

KELANI CABLES PLC

Policy on Board Subcommittees



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Kelani Cables PLC
Policy on Board Subcommittees

1. Purpose

The purpose of this policy is to establish guidelines for the creation, operation, and dissolution of subcommittees under the Board of Directors of Kelani Cables PLC.

Subcommittees, including the Remuneration Committee, Related Party Transaction Committee, Nomination and Governance Committee, and Audit Committee, are formed to address specific issues or tasks in-depth, enhance board efficiency, and facilitate focused decision-making.

2. Authority

The Board of Directors reserves the authority to create subcommittees as needed. Subcommittee creation must align with the organization's mission, strategic goals, and areas of focus.

3. Types of Subcommittees

The organization recognizes the following subcommittees, each serving a specific purpose:

1. Remuneration Committee
2. Related Party Transaction Committee
3. Nomination and Governance Committee
4. Audit Committee

4. Formation of Subcommittees

- Initiation

Subcommittees may be proposed by any board member, and proposals require approval by the Board of Directors.

- Chairperson

The chairperson of each subcommittee will be selected based on experience, knowledge of the subject matter, and leadership skills among the members of the committee. If the chairperson is not available for a specific meeting the remaining members can appoint a Pro-Tem Chairperson to conduct the meeting.

5. Roles and Responsibilities

The broader roles and responsibilities of the subcommittees are given below.

- Remuneration Committee: Address matters related to executive compensation, benefits, and incentive structures.
- Related Party Transaction Committee: Review and oversee transactions with related parties to ensure fairness and compliance.
- Nomination and Governance Committee: Manage the nomination process for board members and oversee governance practices.
- Audit Committee: Provide oversight of financial reporting, internal controls, and external audits.

6. Functions of Subcommittees

6.1 Nomination and Governance Committee

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

- Evaluate the appointment of Directors to the Board of Directors and Board Committees of the Listed Entity and key management personnel such as CXO, general managers. However, a member of the Nominations and Governance Committee shall not participate in decisions relating to his/her own appointment.
- Consider and recommend (or not recommend) the re-appointment/re-election of current Directors taking into account;
- the combined knowledge, experience, performance and contribution made by the Director to meet the strategic demands of the Listed Entity and the discharge of the Board's overall responsibilities; and,
 - the number of directorships held by the Director in other listed and unlisted companies and other principal commitments.
 - Establish and maintain a formal and transparent procedure to evaluate, select and appoint/re-appoint Directors of the Listed Entity.
- Establish and maintain a set of criteria for selection of Directors such as the academic/professional qualifications, skills, experience and key attributes required for eligibility, taking into consideration the nature of the business of the Entity and industry specific requirements.
- Establish and maintain a suitable process for the periodic evaluation of the performance of Board of Directors and the CEO of the Entity to ensure that their responsibilities are satisfactorily discharged.
- Develop succession plan for Board of Directors and Key Management Personnel of the Listed Entity.
- Review the structure, size and composition of the Board and Board Committees with regard to effective discharge of duties and responsibilities.
- Review and recommend the overall corporate governance framework of the Listed Entity taking into account the Listing Rules of the Exchange, other applicable regulatory requirements and industry/international best practices.

- Periodically review and update the corporate Governance Policies / Framework of the Entity in line with the regulatory and legal developments relating to same, as a best practice.
- Receive reports from the Management on compliance with the corporate governance framework of the Entity including the Entity's compliance with provisions of the SEC Act, Listing Rules of the Exchange and other applicable laws, together with any deviations/non-compliances and the rational for same.

6.2 Remuneration Committee

The functions of the Remuneration Committee shall include the following:

- The Remuneration Committee shall recommend the remuneration payable to the Executive Directors and CEO and Key Management Personnel such as CXO and general Managers of the Listed Entity and/or equivalent position thereof to the Board of the Listed Entity which will make the final determination upon consideration of such recommendations.
- The Remuneration Committee may engage any external consultant or expertise that may be considered necessary to ascertain or assess the relevance of the remuneration levels applicable to Directors and CEO.

6.3 Audit Committee

The functions of the Audit Committee shall include the following:

- Oversee the Entity's compliance with financial reporting requirements, information requirements under these Rules, the Companies Act and the SEC Act and other relevant financial reporting related regulations and requirements.
- Review the quarterly results and year-end financial statements of the Entity prior to tabling for the approval of the Board of Directors of the Entity with special reference to:
 - (a) changes in or implementation of major accounting policy changes;
 - (b) significant matters highlighted including financial reporting issues, significant judgments made by management, significant and unusual events or transactions, and how these matters are addressed;
 - (c) compliance with accounting standards and other legal requirements;
 - (d) any related party transaction and conflict of interest situation that may arise within the Listed Entity or group including any transaction, procedure or course of conduct that raises questions of management integrity;

(e) any letter of resignation from the external auditors of the Listed Entity; and,

(f) whether there is reason (supported by grounds) to believe that the Listed Entity's external auditor is not suitable for re-appointment

