

CA



THE INSTITUTE OF
CHARTERED ACCOUNTANTS
OF SRI LANKA

CODE OF
**BEST PRACTICE ON
CORPORATE GOVERNANCE 2023**

CODE OF BEST PRACTICE
ON
CORPORATE
GOVERNANCE
2023

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Foreword by Chairman of Corporate Governance Committee

CA Sri Lanka has been at the forefront of issuing Corporate Governance Codes in Sri Lanka. The first titled “Code of Best Practice on matters related to financial aspects of Corporate Governance” was issued in 1997. Thereafter, in 2003, 2008, 2013 and 2017 the Codes were reviewed and revised through a consultative process.

The prevailing Code of Best Practice of Corporate Governance of 2017 is widely used by Companies that are publicly listed and other larger Companies which see value in the practice of governance. The current review was initiated by the CA Council of 2022/23 with the intention of promoting wider usage of the Code by entities that are not necessarily governed by a specific regulatory framework such as family owned and controlled companies enabling their sustainability and succession.

The members of the Corporate Governance Committee comprised of: Regulators from the Securities & Exchange Commission, the Colombo Stock Exchange, Sri Lanka Accounting and Auditing Standards Monitoring Board, and representatives of Public Listed Companies, the Institute of Directors, Corporate Lawyers, Practicing Accountants and representatives from the CA Council. A list of representatives of the Committees who participated in each of the aforementioned Codes is given in Appendix 1. Their invaluable contribution in knowledge, expertise and time in no small way enabled well considered inclusions of provisions from global best practice, emerging local challenges and contemporary issues. I would be failing if I do not thank all these Committees for their unstinting co-operation and the present Committee for their professional input and active participation over this two year period.

The purpose of Corporate Governance has been expressed over the past three decades in many forms, conveying the same core principles but building on experience, learnings from failures, developments in technology, regulatory factors, investor perspectives and the expectations of the wider stakeholder community, recognising that the corporate is part of a much larger eco-system.

The fundamental aspect requiring codification of Corporate Governance can be described as “the agency problems” arising from the potential, for diverse interests that can give rise to selective differential actions benefiting one group over the other. The agency problems can be “horizontal” between the controlling owners and the

minority shareholders, or “vertical” between the managers and shareholders and what can be described as “lateral or circular,” namely conflicts arising from corporate operations and their implications on the consumer, community and society at large.

Rules and regulations endeavour to address the issue with mandatory provision and enforcement.

Codes of Corporate Governance are structured to compliment and supplement the Regulations by recommending voluntary provisions building on the fundamentals of accountability, transparency impartiality, fairness and responsibility through good governance processes, practices and probity.

Key components of effective board practices are contained in Governance Codes. These include; adaptive business strategy and risk management, diverse and independent boards, competent management, execution and monitoring, good governance and ethics, probity, stakeholder inclusivity, economic sustainability, and environmental responsibility, all towards ensuring the long term success and sustainability of the business entity.

Within the composite codes the specific issues of agency are addressed as follows;

- a) Horizontal Agency: Board composition, nomination and governance committee, related party transaction committee, audit committee, determination of independence, the number of independent directors, the senior independent director, independent audit, compliance, robust reporting, stakeholder relations and minority protection are some of the main factors to mitigate the potential conflicts.
- b) Vertical Agency between management and shareholders are covered through; the Boards role, frequency of meetings, adequacy of information, strategy, budgeting and performance monitoring, devolutions of authority to execute strategy, succession planning, performance based pay and claw back provisions, remuneration committees, risk management practices, disclosures of KMP compensation, codes of conduct & ethics, whistle blower provisions, related party provisions and well thought out contracts of employment.
- c) Lateral Agency; Stakeholder engagement, corporate social responsibility, recognizing and embedding environment, society and governance provisions are some significant factors in managing the lateral agency dimension.

The skills to run a corporate board successfully should not be underestimated. The leadership of the Chairman, the openness of discussion, robust comprehensive knowledge and experience, diversity among board members, clarity on the role of the executive and non-executive, continuous training and development, authority to seek advice and the strength of character to dissent while respecting majority rule are important ingredients Board members should possess. Board members should act on a fully informed basis in good faith, with due diligence and care and in the best interest of the Company, Shareholders and other significant Stakeholders.

The Code of 2023 builds on the previous Codes to strengthen best practice in governance in the context of global developments relevant to Sri Lanka, emerging contemporary matters of governance and challenges with greater importance to the Sri Lankan capital market.

Some of the key changes are:

- Board balance: non-executive director not considered independent if his /her remuneration has a variable component; determination of a director being independent notwithstanding the existence of relationships and circumstances which indicate the contrary should be only in respect of an independent director who has served on the board exceeding 9 years; appointment of the senior independent director when the chairman is not an independent director.
- Appointments to the board: change to the composition of the nominations committee and enhancing the terms of reference of nomination committee.
- Appraisal of board performance: addition of annual self-evaluation of the performance of its committees, chairman, non- executive directors and executive directors; periodic 360-degree appraisal for executive directors and other key management personnel.
- Disclosure of remuneration: disclosure in annual report of number and aggregate remuneration of the senior management personnel reporting directly to the CEO including that of the CEO, if he/she is not an executive director.
- Audit committee: chair to be a member of a recognized professional accountancy organization; update on purpose of committee.
- Risk management and internal control: guidance added for the board to ensure that the company carries out a robust assessment of the principal risks facing the company.

- Introduction of risk committee for risk management including risk identification and classification, risk culture, risk appetite, rating, and management of risk; guidance to develop terms of reference for risk committee.
- Related party transaction review committee: clarification of key management personnel.
- Code of business conduct and ethics: enhanced guidance on following the code of business conduct and ethics.
- Sustainability: ESG risk and opportunities - code redefines the sustainability (ESG risk and opportunities) and provides the necessary guidance to identify ESG risk and opportunities; to establish process, procedures & frameworks to measure them establishment and maintenance of policies by listed entities.
Schedule added for assessment of Fit and Proper Criteria for directors & CEO's and report in a concise and comprehensive manner.
- Cybersecurity: addition of a board checklist.
- Addition of a schedule providing matters to be considered in accepting an appointment as a director of a company.

I take this opportunity to thank the President and Council of the Institute of Chartered Accountants of Sri Lanka for the confidence placed in me by appointing me to take forward this initiative as the Chairman of the Committee, also Arjuna Herath, my Alternate Chairman for supporting me in steering through contentious issues and enabling consensus. In particular, I would like to place on record my appreciation to the Chairman of the Securities & Exchange Commission and the senior officials of the Colombo Stock Exchange who encouraged and supported CA Sri Lanka in this endeavour.

Securities Regulations, Accounting Standards, Audit & Assurance Standards, Company Law and other industry specific laws, have the force of legislation. Governance on the other hand is a voluntary code by which corporates demonstrate their commitment to strategy and execution in a sustainable manner complying with these laws and regulations with the right set of skills, knowledge and expertise on its boards, thereby delivering results ethically, recognizing all significant stakeholder interests.

Asite Talwatte

Chairman

Corporate Governance Committee

8 December 2023

Message by President, Institute of Chartered Accountants of Sri Lanka

For decades, CA Sri Lanka has remained steadfast in its mission to champion and maintain the most rigorous standards of corporate governance. With the introduction of our updated Corporate Governance Code, we not only reassert our unwavering commitment to these principles but also take a significant leap forward in aligning with the ever-evolving landscape of the corporate realm.

As such, the launch of the new Corporate Governance Code marks a pivotal juncture in our Institute's journey, especially one that underscores our unwavering commitment to promoting excellence and integrity in financial management and oversight.

In a rapidly changing corporate landscape, where technological advancements, global interconnection, and increasing expectations continue to redefine the rules of the game, our governance practices must evolve accordingly. The new Corporate Governance Code is more than just a document as it serves as a tangible embodiment of our collective determination to adapt, improve, and lead by example.

As we set forth to implement this code, we anticipate witnessing transformative changes and enhancements within the corporate governance landscape across a myriad of sectors in Sri Lanka. We firmly believe that these changes will not only strengthen trust and confidence among various stakeholders, but it will also contribute significantly to the long-term success, resilience, and ethical leadership of the corporate world.

Together, let us embark on a journey towards a future marked by corporate governance excellence. It is through our collective efforts and unwavering commitment that we will reach new heights in our mission to create a corporate world that is not only successful but also founded on principles of trust, accountability, and ethics.

Sanjaya Bandara

President

The Institute of Chartered Accountants of Sri Lanka

8 December 2023

Message by Chairman, Securities & Exchange of Sri Lanka

I am pleased to send this message on the occasion of the launch of the 2023 edition of the Code of Best Practice on Corporate Governance by CA Sri Lanka.

The first edition of this voluntary code was developed by CA Sri Lanka in 1997 on matters related to the financial aspects of Corporate Governance. Subsequently the Institute collaborated with the Securities and Exchange Commission of Sri Lanka (SEC) and revised the Code in 2008 and 2013 in order to align it with global standards and best practices. CA Sri Lanka issued an updated edition of the Code in 2017 and has now revised it this year, following the revisions in the listing rules of the Colombo Stock Exchange on Corporate Governance in October 2023.

Corporate Governance is a journey. High standards of governance with accountability and transparency are critical to building investor trust and confidence in the capital market.

The release of this edition of the Code is timely and relevant. It provides a useful set of guidelines on Corporate Governance for corporate leaders, company executives, and the business community.

I wish to commend the efforts made by CA Sri Lanka to promote good governance in the accounting profession and the corporate sector.

Faizal Salieh

Chairman

Securities and Exchange Commission of Sri Lanka

8 December 2023

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CODE OF BEST PRACTICE ON CORPORATE GOVERNANCE

SECTION 1 : THE COMPANY

A DIRECTORS

A.1 THE BOARD

Principle A.1 Every public company should be headed by an effective Board, which should direct, lead and control the company.

A.1.1 The board should meet regularly. Board meetings should be held at least once in every quarter of a financial year in order to effectively execute the board's responsibilities, while providing information to the board on a structured and regular basis; ideally monthly, or as agreed by the board. The regularity of board meetings and the structure and process of submitting information should be agreed to and documented by the board.

Information to be reported on a regular (ideally monthly) basis to the board should include but not be limited to:

- financial and operational results on pre agreed key performance indicators,
- financial performance compared to previous periods, budgets and targets,
- impact of risk factors on financial and operating results and actions to mitigate such risks,
- forecast for the next period,
- compliance with laws and regulations and any non-compliances,
- internal control breaches or frauds during the period and related actions taken,
- financial and operational decisions taken by the chief executive officer (CEO) within his delegated authority,
- share trading of the company and related party transactions by key management personnel
- Sustainability/ environmental, social, and governance (ESG) related risks and opportunities (if any) during the period

- | |
|---|
| <ul style="list-style-type: none"> • Cyber security related risks, mitigative measures and a security breach report (if any) during the period, and • any other matters the board should be aware of. |
|---|

A.1.2

The board's role is to provide entrepreneurial leadership of the company within a framework of prudent and effective controls which enables risk to be assessed and managed. In performing its role, the board should be responsible for matters including:

- ensuring the formulation and implementation of a sound business strategy,
- appointing the chair and the senior independent director if relevant,
- ensuring that the CEO and management team possess the skills, experience and knowledge to implement the strategy,
- ensuring the adoption of an effective CEO and key management personnel succession strategy,
- approving budgets and major capital expenditure,
- determining the matters expressly reserved to the board and those delegated to the management including limits of authority and financial delegation.
- ensuring effective systems to secure integrity of information, internal controls, cyber security, business continuity and risk management,
- ensuring the availability of information communication technology (ICT) roadmap in line with business strategy of the company, and monitor the progress of implementation through the ICT dashboard,
- ensuring compliance with laws, regulations and ethical standards,
- ensuring all stakeholder interests are considered in corporate decisions,
- recognising sustainable business development and ESG risk and opportunities in corporate

strategy, decisions and activities and consider the need for adopting “integrated reporting”.

- ensuring that the company’s values and standards are set with emphasis on adopting appropriate accounting policies and fostering compliance with financial regulations,
- establishing a process of monitoring and evaluation of progress on strategy implementation, budgets, plans and related risks,
- ensuring that a process is established for corporate reporting on annual and quarterly basis or more regularly as relevant to the company, and
- fulfilling such other board functions as are vital, given the scale, nature and complexity of the business concerned.

A.1.3 The board collectively, and directors individually, must act in accordance with the laws of the country, as applicable to the business enterprise. There should be a procedure agreed to by the board of directors, wherein a director can require the company to obtain independent professional advice at the company’s expense where it is considered necessary.

A.1.4 All directors should have access to the advice and services of the company secretary, who is responsible to the board in ensuring that board procedures are followed, and that applicable rules and regulations are complied with. If the company secretary is employed by the company in another capacity as well, it cannot be conflicting with the role of company secretary. Any question of the removal of the company secretary should be a matter for the board as a whole. The role of company secretary is given in Schedule A.

The company should obtain appropriate insurance cover as recommended by the nominations committee for the board, directors, and key management personnel.

A.1.5 All directors should bring independent judgment to bear, in discharging their duties and responsibilities on matters relating to the board including strategy, performance, resource allocation, risk management, compliance and standards of business conduct.

A. 1.6 Every director should dedicate adequate time and effort to matters of the board and the company, to ensure that the duties and responsibilities owed to the company are satisfactorily discharged. It must be recognised that directors have to dedicate sufficient time before a meeting to review board papers and call for additional information and clarification, and after a meeting to follow up on issues consequent to the meeting. This should be supplemented by a time allocation for familiarisation with business operations, risks and controls.

A.1.7 One third of directors can call for a resolution to be presented to the board where they feel it is in best interest to the company to do so.

A. 1.8 Every director should receive appropriate training when first appointed to the board of a company, and subsequently as necessary. Training curricula should encompass both general aspects of directorship and matters specific to the industry/company concerned.

A director must recognise that there is a need for continuous training and an expansion of the knowledge and skills required to effectively perform duties as a director. The board should regularly review and agree on the training and development needs of the directors.

In accepting an appointment as a director of a company, consideration should be given to the responsibilities of the role, ability to commit time, any existing or potential conflicts of interest and possessing required competencies of the role. Guidelines containing matters to be considered are given in Schedule B.

A.2 CHAIRMAN AND CHIEF EXECUTIVE OFFICER (CEO)

Principle A.2 There are two key tasks at the top of every public company – conducting of the business of the board and facilitating executive responsibility for management of the company’s business. There should be a clear division of responsibilities at the head of the company, which will ensure a balance of power

and authority, such that no one individual has unfettered powers of decision.

- A.2.1 A decision to combine the posts of chairman and CEO in one person should be justified and highlighted in the annual report.

A.3 CHAIRMAN'S ROLE

Principle A.3 The chairman's role in preserving good corporate governance is crucial. As the person responsible for running the board, the chairman should preserve order and facilitate the effective discharge of board functions.

A. 3.1 The chairman should conduct board proceedings in a proper manner and ensure, inter-alia, that:

- the agenda for board meetings is developed in consultation with the CEO, directors and the company secretary taking into consideration matters relating to strategy, performance, resource allocation, risk management and compliance,
- sufficiently detailed information of matters included in the agenda is provided to directors in a timely manner,
- all directors are made aware of their duties and responsibilities and the board and committee structures through which it will operate in discharging its responsibilities,
- the effective participation of both executive and non-executive directors is secured; all directors are encouraged to make an effective contribution, within their respective capabilities, for the benefit of the company,
- all directors are encouraged to seek information considered necessary to discuss matters on the agenda of meetings and to request inclusion of matters of corporate concern on the agenda,
- a balance of power between executive and non-executive directors is maintained,

- the views of directors on issues under consideration are ascertained and a record of such deliberations reflected in the minutes, and
- the board is in complete control of the company's affairs and alert to its obligations to all shareholders and other stakeholders.

A.4 FINANCIAL ACUMEN

Principle A.4 The board should ensure the availability within it, of those with sufficient financial acumen and knowledge to offer guidance on matters of finance.

A.5 BOARD BALANCE

Principle A.5 It is preferable for the board to have a balance of executive and non-executive directors such that no individual or small group of individuals can dominate the board's decision-taking.

A.5.1 The board should include non-executive directors of sufficient calibre and number for their views to carry significant weight in the board's decisions. The board should include at least three non-executive directors or such number of non-executive directors, equivalent to one third of total number of directors, whichever is higher. In the event the chairman and CEO is the same person, or if the chairman is not an independent director, non-executive directors should comprise majority of the board.

The total number of directors is to be calculated based on the number as at the conclusion of the immediately preceding annual general meeting. Further, any change occurring to this ratio should be rectified within 90 days from the date of the change.

A.5.2 Where the constitution of the board of directors includes only three non-executive directors, all three non-executive directors should be 'independent'. In all other instances three or two third of non-executive directors appointed to the board of directors whichever is higher should be independent.

For companies with a small cap, the board of directors should include at least two non-executive directors. Where the constitution of the board of directors includes only two non-executive directors, both non-executive directors should be independent. However, the provisions in A.5.1 relating to chairman being not independent will also apply for small cap companies.

A.5.3 For a director to be deemed independent such director should be independent of management and free of any business or other relationship that could materially interfere with or could reasonably be perceived to materially interfere with the exercise of their unfettered and independent judgment.

A.5.4 Each non-executive director should submit a signed and dated declaration annually of his/her independence or non-independence against the specified criteria set out in the specimen in Schedule C and confirm at the end of each quarter whether the declared status on independence continues.

A.5.5 The board should make a determination annually, unless a change has arisen subsequently, as to the independence or non-independence of each non-executive director based on such a declaration made of decided criteria and other information available to the board. The board should determine whether the director is independent in character and judgement and whether there are relationships or circumstances which are likely to affect, or could appear to affect, the director's judgement. The board should specify the criteria not met and the basis for its determination in the annual report, if it determines that a director is independent notwithstanding the existence of relationships or circumstances which indicate the contrary and should set out in the annual report the names of directors determined to be 'independent'.

A director would not be independent if he/she:

- has been employed by the company, subsidiary or parent of the company during the period of three years immediately preceding appointment; or

- currently has or has had within last three years immediately preceding appointment as director, a material business relationship with the company, whether directly or indirectly; or
- has or has had in the preceding financial year, a close family member who is a director or chief executive officer or key management personnel (and/or an equivalent position); or
- is a significant shareholder of the company or an officer of, or otherwise associated directly with, a significant shareholder of the company; or
- has served on the board of the company continuously for a period exceeding nine years from the date of the first appointment; or
- is employed in another company or business:
 - in which majority of the other directors of the company are employed or are directors; or
 - in which majority of the other directors of the company have a significant shareholding or material business relationship; or
 - that has a significant shareholding in the company or with which the company has a business connection; or
- is a director of another company:
 - in which majority of the other directors of the company are employed or are directors; or
 - that has a business connection with the company or significant shareholding in the company; or
- has a material business relationship or a significant shareholding in another company or business:
 - in which majority of the other directors of the company are employed or are directors; and/or
 - which has a business connection with the company or significant shareholding in the same; and /or

- where the core line of business of the other company is in direct conflict with the line of business of the company; or
- receives directors' remuneration which has a variable component for example remuneration based on individual or corporate performance, is entitled to share options, terminal benefits, and/or whose remuneration is in excess of market determined remuneration for an equivalent position. Market survey should be carried out at least once in every three years to validate it; or
- has reached an age stipulated in an applicable regulation.

The above list is not exhaustive and should be viewed as a guide rather than a set of rules on the basis of which independence can be conclusively determined.

The determination that the director is independent notwithstanding the existence of relationships and circumstances which indicate the contrary should be only in respect of an independent director who has served on the board exceeding 9 years from the date of first appointment and providing he/she has no other material business relationships, significant shareholding, business connections, employment or family relationships.

DEFINITIONS RELATING TO INDEPENDENCE CRITERIA

Close Family Member - shall mean and include the Director's spouse, parents, grandparents, children, brothers, sisters, grandchildren and any person who is financially dependent on such Director.

Financially Dependent Individuals - include any person who received more than half of their support for the most recent fiscal year from a director and/or his or her spouse.

Material Business Relationship - includes any relationship that results in income/non-cash benefits equivalent to 10% of the Director's annual income.

