



DISCLOSURES OF MANAGEMENT APPROACH

Our stakeholders include a wide variety of groups due to the nature of our operations. This in turn results in varied stakeholder interests and the Walkers CML Group engages with all our stakeholders in order to understand their opinions and respond to their requirements and concerns. While we continuously engage with our stakeholders through various forums throughout the year, the Group also periodically engages with independent third parties to undertake externally lead stakeholder engagements. The impacts of the material topics listed below, excluding sourcing of raw material occur locally and the impacts are directly as a result of the Group operations.

This exercise is fundamental to the success of our business as the material topics with significant economic, environmental and social impacts identified as highly relevant to our key stakeholders, can then be embedded into our Group-wide strategy focused on sustainable development, allowing us to address common issues and develop long-term solutions.

Utilising these material topics, the Group strives to assess its performance against the identified material topics utilising key sustainability performance indicators. While such performance is tracked, monitored, analysed and reported to decision making bodies on a quarterly basis, the Group also publishes its integrated Annual Report, which interweaves financial information with sustainability information, to provide a holistic picture of our triple bottom line performance to external stakeholders.

The Management Approaches of the Group is reviewed annually by the Executive Committee and the Head of Sustainability & Corporate Communications to ensure its effectiveness and applicability.

The Group adheres to the Global Reporting Initiative (GRI) Standard guidelines and ensures independent third party assurance of the report through DNV GL, represented in Sri Lanka by DNV Business Assurance Lanka (Private) Limited. .

ECONOMIC

MTD Walkers PLC is dedicated to enhancing its contribution to all stakeholders via the triple bottom line, while delivering a sustainable economic performance. Constructed on a platform of sound governance, ethics, and accountability, the Group strives to generate significant economic value addition.

Material Impacts and Management Approach

Topics Covered: GRI 201: Economic Performance; GRI 202: Market Presence; GRI 204: Procurement Practices

The economic pillar of the Group's Triple Bottom Line sustainability strategy is of utmost importance to its shareholders, employees and other stakeholders. The Group is committed to delivering economic value addition to all its stakeholders, whilst being in compliance with local regulations and stimulating the local economy. As a result

focus is given to sound financial management, stringent internal controls and a robust risk management process; defined in the organisation-wide policy that has been adopted. Moreover, the Group's commitment to delivering value to shareholders is reflected through our financial statements.

The management approach covers the reporting boundary as disclosed in the Sustainability Reporting boundary Section of the Annual Report.

The management approach is in place to inculcate a performance-centric compensation culture to encourage high levels of productivity and alignment of stakeholder interests. The responsibility of this lies with the Chairman and the Board of Directors, as further explained in the Group Corporate Governance section of the Annual Report. In addition, our continuous engagement with shareholders, engaging with employees and other stakeholder engagement as mentioned in the sustainability section of the Annual Report, enabled the Group to identify stakeholder concerns and address such concerns, as specified in the Group Corporate Governance section.

The Group complies with all regulations of the countries in which it has operations, and ensures that all dues are settled on time, where practically possible.

The Group Procurement Policy, which states that *“MTD Walkers PLC and its subsidiaries ensure that the procurement of all goods and services is conducted in a competitive, fair and transparent manner that delivers the best value for money outcome, while also expecting our suppliers to comply with environmental and social regulations. The Group also strives to support and uplift local organisations/entrepreneurs to maintain a continuous source of materials, optimize costs, stimulate local economies and maintain MTD Walkers PLC's social license to operate”* defines our commitment to purchase goods and services from compliant suppliers in a competitive, fair and transparent manner, and our endeavours to support local organisations/entrepreneurs to optimize costs, stimulate local economies and maintain a social license to operate.

The Group, in its effort to be competitive in the industry needs to optimise the cost of procurement whilst obtaining the highest quality. Further as one of the oldest companies in Sri Lanka, contributing to the country's economy the Group believes there is an expectation of stakeholders to distribute economic value to suppliers within the country.

The Group recently introduced a Group Sourcing drive to further improve the procurement process for its high valued items, by introducing standard Request For Proposals, with terms and conditions covering topics not only relating to supply, delivery, quality and price, but also overall sustainability related topics as well.

Performance Monitoring

The economic performance of the Group is monitored through the Statement of Economic Value. This Statement is presented in the Group Performance Review section and illustrates the economic value created for all stakeholders of the Group during each financial year. The statement of economic value further serves as a reflection of management performance in fulfilling the strategic goals of the Group. The Group places great emphasis on ensuring that all best practices, relevant standards and internal controls are satisfied when generating economic value to its stakeholders.

