

## **POLICY ON BOARD COMMITTEES**

### **1. DEFINITIONS:**

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

‘CEO’: Chief Executive Officer

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

‘Company’: Ceylon Tobacco Company PLC

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

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

‘CSE’: Colombo Stock Exchange

‘Key Management Personnel’: those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity.

‘Listing Rules’: Listing Rules of Colombo Stock Exchange

‘Related Party Transactions’: shall have the same meaning as defined in Sri Lanka Accounting Standards on Related Party Transactions.

‘Related Party’: shall have the same meaning as defined in Sri Lanka Accounting Standards on Related Party Transactions.

### **2. PURPOSE**

The purpose of the Policy on Board Committees is to outline the composition, responsibilities and disclosures of the Committees established by the Board in order to assist the Board in fulfilling its delegated responsibilities by conducting detailed reviews and making recommendations on specific areas of the Company’s operations. The Committees are designed to enhance the efficiency and effectiveness of the Board’s decision-making process.

### **3. TYPES OF COMMITTEES**

#### **3.3 NOMINATIONS AND GOVERNANCE COMMITTEE**

The Nominations and Governance (N&G) Committee is established by the Board of Directors of the Company to ensure effective corporate governance and maintain a formal procedure for the appointment of new Directors and re-election of Directors to the Board. The N&G

Committee shall oversee matters relating to the composition, structure, and evaluation of the Board and its Committees, as well as governance policies and practices of the Company.

### **3.1.1 Composition**

The N&G Committee shall consist of at least three Directors from the Company, with at least two of the members being Independent Directors. Executive Directors shall not be appointed to the N&G Committee.

The Board will appoint an Independent Director to serve as the Chairperson of the N&G Committee.

The identities of the Chairperson and the committee members will be disclosed in the Annual Report of the Company.

### **3.1.2 Functionality**

- i. The N&G Committee shall undertake the evaluation of appointment of Directors to the Board and its Committees.
- ii. The N&G Committee shall implement and uphold a formal and transparent process to review and advise on the re-appointment or re-election of existing Directors, considering factors such as the aggregate knowledge, experience, performance, and contributions of the Director in fulfilling the strategic objectives of the Company, along with the number of directorships the Director holds in other listed and unlisted organisations and other major obligations.
- iii. The N&G Committee shall establish and maintain an appropriate mechanism for the regular assessment of the performance of the Board of Directors, and the CEO and other Key Management Personnel to ensure that their duties are effectively fulfilled.
- iv. The N&G Committee shall formulate a succession plan for the Board of Directors and Key Management Personnel of the Company.
- v. N&G Committee shall evaluate the structure, size, and composition including gender representation and competencies of the Board and its Committees to ensure the effective fulfilment of their duties and responsibilities. It is essential that members of the N&G Committee refrain from involvement in decisions pertaining to their own appointments.
- vi. N&G Committee shall assess and propose enhancements to the overall corporate governance framework of the Company, considering the Listing Rules, relevant regulatory requirements, and industry and / or international best practices. The corporate governance policies and framework of the Company shall be regularly reviewed and revised by the N&G Committee to align with

ongoing regulatory and legal developments pertaining to the same, as a best practice.

- vii. N&G Committee shall further receive reports from the management of the Company on adherence to the corporate governance framework of the Company, including compliance with the SEC Act, the Listing Rules and other pertinent laws, along with any instances of non-compliance and the justifications for such deviations.

### **3.2 BOARD COMPENSATION AND REMUNERATION COMMITTEE**

The Remuneration Committee shall be constituted and maintained to make recommendations to the Board on the Company's framework for remuneration, to ensure that a formal and transparent process is in place for determining remuneration packages for Executive Directors and Key Management Personnel, and, to adopt non-discriminatory pay practices for Non- Executive Directors (NED) without impairing their independence.

Directors of the Company shall not be involved in deciding on his/ her own remuneration.

#### **3.2.1 Composition**

The Remuneration Committee shall constitute a minimum of three Directors of the Company of which a minimum of two (02) members shall be Independent Directors. The membership shall not consist of Executive Directors and be chaired by an Independent Director appointed by the Board.

The Chairman of Board of Directors of the Company shall not act as the Chairperson of the Committee, so that independence would be maintained, and conflicts of interest would be avoided when determining the remuneration packages for executives.

#### **3.2.2 Functionality**

- i. The Remuneration Committee, based on the evaluation process, shall recommend the remuneration payable to Executive Directors, CEO or another officer holding an equivalent position, to the Board of Directors of the Company. The Committee's recommendations shall be driven by various factors based on, inter alia, the weathering economic climate, awarding key performance indicators specific to the Company and factoring short- and long-term goals of the Company. The Board, upon consideration of the recommendations made by the Remuneration Committee, shall make the final determination thereon.

- ii. The Remuneration Committee may engage the services of an external consultant or expert if and when necessary to ascertain or assess the relevance of the remuneration levels applicable to Directors and CEO.

### **3.3 AUDIT COMMITTEE**

#### **3.3.1 Purpose**

The purpose of the Audit Committee is to assist the Board and all relevant sub committees in fulfilling their responsibilities related to business risk management. This includes managing social, environmental, and reputational risks, ensuring robust internal controls and compliance, and conducting business in accordance with the Listing Rules and the Standards of Business Conduct of British American Tobacco PLC. Additionally, the Committee is responsible for ensuring adherence to relevant Corporate Governance requirements.

