INTRODUCTION
The Board of Directors of the Company is committed towards maintaining good corporate governance whilst pursuing its corporate objectives to enhance long term shareholder value and sustainable growth. In addition to the requirements outlined in the Listing Rules of the Colombo Stock Exchange (CSE) and other relevant regulations, the Company complies with Dialog’s Code of Corporate Governance, which is an internally developed code, based on international corporate governance principles and best practices and is applicable to the Group and governs the activities of the Board, how the Group conducts its business operations, its relationships with all of its stakeholders while providing for accountability and sound internal control systems.

The Board confirms that the Company is compliant with the requirements stipulated in the Code, the Rules on Corporate Governance contained in the Listing Rules of the CSE and the requirements stipulated in the Companies Act, No. 7 of 2007. This report outlines the Corporate Governance framework, application and practice within the Group for the year 2018.

1. THE BOARD
The Company’s business and Group operations are managed under the supervision of the Board. The role of the Board includes:

- Providing entrepreneurial leadership to the Group;
- Providing strategic guidance and evaluating, reviewing and approving corporate strategy and the performance objectives for the Company;
- Approving and monitoring financial and other reporting practices adopted by the Group;
- Effectively reviewing and constructively challenging management performance in meeting the agreed goals, monitoring the reporting of performance and ensuring that the necessary financial and human resources are in place for the Company to meet its objectives.

The composition of the Board of Directors as at 31 December 2018, was as follows:

<table>
<thead>
<tr>
<th>Name of Director</th>
<th>Date of Appointment to the Board</th>
<th>Position</th>
</tr>
</thead>
<tbody>
<tr>
<td>Datuk Azzat Kamaludin</td>
<td>21 July 2008</td>
<td>Chairman</td>
</tr>
<tr>
<td>Mr. Supun Weerasinghe</td>
<td>1 January 2017</td>
<td>Group Chief Executive Officer/Director</td>
</tr>
<tr>
<td>Dr. Hans Wijayasuriya</td>
<td>19 January 2001</td>
<td>Non-Independent, Non-Executive Director</td>
</tr>
<tr>
<td>Mr. Mohamed Muhsin</td>
<td>14 June 2006</td>
<td>Independent, Non-Executive Director</td>
</tr>
<tr>
<td>Mr. James Maclaurin</td>
<td>10 May 2011</td>
<td>Independent, Non-Executive Director</td>
</tr>
<tr>
<td>Deshamanya Mahesh Amalean</td>
<td>15 May 2014</td>
<td>Independent, Non-Executive Director</td>
</tr>
<tr>
<td>Mr. Dominic Paul Arena</td>
<td>1 June 2016</td>
<td>Non-Independent, Non-Executive Director</td>
</tr>
<tr>
<td>Mr. Willem Timmermans</td>
<td>10 May 2017</td>
<td>Non-Independent, Non-Executive Director</td>
</tr>
<tr>
<td>Dato’ Mohd Izzaddin Idris</td>
<td>9 August 2018</td>
<td>Non-Independent, Non-Executive Director</td>
</tr>
</tbody>
</table>

Table 1 – Composition of the Board as at 31 December 2018

Mr. Chari TVT, who was a Non-Independent Non-Executive Director, completed his tenure as a nominee director of Axiata Group Berhad (“Axiata”) on the Board and accordingly resigned from the Board of the Company with effect from 13 December 2018.

Annual Report 2018
Since the last AGM, Dato’ Mohd Izzaddin Idris and Mr. Vivek Sood were appointed to the Board effective 9 August 2018 and 16 February 2019 respectively as nominee directors of Axiata Group Berhad.

The profiles of each Director are found on pages 15 to 20 of this Report.

- Composition and Balance of the Board

As at 31 December 2018, the Board comprised of 09 directors, of which 08 are non-executive directors and 01 is an executive director, who is also the Group Chief Executive Officer (“GCEO”). The composition mix of the executive and non-executive directors satisfies the requirements of the Listing Rules of the CSE.

The non-executive directors provide a considerable depth of knowledge collectively gained from experiences, whilst serving in a variety of public and private companies in various industries. The Board includes five qualified Chartered Accountants who provide the Board with the requisite financial acumen and knowledge on financial matters.

The Board considers that the composition and expertise of the Board is sufficient to meet the present needs of the Group, but will continue to review the composition and the mix of skills and expertise on an ongoing basis to align it to the business needs and complexity of the Group’s operations.

- Board Independence

Based on the declarations made annually by each of the non-executive directors in accordance with the requirements set out in the Listing Rules of the CSE, Deshamanya Mahesh Amalean and Mr. James Maclaurin are considered independent. Furthermore, the Board considers Mr. Mohamed Muhsin as ‘independent’, given his objective and unbiased approach to matters of the Board notwithstanding that he has completed more than 9 consecutive years. These directors are independent of management and free from any business or other relationship, which could materially interfere with the exercise of their judgment.

The Board considers the other 05 non-executive directors, namely Datuk Azzat Kamaludin, Dr. Hans Wijayasuriya, Mr. Dominic Paul Arena, Mr. Willem Timmermans and Dato’ Mohd Izzaddin Idris as non-independent, as they are nominees of Axiata Group Berhad, the major shareholder of the Company.

