

# HATTON NATIONAL BANK PLC

## POLICY ON MATTERS RELATING TO BOARD OF DIRECTORS

### 1. OVERVIEW

The Board of Directors has adopted the Policy on matters relating to Board of Directors (the "Policy") in conformity with the Listing Rules to provide for the framework in terms of which the Board will be constituted and the Directors will manage and supervise the business and affairs in accordance with the applicable law including the Companies Act, the Banking Act and the Directions issued therein by the Central Bank CBSL, the Listing Rules and the Articles and other internal policies and procedures. This document sets forth a summary of such Policy.

Any capitalized term not specifically defined in this Summary will have the meaning therefor set forth in the Policy.

### 2. PURPOSE

The purpose of the Policy is to establish the policy framework and the criteria pertaining to Board composition, proceedings of the Board and other relevant policies to ensure that the Directors and management work together to effectively discharge their responsibilities in an appropriate manner, in the best interests of the Bank and in compliance with the relevant legal and regulatory framework.

### 3. SCOPE

The Policy applies to the Bank and covers all Directors and the MD/CEO, to the extent applicable.

### 4. THE BOARD

- 4.1 The Board will comprise a minimum of seven (7) Directors and a maximum of thirteen (13) Directors taking into consideration the nature of the businesses carried out by the Board and in order to align with the requirements set out in the CG Directions, Listing Rules and corporate governance best practices. The composition of the Board will conform to the CG Directions and Listing Rules.

- 4.2 The Board may appoint Executive Directors including the office of MD/CEO. If any Director is appointed as the MD/CEO, such Director will, so long as he holds the office of MD/CEO, be deemed to be an employee of the Bank. The MD/CEO should be the chief executive officer of the Bank.
- 4.3 The positions of the Chairperson and MD/CEO should be held by different individuals who will have separate, distinct roles with a clear division of responsibilities so as to ensure balance of authority, promote accountability and ensure a greater capacity for independent decision making.
- 4.4 The Board will comprise of Directors representing different backgrounds in terms of expertise, experience, competency and industry requirements to fulfil the duties and objectives of the Board and provide guidance to the Bank's management. Additionally, the Board aims to establish gender, age and ethnic diversity on the Board as a combination of individuals with diverse backgrounds may provide a range of perspectives and experiences resulting in improved decision-making.
- 4.5 A Director will not serve on the board of directors/ in more than twenty (20) other companies/ entities / institutions inclusive of subsidiaries or associate companies of the Bank.
- 4.6 The Board should take all necessary steps to ensure that all Directors are kept informed of the applicable legal and regulatory requirements which the Bank must adhere to.
- 4.7 In the management of the business and affairs of the Bank, the Board should adhere to the policy guidelines set out in the Policy. The Board should establish adequate oversight measures to ensure implementation of the technology risk management and resilience requirements as specified in the Banking Act Direction No. 16 of 2021 dated 9<sup>th</sup> December 2021 on 'Regulatory Framework on Technology Risk Management and Resilience for Licensed Banks'. Detailed responsibilities are set out in the "Annexure" to the Policy.

## **5. THE CHAIRPERSON**

The Chairperson is responsible for leadership of the Board and ensuring its effectiveness in all aspects of its role. The responsibilities of the Chairperson are as set out in the Policy.

## **6. KEY MANAGEMENT PERSONNEL**

- 6.1 The Key Management Personnel would assist the Board to develop structures, processes and practices that fit the Bank and its business needs.
- 6.2 The responsibilities of the MD/CEO will be as set forth in the Policy.

## **7. THE SUB-COMMITTEES**

The sub-committees will evaluate and review matters within their purview and make recommendations to the Board on such matters. The Board will make the final decision on such matters in an appropriate manner.

## **8. MEETINGS OF THE BOARD**

- 8.1 The Board will meet at least once a month or such other minimum number prescribed by the Banking Act or direction issued thereunder. Special meetings will be convened on an ad-hoc basis, as and when required.
- 8.2 Directors may participate at meetings of the Board and/or meetings of any sub-committee via electronic audio/visual means and participation in such manner shall be considered in deciding the quorum of such meeting.
- 8.3 A Director should mandatorily attend at least the minimum number of Board meetings held in a calendar year, as prescribed by applicable law including directions issued under the Banking Act. If a Director is absent from three (3) consecutive meetings of the Board, without special leave of absence, the Board may resolve that his office is vacated.
- 8.4 Voting at meetings of the Board will be as specified in the Articles.
- 8.5 The Directors shall preferably participate at meetings of the Board and Board sub- committees physically but such meetings may be conducted by use of telephone, conference television or by any other means of audio or audio and visual instantaneous communication by which all Directors participating in the meeting are able to hear and be heard each other simultaneously throughout the meeting on need basis and such participation via audio and audio visual means will be taken in to account when deciding the quorum.

## **9. ROLE OF THE SECRETARY TO THE BOARD**

The Company Secretary should liaise with the Board and the management in assisting the implementation of the decisions and recommendations of the Board. The Company Secretary should add value to the functions of the Board through the provision of effective secretarial services.

## **10. CONFLICTS OF INTEREST**

- 10.1 The Directors should in compliance with the provisions of the Banking Act and directions issued thereunder, the Companies Act and the Articles, inform the Board of any conflicts or potential conflicts of interests they may have in relation to particular items of business transacted by the Board. Directors should abstain themselves from discussions and the decision-making process in respect of matters in which they have a conflicting interest.
  
- 10.2 The Directors should comply with the provisions of the Securities and Exchange Commission of Sri Lanka Act, the Board's Policy on Internal Code of Business Conduct and Ethics for all Directors and Employees and the Employees Share Dealing Policy when trading in the Bank's listed securities and shall disclose to the Company Secretary the details of such sale or purchase of listed securities in order to make the market disclosures within the stipulated time frames in terms of the Listing Rules.