



Policy on Board Committees



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C. W. MACKIE PLC

No.36, D. R. Wijewardena Mawatha, Colombo 10

C. W. MACKIE PLC: Policy on Board Committees

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1 Introduction

The Board of Directors of C. W. Mackie PLC (“CWM”) shall ensure that the following Board Committees are established and maintained at a minimum and are functioning effectively:

- A. Nominations and Governance Committee
- B. Remuneration Committee
- C. Audit Committee
- D. Related Party Transactions Review Committee

The Chairperson of the Board of Directors shall not be the Chairperson of the Board Committees referred to above.

A. Nominations and Governance Committee

A. Scope

- a) CWM shall have a Nominations and Governance Committee (N&GC) that conforms to the requirements set out in CSE Listing Rule 9.11.
- b) A formal procedure shall be set up for the appointment of new Directors and re-election of Directors to the Board.
- c) N&GC shall have written terms of reference clearly defining its scope, authority, duties and matters pertaining to the quorum of meetings.

B. Composition

- a) N&GC shall comprise a minimum of three (3) Directors of CWM, out of which a minimum of two (2) members shall be Independent Directors.
- b) N&GC shall not comprise Executive Directors of CWM.
- c) An Independent Director shall be appointed as the Chairperson of the N&GC by the Board of Directors.
- d) The Chairperson and the members of the N&GC shall be identified in the Annual Report of CWM.

C. Functions

- a) Evaluate the appointment of Directors to the Board of Directors and Board Committees of CWM. However, a member of the N&GC shall not participate in decisions relating to his/her own appointment.
- b) 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 CWM 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.
- c) Establish and maintain a formal and transparent procedure to evaluate, select and appoint/re-appoint Directors of CWM.
- d) 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 CWM and industry specific requirements.

- e) Establish and maintain a suitable process for the periodic evaluation of the performance of the Board of Directors and the CEO of the Company to ensure that their responsibilities are satisfactorily discharged.
- f) Develop succession plan for Board of Directors and Key Management Personnel of CWM.
- g) Review the structure, size and composition of the Board and Board Committees with regard to effective discharge of duties and responsibilities.
- h) Review and recommend the overall corporate governance framework of CWM taking into account the CSE Listing Rules, other applicable regulatory requirements and industry/international best practices.
- i) Periodically review and update the Corporate Governance Policies / Framework of the Company in line with the regulatory and legal developments relating to same as a best practice.
- j) Receive reports from the Management on compliance with the corporate governance framework of the Company including the Company's compliance with provisions of the Securities & Exchange Commission Act, CSE Listing Rules and other applicable laws, together with any deviations/non-compliances and the rationale for same.

B. Remuneration Committee

A. Scope

- a) CWM shall have a Remuneration Committee (RC) that conforms to the requirements set out in the CSE Listing Rule 9.12.
- b) "Remuneration" means cash and non-cash benefits received.
- c) RC shall establish and maintain a formal and transparent procedure for developing the Company's Remuneration Policy and for fixing the remuneration packages of individual Directors, including Executive Directors. No Director shall be involved in fixing his/her own remuneration.
- d) Remuneration for Non-Executive Directors should be based on a policy which adopts the principle of non-discriminatory pay practices among them to ensure that their independence is not impaired.
- e) RC shall have written terms of reference clearly defining its scope, authority, duties and matters pertaining to the quorum of meetings.

B. Composition

- a) RC shall comprise of a minimum of three (3) Directors of CWM, out of which a minimum of two (2) members shall be Independent Directors. It shall not be comprised of Executive Directors.
- b) An Independent Director shall be appointed as the Chairperson of the RC by the Board of Directors.

C. Functions

- a) Recommend the remuneration payable to the Executive Directors and CEO of the Company (and/or equivalent position thereof) to the Board of CWM which will make the final determination upon consideration of such recommendations.
- b) 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.

C. Audit Committee

A. Scope

- a) If CWM does not maintain separate Committees to perform the Audit and Risk functions, the Audit Committee (AC) of CWM shall additionally perform the Risk Functions set out in CSE Listing Rule 9.13.
- b) AC shall have written terms of reference clearly defining its scope, authority, and duties and matters pertaining to the quorum of meetings.

