

Good governance is an integral part of the corporate culture at Nations Trust Bank PLC. The Board of Directors of the Bank has placed great emphasis on ensuring good governance in every aspect of its operations. Board is committed to enhancing stakeholder value whilst ensuring that proper internal control systems are in place to govern the day-to-day affairs of the Bank, in a manner which is transparent, ethical and law abiding. Whilst ensuring that generally accepted corporate governance practices are followed, the Board is also required to comply with the specific requirements under the Listing Rules of the Colombo Stock Exchange relating to Corporate Governance and the requirements under Direction No. 11 of 2007 issued by the Central Bank of Sri Lanka.

BOARD OF DIRECTORS

The Board comprises of experienced and respected leaders in the fields of Finance, Law, Academics and Corporate who individually and collectively contribute a wealth of practical insight and business acumen. Board approves a strategic plan and key policies for the Bank and effectively monitors their implementation through a number of Board sub-committees and Key Management Personnel. The Board appoints the Chief Executive Officer and Corporate Management who together make up the Key Management Personnel of the Bank.

Board has also approved a risk policy whereby the principal risks have been identified with measurable goals for managing such risks. Board continuously monitors the efficacy of the risk management mechanism in the Bank through the Integrated Risk Management Committee (IRMC). IRMC met 12 times during the year under review.

Board has also approved a communication policy for the Bank. Board has a formal schedule of matters specifically reserved for Board approval to ensure that the direction and control of the Bank is firmly under its authority.

The role and responsibilities of the Chairman and the CEO has been clearly defined and reduced into writing by the Board. In keeping with best practices the positions of Chairman and CEO are separated and held by two individuals who have no relationship with each other. Eight Directors out of the total number of Ten are Non-Executive Directors. Three of the Non-Executive Directors are independent of management and ownership being free from any business or other relationship which could materially interfere with their judgment. Executive Directorate comprises of the CEO and one other Executive Director. Names of the Directors and their status are given in the Annual Report of the Board of Directors on page 75. Chairman of the Bank is a Non-Executive Director. The Bank currently has three Directors who satisfy the requirements under the Listing Rules of the Colombo Stock Exchange applicable to Independent Directors and has designated one such Director namely Mr. A.R. Rasiyah as the Senior Director.

Board sets goals and targets for the Chief Executive Officer (CEO) and the Executive Director based on the recommendation of the Human Resources and Remuneration Committee. Performance of the CEO and the Executive Director is monitored on an ongoing basis and a formal appraisal is carried out at the end of the year by the Human Resources and Remuneration Committee based on whose recommendation the Board determines the remuneration of the CEO and the Executive Director.

Recommendation of suitable names to the Board is the responsibility of the Nominations Committee. Nominations Committee also assists the Board to determine whether the Directors are fit and proper persons as required under the Banking Act and Directions issued thereunder.

BOARD MEETINGS

During the year under review, the Board met 15 times. Board meeting schedule for the year is approved in advance by the Board. Attendance of the Directors at the Board meetings are given on page 76 in the Annual Report of the Board of Directors.

A Board Supervisory Committee, comprising of two Non-Executive Directors and one Executive Director has been appointed to oversee and guide the Bank with respect to corporate planning, performance management and operations. As a practice the CEO and all Key Management Personnel (other than the Head of Internal Audit) are invited to this meeting. This Committee convenes at least once a month, in addition to special meetings and ongoing consultations as appropriate.

The day-to-day management of the Bank is carried out by the Corporate Management headed by the Chief Executive Officer. The Corporate Management meets weekly to monitor performance and deal with operational issues. In addition, monthly meetings are held with all management staff to review performance against budget and the achievement of both financial and non-financial targets.

Board Audit Review Committee, reporting directly to the Board of Directors is responsible for the audit functions of the Bank. The Committee consists of three Non-Executive Directors with two of them including the Chairman being Independent Directors. Head of Internal Audit functions as the Secretary to this Committee. The Chief Executive Officer and the Chief Financial Officer attend the meetings by invitation. Other members of the Corporate Management attend as and when required. Report of the Board Audit Review Committee is given on page 71 of this report.

