

BEST PRACTICE ON CORPORATE GOVERNANCE



The Institute of Chartered
Accountants of Sri Lanka



CODE OF BEST PRACTICE

ON

CORPORATE GOVERNANCE

Issued jointly by

The Securities and Exchange Commission of Sri Lanka

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The Institute of Chartered Accountants of Sri Lanka

1st July 2008

Foreword

A company is managed not purely for share price, but to ensure that its short-term and long-term objectives and goals are achieved. The entire process of achieving these goals and objectives are sphere headed by the board of Directors. This involves building sustainable value for the shareholders and all its other stakeholders, such as customers, employees and even the general public at large, which is really what good corporate governance means.

Ms. Carleton S Fiorina, Former Chairperson and CEO of Hp states that “*Good Corporate Governance boils down to three simple principles:*

- 1. Good Corporate Governance is that business practices aren’t driven by corporate culture- rather, they reflect corporate culture;*
- 2. Values that govern the Board Room should be should be no different to the values that govern the shop floor;*
- 3. a good corporate citizen doesn’t just mean doing no harm in the community where you do business, but actively working to leave the community better than when you found them.”*

ICASL is proud to be the pioneer in introducing Corporate Governance to Sri Lanka. The first Code; **Code of Best Practice on matters related to financial aspects of Corporate Governance**, was issued in December 1997. The sub-committee which developed the Code was chaired by Mr. Nivard Cabraal during the Presidency of Mr. Reyaz Mihular. This was a voluntary best practice Code, guided by Corporate Governance publications, then globally applicable. Thereafter, during the Presidency of Mr. Ranel Wijesinha this Code was updated to be in line with the Combined Code of U.K. This sub-committee was chaired by Mr. Chandra Jayaratne.

The project of revising the current Code commenced in 2005. This project was a joint initiative between the Securities & Exchange Commission of Sri Lanka and the Institute of Chartered Accountants of Sri Lanka. The Committee was co-chaired by myself and Ajith Nivaard Cabraal. We had the benefit of a committee with vast experience, comprising of company directors, lawyers, regulators and practitioners. This facilitates the Code to be more objective, user friendly, effective and acceptable to all.

The Committee (refer annexure) reviewed the Combined Code of U.K., the NYSE Code of U.S., Code on Corporate Governance of Singapore, Principles for Good Governance and Best Practice Recommendations of the Australian Stock Exchange, the Malaysian Code on Corporate Governance and the Corporate Governance Report of the Securities & Exchange Board of India, primarily. The initial drafting of the Code was completed in 2006.

Thereafter, the Securities & Exchange Commission and the Institute of Chartered Accountants were instrumental in drafting the Corporate Governance Listing Rules, which are applicable to listed companies via the Colombo Stock Exchange Listing Rules. While the Listing Rules provide regulation and legal framework for Corporate Governance, this Code is meant to provide the operational structures / processes for discharging Corporate Governance activities.

I take this opportunity to thank all those who were keenly involved with the process, particularly the staff of the Securities and Exchange Commission of Sri Lanka and the Technical Directorate of the Institute of Chartered Accountants of Sri Lanka and the members of the Committee who devoted their time, experience and knowledge in developing this Code. I also wish to place on record of the work done by my Co-chairman Ajith Nivaard Cabraal whose vast experience in this field assisted us immensely in developing this Code.

Asite Talwatte
Chairman
Corporate Governance Committee

Message by President, Institute of Chartered Accountants of Sri Lanka

“Good Corporate Governance is essential to the effective operation of a free market, which enables wealth creation and freedom from poverty” (Financial Reporting Council of the UK).

The Central Bank of Sri Lanka reveals an economic growth of well above 6% for the third consecutive year in Sri Lanka, with a per-capita income of USD 1,617 in 2007 raising the current status of the Country from Low-income countries to Lower-middle income countries. The private sector of the economy is a large contributor to this growth. Good Corporate Governance would undoubtedly have played a leading role in achieving these impressive results.

The Institute of Chartered Accountants of Sri Lanka is indeed proud to be the pioneer in introducing good corporate governance principles to the Nation with the introduction of the ‘Code of Best Practice on matters related to financial aspects of Corporate Governance’ in 1997, which was later updated in 2003.

We are pleased to introduce this updated Code of Best Practice on Corporate Governance, which was formulated through the joint initiatives of the Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission of Sri Lanka.

The key aspects of the Code include:

- a single board collectively responsible for the success of the company
- checks and balances
 - a separate Chief Executive and Chairman
 - a balance of Executive and independent Non-Executive Directors
 - strong, independent audit and Remuneration Committees
 - annual evaluation by the Board of its performance
- emphasis of objectivity of directors in the interest of the company
- transparency on appointment and remuneration
- effective rights of shareholders

I take this opportunity to thank the ICASL Corporate Governance Committee, the staff the Securities & Exchange Commission of Sri Lanka and the staff of Technical Directorate of the Institute of Chartered Accountants of Sri Lanka for their unstinting efforts in developing and introducing this Code.

Nishan Fernando
President
The Institute of Chartered Accountants of Sri Lanka

Message by Chairman, Securities & Exchange Commission of Sri Lanka

Arthur Levitt, a former chairman of the Securities and Exchange Commission of the United States of America has stated that “If a country does not have a reputation for strong corporate governance practices capital will flow elsewhere. If investors are not confident with the level of disclosure, capital will flow elsewhere. If a country opts for lax accounting and reporting standards, capital will flow elsewhere. All enterprises in that country - regardless of how steadfast a particular company’s practice maybe - suffer consequences. It serves us right to remember that no market has a divine right to investors’ capital.”

Good corporate governance practices are not a new phenomenon in the world although recent collapses of several companies which were considered successful, have emphasized the need for good business practices and governance structures. These structures and processes are especially important for the success of business as it brings in better risk management practices through enhanced accountability and transparency. It also promotes the development of the community, the economy of the country and ensures a better relationship between the company, its shareholders, employees and the community.

The Securities and Exchange Commission of Sri Lanka is committed to improving and promoting the use of international best practice which is essential for the development of the capital market, improvement of professionalism among market participants and raising the profile of the Sri Lankan capital market, in keeping with its objectives. In view of this broader objective, the Securities and Exchange Commission of Sri Lanka has partnered the Institute of Chartered Accountants of Sri Lanka in working towards establishing good corporate governance practices over a period of time. Previously a voluntary code on corporate governance was published jointly by the Securities and Exchange Commission of Sri Lanka and the Institute of Chartered Accountants of Sri Lanka in 2002.

This edition has re-visited the 2002 code and the provisions therein have been amended to reflect the standards which have been mandated through the Listing rules of the Colombo Stock Exchange. This code will no doubt assist the listed companies in applying the rules on corporate governance as it contains a more descriptive style.