B. Composition

- a) AC shall comprise of a minimum of three (3) directors of CWM, out of which a minimum of two (2) or a majority of the members, whichever is higher, shall be Independent Directors.
- b) AC shall not comprise of any Executive Directors of CWM.
- c) The quorum for a meeting of the AC shall require that the majority of those in attendance to be Independent Directors.
- d) AC may meet as often as required. However, quarterly meetings, prior to recommending the financials to be released to the market shall be compulsory.
- e) An Independent Director shall be appointed as the Chairperson of the AC by the Board of Directors.
- f) Unless otherwise determined by the AC, the CEO, and Chief Financial Officer (CFO) of CWM shall attend the AC meetings by invitation.
- g) The Chairperson of the AC shall be a Member of a recognized professional accounting body.

C. Functions

- a) Oversee the Company's compliance with financial reporting requirements, information requirements under the CSE Listing Rules, Companies Act and Securities & Exchange Commission Act and other relevant financial reporting related regulations and requirements.
- b) Review the quarterly results and year-end financial statements of the Company prior to tabling for the approval of the Board of Directors of the Company with special reference to:
 - i. changes in or implementation of major accounting policy changes;
 - ii. significant matters highlighted including financial reporting issues, significant judgments made by management, significant and unusual events or transactions and how these matters are addressed;

- iii. compliance with accounting standards and other legal requirements;
 - iv. any related party transaction and conflict of interest situation that may arise within CWM or Group including any transaction, procedure or course of conduct that raises questions of management integrity;
 - v. any letter of resignation from the external auditors of CWM; and
 - vi. whether there is reason (supported by grounds) to believe that CWM's external auditor is not suitable for re-appointment.
- c) Make recommendations to the Board of CWM pertaining to appointment, re-appointment and removal of external auditors and to approve the remuneration and terms of engagement of the external auditors.
- d) Obtain and review assurance received from:
- (i) the CEO and CFO that the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances; and
 - (ii) the CEO and other Key Management Personnel who are responsible, regarding the adequacy and effectiveness of the Company's risk management and internal control systems.
- e) Review the internal controls in place to prevent fraud and the leakage of material information to unauthorized persons.
- f) Oversee the processes to ensure that the Company's internal controls and risk management are adequate to meet the requirements of the Sri Lanka Auditing Standards.
- g) 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.
- h) Review the risk policies adopted by the Company on an annual basis.
- i) 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 AC on the basis of CWM's policies and regulatory requirements.
- j) Review the scope and results of the internal and external audit and its effectiveness and the independence, performance and objectivity of the auditors.
- k) Develop and implement a policy on the engagement of the external auditor to supply non-audit services, 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 that ought to be taken.
- l) If a change of auditor is recommended by the AC 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 AC for recommending the removal of the auditor.

- m) Where the AC is of the view that a matter reported by it to the Board of Directors of CWM has not been satisfactorily resolved resulting in a breach of these requirements, the AC shall promptly report such matter to the CSE.

D. Related Party Transactions Review Committee

A. Scope

- a) CWM shall have a Related Party Transactions Review Committee (RPTRC) that conforms to the requirements set out in the CSE Listing Rule 9.14.
- b) RPTRC shall be responsible for reviewing the Related Party Transactions. The objective of the Rules on Related Party Transactions is to ensure that the interests of shareholders are taken into account

B. Composition

RPTRC shall comprise of a minimum of three (3) Directors of CWM out of which two (2) members shall be Independent Directors of CWM. It may also include Executive Directors at the option of CWM. An Independent Director shall be appointed as the Chairperson of the RPTRC by the Board of Directors.

C. Functions

- a) RPTRC 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 Company's operations.
- b) When applying the 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.
- c) RPTRC shall meet at least once a calendar quarter. It shall ensure that the minutes of all meetings are properly documented and communicated to the Board of Directors.

D. General Requirements

- a) The members of the RPTRC should ensure that they have or have access to enough knowledge or expertise to assess all aspects of proposed Related Party Transactions and where necessary should obtain appropriate professional and expert advice from an appropriately qualified person.
- b) Where necessary the RPTRC shall request the Board of Directors to approve the Related Party Transactions which are under review by the Committee. In such instances, approval of the Board of Directors should be obtained prior to entering the relevant Related Party Transaction.
- c) If a Director of CWM has a material personal interest in a matter being considered at a Board Meeting to approve a Related Party Transaction such Director shall not:
 - (i) be present while the matter is being considered at the meeting; and
 - (ii) vote on the matter.