The Board places strong emphasis on transparency and accountability. All Financial Statements strictly adhere to the Sri Lanka Accounting Standards, requirements of the Colombo Stock Exchange and the Banking Act. All periodic information and returns are submitted to regulatory authorities as

required. Compliance with statutory regulations is monitored regularly by the Board. Bank employs a dedicated Compliance Officer at a senior level.

The Board has implemented systems to ensure that the policies laid down by the Board are implemented and the assets of the Bank are safeguarded. A management information system provides timely and reliable information. Procedures have also been implemented to ensure compliance with statutory and regulatory requirements.

Board has specifically approved and documented the procedure for Board meetings. All Directors are entitled to include an item for discussion in the Agenda and has the right to call for explanations from any officer of the Bank relating to the business of the Bank. Board is provided with complete and adequate information relating to matters listed in the agenda of every Board meeting well in advance of the meeting. All Directors have access to the advice and services of the Company Secretary. The Company Secretary complies with the requirements under Direction No. 11 of 2007 issued by the Central Bank of Sri Lanka. Board procedure provides for Directors to have access to independent professional advice at the expense of the Company as and when required and the Company Secretary takes the initiative in this connection.

The Directors do not participate in the decision-making process on matters, in which they have an interest and avoid conflicts of interests in their activities with the Bank.

The table below indicates the level of compliance with the Listing Rules on Corporate Governance (Section 7.10 of the Listing Rules of the Colombo Stock Exchange).

Rule No.	Applicable Requirement	Compliance Status	Details
7.10.1	At least one-third of the total number of Directors should be Non-Executive Directors	Complied	Eight out of ten Directors are Non-Executive Directors.
7.10.2	Two or one-third of Non-Executive Directors, whichever is higher should be independent	Complied	Three out of ten Directors (three out of eight Non-Executive Directors) are Independent Directors.
	Each Non-Executive Director should submit a declaration of independence/non-independence in the prescribed format	Complied	Non-Executive Directors have submitted these declarations
7.10.3	Names of Independent Directors should be disclosed in the Annual Report	Complied	Please refer page 76.
	The basis for the Board to determine a Director is independent, if criteria specified for independence is not met.	Complied	All Independent Directors meet the set criteria.
	A brief resume of each Director should be included in the Annual Report and should include the Director's areas of expertise	Complied	A brief resume of each Director is stated on pages 62 and 63.
7.10.4	Criteria for defining 'Independence'	Complied	All Directors listed as independent satisfy the criteria given in this rule
7.10.5	Remuneration Committee A listed company shall have a Remuneration Committee which shall comprise of Non-Executive Directors a majority of whom shall be independent	Complied	Comprises of three Non- Executive Directors, two of whom are independent
	Names of the Directors comprising the Remuneration Committee to be given in the Annual Report	Complied	Please refer page 129.
	Statement of Remuneration Policy to be given in the Annual Report	Complied	Please refer page 72.
	Aggregate remuneration paid to Executive and Non-Executive Directors to be disclosed	Complied	Please refer page 76.
7.10.6	Audit Committee Audit Committee shall comprise of Non-Executive Directors majority of whom will be independent	Complied	Comprise of three Non-Executive Directors, two of whom are independent.
	A Non-Executive Director shall be appointed as the Chairman of the Committee	Complied	Chairman of the Committee is a Non-Executive Director
	Names of the Directors comprising the Audit Committee to be disclosed in the Annual Report	Complied	Please refer page 129.
	The Audit committee shall make a determination of the independence of the Auditors and disclose the basis for such independence	Complied	Please refer Report of the Board Audit Review Committee on page 71.
	Report of the Audit Committee setting out the manner of compliance with the listing rules governing their functions shall be contained in the Annual Report	Complied	Please refer Report of the Board Audit Review Committee on page 71.

Rule No. 7.6 (viii) - Property Holdings

Location of the Property	Extent of the Land Perches	Value of the Property Rs. mn	Number of Buildings
Bank owned two parcels of properties as given below:			
No. 242, Union Place, Colombo 2	77.2	604.6	01
No. 76, York Street, Colombo 1	8.66	19.5	01
Bank's fully owned subsidiary Allied Properties Limited holds the following property on a 99 year lease.			
No. 46/58, Nawam Mawatha, Colombo 2.	65.5	543.5	01