

11<sup>th</sup> September 2023

**To: CEOs/Managing Directors of all Listed Companies**

**CIRCULAR NO: 04/2023**

Dear Sir/Madam,

**AMENDMENTS TO RULE 7.10 AND SECTION 9 OF THE LISTING RULES OF THE COLOMBO STOCK EXCHANGE**

Corporate Governance Rules applicable to Listed Entities which are enumerated in current Rule 7.10 and Section 9 of the Listing Rules of the Colombo Stock Exchange (CSE) have been revised by the CSE and the said amendments have been approved by the Securities and Exchange Commission of Sri Lanka (SEC).

The revised Corporate Governance Requirements including the Rules governing the Related Party Transactions have been consolidated and incorporated as Section 9 of the CSE Listing Rules. Accordingly, the current Rule 7.10 and Section 9 of the CSE Listing Rules will be repealed and replaced by the said Section 9 titled "Corporate Governance".

The revised Corporate Governance Rules set out in Section 9 of the Listing Rules **will be effective from 01<sup>st</sup> October 2023, except to the extent stipulated in Rule 9.1.4 of the said Rules.**

The salient amendments are highlighted below for ease of reference:

<b>Rule No.</b>	<b>Rule</b>
9.2	Policies to be established and maintained by the Listed Entities
9.3.3	Chairperson of the Board of Directors shall not be the Chairperson of the Board Committees
9.6	Requirement on Chairperson and CEO duality, and the requirement to appoint a Senior Independent Director, in the instances specified.
9.7	Fitness and Propriety of Directors and CEOs
9.8.1	Minimum number of Directors on the Board of a Listed Entity

9.8.2	Minimum number of Independent Directors on the Board
9.8.3(ix)	Enhancements to the Independence Criteria as follows: <ul style="list-style-type: none"> <li>- A Director shall not be considered 'independent' if he/she is above 70 years of age.</li> <li>- Declaring Directors as 'nevertheless independent' by the Board of Directors will not be applicable with effect from 1<sup>st</sup> October 2024.</li> </ul>
9.9	Alternate Directors
9.11	Nominations and Governance Committee
9.12.6(2), 9.13.3(4), 9.14.2 (2)	Rules relating to sharing of Board Committees in a situation where both the parent company and the subsidiary company are Listed Entities
9.12.6(1)	Revisions to the composition of the Remuneration Committee
9.13.3	Revisions to the composition of the Audit Committee
9.13.4 and 9.13.5	Enhanced functions and disclosures in the Annual Report relating to the Audit Committee
9.14	Rules relating to Related Party Transactions Review Committee will be applicable to the Entities that have listed only its Debt Securities with effect from 1 <sup>st</sup> October 2024.
9.14.2.(1)	Revisions to composition of the Related Party Transactions Review Committee
9.17 (i) and (j)	Revisions to the enforcement procedure for non-compliance with Corporate Governance Requirements
9.19 (i) and (j)	Revisions to the enforcement procedure applicable to Entities listed on the Empower Board in the Alternate Market Segment which are non-compliant with Corporate Governance Requirements

All Listed Entities are required to ensure compliance with the revised Corporate Governance Requirements of the CSE in accordance with the respective effective dates stipulated therein.

The new Section 9 (Corporate Governance) of the Listing Rules is enclosed hereto for ease of reference. The Listing Rules of the CSE, which are hosted on the CSE website, will be updated to reflect the above-mentioned amendments with effect from 1<sup>st</sup> October 2023.

Yours faithfully,



**Renuke Wijayawardhane**  
**Chief Regulatory Officer**

## SECTION 9

### CORPORATE GOVERNANCE

#### 9.1 Applicability of Corporate Governance Rules

- 9.1.1 All Entities which have listed its;  
(a) shares on the Main Market Segment of the Exchange; and/or,  
(b) Debt Securities on the Exchange;  
shall comply with the requirements set out in Rules 9.2 to 9.16 below, on a continuous basis.
- 9.1.2 All Entities which have listed its shares on the Empower Board of the Exchange shall comply with the requirements set out in Rule 9.18 below on a continuous basis.
- 9.1.3 All Listed Entities shall publish a statement confirming the extent of compliance with the Corporate Governance Rules set out herein, in the Annual Report of the Entity.

#### 9.1.4 EFFECTIVE DATES

**The Rules set out in Section 9 of these Rules shall be effective from 1<sup>st</sup> October 2023, except to the extent stipulated below:**

- (1) In respect of Entities which have listed its shares on the Main Market Segment and/or Debt Securities:
- (a) The following Rule shall be effective from **1<sup>st</sup> January 2024**:
- Rule 9.9 – Alternate Directors
- (b) The following Rules shall be effective from **1<sup>st</sup> April 2024**:
- (i) Rule 9.7.3 - Fit and Proper Criteria for Directors and CEOs  
(ii) Rule 9.14.2 (1) – Composition of the Related Party Transactions Review Committee
- (c) The following Rules shall be effective from **1<sup>st</sup> October 2024**:
- (i) Rule 9.2 – Policies  
(ii) Rule 9.3.3 – The Chairperson of the Board shall not be the Chairperson of the Board Committees  
(iii) Rules 9.8.1 – Minimum Number of Directors on the Board  
(iv) Rule 9.8.2 – Minimum Number of Independent Directors on the Board  
(v) Rule 9.8.3 (ix) – A Director shall not be considered ‘independent’ if he/she is 70 years of age or above  
(vi) Rule 9.11 – Nominations and Governance Committee  
(vii) Rule 9.12.6 (1) – Composition of the Remuneration Committee\*  
(viii) Rule 9.13.3 – Composition of the Audit Committee\*\*  
(ix) Rules 9.13.4 and 9.13.5 – Functions and Disclosures in the Annual Report relating to the Audit Committee\*\*\*

#### Notes:

\*Until 1<sup>st</sup> October 2024, the Listed Entity shall at a minimum comply with present Rule 7.10.5 (a) relating to the composition of the Remuneration Committee.

\*\*Until 1<sup>st</sup> October 2024, the Listed Entity shall at a minimum comply with present Rule 7.10.6 (a) relating to the composition of the Audit Committee.

\*\*\*Until 1<sup>st</sup> October 2024, the Listed Entity shall at a minimum comply with present Rules 7.10.6 (b) and (c) relating to the functions and disclosures in the Annual Report relating to the Audit Committee.

- (2) In respect of Entities which have only listed its Debt Securities on the Exchange, the Rules relating to Related Party Transactions Review Committee set out in Rule 9.14 of these Rules shall be effective **from 1<sup>st</sup> October 2024**.
- (3) In respect of Listed Entities which have Directors who are declared as 'nevertheless independent' by its Board of Directors, notwithstanding such Directors not meeting the 'independence' criteria set out in the Listing Rules as at 1<sup>st</sup> October 2023, such Entities shall comply with the criteria for determining independence set out in Rule 9.8.3 of these Rules with effect **from 1<sup>st</sup> October 2024**.
- (4) The Rules relating to sharing of Board Committees in a situation where both the parent company (including the ultimate parent company) and the subsidiary are Listed Entities contained in Rules 9.12.6 (2), 9.13.3 (4) and 9.14.2 (2) shall cease to apply to Entities which have listed its shares on the Main Market Segment and/or Debt Securities **from 1<sup>st</sup> October 2024**.

## **CORPORATE GOVERNANCE REQUIREMENTS APPLICABLE IN RESPECT OF ENTITIES SPECIFIED IN RULE 9.1.1**

### **9.2 Policies**

9.2.1 Listed Entities shall establish and maintain the following policies 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;

- (a) Policy on the matters relating to the Board of Directors
- (b) Policy on Board Committees
- (c) Policy on Corporate Governance, Nominations and Re-election
- (d) Policy on Remuneration
- (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
- (f) Policy on Risk management and Internal controls
- (g) Policy on Relations with Shareholders and Investors
- (h) Policy on Environmental, Social and Governance Sustainability
- (i) Policy on Control and Management of Company Assets and Shareholder Investments
- (j) Policy on Corporate Disclosures
- (k) Policy on Whistleblowing
- (l) Policy on Anti-Bribery and Corruption

9.2.2 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.

9.2.3 Listed Entities shall disclose in its Annual Report:

- (i) the list of policies that are in place in conformity Rule 9.2.1 above, with reference to its website.
- (ii) details pertaining to any changes to policies adopted by the Listed Entities in compliance with Rule 9.2 above.

9.2.4 Listed Entities shall make available all such policies to shareholders upon a written request being made for any such Policy.

### **9.3 Board Committees**

9.3.1 Listed Entities 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;

- (a) Nominations and Governance Committee
- (b) Remuneration Committee
- (c) Audit Committee
- (d) Related Party Transactions Review Committee.

9.3.2 Listed Entities shall comply with the composition, responsibilities and disclosures required in respect of the above Board committees as set out in these Rules.

9.3.3 The Chairperson of the Board of Directors of the Listed Entity shall not be the Chairperson of the Board Committees referred to in Rule 9.3.1 above.

### **9.4. Adherence to principles of democracy in the adoption of meeting procedures and the conduct of all General Meetings with shareholders**

9.4.1 Listed Entities shall maintain records of all resolutions and the following information upon a resolution being considered at any General Meeting of the Entity. The Entity shall provide copies of the same at the request of the Exchange and/or the SEC.

- (a) The number of shares in respect of which proxy appointments have been validly made;
- (b) The number of votes in favour of the resolution;
- (c) The number of votes against the resolution; and
- (d) The number of shares in respect of which the vote was directed to be abstained.

9.4.2 Communication and relations with shareholders and investors

- (a) Listed Entities shall have a policy on effective communication and relations with shareholders and investors and disclose the existence of the same in the Annual Report and the website of the Listed Entity.
- (b) Listed Entities shall disclose the contact person for such communication.
- (c) The policy on relations with shareholders and investors shall include a process to make all Directors aware of major issues and concerns of shareholders, and such process shall be disclosed by the Entity in the Annual Report and the website of the Entity.

