately 160 liters of fuel per week during the next financial year. Whilst we have already embarked on efficient fleet management practices supported by fleet management technologies, we plan to take forward discussions with our subcontractors and suppliers to develop the required foundation to support JKLL's migration towards more sustainable practices in logistics.
More than just a workplace	<ul style="list-style-type: none"> With the majority of our development programs being instructor-led, we aim to offer e-based learning and development opportunities. By further reinforcing the learning culture we foster at the John Keells group we will increase the number of hours utilized for training by all our employees in the future. We aim to improve the skills of supervisors on feedback giving and subordinates on receiving feedback and so, will increase the number of training session conducted on "Feedback Giving & Receiving".
Ethical business	<ul style="list-style-type: none"> Having worked on institutionalizing the group policy on child labour by developing and disseminating the related guidelines among the management and introducing systematic reporting processes via circulation of questionnaires, these will be verified through a quarterly compliance checklist with effect from 2010/11. HR departments will be conducting spot audits to ensure adherence to the group's policy on child labour with strict instructions have been given to Outlet Managers to adhere to the following requirements pertaining to the employment of young workers as per applicable regulatory requirements, until such time as the said trainees turn 18. Having worked on institutionalizing the group policy on forced or compulsory labour by developing and disseminating the related guidelines among the management and introducing systematic reporting processes via circulation of questionnaires, these will be verified through a quarterly compliance checklist with effect from 2010/11. With regard to anti-corruption, we will aspire to increase our reach of exposure to our business partners thus establishing a code of business principles and be committed to establishing mutually beneficial relations with our suppliers, customers and business partners.
Health & Safety	<ul style="list-style-type: none"> We aim to form Safety Committees in all group companies which will be responsible for compliance of the respective companies with the Occupation Health & Safety (OHS) policies formulated. The members of Safety Committees will undergo training programs to develop and enhance their skills and knowledge in all aspects of basic OHS. We aim to communicate to group companies, the importance of conducting basic OHS awareness and prevention programs for staff, their families and the surrounding community and encourage them to conduct same. We aim to achieve our final goal which is for all group companies (other than IT/office industry groups) to obtain the ISO 18001 (OHSAS) certification by March 2011.
Our contribution	<ul style="list-style-type: none"> With the aim of strengthening the sustainability of the communities we engage with, we will continue to explore new opportunities to bring together community investment and engagement initiatives which are aligned with the Foundation's focus areas. With regard to English Language Scholarship Programme of John Keells Social Responsibility Foundation, we plan to shift our focus and re-introduce a foundation course aimed at schoolchildren aged 12-14 from various parts of the Island and continue to provide education facilities to different age groups of children and youth. We will focus on another deserving village in the country under the Village Adoption Project, while Cinnamon Lodge and Chaaya Village would continue to support the village of Halmillawe in the future.
Product stewardship	<ul style="list-style-type: none"> We aim to implement a mechanism where the number of fines for group companies will be tracked and investigated on a more regular basis. Through this we plan to present businesses with more opportunities for improvement in products and services and streamline its business processes accordingly.

For further information or any enquiries on our sustainability report, contact
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 John Keells Holdings PLC
charith.jkh@keells.com
www.keells.com/sustainability/index.shtml

