

DIESEL & MOTOR ENGINEERING PLC

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|  | POLICY ON CONTROL AND MANAGEMENT OF COMPANY'S ASSETS AND SHAREHOLDER INVESTMENTS | Document Number: GRP/FM/CG/07/05 |
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1. INTRODUCTION

Diesel & Motor Engineering PLC (hereinafter referred to as "the Company") recognizes the critical importance of effectively managing and controlling its assets and shareholder investments to ensure operational efficiency, financial stability, and regulatory compliance. This policy establishes the framework for the management of the Company's assets and the oversight of shareholder investments, aiming to protect and enhance value for stakeholders.

2. OBJECTIVES

The objectives of this policy are:

- **Safeguard Assets:** Protect the Company's physical and financial assets from loss, theft, or misuse.
- **Ensure Investment Integrity:** Manage shareholder investments responsibly and transparently.
- **Regulatory Compliance:** Adhere to applicable laws, regulations, and corporate governance Practices.
- **Accurate Reporting:** Ensure the integrity and accuracy of financial reporting related to assets and investments.

3. ASSET MANAGEMENT

3.1 Definition of Assets

Assets include:

- **Physical Assets:** Properties, plant, tools & equipment, machinery, vehicles, furniture & fittings, IT Equipment and inventory and any other physical assets owned or controlled by the Company.
- **Financial Assets:** Cash, receivables, investments, and securities.
- **Intangible Assets:** Intellectual property (includes software, ERP systems etc), patents, trademarks, and goodwill.

3.2 Asset Control Procedures

3.2.1 Asset Register

- **Creation and Maintenance:** Develop and maintain a comprehensive asset register that includes details such as asset identification number, description, location, acquisition date, value, and condition.
- **Updates:** Ensure the asset register is updated regularly to reflect acquisitions, disposals, transfers within the location and changes in asset status.

3.2.2 Authorization and Approval

- **Transaction Authorization:** Implement procedures for authorizing the acquisition, transfer, and disposal of assets. Authorization should be obtained from designated officers and Group Management Committee (GMC) based on pre-established limits.
- **Approval Process:** Ensure that all asset-related transactions are subject to appropriate approval processes to prevent unauthorized actions.

3.2.3 Physical Security

- **Identification:** Each physical asset should have a unique identification number for ease of identification.
- **Access Controls:** Establish access controls to secure physical assets. This includes restricted access to sensitive areas and secured storage for valuable items.
- **Monitoring:** Utilize surveillance systems, alarm systems, and security personnel to monitor and protect physical assets.

3.2.4 Maintenance and Repairs

- **Maintenance Schedules:** Develop and adhere to maintenance schedules for physical assets to ensure their optimal performance and longevity.
- **Record-Keeping:** Maintain records of maintenance and repair activities, including costs and dates, to ensure proper asset management.

3.2.5 Periodic Audits & Assets Verification

- **Physical Counts:** Conduct physical counts of assets and reconcile with the asset register to identify discrepancies.
- **Audit Frequency:** Schedule and conduct audits to evaluate the effectiveness of asset controls and identify areas for improvement.

3.3 Asset Disposal

3.3.1 Authorization

- **Disposal Approval:** Obtain necessary approvals for the disposal of assets, following the Company's authorization procedures.

3.3.2 Valuation

- **Asset Valuation:** Ensure that assets are properly valued before disposal to maximize their return or benefit.

3.3.3 Method of Disposal

- **Disposal Methods:** Choose appropriate disposal methods (sale, donation, recycling) based on the asset type and value, ensuring compliance with legal and environmental regulations.

3.3.4 Documentation

- **Disposal Records:** Maintain comprehensive documentation of the disposal process, including approval, valuation, method of disposal, and final disposition.

4. MANAGEMENT OF SHAREHOLDER INVESTMENTS

4.1 Shareholder Communication

4.1.1 Disclosure

- **Timely Information:** Provide shareholders with timely and accurate information regarding financial performance, business strategies, and significant events affecting the Company.

4.1.2 Annual Reports

- **Content:** Prepare and distribute annual reports that include audited financial statements, management discussions, and analyses of performance.
- **Distribution:** Ensure that annual reports are accessible to all shareholders and relevant stakeholders.

