

CORPORATE GOVERNANCE REPORT

GRI 2-13



In a fast-paced interconnected world, the significance of robust corporate governance cannot be overstated. It serves as a compass, guiding us through the complexities of an ever-evolving business landscape, while safeguarding our values and principles. Moreover, it instills confidence among our investors, partners, and customers, reinforcing our commitment to ethical conduct and long-term value creation.

CHAIRMAN'S INTRODUCTION

At People's Leasing & Finance PLC, we consider corporate governance as the bedrock upon which our organisation's success and sustainability rests as it encapsulates the principles, processes, and practices that guide our decision-making, foster accountability, and ensures alignment with the interests of all our stakeholders.

In today's fast-paced and interconnected world, the significance of robust corporate governance cannot be overstated. It serves as a compass, guiding us through the complexities of an ever-evolving business landscape, while safeguarding our values and principles. Moreover, it instills confidence among our investors, partners, and customers, reinforcing our commitment to ethical conduct and long-term value creation.

BOARD PRIORITIES FOR 2023/24

Considering the changes in our immediate operating environment, especially the fast evolving regulatory landscape and its influence on the local non-banking financial institutions, the Board and its Committees continued to be deeply involved in enhancing the robustness of the internal control framework.

We focused in particular on aligning with the new corporate governance rules issued by the CSE for listed entities, with special emphasis on early adoption ahead of the set time lines resulting in several new governance and conduct policies implemented in the current financial year.

Furthermore, well aware of the challenges and opportunities in the Sri Lankan economy and the fast evolving local financial services industry, the Board proactively evaluated business risks, with necessary steps taken to guide the corporate management towards continuous enhancement of stakeholder value. We also began focusing deliberately on the addressing of ESG matters, with a view to positioning People's Leasing as a sustainability champion within the local NBFi sector.

BOARD DECLARATION

As Chairman of the People's Leasing and Finance PLC Board, I confirm that all Directors individually and collectively have performed their duties effectively underscored by the principles of fairness, accountability, integrity, and transparency. Further I wish to declare that People's Leasing & Finance PLC (People's Leasing) Board of Directors, Corporate Management and employees

have complied in full with the principles of good governance as set out by the regulatory frameworks applicable, the Finance Business Act Direction No. 5 of 2021, the Listing Rules of the Colombo Stock Exchange and the Code of Best Practice on Corporate Governance 2023 issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) as well as the Company's own internal constitutional mandates.

Further I am pleased to report that our employees have demonstrated unwavering commitment to upholding our organisation's Code of Conduct. Through their actions, they have exemplified the values of integrity, professionalism, and respect that form the cornerstone of our corporate culture. Across all levels and departments, our team has embraced the ethical principles outlined in our Code of Conduct, ensuring that their behaviour aligns with the highest standards of business ethics. This dedication to compliance not only strengthens our reputation as a responsible corporate citizen but also reinforces our commitment to creating a workplace environment built on trust and mutual respect.

VALUE CREATION THROUGH GOOD GOVERNANCE

People's Leasing and Finance PLC recognises that good governance goes hand in hand with effective strategy execution for the purpose of safeguarding the long term sustainability of the Company. To that end, the People's Leasing Board remains fully committed to high standards of governance that are consistent with regulatory requirements and evolving best practices.

This holistic approach aims to ensure the Company's businesses and affairs are managed in a responsible and ethical manner, to assist with the creation of value in the short, medium and long term, for the benefit of all stakeholders of the Company.

VALUES CREATION OUTCOMES DERIVED THROUGH CORPORATE GOVERNANCE

Culture

Ethical culture means ensuring that the company entrenches its values in its decision-making, conduct and the relationships between the organisation, its stakeholders and the broader society.

Adequate and effective control

Adequate and effective control refers to the implementation of structures, people and processes to ensure the integrity of information used for internal decision-making and the integrity of financial and non-financial information that it reports.

Performance and value creation

Performance and value creation reflect an organisation's achievements relative to its strategic objectives, and its outcomes in terms of its effect on people, planet and profit.

Trust, good reputation and legitimacy

Trust, good reputation and legitimacy mean that the company realises that it must be a good corporate citizen that plays an integral part in broader society.

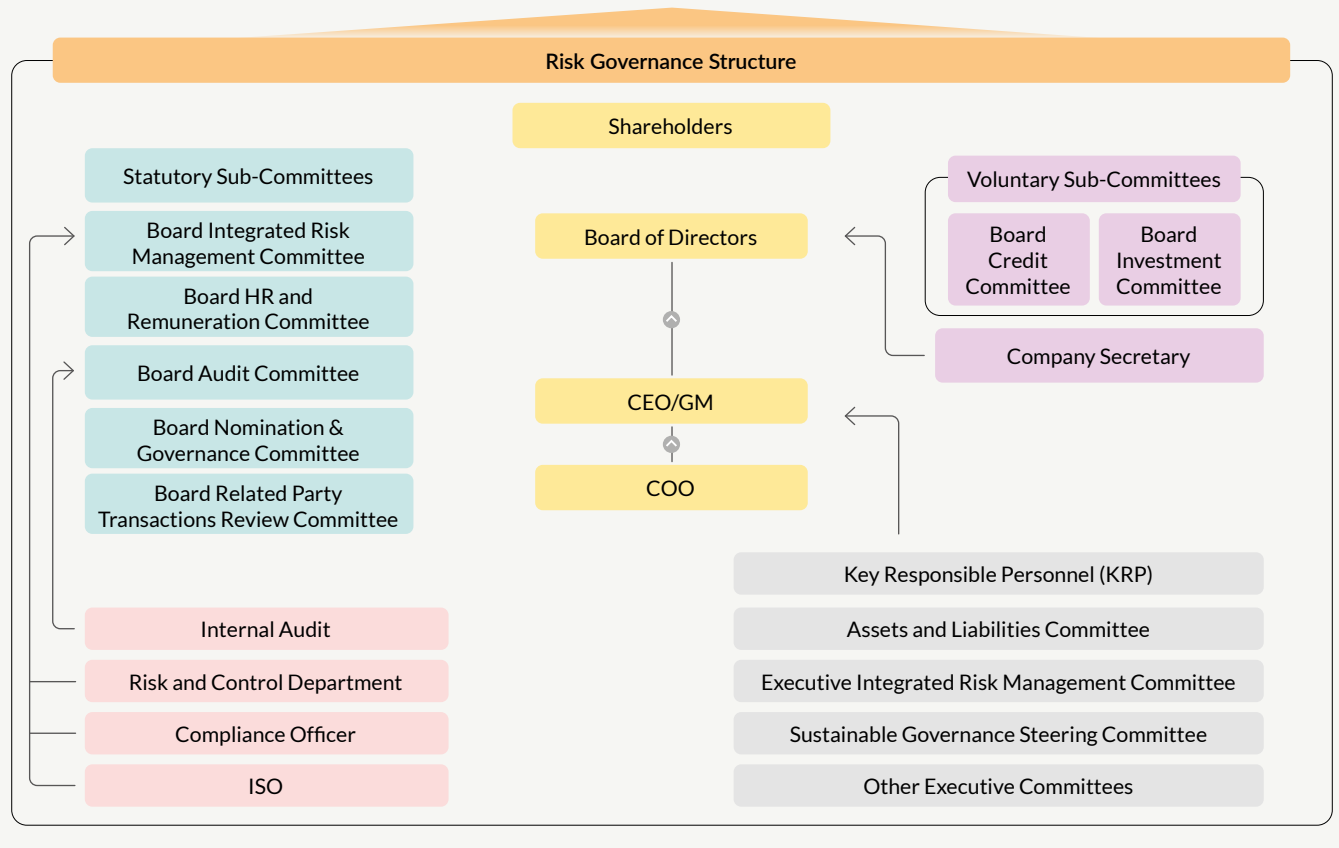
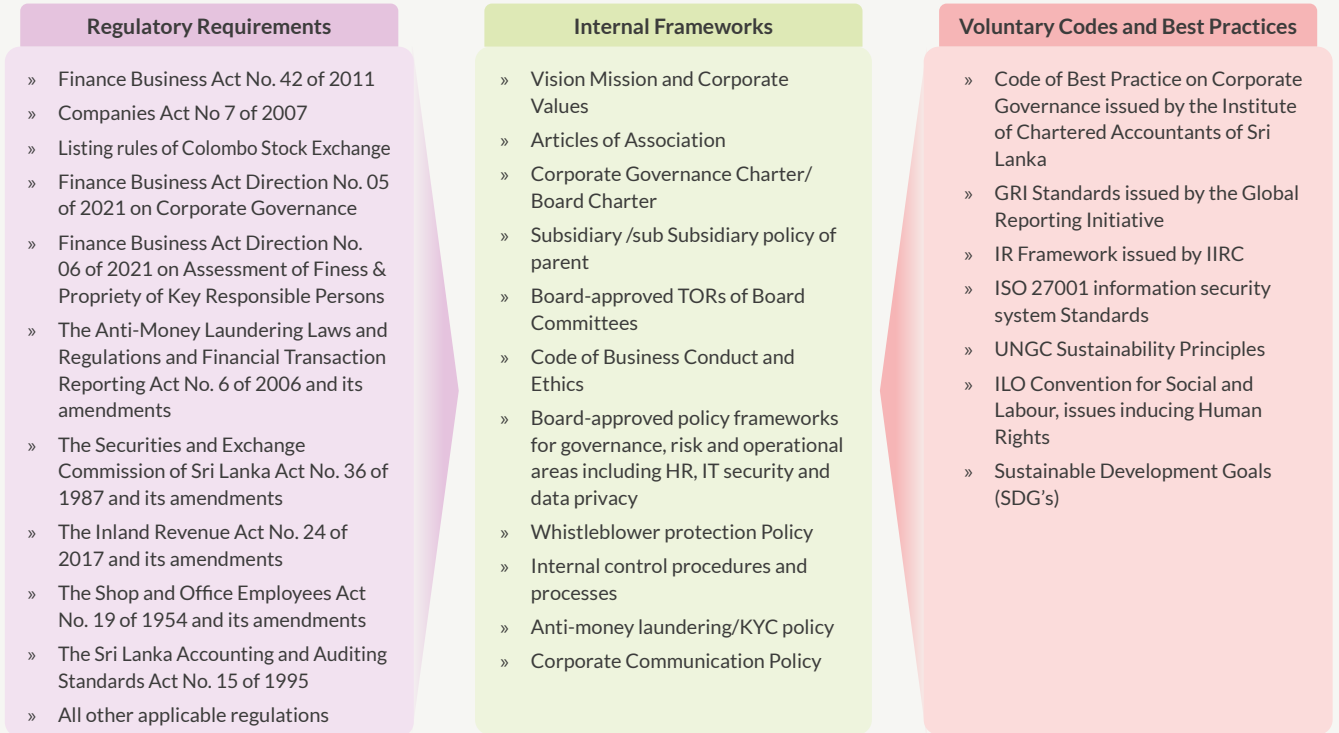
CORPORATE GOVERNANCE REPORT

Corporate Governance Framework

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CORPORATE GOVERNANCE FRAMEWORK

A comprehensive corporate governance framework including well defined governance structures provides the foundation for People's Leasing to meet its statutory and regulatory requirements and to promote accountability, transparency and balanced decision-making in the day to day operations at all levels of business.



THE BOARD

The People’s Leasing Board, as the highest governing body in the organisation, bears the ultimate responsibility for the management and administration of the Company. The Board provides strategic direction by setting the vision, mission and values of the Company and assumes the responsibility for establishing a suitable control environment to ensure the Company is managed sustainably in order to meet stakeholder deliverables over the short, medium and long term.

BOARD COMPOSITION

The composition of the People’s Leasing Board is governed by the Company’s Articles of Association, the Finance Business Act No. 5 of 2021 on Corporate Governance as well as the Listing Rules of Colombo Stock Exchange.

The Company is governed by a strong and well balanced Board, composed fully of Non-Executive Directors who bring a mix of business skills, experience and diverse perspectives. As at 31st March 2024, the People’s Leasing Board comprised 11 Non-Executive Directors, of whom 04 were Independent Non Executive Directors.

All Directors on the People’s Leasing Board are all professionals who bring diverse industry perspectives to effectively challenge Board decisions to protect the interests of the Company and its stakeholders.

The composition of the current Board of People’s Leasing & Finance PLC is deemed appropriate in promoting accountability and encouraging healthy, constructive debate and decision-making while meeting regulatory requirements.

Complete Board Profiles are available on pages 162 to 169

BOARD DIVERSITY

The Company considers Board diversity critical to the effective functioning of the Board. Accordingly, the Board Chairman works closely with the Nomination & Governance Committee to promote gender diversity at board level and also focuses on other diversity attributes relating to age, knowledge, skills and expertise.

Accordingly, when board vacancies arise, potential candidates are considered on merit with due regard to skill, acumen, qualifications, experience and ethical behaviour along with the contribution towards enhancing age and gender diversity at Board level.

Board Diversity Indicators

Board Size

Maintaining an appropriate board size fosters accountability and encourages robust, constructive debate and decision-making, all while ensuring compliance with regulatory standards.

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Board Compositions

Independent Directors 04

Non- Executive Directors (Including Chairman) 07

Gender Diversity

Male - 12 During the FY 2023/24

Female - 2 During the FY 2023/24

Independence

36%

of the Board is independent

Age Diversity:

Balance in experience and expertise

| Age Group | Number |
|-----------|--------|
| 45-50 | 2 |
| 50-55 | 1 |
| 55-60 | 4 |
| 60-66 | 4 |

Expertise

Experienced board: Pooling expertise and skills that directly pertain to the Group’s operations and objectives

| Area | No. of Directors |
|-----------|------------------|
| Legal | 2 |
| Marketing | 2 |
| Finance | 6 |
| Banking | 3 |

CORPORATE GOVERNANCE REPORT

APPOINTMENT / RE-ELECTION / RESIGNATION OF DIRECTORS

Appointments to the Board are based on recommendations made by the Nomination & Governance Committee considering the Board diversity indicators in respect of skills, knowledge, experience, gender and age. Once concurred by Board, the names of potential Board appointees are referred to the Central Bank of Sri Lanka (CBSL) for determination under the “fit and proper” criteria for Directors of financial institutions.

As per the Finance Business Act No. 5 of 2021 on Corporate Governance as well as the Listing Rules of Colombo Stock Exchange, a Director who has served on the Board for a term of nine (9) years or reaches the age limit of seventy (70) years, will cease to be a Director unless special approval is obtained from the Director Supervision of the Non Bank Financial Institutions confirming his/her fitness and propriety for continuity under the Finance Business Act No. 05 of 2021.

A Director appointed by the Board to fill a casual vacancy that has arisen since the previous AGM, is eligible to offer himself or herself for re-election at the next AGM.

Appointments are communicated to the CSE and shareholders through press releases which include a brief CV of the Director. Similarly resignations or removal of Directors, if any, are informed to the CSE with appropriate reasons.

RESPONSIBILITIES OF INDIVIDUAL DIRECTORS

All Directors are expected to allocate sufficient time and efforts towards executing their duties as a member of the People's Leasing Board, including by participating in Board meetings and contributing knowledge,

expertise and independent judgment on Board matters.

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Conflicts of Interest

Directors are expected to exercise utmost good faith, honesty and integrity by notifying the Board in writing regarding any conflicts of interest they may have in relation to items of business or other Directorships. Such matters are recorded in the Directors' Interests Register maintained under the custody of the Company Secretary. In the event an item discussed at a Board meeting is deemed to present a conflict of interest for a particular Director, the respective Director is expected to recuse himself / herself from participating in any discussions on the matter. All Directors are also required to participate in the annual Board evaluation process.

The Related Party Transactions Review Committee periodically evaluates all items in the Directors' Interests Register in line with the Company's Related Party Transactions Policy and in compliance with the relevant regulations.

Moreover, in line with the Code of Conduct & Ethics for Directors, any and all Directors are prohibited from using their position to divulge confidential or sensitive information for personal benefit or benefit of any third party, whether financially or otherwise

The annual assessment of Directors independence conducted by the Nomination & Governance Committee revealed that all Independent Non-Executive Directors on the People's Leasing Board were independent in character and judgment, with no relationships or circumstances that affected, or could impede their independence.

Selection of Directors

Applicable Policies

- » Selection and appointment of Directors and Senior Management (KRPs)
- » Procedure for Selection appointment Nomination Re-election evaluation and continuation of Directors

Governing Bodies

- » Board of Directors
- » Board Nomination & Governance Committee

Managing Conflicts of Interest

Applicable Policies

- » Related Party Transaction Policy

Governing Bodies

- » Board of Directors
- » Related Party Transactions Review Committee

Board Refreshment Update - 2023/24

New Appoinment

| | |
|-------------------------|------------|
| Mr. Y. Kanagasabai | 11.08.2023 |
| Mr. Pravir Samarasinghe | 6.11.2023 |
| Mr. Manjula Wellalage | 03.10.2023 |
| Mr. Isuru Balapatabendi | 9.11.2023 |
| Mr. A.M.P.M.B.Atapattu | 2.1.2024 |
| Mr. U.K.Samararatne | 2.1.2024 |

Resignations

| | |
|-------------------------------|------------|
| Ms. Coralie Pietersz | 05.07.2023 |
| Mr. Rohan Pathirage | 18.10.2023 |
| Ms. G.M.Roshini P. Wijerathna | 05.09.2023 |

Re-elections

| | |
|-------------------------|------------|
| Mr. Y. Kanagasabai | 28.06.2024 |
| Mr. Pravir Samarasinghe | 28.06.2024 |
| Mr. Manjula Wellalage | 28.06.2024 |
| Mr. Isuru Balapatabendi | 28.06.2024 |
| Mr. A.M.P.M.B.Atapattu | 28.06.2024 |
| Mr. U.K.Samararatne | 28.06.2024 |

Procedures for assuring Directors Independence

Assurance regarding the Independence of Non-Executive Directors is obtained based on the following guidelines;

DEFINITION

Independence is determined against criteria as set out in the Finance Business Act Direction No. 5 of 2021, Listing Rules of the Colombo Stock Exchange and in compliance with Annexure C of the CA Code 2023.

ASSESSMENT

Independent assessment of Directors is conducted annually by the Board, based on annual declaration and other information submitted by Non Executive Directors.

OUTCOME

The Board is satisfied there are no relationships or circumstances likely to affect or appear to affect, directors' independence during the period under review.

| Name of Directors | Board seats held in Listed Companies | Board seats held in Unlisted Companies |
|---|--|---|
| Mr. Michael Pradeep Amirthanayagam (Non-Executive Non-Independent Director / Chairman) | Non-Executive Capacity » People's Insurance PLC | Executive Capacity » Holmes Pollard & Stott (Pvt) Ltd. Non-Executive Capacity » Alliance Finance PLC - Bangladesh » People's Micro - Commerce Ltd. |
| Mr. Yudhishtan Kanagasabai (Non-Executive Independent Director - Senior Independent Director) | Non-Executive Capacity » Cargills Bank PLC | Non-Executive Capacity » Eswaran Brothers Exports (Private) Limited » MainGate (Private) Limited |
| Mr. Pravir Dhanoush Samarasinge (Non-Executive Independent Director) | Executive Capacity » Overseas Realty (Ceylon) PLC Non-Executive Capacity » Keells Foods Products PLC » Swadeshi Industrial Works PLC | Executive Capacity » Mireka Capital Land (Pvt) Ltd » Mireka Homes (Pvt) Ltd » Havelock City (Pvt) Ltd » Realty Management Services (Pvt) Ltd » Overseas Realty Trading (Pvt) Ltd Non-Executive Capacity » Swadeshi Chemicals (Pvt) Ltd » Swadeshi Marketing (Pvt) Ltd |
| Mr. Chanura Jayanta Wijethilake (Non-Executive Independent Director) | N/A | N/A |
| Mr. Upul Lakshman Asoka Wickramasinghe Bandara (Non-Executive Independent Director) | N/A | Non-Executive Capacity » Litro Gas Lanka Ltd » Litro Gas Terminal Lanka (Private) Ltd » Buildmart Lanka (Pvt) Ltd |
| Mr. Tishan Manjula Wellalage (Non-Executive Non-Independent Director) | N/A | Non-Executive Capacity » People's Bank » Alliance Finance PLC - Bangladesh |
| Mr. Himashe Isuru Balapatabendi (Non-Executive Non-Independent Director) | Non-Executive Capacity » People's Insurance PLC | Executive Capacity » Celio Naturals (Pvt) Ltd » BL Logistics (Pvt) Ltd Non-Executive Capacity » People's Bank » Alliance Finance PLC - Bangladesh |
| Mr. A.M.P.M.B. Atapattu (Non-Executive Non-Independent Director) | N/A | Non-Executive Capacity » People's Bank |
| Mr. Heenkende Mudiyanse Udeni Kusumsiri Samararatne (Non-Executive Non-Independent Director) | N/A | Non-Executive Capacity » People's Travels (Pvt) Ltd » People's Bank » Alliance Finance PLC - Bangladesh |
| Mr. Kurukulasuriya Canicious Joachim Clive Fonseka (Non-Executive Non-Independent Director) | N/A | Non-Executive Capacity » People's Leasing Property Development Limited |
| Mr. Mohammed Azzam Ali Ahamat (Non-Executive Non-Independent Director) | Non-Executive Capacity » People's Insurance PLC | Non-Executive Capacity » Alliance Finance PLC - Bangladesh |

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DIVISION OF RESPONSIBILITIES BETWEEN THE CHAIRMAN AND CEO

There is a clear division of responsibility between the position of Chairman of People’s Leasing Board and Company CEO. The roles and responsibilities of the Chairman and the CEO are clearly defined in the Board Charter so as to ensure no one individual has unfettered powers in regard to the business affairs of the Company.

The Chairman of the People’s Leasing Board who functions in a Non-Executive capacity, is primarily responsible for ensuring Board meetings are held regularly and for leading the Board in the discussion of all Board matters. The Chairman ensures the Board as a whole functions effectively by promoting open and constructive debate and effective contributions from individual Directors with sufficient time allocated to key issues.

The Chairman is also tasked with developing an effective working relationship with the CEO.

The Chairman oversees the induction of all new Directors, ensuring all Directors have the opportunity to continually refresh their skills and knowledge.

The CEO operates subject to the limits of authority established by the Board and is responsible for the management of the Company’s day to day business in line with the strategy and economic, social and environmental goals agreed by the Board. The CEO leads the Corporate Management Team in providing clear leadership and oversight to ensure the day-to-day operations of the Company are conducted in a responsible and ethical manner; the duties and responsibilities of the CEO include;

- » Execution of business strategies and initiatives adopted by the Board
- » Monitoring of operating budgets adopted by the Board
- » Implementation of adequate systems of risk management and internal control to ensure the Group is managed in line with the Board approved strategy and budgets
- » Presentation of the annual and interim financial statements for Board approval before public reporting
- » Compliance with relevant statutory requirements, rules and regulations
- » Ensuring appropriate stakeholder engagement mechanisms are in place to

| Role | Responsibility |
|-----------------------------|--|
| Chairman | Leads the Board and ensures the integrity and effectiveness of the board and its committees. Ensures high standards of corporate governance and ethical behaviour. |
| Senior Independent Director | Serves to support the Chairman and an intermediary for other Independent/Non Executive Directors and Shareholders. Upholds transparency in Governance, managing Conflicts of Interest and ensuring an ethical sound governance culture within the Board |
| Non-Executive Director | Provides independent judgment on Board matters, Supports the Chairman, acts as a sounding board, and is available as a trusted Intermediary, especially in matters relating to conflict of interest |
| CEO | Responsible for managing the day to day business in line with the strategies and objectives approved by the Board Ensuring the Board receives accurate, timely and clear information about the Company’s performance. |

support regular and ongoing dialogue with key stakeholders

- » Actively and energetically participate at Board Meetings and support all recommendations submitted for Board approval and in the event the recommendations are not approved by the Board, to make arrangements to amend proposals in line with the approved policies, strategies and accepted business norms.
- » Avoid conflicts of interest as far as possible
- » Establishing a management structure that promotes accountability and transparency across business operations and preserves the effectiveness and independence of control functions
- » Promoting, together with the Board, a sound corporate culture within the FC, which reinforces ethical, prudent and professional behaviour.

BOARD RESPONSIBILITY FOR ESTABLISHING A CONTROL ENVIRONMENT

Compliance and Best Practices

The responsibility for ensuring the Company’s compliance with governance and legislative requirements, as well as the adoption of best practices, ultimately falls on the People’s Leasing Board. To fulfil this responsibility effectively, the Board has taken several measures, including appointment of a dedicated Compliance Officer and establishment of an independent Compliance Department specifically for compliance oversight.

This Compliance Department is tasked with monitoring and ensuring adherence to all relevant laws and regulations with routine due diligence conducted to verify compliance at all levels. Additionally, close collaboration occurs between the Compliance department, Internal Audit, and other relevant departments to identify any compliance gaps. The Compliance Officer presents a comprehensive compliance report to both the Board Audit Committee and the Board of Directors, highlighting any areas where compliance may be lacking. This ensures that appropriate actions can be taken promptly to address any identified issues.

During the year, the Financial Intelligence Unit of CBSL imposed a penalty of LKR 500,000.00 on the Company due to an operational lapse. Subsequently, the Company has implemented new controls to reinforce the control environment, and its effectiveness was confirmed through an independent verification by external auditors.

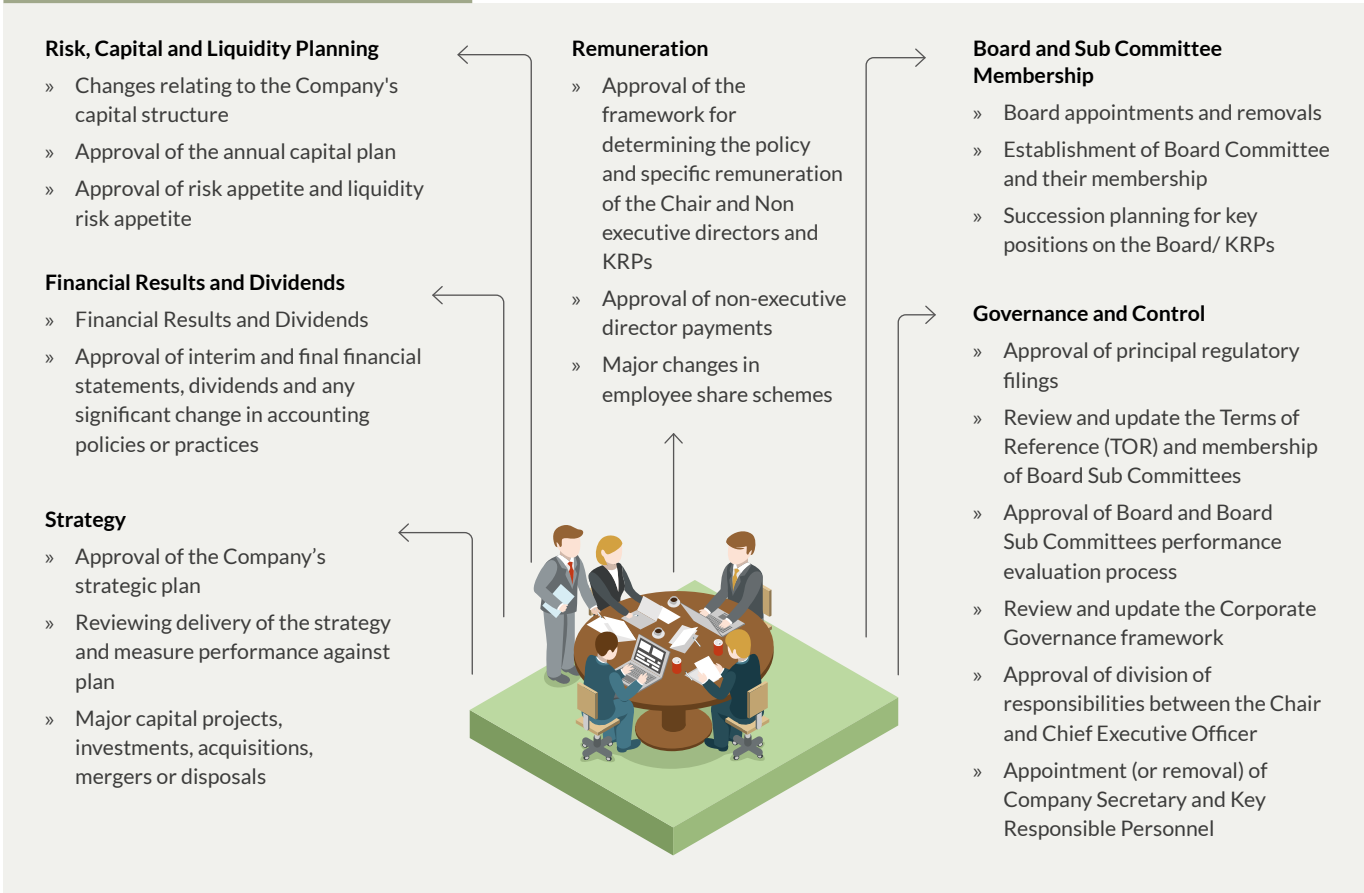
The Compliance Department was responsible for promoting the early adoption of new regulations and best practices within the organisation.

Financial Control and Reporting

The Board is responsible for ensuring that financial reports issued by People’s Leasing contain reliable information to empower stakeholders to make informed assessments of the Company’s performance and future prospects.

To facilitate this, the Board has established comprehensive financial reporting procedures in line with regulatory requirements governing various aspects of the business

Matters Reserved for Board Approval



to ensure adequate records for reasonable, accurate, timely and reliable reporting on the financial position and the results of its activities.

The Company's external auditor the Auditor General has reviewed and independently verified the Company's adherence to procedures as set out in the Sri Lanka Financial Reporting Standards (SLFRS) issued by Institute of Chartered Accountants of Sri Lanka.

Please refer the following for more information

- » Directors Statement on Internal Control on pages 276 to 277.
- » Annual Report of the Board of Directors on the Affairs of the Company on pages 228 to 234.
- » The Statement of Directors' Responsibility on pages 273 to 274.
- » Independent Auditors' Report on pages 279 to 281.


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| Regulation / code | Adoption | Adherence | Disclosure table |
|---|-----------|-----------------|------------------|
| The Companies Act No.7 of 2007 (Companies Act) | Mandatory | Fully Compliant | |
| Listing Rules of the Colombo Stock Exchange (CSE) | Mandatory | Fully Compliant | Pages 189 to 199 |
| Central Bank of Sri Lanka (CBSL), Finance Companies (Corporate Governance) Direction No. 05 of 2021 | Mandatory | Fully Compliant | Pages 202 to 227 |
| Code of Best Practice on Corporate Governance (2023) issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) | Voluntary | Fully Compliant | Pages 199 to 201 |

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Risk Management

The ultimate responsibility for risk management rests with the Board. The Board has established a comprehensive enterprise risk management framework stipulating risk management methodologies and tools for the effective management of all key risks. As per the framework established by the Board, risk governance is underpinned by the three-lines-of defence mechanism, wherein the business line management serves as the first-line-of-defence tasked with making business decisions bearing in mind the Board approved risk appetite and tolerance limits. The second-line-of defence which consists of the Risk and Compliance units as well as the various Board Sub Committees operating under the delegated authority of the Board, are tasked with monitoring and analysing risks on an ongoing basis. The internal and external auditors who provide independent assurance regarding the effectiveness of the risk management framework, form the third-line-of-defence.

 Please refer comprehensive Risk Management Report on pages 256 to 269.

Internal Control Systems

The Board of Directors assumes the critical responsibility of ensuring the efficacy and efficiency of the internal control systems within the organisation. To achieve this, the Board delegates the execution of a robust internal control framework, encompassing financial control, to the executive management team.

The Board Audit Committee (BAC) assists the Board of Directors in fulfilling its oversight duties, including by ensuring compliance with financial reporting standards, maintaining effective internal controls, assessing the Company's ability to continue as a going concern, and monitoring the performance of internal and external auditors. Additionally, the BAC also evaluates the effectiveness of the Company's key controls framework across various areas and provides advice and assistance to the Board as needed.

Conducting due diligence activities in line with the BAC-approved internal audit plan is integral to providing reasonable assurance that the Company can effectively meet its business objectives. The outcomes of these internal audits enable the BAC to identify areas for enhancement, thereby facilitating a culture of continuous improvement aimed at fortifying the organisation's internal control systems on an ongoing basis.

Risk Management

Applicable Policies and Procedures

- » Integrated Risk Management Policy
- » Risk Appetite Statement
- » Risk Tolerance Limits
- » Risk Management Policies for all key risks

Governing Bodies

First Line of Defence

- » CEO and Corporate Management
- » Head Office Departments
- » Branch Level Operations

Second Line of Defence

- » BIRMC
- » EIRMC
- » ALCO
- » Management Credit Committee (MCC)

Third Line of Defence

- » Internal Audit
- » External Audit

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Ethics and Integrity

The Board sets the tone from the top and exercises ongoing oversight of the management of ethics. These efforts are cascaded down through a broad range of policies, including the Code of Conduct, the Anti-Bribery and Anti-Corruption Policy, Whistle Blowing Policy, Acceptance of Gift & Entertainment Policy Manual, etc.

Code of Conduct - The Code of Conduct holds all employees and Directors of People's Leasing to the highest ethical standards of conduct in compliance with applicable laws, regulations and best practices. The Code, which is accessible through the intranet governs conduct relating to; Compliance with laws, Confidential and proprietary information, Ethical dealings, Insider trading, protection of the environment etc. The Code of Conduct is supplied to new employees as part of the employee induction process. Major suppliers of goods and services are also required to ensure that they comply substantially with the provisions of the code. The responsibility for the implementation and execution of the Board approved Code of Conduct has been delegated to the CEO and the corporate management team. In the current financial year, a Policy setting out an Internal Code of Business Conduct and Ethics for Directors was approved by the Board.

Bribery and Anti-Corruption Policy - The policy which is applicable to all Directors and employees without exception, describes the Company's stance against accepting bribes,

kickbacks and facilitation payments during the course of business and the consequences associated with the breach of such conditions. Business partners and third parties who act on behalf of the Company are also required to abide by the guidelines set out under the Bribery and anti-Corruption policy. Regular training is conducted to increase awareness among all stakeholders.

Whistle Blowing Policy - This Whistle Blowing Policy is designed to allow stakeholders to anonymously report instances of improper or illegal conduct or unethical practices within the Company. Anyone aware of such conduct is encouraged to utilise the Whistle blower channel to report directly to the Board Audit Committee.

