



SOUTH ASIA GATEWAY TERMINALS (PVT) LTD MANAGEMENT APPROACH DISCLOSURES

At South Asia Gateway Terminal (SAGT) entrenching sustainability practices in its day to day operations plays a key role in its strategy.

SAGT believes that understanding the interests of its stakeholders and opinions is vital to the growth and the success of its operation. This results in the continuous engagement with its stakeholders by the company. This is key to the success of the business as the significant economic, environmental and social impacts identified as highly relevant to the key stakeholders of the company are identified as material topics which are then integrated into its sustainability strategy, allowing the company to address common issues and develop long-term solutions, while managing risks in its business environment.

These material topics also provide the basis for measuring of sustainability performance against key sustainability related performance indicators, which forms the triple bottom line of the company. Sustainability performance is monitored, analysed and reported periodically for decision making purposes.

The Management Approach is reviewed annually by the Senior Management Team of SAGT, acting through the Management Committee and Sustainability Division to ensure its effectiveness and applicability.

The Company adheres to the Global Reporting Initiative (GRI) Standard and expects to obtain independent third-party assurance of the sustainability information disclosed through its external report in the future.

ECONOMIC PERFORMANCE

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Economic Policy: SAGT is dedicated to enhancing its value to all its stakeholders, delivering sustainable economic performance keeping in line with the highest standards of corporate governance, environmental stewardship and social responsibility

Material Impacts and Management Approach

Topics Covered: GRI 205: Anti - Corruption

The company is committed to delivering economic value addition to all its stakeholders, whilst being in compliance with local regulations and stimulating the local economy. As a result, focus is given to sound financial management, stringent internal controls and a robust risk management process. The company complies with all regulations of the countries in which it has operations and ensures that all dues are settled on time.

Performance Monitoring

SAGT is dedicated to enhancing its contribution to all stakeholders via the triple bottom line, generating significant economic value addition while delivering sustainable performance. Therefore, attention is paid to good governance, rigorous internal controls and a risk management process which are defined in the organisation-wide policy statement above. At a minimum, SAGT complies with all local regulations, and also ensures that its taxes, royalties and payments to the regulatory bodies and Government Institutions are settled on time, as well as to its other stakeholders such as financiers, suppliers and employees.

The Employment related policies ensure that timely and performance-based remuneration also occurs for its employees, including benefits such as Employees' Provident Fund (EPF) contributions, and Employees' Trust Fund (ETF) contributions as well as a retirement gratuity, in line with the local labour laws and regulations.

Anti-Corruption

Anti-Corruption Policy: The Company has strict view in regard to anti-corruption and ethical practice. The Company does not condone unethical behaviour or corruption and have strict guidelines and framework in place for disciplinary actions.

The company believes that corruption results in increasing costs and low confidence by its business partners, and ethical business practices should be the norm from top management level down to the individual employee. At recruitment level, employees must sign their respective letter of appointment which includes the code of conduct of the company which they need to comply with. They are also informed of remedial actions and disciplinary action that would result from any violations of the code of conduct and are also expected to report any breaching of the code (with the assurance of non-disclosure) through the various channels that facilitate this. The company has in place a whistle blowing policy to report of any incidences of corruption. The whistleblowing process consists of a direct communication channel to the CEO via email or letter, in identifiable or anonymous form. In the event the issue has not been addressed, or the complaint is regarding the CEO, the complaint can be submitted in a similar format to a designated external Ombudsperson.

The complaint should be in writing and shall be kept in confidence by all parties including the complainant. If the complaint is directed to the CEO it shall be sent by e-mail to the CEO or in confidential cover addressed to the CEO, South Asia Gateway Terminals, Port of Colombo.

If the complaint is directed to the Ombudsperson, it shall be sent by email to: Ombudsperson@sagt.com.lk and Complaints in person will not be entertained.

The Compliance and whistle blowing of SAGT are managed directly by the Chief Financial Officer(CFO) and Chief Executive Officer(CEO) who forms part of the Management Committee and Senior Management Team and any major decision regarding the same are approved by the Senior Management Team and Executive Committee prior to implementation.

