

## **CORPORATE GOVERNANCE POLICIES**

### **a. Policy on the matters relating to the Board of Directors**

#### **I. Executive and Non-Executive Directors composition**

The Company policy is to maintain a healthy balance between the Executive Directors, Non-Executive Directors and Independent Directors. 62% of the Board of Directors comprised Non-Executive Directors, majority are deemed to be independent thereby enriching discussions and bringing objective judgement to Board decisions.

In recognizing the need to have balance, the Company has 5 Executive Directors and 11 non-executive Directors. Out of non-executive Directors, Nine Directors are Independent.

#### **II. Minimum Board Composition**

The Company believes the present number of Directors of 16 is required as a minimum number of Directors considering the scale of operations.

#### **III. Roles and functions of Chairman/CEO**

The role of Company's Chairman is distinct and separate from that of the Chief Executive Officer, with a clear division of responsibilities. Chairman leads the Board while, Chief Executive Officer provides oversight for Company day to day business operations as per the authority delegated to him by the Board.

#### **IV. Procedures for appraisal of Board performance and CEO performance**

The Board performance is reviewed annually by comparing with Plan/budget. Independent Directors views are considered in evaluating Executive Directors performance. Discussions are held in making improvements to the Board performance.

#### **V. Rationale for combining position of Chairperson and CEO – Presently held by two individuals**

#### **VI. Functions of the SID and measures taken to safeguard the Interests of the Board.**

The Senior Interdependent Director provides a sounding board for the Chairman and acts as an intermediary for the Non-Executive Directors.

He helps to maintain a balance in the board decision making. SID is accessible to shareholders should they have any concerns, where communication through regular channels has not been effective or where such channels are inappropriate.

## VII. Diversity in Board Composition

The Company recognizes experience, competencies, gender, age, industry exposure in appointing Directors. In order to have a balance on the Board, the appointments are made with required expertise and experience. Diversity maintained in Board appointments ensures sustainability and growth in the Company.

## VIII. Maximum number of Directors and rationale

Considering the scale of operations of the Company, a maximum of 16 Directors are more appropriate to control the operational management and oversight for the full range of activities.

## IX. Frequency of Board meetings

In order to evaluate the performance of the Company, it's necessary to have a Board meeting once in two months. In case of any special circumstances arise, additional Board meetings are held.

## X. Mechanisms for updating Directors on Listing rules

It's an agenda item in the Company Board meeting to discuss matters relating to regulatory changes. Listing rules changes are educated to Directors timely.

## XI. Minimum of numbers of meetings Director should attend

It's expected that Directors should attend 75% of meetings held in a year. With the intention of involving all Directors in discussions and decision making, full attendance is encouraged.

## XII. Maximum number of Directorships

As a best practice, Directors are required to limit their directorships to 20.

## XIII. Right to participate in meetings by way of audio visuals

In order to ensure participation in Board meetings/Subcommittee meetings, the Right is given to Directors to participate by way of audio visuals.

**b. Policy on Board Committees**

As part of strengthening corporate governance, the Board has delegated certain function to sub committees for more focus/detailed analysis to support decision making. Sub committees' members are appointed from non-executive Directors mainly and one Independent Director is assigned Chairmanship. The committees are given clearly defined mandates, and the frequency of meetings are agreed upon.

**Audit Committee**

The Audit Committee assists the Board in its oversight and monitoring of financial reporting, risk management, internal control aspects, and compliance with financial and regulatory requirements.

**Remuneration Committee**

The Remuneration Committee activities include reviewing and recommend compensation to be paid to Directors and senior management and review of remuneration policy.

**Nomination Committee**

The Nomination Committee activities include nomination, selection and recommendation Non-Executive Directors, CEO and Key senior officers, and succession planning for Key Management Personnel.

**Related Party Transaction Review Committee (RPTRC)**

RPTRC is in place to ensure that the interest of the shareholders is safeguarded and adhere to the regulatory requirements.

