A year of consolidation, continued capacity building and focus on the future...
## CONTENTS

### Introduction
- About this Report 04
- COO’s Statement 06
- Organization Profile 08

### Sustainability Performance
- Targets and Achievements 09
- Compliance 11
- Awards 13

### Sustainability Challenges
- Impacts of Business Activities 14
- Sustainability Trends 15

### Sustainability Framework
- Corporate Governance 17
- Stakeholder Engagement 20
- Policy Framework 22
- Capacity Building 23

### Economic Contribution
- Direct Economic Contribution 25
- Indirect Economic Contribution 25

### Environmental Impact 27

### Employee Relations 29

### Community Relations 33

### Product Responsibility 37

### Looking to the Future 41
INTRODUCTION

About this Report

Reporting Period

This sustainability report attempts to offer an integrated view of Access Engineering PLC’s (AE) commitment and performance on economic, environmental and social aspects of the Company’s operations for the period 01st April 2011 to 31st March 2013. This is our second attempt in sustainability reporting. The most recent report was published in September 2011, covering the performance of financial year 2010/11. We will attempt to demonstrate our commitment to sustainability on an annual basis, even though this report covers a period of two years.

Reporting Framework and Guidelines

This review is based on the Global Reporting Initiative (GRI) Reporting Framework which is the generally accepted guideline for sustainability reporting. The report has been reinforced with G 3.1 sustainability indicators which define the contents, quality and the boundaries as outlined by the GRI Reporting Principles.

This report is intended to serve as the UN Global Compact Communication on Progress and the content highlights our contributions towards upholding the ten principles and contributing to the Millennium Development Goals (MDGs).

Materiality: As outlined in the GRI guidelines, the Company acknowledges the importance of the materiality concept, in the process of reporting the sustainability performance. Materiality is defined in relation to the financial performance, balance sheet values and impact on the stakeholders’ interest. Thus the report outlines economic, environmental and social performance that would substantially influence the assessment and decisions of our stakeholders.

Inclusiveness: The Company recognizes that it is compelled to define strategic and key stakeholder groups to ensure materiality in engagement and reporting. Therefore, the Government, the economy, customers, suppliers, employees, environment and community are recognized as key stakeholders.

Sustainability Context: This report presents AE’s performance in relation to broader concepts of sustainability. This involves customers to valued business partners, shareholders to the nation at large become a part of the AE journey. Our primary sustainable development platform is in infrastructure development, and we strive to drive our core business to contribute towards the MDGs. The report attempts to present an integrated analysis of both positive and negative performances of the Company in a manner, our stakeholders are able to gain a comprehensive view of our policies, interactions and processes. The report also enables us to critically look at ourselves, analyze the gaps and attempt to bridge them for a more holistic approach to sustainability.
discussing the performance in the context of the limits and demands placed on environmental or social resources at the sectoral, local, regional, or global level.

**Completeness:** The material topics and indicators and definition of the report boundary are sufficient to reflect significant economic, environmental, and social impacts and enable stakeholders to assess the AE’s performance in the reporting period.

**Reporting Boundaries**

At the time of reporting AE has two subsidiaries, i.e. Access Realities (Pvt) Ltd (100% ownership) and Sathosa Motors (84.4% ownership). Due to the vast differences in the operations of the subsidiaries, compared to the parent company, sustainability issues of AE only will be reported in this report. All operations of AE, including administrative offices, project offices and production plants are included in the scope.

**Data measurement and Disclosure**

Information pertaining to economic, social and environmental performance has been extracted from the audited financial statements while other internal information has been obtained from Company records. Data measurement techniques in this report have been used as per GRI Indicator Protocols, with any deviations mentioned with the indicator.

**Contact Persons for Information**

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Tel: 2302302  
Fax: 2302333
COO’s Statement

Welcome to the Access Sustainability Report 2013. This Sustainability Report is AE’s second disclosure of the Company’s performance relative to our commitment to be a responsible, sustainable and value-creating corporate citizen.

It was a period of continued economic recovery that once again showed how placing sustainable development at the core of our business decisions is the right approach. This means putting consideration for safety, the environment and communities at the centre of the steps we take to design and build major construction projects.

Sustainability depends on our ability to build resilience into our plans and operations. We have to make sure AE remains able to tackle future challenges so that we, in turn, can continue to make a positive contribution to society. We know that doing business responsibly helps us achieve this through greater productivity and by creating benefits to all. We can deliver our projects more effectively, ensure minimal harm to the environment, uphold the rights of the employees and create supply chains and jobs for local businesses. It is a situation where everyone wins.

When incorporating sustainability into the corporate agenda, it was important to be clear about how sustainable development fits with the organization’s core business, objectives and activities. To effectively engage and connect to economic, environmental and social issues, we needed a comprehensive analysis of the organization and its interface with sustainability and sustainable development issues.

This involved identifying and understanding relevant issues by establishing facts and other information available in the public domain, and from an analysis of the competitive environment. The interrelation between the Company, its business activities and the environment in which it operates provides the basis for sustainability decision making. A close analysis of these interrelations and thoughtful consideration of the impact of these interrelations at every important decision point, has made our sustainability efforts to be more integrated with the overall business.

The diminishing quantity and quality of influx to the workforce is a key sustainability issue we have identified and taken action to mitigate the effect. We partnered with National Apprenticeship and Industrial Training Authority (NAITA) to carry out construction craftsman training in the Eastern Province and are in the process of launching a 3-year comprehensive project to increase the intake of construction technicians for their training programmes.

We have also looked at the quality of the engineering graduates who are coming out from the University system. In this regard, we developed, sponsored and delivered a soft skills development programme for students of University of Moratuwa.

While appreciating that construction is one of the taxing industries on the environment, we have initiated several programmes to counteract the effects. One is the continuing tree planting programme, through which we planted over 10,000 trees during the period. We successfully carried out two e-waste collection and recycling campaigns which in total recycled 6.7 tons of waste. In an effort to encourage our employees to move into sustainable home gardening, we organized a demonstration session through Dilmah Conservation Center.

With the new trend in the rise of non-communicable diseases, cardiovascular diseases in particular, we took the initiative to address this issue both in our own workforce and also the general public. We successfully completed an internal
programme called ‘Healthy Heart’ to assess the cardiovascular risk of employees and give them advice on how to reduce the risk. A follow-up is planned for end 2013. We also sponsored a series of five public workshops on ‘Holistic Wellness’ in partnership with Sethsads Yoga Nikethanaya.

We continue to benchmark ourselves with international standards in sustainability. We continue to be an active member of United Nations Global Compact and we also obtained the membership of TRACE International in support of upholding anti-corruption practices.

During the course of business in 2012/13, AE contributed Rs. 191.5 Mn in taxes, fees and levies to the Government of Sri Lanka (GoSL). As at 31\textsuperscript{st} March 2013, AE provides employment for 3,245 people and continues to be one of the largest employers in the construction sector.

A key achievement during the period is completing the Initial Public Offering (IPO) which raised Rs. 500 Mn. During the period, we moved into the high-rise building sector and consolidated our position in the infrastructure sector.

Our Geotechnical laboratory Services Division obtained the prestigious ISO 17025:2005 Testing Laboratory Quality Management certification from Sri Lanka Accreditation Board (SLAB). Even though we had planned, we were not able to complete the certification process for OHSAS 18001:2004 Occupational Health & Safety Management System. The process will be completed in September 2013.

Almost all the performance targets set in the previous report were met, namely, making the Company a public entity, capacity building, consolidating in current markets, entering new markets, improving the Quality Management System (QMS) and forming a Compliance Committee. We were not able to accomplish our target in Public Private Partnerships (PPPs), but we are still in the lookout for good opportunities.

When looking to the future, we intend to further consolidate our leadership position in the current markets, enter into new businesses, expand into international markets, introduce Management Information System (MIS) in HR and operations and further expand our investment in social development initiatives.

AE’s sustainability strategy in 2013 and going forward will continue to be inseparable from our overall core business strategy and will be centered on a commitment to optimize and grow shared value. In this respect I would like to reiterate that this Sustainability Report is a principle instrument through which we communicate, and present for review of our stakeholders, our performance relative to the Company’s overarching commitment to sustainability and shared value creation.

I would like to thank the members of the Compliance Committee for their valued contributions in producing the Sustainability Report 2013.

My team joins me in soliciting the views and feedback of all our stakeholders, and the people of Sri Lanka at large, so that we may enhance the efficacy and impact of our value delivery in the years ahead. I invite you to send your comments on the report to csr@accessengsl.com.

