

Corporate Governance

Chairman's Statement on Governance

Dear Shareholders,

I am pleased to introduce our Corporate Governance Report for the Financial year 2021/2022. As one of the most respected corporate entities in the country, Aitken Spence PLC inherits a strong governance framework and culture of professionalism, business ethics and fair play. The Board continues to nurture our legacy, a framework based on the principles of good governance that we practice as part of the Aitken Spence Group.

As the country enters its fourth year of sustained socio-economic stress, the sound wisdom that underpin principles of corporate governance becomes more relevant as we set course to navigate another year of challenges. Sustainable value creation depends very much on ensuring that interests of key stakeholders are aligned with our businesses and understanding on how we deliver value to them is critical, particularly during the current challenging times. Our governance processes have evolved to ensure that the Board understands these concerns and considers the same in determining strategic direction, investments, risk management and other resource allocation decisions.

Integration of environmental, and social governance (ESG) priorities into our governance framework, business model, and operational processes has been key to how we do business. Centrally coordinated and under the vigilant supervision of an Executive Director, the Group Sustainability Division developed benchmarks for social and environment compliance across the Group. Their work has been key to shaping sustainable mindsets across the Group which gave rise to numerous initiatives to minimise our environmental footprint and support our stakeholders during challenging times.

Digitalisation has been a key area of focus for the Board to ensure that Aitken Spence is future forward and transforms to compete effectively during the 5th industrial revolution. The Board has reviewed the adequacy of our digital governance policies and processes and strengthened the same. Safeguarding our information assets, systems and processes were necessary in view of escalating cyber threats and we enhanced the defenses accordingly. The Board pays its utmost attention to the developments in this area as we level up the digitalisation of the Group.

Integrity in financial reporting, internal control and compliance are at the core of governance and continues to receive significant attention of the Board and the Audit Committee thereby facilitating the effective discharge of the responsibilities of the Board in this regard.

Ultimately, the effective functioning of all the governance mechanisms is dependent on the people and the organisation culture. The Board and the senior leadership of the Group are conscious about the need to set the tone at the top and ensure that our legacy of a value-based culture is nurtured and passed on. The Group's Code of Ethics and Professional Conduct plays a critical role in articulating the expectations of employees as well. It is my firm belief that our culture is the most important factor in reinforcing and shaping the evolution of our governance processes as we progress into a new era which will undoubtedly add more dimensions to the subject of governance.

Aitken Spence is a company with over 150 years of history, and corporate governance has been the bedrock which has been strengthened by successive Boards of Directors. Over the years, we have observed the devastating consequences of failures in governance in the private

Compliance Statement

On behalf of the Board of Aitken Spence PLC, I declare that the principles of good corporate governance are applied consistently across the Group and that the Corporate Governance Report provides a fair account of Corporate Governance practices within the Group. I am also pleased to report that the Group complies with the relevant provisions of the Listing Rules of the Colombo Stock Exchange pertaining to Corporate Governance and the Code of Best Practice on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka.

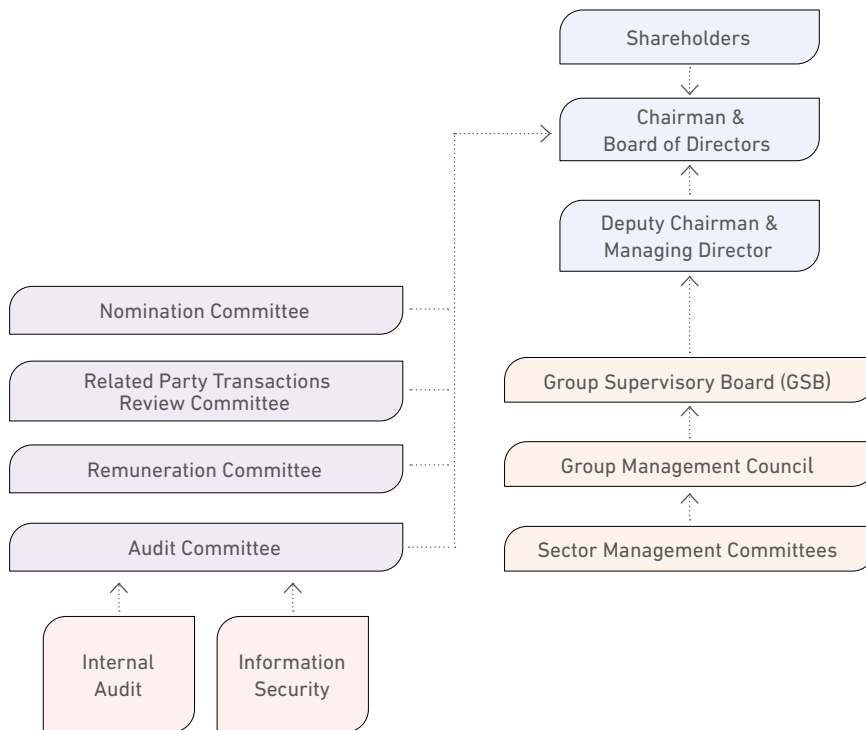
as well as the public sector. The lessons learned are valuable and resonate the need for a sound corporate governance framework that balances the concerns of all key stakeholders. The past three pandemic years have demonstrated the importance of maintaining our strong corporate governance practice of upholding our covenants with them. We will continue to do so as we move forward, holding ourselves to high standards in this evolving area of corporate governance.



Deshamanya D.H.S. Jayawardena
Chairman

31st May 2022

As one of the country's oldest public listed companies, Aitken Spence PLC has a heritage of sound corporate governance which has supported its growth and reputation. The Board bears ultimate responsibility for putting in place the necessary structures, policy frameworks, processes and setting the tone at the top. A professional management team upholds the values and nurtures an ethical culture which is passed through generations of Spensonians, zealously safeguarding its proud heritage.



