

“Organizations need to practice qualitative corporate governance rather than quantitative governance thereby ensuring it is properly run. You cannot legislate good behaviour.”

Mervyn King (Chairman: King Report)

Dear Stakeholders,

Good corporate governance remains integral to the way the Bank operates. We are steadfast in our commitment to operating in an ethical and transparent manner and staying accountable to our stakeholders.

The Bank has in place a well-structured corporate governance framework which plays a vital role in maintaining and enhancing sustainable shareholder value. The Board strongly believes that an organization's long-term success depends on both intuitive strategy as well as high-quality governance. Due to this fact, the Bank adheres to both regulatory requirements as well as best practices.

The Board sets the tone at the top by promoting professional standards and corporate values that cascade to senior management and other employees of the Bank.

Directors on the Board are required to have not only a diversity of skills and experiences but also the personal qualities required to provide effective stewardship in leading the Bank to meet its strategic goals within the ethos of the organization's culture and values. We believe that the composition of the current Board more than adequately fulfils this requirement.

Our approach to governance is predicated on the belief that there is a link between high quality governance and the creation of long-term shareholder value.

We believe that the Bank's culture and values are vital elements to ensure high quality governance. The Bank's core values of integrity, care, passion, teamwork and service are shared and willingly embraced by our employees. Our expectations of our employees are further articulated in the Bank's Code of Conduct which is reviewed and updated periodically to reflect both best practices and industry norms.

The Board plays an active role in approving the Bank's strategy, which is then enforced throughout the organization through clear lines of responsibility.

The Board is also supported by robust and independent risk, audit and compliance departments that provide effective oversight.

We wish to confirm that all the findings of the 'Factual Findings Report' of the External Auditors in relation to compliance with the Corporate Governance Directions issued by the Central Bank of Sri Lanka (CBSL) have been incorporated in this Report.

As required by the Code of Best Practice on Corporate Governance issued jointly by the Securities and Exchange Commission of Sri Lanka and The Institute of Chartered Accountants of Sri Lanka in 2013 (the Code), we hereby confirm that, we are not aware of any material violations of any of the provisions of the Code of Business Conduct and Ethics (as embodied in the Internal Code of Corporate Governance applicable to Directors and Key Management Personnel of the Bank as the case may be) by any Director or Key Management Personnel of the Bank.

This report will highlight the governance framework and the activities carried out during the year to ensure the maintenance of the highest standards of corporate governance and compliance within National Development Bank PLC.



Sunil G Wijesinha
Chairman
National Development Bank PLC



Kimarli Fernando
Chairperson
Corporate Governance and
Legal Affairs Committee

13 February 2014

Highlights of 2013

1. The Board was further strengthened by the appointment of Mr Sunil G Wijesinha and Ms Indrani Sugathadasa two Independent Non-Executive Directors during 2013.
2. Mr Sunil Wijesinha was appointed as Chairman with the retirement of Mr Hemaka Amarasuriya.
3. Following the retirement of Mr Russell De Mel in August 2013, Mr Rajendra Theagarajah was appointed as Chief Executive Officer/Director.
4. The Internal Code of Corporate Governance and the Compliance Code were revised and updated to stay abreast with local and international corporate governance best practices.
5. In order to reinforce our commitment to be in the forefront of Corporate Governance best practices the Compliance Department has introduced a Management Information System to track all charters, procedures and policies of the Bank.
6. The Compliance Charter and the Compliance Policy and Code of Conduct were revised and updated in order to improve processes and broaden the scope of the compliance function. In addition, the department-wise checklists and sign offs are updated to ensure that they are up to date with all laws and regulations.
7. The Business Continuity Plan of the Bank was rehearsed from end to end twice in 2013 to ensure readiness and identify any gaps that need to be addressed.
8. Board performance evaluation was carried out for the year 2013.

Corporate Governance Framework

The Board of Directors is the highest governance body of the Bank. The Board is committed to achieving long-term success by being the best bank for customers and generating stable and sustainable returns for shareholders.

The Board believes that good governance goes beyond merely conforming to regulations. The Board is collectively responsible for upholding and ensuring the highest standards of corporate governance and inculcating ethics and integrity across the Group.

Ensuring compliance with the provisions of the Banking Act Direction No. 11 of 2007 (as amended) issued by the Monetary Board of the Central Bank of Sri Lanka, the Bank's Internal Code of Corporate Governance and the Code of Best Practice on Corporate Governance issued jointly by The Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission of Sri Lanka is fundamental to the Board's corporate governance strategy.

The Role of the Board

The Board is responsible to stakeholders for creating and delivering sustainable shareholder value through the management of the Group's businesses.

The Board therefore, determines the strategic objectives and policies of the Group to deliver such long-term value, providing overall strategic direction within a framework of rewards, incentives and controls.

The Board plays an active role in approving the strategic direction, vision and mission of the Bank including the overall risk policy and risk management procedures and mechanisms with measurable goals, for at least three years and ensures that they are kept under review.

It also monitors the performance of the Bank against such plans at all times and ensures that the going concern status of the Bank is not threatened.

The Board provides effective leadership within a framework of prudent and effective controls for the operations of the Bank.

It has implemented appropriate policies on internal control and reviewed the adequacy and integrity of such systems and seek regular assurance from management that the system is functioning effectively.

In order to be effective, the Board demonstrates ethical leadership and defines and promotes the collective vision of the Bank's purpose, values, culture and behaviours.

A formal schedule of powers is reserved for approval by the Board. These include the approval of the Group's strategy, approval of risk appetite, major changes to the Group's corporate structure, approval of annual budgets, the Bank's Board structure, size and composition, including appointments and removals and such other matters specifically reserved for approval of the Board under law and regulation.

The Board does not delegate any matters to a Board committee, the Chief Executive Officer or Key Management Personnel, to an extent that such delegation would significantly hinder or reduce the ability of the Board as a whole to discharge its functions.

The Board has delegated its authority in operational areas to the senior management led by the Chief Executive Officer, within clearly defined limits. The management works through a number of internal committees as shown in the diagram on page 91.

The Board reviews the delegation processes in place on a periodic basis to ensure that they remain relevant to the needs of the Bank.

Board Structure and Composition

The Board comprise ten Directors as at end December 2013, of whom nine, including the Chairman, are Non-Executive Directors. Of the nine Directors five are independent. The Chief Executive Officer of the Bank, functions as the only ex-officio Director. The Board is of an appropriate size and functions effectively as it comprises of individuals not only with the right skills and expertise, but also with the personal qualities required to be effective stewards of the business. The Directors provide the Bank with the knowledge, mix of skills and experience required. The Board is aware of the other commitments of its Directors and is satisfied that all Directors allocate sufficient time to enable them to discharge their responsibilities effectively.

Structure and Composition of the Board for the year 2013 and the attendance of each Director is set out in the table below:

Name of Director	Non-Executive/ Executive	Independent/ Non-Independent under CBSL Direction	Independent/ Non-Independent under ICASL/SEC Code	No. of Board Meetings in 2013	
				Eligible to attend	Attended
Mr Sunil G Wijesinha (Chairman)	Non-Executive	Independent	Independent	5	4
Mr Ashok Pathirage (Deputy Chairman)	Non-Executive	Non-Independent	Non-Independent	18	16
Mr Rajendra Theagarajah (CEO)	Executive	Non-Independent	Non-Independent	8	8
Mr Trevine Jayasekara	Non-Executive	Independent	Independent	18	15
Mr Sarath Wikramanayake	Non-Executive	Non-Independent	Non-Independent	18	13
Mrs Kimarli Fernando	Non-Executive	Independent	Independent	18	15
Mr Anura Siriwardena	Non-Executive	Independent	Independent	18	15
Ms Chandra Ekanayake	Non-Executive	Non-Independent	Independent	18	17
Mr Sujeewa Rajapakse	Non-Executive	Non-Independent	Non-Independent	18	15
Mrs Indrani Sugathadasa	Non-Executive	Independent	Independent	5	5
Mr Hemaka Amarasuriya (Chairman, retired w.e.f. 30 November 2013)	Non-Executive	Independent	Independent	17	17
Mr Russell de Mel (CEO, retired w.e.f. 23 August 2013)	Executive	Non-Independent	Non-Independent	10	9

Board Committees

In order to provide effective oversight and leadership, certain functions of the Board have been delegated to Board committees, enabling Directors forming part of respective committees to focus on their designated areas of responsibility and impart knowledge in areas where they have the greatest expertise. Appointment of the members to Board committees is decided by the Board.

In addition to the four statutory committees, viz. the Board Audit Committee, Integrated Risk Management Committee, Human Resources and Remuneration Committee and the Nominations Committee, the Board set up the Strategic Issues Committee and the Corporate Governance and Legal Affairs Committee to underscore the importance it places in both these areas.

The Corporate Governance and Legal Affairs Committee assists the Board in ensuring compliance with the Companies Act, the Banking Act Directions on Corporate Governance and all rules and regulations issued by regulatory authorities relating to Corporate Governance for Licensed Commercial Banks. It ensures that the Internal Code of Corporate Governance which encapsulates the Bank's Corporate Governance practices is reviewed and updated regularly and was most recently revised in 2013 to ensure that the Bank remains at the forefront of global corporate governance best practices.

The Strategic Issues Committee examines and evaluates strategic issues of a regular as well as of an ad hoc nature, and recommends any action the Board should take. The committee assists the Board in maintaining an interactive strategic planning process with management and this includes the review and assessment of business strategy plans developed by the management and approved by the Board.

Each committee is chaired by an experienced Non-Executive Director. Each Board committee has been given 'Terms of Reference' by the Board, which are reviewed periodically by the Board.

Notwithstanding the functioning of the Board committees, the Board of Directors are collectively responsible for the decisions taken by these committees. The Board is kept up to date on the activities of the Committees and minutes of each committee are placed at the next Board meeting and any matters of concern are taken up for the discussion of the Board. This permits the Board to focus on key issues and prioritize its time and resources. Further, the framework provides the Board with a structured way to collaborate with management on specific issues the Bank faces and clarifies the role of each Board committee in fulfilling the Board's objectives.

Please refer pages 132 to 140 of this Report for Committee Reports submitted by each Board Committee.



Structure and composition of Board committees for the year 2013 and the attendance of each Director is set out in the table below:

Name of Director	Board Audit Committee		Integrated Risk Management Committee		Strategic Issues Committee		Human Resources and Remuneration Committee		Nominations Committee		Corporate Governance and Legal Affairs Committee	
	E*	A*	E*	A*	E*	A*	E*	A*	E*	A*	E*	A*
Committee/Composition												
Sunil G Wijesinha* (Chairman)											-	1
Ashok Pathirage (Deputy Chairman)					-	-	4	4	7	7		
Rajendra Theagarajah (CEO)			1	1	-	-					1	1
Trevine Jayasekara	9	9					4	4	7	7		
Sarath Wikramanayake	9	8	4	4	-	-						
Kimarli Fernando	9	7			-	-	4	3			2	2
Anura Siriwardena					-	-	4	3	7	7	2	-
Chandra Ekanayake	9	7	4	4							2	2
Sujeewa Rajapakse	9	6			-	-	4	3	7	5		
Indrani Sugathadasa												
Hemaka Amarasuriya (Chairman, retired w.e.f. 30.11.2013)			4	4			4	4	7	7		
Russell de Mel (CEO, retired w.e.f. 23.08.2013)			3	3	-	-					1	1

E* - Eligible to attend A* - Attended

* Sunil G Wijesinha on invitation of the chairperson attended the meeting held on 8 November 2013.

* All matters of strategic importance were discussed in detail with the entire Board and as such the Strategic Issues Committee did not meet during the year 2013.

Board Balance and Independence

The roles of Chairman and Chief Executive Officer are distinct and separate, with a clear division of responsibilities. The Chairman leads the Board and ensures the effective engagement and contribution of Executive and Non-Executive Directors. The Chairman provides leadership to the Board and ensures that the Board works effectively and discharges its responsibilities. The Chairman also ensures that all key issues are discussed by the Board in a timely manner.

The Non-Executive Directors contribute a balance of business and commercial experience with independent and objective judgment.