Business Connection - shall mean a relationship resulting in transaction value equivalent to 10% of the turnover of that company or business.

Significant Shareholdings - can be defined as a shareholding carrying not less than 5% of the voting rights of a Company.

Indirectly - includes but is not limited to a partner, significant shareholder, director, key management personnel of a body that has a business connection with the company or having a business connection through a close family member.

Key Management Personnel - those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity.

A.5.6 If an alternate director is appointed by a non-executive director, such alternate director should not be an executive of the company. If an alternate director is appointed by an independent director, the person who is appointed also should meet the criteria of independence and the provision on minimum number of independent directors also should be satisfied. alternate directors shall provide declaration of independence as required for directors whom he/she alternate to. The name and brief profile of the alternate directors should be disclosed in the annual report.

A.5.7 In the event the chairman and CEO is the same person, or the chairman is not an independent director, or the chairman is the immediately preceding CEO or the chairman and CEO are close family members, the board should appoint one of the independent non-executive directors to be the “senior independent director” (SID) and disclose this appointment in the annual report.

The senior independent director should provide guidance to the chairman on matters of governance of the company, to enable this process he should meet at least twice each year with the non-executive directors and at least once a year with the executive directors, to enable discussion and communication of governance related matters. The outcome of these discussions should be informed to the chairman.

A.5.8 The senior independent director should make himself available for confidential discussions with other directors who may have concerns which they believe have not been properly considered by the board as a whole and which pertain to significant issues that are detrimental to the company.

The senior independent director should participate in all meetings with majority, significant, and minority shareholders and be made aware of their concerns by the company secretary.

A report from the senior independent director should be included in the annual report.

A.5.9 The chairman should hold meetings with the non-executive directors only, without the executive directors being present, as necessary and at least once each year.

A.5.10 Where directors have concerns about the matters of the company which cannot be unanimously resolved, they should ensure their concerns are recorded in the board minutes.

A.6 SUPPLY OF INFORMATION

Principle A.6 The board should be provided with timely information in a form and of a quality appropriate to enable it to discharge its duties.

A.6.1 Management has an obligation to provide the board with appropriate and timely information, but information volunteered by management may not be enough in all circumstances and directors should make further inquiries where necessary. The chairman should ensure all directors are properly briefed on issues arising at board meetings.

A.6.2 In order to facilitate effective conduct of meetings, the agenda and papers required for a board meeting should be provided to directors at least seven (7) days before the meeting, and the minutes of the meeting should ordinarily be provided to directors at least two weeks after the meeting date.

A.7 APPOINTMENTS TO THE BOARD; NOMINATION COMMITTEE

Principle A.7 Board should establish a formal and transparent procedure for the appointment of new directors to the board.

A.7.1 A nomination committee comprising a minimum of three members should be established to make recommendations to the board on all new board appointments. Majority of the membership of the committee shall comprise maximum of 3 directors of be non-executive directors and shall include at least two or one third (whichever is higher) of independent non-executive directors. The chairman of the committee shall be an independent non-executive director appointed by the board. If the chairman of the company is an independent non-executive director, he/she should chair the nomination committee. In situations where a senior independent director has been appointed, he/she should chair the nomination committee.

A.7.2 The nomination committee should annually assess board-composition against pre-defined criteria of skill and knowledge requirements to ascertain whether the combined knowledge and experience of the board matches the strategic demands facing the company. The committee should also consider diversity on the board including gender, age and any other factor relevant to the industry. The findings of such assessment should be taken into account when new board appointments are considered and when incumbent directors come up for re-election, including a process to determine that such proposed board appointees are fit and proper. (criteria guiding the fit and proper assessment are delayed sehodale) Criteria guiding the fit and proper assessment are detailed in schedule D. Members of the nomination committee should not participate in decision making relating to their own appointment/ reappointment and the chairman of the board should not chair the committee when it is dealing with the appointment of his/her successor.

A.7.3 The committee should ensure that there is a succession plan for the chief executive officer and for

all key management personnel and determine the training and development requirements for those identified for succession.

A.7.4 Upon the appointment of a new director to the board, the company should forthwith disclose to shareholders:

- a brief resume of the director,
- the nature of his expertise in relevant functional areas,
- the names of companies in which the director holds directorships or memberships in board committees, and
- whether such director can be considered independent.

Even if a director is appointed as an alternate director, the disclosures stated above should be made.

A.7.5. The chairman and members of the nomination committee should be identified in the annual report. A separate section of the annual report should describe the work of the nomination committee including the process it has used in relation to board appointments.

A.7.6 Terms of reference for nomination committees are set out in Schedule E.

A.8 RE-ELECTION

Principle A.8 All directors should be required to submit themselves for re-election at regular intervals and at least once in every three years.

A.8.1 Non-executive directors should be appointed for specified terms subject to re-election and to the provisions in the Companies Act relating to the removal of a director, and their re-appointment should not be automatic.

A.8.2 All directors including the chairman of the board should be subject to election by shareholders at the first opportunity after their appointment, and to re-election thereafter at intervals of no more than three

years. The names of directors submitted for election or re-election should be accompanied by a resume minimally as set out in paragraph A.7.4 above, to enable shareholders to make an informed decision on their election.

A.8.3 RESIGNATION

In the event of a resignation of a director prior to completion of his appointed term, the director should provide a written communication to the board of his reasons for resignation.

A.9 APPRAISAL OF BOARD PERFORMANCE

Principle A.9 Boards should periodically appraise their own performance in order to ensure that board responsibilities are satisfactorily discharged.

A.9.1 The board should have in place a formal and rigorous process for annually reviewing the performance of the board and its committees and should address any matters that may arise from such review, in the discharge of its key responsibilities as set out in A.1.2.

A.9.2 The board should undertake an annual self-evaluation of its own performance, that of its committees, chairman, non- executive directors and executive directors.

The evaluation of the board and the chairman should be carried out by each director individually. evaluation of non- executive directors should be carried out individually by the executive directors and the chairman. Evaluation of executive directors should be carried out individually by the chairman and non-executive directors.

The Board should consider periodic 360-degree appraisal of executive directors and other key management personnel.

The collective outcome should be compiled and made available to the nomination committee, which should consider the results of the evaluation and make recommendation to the board on initiatives and actions required to improve the balance of skills,

experience, independence, industry and company knowledge training of directors, governance processes, strategy review and other factors relevant to its effectiveness.

Schedule F contains a sample “Board Performance Evaluation Checklist” that may be used for this purpose.

A.9.3 The board should have a process to review the participation, contribution and engagement of each director at the time of re-election.

A.9.4 The board should state how such performance evaluations have been conducted, in the Annual Report.

A.10 DISCLOSURE OF INFORMATION IN RESPECT OF DIRECTORS

Principle A.10 Shareholders should be kept advised of relevant details in respect of directors.

A.10.1 The annual report of the company should set out the following information in relation to each director:

- name, qualifications and brief profile,
- the nature of his/her expertise in relevant functional areas,
- immediate family and/or material business relationships with other directors of the company,
- whether executive, non-executive and/or independent director,
- names of listed companies in Sri Lanka in which the director concerned serves as a director,
- names of other companies in which the director concerned serves as a director, provided that where he/she holds directorships in companies within a group of which the company is a part, their names need not be disclosed; it is sufficient to state that he/she holds other directorships in such companies,
- number/percentage of board meetings of the company attended during the year,
- the total number of board seats held by each director indicating listed and unlisted companies

- and whether in an executive or non-executive capacity,
- names of board committees in which the director serves as chairman or a member, and
- number/percentage of committee meetings attended during the year.

A.11 APPRAISAL OF CHIEF EXECUTIVE OFFICER (CEO)

Principle A.11 The Board should be required, at least annually, to assess the performance of the CEO.

A.11.1 At the commencement of every fiscal year, the Board in consultation with the CEO, should set, in line with the short, medium, and long-term objectives of the company, reasonable financial and non-financial targets that should be met by the CEO during the year.

A.11.2 The performance of the CEO should be evaluated by the board at the end of each fiscal year to ascertain whether the targets set by the board have been achieved and if not, whether the failure to meet such targets was reasonable in the circumstances.

B DIRECTORS' REMUNERATION

B.1 REMUNERATION PROCEDURE

Principle B.1 Companies should establish a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. To avoid potential conflicts of interest, no director should be involved in deciding his/her own remuneration.

B.2 REMUNERATION COMMITTEE

Principle B.2 Level and makeup of remuneration of both executive and non-executive directors should be sufficient to attract and retain the directors needed to run the company successfully. A proportion of executive directors' remuneration should be structured to link rewards to corporate and individual performance

ensuring the balance between short, medium and long-term perspectives of the performance outcomes.

- B.2.1 The board of directors should set up a remuneration committee to make recommendations to the board on the company's framework of remunerating the chief executive officer, executive and non-executive directors, and guidelines for fair and transparent procedures for remunerating senior management, including post-employment benefits as well as terminal benefits.
- B.2.2 Remuneration committee should consist exclusively of non-executive directors with a minimum of three non-executive directors of whom the majority should be independent. The chairman should be an independent non-executive director and should be appointed by the board.
- B.2.3 The remuneration committee should consult the chairman and/or chief executive about its proposals relating to the remuneration of executive directors & senior management and have access to professional advice from within and outside the company, in discharging their responsibilities.
- B.2.4 The remuneration committee should provide the packages needed to attract, retain and motivate executive directors and the chief executive of the quality required but should avoid paying more than is necessary for this purpose and ensure that the process for senior management compensation is structured in the similar manner.
- B.2.5 Executive directors' remuneration should be designed to promote the short medium and long-term performance of the company.
- B.2.6 The remuneration committee should judge where to position levels of remuneration of the company, relative to other companies. It should be aware what comparable companies are paying and should take account of relative performance, but should use such comparisons with caution, mindful of the risk that they can result in an increase of remuneration levels with no corresponding improvement in performance.
- B.2.7 The remuneration committee should be sensitive to remuneration and employment conditions elsewhere

in the company or group of which it is a part, especially when determining annual salary increases.

- B.2.8 The performance-related elements of remuneration of the chief executive and executive directors should be designed and tailored to align their interests with those of the company and main stakeholders and to give these directors appropriate incentives to perform at the highest levels. The performance-related elements should be transparent, stretching and rigorously applied. The committee should review at least annually the performance of the chief executive and executive directors against the set targets and goals, which have been approved by the board, and recommend the basis for revising remuneration, benefits and other payments of performance-based incentives.

The committee should ensure that the guidelines for fair and transparent procedures recommended by them and approved by the board for evaluating senior managements' performance and revising their remuneration, benefits and other payments of performance-based incentives is followed.

- B.2.9 Executive share options should not be offered at a discount (i.e. less than market price prevailing at the time the exercise price is determined), save as permitted by the Listing Rules of the Stock Exchange. Shares granted under share option schemes should not be exercisable in less than three years and the remuneration committee should consider requiring directors to hold a minimum number of shares and to hold shares for a further period after vesting or exercise.

- B.2.10 In designing schemes of performance-related remuneration, remuneration committees should follow the provisions set out in Schedule G. The schemes should include provisions that would enable the company to recover sums paid or withhold a portion of such performance related remuneration and specify the circumstances in which a company may not be entitled to do so.

- B.2.11 The remuneration committee should consider what compensation commitments (including pension

contributions) their chief executive's and executive directors' contracts of service, if any, entail in the event of early termination. Remuneration committee should consider the advantages of providing explicitly for such compensation commitments to apply other than in the case of removal for misconduct, in initial contracts.

- B.2.12 Where the initial contract does not explicitly provide for compensation commitments, remuneration committee should, within legal constraints, tailor their approach in early termination cases to the relevant circumstances. The broad aim should be, to avoid rewarding poor performance while dealing fairly with cases where departure is not due to poor performance.
- B.2.13 The board as a whole, or where required by the Articles of Association, the shareholders should determine the remuneration of non-executive directors, including members of the remuneration committee. The board may delegate this responsibility to a sub-committee of the board, which might include the CEO.
- B.2.14 Levels of remuneration for non-executive directors should reflect the time commitment and responsibilities of their role, taking into consideration market practices which should be reviewed periodically. Remuneration for non-executive directors should not normally include share options. If exceptionally options are granted, shareholder approval should be sought in advance and any shares acquired by exercise of the options should be held until at least one year after the non-executive director leaves the board. Holding share options could be relevant to the determination of a non-executive director's independence. (as set out in provision A.5.5)
- B.2.15 The chairman and members of the remuneration committee should be listed in the annual report each year.
- B.2.16 The terms of reference for remuneration committees are set out in Schedule H.

B.3 DISCLOSURE OF REMUNERATION

Principle B.3 The company's annual report should contain a statement of remuneration policy and details of remuneration of the board as a whole. *Refer Schedule I for specimen remuneration committee report.*

B.3.1 The annual report should set out the names of directors (or persons in the parent company's committee in the case of a group company) comprising the remuneration committee, scope, number of meetings held, a statement of remuneration policy and set out the aggregate remuneration paid to executive and non-executive directors.

B.3.2 The annual report should also contain the number and aggregate remuneration of the senior management personnel reporting directly to the chief executive officer including that of the chief executive officer, if he/she is not an executive director.

C RELATIONS WITH SHAREHOLDERS

C.1 CONSTRUCTIVE USE OF THE ANNUAL GENERAL MEETING (AGM) AND CONDUCT OF GENERAL MEETINGS

Principle C.1 Boards should use the AGM to communicate with shareholders and should encourage their participation.

C.1.1 Companies should arrange for the notice of the AGM and related papers to be sent to shareholders as determined by statute, before the meeting.

C.1.2 Companies should propose a separate resolution at the AGM on each substantially separate issue and should in particular propose a resolution at the AGM relating to the adoption of the report and accounts. For each resolution, proxy appointment forms should provide shareholders with the option to direct their proxy to vote either for or against the resolution or to withhold their vote. The proxy form and any announcement of the results of a vote should make it clear that a 'vote withheld' is not a vote in law and will

not be counted in the calculation of the proportion of the votes for and against the resolution.

C.1.3 The company should ensure that all valid proxy appointments received for general meetings are properly recorded and counted. For each resolution, where a vote has been taken on a show of hands, the company should ensure that the following information is given at the meeting and made available as soon as reasonably practicable on a website which is maintained by or on behalf of the company:

- the number of shares in respect of which proxy appointments have been validly made,
- the number of votes for the resolution,
- the number of votes against the resolution, and
- the number of shares in respect of which the vote was directed to be withheld.

When, in the opinion of the board, a significant proportion of votes have been cast against a resolution at any general meeting, the board should take steps to understand the reasons behind the vote results and determine if any actions are required.

C.1.4 The chairman of the board should arrange for the chairmen of the audit, remuneration, nomination and related party transactions review committees and the senior independent director where such appointment has been made, to be available to answer questions at the AGM if requested by the chairman.

C.1.5 Companies should circulate, along with every notice of general meeting, a summary of the procedures governing voting at general meetings.

C.2 COMMUNICATION WITH SHAREHOLDERS

Principle C.2 The board should implement effective communication with shareholders.

C. 2. 1 There should be a channel to reach all shareholders of the company to disseminate timely information.

C. 2 .2 The company should disclose the policy and methodology for communication with shareholders.

C. 2.3 The company should disclose how the above policy and methodology is implemented.

- C. 2. 4 The company should disclose the contact person for such communication.
- C. 2. 5 There should be a process to make all directors aware of major issues and concerns of shareholders, and this process should be disclosed by the company.
- C .2. 6 The company should decide on the person to contact in relation to shareholders' matters. The relevant person with statutory responsibilities in relation to shareholders' matters is the company secretary or in his/her absence the contact person should be a designated member of the board of directors.
- C. 2. 7 The process for responding to shareholder matters should be formulated by the board and disclosed.

C.3 MAJOR AND MATERIAL TRANSACTIONS

- Principle C.3 Further to complying with the requirements under the Companies Act, Securities and Exchange Commission law and Colombo Stock Exchange regulations; as applicable, directors should disclose to shareholders all proposed material transactions, which if entered into, would materially alter/vary the company's net assets base or in the case of a company with subsidiaries, the consolidated group net asset base.
- C.3.1 Prior to a company engaging in or committing to a 'major transaction' with a related party, involving the acquisition, sale or disposition of greater than one third of the value of the company's net assets or that of a subsidiary which has a material bearing on the net assets of the company or consolidated net assets of the company, or a transaction which has or is likely to have the effect of the company acquiring rights or interest or, incurring obligations or liabilities, of greater than one third of the value of the company's net assets or consolidated net assets of the company, the directors should disclose to shareholders the purpose and all material facts of such transaction and obtain shareholders' approval by ordinary resolution at an extraordinary general meeting. It also applies to transactions or series of related transactions which trigger aforementioned conditions as well as, transactions or series of related transactions which

have the purpose or effect of substantially altering the nature of the business carried on by the company.

C.3.2 Limited liability companies should in addition comply with section 185 (1),(2),(3) and any other provisions of the Companies Act 07 of 2007 and articles of association of the company.

C.3.3 Public listed companies should in addition comply with the disclosure requirements and shareholder approval by special resolution as required by the rules and regulation of the Securities Exchange Commission (SEC) and by the Colombo Stock Exchange (CSE) which are contained in the Section 9.14 (related party transactions) of the listing rules.

D ACCOUNTABILITY AND AUDIT

D.1 FINANCIAL AND BUSINESS REPORTING *(THE ANNUAL REPORT)*

Principle D.1 The board should present a balanced and understandable assessment of the company's financial position, performance, business model, governance structure, risk management, internal controls and challenges, opportunities and prospects.

D.1.1 The board should present an annual report including financial statements that is true and fair, balanced, and understandable and prepared in accordance with the relevant laws and regulations and any deviation being clearly explained.

D.1.2 The board's responsibility to present a balanced and understandable assessment extends to interim and other price-sensitive public reports and reports to regulators, as well as to information required to be presented by statutory requirements.

D.1.3 The board should, before it approves the company's financial statements for a financial period, obtain from its chief executive officer and chief financial officer a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a

true and fair view of the financial position and performance of the company and that the system of risk management and internal control was operating effectively.

D.1.4

The directors' report, which forms part of the annual report, should contain declarations by the directors to the effect that:

- the company has not engaged in any activity, which contravenes laws and regulations,
- the directors have declared all material interests in contracts involving the company and refrained from voting on matters in which they were materially interested,
- the company has made all endeavours to ensure the equitable treatment of shareholders,
- the directors have complied with best practices of corporate governance,
- Property, plant and equipment are reflected at fair value, where it is different from fair value, and adequate disclosures are made,
- they have conducted a review of the internal controls covering financial, operational and compliance controls and risk management and have obtained reasonable assurance of their effectiveness and successful adherence therewith, and
- the business is a going concern, with supporting assumptions or qualifications as necessary. (The matters to which the board should give due consideration when adopting the going concern assumption are set out in Schedule J to this Code).

The directors should explain in the annual report their responsibility for preparing the annual report and financial statements, and state that they consider the annual report and financial statements, taken as a whole, are fair, balanced, and understandable, and provides the information necessary for shareholders to assess the company's financial position, performance, ESG/sustainability risk and opportunities, business model, and outlook and if it is

unable to make any of these declarations, explain why it is unable to do so.

D.1.5 The annual report should contain a statement setting out the responsibilities of the board for the preparation and presentation of financial statements, together with a statement by the auditors about their reporting responsibilities. Further, the annual report should contain a report/statement on risk management and internal control. (Refer H for the contents of the statement on internal control).

D.1.6 The annual report should contain a “management discussion & analysis”, discussing, among other issues:

- business model,
- industry structure and developments,
- opportunities and threats,
- risk management,
- internal control systems and their adequacy,
- corporate and enterprise governance,
- stakeholder relationships,
- social and environmental governance activities carried out by the company,
- financial performance,
- investment in physical and intellectual capital,
- human resource management carried out by the company, and
- prospects for the future.

The management discussion & analysis may be structured based on the integrated reporting framework issued by International Integrated Reporting Council and “A Preparer’s Guide to Integrated Corporate Reporting”, handbook on integrated corporate reporting and non-financial reporting guideline issued by CA Sri Lanka.

D.1.7 In the event the net assets of the company fall below 50% of the value of the company’s shareholders’ funds, the directors shall forthwith summon an extraordinary general meeting of the company to notify shareholders of the position and of remedial action being taken. The directors should report periodically to the shareholders progress on these remedial actions.

