

POLICY ON BOARD COMMITTEES

LOLC FINANCE PLC

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PURPOSE

The Policy on Board Committee (the 'Policy') is to ensure that LOLC Finance PLC (the 'Company') comply with the organisation's goals, collate and evaluate information, and recommend courses of action to the Board.

BOARD COMMITTEES

Company shall establish the following Board committees, subject to complying with the Central Bank Direction No: 5 of 2021 & rules issued by Regulators and any amendments thereto:

(a) Nominations & Governance Committee

Company shall establish and maintain a formal procedure for the appointment of new Directors, re-election of Directors to the Board, a suitable process for annual evaluation on performance of the Board of Directors and CEO by ensuring their responsibilities are satisfactory discharged through the Nomination & Governance Committee.

The Committee will review the overall corporate governance framework of the Company and take into account the applicable regulatory requirements, rules of the CSE and industry/international best practices, update the corporate governance policies/framework in line with the regulatory and legal developments relating as best practice including compliance with applicable laws and related directions, provisions of the SEC Act, Listing Rules of the Exchange, together with any deviations/non-compliances and the rationale for the same from the Compliance Department.

The Chairperson and the members of the Nominations and Governance Committee shall be identified in the Annual Report of the Company.

(b) Human Resources & Remuneration Committee

The Human Resources & Remuneration Committee shall maintain a formal and transparent procedure for developing policy on Executive Directors' remuneration and for fixing the remuneration packages of individual Directors. Directors of the Company shall not be involved in fixing his/her own remuneration.

Remuneration of Non-Executive Directors should be 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

Audit Committee shall perform the audit and risk functions of the Company and fulfil the responsibilities related to financial governance.

Additional meetings are held as and when a need arises and is mandated to ensure that a sound financial reporting system is established.

Committee would determine that the external auditors are independent based on whether they are engaged in providing any non-audit services to the Company; and the fees charged for audit assignments if significant to impair their judgement / independent.

On behalf of the Audit Committee, Internal Auditor would perform a comprehensive exercise that entails reviewing of all aspects of MIS including operational and regulatory risks.

(d) Related Party Transaction Review Committee

Committee shall be responsible for reviewing related party transactions of the Company and complying with the listing rules of the Colombo Stock Exchange and the Financial Business Act Directions.

(e) Integrated Risk Management Committee

Committee was established to assist the Board in performing its oversight function in relation to different types of risk faced by the Company in its business operations and ensures adequacy and effectiveness of the risk management framework of the Company. Frequency of committee meetings will be determined by regulations of the CBSL.

(f) Board Credit Committee (volunteer committee)

Committee was formed to assist the Board in effectively fulfilling its responsibilities relating to credit Direction, Credit Policy and lending guidelines of the Company in order to inculcate healthy lending culture, standards and practices and ensure relevant rules, regulations and directions issued by the appropriate authorities are complied with.

RESPONSIBILITIES OF COMMITTEES

Board Committees shall;

- (a) have a written term of reference clearly defining the scope, authority and duties and matters pertaining to the quorum of the meeting. (refer Committee TOR)
- (b) comply with the composition, responsibilities and disclosures required by the Regulators.
- (c) comprise of a minimum of three (03) Directors of the Company, out of which a minimum of two (02) or more members shall be Independent Directors.
- (d) not comprise of Executive Directors.
- (e) appoint an Independent Director as the Chairperson of the committee by the Board of Directors.
- (f) ensure that the Chairperson of the Board of Directors shall not be the Chairperson of the Board Committees.
- (g) Consist at least three (03) 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.
- (h) be governed by the Terms of Reference which encompass the requirements stipulated under the Code of Best Practice issued by the Securities and Exchange Commission of Sri Lanka and the regulations of CBSL.
- (i) convene meetings at least once in two months for the Audit Committee and the Integrated Risk Management Committee. Other Board Committees shall meet at least annually.
- (j) appoint a Secretary to arrange its meetings, maintain minutes & records and carryout other secretarial functions under the supervision of the Chairperson of the Board Committee. Secretary to the Audit Committee shall be the Chief Internal Auditor and the Secretary to the Integrated Risk Management Committee shall be Chief Risk Officer.
- (k) consider rotation of members of the Board and of the Chairperson of the Board subcommittee, as to avoid undue concentration of power and promote new perspective.

RESPONSIBILITY OF THE BOARD

Board shall present a report on the performance of duties & functions of each Board Committee, at the Annual General Meeting of the Company

Board may consider rotation of members and of the Chairperson of the Board Committees, as to avoid undue concentration of power and promote new perspective.