

REVISED CORPORATE GOVERNANCE RULES

COLOMBO STOCK EXCHANGE



LINE UP

01

Board and CEO

02

Board Committees

0

3

Policies

0

4

Enforcement



01



Board & CEO




External

The Board of Directors and CEO

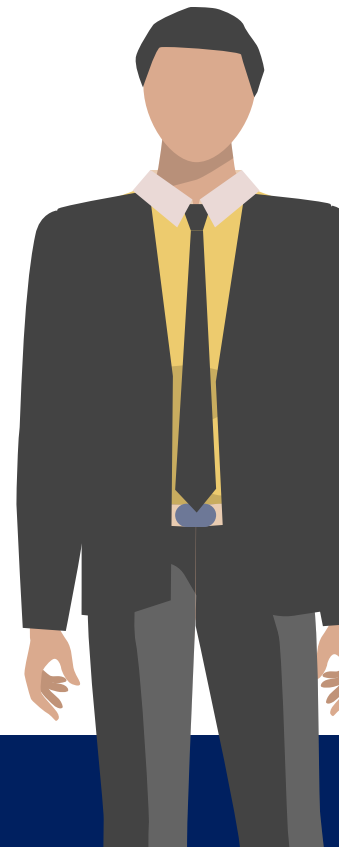
- Minimum number of Directors on the Board - 5
- Independent Directors: 2 or 1/3 of the Board, whichever is higher



Chairperson and CEO

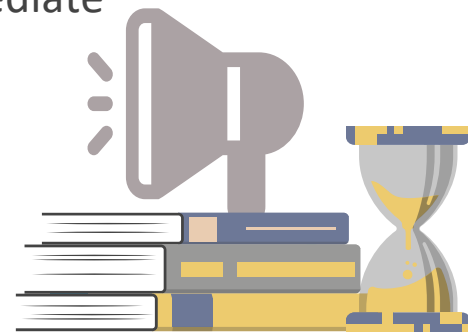
- 
- Chairperson should be non-executive;
 - Chairperson and CEO positions cannot be held by one person;

unless a Senior Independent Director (SID) is appointed by the Listed entity



Chairperson and CEO

- If the above is not in place as at the effective date (1st October 2023), the company must make a market announcement within one (1) month. The rationale of why it is so must be set out
- If above situation arises after the effective date, an immediate announcement is required



Requirement for a Senior Independent Director

A Senior Independent Director shall be appointed in following instances:

- i. The positions of the Chairperson and CEO are held by the same individual
- ii. The Chairperson is an Executive Director
- iii. The Chairperson and CEO are Close Family Members or Related Parties

