



## Report on Corporate Governance

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The Bank of Ceylon - Maldives received the banking license under the Maldives Monetary Authority Act No. 6/81 of 1981 on 7th May 1981 in the Republic of Maldives. The principal place of business is situated at 12, Boduthakurufaanu Magu, Male', Republic of Maldives. The Bank is a branch of Bank of Ceylon, fully owned by the Government of Sri Lanka. The commercial operations of the Bank commenced on 7th May 1981.

The Bank is engaged in providing a comprehensive range of financial services encompassing accepting deposits, retail banking, trade financing, corporate and retail credit, project financing, development banking, money remittance facilities, dealing in Government securities and treasury-related products and salary remittance package services, in the Republic of Maldives.

## Chairman's Message on Corporate Governance



Corporate governance is a critical aspect of the Bank of Ceylon's operations and the Bank's governance framework was of paramount importance during the year under review, in the face of myriad operational and market challenges.

The Bank's stringent systems and processes comply with the protocols required of a State Bank, and are in line with regulatory requirements and best practices. They also reflect the Bank's values, and are geared toward meeting the short and long-term strategic goals of the Bank, while upholding the needs of our stakeholders. This governance framework enabled the Bank to function with agility and responsibility in the dynamic and disruptive business environment that Sri Lanka experienced in the last year.

The Bank's Board comprises a team of accomplished professionals, appointed after undergoing a rigorous vetting process. The strategic leadership, stringent oversight, and compliance-based controls exercised by the Board was pivotal in ensuring stability of the Bank during the year. Working closely with the Bank's Corporate Management, the Board and its committees were able to provide strategic guidance and consultation on priority issues. Sound Risk Management was a key focus area of governance for the Bank during the year, as Board Committees and Steering Committees worked diligently to ensure best resilience and stability of the Bank. Twenty four main Board Meetings were held during the year, ensuring the Board was able to respond to ongoing challenges and changes in the business environment.

## Compliance

This Report outlines the Bank's approach to governance in practice and continued compliance with corporate governance regulations and best practices.

## Way Forward



The Board is committed to guiding the Bank of Ceylon on a stable trajectory in the year ahead, ensuring it is true to its ethos, and continues to deliver outstanding value to all stakeholders. As the Bank continues to invest in digitalization and endeavors to strengthen our digital offering to customers, we welcome the appointment of Professor Kithsiri Liyanage to the Board and the wealth of experience he brings with regard to public administration

and the digital sphere. Additionally, we look forward to working closely with our subsidiaries and associates to leverage synergies and drive growth that will create further value for our diverse stakeholders. In line with global best practices, we also remain dedicated to continuous scale-up of Environmental and Social screening practices, and supporting Sri Lanka's economy, businesses, and communities as they navigate challenging conditions ahead.



Ronald C Perera PC  
Chairman

## Governance Outcomes and Highlights in 2022

In 2022, in line with the Country's fiscal and macroeconomic circumstances, Bank of Ceylon and the financial sector faced unprecedented challenges. In this context, the Bank's governance procedures were tested, and were pivotal in allowing the BoC to navigate difficult conditions while providing concerted support to customers and other stakeholders. The Board upheld its supervisory duties by intensifying engagement, reinforcing risk management practices, and proactively monitoring the operating environment.

In response to significant changes to the operating environment and newly introduced internal processes, the Bank reviewed and updated all policies during the year, including a review of the proposals made to amend Bank of Ceylon Ordinance, in consideration of input from the Central Bank of Sri Lanka (CBSL).

## In-depth Consultation on Forex and Rupee Liquidity

In light of sovereign default, fluctuating exchange rate, and newly imposed high-interest rate regime, the Board consulted closely on FOREX and rupee liquidity of the Bank. New measures were instituted to manage liquidity by close monitoring and diligent oversight that helped secure Bank of Ceylon's financial position. Special supervisory committees were established to scrutinise foreign currency outflows, revisit and revise counterparty and country limits, manage FCY/LCY liquidity, and closely monitor the Bank's liquidity position.

## Risk Management

Alongside continued investment in the Bank's Risk Management operations, a major feature of the Bank's governance involved closer monitoring and oversight through the Risk Committee and the ICAAP Steering Committee; ensuring stress testing was conducted regularly and effectively in line with the Stress Testing Policy, and risk appetite was adhered to in the form of limits and guidelines. The Bank also widened the scope of monitored

risks to increase focus on liquidity risk, interest risk, and environmental and social risks. Risk reporting to the Board was strengthened, with special focus on the liquidity and interest rate risk.

## Strategic Oversight

The annual strategy workshop was held and short-to-medium term strategic targets and action plans were refined in line with the market conditions. The Board reviewed performance of the Bank against the Corporate Plan.

## Environmental and Social Sustainability


Environmental and social screening practices were expanded during the year, to cover all project financing facilities. The Bank's ESMS Policy was reviewed in line with changes to the operating context and global best practices.

## Governance Philosophy and Framework


Bank of Ceylon, as an integral part of Sri Lanka's social fabric and financial sector, acknowledges its responsibility to ensure the smooth operation of the Country's banking system while meeting the needs of diverse stakeholders. The Bank's goal of becoming a digitally enabled, future-proof organization is supported by a sound governance philosophy, which focuses on understanding risks, managing resource allocation, and creating sustainable value.

The Bank's governance framework is in line with regulatory requirements and global best practices, while also addressing the varied needs of stakeholders and balancing short and long-term outcomes, especially as a state-owned Domestic Systemically Important Bank.


