

# CORPORATE GOVERNANCE

## Chairman's Statement on Governance

### Dear Shareholders

I am pleased to introduce our Corporate Governance Report for 2020/21, which sets out the principles of good governance that we practice at Aitken Spence. Collectively, the Board is aware of the need for sound corporate governance to maintain an appropriate balance between stakeholder interests while driving sustainable growth for the Group.

### Our approach to corporate governance

The challenges presented by COVID-19 underscored the importance of a robust framework. Embedded governance practices ensure the Group's commitment to high standards of corporate governance realized through enhanced accountability, strong risk and performance management, transparency, and effective and ethical leadership. The framework is regularly reviewed to adapt to internal and external developments and is aligned to evolving best practice.

### Delivering stakeholder value

Aitken Spence is committed to understanding and being responsive to the interests and expectations of all stakeholders. This is evident from our response to the pandemic, where our first priority was to ensure the health, safety and well-being of all our stakeholders.

The Board advocates integrating Environmental, Social and Governance (ESG) priorities into policy and strategy formulation and driving responsible and sustainable growth. Feedback from stakeholder engagement mechanisms forms a key input in strategy formulation.

### Navigating through the COVID-19 pandemic

In a year of unparalleled challenges, the Board has provided leadership to recalibrate the strategic priorities of the Group in line with our long-term vision and purpose. Vigilance and oversight by the Board increased significantly as the Board spent a considerable amount of time assessing the impact and risks to the Group.

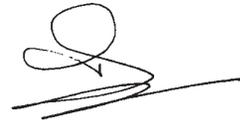
### Compliance

Our strong corporate culture is fundamental to our business continuity and success, and the Board plays a critical role in shaping the culture of the Group, which is also underpinned by the Group's Code of Ethics & Professional Conduct. This is reviewed and updated from time to time to ensure it is fit for purpose in a rapidly evolving business environment. Directors are conscious of their duty to comply with the laws, regulations, regulatory guidelines, internal controls and approved policies. The Group is compliant with all relevant legal and statutory requirements.

### Looking Ahead

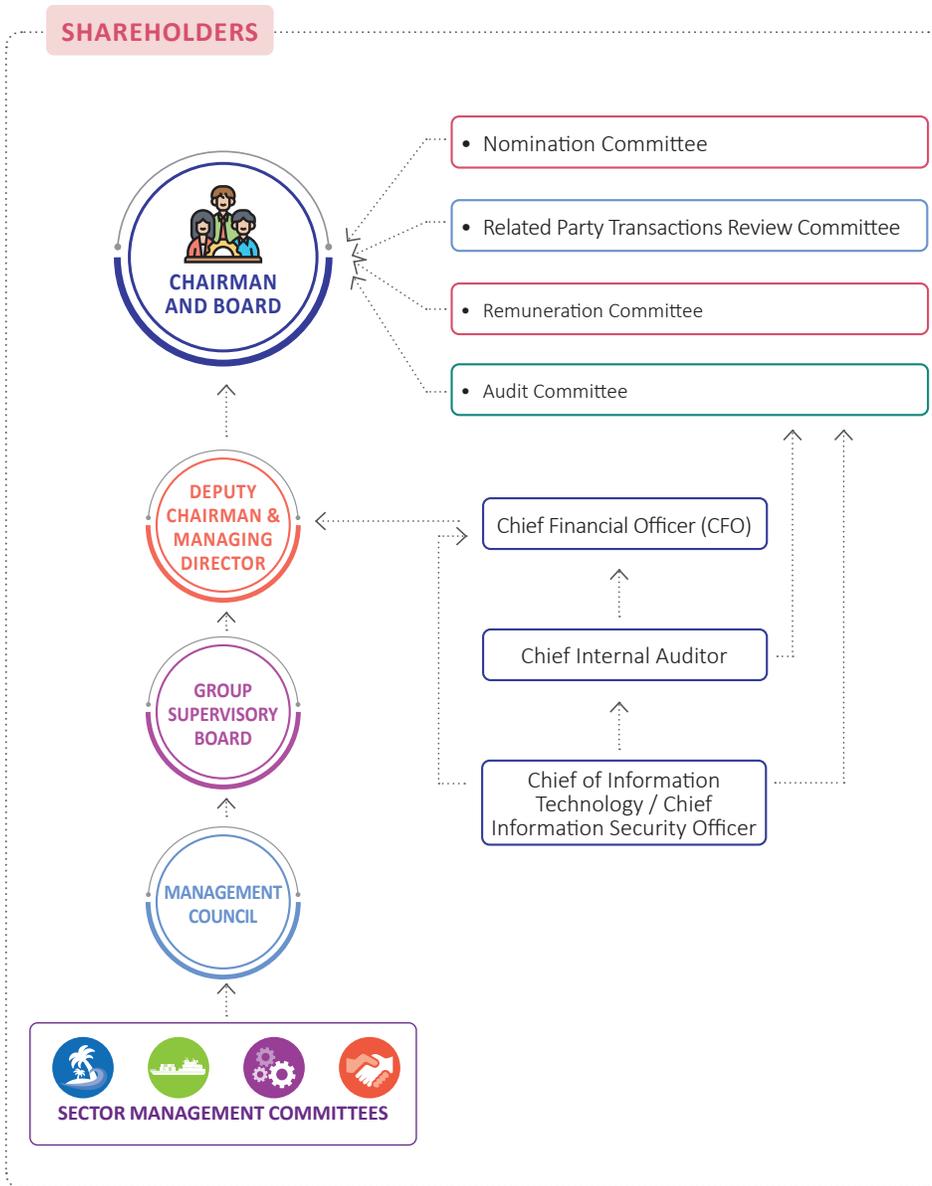
The Board will continue to support good governance and the application of sound corporate governance principles based on effective and ethical leadership. The Board will remain vigilant over the evolving business landscape while continuing to support the Management in the implementation of the Group's strategic plan in building a future fit and sustainable business.

As required by the Code of Best Practice on Corporate Governance 2017 issued by the Institute of Chartered Accountants of Sri Lanka. I hereby confirm that, I am not aware of any material violations of any of the provisions of the Group's Code of Ethics & Professional Conduct by any Director or employee of Aitken Spence Group.



**Deshamanya D.H.S. Jayawardena**  
Chairman

Colombo  
28th May 2021



**GOVERNANCE HIGHLIGHTS -2020/21**

- Continued regular reviews of the impact and risks to the organisation arising from the COVID-19 pandemic.
- Recalibrated strategy in line with the Group’s long-term vision and purpose, considering impact of the pandemic, Integrated Environment, Social and Governance aspects.
- Approved the acquisition of 100% shareholding of Waltrim Energy Ltd., and its 3 wholly owned subsidiaries for a sum of Rs. 900 Mn. consolidating the Group’s investments in renewable energy.
- Continued to review progress and provide strategic guidance over the Group’s on-going projects. Approved commissioning of the 1st waste to energy power plant in Sri Lanka.
- Maintained the Group’s commitment to ensure environmental and social governance and sustainability.
- Approved the Groups initiation of an intelligent automation programme and the appointment of Deloitte Singapore as Consultants.
- The Group remains committed to increasing women’s representation and leadership in the Group. Endorsing the Group’s commitment to the Target Gender Equality programme of the UN Global Compact, the Group appointed Ms. Stasshani Jayawardena (Executive Director) as the Group’s top-level “Ambassador”.
- Recommended a first and final dividend of Rs. 1/- per share.
- Recommended the re-appointment of Deshamanya D.H.S. Jayawardena, Mr. G.C. Wickremasinghe, Mr. R.N. Asirwatham, Mr. J.M.S. Brito and Mr. N.J. de S. Deva Aditya who are over the age of 70 years and the re-election of Ms. D.S.T. Jayawardena who retires in terms of Article 83 of the Articles of Association, at the Annual General Meeting (“AGM”) to be held on 30th June 2021. All the retiring Directors have offered themselves for re-appointment/re-election.

<p><b>BOARD</b></p> <p>Provides policy direction to the Company</p>	<p><b>DEPUTY CHAIRMAN &amp; MANAGING DIRECTOR (MD)</b></p> <p>Leads the Executive Management. Responsible for implementation of strategy and performance.</p>	<p><b>GROUP SUPERVISORY BOARD (GSB)</b></p> <p>Formulates and oversees the execution of strategies within the policy framework set out by the Main Board</p>	<p><b>MANAGEMENT COUNCIL</b></p> <p>Executes strategies at operational level.</p>	<p><b>SECTOR MANAGEMENT COMMITTEES</b></p> <p>Monitors and reviews operations at sector level.</p>
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# CORPORATE GOVERNANCE

## Compliance Summary

REGULATION / CODE	ADOPTION	ADHERENCE
The Companies Act No.7 of 2007 and regulations	Mandatory	Compliant
Listing Rules of the Colombo Stock Exchange (CSE)	Mandatory	Compliant
Securities and Exchange Commission of Sri Lanka Act No. 36 of 1987, including directives and circulars	Mandatory	Compliant
Code of Best Practice on Corporate Governance 2017, issued by the Institute of Chartered Accountants of Sri Lanka	Voluntary	Compliant

### 1. Governance Structure

The Aitken Spence Board provides direction and leadership and assumes collective responsibility for the overall governance, performance, strategy and affairs of the Group.

Structures of delegation provide for the assignment of authority while enabling the Board to retain effective control.

The Board has delegated specific oversight responsibilities that warrant greater attention, to four (4) Board Sub-Committees while daily management of the Group and implementation of the Group’s strategic plan have been delegated to the Group Supervisory Board (GSB) lead by the Deputy Chairman & Managing Director. Regular reporting on key matters enables effective oversight by the Board.

Key Management Personnel (KMP) are competent and have the requisite skills, knowledge and experience to carry out their duties. Strategically aligned Key Performance Indicators (KPI) drive performance and the achievement of objectives.

### 2. An Effective Board

The Board of Directors continues to provide ethical and effective leadership, to safeguard stakeholder value creation within a framework of robust and effective controls.

The ensuing sections from 2.1. Board Composition, to 2.8. Succession Planning highlights the good governance practices adopted to ensure the role of the Board is effective and ethical.

### KEY RESPONSIBILITIES OF THE BOARD

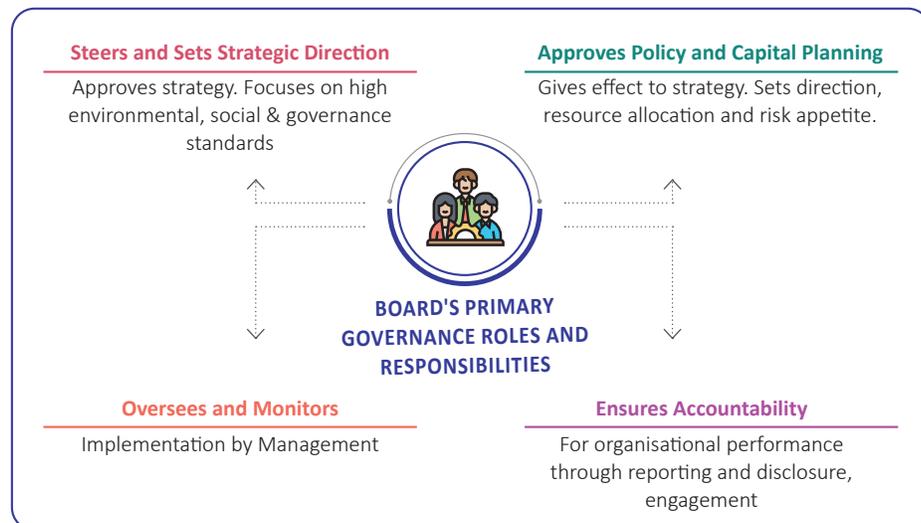
- Provide strategic direction.
- Monitor implementation of strategy.
- Set corporate values and promote ethical behaviours.
- Establish systems of risk management, internal control, and compliance.
- Be responsive to the needs of society.
- Meet shareholders, employees, and other stakeholder’s obligations, balancing their interests in a fair manner.
- Present a balanced and understandable assessment of the Company’s position and prospects.
- Safeguard assets and ensure legitimate use.

Committee composition and roles are summarized on page 180.

Directors and Key Management Personnel are indemnified by Aitken Spence PLC in respect of liabilities incurred as a result of their office, in terms of Section 218 of the Companies Act. No. 7 of 2007.



The compliance levels with the Code of Best Practice on Corporate Governance 2017, issued by The Institute of Chartered Accountants of Sri Lanka are available on Company’s website at <https://aitkenspence.com/corporate-governance/corporate-governance-report> and forms a part of this Corporate Governance Section



## 2.1 Board Composition

A balanced and diverse Board.

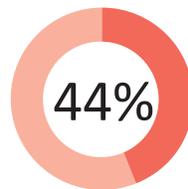
### BOARD COMPOSITION

- Executive Directors (including Chairman)  

- Non-Executive Directors  

- Independent Non-Executive Directors  


### INDEPENDENCE



of the Board is deemed independent

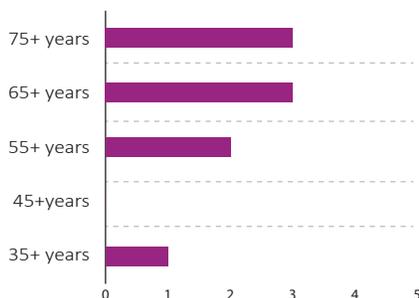
### GENDER DIVERSITY



89% : 11%

### AGE DIVERSITY

Mature Board. Insight and experience of older Board members complements fresh perspectives of those younger



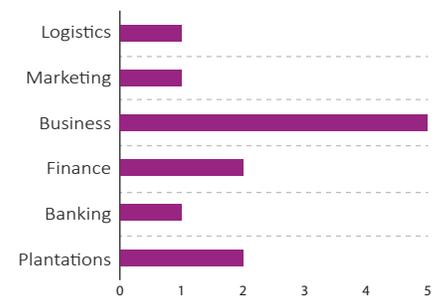
### BOARD SIZE



Appropriate Board size promoting accountability and encouraging healthy, constructive debate and decision-making, while meeting regulatory requirements

### EXPERTISE

Experienced Board; combining knowledge and skills relevant to the Group.



The Board comprises of 9 members, 3 of whom are deemed independent, as explained on pages 181 and 182 Directors Independence. Although two executive Board Members Deshamanya D.H.S. Jayawardena and Ms. D.S.T. Jayawardena are related to each other, they act in the best interest of the Group in spirit, intention, purpose and attitude.

Sufficient balance of power minimizes the tendency for one or few members of the Board to dominate the Board processes or decision making.

The collective background of the Board of Directors provides a balanced mix of

skills, experience and tenures to enable the Board to fulfil its roles and responsibilities objectively and effectively. Non-Executive Directors are eminent professionals in their respective fields, who bring varied perspectives to Board deliberations and constructively challenge management. The Board, through the Nomination Committee reviews the composition on an ongoing basis.

All Directors possess financial acumen and knowledge through experience gained from leading large enterprises. Two Directors are finance professionals.