D.1.8

The board should adequately and accurately disclose the related party transactions in its annual report:

- Each related party should submit signed and dated declaration quarterly mentioning whether they have related party transactions with the company as defined in this Code.
- It should be the responsibility of the company secretary to keep a record on related party transactions and make necessary disclosures accordingly.
- There should be a process to capture related parties and related party transactions. This process needs to be operationalized and related party transactions should be properly documented.
- A record/register either in hard or soft form on related party and related party transaction should be maintained by the company.
This record should ensure that the company captures information to comply with the respective related party disclosure requirements imposed by SEC/accounting standards/ auditing standards and similar regulations.

DEFINITIONS – AS PER SRI LANKA ACCOUNTING
STANDARD, LKAS 24 - RELATED PARTY DISCLOSURES

A *related party* is a person or entity that is related to the entity that is preparing its financial statements (in this standard referred to as the 'reporting entity').

(a) A person or a close member of that person's family is related to a reporting entity if that person:

- (i) has control or joint control over the reporting entity;
- (ii) has significant influence over the reporting entity; or
- (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

(b) An entity is related to a reporting entity if any of the following conditions applies:

- (i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity, and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
- (vi) The entity is controlled or jointly controlled by a person identified in (a).
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
- (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

A related party transaction is a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

D.2

RISK MANAGEMENT AND INTERNAL CONTROL

Principle D.2 The board should establish a policy for determining the nature and extent of the principal risks it is willing to take in achieving its strategic objectives. The board should have a process of risk management and a sound system of internal control to safeguard shareholders' investments and the company's assets.

- D.2.1 The board should adopt a framework for risk management and the processes to identify, assess, monitor and manage risks with clear delegation of responsibilities to ensure its effectiveness in supporting achievement of the strategic, operational, and financial objectives of the company.
- D.2.1.1 The board should ensure that the company has carried out a robust assessment of the principal risks facing the company, including those that would threaten its business model, future performance, solvency or liquidity.
- D.2.1.2 The board should describe the risk management framework, processes, responsibilities and explain in the annual report how they are being managed or mitigated.
- D.2.1.3 While the board as a whole is ultimately responsible for risk management, the board should establish a risk committee to oversee risk management. Alternatively, the entire board may take up this role or allocate certain aspects of risk to other committees established by the board and retain certain aspects specifically at board level.
- D.2.1.4 The company should consider regulatory requirements and sector/industry specific business risks in determining the need to have a separate risk committee. Companies may consider combining audit and risk functions under one committee.
- D.2.1.5 When an independent risk committee established, the committee should comprise of at least three members, a majority of whom should be non-executive directors and be chaired by an independent non-executive director.
- D.2.1.6 The risk committee should have a written term of reference dealing clearly with its authority and duties. The terms of reference must address at a minimum how it will assist the board's oversight of risk management.

D.2.1.7 The annual report should contain a report of the risk committee, setting out its role and how it discharged its responsibilities.

D.2.1.8 Companies in regulated industries should consider applicable laws and regulations in determining the composition, scope, roles and responsibilities of the risk committee.

Guidance on establishing a risk management framework is given in Schedule K.

D.2.2 The board should establish a process to ensure internal controls are designed, implemented and monitored, to provide reasonable assurance of the achievement of an entity's objectives on reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.

D.2.2.1 The board should ensure that an effective system of internal controls is established in respect of financial, operational and compliance system, processes, and practices and are monitored regularly. Further, at least annually the board should obtain a review of the effectiveness of the internal control systems and report on that review in the annual report. The monitoring and review should cover all material controls, including financial, operational and compliance controls.

D.2.2.2 Companies should have an internal audit function.

D.2.2.3 The board should require the audit committee to ensure carrying out reviews of the process and effectiveness of internal controls and report their recommendations to the board. Board should take responsibility for disclosures on internal controls in the annual report.

D.2.2.4 The Schedule L to this document contains guidance on the responsibilities of directors in maintaining a sound system of internal control and the contents of the statement of internal control.

D.3 AUDIT COMMITTEE

Principle D.3 The board should establish formal and transparent arrangements for considering how they should select and apply accounting policies for financial reporting, determine the structure and content of corporate reporting, implement internal control and risk management, ensure compliance with laws and regulations and ensuring the independence of the company's auditors.

D.3.1 The board should establish an audit committee exclusively of non-executive directors with a minimum of three non-executive directors of whom at least two should be independent. If there are more non-executive directors, the majority should be independent. The committee should be chaired by an independent non-executive director, who is a member from a professional accounting body. The board should satisfy itself that at least one member of the audit committee has recent and relevant experience in financial reporting and control.

D.3.2 The audit committee should have written terms of reference, dealing clearly with its authority and duties. The audit committee's written terms of reference must address:

- The committee's purpose – which, at minimum, must be to:
 - assist board oversight of the:
 - preparation, presentation and adequacy of disclosures in the financial statements, in accordance with the Sri Lanka accounting standards;
 - compliance with financial reporting requirements, information requirements of the Companies Act and other relevant financial reporting related regulations and requirements;
 - processes to ensure that the Company's internal controls and risk management procedures are adequate to meet the

requirements of the Sri Lanka Auditing Standards; and

- process to ensure compliance with non-financial (ESG/Sustainability) laws and regulations which can have a bearing on the reported results of the company.
- assessing the:
 - company's ability to continue as a going concern in the foreseeable future;
 - performance of the company's internal audit function;
 - process to identify, monitor, and manage significant business/financial risks; and
 - independence and performance of the company's external audit.
- The duties and responsibilities of the audit committee should at a minimum include those set out below:
 - Make recommendations to the board, pertaining to appointment, re-appointment and removal of external auditors and to approve the remuneration and terms of engagement of the external auditors.
 - Develop and implement policy on the engagement of the external auditor to supply non-audit services, taking into account relevant ethical guidance regarding the provision of non-audit services by the external audit firm; and to report to the board, identifying any matters in respect of which it considers that action or improvement is needed and making recommendations as to the steps to be taken.
 - Review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process, taking into consideration relevant Sri Lankan professional and regulatory requirements.

- Discuss the audit plan, key audit issues, their resolution and management responses.
- Review the company's annual audited financial statements and quarterly financial statements with management and the auditor to ensure compliance with the Sri Lanka accounting standards and other relevant laws and regulations.
- Ensure that the company adopts accounting policies and practices that are in compliance with Sri Lanka accounting standards and that any changes are reviewed.
- Review significant financial reporting judgements.
- Assess the company's ability to continue as a going concern in the foreseeable future.
- Ensure that regulatory compliance reports are obtained from management and reviewed.
- Review the company's earnings press releases and financial information and earnings guidance provided to analysts and rating agencies.
- Discuss policies and practices with respect to risk assessment and risk management.
- Review the company's internal financial controls and, unless expressly addressed by a separate board risk committee composed of independent directors, or by the board itself, to review the company's internal control and risk management systems.
- Ensure that a process of sound system of internal control is in place.
- Ensure that a periodic review of the board's risk management, internal controls, business continuity planning and information security systems are carried out and appropriate remedial action recommended to the board.
- Ensure that an effective internal audit function is in place and monitor and review the internal audit activities.

- Meet separately and periodically with management, the auditors and internal auditors.
- Ensure that there is a mechanism for the confidential receipt, retention and treatment of complaints alleging fraud, received from internal/external sources and pertaining to accounting, internal controls or other such matters.
- Assure confidentiality to whistle-blowing employees.
- Set clear hiring policies for employees or former employees of the auditors.
- Report regularly to the board of directors.

A specimen audit committee charter is given in Schedule M.

D.3.3

Disclosures

A separate section of the annual report should describe the work of the committee in discharging its responsibilities. The report should include:

- The names of directors (persons in the parent company's committee in the case of a group company) comprising the audit committee.
- The number of meetings held and attendance of each director.
- The scope of work and how its roles and responsibilities were discharged.
- The significant issues that the committee considered in relation to the financial statements, and how these issues were addressed.
- An explanation of how it has assessed the effectiveness of the external audit process and the approach taken to the appointment or reappointment of the external auditor, and information on the length.
- If the external auditor provides non-audit services, an explanation of how auditor objectivity and independence are safeguarded.

- The committee should also determine the independence of the auditors and should disclose the basis of such determination in the annual report.

The annual report should contain a report by the audit committee, setting out the manner of compliance by the company, in relation to the above, during the period to which the annual report relates.

D4 RISK COMMITTEE

Principle D 4 The board should establish a procedure for risk management including how they determine, risk culture, risk appetite, risk identification and classification, rating and management of risk.

D.4.1 The board should establish a risk committee which should comprise of a minimum three members, a majority of whom should be non-executive directors and be chaired by an independent non-executive director. The chief executive officer and chief financial officer should be required to attend all meetings of the risk committee. The chief information officer and heads of strategic business units should be invited to attend as necessary.

D.4.2 The risk committee should have written terms of reference dealing clearly with its authority and duties. The terms of reference must address at a minimum how it will assist the board's oversight of:

- defining, articulating and communicating the Risk culture of the entity,
- determining the risk appetite of the entity,
- ensuring that a risk management framework, processes, practices, key risk indicators (KRI) and responsibilities are clearly defined and monitored,
- reviewing the risk management outcomes, impacts, implications and mitigation actions on a regular basis,
- receiving and reviewing reports from management on new and emerging risks, sources of risk and control and mitigation measures,

- overseeing the entity's insurance programme and ensure that it is sufficient and robust,
- ensuring that the entity has installed effective information system security measures and backup procedures, and these are tested periodically,
- ensuring that there is a process to monitor ESG risks,
- ensuring that the entity has a robust disaster recovery plan which is tested periodically,
- providing regular reports to the board of directors, and
- reviewing at least annually, the risk management framework, processes and practices and responsibilities.

The risk within the specific scope of other committees such as audit committee, remuneration committee and nomination committee will be reported directly to the board by those committees.

D.4.3 The committee will meet at least four times a year, with authority to convene additional meetings, as circumstances require. The chief risk officer shall be the secretary of the committee. If the company does not have a designated chief risk officer, chief executive officer shall nominate a senior executive to serve as the secretary to the committee.

D.4.4 The committee should have authority to seek external professional advice if required in connection with the performance of its duties.

D.4.5 The annual report should contain a report of the risk committee, setting out its role and how it discharged its responsibilities.

Guidance on establishing a risk management framework is given in Schedule K.

D.5 RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

Principle D.5 The board should establish a procedure to ensure that the company does not engage in transactions with "related parties" in a manner that would grant such parties "more favourable treatment" than that

accorded to third parties in the normal course of business.

- D.5.1 A related party and related party transactions will be as defined in LKAS 24 and reproduced under section D.1.8 of this Code.

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity.

For the avoidance of doubt this code clarifies the above definition to include but not limited to the following as related parties who has direct responsibilities of planning, directing and controlling the activities of the entity:

The chairman, CEO, directors, alternate directors, heads of strategic business units.

Person if any having authority and/or responsibilities indirectly for planning, directing and controlling the activities.

- D.5.2 The board should establish a related party transactions (RPT) review committee consisting exclusively of non-executive directors with a minimum of three non-executive directors of whom the majority should be independent. Executive directors may attend by invitation. The chairman should be an independent non-executive director appointed by the board.

RPT Review Committee shall meet at least once a calendar quarter.

- D.5.3 RPT review committee should have written terms of reference dealing clearly with its authority and duties which should be approved by the board of directors. The RPT review committee's written terms of reference must address:

- A procedure for documenting related parties and related party transactions in accordance with the definitions in LKAS 24 and the CSE listing rules.

- A procedure to obtain a statement from each related party:
 - if such party is a person; details of their close family members and entities in which the aforementioned parties have control, joint control, significant influence or serve as a key management personnel and, transactions if any, in accordance with the listing rules of Colombo Stock Exchange.
 - If such party is an entity as defined in LKAS 24 as a related party details of transactions and balances with such party/parties.

A declaration of related parties and related party transactions should be obtained at least once in each quarter, and when there is a change in circumstances from each key management personnel, and in respect of related parties which are entities, from their chief executive officer.

In any event prior to entering into any transaction between such related parties and the company, its parent or any of subsidiaries, sub-subsidiaries, fellow subsidiaries, associates, joint ventures and any other entities which are considered related parties as defined in LKAS 24, a specific disclosure should be made and reviewed by the RPT review committee and/or the board of directors as relevant, unless they are exempted related party transactions as defined in CSE listing rules.

Personnel of the company responsible for contracting, procurement, payments, and any other channel through which an inflow or outflow of resources can result, should have a list of all related parties and have a process in place to capture and report any related party transaction within their area of responsibility.

- A procedure to inform all related parties of what constitutes exempted related party transactions.
- A procedure to identify and for directors and other key management personnel to report recurrent and non-recurrent transactions and to obtain board or shareholder approval by special or

ordinary resolution as required by the CSE listing rules.

- A policy and procedure to delegate dealing with recurrent related party transactions (as defined in the CSE listing rules) to relevant management personnel.
- A procedure for the RPT review committee to review and recommend to the board matters relating to such transactions.

Any interested directors should not participate at the meeting at which the transaction relating to him/ her is discussed unless invited to seek clarification/ information.

- A procedure and definition of disclosures required to be made by the company on an annual basis, those requiring immediate disclosure and those requiring shareholder approval.
- A procedure to identify related party transactions which require immediate disclosure as per the CSE listing rules and to ensure that required disclosures are made by the company to the CSE in accordance with the CSE listing rules.
- A procedure to identify related party transactions which require shareholder approval by special resolution at an extra-ordinary general meeting.

The company secretary should maintain a permanent record in manual or electronic form of such statements, submissions, approvals and minutes.

- Review and recommend to the board the related party disclosures to be made in the annual report of the company.

D.6 CODE OF BUSINESS CONDUCT & ETHICS

Principle D.6 Companies must adopt a code of business conduct & ethics for directors, key management personnel and all other employees including but not limited to dealing with shares of the company; compliance with listing rules; bribery and corruption; and confidentiality, encouraging that any illegal,

fraudulent and unethical behaviour be promptly reported to those charged with governance. The company must disclose waivers of the code for directors, if any.

D.6.1 All companies must disclose whether they have a code of business conduct & ethics for directors and key management personnel and if they have such a code, make an affirmative declaration in the annual report that all directors and key management personnel have declared compliance with such code, and if unable to make that declaration, state why they are unable to do so. Each company may determine its own policies in the formulation of such a code, but all companies should address the following important topics in their respective codes:

- conflict of interest,
- bribery and corruption,
- entertainment and gifts,
- accurate accounting and record-keeping,
- fair and transparent procurement practices,
- corporate opportunities,
- confidentiality,
- fair dealing,
- protection and proper use of company assets including information assets,
- sexual harassment, discrimination and abuse,
- compliance with laws, rules and regulations (including insider trading laws), and
- encouraging the reporting of any illegal, fraudulent or unethical behaviour.

These aspects are expanded on, in Schedule N.

D.6.2 The company should have a process in place to ensure that material and price sensitive information is promptly identified and reported in accordance with the relevant regulations.

D.6.3 The company should establish a policy, process for monitoring, and disclosure of shares purchased by any director, key management personnel or any other employee involved in financial reporting.

D.6.4 The company should establish a procedure to deal with complaints received from whistle-blowers such as employees, customers, suppliers and any other

parties in relation to non-compliance with company's code of business conduct and ethics.

D.6.5 The company should conduct training on the code of business conduct and ethics as part of induction training of new employees and require confirmation of compliance at least on annual basis from all employees.

5.6.6 The process for companywide dissemination of the policy, training arrangements, violations/non compliances (if any) with actions taken should be reported to the board on a regular basis.

Any exemptions/ waivers from compliance with the code of business conduct and ethics with reasons and timelines should be approved by the board.

D.6.7 The chairman must affirm in the company's annual report that a code of conduct and ethics has been introduced companywide and the procedure for disseminating, monitoring, and compliance with that code. Chairman must also disclose significant violation if any of the provisions of the code of business conduct & ethics. Disclosers should contain the types and numbers of violation and procedures followed in dealing with them.

D.7 CORPORATE GOVERNANCE DISCLOSURES

Principle D.7 Directors should disclose the extent to which the Company adheres to established principles and practices of good corporate governance.

D.7.1 The directors should include in the company's annual report, a corporate governance report setting out the manner and extent to which the company has complied with the principles and provisions of this Code.

SECTION II: SHAREHOLDERS

E INSTITUTIONAL INVESTORS

E.1 SHAREHOLDER VOTING

Principle E.1 Institutional shareholders have a responsibility to make considered use of their votes and should be

encouraged to ensure their voting intentions are translated into practice.

- E.1.1 A listed company should conduct a regular and structured dialogue with shareholders based on a mutual understanding of objectives. Arising from such dialogue, the chairman should ensure the views of shareholders are communicated to the board as a whole.

E.2 EVALUATION OF GOVERNANCE DISCLOSURES

- Principle E.2 When evaluating companies' governance arrangements, particularly those relating to board structure and composition, institutional investors should be encouraged to give due weight to all relevant factors drawn to their attention.

F OTHER INVESTORS

F.1 INVESTING/ DIVESTING DECISION

- Principle F.1 Individual shareholders, investing directly in shares of companies should be encouraged to carry out adequate analysis or seek independent advice in investing or divesting decisions.

F.2 SHAREHOLDER VOTING

- Principle F.2 Individual shareholders should be encouraged to participate in general meetings of companies and exercise their voting rights.

SECTION III: OTHER MATTERS

G INTERNET OF THINGS AND CYBERSECURITY

- Principle G.1 The board should have a process to identify how in the organization's business model, IT devices within and outside the organization can connect to the organization's network to send and receive information and the consequent cybersecurity risks that may affect the business.

Internal and external parties could have computing devices embedded in everyday objects which may enable them to interconnect with the company's

network to send and receive data. Such access could be authorized or unauthorized.

Principle G.2 The board should appoint a chief information security officer (CISO) with sufficient expertise, authority and budgetary allocation to introduce and implement a cybersecurity risk management policy which should be approved by the board.

The policy should include a robust cybersecurity risk management process, incident response system, vendor management system, disaster recovery plan and a governance structure to monitor effective implementation, reporting process, scope and regularity of an information communication technology (ICT) audit, and the need for cybersecurity insurance.

Principle G.3 The board should allocate regular and adequate time on the board meeting agenda for discussions about cyber-risk management.

The matters taken up for the discussion on the board meeting agenda may include:

- Potential cybersecurity risks in the company's business model
- CISO's security strategy and status of the current projects
- Compliance with the cybersecurity risk management process and incident reports
- Findings and recommendations from independent reviewers

Principle G.4 The board should ensure the effectiveness of the cybersecurity risk management through independent periodic review and assurance.

The scope and the frequency of the independent periodic reviews could be determined based on the industry vulnerability, company's business model and incident findings.

Schedule O contains a sample "board cybersecurity checklist" that may be used for this purpose.

Principle G.5 The board should disclose in the annual report, the process to identify and manage cyber security risks.

H

SUSTAINABILITY: ESG RISK AND OPPORTUNITIES

- Principle H.1 The board should consider sustainability/ESG risk and opportunities in the company's business model, operations, short- and medium-term planning and in its long-term strategy to ensure that the company remains resilient and able to deliver durable and sustainable value over the short, medium and long term in order to maintain the confidence and continued engagement of shareholders and all significant stakeholders.
- H.1.1 The company should include the impact of sustainability/ESG risks and opportunities in its business plans, strategic plans and present to the board for consideration on a regular basis. This could be in the form of scenarios, probability of occurrence, likely impact, mitigative actions and monitoring and management.
- Principle H.2 The board and key management personnel should continuously engage with and consider the views of its stakeholders to better understand and manage the company's sustainability/ESG risk and opportunities, as stakeholder expectations are heightening across various sustainability/ESG issues relating to the protection of environment and other ESG issues. Many institutional investors consider these factors in their investment decision making.
- H.2.1 The company should have a process to recognize significant stakeholders and material matters relating to significant stakeholders and a method of engagement relevant to their level of interest and influence.
- Principle H.3 The company should establish a governance framework and structure which includes conformance, performance and sustainability/ESG factors.
- H.3.1 Sustainability factors should be addressed through a process of environmental governance and social governance
- H.3.1.1 Environmental governance of an organization should adopt an integrated approach that takes into consideration the direct and indirect economic, social, health and environmental implications on business

strategies, plans, decisions and operations. The company policy and practices on matters such as followings should be considered:

- health and safety,
- climate change,
- pollution prevention,
- effluent treatment,
- sustainable resource use,
- restoration of natural resources,
- renewable energy, and
- biodiversity.

