



HAYCARB PLC

POLICY ON MATTERS RELATING TO THE BOARD OF DIRECTORS

A. PURPOSE

The Purpose of the policy on matters relating to the Board of Directors ('this Policy') is to establish a comprehensive internal governance structure within which the Board of Directors of the Company is expected to carry out their duties in compliance with the provisions of the Companies Act No of 2007, the Listing Rules of the Colombo Stock Exchange and the Articles of Association of the Company.

This Policy is adopted to ensure effective execution of the Directors' responsibilities and will be reviewed by the Nominations and Governance Committee of the Board as appropriate.

B. SCOPE

This Policy is applicable to Haycarb PLC

C. DEFINITIONS

The Company – refers to Haycarb PLC

The Listing Rules – refers to the Listing Rules of the Colombo Stock Exchange

The Board – refers to the Board of Directors of Haycarb PLC

The Companies Act – refers to the Companies Act No 7 of 2007

D. RESPONSIBILITY OF THE BOARD

The Board of Directors ('the Board') in performing their duties shall act in good faith and in the best interest of the Company. The Directors in overseeing the management of the Company's business and affairs must consider the interests of the shareholders of the Company.

Overall Responsibilities

- Ensure formulation and implementation of business strategy
- Appointment of Chairman and Senior Independent Director
- Ensuring that Key Management Personnel have the required skills, experience and knowledge to implement strategy
- Succession planning

- Approval of budgets and major capital expenditure
- Ensuring effective systems to secure integrity of information, internal controls, business continuity and risk management
- Ensuring compliance with all laws, regulations and ethical requirements
- Ensuring that key stakeholder interests are considered in corporate decisions
- Ensuring the development, approval and update of strategies, policies and targets related to sustainable development
- Ensuring adoption of appropriate accounting policies and fostering compliance with financial regulations
- Establishing a process for monitoring and evaluation of progress on implementation of strategy, budgets, plans and risks
- Overseeing the processes to identify and manage the organisation's impacts on the economy, environment and people

In discharging their obligations, directors are expected to rely on the honesty, integrity and expertise of the Company's senior executives and its outside advisors and auditors. Board members are expected to review meeting materials in advance, to attend and actively participate in all Board meetings and meetings of Board committees on which they serve, either physically or via audio visual communication. Directors who join via audio visual communication shall be counted for the quorum.

Directors are expected to devote adequate time to discharge their responsibilities appropriately. Directors are required to abide by the internal Code of Business Conduct and Ethics for all Directors and employees including policies on trading in the entity's listed securities.

The Nominations and Governance Committee will oversee an annual self- evaluation of the Board to determine whether the Board and its committees are functioning effectively.

E. BOARD COMPOSITION

Size of the Board.

The Board shall have a minimum of Five (5) and maximum of Fifteen (15) Directors. The number of Directors can only be changed by a special resolution of the shareholders.

Positions of Chairman and Chief Executive

The functions of Chairman and Managing Director (Chief Executive Officer) are vested in two separate individuals which ensures a division of responsibility and authority. The Chairman shall be an Executive Director having an in depth understanding of the business operations and industry. The Board is of the view that this is the most appropriate arrangement for the Company.

The Chairman of the Board of Hayleys PLC, the parent company, shall be the Chairman of the Company unless otherwise stated in the Articles of Association or Joint Venture Agreements.

Role of the Chairman

The Chairman's role is to preserve good corporate governance, and be responsible to preserve order and facilitate the effective discharge of Board functions.

Senior Independent Director

The Board shall appoint a Senior Independent Director since the Chairman is an Executive Director.

Duties of the Senior Independent Director (SID) include:

- Set corporate values facilitating an equitable balance between key stakeholder interests
- Uphold high standards of ethics, integrity and probity
- Support executive leadership whilst monitoring their conduct
- Preside over the meetings of independent directors, without the presence of the executive directors, at least once a year or as often as deemed necessary to discuss matters relating to the Company and the operation of the Board
- Preside at meetings of the Non-Executive Directors without the presence of the executive directors at least once a year, to appraise the Chairman's performance and on such other occasions as are deemed appropriate
- The SID shall have a casting vote at these meetings
- Report the results of the meetings to the Chairman
- Provide feedback as required to the other directors on the issues discussed with the Chairman
- Serve as a liaison with the Chairman and independent directors
- Call for meetings of the non-executive directors and independent directors as and when necessary
- Ensure that he or she is available for consultation and direct communications with major shareholders as appropriate
- Be available to shareholders in case they have concerns which cannot, or should not, be addressed by the Chairman or Executive Directors
- Act on the results of any performance evaluation of the Chairman
- Maintain sufficient contact with major, significant and minority shareholders, assisting the Board to develop a balanced understanding of their issues

Non-Executive Directors

Since the Chairman is an Executive Director, majority of the Directors shall be Non-Executive Directors.