# CORPORATE GOVERNANCE

## 2.2 Board Sub-Committees

The Board has delegated certain responsibilities requiring greater attention to four Board Sub-Committees with oversight responsibility for same. This enables the Board to allocate sufficient time to matters reserved for its decision making, particularly execution of strategy and forward-looking agenda items, while ensuring delegated matters receive in-depth focus. The Committees, with the exception of the Nomination Committee, comprise of only Non-Executive Directors. Committee Chairmen are accountable for the effective functioning of the Committees and report regularly to the Board on Committee activities.

### MANDATORY COMMITTEES

- Audit Committee
- Remuneration Committee
- Related Party Transactions Review Committee

### VOLUNTARY COMMITTEES

- Nomination Committee

## Compliance Summary

Board Committee	Areas of Oversight	Composition	Committee Report
<b>Audit Committee</b>	<ul style="list-style-type: none"> <li>• Financial Reporting</li> <li>• Internal Controls</li> <li>• Internal Audit</li> <li>• External Audit</li> </ul>		Page 197
<b>Remuneration Committee</b>	<ul style="list-style-type: none"> <li>• Remuneration policies and practices</li> <li>• Recommend Executive remuneration</li> </ul>		Page 196
<b>Related Party Transactions Review Committee</b>	<ul style="list-style-type: none"> <li>• Review of related party transactions for regulatory compliance</li> </ul>		Page 199
<b>Nomination Committee</b>	<ul style="list-style-type: none"> <li>• Evaluating and recommending the appointment or re-appointments/re-election of Directors to the Board.</li> <li>• Succession Planning</li> </ul>	 Includes Executive Chairman of the Board	Page 195

Independent Non-Executive Director Non-Executive Director Executive Director Chairman

### GOVERNANCE THROUGH THE PANDEMIC

- The COVID-19 pandemic has created unprecedented change, requiring agility and adaptation across the Group to face the wealth of challenges to employees and business.
- From the onset of the pandemic in March 2020, the Deputy Chairman & Managing Director communicated regularly with the Board to provide clarity and reassurance about the business while prioritizing employees' safety and well-being, ensuring financial resilience and helping local communities.
- The Board supported the management in establishing a COVID-19 Operational Task Force responsible for monitoring the pandemic across the subsidiary companies of the Group and departments to ensure the business is reacting to the pandemic in an effective and timely manner and to ensure the safety of all stakeholders. The Committee meets weekly and reports to the Group Supervisory Board. A dashboard of relevant operational metrics is presented to the Board fortnightly.
- Vigilance and oversight by the Board increased significantly, as the Board provided leadership to recalibrate the strategic priorities of the Group in line with the long-term vision and purpose. Risk management particularly cybersecurity, fraud, theft and credit recoveries and internal control were key priorities.
- The Board was mindful of ensuring the long-term resilience and strength of the business and positioning the Group to capitalize on opportunities emerging from the turmoil of the pandemic.
- The Board continues to monitor and review the evolving business landscape and progress made against measures implemented by the Group to sustain business.

## 2.3 Clear Roles and Responsibilities

Roles and responsibilities of the Chairman and Chief Executive Officer are clearly defined by mandates and job descriptions, and by which means authority is delegated and accountability established. Key roles of Chairman and Deputy Chairman & Managing Director are separate strengthening the decision-making process.

### CHAIRMAN

#### Role

- Leads the Board, preserving good corporate governance and ensuring that the Board works effectively.

#### Responsibilities

- Setting the Board's annual work plan and the agendas.
- Building and maintaining stakeholder trust and confidence.
- Ensuring effective participation of all Board members during Board meetings.
- Monitoring the effectiveness of the Board.

### DEPUTY CHAIRMAN & MANAGING DIRECTOR

#### Role

- Accountable for implementation of strategic plan and driving performance.

#### Responsibilities

- Appointing and ensuring proper succession planning of the corporate management team and assessing their performance.
- Developing the Company's strategy for consideration and approval by the Board.
- Developing and recommending to the Board, budgets supporting the Company's long-term strategy.
- Setting the Board agenda in consultation with the Chairman and assisted by the Company Secretaries.
- Monitoring and reporting to the Board on the performance of the Company and its compliance with applicable laws and Corporate Governance principles.
- Establishing an organisational structure for the Company which is appropriate for the execution of strategy.
- Ensuring a culture that is based on the Company's values.
- Ensuring that the Company operates within the approved risk appetite.

## 2.4 Company Secretaries

The office of the Company Secretaries is integral to the effective functioning of the Board. Aitken Spence Corporate Finance (Private) Limited acts as Secretaries to the Board and guides the Board on discharging its duties and responsibilities, promoting best practices in Corporate Governance. Responsibilities of the Company Secretaries include:

- Ensuring the conduct of Board and General Meetings in accordance with the Articles of Association and relevant legislation.
- Maintaining statutory registers and the minutes of Board Meetings, General Meetings and of the Sub-committee Meetings.
- Prompt communication to regulators and shareholders.
- Filing statutory returns and facilitating access to legal advice in consultation with the Board, where necessary.

All Directors have access to the advice and services of the Secretaries as necessary.

The Secretaries maintain minutes of Board meetings, which are open for inspection by any Director. Appointment and removal of the Company Secretaries is a matter for the Board as a whole.

## 2.5 Directors Independence

### << GRI 102-24 >>

Directors are experienced leaders in their respective fields and exercise independent judgement on matters set before them. Further, two Directors, Deshamanya D.H.S. Jayawardena and Ms. D.S.T. Jayawardena are related to each other. However, they act in the best interests of the Group using their independent judgement on matters referred to the Board.

## CORPORATE GOVERNANCE

### Mr. G.C. Wickremasinghe

Has served as a Board Member of Aitken Spence for over nine years and was also an Executive Director on the Board prior to the assumption of duties as a Non-Executive Director. The Board having considered the above facts is of the view that the period of service and the Executive Directorship previously held by him do not compromise his independence and objectivity in discharging his functions as a Director and therefore determined that Mr. G.C. Wickremasinghe is 'independent' as per the Listing Rules.

### Mr. C.H. Gomez

The Board is of the view that the period of service of Mr. C.H. Gomez as a Board Member, which exceeds nine years does not compromise his independence and objectivity in discharging his functions as a Director. Therefore, the Board determined that Mr. C.H. Gomez is 'independent' as per the Listing Rules.

### Mr. R.N. Asirwatham

The Board is of the view that the period of service of Mr. R.N. Asirwatham, does not compromise his independence and objectivity in discharging his functions as a Director. Therefore, the Board determined that Mr. R.N. Asirwatham is 'independent' as per the Listing Rules.

### DEFINITION

- Independence is determined against criteria as set out in the Listing Rules of the Colombo Stock Exchange and in compliance with schedule K of the Code of Best Practice on Corporate Governance 2017, issued by the Institute of Chartered Accountants of Sri Lanka.

### ASSESSMENT

- Independent assessment of Directors is conducted annually by the Board, based on annual declaration and other information submitted by Non-Executive Directors.
- The Board discusses the possibility of any impairment of Directors independence due to extended Board tenures, and collectively evaluates the re-election of such Board members.

### OUTCOME

- The Board is satisfied there are no relationships or circumstances likely to affect or appear to affect, Directors' judgement during the year under review.
- The Board believes the independency of Mr G.C. Wickramasinghe, Mr C.H. Gomez and Mr. R N Asirwatham is not compromised despite being on the Board for a period exceeding nine years from the date of the first appointment, as explained above.
- Although, two Directors, Deshamanya D.H.S. Jayawardena and Ms. D.S.T. Jayawardena are related to each other, they act in the best interests of the Group using their independent judgement on matters referred to the Board.

### 2.6 Meetings and attendance

Board meetings are held quarterly with the flexibility to arrange ad-hoc meetings to supplement these when required. Five (5) meetings were held during the year. A hybrid model using video-conferencing facilities was adopted, facilitating meetings to be held as planned.

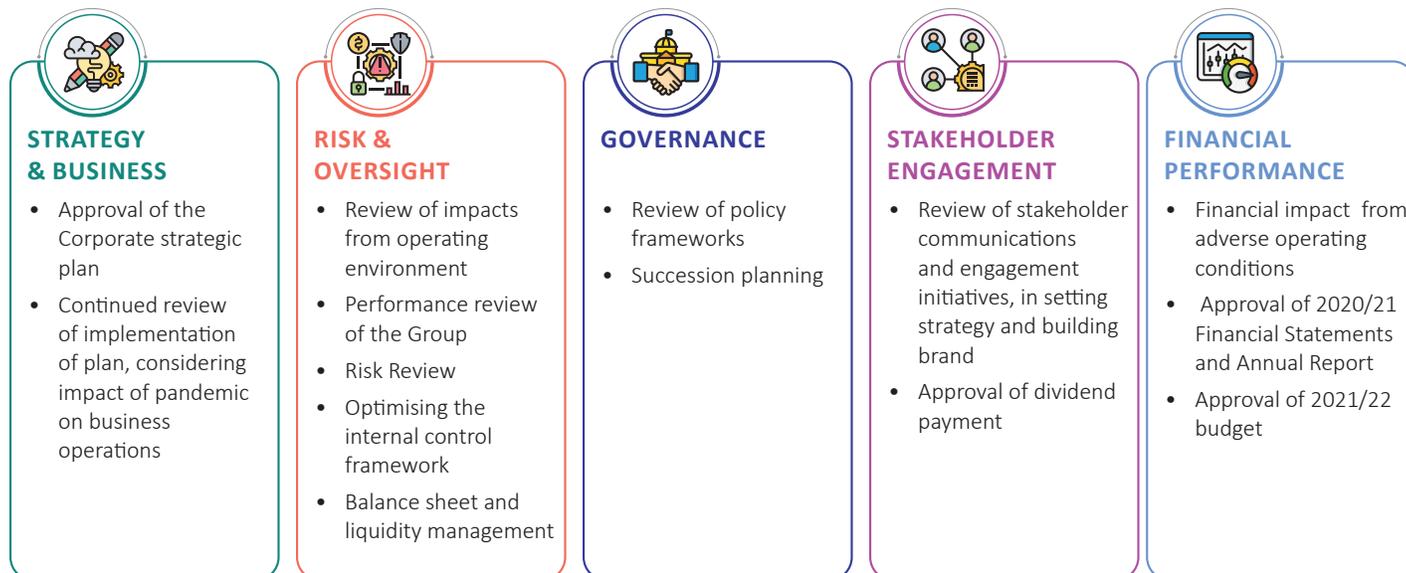
# 100%

Board attendance, demonstrating active engagement.

## BOARD MEETING PLANNING

- The annual calendar with tentative dates for Board and Sub-committee meetings for the following year is tabled at the last Board meeting of the year allowing members to plan their commitments.
- Meeting agendas and papers are made available to the Directors at least seven days before the meeting. This allows members sufficient time to review the papers, make their observations and be prepared for the forthcoming meeting.
- Deputy Chairman & Managing Director in consultation with the Chairman sets the Board agenda, assisted by the Company Secretaries.
- Care is taken to ensure that the Board spends sufficient time considering matters critical to the Group's success, as well as compliance, risk and administrative matters.

## Key Focus Areas of the Board – 2020/21



## CORPORATE GOVERNANCE

Name of Director	Director Status	Appointment to the Board	Meeting Attendance – Attended / Eligibility				
			Board	Audit Committee	Remuneration Committee	Nomination Committee	Related Party Transaction Review Committee
Deshamanya D.H.S. Jayawardena	ED	April 2000	5/5			1/1	
Dr. M.P. Dissanayake	ED	March 2019	5/5				
Dr. R.M. Fernando	ED	April 2005	5/5				
Ms. D.S.T. Jayawardena	ED	December 2013	5/5				
Mr. J.M.S. Brito	NED	April 2000	5/5	8/9			4/4
Mr. G.C. Wickremasinghe	INED	April 1972	5/5	9/9	C- 2/2	C- 1/1	4/4
Mr. R.N. Asirwatham	INED	September 2009	5/5	C – 9/9	2/2	1/1	C-4/4
Mr. C.H. Gomez	INED	May 2002	5/5	2/9	2/2		1/4
Mr. N.J. de S. Deva Aditya	NED	September 2006	5/5	-			-
Mr. A.L. Gooneratne (Alternate to Mr. N.J. de S. Deva Aditya)	NED	May 2012	-	9/9			4/4

INED - Independent Non-Executive Director | NED-Non-Executive Director | ED - Executive Director | C- Chairman



### RESOLUTIONS BY CIRCULATION

- Resolutions concerning business matters may be passed by circulation, in accordance with the Articles of Association.
- However, if a single Director deems it necessary that such resolution must be passed at a Board meeting and not by circulation, the Chairman shall put the resolution to be passed in a meeting.



### PROVISION OF INFORMATION

- In the effective discharge of duties, Directors are provided accurate, relevant, and timely information on which they base their decisions.
- Deputy Chairman & Managing Director briefs the Board on the business operations, financial performance, industry trends and developments. Heads of Departments / Key Management Personnel (KMP) are invited to attend Board meetings to discuss relevant areas of business. Management is open and transparent with the Board and brings to attention any matters of concern in a timely manner.



### UPDATING DIRECTORS ABSENT FROM MEETING

- Any Director who did not attend a meeting is updated on proceedings prior to the next meeting.
- Formally documented minutes of discussions.
- By clarifying matters from the Company Secretaries or discussion with the Chairman or the Deputy Chairman & Managing Director on a later date
- Separate discussions prior to the meeting regarding matters arising from the previous meeting.
- The Company Secretaries maintain all proceedings of previous meetings and board papers and are accessible at the convenience of the Directors.



### BOARD MINUTES

- Directors' concerns regarding matters which are not resolved unanimously are recorded in the minutes.

## 2.7 Appointment, Re-appointment, Re-Election, Retirement and Resignation of Directors

Appointment, re-appointment, re-election, retirement and resignation of Directors allow for the introduction of members with new skills, insights, and perspectives, while retaining valuable industry knowledge and maintaining continuity.

The possibility of any impairment of Directors' independence due to extended Board tenures, is discussed and evaluated by the Board prior to nomination of Board members for re-election as the case may be.

<< GRI 102-24 >>



### APPOINTMENTS

- Directors are appointed by the shareholders at the Annual General Meeting, following a formal and transparent process and based on recommendations made by the Board of Directors.
- The Nomination Committee makes recommendations to the Board in this regard having considered the combined knowledge, experience and diversity of the Board in relation to the Company's strategic plans and any gaps thereof.
- The possibility of any impairment of Directors' independence due to extended Board tenures, is discussed and evaluated by the Board, prior to nomination of Board members for re-election/ re-appointment as the case may be.
- Appointments are communicated to the Colombo Stock Exchange (CSE) and shareholders through press releases and include a brief resume of the Director.



### RE-ELECTION/ RE-APPOINTMENT

- In compliance with the Articles of Association of the Company, 1/3 of the Directors excluding the Chairman, Chief Executive, Managing Director retire from office at each Annual General Meeting. The Directors to retire in every year shall be those who, being subject to retirement by rotation, have been longest in office since their last election or appointment.
- These Directors are eligible to stand for re-election by the shareholders at the Annual General Meeting.
- The Nomination Committee recommends the Directors for re-election/re-appointment and approve by the Board.
- A Director appointed by the Board to fill a casual vacancy arisen since the previous Annual General Meeting, will offer himself/herself for election at the next Annual General Meeting.



