

COLOMBO LAND & DEVELOPMENT COMPANY PLC

Terms of Reference for the Audit Committee

1. Introduction

- 1.1. The Audit Committee of the Company is established pursuant to the Listing Rules. The Committee conforms to the requirements of Rule 9.13 of the Listing Rules.
- 1.2. These Terms of Reference are approved by the Board and set out the terms pertaining to the scope, authority and duties of the Committee and matters relating to the conduct of meetings of the Committee.
- 1.3. In the event of any inconsistency between the contents of these Terms of Reference and the provisions of the Listing Rules, the provisions of the Listing Rules shall prevail.

2. Definitions

The following words and expressions shall have the respective meanings given against each such word unless such meanings are inconsistent with or repugnant to the subject or context:

“**Board**” means the board of Directors of the Company;

“**Chairperson**” means the chairperson of the Committee;

“**Committee**” means the Audit Committee of the Company;

“**Company**” means Colombo Land & Development PLC;

“**Companies Act**” means the Companies Act No. 07 of 2007; and all amendments there on

“**Director**” or “**Directors**” means a director or the directors (as the case may be) for the time being of the Company, including where the context so requires or admits alternate directors, and the directors assembled at a Board meeting;

“**Executive Director/s**” means a Director who is employed by, and/or is otherwise engaged in the day-to-day management of the business of the Company in an executive capacity;

“**Independent Director**” means a Director who satisfies the criteria for ‘independence’ as set forth in Rule 9.8.3 of the Listing Rules, and appointed to the Board as such;

“**Listing Rules**” mean the Listing Rules of the Colombo Stock Exchange;

“**Non-Executive Director**” means a Director who is not an Executive Director;

“**SEC Act**” means the Securities and Exchange Commission of Sri Lanka Act No. 19 of 2021; and all amendments there on

“**Senior Management**” means the Group Chief Executive Officer, General Manager, Accountant/Finance Manager, Human Resources & Administration Manager;

Subject to the above, the words or expressions defined in the Listing Rules shall, if not inconsistent with the subject or context, bear the same meaning in these Terms of Reference.

3. Scope

3.1. The scope and the object of the Committee shall be the following:

- 3.1.1. provide oversight of the preparation and presentation of the Company’s financial statements and ensure its adequacy and integrity in accordance with the appropriate accounting policies and standards;
- 3.1.2. ensure that the Company complies with applicable legal and regulatory requirements including financial reporting requirements under the Listing Rules, the Companies Act, and the SEC Act;
- 3.1.3. assess the performance of the Company’s internal audit function and the effectiveness of internal controls;
- 3.1.4. ensure appropriate processes are in place to identify and monitor material risks, including business and financial risks, that may affect the Company and the implementation of appropriate measures to manage such risks;
- 3.1.5. ensure that the Company’s internal controls and risk management procedures are adequate to meet the applicable auditing standards;
- 3.1.6. assess the independence and review the performance of, consider and make recommendations to the Board pertaining to the re-appointment/removal/appointment of the external auditor;
- 3.1.7. review and recommend the remuneration and terms of engagement of the external auditor to the Board.

4. *Composition*

- 4.1. The Committee shall be appointed by the Board and shall comprise of not less than three (3) Non-Executive Directors of the Company of which at least two (2) Directors shall be Independent Directors or if the number of members exceeds three (3) Non-Executive Directors, a majority shall be Independent Directors.
- 4.2. The Chairperson shall be appointed by the Board and shall be an Independent Non-Executive Director and a member of a recognized professional accounting body.
- 4.3. Members of the Committee may resign from their membership with prior written notice to the Board. In such an event, the Board will review and approve the reconstitution of the Committee by appointing new member/s, in compliance with the Listing Rules.

5. *Powers and Authority*

- 5.1. The Committee shall have the authority, within the scope of its duties and responsibilities set out in these Terms of Reference, to:
 - 5.1.1. acquire and/or obtain the resources required to perform its duties;
 - 5.1.2. have full and unrestricted access to information, records, properties and personnel within the Company;
 - 5.1.3. obtain relevant internal and external independent professionals to assist in the proper discharge of its roles and responsibilities; advice as it deems necessary;
 - 5.1.4. have access to the advice and services of the Company Secretary; and External Auditors, Human Resources & Administration Manager, company lawyers.

