



LEVEL OF ADHERENCE TO CODE OF BEST PRACTICE ON CORPORATE GOVERNANCE



DIESEL & MOTOR ENGINEERING PLC

LEVEL OF ADHERENCE TO CODE OF BEST PRACTICE ON CORPORATE GOVERNANCE

The table below presents the requirements laid down by the Code of Best Practice on Corporate Governance 2017 issued by the Institute of Chartered Accountants of Sri Lanka and how the Company is complied with the each requirement of the Code.

Section	Requirement	Compliance with the Code by the Company
Section 1 :		
A.	DIRECTORS	
A.1	THE BOARD	
	Every public company should be headed by an effective Board, which should direct, lead and control the Company	
A.1.1	<p>The Board should meet regularly, at least once every quarter and they should be provided information on a regular basis.</p> <p>The regularity of the Board meetings and the structure and process of submitting information should be agreed by the Board</p>	<p>Board of Directors met 06 times during the financial year, and at least once in every quarter. Recent financial and non-financial information was disseminated 7 working days prior to commencement of each Board meeting to effectively execute Board responsibilities.</p> <p>Composition of the Board and attendance at Board meetings are available on page 46 of the Annual Report 2018/19.</p> <p>The information pertaining to financial and operational results, financial performance compared to previous periods and budgets, impacts of risk factors on financial and operational results, compliance with laws and regulations, internal control breaches and related party transactions by the Directors are reported to the Board on a quarterly basis.</p>
A.1.2	Board should be responsible for matters including:	
	<ul style="list-style-type: none"> ● Ensuring the formulation and implementation of a sound business strategy 	<p>The Board provides stewardship, vision and strategic direction to the Group and fosters a culture of responsibility and accountability across the Group. A stakeholder centric approach is adopted in strategy formulation.</p> <p>A review of business, marketing, financial and other strategies and their implementation takes place during the Board meetings. The Board also meets Heads of Business Units at least once a month to deliberate and provide direction on matters relating to strategy formulation.</p>
	<ul style="list-style-type: none"> ● Appointing the Chair and the Senior Independent Director 	<p>During the year 2018/19, Mr. A. R. Pandithage served as the Chairman/ Managing Director and Mr. R. Seevaratnam served as the Senior Independent Director of the Company.</p>
	<ul style="list-style-type: none"> ● Ensuring that the CEO and the management team possess the skills, experience, and knowledge to implement the strategy 	<p>The Directors are from diverse backgrounds and bring a wide range of experience and competencies that facilitates the effective discharging of Board responsibilities.</p> <p>The Board ensures that the Chairman/Managing Director, CEO, Executive Directors and the Management team possess the skills to implement the overall strategy.</p> <p>The Board approves all appointments to the Group Management Committee (GMC), which consists of the senior management. The Board takes into consideration the skills and experience of the members prior to their appointments in order to ensure the suitability of the members to hold their position in the GMC as well as his/her regular position in the managerial capacity of the</p>

		company. A brief resume of each Director including skills and experience is available in the “Board of Directors” on pages from 40 to 41 of the Annual Report.
•	Ensuring the adoption of an effective CEO and key management personnel succession strategy	Succession planning is given due recognition. Effective succession planning is a criterion in the performance appraisals of the key management personnel. The Board, with the assistance of the Nomination Committee, reviews succession plans available for succession of key management personnel.
•	Approving budgets and major capital expenditure	The budget for the year 2019/20 was approved by the Board during March 2019. Capital expenditure is included the budget. However, the Group Management Committee approves all the capital expenditure at the time of incurring such expenditure.
•	Determining the matters expressly reserved to the board and those delegated to the management including limits of authority and financial delegation	Board determines on the matters expressly reserved to the Board such as formulating the strategy and deciding on the risk appetite of the Group Companies. Deciding on matters delegated to management such as Authorization Matrix also falls within the purview of the Board.
•	Ensuring effective systems to secure integrity of information, internal controls, business continuity and risk management	The Board identifies significant risks on an ongoing basis and ensure implementation of appropriate procedure to evaluate and manage the identified risks. Measures taken towards an effective internal control system is given under D.2.1 of this table.
•	Ensuring compliance with laws, regulations and ethical standard	The Board ensures the compliance with laws, regulations and standards on each area of business operations. The internal auditors continuously monitor and report to the Audit Committee on their findings. Governance structure on pages 40 to 60 of the Annual Report 2018/19 discusses DIMO’s compliance status in detail.
•	Ensuring all stakeholder interests are considered in corporate decisions	The Board has initiated a stakeholder engagement programmes by which the company identifies the material stakeholder issues. The corporate strategy developed by the Board ensures all material aspects identified, have been addressed adequately. Refer https:// www.dimolanka.com/sustainability-performance/ for Comprehensive stakeholder engagement and material issue analysis process.
•	Recognising sustainable business development in Corporate strategy, decisions and activities and considering the need for adopting “Integrated Reporting”	The Board recognises the importance of including principles of sustainability in Corporate strategy, decisions and activities. The value creation model set out in pages from 12 to 13 of the Annual Report 2018/19 shows the inclusiveness of stakeholders and the environment in the value creation process. Further, please refer pages 81 to 85 of the Annual Report for more information on the Company’s activities with regard to sustainability. The Company has adopted integrated reporting since year 2010/11 and the Company has presented its Integrated Annual Report in accordance with the International Integrated Reporting Framework

		V1.0
	<ul style="list-style-type: none"> Ensuring that the Company's values and standards are set with emphasis on adopting appropriate accounting policies and fostering compliance with financial regulations 	<p>The Code of Business Ethics requires compliance with laws, regulations and corporate policies at all times. These ensure that prescribed accounting policies, accounting standards (SLFRS/LKAS) and other regulations are adhered to.</p> <p>The Company keeps up to date with all current developments in relation to accounting standards and have reviewed the accounting policies in place.</p> <p>Independent Auditor's Report, appears from pages 102 to 105 in the Annual Report affirms that the Company's Financial Statements are in line with Sri Lanka Accounting Standards.</p>
	<ul style="list-style-type: none"> Establishing a process of monitoring and evaluation of progress on strategy implementation, budgets, plans and related risks 	Each Board meeting, the progress of strategy implementation, achievement of budgets, plans and related risks are reviewed.
	<ul style="list-style-type: none"> Ensuring that a process is established for Corporate reporting on annually and quarterly 	The Company provides its accounts quarterly and annually to the Board for their review.
	<ul style="list-style-type: none"> Fulfilling other Board functions that are vital, given the scale, nature and complexity of the business concerned 	During the year, the Board was committed in fulfilling their obligations towards all stakeholders in line with laws, regulations and governance practices of the Group.
A.1.3	<p>The Board collectively and Directors individually must act in accordance with the laws of the Country and to have an agreed procedure to obtain independent advice at the Company's expense</p> <p>.</p>	<p>The regulatory framework adopted by the Company provides the basis for conformance, and identifies what is expected to be followed by the Board, upholding the values of ethical and good business practices ensuring confidentiality and ethical dealing. Any Director may obtain independent professional advice that may be required in discharging his/ her responsibilities effectively, at the Company's expense.</p> <p>The regulatory framework with mandatory compliance is depicted in the "Governing Framework" presented on page 43.</p>
A.1.4	<p>Need for the Directors to have access and services of the Company Secretary and the need for removal of Company Secretary should be a matter for the Board as a whole.</p> <p>Further the need to obtain an appropriate insurance cover as recommended by the Nominations Committee for the Board, Directors and key management personnel</p>	<p>Members of the Board have unrestricted accesses to the advice and services of the Company Secretary. The Company Secretary advises the Board and ensures the Board procedures are followed up and compliance with relevant rules, regulations and other statutes and keeping Board minutes and relevant records of the Company.</p> <p>The appointment and removal of the Company Secretary rests with the Board.</p> <p>The Company has obtained "Director and Officer Liability Insurance Cover" which covers the legal liabilities of a Director or an officer in the performance of their official duties.</p>
A.1.5	Need for Directors to bring independent judgement to bear on issues pertaining to strategy, performance, resources and standards of business conduct.	The Board consists of senior professionals in their respective fields and use their independent judgement upon the matters relating to strategy, performance, resources and business conduct.