Regulatory Framework

- » Companies Act No. 7 of 2007
- » Sri Lanka Accounting & Auditing Standards Act No.15 of 1995
- » Listing Rules of the Colombo Stock Exchange (CSE)

Voluntary Compliance Framework

- » Code of Best Practice on Corporate Governance 2017, issued by the Institute of Chartered Accountants of Sri Lanka



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

Executive Directors



Deshamanya D.H.S. Jayawardena
Executive Chairman



Dr. M.P. Dissanayake
Deputy Chairman & Managing Director



Dr. R.M. Fernando
Executive Director



Ms. D.S.T. Jayawardena
Executive Director

- Audit Committee
- Nomination Committee
- Remuneration Committee
- Related Party Transactions Review Committee
- C Chairman of Committee

Corporate Governance

Highlights 2021/2022

- » Performance oversight was critical during the third consecutive year of challenges as we navigated another year of business disruptions, the end of quantitative easing, divergent global economic growth and rapidly escalating economic challenges locally
- » Optimising Group synergies to strengthen performance across sectors, particularly in managing supply chain issues and logistics
- » Acquisition of 100% shareholding of Waltrim Energy Limited and its fully owned subsidiaries for a sum of LKR 900 Mn, consolidating the Group's investments in renewable energy
- » Resource allocation to support achievement of strategic objectives
- » Business continuity amidst significant business disruptions due to pandemic and other reasons
- » Digitisation and Digitalisation of the Group
- » High level review of risks and risk management processes
- » Ensuring the health and safety of people during the pandemic and approval of a holistic care package
- » Review of remuneration and rewards to retain and attract people of skills, talent and ability
- » Continued integration of ESG principles into business processes across all sectors

Role of the Board & Collective Responsibility

- | | |
|---|---|
| <p>» Steers and Sets Strategic Direction
Approves strategy. Focuses on high environmental, social & governance standards</p> | <p>» Approves Policy and Capital Planning
Gives effect to strategy. Sets direction, resource allocation and risk appetite.</p> |
| <p>» Oversees and Monitors
Implementation by Management</p> | <p>» Ensures Accountability
For organisational performance through reporting and disclosure, engagement</p> |

Other Roles

- | | |
|--|--|
| <p>» Deputy Chairman & Managing Director
Leads the management and is responsible for implementation of strategy</p> | <p>» Group Supervisory Board
Formulates and implement strategy within policy frameworks approved by the Board</p> |
| <p>» Management Council
Responsible for implementation of strategy</p> | <p>» Sector Management Committees
Monitors and reviews operations at sector level</p> |

Non-Executive Directors



Mr. J.M.S. Brito
Non-Executive



Mr. G.C. Wickremasinghe
Independent Non-Executive



Mr. R.N. Asirwatham
Independent Non-Executive



Mr. C.H. Gomez
Independent Non-Executive



Mr. N.J. de S. Deva Aditya
Non-Executive



Mr. A.L. Gooneratne
Alternate to Mr. N.J. de S. Deva Aditya (Non-Executive)

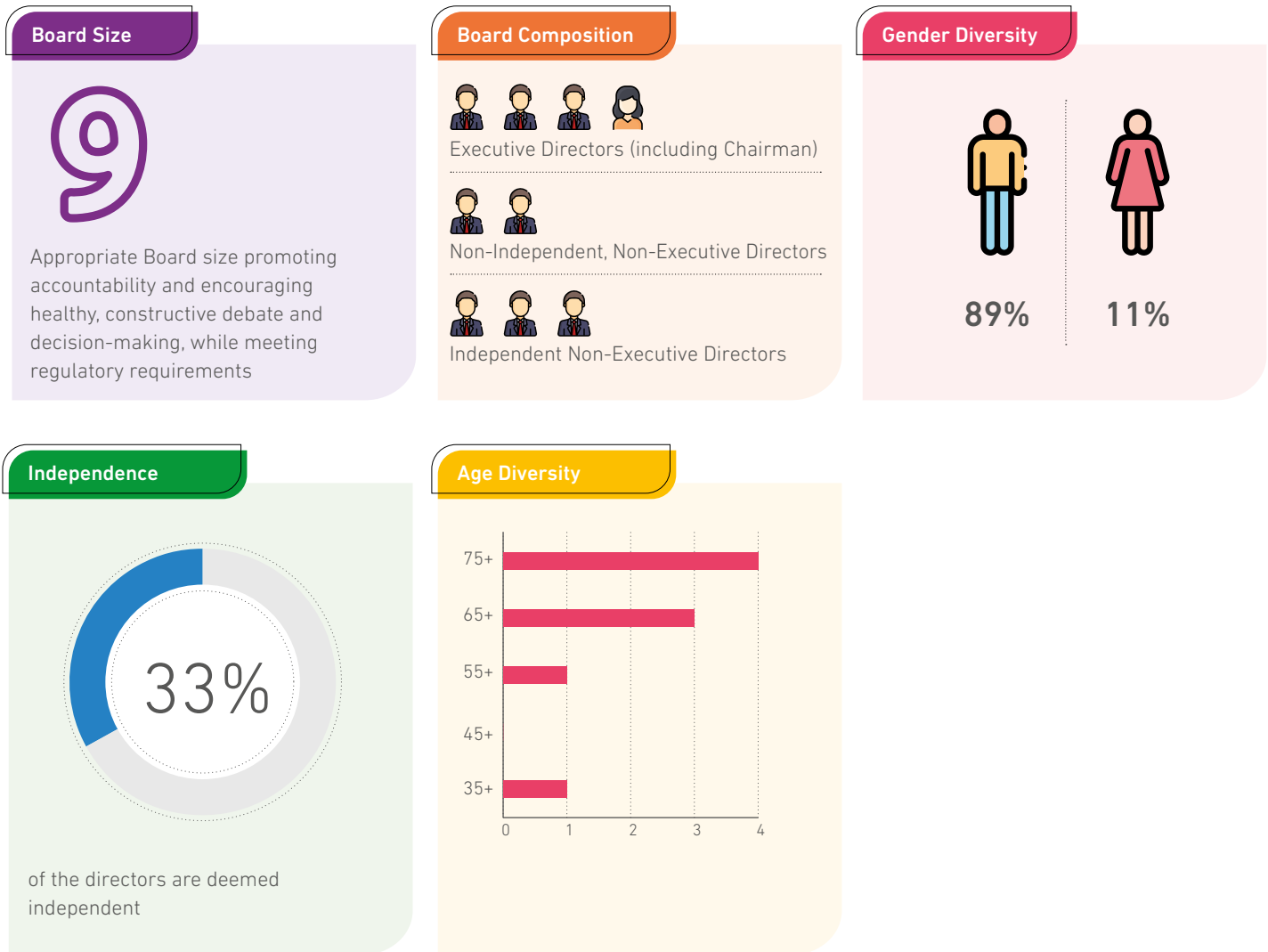


- Audit Committee
 ■ Nomination Committee
 ■ Remuneration Committee
 ■ Related Party Transactions Review Committee
C Chairman of Committee

