

**POLICY ON CORPORATE
GOVERNANCE, NOMINATIONS AND RE-
ELECTION**

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POLICY ON CORPORATE GOVERNANCE, NOMINATIONS AND RE-ELECTION

1. OVERVIEW

This Policy on Corporate Governance, Nominations and Re-Election has been adopted by the Board of Directors in conformity with the Listing Rules to provide for the framework for meeting its duties and responsibilities in relation to the governance of the Company and the guidelines to be followed for the nomination and re-election of Directors in accordance with the Companies Act, the Listing Rules and the Articles and other internal policies and procedures.

2. DEFINITIONS

The following words and expressions shall have the respective meanings given against each such word unless such meanings are inconsistent with or repugnant to the subject or context:

“**Articles**” mean the articles of association of the Company, as amended from time to time;

“**Board**” means the board of directors of the Company;

“**Chairperson**” means the chairperson of the Board as elected by the Directors, from time to time;

“**Committee**” means the Nominations and Governance Committee of the Company;

“**Companies Act**” means the Companies Act No. 07 of 2007 as amended from time to time;

“**Company**” means Vallibel One PLC and includes, when the context so requires, any subsidiary of Vallibel One PLC;

“**Company Secretary**” means the secretary of the Company referred to in section 221 of the Companies Act;

“**Director**” or “**Directors**” means a director or the directors (as the case may be) for the time being of the Company, including where the context so requires or admits alternate directors, and the directors assembled at a Board meeting;

“**Employee**” or “**Employees**” means a person or persons employed by the Company including executive and non-executive staff;

“Executive Director” means a Director who is employed by, and/or is otherwise engaged in the day-to-day management of the business of the Company in an executive capacity;

“Independent Director” means a Director who satisfies the criteria for ‘independence’ as set forth in Rule 9.8.3 of the Listing Rules, and appointed to the Board as such or who is designated as such after being appointed to the Board on fulfilling the criteria for independence;

“Listing Rules” means the Listing Rules of the Colombo Stock Exchange;

“Non-Executive Director” means a Director who is not an Executive Director;

“Policy” means this policy on Corporate Governance, Nominations and Re-election;

“Senior Management” means the Managing Director and Executive Director/s and any other Senior Officer designed as the Senior Management by the Board from time to time;

“Shareholder” shall have the same meaning as defined in section 86 of the Companies Act.

3. PURPOSE

The purpose of this Policy is to establish the relevant criteria and guidelines in respect of corporate governance, the nomination of new directors and the re-election of existing directors to the Board, to ensure accountability, transparency, fairness, and responsibility.

4. SCOPE

This Policy applies to the Company, the Board, and the Board sub-committees.

5. COMPOSITION OF THE BOARD

5.1 The Board shall comprise of a minimum of five (5) directors

5.2 The Board shall include at least two (2) Independent Directors or such number equivalent to one-third (1/3) of the total number of Directors of the Company at any given time, whichever is higher.

5.3 The Board shall comprise of Directors representing different backgrounds in terms of skills, expertise, and experience to strengthen the governance function.

5.4 The Chairperson shall be appointed by the Board in the manner set out in the Articles and the Chairperson so appointed shall hold office as envisaged in the Articles. The Chairperson or in his absence, a Pro-tem Chairperson appointed by the Board, who shall meet the requirements to be appointed as the Chairperson of the Board of Directors as per the Listing Rules, shall preside at all meetings of the Board and Shareholders.

6. GOVERNANCE REQUIREMENTS

6.1 The business and affairs of the Company are managed by and under the direction and supervision of the Board. The Board also has all the powers necessary for managing and for directing and supervising the management of the business and affairs of the Company.

