

POLICY ON BOARD COMMITTEES

1. INTRODUCTION

With the increasing demands placed on the Board of Directors in terms of effective management, whilst also adhering to best practices and the regulatory framework of the Central Bank of Sri Lanka (CBSL) and the Listing Rules of the Colombo Stock Exchange, the time, commitment and skills of each Director is of utmost importance. With the constant evolution of regulatory requirements, the need for delegation to Board Committees has become a necessity, and the Board of Vallibel Finance PLC (“Vallibel Finance”) has an established panel of Board Committees with the necessary skills and expertise in ensuring utmost efficiency in this regard.

2. REQUIREMENT TO ESTABLISH BOARD COMMITTEES

The Finance Business Act Direction No. 05 of 2021 issued by the CBSL and Rule 9.3 of the Listing Rules mandates that Vallibel Finance 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) Human Resource and Remuneration Committee
- (c) Audit Committee
- (d) Related Party Transactions Review Committee.
- (e) Board Integrated Risk Management Committee

Vallibel Finance complies with the composition, responsibilities and disclosures required in respect of the above Board committees as set out in the Directions of the CBSL and the Listing Rules.

The Chairman of the Board of Directors does not Chair the Board Committees referred to above.

All Committees conform to a written Terms of Reference clearly defining its scope, authority, duties and matters pertaining to the quorum of meetings, which are reviewed periodically by the Company Secretary and Compliance Officer and approved by the Board of Directors.

The Board shall present a report on the performance of duties and functions of each Board sub-committee at each Annual General Meeting of the Company.

3. OVERVIEW OF THE BOARD COMMITTEES OF VALLIBEL FINANCE

Set out below is a brief overview of the respective Board Committees and their functions in the corporate governance of the Company. The composition of all Committees is in line with the Directions of the CBSL and the Listing Rules in terms of the number of members and Independent Non-Executive Directors.

(a) Nominations and Governance Committee

The Nominations and Governance Committee establishes and maintains a formal procedure for the appointment of new Directors and re-election of Directors to the Board.

The Committee is responsible for evaluating the criteria, including but not limited to academic and professional qualifications of Directors to the Board and to other committees and ensure that there is succession plan for Board Directors and Key Management Personnel and to periodically review and update the corporate Governance Policies / Framework of the Company in line with the regulatory and legal developments relating to same, as a best practice.

(b) Human Resource and Remuneration Committee

For the purposes of the Listing Rules the term “remuneration” shall make reference to cash and all non-cash benefits whatsoever received. 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.

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

No Director shall be involved in fixing his/her own remuneration. Remuneration for Non-Executive Directors is based on a policy which adopts the principle of non-discriminatory pay practices among them to ensure that their independence is not impaired.

(c) Audit Committee

The primary function of the Audit Committee is to oversee the Company’s compliance with financial reporting requirements, information requirements under the Directions of the CBSL, Listing Rules, the Companies Act No. 7 of 2007 and the Securities and Exchange Commission Act No. 36 of 1987 (as amended) and other relevant financial reporting related regulations and requirements.

The Audit Committee may meet as often as required provided that the Committee compulsorily meets once in two months.

The Committee shall, inter alia, perform the following salient functions;

- (i) review the quarterly results and year-end financial statements of Vallibel Finance prior to the Board of Directors approving same.

- (ii) make recommendations to the Board pertaining to the appointment, re-appointment, removal, remuneration of the external auditors and approve the terms of engagement of the external auditors.
- (iii) review the internal controls in place to prevent the leakage of material information to unauthorized persons.

(d) Related Party Transactions Review Committee

The Related Party Transactions Review Committee (RPTRC) shall be responsible for reviewing the Related Party Transactions of the Company. The objective of the RPTRC is to ensure that the interests of the shareholders as a whole are taken into account by Vallibel Finance when entering into Related Party Transactions.

This is to further provide specific measures to prevent Directors, MD/ CEO or Substantial Shareholders taking advantage of their positions.

In assessing these transactions, the objective and the economic and commercial substance of the Related Party Transactions should take precedence over the legal form and technicality.

(e) Board Integrated Risk Management Committee

The Board of Directors in view of its overall responsibility for the establishment and overseeing of the Company's risk management framework, has delegated this responsibility to its Board Integrated Risk Management Committee (BIRMC).

The purpose of establishing a risk management framework is to ensure that major risks are effectively identified and managed according to the nature of the risks faced by the Company and its ability to tolerate or manage those risks.

The BIRMC meets once in two months to assess all aspects of risk management, or more frequently as it deems necessary or appropriate to carry out its duties and responsibilities in a timely and accountable manner.

The main functions of the BIRMC are to;

- (i) Oversee the processes to ensure that the Entity's internal controls and risk management are adequate.
- (ii) 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.
- (iii) Develop and monitor the risk management policies and procedures, as well as the risk profiles and risk appetite of the Company's specified risk categories.

- (iv) 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.

4. REVIEW OF THE POLICY

This policy shall be reviewed as and when necessary in accordance with the changes in the regulatory and business environment. Any revision or amendment to this policy shall be approved by the Board.

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