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

ENVIRONMENTAL STEWARDSHIP

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Environmental Policy: SAGT is mindful of its impact to the environment and has instigated numerous policies to ensure the Company conducts its business in an environmentally sustainable manner. The Company at minimum adheres to all environmental regulations of the country.

Material Impacts and Management Approach

Topics Covered: GRI 301: Materials; GRI 303: Water; GRI 302: Energy; GRI 305: Emissions; GRI 306: Effluents and Waste; GRI 307: Environmental Compliance, GRI 308: Supplier Assessment

SAGT is committed to protect and conserve the environment and as a result strives to minimise the environmental impacts that occur due to business execution. While SAGT currently has a management system for its entire sustainability program, it expects to also obtain certification of its environmental management system via ISO 14001 in the future. Additionally, the company places importance on the management and reduction of energy use, water consumption, carbon emissions, waste generation and effluent discharge, and seeks to manage the above indicators through quarterly data collection and comparisons, management review and internal audits. SAGT also expects to establish its own internal targets for key environmental indicators in the coming years.

The Sustainability Division has also introduced Sustainability Standard Operating Procedures (SOPs) to assure consistency of processes and data accuracy.

The overall sustainability policy is complemented by management approaches on the above-mentioned environmental topics. The Sustainability Division then operationalizes these approaches through designated sustainability champions and the said SOPs.

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

Performance Monitoring

The company adheres to all relevant local environmental laws and regulations at a minimum and tracks its environmental performance every quarter aligned to the relevant GRI Standards indicators. Moreover, the company has in place mechanisms to receive feedback from stakeholders on environmental impacts and any grievances. Being located in the Port of Colombo, SAGT has limited exposure to community and individual stakeholders, and keeps well engaged with regulatory bodies such as the Central Environmental Authority, Sri Lanka Ports Authority, Marine Pollution Prevention Authority through continual dialogue and also with its employees

via its trade unions, organizational hierarchy, notice boards and suggestion boxes.

Furthermore, Environmental performance is analysed on a quarterly basis and circulated amongst the highest governance bodies to identify areas for improvement and corrective action.

The company identified environmental grievances through its internal assessment of stakeholder concerns. The company has an officer in charge of Environment, Health & Safety, and this officer becomes the first point of contact for any environmental grievances or point of contact for regulatory authorities. Issues are then escalated through the Management Committee to the CEO.

The Health & Safety and Environmental aspects of SAGT are managed directly by the Manager - Health & Safety who forms part of the Management Committee and any major decision regarding the same are approved by the Management Committee prior to implementation

Environmental reporting and management methods are constantly being improved to ensure improvement of day-to-day management and monitoring of environmental issues.

Materials & Suppliers

The company recognizes the importance of using materials in an efficient manner, thereby reducing any impact its operations may cause. As part of the sustainability performance management system, materials used are tracked and monitored. These significant materials are sourced through directly through SAGT's Supply Chain division and for certain items through the Sourcing Initiative of the John Keells Group. All material requirements are consolidated to ensure there is optimised usage and best price negotiated. A transparent selection process, based on terms and conditions that include social and environmental selection criteria are used, and similar conditions will be used in all significant supplier contracts.

The Procurement process of SAGT is managed directly by the Chief Financial Officer who forms part of the Management Committee and Senior Management Team and any major decision regarding the same are approved by the Management Committee prior to implementation

ENVIRONMENTAL STEWARDSHIP

Energy and Emissions Management

Energy & Emissions Policy: SAGT focuses on conserving energy in an attempt to reduce operating costs and minimise damage to the environment, including its overall carbon footprint by adopting green operating practices.

As a responsible corporate citizen, the company focuses on conserving energy, minimising its carbon footprint by adopting green practices, minimising cost and committing itself towards environmental stewardship. All electricity and fossil fuel consumption are monitored through using digital and analogue metering. The greenhouse gas protocol of the World Resources Institute (WRI) and the World Business Council for Sustainable Development (WBCSD) is used to measure the carbon emissions, while carbon emission factors found in the IPCC guidelines for national greenhouse gas inventories published by the Institute of Global Environmental Strategies (IGES) are also used for calculating our carbon footprint. The carbon intensity of the company is calculated using the total number of boxes moves and will form the base for carbon reduction targets in the forthcoming years.

