



Policy On Matters Relating To The Board Of Directors

H V A FOODS PLC



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H V A FOODS PLC

No. 118, Braybrooke Place, Colombo 02.

H V A FOODS PLC: Policy on matters relating to the Board of Directors

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1 Introduction

- A. This is H V A FOODS PLC (hereinafter referred to as the Company) formal policy governing matters relating to the Board of Directors. These provisions are complementary to the requirements regarding the Board and Board members contained in Sri Lanka's legislation and regulations, the articles of association of the company and any other applicable regulations. It does not override any legal or regulatory requirements. It shall be referred to as the Board Charter.
- B. A statement of compliance with the **Policy On Matters Relating To The Board Of Directors** shall be included in the Annual Report together with explanation for any non compliance, reason for non compliance and proposed remedial action.

2 Composition

- C. The Board shall have a minimum of 5 and a maximum of 8 members. This will be regularly reviewed and determined with inputs from the Nominations & Governance Committee to align with the business needs of the Company.
- D. The Board should be sufficiently diverse in terms of experience, skills, competencies, age, gender, industry expertise. At least one Board member should be a member of a recognized professional accounting body.
- E. Selection of directors will be through a formal and objective process which will be overseen by the Chairperson of the Nominations & Governance Committee and approved by the Board.
- F. The Board will maintain an appropriate balance of representation between Executive and Non-Executive Directors in line with the requirements of the Colombo Stock Exchange and other regulatory requirements. Accordingly, the Board shall comprise 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. Any change occurring to this ratio shall be rectified within ninety (90) days from the date of the change with the advisement of the Nominations & Governance Committee.
- G. Roles of the Chairman/Chairperson will be separate from the role of the Chief Executive Officer in line with best practice.
- H. The Chairman/Chairperson will be selected from the independent directors of the Board.
- I. The Board shall not appoint any alternate directors in compliance with the CSE Listing Rules.

3 Meetings

- A. The Board shall meet at least four times and may schedule additional meetings as maybe deemed necessary.
- B. A director must attend at least 50% of the meetings in order to ensure consistent attendance at Board Meetings and to avoid being deemed to have vacated their position.
- C. Directors may attend meetings virtually and such participation shall be counted as attendance. Directors must give prior notice of their intention to attend meetings virtually.

4 Directors' Duties

- A. Directors shall use their best efforts to ensure that:
 - a. Its members can act critically and independently of one another;
 - b. Each director can assess the broad outline of the company's overall policy;
 - c. Each director has sufficient expertise to perform his or her role effectively as a Board member
- B. The Board collectively, and Directors individually, must act in accordance with the laws of the Country, as applicable to the business enterprise.
- C. Directors shall provide information requirements relating to trading in securities of the company comply with required disclosures.
- D. A Director must inform the Chairman and Company Secretary immediately on appointment to Boards of other listed or unlisted entities.
- E. All Directors should bring independent judgment to bear, in discharging their duties and responsibilities on matters relating to the Board including strategy, performance, resource allocation, risk management, compliance and standards of business conduct.
- F. All directors must inform the Chairman of any potential conflicts of interest and recuse themselves from discussions or advising on related matters.
- G. Every director should dedicate adequate time and effort to matters of the Board and the company, to ensure that the duties and responsibilities owed to the company are satisfactorily discharged.
- H. Directors must dedicate sufficient time before a meeting to review Board papers and call for additional information and clarification, and after a meeting to follow up on issues consequent to the meeting.
- I. A director must recognize that there is a need for continuous training and an expansion of the knowledge and skills required to effectively perform duties as a director.

5 Rights of Directors

- A. Directors have a right to call for additional information and clarification on the operations of the business and matters presented to the Board. This includes the right to follow up on issues consequent to a meeting.
- B. One third of directors can call for a resolution to be presented to the Board where they feel it is in the best interest to the company to do so.
- C. All directors have access to the advice and services of the company secretary.
- D. Where directors have concerns about the matters of the Company which cannot be unanimously resolved, they should ensure their concerns are recorded in the Board minutes.
- E. The agenda and papers required for a Board meeting should be provided to directors at least five (5) days before the meeting.

- F. The minutes of the meeting should ordinarily be provided to directors at least 1week before the meeting date.

