

Board Corporate Governance and Legal Affairs Committee Report

The Board appointed Corporate Governance and Legal Affairs Committee (Committee) comprised of three (3) Non-Executive Directors and one (1) Executive Director. The Chairman of the Committee is an Independent Director.

As at 31 December 2015, the Committee Comprised of the Following:

Name of the Board Sub Committee Member	Directorship Status	Membership Status
Mrs. K Fernando	Independent	C
Mrs. W A I Sugathadasa	Independent	M
D M R Phillips, PC	Independent	M
R Theagarajah	Non-Independent	M

C – Chairman, M – Member

Charter of the Corporate Governance and Legal Affairs Committee

The Board of Directors has adopted the Charter for the Committee which describes the Committee's composition, responsibilities and operations, as well as the manner in which the Committee would be carrying out its role.

The Corporate Governance and Legal Affairs (CGLA) Committee which was formed in the year 2007 is mandated with the task of assisting the Board of Directors of the National Development Bank PLC (Board) in ensuring compliance with the Companies Act No. 07 of 2007, the Banking Act Directions on Corporate Governance, the Bank's internal Corporate Governance Code, the Colombo Stock Exchange Listing Rules and all rules, regulations and guidelines issued by regulatory authorities relating to corporate governance for licensed commercial banks. The Committee on a continuous basis reviews the overall

corporate governance of the Bank including its Constitution, the CGLA Charter and the Corporate Governance Code and recommends improvements as appropriate.

Committee Guiding Principles

The principal purposes of the Committee are to assist the Board in defining the governance role, improving Board processes and ensuring effective governance in the Bank and the Group.

Committee Meetings

The Committee held two meetings, during the year under review and the attendance of committee members at meetings is stated in the table on page 135 of the Annual Report. A majority of the members of the Committee shall constitute a quorum sufficient for the taking of any action by the Committee.

The proceedings of the Committee meetings have been reported to the Board of Directors.

Methodology Used by the Committee

The Committee may meet on a regularly scheduled basis preferably twice a year, or more frequently as circumstances dictate in order to ensure effective governance.

Summary of Activities

Whilst endeavouring to ensure a solid corporate governance culture within the Bank, the Committee made significant improvements in several areas connected to corporate governance. During the year, the Committee reviewed the format of the Annual Declaration Form to be submitted by the Directors and also

made several recommendations to improve the Board processes as well as the processes followed by the Board Sub-Committees at sub-committee meetings. The procedure for selection and appointment of Directors to the subsidiary companies were also reviewed by the Committee. In addition the Committee reviewed the Related Party Policy of NDB Capital Holdings Ltd. The Committee recommended improvements to the monitoring of the related party transactions effected by all Directors and Key Management Personnel. The Corporate Governance and Legal Affairs Committee Charter was also reviewed and necessary amendments were suggested to the Board.

Appreciation

The Committee wishes to convey its sincere gratitude to former members S G Wijesinha, Ms. G D C Ekanayake and A Siriwardena for their valuable contribution to the Committee over the years.



Mrs. K Fernando
Chairperson

Corporate Governance and
Legal Affairs Committee

12 February 2016
Colombo