



**POLICY ON TRADING IN THE ENTITY'S LISTED
SECURITIES
(INSIDER DEALING/TRADING)**

Version 1

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1. INTRODUCTION

The purpose of this Insider Dealing/Trading Policy (the "Policy") is to ensure that Sarvodaya Development Finance PLC ("SDF" or "the Company") complies with applicable securities laws, while protecting its reputation and integrity, along with that of its Directors, Officers, and Employees. This Policy outlines the guidelines for these individuals regarding their involvement in transactions related to the Company's securities. Given that SDF is a publicly traded entity, it is crucial for all Directors, Officers, and Employees to understand and act in accordance with the responsibilities outlined in this Policy to uphold legal and ethical standards.

2. REGULATIONS ON INSIDER DEALING/TRADING IN SRI LANKA

The Policy is to be in compliance with the applicable provisions of the Securities & Exchange Commission of Sri Lanka ["SEC"] Act No.19 of 2021 ["the Act"] in relation to Insider Dealing/Trading [**Refer Annex A - Chapter 2 of Part V of the SEC Act**].

3. OVERVIEW

The Policy acts as only a guideline and is not an exhaustive statement of all provisions of the law governing insider dealing as set out in the SEC laws. However, as part of continued compliance with the Colombo Stock Exchange ["CSE"] rules, as a listed entity, the main provisions of the Act and the CSE rules applicable to disclosure of price sensitive information and insider dealing have been set out in Annex B.

In terms of Part V, Chapter 2 of the Act, following key changes have been introduced;

- The term "Insider" means a person [irrespective if he/she is connected to the Company or not] possesses information that is not "generally available" which is becoming available to a reasonable person would expect it to have a material effect on the price of the value of the securities; and knows or could reasonably be expected to know that the information is not generally available.
- An insider shall not (whether as principal or agent) in respect of any securities to which said information relates, sell or buy or enter into an agreement or transaction for the sale or purchase of such securities or procure directly or indirectly, an acquisition or disposal of or enter into an agreement or transaction with a view to the acquisition or disposal of such securities.
- The insider shall not directly or indirectly communicate the information referred above, or cause such information to be communicated to another person if the insider knows or could reasonably be expected to know that the other would or would tend to acquire, dispose of or enter into an agreement with a view to the acquisition or disposal of any securities to which afore stated information relates or procure or direct a third person to acquire, dispose of or enter into an agreement with a view to the acquisition or disposal of securities to which said information related to.

- A company is deemed to possess any information mainly among other which an officer of the Company possesses and came to his/her possession in the course of duties or knows or reasonably be expected know being an officer of the Company.

- Information that is not “generally available” which if becoming available to a reasonable person would expect it to have a material effect on the price or the value of the securities; and knows or could reasonably be expected to know that the information is not generally available has also been referred to as “unpublished price sensitive information’ in certain regulations and codes of best practices and such term may be referred from time to time in this policy too.

- Therefore in terms of above provisions of the act if a Director, Officer or any employee of the Company or any agent or advisor of the Company is aware of/is in possession of ‘information’ as specified in terms of the Act or *unpublished price sensitive information* relating to the Company, neither that person nor any related person as specified in the Act, should sell or buy or enter into an agreement or transaction for the sale or purchase of such securities or procure directly or indirectly, an acquisition or disposal of or enter into an agreement or transaction with a view to the acquisition or disposal of such securities.

- In addition, a person can be liable for disclosing this type of information to third parties who then trade in the securities, even though the disclosing person does not engage in any securities transaction or profit from the third party’s trade.

‘information’ and ‘information becoming generally available’ as per the Act;

The term **‘information’** includes;

Information relating to listed public Companies that are not sufficiently definite to warrant being made known to the public;

- Matters relating to the intended decisions of a person;
- Matters relating to negotiations or proposals with respect to commercial dealings or dealings in securities;
- Financial performance of a company
- A person proposes to enter into or has entered into one or more transactions or agreements in relation to securities or has prepared or proposes to issue a statement relating to such securities and
- Matters related to listed public Company decided to be executed in the future.