## Primary Responsibility of Leadership



Setting strategic direction and providing oversight on progress



Establishing robust risk management frameworks

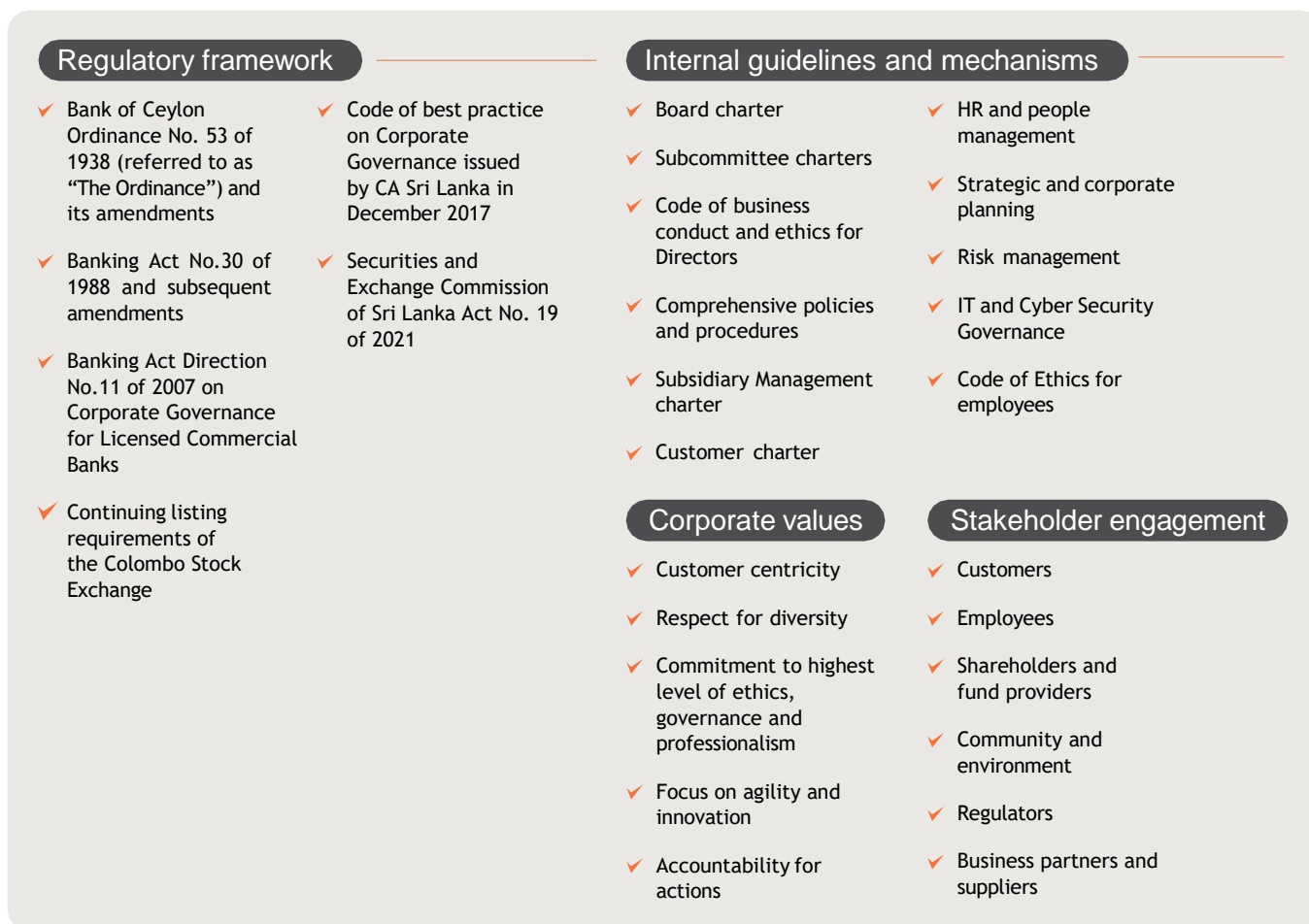
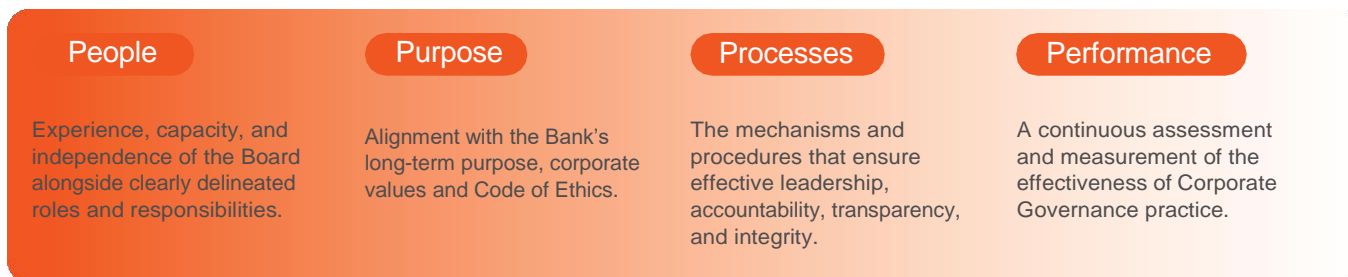


Safeguarding the Bank's reputation



Ensuring compliance with regulations, policies, standards, and procedures

## Key Elements of the Governance Framework

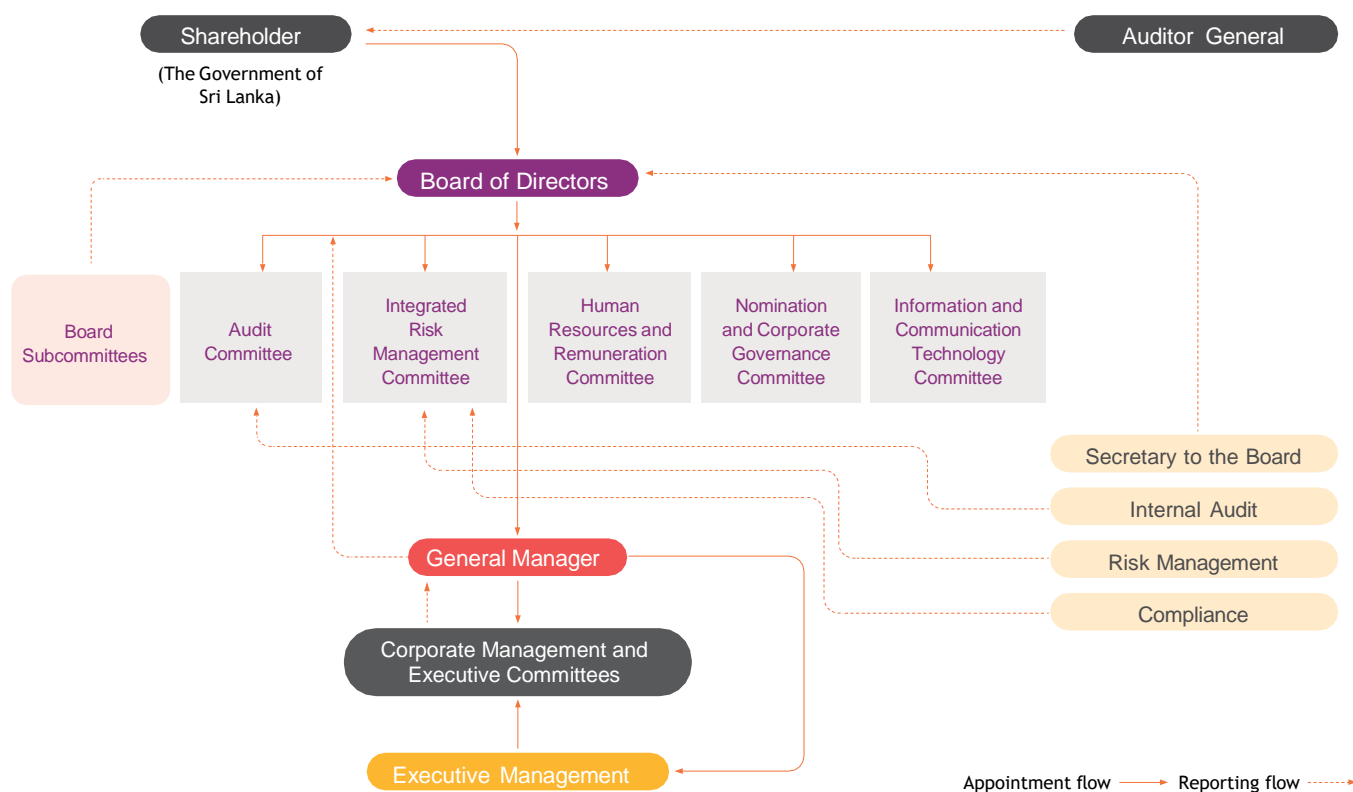


## Governance Structure

The Board of Directors is supported by subcommittees that provide oversight on matters delegated to them, including audit, nominations, remuneration, risk management, and information and communication technology, among

other areas. This arrangement enables the Board to focus on strategic agenda items. The Chairperson of each committee reports on their respective activities and recommendations during Board meetings, and these are approved by the Board. The day-to-day management of the Bank is delegated

to the Management Team, which is led by the General Manager. In addition, the Bank has established several executive-level committees with clearly defined mandates and responsibilities. For more information on the Board subcommittees and executive committees, refer page 4.



## Approach to Governance

The Bank's approach to governance is reflected through four key elements of the Bank's corporate governance framework: People, Purpose, Processes, and Performance.

## People

The Bank ensures the right people are appointed to the right places, and equipped with the right tools to ensure operationalising of sound corporate governance. In this regard, the following section details the experience, capacity, and measure of independence of the Board, delineation of roles and responsibilities, and processes for board appointment, induction, and director training.