### RETIREMENT/ RESIGNATION & DIRECTOR TENURE

- Resignations or removal, if any of Directors and the reasons are promptly informed the Colombo Stock Exchange (CSE).

## 2.8 Succession Planning

The Board is assisted by the Nomination Committee in identifying suitable candidates and developing succession plans for the Board, Deputy Chairman & Managing Director and Executive Directors, to ensure continuity of leadership and that the Board has the relevant mix of skills and experience that support delivery of the Group's strategic plan.

The Remuneration Committee assists the Board to identify suitable candidates and develop succession plans for Key

Management Personnel, which plans are then rolled out with set targets and metrics by the Group Human Resources Department.

## 2.9 Directors Interests and Related Party Transactions

Directors declare their business interests at appointment and quarterly thereafter. Details of disclosures are recorded in a Register by Company Secretaries and tabled at the next Board meeting. The Register is available for inspection in terms of the Companies Act No. 07 of 2007. Directors have no direct or indirect interest in a contract or

a proposed contract with the Company other than those disclosed on page 325 to 330.

The Related Party Transactions Review Committee considers all transactions that require approval, in compliance with regulations, ensuring transactions are fair and in the best interest of Aitken Spence Group. Related party transactions are disclosed in Note 43 to the financial statements on pages 325 to 330.

The Board is satisfied that all Directors allocate sufficient time to enable them to discharge their duties and responsibilities.

## CORPORATE GOVERNANCE

### 2.10 Conflict of Interest

A Director or Key Management Personnel is prohibited from using his or her position, or confidential or price-sensitive information, for personal benefit or benefit of any third party, whether financially or otherwise. Directors notify the Board promptly of any conflicts of interest they may have in relation to particular items of business or other Directorships. Directors do not participate in and excuse themselves from the Meeting when the Board considers matters in which a conflict may arise.

### 2.11 Informed Decision making

Good decision-making requires possessing the right knowledge. Aitken Spence's reporting and information systems ensures the Board receives relevant and objective information, in a timely manner.

### Supply of Information

The Board pack, generally circulated seven (7) days in advance of a Board Meeting, provides comprehensive qualitative and quantitative information on matters to be raised at the Board Meeting. Further, Corporate Management and external experts are invited to make regular presentations regarding the business environment, strategy and operations of the Company and ensure that the Board is apprised of developments impacting the Company.

### Access to Information

Directors have unrestricted access to Management, organisation information, and resources to facilitate discharge of their duties. Directors are entitled to seek independent professional advice, co-ordinated through the Company Secretaries, at the Company's expense. Copies of such advice obtained are circulated to Directors who request for it.

### Induction

On appointment, Directors are taken through a formal and tailored induction programme coordinated by the Deputy Chairman & Managing Director, where they are apprised of the Group values and culture, its operating model, policies, governance framework and processes, Group's Code of Ethics & Professional Conduct and operational

strategies of the Group. Directors are availed the opportunity to have one-on-one meetings with the management of each subsidiary, visit sites/factories/hotels where appropriate.

### Knowledge Development

#### << GRI 102-27 >>

Directors are kept abreast of applicable legislation and regulation, relevant sector developments and changes in the risk and general business environment by executive management on an on-going basis. Directors undertake training and professional development as they consider necessary, in their personal capacity. Other training and continuous professional development undertaken includes attending seminars/workshops/conferences and reading regulatory updates etc.

### Appraisal of Executive Directors

Performance of the Deputy Chairman & Managing Director and other Executive Directors are assessed at the end of each financial year against financial and non-financial objectives set out in consultation with the Board at the commencement of every financial year. The evaluation is carried out by the Chairman, against the backdrop of the operating environment. Remuneration is revised based on performance. Areas identified for improvement are communicated to the respective Director, including training needs and skills and knowledge gaps.

### Responsible and Fair Remuneration

#### << GRI 102-35, 36 >>

The Board strives to ensure that remuneration is fair and transparent, promoting positive outcomes aligned with legitimate expectations of all stakeholders.

### Remuneration Policy

Remuneration of Executive Directors and Key Management Personnel are linked to sustainable value creation objectives in line with the Group's strategy and is based on clear performance targets that have adequate stretch and market benchmarking.

The Remuneration Committee in consultation with the Chairman and Deputy Chairman & Managing Director is responsible for making

recommendations to the Board regarding the remuneration of the Executive Directors and Key Management Personnel. Please refer page 196 for the Report of the Remuneration Committee and Terms of Reference.

The Board as a whole determines the remuneration of the Non-Executive Directors (NEDs). NEDs are remunerated based on their attendance at Board and/or Committee meetings. Remuneration for NEDs reflects the time commitment and responsibilities of their role, taking into consideration market practices. They do not receive any performance related / incentive payments. Services of Human Resource professionals are sought when required, by the Board and Remuneration Committee in discharging their responsibilities.

### Level and Make Up of Remuneration

The Remuneration packages are designed to attract eminent professionals as Executive Directors with the requisite skills and experience. Remuneration is structured taking into consideration performance and risk factors entailed in the job and aligned to corporate and individual performance.

Remuneration of Executive Directors are compliant with the provisions of Schedule E of the Code of Best Practice on Corporate Governance 2017, issued by the Institute of Chartered Accountants of Sri Lanka and comprises two components, fixed remuneration and variable remuneration comprising of an annual performance bonus. No special early termination clauses are included in the contract of employment of Executive Directors that would entitle them to extra compensation. However, such compensation, if any, would be determined by the Board of Directors.

The aggregate remuneration paid to Directors in financial year 2020/21 is Rs. 87 Mn.

### 3. Gender Parity

The Group has been at the forefront of women empowerment in Sri Lanka actively supporting women's advancement and forging gender parity.

#### Policies and practices

The Board appreciates the positive impact on productivity and competitiveness in engaging a gender diverse workforce. The Group has endorsed the 7 United Nations Women's Empowerment Principles as listed on pages 80 and 336 has in place policies that promote equal opportunity, a safe workplace and flexible working arrangements. Flexible, family friendly practices implemented by the Aitken Spence that support female employees to fulfil their career aspirations are disclosed on pages 80 to 89. The success of these initiatives is demonstrated in the high female representation of 17.5% in senior management. Board representation is currently 11%. The Group aims to have greater representation of women on the Board and will make appointments in line with this commitment as we continue the search for suitable Board candidates.

#### Responsible branding

The Group is conscious of its responsibility to be objective and inclusive and takes concerted effort to avoid depicting attitudes that are discriminatory or offensive to a gender, religion, ethnicity, culture or a social group; or are politically biased in Company's marketing, advertising and other communications.

### 1. Innovation and Digital Governance

The Group's ability to continually innovate is critical to remaining relevant to the changing needs of customers and other stakeholders. The Board and Management are aware of their role in innovation governance and to this end, encourages the creativity and flexibility that promotes innovative thinking, while managing risk within the agreed appetite. During the year, Aitken Spence rolled out innovative digital solutions to assist clients and enhance service delivery given the challenges arising out of the pandemic.

The Group has since embarked on an intelligent automation programme with the introduction of Semi-Virtual Mobility (SVM), to develop digital capabilities and new platforms that deliver exceptional client and employee experiences, driving triple bottom line growth. The Board has appointed Deloitte Singapore as consultants to the project and the first phase of Robotic Process Automation (RPA) was initiated. All employees were given the opportunity to engage in the digitisation process by contributing to develop process improvements. As a part of the intelligent automation, employees were provided necessary training in digital capabilities and were exposed to Robotic Process Automation (RPA), machine learning, and process collaboration.

The project also includes many Internet of Things (IoT) supporting programmes such as smart cameras operating in the logistics sector, autonomous environmental control in the data centre etc., which activities are underlined by disruptive technologies in transforming Group businesses to becoming future ready.

Our policies seek to harness the full potential of all our employees by providing equal opportunity and a safe environment in the workplace.

- Equality and Diversity Policy
- Employee Recognition and Rewards Policy
- Anti-Harassment Policy
- Anti-corruption addressed through the Group's Code of Ethics & Professional Conduct
- Grievance Handling Policy
- Whistle-blowing Policy
- Management and Resolution of Complaints Policy
- Human Rights Policy
- Health & Safety Policy
- Group's Code of Ethics & Professional Conduct

#### BASIC SALARY



1 : 1

#### Female Representation

Board	11%
Senior management	17.5 (Assistant Vice President & above)
Workforce	41.6 (General Manager & below)

## CORPORATE GOVERNANCE

### 2. Information Technology & Cyber Security Governance

The Board is cognizant of the benefits of agility, scalability, and innovation that digital platforms provide and ensures implementation of an effective and properly resourced technology strategy. The Board is equally committed to safeguard the Group's information assets and operational systems and invests extensively in cyber security and management systems.

The Group Information Technology (IT) Department is responsible for implementing the IT strategy including adopting IT policies and safeguarding against cyber threats. The strategy is well supported by emergency cyber response procedures and emergency response partners. Aitken Spence Group IT is ISO 27001:2013 accredited for processes and information security management.

During the year, the Group IT Department assessed the vulnerability of the Group's systems, technology and information related risks associated with Aitken Spence's remote access strategy under the guidance of the Chief Information Security Officer (CISO).

Information technology and cyber security governance are recurring items at Audit Committee meetings. Matters are escalated to the Board where deemed necessary considering risk, impact, and other prudential measures.

The Board is satisfied that the Group has been able to offer a wide range of digital and in-person services (i.e. online meetings) throughout the pandemic, without experiencing any material cybersecurity incidents or any significant failures in the Group's digital infrastructure.

### 3. Sustainability Governance

<< **GRI 102-21, 31,32** >>

The Board places significant emphasis on sustainable development ensuring Aitken Spence creates value, both for the organisation and its key stakeholders. Aitken Spence was one of the first companies in Sri Lanka to have a member of the Main Board, Dr. Rohan Fernando, leading the implementation of the Group's sustainability strategy, guided by the Group Supervisory Board. The Board satisfies itself that Environmental, Social and Governance (ESG) metrics are incorporated into the business model and the creation of value.

### 4. Board Accountability

#### 4.1 Risk Management and Internal control

<< **GRI 102-30, 205-1** >>

The Board is responsible for formulating and implementing effective risk management and internal control systems to safeguard shareholder interests and the assets of the Company. These systems cover all controls, including financial and operational compliance, assessment of all operations to eliminate risk of fraud and corruption and are monitored and regularly reviewed for effectiveness by the Board. The Board and Audit Committee increased the rigour of oversight functions in risk management as the environment continued to be uncertain and challenging. The COVID-19 pandemic has exposed the Group to heightened levels of risk including cybersecurity, fraud, theft and credit, among others.

The Group Internal Audit Department supports the Audit Committee, reviewing the adequacy and effectiveness of the internal control systems and the risk management

framework, and reporting to the Committee on a regular basis. During the year, the Audit Committee reviewed and approved changes to the 2020/21 internal audit plan as part of an in-depth review of internal audit's risk assessment and audit prioritization session. The Board is satisfied that the stringent monitoring and management of risk and controls have been effective in limiting impact on the Group. Further, the Board is satisfied with the integrity of financial information and the robustness of the internal controls and systems of the Aitken Spence Group.

#### 4.2 Accountability & Audit

Every effort has been made to present a balanced and understandable assessment of the Group's financial position, performance, and prospects in compliance with the various legal enactments applicable, the Sri Lanka Financial Reporting Standards, the G4 standard on Sustainability Reporting published by the Global Reporting Initiative and the Integrated Reporting Framework published by the International Integrated Reporting Council. The Group's position and prospects have been discussed in detail in Chairman's Message pages 26 to 29, Deputy Chairman & Managing Director's Review pages 30 to 35, Management Discussion & Analysis on pages 56 to 165 and Managing Risk and Opportunities on pages 207 to 214.

The Company has also complied with the Listing Rules of the Colombo Stock Exchange and submitted the Interim Financial Statements of the Company to the Colombo Stock Exchange within 45 days for first three quarters and within 2 months for the last quarter from the end of the relevant quarter. Price sensitive information, which may have an impact on the shares of the Company, has been disclosed in a comprehensive but concise manner to the Colombo Stock Exchange on a timely basis. Reports required by regulators including the Department of Inland Revenue, Sri Lanka Accounting & Auditing Standards Monitory Board, and the Colombo Stock Exchange have been submitted in a timely manner in compliance with specified requirements. The Directors' Report, Statement of Directors' Responsibility and Report of the Auditors set out further information required by the Code of Best Practice on Corporate Governance

Economic Sustainability	Our Providers of Capital	page 78
Environment	Our Communities	page 101
Labour Practices	Our Employees	page 80
Society	Our Communities	page 101
Customer satisfaction	Our Customers	page 93
Shareholder Identification, Engagement and Effective Communication	Investor Relations	page 168

2017. issued by the Institute of Chartered Accountants of Sri Lanka.

### 4.3 External Auditor

The External Auditor is appointed in accordance with the provisions of the Companies Act No. 7 of 2007. The Audit Committee makes recommendations to the Board for the appointment, re-appointment or removal of the External Auditor in-line with professional & ethical standards and regulatory requirements. The Audit Committee monitors and reviews the External Auditor’s independence, objectivity and the effectiveness of the audit process considering relevant professional and regulatory requirements.

In assignment of non-audit services to External Auditors, the Audit Committee ensures that the External Auditor has the necessary skills and experience for the assignment and ascertains that independence and objectivity of the External Auditor in carrying out his duties and responsibilities will not be impaired.

On the recommendation of the Board, the shareholders approved the re-appointment of Messrs. KPMG, Chartered Accountants, as the External Auditors for the year 2020/21 at the last Annual General Meeting. In compliance with Section 163 (3) of the Companies Act No. 07 of 2007, the External Auditors submit a statement annually confirming their independence in relation to the external audit.

### 4.4 Group’s Code of Ethics & Professional Conduct

<< GRI 102-17, 205-2 >>

The Group is committed to conduct its business operations with integrity, professionalism and with respect to the rights and interests of all stakeholders. All employees and Directors abide by the Group’s Code of Ethics & Professional

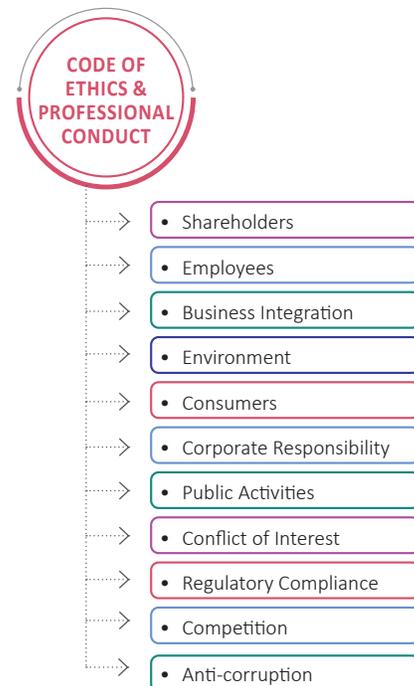
Conduct ("Code") which embodies a strong set of corporate values and conduct including a zero-tolerance approach to unethical behaviour. The Group’s codes and policies explicitly prohibit fraud, theft and corruption, including the policies and procedures for giving and receiving of gifts, sponsorship, entertainment, hospitality and favours.

