

Policy on Matters Relating to the Board of Directors

LOLC HOLDINGS PLC

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Policy on Matters Relating to the Board of Directors

1. Purpose

The purpose of this policy is to define the roles, responsibilities, and expectations of the Board of Directors in governance matters, with a focus on integrating sustainability into the organization's strategic objectives and operations.

2. Scope

This policy applies to all members of the Board of Directors of **LOLC Holdings PLC**, including any committees established by the Board.

3. Board Responsibilities

3.1 Governance Oversight

- Ensure the effective governance of the organization by providing strategic direction, oversight, and accountability.
- Review periodically, the strategic direction of the Group
- Oversee financial performance, including the approval of budgets, financial statements, and adherence to sound financial practices.

3.2 Risk Management

- Identify and assess risks related to the organization's operations, including financial, operational, and reputational risks.
- Implement and review risk management strategies, ensuring that they address both traditional, evolving risk, including sustainability-related risks.

3.3 Compliance and Ethics

- The Board shall keep abreast of laws, rules, regulations and changes thereto, particularly to Listing Rules and applicable capital market provisions.
- Ensure compliance with all relevant laws, regulations, and ethical standards.
- Promote ethical behaviour and decision-making throughout the organization by adherence to a Code of Business Conduct and Ethics for all Directors and employees,

including policies on trading in the Entity's listed securities as well as disclosure of conflicts of interest.

4. Sustainability Responsibilities of the Board

4.1 Integration of Sustainability

- Incorporate sustainability into the organization's strategic objectives and decision-making processes.
- Approve sustainability goals and targets, ensuring they are realistic, measurable, and aligned with the organization's mission and values.

4.2 Sustainability Strategy and Policies

- Review and approve sustainability policies and practices, including environmental, social, and governance (ESG) criteria.
- Ensure that sustainability considerations are integrated into the organization's overall strategy and operational plans.

4.3 Sustainability Reporting and Transparency

- Oversee the preparation and approval of sustainability reports, ensuring that they are accurate, transparent, and adhere to relevant reporting standards (e.g., GRI, SASB, TCFD).
- Review and address stakeholder feedback related to sustainability issues.

4.4 Stakeholder Engagement

- Engage with stakeholders, including investors, customers, employees, and communities, to understand their perspectives on sustainability issues.
- Ensure that stakeholder concerns and suggestions are considered in the organization's sustainability strategy.

5. Board Sub Committees

- Establish committees as needed to assist the Board with its role of oversight of the Company's performance, conformance, and sustainability.
- Define the roles, responsibilities, and authority of these committees, ensuring they report back to the full Board.

6. Performance Evaluation

6.1 Board Evaluation

- Conduct regular evaluations of the Board's performance in relation to its governance and sustainability responsibilities.
- Use performance metrics and key performance indicators (KPIs) to assess progress and effectiveness.
- Provide ongoing training and development for Board members.

6.2 Accountability

- Hold the Board accountable for meeting its sustainability goals and objectives.
- Implement corrective actions if sustainability targets are not met or if there are significant deviations from the strategic plan.

7. Documentation and Reporting

7.1 Records Management

- Maintain comprehensive records of Board meetings, decisions, and discussions related to governance and sustainability.
- Ensure transparency and accessibility of these records to relevant stakeholders.
This function has been delegated to the Company Secretaries.

7.2 Reporting

- Provide regular updates to shareholders and other stakeholders on the organization's progress in sustainability and governance matters.
- Provide a confirmation of compliance with the requirements of this policy in the Annual Report and provide explanations when relevant for any non-compliance.

8. Composition of the Board of Directors*

- the positions of Chairperson and CEO will be held by separate Board Members. In the event circumstances require the roles to be combined and or if the Chairperson is an Executive Director, a Senior Independent Director will be appointed with specified authority and terms of reference.

- ensure a balance of skills and experience as may be deemed appropriate and desirable for the requirements of the size, complexity and risk profile of the Company.
- at a minimum consist of 5 (five) directors and a maximum of 10 (Ten) in order to bring in a range of diversity in terms of knowledge, competencies, industry knowledge, age and gender.
- The number of executive directors shall not exceed one-half (1/2) of the total number of directors of the Board.
- Include at least 2 (two) independent directors or such number equivalent to one-third (1/3) of the total number of directors at any given time, whichever is higher.
- Rectify any change occurring to this ratio within 90 (ninety) days from the date of the change.
- Directors of the Company may hold office as director in any number of companies/societies/bodies including subsidiaries and associates of the Company, subject to, in the case of listed entities being limited to 20, subject to avoiding any conflict of interest.
- Be subject to all relevant provisions of the Companies Act, the Articles of Association, and continuously satisfy the fit and proper assessment criteria set out in the Listing Rules.