## Composition of the Board

The Board of Directors should consist of six Directors but in the year 2022, the Board consisted of four Directors from February 2022. The Directors on

the Board however brought a diverse mix of skills, experiences, and expertise. All Directors serve in a Non-Executive capacity, with one of them, an Ex officio position on the Board held by a representative from the Ministry in charge of finance only being non-independent. The composition of the Board is established in the Ordinance, and the relevant Minister responsible for state banks appoints the Directors. The Board remained unchanged throughout the year, ensuring continuity of vision, collective thinking, and approach during a challenging period. Two Directors completed their terms and ceased to be Directors in January 2023. A new Chairman and a Director was appointed and another nomination made is pending the approval of the Central Bank of Sri Lanka.

## Separation of Roles and Responsibilities

Bank of Ceylon guarantees clarity in roles and effective segregation of responsibilities through the Board Charter, which explicitly outlines the roles and responsibilities of the Board. The Chairman of the Board is a Non-Executive Director and provides leadership to the Board, while the General Manager leads the executive leadership team and does not hold a Board position. This separation ensures clarity in roles and effective decision-making. Additionally, no single Director holds unrestricted power in the decision-making process.

## Independence of the Board

Assessment of independence of Directors follows guidelines set forth by the CBSL. As at the end of 2022, three Directors of the four members were considered independent.

# Corporate Governance

## Board Appointment and Induction

The Minister responsible for state banks appoints Board members, subject to approval from the CBSL in line with criteria for fitness and propriety. Under the new Securities and Exchange Commission of Sri Lanka (SEC) Act No. 19 of 2021, the SEC also approves new Board appointments. Any resignations or removals of Directors are also brought to the attention of the same Minister, while the CBSL and Colombo Stock Exchange (CSE) are kept informed of any changes to the Board. A Policy of Appointment of Directors is in place as adopted by the Bank and shares with the appointing authority indicating the required skills, experience etc. to the Board.

## Board Induction and Director Training

All new Directors receive a tailored induction that focuses on the Bank's governance framework, culture and values, structure, operations, and strategy. There were no changes to the Board induction process in 2022.

- Induction packs include an overview of the Bank, details on the governance framework (such as organisational

structures, charters, etc.), regulatory frameworks, and details of the corporate management team and Board support framework, among others.

- A presentation by the General Manager details the Bank's history, business model, organisational structure, business verticals, and support functions.
- Further one-on-one meetings and departmental visits are scheduled as necessary or on request.

The Bank ensures Directors have access to training programmes that equip them with the necessary knowledge to effectively carry out their responsibilities. These programs typically include refreshers on relevant laws and regulations, updates on standards and codes, and emerging trends in the industry.

However in year 2022, Directors did not attend any external training programmes.

The Board remained informed of relevant developments through active engagement with the management team, who were invited to provide input at Board meetings, as well as through the circulation of board papers and other pertinent information via an electronic system. The Policy

for Directors' Access to Independent Professional Advice also allows for external expert input at the Bank's expense.

## Processes

A core element of the Bank's governance framework are the processes and procedures that promote effective leadership and control, while also fostering accountability, transparency, and integrity.

## Policy Framework

The Bank has a comprehensive policy framework in place to ensure uniform treatment of strategic and operational aspects. The framework is regularly reviewed and updated to ensure alignment with changing internal and external factors. The Bank's policies cover various areas, including HR, Risk Management, Governance and Board procedures, digitalisation, investments, and more.

In 2022, apart from a review and update of all existing policies, the Board approved a new policy on remote-working/Work-From-Home (WFH), reflecting changes to the world of work in the post-pandemic era.

## Key Policies Introduced/Revised

### Risk Management

- ✓ Credit Risk Management Policy
- ✓ Country Risk Management Policy
- ✓ Stress Testing Policy
- ✓ Risk Management Policy
- ✓ ICAAP Policy (Internal Capital Adequacy Assessment Process)
- ✓ Operational Risk Management Policy
- ✓ Fraud Risk Management Policy

### Managing People

- ✓ Training and Development Policy
- ✓ Scheme of Recruitment
- ✓ Human Resource Policy
- ✓ WFH Policy
- ✓ Exit-interview Policy

### Information Technology

- ✓ E-Waste Management Policy
- ✓ Information Security Policy

### Sustainability

- ✓ ESMS Policy
- ✓ Governance Policy
- ✓ Customer Complaint Handling Policy and Procedures

## Board Subcommittees

The Board subcommittees' responsibilities and procedures are outlined in their respective Terms of Reference. Chairpersons of these subcommittees are responsible for ensuring they function effectively and report on their activities to the Board. In the year under review, all subcommittee Terms of Reference were reviewed and updated.

### Audit Committee

Reviews the Bank's financial reporting process including internal controls, internal and external audit.

### Information and Communication Technology (ICT) Committee

The committee maintains oversight responsibility for IT products, services, policies, practices and infrastructure.

### Nominations and Corporate Governance Committee

Responsible for implementing procedures to select or appoint Senior Management persons, implement the code of ethics, and improve corporate governance practices.

### Integrated Risk Management Committee (IRMC)

Responsible for risk management including credit, market, operational, liquidity, cyber/IT, strategic, reputational risks, and ESG risk, and ensuring compliance with the risk management policy framework and relevant laws and regulations.

### Human Resource and Remuneration Committee

Responsible for the Remuneration Policy, setting objectives and evaluating performance of Key Management Personnel (KMP), and determining the Bank's HR policy.

## Executive Committees

### Bank of Ceylon Executive Committees

Assets and Liabilities Management Committee (ALCO)	Committee dealing with Operational Losses	Damage Assessment and Restoration Committee (DARC)	Committee for Investment in Government Securities
Branches Division Credit Committee	Corporate Information Security Committee	HR Policy Committee	IT Steering Committee
Business Continuity Coordinating Committee	Corporate Management Committee	Idle Assets Committee	Marketing Committee
Business Continuity Implementation Committee	Corporate Strategies Review Committee	Internal Capital Adequacy Assessment Process Steering Committee	Non-Performing Assets Review Committee (NPAC)
Business Continuity Management Alternative Committee (BCMAC)	Credit Committee	Investment Committee	Operational Risk Management Executive Committee
Reward and Recognition Policy Committee (RRPC)	Scholarship Programme Selection Committee (Review Committee)	Scholarships Committee	Sustainability Committee
Steering Committee of TVBOC	Working Committee of TVBOC	Technical and Operational Committee	

## Risk Oversight

The Board is responsible for formulating robust risk management policy and overseeing the Bank's risk management and internal control frameworks. The Integrated Risk Management Committee (IRMC) and Audit Committee assist the Board in fulfilling its risk management and internal control obligations. In light of prevailing economic stresses in 2022, the Board prioritised the Bank's credit risk, liquidity risk, interest risk, and environmental and social risk management functions.

