
POLICY ON BOARD COMMITTEES

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COLOMBO FORT INVESTMENTS PLC

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COLOMBO FORT INVESTMENTS PLC: Policy on Board Committees

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1 Introduction

The Board of Directors of Colombo Fort Investments PLC (“CFI”) shall ensure that the following Board committees are established and maintained at a minimum and are functioning effectively.

- A. Nomination and Governance Committee
- B. Audit Committee
- C. Related Party Transaction Review Committee

The Chairperson of the Board of Directors shall not be the Chairperson of the Board Committees referred to above.

- D. Remuneration Committee

The Company does not have any employees nor Executive Directors. The Board comprise of only non-executive directors to whom a directors’ fee is paid. The fees of the provider of professional services are approved by the Board of Directors. Consequently the appointment of a Remuneration Committee does not arise.

2 Nominations and Governance Committee

A. Scope

CFI shall have a Nominations and Governance Committee that conforms to the requirements set out in Listing Rule 9.11

A formal procedure shall be set up for the appointment of new Directors and re-election of Directors to the Board

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

B. Composition

Shall comprise of a minimum of three (03) Directors of CFI, out of which a minimum of two (02) members shall be Independent Directors.

Shall not comprise of Executive Directors of CFI.

An Independent Director shall be appointed as the Chairperson of the Nominations and Governance Committee by the Board of Directors.

The Chairperson and the members of the Nominations and Governance Committee shall be identified in the Annual Report of CFI.

C. Functions

- a) Evaluate the appointment of Directors to the Board of Directors and Board Committees of CFI. However, a member of the Nominations and Governance Committee shall not participate in decisions relating to his/her own appointment.
- b) 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 CFI 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.
- c) Establish and maintain a formal and transparent procedure to evaluate, select and appoint/re-appoint Directors of CFI.
- d) 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.
- e) Establish and maintain a suitable process for the periodic evaluation of the performance of the Board of Directors of the Entity to ensure that their responsibilities are satisfactorily discharged.
- f) Develop succession plan for Board of Directors of CFI.
- g) Review the structure, size and composition of the Board and Board Committees about effective discharge of duties and responsibilities.
- h) Review and recommend the overall corporate governance framework of CFI taking into account the Listing Rules of the Colombo Stock Exchange, other applicable regulatory requirements and industry/international best practices.
- i) 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.
- j) 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 Colombo Stock Exchange, and other applicable laws, together with any deviations/non-compliances and the rational for same.

3 Audit Committee

If CFI does not maintain separate Committees to perform the Audit and Risk functions, The Audit Committee of CFI shall additionally perform the Risk Functions set out in Rule 9.13 of the CSE Listing Rules.

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

A. Composition

- a) The members of the Audit Committee shall comprise of a minimum of three (03) directors of CFI, out of which a minimum of two (02) or a majority of the members, whichever is higher, shall be Independent Directors.
- b) The Audit Committee shall not comprise of any Executive Directors of CFI.
- c) The quorum for a meeting of the Audit Committee shall require that the majority of those in attendance to be independent directors.
- d) The Audit Committee may meet as often as required. However, the quarterly meetings, prior to recommending the financials to be released to the market shall be compulsory.
- e) An Independent Director shall be appointed as the Chairperson of the Audit Committee by the Board of Directors.
- f) Unless otherwise determined by the Audit Committee, the Directors of CFI and Professional Service Providers shall attend the Audit Committee meetings by invitation.
- g) The Chairperson of the Audit Committee shall be a Member of a recognized professional accounting body.