Rohana Fernando
Executive Director / Chief Operating Officer
Access Engineering PLC
Organization Profile

Access Engineering PLC was incorporated in Sri Lanka on July 31, 2001 under the Companies Act No. 17 of 1982 and Reregistered under the Companies Act No. 07 of 2007 on February 06, 2008.

AE is headquartered at No.278, Access Towers, Colombo 02. In addition, two of the three Project Management Divisions (PMDs) are located at No. 117, Dehiwala Road, Boralesgamuwa. AE also operates temporary site offices at every location where it is engaged in civil engineering construction activities.

The majority of the operations are carried out in Sri Lanka. AE’s first overseas project commenced recently, which is for environment monitoring of the Port Lae Development Project in Papua New Guinea.

AE is a public limited liability company listed in the Colombo Stock Exchange (CSE). Subsequent to Access Engineering obtaining a listing on the Colombo Stock Exchange the ownership structure changed from one that was closely held by the three founder shareholders to one that was publicly held and widespread. Ordinary Voting Shares of Access Engineering are listed on the Main Board of the Colombo Stock Exchange.

Operational Structure

As at the end of the reporting period AE had two subsidiaries namely Access Realities (Pvt) Ltd. and Sathosa Motors PLC. Percentage of ownership of Access Engineering in the former was 100% while over the latter the company exerted 84.4% control as at 31st March 2013.

AE operates with a decentralized structure having a Corporate Office which handles strategic planning, engineering designs, project coordinating and other support functions, and three PMDs under the purview of a General Manager which handle project execution and production of construction material.

Products and Markets

As an integrated engineering company, the core business of AE is the design and execution of large and complex infrastructure development projects by utilizing innovative and state of the art technological solutions in construction. In addition to the different types of construction projects that are undertaken, AE also offer engineering services in engineering designs, geotechnical laboratory services and supply of metal, asphalt and concrete.

AE serves both public and private sector markets in construction engineering services. The beneficiaries of AE are spread across diverse sectors of the country and include the general public who utilize roads and highways, bridges and flyovers, water and wastewater schemes, public sector institutions that develop harbours and marine structures, and private sector institutions that benefit from telecommunication infrastructure services provided by the company.

Scale of Operations

Scale of operations as at 31st March 2013 and for the financial year 2012/13 is as follows.

<table>
<thead>
<tr>
<th>Category</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employees</td>
<td>3,245</td>
</tr>
<tr>
<td>Operations</td>
<td>35 projects</td>
</tr>
<tr>
<td>Production</td>
<td></td>
</tr>
<tr>
<td>Crushed metal</td>
<td>258,500 m³</td>
</tr>
<tr>
<td>Asphalt</td>
<td>48,300 m³</td>
</tr>
<tr>
<td>Concrete</td>
<td>4,430 m³</td>
</tr>
<tr>
<td>Sales (Rs. Mn)</td>
<td></td>
</tr>
<tr>
<td>Private</td>
<td>7,871 (68.8%)</td>
</tr>
<tr>
<td>Public</td>
<td>3,576 (31.2%)</td>
</tr>
<tr>
<td>Capitalization (Rs. Mn)</td>
<td></td>
</tr>
<tr>
<td>Equity</td>
<td>12,141 (99.9%)</td>
</tr>
<tr>
<td>Debt</td>
<td>6 (0.1%)</td>
</tr>
<tr>
<td>Assets (Rs. Mn)</td>
<td>15,429</td>
</tr>
</tbody>
</table>
SUSTAINABILITY PERFORMANCE

Targets set and achievements

Making the company a public entity

Performance
In March 2012, as planned, the Company listed its shares in the CSE through an IPO raising Rs 500 Mn. The Company’s share performed well in the market despite the market downturn demonstrating its fundamentally strong characteristics.

Lessons Learned
The IPO exposed the company to more investor, public, regulatory and governance concerns for which the company prepared itself beforehand with steps taken such as appointing relevant committees, changing company structure etc. We consider the scrutiny attached with a public entity as an opportunity to sharpen our processes, strengthen corporate governance practices, serve a wide stakeholder base and ensure entities sustainability.

Capacity Building

Performance
It was planned to build capacity though increasing investments in plant and machinery, investments in human resources and training and development of our people to gear the company to take up future opportunities in the booming construction industry. We lived up to this target by investing Rs 2.1 Bn in new plant and machinery, increasing cadre by 1,500 and developing and implementing a comprehensive training program during the past 24 months.

Lessons Learned
We identified that certain areas of operations need centralization such as purchasing, new integrated system for resource management (ERP) and the need to streamline the hiring process of plant and machinery. We are now in the process of implementing the areas identified above as requiring improvements.

Consolidating in current markets

Performance
We increased our turnover by Rs 3.4 Bn in the year 2011/12 and by a further Rs 4.5 Bn in 2012/13 from our core sectors of business through securing more projects. Further we ventured into the building sector and sale of construction related material consolidating our position in the industry and building on our expertise and capacity.

Lessons Learned
New areas of synergies were identified and the company entered into these areas as mentioned above targeting related diversification for risk reduction and enhancing performance.

Entering new markets

Performance
Company entered into the commercial vehicle industry through its strategic acquisition of Sathosa Motors PLC who is the agent for ISUZU commercial vehicles. Upsurge in construction and transport sector of the country fueled this move coupled with the potential synergies of supplying construction equipment and the need to diversify.
As targeted we are exploring the opportunities in the property development sector and plan to build another state of the art office complex to cater to the increasing demand for commercial space.

**Lessons Learned**

Much deliberation is needed in diversifying given the uncertain and dynamic variables in the macro environment. Some previously recognized areas of diversification were shredded in this light. We are confident of selecting those market opportunities that would ensure economic, environment and socially sustainability of the entity in the long run through our strategic decision making process.

**Entering into Private Public Partnerships (PPPs)**

**Performance**

We are still pursuing opportunities in this sector and one opportunity previously recognized was cancelled due to unforeseeable changes relating to the project.

**Lessons Learned**

PPPs are only viable with a reliable mutually beneficial partnership focusing on long term project benefits.

**Improving Quality Management System (QMS)**

**Performance**

As previously identified, new team members were recruited and existing members were trained to strengthen the internal audit function which is a key criterion for the success of our QMS.

After successful implementation of a laboratory-specific QMS, the Geological Laboratory Service Division obtained ISO 17025:2005 in April 2013.

**Lessons Learned**

The attitude of employees is paramount for the success of QMS. In this light, the induction program was redesigned to stress on the QMS for the new recruits. Identification of training needs of the internal audit team and providing such training is given special consideration to ensure a robust adherence mechanism.

**Forming a Compliance Committee**

**Performance**

Committee was formed with representation from the Board and corporate management. The committee’s mandate include assessing objective achievement, evaluating and formulating policies, ensure compliance, efficient and effective utilization of resources, successful implementation of QMS and assist sustained value creation.

**Lessons Learned**

The concept of voluntary compliance was new to the construction industry, even though regulatory compliance has been in existence. The refore, the members of the Committee had to be trained in the new concepts before embarking on its responsibilities.
COMPLIANCE

Due to the recent legal actions against non-compliance issues, both locally and internationally, compliance with regulatory requirements has become one of the most debated topics today. It has generated huge concern in organizations, not only because of the potential for financial penalties but also because of the potential impact on the reputation of the organization.

However, we take a different approach to compliance. We appreciate that our compliance investments can act as a powerful lever for organizational transformation, resulting in significant risk management improvements and cost reductions. To us the benefits come from the understanding that compliance is not an additional activity to the core business functions, but an integral part of the way these business functions operate on a daily basis.

Our compliance philosophy revolves on adhering to every single statutory and regulatory requirement whilst exploring, developing and implementing self-imposed requirements. By adhering to self-imposed compliance requirements, we expect to reduce regulatory costs, reduce risk of non-compliance, reduce operational risk, increase capital availability, achieve time-saving when dealing with regulators and achieve high speed of change.

Statutory and regulatory requirements

All employee-related policies and procedures of the Company comply with the related labour laws and no exceptions are neither approved nor tolerated. Staff-grade employees’ letters of appointment, terms and conditions, working hours, etc. are decided in accordance with the Shop & Office Employees Act. The terms and conditions of employment of non-staff categories are decided in accordance with the Wages Boards Act and the applicable Wages Board Decisions, i.e. building trade, engineering trade, motor transport trade, quarry and mining trade and security trade. Maternity leave and feedings intervals are granted according to the Maternity Benefits Act and compensation following occupational injuries and illness is provided according to Workmen’s Compensation Act.