‘information becoming generally available’ means any information that has been published or made known in a manner that would tend it to the attention of a reasonable person wo invests or trades in securities of a kind whose price or value might be affected by such information; and a reasonable period for it to be disseminated among such person has lapsed since it was made available.

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For the purpose of this Policy “**Securities**” include (in terms of the applicable provisions of the Act);

- a) Debentures, stocks, shares, funds, bonds, units in a collective investment scheme or any right options or interests therein; or
- b) Derivatives including futures and options, whatever the nature of the underlying asset relied on ;

Or

- c) Notes issued or proposed to be issued by any Government or any other incorporate =d or unincorporated body
- d) Bills of exchange or promissory notes or certificates of deposits issued by a Bank, securities issued by the Government of Sri Lanka or the Central Bank of Sri Lanka or such other product or Class of products are not included under the definition of Securities as per the Act.

4. SCOPE OF THE POLICY

Any individual who possesses or is aware of unpublished price-sensitive information, or information that is not generally available to the public, is considered an “Insider” until such information becomes publicly accessible. Employees may, from time to time, fall under this definition and, during those periods, will be subject to the provisions of this Policy.

All Directors, Officers, and employees have a personal obligation to adhere to this Policy, even outside designated 'Black-out Periods.' This may require postponing a planned transaction in the Company's securities, even if it was intended prior to becoming aware of the unpublished price-sensitive information. This applies even if the individual believes they may incur a financial loss or miss out on potential profits by waiting.

5. POLICY FRAMEWORK

This policy aims to prevent the improper release of any "information" obtained and to safeguard against the misuse of such "information" when handling securities, as outlined in the Act and related provisions.

Confidentiality of unpublished price sensitive ‘information’ as specified hereof and the Act

The policy is based on the core understanding that the information outlined above is both crucial and sensitive to the Company. Any unauthorized disclosure or misuse of this information is strictly forbidden.

Trading on unpublished Price Sensitive Information/Prevention of Speculative Trading

No Director, Officer, employee of the Company, Consultant, service provider, or their related individuals shall participate in any transaction involving the buying or selling of the Company's securities, including making offers to buy or sell, during any period starting from the moment they obtain or become aware of **unpublished price-sensitive information** about the Company. This restriction remains in effect until the

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close of business on the second trading day after the public release of that information (excluding the date of disclosure). Further the Directors, Officers, employees of the Company may not engage in speculative Trading of the Company's Securities.

Mandatory Black-out period

All Directors, Officers and employees shall refrain from carrying out transactions involving the purchase or sale of the Company's securities during the '**Black-out Period**'** and all trades/transactions carried out by the Board of Directors and Chief Executive Officer of the Company in the Company's securities if any, shall be mandatorily reported to the Board of Directors through the Company Secretary then and there, while the other Officers/employees shall be mandatorily reported to the Human Resources Department of the Company.

***'Black-out Period' – Means the period beginning five (05) working days before the last day of the quarter and ending two (02) Trading Days following the day of public disclosure of the financial results for each financial quarter and a period of two (02) market days following the disclosure of any other price sensitive information (excluding the date of disclosure).*

6. POTENTIAL CRIMINAL/CIVIL LIABILITY AND/OR DISCIPLINARY ACTION

Liability on Insider Dealing/Trading

A person who violates the provisions of the Policy hereof, commits an offence (including any person assist or conspires to commit the offence) and shall be liable;

- a) To a fine not less than Ten Million Rupees (LKR 10 Mn) or to imprisonment for a term not exceeding 10 Years or to both such fine and imprisonment.
- b) An offence committed in terms of this Act shall be triable upon indictment by the High Court
- c) Where the SEC considers it as appropriate, it may institute Civil Proceedings in the court against the person/s.

Possible Internal Disciplinary Action

Employees of the Company who are identified to have acted in violation of this Policy shall also be subject to disciplinary action by the Company, which may include, but not limited to issuance of warning letters, ineligibility for future promotions for a specified period of time, suspension/termination of employment etc.

