
Sunshine Holdings adheres to the strictest standards of corporate ethics and social responsibility. This is what guides us in how we manage our business, our relationships, and our resources.

Our strategy of sector and market diversification serves to mitigate risks, both from the perspective of the Company and of its shareholders. Managing our risk is critical to how we, as a listed, diversified entity, conduct our operations and is essential to maintaining our relationships with our stakeholders, society, and the environment in which we operate. Any oversight could have significant implications for our financial performance, our ability to create value, and our hard-earned reputation.

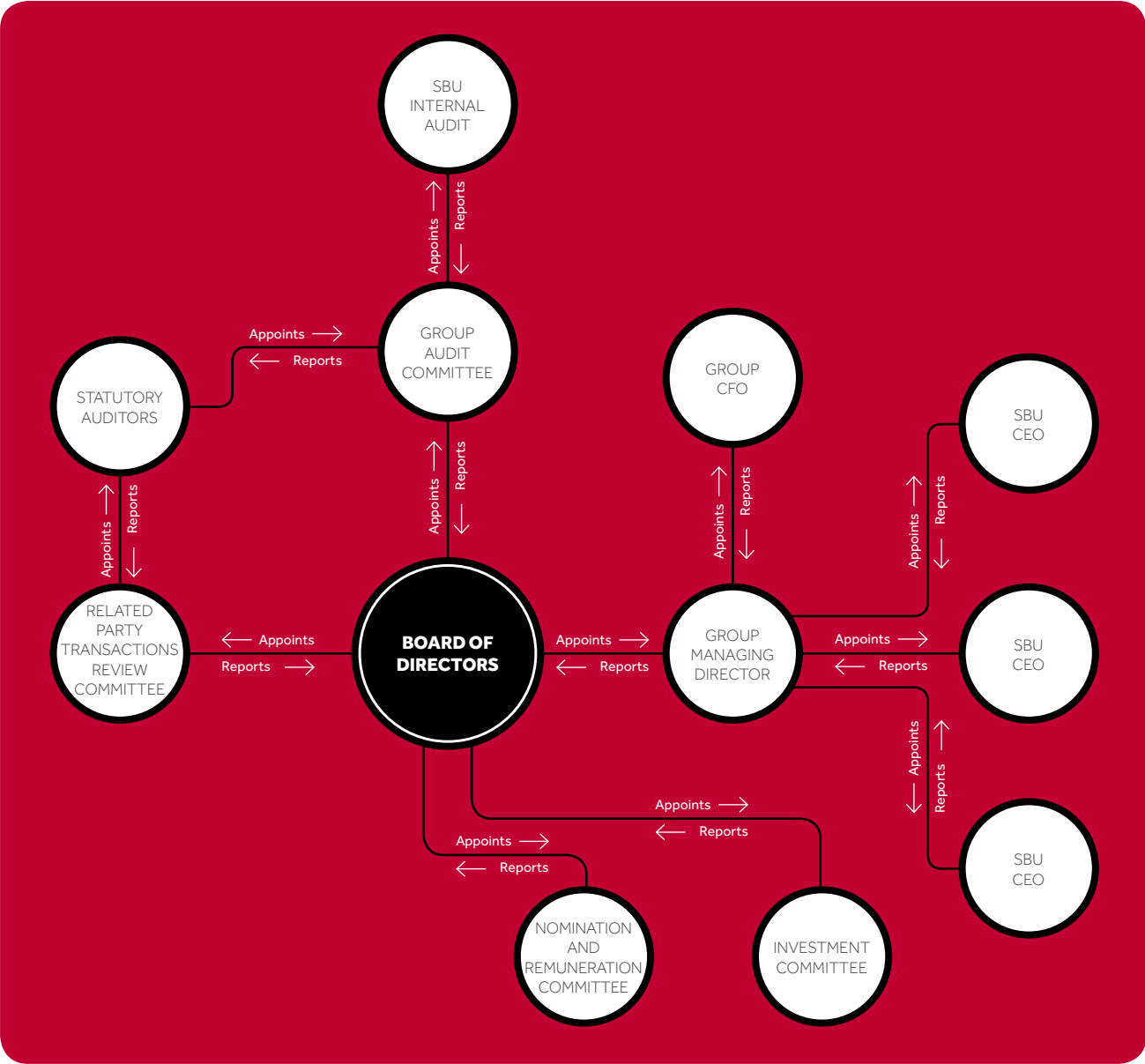
Sunshine Holdings PLC (SUN) is the holding company of four subsidiaries namely Sunshine Healthcare Lanka Limited, Estate Management Services (Private) Limited, Sunshine Packaging Lanka Limited and Sunshine Energy (Private) Limited.