The Group is aware that the performance of its employees directly affect the quantum of economic value that the Group can generate, and therefore adopts various measures to motivate and drive their performance. The primary scheme adopted is performance driven compensation which induces a productivity-led culture and aligns the interests of all stakeholders.

The Group strives to maintain its image as an attractive employer and ensures that employees are remunerated according to market benchmarks while taking performance in to account. As a company based predominantly in Sri Lanka, the Group's senior management team are almost entirely hired locally.

As one of the largest infrastructure and engineering companies in the country, the Group directly supports over 5,000 families and indirectly supports the livelihoods of around 50,000 families. The Group employs a significant

portion of its casual work force and procures all possible raw material such as sand and rocks from areas of operation to distribute a portion of its economic value addition and stimulate local economies. The Group engages in sub-contracting to enable the transfer of knowledge and support the construction industries in the locales of operation.

The Group is proud to partner the Government of Sri Lanka in developing the country. The Group through its participation in the Urban Regeneration Plan of the Urban Development Authority (UDA) has become one of the largest suppliers of homes in the country, empowering the most vulnerable members of society. Further, by the construction of roads, bridges and highways the Group has promoted accessibility and brought on rapid development to many regions. The water supply, water treatment and irrigation projects conducted by the Group help improve the standard of living for many families. As the only company in the region capable of repairing and providing maintenance services for smaller boats (i.e. fishing vessels, tugs, small cargo carriers etc.), the Group provides small boat owners in Sri Lanka, Maldives and South India access to otherwise unobtainable services.

During the year the Group introduced a Risk and Insurance Division to identify enterprise risk and report on risks faced by the organization. This division coupled with insurance function allows the Group to mitigate its non-systematic risks and further actions and programs that are being implemented to ensure Economic Performance can be found in the Corporate Governance Section of the Annual Report.

ENVIRONMENT

MTD Walkers PLC in its role as a leading infrastructure solution provider is mindful of its impact to the environment and has instigated numerous policies to ensure the Group conducts its business in an environmentally sustainable manner. The Group strives to adhere to all environmental regulations of the country we operate in.

Material Impacts and Management Approach

Topics Covered: GRI 301: Materials; GRI 303: Water; GRI 302: Energy; GRI 305: Emissions; GRI 306: Effluents and Waste; GRI 307: Environmental Compliance

It is imperative that corporate activities are optimised to ensure environmental efficiency especially in the case of the construction industry which is highly resource intensive. As a leading integrated engineering firm, the Walkers CML Group is committed to protect and conserve the environment for current and future generations and has therefore endeavoured to minimise the environmental impacts that occur due to business execution through the establishment of an environmental management system, such as ISO 14001. Moreover, the Group places importance on the management and reduction of energy use, water consumption, carbon emissions, waste generation and effluent discharge, and seeks to manage the above indicators with the use of reduction targets, uses best practices to minimise negative environmental impact and complies with all applicable laws and regulations.

The management approach covers the reporting boundary as disclosed in the Sustainability Reporting boundary Section of the Annual Report.

The Group Sustainability and Risk Management Division also carries out internal and external assurance of all business units and their permanent sites to assure consistency of processes and data accuracy. To further streamline this process and the Group's overall sustainability drive, Sustainability Standard Operating Procedures (SOPs) will be established in the 2016/17 financial year, and a more robust internal assurance process will be adopted to review compliance with the said SOPs.

The Group's overall environmental policy is complemented by other policies and management approaches on the above mentioned environmental topics, which are reviewed by the Executive Committee of the Group. The Group's Sustainability and Risk Management division then operationalizes these policies and approaches through Cluster and Sub Cluster Heads, and through the Sustainability Champions of each of the Group's subsidiaries.

The management approach will be reviewed and adjusted annually after carrying out an internal stakeholder engagement and external reviews, while the Group's sustainability performance will be reviewed against internally established benchmarks.

Performance Monitoring

The Group adheres to all relevant local environmental laws and regulations at a minimum and tracks its environmental performance every quarter aligned to relevant GRI indicators. Moreover, feedback from stakeholders on environmental grievances or concerns are obtained. Environmental performance is analysed on a quarterly basis and circulated amongst the Group's highest governance bodies as well as Heads of Clusters to identify areas for improvement and corrective action.

As the data tracking system was established during the 2015/16 financial year, goals and targets have not yet been established. Data pertaining to the same financial year will be used to establish internal reduction targets and other goals in the forthcoming years which will form the basis for future strategies and initiatives carried out by the Group's business units.