- (d) Listed Entities that intend to conduct any shareholder meetings through virtual or hybrid means shall comply with the Guidelines issued by the Exchange in relation to same and published on the website of the Exchange.

## **9.5 Policy on matters relating to the Board of Directors**

9.5.1 Listed Entities shall establish and maintain a formal policy governing matters relating to the Board of Directors and such policy 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 rationale 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.

9.5.2 Listed Entities shall confirm compliance with the requirements of the policy referred to in Rule 9.5.1 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.

## **9.6 Chairperson and CEO**

9.6.1 The Chairperson of every Listed Entity shall be a Non-Executive Director. Consequently, the position of Chairperson and CEO shall not be held by the same individual.

9.6.2 A Listed Entity that is unable to comply with Rule 9.6.1 above shall make a Market Announcement within a period of one (1) month from the date of implementation of these Rules or an immediate Market Announcement from the date of non-compliance (if such date falls subsequent to the implementation of these Rules).

Such Market Announcement shall include the following:

- (a) The reasons for non-compliance
- (b) The rationale for combining the positions of the Chairperson and CEO

### **9.6.3 The Requirement for a SID**

(a) A Listed Entity shall appoint an Independent Director as the SID in the following instances:

- i. The Chairperson and CEO are the same person
- ii. The Chairperson and CEO are Close Family Members or Related Parties

Such appointment shall be immediately disclosed with reasons for such appointment, by way of a Market Announcement.

(b) The Independent Directors shall meet at least once a year or as often as deemed necessary at a meeting chaired by the SID without the presence of the other Directors to discuss matters and concerns relating to the Entity and the operation of the Board. The SID shall provide feedback and recommendations from such meetings to the Chairperson and the other Board Members.

(c) The SID shall chair a meeting of the Non-Executive Directors without the presence of the Chairperson at least annually, to appraise the Chairperson's performance and on such other occasions as are deemed appropriate.

(d) The SID shall be entitled to a casting vote at the meetings specified in Rules 9.6.3. (b) and (c) above.

(e) The SID shall make a signed explanatory disclosure in the Annual Report demonstrating the effectiveness of duties of the SID.

9.6.4 Until Listed Entities comply with Rule 9.6.1 above, such Entities shall be required to explain the reasons for non-compliance with Rule 9.6.1 in the Annual Report.

## 9.7 Fitness of Directors and CEOs

9.7.1 The Listed Entities shall take necessary steps to ensure that their Directors and the CEO are, at all times, fit and proper persons as required in terms of these Rules:

In evaluating fitness and propriety of the persons referred in these Rules, Listed Entities shall utilize the 'Fit and Proper Assessment Criteria' set out in Rule 9.7.3 below.

9.7.2 Listed Entities shall ensure that persons recommended by the Nominations and Governance Committee as Directors are fit and proper as required in terms of these Rules before such nominations are placed before the shareholders' meeting or appointments are made.

9.7.3 Fit and Proper Assessment Criteria:

a) Honesty, Integrity and Reputation

A Director or the CEO of a Listed 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 by the SEC in terms of the SEC Act or rules and regulations issued thereunder or any other 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 Exchange in the circumstances specified in Rule 11.3 of these 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 academic or professional qualifications or necessary skills, competencies and experience which are determined by the Nominations and Governance Committee of the Listed Entity in terms of Rule 9.11.5 of these Rules 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' by the Exchange, 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.

9.7.4 Listed Entities shall obtain declarations from their Directors and CEO on an annual basis confirming that each of them have continuously satisfied the Fit and Proper Assessment Criteria set out in these Rules during the financial year concerned and satisfies the said criteria as at the date of such confirmation.

**9.7.5 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 non-compliance/s.

**9.8 Board Composition**

9.8.1 The Board of Directors of a Listed Entity shall, at a minimum, consist of five (05) Directors.

9.8.2 Minimum Number of Independent Directors:

- (a) The Board of Directors of Listed Entities shall include at least two (2) Independent Directors or such number equivalent to one third (1/3) of the total number of Directors of the Listed Entity at any given time, whichever is higher.

- (b) Any change occurring to this ratio shall be rectified within ninety (90) days from the date of the change.

### 9.8.3 Criteria for determining independence:

A Director shall not be considered independent if he/she:

- (i) has been employed by the Listed Entity during the period of three (3) years immediately preceding appointment as Director.
- (ii) currently has/had during the period of three (3) years immediately preceding appointment as a Director, a Material Business Relationship with the Listed Entity, whether directly or indirectly.
- (iii) currently has/had during the preceding financial year a Close Family Member who is a Director and/or CEO in the Listed Entity.
- (iv) has a Significant Shareholding in the Listed Entity.
- (v) has served an aggregate period of nine (9) years on the Board of the Listed Entity from the date of the first appointment.
- (vi) is employed in another company or business;
  - a. in which a majority of the other directors of the Listed Entity are employed or are directors; or
  - b. in which a majority of the other directors of the Listed Entity have a Significant Shareholding or Material Business Relationship; or
  - c. that has a Significant Shareholding in the Listed Entity or with which the Listed Entity has a Business Connection.
- (vii) is a director of another company;
  - a. in which a majority of the other directors of the Listed Entity are employed or are directors; or
  - b. that has a Business Connection in the Listed Entity or a Significant Shareholding.
- (viii) has a Material Business Relationship or a Significant Shareholding in another company or business;
  - a. in which a majority of the other directors of the Listed Entity are employed or are directors; and/or
  - b. which has a Business Connection with the Listed Entity or Significant Shareholding in the same; and/or
  - c. where the core line of business of such company is in direct conflict with the line of business of the Listed Entity.
- (ix) is above the age of seventy (70) years.

9.8.4 For the purposes of Rule 9.8.3;

**“Acting in Concert”** shall have the same meaning as defined in the ‘Takeovers and Mergers Code’.

**“Business Connection”** shall mean a relationship resulting in transaction value equivalent to ten percent (10%) of the turnover of that company or business.

**‘Close Family Member’** shall mean the spouse, parents, grandparents, children, brothers, sisters and grandchildren of a director/CEO of a Listed entity and any person who is financially dependent on and/or acting in concert with such director/CEO.

**‘Financially dependent’** shall mean any person who receives more than half of their support for the most recent fiscal year from a director/CEO of a Listed Entity and/or his or her spouse, or a representative.

**“Listed Entity”** shall mean the Listed Entity to the Board of which the director is appointed, its parent and/or subsidiary company, and a subsidiary of the parent company.

**“Material Business Relationship”** shall mean a relationship resulting in income/non-cash benefits equivalent to twenty percent (20%) of the director’s annual income.

**“Significant Shareholding”** shall mean a shareholding carrying not less than ten percent (10%) of the voting rights of a company.

9.8.5. The Board of Directors of Listed Entities shall require:

- (a) Each Independent Director to submit a signed and dated declaration annually of his or her “independence” or “non-independence” against the criteria specified herein and in the format in Appendix 9A, containing at a minimum the content prescribed therein.
- (b) Make an annual determination as to the “independence” or “non-independence” of each Independent Director based on the Directors` declaration and other information available to it and shall set out the names of Directors determined to be ‘independent’ in the Annual Report.
- (c) If the Board of Directors determines that the independence of an Independent Director has been impaired against any of the criteria set out in Rule 9.8.3, it shall make an immediate Market Announcement thereof.

## 9.9 Alternate Directors

If a Listed Entity provides for the appointment of Alternate Directors, it shall be required to comply with the following requirements and such requirements shall also be incorporated into the Articles of Association of the Entity:

- (a) Alternate directors shall only be appointed in exceptional circumstances and for a maximum period of one (1) year from the date of appointment.

- (b) If an Alternate Director is appointed for a Non-Executive Director such alternate should not be an executive of the Listed Entity.
- (c) If an Alternate Director is appointed by an Independent Director, the person so appointed should meet the criteria of independence specified in these Rules and the Listed Entity shall satisfy the requirements relating to the minimum number of Independent Directors specified in these Rules. The Nominations and Governance Committee shall review and determine that the person nominated as the alternate would qualify as an Independent Director before such appointment is made.
- (d) The Listed Entity shall make an immediate Market Announcement regarding the appointment of an Alternate Director. Such Market Announcement shall include the following:
  - i. The exceptional circumstances leading to such appointment;
  - ii. The information on the capacity in which such Alternate Director is appointed, i.e., whether as an Executive, Non-Executive or Independent Director;
  - iii. The time period for which he/she is appointed, which shall not exceed one (1) year from the date of appointment; and,
  - iv. A Statement by the Entity indicating whether such appointment has been reviewed by the Nominations and Governance Committee of the Entity.
- (e) The attendance of any Alternate Director at any meeting, including a Board Committee Meeting shall be counted for the purpose of quorum.