A. 1.6	<p>Need for every Director to dedicate adequate time and effort to matters of the Board and the Company.</p> <p>Directors should commit sufficient time to review Board papers, call for additional information and clarification prior to the meeting and follow up on issues consequent to the meeting.</p>	<p>The Chairman, Non-Executive and Executive Directors are committed to discharging their duties as Directors of the Company and ensuring that adequate time and attention is given to make their contribution effective. The Non-Executive Directors have follow up meetings with the Chairman, Executive Directors or members of the Group Management Committee to follow up on matters discussed at Board Meetings and provide their expertise.</p> <p>The Board papers and the agenda are received by the Directors ahead of Board Meetings, enabling the Directors to review the papers and obtain clarifications ahead of the meetings. The papers contain financial and non-financial information. The regular Board papers include Financial Statements, narratives on variances, working capital related reports, reports on compliance with statutory requirements, capital expenditure reports, staff appointments, bank facilities & utilization and any other report as required.</p>
A. 1.7	<p>One third of the Directors can call for a resolution to be presented to the Board where they feel it is in best interest of the Company</p>	<p>Any single Director may call for a resolution to be presented to the Board where he feels it is in the interest of the Company.</p>
A. 1.8	<p>Need for every Director to receive training when he/ she is first appointed to the Board and subsequently as necessary. The Board should review and agree the training and development needs of the Directors.</p> <p>.</p>	<p>During the year external consultants were involved with training the Board on changes in laws & regulations, tax laws, accounting standards and business strategy.</p> <p>During the year, all the Executive Directors were provided external trainings covering various topics in relation to the strategic role of the Board and leadership.</p>
A.2	CHAIRMAN AND CHIEF EXECUTIVE OFFICER (CEO)	
	<p>There are two key tasks at the top of every public Company – conducting of the business of the Board, and facilitating executive responsibility for management of the Company’s business. There should be a clear division of responsibilities at the head of the Company, which will ensure a balance of power and authority, such that no individual has unfettered powers of decision.</p>	
A.2.1	<p>Need to justify and highlight the decision to combine the posts of Chairman and CEO</p> <p>.</p>	<p>The post of Chairman and Managing Director are combined. Mr. A.G. Pandithage was appointed as CEO with effect from 01.04.2012. The functions of Chairman /Managing Director and CEO were vested with the same person up to 31.03.2012. The appointment of a CEO with effect from 01.04.2012 will enable sharing of responsibilities of the Chief Executive function.</p> <p>The presence and involvement of the Senior Independent Director and other Independent Directors ensure that no single individual enjoys unfettered powers of decision-making and provides the basis for prevalence of independent judgment over standards of business conduct. The presence of a Senior Independent Director adds more emphasis to transparency in governance affairs.</p> <p>The Audit, Nomination, Remuneration Committees and Related Party Transactions Review Committee are headed by Independent Non-Executive Directors.</p>

A.3	CHAIRMAN'S ROLE	
	<p>The Chairman's role in preserving good Corporate Governance is crucial. As the person responsible for running the Board, the Chairman should preserve order and facilitate the effective discharge of Board functions.</p>	
A. 3.1	<p>Responsibility of the Chairman to conduct Board proceedings in a proper manner and ensure that the Board is in complete control of the Company's affairs.</p>	<p>Board meetings are conducted in an atmosphere that encourages healthy debate by all members of the Board. The agenda for the Board meetings are prepared by the Company Secretary in consultation with the CEO and the Directors considering the events surrounding strategy, performance, resource allocation, risk management and compliance.</p> <p>The agenda of the Board meetings are sent to the Directors 07 days prior to the Board meeting.</p> <p>The Chairman ensures that there is effective participation from all Directors, that their individual contribution and concerns are objectively assessed prior to making key decisions. The Chairman ensures that all the Non-Executive Directors and Executive Directors are provided with an opportunity to present their views on matters discussed and that both Executive and Non-Executive Directors have an opportunity for effective participation. He also ensures that the Board is in complete control of the Company's affairs and that decisions made by the Board are implemented.</p> <p>Board members are free to suggest the inclusion of items on the agenda of Board meetings and carry out their duties in the interest of the Company without any undue influence from other parties. The Board members are encouraged to take advantage of a variety of expertise available in the Board in the areas such as finance, marketing, and law and engineering in making decisions for the benefit of the Company.</p> <p>The Chairman and the Senior Independent Director determines that the information available to the Board is sufficient to make an informed assessment of the company's affairs as well as to discharge their duties to all stakeholders.</p> <p>The composition of the Board and attendance details of Directors at Board meetings and Board Committee meetings are available on page 46 and pages from 55 to 59 respectively.</p>
A.4	FINANCIAL ACUMEN	
	<p>The Board should ensure the availability of financial acumen and knowledge to offer guidance on matters of finance.</p>	<p>The Board enjoys the services of four qualified accountants who provide the requisite financial acumen and knowledge on matters of finance. In addition, the Audit Committee has the services of another qualified Accountant who serves as an Independent Consultant.</p>
A.5	BOARD BALANCE	
	<p>It is preferable for the Board to have a balance of Executive and Non-Executive Directors such that no individual or small group of individuals can dominate the Board's decision-taking.</p>	

