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**MINISTRY OF FINANCE, PLANNING AND ECONOMIC DEVELOPMENT**

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Date } 30.12.2025

Public Enterprise Circular No. PED 01/2021 (IV)

All Secretaries of the Ministries  
Chairmen of Commercial Corporations, Statutory Boards,  
State Owned Companies

**Guidelines on Corporate Governance for State Owned Enterprises (SOEs) – Preparation of Annual Reports**

This refers to the Guidelines on Corporate Governance for SOEs issued through the Public Enterprise Circular No. PED 01/2021.

02. In order to strengthen transparency, accountability, governance and clarity in the preparation of Annual Reports, the Annexure III referred to in the section 3.1 of the Guidelines on Corporate Governance for SOEs is hereby revised.

03. This revision is made in line with the Cabinet decision No.25/Misc (011)-1 dated 24<sup>th</sup> November 2025 on “*Appointment of an Officials’ Committee to review and submit recommendations on the matters to be included in the Annual Reports in the submission of the said reports*”.

04. Accordingly, the detailed structure of the Annual Report for SOEs is set out in Annex A to this circular. This structure may be suitably tailored to align with the nature and mandate of each SOE. For this purpose, the Audit Committee of each SOE shall review the contents of Annex A and make appropriate recommendations to the Board of Directors / Governing Body for approval with particular emphasis on the following:

- The legal mandate of the entity and alignment with statutory objectives;
- Entities operational nature and stakeholder expectations; and
- Applicable national and international non-financial reporting frameworks, where relevant
- Disclosure of progress against strategic and policy objectives;
- Compliance with audit requirements; and
- Transparency in governance, risk management, and internal controls.

05. The final Annual Report structure approved by the Board of Directors / Governing Body, should be forwarded to the relevant Line Ministry, General Treasury and Auditor General with

proper justifications for the omissions of the detailed structure of the Annual report as mentioned in Annex A.

06. Provisions of this Circular shall apply to Annual Reports to be prepared for the financial years commencing from 01<sup>st</sup> January 2025. It is emphasized that the preparation of Annual Reports in accordance with revised structure shall not result in any delay from the date stipulated for the preparation of Draft Annual Reports under section 61(2) of the Public Financial Management Act, No. 44 of 2024.

  
A.N. Hapugala  
Secretary to the Treasury (Actg.)

Copies: 1. Secretary to the President  
2. Secretary to the Prime Minister  
3. Secretary to the Cabinet of Ministers  
4. Auditor General

## **Recommended Structure for Annual Reports of the SOEs**

### **1. Chairman's Review**

The Chairman's Review serves as a high-level summary of the State-Owned Enterprise's (SOE) performance, strategic direction, and economic contributions. This section should include:

- i. Brief Reflection of the Year's Performance (Including Economic Value Addition)
  - A concise analysis of the financial and operational performance for the reporting year.
  - Key financial metrics (e.g., revenue growth, profitability, cost efficiency, Return on Investments).
  - The economic and social value generated by the SOE (e.g., employment creation, infrastructure development, public service enhancements).
- ii. Key Achievements and Service Delivery Improvements
  - Major milestones and accomplishments (e.g., completed projects, efficiency gains, and technological advancements).
  - Service quality improvements and their impact on stakeholders (citizens, consumers, government, Investors).
  - Recognition or awards received (if applicable).
- iii. Strategic Outlook
  - Future goals and long-term vision for the institution.
  - Upcoming strategic initiatives, innovative reforms, or policy alignments.
  - Potential challenges and mitigation strategies
- iv. Sustainability and Social Impact
  - Efforts towards ESG (Environmental, Social and Governance)
  - Sustainability Practices

### **2. CEO/GMs Review**

This section provides stakeholders with an overview of the entity's performance, challenges, and strategic direction. This should be comprehensive, transparent, and aligned with corporate governance standards.

### **3. Overview of the Institutional Profile**

This section provides stakeholders with a clear understanding of the SOE's purpose, governance, and operational framework. It should include:

- i. Directors Report
- ii. Key Business and Mandate Under Relevant Act, Gazette or Articles of Association
  - The legal foundation of the institution (citing the governing Act, Gazette or Articles of Association)
  - The primary functions and responsibilities as defined by law.
- iii. Vision, Mission Statement and Values of the Entity
  - A concise and impactful vision statement (long-term aspiration).
  - The mission statement (core purpose and operational focus).
- iii. Key Strategic Objectives
  - Key performance targets (financial, operational, and developmental).
  - Alignment with national policies (e.g., Sustainable Development Goals, national budget priorities).
- iv. Organizational Structure
  - Group Structure including subsidiaries, associates, if any
  - A clear hierarchy (organizational chart) showing key departments and reporting lines.
  - Roles and responsibilities of senior management and divisions.
- v. Governance Structure (Profile of the Board of Directors/Board sub-Committees)
  - Names, designations, and qualifications of Board members and Key Management Personal)
  - Board committees (Audit, Risk, HR, etc.) and their functions.
  - A summary of Board meetings held, and major transactions.
  - Structure of Internal Audit Function

### **4. Operating Environment**

The Operating Environment section of the Annual Report provides a comprehensive analysis of the external and internal factors that influence the SOE's performance. This section helps stakeholders understand the challenges, opportunities, and contextual dynamics affecting the institution. Below are the key sub-components:

#### i. Sector Trends and Developments (Including Benchmarks)

This subsection should analyze the industry specific trends, innovations, and comparative benchmarks relevant to the SOE's operations. Key Aspects to Cover:

- Industry Growth, market trends and major developments in the sector (e.g., regulatory changes, technological advancements, market demand shifts).

