

GOVERNANCE



John Keells Holdings PLC
Annual Report 2023/24

CORPORATE GOVERNANCE COMMENTARY

The Group's robust and comprehensive corporate governance framework, endeavours to create an enabling environment for growth in a structured, sustainable and transparent manner, whilst following all mandatory regulations and ensuring the highest levels of corporate governance.

The Group's corporate governance philosophy is institutionalised across all its business units, and this philosophy has continuously created value for all its stakeholders, notwithstanding the external environment and macroeconomic conditions.

The Group's governance framework is supported by internal policies processes and structures aimed at meeting, and, where possible, exceeding accepted best practice, in addition to the 'triggers' which ensure compliance with mandatory regulatory requirements. This framework is regularly reviewed and updated to reflect global best practice, evolving regulations, and dynamic stakeholder needs, while maintaining its foundational principles of accountability, participation, integrity and transparency.

In improving the quality and relevance of our governance reporting, the Group has to structure the narrative in a manner that showcases the Board's activities and contribution to value creation during the year. Compliance with applicable statutory requirements is summarised in the narrative and discussed in detail in the compliance tables.

The ensuing discussion comprises of the following key aspects:

- Significant components of the JKH Corporate Governance System
- Monitoring mechanisms in place to ensure strict compliance with the Group's Governance policy
- Outlook and emerging challenges for corporate governance
- JKH's compliance with all mandatory requirements of law and its voluntary adoption of recommended codes in the governance field

1.1 Compliance Summary

Mandatory Regulatory Frameworks – fully compliant

The Companies Act No. 7 of 2007 including applicable regulations

Listing Rules of the Colombo Stock Exchange (CSE), including circulars

Securities and Exchange Commission of Sri Lanka (SEC) Act No. 19 of 2021, including rules, regulations, directives and circulars

Code of Best Practices on Related Party Transactions (2013) advocated by the SEC

Voluntary Frameworks and Standards

Code of Best Practice on Corporate Governance (2013) jointly advocated by the Securities and Exchange Commission of Sri Lanka (SEC) and the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka)

Code of Best Practice on Corporate Governance (2017) issued by CA Sri Lanka – compliant to the extent of business exigency and as required by the Group*

Reporting Frameworks

International Integrated Reporting Framework published by the International Integrated Reporting Council (IIRC)

Global Reporting Initiative Standards

Internal Mechanisms

Articles of Association

Internal Policies

Key internal policies:

- Code of Conduct, which also includes policies on gifts, entertainment, facilitation payments, proprietary and confidential information
- Policies at a Board level covering nominations, remuneration audit and internal controls
- Policies on anti-fraud, anti-corruption, anti-money laundering and countering the financing of terrorism and bidding for contracts, including on Government contracts
- Policy on diversity, equity and inclusion, including a gender policy
- Policies on equal opportunities, non-discrimination, career management and promotions, including on employees with disabilities
- Leave (which also encompasses the equal parental leave), flexi-hours, tele-working and agile working policies including health and safety enhancements and protocols
- Information Technology (IT) policies and procedures, including data protection, classification and security
- Policy on communications and ethical advertising, complemented by social media and crisis communication guidelines
- Policy on enterprise risk management
- Policies on products and services
- Recruitment and selection, rewards and recognition, and learning and development policies
- Policies on whistleblowing, grievance handling and disciplinary procedures
- Policy against sexual harassment
- Policy on forced, compulsory child labour and child protection
- Group accounting procedures and policies
- Policies on fund management and foreign exchange risk mitigation
- Insider trading policy
- Ombudsperson policy
- Group sustainability policies including policies on energy, emissions, water, waste management and biodiversity conservation
- Supplier Code of Conduct

The Group's policy commitments available to all employees via the Group's employee portal. These policy commitments are approved by the Group Executive Committee with Board oversight. The Group is in the process of making available all applicable policies in the public domain.

*CA Sri Lanka issued an updated Code of Best Practice on Corporate Governance (2023) in December 2023 effective from 1 April 2024. The updated Code will be reviewed and adopted to the extent of business exigency and as required by the Group.

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1.2 Corporate Governance Highlights for 2023/24

- JKH was ranked first in the Transparency in Corporate Reporting (TRAC) Assessment by Transparency International Sri Lanka (TISL) for the fourth consecutive year, with a 100% score for transparency in disclosure practices. This ranking is based on an assessment of corporate disclosure practices among the top 125 companies listed on the Colombo Stock Exchange (CSE), under six different thematic areas crucial to fighting and preventing corruption – reporting on anti-corruption programmes, organisational transparency, country-by-country reporting, domestic financial reporting, reporting on gender and non-discrimination and reporting on procurement related to Government contracts and tenders.
- As a part of the Group's ongoing efforts towards increasing emphasis on Environmental, Social and Governance (ESG) aspects, the Group undertook initiatives to further strengthen its ESG framework and identify focus areas for each industry Group that dovetail into Group level priorities based on relevance and materiality.
 - In collaboration with an international consulting firm, the Group conducted an in-depth study across its businesses to identify areas of significant impact, risk and materiality. This initiative was led by a steering committee appointed by the Group Executive Committee (GEC).
 - Workshops were convened across the industry groups to assess and formulate ESG ambitions for the respective businesses, to aid the Group in developing comprehensive roadmaps aimed at achieving the set ESG ambitions. As a part of this process, businesses were benchmarked against regional peers and best-in-class practices of the respective industries the businesses operate in.
- Data governance initiatives:
 - The Data Governance Steering Committee was established to facilitate the review and enhancement of existing data governance practices of the Group, in compliance with applicable laws (including the Personal Data Protection Act No 9 of 2022) and best practice. The Committee focused on revisiting internal data governance policies and engaging with the respective industry groups to review, and, where relevant, facilitate the enhancement of their personal data protection processes towards ensuring a robust and more transparent data protection framework.
 - The Group piloted and implemented a series of new initiatives throughout the year to strengthen the effectiveness of the forensic data analytics platform and related capabilities to complement Continuous Controls Monitoring (CCM) and internal audit engagements.
- Cybersecurity initiatives:
 - The Group engaged with a leading international consultancy firm to conduct a comprehensive assessment of the Group's cybersecurity resilience, by aligning with industry best practice and recommended technological principles. This initiative was carried out to strengthen the efficiency, security and reliability of the Group's cloud ecosystem to proactively manage risk.
 - As a part of the ongoing commitment towards improving cyber security and digitisation to achieve optimum operational excellence, an 'Endpoint Detection and Response (EDR)' solution was implemented across the Group. A SMART Office mobile application was also rolled-out across the Group to empower employees with the necessary tools to improve mobility, streamline and automate processes, and increase productivity.
- During the year, the Group embarked on a project to transform the Group Competency Framework which has been in use for over a decade. The outcome was a refreshed and more relevant set of new competencies termed 'Success Drivers' which will be implemented for use during the ensuing year. The 'Success Drivers' evolved through the establishment of a series of workshops and discussions, and has been developed to be current, relevant and flexible in the context of the diversity of the Group talent pool and range of demographics it operates in.
- The Group strengthened its internal policy universe, keeping in line with best practice and the revised CSE Listing Rules, including reviewing the policies from a holistic perspective and ensuring improved alignment in terms of its interdependencies with other related policies which have been developed over time.

1.3 Key Announcements to the Colombo Stock Exchange in 2023/24

- As required under the revised CSE Listing Rules, a market announcement was made to disclose that the Chairperson of the Company is an Executive Director, and that the Chairperson and Chief Executive Officer positions of the Company are held by the same individual. The role of Senior Independent Director has been in place for over a decade at JKH with other relevant 'checks and balances' from a governance perspective, as disclosed to the CSE. Given that the role and appointment of a Senior Independent Director has already been implemented by the Company, it is compliant in terms of the alternate option provided under Section 9.6.1 and Section 9.6.3 of the CSE Listing Rules.
- In November 2023, the Board resolved to terminate the Regulation S and Rule 144A Global Depositary Receipts Programmes (collectively, the 'GDR Programme'), owing to the relatively low number of Global Depositary Receipts (GDR) in issue. Considering the GDRs are not a significant contributor to facilitating trading in Company securities, the termination would not have an impact on the Company. GDR holders have the option to convert to ordinary shares in the Company and will be able to cancel their GDR's up to six months after their termination date (until 14 June 2024).
- As disclosed in the Annual Report 2022/23, JKH issued 208,125,000 LKR denominated debentures with a face value of Rs.27.06 billion, to HWIC Asia Fund ('HWIC'), a subsidiary of Fairfax Financial Holdings Limited, in August 2022. The debentures were issued at Rs.130 per Debenture with the option for conversion to shares at a ratio of 1:1, based on the approval granted by the shareholders at the time. In February 2024, HWIC exercised its option to convert 110,000,000 Debentures, with a face value of Rs.14.30 billion. Accordingly, JKH issued and listed 110,000,000 new ordinary shares of the Company in favour of HWIC, resulting in a dilution of 7.34%. The remaining outstanding Debentures post this conversion amount to 98,125,000 Debentures with a face value of Rs.12.76 billion. The remaining Debentures are eligible for conversion till 12 August 2025.

- In April 2024, the Group announced that a wholly-owned subsidiary of Melco Resorts & Entertainment Limited ('Melco'), will be the operator of the gaming facility at the integrated resort which has been developed by JKH at an investment of over USD 1 billion. The wholly-owned locally incorporated subsidiary of Melco has been awarded a license from the Government of Sri Lanka for a period of 20 years, under the stipulated criteria, to operate a casino at the integrated resort. Melco will invest ~USD 125 million in the fit-out and equipping of the gaming space. As part of the collaboration between JKH and Melco, the integrated resort, which had previously been branded as 'Cinnamon Life Integrated Resort', will be rebranded as 'City of Dreams Sri Lanka'.
- The Board declared a final dividend of Rs.0.50 per share in May 2023 for the financial year 2022/23. The Board approved a first and second interim dividend of Rs.0.50 per share each, in November 2023 and January 2024. A final dividend of Rs.0.50 per share was also declared in May 2024 for the financial year 2023/24. Accordingly, the dividend declared for 2023/24 is Rs.1.50 per share [2022/23: Rs.2.00 per share], amounting to a total dividend outlay of Rs.2.08 billion.

1.4 Board Appointments and Retirements in 2023/24

- Having completed nine consecutive years, Ms. P Perera (Independent, Non-Executive Director) retired from the Board of Directors with effect from 1 July 2023.
- Mr. S Fernando was appointed to the Board as an Independent, Non-Executive Director of the Company with effect from 9 August 2023.

1.5 Highlights of the 44th Annual General Meeting Held on 30 June 2023

- Mr. D A Cabraal, who retired in terms of Article 84 of the Articles of Association of the Company was re-elected as a Non-Executive Independent Director of the Company.
- Mr. J G A Cooray, who retired in terms of Article 84 of the Articles of Association of the Company was re-elected as an Executive Director of the Company.
- Dr. S A Coorey, who retired in terms of Article 91 of the Articles of Association of the Company was re-elected as a Non-Executive Independent Director of the Company.
- Mr. A N Fonseka, who has attained the age of 70 and retired in terms of Section 210 of Companies Act No. 07 of 2007 was re-appointed as a Non-Executive Senior Independent Director of the Company.
- Ernst & Young (E&Y) was re-appointed as the External Auditors of the Company and the Directors were authorised to determine the remuneration of E&Y.

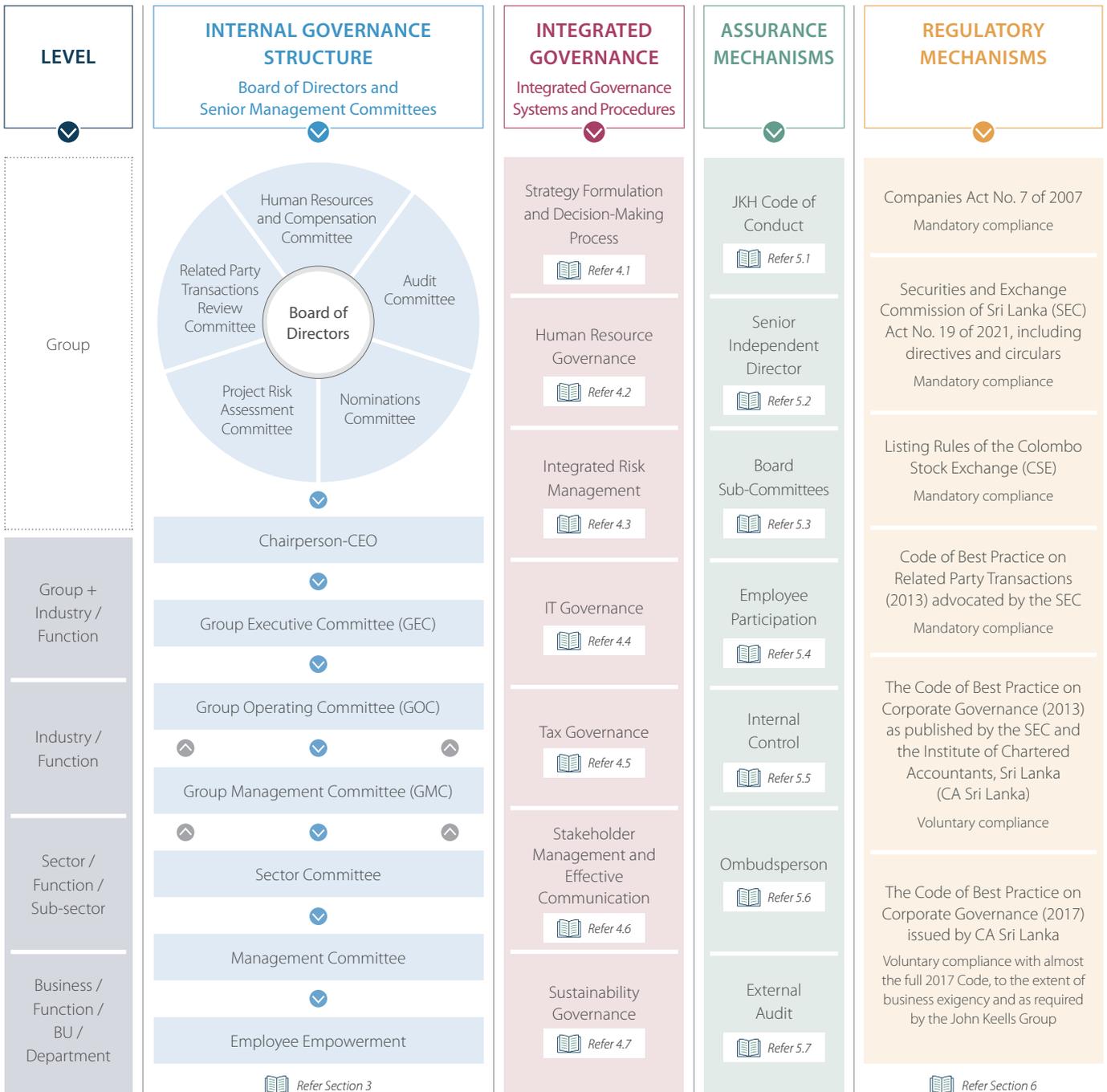
The 45th Annual General Meeting of the Company will be held on 28 June 2024.

1.6 Corporate Governance Disclosures

| Disclosures | Reference section |
|---|-------------------|
| The Governance System | 2 |
| The Board of Directors | 3.1 |
| Audit Committee | 3.2.1 |
| Human Resources and Compensation Committee | 3.2.2 |
| Nominations Committee | 3.2.3 |
| Related Party Transactions Review Committee | 3.2.4 |
| Project Risk Assessment Committee | 3.2.5 |
| Chairperson-Chief Executive Officer | 3.3 |
| Group Executive Committee and other Management Committees | 3.4 |
| Strategy Formulation and Decision-Making Process | 4.1 |
| Human Resource Governance | 4.2 |
| Integrated Risk Management | 4.3 |
| Information Technology Governance | 4.4 |
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| Sustainability Governance | 4.7 |
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| Governance Outlook and Emerging Challenges | 6 |
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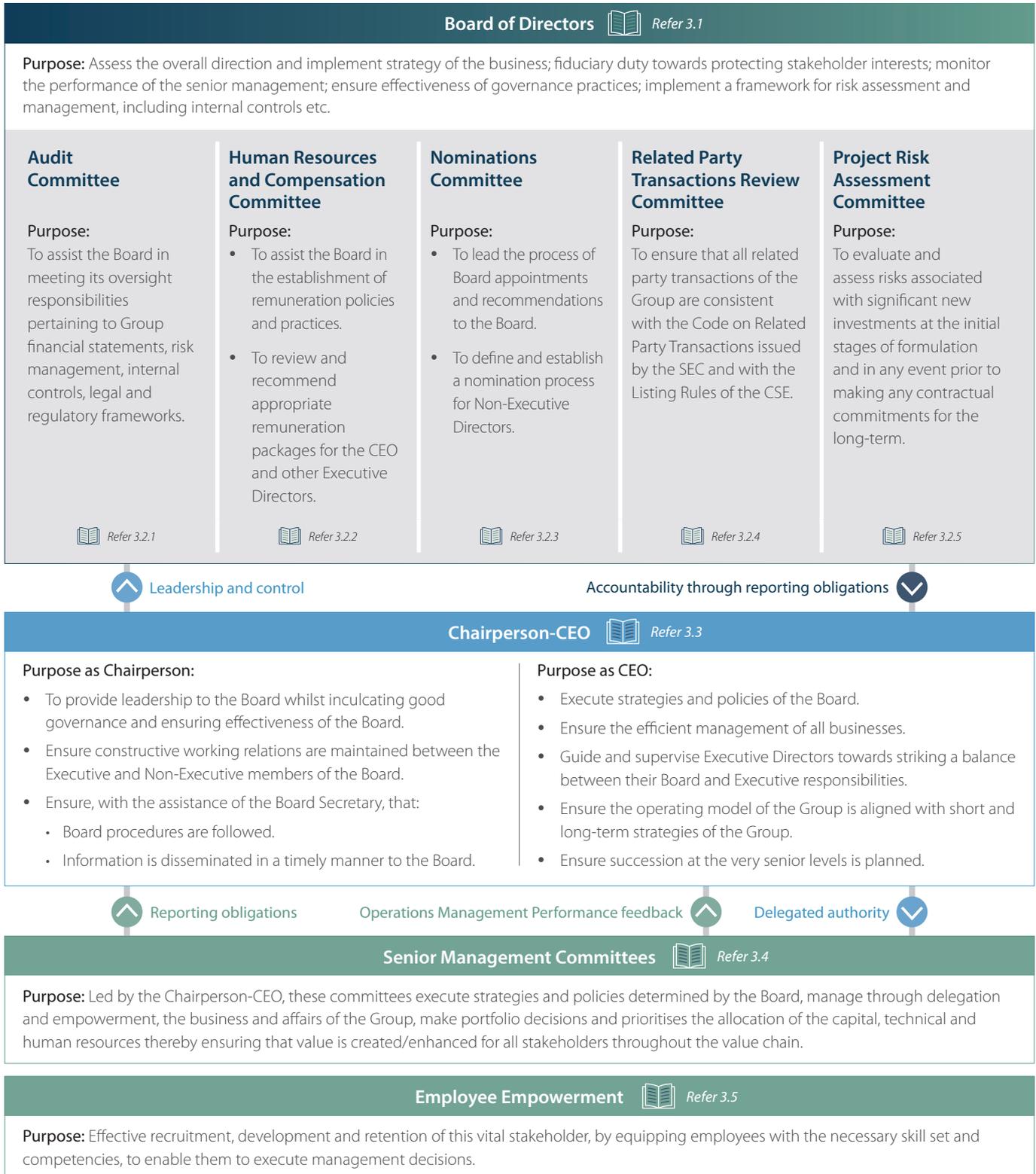
2 THE CORPORATE GOVERNANCE SYSTEM



- All five Board Sub-Committees are chaired by Independent Directors appointed by the Board.
- The Chairperson-CEO is present at all Human Resources and Compensation Committee meetings unless the Chairperson-CEO's performance assessment or remuneration is under discussion. The Deputy Chairperson/Group Finance Director is invited, as necessary.
- Audit Committee meetings are attended by the Chairperson-CEO, the Deputy Chairperson/Group Finance Director and the Head of Group Business Process Review, as the Committee Secretary. External Auditors and the Group Financial Controller are regular attendees.
- The GOC acts as the binding agent to the various businesses within the Group towards identifying and extracting Group synergies.
- Only the key components are depicted in the diagram.

3 INTERNAL GOVERNANCE STRUCTURE

The Internal Governance Structure comprises of the committees which formulate, execute and monitor Group strategies and initiatives and the policies, processes and procedures employed for doing so. These components have an impact on the execution and monitoring of all governance related initiatives, systems and methods, and is illustrated as follows:



The components of the internal governance structures are strengthened and complemented by internal policies, processes and procedures, such as, strategy formulation and decision-making, human resource governance, sustainability governance, integrated risk management, IT governance, tax stewardship and stakeholder management and effective communication.

