



# **SRI LANKA TELECOM PLC**

## **POLICY ON CORPORATE GOVERNANCE, NOMINATIONS & RE-ELECTION**

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**Approver**

Board of Directors of Sri Lanka Telecom PLC

**Owner**

Group Company Secretary

**Functional Owners**

Nomination & Governance Committee

**Revision History**

Version	Approval Date	Author	Description
1		Group Company Secretary Asst. Company Secretary	New Policy

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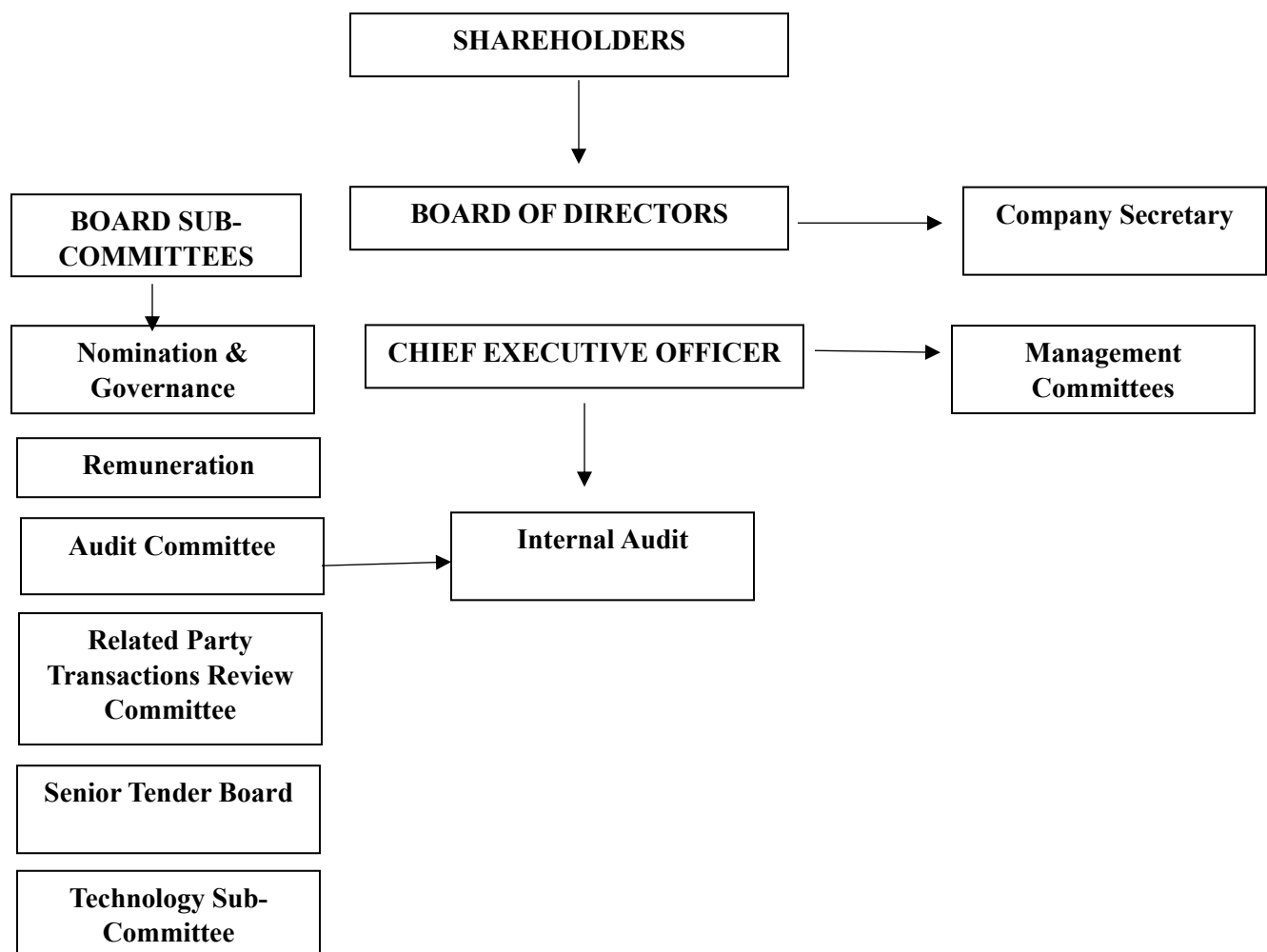
## 1. PURPOSE

The purpose of the Policy is to set out the practices of the Board in respect of matters such as Corporate Governance, Nominations & re-election of the Directors.

## 2. CORPORATE GOVERNANCE

The Board is committed to establishing an effective governance system, lying on the four corporate governance pillars of transparency, accountability, fairness and responsibility. The Board believes that effective governance system provides stakeholders with a high degree of confidence that the Sri Lanka Telecom PLC and its subsidiaries (“Group”) is being managed effectively.

In order to ensure that the Governance process yields the desired outcomes, the following governance structure has been installed by the Board.