An immediate disclosure should be made to the market

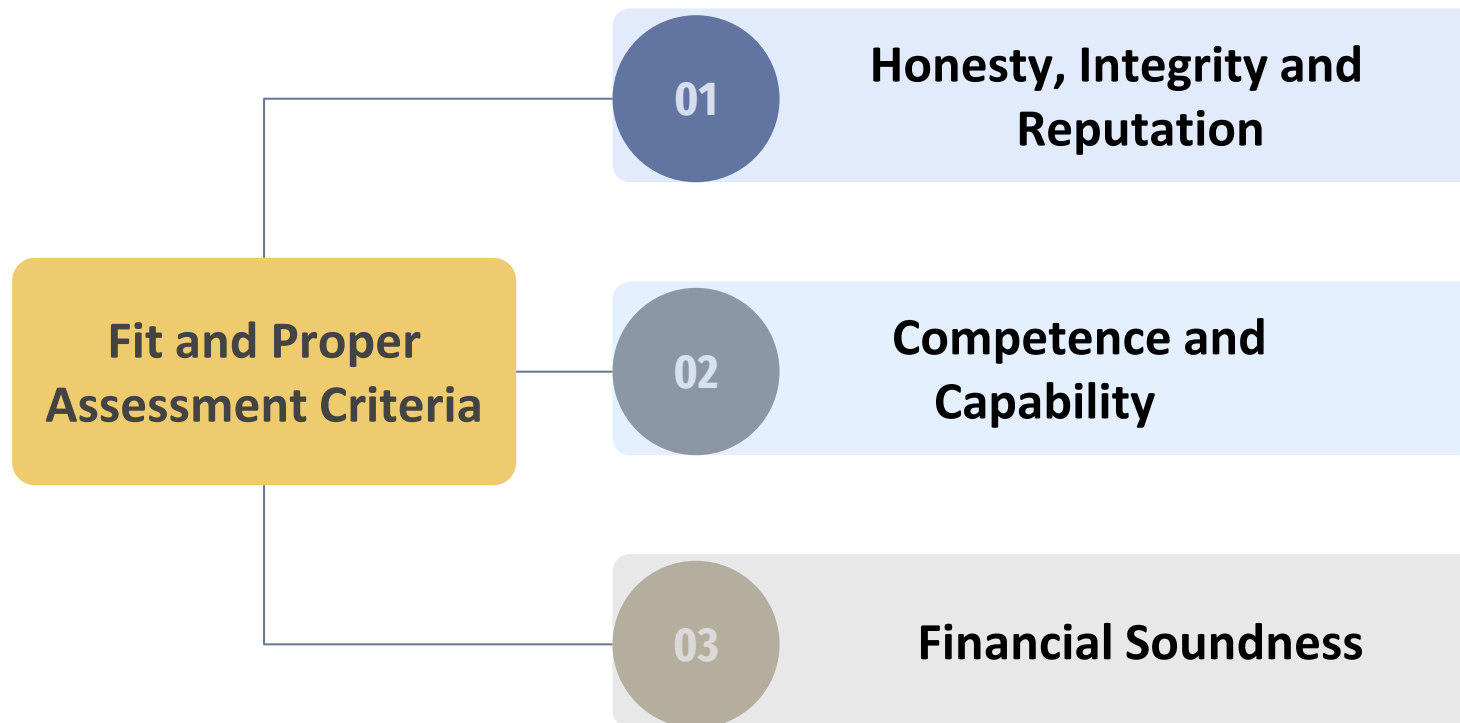


Senior Independent Director - Responsibilities

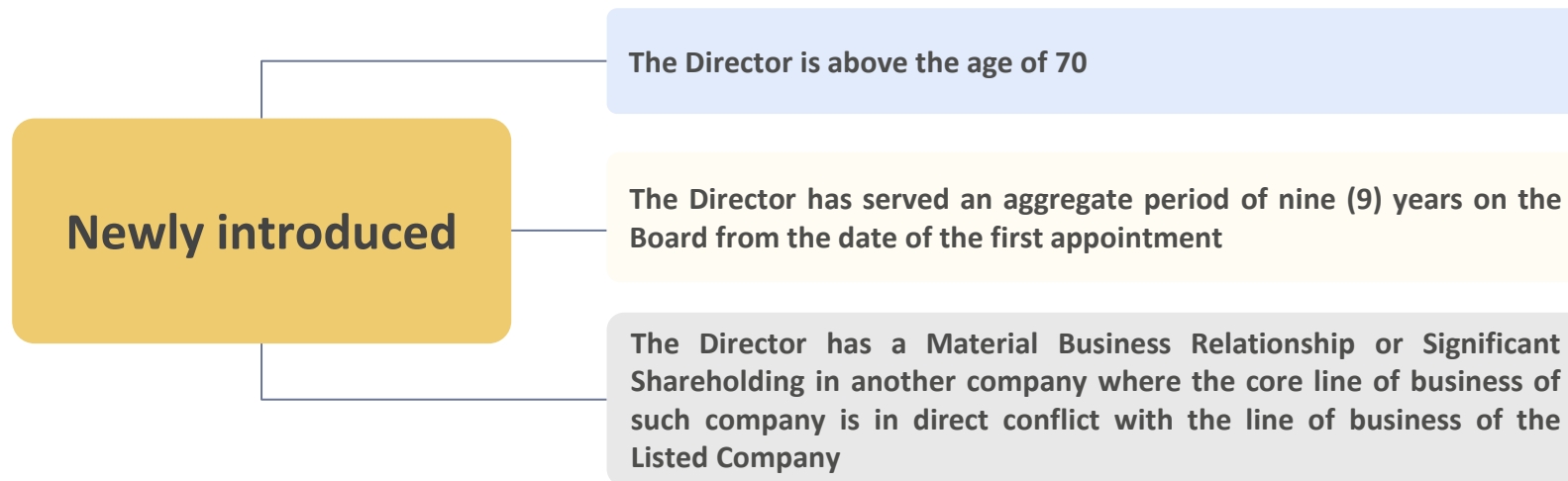
- Meeting with Independent Directors – at least once a year. Discuss matters and concerns of entity and operations of Board
- Meeting with non-executive directors without the Chairperson - at least once a year. Appraise performance of the Chairperson
- Entitled to cast vote in above meetings