The Code of Ethics & Professional Conduct is available on the intranet and also the Group’s online learning platform, TARTAN, where it is mandatory for employees to review the document and complete an assessment confirming their compliance to the Group’s guidelines. Further, it is reinforced at all levels through training and structured communication.

### 4.5 Whistle-blowing

<< GRI 102-33 >>

Mechanisms are in place for employees and other stakeholders to seek advice or report concerns about unfair, unethical, or unlawful behaviour. The whistle-blowing Policy enables employees to anonymously report matters of concern regarding possible inappropriate financial reporting, internal controls or other issues that may require internal investigation. Information on accessibility, anonymity, processes and policy relating to whistle-blowing has also been outlined to ensure structured procedures are in place. The process and policy relating to whistle-blowing service is communicated to all employees.



## CORPORATE GOVERNANCE

### 5. Relations with Shareholders

The Board is conscious of their responsibility towards stakeholders and is committed to fair disclosure, with emphasis on the integrity, timeliness and relevance of the information provided. Information is communicated accurately and in such a manner as to avoid the creation of a false market.

#### 5.1 Communication with Shareholders

Shareholders are engaged through multiple channels of communication, including the Annual General Meeting (AGM) (detailed below under 5.2), Annual Report, Interim Financial Statements and notification of key events through announcements in the Colombo Stock Exchange (CSE) website. Investors can refer the Corporate Governance section of our corporate website for key highlights of the financial year.

The Annual Report presents a fair and balanced review of the Group's financial position, performance and prospects combining narrative and visual elements to facilitate readability and comprehension. The Annual Report and the Interim Financial Statements have been reviewed and recommended by the Audit Committee and approved by the Board of Directors, prior to publication.

Aitken Spence posts on its website ([www.aitkenspence.com](http://www.aitkenspence.com)) as soon as practicable and after they have been released to the stock exchange, copies of Annual Reports, Interim Financial Statements, stock information, stock exchange announcements, shareholder circular etc.

Shareholders also have the opportunity to ask questions, comment or make suggestions to the Board through the Company Secretaries.

All significant issues and concerns of Shareholders are referred to the Board with the views of the Management. A shareholder feedback form is also provided in this Annual Report to seek feedback from the shareholders on how Aitken Spence can improve its communication. This form can also be accessed on the Group's website.

#### 5.2 Constructive use of Annual General Meeting (AGM)

The Board ensures that proactive engagement with shareholders is encouraged by the Group, including engagement at AGMs. Board Sub-Committee Chairmen, Directors and key members of the Management, are available at the AGM to interact with and respond to questions raised by the Shareholders. The External Auditor also attends to address any queries raised.

Notice of the AGM, the Annual Report and Audited Financial Statements and any other resolution together with the corresponding information that may be set before the shareholders at the AGM, are circulated to shareholders not less than fifteen working days prior to the AGM allowing all the shareholders to review the documentation prior to attending the AGM. Voting procedures at the AGM are notified to the shareholders in advance.

Shareholders are always encouraged to exercise their voting rights. The outcome of the vote on each resolution is informed to the Colombo Stock Exchange, soon after conclusion of the AGM.



Refer to a copy of the Shareholder Feedback Form at the end of this report in the 'Supplementary Information' section of the report.

## 6. Compliance Table

### (a) Compliance with the Companies Act No. 07 of 2007

Section Reference	Requirement	Reference	Compliance Status
168 (1) (a)	Any change during the accounting period in the nature of business of the Company or any of its subsidiaries, and the classes of business in which the Company has an interest, whether as a shareholder of another company or otherwise	Refer Annual Report of the Board of Directors on pages 202 to 206 of this Annual Report	Complied
168 (1) (b)	Financial Statements of the Company and the Group for the accounting period completed and signed	Refer Financial Statements on pages 225 to 331 and Annual Report of the Board of Directors on pages 202 to 206 of this Annual Report	Complied
168 (1) (c)	Auditor's Report on the Financial Statements of the Company and the Group	Refer Financial Statements on pages 220 to 224 of this Annual Report	Complied
168 (1) (d)	Change of accounting policies during the accounting period	Refer Annual Report of the Board of Directors on pages 202 to 206 of this Annual Report	Complied
168 (1) (e)	Particulars of entries in the Interest Register made during the accounting period	Refer Annual Report of the Board of Directors on pages 202 to 206 of this Annual Report	Complied
168 (1) (f)	Remuneration and other benefits paid to the Directors during the accounting period	Refer Annual Report of the Board of Directors on pages 202 to 206 of this Annual Report	Complied
168 (1) (g)	Total amount of donations made by the Company and the Group during the accounting period	Refer Annual Report of the Board of Directors on pages 202 to 206 of this Annual Report	Complied
168 (1) (h)	Directorate of the Company and the Group as at the end of the accounting period along with the changes that occurred during the accounting period	Refer Annual Report of the Board of Directors on pages 202 to 206 of this Annual Report	Complied
168 (1) (i)	Amounts payable to the Auditors as audit fees and fees payable for other related services provided by them	Refer Annual Report of the Board of Directors on pages 202 to 206 of this Annual Report	Complied
168 (1) (j)	Relationship or interest of the Auditors with the Company or any of its subsidiaries	Refer Annual Report of the Board of Directors on pages 202 to 206 of this Annual Report	Complied
168 (1) (k)	The Annual Report of the Board of Directors be signed on behalf of the Board	Refer Annual Report of the Board of Directors on pages 202 to 206 of this Annual Report	Complied

## CORPORATE GOVERNANCE

### (b) Compliance with the continuing listing requirements - Section 7.6 and section 7.10 on corporate governance rules for listed companies issued by the Colombo Stock Exchange.

Section Reference	Requirement	Reference	Compliance Status
7.6.(i)	Names of persons who during the financial year were Directors of the entity	Refer Corporate Information on page 354 of this Annual Report	Complied
7.6.(ii)	Principal activities of the entity and its subsidiaries during the year and any changes therein	Refer Group Directorate on pages 343 to 350 of this Annual Report	Complied
7.6.(iii)	The names and the number of shares held by the 20 largest holders of voting and non-voting shares and the percentage of such shares held.	Refer Investor Information on pages 168 to 173 of this Annual Report	Complied
7.6.(iv)	The float adjusted market capitalization, public holding percentage (%), number of public shareholders and under which option the Listed Entity complies with the Minimum Public Holding requirement.	Refer Investor Information on pages 168 to 173 of this Annual Report	Complied
7.6.(v)	A statement of each Director's holding and Chief Executive Officer's holding in shares of the entity at the beginning and end of each financial year.	Refer Investor Information on pages 168 to 173 of this Annual Report	Complied
7.6.(vi)	Information pertaining to material foreseeable risk factors of the Entity	Refer Risk Management Report on pages 207 to 214 of this Annual Report	Complied
7.6.(vii)	Details of material issues pertaining to employees and industrial relations of the Entity.	Refer pages on 80 to 89 of this Annual Report	Complied
7.6.(viii)	Extents, locations, valuations and the number of buildings of the Entity's land holdings and investment properties.	Refer Notes 15 and 16 of the Financial Statements of this Annual Report	Complied
7.6.(ix)	Number of shares representing the Entity's stated capital.	Refer Investor Information on pages 168 to 173 of this Annual Report	Complied
7.6.(x)	A distribution schedule of the number of holders in each class of equity securities, and the percentage of their total holdings	Refer Investor Information on pages 168 to 173 of this Annual Report	Complied
7.6.(xi)	Ratios and market price information	Refer Investor Information on pages 168 to 173 of this Annual Report	Complied
7.6.(xii)	Significant changes in the entity's or its subsidiaries fixed assets and the market value of land.	Refer Notes 15 and 16 of the Financial Statements of this Annual Report	Complied
7.6.(xiii)	If during the year the entity has raised funds either through a public issue, rights issue and private placement.	The Company had no public issues, rights issues or private placement during the year	N/A
7.6.(xiv)	Employee share option/purchase schemes (if any)	As at date the Company has no share options or purchase schemes made available to its Directors or employees	N/A
7.6.(xv)	Corporate Governance Disclosures in terms of Sections 7.10.3, 7.10.5.c and 7.10.6. c.	Refer Corporate Governance Report on page 176 to 194 of this Annual Report	Complied
7.6.(xvi)	Related Party Transactions in terms of Sections 9	Refer Note 43 of the Financial Statements of this Annual Report	Complied
7.10	Compliance with Corporate Governance Rules	Refer Corporate Governance Report on page 176 to 194 and the Annual Report of the Board of Directors on page 202 to 206 of this Annual Report	Complied

Section Reference	Requirement	Reference	Compliance Status
7.10.1(a)	Non-Executive Directors (NED) <ul style="list-style-type: none"> <li>At least two or one third of the Directors, whichever is higher, should be Non- Executive Directors</li> </ul>	Refer Corporate Governance Report on page 176 to 194 of this Annual Report	Complied
7.10.2(a)	Independent Directors <ul style="list-style-type: none"> <li>Two or one-third of Non-Executive Directors, whichever is higher, should be independent</li> </ul>	Refer Corporate Governance Report on page 176 to 194 of this Annual Report	Complied
7.10.2(b)	Independence of Directors <ul style="list-style-type: none"> <li>Each Non-Executive Director should submit a declaration of Independence/ Non-Independence annually</li> </ul>	Refer Corporate Governance Report on page 176 to 194 of this Annual Report	Complied
7.10.3.(a)	<ul style="list-style-type: none"> <li>Independence of Directors</li> </ul> <p>The Board shall make a determination annually as to the Independence or Non-Independence of each Non-Executive Director</p> <ul style="list-style-type: none"> <li>Disclosure relating to Directors</li> </ul> <p>The names of Directors determined to be independent should be disclosed in the Annual Report</p>	Refer Corporate Governance Report on page 176 to 194 and Annual Report of the Board of Directors on page 202 to 206 of this Annual Report	Complied
7.10.3.(b)	Criteria not met by the Non-Executive Directors and basis for determining to be independent	Refer Corporate Governance Report on page 176 to 194 and Annual Report of the Board of Directors on page 202 to 206 and of this Annual Report	Complied
7.10.3(a)	Disclosure relating to Directors <ul style="list-style-type: none"> <li>The names of Independent Directors should be disclosed in the Annual Report</li> </ul>	Refer Corporate Governance Report on page 176 to 194 of this Annual Report	Complied
7.10.3(b)	Independence of Directors <ul style="list-style-type: none"> <li>The Board shall make a determination annually as to the Independence or Non-Independence of each Non-Executive Director</li> </ul>	Refer Corporate Governance Report on page 176 to 194 of this Annual Report	Complied
7.10.3(c)	Disclosure relating to Directors <ul style="list-style-type: none"> <li>A brief resume of each Director should be included in the Annual Report including the Director's areas of expertise.</li> </ul>	Refer Board profiles on pages 38 to 41 of this Annual Report.	Complied
7.10.3(d)	Appointment of new Directors <ul style="list-style-type: none"> <li>Provide a brief resume of any new Director appointed to the Board</li> </ul>	Upon appointment of a new Director to the Board, the Company makes an announcement to the Colombo Stock Exchange with a brief resume of such Director containing the nature of his expertise, relevant interest, other directorships held, membership in Board Committees and the nature of appointment. There were no new appointments to the Board during the year under review.	Complied
7.10.5	Remuneration Committee <ul style="list-style-type: none"> <li>A listed company shall have a Remuneration Committee</li> </ul>	Refer Remuneration Committee Report on page 196 of this Annual Report	Complied
7.10.5(a)	Composition of Remuneration Committee <ul style="list-style-type: none"> <li>Shall comprise of Non-Executive Directors, a majority of whom shall be Independent</li> </ul>	Refer Remuneration Committee Report on page 196 of this Annual Report	Complied

## CORPORATE GOVERNANCE

Section Reference	Requirement	Reference	Compliance Status
7.10.5(b)	Functions of Remuneration Committee <ul style="list-style-type: none"> <li>The Remuneration Committee shall recommend the remuneration of the Chief Executive Officer and the Executive Directors</li> </ul>	Refer Remuneration Committee Report on page 196 of this Annual Report	Complied
7.10.5(c)	Disclosure in the Annual Report relating to Remuneration The Annual Report should set out; <ol style="list-style-type: none"> <li>Names of the Directors comprising the Remuneration Committee</li> <li>Statement of Remuneration policy</li> <li>Aggregate remuneration paid to Executive and Non-Executive Directors</li> </ol>	Refer Remuneration Committee Report on page 196 of this Annual Report	Complied
7.10.6	Audit Committee <ul style="list-style-type: none"> <li>A listed company shall have an Audit Committee</li> </ul>	Refer Audit Committee Report on pages 197 to 198 of this Annual Report	Complied
7.10.6(a)	Composition of Audit Committee <ul style="list-style-type: none"> <li>Shall comprise of Non-Executive Directors, a majority of whom are Independent</li> <li>Chief Executive Officer and the Chief Financial Officer should attend Audit Committee Meetings</li> <li>The Chairman of the Audit Committee or one member should be a member of a professional accounting body</li> </ul>	Refer Audit Committee Report on pages 197 to 198 of this Annual Report	Complied
7.10.6(b)	Audit Committee Functions Should be as outlined in the Section 7.10 of the Listing Rules	Refer Audit Committee Report on pages 197 to 198 of this Annual Report	Complied
7.10.6(c)	Disclosure in the Annual Report relating to Audit Committee <ol style="list-style-type: none"> <li>Names of the Directors comprising the Audit Committee</li> <li>The Audit Committee shall make a determination of the independence of the Auditors and disclose the basis for such determination</li> <li>The Annual Report shall contain a Report of the Audit Committee in the prescribed manner</li> </ol>	Refer Audit Committee Report on pages 197 to 198 of this Annual Report	Complied
9.3.2	Related Party Transactions Review Committee <ul style="list-style-type: none"> <li>Details pertaining to Non-Recurrent Related Party Transactions</li> <li>Details pertaining to Recurrent Related Party Transactions</li> <li>Report of the Related Party Transactions Review Committee</li> <li>Declaration by the Board of Directors as an affirmative statement of compliance with the rules pertaining to Related Party Transactions, or a negative statement otherwise</li> </ul>	Refer Related Party Transactions Review Committee Report on page 199 of this Annual Report	Complied

# NOMINATION COMMITTEE REPORT

## Composition and Meeting Attendance of the Committee

Nomination Committee Members		Attendance at meetings
<b>Chairman</b>	Mr. G.C. Wickremasinghe <i>Independent Non-Executive Director</i>	
<b>Members</b>	Deshamanya D.H.S. Jayawardena <i>Executive Chairman</i>	
	Mr. R.N. Asirwatham <i>Independent Non-Executive Director</i>	

The full Committee met once during the year under review with the attendance of the Deputy Chairman & Managing Director, on invitation.

