



POLICY ON MATTERS RELATING TO THE BOARD OF DIRECTORS

This policy is the property of Overseas Realty Ceylon PLC (ORCL) and should not be used without the express written permission of the Company.

Company Secretary

Contents

1.	Introduction	1
2.	Chairperson and CEO	1
3.	Fitness of Directors and CEOs	1
4.	Board Composition	3
5.	Alternate Directors	4
6.	Disclosures relating to Directors.....	5
7.	Review and Revise	5

1. Introduction

Overseas Realty Ceylon PLC (“ORCL”), a listed Company on the Colombo Stock Exchange (CSE) recognizes the importance of establishing and maintaining a formal policy governing matters relating to the Board of Directors (the “Board”) including but not limited to matters such as the balance of representation between Executive and Non-Executive Directors, board composition, the roles and functions of the Chairperson and Chief Executive Officer or equivalent position, Board balance and procedures for the appraisal of Board performance and the appraisal of the CEO.

2. Chairperson and Chief Executive Officer (CEO)

2.1 The Chairperson of ORCL shall be a Non-Executive Director. Consequently, the position of Chairperson and CEO shall not be held by the same individual.

2.2 If ORCL that is unable to comply with the Rule mentioned above shall make a Market Announcement within a period of one (1) month from the date of implementation of these Rules or an immediate Market Announcement from the date of non-compliance (if such date falls subsequent to the implementation of these Rules).

Such Market Announcement shall include the following:

- (a) The reasons for non-compliance
- (b) The rationale for combining the positions of the Chairperson and CEO

2.3 The Requirement for a Senior Independent Director (SID)

(a) ORCL shall appoint an Independent Director as the SID in the following instances:

- I. The Chairperson and CEO are the same person
- II. The Chairperson and CEO are Close Family Members or Related Parties

Such appointment shall be immediately disclosed with reasons for such appointment, by way of a Market Announcement.

(b) The Independent Directors shall meet at least once a year or as often as deemed necessary at a meeting chaired by the SID without the presence of the other Directors to discuss matters and concerns relating to the Entity and the operation of the Board. The SID shall provide feedback and recommendations from such meetings to the Chairperson and the other Board Members.

(c) The SID shall chair a meeting of the Non-Executive Directors without the presence of the Chairperson at least annually, to appraise the Chairperson’s performance and on such other occasions as are deemed appropriate.

(d) The SID shall be entitled to a casting vote at the meetings specified in (b) and (c) above.

(e) The SID shall make a signed explanatory disclosure in the Annual Report demonstrating the effectiveness of duties of the SID.

2.4 Until ORCL comply with Section 2.1 above, such Entities shall be required to explain the reasons for non-compliance with 2.1 in the Annual Report.

3. Fitness of Directors and CEOs

3.1 ORCL will take necessary steps to ensure that their Directors and the CEO are, at all times, fit and proper persons as required in terms of the listing Rules:

In evaluating fitness and propriety of the persons referred in these Rules, ORCL will utilize the ‘Fit and Proper Assessment Criteria’ set out in Section 3.3 below.

1.2 ORCL shall ensure that persons recommended by the Nominations and Governance Committee as Directors are fit and proper as required in terms of these Rules before such nominations are placed before the shareholders' meeting or appointments are made.

3.3 Fit and Proper Assessment Criteria:

a) Honesty, Integrity, and Reputation

A Director or the CEO of ORCL shall not be considered 'fit and proper' if she or he;

- (i) has been convicted by a competent court of law in respect of a market offence for which he/she has been charged under the SEC Act or Securities Laws outside of Sri Lanka.
- (ii) in his/her individual capacity or as a part of any business that he/she has been involved in, who/which has had a license or registration that has been cancelled by the SEC or any other regulatory authority.
- (iii) has been convicted, within or outside Sri Lanka of an offence under any law involving fraud, misappropriation or dishonesty or the conviction of which involved a finding that he/she acted fraudulently or dishonestly.
- (iv) has been convicted for contravening any provision of any law within or outside Sri Lanka for protecting members of the public against financial loss due to dishonesty, incompetence or malpractice by persons concerned in the provision of financial services or the management of companies.
- (v) has been disqualified from acting as a director or CEO of a company or has been dismissed or requested to resign from any position or office by the SEC in terms of the SEC Act or rules and regulations issued thereunder or any other statutory regulatory body due to mismanagement of funds or an offence which involves the commission of financial fraud.
- (vi) has been disqualified from acting as a CEO/Key Management Person/Director of a company regulated by the CBSL and/or the Insurance Regulatory Commission of Sri Lanka (IRCSL) as applicable for failure to satisfy the fit and proper assessment criteria issued by the CBSL and/or IRCSL respectively.
- (vii) has been a director or the CEO of any Listed Entity which has been delisted by the Exchange in the circumstances specified in Listing Rule 11.3.