7. REVIEW OF THE POLICY

This policy is subject to review once in every two years or if deemed necessary prior to the expiry of the said period, upon any update/change requirements of the regulator/s in respect of the subject matter.

104 *Securities and Exchange Commission of
Sri Lanka Act, No. 19 of 2021*

CHAPTER 2

INSIDER TRADING

- Information **133.** In this Chapter unless otherwise provided, “information” includes –
- (a) information relating to listed public companies that are not sufficiently definite to warrant being made known to the public;
 - (b) matters relating to the intended decisions, of a person;
 - (c) matters relating to negotiations or proposals with respect to –
 - (i) commercial dealings; or
 - (ii) dealings in securities;
 - (d) information relating to the financial performance of a company;
 - (e) information that a person proposes to enter into or has entered into one or more transactions or agreements in relation to securities or has prepared or proposes to issue a statement relating to such securities; and
 - (f) matters related to the listed public company that have been decided to be executed in the future.
- Information becoming generally available **134.** (1) In this Chapter, information generally available means information-
- (a) that has been published or made known in a manner that would or would tend to bring it to the attention of a reasonable person who invests or trades in securities of a kind whose price or value might be affected by such information; and

- (b) which since it was made known a reasonable period for it to be disseminated among such persons has lapsed.

(2) The information referred to in subsection (1) includes information that consists of deductions or conclusions made or drawn from such information.

135. For the purpose of this Chapter, information which has a material effect on the price or value of securities means such information which would or would tend to, on becoming generally available influence a reasonable person who invests in securities in deciding whether or not to acquire or dispose of such securities or enter into an agreement with a view to acquire or dispose of such securities.

Material effect on price or value of securities

136. For the purposes of section 137, a person is deemed to procure an act or omission to be done or omitted to be done by another person if the first named person incites, counsels, induces, encourages or directs the said act or omission by such other person.

Reference to "procure"

137. (1) For the purpose of this Part, an 'insider' means a person, whether or not such person is connected to the respective company, if that person—

Prohibited conduct of persons in possession of information not generally available

- (a) possesses information that is not generally available which on becoming generally available a reasonable person would expect it to have a material effect on the price or the value of securities; and

- (b) knows or could reasonably be expected to know that the information is not generally available.

(2) An insider shall not whether as principal or agent in respect of any securities to which the information in subsection (1) relates -

- (a) sell or buy or enter into an agreement or transaction for the sale or purchase of such securities; or
- (b) procure directly or indirectly, an acquisition or disposal of or enter into an agreement or transaction with a view to the acquisition or disposal of such securities.

(3) Where trading in the securities to which the information in subsection (1) relates is permitted on a securities market of an exchange or a platform operated by a recognised market operator, the insider shall not directly or indirectly, communicate the information referred to in subsection (1) or cause such information to be communicated to another person, if the insider knows or could reasonably be expected to know that the other person would or would tend to -

- (a) acquire, dispose of or enter into an agreement with a view to the acquisition or disposal of any securities to which the information referred to in subsection (1) relates; or
- (b) procure or direct a third person to acquire, dispose of or enter into an agreement with a view to the acquisition or disposal of any securities to which the information referred to in subsection (1) relates.

138. (1) In this Chapter, a company is deemed to possess any information-

Information in possession of an officer of a company

- (a) which an officer of the company-
 - (i) possesses and which came into his possession in the course of his duties as an officer of the company; or
 - (ii) knows or could reasonably be expected to know because he is an officer of the company;
- (b) which an officer of the company possesses and which came into his possession in the course of his duties as an officer of a related company of the first mentioned company where-
 - (i) the officer is an insider by reason of being in possession of the information;
 - (ii) the officer is involved in the decision, transaction or agreement of the first mentioned company in acquiring or disposing of securities in relation to which the officer is an insider or entering into an agreement to acquire or dispose of such securities, procuring another person to acquire or dispose of such securities or enter into an agreement to do so or communicating the information in circumstances referred to in subsections (2) and (3) of section 137; or

- (iii) it is reasonable to expect that the officer would communicate the information to another officer of the first mentioned company acting in his capacity as such unless it is proved that the information was not in fact so communicated.

