

Supplementary Information to the Annual Report 2022/23

Corporate Governance

2022/2023 Annual Report
Diesel & Motor Engineering PLC



This document provides supplementary information with regards to governance practices of Diesel & Motor Engineering PLC. This information should be read together with information presented in the Annual Report 2022/23 which could be found at: <https://www.dimolanka.com/2022-2023-dimo-annual-report/>

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SECTION 01 : 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 each requirement of the Code.

Section	Requirement	Compliance with the Code by the Company
Section 1 : THE COMPANY		
A.	DIRECTORS	
A.1	THE BOARD	
Principle A.1	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 to and documented by the Board.</p>	<p>Board of Directors met 08 times during the financial year, and at least once in every quarter. Latest financial and non-financial information was disseminated electronically 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 pages 59 and 64 of the Annual Report 2022/23..</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 take 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 2022/23, Mr. A. R. Pandithage served as the Chairman/ Managing Director and Mr. A. D. B. Talwatte functions 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</p>

			<p>suitability of the members to hold their positions in the GMC as well as their regular positions in the managerial capacity of the company.</p> <p>A brief resume of each Director including skills and experience is available in the “Board of Directors” on pages from 26 to 27 of the Annual Report.</p>
	<ul style="list-style-type: none"> Ensuring the adoption of an effective CEO and key management personnel succession strategy 		<p>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.</p>
	<ul style="list-style-type: none"> Approving budgets and major capital expenditure 		<p>The budget for each year is approved by the Board.</p> <p>Capital expenditure is included in the budget. However, the Group Management Committee approves all the capital expenditure at the time of incurring such expenditure.</p>
	<ul style="list-style-type: none"> Determining the matters expressly reserved to the board and those delegated to the management including limits of authority and financial delegation 		<p>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.</p> <p>Deciding on matters delegated to management such as Authorization Matrix also falls within the purview of the Board.</p>
	<ul style="list-style-type: none"> Ensuring effective systems to secure integrity of information, internal controls, business continuity and risk management 		<p>The Board identifies significant risks on an ongoing basis and ensure implementation of appropriate procedure to evaluate and manage the identified risks.</p>
	<ul style="list-style-type: none"> Ensuring compliance with laws, regulations and ethical standard 		<p>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.</p> <p>Compliance with Mandatory and Voluntary regulations are given on page 68. Level of Compliance to Mandatory Regulations in pages 117 to 118 of the Annual Report 2022/23 discusses DIMO’s compliance status in detail.</p>
	<ul style="list-style-type: none"> Ensuring all stakeholder interests are considered in corporate decisions 		<p>The Board has initiated a stakeholder engagement programme 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.</p> <p>Refer page 77 for Stakeholder Engagement section of the Annual Report 2022/23.</p>
	<ul style="list-style-type: none"> Recognising sustainable business development in Corporate strategy, decisions and activities and considering the need for adopting “Integrated Reporting” 		<p>The Company has adopted integrated reporting since year 2010/11 and the Company has presented its Integrated Annual Report adhering to guidelines and protocols stated in International Integrated Reporting Framework 2021 issued by International Integrated Reporting Council.</p> <p>The Board recognises the importance of including principles of sustainability in Corporate strategy, decisions and activities. The value creation model set out in pages 24 to 25 of the Annual</p>

			Report 2022/23 shows the inclusiveness of stakeholders and the environment in the value creation process. Further, refer page 88 to 107 for more information on the Company's activities with regard to sustainability.
	<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 133 to 135 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	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>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 "Governance Framework" presented on page 84.</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		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.

		strategy, performance, resources and standards of 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		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	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.
A. 1.8		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>During the year, consultants were involved with training the Board on changes in laws & regulations, tax laws, accounting standards and business strategy.</p> <p>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)		
Principle A.2		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.	
A.2.1		Need to justify and highlight the decision to combine the posts of Chairman and CEO	<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 enabled sharing of responsibilities of the Chief Executive function.</p> <p>The presence and involvement of the Senior Independent Director (SID) 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</p>

		governance affairs. A report of the SID provided in the page 69 of the Annual Report 2022/23. The Audit Committee, Nomination Committee, Remuneration Committee and Related Party Transactions Review Committee are headed by Independent Non-Executive Directors.
A.3	CHAIRMAN'S ROLE	
Principle A.3	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.	
A. 3.1	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>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 and all board papers are circulated electronically to Board members prior to each 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, legal 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 pages 87 to 88.</p>
A.4	FINANCIAL ACUMEN	
Principle A.4	The Board should ensure the availability of financial acumen and knowledge to offer guidance on matters of finance.	The Board enjoys the services of three qualified accountants who provide the requisite financial acumen and knowledge on matters of finance.
A.5	BOARD BALANCE	