As it is at the inception of adopting the GRI reporting framework, the Walkers CML Group identified environmental grievances through its comprehensive stakeholder engagement exercise that was carried out by an independent third party according to the AA1000SES standard. Each major operational site of the Group has an officer in charge of Environment, Health & Safety, and this officer becomes the first point of contact for any environmental grievances faced by the local community or point of contact for regulatory authorities. Issues are then escalated through to site Project Manager to the Head of the Sub Cluster and finally to the Head of the Cluster who is a member of the Executive Committee of the Group.

Materials

Being part of a resource-intensive industry, the Walkers CML Group recognises the importance of using our raw materials in an efficient manner, thereby reducing our impact on natural resources and virgin material. As part of the sustainability performance management system, consumption of significant raw materials such as steel, bitumen, aggregates, cement etc., is tracked and monitored. These significant raw materials are sourced as part of the Group sourcing division, and Group Company requirements are consolidated to ensure there is optimised usage and a transparent selection process, based on terms and conditions that include social and environmental selection criteria. This process is complemented by the Group Procurement and Sourcing policy below:

The Walkers CML Group ensures that the procurement of all goods and services is conducted in a competitive, fair and transparent manner that delivers the best value for money outcome, while also expecting our suppliers to comply with environmental and social regulations. The Group also strives to support and uplift local organisations, to maintain a continuous source of materials, optimize costs, stimulate local economies and maintain the Group's social license to operate.

Energy and Emissions Management

The Group focuses on conserving energy in an attempt to reduce operating costs and minimise damage to the environment, including its overall carbon footprint by adopting lean engineering practices.

Reflecting the overall environmental policy is the energy management policy that focuses on conserving energy, minimising the Group's carbon footprint by adopting lean practices, cost impact and commitment on environment stewardship. All electricity and fossil fuel consumption are monitored through calibrated metering. The greenhouse gas protocol of the World Resources Institute (WRI) and the World Business Council for Sustainable Development (WBCSD) is used to measure the Group's carbon emissions, while carbon emission factors found in the IPCC guidelines for national greenhouse gas inventories published by the Institute of Global Environmental Strategies (IGES) are also used for calculating our carbon footprint. The carbon intensity of the Group is calculated as the total Group revenue, and will form the base for carbon reduction targets in the forthcoming years.

Water Management

The Group seeks to conserve and optimize its use of water. The Group seeks to minimise the use and withdrawal of blue water sources and seek to recycle and reuse discharged water as much as possible. All water discharged to the environment will meet the discharge quality levels stipulated by regulations.

The Group has adopted a water management policy that requires all group companies to optimise the use of water withdrawn from all blue water sources through reducing consumption, reusing and recycling as much as possible. The policy also entails that the discharged waste water must meet discharge quality levels specified by local authorities.

Water Management is important to the Group to monitor the cost of withdrawal, environmental stewardship, and for the Group to gain community and social license to operate in localities it carries out operations in.

Water consumption and discharge is measured through water meters and where meters are unavailable, through meter readings as well as estimates based on pump time. Further, Group companies with significant water usage are required to ensure that water withdrawn is measured at source and identify applicable new technologies and/or process improvements to conserve water. These efforts are complemented by creation of awareness and instigation of behavioural change in employees through awareness campaigns carried out centrally through the central Sustainability and Risk Management Division.

Waste Management

The Group's policy on waste management is focused on minimizing waste by reusing and recycling. The Group also maintains a policy on hazardous waste that ensures pre-approved guidelines are followed.

Increasing operational activity also increases the absolute consumption of raw materials; hence the Group promotes the minimisation of the use of virgin material through reusing and recycling. Moreover, the Group places emphasis on overall reduction of waste and responsible disposal of the same.

The Group also maintains a Hazardous Waste Management Policy with guidelines for the disposal of such waste through licensed third party contractors. The Group carries out staff awareness on waste management across its locations, and encourages accurate segregation and disposal to operationalize these policies. Waste generation data is based on dispatch/issue notes generated at security points prior to waste items leaving the site as well as other estimation methods. The waste inventory management process is to be further developed during the forthcoming year.

Compliance/Spillage

The Group understands the requirements to continue carrying out its operations and the importance to be in compliance of all local rules and regulations.

The Group tracks and monitors any fines paid by the Group Companies, spillages and all other compliance related requirements as per Sri Lankan legislation. Related Operational Health and Safety incidents are also tracked for the same purpose. Standard Operating procedures are utilised to ensure that all Group companies adhere to similar standards, when dealing with environmental regulatory requirements and as a part of the standard operating procedure in order to mitigate the risk of spillages secondary containments have also been included. During the forthcoming year the Group will conduct sustainability champion forums which will be used to create awareness of these procedures.