SUN believes that an important aspect of communication with stakeholders and other interested parties, is in compliance with best practice on corporate governance issued by The Institute of Chartered Accountants of Sri Lanka in 2017, the rules set out in Section 7 of the Listing Rules of the Colombo Stock

Exchange and compliance with the Country’s Legislative and Regulatory requirements relevant to the Group.

The Group’s corporate governance framework provides the Directors and the Corporate Management guidance on their responsibilities and duties. It defines the matters which requires Board approval, delegate to management and requiring review by Board Subcommittee.

The SUN corporate governance framework is given in the following diagram.



THE BOARD OF DIRECTORS

The Company's business and operations are managed under the supervision of the Board, which consists of members with experience and knowledge in the areas of business, in which the Company is engaged, with specific acumen in terms of commercial, financial and or technical expertise.

BOARD RESPONSIBILITIES AND RIGHTS

The Board has the following powers to execute its responsibilities.

STRATEGIC DIRECTION

The Board provides vision, strategic direction and stewardship to the institution whilst transparency and accountability is maintained. The Board also reviews and monitors the Company's activities.

BUSINESS PERFORMANCE

Reviews business results on a regular basis and guides the Management by giving appropriate direction in achieving its goals.

MANAGEMENT OF RISKS

In consultation with the Audit Committee, a risk management system was developed and periodically reviewed. Review of the risk management is depicted in page 36 of this Report. Further, the Audit Committee Report is also given in page 33.

CODE OF CONDUCT AND ETHICS

The Board meets at a minimum, once in three months to review the financial performance of the Company. The Quarterly Financial Statements are reviewed by the Audit Committee before recommending to the Board of Directors for adoption and release to the public. Final dividends and interim dividends are considered and recommended by the Board of Directors.

FINANCIAL PERFORMANCE OF THE COMPANY

The Board provides vision, strategic direction and stewardship to the institution whilst transparency and accountability is maintained. The Board also reviews and monitors the Company's activities.

INVESTOR RIGHTS AND RELATIONS

The Company communicates periodically with its shareholders through the quarterly reports. The Annual Report provides a comprehensive assessment of the Company's performance during the year.

AUDIT

An independent statutory audit is carried out annually and the appointment of Auditors for the ensuing year is recommended to the shareholders at the Annual General Meeting.

BUDGET

The Board is responsible for approval of annual budgets, capital budgets and new projects.

CORPORATE GOVERNANCE

Monitoring and reviewing corporate governance in accordance with the best practice framework issued by The Institute of Chartered Accountants of Sri Lanka.

BOARD BALANCE

The Company maintains a Board balance of executive, Non-Executive and Independent Directors as required under Listing Rules of the Colombo Stock Exchange. Together, the Directors with their wide experience in both the public and private sectors and diverse academic backgrounds provide a collective range of skills, expertise and experience, which is vital for the successful direction of the Group.

COMPOSITION OF THE BOARD

The Board consists of ten (10) members. Eight (8) members are Non-Executive Directors (including the Chairman) and two (2) are Executive Directors. six (6) Non-Executive Directors are independent as defined under the Listing Rules of the Colombo Stock Exchange.