From a compliance perspective on health and safety, we have adhered to the provisions of the Factories Ordinance, Shop & Office Employees Act and Workmen’s Compensation Act. As part of the legal review necessitated in the Occupational Health & Safety (OHS) Management System, a detailed analysis of the requirements, current status and areas for improvement are being reviewed. Based on the findings, actions were taken to meet all these requirements. A significant gap was observed in the requirement for maintenance of the ‘General Register’ for recording injuries and occupational disease and reporting of same to the Department of Labour. As a remedy, a specific procedure was developed under the OHS Management System and the relevant officers were trained on this procedure.

The impacts of our operations on the environment are controlled by the National Environment Act which necessitates companies to obtain approvals and licenses to set up and maintain operations and to adhere to limits set out in terms of elements causing pollution. We have ensured compliance to the requirements of this Act.

We are required to adhere to operational standards, submit reports and make payments as part of regulatory requirements. During the reporting period there has been no cases of non-compliance and no fines or sanctions has been imposed.
**Voluntary initiatives**

Apart from the statutory and regulatory requirements, we have developed and implemented compliance frameworks for ethical conduct, human rights, control of key processes, health and safety performance and environmental performance.

AE became the first construction company in Sri Lankan to become a signatory to the United Nations Global Compact (UNGC), when it joined the initiative in November 2011. It is an active member of the UNGC and has reported on the progress of the Ten Principles during the last year.

In terms of Human Rights, AE has always stood by to uphold, respect and protect internationally proclaimed human rights. We have, through our contracted projects as well as self-initiated community projects, contributed to providing basic amenities to the people, providing for healthcare and education and providing employment. In our supplier and subcontractor agreements we ensure that we do not engage in business activities with entities that even show a slight doubt on human rights abuses.

As mentioned elsewhere, we have totally abolished forced or compulsory labour and child labour in our operations and are in the process of ensuring that these practices are honoured in the supply chain as well. We recently upgraded our policies in ‘Recruitment, Selection and Placement’, ‘Training and Development’, ‘Disciplinary Management’ and ‘Grievance Management’ to ensure their compliance with elimination of discrimination in respect of employment and occupation.

Finally, we take great effort to work against corruption in all its forms, including extortion and bribery. Our implicit Code of Conduct address the issue of corruption and the Disciplinary Procedure identified it as a punishable misconduct. We have also obtained the membership of TRACE International in support of upholding anti-corruption practices.
Awards

During the period of review, AE was decorated with numerous awards for its efforts in carrying out the core business as well as industry advancement initiatives, reporting and HR functions. Some of the awards we won are listed below.

Institute for Construction Training & Development (ICTAD) Construction Performance Awards, 2011
- ‘Construction Performance – Civil Engineering Sector’ for construction of the bridge across Maoya on Pannala-Maningamuwa road
- ‘Construction Performance – Civil Engineering Sector’ for construction of Nugegoda Flyover
- ‘Construction Performance – Civil Engineering Sector’ for construction of Sangupiddy Bridge

- Winner ‘Best Knowledge Integrator’
- Runner-up ‘Construction Sector’
- Merit - Extra Large Category

National Engineering and Technology Awards, 2011 and 2012
- Gold award for the ‘Stall with Best Display of Engineering Services’

Otherways International Research and Consultants, Berlin, Germany
- Golden award for ‘Quality and Business Prestige’

Corporate Accountability Index, 2012
- Gold status and top 10 placement.

Most Respected Business Entities, 2012
- Top 25 placement.

Institute of Engineers of Sri Lanka (IESL) Engineering Excellence Awards, 2012
- Engineering Excellence Award for Organizations

National Business Excellence Awards, 2012
- Winner ‘Excellence in business and financial performance’
- Winner ‘Construction sector’ (joint award)
- Second Runner Up – Extra large category

Charted Accountants Association of Sri Lanka (CA), Annual Reports Awards, 2012
- Best Annual Report in the Construction sector
SUSTAINABILITY CHALLENGES

Business operations continuously face challenges that threaten its very existence. These challenges come in two forms. One is the impact of business activities on the outside world, which in turn pose challenges to the business. The other is the effect of trends in the outside world that pose challenges to the business. In this section we will demonstrate our thinking behind these challenges, and especially how we plan to convert these challenges into opportunities. This will give us a fresh look at the existing business challenges and a way to ensure our sustainability.

Impacts of Business Activities

The Company is engaged in building of new infrastructure (i.e. roads, highways, water towers etc) as well as refurbishments to existing infrastructure stock. The economic, environment and social feasibility of a project is a key criterion in identification, selection and prioritization of projects. This approach helps identify impacts and assess related risks and opportunities in each new project from a sustainability point of view.

<table>
<thead>
<tr>
<th>Economic impacts</th>
<th>Challenge</th>
<th>Opportunity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Additions and improvements to the infrastructure</td>
<td>Planning and funding of projects</td>
<td>Improvement to the standard of living through improved infrastructure creating more business opportunities</td>
</tr>
<tr>
<td>Supply and hiring of construction related material</td>
<td>Mass scale operations having a negative impact on the existing small scale businesses</td>
<td>Develop the existing businesses as part of the supply chain to improve the reliability and quality</td>
</tr>
<tr>
<td>Higher demand for construction material (local and imported) leading to inflation</td>
<td>Pricing products and services and achieving sustainable margins</td>
<td>Invest in new technology for reducing material requirements and use of alternative material</td>
</tr>
<tr>
<td>Creation of business opportunities with spanning of construction activities</td>
<td>None identified</td>
<td>Development of skilled labor force in the industry</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Environmental impacts</th>
<th>Challenge</th>
<th>Opportunity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Changes to the natural environment due to new constructions</td>
<td>Protecting the environment</td>
<td>Research and development (R&amp;D) focusing on innovative techniques with less impact to the environment</td>
</tr>
<tr>
<td>Pollution of air, water and land through construction activities</td>
<td>Protecting the balance of natural eco systems</td>
<td>Use of new construction techniques</td>
</tr>
<tr>
<td>Usage of many non-renewable natural resources (sand, stones etc)</td>
<td>Depletion of non-renewable natural resources, sourcing material to future projects and price escalations</td>
<td>R&amp;D focusing alternative or high performing material</td>
</tr>
<tr>
<td>Felling of trees to clear land for construction</td>
<td>Protecting the trees</td>
<td>Take community leadership in tree planting campaigns</td>
</tr>
</tbody>
</table>
### Impact | Challenge | Opportunity
--- | --- | ---
#### Social impacts

**Creation of many employment opportunities for the local community**  
Creation of many employment opportunities for the local community  
Procuring employees of required skill on a continuous basis  
Training and developing employees  
Developing human capital of the country  
Facilitate in achieving goals of MDG 1

**Enhancing standard of living through new or improved infrastructure**  
Meeting expected quality standards and client expectations  
New projects leading to more infrastructure developments

**Relocation of communities resulting from construction activities**  
Project planning and activities of pressure groups  
Finding suitable locations for relocation  
Financial compensation  
Getting involved in housing and infrastructure development projects for the displaced communities

**Faulty constructions leading to property or human damages**  
Meeting quality standards and maintaining corporate reputation  
Rework and repair  
Strengthen quality management practices  
Use of innovative techniques in construction

**Health and safety of employees when engaging in risky operations**  
Training employees and assuring fully safe working environment  
Reputation as a preferred employer in the industry  
Positive image obtainable through being a health & safety focused employer and investments into new equipments and machinery

**Professional development of employees and students involved with the Company**  
Establishing a formal programme, with resource persons for their professional development  
Molding the future workforce in a manner that best suits the Company  
CSR projects for mentoring and soft skills development

### Sustainability Trends

As much as our activities impact on the economy, environment and the society, the sustainability trends governing the external environment affect the organization in each of its decisions. We are aware and thus appraise and respond to these trends on a continuous basis. We have recognized the following sustainability trends as having a major say on our activities.