Whistleblower complaints are directed to the Chairman of the Board Audit Committee via email or by sending a letter addressed to the "Chairman of the Board Audit Committee," with or without disclosing the whistleblower's identity.

Once a whistleblower complaint is received, the Audit Committee will initiate a thorough and timely investigation. Depending on the nature of the complaint, the Audit Committee may refer it to the Chief Internal Auditor or appoint an appropriate officer or committee comprising suitable corporate management members to conduct the investigation. The scope and timeframe for the investigation will be outlined in writing, ensuring transparency and accountability. The Board Audit Committee will monitor the progress of investigations and actions taken through

Ethics and Integrity

Applicable Policies and Procedures

- » Corporate Governance Charter
- » Code of Conduct and Ethics (for Board and Employees)
- » Anti-Corruption and Anti-Bribery Policy
- » Whistle Blowing Policy
- » Acceptance of Gift & Entertainment Policy Manual
- » Related Party Transaction Policy
- » Share Trading Policy
- » Corporate Communication Policy
- » Anti Money Laundering Policy (AML)
- » Selection and appointments of Directors and Senior Management
- » Procedure for Selection appointment Nomination Re-election evaluation and continuation of Directors
- » Board Remuneration Policy
- » Policy on corporate disclosures
- » Procedure to comply with the Right to Information Act

Governing Bodies

- » Board of Directors
- » CEO
- » Corporate Management Team

status updates provided by the Chief Internal Auditor.

All reported events under the Whistleblower Policy, or the absence thereof, is reported to the Board Audit Committee on quarterly basis.

The Company conducts regular special awareness sessions and Learning Management System (LMS) training programs to educate employees on properly using the Whistleblowing Policy.

Acceptance of Gift & Entertainment Policy Manual - The policy is designed to reflect the Company's belief that no one employee should receive undue benefits that may negatively influence other employees' morale. Hence the policy aims to maintain uniformity in exchanging, distributing, and receiving gifts from the employees, including gratuity and rewards.

Anti-money laundering Policy / KYC Policy - The policy sets forth guidelines and processes developed to detect, prevent, and report potential money laundering activities associated with the Company's core business lines.

There were no reported incidents of non-compliance recorded in the year under review

IT Governance

The Board acknowledges the competitive advantages resulting from investments in IT and digital technology in terms of agility, scalability, and innovation. As such, the Board works closely with the IT Steering Committee to oversee the development and implementation of the Company's IT strategy to effect investments in IT infrastructure and other technology based solutions to complement the Company's operational targets and strategic objectives.

As a financial institution, the Board also fully appreciates the importance of protecting the Company's information and data assets against external threats and internal data breaches. In this regard, a robust information security risk management framework aligned to the ISO 27001:2013 Information Security Management Standard certification provides reasonable assurance regarding the security, availability, integrity, confidentiality and privacy of the Company's information assets.

At an operational level, the People's Leasing IT department is tasked with implementing IT policies and executing digital initiatives, while the Company's Chief Information Officer (CIO) oversees governance of cyber security related matters. Concurrently, two pivotal roles have been established to bolster the

efficacy of information security protocols and safeguard data integrity: the Information Security Officer (ISO) and the Data Protection Officer (DPO).

 Please refer to the *Manufactured Capital Report* on pages 110 to 115 and the *Intellectual Capital Report* on page 116 to 123.


HR Governance

As a financial services institution, the Board recognises the value of a strong, dependable and competent human capital base. To support this endeavour, the Board invests considerable resources to create a robust and challenging workplace to attract and retain the best in-class talent with the motivation and drive to fuel the Company's growth ambitions and thereby realise their own career aspirations. The Board Nomination & Governance Committee and the HR & Remuneration Committee assists the Board in all HR related governance matters, while the Company's HR department handles all operational aspects of the human capital development process in line with Board approved policies and procedures.

 Please refer to the *Human Capital Report* on pages 124 to 135.

Stakeholder Engagement

The Board promotes regular and ongoing engagement with internal and external stakeholders to enable them to stay informed about the Company's strategies and targets, and also encourages constructive feedback to inform decision-making and facilitate mutually beneficial relationships.

 Please refer to the *Stakeholder Engagement Section* on pages 48 to 53.

Sustainability Governance and Reporting

The People's Leasing Board is the main authoritative body in charge of developing the Company's Sustainability Strategy encapsulating the relevant Material Topics covering environment, social and governance (ESG) aspects. Under the guidance of the Board, the Company's Sustainability Steering Committee has undertaken the responsibility for driving ESG integration at all levels of the business through the adoption of the guidelines for Sustainable Finance Activities issued by the Central Bank of Sri Lanka.

Meanwhile, in keeping with the Board's 360 degree approach to sustainability reporting, the Company continues to expand its sustainability disclosures through the

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adoption of the latest globally accepted benchmarks for sustainability reporting.

 Please refer to the Approach to Sustainability on pages 62 to 66.

Shareholder Relations and Communication

The Company values of its relationships with both institutional and retail shareholders, which has led to a proactive approach to ensure that communiqués relating to the performance, strategy and outlook are formulated and delivered in a timely and appropriate manner.

Underscored by the Corporate Communications Policy, the Board has established multiple channels to engage with shareholders, key among them is the annual report and the Annual General Meeting (AGM). Apart from this, the interim financial statements, notification of key events through announcements in the CSE and a dedicated investor relations tab on the corporate website (www.peoplesleasing.lk) provide vital shareholder information. All data and information is communicated accurately and in such a manner so as to avoid the creation of a false market.

Annual General Meeting (AGM)

The AGM serves as the main platform that gives shareholders the opportunity to connect with and raise questions directly with the Board and corporate management. The

external auditors also attend to address any queries raised.

The company adheres to Article No.15 (b) of its Articles of Association, ensuring shareholders receive the Notice of the AGM, Annual Report and Accounts, and any relevant resolutions at least 15 working days before the AGM. This is achieved by publishing all the aforementioned mandatory disclosures on both the Company and CSE websites, thereby facilitating easy access for all shareholders to review and participate in the AGM. Shareholders are strongly encouraged to participate and exercise their voting rights at the upcoming AGM scheduled for 28th June 2024.

Board Meetings

The People's Leasing Board meets at least once a month or more often if necessary. Board meetings are conducted according to a pre-planned meeting calendar established by the Chairman together with the Company Secretary.

A formal Board agenda is drawn up for each Board meeting ensuring that all relevant items on the Board's annual work plan are properly addressed. The Chairman and the Company Secretary are responsible for developing the Board agenda, while the Company Secretary is responsible for ensuring all information, including the agenda is circulated to Directors at least 7 days prior to the meeting date.

ASSURANCE

The Board seeks independent assurance from the internal auditors regarding the efficacy of the control environment, while the external auditor validates the integrity of the Company's financial position, thereby confirming the effectiveness of the Company's internal decision making systems. The Board Audit Committee (BAC) on behalf of the Board reviews the plans and work outputs of both external and internal auditors, including coordinating activities to support the combined assurance model.

Directors are given the opportunity to add non-standard matters to the agenda at the start of each Board meeting.

All Directors are required to attend scheduled Board meetings without exception. The People's Leasing CEO, members of the Corporate Management and external experts, including the external auditors may also attend the Board meeting on invitation.

The Company Secretary is required to maintain minutes of every Board meeting. Meeting minutes are first presented to the Board Chairman for approval prior to being circulated among Directors within an acceptable time frame.

Evaluating the Effectiveness of the Board and Board Sub Committees

| Name of the Director | Directorship Status | | | | Meeting Attendance - Attended/Eligibility | | | | | | | |
|---|---------------------|---------------|-------------|-----------------|---|-----------------------|--|-----------------------------------|--|--|----------------------------|------------------------|
| | Executive | Non Executive | Independent | Non Independent | Board Meeting | Board Audit Committee | Board Integrated Risk Management Committee | Nomination & Governance Committee | Related Party Transaction Review Committee | Human Resources and Remuneration Committee | Board Investment Committee | Board Credit Committee |
| Mr. Pradeep Amirthanayagam (Chairman) | ✓ | | | ✓ | 16/16 | | | | | 1/1 | | |
| Ms. Coralie Pietersz- Senior Independent Director (Resigned w.e.f. - 5th July 2023) | ✓ | ✓ | | | 3/5 | 2/2 | | 0/1 | | 0/1 | | |
| Mr. Y. Kanagasabai - Senior Independent Director (Appointed w.e.f. 11th August 2023) | ✓ | ✓ | | | 9/9 | 5/5 | 4/4 | 5/5 | | 4/4 | | |
| Mr. Chanura J. Wijetillake | ✓ | ✓ | | | 16/16 | 2/2 | 5/5 | 6/6 | 4/4 | 1/1 | 5/5 | 2/2 |
| Mr. U. L. A. W. Bandara | ✓ | ✓ | | | 16/16 | 9/9 | 2/2 | 5/5 | 4/4 | 3/3 | | 2/2 |
| Mr. Pravir Samarasinghe (Appointed w.e.f. 6th November 2023) | ✓ | ✓ | | | 6/6 | 3/3 | | | | 4/4 | | |
| Mr. Manjula Wellalage (Appointed w.e.f. 3rd October 2023) | ✓ | | ✓ | | 7/7 | | | | 1/1 | | | |
| Mr. Isuru Balapatabendi (Appointed w.e.f. 9th November 2023) | ✓ | | ✓ | | 6/6 | | | 5/5 | | | | |
| Mr. A.M.P.M.B. Atapattu (Appointed w.e.f. 2nd January 2024) | ✓ | | ✓ | | 3/3 | | | | | | | |
| Mr. U.K. Samararatne (Appointed w.e.f. 2nd January 2024) | ✓ | | ✓ | | 3/3 | | | | | | | |
| Mr. Rohan Pathirage (Resigned w.e.f. 18th October 2023) | ✓ | | ✓ | | 9/9 | | | 2/2 | 2/2 | 3/3 | | |
| Mr. K.C.J. Clive Fonseka | ✓ | | ✓ | | 16/16 | | 1/3 | | | 4/4 | 5/5 | |
| Mr. Azzam A. Ahamat | ✓ | | ✓ | | 16/16 | 6/6 | 6/7 | | | 5/5 | 1/1 | |
| Ms. G.M. Roshini P. Wijerathna- (Appointed w.e.f. 21st April 2023 and resigned w.e.f. -5th September 2023) | ✓ | | ✓ | | 8/9 | | 3/3 | | | | | 1/1 |

ACCESS TO INFORMATION

All directors are afforded unrestricted access to management, including the Company Secretary to enable them in carrying out their duties. Directors can also seek independent professional advice as needed, at the Company's expense. Requests for such assistance are channelled through the Company secretary for approval by the Chairman.

Board Focus for 2023/24

Early adoption of section 9 of the new Corporate Governance rules issued by the CSE

Risk Management

Sustainability

Focus for 2024/25

New Policy Formulation

- » Policy on Board Committees
- » Board Remuneration Policy
- » Policy on Code of Conduct and Ethics for Board of Directors
- » Policy on relations with shareholders and investors
- » Policy on control and management of Company assets and shareholder investments
- » Policy on corporate disclosure

Expanded the scope of the ICAAP with the integration of IT, Compliance and Reputational risk elements into the capital planning process

Implemented a formal ESG (Environmental, Social Governance) Policy to pave the way to systematically adopt the CBSL guideline for Sustainable Finance Activities

- » Complete updating Sub Committee TOR's as per CSE's new Corporate Governance Rules
- » Improve readiness for IFRS S1 and S2 adoption

Policy Updates

- » Policy relating to Matters of the Board of Directors
- » Expanded the scope of the existing policy on Corporate Governance, Nominations and Election of Directors
- » Anti-corruption and anti-bribery policy

CORPORATE GOVERNANCE REPORT

Training for Directors

All Board Directors are entitled to receive training at the Company's expense. Directors are encouraged to undertake regular training to support continuous professional development and to stay informed on regulatory changes, the latest developments in the local and global financial services industry and best practices.

A Procedure for professional development of Board of Directors and a Budget for each financial year has been adopted by the Board under the recommendation of the Nomination Committee.

All new Directors are provided with a special information pack to help them to learn about People's Leasing and the framework within which the Company operates as well as to understand their role as a Director of the Company.

Directors' Remuneration

The Board is compensated within applicable regulations/ Directives and market norms. Accordingly Non-Executive Directors, including Directors who serve as members of Board Committees receive a standard fee consistent with regulatory guidelines and industry norms, as compensation for their participation at Board and committee meetings. Non-Executive Directors are not entitled to receive any performance related / incentive payments.

The aggregate remuneration paid to Directors in FY 2023/24 was Rs. 18.73 Mn.

Board Sub Committees

Considering the limited time available to the Board to address all matters pertaining to the Company, the Board has appointed Sub Committees to enable more robust, in-depth and focused attention and interrogation on matters that are material to the Board and/or the business.

Committees enable the Board to deal with a larger number of issues with greater efficiency by having focused expertise considering specific areas on their behalf. All Board Committees operate on the basis of formal Board approved Terms of References to support greater objectivity, balanced decision-making and promote stronger risk management.

Directors Training - FY 2023/24

Program Focus

- » Good Governance Rights & Obligations of an INED (Independent Non-Executive Director) in promoting Good Governance organised by the INED of the Sri Lanka Institute of Directors.

No. of Directors who participated

- » Two Directors and the Company Secretary.

BOARD AND BOARD SUB COMMITTEE EVALUATION

The effectiveness of the Board as a whole and its Sub Committees are evaluated annually as per regulatory guidelines. Accordingly, all Directors are expected to complete a self-declaration to allow individual Directors to rate the performance of the People's Leasing Board in regard to Composition and Quality, Meetings and Procedures, Board Development, Strategy and Risk Management, Ethics, Compliance and Legal Framework, Management Relations and Board Succession Planning.

All self-declaration forms, once completed are lodged with the Company Secretary who then compiles and presents the findings to the Board Chairman. A similar process is followed for evaluating the performance of Board Sub Committees as well.

Furthermore, Independent Directors are afforded the opportunity to conduct evaluations of the Non-Independent Directors' effectiveness within the Board, and in turn Non-Independent Directors are given the opportunity to assess the performance and contributions of Independent Directors. This evaluation process is designed to optimise the performance and contributions of both Independent and Non-Independent Directors to Board's matters.

The Board evaluation conducted in April 2024 found all Directors on the People's Leasing Board to have executed their duties in accordance with the Board mandate.

The tabulation of the Board/Sub Committee evaluations were tabled at the Board Meeting held on 28th May 2024.

EVALUATING THE PERFORMANCE OF THE CEO

The performance of the CEO is assessed annually by the Board Chairman based on pre-agreed performance criteria linked to the Company's strategic objectives. Findings from this annual evaluation are used to instruct changes to the base salary and determine appropriate performance based incentives.

Mr. Shamindra Marcelline CEO/GM resigned with effect from 1 April 2024.

ROLE OF THE COMPANY SECRETARY

The Company Secretary serves as a central source of information and advice to the Board and the company on matters of ethics and good governance. The Company Secretary is also required to ensure that the proceedings and affairs of the Board, its committees and the Company itself are properly administered in line with applicable laws. All directors have access to the advice and services of the Company Secretary.

The duties and responsibilities of the Company Secretary are outlined by law. Appointment, remuneration and performance evaluation of the Company Secretary is the responsibility of the Board. In the most recent appraisal of the performance of the Company Secretary, the Board concluded that the current Company Secretary – Ms. Shaalini Silva has adequately performed her role as an independent gatekeeper of good governance within People's Leasing.

STATEMENT OF THE EXTENT OF COMPLIANCE UNDER SECTION 9 OF THE RULES OF THE CSE ON CORPORATE GOVERNANCE

| Rule No. | Applicable Requirement | Extent of Compliance |
|------------|---|--|
| 9.2 | Policies | |
| 9.2.1 | Listed Entities shall establish and maintain the following policies and disclose the fact of existence of such policies together with the details relating to the implementation of such policies by the Entity on its website; <ul style="list-style-type: none"> (a) Policy on the matters relating to the Board of Directors. (b) Policy on Board Sub Committees. (c) Policy on Corporate Governance, Nominations and Re-election. (d) Policy on Remuneration (e) Policy on Internal Code of Business conduct and Ethics for all Directors and employees, including policies on trading in the Entity's listed securities (f) Policy on Risk management and Internal controls (g) Policy on Relations with Shareholders and Investors (h) Policy on Environmental, Social and Governance Sustainability (i) Policy on Control and Management of Company Assets and Shareholder Investments (j) Policy on Corporate Disclosures (k) Policy on Whistle-blowing (l) Policy on Anti-Bribery and Corruption | The company has early adopted the amended Corporate Governance rules section 9 issued by the Colombo Stock Exchange (CSE) for listed entities Among the newly established policies are: Policy on Board Sub-Committees Board Remuneration Policy Policy on Code of Conduct and Ethics for Board of Directors Policy on relations with shareholders and investors Policy on control and management of Company assets and shareholder investments Policy on corporate disclosure Policy on Environmental, Social and Governance Sustainability |
| 9.2.2 | Any waiver from Compliance with the Internal Code of Business Conduct ethics and or exemptions granted by the Listed Entity shall be fully disclosed in the Annual Report | No such waivers were granted during the year under review |
| 9.2.3 | Listed Entities shall disclose in its Annual Report: <ul style="list-style-type: none"> (i) the list of policies that are in place in conformity to Rule 9.2.1 above, with reference to its website. (ii) details pertaining to any changes to policies adopted by the Listed entity Compliance with Rule 9.2 above. | All policies required to be maintained under CSE sec. 9.2.1 is in existence and is disclosed in the Company Web site |
| 9.2.4 | Listed Entities shall make available all such policies to shareholders upon a written request being made for any such Policy. | A request for a copy of such policies could be made via the Company Website |
| 9.3 | Board Committees | The Company has already formed Board Committees in accordance with both the Finance Business Act of Central Bank of Sri Lanka(CBSL) and the Listing Rules of the Colombo Stock Exchange In line with the requirements of the CSE amendments to the Corporate Governance requirements sec 9, the Nomination Committee has been renamed as the Nomination and Governance Committee. |
| 9.3.1 | Listed Entities shall ensure that the following Board committees are established and maintained at a minimum and are functioning effectively. <ul style="list-style-type: none"> (a) Nominations and Governance Committee (b) Remuneration Committee (c) Audit Committee (d) Related Party Transactions Review Committee. | The Company has established 5 mandatorily required Sub Committees <ol style="list-style-type: none"> 1. Related Party Transactions Review Committee 2. Nomination & Governance Committee 3. HR & Remuneration Committee 4. Board Audit Committee 5. Board Integrated Risk Management Committee and 2 voluntary Sub Committees for better Governance <ol style="list-style-type: none"> 1. Board Credit Committee 2. Board Investment Committee |

CORPORATE GOVERNANCE REPORT

| Rule No. | Applicable Requirement | Extent of Compliance |
|----------|--|--|
| 9.3.2 | Listed Entities shall comply with the composition, responsibilities and disclosures required in respect of the above Board committees as set out in the Rules. | The Composition, responsibilities and scope are disclosed in the respective Board Sub Committee report in the Annual Report |
| 9.3.3 | The Chairperson of the Board of Directors of the Listed Entity shall not be the Chairperson of the Board Committees referred to in Rule 9.3.1 above. | Please refer respective sub Committee Report pages no 237 to 254 |
| 9.4. | Adherence to principles of democracy in the adoption of meeting procedures and the conduct of all General Meetings with shareholders | |
| 9.4.1 | Listed Entities shall maintain records of all resolutions and the following information upon a resolution being considered at any General Meeting of the Entity. The Entity shall provide copies of the same at the request of the Exchange and/or the SEC. The number of shares in respect of which proxy appointments have been validly made; The number of votes in favour of the resolution; The number of votes against the resolution; and The number of shares in respect of which the vote was directed to be abstained. | The Company maintains records of all resolutions which are being considered at the Annual General Meeting. The company also maintains digital records pertaining to Annual General Meetings held on virtual platform The proxy form provides for shareholder to mark his abstention |
| 9.4.2 | Communication and relations with shareholders and investors (a) Listed Entities shall have a policy on effective communication and relations with shareholders and investors and disclose the existence of the same in the Annual Report and the website of the Listed Entity. (b) Listed Entities shall disclose the contact person for such communication. (c) The policy on relations with shareholders and investors shall include a process to make all Directors aware of major issues and concerns of shareholders and such process shall be disclosed by the Entity in the Annual Report and the web site of the entity (d) Listed Entities that intend to conduct any shareholder meetings through virtual or hybrid means shall comply with the Guide lines issued by the Exchange in relation to same and published on the website of the Exchange. | The Company has a Board approved Communication Policy which has been regularly updated. Recent updates are being reviewed to comply with the necessary regulations of the Amended Corporate Governance Rule No. 9 Refer the Communication Policy page No 235 The Company Secretary is informed of any concerns highlighted by Shareholders/Investors. The Company Secretary brings such concerns to the notice of the Board. The policy is available on the corporate website The 28th AGM scheduled to be held on the 28th June 2024, will be held on a virtual/hybrid meeting as per the guidelines issued by the Colombo Stock Exchange and Article No. 15 (b) of the Articles of Association of the Company which permits a meeting to be held through audio or audio visual communication method of platform |
| 9.5 | Policy on matters relating to the Board of Directors | Complied |
| 9.5.1 | Listed Entities shall establish and maintain a formal policy governing matters relating to the Board of Directors and such policy shall: (a) recognise the need for a balance of representation between Executive and Non-Executive Directors and cover at minimum board composition, the roles and functions of the Chairperson and Chief Executive Officer or equivalent position (hereinafter commonly referred as the CEO), Board balance and procedures for the appraisal of Board performance and the appraisal of the CEO. | The Board Governance Charter and the Policy for the Selection, Appointment, Nomination, Re-election, and Continuation of the Board of Directors outlines the required criteria. Additionally, the performance of the Board and Key Responsible Persons (KRPs) will be evaluated annually to ensure compliance with fit and proprietary requirements of Direction No 6 of 2021 of the Central Bank of Sri Lanka |

| Rule No. | Applicable Requirement | Extent of Compliance |
|----------|---|---|
| (b) | <p>where a Listed Entity decides to combine the role of the Chairperson and CEO,</p> <ul style="list-style-type: none"> » set out the rationale for combining such positions; and, » require the Board Charter of the Listed Entity to contain terms of reference/functions of the Senior Independent Director (SID) and the powers of the SID, which should be equivalent to that of the Chairperson in the instance of a conflict of interest. » set out the measures implemented to safeguard the interests of the SID. | <p>Chairman & the CEO's roles are segregated and performed separately</p> <p>Although the roles of Chairman and CEO are separate and not applicable in this context, compliance with the Central Bank's Finance Business Act Direction No. 5 of 2021 necessitates the appointment of a Senior Independent Director in the event a non-Independent Director services as the Chairman Mr. Y. Kanagasabai has assumed the role of Senior Independent Director, with his responsibilities outlined in the SID TOR (Senior Independent Director Terms of Reference).</p> |
| (c) | <p>require diversity in Board composition for Board effectiveness in terms of a range of experience, skills, competencies, age, gender, industry requirements and importance of objective selection of directors.</p> | <p>Refer Report of the Senior Independent Director page no 236</p> <p>The Proposed appointments are subject to a Fit & Propriety assessment at the Central Bank</p> <p>All proposed appointments to the Board are recommended by the Nomination & Governance Committee which assesses the skills, experience and competences of the proposed Board Members</p> |
| (d) | <p>stipulate the maximum number of Directors with the rationale for the same</p> | <p>Nomination & Governance Committee seeks the effectiveness of the Board members and determine the composition and number of Board seats based on subject and industry Knowledge, need basis and regulatory threshold. In terms of the Articles of Association of the Company a maximum of 13 Directors could be appointed to the Board</p> |
| (e) | <p>specify the frequency of Board meetings, having regard to the requirements under the Listing Rules.</p> | <p>Refer Page 187</p> |
| (f) | <p>provide mechanisms for ensuring that Directors are kept abreast of the Listing Rules and on-going compliance and/or non-compliance by the Listed Entity with obligations arising under such Rules.</p> | <p>Refer Pages 182, 184 & 232</p> |
| (g) | <p>specify the minimum number of meetings, in numbers and percentage, that a Director must attend, in order to ensure consistent attendance at Board Meetings and to avoid being deemed to vacate such position.</p> | <p>The Company adheres to the regulatory directions of the CBSL Corporate Governance Direction No, 5 of 2021 with regard to meeting attendance, voting and participation at Board/ Sub Committee Meetings</p> |
| (h) | <p>provide requirements relating to trading in securities of the Listed Entity and its listed group companies and disclosure of such requirements.</p> | <p>The Company share Trading Policy details the procedure to be followed when trading in group securities</p> |
| (i) | <p>specify the maximum number of directorships in Listed Entities that may be held by Directors.</p> | <p>In terms of the CBSL Finance Business Act, a Director shall not hold office in more than 20 Companies. All 11 Directors at present comply with the requirement</p> |
| (j) | <p>Recognise the right to participate at meetings of the Board and Board Committees by audio visual means and for such participation to be taken into account when deciding on the quorum</p> | <p>Directors can join all Board and Sub Committee Meetings via Microsoft Teams (if required). This also ensures that all meetings are recorded as required by the CBSL Direction. The attendance via online means is duly recorded in the attendance register and the Minutes</p> |
| 9.5.2 | <p>Listed Entities shall confirm compliance with the requirements of the policy referred to in Rule 9.5.1 above in the Annual Report and provide explanations for any non-compliance with any of the requirement with reasons for such non-compliance and the proposed remedial action for such non-compliance and proposed remedial action</p> | <p>Board has a comprehensive Corporate Governance Charter which denote the matters relating to the Board of Directors</p> |

CORPORATE GOVERNANCE REPORT

| Rule No. | Applicable Requirement | Extent of Compliance |
|----------|---|--|
| 9.6 | Chairperson and CEO | |
| 9.6.1 | The Chairperson of every Listed Entity shall be a Non-Executive Director. Consequently, the position of Chairperson and CEO shall not be held by the same individual. | The Chairman serves as a Non-Executive Director, and the roles of Chairman and CEO are distinct, with separate individuals holding each position. |
| 9.6.2 | A Listed Entity that is unable to comply with Rule 9.6.1 above shall make a Market Announcement within a period of one (1) month from the date of implementation of these Rules or an immediate Market Announcement from the date of non-compliance (if such date falls subsequent to the implementation of these Rules). Such Market Announcement shall include the following: (a) The reasons for non-compliance (b) The rationale for combining the positions of the Chairperson and CEO | No such instance has arisen during the year The Chairman is a Non-Executive Non Independent Director and the position of Chairman and CEO are kept separate |
| 9.6.3 | The Requirement for a Senior Independent Director | Not applicable |
| | (a) A Listed Entity shall appoint an Independent Director as the SID in the following instances: i. The Chairperson and CEO are the same person ii. The Chairperson and CEO are Close Family Members or Related Parties Such appointment shall be immediately disclosed with reasons for such appointment, by way of a Market Announcement. (b) The Independent Directors shall meet at least once a year or as often as deemed necessary at a meeting chaired by the SID without the presence of the other Directors to discuss matters and concerns relating to the Entity and the operation of the Board. The SID shall provide feedback and recommendations from such meetings to the Chairperson and the other Board Members. (c) The SID shall chair a meeting of the Non-Executive Directors without the presence of the Chairperson at least annually, to appraise the Chairperson's performance and on such other occasions as are deemed appropriate. (d) The SID shall be entitled to a casting vote at the meetings specified in Rules 9.6.3. (b) and (c) above. (e) The SID shall make a signed explanatory disclosure in the Annual Report demonstrating the effectiveness of duties of the SID. | The Requirement to appoint a Senior Independent Director (SID) under section 9.6.3 of the Corporate Governance rule of the CSE did not arise since the i. The positions of the Chairperson and CEO are not held by the same individual. ii. The Chairperson is not an Executive Director. iii. The Chairperson and CEO are not Close Family Members or Related Parties However though the roles of Chairman and the CEO are separate and not applicable in this context, compliance with the Central Bank's requirement necessitates the appointment of a Senior Independent Director as the company has a non-Independent Director serving as the Chairman Mr. Y. Kanagasabai has assumed the role of Senior Independent Director, with his responsibilities outlined in the SID TOR (Senior Independent Director Terms of Reference). The SID brings in an objective and unbiased perspective to the Board. The SID participates in Board Meeting, providing independent advice and expertise Refer the Report of the SID in the page No 236 |
| 9.6.4 | Where a Listed Entity has appointed a SID as required in terms of Rule 9.6.1 above, such Entity shall set out the rationale for such appointment in the Annual Report of the Entity. | Not applicable as the Chairman serves as a Non-Executive Director and the roles of Chairman and CEO are distinct and separated. |
| 9.7 | Fitness of Directors and CEOs The Listed Entity shall take necessary steps to ensure that their Directors and the CEO are, at all times, fit and Proper persons as required in terms of these Rules: In evaluating Fitness and Propriety of the persons referred in these Rules, Listed Entities shall utilise the 'Fit and Proper Assessment Criteria set out in Rule 9.7.3 Listed Entities shall ensure that persons recommended by the Nominations and Governance Committee as Directors are fit and proper as required in terms of these Rules before such nominations are placed before the shareholder meeting or appointments are made | The Company has obtained signed declaration from the Directors and the CEO affirming their Fitness & Propriety Further all 11 Directors have been assessed for their fitness to continue as Board Members by the CBSL annually. Additionally, Directors are subject to re-election at the Annual General Meeting require prior approval of the CBSL for their continuation. |
| 9.7.3 | Fit and Proper Assessment Criteria: | Both the CBSL and the CSE Fitness and Proper Assessment criteria has been applied by the Company to determine the continuation of the Directors for the financial year 2024/25 |

| Rule No. | Applicable Requirement | Extent of Compliance |
|----------|--|--|
| 9.7.4 | Listed Entities shall obtain declarations from their Directors and CEO on an annual basis confirming that each of them have continuously satisfied the Fit and Proper Assessment Criteria set out in these Rules during the financial year concerned and satisfies the said criteria as at the date of such confirmation. | Complied Written declarations attesting to this conformity have been obtained from each director and the acting CEO |
| 9.7.5 | Disclosures in the Annual Report of Listed Entities Listed Entities shall include the following disclosures/reports in the Annual report (a) A statement that the Directors and CEO of the Listed Entity satisfy the fit and proper Assessment Criteria stipulated in the Listing Rules of the Colombo Stock Exchange (b) Any non-compliance/s by a Director and/or the CEO of the Listed Entity with the Fit and Proper Assessment Criteria set out in these Rules during the financial year and the remedial action taken by the Listed Entity to rectify such non-compliance/s. | The Board of Directors and the acting CEO of the Company have confirmed compliance with the fit and proper assessment criteria outlined in the Listing Rules of the Colombo Stock Exchange Refer page No 231. All Board members and the acting CEO have been assessed for fitness and approved by the Central Bank of Sri Lanka in terms of the assessment of fitness & propriety under the Finance business Act Direction No. 6 of 2021 No deviations from these requirements were recorded during the reviewed period. |
| 9.8 | Board Composition | |
| 9.8.1 | The Board of Directors of a Listed Entity shall, at a minimum, consist of five (05) Directors. | The Board comprises 11 Directors, all of whom hold Non-Executive positions. Among them, 4 Directors are classified as Independent, meeting the necessary compliance requirements. |
| 9.8.2 | Minimum Number of Independent Directors: | |
| 9.8.3 | Criteria for determining independence: | Declarations have been submitted by all Directors in terms of Appendix 9 A of the CSE Rules |
| 9.8.5. | The Board of Directors of Listed Entities shall require: (a) Each Independent Director to submit a signed and dated declaration annually of his or her "independence" or "non-independence" against the criteria specified herein and in the format in Appendix 9A, containing at a minimum the content prescribed therein. (b) Make an annual determination as to the "independence" or "non-independence" of each Independent Director based on the Directors' declaration and other information available to it and shall set out the names of Directors determined to be 'independent' in the Annual Report. (c) If the Board of Directors determines that the independence of an Independent Director has been impaired against any of the criteria set out in Rule 9.8.3, it shall make an immediate Market Announcement thereof. | The Company obtained a declaration from each director as specified in appendix 9A to ensure their independence. Refer the page No 193 Nomination Committee has evaluated each declaration against its specified criteria and determined 4 directors to be independent No deviations from these requirements were recorded during the reviewed period. |
| 9.9 | Alternate Directors | There are no Alternate Directors on the Board. |
| 9.10 | Disclosures relating to Directors | |
| 9.10.1 | Listed Entities shall disclose its policy on the maximum number of directorships its Board members shall be permitted to hold in the manner specified in Rule 9.5.1. In the event such number is exceeded by a Director(s), the Entity shall provide an explanation for such non-compliance in the manner specified in Rule 9.5.2 above. | Complied The Board Governance Charter specifies a limit of 20 Directorships as the maximum number allowable for any Board member |
| 9.10.2 | Listed Entities shall, upon the appointment of a new Director to its Board, make an immediate Market Announcement setting out the following; | Complied , Corporate Disclosure policy outlined the procedure to be followed |
| 9.10.3 | Listed Entities shall make an immediate Market Announcement regarding any changes to the composition of the Board Committees referred to in Rule 9.3 above containing, at minimum, the details of changes including the capacity of directorship with the effective date thereof. | Complied |
| 9.10.4 | Details relating to Directors in the Annual Report: | Directors Details are given in pages 162 to 188 |

