



**TALAWAKELLE TEA ESTATES
PLC**

**CORPORATE GOVERNANCE
POLICY**



TALAWAKELLE TEA STATES PLC

CORPORATE GOVERNANCE POLICY

1. Purpose

The Purpose of this policy is to establish a comprehensive and structured framework which ensures that the organisation is governed with integrity and transparency while safeguarding the interest of all stakeholders. The provisions included in this policy are complementary to the requirements regarding the Board and Board members contained in the legislation, regulations, and the Articles of Association of the Company.

2. Scope

The policy is applicable to Talawakelle Tea Estates PLC (TTE) and its subsidiaries.

3. Board of Directors

3.1 Board Composition

- a. The Board, in consultation with the Nominations and Governance Committee, shall prepare a profile of its size and composition, considering the nature of the Company's business and its subsidiaries, and the desired expertise and experience of the Board members (the "Board Profile").
- b. The Board shall have a minimum of 5 and a maximum of 14 members.
- c. Non-Executive Directors should comprise the majority of the Board while no less than 1/3rd of the Directors shall be independent in accordance with the criteria set out in the Listing Rules of the Colombo Stock Exchange.
- d. At least one Board member shall be a member of a professional accounting body having expertise in financial administration and accounting.
- e. Board members will have sufficient expertise to perform his/her role within the determined profile
- f. Board shall be diverse in terms of skills, gender, age and experience encouraging diverse points of view
- g. All Directors shall at all times fulfill the Fit and Proper criteria set out in Section 9.7.3 of the Listing Rules
- h. The Chairman of Hayleys PLC will be the Chairman of all Group companies.

3.2 Appointment and Removal

Appointment of Directors will be carried out in accordance with the Articles in line with the formal procedure set out by the Company's Nominations and Governance Committee. The following additional guidance is provided regarding the appointment and removal of directors to ensure compliance with best practice:

- a. Profiles of directors being nominated for appointment shall state the following
 - i. the candidate's name and his or her profession,
 - ii. the amount and nature of any shares held in the Company,
 - iii. the nature of his expertise in relevant functional areas
 - iv. Whether Executive, Non-Executive or Independent
 - v. the number and names of companies in which the Director holds directorships/ serves as Key Management Personnel indicating whether such companies are listed or unlisted
 - vi. Any other information relevant to assess his or her suitability as a member of the Board.
- b. The recommendation or nomination for appointment or reappointment shall state the reasons for the nomination or recommendation.
- c. Past performance of Board members must be considered prior to recommending a member of the Board for reappointment.
- d. The appointment of Board members to the Company, must be informed to the Colombo Stock Exchange within 24 hours of such appointment together with a brief resume of the director as set out in Section 3.2 (a) above and any shareholding in the Company held by the Director.

3.3 Board Independence

Independence of Directors will be determined annually in accordance with the criteria set out in Listing Rules of the Colombo Stock Exchange, the currently applicable Code of Best Practice on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka, subject to any additional requirements that may be imposed by relevant regulators. In case of ambiguity or conflict, regulatory requirements will prevail over the "Code".

3.4 Roles and Responsibilities

Powers and duties of Directors are set out in the Articles of Association and Section 187 of the Companies Act No.7 of 2007 and Section A.1.2 of the Code.

- a. General Responsibilities- The Board oversees the general business of the Company. The entire Board is responsible for such supervision and oversight.
- b. The Board Acts in the Interest of the Company- The Board shall act in the best interests of the Company and its business, taking into consideration the interests of the Company's shareholders and other stakeholders. Board members shall perform their duties independent of any particular interest in the Company. Members should not support one interest without regard to the other interests involved.
- c. Responsibility for Securing Information: The Board and its individual members each have responsibility for obtaining all information from the management and the internal and external auditors needed to carry out their duties.
- d. Supervision of Management: The Board should consider the achievement of strategic objectives, strategy and risks, structure and operation of internal risk management and audit systems, financial reporting process, sustainability impacts and compliance among others.
- e. Supervision of Financial Reporting: The Board, in consultation with the Audit Committee, supervises compliance with written procedures for the preparation and publication of the annual report and accounts, the quarterly financial reports and any other financial information prepared for regulators or shareholders. The Board, through the Audit Committee, also supervises the internal control and audit mechanisms for external financial reporting
- f. Duties regarding the Board and performance of the Board which includes nomination of Board members, establishment of committees, conduct board self-assessments among others
- g. Duties regarding nomination and supervision of external auditor

3.5 Other Positions

- a. No Excess Memberships - Members of the Board shall limit their other positions so as to ensure they can perform their duties as members of the Board. Outside directorships are capped at 25 Board seats on Listed entities.
- b. Notice of Outside Positions - Board members must inform the Chairperson of the Board and the Company secretary of their other positions which may be of importance to the Company or the performance of their duties before accepting such positions. If the Chairperson determines that there is a risk of a conflict of interest, the matter shall be discussed by the Board. The Company secretary shall keep a list of the outside positions held by each Board member.