CORPORATE GOVERNANCE COMMENTARY

3.1 The Board of Directors

3.1.1 Board Oversight, Functions and Responsibilities

While the Board is accountable and responsible for the strategic direction and management of the Company, it typically delegates the authority to the Chairperson-CEO and senior management to carry out day-to-day operations of the businesses. Once the Board has delegated broad authority, its primary responsibility is to oversee management's performance and ensure compliance with the broad policies and established governance principles.

Board oversight involves the continual inquiry by Directors into whether the Board's delegation of authority to management is reasonable, and whether the Board has received sufficient and accurate information from management to make that determination.

Typical areas of oversight include strategic initiatives, financial performance, the integrity of financial statements, accounting and financial reporting processes, risk management, governance and compliance, and environmental, social and governance (ESG) matters. The Group's governance framework ensures that Directors are well-positioned to satisfy their oversight responsibility through periodic assessment of Board agenda priorities and the related structures, processes, and controls that are in place to ensure that the Board is well-informed on a timely basis of matters requiring attention.

“Typical areas of oversight include strategic initiatives, financial performance, the integrity of financial statements, accounting and financial reporting processes, risk management, governance and compliance, and environmental, social and governance (ESG) matters.”

The Board's key responsibilities include:

- Providing direction and guidance to the Group in the formulation of sustainable, high-level, medium, and long-term strategies which are aimed at promoting the long-term success of the Group.
- Reviewing and approving annual plans and long-term business plans.
- Tracking actual progress against plans.
- Ensuring business is conducted with due consideration on ESG factors.
- Reviewing HR processes with emphasis on top management succession planning, including the diversity, equity and inclusion (DE&I) strategy.
- Ensuring operations are carried within the scope of the Enterprise Risk Management framework.
- Appointing and reviewing the performance of the Chairperson-CEO.
- Ensuring compliance with laws, regulations and ethical standards and monitoring systems of governance and compliance, including concerns on ethics, bribery and corruption.
- Overseeing systems of internal control, risk management and establishing whistle-blowing conduits.
- Determining any changes to the discretions/authorities delegated from the Board to the executive levels.
- Reviewing and approving major acquisitions, disposals and capital expenditure.
- Approving any amendments to constitutional documents.
- Approving the issue of JKH equity/debt/hybrid securities.
- Ensuring all related party transactions are compliant with statutory obligations.
- Ensuring that the Company's values and standards are set with emphasis on adopting appropriate accounting policies and fostering compliance with financial regulations.
- Ensuring all stakeholder interests are considered in corporate decisions.
- Ensuring sustainable business development in corporate strategy decisions and activities.
- Fulfilling such other Board functions as are vital, given the scale, nature and complexity of the business concerned.

3.1.2 Board Composition

As at 21 May 2024, the Board comprised of seven Directors, with five of them being Independent Non-Executive Directors, ensuring a strong element of independence on the Board.

Independent Non-Executive Directors add value to strategic discussions and decision-making, whilst enhancing fair-mindedness. The Group policy is to maintain a healthy balance between Executive, Non-Executive and Independent Directors, in keeping with the applicable rules and codes, with the Executive Directors bringing in deep knowledge of the businesses and the Non-Executive Independent Directors bringing in experience, objectivity and independent oversight.

The key changes to the Board composition during the year under review are as follows:

- Ms. P Perera (Independent Non-Executive Director) retired from the Board with effect from 1 July 2023, having served on the Board of Directors for nine consecutive years.
- Mr. S Fernando was appointed to the Board with effect from 9 August 2023 as an Independent Non-Executive Director.

The current composition of the JKH Board is illustrated as follows:

| Name of Director | Executive/ Non-Executive Director | Independent/ Non-Independent Director | Year of Appointment | Age (as at 21 May 2024) | Meeting Attendance (Eligible to attend/ Attended) | Board Sub-Committee Membership | | | | | Tenure on the Board (Years) |
|------------------|-----------------------------------|---------------------------------------|---------------------|-------------------------|---|--------------------------------|------|----|-------|------|-----------------------------|
| | | | | | | AC | HRCC | NC | RPTRC | PRAC | |
| A Cabraal | NED | ID | 2013/14 | 67 | 5/5 | ● | ▲ | ▲ | ● | | 10 |
| S Coorey | NED | ID | 2022/23 | 65 | 5/5 | | | | ● | | 1 |
| S Fernando** | NED | ID | 2023/24 | 50 | 3/3 | ● | | | ● | | 9 Months |
| N Fonseka* | NED | ID | 2013/14 | 71 | 5/5 | ▲ | | | ▲ | | 10 |
| H Wijayasuriya | NED | ID | 2016/17 | 56 | 5/5 | | ● | ● | | ▲ | 7 |
| K Balendra | ED | NID | 2016/17 | 51 | 5/5 | | | | ● | ● | 7 |
| G Cooray | ED | NID | 2016/17 | 47 | 5/5 | | | | | ● | 7 |

● Member ▲ Chair

*Senior Independent Director.

**Appointed to the Board with effect from 9 August 2023.

AC - Audit Committee

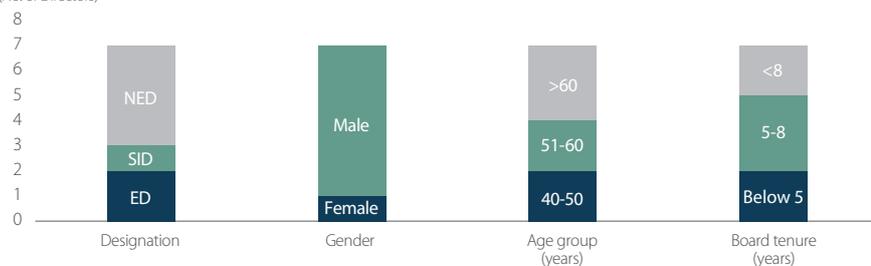
HRCC - Human Resources and Compensation Committee

NC - Nominations Committee

RPTRC - Related Party Transactions Review Committee

PRAC - Project Risk Assessment Committee

(No. of Directors)



3.1.3 Board Skills

The Group is conscious of the need to maintain an appropriate mix of skills and experience in the Board through an annual review of its composition in order to ensure Board balance, diversity and appropriate levels of relevant skills and expertise aligned with the current and future needs of the Company and the Group.

Collectively, the Board brings in a multi-dimensional wealth of diverse exposure in the fields of management, business administration, banking, finance, economics, taxation, marketing and human resources. All Directors possess the skills, expertise and knowledge complemented with a high sense of integrity and independent judgement.

 Further details of their qualifications and experience are provided under the Board and Management Profiles section - page 207

3.1.4 Board Access to Independent Professional Advice

To preserve the independence of the Board and to strengthen decision-making, the Board is encouraged, where applicable and relevant, to seek independent professional advice, in furtherance of their duties, at the Group's expense. This is coordinated through the Board Secretary, as and when requested.

3.1.5 Board Appointment

Board appointments follow a structured and formal process within the purview of the Nominations Committee. The Committee has overall responsibility for making recommendations to the Board on all new appointments and for ensuring that the Board and its Committees have the appropriate balance of skills. The Board considers the recommendations of the Nominations Committee for appointment or re-election by the Board and where relevant by the shareholders at the Annual General Meeting.

Details of new Director appointments are disclosed to the Colombo Stock Exchange and media at the time of their appointment through a public announcement, covering the following:

- A brief resume of the Director.
- The nature of their expertise in relevant functional areas.
- The names of companies in which the Director holds directorships or memberships in board committees.
- Whether such Director can be considered 'Independent'.

Details of such appointments are also carried in the relevant Interim Releases, the Annual Reports and Investor Relations publications.

The appointment of all Directors complies with applicable laws and rules, including the qualifying and fit-and-proper criteria stipulated by the Listing Rules and Companies Act. Further, each Director annually signs a declaration which determines their independence based on such declaration and other information available to the Board. Directors are required to report any substantial change in their professional responsibilities and business associations to the Nominations Committee, which will examine the facts and circumstances and make recommendations to the Board accordingly.

 The Terms of Reference for the members of the Nominations Committee, and the Committee report can be found in the Nominations Committee section of this report - page 227

3.1.6 Board Induction and Training

When Directors are newly appointed to the Board, they undergo a comprehensive induction where they are apprised, inter-alia, of the Group values and culture, its operating model, policies, governance framework and processes, the Code of Conduct (which includes anti-corruption and anti-bribery) and the operational, environmental and social strategies of the Group.

Additionally, the newly appointed Directors are granted access to relevant segments of the business and are given the opportunity to meet with Key Management Personnel and other key third-party service providers such as, External Auditors and Risk Consultants.

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The Board of Directors recognise the need for continuous training and expansion of knowledge and undertakes such professional development, as they consider necessary, to assist them in carrying out their duties as Directors.

3.1.7 Re-Election

All Non-Executive Directors are appointed for a period of three years and can serve up to a maximum of three successive terms, unless an extended Board tenure is necessitated by the requirements of the Group. All contracts are renewed by the Board based on the recommendation of the Nominations Committee. In terms of the Articles of Association, one third of all the Executive and Non-Executive Directors, except for the Chairperson-CEO, are eligible for re-election at the annual general meeting by the shareholders.

Annually, the Board discusses the possibility of any impairment of Director independence due to extended Board tenures, and collectively evaluates the re-election of such Board members.

Given the need for a combined Chairperson-CEO role, the Chairperson does not come up for re-election as in the case with other Executive and Non-Executive Directors. It is noted that the Articles of Association of the Company allow for this.

3.1.8 Board Meetings

3.1.8.1 Regularity of Meetings and Pre-Board Meetings

During the financial year under review, there were five Board meetings, which were scheduled well in advance to ensure full attendance.

All pre-scheduled Board meetings are generally preceded by a Pre-Board meeting, which is usually held on the day prior to the formal Board Meeting. In addition to these Pre-Board meetings, the Board of Directors communicate, as appropriate, when issues of strategic importance requiring extensive discussions arise.

The attendance at the Board meetings held during the financial year 2023/24 is given below:

| Name | Year of Appointment to the Board | 23/05/2023 | 25/07/2023 | 04/09/2023 | 07/11/2023 | 31/01/2024 | Eligibility | Attended |
|----------------|----------------------------------|------------|------------|------------|------------|------------|-------------|----------|
| A Cabraal | 2013/14 | ✓ | ✓ | ✓ | ✓ | ✓ | 5 | 5 |
| S Coorey | 2022/23 | ✓ | ✓ | ✓ | ✓ | ✓ | 5 | 5 |
| S Fernando* | 2023/24 | N/A | N/A | ✓ | ✓ | ✓ | 3 | 3 |
| N Fonseka | 2013/14 | ✓ | ✓ | ✓ | ✓ | ✓ | 5 | 5 |
| P Perera** | 2014/15 | ✓ | N/A | N/A | N/A | N/A | 1 | 1 |
| H Wijayasuriya | 2016/17 | ✓ | ✓ | ✓ | ✓ | ✓ | 5 | 5 |
| K Balendra | 2016/17 | ✓ | ✓ | ✓ | ✓ | ✓ | 5 | 5 |
| G Cooray | 2016/17 | ✓ | ✓ | ✓ | ✓ | ✓ | 5 | 5 |

*Appointed with effect from 9 August 2023.

**Retired on 1 July 2023.

3.1.8.2 Timely Supply of Information

The Directors were provided with necessary information, well in advance, by way of electronic Board papers and proposals, as relevant, for all Board meetings held during the year, in addition to the monthly and quarterly information submitted pertaining to the Group, in order to ensure robust discussion, informed deliberation and effective decision-making.

The Directors continue to have access to, and independent contact with, the corporate and senior management of the Group.

3.1.8.3 Board Agenda

The Chairperson-CEO ensured that all Board proceedings were conducted smoothly and efficiently, approving the agenda for each meeting prepared by the Board Secretary. The typical Board agenda in 2023/24 entailed, discussion of matters arising from the previous minutes, submission of Board Sub-Committee reports, status updates of major projects and raising of capital, review of performance, strategy formulation, approval of quarterly and annual financial statements, review of risk, sustainability and corporate social responsibility related aspects, ratification of capital expenditure, ratification of Circular Resolutions and use of Common Seal, among others. Added emphasis was also placed on business performance in lieu of the challenges stemming from the macroeconomic volatilities and uncertainties.

3.1.9 Board Secretary

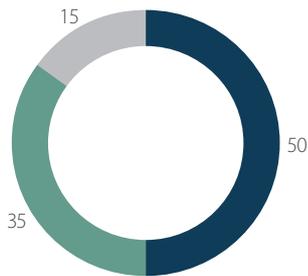
The President Legal, Secretarial and Corporate Social Responsibility (CSR) of the Group, who is an Attorney-at-Law by profession and a registered company secretarial practitioner, is the Secretary to the Board. In addition to maintaining Board minutes and Board records, the Board Secretary provides support in ensuring that the Board receives timely and accurate information in addition to advice relating to corporate governance matters, Board procedures and applicable rules and regulations during the year. All concerns raised and wished to be recorded have been documented in sufficient detail.

3.1.10 Time Dedicated by Non-Executive Directors

The Board has dedicated adequate time for the fulfilment of their duties as Directors of the Group. It is estimated that each Non-Executive Director devoted ~30 full time equivalent days to the Group during the year. The general time allocation is illustrated below.

Time Commitment

(%)



- Strategy and performance
- Assurance and risk management
- Other board matters

In addition to attending Board meetings and Pre-Board meetings, the Directors have attended the respective Sub-Committee meetings and have also contributed to decision-making via Circular Resolutions and one-on-one meetings with Key Management Personnel, when necessary.

3.1.11 Board Evaluation

The Board conducted its annual Board performance appraisal for the financial year 2023/24. This formalised process of individual appraisal enabled each member to self-appraise, on an anonymous basis, the performance of the Board under the areas of:

- Role clarity and effective discharge of responsibilities
- People mix, balance and structures
- Systems and procedures
- Quality of participation
- Board and corporate image and reputation

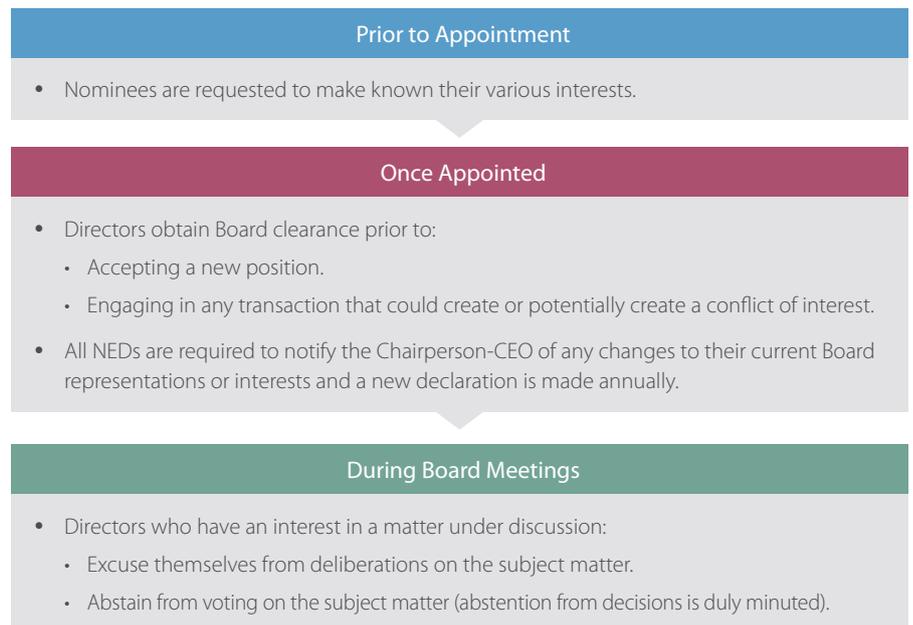
The scoring and open comments are collated by the Senior Independent Director to ensure an independent evaluation process. The results are analysed to give the Board an indication of its effectiveness as well as areas that require addressing and/or strengthening. Despite the original anonymity of the remarks, the open and frank discussions that follow include some Directors identifying themselves as the person making the remark, reflecting the openness of the Board. This process has led to an improvement in the Board dynamics based on the evaluations and deliberations in the past, including the 2022/23 evaluation. More recent deliberations have centred around the completion of the large ticket investments of the Group, continuous enhancement on the approach to proactively managing identification of risks, particularly in relation to cybersecurity risks, business resilience and enterprise risk management, including holistic ESG-related policies.

3.1.12 Ensuring Independence and Managing Conflicts of Interests

As at 21 May 2024, the Board comprised of seven Directors, with five of them being Independent Non-Executive Directors, ensuring a strong element of independence on the Board.

The Group takes necessary steps to ensure that Directors avoid situations in which they have, or could have, a direct or indirect interest which conflicts with, or might possibly conflict, with the interests of the Group.

In order to avoid such potential conflicts or biases, the Directors make a general disclosure of interests, as illustrated below, at appointment, at the beginning of every financial year, and during the year, as required. Such potential conflicts are reviewed by the Board from time to time to ensure the integrity of the Board's independence. The details of companies in which Board members hold Board or Board Committee membership are available with the Company Secretary for inspection by shareholders, on request.



The independence of all its Non-Executive Directors was reviewed on the basis of criteria

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summarised as follows. The Non-Executive Independent Directors did not have a conflict of interest, as per the criteria for independence outlined below.

| Criteria for defining independence | Status of conformity of NEDs |
|--|---|
| 1. Shareholding carrying not less than 10% of voting rights | None of the individual EDs' or NED/IDs' shareholdings exceed 1%. |
| 2. Director of another company* | None of the NED/IDs are Directors of another related party company. |
| 3. Income/non-cash benefit equivalent to 20% of the Director's annual income excluding income/non-cash benefits received which are applicable on a uniform basis to all non-executive Directors on the Board | NED/ID income/cash benefits are less than 20% of an individual Director's annual income. |
| 4. Employment at JKH and/or material business relationship with JKH, currently or in the three years immediately preceding appointment as a Director | None of the NED/IDs are employed or have been employed at JKH. |
| 5. Close family member is a Director, Chief Executive Officer (CEO) or a Key Management Personnel | No family member of the EDs or NED/IDs is a Director or CEO or a Key Management Personnel of a related party company. |
| 6. Has served on the Board continuously for a period exceeding nine years from the date of the first appointment | All NEDs, except Mr. A Cabraal and Mr. N Fonseka, satisfied these criteria for the year 2023/24. The Board determined that, although Mr. A Cabraal and Mr. N Fonseka did not satisfy the said criteria, they did, in the opinion of the Board, satisfy the other qualifying criteria in terms of independence. Having also considered all other factors, the Board is of the view that Mr. A Cabraal and Mr. N Fonseka are Independent. |
| 7. Is employed, is a Director, has a material business relationship and/or significant shareholding in other companies*. Entails other companies that have significant shareholding in JKH and/or JKH has a business connection with | None of the NED/IDs are employed, are Directors, or have a material business relationship or a significant shareholding of another related party company as defined. |

* Other companies in which a majority of the other Directors of the listed company are employed or are Directors, or have a significant shareholding or have a material business relationship or where the core line of business of such company is in direct conflict with the line of business of the listed company.

3.1.12.1 Details in Respect of Directors

The following table illustrates the total number of Board seats (excluding Group Board seats) held in other companies (outside the Group) by each Director.

| Name of Director | No. of Board Seats Held in Other Listed Sri Lankan Companies | | No. of Board Seats Held in Other Unlisted Sri Lankan Companies |
|------------------|--|--|--|
| | Executive Capacity | Non-Executive Capacity | |
| A Cabraal | - | <ul style="list-style-type: none"> Ceylon Beverage Holdings PLC Lion Brewery (Ceylon) PLC Sunshine Holdings PLC | <ul style="list-style-type: none"> Director of seven companies within the Sunshine Holdings Group Director of four companies within the CIC Group (Chairman) Silvermill Investment Holdings (Private) Limited (Chairman) Moose Clothing Colombo (Private) Limited (Chairman) |
| S Coorey | - | <ul style="list-style-type: none"> Dialog Axiata PLC | - |
| S Fernando* | - | - | <ul style="list-style-type: none"> CEO of MAS Holdings (Private) Limited and Director of thirteen companies within the MAS Group World Vision Lanka |
| N Fonseka | - | - | <ul style="list-style-type: none"> Brandix Lanka Limited Phoenix Industries Limited (Chairman) Phoenix Ventures Limited |
| P Perera** | - | - | - |
| H Wijayasuriya | - | <ul style="list-style-type: none"> Dialog Axiata PLC | <ul style="list-style-type: none"> Director of three companies within the Axiata Group Colours and Courage Trust (Guaranteed) Limited Sri Lankan Airlines Limited (NED) Sigiriya Leisure (Private) Limited Sigiriya Residencies (Private) Limited |
| K Balendra | - | - | - |
| G Cooray | - | - | - |

* Appointed to the Board with effect from 9 August 2023.