4.1.3 Shareholder Meetings

- **General Meetings:** Conduct annual general meetings and extraordinary meetings as needed, providing shareholders with opportunities to ask questions, vote on important issues, and receive updates on the Company's performance.

4.2 Investment Protection

4.2.1 Financial Reporting

- **Accuracy and Integrity:** Ensure that financial reports are accurate, complete, and prepared in accordance with applicable accounting standards.
- **Audit:** Engage independent external auditors to review and audit financial statements and internal controls.

4.2.2 Internal Controls

- **Control Systems:** Implement and maintain robust internal control systems to safeguard financial assets and ensure accurate financial reporting.
- **Compliance Checks:** Regularly review internal controls to ensure their effectiveness and make necessary improvements.

4.2.3 Compliance

- **Regulatory Adherence:** Comply with all relevant regulations and corporate governance listing rules related to investment management and shareholder rights.

4.3 Investment Strategy

4.3.1 Diversification

- **Investment Portfolio:** Ensure diversification of investments to reduce risk and avoid excessive concentration in any single asset or sector.
- **Strategic Allocation:** Allocate investments based on strategic goals and risk tolerance.

4.3.2 Risk Management

- **Risk Assessment:** Regularly assess and manage risks associated with investments to protect shareholder value.
- **Mitigation Strategies:** Develop and implement strategies to mitigate identified investment risks.

4.3.3 Strategic Alignment

- **Investment Goals:** Align investment strategies with the Company's long-term goals and strategic objectives.
- **Review and Adjustment:** Periodically review and adjust investment strategies to respond to changes in market conditions and Company objectives.

4.4 Dividend Policy

4.4.1 Sustainable Dividends

- **Payment Policy:** Ensure that dividend payments are sustainable, based on the Company's financial performance and available cash flow.
- **Policy Review:** Regularly review the dividend policy to ensure it aligns with financial performance and business strategy.

4.4.2 Fair Distribution

- **Equitable Distribution:** Distribute dividends fairly among shareholders based on their shareholdings.
- **Transparency:** Communicate the dividend policy clearly to shareholders.

4.4.3 Regulatory Compliance

- **Legal Requirements:** Adhere to legal and regulatory requirements, related to dividend payments and shareholder rights.

Ex- Companies Act No.07 of 2007 requirements and Colombo Stock Exchange Listing Rules.

5. COMPLIANCE AND REPORTING

5.1 Compliance

5.1.1 Legal and Regulatory Requirements

- **Adherence:** Ensure compliance with all applicable laws, regulations, and standards governing asset management and shareholder investments.

5.1.2 Internal Policies

- **Policy Adherence:** Follow internal policies and procedures related to asset control and investment management.
- **Regular Review:** Periodically review internal policies to ensure they remain effective and compliant with regulatory changes.

5.2 Reporting

5.2.1 Internal Reports

- **Regular Updates:** Provide regular internal reports on asset management and shareholder investment activities to senior management and the Board of Directors.

- **Performance Metrics:** Include performance metrics and analyses in internal reports to evaluate asset and investment management effectiveness.

5.2.2 External Reports

- **Financial Statements:** Ensure timely and accurate external reporting of financial statements and disclosures required by regulatory authorities.
- **Compliance Reports:** Submit compliance reports as required by relevant regulatory bodies.

5.2.3 Audits

- **Internal Audits:** Conduct periodic internal audits to assess the effectiveness of asset control and investment management practices.
- **External Audits:** Facilitate external audits by independent auditors to ensure transparency and compliance with financial reporting standards.

6. TRAINING AND AWARENESS

- **Employee Training:** Provide training to employees on asset management procedures, investment policies, and compliance requirements.
- **Ongoing Education:** Offer ongoing education to ensure that employees remain informed about changes in regulations and best practices.

7. POLICY REVIEW AND UPDATES

- **Annual Review:** Review this policy annually or more frequently if necessary, considering changes in regulations, Company operations, and industry best practices.
- **Policy Updates:** Update the policy as needed to ensure its continued effectiveness and alignment with the Company's objectives.

8. APPROVAL AND IMPLEMENTATION

This policy is approved by the Board of Directors and is effective as of 1st April 2024. All employees and relevant stakeholders are required to familiarize themselves with this policy and adhere to its provisions.