Principle A5		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.
A.5.1		<p>The need to have at least three Non-Executive Directors or such number of Non-Executive Directors equivalent to one third of total number of Directors whichever is higher.</p> <p>In the event of the Chairman and CEO is the same person or if the Chairman is not an Independent Director, the majority of the Board the Directors shall be Non-Executive Directors.</p>
		<p>At the time of authorizing the Annual Report, the Board consisted of thirteen members and four out of the thirteen Directors were Non-Executive Directors and three of them were Independent.</p> <p>In addition, the Board is of the opinion that the Chairman has preserved order and facilitated the smooth functioning of the Board. 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		<p>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 at the time of Authorising Annual Report. The names and profiles of the Independent Non-Executive Directors are provided on pages 14 to 15 of the Annual report 2022/23.
A.5.3		<p>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 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 125 to 128 of the Annual report.
A.5.4		<p>Responsibility of each Non-Executive Director to submit signed and dated declaration annually on his/ her independence or non-independence.</p>
		The Non-Executive Directors have submitted the requisite declarations, which were used to determine their Independence.
A.5.5		<p>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 Code of Best Practice on Corporate Governance 2017 issued by the Institute of Chartered Accountants of Sri Lanka (ICASL).
A.5.6		<p>Need to appoint Non-Executive Director or Independent Director as an Alternative Director</p>
		No alternative directors were appointed during the year under review.
A.5.7		<p>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 the immediately preceding CEO or the chairman is not an independent director.</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. Mr. A. D. B. Talwatte functions as the Senior Independent Director of the company during the financial year 2022/23.

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 and also 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		
Principle A.6		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>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 not 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		
Principle A.7		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. The chairman and members of the nomination committee should be identified in the annual report. A separate section of the annual report should describe the work of the nomination committee including the process it has used in relation to board appointment.	<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. The composition of the Nomination Committee as at March 31, 2023 is as follows.</p> <ul style="list-style-type: none"> • Dr. H. Cabral (Chairman) • Mr. A. R. Pandithage • Mr. A. M. Pandithage • Mr. A. D. B. Talwatte • Mr. J. M. De Silva <p>The Report of the Nomination Committee is available on page 99 which describes its 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.	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.
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>On 30th May 2022, two new Directors were appointed to the Board. Names of the Directors are provided in page 14 to 15 of the Annual Report 2022/23.</p>
A.8	RE-ELECTION		
Principle A.8		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 for specified terms subject to re-election and to the provisions of the Companies Act relating to removal.	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.
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 2023 are given in the Notice of Meeting of the Annual Report 2022/23. Refer page 210.</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.	Following Director retired during the financial year and with a written notice to the Board of Directors. • Mr.A.N. Ranasinghe –Executive Director of the company retired from the Board on 15 th May 2021.
A.9	APPRAISAL OF BOARD PERFORMANCE		
Principle A.9		Board 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 and its Committees reviewed by circulating a questionnaire among the directors with the support of the Company Secretary.
A.9.2		Need for the Board to appraise itself annually on its performance.	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. The methodology of evaluation involves each Board member completing a checklist on following areas and providing a rating on each item covered in the checklist on an annual basis. • 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 carried out a self-evaluation of the performance of the Board and of its committees.
A.9.4		Need for the Board to state in the Annual Report how such performance evaluation is conducted	The methodology followed to assess the performance is disclosed in the page 66 of the Annual Report 2022/23.
A.10	DISCLOSURE OF INFORMATION IN RESPECT OF DIRECTORS		
Principle A.10		Shareholders should be kept advised of relevant details in respect of Directors.	
A.10.1		Need to set out following details of each Director in the Annual Report.	
		Name, qualifications, brief profile.	Refer pages 14 to 15 in the Annual Report.
		The nature of his expertise in relevant functional areas;	Refer pages 14 to 15 in the Annual Report.
		Immediate family and/or material business relationships with other Directors of the Company;	Refer page 190 to 191 in the Annual Report
		Whether Executive, non-executive and/or Independent Director	Refer pages 14 to 15 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/investor-relations/
		Names of other companies in which the Director concerned serves as a Director where such companies are within the group.	Refer page 206 of the Annual Report.
		Number/percentage of Board meetings of the Company attended during the year;	Refer page 64 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/pages/Board-of-Directors.html
		Names of Board Committees in which the Director serves as Chairman or a member; and	Refer page 65 of the Annual Report.
		Number/ percentage of committee meetings attended during the year.	Refer page 65 of the Annual Report.
A.11	APPRAISAL OF CHIEF EXECUTIVE OFFICER (CEO)		
Principle A.11		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.	The performance appraisal of the CEO is assessed annually by the Board.
B	DIRECTORS' REMUNERATION		
B.1	REMUNERATION PROCEDURE		
Principle B.1		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 (CEO) and the Executive Directors. The Committee also approves the remuneration of the members of the Group Management Committee on the recommendations made by the Chairman/ Managing Director and the Chief Executive Officer.</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. A. D. B. Talwatte