CORPORATE GOVERNANCE REPORT

| Rule No. | Applicable Requirement | Extent of Compliance |
|-------------|--|---|
| 9.11 | NOMINATIONS AND GOVERNANCE COMMITTEE | Complied |
| 9.11.1 | Listed Entities shall have a Nomination & Governance Committee that conforms to the requirements set out in the Rule 9.11 of these rules | The Board Nomination and Governance Committee is actively functioning. Refer Pages 245 to 246 |
| 9.11.2 | Listed Entities shall establish and maintain a formal procedure for the appointment of new Directors to the Board through the Nominations and Governance Committee | The Company maintains a Procedure for Selection appointment Nomination re-election evaluation and continuation of Directors |
| 9.11.3 | The Nominations and Governance Committee shall have a written terms of reference clearly defining its scope, authority, duties and matters pertaining to the quorum of meetings. | Terms of Reference (TOR) outlines' the scope, roles, responsibilities, and other pertinent details of the Committee. TOR is regularly updated to align with the stipulated requirements to comply with the amendments to the CSE corporate Governance Sec 9 |
| 9.11.4 | Composition | The Committee comprises three Board members with the majority of Independent Non-Executive Directors. The Chairperson of the committee is an Independent Director |
| 9.11.5 | Functions | Committee report on the pages 245 to 246 |
| 9.11.6 | Disclosures in Annual Report | Committee report on the pages 245 to 246 |
| 9.12 | REMUNERATION COMMITTEE | |
| 9.12.1 | For the purposes of Rule 9.12, the term "remuneration" shall make reference to cash and all non-cash benefits whatsoever received. | The company has a Board Remuneration policy defining applicable terms |
| 9.12.2 | Listed Entities shall have a Remuneration Committee that conforms to the requirements set out in Rule 9.12 of these Rules. | The Company has a Board HR & Remuneration Committee in operation |
| 9.12.3 | The Remuneration Committee shall establish and maintain a formal and transparent procedure for developing policy on Executive Directors' remuneration and for fixing the remuneration packages of individual Directors. No Director shall be involved in fixing his/her own Remuneration. | Company does not have any Executive Directors on the board Board Remuneration policy defines the principles of payments A sitting allowance is made to Directors for participation at Board & subcommittee Meetings |
| 9.12.4 | Remuneration for Non-Executive Directors should be based on a policy which adopts the principle of non-discriminatory pay practices among them to ensure that their independence is not impaired. | |
| 9.12.5 | Remuneration Committee shall have a written terms of reference clearly defining its scope, authority, duties and matters pertaining to the quorum of meetings. | Terms of Reference (TOR) outlining its scope, roles, responsibilities, and other pertinent details is available. |
| 9.12.6 | Composition (1) The members of the Remuneration Committee shall; (b) Comprise of a minimum of three (03) Directors of the Listed Entity, out of which a minimum of two (02) members shall be Independent Directors of the Listed Entity. (b) Not comprise of Executive Directors of the Listed Entity. (2) In a situation where both the parent company and the subsidiary are 'Listed Entities', the Remuneration Committee of the parent company may be permitted to function as the Remuneration Committee of the subsidiary. An Independent Director shall be appointed as the Chairperson of the Remuneration Committee by the Board of Directors. | The Committee comprises of three members with the majority being Independent Non-Executive Directors. The Chairperson of the committee is an Independent Director Committee composition and details are given in the HR and Remuneration Committee Report on the pages 240 to 242 Not applicable as the Company maintenance its own independent HR & Remuneration Committee |

| Rule No. | Applicable Requirement | Extent of Compliance |
|-------------|---|--|
| 9.12.7 | <p>Functions</p> <p>(1) The Remuneration Committee shall recommend the remuneration payable to the Executive Directors and CEO of the Listed Entity and/or equivalent position thereof to the Board of the Listed Entity which will make the final determination upon consideration of such recommendations.</p> <p>(2) The Remuneration Committee may engage any external consultant or expertise that may be considered necessary to ascertain or assess the relevance of the remuneration levels applicable to Directors and CEO.</p> | <p>The Board Comprises of Non Executive Directors only</p> <p>The Remuneration and Benefits Policy of the Company, the salaries, allowances, and other financial benefits related to the CEO and senior management are recommended by the HR & Remuneration Committee</p> <p>The Committee has sought the assistance of external parties during the year</p> |
| 9.12.8 | Disclosure in Annual Report | The Committee Report on the pages 240 to 242 |
| 9.13 | AUDIT COMMITTEE | |
| 9.13.1 | Where Listed Entities do not maintain separate Committees to perform the Audit and Risk Functions, the Audit Committee of such Listed Entities shall additionally perform the Risk Functions set out in Rule 9.13 of these Rules. | The Board Audit Committee and the Board Integrated Risk Management Committee are each independently constituted. |
| 9.13.2 | The Audit Committee shall have a written terms of reference clearly defining its scope, authority and duties. | The Board Audit Committee has appropriately documented Terms of Reference (TOR), which are reviewed annually by the BAC and approved by the Board. |
| 9.13.3 | Composition | The Board Audit Committee consists of three Non-executive independent directors. |
| 9.13.4 | <p>Functions</p> <p>(1) The functions of the Audit Committee shall include the following:</p> <p>(i) Oversee the Entity's compliance with financial reporting requirements, information requirements under these Rules, the Companies Act and the SEC Act and other relevant financial reporting related regulations and requirements.</p> <p>(ii) Review the quarterly results and year-end financial statements of the Entity prior to tabling for the approval of the Board of Directors of the Entity with special reference to:</p> <p>(a) changes in or implementation of major accounting policy changes;</p> <p>(b) significant matters highlighted including financial reporting issues, significant judgments made by management, significant and unusual events or transactions, and how these matters are addressed;</p> <p>(c) compliance with accounting standards and other legal requirements;</p> <p>(d) any related party transaction and conflict of interest situation that may arise within the Listed Entity or group including any transaction, procedure or course of conduct that raises questions of management integrity;</p> <p>(e) any letter of resignation from the external auditors of the Listed Entity; and,</p> <p>(f) whether there is reason (supported by grounds) to believe that the Listed Entity's external auditor is not suitable for re-appointment</p> | <p>Addressed in Section 9.1 of the Board Audit Committee's Terms of Reference, which pertains to "Financial Reporting".</p> <p>The Internal Audit conducts a review and provides reports to the BAC regarding quarterly and annual financial statements to ensure the Entity's compliance with financial reporting requirements, information stipulations under relevant regulations such as the Companies Act, SEC, and other pertinent financial reporting regulations.</p> <p>Upon the BAC's recommendation, the quarterly and annual financial statements are submitted to the Board for approval.</p> <p>Addressed in Section 9.1 of the Board Audit Committee's Terms of Reference, which pertains to "Financial Reporting".</p> <p>However, National Audit Act No. 19 of 2018 requires the Auditor General to carry out the audit himself or by any person authorised by the Auditor General.</p> |

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| Rule No. | Applicable Requirement | Extent of Compliance |
|----------|---|---|
| | (iii) To make recommendations to the Board pertaining to appointment, reappointment and removal of external auditors and to approve the remuneration and terms of engagement of the external auditors. | National Audit Act No. 19 of 2018 requires the Auditor General to carry out the audit himself or by any person authorised by the Auditor General. BAC does not possess authority over the appointment or removal of the external auditor. |
| | (iv) Obtain and review assurance received from: (a) the CEO and the CFO that the financial records have been properly maintained and the financial statements give a true and fair view of the Entity's operations and finances; and (b) the CEO and other key management personnel who are responsible, regarding the adequacy and effectiveness of the Entity's risk management and internal control systems. | The Committee assisted the Board of Directors in discharging its responsibility for the preparation of the quarterly and annual Financial Statements to reflect a true and fair view of the affairs of the Company. The Internal Audit function is tasked with conducting audits to verify the sufficiency and efficiency of the Entity's risk management and internal control frameworks, aligning with the endorsed Audit Plan. |
| | (v) Review the internal controls in place to prevent the leakage of material information to unauthorised persons. | The Internal Audit function is tasked with conducting audits to verify the sufficiency and efficiency of the Entity's risk management and internal control frameworks, aligning with the endorsed Audit Plan. |
| | (vi) Oversee the processes to ensure that the Entity's internal controls and risk management are adequate to meet the requirements of the Sri Lanka Auditing Standards. | Significant lapses identified during audits are regularly reported to the Board Audit Committee, which oversees the implementation of recommendations through action points. |
| | (vii) Review and assess the company's risk management process, including the adequacy of the overall control environment and controls in areas of significant risks and updated business continuity plans. | |
| | (viii) Review the risk policies adopted by the Entity on an annual basis. | |
| | (ix) Take prompt corrective action to mitigate the effects of specific risks in the case such risks are at levels beyond the prudent levels decided by the committee on the basis of the Listed Entity's policies and regulatory requirements. | |
| | (x) Review the scope and results of the internal and external audit and its effectiveness, and the independence, performance and objectivity of the auditors. | The Committee met with the external auditors twice during the financial year. Initially, the Committee convened with the external auditors to discuss the audit plan, scope, and proposed methodology for conducting the annual audit. Subsequently, a second meeting was held with the external auditors to review the audit results. |
| | | The Committee held two confidential meetings with the external auditors without any other directors / senior management/ employees being present to facilitate open discussion on material issues, problems, or reservations. This allowed the external auditors to address their concerns and opinions directly with the Audit Committee. |
| | | The Board Audit Committee (BAC) is tasked with reviewing Internal Audit Programs to assess the scope and effectiveness of upcoming reviews. The BAC also evaluates internal audit coverage by reviewing the Internal Audit Plan and monitoring the progress of implementation through Audit Plan updates furnished by the Internal Audit department. Furthermore, the BAC ensures oversight of the outcomes of these reviews by consistently reviewing the audit observations submitted by the internal audit. |
| | (xi) To develop and implement policy on the engagement of the external auditor to supply non-audit services, at minimum taking into account relevant ethical guidance regarding the provision of non-audit services by an external audit firm; and to report to the Board identifying any matters in respect of which it considers that action or improvement is needed and making recommendations as to the steps ought to be taken. | The Committee undertook a review of the non-audit services offered by the Auditors, aiming to ensure that these services do not fall within the restricted categories and that their provision does not compromise the independence and objectivity of the External Auditors, who are appointed to assist the Auditor General. Additionally, during the Financial year 2023/24, the Committee reviewed the "Policy for Engagement of External Auditor to Provide non-audit Services" to ensure the policy is appropriately updated to reflect recent changes. |

| Rule No. | Applicable Requirement | Extent of Compliance |
|----------|---|---|
| | (xii) if a change of auditor is recommended by the Audit Committee in circumstances where the audit opinion of the immediately disclosed financial period or any period where subsequent disclosure of audit opinion is pending and such opinion carries a modification or an emphasis of matter of going concern, then the Audit Committee report shall include the rationale of the Audit Committee for recommending the removal of the auditor. | In terms of Section 55 of the National Audit Act No. 19 of 2018, the Company falls under the definition of "Auditee Entity" of the Auditor General and shall carry out the audits by the Auditor General. Therefore, the Committee has no role to play in the appointment of external auditors. |
| | (xiii) Where the Audit Committee is of the view that a matter reported by it to the Board of Directors of a Listed Entity has not been satisfactorily resolved resulting in a breach of these Requirements, the Audit Committee shall promptly report such matter to the Exchange. | Addressed in Section 9.7 of the Board Audit Committee's Terms of Reference, which pertains to "Reporting Responsibilities". |
| | (2) Where Listed Entities maintain two (02) separate Committees to carry out the Audit and Risk functions, the terms of reference of such Committees shall, at a minimum, include the respective functions stipulated in Rule 9.13.4 (1) above. | Complied |
| 9.13.5 | Disclosures in Annual Report | |
| | (1) The Audit Committee shall also prepare an Audit Committee Report which shall be included in the Annual Report of the Listed Entity. The Audit Committee Report shall set out the manner in which the Entity has complied with the requirements applicable to the Audit Committee during the period for which the Annual Report relates. | Complied |
| | (2) The Audit Committee Report shall contain the following disclosures: | Disclosed in the Audit Committee Report given in pages 237 to 242 |
| | (a) the names of the Chairperson and the members of the Audit Committee, and the nature of directorships held by such members (or persons in the parent company's committee in the case of a group company); | |
| | (b) The status of risk management and internal control of the Listed Entity and as a Group (where applicable). | |
| | (c) A statement that it has received assurance from the CEO and the CFO of the Entity's operations and finances. | |
| | (d) An opinion on the compliance with financial reporting requirements, information requirements under these Rules, the Companies Act and the SEC Act and other relevant financial reporting related regulations and requirements. (e) whether the Listed Entity has a formal Audit Charter; | |
| | (e) Whether the listed entity has a formal Audit Charter | |
| | (f) the manner in which internal audit assurance is achieved and a summary of the work of the internal audit function; | |
| | (g) Details demonstrating the effective discharge of its functions and duties for that financial year of the Listed Entity; | |
| | (h) a statement confirming that written assurance was obtained from the external auditors approved by the SEC, confirming that they are and have been independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements; and | |
| | (l) A statement confirming that the Audit Committee has made a determination of the independence of auditors and the basis of such determination. It shall also contain details on the number of years that the external auditor and the audit partner were engaged. If the external auditor provides non-audit services, explanations must be made of how auditor objectivity and independence are safeguarded taking into consideration fees paid for non-audit services provided by the external Auditor and affiliated parties. | |

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| Rule No. | Applicable Requirement | Extent of Compliance |
|-------------|--|--|
| 9.14 | RELATED PARTY TRANSACTIONS REVIEW COMMITTEE | |
| 9.14.1 | Listed Entities shall have a related party Transaction Review Committee that conforms to the requirements set out in Rule 9.14 of these Rule | The Company has established a RPTRC in line with the CBSL and CSE requirements |
| 9.14.2 | Composition | The Committee comprises of three members with the majority being Independent Non-Executive Directors. The Chairperson is an Independent Director. Committee composition and details are given in the RPT Committee Report in the pages 243 to 244 |
| 9.14.3 | Functions | Committee report in the Pages 243 to 244 |
| 9.14.4 | General Requirements | |
| | 1) The Related party Transaction Review committee shall meet at least once a calendar quarter. It shall ensure that the minutes of all meetings are properly documented and communicated to the Board of Directors | The Committee met 4 times during the year. Minutes of the Committee are shared with the Board for deliberation |
| | 2) The members of the Related Party Transaction Review Committee should ensure that they have, or have access to, enough knowledge or expertise to assess all aspects of proposed Related Party Transactions, and where necessary, should obtain appropriate professional and expert advice from an appropriately qualified person | The committee has access to the relevant management committee approvals and recommendations, evaluation reports and meetings with relevant officials prior to assessing a proposed RPT transaction |
| | 3) Where necessary, the Committee shall request the Board of Directors to approve the Related Party Transactions which are under review by the Committee. In such instances, the approval of the Board of Directors should be obtained prior to entering into the relevant Related Party Transaction | The Company policy states that all RPT transactions must obtain prior recommendation from the RPT Committee and this has been adhered to during the year |
| | 4) If a Director of the Listed Entity has a material personal interest in a matter being considered at a Board Meeting to approve a Related Party Transaction as required in Rule 9.14.4(3), such Director shall not : (a) Be present while the matter is being considered at the meeting ; and, (b) Vote on the matter | Complied The Minutes clearly records such exercise by the Directors |
| 9.14.5 | Review of Related Party Transactions by the related Party Transactions Review Committee | These have been identified in the scope of the Committee and is assessed prior to entering into any RPT transaction |
| 9.14.6 | Shareholder Approval | Has been identified in the scope of the Committee No such situation arose during the year |
| 9.14.7 | Disclosures | No such disclosures were made during the year |
| 9.14.8 | Disclosures in the Annual report | Refer in the Pages 243 to 244 |
| 9.14.9 | Acquisition and Disposal of Assets from/ to Related Party | Complied. Prior approval has been received from the RPT committee. The Company maintains a policy on acquisition and disposal of Assets |
| 9.14.10 | Excepted Related Party Transactions | Complied |
| 9.16 | Additional Disclosures | |
| | (1) Have declared all material interests in contracts involving in the Entity and whether they have refrained from voting on matters in which they were materially interested; | Annual Report of the Board of Directors Pages 228 to 234 |
| | (2) Have conducted a review of the internal controls covering financial, operational and compliance controls and risk management and have obtained reasonable assurance of their effectiveness and successful adherence therewith, and, if unable to make any of these declarations an explanation on why it is unable to do so; | Annual Report of the Board of Directors Pages 228 to 234 |

| Rule No. | Applicable Requirement | Extent of Compliance |
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| (3) | Made arrangements to make themselves aware of applicable laws, rules and regulations and are aware of changes particularly to Listing Rules and applicable capital market provisions; | Annual Report of the board of Directors on the affairs of the company – refer pages 228 to 234 Declarations have been obtained by the Board of Directors under Board Code of Conduct and ethics in compliance with laws and regulations |
| 4) | Disclosure of relevant areas of any material non-compliance with law or regulation and any fines, which are material, imposed by any government or regulatory authority in any jurisdiction where the Entity has operations | Directors' Statement on Internal Control over Financial Reporting given in pages 276 to 277. |
| 9.17 | Enforcement Procedure for Non-Compliance with Corporate Governance Requirements. | Not applicable, Company has complied with all corporate Governance requirements during the year under review |

1.11 APPENDIX II: COMPLIANCE WITH THE CODE OF BEST PRACTICE ON CORPORATE GOVERNANCE ISSUED BY THE INSTITUTE OF CHARTERED ACCOUNTANTS OF SRI LANKA IN 2023.

Requirements of the Code have been discussed in the Corporate Governance Report. We have provided here the relevant references to the report.

| Code Ref. | Requirement | Complied | Reference within the Report | Page |
|-------------|--|----------|-------------------------------------|-----------|
| A. | Directors | | | |
| A.1. | An effective Board should direct, lead and control the Company | | | |
| A.1.1 | Regular Board meetings, provide information to the Board on a structured and regular basis | ✓ | Meetings and Attendance | 187 |
| A.1.2 | Roles and Responsibilities of the Board | ✓ | Governance Framework | 178 |
| A.1.3 | Act in accordance with laws of the Country Seek Independent professional advice | ✓ | Corporate Governance | 162 - 188 |
| A.1.4 | Access to advise and services of the Company Secretary | ✓ | Company Secretary | 188 |
| A.1.5 | Independent judgment | ✓ | Board Composition | 179 |
| A.1.6 | Dedicate adequate time and effort to matters of the Board and the Company | ✓ | Meetings and Attendance | 187 |
| A.1.7 | Calls for resolutions by at least 1/3rd of Directors | ✓ | Did not arise during the year | |
| A.1.8 | Board induction and Training | ✓ | Corporate Governance | 188 |
| A.2 | Chairman and CEO | ✓ | Clear Roles and Responsibilities | 182 |
| A.3 | Chairman's role in preserving good corporate governance | ✓ | Clear Roles and Responsibilities | 182 |
| A.4 | Availability of financial acumen | ✓ | Board Composition/ Board Profile | 179 - 181 |
| A.5 | Board Balance | ✓ | Board Composition | 179 |
| A.5.1 | The Board should include sufficient number of NEDs | ✓ | Board Composition | 179 |
| A.5.2 | If the Board includes only 3 NEDs, they should be independent | N/A | | |
| A.5.3 | Independence of Directors | ✓ | Director Independence | 230 |
| A.5.4 | Annual declaration of independence by Directors | ✓ | Director Independence | 230 |
| A.5.5 | Annual determination of independence of NEDs | ✓ | Director Independence | 230 |
| A.5.6 | Alternate Directors | N/A | | |
| A.5.7 | Senior Independent Directors | ✓ | Senior Independent Directors Report | 236 |
| A.5.8 | SID Annual meeting with NEDs | | Met two times during the year | |

CORPORATE GOVERNANCE REPORT

| Code Ref. | Requirement | Complied | Reference within the Report | Page |
|-----------|---|----------|--|--------------------------------|
| A.5.9 | Meeting of Non Executive Directors | ✓ | All Directors are non Executive Directors and meet on Monthly basis | |
| A.5.10 | Recording of dissent in minutes | ✓ | Concerns of Directors has been duly recorded in the Board minutes | |
| A.6 | Supply of Information | ✓ | Supply of Information | 186 |
| A.7 | Appointments to the Board | ✓ | Board Refreshment | 33 & 180 |
| A.7.1 | Establishing a Nomination Committee, Chairman and Terms of Reference | ✓ | Nomination Committee Report | 245 - 246 |
| A.7.2 | Annual assessment of Board composition | ✓ | Board Refreshment/ Board Appraisal | 180 & 226 |
| A.7.3 | Succession plan for CEO/KMPs | ✓ | The Company is in the Process of formulating a succession plan for the CEO. Succession plan is in place for KMP's | |
| A.7.4 | Disclosures on appointment of new directors | ✓ | Annual Report of the Board of Directors on the Affairs of the Company | 228 - 234 |
| A.7.5 | Composition of Nomination Committee | ✓ | Refer Nomination & Governance Committee Report | 245 - 246 |
| A.8 | Directors to submit themselves for re-election/ re-appointment | ✓ | Annual Report of the Board of Directors on the Affairs of the Company | 228 - 234 |
| A.9 | Appraisal of Board and sub-Committee Performances | ✓ | Board and Sub-committee Appraisal | 188 |
| A.10 | Annual Report to disclose specified information regarding Directors | ✓ | » Board Profiles » Meetings and Attendance » Directorships in Other Companies » Membership in Sub-committees | 162 - 169 187 181 187 |
| A.11 | Appraisal of the CEO | ✓ | Annual Report of the Board of Directors on the Affairs of the Company | 228 - 234 |
| B. | Directors Remuneration | | | |
| B.1 | Establish process for developing policy on executive and director remuneration. | ✓ | Remuneration Policy There were no Executive Directors on the Board of the Company during the year 2023/24 and therefore, the necessity to apply this rule did not arise. | 240 - 242 |
| B.2 | Level and Make Up of Remuneration | ✓ | Responsible and Fair Remuneration | 240 - 242 |
| B.3 | » Disclosures related to remuneration in Annual Report. | ✓ | | |
| | » Remuneration Policy statement | ✓ | HR and Remuneration Committee | 240 - 242 |
| | » Aggregate Board remuneration paid | ✓ | Responsible and Fair Remuneration | 240 - 242 |
| C. | Relations with Shareholders | | | |
| C.1. | Constructive use of the AGM and Other General Meetings | ✓ | Constructive use of the Annual General Meeting (AGM) | 186 |
| C.2. | Communication with shareholders | ✓ | Board of Directors Communication Policy report | 234 |
| C.3 | Disclosure of major and material transactions | ✓ | During the year, there were no major or material transactions as defined by Section 185 of the Companies Act No. 07 of 2007 which materially affect the net asset base of Company. | 277 |
| D. | Accountability and Audit | | | |
| D. 1 | Present a balanced and understandable assessment of the Company's financial position, performance and prospects | ✓ | Independent Auditors Report | 279-281, 275 |
| D1.1 | Balanced Annual Report | ✓ | Independent Auditors Report | 279-281 |

| Code Ref. | Requirement | Complied | Reference within the Report | Page |
|-------------|---|----------|--|-----------|
| D.1.2 | Balanced and understandable communication | ✓ | Relations with Shareholders | 235 |
| D.1.3 | CEO/CFO declaration | ✓ | Chief Executive Officer's and Chief Financial Officer's Responsibility Statement | 278 |
| D.1.4 | Directors Report declarations | ✓ | Annual Report of the Board of Directors on the Affairs of the Group | 228 - 234 |
| D.1.5 | Financial reporting -statement on board responsibilities, | ✓ | Directors' Responsibility for Financial Reporting | 289 |
| | Statement on internal control | ✓ | Directors' Statement on Internal Control | 276 - 277 |
| D.1.6 | Management Discussion and Analysis | ✓ | Capital reports | 11 |
| D.1.7 | Net Assets < 50% | ✓ | In the unlikely event of the net assets of the Group falling below 50% of Shareholders Funds the Board will summon an Extraordinary General Meeting (EGM) to notify the shareholders of the position and to explain the remedial action being taken. | |
| D.1.8 | Related Party Transactions | ✓ | Directors' Interest in Contracts with the Group | 231 |
| D.2. | Risk Management and Internal control | ✓ | » Risk Management and Internal control | 256-269 |
| | Process of risk management and a sound system of internal control to safeguard shareholders' investments and the Company's assets | | » Report of the Audit Committee | 237-239 |
| | | | » Directors' Statement of Internal Control | 276 - 277 |
| | | | » Risk Review | 256-269 |
| D.3. | Audit Committee | ✓ | Audit Committee Report | 237-239 |
| D.4 | Risk Management Committee | ✓ | Board Risk Management Committee Report | 247-250 |
| D.5 | Related Party Transactions Review Committee | ✓ | Related Party Transactions Review Committee report | 243 -244 |
| D.6 | Code of Business Conduct and Ethics | ✓ | Code of Conduct and Ethics | 184 |
| D.7 | Corporate Governance Disclosures | ✓ | Corporate Governance Report | 177 - 188 |
| E/F. | Institutional and other investors | | | |
| | Institutional and other investors, | ✓ | Relations with Shareholders | 235 |
| G. | Internet of Things and Cyber security | ✓ | Information Technology and Cyber Security | 249 |
| H. | Principles of Sustainability Reporting | ✓ | Delivering stakeholder value | 62-66 |
| I. | Maintenance of Policies | ✓ | Corporate Governance Report | 177 - 188 |

CORPORATE GOVERNANCE REPORT



THE FINANCE BUSINESS ACT DIRECTIONS NO.05 OF 2021 ON CORPORATE GOVERNANCE ISSUED BY THE CENTRAL BANK OF SRI LANKA FOR LICENSED FINANCE COMPANIES.

| Section | Corporate Governance Principle | Status of Compliance |
|------------|---|---|
| 1. | BOARD'S OVERALL RESPONSIBILITIES | |
| 1.1 | The Board shall assume overall responsibility and accountability for the operations of the Finance Company (FC), by setting up the strategic direction, governance framework, establishing corporate culture and ensuring compliance with regulatory requirements. The Board shall carry out the functions listed in Direction 1.2 to 1.7 below, but not limited to, in effectively discharging its responsibilities. | <p>The Board takes an active role in defining the Company's strategic objectives, ensuring alignment with its Mission and Vision. These objectives are articulated in the corporate Vision and Mission statements, while the Code of Business Conduct and Ethics communicates the embedded corporate values to employees at every level</p> <p>In terms of the Code of Business Conduct, values such as transparency, quality and integrity have been absorbed by the Company in its operational and administrative environment and preserves such integrity in accordance with policies approved by the Board.</p> <p>Although the Board has entrusted the execution of established goals and objectives to the Company's Management, it maintains vigilant oversight and continual evaluation of the Company's performance in comparison to set targets. This proactive approach enables the Board to promptly identify and address any setbacks.</p> |
| 1.2 | Business Strategy and Governance Framework | |
| 1.2. a | Approving and overseeing the implementation of the FC's overall business strategy with measurable goals for next three years and update it annually in view of the developments in the business environment. | The Board endorsed the five-year business strategy (Corporate Strategic Plan) spanning from 2021 to 2026 in March 2021. It consistently conducts reviews of both the strategy itself and its execution. Additionally, the Board approves and conducts monthly monitoring of the performance against the Annual budget, which is derived from the aforementioned business strategy. |
| 1.2. b | Approving and implementing the Company's governance framework in light of the Company's size, complexity, business strategy, and regulatory requirements. | The company's governance framework is based on regulatory, statutory and structural directions. The company has created a framework that incorporates the regulations of CBSL, CSE, Companies Act, Finance Business Act No. 42 of 2011 and Finance Leasing Act No. 56 of 2000. |
| 1.2. c | Assessing the effectiveness of its governance framework periodically. | The Policies, proceedings, TOR's of the sub committees and the management committees are reviewed annually or as when necessary by the respective sub Committee or the Management committee and the changes are brought to the notice of the Board. |
| 1.2. d | Appointing the Chairman and the Chief Executive Officer and define the roles and responsibilities. | <p>The Board has appointed the Chairman and the Chief Executive Officer. Their roles are distinctive and have been defined in the Corporate Governance Charter of the Company.</p> <p>The posts of the Chairman and the Chief Executive Officer (CEO) of the Company are separate ensuring the balance of power and authority.</p> |
| 1.3 | Corporate Culture and Values | |
| 1.3. a | Ensuring that there is a sound corporate culture within the Company, which reinforces ethical, prudent, and professional behaviour. | <p>The Company places a high value on fostering a strong Human Resources culture and has implemented a comprehensive people management strategy based on leadership and management principles. This strategy ensures that organisational cultural values are deeply embedded at all levels. Moreover, the Board of Directors has endorsed a Code of Conduct applicable to all employees, while a distinct Board Code of Conduct and ethics governs the conduct of the Board members.</p> <p>The Code of Conduct is used to translate general values into concrete policies and guidance, thereby shaping the behaviour of individuals within the organisation. The Company's recognition of the importance of acting with integrity is a key aspect highlighted in the Code of Conduct.</p> <p>The Board Code of Conduct delineates the conduct principles incumbent upon its Board Members, mandating their abstention from leveraging their positions for personal gain or the advantage of acquaintances, family, or associates. Rather, they are enjoined to base their decisions on the paramount interests of the organisation and its stakeholders.</p> <p>Directors are obligated to endorse a Declaration of Consent, affirming their commitment to operating within the realms of Good Governance and adhering to socially and environmentally responsible business ethics.</p> |

| Section | Corporate Governance Principle | Status of Compliance |
|------------|---|--|
| 1.3. b | Playing a lead role in establishing the Company's corporate culture and values, including developing a code of conduct and managing conflicts of interest. | The Code of Conduct has been approved by the Board of Directors and is available to all employees, including the Board of Directors. This Code focuses on several key areas, including fair treatment, asset safeguarding and appropriate utilisation, accurate record-keeping and reporting, addressing concerns about accounting and financial reporting, reporting instances of illegal or unethical behaviour, preventing discrimination and harassment, ensuring health and safety, and enforcing disciplinary measures, among others. |
| 1.3. c | Promoting sustainable finance through appropriate environmental, social and governance considerations in the FC's business strategies. | Sustainable development goals are included in the Board approved Strategic plan 2021 – 2026 Company has formed a new Sustainable Finance Unit |
| 1.3. d | Approving the policy of communication with all stakeholders, including depositors, shareholders, borrowers, and other creditors, in the view of projecting a balanced view of the Company's performance, position and prospects with the public and regulators. | The Board of Directors is dedicated to maintaining effective communication channels with shareholders and other stakeholders, and it values the inputs and insights of all such parties, including lenders, creditors, shareholders, borrowers, and other interested parties. The corporate Communication policy has been recently revised and improved in accordance with Section 09 of the Colombo Stock Exchange Corporate Governance rules, |
| 1.4 | <i>Risk Appetite, Risk Management, and Internal Controls</i> | |
| 1.4. a | Establishing and reviewing the Risk Appetite Statement (RAS) in line with Company's business strategy and governance framework. | The Board approved Risk Appetite Statement (RAS) is in place which is in line with Company's business strategy and governance framework. |
| 1.4. b | Ensuring the implementation of appropriate systems and controls to identify, mitigate and manage risks prudently. | Risk indicators and monitoring pertaining to Credit Risk, Market Risk, Operational Risks, and other residual risks are discussed and appropriate mitigating actions are recommended at the BIRMC meeting. |
| 1.4. c | Adopting and reviewing the adequacy and the effectiveness of the Company's internal control systems and management information systems periodically. | The Board has the overall responsibility for ensuring that the Company maintains an adequate level of internal control and for reviewing its effectiveness. The Board Audit Committee and BIRMC on behalf of the Board undertakes the detailed monitoring and reviewing of the internal controls and reports to the Board on its findings regularly. The Management Information Systems (MIS) are reviewed by the Board for accuracy and integrity of the same through review of MIS Procedure Manual Outline/ Guideline of the Company. |
| 1.4. d | Approving and overseeing Business Continuity and Disaster Recovery Plan for the Company to ensure stability, financial strength, and preserve critical operations and services under unforeseen circumstances. | Board approved comprehensive Business Continuity and Disaster Recovery Plan (BCP) is in place. BCP is being reviewed by the BIRMC and the current status is updated at meetings. |
| 1.5 | <i>Board Commitment and Competency</i> | |
| 1.5. a | All members of the Board shall devote sufficient time to dealing with the matters relating to the affairs of the Company. | The Board of Directors' positions on issues are determined, and a record of such deliberations is kept in the minutes. Furthermore, the Board has complete control over the Company's affairs and is aware of its obligations to all shareholders and other stakeholders. |
| 1.5. b | All members of the Board shall possess the necessary qualifications, adequate skills, knowledge, and experience. | The Board comprises solely of Non-Executive Directors who possess both academic and professional qualifications in diverse fields. Their mix of skills and business experience is a major contribution to the proper functioning of the Board and its committees. Four Directors are determined as independent in terms of the Direction. |

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| Section | Corporate Governance Principle | Status of Compliance |
|------------|---|--|
| 1.5. c | The Board shall regularly review and agree on the training and development needs of all the members. | <p>Market experts and professional services are occasionally enlisted to share new information. The Company Secretary communicates any relevant training programs to the Board for participation.</p> <p>Directors are encouraged to actively engage in programs, sessions, and seminars specifically designed to enhance their subject knowledge. This opportunity allows them to deepen their understanding and proficiency in their roles.</p> |
| 1.5. d | The Board shall adopt a scheme of self-assessment to be undertaken by each director annually on individual performance, of its Boards as a whole and that of its committees and maintain records of such assessments. | <p>The Board has adopted a scheme of self-assessment to be undertaken by each Director annually, the procedure of which is set out in the Corporate Governance Charter of the Company. In accordance therewith, the Board carried out a comprehensive evaluation of its performance and its committees in March 2024. Each member of the Board carried out a self-assessment of his effectiveness as well as the Board Committees.</p> <p>The full results of the Board evaluations were analysed by the Company Secretary and the findings were presented to the Board in May 2024.</p> |
| 1.5. e | The Board shall resolve to obtain external, independent, professional advice to the Board to discharge duties to the FC. | The Corporate Governance Charter provides for the Directors to seek the advice of the Company Secretary and other professional independent advice on matters related to the exercise of their duties and responsibilities, at the expense of the Company. The Board collectively has sought the advice of external professionals to assist in carrying out their responsibilities during the financial year 2023/24. |
| 1.6 | Oversight of Senior Management | |
| 1.6. a | Identifying and designating senior management, who are in a position to significantly influence policy, direct activities, and exercise control over business operations and risk management. | In line with the Central Bank of Sri Lanka (CBSL) direction on Corporate Governance, the Board of Directors and all Heads of Departments have been identified as Key Responsible Persons (KRPs). |
| 1.6. b | Defining the areas of authority and key responsibilities for the senior management. | <p>The Board Approved key functions/ responsibilities of the KRPs and Senior management have been defined and approved by the Board and included in their respective job descriptions and KPIs.</p> <p>The respective delegated authority limits of the Chief Executive Officer/ Acting Chief Executive Officer and the Corporate Management have also been defined by the Board.</p> |
| 1.6. c | Ensuring the senior management possesses the necessary qualifications, skills, experience, and knowledge to achieve the FC's strategic objectives. | <p>The job description (JD) approved by the Board of Directors includes the key responsibilities, skills, qualifications, and competencies required of the specific position.</p> <p>During the recruitment process, the Company's expected set of skills and competencies is determined. A candidate is evaluated and verified during the interview process in accordance with the recruitment policy. Their experience and qualifications are validated through an affidavit and declaration submitted to the CBSL.</p> <p>During the on boarding process, physical documents/confirmations are also verified and obtained from candidates.</p> <p>KRPs and Senior management will go through the HR & Nomination Committee approval and fit & proper assessment of CBSL</p> |
| 1.6. d | Ensuring there is appropriate oversight of the affairs of the Company by senior management. | <p>To safeguard better governance practices, the affairs of the Company are reviewed and monitored by the respective Management Committees, Board sub Committees and the Board of Directors.</p> <p>To ensure better management, development, and effective performance of the Company, KRPs make regular presentations to the Board on matters under their purview.</p> |
| 1.6. e | Ensuring the FC has an appropriate succession plan for senior management. | <p>The Board approved succession plan is in place for all the KRPs. Further identification of a talent pool based on the existing succession Plan and the Company's future needs is in place. Identified 2nd and 3rd Tiers which are redesigned into the succession Plan on a need basis.</p> <p>The company is revisiting its existing talent pool strategy and has identified the next layers of management. It has initiated a program to groom these future leaders through targeted training and coaching.</p> |