The Energy and Emissions of SAGT are managed directly by the Manager – Civil Engineering and General Manager-Engineering. General Manager Engineering sits on Management Committee and Senior Management Team and any major decision regarding the same are approved by the Management Committee prior to implementation.

Water & Effluent Management

Water Management Policy: The company seeks to conserve and optimize its use of water. The Company seeks to minimise the use and withdrawal of blue water sources and seeks to recycle, and reuse discharged water as much as possible. All water discharged to the environment will meet the discharge quality levels stipulated by regulations.

The company has in place a water management policy that mandates to optimise the use of water withdrawn from all blue water sources through reducing consumption, reusing and recycling as much as possible. The policy also entails that the discharged wastewater must meet discharge quality levels specified by local authorities.

Water Management is important to the company in order to minimise the cost of withdrawal, cost of effluent treatment and keeping in line with its commitment to environmental stewardship.

Water consumption and discharge is measured through water meters and where meters are unavailable, through estimates based on pump time. Further, SAGT intends to install flow meters for its significant points of usage (Staff Changing rooms, Machine Washing Bay, Canteen, Kitchen, Contractor's changing rooms and Admin Office) to monitor and identify areas of excessive water usage and water wastage. SAGT intends to install various water saving mechanisms in the event of any identified areas of significant water usage.

The Water and effluents of SAGT are managed directly by the Manager – Civil Engineering and General Manager-Engineering. General Manager Engineering sits on Management Committee and Senior Management Team and any major decision regarding the same are approved by the Management Committee prior to implementation.

Waste Management

Waste Management Policy: SAGT's policy on waste management is focused on minimizing waste by ensuring that at minimum all regulatory requirements are adhered to in the disposal of hazardous and non-hazardous waste. Furthermore, SAGT strives to reduce the amount of waste generated and increase reuse, recycling, recovery and incineration as waste management strategies towards minimising waste sent to landfill.

The company ensures that all waste disposed are through third parties that are licensed under the Central Environmental Authority and/or the Marine Pollution Prevention Authority of Sri Lanka. Currently while waste segregation occurs based on food waste and non-food waste, SAGT is in the process of entrenching a waste segregation process that includes food waste, plastics, paper, glass and hazardous items. Along with such processes SAGT will also undertake staff awareness on waste management and encourages accurate segregation and disposal to operationalize these policies. Waste generation data is based on dispatch/issue notes generated at security points prior to waste items leaving the site as well as other estimation methods.

The Waste Management process of SAGT is managed directly by the Manager – Civil Engineering, Manager- Security and Administration and General Manager-Engineering. General Manager Engineering sits on Management Committee and Senior Management Team and any major decision regarding the same are approved by the Management Committee prior to implementation.

Compliance & Spillage

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

The company tracks and monitors any fines paid, spillages and all other compliance related requirements as per Sri Lankan legislation as well as related Operational Health and Safety incidents. Standard Operating Procedures, immediate rectification of identified leaks, Secondary Containment Tanks, Oil Separators, Booms and Dispersants and are used where applicable to minimise the risk of accidental spillage.

The Compliance and Spillages of SAGT are managed directly by the Manager - Health & Safety and Chief Financial Officer and both of them forms part of the Management Committee and any major decision regarding the same are approved by the Management Committee prior to implementation”-

LABOUR PRACTICES & SOCIAL RESPONSIBILITY

Material Impacts and Management Approach

Topics Covered: GRI 401: Employment; GRI 403: Occupational Health and Safety; GRI 405: Diversity & Equal Opportunity; GRI 404: Training and Education; 407: Freedom of Association and Collective Bargaining; GRI 406: Non-Discrimination; GRI 409: Forced or Compulsory Labour; GRI 419: Socio - Economic Compliance; GRI 416: Customer Health & Safety; 418: Customer Privacy

Employment

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

The company understands the value of being people-centric, which is imperative to maintain a competitive advantage. Under this principle, the company creates synergies by recruiting and efficiently managing local talent and spares no effort in investing in furthering their capabilities.