b) Competence and Capability

A Director or the CEO of ORCL shall not be considered as 'fit and proper' if she or he;

- (i) does not possess suitable academic or professional qualifications or necessary skills, competencies and experience which are determined by the Nominations and Governance Committee of ORCL in terms of Rule 9.11.5 of these Rules which are required to efficiently contribute to the business operations of the Entity in his/her capacity as a Director/CEO (as applicable).
- (ii) has been declared by a court of competent jurisdiction in Sri Lanka or outside Sri Lanka, to be of unsound mind.

c) Financial Soundness

A Director or the CEO of ORCL shall not be considered as a 'fit and proper person' by the Exchange, if she or he;

- (i) is an undischarged bankrupt or a person on whose behalf a receiver or manager or liquidator or an equivalent person has been appointed within or outside Sri Lanka.
- (ii) has been the subject of a judgment debt which is unsatisfied, either in whole or in part, whether in Sri Lanka or outside Sri Lanka.
- (iii) has been in a position capable of exercising significant influence in a company that has:
 - a) been declared bankrupt within or outside of Sri Lanka; or
 - b) its assets sequestrated for the non-satisfaction of a judgement debt.

3.4 ORCL shall obtain declarations from their Directors and CEO on an annual basis confirming that each of them have continuously satisfied the Fit and Proper Assessment Criteria set out in these Rules during the financial year concerned and satisfies the said criteria as at the date of such confirmation.

3.5 Disclosures in the Annual Report of ORCL

ORCL shall include the following disclosures/reports in the Annual Report;

a) A statement that the Directors and CEO of ORCL satisfy the Fit and Proper Assessment Criteria stipulated in the Listing Rules of the Colombo Stock Exchange.

b) Any non-compliance/s by a director and/or the CEO of ORCL with the Fit and Proper Assessment Criteria set out in these Rules during the financial year and the remedial action taken by ORCL to rectify such noncompliance/s.

4. Board Composition

4.1 The Board of Directors of ORCL shall, at a minimum, consist of five (05) Directors.

4.2 Minimum Number of Independent Directors:

- a) The Board of Directors of ORCL shall include at least two (2) Independent Directors or such number equivalent to one third (1/3) of the total number of Directors of ORCL at any given time, whichever is higher.
- b) Any change occurring to this ratio shall be rectified within ninety (90) days from the date of the change.
- c) The Board of Directors of ORCL shall, at a maximum consists of twelve (12) Directors.

4.3 Criteria for determining independence:

A Director shall not be considered independent if he/she:

- (i) has been employed by the ORCL during the period of three (3) years immediately preceding appointment as Director.
- (ii) currently has/had during the period of three (3) years immediately preceding appointment as a Director, a Material Business Relationship with ORCL, whether directly or indirectly.
- (iii) currently has/had during the preceding financial year a Close Family Member who is a director and/or CEO in ORCL.
- (iv) has a Significant Shareholding in ORCL.
- (v) has served an aggregate period of nine (9) years on the Board of the ORCL from the date of the first appointment.
- (vi) is employed in another company or business;
 - a. in which a majority of the other directors of ORCL are employed or are directors; or
 - b. in which a majority of the other directors of ORCL have a Significant Shareholding or Material Business Relationship; or
 - c. that has a Significant Shareholding in ORCL or with which ORCL has a Business Connection.
- (vii) is a director of another company;
 - a. in which a majority of the other directors of ORCL are employed or are directors; or
 - b. that has a Business Connection in ORCL or a Significant Shareholding.
- (viii) has a Material Business Relationship or a Significant Shareholding in another company or business;
 - a. in which a majority of the other directors of ORCL are employed or are directors; and/or
 - b. which has a Business Connection with ORCL or Significant Shareholding in the same; and/or
 - c. where the core line of business of such company is in direct conflict with the line of business of ORCL.
- (ix) is above the age of seventy (70) years.

4.4 For the purposes of determining independence in Section 4.3;

- **“Acting in Concert”** shall have the same meaning as defined in the **‘Takeovers and Mergers Code’**.