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| 1.6. f | Meeting regularly with the senior management to review policies, establish lines of communication and monitor progress towards strategic objectives. | The Board maintains a sound relationship with the Corporate Management Team/Senior Management led by the CEO, who in turn assists the Board to formulate policies, strategies, processes and Practices in achieving corporate objectives. The Management is open and transparent with the Board, bringing all significant matters to its attention. Furthermore, where relevant, the KRPs are invited to participate in Board and Board Sub Committee meetings to review policies, establish lines of communication and monitor progress towards corporate objectives. Further the Chairman/Board Members meet the KRPs at Senior Management Meetings or Strategy Meetings. |
| 1.7 | Adherence to the Existing Legal Framework | |
| 1.7. a | Ensuring that the FC does not act in a manner that is detrimental or prejudicial to the interests of, and obligations to, depositors, shareholders and other stakeholders. | The FC operates within an approved legal framework encompassing both internal and regulatory directions. This ensures that the FC Framework is directed in carrying out its operations in the best interest of the shareholders, depositors and other stakeholders. |
| 1.7. b | Adherence to the regulatory environment and ensuring compliance with relevant laws, regulations, directions and ethical standards. | The Board is well versed with the Group's values, business, operations, financial affairs, governance framework and strategic position of the Company. Regular updates on changes to relevant legislations, regulations and corporate governance as well as sector developments that could affect the Group and its operations covering a wide spectrum of topics including economic, social and environmental aspects are provided to the Board Committees at each meeting and as appropriate, to the full Board. A Summary of the contents of the regulatory requirements and relevant ratios are submitted to the Board on a regular basis for their awareness of the Company's standing with regard to adherence to the regulatory environment. |
| 1.7. c | Acting with due care and prudence, and with integrity and be aware of potential civil and criminal liabilities that may arise from their failure to discharge the duties diligently. | The Company has obtained a Directors and Officers' Liability insurance cover from a reputed insurance Company in Sri Lanka providing worldwide cover to indemnify all past, present and future liability towards the Directors and Officers of the Company. |
| 2. | GOVERNANCE FRAMEWORK | |
| 2.1 | Board shall develop and implement a governance framework in line with these directions and including but not limited to the following. a) role and responsibilities of the Board b) matters assigned for the Board. c) delegation of authority. d) composition of the Board. e) the Board's independence. f) the nomination, election and appointment of directors and appointment of senior management. g) the management of conflicts of interests h) access to information and obtaining independent advice. i) capacity building of Board members, j) the Board's performance evaluation. k) role and responsibilities of the chairperson and the CEO. l) role of the Company secretary, m) Board sub committees and their role; and n) limits on related party transactions. | A Board approved Governance Framework is in place. This is further elaborated and highlighted in the Corporate Governance Report (refer pages 177 to 188) |

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| 3. | COMPOSITION OF THE BOARD | |
| 3.1 | The Board's composition shall ensure a balance of skills and experience as may be deemed appropriate and desirable for the requirements of the size, complexity and risk profile of the Company. | <p>All members of the Board possess vast experience, qualifications, adequate skills, and knowledge in the relevant fields.</p> <p>The Board Nomination & Governance Committee recommends appointments to the Board based on need, expertise on subject matter, skills and experience. The Committee ensures balance in composition in line with the entity's risk profile and size.</p> <p>Profiles of directors appear on pages 162 to 169.</p> |
| 3.2 | The number of directors on the Board shall not be less than 7 and not more than 13. | <p>As at 31st March 2024, the Board comprised of 11 directors which is within the statutory requirement.</p> <p>All Board members were Non Executive directors independent of any operational involvement in the affairs of the Company. 04 Directors were determined to be Independent.</p> |
| 3.3 | The total period of service of a director other than a director who holds the position of Chief Executive Officer/Executive Director shall not exceed nine years, subject to direction 3.4. | <p>The period of service of all Directors of the year 2023/24 was below nine years.</p> <p>Please refer Directors' Profiles on pages 162 to 169.</p> |
| 3.4 | Non-Executive directors, who directly or indirectly hold more than 10% of the voting rights or who are appointed to represent a shareholder who directly or indirectly holds more than 10% of the voting rights by producing sufficient evidence are eligible to hold office exceeding 9 years of service with prior approval of Director, Department of Supervision of Non-Bank Financial Institutions subject to provisions contained in direction 4.2 and 4.3. Provided, however, the number of non-executive directors eligible to exceed 9 years is limited to one-fourth (¼) of the total number of directors on the Board. | None of the Non-Executive directors of the Company have exceeded nine years of service as at 31st March 2024. |
| 3.5 | Executive Directors | |
| 3.5. a | Only an employee of a Company shall be nominated, elected, and appointed, as an Executive Director of the Company, provided that the number of Executive Directors shall not exceed one-third (1/3) of the total number of directors of the Board. | The Company Does not have any Executive Directors. |
| 3.5. b | A shareholder, who directly or indirectly holds more than 10% of the voting rights of the FC, shall not be appointed as an executive director or as senior management. Provided however, existing executive directors with a contract of employment and functional reporting line and existing senior management are allowed to continue as an executive director/senior management until the retirement age of the FC and may be reappointed as a non-executive director subject to provisions contained in directions 4.2 and 4.3. Existing executive directors without a contract of employment and functional reporting line need to step down from the position of executive director from the effective date of this direction and may be reappointed as non-executive directors subject to provisions contained in directions 4.2 and 4.3. | No such circumstance transpired. |
| 3.5. c | In the event of the presence of the Executive Directors, CEO shall be one of the Executive Directors and may be designated as the Managing Director of the Company. | The Company Does not have any Executive Directors. |
| 3.5. d | All Executive Directors shall have a functional reporting line in the organisation structure of the Company. | |
| 3.5. e | The Executive Directors are required to report to the Board through the CEO. | |
| 3.5. f | Executive directors shall refrain from holding executive directorships or senior management positions in any other entity. | |

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| 3.6 | Non-Executive Directors | |
| 3.6. a | Non-Executive directors (NED) shall possess credible track records and have the necessary skills, competency, and experience to bring independent judgement on the issues of strategy, performance, resources, and standards of business conduct. | The Non-Executive Directors of the Company possess vast experience and skills in the relevant fields. |
| 3.6. b | A Non-Executive Director cannot be appointed or function as the CEO/Executive Director of the Company. | Complied No Non-Executive Director has been appointed or functioned as MD/ CEO or Executive Director of the Company. |
| 3.7 | Independent Directors | |
| 3.7. a | The number of Independent Directors of the Board shall be at least three or one-third of the total number of directors, whichever is higher. | The Board comprised of four Independent Non- Executive Directors as at 31st March 2024. The composition of the Board of Directors is published on page 179 of the Annual Report. |
| 3.7. b | Independent Directors appointed shall be of the highest calibre, with professional qualifications, proven track records, and sufficient experience. | All Independent Non-Executive Directors of the Company are of the highest caliber with professional qualifications, a proven track records, and sufficient experience in the given fields. A brief profile of their expertise and experience is given on pages 162 to 169. |
| 3.7. c | A Non-Executive Director shall not be considered independent if such: | |
| 3.7. c.i | Director has a direct or indirect shareholding exceeding 5% of the voting rights of the Company or exceeding 10% of the voting rights of any other Company. | Complied |
| 3.7. c.ii | Director or a relative has or had during the period of one year immediately preceding the appointment as director, material business transaction with the FC, as described in direction 12.1(c) hereof, aggregate value outstanding of which at any particular time exceeds 10% of the stated capital of the FC as shown in its last audited statement of financial position. | Complied |
| 3.7. c.iii | Director has been employed by the Company or its affiliates or is or has been a director of any of its affiliates during the one year, immediately preceding the appointment as director. | Complied |
| 3.7. c.iv | Director has been an advisor or consultant or principal consultant/advisor in the case of a firm providing consultancy to the Company or its affiliates during the one year preceding the appointment as director. | Complied |
| 3.7. c.v | Director has a relative, who is a director or senior management of the Company or has been a director or senior management of the Company during the one year, immediately preceding the appointment as director or holds shares exceeding 10% of the voting rights of the Company or exceeding 20% of the voting rights of another Company. | Complied |
| 3.7. c.vi | Director represents a shareholder, debtor, or such other similar stakeholder of the FC; | Complied |
| 3.7. c.vii | Director is an employee or a director or has a direct or indirect shareholding of 10% or more of the stated capital in a Company or business organisation, in which any of the other directors of the FC is employed or a director; | Complied |

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| 3.7. c.viii | Director is an employee or a director or has a direct or indirect shareholding of 10% or more of the voting rights in a Company, which has a transaction with the Company as defined in direction 12.1(c), or in which any of the other directors of the Company has a transaction as defined in direction 12.1(c), aggregate value outstanding of which at any particular time exceeds 10% of the stated capital as shown in its last audited statement of financial position of the FC. | Complied |
| 3.7. d. | The nomination committee and Board should determine whether there is any circumstance or relationship, which is not listed in direction 3.7, which might impact a director's independence or the perception of the independence. | Complied |
| 3.7. e. | An Independent Director shall immediately disclose to the Board any change in circumstances that may affect the status as an Independent Director. In such a case, the Board shall review such director's designation as an Independent Director and notify the Director/DSNBFI in writing of its decision to affirm or change the designation. | Declarations have been obtained from the Directors regarding the status of their independence / non-independence against the specified criteria, and copies of the same are under the custody of the Company Secretary for review. |
| 3.8 | Alternate Directors | There were no Alternate Director appointments. |
| 3.9 | Cooling off Periods | Did not arise during the year. |
| 3.10 | Common Directorships | |
| 3.10 | Director or senior management of a Company shall not be nominated, elected, or appointed as a director of another Company except where such Company is a parent Company, subsidiary Company, or an associate Company or has a joint arrangement with the first mentioned FC subject to conditions stipulated in Direction 3.5(f). | Complied Board Members/ Senior Management only holds directorship in our subsidiary companies |
| 3.11 | The Board shall determine the appropriate limits for directorships that can be held by directors. However, a director of a Finance Company shall not hold office as a director or any other equivalent position (shall include alternate directors) in more than 20 companies/societies/ bodies, including subsidiaries and associates of the FC. | As per declarations given by the directors for the year 2023/24, none of the directors holds office as a director of more than 20 Companies. |
| 4. | ASSESSMENT OF FIT AND PROPER CRITERIA | |
| 4.1 | No person shall be nominated, elected, or appointed as a director of the Company or continue as a director of such Company unless that person is a fit and proper person to hold office as a director of such Company in accordance with the Finance Business Act (Assessment of Fitness and Propriety of Key Responsible Persons) Direction or as amended. | The Board Corporate Governance Charter and the policy for Selection, Appointment, Nomination, re-election and continuation of the Board of Directors outline the procedure for selection and appointment of Board Directors of the Company Upon the nominees being found to be 'fit and proper' for appointment as Directors of the Company, approval of the Director of Department of Supervision of Non-Bank Financial Institutions of the Central Bank of Sri Lanka is obtained for the same. There were six (6) new appointments made during the year. |
| 4.2 | A person over the age of 70 years shall not serve as a director of an FC. | None of the Directors of the Company are above the age of 70 years. |
| 4.3 | Notwithstanding provisions contained in 4.2 above, a director who is already holding office at the effective date of this direction and who attains the age of 70 years on or before 31.03.2025, is permitted to continue in office as a director, exceeding 70 years of age up to a maximum of 75 years of age subject to the following: | Not applicable |

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| 4.3. a | Assessment by the Director/Department of Supervision of Non-Bank Financial Institutions on the fitness and propriety based on the criteria specified in the Finance Business Act (Assessment of Fitness and Propriety of Key Responsible Persons) Direction. | Not Applicable |
| 4.3. b | Prior approval of the Monetary Board based on the assessment of the Director/Department of Supervision of Non-Bank Financial Institutions in 4.3(a). | Not Applicable |
| 4.3. c | The maximum number of directors exceeding 70 years of age is limited to one-fifth (1/5) of the total number of directors. | Not Applicable |
| 4.3. d | The director concerned shall have completed a minimum period of 3 continuous years in office, as at the date of the first approval. | Not Applicable |
| 5. | APPOINTMENT AND RESIGNATION OF DIRECTORS AND SENIOR MANAGEMENT | |
| 5.1 | The appointments, resignations, or removals shall be made in accordance with the provisions of the Finance Business Act (Assessment of Fitness and Propriety of Key Responsible Persons) Direction. | The Company conforms to the provisions of Finance Business Act Direction No. 5 of 2021 on Assessment of Fitness and Propriety of Key Responsible Persons for appointments, resignations, or removals. |
| 6. | THE CHAIR AND THE CHIEF EXECUTIVE OFFICER | |
| 6.1 | There shall be a clear division of responsibilities between the Chairperson and CEO and the responsibilities of each person shall be set out in writing. | The roles of the Chairman and the CEO are separated and not performed by the same individual. |
| 6.2 | The Chairperson shall be an Independent Director, subject to 6.3 below. | In light of present Chairman Mr. M. P. Amirthanayagam's re-designation as the Non-Independent, Non-Executive Director, upon assuming roles within the company's subsidiaries, Mr. Y. Kanagasabai currently serves as the Senior Independent Director of the Company. |
| 6.3 | In the case where the Chairperson is not independent, the Board shall appoint one of the Independent Directors as a Senior Director, with suitably documented Terms of Reference to ensure a greater independent element. The Senior Director will Serve as the intermediary for other directors and shareholders. Non-Executive Directors including Senior Directors shall assess the Chairperson's Performance at least annually. | This appointment aims to uphold a heightened level of independence within the board, with the Senior Director acting as a conduit between fellow directors and shareholders. For the financial year 2023/24, the performance evaluation of the Chairperson has been conducted by both the Senior Independent Director and the Non-Executive Directors. |
| 6.4 | Responsibilities of the Chairperson | |
| 6.4. a | Provide leadership to the Board | The Corporate Governance Charter of the Company sets out the responsibilities of the Chairman which includes leading the Board and ensuring its effective functioning |
| 6.4. b | Maintain and ensure a balance of power between the Executive and Non-Executive Directors; | |
| 6.4. c | Secure effective participation of both Executive and Non-Executive Directors. | |
| 6.4. d | Ensure the Board works effectively and discharges its responsibilities | |
| 6.4. e | Ensure all key issues are discussed by the Board in a timely manner | |
| 6.4. f | Implement decisions/directions of the regulator. | |
| 6.4. g | Prepare the agenda for each Board Meeting and may delegate the function of preparing the agenda and to maintaining minutes in an orderly manner to the Company Secretary. | Company Secretary prepares the agenda in consultation with the Chairman, as this function has been delegated to the Company Secretary by the Chairman |
| 6.4. h | Not engage in activities involving direct supervision of senior management or any other day-to-day operational activities. | |
| 6.4. i | Ensure appropriate steps are taken to maintain effective communication with shareholders and that the views of shareholders are communicated to the Board. | The Board approved communication policy is in place for communication with all stakeholders including depositors, creditors, shareholders, and borrowers. |

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| 6.4. j | Annual assessment of the performance and the contribution during the past 12 months of the Board and the CEO. | Chairman Evaluates the performance of its board members and CEO. |
| 6.5 | Responsibilities of the CEO/GM The CEO shall function as the apex executive in charge of the day-to-day management of the FC's operations and business. The responsibilities of the CEO shall include | |
| 6.5. a | Implementing business and risk strategies in order to achieve the FCs strategic objectives; | The CEO, the apex Executive of the Company, is delegated by the Board with the authority of detailed planning and implementation of the strategic objectives and policies of the Company and day-to-day operations of the Company in accordance with appropriate risk parameters. |
| 6.5. b | Establishing a management structure that promotes accountability, and transparency throughout the FC's operations, and preserves the effectiveness and independence of control functions; | The role of the CEO/GM is detailed in the Corporate Governance Charter of the Company. |
| 6.5. c | Promoting, together with the Board, a sound corporate culture within the FC which reinforces ethical, prudent, and professional behaviour. | Furthermore, the CEO's responsibilities to the Company are determined by the Nomination & Governance Committee and the Board-approved Job Description. |
| 6.5. d | Ensuring the implementation of a proper compliance culture and being accountable for accurate submission of information to the regulator. | |
| 6.5. e | Strengthening the regulatory and supervisory compliance framework. | |
| 6.5. f | Addressing the supervisory concerns and non-compliance with regulatory requirements or internal policies in a timely and appropriate manner. | |
| 6.5. g | CEO must devote the whole of the professional time to the service of the FC and shall not carry on any other business, except as a non-executive director of another Company, subject to Direction 3.10. | |
| 7. | MEETINGS OF THE BOARD | |
| 7.1 | The Board shall meet at least twelve times a financial year at approximately monthly intervals. Obtaining the Board's consent through the circulation of papers to be avoided as much as possible. | Board meetings are usually held at monthly intervals unless the business exigencies demand the convening of meetings at shorter intervals. The Board met 16 times for the financial year 2023/24 and obtaining the Board's consent via circulation was kept to a minimum of 35 Instances. |
| 7.2 | The Board shall ensure that arrangements are in place to enable matters and proposals by all directors of the board are to be represented in the agenda for scheduled Board Meetings. | All Directors are provided an equal opportunity to include proposals for promotion of business and management of risk in the agenda for regular meetings. The procedure applicable to this is set out in the Company's Corporate Governance Charter. |
| 7.3 | A notice of at least 3 days shall be given for a scheduled Board Meeting. For all other Board meetings, reasonable notice shall be given. | The dates of the Board meetings are agreed upon by the members in advance and is included in the Annual Meeting Schedule which is circulated to the Members before the end of the previous Financial year Formal Notice of Meetings, Agenda and Board Papers for the Meetings are sent generally seven (7) days before the Meeting, giving members sufficient time to attend the Meeting and study the documents. Urgent Board Papers are included on an exceptional basis, with the consent from the Chairman. Reasonable notice is given of any other special Board meeting. |
| 7.4 | A director shall devote sufficient time to prepare and attend Board meetings and actively contribute by providing views and suggestions. | The views of the Board of Directors on issues under consideration are ascertained and a record of such deliberations are reflected in the minutes. |
| 7.5 | A meeting of the Board shall not be duly constituted, although the number of directors required to constitute the quorum at such meeting is present unless at least one-fourth of the number of directors that constitute the quorum at such meeting are independent directors. | In 2023/24, no such incidents occurred. |

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| 7.6 | The Chairperson shall hold meetings with the Non-Executive Directors only, without the Executive Directors being present, as necessary, and at least twice a year. | Complied The Company does not have Executive Directors |
| 7.7 | A director shall abstain from voting on any Board resolution in relation to a matter in which he/she or any of his relatives or a concern, in which he has a substantial interest, is interested, and he/she shall not be counted in the quorum for the relevant agenda item in the Board meeting. | In terms of the Company's Article 26, there is a requirement in place for the Directors to declare the nature of their interest. Directors' interests (if any) are disclosed to the Board and any Director who has a particular interest in matters set before the Board abstains from participating and voting. Further, there is a Board approved policy on Conflict of Interest in place for directors. |
| 7.8 | A director, who has not attended at least two-thirds of the meetings in the period of 12 months, immediately preceding or has not attended three consecutive meetings held, shall cease to be a director. Provided that participation at the directors' meetings through an alternate director shall be acceptable as attendance. | No such incident occurred during the year |
| 7.9 | Scheduled Board Meetings and Ad Hoc Board Meetings For the scheduled meetings, participation in person is encouraged and for ad hoc meetings where the director cannot attend on short notice, participation through electronic means is acceptable. | Please refer 'Directors' Attendance and Committee Memberships' table given on page 187 of the Annual Report. Further, participation in person or through electronic media is clearly recorded in the minutes. |
| 8. | COMPANY SECRETARY | |
| 8.1. a. | The Board shall appoint a Company Secretary considered to be senior management whose primary responsibilities shall be to handle the secretarial services to the Board and of shareholder meetings and to carry out other functions specified in the statutes and other regulations. | A Chartered Secretary with adequate experience has been appointed by the Board as the Company Secretary. The Company Secretary advises the Board and ensures that matters concerning the Companies Act, Board procedures and other applicable rules and regulations are followed. |
| 8.1.b. | The Board shall appoint its Company Secretary, subject to the transitional provision stated in 19.2 below, a person who possesses such qualifications as may be prescribed for a secretary of a Company under section 222 of the Companies Act, No. 07 of 2007, on being appointed the Company Secretary, such person shall become an employee of the Company and shall not become an employee of any other institution. | Company complied with the requirement |
| 8.2 | All directors shall have access to the advise and services of the Company Secretary with a view to ensuring the Board procedures laws, directions, rules, and regulations are followed. | As provided for by the Corporate Governance Charter of the Company, all Directors have access to the Company Secretary who is a Chartered Secretary by profession. |
| 8.3 | The Company Secretary shall be responsible for preparing the agenda in the event the Chairperson has delegated carrying out such function. | Company Secretary is responsible for the preparation of the agenda, in consultation with the Chairman. |
| 8.4 | The Company Secretary shall maintain minutes of the Board meetings with all submissions to the Board and/or voice recordings/video recordings for a minimum period of 6 years. | The Company Secretary maintains the minutes of Board meetings with sufficient details and the same is available for inspection by any Director in accordance with the procedure laid down in the Corporate Governance Charter of the Company. Minutes of the Board meetings with all submissions to the Board are maintained for a minimum period of 10 years. |
| 8.5 | The Company Secretary is responsible for maintaining minutes in an orderly manner and shall follow the proper procedure laid down in the Articles of Association of the FC. | |
| 8.6 | Minutes of the Board meetings shall be recorded in sufficient detail so that it is possible to ascertain whether the Board acted with due care and prudence in performing its duties. The minutes of a Board meeting shall clearly include the following: | The Company Secretary records the proceedings of the meetings and the decisions taken there at in sufficient detail so as to satisfy all the requirements specified in this rule. |

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| | (a) a summary of data and information used by the Board in its deliberations; | |
| | (b) the matters considered by the Board; | |
| | (c) fact-finding discussions and the issues of contention or dissent including contribution of each individual director. | |
| | (d) the explanations and confirmations of relevant parties which indicate compliance with the Board's strategies and policies and adherence to relevant laws and regulations; directions. | |
| | (e) the Board's knowledge and understanding of the risks to which the Company is exposed and an overview of the risk management measures adopted; | |
| | (f) the decisions and Board resolutions. | |
| 8.7 | The minutes shall be open for inspection at any reasonable time, on reasonable notice by any director. | Minutes are available for the inspection of the Directors. A Board approved procedure is laid down in the Corporate Governance Charter for inspection of the minutes. |
| 9. | DELEGATION OF FUNCTIONS BY THE BOARD | |
| 9.1 | The Board shall approve a DA and give clear directions to the senior management, as to the matters that shall be approved by the Board before decisions are made by senior management, on behalf of the FC. | In terms of Article 29 (2) of the Articles of Association of the Company, the Board is empowered to delegate to a committee of Directors or to any person it deems fit, any of the powers vested in the Board which are permissible for delegation in terms of the applicable law. Accordingly, the Board has delegated authority to the Board Sub Committees and the Management Committees with clearly defined mandates and authorities, while preserving its accountability. The DA limites are desiminated among the hierarchy levels in Management. The Policies & Procedures applicable to DA limits are available in the Corporate Intranet. |
| 9.2 | In the absence of any of the sub-committees mentioned in Direction 10 below, the Board shall ensure the functions stipulated under such | Five Regulatory mandated Board sub-committees are in operation. In addition two voluntary Board sub Committees are in place for better governance and practices. Please refer pages 237 to 254 |
| 9.3 | The Board may establish appropriate senior management level sub-committees with appropriate DA to assist in Board decisions. | Complied Senior management level sub-committees were formed, and their recommendations were sent to the board sub-committees. |
| 9.4 | The Board shall not delegate any matters to a Board Sub-committee, Executive Directors, or Senior Management, to an extent that such delegation would significantly hinder or reduce the ability of the Board as a whole to discharge its functions. | The Board's capacity to perform its duties has not been impacted by its delegation of authority. |
| 9.5 | The Board shall review the delegation processes in place on a periodic basis to ensure that they remain relevant to the needs of the Company. | The delegation of authority framework is reviewed periodically by the Board to ensure that the limits remain appropriate, taking into account the size of the entity and its specific operational context |

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| 10. | BOARD SUB-COMMITTEES | |
| | <p>Board Sub-Committees</p> <p>FCs with asset base of more than Rs. 20 bn Shall establish a Board Audit Committee (BAC), Board Integrated Risk Management Committee (BIRMC), Nomination Committee, Human Resource and Remuneration Committee and Related Party Transactions Review Committee.</p> | <p>In line with the requirements of the Corporate Governance Direction of CBSL and the amended Corporate governance requirement of CSE the Board sub Committee policy is in place to establishing Board Committees, its functions and reporting</p> <p>The Company has five mandatory Board appointed Committees directly reporting to the Board</p> <ul style="list-style-type: none"> » Board Audit Committee (BAC), » Board Integrated Risk Management Committee (BIRMC), » HR & Remuneration Committee (HR & REMCO) » Related Party Transactions Review Committee (RPTRC). » Nomination and Governance Committee <p>These mandatory sub-committees set up in compliance with the applicable rules and regulations. Further</p> <p>The Company has formed the following Board Sub Committees on a voluntary basis for better operational/ monitoring efficiency</p> <ul style="list-style-type: none"> » Board Investment Committee » Board Credit Committee <p>Each committee has a secretary that arranges its meetings, maintains minutes, records and carries out other secretarial functions under the supervision of the Chairmen of the respective committees.</p> |
| | Meetings shall be held at least once in two months for BAC and BIRMC. Other committees shall meet at least annually. | <p>There were 09 BAC meetings and 07 BIRMC meetings held during the year 2023/24, which comply with the requirements.</p> <p>Please refer 'Directors' Attendance and Committee Memberships' table given on page 187 of the Annual Report.</p> |
| 10.1.b | Each Board sub-committee shall have a written term of reference specifying clearly its authority and duties. | Written Term of References clearly specifying the authority and duties are in place for each Sub-Committee. |
| 10.1.c | The Board shall present a report on the performance of duties and functions of each Board Sub- Committee, at the Annual General Meeting of the Company. | Performance, duties, and functions of all subcommittees are disclosed on pages 237 to 254 of the Annual Report. |
| 10.1.d | Each sub-committee shall appoint a Secretary to arrange its meetings, maintain minutes, voice or video recordings, maintenance of records, and carry out such other such secretarial functions under the supervision of the Chairperson of the committee. | <p>The Company Secretary is the Secretary to the Board Nomination and Governance Committee, Board Human Resources and Remuneration Committee, and Board Related Party Transaction Review Committee. Further, Head of Internal Audit and Head of Risk are the secretaries to the Board Audit Committee and Board Integrated Risk Management Committee respectively.</p> <p>Further Company Secretary act as the Secretary to Board Credit Committee and the Board Investment Committee</p> <p>Sub committees are disclosed on page no 187 of the Annual Report.</p> <p>Minutes of all of the above Committees are submitted to the Board for their review.</p> |
| 10.1. e | Each Board sub-committee shall consist of at least three Board members and shall only consist of members of the Board, who have the skills, knowledge, and experience relevant to the responsibilities of the committees. | Members of all Board subcommittees consist of Board members and the performance, duties, and functions of all subcommittees are disclosed on pages 237 to 254 of the Annual Report. |
| 10.1. f | The Board may consider the occasional rotation of members and of the Chairperson of Board sub- committees to avoid undue concentration of power and promote new perspectives. | <p>The Sub Committees are regularly reconstituted and the membership is rotated in order to avoid undue concentration of authority on any Board Member and also to bring in new perspective and practices to the committee matters.</p> <p>The Board Sub-Committees were reconstituted on the 24th of November 2023.</p> |
| 10.2 | <p>Board Audit Committee (BAC)</p> <p>The following shall apply in relation to the Board Audit Committee.</p> | |

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| 10.2. a | The Chairperson of the committee shall be an independent director who possesses qualifications and experience in accountancy and/or audit. | Mr. Yudy Kanagasabai is a fellow member of the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka). Counts over 35 years of experience at PricewaterhouseCoopers, Sri Lanka, and the Maldives, and Singapore, before he retired as the Senior Partner of PricewaterhouseCoopers Sri Lanka and the Maldives on 31st March 2017. |
| 10.2. b | The Board members appointed to the BAC shall be Non-Executive Directors and the majority shall be Independent Directors with the necessary qualifications and experience relevant to the scope of the BAC. | All three members of the Board Audit Committee are Non-Executive Directors, two of whom were Independent until 24th of November 2023. The Board Audit Committee was reconstituted on 24th of November 2023, and now all three members are Non-Executive Independent Directors. |
| 10.2. c | The secretary to the Board Audit Committee shall preferably be the Chief Internal Auditor (CIA) | Head of Internal Audit functions as the Secretary of the Board Audit Committee. |
| 10.2. d | External Audit Function | |
| | i. The BAC shall make recommendations on matters in connection with the appointment of the External Auditor for audit services to be provided in compliance with the relevant statutes, the service period, the audit fee, and any resignation or dismissal of the auditor. | The Auditor General has informed the Company that, according to the National Audit Act No. 19 of 2018, the Auditor General shall carry out the audit by himself or any person authorised by the Auditor General. Further, the Company has been informed that, Messrs. Ernst & Young, Chartered Accountants has been appointed by the Auditor General to assist to perform the audit of the Company and the audit fee for the year ended 31 March 2024 has been determined. Therefore, the Committee has no role to play in the engagement of the External Auditor. The Board Audit Committee at its meetings discusses application of relevant accounting principles and standards. |
| | ii. Engagement of an audit partner shall not exceed five years, and the particular audit partner is not re-engaged for the audit before the expiry of three years from the date of the completion of the previous term. Further, FC shall not use the service of the same external audit firm for not more than ten years consecutively. | The Company's Auditor is the Auditor General appointed under the Constitution hence the requirement does not arise. |
| | iii. The audit partner of an FC shall not be a substantial shareholder, director, senior management or employee of any FC. | The Company's Auditor is the Auditor General appointed under the Constitution hence the requirement does not arise. |
| | iv. The Committee shall review and monitor the External Auditor's independence and objectivity and the effectiveness of the audit processes in accordance with applicable standards and best practices. | The Company's Auditor is the Auditor General appointed under the Constitution hence the requirement does not arise. |
| | v. Audit partner shall not be assigned to any non-audit services with the FC during the same financial year in which the audit is being carried out. The BAC shall develop and implement a policy with the approval of the Board on the engagement of an external audit firm to provide non-audit services that are permitted under the relevant regulatory framework. In doing so, the BAC shall ensure that the provision of service by an external audit firm of non-audit services does not impair the external auditor's independence or objectivity. | This is not applicable since the Company's Auditor is the Auditor General. However, a policy has been formulated by the Committee to ensures that non-audit services provide by an audit firm (Appointed by the Auditor General to assist him in the audit of the Company) does not impair that firm's independence or objectivity. |
| | vi. The BAC shall, before the Audit commences, discuss and finalise with the External Auditors the nature and scope of the audit, including (i) an assessment of the Company's compliance with Directions issued under the Act and the management's internal controls over financial reporting; (ii) the preparation of financial statements in accordance with relevant accounting principles and reporting obligations; and (iii) the co-ordination between auditors where more than one auditor is involved. | The scope and the extent of audit is determined by the Auditor General. However, the Committee met with the External Auditors for this purpose. |

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| | <p>vii. The BAC shall review the financial information of the Company's, in order to monitor the integrity of the Financial Statements of the Company in its Annual Report, Accounts and Periodical Reports prepared for disclosure, and the significant financial reporting judgements contained therein.</p> <p>In reviewing the Company's Annual Report and Accounts and Periodical Reports before submission to the Board, the committee shall focus particularly on: (i) major judgemental areas; (ii) any changes in accounting policies and practices; (iii) significant adjustments arising from the audit; (iv) the going concern assumption; and (v) the compliance with relevant accounting standards and other legal requirements.</p> | <p>The Board Audit Committee reviews the financial information of the Company in order to monitor the integrity of the Financial Statements of the Company and other financial disclosures.</p> <p>The Committee has reviewed the Company's Annual and Quarterly Financial Statements prepared for disclosure, before submission thereof to the Board for approval.</p> |
| | viii. The BAC shall discuss issues, problems and reservations arising from the interim and final audits, and any matters the auditor may wish to discuss including those matters that may need to be discussed in the absence of senior management, if necessary. | Audit Committee met with the External Auditors and provided them opportunity to discuss material issues, problems or reservations arising from audits without the presence of any other directors/senior management/employees. |
| | ix. The BAC shall review the External Auditor's Management Letter and the Management's response thereto within 3 months of submission of such, and report to the Board. | During the year, the Board Audit Committee reviewed the External Auditor's Management Letter and the Management's responses thereto. |
| 10.2. e | The BAC shall at least annually conduct a review of the effectiveness of the system of internal controls | <p>The Board has the overall responsibility for ensuring that the Company maintains an adequate level of internal control and for reviewing its effectiveness.</p> <p>The Board Audit Committee and BIRMC on behalf of the Board undertakes the detailed monitoring and reviewing of the internal controls and reports to the Board.</p> <p>The Management Information Systems (MIS) are reviewed by the Board for accuracy and integrity of the same through review of MIS Procedure Manual Outline/ Guideline of the Company.</p> |
| 10.2. f | The BAC shall ensure that the Senior Management are taking necessary corrective actions in a timely manner to address internal control weaknesses, non-compliance with policies, laws and regulations, and other problems identified by auditors and supervisory bodies with respect to the Internal Audit function of the Company. | BAC monitors this through regular reporting from the Internal Audit Department. |
| 10.2. g | Internal Audit function | |
| | i. The Committee shall establish an Independent Internal Audit function, either in house or outsourced as stipulated in the Finance Business Act (Outsourcing of Business Operations) Direction or as amended that provides an objective assurance to the committee on the quality and effectiveness of the Company's internal control, risk management, governance systems and processes | There is an in house Internal Audit Department. |
| | ii. The Internal Audit Function shall have a clear mandate, be accountable to the BAC, and be independent of the audited activities. It shall have sufficient expertise and authority within the Company to carry out their assignments effectively and objectively. | <p>There is a Board approved Internal Audit Charter that defines the purpose, authority and responsibility of the Internal Auditor. The said mandate establishes the independence of the department too.</p> <p>The Board Audit Committee has reviewed and approved the Annual Internal Audit plan. Internal Audit Reports, with the management comments, have been discussed at length, and action is taken to rectify the same.</p> |
| | iii. The BAC shall take the following steps with regard to the Internal Audit Function of the Company: | |