** Retired from the Board with effect from 1 July 2023.



Refer Board and Management Profiles for other appointments held in trade associations, regional and sectoral councils, regulatory bodies, among others.

| Directors' Shareholding (John Keells Holdings PLC) | 31 March 2024 | 31 March 2023 |
|---|---------------|---------------|
| A Cabraal | 250,137 | 250,137 |
| S Coorey | - | - |
| S Fernando | - | N/A |
| N Fonseka | - | - |
| P Perera* | N/A | - |
| H Wijayasuriya | - | - |
| K Balendra** | 10,914,400 | 10,914,400 |
| G Cooray | 208,587 | 208,587 |

* Retired from the Board with effect from 1 July 2023.

**Includes shareholding of spouse.

| Executive Directors' Shareholding in Listed Group Companies*: | Number of Shares as at 31 March 2024 | |
|---|---|----------|
| | K Balendra | G Cooray |
| Ceylon Cold Stores PLC | 802,320 | - |
| Asian Hotels and Properties PLC | - | 10,600 |
| Trans Asia Hotels PLC | - | 1,200 |

*Includes shareholding of spouse.

3.1.13 Director Remuneration

3.1.13.1 Executive Director Remuneration

The HRCC is responsible for determining the compensation of the Chairperson-CEO and the Deputy Chairperson/Group Finance Director, both Executive Directors of the Group. The HRCC operates in conformity with applicable rules and regulations.

The HRCC is comprised solely of Independent, Non-Executive Directors and serves as an independent conduit for shareholder and other stakeholder interests. The members of the HRCC, as with all other Independent Non-Executive Directors of the Company, are appointed by the Board on the recommendations of the Nominations Committee and are put forward for re-election by the shareholders at the Annual General Meeting convened following their appointment.

 Refer the Human Resources and Compensation Committee section of this report for further details - page 226

A significant proportion of Executive Director remuneration is variable. The variability is linked to the peer-adjusted consolidated Group bottom line and expected returns on shareholder funds. In determining remuneration, other ESG considerations, including non-financial key performance indicators (KPIs), are also given due prominence. Further, the Human Resources and Compensation Committee consults the Chairperson-CEO about any proposals relating to the Executive Director remuneration, other than that of the Chairperson-CEO.

During the year, employee share options (ESOPs), valued using a binomial pricing model, were granted to the Executive Directors as well as to all other eligible employees.

 Further details are found in the Notes to the Financial Statements section and Share Information section of this Annual Report.

Options available to Executive Directors under Employee Share Options Scheme:

| Year of expiry | K Balendra | | | G Cooray | | |
|----------------|---------------------------|---------------------|------------------|---------------------------|---------------------|----------------|
| | Granted shares (Adjusted) | Immediately vesting | To be vested | Granted shares (Adjusted) | Immediately vesting | To be vested |
| 2024/25 | 450,000 | 450,000 | - | 430,000 | 430,000 | - |
| 2025/26 | 450,000 | 337,500 | 112,500 | 430,000 | 322,500 | 107,500 |
| 2026/27 | 450,000 | 225,000 | 225,000 | 430,000 | 215,000 | 215,000 |
| 2027/28 | 450,000 | 112,500 | 337,500 | 412,000 | 103,000 | 309,000 |
| 2028/29 | 360,000 | - | 360,000 | 329,600 | - | 329,600 |
| Total | 2,160,000 | 1,125,000 | 1,035,000 | 2,031,600 | 1,070,500 | 961,100 |

Excluding ESOPs granted, the total aggregate remuneration paid to Executive Directors for the year under review was Rs.263 million [2022/23: Rs.196 million] of which Rs.92 million [2022/23: Rs.54 million] was the variable portion linked to the performance benchmark as described above and Rs.171 million [2022/23: Rs.142 million] was the fixed remuneration.

3.1.13.2 Non-Executive Director Remuneration

The compensation of Non-Executive Directors was determined in reference to fees paid to other Non-Executive Directors of comparable companies, and adjusted, where necessary, in keeping with the complexity of the Group. Non-Executive Directors were paid additional fees for either chairing or being a member of a Sub-Committee and did not receive any performance/incentive payments/share option plans.

The total aggregate of Non-Executive Director remuneration for the year was Rs.26 million [2022/23: Rs.20 million].

3.1.13.3 Compensation for Early Termination

In the event of an early termination of a Director, there are no compensation commitments other than for:

- Executive Directors: as per their employment contract similar to any other employee.
- Non-Executive Directors: accrued fees payable, if any, as per the terms of their contract.

CORPORATE GOVERNANCE COMMENTARY

3.2 Board Sub-Committees

Whilst retaining final decision rights, the Board has delegated certain functions to Board Sub-Committees. Members of these Sub-Committees focus on their designated areas of responsibility and impart knowledge and oversight in areas where they have greater expertise.

The five Board Sub-Committees are as follows:

- i. Audit Committee
- ii. Human Resources and Compensation Committee
- iii. Nominations Committee
- iv. Related Party Transactions Review Committee
- v. Project Risk Assessment Committee

Out of the five Board Sub-Committees, four are mandatory, whilst the Project Risk Assessment Committee was formed voluntarily, considering the diverse nature of businesses within the Group.

Important matters arising from the Board Sub-Committee meetings are deliberated at the Board meetings, and any concerns identified are referred to the Board for oversight.

The Board Sub-Committees comprise predominantly of Independent Non-Executive Directors.

The membership of the five Board Sub-Committees is as follows;

| Board Sub-Committee membership as at 21 May 2024 | Audit Committee | Human Resources and Compensation Committee | Nominations Committee | Related Party Transactions Review Committee | Project Risk Assessment Committee |
|---|-----------------|--|-----------------------|---|-----------------------------------|
| Senior Independent Non-Executive | | | | | |
| N Fonseka | ▲ | | | ▲ | |
| Independent Non-Executive | | | | | |
| A Cabraal | ● | ▲ | ▲ | ● | |
| S Coorey | | | ● | | |
| S Fernando | ● | | | ● | |
| H Wijayasuriya | | ● | ● | | ▲ |
| Executive | | | | | |
| K Balendra – Chairperson-CEO | | | ● | | ● |
| G Cooray – Deputy Chairperson/ Group Finance Director | | | | | ● |

● Committee Member ▲ Committee Chair

3.2.1 Audit Committee

Composition

- All members are Non-Executive Independent Directors, with at least one member having significant, recent and relevant financial management and accounting experience, and membership in a recognised professional accounting body.
- The Chairperson-CEO and the Group Finance Director are permanent invitees for all Committee meetings. The Group Financial Controller is also present at discussions relating to Group reporting.
- The Head of the Group Business Process Review division is the Secretary of the Committee.

Scope

- Overseeing the preparation, presentation and review of the quarterly and annual financial statements, including the quality, transparency, integrity, accuracy and compliance with accounting standards, laws and regulations, prior to tabling the same for the approval of the Board of Directors.
- Obtain and review assurance received from the CEO, Group Finance Director and other Key Management Personnel, as relevant that the financial records have been properly maintained and the financial statements give a true and fair view of the Company's and Group's operations and finances.
- Evaluate the competence and effectiveness of the risk management systems and internal controls of the Group and ensure robustness and effectiveness in monitoring and controlling risks, as recommended by the internal auditors.
- Review the adequacy and effectiveness of internal and external audit arrangements.
- Review the risk policies adopted by the Company on an annual basis.
- Recommend the appointment, re-appointment and removal of the External Auditors including their remuneration and terms of engagement by assessing qualifications, expertise, resources and independence.

3.2.1.1 Report of the Audit Committee

The role of the Audit Committee is to assist the Board in fulfilling its oversight responsibilities in relation to the integrity of the financial statements of the Company and the Group, the internal control and risk management framework and systems of the Group, compliance with legal and regulatory requirements, the External Auditors' suitability, performance, and independence, and, the adequacy and performance of the Internal Audit function undertaken by the Group Business Process Review division (Group BPR). The scope of functions and responsibilities are adequately set out in the terms of reference of the Committee which has been approved by the Board and is reviewed annually.

The Committee's responsibilities pertain to the Group as a whole and in discharging its responsibilities, the Committee places reliance on the work of other Audit Committees in the Group without

prejudicing the independence of those Committees. However, to the extent, and in a manner, it considers appropriate, the Committee provides feedback to those entities for their consideration and necessary action.

The effectiveness of the Committee is evaluated annually by each member of the Committee and the results are communicated to the Board.

Composition of the Committee and Meetings

The Audit Committee comprises the undersigned and the following Independent Non-Executive Directors:

A Cabraal

P Perera

S Fernando – appointed with effect from 9 August 2023

P Perera – retired from the Audit Committee with effect from 1 July 2023

S Coorey – was appointed to the Audit Committee with effect from 1 July 2023 and resigned with effect from 8 November 2023

The Head of the Group BPR division served as the Secretary to the Audit Committee.

The Audit Committee met five times during the financial year. Information on the attendance at these meetings by the members of the Committee is given in the ensuing section. The Chairperson/CEO, the Deputy Chairperson/Group Finance Director, Group Financial Controller and the External Auditors attended most parts of these meetings by invitation. The Internal Auditors carried out outsourced assignments and relevant executives of the Company and the Group also attended these meetings when needed. The Committee engaged with management to review key risks faced by the Group as a whole and the main sectors with a view to obtaining assurances that appropriate and effective risk mitigation strategies were in place.

The activities and views of the Committee were communicated to the Board of Directors quarterly through verbal briefings by the Chairman of the Committee, and by tabling the minutes of the Committee's meetings.

Financial Reporting

The Audit Committee has reviewed and discussed the Group's quarterly financial statements and the annual statements with the Management. The External Auditors were engaged to conduct a limited review of the Group's interim financial statements for the six months ended 30 September 2023. The results of this review were discussed with the External Auditors prior to publication of these statements. The scope of the review included ascertaining compliance of the statements and disclosures with the Sri Lanka Accounting Standards, the appropriateness and changes in accounting policies and material judgemental matters. Discussions were also held with the External Auditors and Management on matters communicated to the Committee by the External Auditors in their reports to the Committee on the audit for the year.

The Committee obtained independent input from the External Auditors on the effects of any new Sri Lanka Accounting Standards that came into effect for the year under review and satisfied themselves that the necessary preparatory work was carried out, to enable the Company to comply with these new standards.

Internal Audit, Risks and Controls

The Committee reviewed the adequacy of the Internal Audit coverage for the Group and the Internal Audit Plans for the Group with the Head of the Group BPR division and the Management. The Internal Audit function of most Group companies is outsourced to leading professional firms under the direction and control of the Group BPR division.

The Group BPR division regularly reported to the Committee on the adequacy and effectiveness of internal controls in the Group and compliance with laws and regulations and established policies and procedures of the Group. Reports from outsourced Internal Auditors on the operations of the Company and some of the unlisted subsidiaries of the Company were also reviewed by the Committee. Follow-up action was taken on the recommendations of the outsourced Internal Auditors and any other significant follow-up matters were documented and presented to the Committee on a quarterly basis by the Head of Group BPR. The Committee also reviewed the effectiveness of digital forensic tools used by Group BPR.

The Sustainability and Enterprise Risk Management division reported to the Committee on the process of identification, evaluation and management of all significant risks faced by the Group. The report covered the overall risk profile of the Group for the year under review in comparison with that of the previous year, and the most significant risks from a Group perspective together with mitigatory action. The Group functions in an environment where not all risks can be completely eliminated and in this context the Committee reviews remedial measures taken to manage risks that do materialise and the level of residual risk.

Formal confirmations and assurances were obtained from the senior management of Group companies on a quarterly basis regarding the efficacy and status of the internal control systems and risk management systems and compliance with applicable laws and regulations.

The Committee reviewed the whistleblowing arrangements for the Group and had direct access to the Ombudsperson for the Group. The effectiveness and resource requirements of the Group BPR division were reviewed and discussed with management and changes were affected where considered necessary.

External Audit

The External Auditors' Letter of Engagement, including the scope of the audit, was reviewed and discussed by the Committee with the External Auditors and management prior to the commencement of the audit.

The External Auditors kept the Committee advised on an on-going basis regarding matters of significance that were pending resolution. Before the conclusion of the Audit, the Committee met with the External Auditors and management to discuss all audit issues and to agree on actions. This included the discussion of formal reports from the External Auditors to the Committee. The Committee also met the External Auditors, without management being present, prior to the finalisation of the financial statements to obtain their input on specific issues and to ascertain whether they had any areas of concern relating to their work. No matters other than those already discussed with management and resolved were raised by the External Auditors.

The External Auditors' final management reports on the audit of the Company and the Company and Group financial statements for the year 2023/24 were discussed with the Management and the Auditors.

CORPORATE GOVERNANCE COMMENTARY

The Committee is satisfied that the independence of the External Auditors has not been impaired by any event or service that gives rise to a conflict of interest. Due consideration has been given to the nature of the services provided by the Auditors and the level of audit and non-audit fees received by the Auditors from the John Keells Group and pre clearance was given for these services. The Committee also reviewed the arrangements made by the Auditors to maintain their independence and confirmation has been received from the Auditors of their compliance with the independence guidance given in the Code of Ethics of the Institute of Chartered Accountants of Sri Lanka.

The performance of the External Auditors has been evaluated with the aid of a formal assessment process with input provided by the senior management of the Company. Based on the performance assessment, the Committee has recommended to the Board that Ernst & Young be re-appointed as the Lead/Consolidation Auditor of the Group for the financial year ending 31 March 2025, subject to approval by the Shareholders at the Annual General Meeting.



N Fonseka
Chairperson of the Audit Committee

21 May 2024

3.2.1.2 Audit Committee meeting attendance

No. of meetings – Five

| | Eligible to Attend | Attended | Date of Appointment |
|----------------------|--------------------|----------|---------------------|
| A Cabraal | 5 | 5 | 07/11/2013 |
| S Coorey* | 2 | 2 | 01/07/2023 |
| S. Fernando** | 2 | 2 | 09/08/2023 |
| N Fonseka | 5 | 5 | 07/11/2013 |
| P Perera*** | 2 | 2 | 24/07/2014 |
| By Invitation | | | |
| K Balendra | 5 | 5 | |
| G Cooray | 5 | 4 | |

* Appointed with effect from 1 July and resigned with effect from 8 November 2023.

** Appointed with effect from 9 August 2023.

*** Retired with effect from 1 July 2023.

Note: The Committee convened at least once every quarter.

3.2.2 Human Resources and Compensation Committee

Composition

- The Committee comprises exclusively of Independent Non-Executive Directors.
- The Chairperson of the Committee must be an Independent Non-Executive Director.
- The Chairperson-CEO and Group Finance Director are invited to all Committee meetings unless the Chairperson-CEO or Executive Director remuneration is under discussion, respectively.
- The Deputy Chairperson/Group Finance Director is the Secretary of the Committee.

Scope

- Review and recommend overall remuneration philosophy, strategy, policies and practice and performance-based pay plans for the Group.
- Determine and agree with the Board a framework for the remuneration of the Chairperson-CEO and Executive Directors based on performance targets, benchmark principles, performance related pay schemes, industry trends and past remuneration.
- Succession planning and talent management of Key Management Personnel.
- Ensure the integrity of the Group's compensation and benefits programme is maintained.
- Commission compensation and benefit surveys as appropriate to assist the Committee in its deliberations.
- In performing these functions, to ensure that stakeholder interest are aligned and that the Group is able to attract, motivate and retain talent.
- At its discretion, the Committee may invite external specialists to provide advice and information on relevant remuneration and Human Resource development practices.
- Determining compensation of Non-Executive Directors is not under the scope of this Committee.

3.2.2.2 Human Resources and Compensation Committee meeting attendance

No. of meetings – One

| | Eligible to Attend | Attended | Date of Appointment |
|----------------------|--------------------|----------|---------------------|
| A Cabraal | 1 | 1 | 29/01/2015 |
| H Wijayasuriya | 1 | 1 | 05/11/2016 |
| By Invitation | | | |
| S Coorey | 1 | 0 | |
| N Fonseka | 1 | 1 | |
| K Balendra | 1 | 1 | |
| G Cooray | 1 | 1 | |

3.2.2.1 Report of the Human Resources and Compensation Committee

The Human Resource and Compensation Committee forms a key part of the governance framework of the Group and carries the mandate to oversee the compensation and benefits policies adopted by the Group, and in doing so, review and recommend overall remuneration philosophy, strategy, policies and practices and performance-based pay plans. Furthermore, it reviews performance, compensation and benefits of the CEO, the other Executive Directors, and key executives who support and implement decisions at an apex level, the overall business strategy and make recommendations, thereon to the Board. The Committee also reviews and monitors the performance of the Group's top talent for the purposes of organisational growth and succession planning, with particular emphasis on succession at key executive levels.

In performing this role, the Committee is conscious of the need to ensure that stakeholder interests are aligned, and the Group is able to attract, motivate, retain talent and ensure their loyalty; the integrity of the Group's compensation and benefits programme is maintained and importantly, that the compensation policy and schemes are compliant with applicable laws and regulations.

In this context, the Committee determined the remuneration of the Executive Directors including the Chairperson-CEO in terms of the methodology set out by the Board, upon an evaluation of their performance by the Non-Executive Directors. The evaluation of the members of the Group Executive Committee was considered by the Committee and remuneration was determined based on performance, market comparators for similar positions and in accordance with the Company's Compensation and Benefits policy.

As per the mandate outlined, the report from the Chairperson of the Human Resources and Compensation Committee continues to be a standing agenda item at the quarterly Board meetings. The Chairperson of the Committee reports on the developments which have taken place since the last Board meeting, if any, and updates the Board on various matters, as relevant and requested.

The Committee wishes to report that the Company has complied with the Companies Act in relation to remuneration of Directors. The annual performance appraisal scheme, the calculation of short-term incentives, and the award of ESOPs were executed in accordance with the approvals given by the Board, based on discussions conducted between the Committee and the Management.



A Cabraal
Chairperson of the Human Resources and Compensation Committee

20 May 2024

3.2.3 Nominations Committee

Composition

- Majority of the members of the Committee shall be Non-Executive Directors together with the Chairperson-CEO.
- The Chairperson of the Committee must be an Independent Non-Executive Director.
- The Secretary to the Board is the Secretary of the Committee.

Scope

- Assess the skills required on the Board given the needs of the businesses.
- From time to time assess the extent to which the required skills are represented at the Board.
- Prepare a clear description of the role and capabilities required for a particular appointment.
- Identify and recommend suitable candidates for appointments to the Board.
- Ensure, on appointment to the Board, Non-Executive Directors receive a formal letter of appointment specifying clear expectations in terms of time commitment, involvement outside of the formal Board meetings and participation in Committees, amongst others.
- Ensure that every appointee undergoes an induction to the Group.
- The appointment of the Chairperson-CEO and Executive Directors is a collective decision of the Board.

CORPORATE GOVERNANCE COMMENTARY

3.2.3.1 Report of the Nominations Committee

The Nominations Committee as at 31 March 2024, consisted of the following members:

A Cabraal (Chairperson)
K Balendra
H Wijayasuriya
S Coorey (appointed w.e.f 8 November 2023)

**Note: P Perera resigned as a member of the Nominations Committee consequent to her resignation from the Board on 1 July 2023.*

The Nominations Committee reaffirmed its mandate to:

- Recommend to the Board the process of selecting the Chairperson and Deputy Chairperson.
- Assess the skills required for each business, based on the strategic demands to be met by JKH and other listed companies of the Group.
- Identify suitable persons to be appointed as Non-Executive Directors to the Board of JKH and make recommendations to other listed companies in the Group, taking into consideration qualifying criteria stipulated under applicable laws and rules.
- Review the structure, size, composition and skills of each Board.
- Ensure that every appointee undergoes an induction.
- Make recommendations on matters referred to it by the Board.

During the reporting period, the following appointments were made consequent to the recommendation of the Committee:

John Keells Holdings PLC

- D V R S Fernando (new appointment)

Tea Smallholder Factories PLC

- A S Jayatilleke (renewal)
- A Goonethileke (renewal)

Trans Asia Hotels PLC

- N L Gooneratne (renewal)

Union Assurance PLC

- P T Wanigasekara (new appointment)
- D H Fernando (renewal)

The Committee reports its activities at each Board Meeting.

The Committee continues to work with the Board on reviewing its skills mix, based on the immediate and emerging needs of the Group. Further, the Committee discusses with the Board the outputs of the annual JKH Board evaluation.