#### Economic trends

| Trend | Challenge | Opportunity |
--- | --- | --- |
**Scarcity of non-renewable raw material (sand, stones etc)**  
Sourcing materials for new projects and increasing prices  
Room for R&D, innovative techniques etc. |
**Boom in the construction industry in the short to medium term**  
Capacity building to meet demand  
Availability of more business opportunities resulting in more growth and diversification potential |
**Primary focus of the GoSL being towards infrastructure development**  
Funding projects and capacity issues  
Rapid growth planned requires funding from the private sector |
<table>
<thead>
<tr>
<th>Trend</th>
<th>Challenge</th>
<th>Opportunity</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Environmental trends</strong></td>
<td>Minimizing environmental impact of operations</td>
<td>R&amp;D into new construction techniques and material</td>
</tr>
<tr>
<td>Impact on natural eco-systems, animal habitats and biodiversity hot spots</td>
<td>With the changes experienced in climate patterns, we can expect floods, landslides, droughts, etc. which may damage or delay construction activities</td>
<td>Research and Development to come up with of new materials / technologies</td>
</tr>
<tr>
<td>Climate change and frequent adverse weather conditions</td>
<td>Cost of production will increase due to reduction in raw materials, rising power prices, construction delays, etc.</td>
<td>Use of waste products for raw materials in fuels (e.g. bio gas)</td>
</tr>
<tr>
<td>Focus on energy conservation</td>
<td>Reducing energy usage in operations</td>
<td>Use of renewable energy sources</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Reducing wastage and improving efficiency in operations</td>
</tr>
<tr>
<td>More stringent environmental regulations</td>
<td>Impose restrictions on the operations of the Company, especially involving natural resources and waste management</td>
<td>Differentiate ourselves from the competition and stand out as a corporate citizen</td>
</tr>
<tr>
<td><strong>Social trends</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Growing awareness on human rights, corporate governance and sustainability issues</td>
<td>Need to cover wide range of aspects in decision making and meeting competing demands of wider stakeholder base</td>
<td>Positive image and demand for products of the company upholding corporate values</td>
</tr>
<tr>
<td>Protection of employee rights</td>
<td>Ensuring protection of employee rights and provision of a respectable work environment</td>
<td>None identified</td>
</tr>
<tr>
<td></td>
<td>The rapid expansion of construction activities into rural areas could lead to child labor/forced labor</td>
<td></td>
</tr>
</tbody>
</table>
SUSTAINABILITY FRAMEWORK

In order to face the sustainability challenges we face, we have put in place a robust framework that includes corporate governance, stakeholder engagement, establishing a policy framework and capacity building. The initiatives that have been taken in these areas are highlighted below.

Corporate Governance

Constructed on a philosophy of responsible governance, ethics, values, accountability and sincerity of action, AE’s Corporate Governance ethos works within a culture of performance that emphasizes a framework of conformance and compliance. To us, Corporate Governance goes beyond the tenets of conformance and compliance into a situation where our business is grown and nurtured into a sustainable and equitable one, presenting all our stakeholders with a future to grow with us.

Maximizing shareholder wealth on a sustainable basis while safeguarding the rights of multiple stakeholders are fundamentals which are permeated through all levels of our management and staff. They in turn work on the trusses of truth, trust, principles, good morals and honesty to ensure that the end justifies the means and remain strategically aligned to the core principles of our Corporate Governance practice.

Our governance and operating model facilitates efficient and timely decision making coupled with pragmatic resource allocations. These are aligned to integrate into a transparent, accountable and ethical framework that are compliant not only with the laws of the country but also with self-imposed codes of ethics, standards and regulations that position us on a platform of critical governance features to ensure a culture that goes beyond compliance. This is thus manifested in the composition of the corporate management team, division of powers and duties and the promotion of sound corporate ethics across the company.

The company’s vision and mission remain firmly embedded in our future journey with the Board of Directors and Executive Management, providing the necessary stewardship to our team and other stakeholders to achieve our objectives. Evaluating and setting the direction of the Company’s strategic initiatives, performance objectives and targets also remain entrenched within the leadership. In addition, this leadership is tasked with strengthening the overarching company principle of protecting the interests of all stakeholders and consolidation of business activities to ensure continuity and sustainability.

The Board of Directors of Access Engineering endeavors to provide entrepreneurial leadership through effective formulation and execution of policies and procedures, designed to attain the objectives of the company. By end 2013 the Board comprises ten Directors, from which five are Executive Directors, two Non-Executive Directors and three Independent Non-Executive Directors. The Independent Non-Executive Directors further entrench independent non-partial judgment, which in turn embed the strong fundamentals of transparency into the decision making process.

The Company’s Strategic Planning Committee, Audit Committee and Remuneration Committee, have been designed to strengthen its unwavering commitment to corporate governance.
Audit Committee

Appointed by the Board of Directors, the Committee comprises three Independent non-executive Directors and one non-executive Director of the Board.

The Audit Committee Charter formalizes the authority, responsibilities and specific duties pertaining to the Committee:
- Overseeing preparation, presentation and adequacy of disclosures in the financial statements
- Ensuring compliance with financial reporting requirements
- Ascertaining the adequacy of Company’s internal controls and risk management processes
- Assessing the independence and performance of the external auditors
- Making recommendations to the Board pertaining to the external auditors

Remuneration Committee

Comprising two independent non-executive Directors and one non-executive Director of the Board, this Committee is appointed by the Board.

The Remuneration Committee Charter formalizes the authority, responsibilities and specific duties pertaining to the Committee:
- Company’s remuneration policy being effective enough to attract and retain the best human resources
- Recommending the remuneration payable to the Executive Directors
- Monitoring and reviewing the remuneration payable to the Corporate Management members

Strategic Planning Committee

Essentially focusing on assessing existing and new investments, this Committee comprises of three executive Directors and two independent non-executive directors.

The Committee’s mandate includes:
- Formulating criteria and guidelines for assessing existing and new investments
- Planning investments periodically, targeting at optimum utilization of resources
- Reviewing existing investments
- Assessing new investments for strategic fit, risk profile, profitability and future potential
- Making recommendations to the Board on investment portfolio, contingency planning and future corporate goals

Compliance Committee

The Compliance Committee is appointed by the Chief Operating Officer and is set up to further strengthen good governance at Corporate Management level. This mechanism will bridge the gap between the senior management and the Board of Directors when important decisions are to be made on operational issues.

The Committee comprises of the Chief Operating Officer and seven Corporate Management members.

The Committee’s mandate includes:
- Establish and monitor organizational objectives
- Evaluate company policies, formulate new policies, advise and take the initiative to revise existing policies
- Ensure that policies are in compliance with laws and regulations
- Ensure that project management, accounting, procurement, stores and human resource functions are carried out according to established procedures
- Ensure that control systems are laid down and operated to promote the most economic, efficient and effective use of resources
- Ensure the proper implementation of management systems (ISO 9001, ISO 14001 and OHSAS 18001)
- Review the performance of the internal audit team
- Collect and review financial and operational information that is meant to be disclosed to external parties and verify their reliability

**Governance structure and culture**

Access Engineering’s Corporate Management team is committed to achieving sustained value creation for the benefit of all stakeholders, through adherence to a set of well-defined corporate governance principles, coupled with maintaining effective structures and processes within the Company. The team has the input of the Chief Operating Officer, Board Members and Senior Management who meet regularly to discuss the management of business activities.

Project implementation is driven by Project Management Divisions, where in the General Managers and Deputy General Managers work on plans and targets, matching those to realistic time frames and ensuring any shortfalls or delays are speedily rectified. Authority is exercised within an ethical framework of business practices established by the Board, which demands compliance to existing laws and regulations as well as best practices in dealing with employees, customers, suppliers and the community at large.

We have also infused a milieu of increased participation by middle management to permeate the need for a more responsible, transparent and accountable administration, which will strengthen the financial discipline of the Company. The permeating culture of empowerment and accountability emanates quick responses to customer requirements, which has kept Access Engineering far ahead of most competitors and has been the cornerstone of our competitive advantage. This permeation of authority and accountability has spawned empowerment even at shop-floor level and the front-line, enabling top management to dwell more importantly on the more strategic and conceptual inputs. Driving a team branded on excellence, people remain centric to our entire operational capabilities and engineering competencies. The experience and professionalism within our team has been the catalyst in integrating our core competencies into strategic partnerships. Maintaining a healthy work life balance with an environment of superior human resource development via a comprehensive Quality Management System inculcates the culture of meritocracy, while performance oriented individuals who make up an excellent team are driven to achieve ambitious goals.

The organizational structure of Access Engineering is decentralized into three Project Management Divisions (PMD) with clear delegation of authority and responsibility. Each PMD carries out a structured impact assessment depending on the specific conditions of the projects and reports to the Compliance Committee.