(2) In this section “information” refers to information which a company is deemed to possess and “insider” means a person in possession of such information.

(3) It shall be a defense for a company accused of contravening subsections (2) or (3) of section 137 by entering into a transaction or agreement if the company proves that-

- (a) the decision to enter into the transaction or agreement was taken on behalf of the company by a person or persons other than an officer of the company in possession of the information;
- (b) the company had in operation at that time arrangements that could reasonably be expected to ensure that-
 - (i) the information was not communicated to a person or one of the persons who was involved in or made the decision to enter into or be involved in the transaction or agreement;
 - (ii) no advice with respect to the decision to enter into or be involved in the transaction or agreement was given to that person by the person in possession of the information; or
 - (iii) the person in possession of the information would not be involved in the decision to enter into or be involved in the transaction or agreement; and

- (c) the information was not communicated, no such advice was given and the person in possession of the information was not involved in the decision to enter into or be involved in the transaction or agreement.

139. (1) In this Chapter, a partner of a partnership is deemed to possess any information –

Information in possession of a partner or an employee of partnership

- (a) if a partner possesses information and it came into another partner's possession in his capacity as a partner of the partnership;
- (b) if an employee of the partnership possesses such information and it came into the employee's possession in the course of his duties; or
- (c) if a partner or an employee of a partnership knows or could reasonably be expected to know any matter or thing because of another partner or employee who knows or possess the information, it is presumed, unless the contrary is proved that every partner of the partnership knows or could reasonably be expected to know that matter or thing.

(2) It shall be a defense for a partnership which is accused of entering into a transaction in contravention of subsection (2) or (3) of section 137 to prove that -

- (a) the decision to enter into the transaction or agreement was taken on behalf of the partnership by -
 - (i) a partner who was not in possession of the information; or
 - (ii) an employee of the partnership who was not in possession of the information;

- (b) the partnership had in existence at that time agreements that could reasonably be expected to ensure that-
- (i) the information was not communicated to the partner or employee who was or were involved in or made to enter into the transaction or agreement in question;
 - (ii) no advice with respect to the decision to enter into the transaction or agreement was tendered to that partner or employee by a partner or an employee who was in possession of the information; or
 - (iii) the partner or employee in possession of the information would not be involved in the decision to enter into or be involved in the transaction or agreement; and
- (c) the information was not communicated, no advice was given and the partner or employee in possession of the information was not involved in the decision to enter into or be involved in the transaction or agreement.

(3) A partner of a partnership does not contravene subsection (2) of section 137 by entering into the transaction or agreement referred to in that subsection otherwise than on behalf of the partnership merely because the partner is deemed to possess information that is in possession of another partner or employee of the partnership.

(4) In this section “information” refers to information which a partnership is deemed to possess and where a partner or an employee of the partnership in possession of that information is an insider.

140. (1) Subsection (2) of section 137 shall not apply in respect of –

Exceptions in relation to underwriting and sub underwriting

- (a) the entering into of an underwriting agreement or a sub underwriting agreement; or
- (b) the acquisition of securities under an obligation to do so in an agreement referred to in paragraph (a).

(2) Subsection (3) of section 137 shall not apply in respect of the communication of information in relation to securities to a person solely for the purpose of procuring the person–

- (a) to enter into an underwriting agreement or a sub underwriting agreement in relation to such securities; or
- (b) to acquire such securities under an obligation to do so in an agreement referred to in paragraph (a).

141. (1) Section 137 shall not apply to an acquisition or disposal of securities or the communication of information that is carried out under any other written law relating to schemes of arrangement, reconstruction and takeover of companies.

Exceptions in relation to schemes of arrangement, reconstruction and takeover of companies

(2) Subsection (2) of section 137 shall not apply to a clearing house which acquires or disposes of securities for the purpose of settlement of a market contract or in relation to any proceedings or other action relating to the settlement of a market contract where the acquisition or disposal of securities is made in accordance with the rules of a licensed clearing house.