LABOUR PRACTICES & DECENT WORK

The Group policy creates a safe and secure working environment that provides opportunities for every employee to be productive, earn a fair income and develop their skill set for career advancement in their chosen field, regardless of race, gender, nationality, religion, or any other factor

Material Impacts and Management Approach

Topics Covered: GRI 401: Employment; GRI 403: Occupational Health and Safety; GRI 405: Diversity & Equal Opportunity; GRI 404: Training and Education

Human Resources are an asset to the Group bringing continuing returns and ensuring world-class performance. As an organisation that predominantly engages in the service industry, the Group understands the value of being people-centric, which is imperative to maintain a competitive advantage. Under this principle, the Group creates synergies by recruiting and efficiently managing local talent, and spares no effort in investing in furthering their capabilities.

The management approach covers the reporting boundary as disclosed in the Sustainability Reporting boundary Section of the Annual Report.

Performance Monitoring

All Group companies adhere to all relevant local labour laws and regulations which are based on ILO conventions. The Group also benchmarks its HR processes against peers and industry norms.

The Group tracks indicators such as attrition, diversity, training hours, and health and safety incidences, through its sustainability performance management system. The data derived from this system is then used to publish quarterly reports which are reviewed by the Executive Committee of the Group. The Group's Sustainability and Risk Management division then operationalizes these policies and approaches through Cluster and Sub Cluster Heads, and through the HR business partners of each of the Group's subsidiaries.

The Group's main objective is to encourage a happy and healthy, diverse and skilled workforce, while maintaining good relations with them and provide them a safe and secure working environment especially since the Group operates in the construction industry. In ensuring that we achieve this objective, the Group has in place human

resources (HR) related policies, covering the areas of recruitment, work hours and leave, performance evaluation, labour relations, training and development, equal opportunity and health and safety of the workforce.

Currently, employee surveys are carried out periodically, coupled with our training calendar to identify areas of concern and potential conflict, as a majority of the workforce do not have access to email. Further, the Group also through its recent independent stakeholder engagement, also sought to identify labour grievances across a sample of its sites and head offices. Further, an open-door policy is followed and direct email access to the Deputy Chairman is to be established as engagement methods adopted at business unit level, in addition to the policies and support groups which are in place to address concerns and resolve issues/conflicts in a fair and transparent manner.

In Sri Lanka employees are eligible for Employees' Provident Fund (EPF) contributions, and Employees' Trust Fund (ETF) contributions. As per the Gratuity Act No 12 of 1983, employees are also entitled to retirement gratuity, and employees with more than 5 years of service will receive half a month's last drawn salary for every year of service on retirement or termination of service. The Group adheres to all the above country regulations with regard to benefit plans for employees at a minimum.

Further, the management approach for the management of its employees can be found under Human Capital Management, Pay for Performance, Employee Relations, Employee Communication and Report of Remuneration Committee on the Corporate Governance Sector of the Annual Report.

Diversity and Equal Opportunity

The Group strives to offer fair and equal job opportunities with no discrimination on the basis of gender, race, nationality, age, social origin, disability, religion, political opinion or any other basis, which ultimately eases social disparity through job creation.

Recruitment is based on the Group's recruitment policy, which is complemented by the policy on equal opportunity, and employee career development and training requirements are identified through an annual performance appraisal carried out for all staff.

The Group recruitment and selection process will be conducted in a professional, timely and responsive manner in compliance with current employment legislation. The Group will also endeavor to continuously develop its recruitment and selection practices to allow new ideas and approaches to be incorporated. The Group employs a mix of formal and informal internal hiring practises, minimizing the timeframe for integration. The Group only resorts to an external candidate when the right candidate cannot be found within MTD Walkers PLC or its subsidiaries. This policy is set with the objectives of providing employees with defined long term career paths.

The diversity of the workforce based on age and gender as well as new hires and attrition, are continuously monitored through the sustainability performance management system. Continuous engagement with employees (through welfare committees) to understand and manage their aspirations is used as a proactive initiative to address attrition.

Health and Safety

- *MTD Walkers PLC places great importance on the health and safety of its employees, subcontractors, clients and the community within which the Group operates in.*
- *The Group seeks to minimize any avoidable injuries and occupational illnesses, and provide a safe and secure work environment through the adoption of sound risk management principles.*
- *The Group strives to ensure that its employees promote and follow sound safety principles.*

The advancements in industrialisation in Sri Lanka makes effective management of occupational health and safety a vital element in our operational process. Moreover, being a services based industry, the Group's workforce is considered an asset, and awareness generation and investments in occupational health and safety (OHS) is imperative.