There are several specific mechanisms through which the Company identifies the key impacts of sustainable aspects:

- Monthly Progress Review Meetings held during the last week of each month at Head Office
- Project risk assessment carried out as part of QMS
- Environmental aspect / impact assessment and Health & safety hazard identification and risk assessment
- Initial visits to the prospective project locations, discussions with the local community leaders and planning the mobilization accordingly
- Internal audits of QMS, EMS and OHSMS, communication of findings to the project management and discussion of corrections, corrective and preventive actions
Stakeholder engagement

The quality of our relationships with internal and external stakeholders, which are maintained through a process of informing and making decisions, has been a cornerstone of the sustainability efforts of the Company. Our ability to communicate effectively with the key stakeholders has been critical to our success thus far and will also be critical to our long-term success.

Stakeholder engagement has helped us to highlight particular interests and concerns and also to be better at anticipating issues and dealing with them proactively. The benefits of integrating stakeholder engagement at the strategic level have included pooling of resources that can help all parties to gain insights and knowledge, solve problems, and reach goals and targets that none of them could reach alone. With regard to sustainability, advantages of effective stakeholder engagement have been to align with and capitalize on stakeholder values, preempt stakeholder action, sustain the value chain and capture operational efficiencies.

<table>
<thead>
<tr>
<th>Stakeholder</th>
<th>Rationale</th>
<th>Engagement</th>
<th>Frequency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Board and Corporate Management Team</td>
<td>Board and the Corporate Management Team are responsible for the future direction of the Company.</td>
<td>▪ Corporate management and board meetings</td>
<td>Continuous</td>
</tr>
<tr>
<td></td>
<td></td>
<td>▪ Board Committee meetings</td>
<td></td>
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<tr>
<td>Investors</td>
<td>As GoSL is not able to finance all the planned infrastructure development projects, investors play a key role in future projects.</td>
<td>▪ Periodic meetings to ascertain / review project progress</td>
<td>As and when required</td>
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<tr>
<td></td>
<td></td>
<td>▪ Business promotion meetings</td>
<td></td>
</tr>
<tr>
<td>Shareholders</td>
<td>They provide the capital and approve / reject company strategic decisions</td>
<td>▪ Annual Report and General Meeting</td>
<td>Annual</td>
</tr>
<tr>
<td></td>
<td></td>
<td>▪ Extraordinary general meetings</td>
<td>As and when required</td>
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<tr>
<td></td>
<td></td>
<td>▪ Updated website and dedicated investor relations e-mail</td>
<td>Continuous</td>
</tr>
<tr>
<td></td>
<td></td>
<td>▪ Newspapers articles and other publications</td>
<td></td>
</tr>
<tr>
<td>Bankers/Prospective Lenders</td>
<td>Even though it has been the practice not to work on debt capital, in certain specific instances we need financing from external parties.</td>
<td>▪ Timely settlement of dues</td>
<td>Continuous</td>
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<tr>
<td></td>
<td></td>
<td>▪ Providing periodic financial information</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>▪ Responding to lenders’ queries</td>
<td>As and when required</td>
</tr>
<tr>
<td>Employees</td>
<td>Our vision towards sustainability is driven by the employees, who need the most up to date information to make a valuable and informed contribution.</td>
<td>▪ Periodical management-employee meetings</td>
<td>Continuous</td>
</tr>
<tr>
<td></td>
<td></td>
<td>▪ ‘Open-door’ policy</td>
<td></td>
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<td></td>
<td></td>
<td>▪ Performance review and feedback</td>
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<td>▪ Training and development</td>
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<td></td>
<td>▪ Maintaining transparency in all activities</td>
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<td></td>
<td></td>
<td>▪ Staff welfare activities</td>
<td></td>
</tr>
<tr>
<td>Stakeholder</td>
<td>Rationale</td>
<td>Engagement</td>
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<td>----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
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</tbody>
</table>
| Government and Regulators           | Maintaining cordial relationships with GoSL is very important to the company since most infrastructure projects are initiated by the government and thus building confidence is paramount to business operations. | ▪ Timely feedback through submission of reports, tax returns, updates etc  
▪ Ensuring compliance                                                                                                               | Continuous                                                                                                                   |
| Customers                           | Business goals and objectives are achieved by the projects provided by customers and future potential businesses are obtainable through the customers | ▪ Publication of Annual Report and Sustainability Report  
▪ Progress review meetings  
▪ Updated web site  
▪ Relationship Managers for each major customer                                                                                                                               | Annual  
Continuous                                                                                                     |
| Suppliers (includes subcontractors) | Construction is heavily dependent on raw material and, therefore, suppliers play a key role in the achievement of business objectives and timely completion of projects. | ▪ Subcontractor / supplier evaluation  
▪ Regular progress review meetings  
▪ Updated website                                                                                                          | Continuous                                                                                                                   |
| Business Partners                   | For us to be a leader in knowledge-based value engineering, we need to liaise with companies specializing in particular areas enabling a valuable knowledge transfer process. | ▪ Regular visits to / from business partners  
▪ Updated website  
▪ Regular communication and periodic meetings for ongoing projects  
▪ Relationship Managers for each major customer                                                                                   | Continuous                                                                                                                   |
| General Public                      | The end user of almost all our products, i.e. construction projects, is the general public. Therefore, we can only get a complete picture of the customer impact is through engagement with the general public. Maintaining a positive public image is very important to succeed in this industry. | ▪ Publishing the Annual Report and the Sustainability Report  
▪ Updated website  
▪ Regular media and other communications with public  
▪ Participation / sponsoring trade exhibitions  
▪ Providing employment and internship opportunities                                                                                       | Annual  
Continuous                                                                                                               |
Policy Framework

Vision

“To be the foremost Sri Lankan business enterprise in value engineering”

Mission

“To meet the challenges in the development of multi-sector civil engineering projects, providing innovative solutions whilst developing long term progressive relationships with all our stakeholders”

Sustainability Framework

- Implement practices that promote economic security, environmental stewardship and social betterment and will strive for continuous improvement in these areas
- Behave ethically based on the values of honesty, equity and integrity
- Respect, consider and respond to the interests of our stakeholders
- Respect international norms of behavior, while abiding by the rule of legislative and regulatory requirements
- Respect human rights and recognize both their importance and universality
- Raise awareness of our employees on sustainability issues while soliciting their full corporation in all our sustainability initiatives
- Encourage our suppliers and subcontractors into the process of sustainable business by auditing and development
- Be a source of knowledge for our external stakeholders on sustainability issues
- Establish and constantly monitor quantifiable objectives for our sustainable performance
- Make available the tools and resources required to make it a reality, and will support each employee as they live this vision

Sustainability Policy

In order to reach our vision of being a sustainable business, we will:

- Be accountable for our impacts on the economy, the environment and society and our decisions and actions that lead to such impacts
In order to consolidate our premier position in the industry and continue to aggressively seek growth opportunities in the short and medium term, heavy investment was made in modernizing and adding to our plant and heavy machinery, while staff needs, both present and future forecasts, too were focused upon.

The staff was increased by 1,500 during the year 2011/12 with new recruitment in operational, technical, and workmen categories. During 2011/12, Access Engineering undertook an investment of Rs. 8.3 Mn on training, both local and foreign, in addition to the ongoing on-the-job training and job rotation. The company developed a team of 22 competent trainers from within the company to undertake in-house training programmes. An ambitious in-house training plan for 2012-14 with over 40,000 employee training hours was developed and initiated.

During 2011/12 and 2012/13, the most notable capacity building initiatives were in plant and machinery, which amounts to an investment of Rs. 1.2 Bn and Rs. 941 Mn over a period of 24 months. This was the period in which the company made the biggest investment in plant and machinery in its entire history. This coincided with the expected industry growth and also planned diversifications.

This included investments in crusher and concrete batching plants to augment raw material sourcing for the road improvement and development projects as well as other civil engineering projects engaged island wide, eliminating dependency on external suppliers. Any excess production is made available for purchase by external customers. The 8% and 6% contribution from production income towards revenue in 2011/12 and 2012/13 is due to the investments made in these plants, further justifying return on investment. Our Asphalt Plants in Jaffna, Ibbagamuwa, Kotadeniyawa, and Kanthale together boast of a production capacity of 456 TPH. Access Engineering Crusher Plants holding a total capacity 280 TPH are located in Northern and North Central provinces of the country. With the addition of the latest plant in Mabima, the total capacity of concrete production increased to 145 m³/hr.

Our capacity building measures commenced in the previous year continued to be strengthened in 2012/13 and it contributed to the growth and expansion during the current year. The company’s staff strength stands at 3,245 as at 31st March 2013 with 115 engineering professionals. High priority was given to training and development with the total investment in training initiatives amounting to approximately Rs. 16.5 Mn. The training plan launched in April 2012 continued into this year with more focus on personal development.