6 Fitness of Directors and CEOs

- A. The Company will take necessary steps to ensure that their Directors and the CEO are, at all times, fit and proper persons as required in terms of the listing Rules. In evaluating fitness and propriety of the persons referred to in these Rules, the Company will utilize the **'Fit and Proper Assessment Criteria' set out in CSE Listing Rules**. Currently these are set out in Section 9.7.3 as given in Annex I of this policy.
- B. The Company shall obtain declarations from their Directors and CEO on an annual basis confirming that each of them have continuously satisfied the Fit and Proper Assessment Criteria set out in these Rules during the financial year concerned and satisfies the said criteria as at the date of such confirmation.
- C. The Company shall ensure that persons recommended by the Nominations and Governance Committee as Directors are fit and proper as required in terms of these Rules before such nominations are placed before the shareholders' meeting or appointments are made.
- D. The Company shall include the following disclosures/reports in the Annual Report;
 - a) A statement that the Directors and CEO of H V A FOODS PLC satisfy the Fit and Proper Assessment Criteria stipulated in the Listing Rules of the Colombo Stock Exchange.
 - b) Any non-compliance/s by a director and/or the CEO of H V A FOODS PLC with the Fit and Proper Assessment Criteria set out in these Rules during the financial year and the remedial action taken by H V A FOODS PLC to rectify such noncompliance/s.

7 Independent Directors

- A. The Board shall at least annually review the independence of directors in accordance with the requirements of the CSE Listing Rules. Currently these are set out in Section 9.8.3 as given in Annex II of this policy.
- B. Each Director shall submit a signed and dated declaration annually of his or her "independence" or "non-independence" against the criteria specified herein and in the format in Annex III which corresponds to the requirements of Appendix 9A of the current CSE Listing Rule 9. While new criteria may be added to Annex III, no criteria should be omitted as this is a compliance requirement.
- C. Make an annual determination as to the "independence" or "non-independence" of each Independent Director based on the Directors` declaration and other information available to it and shall set out the names of Directors determined to be 'independent' in the Annual Report.
- D. If the Board of Directors determines that the independence of an Independent Director has been impaired against any of the criteria set out in Annex II, it shall make an immediate Market Announcement thereof.

8 Disclosures relating to Directors

- A. H V A FOODS PLC shall disclose the following in its Annual Report:
- a) policy on the maximum number of directorships its Board members shall be permitted to hold in the manner specified in Section 4C.
 - b) In the event such number is exceeded by a Director(s), an explanation shall be provided stating the instances of non-compliance and proposed remedial action.
- B. H V A FOODS PLC shall, upon the appointment of a new Director to its Board, make an immediate Market Announcement setting out the following:
- a) a brief resume of such Director;
 - b) the nature of his expertise in relevant functional areas,
 - c) the names of companies in which the director holds directorships or memberships in Board committees,
 - d) his/her capacity of directorship; and,
 - e) Statement by the Entity indicating whether such appointment has been reviewed by the Nominations and Governance Committee of the Entity.
- C. Company shall make an immediate Market Announcement regarding any changes to the composition of the Board Committees referred to in Listing Rule 9.3 – Board Committees, at minimum, the details of changes including the capacity of directorship with the effective date thereof.
- D. Company shall also disclose the following in relation to the Directors in the Annual Report:
- a) name, qualifications and brief profile;
 - b) the nature of his/her expertise in relevant functional areas;
 - c) whether either the Director or Close Family Members has any material business relationships with other Directors of Company
 - d) whether Executive, Non-Executive and/or independent Director.
 - e) the total number and names of companies in Sri Lanka in which the Director concerned serves as a Director and/or Key Management Personnel indicating whether such companies are listed or unlisted Companies and whether such Director functions in an executive or non-executive capacity, provided that where he/she holds directorships in companies within a Company of which the Company is a part, their names (if not listed) need not be disclosed; it is sufficient to state that he/she holds other directorships in such companies;
 - f) number of Board meetings of Company attended during the year;
 - g) names of Board Committees in which the Director serves as Chairperson or a member;
 - h) Details of attendance of Committee Meetings of the Audit, Related Party Transactions Review, Nominations and Governance and Remuneration Committees. Such details shall include the number of meetings held and the number attended by each member.; and,
 - i) The process in place for evaluating the performance of the Board, its committees, Chairman, CEO, Non-Executive Directors and Executive Directors.