**Refer further details set out in the Terms of Reference for Board Members including Senior Independent Director attached hereto in ANNEXURE 1.*

9. Meetings

- Board meetings will be held quarterly as required by regulations and as an when required. Members should endeavor to participate in all Board meetings. Subject to special considerations that might mitigate against this, they must at a minimum attend in three-fifths (3/5) or sixty per centum (60%) of the Board meetings, in order to ensure consistent attendance at Board Meetings and to avoid being deemed to vacate such position.
- Participation online for Board and Committee meetings by audio visual means shall be taken into account when deciding on the quorum.
- If the Company conducts its shareholder meetings through virtual or hybrid means, it shall comply with the Guidelines issued by the Colombo Stock Exchange in relation to same.

10. Disclosure of Interests

- Directors of the Company will declare their interests in connection with their role in the organization or its Group entities as and when applicable and quarterly to the Board.
- Trading in securities of the Company or connected entities will be subject to applicable rules, regulations and disclosure.

Terms of Reference for Board Members including Senior Independent Director

LOLC HOLDINGS PLC

ANNEXURE 1

TO THE POLICY ON MATTERS RELATING TO THE BOARD OF DIRECTORS

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Terms of Reference for Board Members including Senior Independent Director

1. Purpose

These terms of reference have been formulated to assist the Board and management in clarifying responsibilities in terms of the Listing Rules of the Colombo Stock Exchange (CSE) and ensuring effective communication between the Board and management.

2. Terms of Reference

2.1 Executive Director

2.1.1 Objective

The Board as a whole is collectively responsible for promoting the success of the Company by directing the company's affairs. The Executive Director is responsible for the successful leadership and management of the Company according to the strategic direction set by the Board of Directors.

2.1.2 Key Accountabilities

Executive directors must fulfil their fiduciary duties and responsibilities including the following:

- Participate with the Board of Directors in developing a vision and strategic plan for the organization
- Identify, assess, and inform the Board of Directors of internal and external issues that affect the organization
- Establish operational plans which incorporate goals and objectives that work towards the strategic direction set by the Board of Directors
- Ensure that necessary financial and human resources are in place for the company to meet its objectives, and review management performance.
- Ensure that the operation of the organization meets the expectations of its Regulators, Board and Funders
- Oversee the planning, implementation and evaluation of the organization's programs and services and that such contribute to the organization's mission and reflect the priorities of the Board
- Oversee the efficient and effective day-to-day operation of the organization

2.1.3 Appointment

Appointments are subject to all relevant Rules of the Colombo Stock Exchange, the provisions of the Companies Act and the Articles of Association, including those relating to election/re-election by the shareholders at the Annual General meetings and the removal of directors.

2.1.4 Chairperson

The separation of the role of the Chairman of the Board from that of the CEO has been prescribed to avoid concentration of power in one individual, and to ensure a degree of checks and balances.

In case where the Chairperson is not a Non-executive director, the Board shall appoint one of the independent directors as a senior director, to ensure a greater independent element where the said senior director will serve as the intermediary for other directors and shareholders.

The Chairman will be the face of the Board, and should ensure effective communication with shareholders and other stakeholders. Within the company, the Chairman should ensure appropriate relations within the Board, and between the Board and Management, in particular, between the Board and the CEO.

2.1.4.1 Accountabilities

The overall role of the Chairman is to lead and ensure the effectiveness of the Board. This includes:

- Promoting a culture of openness and debate at the Board.
- Maintaining / ensuring a balance of power between executive and nonexecutive directors.
- Facilitating the effective contribution of all directors.
- Promoting high standards of corporate governance.
- Ensure the Board works effectively and discharges its responsibilities.
- Ensure all key issues are discussed by the Board in a timely manner.
- Implement decisions/directions of the regulator.
- Prepare the agenda for each Board Meeting and may delegate the function of preparing the agenda and to maintaining minutes in an orderly manner to the company secretary.
- Ensure appropriate steps are taken to maintain effective communication with shareholders and that the views of shareholders are communicated to the Board.
- Annual assessment on the Performance and the contribution during the past 12 months of the Board and the CEO.