A.5.1	The need to have at least three Non-Executive Directors or such number of None-Executive Directors equivalent to one third of total number of Directors whichever is higher. In the event of the Chairman is not an Independent Director, the majority of the Board the Directors shall be Non-Executive Directors.	<p>Four out of the thirteen Directors as at March 31, 2019 were Non-Executive Directors and three of them were Independent. The Board is of the opinion that the Chairman has preserved order and facilitated the smooth functioning of the Board.</p> <p>The presence and involvement of the Senior Independent Director further ensures that no single individual enjoys unfettered power of decision-making and adds more emphasis to transparency in governance affairs.</p>
A.5.2	The need to have three or two third of the Non-Executive Directors appointed to the Board, whichever is higher, to be “Independent”	<p>Three out of four Non-Executive directors were independent during the year.</p> <p>The names of Independent Non-Executive Directors are as follows.</p> <ul style="list-style-type: none"> • Mr. R. Seevaratnam • Dr. H. Cabral • Mr. A. D. B. Talwatte
A.5.3	Need for Independent Director to be free of any business interest or any other relationship that would impair his/ her judgement.	<p>The Independent Directors fulfil all of the criteria set by this section except the number of years they have been serving on the Board. Mr. R. Seevaratnam and Dr. H. Cabral have exceeded their tenures of nine years and the Board has determined that the independence of above Non-Executive Directors have not been impaired despite the service period exceeding nine years. A special disclosure in this regard is available in the “Annul Report of the Board of Directors” on pages from 94 to 97 of the Annual report.</p> <p>Related party transactions and Directors interest in contracts are disclosed on pages from 163 to 164 and 98 respectively.</p>
A.5.4	Responsibility of each Non-Executive Director to submit signed and dated declaration annually on his/ her independence or non-independence.	The Non-Executive Directors have submitted the requisite declarations, which were used to determine their Independence.
A.5.5	Need for the Board to determine the independence or non-independence of each non-Executive Director annually based on the declaration made and information available to the Board.	<p>The Board has made an annual determination as to the independence or non-independence of each Non- Executive Director based on a declaration made by them and as per criteria set out by the Colombo Stock Exchange Listing Rules.</p> <p>The special declaration on the determination of independence of Independent Non-Executive Directors, is presented on page 95 of the Annual Report.</p> <p>The names of Independent Non-Executive Directors are given on page 46 of the Annual Report.</p>
A.5.6	Need to appoint Non-Executive Director or Independent Director as an Alternative Director	No alternative directors were appointed during the year under review.
A.5.7	Need to appoint a Senior Independent Director from amongst the Independent Non-Executive Directors, if the positions of Chairman and CEO are held by the same person or the Chairman is immediately preceding CEO.	<p>As mentioned in A.2.1, Mr. A. R. Pandithage held the position of Chairman/ Managing Director and CEO up to 31.03.2012 and continued to be the Chairman/ Managing Director from 01.04.2012.</p> <p>Accordingly, Mr. R. Seevaratnam has been appointed as the Senior Independent Director and functions in this position. The Senior Independent Director presides at Board meetings in the absence of the Chairman.</p>

A.5.8	Need for Senior Independent Director to have confidential discussions with other Directors who may have concerns that have not been considered by the Board and participate in all meetings with majority, significant and minority shareholders and be made aware their concerns by the Company Secretary.	<p>The Senior Independent Director is available for confidential discussions, should there be any concerns regarding governance or issues that may adversely affect the Company, inadequately addressed by the Board.</p> <p>Except for the Annual General Meeting of the Company, no other shareholder meeting was convened during the period under review.</p>
A.5.9	Need for the Chairman to have meetings exclusively with Non-Executive Directors at least once in a year.	Chairman meets with Non-Executive Directors, without the presence of Executive Directors at least once a year. In addition, the Chairman consults the Independent Directors to obtain their views on matters of importance, as and when the need arises.
A.5.10	Need to record the Directors' concerns in the Board minutes which have not been resolved unanimously.	<p>The Board minutes are prepared by the Company Secretary. In the event of a matter not being unanimously adopted at a Board meeting, the concerns expressed are recorded in the meeting minutes, at the request of the Director concerned.</p> <p>Minutes of the Board Meetings are circulated to all Directors and adopted at a subsequent Board Meeting.</p>
A.6	SUPPLY OF INFORMATION	
	The Board should be provided with timely information in a form and of a quality appropriate to enable it to discharge its duties.	
A.6.1	Obligation of the management to provide appropriate and timely information to the Board and responsibility of the Chairman to ensure that all matters arising at Board meetings are briefed to all Directors.	<p>A sophisticated management information system is in place and it provides relevant and current information. All Board Members including Non-Executive Directors receive information on the operations and performance of the Company on a monthly basis. This routine helps to eliminate information asymmetry between executive Directors and Non-Executive Directors.</p> <p>The Chairman ensures that the background is set for discussions at Board Meetings by introducing the subject of discussion, if the Board members were not previously aware of the matter at hand.</p>
A.6.2	Requirement to provide the minutes, agenda, and relevant papers at least seven (7) days prior to the meeting.	<p>The Directors are provided with comprehensive data on financial and non-financial information no less than seven days prior to Board meetings in addition to the agenda of the meeting and the minutes of the previous meeting.</p> <p>Additional information may be requested by any member of the Board as and when required. Directors may also seek any information from the management team on matters discussed at Board meetings that requires follow up.</p>
A.7	APPOINTMENTS TO THE BOARD	
	There should be a formal and transparent procedure for the appointment of new Directors to the Board.	

A.7.1	Need to establish a Nomination Committee to make recommendations on new appointments to the Board.	<p>The Board appoints Directors to the Company, Subsidiary Companies and members to the Group Management Committee based on the recommendations of the Nomination Committee.</p> <p>The composition of the Nomination Committee as at March 31, 2019 is as follows.</p> <ul style="list-style-type: none"> • Dr. H. Cabral (Chairman) • Mr. A. R. Pandithage • Mr. A. M. Pandithage • Mr. R. Seevaratnam • Mr. A. D. B. Talwate <p>The Report of the Nomination Committee is available on page 59 which describes their role in Board Appointments.</p>
A.7.2	Need to assess the composition of the Board annually based on knowledge and skill requirements to ascertain whether the combined knowledge and experience of the Board matches the strategic demands facing the Company.	<p>The Committee's main role is to nominate suitable candidates as and when vacancies occur on the Board. The Committee is responsible for succession planning at Board and Senior Management level and in ensuring smooth management transitions. It reviews the size and structure of the Board on a continuous basis and constantly reviews the balance of skills, knowledge and experience of the Board of Directors. The Committee also reviews the independence of Directors including actual, potential or perceived conflicts of interest.</p>
A.7.3	Obligation for the Board to disclose details of newly appointed Directors to the shareholders.	<p>The new appointments are informed to shareholders with sufficient details through a notification to the Colombo Stock Exchange, and subsequently in the annual report.</p> <p>During the year, no new appointments were made to the Board.</p>
A.8	RE-ELECTION	
	All Directors should be required to submit themselves for re-election at regular intervals and at least once in every three years.	
A.8.1	Need for the Non-Executive Directors to be appointed subject to re-election and to the provisions of the Companies Act relating to removal.	<p>Except for the Managing Director, all other Directors retire by rotation and shall offer themselves for re-election at the AGM. As per the Articles of Association the Managing Director, is not required to make himself available for re-election.</p>
A.8.2	Obligation for Directors including the Chairman to be subject to election at the first available opportunity after their appointment and thereafter at the intervals of not more than three years.	<p>The Company's Articles of Association provides that any Director appointed by the Board shall hold office until the next Annual General Meeting (AGM), and then will seek re-appointment by the Shareholders at the said AGM.</p> <p>The names of the Directors coming up for re-election at the AGM 2019 are given in the Notice of Meeting of the Annual Report 2018/19.</p>
A.8.3	Need to provide written communication to the Board by a Director who resigns prior to completion of his/ her appointed term	No director resigned during the year