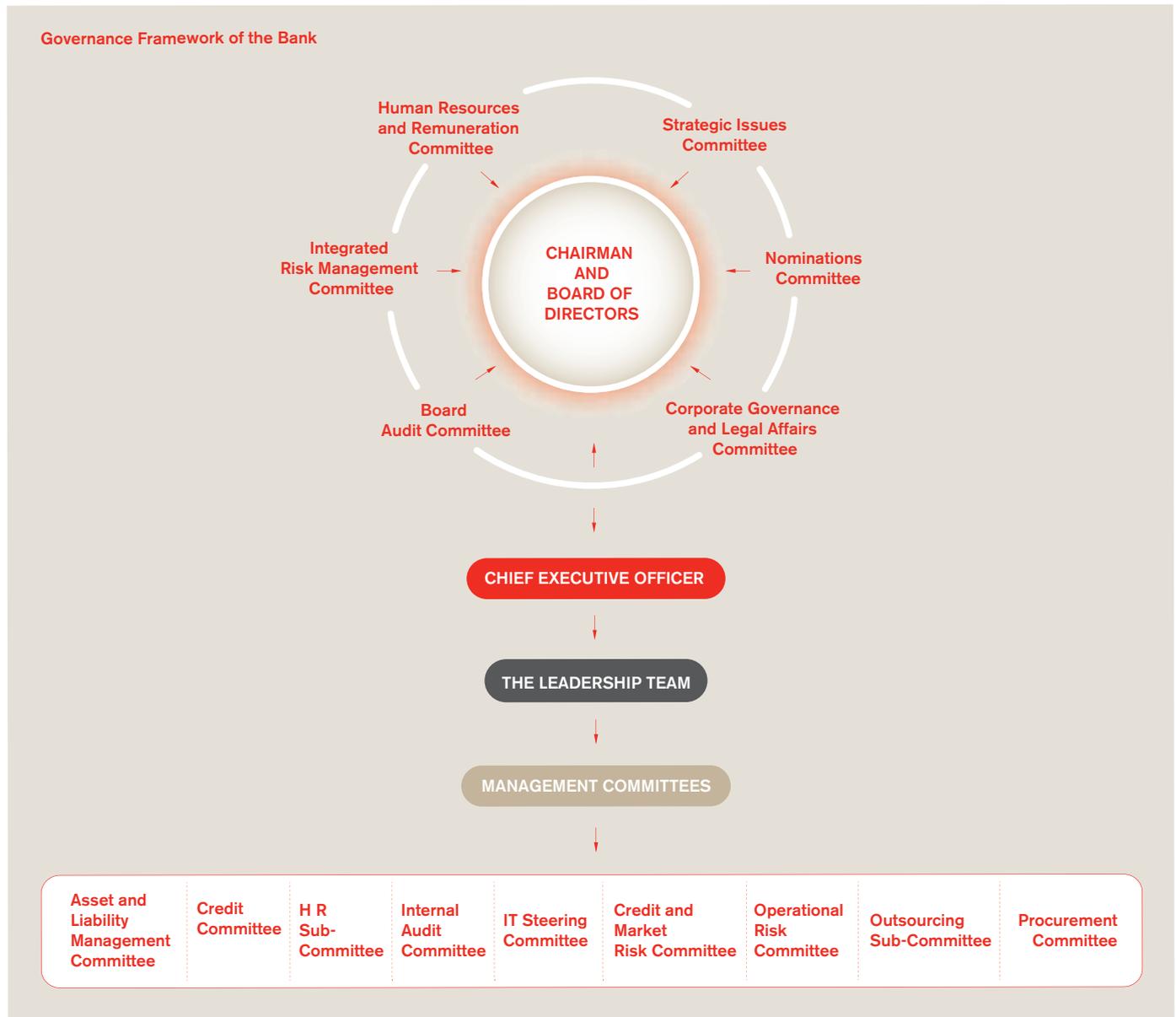
The Chief Executive Officer is responsible for providing the leadership, expertise and professional environment within the Bank for the implementation of the Board's policies and the achievement of the Bank's goals and objectives. He is accountable to the Board for the performance of the Bank and the implementation of Board policies and plans.

Management Committees

The Board and the Chief Executive Officer are further supported by the following Management Committees:

- Asset and Liability Management Committee
- Credit Committees
- HR Sub-Committee
- Internal Audit Committee
- IT Steering Committee
- Credit and Market Risk Committee
- Operational Risk Committee
- Outsourcing Sub-Committee
- Procurement Committee

The governance framework of the Bank is set out in the diagram below:





Information, Induction and Professional Development

All Directors receive accurate, timely, clear and pertinent information, in particular about the Bank's performance, to enable the Board to take sound decisions, monitor effectively and provide advice to promote the success of the Bank.

Independent professional advice is available, on request, to all Directors at the expense of the Bank.

On joining the Board, all Directors receive an induction pack which contains a range of documents including the Bank's Articles of Association, the Internal Code of Corporate Governance, a summary of Director's duties, Board calendar, organization and management structure charts, annual goals and targets of Directors, minutes of the past three meetings and charters of Board committees. These ensure that Non-Executive Directors have the knowledge and understanding of the business to enable them to contribute effectively at Board meetings.

The Bank conducted an induction programme for the newly appointed Directors in 2013 and in that process explained to the members of the Board the strategic direction and key areas of operations of the Bank.

Directors are encouraged to address their developmental needs, to maintain the necessary depth and breadth of knowledge and skills, and enhance the effectiveness of the Board as a team and to participate in opportunities available for Directors during the year.

The Bank's Internal Code of Corporate Governance further makes provision for the Chairman and Deputy Chairman to review the business awareness and development needs of each Director arising from the self-evaluation process and provide them with relevant training opportunities.

Managing Conflicts of Interest

The governance structure of the Bank ensures that the Directors take all necessary steps to avoid conflicts of interest, or the appearance of conflicts of interest, in their activities with and commitments to, other organizations or related parties. If a Director of the Bank has a conflict of interest in a matter to be considered by the Board, which the Board has determined to be material, such matters are disclosed and discussed at the Board meetings, where Independent Non-Executive Directors who have no material interest in the transaction are present.

Further, Directors abstain from voting on any Board resolution in relation to which such Directors or any of their close relation/s or a concern in which such Directors have substantial interests, are interested in. Further, their votes are not counted in the quorum for the relevant agenda item at the Board meeting.

Board Self-Evaluation Process

In accordance with the Banking Act Direction No. 11 of 2007 on Corporate Governance for Licensed Commercial Banks in Sri Lanka, the Board annually assesses the effectiveness of the Directors' own governance practices and to that end the Board has adopted a scheme of self-assessment to be undertaken by each Director annually.

The Bank's Internal Code of Corporate Governance was revised to include a process whereby the Chairman and the Deputy Chairman will review the responses of the Directors to the self assessment carried out by the Directors and report to the Board on any identified weaknesses and lapses and where necessary recommend an action plan for approval to the Board. In addition, the Board will periodically review the progress made on the action plan (if any).

The self-assessment of Directors was obtained for the year 2013 and the performance of the Board was *interalia* evaluated against the goals and targets set for the Board for the year 2013. The Chairman and Deputy Chairman are in the process of reviewing and reporting to the Board on the outcome.

Code of Ethics

The Bank's Internal Code of Conduct governing all employees is an integral part of the governance framework of the Bank. The code provides a general outline of the standards of professional and ethical conduct that all employees of the Bank are expected to conform to including areas such as general conduct and competence, confidentiality and misuse of material confidential information, managing conflicts of interest situations and insider dealing provisions. The Bank's Internal Code also has a bribery and anti-discrimination policy. The Bank has zero tolerance towards bribery, including giving or receiving bribes and making of facilitation payments. Further, the Bank applies an equitable standard of fair treatment to all its employees. It also conducts its business dealings in a non-discriminatory manner and employs persons of varied backgrounds based upon their qualifications, without regard to age, gender, national origin, marital status, race, religion, disability etc.

Engagement with Stakeholders

The Chairman together with the Chief Executive Officer ensures effective communication with shareholders and the members of the Board are apprised of the views of investors and other key stakeholders. The Bank's engagement with shareholders has been disclosed in detail in the tables below. Further, individual shareholders have access to the Company Secretary and can raise matters relating to their shareholdings and the business of the Bank at any time.

The Bank has in place an effective Communication Policy and Disclosure Policy that ensures that the Bank provides all its stakeholders with timely, accurate and relevant information which would enable stakeholders to make an accurate assessment of the Bank's activities, performance and risk profile. At the same time, the Bank ensures that confidentiality is strictly maintained in respect of material confidential information of the Bank's as well as its customers' and stakeholders' which is not publicly available.

In order to encourage engagement with the Bank's customers and stakeholders the Bank has in place a Customer Charter, a formal Complaint Handling Procedure supported by an effective Management Information System that has been developed internally by our IT Department.

The Bank's compliance with the Banking Act Direction No. 11 of 2007 (as amended) on Corporate Governance issued by the Monetary Board of the Central Bank of Sri Lanka is detailed below with explanatory comments as follows:

Rule No.	Principle	Compliance Status	Comments
3 (1)	Responsibilities of the Board		
3 (1) (i)	The Board shall strengthen the safety and soundness of the Bank by ensuring the implementation of the following:		
	(a) Approve and oversee the Bank's strategic objectives and corporate values and ensure that these are communicated throughout the Bank;	Complied	The Bank's strategic objectives and corporate values have been approved by the Board. The objectives and corporate values are communicated to all members of the staff at communications meetings, at various structured forums, via e-mails and through the Bank's intranet 'NDB Cloud'.
	(b) Approve the overall business strategy of the Bank, including the overall risk policy and risk management procedures and mechanisms with measurable goals, for at least the next three years;	Complied	The Bank's overall business strategy containing measurable goals was approved by the Board for a period of five years viz 2014 - 2018 after detailed discussions had with the corporate management of the Bank. Risk management policies and procedures have been approved as required by the Direction.
	(c) Identify the principal risks and ensure implementation of appropriate systems to manage the risks prudently;	Complied	The Board whilst being responsible for the overall risk framework of the Bank has delegated to the Integrated Risk Management Committee the task of defining the risk appetite of the Bank. The Integrated Risk Management Committee has identified key risks of the Bank, set governance structures and implemented systems to measure, monitor and manage credit, operational, market, liquidity and strategic risks.
	(d) Approve implementation of a policy of communication with all stakeholders, including depositors, creditors, shareholders and borrowers;	Complied	The Bank has in place a Board approved Communication Policy aimed at encouraging effective internal and external communications of corporate information in relation to the Bank on its behalf covering all stakeholders including staff, customers, creditors, shareholders, partners, general public and regulators. A cross-section of the segments mentioned were covered.
	(e) Review the adequacy and the integrity of the Bank's internal control systems and management information systems;	In the process of being Complied	The Board is responsible to review the adequacy, integrity and effectiveness of the Bank's internal control systems and the management information systems and has tasked the Board Audit Committee to carry out this function and report to the Board where the minutes are tabled for review of the Board. The Internal Audit Department of the Bank and External Auditors report directly to the Board Audit Committee in carrying out this function. The adequacy and integrity of the Bank's Management Information Systems will be reviewed in 2014.

Rule No.	Principle	Compliance Status	Comments
	(f) Identify and designate Key Management Personnel, as defined in the International Accounting Standards, who are in a position to: (i) significantly influence policy; (ii) direct activities; and (iii) exercise control over business activities, operations and risk management;	Complied	<p>Key Management Personnel of the Bank have been identified by the Board having considered the Banking Act Determination No. 3 of 2010 on officers performing executive functions of the Bank, the International Accounting Standards and the Sri Lanka Accounting Standards and presently include the following:</p> <ol style="list-style-type: none"> 1. Chief Executive Officer 2. Chief Financial Officer 3. Chief Operating Officer 4. Vice-President - Corporate Banking 5. Vice-President - Transactional and Institutional Banking 6. Vice-President - Administration and Services 7. Vice-President - Finance and Planning 8. Vice-President - Group Risk Management 9. Assistant Vice-President - Internal Audit 10. Vice-President - Human Resources 11. Vice-President - Treasury 12. Vice-President - IT 13. Assistant Vice-President - Legal 14. Assistant Vice-President - Network Management 15. Company Secretary 16. Compliance Officer 17. Employees holding Director positions in subsidiaries <p>All appointments of designated Key Management Personnel are recommended by the Human Resources and Remuneration Committee and approved by the Board.</p>
	(g) Define the areas of authority and key responsibilities for the Board Directors themselves and for the Key Management Personnel;	Complied	<p>The responsibilities of the Directors and Key Management Personnel have been set out in the Bank's Internal Code of Corporate Governance. Additionally the Directors were set goals and targets for the year 2013. The duties and responsibilities of Key Management Personnel are also documented in their respective job descriptions by the Human Resources Department. The Board approves the Performance Review Objectives of the Key Management Personnel.</p>
	(h) Ensure that there is appropriate oversight of the affairs of the Bank by Key Management Personnel, that is consistent with Board policy;	Complied	<p>The Board interacts with Key Management Personnel on a regular basis and through reports tabled at both Board meetings and committee meetings. Banking operations carried out in line with the Bank's strategic objectives including any issues faced by the Bank are discussed on a regular basis at both Board meetings and weekly meetings held with The Leadership Team.</p>

Rule No.	Principle	Compliance Status	Comments
	(i) Periodically assess the effectiveness of the Board Directors' own governance practices, including: (i) the selection, nomination and election of Directors and Key Management Personnel; (ii) the management of conflicts of interests; and (iii) the determination of weaknesses and implementation of changes where necessary;	Complied	<p>The effectiveness of the Board's governance practices are reviewed periodically. Please refer page 92 of this Report for more details on the assessment process.</p> <p>There is a procedure in place for the selection, nomination and election of Directors and Key Management Personnel.</p> <p>The process adopted for the management of conflicts of interest is detailed on page 92 of this Report.</p> <p>The Board self-evaluation process requires that weaknesses and implementation of changes be discussed at the Board meeting pursuant to the self-evaluation carried out by members of the Board.</p>
	(j) Ensure that the Bank has an appropriate succession plan for Key Management Personnel;	In the process of being Complied	A formal succession plan is currently being developed by the Human Resources Department in consultation with the Chief Executive Officer. Considering that the Chief Executive Officer has himself only been in office for 5 months, the Board agreed that a further period of 6 months be provided to the Chief Executive Officer to analyze the staff competencies etc. and recommend a fresh succession plan to the Board for consideration and approval.
	(k) Meet regularly, on a needs basis, with the Key Management Personnel to review policies, establish communication lines and monitor progress towards corporate objectives	Complied	Directors meet Key Management Personnel on a regular basis at Board meetings, Board committee meetings and at informal meetings.
	(l) Understand the regulatory environment and ensure that the Bank maintains an effective relationship with regulators;	Complied	The Board is provided with a quarterly update of all directions issued by the Central Bank of Sri Lanka in order to ensure that the Board is updated regularly to facilitate the effective discharge of their responsibilities. In addition, the Directors, the Chief Executive Officer and Key Management Personnel of the Bank maintain a dialogue with the regulators on a continuous basis.
	(m) Exercise due diligence in the hiring and oversight of External Auditors.	Complied	Audit Committee Charter includes the functions of hiring and overseeing of External Auditors. External Auditors attend all Audit Committee meetings by invitation and there is continuous dialogue with the External Auditors.
3 (1) (ii)	The Board shall appoint the Chairman and the Chief Executive Officer and define and approve the functions and responsibilities of the Chairman and the Chief Executive Officer in line with Direction 3 (5) of these Directions.	Complied	The Board has appointed the Chairman and the Chief Executive Officer and has approved their functions. There is a clear division of responsibilities between the Chairman and the Chief Executive Officer maintaining the balance of power between the two roles.