In 2012/13, capacity building initiatives in plant and machinery during previous years contributed to providing material and services to all our projects including sale of materials to outside customers.

The company continued to acquire shares of Sathosa Motors PLC where a further 440,217 shares were acquired at a cost of Rs. 103 Mn increasing its holdings to 84.4% as at 31st March 2013. Sathosa Motors has yet again
recorded a good performance for the year under review. The Board and Management have made a decision to implement a fully integrated enterprise resource planning system during the period under review. The implementation of the system is currently underway and is expected to be fully operational during the next financial year.
ECONOMIC CONTRIBUTION

The economic dimension of sustainability concerns the organization’s impacts on the economic conditions of its stakeholders and on economic systems at local, national, and global levels. This section illustrates the flow of capital among different stakeholders and the main economic impacts of the organization throughout society. However, most of this economic information is already well reported in our financial accounts and reports. Here we enumerate our contribution to the sustainability of the economic systems in which we operate.

Direct Economic Contribution

The direct economic contribution of our operations manifest through the immediate consequences of monetary flow between the organization and its stakeholders. Data on the creation and distribution of economic value, as indicated in the table below, provide a basic indication of how the organization has created wealth for stakeholders. Several components of the table also provide an economic profile of AE, which may be useful for normalizing other performance figures.

Employee wages and benefits

AE has made a conscious effort to pay the employees above the market norms. As per the salary and benefits survey carried out through KPMG Executive Search (Pvt.) Ltd, monetary benefits of all the 17 job designations surveyed were found to be above market average, in some cases by over 35%. In terms of employees falling under the purview of Wages Boards Ordinance, the company minimum wage is 18%-25% above the minimum specified in the applicable Wages Board decisions. Employees are eligible for Employees’ Provident Fund (PF) contribution according to the terms of the Employees’ Provident Fund Act & for Employees Trust Fund (ETF) according to the terms of the Employees’ Trust Fund Act. They are also entitled to retirement gratuity under the Payment of Gratuity Act.

Payment to providers of capital

Subject to the provisions of the Companies Act & the Articles of Association, the actual amount and timing of dividend payments on the Ordinary Voting Shares of the Company is recommended and approved by the Board of Directors of the Company. The dividend policy of the Company is based on a number of factors, including but not limited to the Company’s earnings, cash flow position, future investments & funding of growth any other factors where the Board may deem relevant.

Payment to government

The contribution to the GoSL is in terms of Income Tax, Economic Service Charge (ESC) and Construction Industry Guarantee Fund (CIGF). The company is liable to Income Tax at the concessionary rate of 12% on construction income and 28% on other income. In addition, the Company has made a contribution of Rs. 30.1 million to the CIGF.

Community investment

This was made more focused under the theme of ‘More than bricks and steel’. In 2012/13, five main themes governed our community investments, namely local community development, human capacity
building, health and wellness, industry advancement & environmental stewardship. In 2012/13 we carried out 20 major community projects at an investment of Rs. 46.0 Mn. Additionally another Rs. 4 Mn was given away as donations for various causes in 2012/13.

**Indirect Economic Contribution**

Since our projects are in the sphere of infrastructure development, there is invariably a huge indirect economic contribution. Infrastructure development projects are designed to maximize the economic impact to the local communities & on the country as a whole. With the inputs from our Design Team, we have engaged in a continuous dialogue with our clients & developers to propose ways & means to maximize the positive economic impacts and to minimize the negative ones. Working with underprivileged communities we have been able to play an important role as a participant in socioeconomic change.
ENVIRONMENTAL IMPACT

While appreciating construction is the industry with the most severe impact on the environment, we have pledged to make a conscious effort to mitigate as well as reverse such impacts. We ensure that our business is in compliance with all applicable environmental regulations, to conserve resources by using them efficiently and recycling appropriately, to protect and enhance wildlife habitats around our businesses, to limit the amount of hazardous wastes produced and disposed, to improve the efficiency of our operations to reduce the amount of waste generated, and to support local environmental projects and activities.

Climate change initiatives

Our environmental consciousness extends from the design to ultimate completion of the project. This includes ground preparation which may involve felling of trees, which becomes almost an unavoidable and imperative circumstance in the industry. At Access Engineering, we assume full responsibility for this and always liaise with relevant parties to overcome this dilemma. This is done in conjunction with our clients and consultants, where our design team engages in a dialogue with them to make design changes, where necessary to preserve trees. For example, there were several instances along the Kantale-Trincomalee road where design changes such as shift of the centre line and diversion of drains to save a tree. When trees are felled, we ensure that new trees are planted in as close proximity as possible to the original location.

The tree planting initiative continued during the period of reporting with over 10,000 trees being planted in various locations. To ensure the sustainability of this programme, a full-time Environmental Officer was employed, not only to plant trees, but also to visit the locations regularly to ensure that they are well taken care of and if perished to replace them. On 15th November 2012, on the day of the national tree planting day, over 1,000 trees were planted at all the locations of the Company with the main event being held at Embulgama Raja Maha Viharaya in Ranala. For the World Water Day a tree planting and awareness building programme was conducted at Boralugoda Maha Vidyalaya in Kalatuwawa. In addition tree saplings were distributed among school teachers and our own employees to be planted at the auspicious time of the Sinhala Tamil New Year. Continuing from the good work commenced way back in 2008, up to now we have planted over 10,000 trees island wide.

Other notable environmental contributions were increased use of recycled material, use of by-products and waste material, improved designs to save energy and designs to minimize soil erosion.

Other initiatives

Apart from the climate change initiatives, another green initiative was the recycling of Electronic and electrical waste (e-waste). Having realized the enormity of the harmful effects of disposing e-waste in an irresponsible manner in landfills or burning them without proper safety precautions, we joined hands with Ceylon Waste Management (Pvt.) Ltd. the only BOI approved organization for waste recycling in the country to collect and recycle e-waste from our offices and the general public. Over 6.5 tons of e-waste was collected during two projects in June and December 2012 and the items were handed over for recycling.
EMPLOYEE RELATIONS

The philosophy behind the HR function has been to achieve a workplace where ‘The best people, under the best conditions, producing their best work’. Even though this ethos sound simple, it involves a long process from identifying the role, to recruitment, selection, training and development, empowerment and keeping them engaged and also externalities such as employee value propositions and brand image.

People Management at Access

We have been able to incorporate HR Best Practices into the way we do business and, especially, how we manage our people. Responsibility, accountability and authority have been the three pillars of the success we have enjoyed with our workforce. Over the years we have created a culture of empowerment, where performance is recognized and achievements are rewarded. This performance based culture has enabled the Company to outperform its competitors over the years. The Company continues to raise its bar in terms of people management and 2012/13 saw very specific measures being taken in this regard.

HR function of Access Engineering is decentralized, with the Head of HR, who is a member of the Corporate Management Team, working from Head Office overseeing the HR operations, while each Project Management Division comes under individual HR Managers.

Personnel policies, processes and procedures are aligned to the national and international norms. The stage has been set for us to graduate from compliance to compliance plus. We have strived to go beyond mere compliance to re-formulate the policies with the thinking we always had with regard to employees. A robust monitoring system has also been established with our Code of Conduct and Disciplinary Management Procedure, which are overlooked by the Compliance Committee.

Rights and Policies

Meritocracy is the underlying fundamental in both selection and career mobility, while non-discriminatory practices are in high focus. At selection stage, if an individual shows potential and is the ‘right person for the right job’ employment is guaranteed. A meticulous and transparent procedure is followed in career movements and reward allocations as well.

Given the nature of our industry, there are instances where child labour has been used in the past by suppliers and subcontractors in quarries, crusher plants and road construction work. However, we have fully disdained this practice and categorically prohibited our suppliers and subcontractors to engage in such practices. The stringent screening process in place at AE ensures that none of its business partners employ child labour.

Recruitment and retention

As at March 31st 2013, the total team increased to 3,245 with almost 36% based in the technical and operational categories, further highlighting our culture of empowerment. Over the last three years, there has been a steady increase in net employment as seen at 16.6% in 2010/11, 94.7% in 2011/12 and 2.2% in 2012/13.

Employee turnover, which is an indication of the level of satisfaction and engagement, is monitored closely and requiring
A comprehensive orientation and induction programme is provided to all employees within three months of employment. On the day of offering employment, the new team members are given a taste of the company culture by the HR personnel who is handling the task. A more elaborate programme is conducted periodically at Head Office where the new employees are introduced the past, present and future direction of the Company with special emphasis on the culture and sustainability.