I sincerely hope that the efforts made by the Securities and Exchange Commission of Sri Lanka and the Institute of Chartered Accountants of Sri Lanka will result in better standards among corporates in Sri Lanka which will no doubt develop the capital market and the profile of the country as an attractive destination for investment.

Gamini Wickamasinghe
Chairman
Securities and Exchange Commission of Sri Lanka
02nd April 2008

CODE OF BEST PRACTICE ON CORPORATE GOVERNANCE

SECTION 1 : THE COMPANY

A DIRECTORS

A.1 THE BOARD

Principle A.1 Every public company should be headed by an effective Board, which should direct, lead and control the Company.

A.1.1 The Board should meet regularly. Board meetings should be held at least once in every quarter of a financial year.

A.1.2 The Board should be responsible for matters including:

- ensuring the formulation and implementation of a sound business strategy;
- ensuring that the Chief Executive Officer (CEO) and management team possess the skills, experience and knowledge to implement the strategy;
- ensuring the adoption of an effective CEO and senior management succession strategy;
- ensuring effective systems to secure integrity of information, internal controls and risk management;
- ensuring compliance with laws, regulations and ethical standards;
- ensuring all stakeholder interests are considered in corporate decisions;
- 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.

A.1.3 The Board collectively, and Directors individually, must act in accordance with the laws of the Country, as applicable to the business enterprise. There should be a procedure agreed to by the Board of Directors, to obtain independent professional advice where necessary, at the Company's expense.

A.1.4 All Directors should have access to the advice and services of the Company Secretary, who is responsible to the Board in ensuring that Board procedures are followed and that applicable rules and regulations are complied with. Any question of the removal of the Company Secretary should be a matter for the Board as a whole.

A.1.5 All Directors should bring independent judgment to bear on issues of strategy, performance, resources (including key appointments) and standards of business conduct.

A. 1.6 Every Director should dedicate adequate time and effort to matters of the Board and the Company, to ensure that the duties and responsibilities owed to the Company are satisfactorily discharged. It must be recognised that Directors have to dedicate sufficient time before a meeting to review Board papers and call for additional information and clarification, and after a meeting to follow up on issues consequent to the meeting. This should be supplemented by a time allocation for familiarisation with business changes, operations, risks and controls.

A. 1.7 Every Director should receive appropriate training when first appointed to the Board of a company, and subsequently as necessary. Training curricula should encompass both general aspects of directorship and matters specific to the particular industry/company concerned. 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 duties as a Director.

A.2 CHAIRMAN AND CHIEF EXECUTIVE OFFICER (CEO)

Principle A.2 There are two key tasks at the top of every public company – conducting of the business of the Board, and facilitating executive responsibility for management of the Company’s business. There should be a clear division of responsibilities at the head of the Company, which will ensure a balance of power and authority, such that no one individual has unfettered powers of decision.

A.2.1 A decision to combine the posts of Chairman and CEO in one person should be justified and highlighted in the Annual Report.

A.3 CHAIRMAN’S ROLE

Principle A.3 The Chairman’s role in preserving good Corporate Governance is crucial. As the person responsible for running the Board, the Chairman should preserve order and facilitate the effective discharge of Board functions.

A 3.1 The Chairman should conduct Board proceedings in a proper manner and ensure, inter-alia, that:

- the effective participation of both Executive and Non-Executive Directors is secured;
- all Directors are encouraged to make an effective contribution, within their respective capabilities, for the benefit of the Company;
- a balance of power between executive and non-executive directors is maintained;
- the views of Directors on issues under consideration are ascertained; and
- the Board is in complete control of the Company’s affairs and alert to its obligations to all shareholders and other stakeholders.

A.4 FINANCIAL ACUMEN

Principle A.4 The Board should ensure the availability within it of those with sufficient financial acumen and knowledge to offer guidance on matters of finance.

A.5 BOARD BALANCE

Principle A.5 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.

A.5.1 The Board should include non-executive directors of sufficient calibre and number for their views to carry significant weight in the Board's decisions. The Board should include at least two non-executive directors or such number of non-executive directors equivalent to one third of total number of directors, which ever is higher. In the event the Chairman and CEO is the same person, non-executive directors should comprise a majority of the Board.

The total number of directors is to be calculated based on the number as at the conclusion of the immediately preceding Annual General Meeting. Further, any change occurring to this ratio should be rectified within 90 days from the date of the change.

A.5.2 Where the constitution of the Board of Directors includes only two non-executive directors, both such non-executive directors should be 'independent'. In all other instances two or one third of non-executive directors appointed to the Board of Directors whichever is higher should be 'independent'.

A.5.3 For a Director to be deemed 'independent' such Director should be independent of management and free of any business or other relationship that could materially interfere with or could reasonably be perceived to materially interfere with the exercise of their unfettered and independent judgment.

A.5.4 Each non-executive director should submit a signed and dated declaration annually of his/her independence or non-independence against the specified criteria set out in the Specimen in Schedule I.

A.5.5 The Board should make a determination annually as to the independence or non-independence of each non-executive director based on such a declaration made of decided criteria and other information available to the Board, and should set out in the Annual Report the names of directors determined to be 'independent'.

The Board should specify the criteria not met and the basis for its determination in the annual report, if it determines that a Director is independent notwithstanding the existence of relationships or circumstances which indicate the contrary.

A Director would not be independent if he/she:

- has been employed by the Company during the period of two years immediately preceding appointment as director;
- currently has/had during the period of two years immediately preceding appointment as director, a Material Business Relationship with the Company, whether directly or indirectly;
- has a close family member who is a director, chief executive officer (and/or an equivalent position) in the Company;
- has a Significant Shareholding in the Company;

- has served on the Board of the Company continuously for a period exceeding nine years from the date of the first appointment;
- is employed in another company or business:
 - in which a majority of the other directors of the Company are employed or are directors; or
 - in which a majority of the other directors of the Company have a Significant Shareholding or Material Business Relationship; or
 - that has a Significant Shareholding in the Company or with which the Company has a Business Connection;
- is a director of another company:
 - in which a majority of the other directors of the Company are employed or are directors; or
 - that has a Business Connection in the Company or Significant Shareholding;
- has a Material Business Relationship or a Significant Shareholding in another company or business:
 - in which a majority of the other directors of the Company are employed or are directors; and/or
 - which has a Business Connection with the Company or Significant Shareholding in the same.

The above list is not exhaustive, and should be viewed as a guide rather than a set of rules on the basis of which independence can be conclusively determined.

DEFINITIONS RELATING TO INDEPENDENCE CRITERIA

Close Family Member - shall mean and include the director's spouse, parents, grandparents, children, brothers, sisters, grandchildren and any person who is financially dependent on such director.

Financially Dependent Individuals - include any person who received more than half of their support for the most recent fiscal year from a director and/or his or her spouse.