The Governance activities of the Group is aligned with the following mandatory and voluntary regulations;

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- Legal enactments
    - The Companies Act No. 7 of 2007
    - Sri Lanka Telecommunications Act No. 25 of 1991 as amended by the Act No. 27 of 1996.
    - Listing Rules of the Colombo Stock Exchange as amended from time to time.
    - Guidelines of the Securities and Exchange Commission of Sri Lanka
    - Directions, Guidelines, Circulars issued by the Telecommunications Regulatory Authority of Sri Lanka.
    - Guidelines and Regulations issued by the Tax authorities.
  - Voluntary Codes
    - Code of Best Practice on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission of Sri Lanka,
  - Internal governance regulations/rules
    - Articles of Association of the Company
    - Company Rules and Regulations and Policies approved by the Board of Directors
    - Industry Code of Practice
    - Board Procedure Manual
    - Code of Ethics for Directors and Code of Conduct for Employees
    - Terms of Reference of the Sub-committees
    - Operational Manuals

### **3. CORPORATE GOVERNANCE SYSTEM**

SLT PLC's Corporate Governance entails the following:

- A well balanced Board with clearly defined roles and responsibilities of Directors.
- Board commitment to well structured, regular meetings
- Planning, budgeting and monitoring of progress, accounting and reporting.
- Independent internal audits and effective risk management practices
- Accurate and timely disclosure of financial and non-financial information
- Financials prepared as per Sri Lanka Accounting Standards
- Effective management of human resources and adherence to the Code of Conduct and Ethics
- Compliance with applicable rules, regulations, systems and procedures
- Prudent management of revenue and expenditure.
- Policy on related party transactions
- Performance based evaluation and remuneration
- Measuring performance against objectives and Enterprise
- Performance audits and obtaining audit opinions and control.

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## **4. NOMINATION & RE-ELECTION OF DIRECTORS**

### **4.1. The Board of Directors**

The Board provides leadership and vision to the Group that enhances stakeholder value and leadership to the Group within a framework of prudent and effective controls which enables risk to be assessed and managed to ensure long-term sustainable development and growth.

The Board of Directors is responsible for ensuring that the Company is managed effectively and runs efficiently in line with the Articles of Association and the applicable rules and regulations. In order to do so, the Board needs to provide strategic and entrepreneurial leadership to the management of the organization. However, the supervision, direction and control of day-to-day management and operation of the Company in accordance with the approved Annual Business Plan, are expressly delegated to the Chief Executive Officer of the Company.

### **4.2. Role of the Chairman and Chief Executive Officer**

Distinction between strategic and operational matters is clearly established in terms of division of responsibility of the Chairman and the Chief Executive Officer. The Chairman of the Board of SLT is a non -executive appointment and focusses on strategic issues and monitoring the business and executive team. He ensures Board procedures are followed, and all Board members effectively participate during meetings.

The CEO is responsible for day-to -day management of the business and leadership of the executive team and execution of the Group's strategic and operating plans. The CEO's performance is assessed against his performance objectives.

### **4.3. Nomination Procedure**

#### **4.1. a. Appointment of new or replacement Directors**

The Directors are appointed by the shareholders. Accordingly, the major shareholders of the Company recommend candidates to be appointed to the Board.

The Nominations & Governance Committee ("N & GC") is responsible for reviewing the candidates recommended by the major shareholders and recommending them to the Board

#### **3.1. b. Re-election of Directors**

Where a retiring Director, being eligible, offers himself for re-election, the Committee shall consider and, if considered appropriate, make recommendation to the Board for its consideration, for such retiring Director to stand for re-election at a general meeting.

### **4.4. Selection criteria**

In the determination of the suitability of a candidate, the N & GC shall consider the potential contributions a candidate can bring to the Board in terms of qualifications, skills, experience, independence, age, culture, ethnicity and gender diversity. The N & GC shall consider the following selection criteria and such other factors that it may consider appropriate for a position on the Board:

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(i) **Attributes Complementary to the Board:** The candidate should possess attributes that complement and expand the skill set, experience and expertise of the Board as a whole, having regard to the current structure, size, diversity profile and skills matrix of the Board and the needs of the Board.

(ii) **Business Experience & Board Expertise and Skills:** The candidate should have the ability to exercise sound business judgment and also possess proven achievement and experience in directorship including effective oversight of and guidance to management.

(iii) **Commitment:** The candidate should have sufficient time for the proper discharge of the duties of a Director, including devoting adequate time for the preparation and participation in meetings, training and other Board or Company associated activities.

(iv) **Motivation:** The candidate should be self-motivated and have a strong interest in the Company's businesses.

(v) **Integrity:** The candidate should be a person of integrity, honesty, good repute and high professional standing.

(vi) **Independence:** Independent non-executive director ("INED") candidates must satisfy the independence requirements under the Listing Rules. The INED candidate shall be independent in character and judgement and be able to represent and act in the best interests of all shareholders of the Company.

The above criteria are for reference only and are not meant to be exhaustive or decisive.

The Board shall take into consideration the benefits of a diversified Board when selecting Board candidates.

## **5. REVIEW & MONITORING**

The N & GC will from time to time review this Policy, monitor its implementation to ensure its continued effectiveness and compliance with regulatory requirements and good corporate governance practice and makes recommendation on any proposed revisions as may be required to the Board for approval.