A Balanced Board

The composition of the Board determines the effectiveness of the leadership provided to this industrially and geographically diverse conglomerate. The diversity of skills, knowledge and experience, diversity of views and perspectives and the balance between Executive and Non-Executive Directors are key to setting the strategic direction and the tone at the top. The Nomination Committee is responsible for ensuring that the Board has the knowledge, skills and experience required and that the makeup of the Board is sufficiently diverse, providing different perspectives within the Board room to enable effective discharge of its functions and duties.

A balanced and diverse Board.



The Board comprises of 9 members, 3 of whom are deemed independent, as explained on page 225 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. The number of Non-Executive Directors outnumber the Executive Directors and the diversity in the makeup of the Board facilitates a balance of power within the Board, paving the way for effective participation of all Directors in matters set before the Board. The Non-Executive Directors are eminent professionals in their respective fields, who bring objective views to Board deliberations and constructively challenge management. All Directors possess financial acumen and knowledge through experience gained from leading large enterprises while two Directors are finance professionals.








Corporate Governance

Board Effectiveness

The Board of Directors provides effective leadership, balancing stakeholder interests to facilitate value creation by the Group, taking into account the business landscape. The key responsibilities of the Board are set out alongside.

Board Structures

The Board has set up four Board Sub-Committees with oversight responsibility enabling efficient functioning of the Board. These are as follows:

Committee	Composition	Areas of Oversight
Audit Committee	 	<ul style="list-style-type: none"> » Risk Management and Internal Control » Financial Reporting and Financial Control » Internal Audit » External Audit including assessing the independence of external auditors » Compliance with legal and regulatory requirements
Related Party Transactions Review Committee	 	<ul style="list-style-type: none"> » Review all proposed related party transactions and the post quarter confirmations in accordance with the requirements of the listing rules » Recommend appropriate action for compliance in respect of proposed related party transactions or post quarter confirmations as applicable » Annual Review of thresholds of transactions falling under the ambit of Section 9.3.2 of the listing rules based on the available Financial Statements » Set out criteria to determine key management personnel
Nomination Committee	 	<ul style="list-style-type: none"> » Evaluating and recommending the appointment/re-appointment/re-election of Directors to the Board » Evaluating and recommending suitable internal and external candidates to higher levels of management » Succession planning
Remuneration Committee		<ul style="list-style-type: none"> » Determining the remuneration policy of the Directors and the Management Council » Determining the overall individual remuneration packages which includes compensation on termination of employment » Evaluating 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.

Key Responsibilities of the Board

- » Provide strategic direction.
- » Monitor implementation of strategy.
- » Set corporate values and promote ethical behaviour.
- » 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.
- » Ensure succession planning and the continued ability of the Company to operate without any disruption.

 Independent Non-Executive Director
  Non-Executive Director

 Executive Director
  Chairman

Executive Structures

The Board has set up three tiers of Executive Committees with oversight responsibility enabling efficient discharge of the executive functions of the Board. These are as follows:

Executive Committee	Composition	Areas of Oversight
Group Supervisory Board	<ul style="list-style-type: none"> » Dr. M.P. Dissanayake » Dr. R.M. Fernando » Ms. D.S.T. Jayawardena » Ms. N. Sivapragasam (Group Chief Financial Officer) 	<ul style="list-style-type: none"> » Formulates and oversees the execution of strategies within the policy framework set out by the Main Board
Group Management Council	<ul style="list-style-type: none"> » MDs/CEOs of the sectors 	<ul style="list-style-type: none"> » Executes strategies at operational level
Sector Management Committees	<ul style="list-style-type: none"> » Group Supervisory Board » Sectoral Managing Director/ Chief Financial Officer of the Sector » Senior Sectoral Management Team » Selected Members from the Cross Functional Senior Management Team 	<ul style="list-style-type: none"> » Monitors and reviews operations at sector level

Integration of ESG

Dr. R.M. Fernando is the Director in charge of sustainability and has represented sustainability on the Main Board since the Group formally introduced environmental and social sustainability as an operational priority to the Group. The Group Sustainability Division is a dedicated team in the Company reporting directly to Dr. R.M. Fernando to set policies and procedures and manage the ESG performance across the Group. The Group has segmental sustainability teams, each led by a team leader who is above manager grade, with diverse, cross functional team members supporting sustainability activities of the companies. These team leaders form the Aitken Spence Sustainability Team that works with the Group Sustainability Division.

Framework

Aitken Spence utilises a systemic approach to integrate environmental and social governance within the Group's operations. This process is explained earlier in this report. Refer to '*The Aitken Spence Strategy for Sustainability*' for more details.

Formally rolled out in 2005/2006, this strategy has been continually reviewed and improved upon over the years to ensure our changing sustainability priorities (material topics) are included and integrated in the implementation frameworks.