9 Role of the Board

The Board provides entrepreneurial leadership to the Company within a framework of prudent and effective controls which enables risk to be assessed and managed. In performing its role, the Board is responsible for the following:

- a) Appointing the chairman/chairperson
- b) Ensuring the formulation and implementation of a sound business strategy
- c) Ensuring that the Chief Executive Officer (CEO) and management team possess the skills, experience and knowledge to implement the strategy
- d) Ensuring the adoption of an effective CEO and Key Management Personnel succession strategy
- e) Approving budgets and major capital expenditure
- f) Determining matters that are expressly reserved for the Board and those delegated to the management including limits of authority and financial delegation
- g) Ensuring effective systems are in place to secure integrity of information, internal controls, business continuity and risk management
- h) Ensuring compliance with laws, regulations and ethical standards
- i) Ensuring key stakeholder interests are considered in corporate decisions
- j) Recognizing sustainable business development in Corporate Strategy, decisions and activities.
- k) Ensuring that the Company's values and standards are set with emphasis on adopting appropriate accounting policies and fostering compliance with financial regulations
- l) Establish a process of monitoring and evaluation of progress on strategy implementation, budgets, plans and related risks
- m) Ensuring that a process is established for corporate reporting on annual and quarterly basis or more regularly as relevant to the Company.
- n) Fulfilling such other Board functions as are vital, given the scale, nature and complexity of the business concerned.

10 Matters Reserved for the Board

A. Regulatory/Legal Requirements

- a) Approval of the interim and preliminary company results.
- b) Approval of any interim dividend and recommendation of any final dividend.
- c) Approval of the Annual Report and Accounts, Summary Financial Statement of the Company and any interim statement advertised or issued to shareholders.
- d) Appointment and removal of the Company Secretary.
- e) Receipt of declarations of interest from Directors.

- f) Approval of listing particulars.
- g) Approval of the annual report on Directors' remuneration contained in the Annual Report and Accounts.

B. Appointments and Terms of Reference

- a) Appointment and removal of Directors.
- b) Appointment of any Director as Chairman or Deputy Chairman of the Board or Senior Independent Director and ending such appointments.
- c) Determination of the independence of any Director or proposed Director.
- d) Apportionment of responsibilities to the Executive Directors of the Company including appointments to (and removal from) the positions of Chief Executive Officer.
- e) The scope and extent of delegations to the Chairman, Deputy Chairman, and Chief Executive.
- f) Approval of the terms of reference of all Board Committees.
- g) Approval of policy on Executive Directors' remuneration.
- h) Approval by the Chairman and Executive Directors of the remuneration and terms of appointment of Non-Executive Directors of the Company.
- i) Ensuring that a satisfactory dialogue with shareholders takes place.

C. Management

- a) Approval of the Company Business Plan.
- b) Approval of, and significant changes to, Company Policies and Standards on financial and non-financial risks
- c) Approval of the policy in relation to the provision of non-audit services by the external auditors, as recommended by the Audit Committee.
- d) Approval of matters for the agenda of all Company General Meetings.
- e) Approval of any material changes to the levels and nature of the insurance cover held by the Company.
- f) Approval of, and significant changes to, the company's internal control system.
- g) Approval of, on the recommendation of the Audit Committee, the Audit Engagement Letter.

D. Transactions

- a) Approval of any substantial transaction as defined by the Stock Exchange's Listing Rules or any substantial capital and revenue expenditure, including an acquisition or disposal of financial assets.
- b) Approval of commencement, by the Company, where such business has not previously been transacted and where the activity is expected to represent, in its first full year of trading, more than 10% of gross income of the Company in the most recent financial year.

- c) Approval of cessation of any activity previously conducted, representing more than 10% of gross expenses of the Company in the most recent financial year.

E. Guarantees/Indemnities/Securities

- a) Approval of the provision of any guarantee, indemnity or security by the Company .
- b) Share Capital and Financing**
- a) Approval of any increase/reduction in the issued share capital within the Authorized Share Capital approved by Shareholders.
- b) Approval of the issue or repayment of any share capital or debt securities or any other borrowings of the Company.

