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# POLICY ON BOARD COMMITTEES

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## Document Control

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### Authorization

<b>Drafted by</b>	Compliance Department
<b>Approved by</b>	Board of Directors
<b>Date</b>	

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## 1. Background

This policy is drafted as per the Colombo Stock Exchange Corporate Governance rule 9.2.1 (b) & 9.3. This policy outlines the framework and guidelines for the establishment, operation, and management of Board committees within our organization. It ensures that committees are structured effectively to support the Board's responsibilities and enhance overall governance. The policy defines the roles, responsibilities, and composition of various committees, and establishes procedures for their functioning and reporting. By adhering to this policy, we aim to promote transparency, accountability, and efficiency in the decision-making process.

## 2. Objectives of this Policy

- i. **Ensure Effective Governance:** Establish a clear framework for the creation, operation, and oversight of Board committees to enhance overall governance and decision-making processes.
- ii. **Define Roles and Responsibilities:** Clearly outline the roles, responsibilities, and authority of each committee to avoid overlaps and ensure accountability.
- iii. **Promote Transparency:** Provide guidelines for how committees should operate, report, and communicate with the Board to maintain transparency and openness in governance.
- iv. **Facilitate Structured Decision-Making:** Support structured and informed decision-making by defining procedures and processes for committee meetings, deliberations, and resolutions.
- v. **Ensure Compliance:** Ensure that committee operations comply with relevant laws, regulations, and organizational policies to mitigate risks and uphold legal and ethical standards.
- vi. **Enhance Accountability:** Establish mechanisms for monitoring and evaluating committee performance, ensuring that committees are held accountable for their activities and outcomes.
- vii. **Promote Fairness and Integrity:** Implement policies to manage conflicts of interest and ensure that committee activities are conducted with fairness and integrity.

## 3. CBSL corporate governance rule No. 10 on Board Committees.

According to Rule No. 10.1, for the purpose of specifying the requirements for board committees, FCs are divided into two categories based on the asset base as per the latest audited statements of financial position as FCs with asset base of more than Rs. 20 bn and FCs with asset base of less than Rs. 20 bn.

	<b>FCs with asset base of more than Rs. 20 bn</b>	<b>FCs with asset base of less than Rs. 20 bn</b>
<b>Board Sub-Committees</b>	Shall establish a Board Audit Committee (BAC), Board Integrated Risk Management Committee (BIRMC) Nomination Committee Human resource and Remuneration Committee and Related party Transaction Review Committee	Shall establish at least the BAC, BIRMC and Related Party Transaction Review Committee
<b>Meetings</b>	Meetings shall be held at least once in two months for BAC and BIRMC. Other committees shall meet at least annually	Meeting shall be held at least quarterly for BAC and BIRMC. Other Committees shall meet at least annually

**4. As per CSE rule No. 9.2 (1) (b) & 9.3.1 on Corporate Governance**

Board shall ensure that the following Board Committees are established and maintained at a minimum and are functioning effectively. The said Board Committees at minimum shall include:

<b>Committee Name</b>	<b>Composition</b>	<b>Frequency of meetings</b>
Audit Committee	The committee shall consist of three independent non-executive directors appointed by the Board. The chairman of the committee shall be an independent director who possesses qualifications and experience in accountancy and/or audit.	Committee shall meet at least quarterly and more frequently if required, with due notice of issues to be discussed and shall record its conclusions in discharging its duties and responsibilities.
Related Party Transaction Review Committee	Chairman of the committee shall be an Independent non-executive director. In the absence of the Chairman of the Committee at any meeting of the Committee, the members present at the meeting shall appoint one of their members (An independent Director) to act as Chairman of the meeting. Other members of the committee consist of two non-executive directors.	Committee shall meet at least quarterly and more frequently if required.
Board Integrated Risk Management Committee	Chairman of the committee shall be an Independent non-executive director. In the absence of the Chairman of the Committee at any meeting of the Committee, the members present at the meeting shall appoint one of their members (An independent Director) to act as Chairman of the meeting. Other members of the committee consist of two non-executive directors.	Committee shall meet at least quarterly and more frequently if required. When the Asset base of AFPLC reach to LKR. 20 Bn, Meetings shall be held once in two months.

Committee Name	Composition	Frequency of meetings
Human resource and Remuneration Committee	<p>The Remuneration Committee should be comprised of a minimum of three Non-Executive Directors a majority of whom shall be independent.</p> <p>The Chairman of the Committee shall be an independent Non-Executive Director and shall be appointed by the Board.</p>	Meetings shall be held not less than twice a year and as and when required.
Nominations & Governance Committee	<p>The Committee shall be constituted with at least three Independent Non-Executive directors and preferably the majority may be independent directors. An independent director shall chair the committee, The CEO may be present at meetings by invitation of the committee.</p> <p>The chairman of the Committee shall be one of the independent non-executive directors of the Company sitting on the Committee or the chairman of the Board.</p>	Meeting of the Committee shall be held not less than once a year and at such other times as the chairman of the Committee shall require.

Entity shall comply with the composition, responsibilities and disclosures required in respect of the above board committees as set out in the CSE rules. The composition and Terms of Reference will be drafted by each committee secretary as per the CBSL & CSE rules on committees and recommended by the committee and approved by the Board. The Chairperson of the Board of Directors of the Listed Entity shall not be the Chairperson of the Board Committees referred above.

Following non mandatory Committees are formulated to further broaden the governance practices.

- Credit Committee
- Board Information Security Committee
- IT Steering Committee
- ALCO Meeting

Terms of Reference will be drafted by each committee secretary of the relevant committees and with the Committee recommendation board will approve same.

## 5. Policy reviewing frequency

This Policy shall be reviewed at least two years, to ensure it is in accordance with the Laws, Directions and Guidelines issued by Regulatory Authorities.