Non - Executive Directors headed by the Senior Independent Director shall assess the Chairman's performance at least annually.

2.1.5 Managing Director/CEO

The overall role of the MD/CEO is to function as the apex executive-in-charge of the day-to-day management of the Company.

He/she will be responsible for the business operations of the organization which would include directing, delegating, driving profitability, building/managing the Company's organizational structure, strategy and communicating with the Board and all other stakeholders.

The CEO will report directly to, and is ultimately accountable to the Board of Directors.

Key Accountabilities

- Implementing business and risk strategies to achieve the Company's strategic objectives.
- Establishing a management structure that promotes accountability and transparency throughout the Company's operations and preserves the effectiveness and independence of control functions.
- Together with the Board, promote a sound corporate culture within the organization to reinforce ethical, prudent and professional behavior.

The Chairman shall assess the CEO's performance at least annually.

2.2 Non-Executive Director

2.2.2 Objective

Non-Executive Directors have the same general legal responsibilities to the Company as any other director.

As members of the Board, Non-Executive Director are required to:

- Provide entrepreneurial leadership of the Company within a framework of prudent and effective controls which enable risk to be assessed and managed.
- Set the Company's strategic aims and be involved in policy making and planning exercises.
- Set the Company's values and standards and ensure that its obligations to its stakeholders including regulators are understood and met.

2.2.2 Key Accountabilities

The role of the Non-Executive Director has the following key elements:

- To constructively challenge and help develop proposals on strategy.
- To scrutinise the performance of management in meeting agreed goals and objectives and monitor the reporting of performance.
- To satisfy themselves on the integrity of financial information and that financial controls and systems of risk management are robust and defensible.

In order to fulfil their role, Non-Executive Directors will:

- Meet regularly and/or as stipulated by regulations
- Be entitled to seek independent professional advice, at the Company's expense, in the furtherance of their duties.

In the absence of the Chairman, the members of the Board shall appoint a Non-Executive Director to preside at meetings of the Board.

Non-Executive Directors may be asked by the Board to serve on one or more of the board committees. If appointed to a board committee, Non-Executive Directors will be advised of the committee terms of reference, and any specific additional responsibilities involved.

2.2.3 Appointment

Appointments are subject to all relevant Rules of the Colombo Stock Exchange, the provisions of the Companies Act and the Articles of Association, including those relating to election/re-election by the shareholders at the Annual General meetings and the removal of directors.

2.3 Independent Directors

2.3.1 Objective

The Board shall include at least two members or such number equivalent to one-third (1/3) of the total number of directors with suitable qualifications, experience and competencies who are independent directors at any given time, whichever is higher.

The Nominations and Governance Committee on behalf of the Board will determine whether the director is independent and whether there are relationships or circumstances which are likely to affect, or could appear to affect, the director's judgement in terms of the criteria specified in the Listing Rules of the Colombo Stock Exchange.

Each independent director should submit a signed dated declaration annually of their independence or non-independence. An independent director shall immediately disclose to the Board any change in circumstances that may affect the status as an independent director.

2.3.2 Appointment

Appointments are subject to all relevant Rules of the Colombo Stock Exchange, the provisions of the Companies Act and the Articles of Association, including those relating to election/re-election by the shareholders at the Annual General meetings and the removal of directors.

2.4 Senior Independent Director (SID)

The Company shall appoint an independent director as the SID in the following instances:

- In the event the Chairman is not a non-executive director,
- The Chairperson and the CEO are the same person
- The Chairperson and CEO are close family members* or related parties

**shall mean the spouse, parents, grandparents, children, brothers, sisters and grandchildren of director / CEO of a listed entity and any person who is financially dependent on and or acting in concert with such director / CEO, as defined by the CSE*

the Board will appoint one of the independent Non-Executive Directors to be the Senior Independent Director, to provide the Chairman with counsel and advice and to serve as an intermediary for the other directors where necessary.