The Non-Executive Independent Directors are;

- Mr Munir Shaikh*
- Mr S Shishoo
- Mr H Abeywickrama
- Mr A D B Talwatte
- Mr A Cabraal
- Mrs S Ratwatte (appointed w.e.f. 30 May 2019)

* Mr Munir Shaikh has served on the board of Sunshine Holdings PLC for a period exceeding nine (09) years from the date of his first appointment on 16 July 2010. Notwithstanding, the board is of the view that Mr Munir Shaikh was and continues to serve on the Board in an "independent" capacity, as the nature and circumstances of his position, does not involve him in any business or operational matters.

There is a distinct and clear division of responsibility between the Chairman and the Group Managing Director to ensure that there is a balance of power and authority. The roles of the Chairman and the Group Managing Director are separated and clearly defined. The Chairman is responsible for ensuring Board effectiveness and conduct whilst the Group Managing Director has overall responsibilities over the operating units, organisational effectiveness and implementation of Board policies and decisions.

COMPOSITION AND ATTENDANCE AT MEETINGS

The Board met quarterly to discharge its duties effectively. In addition, special Board meetings are also held whenever necessary. A total of seven (7) meetings including the Annual General Meeting and one Extraordinary General Meeting were held in the financial year ended 31 March 2020. The attendances of Directors at these Meetings were as follows;

Attendance

Name of Director	Attendance at meetings	%
Mr Munir Shaikh	06	86
Mr G Sathasivam	06	86
Mr V Govindasamy	07	100
Mr S G Sathasivam	07	100
Mr A D B Talwatte	07	100
Mr B A Hulangamuwa*	00	—
Mr H Abeywickrama	06	86
Mr A Cabraal	07	100
Mr S Shishoo	03	43
Mr Y Kitao	01	43
Mrs S Ratwatte	03	50

*Resigned w.e.f. 30 May 2019

RE-ELECTION OF DIRECTORS

The provisions of the Company's Articles require a Director appointed by the Board to hold office until the next Annual General Meeting and seek reappointment by the shareholders at that Meeting. The Articles call for one third of the Directors in office to retire at each Annual General Meeting. The Directors who retire are those who have served for the longest period after their appointment/reappointment. Retiring Directors are generally eligible for re-election. In addition, a newly appointed Director is required to submit himself for retirement and re-election at the Annual General Meeting immediately following his appointment. The Chairman, Vice-Chairman, and Managing Director do not retire by rotation.

DIRECTORS REMUNERATION

The objectives of the Company's policy on Directors remuneration are to attract and retain Directors of the calibre needed to direct the Group successfully. In the case of the Executive Director, the component parts of the remuneration are structured so as to link rewards to corporate and individual performance. Performance is measured against profits and other targets set from the Company's annual budget and plans, and from returns provided to shareholders. In the case of Non-Executive Directors, the level of remuneration reflects the experience and level of responsibilities undertaken by the Non-Executive Director concerned.

The Remuneration Committee recommends to the Board the frameworks of the Executive Director's remuneration and the remuneration package for the Executive Directors. It is, nevertheless, the ultimate responsibility of the entire Board to approve the remuneration of the Executive Directors. The Director's remuneration is disclosed in Note 41.1 of the Financial Statements.

DELEGATION OF BOARD AUTHORITY – BOARD COMMITTEES

The Board in discharging its duties, establishes various Board Committees. The function and terms of reference of the Board Committees are clearly defined and where applicable, comply with the recommendations of the Code of Best Practice on Corporate Governance. The Group has four Board Subcommittees,

- Audit Committee
- Nomination and Remuneration Committee
- Investment Committee
- Related Party Transactions Review Committee

However, the Board of Directors are collectively responsible for the decisions taken on the recommendation by Board Subcommittees.