Material Business Relationship - includes any relationship that results in income/non-cash benefits equivalent to 10% of the director's annual income.

Business Connection - shall mean a relationship resulting in transaction value equivalent to 10% of the turnover of that company or business.

Significant Shareholdings - can be defined as a shareholding carrying not less than 10% of the voting rights of a company.

A.5.6 In the event the Chairman and CEO is the same person, the Board should appoint one of the independent non-executive directors to be the "Senior Independent Director" (SID) and disclose this appointment in the Annual Report.

A.5.7 The Senior Independent Director should make himself 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.

A.5.8 The Chairman should hold meetings with the Non-Executive Directors only, without the Executive Directors being present, as necessary and at least once each year.

A.5.9 Where Directors have concerns about the matters of the Company which cannot be unanimously resolved, they should ensure their concerns are recorded in the Board Minutes.

A.6 SUPPLY OF INFORMATION

Principle A.6 The Board should be provided with timely information in a form and of a quality appropriate to enable it discharge its duties.

A.6.1 Management has an obligation to provide the Board with appropriate and timely information, but information volunteered by management may not be enough in all circumstances and Directors should make further inquiries where necessary. The Chairman should ensure all Directors are properly briefed on issues arising at Board meetings.

A.6.2 The minutes, agenda and papers required for a Board Meeting should ordinarily be provided to Directors at least seven (7) days before the meeting, to facilitate its effective conduct.

A.7 APPOINTMENTS TO THE BOARD

Principle A.7 There should be a formal and transparent procedure for the appointment of new Directors to the Board.

A 7.1 A Nomination Committee should be established to make recommendations to the Board on all new Board appointments. Terms of Reference for Nomination Committees are set out in Schedule A. The Chairman and members of the Nomination Committee should be identified in the Annual Report.

A 7.2 The Nomination Committee or in the absence of a nomination committee, the Board as a whole should annually assess board-composition to ascertain whether the combined knowledge and experience of the Board matches the strategic demands facing the Company. The findings of such assessment should be taken into account when new board appointments are considered and when incumbent directors come up for re-election.

A 7.3 Upon the appointment of a new Director to the Board, the Company should forthwith disclose to shareholders:

- a brief resume of the Director;
- the nature of his expertise in relevant functional areas;
- the names of companies in which the Director holds directorships or memberships in Board committees; and
- whether such director can be considered ‘independent’.

A.8 RE ELECTION

Principle A.8 All Directors should be required to submit themselves for re-election at regular intervals and at least once every three years.

A.8.1 Non-Executive Directors should be appointed for specified terms subject to re-election and to the provisions in the Companies Act relating to the removal of a Director, and their re-appointment should not be automatic.

A.8.2 All Directors including the Chairman of the Board, should be subject to election by shareholders at the first opportunity after their appointment, and to re-election thereafter at intervals of no more than three years. The names of Directors submitted for election or re-election should be accompanied by a resume minimally as set out in paragraph A.7.3.above, to enable shareholders to make an informed decision on their election.

A.9 APPRAISAL OF BOARD PERFORMANCE

Principle A.9 Boards should periodically appraise their own performance in order to ensure that Board responsibilities are satisfactorily discharged.

A.9.1 The Board should annually appraise itself on its performance in the discharge of its key responsibilities as set out in A.1.2.

Schedule B contains a sample “Board Performance Evaluation Checklist” that may be used for this purpose.

A.9.2 The Board should also undertake an annual self-evaluation of its own performance and that of its Committees.

A.9.3 The Board should state how such performance evaluations have been conducted, in the Annual Report.

A.10 DISCLOSURE OF INFORMATION IN RESPECT OF DIRECTORS

Principle A.10 Shareholders should be kept advised of relevant details in respect of Directors.

A.10.1 The Annual Report of the Company should set out the following information in relation to each Director:

- name, qualifications and brief profile;
- the nature of his/her expertise in relevant functional areas;
- immediate family and/or material business relationships with other Directors of the Company;
- names of listed companies in Sri Lanka in which the Director concerned serves as a Director;
- names of other companies in which the Director concerned serves as a Director, provided that where he/she holds directorships in companies within a Group of which the Company is a part, their names need not be disclosed; it is sufficient to state that he/she holds other directorships in such companies;
- number/percentage of board meetings of the Company attended during the year;
- names of Board Committees in which the Director serves as Chairman or a member; and
- number/percentage of committee meetings attended during the year.

A.11 APPRAISAL OF CHIEF EXECUTIVE OFFICER (CEO)

Principle A.11 The Board should be required, at least annually, to assess the performance of the CEO.

A 11.1 At the commencement of every fiscal year, the Board in consultation with the CEO, should set, in line with the short, medium and long-term objectives of the Company, reasonable financial and non-financial targets that should be met by the CEO during the year.

A 11.2 The performance of the CEO should be evaluated by the Board at the end of each fiscal year to ascertain whether the targets set by the Board have been achieved and if not, whether the failure to meet such targets was reasonable in the circumstances.

B DIRECTORS' REMUNERATION

B.1 REMUNERATION PROCEDURE

Principle B.1 Companies should establish a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual Directors. No Director should be involved in deciding his/her own remuneration.

B.1.1 To avoid potential conflicts of interest, the Board of Directors should set up a Remuneration Committee to make recommendations to the Board, within agreed terms of reference, on the Company's framework of remunerating executive directors. (These also include Post Employment Benefits as well as Terminal Benefits) Terms of Reference for Remuneration Committees are set out in Schedule C.

B.1.2 Remuneration Committees should consist exclusively of Non-executive Directors, and should have a Chairman, who should be appointed by the Board.

B.1.3 The Chairman and members of the Remuneration Committee should be listed in the Annual Report each year.

B.1.4 The Board as a whole, or where required by the Articles of Association the shareholders, should determine the remuneration of Non-executive Directors, including members of the Remuneration Committee, within the limits set in the Articles of Association. Where permitted by the Articles, the Board may delegate this responsibility to a sub-committee of the Board, which might include the CEO.

B.1.5 The Remuneration Committee should consult the Chairman and/or CEO about its proposals relating to the remuneration of other Executive Directors and have access to professional advice from within and outside the Company, in discharging their responsibilities.

B.2 THE LEVEL AND MAKE UP OF REMUNERATION

Principle B.2 Levels of remuneration of both Executive and Non-executive Directors should be sufficient to attract and retain the Directors needed to run the Company successfully. A proportion of Executive Directors' remuneration should be structured to link rewards to corporate and individual performance.

B.2.1 The Remuneration Committee should provide the packages needed to attract, retain and motivate Executive Directors of the quality required but should avoid paying more than is necessary for this purpose.