4. Chairman

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 functions of the Sectors due to the diversity and scale of operations of the Group and the Board is of the view that this is the most appropriate arrangement for the Company. The Chairman of Hayleys PLC shall be the Chairman of the Subsidiary Companies in the Group unless otherwise stated in the Articles of Association or Joint Venture Agreement.

4.1 Roles and Responsibilities

- a. The Chairman of the Board is primarily responsible for the activities of the Board and its committees. She/ he shall act as the spokesman for the Board and is the principal contact for the chief executive officer (CEO). The Chairman of the Board presides over the general assembly.
- b. The Chairman ensures that:
 - i. Board members, when appointed, participate in an induction program and, as needed, additional education or training programs;
 - ii. The Board members receive all information necessary to perform their duties effectively;
 - iii. The Board has sufficient time for consultation and decision-making;
 - iv. The committees function properly;
 - v. The performance of the Board members is evaluated annually;
- c. In addition, the Chairperson is primarily responsible for:
 - i. Ensuring the Board satisfies its duties;
 - ii. Determining the agenda of Board meetings, chairing such meetings and ensuring that minutes are kept of such meetings;
 - iii. Consulting with external advisors appointed by the Board;
 - iv. Addressing problems related to the performance of individual Board members; and,
 - v. Addressing internal disputes and conflicts of interest concerning individual Board members and the possible resignation of such members as a result.

5. Appointment of Senior Independent Director

- a. The Board shall appoint a Senior Independent Director since the Chairman is an Executive Director and the appointment shall be disclosed in the Annual Report.
- b. The Senior Independent Director should make himself available for confidential discussions with other Directors who may have concerns which they believe have not been adequately considered by the Board as a whole and which pertain to significant issues that are detrimental to the Company.
- c. The Senior Independent Director should participate in all meetings with majority, significant, and minority shareholders and be made aware of their concerns by the Company Secretary.
- d. The Senior Independent Director shall have a meeting with the Independent Directors without the presence of the other Directors to discuss matters and concerns relating to the Company and the operation of the Board. The Senior Independent Director shall provide feedback to the Chairman and the Board.
- e. The Senior Independent Director shall also chair a meeting at least once a year with the Non-Executive Directors without the presence of the Chairman to appraise the Chairman's performance.
- f. The Senior Independent Director has a casting vote at these meetings.

6. Board Committees

- a. Establishment of Committees- The Board shall appoint the following committees from among its members to perform specific tasks.
 - i. Audit Committee
 - ii. Remuneration Committee,
 - iii. Nominations and Governance Committee
 - iv. Related Party Transactions Review Committee

The Company may establish the following Committees

- v. Finance & Investment Committee
 - vi. Risk Management Committee
 - vii. ESG Committee
- b. Charters of Committees – Each Committee of the Board will have a Board approved Charter setting out the scope of work and responsibilities.

- c. **Board Responsibility for Committee Action-** The Board remains collectively responsible for the decisions and actions taken by any Committee. A Committee may only perform the tasks delegated to it by the Board and may not exceed the authority or powers of the Board as a whole. Decisions that, by law, must be taken by the Board may not be delegated to a Committee.
- d. **Committee Reporting-** Each Committee must promptly inform the Board of the actions it has taken and major developments of which it becomes aware. Each Board member has unrestricted access to all Committee meetings and records. The Board shall, as set forth in the Charter of the Committee concerned, receive a report from the Committee describing the Committee's actions and findings.

7.0 Board meetings

7.1 Frequency, notice, agenda and venue

- a. **Frequency -** The Board shall meet as often as necessary, but not less than 4 times a year. Meetings shall be scheduled annually in advance according to an annual Board calendar. The Board shall meet earlier than scheduled if deemed necessary by the Chairperson of the Board or two other members of the Board.
- b. **Notice and Agenda**
 - i. Meetings of the Board are called by the Chairman. Save in urgent cases, as determined by the Chairman, the agenda for a meeting shall be sent to all Board members at least seven calendar days before the meeting.
 - ii. Board members who have taken part in a meeting may not object against resolutions adopted at the meeting on grounds of an invalid notice.