The HR Department creates and implements the training calendar annually, charted against individual aspirations, divisional goals and objectives, current and future projects, trends, challenges and opportunities of the Company and the construction industry. Training and development works on the triad of external, internal and on-the-job training, saw an investment of Rs. 16.5 Mn in 2012/13.

An elaborate in-house training plan was drawn up which identified 90 training areas with a total of over 160 programmes spread over 225 training days with over 5,000 man days of participation. This plan, which was launched in July 2012, will supplement the current practice of local and foreign training through external bodies. Training of employees is held high at all times by the Company.

In order to deliver this ambitious training plan, a team of 22 executives of the Company were developed as trainers through a Training of Trainer (ToT) programme conducted over a period of 3 months. The ToT programme covered the basics of adult learning and corporate training, and concluded with practical sessions which provided them the opportunity to sharpen their skills as trainers.
A specific direction taken by the Company with regard to training culminated in a series of personal development initiatives. Through the contribution of Company executives, two personal development workshops were developed and implemented. The programme titled ‘Journey of Success’ was designed for middle management and executives while a programme titled ‘Be the best you can be’ was designed for junior staff members. Both programmes received a very positive feedback from the participants as an eye-opener to develop their personal and professional lives.

In addition to these full-day workshops, personal development items such as yoga and medication, relaxation exercises, music therapy were included at every given opportunity within technical training programmes.

Having identified tobacco and alcohol as a significant psychosocial problem for the employees, we joined hands with Alcohol and Drug Information Center (ADIC) to conduct awareness sessions on tobacco and alcohol. During the year two programmes were conducted with the participation of 475 employees.

Health, safety and welfare

Having appreciated that the construction industry place enormous burden on the health and safety of the employees and also on the work-life balance, we took specific initiatives to mitigate the adverse effects. A formal Health & Safety Management System (HSMS) which was implemented in 2011, was expanded with a more holistic definition of ‘health’. It is our view that this holistic approach was also a contributor to the high level of staff retention at Access Engineering.

In addition to the physical health which was the main focus area earlier, other holistic aspects of mental, emotional, social, spiritual, environmental and vocational wellness were included in the Health & Safety Management System. Three programmes addressing health enhancement were initiated and carried out during the year. First programme was branded as ‘Healthy Heart’ and included a complete medical history and examination and lab tests to assess the cardiovascular risk of employees. Employees were provided with useful advice by a team of doctors who visited all the working locations of the Company throughout the country. Another programme branded as ‘Happy Office’ was carried out along with the ‘Healthy Heart’ programme and ventured to assess the sources of psychological pressure, coping strategies and physical and psychological outcomes.

A third programme ‘Work in Comfort’ targeted at reducing musculoskeletal discomforts of employees using desk-and-chair workstations is underway.

The Health & Safety Management System, which complies to international standards was subject to an external audit to obtain OHSAS certification. The system was subjected to an Initial Review by the certifying body Det Norske Veritas (DNV) and was found to meet the requirements of OHSAS 18001: 2007 international standard. The system is implemented in all operational locations and was planned to be subject to a Certifying Audit in June 2013. However, the process was delayed and the new expected certification is in September 2013.

Welfare initiatives increased this year with insurance covers for team members and their families continuing, in addition to the food and accommodation for project staff, annual entertainment and sporting activities. A special sub-committee of the Corporate Management was appointed to revisit the welfare facilities offered to the employees and propose any additions. The report is in draft stage and will be taken up for discussion in June 2013 and will be implemented in August 2013.
COMMUNITY RELATIONS

We work in communities, with the communities, for the communities. We also extract all our resources from the communities and cause significant collateral impact on the communities. With this close integration with the local communities where we operate, we have identified the need to have strong and sustainable relations with them. How we carry out our operations plus specifically identified community relations projects strengthen our relationship with the community. This has always been a cornerstone of our Company's success. Thus we will as always build healthy community relationships.

Community relations at Access

Social responsibility projects are worked out on five primary platforms. To maintain transparency and equity in the chosen social responsibility projects, a series of evaluations and reviews are conducted by the Compliance Committee, which is a sub-committee of the Corporate Management team. This process ensures that these initiatives have strategic alignment with the corporate vision and mission, are aligned to the social responsibility platforms, the resources are available and the goals and objectives are both relevant and realistic.

Local community development

We continuously work to support the wellbeing of the community, contribute to the enrichment of the society and make a tangible contribution to the economic and social development of the localities where our projects and plants are located. We have also taken initiatives to mitigate health and safety impacts of infrastructure, hazardous materials, emissions and discharges; counteract social impacts of involuntary resettlement, physical and economic displacement and livelihood disturbances; and honour the local culture, cultural heritage and indigenous peoples.

Human capacity building

Another area where we have actively engaged in is building human capacity and developing human resources in the society, including our own employees and their families, focusing our attention on preschool, school, technical and tertiary education by means of transferring knowledge, mentoring and coaching, apprenticeships, scholarships and other financial contributions.

One human capacity building initiative carried out throughout has been providing internship placements for students following academic courses, both engineering related and management. During the year, we provided internship placements for 50 students from Universities, Technical Colleges, Advanced Construction Training Academy (ACTA), and some private educational institutes.

We commenced work on another capacity building project in Methodist Central College, Hakmana where we have undertaken to design and build an Auditorium Building with a floor area of 8,600 sq. ft. and a seating capacity of 700. The project is to be handed over by the end of May 2013. In another school in the Southern Province, Padawkema Junior School at Lunugamwehera we renovated the staff quarters which was in a dilapidated state.
In collaboration with the Ministry of Water Supply & Drainage, we organized a personal development programme and donated school kits for 50 girls from orphanages to commemorate the World Day for the Girl Child 2012. To enhance inter-communal harmony, we co-sponsored to provide drinking water for the Murali Harmony Cup a T20 cricket tournament for schools in the Northern and Eastern Provinces which also included teams from other provinces, which was an ICC ratified event.

There are two capacity building projects underway at the moment, namely Job Skills Scholarships Programme and Skills for Life programme. The Job Skills Scholarship programme, being implemented through Skills for Success (Pvt.) Ltd., involves a Series of 10-day career guidance programmes in six districts where we have projects with a total of 400 scholarships.

The Skills for Life programme involves developing and sponsoring the mentoring programmes in two departments (i.e. civil and earth resources) of Faculty of Engineering, University of Moratuwa. The course is scheduled to begin with the new semester which begins in June 2013.

Health and wellness

Health and wellness is yet another focus area of our social responsibility initiatives where we engage in projects to promote physical, psychological, social and spiritual wellness of the society, including our own employees and their families, through health and wellness education, infrastructure development, dissemination of healthcare services, promotion and sponsorship of sports events and contributions to uplift medical services, promotion and sponsorship of sports events and contributions to uplift medical services.

With the positive response from the staff members who took part in holistic wellness initiatives, we took the concept a step forward by organizing a series of public workshops on holistic wellness. The workshops, which were implemented through Sethsada Yoga Nikethanaya, the leading yoga institute in the country, included topics such as yoga, meditation, energy healing, laughter therapy and music therapy and was held in five locations with the participation of over 2,800 health conscious individuals.

We renovated Ward 2 of the Chest Hospital in Welisara for the second time and we donated three playground items (merry-go-round, slide and see-saw) to the Police Children’s Park at Ampara which would promote psychosocial wellbeing of the children of the area.

Industry advancement

We consider industry advancement also to be one of our key responsibilities. In this respect, we have taken leadership in the advancement of the construction industry to take up the future challenges through the introduction of modern technology, development of human resources and dissemination of best practices in construction management.

During the year, we carried out a project to address one of the critical human resource issues in the construction industry – dearth of competent laboratory technicians. As a solution, we selected a group of 10 school-leavers with good educational background and enrolled them in an apprenticeship programme to be trained as laboratory technicians. The company has borne a cost of over Rs. 300,000 per apprenticeship without any financial bond, but only with the objective of providing competent human resource to the industry. It is our thinking that a competent industry workforce will ultimately benefit everyone.