## **9.10 Disclosures relating to Directors**

- 9.10.1 Listed Entities shall disclose its policy on the maximum number of directorships its Board members shall be permitted to hold in the manner specified in Rule 9.5.1. In the event such number is exceeded by a Director(s), the Entity shall provide an explanation for such non-compliance in the manner specified in Rule 9.5.2 above.
- 9.10.2 Listed Entities shall, upon the appointment of a new Director to its Board, make an immediate Market Announcement setting out the following:
  - i. a brief resume of such Director;
  - ii. his/her capacity of directorship; and,
  - iii. Statement by the Entity indicating whether such appointment has been reviewed by the Nominations and Governance Committee of the Entity.
- 9.10.3 Listed Entities shall make an immediate Market Announcement regarding any changes to the composition of the Board Committees referred to in Rule 9.3 above containing, at minimum, the details of changes including the capacity of directorship with the effective date thereof.
- 9.10.4 Listed Entities shall also disclose the following in relation to the Directors in the Annual Report:
  - (a) name, qualifications and brief profile;
  - (b) the nature of his/her expertise in relevant functional areas;
  - (c) whether either the Director or Close Family Members has any material business relationships with other Directors of the Listed Entity;
  - (d) whether Executive, Non-Executive and/or independent Director;

- (e) the total number and names of companies in Sri Lanka in which the Director concerned serves as a Director and/or Key Management Personnel indicating whether such companies are listed or unlisted Companies and whether such Director functions in an executive or non-executive capacity, provided that where he/she holds directorships in companies within a Group of which the Listed Entity is a part, their names (if not listed) need not be disclosed; it is sufficient to state that he/she holds other directorships in such companies;
- (f) number of Board meetings of the Listed Entity attended during the year;
- (g) names of Board Committees in which the Director serves as Chairperson or a member;
- (h) Details of attendance of Committee Meetings of the Audit, Related Party Transactions Review, Nominations and Governance and Remuneration Committees. Such details shall include the number of meetings held and the number attended by each member.; and,
- (i) The terms of reference and powers of the SID (where applicable).

## **9.11 NOMINATIONS AND GOVERNANCE COMMITTEE**

9.11.1 Listed Entities shall have a Nominations and Governance Committee that conforms to the requirements set out in Rule 9.11 of these Rules.

9.11.2 Listed Entities shall establish and maintain a formal procedure for the appointment of new Directors and re-election of Directors to the Board through the Nominations and Governance Committee.

9.11.3 The Nominations and Governance Committee shall have a written terms of reference clearly defining its scope, authority, duties and matters pertaining to the quorum of meetings.

### **9.11.4 Composition**

- (1) The members of the Nominations and Governance Committee shall;
  - (a) comprise of a minimum of three (03) Directors of the Listed Entity, out of which a minimum of two (02) members shall be Independent Directors of the Listed Entity.
  - (b) not comprise of Executive Directors of the Listed Entity.
- (2) An Independent Director shall be appointed as the Chairperson of the Nominations and Governance Committee by the Board of Directors.
- (3) The Chairperson and the members of the Nominations and Governance Committee shall be identified in the Annual Report of the Listed Entity.

### **9.11.5 Functions**

The functions of the Nominations and Governance Committee shall include the following:

- (i) Evaluate the appointment of Directors to the Board of Directors and Board Committees of the Listed Entity. However, a member of the Nominations and

Governance Committee shall not participate in decisions relating to his/her own appointment.

- (ii) Consider and recommend (or not recommend) the re-appointment/re-election of current Directors taking into account;
  - the combined knowledge, experience, performance and contribution made by the Director to meet the strategic demands of the Listed Entity and the discharge of the Board's overall responsibilities; and,
  - the number of directorships held by the Director in other listed and unlisted companies and other principal commitments.
- (iii) Establish and Maintain a formal and transparent procedure to evaluate, select and appoint/re-appoint Directors of the Listed Entity.
- (iv) Establish and maintain a set of criteria for selection of Directors such as the academic/professional qualifications, skills, experience and key attributes required for eligibility, taking into consideration the nature of the business of the Entity and industry specific requirements.
- (v) Establish and maintain a suitable process for the periodic evaluation of the performance of Board of Directors and the CEO of the Entity to ensure that their responsibilities are satisfactorily discharged.
- (vi) Develop succession plan for Board of Directors and Key Management Personnel of the Listed Entity.
- (vii) Review the structure, size and composition of the Board and Board Committees with regard to effective discharge of duties and responsibilities.
- (viii) Review and recommend the overall corporate governance framework of the Listed Entity taking into account the Listing Rules of the Exchange, other applicable regulatory requirements and industry/international best practices.
- (ix) Periodically review and update the corporate Governance Policies / Framework of the Entity in line with the regulatory and legal developments relating to same, as a best practice.
- (x) Receive reports from the Management on compliance with the corporate governance framework of the Entity including the Entity's compliance with provisions of the SEC Act, Listing Rules of the Exchange and other applicable laws, together with any deviations/non-compliances and the rational for same.

#### **9.11.6 Disclosures in Annual Report**

The Annual Report of Listed Entities shall contain a report of the Nominations and Governance Committee signed by its Chairperson.

The said report shall include the following;

- (a) the names of the Chairperson and members of the Committee and the nature of directorships held by such members);
- (b) the date of appointment to the Committee;
- (c) whether a documented policy and processes are in place when nominating Directors;
- (d) whether all directors should be required to submit themselves for re-election at regular intervals and at least once in every three (3) years;

- (e) a disclosure on Board diversity in the range of experience, skills, age, and gender as an essential factor for effective Board performance;
- (f) Details to demonstrate effective implementation of policies and processes relating to appointment and reappointment of Directors.
- (g) The following information regarding directors who are re-elected or being proposed for re-election during the year:
  - Board Committees served on (as a member or Chairperson),
  - Date of first appointment as a Director,
  - Date of last re-appointment as a Director,
  - Directorships or Chairpersonships and other principal commitments both present and those held over the preceding three years in other Listed Entities; and,
  - Any relationships including close family relationships between the candidate and the directors, the Listed Entity or its shareholders holding more than ten per-centum (10%) of the shares of the Listed Entity.
- (h) Whether periodic evaluations have been conducted on the performance of the Board of Directors and the CEO of the Entity as specified in Rule 9.11.5 above
- (i) Processes adopted by the Listed Entity to inform the Independent Directors of major issues relating to the Entity;
- (j) Induction programs/orientation programs conducted for newly appointed Directors on corporate governance, Listing Rules, securities market regulations and other applicable laws and regulations, or an appropriate negative statement;
- (k) Annual update given to existing Directors on Corporate Governance, Listing Rules, securities market regulation and other applicable laws and regulations, or an appropriate negative statement.
- (l) A statement that the Directors of the Listed Entity meet the criteria for determining independence.
- (m) A statement that the Corporate Governance requirements stipulated under the Listing Rules of the CSE have been met and where the Listed Entity's fail to comply with any provisions of such Rules, a statement explaining the reason for such non-compliance and the proposed remedial action taken for the rectification of such non-compliance.

## **9.12 REMUNERATION COMMITTEE**

9.12.1 For the purposes of Rule 9.12, the term "remuneration" shall make reference to cash and all non-cash benefits whatsoever received.

9.12.2 Listed Entities shall have a Remuneration Committee that conforms to the requirements set out in Rule 9.12 of these Rules.

9.12.3 The Remuneration Committee shall establish and maintain a formal and transparent procedure for developing policy on Executive Directors' remuneration and for fixing the

remuneration packages of individual Directors. No Director shall be involved in fixing his/her own remuneration.

9.12.4 Remuneration for Non-Executive Directors should be based on a policy which adopts the principle of non-discriminatory pay practices among them to ensure that their independence is not impaired.

9.12.5 Remuneration Committee shall have a written terms of reference clearly defining its scope, authority, duties and matters pertaining to the quorum of meetings.

#### **9.12.6 Composition**

- (1) The members of the Remuneration Committee shall;
  - (a) comprise of a minimum of three (03) Directors of the Listed Entity, out of which a minimum of two (02) members shall be Independent Directors of the Listed Entity.
  - (b) not comprise of Executive Directors of the Listed Entity.
- (2) In a situation where both the parent company and the subsidiary are 'Listed Entities', the Remuneration Committee of the parent company may be permitted to function as the Remuneration Committee of the subsidiary.
- (3) An Independent Director shall be appointed as the Chairperson of the Remuneration Committee by the Board of Directors.

#### **9.12.7 Functions**

- (1) The Remuneration Committee shall recommend the remuneration payable to the Executive Directors and CEO of the Listed Entity and/or equivalent position thereof to the Board of the Listed Entity which will make the final determination upon consideration of such recommendations.
- (2) The Remuneration Committee may engage any external consultant or expertise that may be considered necessary to ascertain or assess the relevance of the remuneration levels applicable to Directors and CEO.

#### **9.12.8 Disclosure in Annual Report**

The Annual Report should set out the following:

- (a) Names of the Chairperson and members of the Remuneration Committee and the nature of directorships held by such members (or persons in the parent company's Remuneration Committee in the case of a group company);
- (b) A statement regarding the remuneration policy; and,
- (c) The aggregate remuneration of the Executive and Non-Executive Directors.

## **9.13 AUDIT COMMITTEE**

9.13.1 Where Listed Entities do not maintain separate Committees to perform the Audit and Risk Functions, the Audit Committee of such Listed Entities shall additionally perform the Risk Functions set out in Rule 9.13 of these Rules.

9.13.2 The Audit Committee shall have a written terms of reference clearly defining its scope, authority and duties.

### **9.13.3. Composition**

- (1) The members of the Audit Committee shall;
  - (a) comprise of a minimum of three (03) directors of the Listed Entity, out of which a minimum of two (02) or a majority of the members, whichever higher, shall be Independent Directors.
  - (b) not comprise of Executive Directors of the Listed Entity.
- (2) The quorum for a meeting of the Audit Committee shall require that the majority of those in attendance to be independent directors.
- (3) The Audit Committee may meet as often as required provided that the Audit Committee compulsorily meets on a quarterly basis prior to recommending the financials to be released to the market.
- (4) If both, the Parent Company and the subsidiary are 'Listed Entities', the Audit Committee of the Parent Company may function as the Audit Committee of the subsidiary..
- (5) An Independent Director shall be appointed as the Chairperson of the Audit Committee by the Board of Directors.
- (6) Unless otherwise determined by the Audit Committee, the CEO and the Chief Financial Officer (CFO) of the Listed Entity shall attend the Audit Committee meetings by invitation.  
  
Provided however where the Listed Entity maintains a separate Risk Committee, the CEO shall attend the Risk Committee meetings by invitation.
- (7) The Chairperson of the Audit Committee shall be a Member of a recognized professional accounting body.