A Cabraal

Chairperson of the Nominations Committee

20 May 2024

3.2.3.2 Nominations Committee meeting attendance

No. of meetings – Three

| | Eligible to Attend | Attended | Date of Appointment |
|----------------|--------------------|----------|---------------------|
| A Cabraal | 3 | 3 | 07/11/2013 |
| S Coorey | 1 | 1 | 08/11/2023 |
| P Perera* | 1 | 1 | 24/07/2014 |
| H Wijayasuriya | 3 | 3 | 05/11/2016 |
| K Balendra | 3 | 3 | 01/01/2019 |

** Retired with effect from on 1 July 2023.*

3.2.4 Related Party Transactions Review Committee

Composition

- The Chairperson shall be an Independent Non-Executive Director.
- Members of the Committee should be a combination of Non-Executive Directors and Independent Non-Executive Directors.
- The composition may include Executive Directors at the option of the Listed Entity.

Scope

- The Group has broadened the scope of the Committee to include senior decision makers in the list of Key Management Personnel, whose transactions with Group companies also get reviewed by the Committee, in addition to the requisitions of the CSE.
- All proposed Related Party Transactions shall be reviewed in advance and in the event of any material changes, such changes shall also be reviewed by the Related Party Transactions Review Committee prior to the completion of the transaction.
- Develop and recommend for adoption by the Board of Directors of JKH and its listed subsidiaries, a Related Party Transaction Policy which is consistent with the operating model and the delegated decision rights of the Group.
- Update the Board on Related Party Transactions of each of the listed companies of the Group on a quarterly basis and formally requesting the Board to approve the related party transactions following the determination of whether such approval is needed.
- Define and establish the threshold values for each of the subject listed companies in setting a benchmark for Related Party Transactions, Related Party Transactions which have to be pre-approved by the Board, Related Party Transactions which require to be reviewed annually, such as recurrent Related Party Transactions and similar issues relating to listed companies.
- Ensure that they have or have access to expertise to assess all aspects of proposed Related Party Transactions, and where necessary, obtain expert advice from an appropriately qualified person.
- Where a Director has personal material interest in a matter being reviewed by the Committee, such Director shall not be present in the meeting and shall not vote in the matter, except at the request of the Committee.
- Where both the parent company and the subsidiary are Listed Entities, Related Party Transactions Review Committee of the parent company shall function as the Related Party Transactions Review Committee of the subsidiary.

3.2.4.1 Report of the Related Party Transactions Review Committee

Composition

The following Directors served as members of the Committee during the financial year:

N Fonseka

A Cabraal

S Fernando

P Perera – former Chairperson retired from the RPT committee with effect from 1 July 2023

S Coorey – appointed to the RPT committee with effect from 1 July 2023 and resigned with effect from 8 November 2023.

The Chairperson-CEO, Deputy Chairperson/Group Finance Director, and Group Financial Controller attended meetings by invitation. The Head of Group Business Process Review served as the Secretary to the Committee. The Committee held four meetings during the financial year, which were held on a quarterly basis. Information on the attendance at these meetings by the members of the Committee is given alongside. Urgent transactions that required prior approval of the Committee were dealt with by circulation among the members.

Objective and Governing Policies

The objective of the Committee is to exercise oversight on behalf of the Board of John Keells Holdings PLC and its listed Subsidiaries, to ensure compliance with all applicable rules and regulations, namely the Code on Related Party Transactions, as issued by the Securities and Exchange Commission of Sri Lanka ('The Code') and the Listing Rules of the Colombo Stock Exchange (CSE). The Committee has also adopted best practices as recommended by the Institute of Chartered Accountants of Sri Lanka and ensures that transactions are in line with the Groups' internal governance framework and associated policies.

Procedure

The Committee in discharging its functions primarily relied on processes that were validated from time to time and periodic reporting by the relevant entities and Key Management Personnel (KMP) with a view to ensuring that:

- there is compliance with 'The Code' and the Listing Rules of the CSE;
- shareholder interests are protected, and;
- fairness and transparency are maintained.

Non-recurrent Related Party Transactions (RPTs) of listed entities:

The Committee advocated the Management to implement appropriate procedures to ensure that all non-recurrent RPTs of the Group's listed entities are submitted to the Committee, for pre-approval. Accordingly, the Committee reviewed and pre-approved all proposed non-recurrent Related Party Transactions (RPTs) of the parent, John Keells Holdings PLC, and all its listed subsidiaries, namely: Asian Hotels and Properties PLC, Ceylon Cold Stores PLC, John Keells PLC, John Keells Hotels PLC, Keells Food Products PLC, Tea Smallholder Factories PLC, Trans Asia Hotels PLC and Union Assurance PLC.

Recurrent RPTs of listed entities:

The Committee has endorsed guidelines to facilitate disclosures and assurances to be provided by the senior management of listed entities in the Group so as to validate compliance with section 9.5(a) of the Listing Rules and thus exclusion from the mandate for review and pre-approval of such transactions by the Committee.

Accordingly recurrent RPTs as well as the aforesaid disclosures and assurances were reviewed annually by the Committee.

Other significant transactions of non-listed subsidiaries:

Material transactions of non-listed subsidiaries in the Group were presented to the Committee for information.

The Group continued to adopt a broader scope in defining key management personnel including therein all senior decision makers. Accordingly, in addition to the Directors, all Presidents, Executive Vice Presidents, Chief Executive Officers, Chief Financial Officers and Financial Controllers of respective companies/sectors have been designated as KMPs in order to increase transparency and enhance good governance. Annual disclosures from all KMPs setting out any RPTs they were associated with, if any, were obtained and reviewed by the Committee.

The activities and views of the Committee have been communicated to the Board of Directors, quarterly, through verbal briefings, and by tabling the minutes of the Committee's meetings.



N Fonseka

Chairperson of the Related Party Transactions Review Committee

20 May 2024

3.2.4.2 Related Party Transactions Review Committee meeting attendance

No. of meetings – Four

| | Eligible to Attend | Attended | Date of Appointment |
|----------------------|--------------------|----------|---------------------|
| A Cabraal | 4 | 4 | 29/01/2014 |
| S Coorey* | 2 | 2 | 01/07/2023 |
| S Fernando** | 1 | 1 | 08/11/2023 |
| N Fonseka | 4 | 4 | 29/01/2014 |
| P Perera*** | 1 | 1 | 24/07/2014 |
| By Invitation | | | |
| K Balendra | 4 | 4 | |
| G Cooray | 4 | 3 | |

* Appointed with effect from 1 July and resigned with effect from 8 November 2023.

** Attended by invitation on 6 November 2023. Appointed with effect from 8 November 2023.

*** Retired with effect from 1 July 2023.

Note: The Committee convened at least once every quarter.

CORPORATE GOVERNANCE COMMENTARY

3.2.5 Project Risk Assessment Committee

Composition

- Should comprise of a minimum of four Directors.
- Must include the Chairperson-CEO and Deputy Chairperson/ Group Finance Director.
- Must include two Non-Executive Directors.
- The Chairperson of the Committee must be a Non-Executive Director.

Scope

- Review and assess risks associated with large-scale investments and the mitigatory plans thereto, if mitigation is possible, and identify risks that cannot be mitigated.
- Ensure stakeholder interests are aligned, as applicable, in making this investment decision.
- Where appropriate, obtain specialised expertise from external sources to evaluate risks, in consultation with the Group Finance Director.
- Recommend to the Board, necessary action required, to mitigate risks that are identified in the course of evaluating a project in order to ensure that those risks are captured by the Group Risk Matrix for monitoring and mitigation.
- The Committee shall convene only when there is a need to transact in business as per the terms of its mandate.

3.2.5.1 Report of the Project Risk Assessment Committee

No of meetings – The committee did not convene during the year

| | Date of Appointment |
|----------------|---------------------|
| P Perera* | 25/05/2018 |
| H Wijayasuriya | 25/05/2018 |
| K Balendra | 25/05/2018 |
| G Cooray | 25/05/2018 |

*Retired with effect from 1 July 2023.

The following Directors served as members of the Committee during the financial year:

H Wijayasuriya (Chairperson)
K Balendra
G Cooray

The Project Risk Assessment Committee was established with the purpose of further augmenting the Group's Investment Evaluation Framework. The Committee provides the Board with enhanced illumination of risk perspectives with respect to large scale new investments, and also assists the Board in assessing the potential impact of risks associated with such investments. Investments which are referred to the Committee are those which exceed a board-agreed threshold in terms of quantum of investment and/or potential impact to the Group. The Committee accordingly provides early-stage recommendations to the Board with respect to the extent of risk and adequacy of mitigation strategies.

During the year under review, the context of Project Risk Assessment was centred on (i) The extenuating impact of Sri Lanka's macroeconomic crisis on Group businesses and (ii) The two landmark investment projects - 'City of Dreams Sri Lanka' (formerly known as the 'Cinnamon Life Integrated Resort') and the West Container Terminal. Given the scale and impact of the risks and opportunities associated with the said subjects, the committee and board were of the view that related deliberations should take place with participation of the full Board as regular board agenda items.

While there were no specific new investments during the year which required Board Approval as per the Group's financial thresholds, new ventures such as the partnership with the Reliance Group on the marketing and distribution of Beverages in the Indian market, the entry into the partnership with BYD on New Energy Vehicles and the launch of the 'VIMAN' project were a some of the key projects which were also discussed at Board level.



H Wijayasuriya
Chairperson of the Project Risk Assessment Committee

20 May 2024

No of meetings – The committee did not convene during the year

3.3 Combined Chairperson-CEO Role

The Group's Chairperson continued to play the role of the CEO, in addition to the role of Chairperson. The appropriateness of combining the two roles is discussed in detail in the ensuing section.

Purpose as Chairperson:

- To provide leadership to the Board whilst inculcating good governance and ensuring effectiveness of the Board.
- Ensure constructive working relations are maintained between the Executive and Non-Executive members of the Board.
- Ensure, with the assistance of the Board Secretary, that:
 - Board procedures are followed.
 - Information is disseminated in a timely manner to the Board.

Purpose as CEO:

- Execute strategies and policies of the Board.
- Ensure the efficient management of all businesses.
- Guide and supervise Executive Directors towards striking a balance between their Board and Executive responsibilities.
- Ensure the operating model of the Group is aligned with short and long-term strategies of the Group.
- Ensure succession at the very senior levels is planned.

3.3.1 Appropriateness of Combining the Roles of Chairperson and CEO

The appropriateness in combining the roles of the Chairperson-CEO was established after evaluation and debate, internally and externally. The appropriateness of continuing with the combined role is revisited and rigorously evaluated periodically - the Board continues to maintain its position that the combination of the two roles is more appropriate for the Group in meeting stakeholder objectives in a large, diversified conglomerate setting. This view takes into consideration not only the diversity of the industries the Group engages in but also the macroeconomic conditions which requires the leadership to be nimble and agile. These discussions are supported by international best practice accessed through consultancy services and experts.

Market disclosure made under Section 9.6.2 of the Listing Rules of the CSE

In terms of Section 9.6.2, the Chairperson of the Company is an Executive Director, and the Chairperson and Chief Executive Officer ('CEO') positions of the Company are held by the same individual. Since the Company already has in place the role of a Senior Independent Director, the Company is compliant under the alternative option under Section 9.6.1 and Section 9.6.3 of the CSE Listing Rules.

The role of a Senior Independent Director has been in place for over a decade at JKH. It is the view of the Board, and the Group's experience has proven that the JKH Board composition of a majority of Non-Executive Independent Directors, coupled with the role of the Senior Independent Director, and other supporting Board dynamics have enabled the Chairperson-CEO to effectively balance the dual role as the Chairperson of the Board and the CEO of the Company, particularly given the diversified conglomerate structure of the Group.

Experience has proven that the JKH Board composition of a majority of independent Directors coupled with the role of the Senior Independent Director, and other supporting Board dynamics, has enabled the Chairperson-CEO to effectively balance the dual role as the Chairperson of the Board and the CEO of the Company/Group.

Given the need for a combined Chairperson-CEO role, the Chairperson does not come up for re-election as in the case with other Executive and Non-Executive Directors. It is noted that the Articles of Association of the Company allow for this.

- Over the past five to ten years, some companies in certain geographies have moved toward separating the Chairperson and CEO roles, as it is believed, in theory, that an Independent Chairperson improves the ability of the Board of Directors to oversee management.
- However, more recently, empirical research has suggested that combining the roles is likely to yield better performance of the company, and that the independence status of the Chairperson is not a material indicator of firm performance or governance quality [Liu, R (2019), Mubeen, R. et al. (2021)].
- The intended objective of achieving improved governance and higher independence can be better achieved via a focus on certain complementary actions, which have proven to be an effective assurance mechanism to the role of a combined Chairperson-CEO. If the same objective can be achieved under the guidance of a combined Chairperson-CEO, the introduction of a segregated role should not compromise the underlying operating model of a corporate, including that of JKH – particularly if there is no proven effectiveness in segregation. Such 'checks and balances' entail:
 - (i) Establishing a strong independent governance element via assurance mechanisms, such as:
 - Presence of a Senior Independent Director who will act as the independent party to whom concerns could be voiced on a confidential basis and ensure that matters discussed at the Board level are done so in an environment which facilitates independent thought by individual Directors.
 - A Nominations Committee that ensures the nomination of Non-Executives who are truly independent.
 - The presence of a Board which comprises of a majority Independent Directors.
 - Presence of an Ombudsperson.
 - (ii) Use of systematic, comprehensive Board and CEO/Chair evaluations.
 - (iii) Ensuring active involvement of the Board in CEO succession and strategy formulation.

3.3.2 Chairperson-CEO Appraisal

The Human Resources and Compensation Committee, appraised the performance of the Chairperson-CEO on the basis of pre-agreed goals for the Group, set in consultation with the Board. These goals cover the ensuing broad aspects and is also based on the Group's performance assessed against the goal and peers which involve other listed companies on the CSE:

- Creating and adding shareholder value
- Success in identifying and implementing projects
- Sustaining a first-class image
- Developing human capital
- Promoting collaboration and team spirit
- Building sustainable external relations
- Leveraging Board members and other stakeholders
- Ensuring good governance and integrity in the Group

CORPORATE GOVERNANCE COMMENTARY

3.3.3 Direct Discussions with the Non-Executive Directors

The Chairperson-CEO conducts direct discussions with Non-Executive Directors at meetings held exclusively for Non-Executive Directors, which are convened by the Senior Independent Director. Issues arising from these discussions are actioned in consultation with the relevant persons. During the year under review, the Non-Executive Directors met thrice without the presence of the Executive Directors.

3.4 Group Executive Committee and Other Management Committees

The Group Executive Committee and the other Management Committees met regularly as per a timetable communicated to the participants six months in advance. In the absence of a compelling reason, attendance at these Committee meetings is mandatory for the Committee members. All the Committees carried out specific tasks entrusted to each component, as expected.

Whilst the Chairperson-CEO and Presidents are ultimately accountable for the Company/Group and the industry groups/sectors/business functions respectively, all decisions are taken on a Committee structure as described below.

3.4.1 Group Executive Committee (GEC)

As at 21 May 2024, the eight-member GEC consisted of the Chairperson-CEO, the Deputy Chairperson/Group Finance Director and the Presidents of each business/function. The GEC is the overlay structure that implements, under the leadership and direction of the Chairperson-CEO, the strategies and policies determined by the Board, manages through delegation and empowerment, the business and affairs of the Group, makes portfolio decisions and prioritises the allocation of all forms of capital.

A key responsibility of the members of the GEC is to act as the enablers of the operating model of the Group. The members of the GEC are well equipped to execute these tasks and bring in a wealth of experience and diversity to the Group in terms of their expertise and exposure.

 Refer Board and Management Profiles for more details - page 209

The GEC meets twice a month, in addition to the meetings that are scheduled as necessitated by the requirements of the Group.

3.4.2 Group Operating Committee (GOC)

As at 21 May 2024, the twenty-member GOC consisted of the Chairperson-CEO, the Deputy Chairperson/Group Finance Director, the Presidents and the Executive Vice Presidents in charge of sectors and the finance functions of the industry groups and Executive Vice Presidents who are functional heads at Centre Functions. The GOC provided a forum to share learnings, and identify synergies, across industry groups, sectors, business units and functions.

The GOC meets once a month during the year and is instrumental in preserving a common group identity across diverse business units.

 Refer Board and Management Profiles for more details - page 210

3.4.3 Other Management Committees

These include the Group Management Committee, Sector Committee and Management Committee which are responsible at the industry group level, sector level and business unit level respectively. The underlying intention of forming these Committees is to encourage the respective business units to take responsibility and accountability at the grass-root level via suitably structured Committees and teams by objective setting.

The agendas of these Committees are carefully structured to avoid duplication of effort and to ensure that discussions and debate are complementary, both in terms of a bottom-up and top-down flow of information and accountability. These Committees met regularly and carried out their tasks in keeping with their scope. The Management Committees proved to be key in enhancing employee engagement and empowerment.

Illustrated below is the structure of the three Committees.



Note: Vice President (VP)

3.5 Employee Empowerment

The Group ensures that the necessary policies, processes and systems are in place to ensure effective recruitment, development and retention of this vital stakeholder. The bedrock of these policies is the Group's competency framework, which has been further refined and updated to reflect the current needs of the Group. To support these policies, the Group continued with, and further strengthened, the following practices.

- Top management and other senior staff are mandated to involve, as appropriate, all levels of staff in formulating goals, strategies and plans.
- Decision rights were defined for each level of employment in order to instil a sense of ownership, reduce bureaucracy and speed-up the decision-making process.
- A bottom-up approach was taken in the preparation of annual and long-term plans and the Group also ensured employee involvement in strategy, and thereby empowerment.
- Organisational and Committee structures are designed to enable, and facilitate, high accessibility of all employees to every level of management.
- Open, honest, frank and constructive communication is encouraged at all levels. The Group strongly believes that constructive disagreement is essential for optimal decision-making.

The Group prioritises a safe, secure and conducive environment for all its employees, allows freedom of association and collective bargaining, prohibits child labour, forced or compulsory labour and any discrimination based on gender, race, religion, gender identity or sexual orientation, and promotes workplaces which are free from physical, verbal or sexual harassment.

4 INTEGRATED GOVERNANCE SYSTEMS AND PROCEDURES

Listed below are the main governance systems and procedures of the Group. These systems and procedures strengthen the elements of the JKH Internal Governance Structure and are benchmarked against industry best practice.

- i. Strategy formulation and decision-making process
- ii. Human resource governance
- iii. Integrated risk management
- iv. IT governance
- v. Tax governance
- vi. Stakeholder management and effective communications
- vii. Sustainability governance

Ethical business practices of the Group

- Seeks to ensure that ethical business practices are the norm from the most senior to the most junior employee, stemming from, and including the Board of Directors. All Group companies have procedures and processes to enable the prevention and reduction of corruption and bribery. Each business unit is also expected to evaluate the risk of corruption as part of its risk management process and put in place mitigation measures to reduce such risks. Its transparent control and prevention mechanisms also extend this expectation to its value chain comprising of its customers, suppliers and business partners. The Group is required to analyse all its business units and functions and include the risk of corruption as part of its risk management process. The Group has a zero-tolerance policy towards bribery and corruption.
- Stringent checks during the recruitment process ensures that minimum age requirements are met.
- Ensures that all businesses are educated on the possible sources of forced and compulsory labour.
- Committed to upholding the universal human rights of all its stakeholders.
- Is an equal opportunity employer and has zero-tolerance for physical or verbal harassment based on gender identity, race, religion, nationality, age, social origin, disability, sexual orientation, political affiliations or opinion.

4.1 Strategy Formulation and Decision-Making Processes

4.1.1 Strategy Mapping

Strategy mapping exercises, concentrating on the short, medium and long-term aspirations of each business, are conducted annually and reviewed, at a minimum, quarterly/half-yearly or as and when a situation so demands.

This exercise entails the following key aspects, among others.

- Progress and deviation report of the strategies formed.
- Competitor analysis and competitive positioning.
- Analysis of key risks and opportunities.
- Management of stakeholders, such as, suppliers and customers.
- Value enhancement through initiatives centred on the various forms of Capital under an integrated reporting framework.

The strategies of the various business units, operating in diverse industries and markets, will always revolve around the Group strategy, while considering their domain specific factors. The prime focus always is to heighten value for all stakeholders.

The Group's investment appraisal methodology and decision-making process ensures the involvement of all key stakeholders that are relevant to the evaluation of the decision.

In this manner:

- A broad range of views, opinions and advice are obtained prior to making an investment decision.
- A holistic view is taken on the commercial viability and potential of any project, including operational, financial, funding, legal, risk, sustainability and tax implications.
- Sensitivity and scenario analysis are conducted to understand the impacts from the macroeconomic environment, especially during periods of volatility and uncertainty.
- All investment decisions are consensual in nature, made through the afore-discussed management Committee structure where no single individual has unfettered decision-making powers over investment decisions.
- The ultimate responsibility and accountability of the investment decision rests with the Chairperson-CEO.