			<ul style="list-style-type: none"> • Mr. J. M. De Silva <p>Refer “Report of the Remuneration Committee” on page 71 of the Annual Report for the function of the Remuneration Committee during the year 2022/23.</p>
B.1.2		Need for the Remuneration Committee to consist exclusively of Non-Executive Directors with a minimum of three non-executive directors of whom the majority should be independent. The chairman should be an independent non-executive directors and should be appointed by the board.	The Remuneration Committee consisted of four Non-Executive Directors out of which three were Independent Non-Executive Directors and the Chairman of the Remuneration Committee is an Independent Non-Executive Director.
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 on page 88 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 and CEO. 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		
Principle B.2		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.	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.	The Remuneration Committee in deciding the remuneration of the Directors takes into consideration the level of remuneration paid by peer companies. 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.

B.2.4		Need for the Remuneration Committee to be sensitive to remuneration and employment conditions in determining annual salary increments.	Remuneration Policy provides basis for Remuneration Committee to consider remuneration and employment conditions in determining annual salary increments.
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 act fairly and in accordance with laws of the country, in the event of a termination.
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		
Principle B.3		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.	
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 disclosed in page 88 of the Annual Report.</p> <p>The Remuneration Policy is available in "Report of the Remuneration Committee" on page 97 of the Annual Report.</p> <p>The Directors' emoluments are disclosed in Note 4.5 on page 154 of the Annual Report.</p>

C		RELATIONS WITH SHAREHOLDERS	
C.1		CONSTRUCTIVE USE OF THE ANNUAL GENERAL MEETING (AGM) AND CONDUCT OF GENERAL MEETINGS	
Principle C.1		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 are arranged as determined by the Statute and 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	
Principle C.2		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 pages 100 to 101 of the Annual Report for engagement methods adopted by the company.
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.
C. 2. 4		Need to disclose the contact person for such communication.	The contact person for shareholder communication is the Company Secretary as disclosed in page 93 of the Annual Report.
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. During the year under review 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		
Principle C.3		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 / C.3.2		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 and Colombo Stock Exchange Regulations. 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		
Principle D.1		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.	<p>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 2021 issued by the International Integrated Reporting Council.</p> <p>Additionally, there was no deviation with regulations in preparing the Annual Report.</p>

D.1.2		Obligation for the Board to present interim reports, price sensitive public reports, reports to regulators and statutory information requirements.	<p>In preparing Annual and Quarterly Financial Statements, the Company complies with the requirements of the;</p> <ul style="list-style-type: none"> • Companies Act No. 07 of 2007, • Sri Lanka Accounting Standards and • 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>
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 “Statement of Responsibility of the Chairman/Managing Director, Chief Executive Officer and Chief Financial Officer” on page 131 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 125 to 128 and “Board of Directors’ Statement on Internal Controls” on page 130 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 “Annual Report of the Board of Directors” on pages from 125 to 128 and “Board of Directors’ Statement on Internal Controls” on page 130 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 2022/23.</p> <ul style="list-style-type: none"> - Business Model – Pages 24 to 25 of the Annual Report - Industry structure and development – Pages 30 to 41 of the Annual Report - Opportunities and threats – Pages 18 to 23 and 42 to 56 of the Annual Report - Risk management – Pages 81 to 86 of the Annual Report - Internal control systems and their adequacy – Page 70 of the Annual Report - Governance – Pages 58 to 71 of the Annual Report - Stakeholder relationships – Pages 77 to 80 of the Annual Report