Fitness of Directors and CEOs



A Director is not independent if;



The Board cannot determine a director to be 'nevertheless independence' if he/she does not meet the criteria (applicable from 01/10/2024)

Alternate Directors

- Can be appointed only under exceptional circumstances
- Duration: maximum 1 - year period
- Should be of the same nature of directorship



02

Board Committees

External



Board Committees

- Nomination and Governance Committee - newly introduced
- Related Party Transaction Review Committee is also a requirement for debt only listed companies from 01/10/2024
- Chairperson of the Board cannot be the Chairperson of Board Committees



Nominations and Governance Committee Composition

- Minimum 3 directors out of which 2 should be Independent
- No executive directors
- Chairperson of the Committee must be Independent

Functions

- Evaluate the appointment of Directors
- Consider and recommend (or not recommend) the re-appointment/re-election of Directors
- Establish and maintain;
 - formal and transparent procedure to evaluate, select and appoint/re-appoint Directors
 - set of criteria for selection of Directors
 - suitable process for the periodic evaluation of performance of Board and CEO
- Develop succession plan for Board and KPMs
- Review the structure, size and composition of the Board and Board Committees
- Review and recommend the overall corporate governance framework and periodically review and update it
- Obtain management confirmation on compliance with corporate governance framework

Remuneration Committee

- Minimum 3 directors out of which 2 should be Independent
- No executive directors
- Chairperson of the Committee must be Independent
- Parent company's Committee can be shared till 1/10/2024
- Functions are same as earlier

Audit Committee: Composition

- Minimum of 3 Directors out of which minimum 2 or a majority of Directors, whichever is higher, to be independent
- No executive directors
- Chairperson of the Committee to be Independent
- Chairperson shall be a Member of a recognized professional accounting body
- Quorum - Majority should be Independent
- Compulsorily meet on a quarterly basis
- Parent company's Committee can be shared till 01/10/2024

Audit Committee: Audit & Risk Functions

- Oversee compliance with financial reporting requirements
- Review the quarterly results and year-end financial statements
- Recommend to Board on appointment, re-appointment and removal of external auditors
- Implement policy for non-audit services by external auditor
- Rationalize reasons for changing auditors when the immediately preceding audit opinion contains a modification or an emphasis of matter on going concern
- Report to CSE on any matters referred to Board which were not satisfactorily resolved
- Review the internal controls, risk management process and its adequacy
- Oversee the adequacy of Entity's internal controls and risk management
- Review the risk policies annually

Related Party Transactions Review Committee

- Minimum 3 directors, out of which 2 must be Independent
- Chairperson of the Committee be Independent
- May have executive directors
- Parent company's Committee can be shared till 1/10/2024
- Functions are same as earlier