7.2 Attendance

- a. **Undue Absence -** If a Board member is frequently absent from Board meetings, she/he shall be required to explain such absences to the Chairperson.
- b. **Attendance by Non-Members –** shall be through invitation by the Chairman or GCFO of the Company.
- c. **Directors are required to attend a minimum of 50% of the Board meetings.**

7.3 Chairman of meetings

- a. **Chairman -** Board meetings are presided over by the Chairman of the Board or, in his or her absence, a nominee Director recommended by the Chairman. If both are absent, one of the other Board members, designated by majority vote of the Board members present at the meeting, shall preside.

- b. Minutes - The Company secretary (or any other person designated for such purpose by the Chairperson of the meeting) shall prepare the Minutes of the meeting which shall describe the decisions made at the meeting. The Minutes shall be adopted by the Board at the next meeting and signed by the Chairman as a correct record of the proceedings.

8.o Ethics and Integrity

Directors are bound by the Internal Code of Conduct- the Hayleys Way, which serves as the Group's Ethical Roadmap. The Board is collectively responsible for setting the tone at the top and upholding ethical principles throughout the organisation. The organisation's ethics framework is also supported by its Whistleblower Policy, Bribery and Anti-Corruption Policy and Commitment to the United Nations Global Compact's 10 principles.

9.o Performance Evaluation

- a. At least once a year, the Board and Sub-Committees shall discuss and appraise its own performance and those of its individual members (including Executive and Non-Executive Directors), the effectiveness of Board activities, and the composition and competence of the Board.
- b. The findings of such evaluations should be made available to the Nominations and Governance Committee, which should make recommendations to the Board on actions required to improve factors relevant to the effectiveness of the Board and Sub-Committees.

10.o Director Remuneration

- a. Remuneration Committee - The Board shall determine the compensation of the executive and non-executive Board members on a proposal by the remuneration committee and based on a formal and transparent procedure formulated by the Remuneration Committee
- b. Reporting on Remuneration – The Annual Report of the Company shall include the following disclosures on remuneration:
 - i. A Statement of Remuneration Policy;
 - ii. Details of remuneration of the Board as a whole;
 - iii. Names of Directors (or persons in the parent company's committee in the case of a group company) comprising the remuneration committee, contain a statement of remuneration policy and set out the aggregate remuneration paid to Executive and Non-Executive Directors.

11.0 Director training and Induction

- a. Induction Program - Upon his or her election, each Board member shall participate in an induction program that covers the Company's strategy, general financial and legal affairs, financial reporting by the Company, any specific aspects unique to the Company and its business activities, and the responsibilities of a Board member.
- b. Directors must be kept abreast of Listing Rules and new legislation that is relevant for the directors to perform their duties.
- c. Review of Training - The Board shall review and identify areas where the Board members require further training or education.
- d. Costs of training - The costs of the induction course and any training or education shall be paid for by the Company.

12.0 Holding and trading of Securities

- a. Long-Term Investment - Any share-holding in the Company by Board members is for the purpose of long-term investment.
- b. Trading Company Securities – A Director shall not trade in any shares of the Company or any company within the TTE based on price sensitive information received by him by virtue of his directorship, which is not known by the general public. Directors should also refrain from trading in the company's listed securities 3 market days after a board/sub-committee meeting. A Director shall not trade in shares of the Company for 3 market days after the release of the quarterly financial results, announcement of dividends or any other price sensitive information. Directors are also encouraged to seek the counsel of the Company Secretary or the Group Chief Financial Officer prior to trading in the Company's/ Group company's listed securities.
- c. If a Director or a Connected Person to a Director buys or sells shares in the Company, the Director shall inform the Company Secretary of such transaction immediately. The Company Secretary shall inform the Board and the Colombo Stock Exchange within the stipulated timelines of the Listing Rules. Where the Director has a relevant interest in shares of the Company, he shall inform of any purchase or divestment of the Company's shares.

13.0 Confidentiality

- a. Duty to Keep Information Confidential - Unless required to do so by law, no Board member shall, during his or her membership on the Board or afterwards, disclose any information of a confidential nature regarding the business of the Company and/or any companies in which it holds a stake, that came to his or her knowledge in the capacity of his or her work for the Company and which s/he knows or should know to be of a confidential nature. A Board member shall not use such confidential information for his or her personal benefit.
- b. Return of Confidential Information - At the end of each Board member's term of office, s/he shall return all confidential documents in his or her possession to the Company or guarantee their disposal in a manner that ensures confidentiality is preserved.

14.0 Policy Review and Amendments

This policy shall be reviewed and updated at least once every two (2) years by the Company Secretary. The required updates and modifications shall be recommended to the Chairman & Chief Executive and to the Board for approval. 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.