(3) Subsection (2) of section 137 shall not apply to an exchange or a central depository in relation to a sale or purchase of securities where the exchange or central depository acts on an instruction from a licensed clearing house.

Exception for a
company with
knowledge

142. (1) A company does not contravene subsection (2) of section 137 by entering into a transaction or an agreement in relation to securities other than the securities of such company merely because the company is aware that it proposes to enter into or has previously entered into one or more transactions or agreements in relation to those securities.

(2) Subject to subsection (3), a company does not contravene subsection (2) of section 137 by entering into a transaction or an agreement in relation to securities other than the securities of such company because an officer of the company is aware that it proposes to enter into or has previously entered into one or more transactions or agreements in relation to those securities.

(3) Subsection (2) shall not apply unless the officer of the company becomes aware of the matter referred to in that subsection in the course of his duties.

(4) Subject to subsection (5) a person does not contravene subsection (2) of section 137 by entering into a transaction or an agreement on behalf of a company in relation to securities other than the securities of such company merely because the person is aware that the company proposes to enter into or has previously entered into one or more transactions or agreements in relation to those securities.

(5) Subsection (4) shall not apply unless the person becomes aware of the matters referred to that subsection in the course of his duties as an officer of the first mentioned company or in the course of acting as an agent of the first mentioned company.

Exception in
relation to an
individual

143. An individual does not contravene subsection (2) of section 137 by entering into a transaction or an agreement in relation to securities merely because he is aware that he proposes to enter into or has previously entered into one or more transactions or agreements in relation to those securities.

144. (1) A market intermediary who carries on the business of buying and selling of securities on behalf of investors or its representative shall not contravene subsection (2) of section 137 by entering into a transaction or an agreement as an agent for another person, being a transaction or an agreement entered into on the securities market of an exchange if –

Unsolicited transaction by market intermediaries

- (a) the transaction or agreement is entered into under a specific instruction by the other person and was not solicited by a market intermediary or its representative carrying on the business of buying and selling of securities;
- (b) the market intermediary carrying on the business of buying and selling of securities or its representative has not given any advice to the other person in relation to the transaction or agreement or otherwise sought to procure the other person's instructions to enter into the transaction or agreement; and
- (c) the other person is not associated with the market intermediary or its representatives carrying on the business of buying and selling of securities.

(2) Nothing in this section shall affect the responsibility of the market intermediary in relation to subsection (1) of this section with respect to the business of buying and selling of securities in his capacity as the principal.

145. Subsection (2) of section 137 shall not apply in respect of the redemption by a trustee under a trust deed relating to a collective investment scheme in accordance with a buyback covenant contained or deemed to be contained in the trust deed at a price that is required by the trust deed to be calculated, so far as is reasonably practicable, by reference to the underlying value of the assets less any liabilities of the collective investment scheme to which the units of the collective investment scheme relates and less any reasonable charge for purchasing the units of the collective investment scheme.

Exception in relation to collective investment schemes

Parity of
information
defence

146. (1) A person does not contravene subsection (2) of section 137 if-

- (a) the other party to the transaction or agreement knew, or could reasonably have known, of the information before entering into the transaction or agreement; and
- (b) that person acquires or disposes of such securities on such terms and in such circumstances, that –
 - (i) he does not obtain any gain or avoid any loss, including an unrealized gain or unrealized avoidance of loss in price or value of the securities, as the case may be, for himself or any other person by reason of the effect that the information is likely to have when it becomes generally available; and
 - (ii) the purpose of the acquisition or disposal of the securities does not include any purpose of securing a gain or avoiding a loss, as the case may be, for himself or any other person by reason of the effect that the information is likely to have when it becomes generally available.

(2) It shall be a defense for a person accused of a contravention of subsection (3) of section 137 to prove -

- (a) that the information came into the possession of the person so communicating the information solely as a result of it being made known in a manner likely to make it generally available pursuant to section 134; or
- (b) that the other party knew or could reasonably be expected to have known the information before the information was communicated.