Provided however, this Rule shall not be applicable in respect of Risk Committees where a Listed Entity maintains a separate Risk Committee and Audit Committee.

#### 9.13.4 Functions

- (1) The functions of the Audit Committee shall include the following:
  - (i) Oversee the Entity's compliance with financial reporting requirements, information requirements under these Rules, the Companies Act and the SEC Act and other relevant financial reporting related regulations and requirements.
  - (ii) Review the quarterly results and year-end financial statements of the Entity prior to tabling for the approval of the Board of Directors of the Entity with special reference to:
    - (a) changes in or implementation of major accounting policy changes;
    - (b) significant matters highlighted including financial reporting issues, significant judgments made by management, significant and unusual events or transactions, and how these matters are addressed;
    - (c) compliance with accounting standards and other legal requirements;
    - (d) any related party transaction and conflict of interest situation that may arise within the Listed Entity or group including any transaction, procedure or course of conduct that raises questions of management integrity;
    - (e) any letter of resignation from the external auditors of the Listed Entity; and,
    - (f) whether there is reason (supported by grounds) to believe that the Listed Entity's external auditor is not suitable for re-appointment
  - (iii) To 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.
  - (iv) Obtain and review assurance received from:
    - (a) the CEO and the CFO that the financial records have been properly maintained and the financial statements give a true and fair view of the Entity's operations and finances; and
    - (b) the CEO and other key management personnel who are responsible, regarding the adequacy and effectiveness of the Entity's risk management and internal control systems.
  - (v) Review the internal controls in place to prevent the leakage of material information to unauthorized persons.
  - (vi) Oversee the processes to ensure that the Entity's internal controls and risk management are adequate to meet the requirements of the Sri Lanka Auditing Standards.
  - (vii) Review and assess the company's risk management process, including the adequacy of the overall control environment and controls in areas of significant risks and updated business continuity plans.
  - (viii) Review the risk policies adopted by the Entity on an annual basis.

- (ix) Take prompt corrective action to mitigate the effects of specific risks in the case such risks are at levels beyond the prudent levels decided by the committee on the basis of the Listed Entity's policies and regulatory requirements.
  - (x) Review the scope and results of the internal and external audit and its effectiveness, and the independence, performance and objectivity of the auditors.
  - (xi) To develop and implement policy on the engagement of the external auditor to supply non-audit services, at minimum taking into account relevant ethical guidance regarding the provision of non-audit services by an 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 ought to be taken.
  - (xii) if a change of auditor is recommended by the Audit Committee in circumstances where the audit opinion of the immediately disclosed financial period or any period where subsequent disclosure of audit opinion is pending and such opinion carries a modification or an emphasis of matter of going concern, then the Audit Committee report shall include the rationale of the Audit Committee for recommending the removal of the auditor.
  - (xiii) Where the Audit Committee is of the view that a matter reported by it to the Board of Directors of a Listed Entity has not been satisfactorily resolved resulting in a breach of these Requirements, the Audit Committee shall promptly report such matter to the Exchange.
- (2) Where Listed Entities maintain two (02) separate Committees to carry out the Audit and Risk functions, the terms of reference of such Committees shall, at a minimum, include the respective functions stipulated in Rule 9.13.4 (1) above.

### **9.13.5 Disclosures in Annual Report**

- (1) The Audit Committee shall also prepare an Audit Committee Report which shall be included in the Annual Report of the Listed Entity. The Audit Committee Report shall set out the manner in which the Entity has complied with the requirements applicable to the Audit Committee during the period for which the Annual Report relates.
- (2) The Audit Committee Report shall contain the following disclosures:
  - (a) the names of the Chairperson and the members of the Audit Committee, and the nature of directorships held by such members (or persons in the parent company's committee in the case of a group company);
  - (b) The status of risk management and internal control of the Listed Entity and as a Group (where applicable).
  - (c) A statement that it has received assurance from the CEO and the CFO of the Entity's operations and finances.
  - (d) An opinion on the compliance with financial reporting requirements, information requirements under these Rules, the Companies Act and the SEC Act and other relevant financial reporting related regulations and requirements.
  - (e) whether the Listed Entity has a formal Audit Charter;

- (f) the manner in which internal audit assurance is achieved and a summary of the work of the internal audit function;
- (g) Details demonstrating the effective discharge of its functions and duties for that financial year of the Listed Entity;
- (h) a statement confirming that written assurance was obtained from the external auditors approved by the SEC, confirming that they are and have been independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements; and
- (i) a statement confirming that the Audit Committee has made a determination of the independence of auditors and the basis of such determination. It shall also contain details on the number of years that the external auditor and the audit partner were engaged. If the external auditor provides non audit services, explanations must be made of how auditor objectivity and independence are safeguarded taking into consideration fees paid for non-audit services provided by the external auditor and affiliated parties.

#### **9.14 RELATED PARTY TRANSACTIONS REVIEW COMMITTEE**

9.14.1 Listed Entities shall have a Related Party Transactions Review Committee that conforms to the requirements set out in Rule 9.14 of these Rules.

##### **9.14.2 Composition**

- (1) The Related Party Transactions Review Committee shall comprise of a minimum of three (03) Directors of the Listed Entity, out of which two (02) members shall be Independent Directors of the Listed Entity. It may also include executive directors, at the option of the Listed Entity. An Independent Director shall be appointed as the Chairperson of the Committee.
- (2) If a parent company and the subsidiary are Listed Entities, the Related Party Transactions Review Committee of the parent company may be permitted to function as the Related Party Transactions Review Committee of the subsidiary.

##### **9.14.3 Functions**

- (1) Listed Entities shall have a Related Party Transactions Review Committee which shall be responsible for reviewing the Related Party Transactions as set out herein.
- (2) The objective of these Rules on Related Party Transactions is to ensure that the interests of shareholders as a whole are taken into account by a Listed Entity when entering into Related Party Transactions. These Rules further provide specific measures to prevent Directors, CEOs or Substantial Shareholders taking advantage of their positions.
- (3) When applying these Rules on Related Party Transactions, the objective and the economic and commercial substance of the Related Party Transactions should take precedence over the legal form and technicality.
- (4) The Related Party Transactions Review Committee shall establish and maintain a clear policy, procedure and process in place for the identification, clarification and reporting the Related Party Transactions on an end-to-end basis across the Entity's operations.

#### **9.14.4 General Requirements**

- (1) The Related Party Transactions Review Committee shall meet at least once a calendar quarter. It shall ensure that the minutes of all meetings are properly documented and communicated to the Board of Directors.
- (2) The members of the Related Party Transactions Review Committee should ensure that they have, or have access to, enough knowledge or expertise to assess all aspects of proposed Related Party Transactions, and where necessary, should obtain appropriate professional and expert advice from an appropriately qualified person.
- (3) Where necessary, the Committee shall request the Board of Directors to approve the Related Party Transactions which are under review by the Committee. In such instances, the approval of the Board of Directors should be obtained prior to entering into the relevant Related Party Transaction.
- (4) If a Director of the Listed Entity has a material personal interest in a matter being considered at a Board Meeting to approve a Related Party Transaction as required in Rule 9.14.4(3), such Director shall not:
  - (a) be present while the matter is being considered at the meeting; and,
  - (b) vote on the matter.

#### **9.14.5 Review of Related Party Transactions by the Related Party Transactions Review Committee**

- (1) Subject to the exemptions given in terms of Rule 9.14.10, the Related Party Transactions Review Committee shall review in advance all proposed Related Party Transactions.
- (2) In the event of any material changes to a previously reviewed Related Party Transaction in terms of Rule 9.14.5 (1) above, such proposed material changes shall also be reviewed by the Related Party Transactions Review Committee prior to the completion of the transaction.
- (3) The Related Party Transactions Review Committee shall be provided with all the facts and circumstances of the proposed Related Party Transaction by the senior management to facilitate the review of a Related Party Transaction. Such information shall include where applicable:
  - (i) the Related Party's relationship to the Listed Entity and interest in the transaction;
  - (ii) the material facts of the proposed Related Party Transaction, including the proposed aggregate value of such transaction;
  - (iii) the benefits of the proposed Related Party Transaction to the Listed Entity;
  - (iv) the availability of other sources of comparable products or services; and
  - (v) an assessment of whether the proposed Related Party Transaction is on terms that are comparable to the terms generally available to an unaffiliated third party under the same or similar circumstances, or to employees generally.
- (4) In determining whether to obtain the approval of the Board of Directors for a Related Party Transaction, the Related Party Transactions Review Committee shall take into account

the following, among other factors it deems appropriate:

- (i) the facts and circumstances made available to it as set out above,
  - (ii) the views of the Chairperson of the Board of Directors and the Chairperson of the Nominations and Governance and/or Audit Committee of the impact of the proposed Related Party Transaction on a director's independence (if the related party is a director, a close family member of a director or an entity in which a director is a partner, shareholder or executive officer); and
  - (iii) whether the Related Party Transaction requires immediate market disclosure, as set out in these Rules.
- (5) No Director shall participate in any discussion of a proposed Related Party Transaction in which he or she is a Related Party, except that the Director, at the request of the Committee, may participate in discussions for the express purpose of providing information concerning the Related Party Transaction to the Committee. Where deemed necessary considering the issues of potential conflict, which were presented to the Committee, the Committee may recommend the creation of a special committee to review and approve the proposed Related Party Transaction.
- (6) If a Related Party Transaction will be ongoing (a Recurrent Related Party Transaction), the Related Party Transactions Review Committee may establish guidelines for the senior management to follow in its ongoing dealings with the Related Party. Thereafter, the Committee, on an annual basis, shall review and assess ongoing relationships with the Related Party to determine whether they are in compliance with the Committee's guidelines and that the Related Party Transaction remains appropriate.