- 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.
- Obtain and review assurance received from:
 - (a) the CEO and the CFO that the financial records have been properly maintained and the financial statements give a true and fair view of the Entity's operations and finances; and
 - (b) the CEO and other key management personnel who are responsible, regarding the adequacy and effectiveness of the Entity's risk management and internal control systems.
- Review the internal controls in place to prevent the leakage of material information to unauthorized persons.
- Oversee the processes to ensure that the Entity's internal controls and risk management are adequate to meet the requirements of the Sri Lanka Auditing Standards.
- Review and assess the company's risk management process, including the adequacy of the overall control environment and controls in areas of significant risks and updated business continuity plans.
- Review the risk policies adopted by the Entity on an annual basis.
- Take prompt corrective action to mitigate the effects of specific risks in the case such risks are at levels beyond the prudent levels decided by the committee on the basis of the Listed Entity's policies and regulatory requirements.
- Review the scope and results of the internal and external audit and its effectiveness, and the independence, performance and objectivity of the auditors.
- To develop and implement policy on the engagement of the external auditor to supply non-audit services, at minimum taking into account relevant ethical guidance regarding the provision of non-audit services by an external audit firm; and to report to the Board identifying any matters in respect of which it considers that action or improvement is needed and making recommendations as to the steps ought to be taken.
- if a change of auditor is recommended by the Audit Committee in circumstances where the audit opinion of the immediately disclosed financial period or any period where subsequent disclosure of audit opinion is pending and such opinion carries a modification or an emphasis of matter of going concern, then the Audit Committee report shall include the rationale of the Audit Committee for recommending the removal of the auditor.

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

6.4 Related Party Transactions Review Committee

- Listed Entities shall have a Related Party Transactions Review Committee which shall be responsible for reviewing the Related Party Transactions as set out herein.
- The objective of these Rules on Related Party Transactions is to ensure that the interests of shareholders as a whole are taken into account by a Listed Entity when entering into Related Party Transactions. These Rules further provide specific measures to prevent Directors, CEOs or Substantial Shareholders taking advantage of their positions.
- When applying these Rules on Related Party Transactions, the objective and the economic and commercial substance of the Related Party Transactions should take precedence over the legal form and technicality.
- The Related Party Transactions Review Committee shall establish and maintain a clear policy, procedure and process in place for the identification, clarification and reporting the Related Party Transactions on an end-to-end basis across the Entity's operations.

7. Composition

7.1 Nomination and Governance Committee

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

7.2 Remuneration Committee

- The members of the Remuneration Committee shall;
 - (a) comprise of a minimum of three (03) Directors of the Listed Entity, out of which a minimum of two (02) members shall be Independent Directors of the Listed Entity.
 - (b) not comprise of Executive Directors of the Listed Entity.
- In a situation where both the parent company and the subsidiary are 'Listed Entities', the Remuneration Committee of the parent company may be permitted to function as the Remuneration Committee of the subsidiary.
- An Independent Director shall be appointed as the Chairperson of the Remuneration Committee by the Board of Directors. The Chairperson of the Board shall not be the Chairperson of the Remuneration Committee.

7.3 Audit Committee

- The members of the Audit Committee shall;
 - (a) comprise of a minimum of three (03) directors of the Listed Entity, out of which a minimum of two (02) or a majority of the members, whichever higher, shall be Independent Directors.
 - (b) not comprise of Executive Directors of the Listed Entity.
- The quorum for a meeting of the Audit Committee shall require that the majority of those in attendance to be independent directors.
- The Audit Committee may meet as often as required provided that the Audit Committee compulsorily meets on a quarterly basis prior to recommending the financials to be released to the market.
- If both, the Parent Company and the subsidiary are 'Listed Entities', the Audit Committee of the Parent Company may function as the Audit Committee of the subsidiary.
- An Independent Director shall be appointed as the Chairperson of the Audit Committee by the Board of Directors. The Chairperson of the Board shall not be the Chairperson of the Audit Committee.
- Unless otherwise determined by the Audit Committee, the CEO and the Chief Financial Officer (CFO) of the Listed Entity shall attend the Audit Committee meetings by invitation.
- The Chairperson of the Audit Committee shall be a Member of a recognized professional accounting body.

7.4 Related Party Transactions Review Committee

- The Related Party Transactions Review Committee shall comprise of a minimum of three (03) Directors of the Listed Entity, out of which two (02) members shall be Independent Directors of the Listed Entity. It may also include executive directors, at the option of the Listed Entity. An Independent Director shall be appointed as the Chairperson of the Committee. The Chairperson of the Board shall not be the Chairperson of the Related Party Transactions Review Committee.
- If a parent company and the subsidiary are Listed Entities, the Related Party Transactions Review Committee of the parent company may be permitted to function as the Related Party Transactions Review Committee of the subsidiary.

8. Reporting Structure

Each subcommittee will report to the full Board of Directors at regular intervals, outlining their activities, findings, and recommendations.

9. Term of Existence

Each subcommittee's term of existence will be ongoing unless a specific task is completed or the Board of Directors decides otherwise.

10. Authority and Decision-Making

Subcommittees may make recommendations to the full board, and decisions requiring approval by the board will follow established procedures.

11. Meetings

Each subcommittee will hold regular meetings, and meeting procedures will follow the guidelines below.

1. Remuneration Committee : Minimum two meeting per annum
2. Related Party Transaction Committee :Quarterly meetings
3. Nomination and Governance Committee : Minimum two meeting per annum
4. Audit Committee : Quarterly

12. Dissolution of Subcommittees

Subcommittees may be dissolved upon completion of their assigned tasks or by the decision of the Board of Directors.

13. Review and Evaluation

Subcommittees will undergo periodic reviews to ensure their effectiveness and alignment with the organization's goals.

14. Amendments to the Policy

The amendment to this policy needs to be presented to the Board and to be approved by the Board.