11 Director Training

- A. Every director shall receive appropriate training when first appointed to the Board of a company through an orientation program covering general aspects of directorship and matters specific to the industry/company concerned. They will also receive the Charter, Article of Association, recent Annual Accounts and the Code of Conduct.
- B. Company shall ensure that Directors are kept abreast of the Listing Rules and on-going compliance and/or non-compliance by Company with obligations arising under such Rules.

12 Approval, Revision & Dissemination of the Policy

- A. The policy should be revised as deemed necessary, particularly in the event of changes in law and authoritative sources of best practice in corporate governance.
- B. The Nominations and Corporate Governance Committee is responsible for the initial review and recommendations to the Board and may obtain the services of the Company Secretary and Management in this regard.
- C. The policy shall be approved by the Board of Directors and signed by the Chairman.
- D. Upon revision of the policy, the Company Secretary will ensure that:
 - a) all directors are informed of the revisions
 - b) the policy is updated on the website of the Company in accordance with CSE Listing Rules

Annex I : Fit and Proper Assessment Criteria:

A. Honesty, Integrity, and Reputation

- a) A Director or the CEO of Company shall not be considered 'fit and proper' if she or he;
- (i) has been convicted by a competent court of law in respect of a market offence for which he/she has been charged under the SEC Act or Securities Laws outside of Sri Lanka.
 - (ii) in his/her individual capacity or as a part of any business that he/she has been involved in, who/which has had a license or registration that has been cancelled by the SEC or any other regulatory authority.
 - (iii) has been convicted, within or outside Sri Lanka of an offence under any law involving fraud, misappropriation or dishonesty or the conviction of which involved a finding that he/she acted fraudulently or dishonestly.
 - (iv) has been convicted for contravening any provision of any law within or outside Sri Lanka for protecting members of the public against financial loss due to dishonesty, incompetence or malpractice by persons concerned in the provision of financial services or the management of companies.
 - (v) has been disqualified from acting as a director or CEO of a company or has been dismissed or requested to resign from any position or office by the SEC in terms of the SEC Act or rules and regulations issued thereunder or any other statutory regulatory body due to mismanagement of funds or an offence which involves the commission of financial fraud.
 - (vi) has been disqualified from acting as a CEO/Key Management Person/Director of a company regulated by the CBSL and/or the Insurance Regulatory Commission of Sri Lanka (IRC SL) as applicable for failure to satisfy the fit and proper assessment criteria issued by the CBSL and/or IRC SL respectively.
 - (vii) has been a director or the CEO of any Listed Entity which has been delisted by the Exchange in the circumstances specified in CSE Listing Rule 11.3.

B. Competence and Capability

- a) A Director or the CEO of the Company shall not be considered as 'fit and proper' if she or he;
- (i) (i) does not possess suitable academic or professional qualifications or necessary skills, competencies and experience which are determined by the Nominations and Governance Committee of the Company in terms of CSE Rule 9.11.5 which are required to efficiently contribute to the business operations of the Entity in his/her capacity as a Director/CEO (as applicable).
 - (ii) (ii) has been declared by a court of competent jurisdiction in Sri Lanka or outside Sri Lanka, to be of unsound mind.

C. Financial Soundness

- a) A Director or the CEO of the Company shall not be considered as a 'fit and proper person' by the Exchange, if she or he;
 - (i) is an undischarged bankrupt or a person on whose behalf a receiver or manager or liquidator or an equivalent person has been appointed within or outside Sri Lanka.
 - (ii) has been the subject of a judgment debt which is unsatisfied, either in whole or in part, whether in Sri Lanka or outside Sri Lanka.
 - (iii) has been in a position capable of exercising significant influence in a company that has:
 - (iv) been declared bankrupt within or outside of Sri Lanka; or
 - (v) its assets sequestrated for the non-satisfaction of a judgement debt.