- **“Business Connection”** shall mean a relationship resulting in transaction value equivalent to ten percent (10%) of the turnover of that company or business.
- **‘Close Family Member’** shall mean the spouse, parents, grandparents, children, brothers, sisters and grandchildren of a director/CEO of a Listed entity and any person who is financially dependent on and/or acting in concert with such director/CEO.
- **‘Financially dependent’** shall mean any person who receives more than half of their support for the most recent fiscal year from a director/CEO of a Listed Entity and/or his or her spouse, or a representative.
- **“Listed Entity”** shall mean the Listed Entity to the Board of which the director is appointed, its parent and/or subsidiary company, and a subsidiary of the parent company.
- **“Material Business Relationship”** shall mean a relationship resulting in income/non-cash benefits equivalent to twenty percent (20%) of the director’s annual income.
- **“Significant Shareholding”** shall mean a shareholding carrying not less than ten percent (10%) of the voting rights of a company.

4.5 The Board of Directors of Listed Entities shall require:

- (a) Each Independent Director to submit a signed and dated declaration annually of his or her “independence” or “non-independence” against the criteria specified herein and in the format in Appendix 9A, containing at a minimum the content prescribed therein.
- (b) Make an annual determination as to the “independence” or “non-independence” of each Independent Director based on the Directors` declaration and other information available to it and shall set out the names of Directors determined to be ‘independent’ in the Annual Report.
- (c) If the Board of Directors determines that the independence of an Independent Director has been impaired against any of the criteria set out in Section 4.3, it shall make an immediate Market Announcement thereof.

5. Alternate Directors

If ORCL provides for the appointment of Alternate Directors, it shall be required to comply with the following requirements and such requirements shall also be incorporated into the Articles of Association of the Entity:

- (a) Alternate directors shall only be appointed in exceptional circumstances and for a maximum period of one (1) year from the date of appointment.
- (b) If an Alternate Director is appointed for a Non-Executive Director such alternate should not be an executive of the ORCL.
- (c) If an Alternate Director is appointed by an Independent Director, the person so appointed should meet the criteria of independence specified in these Rules and the ORCL shall satisfy the requirements relating to the minimum number of Independent Directors specified in these Rules. The Nominations and Governance Committee shall review and determine that the person nominated as the alternate would qualify as an Independent Director before such an appointment is made.
- (d) ORCL shall make an immediate Market Announcement regarding the appointment of an Alternate Director. Such Market Announcement shall include the following:
 - (i) The exceptional circumstances leading to such appointment;
 - (ii) The information on the capacity in which such Alternate Director is appointed,
 - i.e., whether as an Executive, Non-Executive or Independent Director;
 - (iii) The time period for which he/she is appointed, which shall not exceed one (1) year from the date of appointment; and,

(iv) A Statement by the Entity indicating whether such appointment has been reviewed by the Nominations and Governance Committee of ORCL.

(e) The attendance of any Alternate Director at any meeting, including a Board Committee Meeting shall be counted for the purpose of quorum.

6. Disclosures relating to Directors

- ORCL shall disclose its policy on the maximum number of directorships its Board members shall be permitted to hold in the manner specified in Section 1.1. In the event such number is exceeded by a Director(s), ORCL shall provide an explanation for such non-compliance in the manner specified in Section 1.2 above.
- ORCL shall, upon the appointment of a new Director to its Board, make an immediate Market Announcement setting out the following;
 - i. a brief resume of such Director;
 - ii. his/her capacity of directorship; and,
 - iii. Statement by the Entity indicating whether such appointment has been reviewed by the Nominations and Governance Committee of the Entity.
- ORCL shall make an immediate Market Announcement regarding any changes to the composition of the Board Committees referred to in Listing Rule 9.3 – Board Committees, at minimum, the details of changes including the capacity of directorship with the effective date thereof.
- ORCL shall also disclose the following in relation to the Directors in the Annual Report:
 - (a) name, qualifications and brief profile;
 - (b) the nature of his/her expertise in relevant functional areas;
 - (c) whether either the Director or Close Family Members has any material business relationships with other Directors of ORCL;
 - (d) whether Executive, Non-Executive and/or independent Director.
 - (e) the total number and names of companies in Sri Lanka in which the Director concerned serves as a Director and/or Key Management Personnel indicating whether such companies are listed or unlisted Companies and whether such Director functions in an executive or non-executive capacity, provided that where he/she holds directorships in companies within a Group of which the ORCL is a part, their names (if not listed) need not be disclosed; it is sufficient to state that he/she holds other directorships in such companies;
 - (f) number of Board meetings of ORCL attended during the year;
 - (g) names of Board Committees in which the Director serves as Chairperson or a member;
 - (h) Details of attendance of Committee Meetings of the Audit, Related Party Transactions Review, Nominations and Governance and Remuneration Committees. Such details shall include the number of meetings held and the number attended by each member.; and,
 - (i) The terms of reference and powers of the SID (where applicable).

7. Review and Revise

This policy shall be reviewed periodically to ensure alignment with corporate governance best practices and regulatory requirements. Amendments may be made when necessary.