- Division of Responsibilities

The roles of the Chairman and the GCEO are separate with a clear distinction of responsibilities between them, which ensures the balance of accountability and authority between the running of the Board, and the executive responsibility for the running of the Group’s businesses.

The role of the Chairman, Datuk Azzat Kamaludin, is to provide leadership to the Board, for the efficient organisation and conduct of the Board’s function, and to ensure the integrity and effectiveness of the relationship between the non-executive and executive director(s).

The role of the GCEO, Mr. Supun Weerasinghe, is to implement policies and strategies approved by the Board, and develop and recommend to the Board the business plans and budgets that support the Group’s long-term strategy and vision that would lead to the maximisation of shareholder value.

- Board Meetings and Attendance

The Board meetings for each financial year are scheduled in advance to enable the directors and management to plan accordingly and fit the year’s Board meetings into their respective calendars. The Board’s annual meeting calendar (including Board meetings and Board Committee meetings) is prepared with the consensus of all directors and is tabled at the Board meeting in the fourth quarter of each preceding year.

To ensure that Board meetings are conducted effectively and efficiently, the time allocation for each agenda item is determined in advance. Members of the management and external advisors are invited as and when required to attend Board meetings to present proposals and provide further clarity to the Board.
The Board meets quarterly with a view to discharging its duties effectively. In addition, special Board meetings are also held whenever necessary to deal with specific matters. A total of 06 meetings were held in 2018, which included 02 special meetings. The attendance of directors at these meetings is set out in the table below:

<table>
<thead>
<tr>
<th>Name of Director</th>
<th>Attendance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Datuk Azzat Kamaludin</td>
<td>6/6</td>
</tr>
<tr>
<td>Mr. Supun Weerasinghe</td>
<td>6/6</td>
</tr>
<tr>
<td>Dr. Hans Wijayasuriya</td>
<td>6/6</td>
</tr>
<tr>
<td>Mr. Mohamed Muhsin</td>
<td>6/6</td>
</tr>
<tr>
<td>Mr. James Maclaurin</td>
<td>5/6</td>
</tr>
<tr>
<td>Deshamanya Mahesh Amalean</td>
<td>4/6</td>
</tr>
<tr>
<td>Mr. Chari TVT</td>
<td>5/6</td>
</tr>
<tr>
<td>Mr. Dominic Paul Arena</td>
<td>5/6</td>
</tr>
<tr>
<td>Mr. Willem Timmermans</td>
<td>4/6</td>
</tr>
<tr>
<td>Dato’ Mohd Izzaddin Idris*</td>
<td>2/3</td>
</tr>
</tbody>
</table>

Table 2 –Board meeting Attendance
* Appointed with effect from 9 August 2018.

**Access to Information**

To enable the Board to make informed decisions, the Board is supplied with complete and adequate information in advance of each meeting, which includes an agenda, minutes, Board papers with background or explanatory information, financial and operational performance reports. The Board also receives regular review reports and presentations on business development, risk profiles and regulatory updates. Any additional information may be requested by any director as and when required.

The Board has separate and independent access to the Group’s Senior Management. All Directors have access to the advice and services of the Group Company Secretary, who is responsible to the Board for ensuring that Board procedures and applicable rules and regulations are complied with.

The directors, especially non-executive directors, have access to independent professional advice in the course of fulfilling their responsibilities, at the Company’s expense.

**Professional Development and Performance Evaluation**

The directors are provided with the opportunity to update and enhance their skills and knowledge through training conducted by both external and in-house facilitators, and are periodically briefed on changes to relevant laws, regulations and accounting standards which impact the Group’s business and the directors.

The Nominating and Remuneration Committee (NRC) is responsible for evaluating the Board’s performance and decides how the Board’s performance may be evaluated and also proposes the objective criteria.

**Delegation of Authority and Board Committees**

Other than the matters reserved for the Board, the Board has adopted a Group Policies and Limits of Authority (LOA) framework applicable to the Group, by which the Board has delegated authority to its Board Committees and management. The Group Policies state the principles and set out the tone by which business is to be conducted, whereas the primary purpose of the LOA is to set out clear guidance to management as to the matters over which the Board reserves authority and those which it delegates to management. The LOA has established a sound framework of authority and accountability, which facilitates timely, effective and quality decision-making at the appropriate level.

The Board is supported by the following Board Committees which have been delegated with certain specific responsibilities:

1. Board Audit Committee
2. Nominating and Remuneration Committee
3. Related Party Transactions Review Committee
4. Capital Investment and Procurement Management Committee
All Board Committees have written Terms of Reference approved by the Board and the Board receives reports of their proceedings and deliberations. In instances where Committees have no authority to make decisions on matters reserved for the Board, recommendations are highlighted for approval by the Board. The Chair Persons of each of the Board Committees report the outcome of the Committee meetings to the Board and the relevant decisions are incorporated in the minutes of the Board meetings. The Group Company Secretary acts as secretary to all Board Committees.