Rule No.	Principle	Compliance Status	Comments
3 (1) (iii)	The Board shall meet regularly and Board meetings shall be held at least twelve times a year at approximately monthly intervals. Such regular Board meetings shall normally involve active participation in person of a majority of Directors entitled to be present. Obtaining the Board's consent through the circulation of written resolutions/papers shall be avoided as far as possible.	Complied	<p>There have been 12 routine and 6 special Board meetings during 2013.</p> <p>The attendance of Directors for Board and committee meetings is set out in the tables on pages 89 and 90.</p> <p>Circulation of Board papers to obtain Board's consent is minimized and resorted to only when absolutely necessary. These decisions are in any event confirmed at the immediately succeeding Board meeting.</p>
3 (1) (iv)	The Board shall ensure that arrangements are in place to enable all Directors to include matters and proposals in the agenda for regular Board meetings where such matters and proposals relate to the promotion of business and the management of risks of the Bank.	Complied	The Internal Code of Corporate Governance includes a provision to indicate that all Directors are entitled to include such matters and proposals in the agenda for board meetings. Further Directors are free to bring up any matter at Board meetings. During the year 2013 Directors have requested for discussions on matters and same have been minuted.
3 (1) (v)	The Board procedures shall ensure that notice of at least 7 days is given of a regular Board meeting to provide all Directors an opportunity to attend. For all other Board meetings, reasonable notice may be given.	Complied	Notice of meetings, the agenda and board papers related to each Board meeting is circulated to all Directors at least 7 days in advance of the Board meeting. Therefore, adequate notice is given to Directors providing them with an opportunity to attend.
3 (1) (vi)	The Board procedures shall ensure that a Director who has not attended at least two-thirds of the meetings in the period of 12 months immediately preceding or has not attended the immediately preceding three consecutive meetings held, shall cease to be a Director. Participation at the Directors' meetings through an Alternate Director shall, however, be acceptable as attendance.	Complied	The Company Secretary monitors the attendance register to ensure compliance. All Directors have attended at least two-thirds (2/3) of the meetings held during 2013 and no Director has been absent from three consecutive meetings during 2013.
3 (1) (vii)	The Board shall appoint a Company Secretary who satisfies the provisions of Section 43 of the Banking Act No. 30 of 1988, whose primary responsibilities shall be to handle the secretarial services to the Board and shareholder meetings and to carry out other functions specified in the statutes and other regulations.	Complied	The Board has appointed a Company Secretary who satisfies the provisions of Section 43 of the Banking Act and who is responsible to the Board for ensuring that Board procedures are followed and that applicable laws, rules and regulations are complied with.
3 (1) (viii)	All Directors shall have access to advice and services of the Company Secretary with a view to ensuring that Board procedures and all applicable rules and regulations are followed.	Complied	All Directors have access to the advice and services of the Company Secretary. For the year 2013 the Company Secretary has provided assistance to the Directors when requested.
3 (1) (ix)	The Company Secretary shall maintain the minutes of Board meetings and such minutes shall be open for inspection at any reasonable time, on reasonable notice by any Director.	Complied	The Company Secretary maintains detailed Board minutes and circulates minutes to all Directors. The minutes are approved at the subsequent Board meetings. Minutes are open for inspection by any Director. Additionally, copies have been provided of previous meeting to Directors when requested.

Rule No.	Principle	Compliance Status	Comments
3 (1) (x)	Minutes of Board meetings shall be recorded in sufficient detail so that it is possible to gather from the minutes, as to whether the Board acted with due care and prudence in performing its duties. The minutes shall also serve as a reference for regulatory and supervisory authorities to assess the depth of deliberations at the Board meetings. Therefore, the minutes of a Board meeting shall clearly contain or refer to the following: (a) a summary of data and information used by the Board in its deliberations; (b) the matters considered by the Board; (c) the fact-finding discussions and the issues of contention or dissent which may illustrate whether the Board was carrying out its duties with due care and prudence; (d) the testimonies and confirmations of relevant executives which indicate compliance with the Board's strategies and policies and adherence to relevant laws and regulations; (e) the Board's knowledge and understanding of the risks to which the Bank is exposed and an overview of the risk management measures adopted; and (f) the decisions and Board resolutions.	Complied	The minutes contain adequate details appropriate to the matters dealt with. The minutes are also read together with the corresponding Board papers, which supplement the information in the minutes. All matters required to be minuted in terms of 3 (1) (x) (a) - (f) are recorded in minutes.
3 (1) (xi)	There shall be a procedure agreed by the Board to enable Directors, upon reasonable request, to seek independent professional advice in appropriate circumstances, at the Bank's expense. The Board shall resolve to provide separate independent professional advice to Directors to assist the relevant Director or Directors to discharge his/her/their duties to the Bank.	Complied	Independent professional advice is available, on request, to all Directors at the expense of the Bank. The Bank's Internal Code of Corporate Governance has put in place a procedure which enables independent professional advice to be obtained jointly or severally by a Director or Directors where such advice is necessary to enable the fulfilment of the obligations imposed on a member of the Board. The Directors have obtained professional advice during the year.
3 (1) (xii)	Directors shall avoid conflicts of interests, or the appearance of conflicts of interest, in their activities with, and commitments to, other organizations or related parties. If a director has a conflict of interest in a matter to be considered by the Board, which the Board has determined to be material, the matter should be dealt with at a Board meeting, where independent Non-Executive Directors [refer to Direction 3 (2) (iv) of these Directions] who have no material interest in the transaction, are present. Further, a Director shall abstain from voting on any Board resolution in relation to which he/she or any of his/her close relation or a concern in which a Director has substantial interest, is interested and he/she shall not be counted in the quorum for the relevant agenda item at the Board meeting.	Complied	Please refer page 92 of this report regarding the managing of conflicts of interest. In addition, the Articles of Association and the Bank's Internal Code of Corporate Governance has put in place a procedure to ensure that, Directors avoid conflicts of interest or the appearance of conflict of interest. Accordingly, any interests are disclosed at the Board meetings and duly minuted. The Director concerned abstains from voting in such a situation and he/she is not counted in the quorum.



Rule No.	Principle	Compliance Status	Comments
3 (1) (xiii)	The Board shall have a formal schedule of matters specifically reserved to it for decision to ensure that the direction and control of the Bank is firmly under its authority.	Complied	A formal schedule of matters has been specifically reserved for the decision of the Board and detailed in the Bank's Internal Code of Corporate Governance.
3 (1) (xiv)	The Board shall, if it considers that the Bank is, or is likely to be, unable to meet its obligations or is about to become insolvent or is about to suspend payments due to depositors and other creditors, forthwith inform the Director of Bank Supervision of the situation of the Bank prior to taking any decision or action.	Not Applicable	The Bank is aware of the requirement but the situation has not arisen within the year. A Solvency Statement is prepared quarterly and tabled at the Integrated Risk Management Committee and the Board.
3 (1) (xv)	The Board shall ensure that the Bank is capitalised at levels as required by the Monetary Board in terms of the capital adequacy ratio and other prudential grounds.	Complied	The Bank is fully compliant with the Capital Adequacy requirements stipulated by the Central Bank. Capital Adequacy ratios are presented to the Board on a regular basis for the Board's awareness.
3 (1) (xvi)	The Board shall publish in the Bank's Annual Report, an annual corporate governance report setting out the compliance with Direction 3 of these Directions.	Complied	This requirement is complied with by this Report
3 (1) (xvii)	The Board shall adopt a scheme of self-assessment to be undertaken by each Director annually, and maintain records of such assessments.	Complied	The Board has adopted a scheme of self-assessment for the year 2013 and records are maintained by the Board of same. Please refer page 92 of this Report for a more detailed insight into the self-assessment process undertaken by the Board.
3 (2)	The Board's Composition		
3 (2) (i)	The number of Directors on the Board shall not be less than 7 and not more than 13.	Complied	The composition as required under this Direction was met during the year 2013. At no time did the Board have less than nine Directors or more than eleven Directors during the year 2013. The Board comprised of ten Directors as at 31 December 2013.
3 (2) (ii)	The total period of service of a Director other than a Director who holds the position of Chief Executive Officer shall not exceed nine years.	Complied	All Directors comply with this requirement.
3 (2) (iii)	An employee of a Bank may be appointed, elected or nominated as a Director of the Bank (hereinafter referred to as an 'Executive Director') provided that the number of Executive Directors shall not exceed one-third of the number of Directors of the Board. In such an event, one of the Executive Directors shall be the Chief Executive Officer of the Bank.	Complied	The Chief Executive Officer is the only employee on the Board. Accordingly, the number of Executive Directors do not exceed one-third of the Directors on the Board.

Rule No.	Principle	Compliance Status	Comments
3 (2) (iv)	<p>The Board shall have at least three independent Non-Executive Directors or one-third of the total number of Directors, whichever is higher. A Non-Executive Director shall not be considered independent if he/she:</p> <p>(a) has direct and indirect shareholdings of more than 1% of the Bank;</p> <p>(b) currently has or had during the period of two years immediately preceding his/her appointment as Director, any business transactions with the Bank as described in Direction 3 (7) hereof, exceeding 10% of the regulatory capital of the Bank.</p> <p>(c) has been employed by the Bank during the two year period immediately preceding the appointment as Director;</p> <p>(d) has a close relation who is a Director or Chief Executive Officer or a member of Key Management Personnel or a material shareholder of the Bank or another bank. For this purpose, a 'close relation' shall mean the spouse or a financially dependant child;</p> <p>(e) represents a specific stakeholder of the Bank;</p> <p>(f) is an employee or a Director or a material shareholder in a company or business organization:</p> <p>i. which currently has a transaction with the Bank as defined in Direction 3 (7) of these Directions, exceeding 10% of the regulatory capital of the Bank, or</p> <p>ii. in which any of the other Directors of the Bank are employed or are Directors or are material shareholders; or</p> <p>iii. in which any of the other Directors of the Bank have a transaction as defined in Direction 3 (7) of these Directions, exceeding 10% of regulatory capital in the Bank;</p>	Complied	<p>There are nine Non-Executive Directors on the Board as at 31 December 2013. Of them five are independent Non-Executive Directors. The details of Non-Executive Directors are detailed on page 89 of this report. Accordingly, the number of independent Non-Executive Directors exceeds one-third of the total number of Directors on the Board.</p> <p>The Board assesses the independence or non-independence of each Non-Executive Director based on a declaration made by each Director to the Company Secretary each year.</p>
3 (2) (v)	In the event an Alternate Director is appointed to represent an independent Director, the person so appointed shall also meet the criteria that applies to the independent Director.	Complied	No formal Alternate Directors have been appointed. Directors appoint Alternate Directors within the Rules and Articles of the Bank as and when required for a particular meeting.
3 (2) (vi)	Non-Executive Directors shall be persons with credible track records and/or have necessary skills and experience to bring an independent judgment to bear on issues of strategy, performance and resources.	Complied	The Directors are eminent persons with knowledge, expertise and experience in different business sectors including leadership in public listed companies. Please refer the profiles of the Non-Executive Directors detailed on pages 79 to 81 of this Report.



