

## LH/POLICY/LEGAL/07

### POLICY ON MATTERS RELATED TO THE BOARD OF DIRECTORS

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## 1. Introduction

The Board of Directors (the "Board") of The Lanka Hospitals Corporation PLC ("Company") and Lanka Hospitals Diagnostics (Private) Limited (collectively referred to as the "Lanka Hospitals Group") recognizes the vital role that good corporate governance and corporate social responsibility play in building and maintaining the trust of all stakeholders. The Board is committed to adhering to best practices in corporate governance and social responsibility, ensuring that all actions align with the highest ethical standards and comply with applicable laws and regulations including the Listing Rules of the Colombo Stock Exchange (CSE).

The purpose of this policy on matters related to the Board of Directors ("Policy") is to set forth the guidelines and practices for the governance of the Board, outlining the criteria for appointments, the responsibilities of the Boards of the Lanka Hospitals Group, and the procedures for meetings, evaluations, and interactions with shareholders. The policy ensures that the Board operates in the best interests of the Lanka Hospitals Group and each company thereof, its shareholders, and other stakeholders.

## 2. Objective

The objective of this Policy is to establish a formal framework for governing all matters related to the Board of Directors of the Lanka Hospitals Group to the extent applicable.

## 3. Scope

This Policy shall be applicable to all Directors of the Company, where deemed necessary and practical, considering the good governance principles, this Policy may also be applied to the Directors of Lanka Hospitals Diagnostics (Private) Limited to the extent applicable.

## 4. Board Balance

### 4.1 Size and Composition

- a) The Board recognizes the need for a balanced representation of executive or non-executive and independent directors, in accordance with the Articles of Association and CSE Listing Rules.
- b) Any change occurring to the ratio with respect of the Board size and composition as stated above shall be rectified within ninety (90) days from the date of the change.

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- c) The maximum number of Directors in each Board of Lanka Hospitals Group shall be as per the stipulations of the respective Articles of Association.
- d) The Chairperson of the Company shall be a non-executive director.

	Requirement in the Articles of Association	Requirement in the Listing Rules	Current status of the Lanka Hospitals Group
The Lanka Hospitals Corporation PLC	The Board shall consist of not less than two or not more than twelve directors. Two or one-third (whichever is greater) of the total number of Directors should be Non-Executive Directors and two or one-third (whichever is higher) of such Non-Executive Directors should be Independent Directors.	<p>The Board at a minimum consists of five Directors</p> <p>The Board shall include at least two Independent Directors or such number equivalent to one-third of the total number of Directors at any given time, whichever is higher</p>	The Board consists of twelve Non-Executive Directors and out of them eight are Independent Directors
Lanka Hospitals Diagnostics (Private) Limited	The Board shall consist of not less than two or not more than seven directors	NA	The Board consists of six Directors

- e) The independence of the Directors will be determined in accordance with the criteria set out in the Listing Rules of CSE. Each Independent Director shall submit a signed and dated declaration annually of his or her “independence” or “non-independence” against the criteria specified in the Listing Rules of CSE and in the format in Appendix 9A of the Listing Rules, containing at a minimum the content prescribed therein.
- f) The Chairperson of the Company shall not be the Chairperson of the Board Committees namely, Nominations and Governance Committee, Remuneration Committee, Audit Committee and Related Party Transactions Review Committee.

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- g) The position of the Chairperson and Chief Executive Officer or equivalent position (hereinafter commonly referred to as the CEO) of the Company shall not be held by the same individual.
- h) The Company shall not have alternate directors, however, in the event if it is deemed necessary to appoint an alternate director the rules stipulated under 9.9 of the Listing Rules of CSE shall be adhered to.

#### 5 Diversity and Expertise

- a) The Board shall comprise individuals with diverse skills, experience, and backgrounds relevant to healthcare operations, governance, financial management, and information technology and legal oversight.
- b) The Board will ensure that its composition reflects gender, age, and professional diversity to enhance decision-making, foster effective governance and promote innovative thinking.
- c) The Board through Nominations and Governance Committee shall implement a fair and objective selection process for Board members. The process will be based on clearly defined criteria, including the candidates' relevant industry experience, expertise, professional qualifications, strategic thinking, leadership abilities and their potential to contribute to the Board's effectiveness.
- d) To ensure that Directors of the Company are able to dedicate sufficient time and attention to their roles and responsibilities on the Board, each Director may hold not more than fifteen (15) directorships in Listed Entities, including their role with the Company.
  - i. For the purposes of this clause, a Listed Entity is defined as any company whose shares or other securities are listed and traded on the Colombo Stock Exchange. Directorships held in such entities, whether executive or non-executive, shall be counted towards this limit.
  - ii. Directors must disclose all other directorships held in Listed Entities to the Nominations and Governance Committee upon their appointment and annually thereafter. This disclosure ensures that the Board can assess each Director's capacity to fulfill their duties effectively.
  - iii. Should a Director wish to accept an additional directorship in a Listed Entity that would exceed the maximum number specified, they must obtain prior approval from