B. Functions

- a) Oversee the Company'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.
- b) 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:
 - (i) changes in or implementation of major accounting policy changes
 - (ii) significant matters highlighted including financial reporting issues, significant judgements made by management, significant and unusual events, or transactions, and how these matters are addressed
 - (iii) compliance with accounting standards and other legal requirements
 - (iv) any related party transaction and conflict of interest situation that may arise within CFI including any transaction, procedure or course of conduct that raises questions of management integrity
 - (v) any letter of resignation from the external auditors of CFI; and
 - (vi) whether there is reason (supported by grounds) to believe that the CFI's external auditor is not suitable for re-appointment
- c) To make recommendations to the Board pertaining to appointment, reappointment, and removal of external auditors and to approve the remuneration and terms of engagement of the external auditors.

- d) Obtain and review assurance received from:
 - (i) Professional Service Providers 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
 - (ii) Professional Service Providers and other key management personnel who are responsible, regarding the adequacy and effectiveness of the Entity's risk management and internal control systems.
- e) Review the internal controls in place to prevent the leakage of material information to unauthorized persons.
- f) 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.
- g) 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.
- h) Review the risk policies adopted by the Company on an annual basis.
- i) 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 CFI's policies and regulatory requirements.
- j) Review the scope and results of the external audit and its effectiveness, and the independence, performance, and objectivity of the auditors.
- k) To develop and implement a policy on the engagement of the external auditor to supply non-audit services, 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 that ought to be taken.
- l) 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.
- m) Where the Audit Committee is of the view that a matter reported by it to the Board of Directors of CFI has not been satisfactorily resolved resulting in a breach of these Requirements, the Audit Committee shall promptly report such matter to the Colombo Stock Exchange.

4 Related Party Transactions Review Committee

Related Party Transactions Review Committee shall be responsible for reviewing the Related Party Transactions. The objective of these Rules on Related Party Transactions is to ensure that the interests of shareholders are taken into account

A. Composition

- a) The Related Party Transactions Review Committee shall comprise of a minimum of three (03) Directors of CFI out of which two (02) members shall be Independent Directors of CFI. It may also include executive directors, at the option of CFI. An Independent Director shall be appointed as the Chairperson of the Committee.

B. Functions

- a) 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 Company's operations.
- b) 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.
- c) 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.

C. General Requirements

- a) 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.
- b) 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, approval of the Board of Directors should be obtained prior to entering the relevant Related Party Transaction.
- c) If a Director of CFI has a material personal interest in a matter being considered at a Board Meeting to approve a Related Party Transaction as required in the CSE Listing Rule 9.14.4 (3), such Director shall not
 - (i) be present while the matter is being considered at the meeting; and
 - (ii) vote on the matter.

D. Review of Related Party Transactions by the Related Party Transactions Review Committee

- a) Subject to the exemptions given in terms of CSE Listing Rule 9.14.10, the Related Party Transactions Review Committee shall review in advance all proposed Related Party Transactions.
- b) In the event of any material changes to a previously reviewed Related Party Transaction in terms of Rule 9.14.5 (1) or as (a) above, such proposed material changes shall also be reviewed by the Related Party Transactions Review Committee prior to the completion of the transaction.
- c) The Related Party Transactions Review Committee shall be provided with all the facts and circumstances of the proposed Related Party Transaction by the Professional Service Providers to facilitate the review of a Related Party Transaction. Such information shall include where applicable:
 - (iii) the Related Party's relationship to CFI and interest in the transaction;
 - (iv) the material facts of the proposed Related Party Transaction, including the proposed aggregate value of such transaction;
 - (v) the benefits of the proposed Related Party Transaction to CFI;
 - (vi) the availability of other sources of comparable products or services; and
 - (vii) 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 the Professional Service Providers.
- d) In determining whether to obtain the approval of the Board of Directors for a Related Party Transaction, the Related Party Transactions Review Committee shall consider 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.
- e) 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.
- f) If a Related Party Transaction will be ongoing (a Recurrent Related Party Transaction), the Related Party Transactions Review Committee may establish guidelines which shall be complied with/ by the Company to follow in its ongoing dealings with the Related

Party. Thereafter, the Committee, on a quarterly basis, shall review and assess ongoing relationships with the Related Party to determine whether they comply with the Committee's guidelines and that the Related Party Transaction remains appropriate.