AUDIT COMMITTEE

The Audit Committee provides an oversight on the Financial Statements and other related information prepared for presentation for external financial reporting, review the work of the internal audit function and ensures that the external auditor carry out their statutory duties in an independent and objective manner. It also assists the Board in ensuring a sound system of internal control. The Committee has full access to the auditors both internal and external who, in turn, have access at all times to the Chairman of the Committee. The Committee meets with the external auditors without any executives present except for the Group Secretaries, at least once a year. The Report on the Audit Committee is presented on page 33 and the duties of the Audit Committee are included therein.

NOMINATION AND REMUNERATION COMMITTEE

The Nomination Committee reviews the Board composition to ensure Board balance and adequacy of skills and experiences among the members of the Board. It recommends any new appointments to the Board.

The Remuneration Committee recommends to the Board, the remuneration policy and the remuneration to be paid to each Executive Director. The Remuneration Committee reviews the Group's remuneration policy and the remuneration packages of executive employees of the Group.

INVESTMENT COMMITTEE

The role of the Investment Committee is to review capital expenditure budgets and new projects and make recommendations to the Board of Directors.

RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

The Committee exercises oversight on behalf of the Board, that all Related Party Transactions (RPTs, other than those exempted by the CSE listing rules on the RPTs) are carried out and disclosed in a manner consistent with the CSE Listing Rules.

Membership of Board Subcommittees are listed below:

	Appointment to the Board	Nomination and Remuneration Committee	Audit Committee	Investment Committee	Related Party Transactions Review Committee
Executive					
V Govindasamy	08.02.2000				
S G Sathasivam	13.06.2006				
Non-Executive					
G Sathasivam	08.02.2000	x			
B A Hulangamuwa*	01.02.2002		x		x
Independent Non-Executive					
Munir Shaikh	16.07.2010	x			
S Shishoo	18.12.2017		x		x
A D B Talwatte	30.05.2016	x	x	x	x
Y Kitao	09.08.2018				
A Cabraal	30.05.2017	x	x	x	x
H Abeywickrama	30.06.2014		x		x
S Ratwatte	30.05.2014				

* Resigned w.e.f. 30 May 2019

FINANCIAL ACUMEN

The Board comprises a Senior Chartered Accountants and they serve as members of the Audit Committee and Related Party Transactions Review Committee.

SUPPLY OF INFORMATION

Directors are provided with quarterly reports on performance, minutes of quarterly meetings and such other reports and documents as necessary. The Chairman ensures all Directors are adequately briefed on issues arising at meetings.

COMPANY SECRETARIES

The services and advice of the Company secretaries are made available to Directors as necessary. The Company secretaries keep the Board informed of new laws, regulations and requirements coming into effect which are relevant to them as individual Directors and collectively to the Board.

Corporate Services (Private) Limited having their registered office at No. 216, De Saram Place, Colombo 10 are the Company secretaries since 1 April 2016.

GOING CONCERN

The Directors after making necessary inquiries and reviews including reviews of the Group's budget for the ensuring year, capital expenditure requirements, future prospects and risks, cash flows and borrowings facilities, have a reasonable expectation of the Company's existence in the foreseeable future. Therefore, the going concern basis is adopted in the preparation of the Financial Statements.

INTERNAL CONTROL

The Board is responsible for the Company's internal controls and for reviewing their effectiveness. Internal control is established with emphasis placed on safeguarding assets, making available accurate and timely information and imposing greater discipline on decision-making. It covers all controls, including financial, operational and compliance control and risk management. It is important to state, however that any system can ensure only reasonable and not absolute, assurance that errors and irregularities are prevented or detected within a reasonable time.

COMMUNICATION WITH STAKEHOLDERS

Shareholders are provided with quarterly financial statements and the Annual Report which the Group considers as its principle communication with them and other stakeholders. These Reports are provided to the Colombo Stock Exchange and also published in print media. Shareholders may bring up concerns they have, either with the Chairman or Group Managing Director as appropriate. Sunshine Holdings PLC's website www.sunshineholdings.lk and websites of listed companies within the Group serve to provide a wide range of information on the Group. The Company has reported a fair assessment of its position via the published audited Financial Statements and quarterly accounts. In preparation of these documents, the Company has complied with the requirements of the Companies Act No. 07 of 2007 and in accordance with the Sri Lanka Accounting Standards.