6. *Duties and Responsibilities*

The duties and responsibilities of the Committee shall be as follows:

- 6.1. Review the quarterly financial statements and the annual financial statements and recommend them for the approval of the Board, highlighting,
 - 6.1.1. any changes in or implementation of significant changes in the accounting policy followed by the Company in the preparation of its financial statements;
 - 6.1.2. matters of significance for the special attention of the Board, including financial reporting issues, judgments made by the

management with reference to the financial statements, unusual events or transactions and the manner in which such matters were addressed;

- 6.1.3. the Company's compliance with the appropriate accounting standards and other legal and regulatory requirements in relation to the preparation of financial statements, including financial reporting requirements; and
 - 6.1.4. any related-party transaction and/or conflict of interest situation that may have impacted or may potentially impact the integrity of the Company's financial statements, including any transaction/procedure/conduct that may call into question the authenticity or integrity of the management;
 - 6.1.5. any letter of resignation received from the external auditor of the Company, where applicable;
 - 6.1.6. any reasoning as to why the external auditor of the Company is unsuitable for re-appointment, supported by substantial grounds for such recommendation, where applicable.
- 6.2. Review the annual report and related regulatory filings before their release and ensure the accuracy and completeness of such information.
 - 6.3. Review and understand the scope of the external audit and reports on significant findings and recommendations with reference to the external audit, together with responses from the management.
 - 6.4. Make recommendations to the Board pertaining to the appointment, re-appointment and removal of the Company's external auditor, review the independence of the external auditor and to approve the remuneration and terms of engagement of the external auditor.
 - 6.5. Ensure that an effective internal audit function is in place where required and monitor and review the internal audit activities focusing on the internal audit charter, audit plan, key audit issues, resolution of such issues and responses from the management to the review of internal controls carried out by the internal auditor and provide recommendations for improvement. With regard to the internal audit function, the Committee shall,
 - (a) review the adequacy of the scope, functions and resources of the internal audit department;
 - (b) review the internal audit programs and results of the internal audit process.
 - (c) ensure that the internal audit function is independent of the activities it audits and that it is performed with impartiality, proficiency and with due professional care;

- (d) consider the major findings of internal investigations and management responses thereto.
- 6.6. Have constructive discussions with the Executive Director/s and Senior Management and obtain assurance from the Accountant/Finance Manager or relevant personnel and confirm that,
 - 6.6.1. the financial records have been adequately maintained, and the financial statements of the Company represent the true and fair view of its operations and finances; and
 - 6.6.2. the Company's risk management and internal control systems are up-to-date, adequate and effective.
- 6.7. Regularly review the scope of the internal and external audit, its effectiveness, independence, performance and objectivity of the auditors and ensure that the audit process are in accordance with the appropriate policies and standards. ;
- 6.8. Convene meetings with the internal auditors and the external auditors separately to discuss matters that the Committee believes must be addressed privately;
- 6.10 Review and evaluate the Company's risk assessment and risk management process and policies, including the adequacy of the overall environment and controls in areas of significant risks and updated business continuity plans, annually, and to review the risk policies adopted by the Company..
- 6.11 Oversee the processes to ensure that the Company's internal controls and risk management are adequate, to meet the requirements of the Sri Lanka Accounting Standards and that they are in accordance with the appropriate policies and standards and review the internal controls to prevent leakage of material information to unauthorized persons.
- 6.12. Promptly take corrective measures to mitigate the effects of specific risks where such risks are beyond the prudent levels decided by the Committee on the basis of the Company's policies and regulatory requirements.
- 6.11 Ensure that a review of the Board's risk management, internal controls, business continuity planning and information security systems are carried out and recommend appropriate remedial action to the Board, where applicable.
- 6.12 Oversee and recommend the engagement of the external auditor to provide non-audit services considering the applicable ethical standards with reference to the provision of non-audit services by an external auditor and report to the Board highlighting any matter in respect of which

action/improvement is required and recommend any further steps to be taken in relation to the same.

