



# **Policy on Control and Management of Company Assets and Shareholder Investment**

SOFTLOGIC FINANCE PLC

2024

Version 1

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## **1. Introduction**

This policy has been developed in compliance with Section 9 of the Corporate Governance Listing Rules issued by the Colombo Stock Exchange in August 2023.

The purpose of this policy is to establish clear guidelines and best practices for asset management at Softlogic Finance PLC (SLF). By doing so, we aim to uphold our commitment to providing high-quality services within a sustainable, efficient, and safe environment.

Additionally, this policy serves as a strategic framework for managing and controlling company assets. It ensures that our decisions are aligned with the goal of achieving optimal returns while maintaining acceptable levels of risk. Ultimately, our focus is on enhancing and safeguarding the wealth and investments of our shareholders.

Through this policy, we are dedicated to fostering transparency, accountability, and responsible management, thereby reinforcing our commitment to corporate governance and the long-term success of SLF.

## **2. Control and Management of Company Assets**

### **2.1 Scope**

This policy applies to all assets owned by SLF and encompasses every aspect of asset management, including design, construction, operation, maintenance, and disposal. It is relevant to all employees, contractors, and consultants engaged with the company.

In addition to owned assets, SLF may also manage assets that it does not own. In these cases, we are committed to collaborating closely with relevant stakeholders to maximize the efficiency and sustainability of these assets. Through these efforts, we aim to enhance the overall value and performance of our asset portfolio

### **2.2 Purpose**

SLF is dedicated to delivering financial services that necessitate the responsible ownership, operation, and maintenance of both investments and physical assets. The purpose of this policy is to ensure that all employees and functions within SLF are aligned with its principles regarding asset and investment management. By fostering a unified approach, we aim to enhance our service quality and uphold our commitment to responsible financial practices.

### **2.3 Asset Classes**

This policy aims to establish a diverse range of assets that encompass the full risk/return spectrum. The asset classes under consideration may include, but are not limited to;

#### **i. Physical Assets:**

- All physical assets, including both movable and immovable items such as land, buildings, motor vehicles, machinery, and office furniture, must be properly maintained, secured, and utilized solely for legitimate business purposes.

- Access to physical assets will be limited to authorized personnel only. Unauthorized use, removal, or modification of company assets is strictly prohibited.
- Regular audits will be conducted to assess the presence and condition of physical assets, ensuring the detection of any unauthorized usage or misplacement

**ii. Financial Assets and Cash Management:**

- SLF's financial resources, including cash, loans and receivable, and investments, must be managed following sound financial principles to ensure liquidity, solvency, and profitability.

The investments in financial assets are mainly categorized into followings.

- ✓ Liquid assets (for the regulatory requirement of CBSL)
  - ✓ Government securities held for trading (excluding held for minimum regulatory requirement of CBSL)
  - ✓ Debt instruments and fixed deposits
  - ✓ Quoted securities/debt & equity instruments (FVTPL)
  - ✓ Unit trusts and money market
- Financial assets must be managed in accordance with the approved investment policy.
  - Loans and receivables, included under financial assets, should be managed following the strategic plan and credit policy.
  - All transactions involving financial assets must receive authorization from the appropriate level of management, as outlined in SLF's delegation of authority document and other relevant policies.
  - Continuous monitoring of cash flow should be established to ensure sufficient liquidity for meeting both short-term and long-term obligations of the company.

**iii. Non-Financial Assets**

- SLF's non-financial resources, must be managed following sound financial principles to ensure liquidity, solvency, and profitability.

The investments in non-financial assets are mainly categorized into followings.