Annex II: Criteria for determining Independence

- A. A Director shall not be considered independent if he/she:
- a) has been employed by the Company during the period of three (3) years immediately preceding appointment as Director.
 - b) currently has/had during the period of three (3) years immediately preceding appointment as a Director, a Material Business Relationship with the Company , whether directly or indirectly.
 - c) currently has/had during the preceding financial year a Close Family Member who is a director and/or CEO in the Company.
 - d) has a Significant Shareholding in the Company .
 - e) has served an aggregate period of nine (9) years on the Board of the Company from the date of the first appointment.
 - f) is employed in another company or business;
 - (i) in which a majority of the other directors of the Company are employed or are directors; or
 - (ii) in which a majority of the other directors of The Company have a Significant Shareholding or Material Business Relationship; or
 - (iii) that has a Significant Shareholding in the Company or with which the Company has a Business Connection.
 - g) is a director of another company;
 - (i) in which a majority of the other directors of the Company are employed or are directors; or
 - (ii) that has a Business Connection in the Company or a Significant Shareholding.
 - h) has a Material Business Relationship or a Significant Shareholding in another company or business;
 - (i) a. in which a majority of the other directors of the Company are employed or are directors; and/or
 - (ii) b. which has a Business Connection with the Company or Significant Shareholding in the same; and/or
 - (iii) c. where the core line of business of such company is in direct conflict with the line of business of the Company.
 - i) is above the age of seventy (70) years.

12.1 Abbreviations

- a) “Acting in Concert” shall have the same meaning as defined in the ‘Takeovers and Mergers Code’.

- b) “Business Connection” shall mean a relationship resulting in transaction value equivalent to ten percent (10%) of the turnover of that company or business.
- c) ‘Close Family Member’ shall mean the spouse, parents, grandparents, children, brothers, sisters and grandchildren of a director/CEO of a Listed entity and any person who is financially dependent on and/or acting in concert with such director/CEO.
- d) ‘Financially dependent’ shall mean any person who receives more than half of their support for the most recent fiscal year from a director/CEO of a Listed Entity and/or his or her spouse, or a representative.
- e) “Listed Entity” shall mean the Listed Entity to the Board of which the director is appointed, its parent and/or subsidiary company, and a subsidiary of the parent company.
- f) “Material Business Relationship” shall mean a relationship resulting in income/non-cash benefits equivalent to twenty percent (20%) of the director’s annual income.
- g) “Significant Shareholding” shall mean a shareholding carrying not less than ten percent (10%) of the voting rights of a company.

Annex III: Declaration of Independence by Directors

From APPENDIX 9A of the CSE Listing Rule 9

DECLARATION

I, (1)of being a Christian make oath and say /not being a Christian solemnly, sincerely and truly affirm and declare (3)as follows in terms of Rule of the Listing Rules of the Colombo Stock Exchange:

- a. I am a non-executive director of [hereinafter referred to as the “Listed Entity” being so appointed on(4)
- b. I have been / have not been employed by the Listed Entity*, during the period of three years immediately preceding my appointment as director of the Listed Entity.
- c. I had / did not have during the preceding financial year a Close Family Member who is a Director and/or CEO in the Listed Entity.
- d. I have / do not have a Close Family Member(s) who is a director or Chief Executive Officer (or equivalent position) in the Listed Entity.
- e. I have / do not have a Significant Shareholding in the Listed Entity.
- f. I have / have not served on the Board of the Listed Entity for an aggregate period exceeding nine years from the date of the first appointment.
- g. I am / am not employed in another company or business,
 - (i) in which a majority of the other directors of the Listed Entity are employed or are directors; or
 - (ii) in which a majority of the other directors of the Listed Entity have a Significant Shareholding or Material Business Relationship; or
 - (iii) that has a Significant Shareholding in the Listed Entity or with which the Listed Entity has a Business Connection.¹
- h. I am / am not a director of another company,
 - (i) in which a majority of the other directors of the Listed Entity are employed or are directors; or
 - (ii) that has a Business Connection in the Listed Entity or a Significant Shareholding.

1 Enter full name.

2 Enter address.

3 Delete what is inapplicable.

4 Enter date of appointment.

i. I have / do not have a Material Business Relationship or a Significant Shareholding in another company or business:

(i) in which a majority of the other directors of the Listed Entity are employed or are directors; and/or

(ii) which has a Business Connection with the Listed Entity or Significant Shareholding in the same.

(iii) Where the core line of business of such company is in direct conflict with the line of business of the Listed Entity.

j. I am not above the age of seventy (70) years

k. Disclosure of such other information which the applicant believes could reasonably be construed to have a bearing on the independence of such director.⁵

* Listed Entity as referred to in this declaration shall be the Public Limited Company to the Board of which the Director is appointed and would include any parent or subsidiary company of the Listed Entity and any subsidiary of the parent company.

..... (Sgd.)

.....

Director

Date: