



Ceylon Tea Brokers PLC

Policy on Board Committees

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1. INTRODUCTION

This policy is drafted as per the Colombo Stock Exchange Corporate Governance rule 9.2.1 (b) & 9.3.

Board Committees are the Management framework that facilitates the Board of Directors of the Company to discharge their responsibilities and will formulate appropriate checks and balances to ensure that the Corporate Governance process is upheld at all times through the Board committees.

As per CSE rule No. 9.2 (1) (b) & 9.3.1 on Corporate Governance Board 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:

- Nominations & Governance Committee
- Remuneration Committee
- Audit Committee
- Related Party Transaction Review Committee

The entity shall comply with the composition, responsibilities and disclosures required in respect of the above Board committees as set out in the CSE rules. The composition and Terms of Reference have been formulated as per the CSE rules on committees, recommended by the committee, approved by the Board and are available on the company's annual report.

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

Following non mandatory Committees are also formulated to further broaden the governance practices.

- Credit Review Committee
- Risk Management Committee
- IT Steering Committee

2. NOMINATIONS AND GOVERNANCE COMMITTEE

The Company shall establish and maintain a formal procedure for the appointment of new Directors and re-election of Directors to the Board through the Nominations and Governance Committee.

2.1 COMPOSITION

- 1) The members of the Nominations and Governance Committee shall;
 - a. comprise of a minimum of three (03) Directors of the Listed Entity, out of which a minimum of two (02) members shall be Independent Directors of the Listed Entity.
 - b. not comprise of Executive Directors of the Listed Entity.
- 2) An Independent Director shall be appointed as the Chairperson of the Nominations and Governance Committee by the Board of Directors.

- 3) The Chairperson and the members of the Nominations and Governance Committee shall be identified in the Annual Report of the Listed Entity.

2.2 FUNCTIONS

The functions of the Nominations and Governance Committee shall include the following:

- (i) Evaluate the appointment of Directors to the Board of Directors and Board Committees of the Listed Entity. However, a member of the Nominations and Governance Committee shall not participate in decisions relating to his/her own appointment.
- (ii) Consider and recommend (or not recommend) the re-appointment/re-election of current Directors taking into account;
 - a) the combined knowledge, experience, performance and contribution made by the Director to meet the strategic demands of the Listed Entity and the discharge of the Board's overall responsibilities; and,
 - b) the number of directorships held by the Director in other listed and unlisted companies and other principal commitments.
- (iii) Establish and maintain a formal and transparent procedure to evaluate, select and appoint/re-appoint Directors of the Listed Entity.
- (iv) 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.
- (v) Establish and maintain a suitable process for the periodic evaluation of the performance of Board of Directors and the CEO of the Entity to ensure that their responsibilities are satisfactorily discharged.
- (vi) Develop succession plan for Board of Directors and Key Management Personnel of the Listed Entity.
- (vii) Review the structure, size and composition of the Board and Board Committees with regard to effective discharge of duties and responsibilities.
- (viii) Review and recommend the overall corporate governance framework of the Listed Entity taking into account the Listing Rules of the Exchange, other applicable regulatory requirements and industry/international best practices.
- (ix) 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.
- (x) 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 Exchange and other applicable laws, together with any deviations/non-compliances and the rational for same.

3. REMUNERATION COMMITTEE

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. No Director shall be involved in fixing his/her own remuneration.

3.1 COMPOSITION

- 1) The members of the Remuneration Committee shall;
 - a) comprise of a minimum of three (03) Directors of the Listed Entity, out of which a minimum of two (02) members shall be Independent Directors of the Listed Entity.
 - b) not comprise of Executive Directors of the Listed Entity.
- 2) An Independent Director shall be appointed as the Chairperson of the Remuneration Committee by the Board of Directors.

3.2 FUNCTIONS

- (i) The Remuneration Committee shall recommend the remuneration payable to the Executive Directors and CEO of the Listed Entity and/or equivalent position thereof to the Board of the Listed Entity which will make the final determination upon consideration of such recommendations. No Director shall be involved in fixing his/her own remuneration.