GRI Index and UNGC Principles

Standard Disclosures on GRI (G3) index and UNGC principles	Status	Page	Global Compact
1. Strategy and Analysis			
1.1 CEO's statement	●	5	
1.2 Description of key impacts, risks, and opportunities	●	28	
2. Organizational Profile			
2.1 Name of the organization	●	6	
2.2 Primary brands, products, and/or services	●	9	
2.3 Operational structure of the organization	●	6	
2.4 Location of organization's headquarters	●	6	
2.5 Number and name of countries where the organization operates	●	6	
2.6 Nature of ownership and legal form	●	6	
2.7 Markets served	●	7,8	
2.8 Scale of the reporting organization	●	9	
2.9 Significant changes during the reporting period	●	9	
2.10 Awards received in the reporting period	●	10,11	
3. Report Parameters			
Report profile			
3.1 Reporting period	●	22	
3.2 Date of most recent previous report	●	22	
3.3 Reporting cycle	●	22	
3.4 Contact point for questions regarding the report	●	79	
Report Scope and boundary			
3.5 Process for defining report content	●	22	
3.6 Boundary of the report	●	22	
3.7 State any specific limitations on the scope or boundary of the report	●	22	
3.8 Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations etc	●	22	
3.9 Data measurement techniques and the bases of calculation	●	22	
3.10 Explanation of the effect of any re-statements of information provided in earlier reports	●	22	
3.11 Significant changes from previous reporting periods in the scope, boundary, or measurement methods	●	22	
GRI context index			
3.12 Table identifying the location of the Standard Disclosures in the report	●	80 - 82	
Assurance			
3.13 Policy and current practice with regard to seeking external assurance for the report	●	84,85	
4. Governance			
4.1 Governance structure of the organization	●	15	
4.2 Indicate whether the Chair of the highest governance body is also an executive officer	●	15	
4.3 Number of members of the highest governance body that are independent and/or non-executive members	●	18	
4.4 Mechanisms for shareholders and employees to provide recommendations or direction	●	16	
4.5 Linkage between compensation for members of the highest governance body	●	17	
4.6 Processes in place for the highest governance body to ensure conflicts of interest are avoided	●	18	
4.7 Process for determining the qualifications and expertise of the members of the highest governance body	●	19	
4.8 Internally developed statements of mission or values, codes of conduct, and principles	●	19	
4.9 Procedures of the top management for overseeing the organization's identification and management of the Tripart Bottom Line	●	19,20	
4.10 Processes for evaluating the highest governance body's own performance	●	20	

Standard Disclosures on GRI (G3) index and UNGC principles	Status	Page	Global Compact
Commitments external initiatives			
4.11 Explanation of the precautionary approach or principle addressed	●	22	
4.12 Externally developed economic, environmental, and social charters, principles, or other initiatives	●	22	
4.13 Memberships in associations and/or national/international advocacy organizations	●	20,21	
Stakeholder Engagement			
4.14 Stakeholder consultation	●	22	
4.15 Basis for identification and selection of stakeholders	●	25	
4.16 Approaches and frequency of engagement by type and by stakeholder group	●	24	
4.17 Key topics and concerns that have been raised through stakeholder engagement	●	25,26	
5. Management Approach and Performance per category - Economic, Environmental and Social			
Economic performance indicators			
Disclosure on Management approach	●	30	
EC1 Economic value generated and distributed	●	31	
EC2 Financial implications and other risks and opportunities for the organization's activities due to climate change	○		
EC3 Coverage of the organization's defined benefit plan obligations	●	32,33	
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	●	34	
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	●	36	⑧
EN4 Indirect energy consumption by primary source	●	36	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	●	40	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	●	43	⑧
EN17 Other relevant indirect greenhouse gas emissions by weight	●	43	⑧
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 Incidents and fines or non-monetary sanctions for, non-compliance with applicable environmental regulations	●	44	⑧




Standard Disclosures on GRI (G3) index and UNGC principles	Status	Page	Global Compact
Social performance indicators : Labour practices and decent work			
Disclosure on Management approach	●	48,56	
LA1 Breakdown of total workforce by employment type and by region	●	48,49	
LA2 Total number and rate of employee turnover	●	50	⑥
LA4 Percentage of employees covered by collective bargaining	●	51	① ③
LA5 Employee representation and consultation regarding operational changes	○		
LA7 Rates of injury, occupational diseases, lost days, and absenteeism, and number of work related fatalities	●	57,58	①
LA8 Education, training, counselling, programs in place to assist workforce members, their families, or community	●	58	①
LA10 Average hours of training per year per employee by employee category	●	52	
LA12 <i>Percentage of employees receiving regular performance and career development reviews (Additional Indicator)</i>	●	52	
LA13 Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity	○		
LA14 Composition of governance bodies' and breakdown of employees per category according to gender, age group, minority group	○		
Social performance indicators : Human rights			
Disclosure on Management approach	●	53	
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, and measures taken to eliminate child labour	●	53	① ② ⑤
HR7 Incidents of forced or compulsory labour	●	54	① ② ④
Social performance indicators : Society			
Disclosure on Management approach	●	55,59	
SO1 Programs / practices that assess & manage the impacts of operations on communities, including entering, operating, and exiting	●	60	
SO2 Percentage and total number of business units analysed for risk related to corruption	●	55	⑩
SO3 Percentage of employees trained in organization'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	●	76	
PR1 Stages in which Health and Safety 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	●	77	⑧
PR6 Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship	●	78	
PR9 Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	●	78	