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the Nominations and Governance Committee. The Committee will review the impact on the Director's ability to perform their duties at the Company and may require the Director to relinquish one of their other directorships if deemed necessary.

## **6 Fitness of the Directors and CEO**

- a) The Company shall take necessary steps to ensure that their Directors and the CEO are, at all times, fit and proper persons as required in terms of the Listing Rules of CSE.
- b) In evaluating the fitness and propriety of the persons, the Company shall utilize the 'Fit and Proper Assessment Criteria' set out in Listing Rule 9.7.3 of CSE.
- c) The Company shall obtain declarations from the Directors and CEO on an annual basis confirming that each of them has continuously satisfied the Fit and Proper Assessment Criteria set out in Listing Rule 9.7.3 of CSE during the financial year concerned and satisfies the said criteria as at the date of such confirmation. The specimen declaration is marked Annexure I and attached hereto.

## **7 Roles and Responsibilities of the Board**

The roles and responsibilities of the Board are set out in the Articles of Association, the Board Charter and the Companies Act No 07 of 2007. The Board is mainly responsible for setting the strategic direction and holds overall accountability for the Lanka Hospitals Group's stewardship function. The Board's primary roles and responsibilities include,

- a) Providing direction for Lanka Hospitals Group's medium and long-term strategy and review and approval of the same
- b) Ensuring the adequacy and effectiveness of the Lanka Hospitals Group's internal controls and risk management practices
- c) Formulating policy frameworks to ensure compliance with relevant statutory and regulatory requirements and industry best practices and upholding high standards of corporate governance.
- d) Ensuring that key management personnel and the management team have the required skills, experience and knowledge to implement strategy.
- e) Ensuring that all Corporate Disclosures are made promptly in compliance with the Corporate Disclosure policy of the Company and applicable laws and regulations of Sri Lanka including the Listing Rules of CSE and provide explanations for any non-compliance with any of the requirements with reasons for such non-compliance and the proposed remedial action

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where statutorily or regulatorily required for such reasons and remedial actions to be provided or disclosed.

In addition, the Board members are required to act in good faith and in the best interests of the Lanka Hospitals Group and its shareholders. Board members must avoid conflicts of interest and act with due care, diligence, and integrity in all decisions.

## **7.1 Roles and Responsibilities of the Chairperson and CEO**

### **a) Chairperson**

The primary role of the Chairperson is to lead the Board of Directors, ensuring effective governance and oversight of the organization. The other responsibilities may include;

- i. To chair Board meetings, set agendas in consultation with the CEO and Company Secretary, and ensure that meetings are conducted efficiently.
- ii. Ensure that the Board operates in accordance with legal and regulatory requirements and follows good governance practices.
- iii. Collaborate with the CEO to review and approve the organization's strategic plans and major policies.
- iv. Facilitate Board evaluations, succession planning, and the development of Board members.
- v. Act as a key point of contact for major stakeholders, including shareholders and regulatory bodies.
- vi. Address any conflicts of interest or disputes within the Board or between the Board and management.

### **b) CEO**

The CEO is primarily responsible for the day-to-day management of the organization and implementing the Board's strategic decisions. The other responsibilities may include

- i. Oversee the operations and administration of the organization, ensuring efficiency and effectiveness.
- ii. Execute the strategic plans and policies set by the Board and ensure they are effectively implemented across the organization.
- iii. Lead and manage the executive team, fostering a positive and productive work environment.
- iv. Manage the organization's financial performance, including budgeting, financial reporting, and resource allocation.
- v. Regularly report to the Board on operational performance, key issues, and strategic initiatives.

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- vi. Represent the organization to external stakeholders, including customers, partners, and the public.
- vii. Identify and manage risks associated with the organization's operations and strategic objectives.

