

Corporate Governance Charter/Board Charter of People's Leasing & Finance PLC



| Release Date | Version No | Author(s) | Description | Recommended By | Approved By |
|---------------------|-------------------|-------------------|--------------------------|-----------------------------------|--------------------|
| 27.02.2024 | 4.0 | Company Secretary | 4 th Revision | Nomination & Governance Committee | Board of Directors |

| Table of Contents | | |
|--------------------------|---|-------------|
| | | <i>Page</i> |
| 1 | Introduction | 03 - 04 |
| 2 | Role of the Board of Directors - Principle responsibilities and duties | 05 - 06 |
| 3 | Composition of the Board | 06 - 07 |
| 4 | Financial Acumen | 07 |
| 5 | Procedure for Selecting,Appointing,Nominating,Re-election, Evaluation and Continuation of Directors | 07 - 09 |
| 6 | Succession Planning of the Board | 10 |
| 7 | Meetings of the Board of Directors | 10 - 12 |
| 8 | Schedule of matters specifically referred to the Board for decision making | 12 - 13 |
| 9 | Appointment of the Company Secretary | 13 - 14 |
| 10 | Self-Assessment of the Directors | 14 - 16 |
| 11 | Roles of the Chairman and Chief Executive Officer | 16 - 18 |
| 12 | Appointment of Senior Director | 19 |
| 13 | Procedure to seek Independent Professional Advise | 19 - 20 |
| 14 | Code of Business Conduct and Ethics | 20 - 21 |
| 15 | Communication amongst Stakeholders | 21 |
| 16 | Delegation of Functions by the Board | 21 - 22 |
| 17 | Responsibilities of the FC as a Holding Company | 22 - 23 |
| 18 | Innovation for Sustainability | 23 |
| 19 | Conflict of Interests | 23 |
| 20 | Insider Dealing | 24 |
| | | |

1. Introduction

Corporate Governance is a system by which the entities are directed, controlled and managed. It refers to the best practices and processes that directs or controls the operations and the long term sustainability of an entity. These practices and processes should fundamentally facilitate the decision making and operational capability of the entity while maintaining a healthy balance of fairness, responsibility, transparency, and accountability.

This Corporate Governance Charter (CG) (also known as the Board Charter) of People's Leasing & Finance PLC ('the Company') has been designed embodying the principles of good governance with fair, just and unbiased consideration to all stakeholders of the Company. Although this CG provides the minimum standards of governance for the Company to undertake, the Company at its discretion has the liberty to engage in practices that improve the governing framework over and above the parameters listed herein via its Board of Directors (BoD). Boards are directed to continuously improve their governance structures, facilitate innovation and craft a culture of value creation on a regular basis.

The Board collectively and Directors individually must act in accordance with the applicable legal framework in the country. The Board is an agent of the shareholders and is responsible for the governance of the entity. The Board should take all decisions in particular the strategic decisions that will ensure the achievement of the objectives of the entity and also ensure that the entity meets all its statutory and regulatory obligations. The Board should use its discretionary powers in good faith to ensure that the decisions made are effective. Directors are required to take due care in making decisions, giving due consideration to matters arising from conflicts of interest ensuring the well-being of the entity.

The Board must ensure that there is a culture of good governance which is reflected in its work ethos, its values and sanction a robust framework of accountability and transparency that is continuously tested and improved. Boards must ensure that confidentiality is maintained to secure the interests of the entity. The Directors' roles and responsibilities cited herein are reflected as a guide to instill best practices amongst the members of Board. It is important that the Board demarcates a clear division of responsibilities amongst the management that facilitates the balance of power and authority.

Corporate Governance Charter is of no use unless the Boards and the Managements understand the spirit in which these document has been drafted and embrace the spirit of Governance and adopt the governance framework into their Organisational Structure. The guidelines listed out in this CG have been drafted to ensure transparency, accountability, innovation and value for money

This Guideline should not be construed to be a hindrance to the autonomy, discretion, and independence of the BoD as provided in the Statutes, Articles of Association (AoA) or any other regulatory direction/circular.

The Corporate Governance Charter set out the procedures and processes governing the different participants in the organisation - such as the Board, Managers, Shareholders and other Stakeholders to ensure that the highest principles of Corporate Governance is maintained across the Board.

The Board of Directors of the Company would be held accountable for their decisions and actions to the key stakeholders of the entity and with public ownership, be directly accountable to specified Government authorities.

Directors should carry out their duties with honesty, probity, and integrity.