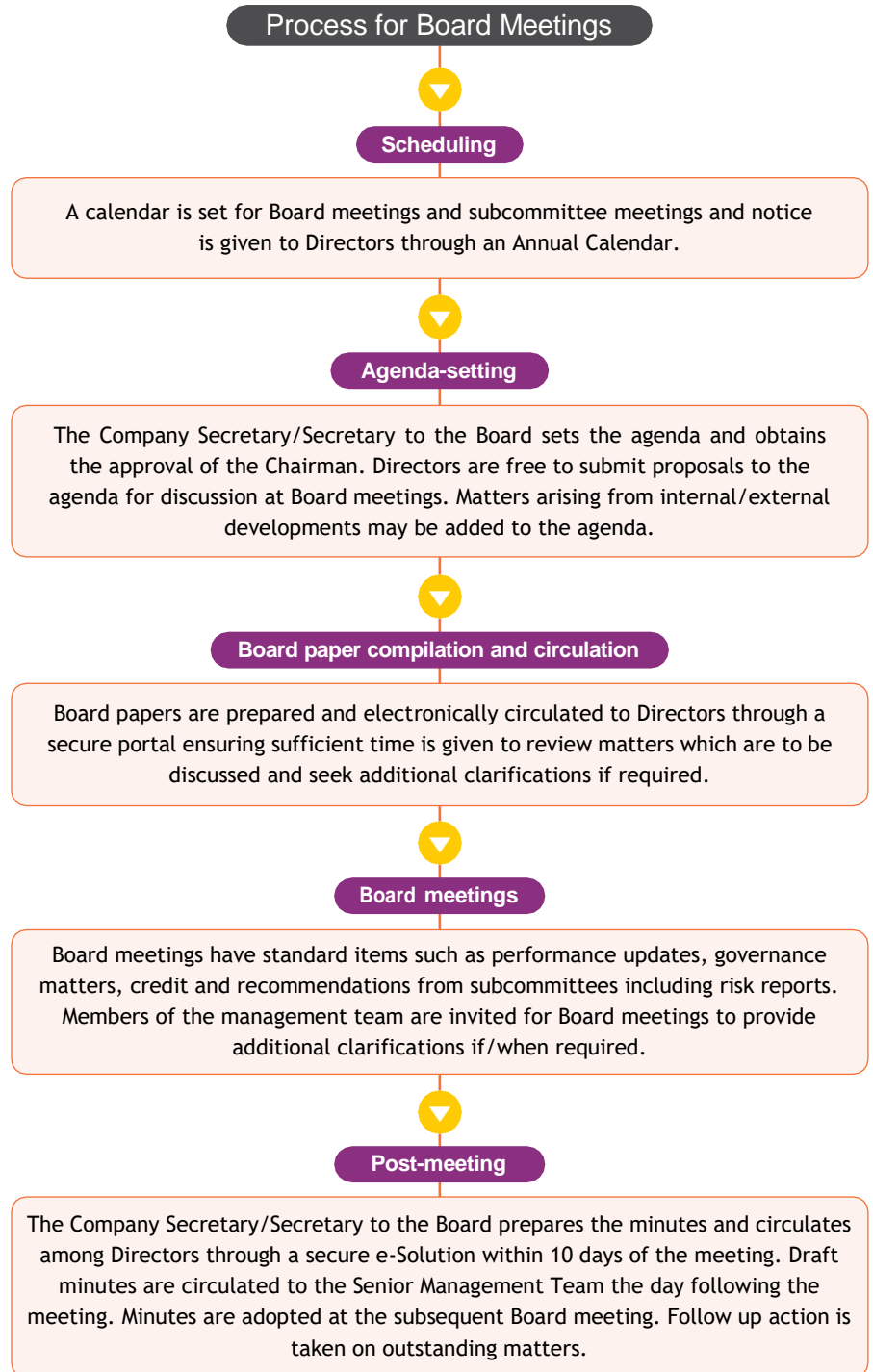
## Risk-related Functions



## Board Meetings

The Board held regular meetings during the year, ensuring the continuity of operations despite disruptions to mobility brought on by fuel shortages in the Country. The Company Secretary/Secretary to the Board ensures all necessary procedures are followed in setting meeting agendas, circulating information, facilitating Board meetings, and recording minutes. Special attention is given to ensuring the Board devotes sufficient time to matters such as strategic planning, risk management, compliance, and governance.

Throughout the year, a total of 24 Board meetings and 41 Board subcommittee meetings were held.





## Attendance at Board and Subcommittee Meetings

	Board meeting	Audit Committee meeting	Human Resources and Remuneration Committee meeting	Nomination and Corporate Governance Committee meeting	Integrated Risk Management Committee meeting	ICT Committee meeting
	(24)	(9)	(4)	(11)	(8)	(9)
Mr Kanchana Ratwatte Chairman	24/24	-	-	-	-	-
Mr R M Priyantha Rathnayake Ex-Officio Director	24/24	9/9	4/4	10/11	8/8	-
Mr G Harsha Wijayawardhana Non-Executive Director	24/24	9/9	-	7/11	7/8	9/9
Mr A C Manilka Fernando Non-Executive Director <sup>3</sup>	24/24	9/9	4/4	11/11	1/1	9/9
Major General (Rtd) G A Chandrasiri VSV Non-Executive Director <sup>2</sup>	23/24	9/9	4/4	4/4	0/1	2/2
Mr Jayampathy Molligoda Non-Executive Director <sup>1</sup>	2/2	8/9	-	2/2	1/1	1/1

1. Resigned w.e.f 31 January 2022

2. Appointed to ICT Committee w.e.f 5 October 2022, Integrated Risk Management Committee w.e.f. 19 October 2022 and Nomination and Corporate Governance Committee w.e.f. 7 July 2022

3. Attended Integrated Risk Management Committee meeting by invitation

## Company Secretary

The Company Secretary/Secretary to the Board plays a key role in the Bank's Corporate Governance framework and ensures that Board procedures comply with applicable laws, rules, and regulations. The Secretary regularly reviews the Bank's governance framework in view of emerging best practices, regulatory changes, and stakeholder interests. All Directors have access to the advice and services of the Company Secretary.

Ms Janaki Senanayake Siriwardane serves as the Secretary to the Board and has been appointed in accordance with the requirements of the Banking Act and relevant amendments.

## Purpose

The Bank's governance framework ensures that the conduct of Directors and Management aligns with BoC's long-term purpose, corporate values, and Code of Ethics. In fulfilling their duties, Board

members are expected to demonstrate integrity, transparency, and accountability; thereby establishing an ethical standard at the highest level of the Bank. Page 3 outlines Bank of Ceylon's vision, mission, and values, which together provide impetus for the Bank's purpose.

## Activities in 2022

1. Focus on multi-stakeholder value creation by balancing stakeholder interests.
2. Creating the right tone at the top, including a culture of integrity and transparency.
3. Strengthening credit risk management practices.
4. Strengthening the governance framework.
5. Approval for the Corporate Plan for 2023-2025 and the Corporate Budget for 2023.
6. Review of research and development work at the Bank.

Further actions taken by the Bank in alignment with the corporate values and overarching strategic objectives are outlined in the Business Line reviews on page 65 and the Stakeholder Outcomes on page 78.

## Value-based Culture

The Board establishes an ethical standard at the highest level and gives impetus to the Bank's efforts to foster a culture of ethics and integrity based on corporate values. This approach emphasises treating customers responsibly and fairly and conducting business with ethics in mind.

The Director's Code of Business Conduct Ethics and Employee Code of Ethics serve as a blueprint for promoting a culture of responsible and ethical behavior, which is supported by the Bank's Whistleblowing Policy and anti-corruption measures.

## Corporate Governance

### Code of Conduct and Ethics

#### Directors' Code of Ethics

The Board is bound by the Code of Business Conduct and Ethics and are required to submit an annual confirmation on their compliance with the provisions of the code. The Code aims to propagate a strong culture of integrity, transparency and anti-corruption while encouraging Directors to act in the best interests of the Bank.

#### Employee Code of Ethics

Applicable to all employees, this clearly sets out the Bank's expectations in dealing with internal and external stakeholders, behaviour, bribery and corruption.