## **7.2 Procedures for the Appraisal and Evaluation: Board and CEO**

The Board conducts self-appraisals of themselves, which include a review of the Board's effectiveness, its governance practices, and the performance of individual Board members. The Board also set financial and non-financial targets for the CEO at the commencement of each financial year, in line with the Lanka Hospitals Group's strategic objectives for the year. The CEO's performance is monitored on an ongoing basis and a formal appraisal is carried out at least annually by the Board Nominations and Governance Committee.

## **8 Appointment, Retirement, Resignation, Re-election and Removal of Directors**

### **8.1 Appointment Process**

- a) The Nomination and Governance Committee will oversee the selection of new directors, ensuring candidates possess the necessary skills, experience, and qualifications.
- b) Appointments will be made in accordance with the Company's Articles of Association and CSE Listing Rules, with final approval/ratification by shareholders at the Annual General Meeting (AGM).

### **8.2 Retirement and Re-election**

As per the Articles of Association, at each AGM, 1/3 of the Directors will offer themselves for retirement depending on those who have held office for the longest time period since the election or re-appointment. A retiring director shall be eligible for re-election.

### **8.3 Resignation**

Any Director may resign from his or her post by writing as per the provision of the Articles of Association.

### **8.4 Removal of Directors**

A director may be removed from the Board in accordance with the provisions set out in the Company's Articles of Association and the Companies Act of Sri Lanka. The removal of directors will

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be done with due cause and after appropriate review by the Board and Nominations and Governance Committee.

As long as the Government of Sri Lanka or its agencies holds the majority shares in the companies of the Lanka Hospitals Group, the immediate shareholder representing the interest of the Government of Sri Lanka shall have the authority to require the registration or removal of any director or directors nominated on behalf of such shareholder representing the interest of the Government of Sri Lanka.

## **9 Meetings of the Board**

### **9.1 Frequency of Board Meetings and Attendance**

- a) The Board shall convene Board Meetings at least every month.
- b) Currently the Board Meetings are held on a monthly basis. As such each Director of the Company is required to attend a minimum of 09 Board Meetings in any given calendar year, which represents attendance at a 75% level annually. In the event any member joins the Board during any period within a calendar year, this requirement is pro-rated. Attendance of the Board meetings has been identified as critical to fulfilling their fiduciary duties and staying informed about the strategic, operational, and financial matters of the organization. Failure to meet this minimum attendance requirement may result in the Director being deemed to vacate their position.
- c) Attendance for the Board Meetings (including Board Committee Meetings) can be made in the following manner;
  - i. In-Person Attendance: Directors are expected to physically attend scheduled Board Meetings at the designated location to actively participate in discussions and decision-making.
  - ii. Virtual Attendance: Directors may attend Board Meetings via audio-video conferencing or teleconferencing or any other electronic means, ensuring they can contribute effectively to the meeting and such participation shall be considered when deciding on the quorum.
- d) Directors must ensure they review all pre-meeting materials and prepare adequately, regardless of whether they attend in person or virtually, to engage meaningfully in discussions.

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- e) In instances where attendance is not possible, Directors may submit written opinions or votes on key agenda items prior to the meeting. However, this may not be counted toward the attendance requirement unless explicitly allowed by the Chairman at each such Board Meeting and such permission shall be recorded in the minutes by the Company Secretary.
- f) Unless otherwise determined by the Board, the Chief Executive Officer and the Chief Financial Officer of the Company shall attend the Board Meetings by invitation along with any other key management personnel who are responsible for each subject that is under discussion.

#### 9.2 Access to Information

Measures are in place to ensure that Directors receive accurate, timely and comprehensive information required to discharge their duties. Quantitative and qualitative information provided includes monthly financial performance reports, minutes of review meetings and stakeholder relationships which are furnished to all Directors at least 7 days prior to Board/Sub-Committee meetings. Directors also have open access to the executive management to obtain further information that could be required.

#### 9.3 Procedures

- a) All Directors have access to the Lanka Hospitals Group's Company Secretary, Deloitte Corporate Services (Private) Limited, who is responsible for ensuring that Board procedures are followed and that all applicable rules and regulations are complied with. The Board acts in accordance with the applicable laws and regulations.
- b) Board Meeting schedules will be set in advance, and all Directors will be provided with an agenda and necessary documentation seven days prior to meetings.