“The strategies of the various business units, operating in diverse industries and markets, will always revolve around the Group strategy, while considering their domain specific factors. The prime focus always is to heighten value for all stakeholders.

The Group's investment appraisal methodology and decision-making process ensures the involvement of all key stakeholders that are relevant to the evaluation of the decision.”

CORPORATE GOVERNANCE COMMENTARY

The following section further elaborates on the Group's strategy formulation and planning process.



4.1.2 Medium-term Strategy

The ensuing section illustrates the comprehensive process followed by each business in developing the business's strategy for the medium-term.

| |
|---|
| Values and Promises |
| <ul style="list-style-type: none"> • Identification of the core values the business will operate with and the internal promises that the business will strive to deliver to stakeholder interests |
| Brand and Business Review |
| <ul style="list-style-type: none"> • Review of global and regional trends • Identification of insights, risks, challenges, opportunities and implications, collated into key themes |
| Brand Plan |
| <ul style="list-style-type: none"> • Identifying key activities required to be undertaken under each theme and the articulation of the varied brand-led themes and activities • Identification of KPIs to measure delivery of promises |
| Long-term Business Plan |
| <ul style="list-style-type: none"> • Setting of a long-term goal and agreeing on the core pillars that would deliver growth • Target setting, scheduling activities and identifying workstreams to execute long-term initiatives • Identifying operating and capital expenditure along with capability resources |
| Annual Business Plans |
| <ul style="list-style-type: none"> • Articulation and approval of detailed project plans for execution of workstreams • Approval of Annual Business Plans |



4.1.3 Project Approval Process

Projects undertaken at the Group follow a detailed feasibility report covering key business considerations under multiple scenarios, within a framework of sustainability. The feasibility stage is not restricted to a financial feasibility and encompasses a wider scope of work covering risk management, sustainable development, ESG and HR considerations.

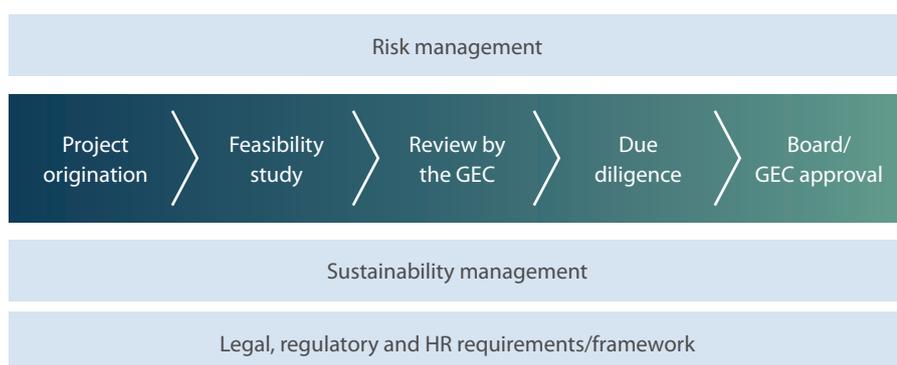
Based on the decision rights matrix, subsequent to review by the relevant leadership Committee of the feasibility report and post in principle approval, a multi-disciplined project team will proceed to the next phase of the project evaluation which will focus on detailed operational, commercial, financial and legal due diligence, including a deep dive into ESG impacts and risks. Discussions will also commence with regulatory and licensing authorities, financial institutions and possible partners, worker representatives, as relevant and deemed necessary.

- Where the transaction involves the transfer or lease of land, title searches would be conducted for both private and State land. In case of State land, every action would be taken to ensure compliance with the relevant rules and regulations. As appropriate, written authority and approvals will be obtained.
- Any project which involves bidding on contracts and tenders, including to those of local and foreign Government and related bodies, is executed in conformance with the Group's policy on bidding on contracts and tenders. It is noted that, while the Company currently does not have any contracts with any local and foreign Governments, the Company will disclose the same in its financial statements, in such an event.
- Where the project is a part of a privatisation, the entire process will be conducted in line with the directives of the relevant administrative authority as communicated through expressions of interests, request for proposals, pre-bid meetings, official approvals and correspondence.

Subsequent to the project satisfying the above highlighted criteria, the final approval to proceed will be granted by the Board. Based on thresholds of the investment quantum, the Project Risk Assessment Committee, on behalf of the Board, will review and assess risks associated with such investments and the mitigatory plans thereto, if mitigation is possible, and identify risks that cannot be mitigated. The aim of this intervention is to ensure alignment with the interest of various stakeholders and to recommend to the Board, necessary action required, to mitigate risks that are identified in the course of evaluating a project in order to ensure that those risks are captured by the Group Risk Matrix for monitoring and mitigation. When appropriate, the GEC is empowered to approve such proposals in terms of the delegated decision rights with the Board being kept informed.

“The Group human resource governance framework is designed in a manner that enables high accessibility by any employee to every level of management. Constant dialogue and facilitation is also maintained, ranging from work related issues to matters pertaining to general interest that could affect employees and their families. The Group follows an open-door policy for its employees which is promoted at all levels of the Group.”

The aforementioned project appraisal framework flow is illustrated below:



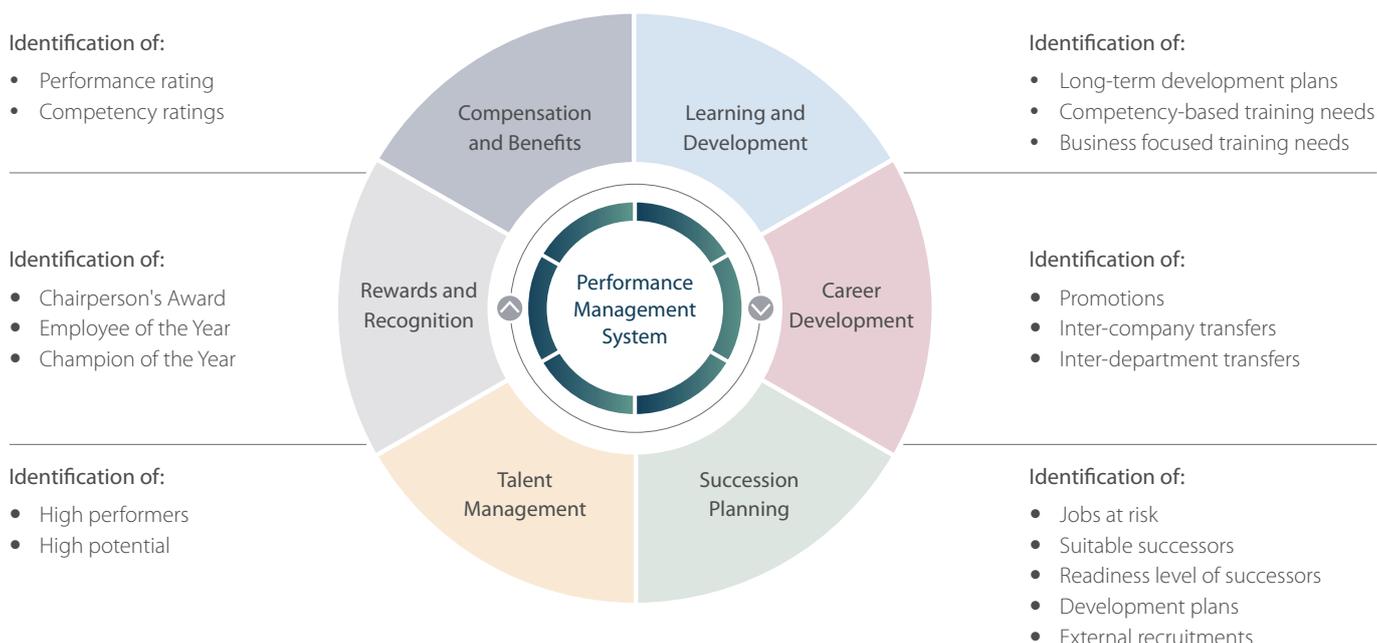
4.2 Human Resource Governance

The Group human resource governance framework is designed in a manner that enables high accessibility by any employee to every level of management. Constant dialogue and facilitation is also maintained, ranging from work related issues to matters pertaining to general interest that could affect employees and their families. The Group follows an open-door policy for its employees which is promoted at all levels of the Group.

The state-of-the-art cloud based human resource information system (HRIS) manages the entire lifecycle of the employee from onboarding to performance management, succession planning, compensation, learning and development, through to offboarding.

4.2.1 Performance Management

The Performance Management System, as illustrated below, is at the heart of many supporting human resource management processes such as learning and development, competency mapping, career development, succession planning, talent management, rewards/recognition and compensation/benefits.



Whilst the employees are appraised for their performance, equal emphasis is placed on how well they embody Group Values, namely: Caring, Trust, Integrity, Excellence and Innovation.

CORPORATE GOVERNANCE COMMENTARY

JKH Success Drivers

During the year, the Group embarked on a project to transform the Group Competency Framework which has been in use for over a decade. The outcome was a refreshed and more relevant set of new competencies termed 'Success Drivers' which will be implemented for use during the ensuing year. The 'Success Drivers' evolved through the establishment of a series of workshops and discussions, and has been developed to be current, relevant and flexible in the context of the diversity of the Group talent pool and range of demographics it operates in.

The following pool of nine 'Success Drivers' were identified and developed through discussions and workshops, with a diverse range of internal stakeholders, at different levels.

| | | |
|---|--|---|
| <p>1. Inclusive Leadership</p> <ul style="list-style-type: none"> Inclusivity and diversity Collaboration and open communication Compassion and empathy Coaching and mentoring Upholding values  | <p>4. Relentless Execution</p> <ul style="list-style-type: none"> Action orientation Prioritisation Effective time management focus and commitment  | <p>7. Entrepreneurial Mindset</p> <ul style="list-style-type: none"> Innovative thinking Decisiveness and ownership Unwavering commitment Prudent risk-taking  |
| <p>2. Connecting The Dots</p> <ul style="list-style-type: none"> Big picture perspective Multidisciplinary approach Critical thinking Value driven approach  | <p>5. Emotional Resilience</p> <ul style="list-style-type: none"> Self-control and self-regulation Adapting to change Bouncing back from adversities Positive outlook and growth mindset  | <p>8. 360 Stakeholder Commitment</p> <ul style="list-style-type: none"> Passion for all stakeholders Building synergies Trust and credibility Commitment to financial outcomes + ESG  |
| <p>3. Being Agile</p> <ul style="list-style-type: none"> Adapting to change Thriving in uncertainty Bouncing back from adversities Rapid experimentation approach Solution-oriented growth mindset  | <p>6. Storytelling</p> <ul style="list-style-type: none"> Impactful communication Inspiring people Creative ways of engagement Active listening  | <p>9. Corporate Citizenship</p> <ul style="list-style-type: none"> Commitment to ESG Ethical practices Focus on sustainability  |

4.2.2 Performance Based Compensation Philosophy

The JKH Group Compensation Policy is as follows:

Performance Management

'Pay for performance'

Greater prominence is given to the incentive component of the total target compensation.

Satisfaction

'More than just a workplace'

Continuously focuses on creating a sound work environment covering all aspects of employee satisfaction.

Compensation Policy

- Compensation comprises of fixed (base) payments, short-term incentives, and long-term incentives.
- Higher the authority levels within the Group, higher the incentive component as a percentage of total pay.
- Greater the decision influencing capability of a role, higher the weight given to organisational performance as opposed to individual performance.
- Long-term incentives are in the form of Employee Share Options and cash payments.

Internal Equity

- Remuneration policy is built upon the premise of ensuring equal pay for equal roles.
- Manager and above level roles are banded using the Mercer methodology for job evaluation, on the basis of the relative worth of jobs.

External Equity

- Fixed compensation is set at competitive levels using the median, 65th percentile and 75th percentile of the best comparator set of companies (from Sri Lanka and the region, as relevant) as a guide.
- Regular surveys are done to ensure that employees are not under / over compensated.

4.2.2.1 Equity Sharing

Employee Share Option Plans are offered at defined career levels based on pre-determined criteria which are uniformly applied across the eligible levels and performance levels. These long-term incentives have been significantly instrumental in inculcating a deep sense of ownership in the recipients and is seen to be a key driver of performance-driven rewards. Share options are awarded to individuals on the basis of their immediate performance and potential importance of their contribution to the Group's future plans.

The Company issues share options not exceeding a specified percentage of the total issued shares of the Company as at the date of awarding every such option, which is subject to in-principle approval of the CSE and shareholder approval, by way of a Special Resolution at a General Meeting.

4.3 Integrated Risk Management

JKH's Group-wide risk management programme focuses on wider sustainability development, to identify, evaluate and manage significant Group risks and to stress test various risk scenarios, including a review of materiality. The programme ensures that a multitude of risks, arising as a result of the Group's diverse operations, are effectively managed in creating and preserving stakeholder wealth. The Group manages its enterprise risk, audit and incident management processes through an automated risk management platform that enables the maintenance of live, dynamic and virtual risk registers which are linked to business goals and responsible personnel. Features such as, the provision of timely alerts on action plans and escalation processes for risks, where action plans are over-due, ensure maintenance of live risk grids.

Continuous steps taken towards promoting the Group's integrated risk management process are:

- Integrating and aligning activities and processes related to planning, policies/procedures, culture, competency, internal audit, financial management, monitoring and reporting with risk management.
- Supporting executives/managers in moving the organisation forward in a cohesive integrated and aligned manner to improve performance, while operating effectively, efficiently, ethically and legally within the established limits for risk taking. The risk management programmes have allowed greater visibility and understanding of risk appetites. Enabled by the automated risk management platform, key management personnel have virtual visibility of the risks, as relevant, while the Board has visibility of all Group risks.

The Board, GEC and Group Management Committees, oversee risk management across the Group to ensure that risks are brought within tolerance, managed and/or mitigated.

4.3.1 Risk Management Process

The Group's Enterprise Risk Management (ERM) process is designed to ensure businesses are proactively identifying, assessing, and mitigating risk events. The risk management framework ensures consistency in methodology across diverse businesses and functions and follows both a top-down and bottom-up integrated approach, alongside strategic planning and decision-making. The annual cycle involves business-level risk identification and review on a quarterly basis, which is consolidated upwards at sector and industry group management committees, while Group risks are reviewed on a biannual basis. Risk appetite thresholds are set at a Group level and captured in the annual Group Risk Report, which also details Group-wide risk ratings, risk profile and analysis and is presented to the JKH Audit Committee where the salient aspects of this reviewed by the Board, thereby concluding the risk management annual process. Policy level changes emerging from the discussion at the JKH Audit Committee are then incorporated in the following cycle to ensure alignment with the changing risk environment.

The risk management process and information flow is portrayed below:



CORPORATE GOVERNANCE COMMENTARY



Risk Management System

The Group ERM review process is facilitated through an online Enterprise Risk Management System. The system is firmly embedded across the Group, hosted internally, and controlled access is provided to all employees as relevant.

Quarterly risk reviews are carried out via the system, with all business unit risk registers hosted online. Its functionality allows for a dynamic risk management environment, enabling analysis of ratings and movement of risks over time, access to historical data and risk reporting. The system also aggregates and records risk under the Group's ERM framework and provides an integrated approach to risk and risk mitigation across Group businesses.

4.3.2 Key Impacts, Risks and Opportunities

The Group takes a holistic approach to risk management, covering risks that are both financial and non-financial in nature, including its own operations as well as risks that may emanate from its supply chain partners. The 'Precautionary Principle' influences the Group's approach to risk management of environmental impacts while, management of human and social capital risks is also highlighted and prioritised.

The ERM framework operates in concurrence with the Group's corporate governance structure and is linked to sustainability, corporate social responsibility and internal audit functions and processes, ensuring that regulatory compliance, ethical guidelines and sustainability concerns are integrated seamlessly across businesses when identifying risks and opportunities.

Risk Management Framework

- Financial, strategic, operational, information technology, governance and sustainability-related risks are considered.
- All risks are categorised within a common Risk Universe.
- Headline and Related Risk classification of all Group risks to allow consistency across Group businesses.
- 5x5 risk matrix for rating of risks with respect to likelihood and anticipated impact.

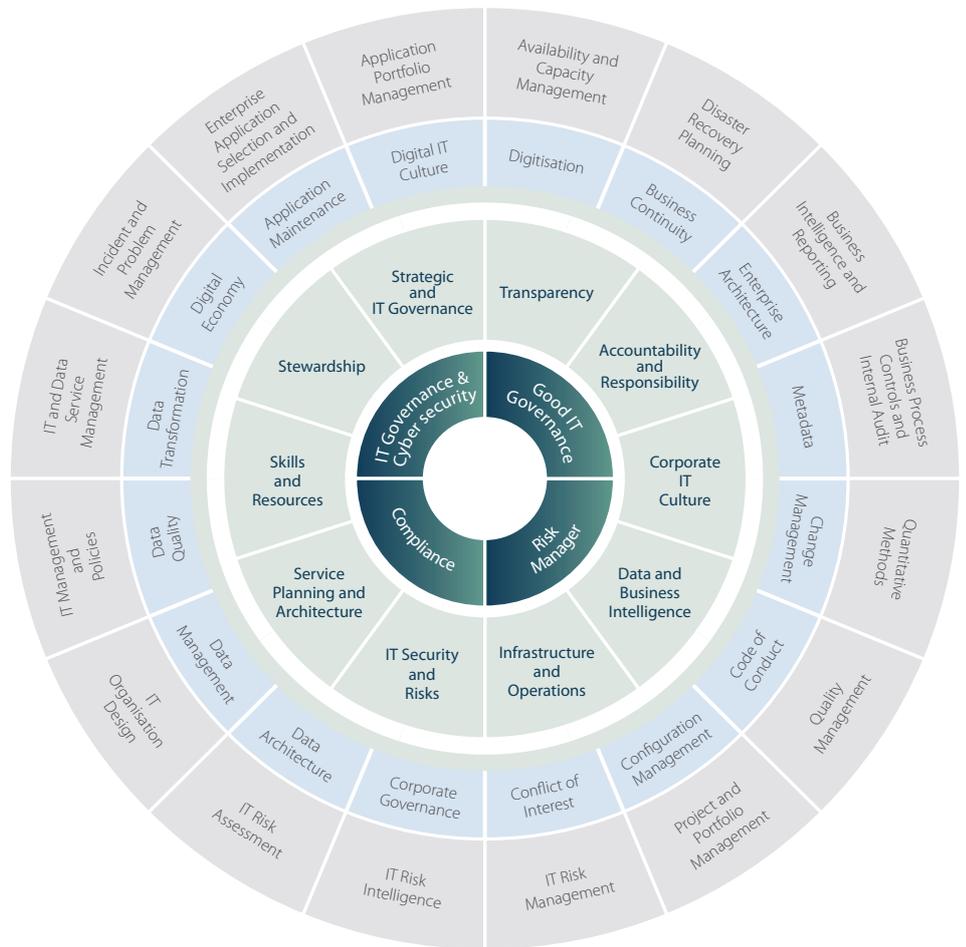


Refer the Key Risks section under Outlook and Risks and Notes to the Financial Statements for further details.

4.4 Information Technology (IT) Governance

IT governance stewardship roles are governed through layered and nested committees, cascading from the Board, GEC, GOC, the Group IT Steering Committee and to the Group IT Operations Committee with well-defined roles and responsibilities across the Group with a federated governance structure to cater to the holistic Group-level as well as specific industry level nuances. This ensures empowerment and enablement to act with a singular and more robust governance and policy framework across the Group, whilst being agile and nimble.

The Group's IT governance framework focuses on five broader segments, namely, strategic alignment, value delivery, performance management, risk management, and resource management. Additionally, the IT governance framework used within the Group leverages on best practice and industry leading models such as CoBIT (Control Objectives for Information and Related Technology), ISO 35800, ISO27001, ISO 9001:2015, COSO (Committee of Sponsoring Organisations of the Treadway Commission)/BCP (Business Continuity Planning), ITIL (Information Technology Infrastructure Library), CMMI (Capability Maturity Model Integration), NIST (National Institute of Standards and Technology), FAIR (Factor Analysis of Information Risk), among others, in formulating a state-of-the-art framework for IT governance, risk and compliance management across the Group. The key focus areas of the governance framework are as follows:



The Group continually focuses on enhancing the IT governance framework in line with its business and IT strategies with a focused shift towards a zero-trust model built on a mobile-first, internet-first, cloud-first and artificial intelligence (AI)-first strategy.

Key Initiatives during the year

To improve the Group's cybersecurity and digitisation efforts, an 'Endpoint Detection and Response (EDR)' solution was implemented. The adoption of a solution from an eco-system partner, through a rigorous selection process, was also a significant milestone in the Group's digitisation journey, providing elevated security across operations.