6.2 The Board and each individual Director must at all times comply with and adhere to the laws that are applicable to the Company and its business and also ensure that the Company complies with and adheres to such laws. The laws applicable to the Company and the business of the Company and its subsidiaries include without limitation, the following:

- (i) the Companies Act;
- (ii) the Securities and Exchange Commission of Sri Lanka Act No. 19 of 2021 or any rules, regulations, determinations, or directions made thereunder including the Listing Rules;
- (iii) the National Environmental Act No. 47 of 1980 and any amendments thereto;
- (iv) the Inland Revenue Act No. 24 of 2017 and amendments thereto;
- (v) the Value Added tax Act No.14 of 2002 and any amendments thereto;
- (vi) the Social Security Contribution Levy Act No.25 of 2022 and any amendments thereto
- (vii) the Employees Provident Fund Act No. 15 of 1958;
- (viii) the Employees Trust Fund Act No. 46 of 1996;
- (ix) the Payment of Gratuity Act No. 12 of 1983;
- (x) the Shop and Office (Regulation of Employment and Remuneration) Act No. 19 of 1954;
- (xi) Foreign Exchange Act No.12 of 2017 and any amendments thereto;
- (xii) Sri Lanka Accounting and Auditing Standards Act No.15 of 1995 and any amendments thereto;
- (xiii) Prevention of Money Laundering Act No.05 of 2006 and any amendments thereto;
- (xiv) Financial Transactions Reporting Act No.06 of 2006 and any amendments thereto; and
- (xv) Personal Data Protection Act No.09 of 2022

The Board shall implement the necessary internal processes within the Company to ensure compliance with the applicable legal framework.

- 6.3 The Board will endeavour that the Company follows recommendations in the Code of Best Practice on Corporate Governance 2023 issued by the Institute of Chartered Accountants of Sri Lanka, to the extent relevant to the business and governance structures of the Company.
- 6.4 The Board shall have complete access to the management, books, and records of the Company. Further, the Board may invite the relevant management personnel to the meetings of the Board in order to provide additional insight into matters discussed.
- 6.5 Whenever the Board deems it appropriate or helpful in discharging its responsibilities, it shall engage the services of external advisors and consultants.
- 6.6 In the interests of greater effectiveness in the exercise of its functions, the Board shall delegate its powers and establish committees. Delegating authority to committees will not, in any way, absolve the Board from discharging its duties and responsibilities.
- 6.7 In accordance with the requirements set out in the Listing Rules, the following Board committees have been constituted at present:
- (i) Nominations and Governance Committee;
 - (ii) Remuneration Committee;
 - (iii) Audit Committee; and
 - (iv) Related Party Transactions Review Committee.
- 6.8 Each committee shall have terms of reference outlining its membership requirements, quorum, its procedures, duties, and responsibilities. The Directors who are members of the committees shall adhere to the Policy on Board Committees.
- 6.9 The other key management personnel, including heads of various departments shall report to the Board.

7. NOMINATION OF DIRECTORS

- 7.1 The Committee shall identify, assess, select, and nominate suitable candidates to be appointed as Director to fill any vacancy on the Board, howsoever created and/or as an additional Director based on the business requirements of the Company.
- 7.2 The Committee shall use the following procedure when reviewing potential candidates for appointment as directors:
- (i) review the skills and competency of the existing Board;

- (ii) assess the skills, knowledge, experience, expertise, diversity, and levels of independence necessary that will best complement the effectiveness of the Board;
- (iii) where appropriate, utilise the services of Senior Management and external advisors to seek out appropriate candidates that meet the selection criteria;
- (iv) identify any potential conflicts of interest and assess the independence of the candidate;
- (v) identify whether the candidate is subject to any disqualification under the laws applicable to the Company and/or the Articles;
- (vi) assess detailed background information in relation to each potential candidate and carry out any appropriate checks and verifications;
- (vii) ensure that the candidate accords with the fit and proper criteria under Rule 9.7.3 of the Listing Rules and obtain a declaration to that effect from the candidate and where the party is to be appointed as an Independent Director, he/she satisfies the criteria for independence as per Rule 9.8.5 of the Listing Rules and obtain a declaration to that effect from the said party;
- (viii) prepare a final list of shortlisted candidates for the Board's review.