### Whistleblowing Policy

A Board-approved Whistleblowing Policy encourages employees or non-employees to report complaints pertaining to suspected theft/fraud, corruption, misuse of the Bank's assets or any other actions that are considered unethical or illegal. Complaints are directed and overseen by the Chief Internal Auditor while complaints made against employees of the DGM grade or above are submitted to the Chairman of the Audit Committee.

### Anti-corruption

The Bank takes a zero-tolerance approach to bribery and corruption and is committed to acting professionally, fairly and with integrity in all its business dealings and relationships wherever the Bank operates and implementing and enforcing effective systems to counter bribery. The Bank's policy with regard to anti-corruption and bribery is clearly communicated to all employees during the induction programmes and reinforced through regular training and awareness sessions.

### Responsible Corporate Citizenship

The Board of Directors oversees the Bank's impact and its role as a responsible corporate citizen, as this directly affects the Bank's legitimacy and social license to operate. BoC's approach to sustainability is centered on the belief that "Sustainability is a Lifestyle," with a focus on three key aspects of sustainability: Economic, Environmental, and Social. While the Board provides oversight on all matters related to sustainability, a Sustainability Committee, led by the General Manager, is responsible for implementing the policy.

## Anti Money-Laundering (AML) and Combating Terrorist Financing (CTF)

### Instances of Non-compliance

Date of penalty	Date of payment	Type of penalty	Related regulation/law	Reason for the penalty	Amount LKR
13 October 2022	14 November 2022	Administrative	Paragraph 5 of the United Nations Regulation No. 1 of 2012 and the order published in the Extraordinary Gazette Notification No. 1853/25 dated 22.05.2014 by the competent authorities, Ministry of Defence and Urban Development.	Failure to identify a customer out of all business relationships as per the said regulations	3,000,000.00

During the year under review, other than the above, there were no other monetary losses arising as a result of legal proceedings associated with fraud, insider trading, anti-trust, anti-competitive behavior, market manipulation, malpractice, or other related financial industry laws or regulations.

## Corporate Reporting

The Board bears ultimate responsibility for ensuring the accuracy and integrity of all external reports, which are approved by the Board before release.

- Annual Integrated Report: the primary publication to shareholders, which offers a comprehensive and unbiased overview of how the Bank generates value for its stakeholders.
- Annual Financial Statements: Containing the Group's complete audited annual financial statements and accompanying notes.

## Stakeholder Relations

The Bank's Communication Policy serves as a guide for maintaining effective communication with internal and external stakeholders, with the aim of cultivating open and lasting relationships. The policy outlines the Bank's value proposition to each stakeholder.

**Customers:** Relevant products delivered through convenient channels, underpinned by trust and stability.

**Employees:** Opportunities for career and skill development in a rewarding and conducive work environment.

**Shareholders and fund providers:** Generation of sustainable returns commensurate with risks undertaken

**Community and environment:** Contribute to national socio-economic development, financial inclusion, and local and global environmental challenges.

**Business partners:** Create opportunities for mutual growth.

**Regulators:** Ensure full compliance to relevant regulatory and statutory requirements.

## Performance

Bank of Ceylon engages in continuous assessment and measurement of the effectiveness of the Board, its Subcommittees, and the Bank's overall Corporate Governance practice.

## Monitoring Board Performance

The Bank utilises a structured self-appraisal mechanism developed in coordination with an external resource in order to assess the effectiveness of the Board. Each Director is obliged to fill out a performance evaluation form, which is then combined and presented to the Board through the Nomination and Corporate Governance Committee. Additionally, subcommittees perform a comparable assessment.

## Remuneration Review

As part of building a high-performance team and a culture of excellence, the Bank ensures remuneration is equitable and competitive, but also tied to performance by way of incentives and other measures.

## Approach to Remuneration

BoC's Remuneration Policy is designed to provide employees with the necessary resources, recognition, compensation, and motivation that supports their role in advancing the Bank's strategic objectives and creating value for the Bank and its stakeholders. To encourage long-term sustainable performance, the policy emphasizes fairness and competitiveness in the reward package offered.

The Bank's Remuneration Policy follows the principles of Competitiveness, Equity, Transparency, and Inclusivity.

## Remuneration Structures

Directors' remuneration is determined in accordance with the Directors' Remuneration Policy, which adheres to circulars and requirements of the Government of Sri Lanka, as well as

The Ordinance and its amendments. No Director is involved in setting their own remuneration.

Remuneration of the General Manager (GM) and Key Management Personnel (KMP) is based on the Board-approved Remuneration Policy for Key Management Personnel. The Board Human Resource and Remuneration Committee (HR&RC) makes recommendations to the Board, which provides feedback to the relevant Minister for final approval, as required by The Ordinance and its amendments. Remuneration of the GM and KMP is reviewed every three years.

The Bank's remuneration structure involves the following essential components:

**Fixed remuneration:** Base salary and other fixed components, determined on role and employee grade

**Variable remuneration:** Incentive bonus

**Other non-cash benefits:** Post-employment benefits, loans under special schemes, credit cards, etc.

## Appraisal of the General Manager (GM) and Key Management Personnel (KMP)

The Board, assisted by the HR&RC, conducts an annual assessment of the performance of the GM and KMP, against financial and non-financial objectives and performance indicators as established in the Corporate Plan. The criteria for assessment are determined in collaboration with the GM and KMP at the start of the year to ensure a clear understanding of the Board's expectations. The appraisal takes into account the changing nature of the business environment and feedback obtained from the appraisee.

# Board Subcommittee Reports

## Audit Committee Report

### Committee composition during 2022

- (1) Mr A C Manilka Fernando  
Chairman/Independent  
Non-Executive Director
- (2) Mr G Harsha Wijayawardhana\*  
Member/Independent  
Non-Executive Director
- (3) Mr R M Priyantha Rathnayake  
Member/Non-Executive Ex officio  
Director
- (4) Major General (Retd.)  
G A Chandrasiri VSV  
Member/Independent  
Non-Executive Director

\* Ceased to be a Director w.e.f  
13 January 2023

### Regular participants

- Chief Internal Auditor
- Chief Risk Officer
- Assistant General Manager (Operational Audit)
- Assistant General Manager (Credit Audit)
- Assistant General Manager (Investigations)
- Assistant General Manager (Information Systems Audit)
- Internal Auditor
- Representative of the Auditor General (the External Auditor of the Bank)

### Secretary to the Committee

The Secretary, Bank of Ceylon/  
Secretary to the Board who is an  
Attorney-at-Law and a Deputy General  
Manager, functions as the Secretary to  
the Committee.

### Attend upon invitation

- General Manager
- Chief Financial Officer
- Deputy General Manager (Finance and Planning)
- Deputy General Manager (Compliance)
- Any other member of Corporate or Executive Management/Any other Staff Member

Meetings held in 2022: 09

**Quorum:** Two members or majority of the members whichever is higher.

## Role of Committee Audit Committee Charter

The Terms of Reference of the Audit Committee are governed by the Audit Committee Charter, approved and adopted by the Board.

The Committee also ensures that the scope and coverage of its functions addresses the requirements of the Banking Act Direction No. 11 of 2007 on "Corporate Governance for Licensed Commercial Banks in Sri Lanka" and its subsequent amendments issued by the Central Bank of Sri Lanka.

## Principal Focus

The Audit Committee primarily focuses on assisting the Board in fulfilling its duties by providing an independent and objective review of the Bank's financial reporting process.

## Medium of Reporting

The proceedings of the Audit Committee meetings are tabled and ratified at the Board meetings, where all key issues, concerns, actions taken, outcomes achieved or pending, and follow-up initiated, are clarified, discussed and Board approval obtained thereof.