- Comparison with regional and global benchmarks (e.g., performance metrics of similar SOEs in other countries).
- Key competitors (if applicable) and their strategies.
- The SOE's market position (e.g., market share, service coverage).
- Technological & Operational Innovations, adoption of new technologies (e.g., digital transformation, automation).
- The best practices implemented to enhance efficiency and service delivery.

ii. Key Stakeholders and the way we engage with them (Government, Donors, Civil Society)

This subsection identifies and discusses the major stakeholders who influence or are impacted by the SOE's operations.

- Stakeholder Categories & their Roles
- The policy and regulatory role of relevant ministries/agencies.
- Key government initiatives affecting the SOE (e.g., budget allocations, reforms).
- Development Partners and donors or funding agencies (e.g., World Bank, ADB, bilateral donors) and their support programs.
- Grant/loan conditions and their impact on operations.
- Civil Society & Public engagement with NGOs, consumer groups, and community organizations.

iii. Economic and Political Environmental Impact

This subsection assesses how broader economic and political conditions affect the SOE's performance.

- Economic Factors: Macroeconomic Conditions (Inflation, interest rates, exchange rate fluctuations), and their impact on costs/revenues
- GDP growth trends and sectorial contributions.
- Fiscal Policies & budgetary support, government subsidies, tax policies, or funding constraints, changes in laws/regulations affecting the sector (e.g., privatization policies, tariff adjustments), geopolitical influences, international relations affecting trade, investments, or donor funding.

## 5. Performance Overview

This section provides a quantitative and qualitative assessment of the institution's annual achievements against predetermined targets.

- i. Analysis on Operational Performance -Summary of Key Performance Indicators (KPIs) (Financial KPIs, operational KPIs (service delivery metrics, project completion rates) , Developmental KPIs (social impact measurements)
  - Output and Outcome Achievements

- ii. Management's Discussion and Analysis
 

Business results and achievements in the financial year describe the management and Board performance comparing the entity's performance with the industry norms and policy priorities as applicable
- iii. Distinction between direct outputs (services delivered) and outcomes (long-term impacts)
  - Multi-Year Comparison
  - Graphical representation of 3-year performance trends
- iv. Statement of Economic Value Addition- Analysis of the entity's performance under different aspects such as Corporate Social Responsibility, human capital, social impact etc.
- v. Public Service Obligations (Including government contribution)
- vi. Explanation of significant improvements/declines, mitigation actions

## **6. Service Delivery Results –Tailored to Service Oriented entities**

Detailed analysis of public service performance and citizen engagement.

- i. Service Portfolio
  - Catalog of all services provided
  - New services introduced during reporting period
- ii. Efficiency
  - Average processing time (current vs previous year)
  - Cost-per-service analysis
  - Backlog reduction statistics
- iii. Accessibility
  - Urban vs. rural coverage
- iv. Innovations
  - New e-services launched
- v. Beneficiary Satisfaction
  - Customer satisfaction scores (with methodology)
- vi. Complaint resolution timelines

## **7. Financial Performance**

This included the entities audited financial statements comprising the Statement of Financial Performance, Statement of Financial Position, Statement of Cash Flows, and Statement of changes in equity, notes and the Auditor's report. In addition, it should include

- i. Revenue and Expenditure Summary including variance analysis and explanation
- ii. Disclosure on Donor/project funds used

- iii. Capital and recurrent expenditure trends
- iv. Financial health indicators (arrears, debt levels, age analysis, working capital position)
- v. Economic Value Added statement
- vi. Ten Year Summary
  - Financial Information including Liquidity, Profitability, Solvency, Efficiency and Leverage/Gearing Ratios and Operational Information)

## **8. Human Resources and Institutional Capacity**

Strategic human capital development reporting.

- i. Staffing Profile (Approved and Actual Carder)
- ii. Recruitments, promotions and retirements
- iii. Capacity Building:
  - Training hours per employee
  - Specialized skills development programs
  - Leadership pipeline development
- iv. Staff Diversity Metrics
  - Gender distribution across levels
  - Disability inclusion statistics
  - Youth employment initiatives

## **9. Governance and Risk Management**

Demonstration of accountability and oversight mechanisms.

- i. Corporate Governance Report
- ii. Audit Committee Report
- iii. Investment Committee Report (If applicable only)
- iv. Related Party Transaction Review Committee Report (If applicable only)
- v. Nomination and Remuneration Committee Report (If applicable only)
- vi. Risk Analysis
- vii. Risk Committee Report, (If applicable only)
  - Risk assessment
  - Risk mitigation strategies
- viii. Fraud prevention Strategies
- ix. Compliance Report Ethics and anti-corruption measures
- x. Report on internal control assessment

## **10. Key Challenges and Lessons Learned**

Strategic reflection for continuous improvement.

- i. Operational and strategic challenges
- ii. Key Audit Matters highlighted by the Auditor General and corrective measures taken
- iii. Lessons learnt for future improvements

## **11. Plans for the Upcoming Years**

Strategic roadmap for future operations. (Maximum 03 years)

- i. Key priorities and targets for next financial years
- ii. New initiatives or policy changes
- iii. Budget allocation outlook
- iv. Digital or reform plans
- v. Key Government Policy Achievements, if applicable

## **12. Annexes/Appendices**

To include supplementary information, tables, glossary of terms, or any other relevant documentation.