**Enterprise Risk Management Committee**

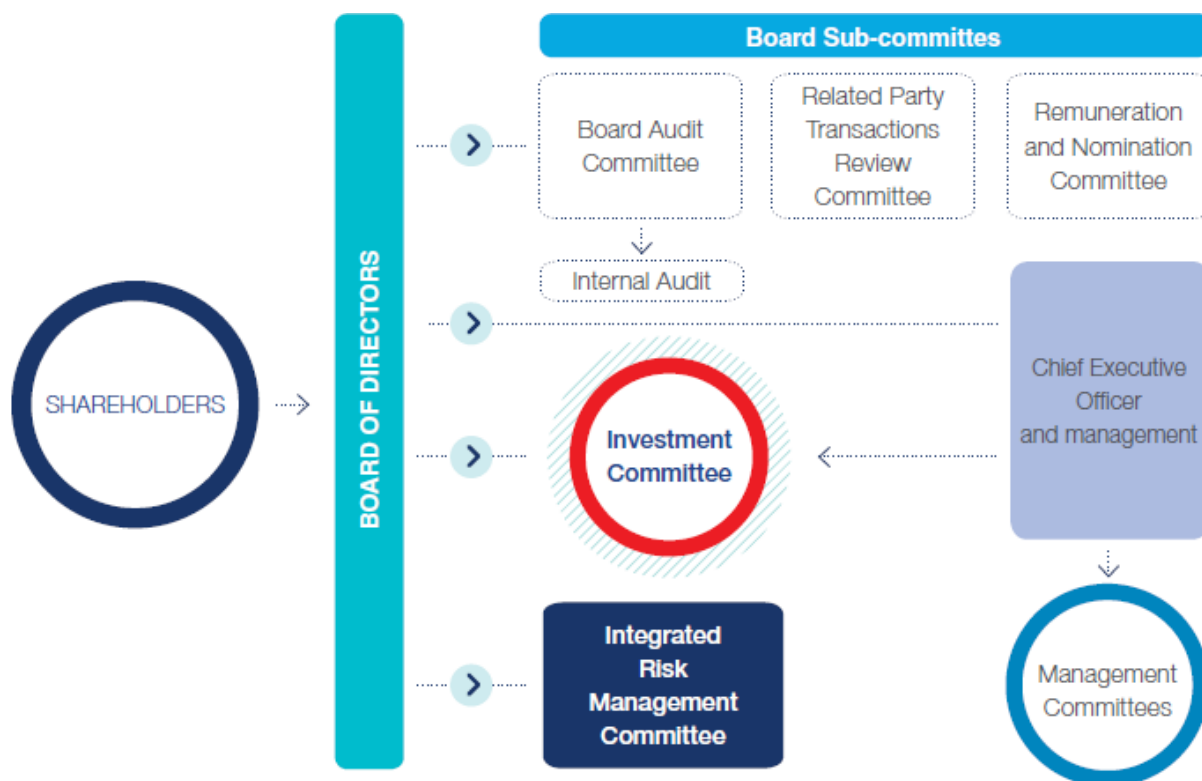
The Enterprise Risk Management Committee activities include establishing structure and framework for risk management, identification of risks and monitoring same and reporting to the management.

**Investment Committee**

The Investment Committee assists the Board in managing investment income, business liquidity, assessing macro-economic variables and compliance with financial and regulatory requirements.

### c. Policy on Corporate Governance, Nominations and Re-election

The governance policy and structure of the company allows effective and efficient decision making which combines the right balance of authority and power throughout the organization. The governance framework comprises the process and structures, which affect the way in which the Company is directed, managed, monitored and its activities are reported.



The Board is refreshed at regular intervals through new appointments, retirement, resignation, and re-election. Board refreshment allows for the introduction of members with new skills, insights, and perspectives, while retaining valuable industry knowledge and maintaining continuity of healthy rhythm.

Board appointments are conducted in a formal and transparent manner, as determined by the Nominations Committee which assesses the Company's strategic demands as well as the proficiencies and capabilities of the Board. Profiles of requirements are drawn up and prospective candidates are screened by the Nominations Committee prior to recommendation to the Board. The Board considers the recommendations of the Nominations Committee and recommends suitable candidates for appointment or re-

election by the shareholders at the Annual General Meeting under the scrutiny of the Nomination Committee.

The Company gets prior approval from Insurance Regulatory Commission of Sri Lanka, when appointing new Directors to the Board.

The Nominations committee is assigned the task of selection and recommendation of new Directors/re-election, CEO and key senior officers and monitors succession planning for key management personnel.

**d. Policy on Remuneration**

The remuneration committee determines remuneration policy and compensation packages to be paid to Directors and senior management of the Company. Executive Directors/senior management reviews the Remuneration of all staffs and make necessary changes annually. In considering the salary and benefits, the management looks at experience, qualifications, contribution, designation and market scales.

Compensation of Non-Executive Directors is determined in reference to the contribution made by them to achieving the agreed goals of the Company and serving as members of Committees. Non-Executive Directors are not entitled to receive any performance-related / incentive payments.

**e. Policy on Internal Code of Business conduct and Ethics for all Directors and employees, including policies on trading in the Entity's listed securities.**

The Company corporate structure, business, operations and disclosure practices have been strictly aligned to our corporate governance philosophy. Transparency, accountability, fairness and intensive communication with stakeholders are integral to Company activities.