Rule No.	Principle	Compliance Status	Comments
3 (2) (vii)	A meeting of the Board shall not be duly constituted, although the number of Directors required to constitute the quorum at such meeting is present, unless more than one half of the number of Directors present at such meeting are Non-Executive Directors.	Complied	Attendance of Directors is monitored by the Company Secretary and is strictly observed. It was noted that more than one half (1/2) of Directors present at each meeting of the Board convened in the year 2013 were Non-Executive Directors.
3 (2) (viii)	The independent Non-Executive Directors shall be expressly identified as such in all corporate communications that disclose the names of Directors of the Bank. The Bank shall disclose the composition of the Board, by category of Directors, including the names of the Chairman, Executive Directors, Non-Executive Directors and independent Non-Executive Directors in the annual Corporate Governance Report.	Complied	The Directors' profiles and composition of the Board are published in the Annual Report. Please refer pages 79 to 81 The composition of the Board by category of Directors is detailed in page 89 of the Corporate Governance Report.
3 (2) (ix)	There shall be a formal, considered and transparent procedure for the appointment of new Directors to the Board. There shall also be procedures in place for the orderly succession of appointments to the Board.	Complied by 2014	The Board has established a Nominations Committee in conformity with the requirements of these Directions. All new appointments and re-election of Directors are on the recommendations of the Nominations Committee. Central Bank approval is obtained in terms of the Banking Act for the appointment of a new Director. A procedure to select/appoint new Directors has been approved by the Board in February 2014.
3 (2) (x)	All Directors appointed to fill a casual vacancy shall be subject to election by shareholders at the first general meeting after their appointment.	Complied	Appointment to fill a casual vacancy is made by the Board on the recommendations of the Nominations Committee. A person so appointed would stand for re-election at the next Annual General Meeting in accordance with the Articles of Association. Mr Sunil G Wijesinha and Mrs Indrani Sugathadasa will stand for re-appointment at the Annual General Meeting.
3 (2) (xi)	If a Director resigns or is removed from office, the Board shall: (a) announce the Director's resignation or removal and the reasons for such removal or resignation including but not limited to information relating to the relevant Director's disagreement with the Bank, if any; and (b) issue a statement confirming whether or not there are any matters that need to be brought to the attention of shareholders.	Complied	Any resignation or removal of a Director is informed to the Director Bank Supervision by the Board including reasons for such resignation or removal Mr Hemaka Amarasuriya retired as a Director of the Bank upon reaching 70 years of age and Mr N I R de Mel former Chief Executive Officer of the Bank retired from the services of the Bank. An announcement was made as required.
3 (2) (xii)	A Director or an employee of a bank shall not be appointed, elected or nominated as a Director of another bank except where such bank is a subsidiary company or an associate company of the first mentioned bank.	Complied	None of the Directors are either employees or Directors of other banks. This is ensured by obtaining declarations from Directors annually.

Rule No.	Principle	Compliance Status	Comments
3 (3)	Criteria to Assess the Fitness and Propriety of Directors		
3 (3) (i)	The age of a person who serves as Director shall not exceed 70 years.	Complied	All Directors are under 70 years of age. Mr Hemaka Amarasuriya retired as a Director of the Bank upon reaching 70 years of age.
3 (3) (ii)	A person shall not hold office as a Director of more than 20 companies/entities/institutions inclusive of subsidiaries or associate companies of the Bank.	Complied	No Director holds directorships of more than 20 companies
3 (4)	Management Function Delegated by the Board		
3 (4) (i)	The Directors shall carefully study and clearly understand the delegation arrangements in place.	Complied	Delegation papers are prepared in detail and presented to the Board. The Board periodically evaluates the delegation of authority process. Terms of reference of each of the Board Committees which are incorporated in the respective charters of each Board committee are approved by the Board.
3 (4) (ii)	The Board shall not delegate any matters to a Board Committee, Chief Executive Officer, Executive Directors or Key Management Personnel, to an extent that such delegation would significantly hinder or reduce the ability of the Board as a whole to discharge its functions.	Complied	Please refer to comment above. In addition it is to be noted that by delegating, the Board does not lose the authority to deal with matters that have been delegated when necessary.
3 (4) (iii)	The board shall review the delegation processes in place on a periodic basis to ensure that they remain relevant to the needs of the Bank.	Complied	The Board evaluates the process/delegation papers from time to time to ensure that delegation does not materially affect the ability of the Board in discharging its functions. Terms of reference of each of the Board committees are reviewed to ensure that they remain relevant to the needs of the Bank.
3 (5)	The Chairman and Chief Executive Officer		
3 (5) (i)	The roles of Chairman and Chief Executive Officer shall be separate and shall not be performed by the same individual.	Complied	The roles of Chairman and Chief Executive Officer of the Bank are held by separate individuals. In addition, there is a clear division of responsibilities between the Chairman and the Chief Executive Officer thereby maintaining the balance of power between the two roles.
3 (5) (ii)	The Chairman shall be a Non-Executive Director and preferably an independent Director as well. In the case where the Chairman is not an independent Director, the Board shall designate an independent Director as the Senior Director with suitably documented terms of reference to ensure a greater independent element. The designation of the Senior Director shall be disclosed in the Bank's Annual Report.	Complied	The Chairman is a Non-Executive, independent Director and therefore, the appointment of an independent Director as the Senior Director does not arise.



Rule No.	Principle	Compliance Status	Comments
3 (5) (iii)	The Board shall disclose in its Corporate Governance Report, which shall be an integral part of its Annual Report, the identity of the Chairman and the Chief Executive Officer and the nature of any relationship [including financial, business, family or other material/relevant relationship(s)], if any, between the Chairman and the Chief Executive Officer and the relationships among members of the Board.	Complied	The Board is aware that there is no relationship [including financial, business, family or other material/relevant relationship(s)] between the Chairman and Chief Executive Officer. Similarly no relationships exist among the other members of the Board other than Directors who sit together on some of the Boards of the Bank's subsidiaries.
3 (5) (iv)	The Chairman shall: (a) provide leadership to the Board; (b) ensure that the Board works effectively and discharges its responsibilities; and (c) ensure that all key and appropriate issues are discussed by the Board in a timely manner.	Complied	The Chairman is responsible for the running of the Board, preserving order and ensuring that proceedings at meetings are conducted in a proper manner. Further, he ascertains the views of the Directors on the issues being discussed before decisions are taken. The self-evaluation process carried out by the members of the Board each year assists the Chairman in effectively carrying out his responsibilities by providing him the required feedback.
3 (5) (v)	The Chairman shall be primarily responsible for drawing up and approving the agenda for each Board meeting, taking into account where appropriate, any matters proposed by the other Directors for inclusion in the agenda. The Chairman may delegate the drawing up of the agenda to the Company Secretary.	Complied	The Chairman draws up the agenda for Board meetings in consultation with the Chief Executive Officer which ensures that the management's viewpoints are included. The Bank's Internal Code of Corporate Governance also casts this responsibility with the Chairman.
3 (5) (vi)	The Chairman shall ensure that all Directors are properly briefed on issues arising at Board meetings and also ensure that Directors receive adequate information in a timely manner.	Complied	The Directors are adequately briefed in the course of discussions by the Chairman, Chief Executive Officer and officers of the management in respect of matters that are taken up by the Board. Board papers are circulated in advance among the Directors.
3 (5) (vii)	The Chairman shall encourage all Directors to make a full and active contribution to the Board's affairs and take the lead to ensure that the Board acts in the best interests of the Bank.	Complied	The Chairman ensures that all members effectively participate as a team in Board decisions. Further, the self-evaluation process carried out ensures that members effectively participate.
3 (5) (viii)	The Chairman shall facilitate the effective contribution of Non-Executive Directors in particular and ensure constructive relations between Executive and Non-Executive Directors.	Complied	The Chairman ensures that the Non-Executive Directors actively contribute to the decisions of the Board and a climate of mutual trust and respect exists between the Board and the Chief Executive Officer. In addition, the evaluation process carried out by the Board assesses the contribution of Non-Executive Directors as well.
3 (5) (ix)	The Chairman, shall not engage in activities involving direct supervision of Key Management Personnel or any other executive duties whatsoever.	Complied	The Chairman is not involved in the day-to-day operations of the Bank.
3 (5) (x)	The Chairman shall ensure that appropriate steps are taken to maintain effective communication with shareholders and that the views of shareholders are communicated to the Board.	Complied	The Chairman ensures effective communication with shareholders through investor forums held each year and through continuous engagement with our institutional investors. Members of the Board are apprised of the views of major investors and other key stakeholders pursuant to these meetings.

Rule No.	Principle	Compliance Status	Comments
3 (5) (xi)	The Chief Executive Officer shall function as the apex executive-in-charge of the day-to-day-management of the Bank's operations and business.	Complied	The Chief Executive Officer is responsible for providing the leadership, expertise and professional environment within the Bank for the implementation of the Board's policies and the achievement of the Bank's goals and objectives. The operations of the Bank are carried out in conformity to this requirement.
3 (6)	Board Appointed Committees		
3 (6) (i)	Each bank shall have at least four Board committees as set out in Directions 3 (6) (ii), 3 (6)(iii), 3 (6) (iv) and 3 (6) (v) of these Directions. Each committee shall report directly to the Board. All committees shall appoint a secretary to arrange the meetings and maintain minutes, records, etc., under the supervision of the Chairman of the committee. The Board shall present a report of the performance on each committee, on their duties and roles at the Annual General Meeting.	Complied	<p>The Board has established a Corporate Governance and Legal Affairs Committee (CGLA) and a Strategic Issues Committee in addition to the four Board Committees required in terms of this Direction namely, Audit Committee, Human Resources and Remuneration Committee, Nominations Committee and Integrated Risk Management Committee.</p> <p>Reports of such committees are addressed directly to the Board and minutes of the same are discussed and ratified at the Main Board meetings.</p> <p>This Annual Report includes individual reports of each of the committees on pages 132 to 140. Such reports include a summary of duties, roles and performance.</p>
3 (6) (ii)	The following rules shall apply in relation to the Audit Committee:		
	(a) The Chairman of the Committee shall be an independent Non-Executive Director who possesses qualifications and experience in accountancy and/or audit.	Complied	Chairman of the Board Audit Committee is an Independent Non-Executive Director and possesses the required qualifications and experience. The members of the Board Audit Committee are detailed in page 138 of this report.
	(b) All members of the Committee shall be Non-Executive Directors.	Complied	All members of the Board Audit Committee (BAC) are Non-Executive Directors.
	(C) The Committee shall make recommendations on matters in connection with: (i) the appointment of the External Auditor for audit services to be provided in compliance with the relevant statutes; (ii) the implementation of the Central Bank Guidelines issued to Auditors from time to time; (iii) the application of the relevant accounting standards; and (iv) the service period, audit fee and any resignation or dismissal of the Auditor; provided that the engagement of the audit partner shall not exceed five years, and that the particular audit partner is not re-engaged for the audit before the expiry of three years from the date of the completion of the previous term.	Complied	<p>The matters referred to in the Direction are reviewed and appropriate recommendations are made by the BAC-</p> <p>(i) Appointment of the External Auditor for audit services has been recommended by the BAC;</p> <p>(ii) BAC has discussed the implementation of the Central Bank guidelines issued to Auditors from time to time;</p> <p>(iii) The application of the relevant accounting standards;</p> <p>(iv) The External Audit Partner was rotated during the year as per the five-year rotation requirement, in order to ensure the independence of the Auditor to comply with the requirements of this Direction.</p> <p>Refer the 'Report of the Board Audit Committee' given on pages 138 - 140.</p>



Rule No.	Principle	Compliance Status	Comments
	(d) The Committee shall review and monitor the External Auditor's independence and objectivity and the effectiveness of the audit processes in accordance with applicable standards and best practices.	Complied	The BAC obtains representations from the External Auditor on their independence and that the audit is carried out in accordance with the Sri Lanka Accounting Standards (SLFRSs/LKASs).
	(e) The Committee shall develop and implement a policy on the engagement of an External Auditor to provide non-audit services that are permitted under the relevant statutes, regulations, requirements and guidelines. In doing so, the Committee shall ensure that the provision by an External Auditor of non-audit services does not impair the External Auditor's independence or objectivity. When assessing the External Auditor's independence or objectivity in relation to the provision of non-audit services, the Committee shall consider: <p>(i) whether the skills and experience of the audit firm make it a suitable provider of the non-audit services;</p> <p>(ii) whether there are safeguards in place to ensure that there is no threat to the objectivity and/or independence in the conduct of the audit resulting from the provision of such services by the External Auditor; and</p> <p>(iii) whether the nature of the non-audit services, the related fee levels and the fee levels individually and in aggregate relative to the audit firm, pose any threat to the objectivity and/or independence of the External Auditor.</p>	Complied	A policy for 'Engaging the External Auditor for non-audit services' is in place which covers all aspects stated in this Direction.
	(f) The Committee shall, before the audit commences, discuss and finalise with the External Auditors the nature and scope of the audit, including: <p>(i) an assessment of the Bank's compliance with the relevant Directions in relation to corporate governance and the management's internal controls over financial reporting;</p> <p>(ii) the preparation of Financial Statements for external purposes in accordance with relevant accounting principles and reporting obligations; and</p> <p>(iii) the co-ordination between firms where more than one audit firm is involved.</p>	Complied	The Auditors make a presentation at the BAC meeting with details of the proposed audit plan and the scope. Members of the BAC obtain clarifications in respect of the contents of the presentation, if deemed necessary.

Rule No.	Principle	Compliance Status	Comments
	<p>(g) The Committee shall review the financial information of the Bank, in order to monitor the integrity of the Financial Statements of the Bank, its Annual Report, accounts and quarterly reports prepared for disclosure, and the significant financial reporting judgments contained therein. In reviewing the Bank's Annual Report and accounts and quarterly reports before submission to the Board, the Committee shall focus particularly on:</p> <p>(i) major judgmental areas; (ii) any changes in accounting policies and practices; (iii) significant adjustments arising from the audit; (iv) the going concern assumption; and (v) the compliance with relevant accounting standards and other legal requirements.</p>	Complied	Quarterly Financial Statements as well as year end Financial Statements are reviewed and discussed at BAC meetings. Once the members of the BAC have obtained required clarifications in respect of all aspects included in the Financial Statements, such Financial Statements are recommended for approval of the Board of Directors.
	<p>(h) The Committee shall discuss issues, problems and reservations arising from the interim and final audits, and any matters the Auditor may wish to discuss including those matters that may need to be discussed in the absence of Key Management Personnel, if necessary.</p>	Complied	The Committee met the External Auditors twice during the year (in March and December 2013) without the presence of the Executive Director and Management.
	<p>(i) The Committee shall review the External Auditor's Management Letter and the management's response thereto.</p>	Complied	During the year, the BAC reviewed the Management Letter for year ended 2012 and any concerns raised by the External Auditor have been addressed and are being monitored by the BAC.