B.2.2 The Remuneration Committee should judge where to position levels of remuneration of the Company, relative to other companies. It should be aware what comparable companies are paying and should take account of relative performance, but should use such comparisons with caution, mindful of the risk that they can result in an increase of remuneration levels with no corresponding improvement in performance.

B.2.3 The Remuneration Committee should be sensitive to remuneration and employment conditions elsewhere in the Company or Group of which it is a part, especially when determining annual salary increases.

B.2.4 The performance-related elements of remuneration of Executive Directors should be designed and tailored to align their interests with those of the Company and main stakeholders and to give these Directors appropriate incentives to perform at the highest levels.

B.2.5 Executive share options should not be offered at a discount (i.e. less than market price prevailing at the time the exercise price is determined), save as permitted by the Listing Rules of the Stock Exchange.

B.2.6 In designing schemes of performance-related remuneration, Remuneration Committees should follow the provisions set out in Schedule D.

B.2.7 Remuneration Committees should consider what compensation commitments (including pension contributions) their Directors' contracts of service, if any, entail in the event of early termination. Remuneration Committees should in particular, consider the advantages of providing explicitly for such compensation commitments to apply other than in the case of removal for misconduct, in initial contracts.

B.2.8 Where the initial contract does not explicitly provide for compensation commitments, Remuneration Committees should, within legal constraints, tailor their approach in early termination cases to the relevant circumstances. The broad aim should be, to avoid rewarding poor performance while dealing fairly with cases where departure is not due to poor performance.

B.2.9 Levels of remuneration for Non-executive Directors should reflect the time commitment and responsibilities of their role, taking into consideration market practices. Remuneration for Non-executive Directors should not normally include share options. If exceptionally options are granted, shareholder approval should be sought in advance and any shares acquired by exercise of the options should be held until at least one year after the Non-executive Director leaves the Board. Holding share options could be relevant to the determination of a Non-executive Director's independence. (as set out in provision A.5.5)

B.3 DISCLOSURE OF REMUNERATION

Principle B.3 The Company's Annual Report should contain a Statement of Remuneration Policy and details of remuneration of the Board as a whole.

B.3.1 The Annual Report should set out the names of directors (or persons in the parent company's committee in the case of a group company) comprising the remuneration committee, contain a statement of remuneration policy and set out the aggregate remuneration paid to executive and non-executive directors.

C RELATIONS WITH SHAREHOLDERS

C.1 CONSTRUCTIVE USE OF THE ANNUAL GENERAL MEETING (AGM) AND CONDUCT OF GENERAL MEETINGS

Principle C.1 Boards should use the AGM to communicate with shareholders and should encourage their participation.

C.1.1 Companies should count all proxy votes and should indicate the level of proxies lodged on each resolution, and the balance for and against the resolution, after it has been dealt with on a show of hands, except where a poll is called.

C.1.2 Companies should propose a separate resolution at the AGM on each substantially separate issue and should in particular propose a resolution at the AGM relating to the adoption of the report and accounts.

C.1.3 The Chairman of the Board should arrange for the Chairmen of the Audit, Remuneration and Nomination Committees to be available to answer questions at the AGM if so requested by the Chairman.

C.1.4 Companies should arrange for the Notice of the AGM and related papers to be sent to shareholders at least 21 calendar days or other period determined by statute, before the meeting.

C 1.5 Companies should circulate with every Notice of General Meeting, a summary of the procedures governing voting at General Meetings.

C.2 MAJOR TRANSACTIONS

Principle C.2 Further to compliance with the requirements under the Companies Act, directors should disclose to shareholders all proposed corporate transactions, which if entered into, would materially alter/vary the Company's net assets base or in the case of a company with subsidiaries, the consolidated group net asset base.

C.2.1 Prior to a company engaging in or committing to a 'Major Transaction', involving the acquisition, sale or disposition of greater than half of the net value of the Company's assets or that of a subsidiary which has a material bearing on the consolidated net assets of the Company, Directors should disclose to shareholders all material facts of such transaction.

D ACCOUNTABILITY AND AUDIT

D.1 FINANCIAL REPORTING

Principle D.1 The Board should present a balanced and understandable assessment of the Company's financial position, performance and prospects.

D.1.1 The Board's responsibility to present a balanced and understandable assessment extends to interim and other price-sensitive public reports and reports to regulators, as well as to information required to be presented by statutory requirements.

D.1.2 The Directors' Report, which forms part of the Annual Report, should contain declarations by the Directors to the effect that:

- the Company has not engaged in any activity which contravenes laws and regulations;
- the Directors have declared all material interests in contracts involving the Company and refrained from voting on matters in which they were materially interested;
- the Company has made all endeavours to ensure the equitable treatment of shareholders;
- the business is a going concern, with supporting assumptions or qualifications as necessary; and
- they have conducted a review of the internal controls, covering financial, operational and compliance controls and risk management, and have obtained reasonable assurance of their effectiveness and successful adherence therewith,

and, if it is unable to make any of these declarations, to explain why it is unable to do so.

D.1.3 The Annual Report should contain a statement setting out the responsibilities of the Board for the preparation and presentation of financial statements, together with a statement by the Auditors about their reporting responsibilities.

- D.1.4 The Annual Report should contain a “Management Discussion & Analysis”, discussing, among other issues:
- industry structure and developments;
 - opportunities and threats;
 - risks and concerns;
 - internal control systems and their adequacy ;
 - social and environmental protection activities carried out by the Company;
 - financial performance;
 - material developments in human resource/industrial relations and
 - prospects for the future.
- D.1.5 The Directors should report that the business is a going concern, with supporting assumptions or qualifications as necessary. The matters to which the Board should give due consideration when adopting the going-concern assumption are set out in Schedule E to this Code.
- D.1.6 In the event the net assets of the Company fall below 50% of the value of the Company’s shareholders’ funds, the Directors shall forthwith summon an Extraordinary General Meeting of the Company to notify shareholders of the position and of remedial action being taken.
- D.2 INTERNAL CONTROL
- Principle D.2 The Board should maintain a sound system of internal control to safeguard shareholders’ investments and the Company’s assets.
- D. 2.1 The Directors should, at least annually, conduct a review of the effectiveness of the Group’s system of internal controls, so as to be able to report to shareholders as required in D.1.2. This could be made the responsibility of the Audit Committee.
- D. 2.2 Companies which do not have an internal audit function should from time to time review the need for one.
- D.3 AUDIT COMMITTEE
- Principle D.3 The Board should establish formal and transparent arrangements for considering how they should select and apply accounting policies, financial reporting and internal control principles and maintaining an appropriate relationship with the Company’s Auditors.
- D.3.1 The Audit Committee should be comprised of a minimum of two independent non-executive directors (in instances where a company has only two directors on its Board) or exclusively by non-executive directors, a majority of whom should be independent, whichever is higher.
- The Chairman of the Committee should be a Non-executive Director, appointed by the Board.

- D.3.2 The duties of the Audit Committee should include keeping under review the scope and results of the audit and its effectiveness, and the independence and objectivity of the Auditors. Where the Auditors also supply a substantial volume of non-audit services to the Company, the Committee should keep the nature and extent of such services under review, seeking to balance objectivity, independence and value for money.
- D.3.3 The Audit Committee should have a written Term of Reference, dealing clearly with its authority and duties. The Audit Committee's written terms of reference must address:
- The Committee's purpose – which, at minimum, must be to:
 - Assist Board oversight of the:
 - preparation, presentation and adequacy of disclosures in the financial statements, in accordance with Sri Lanka Accounting Standards;
 - company's compliance with financial reporting requirements, information requirements of the Companies Act and other relevant financial reporting related regulations and requirements;
 - processes to ensure that the Company's internal controls and risk management procedures are adequate and to meet the requirements of the Sri Lanka Auditing Standards and
 - assessing the Company's ability to continue as a going concern in the foreseeable future
 - independence and performance of the Company's external auditors.
 - The duties and responsibilities of the Audit Committee – which, at a minimum must include those set out in the ICASL Code of Best Practice on Corporate Governance on Audit Committees of 2002, and also:
 - to make recommendations to the Board, pertaining to appointment, re-appointment and removal of external auditors and to approve the remuneration and terms of engagement of the external auditors;
 - discussion of the audit plan, key audit issues and their resolution, management responses and the proposed remuneration of the Auditor;
 - discussion of the Company's annual audited financial statements and quarterly financial statements with management and the Auditor;
 - discussion of the Company's earnings press releases and financial information and earnings guidance provided to analysts and rating agencies;
 - discussion of policies and practices with respect to risk assessment and risk management;
 - meeting separately, periodically, with management, Auditors and internal auditors;
 - establishing mechanisms for the confidential receipt, retention and treatment of complaints alleging fraud, received from internal/external sources and pertaining to accounting, internal controls or other such matters;
 - assuring confidentiality to whistle-blowing employees;
 - setting clear hiring policies for employees or former employees of the Auditors; and
 - reporting regularly to the Board of Directors.

Detailed guidance on the scope and functions of the Audit Committee can be found in the Code of Best Practice on Audit Committees issued by the Institute of Chartered Accountants of Sri Lanka (ICASL) in May 2002

D.3.4 DISCLOSURES

The names of directors (persons in the parent company's committee in the case of a group company) comprising the Audit Committee should be disclosed in the Annual Report.

The Committee should also make a determination of the independence of the auditors and should disclose the basis of such determination in the Annual Report.

The Annual Report should contain a report by the Audit Committee, setting out the manner of compliance by the Company, in relation to the above, during the period to which the Annual Report relates.

D.4 CODE OF BUSINESS CONDUCT & ETHICS

Principle D.4 Companies must adopt a Code of Business Conduct & Ethics for directors, and members of the senior management team and must promptly disclose any waivers of the Code for directors or others.

D.4.1 All Companies must disclose whether they have a Code of Business Conduct & Ethics for directors and members of the senior management team and if they have such a Code, make an affirmative declaration in the Annual Report that all directors and members of the senior management team have complied with such Code, and if unable to make that declaration, state why they are unable to do so. Each Company may determine its own policies in the formulation of such a Code, but all Companies should address the following important topics in their respective Codes:

- conflict of interest;
- corporate opportunities;
- confidentiality;
- fair dealing;
- protection and proper use of company assets;
- compliance with laws, rules and regulations (including insider trading laws); and
- encouraging the reporting of any illegal or unethical behaviour.

These aspects are expanded on, in Schedule G.

D.4.2 The Chairman must affirm in the Company's Annual Report that he is not aware of any violation of any of the provisions of the Code of Business Conduct & Ethics.

D.5 CORPORATE GOVERNANCE DISCLOSURES

Principle D.5 Directors should be required to disclose the extent to which the Company adheres to established principles and practices of good Corporate Governance.

D.5.1 The Directors should include in the Company's Annual Report a Corporate Governance Report, setting out the manner and extent to which the Company has complied with the principles and provisions of this Code.

SECTION 2: SHAREHOLDERS

E INSTITUTIONAL INVESTORS

E.1 SHAREHOLDER VOTING

Principle E.1 Institutional shareholders have a responsibility to make considered use of their votes and should be encouraged to ensure their voting intentions are translated into practice.

E.1.1 A listed company should conduct a regular and structured dialogue with shareholders based on a mutual understanding of objectives. Arising from such dialogue, the Chairman should ensure the views of shareholders are communicated to the Board as a whole.

E.2 EVALUATION OF GOVERNANCE DISCLOSURES

Principle E.2 When evaluating Companies' governance arrangements, particularly those relating to board structure and composition, institutional investors should be encouraged to give due weight to all relevant factors drawn to their attention.

F OTHER INVESTORS

F.1 INVESTING/ DIVESTING DECISION

Principle F.1 Individual shareholders, investing directly in shares of companies should be encouraged to carry out adequate analysis or seek independent advice in investing or divesting decisions.

F.2 SHAREHOLDER VOTING

Principle F.2 Individual shareholders should be encouraged to participate in General Meetings of companies and exercise their voting rights.

SCHEDULE A
TERMS OF REFERENCE FOR NOMINATION COMMITTEES

Membership

Majority of the Membership of the Committee shall be Non-executive Directors together with the Chief Executive.

The Chairman of the Committee shall be a Non-executive Director appointed by the Board.

The Quorum of the Committee shall be two members who are non-executive directors.

Secretary

The Secretary of the Company shall be Secretary of the Committee.

Advisors

The Committee is authorised by the Board to seek appropriate professional advice inside and outside the Company as and when it considers this necessary.

Duties

The duties of the Committee shall be to:

- propose suitable charter for the appointment and re-appointment of directors to the Board and to act in accordance with such Charter in proposing appointments and re-appointments. Such Charter shall cover areas such as qualifications, competencies, independence, relationships which have potential to give rise to conflict vis-a-vis the business of the company etc.;
- consider the making of any appointment or re-appointment to the Board;
- provide advice and recommendations to the Board or the Chairman (as the case may be) on any such appointment;
- regularly review the structure, size, composition and competencies (including the skills, knowledge and experience) of the Board and make recommendations to the Board with regard to any changes; and
- a member of the Nomination Committee should not participate in decisions relating to his own appointment.

Minutes

The Minutes of the meetings of the Committee shall be circulated to all members of the Board.

SCHEDULE B

BOARD PERFORMANCE EVALUATION CHECK LIST

- A : Above Expectation
 B : In line with Expectation
 C : Below Expectation
 D : Significant Room for Improvement

N.B. This questionnaire is to be evaluated independently by all Directors (i.e. Executive and Non-executive Directors) and the results tabulated and presented to the Board as a whole.