E. Review of Related Party Transactions by the Related Party Transactions Review Committee

- a) Subject to the exemptions given in terms of CSE Listing Rule 9.14.10, RPTRC shall review in advance all proposed Related Party Transactions.
- b) In the event of any material changes to a previously reviewed Related Party Transaction in terms of (a) above, such proposed material changes shall also be reviewed by the RPTRC prior to the completion of the transaction.
- c) RPTRC shall be provided with all the facts and circumstances of the proposed Related Party Transaction by the senior management of the Company to facilitate the review of a Related Party Transaction. Such information shall include where applicable:
 - i. the Related Party's relationship to CWM and interest in the transaction;
 - ii. the material facts of the proposed Related Party Transaction, including the proposed aggregate value of such transaction;
 - iii. the benefits of the proposed Related Party Transaction to CWM;
 - iv. the availability of other sources of comparable products or services; and
 - v. an assessment of whether the proposed Related Party Transaction is on terms that are comparable to the terms generally available to an unaffiliated third party under the same or similar circumstances or to the employees.
- d) In determining whether to obtain the approval of the Board of Directors for a Related Party Transaction, the RPTRC shall consider the following, among other factors it deems appropriate:
 - (iii) the facts and circumstances made available to it as set out above;
 - (iv) the views of the Chairperson of the Board of Directors and the Chairperson of the Nominations and Governance and/or Audit Committee of the impact of the proposed Related Party Transaction on a Director's independence (if the related party is a director, a close family member of a director or an entity in which a director is a partner, shareholder or executive officer); and
 - (v) whether the Related Party Transaction requires immediate market disclosure.
- e) No Director shall participate in any discussion of a proposed Related Party Transaction in which he/she is a Related Party, except that the Director, at the request of the RPTRC, may participate in discussions for the express purpose of providing information concerning the Related Party Transaction to the Committee. Where deemed necessary considering the issues of potential conflict, which were presented to the RPTRC, the Committee may recommend the creation of a special committee to review and approve the proposed Related Party Transaction.
- f) If a Related Party Transaction will be ongoing (a Recurrent Related Party Transaction), the RPTRC may establish guidelines for the senior management to follow in its ongoing dealings with the Related Party. Thereafter the Committee on a quarterly basis shall review and assess ongoing relationships with the Related Party to determine whether they comply with the Committee's guidelines and that the Related Party Transaction remains appropriate.

F. Shareholder Approval

- a) CWM shall obtain shareholder approval by way of a Special Resolution for the following Related Party Transactions:-

If a non-recurrent transaction:

- (i) Any Related Party Transaction of a value equal to, or more than:
- one third (1/3) of the Total Assets of the Company as per the latest Audited Financial Statements of the Company; or
 - one third (1/3) of the Total Assets of the Company as per the latest Audited Financial Statements of the Company, when aggregated with other non-recurrent transactions entered into with the same Related Party during the same financial year.
- (ii) If CWM acquires a substantial asset from or disposes of a substantial asset to any Related Party of the Company or its associates.

If a recurrent transaction:

Any recurrent Related Party Transaction of a value equal to or more than:

- (i) one third (1/3) of the gross revenue (or equivalent term for revenue in the Income Statement) and in the case of Group company consolidated Group revenue of the Company as per the latest Audited Financial Statements of the Company; or
- (ii) one third (1/3) of the gross revenue (or equivalent term for revenue in the Income Statement) and in the case of a Group company consolidated Group revenue of the Company as per the latest Audited Financial Statements of the Company, when aggregated with other recurrent transactions entered into with the same Related Party during the same financial year; and
- (iii) the transactions are not in the ordinary course of business and in the opinion of the RPTRC are on terms favorable to the Related Party than those generally available to the public.
- b) A non-recurrent and recurrent transaction above, which has been approved by shareholders or is the subject of aggregation with another transaction that has been approved by shareholders, need not be included in any subsequent aggregation.
- c) If a transaction requires shareholder approval as set out in the Rules above, it must be obtained either prior to the transaction being entered into or, if the transaction is expressed to be conditional on such approval, prior to the completion of the transaction.

G. Acquisition and Disposal of Assets from/to related parties

- a) Except for transactions set out in CSE Listing Rule 9.14.10, CWM shall ensure that neither CWM nor any of its subsidiaries, acquires a substantial asset from or disposes of a substantial asset to, any Related Party of the Company without obtaining the approval of the shareholders of the Company by way of a Special Resolution. An asset is substantial if its value or the value of the consideration relating to such asset exceeds 1/3 of the Total Assets of the Company as per the latest Audited Financial Statements.