H.3.1.2

Social governance of an organization should include an integrated approach to engage separately with representative groups of the community, customers, employees, suppliers, outsourced providers and any other party that can influence or be influenced by the organization's business model in relation to aspects material to its sustainable growth.

The organization should include an integrated approach to build a relationship with the community for sustainable development including a process for responsive community engagement, fair competition and business practices, thereby demonstrating corporate social responsibility.

The organization should adopt an integrated approach to building a relationship with customers. This includes establishing a process for customer feedback through engagement, efficient service delivery, standards for product responsibility and product recall and other matters material and relevant to the organization's business model and customer experience.

The labour practice related governance of an organization should encompass all policies and practices in relation to work performed by or on behalf of the organization in accordance with its business model and should also include policies and practices such as health and safety, equal opportunity, gender balance, career development and training, reward and recognition, conditions of work, work-life balance and industrial relations.

The organization should have policies and procedures to ensure that suppliers and outsourced providers comply with social governance norms of the company.

Principle H.4 The board should establish a governance structure to support sustainability/ESG factors including its ability to create value and manage risks in the short, medium and long term, recognizing, managing and measuring on all pertinent aspects of sustainability using financial and non-financial measures.

H.4.1 The company should recognize the key resources/capitals deployed in its business and stakeholders who can influence these resources/capitals and establish financial and non-financial measures for resource/capital management and related outputs and outcomes.

H.4.2 The company should have a process to ascertain, assess and manage sustainability/ESG factors which have an impact on the sustainability of the company.

H.4.3 The company should establish financial and non-financial measures in respect of all material matters relating to significant stakeholders including as determined in H.2.1 and environmental and social factors stated in H.3.1.1 and H.3.1.2.

Principle H.5 The company's annual report should contain sufficient information to enable investors and other stakeholders to assess how ESG risks and opportunities are recognized, managed, measured and reported.

H.5.1 Environmental, social and governance considerations can affect a company's ability to execute its business strategy and create value. While many of these factors are 'non-financial', their management and likely impact have financial consequences. Hence, they are important factors to be built into a company's business model, strategy, governance and risk management framework. Sustainability/ESG factors relevant to the company could impact the following:

- Access to financial capital
- Cost savings and productivity
- Brand value and reputation
- Employee recruitment
- Employee retention

- Access to markets
- License to operate
- Market capitalization

Integrating sustainability/ESG related policies and practices into a company's strategy, business model, governance and risk management, and reporting its likely impact and implications are increasingly seen by investors as material to their investment decisions. Further, investors want to understand how well companies are managing the risks associated with such factors, as this is seen as a key test of the long-term sustainability of the company. They are also increasingly interested in the opportunities presented by the low carbon economy and are allocating capital to companies that are well equipped to benefit from this.

H.5.2 Companies should provide information in relation to:

- The relevance of environmental, social and governance factors to their business models and strategy.
- How sustainability/ESG related issues may affect their business, e.g. through legislation, reputational damage, employee turnover, license to operate, legal action, stakeholder relationships, and how these impacts may affect business, strategy, and financial and operational performance.
- How risks and opportunities pertaining to sustainability/ESG are recognized, managed, measured and reported.

H.5.3 The disclosures should deal with how the company has complied with the mandatory and voluntary codes of corporate governance and how its leadership structure, organizational culture, code of conduct and business model supports sustainability of the company in the short, medium and long term.

H.5.4 Sustainability/ESG reporting is a board's responsibility, and it is designed to add value by providing a credible account of the company's economic, social and environmental impacts.

Sustainability/ESG reporting and disclosure should be formalized as part of the Company's reporting process and take place on a regular basis.

Such reporting should link sustainable/ESG issues more closely with strategy.

Sustainability/ESG reporting may be built on a number of different guidelines, such as:

- Integrated reporting framework
- The global reporting initiative guidelines

Further guidance for establishing and reporting on sustainability, is provided in "A Preparer's Guide to Integrated Corporate Reporting" issued in 2015 and "A Supplement to a Preparer's Guide to Integrated Corporate Reporting" issued in 2017, "Handbook on Integrated Corporate Reporting" issued in 2019 and "Guideline on Non-Financial Reporting" issued in 2022 by Institute of Chartered Accountants of Sri Lanka.

I SPECIAL CONSIDERATIONS FOR LISTED ENTITIES

I.1 ESTABLISHMENT AND MAINTENANCE OF POLICIES

Principle I.1 Listed entities shall establish and maintain policies relating to its governance and disclose the fact of existence of such policies together with the details relating to the implementation of such policies by the entity on its website.

I.1.1 Policies relating to following areas are essential:

- a) matters relating to the board of directors,
- b) board committees,
- c) corporate governance, nominations, and re-election,
- d) remuneration,
- e) internal code of business conduct and ethics for all directors and employees, including policies on trading in the entity's listed securities,
- f) risk management and internal controls,

- g) relations with shareholders and investors,
- h) environmental, social and governance sustainability,
- i) control and management of company assets and shareholder investments,
- j) corporate disclosures,
- k) whistleblowing,
- l) anti-bribery and corruption

I.1.2 Any waivers from compliance with the internal code of business conduct and ethics or exemptions granted by the listed entity shall be fully disclosed in the annual report.

I.1.3 Listed entities shall disclose in its annual report:

- (i) the list of policies that are in place with reference to its website, and
- (ii) details pertaining to any changes to policies adopted by them.

I.1.4 Listed entities shall make available all such policies to shareholders upon a written request being made for any such policy.

I.2 POLICY ON MATTERS RELATING TO THE BOARD OF DIRECTORS

Principle I.2. Listed entities shall establish and maintain a formal policy governing matters relating to the board of directors.

I.2.1 Policy governing matters relating to board of directors shall:

- (a) recognize the need for a balance of representation between executive and non-executive directors and cover at minimum board composition, the roles and functions of the chairperson and chief executive officer or equivalent position (hereinafter commonly referred to as the CEO), board balance and procedures for the appraisal of board performance and the appraisal of the CEO.

- (b) where a listed entity decides to combine the role of the chairperson and CEO,
 - (i) set out the rational for combining such positions; and,
 - (ii) require the board charter of the listed entity to contain terms of reference/functions of the senior independent director (SID) and the powers of the SID, which should be equivalent to that of the chairperson in the instance of a conflict of interest.
 - (iii) set out the measures implemented to safeguard the interests of the SID.
- (c) require diversity in board composition for board effectiveness in terms of a range of experience, skills, competencies, age, gender, industry requirements and importance of objective selection of directors.
- (d) stipulate the maximum number of directors with the rationale for the same.
- (e) specify the frequency of board meetings, having regard to the requirements under the listing rules.
- (f) provide mechanisms for ensuring that directors are kept abreast of the listing rules and on-going compliance and/or non-compliance by the listed entity with obligations arising under such rules.
- (g) specify the minimum number of meetings, in numbers and percentage, that a director must attend, in order to ensure consistent attendance at board meetings and to avoid being deemed to vacate such position.
- (h) provide requirements relating to trading in securities of the listed entity and its listed group companies and disclosure of such requirements.
- (i) specify the maximum number of directorships in listed entities that may be held by directors.
- (j) recognize the right to participate at meetings of the board and board committees by audio visual means and for such participation to be taken into account when deciding on the quorum.

- I.2.2 Listed entities shall confirm compliance with the requirements of the policy referred to above in the annual report and provide explanations for any non-compliance with any of the requirements with reasons for such non-compliance and the proposed remedial action.

SCHEDULE A
COMPANY SECRETARY ELIGIBILITY AND QUALIFICATIONS

The written law governing company secretaries in Sri Lanka includes both the Companies Act No. 07 of 2007 ('Companies Act') and the Companies (Secretaries) Regulations No. 1 of 2023 (Company (Secretaries) Regulations) promulgated under the said Act.

Section 221 of the Companies Act makes it mandatory for every company to have a secretary. The secretary is recognised as an officer of a body corporate under Sri Lankan company law. The role of the company secretary is primarily administrative and to carry out the directions of the board of the company.

The Qualifications required to be a Company Secretary

The necessary qualifications are set out in the Company (Secretaries) Regulations which are applicable to a secretary of a company having a stated capital of Rupees one hundred thousand or more, or an annual turnover of Rupees one million or more.

In terms of the Company (Secretaries) Regulations, a person may be a secretary of a company if they fulfil the following requirements:

- i. Being above eighteen years of age;
- ii. A citizen of Sri Lanka; and
- iii. A holder of certificate of practice issued under the Companies (Secretaries) Regulations.

Further, the person should be:

- iv. An attorney-at-law of the Supreme Court of the Democratic Socialist Republic of Sri Lanka; or
- v. A member of:
 - a. The Institute of Chartered Accounts of Sri Lanka established under Section 2 of the Institute of Chartered Accountants Act, No. 23 of 1959;
 - b. The Institute of Chartered Corporate Secretaries of Sri Lanka incorporated under the provisions of the Companies Act No. 07 of 2007;
 - c. The Chartered Institute of Management Accountants of the United Kingdom;

- d. The Institute of Certified Management Accountants of Sri Lanka established under the Institute of Certified Management Accountants of Sri Lanka Act No. 23 of 2009; or
- e. The Chartered Governance Institute of the United Kingdom and Ireland.

In the event the company secretary is a body corporate, the following requirements must be fulfilled:

- i. the body corporate must be incorporated in Sri Lanka;
- ii. the articles of association of such company should specifically mention that such a company is engaged in company secretarial practice;
- iii. the majority of the shareholding of such company is held by citizens of Sri Lanka; and
- iv. one of the directors of the company must hold a certificate of practice.

In order for a firm to qualify as a company secretary, the following requirements must be fulfilled⁵:

- i. in the case of a sole proprietorship:
 - a. the business registration certificate of the sole proprietorship should specifically mention that it is engaged in company secretarial practice; and
 - b. the sole proprietor is a citizen of Sri Lanka and holds a certificate of practice.
- ii. In the case of a partnership:
 - a. the business registration certificate of the partnership should specifically mention that it is engaged in company secretarial practice; and
 - b. every partner of the partnership must hold a certificate of practice.

Further, it should be noted that a person shall be disqualified to act as a company secretary if the person:

- i. has been adjudged by a competent court to be of

unsound mind;

- ii. having been adjudged as insolvent or bankrupt, and has not been granted by a competent court a certificate to the effect that his/her insolvency or bankruptcy has arisen wholly or partly from inevitable losses or misfortune;
- iii. has been convicted by a competent court whether in Sri Lanka or elsewhere, of any crimes involving moral turpitude;
- iv. ceases to hold the qualifications set out in Regulation 3(1) of the Companies (Secretaries) Regulations; or
- v. has been removed from the register by the Registrar.

Further, where a person, body corporate or a firm act as an auditor, such person, such body corporate, a director and employee of such body corporate or a member of such firm is precluded from acting as a company secretary.

Powers, Duties and Responsibilities of the Company Secretary

The powers, duties and responsibilities of the company secretary in terms of the Companies Act include inter alia:

- Providing certified copies of the minutes of all the meetings of the board of directors to every director and former director of the company for the period he/she is or was a director the company;
- To sign the annual report of the board on behalf of the board along with two directors of the company or in the event of a company with a sole director, along with that sole director.
- To sign a copy of the annual return of the company along with a director of the company when forwarding the same to the Registrar.
- The model articles of the Companies Act, if adopted, empower the secretary, among others, to convene a meeting of the board.
- To authenticate a document or record of proceedings of the company.

A detailed schedule of the role of company secretary is contained in Schedule A2.

It is further noted that the model articles, if adopted, prevent the sole director of a company from also holding the office of the company secretary. This restriction also applies if the sole director of the company is also the sole director of the corporation that offers company secretarial services.

Further, where the Companies Act or articles of association of the company require something to be done by a director and the secretary, such requirement is not satisfied if done by the same person acting in both the capacity of the director and the secretary. In any event, where the law requires any act to be performed by a company secretary and the said act is performed without a certificate of practice issued under the Companies (Secretaries) Regulations, such act would be invalid.

Appointment and Removal of the Company Secretary

A secretary may only be appointed if they have in the prescribed form, consented to undertake the office of secretary of the company and have the necessary qualifications.

Generally, the board of the company has the power to appoint or remove a secretary of the company, unless the articles of the company provide otherwise. The Model Articles of the Companies Act, if adopted, allow the board of the company to appoint the secretary for such term and on such conditions as the board sees fit. Regarding the matter of remuneration of the company secretary, it must be agreed to by the board and the secretary.

SCHEDULE A2

ROLE OF THE COMPANY SECRETARY

Company Secretary plays a major role in day-to-day operations of a company. Various statutes have legalised the duties and responsibilities of the company secretary while certain duties and responsibilities are deemed. Appointment and the removal of the company secretary should be a matter for the board as a whole.

The following list is not an exhaustive list of responsibilities of the company secretary but, provides generally accepted duties and responsibilities in a broader perspective.

Board Meetings

- Facilitating the smooth operation of the company's formal decision making and reporting machinery.
- Organising board and board committee meetings (e.g., audit, remuneration, nomination committees etc.).
- Formulating meeting agendas with the chairman and/or the chief executive and coordinating with the management on board papers, memoranda or presentations for the meeting.
- Collecting, organising and distributing such information, documents or other papers required for the meeting.
- Ensuring that all proceedings of the meetings are minuted and that the minute books are maintained with signed copies of the minutes.
- Monitoring that all Board Committees are properly constituted and provided with clear terms of reference.

General Meetings

- Ensuring that an annual general meeting is held in accordance with the requirements of the Companies Act and the company's articles of association.
- Obtaining relevant approvals of all documentation for circulation to shareholders.
- Preparing and issuing notices of meetings and distributing proxy forms.
- Coordinating responses for any shareholder question for which notice has been given or is anticipated.

- Overseeing the arrangements for the meetings including attendance, logistics and security.
- Ensuring that proxy forms are correctly processed and that the voting is carried out properly and captured accurately, and also being prepared for voting by a poll in case such is required.
- Ensuring the previous meeting minutes are available for scrutiny at the general meeting.
- Ensuring that minutes of the meetings are maintained, and they are adopted at the next board meeting following the general meeting.

Articles of Association

- Ensuring that the company complies with its articles of association.
- Drafting and incorporating amendments in accordance with correct procedures.

Reports, Accounts and Documentation

- Coordinating the publication and distribution of the company's annual report and accounts and interim statements, in consultation with the company's internal and external advisers, in particular, when preparing the directors' report.
- Preparing the directors' report as specified in the companies act and obtaining board's approval.
- Maintaining the following registers:
 - members
 - company charges
 - directors and secretary
 - directors' interests in shares and debentures
 - interests in voting shares
 - debenture holders (if applicable)
 - interests register (i.e. record on related parties and related party transactions)
 - seal register
- Filing information with the Registrar of Companies to report certain changes regarding the company or to comply with requirements for periodic filing. Of particular importance in this regard are:

- annual returns
- report and accounts
- amended articles of association
- returns of allotments
- notices of appointment, removal & resignation of directors and the secretary
- notices of removal or resignation of the auditors
- change of registered office
- resolutions in accordance with the Companies Act
- Signing share certificates.

Corporate Governance

- Continually reviewing developments in corporate governance.
- Facilitating the proper induction of directors into their role.
- Advising and assisting the directors with respect to their duties and responsibilities, in particular compliance with company law and other relevant legislations and regulations including but not limited to SEC, CSE, SLAASMB, CBSL, IBSL.
- Acting as a channel of communication and information for non-executive directors.
- Acting as a channel of communication with shareholders and ensuring good general shareholder relations.
- Making necessary disclosures on related parties and related party transactions required by laws and regulations.

Stock Exchange Requirements

- Monitoring and ensuring compliance with the listing rules.
- Managing relations with the Stock Exchange through the company's brokers.

Other

- Assisting the board in implementing and administering directors' and employees' share participation schemes.
- Ensuring the safe custody and proper use of any company seals.
- Ensuring proper control and back up process for manual and electronic records and documents.

- Attending to the receipt, co-ordination and distribution of official correspondence received by the company, sent to its registered office.
- Coordinating the inspection of company documents as required by laws in consultation with the board.
- Ensuring that all business letters, notices and other official publications of the company show the name of the company and any other information as required by the statutes and that company name plates are displayed in a conspicuous place.
- Maintaining a record of the group's structure.
- Monitoring and laying in place procedures which allow for compliance with relevant regulatory and legal requirements, particularly under the Companies Act including legal requirements on retention of documents.
- Retaining the minimum set of records required for commercial reasons and ensuring that procedures are in place to allow adequate historical archive to be maintained in compliance with statutory requirements.
- Signing documents or records of proceedings requiring authentication by a company.
- Obtaining legal advice in consultation with the board on company law, SEC, CSE and other relevant legislations in ensuring that the company complies with all applicable laws and regulations.
- Coordinating legal matters relating to alleged offences in company law, SEC, CSE and other relevant regulations.

In addition to the above, the following provisions also should be considered by companies.

- Where a body corporate holds the position of the company secretary, requiring them to designate a person by name as their representative dealing with secretarial matters of the company.
- Informing any change in company secretary to CSE.

SCHEDULE B

SOME GOLDEN TIPS FOR DIRECTORS: MATTERS TO BE CONSIDERED IN ACCEPTING AN APPOINTMENT AS A DIRECTOR OF A COMPANY

These are some valuable tips for any director.

1. Be mindful of accepting directorships (E.g., Do not take over past sins of others).
2. Check the history of the company before joining the board.
3. Act in the best interests of the company at all times.
4. Always act in good faith, where your *bona-fides* can be established easily when in doubt.
5. Never act in a reckless manner whilst on the board.
6. Never act in a grossly negligent manner whilst on the board.
7. Always rely on your experience and knowledge in business judgement.
8. Do not let your personal interest conflict with the interest of the company.
9. Familiarise yourself with the important provisions of the Companies Act which can have an impact on your actions on the board.
10. Familiarise yourself with the provisions of the Articles of Association of the company.
11. Note that in the Companies Act it is specifically stated that the provisions set out therein are in addition to and not in derogation of any provisions contained in any other law relating to the duty or liability of directors or officers of a company.
12. Ensure that all statutory obligations of the company (Eg. EPF, ETF, Taxes etc.) are complied with forthwith. (Compliance check either monthly or quarterly)
13. Ensure that all banks and other lending institutions are serviced accordingly. (Compliance check either monthly or quarterly)

14. Regularly check whether the risk management techniques of the company are in operation. (Eg: enterprise risks, strategic risks etc.)
15. Note the significance of several other important provisions of the Companies Act that deals with *vis-à-vis* company name and company number, special provisions applicable to private companies, the solvency test, distributions, the stated capital and capital maintenance, reduction of stated capital, dividends, financial assistance by a company for acquisition of shares, minority buy-out right, meetings, proceedings and resolutions, major transactions, etc.
16. Check whether the financial reporting is done in a professional manner under the provisions of the law.
17. If the company is listed on the Stock Exchange, make sure that you are aware of the provisions of the Securities & Exchange Commission Act, the SEC rules, the listing rules, the mandatory Code on Corporate Governance and also the voluntary Code on Corporate Governance which can have an impact on your actions.
18. Even if the company is not listed try to follow the corporate governance mechanisms in place for good governance.
19. Consider the mechanisms in place for sustainability/ESG risks and opportunities for the company.
20. If the company is a licensed commercial bank or a licensed specialised bank, make sure that you are aware of the provisions of the Banking Act, the directions made under the Banking Act (e.g. corporate governance etc.) and the guidelines for internal controls published by the Institute of Chartered Accountants of Sri Lanka (2010) which can have an impact on your actions.
21. If the company is a registered finance company, make sure that you are aware of the provisions of the Finance Companies Act and directions made under the said Act which can have an impact on your actions. (Eg. corporate governance etc.)
22. If the company is a registered finance leasing company, make sure that you are aware of the provisions of the Finance

Leasing Act and Directions made under the said Act which can have an impact on your actions (Eg. corporate governance etc.)

23. If the company is a specialised entity, make sure that you are aware of the provisions of the statute or statutes which can have an impact on your actions in addition to the provisions of the Companies Act referred to above.
24. Be mindful of your actions that can be impeached by the company, directors, shareholders, creditors, and other stakeholders under the provisions of the Companies Act.
25. Be mindful of oppression and mismanagement actions and derivative actions that can be instituted by minority shareholders impeaching actions of directors.
26. If the company is a conglomerate or a group entity, ensure that you have a fair knowledge of holding companies, subsidiary companies and associate companies and their respective roles under the law.
27. Check whether the consolidated accounts or group accounts are done accordingly if it is a group entity.
28. Be mindful of related party transactions of the company.
29. Ensure that all disclosures are made under the law.
30. Use your conscience when taking decisions at board level.
31. Make use of your own expertise when you have a superior knowledge of the subject.
32. Never let others who are less knowledgeable on the subject matter in issue pressurize you to change your decision.
33. Always ensure that the independent directors are truly independent.
34. Always ensure that the board recognize the views of independent directors.
35. Do not be under any obligation to the chairman or any other member on the board.
36. Have an independent mind of your own.

37. Ensure that your dissent on any matter is recorded correctly at meetings.
38. Check the board minutes and minutes of other committees where you are a party, with care.
39. Read the board minutes with absolute care before they are confirmed.
40. See that board minutes and other minutes of committees are corrected accordingly.
41. Know that board minutes are treated as a contemporaneous record of events and matters.
42. If you are not an expert on the matter in issue, ensure that you rely on third party expertise on the matter either at Board level or externally. Keep records of same.
43. Use of information and advice of third parties is permitted under Section 190 of the Companies Act with clarity.
44. Any individual on the board can rely on third party expertise in given circumstances.
45. Always remember to keep such advice on record to be used as evidence when needed later. (Eg. legal opinion, emails etc.)
46. Be aware of the provisions of the Companies Act and other relevant statutes which attract personal liability including criminal liability, which again is personal in nature.
47. Make use of the directors and officers insurance cover. (D & O Insurance Cover)
48. Ensure that a proper 'interest register' is maintained by the company and all relevant interests of directors including yours are duly entered in the said register.
49. Make use of Section 526 of the Companies Act (power of court to grant relief in certain cases) when needed to obtain appropriate relief from court.

50. Make note of actions that attract personal liability (civil and criminal both) as set out in any other statute or statutes that impact on the company.
51. Ensure that all your actions are carried out in a professional manner reasonably with dignity and honesty.
52. Independent non-executive directors are invited to boards mainly due to their expertise. (Eg. expert in finance, expert in law, expert in marketing etc.) Ensure that such expertise is made use of by the Board and not ignored.
53. If you feel uncomfortable on the Board exit forthwith.
54. Independent directors should resign no sooner they feel their independence is eroded.
55. Do not accept board appointments if you cannot dedicate sufficient time for board matters.
56. Do not accept too many directorships if you cannot dedicate sufficient time for each directorship.
57. Be aware of your rights as a Director under the Companies Act. (Eg. privy to board minutes etc.)
58. Check whether the CEO (Chief Executive Officer) is performing his obligations correctly.
59. Check whether the sub-committees of the board (Eg. audit committee, remuneration committee, nomination committee etc.) are in operation in the correct manner.
60. Check whether the company external auditor is performing his rights professionally.
61. Check whether the company secretary is performing his rights professionally.
62. Ensure that the internal audit mechanisms of the company are in order.
63. Be familiar with the SLAS (Sri Lanka Accounting Standards) that may have an impact on your company.

64. Avoid being a mere passenger on the board endorsing all decisions of the board in a passive manner.
65. Be cautious when giving personal guarantees for corporate benefit.
66. Remember that ignorance is no excuse.
67. Remember that accepting a directorship is not a matter of prestige, but carries responsibilities.
68. Never discuss boardroom matters with family members.
69. Never discuss boardroom matters with friends or associates.
70. Do not disseminate price sensitive corporate information to any third party who is not entitled to know it.
71. Do not trade your principles for money.

SCHEDULE C
DECLARATION OF INDEPENDENCE

(This declaration should be signed by each Non-Executive Director at the end of each quarter and when there is a change in the circumstances relating to the matters contained herein.)

- A. I am a Non-Executive Director of(company) being so appointed on
- B. I have been/not been employed by the company, during the period of three years immediately preceding my appointment as director of the company;
- C. I currently have/do not have a Material Business Relationship with the Company, directly or indirectly;
- D. I had/did not have during the period of three years immediately preceding appointment as director, a material business relationship with the company, directly or indirectly;
- E. I have/ do not have a close family member(s) who is a director or chief executive officer (or equivalent position) in the company;
- F. I have/ do not have a significant shareholding in the company;
- G. I have/have not served on the board of the company for a period exceeding nine years from the date of the first appointment;
- H. I am/am not employed in another company or business:
 - (i) in which a majority of the other directors of the company are employed or are directors; or
 - (ii) in which a majority of the other directors of the company have a significant shareholding or material business relationship; or
 - (iii) that has a significant shareholding in the company or with which the company has a business connection;
- I. I am/am not a director of another company:
 - (i) in which a majority of the other directors of the company are employed or are directors; or
 - (ii) that has a business connection with the company or a significant shareholding;

- J. I have/do not have material business relationship or a significant shareholding in another company or business:
- (i) in which a majority of the other directors of the company are employed or are directors; and/or
 - (ii) which has a business connection with the company or significant shareholding in the same;
- K. Disclosure of such other information which the applicant believes could reasonably be construed to have a bearing on the independence of such director.

SCHEDULE D
FIT AND PROPER ASSESSMENT CRITERIA
FOR DIRECTORS AND CEOS

Entities shall ensure that persons recommended by the nominations and governance committee as directors are fit and proper as required below before such nominations are placed before the shareholders' meeting or appointments are made.

a) Honesty, Integrity and Reputation

A director or the CEO of an Entity shall not be considered 'fit and proper' if she or he:

- (i) has been convicted by a competent court of law in respect of a market offence for which he/she has been charged under the SEC Act or securities laws outside of Sri Lanka.
- (ii) in his/her individual capacity or as a part of any business that he/she has been involved in, who/which has had a license or registration that has been cancelled by the SEC or any other regulatory authority.
- (iii) has been convicted, within or outside Sri Lanka of an offence under any law involving fraud, misappropriation or dishonesty or the conviction of which involved a finding that he/she acted fraudulently or dishonestly.
- (iv) has been convicted for contravening any provision of any law within or outside Sri Lanka for protecting members of the public against financial loss due to dishonesty, incompetence or malpractice by persons concerned in the provision of financial services or the management of companies.
- (v) has been disqualified from acting as a director or CEO of a company or has been dismissed or requested to resign from any position or office any statutory regulatory body due to mismanagement of funds or an offence which involves the commission of financial fraud.
- (vi) has been disqualified from acting as a CEO/key management person/director of a company regulated by the CBSL and/or the Insurance Regulatory Commission of Sri Lanka (IRCSL) as applicable for failure to satisfy the fit and proper assessment criteria issued by the CBSL and/or IRCSL respectively.

- (vii) has been a director or the CEO of any listed entity which has been delisted by the stock exchange in circumstances specified in rule 11.3 of listing rules.

b) Competence and Capability

A director or the CEO of an entity shall not be considered as 'fit and proper' if she or he:

- (i) does not possess suitable qualifications or necessary skills, competencies and experience which are determined by the Nominations Committee of the entity which are required to efficiently contribute to the business operations of the entity in his/her capacity as a director/CEO (as applicable).
- (ii) has been declared by a court of competent jurisdiction in Sri Lanka or outside Sri Lanka, to be of unsound mind.

c) Financial Soundness

A director or the CEO of an entity shall not be considered as a 'fit and proper person', if she or he:

- (i) is an undischarged bankrupt or a person on whose behalf a receiver or manager or liquidator or an equivalent person has been appointed within or outside Sri Lanka.
- (ii) has been the subject of a judgment debt which is unsatisfied, either in whole or in part, whether in Sri Lanka or outside Sri Lanka.
- (iii) has been in a position capable of exercising significant influence in a company that has:
 - (a) been declared bankrupt within or outside of Sri Lanka; or
 - (b) its assets sequestrated for the non-satisfaction of a judgement debt.

Entities shall obtain declarations from their directors and CEO on an annual basis confirming that each of them has continuously satisfied the fit and proper assessment criteria set out above during the financial year concerned and satisfies the said criteria as at the date of such confirmation.

Disclosures in the Annual Report of Listed Entities

Listed entities shall include the following disclosures/reports in the annual report;

- (a) A statement that the directors and CEO of the listed entity satisfy the fit and proper assessment criteria stipulated in the listing rules of the Colombo Stock Exchange.
- (b) Any non-compliance/s by a director and/or the CEO of the listed entity with the fit and proper assessment criteria set out in these rules during the financial year and the remedial action taken by the listed entity to rectify such noncompliance/s.

SCHEDULE E

TERMS OF REFERENCE FOR NOMINATION COMMITTEES

Membership

Majority of the membership of the committee shall be non-executive directors and shall include at least two or one third (whichever is higher) of independent non-executive directors.

The chairman of the committee shall be an independent non-executive director appointed by the board.

The quorum of the committee shall be three members who are non-executive directors of which at least one should be independent.

Secretary

The secretary of the company shall be secretary of the committee.

Advisors

The committee is authorised by the board to seek appropriate professional advice inside and outside the company as and when it considers this necessary.

Duties

The duties of the committee shall be to:

- propose a suitable charter for the appointment and re-appointment of directors to the board and to act in accordance with such charter in proposing appointments and re-appointments. Such charter shall cover areas such as a director being fit and proper including but not limited to qualifications, competencies, independence, relevant provisions of the companies act and any other regulations if any and relationships which have potential to give rise to conflict vis-a-vis the business of the company;
- consider the making of any appointment or re-appointment to the board;
- provide advice and recommendations to the board or the chairman (as the case may be) on any such appointment;
- consider the selection and appointment of a chairman in case a vacancy arises;

- consider the succession plan for the chief executive officer and for all key management personnel and determine the training and development requirements for those identified for succession;
- consider if each director is able to and has been adequately carrying out his or her duties as a director, taking into consideration the knowledge and experience required to meet the strategic demands facing the company, the number of directorships of listed company boards on which he/ she is represented and other principal commitments;
- propose the maximum number of listed company board representations which any director may hold, and disclose this in the company's annual report;
- propose the companies which could result in a conflict of interest if a director were to accept such directorship;
- regularly review the structure, size, composition including gender representation and competencies (including the skills, knowledge and experience) of the board and make recommendations to the Board with regard to any changes;
- periodically review and recommend to the board the governance structure and processes, delegation of authority, and reporting relationships to ensure they supports the strategy and the business model of the company;
- recommended insurance cover to be taken in respect of all directors and other key management personnel indemnity and insurance cover; and
- a member of the nomination committee should not participate in decisions relating to his/her own appointment.

Minutes

The Minutes of the meetings of the committee shall be circulated to all members of the board.

SCHEDULE F
BOARD AND COMMITTEE PERFORMANCE EVALUATION
CHECKLIST

Legend

- A : Exceptionally good
 B : Above expectations
 C : In line with expectation
 D : Below expectation
 E : Significant room for improvement

N.B. The questionnaire given below titled “Performance Evaluation of the Board of Directors” should be evaluated independently by all directors (i.e. executive and non-executive directors) and the results tabulated and presented to the Board as a whole.

The questionnaire given below titled “Performance Evaluation of the Board’s Committees” should be completed for each of the board’s committees and evaluated independently by all members of the committee and the results tabulated by the committee chairman and presented to the board as whole.

Methodology

Please answer Yes or No to each question and indicate the “rating” thereafter.

Performance Evaluation of the Board of Directors	Yes	No	A	B	C	D	E
Does the board as a whole undertake a formal and rigorous annual evaluation of its own performance and that of its committees?							
Does the board state in the annual report how such performance evaluation has been conducted?							
How effectively does it use mechanisms such as the AGM and the annual report?							
Are relationships and communication with							

shareholders well managed?							
Are the results of the board evaluation shared with the board as a whole and decisions made on initiatives and actions required for improvement including timely and adequate supply of information to the board, balance of skills and training needs of directors?							
Are the processes for setting the agenda working? Do they enable the board members to raise issues and concerns?							
Are sufficient board meetings of appropriate length held, to enable proper consideration of issues? Is time effectively used? Does the board receive timely and adequate information to enable it to discharge its duties? Do the directors receive adequate explanations in relation to questions raised by them?							
Does the chairman encourage and seek an effective contribution from each director?							
Is there adequate and timely recording of proceedings of meetings, decisions and descents etc.?							
How well has the board performed against any performance objectives that							

have been set?							
What has been the board's contribution towards developing and monitoring implementation of strategy?							
Has the board reviewed the business model and the performance of its financial and non-financial capitals?							
Has the board ensured that risk management function of the Company is conducted in an effective manner?							
What has been the board's contribution to ensuring robust and effective risk management?							
Has the board ensured that the internal and external audit functions of the company are conducted in an effective manner?							
How has the board responded to any problems or crises that have emerged? Could or should these have been foreseen?							
Is there an effective process in place for ensuring compliance with laws and regulations?							
Does the board have a process to ensure financial reporting is carried out in order to provide a true and fair view of reported results?							
Is the composition of the board and its committees appropriate, with the right mix of knowledge and skills to maximize performance in							

the light of future strategy?							
Does the board have a clear understanding of its responsibilities and those delegated to the CEO and key management personnel?							
Has the board set up committees including those required by regulation, approved their charters and ensured that their composition has the required skills and competencies							
Has the board obtained a self-assessment of performance from all committees and recommended improvements as necessary.							
Has the board identified the right compensation philosophy “to retain and motivate staff in a manner appropriate for the business”?							
Has the board identified the succession plan for CEO and key management personnel - “to ensure talent availability and address expectations of high potential and high-quality staff”?							
Do the CEO and key management personnel have skills, knowledge and experience to execute the strategy?							
Are there well-defined policies and procedures, delegation of authority, responsibility and accountability for CEO and							

key management personnel?							
Does the board consider all stakeholder interest in significant corporate decisions?							
Has the board adopted a conflict-of-interest policy providing for disclosure of potential conflict of interests and required board members to abstain from voting?							
Has the board adopted a code of business conduct and ethics?							
How well does the board communicate with the management team, company employees and others through corporate communications?							
Is the board as a whole up-to-date with latest developments in laws and regulations and the business environment?							
Are board procedures conducive to enabling effective performance, and flexible enough to deal with eventualities?							
Performance Evaluation of the Board's Committees	Yes	No	A	B	C	D	E
How effective are the board's committees: • is their membership defined? • is there a secretary? • are there rules pertaining to attendance and were they followed?							

• are there rules pertaining to frequency of meetings and were they followed? • are there rules pertaining to seeking advice? • are duties defined (e.g. through a charter)? • were the objectives of the committee fulfilled?							
Is appropriate, timely information of the right length and quality provided to the committee? Is the management responsive to requests for clarification or amplification?							
Are sufficient committee meetings of appropriate length held, to enable proper consideration of issues? Is time effectively used?							
Is there adequate and timely recording of proceedings of meetings, decisions and descents etc.?							
Do the committees report to the board through committee meeting minutes, reports and presentations as appropriate?							
Do the independent directors on the committee contribute effectively?							
Do the chairmen of the committees ensure that management does not unduly influence the working of the committee, its agenda, provision of information and recording of minutes.							

Are the duties and responsibilities contained in the charter compliant with rules and regulations governing the entity and the Code of Best Practices of Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka.							
Has the committee sought independence advice during the period?							
Is there a process to escalate matters of immediate concerns to the board. Has this been done during the period?							
Have the committees reviewed their own performances during the period?							
Have the committees reviewed and updated their duties and responsibilities i.e. charter?							
Do the committees present a report in the annual report to the shareholders containing its composition, meetings held, and attendance, duties and responsibilities and the work performed in fulfilling its duties and responsibilities.							
Performance Evaluation of the Non-Executive Directors							
How well prepared and informed are they for board meetings? Is their meeting attendance satisfactory?	Yes	No	A	B	C	D	E

Do they demonstrate a willingness to devote time and effort to understand the company and its business and a readiness to participate in events outside the board room, such as site visits?							
How good has been the quality and value of their contributions at board meetings?							
How good has been their contribution to the development of strategy?							
How good has been their contribution to the risk management?							
How successfully have they brought their knowledge and experience to bear in the consideration of strategy implementation?							
How effectively have they probed to test information and assumptions?							
How resolute are they in maintaining their own views and resisting pressure from others, when necessary?							
How effectively and proactively have they followed up their areas of concern?							
How effective and successful are their relationships with fellow board members, the company secretary, CEO and key management personnel?							
Does their performance and behaviour engender mutual							

trust and respect within the board?							
How actively and successfully do they refresh their knowledge and skills? Are they up to date with the latest developments in; areas such as, • regulatory requirements, corporate governance and financial reporting? • industry and market conditions?							
How well do they communicate with fellow board members, CEO and key management personnel and others, for example shareholders? Are they able to present their views convincingly yet diplomatically, and do they listen and take into consideration, views of others?							

SCHEDULE G
PROVISIONS ON THE DETERMINATION OF PERFORMANCE-RELATED REMUNERATION

Balance

The remuneration committee should determine an appropriate balance between fixed and performance-related, immediate and deferred remuneration. Performance conditions, including non-financial metrics where appropriate, should be relevant, stretching and designed to promote the long-term success of the company. Remuneration incentives should be compatible with risk policies and systems. Upper limits should be set and disclosed.

Remuneration Committees should consider whether the Executive Directors should be eligible for annual bonuses and/or benefits under long-term incentive schemes. If so, performance conditions should be relevant, stretched and designed to enhance performance of the business and shareholder value. Upper limits should be considered. There may be a case for part payment in shares to be held for a significant period.

Share-based remuneration

Traditional share option schemes should be weighed against other kinds of long-term incentive schemes. Executive share options should not be offered at a discount save as permitted by the relevant provisions of the Listing Rules. In normal circumstances, shares granted, or other forms of deferred remuneration should not vest, and options should not be exercisable, in less than three years. Eligible Directors should be encouraged to hold their shares for a further period after vesting or exercise, subject to the need to finance any costs of acquisition and associated tax liability.

- Any new long-term incentive schemes which are proposed should be approved by shareholders and should preferably replace existing schemes or at least form part of a well considered overall plan, incorporating existing schemes. The total rewards potentially available should not be excessive.
- Payouts or share option grants under all incentive schemes, including new grants under existing share option schemes, should be subject to challenging performance criteria reflecting the Company's objectives. Consideration should be given to

criteria which reflect the Company's performance relative to a group of 'comparator companies' in some key variables such as total shareholder return.

- Grants under executive share option grants and other long-term incentive schemes should normally be phased rather than awarded in one large block.
- Performance related remuneration schemes should not be applied retrospectively.
- Non-Executive Directors should not be eligible to performance-based remuneration schemes including share options.

Terminal and Post-Employment Benefits

Terminal benefits should be as determined by law, regulation, or contract of employment. Terminal benefit schemes that are different or in addition to terminal benefits determined by law, regulation or contract of employment should be fair, transparent, and approved by shareholders.

In general, post employment benefits/ pensions should be based only on the basic salary, neither annual bonuses nor benefits in kind should be included. The remuneration committee should consider the consequences and associated costs to the company of basic salary increases and any other changes in post employment benefits/ pensionable remunerations, especially for directors close to retirement.

All changes to existing and new post employment/ pension plans and terminal benefit schemes should be approved by the shareholders.

SCHEDULE H

TERMS OF REFERENCE FOR REMUNERATION COMMITTEES

Membership

The remuneration committee should be comprised of a minimum of three non-executive directors a majority of whom shall be independent.

The chairman of the committee shall be an independent non-executive director and shall be appointed by the board.

The quorum of the committee shall be at least two members.

Secretary

The secretary of the company shall be the secretary of the committee.

Attendance by Invitation

The chief executive shall be invited to attend meetings and shall be consulted on the performance and remuneration of executive directors and make proposals as necessary.