At Walkers CML, health and safety of our workforce has always been a top priority in our business performance. Driven by the Group's health and safety policy, all business units within the Group have taken a proactive stance with our health and safety management practices to ensure that the Group adheres to local legal requirements, while improving working conditions in general. The ultimate goal is a company-wide management system such as OHSAS 18001, which has already been implemented in most of our group companies.

As mentioned in the management approach, the Group records and reports on rates of injury, occupational diseases, near misses, lost days, absenteeism and a total number of work-related casualties of its workforce. Minor occupational injuries or diseases that result in less than one lost day is also excluded from these reports.

OHS awareness programmes and training are conducted regularly in an attempt to prevent occupational accidents at source, and safety control is made operational through continuous monitoring by the sites' safety officers. Fire and other disaster evacuation drills are conducted periodically to ensure prompt responses in the event of emergencies. Disaster preparedness was also identified as a potential area for improvement across the Group through the recently introduced Enterprise Risk Management process and business continuity plans are sought to be implemented in the forthcoming year.

Simultaneously, the Group's Sustainability and Risk Management team conducts sustainability assurances at all significant operational sites to ensure the credibility of data and observe potential risks from a triple bottom line perspective, including OHS related matters. The findings are then circulated amongst the Group's highest governance bodies for necessary advice and action.

Training and Development

MTD Walkers PLC invests in training and development programs for the workforce that not only develops individual technical skills but soft Skills, thereby facilitating the achievement of both individual and organizational objectives

Training and development of employees plays a significant role in employee retention, and thus the Group places great emphasis on capacity and skill building. Training needs are identified through annual performance evaluations, the training needs identification (TNI) forms and in special cases on an ad-hoc basis and the areas of focus are job skills, leadership, technical competency development and any other current and future requirements. The Group believes that lifelong learning is necessary for career development and building a sustainable competitive advantage.

Moreover, the Group's performance management process enables management to structure training, map career paths and succession planning, thereby motivating employees to achieve their individual goals and contribute to the Group's business objectives. Further, career development programmes such as mentoring programmes, sponsorships to obtain professional qualifications and linkages to university and other technical colleges to gain industrial expertise is also conducted by the Group Human Resources Division.

Performance Appraisal

The Group further strives to build a culture that enables and rewards performance and hence uses a performance appraisal process to enhance employee performance management. This creates an open platform for employees and their supervisors to discuss performance and area of improvement, establish future goals, discuss expectations and accomplishments and obtain overall employee feedback. Under this process, all employees of the group undergo annual appraisals to receive feedback on their performance.

HUMAN RIGHTS

Material Topics and Management Approach

Topics Covered: GRI 406: Non-Discrimination; GRI 408: Child Labour, GRI 409: Forced or Compulsory Labour, GRI 407: Freedom of Association and Collective Bargaining

Businesses flourish in societies where human rights are respected and protected. Walkers CML Group recognises that this is a topic of importance to our employees, investors, customers, regulators and the communities we operate in, making it not only a moral case, but also a business case for us to uphold human rights across our operations.

The management approach covers the reporting boundary as disclosed in the Sustainability Reporting boundary Section of the Annual Report.

The Group is committed to business integrity, openness, respect for universal human rights and core labour principles, and thus carries out its business in an ethical manner, thereby protecting its brand reputation. The Group has in place policies governing areas such as child labour, forced labour, freedom of association and anti-corruption, and these policies which are based on the principles of compliance and good corporate citizenship, are continuously being embedded into our daily operations.

Employee surveys are carried out periodically, coupled with our training calendar to identify areas of concern and potential conflict, as a majority of the workforce do not have access to email. Further, the Group also through its recent independent stakeholder engagement, also sought to identify labour grievances across a sample of its sites and head offices. Further, an open-door policy is followed and direct email access to the Deputy Chairman is to be established as engagement methods adopted at business unit level, in addition to the policies and support groups which are in place to address concerns and resolve issues/conflicts in a fair and transparent manner.

Monitoring of Performance

Reflecting its policies related to material topics, all Group companies adhere to local labour laws and regulations. In addition to this, the Group tracks incidents of child labour, forced labour and other related human rights violations through the Group's sustainability performance evaluation of relevant GRI indicators.

The Group ensures that all its subsidiaries are made aware of such policies and possible sources of violations, and are expected to respect and uphold the rights of employees to enter, remain and terminate employment. The Group's Sustainability and Risk Management division carries out internal assurances for all subsidiaries with significant operations to observe potential risks which are then disseminated to the Group's highest governance bodies for corrective action.