			<ul style="list-style-type: none"> - Social and environmental protection activities carried out by the Company – Pages 54 to 55 and 88 to 95 of the Annual Report - Financial performance – Pages 44 to 47 and 125 to 192 of the Annual Report - Investment in physical and intellectual capital – Pages 52 to 53 of the Annual Report - Human resource/ industrial relations activities carried out by the Company – Pages 50 to 51 of the Annual Report - Prospects for the future – Pages 10 to 14, 26 to 27 and 42 to 56 of the Annual Reports
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 129 and Related Party Disclosure Note on pages from 196 to 197 of the Annual Report.</p>
D.2	INTERNAL CONTROL		
Principle D.2		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</p>

			<p>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 130 and Risk Management procedures are given on pages 104 to 108 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 104 to 108 for the assessments of risks faced by the Company and risk mitigation strategies and 127 of the Annual Report for Directors assessment of principal risks.
D.2.3		Need to have an Internal Audit function.	<p>The internal audit function is headed by the Group Chief Internal Auditor. 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 95 to 96 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. Refer "Board of Directors' Statement on Internal Controls" in page 130.
D.3	AUDIT COMMITTEE		
Principle D.3		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. 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. Audit committee chaired by independent non-executive director. Audit committee consist of following Non-executive Directors,</p> <ul style="list-style-type: none"> • Mr.A.D.B. Talwatte • Mr.A.M. Pandithage • Dr. H. Cabral • Mr. J. M. De Silva <p>The composition and attendance to the meetings of the Audit Committee is available on pages 88 of the Annual Report.</p>

D.3.2		<p>Audit committee should have a written terms of references and 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>	<p>The Audit Committee operates within written Terms of Reference, approved by the Board of Directors, which are carefully designed to discharge the Committee's purpose, duties and responsibilities. The Committee reviews and assesses the adequacy of the Terms of Reference, which were last reviewed and approved by the Board of Directors on 29th May 2023.</p> <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 95 to 96 of the Annual Report for further details.</p>
D.3.3		<p>DISCLOSURES</p> <p>A separate section of the annual report should describe the work of the committee in discharging its responsibilities and it should include;</p> <ul style="list-style-type: none"> • The names of the Directors comprising the Audit Committee; • The number of meetings held and attendance of each director; • The scope of work and how its roles and responsibilities were discharged; • The significant issues that the committee considered in relation to the financial statements, and how these issues were addressed; • An explanation of how it has assessed the effectiveness of the external audit and approach taken to appointment or re-appointment of external auditors; and • Determination of the independence of the Auditors 	<p>The names of the members of the Audit Committee, Committee meetings held and the attendance of members are available on page 88 of the Annual Report.</p> <p>Other information are disclosed in the Report of the Audit Committee on pages 95 to 96 of the Annual Report.</p>
D.4	RELATED PARTY TRANSACTIONS REVIEW COMMITTEE		
Principle D.4		<p>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.</p>	

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 comprise of four Non-Executive Directors out of which three are independent. Refer page 88 of the Annual Report for the composition of the Related Party Transactions Review Committee.
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. During the year, the Committee acted within the parameters set by its Terms of Reference. The Committee reviews and assesses the adequacy of the Terms of Reference, which were last reviewed and approved by the Board of Directors on 29 th May 2023.
D.5	CODE OF BUSINESS CONDUCT & ETHICS		
Principle D.5		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.	As disclosed in page 92 of the Annual Report, 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. There were no reported cases of non-compliance to, Code of Business Ethics by any Director, Key management personnel or any other employee.
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 “Investor Relations” on pages 72 to 76 of the Annual Report 2022/23.
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.	Chairman affirms that he is not aware of any violation of the Code of Business Conduct and Ethics.