A.9	APPRAISAL OF BOARD PERFORMANCE	
	Boards should periodically appraise their own performance to ensure that Board responsibilities are satisfactorily discharged.	
A.9.1	Need to have a formal and rigorous process for reviewing the performance of the Board and its Committees.	The performance of the Board was reviewed by circulating a questionnaire among the directors and the performance of Board Committees were carried out by way of discussions.
A.9.2	Need for the Board to appraise itself annually on its performance.	<p>The effectiveness of the Board is vital to the success of the Group. The Board undertakes a process that appraises its performance in discharging its key responsibilities.</p> <p>The methodology of evaluation involves each Board member completing a checklist and providing a rating on each item covered in the checklist involving areas of appraisal. The appraisal covers areas such as;</p> <ul style="list-style-type: none"> • its contribution towards developing, implementing and monitoring of strategy, • communication with stakeholders, • processes involving the Board, • review of its own performance evaluation process and • other areas related to discharging its responsibilities
A.9.3	Need for the Board to undertake a self-evaluation of its own performance.	The Board carries out a performance evaluation of the Board and of its Committees. The methodology followed for evaluation of Board performance is given in A.9.1. Performance evaluation of Board Committees is done by way of a discussion.
A.9.4	Need for the Board to state in the Annual Report how such performance evaluation is conducted	<p>The performance of the Board was reviewed by circulating a questionnaire among the Directors.</p> <p>As done in each year, the Board evaluated its performance and the performance of sub committees in year 2018/19.</p>
A.10	DISCLOSURE OF INFORMATION IN RESPECT OF DIRECTORS	
	Shareholders should be kept advised of relevant details in respect of Directors.	
A.10.1	Need to set out details of each Director in the Annual Report.	Refer pages 40 to 42 in the Annual Report.
	Name, qualifications, brief profile.	Refer pages 40 to 42 in the Annual Report.
	The nature of his expertise in relevant functional areas;	Refer pages 40 to 42 in the Annual Report.
	Immediate family and/or material business relationships with other Directors of the Company;	Mr. A.R.Pandithage, Mr. A.G.Pandithage and Mr. A.M. Pandithage falls within the definition of “close family members” of the Code.
	Whether Executive, non-executive and/or Independent Director	Refer pages 40 to 42 in the Annual Report.
	Names of listed companies in Sri Lanka in which the Director concerned serves as a Director;	Available in the Board of Directors' profiles at https://www.dimolanka.com/about-us/board-of-directors/

	Names of other companies in which the Director concerned serves as a Director where such companies are within the group.	Refer page 179 of the Annual Report.
	Number/percentage of Board meetings of the Company attended during the year;	Refer page 46 of the Annual Report.
	Number of Board seats held by each Director in listed and unlisted companies in the capacity of Executive or Non-Executive.	Available in the Board of Directors' profiles at https://www.dimolanka.com/about-us/board-of-directors/
	Names of Board Committees in which the Director serves as Chairman or a member; and	Refer "Committee Reports" on pages from 55 to 59 of Annual Report.
	Number/ percentage of committee meetings attended during the year.	Refer "Committee Reports" on pages from 55 to 59 of Annual Report.
A.11	APPRAISAL OF CHIEF EXECUTIVE OFFICER (CEO)	
	The Board should be required, at least annually, to assess the performance of the CEO.	
A.11.1	Need for the Board to set reasonable financial and non-financial targets which should be achieved by the CEO during the year.	At the commencement of every financial year, the Board in consultation with the Chairman/Managing Director, CEO and Executive Directors agree on the financial and non-financial targets, based on which the performance of the CEO is evaluated.
A.11.2	Need for the Board to evaluate the performance of CEO at the end of each fiscal year.	Whilst the performance evaluation of the Chairman/ Managing Director is done by the Non- Executive Directors led by the Senior Independent Director, the performance appraisal of the CEO and Executive Directors will be carried out by the Non- Executive Directors in consultation with the Chairman/Managing Director.
B	DIRECTORS' REMUNERATION	
B.1	REMUNERATION PROCEDURE	
	Companies should establish a formal and transparent procedure for developing a policy on executive remuneration and for fixing the remuneration packages of individual Directors. No Director should be involved in deciding his own remuneration.	
B.1.1	Need for the Board of Directors to set up a Remuneration Committee to make recommendation on Company's framework of remunerating Executive Directors.	<p>The Remuneration Committee has been appointed by the Board with terms of reference and is responsible for determining the remuneration policy and the remuneration of the Chairman/ Managing Director, Chief Executive Officer, Executive Directors and Senior Management.</p> <p>Composition of Remuneration Committee is as follows.</p> <ul style="list-style-type: none"> • Dr. H. Cabral (Chairman) • Mr. A. M. Pandithage • Mr. R. Seevaratnam • Mr. A. D. B. Talwatte <p>Refer "Report of the Remuneration Committee" on page 57 of the</p>