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| | (i) Review the adequacy of the scope, functions and skills and resources of the Internal Audit Department, and satisfy itself that the department has the necessary authority to carry out its work; | Board Audit Committee has discussed the adequacy of the scope, functions, and resources of the Internal Audit Department. |
| | (ii) Review the internal audit program and results of the internal audit process and, where necessary, ensure that appropriate actions are taken on the recommendations of the internal audit; | The Board Audit Committee has reviewed and approved the Annual Internal Audit Program. Internal Audit Reports, with the management comments, have been discussed at length, and action is taken to rectify the same. |
| | (iii) Assess the performance of the head and senior staff members of the Internal Audit Department; | Out the performance appraisal of the Head of Internal Audit for the FY 2023/24 |
| | (iv) Ensure that the Internal Audit Function is independent and activities are performed with impartiality, proficiency, and due professional care; | In terms of the Organisation Chart of People's Leasing & Finance PLC, the Head of Internal Audit reports directly to the BAC and the audit work has been performed with impartially proficiency and due care. |
| | (v) Ensure the Internal Audit Function carries out a periodic review of the Compliance Function and regulatory reporting to regulatory bodies. | BAC reviews the compliance reviews conducted by Internal Audit Function. |
| | (vi) Examine the major findings of internal investigations and management's responses thereto ; | There is regular reporting to the BAC on the status update of investigations. |
| 10.2. h | Committee shall review the statutory examination reports of the Central Bank of Sri Lanka (CBSL) and ensure necessary corrective actions are taken in a timely manner and monitor the progress of implementing the time bound action plan quarterly. | BAC reviews on a quarterly basis the progress of implementation of recommendations of CBSL on-site review report. |
| 10.2. i | Meetings of the Committee | |
| | i. The committee shall meet as specified in direction 10.1 above, with due notice of issues to be discussed and shall record its conclusions in discharging its duties and responsibilities. | Every BAC meeting is duly recorded and minutes are submitted to the Board for its information. |
| | ii. Other Board members, senior management, or any other employee may attend meetings upon the invitation of the committee when discussing matters under their purview. | Other Board members, CEO, COO, CFO, Compliance Officer, and any Senior management or employee may attend meetings upon the committee's invitation. |
| | iii. BAC shall meet at least twice a year with the external auditors without any other directors / senior management / employees being present. | Two meetings were held with the External Auditors without any other directors / senior management being present. |
| 10.3 | Board Integrated Risk Management Committee (BIRMC) The following shall apply in relation to the BIRMC | |
| 10.3. a. | The Committee shall be chaired by an Independent Director. The Board members appointed to BIRMC shall be Non-Executive Directors with knowledge and experience in banking, finance, risk management issues and practices. The CEO and Chief Risk Officer (CRO) may attend the meetings upon invitation. The BIRMC shall work with Senior Management closely and make decisions on behalf of the Board within the framework of the authority and responsibility assigned to the committee. | The Committee was chaired by an Independent Non Executive Director. The Committee consists of three (03) Non Executive Directors including the Chairman with sufficient knowledge and experience in banking, finance, risk management issues and practices. The CEO/GM, CRO and relevant senior management personnel attended the meeting by invitation. Head of Internal Audit, key risk owners of subsidiaries and the Compliance Officer also attended the meetings by invitation. The Committee closely work with senior management personnel and makes the decisions on behalf of the Board within the Board approved TOR of the Committee. Refer the "Board Integrated Risk Management Committee Report" on pages 247 to 250 for further information and functions of the Committee. |
| 10.3. b | The secretary to the committee may preferably be the CRO. | Head of Risk functions as the Secretary to the BIRMC. |

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| 10.3. c | The committee shall assess the impact of risks, including credit, market, liquidity, operational and strategic, compliance and technology to the Company at least once on two monthly basis through appropriate risk indicators and management information and make recommendations on the risk strategies and the risk appetite to the Board. | <p>The Board Integrated Risk Management Committee assesses all risks, i.e., credit, market, liquidity, operational and strategic risks through appropriate risk indicators established for the Company in every two months. Risk assessment is also carried out on a Company basis and the group basis wherever possible.</p> <p>The Board Integrated Risk Management Committee reviews the Risk dash-board reports/Risk Indicator Reports of the Company and its all subsidiaries and takes prompt corrective action(s) to mitigate the negative effects of specific risks, in case such risks are exceeding the established risk tolerance levels. Refer BIRMC report on page 247 to 250.</p> |
| 10.3. d | Developing the Company's risk appetite through a Risk Appetite Statement (RAS), which articulates the individual and aggregate level and types of risk that a FC will accept, or avoid, in order to achieve its strategic business objectives. The RAS should include quantitative measures expressed relative to earnings, capital, liquidity, etc., and qualitative measures to address reputation and compliance risks as well as money laundering and unethical practices. The RAS should also define the boundaries and business considerations in accordance with which the FC is expected to operate when pursuing business strategy and communicate the risk appetite linking it to daily operational decision-making and establishing the means to raise risk issues and strategic concerns throughout the FC.; | <p>The Company's risk appetite is developed through a Risk Tolerance Limit Statement, which articulates the individual and aggregate level and types of risk that the Company will accept or avoid, in order to achieve its strategic business objectives. The Risk Appetite and tolerance limits are monitored via the Risk Dashboard and includes quantitative measures expressed relative to earnings, capital, liquidity, etc., and qualitative measures to address reputation, compliance risks as well as money laundering risk are also discussed at the meetings.</p> <p>A dedicated compliance officer is in at senior management level to provide assurance to the Board through BIRMC on statutory, regulatory and other compliance related matters. The Group compliance risk matters are also discussed at the meetings.</p> |
| 10.3. e | The BIRMC shall review the Company's risk policies including RAS, at least annually. | All risk policies including the RAS are reviewed by the BIRMC annually. |
| 10.3. f | The BIRMC shall review the adequacy and effectiveness of senior management level committees (such as credit, market, liquidity investment, technology and operational) to address specific risks and to manage those risks within quantitative and qualitative risk limits as specified by the committee. | <p>Assets and Liabilities Committee (ALCO) of the Company reviews and monitors the liquidity risk and the market risk based on the risk tolerance levels (risk limits) established by Board Integrated Risk Management Committee.</p> <p>The Management Credit Committee (MCC) has been formed with the purpose of reviewing and recommending/approving credit facilities, procedures related to credit administration and credit processes.</p> <p>The IT Steering Committee (ITSC) has been formed to provide support, advice and guide to ensure delivery of IT project outputs, review information security programmes, and other IT related policies and procedures.</p> <p>The Information Security Committee (ISC) is a newly formed management level Committee to address issue on technology adoption, information security, cyber security, outsourcing and concentration.</p> <p>The Committee reviewed the adequacy and effectiveness of the functions carried out by the ALCO, MCC, ISC and ITSC by reviewing the annual self-assessments performed against their TORs.</p> |
| 10.3. g | The committee shall assess all aspects of risk management including updated business continuity and disaster recovery plans. | BCP has been reviewed by the BIRMC and the position is updated at meetings. |
| 10.3. h | BIRMC shall annually assess the performance of the compliance officer and the CRO. | BIRMC assessed the performance of the Head of Compliance and Head of Risk. |
| 10.3.i | Compliance function | |
| 10.3. ii | BIRMC shall establish an independent compliance function to assess the Company's compliance with laws, regulations, directions, rules, regulatory guidelines and approved policies on the business' operations. | The BIRMC has established an independent Compliance Function. |

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| 10.3. i.ii | For a Company with an asset base of more than Rs. 20 bn, a dedicated Compliance Officer considered to be Senior Management with sufficient seniority, who is independent from day-to-day management shall carry out the compliance function and report to the BIRMC directly. The compliance officer shall not have management or financial responsibility related to any operational business lines or income-generating functions, and there shall not be 'dual hatting', i.e. the chief operating officer, chief financial officer, chief internal auditor, chief risk officer or any other senior management shall not serve as the compliance officer. | An experienced Compliance Officer has been appointed. |
| 10.3. i.iii | For FCs with an asset base of less than Rs. 20bn, an officer with adequate seniority considered to be senior management shall be appointed as compliance officer avoiding any conflict of interest. | Not applicable. |
| 10.3. i.iv | The responsibilities of a compliance officer would broadly encompass the following: | |
| | i) Develop and implement policies and procedures designed to eliminate or minimise the risk of breach of regulatory requirements; | Board approved policies and procedures are in place. |
| | ii) Ensure compliance policies and procedures are clearly communicated to all levels of the FC to enhance the compliance culture; | Board approved Compliance policy is in place and available on the intranet which is accessible by all employees of the Company. |
| | (iii) Ensures that reviews are undertaken at appropriate frequencies to assess compliance with regulatory rules and internal compliance standards; | Periodic reviews are conducted to assess the level of compliance with regulatory rules and internal compliance standards. |
| | (iv) Understand and apply all new legal and regulatory developments relevant to the business of FC; | The Company implements all new legal and regulatory developments that are applicable to its business. |
| | v) Secure early involvement in the design and structuring of new products and systems, to ensure that they conform to regulatory requirements, internal compliance, and ethical standards | Board approved new product policy is available to streamline the process of designing or redesigning a product in the Company. |
| | vi) Highlight serious or persistent compliance problems and where appropriate, work with the management to ensure that they are rectified within an acceptable time-frame, and | Compliance Audits are carried out periodically and action is taken to rectify if deviations are noted. |
| | vii) Maintain regular contact and a good working relationship with regulators based upon clear and timely communication and a mutual understanding of the regulators' objectives with the highest integrity | With the regulators, a positive working relationship is upheld. There is maintenance of timely reporting and communications. |
| 10.3. j | Risk management function | |
| 10.3. j.i | BIRMC shall establish an independent risk management function responsible for managing risk- taking activities across the FC. | The Company has established an Independent Risk Management function. |
| 10.3. j.ii | For FCs with an asset base of more than Rs.20 bn, it is expected to have a separate risk management department and a dedicated CRO, considered to be senior management, shall carry out the risk management function and report to the BIRMC periodically. | A separate department for Risk Management Function is established, which is headed by the CRO at Senior Management level and reported to the BIRMC. |
| 10.3. j.iii | The CRO has the primary responsibility for implementing the Board approved risk management policies and processes including RAS in order to ensure the FC's risk management function is robust and effective to support its strategic objectives and to fulfill broader responsibilities to various stakeholders. | The Company has established Risk Management policies including RAS and is in line with the strategic objectives of the Company. |

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| 10.3. j.iv | The BIRMC shall ensure that the CRO is responsible for developing and implementing a Board approved integrated risk management framework that covers: <ol style="list-style-type: none"> various potential risks and frauds possible sources of such risks and frauds; mechanism of identifying, assessing, monitoring and reporting of such risks and frauds; includes quantitative and qualitative analysis covering stress testing. effective measures to control and mitigate risks at prudent levels; and relevant officers and committees responsible for such control and mitigation. The framework shall be reviewed and updated at least annually. | Risk and Control Department functions in an integrated manner in the Company as required by the direction. A stress testing policy is established and testing results are presented at the BIRMC meetings every two months. The Risk Register has identified various potential risks which are discussed at the Committee level. In addition, operational risk assessments are carried out to identify the potential risks in the Company. |
| 10.3. j.v | The chief risk officer shall also participate in key decision-making processes such as capital and liquidity planning, new product or service development, etc, and make recommendations on risk management. | Chief Risk Officer is a part of the strategic planning which includes capital and liquidity planning and new product development. |
| 10.3. j.vi | The CRO shall maintain an updated risk register, which shall be submitted to the BIRMC on a quarterly basis. | The updated Risk Register is submitted to the BIRMC on a quarterly basis. |
| 10.3. j.vii | The BIRMC shall submit a risk assessment report for the upcoming Board meeting seeking the Board's views, concurrence and/or specific directions | The risk assessment report is submitted to the upcoming Board meeting seeking the Board's view concurrence and or specific directions. |
| 10.4 | Nomination Committee The following shall apply in relation to the Nomination Committee: | |
| 10.4. a. | The committee shall be constituted of Non-Executive Directors and preferably the majority may be Independent Directors. An Independent Director shall chair the committee. The CEO may be present at meetings by invitation of the committee. | The committee is comprised of three Non-Executive Directors and two third of the directors are independent. Subcommittee reports are appeared on pages 237 to 254 of the Annual Report. |
| 10.4. b | Secretary to the nomination committee may preferably be the Company Secretary. | Secretary to the committee is the Company Secretary. |
| 10.4. c | The committee shall implement a formal and transparent procedure to select/appoint new directors and senior management. Senior management is to be appointed with the recommendation of CEO, excluding CIA, CRO and Compliance officer. | A Board approved and amended policy for the Selection, Appointment, Nomination Re - election and Continuation of directors is in place. Selection and appointment of KRPs are carried out with the recommendation of the Board Nomination Committee and in accordance with the Recruitment policy. |
| 10.4. d | The committee shall ensure that directors and senior management are fit and proper persons to perform their functions as per the FBA (Assessment of Fitness and Propriety of Key Responsible Persons). | The Committee ensures that this has complied with the terms of FBA (Assessment of Fitness and Propriety of Key Responsible Persons) |
| 10.4. e | The selection process shall include reviewing whether the proposed directors (i) possess the knowledge, skills, experience, independence and objectivity to fulfil their responsibilities on the Board; (ii) have a record of integrity and good repute; and (iii) have sufficient time to fully carry out their responsibilities. | The Board Corporate Governance Charter and the policy for Selection, Appointment, Nomination, re-election and continuation of the Board of Directors outline the procedure for selection and appointment of Board Directors of the Company Upon the nominees being found to be 'fit and proper' for appointment as Directors of the Company, approval of the Director of Department of Supervision of Non-Bank Financial Institutions of the Central Bank of Sri Lanka is obtained for the same. There were two (6) new appointments made during the year. |
| 10.4. f | The committee shall strive to ensure that the Board composition is not dominated by any individual or a small group of individuals in a manner that is detrimental to the interests of the stakeholders and the FC as a whole. | Complied 4 Independent directors appointed. |

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| 10.4.g | The committee shall set the criteria, such as qualifications, experience, and key attributes required for eligibility, to be considered for the appointment to the posts of CEO and senior management. | The role of the CEO/GM is detailed in the Corporate Governance Charter of the Company. Nomination & Selection policy in place to determine the criteria to be considered for the appointment of Senior management |
| 10.4.h | Upon the appointment of a new director to the Board, the committee shall assign the responsibility to the Company Secretary to disclose to shareholders: (i) a brief resume of the director; (ii) the nature of the expertise in relevant functional areas; (iii) the names of companies in which the director holds directorships or memberships in Board committees; and (iv) whether such director can be considered as independent. | The Company conforms to the stated section. Directors profiles in the pages 162 to 169 |
| 10.4.i | The committee shall consider and recommend (or not recommend) the re-election of current directors, taking into account the combined knowledge, performance towards strategic demands faced by the FC and contribution made by the director concerned towards the discharge of the Board's overall responsibilities. | The Company conforms to the stated section. |
| 10.4.j | The committee shall consider and recommend from time to time, the requirements of additional/ new expertise and the succession arrangements for retiring directors and senior management. | The Committee support the Board by identifying and recommending the best candidates with the essential proficiencies, expertise, and familiarity required to fulfil the Company's strategic requirements, while also ensuring that the Board reflects the desired diversity This committee is further responsible for the selection, nomination, appointment, election, and retirement of KRPs. |
| 10.4.k | A member of the Nomination Committee shall not participate in decision-making relating to their own appointment/re-appointment and the Chairperson of the Board should not chair the Committee when it is dealing with the appointment of the successor. | Members of the Board Nomination Committee is not involved in the decision-making process for their own appointment or re- appointment. Moreover, the Board Chairperson abstains from the meeting when the topics of discussion concern the appointment of the successor. |
| 10.5 | Human Resources and Remuneration Committee The following shall apply in relation to the Human Resources and Remuneration Committee: | |
| 10.5.a | The committee shall be chaired by a Non-Executive Director and the majority of the members shall consist of Non-Executive Directors. | The Committee currently consists of three non- executive board members, the majority of whom are independent directors (Committee report appears in to the pages 240 to 242) |
| 10.5.b | The secretary to the Human Resource and Remuneration Committee may preferably be the Company Secretary. | The Company Secretary functions as the secretary to the committee. |
| 10.5.c | The committee shall determine the remuneration policy (salaries, allowances, and other financial payments) relating to Executive Directors and senior management of the FC and fees and allowances structure for Non-Executive Directors. | The Remuneration and Benefits Policy of the Company, the salaries, allowances, and other financial benefits related to the Executive Directors and senior management are decided by the HR & REMCO. |
| 10.5.d | There shall be a formal and transparent procedure in developing the remuneration policy. | The Remuneration and Benefits Policy has been formulated and developed to achieve fair and equitable benefits with transparent guidelines which integrate with the market-related modern remuneration practices. Further, the Remuneration and Benefits Policy is reviewed annually by considering the material changes which are to be included in the policy. |
| 10.5.e | The committee shall recommend the remuneration policy for approval of the Board on paying salaries, allowances, and other financial incentives for all employees of the FC. The policy shall be subject to periodic review by the Board, including when material changes are made. | The remuneration policy is reviewed annually. The reviewed policy is recommended by the HR & REMCO and approved by the main Board. |

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| 10.5. f | The remuneration structure shall be in line with the business strategy, objectives, values, long-term interests, and cost structure of the FC. It shall also incorporate measures to prevent conflicts of interest. In particular, incentives embedded within remuneration structures shall not incentivise employees to take an excessive risk or to act in self-interest. | The remuneration structure is in line with the business strategy, objectives, values, long-term interests, and cost structure of the Company. It also includes measures to prevent conflicts of interest. |
| 10.5. g | The committee shall review the performance of the senior management (excluding Chief Internal Auditor, Compliance Officer, Chief Risk Officer) against the set targets and goals, which have been approved by the Board at least annually, and determine the basis for revising remuneration, benefits, and other payments of performance-based incentives. | The performance of the senior management excluding the Head of Audit, Head of Risk and Head of Compliance has been reviewed by the HR & REMCO. Financial benefits have been decided based on their performances. |
| 10.5. h | The committee shall ensure that the senior management shall abstain from attending committee meetings when matters relating to them are being discussed. | The committee adheres to the stated section. |
| 11. | INTERNAL CONTROLS | |
| 11.1 | FCs shall adopt well-established internal control systems, which include the organisational structure, segregation of duties, clear management reporting lines, and adequate operating procedures in order to mitigate operational risks. | The Board Audit Committee assists the Board in assessing the adequacy and the integrity of the Internal Controls System and the Management Information System and the financial reporting processes of the Company. Internal Audit Department helps the process by carrying out audits to assess the internal controls over financial reporting and management information systems. Board reviews the adequacy and integrity of the MIS through the critical management information reports submitted by the Internal Audit Department of the Company. Further, the External Auditors were engaged in providing assurance on the Directors Statement on Internal Controls over Financial Reporting included in the Annual Report, and their opinion is submitted to the Board. |
| 11.2 | A proper internal control system shall: a) promote effective and efficient operations; b) provide reliable financial information; c) safeguard assets; d) minimise the operating risk of losses from irregularities, fraud, and errors; e) ensure effective risk management systems; and f) ensure compliance with relevant laws, regulations, directions, and internal policies. | |
| 11.3 | All employees shall be given the responsibility for internal controls as part of their accountability for achieving objectives. | |
| 12. | RELATED PARTY TRANSACTIONS | |
| 12.1 | Board shall establish a policy and procedures for related party transactions, which covers the following. | |
| 12.1. a | All FCs shall establish a Related Party Transactions Review Committee (RPTRC) and the Chairperson shall be an Independent Director and the members shall consist of Non-Executive Directors. | The Board has established a Board Related Party Transactions Review Policy, in conformity with the Direction. |
| 12.1. b | All related party transactions shall be prior reviewed and recommended by the RPTRC. | A board approved Board Related Party Transactions Review Policy is in place in this regard. |

CORPORATE GOVERNANCE REPORT

| Section | Corporate Governance Principle | Status of Compliance |
|---------|---|--|
| 12.1. c | <p>The business transactions with a related party that is covered in this Direction shall be the following:</p> <ol style="list-style-type: none"> i. Granting accommodation; ii. Creating liabilities to the FC in the form of deposits, borrowings and any other payable; iii. Providing financial or non-financial services to the FC or obtaining those services from the FC. iv. Creating or maintaining reporting lines and information flows between the FC and any related party which may lead to sharing proprietary, confidential or information not available in the public domain or otherwise sensitive information that may give benefits to such related party. | <p>There is a documented process approved by the Board which speaks on types of related party transactions for the Company to avoid any conflicts of interest that may arise from any transaction with the related parties.</p> <p>All related party transactions have been disclosed in the Financial Statements.</p> |
| 12.2 | <p>The committee shall take the necessary steps to avoid any conflicts of interest that may arise from any transaction of the FC with any person, and particularly with the following categories of persons who shall be considered as "related parties" for the purposes of this Direction. In this regard, there shall be a named list of natural persons/institutions identified as related parties, which is subject to periodic review as and when the need arises.</p> <ol style="list-style-type: none"> a) Directors and senior management. b) Shareholders who directly or indirectly holds more than 10% of the voting rights of the FC. c) Subsidiaries, associates, affiliates, holding Company, ultimate parent Company and any party (including their subsidiaries, associates and affiliates) that the FC exert control over or vice versa d) Directors and senior management of legal persons in paragraph (b) or (c). e) Relatives of a natural person described in paragraph (a), (b) or (d). f) Any concern in which any of the FC's directors, senior management or a relative of any of the FC's director or senior management or any of its shareholders who has a shareholding directly or indirectly more than 10% of the voting rights has a substantial interest. | <p>Complied</p> <p>The Board is well aware of the requirement of identification of related party transactions and a Board approved Related Party Transaction Policy is in place which discusses categories of related parties, and aids the Company to avoid any conflicts of interest that may arise from any transaction of the Company.</p> |

| Section | Corporate Governance Principle | Status of Compliance |
|------------------|--|----------------------|
| 12.3 | <p>The Committee shall ensure that the FC does not engage in business transactions with a related party in a manner that would grant such party “more favourable treatment” than that is accorded to other similar constituents of the FC. For the purpose of this paragraph, “more favourable treatment” shall mean:</p> <ul style="list-style-type: none"> a) Granting of “total accommodation” to a related party, exceeding a prudent percentage of the FC’s regulatory capital, as determined by the committee. b) Charging of a lower rate of interest or paying a rate of interest exceeding the rate paid for a comparable transaction with an unrelated comparable counterparty; c) Providing preferential treatment, such as favourable terms, that extends beyond the terms granted in the normal course of business with unrelated parties; d) Providing or obtaining services to or from a related party without a proper evaluation procedure; e) Maintaining reporting lines and information flows between the FCs and any related party which may lead to share proprietary, confidential or otherwise sensitive information that may give benefits to such related party, except as required for the performance of legitimate duties and functions. | Complied |
| 12.3 | <p>The Committee shall ensure that the FC does not engage in business transactions with a related party in a manner that would grant such party “more favourable treatment” than that is accorded to other similar constituents of the FC. For the purpose of this paragraph, “more favourable treatment” shall mean:</p> <ul style="list-style-type: none"> a) Granting of “total accommodation” to a related party, exceeding a prudent percentage of the FC’s regulatory capital, as determined by the committee. b) Charging of a lower rate of interest or paying a rate of interest exceeding the rate paid for a comparable transaction with an unrelated comparable counterparty; | Complied |
| 12.3 (Contd.) | <ul style="list-style-type: none"> c) Providing preferential treatment, such as favourable terms, that extends beyond the terms granted in the normal course of business with unrelated parties; d) Providing or obtaining services to or from a related party without a proper evaluation procedure; e) Maintaining reporting lines and information flows between the FCs and any related party which may lead to share proprietary, confidential or otherwise sensitive information that may give benefits to such related party, except as required for the performance of legitimate duties and functions. | Complied |

CORPORATE GOVERNANCE REPORT

| Section | Corporate Governance Principle | Status of Compliance |
|------------|--|---|
| 13. | GROUP GOVERNANCE | |
| 13.1 | Responsibilities of the FC as a Holding Company. | <p>The Company maintains an oversight over its six subsidiaries, which include a presence in Bangladesh, in accordance with the Subsidiary Policy of the People's Bank. It ensures that each subsidiary operates with independent adherence to legal, regulatory, and governance responsibilities.</p> <p>Additionally, the Company ensures alignment with the distinct operating environments, within its varying legal, regulatory and Jurisdictionary requirements that pertain to each subsidiary.</p> |
| 13.2 | Responsibilities as a Subsidiary | |
| | If the FC is a subsidiary of another financial institution subject to prudential regulation, FC shall discharge its own legal and governance responsibilities. | The Company is a subsidiary of People's Bank, The Company fulfils its own legal and governing obligations. |
| 14. | CORPORATE CULTURE | |
| | A FC shall adopt a Code of Conduct which includes the guidelines on appropriate conduct and addresses issues of confidentiality, conflicts of interest, the integrity of reporting, protection and proper use of Company assets and fair treatment of customers. | <p>The Company has an internally developed Code of Conduct and ethics for its directors and this Code covers the areas of conflict of interest, accurate accounting, record keeping, confidentiality of information, insider dealing, protecting and proper use of the Company's assets, pledges to uphold the duty of care, loyalty, and ethical conduct of complying with applicable laws and regulations, directions governing the company encouraging the reporting of any illegal or unethical behaviour, etc.</p> <p>Further, the Code of Conduct is available for all employees including Corporate and Senior Management. This Code focuses mainly for Fair dealing, protection and proper use of the Company assets, record-keeping and reporting, accounting and financial reporting concerns, reporting illegal or unethical behaviour, discrimination and harassment, health and safety, discipline, etc.</p> |
| 14.2 | The FC shall maintain records of breaches of the code of conduct and address such breaches in a manner that upholds high standards of integrity. | <p>The directors have provided declarations in accordance with the Board Code of Conduct and Ethics, affirming their commitment to compliance with all applicable laws and regulations and compliance with sustainable practices.</p> <p>The Company maintains records of breaches of the Code of Conduct. If any breach of the Code of Conduct is reported, the disciplinary procedure is implemented and subsequent actions are taken as per the gravity of such incidents.</p> |
| 14.3 | A FC shall establish a Whistle Blowing policy that sets out avenues for legitimate concerns to be objectively investigated and addressed. Employees shall be able to raise concerns about illegal, unethical or questionable practices in a confident manner and without the risk of reprisal. The BAC shall review the policy periodically. | A Board approved Whistle Blowing Policy is in place. All employees are encouraged to raise any matter which they genuinely believe, constitutes a potential or existing wrongdoing such as a breach of the Code of Ethics of the Company. Further, BAC reviews the policy on an annual basis. |
| 15. | CONFLICTS OF INTEREST | |
| 15.1. a | Relationships between the directors shall not exercise undue influence or coercion. A director shall abstain from voting on any Board resolution in relation to a matter in which such director or any of the relatives or a concern in which such director has a substantial interest, is interested, and such director shall not be counted in the quorum for the relevant agenda item in the Board meeting. | The Board is well aware of the requirement of identification of related party transactions and a Board approved Related Party Transaction Policy is in place which speaks on categories of related parties, and aids the Company to avoid any conflicts of interest that may arise from any transaction of the Company. |

| Section | Corporate Governance Principle | Status of Compliance |
|------------|--|--|
| 15.1. b | <p>The Board shall have a formal written policy and an objective compliance process for implementing the policy to address potential conflicts of interest with related parties. The policy for managing conflicts of interest shall;</p> <ul style="list-style-type: none"> i. Identify circumstances that constitute or may give rise to conflicts of interests. ii. Express the responsibility of directors and senior management to avoid, to the extent possible, activities that could create conflicts of interest. iii. Define the process for directors and senior management to keep the Board informed on any change in circumstances that may give rise to a conflict of interest. iv. Implement a rigorous review and approval process for directors and senior management to follow before they engage in certain activities that could create conflicts of interest. v. Identify those responsible for maintaining updated records on conflicts of interest with related parties, and vi. Articulate how any non-compliance with the policy is to be addressed. | <p>On managing conflicts of interest, the Company's Code of Conduct and Ethics, RPT Manual and Share Trading Policy, are in place, and these policies are reviewed on a regular basis.</p> |
| 16. | DISCLOSURES | |
| 16.1 | <p>The Board shall ensure that: (a) annual audited financial statements and periodical financial statements are prepared and published in accordance with the formats prescribed by the regulatory and supervisory authorities and applicable accounting standards, and that (b) such statements are published in the newspapers in Sinhala, Tamil and English.</p> <p>The Board shall ensure that at least the following disclosures are made in the Annual Report of the FC.</p> | <p>Annual audited financial statements and periodical financial statements are prepared and published in accordance with the formats prescribed by the regulatory and supervisory authorities and applicable accounting standards Further, such statements are published in the newspapers in Sinhala, Tamil and English.</p> <p>Directors responsibilities statement given pages 237 to 274</p> |
| | <ul style="list-style-type: none"> i. Financial Statements- In addition to the set of financial statements as per LKAS 1 or applicable standard annual report shall include, <ul style="list-style-type: none"> » A statement to the effect that the annual audited financial statements have been prepared in line with applicable accounting standards and regulatory requirements, inclusive of specific disclosures. » A statement of responsibility of the Board in preparation and presentation of financial statements. | <p>This is being disclosed in the "Annual Report of the Board of Directors on the state of affairs of the Company" appearing on pages 228 to 234 of the Annual Report.</p> |
| | <ul style="list-style-type: none"> ii. Chairperson, CEO and Board Related Disclosures <ul style="list-style-type: none"> » Name, qualification and a brief profile. » Whether executive, non-executive and/or independent director. » Details of the director who is serving as the senior director, if any. » The nature of expertise in relevant functional areas. » Relatives and/or any business transaction relationships with other directors of the Company. » Names of other companies in which the director/ CEO concerned serves as a director and whether in an executive or non-executive capacity. » Number/percentage of board meetings of the FC attended during the year; and » Names of board committees in which the director serves as the Chairperson or a member. | <p>Declarations were obtained from the Board of Directors of the Company and there were no business relationships with other Directors of the Company disclosed.</p> <p>Board of Directors Profiles were given in the pages 162 to 169.</p> <p>Meeting attendance refer to the page no 187.</p> |

CORPORATE GOVERNANCE REPORT

| Section | Corporate Governance Principle | Status of Compliance |
|---------|--|---|
| | <p>iii. Appraisal of Board Performance</p> <p>» An overview of how the performance evaluations of the Board and its committees have been conducted</p> | <p>A process is in place for the annual self-assessments of Directors to be undertaken by each Director and the records of such assessments are maintained by the Company Secretary.</p> <p>The summary of the self- assessment is submitted to the Board enabling Directors to discuss relevant matters if any.</p> |
| | <p>iv. Remuneration</p> <p>» A statement on the remuneration policy, which includes Board fee structure and breakdown of remuneration of senior management level and mix of remuneration (financial and non-financial, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation)</p> <p>» The aggregate values of remuneration paid by the FC to its directors and senior management.</p> | <p>Performance driven remuneration and increments to the remuneration package shall depend on achievement of agreed performance standards or financial benchmarks which have been set as per the Annual Strategic Plan and the Budget.</p> <p>All employee's annual promotions, increments, bonus are directly in relation with the employee's performance, contribution, commitment, professional conduct and behaviour.</p> <p>The remuneration structure of the staff, Senior Management and Executive Directors shall be in line with the business strategy, objectives, values, long term interest, cost structure of the Company, incorporating prevention of conflict of interest in particular incentives embedded within the remuneration structures that does not incentivise employees to take excessive risk or act in self-interest.</p> <p>Aggregate values of remuneration paid for appears in the page no 307</p> |
| | <p>v. Related Party Transactions</p> <p>» The nature of any relationship [including financial, business, family or other material/relevant relationship(s)], if any, between the Chairperson and the CEO and the relationships among members of the Board.</p> <p>» Total net accommodation granted in respect of each category of related parties and the net accommodation outstanding in respect of each category of related parties as a percentage of the FC's core capital.</p> <p>» The aggregate values of the transactions of the FC with its senior management during the financial year, set out by broad categories such as accommodation granted, and deposits or investments made in the FC.</p> | <p>RPT Declarations were obtained from the Board of Directors of the Company and there were no business relationships established with other Directors of the Company, between the Chairperson and the CEO and among members of the Board.</p> <p>Total of net accommodation granted in respect of each category of related parties and the net accommodation outstanding in respect of each category of related parties as a percentage of the FCs core capital. Refer page 380 to 386.</p> |
| | <p>vi. Board Appointed Committees</p> <p>» The details of the chairperson and members of the board committees and attendance at such meetings.</p> | <p>Please refer Board Sub committee Reports and the 'Directors' attendance and Committee Membership' tables on page no 187 of the Annual report.</p> |
| | <p>vii. Group Structure</p> <p>» The group structure of the FC within which it operates.</p> <p>» The group governance framework</p> | <p>The Company is a fully owned subsidiary of People's Bank. The Company fulfils its own legal and governing obligations.</p> |
| | <p>viii. Director's Report - A report, which shall contain the following declarations by the Board</p> <p>» The FC has not engaged in any activity, which contravenes laws and regulations.</p> <p>» The directors have declared all related party transactions with the FC and abstained from voting on matters in which they were materially interested.</p> <p>» The FC has made all endeavours to ensure the fair treatment for all stakeholders, in particular the depositors.</p> | <p>Given on pages 228 to 234 of the Annual Report.</p> |

| Section | Corporate Governance Principle | Status of Compliance |
|-------------------------|---|--|
| 16.1 viii. Contd. | <ul style="list-style-type: none"> » The business is a going concern with supporting assumptions; and » The Board has conducted a review of internal controls covering material risks to the FC and have obtained reasonable assurance of their effectiveness. » The business is a going concern with supporting assumptions; and » The Board has conducted a review of internal controls covering material risks to the FC and have obtained reasonable assurance of their effectiveness. | Given on pages 290 & 234 of the Annual Report. |
| | <p>ix. Statement of Internal Control</p> <ul style="list-style-type: none"> » A report by the Board on the FC's internal control mechanism that confirms that the financial reporting system has been designed to provide a reasonable assurance regarding the reliability of financial reporting, and that the preparation of financial statements for external purposes has been done in accordance with relevant accounting principles and regulatory requirements. » The external auditor's assurance statement on the effectiveness of the internal control mechanism referred above, in respect of any statement prepared or published. » A report setting out details of the compliance with prudential requirements, regulations, laws and internal controls and measures taken to rectify any non-compliances. » A statement of the regulatory and supervisory concerns on lapses in the FC's risk management, or non-compliance with the Act, and rules and directions. | Given on pages 276 to 277 of the Annual Report. |
| | <p>x. Corporate Governance Report</p> <ul style="list-style-type: none"> » Shall disclose the manner and extent to which the Company has complied with Corporate Governance Direction and the external auditor's assurance statement of the compliance with the Corporate Governance Direction. | <p>The Corporate Governance Report is set out on pages 177 to 188 of the Annual Report of the Company.</p> <p>The Company has obtained an independent assurance report from the External Auditors over compliance with Finance Business Act Direction No. 05 of 2021 on Corporate Governance.</p> |
| | <p>xi. Code of Conduct</p> <ul style="list-style-type: none"> » FC's code of business conduct and ethics for directors, senior management and employees. » The Chairperson shall certify that the Company has no violations of any of the provisions of this code. | <p>A Board approved Code of Conduct for directors and for all employees are in place.</p> <p>Please refer the Chairperson's message on pages 21 to 22 that the Company has no violations of any of the provisions of this code.</p> |
| | <p>xii. Management Report</p> <ul style="list-style-type: none"> » Industry structure and developments » Opportunities and threats » Risks and concerns » Sustainable finance activities carried out by the Company » Prospects for the future | Please refer 'Management Discussion and Analysis' on pages 80 to 160 and CEOs Review on pages 34 to 37. |
| | <p>xiii. Communication with Shareholders</p> <ul style="list-style-type: none"> » The policy and methodology for communication with shareholders. » The contact person for such communication. | <p>The Board approved Communication Policy is in place which covers all stakeholders including Depositors, Creditors, Shareholders, and Borrowers. The Board of Directors, officers, and employees comply with the policy in order to ensure effective communication for the best interests of all stakeholders.</p> <p>The Company Secretary shall communicate with the shareholders through the Annual report, Quarterly Reports, and by notices issued to the shareholders.</p> <p>Please refer the report on page No. 235 of the Annual Report of the Company.</p> |

ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY

The Annual Report of the Board of Directors on the Affairs of the Company is presented as required by Section 168 of the Companies Act No. 07 of 2007. It also provides information required by the Finance Business Act No. 42 of 2011 and the Listing Rules of the Colombo Stock Exchange and the Directions issued thereunder, the Code of Best Practice on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka).