This Charter is documented, cited, quoted (directly/indirectly) complied and read in conjunction with the following references as applicable;

- The Finance Companies (Corporate Governance) Direction No. 5 of 2021 (Direction)
- Code of Best Practice on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka
- Section 09 of the Corporate Governance Rules of the Listing Rules of the Colombo Stock Exchange.
- The Articles of Association of the Company
- Provisions of the Companies Act No. 7 of 2007 ('Companies Act').
- Directions/Circulars/Publications of the Department of Public Enterprises, Ministry of Finance (as applicable)

2. Role of the Board of Directors - Principle responsibilities and duties

- I. The Board shall assume overall responsibility and accountability for the operations of the Finance Company (FC), by setting up the strategic direction, governance framework, establishing corporate culture and values and ensuring compliance with regulatory requirements.
- II. Ensuring the formulation and implementation of an overall sound business strategy (**‘Business Plan’**) including an overall risk policy, risk management and Internal controls and implementing FC’s governance framework commensurate with the FC’s size, complexity, business strategy and regulatory requirements.
- III. Ensuring Board Commitment and Competency whereby all members of the Board shall devote sufficient time on dealing with the matters relating to affairs of the FC.
- IV. All members of the Board shall possess necessary qualifications, adequate skills, knowledge, and experience
- V. Ensuring that the Chief Executive Officer (**‘CEO’**) and Key Responsible Persons (**‘KRP’**) possess the skills, experience and knowledge to implement the strategy.
- VI. Ensuring the adoption of an effective CEO and KRP succession strategy.
- VII. Ensuring meetings are held regularly with KRPs to review policies, establish lines of communication and monitor progress towards corporate objectives.
- VIII. Ensuring that there is a sound corporate culture within the FC, which reinforces ethical, prudent and professional behavior while promoting sustainable finance through appropriate environmental, social and governance considerations in the FC’s business strategies
- IX. Ensuring effective systems to secure integrity of information, internal controls, and risk management.
- X. Adherence to the Existing Legal Framework by ensuring that the FC does not act in a manner that is detrimental to the interests of and obligations to, depositors, shareholders and other stakeholders.
- XI. Adherence to the regulatory environment and ensuring compliance with relevant laws, regulations, directions and ethical standards.
- XII. Acting with due care and prudence, and with integrity and be aware of potential civil and criminal liabilities that may arise from their failure to discharge the duties diligently
- XIII. Ensuring that the Company’s values and standards are set with emphasis on adopting appropriate accounting policies and fostering compliance with financial regulations; and

fulfilling such other Board functions as are vital, given the scale, nature and complexity of the business concerned.

- XIV. Reviewing the effectiveness of governance practices within and making changes as required.

3. Composition of the Board

- I. The Board's composition shall ensure a balance of skills and experience as may be deemed appropriate and desirable for the requirements of the size, complexity and risk profile of the FC.
- II. The composition of the Board shall be in accordance with the provisions of the Articles of Association of the Company.
- III. The total period of service of a director other than a director who holds the position of CEO/executive director shall not exceed nine years, subject to the exclusions stated in the the Finance Companies (Corporate Governance) Direction No. 5 of 2021 with prior approval of Director, Department of Supervision of Non-Bank Financial Institutions
- IV. Non-executive directors holding more than 10% of voting rights or appointed to represent a shareholder with more than 10% of voting rights may exceed the nine-year limit with approval from the Director, Department of Supervision of Non-Bank Financial Institutions, limited to one-fourth (%) of the total number of directors.
- V. It is preferable for the Board to have a balance of Executive and Non-Executive Directors such that no individual or small group of individuals can dominate the Board's decision-taking. However, the majority of the directors shall be non-executive directors of which at least (03) three or one third whichever is higher, is independent. Independence of a director shall be as determined in Rule 3.7 of the Finance Companies (Corporate Governance) Direction No. 05 of 2021 and the Corporate Governance Rules of the Listing Rules of the Colombo Stock Exchange.
- VI. Non-executive directors shall possess credible track records, and have necessary skills, competency and experience to bring independent judgment on the issues of strategy, performance, resources and standards of business conduct.
- VII. An independent director shall immediately disclose to the Board any change in circumstances that may affect the status as an independent director. In such a case, the Board shall review such director's designation as an independent director and notify the

Director, Department of Supervision of Non-Bank Financial Institutions in writing of its decision to affirm or change the designation

- VIII. All members of the Board shall devote sufficient time on dealing with the matters relating to affairs of the FC.
- IX. A cooling off period of six months is required before appointing a person as a director or CEO who previously served in a similar capacity in another Finance Company.
- X. Directors eligible for independent directorship must undergo a cooling off period of one year if previously considered non-independent
- XI. Directors or senior management of the Company cannot serve as directors of other Finance Company except under certain circumstances specified in section 3.10 of Finance Business Act direction no 5 of 2021

4. Financial Acumen

The Board should ensure the availability within it of those with sufficient financial acumen and knowledge to offer guidance on matters of finance.

- I The BoD of the entity is responsible in ensuring proper financial management systems are in place. It is required that the best practices in financial management be adopted not only in ensuring the proper reporting of transactions, but also in securing value for money in its resource management.
- II The BoD must delegate financial authority to the management while ensuring that a strong internal control system is in place. A key factor in financial management is ensuring that qualified, knowledgeable, and experienced financial management specialists are employed by the entity. Such finance departments/divisions must be adequately resourced and must report directly to the CEO.