		Annual Report for the function of the Remuneration Committee during the year 2018/19.
B.1.2	Need for the Remuneration Committee to consist of Non-Executive Directors only.	<p>The Remuneration Committee consisted of Non-Executive Directors and the Chairman of the Remuneration Committee is an Independent Non-Executive Director.</p> <p>During the year 2018/19, the Remuneration Committee consisted of four Non-Executive Directors out of which three were Independent Non-Executive Directors and the composition of the Remuneration Committee meets the requirements of the Colombo Stock Exchange Listing Rules.</p>
B.1.3	Need to list the Chairman and the members of the Remuneration Committee in the Annual Report.	Names of the Chairman, members of the Remuneration Committee and committee attendance at meetings are available in the “Report of the Remuneration Committee” on page 57 of the Annual Report.
B.1.4	Need for the Board as a whole to determine the remuneration of the Non-Executive Directors including the members of the Remuneration Committee.	The Board of Directors determines the remuneration of Non-Executive Directors. The Non- Executive Directors do not participate in any discussion that involves fixing their remuneration.
B.1.5	Need for the Remuneration Committee to consult Chairman and/ or CEO about its proposals relating to the remuneration of other Executive Directors and have access to professional advice.	<p>The remuneration of the Executive Directors is recommended by the Remuneration Committee in consultation with the Chairman/Managing Director. No Director is involved in deciding his own remuneration.</p> <p>The Committee is entitled to obtain professional advice at the Company’s expense in discharging their responsibilities.</p>
B.2	THE LEVEL AND MAKE UP OF REMUNERATION	
	Levels of remuneration of both Executive and Non-Executive Directors should be sufficient to attract and retain the Directors needed to run the Company successfully. A proportion of Executive Directors’ remuneration should be structured to link rewards to corporate and individual performance.	
B.2.1	Requirement for the Remuneration Committee to provide competitive packages needed to attract, retain and motivate Executive Directors.	The Company’s remuneration policy aims to attract and retain high calibre executives by ensuring that their rewards are competitive and linked to both individual and business performance. Whilst recognising the market demand and the contribution of the executives to the overall performance, the Company believes that the remuneration policy should at the same time be in congruence with shareholder interests.
B.2.2	Need for designing the remuneration of the Executive Directors to promote long term success of the Company.	As mentioned in B.2.1, the remunerations of the Executive Directors are designed to attract and retain high calibre executives which leads to long term success of the Company.
B.2.3	Need for the Remuneration Committee to judge position levels of remuneration of the company relative to peer companies.	<p>The Remuneration Committee in deciding the remuneration of the Directors takes into consideration the level of remuneration paid by peer companies.</p> <p>By linking the remuneration levels to business and individual performance, the Committee ensures that any increase in the variable part of the remuneration corresponds to better performance. When required, the Remuneration Committee uses remuneration surveys to ascertain market levels of remuneration.</p>

B.2.4	Need for the Remuneration Committee to be sensitive to remuneration and employment conditions in determining annual salary increments.	Same criteria and measures adopted in B.2.2 are used for determination of remuneration of the senior management team, across the Group.
B.2.5	Need for the performance related elements of remuneration of Executive Directors to be designed and tailored to align their interests with those of the Company and main stakeholders.	Remuneration of Executive Directors consists of a fixed element as well as a variable element. The variable part (incentive scheme) is based on the performance of the individual as well as the Company.
B.2.6	Need to avoid offering Executive share options at a discount.	There was no share option scheme in operation during the year under review.
B.2.7	Requirement of the Remuneration Committee to follow the provisions set out in Schedule E in designing schemes of performance related remuneration.	The guideline provided by Schedule E has been followed in determining Directors' remuneration.
B.2.8	Requirement for the Remuneration Committee to consider compensation commitments of the Directors in an event of an early termination.	The compensation commitments of the Executive Directors are guided by their employment contracts. This requirement is not applicable to Non-Executive Directors.
B.2.9	Requirement for the Remuneration Committee to tailor their approach in early termination cases if the initial contract does not explicitly provide for compensation commitments.	The Board is committed to acting fairly and in accordance with laws of the country, in the event of a termination. There was no termination of services of any Director during the year under review.
B.2.10	Requirement for the level of remuneration of Non-Executive Directors to reflect the time commitment and responsibilities of their role and the need to exclude offering share options unless the approval of the shareholders is received.	Time commitments and responsibilities of their roles have been considered in determining remuneration levels of Non- Executive Directors. The Company did not have a share options scheme in operation during the year under review.
B.3	DISCLOSURE OF REMUNERATION	
	The Company's Annual Report should contain a Statement of Remuneration Policy and details of remuneration of the Board as a whole and a specimen of a remuneration committee report followed by schedule D	
B.3.1	<p>Requirement for the Annual Report to set out the following.</p> <ul style="list-style-type: none"> names of the Directors comprising the Remuneration Committee statement of remuneration policy aggregate remuneration paid to Executive and Non-Executive Directors 	<p>The names of the members of the Remuneration Committee are given in "Report of the Remuneration Committee" on page 57 of the Annual Report.</p> <p>The Remuneration Policy is available in "Report of the Remuneration Committee" on page 57 of the Annual Report.</p> <p>Total Directors' emoluments are disclosed in Note 4.5 to the Financial Statements of the Annual Report.</p>
C	RELATIONS WITH SHAREHOLDERS	
C.1	CONSTRUCTIVE USE OF THE ANNUAL GENERAL MEETING (AGM) AND CONDUCT OF GENERAL MEETINGS	
	Boards should use the AGM to communicate with shareholders and should encourage their participation.	

C.1.1	Need to arrange for the notice of AGM and related papers to be sent to shareholders as determined by the Statute, before the meeting	The notice of AGM and other related documents were sent to shareholders 15 working days prior to the meeting which is in line with the Companies Act No. 07 of 2007.
C.1.2	Requirement to propose separate resolution at the AGM for each substantial separate issue and in particular resolutions to the adoption of annual report and accounts.	The Company proposes a separate resolution at the AGM on each substantial issue, including the adoption of the Financial Statements.
C.1.3	Need to count all proxy votes and indicate the level of proxies lodged on each resolution for and against such resolution.	The Company has in place a mechanism to count all proxy votes to indicate to the Chairman the level of proxies lodged on each resolution and the number of votes for and against such resolution.
C.1.4	Requirement for the Chairman of the Audit Committee, Remuneration Committee, Related Party Transactions Review Committee and Nomination Committee and the Senior Independent Director to be available at the AGM.	The Annual General Meeting provides a forum for shareholders to raise any queries. The Chairmen of the Audit, Remuneration, Nomination and Related Party Transactions Review Committees and Senior Independent Director are usually present at the Annual General Meeting.
C.1.4	Obligation to send the Notice of AGM and related papers to the shareholders prior to the meeting as determined by statute.	The Notice of Meeting and related documents are dispatched to the shareholders 15 working days prior to the AGM, as per Section 135 of the Companies Act No.07 of 2007
C.1.5	Need to circulate a summary of the procedures governing voting at General Meetings along with the Notice of Meeting.	The form of Proxy outlines the procedure relating to voting at the Annual General Meeting. Every shareholder is entitled to one vote per share at a poll.
C.2	COMMUNICATION WITH SHAREHOLDERS	
	The board should implement effective communication with Shareholders	
C. 2. 1	Need to have a channel to disseminate timely information to all shareholders.	The Company uses many channels to reach shareholders in order to disseminate timely information. These include the Annual General Meeting, the Annual Report, Quarterly Financial Statements, Corporate Disclosures to the CSE and the Corporate Website.
C. 2. 2	Need to disclose the policy and methodology for communication with shareholders.	The Company's policy pertaining to the communication with shareholders involves the sharing of all financial and non-financial information as per the applicable statutory and regulatory requirements and best practices adopted by the Company. The methodology of communication with shareholders is multi-faceted to ensure the accuracy of information disseminated and the timeliness of dissemination. Refer https:// www.dimolanka.com/sustainability-performance/ for Comprehensive stakeholder engagement and material issue analysis process.
C. 2.3	Obligation to disclose how such methodology has been implemented.	The implementation of the policy and the methodology is done through the adoption of the above mentioned channels of communication. Refer https:// www.dimolanka.com/sustainability-performance/ for Comprehensive stakeholder engagement and material issue analysis process.
C. 2. 4	Need to disclose the contact person for such communication.	The contact person for shareholder communication is the Company Secretary.

