

SLT endeavours to employ a regime that ensures adherence to transparency, accountability and efficiency as required outcomes in the pursuit of the exercise of the powers of its Board and Management in steering the Company. This endeavour encompasses all due processes. Our aim is to achieve exemplary corporate governance while delivering shareholder value, in line with the approach mandated in 2007 by the Colombo Stock Exchange.

INDEPENDENCE AND EFFECTIVENESS OF THE BOARD OF DIRECTORS

In terms of the Articles of Association of the Company, the Board of Directors consists of ten seats. The holders of every 10% of equity are entitled to one seat on the Board. Accordingly, the Government of Sri Lanka (GOSL) is entitled to five seats in relation to its 49.5% equity holding and NTTCom to four seats in relation to its holding of 35.2%, while one seat is reserved for minority shareholders (who together hold 15% of the equity). In this way, the shareholders are responsible for the appointment of Directors to fill even casual vacancies. Additionally, these Directors are subject to retirement by rotation at the Annual General Meeting.

Whereas the Chairman of the Board is always a Director nominated by the GOSL, the CEO is a Director nominated by NTTCom. All Directors

function in the capacity of Non-Executive Directors with the exception of the CEO. Executive responsibility for running the Company's business lies with the CEO, supported by the management staff. The scope and authority of the CEO's position are laid down in the Articles of Association of the Company.

An essential balance of power is expected to be achieved by the separation of the roles of the Chairman and the CEO.

The Board provides strategic direction to the Company through the medium of the annual business plan. Well ahead of the conclusion of the financial year, the management prepares a business plan for the following year and submits it for the Board's consideration. The Board reviews the plan and the proposed capital and operational expenditure, making adjustments as it deems necessary, and when satisfied grants approval for management to proceed. The plan is reviewed quarterly or by mid-year to make adjustments if conditions of business so warrant.

Having regard to developments in market practice as well as the corporate governance rules and guidelines issued from time to time by the Colombo Stock Exchange, the Board implements proposals for best practice to ensure that market expectations are delivered.

The Board is committed to best practice in the area of corporate governance, acknowledging it as a source of competitive advantage.

BOARD MEETINGS AND PROCESSES

Regular Board meetings are scheduled monthly.

In practice, the Board meets for both scheduled and special meetings. The latter are convened to deal with specific matters that require attention between scheduled meetings. On occasions when NTTCom Directors are unable to attend in person, they do so via audio link.

In 2007, 17 Board meetings were held. Certain matters that come before the Board are identified as Restricted Matters under the Shareholders' Agreement entered into by the two principal shareholders for the management of the Company. The resolution of a Restricted Matter requires the agreement of at least one GOSL nominee director and one NTTCom nominee Director in addition to the usual requirement of a simple majority. This provision is a precaution against dominance by a single major shareholder.

DETAILS OF BOARD MEETING HELD AND ATTENDANCE OF DIRECTORS DURING THE FINANCIAL YEAR 2007

No. of Meetings held in the year - 17

Name of Director	No. of Meetings
	Attended
Mr. P. Asoka Weerasinghe De Silva	17
Mr. Shoji Takahashi	17
Mr. Suhei Anan	7
Mr. S.B. Divaratne (<i>Resigned w.e.f. 04.05.07</i>)	3
Mrs. Leisha Chandrasena	17
Mr. S.N. Kumar	16
Mr. Sumith Wijesinghe	17
Mr. P.A. Abeysekara (<i>Appointed w.e.f. 31.08.07</i>)	8

BOARD COMMITTEES AND COMPOSITION

The Board has two sub-committees: an Audit Committee and a Remuneration Committee. Apart from these, the Board delegates its authority to other *ad hoc* sub-committees as and when necessary.

Audit Committee

The Audit Committee reviews the internal financial controls and the effectiveness of the Company's internal audit function. In the past the Committee has been responsible for developing and implementing processes for certain operations with the assistance of the external auditors. If external auditors are required to provide non-audit services, their suitability is also assessed by the Audit Committee.

The Audit Committee comprises three Directors: two GOSL nominee Directors and one NTTCom nominee. The CFO and the Chief Internal Auditor are regularly invited to attend meetings.

Among other things, the Audit Committee has been working to regularise processes where lapses have been reported by the external auditors.

STRUCTURE AND COMPOSITION OF AUDIT COMMITTEE DURING 2007

No. of Meetings held in the year - 7

Name of Director	Audit Committee
Mrs. Leisha Chandrasena*	7
Mr. S.N. Kumar	7

* *Chairman of the Audit Committee*

Remuneration Committee

The Remuneration Committee makes recommendations to the Board regarding the remuneration of top management grades and the attendance fees of Non-Executive Directors attending Board meetings. This Committee also recommends the Chairman's emoluments. The Committee is composed of the Chairman and the CEO of the Company.

ROLE OF THE COMPANY SECRETARY

The Company Secretary maintains minutes of all Board meetings. In consultation with the CEO and through the Chairman, he or she advises the Board on all matters pertaining to corporate governance. The Board, through the Company Secretary, ensures that all capital markets regulatory requirements are complied with and disclosures made in a timely, understandable, full and fair manner.

RISK MANAGEMENT

A number of processes have been put in place to ensure a sound system of internal control and risk management.

Management exercises control over the Company's financial system through the process of preparing operational and capital budgets, securing Board approval and the comparison of actual performance with the budget. The Company also has in place a system of safeguards that apply scaled, designation-related limits on the authorisation and approval of all financial transactions.

Supplementary to its usual responsibilities, the Committee also reviews instances of poor business practice, weak internal processes and reported improprieties of financial management. The Committee seeks the views of the Company's external auditors on such matters. Where weaknesses are identified, measures are taken to put in place the required checks and balances. A Revenue Assurance Committee headed by an off-line senior manager has been appointed to implement measures to cover identified gaps in revenue recognition and to enforce accountability. Every Chief Officer is responsible for managing the risks pertaining to their area of operations.

HUMAN RESOURCES

Acknowledging that human resources are among the most valuable assets of the Company, the Board ensures that remuneration policy is fair and equitable for all employees. Salary and benefits packages across all grades are comparable with those of the best corporate entities in the country.

The Board considers the health and safety of employees a matter of paramount importance. In order to reduce absence due to ill-health, the Board has authorised a comprehensive medical check-up scheme for all employees with all expenses paid.

INVESTOR-RELATIONS

Continuous dialogue with key shareholders, including institutional shareholders, is ensured by quarterly investor-relations meetings. At these meetings, investors are briefed by the CEO on the Company's progress and its future plans. The management team is also encouraged to express its views and concerns at these meetings. Refer investor relations for a more comprehensive report on page 49.

THE WAY WE DO BUSINESS

The Company has a share-dealing code in place to ensure that senior Executives, Directors, relevant employees and 'connected persons' do not abuse price-sensitive information, especially in periods leading up to the announcement of results by the Company.

The Board and the Management consistently advocate disciplined, liberal employment policies and work together on the application of responsible business practices.