- Physical assets
  - ✓ Land & buildings
  - ✓ Motor vehicles
  - ✓ Machinery
  - ✓ Office furniture, fittings and equipment
- Subsidiary/associate and/or joint venture
- Real estate
- Quoted securities/debt and equity instruments (FVTOCI)

- Other non-financial assets

- Non-financial assets must be managed in accordance with the approved investment policy and fixed assets policy.
- All transactions involving non-financial assets require authorization from the appropriate level of management, as specified in SLF's delegation of authority document, investment policy, fixed assets policy, and other relevant policies

**iv. Intangible Assets:**

- Intellectual property—such as patents, trademarks, copyrights, software, and proprietary processes—must be registered, safeguarded, and actively monitored for potential infringements.
- SLF will adopt robust measures to protect confidential information, trade secrets, and digital assets from unauthorized access, misuse, or theft

**v. IT and Digital Assets:**

- SLF's IT infrastructure and digital assets—including data, software systems, and communication platforms—must be secured using industry-standard cybersecurity practices.
- Access to digital systems will be restricted according to roles and responsibilities, with all users required to comply with established data security protocols.
- Comprehensive backup systems and disaster recovery plans must be implemented to ensure operational continuity in the event of system failures or security breaches.

**3. Management of the Assets**

Board of Directors (BoD), Credit Committee (CC) and the Asset Liability Management Committee (ALCO) are entrusted with the responsibility of ensuring that the assets are managed to achieve objectives of Softlogic Finance PLC.

In managing of the assets, SLF is committed to,

- Foster collaboration among relevant departments, functions, and support activities to build effective working relationships and promote information sharing.
- Utilize asset management decision-making to maximize value for our customers.
- Ensure that decisions are made collaboratively and inclusively.
- Emphasize decision-making that acknowledges the interconnected nature of asset systems, recognizing how choices related to one set of assets can impact those managed by other departments and function

Segregation of responsibility for investment in each asset class is as follows.

<b>Asset Category</b>	<b>Responsibility</b>
<b>i. Financial Assets</b>	
- Liquid Assets (for regulatory requirement)	Treasury
- Government Securities held for Trading (excluding held for minimum regulatory requirement)	Treasury/ALCO
- Debt instruments and fixed deposits	Treasury/ALCO
- Unit Trusts & Money Market	Treasury/ALCO
- Loans & Receivables	Credit Committee
<b>ii. Non-Financial Assets</b>	
- Physical assets <ul style="list-style-type: none"> <li>o Land &amp; buildings</li> <li>o Motor vehicles</li> <li>o Machinery</li> <li>o Office furniture, fittings and equipment</li> </ul>	BoD
- Subsidiary/associate and/or joint venture	BoD
- Real estate	BoD
- Quoted securities/debt and equity instruments	BoD
- Other non-financial assets	BoD
<b>iii. Intangible Assets</b>	BoD
<b>iv. IT and Digital Assets</b>	BoD

### 3.1 Investment in Assets

All decisions pertaining to investment in above assets categories shall be made in order to comply with the regulatory requirements and maximize growth, profitability, returns and long-term sustainability of the company.

Investment in subsidiaries/ associates and joint ventures would be considered in alignment with the Company's medium to long term business goals and corporate strategy where such investments would,

- offers an opportunity to expedite growth in core business of the parent company
- offers an opportunity to consolidate parent company's market position/leadership
- offers an opportunity to gain exposure to a new product, market segment or distribution network that would otherwise take more time or resources to build/acquire through normal business expansion
- offers an opportunity to expand in to an overseas market either as a greenfield or brownfield investment
- provides higher tax adjusted return opportunity for the parent company
- offers portfolio diversification benefits and improve risk adjusted returns to the parent company

## **4. Management of Shareholder Investment**

### **4.1 Enhancing Shareholder Value:**

- SLF is dedicated to implementing strategies that enhance shareholder value by prioritizing sustainable growth, profitability, and prudent financial management.
- Management is responsible for ensuring that all investment strategies and operational decisions align with the goal of delivering long-term returns to shareholders