#### 9.4 Quorum and Voting

- a) A quorum for Board meetings may be fixed by the Directors and unless it is fixed it shall be two of the directors present in person or via tele/videoconference or any other electronic means.
- b) Decisions at Board meetings will be made by a majority vote, with each director entitled to one vote. In the event of a tie, the Chairperson will have the casting or second vote.

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## 9.5 Minutes and Records

- a) Minutes of all Board meetings will be accurately recorded and maintained by the Company Secretary. All decisions made during Board meetings must be properly documented, including any dissenting opinions.
- b) Lanka Hospital Group shall maintain records of all resolutions and the following information upon a resolution being considered at any General Meeting of each company. It shall provide copies of the same at the request of the CSE and/or the Securities Exchange Commission.

## 10 Board Committees

The Board may establish committees to assist in specific governance functions, including the mandatory committees namely, the Nominations and Governance Committee, Remuneration Committee, Audit Committee and Related Party Transactions Review Committee and other ad-hoc committees as deemed necessary. Each committee will have a clear mandate and terms of reference approved by the Board. The process of the Board Committees is laid down in the policy on Board Committees.

## 11 Director Development and Training

### 11.1 Continuous Professional Development

The Lanka Hospital Group will provide opportunities for directors to undergo continuous training and development to keep them updated on industry trends, regulatory changes, and corporate governance practices. Directors will be encouraged to participate in external seminars, workshops, and training sessions relevant to their roles. Further, these training opportunities mainly will be provided through access to industry experts and other professionals on a frequent basis, and internal and external auditors.

### 11.2 Induction for New Directors

New directors will undergo a formal induction program to familiarize themselves with the Lanka Hospital Group's operations, strategy, and governance framework. The induction will cover key areas, including the hospital's financial performance, risk management policies, and the roles and responsibilities of directors.

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## **12 Remuneration**

The director's remunerations shall be as per the policy of Remuneration supported by the provisions of the Articles of Association and other applicable laws and regulations in Sri Lanka.

## **13 Disclosure and Reporting**

The Board shall ensure timely and accurate disclosure of all material matters concerning the Lanka Hospital Group, in compliance with CSE Listing Rules and other regulatory requirements. Annual and interim reports shall include disclosures on financial performance, governance practices, risk management, and ESG performance.

## **14 Trading in Securities of Listed Companies**

Directors shall not trade in securities of listed entities of CSE within the stipulated time frames, as per Section 8.6 of the Listing Rules of CSE. Directors shall immediately inform the company secretary if they trade in securities of the listed company of CSE.

## **15 Interaction with Shareholders**

### **15.1 Shareholder Communication**

The Board is committed to engaging with shareholders and maintaining an open and effective line of communication through AGMs, investor briefings, and regular updates on the Lanka Hospital Group's performance. All shareholder communications will be transparent, timely, and in compliance with CSE Listing Rules, disclosure/confidentiality laws and regulations and policy on Corporate Disclosure of the Lanka Hospital Group.

In all general meetings or AGM of shareholders, the Company shall record and maintain details on the number of shares in respect of which proxy appointments have been validly made, the number of votes in favour of the resolution, the number of votes against the resolution; and the number of shares in respect of which the vote was directed to have abstained and any other material information and minutes.

The Lanka Hospitals Group provides shareholders with timely and accurate information on performance and other material developments. Communication is also facilitated through the Group's corporate website, advertisements and press in accordance with policy on relations with shareholders and investors and policy on corporate disclosure.

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## **15.2 Shareholder Rights**

Shareholders have the right to vote on significant decisions, including the appointment and re-election of directors, approval of financial statements, and other key resolutions. The Board will ensure that shareholder rights are protected and that all shareholders are treated equitably.

The shareholders have a right to make any proxy appointments and it shall be governed as per the Articles of Association.

## **16 Conflicts of Interest**

### **16.1 Declaration of Interests**

All Directors are required to disclose any personal or professional interests that could conflict with the Lanka Hospital Group's interests. The Board will ensure that such conflicts are managed transparently, with directors recusing themselves from decision-making when necessary. The directors are educated on the internal Code of Business Practices and Ethics.

## **17 Compliance with Laws and Corporate Governance Standards**

The Lanka Hospitals Group has a mechanism for ensuring that Directors are kept abreast of the Listing Rules of CSE and on-going compliance and/or non-compliance by the Listed Entity with obligations arising under such Rules including other statutory requirements. The Lanka Hospital Group will adhere to all applicable laws and regulations, corporate governance standards set forth by the CSE and applicable Sri Lankan regulations as well as environmental, social and governance (ESG) standards. The Board will periodically review and update its governance policies to ensure compliance with evolving regulatory requirements and best practices.