Rule No.	Principle	Compliance Status	Comments
	<p>(j) The Committee shall take the following steps with regard to the internal audit function of the Bank:</p> <p>(i) Review the adequacy of the scope, functions and resources of the Internal Audit Department, and satisfy itself that the Department has the necessary authority to carry out its work;</p> <p>(ii) Review the internal audit programme and results of the internal audit process and, where necessary, ensure that appropriate actions are taken on the recommendations of the Internal Audit Department.</p> <p>(iii) Review any appraisal or assessment of the performance of the head and senior staff members of the Internal Audit Department;</p> <p>(iv) Recommend any appointment or termination of the head, senior staff members and outsourced service providers to the internal audit function;</p> <p>(v) Ensure that the Committee is appraised of resignations of senior staff members of the Internal Audit Department including the Chief Internal Auditor and any outsourced service providers, and to provide an opportunity to the resigning senior staff members and outsourced service providers to submit reasons for resigning;</p> <p>(vi) Ensure that the internal audit function is independent of the activities it audits and that it is performed with impartiality, proficiency and due professional care.</p>	Complied	<p>(i) The Annual Audit Plan of the Internal Audit Department (IAD) as well as the staff requirements are reviewed/ discussed with AVP - Internal Audit</p> <p>(ii) The annual audit plan prepared by the Internal Audit Department is submitted to the BAC for approval. This plan covers the scope and resource requirement relating to the audit plan. The audit progress in line with the approved audit plan is tabled at the BAC every quarter. The audit report contains a section for the units audited to indicate the action taken based on IAD recommendation. Further all high and medium risk findings are sent to Operational Risk Unit for inclusion in the Risk Grid.</p> <p>(iii) The performance appraisal of the AVP - Internal Audit is reviewed by the BAC with input by the Chief Executive Officer.</p> <p>(iv) All senior appointments to the audit team are approved by the BAC. Also outsourced arrangements are recommended by the BAC and approved by the Board.</p> <p>The services of five audit firms have been obtained to assist the Inspection Department to carry out the audit function. Prior approval of the Board Audit Committee has been obtained in this regard.</p> <p>(v) All resignations of senior staff members of the Internal Audit Department including the AVP - Internal Audit are advised to the BAC.</p> <p>(vi) The IAD reports directly to the AVP Internal Audit who in turn reports directly to the BAC. Hence, it is independent and the audits are performed with impartiality, proficiency and due professional care.</p>
	<p>(k) The Committee shall consider the major findings of internal investigations and management's responses thereto.</p>	Complied	<p>Significant findings of investigations carried out by the Internal Audit Department along with the responses of the management are tabled and discussed at Board Audit Committee meetings.</p>

Rule No.	Principle	Compliance Status	Comments
	(l) The Chief Finance Officer, the Chief Internal Auditor and a representative of the External Auditors may normally attend meetings. Other Board Members and the Chief Executive Officer may also attend meetings upon the invitation of the Committee. However, at least twice a year, the Committee shall meet with the External Auditors without the Executive Directors being present.	Complied	The Chief Financial Officer (CFO), Chief Risk Officer (CRO), Chief Operating Officer (COO) and AVP - Internal Audit attend BAC meetings as permanent invitees. The External Auditor also attends the meetings on invitation. During the year the External Auditor met the BAC twice, without the presence of the Executive Directors and Management.
	(m) The Committee shall have: (i) explicit authority to investigate into any matter within its terms of reference; (ii) the resources which it needs to do so; (iii) full access to information; and (iv) authority to obtain external professional advice and to invite outsiders with relevant experience to attend, if necessary.	Complied	The Charter of the Board Audit Committee clearly defines the authority and terms of reference of the committee.
	(n) The Committee shall meet regularly, with due notice of issues to be discussed and shall record its conclusions in discharging its duties and responsibilities.	Complied	During the year 2013, the BAC held nine meetings and minutes of such meetings are maintained by AVP Internal Audit who functions as the Secretary to the BAC.
	(o) The Board shall disclose in an informative way; (i) details of the activities of the Audit Committee; (ii) the number of Audit Committee meetings held in the year; and (iii) details of attendance of each individual Director at such meetings.	Complied	Please refer 'Board Audit Committee Report' on pages 138-140 for the details of the activities of the Audit Committee and the number of Audit Committee meetings held in the year. Attendance of the Committee members at each of these meetings is given in the table on page 90 of the Annual Report.
	(p) The Secretary of the Committee (who may be the Company Secretary or the Head of the Internal Audit function) shall record and keep detailed minutes of the committee meetings.	Complied	The AVP Internal Audit functions as the Secretary to the BAC and maintains detailed minutes of all meetings. Copies of these minutes have been tabled at Board meetings.
	(q) The Committee shall review arrangements by which employees of the Bank may, in confidence, raise concerns about possible improprieties in financial reporting, internal control or other matters. Accordingly, the Committee shall ensure that proper arrangements are in place for the fair and independent investigation of such matters and for appropriate follow-up action and to act as the key representative body for overseeing the Bank's relations with the External Auditor.	Complied	The Bank has a Whistle-Blowing Policy where the employees of the Bank may, in confidence, raise concerns about possible improprieties in financial reporting, internal control or other matters. This has been recommended by the BAC and is to be submitted to the Board for their approval.



Rule No.	Principle	Compliance Status	Comments
3 (6) (iii)	Human Resources and Remuneration Committee (HRRC) - Composition & Responsibilities	Complied	Please refer page 132 for the composition and responsibilities of the HRRC The Terms of Reference of the HRRC was most recently reviewed and updated in 2013.
	(a) Determine the remuneration policy relating to Directors, Chief Executive Officer and Key Management Personnel of the Bank	Complied	The Board has established a HRRC that makes recommendations on remuneration payable to Directors and Key Management Personnel of the Bank. There is in place a Board approved Remuneration Policy for Directors Chief Executive Officer and Key Management Personnel.
	(b) Set goals and targets for the Directors, Chief Executive Officer and the Key Management Personnel.	Complied	The HRRC has set goals and targets for the Directors, Chief Executive Officer and the Key Management Personnel for the year 2013.
	(c) Evaluate the performance of the Chief Executive Officer and Key Management Personnel against the set targets and goals periodically and determine the basis for revising remuneration, benefits and other payments of performance based incentives.	Complied	The performance evaluation of Key Management Personnel are put up to the HRRC in March of every year. The Chief Executive Officer's performance will be evaluated by the full Board.
	(d) The Chief Executive Officer shall be present at all meetings of the Committee, except when matters relating to the Chief Executive Officer are being discussed.	Complied	The Chief Executive Officer was present at all meetings, and has stepped out when requested to do so by members when matters relating to the Chief Executive Officer were being discussed.
3 (6) (iv)	Nominations Committee (NC) - Composition & Responsibilities	Complied	Please refer page 135 for the composition and responsibilities of the NC. The Terms of Reference of the NC was most recently reviewed and updated in 2013.
	(a) The Committee shall implement a procedure to select/appoint new Directors, Chief Executive Officer and Key Management Personnel.	Complied	A procedure to select/appoint new Directors has been approved by the Board in February 2014.
	(b) The Committee shall consider and recommend (or not recommend) the re-election of current Directors, taking into account the performance and contribution made by the Director concerned towards the overall discharge of the Board's responsibilities.	Complied	The NC determines the Directors who will be re-elected every year. The committee has considered and recommended the re-election of the current Directors.

Rule No.	Principle	Compliance Status	Comments
	(c) The Committee shall set the criteria such as qualifications, experience and key attributes required for eligibility to be considered for appointment or promotion to the post of Chief Executive Officer and the Key Management positions.	In the process of being Complied	<p>The appointments of Chief Executive Officer/Key Management Personnel are processed through the NC & HRRC through an evaluation scheme and appropriate recommendations are made to the Board for consideration.</p> <p>The NC in the process of setting criteria such as qualifications, experience and key attributes required for eligibility to be considered for appointment or promotion to the post of Chief Executive Officer and the Key Management Positions, by review of job descriptions.</p>
	(d) The Committee shall ensure that Directors, Chief Executive Officer and Key Management Personnel are fit and proper persons to hold office as specified in the criteria given in Direction 3 (3) and as set out in the Statutes.	Complied	<p>Directors and Key Management Personnel annually submit affidavits and declarations to the CBSL to assess their fitness and propriety.</p> <p>The Secretary to NC obtains the affidavits/declarations from the Directors whilst the Human Resources Department obtains affidavits/declarations from Key Management Personnel.</p>
	(e) The Committee shall consider and recommend from time to time, the requirements of additional/new expertise and the succession arrangements for retiring Directors and Key Management Personnel.	Complied	<p>The NC considers Board vacancies based on the expertise required by the Bank and recommends suitable candidates when necessary.</p> <p>The NC also approves the succession plan for Key Management Personnel.</p>
	(f) The Committee shall be chaired by an Independent Director and preferably be constituted with a majority of Independent Directors. The Chief Executive Officer may be present at meetings by invitation.	Complied	The Committee is chaired by the Chairman of the Bank who is an independent director and is constituted by a majority of independent directors. The Chief Executive Officer is present only if invited.
3 (6) (v)	Integrated Risk Management Committee (IRMC) - Composition & Responsibilities	Complied	Please refer page 137 for the composition and responsibilities of the IRMC The Terms of Reference of the IRMC was most recently reviewed and updated in 2013.
	(a) The Committee shall consist of at least three Non-Executive Directors, Chief Executive Officer and Key Management Personnel supervising broad risk categories - i.e., credit, market, liquidity, operational and strategic risks. The Committee shall work with Key Management Personnel very closely and make decisions on behalf of the Board within the framework of the authority and responsibility assigned to the Committee.	Complied	The Composition of the IRMC complies with the provisions of this Direction. Please see detailed Report on page 137 of this report.

Rule No.	Principle	Compliance Status	Comments
	(b) The Committee shall assess all risks - i.e., credit, market, liquidity, operational and strategic risks to the Bank on a monthly basis through appropriate risk indicators and management information. In the case of Subsidiary Companies and Associate Companies, risk management shall be done, both on a Bank basis and Group basis.	Complied	The Committee assesses all risks on a monthly basis through Key Risk Indicators and through the quarterly risk assessment report done for the Group as well as for the Bank which is discussed at Board meetings on a quarterly basis.
	(c) The Committee shall review the adequacy and effectiveness of all management level committees such as the Credit Committee and the Asset Liability Committee to address specific risks and to manage those risks within quantitative and qualitative risk limits as specified by the Committee.	Complied	On a quarterly basis we summarise all key decisions taken at all key management, credit, operations and risk committee meetings and these decisions are tabled and discussed at the quarterly IRMC meetings.
	(d) The Committee shall 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 Bank's policies and regulatory and supervisory requirements.	Complied	The actual position vis a vis the risk appetite decided through ICAAP on a monthly basis as well as on a quarterly basis is tabled and discussed at the IRMC meetings.
	(e) The Committee shall meet at least quarterly to assess all aspects of risk management including updated business continuity plans.	Complied	The Committee has met four times in the year 2013.
	(f) The Committee shall take appropriate actions against the officers responsible for failure to identify specific risks and take prompt corrective actions as recommended by the Committee, and/or as directed by the Director of Bank Supervision.	N/A	The need has not arisen. The IRMC shall if the need arises take action appropriate to the relevance of the situation.
	(g) The Committee shall submit a Risk Assessment Report within a week of each meeting to the Board seeking the Board's views, concurrence and/or specific Directions.	Complied	A report is submitted to the Board subsequent to the IRMC meeting seeking the Board's views, concurrence and/or specific directions.
	(h) The Committee shall establish a compliance function to assess the Bank's compliance with laws, regulations, regulatory guidelines, internal controls and approved policies on all areas of business operations. A dedicated Compliance Officer selected from Key Management Personnel shall carry out the compliance function and report to the Committee periodically.	Complied	A permanent compliance function has been established which assesses the Bank's compliance with laws and regulations and the Bank's internal controls, policies, product programme guides and business operations against applicable laws and regulations. The compliance function reports quarterly to the IRMC.

