Kapruka Holdings PLC

Policy on the Matters Relating to the Board of Directors

Objective:

The purpose of this policy is to define a comprehensive framework for the composition, roles, responsibilities, and practices of the Board of Directors at Kapruka Holdings PLC. It aims to promote effective governance, ensure strategic oversight, comply with regulatory standards, and maintain accountability. This policy is intended to guide the Board in driving the organization towards its mission and objectives efficiently and responsibly.

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1. Board Composition

1.1. Structure:

- The Board of Directors shall consist of a balanced mix of executive, non-executive, and independent directors.
- At least one-third of the Board shall be independent directors, as defined by the Colombo Stock Exchange (CSE) regulations.

1.2 Number of Board Members:

The Directors shall not be less than five (05) or more than twelve (12) in number.

1.3 Minimum Number of Independent Directors:

The Board of Directors of a listed entity must consist of at least two (2) Independent Directors, or a number equivalent to one-third (1/3) of the total number of Directors of the listed entity at any given time, whichever is greater

1.4 Senior Independent Director

A Senior Independent Director must be appointed in the following circumstances:

a) The roles of Chairperson and CEO are held by the same individual.
b) The Chairperson is an Executive Director.
c) The Chairperson and CEO are close family members or related parties.

1.5. Diversity and Inclusion:

The Board shall aim to achieve diversity in gender, age, experience, and expertise. Efforts will be made to include directors from diverse professional backgrounds to ensure a broad range of perspectives.

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2. Roles and Responsibilities

2.1. Strategic Oversight:

- The Board shall be responsible for establishing and reviewing the company's strategic goals and objectives.
- It shall oversee the implementation of the company's strategy and ensure alignment with the long-term interests of shareholders.

2.2. Financial Performance:

- The Board shall monitor the company's financial performance and ensure the integrity of financial reporting.
- It shall approve the annual budget and financial statements, and oversee the company's financial policies.

2.3. Risk Management:

- The Board shall oversee the company's risk management framework and ensure that appropriate systems are in place to identify, assess, and manage risks.
- It shall review the effectiveness of internal controls and compliance with legal and regulatory requirements.

2.4. Corporate Governance:

- The Board shall adhere to best practices in corporate governance and ensure compliance with the CSE Corporate Governance Code.
- It shall conduct regular reviews of governance practices to ensure they remain effective and aligned with evolving standards.

2.5. Director Development:

- The Board shall ensure that new directors receive a comprehensive orientation and that ongoing education programs are available to all directors.
- Directors shall be encouraged to participate in training programs to stay updated on relevant industry and governance developments.

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3. Board Meetings

3.1. Frequency and Attendance:

- The Board shall meet at least quarterly to review the company's performance, strategic direction, and governance practices.
- Directors are expected to attend all Board meetings and actively participate in discussions.
- Board meetings are typically held in person, but directors have the option to attend virtually through an approved online platform.

3.2. Agenda and Materials:

- The Chairperson, in consultation with the CEO and Company Secretary, shall set the agenda for each meeting.
- Board materials shall be distributed in advance of meetings to allow directors sufficient time to review and prepare.

3.3. Minutes:

- Minutes of each Board meeting shall be accurately recorded and distributed to all directors.
- Minutes shall be approved at the subsequent Board meeting and retained as part of the company's official records.

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4. Board Committees

4.1. Establishment and Function:

The Board shall form committees to delegate specific responsibilities, thereby improving the Board's efficiency and effectiveness. Each committee will have a written charter that defines its roles, responsibilities, and authorities.

4.2. Key Committees:

- **Nominations and Governance Committee**:
  - Responsible for evaluating and recommending director appointments and re-appointments.
  - Oversees governance policies and practices.
- **Remuneration Committee**:
  - Develops and recommends remuneration policies for executive directors.
  - Ensures remuneration is aligned with performance and market standards.
- **Audit Committee**:
  - Monitors financial reporting and internal controls.
  - Oversees internal and external audits and compliance with financial regulations.
- **Related Party Transactions Review Committee**:

    - Reviews and approves related party transactions to ensure they are conducted on an arm's length basis.

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5. Performance Evaluation

5.1. Board and Director Evaluations:

- The Board shall conduct an annual self-assessment to evaluate its performance and effectiveness.
- Individual directors shall also be evaluated to ensure they contribute effectively to the Board's work.

5.2. Evaluation Process:

- The Nominations and Governance Committee shall oversee the evaluation process.
- Feedback from the evaluations shall be used to identify areas for improvement and inform the director development program.

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6. Appointment, Re-election, and Succession Planning

6.1. Appointment and Re-election:

- The Board shall appoint and re-elect directors based on a transparent process that considers their skills, experience, and independence. The potential candidates for the Board positions shall be evaluated by the Nomination Committee of the Board and recommended to the Board. In the absence of a Nomination Committee, the Board itself will act as the Nomination Committee.
- Directors shall be subject to re-election at regular intervals as per the company's articles of association. The directors retiring in any year shall be those who, being subject to retirement by rotation, have been longest in office since their last election or appointment. A retiring director shall be eligible for re-election.
- An Independent Director shall serve a maximum term of nine years.

6.2. Succession Planning:

- The Board will establish a comprehensive succession plan for critical leadership positions, including the Chairperson and CEO. The Nominations and Governance Committee will be responsible for overseeing this process and presenting recommendations to the Board.

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7. Code of Conduct and Ethics

7.1. Ethical Standards:

- Directors shall adhere to the company's Code of Business Conduct and Ethics, acting with integrity, honesty, and transparency in all dealings.
- Conflicts of interest shall be avoided, and any potential conflicts shall be disclosed and managed appropriately.

7.2. Confidentiality:

- Directors shall maintain the confidentiality of all non-public information obtained through their role on the Board.
- Confidential information shall not be used for personal gain or to the detriment of the company.

Compliance and Review

8.1. Compliance:

- This policy shall comply with the CSE Listing Rules and other relevant regulations.
- The Board shall review this policy annually to ensure it remains effective and aligned with regulatory requirements and best practices.

8.2. Review and Amendments:

- The Nominations and Governance Committee shall review the policy and recommend any amendments to the Board for approval.
- Any changes to the policy shall be communicated to all directors and incorporated into the company’s governance framework.