03

Policies



Policies

**Board Governance and
Remuneration**

5

1

Corporate disclosure

Shareholder relations

1

2

**Whistle blowing and
Corruption**

**Risk management and
Sustainability**

2

1

**Management of company
assets**

Policies

- Establish and maintain the policies specified in Rule 9.2.1
- Existence and implementation of policies to be disclosed in company website
- Any waivers on compliance with the Internal Code of business conduct and ethics or exemptions granted by the Listed Company must be fully disclosed in the Annual Report
- Disclose in Annual Report:
 - List of policies that are in place in conformity with Rule 9.2.1
 - Any changes to policies adopted



Policy on matters relating to the Board of Directors

Establish and maintain a formal policy including;

- Balance of representation between Executive and Non-Executive Directors
- Minimum Board composition & the maximum number of Directors
- Roles and functions of the Chairperson and CEO
- If Chairperson and CEO roles are combined, the rationale for same. Have a Board charter stating TOR, functions and powers of SID
- Board diversity, experience, skills, competencies, age, gender, industry requirement
- Frequency of Board meetings
- Maximum number of directorships in Listed Companies
- Minimum number of meetings
- Mechanisms to ensure that Directors are kept abreast of the Listing Rules
- Requirements on trading in securities of the Listed Entity and its listed group
- Right to participate for meetings by audio visual means taken into quorum

Annual Report Disclosures

Board of Directors

- Name, qualifications and brief profile
- Nature of directorship
- Nature of expertise in relevant functional areas
- Any Material Business Relationships of Director or Close Family Members
- Total number of directorships with the names of the companies
- Number of Board meetings attended during the year
- Names of Board Committees served and details of attendance



Annual Report Disclosures

Policies

- Confirm compliance with policies and provide explanations for any non-compliance with reasons and proposed remedial action.
- List of policies with reference to company website and any changes

Policy on matters relating to the Board of Directors

- Confirm compliance with policy and provide explanations for any non-compliance with reasons and proposed remedial action.



Annual Report Disclosures

Senior Independent Director

- Rationale for appointment of SID
- Signed explanatory disclosure demonstrating the effectiveness of duties of the SID

Fit and Proper Criteria

- Statement that Directors and CEO satisfy the Fit and Proper Assessment Criteria
- Any non-compliance/s and remedial actions



Annual Report Disclosures

Nominations and Governance Committee

- Report of the Nominations and Governance Committee signed by its Chairperson
- Include;
 - Names and date of appointments of Chairperson and Committee members
 - Availability of documented policy and processes for nominating Directors
 - Requirement for re-election of directors
 - Board diversity in the range of experience, skills, age, and gender
 - Demonstrate effective implementation of policies and processes of appointment and re-appointment of Directors
 - Periodic evaluations on performance of Board



Annual Report Disclosures

Audit Committee

- Names of Chairperson and Committee members
- Status of risk management and internal control
- Opinion on the compliance with financial reporting requirements and information requirements
- Availability of formal Audit Charter
- Manner in which internal audit assurance is achieved
- Confirmation on independence of external auditors



Annual Report Disclosures

Additional Disclosures:

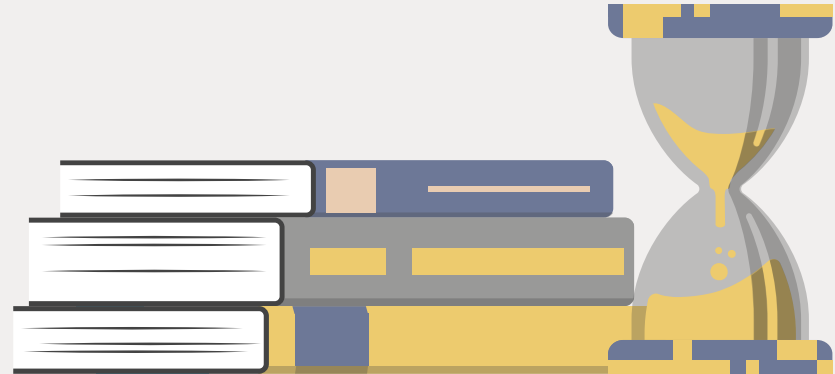
Declaration by BOD that;

