

POLICY ON MATTERS RELATING TO THE BOARD OF DIRECTORS

1. Definitions:

‘Board’: Board of Directors of Ceylon Tobacco Company PLC

‘CEO’: Chief Executive Officer

‘Company’: Ceylon Tobacco Company PLC

‘Companies Act’: Companies Act, No. 07 of 2007 (as amended)

‘Code’: Code of Best Practices on Corporate Governance 2023

‘CSE’: Colombo Stock Exchange

‘Listing Rules’: Listing Rules of Colombo Stock Exchange

‘NATA’: National Authority on Tobacco and Alcohol Act, No. 27 of 2006 (as amended)

‘SEC Act’: Securities and Exchange Commission Act No. 19 of 2021 (as amended)

‘SID’: Senior Independent Director

2. PURPOSE AND OBJECTIVES

The Board of the Company is pivotal in determining its trajectory and guaranteeing long-term sustainability. Adherence to strong governance principles is essential for the operational ethos of the Company. The Policy of the Company on Matters Related to the Board of Directors outlines, Board composition, roles and functions of Chairperson and CEO, Board diversity, frequency of Board meetings, directorship limits and Board remuneration.

3. BOARD STRUCTURE AND COMPOSITION

The Board of Directors of the Company shall consist of not less than Five (5) and not more than Twelve (12) Directors. However, subject to the provisions of the Companies Act and the Articles of Association of the Company, the Company may from time to time, by Ordinary Resolution, increase or reduce its number of Directors.

The Board of the Company shall at least have Two (2) Independent Directors, or the number equivalent to one – third (1/3) of the total Directors serving at any given time whilst adhering to the criteria for independence as outlined in the Listing Rules. Where there are any deviations from this ratio, the Company will adjust and rectify such deviations within ninety (90) days of occurrence.

The Board composition should be annually reviewed to guarantee sufficient diversity and to ensure that skill representation is in line with the Company’s current and future strategic needs.

The Chairperson of the Board shall be a Non-Executive Director, and the key roles of the Chairperson and MD/CEO shall be separate, to ensure clear distinction of roles and responsibilities, and articulating objective decisions whilst discharging their duties.

The Policy shall strive to maintain diversity in the Board Composition for Board effectiveness in terms of experience, skills, competencies, age, gender and industry requirements.

4. FUNCTIONALITY (ROLES AND RESPONSIBILITIES)

The Board oversees the management and strategic direction of the Company. It guarantees that the Company remains within moral, legal boundaries and acts in the best interest of its shareholders.

The key aspects of functions and governing principles of the Board are outlined below:

4.1 Strategic Oversight:

The Board ensures the formulation and implementation of a sound business strategy. It also reviews and assesses the Company's performance to achieve its objectives. The Board shall ensure that the CEO and management team possess the necessary skills, experience and knowledge to implement the business strategy of the Company.

4.2 Financial Management:

The Board is responsible for approving the financial statements, budgets and other significant financial decisions. The Policy shall oversee the Company's risk management framework and that internal controls are functioning well.

4.3 Board Committees (sub-committees):

The Board is empowered to form, delegate powers to, and monitor the functionalities of key board committees. The underlining components governing the respective sub-committees are covered under the Company's Policy on Board Committees.

4.4 Board Meetings:

All Directors are expected to attend board meetings **on a regular basis**. Each Director is required to attend a minimum of 03 meetings yearly, or 75% of all scheduled board meetings within the financial year. Directors who fail to meet the minimum attendance shall be deemed to have vacated his/ her position on the Board, subject to the Articles of Association of the Company.

The quorum required to transact business at a Board Meeting is two (2) Directors, whereas the quorum required to pass a written resolution of the Board is all Directors.

The Board recognizes the participation of Directors via audio- visual means (such as video conferencing) for Board meetings, for purposes of constituting the aforementioned quorum.