#### **9.14.6 Shareholder Approval**

- (1) Listed Entities shall obtain shareholder approval by way of a Special Resolution for the following Related Party Transactions:
- (A) If a non-recurrent transaction;
    - (i) Any Related Party Transaction of a value equal to, or more than:
      - (a) one third (1/3) of the Total Assets of the Entity as per the latest Audited Financial Statements of the Entity; or
      - (b) one third (1/3) of the Total Assets of the Entity as per the latest Audited Financial Statements of the Entity, when aggregated with other non-recurrent transactions entered into with the same Related Party during the same financial year.
    - (ii) If the Listed Entity acquires a substantial asset from, or disposes of a substantial asset to, any Related Party of the Entity or its associates.
  - (B) If a recurrent transaction;

Any recurrent Related Party Transaction of a value equal to, or more than:

- (i) one third (1/3) of the gross revenue (or equivalent term for revenue in the Income Statement) and in the case of group entity consolidated group revenue of the Entity as per the latest Audited Financial Statements of the Entity; or
- (ii) one third (1/3) of the gross revenue (or equivalent term for revenue in the

Income Statement) and in the case of group entity consolidated group revenue of the Entity as per the latest Audited Financial Statements of the Entity, when aggregated with other recurrent transactions entered into with the same Related Party during the same financial year;

And;

- (iii) the transactions are not in the ordinary course of business and in the opinion of the Related Party Transactions Review Committee, are on terms favorable to the Related Party than those generally available to the public.
- (2) In relation to Rules 9.14.6 (1) (A) (i) (b) and 9.14.6 (1)(B) (ii) above, a transaction which has been approved by shareholders, or is the subject of aggregation with another transaction that has been approved by shareholders, need not be included in any subsequent aggregation.
  - (3) If a transaction requires shareholder approval as set out in the Rules above, it must be obtained either prior to the transaction being entered into or, if the transaction is expressed to be conditional on such approval, prior to the completion of the transaction.

#### **9.14.7 Disclosures**

##### **(1) Immediate Disclosures**

A Listed Entity shall make an immediate Market Announcement to the Exchange;

- (a) of any non-recurrent Related Party Transaction with a value exceeding 10% of the Equity or 5% of the Total Assets whichever is lower, of the Entity as per the latest Audited Financial Statements; or
- (b) of the latest transaction, if the aggregate value of all non-recurrent Related Party Transactions entered into with the same Related Party during the same financial year amounts to 10% of the Equity or 5% of the Total Assets whichever is lower, of the Entity as per the latest Audited Financial Statements.

Listed Entities shall disclose subsequent non-recurrent transactions which exceed 5% of the Equity of the Entity, entered into with the same Related Party during the financial year.

The Market Announcement to the Exchange shall include:

- (i) the date of the transaction or the period where applicable
- (ii) the name of the relevant Related Party
- (iii) the relationship between the Listed Entity and the Related Party
- (iv) details of the transaction including the amount, relevant terms of the transaction and the basis on which the terms were arrived at
- (v) the rationale for entering into the transaction
- (vi) the following statement:  
“The Related Party Transactions Review Committee of the Entity is of the view that the transaction/s is/are on normal commercial terms, and is/are not prejudicial to the interests of the Entity and its minority shareholders and the Related Party Transaction Review Committee is/is not (delete as applicable) obtaining an opinion from an independent expert prior to forming its view on the transaction.”

- (vii) the aggregate value of the Related Party Transactions for the financial year with the particular Related Party whose transaction is the subject of the announcement and the aggregate value of all non-recurrent Related Party Transactions for the same financial year.

#### 9.14.8 Disclosures in the Annual Report

- (1) In the case of Non-recurrent Related Party Transactions: if the aggregate value of the non-recurrent Related Party Transactions exceeds 10% of the Equity or 5% of the Total Assets of the Listed Entity, whichever is lower, as per the latest Audited Financial Statements the following information must be presented in the Annual Report in the tabular format as set out below:

Name of the Related Party	Relationship	Value of the Related Party Transaction(s) entered into during the financial year	Value of Related Party Transaction(s) as a % of Equity and as a % of Total Assets	Terms and Conditions of the Related Party Transaction(s)	The rationale for entering into the transaction(s)

- (2) In the case of Recurrent Related Party Transactions: if the aggregate value of the recurrent Related Party Transactions exceeds 10% of the gross revenue/income (or equivalent term in the Income Statement and in the case of group entity consolidated revenue) as per the latest Audited Financial Statements, the Listed Entity must disclose the aggregate value of recurrent Related Party Transactions entered into during the financial year in its Annual Report. The name of the Related Party and the corresponding aggregate value of the Related Party Transactions entered into with the same Related Party must be presented in the following tabular format:

Name of the Related Party	Relationship	Nature of the Transaction(s)	Aggregate value of Related Party Transaction(s) entered into during the financial year	Aggregate value of Related Party Transaction(s) as a % of Gross Revenue/Income	Terms and Conditions of the Related Party Transaction(s)

- (3) The Annual Report shall contain a report by the Related Party Transactions Review Committee, setting out the following:

- The names of the Directors comprising the Committee;
- A statement to the effect that the Committee has reviewed the Related Party Transactions during the financial year and has communicated its comments/observations to the Board of Directors.
- The policies and procedures adopted by the Committee for reviewing the Related Party Transactions.

- (4) An affirmative declaration by the Board of Directors in the Annual Report that these Rules pertaining to Related Party Transactions have been complied with or if the Entity has not entered into any Related Party Transaction/s a negative statement to that effect.

#### **9.14.9 ACQUISITION AND DISPOSAL OF ASSETS FROM/TO RELATED PARTIES**

- (1) Except for transactions set out in Rule 9.14.10, Listed Entities shall ensure that neither the Listed Entity nor any of its subsidiaries, acquires a substantial asset from, or disposes of a substantial asset to, any Related Party of the Entity without obtaining the approval of the shareholders of the Entity by way of a Special Resolution.

An asset is substantial if its value or the value of the consideration relating to such asset exceeds 1/3 of the Total Assets of the Entity as per the latest Audited Financial Statements.

- (2) If a transaction requires shareholder approval as set out in Rule 9.14.9(1) above, such approval shall be obtained either prior to the transaction being entered into or, if the transaction is expressed to be conditional on such approval, prior to the completion of the transaction.

- (3) Rule 9.14.9(1) does not apply to:

- a transaction between the Listed Entity and a wholly owned subsidiary.
- a transaction between wholly owned subsidiaries of the Listed Entity.
- a takeover offer made by the Listed Entity in accordance with Takeovers and Mergers Code 1995 (as amended).
- any transaction entered into by the Listed Entity with a Bank as principal, on arm's length terms and in the ordinary course of its banking business.

- (4) The members of the Related Party Transactions Review Committee should obtain 'competent independent advice' from independent professional experts with regard to the value of the substantial assets of the Related Party Transaction under consideration. A person who is in the same group of the Listed Entity or who has a Significant Interest in or Financial Connection with the Listed Entity or the relevant Related Party shall not be eligible to give such advice.

For the purpose of this Rule;

**"Significant Interest"** means a shareholding carrying not less than 10% of the voting rights of the Listed Entity.

**"Financial Connection"** means a relationship resulting in transaction value equivalent to 10% of the turnover of the Listed Entity or business.

- (5) The competent independent advice obtained in terms of Rule 9.14.9 (4) above should be circulated with the notice of meeting to obtain the shareholder approval as set out in Rule 9.14.9 (1) above.

- (6) The competent independent advice required in terms of Rule 9.14.9 (4) shall include:

- (a) the key assumptions, conditions or restrictions that impact the estimate value;

- (b) the different valuation methodologies considered and employed in valuing the subject asset/s and justification for adopting one or more of them in the valuation;
- (c) the sources of information relied upon for the valuation;
- (d) the identity of individuals participating in the valuation assignment and their qualifications;
- (e) statement confirming the independence of the parties participating in the advice;
- (f) a statement as to whether the transaction is on usual commercial terms, in the ordinary and usual course of business, fair and reasonable and in the interests of the Listed Entity and its shareholders as a whole.

#### **9.14.10 EXEMPTED RELATED PARTY TRANSACTIONS**

The following Related Party Transactions shall not fall within the ambit of these Rules:

- (a) Subject to Rule 9.14.8 (2), transactions with Related Parties which are recurrent, of revenue or trading nature and which is necessary for day-to-day operations of a Listed Entity or its subsidiaries and, in the opinion of the Related Party Transactions Review Committee, terms are not favorable to the Related Party than those generally available to the public.
- (b) The payment of dividend, issue of Securities by the Listed Entity by way of a capitalization of reserves, the exercise of Rights, options or warrants (subject to Rules contained in Section 5 and 7 of these Rules), sub-division of shares or consolidation of shares.
- (c) The grant of options, and the issue of Securities pursuant to the exercise of options, under an employee share option scheme/employees share purchase scheme (subject to Rule 5.6 of these Rules).
- (d) A transaction in marketable securities carried out in the open market where the counterparty's identity is unknown to the Listed Entity at the time of the transaction.
- (e) The provision or receipt of financial assistance or services, upon usual commercial terms and in the ordinary course of business, from a company whose activities are regulated by any written law relating to licensed banks, finance companies or insurance companies or are subject to supervision by the Central Bank of Sri Lanka or Insurance Board of Sri Lanka.
- (f) Directors' fees and remuneration, and employment remuneration.

#### **9.15 Definitions**

For the purposes of Section 9.14;

**“Related Party Transactions”** shall have the same meaning as defined in the Sri Lanka Accounting Standards on Related Party Transactions.

**“Related Party”** shall have the same meaning as defined in the Sri Lanka Accounting Standards on Related Party Transactions.

**“Total Assets”** shall mean the aggregate value of both current assets and non-current assets of the Listed Entity excluding any intangible assets. In the case of a group entity, consolidated total

assets are considered.