### **4.2 Investment Policy:**

- SLF will establish and uphold a formal investment policy to guide all investment-related decisions. This policy will outline investment objectives, risk tolerance, asset allocation, and diversification strategies.
- All investments must align with SLF's defined risk appetite, requiring a thorough evaluation of risk and return profiles before committing shareholder capital.
- The Board of Directors will conduct periodic reviews of the investment policy to ensure its continued relevance and effectiveness

### **4.3 Risk Management in Investments:**

- SLF will manage investment risk through diversification, thorough due diligence, and the strategic use of appropriate financial instruments.
- A comprehensive risk management framework will be implemented to identify, measure, monitor, and control risks associated with shareholder investments, including market, credit, liquidity, and operational risks.
- The Board of Directors and senior management will conduct regular reviews of the company's investment portfolio to ensure alignment with the established risk management strategy

### **4.4 Communication with Shareholders:**

- SLF is dedicated to ensuring transparent communication with shareholders about their investments. We will provide regular updates on financial performance, dividend declarations, corporate governance practices, and significant events.
- Shareholders will have timely access to the company's financial statements, annual reports, and other pertinent information through our website and regulatory filings.

### **4.5 Raising Capital through Share Issuance:**

- Any decision to raise capital through share issuance or other financial instruments requires approval from the Board of Directors and must adhere to regulatory requirements established by the Central Bank of Sri Lanka and the Colombo Stock Exchange.
- Shareholders will be informed in advance of any capital-raising activities, ensuring that such decisions are conducted transparently to safeguard their interests.

## 5. Risk Management and Internal Controls

### 5.1 Asset Protection Controls:

- SLF will establish robust internal controls to protect assets from fraud, theft, and misuse. These controls will encompass the segregation of duties, approval processes, and regular audits.
- A whistleblower mechanism will be put in place to enable employees to report any unethical or fraudulent activities related to company assets or shareholder investments.

### 5.2 Insurance:

- SLF will ensure that all significant assets are insured against risks such as damage, theft, fire, and natural disasters. Insurance policies will be reviewed regularly to confirm that they provide adequate coverage.

### 5.3 Audits and Monitoring:

- The internal audit function will conduct periodic reviews of asset management practices and compliance with this policy. The findings from these audits will be reported to the Audit Committee and senior management for appropriate action.
- Any deficiencies in asset management practices or instances of unauthorized use of company assets will be promptly investigated, with corrective actions implemented as needed.

### 5.4 Compliance with Regulatory Requirements:

- SLF is committed to complying with all relevant laws, regulations, and industry standards regarding the control and management of company assets and shareholder investments.
- The Board of Directors will ensure that the company's policies and procedures align with the requirements set forth by regulatory bodies, including the Central Bank of Sri Lanka and the Colombo Stock Exchange.

## 6. Governance

### 6.1 Responsibility

The following outlines the roles and responsibilities for executing this policy:

- **Board of Directors:** The Board is responsible for approving the control and asset management policy, establishing operational values, defining priorities, approving funding and resources for implementing asset management requirements, and endorsing asset funding through long- and medium-term strategic plans.
- **Senior Management:** Senior management is tasked with overseeing the implementation of this policy throughout the organization.



- **Department Heads:** Department heads are responsible for promoting the adoption of this policy within their teams and ensuring the allocation of appropriate resources for its implementation.
- **All Staff:** All employees involved in asset management are responsible for adhering to the requirements outlined in this policy.

## 6.2 Commitment

SLF is dedicated to the continuous improvement of asset management effectiveness, which includes, but is not limited to:

- Monitoring and evaluating the effectiveness of asset management processes and the overall asset management system in supporting the achievement of strategic objectives.
- Assessing the necessary competencies for effective asset management and providing support, education, and training to develop these skills

## 6.3 Compliance

Provisions of this Policy are subject to regulations issued by the CSE, CBSL or any other regulatory body.

## 7. Review

This policy will be reviewed on an annual basis and, if appropriate, may be amended to reflect changes in the markets in which SLF operates. Any modification to this Policy shall be effective when the recommendation made by the ALCO and BIRMC, is approved by the Board.