

HATTON NATIONAL BANK PLC

POLICY ON CORPORATE GOVERNANCE, NOMINATIONS AND RE-ELECTION

1. OVERVIEW

The Board of Directors of the Bank has adopted the Policy on Corporate Governance, Nominations and Re- election (the "Policy") in conformity with the Listing Rules to provide for the framework for meeting its duties and responsibilities in relation to the governance of the Bank and the guidelines to be followed for the nomination and re-election of Directors in accordance with the Companies Act, the Listing Rules, the CG Directions, the Bank's articles of association 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 relevant criteria and guidelines in respect of corporate governance, the nomination of new directors and the re-election of existing directors to the Board, to ensure accountability, transparency, fairness, and responsibility.

3. COMPOSITION OF THE BOARD

- 3.1 The Board will comprise a minimum of seven (7) directors and a maximum of thirteen (13) directors. The composition of the Board will conform to the CG Directions and Listing Rules
- 3.2 The chairperson of the Board will be a non-executive Director elected by the Board and satisfy other criteria as may be stipulated by CG Directions.

4. GOVERNANCE REQUIREMENTS

- 4.1 The business and affairs of the Bank shall be managed by and under the direction and supervision of the Board. The Board also has all the powers necessary for managing and for directing and supervising the management of the business and affairs of the Bank.
- 4.2 The Board and each individual Director must at all times comply with and adhere to the laws that are applicable to the Bank and its business and also ensure that

the Bank complies with and adheres to such laws. The recommendations in the Code of Best Practice on Corporate Governance 2023 issued by the Institute of

Chartered Accountants of Sri Lanka, will also be followed to the extent relevant to the business and governance structures of the Bank

- 4.3 The day-to-day management and operations of the Bank will be led by the MD/CEO of the Bank with the support and assistance of the Key Management Personnel. The MD/CEO will perform his functions under the overall direction and supervision of the Board.

5. NOMINATION AND APPOINTMENT OF DIRECTORS

- 5.1 The Committee shall identify, assess, select, and nominate suitable candidates to be appointed as Director to fill any vacancy on the Board, howsoever created. All candidates should meet the fit and proper criteria for Directors stipulated in the Banking Act and directions issued thereunder, Securities and Exchange Commission of Sri Lanka Act No. 19 of 2021 or any rules, regulations, determinations, or directions made thereunder and the Listing Rules.
- 5.2 The procedure to be followed by the Committee when reviewing potential candidates for appointment as directors are set forth in the Policy.
- 5.3 All Directors appointed to fill a casual vacancy will be subject to election by shareholders at the first annual general meeting after their appointment.
- 5.4 In the event any shareholders wish to appoint a new Director to fill a vacancy on the Board at an annual general meeting and make a requisition to the Bank in accordance with section 142 of the Companies Act for a resolution to appoint such Director to be included in the notice of meeting, the Board should include such resolution in the notice of meeting only after the Committee confirms to the Board that the candidate meets the fit and proper criteria under Rule 9.7.3 of the Listing Rules and the Banking Act and directions issued thereunder. If the Committee is of the view that the candidate does not meet the fit and proper criteria, then the Board should not include such resolution in the agenda of the annual general meeting for the reason that the appointment of a person who does not meet the fit and proper criteria as a Director of a licensed commercial bank is not a resolution that may be properly moved at such meeting.

6. RE-APPOINTMENT/ RE- ELECTION OF DIRECTORS

The Committee should consider and recommend/ not recommend the re appointment/ re- election of current Directors taking into account the following matters:

- (i) the combined knowledge, experience, performance and contribution made by the Director to meet the strategic demand of the Bank and the discharge of Board's overall responsibilities; and
- (ii) the number of directorships held by the Director in other listed entities and unlisted companies and other principal commitments.

7. BOARD'S RELATIONSHIP WITH SHAREHOLDERS

The Board will endeavor to establish a consistent channel of communication with the shareholders of the Bank and ensure good shareholder relations.

8. ETHICS AND CONFLICTS OF INTERESTS

The Board should function with the highest standards of responsibility, ethics, and integrity.

9. EVALUTATION OF THE BOARD

The Board shall assess and evaluate themselves both individually and as a whole. The evaluation will include a review of the individual performance and qualifications of each Director, and an assessment of the contributions of the Board and its sub-committees.

10. CHARTER FOR MANAGEMENT/GOOD GOVERNANCE FOR GROUP COMPANIES OF HNB

The contents of the charter for management/good governance for the Bank and its subsidiaries will supplement the contents of the Policy.