147. (1) A person who contravenes sections 128, 129, 130, 131, 132 or subsections (2) and (3) of section 137 commits an offence and shall be liable on conviction to a fine of not less than ten million rupees or to imprisonment for a term not exceeding ten years or to both such fine and imprisonment.

Offences under this Part and punishment

(2) Any person who abets or conspires to commit an offence under subsection (1), commits an offence and shall be punishable in the same manner as provided for in subsection (1).

148. Every offence committed under this Part shall be triable upon indictment by the High Court.

Jurisdiction of the Courts

149. Every prosecution in respect of an offence under this Part shall be instituted and conducted by the Attorney General.

Prosecution of offences under this Part

150. In a prosecution or in an action made by the Commission under section 152 against any person for an offence under section 137, it is not necessary for the prosecution or the Commission to prove the non-existence of facts or circumstances which, if existed would by virtue of sections 138, 139, 140, 141, 142, 143, 144, 145 and 146 preclude the act from constituting a contravention of subsections (2) and (3) of section 137.

Prosecution need not disprove the defences

151. (1) A person who suffers loss or damage by reason of or by relying on the conduct of another person who has contravened sections 128, 129, 130, 131, 132 or subsections (2) and (3) of section 137 under this Part may recover the amount of loss or damage by instituting an action in the court against the other person whether or not the other person has been charged with an offence in respect of the contravention or whether or not a contravention has been proved in a prosecution.

Right of the aggrieved party to claim damages

(2) This section shall not affect any liability under any other law in respect of the conduct constituting the contravention.

Right of the
Commission to
recover damages
and seek civil
penalties

152. (1) Whenever it appears to the Commission that any person has contravened sections 128, 129, 130, 131, 132 or subsections (2) and (3) of section 137 and where the Commission considers it necessary having taken into consideration the nature and manner of the contravention, the impact it has on the market and the extent of the loss caused to any investor, the Commission may institute Civil Proceedings in the court against that person.

(2) In a proceeding instituted by the Commission under subsection (1), the court may if it is satisfied on a balance of probabilities, that the person has contravened the provisions of sections 128, 129, 130, 131, 132 or subsections (2) and (3) of section 137, make an order against that person-

- (a) to pay to the Commission an amount equal to three times the gross amount of the pecuniary gain made or loss avoided by such person; and
- (b) for the payment of a civil penalty as the court considers appropriate having regard to the severity or gravity of the contravention, being an amount not less than ten million rupees and not exceeding one hundred million rupees.

(3) Notwithstanding anything to the contrary in any other written law, the court shall exercise jurisdiction in respect of the matters set out in subsection (2), and proceedings under subsection (2) shall be instituted by way of a plaint filed by the Commission and the provisions contained in the Civil Procedure Code (Chapter 101) shall apply *mutatis mutandis* regarding regular actions instituted by way of a plaint.

(4) Nothing in this section shall be construed to prevent the Commission from entering into an agreement with any person to pay with or without admission of liability an amount equal to three times the gross amount of the pecuniary gain made or the loss avoided by such person as determined by the Commission.

(5) An amount recovered by the Commission in an action under subsection (1) or in terms of the agreement referred to in subsection (4), each one third of that amount shall be -

- (a) applied to reimburse the Commission for all costs of the investigation and proceedings in respect of the contravention;
- (b) applied to compensate persons who have suffered loss or damage as a result of the contravention; and
- (c) credited to the Compensation Fund:

Provided that, if the Commission considers that it is not practicable to compensate the persons referred to in paragraph (b) in view of the amount of any potential distribution to each person or the difficulty of ascertaining or notifying the persons to whom it is appropriate to compensate, as the case may be, the Commission may decide not to distribute to the persons referred to in paragraph (b) and credit such sums to the Compensation Fund of the Commission.

(6) If the person fails to pay the civil penalty imposed on him within the time specified in the order made by the court referred to in subsection (2) or the sum to be paid in terms of the agreement as referred to in subsection (4), the Commission may recover the civil penalty or such sum as the case may be, as if it were a judgment debt owing to the Commission.

153. An action under section 152 shall not be commenced after the expiration of six years from the date of the contravention of any of the provisions in this Part. Prescription