5. Procedure for Selecting/Appointing/Nominating/Re-election/Evaluation and Continuation of Directors/Senior Management

- I. When there is a vacancy (or more vacancies) created on the Board, the Board shall request the Nomination & Governance Committee to identify and recommend suitable candidates to the Board, for the purpose of appointing the most suitable candidate/s to fill the vacancy/vacancies of the Board.

- II. The Nomination & Governance Committee shall gather information on the skills, expertise and experience available currently on the Board, and will decide on further expertise and experience needs to be introduced to the Board.
- III. The Nomination & Governance Committee shall consider suitable candidates by obtaining information directly or through the assistance of directors who are not members of the Nomination Committee or an outside party specialized in the area.
- IV. CV's including their qualifications and experience and other information required by the Companies Act, Finance Business Act No. No. 42 of 2011, Directions of the Director, Department of Non-Bank Financial Institutions of the Central Bank of Sri Lanka [specially Finance Companies (Corporate Governance) Directions and Finance Companies (Assessment of Fitness and Propriety of Key Responsible Persons) Direction No. 6 of 2021] and the Listing Rules of the Colombo Stock Exchange need to be obtained by the Nomination Committee to recommend names for Board's consideration.
- V. The Nomination Committee and the Company Secretary shall peruse such CVs and ensure that each of such recommended candidate:
 - a) is capable of providing necessary services to the Board
 - b) complies with the applicable laws/rules/regulations under the Companies Act and the Listing Rules of the Colombo Stock Exchange
 - c) can be considered as a fit and proper person as per the Finance Companies (Assessment of Fitness and Propriety of Key Responsible Persons) Direction No. 6 of 2021
 - d) is not a person over the age of 70 years (subject to exceptions by the Regulator) and
 - e) Director of a FC shall not hold office as a director or any other equivalent position (shall include alternate directors) in more than 20 companies/societies/bodies, including subsidiaries and associates of the FC.
- VI. The Nomination Committee is required to decide with the assistance of Company Secretary after perusing the CVs, whether each of such recommended person should be considered an independent or a non-independent director, if appointed to the Company's Board. The applicable criteria is as stipulated in the Finance Companies (Corporate Governance) Directions and Rule 9 of the Listing Rules of the Colombo Stock Exchange.
- VII. The Nomination Committee is required to submit its recommendation/s with the other relevant information to the Board to proceed on the matter.

- VIII. The Board can request either all or a few of such candidates to meet the Board and make presentations, if necessary.
- IX. The Board can identify the director/s to be selected, subject to the required approval to be obtained from the Director, Department of Non-Bank Financial Institutions of the Central Bank of Sri Lanka (**‘Director, Department of Non-Bank Financial Institutions’**), and thereafter appoint the said Director to the Board of the Company in terms of the Articles of Association of the Company.
- X. Company Secretary is required
- a) to forward the Affidavit and Declaration and other documents for completion by such identified person/persons.
 - b) to submit such completed Affidavit and Declaration, after indicating the recommendations of the Nomination Committee/views of the Board to the Director, Department of Non-Bank Financial Institutions, with necessary attachments seeking their approval for the proposed appointment/s.
- XI. On receipt of approval of the Director, Department of Non-Bank Financial Institutions, the Board is required to formally appoint such person/persons and the Company Secretary is required to forthwith advise the Colombo Stock Exchange and the Director, Department of Non-Bank Financial Institutions of such appointment and arrange to file the necessary returns with the Department of Registration of Companies.
- XII. Director or a senior management of a FC shall not be nominated, elected or appointed as a director of another FC except where such FC is a parent company, subsidiary company or an associate company or has a joint arrangement with the first mentioned FC subject to conditions stipulated in Direction 3.5(f).
- XIII **Capacity building of Board members**
- A Director must recognise that there is a need for continuous training and an expansion of the knowledge and skills required to effectively perform his/her duties as a Director. The Board should regularly review and agree the training and development needs of the Directors. Every Director would be given opportunity to develop industry/company concerned training as appropriate.
- XIV **Appointment and resignation of Directors and Senior Management**
- a) The appointments, resignations or removals shall be made in accordance with the provisions of the Finance Business Act (Assessment of Fitness and Propriety of Key Responsible Persons) Direction and in accordance with the provisions of the Articles of Association of the Company.

XV Succession Planning of the Board

The PLC Board consists of all Non-Executive Directors, majority of whom are Nominated by the major shareholder, People's Bank. Nominations/recommendations could also be made by the Government of Sri Lanka, given the Company's status as a State-Owned Enterprise (SOE). Consequently, the selection and appointment and continuation of these Board Members are overseen by the Nomination & Governance Committee.

An Annual Board Appraisal and Evaluation process is carried out in order to determine the continuation of the Board members as Key Responsible Persons.