4. AUDIT COMMITTEE

The Audit Committee is responsible for overseeing the financial reporting process, internal controls, and the audit function of the company.

4.1 COMPOSITION

- 1) The members of the Audit Committee shall;
 - a) comprise of a minimum of three (03) directors of the Listed Entity, out of which a minimum of two (02) or a majority of the members, whichever higher, shall be Independent Directors.
 - b) not comprise of Executive Directors of the Listed Entity.
- 2) The quorum for a meeting of the Audit Committee shall require that the majority of those in attendance to be independent directors.
- 3) Audit Committee may meet as often as required provided that the Audit Committee compulsorily meets on a quarterly basis prior to recommending the financials to be released to the market.

- 4) An Independent Director shall be appointed as the Chairperson of the Audit Committee by the Board of Directors.
- 5) Unless otherwise determined by the Audit Committee, the CEO and the Chief Financial Officer (CFO)/ Finance Director of the Listed Entity shall attend the Audit Committee meetings by invitation.
- 6) The Chairperson of the Audit Committee shall be a Member of a recognized professional accounting body.

4.2 FUNCTIONS

The functions of the Audit Committee shall include the following:

- (i) Oversee the Entity'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.
- (ii) 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:
 - a) changes in or implementation of major accounting policy changes.
 - b) significant matters highlighted including financial reporting issues, significant judgments made by management, significant and unusual events or transactions, and how these matters are addressed.
 - c) compliance with accounting standards and other legal requirements.
 - d) any related party transaction and conflict of interest situation that may arise within the Listed Entity or group including any transaction, procedure or course of conduct that raises questions of management integrity.
 - e) any letter of resignation from the external auditors of the Listed Entity; and,
 - f) whether there is reason (supported by grounds) to believe that the Listed Entity's external auditor is not suitable for re-appointment
- (iii) 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.
- (iv) Obtain and review assurance received from:
 - a) the CEO and the CFO 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
 - b) the CEO and other key management personnel who are responsible, regarding the adequacy and effectiveness of the Entity's risk management and internal control systems.
- (v) Review the internal controls in place to prevent the leakage of material information to unauthorized persons.

(vi) 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.

(vii) 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.

(viii) Review the risk policies adopted by the Entity on an annual basis.

(ix) 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 the Listed Entity's policies and regulatory requirements.

(x) Review the scope and results of the internal and external audit and its effectiveness, and the independence, performance and objectivity of the auditors.

(xi) To develop and implement policy on the engagement of the external auditor to supply non-audit services, at minimum 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 ought to be taken.

(xii) 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.

(xiii) Where the Audit Committee is of the view that a matter reported by it to the Board of Directors of a Listed Entity has not been satisfactorily resolved resulting in a breach of these Requirements, the Audit Committee shall promptly report such matter to the Exchange.

5 RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

The Related Party Transactions Review Committee is responsible for overseeing and ensuring that all transactions between the company and its related parties are conducted fairly, transparently, and in compliance with regulatory requirements.

5.1 COMPOSITION

(1) The Related Party Transactions Review Committee shall comprise of a minimum of three (03) Directors of the Listed Entity, out of which two (02) members shall be Independent Directors of the Listed Entity.

(2) It may also include executive directors, at the option of the Listed Entity.

(3) An Independent Director shall be appointed as the Chairperson of the Committee.

5.2 FUNCTIONS

- (i) Listed Entities shall have a Related Party Transactions Review Committee which shall be responsible for reviewing the Related Party Transactions as set out herein.
- (ii) The objective of these Rules on Related Party Transactions is to ensure that the interests of shareholders as a whole are taken into account by a Listed Entity when entering into Related Party Transactions. These Rules further provide specific measures to prevent Directors, CEOs or Substantial Shareholders taking advantage of their positions.
- (iii) 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.
- (iv) 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 Entity's operations.