**“Equity”** shall mean net assets of the Listed Entity excluding redeemable and/or non-convertible preference shares issued by the Listed Entity. In the case of a group entity, consolidated net assets excluding the minority interest is considered.

**“Recurrent Related Party Transactions”** shall mean Related Party Transactions involving the provision of goods and services or financial assistance, which are carried out on a continuing basis. Recurring business are expected to extend over a period of time. Such transactions are usually transactions in the ordinary and usual course of business of the Listed Entity.

**“Same Related Party Transactions”** shall mean transactions between the Listed Entity or its fully owned subsidiaries and the related parties who are members of the same group.

## **9.16 ADDITIONAL DISCLOSURES**

The following declarations by the Board of Directors to be included in the Annual Report:

- (i) They have declared all material interests in contracts involving in the Entity and whether they have refrained from voting on matters in which they were materially interested;
- (ii) 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, if unable to make any of these declarations an explanation on why it is unable to do so;
- (iii) they made arrangements to make themselves aware of applicable laws, rules and regulations and are aware of changes particularly to Listing Rules and applicable capital market provisions;
- (iv) disclosure of relevant areas of any material non-compliance with law or regulation and any fines, which are material, imposed by any government or regulatory authority in any jurisdiction where the Entity has operations.

## **9.17 ENFORCEMENT PROCEDURE FOR NON-COMPLIANCE WITH CORPORATE GOVERNANCE REQUIREMENTS**

- a) If a Listed Entity fails to comply with any of the requirements contained in Rules 9.2.1, 9.8.2, 9.11.4, 9.12.6, 9.13.3 or 9.14.2 of these Rules, it shall make an immediate Market Announcement about such non-compliance within one (1) Market Day from the date of the non-compliance. The announcement shall be prepared in conformity with Appendix 9B. Such announcement shall be repeated on the first (1<sup>st</sup>) Market Day of each calendar month until the Entity becomes compliant with Rules 9.2.1, 9.8.2, 9.11.4, 9.12.6, 9.13.3 or 9.14.2 of these Rules.
- b) The Entity shall rectify its non-compliance within a period of three (03) months from the date of such non-compliance.
- c) If the Listed Entity fails to rectify the non-compliance within the aforesaid period of three (03) months, its Securities shall be transferred to the Watch List, immediately upon the expiration of the said period.
- d) The Directors and the CEO of the Entity, their Close Family Members, the parent Entity of the Listed Entity and any entity in which such Director, CEO, their Close

Family Members or the parent Entity directly or indirectly hold fifty per centum (50%) or more of the voting rights shall refrain from exercising their rights to transact, directly or indirectly, in the Securities of the Entity whilst such Securities are on the Watch List, without the prior approval from the SEC.

If any of the persons mentioned above resign from the position held in the Listed Entity, the restriction imposed above shall continue for a period of three (03) months from the date of resignation or until the Listed Entity complies with Rules 9.2.1, 9.8.2, 9.11.4, 9.12.6, 9.13.3 or 9.14.2 of these Rules, whichever occurs first.

- e) Immediately upon the transfer of Securities of the Listed Entity to the Watch List it shall make a Market Announcement containing the following:
1. the remedial action taken or proposed to be taken by the Entity within a period of six (06) months from the transfer of the Securities to the Watch List to ensure compliance with Rules 9.2.1, 9.8.2, 9.11.4, 9.12.6, 9.13.3 or 9.14.2 of these Rules; and
  2. the following statements:
    - i. that if there is any deviation from the proposed remedial action it shall be communicated to the investors by way of a subsequent Market Announcement within one (01) Market Day of the Board of Directors of the Entity approving such deviation; and
    - ii. that if the Entity fails to implement the remedial action within six (06) months from the date of transfer of its Securities to the Watch List that the trading in such Securities shall be suspended by the Exchange; and,
    - iii. that if the trading suspension continues for a period in excess of six (06) months, the Securities of the Entity shall be delisted by the Board of Directors of the Exchange
- f) If the non-compliance is not rectified, the Listed Entity shall notify its shareholders about the details pertaining to the non-compliance with Rules 9.2.1, 9.8.2, 9.11.4, 9.12.6, 9.13.3 or 9.14.2 of these Rules and appraise them of the remedial action taken or proposed to be taken by the Entity to comply therewith at its first General Meeting after the Securities are transferred to the Watch List. Such notification shall include a statement that a failure on the part of the Listed Entity to rectify non-compliance has resulted or shall result (as applicable) in the suspension of trading Securities of the Entity and that continued non-compliance will result in the Securities being delisted by the Board of Directors of the Exchange in terms of Rule 11.3 of these Rules.
- g) The Listed Entity shall make a Market Announcement of the outcome of above matter taken up at the General Meeting of the Entity by Market Day immediately following the date of such meeting. Such announcement shall include any decisions made pertaining to such matter.
- h) The Listed Entity shall rectify its non-compliance within a period of six (06) months from the date its Securities are transferred to the Watch List.
- i) If the Listed Entity fails to rectify its non-compliance within the said period of six (06) months from the date its Securities are transferred to the Watch List, the Exchange shall suspend trading of such Securities until the Entity rectifies its

non-compliance with Rules 9.2.1, 9.8.2, 9.11.4, 9.12.6, 9.13.3 or 9.14.2 of these Rules.

Provided however, the Listed Entity may make an application to the Exchange for a deferment from suspension under this Rule (hereinafter referred to as the 'first deferment'), prior to the expiry of three (03) months from the date of its Securities being transferred to the Watch List. The Exchange shall consider such application and either approve or reject such application.

Provided further, the Listed Entity may make an application for a further deferment or an extension of the first deferment from suspension of trading of Securities of the Entity, which shall be granted or rejected by the SEC. Such application shall be made by the Listed Entity to the Exchange under this Rule, two (02) months prior to the expiry of the first deferment. The Exchange shall communicate, in writing, the decision of the SEC to the Listed Entity.

The Exchange shall not suspend the trading of the Securities of the Entity whilst such applications are pending before the Exchange or the SEC (as applicable).

An Entity which has been granted a further deferment or an extension of time shall immediately upon being granted the same, make a Market Announcement to such effect together with the time period for which such deferment/extension was granted.

- j) If the trading of the Securities of the Listed Entity remains suspended for a period in excess of six (06) months, such Securities shall be delisted by the Board of Directors of the Exchange in terms of Rule 11.3 of these Rules.

Provided however, the Listed Entity may make an application for a deferment from delisting the Securities of the Entity, which shall be granted or rejected by the SEC. Such application shall be made by the Listed Entity to the Exchange, prior to the expiry of three (03) months from the date of suspension. The Exchange shall, communicate, in writing, the decision of the SEC to the Listed Entity.

The Exchange shall not delist the Securities of such Entity whilst such application is pending before the SEC.

An Entity which has been granted a deferment of time shall immediately upon being granted the same, make a Market Announcement to such effect together with the time period for which such deferment was granted.

- k) The decision of the Board of Directors of the Exchange to delist the Securities of a Listed Entity together with the conditions attached shall be communicated to the SEC.

## **9.18 CORPORATE GOVERNANCE REQUIREMENTS APPLICABLE IN RESPECT OF ENTITIES WHICH HAVE LISTED ITS SECURITIES ON THE EMPOWER BOARD IN THE ALTERNATE MARKET SEGMENT OF THE EXCHANGE**

### **9.18.1 NON – EXECUTIVE DIRECTORS**

a. The Board of Directors of a Listed Entity shall include at least,

- two (2) Non-Executive Directors; or

-such number of Non-Executive Directors equivalent to one third (1/3) of the total number of Directors whichever is higher.

- b. Any change occurring to this ratio shall be rectified within ninety (90) days from the date of the change.

### **9.18.2 INDEPENDENT DIRECTORS**

- a. Where the constitution of the Board of Directors includes only two (2) non-executive directors in terms of Rule 9.18.1 (a) above, both such Non-Executive Directors shall be 'independent'. In all other instances two (2) or one third (1/3) of Non-Executive Directors appointed to the Board of Directors, whichever is higher shall be 'independent'.
- b. The Board shall require each Non-Executive Director to submit a signed and dated declaration annually of his/her independence or non-independence against the specified criteria. A specimen of the said declaration is given in Appendix 9C of this Section.

### **9.18.3. DISCLOSURES RELATING TO DIRECTORS**

- a. The Board shall make a determination annually as to the independence or non-independence of each Non-Executive Director based on such declaration and other information available to the Board and shall set out in the annual report the names of Directors determined to be 'independent'.
- b. In the event a director does not qualify as 'independent' against any of the criteria set out below but if the board, taking account all the circumstances, is of the opinion that the director is nevertheless 'independent', the board shall specify the criteria not met and the basis for its determination in the annual report.
- c. In addition to disclosures relating to the independence of a Director set out above, the Board shall publish in its annual report a brief resume of each Director on its Board which includes information on the nature of his/her expertise in relevant functional areas.
- d. Upon the appointment of a new Director to its Board, the Entity shall forthwith provide to the Exchange a brief resume of such Director for dissemination to the public. Such resume shall include information on the matters itemized in paragraphs (a) and (b) above.

### **9.18.5 CRITERIA FOR DEFINING 'INDEPENDENCE'**

Subject to Rule 9.18.3 (a) and (b), a non-executive director shall not be considered independent if he/she:

- a. has been employed by the Listed Entity during the period of two years immediately preceding appointment as director;
- b. currently has/had during the period of two (2) years immediately preceding appointment as a director, a Material Business Relationship with the Listed Entity, whether directly or indirectly;
- c. has a Close Family Member who is a director, Chief Executive Officer (and/or an equivalent position) in the Listed Entity.
- d. has a Significant Shareholding in the Listed Entity.
- e. has served on the board of the Listed Entity continuously for a period exceeding nine (9) years from the date of the first appointment; provided however, if such director is re-appointed after a period of two (2) years from the date of completion

of the preceding nine (9) year period, he will be considered as 'independent' for the purposes of this Section.