All Non - Executive Directors shall not be involved in the internal operational matters of the Company.

However the Board of Directors shall periodically assess the current and future needs of the organization to identify key competencies, skills, and experiences required for effective board performance. The Board requires diversity in terms of a range of experience, skills, competencies, age, gender, industry requirements and importance of objective selection of Directors.

The composition of the Board should consists of both Non Executive Independent Directors and Non Independent Non - Executive Directors. Independent directors must meet specified criteria and shall not have conflicts of interest as outlined in Direction 3.7 of Finance Business Act direction No 5 of 2021 and the Criteria for determining independence in terms of the CSE Corporate Governance Section 9.8.3

6. Meetings of the Board of Directors

- I. The Board shall meet at least twelve (12) times in the financial year at approximately monthly intervals.
- II. For the scheduled meetings, participation in person is encouraged and for ad hoc meetings where director cannot attend on a short notice, participation through electronic means is acceptable
- III. The Agenda for each board meeting will be drawn up by the Company Secretary with the guidance of the Chairman.

- IV. Every Director should dedicate adequate time and effort to matters of the Board and the Company to ensure that duties and responsibilities owed to the Company are satisfactorily discharged. In order to be able to do so, the Directors shall be entitled to call for additional information and clarification on any Board Paper prior to a meeting, and after a meeting to follow up on issues arising at any meeting.
- V. A director shall abstain from voting on any Board resolution in relation to a matter in which such director or relative or a concern in which he has substantial interest, is interested, and he shall not be counted in the quorum for the relevant agenda item in the Board meeting
- VI. A director who has not attended at least two-thirds ($\frac{2}{3}$) of the meetings in the period of 12 months immediately preceding or has not attended three consecutive meetings held, shall cease to be a director. Provided that participation at the directors' meetings through an alternate director shall be acceptable as attendance, subject to applicable directions for alternate directors
- VII. If any Director wishes to include any matters or proposals in the agenda for regular Board Meetings where such matters and proposals relate to the promotion of business and the management of risk of the Company, he/she shall forward to the Company Secretary a request in writing to include such proposal in the agenda of the next meeting ten (10) working days prior to the date of the next meeting.
- VIII. Immediately upon receipt of such request from a Director, the Company Secretary shall inform the Chairman and upon his concurrence include the same in the Agenda for the next meeting.
- IX. The Company Secretary shall give at least seven (7) days' notice of regular monthly Board Meetings.
- X. The Company Secretary shall draft minutes of all board meetings and submit same for the observations of the CEO.
- XI. Thereafter, the draft minutes need to be submitted to the Chairman for approval of its contents.
- XII. The draft minutes approved by Chairman are required to be submitted to all the Directors who were present at the relevant Board Meeting, requesting for their comments and for accuracy
- XIII. The final set of minutes, which has been approved by the entire Board (present at the relevant Board Meeting) needs to be signed by the Chairman at a subsequent Board

Meeting as a correct record of the proceedings of the relevant meeting and filed in the Minute Book, in date order, by the Company Secretary.

- XIV. If consensus of all Directors cannot be reached on any draft minute, different views of all Directors need to be minuted, indicating the name of such Director/s who has different views.
- XV. All Minutes signed and filed in the Minute Book should be open for inspection during office hours at reasonable notice by any Director, who was on the Board (whether such director was present at the meeting or not) as at the date of such Board Meeting.
- XVI. The director who wants to inspect any of the previous / recent minutes will have to inform the Company Secretary and give him/her sufficient time for him/her to arrange the board room or any convenient location in the company for the board member/s to inspect such minutes.
- XVII. If a decision of the Board needs to be communicated amongst the team members of the Company or to a relevant authority/ies, the Company Secretary shall inform of such decision/intimation as applicable.

7. Schedule of matters specifically referred to the Board for decision making

- I. Approval of the Business Plan for the ensuing three to five year period (and/or of a lesser frequency as requested by the Board), setting out the Vision, Goals ,Objectives and the values of the Company. The Business Plan will also set out, in clear terms the short and long term goals, both quantitative and qualitative, to be achieved by the Company.
- II. Appointment of the CEO of the Company and define the scope the CEO's duties and responsibilities and annually appraise the CEO's performance.
- III. Approval of the succession plan for the position of CEO and all Key Responsible Persons of the Company.
- IV. Approval of the Company's Annual Budget, which sets out the targets to be achieved in the ensuing year, in line with the overall framework and objectives of the Business Plan.
- V. Approval of any initiative to be taken by the Company with regard to any type of strategic decisions such as collaborations, merges and amalgamations, with the Company or with any of its Subsidiaries and Associates.
- VI. Approval of matters specifically reserved for the decision of the Board of Directors which cannot be delegated as mentioned in the Sixth Schedule of the Companies Act No. 7 of 2007.