## **18 Review and Amendment of Policy**

This policy will be reviewed annually by the Board of Directors to ensure its effectiveness and relevance. Any amendments or updates to this policy will be approved by the Board and communicated to shareholders as necessary.

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## 19 References

This Policy where necessary should be read in conjunction with the other policies and guidelines of the Company, namely the internal code of business conduct and ethics, policy on the environment, social and governance sustainability, policy on board committees, policy on corporate disclosures, policy on relations with shareholders and investors, control and management of company assets and shareholder investments, risk management and internal control, anti-bribery and corruption policy, whistleblower policy, related party transaction review policy, confidentiality and information security management guidelines.

The Policy has been formulated taking into consideration the provisions of the company's Articles of Association read together with the rules of the Colombo Stock Exchange. In the event, if there is any inconsistency between the provisions stated herein with that of the provisions of the Company's Articles of Association or the rules of Colombo Stock Exchange, the principles enunciated in the Articles of Association or the Rules of Colombo Stock Exchange shall take precedence in resolving any interpretation of the issue.

### Annex I- Fit and Proper Declaration

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<b>THE LANKA HOSPITALS CORPORATION PLC</b>
<b>FIT AND PROPER CRITERIA FOR DIRECTORS AND CEO- 2024</b>
I.....bearing NIC.....an Independent/Non Independent & Executive/ Non Executive Director of The Lanka Hospitals Corporation PLC being a Buddhist/Roman Catholic/ Hindu/ Islamic hereby swear as follows in terms of Rule 9.7.3 of the Corporate Governance Rules of Colombo Stock Exchange
<b>(a)- Honesty, Integrity and Reputation</b>
I have/ have not been convicted by a competent court of law in respect of a market offence for which I have been charged under the SEC Act or Securities Laws outside of Sri Lanka.
In my individual capacity or as a part of any business that I have been involved in, I have/ have not had a license or registration that has been cancelled by the SEC or any other regulatory authority.
I have/ haven not been convicted, within or outside Sri Lanka of an offence under any law involving fraud, misappropriation or dishonesty or the conviction of which involved a finding that I acted fraudulently or dishonestly.
I have/ have not been convicted for contravening any provision of any law within or outside Sri Lanka for protecting members of the public against financial loss due to dishonesty, incompetence or malpractice by persons concerned in the provision of financial services or the management of companies
I have not been disqualified from acting as a Director or CEO of a company or has been dismissed or requested to resign from any position or office by the SEC in terms of the SEC Act or rules and regulations issued thereunder or any other statutory regulatory body due to mismanagement of funds or an offence which involves the commission of financial fraud.
I have/ have not been disqualified from acting as a CEO/Key Management Person/Director of a company regulated by the CBSL and/or the Insurance Regulatory Commission of Sri Lanka (IRCSL) as applicable for failure to satisfy the fit and proper assessment criteria issued by the CBSL and/or IRCSL respectively.
I have/ have not been a Director or the CEO of any Listed Entity which has been delisted by the Exchange in the circumstances specified in Rule 11.3 of these Rules- (delisting of shares as an enforcement action)
<b>(b) Competence and Capability</b>
I do/ do not possess suitable academic or professional qualifications or necessary skills, competencies and experience which are determined by the Nominations and Governance Committee of the Listed Entity in terms of Rule 9.11.5 of these Rules which are required to efficiently contribute to the business operations of the Entity in my capacity as a Director/CEO (as applicable).
I have/ have not been declared by a court of competent jurisdiction in Sri Lanka or outside Sri Lanka, to be of unsound mind.
<b>(c) Financial Soundness</b>
I am undischarged bankrupt or not a person on my behalf a receiver or manager or liquidator or an equivalent person has been appointed within or outside Sri Lanka.
I have/ have not been the subject of a judgment debt which is unsatisfied, either in whole or in part, whether in Sri Lanka or outside Sri Lanka.
I have/ have not been in a position capable of exercising significant influence in a company that has:
(a) been declared bankrupt within or outside of Sri Lanka; or
(b) its assets sequestrated for the non-satisfaction of a judgement debt.
<i>Delete whatever not applicable</i>
.....
Signature
Date

Name of the Document: - Policy On Matters Related To The Board Of Directors		Document Number: - LH/POLICY/LEGAL/07		Page: - 015 of 015
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