Rule No.	Principle	Compliance Status	Comments
3 (7)	Related Party Transaction		
3 (7) (i), (ii), (iii)	<p>3 (7) (i) The Board shall take the necessary steps to avoid any conflicts of interest that may arise from any transaction of the Bank with any person, and particularly with the following categories of persons who shall be considered as 'related parties' for the purposes of this Direction:</p> <p>a) Any of the Bank's subsidiary companies;</p> <p>b) Any of the Bank's associate companies;</p> <p>c) Any of the Directors of the Bank;</p> <p>d) Any of the Bank's Key Management Personnel;</p> <p>e) A close relation of any of the Bank's Directors or Key Management Personnel;</p> <p>f) A shareholder owning a material interest in the Bank;</p> <p>g) A concern in which any of the Bank's Directors or a close relation of any of the Bank's Directors or any of its material shareholders has a substantial interest.</p> <p>3 (7) (ii) The type of transactions with related parties that shall be covered by this Direction shall include the following:</p> <p>a) The grant of any type of accommodation, as defined in the Monetary Board's Directions on maximum amount of accommodation;</p> <p>b) The creation of any liabilities of the Bank in the form of deposits, borrowings and investments;</p> <p>c) The provision of any services of a financial or non-financial nature provided to the Bank or received from the Bank;</p>	Complied	<p>Steps have been taken by the Board to avoid any conflicts of interest as may arise in terms of this Direction.</p> <p>Annual declarations are obtained from the individual Directors stating whether they have avoided conflicts of interest.</p> <p>The Bank maintains a register of the names of the Related Parties set out in the Direction and this list is circulated to all relationship managers of all business units and to all branch staff in terms of the Bank's internal circular on related party transactions which has been introduced to ensure that the Bank avoids 'Conflicts of Interest' which may arise from any transaction of the Bank with any person, particularly with 'Related Parties'.</p> <p>The circular requires that 'More Favorable Treatment' to 'Related Parties' when conducting 'Transactions' with 'Related Parties', than that accorded to other constituents of the Bank carrying on the same business be reported immediately to Chief Operating Officer, Head of Finance and IRMC each quarter.</p> <p>Clear guidelines are also set out in the Bank's Internal Code of Corporate Governance.</p> <p>The declaration submitted by the Directors on a quarterly basis sets out the Directors' Related Parties.</p> <p>In addition to the above, there is a Board Audit Committee approved documented policy in place to identify, monitor, report and disclose related party transactions in line with CBSL requirements, LKAS 24 related party disclosures and requirements of CSE Listing Rules. The said policy is in the process being approved by the Board.</p>

Rule No.	Principle	Compliance Status	Comments
	<p>d) The creation or maintenance of reporting lines and information flows between the Bank and any related parties which may lead to the sharing of potentially proprietary, confidential or otherwise sensitive information that may give benefits to such related parties.</p>		
	<p>3 (7) (iii) The Board shall ensure that the Bank does not engage in transactions with related parties as defined in Direction 3 (7) (i) above, in a manner that would grant such parties 'more favourable treatment' than that accorded to other constituents of the bank carrying on the same business. In this context, 'more favourable treatment' shall mean and include treatment, including the:</p>		
	<p>a) Granting of 'total net accommodation' to related parties, exceeding a prudent percentage of the bank's regulatory capital, as determined by the Board. For purposes of this Sub-Direction:</p>		
	<p>i. 'Accommodation' shall mean accommodation as defined in the Banking Act Directions, No. 7 of 2007 on Maximum Amount of Accommodation.</p>		
	<p>ii. The 'total net accommodation' shall be computed by deducting from the total accommodation, the cash collateral and investments made by such related parties in the Bank's share capital and debt instruments with a maturity of 5 years or more.</p>		
	<p>b) Charging of a lower rate of interest than the Bank's best lending rate or paying more than the Bank's deposit rate for a comparable transaction with an unrelated comparable counterparty.</p>		
	<p>c) Providing of preferential treatment, such as favourable terms, covering trade losses and/or waiving fees/commissions, that extend beyond the terms granted in the normal course of business undertaken with unrelated parties.</p>		
	<p>d) Providing services to or receiving services from a related party without an evaluation procedure.</p>		
	<p>e) Maintaining reporting lines and information flows that may lead to sharing potentially proprietary, confidential or otherwise sensitive information with related parties, except as required for the performance of legitimate duties and functions.</p>		

Rule No.	Principle	Compliance Status	Comments
3 (7) (iv)	A bank shall not grant any accommodation to any of its Directors or to a close relation of such director unless such accommodation is sanctioned at a meeting of its Board of Directors, with not less than two-thirds of the number of Directors other than the Director concerned, voting in favour of such accommodation. This accommodation shall be secured by such security as may from time to time be determined by the Monetary Board as well.	Complied	The Board ensures compliance with this Direction when accommodation is granted to Directors and their close relations
3(7) (v)	<p>a) Where any accommodation has been granted by a bank to a person or a close relation of a person or to any concern in which the person has a substantial interest, and such person is subsequently appointed as a Director of the Bank, steps shall be taken by the Bank to obtain the necessary security as may be approved for that purpose by the Monetary Board, within one year from the date of appointment of the person as a director.</p> <p>b) Where such security is not provided by the period as provided in Direction 3 (7) (v) (a) above, the Bank shall take steps to recover any amount due on account of any accommodation, together with interest, if any, within the period specified at the time of the grant of accommodation or at the expiry of a period of eighteen months from the date of appointment of such Director, whichever is earlier.</p> <p>c) Any Director who fails to comply with the above sub-directions shall be deemed to have vacated the office of Director and the Bank shall disclose such fact to the public.</p> <p>d) This sub-direction, however, shall not apply to a Director who at the time of the grant of the accommodation was an employee of the Bank and the accommodation was granted under a scheme applicable to all employees of such bank.</p>	Complied	<p>Prior to the appointment of a new Director, the Company Secretary obtains a declaration/affidavit of any transactions the Director may have with the Bank.</p> <p>The employees of the Bank are informed to obtain necessary security as set out by the Monetary Board, if the need arises.</p>
3(7) (vi)	A bank shall not grant any accommodation or 'more favourable treatment' relating to the waiver of fees and/or commissions to any employee or a close relation of such employee or to any concern in which the employee or close relation has a substantial interest other than on the basis of a scheme applicable to the employees of such bank or when secured by security as may be approved by the Monetary Board in respect of accommodation granted as per Direction 3 (7) (v) above.	Complied	The Bank refrains from granting more favourable treatment other than on the basis of a general scheme available to the employees or their close relations or to any concern in which an employee or close relation has a substantial interest.



Rule No.	Principle	Compliance Status	Comments
3 (7) (vii)	No accommodation granted by a bank under Direction 3 (7) (v) and 3 (7) (vi) above, nor any part of such accommodation, nor any interest due thereon shall be remitted without the prior approval of the Monetary Board and any remission without such approval shall be void and of no effect.	N/A	The situation has not arisen.
3 (8)	Disclosures		
3 (8) (i)	The Board shall ensure that: (a) Annual Audited Financial Statements and Quarterly Financial Statements are prepared and published in accordance with the formats prescribed by the supervisory and regulatory authorities and applicable accounting standards, and that (b) such statements are published in the newspapers in an abridged form, in Sinhala, Tamil and English.	Complied	The Financial Statements for the year ended 31 December 2013 and quarterly Financial Statements are in conformity with all rules and regulatory requirements. These statements have been published in the newspapers in all three languages.
3 (8) (ii)	The Board shall ensure that the following minimum disclosures are made in the Annual Report:		
	a) A statement to the effect that the Annual Audited Financial Statements have been prepared in line with applicable accounting standards and regulatory requirements, inclusive of specific disclosures.	Complied	Compliance with applicable accounting standards and regulatory requirements has been reported under the 'Directors' Responsibility for Financial Reporting' on page 175, the 'CEO's and CFO's Responsibility Statement' on page 182 and Note No. 2.1.1 (Statement of Compliance) to the Financial Statements on page 192.
	b) A report by the Board on the Bank's internal control mechanism that confirms that the financial reporting system has been designed to provide reasonable assurance regarding the reliability of financial reporting, and that the preparation of Financial Statements for external purposes has been done in accordance with relevant accounting principles and regulatory requirements.	Complied	Directors' Report on the effectiveness of the internal control system over financial reporting is given under the 'Statement of Internal Control' on pages 178 and 179.
	c) The Assurance Report issued by the Auditors under 'Sri Lanka Standard on Assurance Engagements SLSAE 3050 - Assurance Reports for Banks on Directors' Statement on Internal Control'.	Complied	The Assurance Report issued by the External Auditor on the Internal Control over Financial Reporting based on the auditing framework issued by ICASL is detailed on page 180 of this Report.

Rule No.	Principle	Compliance Status	Comments
	d) Details of Directors, including names, fitness and propriety, transactions with the Bank and the total of fees/remuneration paid by the Bank.	Complied	Please refer 'Board of Directors' on pages 78 to 81 'Directors' Interest in contracts with the Bank' on page 174 and 175 and page 171 for Directors' Remuneration.
	e) Total net accommodation as defined in 3 (7) (iii) granted to each category of related parties. The net accommodation granted to each category of related parties shall also be disclosed as a percentage of the Bank's regulatory capital.	Complied	Please refer page 264 for details of total net accommodation.
	f) The aggregate values of remuneration paid by the Bank to its Key Management Personnel and the aggregate values of the transactions of the Bank with its Key Management Personnel, set out by broad categories such as remuneration paid, accommodation granted and deposits or investments made in the Bank.	Complied	Please refer pages 263 and 264 for details of aggregate values of remuneration paid by the Bank to its Key Management personnel and the aggregate values of the transactions of the Bank with its Key Management Personnel.
	g) A confirmation by the Board of Directors in its Annual Corporate Governance Report that all the findings of the 'Factual Findings Reports' of auditors issued under 'Sri Lanka Related Services Practice Statement 4750' have been incorporated in the Annual Corporate Governance Report, provided that Auditors confirm to the Director of Bank Supervision to this effect.	Complied	Is complied by this Report.
	h) A report setting out details of the compliance with prudential requirements, regulations, laws and internal controls and measures taken to rectify any material non-compliances.	Complied	There were no material non-compliance to prudential requirements, regulations, laws and internal controls affecting the Bank.
	i) A statement of the regulatory and supervisory concerns on lapses in the Bank's risk management, or non-compliance with these Directions that have been pointed out by the Director of Bank Supervision, if so directed by the Monetary Board to be disclosed to the public, together with the measures taken by the Bank to address such concerns.	Complied	There were no supervisory concerns on lapses in the Bank's risk management system or non-compliance with this Direction that have been pointed out by the Director of the Bank Supervision Department of the CBSL and requiring disclosure to the public.



The Bank's adherence to the Code of Best Practice on Corporate Governance issued jointly by The Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission of Sri Lanka (2013) is detailed below with explanatory comments as follows:

Corporate Governance Principle	Rule	Status of Compliance	Details of Compliance
A. THE BOARD DIRECTORS			
Principle A. 1 Every public company should be headed by an effective Board, which should direct, lead and control the Company.	A. 1.1 Board meetings should be held at least once in every quarter of a financial year.	Complied	The Bank is headed by an effective Board of Directors who are responsible and accountable for the functions of the Bank. There have been 12 routine and 6 special Board meetings during 2013 and attendance of Directors at both Board and Committee meetings are detailed on pages 89 and 90 of this Report
	A. 1.2 Role of the Board - provide entrepreneurial leadership within a framework of prudent and effective controls, risks to be assessed and managed.		
	<ul style="list-style-type: none"> formulation and implementation of a sound business strategy; 	Complied	A five year business strategy is in place and has been detailed under Section 3 (1) (i) (b) of the CBSL table on page 93 of this Report.
	<ul style="list-style-type: none"> the Chief Executive Officer and management team possess the skills, experience and knowledge to implement the strategy; 	Complied	The Chief Executive Officer and management team consist of senior bankers with an average experience in the field of banking and finance, of over 24 years.
	<ul style="list-style-type: none"> the adoption of an effective Chief Executive Officer and Key Management Personnel succession strategy; 	In the process of being complied	Please see our comments on the succession strategy detailed under Section 3 (1) (i) (j) of the CBSL table on page 95 of this Report.
<ul style="list-style-type: none"> an effective system to secure integrity of information, internal controls, business continuity and risk management; 	Complied	There is in place an adequate system of internal control. Policies relating to securing information, business continuity and risk management have been approved by the Board. These policies have been reviewed by either Integrated Risk Management Committee and the Board Audit Committee prior to obtaining Board approval. Our Business Continuity Action Plan was rehearsed and used twice for the year.	

Corporate Governance Principle	Rule	Status of Compliance	Details of Compliance
	<ul style="list-style-type: none"> compliance with laws, regulations and ethical standards; 	Complied	<p>There is a procedure in place where every head of department provides the compliance officer with a comprehensive sign off at the end of each quarter. The Compliance Officer submits a status report to the Integrated Risk Management Committee setting out the laws and regulations complied together with any breaches that have occurred.</p> <p>There is also in place a Compliance Policy and Code of Conduct which was last revised and updated by the Board in 2013.</p>
	<ul style="list-style-type: none"> all stakeholder interests are considered in corporate decisions; 	Complied	The Board considers the views/impact on all stakeholders of the Bank when decisions are made at Board meetings.
	<ul style="list-style-type: none"> recognising sustainable business development in corporate strategy, decisions and activities; 	Complied	Sustainable business development is one of the key areas of focus indulged by the Board when taking decisions.
	<ul style="list-style-type: none"> Board approved accounting and compliance with financial regulations; 	Complied	The Board ensures that the approved accounting standards and financial regulations are complied with when Financial Statements are being prepared.
	<ul style="list-style-type: none"> fulfilling such other Board functions as are vital, given the scale, nature and complexity of the business concerned 	Complied	The Board fulfils all such functions as required in carrying out the Groups' operations effectively.
	A .1.3 Approved procedure of the Board to seek independent professional Advice	Complied	Independent professional advice is available, on request, to all Directors at the expense of the Bank. The Internal Code of Corporate Governance which was revised and approved by the Board in 2013, contains the procedure to be followed when a Director or the Board wishes to obtain independent professional advice on any matter.
	A. 1.4 All Directors of the Board to have access to the advice and services of the Company Secretary	Complied	All Directors have access to the advice and services of the Company Secretary. For the year 2013 the Company Secretary has provided assistance to the Directors when requested.