- VII. Appointment of Board Sub -committees and defining their scope of work and the extent of delegated powers and authority for them, if any.
- VIII. Communications with all stakeholders of the Company including shareholders, the media and the delegation of such authority to any officer of the Company for specific purposes.
- IX. Determine and approve the Management Structure of the Company and subsequent amendments thereto.
- X. Determine and approve the areas and extent of delegation of Authority to the CEO and any amendments thereto.
- XI. Determine and approve the relevant operational and control policies of the Company and any amendments thereto.
- XII. Any write off of a financial facility outstanding and/or the value of any asset appearing in the books of account of the Company in an amount exceeding the delegated level of authority.
- XIII. Approval of any new business line, introduced by the Company, other than to meet temporary, short term needs.
- XIV. Approval of any financial facility, the incurring of any Capital expenditure, and/or the sale of any physical asset, in an amount exceeding the delegated level of authority, approved by the Board.
- XV. Approval of the General Terms and Conditions of Employment in the Company, and any amendments thereto.
- XVI. Decisions on borrowing funds on a long term basis, obtaining liens over credit, and/or committing the Company for a liability in excess of a limit specified by the Board, on any single occasion or cumulatively.

8. Appointment of the Company Secretary

- I. The Board shall appoint a Company Secretary considered to be a senior management whose primary responsibilities shall be to handle the secretarial services to the Board and of shareholder meetings, and to carry out other functions specified in the statutes and other regulations.
- II. The Company Secretary shall possess such qualifications as may be prescribed for a secretary of a company under section 222 of the Companies Act, No. 07 of 2007, on being appointed the company secretary, such person shall become an employee of FC and shall not become an employee of any other institution

- III. All directors shall have access to advice and services of the company secretary with a view to ensuring the Board procedures laws, directions, rules and regulations are followed
- IV. The company secretary shall be responsible for preparing the agenda in the event chairperson has delegated carrying out such function
- V. The company secretary shall maintain minutes of the Board meetings with all submissions to the Board and/or voice recordings/video recordings for a minimum period of 10 years
- VI. The company secretary is responsible for maintaining minutes in an orderly manner and shall follow the proper procedure laid down in the Articles of Association of the FC
- VII. Minutes of the Board meetings shall be recorded in sufficient detail so that it is possible to ascertain whether the Board acted with due care and prudence in performing its duties. The minutes of a Board meeting shall clearly include the following: (a) a summary of data and information used by the Board in its deliberations; (b) the matters considered by the Board; (c) the fact-finding discussions and the issues of contention or dissent, including contribution of each individual director; (d) the explanations and confirmations of relevant parties, which indicate compliance with the Board's strategies and policies and adherence to relevant laws, regulations, directions; (e) the Board's knowledge and understanding of the risks to which the FC is exposed and an overview of the risk management measures adopted; and (f) the decisions and Board resolutions.
- VIII. The minutes shall be open for inspection at any reasonable time, on reasonable notice by any Director

9. Self-Assessment/Evaluation of the Directors

- I. The Boards recognizes that periodically it is necessary to appraise and evaluate their own performance in order to ensure that Board responsibilities are satisfactorily discharged.
- II. The Board should annually appraise/evaluate itself on its performance in the discharge of its key responsibilities.
- III. Self-appraisals/self evaluations will be carried out amongst the directors at the end of the fourth quarter of each financial year to duly assess their performance and contribution to the Board.
- IV. The Board shall also at the end of the fourth quarter of each financial year duly assess the performance of the Chairman, CEO, its Sub Committees such as the Board Audit Committee, Integrated Risk Management Committee, Nomination & Governance Committee, HR & Remuneration Committee and the Related Party Transaction Review Committee in line with the CBSL Corporate Governance Direction.

V. The fitness and propriety of key responsible persons shall be evaluated based on the following criteria:

i - Honesty, Integrity, and Reputation:

Shall be based on the criteria set out under section 21 of the Finance business act No. 42 of 2011 or as amended and the Fit and Proper Assessment Criteria of the CSE Rules under Corporate Governance Section 9.7

ii - Competency and Capability:

- Evaluation of academic/professional qualifications or relevant experience in finance, banking, business administration, etc.
- Assessment of skills relevant to the Company's operations, risk management, and compliance with regulatory frameworks.
- Review of past performance and contributions to the success of the organization.

iii - Financial Soundness:

- Examination of the individual's financial history to ensure fulfillment of financial obligations.
- Assessment based on applicable rule and regulations on corporate governance standards consideration of any adverse history related to bankruptcy, unsatisfied judgment debts, or involvement with bankrupt entities.

iv - Standard Background Checks:

Conducting appropriate background checks through credit bureaus, reference checks, and regulatory authorities.

v. - Assessment Procedure/ Annual Confirmation

Submission of required information and documentation by key responsible persons as per the specified timelines for assessment of fitness and propriety submissions under Finance Business act Directions No. 6 of 2021. Directors and the CEO shall provide annual declarations confirming continuous satisfaction of fitness and propriety criteria under the regulatory frame works provided below

