

BOARD RELATED PARTY TRANSACTIONS REVIEW COMMITTEE REPORT



Ashwini Natesan

Chairperson - Board Related
Party Transactions Review
Committee

Managing relationships with related parties to uphold good governance and the best interests of the Company.

COMPOSITION OF THE COMMITTEE

Committee member	Status
Mrs. Ashwini Natesan	Chairperson/ Independent Non-Executive Director
Mr. Ashane Jayasekara	Independent Non-Executive Director
Mr. Dharmadasa Rangalle	Non-Executive Director

ATTENDANCE AT MEETINGS HELD DURING THE YEAR

Committee member	Attendance
Mrs. Ashwini Natesan	6/6
Mr. Ashane Jayasekara	6/6
Mr. Dharmadasa Rangalle	5/6

The Company Secretary functions as the Secretary to the Related Party Transactions Review Committee.

REGULATIONS/RULES RELEVANT TO THE FUNCTIONS OF THE COMMITTEE

The Board Related Party Transactions Review Committee (RPTRC) of the Company was established by the Board on 22nd September 2015 in accordance with Section 9 of the Listing Rules of the Colombo Stock Exchange to ensure compliance with those Rules thereby enhancing the Company's internal control mechanisms.

FUNCTIONS

Scope of the Committee includes:

- ▶ To manage relationships with related parties to uphold good governance and the best interests of the Company
- ▶ To provide an independent review, approval and oversight of Related Party Transactions (RPTs) (except those expressly exempted by the Charter) on terms set forth in greater detail in the Policy
- ▶ To review the Charter and Policy annually and recommend amendments to the Charter and the Policy to the Board as and when determined to be appropriate by the Committee.
- ▶ Determining whether Related Party Transactions that are to be entered into by the Company require the approval of the Board or Shareholders of the Company;
- ▶ Establishing guidelines in respect of Recurrent Related Party Transactions, for senior management to follow in its ongoing dealings with the relevant related party
- ▶ Ensuring that no Director of the Company shall participate in any discussion of a proposed Related Party Transaction for which he or she is a related party, unless such Director is requested to do so by the Committee for the express purpose of providing information concerning the Related Party Transaction to the Committee
- ▶ Ensuring that immediate market disclosures and disclosures in the Annual Report as required by the applicable rules/regulations are made in a timely and detailed manner

ACTIVITIES DURING THE YEAR

- ▶ The Committee reviewed the recurrent RPTs entered into by the Company, Related Parties as at the end of every quarter and the Affirmative Statements by the Head of Finance re-assuring that all recurrent transactions entered into during the quarter were those, which have been entered into on an arms-length basis where no favourable terms have been offered to related parties and that there had not been any non-recurrent transactions during the quarter under review (except the two non-recurrent transactions referred to below).
- ▶ The Committee reviewed, two non recurrent RPTs during the year and made recommendations and communicated its observations to the Board. One of those transactions was a continuation of a transaction which was under review the previous financial year and extended to year under review due to changes in the ownership structure of the related party. Upon extended deliberations on the matter the Committee communicated its recommendations to the Board, and the Board approved the said related party transaction at its meeting held in March 2023.

The other non-recurrent RPT was reviewed by the Committee as required by the RPT Charter and recommended to the Board.

Neither of the above non-recurrent RPTs exceeded the threshold for immediate disclosure to the Colombo Stock Exchange as per the Listing Rules.

- ▶ The Committee revisited the guidelines for recurrent transactions in line with the provisions of the Finance Business Act Directions No. 5 of 2021 on Corporate Governance and recommended changes to the RPT Policy arising therefrom.
- ▶ The Committee reviewed the RPT Charter and recommended amendments thereto for approval by the Board to be in conformity with the new Corporate Governance requirements.

POLICIES AND PROCEDURES

- ▶ The RPTRC operates within the Charter of the Committee as approved by the Board of Directors. It includes a RPT Policy whereby the categories of persons/entities who shall be considered as 'related parties' have been identified.
- ▶ In accordance with the RPT Policy, Directors are required to make and have made self-declarations for the purpose of identifying parties related to them and wherever such declarations are made, they are minuted by the Company Secretary. The Company Secretary communicates any changes in the Related Parties to the officer responsible for collation of information on related parties.
- ▶ The Company uses a RPT System that enables the Company to retrieve data on RPTs throughout the Company's network. Based on the information as disclosed by the Directors and communicated by the Company Secretary to the relevant officer, the database of related parties maintained in the RPT system is continuously updated and the system automatically generates a comprehensive report every quarter for Management's review, which is also tabled at RPTRC meetings and where necessary, at Board Meetings held after the completion of the relevant quarter. The said report reflects all types of transactions with related parties including general payments, creditors, debtors, savings, fixed deposits and lending.
- ▶ In its review of RPTs, RPTRC considers the terms and conditions of the RPT, value, and the aggregate value of transactions with the said related party during the financial year, comparison with market pricing etc. in order to determine whether they are carried out on an arm's length basis, the disclosure requirements as

per the Listing Rules of the Colombo Stock Exchange and the level of approval required for the respective RPTs are complied with.

- ▶ The RPTRC ensures that all transactions with related parties are in the best interests of all stakeholders, with adequate transparency in processes and are in compliance with the Listing Rules and the relevant Directions as applicable to Licensed Finance Companies.
- ▶ The Committee has established guidelines in respect of Recurrent RPTs to be followed by the Management of the Company, in the Company's dealings with related parties.
- ▶ The Committee has also suggested mechanism that can be followed by the Management of the Company whilst reporting that related party transactions are being conducted at arm's length.
- ▶ Reviewing and approval of RPTs are either at a meeting of a majority of the members who form the quorum or by circulation, approved by all the members.

The Committee reviewed the RPT Policy and Charter during the year under review and recommended amendments thereto.

RELATED PARTY TRANSACTIONS/ DISCLOSURES DURING THE YEAR

1. Information on all related parties, as extracted as at the end of each quarter, was presented to the RPTRC and where necessary, to the Board at their meetings held in the immediately following month
2. All Directors made disclosures of any transactions entered/to be entered into by the respective Directors and/or any related parties of the said Director, which were minuted by the Company Secretary. Additionally if any Director assumes office as a Director of any company, the Director concerned makes a disclosure to the Board which is then captured by the Company Secretary and passed on to the officer concerned.
3. The value of non-recurrent RPTs during the year was below the threshold for immediate disclosure in terms of Rule 9.3.1 of the Listing Rules or disclosure in the Annual Report as per Rule 9.3.2 (a) of the Listing Rules.

4. The aggregate value of recurrent Related Party Transactions entered into during the year was below the threshold for disclosure in the Annual Report as per Rule 9.3.2(b) of the Listing Rules.
5. The aggregate value of all RPTs during the year is disclosed in Note 6.1 to the Financial Statements in terms of LKAS 24 – Related Party Disclosures.

DECLARATION

A declaration by the Board of Directors as an affirmative statement of the compliance with the Listing Rules pertaining to related party transactions is given on page 248 of the Annual Report



Ashwini Natesan
Chairperson
Board Related Party Transactions Review
Committee

5 June 2023