A SMART Office mobile application was also rolled-out across the group. The SMART Office application empowers the workforce with advanced tools, improving mobility, productivity, and streamlining and automating processes. The successful roll-out of Minimum Viable Product (MVP) 1 of the SMART Office mobile application has already yielded benefits, with ongoing developments providing further enhancements.

“The Group's tax governance framework and tax strategy is guided by the overarching principles of compliance, transparency and accountability, and acknowledges the Group's duty in fulfilling its tax obligations as per fiscal legislation, while preserving value for other stakeholders, particularly investors.”

4.5 Tax Governance

The Group's tax governance framework and tax strategy is guided by the overarching principles of compliance, transparency and accountability, and acknowledges the Group's duty in fulfilling its tax obligations as per fiscal legislation, while preserving value for other stakeholders, particularly investors.

Governance Structure

- Voluntary compliance and efficient tax management are key aspects of the Group's overall tax strategy.
- This is enabled through a decentralised tax structure where expertise is built at each industry group level to support decision-making.
- The Head of Tax of each industry group, reporting functionally to the Group Head of Tax, ensures uniformity of interpretation, robust compliance management and roll-out of Group tax strategy across all businesses.

Policy and Strategy

- Ensure:
 - Integrity of all reported tax disclosures.
 - Robust controls and processes to manage tax risk.
 - Openness, honesty, and transparency in all dealings.
 - Presence of legitimate business transactions underpinning any tax planning or structuring decision/opportunity.
- Contribute to fiscal policy formulations constructively in the interest of all stakeholders.

Role

- Implement and maintain strong compliance processes.
- Analyse and disseminate business impact from changes in tax legislation.
- Provide clear, timely, and relevant business focused advice across all aspects of tax.
- Ensure availability of strong and well documented technical support for all tax positions.
- Obtain independent/external opinions where the law is unclear or subject to interpretation.

Review and Monitoring

- Leverage on digital platforms to support, record and report on tax compliance status across the Group.
- Periodic updates to the Board of Directors on the Group Tax positions (quarterly at minimum).

The Group's approach to tax governance is directly linked to the sustainability of business operations. The presence of a well-structured tax governance framework ensures the following:

- Ability to manage tax exposures efficiently by reducing the tax burden on the Group, within the ambit of applicable laws.
- Manage tax risks and implications on Group reputation through adequate policies and proactive communication defence.
- Facilitate healthy relationships amongst stakeholders, Government and tax authorities.
- Ensuring integrity of reported numbers and timely compliance.

CORPORATE GOVERNANCE COMMENTARY

4.6 Stakeholder Management and Effective Communication

Following are the key stakeholder management methodologies adopted by the Group. Whilst the Group has multiple channels enabling effective communication, there were no material concerns that were raised during the year by stakeholders regarding the operations of the Group.

 Refer the Stakeholder Engagement and Determining Materiality sections for a detailed discussion - pages 256 and 258



4.6.1 Communication with Shareholders

The Group maintains several communication channels with the shareholders which include the Annual Report, interim financial statements, AGMs, EGMs, announcements to the CSE, press releases, the corporate website, shareholder surveys on a needs basis, the investor feedback form provided in the Annual Report, and through the Company Secretaries.

| Engagement Mechanism | Frequency |
|---|-------------------------------------|
| Annual Reports and AGMs | Annually |
| Extraordinary General Meetings | As required |
| Interim financial statements and webinar | Quarterly |
| Investor presentations | As required, quarterly at a minimum |
| Press releases | As required |
| Announcements to CSE | As required |
| One-to-one discussions | As required |
| Investors' section in the Corporate website | Continuous |
| Feedback surveys | As required |

4.6.1.1 Investor Relations

The Investor Relations team of the Group is responsible for maintaining an active dialogue with shareholders, potential investors, investment banks, analysts and other interested parties in ensuring effective investor communication.

- The Investor Relations team has regular discussions with shareholders, as and when applicable, to disseminate highlights of the Group's performance as well as to obtain constructive feedback.
- The online quarterly investor forums provide stakeholders the opportunity to directly engage with the Group's Chairperson/CEO and the Deputy Chairperson/Group Finance Director. The recording of the investor forum is made available on the corporate website for reference of all stakeholders/shareholders.

- Investor Presentations, which include an update on the latest financial results, are made available on the corporate website, to provide easier access and in-depth detail of the operational performance of the Group.
- Shareholders may, at any time, direct questions, request for publicly available information and provide comments and suggestions to Directors or management of the Group by contacting the Investor Relations team, Secretaries, the Senior Independent Director or the Chairperson-CEO, although individual shareholders are encouraged to carry out adequate analysis or seek independent advice on their investing, holding or divesting decisions at all times.

4.6.1.2 Release of Information to the Public and CSE

The Board of Directors, in conjunction with the Audit Committee, where applicable, is responsible in ensuring the accuracy and timeliness of published information and in presenting a true and fair view, and balanced assessment of results in the quarterly and annual financial statements. Accordingly, JKH has reported a true and fair view of its financial position and performance for the year ended 31 March 2024 and at the end of each quarter of the financial year 2023/24.

All other material and price sensitive information about the Company is promptly communicated to the CSE and such information is also released to employees, the press and shareholders. Shareholders may, at any time, direct questions, request for publicly available information and provide comments and suggestions to Directors or Management of JKH. Such questions, requests and comments should be addressed to the Company Secretary.

The Group focuses on open communication and fair disclosure, with emphasis on the integrity, timeliness and relevance of the information provided. The Group ensures that information is communicated accurately and in a manner that will avoid the creation or continuation of a false market.

4.6.1.3 Annual General Meeting

| Year of the AGM | Number of attendees/ proxy holders | Shareholding (No. of shares) | % of total shareholding |
|-----------------|---------------------------------------|---------------------------------|----------------------------|
| 2022/23 | 74 | 847,476,032 | 61 |
| 2021/22 | 82 | 820,115,386 | 59 |
| 2020/21 | 72 | 690,870,858 | 52 |

Information is provided to the shareholders prior to the AGM to give them an opportunity to exercise the prerogative to raise any issues relating to the businesses of the Group. Annual Reports are made available to shareholders in electronic form. Shareholders may at any time elect to receive an Annual Report from JKH in printed form, which is provided free of charge.

The Group constructively makes use of the AGM towards enhancing relationships with the shareholders and towards this end the following procedures are followed:

- Notice of the AGM and related documents are made available to the shareholders along with the Annual Report within the specified time.
- Summary of procedures governing voting at the AGM are clearly communicated.
- The Board ensures that the external auditors are present at the AGM.
- Most Executive and Non-Executive Directors are made available to answer queries.
- The Chairperson-CEO ensures that the relevant senior managers are also available at the AGM to answer specific queries.
- Separate resolutions are proposed for each item that is required to be voted on.
- Proxy votes, those for, against, and withheld (abstained) are counted.

4.6.1.4 Serious Loss of Capital

In the unlikely event that the net assets of a company fall below half of its stated capital, shareholders will be notified, and the requisite resolutions would be passed on the proposed way forward.

4.6.1.5 Extraordinary General Meetings, including Shareholder Approval through Special Resolution

The Company will seek shareholder approval, either via special or ordinary resolution as permitted under applicable law, when transactions and events which are material in the context of Group and Company occur or are undertaken in line with all applicable rules and regulations.

4.7 Sustainability Governance

The Group remains steadfast in its commitment to being responsible and conducting operations in a sustainable manner whilst focusing on environmental, social and governance aspects. Sustainable practices remain a strategic priority of the Group and this is ensured through embedding into day-to-day operations.

4.7.1 Approach

The Group's approach to sustainability continues to be aligned to support the Sustainable Development Goals adopted by the United Nations in 2015, which expands on the Millennium Development Goals. The Board firmly embeds sustainability concerns within the Group's strategic planning process, with companies striving to optimise performance from a triple bottom line

lens and Internal and External Sustainability Assurance and Standard Operating Procedures are in place to review the effectiveness of the procedures embodied by the group on a needs basis.

The Group has in place a sound sustainability integration process, management framework and sustainability organisational structure through which sustainable practices are embedded to the Group's operations.

4.7.2 Sustainability Integration Process



The Group's well-established sustainability integration processes and its sustainability management framework work alongside other key functions and management systems such as human resources, health and safety and product responsibility processes, as well as risk management, internal audit, legal and statutory compliance and corporate social responsibility initiatives. The Sustainability Management Framework is updated on a continuous basis to incorporate changing requirements and updates to the global sustainability landscape.

Environmental issues such as, climate change, resource scarcity and environmental pollution, social issues such as, the Group's labour practices, talent management, product safety and data security, and Governance aspects such as, Board diversity, executive pay and business ethics are given significant emphasis within the Group and are periodically reviewed at a GEC and Board level.

CORPORATE GOVERNANCE COMMENTARY

Group's effort towards ESG initiatives during the year

- The Group, along with an international consulting firm, conducted an in-depth study within each industry group to identify material ESG topics in the current context.
- Benchmarking studies were conducted across the businesses to assess their ESG performance vis-à-vis industry leaders.
- Stakeholder engagement sessions were held with both internal and external stakeholders across sectors to gather insights. These efforts culminated in the determination of material ESG topics for each industry group and a holistic perspective for the JKH Group.
- Subsequently, a series of ambition-setting workshops were convened. These workshops involved the senior leadership of each industry group, including the Chairperson/CEO and Deputy Chairperson/Group Finance Director, in defining both Group-level and sector-specific ESG ambitions.
- This collaborative process ensured alignment between the overarching Group goals and the specific objectives of each sector.

The Group's ESG framework is an amalgamation of the various frameworks within the Group, and, through this, the Group endeavours to ensure sustainable value creation for all stakeholders and mitigate any adverse impacts of Group businesses on the environment, economy and society. As such, the ESG disclosures across the Report are captured through the following frameworks:



“The Group firmly embeds sustainability concerns within the Group's strategic planning process, with companies striving to optimise performance from a triple bottom line lens. All business units are required to identify non-financial risks and material impacts and include strategies to address these through sustainability initiatives and projects. Business and individual objectives are therefore aligned with overall sustainability goals, resulting in an entrenched focus on sustainability.”

4.7.3 Sustainability Organisation Structure

| |
|--|
| Group Executive Committee |
| Responsible for formulating and steering the Group's overall sustainability strategy. |
| Sustainability, Enterprise Risk Management and Group Initiatives Division |
| Operationalises the Sustainability Management Framework (SMF) and carries out Group-wide processes, including identification of stakeholder and material issues, stakeholder engagements, risk assessments, Group-wide awareness campaigns and overall review and monitoring of the SMF. |
| Business Units |
| Each business unit is responsible for their sustainability performance, operating under the umbrella of the Group's SMF. Sustainability Champions under the leadership of their respective Heads of Business/Sector Heads, and working closely with the central sustainability division, have responsibility for implementing sustainability initiatives and management of performance of their individual businesses. |

The Group firmly embeds sustainability concerns within the Group's strategic planning process, with companies striving to optimise performance from a triple bottom line lens. All business units are required to identify non-financial risks and material impacts and include strategies to address these through sustainability initiatives and projects. Business and individual objectives are therefore aligned with overall sustainability goals, resulting in an entrenched focus on sustainability.

The SMF extends beyond Group boundaries, also focusing on the Group's value chain with the purpose of benefiting suppliers and their own dependent supply chains. Through its Supplier Code of Conduct, annual assessment of supply chain partners and ongoing awareness and engagement through Supplier Fora, the Group hopes to have a positive impact on key external stakeholders.

4.7.4 Sustainability Disclosures

The Group uses both its Annual Integrated Report and corporate website as the primary means of responding to stakeholder concerns and outlining its sustainability strategy, including materiality assessments and management policies and processes. The data measurement techniques, calculation methodologies, assumptions and estimations applied in the compilation of the sustainability indicators contained in this Report, are in accordance with standard industry practices and GRI Standard. Such data measurement techniques, methodologies, assumptions and estimations are detailed in the relevant Management Approach Disclosures section and can be found in the relevant management approach disclosures in each of the Capital Review sections of the Annual Report. Reference to specific information and disclosures required by the GRI Standards can be found through the GRI content index. Figures and statements have been rearranged, wherever necessary, to conform to the current year's presentation in terms of restatements and comparisons to the previous year.

5 ASSURANCE MECHANISMS

The Assurance Mechanisms comprise of the various supervisory, monitoring and benchmarking elements of the Group Corporate Governance System which are used to measure 'actuals' against 'plan' with a view to highlighting deviations, signalling the need for quick corrective action, and quick redress when necessary. These mechanisms also act as safety nets and internal checks in the Governance system. The Group also conducts internal and external audits on a periodic basis, annually at minimum.

As outlined in the ensuing sections, the Group has various mechanisms in place for concerns to be escalated and raised at a Board level or GEC level. Other than matters on significant transactions linked to the operations of the Group, no critical concerns which have a material adverse effect on the Group were raised during the year.

5.1 The Code of Conduct

JKH Code of Conduct

- Allegiance to the Company and the Group, that ensures the Group will 'do the right thing', by going further than the letter of any contract, the law and the Group's written policies.
- Compliance with rules and regulations applying in the territories that the Group operates in.
- Conduct all businesses in an ethical manner at all times in keeping with acceptable business practices and demonstrate respect for the communities the Group operates in and the natural environment.
- Exercise of professionalism and integrity in all business and 'public' personal transactions.

The Code of Conduct also entails conformance to all Group policies, and includes, amongst many others, policies on gifts, entertainment, facilitation payments, proprietary and confidential information. Policies on anti-fraud, anti-corruption and anti-money laundering and countering the financing of terrorism and JKH's Code of Conduct, amongst other policies, also encompass:

- anti-bribery controls to prevent payments and contributions being made with the aim of obtaining an improper business benefit from any party including, but not limited to, clients, service providers, customers, business associates and political parties; and
- controls on gifting and favours. The giving or accepting gifts or favours in whatsoever form, including from clients, service providers, customers, business associates and political parties and any other stakeholder we engage with in the course of carrying out duties in our professional capacity, is prohibited if it was possible on the part of a 'reasonable person' to conclude that the giving/ acceptance of such gifts or favours could directly or indirectly affect one's independence in decision-making and conduct as an employee and/or if it could be seen by others as a consideration for an official or business favour. The 'reasonable person' test should also be applied in respect of charitable donations and sponsorships (financial or in-kind) that are made.
- In the event a gift or benefit of a threshold of above USD 50 per gift is given or received, based on business exigencies, these are monitored to ensure conformance with the Group's policies, including policies on gifts and entertainment. Such exceptions are required to be reported to the respective Finance Head of the business (Chief Financial Officer or Sector Financial Controller), where in turn, these are collated and monitored centrally.

The Code of Conduct, and thereby all Group policies, apply to all employees and Directors. All policies of the Company receive final approval at Board level and are readily available to employees in the official languages of Sri Lanka (Sinhala, Tamil and English). The Company Leadership, both the Board of Directors and the Group Executive Committee, spearheads the implementation of the Code.

The Group further strengthened its internal policy universe during the year under review, keeping in line with best practice and the revised CSE Listing Rules, including reviewing the policies in terms of its interdependencies.

The objectives of the Code of Conduct are strongly affirmed by a strong set of Values which are well institutionalised at all levels within the Group through structured communication. The degree of employee conformance with Values and their degree of adherence to the JKH Code of Conduct are key elements of the reward and recognition schemes.

The Group Values continue to be consistently referred to by the Chairperson-CEO, Presidents, Sector and Business Unit Heads during employee and other key stakeholder engagements, in order to instil these values in the hearts and DNA of the employees.



Group Values are found in the Business Model section of the Annual Report - page 48

5.2 Senior Independent Director (SID)

Considering the combined role of the Chairperson-CEO, the presence of the Senior Independent Director is important in ensuring that no one person has unfettered decision-making powers, and that matters discussed at the Board level are done so in an environment which facilitates independent thought by individual Directors. The Senior Independent Director also acts as the independent party to whom concerns could be voiced on a confidential basis. The Senior Independent Director is made available to discuss shareholder concerns including those of minority shareholders.

The Senior Independent Director meets with other Non-Executive Directors, without the presence of the Chairperson-CEO, at least twice every year to evaluate the effectiveness of the Chairperson-CEO and has regular meetings with the other Non-Executive Directors on matters relating to the effectiveness of the Board or the Board as appropriate. The Senior Independent Director is also kept informed by the Ombudsperson of any matters in respect of the JKH Code of Conduct which has come to his attention.

CORPORATE GOVERNANCE COMMENTARY

Report of the Senior Independent Director

A Cabraal
S Coorey
S Fernando (Appointed on 9 August 2023)
N Fonseka
H Wijayasuriya

The independence of each Director has been established based on the information and declarations submitted by them. The Board has concluded that all Non-Executive Directors are independent.

Apart from unstructured and informal contacts, the Independent Directors had two meetings without Executive Directors participating, to discuss matters relevant to their responsibilities as Non-Executive Directors. Remuneration of Executive Directors was determined at one such meeting of the Non-Executive Directors. The challenges and risks arising from volatile global geopolitical developments and local economic conditions were discussed and the management and mitigation of these risks received special attention of the Non-Executive Directors. These meetings concluded with a wrap up session with the Chairperson-CEO, who provided responses to matters raised, or agreed to provide further information or clarification at Board meetings. More details are provided in the Annual Report.

The minutes of meetings of the Group Executive Committee (GEC) are circulated to the Non-Executive Directors to ensure a high degree of transparency and interaction between the Executive and Non-Executive members of the Board. The Non-Executive Directors are also kept advised on the progress of key ongoing projects and management responds to any clarifications sought.

The Ombudsperson has reported to me that no issues have been brought to his attention that indicate mismanagement, unfair treatment or justified discontent on the part of any employee or ex-employee during the financial year.

The Independent Directors thank the Chairperson-CEO, Deputy Chairperson/Group Finance Director, members of the Group Executive Committee, Sector Heads and members of the management team for their openness and co-operation on all matters where their input was sought by the Non-Executive Directors.



N Fonseka
Senior Independent Director

21 May 2024

5.3 Board Sub-Committees

The Board Sub-Committees play an important supervisory and monitoring role by focusing on the designated areas of responsibility passed to it by the Board.

 For more information refer the Board Sub-Committees section - page 224

5.4 Employee Participation in Assurance

The Group is continuously working towards introducing innovative and effective modes of employee communication and employee awareness. The importance of communication – top-down, bottom-up, and lateral – in gaining employee commitment to organisational goals has been conveyed extensively through various communications issued by the Chairperson-CEO and the management. Whilst employees have many opportunities to interact with senior management, the Group has created the ensuing formal channels for such communication through feedback, without the risk of reprisal.

- Skip level meetings
- Exit interviews
- 360 degree evaluation
- Employee surveys
- Monthly staff meetings
- Chairperson-Direct
- Ombudsperson
- Access to Senior Independent Director
- Continuous reiteration and the practice of the 'Open-Door' policy

Additionally, the Group continued with its whistle-blower policy and securities trading policy. The Group has witnessed an increased level of communication flow from employees. Such communication and feedback received from the employees by the management are recorded, irrespective of the level of anonymity, and subsequently discussed and followed up, to the extent possible, to ensure two-way communication. The respective outcomes are duly recorded.

Whistle-blower Policy

The Group's Whistle-blower Policy provides an effective mechanism for employees and other stakeholders to report any concerns regarding compliance and ethics. The Policy provides a transparent and confidential process which encourages the reporting of any such concerns. The Policy covers the reporting process, how such reports will be addressed and emphasises that those who make a report in good faith under the Policy will be protected from retaliation.

Key aspects of the Policy:

- Guidelines on the process through which concerns raised will be investigated and appropriate corrective/preventive action will be taken.
- Designated persons to whom reports can be made.
- Management responses and steps taken.
- Details of the internal inquiry process.
- Maintaining confidentiality.

5.5 Internal Controls

The Board has taken necessary steps to ensure the integrity of the Group's accounting and financial reporting systems, and internal control systems remain robust and effective via the review and monitoring of such systems on a periodic basis.

5.5.1 Internal Compliance

A quarterly self-certification programme requires the Presidents, Sector Heads and Chief Financial Officers of industry groups to confirm compliance with statutory and other regulatory procedures, and also to identify any significant deviations from the expected norms. The compliance statement which gets collated every quarter and tabled at the respective Audit Committee meetings, is subject to periodic review and where applicable revised, to reflect and capture any material changes that drive the macro and micro operating contexts, for reporting and monitoring purposes.

5.5.2 System of Internal Control

The Board has taken steps to obtain assurance that systems designed to safeguard the Company's assets and provide management information are functioning according to expectations and proper accounting records are in place through the involvement of the Group Business Process Review function.

This also entails automated monitoring and workflow based escalation in order to facilitate timely clearing of all transactional entries including complete reconciliation, unreconciled and open entries being flagged and periodically scrutinised, and formal disclosure being made to the relevant Audit Committees, efficient management and tracking of cash and cheques deposits, in line with international best practice and continual streamlining and optimisation of the Internal Audit function via identification of focus areas, improvement opportunities and feedback reporting in order to reinforce governance and assurance.

The Group has in place two integrated frameworks, the 'Fraud Deterrent and Investigation Framework' and the 'Process Review Framework' that complement each other to strengthen the Group's effort to promote anti-fraud, anti-corruption and anti-bribery by proactively recognising the changing context and operating landscape. The integrated fraud deterrent and investigation framework, which enables an integrated platform for handling all aspects of fraud and stakeholder assurance, reinforces uniformity across common processes in matters relating to fraud, employs a data-driven approach to the continuous assessment of control efficacy and assesses and deploys appropriate preventive and detective controls against frauds. The Integrated Process Review Framework provides an innovative approach to internal audits which enable audits to be specific and highly focused on matters relevant to a business entity. Emphasis is placed on use-cases and events stemming from the current business strategy, which must be facilitated by participating processes, systems, and personnel which form micro-value chains with special attention to the efficacy of control and its placement to ensure the integrity of transactions as each traverse through each micro-value chain, at the time of audit reviews.

The digital system for quarterly financial and operational information management implemented, continues to perform as per expectations facilitating data capturing for compliance reporting, providing a sustainable and structured mechanism to enable top-down and bottom-up stakeholder engagement, and tracking the progression of how the compliance posture at an entity level has evolved, among others. The Forensic Data Analytics platform feeds into 'Internal Audit Scoping' and continues to be used to identify areas for process optimisation, strengthening controls and in feedback reporting to reinforce governance (management) and assurance structures.

Initiatives to Strengthen Internal Controls

- The Group engaged a leading international consultancy firm to conduct a comprehensive assessment of its cybersecurity resilience, leveraging industry-leading methodologies such as the Microsoft Cybersecurity Reference Architecture (MCRA) and Microsoft Cloud Security Benchmarks (MCSB) to fortify its technological backbone for future growth and resilience. By aligning with industry best practice and recommended technological principles, the Group aims to enhance performance, scalability, and reliability across its cloud eco-system, positioning itself as a mobile-first, data-first, cloud-first, and AI-first organisation. Whilst proactively mitigating risk, this initiative was carried out to boost the efficiency, security and reliability of the Group's cloud eco-system, underscoring the Group's commitment to delivering value to its stakeholders by maintaining robust and secure cloud infrastructure.
- JKH remains steadfast in its commitment to safeguarding stakeholder privacy amidst evolving regulations and technological advancements. The establishment of the Data Governance Steering Committee, overseen by the Group Executive Committee, aims to strengthen data governance practices in compliance with relevant laws, notably the Personal Data Protection Act No. 9 of 2022. Key initiatives during the reporting period included:
 - Benchmarking initiatives
 - Data lifecycle management
 - Appointment of data protection officers for each industry group
 - Gap analysis
 - Awareness creation
 - Integrity in all business and 'public' personal transactions

CORPORATE GOVERNANCE COMMENTARY

The risk review programme covering the internal audit of the whole Group is outsourced. Reports arising out of such audits are, in the first instance, considered and discussed at the business/ functional unit levels and, after review by the Sector Head and the President of the industry group, are forwarded to the relevant Audit Committee on a regular basis. Further, the Audit Committees also assess the effectiveness of the risk review process and systems of internal control on a regular basis.

5.5.3 Segregation of Duties (SoD) under Sarbanes-Oxley (SOX)

The Group is very much aware of the need to ensure that no individual has excessive system access to execute transactions across entire or several business processes which have critical approval linkages, in the context that increasing use of information technology and integrated financial controls creates unintended exposures within the Group. SoD dictates that problems such as fraud, material misstatements and manipulation of financial statements have the potential to arise when the same individual is able to execute two or more conflicting, sensitive transactions. Separating disparate jobs into task-oriented roles can often result in inefficiencies and costs which do not meet the cost versus benefit criteria. Whilst the attainment of a zero SoD conflict state is utopian, the Group continues to take steps to identify and evaluate existing conflicts and reduce residual risks to an acceptable level under a cost versus benefit rationale. No material conflicts were reported during the year.

5.5.4 Internal Audit

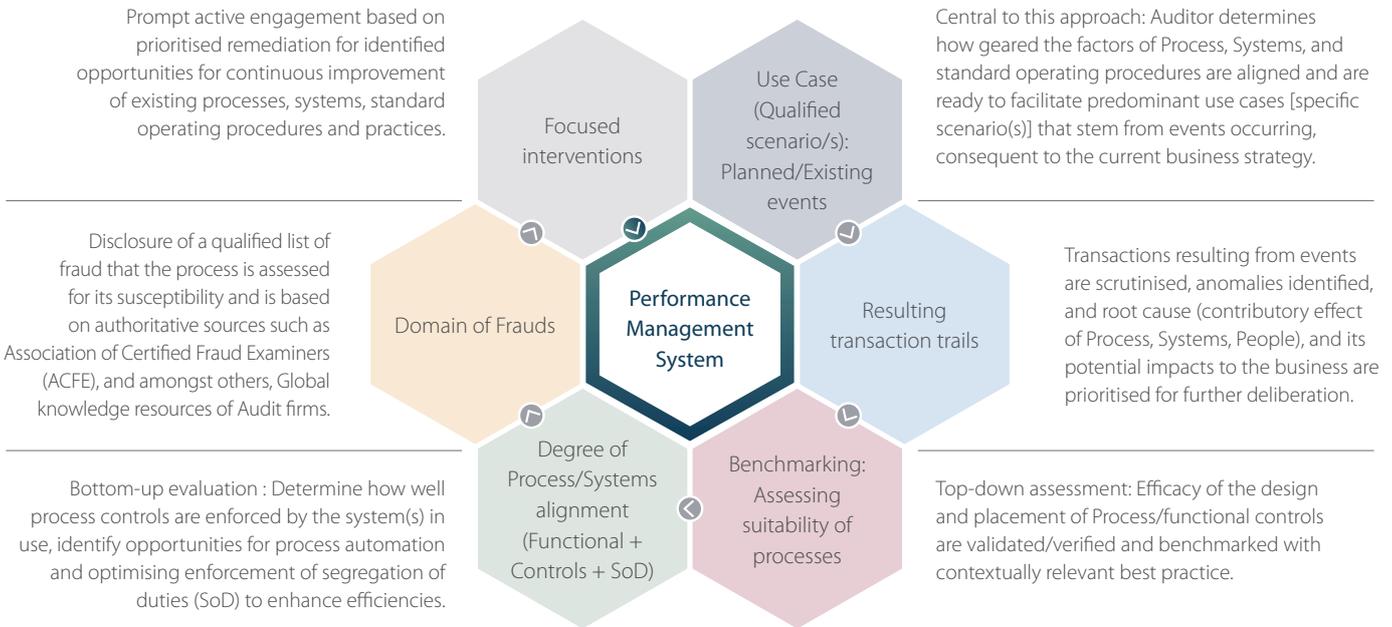
The ensuing diagram provides a helicopter view of the new Internal Audit Approach that has been rolled-out within the Group. Central to this approach is the business strategy and how the current processes, systems, and people, are geared to efficiently and effectively handle the deliverables of the current business strategy at the time of review. The outer elements reflect the reporting elements which are noted in audit reports, either as observations and/or value-added recommendations.

Whilst there are merits and demerits associated with outsourcing an internal audit, the Group is of the view that having an external based auditor is more advantageous. However, there are certain industries where the domain is very operationally specific and requires an internal auditor in addition to the external auditor.

5.5.4.1 Forensic data analytics to identify anomalies and facilitate behavioural oversight

Traditionally, internal auditing followed an approach which was based on a cyclical process that involves manually identifying control objectives, assessing and testing controls, performing tests, and sampling only a relatively small population of the dataset to measure control effectiveness and operational performance. Today, the Group operates in a complex and dynamic business environment where the number of transactions has increased exponentially over the years and traditional cyclical/sample based internal auditing techniques are becoming less effective. As such, the Group continues to use 'big data analysis' techniques on the total data using standard deviations, z-scores and other statistical measures in establishing real-time, user-friendly 'outlier identification' and 'early warning triggers'.

The new internal audit approach: Continuous emphasis on context



Forensic Data Analytics

The Group uses forensic data analytics to facilitate action towards investigating transactions that are distinct within its population, based on well-established algorithms that prompt attention to strengthen process and systems controls in ensuring the integrity of such transactions within its contextual domain.

A key success factor of this oversight mechanism is the use of advanced machine learning algorithms, that are continuously sensitised to each business's operating circumstances that trigger such transactions, and to remain relevant and insightful, by increasing its utility and providing optimisation opportunities for continuous controls monitoring (CCM) and active intervention.

The Group piloted and implemented a series of new initiatives throughout the year to strengthen the effectiveness of the forensic data analytics platform and related capabilities to complement CCM and internal audit engagements.

5.6 Ombudsperson

An Ombudsperson is available to report any complaints from employees of alleged violations of the published Code of Conduct if the complainant feels that the alleged violation has not been addressed satisfactorily by the internally available mechanisms.

The findings and the recommendations of the Ombudsperson, subsequent to an independent inquiry, are confidentially communicated to the Chairperson-CEO or to the Senior Independent Director upon which the involvement duty of the Ombudsperson ceases.

On matters referred to him by the Ombudsperson, the Chairperson-CEO or the Senior Independent Director, as the case may be, will place before the Board:

- i. the decision and the recommendations;
- ii. action taken based on the recommendations;

- iii. where the Chairperson-CEO or the Senior Independent Director disagrees with any or all of the findings and or the recommendations thereon, the areas of disagreement and the reasons, thereof.

In situation (iii), the Board is required to consider the areas of disagreement and determine the way forward. The Chairperson-CEO or the Senior Independent Director is expected to take such steps as are necessary to ensure that the complainant is not victimised, in any manner, for having invoked this process.

The current Ombudsperson is an attorney-of-law by profession.

Mandate and Role

For purposes of easy reference, the Ombudsperson's mandate and role is set out below:

- (a) legal and ethical violations of the Code of Conduct for employees, but in an appellate capacity, when a satisfactory outcome using existing procedures and processes has not resulted or when the matter has been inadequately dealt with;
- (b) violations referred to above by individuals at the Executive Vice President, President and Executive Director levels, including that of the Chairperson-CEO, in which case the complainant has the option of either complaining to the Ombudsperson in the first instance, or first exhausting the internal remedies;
- (c) sexual harassment, in which event the complainant has the option of either complaining to the Ombudsperson in the first instance, or first exhausting the internal remedies.

The mandate excludes disciplinary issues from the Ombudsperson's responsibilities. The right to take disciplinary action is vested exclusively in the Chairperson-CEO and those to whom this authority has been delegated.

No issues were raised by any member of the companies covered during the year under review.

Ombudsperson

31 March 2024

5.7 External Audit

Ernst & Young are the external auditors of the Company as well as many of the Group companies. The individual Group companies also employed KPMG Ford, Rhodes, Thornton & Co, Deloitte Partners, and Luthra and Luthra, India as external auditors. The appointment/re-appointment of these auditors was recommended by the individual Audit Committees to their respective Boards of Directors.

The Audit Committee, led by the Senior Independent Director and Independent Non-Executive Directors of JKH, annually review the appointment of external auditors and recommend the appointment of auditors for shareholder approval at the Annual General Meeting. They have recommended retaining Ernst & Young as the Group lead consolidating auditor given the various complexities of the Group and related nuances. The Auditors maintain independence through routine rotation of partners.

The audit fees paid by the Company and Group to its auditors are separately classified in the Notes to the Financial Statements of the Annual Report.

CORPORATE GOVERNANCE COMMENTARY

6 GOVERNANCE OUTLOOK AND EMERGING CHALLENGES

The need for maintaining a robust and well-grounded corporate governance framework is vital when operating in a dynamic and challenging socio-economic environment, exacerbated by global volatility. A strong governance mechanism is pivotal in enhancing accountability to diverse stakeholders, ensuring corporate transparency, fair-mindedness and creating sustainable value. In this light, the Group will continue to stay abreast of governance best practice and assess its level of preparedness and its capability in meeting and managing evolving internal and external challenges.

The pursuit of continuous improvement in governance, emphasis on environmental and social considerations, and a call for increased accountability and transparency continue to influence and shape the role of Board governance aspects. It not only mitigates risks but also fosters trust, attracts investment, and drives sustainable growth. The primary areas of focus and challenges, amongst many others, being continuously addressed by JKH are detailed in the ensuing section.

6.1 Board Diversity

JKH acknowledges the need and value in having a diverse Board and is conscious of the need to attract appropriately skilled Directors who subscribe to its vision, reflect and complement its values, and have an in-depth understanding of the dynamics of its varied business interests. JKH is of the view that diversity improves a Board's understanding of its vast pool of stakeholders and aids the Group in addressing stakeholders' expectations in a more responsive manner. In this regard, every effort will be made to attract suitably qualified personnel from diverse demographics, experiences and backgrounds whilst maintaining a strong culture of meritocracy.

6.2 Board Independence

Board independence is given considerable importance by stakeholders, stock exchanges and regulatory bodies worldwide. JKH's subscribes to the view that, for a Board to be effective, companies must take steps, both in their structures and nominating procedures, to ensure fostering of independent decision-making and mitigating potential conflicts of interest.

When looking at criteria for defining independence of Boards across countries, there is evidence that the intended outcome of achieving improved governance and greater independence can be achieved through various checks and balances, whilst not compromising on the underlying operating model of a corporate. These checks and balances may entail, among others, establishment of various assurance mechanisms and the use of systematic and comprehensive Board evaluation processes and independent director led engagements. To this end, JKH will continue to place emphasis on further augmenting the Board's independence whilst striking a balance with the Group's operating model, which addresses the complexities and intricacies of a diversified conglomerate setting.

6.3 Anti-Fraud, Anti-Corruption and Anti-Bribery

The Group places the utmost importance on ethical practices in all its business operations and has promulgated a zero-tolerance policy towards bribery and corruption in all aspects of doing business and strives to maintain a culture of transparency and honesty in all its dealings with both internal and external stakeholders. The Code of Conduct, anti-fraud, fraud prevention, anti-corruption, anti-bribery, anti-money laundering, counter-terrorist financing, gifting, audit and transparency policies, amongst many others, outline the principles to which the Group is committed in relation to preventing, reporting and managing unethical practices. Accordingly, all forms of fraud and corruption, including, but not limited to, theft, embezzlement, overriding controls, giving or receiving kickbacks, facilitation payments, bribery, allowing oneself to be placed in situations of conflict of interest and dishonesty in financial and non-financial statements is prohibited across the Group.

Furthermore, the Group is continuously engaged in taking steps to strengthen its Code of Conduct deviation monitoring and resolution process.

The Group's continuous effort to strengthen transparency in Corporate Reporting is evident by JKH being placed first for the fourth consecutive year with a 100% score for transparency in disclosure practices in the TRAC Assessment by TISL in 2023.

6.4 Increasing Emphasis on Environmental, Social and Governance (ESG) Aspects

ESG analysis and ESG focused investing continue to gain traction amongst Governments, multilateral funding agencies, investment professionals and high net-worth investors, given the aim of reducing negligent and irresponsible corporate behaviour that may have an adverse impact on the environment, infringe on human rights, and foster corruption and bribery, among others. Implementing effective ESG policies and practices is crucial for companies not only to attract talent and retain employee loyalty but also for its long-term survival and sustainable growth.

JKH is of the view that emphasis on ESG fosters a 360-degree analysis of performance and enables a sustainable business model, which can derive value to all stakeholders. Various measures have been, and are, in place, to ensure a holistic view of performance including managing scarce natural resources, mitigating impact of the Group's businesses on the environment, enhancing the well-being of all stakeholders, and ensuring effective governance mechanisms. Such metrics are revisited regularly during decision-making. The Group will stay abreast and, where possible, ahead of developments in this regard and continue to integrate ESG elements with business strategy, operations and in reporting.

As a part of its continuous efforts towards increasing emphasis and focus on ESG aspects, the Group, along with an international consulting firm, conducted an in-depth study within each industry group to identify material ESG topics. Benchmarking studies were conducted across the businesses to assess their ESG performance vis-à-vis industry leaders. Stakeholder engagement sessions were also held with both internal and external stakeholders to gather insights. These efforts culminated in the determination of material ESG topics for each industry group.

The International Sustainability Standards Board (ISSB) released its first set of standards, IFRS S1 and IFRS S2, in June 2023. IFRS S1 focuses on the general requirements for disclosing sustainability-related financial information, while IFRS S2 details climate-specific disclosures. During the year, CA Sri Lanka issued the localised standard based on IFRS S1 and S2, designated as SLFRS S1 and S2. The standards will be effective from 1 January 2025. A comprehensive roadmap has been initiated to assess alignment with the new standard to review processes and disclosures required.

6.5 Continual Strengthening of Internal Controls

Augmenting transactional and financial internal controls with operational aspects, in line with international best practice, remains a medium-term priority for the Group. Continuous strengthening of internal controls through a structured process that optimises and facilitates process audit information, lifecycle management and related processes are expected to:

- eliminate inefficiencies inherent in manual processes.
- provide a platform based on process enforcement.
- enable management follow-up based on centrally held data in a compliance repository.
- identify trends, action taken, effectiveness and opportunities for process improvement by analysing movement of the compliance posture.
- strengthen the Group's ability to prevent and detect fraud.
- leverage data analytics and technology to raise alerts.



Refer Section 5.5.2 of this Commentary for initiatives during the year aimed at strengthening internal controls - page 245

6.6 Digital Oversight and Cyber Security

Whilst the rapidly advancing nature of technology and the continual integration of the Group's operations with technological progress has enhanced and streamlined processes and controls across the Group and opened up opportunities, it has resulted in increased vulnerability for the Group from a digital standpoint. As a result, the Board places significant emphasis on ensuring that the Group's soft and hard infrastructure is designed in a manner, and adequate, to deal with and prevent potential breaches. Data protection and cyber security are regularly addressed during the Risk Management and Audit Committee meetings and periodically discussed at a Board level.

6.7 Data Protection, Information Management and Adoption

The presence of continuously evolving IT infrastructure and platforms to meet requirements of day-to-day business, continues to augur well for the Group. Given the emergence of regulations such as the European Union General Data Protection Regulation (GDPR) and the Sri Lankan Personal Data Protection Act No. 9 of 2022, data security, integrity and information management has become pivotal. In addition to this, the Group's initiatives on advanced data analytics also necessitate an established governance framework to manage the flow of data. To this end, the Group will continue to strengthen its data governance structure to ensure ownership and accountability of clearly articulated data governance policies and processes and Group-wide data quality standards.

6.8 Greater Employee Involvement in Governance

Whilst all necessary compliance and assurance frameworks are believed to be in place, JKH recognises the pivotal role played by employees in reinforcing an effective governance system across the Group. JKH will continue to encourage greater employee participation through:

- ongoing training and refreshers on the Code of Conduct and related governance policies, including non-discrimination, anti-corruption and anti-bribery.
- a further strengthened performance management process, which envisages continuous feedback and greater engagement via employee information systems.
- engagement and empowerment via greater delegation of authority.
- increased communication and collaboration.
- adoption of differentiated means of communication based on the demographical dynamics of employee segments.

6.9 Need for Increased Transparency

Ensuring transparency is a continually evolving journey given progressing regulations, advancements in global best practice and complex stakeholder needs. Staying abreast of internally accepted best practice and continuously challenging the status quo is vital in this journey of being transparent. Additionally, transparency and accountability in reporting foster a foundation of trust with stakeholders which improves the credibility of the organisation, whilst also strengthening an organisation's legitimacy and reputation. Openly reporting on activities and challenges builds public trust and demonstrates a commitment to ethical practices. In today's information age, such aspects will aid organisations in differentiating themselves from a stakeholder's point of view, including attracting investment so long as the information is relevant to the stakeholder and does not create information overload where the material information may lose the perspective and attention it warrants.

In an organisation's journey towards transparency, the Government and regulatory bodies also need to play a pivotal role in ensuring the required foundations and criteria for good governance are advocated and put in place. Hence, it is vital for the regulatory frameworks of the country to evolve as corporates cannot operate in isolation within the eco-system. For instance, Transparency International, including its local counterpart, Transparency International Sri Lanka advocates for the disclosure of Ultimate Beneficial Owners (UBO) of corporates. However, collating information on ultimate beneficial owners of entities is not possible as the country's regulations do not require this to be disclosed when purchasing shares in the Colombo Stock Exchange, and a listed entity cannot compile this information in isolation.

CORPORATE GOVERNANCE COMMENTARY

7 COMPLIANCE SUMMARY

The Board, through its operating structures, strived to ensure that the Company and all its subsidiaries and associates complied with the laws and regulations of the countries they operated in. Accordingly, the Group complied with all applicable laws and regulations of the countries it operates in, including anti-corruption and anti-bribery laws.

The Board of Directors also took all reasonable steps in ensuring that all financial statements were prepared in accordance with the Sri Lanka Accounting Standards (SLFRS/ LKAS) issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and the requirements of the CSE and other applicable authorities. Information contained in the financial statements of the Annual Report is supplemented by a detailed Management Discussion and Analysis which explains to shareholders the strategic, operational, investment, sustainability and risk related aspects of the Company, and the means by which value is created and how it is translated into the reported financial performance and is likely to influence future results.

7.1 Statement of Compliance under Section 7.6 of the Listing Rules of the Colombo Stock Exchange (CSE) on Annual Report Disclosures

MANDATORY PROVISIONS - FULLY COMPLIANT

| Rule | Compliance Status | Reference (within the JKH Annual Report) |
|--|-------------------|--|
| (i) Names of persons who were Directors of the Company | Yes | Corporate Governance Commentary |
| (ii) Principal activities of the entity and its subsidiaries during the year, and any changes therein | Yes | Management Discussion and Analysis |
| (iii) The names and the number of shares held by the 20 largest holders of voting and non-voting shares and the percentage of such shares held | Yes | |
| (iv) a) The float adjusted market capitalisation, public holding percentage (%), number of public shareholders and under which option the Listed Entity complies with the Minimum Public Holding requirement | Yes | Share Information |
| The public holding percentage in respect of non-voting Shares (where applicable) | Not Applicable | |
| b) The public holding percentage in respect of Foreign Currency denominated Shares | Not Applicable | |
| (v) A statement of each Director's holding and CEO's holding in shares of the Entity at the beginning and end of each financial year | Yes | |
| (vi) Information pertaining to material foreseeable risk factors of the Entity | Yes | Risk, Opportunities and Internal Controls |
| (vii) Details of material issues pertaining to employees and industrial relations of the Entity | Yes | Stakeholder Engagement and Determining Materiality |
| (viii) Extents, locations, valuations and the number of buildings of the Entity's land holdings and investment properties | Yes | Group Real Estate Portfolio |
| (ix) Number of shares representing the Entity's stated capital | Yes | |
| (x) A distribution schedule of the number of holders in each class of equity securities, and the percentage of their total holdings | Yes | Share Information |
| (xi) Financial ratios and market price information | Yes | |
| (xii) Significant changes in the Company's or its subsidiaries' fixed assets, and the market value of land, if the value differs substantially from the book value | Yes | Notes to the Financial Statements |
| (xiii) Details of funds raised through a public issue, rights issue and a private placement during the year | Yes | Share Information |
| (xiv) Information in respect of Employee Share Ownership or Stock Option Schemes | Yes | |
| (xv) Disclosures pertaining to Corporate Governance practices in terms of Section 9 of the Listing Rules | Yes | Corporate Governance Commentary/Note 44 of the Notes to the Financial Statements |
| (xvi) Related Party transactions exceeding 10% of the equity or 5% of the total assets of the Entity as per audited financial statements, whichever is lower | Yes | |
| (xvii) to (xxi) Disclosures pertaining to Foreign Currency denominated Securities, Sustainable Bonds, Perpetual debt Securities, Infrastructure Bonds and/or Shariah Compliant Debt Securities listed on the CSE | Not Applicable | |

7.2 Statement of Compliance with Section 7.10 of the Listing Rules of the CSE on Corporate Governance

MANDATORY PROVISIONS - FULLY COMPLIANT

| CSE Rule | Compliance Status | JKH Action / Reference (within the Report) |
|--|-------------------|--|
| 7.10.1 Non-Executive Directors (NED) | | |
| a/b/c At least 2 members or 1/3 of the Board, whichever is higher should be NEDs | Yes | Five out of seven Board members are NEDs. The JKH Group 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. |
| 7.10.2 Independent Directors | | |
| a 2 or 1/3 of NEDs, whichever is higher shall be 'independent' | Yes | All NEDs are Independent. |
| b Each NED to submit a signed and dated declaration of his/her independence or non-independence | Yes | Independence of the Directors has been determined in accordance with CSE Listing Rules and where relevant, Board determinations made. The five independent NEDs have submitted signed declarations confirming independence. |
| 7.10.5 Remuneration Committee | | |
| a (1) Remuneration Committee shall comprise of NEDs, a majority of whom will be independent | Yes | The Human Resources and Compensation Committee (equivalent of the Remuneration Committee with a wider scope) only comprises of Independent NEDs. |
| 7.10.6 Audit Committee | | |
| a (1) Audit Committee (AC) shall comprise of NEDs, a majority of whom should be independent | Yes | The Audit Committee comprises only of Independent NEDs. |
| a (2) A NED shall be the Chairman of the committee | Yes | The Chairperson of the Audit Committee is the Senior Independent NED. |
| a (3) CEO and CFO should attend AC meetings, unless otherwise determined by AC | Yes | The Chairperson-CEO, Group Finance Director, Group Financial Controller and the External Auditors attended most parts of the AC meetings by invitation. |
| a (4) The Chairman of the AC or one member should be a member of a recognised professional accounting body | Yes | One of the members of the AC is a member of a recognised professional accounting body. |
| b Functions of the AC | Yes | Refer Audit Committee section. |
| b (1) Overseeing of the preparation, presentation and adequacy of disclosures in the financial statements in accordance with SLFRS/LKAS | Yes | The AC assists the Board in fulfilling its oversight responsibilities for the integrity of the financial statements of the Company and the Group. |
| b (2) Overseeing the compliance with financial reporting requirements, information requirements as per laws and related regulations and requirements | Yes | The AC has the overall responsibility for overseeing the preparation of financial statements in accordance with the laws and regulations of the country and also recommending to the Board, on the adoption of best accounting policies. |
| b (3) Overseeing the process to ensure that the internal and risk management controls, are adequate, to meet the requirements of the SLFRS/LKAS | Yes | The AC assesses the role and the effectiveness of the Group Business Process Review division which is largely responsible for internal control and risk management. |
| b (4) Assessment of the independence and performance of the Entity's External Auditors | Yes | The AC assesses the external auditor's performance, qualifications and independence. |
| b (5) Make recommendations to the Board pertaining to External Auditors | Yes | The Committee is responsible for recommending the appointment, re-appointment or removal of External Auditors and also providing recommendations on remuneration and terms of Engagement. |
| c (1) Names of the Audit Committee members shall be disclosed | Yes | Refer Board Sub-Committees section. |
| c (2) Audit Committee shall make a determination of the independence of the external auditors | Yes | |
| c (3) Report on the manner in which Audit Committee carried out its functions and manner of compliance of Company in relation to the above | Yes | Refer Report of the Audit Committee. |

CORPORATE GOVERNANCE COMMENTARY

7.3 Statement of Compliance under Section 9 of the Revised Listing Rules of the CSE on Corporate Governance, effective as at 1 April 2024.

MANDATORY PROVISIONS - FULLY COMPLIANT

| CSE Rule | Compliance Status | JKH Action / Reference (within the Report) | |
|---|--|--|---|
| 9.1 Corporate Governance Rules | | | |
| 9.1.3 | A statement confirming compliance with Corporate Governance Rules | Yes | The Group is in compliance with the Corporate Governance Rules and has stated so within the Report with any deviations explained where applicable. |
| 9.3 Board Committees | | | |
| 9.3.1 b/c/d | Minimum required Board Committees | Yes | The required Committees are maintained and are functioning effectively. |
| 9.3.2 | Compliance with the composition, responsibilities and disclosures required in respect of the Board Committees | Yes | The Group is in compliance with the requirements in respect of the Board Committees. |
| 9.4 Meeting procedures and the conduct of all General Meetings with shareholders | | | |
| 9.4.1 | Records of all resolutions and the following information upon a resolution being considered at any General Meeting shall be maintained | Yes | The Group maintains all records and information regarding resolutions considered at General Meetings. |
| 9.4.2 a/b/c | Communication and relations with shareholders and investors | Yes | Refer section 4.6 of the Commentary – Stakeholder Management and Effective Communication. |
| 9.6 Chairperson and CEO | | | |
| 9.6.1 | Requirement for a SID if the positions of Chairperson and CEO are held by the same individual | Yes | A SID has been appointed by the Group considering the combined role of Chairperson/CEO. In line with the revised CSE Listing Rules, a market announcement was made to disclose that the Chairperson of the Company is an Executive Director, and that the Chairperson and Chief Executive Officer positions of the Company are held by the same individual. The Company has elected to comply with the alternative option provided under Section 9.6.1 and Section 9.6.3 of the Listing Rules, with the appointment of a Senior Independent Director. |
| 9.6.2 | Market announcement on the rationale behind the appointment of a SID | Yes | |
| 9.6.3 a-d | Requirement for a SID | Yes | |
| 9.6.3 e | SID shall make a signed explanatory disclosure demonstrating the effectiveness of their duties | Yes | Refer section 5.2 of the Commentary – Senior Independent Director. |
| 9.6.4 | Rationale for the appointment of a SID set out in the Annual Report | Yes | Considering the combined role of the Chairperson-CEO, the presence of the Senior Independent Director is important in ensuring that no one person has unfettered decision-making powers, and that matters discussed at the Board level are done so in an environment which facilitates independent thought by individual Directors. |
| 9.7 Fitness of Directors and CEO | | | |
| 9.7.1-9.7.5 | Requirement to meet the fit and proper criteria stipulated by the CSE and related disclosures | Yes | Directors are required to provide general disclosures and declarations on fitness and propriety annually and are required to report any material changes to the information provided therein, including any changes to their professional responsibilities and business associations, to the Board. The Nominations Committees reviews and makes recommendation to the Board on the fitness and propriety of Directors. No non-compliances were reported during the year in this regard. |
| 9.8 Board Composition | | | |
| 9.8.3 (i) to (viii) | Requirements for meeting the criteria to be an ID | Yes | Details of the independence criteria are explained within the Corporate Governance Commentary. |
| 9.8.5 a/b/c | The Board shall annually determine the independence or otherwise of IDs and name the Directors who are determined to be 'independent' | Yes | All independent NEDs have submitted declarations as to their independence, and a determination of their independence is evaluated. |

| CSE Rule | Compliance Status | JKH Action / Reference (within the Report) | |
|---|--|--|---|
| 9.9 Alternate Directors | | | |
| a-e | Appointment of Alternate Directors to be in accordance with the Rules and such requirements to be incorporated into the Articles of Association | Yes | No Alternate Directors appointed during the financial year. CSE has granted a waiver to amend the Articles of Association to incorporate the requirements of the Rules at an EGM to be held on 28 June 2024. |
| 9.10 Disclosures relating to Directors | | | |
| 9.10.2/ 9.10.3 | Market announcement upon the appointment of a new director and any changes to the Board composition | Yes | Timely market announcement of the new independent NED appointed was made through the CSE. |
| 9.10.4 a-i | Details in relation to the Board members | Yes | Refer Board Profiles and Details in Respect of Directors sections. |
| 9.12 Remuneration Committee | | | |
| 9.12.3 | The Remuneration Committee shall establish and maintain a formal and transparent procedure for developing policy on EDs and individual Directors | Yes | The remuneration of the Executive Directors are determined as per the remuneration principles of the Group and recommended by the Human Resources and Compensation Committee. |
| 9.12.4 | Remuneration for NEDs shall be based on a policy of non-discriminatory pay practices to ensure the independence | Yes | Refer Director Remuneration section. |
| 9.12.5 | The Remuneration Committee shall have written terms of reference clearly defining its scope, authority, duties and matters pertaining to the quorum of meetings | Yes | |
| 9.12.6 (2) | Where the parent company and the subsidiary are Listed Entities, the Remuneration Committee of the parent company may function as the Remuneration Committee of the subsidiary | Yes | |
| 9.12.6 (3) | An ID shall be appointed as the Chairperson of the Remuneration Committee | Yes | Refer Human Resources and Compensation Committee section. |
| 9.12.7 | Functions | Yes | |
| 9.12.8 a | Names of Remuneration Committee Chairperson and members | Yes | |
| 9.12.8 b | Statement of Remuneration policy | Yes | |
| 9.12.8 c | Aggregate remuneration paid to EDs and NEDs | Yes | |
| 9.13 Audit Committee | | | |
| 9.13.2 | The Audit Committee shall have written terms of reference clearly defining its scope, authority and duties | Yes | Refer Audit Committee section. |
| 9.14 Related Party Transactions Review Committee | | | |
| 9.14.2 (1) | Related Party Transactions Review Committee shall comprise of a minimum of 3 members, majority of whom should be IDs and an ID shall be appointed as the Chairperson | Yes | The Related Party Transactions Committee comprises only of Independent Directors and maintained the minimum requirement of three members throughout the year. |
| 9.14.2 (2) | Where the parent company and the subsidiary are Listed Entities, the Related Party Transactions Review Committee of the parent company may function as the Related Party Transactions Review Committee of the subsidiary | Yes | |
| 9.14.3 | Functions | Yes | Refer Related Party Transactions Review Committee section. |
| 9.14.4 | General Requirements | Yes | |
| 9.14.5 | Review of Related Party Transactions by the Related Party Transactions Review Committee | Yes | |

CORPORATE GOVERNANCE COMMENTARY

| CSE Rule | Compliance Status | JKH Action / Reference (within the Report) |
|---|-------------------|---|
| 9.14.6 Shareholder Approval | Yes | Refer Extraordinary General Meetings, including Shareholder Approval through Special Resolution section. |
| 9.14.8 Details pertaining to Non-Recurrent Related Party Transactions (1) | Yes | Refer Notes to the Financial Statements. |
| 9.14.8 Details pertaining to Recurrent Related Party Transactions (2) | Yes | |
| 9.14.8 (3) Report of the Related Party Transactions Review Committee | Yes | Refer Report of the Related Party Transactions Review Committee. |
| 9.14.8 (4) Declaration by the Board of Directors as an affirmative statement of compliance with the rules pertaining to Related Party Transactions, or a negative statement otherwise | Yes | Refer Annual Report of the Board of Directors. |
| 9.14.9 Shareholder approval for acquisition and disposal of substantial assets (1)/(2) | Yes | Refer Extraordinary General Meetings, including Shareholder Approval through Special Resolution section. |
| 9.14.9 (4)/(5)/(6) Competent independent advice on acquisition and disposal of substantial asset | Yes | There were no acquisition and disposal of substantial assets during the year 2023/24. |
| 9.16 Additional Disclosures | | |
| (i) Directors have disclosed all material interests in contracts and have refrained from voting when materially involved | Yes | Directors make a disclosure of interests at appointment, at the beginning of every financial year and during the year as required. |
| (ii) Directors have conducted a review of the internal controls and obtained reasonable assurance of their effectiveness and adherence | Yes | Board takes steps to ensure the integrity of internal control systems remain effective via the review and monitoring of such systems on a periodic basis. |
| (iii) Directors are aware of laws, rules and regulations and their changes particularly to Listing Rules and applicable capital market provisions | Yes | Refer Board Induction and Training section. |
| (iv) Disclosure of material non-compliance with laws/regulations and fines by relevant authorities where the Entity operates | Yes | During the year under review, there were no material fines incurred, with a total of 17 fines amounting to Rs.1.2 million. This contrasts with the previous year 2022/23, which recorded 67 fines totalling Rs.1.5 million. |

7.4 Statement of Compliance pertaining to the Companies Act No. 7 of 2007

MANDATORY PROVISIONS - FULLY COMPLIANT

| Section | Compliance Status | Reference (within the Report) |
|---|-------------------|--|
| 168 (1) (a) The nature of the business of the Company or subsidiaries or classes of business in which it has an interest together with any change thereto | Yes | Group Directory |
| 168 (1) (b) Signed financial statements of the Group and the Company | Yes | Financial Statements |
| 168 (1) (c) Auditors' Report on financial statements | Yes | Independent Auditors' Report |
| 168 (1) (d) Accounting policies and any changes thereto | Yes | Notes to the Financial Statements |
| 168 (1) (e) Particulars of the entries made in the Interests Register | Yes | Annual Report of the Board of Directors |
| 168 (1) (f) Remuneration and other benefits paid to Directors of the Company | Yes | Notes to the Financial Statements |
| 168 (1) (g) Corporate donations made by the Company | Yes | Notes to the Financial Statements |
| 168 (1) (h) Information on the Directorate of the Company and its subsidiaries during and at the end of the accounting period | Yes | Group Directory |
| 168 (1) (i) Amounts paid/payable to the External Auditor as audit fees and fees for other services rendered | Yes | Notes to the Financial Statements |
| 168 (1) (j) Auditors' relationship or any interest with the Company and its Subsidiaries | Yes | Report of the Audit Committee / Financial Statements |
| 168 (1) (k) Acknowledgement of the contents of this Report and signatures on behalf of the Board | Yes | Financial Statements / Annual Report of the Board of Directors |
| 168 (2) Information specified in paragraphs (b) to (j) of subsection (1) in relation to Subsidiaries | Yes | Financial Statements / Annual Report of the Board of Directors |

7.5 Code of Best Practice of Corporate Governance 2017 Issued by CA Sri Lanka

VOLUNTARY PROVISIONS

The Company is compliant with almost the full 2017 Code of Best Practice on Corporate Governance issued by the CA Sri Lanka to the extent of business exigency and as required by the Group.

Directors

- The Company is directed, controlled and lead by an effective Board that possess the skills, experience and knowledge and thus all Directors bring independent judgement on various subjects, particularly financial acumen.
- Combining the roles of Chairperson and CEO is justified given the nature of the Group, at this juncture. The Chairperson-CEO is appraised annually.
- Board Balance is maintained as the Code stipulates.
- Given the combined role of Chairperson and CEO, the Group has a Senior Independent Director.
- Whilst there is a transparent procedure for Board Appointments, election and re-election, subject to shareholder approval, takes place at regular intervals.
- Specified information regarding Directors is shared in the Corporate Governance Commentary.

Directors' Remuneration

- The Human Resource and Compensation Committee, consisting of exclusively NEDs is responsible for determining the remuneration of Chairperson-CEO and EDs.
- ED compensation includes performance related elements in the pay structure. Compensation commitments in the event of early termination, determination of NED remuneration, remuneration policy and aggregate remuneration paid is disclosed under Section 3.1.12 and is in line with the Code.

Relationship with Shareholders

- There is constructive use of the AGM, as per Code. Notice of Meeting, with adequate details, is circulated to shareholders as per statute.
- The Group has in place multiple channels to reach shareholders as discussed under Section 4.5.1.

Accountability and Audit

- Interim and other price sensitive and statutorily mandated reports are disclosed to Regulators. As evident from the Annual Report of the Board of Directors, the company carried out all business in accordance with regulations and applicable laws, equitably and fairly.
- The Company continues to be a going concern and remedial action for any material events is in place. All related party transactions are reported under the Notes to the Financial Statements.
- There is an annual review of the effectiveness of the Group's risk management and internal controls which ensures the maintenance of a sound system of internal control which is reported on under the Internal Controls section.
- The Internal Audit function and the Audit Committee, functions as stipulated by the Code, and are discussed under the Audit Committee section.
- A Related Party Transactions Review Committee is in place and functions in line with the Code.
- There were no violations of the Group Code of Conduct and the Code of Business Conduct and Ethics during the year, which is mentioned under the Chairperson's Message section.

Institutional Investors

- The Company conducts regular and structured dialogue with shareholders based on a mutual understanding of objectives. This is done via the Investor Relations team and through the AGM.

Other Investors

- Individual shareholders investing directly in shares of the Company are encouraged to carry out adequate analysis and seek independent advice in all investing and/or divesting decisions. They are encouraged to participate at the AGM and exercise their voting rights and seek clarity, whenever required.

Sustainability

- ESG (environmental, social, and governance) is a pivotal consideration in the Group's decision-making. In reporting performance, the Annual Report covers ESG disclosures through the <IR> framework, GRI standards and operations in conformity with the Principles of the United Nations Global Compact and United Nations Sustainable Development Goals.

Internet and Cybersecurity

- The Board has prioritised cybersecurity by appointing a dedicated member responsible for overseeing it within the Group. The Company has implemented a group policy, conduct periodic reviews to ensure its effectiveness, discuss cybersecurity risks at the board level, and disclose the management of risks in the Annual Report. Furthermore, measures have been taken to secure connectivity for both internal and external devices.

7.6 Code of Best Practice on Corporate Governance (2023) issued by CA Sri Lanka

CA Sri Lanka issued a revised Code of Best Practice on Corporate Governance in December 2023, effective from 1 April 2024. While the Group has presented its compliance in line with the 2017 Code of Best Practice on Corporate Governance, The Group has reviewed the 2023 Code for further adoption, as applicable, and relevant to the Group.



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