- Annual Declarations by all the Board Members and CEO on Fitness and Propriety under CSE section 9.7 of CSE corporate Governance
- Affidavit in line with the guidelines given in the Finance Business act direction no 6 of 2021- Schedule I
- Self-Assessment - incorporating the improvement of financial performance during past 12 months, encompassing the details of any special assignments, projects carried out under the leadership and explaining future places to increase the value of the Company under the finance business act Direction no 6 of 2021, Annexure I section 1.2
- Chairperson Assessment - Performance evaluation of Board of Directors and CEO by the Chairman on their contribution with key achievements during the past 12 months under the finance business act Direction no 6 of 2021, Annexure I section 1.2
- Annual Independent Assessment of the Chairpersons performance by the Non-Executive Directors under the finance business act Direction no 6 of 2021, Annexure I section 1.2
- Annual Assessment of the Independent Directors performance by the Non-Independent Directors
- Annual Assessment of the Non- Independent Directors performance by the Independent Directors

10. Roles of the Chairman and Chief Executive Officer

There shall be a clear division of responsibilities between the Chairperson and CEO and responsibilities of each person shall be set out in writing

The Chairman shall be an Independent Non-Executive director and is responsible for preserving good Corporate Governance and running the Board in an orderly and effective manner.

I. Role of Chairman

The responsibilities of the chairperson shall at least include the following:

- a) Provide leadership to the Board.
- b) Maintain and ensure a balance of power between executive and non-executive directors.
- c) Secure effective participation of both executive and non-executive directors.
- d) Ensure the Board works effectively and discharges its responsibilities.
- e) Ensure all key issues are discussed by the Board in a timely manner.

- f) Implement decisions/directions of the regulator.
- g) Prepare the agenda for each Board Meeting and may delegate the function of preparing the agenda and to maintaining minutes in an orderly manner to the company secretary.
- h) Not engage in activities involving direct supervision of senior management or any other day to day operational activities.
- i) Ensure appropriate steps are taken to maintain effective communication with shareholders and that the views of shareholders are communicated to the Board.
- j) Annual assessment on the Performance and the contribution during the past 12 months of the Board and the CEO

II. Role of Chief Executive Officer

- a) To provide an effective leadership to the Senior Management.
- b) To ensure that day to day management of the Company's business is conducted by the Senior Management in an efficient manner, in line with the Board's approved strategic objectives and overall risk policy.
- c) To ensure strategic objectives and corporate values approved by Board are communicated throughout the Company, providing appropriate information to all levels of employees.
- d) To ensure that the Company's operations are conducted within the overall risk policy levels approved by the Board.
- e) To implement the Company's Internal Control Systems and Management Information Systems to the entire satisfaction of the Board.
- f) To meet regularly with the Senior Management to review operational issues and monitor progress towards Board approved strategies and objectives.
- g) To play a key role at Meetings of the Board and Senior Management and assume the responsibility to be a link between the Board and the Senior Management at such meetings.
- h) To maintain an effective relationship with regulators.
- i) To maintain an effective relationship and ensure the proper conduct of operations relating to all subsidiaries of the Company.
- j) To actively and energetically participate at Board Meetings and support all recommendations submitted for Board approval and in the event the recommendations are not approved by the Board, to make arrangements to amend proposals in line with the approved policies, strategies and accepted business norms.

- k) To avoid conflicts of interests, as far as possible, when dealing with matters in the capacity of an employee and as a member of the Board.
- l) To provide adequate information to the Board and maintain open and frank relationship with the Board, ensuring that the Company is firmly under the authority of its Board and to keep the Board informed of all major developments that may have an impact on the reputation and performance of the Company.
- m) To draw the Board's attention to all matters which may affect the Company's independence and stability.
- n) To ensure that the Company, at all times, has the ability to meet its obligations to all its stakeholders.
- o) To function as the APEX Executive-in-Charge of the day to day Management of the Company's operations and business.
- p) To identify and develop staff to succeed the CEO and all others holding positions of critical importance to the smooth and efficient functioning of the Company.
- q) To prepare and submit to the Board for its approval a Business Plan covering the next 3 to 5 year period and update the same each year as a rolling plan.
- r) To conform and abide by all laws and regulations pertaining to the Non Bank Financial Institution industry including all directions issued by the Director, Department of Non-Bank Financial Institutions of the Central Bank of Sri Lanka.
- s) To be aware of the strategies and plans of the Company's competitors and to take counter measures to maintain the lead position.
- t) To mobilize human and other resources available to the Company to achieve the objectives set out in the business plan.
- u) To maintain cordial relationships with all staff while motivating and building in them a sense of loyalty to the institution and providing opportunities for developing their career.
- v) Implementing business and risk strategies in order to achieve the FC's strategic objectives.
- w) Establishing a management structure that promotes accountability and transparency throughout the FC's operations and preserves the effectiveness and independence of control functions
- x) Promoting, together with the Board, a sound corporate culture within the FC, which reinforces ethical, prudent and professional behavior
- y) Ensuring implementation of proper compliance culture and being accountable for accurate submission of information to the regulator.