Corporate Governance Principle	Rule	Status of Compliance	Details of Compliance
	A. 1.5 All Directors to bring independent judgment to matters submitted to the Board for its decision.	Complied	All Directors bring their independent judgment to matters discussed at Board meetings. Details of Directors deliberation are contained in the minutes maintained by the Company Secretary.
	A. 1.6 Every Director to dedicate adequate time and effort to matters of the Board <ul style="list-style-type: none"> • sufficient time before a meeting to review Board papers • facilitate call for additional information and clarification • follow up on issues consequent to the meeting • This should be supplemented by a time allocation for familiarization with business changes, operations, risks and controls 	Complied	Board papers are circulated to the Board at least seven days prior to each board meeting. Any requests for additional information is made to the Company Secretary. Relevant member of staff is informed by the Company Secretary and the requisite information is forwarded. All matters that require follow up are discussed at the immediately succeeding Board meeting under 'Matters Arising'. Business heads regularly update the Board on the status and development in their respective fields. The Chief Executive Officer on a regular basis updates the Board on business changes, operational risks and controls relevant to the Bank.
	A. 1.7 Training for new and existing Directors	Complied	New Directors are provided with a comprehensive induction on appointment to the Board. Pleas refer page 92 of this report for the Directors induction and professional development programme of the Board.
Principle A. 2 There are two key tasks at the top of every public company – conducting of the business of the Board, and facilitating executive responsibility for management of the Company's business. There should be a clear division of responsibilities at the head of the Company, which will ensure a balance of power and authority, such that no one individual has unfettered powers of decision.	A. 2.1 There should be a clear division of responsibilities at the head of the Company, which will ensure a balance of power and authority, such that no one individual has unfettered powers of decision	Complied	The posts of Chairman and Chief Executive Officer of the Bank are held by two separate persons and there is a clear division of responsibilities between them thereby maintaining the balance of power between the two roles.

Corporate Governance Principle	Rule	Status of Compliance	Details of Compliance
Principle A. 3 The Chairman's role in preserving good Corporate Governance is crucial. As the person responsible for running the Board, the Chairman should preserve order and facilitate the effective discharge of Board functions.	<p>A. 3.1 The Chairman should conduct Board proceedings in a proper manner and ensure, <i>inter-alia</i>, that:</p> <ul style="list-style-type: none"> the effective participation of both Executive and Non-Executive Directors is secured; all Directors are encouraged to make an effective contribution, within their respective capabilities, for the benefit of the Company; a balance of power between Executive and Non-Executive Directors is maintained; the views of Directors on issues under consideration are ascertained; and the Board is in complete control of the Company's affairs and alert to its obligations to all shareholders and other stakeholders. 	Complied	<p>The Chairman ensures that the affairs of the Board are conducted in an effective manner. He encourages Directors to share their views on matters discussed and ensures the participation of both Executive and Non-Executive Directors and maintains a balance of power between Executive and Non-Executive Directors.</p> <p>The self evaluation process carried out by the Board each year assists the Chairman to effectively carry out his responsibilities by providing him with the required feedback.</p>
Principle A. 4 The Board should ensure the availability within it of those with sufficient financial acumen and knowledge to offer guidance on matters of finance.	A. 4.1 Financial acumen and knowledge	Complied	A majority of the Directors on the Board have financial acumen and knowledge.
Principle A. 5 It is preferable for the Board to have a balance of Executive and Non-Executive Directors such that no individual or small group of individuals can dominate the Board's decision-taking.	<p>A. 5.1 Non-Executive Directors –</p> <p>The Board should include at least two Non-Executive Directors or such number of Non-Executive Directors equivalent to one-third of total number of Directors, whichever ever is higher.</p>	Complied	Nine of the ten Directors on the Board are Non-Executive Directors.



Corporate Governance Principle	Rule	Status of Compliance	Details of Compliance
	<p>A. 5.2 - A. 5.5 Independent Non-Executive Directors –</p> <p>Two or one-third of Non-Executive Directors appointed to the Board of Directors whichever is higher should be 'independent'.</p> <p>For a Director to be 'independent' such Director should be independent of management and free of any business or other relationship that could materially interfere with or could reasonably be perceived to materially interfere with the exercise of their unfettered and independent judgment.</p> <p>A Declaration to be obtained from each Non-Executive Director against the criteria set out in in the Code of Best Practices issued by ICASL and the SEC.</p> <p>Based on the said declaration and other information available to the Board, the Board is required to annually make a determination as to the independence or non-independence of each Non-Executive Director.</p> <p>The Board should specify the criteria not met and basis of its determination in the Annual Report.</p>	Complied	<p>There are nine Non-Executive Directors on the Board as at 31st December 2013. Of them six are independent Non-Executive Directors in terms of the criteria set out in this code.</p> <p>The details of Non-Executive Directors are detailed in page 89 of this Report. Accordingly, the number of independent Non-Executive Directors exceeds one-third of the total number of Directors on the Board.</p> <p>The Board assesses the independence or non-independence of each Non-Executive Director based on a declaration made by each Director to the Company Secretary based on the criteria for independence set out in this Code.</p>
	<p>A. 5.6 Alternate Directors –</p> <p>Executives of the Bank shall not be appointed as Alternate Directors of Non-Executive Directors of the Bank.</p> <p>Any alternate of an independent Director should also meet the criteria of independence.</p> <p>The minimum number of independent Directors should be complied with.</p>	Complied	<p>No formal Alternate Directors have been appointed. Directors appoint Alternate Directors within the rules and Articles of the Bank as and when required for a particular meeting. An Alternate Director of an independent Director is also independent.</p>
	<p>A. 5.7 - A. 5.8</p> <p>The appointment of a Senior Independent Director -</p> <p>A Senior Independent Director is required to be appointed where Chief Executive Officer and Chairman are one and the same person.</p> <p>Such a Senior Independent Director should make himself available for discussions with other Directors.</p>	Not Applicable	<p>The Chief Executive Officer and Chairman are not one and the same person. As such there is no requirement to appoint a Senior Independent Director.</p>

Corporate Governance Principle	Rule	Status of Compliance	Details of Compliance
	A. 5.9 Chairman to meet only with Non-Executive Directors as necessary and at least once each year.	Complied	If required the Chairman has discussions with and/or meets Non-Executive Directors.
	A. 5.10 Recording of a dissenting view - Any dissenting view to be minuted where a matter is not resolved unanimously.	Complied	Dissenting views are recorded in the minutes in detail.
Principle A. 6 SUPPLY OF INFORMATION - The Board should be provided with timely information in a form and of a quality appropriate to enable it to discharge its duties.	A. 6.1 The Board to be provided appropriate and timely information by management.	Complied	Management provides appropriate and timely information to the Board and Directors are encouraged to request further information or clarification where required.
	A. 6.2 Agenda, Board papers and minutes of previous meetings to be circulated 7 days in advance of a meeting.	Complied	Papers are circulated at least 7 days in advance of each meeting of the Board.
Principle A. 7 APPOINTMENTS TO THE BOARD There should be a formal and transparent procedure for the appointment of new Directors to the Board.	A. 7.1 - A. 7.2 A Nomination Committee to be established to make recommendations on new appointments.	Complied	The Board has mandated the Nominations Committee to make recommendations on new appointments to the Board and the Board has documented a detailed procedure in February 2014. Please refer page 135 for the composition of the Nominations Committee
	A. 7.3 Disclosure to shareholders on new appointments to the Board.	Complied	Disclosures are made to shareholders in terms of the Listing Rules issued by the Colombo Stock Exchange (CSE).
Principle A. 8 RE-ELECTION All Directors should be required to submit themselves for re-election at regular intervals and at least once in every three years.	A. 8.1 Non-Executive Directors should be appointed for specified terms and re-election should not be automatic.	Not Complied	Non-Executive Directors are not appointed for specific periods. However, re-election is not automatic and re-appointment of Directors are based on the recommendations of the Nominations Committee.
	A. 8.2 Re-election of Non-Executive Directors	Complied	One third of all Directors of the Board excepting the Chief Executive Officer and Government Nominee Directors retire at an Annual General Meeting. Such Director is eligible for re-election.



Corporate Governance Principle	Rule	Status of Compliance	Details of Compliance
<p>Principle A. 9 APPRAISAL OF BOARD PERFORMANCE</p> <p>Boards should periodically appraise their own performance in order to ensure that Board responsibilities are satisfactorily discharged.</p>	<p>A. 9.1 - A. 9.3 The Board should annually appraise itself on its performance and that of its subcommittees</p>	<p>In the process of being Complied</p>	<p>The Board has in place a self-assessment process which has been detailed under Section 3 (1) (i) (i) of the CBSL table on page 95 of this report.</p> <p>The Board Audit Committee and the Integrated Risk Management Committee have carried out a self-assessment for 2013. Self-assessment for all other committees are being rolled out for the year 2014.</p>
<p>Principle A. 10 DISCLOSURE OF INFORMATION IN RESPECT OF DIRECTORS</p> <p>Principle A. 10 Shareholders should be kept advised of relevant details in respect of Directors.</p>	<p>A. 10.1 Disclosures on Directors in the Annual Report -</p> <p>The Annual Report of the Company should set out the following information in relation to each Director:</p> <ul style="list-style-type: none"> ● name, qualifications and brief profile; ● the nature of his/her expertise in relevant functional areas; ● immediate family and/or material business relationships with other Directors of the Company; ● whether Executive, Non-Executive and/or Independent Director; ● names of listed companies in Sri Lanka in which the Director concerned serves as a Director; ● names of other companies in which the Director concerned serves as a Director, provided that where he/she holds directorships in companies within a Group of which the Company is a part, their names need not be disclosed; it is sufficient to state that he/she holds other directorships in such companies; ● number/percentage of Board meetings of the Company attended during the year; ● the total number of Board seats held by each Director indicating listed and unlisted companies and whether in an executive or non-executive capacity; 	<p>Complied</p>	<p>Details of the Directors are given on pages 78 to 81 Directors' attendance at the Board and Board Sub Committee meetings are given on pages 89 and 90.</p>

Corporate Governance Principle	Rule	Status of Compliance	Details of Compliance
	<ul style="list-style-type: none"> names of Board committees in which the Director serves as Chairman or a member; and number/percentage of committee meetings attended during the year. 		
<p>A. 11 APPRAISAL OF CHIEF EXECUTIVE OFFICER</p> <p>Principle A.11 The Board should be required, at least annually, to assess the performance of the Chief Executive Officer.</p>	A. 11.1 - A.11.2 Setting annual targets and the appraisal of performance of the Chief Executive Officer.	Complied	There is an ongoing process to evaluate the performance of the Chief Executive Officer against the financial and non-financial targets. A formal feedback on the performance of the Chief Executive Officer would be given by the full Board to the Chief Executive Officer.
B. DIRECTORS' REMUNERATION			
<p>Principle B.1 - B.2</p> <p>Companies should establish a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual Directors. The level of remuneration of Directors and Key Management Personnel should be sufficient to attract and retain them.</p>	Remuneration Policy for Directors and Key Management Personnel.	Complied	<p>There is in place a Board approved Remuneration Policy for Directors and Key Management Personnel which has taken into consideration the requirements in this section. Additionally, the Board has established a Human Resources and Remuneration Committee that makes recommendations on remuneration payable to Directors and Key Management Personnel of the Bank.</p> <p>Please refer page 132 for the composition and role of the Human Resources and Remuneration Committee.</p>
B. 3 DISCLOSURE OF REMUNERATION	Principle B. 3 The Bank's Annual Report should contain a Statement of Remuneration Policy and details of remuneration of the Board as a whole.	Complied	Please refer page 171 of the Annual Report for Directors Remuneration and pages 132 and 133 for the Statement of Remuneration Policy.
C. RELATIONS WITH SHAREHOLDERS			
C. 1 Constructive use of the Annual General Meeting (AGM) and conduct of general meetings to communicate with shareholders.	C. 1.1. Companies should count all proxy votes and should indicate the level of proxies lodged on each resolution, and the balance for and against the resolution and withheld, after it has been dealt with on a show of hands, except where a poll is called.	Complied	All proxy votes lodged together with the votes of shareholders present at the AGM are considered for each resolution and duly recorded in the minutes.
	C. 1.2. Separate resolutions to be obtained for substantially separate issues and adoption of Annual Report and Accounts.	Complied	Separate resolutions are obtained for substantially separate issues.



Corporate Governance Principle	Rule	Status of Compliance	Details of Compliance
	C. 1.3. Chairpersons of all Board Sub Committees to be available to respond to questions of any shareholder at AGM.	Complied	All Directors of the Board are present at the Annual General Meeting in order to respond to the questions raised at the Annual General Meeting.
	C. 1.4 - C. 1.5 Adequate notice of all meetings to shareholders together with the summary of the procedure to be adopted by shareholders.	Complied	Notice to shareholders and relevant papers are circulated to shareholders in compliance with the provisions for notice under the Companies Act No. 07 of 2007.
Principle C. 2 The Board should implement effective communication with shareholders.	C.2.1. - C.2.3 The Company to disclose the policy and methodology for timely communication with shareholders and how it is implemented. The process for responding to shareholder matters should be formulated by the Board and disclosed.	Complied	The Board approved Communication Policy deals with communication with shareholders. Additionally contact details were provided in the website & in the Annual Report. Please see page 92 of this report for details relating to engagement with stakeholders.
	C. 2.4. The Company to disclose to shareholders the contact person for communication with shareholders.	Complied	Contact details are provided in the website and in this Report.
	There should be a process to make all Directors aware of major issues and concerns of shareholders, and this process has to be disclosed by the Company.		Shareholder correspondence on major issues are handled by the Chairman who will communicate to the Board of Directors as an when necessary.
Principle C. 3 Further to complying with the requirements under the Companies Act, Securities and Exchange Commission Law and Colombo Stock Exchange Regulations; as applicable, Directors should disclose to shareholders all proposed material transactions, which if entered into, would materially alter/vary the Company's net assets base or in the case of a Company with subsidiaries, the consolidated Group net asset base.	C. 3.1 Disclosure of Major and Material Transactions.	Complied	During 2013, there were no major transactions as defined by Section 185 of the Companies Act No. 07 of 2007 which materially affected the Bank's net asset base. Further all material transactions will be disclosed in the quarterly/annual Financial Statements as well as by way of disclosures made to the CSE.

Corporate Governance Principle	Rule	Status of Compliance	Details of Compliance
D. ACCOUNTABILITY AND AUDIT			
<p>D. 1 FINANCIAL REPORTING</p> <p>Principle D. 1 The Board should present a balanced and understandable assessment of the Company's financial position, performance and prospects.</p>	<p>D. 1.1 The Board's responsibility to present a balanced and understandable assessment extends to interim and other price-sensitive public reports and reports to regulators, as well as to information required to be presented by statutory requirements.</p>	Complied	Please refer pages 167 to 173 of this Report.
	<p>D. 1.2 The Directors' Report, which forms part of the Annual Report, should contain declarations by the Directors to the effect that:</p> <ul style="list-style-type: none"> ● the Company has not engaged in any activity, which contravenes laws and regulations; ● the Directors have declared all material interests in contracts involving the Company and refrained from voting on matters in which they were materially interested; ● the Company has made all endeavours to ensure the equitable treatment of shareholders; ● the business is a going concern, with supporting assumptions or qualifications as necessary; and ● they have conducted a review of the internal controls, covering financial, operational and compliance controls and risk management and have obtained reasonable assurance of their effectiveness and successful adherence therewith, and, if it is unable to make any of these declarations, to explain why it is unable to do so. 	Complied	Please refer pages 167 to 173 of this report.
	<p>D. 1.3 The Annual Report to contain a report/statement:</p> <p>(i) setting out the responsibilities of the Board for the preparation and presentation of Financial Statements, together with a Statement by the Auditors about their reporting responsibilities; and</p> <p>(ii) on Internal Control.</p>	Complied	<p>Please refer pages 176 to 179 of this report</p> <p>Please refer page 183 of Independent Auditors' Report</p> <p>Page 178 to 179.</p>

Corporate Governance Principle	Rule	Status of Compliance	Details of Compliance
	<p>D. 1.4 The Annual Report should contain a 'Management Discussion & Analysis', discussing, among other issues:</p> <ul style="list-style-type: none"> ● industry structure and developments; ● opportunities and threats; ● risks and concerns; ● internal control systems and their adequacy; ● social and environmental protection activities carried out by the Company; ● financial performance; ● material developments in human resource/industrial relations; and ● prospects for the future. 	Complied	Please refer pages 30 to 75 of this report
	D. 1.5 The Directors should report that the business is a going concern, with supporting assumptions or qualifications as necessary.	Complied	Please refer pages 167 of this report
	D. 1.6 In the event the net assets of the Company fall below 50% of the value of the Company's shareholders' funds, the Directors shall forthwith summon an Extraordinary General Meeting of the Company to notify shareholders of the position and of remedial action being taken.	N/A	Likelihood of such occurrence is remote. However, should the situation arise, an Extraordinary General Meeting will be called for and shareholders will be notified.
	D. 1.7 The Board should adequately and accurately disclose the related party transactions in its Annual Report:	Complied	Please see Note 50 on pages 263 to 267 of this report.
	<ul style="list-style-type: none"> ● Each related party should submit signed and dated declaration quarterly mentioning whether they have related party transactions with the Company as defined in this Code; 	Complied	A declaration is obtained from related parties quarterly.
	<ul style="list-style-type: none"> ● It should be the responsibility of the Company Secretary to keep a record on related party transactions and make necessary disclosures accordingly; 	Complied	The Finance Department at the Bank keeps a record of all related party transactions and discloses the same to the Company Secretary and the Company Secretary makes necessary disclosures.

Corporate Governance Principle	Rule	Status of Compliance	Details of Compliance
	<ul style="list-style-type: none"> • There should be a process to capture related parties and related party transactions. This process needs to be operationalized and related party transactions should be properly documented. Further, a report should be presented by the Audit Committee to the Board on identified related parties and related-party transactions on a regular basis; 	In the process of being complied	There is in place a process to capture related party transactions and all related party transactions are documented. A process for disclosure of related parties is being evaluated and discussed.
	<ul style="list-style-type: none"> • A record/register either in hard or soft form on related party and related-party transaction should be maintained by the Company; 	Complied	In addition to the interest register maintained by the Company Secretary, a system generated related party transaction report is available at the Finance Department. Finance Department uses this report for disclosure purposes.
	<ul style="list-style-type: none"> • This record should ensure that the Company captures information to comply with the respective related party disclosure requirements imposed by SEC/Accounting Standards/Auditing Standards and similar regulations. 	Complied	The Bank has in place an internal system to capture information relating to related party transactions which is currently being reviewed and updated.
Principle D.2 The Board should have a process of risk management and a sound system of internal control to safeguard shareholders' investments and the Company's assets. Broadly, risk management and internal control is a process, affected by a Company's Board of Directors and management, designed to provide reasonable assurance regarding the achievement of a Company's objectives.	D. 2.1 Directors to conduct an annual review of internal controls through the Board Audit Committee	Complied	The committee reviews the effectiveness of the Bank's internal control system and the Chief Executive Officer's quarterly information on the internal control environment. Additionally, the Committee also assesses the effectiveness of the Bank's internal controls over financial reporting. The result of the assessment is given on pages 178 and 179 in the Directors Statement on Internal Control in the Annual Report. The External Auditors have also issued an Assurance Report on Directors Statement on Internal Control. The report is given on page 180 of this Report.
	D. 2.2 The Bank should have an internal audit function	Complied	The Bank has a fully-fledged Internal Audit Department which reports to the Board Audit Committee.



Corporate Governance Principle	Rule	Status of Compliance	Details of Compliance
	D. 2.3 The Board should require the Audit Committee to carry out reviews of the process and effectiveness of risk management and internal controls, and to document to the Board and Board takes the responsibility for the disclosures on internal controls.	Complied	The Board Audit Committee Report on pages 138 to 140 specifies the process carried out in relation to receiving the effectiveness of Risk Management and Internal Controls.
	D. 2.4 The Schedule K to this document contains guidance on the responsibilities of Directors in maintaining a sound system of internal control and the contents of the Statement of Internal Control.	Complied	Please refer the Board Audit Committee Report and the Directors Statement on Internal Control in relation to compliance with this requirement.
Principle D. 3 The Board should establish formal and transparent arrangements for considering how they should select and apply accounting policies, financial reporting and internal control principles and maintaining an appropriate relationship with the Bank's External Auditors.	D. 3.1 Composition of Audit Committee.	Complied	All members of the Board Audit Committee, including the Chairman are Non-Executive Directors of which a majority are independent. Details of the committee members and invitees are found on page 138 in this Annual Report under the caption of 'Composition of the Board Audit Committee'.
	D. 3.2 The duties of the Audit Committee.	Complied	As stated in the Report of the Board Audit Committee of the Bank on pages 138-140 on the Annual Report, Board Audit Committee regularly reviews the scope, results and effectiveness of the audits carried out. It also ensures the balance amongst objectivity, independence and value for money of the services provided by the Bank's External Auditors, with special attention to provision of non-audit services by the External Auditors.
	D. 3.3 Terms of Reference of the Audit Committee.	Complied	Terms of Reference of the Board Audit Committee is clearly defined in the Charter of the Audit Committee approved by the Board of Directors, which was last revised and updated in November 2013. This clearly explains the purpose of the committee, its duties and responsibilities together with the scope and functions of the committee. The committee mainly deals with matters pertaining to statutory and regulatory compliance in financial reporting and matters with regard to the External Auditors and Internal Audit.

Corporate Governance Principle	Rule	Status of Compliance	Details of Compliance
	D. 3.4 Disclosures regarding Audit Committee.	Complied	Names of the members of the Audit Committee are given on pages 138 under the heading 'The Composition of the Board Audit Committee' and disclosure on the independence of the Auditors is found on page 139 under the section on 'External Audit' in the 'Board Audit Committee Report' on pages 138 to 140.
Principle D. 4. Companies must adopt a Code of Business Conduct and Ethics for Directors, and Key Management Personnel and must promptly disclose any waivers of the Code for Directors or others.	D. 4.1. Code of Conduct to be developed for Directors and Senior Management.	Complied	The Internal Code of Corporate Governance details matters relating to Directors and Key Management Personnel and best practices relating to their business conduct and ethics. In addition, the Bank's Code of Conduct was reviewed and updated in the year 2013 to ensure that the Bank stays ahead of the best practices related to business conduct and ethics.
	D. 4.2. Affirmative declaration by Chairman of compliance with Code of Business Conduct and Ethics.	Complied	Is complied by this report.
Principle D. 5. CORPORATE GOVERNANCE DISCLOSURES Directors should be required to disclose the extent to which the Company adheres to established principles and practices of good corporate governance.	D. 5.1. Disclosure of corporate governance	Complied	The requirement is met through the presentation of the report.
E. INSTITUTIONAL INVESTORS			
Principle E. 1 Institutional shareholders have a responsibility to make considered use of their votes and should be encouraged to ensure their voting intentions are translated into practice.	E. 1. Shareholders' voting.	Complied	The Annual General Meeting is used as an effective channel to create a dialogue between the shareholders and the Board of Directors. Also the Chairman ensures effective communication with stakeholders through investor's forums that are held each year and through a continuous dialogue held with institutional investors. The Chairman thereafter apprises members of the Board of the views of major investors and other key stakeholders.

Corporate Governance Principle	Rule	Status of Compliance	Details of Compliance
Principle E. 2 When evaluating Companies' governance arrangements, particularly those relating to Board structure and composition, institutional investors should be encouraged to give due weight to all relevant factors drawn to their attention.	E. 2 Evaluating the corporate governance initiatives	Complied	Institutional investors are encouraged to give due weight to all relevant factors in Board structure and composition.
F. OTHER INITIATIVE			
Principle F. 1 Individual shareholders, investing directly in shares of companies should be encouraged to carry out adequate analysis or seek independent advice in investing or divesting decisions.	F. 1 Investing/Divesting decision.	Complied	Individual shareholders are encouraged to carry out adequate analysis or seek independent advice on their investing, holding or divesting decision.
Principle F. 2. Individual shareholders should be encouraged to participate in General Meetings of companies and exercise their voting rights.	F. 2 Shareholder Voting.	Complied	Individual shareholders are encouraged to participate at the Annual General Meeting and exercise their voting rights.
G. SUSTAINABILITY REPORTING			
Principle G. 1.1 The principle of economic sustainability governance recognizes how organizations take responsibility for impacts of their strategies, decisions and activities on economic performance and corporate citizenship in their sphere of influence (including geographic) and how this is integrated throughout the organization.	G. 1.1. Economic sustainability.	Complied	Please refer page 30 for details.
Principle G. 1.2 Environmental Governance of an organisation should adopt an integrated approach that takes into consideration the direct and indirect economic, social, health and environmental implications of their decisions and activities, including pollution prevention, sustainable resource use, climate change, protection of environment, bio-diversity and restoration of national resources.	G. 1.2. Environmental Governance.	Complied	Please refer page 69 for details.
Principle G. 1.3 Labour practices governance of an organisation encompass all policies and practices relating to work performed by or on behalf of the organization.	G. 1.3. Labour Practice.	Complied	Please refer page 61 for details.

Corporate Governance Principle	Rule	Status of Compliance	Details of Compliance
Principle G. 1.4 Society governance encompasses support for and building a relationship with the community and striving for sustainable development including responsible public policy participation, fair competition and responsible community involvement.	G. 1.4 Society Governance.	Complied	Please refer page 69 for details.
Principle G. 1.5 Product responsibility Governance includes manufacturing quality products and distributing them and ensuring that the products are safe for the consumers and the environment and also communicating clearly with consumers so that they can make an informed choice including factual unbiased information and fair contractual practices and consumer data protection and privacy.	G. 1.5 Product Responsibility.	Complied	Please refer page 55 for details.
Principle G. 6 - Stakeholder identification, engagement and effective communication Internal and external stakeholder groups should be identified in relation to the Company's sphere of influence, impact and implication. Communications should be proactive and transparent. The communication with stakeholders should include reporting on economic, social and environmental issues and be relevant, material, comparable with past performance and should be well-presented focusing on substance over form.	G. 1.6 Stakeholder identification, engagement and effective communication.	Complied	Please refer page 24 for details.
Principle G. 7 Sustainable reporting and disclosure should be formalized as part of the Company's reporting processes and take place on a regular basis.	G. 7 Sustainable Reporting and Disclosures	Complied	Please refer pages 20 to 75 for details.