A brief description of each Board Committee is provided below:

a) Board Audit Committee (BAC)
The BAC ensures that the Group complies with applicable financial standards and laws. In addition, it ensures high standards of transparency and corporate disclosure and endeavours to maintain appropriate standards of corporate responsibility, integrity and accountability to the shareholders. The appointed members of the BAC are required to exercise independent judgment in carrying out their functions. The activities conducted by the BAC are set out in the BAC Report on pages 48 to 50.

b) Nominating and Remuneration Committee (NRC)
The role of the NRC is to identify, consider and propose suitable candidates for appointment as directors and for senior management positions and to formulate, review, approve and make recommendations to the Board with regard to the remuneration of the executive and non-executive directors and key positions within the senior management.

The NRC also ensures that it receives quarterly updates from the Group HR Division on staff related matters.

The NRC comprises 03 non-executive directors, namely Datuk Azzat Kamaludin (Chairman), Mr. Mohamed Muhsin and Deshamanya Mahesh Amalean.

The NRC held 04 meetings during the financial year ended 31 December 2018 and the attendance at these meetings is set out below:

<table>
<thead>
<tr>
<th>Name of Director</th>
<th>Attendance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Datuk Azzat Kamaludin (Chairman)</td>
<td>4/4</td>
</tr>
<tr>
<td>Mr. Mohamed Muhsin</td>
<td>4/4</td>
</tr>
<tr>
<td>Deshamanya Mahesh Amalean</td>
<td>3/4</td>
</tr>
</tbody>
</table>

Table 3 –NRC meeting Attendance

c) Related Party Transactions Review Committee (RPTRC)
The role of the RPTRC is to review related party transactions as prescribed by Section 9 of the Listing Rules of the CSE. As per the Listing Rules, the RPTRC meets at least once a financial quarter.

The Company has complied with the requirements set out in the Listing Rules of Colombo Stock Exchange pertaining to Related Party Transactions.

The activities conducted by the RPTRC are set out in the RPTRC Report on page 51.

d) Capital Investment and Procurement Management Committee (CIPMC)
The role of the CIPMC is to support the Board in the performance of its duties by considering and approving, or recommending to the Board, strategic, operational and financial matters and procurement proposals.

The CIPMC comprises 04 representatives of the Board, namely Mr. James Maclaurin (Chairman), Mr. Mohamed Muhsin, Dr. Hans Wijayasuriya and
Mr. Supun Weerasinghe and 01 ex-officio member who is the Group Chief Financial Officer of Dialog.

The CIPMC held 03 meetings during the financial year ended 31 December 2018.

The above Board Committees are supported by a comprehensive and effective internal governance structure, consisting of the Group Senior Management Committee (GSMC), headed by the GCEO, to oversee the overall operations of the Group. Reporting to the GSMC are Group Leadership Committees that oversee the effective management of core functional areas and are headed by senior management members heading the respective functional area.

► Re-appointment and Re-election
In accordance with the Company’s Articles of Association, directors who were appointed during the year must submit themselves to the shareholders for re-election at the first AGM following their appointment and one-third of the directors (excluding the executive director) are subject to retirement and re-appointment by rotation at every AGM. The directors who retire by rotation are those who have been longest in office since their appointment/re-appointment.

The directors who are retiring and are eligible for re-election this year are mentioned in the Notice of the AGM on page 155.

2. REMUNERATION
The Company’s remuneration policy endeavours to attract, retain and motivate directors of the quality and experience commensurate with the stature and operational complexity of the Dialog Group. The remuneration policy for directors is proposed, evaluated and reviewed by the NRC, in keeping with criteria of reasonability.

The remuneration of non-executive directors comprises a monthly fixed allowance and meeting allowances paid in accordance with the number of meetings attended during the year 2018.

The remuneration of the executive director, in his capacity of an employee, comprises of a salary, bonuses and other customary benefits as appropriate. Salary reviews take into account market rates and the performance of the individual and the Company. Further the performance-related elements of remuneration have been designed to align the interests of the executive director with those of shareholders and link rewards to corporate and individual performance. Thus, the variable component of the executive director’s remuneration is based on the achievement of two dimensions – company performance against company targets and individual performance against a pre-determined set of Key Performance Indicators (KPI). These KPIs comprise of qualitative and quantitative targets and the evaluation of the achievement of the KPIs is reviewed by the NRC and the recommendations are tabled for approval of the Board.

A total of Rs. 98.2Mn was paid to the Directors as emoluments for the financial year 2018.

3. ACCOUNTABILITY AND AUDIT
► Financial Reporting
The Board believes that independent verification is necessary to safeguard the integrity of the Group’s accounting and financial reporting.

The Board aims to provide and present a balanced and understandable assessment of the Group’s position and prospects. Therefore, the Board has established a formal and transparent process to independently verify and safeguard the integrity of the Group’s accounting and financial reporting and internal control systems, which are periodically reviewed and monitored to ensure effectiveness.

The GCEO and the Group Chief Financial Officer (“GCFO”) declare in writing to the Board that the Company’s financial reports present a true and fair view, in all material respects, of the Company’s financial condition and that operational results are stated in accordance with relevant accounting standards.