● Fully disclosed

○ Not relevant as per materiality and B level reporting

All 49 core indicators and 1 additional indicator listed above as per GRI - G3 Guidelines

Report Application Levels

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



Assurance Statement



AA1000
Licensed Assurance Provider
000-10

ASSURANCE STATEMENT

Introduction

Det Norske Veritas AS (DNV) 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).

John Keells Group 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. This statement is intended for the management and stakeholders of John Keells Group.

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 1st April 2009 to 31st March 2010;
- Verification in accordance with the requirements for a Type 2 and Moderate Level engagement, and evaluation of specified sustainability performance information, as set out in the AA1000AS 2008;
- The boundary of the Report covers 73 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 and manufacturing facility (CCS) at Ranala;
- DNV carried out the verification during May 2010;
- The report was checked for meeting the requirements of GRI Application Level 'B'.

Verification Methodology

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. 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 as well as the manufacturing facility (CCS) at Ranala, for the purpose of verifying qualitative and quantitative information presented in this Report;
- Conducted 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 2009-10 certified annual report.

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

AA1000AS (2008) principles

Inclusivity: Good. The Company engaged in dialogue with selected stakeholders during the year through different channels. The material issues emerging from the stakeholder engagement were collected, prioritised and the results are reflected in the report. We recommend that the issue-based stakeholder engagement process may further be formalised and structured for developing long-term sustainable business strategy.

Materiality: Acceptable. The process developed internally captures key sustainability issues, but the process should be strengthened at sectoral level and group level to bring out material issues that reflect short, medium and long term impacts.

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

Reliability: Acceptable. We have evaluated the reliability of specified sustainability performance information and found it to be 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.

Additional principles

Completeness: Acceptable. The Report covers 22 core performance indicators required for the GRI G3 Level 'B' and 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 in business partners and suppliers who are significant, considering the nature of the Group's businesses.

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.

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.

- Although systematic internal reviews and auditing of the internal data management system were clearly in place, a similar mechanism should be reinforced when capturing and checking the reliability of data obtained from external sources;
- In line with the Company's focus on being a leading player in both domestic and overseas operations, benchmarking its sustainability performance with peers will be an effective tool to identify areas of improvement;
- The boundary of the Report may be progressively expanded to include its business partners and suppliers over which the Group has influence, in order to provide a more complete report.

DNV's Competence and Independence

DNV provides sustainability risk management services through qualified specialists worldwide. 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 2009-10 that could conflict with the independence of our work. 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 AS,



Prasun Kundu
Lead Verifier
Det Norske Veritas AS



Dr Helena Barton
Global Manager, Corporate Responsibility Services
Det Norske Veritas AS

11th May 2010, Kolkata, India

Annex 1

Economic Value Statement For 2009-10

Rs. Millions	Transportation		Leisure		Property		Consumer Foods & Retail		Financial Services	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
For the year ended 31 March										
Direct economic value generated										
Revenue	9,785	11,717	12,539	10,295	1,821	1,777	16,318	14,483	5,332	501
Interest income	69	115	292	219	36	91	14	11	1,590	142
Dividend income	14	12	250	162	49	31	-	-	4	-
Share of results of associates	2,158	1,949	-	-	-	-	-	-	413	448
Profit on sale of assets & other income	94	258	342	117	26	57	298	322	314	1
Valuation gain on IP	-	-	-	9	-	168	-	-	-	-
	12,120	14,051	13,423	10,802	1,932	2,124	16,630	14,816	7,653	1,092
Economic value distributed										
Operating costs	9,138	10,882	7,474	6,155	1,331	1,342	13,299	11,552	5,541	475
Employee wages & benefits	416	656	2,067	1,923	127	74	1,740	1,674	740	113
Payments to providers of funds	112	571	1,573	1,206	415	321	243	257	-	35
Payments to government	115	672	791	687	53	44	917	697	627	154
Community investments	(4)	7	6	8	-	1	5	5	1	2
	9,777	12,788	11,911	9,979	1,926	1,782	16,204	14,185	6,909	779
Economic value retained										
Depreciation	107	96	912	961	10	11	381	363	88	9
Amortisation	14	-	149	111	-	-	163	179	187	-
Profit after dividends	2,222	1,167	451	(249)	(4)	331	(118)	89	469	304
Retained for reinvestment / growth	2,343	1,263	1,512	823	6	342	426	631	744	313

Information Technology		Others		Total		Eliminations/ Adjustments		Group Total			
2010	2009	2010	2009	2010	2009	2010	2009	2010	%	2009	%
1,599	1,771	3,348	2,637	50,742	43,181	(2,762)	(2,158)	47,980	86.18	41,023	85.08
12	17	1,231	1,874	3,244	2,469	(297)	(203)	2,947	5.29	2,266	4.70
-	-	3,598	2,542	3,915	2,747	(3,871)	(2,693)	44	0.08	54	0.11
(13)	(128)	(2)	71	2,556	2,340	-	-	2,556	4.59	2,340	4.85
18	76	939	1,343	2,031	2,174	120	322	2,151	3.86	2,496	5.17
-	-	-	-	-	177	-	(136)	-	-	41	0.09
1,616	1,736	9,114	8,467	62,488	53,088	(6,810)	(4,868)	55,678	100.00	48,220	100.00
1,066	1,290	2,335	1,691	40,184	33,387	(2,788)	(2,185)	37,396	67.17	31,202	64.71
464	488	584	616	6,138	5,544	-	-	6,138	11.03	5,544	11.50
121	91	2,950	3,188	5,414	5,669	(1,849)	(1,858)	3,565	6.40	3,811	7.90
66	52	344	475	2,913	2,781	-	-	2,913	5.23	2,781	5.77
2	2	20	13	30	38	-	-	30	0.05	38	0.08
1,719	1,923	6,233	5,983	54,679	47,419	(4,637)	(4,043)	50,042	89.88	43,376	89.96
47	46	192	204	1,737	1,690	-	-	1,737	3.12	1,690	3.50
-	16	12	(1)	525	305	16	-	541	0.97	305	0.63
(150)	(249)	2,677	2,281	5,547	3,674	(2,189)	(825)	3,358	6.03	2,849	5.91
(103)	(187)	2,881	2,484	7,809	5,669	(2,173)	(825)	5,636	10.12	4,844	10.04

Annex 2

In addition, many companies of the John Keells Group engaged in education-related initiatives as part of their community service activities, including the following:

- Bentota Beach Hotel gave 14 Grade 10 commerce class students of Elakaka Maha Vidyalaya an opportunity to experience the accounting system and best practices at the hotel; demonstrated ice carving to students of the Vocational Training Centre; supported 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 (Rs. 5000/- per month); donated 200 nos. pens for the benefit of students of Gamini Vidyalaya, Bentota to commemorate World Children's Day 2009.
- Ceylon Cold Stores donated sports wear, nutritional food and medicine and sponsored medical check-ups and accident insurance cover for the benefit of athletes of Hanwell Central College numbering 16 persons.
- Chaaya Citadel celebrated World Children's day on 1st October 2009 by inviting 30 Home Science students of Swarnmali Girls' School, Kandy to the hotel and organizing many activities for them.
- Cinnamon Lakeside donated 600 pieces of cake to the Defence Services College on International Children's Day falling on 1st October 2009.
- Cinnamon Lodge facilitated a visit by teachers and students of Ibbagamuwa Education Zone benefiting 35 persons.
- Cinnamon Grand hosted and entertained the boys of the Don Bosco's Children's Home during the Christmas Season for a day of fun and games for the fourth successive year.
- Chaaya Village held an art competition at the hotel among schoolchildren of Hiriwadunna junior school to commemorate World Children's day; donated 200 school bags for children of Bakamuna area.
- Coral Gardens Hotel facilitated an awareness programme on hotel operation for 35 students and 2 teachers of Sri Wimalabuddi Vidyalaya; sponsored the Arts Day of Sri Sumangala Central College, Hikkaduwa.
- John Keells Computer Services awarded scholarships worth Rs. 180,000/- to undergraduates of the University of Colombo School of Computing effective until 2011. These were need-based scholarships granted to students maintain a GPA of 2.5 and whose family income is less than Rs. 300,000/- per annum; donated 105 IT text books from its library to the "Nenasala" in Baththaramulla (tele-centers or knowledge centers established in all parts of Sri-Lanka to spread ICT services to the rural and semi-urban population); purchased Christmas cards from Karuna Trust – a registered charity which uses the card proceeds to award educational scholarships to underprivileged students.
- John Keells Office Automation donated 10 used laptops to Lak Aruna Foundation, Passara which supports enhancement of IT knowledge among village students; donated Rs. 500,000/- to the Seva Vanitha Unit of Sri Lanka Air Force for the proposed school project at Divulwewa, Morawewa under the patronage of the Ministry of Nations Building; purchased New Year greeting cards from the Colombo Centre for Special Education which supports mentally disadvantaged children.
- Tea Smallholder Factories sponsored 50% of the electricity bill payments for the computer lab of Bengamuwa Maha Vidyalaya, Pasgoda for a period of 6 months commencing September 2009, benefiting 50 students; provided awareness on the Tea industry and processes at Karawita Tea Factory on an ongoing basis, benefiting approximately 850 persons.