1. GENERAL

The Board of Directors of People's Leasing & Finance PLC has pleasure in presenting the Integrated Annual Report to the shareholders, together with the Audited Financial Statements of the Company and the Audited Consolidated Financial Statements of the Group for the year ended 31 March 2024 and the Auditors' Report on these Financial Statements conforming to all statutory requirements.

Further, this report adheres to the Guiding Principles and Content elements outlined in the <IR> Framework of IFRS Foundation, as well as the GRI Standards established by the Global Reporting Initiative, SASB, and TCFD. This reflects our dedication to transparent and objective reporting, aimed at providing valuable insights to shareholders and other key stakeholders. This report was approved by the Board of Directors on 31st May 2024.

The Board of Directors, through diligent strategic planning, has set forth key imperatives and diligently executed strategies to manage risks and capitalise on opportunities. Furthermore, the Board has thoroughly scrutinised the Company's business plan and is confident that People's Leasing & Finance PLC is able to sustain operations well into the future, with ample resources at its disposal.

2 NATURE OF THE BUSINESS

(Section 168 (1) (a)) – Companies Act No. 07 of 2007

The nature of the business of the Company and its subsidiaries together with any change thereof during the accounting period.

2.1 Vision, Mission and Corporate Conduct

The Company's Vision and Mission are provided on page 14 of this Annual Report. In achieving the Vision and Mission, all Directors and employees conduct their activities to the

highest level of ethical standards and integrity, as set out in the Company's Code of Conduct and Code of Ethics.

2.2 Principal Business Activities

The Company's principal business activities involve providing finance leases, term loans, Islamic finance, margin trading, factoring, gold loans, issuance of debt instruments and mobilisation of public deposits. The Company had six subsidiaries as at 31 March 2024 and the nature of business activities of these subsidiaries are described in "Subsidiary Review" Section on pages 86 to 91 and in the Accounting Policies on Pages 289 to 411. The Company and its subsidiaries have not engaged in any activities which contravene any laws or regulations during the year under review.

2.3 Changes to the Group Structure

There has been no change to the Group structure during the financial year under consideration. It should be noted that the Lankan Alliance Finance Limited was renamed as Alliance Finance PLC during the year.

2.4 Branch Network

The total branch network of the Company as at 31 March 2024 comprised 109 fully-fledged branches.

2.5 Review of Operations

An overall assessment of the Company's financial position and performance during the year 2023/24, with comments on financial results and special events that took place, is contained in the Chairman's Message on pages 30 to 31, the Chief Executive Officer's Message on pages 34 to 37, as well as the Management Commentary on pages 78 to 159 of this Annual Report. These reports form an integral part of the Annual Report of the Board of Directors on the Affairs of the Company. Segment-wise contribution to Group revenue, results, assets and liabilities is disclosed in Note 53 to the Financial Statements on page 378 of this Annual Report.

2.6 Future Outlook

The future outlook for People's Leasing & Finance PLC, which depends on the challenges, opportunities, and developments in the Sri Lankan economy as well as the global environment is set out in the 'Strategy and Resource Allocation' section on pages 67 to 77 and under each Capital Report of this Annual Report.

3. FINANCIAL STATEMENTS

(Section 168 (1) (b) and (2))

Completed and signed Financial Statements of the Company and the Group for the accounting period.

The Financial Statements of the Company and the Group, duly certified by the Deputy General Manager- Finance and the Acting Chief Executive Officer with the approval of the Chairman and a Director, have been prepared in accordance with the Sri Lanka Accounting Standards laid down by CA Sri Lanka and in compliance with the requirements of Companies Act No. 07 of 2007, appear on page 289 of this Annual Report.

3.1 Directors' Responsibility for Financial Reporting

In terms of Section 150(1), 151, 152 and 153(1) and (2) of the Companies Act No. 07 of 2007, the Board of Directors of the Company and Group are responsible for the preparation of the Financial Statements of the Company and the Group, which reflect a true and fair view of the financial position and performance of the Group and the Company.

In this regard, the Board of Directors wishes to confirm that the Statement of Profit or Loss, Statement of Financial Position, Statement of Changes in Equity and Statement of Cash Flows have been prepared in conformity with the requirements of SLFRSs and LKASs as mandated by the Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995, Companies Act No. 07 of 2007, Finance Business Act No. 42 of 2011 and Directions issued thereunder and the Code of Best practices on Corporate Governance issued by CA Sri Lanka.

The 'Statement of Directors' Responsibilities' is provided on pages 273 to 274 and forms an integral part of this Report.

3.2 Financial Results and Appropriations

Interest Income

The total interest income of the Company and the Group was Rs. 28,853.31 million (Rs. 30,196.59 million in 2022/23) and Rs. 32,216.38 million (Rs. 33,406.92 million in 2022/23) respectively for the year ended 31 March 2024. A more descriptive analysis of the interest income is given in Note 6.1 and 6.1.1 to the Financial Statements on page 297.

Performance and Appropriations

The Company and the Group recorded a net profit of Rs. 3,544.24 million and Rs. 4,203.67 million respectively for the financial year 2023/24 (Rs. 3,017.64 million and Rs. 3,441.70 million in 2022/23). This represents an increase by 17.45% and 22.14% of the Company and Group profit respectively compared to the previous year.

Details of the Company's performance and appropriation of profit are tabulated as follows.

| Company | 2023/24 Rs. Million | 2022/23 Rs. Million |
|---|------------------------|------------------------|
| Profit before income tax | 5,379.67 | 4,341.76 |
| Income tax expense | 1,835.43 | 1,324.12 |
| Profit for the year | 3,544.24 | 3,017.64 |
| Profit brought forward from previous year | 19,556.83 | 19,481.61 |
| Profit available for appropriation | 23,101.07 | 22,499.25 |
| Appropriations | | |
| Dividend paid for previous/ current year | (2,858.64) | (943.60) |
| Surcharge tax | - | (1,947.17) |
| Other comprehensive income | (76.72) | 99.22 |
| Transfers to reserves | (177.02) | (150.88) |
| Total appropriation | (3,112.38) | (2,942.42) |
| Unappropriated profit carried forward | 19,988.69 | 19,556.83 |

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Provision of Taxation

Profit earned during the period is subjected to income tax at the rate of 30%. Financial services are subjected to an 18% VAT rate and a Social Security Contribution Levy (SSCL) rate of 2.5% for the current year.

Accordingly, income tax expense of the Company for the current financial year was Rs. 1,835.43 million. A comprehensive note on the income tax expense and the deferred tax asset or liability of the Company and the Group is disclosed in Notes 17 and 44 respectively in the Financial Statements.

Property, Plant and Equipment, Right of use Assets and Intangible Assets

The total capital expenditure incurred on property, plant and equipment (including capital work in progress) of the Company and the Group for the year ended 31 March 2024 amounted to Rs. 168.94 million and Rs. 206.48 million respectively (Rs. 253.25 million and Rs. 234.43 million in 2022/23).

The total additions to right of use assets of the Company and the Group in the year ended 31 March 2024 amounted to Rs. 158.80 million and Rs. 169.06 million respectively (Rs. 161.31 million and Rs. 191.17 million in 2022/23).

In the year ended 31 March 2024, the Company and the Group invested Rs. 30.25 million and Rs. 67.92 million respectively to acquire intangible assets. (In 2022/23, the Company invested Rs. 7.68 million and the Group invested Rs. 12.78 million to acquire intangible assets)

The Directors confirm that there were no other significant changes in the Company's or its subsidiaries' fixed assets and market value of land which substantially differ from the book values thereof as disclosed in Note 32.4 on page 352.

The details of property, plant and equipment, right of use assets and intangible assets are presented in Notes 32, 33 and 34 to the Financial Statements on pages 349 to 355.

Freehold Land and Building

Extents, locations, valuations and the number of buildings of the entity's land holding are detailed in Note 32.4 on page 352 of this Annual Report. The net book values of freehold land

and buildings owned by the Company and the Group as at 31 March 2024 as included in the Financial Statement was Rs. 719.37 million and Rs. 3,113.96 million respectively.

Valuation of the Land and Building

The Company engages independent professional valuers to conduct a revaluation of its freehold land and buildings as specified by the Direction No 04 of 2018 on 'Valuation of Immovable Properties' and subsequent amendments thereto issued by CBSL.

Qualifications of Valuer

The valuation process of land & buildings and the Investment Property were carried out by Messrs. K. J. D Tissera (FRICS (Eng.) FIV (Sri Lanka), a Chartered Valuation Surveyor, U. K. and Messrs. S.A.M.A. Property Valuer (MRICS. U.K), Chartered Surveyor/Panel Valuer/ Incorporate Valuer.

Investments

Details of investments held by the Company are disclosed in Notes 22, 23, 24, 27, 28 and 29 on pages 321 to 324 and 341 to 343 the Financial Statements.

Equity

Stated Capital

The Stated Capital of the Company and the Group as at 31 March 2024 amounted to Rs. 19,230.48 million, compared to Rs. 18,015.56 million as at 31 March 2023. Consequent to second interim dividend for the financial year 2023/24 paid by way of scrip dividend, the stated capital increased by Rs. 1,214.92 million.

Reserves

The total reserves of the Company and the Group as at 31 March 2024 stood at Rs. 22,599.38 million and Rs. 27,521.94 million respectively. During the financial year under review Rs. 177.02 million was transferred from retained earnings to the statutory reserves. Information on the movement of reserves is given in the 'Statement of Changes in Equity' on pages 286 to 287 and in Notes 46 to 48 to the Financial Statements.

Debt Securities Issued

The details of debt securities issued are given in Note 37 and more comprehensive analysis of the Company's debentures is set out in Note 37.2 to the Financial Statements.

Capital Adequacy

Tier 1 capital ratio and total capital ratio of the Company computed as per the

ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY

Finance Business Act Direction No. 03 of 2018 Capital Adequacy Requirement issued by the Central Bank of Sri Lanka stood at 30.10% and 29.80% respectively as at 31 March 2024. The information on minimum capital requirement is given on page 372 of this Annual Report.

4. EXTERNAL AUDITORS

(Section 168 (1) (c) (i) and (j))

The above sections define the Auditors' Report on Financial Statements of the Company and the Group with separate disclosure on amounts payable by the Company and its subsidiaries to the Auditors as audit fees and fees for other services rendered during the accounting period and Auditors' relationship or any interest with the Company and its subsidiaries.

4.1 Auditors and Their Independence

In accordance with the National Audit Act No.19 of 2018, People's Leasing & Finance PLC falls under the definition of 'Auditee Entity' and the Auditor General or any person authorised by the Auditor General shall carry out the audit of the Company and their responsibilities in relation to the Financial Statements set out in the 'Independent Auditors' Report' given on pages 279 to 281.

4.2 Auditors' Report

The Report of the Auditor on the Financial Statements of the Company and the Group is given on pages 279 to 281.

4.3 Auditors' Remuneration

The following sums were paid by the Company and the Group for audit and related services as well as for non-audit services rendered including tax related services:

| | Company | | Group | |
|----------------------------|------------------------|------------------------|------------------------|------------------------|
| | 2023/24 Rs. million | 2022/23 Rs. million | 2023/24 Rs. million | 2022/23 Rs. million |
| Audit and related services | 7.03 | 7.03 | 15.23 | 14.60 |
| Non-audit services | 1.35 | 1.40 | 1.47 | 1.40 |

4.4 Appointment of Auditors

According to Section 55 of the National Audit Act No.19 of 2018, People's Leasing & Finance PLC falls under the definition of 'Auditee Entity' and the Auditor General or any person authorised by the Auditor General shall carry out the audit of the Company for the ensuing financial year.

5 ACCOUNTING POLICIES AND CHANGES DURING THE YEAR

An alternative format has been used in presenting accounting policies to minimise the disclosure overload and clutter in the Financial Statements. These Financial Statements comply with the requirements of the Sri Lanka Accounting Standards – LKAS 1 on 'Presentation of Financial Statements' and with Section 168 (1) (d) of the Companies Act No. 07 of 2007.

The significant accounting policies adopted in the preparation of the Financial Statements are given on pages 289 to 411. The significant changes to accounting policies adopted if any, in the preparation of the Financial Statements are given in Note 3.4 on page 292 to 293.

6. BOARD OF DIRECTORS

(Section 168 (1) (e),(f), (h))

The above sections define particulars of the entries in the Interests Register of the Company and its subsidiaries during the accounting period with remuneration and other benefits paid to the Directors of the Company and its subsidiaries during the accounting period and information on the directorate of the Company and its subsidiaries during and at the end of the accounting period.

6.1 Profiles

Names of the members of the Board of Directors together with their profiles including skills and experience are set out on pages 162 to 169 of this Annual Report.

6.2 Appraisal of Board Performance

The method used to appraise the performance of the Board of Directors is presented in the 'Corporate Governance' section on pages 177 to 227.

6.3 Other Directorships/Significant Positions of Directors

Information of the other directorships/ significant positions held by current Directors of the Company are given on pages 162 to 169.

6.4 Resignations and Appointments

Ms. Coralie Pietersz, Senior Independent Director, resigned on 5 July 2023, followed by Ms. G.M. Roshini P. Wijerathna on 9 September 2023. Additionally, as part of a restructuring of the board nominees, People's Bank revoked the appointment of Mr. Rohan Pathirage effective from 18 October 2023.

To fill the vacancy of Senior Independent Director, the Board welcomed Mr. Y. Kanagasabai effective from 11 August 2023, and Mr. Pravir Samarasinghe as an independent Director effective from 6 November 2023. Furthermore, Mr. Manjula Wellalage, Mr. Isuru Balapatabendi, Mr. A.M.P.M.B. Atapattu, and Mr. U.K. Samararatne were appointed as Nominee Directors from People's Bank effective from 3 October 2023, 9 November 2023, and 2 January 2024 the both, respectively.

Mr. Shamindra J.M.Marcelline CEO/GM tendered resignation from the Company w.e.f 1st April 2024. Mr. Udesch Gunawardena was appointed as the Acting Chief Executive Officer of the Company from 1st April 2024.

6.5 Independence of Directors

In accordance with the Finance Business Act (Corporate Governance) Direction No. 5 of 2021, Rule 9.8.5 of the Colombo Stock Exchange (CSE) Listing Rules and Section A 5.4 of Code of Best Practice on Corporate Governance Mr. Y. Kanagasabai, Mr. U.L.A.W. Bandara Mr. C.J. Wijetillake and Mr. Pravir Samarasinghe who are Independent Non-Executive Directors of the Company, have submitted signed and dated declarations as per the specimen given in appendix 9A of continuing listing requirement of CSE.

The Board has designated Mr. Y. Kanagasabai as the Senior Independent Director in order to ensure compliance with Section 6.3 of Finance Companies (Corporate Governance) Direction No. 5 of 2021.

6.6 Fit & Propriety

In compliance with the Finance Companies (Corporate Governance) Direction No. 5 of 2021 and Rule 9.7.5 of the Colombo Stock Exchange (CSE) Listing Rules, both the Board of Directors and the Acting CEO/ have successfully met the fit and proper assessment criteria as at 31 March 2024. Additionally, as per the regulations of the Colombo Stock Exchange, each member of the Board has submitted a signed declaration confirming continuous satisfaction to the fit and proper assessment criteria throughout the financial year ending as at 31 March 2024.

6.7 Directors' and Officers' Liability Insurance

The Company has obtained a Directors' and Officers' Liability insurance cover from a reputed insurance Company in Sri Lanka providing worldwide cover to indemnify all past, present and future liability towards the Directors and Officers of the Company.

6.8 Directors' Remuneration

Directors' fees and emoluments paid by the Company and the Group for the year ended 31 March 2024 was Rs. 18.73 million and Rs. 37.86 million respectively. Comparative figures are given in Note 15 to the Financial Statements.

6.9 Interests Register/Directors' Interest in Transactions

In compliance with the Companies Act No. 07 of 2007, the Company maintains a Register of Directors' Interests, which is available for inspection. The Directors of the Company have made general declarations of their interests in transactions of the Company as per Section 192 (2) of the Companies Act No. 07 of 2007. Details of the transactions disclosed therein are given on pages 380 to 386 under Related Party Transactions. Furthermore, the Chairman, the Board of Directors and the Chief Executive Officer of the Company have made general declarations that there are no financial, business, family or other material/relevant relationship(s) between themselves as required to be disclosed by the Finance Companies (Corporate Governance) Direction No. 05 of 2021.

The Directors at all times have declared all related party transactions with the Company and abstained from voting on matters in which they were materially interested.

6.10 Directors' Interest in Shares

The Directors have disclosed to the Board, their shareholding in the Company and any acquisitions or disposals thereof, in compliance with Section 200 of the Companies Act No. 07 of 2007. The Directors' individual shareholdings along with the Chief Executive Officer's individual shareholding in the Company are given in the section titled 'Value to Investors' on pages 100 to 107 of this Annual Report.

6.11 Meetings

The details of Board meetings and Board subcommittee meetings are presented in the Corporate Governance Report on pages 186 to 187 of this Annual Report.

7. SHARE INFORMATION

Significant shareholder information along with substantial shareholder details and other share-related information is presented in detail under the title 'Value to Investors' on pages 100 to 107 of this Annual Report.

7.1 Equitable Treatment to Stakeholders

The Company has at all times ensured fair treatment for all stakeholders in particular the depositors.

7.2 Dividends on Ordinary Shares

The Company declared the first interim dividend for the financial year 2023/24 amounting to Rs. 0.70 per ordinary share in the form of a cash dividend on 25 July 2023. The directors also approved a second interim dividend of Rs. 0.70 per ordinary share for the financial year ended 31 March 2024 in the form of a scrip dividend. With respect to that, 112,492,634 ordinary voting shares of the Company have been listed with effect from 23 January 2024, pursuant to the scrip dividend in the proportion of 1:18.15126061.

The Board of Directors ensured that the Company would meet the requirement of the solvency test in terms of Section 56(3) of the Companies Act No. 07 of 2007 and the listing Rules of the CSE, immediately after said interim dividends required by Section 56(2), the Board of Directors has obtained a certificate from the Auditor on the Statement of Solvency in respect of dividend payment conforming to the above statutory provision.

8. DONATIONS AND CSR

(Section 168 (1) (g))

Total amount of donations made by the Company during the accounting period.

During the year the Company has not made any donations. (No donations in 2022/23). However the Company incurred Rs. 2.68 million in 2023/24 for CSR initiatives. (Rs. 6.58 million in 2022/23). The Company's Sustainable Finance Department handles the Corporate Social Responsibility (CSR) initiatives and activities. The CSR initiatives of the Company are presented in the sections titled 'Social and Relationship Capital' and 'Natural Capital' on pages 136 to 149 and pages 150 to 159 respectively.

9. CORPORATE GOVERNANCE

(Code of Best Practice D.6, D 6.1, D.2, D 1.4)

The Board of Directors is committed to developing the corporate Governance principles of the Company and has adopted various policies to ensure that the highest principles of ethics and good governance are maintained at all times. In terms of the Finance Business Act Direction No. 05 of 2021 a Policy on Communication with all stakeholders was formulated during the year setting out clear guidelines regarding interactions with the different participants in the Company – such as the depositors, shareholders, borrowers/ creditors and other stakeholders.

The Corporate Governance Charter was reviewed to ensure that the Company is in compliance with the recommendations of the Finance Companies (Corporate Governance) Directions No. 05 of 2021, the Listing Rules of the Colombo Stock Exchange (CSE) and the Code of Best Practices on Corporate Governance issued by CA Sri Lanka.

Comprehensive Anti-Money Laundering Policy/Whistle Blower Policy/Anti-corruption and anti-bribery policy etc are in place to ensure the Company's operations are conducted in line with the highest standards of ethics and integrity. The Company at all times endeavours to ensure fair treatment to all stakeholders, in particular the depositors. Further, the Board adopted frameworks with the involvement of internal management committees for risk management and the process to identify, assess, monitor, and manage risks with clear delegation of responsibilities to ensure their effectiveness

ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY

in supporting the achievement of the strategic, operational, and financial objectives of the Company.

Chairman's Affirmation on the Code of Business Conduct and Ethics

The Chairman affirms that People's Leasing & Finance PLC has in place a Code of Business Conduct and Ethics supported by detailed procedures for disseminating and monitoring compliance with the Code of Business Conduct.

The Directors declare that:

1. The Company has not engaged in any activity which contravenes laws and regulations.
2. The Company has made all endeavours to ensure the equitable treatment of shareholders.
3. The business is a going concern.
4. Effectiveness of and successful adherence to internal controls and risk management is practiced by the Company. The measures taken in this regard are set out in the Corporate Governance Report on pages 177 to 227 of this Annual Report.
5. To the best of their knowledge, there has not been any violation of the Code of Business Conduct and Ethics of the Company.
6. Directors have declared all material interests in contracts involving the Company and refrained from voting on matters in which they were materially interested.
8. Property, plant and equipment are reflected at fair value, where it is different from fair value and adequate disclosures are made.

In addition a declaration on the Board Code of Conduct & Ethics will be signed by the directors annually in connection with the requirement of Sustainability Standards Implementation & Management System (S-SIMS)

The Directors declare that they have acted in good faith in executing their fiduciary duties by:

1. Prioritising the Company's interests by disclosing conflicts promptly, and acting for the benefit of all stakeholders
2. Actively participating in Board activities, contributing expertise towards the

advancement of organisational goals, and acting with integrity and diligence to avoid liabilities

3. Upholding the confidentiality of privileged information and board discussions
4. Managing resources responsibly and ensuring legal and ethical behaviour to safeguard the organisation's financial health and reputation
5. Supporting Environmental, Social and Governance sustainability and encouraging innovation across operations.
6. Upholding honesty, integrity, and professionalism and adhere to the highest ethical standards and to promote a culture of transparency, fairness, and respect within the organisation
7. Not engaging in insider dealings, defined as the use of privileged information for personal gain or to benefit others at the expense of the Company
8. Adhering to the regulatory environment and ensuring compliance with relevant laws, regulations, directions and ethical standards governing the company
9. Fostering a corporate culture of ethics and professionalism.
10. Holding themselves accountable for upholding principles and to address breaches promptly and transparently.

KRPs Declaration on Compliance with Code of Business Conduct and Ethics

To the best of their knowledge, there has not been any violation of the Code of Business Conduct and Ethics of the Company.

9.2 Compliance with Laws and Regulations

To the best knowledge and belief of the Directors, the Company and the Group have not engaged in any activity contravening any laws and regulations. However, during the year, the Financial Intelligence Unit of CBSL imposed a penalty of Rs. 500,000 on the Company due to an operational lapse. Subsequently, the Company has implemented new controls to reinforce the control environment.

9.3 Statutory Payments

To the best of their knowledge and belief, the Directors are satisfied that all statutory payments due to the Government, other

regulatory institutions and in relation to the employees have been made in time.

9.4 Environmental Protection

The Directors confirm that to the best of their knowledge the Company and the Group have not engaged in any activity which is detrimental to the environment.

9.5 ESG Reporting

Environmental, Social and Governance considerations can affect a Company's ability to execute its business strategy and create value. The Company's Annual Report contains information on ESG risks and opportunities that are recognised, managed, measured and reported as set out on pages 62 to 66.

10. ACKNOWLEDGEMENT

(Section 168 (1) (k))

Acknowledgement of the contents of this report/signatures on behalf of the Board by two Directors and the Secretary of the Company.

The Board of Directors has acknowledged the content of this Annual Report as disclosed on page 13.

11. STAKEHOLDER MANAGEMENT AND INTEGRATED REPORTING

Underscored by its integrated thinking approach, the Company continues to demonstrate its commitment to excellence in stakeholder value creation. The comprehensive management of valued stakeholders, encompassing customers, employees, investors, suppliers, and the community, underscores the Company's commitment to sustainable growth. Moreover, the conscientious consideration of economic, environmental, and social impacts demonstrates the Company's dedication to responsible business practices.

This meticulous approach to capital management is evident in the detailed reporting provided in the Annual Report. The Management Discussion and Analysis section, spanning pages 78 to 159, encapsulates the Company's strategies, performance, and future outlook, thereby providing stakeholders with valuable insights into the Company's operations and its broader impact.

By integrating these aspects into its reporting process, the Company not only enhances transparency but also reinforces its role as a conscientious corporate citizen. This commitment to stakeholder engagement

and sustainable practices serves as a commendable example within the industry, setting a high standard for responsible business conduct.

12. OUTSTANDING LITIGATION

In the opinion of the Directors formed in consultation with the Company's lawyers, litigation currently pending against the Company will not have any material impact on the reported financial results or future operations of the Company. Details of litigation pending against the Company are given in Note 50.1.1 to the Financial Statements on page 375.

13. INCLUSIVE WORKFORCE MANAGEMENT

The Company has adopted an absolutely non-discriminatory Employment Policy which respects individuals and provides career opportunities irrespective of gender, race or religion. As at 31 March 2024, a total of 2,052 persons were in employment (2,114 persons as at 31 March 2023) with the Company.

14. INTERNET OF THINGS AND CYBERSECURITY

(Code of Best Practice Section III G)

The Board confirms that the Company has appointed an Information Security Officer (ISO) with sufficient expertise and authority to oversee matters pertaining to cyber and information security risks. Further regular and adequate time on the Board meeting agenda for discussions on cyber-risk management. Related information is set out in the Corporate Governance Report on page 185.

15. EVENTS AFTER THE REPORTING PERIOD

Details of events after the reporting period are disclosed in Note 57 to the Financial Statements on page 411.

16. COMPLIANCE WITH REQUIREMENTS ON THE CONTENT OF THE ANNUAL REPORT IN RULE 7.6 OF THE LISTING RULES

| Rule Ref. | Information Required to be Disclosed | Status of Compliance | Page Reference |
|------------|---|---|----------------|
| 7.6 (i) | Names of person who were Directors of the Company during the financial year | ✓ | 162-169 |
| 7.6 (ii) | Principal activities of the Company and its subsidiaries during the year | ✓ | 80-91 |
| 7.6 (iii) | Information on 20 largest shareholders at the end of the year | ✓ | 105 |
| 7.6 (iv) | The public holding percentage | ✓ | 104 |
| 7.6 (v) | Directors' and Chief Executive Officer's holding in shares | ✓ | 105-106 |
| 7.6 (vi) | Information pertaining to material foreseeable risk factors | ✓ | 256-269 |
| 7.6 (vii) | Details of material issues pertaining to employees and industrial relations | During the year under review, there were no material issues pertaining to employees and industrial relations. | |
| 7.6 (viii) | Information on buildings/land holdings and investment properties as at the end of the year | ✓ | 352 |
| 7.6 (ix) | Number of shares representing the stated capital as at the end of the year | ✓ | 371 |
| 7.6 (x) | A distribution schedule of the number of holders in each class of equity securities and related information | ✓ | 104 |
| 7.6 (xi) | Ratios and market price information on equity, debt, change in credit rating | ✓ | 94 - 107 |
| 7.6 (xii) | Significant changes in the Company's or subsidiaries' fixed assets. | ✓ | 349-353 |
| 7.6 (xiii) | Details of funds raised through a public issue, rights issue and a private placement during the year | We did not raise funds through a public issue, Right issue or a private placement during the year | |
| 7.6 (xiv) | Information in respect of employee share ownership or stock option schemes | The Company does not have any employee share ownership or stock option scheme at present. | |
| 7.6 (xv) | Disclosure pertaining to corporate governance practices in terms of Rules Section 9 of the Listing Rules | ✓ | 189-199 |
| 7.6 (xvi) | Related Party Transaction exceeding 10% of the equity or 5% of the total assets of the entity | ✓ | 380-386 |

ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY

17. RELATED PARTY TRANSACTIONS

(CSE Listing Rules Section 9)

The Directors declare that the rules pertaining to Related Party Transactions in Section 9 of CSE Listing Rules have been complied with.

18. GOING CONCERN

(Code of Best Practice D 1.4)

The Group's Management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business in the foreseeable future. Furthermore, the Management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the Financial Statements continue to be prepared on a going concern basis.

In determining the basis of preparing the Financial Statements for the year ended 31 March 2024, the Management has assessed the existing and anticipated effects of economic, regulatory, and political volatility on the Group Companies and the appropriateness of the use of the going concern basis based on available information.

The Group evaluated the resilience of its businesses considering a wide range of factors under multiple stress-tested scenarios, relating to expected income, cost management, profitability, liquidity, and the ability to defer non-essential capital expenditure, unused credit lines and the ability to continue providing services to ensure businesses continues with the least possible impact.

Having presented the outlook for each industry of the Group to the Holding Company's Board and post evaluation of the

above by the Management, and following due consideration the range and likelihood of outcomes, the Management is satisfied that the Company has adequate resources to continue in operational existence in the foreseeable future and continue to adopt the going concern basis in preparing and presenting these Financial Statements.

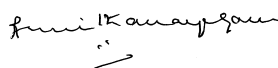
19. ANNUAL GENERAL MEETING

The 28th Annual General Meeting will be held as a Virtual /Hybrid meeting from the Boardroom of People's Leasing & Finance PLC Head Office, 10th Floor, No.1161, Maradana Road, Colombo 08 on 28 June 2024 at 10.00 a.m. Notice of the meeting relating to the 28th Annual General Meeting is provided on page 452 of this Annual Report.

By order of the Board of Directors



Y. Kanagasabai
Senior Independent Director



M.P. Amirthanayagam
Chairman



Shaalini Silva
Company Secretary

31 May 2024
Colombo

BOARD OF DIRECTORS COMMUNICATION POLICY REPORT

The Board of Directors reaffirms its unwavering commitment to fostering transparent and effective communication channels with all stakeholders, including shareholders, lenders, creditors, borrowers, and other interested parties. Acknowledging the significance of shareholder engagement, the Board values the insights and inputs of stakeholders and endeavours to provide timely updates on the Company's performance, strategic direction, and governance practices.

The Board has recently updated the corporate communication policy to ensure compliance with relevant regulations. This revised policy now reflects the provisions outlined in the Finance Business Act Direction no.5 of 2021, which was officially adopted by the Board of Directors on 26th April 2022. Further amendments are viewed in line with CSE Rule No. 9 for Corporate Governance this year.

The revised policy emphasises the following key principles:

Shareholder Engagement: The Board provides various avenues for shareholders to interact with the Company, including Annual General Meetings, Extraordinary General Meetings, Circulars, and disclosures made via the stock exchange. Shareholders are encouraged to utilise these mechanisms and are invited to provide feedback and suggestions for continuous improvement.

External Communication: To enhance communication with potential shareholders and investors, the Company employs a diverse range of communication tools, such as Road Shows, Internet platforms, Media engagements, Investor Presentations, Wire services, Publications, Brochures, Leaflets, and advertising. Additionally, the corporate website is regularly updated and easily accessible to stakeholders.

Ethics and Integrity: The Board upholds ethical standards and professional behaviour through established policies, including the Code of Conduct. Furthermore, the Whistleblowing Policy is in place to address conflicts of interest and unethical business practices.

Stakeholder Feedback Mechanism: The Board Secretary is designated to receive and review communications intended for the Board

and its Sub-Committees or individual Board members or Management. Communications concerning legal, ethical, or compliance matters, or any other issue deemed significant to the Company, are promptly escalated to the Chairman and the Board. Personal communications unrelated to Board functions, junk mail, solicitations, or opinion polls are disregarded unless deemed material upon further clarification.