C. 2. 5	Need to have a process to make all Directors aware of major issues and concerns of shareholders.	Major issues and concerns of shareholders, if any, are discussed at Board Meetings. There were no such concerns expressed by shareholders that warranted consideration at a Board Meeting.
C. 2. 6	Need to appoint a contact person in relation to shareholders' matters.	The Contact Person in relation to all matters pertaining to the Shareholders is the Company Secretary
C. 2. 7	Need for the Board to formulate a process for responding to shareholder matters.	Appropriate responses formulated and actions taken to address shareholder concerns by the Board and the Management are communicated to the shareholders by the Company Secretary. Refer C.2.2 – C.2.5 above for further information.
C.3	MAJOR AND MATERIAL TRANSACTIONS	
	Further to compliance with the requirements under the Companies Act, Securities and Exchange Commission law and Colombo Stock Exchange regulations; as applicable, Directors should disclose to shareholders all proposed material transactions, which if entered into, would materially alter/vary the Company's net assets base or in the case of a company with subsidiaries, the consolidated group net asset base.	
C.3.1	Requirement to disclose major related party transactions.	There were no transactions during the year that fell within the definition of a major transaction defined by Section 185 of the Companies Act No. 07 of 2007. There were also no transactions during the year under review that would suggest a substantial alteration in the nature of the business carried out by the Company.
D	ACCOUNTABILITY AND AUDIT	
D.1	FINANCIAL REPORTING	
	The Board should present a balanced and understandable assessment of the Company's financial position, performance, business model, governance structure, risk management, internal controls and challenges, opportunities and prospects.	
D.1.1	Requirement to present an Annual report including financial statements that is true and fair, balanced and understandable and prepared in accordance with relevant rules and regulations and any deviation being clearly explained.	The Company has presented the annual report which includes Financial Statements that are true and fair, balanced and understandable and prepared in accordance with LKASs and SLFRSs. Further the Annual Report is prepared in compliance with GRI Index issued by Global Reporting Initiatives and Integrated Reporting Framework issued by the International Integrated Reporting Council. Additionally, there was no deviation with regulations in preparing the Annual Report.
D.1.2	Obligation for the Board to present interim reports, price sensitive public reports, reports to regulators and statutory information requirements.	In preparing annual and quarterly Financial Statements, the Company complies with the requirements of the; <ul style="list-style-type: none"> • Companies Act No. 07 of 2007, • Sri Lanka Accounting Standards and

		<ul style="list-style-type: none"> • Listing Rules of the Colombo Stock Exchange. <p>The annual and interim Financial Statements were published within the time periods prescribed by the Listing Rules of the Colombo Stock Exchange.</p> <p>The compliance with all other statutory and regulatory requirements is disclosed in the governance report on pages from 40 to 60 of the Annual Report.</p>
D.1.3	Requirement to obtain a declaration from the Chief Executive Officer and Chief Financial Officer before approving the financial statements by the Board on maintaining financial records, preparing financial statements in line with relevant standards and operating effectiveness of the systems of risk management and internal control.	Please refer the “Responsibility Statement of Chairman, Managing Director and Chief Executive Officer and Chief Financial Officer” on page 60 of the Annual Report.
D.1.4	Need to include the declaration by the Directors in the “Directors’ Report”	Please refer “Annual Report of the Board of Directors” on pages from 94 to 97 and “Board of Directors’ Statement on Internal Controls” on page 99 of the Annual Report for their respective declarations.
D.1.5	Requirement to set out the responsibilities of the Board in preparation and presentation of Financial Statements, Auditors’ reporting responsibilities and a report/ statement on internal controls.	Please refer “Board of Directors’ Statement on Internal Controls” on page 99 and “Statement of Directors’ Responsibilities for Financial Statements” on page 100 of the Annual Report for respective statements.
D.1.6	Need to include “Management Discussion & Analysis” in the Annual Report.	<p>The Board endeavours to present a balanced and an objective assessment of the Company’s position, performance and prospects.</p> <p>Information required by this section is included in several sections of the Annual Report 2018/19</p> <ul style="list-style-type: none"> - Business Model – Pages 12 to 13 of the Annual Report - Industry structure and development – Pages 72 to 80 of the Annual Report - Opportunities and threats – Pages 72 to 80 of the Annual Report - Risk management – Pages 61 to 66 of the Annual Report - Internal control systems and their adequacy – Pages 55 to 56 of the Annual Report - Governance – Pages 40 to 60 of the Annual Report - Stakeholder relationships – Pages 72 to 80 of the Annual Report - Social and environmental protection activities carried out by the Company – Pages 81 to 85 of the Annual Report - Financial performance – Pages 67 to 71 of the Annual Report - Investment in physical and intellectual capital – Pages 75 to 77 of the Annual Report - Human resource/ industrial relations activities carried out by the Company – Pages 75 to 77 of the Annual Report

		- Prospects for the future – Pages 72 to 80 of the Annual Report
D.1.7	The need to summon an Extraordinary General Meeting in the event where the net assets of the Company fall below 50% of the shareholders' funds.	This situation did not arise during the financial year under review and the likelihood of such situation arising is remote.
D.1.8	Requirement to disclose related party transactions in the Annual Report.	<p>There is an approved process of identifying related parties, related party transactions and ensuring that such transactions are treated at "arm's-length". Further, self-declarations were obtained from the Directors in relation to the above.</p> <p>The Company has established a "Related Party Transactions Review Committee" in 2015 to review related party transactions.</p> <p>The details of Related Party Transactions are given in "Directors' Interest in Contracts with the Company" on page 98 and "Section 5 – Other Disclosures" on pages from 163 to 164 of the Annual Report.</p>
D.2	INTERNAL CONTROL	
	The Board is responsible for determining the nature and extent of the principal risks that it is willing to take in achieving its strategic objectives. Further, the Board should have a process of risk management and a sound system of internal control to safeguard shareholders' investments and the company's assets.	
D.2.1	Responsibility of the Board to monitor the Company's risk management and internal control systems and review-the effectiveness and report on the same in the Annual report.	<p>The Board has the overall responsibility for maintaining the systems of internal control of the Company and for monitoring their effectiveness, which has been delegated to the Audit Committee, whilst the implementation of internal control systems is the responsibility of the Group Management Committee. The Group's systems of internal control are designed to manage rather than eliminate the risk of failure in achieving the business objectives. It can also provide a reasonable assurance against material financial misstatement or loss.</p> <p>The Audit Committee is responsible for reviewing the financial reporting system and Financial Statements, to be published, including compliance with relevant accounting standards, laws and company policies.</p> <p>The adequacy and effectiveness of the internal control system is reviewed by the Audit Committee with the Group Internal Auditor. During the Audit Committee meetings, Internal Auditors are invited to present their internal audit findings.</p> <p>The details of Company's Internal Control system is given in "Board of Directors' Statement on Internal Control" on page 99 and Risk Management procedures are given on pages 61 to 66 of the Annual Report.</p>