Independent Directors

One Third (1/3rd) of the total number of directors shall be Independent in terms of Rule 9.8.2 of the Listing Rules. The criteria for independence are set out in Rule 9.8.3 of the Listing Rules and in Appendix A.

F. DIRECTOR SELECTION

The Nominations and Governance Committee is responsible to recommend candidates for Board membership. General criteria for nomination of Director candidates include, but are not limited to the strategic demands of the Company, the highest standards of integrity and ethical behaviour, the ability to provide wise and informed guidance to management, a willingness to pursue thoughtful, objective inquiry on important issues before the Company, and a range of experience and knowledge commensurate with the Company's needs as well as the expectations of investors and other relevant stakeholders. The Nominations and Governance Committee must also consider whether the candidate enhances the diversity of the Board. Such diversity includes professional backgrounds, competencies, skills, knowledge of specific industries and geographic experience, age and gender.

The Nominations and Governance Committee must consider the following criteria in relation to fitness and propriety when recommending candidates for Board membership.

- Honesty, integrity and reputation
- Competence and capability
- Financial soundness

The Directors shall confirm on an annual basis that they have continuously satisfied the Fit and Proper Assessment Criteria as set out in Rule 9.7.3 of the Listing Rules during the financial year and at the date of such declaration.

The Nominations and Governance Committee must consider whether candidates recommended for Board membership are employed or on the boards of competing companies and determine whether such a candidate can be recommended.

Retirement and Re- Election of Directors

Any Director who is over seventy (70) years shall retire in terms of Section 210 of the Companies Act and subject to the recommendation of the Nominations and Governance Committee, stand to be re-appointed by an ordinary resolution of the shareholders in terms of Section 211 of the Companies Act.

In terms of the Articles of Association of the Company, at every Annual General Meeting one third (1/3rd) of the Directors, or if their number is not three (3) or a multiple of three (03), the number nearest to but not exceeding one third (1/3rd), shall retire from office, provided however that the Managing Director whilst holding that office shall not be subject to retirement by rotation or be taken into account in determining the retirement by rotation.

Director Orientation

The Company will conduct an orientation program for new Directors that includes presentations by senior management. Additionally, management will provide opportunities for all Directors to obtain an understanding of the Company's strategic plans, business and operations, significant financial, accounting and risk management issues, material ESG matters and impacts and other matters of importance to the Company. This will include visits to the Company's significant facilities.

Continuing Education and Awareness

The Board shall be kept abreast of any new laws that impact boards, changes to Listing Rules, Policies of the Company and any legislation that is relevant for the Board to perform their duties diligently.

Where necessary the Company will send Directors to the Sri Lanka Institute of Directors, for training on corporate governance and other relevant matters.

G. CHANGES IN PROFESSIONAL RESPONSIBILITY

Where there is a change in a Director's board position or business affiliation which may result in a conflict with the business of the Company, the Director shall promptly inform the Chairman.

The Chairman shall determine whether such conflict of interest may require the Director to resign from the Board and shall inform the determination to the said Director who shall forthwith submit a letter of resignation.

Prior to accepting any other Board position, the Directors should keep the Chairman informed.

Additional Board Service

The Chairman of the Group shall serve as Chairman of all companies within the Group.

The maximum number of directorships in listed companies that may be held by any director is **Twenty-Five (25)**.

Each Director must annually declare to the Board all the directorships held by him/her in listed companies, unlisted public companies and private companies

H. DIRECTOR REMUNERATION

It is the policy of the Board to provide compensation to non-executive directors who are not employed by the Company or Hayleys PLC, the parent company. Proposed changes in the director compensation initially shall be reviewed by the Remuneration Committee and any changes shall require the approval of the Board. The Remuneration Committee periodically shall review the

status of directors' fees/compensation in relation to other comparable companies and other factors the Committee deems appropriate, and shall discuss the results of its review with the Board.

I. BOARD MEETINGS

Agendas

The Chairman will establish the schedule and agendas for meetings of the Board. Any suggestion by Directors may be considered. Board papers will be provided to the Directors at least 7 days before each meeting by the Company Secretaries.

Information

Directors may request for additional information at the meeting to make informed decisions.

Board decisions may be taken by way of written resolutions circulated to directors as provided in the Articles of Association.

Directors shall maintain strict confidentiality of Board discussions and all information received in their capacity as Directors and Committee members.

Meeting Schedule

By 31st December, the schedule of the meetings for the ensuing year will be distributed to the directors.

Number of Meetings

- The Company shall hold Board meetings on a quarterly basis. A minimum number of Four (4) Board meetings per year must be held.
- The Company shall hold Audit Committee and Related Party Transactions Review Committee meetings on a quarterly basis.
- Remuneration Committee meetings shall be held at least once a year.
- Nominations and Governance Committee meetings shall be held twice a year or more frequently as and when the need arises.

Committee meetings may be held via audio visual communication.

Attendance at Meetings.

Any Director who is unable to attend the meetings physically may participate via audio visual communication and shall be marked as present and be counted for the quorum.