- z) Strengthening the regulatory and supervisory compliance framework. Addressing the supervisory concerns and non-compliance with regulatory requirements or internal policies in a timely and appropriate manner

CEO must devote the whole of the professional time to the service of the FC and shall not carry on any other business, except as a non-executive director of another company.

11. Appointment of Senior Director

- I. In the event the Chairman is not an Independent Non-Executive Director, the Board shall appoint one of the independent directors as a senior director, with suitably documented terms of reference to ensure a greater independent element. Senior director will serve as the intermediary for other directors and shareholders. Non-executive directors including senior director shall assess the chairperson's performance at least annually
- II. The Senior Independent Director is required to make him/herself available for confidential discussions with other Directors who may have concerns which they believe have not been properly considered by the Board as a whole and which pertain to significant issues that are detrimental to the Company.
- III. If a Director requires to have a confidential discussion with the Senior Independent Director, such Director shall immediately inform the Company Secretary of his/her intention and the Company Secretary shall coordinate the meeting between such Director and Senior Independent Director.
- IV. The Senior Independent Director reserves the right to address the concern at the next meeting of the Board of Directors.
- V. The Senior Independent Director shall meet at least twice each year with the non-executive directors to enable discussion and communication of governance related matters. The chairman shall be informed of the outcome of such discussions.

12. Procedure to seek Independent Professional Advice

- I. If a Director is of the view that he is in need of independent professional advice either
 - a) to express his views, to agree with/disagree with the views of any other Director or to cast his vote or
 - b) he would be in a better and comfortable position to make his contribution along with such independent professional advice

on a matter relating to the Company and/or any one or more of its stakeholders, such a Director can seek independent professional advice at the expense of the Company.

- II. The matter to be referred to the Company Secretary, with specific instructions to obtain independent professional advice. The Company Secretary to initiate/direct to the relevant party/ies to take necessary action to obtain advice and keep the Board informed.
- III. The relevant Director can suggest a professional, from whom the independent advice needs to be obtained and the Chairman/Other Director aforesaid has the discretion to advise the Company Secretary to proceed to obtain advice from the suggested professional. If Chairman/ other Director is reasonably of the view that, under the prevailing circumstances, the matter need not be referred to the suggested professional, following a discussion with the Director who seeks advice, the matter can be referred to any other suitable professional and Company Secretary needs to be advised accordingly.
- IV. The same procedure is applicable on “Areas on which advice is needed”.
- V. The Board will thereafter take necessary action to authorise the Company Secretary to settle the payment of the professional at the expense of the Company.

13. Code of Business Conduct and Ethics

The Board of Directors, KRPs, Senior Management and employees shall be governed by the Code of Conduct and Ethics of the Company.

All Directors, Senior Management, KRPs and employees are responsible for proactively promoting ethical behaviour. The Company should encourage employees to talk to supervisors, managers or other appropriate personnel when in doubt about the best course of action in a particular situation. Additionally, employees should report violations of laws, rules, regulations or the Code of Business Conduct and Ethics, to appropriate personnel.

The Company must ensure that employees know that the Company will not allow retaliation for reports made in good faith.

In addition to the above, all Directors, Senior Management, KRPs and employees of the Company will be governed by the Company Code of Ethics conjoined with the Board’s Code of Conduct & Ethics, and the Code of Ethics for Registered Finance Companies issued by the Finance Houses Association of Sri Lanka,

All members of the Board of Directors, including and notwithstanding Executive and Non-Executive, Independent or otherwise directors has a fiduciary duty to act in good faith with loyalty and what he/she believes to be in the best interests of the Company. No Director shall act or agree to the Company acting in a manner that contravenes any provisions of the Law and the applicable regulations to the Company.

Board members shall maintain the confidentiality of privileged information and discussions that transpire during Board meetings. They shall not disclose confidential information to unauthorized individuals nor use it for personal gain, financial advantage, or any purpose that may be detrimental to the interests of People's Leasing & Finance PLC

14. Communication amongst Stakeholders

The Board will ensure that the Company will follow the procedures set out in the Corporate Communication Policy to maintain an effective communication with all stakeholders, including depositors, creditors, shareholders and borrowers.

15. Delegation of Functions by the Board

- I. The Board shall delegate its functions/authority as appropriate within the purviews of the Statute/Regulations. The Delegation of Authority (DA) to give clear directions to the senior management, as to the matters that shall be approved by the Board before decisions are made by senior management, on behalf of the FC.
- II. The Board may establish appropriate Board Sub-Committees with appropriate DA to assist in Board decisions
- III. In the absence of any sub-committees as mentioned in the Direction, the Board shall ensure the functions stipulated under such committees shall be carried out by the Board itself.
- IV. The Board shall not delegate any matters to a board sub-committee, executive directors or senior management, to an extent that such delegation would significantly hinder or reduce the ability of the Board as a whole to discharge its functions.
- V. The Board shall review the delegation processes in place on a periodic basis to ensure that they remain relevant to the needs of the FC.

