

## Details - Protecting Minority Investors in Sri Lanka - Measure of Quality

|  | Answer  | Score      |
|--|---|------------|
| <b>Extent of conflict of interest regulation index (0-30)</b>  |   |            |
| <b>Extent of disclosure index (0-10)</b>   |   | <b>8.0</b> |
| Whose decision is sufficient to approve the Buyer-Seller transaction? (0-3)  | Board of directors excluding interested members               | 2.0        |
| Must an external body review the terms of the transaction before it takes place? (0-1)                               | Yes   | 1.0        |
| Must Mr. James disclose his conflict of interest to the board of directors? (0-2)                                    | Existence of a conflict without any specifics                 | 1.0        |
| Must Buyer disclose the transaction in periodic filings (e.g. annual reports)? (0-2)                                 | Disclosure on the transaction and on the conflict of interest | 2.0        |
| Must Buyer immediately disclose the transaction to the public? (0-2)   | Disclosure on the transaction and on the conflict of interest | 2.0        |
| <b>Extent of director liability index (0-10)</b>   |   | <b>5.0</b> |
| Can shareholders representing 10% of Buyer's share capital sue for the damage the transaction caused to Buyer? (0-1) | Yes   | 1.0        |
| Can shareholders hold Mr. James liable for the damage the transaction caused to Buyer? (0-2)                         | Liable if negligent   | 1.0        |
| Can shareholders hold the other directors liable for the damage the transaction caused to Buyer? (0-2)               | Liable if negligent   | 1.0        |
| Must Mr. James pay damages for the harm caused to Buyer upon a successful claim by shareholders? (0-1)               | Yes   | 1.0        |
| Must Mr. James repay profits made from the transaction upon a successful claim by shareholders? (0-1)                | No  | 0.0        |
| Is Mr. James disqualified upon a successful claim by shareholders? (0-1)   | No  | 0.0        |
| Can a court void the transaction upon a successful claim by shareholders? (0-2)                                      | Voidable if negligently concluded                             | 1.0        |
| <b>Ease of shareholder suits index (0-10)</b>  |   | <b>7.0</b> |
| Before suing, can shareholders representing 10% of Buyer's share capital inspect the transaction documents? (0-1)    | No  | 0.0        |
| Can the plaintiff obtain any documents from the defendant and witnesses at trial? (0-3)                              | Any relevant document   | 3.0        |
| Can the plaintiff request categories of documents from the defendant without identifying specific ones? (0-1)        | No  | 0.0        |
| Can the plaintiff directly question the defendant and witnesses at trial? (0-2)                                      | Yes   | 2.0        |
| Is the level of proof required for civil suits lower than that of criminal cases? (0-1)                              | Yes   | 1.0        |
| Can shareholder plaintiffs recover their legal expenses from the company? (0-2)                                      | Yes if successful   | 1.0        |
| <b>Extent of shareholder governance index (0-20)</b>   |   |            |
| <b>Extent of shareholder rights index (0-6)</b>  |   | <b>5.0</b> |
| Does the sale of 51% of Buyer's assets require shareholder approval?   | Yes   | 1.0        |
| Can shareholders representing 10% of Buyer's share capital call for a meeting of shareholders?                       | Yes   | 1.0        |
| Must Buyer obtain its shareholders' approval every time it issues new shares?  | Yes   | 1.0        |
| Do shareholders automatically receive preemption rights every time Buyer issues new shares?                          | No  | 0.0        |
| Do shareholders elect and dismiss the external auditor?  | Yes   | 1.0        |
| Are changes to the rights of a class of shares only possible if the holders of the affected shares approve?          | Yes   | 1.0        |
| <b>Extent of ownership and control index (0-7)</b>   |   | <b>6.0</b> |
| Is it forbidden to appoint the same individual as CEO and chairperson of the board of directors?                     | No  | 0.0        |

|   |     |            |
|---|-----|------------|
| Must the board of directors include independent and nonexecutive board members?                               | Yes | 1.0        |
| Can shareholders remove members of the board of directors without cause before the end of their term?         | Yes | 1.0        |
| Must the board of directors include a separate audit committee exclusively comprising board members?          | Yes | 1.0        |
| Must a potential acquirer make a tender offer to all shareholders upon acquiring 50% of Buyer?                | Yes | 1.0        |
| Must Buyer pay declared dividends within a maximum period set by law?   | Yes | 1.0        |
| Is a subsidiary prohibited from acquiring shares issued by its parent company?                                | Yes | 1.0        |
| <b>Extent of corporate transparency index (0-7)</b>   |     | <b>5.0</b> |
| Must Buyer disclose direct and indirect beneficial ownership stakes representing 5%?                          | Yes | 1.0        |
| Must Buyer disclose information about board members' primary employment and directorships in other companies? | Yes | 1.0        |
| Must Buyer disclose the compensation of individual managers?  | No  | 0.0        |
| Must a detailed notice of general meeting be sent 21 days before the meeting?                                 | Yes | 1.0        |
| Can shareholders representing 5% of Buyer's share capital put items on the general meeting agenda?            | No  | 0.0        |
| Must Buyer's annual financial statements be audited by an external auditor?                                   | Yes | 1.0        |
| Must Buyer disclose its audit reports to the public?  | Yes | 1.0        |