Accessibility: Stakeholders have the opportunity to communicate with the Board as a whole, Independent Directors, individual Board members, or specific Board Committees. Additionally, the Company has appointed a dedicated Customer Complaint Officer and an Information Officer to ensure fair accessibility to all stakeholders.

Investor Relations Officer: Mr. Omal Sumanasiri, DGM- Finance, serves as the Investor Relations Officer, facilitating communication between the Company and its investors.

Continuous Improvement: The Board remains committed to enhancing its communication practices and welcomes feedback from shareholders and stakeholders. As part of its commitment to adaptability, the Board will regularly evaluate and adjust the communication policy to align with evolving stakeholder expectations and industry best practices.

This report reaffirms the Company's dedication to transparency, accountability, and stakeholder engagement, essential elements in fostering trust and sustainability in our operations.



Rajiv David
AGM Branding & Communication

31 May 2024
Colombo

REPORT OF THE SENIOR INDEPENDENT DIRECTOR

Section 6.2 of the Corporate Governance Direction No. 05 of 2021 (as amended) issued by the Monetary Board of the Central Bank of Sri Lanka requires that the Chairperson of a licensed Finance Company (LFC) be an Independent Non-Executive Director. In the case where the Chairperson is not an Independent Director, the Board shall designate an Independent Non-Executive Director as the Senior Independent Director (SID) with suitably documented terms of reference.

The Terms of Reference of the SID are adopted in compliance with the said Direction.

The Senior Independent Director will serve to support the Chairman in his role; to act as an intermediary for other Directors and Shareholders. He will lead the Independent Non-Executive Directors in the oversight of the Chairman and to ensure there is a clear division of responsibility between the Chairman and the Chief Executive Officer. Non-Executive Directors including the Senior Independent Director shall assess the Chairperson's performance at least annually.

- a The Senior Independent Director has been appointed by the Board with the approval of the Central Bank of Sri Lanka.
- b The Senior Independent Director is required to meet the independence criteria set out in the Corporate Governance Direction No. 05 of 2021 issued by the Monetary Board of the Central Bank of Sri Lanka, the Code of Best Practice on Corporate Governance 2023 by the Institute of Chartered Accountants of Sri Lanka as well as the Rules of the Colombo Stock Exchange.

The Senior Independent Director shall have the authority:

- a. to call meetings of the Independent Non-Executive Directors with or without the Chairperson present, if, in his/her opinion, it is necessary;

- b. to meet with the shareholders of the Company, if necessary;
- c. to obtain external professional advice, at the Company's expense, if necessary.
- d. to act as Chairperson of the Board when matters concerning the Non Independent Non-Executive Chair are considered;
- e. to participate in all meetings with the majority, significant and minority shareholders and be made aware of any concerns by the Company Secretary
- f. to Chair meetings of the Board in the absence of the Chairperson

Apart from informal contacts, the Independent Directors met two times without the presence of the other Non Independent Directors/Chairman/CEO to discuss matters relevant to their responsibilities. The challenges and risks arising from such have been noted and discussed. These concerns have been shared with the Chairperson and CEO for further deliberation and have been brought to the attention of the Board.

The Senior Independent Director has:

- a acted as a sounding board for the Chairman and provided support to the Chairman on delivering his objectives;
- b promoted high standards of corporate governance;
- c ensured Board proceedings are carried out in a transparent manner that avoids actual or reasonably perceived conflicts of interest;
- d ensured that the views of the other Independent Non-Executive Directors are given due consideration;
- e made himself available for confidential discussions jointly and severally with other Independent Non-Executive Directors who may have concerns which they believe have not been properly or duly considered by the Board as a whole and which pertain

to significant issues that are detrimental to the Company;

- f been available to shareholders if they have concerns which the normal channels of contact have failed to resolve or for which such contact is inappropriate;
- g led meetings of the Independent Directors to enable them to convey to the Senior Independent Director any issue, concern or observation they may have relating to the entity and the operations of the Board and shall provide feedback and recommendations from such meetings to the Chairperson and the other Board Members
- h Been available to meet the Non-Executive Directors without the presence of the Chairperson
- i Assessed the Chairperson's performance and provided required confirmations to the Central Bank of Sri Lanka in line with the Finance Business Act.

The Independence of each Non-Executive Director has been established based on the information and declaration submitted by them.

I wish to thank the Chairman, Members of the Board, CEO/Acting CEO the Management team for their co-operation in sharing information with openness enabling the Board to make the necessary decision on a timely manner.



Y. Kanagasabai
Senior Independent Director

31 May 2024
Colombo

BOARD AUDIT COMMITTEE REPORT



The Committee has the explicit authority to investigate into any matter, unrestricted access to records, data, and reports and to the management and the staff, to obtain information considered necessary for the discharge of duties. The Committee is also authorised to obtain external professional advice at the Company's expense.

The Committee assessed the Company's compliance with financial reporting requirements, information requirements under the Companies Act, Finance Business Act and other relevant financial reporting related regulations (such as SLASs/IFRS) and requirements.

Board Audit Committee ("Audit Committee" or "the Committee") of the Company presents its report for the year ended 31.03.2024.

COMPOSITION

Until November 24, 2023, the Board Audit Committee consisted of two Independent Non-Executive Directors and one Non-Independent Non-Executive Director. Following the reconstitution of the Board Audit Committee on November 24, 2023, all three members are now Independent Non-Executive Directors. This composition aligns with the requirements specified by the regulators. The Board is satisfied that the current members of the Committee are competent in financial matters and have recent and relevant experience.

| Name of the Committee Member | Membership Status |
|---|-------------------------------------|
| Mr. Yudhishtan Kanagasabai - Chairman of the Committee | Independent Non- Executive Director |
| Mr. U. L. Asoka W. Bandara | Independent Non- Executive Director |
| Mr. Pravir D. Samarasinghe | Independent Non- Executive Director |

Attendance at the meetings during the year under review was satisfactory.

| Committee Member | Directorship Status | Membership Status | Attendance |
|-----------------------------|--|--|------------|
| Mr. Yudhishtan Kanagasabai | Independent Non-Executive Directors | Chairman (Appointed w.e.f 25.08.23) | 5/5 |
| Ms. Miriam Coralie Pietersz | Independent Non-Executive Directors | Chairperson (Ceased w.e.f. 05.07.23) | 2/2 |
| Mr. U. L. Asoka W. Bandara | Independent Non-Executive Directors | Interim Chairman (From 23.06.23 To 25.08.23) | 2/9 |
| | | Member | 7/9 |
| Mr. Azzam A. Ahamat | Non-Independent Non-Executive Director | Member (Ceased w.e.f. 24.11.2023) | 6/6 |
| Mr. Chanura Wijetillake | Independent Non-Executive Directors | Interim Member (Appointed w.e.f 23.06.23 Ceased w.e.f. 25.08.23) | 2/2 |
| Mr. Pravir D. Samarasinghe | Independent Non-Executive Directors | Member (Appointed w.e.f 24.11.2023) | 3/3 |

The profiles of the members are given on pages 162 to 169 of the Annual Report.

Mr. Aminda Rajapaksa, Head of Internal Audit and the Secretary to the Board Audit Committee.

MEETINGS

The Committee held nine (9) meetings during the financial year ended 31st March, 2024. Proceedings of these meetings, with adequate details of matters discussed are regularly reported to the Board. Representatives of the Company's External Auditors; Auditor General and Ernst & Young participated in two (02) meetings during the year. The Chief Executive Officer, Chief Operating Officer and other members of the senior management of the Company attended the meetings by invitation from time to time on a needs basis.

BOARD AUDIT COMMITTEE REPORT

Ms. Miriam Coralie Pietersz, Chairperson of the Board Audit Committee, resigned from the Board of Directors of People's Leasing & Finance PLC effective from July 7, 2023. The Board Audit Committee was reconstituted during the Board Meeting held on June 23, 2023. Mr. Asoka Bandara was appointed as the interim Chairman of the committee, and Mr. Chanura Wijetilleke was appointed as a committee member.

The Board Audit Committee was once again reconstituted during the Board Meeting held on August 25, 2023, and Mr. Yudhishtan Kanagasabai, replacing Mr. Chanura Wijetilleke, was appointed as Chairman of the BAC.

To further strengthen the BAC's composition, during the Board Meeting held on November 24, 2023, Mr. Pravir D. Samarasinghe was appointed as a Member of the BAC, replacing Mr. Azzam A. Ahamat. With this change, all members of the BAC are now Independent Non-Executive Directors.

ACTIVITIES OF THE COMMITTEE DURING THE FINANCIAL YEAR 2023/24

Terms of Reference of the Committee

The Board Audit Committee is appointed by the Board of Directors of People's Leasing & Finance PLC to assist and provide the board oversight of the integrity of financial reporting, adequacy of the system of internal control, assessment of the Company's compliance with legal and regulatory requirements.

The composition, scope, responsibilities, and authority of the Committee are defined in its Terms of Reference, which was reviewed annually to address any developments in the Committee's functions and concerns. The Terms of Reference were last reviewed during the BAC meeting held in November 2023 and were subsequently approved by the Board in the same month.

The Committee has the explicit authority to investigate into any matter, unrestricted access to records, data, and reports and to the management and the staff, to obtain information considered necessary for the discharge of duties. The Committee is also authorised to obtain external professional advice at the Company's expense.

Financial Reporting

The Committee assisted the Board of Directors in discharging its responsibility for the preparation of the quarterly and annual

Financial Statements to reflect a true and fair view of the affairs of the Company in conformity with the Sri Lanka Accounting Standards, the Sri Lanka Financial Reporting Standards, and Finance Business Act No. 42 of 2021 the Companies Act No. 7 of 2007, Sri Lanka Accounting & Auditing Standards Monitoring Board Act No.15 of 1995, rules and regulations of the Colombo Stock Exchange and the Securities and Exchange Commission of Sri Lanka and Central Bank of Sri Lanka Directions.

The committee received interim and annual financial statements duly signed and authorised by the DGM-Finance and CEO/ MD. These statements assure compliance with the Sri Lanka Accounting Standard, provisions of the Companies Act No. 7 of 2007, and provide the required information as per Rule 7.4 of the Colombo Stock Exchange.

The Committee reviewed and discussed the Company's interim and annual financial statements, assessed the acceptability of Accounting principles, significant estimates and judgments, and the impact of dividend declarations to the prudential ratios, in discharging their oversight responsibilities. The Committee reviewed the Impairment Policy Manual including the assessment of adequacy of provision for Expected Credit Loss (ECL) recognised in the financial statements.

External Audit

National Audit Act No. 19 of 2018, requires the Auditor General to carry out the audit by himself or any person authorised by the Auditor General. Accordingly, the Auditor General informed the Company of the appointment of Messrs. Ernst & Young to assist the Auditor General in performing the external audit for the FY 2023/24. Since the Auditor General is the External Auditor of the Company, as appointed under the Constitution, the Committee has no role to play in the appointment of the External Auditor.

The Committee met with the external auditors twice during the financial year. Initially, the Committee convened with the external auditors to discuss the audit plan, scope, and proposed methodology for conducting the annual audit. Subsequently, a second meeting was held with the external auditors to review the audit results.

The Committee held two confidential meetings with the external auditors without any other directors / senior management/employees being present to

facilitate open discussion on material issues, problems, or reservations. This allowed the external auditors to address their concerns and opinions directly with the Audit Committee. Accordingly, the Committee was informed that the management has provided all necessary information and explanations as requested by the auditors, ensuring unrestricted coverage of their scope of work. The outcomes of these discussions were communicated directly to the Board by the Committee.

The Committee undertook a review of the non-audit services offered by the Auditors, aiming to ensure that these services do not fall within the restricted categories and that their provision does not compromise the independence and objectivity of the External Auditors, who are appointed to assist the Auditor General. Additionally, during the Financial year 2023/24, the Committee reviewed the "Policy for Engagement of External Auditor to Provide non-audit Services" to ensure the policy is appropriately updated to reflect recent changes.

The Committee reviewed the External Auditor's Management Letters and the Report of the Auditor General under Section 154(6) of the Constitution together with management responses thereto. The Committee also initiated action to ensure that the recommendations contained in the Management Letter and Auditor General's Report were implemented by the Management.

Internal Audit

A dedicated Internal Audit Department performs the internal audit function and reports to the Audit Committee. The Committee ensured that the internal audit function was independent of the activities it audited and that the department had the necessary authority and expertise to perform its work independently. The rights, duties, responsibilities, and authority of the Head of Internal Audit and the Internal Audit Department are delineated in the Internal Audit Charter. This charter undergoes annual review by the Board Audit Committee and is approved by the Board.

The Committee takes a proactive stance by reviewing the annual internal audit plan prior to the start of the financial year. This review includes assessing the resources allocated to the department to ensure the department can provide uninterrupted assurance service. Additionally, the Committee consistently monitors the progress made in achieving the Audit Plan objectives.

The Internal Audit Manual is reviewed annually to address any developments in operational functions and procedures. Accordingly, the Committee reviewed the manual and approved it in February 2024.

The Company's Internal Audit Department regularly conducts on-site and off-site inspections of business units and branches. Information system audit examines and evaluates the company's information technology infrastructure, information security strategies and practices, governance, policies, procedures, and operational processes against recognised standards, best practices, or well-established policies.

The department reports its significant findings, recommended remedial actions to the Committee for deliberation. The Committee, in turn, evaluates these recommendations and actively follows up on their implementation. The performance evaluation of the Head of Internal Audit is carried out by the Committee annually.

Furthermore, the Internal Audit Department is intensifying its focus on leveraging data analytics tools to systematically identify exceptions, thereby fostering an agile approach to auditing and enhancing the efficiency and effectiveness of the audit process.

REGULATORY COMPLIANCE

The Committee assessed the Company's compliance with financial reporting requirements, information requirements under the Companies Act, CBSL directions, Finance Business Act, and other relevant financial reporting-related regulations (such as LKASs/ SLFRS), as well as requirements. The Committee scrutinized the reports submitted by the Compliance Officer and the Internal Audit to monitor compliance with such legal and regulatory requirements.

The Committee also monitored the progress of implementing the recommendations of the Central Bank of Sri Lanka's Statutory Examination Reports together with the management response thereto. The Committee oversees management's actions to update the core banking system and other initiatives undertaken to comply with CBSL directives.

INTERNAL CONTROLS

The Committee, assisted by the Internal Audit Division, assesses the adequacy and effectiveness of the Company's internal controls. The Internal Audit Department conducts assessments to ensure the efficiency and effectiveness of both the internal controls and the Management Information Systems, and verifies that the design of internal controls are effective, functioning properly, and that the respective process owners adhere to established procedures.

The Committee also reviewed the observations and recommendations of the External Auditors and the management's responses to them. Additionally, the Committee evaluates the effectiveness of the Company's Risk management function with the assistance of the Internal Audit Division.

The report on Internal Control System over Financial Reporting was reviewed and approved by the committee to be included in the annual report.

WHISTLEBLOWING

The Company's Whistleblower Protection policy is intended to provide a channel for corporate fraud risk management. The Whistleblower Protection policy, which guarantees the maintenance of strict confidentiality of the whistleblowers, was reviewed by the Committee and has been published in the Company intranet. The Employee Awareness Program has been

developed and is available in the Company's Learning Management System (LMS) to enhance employees' understanding of the Whistleblower Protection Policy.

Any employee who observes or notices improper or illegal activity or unethical practices in the Company or receives credible information is encouraged to report such incidents directly to the Chairman of the BAC.

The Whistleblowing Policy was reviewed by the BAC during February 2024 to further strengthen the policy. All necessary procedures are established to conduct independent investigations into incidents reported through whistleblowing or identified through alternative means. The Board Audit Committee reviews quarterly updates on complaints reported through the Company's Whistleblower communication channels.

EVALUATION OF THE COMMITTEE

The Board Audit Committee carried out its responsibilities within the scope of its authority as mandated by its Terms of Reference. The Committee undertook an appraisal of executing these responsibilities and concluded that the Committee had carried out its responsibilities satisfactorily during the financial year.



Y. Kanagasabai
Independent Director
Chairmen - Board Audit Committee

21 May 2024
Colombo

REPORT OF THE HUMAN RESOURCES AND REMUNERATION COMMITTEE

GRI 2-19, 2-20



Formed as a sub - Committee of the Board to ensure fair human resource policies and procedures within the Group, alongside a strong compensation structure intended to attract, retain, and inspire top-tier Key Responsible Personnel (KRPs)/Employees who play a vital role in achieving the Company’s strategic objectives. This involves crafting performance-based incentives for KRPs, the CEO, and Senior Management, along with devising performance metrics that are both pertinent and challenging, geared towards advancing stakeholder interests.

The Board HR & Remuneration Committee (BHRRC) is pleased to present its report for the financial year ended 31st March 2024

The BHRRC was formed as a sub - Committee of the Board to ensure fair human resource policies and procedures within the Group, alongside a strong compensation structure intended to attract, retain, and inspire top-tier Key Responsible Personnel (KRPs)/Employees who play a vital role in achieving the Company’s strategic objectives. This involves crafting performance-based incentives for KRPs, the CEO, and Senior Management, along with devising performance metrics that are both pertinent and challenging, geared towards advancing stakeholder interests.

COMPOSITION OF THE COMMITTEE:

People’s Leasing’s BHRRC consists of three members of Non-Executive Directors. The BNGC is chaired by an Independent Non-Executive Director. Each member

brings valuable expertise and experience in corporate governance, leadership, and industry knowledge to the Committee’s deliberations. The profiles of the members are given in the pages 162 to 169 of the Annual Report .

MEETINGS

The BHRRC met Seven (07) times during the year under review, with all meeting proceedings reported to the Board of Directors

When necessary, the Chief Executive Officer and the AGM HR /Senior Manager HR attended HRRC meetings by invitation.

The Company Secretary of People’s Leasing functions as the Secretary to the BHRRC.

TERMS OF REFERENCE

The Board Approved Terms of Reference (‘TOR’) sets out the duties and responsibilities

of the BHRCC. TOR’s are reviewed annually by the Board and appropriate changes made as needed to reflect compliance requirements and best practices. In the current year the BHRRC’s TOR’s will be updated in line with the Finance Business Act direction No. 5 of 2021 on Corporate Governance and Corporate Governance requirements of the Colombo Stock Exchange in keeping with the aim to promote early adoption of section 9 of Corporate Governance requirement of the Listing Rules of the Colombo Stock Exchange.

As set out in its TOR, HRRC assists the Board of Directors in fulfilling its oversight responsibility by;

- » Reviewing and approving the principles, parameters and governance of the Company’s remuneration framework
- » Reviewing and approving the remuneration of Directors, and Key

| No. | Members of the Committee | Executive | Non Executive | Independent | Non Independent | No of Meetings Attended |
|-----|---|-----------|---------------|-------------|-----------------|-------------------------|
| 1 | Mr. U.L.A.W.Bandara - Chairman - (Ceased to be a member w.e.f 24th Nov. 2023 - Upon re constitution of Sub Committees) | | ✓ | ✓ | | 3/3 |
| 2 | Mr. Rohan Pathirage (Ceased to be a member w.e.f 18th Oct. 2023 - upon his resignation) | | ✓ | | ✓ | 3/3 |
| 3 | Ms. Coralie Pietersz - (Ceased to be a member w.e.f 5th July 2023 - Upon her resignation) | | ✓ | ✓ | | 0/1 |
| 4 | Mr. Chanura J. Wijetillake - (Appointed w.e.f 13th July 2023 and Ceased to be a member w.e.f. 25th Aug. 2023 - upon re constitution of Sub Committees) | | ✓ | ✓ | | 1/1 |
| 5 | Mr. P. Amirthanayagam - Appointed w.e.f 25th Aug. 2023 and Ceased to be a member w.e.f 24th Nov. 2023 - Upon re constitution of Sub Committees | | ✓ | | ✓ | 1/1 |
| 6 | Mr. Y. Kanagasabai (Chairman) - (Appointed w.e.f 24th Nov. 2023 - upon re constitution of Sub Committees) | | ✓ | ✓ | | 4/4 |
| 7 | Mr. Pravir Samarasinghe - (Appointed w.e.f 24th Nov. 2023 - upon re constitution of Sub Committees) | | ✓ | ✓ | | 4/4 |
| 8 | Mr. Clive Fonseka - (Appointed w.e.f 24th Nov. 2023 - upon re constitution of Sub Committees) | | ✓ | | ✓ | 4/4 |

Responsible Persons' (KRPs) including setting the overall Remuneration Policy

- » Determining and periodically reviewing the payments/allowances made to Non-Executive Directors in line with and within the parameters of the regulatory authority
- » Providing assurance to the Board that the Company's remuneration practices comply with the regulatory and other legislative requirements
- » Providing assurance to the Board that the Company's remuneration framework is in line with People's Leasing's risk appetite, business strategy, culture and values, and long-term interests of the Company and its stakeholders, and is free from any form of bias.

AUTHORITY

The recommendations of the BHRRC are brought to the notice of the Board to make a final decision. The Committee is authorised to obtain professional advice as and when required at the expense of the Company and this is coordinated by the Company Secretary

ACTIVITIES 2023/24

During the year, the BHRRC reviewed the Organisational Structure and the structure of the Corporate Management, culminating in the recommendation of revisions to certain job descriptions to ensure alignment with current standards. As part of this same effort, the structure within the Legal and Digital Marketing Departments were further reviewed and updated to reflect the evolving needs of the organisation

In order to disseminate the updates effectively, the BHRRC instructed all new policies to be made available via the Company's Intranet and composed HR-lead road shows across all branches, facilitating direct staff engagement.

Upon receiving communication from the Director General of the Department of Public Enterprises, the HRRC recommended a revision in Director Sitting fees/allowances for Board Members in line with market practices.

In line with the commitment to fair compensation, the Profit Bonus Policy was amended to introduce minimum performance bonus criteria.

The BHRRC recommended to the Board an Outbound Training (OBT) programme aimed at enhancing employee motivation and

teamwork through immersive experiences outside their regular work environments.

Recognising the importance of market competitiveness, the BHRRC conducted a comprehensive salary survey with remuneration levels adjusted accordingly to align with current market levels.

A policy was developed to honour long-serving corporate Management employees upon retirement or resignation.

The mobile usage policy was revised during the financial year

In conducting recruitments throughout the year, stringent assessments were made, considering academic and professional qualifications as mandated by the Finance Business Act No. 42 of 2011 and Directive No. 6 of 2021 to ensure the fitness and propriety of Key Responsible Persons (KRPs).

SUCCESSION PLANNING AND LEADERSHIP PIPELINE STRATEGY OF PLC

The company has a well-established strategy in developing a strong leadership pipe-line as a key action step of the succession planning process.

Key strategic action point of the succession plan is to develop a "Talent Pool" and the strategy implementation starts with identifying the critical positions required for the organisation's success and uninterrupted business continuation.

The objective of the Talent Pool is to ensure that for the business continuity there are always qualified individuals ready to fill critical roles, minimising disruption. Also to ensure that the High-potential employees are more likely to stay with the organisation if they see clear career progression opportunities.

By implementing the Future Leaders project, the company will have a competitive advantage in terms of business agility to quickly adopt to changes and seize new opportunities.

For the Talent Pool, the critical roles were identified based on the organisational needs assessment prioritising the impact on business continuity and performance.

Defining of the Competencies and the Skills were determined by a thorough analysis of each key position by understanding the required skills, experiences, and competencies

REMUNERATION POLICY

The BHRRC undertakes the formulation of the Company's reward strategy to ensure that employees receive compensation commensurate with their performance, skills, experience, and level of responsibility, thereby enabling the Company to retain talent essential for achieving its strategic goals.

The People's Leasing Remuneration Policy, reinforces the desired corporate culture and fosters behaviours consistent with the Company's values, while also incentivising employees to consistently deliver high performance in support of our strategic priorities.

The Company's Remuneration policy is periodically reviewed and updates recommended by the BHRRC in line with market variations, statutory revisions and general living standards.

The Company has in place, a performance-driven bonus policy that takes into account employee contributions and achievements when determining compensation levels across all staff categories

The BHRRC is authorised to engage any external consultant or expertise that may be considered necessary to ascertain or assess the relevance of the remuneration levels applicable to Directors and CEO

for future requirements considering the future business needs and industry trends and determining the skills and competencies that will be needed.

The Head of the Divisions (HODs) were given the ownership in prioritising the critical roles in their respective departments. Based on the assessment, successors were nominated by the HODs based the required key competencies for the positions and potentials for these positions. Nomination of the successors were done based on the performance evaluations, psychometric assessments, 360-degree feedback, and the leadership potential assessments. The nominated candidates were selected through a selection panel.

Once the successors are finalised, an individualised development plan is developed for each Talent Pool member outlining the

REPORT OF THE HUMAN RESOURCES AND REMUNERATION COMMITTEE

steps needed to prepare them for future roles. Further, identified training programs, workshops, and seminars are arranged to address the competencies required for key positions. Furthermore, mentors and coaches are assigned to guide their development and to provide regular feedback.

Enrolling the talent pool members in leadership development programs that focus on strategic thinking, decision-making, and other critical leadership skills are key areas in Future Leaders project.

Progress of the project is monitored and evaluated through regular review meetings to review the progress of employees in the talent pool to adjust development plans as needed.

KPIs will be used to measure the effectiveness of development activities and the readiness of employees for succession.

Another action step of the succession plan is to offer job rotation opportunities to give employees exposure to different areas of the organisation. Also assigning challenging projects that push employees out of their comfort zones and develop new skills is another significant action step of the whole process.

The whole succession planning process is being established ensuring that all the projects includes diverse employees by using unbiased criteria for identification. The company encourages and facilitate any additional resources and support to ensure

diverse talent can progress through the pipeline.

DIRECTORS REMUNERATION

The aggregate remuneration paid to the Directors/CEO/Senior Management during the financial year under review is given in the page no 307 in the Annual Report, which is in line with the Board Remuneration Policy adopted by the Board on 26th March 2024

CONCLUSION

The BHRRC urges the Board of Directors to prioritise the attraction, retention, and development of skilled employees, while fostering a culture that champions diversity, equity, and inclusion, as it firmly believes that a robust human resources strategy is fundamental to the Company's long-term success.



Y. Kanagasabai
Chairman of the Committee

31 May 2024
Colombo

RELATED PARTY TRANSACTIONS REVIEW COMMITTEE REPORT



The Company has a Board approved policy for Related party transactions, which outlines the criteria for identifying 'related parties' in accordance with relevant regulations, including Listing Rules, Directions, and LKAS 24 of Sri Lanka Accounting Standards. The policy ensures that the company avoids transactions with related parties that could provide them with preferential treatment.

The Related Party Transaction Review Committee, a sub Committee of the Board, evaluates and recommends all proposed transactions between the Company and its related parties. This ensures transparency and upholds sound corporate governance principles within the Group.

The Committee is pleased to present its report for the year ended 31st March 2024.

COMPOSITION OF THE COMMITTEE

The Committee currently consists of three non-executive board members, the majority of whom including the Chairman are Independent Directors (Profiles of the members are given in to the pages 162 to 169)

The Company Secretary of People's Leasing & Finance PLC functions as the Secretary to the Committee.

MEETINGS

The Committee met four times during the year under review.

When necessary, the Chief Executive Officer and Compliance Officer, as well as the Chief Manager Finance, attended Committee meetings by invitation.

The proceedings of the Committee meetings have been regularly reported to the Board of Directors.

TERMS OF REFERENCE

Terms of Reference ('TOR') sets out the functions of the Committee in line with the Finance Business Act direction No. 5 of 2021 on Corporate Governance, section 9 of the Listing Rules of the Colombo Stock Exchange, Share Trading Policy and the Related Party transaction Policy Manual.

RELATED PARTY TRANSACTIONS REVIEW COMMITTEE - 2023/24

| No. | Members of the Committee | Executive | Non Executive | Independent | Non Independent | No of Meetings Attended |
|-----|---|-----------|---------------|-------------|-----------------|-------------------------|
| 1 | Mr. U.L.A.W. Bandara - Chairman (Appointed w.e.f 24th Nov. 2023) | | ✓ | ✓ | | 4/4 |
| 2 | Mr. Chanura J. Wijetillake - (Chairman until 24th Nov. 2024) | | ✓ | ✓ | | 4/4 |
| 3 | Mr. Rohan Pathirage - ceased to be a member w.e.f 18th Oct 2023 - Upon his resignation | | ✓ | | ✓ | 2/2 |
| 4 | T.M. Wellalage (appointed w.e.f 24th Nov. 2023) | | ✓ | | ✓ | 1/1 |

RELATED PARTY TRANSACTIONS POLICY

The Company has a Board approved policy for Related party transactions, which outlines the criteria for identifying 'related parties' in accordance with relevant regulations, including Listing Rules, Directions, and LKAS 24 of Sri Lanka Accounting Standards. The policy ensures that the company avoids transactions with related parties that could provide them with preferential treatment.

Additionally, the Related Party Transaction Policy requires self-declarations from each Director and Key Management Personnel (KMPs) to identify parties related to them annually.

Furthermore, the Company's Code of Business Conduct and Ethics mandates that Board members assess potential or actual conflicts of interest arising from personal relationships, external associations, and material matters which may have a bearing on his/her independent judgment. Directors who have such potential or actual conflict of interests are required to immediately disclose such conflict to the Board of Directors as soon as he/she becomes aware of it.

REVIEWING POLICIES AND PROCEDURES ON RELATED PARTY TRANSACTIONS

The Related Party Transaction Review Committee regularly reviews the Policies and Procedures on RPT Transactions adopted by the company. Further it carries out an overview functions over its subsidiaries.

During the year, the Share Trading Policy and the Policy on staff secondments were carefully reviewed and revised to align with the evolving needs of the business.

The TOR is due for review in year 2024 on adoption of section 9 of the Corporate Governance Rules of the Colombo Stock Exchange.

RELATED PARTY TRANSACTIONS REVIEW COMMITTEE REPORT

SCOPE OF THE COMMITTEE

The Committee reviews all proposed related party transactions in advance, except those explicitly exempted in the TOR and in accordance with the Colombo Stock Exchange (CSE) Listing Rules.

Implement policies and procedures to review the Company's related party transactions, as well as overseeing existing policies and procedures

Recommending to the full Board, where necessary, that the approval of the Company's shareholders be obtained by way of a Special Resolution prior to the concerned transaction being entered into, as specified in Sections 9.14.6 of the Listing Rules.

Establishing guidelines to be followed by the employees of the Company in respect of ongoing related party transactions

Ensuring that no Director of the Company shall participate in any discussion of a proposed related party transaction for which he or she is a related party, unless such Director is requested to do so by the Committee solely for the purpose of providing information thereon to the Committee without influencing voting on the matter

Ensuring that immediate market disclosures and disclosures in the Annual Report as required by the applicable rules/regulations are made in a timely and sufficiently detailed manner.

Monitoring the Related Party Transactions, if any, to ensure that they are conducted in a manner that will prevent or mitigate the impact of any conflict of interest which may arise between the Company and its Related Parties.

Reviewing the TOR of the Committee periodically to ensure that it reflects the best practices of the industry at all time.

Performs other activities which the Committee deems appropriate and necessary for the performance of its duties and undertake other responsibilities which the Board may assign to the Committee from time to time

RELATED PARTY TRANSACTIONS DURING 2023/24

The Committee reviewed Related Party Transactions of the Company during the period of 01 April 2023 to 31 March 2024 and has thus complied with the rules pertaining to Related Party Transactions as set out in Section 9.14.5 of the Listing Rules of the CSE. The Company has not entered into any transactions as contemplated in Sections 9.14.6, 9.14.7 and 9.14.9 of the Listing Rules of the CSE.

All transactions entered into by the Company which fall under section 9.14.8 of the Listing Rules have been disclosed in Note. 55 to the Financial Statements on pages 380 to 386.

AUTHORITY

The recommendations of the Committee are reported to the Board to take final decisions on the matters where necessary. The Committee is authorised by the Board to obtain professional advice as and when it deems necessary at the expense of the Company which is coordinated by the Company Secretary.

DECLARATION

The Board of Directors declare the following in terms of rule No 9.16 of the Listing Rules of Colombo Stock Exchange that

- (i) They have declared all material interests in contracts involving in the Entity and that they have refrained from voting on matters in which they were materially interested;

- (ii) They have conducted a review of the internal controls covering financial, operational and compliance controls and risk management and have obtained reasonable assurance of their effectiveness and successful adherence therewith;
- (iii) They have made arrangements to make themselves aware of applicable laws, rules and regulations and are aware of changes particularly to Listing Rules and applicable capital market provisions;
- (iv) They have made disclosure of relevant areas of any material non-compliance with law or regulation and any fines, which are material, imposed by any government or regulatory authority in any jurisdiction where the Entity has operations.



U.L.A.W. Bandara
Chairman of the Committee

31 May 2024
Colombo

NOMINATION & GOVERNANCE COMMITTEE REPORT

 GRI 2-10, 2-18


The Nomination & Governance Committee is dedicated to assisting the Board in identifying and recommending candidates who possess the necessary proficiencies, expertise, and familiarity essential for meeting the strategic needs of the Company.

The Board Nomination and Governance Committee (BNGC) is pleased to present its report for the financial year ended 31st March 2024.

The Nomination & Governance Committee was formed as a sub - Committee of the Board in line with Section 10.4 of the Finance Business Act Direction No.05 of 2021 and Rule 9.11 of the Corporate Governance Rules of the Colombo Stock Exchange. The main role of the Committee is to ensure that Directors/KRPs of the Company are fit and proper persons to hold office as per the criteria set out in the Directions issued by the Central Bank of Sri Lanka, the Listing Rules of the Colombo Stock Exchange and other relevant Statutes.

In line with the revisions to the Corporate Governance Rules of the Colombo Stock Exchange, the Committee name was changed to Nomination & Governance Committee (BNGC).

The BNGC operates within the terms of reference as approved by the Board.

COMPOSITION OF THE NOMINATION AND GOVERNANCE COMMITTEE:

The BNGC consists of three Non-Executive Directors, of which two-thirds Independent Directors. The BNGC is chaired by an Independent Non-Executive Director. Each member brings valuable expertise and experience in corporate governance, leadership, and industry knowledge to the Committee's deliberations. The profiles of the members are given in the pages 162 to 169 of the Annual Report.

The BNGC met seven (07) times during the year under review with all meeting proceedings reported to the Board of Directors.

When necessary, the Chief Executive Officer/ GM and Compliance Officer, as well as the AGM HR/ Senior Manager HR attended the Committee meetings by invitation.

The Company Secretary of People's Leasing functions as the Secretary at all BNGC meetings.

TERMS OF REFERENCE

The Board Approved Terms of Reference ('TOR') sets out the duties and responsibilities of the BNGC.