We have entered into a Memorandum of Understanding with the National Apprenticeship and Industrial Training
Authority (NAITA) to sponsor the ongoing batch of students at the Kandakadu Rehabilitation Center who are undergoing vocational training in masonry and carpentry. The project includes providing consumables for the course, the material needed for the assessments, fees for the instructors and certificate awarding ceremony.
PRODUCT RESPONSIBILITY

A business exists to provide a product (either a good or service) to the customers. While fulfilling a need in a customer, the business is vested with a power which grants control over the customer. The customer is most often, if not always, at the mercy of the business, who invariable are more knowledgeable about the product than the customer. Exercising this power responsibly is the cornerstone of any sustainable business.

Product responsibility at Access

At Access Engineering, maintaining high standards for our product responsibilities (including both goods and services) is the governing principle across all our operations. Since we involve in engineering operations across the whole spectrum, from designing through design and built to construction, our actions to realize product responsibilities have far reaching consequences.

Responsible design

As a contractor, most of the time we are required only to follow designs given by the designer (Architects, Engineers) and to produce an end product that will fit for its intended purpose. To ensure that our operations and products do not harm users, either directly or indirectly, we always have a strong communication and dialogue with the designers. As a responsible contractor we are always aware of our duty to alert the designer if the specifications or designs are not in accordance with current industry practices and standards. Furthermore, our construction activities are carried out with strict compliance with international standards including British Standards (BS), American Standards, Australian Standards and Indian Standards. Also we comply with Sri Lankan Standards (SL). Thus, when it comes to product responsibility we operate diligently to ensure that the ultimate product has met designer’s requirements as well as the fitness for purpose.

Designing aspect of our operations is carried out by a designated Design Division which was initially established to cater to the in-house design requirements while carrying out construction projects. The establishment and development of the Design Division has equipped us with the competence to move into stand-alone design projects and to seize the opportunity of the recent shift in the construction industry from construction contracting to design and built projects. We have swiftly and effortlessly moved into these new markets which has opened the doors for a new business unit.

This has created new challenges with regard to product responsibility. We have strengthened our Design Division and at present the engineering team of the Division encompasses Chartered Engineers, Chartered Architects and Engineers. The team is reinforced by an experienced advisory consultant in the field of structural designs. With the recent expansion and development of the Division, it has acquired the capability of handling many types of civil and structural designs, utilizing the most advanced and modern design software for structural and foundation analysis, and advanced drafting software to produce engineering drawings. In an attempt to ensure product safety, we always seek second opinions from a third party which include University academics and other consultants.

Procuring of business

Product responsibility starts from the point of procuring of business. During its short
span in existence, AE has been able to procure and execute a significant amount of infrastructure related civil engineering projects in Sri Lanka in diversified sectors either on behalf of the GoSL or together with third party developers.

Procuring of business by AE in relation to construction, improvements and completion of infrastructure projects directly sourced by the GoSL takes place through a transparent tender process by the respective authorities. Depending on the scope of construction, specialized nature of project, stipulated timeframe and project funding, AE would participate in the bidding process either individually or jointly with internationally reputed construction companies specialized in the respective fields of construction.

In addition to the above method of procuring business, AE works with third party developers who have already secured infrastructure development projects from the GoSL or authorities, in the capacity as a JV partner. In most instances these third parties involved are leading foreign contractors or developers who have the expertise and experience in their respective fields. Over the years, AE through JVs and strategic alliances has been able to develop a strong relationship with leading foreign contractors/developers who have carried out infrastructure projects in Sri Lanka.

In some instances, AE has been responsible for introducing these parties to Sri Lanka, and hence has a continued relationship and a sound understanding with regard to the working arrangements, which would enable the Company to secure business of these parties on a preferential basis.

Participation of AE in most of the mega road developments, bridge constructions, flyover constructions, water supply and port development projects undertaken in the recent past has been through JVs, mainly collaborating with leading contractors from China, Malaysia, UK etc. These JVs have given the opportunity for AE to demonstrate its capabilities and reliability as a JV partner in executing some complex projects. It is believed that the expertise gained through the working relationship with these JVs would enable AE to procure construction work of major infrastructure projects in the future, while internalizing product responsibility in a broader sense.

Core competencies

The realization of our product responsibility is rooted in having developed several core competencies, which not only has enabled us to execute our duty as a responsible corporate citizen, but also to be a formidable player in the civil engineering space in Sri Lanka.

Competent Workforce

The Company has an experienced Corporate Management Team who has extensive expertise in their respective domains. The corporate management team of AE is committed to attain sustained value creation for its stakeholders through effective structures and processes within the Company. The experience and professionalism within the team has been the catalyst in integrating the core competencies into strategic partnerships which enables AE to capitalize on future market opportunities.

In addition to the management team, AE possesses a qualified and trained workforce who has mastered the operations in respective service divisions. This skilled resource of the Company possesses the requisite expertise and experience in the use and handling of modern construction equipment and machinery. Skill sets of employees provide the Company the flexibility to adapt to the needs of its clients and the technical specifications of the various projects undertaken by AE.

A key success factor that has driven AE to procure a successful growth over the years is
its technical competency and incessant innovativeness in the infrastructure development field. The Company is known to be in the forefront in initiating and utilizing some of the advanced, modern and comprehensive systems and equipments in the civil construction sector that has strengthened the value engineering arm of the Company through shorter construction period, cost efficiency, increased productivity and enhanced operational capability whilst delivering a better value for its clientele.

The integrated service divisions of AE endeavor to continuously adapt and respond to the new inventions and standards in civil construction sector. The Company is constantly working with international contractors and consultants to gain knowledge in value engineering and use of more cost efficient techniques in carrying out construction related activities.

Quality Assurance

The Company is committed to ensure high quality in deliverables to its clientele. In attaining the requisite quality, it endeavors to maintain an experienced human resource base and the latest construction equipment portfolio in its operations. Our work quality is governed by a Quality Management System (QMS) which is in accordance with ISO 9001:2008 standards, where quality assurance procedures are strictly followed. The quality policy of AE focuses on facilitating high quality civil construction services with effective, efficient and innovative solutions. The Company adheres to stringent measures to ensure effective quality control including creation of quality standards, their implementation and employee training.

The utmost consideration of the Company to its customers, staff, principals, subcontractors, suppliers as well as the society is reflected through the continuous upgrade to its quality management system whilst adhering to the ISO 9001:2008 standards and other applicable regulatory requirements by each of the service divisions of AE. During the period of reporting, the QMS and EMS were subject to two audits each by the certifying body, DNV of India.

The Geotechnical and Laboratory Services Division of AE is responsible to ensure the quality control during each phase of construction projects. To further improve the quality of the operations, we obtained ISO 17025:2005 (General requirements for the competence of testing and calibrating laboratories) certification from the Sri Lanka Accreditation Board. The process was initiated in January 2011 and was completed in April 2013, with the award of certificate of compliance.
LOOKING TO THE FUTURE

A sustainable business is one which continuously looks for opportunities for growth in terms of the triple bottom line. Improved operations, increased business volume, enhanced community contributions and reduced environmental impact are all concerns for a sustainable business. When looking to the future, we have identified several initiatives which would further strengthen our position as a sustainable business entity.

Consolidate in the current markets

With the infrastructure development still in full throttle, we plan to further consolidate our position in the market by procuring key projects during the next year. This includes major road projects, bridge projects and water supply projects. We will also look at very seriously into expanding in the building sector which we entered into during the last year.

Enter into new businesses

Through acquisitions and direct investment, we plan to get into new business areas. We are pursuing opportunities to enhance our presence in the mechanical engineering sector. We will also pursue strategic investment opportunities in areas such as property development, township establishments, mixed development, and residential projects.

Expand into international markets

The Company is keen in expanding its operations beyond the shores of Sri Lanka. With the first overseas project being secured last year, we are looking for opportunities in the African continent using our relationships with international business partners.

Private Public Partnerships

We will continue to seek opportunities for Public Private Partnerships in water, wastewater, power and renewable energy generation.

Strengthen employee health

While carrying out the initial work in the Health & Safety Management System, it was observed that employee health is a relatively neglected area compared to safety. We intend to strengthen the focus on improvement of the health of our employees, in addition to safeguarding them against occupational diseases.

Introduce Management Information Systems

The exponential growth we experienced during the last three years have placed a huge strain on the operational management of projects. We intend to introduce Management Information Systems in operational management (through an Enterprise Resource Planning solution) and in HR management (through an HRIS).

Re-locate business operations

Since its establishment, PMD I and II has been located in Boralesgamuwa, which caused certain operational difficulties. Action will be taken to re-locate all the PMDs and the Corporate Office under one roof.
Expand social development investment

This year saw a surge in the investment in social development projects. We will further expand our investments in projects that will give sustainable benefits to the communities we work in as well as the country as a whole,