

MERCHANT BANK OF SRI LANKA & FINANCE PLC



Terms of Reference
Nomination & Governance Committee

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Merchant Bank of Sri Lanka & Finance PLC ("MBSL")
Terms of Reference
Nomination & Governance Committee ("NGC")

1. Introduction

The Nomination and Governance Committee (NGC) is constituted and established by the Board of Directors ("Board") of Merchant Bank of Sri Lanka & Finance PLC ("MBSL") in compliance with the requirements set out in Section 10.1(a) of the Finance Business Act – Corporate Governance Direction No. 05 of 2021 issued by the Central Bank of Sri Lanka, and Section 9.11 of the Colombo Stock Exchange (CSE) Listing Rules.

The Committee is responsible for assisting the Board in leading a transparent, structured, and merit-based process for the appointment and re-appointment of Directors and Senior Management. The Committee shall also ensure that effective plans are in place for the succession of the Board and Senior Management, while overseeing the development and maintenance of a competent succession pipeline that supports the long-term strategic objectives of the Company and sound Governance.

2. Membership

- 2.1 Members of the Committee shall be appointed by the Board and shall be made up of at least three (03) non-executive directors, the majority of whom should be independent non-executive directors.
- 2.2 Only members of the Committee have the right to attend Committee meetings. However, other individuals such as any other Board member and/or any member from the senior management and/or external advisers may be invited to attend for all or part of any meeting, as and when appropriate.
- 2.3 The Board shall appoint the NGC Chairman who should be an independent non-executive director.

3. Quorum and Meeting Guidelines

- 3.1 The quorum necessary for the transaction of business shall be two (02) members.
- 3.2 The NGC shall meet as frequently as circumstances dictate, but at least annually. The Chairman of the NGC shall set meeting agendas consistent with these TOR.
- 3.3 A member of the NGC shall excuse himself/herself from the meeting during discussions or deliberations of any matter which gives rise to an actual or perceived conflict of interest situation for him/her.
- 3.4 A member of the NGC may participate in a meeting by means of a telephone conference or video conference or any other means of audio-visual communications and the person shall be deemed to be present in person at the meeting and shall be entitled to vote or be counted in a quorum accordingly.

- 3.5 Meetings of the NGC shall be convened by the Secretary of the NGC at the request of the Chairman of the NGC.
- 3.6 Minutes of NGC meetings shall be circulated to all members of the Committee. Once approved, minutes should be submitted to the following Board meeting for ratification within a reasonable time period.

4. Secretary

The Company Secretary Shall be as the Secretary of the NGC.

5. Duties and Responsibilities

- 5.1 Ensure that, there are formal and transparent policies and procedures to evaluate/select/appoint and re-appointment of new directors to the Board and positions of senior management. (Senior management are to be appointed with the recommendation of Chief Executive Officer, excluding Chief Internal Auditor, Chief Risk Officer and Compliance Officer.
- 5.2 Ensure that directors and senior management are fit and proper persons to perform their functions as per the Finance Business Act (Assessment of Fitness and Propriety of Key Responsible Persons) Direction and Section 9.7.3 of the Listing rules issued by the CSE.
- 5.3 Review the Board Structure, size and composition of the Board and Board Sub Committees with regard to effective discharge of duties and responsibilities within the guidelines given by the regulatory authorities and make recommendation.
- 5.4 Ensure that the Board composition is not dominated by any individual or a small group of individuals in a manner that is detrimental to the interests of the stakeholders and the FC as a whole.
- 5.5 Set the Criteria, such as qualifications, experience and key attributes required for eligibility, to be considered for appointment to the post of CEO and senior management.
- 5.6 Assign the responsibility to the Company Secretary to disclose to shareholders: (i) a brief resume of the director; (ii) the nature of the expertise in relevant functional areas; (iii) the names of companies in which the director holds directorships or memberships in Board committees; and (iv) whether such director can be considered as independent, upon the appointment of a new director to the Board.

- 5.7 Consider and recommend (or not recommend) the reelection of current directors, taking into account the combined knowledge, performance towards Strategic demands faced by the Company and contribution made by the director concerned towards the discharge of the Board's overall responsibilities.
- 5.8 Consider and recommend from time to time, the requirements of additional/new expertise and the succession arrangements for retiring directors and senior management.
- 5.9 Review the criteria for identifying Independent Non-Executive Directors laid down by the applicable statutes, rules, and regulations.
- 5.10 Establish and maintain a suitable process for the periodic evaluation of the performance of Board of Directors and the CEO of the company to ensure that their responsibilities are satisfactorily discharged.
- 5.11 Review and recommend the overall corporate governance framework of the company taking into account the Listing Rules of the Exchange, CBSL directions, other applicable regulatory requirements.
- 5.12 Receive reports from the Management on compliance with the corporate governance framework of the company including the company's compliance with provisions of the SEC Act, Listing Rules of the Exchange and other applicable laws, together with any deviations/non-compliances.
- 5.13 Recommend suitable orientation/induction, educational and training programmes to continuously train and equip the existing and new Directors.
- 5.14 Committee shall have the authority to perform any other activities it deems appropriate and consistent with these TOR.

6. Reporting Responsibilities

- 6.1 The NGC Chairman shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.
- 6.2 The NGC shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- 6.3 The NGC shall produce a report to be included in the company's Annual Report describing the work of the NGC during the relevant period.

7. Powers and Authority

- 7.1 NGC is authorized to seek any information it requires from any employee of MBSL in Order to perform its duties.

- 7.2 The NGC is authorized to obtain, at the Company's expense, outside legal or Other professional advice on any matters within its scope.

8. Meetings

- 8.1 The Committee shall meet as frequently as circumstances dictate.
- 8.2 The chair shall preside at all meetings of the Committee. The agendas for the meetings shall be set under the direction of the chair.
- 8.3 The agenda and supporting documents will be circulated to the committee members at least five (5) calendar days in advance of the meeting.

9. Circular Resolutions

- 9.1 The Committee may deal with matters by way of circular resolution in lieu of committee meeting;

A resolution in writing signed by majority of members of the committee shall be as valid and effective as it had been passed by a committee meeting duly called and constituted. The decision shall be presented at the next subsequent committee meeting, for noting and minutes.

- 9.2 Consent from the committee Chairman shall be obtained prior to the issuing of any circular resolution.

10. Minutes

- 10.1 The secretary of the Committee shall maintain minutes and other relevant records of the meetings and activities of the Committee.
- 10.2 Minutes shall be maintained in written form and signed by the Committee Chairman.
- 10.3 The Minutes of the meetings of the Committee shall be circulated to all members of the committee and subsequently ratified by the Board.
- 10.4 The minutes of the shall be available for review by the Board and any regulatory authority having authority over the affairs of the organization (eg: CBSL).
- 10.5 Meeting minutes shall include; date and time of the meeting, attendees, agenda items, points discussed and the decisions taken.

11. Annual Performance Evaluation

The Committee shall perform a review and evaluation, at least annually, of the performance of the Committee and its members, including a review of the compliance of the NGC with these TOR. The Committee shall conduct such evaluations and reviews in such a manner as it deems appropriate.

12. Revision of TOR

- 12.1 This TOR should be reviewed at least every two years or should be updated as and when required to accommodate any changes in regulatory or other requirements.
- 12.2 Any revision or amendment to this TOR as proposed by the NGC shall be presented to the Board for its review and approval.
- 12.3 Upon the Board's approval, the said revision or amendment shall form part of this TOR and shall be considered duly revised or amended.