The chief executive will also report to the committee on significant group-wide changes in salary structures and terms and conditions affecting key management personnel and senior management.

Frequency of meetings

Meetings shall be held not less than twice a year.

Advisors

The committee is authorised by the board to seek appropriate professional advice inside and outside the company as and when it considers this necessary.

Duties

The committee shall be responsible for:

- The remuneration policy and its specific application to the CEO, executive & non executive directors, and general application to the senior management below the main board;

- The remuneration and incentive framework, including any proposed share option schemes, equity incentive awards including terminal benefits/pension rights for the CEO, executive directors and senior management;
- Recommendations and decisions (as relevant) on remuneration and all incentive awards including any share option schemes, equity incentive awards and terminal benefits/pension rights for the CEO, Executive Directors and senior management;
- Evaluating the performance of the CEO, management development plans and succession planning;
- Reviewing/monitoring evaluation of performance of executive directors, senior management and their management development and succession planning;
- Evaluating strategic human resources policies;
- Effective communication with shareholders on the remuneration policy and the committee's work on behalf of the board through a remuneration committee report;
- Recommending and ensuring that the appropriate service contracts are available for CEO, executive directors and senior management; and
- Determining the terms of any compensation package in the event of early termination of the contract of CEO, executive directors and senior management.
- Obtaining periodically market benchmarks of remuneration of comparable companies in respect of CEO, executive and non-executive directors, and senior management. This should be done at least once in three years unless there have been significant market adjustments.

Minutes

The minutes of meetings of the Committee shall be circulated to all members of the Board.

NOTE

The term 'remuneration' shall make reference to cash and non-cash benefits whatsoever received in consideration of employment with the Company.

SCHEDULE I

SPECIMEN REMUNERATION COMMITTEE REPORT

The Remuneration Committee

The remuneration committee operates within agreed terms of reference and is committed to the principles of accountability and transparency and ensuring that remuneration arrangements align reward with performance.

The remuneration of the chairman of the board is determined by the board, excluding the chairman. The remuneration of the non-executive directors is determined by the board, including the non-executive directors.

The scope of the Committee includes:

- Remuneration policy and its specific application to the CEO & executive directors and general application to the key management personnel (KMP) below the main board;
- The remuneration and incentive framework, including any proposed equity incentive awards including terminal benefits/pension rights for the CEO, any other executive directors and KMP;
- Recommendations and decisions (as relevant) on remuneration and all incentive awards including any equity incentive awards and terminal benefits/pension rights for the CEO, any other executive directors and KMP;
- Evaluating the performance of the CEO, management development plans and succession planning;
- Reviewing/monitoring evaluation of performance of KMP and their management development and succession planning;
- Strategic human resources policies;
- Effective communication with shareholders on the remuneration policy and the committee's work on behalf of the Board through a remuneration committee report;
- Recommending and ensuring that the appropriate service contracts are available for executive directors; and
- Determining the terms of any compensation package in the event of early termination of the contract of any executive director.

The remuneration committee comprises of xxxx, majority of whom including the chairman shall be independent in compliance with the requirements of the Corporate Governance Code.

(Names of the Committee members)

Brief profiles of the members are given below.

(Brief profiles of the members)

Remuneration policy

General

The remuneration committee determines the group's policy on executive directors' and key management personnel's remuneration. The objectives of the policy are:

- to reward executive directors and key management personnel in a manner that ensures that they are properly incentivised and motivated to perform in the best interests of the company over the long term; and
- to provide the level of remuneration required to attract and retain executive directors and key management personnel of an appropriate calibre.

Salaries and other benefits are reviewed annually. The remuneration committee takes into account the performance of the individual, comparisons with peer group companies, institutional guidelines and reports from specialist consultants. The skills, experience of the individual and his/ her level of responsibility are also taken into account.

Consistent with this policy, the benefit packages awarded to executive directors are intended to be competitive and comprise a mix of performance-related and non-performance-related remuneration, designed to motivate them, but not to detract from the goals of corporate governance.

The report should cover the following disclosures.

- Remuneration policy for:
 - Basic salaries
 - Perquisites and benefits
 - Performance bonus
 - Pension entitlements
 - Long Term Incentive Plan

- Shareholding guidelines (if any)
- Employee Share Schemes
- Directors' compensation in total and for each of the following categories:
 - Short term benefits
 - Post-employment benefits
 - Other long term benefits
 - Termination benefits; and
 - Share-based payment
- Meetings
 - Number of meetings
 - Attendance at the meetings
- Committee Evaluation

Signature of the Chairman

Name

Remuneration Committee

Colombo, Sri Lanka

Date

SCHEDULE J

MATTERS FOR CONSIDERATION WHEN MAKING “GOING- CONCERN” ASSUMPTIONS

When preparing financial statements, the directors should make an assessment of an enterprise's ability to continue as a going concern. Financial statements should be prepared on a going concern basis unless management either intends to liquidate the enterprise or to cease trading, or has no realistic alternative but to do so. When the directors, in making their assessment, are aware of material uncertainties related to events or conditions which cast significant doubt on the enterprise's ability to continue as a going concern, those uncertainties should be disclosed. When the financial statements are not prepared on a going concern basis, the fact should be disclosed, together with the basis on which the financial statements are prepared and the reason why the Enterprise is not considered a going concern.

In assessing whether the going concern assumption is appropriate, the directors should take into account all information available in respect of the foreseeable future, which should be at least (but not limited to) eighteen months from the balance sheet date. The degree to which the going concern assumption should be considered depends on the circumstances applicable. When an enterprise has a history of profitable operation and ready access to financial resources, a conclusion on the ability to operate as a going concern may be reached without detailed analysis. In other cases, the directors may have to consider a wide range of factors surrounding current and expected profitability, debt repayment schedules and potential sources of replacement financing, before they can satisfy themselves on the ability of the enterprise to operate as a going concern.

Indications that continuation as a going concern may be questionable, can come from financial statements or other sources. Examples of these indications are listed below. The listing is not all-inclusive, nor does the existence of one or more always signify that the going concern assumption needs to be questioned.

Financial Indications

- net liability and/or net current liability position;
- fixed-term borrowings approaching maturity without realistic prospects of renewal or repayment, or excessive reliance on short-term borrowings to finance long-term assets;

- default on some term-loan agreements, and potential breach of contracts;
- adverse key financial ratios;
- substantial operating losses;
- major losses or cash flow problems which have arisen since period-end, which threaten the Enterprise's continued existence;
- arrears or discontinuation of dividends;
- inability to pay creditors on due dates;
- difficulty in complying with the terms of loan agreements;
- change from credit to cash-on-delivery transactions with suppliers;
- inability to obtain financing for essential new product development or other essential investments;
- substantial sales of fixed assets not intended to be replaced; and
- effects on fair value of assets, liabilities etc.

Operating Indications

- fundamental changes in the market or technology to which the Enterprise is unable to adjust adequately;
- loss of key management personnel without replacement;
- loss of major market, franchise, license or principal supplier;
- labour difficulties or shortage of important supplies; and
- loss of key suppliers or customers, or technical developments which render a key product obsolete.

Other Indications

- non-compliance with capital or statutory requirements;
- pending legal proceedings against the enterprise that may, if successful, result in judgements that cannot be met;
- changes in legislation or government policy, which can have a significant impact on the business; and
- issues which involve a range of possible outcomes so wide that an unfavourable result can affect appropriateness of the going concern basis.

While all of the above shall be considered in determining whether the enterprise is a going concern, the existence of a net liability and/or net current liability position, resulting in inability to pay debts as they become due in the normal course of business may indicate that the Enterprise is insolvent. If the directors hold a different view, they should disclose the mitigating factors on the basis of which the going concern assumption is sustained.

If the Enterprise is a going concern, the disclosure should be:

“After considering the financial position, operating conditions, regulatory and other factors and such matters required to be addressed in the Corporate Governance Code, the directors have a reasonable expectation that the company possesses adequate resources to continue in operation for the foreseeable future. For this reason, they continue to adopt the Going Concern basis in preparing the financial statements.”

If there are financial indications, operating indications and other indications which cast doubt on the appropriateness of the going concern assumption, directors should determine the extent of the issue and the company’s ability to respond to it, and explain the factors which give rise to the issue and how they intend to resolve it.

If it is unlikely the company and group will continue in operation for the foreseeable future, the directors should no longer prepare the statements using the going concern assumption and should state that in their opinion, the company/group is no longer a going concern.

SCHEDULE K
GUIDANCE ON ESTABLISHING A RISK MANAGEMENT
FRAMEWORK

Risk Definition

The International Federation of Accountants define risk as; uncertain future events which could influence the achievement of the organisation's strategic, operational and financial objective.

Risk Management Framework

All organisations face risk, it is inherent in the organisation's endeavours to achieve its strategic, operation and financial objectives.

The extent of risk taken will depend on each organisation's risk culture and risk appetite. A higher risk appetite could result in high return on the upside and significant detrimental consequences on the downside. Hence, risk management endeavours to establish a line of sight over the risk reward structure through a process of quantifying, documenting, assigning responsibility and monitoring of the risks to the organization in achieving its objectives, thereby protecting the organisation's capital base, earnings and reputation without unduly hindering its growth and diversification objectives.

Good risk management practice generally results in access to capital, lowering borrowing costs and long-term sustainability of the organization.

Classification of Risk

Risk is typically and broadly classified under strategic, operational and financial under each of which there could be an internal and external dimension.

The guidance has expanded the classification for the convenience of application into:

- a) Strategic
- b) Operational
- c) Financial
- d) Investment
- e) Governance
- f) Environmental and social
- g) Information Technology and Systems Security

a) Strategic Risk :

Strategic risks could arise from a misalignment of the entities' strategy with the business opportunities and include its business model, technology, consumer preferences, competitor landscape and external factors such as economic and regulatory.

b) Operational Risk:

Operational risks arise from activities carried out within an entity, its value chain including access and availability of input materials, capacity, efficiency, quality, capital adequacy, after sales service and areas such as human capital, information systems security and waste and cost efficiency. It may also stem from structure, systems, people, products or processes. A company may consider each activity in its value chain in determining operational risk.

c) Financial Risk:

Financial risks could arise from the financial operations of an entity and include:

- Credit risk: significant loss arising from the failure of another party to perform according to the terms of a contract.
- Currency risk: significant fluctuations in the value of a financial instrument due to changes in foreign exchange rates or sanctions.
- Interest rate risk: unexpected interest rate changes that could affect the financial performance of an entity.
- Liquidity (or funding) risk: inadequate liquidity and constraints in raising funds to meet financial commitments.
- Financial reporting risk: risk of misstatement of financial results due to poor internal controls, fraud risk and non-compliance with financial reporting standards.

d) Investment Risk:

Investment risks arise from poorly planned investments resulting in underperforming or non-performing assets and having investments/assets in a locality or country wherein there is political, economic, social or regulatory instability.

e) Reputational/Governance Risk:

Reputational and governance risks arise from deliberate or unintended actions resulting in damages to an entity's reputation and include failure to manage other risks and lack of a robust system of governance.

f) Environmental and Social Risk:

Environmental risks arise from an entity's lack of recognition of environmental and social sustainability factors affecting society at large which could result in damage to reputation and the social license to operate. In addition, environmental risk could arise from the business environment such as political, economic, socio-cultural, technological and legal changes that affects or constraints the functions of the strategy and operations of the entity.

g) Information Technology and Systems Security (ISS) Risk:

Risk of technological obsolescence and ISS risks which arise from aspects such as external and internal vulnerabilities to the information systems, lack of disaster recovery and back up procedures, hardware and software failures.

Risk Culture

This is represented by shared values and practices that depict what an organization considers an acceptable level of risk and the extent to which the organization will venture for gain. The behaviour of the key management personnel and the reward and reprimand structure will reflect the organisation's risk culture.

Risk Appetite

This is the quantum of risk an organisation is willing to take in furtherance of its strategy and operation. This may be expressed in quantitative and/or qualitative terms in relation to the equity capital, profit/profitability and reputation damage. These could be further expanded into specific risk drivers.

Eg:-

- Financial/earnings volatility

- Regulatory compliance and governance
- Brand and regulation protection
- Health and safety in the value chain
- Employee satisfaction
- Customer satisfaction

Approaches to Managing Risk

Typically, there are two approaches to risk identification, documentation and management. Top down and bottom up.

These could be described as below:

- Top-down analysis generally refers to carrying out a comprehensive analysis of factors that drive achievement of strategy, operational effectiveness and other risk classifications previously described and how risk arising from them can be identified, mitigated and managed. The top-down approach seeks to identify the big picture and all its components. These components are usually the driving force for the end goal.
- Bottom-up approach focuses its analysis on specific risk characteristics at a micro level in individual systems and processes. These risks could arise from areas such as delegation of authorities and responsibilities, lack of internal controls and operational controls, lack of enforcement of codes of conduct which can be mitigated by effective management controls and internal & external audits.

While Boards usually consider the top-down approach which has a bearing on strategy, operations and finance at a corporate level and the bottom up approach focusses on internal controls and is mitigated through internal audit.

Methodologies to identify, document, quantify, clarify and manage risk are provided by several professional institutions such as the Committee of Sponsoring Organisation's (COSO) ERM Framework and in the "Enterprise Risk Management Framework of Accounting Bodies and Public Accounting Firms";

a) Risk Identification

Risk identification requires a methodical approach to ensure all significant activities within the organization have been identified and risks associated with them

documented. The classification of risks previously described provides a basis for such identification.

b) Methods of Risk Identification

Identification of risks within the classification needs a sound understanding of the business and industry. Among the methods used are:

- Risk Workshops
- Benchmarking with best practices
- Scenario or “what if” analysis
- Seeking consulting input

c) The Risk Impact & Rating

The risks should be categorized according to their likelihood and impact.

Likelihood would be:

- Rare
- Unlikely
- Possible
- Likely
- Almost certain

The impact would be:

- Insignificant
- Low/minor
- Moderate
- High/Significant
- Catastrophic

A risk rating could be assigned based on the likelihood and impact. companies often use probability assessments in determining the likelihood and in quantification of the impact.

Thereafter, risk mitigating strategies should be determined, documented and responsibility assigned.

d) Risk Documentation

Risks that have been identified should be documented in a structured tabulated format to depict the risk, the risk description and assessment of impact, implication,

responsibility and management process. The documentation is sometimes referred to as a risk register.

A diagrammatic representation of a template of a Risk Register is given in Table 1. The Risk Matrix given in Table 2 is often used to present a pictorial representation of risk identified in the Risk Register.

Table 1: Specimen Risk Register

Risk Item No.	Risk Description	Risk Classification	Likelihood Description / Score	Impact Description / Score	Risk Rating	Risk Owner	Current Initiative to address the Risk	Progress monitoring Update

Table 02: Risk Matrix

	Impact				
Likelihood	Insignificant	Low/Minor	Moderate	High/Significant	Catastrophe
Almost Certain	Low Medium	Medium	Medium High	High	High
Likely	Low	Low Medium	Medium	Medium High	High
Possible	Low	Low Medium	Medium	Medium High	Medium High
Unlikely	Low	Low Medium	Low Medium	Medium	Medium High
Rare	Low	Low	Low Medium	Medium	Medium

SCHEDULE L

THE RESPONSIBILITIES OF DIRECTORS IN MAINTAINING A SOUND SYSTEM OF RISK MANAGEMENT AND INTERNAL CONTROL

Maintaining a sound system of risk management and internal controls to safeguard shareholders' investment and the company's assets is the responsibility of the board and top management.

The board should identify principal risks on an ongoing basis and ensure the implementation of appropriate systems to evaluate and manage these risks by considering the following factors:

- (a) The nature and extent of risks facing the company;
- (b) The adequacy of the entire risk management framework of the company
- (c) The extent and categories of risk which it regards as acceptable for the company to bear;
- (d) The likelihood of the risks concerned materializing;
- (e) The company's ability to reduce the incidence of risks that do materialize and their impact on the business; and
- (f) The costs of operating particular controls relative to the benefit thereby obtained in managing the related risks.

It is the role of management to implement board policies on risk and internal control. In fulfilling its responsibilities, management should identify, and evaluate the risks faced by the company and implement a process or monitoring, managing and reporting risk for consideration by the Board. The guidance for establishing a risk management framework is given in schedule I.

Management should design, implement, operate and monitor a suitable system of internal control in accordance with the policies adopted by the board.

The board and top management should establish an appropriate control environment which includes:

- (a) A documented and duly communicated; company values, the code of conduct, policies and procedures including but not limited to operations, internal control, compliance, HR and customer relationship management and others as relevant;
- (b) The functions of the board of directors and its committees;

- (c) Management's philosophy and operating style;
- (d) The company's organizational structure and methods of assigning authority and responsibility;
- (e) Clearly defined authorities and responsibilities for each manager, employee and department.

All employees have responsibility for internal controls as part of their accountability for achieving objectives. Employees as a whole should have the necessary knowledge, skills, information and authority to establish, operate and monitor the system of internal control.

Reviewing the design and effectiveness of the company's internal control systems and management information systems including systems for compliance with applicable laws, regulations, rules, directives and guidelines is an essential part of the board's responsibilities.

The board should define the process to be adopted for its review of the design and effectiveness of internal control. This should encompass both the scope and frequency of the reports it receives and reviews during the year, and also the process for its assessment.

The board should implement and form its own view on the design and effectiveness of the company's internal control systems after due and careful enquiry based on the information and assurances provided to it. Management is accountable to the board for monitoring the company's internal control systems and for providing assurance to the board that it has done so.

Effective monitoring on a continuous basis is an essential component of a sound system of internal control. The board cannot, however, rely solely on the embedded monitoring processes within the Company to discharge its responsibilities. It should regularly receive and review reports on internal control.

The board takes the responsibility for implementation of effective internal controls and related disclosures in the annual report, and requires the audit committee to ensure the carrying out of reviews of internal controls and to report to the board thereon.

An effective and comprehensive internal audit of the internal control systems carried out by operationally independent, appropriately trained and competent staff should be established.

Where an internal audit function does not exist within the company, assess whether there are other means of obtaining sufficient assurance of regular review and appraisal of the effectiveness of the system of internal controls within the company.

The board should review reports presented to it by management, internal and external audit to ensure that:

- (a) significant risks are identified and documented and assessed how they have been evaluated, monitored and managed;
- (b) the design and effectiveness of the related system of internal control having regard, in particular, to any significant failures or weaknesses in internal control that have been reported;
- (c) necessary action is being taken promptly to remedy any significant failings or weaknesses; and
- (d) if the findings indicate a need of more extensive monitoring of the system of internal controls sufficient resources are deployed.

The Board's Statement on Risk Management & Internal Control

The board is required by the Code of Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka to disclose whether there is an ongoing process for identifying, evaluating and managing the significant risks faced by the company, whether it has been in place for the year under review, whether it is regularly reviewed by the Board and accords with such direction.

In addition, the board is also required to present a report on the company's internal control mechanism that confirms that the financial reporting system has been designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes has been done in accordance with relevant accounting principles and regulatory requirements. To fulfil this requirement, the board should disclose the following as a minimum.

- (a) The board should summarise the process it has applied in reviewing the design and effectiveness of the system of internal control.
- (b) It should also disclose the process it has applied to deal with material internal control aspects of any significant problems disclosed in the annual report.
- (c) An acknowledgement by the board that it is responsible for the company's system of internal control and for reviewing its design and effectiveness. it should also explain that such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide

reasonable and not absolute assurance against material misstatements in the financial statements and frauds & errors.

- (d) The directors should disclose that there is an ongoing process for identifying, evaluating and managing the significant risks faced by the company, whether it has been in place for the year under review and whether it is regularly reviewed by the board.
- (e) The board has to disclose if it has failed to conduct a review of design and effectiveness of the company's system of internal control.
- (f) The board should ensure that its disclosures provide meaningful, high level information and do not give a misleading impression.
- (g) Where material; subsidiaries, joint ventures and associates have not been dealt with in applying this guidance, as part of the group, that fact should be disclosed.
- (h) The confirmation by the board:

The board should confirm in its report that the financial reporting system has been designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes has been done in accordance with applicable accounting standards and regulatory requirements.
- (i) Should be signed by the directors who signed the financial statements and the chairman of the audit committee.