2.4.1 Key Accountabilities of the SID:

The Senior Independent Director should (in addition to the responsibilities of a Non-Executive Director, and the general responsibilities of a Director):

To Shareholders

1. Be available to shareholders if they have concerns which contact through the normal channels of Investor Relations, Chief Financial Officer, Group Chief Executive Officer or Chair has failed to resolve or for which such contact is inappropriate.
2. Attend meetings with major shareholders and financial analysts to obtain an understanding of shareholders' views on governance and performance against strategy and support the Chair in ensuring the Board is aware of the views of stakeholders.

To the Chair

1. Together with the Chair, act as a sounding board for the Chair and Group Chief Executive Officer on Board and shareholder matters.
2. Chair the Nominations and Governance when it is considering succession to the role of Chair of the Board.
- 3.*Lead an annual session of the Non-Executive Directors (excluding the Chair), to agree the Chair's objectives and appraise the Chair's performance and conduct the Chair's annual performance appraisal.

To the Board/Directors

1. Act as a trusted intermediary for Non-Executive Directors where this is needed to help them to challenge and contribute effectively.
2. Take the initiative in discussion with the Chair or other Board members if it seems that the Board is not functioning effectively.
3. Be the focal point for Board members for any concerns and intervene where appropriate to maintain Board and Company stability.
- 4.*Lead and annual session of the Independent Directors, or as deemed necessary to exclusively discuss entity-related matters.

**The Senior Independent Director shall be entitled to a casting vote at the meetings specified above in 3* and 4*.*

For the Group

Liaise and collaborate with the Senior Independent Director wherever appropriate.

Additional Requirements

Conflicts of interest

In the event of any conflict of interest on the part of the Senior Independent Director in relation to any particular aspect of their role, another Independent Director will be required to perform that aspect of the Senior Independent Director's role.

Time commitment

The Senior Independent Director will be expected to commit sufficient time as required to the role, which will include committing significantly more time to the role in exceptional circumstances.

Tenure

The Senior Independent Director should stand for election at the first AGM following their appointment and, absent any objection from the Board or the Senior Independent Director's desire to retire, should stand for re-election as per Section 88 (i) of the Articles of Association.

Independence

The Senior Independent Director should be independent on appointment and throughout their tenure.

2.5 Alternate Directors

2.5.1 Objective

Alternate directors shall only be appointed in exceptional circumstances and for a maximum period of one year. If an alternate director is appointed for a non-executive director, such alternate should not be an executive of the listed entity. If an alternate is appointed by an independent director, the person so appointed shall meet the criteria for independence. The attendance of any Alternate Director at any meeting including a Board Committee meeting shall be counted for the purpose of the quorum.

2.5.2 Appointment

Appointments are subject to all relevant Rules of the Colombo Stock Exchange, the provisions of the Companies Act and the Articles of Association, including those relating to election/re-election by the shareholders at the Annual General meetings and the removal of directors.

2.6 Advisors to the Board

The Board may periodically identify individuals who by virtue of their experience, skills and integrity are able to contribute positively to Board deliberations. Such persons may be appointed as Senior Advisors to the Board. The terms and conditions of their appointment, including remuneration and period of service will be decided by the Board. Appointments are subject to all relevant regulatory approvals.

2.6.1 Objective

As far as the Board is aware, the Senior Advisor to the Board shall provide non-binding strategic advice to the Board of the organization. The informal nature of this position shall give greater flexibility in terms of structure and management; and will not carry authority to vote on corporate matters or bear legal fiduciary responsibilities; and hence will not interfere with the authority of the Board. The Senior Advisor shall offer assistance to the Board in the form of non-biased information and advice. He/she shall provide the Company with knowledge, understanding and strategic thinking of the industry or management of the company.

The Senior Advisor may attend all Board and Board Sub Committee meetings of the Company which are held monthly/quarterly. He/she may also be appointed to the Board Sub Committees at the discretion of the Board.

2.6.2 Key Accountabilities

- Develop an understanding of the business, market and industry trends.
- Provide “wise counsel” on issues raised by shareholders/directors or management.
- Provide unbiased insights and ideas from a third-party point-of-view (not involved in the operation of the business).
- Encourage and support the exploration of new business ideas.
- Act as a resource for executives.
- Provide social networking platform for directors and the Company.
- Encourage the development of a governance framework that enables sustainable growth of the Company.
- Monitor business performance.
- Provide fresh insights whenever possible in relation to areas of business growth, sustainability and stability.