D.6	CORPORATE GOVERNANCE DISCLOSURES	
Principle D.6	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.	Corporate Governance Report is covered on pages 84 to 99 of the Annual Report. The contents of this report 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 Institute of Chartered Accountants of Sri Lanka.
Section 2 : SHAREHOLDERS		
E	INSTITUTIONAL INVESTORS	
E.1	SHAREHOLDER VOTING	
Principle E.1	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	
Principle E.2	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	
Principle F.1	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	
Principle F.2	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 prior to the Annual General Meeting.

G		INTERNET OF THINGS AND CYBERSECURITY	
Principle 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 procedures and monitoring of remote access to information in order to secure Company's information.
Principle G.2		Need to appoint a Chief Information Security Officer (CISO) with sufficient expertise, authority and budgetary allocation to introduce and implement a cyber-security 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.
Principle G.3		The need to allocate regular and adequate time on the Board meeting agenda for discussions about cyber-risk management	Periodic cyber security reviews are carried out by the Group Information Technology division and the board reviews the key findings during the board meetings.
Principle G.4		The need to ensure the effectiveness of the cyber security risk management through independent periodic review and assurance.	An Independent Auditor who is in charge of Information Security and Systems performs annual reviews of cyber security risks through penetration testing and other relevant techniques in order to assess the effectiveness of the systems in place. Other cyber security tests are also carried out whenever the management finds it necessary to ensure the security of information. Please refer Annual report pages 104 to 108 for the Groups' risk management processes.
Principle 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	
Principle H.1		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.	A comprehensive report on ESG factors and an ESG Performance Statement are available on page 110 to 122.
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

			<ul style="list-style-type: none"> - Subcontractors Work - Compliance with statutory and regulatory requirement <p>The details of our environmental impact are available on pages 112 to 114 of the Annual Report.</p>
H.1.3	SOCIAL FACTORS		
H.1.3.1		<p>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>	<p>We have social accountability Management system 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 59 to 64 and 115 to 118 of the Annual Report. Further, Company's future prospects on social factors are defined in pages 76 to 83 of the Annual Report.</p>
H.1.4	GOVERNANCE		
		<p>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 on all pertinent aspects of ESG.</p>	<p>The Company's value creation process and Capital Reports are available on pages 40 to 63 of the Annual Report. Risk Management practices are discussed in Risk Management section of the Annual Report on pages 104 to 109.</p>
H.1.5	BOARD'S ROLE ON ESG FACTORS		
		<p>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.</p> <p>ESG reporting and disclosure should be formalized as part of the Company's reporting process and take place on regular basis.</p>	<p>The Company's ESG reporting is in line with the "Global Reporting Initiatives (GRI)" and "Integrated Reporting Framework". The Integrated Annual Report 2022/23 as a whole covers ESG reporting. A Consolidated Statement of ESG performance including notes to the statement and Independent Assurance are available on pages 97 to 107 of the Annual Report.</p>

SECTION 02: CREATING VALUE THROUGH GOVERNANCE – POINT OF REFERENCES

Point of references established by the governance structure ensure the effective functioning of aspects related to value creation

Aspects Related to Value creation	Key Conformance aspects	Point of Reference
Maintaining a strong financial position that stimulates long-term growth	Internal controls and internal audits to govern monetised resource allocation and utilisation	Audit Committee
	Managing uncertainties pertaining to monetised resources	Risk Management Framework
	Assurance on successful application of internal controls	Audit Committee
		Independent Auditors
Fostering long-term customer relationships	Ethical marketing	ISO 9001:2015 accredited Quality Management System
	Customer health and safety	ISO 9001:2015 accredited Quality Management System
	Customer privacy	ISO 9001:2015 accredited Quality Management System
Developing an engaged, agile and innovative pool of talent	Employee safety	ISO 9001:2015 accredited Quality Management System ISO 45001:2018 accredited Occupational Health and Safety Management System
		UN Global Compact Principles and Social Accountability Management System.
	Employee rights	Code of Business Ethics and Social Accountability Management System.
	Equal opportunities	UN Global Compact Principles and Social Accountability Management System.
	Reducing gender inequality	Social Accountability Management System.
	Compliance with legislation and regulations relating to employees	Code of Business Ethics and Social Accountability Management System.
Being a foremost sought after corporate in Sri Lanka to form strategic business partnerships	Compliance with principals' requirements of ethical practices	ISO 9001:2015 accredited Quality Management System
	Honouring agreements with principals	ISO 9001:2015 accredited Quality Management System
Positioning DIMO brand	Enhancing and preserving the reputation by aligning employee behaviour with the values set forth in corporate strategy.	Code of Business Ethics.
	Harnessing public trust by adopting best practices relating to governance and sustainability.	Code of Best Practice on Corporate Governance issued by Institute of Chartered Accountants of Sri Lanka
		CSE Listing Rules
		Articles of Association
		GRI Standards for sustainability reporting