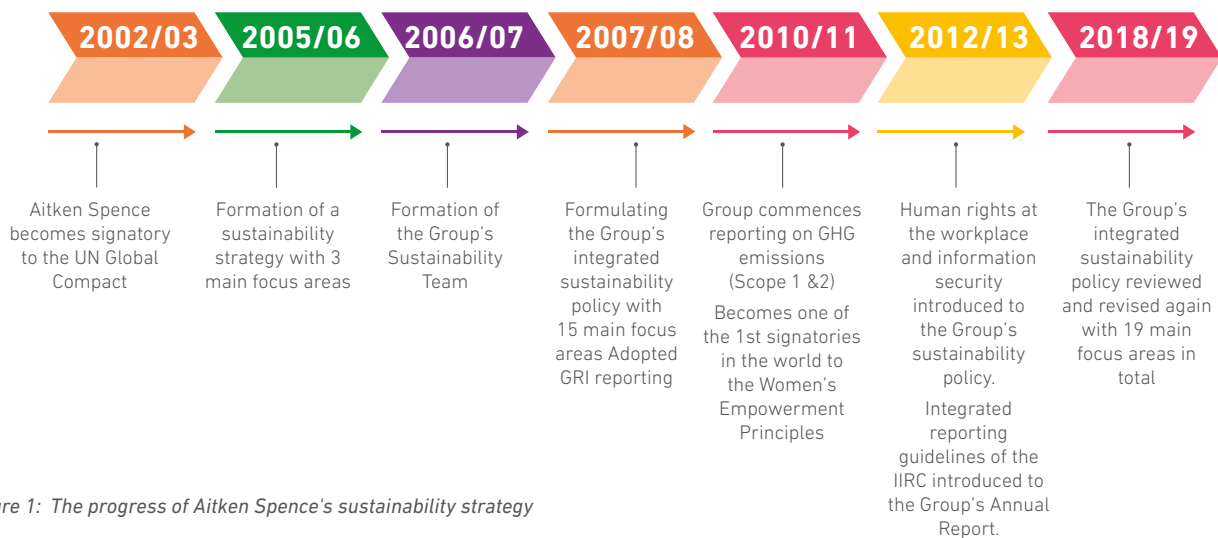


Figure 1: The progress of Aitken Spence's sustainability strategy

Corporate Governance

To pick our operational priorities, Aitken Spence is guided by stakeholder feedback, internal reviews, and local/ global development priorities. We strive to strike a balance between social, environmental and economic priorities to achieve the best probable outcomes for our stakeholders.

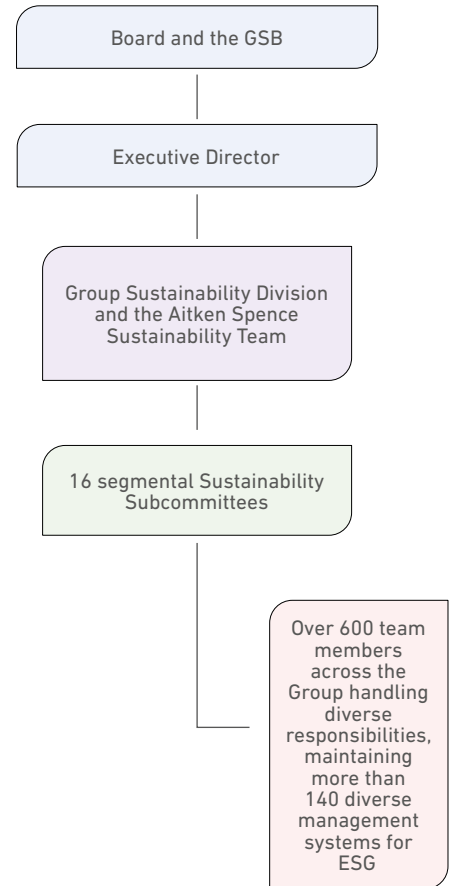


Figure 2 SDGs the Aitken Spence Group has aligned operational targets with (SBUs of the company have also picked other SDGs where they realised scope to contribute)

- » United Nations Global Compact (UNGC); signatory since 2002. Aitken Spence marks 20 years of engagement with the UNGC on 28 May 2022.
 - We are a member of the Global Compact Sri Lanka Network Steering Committee since inception and are also members of the Board of Management
 - Aitken Spence leads the Business & Human Rights Working Group in the UNGC Local Network Sri Lanka
 - Member of the Climate Ambitions Accelerator Programme to fast-track corporate action towards climate change mitigation
- » Women's Empowerment Principles of UNGC and UN Women, signatory since 2011
 - Aitken Spence is one of the first signatories in the world to the Women's Empowerment Principles and works to internalise the principles within the Group's operational policies and procedures
 - Aitken Spence is a member of the Gender & Diversity Working Group in the UN Global Compact Local Network Sri Lanka
 - A participant of the Target Gender Equality and Climate Ambitions accelerator programmes of the UN Global Compact
- » A Pioneering Partner and a member of the Board of Directors of CSR Sri Lanka
- » A member of the Asia Pacific Alliance for Disaster Management
- » The Group aligns our disclosures on non-financial information with the Standards of the Global Reporting Initiative

Our performance over the year bears witness to our success in achieving these objectives

Structure



Roles & Responsibilities

Roles of Chairman and Deputy Chairman & Managing Director are segregated strengthening Board balance. Roles and responsibilities of the C-Suite are clearly defined by mandates and job descriptions and by which means authority is delegated and accountability established.

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.

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

Company Secretaries

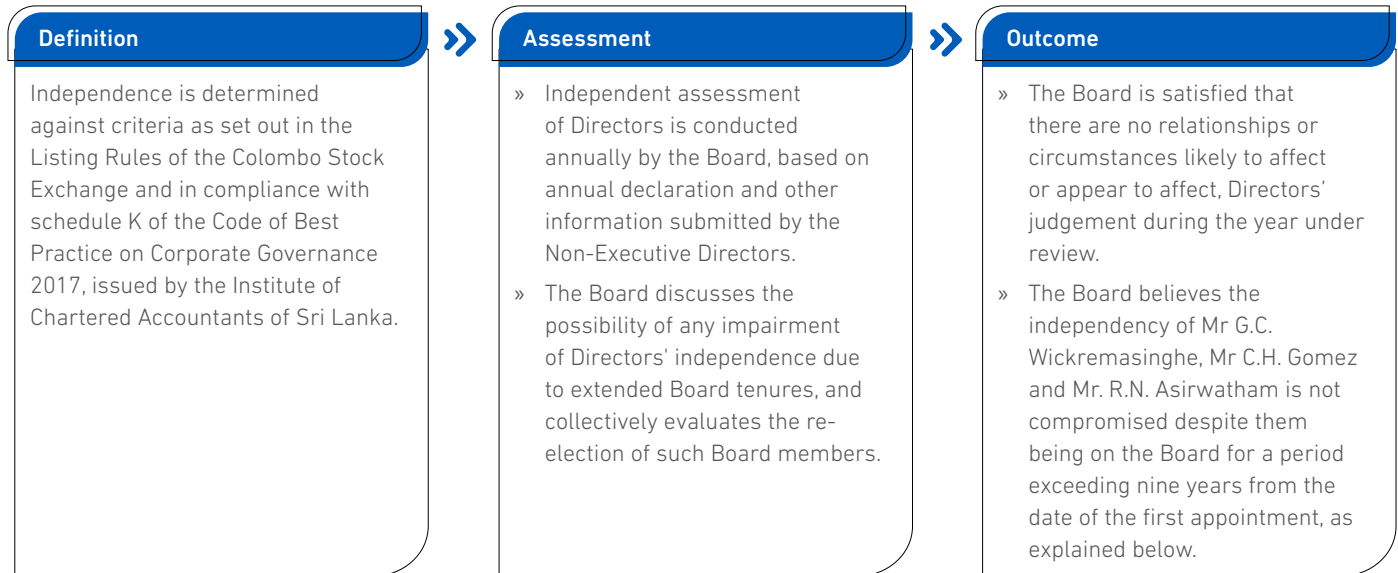
Responsibilities of the Company Secretaries include:

- » 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.

Corporate Governance

Determining Independence of Directors

There are three Independent Non-Executive Directors and their independence has been determined in accordance with the provisions in the Listing Rules of the Colombo Stock Exchange. The process for determining the independence of Directors and the conclusions are set out below.



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. 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. 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 which exceeds nine years, does not compromise his independence and objectivity in discharging his functions as a Director. Therefore, the Board determined that Mr. Asirwatham is 'independent' as per the Listing Rules.

Meetings & Minutes

Board meetings are held quarterly with the flexibility to arrange additional meetings when required. Four meetings were held during the year. A hybrid model using video-conferencing facilities was adopted, facilitating meetings to be held as planned.

An 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.

The Deputy Chairman & Managing Director in consultation with the Chairman sets the Board agenda, assisted by the Company Secretaries. Board agendas ensure that the Board spends sufficient time considering matters critical to the Group's success, as well as compliance, risk and administrative matters. Subcommittee agendas are set in consultation with the respective Chairs by the Company Secretaries. Meeting agendas and papers for Board and Committee meetings are made available to the Directors at least seven days before the meeting allowing members sufficient time to review the papers and obtain clarifications in preparation for the meeting.



Focus Areas in 2021/2022

Strategy & Business	Risk & Oversight	Governance	Stakeholder Engagement	Financial Performance
<ul style="list-style-type: none"> » Approval of the Corporate strategic plan » Reviewing progress against plans » Review and approval of potential investments and acquisitions » Monitoring progress of Group digitalisation initiatives 	<ul style="list-style-type: none"> » Review of Group risks including impacts from a volatile operating environment and adequacy of mitigatory actions » Optimising the internal control framework » Balance sheet and liquidity management 	<ul style="list-style-type: none"> » Review of additional support to be provided to different groups of stakeholders affected by the pandemic and economic challenges » Review of policy frameworks » Succession planning » Approval of Remuneration structures for 2022/2023 	<ul style="list-style-type: none"> » Review of stakeholder communications and engagement initiatives, in setting strategy and building brand » Ensuring timely disclosures in line with CSE Listing Rules » Approval of dividend payment 	<ul style="list-style-type: none"> » Financial impact from adverse operating conditions » Approval of Quarterly Financial Statements » Approval of 2021/2022 Financial Statements and Annual Report » Approval of 2022/2023 budget

Corporate Governance

Attendance at meetings by Board members is given below:

Name of Director	Director Status	Appointment to the Board	Meeting Attendance				
			Board	Audit Committee	Related Party Transaction Review Committee	Remuneration Committee	Nomination Committee
Deshamanya D.H.S. Jayawardena	ED	April 2000	4/4				1/1
Dr. M.P. Dissanayake	ED	March 2019	4/4				
Dr. R.M. Fernando	ED	April 2005	4/4				
Ms. D.S.T. Jayawardena	ED	December 2013	4/4				
Mr. J.M.S. Brito	NED	April 2000	4/4	10/12	3/4		
Mr. G.C. Wickremasinghe	INED	April 1972	4/4	12/12	4/4	C- 1/1	C- 1/1
Mr. R.N. Asirwatham	INED	September 2009	4/4	C – 12/12	C -4/4	1/1	1/1
Mr. C.H. Gomez	INED	May 2002	4/4	4/12	-	-	
Mr. N. J. de S. Deva Aditya	NED	September 2006	4/4	-	-		
Mr. A.L. Gooneratne (Alternate to Mr. N. J. de S. Deva Aditya)	NED	May 2012	-	11/12	4/4		

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

Resolutions by Circulation

Urgent matters may be determined by circulation of resolutions in accordance with the Articles of Association of the Company. Approval of such resolutions must be unanimous. Additionally, if a single Director deems it necessary that such resolution must be decided at a Board meeting and not by circulation, the Chairman shall put the resolution to be decided in a meeting.

Board Minutes

The Company Secretaries maintain minutes of Board and Sub-Committee proceedings. Minutes of meetings are sent to the respective Chairman for approval and then circulated to the Directors or Sub-Committee members within two weeks of the meeting. The minutes are signed by the Chairman of the Board and Chairman of the Sub-Committees upon confirmation at the next meeting.

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

Provision of Information

Board and Sub-Committee members receive the relevant papers one week prior to the meeting allowing sufficient time for preparation. They are also encouraged to seek clarification from the Key Management Personnel on relevant matters as required for the exercise of their independent judgement.

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 encouraged to be open and transparent with the Board and draw attention to any matters of concern in a timely manner.

Updating Directors Absent from Meeting

Any Director who does not attend a meeting is updated on proceedings prior to the next meeting through:

- » Formally documented minutes of the meetings.
- » 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 past minutes and Board papers and the same are accessible to the Directors.

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.

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 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 Officer, Managing Director retire from office at each Annual General Meeting. The Directors to retire in every year shall be those who are subject to retirement by rotation, have been the 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 are approved by the Board.
- » A Director appointed by the Board to fill a casual vacancy arisen since the previous AGM, will offer himself/herself for election at the next AGM.

Retirement/Resignation & Director Tenure

- » Resignations or removal, if any, of Directors and the reasons are promptly informed to the CSE.