CORPORATE GOVERNANCE DISCLOSURE

The Company has published quarterly financial statements with the necessary explanatory notes as required by the rules of the Colombo Stock Exchange and the Securities and Exchange Commission of Sri Lanka to all stakeholders. Any other financial and non-financial information, which is price sensitive or warrants the shareholders and stakeholders' attention and consideration is promptly disclosed to the public.

Subject	Rule/Code number	Compliance requirement	Compliance status	Section	Page number
The Board of Directors	A 1	Company to be headed by an effective Board to direct and control the Company.	Complied	Profile of the Board	16
	A 1.1	Regular Board meetings	Complied	Composition and attendance	22
	A 1.2	Responsibilities	Complied	Board Responsibility	40
	A 1.3	Act in accordance with the laws of the country and obtain professional advice as and when required	Complied	Annual Report of the Board of Directors	4
	A 1.4	Access to Company Secretary	Complied	Communication with stakeholders	25
	A 1.5	Bring independent judgement on various business issues and standards of business conduct	Complied	The Directors are permitted to get professional advice when necessary and the Directors of SUN Group has obtained professional advice for certain matters during the year and coordinated through Company secretaries.	35
Chairman and Group Managing Director (GMD)	A 2	Chairman and GMD's division of responsibilities to ensure a balance of power and authority	Complied	The Chairman does not involve himself in day-to-day operations of the Group and acts as an independent Non-Executive Director. The GMD executes powers given by the Chairman and the Board to run the operation.	22

Subject	Rule/Code number	Compliance requirement	Compliance status	Section	Page number
Chairman's Role	A 3	Facilitate the effective discharge of Board functions	Complied	The Chairman is responsible for conducting meetings effectively and he preserves order and implements Board decisions taken.	22
	A 3.1	Ensure Board proceedings are conducted in a proper manner	Complied	The Chairman is responsible for the effective participation of both Executive and Non-Executive Directors, their contribution for the benefit of the Group, balance of power between Executive and Non-Executive Directors and control of group's affairs and communicate to stakeholders.	22
Financial Acumen	A 4	Availability of financial acumen within the Board	Complied	Financial acumen	24
Board Balance	A 5.1	Non-Executive Directors	Complied	Eight (8) out of ten (10) are Non-Executive Directors	24
	A 5.2	Independent Non-Executive Directors	Complied	Six (6) out of eight (8) Non-Executive Directors are independent	24
	A 5.3	Independent Non-Executive Directors	Complied	All independent Non-Executive Directors are in fact free of any business with the Group and are not involved in any activity that would affect to their independence.	24
	A 5.4	Annual declaration	Complied	Submitted the declarations as prescribed	24
	A 5.5	Determination of independence of the Directors	Complied	The independence of Directors is determined based on declarations submitted by the Non-Executive Directors.	24
Supply of Information	A 6.1	Provide appropriate and timely information to the Board	Complied	Directors are provided quarterly performance reports, minutes of review meetings and other relevant documents in advance to the Board meeting	24
	A 6.2	Adequate time for effective conduct of Board meeting	Complied	The minutes, agenda and reports for the Board meeting are provided well before the meeting date.	24