D.2.2	Requirement to confirm in the Annual Report that the Directors have carried out an assessment of the principal risks faced by the Company and to describe how those risks are being managed or mitigated.	Please refer pages 61 to 66 of the Annual Report
D.2.3	Need to have an Internal Audit function.	<p>The Company has outsourced the internal audit function, which has enhanced the independence required by the function. The Group's Internal Auditor is an employee of the Company who overlooks the internal audit function.</p> <p>The internal audit plan is agreed with the Internal Auditors at the beginning of each financial year by the Audit Committee. However, the Internal Auditors are given the freedom to carry out any additional tasks they consider necessary.</p> <p>The Audit Committee met the Internal Auditors at regular intervals during the financial year to discuss the internal audit findings and to discuss effectiveness of internal controls and identify the levels of risk carried by the areas reviewed by the Internal Auditors. The Audit Committee also reviewed the fees paid to Internal Auditors.</p>
D.2.4	Need for the Audit Committee to review the process and effectiveness of risk management and internal controls.	The role played by the Audit Committee in the Risk Management process is given in the Report of the Audit Committee on pages on 55 to 56 of the Annual Report.
D.2.5	Need for Directors to maintain sound system of internal controls and the contents of the Statement of internal controls.	The role of the Board and Audit Committee on implementation and maintenance of a sound system of internal controls are explained in the Annual Report.
D.3	AUDIT COMMITTEE	
	The Board should establish formal and transparent arrangements for considering how they should select and apply accounting policies for financial reporting, determine the structure and content of Corporate reporting, implement internal control and risk management principles and maintaining an appropriate relationship with the Company's Auditors.	
D.3.1	Need for the Audit committee to be comprised of at least three Non-Executive Directors out of which two of them are Independent or exclusively Non-Executive Directors majority of whom are independent, whichever is higher. Further, the Audit Committee shall be chaired by an Independent Director.	<p>The Audit Committee consists of four Non-Executive Directors out of which three are Independent Non-Executive Directors. Further, the Company has obtained the service of an independent consultant who provides valuable insights to the Audit Committee.</p> <p>The composition and attendance to the meetings of the Audit Committee is available in "Report of the Audit Committee" on pages on 55 to 56 of the Annual Report.</p>

D.3.2	Need for the Audit Committee to review the scope and results of the audit and its effectiveness, independence and the objectivity of the Auditors.	<p>The main purpose is to assist the Board in the effective discharge of its responsibilities on financial reporting, risk management and corporate control. The Audit Committee assists the Board in monitoring compliance with applicable laws and other regulatory requirements and monitoring the Company’s ability to continue as going concern.</p> <p>The Audit Committee makes recommendations with regard to appointments and if require the removal of Independent Auditors. The Committee also evaluates the performance of Independent Auditors, reviews the terms of engagement and fees of the Auditors, for the audit. The Committee also reviewed fees paid to Independent Auditors on account of audit related services and non-audit services.</p> <p>Refer “Report of the Audit Committee” presented on pages on 55 to 56 of the Annual Report for further details.</p>
D.3.3	DISCLOSURES	
	Need to disclose the names of the Directors who are members in the Audit Committee, determination of the independence of auditors and the basis of such determination	<p>The names of the members of the Audit Committee, Committee meetings held and the attendance of members are available in the “Report of the Audit Committee” on page pages on 55 to 56 of the Annual Report.</p> <p>The basis of determination of the independence of Auditors is given under the response to D.3.2. The Chairman/Managing Director, Chief Executive Officer and the Director/Chief Financial Officer attend Audit Committee meetings unless otherwise determined by the Audit Committee. Any member of the Board may attend the Committee meetings by invitation.</p>
D.4	RELATED PARTY TRANSACTIONS REVIEW COMMITTEE	
	The Board should establish a procedure to ensure that the Company does not engage in transactions with “related parties” in a manner that would grant such parties “more favourable treatment” than that accorded the third parties in the normal course of business	
D.4.1	Need to recognize a related party and related party transactions as defined in LKAS 24	The related parties and the related party transactions are recognized as per LKAS 24.
D.4.2	Need to establish a Related Party Transactions (RPT) Review Committee consisting exclusively Non-Executive Directors with a minimum of three Non-Executive Directors of whom majority shall be independent. The Chairman of the Committee shall be an Independent Non-Executive Director.	The Related Party Transactions Review Committee has been appointed by the Board consisting four Non-Executive Directors out of which three are independent. Refer “Report of the Related Party Transactions Review Committee” on page 58 of the Annual Report for the composition and function of the Remuneration Committee during the year 2018/19.
D.4.3	Need to have written terms of reference which is approved by the Board of Directors	The Related Party Transactions Review Committee has been appointed by the Board with terms of reference and is responsible for reviewing related party transactions, determining whether related party transactions require the approval of the Board or shareholders and establishing guidelines for stakeholders in the event of a related party transactions.