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 business continuity.
- » The Nomination Committee and the Board consider the size of the Board, business needs, skill gaps and attributes required, and availability of talent in reviewing the adequacy of succession plans.

Induction to the Board

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 Code of Ethics and 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. There were no new appointments during the year.

Directors Interests and Related Party Transactions

Directors are required to declare their business interests at appointment and quarterly thereafter. These details are maintained 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.

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Directors have no direct or indirect interest in a contract or a proposed contract with the Company other than those disclosed on pages 374 to 379.

The Related Party Transactions Review Committee considers all transactions that require approval, in compliance with the regulations, ensuring transactions are conducted in a fair manner, balancing interests of all key stakeholders. Related party transactions are disclosed in note 42 to the financial statements on pages 374 to 379.

Managing Conflicts of Interest

A Director or KMP 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 excuse themselves from the Meeting when the Board considers matters in which a conflict may arise and do not participate in the decision making process related to such matter.

Knowledge Development

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. Directors are entitled to seek independent professional advice coordinated through the Company Secretaries at the expense of the Company.

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, considering the operating environment. Areas identified for improvement are communicated to the respective Director, including training needs and skills and knowledge gaps.

Responsible and Fair Remuneration

Remuneration is revised in accordance with approved remuneration policy which includes fixed and variable components. The variable criteria is based on performance of the entity and the person and takes into account the operating landscape. 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 KMPs is 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 (RC) 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 KMP. For further information, please refer Report of the Remuneration Committee and Terms of Reference.

The Board as a whole determines the remuneration of the Non-Executive Directors (NED's). NEDs are remunerated based on their attendance at Board and/

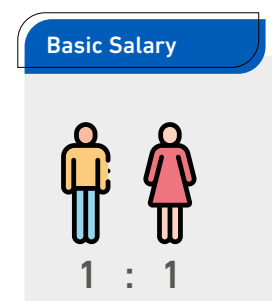
or Committee meetings. Remuneration for NEDs reflects the time commitment and responsibilities of their role, taking into consideration market practices. They do not receive any performance related / incentive payments. Services of HR professionals are sought when required, by the Board and RC in discharging 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 FY 2021/2022 is Rs. 201.5 Mn.



Policy Framework for Gender Parity

- » Equality and Diversity Policy
- » Employee Recognition and Rewards Policy
- » Anti-Harassment Policy
- » Anti-corruption addressed through the Code of Ethics & Professional Conduct
- » Grievance Handling Policy
- » Whistleblowing Policy
- » Management and Resolution of Complaints Policy
- » Group's Integrated Sustainability Policy. Human Rights Policy is a part of the same.
- » Health & Safety Policy
- » Code of Ethics & Professional Conduct

 Refer gender parity report on page 170 for more details.

Gender Parity

The Group has been at the forefront of women empowerment in Sri Lanka actively supporting women's advancement and forging gender parity. A framework of policies clearly articulate the Board's intentions and expectations in this regard as set out below.

Refer Human Capital Report on page 156 which highlights the policies pertaining

to recruitment, training needs, career progression, etc. which are in place to afford equal opportunity devoid of gender disparity and any other form of discrimination upholding our commitment on Diversity & Inclusion and human rights of all stakeholders

Digital Governance

Digitalisation of the Group's key processes was critical for business continuity during 2020 and 2021 as the prolonged duration of the pandemic caused intermittent lockdowns. This in turn necessitated remote access to all systems with sufficient safeguards to secure the Group from increasingly sophisticated cyber-attacks. Accordingly, digital governance became a key area of focus requiring allocation of sufficient resources and strengthening the skills and expertise within the Group.

The Group embarked on an ambitious 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 of Directors has engaged Deloitte Singapore as consultants for the completed first phase of the Robotic Process Automation (RPA) project. Many IOT supporting programs, including smart cameras for the logistics sector and autonomous environmental

control in the data centre, will be part of the intelligent automation drive, which will assist the Group businesses to become future ready.

The IT policies were reviewed and enhanced to meet a higher level of protection for its information assets and operational systems. Additional investments in this regard were also approved in view of higher threat levels. The Board continues to receive regular updates on the progress of digitalisation projects and cybersecurity by the centralised Group IT Services team which reports more frequently to the Management Council and the Group Supervisory Board. Aitken Spence Group IT is ISO 27001:2013 accredited for processes and information security.

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. 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.

IT Governance Policy Framework

- » ISO 27001:2013

Digitalisation of the Group

- » Digital competency development
 - Readiness assessments
 - Digital upskilling and tools usage
- » Digitisation of paper based workflows
- » Intelligent automation
 - RPA
 - Workflow automations
 - Intelligent document and image processing
- » Autonomous applications
 - Next Gen ERP rollout
 - Integrations and APIS
 - Seamless Frontend Automations

Corporate Governance

Risk Management

The Board is responsible for setting in place processes to identify, measure, monitor and mitigate or manage risks. As a conglomerate, Aitken Spence needs to monitor a large number of risks due to its industrial and geographic diversity. A dedicated Internal Audit Department reviews risk exposures received from the sectors to assess the Group's overall risk profile. The Department constructively challenges the sectors and moderates the assessment process, strengthening the reliability of the same. The risk profiles are reviewed by the Group Management Council and the Supervisory Board prior to submission to the Audit Committee who are tasked with the detailed review of Group risks. The Risk Management Report on page 257 provides further information in this regard.