- b) If a transaction requires shareholder approval, such approval shall be obtained either prior to the transaction being entered into or, if the transaction is expressed to be conditional on such approval, prior to the completion of the transaction.
- c) The Rule does not apply to:
 - (i) a transaction between CWM and a wholly owned subsidiary.
 - (ii) a transaction between wholly owned subsidiaries of CWM.
 - (iii) a takeover offer made by CWM in accordance with Takeovers and Mergers Code 1995 (as amended)
 - (iv) any transaction entered into by CWM with a Bank as principal on arm's length terms and in the ordinary course of its banking business.
- d) The members of the RPTRC should obtain 'competent independent advice' from independent professional experts with regard to the value of the substantial assets of the Related Party Transaction under consideration. A person who is in the same group of CWM or who has a Significant Interest in or Financial Connection with CWM or the relevant Related Party shall not be eligible to give such advice. For the purpose of this Rule:

"Significant Interest" means a shareholding carrying not less than 10% of the voting rights of CWM.

"Financial Connection" means a relationship resulting in transaction value equivalent to 10% of the turnover of the CWM or business.
- e) The competent independent advice obtained should be circulated with the notice of meeting to obtain the shareholder approval.
- f) The competent independent advice required shall include:
 - (i) the key assumptions, conditions or restrictions that impact the estimate value;
 - (ii) the different valuation methodologies considered and employed in valuing the subject asset/s and justification for adopting one or more of them in the valuation;
 - (iii) the sources of information relied upon for the valuation;
 - (iv) the identity of individuals participating in the valuation assignment and their qualifications;
 - (v) a statement confirming the independence of the parties participating in the advice;
 - (vi) a statement as to whether the transaction is on usual commercial terms in the ordinary and usual course of business, fair and reasonable and in the interests of CWM and its shareholders.

H. Exempted Related Party Transactions

The following Related Party Transactions shall not fall within the ambit of the CSE Listing Rules:

- a) Subject to CSE Listing Rule 9.14.8 (2) transactions with Related Parties which are recurrent of revenue or trading nature and which is necessary for day-to-day operations

of CWM or its subsidiaries and, in the opinion of the RPTRC, terms are not favorable to the Related Party than those generally available to the public.

- b) The payment of dividend, issue of securities by CWM by way of a capitalization of reserves, the exercise of rights, options, or warrants (subject to Rules contained in CSE Listing Rules 5 and 7), sub-division of shares or consolidation of shares.
- c) The grant of options and the issue of securities pursuant to the exercise of options, under an employee share option scheme/employees share purchase scheme (subject to CSE Listing Rule 5.6).
- d) A transaction in marketable securities carried out in the open market where the counterparty's identity is unknown to CWM at the time of the transaction.
- e) The provision or receipt of financial assistance or services, upon usual commercial terms and in the ordinary course of business, from a company whose activities are regulated by any written law relating to licensed banks, finance companies or insurance companies or are subject to supervision by the Central Bank of Sri Lanka or Insurance Board of Sri Lanka.
- f) Directors' fees and remuneration and employment remuneration.

2 Approval, Revision & Dissemination of the Policy

- A. The Policy shall be revised as deemed necessary, particularly in the event of changes in law and authoritative sources of best practice in corporate governance. However, it must be reviewed and revised at least every two (2) years to ensure that it is updated to reflect developments in relation to the subject.
- B. The Nominations and governance Committee has reviewed and recommended the Policy which has been approved by the Board.
- C. The Policy is uploaded on the website of the Company in accordance with CSE Listing Rules.

Annex I

Definitions for Related Party Transactions

- **“Close Family Member”** shall mean close members of the family of a person are those family members who may be expected to influence or be influenced by, that person in their dealings with the entity and include:
 - (a) that person’s children and spouse or domestic partner;
 - (b) children of that person’s spouse or domestic partner; and
 - (c) dependents of that person or that person’s spouse or domestic partner
- **“Related Party Transactions”** shall have the same meaning as defined in the Sri Lanka Accounting Standards on Related Party Transactions.
- **“Related Party”** shall have the same meaning as defined in the Sri Lanka Accounting Standards on Related Party Transactions.
- **“Total Assets”** shall mean the aggregate value of both current assets and non-current assets of CWM excluding any intangible assets. In the case of a Group entity, consolidated total assets are considered.
- **“Equity”** shall mean net assets of CWM excluding any redeemable and/or non-convertible preference shares issued by CWM. In the case of a Group company, consolidated net assets excluding the minority interest is considered.
- **“Recurrent Related Party Transactions”** shall mean Related Party Transactions involving the provision of goods and services or financial assistance, which are carried out on a continuing basis. Recurring business is expected to extend over a period of time. Such transactions are usually transactions in the ordinary and usual course of business of CWM.
- **“Same Related Party Transactions”** shall mean transactions between CWM or its fully owned subsidiaries and the related parties who are members of the same Group.