Child Labour

The Group has zero tolerance towards child labour and does not employ any persons below the age of 18 years.

Sri Lanka has ratified both ILO Convention on Minimum Age to Employment, 1973 (No.138) and Convention on the Worst Forms of Child Labour, 1999 (No.182). In accordance with the provisions of Employment of Women, Young Persons and Children' Act, a 'child' is a person under the age of 14 years and a 'young worker' is a person who is under the age of 18 years, but has already completed the age of 14.

Walkers CML Group adheres to the above country regulations and ensures that the employment of young persons under the age of 18 years is prohibited in its operations. Cross-checks using birth certificates and national identity cards are used during the recruitment process to ensure that minimum age requirements are met, while national identity cards are also checked at site prior to allowing entry for casual / daily workers.

The risk of Child Labour in the Group supply chain partners is assessed through Supply Chain audits, as specified in the Group Supply Chain section of this document , whilst also all significant suppliers provide assurance through signed agreements which includes a clause on sustainability including the sub class on the prohibition of Child Labour

Forced or Compulsory Labour

The Group ensures that no employee is made to work against his / her will or to work as bonded/forced labour, or subjected to corporal punishment or coercion of any kind, related to work.

As per the above Group policy, no employees of the Group are coerced or subject to overtime hours (that exceed the legally stipulated hours), or subject to intimidation. In line with legal requirements and industry standards, compensation through overtime or variable pay is provided for employees who work beyond normal working hours, in addition to being provided with meals and transport where applicable.

The risk of Forced in the Group supply chain partners is assessed through Supply Chain audits, as specified in the Group Supply Chain section of this document , whilst also all significant suppliers provide assurance through signed agreements which includes a clause on sustainability including the sub class on the prohibition of Forced Labour

Non-Discrimination

The Group policy creates a safe and secure working environment that provides opportunities for every employee to be productive, earn a fair income and develop their skill set for career advancement in their chosen field, regardless of race, gender, nationality, religion, or any other factor.

Reflecting the Group's policy on equal opportunity, there is zero tolerance for discrimination or harassment based on gender, race, religion, nationality, age, social origin, disability, political affiliations or opinion. Although differently-abled persons have no restrictions in joining our workforce, recruitment for construction related work may be based on physical ability for health and safety reasons.

Freedom of Association and Collective Bargaining

There are no restrictions in freedom of association and all employees are free to join unions as per the laws of the country. Further, our employees engage with management every three months at welfare committee meetings. The welfare committee acts as a joint consultative committee which includes representatives from the workforce as well as the management, to promote the cooperative resolution of workplace issues.

SOCIETY

Materiality and Management Approach

Topics Covered: GRI 413: Local Communities; GRI 205: Anti-Corruption; GRI 419: Socio - Economic Compliance; Disaster/Emergency Planning, Preparedness and Response

Being part of the construction industry allows the Group to facilitate infrastructure development, enabling sustainable development in communities around our operations. The Group values trust, integrity, commitment and care, and this is demonstrated by our commitment to respect all our stakeholders, including the communities and environment in which our businesses operate. Reflecting these values, all our Group Companies adhere to

environmental and social legal requirements and strive to manage the impact our operations have on the communities and the environment.

The Group is also committed to business integrity and openness and thus carries out its business in an ethical manner, thereby protecting its brand reputation. The Group has in place a policy governing anti-corruption, which is based on the principles of compliance and good corporate citizenship, and is continuously being embedded into our daily operations.

The purpose of this management approach is to promote good corporate citizenship, retain social license to operate and protect the Group brand. The management approach covers the reporting boundary as disclosed in the Sustainability Reporting boundary Section of the Annual Report.

Measuring Performance

The sustainability performance management system tracks and monitors the Group's social performance, specifically GRI indicators such as percentage of operations with implemented local community engagement, percentage of operations assessed for risks related to corruption and value of fines for non-compliance with laws and regulations.

All Group companies analyse and assess the risk of non-compliance and corruption related matters, as part of their risk management process and the preventative and mitigation action plans are monitored to ensure they are in place in a timely manner. These reviews are also circulated amongst the top management.

Above mentioned policies are made available to all Group subsidiaries and control and preventative mechanisms related to corruption and non-compliance have been established. Internal Assurance conducted by the Group's Sustainability and Risk Management division is also used to identify potential risks, which are then circulated amongst relevant governance bodies for advice and action.