- 6.13 In the event a change of auditor is recommended by the Committee when the audit opinion in respect of the immediately disclosed financial period or any period where subsequent disclosure of audit opinion is pending and such opinion carries a modification or an emphasis of a matter of going concern, the Committee report shall include the rationale for recommending the removal of the external auditor.
- 6.14 Ensure that a mechanism for the confidential receipt, retention and treatment of complaints alleging fraud received from external and internal sources, pertaining to accounting, internal controls, non-compliance and other relevant matters, is in place.
- 6.15 If the Committee is of the view that a matter reported to the Board has not been satisfactorily resolved resulting in a breach of the applicable laws and regulations, the Committee shall promptly report such matter to the Colombo Stock Exchange.
- 6.16 The Chairperson or in his absence, another member of the Committee shall attend the Annual General Meeting of the Company and be prepared to respond to questions at the meeting on the Committee's work and responsibilities.

7 *Proceedings*

- 7.1 The proceedings of the meetings of the Committee shall be governed by the provisions of the articles of association of the Company which regulate the proceedings of meetings of the Board, to the extent applicable and unless otherwise provided in these Terms of Reference. The Committee may establish procedures from time to time to govern its meetings, keeping of minutes and its administration.
- 7.2 The quorum for meetings of the Committee shall be majority of the members, one of whom shall be the Chairperson.
- 7.3 The Committee may, subject to the provisions set out below, meet for the despatch of business, adjourn and otherwise regulate its meeting as it seems fit.
- 7.4 The Committee shall have authority to seek external independent professional advice on matters, which will assist it with its duties and may invite professional advisers or others with relevant experience to assist and to attend meetings.

- 7.5 The Finance Manager or the Accountant will attend the meetings by invitation
- 7.6 The Committee may request other Directors, members of Board committees/management when applicable and necessary to participate in the meetings, to assist in carrying out the Committee's responsibilities, provided however, that no Director shall be entitled to vote at such meetings or be counted as part of the quorum for any meeting of the Committee unless he or she is a member of the Committee.
- 7.7 A member of the Committee 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. Where this causes a lack of quorum, the Committee shall invite another Director who meets the membership criteria as a member of the Committee.
- 7.8 A member of the Committee 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.
- 7.9 The notice and agenda for each Committee meeting shall be sent to all members of the Committee and any other persons who may be required to attend.
- 7.10 The Committee may if it thinks fit approve items of business by the written resolution procedure set out in the Company's articles of association.
- 7.10 The Chairperson shall report to the Board on any matter that should be brought to the Board's attention and provide recommendations of the Committee that require the Board's approval at the Board meeting
- 7.12 A resolution in writing signed by all the members of the Committee for the time shall be valid and effectual as if it had been passed at a meeting of the Committee. All such resolutions shall be forwarded or otherwise delivered to the Company Secretary without delay and shall be recorded by the Company Secretary in the minutes book. Any such resolution may consist of several documents in the like form, each signed by one (1) or more members. The expressions "in writing" or "signed" include approval by legible confirmation and any forms of electronic communications.

8 *Frequency of Meetings*

- 8.1 The Audit Committee shall meet on a quarterly basis prior to recommending the financial reports of the Company. The Company Secretary will convene a meeting if at least two (2) members (one of whom is the chairperson) of the Audit Committee, request a special meeting.

9 Disclosure on the Committee's Activities

- 9.1 The Company shall provide a report in its Annual Report with regard to the activities of the Committee in the discharge of its duties for the financial year setting forth the details prescribed in Rule 9.13.5 of the Listing Rules.
- 9.2 The Committee shall also ensure that disclosures are made in the Annual Report and the website of the Company of all matters relating to its activities that are required to be disclosed in the Annual Report (other than the details referred to in paragraph 9.1 above) and/or the website in terms of the Listing Rules.

10 Revision of these Terms of Reference

- 10.1 Any revision or amendment to these Terms of Reference as proposed by the Committee or any other person shall first be presented to the Board for its review and approval.
- 10.2 Upon the Board's approval, the said revision or amendment shall be deemed to be effective and form part of these Terms of Reference.