

Report of the Board Selection and Nomination Committee

The Board Selection and Nomination Committee (BS & NC) carried out its activities during the year within the scope of its Terms of Reference in conformity with the directions of Banking Act Direction No. 12 of 2007 on Corporate Governance for Licensed Specialised Banks in Sri Lanka (as amended) and the Code of Best Practices on Corporate Governance (2017) jointly issued by Securities and Exchange Commission of Sri Lanka (SEC) and The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka).

Composition of the BS & NC

The Board Selection and Nomination Committee comprises three (03) Non-Executive Directors (of which a majority are Independent) appointed by the Board of Directors of the Bank. During the year 2019, the following Directors served on the BS & NC:

- Mr Lakshman Abeysekera – Senior Director/Chairman (BS & NC), Independent, Non-Executive Director
- Ms Samadanie Kiriwandeniya – Chairperson, Non-Independent, Non-Executive Director
- Prof Sampath Amaraturunge – Independent, Non-Executive Director

The Company Secretary functions as the Secretary to the BS & NC.

Primary objectives of the BS & NC

The BS & NC was established to assist the Board of Directors in fulfilling its role and responsibilities with regard to the selection and appointment of Independent Directors, election and re-election of Non-Independent Directors, and appointment of Chief Executive Officer and other Key Management Personnel of the Bank.

Responsibilities of the BS & NC

The BS & NC is responsible for reviewing the composition of the Board and Board Subcommittees with a view to ensure that they are properly constituted and well-balanced in terms of experience, expertise, skills and diversity. Further, the BS & NC is mandated:

- To ensure the implementation of the Board approved policy and procedure in selection and nominations of new Directors and Key Management Personnel of the Bank and to make recommendations regarding such appointments.
- To recommend the reappointment/re-election of current Directors considering the performance and contribution made by such Directors towards the overall discharge of responsibilities of the Board.
- To review and determine the criteria such as qualifications, experience and key attributes, required for the eligibility for appointment of CEO and appointment/promotion for other Key Management Positions.
- To ensure that the Directors, CEO and other Key Management Personnel are fit and proper persons to hold such positions as required by the Banking Act and applicable statutes.
- To consider from time to time the requirement of additional/new skills and expertise at the Board level and make suitable recommendation to the Board, to mobilise such skills and expertise.
- To put in place a proper succession plan for retiring Directors and Key Management Personnel with a view to ensure the uninterrupted and smooth functioning of all aspects of the Bank's operations and decision-making process in the long run and business continuing in unforeseen situations.

The Terms of Reference of the Board Selection and Nomination Committee was adopted by the Board in 2012 and it was further reviewed and refined in 2019.

Meetings of the BS & NC and its effectiveness

The Committee met seven (07) times during the year under review and it focused mainly on the following:

- **Board composition** – Identified the skills required and recommended the appointment of one new Director with expertise in Credit, Finance Auditing and Co-operative aspects.
- **Re-election of Directors** – The Board Selection and Nomination Committee assessed the contribution made by the Directors who were retiring by rotation and made its recommendation to the Board to be submitted for re-election, by the shareholders at the AGM. Board Selection and Nomination Committee also recommended suitable Directors to fill the vacancies in place of retiring Directors.
- **Filling the skills gaps in the Key Management Team** – The Board Selection and Nomination Committee continuously reviewed the required skills and experience at the Top Management level and made recommendations to the Board with regard to the appointment of Key Management Personnel.
- **Succession plan** – The Board Selection and Nomination Committee along with the Chief Executive Officer of the Bank reviewed and analysed the expertise required and available at Corporate and Senior Management level and specially discussed the succession plan for Key Management Personnel's with a view to identify and develop potential candidates for such posts. Reviewed and discussed the process and overall methodology for a succession plan and a contingency plan for Key Management Personnel.
- **Job grading** – Parallel to the job evaluation and grading exercise carried out, the Board Selection and Nomination Committee evaluated candidates and elected to fill the posts of Deputy Chief Executive Officer, DGM – Technology and Operations, Chief Internal Auditor, Head of Human Resources and Head of Finance. Company Secretary was promoted to the DGM grade and Head of IT, Head of Credit, Head of Legal, Head of Treasury and Head of System and Operations were also promoted to the AGM grade. Further, compliance officer also promoted to the Chief Manager grade.
- With the retirement of former GM/CEO on 28 February 2019, new Chief Executive Officer was appointed and approved by the Board of Directors on 3 January 2019, with the recommendation of BS & NC held on 31 December 2018.

For and on behalf of the Board Selection and Nomination Committee,



Lakshman Abeysekera
Chairman/Senior Director
Board Selection and Nomination Committee

26 February 2020
Colombo, Sri Lanka