

POLICY ON MATTERS RELATING TO THE BOARD OF DIRECTORS

1. INTRODUCTION

The Board of Directors (the “Board”) of Vallibel Finance PLC (“Vallibel Finance”) has always recognized the importance of good Corporate Governance practices and corporate social responsibility towards its shareholders, employees and other stakeholders, and the Board consistently strives to continue to maintain these standards and practices in the light of the fast evolving corporate and social responsibilities placed on it in its ordinary course of business.

In an effort to provide its stakeholders with an insight into the standard of care taken in regard to its continuous compliance within the statutory and regulatory framework, the Board seeks to outline its policy on matters relating to it, as mandated in Section 9.2.1(a) & 9.5 of the Corporate Governance rules of the Listing Rules of the Colombo Stock Exchange, whereby a listed entity shall establish and maintain a formal policy governing matters relating to its Board of Directors.

2. BALANCE OF REPRESENTATION BETWEEN EXECUTIVE AND NON-EXECUTIVE DIRECTORS

The Board recognizes the need for a balance of representation between Executive and Non-Executive Directors in line with the Listing Rules and covers at minimum board composition, the roles and functions of the Chairperson and Managing Director/Chief Executive Officer or equivalent position (hereinafter commonly referred to as the MD/CEO), Board balance and procedures for the appraisal of Board performance and the appraisal of the MD/CEO.

Chairperson

The Chairperson shall be an independent director. In case where the chairperson is not Independent, the Board shall appoint one of the independent directors as a Senior Director with suitably documented terms of reference to ensure a greater independent element. The Senior Director will serve as the intermediary for other directors and shareholders. Non- executive directors including the Senior Director shall assess the Chairperson’s performance at least annually.

There shall be a clear division of responsibilities between the Chairperson and MD/ CEO and responsibilities of each person shall be set out in writing.

Managing Director/Chief Executive Officer

The MD/CEO shall function as the apex executive-in-charge of the day-to-day-management of the Company's operations and business. The key responsibilities of the MD/CEO shall be, but not limited to, the matters as set out below,

- (i) Implement business and risk strategies in order to achieve the Company's strategic objectives.
- (ii) Establish a management structure that promotes accountability and transparency throughout the Company's operations and preserves the effectiveness and independence of control functions.
- (iii) Promote, together with the Board, a sound corporate culture within the Company, which reinforces ethical, prudent and professional behavior.
- (iv) Ensure implementation of proper compliance culture and being accountable for accurate submission of information to the regulator.
- (v) Strengthen the regulatory and supervisory compliance framework.

It is necessary to evaluate the performance of individual Directors, of its Board as a whole and of its Committees in order to ensure that Board responsibilities are satisfactorily discharged.

Thus, appraisals shall be carried out annually at the end of the fourth quarter of each financial year and using the Pre-Standard Appraisal Forms used by the Company to duly assess the Director's performance and contribution of the Board and the performance of its sub-committees.

3. DIVERSITY IN BOARD COMPOSITION

The Board in keeping with equality has ensured diversity in Board composition for Board effectiveness in terms of a range of experience, skills, competencies, age, gender, industry requirements and importance of objectives.

Non-executive directors shall possess credible track records, and have necessary skills, competency and experience to bring independent judgment on the issues of strategy, performance, resources and standards of business conduct.

4. BOARD COMPOSITION

The number of Directors on the Board shall not be less than 07 and not more than 13 in number and shall be subject to the Finance Business Act Direction No. 05 of 2021 issued by the Central Bank of Sri Lanka (CBSL).

The number of Executive Directors shall not exceed one-third (1/3) of the total number of directors of the Board.

The number of Independent Directors of the Board shall be at least three (03) or one third (1/3) of the total number of directors, whichever is higher as mandated by the Finance Business Act Direction No. 05 of 2021 of the CBSL.

The Board of Directors and the MD/CEO are appointed by the board, with the recommendation of the Board Nominations and Governance Committee, and with the relevant statutory approvals.

5. FREQUENCY OF BOARD MEETINGS AND DIRECTORS' ATTENDANCE

In line with the Finance Business Act Direction No. 05 of 2021 of the CBSL the Board is required to meet periodically and a minimum of twelve board meetings are held every Financial Year at approximately monthly intervals. Such regular board meetings involve active participation in person of a majority of Directors entitled to be present thereat. Obtaining the Board's consent through the circulation of written resolutions/papers are to be avoided as far as possible.

In ensuring Directors' periodical attendance at Board Meetings, a Director is required to attend a minimum of 2/3 of the Board Meetings of the total number of Board Meetings held in a twelve month period, in order to avoid being deemed to have vacated such position.

A Director who has not attended at least two-thirds (2/3) of the meetings in the period of 12 months immediately preceding or has not attended three consecutive meetings held, shall cease to be a director. Provided that participation at the directors' meetings through an alternate director shall be acceptable as attendance, subject to applicable directions for Alternate Directors.

The Board recognizes a Director's right to participate at meetings of the Board and Board Committees by audio visual means and for such participation to be taken into account when deciding on the quorum.

6. ONGOING COMPLIANCE OF LISTING RULES BY THE COMPANY

The Board ensures that through its Company Secretary, Compliance Officer and other Key Management Personnel, it is provided with ongoing advice in ensuring that the Directors are kept abreast of the Listing Rules and any other on-going compliance and/or non-compliance by the Company with obligations arising under applicable Statutes, Rules and Directions as issued by the relevant authorities from time to time.

7. MAXIMUM NUMBER OF DIRECTORSHIPS IN LISTED COMPANIES

As per Finance Business Act Direction No. 05 of 2021 of the CBSL a person shall not hold office as a director of more than 20 companies/entities/institutions inclusive of subsidiaries or associate companies of Vallibel Finance.

8. REQUIREMENTS ON TRADING IN SECURITIES OF VALLIBEL FINANCE AND ITS LISTED GROUP COMPANIES

The Directors shall immediately inform the Company Secretary if they trade in securities of Vallibel Finance, who shall make an immediate disclosure to the Colombo Stock Exchange in terms of Section 7.8 of the Listing Rules.

The Directors shall not trade in Vallibel Finance securities within the stipulated time frames; as per section 8.6 of the Listing Rules, an excerpt of which is given below.

Section 8.6-Trading by connected parties

“Connected persons should not trade, borrow or lend on the basis of price sensitive information that has not been disclosed to the public. Moreover, connected persons shall not trade, borrow or lend the Securities of the Listed Entity even after release of the information to the Exchange for a period, which should not be less than two (02) Market Days after the release of the information to permit thorough public dissemination and evaluation thereof. In computing this period of two (02) Market Days, the day on which disclosure is made will be excluded. For the purposes of this Rule, an individual is connected with an Entity if, and only if-

- a. *He is a director of that Entity or a related Entity or his spouse and children under 18y ears of age; or*
- b. *he occupies a position as an officer (other than director) or employee of that Entity or a related Entity or a position involving a professional business relationship between himself (or his employer or an Entity of which he is a director) and the first Entity or a related Entity which in either case may reasonably be expected to give him access to information which, in relation to Listed Securities*

of either Entity, is unpublished price sensitive information and which it would be reasonable to expect (a person in his position not to disclose except) for the proper performance of his function”.

9. REVIEW OF THE POLICY

This policy shall be reviewed as and when necessary in accordance with the changes in the regulatory and business environment. Any revision or amendment to this policy shall be approved by the Board.

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