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

The company tracks indicators such as attrition, diversity, training hours, and health and safety incidences, through its sustainability performance management system. The data derived from this system is then used to publish quarterly reports which are reviewed by the Management Committee.

The main objective of the company is to encourage a happy and healthy, diverse and skilled workforce, while maintaining good relations with them and provide them a safe and secure working environment. In ensuring that this objective is achieved the company has in place human resources (HR) related policies, covering the areas of recruitment, work hours and leave, performance evaluation, labour relations, training and development, equal opportunity and health and safety of the workforce.

The company also considers labour grievance important and use, suggestion boxes, an open-door policy and direct email access to the CEO, in addition to the management policies that are in place to address concerns and resolve issues/conflicts in a fair and transparent manner.

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

Furthermore, SAGT recognises that respecting and protecting human rights is a topic of importance to its employees, investors, customers, regulators and the communities it operates in. As a result, upholding human rights is vital to its operations.

The company is committed to business integrity, openness, respect for universal human rights and core labour principles, and thus carries out its business in an ethical manner, thereby protecting its brand reputation. The company has in place policies governing areas such as forced labour and non-discrimination and these policies are continuously being embedded into daily operations.

Employee surveys are carried out periodically, coupled with our training calendar to identify areas of concern and potential conflict.

Reflecting its policies, which are in turn aligned to material topics, the company adheres to local labour laws and regulations. In addition to this, the company tracks incidents of forced labour and other related human rights violations through its sustainability performance evaluation of relevant GRI indicators.

The company ensures the awareness of its policies and possible sources of violations, and are expected to respect and uphold the rights of employees to enter, remain and terminate employment

Diversity and Equal Opportunity

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

Diversity and Equal Opportunity Policy: The Company recruitment and selection process will be conducted in a professional, timely and responsive manner in compliance with current employment legislation. The Company will also endeavour to continuously develop its recruitment and selection practices to allow new ideas and approaches to be incorporated. The Company employs a mix of formal and informal internal hiring practises, minimizing the timeframe for integration. The Company only resorts to an external candidate when the right candidate cannot be found within SAGT.

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

The Diversity and Equal Opportunity policy of SAGT is overlooked by General Manager- HR and Chief Executive Officer (CEO) and both of them forms part of the Management Committee and Senior Management Team. Any major decision regarding the same are approved by the Management Committee prior to implementation.

Health and Safety

SAGT places great importance on the health and safety of its employees, subcontractors, clients and customers and agents of SAGT and the shipping lines that access the premises of SAGT. SAGT seeks to minimize any avoidable injuries and occupational illnesses and provide a safe and secure work environment through the adoption of sound risk management principles. SAGT further strives to ensure that its employees promote and follow sound safety principles, and strives to ensure that any third parties visiting the premises of SAGT follow SAGT's Health & Safety policy.

SAGT has a fulltime Health & Safety Division, headed by a senior manager. CCTV cameras are also in place and are monitored continuously by the Health & Safety Division, and action is taken based on any violations of SAGT Health & Safety policies.

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

OHS awareness programmes and training are conducted regularly in an attempt to prevent occupational accidents at source, and safety control is made operational through continuous monitoring by the safety officers. Fire and other disaster evacuation drills are conducted periodically to ensure prompt responses in the event of emergencies. All visitors to SAGT are provided with a Health & Safety briefing prior to being provided access to the yard area.

Simultaneously, the Sustainability team conducts sustainability assurances to ensure the credibility of data and observe potential risks from an OHS perspective. The findings are then circulated amongst the highest governance bodies for necessary advice and action. SAGT intends to prepare Hazard Identification Risk Assessments (HIRA) for each of its key operating areas, and also obtain the ISO 45000 certification for Occupational Health and Safety in the near future.

