

# Report of the Board Related Party Transactions Review Committee

The Board of Directors of the Bank constituted a Board Related Party Transactions Committee (BRPTRC) voluntarily in July 2014 further to the provisions contained in Section 9 of the Listing Rules of the Colombo Stock Exchange (CSE) so as to ensure compliance with the Rules pertaining to Related Party Transactions as set out in the Listing Rules of the CSE, which required mandatory compliance from 1 January 2016. The composition and scope of the work of the Committee are in conformity with the provisions of the said Section in the Listing Rules.

## Composition of BRPTRC

The Committee consists of three Independent Non-Executive Directors as appended below:

- Mr Chaaminda Kumarasiri – Chairman – BRPTRC, Independent, Non-Executive Director (Appointed to BRPTRC w.e.f. 20 June 2018)
- Prof Sampath Amaratunge – Independent, Non-Executive Director
- Mr Prasanna Premaratna – Independent, Non-Executive Director (Appointed to BRPTRC w.e.f. 12 September 2018)

Mr M K L Fernando – Independent, Non-Executive Director served as a member of the Committee retired from the Board on 9 June 2018 after reaching the age of 70 years and Mr D J K Newunhella – Independent, Non-Executive Director served as the Chairman of the Committee until 31 July 2018. We take this opportunity to place on record the Committee's appreciation for the valuable service rendered by Mr D J K Newunhella and Mr M K L Fernando as members of the Related Party Transactions Review Committee.

The Company Secretary is functioning as the Secretary to the Committee as per the approved Terms and Reference of the Committee.

## Terms of Reference of the Committee

The Terms of Reference (ToR) of the Board Related Party Transactions Review Committee was approved by the Board of Directors and is reviewed annually. As part of the annual review process, the Committee reviewed the ToR in December 2018. The Committee carries out the following duties and responsibilities:

- All transactions with Related Parties of the Bank in order to ensure that Related Parties are treated on par with other shareholders of the Bank;
- Implementing regulations relating to Related Parties issued by Central Bank of Sri Lanka and Securities and Exchange Commission of Sri Lanka;
- Ensure that the interests of Shareholders as a whole are taken into account by a listed entity when entering into related party transactions; and
- Ensure that there is a safeguard to prevent of taking advantage of their positions by Directors, Key Management Personnel or substantial shareholders.

## Committee meetings of BRPTRC

The Committee met Four (4) times during the year under review and the attendance of Committee members at meetings is stated in the table on page 113 of the Annual Report. Attendance of Committee meetings is compulsory for Chief Executive Officer, Compliance Officer and Chief Risk Officer except when matters related to those positions are discussed.

The proceedings of the Committee Meetings are formally documented and have been regularly reported to the Board of Directors. The Board of Directors in their decisions take due consideration of the comments/ observations made by the Committee.

## Objective of the Committee

In carrying out the duties of the Committee, the Committee avoids "Conflicts of Interest" which may arise from any transaction of the Bank with any person particularly with related parties, ensure arm's length dealings with related parties whilst also ensuring adherence to the Corporate Governance Directions which requires the Bank to avoid engaging in transactions with related parties in a manner that would grant such parties "more favourable treatment" than accorded to other constituents of the Bank carrying on the same business, in line with the security requirements as stated in the Banking Act Directions and in compliance with the approval procedure set out in the Banking Act.

## Summary of activities

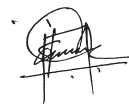
During the year the Committee reviewed transactions relating to the procurement of goods and services carried out by the Bank with various related parties on an "arms-length" basis. The Committee also considered and reviewed loans granted to SANASA Societies and other affiliated SANASA entities.

The Committee also reviewed the ToR of the Committee for the year 2018.

The Committee noted that the Bank has not entered into any transactions as contemplated in Section 9.1.1 and 9.1.2 of the Listing Rules of the CSE and that accordingly there are no disclosures to be made in this regard in accordance with Section 9.3.2 (a) and 9.3.2 (b) of the Listing Rules of the CSE.

The Committee has reviewed the Related Party Transactions of the Bank during the period of 1 January 2018 to 31 December 2018 and has thus complied with the rules pertaining to Related Party Transactions as set out in Section 9 of the Listing Rules of the CSE.

For and on behalf of the Board Related Party Transactions Review Committee.



**Chaaminda Kumarasiri**

Chairman

Board Related Party Transactions Review Committee

8 March 2019

Colombo, Sri Lanka