- VI. Each Board sub-committee shall have a board approved written terms of reference specifying clearly its authority and duties.
- VII. The Board shall present a report on the performance of duties and functions of each Board sub-committee, at the Annual General Meeting of the FC.
- VIII. Each sub-committee shall appoint a secretary to arrange its meetings, maintain minutes, voice or video recordings, maintenance of records and carry out such other secretarial functions under the supervision of the chairperson of the committee
- IX. Each Board sub-committee shall consist of at least three Board members and shall only consist of members of the Board, who have the skills, knowledge and experience relevant to the responsibilities of the committee.
- X. The Board may consider occasional rotation of members and of the chairperson of Board sub-committees, as to avoid undue concentration of power and promote new perspectives

16. Responsibilities of the FC as a Holding Company

- a) The FC is responsible for exercising adequate oversight over its subsidiaries and associates while complying with the independent legal, regulatory and governance responsibilities that apply to them. The Board has adopted the Subsidiary/Sub subsidiary Policy Framework of the People's Bank which denotes the reporting and structural responsibility within the group.
- b) Have in place reporting arrangements that promote the understanding and management of material risks and developments that may affect the holding FC and its subsidiaries
- c) The Board and senior management of the FC shall validate that the objectives, strategies, policies and governance framework set at the group level are fully consistent with the regulatory obligations of the FC and ensure that company-specific risks are adequately addressed
- d) Assess whether the internal control framework of the group adequately addresses risks across the group, including those arising from intra-group transactions; FCs shall adopt well-established internal control systems, which include the organizational structure, segregation of duties, clear management reporting lines and adequate operating procedures in order to mitigate operational risks
- e) Ensure that there are adequate resources to effectively monitor compliance of the FC and its subsidiaries with all applicable legal and regulatory requirements

- f) Board shall establish a policy and procedures for related party transactions ensuring that the FC does not engage in business transactions with a related party in a manner that would grant such party “more favorable treatment” than that is accorded to other similar constituents of the FC.

17. Innovation for Sustainability:

- a) Directors shall encourage and support innovation that promotes sustainable practices, including the development and adoption of eco-friendly technologies.
- b) The Board shall regularly assess and invest in research and development initiatives aimed at enhancing sustainability across the Company's operations.

PLC has adapted the Sustainability Standards and Certification Initiative (SSCI) of the European Organisation for Sustainable Development (EOSD) and the Board is dedicated to a value driven financial institution that is ready to adapt and maintain highest standards for delivering optimum value to all stakeholders, including but not limited to their shareholders and thereby ensuring long term Organisational success.

18. Community and Social Responsibility:

- a) Directors shall actively participate in and support community development initiatives, contributing to the social welfare of the areas in which the Company operates.
- b) The Board shall oversee the implementation of corporate social responsibility programs that align with the Company's sustainability goals.

19. Conflicts of Interest

- I. Relationships between the directors shall not exercise undue influence or coercion. A director shall abstain from voting on any Board resolution in relation to a matter in which such director or any of the relatives or a concern in which such director has substantial interest, is interested, and such director shall not be counted in the quorum for the relevant agenda item in the Board meeting
 - i. Directors must identify circumstances which constitute or may give rise to conflicts of interests.
 - ii. Express the responsibility of directors and senior management to avoid, to the extent possible, activities that could create conflicts of interest

- iii. Directors are responsible to make due disclosure to update records on conflicts of interest with related parties,
- iv. Directors of the Board must self-regulate their actions and voluntarily recuse themselves when required in making decisions that fall within the ambit of related party transactions
- v. Ensure the appointment and the proper functioning of Board sub-committees and any other relevant Board sub-committee. The minutes of the proceedings of the Board sub-committees must be periodically reviewed and adopted.
- vi. Ensure compliance with the relevant statutory, regulatory, and administrative provisions
- vii. Boards must ensure that any other information that a stakeholder could expect from the entity must be shared provided that, it has no material effect on the competitiveness of the entity

20. Insider dealing:

Directors of the Company shall not engage in any form of insider dealing, defined as the use of non-public information for personal gain or to benefit others, including family members, friends, or business associates. This prohibition extends to trading securities, disclosing confidential information, or any other activity that may exploit undisclosed material information.

Directors must adhere to all applicable laws and regulations regarding insider trading, including those established by regulatory authorities and Colombo stock Exchange. Furthermore, Directors shall promptly disclose any potential conflicts of interest or insider information to the Board of Directors and shall eliminate themselves from discussions or decisions where such conflicts exist.

Observe full confidentiality of all non public information of the institution obtained while discharging duties and ensure that any information in possession is fully safeguarded and such obligation continues after the expiration of the term as Board Member.