Annex 3

In addition, many companies of the John Keells Group engaged in health-related initiatives as part of their community service activities, including the following:

- Bentota Beach Hotel held a health camp at Sri Dharmavijayaramaya Temple, Pitaramba, Bentota in collaboration with the Rotary Club of Colombo which benefited approximately 750 adults and 250 children. The medical team numbering seven and comprising consultant paediatricians, surgeons, general physicians, gynaecologists and trained pharmacists were provided accommodation by BBH. BBH also donated 50 nos. bed sheets and 100 nos. pillow cases to the Government hospital, Aluthgama.
- Chaaya Citadel organized its 04th consecutive “Blood Donation Campaign” with the participation of the community resulting in the donation of 73 pints of blood to the Kandy Blood Bank; organized an awareness programme on HIV/AIDS for the members of Kandy Hoteliers’ Association conducted by a doctor of the STD Unit of General Hospital, Kandy where 30 hoteliers were educated; celebrated Valentine’s Day by distributing brochures to sensitize couples on HIV/AIDS at Wale’s Park, Kandy and Botanical Garden, Peradeniya benefiting 472 couples (944 people).
- Cinnamon Lodge organized a blood donation campaign with the participation of Chaaya Village and the villagers of Habarana. Around 45 participants donated blood. The HIV/AIDS Committee of Cinnamon Lodge collaborated with the Foundation’s HIV/AIDS Awareness Campaign by holding several community outreach programmes.
- Cinnamon Grand made a monthly donation of dry rations to the Dias Home for the Aged in Wellampitiya throughout the year; also donated a wheelchair to a staff member’s mother at a cost of Rs. 13,500/-. donated Rs. 50,000/- out of sale proceeds of B2b bags to the Cancer Hospital Children’s Ward to buy injections and medicine for children; donated wheelchairs to several associates with disabled family members; donated 200 Nos. of short eats to the Exceptional Children’s Educational Development Foundation for their commemoration of World Disability Day; sponsored Lou Ching Wong’s “Divas are back” fashion show, which was held to raise funds for Lanka Alzheimer’s Foundation..
- Cinnamon Lakeside organised the annual blood donation campaign at which over 60 volunteers donated blood; the hotel also hosted a tea party for 38 disabled soldiers of Ranaviru Sevana. A number of staff, including the Senior Management team, joined in and entertainment was provided by talented members of the staff who led a sing-along session after tea.
- Chaaya Village donated a wheel chair to the Horiwila Native hospital for the use of disabled patients attending the hospital.
- John Keells Office Automation donated a used photocopier machine to the MOH office, Ridimaliyadda, Mahiyanganaya, which attends to over 100 pregnant women of the area.
- Tea Smallholder Factories conducted an eye camp and general physical examination at Broadlands Tea Factory with the participation of two doctors from Nawalapitiya Hospital for the benefit of 150 persons.
- Transportation Sector organized its 04th consecutive Blood Donation Campaign at which 68 pints of blood were collected and handed over to the National Blood Bank.
- Walkers Tours organized a Dengue Awareness Programme for the staff of the Leisure Inbound Sector of the John Keells Group, in view of the numerous fatalities reported in the country. The programme was conducted by Dr. Pradeep Kariyawasam, Chief Medical Officer of Health of the Colombo Municipal Council, benefiting approximately 225 employees of the Sector.