 Attendance via MS Teams

### Attendance by invitation

Dr. M.P. Dissanayake : *Deputy Chairman and Managing Director, Aitken Spence PLC*

## RESPONSIBILITIES OF THE COMMITTEE

- Evaluation of the quality and composition of the boards of Aitken Spence PLC and the subsidiary companies:  
The Committee is responsible for ensuring that the boards of Aitken Spence PLC and its Group companies are well balanced and diversified in terms of effectiveness and composition. Suitable candidates are identified as directors whilst ensuring that boards consist of persons with vast knowledge, experience, competency and entrepreneurial skills to advance the effectiveness of the Boards. The Committee periodically reviews the structure, size and composition of the boards of the Group Companies.
- Evaluation of the performance of the Board, its committees and individual Directors.
- Review of the Charter for the appointment and the re-appointment of Directors to the Boards of the Group Companies and suggest amendments wherever necessary and recommend insurance covers for directors of Aitken Spence PLC and its Group companies.

## KEY FUNCTIONS OF THE COMMITTEE

The Committee ensures that their recommendations are fair, free from any bias and not influenced by personal or business relationships. This enables the Company to

make sound and measured judgments so that best talent is attracted to the Group.

During the year under review the Committee performed the following functions:

- Evaluated the combination of varied skills, knowledge and experience of the Directors of the Company and of the Group Companies and ascertained that the competencies of Directors are adequate to meet the required strategic demands of the Group,
- Evaluated the knowledge, experience, commitment and number of directorships held by each Director to ensure that individual Directors are adequately equipped to carry out their responsibilities,
- Reviewed and recommended necessary appointments to the Boards of the Group companies wherever necessary,
- Evaluated and recommended suitable internal and external candidates to higher levels of management,
- Reviewed the Group's policy and guidelines for appointment, re-appointment and succession planning,
- Evaluated the eligibility of the Directors who have offered themselves for re-election/re-appointment to the Board and made necessary recommendations to the Board,

- Recommended insurance covers for the Directors of Aitken Spence and its Group companies,
- Reviewed the present indemnity policy and recommended adequate indemnity for each Director within the provisions of the Companies Act No. 7 of 2007.

### RE-ELECTION AND RE-APPOINTMENT OF DIRECTORS

- Deshamanya D.H.S. Jayawardena, Mr. G.C. Wickremasinghe, Mr. R.N. Asirwatham, Mr. J.M.S. Brito and Mr. N.J. De S Deva Aditya who retire from the Board at the conclusion of the forthcoming Annual General Meeting in terms of Section 210(2) of the Companies Act No.7 of 2007, have offered themselves for re-appointment.
- In terms of Article 83 of the Articles of Association, Ms. D.S.T. Jayawardena retires by rotation and has offered herself for re-election at the forthcoming Annual General Meeting.

Having given due consideration to each Director's performance, the Committee believes that the said Directors are eligible for re-appointment/re-election to continue as Directors of the Company.



**G.C. Wickremasinghe**  
*Chairman*  
*Nomination Committee*

Colombo  
28th May 2021

# REMUNERATION COMMITTEE REPORT

## Composition and Meeting Attendance of the Committee

Remuneration Committee Members		Attendance	
		17-06-2020	14-10-2020
Chairman	Mr. G.C. Wickremasinghe <i>Independent Non-Executive Director</i>		
Members	Mr. R.N. Asirwatham <i>Independent Non-Executive Director</i>		
	Mr. C.H. Gomez <i>Independent Non-Executive Director</i>		

Attendance via MS Teams

### Attendance by invitation

Deshamanya D.H.S. Jayawardena : *Chairman, Aitken Spence PLC*

Dr. M.P. Dissanayake : *Deputy Chairman and Managing Director, Aitken Spence PLC*

Ms. D.S.T. Jayawardena : *Executive Director, Aitken Spence PLC*

The Committee is composed of three independent non-executive Directors and they are free from any business, personal or other relationships that may interfere with the exercise of their independent, unbiased judgement. The members of the Committee refrain from taking part in determining in their own remuneration.

### The Remuneration Policy

The Group follows a formal and transparent procedure to ascertain the remuneration packages for individual Directors. The Committee considers the importance of formulating remuneration packages that are sufficient to motivate, attract and retain the Directors and considers the employment conditions of the Group companies and of the relevant industries.

The Group remuneration policy which was reviewed by the Committee remained unchanged during the year under review.

Due to the prevailing COVID-19 pandemic situation in the country, the Remuneration Committee agreed that it was paramount at this juncture to secure jobs and livelihoods of the employees and to differ all increments by one year. The Committee also made note of the fact that the Directors, Senior

Management and employees throughout the Group have taken a voluntary pay reduction from May 2020 onwards.

### Key Responsibilities of the Committee

The Committee is responsible for determining the remuneration policy of the Directors and the Management Council and determines the overall individual remuneration packages which includes compensation on termination of employment. The Committee also evaluates the performance of the Managing Directors, Executive Directors as well as the individual and collective performance of Directors and Senior Management of the Strategic Business Units.

### Functions of the Committee

The Committee's decisions were determined based on the following principles and policies:

### Remuneration Policy

- Evaluated the Group Remuneration Policy against the current market trends and industrial norms.
- Reviewed and ensured the implementation of the Group Remuneration Policy.

- Reviewed the policy of the remuneration package of the Directors and the Management Council.
- Reviewed the specific application of the Group Remuneration Policy to the Deputy Chairman and Managing Director and Executive Directors as well as the general application to the Key Management Personnel below the Main Board.

### Performance Based Remuneration

- Evaluated the performance of the Managing Directors, Executive Directors as well as the individual and collective performance of Directors and Senior Management of the Strategic Business Units.
- Reviewed, monitored and evaluated performance of Key Management Personnel as well as their management development and succession planning.

### Performance Incentives

- Evaluated the achievements as well as unaccomplished targets and results which are used to determine the performance-based incentives.

### Remuneration of Deputy Chairman & Managing Director

- Evaluated the performance of the Deputy Chairman and Managing Director.

**G.C. Wickremasinghe**  
*Chairman*  
*Remuneration Committee*

Colombo  
28th May 2021

# AUDIT COMMITTEE REPORT

## Composition and Meeting Attendance of the Committee

Audit Committee Members		Attendance								
		20/05/2021	01/07/2020	10/07/2020	11/08/2020	10/09/2020	11/11/2020	07/12/2020	09/02/2021	15/03/2021
Chairman	Mr. R.N. Asirwatham <i>Independent Non-Executive Director</i>									
Members	Mr. J.M.S. Brito <i>Independent Non-Executive Director</i>			<b>EX</b>						
	Mr. G.C. Wickremasinghe <i>Independent Non-Executive Director</i>									
	Mr. C.H. Gomez <i>Independent Non-Executive Director</i>			<b>EX</b>						
	Mr. N.J. de S Deva Aditya/ Mr. A. L. Gooneratne <i>(Alternate Director for Mr. N. J. de S Deva Aditya)</i> <i>Non-Executive Director</i>									

Present in person Attendance via MS Teams **EX** Excused

### Attendance by invitation

Dr. M.P. Dissanayake : *Deputy Chairman and Managing Director, Aitken Spence PLC*

Ms. D.S.T. Jayawardena : *Executive Director, Aitken Spence PLC*

Ms. N. Sivapragasam : *Chief Financial Officer, Aitken Spence PLC*

*In addition to the above, Senior Officers of the Group as well as the partner of KPMG responsible for the Group's audit attended the meetings by invitation as and when required.*

### Secretaries to the Committee

Mr. H.K.A. Rathnaweera : *Chief Internal Auditor*

Mr. D.D.M.A. Saparamadu : *General Manager – Internal Audit*

### Responsibilities

- Ensure that the financial statements are prepared, presented and the information are adequately disclosed in accordance with the Sri Lanka Accounting Standards (SLAS).
- Ensure that financial reporting requirements and information requirements of the Companies Act and other relevant financial reporting requirements are duly complied.
- Ensure that Group internal control and risk management processes are adequate to meet the SLAS requirements.
- Assessment of the independence and the performance of the External Auditors.
- Make recommendations to the Board pertaining to the appointment, re-

appointment and/or removal of the External Auditors and to approve their remuneration and terms of engagement.

### Summary of Key Focus Areas

#### Risk Management and Internal Control

- Reviewed the prevalence and adequacy of Group's internal control and risk management framework and highlighted the areas which requires attention, and suggested recommendations to the Board.
- Ensured that the risks are appropriately monitored and controlled, by considering the Group's principal risks and uncertainties and by reviewing the mitigating actions taken by the management.

- Reviewed the processes to ensure the internal controls and risk management framework are adequate to meet the requirements of the Sri Lanka Accounting Standards.
- Ensured that the Group adheres to and complies with all relevant laws, rules and regulations of the country, international laws and codes of ethics and standards of conduct required by regulatory authorities, professional bodies and trade associations.

#### Financial Reporting and Financial Control

The Committee at its meetings reviewed the Group's quarterly and annual Financial Statements, adequacy of disclosures, uniformity and appropriateness of the

## AUDIT COMMITTEE REPORT

accounting policies adopted, major judgemental areas and ensured that they were in compliance with the Companies Act No. 7 of 2007, applicable Sri Lanka Accounting Standards and other applicable Accounting Standards of jurisdiction in which each subsidiary operate in, Listing Rules of the Colombo Stock Exchange, Code of Best Practice on Corporate Governance jointly issued by the Institute of Chartered Accountants of Sri Lanka and requirements of other regulatory bodies as applicable to the Group, and suggested recommendations in line with those requirements.

The Committee also ensures that the Group adheres to and complies with all relevant laws, rules and regulations of the country and regulatory bodies, with regard to financial reporting, international laws and codes of ethics and standards of conduct required by regulatory authorities, professional bodies and trade associations and other best accounting practices and principles.

In addition to the above the Committee evaluates and assess the changes in the tax environment and its impact to the Group.

### External Audit

- Reviewed and approved the external audit plan presented by the external auditors.
- Reviewed and monitored the progress of the external audit.
- Discussed the audited financial statements with external auditors and ensured that they were in conformity with the Sri Lanka Accounting Standards and other regulatory requirements.
- Discussed the management letter of the external auditors and ensured that the management had taken appropriate actions to satisfactorily resolve highlighted issues.
- Held discussion from time to time to assess the current developments in respect of reporting and compliance in view of the changes in the Auditing Standards, Inland Revenue Act etc.
- Assessed the performance and effectiveness of the external auditors, their independence, professional capabilities and made recommendations

to the Board pertaining to the re-appointment of the external auditors.

### Internal Audit

The Committee reviewed the adequacy of the coverage provided by the Group Internal Audit and ensured its co-ordination with the external auditors. Further, all operational audit reports, IT security reports and risk reports submitted by the Group Internal Audit Department and management responses thereto are reviewed and evaluated at each audit Committee meeting.

The Committee reviewed and evaluated the independence, effectiveness and competency of the Group's Internal Audit function, their resource requirements, and made recommendations for any required changes.

### Compliance with Legislation

The Committee followed the following processes to establish the key legislations which the Group is required to comply with:

- Ensuring whether controls are in place to ensure compliance with laws and regulations,
- Processes followed when non-compliance with laws and regulation have been identified, including any disciplinary actions,
- Addressing any non-compliance identified by management, internal or external auditors and actions taken to rectify these matters.

### Reporting

The Chairman of the Audit Committee reports to the Board at each meeting on the activities of the Committee and the minutes of the Audit Committee meetings are also tabled at the Board. Further, the Annual Report incorporates the Audit Committee Report which highlights areas of compliance with the key activities of the Committee.

The Chairman of the Audit Committee attends the Annual General Meeting enabling the shareholders to raise queries to the Chairman of the Committee on its affairs.

### RE-APPOINTMENT OF EXTERNAL AUDITORS - M/S KPMG, CHARTERED ACCOUNTANTS

The Committee perused transactions with the External Auditors and ensured that there was no significant material transaction between the External Auditors and the companies in the Group. The Committee further perused the share register and ensured that there were no shares held by the External Auditors.

The Committee having considered that there were no significant material transactions between the External Auditors and the Group companies, that there were no shares held by the External Auditors, the confirmation received from the External Auditors and the periodic rotation of the Audit Partner, noted that KPMG, Chartered Accountants are independent and are eligible for re-appointment as the External Auditors of the Company.

Having noted the above, the Committee recommends to the Board that M/S KPMG, Chartered Accountants be re-appointed as the External Auditors of the Company for the current financial year, subject to the approval of the Shareholders at the forthcoming Annual General Meeting.



**R.N. Asirwatham**  
Chairman  
Audit Committee

Colombo  
28th May 2021

# RELATED PARTY TRANSACTIONS REVIEW COMMITTEE REPORT

## Composition and Meeting Attendance of the Committee

Related Party Transactions Review Committee Members		Attendance			
		01-07-2020	10-09-2020	07-12-2020	15-03-2021
<b>Chairman</b>	Mr. R.N. Asirwatham <i>Independent Non-Executive Director</i>				
<b>Members</b>	Mr. J.M.S. Brito <i>Non-Executive Director</i>				
	Mr. G.C. Wickremasinghe <i>Independent Non-Executive Director</i>				
	Mr. C.H. Gomez <i>Independent Non-Executive Director</i>		<b>EX</b>	<b>EX</b>	<b>EX</b>
	Mr. N.J. de S Deva Aditya/ Mr. A. L. Gooneratne <i>(Alternate Director for Mr. N. J. de S Deva Aditya)</i> <i>Non-Executive Director</i>				

Present in person Attendance via MS Teams **EX** Excused

Secretaries who in turn notify the Committee, if required.

## Review of Related Party Transactions

- Reviewed all proposed related party transactions as well as post-quarter confirmations.
- Activities of the Committee were communicated to the Board by tabling the minutes of the Committee meetings.

### DECLARATION BY THE BOARD

The Annual Report of the Board of Directors embodies a declaration confirming the compliance with the requirements stipulated in Section 9.3.2(d) of the Listing Rules of the Colombo Stock Exchange.

## Responsibilities

The key focus of the Committee is to review all proposed Related Party Transactions prior to entering or completion of the transaction according to the procedures laid down by Section 9 of the Listing Rules of the Colombo Stock Exchange.

The Committee is responsible for evaluating any proposed related party transactions and any post quarter confirmations received from Group companies and the Key Management Personnel, on a quarterly basis and to make recommendations to the Management and the Board appropriate course of action. The activities of the Committee are regularly reported to the Board by tabling Committee Meeting minutes at Board meetings.

Further, the threshold for related party transactions which require either shareholders' approval or immediate market disclosures as well as the criteria for determining Key Management Personnel are also reviewed annually.

## Key Management Personnel

The Board of Directors of the Company, Directors, Vice Presidents and Assistant Vice Presidents of Subsidiary Companies are

construed as the Key Management Personnel of Aitken Spence to establish greater transparency and governance.

Declarations from Key Management Personnel and from the Group companies are obtained quarterly and annually for the purpose of identifying related party transactions and to determine Related Party Transactions which ensures the compliance with the disclosure requirements of the Listing rules.