	Strengthening customer trust by ensuring data security and customer privacy.	ISO 9001:2015 accredited Quality Management System
Being responsible along the value chain	Complying with all requirements of the Environment Management System	ISO 14001:2015 accredited Environmental Management System
	Meeting legal and regulatory requirements regarding the environment	ISO 14001:2015 accredited Environmental Management System
		UN Global Compact Principles
		Code of Business Ethics
	Anti-corruption	Code of Business Ethics
	Responsible corporate behaviour	UN Global Compact Principles
	Ensuring that all taxes are paid accurately and on time	Legislative enactments appropriate to the Group
	Meeting regulatory standards with regard to products and services	ISO 9001:2015 accredited Quality Management System
	Meeting regulatory standards and being ethical when performing supply chain activities	Code of Business Ethics
Proactively managing material aspects that affect value creation	Risk identification, evaluation and management	ISO 9001:2015 accredited Quality Management System
		Audit Committee
		Internal Controls
		Internal and External Audits

SECTION 03: VOLUNTARY ADHERENCE

Voluntary adherence beyond mandatory compliance strengthens the Company's governance practices. Such voluntary adherence extends governance practices to different areas of the business, promoting responsible corporate behaviour, strengthening operations, addressing the expectations of various stakeholder groups and eventually supporting sustained performance.

Voluntary Compliance	Aspect of Regulation	Status
The Code of Best Practices on Corporate Governance issued by The Institute of Chartered Accountants of Sri Lanka (The Code)	Best Practices of Corporate Governance relating to but not limited to the Board, the Directors; the Chairman; financial acumen of the Board; Board meetings; Board balance; the supply of information to the Board; appointment and re-election of Directors; appraisal of Board performance; information relating to Directors; appraisal of the Chief Executive's performance; remuneration of Directors and disclosures; Remuneration Committee; Audit Committee; Accountability and audit; shareholder/investor relations and communications; major and material transactions; financial reporting; internal control; code of business conduct & ethics; Cyber security, ESG reporting are covered in the Company's adherence to the Code.	All requirements of the code and the compliance level are available on section 01 above.
Code of Business Ethics	Compliance requirements applicable to all employees relating to ethics	All employees sign a declaration to the effect that they will comply with the Code in its entirety.
GRI Standards on Sustainability Reporting	To report on sustainability related performance in a complete, generally accepted manner as specified by GRI Standards	Complied. The GRI content index is available on pages 145 to 150.
Environment Management System (EMS)	Meet the requirements of the Group's Environmental Management System accredited by the ISO 14001:2015 Standard	Complied. The Group's Environmental Management System is ISO 14001:2015 certified with certification provided by Det Norske Veritas AS (DNV)
Quality Management System (QMS)	Meet the requirements of the Group's Quality Management System accredited by the ISO 9001:2015 Standard	Complied. The Group's QMS is ISO 9001: 2015 certified , with certification provided by Det Norske Veritas AS (DNV)
Occupational health and Safety Management System (OHS)	Meet the requirements of the Group's Occupational health and Safety Management System accredited by the ISO 45001:2018 Standard	Complied. The Group's OH&S is ISO 45001: 2018 certified.
The ten principals of UN Global Compact	To comply with the requirements of the declaration made on the Ten Principles of the UN Global Compact covering Human Rights, Labour, Environment and Anti - Corruption and also to participate in pursuing sustainable development goals.	The Company's sustainability aspects and strategies incorporates these principals for its long term success.
Social Accountability Management System.	Meet the requirements of the Group's Social Accountability Management System	Complied. The Group's Social Accountability Management System ensure the DIMO's responsible behaviour

Internal Control System	Maintaining a sound system of internal controls to safeguard shareholders' investment and the Company's assets.	The Board of Directors' statement on internal controls, as required by section D.1.4 of the Code of Best Practice on Corporate Governance issued by The Institute of Chartered Accountants of Sri Lanka appears on page 121.
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