- f. is employed in another company or business;
  - i. in which a majority of the other directors of the Listed Entity are employed or are directors; or
  - ii. in which a majority of the other directors of the Listed Entity have a Significant Shareholding or Material Business Relationship; or
  - iii. that has a Significant Shareholding in the Listed Entity or with which the Listed Entity has a Business Connection.
- g. is a director of another company;
  - i. in which a majority of the other directors of the Listed Entity are employed or are directors; or
  - ii. that has a Business Connection in the Listed Entity or a Significant Shareholding;
- h. has a Material Business Relationship or a Significant Shareholding in another company or business;
  - i. in which a majority of the other directors of the Listed Entity are employed or are directors; and/or
  - ii. which has a Business Connection with the Listed Entity or Significant Shareholding in the same.

For the purposes of Rule 9.18.5;

- **“Acting in Concert”** shall have the same meaning as defined in the 'Takeovers and Mergers Code'.
- **‘Business Connection’** shall mean a relationship resulting in transaction value equivalent to 10% of the turnover of that company or business.
- **‘Close Family Member’** shall mean the spouse, parents, grandparents, children, brothers, sisters and grandchildren of a director/CEO of a Listed entity and any person who is financially dependent on and/or acting in concert with such director/CEO.
- **‘Financially dependent’** shall mean any person who receives more than half of their support for the most recent fiscal year from a director/CEO of a Listed Entity and/or his or her spouse, or a representative.
- **“Listed Entity”** shall mean the Listed Entity to the Board of which the director is appointed, its parent and/or subsidiary company, and a subsidiary of the parent company.
- **‘Material Business Relationship’** shall mean a relationship resulting in income/non-cash benefits equivalent to 20% of the director’s annual income.
- **‘Significant Shareholding’** shall mean a shareholding carrying not less than 10% of the voting rights of a company.

### **9.18.6 REMUNERATION COMMITTEE**

A Listed Entity shall have a Remuneration Committee in conformity with the following:

#### **a. COMPOSITION**

- (i) The Remuneration Committee shall comprise of a minimum of two (2) directors, one (1) of whom shall be Independent
- (ii) The Chairman of the Committee is an independent director.

#### **b. FUNCTIONS**

The Remuneration Committee shall recommend the remuneration payable to the Executive Directors and CEO of the Listed Entity and/or equivalent position thereof, to the Board of the Listed Entity which will make the final determination upon consideration of such recommendations.

#### **c. DISCLOSURE IN THE ANNUAL REPORT**

The Annual Report shall set out the names of the Chairperson and members of the Remuneration Committee, the nature of the directorships held by such members, a statement regarding the Remuneration Policy and the aggregate remuneration of the Executive and Non-Executive Directors.

The Term “remuneration” shall make reference to cash and all non-cash benefits whatsoever received

### **9.18.7 AUDIT COMMITTEE**

A Listed Entity shall have an Audit Committee in conformity with the following:

#### **a. COMPOSITION**

- (i) The Audit Committee shall comprise of a minimum of two (2) Directors, one (1) of whom shall be Independent.
- (ii) the Chairman of the committee is an Independent Director.
- (iii) the chairman of the Audit Committee shall be a member of a recognized professional accounting body.
- (iv) In the event the chairman of the Audit Committee is not a member of a recognized professional accounting body, the Entity shall obtain the services of a competent independent expert, who is a member of a recognized professional accounting body, to advise on matters assigned to the Audit Committee.
- (v) Such competent independent expert shall not be a related party of the Entity as defined in the Sri Lanka Accounting Standards and shall not have a substantial shareholding in or a financial / business connection with the Entity and/or the group.

The Audit Committee of the Listed Entity may also perform the functions of the Remuneration Committee and the Related Party Transactions Review Committee set out in these Rules.

## **b. FUNCTIONS**

The functions of the Audit Committee shall include the following:

- (i) Overseeing of the preparation, presentation and adequacy of disclosures in the financial statements of a Listed Entity, in accordance with Sri Lanka Accounting Standards.
- (ii) Overseeing of the Entity's compliance with financial reporting requirements, information requirements of the Companies Act and other relevant financial reporting related regulations and requirements.
- (iii) Overseeing the processes to ensure that the Entity's internal controls and risk management, are adequate, to meet the requirements of the Sri Lanka Auditing Standards.
- (iv) Assessment of the independence and performance of the Entity's external auditors.
- (v) To 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.

## **c. DISCLOSURE IN THE ANNUAL REPORT**

The Annual Report of the Entity shall set out the names of the Chairperson and members of the Audit Committee and the nature of the directorships held by such members .

The Audit Committee shall make a determination of the independence of the auditors and shall disclose the basis for such determination in the Annual Report.

The Annual Report shall contain a report by the Audit Committee, setting out the manner of compliance by the Entity in relation to the above, during the period to which the Annual Report relates.

### **9.18.8 RELATED PARTY TRANSACTIONS REVIEW COMMITTEE**

- (a) Subject to Rule 9.18.8 (b) below, Listed Entities shall have a Related Party Transaction Review Committee that conforms to the requirements set out in Rules 9.14 of these Rules.
- (b) Composition:

The Related Party Transactions Review Committee shall comprise of a combination of Non-Executive Directors and Independent Directors. The composition of the Committee may also include Executive Directors, at the option of the Listed Entity. One (1) Independent Director shall be appointed as Chairman of the Committee. Criterion for defining 'independence' is the same criteria as set out in Rule 9.18.5 of these Rules.

### **9.19 ENFORCEMENT PROCEDURE FOR ENTITIES LISTED ON THE EMPOWER BOARD IN THE ALTERNATE MARKET SEGEMENT WHICH ARE NON-COMPLIANT WITH CORPORATE GOVERNANCE REQUIREMENTS**

- a) In the event a Listed Entity fails to comply with any of the requirements contained in Rules 9.18.1, 9.18.2 (a), 9.18.6 (a), 9.18.7 (a) or 9.18.8 of these Rules, such Entity shall make an immediate Market Announcement on such non-compliance, not later than one (1) Market Day from the date of the non-compliance. The Market Announcement shall

be prepared in conformity with Appendix 9B of these Rules. Such announcement shall be repeated on the first (1<sup>st</sup>) Market Day of each calendar month thereafter, until such time the Entity becomes compliant with Rules 9.18.1, 9.18.2 (a), 9.18.6 (a), 9.18.7 (a) and 9.18.8 (as applicable).

- b) The Entity shall rectify its non-compliance within a period of six (06) months from the date of the initial announcement to the Market.
- c) If the Listed Entity fails to rectify the non-compliance within a period of six (06) months from the date of the initial announcement to the Market via the Exchange, the Securities of the Listed Entity shall be transferred to the Watch List, immediately upon the expiration of the said period of six (06) months.
- d) The Directors and the CEO of the Entity, their Close Family Members, the parent Entity of the Listed Entity and any entity in which such Director, CEO, their Close Family Members or the parent Entity directly or indirectly hold fifty per centum (50%) or more of the voting rights and Sponsor/s who are shareholders of the Entity shall refrain from exercising their rights to transact, directly or indirectly, in the securities of the Entity whilst such securities are on the Watch List, unless prior approval is obtained from the SEC.

In the event any of the persons mentioned above resign from the position held in the Listed Entity, the restriction imposed above shall continue for a period of three (03) months from the date of resignation or until the Listed Entity complies with Rules 9.18.1, 9.18.2 (a), 9.18.6 (a), 9.18.7 (a) or 9.18.8 of these Rules, whichever occurs earlier.

- e) Immediately subsequent to the transfer of Securities to the Watch List, the Listed Entity shall make a Market Announcement and such announcement shall include;
  - 1. the remedial action taken or proposed to be taken by the Entity within a period of twelve (12) months from the date of transferring the Securities of the Listed Entity to the Watch List in order to ensure compliance with Rules 9.18.1, 9.18.2 (a), 9.18.6 (a), 9.18.7 (a) or 9.18.8 of these Rules; and
  - 2. the following statements:
    - i. In the event of any deviation from the proposed remedial action, the extent of the deviation shall be communicated to the investors by way of a subsequent Market Announcement within one (01) Market Day from the date of obtaining the approval of the Board of Directors of the Entity for such deviation;
    - ii. In the event the Entity fails to implement such remedial action within twelve (12) months from the date on which the Securities of the Listed Entity were transferred to the Watch List, the trading in such Securities of the Listed Entity shall be suspended by the Exchange; and;
    - iii. In the event such trading suspension continues for a period in excess of twelve (12) months, the Securities of the Entity shall be delisted by the Board of Directors of the Exchange in terms of Rule 11.3 of the Listing Rules.
- f) Where the non-compliance is not rectified, the Listed Entity shall notify its shareholders at the first General Meeting to be held subsequent to the Securities being transferred to the Watch List, the details pertaining to the non-compliance with Rules 9.18.1, 9.18.2 (a), 9.18.6 (a), 9.18.7 (a) or 9.18.8 and inform the shareholders of the remedial action taken or proposed to be taken by the Entity, in order to ensure compliance with such Rule/s. Such notification shall include a statement that a failure on the part of the Listed Entity to rectify non-compliance has resulted or shall result (as applicable) in a trading suspension

on the Securities of the Entity and that continued non-compliance shall result in the Securities of the Entity being delisted by the Board of Directors of the Exchange in terms of Rule 11.3 of the Listing Rules.