A Director is required to attend at least Two (02) Board meetings (if 4 Board meetings are held) or 50% of the Board meetings held during the Financial Year.

A Director who is absent for more than fifty percent (50%) of the Board meetings during the year, shall be considered as having vacated the post and is required to forward a letter of resignation, conditional upon acceptance by the Board.

Presentations

Senior management, officers and other key associates maybe invited to Board meetings to provide additional insight into items being discussed, or whom senior management believe should be given exposure to the Board.

J. BOARD INTERACTION WITH INVESTORS, MEDIA AND OTHERS

The Board believes that the Chairman and Managing Director speaks for the Company. The Directors shall not discuss matters relating to the business of the Company without prior approval of the Chairman.

The Directors shall not disclose to any third party or the media any price sensitive or material information about the business, which has not been disclosed by the Company to the Colombo Stock Exchange.

K. TRADING IN SECURITIES OF THE COMPANY AND GROUP COMPANIES

The Directors shall adhere to Rule 8.6 of the Listing Rules of the CSE and Section 200 of the Companies Act.

Connected persons are prohibited from trading in securities based on price sensitive or privileged information which has not been disclosed to the public. It is the policy of the Company that connected persons shall not trade up to **three (03) market days** after the information is released to the CSE, excluding the date on which the information was disclosed the CSE.

Connected persons include:

- Directors of the Company or Directors of a related company, or a spouse of a director and children under 18 years,
- A person holding the position of an officer of the Company (other than a director) or employees of the Company or a related company, or a position involving a professional business relationship which can reasonably be expected to give him or her access to unpublished price sensitive information.

Where a Director or a connected person or a company in which he is a Director (relevant interest) buys or sells securities of the Company in which he serves as a Director, the Director has an obligation to inform the Board forthwith, through the Company Secretary, about the connected parties dealing in shares of the Company and this shall be disclosed to the CSE within 5 market days.

For the purpose of Section 200 of the Companies Act, a person has a **relevant interest in shares** if:

- he is the beneficial owner of the share,
- has the power to exercise any right to vote attached to the share,
- has the power to acquire or dispose the share,
- has power to control the acquisition or disposal of the share by another person OR
- under or by virtue of any trust or agreement, arrangement or understanding relating to the share, has the power to control the right to vote, buy or sell, or control the buying or selling by another person.

In addition to the above, Directors of the Company are required to refrain from dealing in the securities of the Company or group companies before the publication of price sensitive information.

L. BOARD COMMITTEES

The Company shall always have an Audit Committee, a Nominations and Governance Committee, a Related Party Transactions Review Committee and a Remuneration Committee. The Chairman of all the committees shall be an Independent Director. The Senior Independent Director shall be the Chairman of the Nominations and Governance Committee.

Majority of the members of these committees will be independent directors. The Committees shall not comprise any executive directors except the Related Party Transactions Review Committee. These Committees shall be governed by the Listing Rules.

Each of the committee shall have a Charter and the Nomination and Governance Committee will review the charters of the committees on an annual basis.

Appointment of Committee Members. The Nomination and Governance Committee will recommend to the Board for its approval Directors to serve as members and chairs of each committee.

Committee Meetings. Committee chairs, in consultation with other committee members and appropriate management personnel, will determine the frequency, length and agendas of meetings consistent with the Committee's charter, and will communicate agendas and meeting dates to the other members as far in advance of the meetings as practicable. The chair of each committee will report on committee matters to the full Board.

The Board may appoint and any other committee such as ESG Committee, Risk Committee etc. as deemed appropriate, which will have their own policies and procedures.

M. APPRAISAL OF BOARD PERFORMANCE AND APPRAISAL OF THE CHIEF EXECUTIVE

The Board and Committees shall appraise their own performance annually to ensure that board responsibilities are satisfactorily discharged.

An annual self-evaluation shall be carried out by the members of the Board on the performance of the Board, its committees and the Chairman, non-executive directors and executive directors.

The collective outcome shall be compiled and evaluated by the Nominations and Governance Committee which shall consider the results of the evaluation and make recommendations to the Board on initiatives, actions required to improve the balance of skills, experience, independence, industry knowledge and training and other relevant factors.

The performance of the Managing Director shall be evaluated by the Board in line with the short, medium- and long-term objectives of the Company, financial and non-financial targets that should be met by the Managing Director during the year.

Succession Planning and Management Development

There will be an annual report to the Board on succession planning and development of the Management of the Heads of Department and above, which will be reviewed and approved by the Board.

Publication

The Company's website will disclose the existence of the Policy on matters relating to the Board of Directors and a summary may be shared with the shareholders of the Company upon request made to the Company Secretary.

Review and Update

This policy shall be reviewed and updated at least once every two (2) years. The required updates and modifications shall be approved by the Board of Directors. All stakeholders shall be informed of any revisions made to this Policy. The Company reserves the right to modify/amend the policy at any time.

Effective date of implementation

This policy shall be effective and operative from 1st of October 2024.