



# Policy on Control and Management of Company Assets and Shareholder Investments

**Version 1.0**

## Document Information

<b>Document</b>	Policy on Control and Management of Company Assets and Shareholder Investments
<b>Author</b>	Head of Finance and Head of Operations & Administration
<b>Department</b>	Finance Department/ Operations Department
<b>Version</b>	Version 1
<b>Review frequency</b>	Once in two years

## Amendments & Changes

<b>Version</b>	<b>Date</b>	<b>Reasons for Amendments</b>	<b>Author</b>

## Authorization

<b>Version</b>	<b>Date</b>	<b>Reviewed by</b>	<b>Date</b>	<b>Approved by</b>
1.0	20.09.2024	BIRMC	25.09.2024	Board of Directors

## Contents

1.0	Objective of the Policy .....	4
2.0	Overview of the Company Assets.....	4
3.0	Control and Management of Assets & Shareholder Investments .....	5
4.0	Constitutes of the Company's Policy on Control and Management of Company Assets and Shareholder Investments.....	5
4.1	Lending Activities related.....	5
4.2	Fixed Assets related .....	7
4.3	Investments related .....	7
4.4	Shareholder Investments related.....	7
4.5	Cash and cash control related.....	7
4.6	Information security related .....	8
4.7	Other Polices .....	8
5.0	Three Lines of Defence Framework.....	9
6.0	Protecting SDF's Property and Assets.....	9
7.0	Review of the Policy .....	10

## 1.0 Objective of the Policy

Being a responsible finance company which deals with public money mainly received as Deposits and Shareholder Funds, Sarvodaya Development Finance PLC (SDF) takes proactive measures in controlling and managing the Company Assets and Shareholder Investments which is essential in determining the sustainability and going concern of the Company.

## 2.0 Overview of the Company Assets

As the Company into the Finance Industry, Company has invested in various assets and the snapshot of the investments in assets is shown in the Statement of Financial Position of the Company which will published at the set frequencies which is accessible through the CSE website (<https://cse.lk/pages/company-profile/company-profile.component.html?symbol=SDF.N0000>) or from the SDF's Corporate website (<https://www.sarvodayafinance.lk/>).

# STATEMENT OF FINANCIAL POSITION

As at	30th June 2024 Un-audited LKR	31st March 2024 Audited LKR	Variance %
<b>Assets</b>			
Cash and Cash Equivalents	396,096,306	544,919,606	-27.3%
Financial Investments	661,391,585	772,478,191	-14.4%
Other Financial Assets	454,150,641	50,960,718	>100%
Financial Assets at Amortised Cost - Loans and Receivables	8,128,766,866	6,958,212,710	16.8%
Financial Assets at Amortised Cost - Lease Rentals Receivables	5,793,198,336	5,616,318,355	3.1%
Other Non Financial Assets	173,220,229	238,195,920	-27.3%
Investment Property	246,710,000	246,710,000	0.0%
Property, Plant and Equipment	221,402,699	224,485,283	-1.4%
Right-of-use Lease Assets	184,332,632	185,152,504	-0.4%
Intangible Assets	4,096,846	4,176,618	-1.9%
Deferred Tax Assets	51,043,668	56,237,769	-9.2%
<b>Total Assets</b>	<b>16,314,409,806</b>	<b>14,897,847,674</b>	<b>9.5%</b>

As explained earlier, SDF being a responsible finance company has identified the need of investing in interest earning assets as the Company is responsible for committing its responsibilities timely.

Therefore, if analyzed further, it is evident that the majority of its assets (more than 80%) is invested on lending activities (disbursing loans and leases). Apart from these, the Company has identified Company specific sensitive information as a key asset of the Company.

### 3.0 Control and Management of Assets & Shareholder Investments

In order to ensure that the Company is managing its assets and Shareholder Investments effectively and efficiently, Company has implemented Policies and Procedures which have been approved by the Board of Directors. These Policies and Procedures cover the all the different phases of these lifecycles of the assets along with the responsible parties for the implementations and the remedial actions of any breaches which is crucial for the control and managing purposes.

### 4.0 Constitutes of the Company's Policy on Control and Management of Company Assets and Shareholder Investments

#### 4.1 Lending Activities related

<b>Constituents</b>	<b>Covered Policy</b>
- Authorized credit instruments	Credit Procedure Manual
- New credit instruments	Policy and Procedure for Development of New Products, Processes and Systems
- Limits or prohibitions on credit exposures including concentration;	Credit Procedure Manual
- Lending criteria	Credit Procedure Manual
- Credit evaluation (details on the analysis to be conducted when introducing new credit facilities)	Credit Procedure Manual
- Loan process	Credit Procedure Manual
- Guidelines on evaluating the repayment capacity of the borrower to service the loans	Credit Procedure Manual
- List of documentation required for each stage of the credit management process	Credit Procedure Manual
- Credit approval limits	Delegation of Authorities
- Credit disbursement	Credit Administration Procedure Manual