D.5	CODE OF BUSINESS CONDUCT & ETHICS	
	Companies must adopt a Code of Business Conduct and Ethics for Directors, Key Management personnel and all other employees must promptly disclose any waivers of the Code for Directors or others.	
D.5.1	Need to disclose the availability of Code of Business Conduct and ethics for Directors and the members of the Key Management Personnel.	<p>The Company has a Code of Ethics applicable to Directors and employees of the Company. The areas covered in the Code of Ethics include proprietary information, conflict of interest, benefits from third parties, accurate books of account, usage of company property for personal use, illegal acquisition of competitor information, insider trading, protection of environment & natural resources and gender equity. Compliance with laws and regulations is a strict requirement for Directors and all employees.</p> <p>There were no reported cases of non-compliance to, Code of Business Ethics by any Director, Key management personnel or any other employee.</p>
D.5.2	The requirement to have a process in place to ensure that material and price sensitive information is promptly identified and reported.	The company has a process in place to ensure that material and price sensitive information is promptly identified and reported in accordance with the applicable regulations
D.5.3	The requirement to establish a policy, process for monitoring and disclosure of shares purchased by any Director, Key Management Personnel or any other employee involved in financial reporting.	The Board of Directors discloses the purchase of shares by them to the Company as well as the Colombo Stock Exchange of Sri Lanka. Refer “Share Information” on pages 166 to 167 of the Annual Report 2018/19.
D.5.4	Obligation for the Chairman to affirm that he/she is not aware of any violation of the Code of Business Conduct and Ethics.	Please refer the Chairman’s Message on pages on 04 to 06 of the Annual Report.
D.6	CORPORATE GOVERNANCE DISCLOSURES	
	Directors should be required to disclose the extent to which the Company adheres to established principles and practices of good Corporate Governance.	
D.6.1	Need for the Directors to include a Corporate Governance Report in the Annual Report.	<p>Corporate Governance Report is covered on pages 40 to 60 of the Annual Report. The contents of this table deals with the extent to which established principles of good Corporate Governance have been adhered to and the requirements of the Code of Best Practices on Corporate Governance issued by the ICASL.</p> <p>The Company has implemented the regulations of the Section 7.10 of the Listing Rules of Colombo Stock Exchange on Corporate Governance. Refer pages 48 to 50 of the Annual Report.</p>
Section 2 :		
	SHAREHOLDERS	
E	INSTITUTIONAL INVESTORS	
E.1	SHAREHOLDER VOTING	

	Institutional shareholders have a responsibility to make considered use of their votes and should be encouraged to ensure their voting intentions are translated into practice.	
E.1.1	Need to conduct a regular and structured dialogue with the shareholders.	The Annual General Meeting provides the forum for shareholders to express their views. The Chairman ensures that any views expressed by investors to him personally or at General Meetings are discussed with the Board. The Directors consider that it is important to understand the views of shareholders and, in particular, any issues which concern them.
E.2	EVALUATION OF GOVERNANCE DISCLOSURES	
	Need to encourage the institutional investors to give due weight to relevant governance arrangements.	The Annual Report and this table contain the Company's governance arrangements. Institutional Investors are at liberty to provide any feedback on the governance arrangements.
F	OTHER INVESTORS	
F.1	INVESTING/ DIVESTING DECISION	
	Individual shareholders, investing directly in shares of companies should be encouraged to carry out adequate analysis or seek independent advice in investing or divesting decisions.	The Company's communications with the shareholders, including the Annual Report, provides information that enables shareholders to make informed judgments or to seek advice on their investment decisions. The extensive nature of the information given would facilitate the shareholders in carrying out adequate analysis when making their decisions.
F.2	SHAREHOLDER VOTING	
	Need to encourage individual shareholders to participate in General Meetings and exercise their voting rights.	The shareholders are encouraged to participate at General Meetings and cast their votes. Instructions with regard to appointing a proxy and the manner in which a Proxy Form should be completed are available in the Proxy Form circulated with the Annual Report
G	INTERNET OF THINGS AND CYBERSECURITY	
G.1	Need to have a process to identify how in the organization's business model, IT devices within and outside the organization can connect to the organization's network to send and receive information and consequent cyber security risks	The Board of Directors have identified the need of information security and they have implemented IT policy for all employees on using IT equipment. Further, they have used several measures such as wireless connectivity, authorization procedure and monitoring remote access to information in order to secure Company's information.
G.2	Need to appoint a Chief Information Security Officer (CISO) with sufficient expertise, authority and budgetary allocation to introduce and implement a cybersecurity risk management policy.	The Company has appointed an Information Security Officer who carries out routine audits on internal systems, ERP, web and mobile application in order to check any security threat.
G.3	The need to allocate regular and adequate time on the Board meeting agenda for discussions about cyber-risk management	Periodic cybersecurity reviews are carried out by the Group Information Technology division and the board reviews the key findings during the board meetings.
G.4	The need to ensure the effectiveness of the cybersecurity risk management through independent periodic review and assurance.	An Independent Auditor who is in charge of Information Security and Systems performs annual reviews of cybersecurity risks through penetration testing and other relevant techniques in order to assess the effectiveness of the systems in place. Other cybersecurity tests are also carried out wherever the management finds it

		necessary to ensure the security of information.
G.5	The requirement for the Board to disclose in the annual report on the process to identify and manage cyber security risks.	Please refer section G.4 of this report.
H	ENVIRONMENT, SOCIETY AND GOVERNANCE (ESG)	
H.1	ESG REPORTING	
	The Company's Annual Report should contain sufficient information to enable investors and other stakeholders to assess how ESG risks and opportunities are recognized, managed and reported.	
H.1.1	The Company shall provide information in relation to the relevance of ESG factors to its business model and strategy, how ESG factors may affect to business and how risks and opportunities pertaining to ESG are recognized, managed, measured and reported.	The Company has adopted integrated approach for environmental, social and governance factors and the relevance of ESG factors for the business model and strategy, the implications of those ESG factors and how those risks and opportunities of ESG factors are recognized, managed, measured and reported are mentioned on pages 81 to 85 of Annual Report.
H.1.2	ENVIRONMENTAL FACTORS	
	Environmental governance of the organization should adopt an integrated approach that takes into consideration the direct and indirect economic, social, health and environmental implications of their decisions and activities.	<p>Our environmental management system is accredited with ISO 14001:2015 which covers following areas.</p> <ul style="list-style-type: none"> - Discharges - Emissions - Product Stewardship - Subcontractors Work - Compliance with statutory and regulatory requirement <p>The details of our environmental impact are available on pages 81 to 85 of the Annual Report.</p>
H.1.3	SOCIAL FACTORS	
H.1.3.1	Social governance of the organization should include its relationship with community, customers, employees, suppliers, outsourced providers and any other party that can influence or be influenced by the organization business model.	<p>We have obtained social accountability accreditation of SA8000:2014 in 2017 and we have identified following areas under social impact.</p> <ul style="list-style-type: none"> - Labour practices both inside business boundary and outside business boundary - Product stewardship - Ethical business conduct - Compliance with statutory and regulatory requirement <p>The details of our social impact are available on pages 81 to 85 of the Annual Report.</p>
H.1.4	GOVERNANCE	
	Companies should establish a governance structure to support its ability to create value and manage risks in the short, medium and long term, recognizing, managing and reporting	A part of the Company's governance structure covers the areas of Economic impact, Environmental impact and Social impact and the details of governance in relation to ESG are available on pages 40

	on all pertinent aspects of ESG.	to 60 of the Annual Report.
H.1.5	BOARD'S ROLE ON ESG FACTORS	
	ESG reporting is a Board's responsibility and it is designed to add value by providing a credible account of the Company's economic, social and environmental impact	The Company's ESG reporting is in line with the "Global Reporting Initiatives (GRI)" and "Integrated Reporting Framework". The Integrated Annual Report 2018/19 as a whole covers ESG reporting.