Methodology

Please answer Yes or No to each question and indicate the “rating” thereafter.

Performance Evaluation of the Board of Directors	Yes	No	A	B	C	D
Does the Board as a whole undertake a formal and rigorous annual evaluation of its own performance and that of its Committees?						
Does the Board state in the Annual Report how such performance evaluation has been conducted?						
Are the results of the board evaluation shared with the Board as a whole?						
Are the processes for setting the agenda working? Do they enable the board members to raise issues and concerns?						
How well has the Board performed against any performance objectives that have been set?						
What has been the Boards’ contribution towards developing and monitoring implementation of strategy?						
What has been the Boards’ contribution to ensuring robust and effective risk management?						
Is the composition of the Board and its Committees appropriate, with the right mix of knowledge and skills to maximize performance in the light of future strategy?						
Are relationships and communication with shareholders well managed?						

How has the Board responded to any problems or crises that have emerged? Could or should these have been foreseen?						
How well does the Board communicate with the management team, company employees and others?						
How effectively does it use mechanisms such as the AGM and the Annual Report?						
Is the Board as a whole up-to-date with latest developments in the regulatory environment, laws and the market?						
Has the Board ensured that internal control and the audit function of the Company are conducted in an effective manner?						
How effective are the Board's Committees: <ul style="list-style-type: none"> • is their membership defined? • is there a secretary? • are there rules pertaining to attendance and were they followed? • are there rules pertaining to frequency of meetings and were they followed? • are there rules pertaining to seeking advice? • are duties defined (e.g. through a charter)? • were the objectives of the Committee fulfilled? 						
Is appropriate, timely information of the right length and quality provided to the Board? Is the management responsive to requests for clarification or amplification?						
Are sufficient Board and Committee meetings of appropriate length held, to enable proper consideration of issues? Is time effectively used?						
Is there adequate and timely recording of proceedings of meetings, decisions and descents etc?						
Are Board procedures conducive to effective performance, and flexible enough to deal with eventualities?						

Performance Evaluation of the Non-executive Directors	Yes	No	A	B	C	D
How well prepared and informed are they for Board Meetings? Is their meeting attendance satisfactory?						
Do they demonstrate a willingness to devote time and effort to understand the Company and its business and a readiness to participate in events outside the board room, such as site visits?						
How good has been the quality and value of their contributions at board meetings?						
How good has been their contribution to the development of strategy and to risk management?						
How successfully have they brought their knowledge and experience to bear in the consideration of strategy?						
How effectively have they probed to test information and assumptions? How resolute are they in maintaining their own views and resisting pressure from others, when necessary?						
How effectively and proactively have they followed up their areas of concern?						
How effective and successful are their relationships with fellow board members, the company secretary and senior management?						
Does their performance and behaviour engender mutual trust and respect within the Board?						
How actively and successfully do they refresh their knowledge and skills? Are they up-to-date with <ul style="list-style-type: none"> • latest developments in areas such as Corporate Governance and Financial Reporting? • industry and market conditions? 						
How well do they communicate with fellow board members, senior management and others, for example shareholders? Are they able to present their views convincingly yet diplomatically, and do they listen and take on board views of others?						

SCHEDULE C
TERMS OF REFERENCE FOR REMUNERATION COMMITTEES

Membership

The Remuneration Committee should be comprised by a minimum of two independent Non-executive Directors (in instances where a company has only two directors on its Board) or exclusively by Non-executive Directors a majority of whom shall be independent, whichever is higher.

The Chairman of the Committee shall be an independent Non-executive Director and shall be appointed by the Board.

The Quorum of the Committee shall be at least two members.

Secretary

The Secretary of the Company shall be the Secretary of the Committee.

Attendance by Invitation

The Chief Executive shall be invited to attend meetings and shall be consulted on the performance and remuneration of executive directors and make proposals as necessary.

The Chief Executive will also report to the Committee on significant group-wide changes in salary structures and terms and conditions affecting other employees at senior executive level.

Frequency of meetings

Meetings shall be held not less than twice a year.

Advisors

The Committee is authorised by the Board to seek appropriate professional advice inside and outside the Company as and when it considers this necessary.

Duties

The duties of the Committee shall be to:

- make recommendations to the Board on the Company's framework of Executive Directors' remuneration and its cost and to determine on behalf of the Board specific remuneration packages (including pension rights) for executive directors (which also includes that of the Chief Executive Officer and/or equivalent position thereof);
- recommend any contract of employment or related contract with Executive Directors on behalf of the Company;
- determine the terms of any compensation package in the event of early termination of the contract of any executive director; and
- make recommendations to the Board regarding the content to be included in the Annual Report on directors' remuneration.

Minutes

The minutes of meetings of the Committee shall be circulated to all members of the Board.

NOTE

The term 'remuneration' shall make reference to cash and non-cash benefits whatsoever received in consideration of employment with the Company.

SCHEDULE D
PROVISIONS ON THE DETERMINATION OF PERFORMANCE-RELATED
REMUNERATION

- Remuneration Committees should consider whether the Executive Directors should be eligible for annual bonuses. If so, performance conditions should be relevant, stretched and designed to enhance performance of the business and shareholder value. Upper limits should be considered. There may be a case for part payment in shares to be held for a significant period.
- Remuneration Committees should consider whether the Executive Directors should be eligible for benefits under long-term incentive schemes. Traditional share option schemes should be weighed against other kinds of long-term incentive schemes. In normal circumstances, shares granted or other forms of deferred remuneration should not vest, and options should not be exercisable, in less than three years. Eligible Directors should be encouraged to hold their shares for a further period after vesting or exercise, subject to the need to finance any costs of acquisition and associated tax liability.
- Any new long-term incentive schemes in excess of three years which are proposed should be approved by shareholders and should preferably replace existing schemes or at least form part of a well considered overall plan, incorporating existing schemes. The total rewards potentially available should not be excessive.
- Payouts or share option grants under all incentive schemes, including new grants under existing share option schemes, should be subject to challenging performance criteria reflecting the Company's objectives. Consideration should be given to criteria which reflect the Company's performance relative to a group of 'comparator companies' in some key variables such as total shareholder return.
- Grants under executive share option grants and other long-term incentive schemes should normally be phased rather than awarded in one large block.
- Remuneration Committees should consider the pension consequences and associated costs to the Company of basic salary increases and other changes in remuneration, especially for Directors close to retirement.
- Performance related remuneration schemes should not be applied retrospectively.
- In general, neither annual bonuses nor benefits in kind should be pensionable.
- Non-executive Directors should not be eligible to performance-based remuneration schemes including share options.