## Areas of Focus and Activities in 2022

### Financial Reporting

- Reviewed the monthly, quarterly and annual unaudited/audited Financial Statements to ensure that they are prepared and published in accordance with the requirements prescribed by the supervisory and regulatory authorities and applicable Accounting Standards.
- Reviewed the liquidity management, capital adequacy and foreign currency management.

### Regulatory Compliance

- Reviewed compliance with mandatory banking and other statutory requirements.
- Reviewed the progress of action taken in relation to the findings of the statutory examinations carried out by regulators.

### Internal Controls

- Reviewed the adequacy and effectiveness of the internal control mechanism of the Bank in line with Section 3(8) (ii) (b) of the Banking Act Direction No.11 of 2007 through the Internal Control Matrix.
- On a regular basis and when specific events or cases warranted, conducted root cause analysis and made improvements to the systems, procedures and internal controls.

### Internal Audit

- Reviewed the independence, objectivity, and performance of the internal audit function.
- Reviewed and amended the Internal Audit Department organisation structure with a view to achieving the objective of Internal Audit Charter and matching the structure to the present context. Accordingly, recommended to recruit new professional staff.
- Evaluated the quality of the credit portfolio of the Bank and recommended necessary initiatives to improve the credit quality.
- Approved the Internal Audit Plan and reviewed the effectiveness of the implementation of the Plan throughout the year.
- Monitored the progress of the initiatives taken by the Internal Audit Department to improve Internal Control Monitoring Process.

- Monitored the compliance with the Banking Act Direction No. 11 of 2007 on Corporate Governance issued by Central Bank of Sri Lanka on Internal Audit Charter and Audit Committee Charter.
- Monitored the progress of the Internal Audit function of the subsidiaries.
- Special Reviews were done on Expected Credit Loss Models, Cyber Security, Loans granted on Donor Agency Funding.

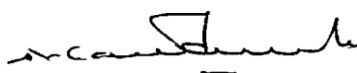
### External Audit

- The external audit of the Bank is carried out by the Auditor General in terms of the Constitution of the country. The Committee ensured that the external audit is carried out effectively and independently and maintained a continuous rapport with the representatives of the Auditor General in relation to the audit approach and procedure.
- Conducted close door meetings with external auditors.

### Way Forward

The Audit Committee will foster a positive and effective internal control environment by committing to achieve the objectives set out in the Audit Committee Charter during 2023 and beyond.

On behalf of the Audit Committee.



A C Manilka Fernando  
Chairman,  
Audit Committee

## Integrated Risk Management Committee Report

### Committee composition during 2022

The composition of the committee during the year 2022 was as follows:

- (1) Mr R M Priyantha Rathnayake  
Chairman/Non-Executive  
Ex officio Director
- (2) Mr G Harsha Wijayawardhana  
Member/Independent  
Non-Executive Director
- (3) Major General (Rtd)  
G A Chandrasiri VSV  
Member/Independent  
Non-Executive Director –  
From 19 October 2022 to date
- (4) Mr Jayampathy Molligoda  
Member/Independent Non-Executive  
Director – From 04 March 2021 till  
31 January 2022  
  
(Mr G Harsha Wijayawardhana ceased  
to be a Director on the Board of Bank of  
Ceylon w.e.f 13 January 2023.  
  
Mr Ronald Perera, Chairman, Bank of  
Ceylon was appointed as a member of  
this Committee w.e.f. 31 January 2023.)

### Secretary to the Committee

The Secretary, Bank of Ceylon/  
Secretary to the Board who is an  
Attorney-at-Law and a Deputy General  
Manager, functions as the Secretary to  
the Committee.

### Regular participants

- General Manager
- Chief Financial Officer
- Deputy General Manager  
(Compliance)

### Attend upon invitation

- Any other members of the Board/  
Corporate Management/any other  
Staff Member

Meetings held in 2022: 08

**Quorum:** Two members

## Role of Committee

### Integrated Risk Management Committee Charter

The Terms of Reference (TOR) of the Integrated Risk Management Committee are governed by the Committee Charter, approved and adopted by the Board.

The Committee also ensures that the scope and coverage of its functions addresses the requirements of the Banking Act Direction No. 11 of 2007 on “Corporate Governance for Licensed Commercial Banks in Sri Lanka” and its subsequent amendments issued by the Central Bank of Sri Lanka.

### Principal Focus

To assist the Board in fulfilling its oversight responsibilities for all aspects of risk management. In this connection the Committee focuses on and reviews credit, market, liquidity, operational, Information Security and strategic risks through appropriate risk indicators and management information.

## Medium of Reporting

The proceedings of the Integrated Risk Management Committee meetings are tabled and ratified at the Board meetings and Board approval obtained thereof.

## Areas of Focus and Activities in 2022

### Liquidity

- Utmost priority was given to managing the liquidity position of the Bank, lengthy deliberations were done on liquidity position reports. Unconventional strategies, special teams and tasks were recommended to ensure that the Bank remain steady in a challenging economic scenario.
- Amidst the dearth in the FCY liquidity in the Bank a rule based system was established to cater to the customers requesting Letters of Credit, a special committee viz. Outflow Management Committee was set up comprising the Chief Risk Officer to govern this task.

- Special emphasis was given to the requests of the SOEs to complete the tasks with national interest. Continuous following up was done through the committee to assess the appropriateness and viability of accommodating the business with them while safeguarding the stability of the Bank.

### Asset Quality

Year under review called for special attention on deteriorating credit quality levels given the challenging economic position faced by the country. Deliberations on asset quality were multifaceted. A comprehensive plan to curtail increasing non-performing advances were formulated while monitoring the credit quality through the credit quality units with strict monitoring and regular reporting. Special emphasis on revival of under performing segments and customers were focused with a view to arresting deterioration of credit quality.

## Compliance

Assessed the compliance risk issues emphasised in the branch network as well as the divisions and suggested suitable strategies to mitigate the same. Compliance risks of subsidiaries were monitored through frequent reports and suitable strategies were validated to be implemented.

Committee continuously monitored the progress of the implementation of the goAML, which is the regulatory reporting platform required by the regulator.

Recommended the adoption of a comprehensive risk matrix to assess the AML/CFT risk of exchange companies and banks with correspondent relationships.

Comprehensive risk reviews of subsidiaries were done to ascertain its risk profile and necessary recommendations were made to ensure that they remain as per the risk mandate of the Bank.

## Internal Capital Adequacy Assessment Process (ICAAP) and Recovery Plan

Reviewed and recommended the ICAAP of the Bank of Ceylon group with a view to maintaining adequate capital levels to accommodate Pillar II risks and withstand any unforeseen but plausible events which were highlighted in the stress testing process of the Bank.

Recommended the first submission of the recovery plan of the Bank prepared according to the regulator's directions with full range of credible recovery options. Subsequent follow ups on alert and trigger events were discussed in detail with remedial actions taken by the management.

**ESMS initiatives** – Adopted the Bank's Environmental & Social Management System Policy and comprehensive set of guidelines issued to the business units on Environmental & Social risk management process.

**Information security/IT Risk** – In line with providing a seamless banking experience to the customers disruptions to services on digital platforms were taken as high priority. Risks emanating from information security and IT were deliberated with controls available to mitigate them.

**Risk limits** – Continuously monitored the exceptions to the Committee approved Risk Appetite of the Bank through risk reports submitted by the Risk Division. The exceptions to the limit management framework established at the Bank were strictly monitored with course of action proposed by the management to validate the suitability of them.