## Key Functions of the Committee

### Policies and Procedures Adopted

- the Group Company Secretaries obtain quarterly confirmations from the Key Management Personnel of any proposed Related Party transactions and any post-quarter transactions. All such responses are tabled at each Committee meeting.
- Confirmations are obtained from all Group companies of any proposed related party transaction and any post-quarter transaction and all responses are tabled at each Committee Meeting.
- Non-recurrent transactions if any, are communicated to the Group Company

**R.N. Asirwatham**  
*Chairman*  
*Related Party Transactions Review Committee*

Colombo  
28th May 2021

# THE BOARD OF DIRECTORS' STATEMENT ON INTERNAL CONTROLS

## Responsibility

The Board of Directors ("Board") has the overall responsibility of maintaining a sound system of internal controls and for periodically reviewing its effectiveness and integrity, to ensure that the Group's risks are within the acceptable risk profile. Accordingly, the Board has established an organisation structure, which clearly defines lines of accountability and delegated authority.

The Board has instituted an ongoing process for identifying, evaluating and mitigating significant risks faced by the Group. This process entails enhancing the internal control system as and when there are changes to the business environment and regulatory guidelines.

The Board has delegated specific responsibilities to the following sub committees, which are chaired by Independent Non-Executive Directors.

- Audit Committee
- Nomination Committee
- Remuneration Committee
- Related Party Transactions Review Committee

The Board is confident that the current internal controls adopted by the Company are adequate to provide reasonable assurance regarding the reliability of financial reporting, the preparation of Financial Statements for external stakeholders and that they are in accordance with the acceptable accounting principles and the applicable regulatory requirements.

## Internal Audit

The Group Internal Audit function provides independent assurance on the efficiency and effectiveness of the internal control systems and monitors compliance with policies and procedures, while highlighting significant findings in respect of any non-compliance. Audits are carried out on all business units and functions, and the frequency of which is predetermined by the level of risk assessed. The Group's Internal Audit function is an independent function that reports directly to

the Audit Committee, which also reviews and approves the annual audit plan.

The Audit Committee reviews all internal audit findings, management responses and the adequacy and effectiveness of the internal controls. The minutes of the Audit Committee meetings are tabled at Board meetings on a periodic basis.

## Review Adequacy and Effectiveness

The adequacy and effectiveness of the internal controls of both financial and operations processes are regularly reviewed by the Board and the Audit Committee, and remedial steps are taken where necessary.

The Board and the Audit Committee concludes that an effective system of risk management and internal control is in place to safeguard the shareholders' investment and the Group's assets.

## Policies, Procedures and Budgets

Policies and procedures to ensure compliance with internal controls and the relevant laws and regulations are set out in operations manuals, which are updated from time to time.

Annual budgets are approved by the respective Boards and the subsidiaries' performance are assessed against the approved budgets and explanations are provided for significant variances periodically to the respective Boards.

## Whistle-blowing Policy

The Group encourages a whistle-blowing policy which enables employees to bring irregularities in financial reporting, internal controls or other matters within the Group to the notice of the higher management.

Proper arrangements have been put in place to facilitate fair and independent investigation for such matters (if any). The prevalence and effectiveness of this policy is monitored by the Audit Committee from time to time.

## The Group Code of Ethics & Professional Conduct and integrity

The Group Code of Ethics & Professional Conduct which includes a strong set of corporate values and conduct, is circulated to Directors and all employees. The Board ensures that Directors and all employees strictly comply with the Group code of ethics in exercising their duties, communications, role modelling and in any other circumstance, so as to uphold the Group's integrity and image. Strict disciplinary actions are initiated for any violation of the Group code of ethics.

## Going Concern

The statement of going concern is set out in the 'Annual Report of the Board of Directors' of this Report.

## Risk Management

An overview of the Group's risk management framework which include the Group's policy on cybersecurity, is set out in this Annual Report.

## Health and Safety

Health and Safety of all stakeholders is one of the top priorities, especially during present challenging times due to COVID-19 pandemic. The Group employs a well laid out protocol and necessary guidelines for the containment of the pandemic.

## Cyber Security

The Group has become more data driven, thus increasing the Group's reliance on technology. In this era, securing and protecting the Group's information assets becomes a priority. The Board has taken necessary precautions to minimize the risk of a security breach. During the year under review, necessary steps have been rolled out to curtail the exposure to cyber-attacks by reducing the threat surface and any potentially exploitable vulnerabilities.

## Annual Report

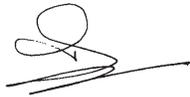
The Board of Directors is responsible for the preparation of the Annual Report and confirm that the quarterly reports, annual Financial Statements and the annual review of operations of the Company and its equity accounted investees that are incorporated in this Annual Report have been prepared and presented in a reliable manner, based on a balanced and comprehensive assessment of the financial performance of the entire Group.

## Confirmation

We confirm that all financial statements are prepared in accordance with the requirements of the Companies Act No. 7 of 2007, the Sri Lanka Accounting and Auditing Standards Act, and the Listing Rules of the Colombo Stock Exchange and any other regulatory bodies as applicable to the Group. We further confirm that the current internal control and risk management policy of the Company is adequate to identify, evaluate and manage significant risks for the Group.

We have duly complied with all the requirements prescribed by the regulatory authorities including the Colombo Stock Exchange and the Registrar of Companies.

The consolidated financial statements for the year ended 31st March 2021 have been audited by Messrs. KPMG, Chartered Accountants.



**Deshamanya D.H.S. Jayawardena**  
*Chairman*



**Dr. M.P. Dissanayake**  
*Deputy Chairman and Managing Director*



**R. N. Asirwatham**  
*Chairman*  
*Audit Committee*

Colombo  
28th May 2021

# ANNUAL REPORT OF THE BOARD OF DIRECTORS

The details set out herein provide the pertinent information as required by the Companies Act No. 7 of 2007, Listing Rules of the Colombo Stock Exchange and the best accounting practices. The Board of Directors of Aitken Spence PLC has pleasure in presenting the Annual Report and the Audited Financial Statements for the year ended 31st March 2021 which were approved on the 28th of May 2021.

## 1. Principal Activities

Aitken Spence PLC is the holding Company that directly or indirectly owns investments in companies which form the Aitken Spence Group. In addition to the above, the Company provides management and related services to the Group companies. During the year there were no significant changes in the principal activities of the Company and the Group.

The activities of the Group are categorised into four main sectors namely Tourism, Maritime and Freight Logistics, Strategic Investments and Services. Companies within each sector and their principal activities are described on pages 343 to 350 this Annual Report.

## 2. Review of Operations

A review of operational and financial performance, strategies and future outlook of the Company and the Group are described in greater detail in the Chairman's Message, Deputy Chairman and Managing Director's Review, Management Discussion and Analysis of this Annual Report. These reports together with the Audited Financial Statements of the Company and the Group reflect the respective state of affairs of the Company and the Group.

## 3. Accounting policies and changes during the year

The Company and the Group prepared the Financial Statements in accordance with the Sri Lanka Accounting Standards (SLFRSs/LKASs). The Board of Directors wish to confirm that there were no changes to the accounting policies used by the Company and the Group during the year. A detailed note of the accounting policies adopted in the preparation of the Financial Statements of the Company and the Group are given on pages 233 to 253 of this report.

## 4. Synopsis of the Income Statement of the Company and the Group

### 4.1. Group Revenue and Profits

Revenue generated by the Company during the year amounted to Rs. 661.5 million. (2019/20 – Rs. 814.7 million). The Group revenue was Rs. 31.6 billion (2019/20 – Rs. 53.5 billion). An analysis of Group revenue based on business and geographical segments is disclosed in Note 6 to the Financial Statements. The profit after tax of the Company was Rs.2.6 billion (2019/20- Rs. 1.6 billion). The Group reported a loss after tax of Rs 3.3 billion (2019/20- profit after tax was Rs. 2.9 billion). The Group's loss attributable to the equity shareholders of the parent company for the year was Rs.1.6 billion (2019/20 Profit attributable to the equity shareholders – 2.4 billion). The segmental profits are disclosed in Note 6 to the Financial Statements.

### 4.2 Donations

During the year donations amounting to Rs. 50,000/- (2019/20 – Rs. 325,000/-) were made by the Company, while the donations made by the other Group entities during the year amounted to Rs.2,149,111/- (2019/20 – Rs. 2,274,331/-).

<i>For the year ended 31st March</i>	<b>GROUP 2021 Rs. '000</b>	<b>GROUP 2020 Rs. '000</b>
<b>Net profit/(loss) before tax</b>	(2,844,273)	4,197,662
Provision for taxation including deferred tax	(469,510)	(1,310,688)
<b>Net profit/ (loss) after tax</b>	(3,313,783)	2,886,974
Other comprehensive income	515,507	808,339
<b>Total comprehensive income/(loss) for the year</b>	(2,798,276)	3,695,313
Total comprehensive (income)/loss attributable to the minority shareholders	1,827,095	(733,478)
<b>Total comprehensive income/(loss) attributable to equity shareholders</b>	(971,181)	2,961,835
Transactions directly recognised in the equity statement	19,766	94,239
Balance brought forward from the previous year	48,813,826	47,315,443
Adjustment on initial application of SLFRSs	-	(948,697)
<b>Amount available for appropriations</b>	47,862,411	49,422,820
Final Dividend for 2019/2020 (2018/2019)	(507,495)	(608,994)
<b>Total reserves and earnings</b>	47,354,916	48,813,826
Stated Capital	2,135,140	2,135,140
<b>Balance attributable to equity holders of the Company at the end of the period</b>	49,490,056	50,948,966

### 4.3 Taxation

A detailed statement of the income tax rates applicable to the individual companies in the Group and a reconciliation of the accounting profits with the taxable profits are provided in Note 12 to the Financial Statements. It is the policy of the Group to provide for deferred taxation on all known timing differences on the liability method. The deferred tax balances of the Group are given in Notes 22 and 32 to the Financial Statements. The deferred tax of the Company and the Group are calculated based on the tax rates that are specified in the Inland Revenue Act No. 24 of 2017 and its amendments thereto.

### 4.4 Dividends

The Directors recommended a First and Final dividend payment of Rs. 1.00 per share for the year. The Directors are satisfied that the Company would meet the solvency test requirement under Section 56 (2) of the Companies Act No. 7 of 2007 immediately after the payment of the First and Final dividend.

## 5 Synopsis of the Statement of Financial Position of the Company and the Group

### 5.1 Stated Capital and Reserves

As at 31st March 2021, the Company had issued 405,996,045 ordinary shares and the stated capital of the Company was Rs.2.1 billion. The Company's retained earnings and reserves as at 31st March 2021 were Rs. 16.8 billion (2019/20- Rs. 14.7 billion) whereas the total Group's retained earnings and reserves as at 31st March 2021 were Rs 47.4 billion (2019/20- Rs. 48.8 billion). The movement in these reserves is shown in the statement of changes in equity – Company and Group on pages 230 and 228 respectively.

### 5.2 Property, Plant and Equipment, Investment Property, Intangible Assets, Biological Assets, and Right-of-Use Assets

The details of property, plant and equipment, investment property, intangible assets, biological assets, and right-of-use assets of the Company and the Group where applicable, are given in Notes 15-19 to the Financial Statements.

Information in respect of extent, location, valuation of land and building held by the Company and Group are detailed in Notes 15.3 and 16.2 to the Financial Statements.

### 5.3 Contingent Liabilities

The details of contingent liabilities are disclosed in Note 42 to the Financial Statements.

## 6. Events occurring after the Reporting Date

No post balance sheet events of material significance that requires adjustments to the Financial Statements has arisen other than that is disclosed in Note 47 to the Financial Statements.

## 7. Going Concern

The Board of Directors is satisfied that the Company and the Group have adequate resources to continue their operations without any disruption in the foreseeable future. The Company's Financial Statements are prepared on a going concern basis.

## 8. Information on the Board of Directors and the Board Sub-Committees

### 8.1 Board of Directors

The Board of Directors of the Company comprised of:

	Executive	Non-Executive	Independent
Deshamanya D.H.S. Jayawardena (Chairman)	✓		
Dr. M.P. Dissanayake (Deputy Chairman and Managing Director)	✓		
Dr. R.M. Fernando	✓		
Ms. D.S.T. Jayawardena	✓		
Mr. J.M.S. Brito		✓	
Mr. G.C. Wickremasinghe		✓	✓
Mr. C.H. Gomez		✓	✓
Mr. N.J. de S. Deva Aditya*		✓	
Mr. R.N. Asirwatham		✓	✓

\*Mr. A.L. Gooneratne holds the office as an Alternate Director to Mr. N.J. de S. Deva Aditya

# ANNUAL REPORT OF THE BOARD OF DIRECTORS

The brief profiles of the Directors are given on pages 38 to 41 of this Annual Report.

The periods of service of Mr. G.C. Wickremasinghe, Mr. R.N. Asirwatham and Mr. C.H. Gomez as Board Members exceed nine years. Additionally, Mr. G.C. Wickremasinghe was an Executive Director on the Board of the Company prior to the assumption of duties as a Non-Executive Director.

The Board is of the view that the periods of service of the aforesaid independent Directors and the Executive Directorship previously held by Mr. G.C. Wickremasinghe do not compromise their independence and objectivity in discharging their functions as Directors and, therefore, has determined that Mr. G.C. Wickremasinghe, Mr. R.N. Asirwatham and Mr. C.H. Gomez are 'Independent' as per the Listing Rules.

## 8.2 Board Sub Committees

The following Directors served as members of the Audit Committee, the Remuneration Committee, the Related Party Transactions Review Committee and the Nomination Committee.

### Audit Committee

Mr. R.N. Asirwatham (Chairman)  
Mr. G.C. Wickremasinghe  
Mr. C.H. Gomez  
Mr. N.J. de S. Deva Aditya / Mr. A.L. Gooneratne (Alternate Director to Mr. N.J. de S. Deva Aditya)  
Mr. J.M.S. Brito

### Remuneration Committee

Mr. G.C. Wickremasinghe (Chairman)  
Mr. R.N. Asirwatham  
Mr. C.H. Gomez

### Related Party Transactions Review Committee

Mr. R.N. Asirwatham (Chairman)  
Mr. G.C. Wickremasinghe  
Mr. C.H. Gomez  
Mr. N.J. de S. Deva Aditya / Mr. A.L. Gooneratne (Alternate Director to Mr. N.J. de S. Deva Aditya)  
Mr. J.M.S. Brito

### Nomination Committee

Mr. G.C. Wickremasinghe (Chairman)  
Deshamanya D.H.S. Jayawardena  
Mr. R.N. Asirwatham

## 8.3 Re-appointment of Directors who are over 70 years of age and Re-election of Directors.

Upon the recommendation of the Nomination Committee and the Board, it is recommended that Deshamanya D.H.S. Jayawardena and Messrs G.C. Wickremasinghe, R.N. Asirwatham, J.M.S. Brito and N.J. de S. Deva Aditya who are over 70 years of age and who vacate office in terms of Section 210(2) (b) of the Companies Act No. 07 of 2007 be re-appointed as Directors of the Company in terms of Section 211 of the Companies Act No. 07 of 2007 specially declaring that the age limit stipulated in Section 210 of the Companies Act No. 07 of 2007 shall not apply to the said Directors.