SCHEDULE E
MATTERS FOR CONSIDERATION WHEN MAKING “GOING-CONCERN” ASSUMPTION

When preparing financial statements the Directors should make an assessment of an enterprise’s ability to continue as a going concern. Financial statements should be prepared on a going concern basis unless management either intends to liquidate the Enterprise or to cease trading, or has no realistic alternative but to do so. When the Directors, in making their assessment, are aware of material uncertainties related to events or conditions which cast significant doubt on the Enterprise’s ability to continue as a going concern, those uncertainties should be disclosed. When the financial statements are not prepared on a going concern basis, the fact should be disclosed, together with the basis on which the financial statements are prepared and the reason why the Enterprise is not considered a going concern.

In assessing whether the Going Concern assumption is appropriate, the Directors should take into account all information available in respect of the foreseeable future, which should be at least (but not limited to) eighteen months from the balance sheet date. The degree to which the going concern assumption should be considered depends on the circumstances applicable. When an enterprise has a history of profitable operation and ready access to financial resources, a conclusion on the ability to operate as a going concern may be reached without detailed analysis. In other cases, the Directors may have to consider a wide range of factors surrounding current and expected profitability, debt repayment schedules and potential sources of replacement financing, before they can satisfy themselves on the ability of the Enterprise to operate as a going concern.

Indications that continuation as a going concern may be questionable, can come from financial statements or other sources. Examples of these indications are listed below. The listing is not all-inclusive, nor does the existence of one or more always signify that the Going Concern assumption needs to be questioned.

Financial Indications

- net liability and/or net current liability position;
- fixed-term borrowings approaching maturity without realistic prospects of renewal or repayment, or excessive reliance on short-term borrowings to finance long-term assets;
- default on some term-loan agreements, and potential breach of contracts;
- adverse key financial ratios;
- substantial operating losses;
- major losses or cash flow problems which have arisen since period-end, which threaten the Enterprise’s continued existence;
- arrears or discontinuation of dividends;
- inability to pay creditors on due dates;
- difficulty in complying with the terms of loan agreements;
- change from credit to cash-on-delivery transactions with suppliers;
- inability to obtain financing for essential new product development or other essential investments;
- substantial sales of fixed assets not intended to be replaced; and
- effects on fair value of assets, liabilities etc.

Operating Indications

- fundamental changes in the market or technology to which the Enterprise is unable to adjust adequately;
- loss of key management without replacement;
- loss of major market, franchise, license or principal supplier;
- labour difficulties or shortage of important supplies; and
- loss of key suppliers or customers, or technical developments which render a key product obsolete.

Other Indications

- non-compliance with capital or statutory requirements;
- pending legal proceedings against the enterprise that may, if successful, result in judgments that cannot be met;
- changes in legislation or government policy, which can have a significant impact on the business; and
- issues which involve a range of possible outcomes so wide that an unfavourable result can affect appropriateness of the going concern basis.

While all of the above shall be considered in determining whether the Enterprise is a going concern, the existence of a net liability and/or net current liability position, resulting in inability to pay debts as they become due in the normal course of business may indicate that the Enterprise is insolvent. If the Directors hold a different view, they should disclose the mitigating factors on the basis of which the Going Concern assumption is sustained.

If the Enterprise is a going concern, the disclosure should be:

“After considering the financial position, operating conditions, regulatory and other factors and such matters required to be addressed in the Corporate Governance Code, the Directors have a reasonable expectation that the Company possesses adequate resources to continue in operation for the foreseeable future. For this reason, they continue to adopt the Going Concern basis in preparing the accounts.”

If there are financial indications, operating indications and other indications which cast doubt on the appropriateness of the Going Concern assumption, Directors should determine the extent of the issue and the Company’s ability to respond to it, and explain the factors which give rise to the issue and give how they intend to resolve it.

If it is unlikely the Company and Group will continue in operation for the foreseeable future, the Directors should no longer prepare the statements using the Going Concern assumption and should state that in their opinion, the Company/Group is no longer a Going Concern.

SCHEDULE F
SUMMARY OF DISCLOSURES

The following disclosures shall be made in the Annual Report of the Company.

A. Annual Report

Subject	Disclosure	Reference
Chairman and CEO	If Chairman and CEO is one and the same person, disclose the Name of the Chairman/CEO and Senior Independent Director appointed and justification of the decision to combine the positions.	A.2.1 & A.5.6
Board Balance	<ul style="list-style-type: none"> • Should identify the Independent Non-executive Directors • If a Non-executive Director is identified as 'Independent', notwithstanding the existence of any of the following factors, the reason for such determination should be disclosed. • A director is not considered independent if he/she: <ul style="list-style-type: none"> • has been employed by the Company during the period of two years immediately preceding appointment as director; • currently has/ had during the period of two years immediately preceding appointment as director, a Material Business Relationship with the Company, whether directly or indirectly; • has a close family member who is a director, chief executive officer (and/or an equivalent position) in the Company; • has a Significant Shareholding in the Company; • has served on the Board of the Company continuously for a period exceeding nine years from the date of the first appointment; • is employed in another company or business: <ul style="list-style-type: none"> ○ in which a majority of the other directors of the Company are employed or are directors; or ○ in which a majority of the other directors of the Company have a Significant Shareholding or Material Business Relationship; or ○ that has a Significant Shareholding in the Company or with which the Company has a Business Connection; • is a director of another company: <ul style="list-style-type: none"> ○ in which a majority of the other directors of the Company are employed or are directors; or ○ that has a Business Connection in the Company or Significant Shareholding; • has a Material Business Relationship or a Significant Shareholding in another company or business: <ul style="list-style-type: none"> ○ in which a majority of the other directors of the Company are employed or are directors; and/or ○ which has a Business Connection with the Company or Significant Shareholding in the same. <p>(Please refer Section A.5.5 for relevant definitions)</p>	A.5.5

Subject	Disclosure	Reference
Appointment of New Directors	When new directors are appointed, the following details should be disclosed. <ul style="list-style-type: none"> • a brief resume of each such director; • the nature of his expertise in relevant functional areas; • the names of companies in which the Director holds directorships or memberships in board committees; and • whether such director can be considered independent. 	A.7.3
Nomination Committee	The Chairman and members of the Nomination Committee should be identified	A.7.1
Appraisal of Board Performance	Should disclose how performance evaluations have been conducted	A.9.3
Board Related Disclosures	The following details pertaining to each Director should be disclosed. <ul style="list-style-type: none"> • name, qualification and brief profile; • the nature of his/ her expertise in relevant functional areas; • immediate family and/or material business relationships with other directors of the Company; • names of other listed companies in Sri Lanka in which the Director concerned serves as a director; • names of companies in which the Director concerned serves as a director and/or the fact that he/she holds other directorships in the Group Companies; • number/percentage of board meetings of the Company attended during the year; • names of the Committees in which the Director serves as the Chairman or a member; and • number/percentage of committee meetings attended during the year. 	A.10.1
Disclosure of Remuneration	<ul style="list-style-type: none"> • A Statement of Remuneration Policy and details of remuneration of the Board as a whole • Total salary of Executive Directors and total salary of Non-executive Directors 	B.3
Major Transactions	All Major Transactions entered into by the Company should be disclosed	C.2
Audit Committee	<ul style="list-style-type: none"> • Names of the Members of the Audit Committee should be disclosed • Basis for determining the independence of auditors 	D.3.4
Code of Business Conduct and Ethics	<ul style="list-style-type: none"> • Should disclose whether the Company has a Code of Business Conduct & Ethics for directors and members of the senior management team • Should also disclose an affirmative declaration that they have abided by such Code • The Chairman must certify that he/she is not aware of any violation of any of the provisions of this Code 	D.4.1 & D.4.2
Going Concern	<ul style="list-style-type: none"> • Should report that the Company is a going concern, with supporting assumptions and qualifications as necessary 	D.1.5