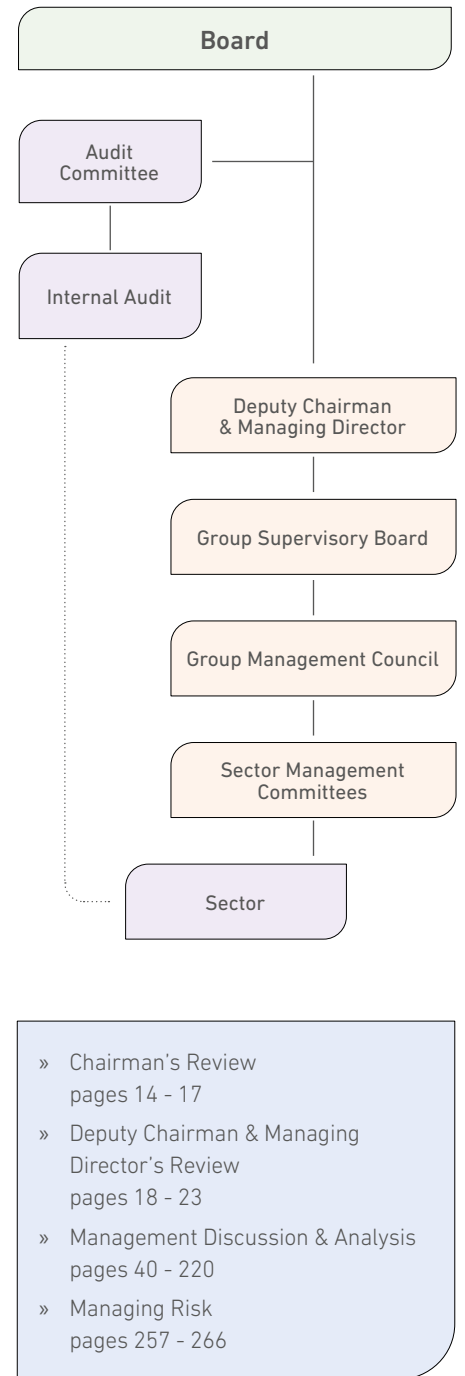
Internal Controls

Putting in place a comprehensive system of internal controls is a key responsibility of the Board of Directors. Accordingly, the Board has set in place an internal control system to safeguard shareholder interests and the assets of the Company while also ensuring that the financial and non-financial information used by the Group for monitoring performance and decision making is reliable. 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 their vigilance over internal controls due to the sudden changes required to transition to remote working and the accelerated automation of key processes.

The Group Internal Audit Department supports the Audit Committee, reviewing the adequacy and effectiveness of the internal control systems and reporting to the Committee on a regular basis. During the year, the Audit Committee reviewed and approved changes to the 2021/2022 internal audit plan as part of an in-depth review of internal audit's risk assessment and audit prioritisation session. The Board also reviewed the internal audit reports issued during the year and monitored implementation of recommendations agreed upon with management.

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 GRI standards 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 the following sections of this Annual Report. Additionally, assurance has been obtained on the Financial Statements and on compliance with the Integrated Reporting Framework.



Anti-Bribery & Corruption Programmes

Code of Ethics and Professional Conduct (the Code) prohibits the acceptance or offer of gifts in order to receive preferential business treatment. Further, the Code sets out the business ethics and conduct expected of employees and members of the management. Group's Code of Ethics and Professional Conduct is available on the intranet giving access to all employees and members of the management.

Any non-compliance related to the Code concerning bribery & corruption reported will be investigated and appropriate course of action will be taken so that it serves as a forewarning to others to desist from engaging in such activities. Any complaint of non-compliance is channelled to the Internal Audit Department for investigation and the Internal Audit Report is placed before the Audit Committee to consider and recommend the due corrective action to be taken in respect of controlled persons who will be subjected to disciplinary action whereas non-controlled persons will be subjected to appropriate actions as suggested by the Audit Committee.

Refer for the details under whistleblowing on pages 237 and 250 for mechanisms in place to report non-compliance with Codes of conduct on anti-bribery and corruption.

External Auditor

The External Auditor is appointed subject to the provisions of the Companies Act. 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 case of assignment of non-audit services to External Auditor, 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 Auditor for the year 2021/2022 at the last AGM.

Code of Ethics & Professional Conduct

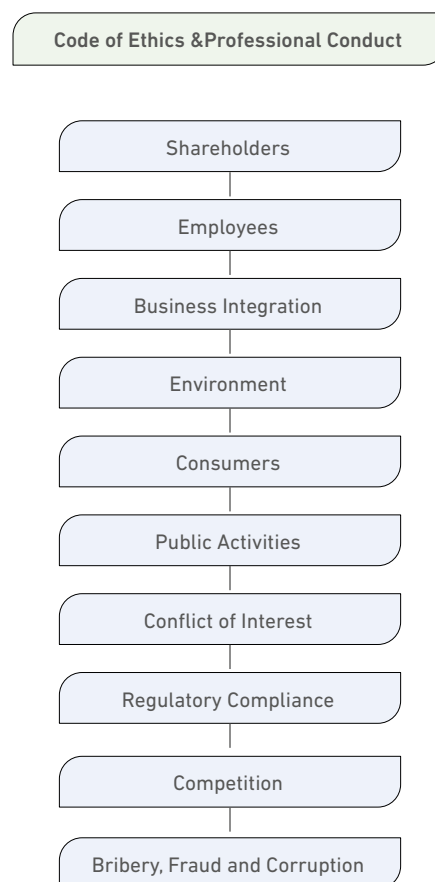
The Group is committed to conduct its business operations with integrity, professionalism and with respect to the rights and interests of all stakeholders. All employees and Directors abide by the Group's Code of Ethics & Professional Conduct which embodies a strong set of corporate values and conduct including a zero-tolerance approach to unethical behaviour including bribery, fraud and corruption. The Group's codes and policies explicitly prohibit bribery and corruption, including the policies and procedures for giving and receiving of gifts, sponsorship, entertainment, hospitality and favours.

The Code is available on the intranet for information of all employees and is reinforced at all levels through training and structured communication. During the year, all employees were given access to review the Group's Code of Ethics & Professional Conduct on the Group's online learning platform TARTAN.

The Board is not aware of any material violations of any of the provisions of the Code by any Director or employee.

Whistleblowing

Mechanisms are in place for employees and other stakeholders to seek advice or report concerns about unfair, unethical, or unlawful behaviour. The Whistleblower



policy enables anonymous reporting of matters of concern regarding possible inappropriate financial reporting, internal controls or other issues that may require internal investigation.

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.

Communication with Shareholders

Shareholders are engaged through multiple channels of communication, including the Annual General Meeting

Corporate Governance

(AGM) (detailed below), Annual Report, Interim Financial Statements, a dedicated investor relations page on the Company's website and notification of key events through announcements in the CSE website.

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) as soon as practicable and after they have been released to the Colombo 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.