- declared all material interests in contracts
- conducted a review of the internal controls covering financial, operational and compliance controls and risk management
- made arrangements to make themselves aware of applicable laws, rules and regulations
- disclosure of any non-compliance with law/regulation and any fines, which are material



04

Enforcement



Enforcement

Enforcement applicable for non-compliance with;

9.2.1	Establish and maintain Policies
9.8.2	Minimum number of Independent Directors
9.11.4	Composition of Nominations and Governance Committee
9.12.6	Composition of Remuneration Committee
9.13.3	Composition of Audit Committee
9.14.2	Composition of RPT Review Committee



Enforcement

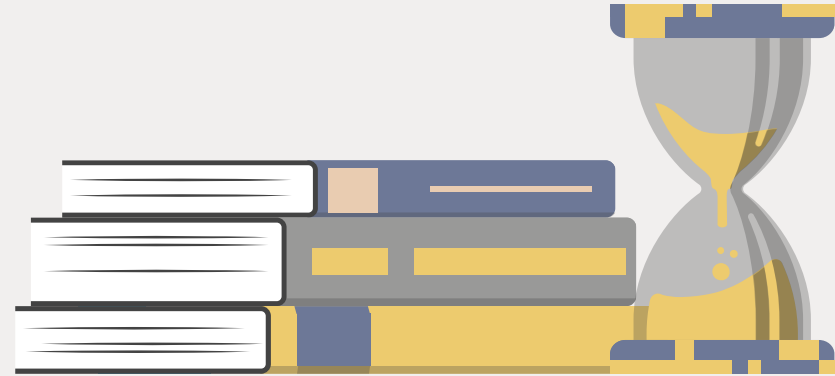
New provisions for Enforcement

Listed Companies can make 2 deferment requests:

- First deferment from CSE: 3 months from the date of transfer to Watch List
- Further deferment from SEC: 2 months prior to expiry of the 1st deferment

Enforcement applicable for RPT Rules (Rule 9.14.2) from 01/04/2024

Empower Board



Empower Board

Remuneration Committee

- Minimum 2 Directors out of which 1 to be Independent
- Chairman to be Independent

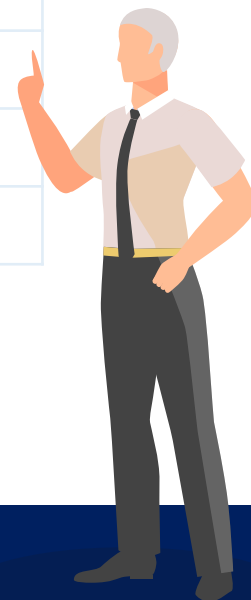
Audit Committee

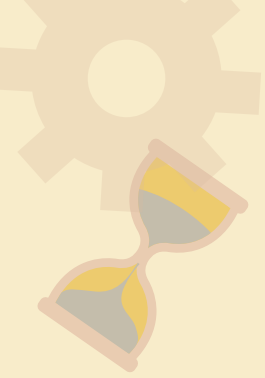
- Minimum 2 Directors, out of which 1 to be Independent
- Chairman Independent
- Chairman shall be a Member of a recognized professional accounting body. If not, obtain service of competent independent expert.
- Competent independent expert
 - not a related party of the entity
 - shall not have a substantial shareholding in or a financial/business connection with the Entity and/or the group
- Audit Committee may perform duties of Remuneration Committee and RPT Review Committee

Empower Board - Enforcement

Enforcement applicable for non-compliance with;

9.18.1	Minimum number of Non-Executive Directors
9.18.2(a)	Minimum Number of Independent Directors
9.18.5(a)	Composition of Remuneration Committee
9.18.6(a)	Composition of Audit Committee
9.18.7	Composition of RPT Review Committee





Thank You