SCHEDULE M
AUDIT COMMITTEE CHARTER

Introduction

The charter outlines the roles, responsibilities and composition of the audit committee (the Committee) of the board of the company and the manner in which it discharges its responsibilities for the company.

Purpose

The primary purpose of the Committee is to provide an objective review and oversight of the financial reporting process, the audit process and the company's system of internal controls and compliance as detailed below.

Provide assistance to the board of directors in fulfilling its oversight responsibility for the:

- integrity of the financial statements and the adequacy of disclosures thereon, in accordance with the Sri Lanka's Accounting Standards;
- compliance with financial reporting requirements, information requirements of the Companies Act and other relevant financial reporting related regulations and requirements;
- processes to ensure that the company's internal controls and risk management procedures are adequate to meet the requirements of the Sri Lanka Auditing Standards;
- assessing the company's ability to continue as a going concern in the foreseeable future;
- performance of the company's internal audit function;
- Risk management framework to the identify, monitor and manage significant business/financial risk; and
- independence and performance of the company's external audit.

Authority

- To assess the independence of the external auditor and recommend to the board, appointment/ removal/ re-appointment, remuneration, terms of engagement and approval of permissible non-audit services within financial limits

established by the committee and related regulatory requirements.

- To determine the scope, frequency, coverage and resource requirements for the internal audit.
- To require the chief financial officer or equivalent designee to provide all information required by the Committee to discharge the responsibilities.
- To invite other individuals such as the chairman of the board, the chief executive officer, the chief financial officer, the head of internal audit and other representatives from the finance department to attend all or part of any meeting as and when considered appropriate by the committee.
- To invite the external auditors to attend meetings of the committee on a regular basis.
- To seek any information, it requires from any employee, officer or director of the company/ group or external party in order to perform its duties.
- To conduct investigations into any matters within its scope of responsibility.
- To obtain, at the company's expense, any outside legal or other professional advice it may require in connection with the performance of its duties.
- To require the senior management, company secretary, internal and external experts and any other parties whose functions have a bearing on the financial reporting process to provide it with information in accordance with the protocol established by the board.
- To form, and delegate authority to, subcommittees.
- To have the right to publish in the company's annual report details relating to how it discharged its responsibilities during the reporting period.

Composition

The Committee should comprise of at least three non-executive directors of whom at least two should be independent. The Committee should be chaired by an independent non-executive director, who should be a member of the recognized professional accountancy organization. All members of the committee shall have

general financial knowledge, at least one of whom preferably the chair, should have recent and relevant experience in financial reporting and control, including knowledge of the regulatory requirements, and should have past employment experience in finance or accounting or other comparable experience or background. Collectively, the committee should have an understanding of all matters that are integral to the company's annual report.

The composition may have to be amended if there are specific regulatory requirements to do so.

Secretary

The chief internal auditor or the company secretary, shall act as the secretary of the Committee.

Meetings

The Committee will meet at least four times a year, with authority to convene additional meetings, as circumstances require. All committee members are expected to attend each meeting, in person or via tele- or video-conference. The Committee will invite members of management, auditors or others to attend meetings and provide pertinent information, as necessary. It will hold private meetings with auditors at least once a year and with relevant executives as and when required. Meeting agendas will be prepared and provided in advance to members, along with appropriate briefing materials.

Quorum

The quorum necessary for the transaction of business shall be constituted by a majority of the members of the committee.

Annual General Meeting

The chairman of the committee shall attend the annual general meetings of the company and be prepared to respond to any questions from shareholders on the committee's activities.

Responsibilities

The Committee will carry out the following responsibilities.

1. Financial reporting

- Ensure that significant accounting and financial reporting processes are in place and adequate reviewing and approving policies relating to external reporting and the provision of financial information to the board, and changes to the accounting standards and regulatory requirements and their impact on the financial statements of the company.
- Review significant accounting and reporting issues, including complex or unusual transactions, highly judgmental areas, recent professional and regulatory pronouncements and understand their impact on the financial statements.
- Review and recommend to the board for approval the quarterly, half year and full year financial statements of the company and any accompanying reports, following discussion with management and the external auditor. In discharging this responsibility, the Committee will focus on:
 - Consistency in application of accounting policies and adherence to accounting standards and other reporting requirements;
 - The need for, appropriateness of, and correct disclosure of, any changes made to the company's existing accounting policies;
 - The accounting treatment for, and disclosure of, significant, complex or unusual transactions;
 - The appropriateness of significant judgements made by management in preparing the financial statements; and
 - Whether the company's financial statements provide a true and fair view of the financial position and performance of the company .
- Ensure the adequacy of processes and controls that support the preparation of quarterly, half-yearly and annual financial reporting and management's report on risk management and internal controls over financial reporting processes.
- Review with management and the external auditors the results of the audit, including any difficulties encountered.
- Review the annual financial statements, and consider whether they are complete and consistent with information

known to committee members, and reflect appropriate accounting standards and policies.

- Review other sections of the annual report and related regulatory filings before the release and consider the accuracy and completeness of the information.
- Review with management and the external auditors that all matters required to be communicated to the committee under the Sri Lanka Auditing Standards have been communicated.
- Review interim financial reports with management and if required with the external auditor before filing with regulators, and consider whether they are complete and consistent with the information known to committee members.
- Review analyses prepared by management and/or the independent auditor setting forth significant financial reporting issues, judgments made and key audit matters in connection with the preparation of the financial statements.
- discussion of the Company's earnings press releases and financial information and earnings guidance provided to analysts and rating agencies.

2. Internal audit

- Approve the internal audit charter.
- Ensure there are no unjustified restrictions or limitations in the scope of the internal audit.
- Review and concur in the appointment, replacement, or dismissal of the chief internal auditor.
- Approve the annual audit plan and all major changes to the plan.
- Review with the chief internal auditor, the internal audit budget, resource plan, activities, and organizational structure of the internal audit function.
- Review the internal audit activity's performance relative to its plan.

- At least once per year, review the performance of the chief internal auditor and concur with the annual compensation and salary adjustment.
- Review the effectiveness of the internal audit function.
- Consider the effectiveness of the company's internal control system, including information technology security and control.
- Ensure that the scope of the internal auditor's review of internal controls covers all significant operating procedures in the company's business model.
- Obtain reports on significant findings and recommendations, together with management's responses of the review of the internal controls carried out by the internal auditor and provide recommendations for improvement.
- On a regular basis, meet with the chief internal auditor, separately, to discuss any matters that the committee or internal audit believes should be discussed privately.

3. Risk management

- Review and assess the company's risk management process, including the adequacy of the overall control environment and controls in areas of significant risks.
- Review and assess the company's system of internal controls for detecting accounting and financial reporting errors and misappropriation of assets, legal violations, and non-compliance with the corporate code of conduct. In this regard, review the related findings and recommendations of the external and internal auditors, together with management's responses.
- Review with legal counsel any regulatory matters that may have a material impact on the financial statements ensuring that at least once in every three years a review of the board's risk management, internal controls, business continuity planning and information security systems are carried out and appropriate remedial action recommended to the board.
- Overseeing management's design and implementation of the company's internal control framework and the processes for assessing the effectiveness of the company's internal controls.

- Obtaining assurance from management/external auditor on a periodic basis, and reporting to the board on the adequacy and effectiveness of the company's internal control framework and the implementation of that framework.
- Monitoring the timely resolution of significant internal control deficiencies identified by the external auditor, management or regulators.

4. External audit

- Review the external auditors' proposed audit scope and approach, including coordination of audit effort with internal audit.
- Review the performance of the external auditors, and exercise final approval on the appointment, reappointment, removal and to approve the remuneration and terms of engagement.
- Review and confirm the independence of the external auditors by obtaining a statement confirming independence of the auditor, including non-audit services performed.
- Understand the scope of external auditor's review of internal control over financial reporting, and obtain reports on significant findings and recommendations, together with management's responses.
- Assessing annually the performance, effectiveness and independence of the external auditor, including against any auditor independence requirements arising under legal, regulatory or accounting requirements or the company's policies.
- On a regular basis, meet with the external auditors, separately, to discuss any matters that the committee or auditors believe should be discussed privately.
- Establish clear hiring policies for employees or former employees of the Auditors.

5. Compliance

- Review the effectiveness of the system for monitoring compliance with laws and regulations and the results of

management's investigation and follow-up (including disciplinary action) of any instances of non-compliance.

- Review the findings of any examinations by regulatory authorities, and any auditor's observations.
- Review the process for communicating the code of conduct to company personnel, and for monitoring compliance therewith.
- Obtain regular updates from management and company legal counsel regarding compliance matters.
- Establishing a process to ensure compliance with laws and regulations relating to tax, customs, foreign exchange and other levies applicable to the company.

6. Reporting responsibilities

- Regularly report to the board of directors about committee activities, issues, and related recommendations.
- Provide an open avenue of communication between internal audit, the external auditors, and the board of directors.
- Report annually to the shareholders, describing the committee's composition, responsibilities and how they were discharged, and any other information required by rules and regulations, including approval of non-audit services.
- Review any other reports the company issues that relate to committee responsibilities.

7. Whistle blowing, fraud and Non-Compliance with Laws and Regulations

- Review the company's arrangement for the confidential receipt, retention and treatment of complaints alleging fraud, received from internal/external sources and pertaining to accounting, internal controls or other such matters.
- Assuring confidentiality to whistle-blowing employees.
- Review the company's procedures for detecting and preventing fraud and bribery and receiving reports on non-compliance.

- Establish a procedure for receiving and dealing with Non-Compliance with Laws and Regulations (NOCLAR) referred by Professional Accountants.

8. Other responsibilities

- Perform other activities related to this charter as requested by the board of directors.
- Oversee special investigations as needed.
- Review and assess the adequacy of the committee charter annually, requesting board approval for proposed changes, and ensure appropriate disclosure as may be required by law or regulation.
- Confirm annually that all responsibilities outlined in this charter have been carried out.
- Evaluate the committee's and individual members' performance on a regular basis.

SCHEDULE N
CODE OF BUSINESS CONDUCT & ETHICS

The Code of Business Conduct and Ethics of a company referred to in paragraph D.5 should cover the following aspects:

- conflict of interest;
- bribery and corruption;
- entertainment and gifts;
- accurate accounting and record-keeping;
- fair and transparent procurement practices;
- corporate opportunities;
- confidentiality;
- fair dealing;
- protection and proper use of Company assets including information assets;
- compliance with laws, rules and regulations (including insider trading laws);
- sexual harassment, discrimination and abuse; and
- encouraging the reporting of any illegal, fraudulent or unethical behaviour.

Conflicts of interest

A “conflict of interest” occurs when an individual’s private interest interferes (or even appears to interfere) in any way with the interests of the company as a whole. A conflict situation can arise when a director, a key management personnel or any other employee performs or has such interests that may make it difficult to perform his company work objectively and effectively. Conflicts of interests also arise when a member of their family, receive improper personal benefits as a result of his/her position in the company. Loans to or guarantees of obligations of such persons are of special concern. The company should have a policy prohibiting such conflicts of interest and providing a means for directors, key management personnel or any other employee to communicate potential conflicts to the company.

Bribery and corruption

Corruption causes distortion in markets and harms economic, social and political development, particularly in developing countries. It is wholly unacceptable for employees of the company to be involved or implicated in any way in corrupt practices. The company and employees must ensure that:

- they do not, directly or indirectly, offer, promise or give any gift, payment or other benefit to any person for the purposes of inducing or rewarding improper conduct or influencing any decision by a public official to the advantage of the Company or parent/associate company;
- they do not, directly or indirectly, solicit, accept or receive any gift, payment or other advantage from any person as a reward or inducement for improper conduct; and
- their activities do not otherwise contravene any applicable anti-corruption measures.

Entertainment and gifts

The company and employees must not actively solicit or demand any form of entertainment or gift from any person or organisation outside the company. The company and employees are permitted to offer or accept business entertainment and gifts without prior approval, provided that the entertainment or gift in question is:

- modest;
- appropriate and consistent with reasonable business practice; and
- permissible under all applicable laws.

The following are examples of entertainment and gifts which are usually acceptable without prior approval:

- Occasional drinks and meals.
- Occasional attendance at sports, theatre and other cultural events.
- Gifts of a token or modest amount.

The company and employees must ensure that they do not, through the provision of any gift or hospitality, seek to influence any public

official by providing any personal advantage, either to that official or to any other person at his request or with his assent or acquiescence. In this context, gifts to public officials will rarely be appropriate if they are of anything other than nominal value.

Accurate accounting and record-keeping

Honest, accurate and objective recording and reporting of information, both financial and non-financial is essential to:

- Company's credibility and reputation;
- Its ability to meet its legal, tax, audit, and regulatory obligations; and
- Informing and supporting business decisions and actions by the company.

All data that the company and employees create, whether financial or non-financial must accurately reflect the transactions and events occurred.

The company and employees must ensure that they follow all applicable laws, external accounting requirements and the company procedures for reporting financial and other business information. All employees must ensure that they manage their business records in accordance with the applicable records, management policy and procedures.

Fair and transparent procurement practices

Every employee to whom authority has been delegated for procurement of goods or services and committing the company to sale or acquisition of any commitment which resulting an inflow or outflow of resources must ensure that company's policies and procedures are strictly followed and documented, in a fair and transparent manner.

Corporate opportunities

Directors and key management personnel should be prohibited from:

- (a) taking for themselves personally, opportunities that are discovered through the use of corporate property, information or position;
- (b) using corporate property, information, or position for personal gain; and

(c) competing with the company.

Directors and key management personnel owe a duty to the company to advance its legitimate interests when the opportunity to do so arises.

Confidentiality

Directors, key management personnel and all employees should maintain the confidentiality of information entrusted to them by the Company or its customers, suppliers and other stakeholders, except when this disclosure is authorised or legally mandated. Confidential information includes all non-public information that might be of use to competitors, or harmful to the Company or its customers, if disclosed.

Fair dealing

Each director, key management personnel and all employees should endeavour to deal fairly with the company's customers, suppliers, competitors and employees. None should take unfair advantage of anyone through manipulation, concealment, abuse of privileged information, misrepresentation of material facts, or any other unfair – dealing practice.

Protection and proper use of company assets including information assets

All directors, key management personnel and all employees should protect the company's assets and ensure their efficient use. Theft, carelessness and waste have a direct impact on the company's profitability. All company assets should be used for legitimate business purposes.

Compliance with laws, rules and regulations (including insider trading laws)

The company should proactively promote compliance with laws, rules and regulations, including insider trading laws. Insider trading is both unethical and illegal, and should be dealt with decisively.

Encouraging the reporting of any illegal or unethical behaviour

The company should proactively promote ethical behaviour. The company should encourage employees to talk to supervisors, managers or other appropriate personnel when in doubt about the best course of action in a particular situation. Additionally, employees should report violations of laws, rules, regulations or the code of business conduct and ethics, to appropriate personnel. To encourage employees to report such violations, the company must ensure that employees know that the Company will not allow retaliation for reports made in good faith.

SCHEDULE O

BOARD CHECKLIST: CYBERSECURITY

1. Oversight

- ☐ Ensure that the board is aware of its role as the ultimate responsibility-holder for your organization's cyber risk and resilience.
- ☐ Delegate oversight to a specific board committee if deemed necessary.
- ☐ Assign one corporate officer, usually designated the chief information security officer (CISO), to be accountable for reporting on your organization's capability to manage cyber resilience and progress in implementing cyber resilience goals.
- ☐ Ensure that this officer has regular board access, sufficient authority, command of the subject matter, experience, and resources to fulfill these duties.
- ☐ Annually define your organization's risk tolerance, ensuring it is consistent with your corporate strategy and risk appetite.
- ☐ Ensure that a formal, independent cyber resilience review of your organization is carried out annually.
- ☐ Work to integrate cyber resilience and risk assessment into your organization's overall business strategy, risk management, budgeting, and resource allocation.
- ☐ Regularly review third-party risks.
- ☐ Oversee the creation, implementation, testing and ongoing improvement of cyber resilience plans, ensuring they are harmonized across your organization and that your CISO or other accountable officer regularly reports on them to the board.
- ☐ Periodically review your performance of the above and consider seeking independent advice for continuous improvement.

2. Staying Informed

- ☐ When an individual joins the board, ensure that they have appropriate and up-to-date skills and knowledge to understand and manage the risks posed by cyber threats.

- Solicit regular advice from management on your organization's current and future cyber risk exposure, relevant regulatory requirements, and industry and societal benchmarks for risk appetite. Plan to engage in:
 - Regular briefings on duties created by new regulations and legislation,
 - Board and executive committee joint planning and visits to best practice peers and leaders in cybersecurity,
 - Security briefings on the threat environment, and
 - Board-level exchanges of information on governance and reporting.
- Make clear to management that they are accountable for reporting a quantified and understandable assessment of cyber risks, threats, and events as a standing agenda item during board meetings.
- Regularly check in with management and other relevant personnel about developments related to ongoing systemic challenges such as supply chain vulnerabilities, common dependencies, and gaps in information sharing.

3. Setting the Tone

- Board should ensure that staff at all levels recognize that they each have important responsibilities to ensure your organization's cyber resilience.
- Oversee management's role in fostering and maintaining your organization's risk culture. Regularly assess the effectiveness of your organization's risk culture, considering the impact of culture on safety and soundness and making changes where necessary.
- Make clear that you expect all staff to act with integrity and to promptly escalate observed non-compliance within or outside your organization.

SCHEDULE P
SUMMARY OF DISCLOSURES

The following disclosures shall be made in the Annual Report of the Company.