- Loan collections and recoveries process	Recovery Manual
- Loan review mechanism	Recovery Manual
- Details on internal controls to mitigate credit risk	Credit Procedure Manual and Recovery Manual
- Role of Board Credit Committee	Board Credit Committee Charter & ToR
- Role of Management Credit Committee	Management Credit Committee Charter & ToR
- Procedure for Disposal of Yard Vehicles and Equipment	- Tender Committee TOR - Policy & Procedure for Disposal of Yard Vehicles and Equipment Policy & Procedure for Disposal of Yard Vehicles and Equipment
- Limits on Related party transactions and procedures for granting credit facilities to group of borrowers taking into consideration an arm's length basis and free of conflicting interests	Related Party Transaction Policy
- The extent to which the Company is willing to accept credit risk against its portfolio, including concentration limits, with respect to borrowers/counterparties, credit extended to group of borrowers, economic sectors/activities, geographical regions and the acceptable types of collaterals	Risk Appetite Statement
- Details on how credit impaired loans shall be managed and the responsible officer for managing this function	- Write Off Policy - Recovery Manual - Procedure Manual on impairment computation
- Managing Credit Risk	Credit Risk Management Framework and Policy
- Managing ESG Risks	ESG Risk Management Policy
- Guiding the Company on Sustainability initiatives	Sustainable Development Policy

#### 4.2 Fixed Assets related

<b>Constituents</b>	<b>Covered Policy</b>
- Managing fixed Assets	Fixed Asset Management Procedure
- Procuring Assets	Procurement Manual

#### 4.3 Investments related

<b>Constituents</b>	<b>Covered Policy</b>
- Managing Assets & Liabilities	Asset –Liability Management Policy
- Contingency funding related	Contingency Funding Policy
- Liquidity Investments related	Liquidity Investment Policy

#### 4.4 Shareholder Investments related

<b>Constituents</b>	<b>Covered Policy</b>
- Dividends related	Dividend Policy
- Business plan and forecasts	Strategic Plan of the Company

#### 4.5 Cash and cash control related

<b>Constituents</b>	<b>Covered Policy</b>
- Cheque handling procedure	Cheque Handling SOP
- Handling Temporary Receipts	Handling of Temporary Receipts - SOP
- Handling IoUs	IOU Procedure Manual For Head Office
- Petty cash related	Petty Cash Procedure Manual For Branches/CSCs
	Petty Cash Procedure Manual For Head Office
- Instructions for cashiers	Finance Manual
Insurance covers	Insurance Policies

#### 4.6 Information security related

<b>Covered Policy</b>
Change Management Procedure
Datacentre standards and Policy
Incident Management Procedure
Internet and Email Usage Procedure
IT Security Policy
Logical Access Control Policy
Mobile Device Security Procedure
Network Security & Malware Control Procedure
Physical and Environment Security Procedure
Supplier Security Handbook
Information Asset Identification and Classification Procedure
Disaster Recovery Policy
Information Technology Steering Committee Charter & TOR
Social Media Policy
Information Security Committee Charter & ToR
Information Technology Policy
Email Policy

#### 4.7 Other Policies

Business Expansion Policy
Business Continuity Management Policy
Fraud Prevention Policy & Procedure
Record Retention Policy
Operations Manual
Risk Management Policy & Procedure
Management Information System Policy
Technology Risk Management Framework
Whistleblowing Policy
Code of Conduct
Disciplinary Management Policy
Branch Auditing Mechanism



## 5.0 Three Lines of Defence Framework

The Company has adopted a “**three lines of defence**” governance framework. The three lines of defence framework operate as follows;

1st Line of Defence	2nd Line of Defence	3rd Line of Defence
<b>Business lines/ Corporate Functions</b>	<b>Risk Management &amp; Control Functions</b>	<b>Assurance Function</b>
Ownership for the day-to-day management of risks	Direction for Risk Management and Compliance, facilitating high level of risk awareness throughout the organisation	Independent and objective assurance on the Risk Management processes and practices in place
<ul style="list-style-type: none"> <li>- CEO</li> <li>- Senior Management</li> <li>- Management Committees</li> <li>- Business Units</li> </ul>	<ul style="list-style-type: none"> <li>- BIRMC</li> <li>- Board Credit Committee (BCC)</li> <li>- RMD</li> <li>- Compliance Department</li> </ul>	<ul style="list-style-type: none"> <li>- BAC</li> <li>- External Auditor</li> <li>- Internal Audit Department</li> </ul>

- I. **First line of defence** represents the Risk Owners [Business Owners]. They have the first and direct responsibility for the assessment and control of the Company’s risks (management committees, management and staff attached to different business units);
- II. **Second line of defence** comprises of units providing the independent risk oversight. They co-ordinate, facilitate and oversee the effectiveness and integrity of the Company’s Risk Management Framework (BIRMC, Board Credit Committee, Risk Management Department and Compliance Department);
- III. **Third line of defence** provides independent review of effectiveness of risk management practices and internal control framework and recommend for improvements where necessary (Internal and External Audit, and Board Audit Committee).

## 6.0 Protecting SDF's Property and Assets

Any property and assets of SDF, whether tangible or intangible in nature, may be used only for approved purposes. The assets of SDF should be used responsibly for professional and legitimate business purposes and not for personal gain. Assets are inclusive (but not limited to) of cash, funds, securities, physical property, professional services, internal plans or business strategies, client and employee information, supplier details, distributor information, equipment like computers, telephones, fax machines, intellectual property (software, office mails, shared disk drives, computer programs, models, copyrights and other items), company logo & brand, office supplies and all other

personal, proprietary and confidential information. The SDF reserves the right to intercept, monitor and record any communication on SDF's systems including mails, computers etc., in accordance with the law of the land.

Employees of the Company should protect SDF's assets and ensure their efficient use. All assets of SDF should be used for legitimate business purposes only and any suspected fraud or theft of the SDF's property must be reported for investigation immediately.

## 7.0 Review of the Policy

This Policy should be updated at least once in two years to reflect any changes in the regulations and/or introduction of internal Company policies or procedures which needs to be reviewed from the BIRMC and approved by the Board of Directors.