The Code of ethics/terms and conditions of employment shall be distributed to each new employee of the Company upon commencement of his or her employment with the Company and may also be disseminated at other intervals.

Each recipient will be asked to sign a copy of the verification of receipt and understanding, in letter of appointment, which will become part of his or her permanent record with the Company to confirm his or her understanding of how this terms and conditions applies to him or her and to acknowledge his or her obligation to abide by this Code.

The Company expects that all Employees to comply with all laws, including anti-trust, anti-bribery, environmental and safety laws, and all rules and regulations applicable to the Company in all regulatory authorities. Board of Directors and employees are expected to act with integrity, use good judgment and common sense in seeking to comply with all applicable laws, rules and regulations, and particularly those relating to accounting and auditing matters, and to ask for advice from the Legal Department if there is any uncertainty whether a situation may violate any applicable laws.

The Company is a fully owned subsidiary of Ceylinco Holdings PLC. Hence share trading in a listed securities exchange is not applicable.

**f. Policy on Risk management and Internal controls**

An ongoing process is in place to identify and manage the risks that are associated with the business and operations of the Company. The Board of Directors review this process through the Audit Committee and the Enterprise Risk Management Committee.

The Audit Committee reviewed the efficacy of the internal control system and compliance with regulatory requirements and the Company's accounting and operational policies through the internal audit function.

Enterprise Risk Management Committee stays focused on Company's organizational resilience, in the presence of distinctive risks such as credit, market, operational, capital, and liquidity being influenced by both internally and externally driven developments.

**g. Policy on Relations with Shareholders and Investors**

The Company respects equal rights of all shareholders and is committed to the practice of impartial, transparent and timely disclosure. Company Annual General Meeting (AGM) provides shareholders with the opportunity to share their views and to meet the Board, including the Chairman of Board committees and members of Key Management Personnel. Required disclosures as per listing rules and other regulations are made. Shareholders could communicate with the Company to clarify any concerns and deal in an appropriate manner.

At the AGM, the Company's financial performance for the preceding year is presented to shareholders. The company's external auditors are also present at the AGM to answer shareholders' queries.

#### **h. Policy on Environment, Social and Governance Sustainability**

Whilst understanding the importance of sustainability, a subcommittee is assigned the task of analyzing in detail and recommending any suitable actions to be taken at Board level. The Company recognizes changes in the environment, rules and regulations and social aspects and required actions are implemented to ensure sustainability of the business.

The task of maintaining continuous and ongoing review of the Company's sustainability performance, the Committee is empowered with reviewing the Company's cost saving efforts to determine their relevance vis-a-vis the evolving economic, social and environmental contexts. The Board of Directors retains the authority for approving the CSR projects that demonstrate the Company's commitment to selected Sustainable Development Goals. The sustainability team is tasked with executing these projects and reporting the progress of the projects.

#### **i. Policy on Control and Management of Company Assets and Shareholder Investments**

Safeguarding the assets and resources of the Company is of paramount importance for the Company. Detailed internal controls are established and regularly improved to protect and manage the assets. Similarly various mechanisms are in place to manage the investments. To ensure shareholders' wealth is preserved, investment policy and Controls are implemented, and regular reviews are done.

The policy permits management staff to monitor and manage the assets and liabilities of the Company and overall liquidity position to keep the Company's liquidity at healthy levels, whilst satisfying regulatory requirements.

#### **j. Policy on Corporate Disclosures**

Corporate disclosures requirements arise from the listing rules and any other regulations. As a policy, the compliance of these disclosures is ensured with high importance. Required disclosures should be made with sufficient detail on a timely basis. Further, disclosure requirements to be made in the Annual report should be complied with at the concurrence of the Audit committee.

The Company's policy framework facilitates compliance with regulatory requirements and voluntary requirements as well as emerging best practices in corporate governance. Compliance table for the Continuing Listing Requirements of the Colombo Stock

Exchange and the Code of Best Practice on Corporate Governance (2017) issued by CA Sri Lanka are to be given in Company's annual report.

**k. Policy on Whistleblowing**

The company's policy on Whistleblowing has been made available and explained to all employees.

**l. Policy on Anti-Bribery and Corruption**

The Company gives the highest value on ethical practices and has promoted zero-tolerance policy towards corruption and bribery in all its transactions and strives to maintain a culture of transparency and honesty as opposition to fraud and corruption.

The Company strives to ensure that ethical business practices are the norm from the business unit level, down to the individual employee. Its transparent control and prevention mechanisms also extend to its value chain, to its customers, suppliers and business partners. Any incidents of Bribery/corruption are seriously dealt with, and appropriate actions are taken.

This policy is applicable to the Board of Directors and all employees of the Company. They should act against corruption in all its forms, including extortion and bribery.