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

Constructive use of Annual General Meeting (AGM)

Proactive engagement with shareholders is encouraged by the Group. Board Sub-Committee Chairmen, Directors and key members of management, are available at the AGM to interact with and respond to questions raised by the Shareholders. The External Auditors also attend 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. Company proposes a separate resolution at the AGM on each substantially separate issues. All valid proxy appointments received for General Meetings are properly recorded.

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

Compliance Tables

Compliance with the Companies Act No. 07 of 2007

Section Reference	Requirement	Reference	Compliance Status
168 (1) (a)	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 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 and Annual Report of the Board of Directors of this Annual Report	Complied
168 (1) (c)	Auditors Report on the Financial Statements of the Company and the Group	Refer Financial Statements of this Annual Report	Complied
168 (1) (d)	Change of accounting policies during the accounting period	Refer Annual Report of the Board of Directors 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 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 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 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 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 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 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 of this Annual Report	Complied

Corporate Governance

CSE Continued Listing Rules

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.

Rule No.	Requirement	Reference	Compliance Status
7.6.(i)	Names of persons who during the Financial Year were directors of the entity	Refer Corporate Information 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 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 dominated in LKR or any other class of shares dominated in Foreign Currency and the percentage of such shares held.	Refer Investor Information of this Annual Report	Complied
7.6.(iv)	The float adjusted market capitalisation, public holding percentage (%), number of public shareholders and under which option the Listed Entity complies with the Minimum Public Holding requirement.	Refer Investor Information 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 dominated in LKR and in Foreign Currency (as applicable)	Refer Investor Information of this Annual Report	Complied
7.6.(vi)	Information pertaining to material foreseeable risk factors of the Entity	Refer Risk Management Report of this Annual Report	Complied
7.6.(vii)	Details of material issues pertaining to employees and industrial relations of the Entity.	Refer Human Capital Report 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 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 of this Annual Report	Complied
7.6.(xi)	Ratios and market price information	Refer Investor Information 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 option or purchase schemes made available to its Directors or employees	N/A

Rule No.	Requirement	Reference	Compliance Status
7.6.(xv)	Corporate Governance Disclosures in terms of Rules 7.10.3, 7.10.5.c and 7.10.6. c. of Section 7 of the Rules	Refer Corporate Governance Report of this Annual Report	Complied
7.6.(xvi)	Related Party Transactions in terms of Rule 9	Refer Note 42 of the Financial Statements of this Annual Report	Complied
7.10.	Compliance with Corporate Governance Rules	Refer Corporate Governance Report of this Annual Report	Complied
7.10.1(a)	Non-Executive Directors (NED) » At least two or one third of the Directors, whichever is higher, should be Non- Executive Directors	Refer Corporate Governance Report of this Annual Report	Complied
7.10.2(a)	Independent Directors » Two or one-third of Non-Executive Directors, whichever is higher, should be independent	Refer Corporate Governance Report of this Annual Report	Complied
7.10.2(b)	Independence of Directors » Each Non-Executive Director should submit a declaration of Independence/ Non-Independence	Refer Corporate Governance Report of this Annual Report	Complied
7.10.3(a)	Disclosure relating to Directors » The names of Independent Directors should be disclosed in the Annual Report	Refer Corporate Governance Report of this Annual Report	Complied
7.10.3(b)	Independence of Directors » The Board shall make a determination annually as to the Independence or Non-Independence of each Non-Executive Director	Refer Corporate Governance Report of this Annual Report	Complied
7.10.3(c)	Disclosure relating to Directors » A brief resume of each Director should be included in the Annual Report including the Director's areas of expertise.	Refer Board profiles of this Annual Report.	Complied
7.10.3(d)	Appointment of new Directors » Provide a brief resume of any new Director appointed to the Board	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 » A listed company shall have a Remuneration Committee	Refer Remuneration Committee Report of this Annual Report	Complied
7.10.5(a)	Composition of Remuneration Committee » Shall comprise of Non-Executive Directors, a majority of whom shall be Independent	Refer Remuneration Committee Report of this Annual Report	Complied

Corporate Governance

Rule No.	Requirement	Reference	Compliance Status
7.10.5(b)	<p>Functions of Remuneration Committee</p> <p>» The Remuneration Committee shall recommend the remuneration of the Chief Executive Officer and the Executive Directors</p>	Refer Remuneration Committee Report of this Annual Report	Complied
7.10.5(c)	<p>Disclosure in the Annual Report relating to Remuneration</p> <p>» The Annual Report should set out;</p> <p>a) Names of the Directors comprising the Remuneration Committee</p> <p>b) Statement of Remuneration policy</p> <p>c) Aggregate remuneration paid to Executive and Non-Executive Directors</p>	Refer Remuneration Committee Report of this Annual Report	Complied
7.10.6	<p>Audit Committee</p> <p>» A listed company shall have an Audit Committee</p>	Refer Audit Committee Report of this Annual Report	Complied
7.10.6(a)	<p>Composition of Audit Committee</p> <p>» Shall comprise of Non-Executive Directors, a majority of whom are Independent</p> <p>» Chief Executive Officer and the Chief Financial Officer should attend Audit Committee Meetings</p> <p>» The Chairman of the Audit Committee or one member should be a member of a professional accounting body</p>	Refer Audit Committee Report of this Annual Report	Complied
7.10.6(b)	<p>Audit Committee Functions</p> <p>Should be as outlined in the Section 7.10 of the Listing Rules</p>	Refer Audit Committee Report of this Annual Report	Complied
7.10.6(c)	<p>Disclosure in the Annual Report relating to Audit Committee</p> <p>a) Names of the Directors comprising the Audit Committee</p> <p>b) The Audit Committee shall make a determination of the independence of the Auditors and disclose the basis for such determination</p> <p>c) The Annual Report shall contain a Report of the Audit Committee in the prescribed manner</p>	Refer Audit Committee Report of this Annual Report	Complied

Rule No.	Requirement	Reference	Compliance Status
9.3.2	<p>Related Party Transactions Review Committee</p> <p>(a) Details pertaining to Non-Recurrent Related Party Transactions</p> <p>(b) Details pertaining to Recurrent Related Party Transactions</p> <p>(c) Report of the Related Party Transactions Review Committee</p> <p>(d) 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</p>	<p>Refer Related Party Transactions Review Committee Report of this Annual Report</p>	Complied