Annex 4

The Cinnamon Grand's "365 Ways to Save the Earth Campaign"

The Cinnamon Grand launched a unique environmental awareness initiative to encourage the hotel's associates to aid in efforts to conserve the environment.

The "365 Ways to Save the Earth" campaign was launched on the 1st of January 2010. The campaign was based on improving the everyday habits of associates with the end goal focusing on environmental conservation through small but crucial actions through 365 days of the year. The first month of the campaign served as an introduction to the initiative with many associates enthusiastically picking up on the concept.

"At a time when environmental concerns are paramount, we have a responsibility to aid in rehabilitating the Earth as best we can for future generations," said General Manager Rohan Karr. "This environmental initiative is a small step toward helping our associates understand the importance of eco conservation, with further plans in the pipeline," he said.

The campaign is carried out through awareness posters printed on recycled paper which are displayed at the staff's main meeting points and through emails sent out to associates as a green thought for the day. A different poster is displayed daily with a unique message which details a simple activity associates can perform. With a different message every day of the year, the goal of this initiative is to encourage associates to adopt eco friendly habits.

As a further incentive, a competition has been launched to offer associates the chance to submit their own eco friendly idea every month. The best submission wins a cash prize of Rs. 5000/-.

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, including the following:

- Chaaya Citadel commenced a programme to recycle landscape waste of the hotel under ISO 14001.
- Cinnamon Grand in association with The Animal Welfare Association of Sri Lanka hosted the annual awareness raising campaign cum press conference to mitigate animal

cruelty and garner support towards this cause. The event was attended by Sri Lanka's leading animal activists, Iranganie de Silva, Otara Gunawardene and Professor Chandana Jayaratne.

- Cinnamon Grand observed Earth Hour with a focus on spreading the message as well as practising it on March 27th. The aim was to highlight the importance of environmental sustainability and caring for the planet. From 11.00 am to 12.00 noon the hotel's lights were switched off. Being the busiest lunch hour, this time slot had more impact than switching the lights off in the night. Associates were also urged to switch their lights off at home sometime during the course of the day. A "365 Ways to save the Earth" poster dedicated to Earth Hour was displayed at the associate cafeteria.
- "Global warming is now the greatest threat we have ever faced but we can make a difference if we act together. Join Earth Hour, switch off your light for 60 minutes on 27th March and stop global warming before it's too late. See your world in a whole new
- Cinnamon Lodge Hosted a Group of 37 schoolchildren (Grades 1-5) and 5 teachers to a tour of the Butterfly Garden, followed by lunch at the hotel, in collaboration with Nature Odyssey; organized a shramadana campaign on World Tourism Day and planted 150 trees around the lake side and main gate to commemorate the Green Month.
- Coral Gardens Hotel supported an area cleaning campaign towards dengue prevention.
- Ceylon Cold Stores engaged in cleaning and maintenance of the banks of Depa Ela canal and landscaping and maintenance of na saplings planted in 2008 in Mahawela located on the Ranala Habarakada road; erected 6 directional boards to the Kanneliya forest reserve, supplied 100 nos. of reusable cloth bags to prevent polythene accumulation in the forest and supplied name boards for plants in the forest trail; and collected damaged and rejected PET bottles for recycling.
- John Keells Office Automation under its "Go-Green promotion" collected empty toner cartridges from its customers and recycled same through Viridis (Pvt) Ltd (a BOI approved re-cycler).
- Walkers Tours conducted a programme at Sri Devananda school Nature Club at Yodakandiya where the children were taken on a field safari at Yala National Park after which they were entertained at Yala Village and shown a slideshow on biodiversity benefiting 46 children and 4 members of the staff. The Nature Odyssey team at Walkers Tours conducted a snake awareness program at Sri Devananda school Nature Club with live specimens after which more than 15 specimens were released back to the wilds.