The BNGC's TOR's have been formulated in line with the Finance Business Act Direction No. 5 of 2021 on Corporate Governance and direction No. 6 of 2021 on Fitness and Propriety. TOR's are reviewed annually by the Board and appropriate changes made as needed to reflect compliance requirements and best practices. In the current year the HRRC's TOR's were updated in line with the new Finance Business Act direction No. 5 of 2021 on Corporate Governance.

The Board Governance Charter and the Policy for Board of Directors Selection, Appointment, Nomination, Re-Election, and Continuation outline the procedures for nominating and appointing directors to the Board.

As set out in its TOR, the BNG assists the Board of Directors in fulfilling its oversight responsibility;

ATTENDANCE AT MEETINGS HELD DURING NOMINATION & GOVERNANCE COMMITTEE - 2023/24

| No. | Members of the Committee | Executive | Non Executive | Independent | Non Independent | No of Meetings Attended |
|-----|--|-----------|---------------|-------------|-----------------|-------------------------|
| 1 | Mr. U.L.A.W.Bandara - Chairman (Ceased to be a Member w.e.f. 24th Nov. 2023- upon committee re constitution) | | ✓ | | ✓ | 5/5 |
| 2 | Mr. Rohan Pathirage - (Ceased to be a member w.e.f 18th October 2023 - upon his resignation) | | ✓ | | | 2/2 |
| 3 | Ms. Coralie Pietersz - (Ceased to be a member w.e.f 5th July 2023 - upon her resignation) | | ✓ | | ✓ | 0/1 |
| 4 | Chanura J. Wijetillake (Chairman) - Appointed w.e.f 13th July 2023 | | ✓ | | ✓ | 6/6 |
| 5 | Y. Kanagasabai - Appointed w.e.f 24th Nov 2023 | | ✓ | ✓ | ✓ | 5/5 |
| 6 | I. Balapatabendi - Appointed w.e.f 24th Nov 2023 | | ✓ | | | 5/5 |

NOMINATION & GOVERNANCE COMMITTEE REPORT

- » To determine the strategy and policy in relation to terms and conditions of engagement of the Directors and Senior Management. The Chairman of the BNGC discusses with other members of the committee and provides feedback to the Chairman of the Board on board effectiveness and annual Board evaluations
- » To identify and designate senior management, who are in a position to significantly influence policy, direct activities and exercise control over business operations and risk management. ; and
- » To develop and maintain a formal, rigorous and transparent procedure for making recommendations on appointments and re-appointments to the board of the Company and reviewing the succession plans for the Directors and Key Responsible Persons (KRPs). ; and
- » To establish a fit and proper person policy, taking into account the fit and proper criteria stated in regulations.
- » To propose suitable guidelines for the identification, appointment and re-appointment of Directors to the Board.
- » To monitor compliance with the Corporate Governance Statutory Guidelines.
- » To establish the process for conducting the review of the GM/CEO performance annually.
- » To oversee and review the Board's succession plan together with the Succession plan for key responsible persons
- » To ensure Board Diversity in the range of experience, skills, age and gender as an essential factor for effective Board performance

AUTHORITY

The recommendations of the Committee are brought to the notice of the Board to make a final decision. The Committee is authorised to obtain professional advice as and when required at the expense of the Company and this is coordinated by the Company Secretary

ACTIVITIES 2023/24

Pursuant to Article 27(2) of the Company's Articles of Association, the BNGC carried out a fit and proper assessment of new Board Members - Mr. Y Kanagasabai, Mr. T.M. Wellalage, Mr. H.I. Balapatabandi, Mr. P.D. Samarasinghe, Mr. A.M.P.M.B. Atapattu, and Mr. U.K. Samararatne. Accordingly, all six new Directors were deemed Fit and Proper and as such eligible for re-election at the 1st Annual General Meeting following their appointment.

Accordingly, shareholders will be invited to re-elect them at the upcoming Annual General Meeting. The profiles of the members and details are given in the pages 162 to 169 under the Corporate Governance report of the Annual Report.

In Terms of the Articles of the Association of the company, Directors are not subject to re-elections at regular intervals. However in terms of the Finance Business Act Direction No. 5 of 2021, all Board Members are subject to an Annual Fit & Proper Assessment for their continuation as Directors for the next financial year.

All Board Members were assessed for their Independence/Non Independence at the beginning of the Financial Year. The criteria on Independence was reviewed against the relevant Directions of the Finance Business Act and the Listing Rules of the Colombo Stock Exchange for the year 2024/2025. Accordingly, the Committee remains satisfied that Directors - Mr. Y Kanagasabai, Mr. U.L.A.W. Bandara, Chanura J. Wijetillake and Mr. Pravir Samarasinghe can continue as Independent Non Executive Directors for the ensuing year.

The Committee assessed the skills, experience, diversity, and independence of current Board members and identified any gaps that needed to be filled.

The Committee also assessed the nomination of new appointments Key Responsible Persons (KRP) against the criteria on fitness & propriety for KRP's as defined by the Finance Business Act Direction No. 6 of 2021. Necessary competency, capability and integrity of the members have also been evaluated and recommended by the Committee for such appointments.

The procedure for the Professional Development of the Board of Director was formalised and a policy with a designated budget allocated for such activities to empower Board Members with the requisite knowledge and skills necessary to effectively fulfill their roles and responsibilities in governing the Company.

The Committee proactively initiated the early adoption of the revised requirements outlined in Section 9 of the Listing Rules, with necessary amendments to Company policies identified, and respective policy owners engaged with a view to developing necessary inputs to revise, improve, or draft policies accordingly.

The organisational structure of People's Leasing was reviewed with a view to establishing succession plan for the Key Management Personal. All new promotions granted during the year were also reviewed in line with the new organisational structure

Facilitated Board Evaluation for the year 2023/24 as well as the assessment and review of the appointment of the Acting CEO/GM.

The Committee also undertook to perform the formal annual evaluation of its effectiveness. The output of the evaluation was forwarded to the Board of Directors for formal approval and / or any corrective action on the shortcomings.

LOOKING AHEAD:

Going forward, the BNGC remains focused on maintaining a Board that is well-equipped to navigate the evolving business landscape and drive long-term value creation for our shareholders. We will continue to prioritise diversity, expertise, and independence in the process of selecting Board members, ensuring the Board reflects the varied perspectives necessary for effective decision-making.

DECLARATION

The Committee diligently adheres the corporate governance standards outlined in the Listing Rules of the CSE, ensuring full compliance with each provision.

Declarations submitted by Board Members under the Appendix 9A of the Listing Rules section 9 and following this review, it was ascertained that the Independent Directors of the Board, namely Mr. Kanagasabai, Mr. U.L.A.W. Bandara, Mr. Pravir Samarasinghe, and myself, effectively met the criteria for assessing independence.

CONCLUSION

The Nomination & Governance Committee is dedicated to assisting the Board in identifying and recommending candidates who possess the necessary proficiencies, expertise, and familiarity essential for meeting the strategic needs of the Company. Additionally, the committee is committed to ensuring that both the Board and the Company reflect the desired diversity and opportunities for all stakeholders



Chanura J. Wijetillake
Chairman of the Committee

31 May 2024

BOARD INTEGRATED RISK MANAGEMENT COMMITTEE REPORT



In progressing towards achieving well-accepted risk management standards - Basel II Pillar 2 requirements, the Company had voluntarily adopted the Internal Capital Adequacy Assessment Process (ICAAP). During the period under review, the Committee reviewed the ICAAP document, and upon its recommendation, submitted it to the Board for adoption.

The Board of Directors of People's Leasing & Finance PLC which is primarily responsible for the integrated risk management initiatives has delegated its authority to the Board Integrated Risk Management Committee ("BIRMC" or "Committee") to review and assess the adequacy and effectiveness of the risk profile of the Company and the Group, in terms of Section 10.3 of the Finance Business Act (Corporate Governance) Direction No. 05 of 2021.

TERMS OF REFERENCE (TOR)

In June 2023, the Committee revised the TOR to provide greater clarity in line with the Corporate Governance Direction No.5 of 2021 issued by the Central Bank of Sri Lanka. In compliance with the aforementioned Direction, The TOR clearly set out authority/ delegations vested with the Committee, composition, responsibilities, meeting frequency and quorum, reporting and other procedures of the Committee.

COMPOSITION

The BIRMC comprised the following members whose profiles are given on pages 162 to 169.

| Name of the BIRMC Member | Directorship Status |
|--|--|
| Mr. Pravir Samarasinghe w.e.f. 24.11.2023 | Committee Chairman (Non-Executive, Independent Director) |
| Mr Chanura J. Wijetillake Up to 24.11.2023 | Committee Chairman (Non-Executive, Independent Director) |
| Mr. Yudhishtan Kanagasabai w.e.f. 25.08.2023 | Committee Member (Non-Executive, Independent Director) |
| Mr Azzam A. Ahamat | Committee Member (Non-Executive, Non-Independent Director) |
| Mr K. C. J. C. Fonseka Up to 25.08.2023 | Committee Member (Non-Executive, Non-Independent Director) |
| Ms Roshini Wijeratne Up to 25.08.2023 | Committee Member (Non-Executive, Non-Independent Director) |

REGULAR ATTENDEES BY INVITATION

- » Chief Executive Officer/ General Manager
- » Chief Operating Officer
- » Chief Risk Officer
- » AGMs Branch Network
- » Compliance Officer
- » Key Management Personnel from PLC Subsidiaries
 - Chief Executive Officer - People's Insurance PLC (PI)
 - Head of People's Micro-commerce Ltd
 - Officer-in-charge of People's Leasing Fleet Management Limited
 - Chief Executive Officer - Alliance Finance PLC
 - Director - People's Leasing Property Development Limited
 - Director - People's Leasing Havelock Properties Limited

MEETINGS

The Committee held seven (07) meetings during the year under review. The attendance of the members of the Committee was as follows :

| No. | Name of the Director | Executive | Non-Executive | Independent | Non independent | No. of Meetings (Attended/ Eligible to attend) |
|-----|---|-----------|---------------|-------------|-----------------|--|
| 1 | Mr Pravir Samarasinghe - Committee Chairman w.e.f 24.11.2023 | | ✓ | ✓ | | 2/2 |
| 2 | Mr Chanura J. Wijetillake - Committee Chairman Up to 24.11.2023 | | ✓ | ✓ | | 5/5 |
| 3 | Mr Yudhishtan Kanagasabai w.e.f 25.08.2023 | | ✓ | ✓ | | 4/4 |
| 4 | Mr Azzam A. Ahamat - Committee Member | | ✓ | | ✓ | 6/7 |
| 5 | Mr K. C. J. C. Fonseka - Committee Member Up to 25.08.2023 | | ✓ | | ✓ | 1/3 |
| 6 | Ms Roshini Wijeratne Up to 25.08.2023 | | ✓ | | ✓ | 3/3 |

BOARD INTEGRATED RISK MANAGEMENT COMMITTEE REPORT

REPORTING TO THE BOARD

Risk assessment report immediately after the BIRMC meeting was submitted to the Board seeking their views, concurrence and/or specific directions. Minutes of the Committee which include the deliberations and conclusions reached were submitted to the subsequent BIRMC meeting for confirmation and adoption. All minutes of the meetings were formally signed by the Committee Chairman and the approved minutes were also submitted to the Board.

ACTIVITIES

The BIRMC effectively assisted the Board of Directors in performing its oversight function in relation to the internal/external risks faced by the Company in carrying out its business operations. All key risks monitored through Key Risk Indicators (KRIs) on a monthly basis are submitted to the Committee for review at its meeting held every two months.

INTEGRATED RISK MANAGEMENT

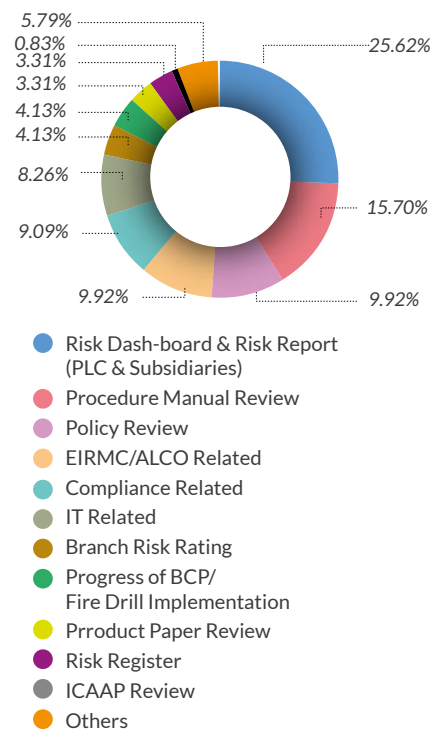
- » In progressing towards achieving well-accepted risk management standards - Basel II Pillar 2 requirements, the Company had voluntarily adopted the Internal Capital Adequacy Assessment Process (ICAAP). During the period under review, the Committee reviewed the ICAAP document, and upon its recommendation, submitted it to the Board for adoption.
- » The Committee reviewed the Policies submitted, including the following;
 - Risk Management Policy
 - Risk Appetite and Tolerance Statement
 - Post Disbursement Review Policy
 - IT Policies
 - ESG Sustainability Policy
 - Customer Accessibility and Dispute Handling Policy
 - Business Expansion Policy
- » The Committee reviewed the new procedure manuals and amendments to the existing manuals submitted, including the following;
 - FD & Savings Related Manuals
 - Islamic Finance Related Manuals
 - Gold Loan Manual
 - Recovery Procedure Manual
 - Procurement Manual

- Tender Auction Manual
- Legal Procedure Manual
- » The Committee reviewed the new products and services;
 - Solar Product Paper
 - Agriculture Product Paper
 - Safety Deposit Product Paper
 - Gold Card Product Paper
- » The Committee reviewed the TORs of the Executive Integrated Risk Management Committee and Information Security Committee.
- » The Committee reviewed the risk register quarterly, which was reported in line with the Corporate Governance Direction no. 5 of 2021.
- » The Committee reviewed and deliberated on the Branch Risk Rating Assessment quarterly. It also reviewed and approved the amendments proposed to the Branch Risk Rating Methodology.
- » Reviewed the risk reports (Risk Dashboard/Risk Indicator reports) of PLC and its subsidiary companies. All participants at meetings were actively encouraged to review all risks comprehensively and also to undertake analyses going beyond the requirement of regulations.
- » The Committee reviewed the ALCO and EIRMC meeting minutes and discussed the concerned matters and proposed necessary action.
- » The Committee reviewed the progress of the Sustainability drive of the Company.

CREDIT RISK

- » The Committee focused on asset quality indicators including infectious score and deliberated in detail on the necessary course of action to improve the asset quality of the Company.
- » Reviewed the portfolio quality through non-performing loan analysis and compared with the industry ratios.
- » Reviewed the credit concentration risk sector-wise, product-wise and asset-wise and the compliance with regulatory requirements such as single borrower limits.

Key Areas of Discussion and Time Allocated



- » The Committee reviewed stress tests to assess the impact of the increase in the level of loss ratio with the increase of objective evidence on the profitability and capital adequacy.
- » Reviewed the deliberations that were carried out by the EIRMC in respect of managing the credit risk and recommended action against any gaps noted.

LIQUIDITY AND MARKET RISK

- » Reviewed the minutes of ALCO meetings submitted to the Committee to assess the effectiveness of liquidity and market risk management.
- » Reviewed the adequacy of maintained liquid assets, the maturity mismatch, sensitivity analysis, and interest rate re-pricing gaps.
- » Reviewed liquidity stress test results and adequacy of contingent funding lines.

OPERATIONAL RISK

- » Reviewed the Risk register, which includes operational risk events together with the operational risk matrix.

- » Reviewed key operational risk indicators established with respect to human resources and frauds and deliberated on risk mitigation strategies.
- » Reviewed the status of unsatisfactory rated audits determined based on the strength of the internal control system.
- » Reviewed the adequacy of operational risk management based on the Branch Level Operational Risk Assessment results and deliberations carried out by the EIRMC on operational risk-related areas.

Business Continuity

- » Reviewed the progress of the BCP drill and Fire drill execution at the Branch level.

INFORMATION AND CYBER SECURITY RISK

- » The Committee reviewed the ICT Risk Assessment based on numerous asset categories related to ICT operations and the Risk Assessment on Change Management submitted by the Information Security Officer (ISO) quarterly.
- » The Committee reviewed the proposed TOR of the Information Security Committee (ISC) to establish a management-level Committee to address issues on technology adoption, information security, cyber security, outsourcing and concentration.
- » Reviewed the minutes of the IT Steering Committee and ISC and deliberated on the action items, especially on the development of the core IT system.
- » The Committee reviewed the proposed amendments and new IT policies and procedures and recommended for Board approval.

REGULATORY AND COMPLIANCE RISK

- » Reviewed the Company's compliance with the regulatory requirements and monitored against the risk tolerance levels, where applicable.
- » Reviewed the compliance reports submitted by the Compliance Officer to assess the Company's compliance with laws, regulations, regulatory guidelines,

internal controls and approved policies in all areas of Company operations.

- » Reviewed the new directions, circulars and guidelines issued by the Central Bank of Sri Lanka and deliberated the action items thereon.
- » Reviewed the Annual Compliance Plan and recommended for the Board approval.
- » Reviewed quarterly group compliance reports, which included a summary of the compliance status of all PLC subsidiaries.
- » Reviewed the status of branch compliance reviews and degree of compliance and the Committee provided directions thereon.
- » Monitored compliance with the guideline for financial institutions on CCTV operations for AML/CFT purposes, No. 02 of 2021.
- » Reviewed the comprehensive AML reports quarterly and the Company level Money Laundering and Terrorist Financing risk assessment.

STRATEGIC RISK

- » Reviewed the effectiveness of strategies implemented in response to the changes in the business environment.
- » Reviewed strategic risk indicators against set risk tolerance levels and industry ratios.

ASSESSING THE RISK PROFILE OF SUBSIDIARY COMPANIES

During the year under review, the following subsidiary companies submitted Risk Dashboard/ key risk indicator reports to the BIRMC enabling the Committee to review the risk profile of each subsidiary company and the overall risk profile of People's Leasing Group. Highlights of subsidiary company reviews are given below.

People's Insurance PLC (PI)

- » The Committee reviewed the underwriting quality, investment concentrations, motor claim ratios together with KRIs of default risk, operational risk, strategic risk, compliance risk on a quarterly basis.
- » The Committee reviewed the PI's Compliance with the Risk-Based Capital Model regulated by the Insurance Regulatory Commission of Sri Lanka

(formerly known as the Insurance Board of Sri Lanka)

- » The Committee reviewed the industry analysis and deliberated on the future strategies of the Company.
- » The Committee reviewed the progress of the action items agreed at the meetings.

People's Micro-commerce Limited (PML)

- » PML involves in the business of providing microfinance facilities to ensure financial inclusivity of the under privileged, rural and urban population and operates with a different risk profile.
- » The Committee reviewed the asset quality and credit concentration sector-wise and product-wise.
- » The Committee reviewed the Company's risk profile quarterly against set risk tolerance limits.
- » The Committee deliberated and reviewed the future strategies of the Company.

People's Leasing Fleet Management Limited (PLFML)

- » PLFML operations were mainly confined to valuation services.
- » BIRMC quarterly reviewed the Risk Dashboard reports submitted by PLFML.
- » The Committee deliberated on the resource utilisation of the Company given the stressed operating environment and reviewed the future strategies of the Company.

Alliance Finance PLC - (PLC's Bangladesh Subsidiary)

- » BIRMC quarterly reviewed the Risk Dash-board reports submitted by Alliance Finance PLC.
- » CEO of Alliance Finance PLC participated in BIRMC meetings through video conferencing to explain the operations of the Company and risk mitigating strategies.
- » The Committee reviewed the future strategies of the Company.

Property Development Subsidiaries

- » The Committee reviewed the Risk Indicator reports submitted by People's

BOARD INTEGRATED RISK MANAGEMENT COMMITTEE REPORT

Leasing Property Development Limited and People's Leasing Havelock Properties Limited.

- » The Committee reviewed the operations of these companies, including occupancy details.

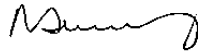
The Risk and Control Department coordinated with the aforementioned subsidiaries of People's Leasing and briefed the Committee on the relevant information through various risk indicators and additional information.

Others

- » Worked with the Senior Management closely and made decisions on behalf of the Board within the framework of the authority and responsibility assigned to the Committee.
- » Supervised the procedures of Integrated Risk Management responsibilities pertaining to risk management strategies, policies and processes.

- » Recommended corrective action to mitigate the effects of specific risks at levels beyond the risk tolerance levels approved by the Board and on the basis of Company's policies, regulatory and supervisory requirements.

During the year under review, the BIRMC extended its support in line with the risk appetite and tolerance framework and also by reviewing and recommending policies, manuals and products to the Board, and in the execution of overall business strategy emphasising the upside and downside risks which can have an impact on the Company and the Group.



Pravir Samarasinghe
Committee Chairman

31 May 2024

BOARD CREDIT COMMITTEE



The BCC acknowledges the significance of fostering a robust credit culture and remains dedicated to upholding the Company's credit management policies and practices in line with the highest standards of integrity.

The Board Credit Committee (BCC) is pleased to present its report for the financial year ended 31st March 2024.

The BCC is a voluntary body established by People's Leasing & Finance PLC (People's Leasing) Board to oversee its Credit Functions and provides assistance to the Board in reviewing and supervising the Company's lending processes.

COMPOSITION OF THE COMMITTEE

The BCC consists of three Non-Executive Directors, of which two-thirds are Independent Directors. The BCC is chaired by a Non Independent Non-Executive Director. Each member brings valuable expertise and experience in credit risk management to support the Committee's deliberations. (Profiles of the members are given on pages 162 to 169).

MEETINGS

The BCC held two meetings during the year under review, with all meeting proceedings reported to the Board of Directors.

The Chief Executive Officer of the Company is a permanent invitee of the committee and attends all BCC meetings. When necessary, the DGM - Finance, Head of Risk, AGM - Recoveries as well as the Acting Head of Credit also attended BCC meetings by invitation.

The Company Secretary of People's Leasing functions as the Secretary at all BCC meetings.

TERMS OF REFERENCE

The Board Approved Terms of Reference ('TOR') sets out the duties and responsibilities of the BCC. TOR's are reviewed annually by the Board and appropriate changes made as needed to reflect compliance requirements and best practices.

As set out in its TOR, the BCC assists the Board of Directors in fulfilling its oversight responsibility by;

- » Considering and recommending to the Board of Directors on the overall Credit Strategy and Credit Policy of the Company

- » Considering and recommending to the Board of Directors on Manuals and lending guidelines related to Credit including any changes required from time to time
- » Reviewing and recommending the appropriate portfolio mix/ diversification by considering Market Conditions/ Economic Climate of the Country, Risk Appetite, Regulatory Requirements and Risk Return Tradeoff.
- » Sanctioning of Credit Proposals – The BCC shall consider and approve/decline credit proposals within its delegated credit approving authority limits
- » Reviewing and making suitable recommendations to the Board on the Credit Proposals that are beyond its delegated credit approving authority limits
- » Reviewing the Credit Portfolio, Portfolio Performance and delinquency on regular basis with a view to consider all issues that may materially impact on the credit quality of the company and to ensure the adequacy of loan loss provisions.

BOARD CREDIT COMMITTEE - 2023/24

| No. | Members of the Committee | Executive | Non Executive | Independent | Non Independent | No of Meetings Attended |
|-----|--|-----------|---------------|-------------|-----------------|-------------------------|
| 1 | Ms. Roshini Wijerathna - appointed w.e.f 27.04.2023 - Ceased to be a member w.e.f 5th September 2023 - upon her resignation | | ✓ | | ✓ | 1/1 |
| 2 | Mr. Azzam A. Ahamat (Appointed Chairman upon reconstitution of the Sub Committee) - Appointed w.e.f 24th Nov. 2023 | | ✓ | | ✓ | 1/1 |
| 3 | Mr. Chanura J. Wijetillake | | ✓ | ✓ | | 2/2 |
| 4 | Mr. U.L.A.W.Bandara | | ✓ | ✓ | | 2/2 |

BOARD CREDIT COMMITTEE

- » Evaluating the effectiveness of the follow-up and/or corrective action implemented by the Management to address the deterioration in the asset quality and recommended the required changes, if any.
- » Considering and approving exposure limit/loan to value ratio for each type of collateral based on the current economic climate of the Country and risk appetite of the Company and conducting periodic reviews of the same
- » Reviewing and approving the Credit scoring Model to evaluate the Credit Risk or the Probability of Default of the Borrowers and reviewing the same at least once in every year
- » Product development – Review and recommend credit related product development proposals submitted by the Management considering Marketability, Margins, Collateral, Recovery or Collection process, Control requirements, Regulatory requirements and overall risk relating to the product.
- » Credit Administration – Periodically review Credit administration process and make sure that the process is effective to deliver a smooth and fast service to clients while ensuring the process has adequate control mechanisms to mitigate operational risks
- » Promote Credit Culture within the Company by adhering to the regulations relating to credit, best practices in credit while maintaining high level of ethical standards.

AUTHORITY

The recommendations of the BCC are brought to the notice of the Board for final decision. The BCC is authorised to obtain professional advice as and when required at the expense of the Company.

ACTIVITIES 2023/24

During the year under review, the BCC continuously reviewed extension of credit as well as settlement proposals.

The delegated Credit authority limits were revised in line with the changes to the organisational structure.


The BCC also proposed amendments to the policy governing the valuation and inspection of immovable property and additionally has advised the management to uphold a robust and diversified loan portfolio, with vigilant oversight on credit risk.

The Credit Policy was reviewed and the Credit Procedure Manual was adopted.

The BCC recommended the implementation of the new Credit Management System allowing for electronic approval of facilities.

CONCLUSION

The BCC acknowledges the significance of fostering a robust credit culture and remains dedicated to upholding the Company's credit management policies and practices in line with the highest standards of integrity. Additionally, the Committee is confident that its recommendations effectively align with the credit and lending objectives of both the Board and the management team



Azzam A. Ahamat
Committee Chairman

31 May 2024

BOARD INVESTMENT COMMITTEE



To evaluate high profile investment opportunities or investments that have a substantial impact to the business structure of the Company, including acquisitions/divestments/spinoffs/mergers, investments in subsidiaries/associates/special purpose vehicles or related parties, equity investments.

The Board Investment Committee is pleased to present its report for the financial year ended 31st March 2024

The Board Investment Committee (BIC), is a voluntary Sub Committee established to oversee the Company's investment activities and strategic direction.

COMPOSITION OF THE COMMITTEE

The BIC consists of three Non-Executive Directors, of which one is an Independent Director. The BIC is chaired by a Non Independent Non-Executive Director. Each member brings valuable expertise and experience in portfolio management to support the Committee's deliberations. (Profiles of the members are given on pages 162 to 169)

MEETINGS

The BIC held five (05) times during the year under review, with all meeting proceedings reported to the Board of Directors

When necessary, the Chief Executive Officer and DGM - Finance attended Committee meetings by invitation.

The Company Secretary of People's Leasing & Finance PLC functions as the Secretary to the BIC

TERMS OF REFERENCE

The Board Approved Terms of Reference ('TOR') sets out the duties and responsibilities of the BIC. TOR's are reviewed annually by the Board and appropriate changes made as needed to reflect compliance requirements and best practices.

As set out in its TOR, the BIC assists the Board of Directors in fulfilling its oversight responsibility;

- » To establish People's Leasing's investment strategy to be in line with the Company's Vision and Mission and review annually.
- » To assess if such investments are in line with the Company's Investment Policy Statement.
- » To evaluate high profile investment opportunities or investments that have a substantial impact to the business structure of the Company, including acquisitions/divestments/spinoffs/mergers, investments in subsidiaries/associates/special purpose vehicles or related parties, equity investments

(except for trading purposes), debentures, government securities (except for investments aimed at fulfilling statutory requirements.

- » To evaluate the Company's investment portfolio risks and returns
- » To review the progress of due diligences and progress of potential investments such as acquisitions/divestments/spin-offs/mergers, etc.
- » Any other matters relating to investments referred to the Committee by the Board.

AUTHORITY

The recommendations of the BIC are brought to the notice of the Board to make a final decision. The BIC is authorised to obtain professional advice as and when required at the expense of the Company.

ACTIVITIES 2023/24

During the year under review, the BIC reviewed the revised dividend policy aligning with the present regulatory requirements on distribution

With regard to new opportunities, on 8th of June 2023, People's Leasing & Finance PLC entered into a Share Purchase Agreement

BOARD INVESTMENT COMMITTEE - 2023/24

| No. | Members of the Committee | Executive | Non Executive | Independent | Non Independent | No of Meetings Attended |
|-----|-------------------------------------|-----------|---------------|-------------|-----------------|-------------------------|
| 1 | Mr. K.C.J. Clive Fonseka - Chairman | | ✓ | | ✓ | 5/5 |
| 2 | Mr. Chanura J. Wijetillake | | ✓ | ✓ | | 5/5 |
| 3 | Mr. Azzam A. Ahamat | | ✓ | | ✓ | 5/5 |

BOARD INVESTMENT COMMITTEE

with Janashakthi Limited to purchase One Hundred and Thirty Three Million Six Hundred and Fifty Thousand (133,650,000) Ordinary shares held by Janashakthi Limited in First Capital Holdings PLC, which constitutes Thirty Three Percent (33%) of the issued shares of First Capital Holdings PLC, at a consideration of Rupees Thirty Seven and Cents Ten (Rs. 37.10) per share amounting to a total consideration of Rupees Four Billion Nine Hundred and Fifty Eight Million Four Hundred and Fifteen Thousand (Rs. 4,958,415,000/-). The above intended transaction was subject to approval of the Central Bank of Sri Lanka and any or all other regulatory authorities applicable to the two parties.

However, on 04th September 2023, the Company announced that the stipulated timelines for Completion of the transaction lapsed on the 23rd of July 2023 since the necessary regulatory approvals were not received by that date. Moreover, the parties were not able to agree on the extension of the timelines.

The Committee continued to work closely with management to ensure that the Company's investment decisions are informed by comprehensive research and analysis, and that the Company's asset and liability portfolios are positioned to capture opportunities while managing risk effectively.

CONCLUSION

The Board Investment Committee wishes to express its appreciation to the investment team and all employees involved in the investment process for their dedication and diligence in managing the company's investment portfolio. The Committee remains committed to its oversight role and will continue to monitor and evaluate investment activities to ensure the best possible outcomes for the company and its shareholders.



K.C.J. Clive Fonseka
Chairman of the Committee

31 May 2024

COMPLIANCE RISK MANAGEMENT STATEMENT

PEOPLE'S LEASING & FINANCE PLC: BUILDING A STRONG COMPLIANCE CULTURE

In fiscal year 2023/24, People's Leasing & Finance PLC (People's Leasing) made a concerted effort to strengthen its compliance framework to protect the Company from regulatory risks by ensuring adherence to applicable laws, regulations, and internal policies. This proactive approach is vital to shield the Company from potential financial penalties, reputational damage, and operational disruptions.

OUR APPROACH

People's Leasing has established a comprehensive Compliance Risk Management Framework accompanied with clear duties and responsibilities to drive Company-wide compliance. The framework consists of:

A Dedicated Compliance Team: To monitor Company-wide compliance with external regulations and internal policies and report findings directly to the Board Integrated Risk Management Committee (BIRMC) for appropriate action.

Compliance Policies and Procedures: Formal policies such as

- » Anti-Money Laundering (AML) Policy
- » Share Trading Policy
- » Compliance Charter & Policy Manual
- » Policy on Outsourcing of Business Operations
- » Related Party Transaction Policy & Manual (RPT)
- » Procedure guideline on Anti Money Laundering & Combating the Financing of Terrorism

Technology Investment: To align internal system functions with the GOAML reporting module, World check one security solution system and the Key Transaction Monitoring System to strengthen monitoring and management of compliance risks. The investment in technology also aims to streamline internal system development and reporting regarding Related Party Transactions (RPT) and Politically Exposed Persons (PEP)."

Compliance Culture: Employees are provided with the necessary training and resources to understand their obligations and report potential concerns through a new Compliance Hotline.

KEY DEVELOPMENTS IN FY 2023/24

Compliance Hotline: Introduction of a dedicated hotline to enable employees to report potential compliance risks, while safeguarding their confidentiality.

Streamlined Operations: The compliance function was optimised by assigning specialised officers to manage specific risk areas.

Enhanced Training: Risk-focused training programs were conducted to ensure employees at all levels are equipped to uphold compliance standards.

Compliance Risk Assessments: Regular risk assessments were implemented to proactively identify high-risk areas and mobilise resources accordingly.

Third-Party Due Diligence: Process enhancements to improve vendor and partner alignment with People's Leasing's compliance standards.

Data Security and Privacy: Strengthened protocols and employee training on data privacy regulations to safeguard sensitive customer information.

Compliance Monitoring and Reporting: A robust system was established for ongoing monitoring and reporting to senior management and the Board, providing clear visibility into potential risks.

Regulatory Engagement: Increased engagement with regulatory bodies through participation in industry forums and workshops to understand evolving regulations and latest development in compliance best practices.

Compliance Awareness Campaigns: Internal communication campaigns to raise awareness about compliance procedures and encouraged employees to report potential concerns.

LOOKING FORWARD

People's Leasing remains committed to continuous improvement in its compliance framework. The Company will actively monitor and update its approach to ensure it remains compliant with evolving regulations and maintains a strong culture of ethical conduct.

COMPLIANCE RISK MANAGEMENT FRAMEWORK

The Compliance Risk Management Framework for 2023/24 encompasses:

Risk Assessment: Identifying and evaluating potential risks that may impact the Company's ability to remain compliant.

Leadership and Governance: The Company's leadership allocated financial and other necessary resources towards strengthening the compliance function, and promoting a culture of compliance across the organisation.

Reporting and Communication: Dashboards and critical key risk indicators for ongoing and periodic reporting to senior management and the Board, regulators, and Internal Audit.

Internal Controls: Continuous and ongoing improvement of internal policies, manuals, circulars, and guidelines, including system controls and screening.

Compliance Training: Risk-focused training workshops, covering all business lines and shared services.

Regulatory Interaction and Coordination: Standard processes for regulatory interaction and coordination.

Compliance Risk Assessment: Continued focus on understanding compliance obligations and potential vulnerabilities due to proliferating data privacy and cyber security regulations.

People's Leasing & Finance PLC's Compliance Risk Management Framework for 2023/24 emphasises continuous monitoring and implementation of regulatory compliance requirements. This holistic approach ensures the Company maintains a strong compliance culture and upholds ethical standards across its operations, at all times.