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# **POLICY ON BOARD COMMITTEES**

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Version 1

## Document Information

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## POLICY ON BOARD COMMITTEES

### 1.0 INTRODUCTION

The Board Committees [also known as “Board Sub-Committees” or “Sub-Committees” or “Committees”] have been established to discuss Board matters in further detail. Each Committee is made up of members of the Board of Directors of the Company and subject matter experts among them usually being appointed as the members of the respective Committee. As a good governance practice, each Committee is chaired by a Non-Executive Director of the Company.

As per the regulations governed by the Regulators in Sri Lanka, i.e. the Colombo Stock Exchange [“CSE”], Central Bank of Sri Lanka [“CBSL”], CA Sri Lanka etc, the Companies governed under the said Regulators are required to form the specific Sub-Committees under the stipulated guidelines.

Further as per the Corporate Governance requirements applicable for the Listed Entities under Rule 9.1.1 of CSE, the Listed Entities shall establish and maintain the “Policy on Board Committees” among other specific policies.

### 2.0 GOVERNANCE REQUIREMENTS FOR THE BOARD COMMITTEES AS PER THE REGULATORS

#### A) Guidelines under the Finance Business Act Direction No. 05 of 2021 (Corporate Governance) of CBSL

According to the Finance Business Act Direction No. 05 of 2021 (Corporate Governance) of CBSL, the Finance Companies [“FCs”] are divided into two categories based on the asset base as per the latest audited statement of financial position as FCs with asset base of more than LKR 20 Bn and FCs with asset base of less than LKR 20 Bn, for the purpose of specifying the requirements for Board Sub-Committees, which are as follows;

	<b>Finance Companies with Asset Base of More Than LKR 20 Bn</b>	<b>Finance Companies with Asset Base of Less Than LKR 20 Bn</b>
<b>Board Sub-Committees</b>	Shall establish a Board Audit Committee [“BAC”], Board Integrated Risk Management Committee [“BIRMC”], Board Nomination Committee [“BNC”], Human Resource and Remuneration Committee [“HRRC”] and Related Party Transactions Review Committee [“RPTRC”]	Shall establish <b>at least</b> a Board Audit Committee [“BAC”], Board Integrated Risk Management Committee [“BIRMC”], and Related Party Transactions Review Committee [“RPTRC”]

<b>Frequency of Meetings</b>	Meetings shall be held at least once in two months for BAC and BIRMC. Other Committees shall meet at least annually	Meetings shall be held at least quarterly for BAC and BIRMC. Other Committees shall meet at least annually
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- Each Board Sub-Committee shall have a board approved written Terms of Reference [“ToR”] specifying clearly its authority and duties.
- The Board shall present a report on the performance of duties and functions of each Board Sub-Committee, at the Annual General Meeting of the company.
- Each Sub-Committee shall appoint a Secretary to arrange its meetings, maintain minutes, voice or video recordings, maintenance of records and carry out such other secretarial functions under the supervision of the chairperson of the Committee.
- Each Board Sub-Committee shall consist of at least three Board members and shall only consist of members of the Board, who have the skills, knowledge and experience relevant to the responsibilities of the Committee.
- The Board may consider occasional rotation of members and of the Chairperson of Board Sub-Committees, as to avoid undue concentration of power and promote new perspectives.

**B) Guidelines under the Listing Rules of CSE**

According to the Corporate Governance requirements applicable to the Listed Entities under Rule 9.3 of CSE, the Listed entities shall ensure that the following Board Committees are established and maintained **at a minimum** and are functioning effectively.

- a) Nominations and Governance Committee
- b) Remuneration Committee
- c) Audit Committee
- d) Related Party Transactions Review Committee
- The Listed entities shall comply with the composition, responsibilities and disclosures required in respect of the above Board Committees as set out in the Rules.
- The Chairperson of the Board of Directors of the Listed Entity shall not be the Chairperson of the Board Committees

### **3.0 BOARD AUDIT COMMITTEE [“BAC”]**

The Company has formulated a well detailed Charter and TOR for the BAC covering all the regulatory requirements which will be revised annually and approved by the Board of Directors upon the recommendation of the BAC.

### **4.0 BOARD INTEGRATED RISK MANAGEMENT COMMITTEE [“BIRMC”]**

The Company has formulated a well detailed Charter and TOR for the BIRMC covering all the regulatory requirements which will be revised annually and approved by the Board of Directors upon the recommendation of the BIRMC.

### **5.0 BOARD NOMINATION & GOVERNANCE COMMITTEE [“BNGC”]**

The Company has formulated a well detailed Charter and TOR for the BNGC covering all the regulatory requirements which will be revised annually and approved by the Board of Directors upon the recommendation of the BNGC.

### **6.0 BOARD REMUNERATION COMMITTEE [“BRC”]**

The Company has formulated a well detailed Charter and TOR for the BRC covering all the regulatory requirements which will be revised annually and approved by the Board of Directors upon the recommendation of the BRC.

### **7.0 RELATED PARTY TRANSACTIONS REVIEW COMMITTEE [“RPTRC”]**

The Company has formulated a well detailed Charter and TOR for the RPTRC covering all the regulatory requirements which will be revised annually and approved by the Board of Directors upon the recommendation of the RPTRC.

### **8.0 BOARD CREDIT COMMITTEE [“BCC”]**

In fulfilling the requirements under Finance Business Act Directions No.02 of 2024 on Credit Risk Management, the Company has formulated a detailed Charter and TOR for the BCC covering all the regulatory requirements which will be revised annually and approved by the Board of Directors upon the recommendation of the BCC.

### **9.0 REVIEW OF THE POLICY**

The Company shall review the Policy on Board Committees annually and make appropriate changes in accordance with CBSL Directions, Listing Rules of CSE and other regulations.

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