Ms. D.S.T. Jayawardena who retires by rotation in terms of Article 83 of the Articles of Association of the Company offers herself for re-election.

## 8.4 Directors' Shareholding

The Directors' shareholdings are provided in the Investor Information section of this Annual Report.

## 8.5 Interest Register

An interest register is maintained by the Company as per the Companies Act No. 7 of 2007. Any interest in transactions disclosed to the Board by a Director in accordance with Section 192 of the Companies Act No. 7 of 2007 is duly recorded in the interest register.

## 8.6 Directors' Remuneration

The Directors' remuneration and fees in respect of the Company and the Group for the financial year ended 31st March 2021 are disclosed in Note 9 of the Financial Statements.

## 8.7 Related Party Transactions

Related party transactions of the Group are disclosed in Note 43 to the Financial Statements. These are recurrent and non-

recurrent related party transactions, which required disclosures in the Annual Report in accordance with the Sri Lanka Accounting Standard No. 24 – Related Party Disclosures. However, there were no recurrent related party transactions which in aggregate value exceeded 10% of the consolidated revenue of the Group as per the Audited Financial Statements as at 31st March 2020.

There were no non-recurrent related party transactions which in aggregate value exceeding lower of 10% of the equity or 5% of the total assets of the Group as per the Audited Financial Statements as at 31st March 2020, which required additional disclosures in the Annual Report under Section 9.3.2(a) of the Listing Rules of the Colombo Stock Exchange.

The Group companies and their Key Management Personnel have disclosed on a quarterly basis, the proposed related party transactions (if any) falling under the ambit of Section 9 of the Listing Rules of the Colombo Stock Exchange. The disclosures so made were tabled at the quarterly meetings of the Related Party Transactions Review Committee, in compliance with the requirements of the above mentioned rule.

The Directors declare that the Company is in compliance with Section 9 of the Listing Rules of the Colombo Stock Exchange pertaining to Related Party Transactions during the financial year ended 31st March 2021.

## 8.8 Subsidiary Board of Directors

The names of Directors of the subsidiaries and joint venture companies who held office as at 31st March 2021 and Directors who ceased to hold office during the accounting period are indicated on pages 343 to 350 of this Annual Report.

## 9. Human Resources

The human resources strategies applied and practiced by the Group in the regions we operate have translated into the creation of a dynamic and competent human resource team. The strategies adopted in motivating and retaining our employees are discussed in "Our Employees" on pages 80 to 89 of this Annual Report.

## 10. Governance

The Group has not engaged in any activity which contravenes national and international laws. The Group rigidly adheres to relevant national and international rules, regulations and codes of Professional Institutes and Associations, Industrial Associations, Chambers of Commerce and other regulatory bodies. The Group complies with the Listing Rules of the Colombo Stock Exchange and the Code of Best Practice on Corporate Governance 207 issued by the Institute of Chartered Accountants of Sri Lanka. The Group applies very high standards to protect and nurture the environment in which it operates and ensures strict adherence to all environment laws and practices.

The Company has no restrictions with regard to shareholders carrying out appropriate analysis or obtaining independent advice regarding their investment in the Company and has made all endeavours to ensure the equitable treatment of shareholders. The Company's corporate governance practices are set out on pages 176 to 194 of this Annual Report.

## 11. Risk Management

The Directors have established and adhere to a comprehensive risk management framework at both Strategic Business Units and Group levels to ensure the achievement of their corporate objectives. The categories of risks faced by the Group are identified, the significance they pose are evaluated and mitigating strategies are adopted by the Group. The Board of Directors reviews the risk management process through the Audit Committee. The Risk Management Report of the Group is on pages 207 to 214 of this report.

## 12. Internal Controls

The Board of Directors ensures that the Group has an effective internal control system which ensures that the assets of the Company and the Group are safeguarded and appropriate systems are in place to

minimise and detect fraud, errors and other irregularities. The system ensures that the Group adopts procedures which result in financial and operational effectiveness and efficiency.

Board of Directors' Statement on Internal Controls is on pages 200 to 201, the Statement of Directors' Responsibilities is on page 219 and the Audit Committee Report is set out on pages 197 and 198 of this report provide further information in respect of the above.

## 13 Statutory Payments

The Directors, to the best of their knowledge and belief are satisfied that all statutory financial obligations to the Government and to the employees have been either duly paid or adequately provided in the Financial Statements. A confirmation of same is included in the Statement of Directors' Responsibilities on page 219 of this Annual Report.

## 14. Integrated Annual Report

The Board of Directors acknowledges its responsibility to ensure the integrity of the Annual report and to ensure that it provides a balanced view of its performance, addressing all material issues that may have an impact on the Group's capacity to create value.

The Board is of the opinion that the Integrated Annual Report of Aitken Spence PLC for the financial year ended 31st March 2021 is presented in accordance with the IR Framework as well as other reporting frameworks.

## 15. Corporate Sustainability

The Board of Directors guides and supports the Group's integrated sustainability strategy and the implementation of the structured and dynamic sustainability framework by a network of committed members across the Group. The Key Performance Indicators achieved, awards and recognition received during the year are a testament to the

Group's commitment as it continues to benchmark its practices against global standards and best practices in a myriad of aspects that affect or potentially affect delivery of growth. More details of the Group's sustainability efforts are included in the Management Discussion and Analysis of this report and at [www.aitkenspence.com/sustainability](http://www.aitkenspence.com/sustainability).

## 16. Shareholder Information

There were 5,257 shareholders as at 31st March 2021. The distribution schedule of the number of shareholders and their shareholdings are detailed on pages 171 to 172 of this Annual Report. The names of the twenty largest shareholders, together with their shareholdings as at 31st March 2021 are given on page 172 of this Annual Report. The percentage of the shares held by the public as at 31st March 2021 was 45.68% which was in the hands of 5,250 public shareholders.

Information relating to earnings per share and the net assets per share for the Company and Group, the dividend per share and the closing price per share are given on pages 168 to 173 of this Annual Report.

## 17. Auditors

The independent Auditors' report on the Financial Statements is given on pages 220 to 224 of the Annual Report. The retiring Auditors Messrs. KPMG, Chartered Accountants have expressed their willingness to continue in office and a resolution to re-appoint them as Auditors and to authorise the Board to determine their remuneration will be proposed at the Annual General Meeting of the Company.

The audit fees payable for the year to the Company Auditors Messrs. KPMG, Chartered Accountants was Rs. 1.5 million (2019/20 – Rs. 1.5 million). In addition to the above Rs. 3.3 million (2019/20 – Rs. 2.1 million) was payable by the Company for permitted audit related and non-audit related services. Messrs. KPMG Chartered Accountants, the Auditors of the Company are also the

## ANNUAL REPORT OF THE BOARD OF DIRECTORS

Auditors of certain subsidiaries, joint ventures and associate companies of the Group. The details of the subsidiaries, joint ventures and associate companies audited by them are included on pages 343 to 350 of this Annual Report.

The amount payable by the Group to Messrs. KPMG, Chartered Accountants as audit fees was Rs.22.3 million (2019/20 – Rs.22.0 million) while a further sum of Rs.20.5 million (2019/20 – Rs.8.0 million) was payable for permitted audit and non-audit related services. In addition to the above Rs.8.4 million (2019/20 – Rs.8.1 million) was payable to other auditors for carrying out audits of the subsidiaries conducted by them. The amount payable to such other auditors for permitted audit and non-audit related services was Rs.7.1 million (2019/20 – Rs.3.9 million). As far as the Directors are aware, the Auditors neither have any other relationship with the Company nor any of its subsidiaries, joint ventures and equity accounted investees that would have an impact on their independence.



**Deshamanya D.H.S. Jayawardena**  
*Chairman*



**Dr. M.P. Dissanayake**  
*Deputy Chairman and Managing Director*



**Aitken Spence Corporate Finance (Private)  
Limited**  
*Company Secretaries*

Colombo  
28th May 2021

# MANAGING RISKS AND OPPORTUNITIES

Aitken Spence has navigated through volatile operational environments for over 150 years but managing risks and seeking opportunities had never been so important to the Group than this year. The COVID-19 is impacting our businesses globally by disrupting supply chains, travel, production and consumption, threatening operations and financial strength. As a diversified conglomerate operating in many countries, our risk management framework and capabilities are constantly evolving to suit the dynamism of the environment, to mitigate the immediate risks and to ensure the long-term growth and sustainability of our many businesses.

## The Group Enterprise Risk Management (ERM) Framework

The ERM framework of the Group spans the entire organisation, from the Board of Directors, right through to the operational level. A risk coordinator has been appointed at each line of business, central function, business function and subsidiary, to coordinate the risk management activities as well as support the building of a risk awareness culture. Each staff member has a role in managing risks and our risk management structure emphasizes this aspect.

## Risk Management Structure



### STRATEGIC LEVEL

The Board is responsible for risk management of the Group. Risk is reviewed at each Board meeting and appropriate responses are formulated or approved and resources allocated as necessary. The main objective in monitoring risk exposure is to secure the stability of the Group and manage risks and returns within the Group's risk appetite while pursuing corporate goals.



### OPERATIONAL LEVEL

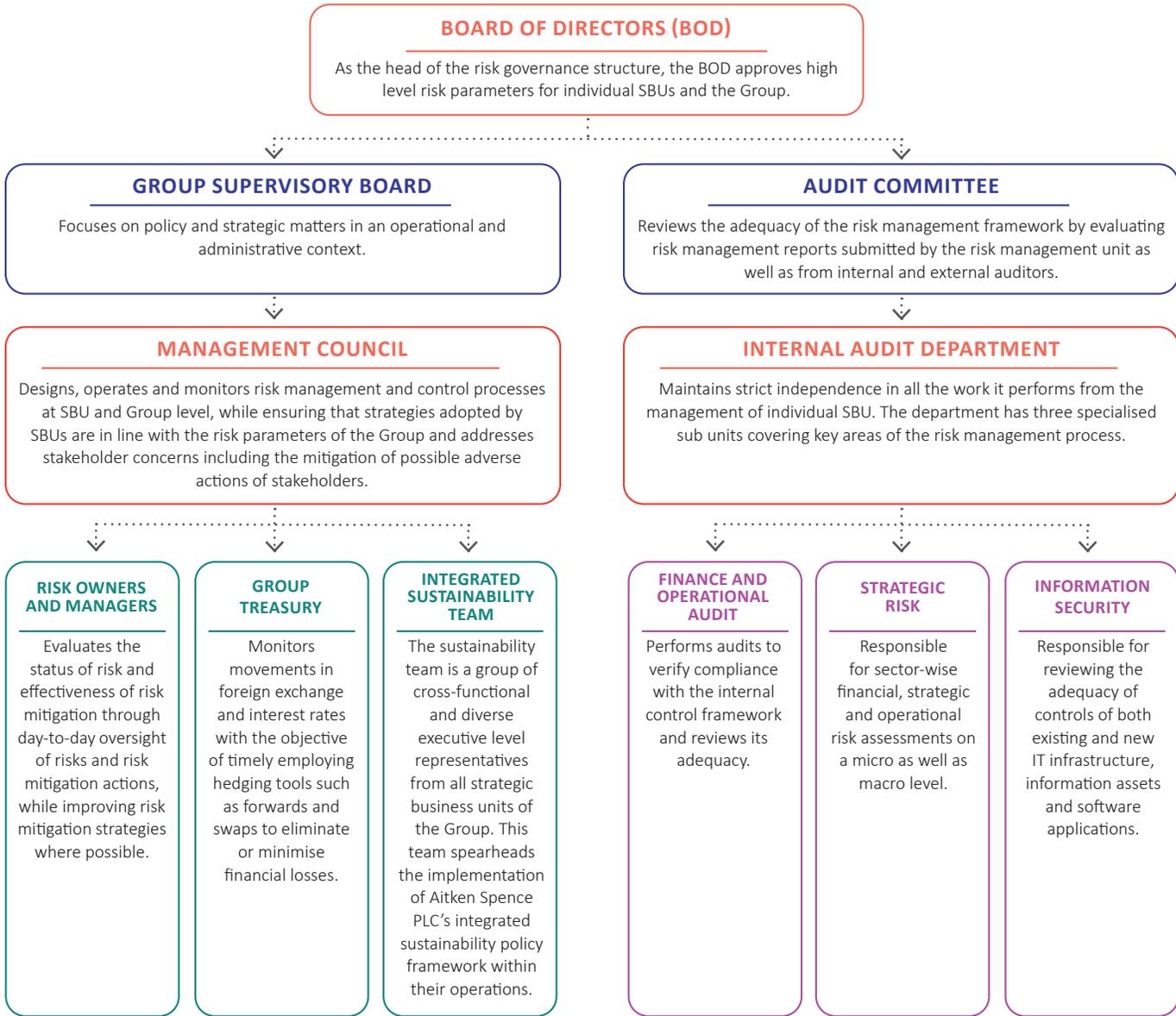
Each strategic business unit is responsible for identification, measurement, monitoring, management and reporting of risks to their respective Boards and to the strategic risk unit. Consideration of the business climate, competition, stakeholder concerns and the SBU's business goals form part of this process.



### THE STRATEGIC RISK UNIT

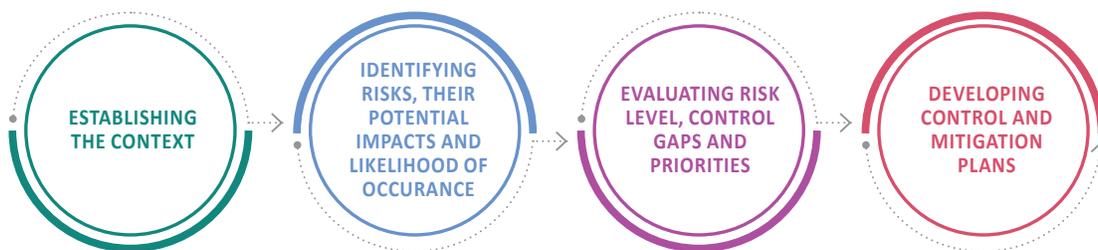
The unit is responsible for collating and aggregating risk assessments as well as providing technical guidance to SBUs to ensure accurate identification, assessment and management of risks.

# MANAGING RISKS AND OPPORTUNITIES



## Risk Management Process

Managing risks is a continuous and interactive process. It involves stakeholder communication and consultation as well as regular monitoring and review. The process is integrated into our business and decision-making processes and involves:



## Risk Appetite

Risk appetite is the degree of risk that the Group is prepared to accept in pursuit of its strategic objectives and business plan. It is the nature and the amount of risk that the Group is willing to accept in pursuit of an appropriate and resilient long-term return on its capital. Accordingly, a risk and return analysis is required for all significant new deals, products and business ventures.