**Policies and management level committees** – All Policies related to Risk, including foreign branch policies were recommended to the Board with relevant changes either business or regulatory for the approval of the Board. Reviewed and revised the Terms of Reference of all Management Committees dealing with specific risks or some aspects of risk. Effectiveness of all management Committees of the Bank were evaluated against its respective objective to ensure that they remain and carry out its tasks according to the mandate of each committee.

## Performance Evaluation

Carried out the performance evaluations of the Chief Risk Officer and Deputy General Manager (Compliance).

Members collectively evaluated the Committee performance.

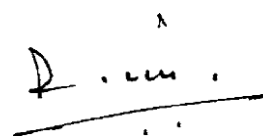
## Conclusion

The Committee has a direct and obvious link to good corporate governance. Risk management policies are framed so as to reduce the chances of threats to the going concern by taking informed and calculated risks rather than taking risks for the sake of taking risks.

The Committee is cognisant of the fact that it needs to be vigilant and attuned to its risk combat strategy with the advancement of technology, increased vulnerability with macroeconomic shocks and volatility and industrywide frauds and cyber-crimes beginning to pose greater threats.

Increasing awareness among staff over the need for managing risks, ensuring compliance and training staff are important components of this approach. The Committee is of the view that the Bank is on the right path towards meeting the challenges of risk management and compliance whilst safeguarding the interests of Bank's stakeholders.

On behalf of the  
Integrated Risk Management Committee



R M Priyantha Rathnayake  
Chairman,  
Integrated Risk Management Committee

## Human Resources and Remuneration Committee Report

### Committee composition during 2022

The following Directors were members of the Committee during the year 2022:

(1) Mr A C Manilka Fernando  
Chairman/Independent  
Non-Executive Director

(2) Mr R M Priyantha Rathnayake  
Member/Non-Executive Ex officio  
Director

(3) Major General (Retd.) G A Chandrasiri VSV  
Member/Independent  
Non-Executive Director

### Secretary to the Committee

The Secretary, Bank of Ceylon/ Secretary to the Board who is an Attorney-at-Law and a Deputy General Manager, functions as the Secretary to the Committee.

### Attend upon invitation

- General Manager
- Deputy General Manager (Human Resources)
- Any other member of Corporate or Executive Management

Meetings held in 2022: 04

**Quorum:** Two members

## Role of Committee

### Terms of Reference of the Committee

The main responsibilities of the Committee, which are mainly based on the Banking Act Direction No. 11 of 2007 on Corporate Governance for Licensed Commercial Banks in Sri Lanka issued by the Central Bank of Sri Lanka and incorporated into the Committee Charter, are as follows:

- Determining the Remuneration Policy (salaries, allowances and other financial payments) relating to Key Management Personnel (KMP) of the Bank.
- Setting goals and targets for the General Manager (GM) and KMP.
- Evaluating the performance of the GM and KMP against the set targets and goals periodically and determining the basis for revising remuneration, benefits and other payments of performance based incentives.
- Reviewing staff in matters referred to it by the Board.
- Determining the Human Resource Policy and Organisation Structure of the Bank.

## Principal Focus

This Committee focuses on assisting the Board in the Human Resource matters primarily on the evaluation of the KMP.

## Medium of Reporting

The proceedings of the Committee meetings are tabled and ratified at Board meetings and approval of the Board is thus obtained for implementation of the recommendations made by the Committee.

## Areas of Focus and Activities in 2022

### Remuneration of Directors

According to the aforesaid Banking Act Direction No. 11 of 2007, this Committee has to determine the Remuneration Policy relating to the Chairman and Directors. However, in the case of Bank of Ceylon, the remuneration of Directors is determined in accordance with the circulars and instructions issued by the Government of Sri Lanka, the sole shareholder of the Bank. The provisions in the Bank of Ceylon Ordinance No. 53 of 1938 and its amendments, are also taken

into consideration in this regard. The Bank has a Remuneration Policy in place, prepared based on the above, which is reviewed as and when new regulations are issued by the Government or periodically. This was reviewed in 2022. The details of the remuneration given to Directors, are disclosed in the Annual Report on a yearly basis.

## Remuneration of KMP

The remuneration of employees is revised once in three years, with the approval of the Ministry, whose purview the Bank comes under as per the provisions of the Bank of Ceylon Ordinance.

No salary revision was done in 2022 and accordingly the Committee did not deliberate on remuneration of KMP in 2022.

## Goals and Targets

The Committee reviewed and recommended the Key Performance Indicators (KPI) of the members of the Corporate Management and the General Manager for the year 2022.



### Performance Evaluation

The Committee evaluated the performance appraisals made of the Key Management Personnel (KMP) including the General Manager (other than the Deputy General Manager (Compliance), Chief Risk Officer and Chief Internal Auditor whose evaluations were placed before the respective subcommittees) for the year ended 2022 based on the targets set at the commencement of the year in line with the Corporate Plan.

### Development of Employees

Followed up on the action plan to develop the employees with required skills, knowledge and attitudes.

### Organisation Structure

Considered and recommended a new organisation structure for the Bank as part of the gradual move towards an ideal structure.

### Policies/Charters Reviewed

Recommended adoption of the following Policies/Charter:

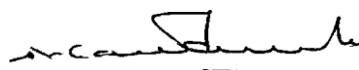
- Reviewed Human Resource and Remuneration Committee Charter.
- Revised Disciplinary Code of the Bank.
- Revised Code of Ethics of the Bank.
- Revised policy on awarding marks for commendations and deduction of marks for adverse comments/punishments for promotion to the grade of Deputy General Manager and Assistant General Manager.
- Revised policy on maternity leave taken by trainee/probationer during the training/probationary period.

### Way Forward

The members of the Committee collectively evaluated the performance of the Committee and submitted to the Board.

The Committee will continue to encourage the use of best practices in Human Resource in the Bank to promote the long-term success of the Bank.

On behalf of the Human Resources and Remuneration Committee.



A C Manilka Fernando  
Chairman,  
Human Resources and Remuneration  
Committee

### Nomination and Corporate Governance Committee Report

#### Committee composition during 2022

The following Directors were members of the Committee during the year 2022:

- (1) Mr A C Manilka Fernando  
Chairman/Independent Non-Executive Director  
(Chairman from 01 February 2022 - Prior to that, was a member)
  - (2) Mr R M Priyantha Rathnayake  
Member/Non-Executive Ex officio Director
  - (3) Mr G Harsha Wijayawardhana  
Member/Independent Non-Executive Director
- From 07 July 2022
- (1) Major General (Retd.)  
G A Chandrasiri VSV  
Chairman/Independent Non-Executive Director
  - (2) Mr A C Manilka Fernando  
Member/Independent Non-Executive Director
  - (3) Mr R M Priyantha Rathnayake  
Member/Non-Executive Ex officio Director
  - (4) Mr G Harsha Wijayawardhana  
Member/Independent Non-Executive Director  
Director (ceased to be a Director on the Board of Bank of Ceylon w.e.f. 13 January 2023)
- Mr Jayampatty Molligoda who was on the Board of the Bank till 31 January 2022, held the Chairmanship of this committee till that date.

#### Secretary to the Committee

The Secretary, Bank of Ceylon/ Secretary to the Board who is an Attorney-at-Law and a Deputy General Manager, functions as the Secretary to the Committee.

#### Attend upon invitation

- General Manager
- Any other member of the management as decided by the Committee

#### Meetings held in 2022: 11

**Quorum: Two members**

### Role of Committee

#### Nomination and Corporate Governance Committee Charter

The Terms of Reference of the Nomination and Corporate Governance Committee are governed by the Committee Charter, approved and adopted by the Board.