- g) The Listed Entity shall make a Market Announcement to the Exchange of the outcome of deliberations at the said General Meeting of the Entity within one (01) Market Day immediately following the date of such meeting, which shall include any decisions made pertaining to such matter.
- h) The Listed Entity shall rectify its non-compliance within a period of twelve (12) months from the date of its Securities being transferred to the Watch List.
- i) In the event the Listed Entity fails to rectify its non-compliance within the period of twelve (12) months from the date of transferring the Securities of the Listed Entity to the Watch List, the Exchange shall suspend the trading of the Securities of the Listed Entity, until such time the Entity complies with Rules 9.18.1, 9.18.2 (a), 9.18.6 (a), 9.18.7 (a) or 9.18.8 of these Rules (as applicable).

Provided however, the Listed Entity may make an application to the Exchange for a deferment from suspension of trading of its Securities under this Rule (hereinafter referred to as the 'first deferment') within a period of nine (09) months from the date on which the Securities of the Entity were transferred to the Watch List. The Exchange shall consider such application and either approve or reject the application.

Provided further, the Listed Entity may make an application for a further deferment or an extension of the first deferment from suspension of trading of Securities of the Entity, which shall be granted or rejected by the SEC. Such application shall be made by the Listed Entity to the Exchange under this Rule, two (02) months prior to the expiry of the first deferment. The Exchange shall communicate, in writing, the decision of the SEC to the Listed Entity.

The Exchange shall not suspend the trading of the Securities of the Entity whilst such applications are pending before the Exchange or SEC (as applicable).

An Entity which has been granted a further deferment or an extension of time shall immediately upon being granted the same, make a Market Announcement to such effect together with the time period for which such deferment/extension was granted.

- j) In the event the trading of the Securities of the Listed Entity remains suspended for a period in excess of twelve (12) months, the Securities of the Entity shall be delisted by the Board of Directors of the Exchange in terms of Rule 11.3 of these Rules.

Provided however, the Listed Entity may make an application for a deferment from delisting the Securities of the Entity, which shall be granted or rejected by the SEC. Such application shall be made by the Listed Entity to the Exchange, prior to the expiry of nine (09) months from the date of suspension. The Exchange shall, communicate, in writing, the decision of the SEC to the Listed Entity.

The Exchange shall not delist the Securities of the Entity whilst such application is pending before the SEC.

An Entity which has been granted a deferment of time shall immediately upon being granted the same, make a Market Announcement to such effect together with the time period for which such deferment was granted.

- k) The decision of the Board of Directors of the Exchange to delist the Securities of the Entity made in terms of Rule 11.3 of these Rules shall be communicated to the SEC together with the reasons for same.



## APPENDIX 9A

### SPECIMEN DECLARATION

I, [●]<sup>1</sup> of [●]<sup>2</sup> being a Christian make [oath and say /not being a Christian solemnly, sincerely and truly affirm and declare]<sup>3</sup> as follows in terms of Rule ..... of the Listing Rules of the Colombo Stock Exchange:

- a. I am a non-executive director of [●] [hereinafter referred to as the “Listed Entity”] being so appointed on [●].<sup>4</sup>
- b. I have been / have not been employed by the Listed Entity\*, during the period of three years immediately preceding my appointment as director of the Listed Entity.
- c. I had / did not have during the preceding financial year a Close Family Member who is a Director and/or CEO in the Listed Entity.
- d. I have / do not have a Close Family Member(s) who is a director or Chief Executive Officer (or equivalent position) in the Listed Entity.
- e. I have / do not have a Significant Shareholding in the Listed Entity.
- f. I have / have not served on the Board of the Listed Entity for an aggregate period exceeding nine years from the date of the first appointment.
- g. I am / am not employed in another company or business,
  - (i) in which a majority of the other directors of the Listed Entity are employed or are directors; or
  - (ii) in which a majority of the other directors of the Listed Entity have a Significant Shareholding or Material Business Relationship; or
  - (iii) that has a Significant Shareholding in the Listed Entity or with which the Listed Entity has a Business Connection.
- h. I am / am not a director of another company,
  - (i) in which a majority of the other directors of the Listed Entity are employed or are directors; or
  - (ii) that has a Business Connection in the Listed Entity or a Significant Shareholding.
- i. I have / do not have a Material Business Relationship or a Significant Shareholding in another company or business:
  - (i) in which a majority of the other directors of the Listed Entity are employed or are directors; and/or

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<sup>1</sup> Enter full name.

<sup>2</sup> Enter address.

<sup>3</sup> Delete what is inapplicable.

<sup>4</sup> Enter date of appointment.

- (ii) which has a Business Connection with the Listed Entity or Significant Shareholding in the same.
- (iii) Where the core line of business of such company is in direct conflict with the line of business of the Listed Entity.

j. I am not above the age of seventy (70) years

k. Disclosure of such other information which the applicant believes could reasonably be construed to have a bearing on the independence of such director.<sup>5</sup>

\* **Listed Entity as referred to in this declaration shall be the Public Limited Company to the Board of which the Director is appointed and would include any parent or subsidiary company of the Listed Entity and any subsidiary of the parent company.**

.....  
(Sgd.)

.....  
Director

Date:

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<sup>5</sup> Disclose all other information which you reasonably believe could have a bearing on your independence as a director of the Listed Entity.

**APPENDIX 9B**

(On the Letter head of the Entity)

To: Colombo Stock Exchange  
 #04-01, West Block  
 World Trade Center  
 Echelon Square  
 Colombo 01

**ANNOUNCEMENT TO THE EXCHANGE**

*(Please indicate the non-compliance in the table provided below, as applicable)*

**1. Non-Compliance with Board and Board Committee Compositions**

*Number of Directors comprising the Board of Directors of the Listed Entity/ Managing Company: .....*

	<b>Details of non-compliance</b>	<b>Minimum number of Directors as per Listing Rule</b>	<b>Current Status (Number of Directors)</b>
1)	Composition of Non-executive Directors in the Board		
2)	Composition of Independent Directors in the Board		
3)	a) Composition of the Remuneration Committee		
	b) Chairperson of the Remuneration Committee is an Independent Director		
4)	a) Composition of the Nominations and Governance Committee		
	b) Chairperson of the Nomination and Governance Committee is an Independent Director		
5)	a) Composition of the Audit Committee		
	b) Chairperson of the Audit Committee is an Independent Director		
	c) Chairperson or one member of the Audit Committee is a member of a recognized professional accounting body		
6)	a) Composition of the Related Party Transactions Review Committee		

	b) Chairperson of the Related Party Transactions Review Committee is an Independent Director		
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## 2. Non-compliance with establishing and maintaining policies

#	Policy	Compliance Status
a)	Policy on the matters relating to the Board of Directors	
b)	Policy on Board Committees	
c)	Policy on Corporate Governance, Nominations and Re-election	
d)	Policy on Remuneration	
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	
f)	Policy on Risk management and Internal controls	
g)	Policy on Relations with Shareholders and Investors	
h)	Policy on Environmental, Social and Governance Sustainability	
i)	Policy on Control and Management of Company Assets and Shareholder Investments	
j)	Policy on Corporate Disclosures	
k)	Policy on Whistleblowing	
l)	Policy on Anti-Bribery and Corruption	

**Note: Delete items as inapplicable**

### Declaration

[.....Name of Listed Entity/ Managing Company.....] hereby declares that the Listed Entity/ Managing Company has failed to comply with the Corporate Governance Requirements set out in Section 9/ Rule 4.2.13 (delete whichever is not applicable) of the Listing Rules to the extent disclosed above.

Signed for and on behalf of [.....Name of Listed Entity/ Managing Company.....]

.....  
Name and signature of the authorized signatory

Date

## APPENDIX 9C

### SPECIMEN DECLARATION

I, [●]<sup>6</sup> of [●]<sup>7</sup> being a Christian make [oath and say /not being a Christian solemnly, sincerely and truly affirm and declare]<sup>8</sup> as follows in terms of Rule ..... of the Listing Rules of the Colombo Stock Exchange:

- a. I am a non-executive director of [●] [hereinafter referred to as the “Listed Entity”] being so appointed on [●].<sup>9</sup>
- b. I have been / have not been employed by the Listed Entity\*, during the period of two years immediately preceding my appointment as director of the Listed Entity.
- c. I had / did not during the period of two (2) years immediately preceding appointment as a director, have a Material Business Relationship with the Listed Entity, either directly or indirectly
- d. I have / do not have a Close Family Member(s) who is a director or Chief Executive Officer (or equivalent position) in the Listed Entity.
- e. I have / do not have a Significant Shareholding in the Listed Entity.
- f. I have / have not served on the Board of the Listed Entity continuously for a period exceeding nine (9) years from the date of the first appointment.
- g. I am / am not employed in another company or business,
  - (i) in which a majority of the other directors of the Listed Entity are employed or are directors; or
  - (ii) in which a majority of the other directors of the Listed Entity have a Significant Shareholding or Material Business Relationship; or
  - (iii) that has a Significant Shareholding in the Listed Entity or with which the Listed Entity has a Business Connection.
- h. I am / am not a director of another company,
  - (i) in which a majority of the other directors of the Listed Entity are employed or are directors; or
  - (ii) that has a Business Connection in the Listed Entity or a Significant Shareholding.
- i. I have / do not have a Material Business Relationship or a Significant Shareholding in another company or business:
  - (i) in which a majority of the other directors of the Listed Entity are employed or are directors; and/or

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<sup>6</sup> Enter full name.

<sup>7</sup> Enter address.

<sup>8</sup> Delete what is inapplicable.

<sup>9</sup> Enter date of appointment.

(ii) which has a Business Connection with the Listed Entity or Significant Shareholding in the same.

j. Disclosure of such other information which the applicant believes could reasonably be construed to have a bearing on the independence of such director.<sup>10</sup>

\* **Listed Entity as referred to in this declaration shall be the Public Limited Company to the Board of which the Director is appointed and would include any parent or subsidiary company of the Listed Entity and any subsidiary of the parent company.**

.....

(Sgd.)

.....

Director

Date:

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<sup>10</sup> Disclose all other information which you reasonably believe could have a bearing on your independence as a director of the Listed Entity.