Annex 5

In addition, many of the John Keells Group companies engaged in community service activities, including the following:

- Bentota Beach Hotel completed renovation of water and sanitation facilities for the area car park and three wheeler park at a cost is 78,692/- benefiting 51 drivers registered under the Sri Lanka Freedom Tourist Drivers Association of Bentota.
- Ceylon Cold Stores has commenced developing Mangalagama in the Ampara District as a cashew planting village and is in discussion with the Uva Development Bank (UDB) to fund the cashew farmers. This will help increase the income of farmers since the processing is also proposed to be done in the village; also donated a water cart to T M J Bandara of Kalubowila (a differently abled person) as a means of self employment.
- Chaaya Citadel donated used linen and uniforms to the Chief Priest of the temple in Palmadulla for distribution among the needy.
- Cinnamon Grand donated linen (75 pillowcases, 208 baby napkins and 15 bed sheets) to the Mother Theresa Children Orphanage in Moratuwa, Sri Lanka.
- Cinnamon Lodge provided training on table etiquette to police officers of Habarana, benefiting approximately 70 persons.
- Coral Gardens Hotel provided a sponsorship for International Disability Day organized by Saviya Development Foundation, Galle.
- John Keells Group donated items of furniture and linen to the Sri Lanka Army for the use of disabled soldiers. The donation was made to the Trincomalee Army Brigade 22 commanded by Major General Prasanna de Silva by Hotel Club Oceanic, Trincomalee. The furniture included tables, chairs, baggage racks and TV stands. The items of linen included bed sheets, pillow cases, blankets, towels and curtains.
- John Keells Office Automation donated 03 used computers to the Special Forces Training School, Maduru Oya, towards developing their infrastructure facilities.
- John Keells Social Responsibility Foundation continued with its project to donate used computers, being disposed of by companies of the group, which were in good usable condition. During 2009-10 the Foundation donated 18 such computers to deserving organisations and charities.
- Union Assurance continued with its ongoing project of installing police safety hoardings at busy intersections along the main roads of the country. Of particular significance was the unveiling of 20 hoardings in Wannai and along the A9 road. The hoardings are aimed at creating awareness among the public, giving directions to motorists, curtailing accidents and also minimizing crime. This public service project is ongoing from 2005.

Annex 6

DISASTER RELIEF AND PHILANTHROPIC INITIATIVES

The Foundation coordinated the following initiatives by way of disaster relief in 2009/10:

- John Keells Holdings PLC: 1723 cooking sets purchased with the voluntary contributions of employees of the John Keells Group aggregating to Rs. 2,559,674/06 were handed over to the Ministry of Resettlement and Disaster Relief Services for distribution among Internally Displaced Persons (IDPs) after resettlement.
- Cinnamon Grand: Consequent to a decision made by the Chefs' Guild of Sri Lanka, the hotel sent a team of 10 chefs to the IDP camp at Menik Farm for a period of 8 days, to train inmates on mass cooking as well as to cook 3 meals a day for 10,000 persons. With the help of donations by associates, the hotel was also able to fund 10,000 eggs and 400 kg of sprats for donation to the IDPs along with 10,000 plastic plates. This was done in association with the Chefs' Guild of Sri Lanka and the Saravodhaya Movement.
- Cinnamon Lakeside: The hotel hosted a group of 50 IDP children to a special dinner on 16th December 2009. In addition, the children enjoyed a visit by Santa Claus bearing gifts and were taken on a tour of the hotel. The event was part of a week long stay in Colombo organized for the children by the Four Square Church, Nugegoda covering various places of interest.
- John Keells Social Responsibility Foundation: A donation of Rs. 25,000/- to SUROL for the upliftment and rehabilitation of leprosy patients.
- John Keells Social Responsibility Foundation: A donation of USD 5000 to the Foundation for the Global Compact 2010 Campaign.
- John Keells PLC: A donation of Rs. 100,000/- to the Ceylon School for the Deaf and Blind.
- John Keells Office Automation: A donation of Rs. 50,000/- to The Sri Lanka Cancer Society.