### Establishing Risk Appetite



# MANAGING RISKS AND OPPORTUNITIES

## Risk Landscape 2020-2021

The effects of the COVID-19 pandemic dominated the risk landscape during the year. The pandemic caused a sharp downturn in economic activities around the world including in Sri Lanka, as the response to curb the spread of COVID-19 required the stringent adherence to new health and safety regulations, changed work practices and also limited the travel within and between countries. Consumer demand patterns also saw a shift towards more essential goods and preference for online channels that minimized human intervention. An unprecedented policy support was extended

by the Government and the Central Bank to revive the economy through the provision of assistance to those who are at the lower end of income levels, regulations supporting funding for affected individuals and businesses by mechanisms such as moratoria on loans and emergency funding at concessionary rates, and the accommodative monetary policy to keep the cost of funds at low levels. This unprecedented crisis had a serious impact on the Group's Tourism sector although the non-tourism sectors were able to weather the storm successfully and record impressive results.

Currently, several vaccines for COVID-19 have been developed at ground breaking speed and approved worldwide for vaccination of the general populace. The effectiveness of vaccination programmes and susceptibility of new COVID-19 strains to the existing vaccines will determine the path of recovery of this global health crisis.

We have briefly highlighted the risks that the Group faced during the year from the external environment. These risks ensued as direct result of the COVID-19 pandemic, macroeconomic indicators, and governmental policies.

### HEALTH AND SAFETY

Health and safety concerns due to COVID-19 prevailed during the entire year that saw the imposition of several (national and area wide) lockdowns.

### SEMI VIRTUAL MOBILITY (SVM)

Semi Virtual Mobility (SVM) was introduced during the year to meet the challenges posed by COVID-19 health and safety regulations on the work environment. To enable SVM, investments had to be made and expenditure were incurred on enhancing the digital connectivity enabling the employees to work from home. SVM has also increased the Group's cyber risk, as the likelihood of data breaches and information leakages have increased.

### LIQUIDITY

Liquidity was one of the key challenges during the year. All non-essential capital expenditure was put on hold for the first six months of the year. The Group also negotiated new working capital as well as term funding lines from financial institutions at very favourable interest rates while COVID-19 affected businesses received debt moratoria and concessionary working capital funding.

### BORDER CLOSURES

Border closures to curb the spread of COVID-19 and the resultant lack of airline connectivity impacted the Tourism sector. The reopening of Sri Lanka's international airports from January 2021 and vaccination drives in many countries are positive steps towards the revival of this sector which continues to work with government authorities, tour operators and airlines to find innovative localised solutions to the adverse effects wrought by the global pandemic.

### SUPPLY CHAIN DISRUPTIONS

During the peak of the pandemic the printing and apparel segments experienced disruptions in raw material; supply chains. The situation is now getting normalised

### MACROECONOMIC INDICATORS

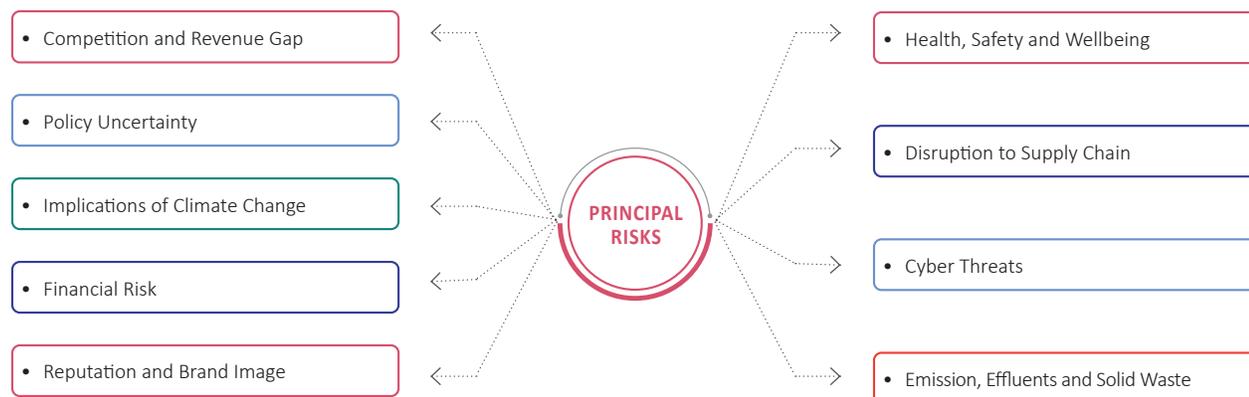
- Depletion of Sri Lanka's foreign reserve position has been one of the main reasons for the downgrade of country's credit rating. This will pose many challenges in attracting FDIs and could result in fewer investment opportunities for the Group.
- Depreciation of currency leads to increased costs of imported raw materials and spare parts which affects printing, elevators, power generation and logistics segments.

### GOVERNMENT POLICY

- Imposition of unexpected exchange controls and regulations had an impact on various business segments of the Group.
- Import restrictions imposed recently have resulted in lower inward cargo volumes impacting the Maritime and Freight Logistics sector.
- Restrictions imposed on certain agricultural products such as palm oil could result in an adverse impact on the plantations segment.

## Principal Risks

Through our risk management process, the Group has identified 9 main risks with the potential to adversely impact our operations to create value. The impact to the Group from other risks have been comparatively low and mitigated to a great extent.



Risks	Mitigation Strategies										
<p><b>Health, Safety and Well-being</b></p> <p>With the threat of the pandemic continuing, the safety and well-being of our employees and other stakeholders will be a priority.</p> <p>We have also taken measures to safeguard employees, who are exposed to higher levels of health and safety risks in several businesses within the Group.</p> <table border="1"> <thead> <tr> <th>Assessment</th> <th>2020-2021</th> <th>2019-2020</th> </tr> </thead> <tbody> <tr> <td>Impact</td> <td>High</td> <td>High</td> </tr> <tr> <td>Likelihood</td> <td>High</td> <td>Moderate</td> </tr> </tbody> </table>	Assessment	2020-2021	2019-2020	Impact	High	High	Likelihood	High	Moderate	<ul style="list-style-type: none"> <li>• Occupational Health and Safety officers are appointed throughout the Group and are provided with the necessary training to draw up guidelines to ensure the health and safety of our employees.</li> <li>• In the hotel segment special training programmes were rolled out with standard operating procedures (SOPs) issued to guide hotel staff. The “SpenceSafe Safety Plan” is communicated to all customers.</li> <li>• Guidelines were implemented throughout the business segment as per the safety and health guidelines issued by Governments in the regions, we operate in.</li> <li>• Regular sanitising of office and factory premises are carried out.</li> <li>• Temperature checks on entry for all staff and visitors are performed.</li> <li>• Mandatory wearing of face masks in all our premises.</li> <li>• Staff are encouraged to avoid using public transport as a measure of minimizing the spread. Further, staff are encouraged to work from home where feasible.</li> <li>• All employees are required to complete a weekly health declaration form which assisted the Group to monitor the employee health and safety statistics.</li> </ul>	
Assessment	2020-2021	2019-2020									
Impact	High	High									
Likelihood	High	Moderate									
<p><b>Disruption to Supply Chain</b></p> <p>The Group experienced several supply chain disruptions that impacted the smooth flow of operations. Production-oriented segments, such as printing and packaging and apparel segments, that sourced raw materials from overseas were mostly affected.</p> <table border="1"> <thead> <tr> <th>Assessment</th> <th>2020-2021</th> <th>2019-2020</th> </tr> </thead> <tbody> <tr> <td>Impact</td> <td>Moderate</td> <td>N/A</td> </tr> <tr> <td>Likelihood</td> <td>Moderate</td> <td>N/A</td> </tr> </tbody> </table>	Assessment	2020-2021	2019-2020	Impact	Moderate	N/A	Likelihood	Moderate	N/A	<ul style="list-style-type: none"> <li>• Maintain buffer stocks of regularly required items.</li> <li>• Work with suppliers to reduce lead times.</li> <li>• Communicate potential delays early to customers and keep them informed of the progress regularly.</li> </ul>	
Assessment	2020-2021	2019-2020									
Impact	Moderate	N/A									
Likelihood	Moderate	N/A									

## MANAGING RISKS AND OPPORTUNITIES

Risks	Mitigation Strategies	
<b>Competition and Revenue Gap</b>		
Escalating competitive pressures may affect the Group from achieving its predicted margins and market shares. Most markets in which the Group operate are characterized by strong competition and are often price driven.	<ul style="list-style-type: none"> <li>Leveraging on the long-standing reputation of the “Aitken Spence” brand as a tool to create sustainable competitive advantage.</li> <li>Regular and systematic competitor analysis is performed by each sector, with adequate measures taken to ensure sustaining the Group’s competitiveness.</li> <li>The Group actively seeks strategic portfolio diversification to obtain a competitive advantage and stay ahead of its competitors.</li> <li>Ongoing efforts to strengthen the Group’s intellectual capital through investments in research and development and leadership in global best practices.</li> </ul>	
<b>Assessment</b>	<b>2020-2021</b>	<b>2019-2020</b>
Impact	High	N/A
Likelihood	High	N/A
<b>Policy Uncertainty</b>		
Exchange control regulations imposed recently may have adverse impacts on the Group.	<ul style="list-style-type: none"> <li>The strategic risk unit of the Group closely monitors the domestic and global economic environments, for adverse changes in the regulatory framework, and mitigation strategies are promptly implemented.</li> <li>The Power generation segment has expanded its renewable energy portfolio through new investments in solar and hydro power. In addition, the first ever waste to energy power plant was commissioned during the year, further diversifying the segment’s renewable energy footprint.</li> </ul>	
Restriction on palm oil cultivation may hinder the plantation segment.		
Uncertainty on the future of the thermal power plant could affect the profitability of the power generation segment.		
<b>Assessment</b>	<b>2020-2021</b>	<b>2019-2020</b>
Impact	Moderate	N/A
Likelihood	High	N/A
<b>Implication of Climate Change</b>		
The global climate is changing, and will continue to change, in ways that affect the planning of day to day operations of businesses. The manifestations of climate change include higher temperatures, altered rainfall patterns, and more frequent or intense extreme events such as heatwaves, droughts, and storms.	<ul style="list-style-type: none"> <li>Insurance of property, plant and equipment and inventory against damage from extreme weather events.</li> <li>Integrated approach to sustainability supporting reduction of the Group’s carbon footprint and water footprint.</li> <li>Heads of departments and a core team appointed with cross functional representation from the Group have also been trained on disaster risk reduction and business continuity planning to develop mitigation and adaptation strategies.</li> </ul>	
Tourism sector and plantation segment are susceptible to climate change.		
<b>Assessment</b>	<b>2020-2021</b>	<b>2019-2020</b>
Impact	Moderate	Moderate
Likelihood	High	High

Risks	Mitigation Strategies										
<b>Financial Risk</b>											
<p>The Group's investments and operations, which are mostly long term in nature, are exposed to various financial risks including liquidity, counterparty, interest rate and exchange rate risks.</p> <p>The Group's debt obligations linked to variable interest rates exposes it to interest rate risk.</p> <p>The Group is also exposed to foreign exchange rate risk where it has cash flows in overseas operations and foreign currency transactions which are affected by foreign exchange movements.</p> <p>Maintaining adequate liquidity to ensure uninterrupted operations was a key priority for the Group this year as business volumes dropped and payments were delayed.</p>	<ul style="list-style-type: none"> <li>• The Group maintains strong relationships with lenders which enable sourcing of funds at optimal rates.</li> <li>• Market interest rates are continuously monitored, to ensure appropriate and timely measures are taken to maximize the return on financial investments and minimize the cost of borrowings.</li> <li>• Hedging transactional foreign currency exposures (debt and payments) in line with the Group's treasury policy.</li> <li>• Pursuing "natural hedge" by matching currency of revenue, cost and debt; and making sure project level debt financing are in and / or swapped into functional currency where possible.</li> <li>• Managing receivables was the focus of the Group Supervisory Board and the senior management which ensured that working capital levels of the Group remained strong despite the business downturn.</li> <li>• Proactive credit policies have been implemented in sectors. Before granting credit the client's credibility and the potential credit risk is assessed via a rigorous process.</li> <li>• The Group legal division swiftly actions recovery of overdue debts.</li> </ul>										
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Assessment	2020-2021	2019-2020									
Impact	High	High									
Likelihood	High	High									
<p>Further details on financial risk management including sensitivity analysis on exchange rates and interest rates, liquidity and credit profiles of the Group are given in Note 39 to the financial statements (pages 312 to 321).</p>											
<b>Reputation and Brand Image</b>											
<p>The Group renders its services and products to millions of customers and interacts with hundreds and thousands of stakeholders annually, exposing the Group to potential reputational risk. Widespread use of social media has also allowed individuals to publish feedback on their interactions with the brand. Reputational risk, if not properly managed can quickly escalate and impair the Group's brand image.</p>	<ul style="list-style-type: none"> <li>• A centralized corporate communications unit coordinates all media communications, to ensure consistency.</li> <li>• High standard of ethics is practiced by all staff while conducting all forms of business activities.</li> <li>• The Group regularly conducts workshops on ethical behaviour and procedures on anti-corruption for its staff. A copy of the code of ethics is given to all new recruits.</li> </ul>										
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Assessment	2020-2021	2019-2020									
Impact	High	High									
Likelihood	Low	Low									
<b>Cyber Threat</b>											
<p>Majority of the Group processes are supported by one or many internet driven services. While the Group encourages work from home practices, this in turn presents a unique set of cyber threats.</p>	<ul style="list-style-type: none"> <li>• Group-wide staff awareness and programmes were conducted on information security and on handling of sensitive information.</li> <li>• Different protection technology implemented to manage network perimeter defence, data loss, cyber-spoofing, distributed denial of service attack and monitor suspicious cyber activities with regular testing and verification of controls by third parties.</li> <li>• The Group's centralized Information Technology (IT) division was awarded the Information Security Management Systems (ISMS) ISO 27001:2005 in 2014, which was upgraded to ISO 27001:2013 in 2015. This serves as the governing practice for Group IT services.</li> </ul>										
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Assessment	2020-2021	2019-2020									
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Likelihood	High	Moderate									

## MANAGING RISKS AND OPPORTUNITIES

Risks		Mitigation Strategies	
<b>Generation of emissions, effluents and solid waste</b>			
Day to day activities the Group engages in may have an impact on the environment, communities and the sustainability of our businesses.			
<b>Assessment</b>	<b>2020-2021</b>	<b>2019-2020</b>	
Impact	Moderate	Moderate	
Likelihood	Low	Low	
<ul style="list-style-type: none"> <li>• The Group has in place an integrated approach to sustainability and a key element of that strategy is the commitment to protect the environment, especially the ecosystems the Group operates in.</li> <li>• The Group have 40+ Environmental Management Systems in place, several of which, are in line with global benchmarks and standards.</li> <li>• Heritage hotels are ISO 50001 certified for their Energy Management System.</li> <li>• Plantations in the upcountry cluster are Rainforest Alliance certified. Low country estate activities are in line with the Forestry Stewardship Council system requirements.</li> <li>• Sustainability committees of the SBUs assign and train sustainability champions to monitor and maintain the above systems.</li> </ul>			