Subject	Rule/Code number	Compliance requirement	Compliance status	Section	Page number
Appointments to the Board	A 7	Formal and transparent procedure for Board appointments	Complied	Nomination Committee makes recommendations to the Board on new Board appointments	23
	A 7.1	Nomination Committee to make recommendations on new Board appointments	Complied	Nomination Committee makes recommendations to the Board on new Board appointments	23
	A 7.2	Assessment of the capability of the Board to meet strategic demands of the Company	Complied	Profile of the Board	16
	A 7.3	Disclosure of New Board member profile and interests	Complied	Profile of the Board	16
Re-election	A 8 – 8.2	Board members should be subject to election, and re-election by shareholders	Complied	Re-election of Directors	22
Appraisal of Board performance	A 9 – 9.3	Existence of Board evaluation methods and execution	Complied	The Chairman and Remuneration Committee evaluates the performance of the Executive Directors	23
Disclosure of information in respect of Directors	A 10 – 10.1	Profiles of Directors Directors' interests Board meeting attendance Board committee memberships	Complied	Profile of the Board	16
Appraisal of GMD	A 11 – 11.2	Appraisal of the GMD against the set strategic targets	Complied	Evaluation is done by the Chairman and Remuneration Committee based on the financial and non-financial targets set with the discussion of the Committee.	23
Directors' Remuneration	B 1	Establishment of the Remuneration Committee	Complied	Remuneration Committee Report	32
	B 1 – 1.3	Membership of the Remuneration Committee to be disclosed and should only comprise Non-Executive Directors	Complied	Discussed under subcommittees	32
Disclosure of Remuneration	B 3.1	Disclose the remuneration policy and aggregate remuneration	Complied	Discussed under subcommittees	32

Subject	Rule/Code number	Compliance requirement	Compliance status	Section	Page number
Relations with Shareholders	C 1.1	Counting of proxy votes	Complied	A Form of Proxy accompanies the Annual Report, when they are dispatched to the shareholders. The Chairman makes an announcement of the proxies received at the commencement of the General Meeting	169
	C 1.2	Separate resolution to be proposed for each item	Complied	The Company proposes a separate resolution at the AGM on each significant issue.	165
	C 1.3	Heads of Board Subcommittees to be available to answer queries	Complied	Subcommittee Chairmen are present at the AGM	165
	C 1.4	Notice of Annual General Meeting to be sent to shareholders with other papers as per statute	Complied	A copy of Annual Report including financials, Notice of Meeting and the Form of Proxy are sent to shareholders 15 working days prior to the date of the AGM.	165
	C 1.5	Summary of procedures governing voting at General Meetings to be informed	Complied	Circulated through Notice of the Annual General Meeting	165
Major Transactions	C 2 - 2.1	Disclosure of all material facts involving any proposed acquisition, sale or disposal of assets	Complied	Major transactions of the Group were disclosed to all stakeholders through the Colombo Stock Exchange, print media, and the Company website	33
Accountability and Audit	D 1.1	Disclosure of interim and other price-sensitive and statutorily mandated reports to Regulators	Complied	Annual Report of the Board of Directors	4
	D 1.2 – 1.5	Declaration by the Directors that the Company has not engaged in any activities, which contravene laws and regulations, declaration of all material interests in contracts, equitable treatment of shareholders and going concern with supporting assumptions or qualifications as necessary	Complied	Annual Report of the Board of Directors	4

Subject	Rule/Code number	Compliance requirement	Compliance status	Section	Page number
	D 1.3	Statement of Directors' responsibility	Complied	Directors' Responsibility report	40
	D 1.4	Management Review and Preview	Complied	Segment Analysis	6
Internal Control	D 2.1	Annual review of effectiveness of the system of internal control.	Complied	Internal Auditors carry out an independent review, and report directly to the Audit Committee.	5
Audit Committee	D 3.1	Audit Committee composition	Complied	Composition of Audit Committee	33
	D 3.2	Terms of reference, duties and responsibilities	Complied	Clearly documented to Audit Committee charter	33
Communication with Shareholders	E 1 – 1.1	Regular dialogue to be maintained with shareholders	Complied	Shareholders are provided quarterly financial statements and the Annual Report. These reports are also available in the Group website and provided to the Colombo Stock Exchange.	25

Levels of Compliance with the CSE's Listing Rules Section 7 – Rules on Corporate Governance are given in the following table.