Local Communities

Further to facilitating infrastructure development, the Group seeks to contribute to the social development of the nation by fostering good relationships with communities within which we operate. The Group's Social Responsibility policy reflects these values:

The Group is conscious of the needs of the communities surrounding its operations and strives to assist them in the betterment of their livelihood and living conditions. The Group actively seeks out ways to enhance its social license to operate.

The Group seeks to establish a 'Foundation' to drive the Group's social responsibility initiatives from the centre. The activities of the Foundation will be funded by all Group Companies' contributions from their respective profits and will be supported by volunteers from within the Group, to promote employee volunteerism. The focus areas of the Foundation will be aligned to the United Nations Sustainable Development Goals, and all initiatives will be structured based on a social impact assessment. However, Group Companies will also simultaneously engage in their own social responsibility activities such as sponsorships and donations to complement their respective businesses and will also align any other initiative to the focus areas of the Foundation, in its efforts to ensure they possess the social license to operate in the local communities.

Anti-Corruption/Anti-fraud

The Group has strict view in regards to anti-corruption and ethical practice. The Group does not condone unethical behaviour or corruption and have a strict guidelines and framework in place for disciplinary actions. MTD Walkers PLC does not tolerate fraud or mismanagement regarding the Group activities, and treats each seriously, with relevant investigations being initiated in the event of occurrence.

The Group believes that corruption and fraud results in increasing cost and wavering business, and ethical business practices should be the norm from top management level down to the individual employee, which is reflected in its policies. At recruitment level, employees must sign their respective letter of appointment which includes the Group's code of conduct which they need to comply with. They are also informed of remedial actions and disciplinary action that would result from any violations of the code of conduct, and are also expected to report any breaching of the code (with the assurance of non-disclosure) through the various channels that facilitate this, such as chairman direct and business unit-specific grievance handling mechanisms.

The risk of corruption is assessed as part of the risk management process at each business unit and preventative and mitigation plans are put in place to reduce such risks.

Control and preventative mechanisms are also extended to the Group's value chain where transparency and fair practices based on open communication are ensured to emphasise on the ethical standards that underlie our business practices. Under this principle, our key preferred suppliers are selected after evaluation by the Group Sourcing Division, based on specific criteria which are part of the selection process as mandated by the Group Procurement Policy. The Group also carried out sourcing drive for its key suppliers, and have also in place processes that require three quotations when sourcing materials or products. The Group has also introduced Technical Evaluation Committee as a sub committee to the Fixed Asset Committee to further streamline and strengthen the process of high value fixed assets.

The Group also has in place a whistle blowing policy and a direct e mail to the Deputy Chairman to report of any corruption of Fraud.

Compliance

The Group recognizes the importance of complying with all rules and regulations to ensure the continuity of its operations. The Group tracks and monitors any fines paid by the Group Companies and all other compliance related requirements as per Sri Lankan legislation. Related Operational Health and Safety incidents are also tracked for the same purpose.

Disaster/Emergency Planning, Preparedness and Response

The Group's Enterprise Risk Management (ERM) process is used to identify potential risks regarding natural disasters and other climate change related risks. Based on this identification of risks, the Group hopes to create Business Continuity Plans (BCPs) for all its subsidiaries in the forthcoming years.

PRODUCT RESPONSIBILITY

Materiality and Management Approach

Topics Covered: GRI 416: Customer Health & Safety; GRI 417: Marketing and Labelling; Access

Meeting optimal quality standards and ensuring stakeholder satisfaction is imperative to the Walkers CML Group. Therefore, compliance with regards to responsible labelling and marketing communications are a point of focus at the Group.

MTD Walkers PLC and its subsidiaries strive to provide products and services that of highest standards, through industry and corporate best practice and compliance with all relevant local and international statutory and regulatory requirements in the markets we operate in. All products and services will be assessed for both environmental and social impacts through communications, operations and supply chain. Towards this goal, every business within the Group shall ensure that they deliver optimum levels of quality in all areas of interaction with all stakeholders.

The above is the Group's Quality Policy, which is adhered to by all Group companies to ensure that quality standards are met when servicing our customers in order to ensure the customer health and safety. The ultimate objective is the group-wide implementation of a quality management system such as ISO 19001 which is already implemented at most of the business units.

The management approach covers the reporting boundary as disclosed in the Sustainability Reporting boundary Section of the Annual Report.

This approach is import to ensure brand reputation, product and services quality and end user satisfaction. During the year, the Corporate Communication Division and Quality Division periodically provide feedback to management in regards to this.