#### **3.3.2 Composition**

The members of the Audit Committee shall comprise of a minimum of three (03) directors of the Company, out of which a minimum of two (02) or a majority of the members, whichever is higher, shall be Independent Directors. Audit Committee shall not comprise of Executive Directors of the Listed Entity.

An Independent Director, also being a Member of a recognised professional accounting body, shall be appointed as the Chairperson of the Audit Committee by the Board of Directors.

#### **3.3.3 Functionality**

- i. Ensuring compliance with reporting and information requirements under the prevalent legal and regulatory framework in Sri Lanka, including but not limited to the Listing Rules, SEC Act and Companies Act, and, other financial reporting related regulations and requirements, where applicable.
- ii. Review the quarterly results and year-end financial statements of the Company prior to tabling same for the approval of the Board.
- iii. To make recommendations to the Board pertaining to appointment, reappointment, remuneration, terms of engagement and removal of external auditors.

- iv. Receive and review assurances from CEO and Finance Director that financial records have been properly maintained and the financial statements give a true and fair view of the finances and operations.
- v. Receive and review assurances from the CEO and other responsible Key Management Personnel on the adequacy and effectiveness of the risk management and internal control systems.
- vi. Ensuring that internal controls which are in place are adequate to prevent the leakage of material information to unauthorized persons.
- vii. Ensuring that the Company is in compliance with the requirements of the Sri Lanka Auditing Standards.
- viii. Review and assess the Company's risk management process on an annual basis
- ix. Prompting corrective action to eliminate or reduce the effects of specific risks which are at levels beyond the prudent levels decided by the Audit Committee.
- x. Review the internal and external audit, and the independence and objectivity of auditors.
- xi. To review all proposed non-audit services to be obtained from the external auditors and further review any explanation given by the Company detailing how auditor objectivity and independence are safeguarded, if the auditor provides non-audit services. Any issues or concerns related to the provision of non-audit services by the external auditors, including potential impacts on audit quality or independence, must be identified and reported to the Board.
- xii. The Audit Committee shall include in their report, the rationale for recommending the removal of the auditor, in the event a change of auditor is recommended, when the audit opinion of the immediately disclosed financial period or any period where subsequent disclosure of audit opinion is pending and such opinion carries a modification or an emphasis of matters of going concern.
- xiii. To promptly report matters to the Exchange, in the event where the Board has not satisfactorily resolved such matters (although such matters were pre-reported to the Board by the Audit Committee), resulting in a breach of the prevalent legal and regulatory framework.

### **3.4 RELATED PARTY TRANSACTIONS REVIEW COMMITTEE**

#### **3.4.1 Purpose**

The Related Party Transactions (RPT) Review Committee would enhance corporate transparency and promote fair transactions between the Company and its related parties, whilst ensuring that all RPT of the Company are consistent with the Listing Rules and the Code.

### **3.4.2 Composition**

In order to maintain independence, the RPT Committee shall constitute a minimum of three (03) Directors of the Company, out of which two (02) members shall be Independent Directors. The Company may, at its discretion, also appoint Executive Directors to the RPT Committee.

An Independent Director shall be appointed as the Chairman of the RPT Committee.

### **3.4.3 Functionality**

- i. The RPT Review Committee shall assist the Board of Directors in evaluating and reviewing RPT as set out in the Listing Rules.
- ii. The RPT Review Committee shall at all times safeguard interests of shareholders, when reviewing and recommending related party transactions.
- iii. RPT Review Committee shall ensure that the objective and the economic and commercial substance of RPT should take precedence over the legal form and technicality thereof.
- iv. The RPT Committee of the Company shall have in place clear terms of reference for identification, clarification and reporting RPT across all operations of the Company.
- v. The threshold values for each of the RPTs pertaining to
  - a) setting a benchmark for RPTs which require discussion in detail,
  - b) RPTs which require to be pre-approved by the Board or require Shareholder approval, and
  - c) RPT's which require to be reviewed annually, should be established by the RPT Review Committee, in accordance with the Listing Rules.
- vi. The RPT Review Committee shall review and comply with instances where RPTs require immediate market disclosure, as per the Listing Rules.

## **4. ESTABLISHMENT AND MAINTENANCE OF BOARD COMMITTEES**

The Board shall have power to establish and / maintain board committees other than the four committees which have been detailed above, and delegate powers thereto as long as such delegation of power do not contravene the prevalent legal framework including but not limited to the Companies Act and Listing Rules.

As a matter of fact, the Company has established an internal Corporate Social Investment (CSI) Steering Committee (morefully described under the Policy on Corporate Governance, Nominations and Re-election), to ensure that the Company conducts its business in a socially responsible manner.

## **5. REPORTING AND DISCLOSURE**

The Board Committees shall report its activities, findings, and recommendations to the Board regularly and whenever the need arises.

Disclosures pertaining to Board Committees, as required under the Listing Rules, shall be stipulated in the Annual Report of the Company.

## **6. QUESTIONS**

All questions concerning the implementation of this policy are required to be addressed to the Assistant Company Secretary of Ceylon Tobacco Company PLC via [inquiries\\_ctc@bat.com](mailto:inquiries_ctc@bat.com).