4.5 Induction and Training:

The Company should conduct an induction program in order to familiarize new Directors of their duties and responsibilities. The said program would serve as a comprehensive guide to the industry and the Company. Each newly appointed Director shall receive an induction pack as a part of the induction process. This pack shall include, but not limited to, the Company's Articles of Association, the NATA, relevant Board Charters, and recent Annual Reports.

The Company should specifically offer to its newly recruited Non- Executive Directors an induction program, which shall include the following:

- a) *One-to One session with the Chairman:* a private discussion with the Chairman to discuss the governance practices, expectations required out of Non- Executive Director's role, and the Company's strategic strategy.
- b) *Departmental Briefings:* sessions with Heads from key departments of the Company, and each session shall be accompanied by a detailed presentation covering all functions including but not limited to Marketing, Operations, Finance, and Legal.
- c) *Market visits:* to gain a practical insight into the Company's operations, off- site visits to various market channels, including general trade, modern trade and hospitality sectors such as hotels and restaurants shall be carried out.
- d) *Site visits:* to get accustomed to the Company's backbone operations, site visits are arranged to both the factory and a tobacco cultivation area.

The Directors are continually provided with briefings to ensure that their knowledge is renewed with the surrounding external and internal developments. The Company also provides opportunities for Directors to participate in relevant external training sessions.

The Board should review and decide on the training and development needs of the Directors on a regular basis.

4.6 Conflict of Interest:

- a) All Company Directors are required annually to submit their declarations of independence or non- independence. The Directors are required to promptly notify the Company Secretary of any potential or actual conflict of interest.
- b) The Board shall also safeguard that the Company has effective systems to secure integrity of information, internal controls, cyber security, business continuity and risk management.
- c) The Board shall recognize and integrate sustainable business development principles and Environmental, Social, and Governance (ESG) risks, and, incorporate same into the Company's corporate strategy, decision-making processes, and operational activities.

d) The Board drives the Company's ESG agenda through the internal CSI steering Committee.

e) The Board shall ensure that that stakeholder interest is accounted for, when making all corporate decisions.

4.7 The role of the Chairman

The role of the Chairman is pivotal for preserving good corporate governance. The Chairman should facilitate and order the effective discharge of Board functions. The Chairman should conduct Board proceedings in a proper manner and ensure, inter-alia, that:

- a) the Board agenda is prepared pursuant to consultations with the CEO, Directors and Company Secretary whilst taking into account governance aspects of the Company.
- b) Directors receive timely access to sufficiently detailed information about items specified on the agenda.
- c) a balance of power between the executive and non-executive directors is maintained.
- d) the Board is in complete control of the Company's operations and is aware of its responsibilities to all stakeholders, including shareholders.

5. TRADING IN SECURITIES

The Board of Directors shall be bound to comply with the governing principles related to trading in Securities, covered under the Company's "Policy on the Internal Code of Business Conduct and Ethics for All Directors and Employees, including Policies on Trading in the Company's Listed Securities."

6. UPDATED KNOWLEDGE ON CHANGES IN LISTING RULES

The Company shall devise the assistance of its Company Secretary to take prompt steps to ensure that all Directors are briefed and updated concerning the changes and amendments to the Listing Rules and regarding the Company's ongoing compliance and/or non-compliance with the Listing Rules.

7. NUMBER OF DIRECTORSHIPS IN LISTED COMPANIES

A Director of the Company may hold a maximum of 09 directorships in other listed companies.

8. COMPLIANCE AND DISCLOSURE

8.1 Regulatory Compliance

The Company shall ensure full compliance with the Listing Rules, the Companies Act, the Articles of Association, and any other applicable regulations concerning matters relating to the Board.

8.2 Disclosure

The company shall disclose in its Annual Report that it is compliant with the Listing Rules in respect of the foregoing Policy.

9. QUESTIONS

All questions concerning the implementation of this policy are required to be addressed to the Assistant Company Secretary of the Company via inquiries_ctc@bat.com