The Committee also ensures that the scope and coverage of its functions addresses the requirements of the Banking Act Direction No. 11 of 2007 on “Corporate Governance for Licensed Commercial Banks in Sri Lanka” and its subsequent amendments issued by the Central Bank of Sri Lanka and that of the Code of Best Practice on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka.

### Principal Focus

The Nomination and Corporate Governance Committee assists the Board in ensuring compliance with Corporate Governance principles as required by regulations or otherwise in addition to assisting the Board with regard to the appointment of the Chief Executive Officer/General Manager and the Key Management Personnel (KMP).

### Medium of Reporting

The proceedings of the Nomination and Corporate Governance Committee meetings are tabled and ratified at the Board meetings and Board approval obtained thereof.

### Areas of Focus and Activities in 2022

#### Policy on Appointment of Directors

As provided in the Bank of Ceylon Ordinance No. 53 of 1938 and its amendments the Bank being fully State owned, the Minister under whose purview the Bank falls appoints Directors to the Board of Bank of Ceylon. This Committee accordingly has no direct role in connection with the appointment of Directors. However, an internal Policy on Appointment of Directors to the Board is in place in the Bank based on a recommendation of this Committee specifying the criteria required for appointment as a Director of the Bank, which is shared with the appointing authority to assist in identifying the skill set needed for a Director of the Bank.

- Reviewed the Policy on Appointment of Directors to the subsidiaries of Bank of Ceylon.

## Corporate Governance

- Corporate Governance Policy which is in place was reviewed together with the following incorporated therein:
  - The Communication Policy.
  - The Policy on Directors' Access to Independent Professional Advice.
  - The Charter of the Nomination and Corporate Governance Committee.
  - Policy on Appointment of Directors to Board of Bank of Ceylon.
  - Board Charter
  - Board subcommittee Charters
  - Remuneration Policy for the Chairman and Board of Directors
  - Code of Business Conduct and Ethics for Directors
  - Policy on Conflict of Interest on Directors
  - Subsidiaries Management Charter
  - Policy on Appointment of Directors to the Boards of Subsidiaries
  - Whistle Blowing Policy
  - Criteria for selection of General Manager of Bank of Ceylon
- Ensured the compliance with the applicable Corporate Governance regulations.
- Recommended the Board Evaluation Report for the year 2022.

## Fitness and Property

- Ensured that the KMP are fit and proper persons to hold their offices when officers were promoted or appointed as KMP.

## Succession Arrangements

- Recommended the revised succession Plan which is an integral part of talent development. The talent pipeline for all Key Management roles prepared identifying the emergency cover, medium term (1-3 years) and longer term (3-5 years) were reviewed. The Committee took action to identify the successor to General Manager/CEO.
- Followed up on the succession planning process for the grades below KMP using artificial intelligence (AI Tools).
- Reviewed and recommended the Man Power Plan of Bank for year 2022.
- Assessed the training needs with a view to leadership development of KMP.
- Reviewed and recommended the introduction of new designations for KMP and the movement of the KMP as recommended by the Management.
- Introduced criteria for selecting a Senior Deputy General Manager.

## Way Forward

The Committee will strive to promote best practices in Corporate Governance in the Bank, focusing in particular on the implementation of the Directions issued by the Regulators.

## Conclusion

The Committee reviewed the efficiency of its work through the annual evaluation that was carried out collectively. The Committee will continue to add value to the Board's responsibilities through the functions of this Committee.

On behalf of the Nomination and Corporate Governance Committee



Major General (Rtd.)  
G A Chandrasiri VSV  
Chairman,  
Nomination and Corporate  
Governance Committee

# Board Subcommittee Reports

## Information and Communication Technology Committee Report

### Committee composition during 2022

The following Directors were members of the Committee during the year 2022:

- (1) Mr G Harsha Wijayawardhana  
Chairman/Independent  
Non-Executive Director (Ceased to be a Director w.e.f. 13 January 2023)
- (2) Mr A C Manilka Fernando  
Member/Independent  
Non-Executive Director
- (3) Mr Jayampathy Molligoda<sup>1</sup>  
Member/Independent  
Non-Executive Director  
(Resigned w.e.f. 31 January 2022)

Currently the Committee comprises of the following members:

- (1) Mr R M Priyantha Rathnayake  
Chairman/Non-Executive  
Ex officio Director
- (2) Mr A C Manilka Fernando  
Member/Independent  
Non-Executive Director
- (3) Major General (Rtd)  
G A Chandrasiri VSV  
Member/Independent  
Non-Executive Director

### Secretary to the Committee

The Secretary, Bank of Ceylon/ Secretary to the Board who is an Attorney-at-Law and a Deputy General Manager, functions as the Secretary to the Committee.

### Meetings held in 2022: 09

**Quorum:** Two members

### Regular participants

- General Manager
- Head of IT
- Deputy General Manager (Product and Banking Development)
- Chief Risk Officer

### Attend upon invitation

- Assistant General Managers attached to IT Division
- Assistant General Manager (Product Development and Business Process Re-Engineering Project)
- Any other member of the Board, the Corporate Management and Staff Member as decided by the Committee

## Role of Committee Information and Communication Technology (ICT) Committee Charter

The Terms of Reference of the ICT Committee are governed by the ICT Committee Charter, approved and adopted by the Board.

### Principal Focus

The primary purpose of this Committee is to assist the Board of the Bank in fulfilling their oversight responsibilities with regard to the existence, operation and effectiveness of the IT products and services, policies, practices and IT infrastructure employed by the Bank to manage various types of IT products and services including major technology investments. It ensures that the Bank has a robust IT infrastructure and capabilities in place at all times, follows best practice

and maintains alignment with Bank's Corporate Plan by analysing emerging trends in technology.

### Medium of Reporting

The proceedings of the ICT Committee meetings are tabled and ratified at the Board meetings and Board approval obtained thereof.

## Areas of Focus and Activities in 2022

### Monitoring Development

- Monitored the ongoing IT developments/IT infrastructure enhancements in the Bank including that of overseas branches in Maldives, Chennai and Seychelles and guided on the proposed developments/improvements.
- Monitored the operations of the existing critical applications of

the Bank and provided necessary guidance to rectify and resolve existing issues.

- Monitored the progress of the proposed digital banking solution (Internet and Mobile banking system (B-APP) for the Bank.
- Reviewed the revamping of Corporate Website of the Bank.
- Discussed the Bank's digital initiatives embedded in the Corporate Plan.
- Initiated the digital signature platform for the Bank.
- Reviewed the proposed bio metric-based payment solution.

### Resources – Human

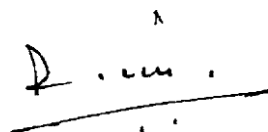
- Assisted to fulfill the required HR for IT Division.
- Followed up on the recruitment process of a new Chief Information Officer (CIO)

### Policies

- Recommended the following
  - Information Security Policy of Maldives Branch.
  - Cyber Security Policy of Maldives Branch.
  - Information Security Policy of Seychelles Branch.
  - Reviewed the Committee Charter.

The Committee wishes to record an appreciation for Mr G Harsha Wijayawardhana, who was the Chairman of the Committee during the year 2022, for the great contribution made by him to this Committee.

On behalf of the Information and Communication Technology Committee



R M Priyantha Rathnayake  
Chairman,  
Information and Communication  
Technology Committee

### Way Forward

The Committee will endeavor to ensure that the Bank's technology programmes support the Bank's business objectives and strategies and provide the appropriate data security.

### Conclusion

The members of the Information and Communication Technology Committee have evaluated the Committee's performance during the year 2022 for effectiveness and efficiency.

