

Media Release

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SEC Announces Enhanced Corporate Governance Rules

The Securities and Exchange Commission of Sri Lanka has announced revisions to Corporate Governance Rules applicable to entities listed on the Colombo Stock Exchange with effect from 1st October 2023.

High standards of Corporate Governance with accountability and transparency are critical to building investor confidence in the capital market and is therefore a priority on the SEC's regulatory agenda. The SEC recognising the need to improve the level of Corporate Governance among Listed Companies in the market initiated a process of amending the Rules on Corporate Governance through a process of stakeholder and public consultations. Based on the stakeholder and public responses the Rules were revised to enhance the governance structures and responsibilities of the Board of Directors and Board Committees of the companies.

These amendments which are in line with global best practices are intended to give clear direction on good Board and management practices that will help build investor and stakeholder confidence.

According to the amended Rules, Listed Companies are required to, among others, establish and maintain Board Policies for Risk Management and Internal Controls, Relations with Shareholders and Investors, Whistleblowing, Corporate Disclosures, Environmental, Social and Governance Sustainability and Anti-Bribery and Corruption. The Rules will require Listed Companies to disclose these policies as well as the implementation details of such policies on their respective company websites and make reference to the website content in their annual reports.

As an important mechanism for the check and balance process in the governance of companies, the revisions require the establishment and operationalisation of Nomination and Governance Committees, Remuneration Committees, Audit Committees, Related Party Transactions Review Committees and where appropriate Risk Committees. Other key Rules include, minimum number of Board members, segregation of the position of Chairman and Chief Executive Officer, appointment of a Senior Independent Director in specific instances, 'Fit and Proper' Assessment Criteria for directors and CEOs, criteria for determining independence of directors and requirements on Alternate Directors. Whilst the effective date is 01st October 2023 for most Rules, there will be provision for extended time limits on certain Rules in order to enable companies to reorganize their Board structures.

These revisions are the result of the continued collaborative efforts between the SEC, CSE and the industry to strengthen Sri Lanka's corporate governance framework. The last update of the Rules on Corporate Governance was in 2008.

Issued by

Tushara Jayaratne

Deputy Director General



Level 28-29, East Tower, World Trade Center
Echelon Square, Colombo 01, Sri Lanka
Phone: (+94 11) 2143843 ext 190
Direct (+94 11) 2143834
Fax : (+94 11) 2439149
E-Mail: tushara@sec.gov.lk
Website: <http://www.sec.gov.lk>
<https://www.facebook.com/secsocialmedia/>
https://twitter.com/SEC_SriLanka