7.3 Once a list of potential candidates has been presented for the Board's consideration, after final deliberation, the Board shall appoint the most suitable candidate to fill the vacancy for a Director, after consulting and obtaining the consent of such candidate.

7.4 The Board shall ensure that the process of appointment of a Director shall comply with the rules and procedures as specified in the Articles and relevant laws.

7.5 In the event any shareholders wish to appoint a new Director to fill a vacancy on the Board at an annual general meeting and make a requisition to the Company in accordance with section 142 of the Companies Act for a resolution to appoint such Director to be included in the notice of meeting, the Board shall include such resolution in the notice of meeting only after the Committee confirms to the Board that the candidate meets the fit and proper criteria under Rule 9.7.3 of the Listing Rules. If the Committee is of the view that the candidate does not meet the fit and proper criteria, then the Board shall not include such resolution in the agenda of the annual general meeting for the reason that a resolution for the appointment of a person who does not meet the fit and proper criteria as a Director of a listed company is not a resolution that may be properly moved at such meeting.

8. TERM OF DIRECTORS

8.1 The Directors have no fixed term of appointment and shall continue to hold office until such Director resigns, dies, retires, or is removed or otherwise vacates his office in accordance with the terms of the Articles or the relevant provisions of the Companies Act.

- 8.2 The Directors to retire in every year shall be those who, being subject to retirement by rotation, have been longest in office since their last election or appointment, but as between persons who became or were last re-elected Directors on the same day the Directors to retire shall (unless they otherwise agree among themselves) be determined by lot.

9. BOARD'S RELATIONSHIP WITH SHAREHOLDERS

- 9.1 The Board shall endeavor to establish a consistent channel of communication with the Shareholders of the Company and ensure good Shareholder relations.
- 9.2 Directors shall attend annual general meetings and extraordinary general meetings which provides an opportunity for constructive dialogue with Shareholders and provide adequate explanation and answer questions from Shareholders relating to and arising from the business transacted at the annual general meeting in order to create an environment where Shareholders can appropriately exercise their rights.

10. ETHICS AND CONFLICTS OF INTERESTS

- 10.1 The Board shall function with the highest standards of responsibility, ethics, and integrity.
- 10.2 Directors shall adhere to the Policy on Internal Code of Business Conduct and Ethics for all Directors and Employees (which includes policies on trading in the shares of the Company) and Policy on Matters Relating to the Board of Directors in respect of matters regarding director's conflict of interest and general conduct. The Directors shall also comply with and adhere to the duties imposed on them by the Companies Act including the duty to act in good faith and in the best interest of the Company, the duty to not act in a manner which is reckless or grossly negligent and the duty to exercise the degree of skill and care that may reasonably be expected of a person of his/her knowledge and experience.

11. EVALUTATION OF THE BOARD

- 11.1 The Board assess and evaluate themselves both individually and as a whole. The evaluation will include a review of the individual performance and qualifications of each Director, and an assessment of the performance and contributions of the Board and its committees.
- 11.2 The Committee shall be responsible for such assessment and will prepare a report of the same, for the consideration of the Board.

12. REVIEW AND MONITORING

- 12.1 The Committee shall from time to time review this Policy, monitor its implementation to ensure continued effectiveness and compliance with regulatory requirements and good corporate governance practice and shall make recommendations on any proposed revisions or amendments as may be required to the Board for its review and final approval.
- 12.2 Upon the Board's approval, the said revision or amendment shall be deemed to be effective and form part of this Policy.
- 12.3 This Policy is to be read in conjunction with other relevant Company policies, including:
- (i) Policy on the matters relating to the Board of Directors;
 - (ii) Policy on Board Committees; and
 - (iii) Policy on Internal Code of Business Conduct and Ethics for all Directors and Employees, including policies on trading in the Company's listed securities.