



## **POLICY ON BOARD COMMITTEES**

# MERCHANT BANK OF SRI LANKA & FINANCE PLC



## POLICY ON BOARD COMMITTEES

Approver	Board of Directors
----------	--------------------

Policy Owner	Company Secretary
Functional Owner	Company Secretary

Revision History				
Version	Approval Date	Effective date	Author	Description
1.0		01 <sup>st</sup> October 2024	Company Secretary	New policy

# MERCHANT BANK OF SRI LANKA & FINANCE PLC (MBSL)

## Policy on Board Committees

### 1. Introduction

Effective governance is the cornerstone of an organization's long-term success. To ensure transparency, accountability, and sustainable growth, the Board of Directors delegates specific responsibilities to its committees. This **Board Committee Policy** sets out the structure, roles, and responsibilities of each committee, ensuring adherence to the highest standards of corporate governance.

### 2. Purpose

The purpose of this policy is to establish the formation, functioning, and oversight of the Board Committees, which are tasked with assisting the Board in specific areas of governance, performance monitoring, and compliance.

### 3. Scope

This policy applies to all Board Committees established by the Board of Directors. It outlines the composition, duties, and meeting requirements of each committee, ensuring consistent and effective governance practices across the company.

### 4. Key Committees and Their Roles

#### 4.1. Nominations and Governance Committee

This committee is responsible for evaluating the board's composition, identifying candidates for board membership, and ensuring that governance practices are in alignment with best practices and regulatory requirements.

- **Composition:** The committee shall consist of a majority of independent non-executive directors.
- **Key Functions:**
  - Review and recommend candidates for board appointments.
  - Oversee the evaluation process for the Board and its committees.
  - Ensure the development and implementation of corporate governance policies.
  - Review board diversity and succession planning.

#### 4.2. Remuneration Committee

The Remuneration Committee ensures fair and competitive remuneration practices across the company. This committee oversees the remuneration policies for directors and senior management, aligning compensation with the company's strategic objectives.

- **Composition:** Comprising a majority of independent non-executive directors.

- **Key Functions:**
  - Recommend remuneration structures for directors and senior executives.
  - Ensure that compensation packages align with industry standards and performance benchmarks.
  - Monitor incentive schemes to ensure they drive long-term shareholder value.
  - Ensure that remuneration policies promote risk management.

#### 4.3. **Audit Committee**

The Audit Committee is responsible for overseeing the integrity of the company's financial reporting, internal controls, and risk management processes. This committee also ensures compliance with legal and regulatory frameworks.

- **Composition:** The Audit Committee shall consist entirely of independent non-executive directors.
- **Key Functions:**
  - Review and monitor financial statements and reporting processes.
  - Oversee internal controls and risk management systems.
  - Appoint and interact with external auditors, ensuring their independence.
  - Oversee the internal audit function and ensure the effectiveness of the internal audit process.

#### 4.4. **Related Party Transactions Review Committee**

This committee is responsible for reviewing and approving transactions that involve related parties, ensuring that these transactions are conducted on an arm's length basis and in the best interest of the company and its shareholders.

- **Composition:** The committee shall include a majority of independent non-executive directors.
- **Key Functions:**
  - Review all related party transactions to identify potential conflicts of interest.
  - Ensure that related party transactions adhere to internal governance rules and external regulatory requirements.
  - Ensure transparent reporting of related party transactions in financial statements.

### 5. **Committee Operations**

#### 5.1. **Meetings**

Each committee shall meet regularly, at least [number] times per year, with additional meetings convened as necessary. The committee chairperson is responsible for calling meetings and ensuring proper documentation and minutes are maintained for all proceedings.

## **5.2. Reporting**

Committees shall report regularly to the Board of Directors on their activities, findings, and recommendations. These reports should include any issues that require Board attention or decision-making.

## **5.3. Independence and Objectivity**

To ensure the objectivity and independence of committees, members should not have any conflicts of interest related to the matters under their jurisdiction. Members must excuse themselves from discussions where personal interests may conflict with the company's interests.

## **6. Review and Evaluation**

The performance of each committee will be reviewed annually by the Nominations and Governance Committee. The review will assess whether committees are fulfilling their responsibilities effectively and in accordance with this policy.

## **7. Amendments**

This policy will be reviewed and updated periodically to ensure it remains aligned with corporate governance best practices, legal obligations, and the company's evolving needs.