Training and Development

Training and Development Policy: SAGT invests in training and development programs for the workforce that not only develops individual technical skills but soft Skills, thereby facilitating the achievement of both individual and organizational objectives

Training and development of employees plays a significant role in productivity and employee retention, and as a result great emphasis is placed on capacity and skill building. Training needs are recurrent in nature given the type of jobs, and training is undertaken immediately upon introduction of any new equipment or change of process. Further, training needs are also identified for office-based jobs through annual performance evaluations, and in special cases on an ad-hoc basis. The company believes that lifelong learning is necessary for career development and building a sustainable competitive advantage.

LABOUR PRACTICES & SOCIAL RESPONSIBILITY

Freedom of Association and Collective Bargaining

There are no restrictions in freedom of association and all employees are free to join unions as per the laws of the country. As a result, all employees are free to join an industrial association and take industrial action when required, provided that these actions conform to the laws of the country. SAGT currently has in two trade unions attached to the national level trade unions and employees are free to engage with such unions.

SAGT recognises that respecting and protecting human rights is a topic of importance to its employees, investors, customers, regulators and the communities it operates in. As a result, upholding human rights is vital to its operations.

The company is committed to business integrity, openness, respect for universal human rights and core labour principles, and thus carries out its business in an ethical manner, thereby protecting its brand reputation. The company has in place policies governing areas such as forced labour and non-discrimination and these policies are continuously being embedded into daily operations.

Employee surveys are carried out periodically, coupled with our training calendar to identify areas of concern and potential conflict.

Forced or Compulsory Labour

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

No employees are coerced or subject to overtime hours (that exceed the shift hours), or subject to intimidation. In line with legal requirements and industry standards, compensation through overtime or variable pay is provided for employees who work beyond normal shift hours, in addition to being provided with meals and transport where applicable.

Non-Discrimination

Non-Discrimination Policy: SAGT strives to ensure a safe and secure working environment that provides opportunities for every employee to be productive, earn a fair income and develop their skill set for career advancement in their chosen field, regardless of race, gender, nationality, religion, or any other factor.

The company has a zero-tolerance approach for discrimination or harassment based on gender, race, religion, nationality, age, social origin, disability, political affiliations or opinion. Any employee has the ability to make formal complaints to the Head of HR and/or to their line managers, and any substantiated complaints will be investigated and dealt with in accordance to company policies.

Socio – Economic Compliance & Service Quality

The company conducts regular risk assessments and has established a culture of safety and compliance as initial steps in achieving process excellence. SAGT intends to obtain the ISO 9000 certification for process excellence in the near future.

SAGT ensures at all times that it meets expected standards of service quality and also that its processes adhere to customer health and safety and customer privacy.

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

SAGT is committed to ensure that all services provided by the company comply with the applicable legislation and regulation as well as voluntary standards, thereby ensuring stakeholder satisfaction.

The company adopts sound risk management principles and risk of breach of customer privacy and issues related to customer health and safety are assessed as part of the risk management process and preventative and mitigation plans are put in place to reduce such risks.

While the company closely monitors non-compliance related to product and service responsibility, significant fines over LKR 1,000,000 are recorded and reported to the Sustainability Division on a quarterly basis, which are also shared with top management for review.

Customer Health & Safety

Customer health and safety is a critical aspect the services and customer solutions of the company. This is reflected in the Health and Safety policy of the company, which is also extended to its external customers, agents of shipping lines and other third parties that visit the premises of SAGT

Moreover, the company seeks to minimize any avoidable injuries and provide a safe and secure environment, focusing on preventative maintenance, hazard assessment and mitigation, and continuous engagement; thereby celebrating a safety culture. The company also periodically tracks and monitors the level of emergency preparedness and security protection and any reported customer health and safety incidents.

Customer Privacy

The company gives utmost priority to ensure confidentiality of its customers' personal information as part of its customer privacy policy and code of conduct. The company has established control mechanisms on IT systems and regular audits are also conducted to ensure security measures are adequate, while instances of loss of data and privacy, as well as customer complaints concerning the same are tracked and reported to the Sustainability Division on a quarterly basis