E. Shareholder Approval

- a) CFI shall obtain shareholder approval by way of a Special Resolution for the following Related Party Transactions:

If a non-recurrent transaction;

- (i) Any Related Party Transaction of a value equal to, or more than:
- one third (1/3) of the Total Assets of the Entity as per the latest Audited Financial Statements of the Entity; or
 - 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 nonrecurrent transactions entered into with the same Related Party during the same financial year.
- (ii) If CFI acquires a substantial asset from, or disposes of a substantial asset to, any Related Party of the Entity or its associates.

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 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 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.
- b) Non recurrent and recurrent transaction above, 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.
- c) 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.

F. Acquisition and Disposal of Assets from/to related parties

- a) Except for transactions set out in CSE Listing Rule 9.14.10, CFI shall ensure that neither the CFI 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.
- b) If a transaction requires shareholder approval, 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.
- c) Rule 9.14.9(1) does not apply to:
 - (i) a takeover offer made by CFI in accordance with Takeovers and Mergers Code 1995 (as amended).
 - (ii) any transaction entered into by CFI with a Bank as principal, on arm's length terms and in the ordinary course of its banking business.
- d) 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 a connected party of CFI or who has a Significant Interest in or Financial Connection with CFI or the relevant Related Party shall not be eligible to give such advice. For the purpose of this provision;

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

"Financial Connection" means a relationship resulting in transaction value equivalent to 10% of the turnover of CFI or business.
- e) The competent independent advice obtained in terms of CSE Listing Rule 9.14.9 (4) should be circulated with the notice of meeting to obtain the shareholder approval as set out in CSE Listing Rule 9.14.9 (1)
- f) The competent independent advice required shall include:
 - (i) the key assumptions, conditions or restrictions that impact the estimate value
 - (ii) 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
 - (iii) the sources of information relied upon for the valuation
 - (iv) the identity of individuals participating in the valuation assignment and their qualifications
 - (v) statement confirming the independence of the parties participating in the advice
 - (vi) 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 CFI and its shareholders

G. Exempted Related Party Transactions

The following Related Party Transactions shall not fall within the ambit of the rules governing Related Party transactions :

- a) Subject to CSE Listing 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 CFI 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 CFI by way of a capitalization of reserves, the exercise of Rights, options, or warrants (subject to Rules contained in CSE Listing Rule 5 and 7), sub-division of shares or consolidation of shares.
- c) A transaction in marketable securities carried out in the open market where the counterparty's identity is unknown to CFI at the time of the transaction.
- d) 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.
- e) Directors' fees and remuneration.

5 Approval, Revision & Dissemination of the Policy

- A. The policy should be revised as deemed necessary, particularly in the event of changes in law and authoritative sources of best practice in corporate governance. However, it will be reviewed and revised at least every two years to ensure that it is updated to reflect developments in relation to the subject.
- B. The Nominations and Governance Committee has reviewed and recommended this policy which has been approved by Board.
- C. The policy is updated on the website of the Company in accordance with CSE Listing Rules

Annex I Definitions for Related Party Transactions

- “Close Family Member” shall mean close members of the family of a person are those family members who may be expected to influence or be influenced by, that person in their dealings with the entity and include:
 - (a) That person`s children and spouse or domestic partner;
 - (b) Children of that person`s spouse or domestic partner; and
 - (c) Dependents of that person or that person`s spouse or domestic partner
- “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 CFI excluding any intangible assets.
- “Equity” shall mean net assets of CFI excluding redeemable and/or non-convertible preference shares issued by CFI. 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 is expected to extend over a period of time. Such transactions are usually transactions in the ordinary and usual course of business of CFI.
- “Same Related Party Transactions” shall mean transactions between CFI or its fully owned subsidiaries and the related parties who are members of the same group.