A. Annual Report

Subject	Disclosure	Reference
Chairman and CEO	If chairman and CEO is one and the same person or the chairman is not an independent director or the chairman is the immediately preceding CEO or the chairman and CEO are close family members, disclose the name of the chairman/CEO and senior independent director appointed and justification of the decision.	A.2.1 and A.5.7
Board Balance	• Should identify the independent non-executive directors. • If a non-executive director is identified as 'Independent', notwithstanding the existence of any of the following factors, the reason for such determination should be disclosed. • A director is not considered independent if he/she: • has been employed by the company, subsidiary or parent of the company during the period of three years immediately preceding appointment; • currently has or has had within last three years immediately preceding appointment as director, a material business relationship with the company, whether	A.5.5

Subject	Disclosure	Reference
	directly or indirectly; • has or has had in the preceding financial year, a close family member who is a director or chief executive officer or key management personnel (and/or an equivalent position); • is a significant shareholder of the company or an officer of, or otherwise associated directly with, a significant shareholder of the company; • has served on the board of the company continuously for a period exceeding nine years from the date of the first appointment; • is employed in another company or business: ○ in which a majority of the other directors of the company are employed or are directors; or ○ in which a majority of the other directors of the company have a significant shareholding or material business relationship; or ○ that has a significant shareholding in the company or with which the company has a business connection; • is a director of another company; ○ in which a majority of the other directors of the company are employed or are directors; or	

Subject	Disclosure	Reference
	○ that has a business connection with the company or significant shareholding in the company; • has a material business relationship or a significant shareholding in another company or business; • in which a majority of the other directors of the company are employed or are directors; and/or • which has a business connection with the company or significant shareholding in the same. (Please refer Section A.5.5 for relevant definitions)	
Appointment of New Directors	When new directors are appointed, the following details should be disclosed. • a brief resume of each such director; • the nature of his expertise in relevant functional areas; • the names of companies in which the director holds directorships or memberships in board committees; and • whether such director can be considered independent. If a director appoints an alternate director, the disclosures stated above should be made.	A.7.4
Appraisal of Board	The board should disclose how performance evaluations have been	A.9.4

Subject	Disclosure	Reference
Performance	conducted.	
Board Related Disclosures	The following details pertaining to each director should be disclosed. • name, qualification and brief profile; • the nature of his/her expertise in relevant functional areas; • immediate family and/or material business relationships with other directors of the company; • whether executive, non-executive and/or independent director; • names of listed companies in Sri Lanka in which the Director concerned serves as a director; • names of other companies in which the director concerned serves as a director, provided that where he/she holds directorships in companies within a group of which the company is a part, their names need not be disclosed; it is sufficient to state that he/she holds other directorships in such companies; • number/percentage of board meetings of the company attended during the year; • the total number of board seats held by each director indicating listed and unlisted companies and whether in an executive or non-executive capacity; • names of board committees in which the director serves as the chairman or a member; and • number/percentage of committee meetings attended during the year.	A.10.1

Subject	Disclosure	Reference
Disclosure of Remuneration	• A statement of remuneration policy; • Details of remuneration of the board as a whole; • Names of directors (or persons in the parent company's committee in the case of a group company) comprising the remuneration committee, scope, number of meetings held, a statement of remuneration policy and set out the aggregate remuneration paid to executive and non-executive directors.	B.3 and B.3.1
Major and Material Transactions	All material transactions entered into by the company should be disclosed. Prior to a company engaging in or committing to a 'major transaction' with a related party, involving the acquisition, sale or disposition of greater than one third of the value of the Company's <i>net</i> assets or that of a subsidiary which has a material bearing on the <i>net assets of the company</i> or consolidated net assets of the company, or a transaction which has or is likely to have the effect of the company acquiring <i>rights or interest or, incurring obligations or liabilities</i>, of greater than one third of the value of the company's <i>net assets or consolidated net assets of the company</i>, the directors should disclose to shareholders the purpose and all material facts of such transaction and obtain shareholders' approval by ordinary resolution at an extraordinary general meeting. It also applies to transactions or series of related transactions which <i>trigger aforementioned conditions as well as, transactions or series of related</i>	C.3, C.3.1 and C.3.3

Subject	Disclosure	Reference
	<i>transactions which</i> have the purpose or effect of substantially altering the nature of the business carried on by the company. Public listed companies should in addition comply with the disclosure requirements and shareholder approval by special resolution as required by the rules and regulation of the Securities Exchange Commission and by the Colombo Stock Exchange which are contained in the Section 9.1 (Related party transactions) of the listing rules.	
Risk Management & Internal Control	Annual report should contain a report/statement on risk management and internal control. Further, If the board has set up a risk committee, annual report should contain a report of the risk committee, setting out its composition, scope and how it discharged its responsibilities. At least annually the board should obtain a review of the effectiveness of the internal control systems and report on that review in the annual report.	D.1.5, D.2.1.7, D.2.2.1, D.4.5
Audit Committee	A separate section of the annual report should describe the composition, scope and the work of the audit committee in discharging its responsibilities. The report should include: • The names of directors (persons in the parent company's committee in the case of a group company) comprising the audit committee; • The number of meetings held	D.3.3

Subject	Disclosure	Reference
	and attendance of each director; • The scope of work and how its roles and responsibilities were discharged; • the significant issues that the committee considered in relation to the financial statements, and how these issues were addressed; • an explanation of how it has assessed the effectiveness of the external audit process and the approach taken to the appointment or reappointment of the external auditor, and information on the length; and • if the external auditor provides non-audit services, an explanation of how auditor objectivity and independence are safeguarded. • The committee should also make a determination of the independence of the auditors and should disclose the basis of such determination in the annual report. The annual report should contain a report by the audit committee in relation to the above, for the period to which the annual report relates.	
Code of Business Conduct and Ethics	Should disclose whether the company has a code of business conduct & ethics for directors, key management personnel and all other employees' including but not limited to: • conflict of interest; • bribery and corruption; • entertainment and gifts; • accurate accounting and record-	D.6.1,D.6.4 and D.6.7

Subject	Disclosure	Reference
	keeping; • fair and transparent procurement practices; • corporate opportunities; • confidentiality; • fair dealing; • protection and proper use of company assets including information assets; • sexual harassment, discrimination and abuse; • compliance with laws, rules, and regulations (including insider trading laws); and • encouraging the reporting of any illegal, fraudulent, or unethical behaviour. • The chairman must affirm in the company's annual report that a code of conduct and ethics has been introduced companywide and the procedure for disseminating, monitoring and compliance with that code. • Chairman must also disclose significant violation if any of the provisions of the code of business conduct and ethics. Disclosers should contain the types and numbers of violation and procedures followed in dealing with them.	
Communication with shareholders	The company should disclose the policy and methodology for communication with shareholders. The company should disclose how	C.2.2, C.2.3, C.2.4, C.2.5, C.2.6, C.2.7

Subject	Disclosure	Reference
	they implement the above policy and methodology. The company should disclose the contact person for such communication. There should be a process to make all directors aware of major issues and concerns of shareholders, and this process has to be disclosed by the company. The company should decide on the person to contact in relation to shareholders' matters. The process for responding to shareholder matters should be disclosed.	
Sustainability : ESG Disclosures	Companies should provide information in relation to the relevance of environmental, social and governance factors to their business models, strategy and how sustainability/ESG related issues may affect their business. The company's annual report should contain sufficient information to enable investors and other stakeholders to assess how ESG risks and opportunities are recognized, measured, managed and reported. The disclosures should deal with how the company has complied with the mandatory and voluntary codes of corporate governance and how its leadership structure, organizational culture, code of conduct and business model supports sustainability of the company in the short, medium and long term.	H.5, H.5.2, H.5.3,

B. Remuneration Committee Report

Subject	Disclosure	Reference
Remuneration Committee Report	The composition, scope, and the work performed by the committee should be listed in the annual report.	B.3.1

C. Directors' Report

Subject	Disclosure	Reference
Directors' Report	Should contain the following declarations made by the directors: • The company has not engaged in any activity, which contravenes laws and regulations; • The directors have declared all material interests in contracts involving the company and refrained from voting on matters in which they were materially interested; • The company has made all endeavours to ensure the equitable treatment of shareholders; • the directors have complied with best practices of corporate governance; • Property plant and equipment is reflected at fair value, where it is different from fair value adequate disclosures are made; • They have conducted a review of internal controls covering financial, operational and compliance controls and risk management and have obtained reasonable assurance of their effectiveness and successful adherence therewith; and	D.1.4

	• The business is a going concern, with supporting assumptions or qualifications as necessary, (The matters to which the board should give due consideration when adopting the going concern assumption are set out in Schedule H to this Code.) • The directors should explain in the annual report their responsibility for preparing the annual report and financial statements, and state that they consider the annual report and financial statements, taken as a whole, are fair, balanced, and understandable, and provides the information necessary for shareholders to assess the company's financial position, performance, ESG/sustainability risk and opportunities, business model and outlook.	
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D. Financial Statements

Subject	Disclosure	Reference
Financial Statements	• The board of directors should include a Statement of responsibility for the preparation and presentation of financial statements. • Auditors should also have a statement about their reporting responsibility	D.1.5
Related Party Transactions	Should disclose the related parties and related party transactions as specified by SEC/Accounting Standards/Auditing Standards and similar regulations.	D.1.8

E. Management Report

Subject	Disclosure	Reference
Management Report	Should include a ‘management discussion and analysis report’ discussing at least the following issues: • business model • industry structure and developments; • opportunities and threats; • risks management; • internal control systems and their adequacy; • corporate & enterprise governance • stakeholder relationships • social and environmental governance activities carried out by the company; • financial performance; • investment in physical and intellectual capital; • human resource management activities carried out by the Company; and • outlook for the future. The management discussion and analysis may be structured based on the Integrated Reporting Framework issued by International Integrated Reporting Council and “A Preparer’s Guide to Integrated Corporate Reporting”, Handbook on Integrated Corporate Reporting and, Non-Financial Reporting Guideline issued by CA Sri Lanka.	D.1.6

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F. Corporate Governance Report

Subject	Disclosure	Reference
Corporate Governance Report	Should disclose the manner and extent to which the company has complied with the principles and provisions of the Code.	D.7.1

G. Audit Committee Report

Subject	Disclosure	Reference
Audit Committee Report	Should set out the composition, scope, and work carried out by the committee.	D.4.5, D.3.3 Schedule F

H. Related Party Transactions Review Committee Report

Subject	Disclosure	Reference
Related Party Transactions Review Committee Report	Should set out the composition, scope and work carried out by the committee.	D.5.3

I. Statement on Internal Control

Subject	Disclosure	Reference
Statement on Internal Control	Should disclose the following as a minimum. (a) The board should summarise the process it has applied in reviewing the design and effectiveness of the system of internal control. (b) It should also disclose the process it has applied to deal with material internal control concerns and their resolution in the annual report.	Schedule I

	(c) An acknowledgement by the board that it is responsible for the company's system of internal control and for reviewing its design and effectiveness. It should also explain that such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatements. (d) The directors should disclose that there is an ongoing process for identifying, evaluating and managing the significant risks faced by the company, whether it has been in place for the year under review and whether it is regularly reviewed by the board. (e) The board should disclose if it has failed to conduct a review of design and effectiveness of the company's system of internal control. (f) The board should ensure that its disclosures provide meaningful, high-level information and do not give a misleading impression. (g) Where material subsidiaries, joint ventures and associates have not been dealt with in applying this guidance, as part of the group, that fact should be disclosed.	
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	(h) The confirmation by the board: The board should confirm in its report that the financial reporting system has been designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes has been done in accordance with applicable accounting standards and regulatory requirements. (i) Should be signed by the directors who signed the financial statements and the chairman of the audit committee.	
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Annexure 01

1997

President, Institute of Chartered Accountants of Sri Lanka
Mr M R Mihular

Committee Members as at 1st December 1997

Chairman

Mr. Nivard A L Cabraal
Past President, ICASL
Past President, South Asian Federation of Accountants

Members

Mr Mahendra Amarasuriya
Deputy Chairman, Hayleys Ltd
Chairman, Commercial Bank of Ceylon Ltd

Mr Romesh De Silva
President's Counsel,
President, Bar Association of Sri Lanka

Mr E Easparathasan
Senior Deputy Governor, Central Bank of Sri Lanka
Chairman, Sri Lanka Accounting and Auditing Standards Monitoring Board

Mr Channa Gunasinghe
Former Chairman, Ceylon Chamber of Commerce

Mr D K Hettiarachchi Acting Registrar of Companies, Dept. of
Registrar of Companies

Mr Hiran Mendis
Director General, Colombo Stock Exchange

Mr Angelo Patrick
Past President CIMA, Sri Lanka Division
Divisional Representative, CIMA Council in London

Mr Kumar Paul, Jnr
Director General, Securities and Exchange Commission of Sri Lanka

Mr G C B Wijeyesinghe
Past President, ICASL
Senior Partner, KPMG Ford Rhodes Thornton & Co.

2000

**President, Institute of
Chartered Accountants of Sri
Lanka**

Mr Ranel T Wijesinha

**The Committee appointed in
March 2000**

Chairman

Mr Chandra Jayaratne
Managing Director
CTC Eagle Insurance Co. Ltd

Members

Mr M J C Amarasuriya
Chairman
Commercial Bank of Ceylon Ltd

Mr Ken Balendra
Chairman, Bank of Ceylon
The Ceylon Chamber of Commerce

Mr Anuk Gunasena
Assistant Secretary General
The Ceylon Chamber of Commerce

Mr D K Hettiarachchi
Registrar of Companies, Dept. of
Registrar Companies

Dr D C Jayasuriya
Director General, Securities &
Exchange Commission of Sri
Lanka

Mrs S Kadurugamuwa
(till 17th April 2001)
Director/Legal, Central Bank of Sri
Lanka

Mr J S Mather
Senior Partner, Ernst & Young

Mr Hiran Mendis
Director General, Colombo Stock
Exchange

Mr M R Mihular
Partner, KPMG Ford Rhodes
Thornton & Co
Past President, The Institute of
Chartered Accountants of Sri
Lanka

Mr Lal Nanayakkara
Immediate Past President
Partner, Lal Nanayakkara & Co

Mr Angelo Patrick
Finance Director, Ole Spring
Bottlers Pvt Ltd
Past President, CIMA - Sri Lanka
Division

Mr P T Sirisena (from 17th April
2001)
Director Bank Supervision
Department
Central Bank of Sri Lanka
The Department of Bank
Supervision

Mr Arittha Wicramanayake
Precedent Partner
Nithya Partners
Attorneys-at-Law

Mr G C B Wijeyesinghe
Past President, ICASL
Senior Partner, KPMG Ford Rhodes
Thornton & Co

**National Committee on
Corporate Governance
Constituted in November 2001**

Chairman

Mr M J C Amarasuriya
Chairman, Pelawatte Sugar
Industries Ltd

Members

Mr J D Bandaranayake
Managing Director, Ceylon Tobacco
Company Ltd

Mr B L B Barsenbach
President, Institute of Chartered
Secretaries and Administrators - Sri
Lanka Branch

Mr Nivard Cabraal
Past President, The Institute of
Chartered Accountants of Sri Lanka

Mr Ranjith Fernando
Secretary, Ministry of Enterprise
Development Industrial Policy &
Investment Promotions

Prof. M T A Furkhan
Past President, Institute of Chartered
Secretaries and Administrators
Past President, CIMA – Sri Lanka
Division

Ms Surangika Gunasekera
Company Secretary, Seylan Bank

Mr Ajith Gunawardena
Director, John Keells Holdings Ltd

Ms C A Gunawardene
Fellow of the Institute of Chartered
Secretaries and Administrators

Mr D K Hettiarachchi
Registrar of Companies

Dr Ranee Jayamaha
Assistant to the Governor, Central
Bank of Sri Lanka

Mr Chandra Jayaratne
Managing Director, Eagle Insurance
Company Ltd

Dr Dayanath C Jayasuriya
Director General, Securities and
Exchange Commission

Mr K Kanag-Iswaran
President's Counsel

Mr S O Z Mowlana
Consultant, Institute of Local
Governance

Mr Eardley Perera
Managing Director, M & E Pvt Ltd

Mr Sudarshan Senaratne
Managing Director, Lanka Orix
Factors Ltd
President, CIMA – Sri Lanka Division

Mr Asite Talwatte
Partner, Ernst & Young
President, ICASL
(from 19th December 2001)

Mr Rienzei Wijetilleke
Managing Director, Hatton National
Bank

Mr G C B Wijeyesinghe
Secretaries and Registrars Ltd
Former President, ICASL

2008

**President, Institute of
Chartered Accountants of Sri
Lanka**

Mr. Nishan Fernando

**Corporate Governance
Committee in 2008**

Co-Chairmen

Mr. A D B Talwatte
Managing Partner - Ernst & Young

Mr. N A L Cabraal
Governor - Central Bank of Sri
Lanka

Members

Mr. D T S H Mudalige-Partner -
PricewaterhouseCoopers

Mr. P E A Jayewickreme-Managing
Partner-SJMS Associates

Mr. Arittha Wickramanayake
Precedent Partner (Attorney-at
Law) - Nithya Partners

Mr. Nirmal Fernando- Senior
Partner - KPMG Ford Rhodes,
Thornton & Co.

Mr. B R L Fernando
Chairman/CEO-Chemical
Industries (Col) PLC

Mr. D K Hettiarachchi-Registrar of
Companies-Company Law Advisory
Commission

Mr. Ronnie Peiris-Group Finance
Director-John Keells Holdings PLC

Mr. R A Ebell-Director
Hayleys PLC

Mr. Nihal Fonseka-Chairman -
Colombo Stock Exchange

Ms. Marina Tharmaratnam
CEO/Director- Union Assurance

Mrs. Shirani Jayasekera-Former
Head of Risk & Control - Sri
Lanka, Bangladesh, British
American Tobacco Co. Ltd.

Dr. Harsha Cabral-Attorney-at-Law
- Law Office of Dr. Harsha Cabral

Mr. Chandra Jayaratne-Former
Managing Director - Eagle
Insurance PLC

Mr. Ranjeevan Seevaratnam-
Former Partner - KPMG Ford
Rhodes,
Thornton & Co.

Late Mr. G R RamanayakeFormer
Training Director - ICASL

Ms. Sajevani Bakmeedeniya-Senior
Executive (Attorney-at-Law) - SEC

Mr. S Sockalingam – Former
Consultant – ICASL

2013

**President, Institute of
Chartered Accountants of Sri
Lanka**

Mr. D T S H Mudalige

**Corporate Governance
Committee in 2013
Co- Chairmen**

Mr. A D B Talwatte, Managing
Partner - Ernst & Young
Mr. D T S H Mudalige, President -
CA Sri Lanka

Members

Mr. S Rajapakse, Vice President -
CA Sri Lanka

Mr. A Herath, Partner – E & Y

Mr. A S Ratnayake, Director General
- SLAASMB

Ms. T M J Y P Fernando, Director -
Bank Supervision - Department of
Bank Supervision

Ms. K M A N Daulagala, Director -
Non-Bank Supervision - Department
of Non-Bank Supervision

Ms. Surana Fernando, Director –
Corporate Affairs – SEC

Ms. Surekha Sellaheewa, Chief
Executive Officer – CSE

Ms. Damayanthi Fernando, Director
Legal - IBSL

Mr. Ronnie Peiris, Group Finance
Director - John Keells Holdings Ltd.

Mr. Sarath Ganegoda,
Director/Group CFO - Hayleys PLC

Dr. Harsha Cabral, Attorney-at-Law
– Law Office of Dr. Harsha Cabral

Ms. Priyanthi Peiris, Consultant –
Colombo Stock Exchange

Dr. Harsha Cabral, Attorney-at-Law
– Law Office of Dr. Harsha Cabral

Mr. Arittha Wikramanayake,
Precedent Partner, Nithya Partners

Ms. Dilani Alagaratnam, President-
Human Resource, Legal &
Secretariat - John Keells Holdings
Ltd.

Mr. A Nirmal Fernando, Partner -
KPMG Ford Rhodes Thornton &
Company

Mr. D K Hettiarachchi, Registrar of
Companies – Company Law Advisory
Commission

Mr. Nihal Fonseka, General
Manager/CEO - DFCC Bank

Mr. Amitha Gooneratne, Managing
Director - Commercial Bank of
Ceylon Ltd.

Mr. R. Theagarajah, Managing
Director - Hatton National Bank

Mr. Deva Rodrigo, Retired Territory
Senior Partner -
PricewaterhouseCoopers

Ms. Rohini Nanayakkara,
Chairperson - Lanka Orix Leasing
Company PLC

Mr. Trevine Jayasekara, Director -
Brandix Lanka Lt

2017

President, Institute of Chartered Accountants of Sri Lanka

Mr. Lasantha Wickremasinghe

Corporate Governance Committee in 2017

Chairman

Mr. A D B Talwatte, Chairman - Management Systems (Pvt) Limited

Members

Mr. Sujeewa Mudalige, Partner -
PricewaterhouseCoopers

Mr. Arjuna Herath, Partner - Ernst
& Young

Mr. Lasantha Wickremasinghe,
Partner - B R De Silva & Company

Mr. D. N. R. Siriwardena, Registrar
of Companies - Law Advisory
Commission

Mr. Ranil Angunawela, Director
Legal - IBSL

Mr. Naomal Goonewardena, Partner
- Nithya Partners

Mr. Ronnie Peiris, Group Finance
Director - John Keells Holdings PLC

Mr. Sarath Ganegoda, Group Chief
Financial Officer - Hayleys PLC

Mr. Steven Enderby, Chief Executive
Officer - Hemas Holdings PLC

Ms. Anusha Mohotti, Deputy
Director General - SLAASMB

Mrs. Priyana Gunasekera, Head of
Listing & Corporate Affairs - CSE

Dr. Harsha Cabral, Attorney-at-Law

Mr. Vajira Wijegunawardane,
Director General - SEC

Ms. Priyanthi Peris, Attorney-at-Law

Mr. Ranjan Casie Chetty, Company
Secretary / Director - Aitken Spence
Group PLC

Mr. Nihal Fonseka, Advisor to the Board
of Directors - DFCC Bank PLC

Mr. Lalit De Silva Wijeyeratne,
Former Director Finance - Richard
Pieris & Company PLC

Mr. Vajira Kulatilaka, Chief
Executive Officer - NDB Capital
Holdings PLC

Ms. Coralie Pietersz, Finance
Director - Finlays Colombo PLC

Ms. Premila Perera, Independent
Non-Executive Director - John
Keells Holdings PLC

Ms. Shiromal Cooray, Director -
Jetwing Group

Mr. Nishan Fernando, Managing
Director - BDO Consulting (Pvt)
Ltd

Mr. Nirmal Fernando, Director -
Watawala Plantation LTD

Mr. Richard Ebell, Independent
Non-Executive Director

The Institute of Chartered Accountants of Sri Lanka
30A, Malalasekera Mawatha, Colombo 07
Tel: 0112 352 000
www.casrilanka.com



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