Subject	Rule number	Applicable requirement	Compliance status	Details	Page number
Non-Executive Directors	7.10.1	At least one third of the total number of Directors should be Non-Executive Directors	Complied	Eight (8) out of ten (10) Directors are Non-Executive Directors	24
Independent Directors	7.10.2 (a)	Two or one third of Non-Executive Directors, whichever is higher should be independent	Complied	Six (6) out of eight (8) Non-Executive Directors are independent	24
Independent Directors	7.10.2 (b)	Each Non-Executive Director should submit a declaration of independence/ non-independence in the prescribed format	Complied	Non-Executive Directors have submitted these declarations	24
Disclosure relating to Directors	7.10.3 (a)	Name of independent Directors should be disclosed in the Annual Report	Complied	Please refer page 24	24

Subject	Rule number	Applicable requirement	Compliance status	Details	Page number
Disclosure relating to Directors	7.10.3 (b)	The basis for the Board to determine a Director is independent, if criteria specified for independence is not met	Complied	Given in page 21 under the heading of Board balance	21
Disclosure relating to Directors	7.10.3 (c)	A brief résumé of each Director should be included in the Annual Report and should include the Director's areas of expertise	Complied	Profile of Directors	16
Disclosure relating to Directors	7.10.3 (d)	Forthwith provide a brief résumé of new Directors appointed to the Board with details specified in 7.10.3 (d) to the CSE	Complied	Brief resumes have been provided to the Colombo Stock Exchange	–
Remuneration Committee	7.10.5	A listed company shall have a Remuneration Committee	Complied	Remuneration Committee comprises Mr Munir Shaikh Mr A Cabraal Mr G Sathasivam Mr A D B Talwatte	32
Composition of Remuneration Committee	7.10.5 (a)	Shall comprise Non-Executive Directors a majority of whom will be independent	Complied	All members are Non-Executive and three (3) out of four (4) are independent	32
Remuneration Committee Functions	7.10.5 (b)	Shall recommend the remuneration of the GMD and the Executive Directors	Complied	As above	32
Disclosure in the Annual Report relating to Remuneration Committee	7.10.5 (c)	The Annual Report should set out Names of Directors comprising the Remuneration Committee	Complied	Please refer page 32	32
		Statement of Remuneration Policy	Complied	Please refer page 32	32
		Aggregated remuneration paid to Executive and Non-Executive Directors	Complied	Note 41 of Financial Statement	155

Subject	Rule number	Applicable requirement	Compliance status	Details	Page number
Audit Committee	7.10.6	The Company shall have an Audit Committee	Complied	Please refer Report of the Audit Committee on page 33	33
Composition of Audit Committee	7.10.6 (a)	Shall comprise Non-Executive Directors, majority of whom will be independent	Complied	Four (4) out of five (5) Directors are Independent Non-Executive Directors	33
		Non-Executive Directors shall be appointed as the Chairman of the Committee	Complied	Chairman of the Committee is an Independent Non-Executive Director	33
		GMD and Group Chief Financial Officer should attend Audit Committee meetings	Complied	GMD and Group Chief Financial Officer attend meetings by invitation	33
		The Chairman of the Audit Committee or one member should be a member of a professional accounting body	Complied	Two (2) members are qualified accountants	33
Audit Committee functions	7.10.6 (b)	Should be as outlined in the section 7.10 of the Listing Rules	Complied	The terms of reference of the Audit Committee have been ratified by the Board	33
Disclosure in the Annual Report relating to Audit Committee	7.10.6 (c)	a. Names of the Directors comprising the Audit Committee	Complied	Please refer page 24	24
		b. The Audit Committee shall make a determination of the independence of the Auditors and disclose the basis for such determination	Complied	Please refer Audit Committee Report on pages 33	33
		c. The Annual Report shall contain a Report of the Audit Committee setting out of the manner of compliance with their functions	Complied	Please refer Audit Committee Report on pages 33	33