B. Remuneration Committee Report

Subject	Disclosure	Reference
Members of Remuneration Committee	The names of members of Remuneration Committee should be disclosed in the Remuneration Committee Report	B.1.3

C. Directors Report

Subject	Disclosure	Reference
Directors Report	<p>Should contain the following declarations made by the Directors</p> <ul style="list-style-type: none"> • The Company has not engaged in any activities, which contravenes laws and regulations; • The Directors have declared all material interests in contracts involving the Company and refrained from voting on matters in which they were materially interested; • The Company has made all endeavours to ensure the equitable treatment of shareholders; • The business is a going concern with supporting assumptions or qualifications as necessary; and • They have conducted a review of internal controls covering financial, operational and compliance controls and risk management and have obtained reasonable assurance of their effectiveness and successful adherence herewith. 	D.1.2

D. Financial Statements

Subject	Disclosure	Reference
Financial Statements	<ul style="list-style-type: none"> • The Board of Directors should include a Statement of Responsibility for the preparation and presentation of financial statements. • Auditors should also have a statement about their reporting responsibility 	D.1.3

E. Management Report

Subject	Disclosure	Reference
Management Report	Should include a 'Management Discussion and Analysis Report' discussing at least the following issues: <ul style="list-style-type: none"> • industry structure and developments; • opportunities and threats; • risks and concerns; • internal control systems and their adequacy; • social and environmental protection activities carried out by the company; • financial performance; • material developments in human resources/industrial relations; and • prospects for the future. 	D.1.4

F Corporate Governance Report

Subject	Disclosure	Reference
Corporate Governance Report	Should disclose the manner and extent to which the Company has complied with the principles and provisions of the Code.	D.5.1

G Audit Committee Report

Subject	Disclosure	Reference
Audit Committee Report	Should set out the work carried out by the Committee.	D.3.3

SCHEDULE G
CODE OF BUSINESS CONDUCT & ETHICS

The Code of Business Conduct & Ethics of a company referred to in paragraph D.4.1 should cover the following aspects:

- conflict of interest;
- corporate opportunities;
- confidentiality;
- fair dealing;
- protection and proper use of company assets;
- compliance with laws, rules and regulations (including insider trading laws); and
- encouraging the reporting of any illegal or unethical behaviour.

Conflicts of interest

A “conflict of interest” occurs when a individual’s private interest interferes (or even appears to interfere) in any way with the interests of the Company as a whole. A conflict situation can arise when a director or a member of the senior management team performs or has such interests that may make it difficult to perform his company work objectively and effectively. Conflicts of interests also arise when a director or a member of the senior management team or a member of his family, receive improper personal benefits as a result of his/her position in the Company. Loans to, or guarantees of obligations of such persons are of special concern. The Company should have a policy prohibiting such conflicts of interest and providing a means for directors or members of the senior management team to communicate potential conflicts to the Company.

Corporate opportunities

Directors and members of the senior management team should be prohibited from:

- (a) taking for themselves personally, opportunities that are discovered through the use of corporate property, information or position;
- (b) using corporate property, information, or position for personal gain; and
- (c) competing with the Company.

Directors and members of the senior management team owe a duty to the Company to advance its legitimate interests when the opportunity to do so arises.

Confidentiality

Directors and members of the senior management team should maintain the confidentiality of information entrusted to them by the Company or its customers, except when this disclosure is authorised or legally mandated. Confidential information includes all non-public information that might be of use to competitors, or harmful to the Company or its customers, if disclosed.

Fair dealing

Each director and members of the senior management team should endeavour to deal fairly with the Company's customers, suppliers, competitors and employees. None should take unfair advantage of anyone through manipulation, concealment, abuse of privileged information, misrepresentation of material facts, or any other unfair – dealing practice.

Protection and proper use of company assets

All directors and members of the senior management team should protect the Company's assets and ensure their efficient use. Theft, carelessness and waste have a direct impact on the Company's profitability. All company assets should be used for legitimate business purposes.

Compliance with laws, rules and regulations (including insider trading laws)

The Company should proactively promote compliance with laws, rules and regulations, including insider trading laws. Insider trading is both unethical and illegal, and should be dealt with decisively.

Encouraging the reporting of any illegal or unethical behaviour

The Company should proactively promote 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. To encourage employees to report such violations, the Company must ensure that employees know that the Company will not allow retaliation for reports made in good faith.

SCHEDULE H
DECLARATION OF INDEPENDENCE

- A. I am a Non-executive Director of(Company) being so appointed on
- B. I have been/have not been employed by the Company, during the period of two years immediately preceding my appointment as director of the Company;
- C. I currently have/do not have a Material Business Relationship with the Company, directly or indirectly;
- D. I had/did not have during the period of two years immediately preceding appointment as director, a Material Business Relationship with the Company, directly or indirectly;
- E. I have/ do not have a Close Family Member (s) who is a director or chief executive officer (or equivalent position) in the Company;
- F. I have/ do not have a Significant Shareholding in a Company;
- G. I have/have not served on the Board of the Company for a period exceeding nine years from the date of the first appointment;
- H. I am/am not employed in another company or business,
- (i) in which a majority of the other directors of the Company are employed or are directors; or
 - (ii) in which a majority of the other directors of the Company have a Significant Shareholding or Material Business Relationship; or
 - (iii) that has a Significant Shareholding in the Company or with which the Company has a Business Connection;
- I. I am/am not a director of another company,
- (i) in which a majority of the other directors of the Company are employed or are directors; or
 - (ii) that has a Business Connection in the Company or a Significant Shareholding;
- J. I have/do not have Material Business Relationship or a Significant Shareholding in another company or business,
- (i) in which a majority of the other directors of the Company are employed or are directors; and/or
 - (ii) which has a Business Connection with the Company or Significant Shareholding in the same;
- K. Disclosure of such other information which the applicant believes could reasonably be construed to have a bearing on the independence of such director.