Performance monitoring

All our customers expect safe products and services and thus the Group aspires to by benchmark our quality standards against best practices. Group companies such as CML-MTD Construction (Pvt) Ltd and Walkers Piling (Pvt) Ltd have obtained ISO 9001 certification as initial steps in achieving process excellence. This is complemented with ISO 14001 environmental management system and ISO 18001 OHS certification, which also establishes a process and culture of compliance which affects the end product or service.

The Group also closely monitors product or service related fines or sanctions. All Group Companies record fines payable and report significant fines (over LKR 1 million) to the Sustainability and Risk Management Division, on a quarterly basis.

Customer Health & Safety

Products and Services of the Group are primarily real estate and infrastructure assets and our customers are primarily the Government of Sri Lanka and related agencies. Therefore the Government (which plays a dual role of a regulator) assesses the projects for compliance prior to making necessary payments.

As a management practice all significant work sites undergo audits for OSH1200 and ISO 1900, which in turn drive the quality and customer health and safety aspect of the end products.

All properties by Walkers CML Properties (Pvt) Limited has a one year tenure after the handing over of the property where the company forms the Management Council.

The customers can contact the Chairman or the Head of Corporate Communications to raise any concerns or any grievances.

Product and Service Labelling

This topic is material specifically to Walkers CML Properties (Pvt) Ltd., and is related to measuring customer satisfaction. As the Group's customer is predominantly the Government of Sri Lanka, it is inevitable that it is assessed

against specific project requirements. However, the Group strives to conduct customer satisfaction surveys (based on relevant sample sizes) on customers and end users where applicable, in order to identify customer concerns and address such issues.

The Group has in place a Corporate Communication Division whose responsibility is to ensure all product and service labelling adheres to the Group brand guidelines.

Access

These topics are material to the Northern Power Company under the Electric Utilities sector disclosure. Generation plants may experience planned and unplanned outages resulting in the inability to provide its service to the customer in a reliable manner. In order to reduce the risk of unplanned outages (that reduce efficiency and increase costs), the company carries out periodic maintenance of the plant.

SUPPLY CHAIN

Materiality and Management Approach

Topics Covered: *GRI 308: Supplier Environmental Assessment, GRI 414: Supplier Social Assessment*

MTD Walkers PLC and its subsidiaries ensure that the procurement of all goods and services is conducted in a competitive, fair and transparent manner that delivers the best value for money outcome, while also expecting our suppliers to comply with environmental and social regulations. The Group also strives to support and uplift local organisations/entrepreneurs to maintain a continuous source of materials, optimize costs, stimulate local economies and maintain MTD Walkers PLC's social license to operate.

The Walkers CML Group understands the sustainability of our supply chain is a key factor in the continuity of our operations and it is important that the Group addresses any social concerns that may occur, whilst also realizing the opportunity to improve efficiencies and sustainability throughout procurement, production, and supply chain partners

The purpose of the approach is to ensure that the supply chain risks in regards to labour practices, health and safety, environmental practices and other human rights topics are minimized of our key suppliers. The approach also focuses on developing responsible business practices in the operations of our supply chain partners.

The management approach covers the reporting boundary as disclosed in the Sustainability Reporting boundary Section of the Annual Report.

The Group as per its Procurement and Sourcing Policy obtains competitive at least a minimum of three competitive quotes, as far as practically possible for all procurement of goods and services. However, for the items that contribute over 80% of the Group total purchases the Group has introduced a tendering process which requires all bidders to submit their bids in the standard two – bid format comprising of a commercial bid and technical bid. The technical bid requires bidders to not only provide technical aspects of their product, company ownership and financials, but also requests suppliers to conform to some of the Group's key sustainability policies and ethical practices, which would be audited through the Supplier Audit Process details below.

The Group strives to build sound business relations with key suppliers and hopes to carry supplier forums to address any concerns they have and the continuous promotion of sustainability practices in the supply chain. .

Performance Monitoring

The Group Procurement Division will form a multi – disciplinary team consisting of procurement staff, quality assurance staff and engineers to carry out sustainability audits of its key suppliers. During the forthcoming years the Group hopes to increase the number of audits that will be carried out. During these audits the Group will assist and provide guidance to suppliers, to encourage such suppliers to undertake operations in an environmentally and socially responsible manner.

Annual reviews of all sourcing agreements will be carried out by key operational staff and the Head of Group Procurement. The Head of Group Procurement will also supervise supplier audits to ensure the quality and rigour of the audits. Going forward, the findings off the audits will be reviewed by the Executive Committee of the Group.

Any third party grievances in regards to the processes of the Suppliers could inform Group Procurement, the Quality Assurance team or contact the Group via the General Line.