

	HELA APPAREL HOLDINGS PLC		
	POLICY ON CORPORATE GOVERNANCE, NOMINATIONS & RE-ELECTION	Version No: 01	Issue Date September 30, 2024
Approved by the Board of Directors on 26 th September 2024			

1. INTRODUCTION

The Board has the primary responsibility for ensuring compliance with the Companies Act No.7 of 2007 (Companies Act), the Articles of Association (Articles), the Listing Rules of the Colombo Stock Exchange (CSE) and the regulations imposed by the Securities and Exchange Commission of Sri Lanka (SEC) in view of protecting the rights and interests of the shareholders. This policy shall be read in conjunction with the other published policies of the Company as set out in Section 9.2.1 of the Listing Rules.

2. SIZE OF THE BOARD

The Articles provide that the shareholders shall have the exclusive authority to determine the size of the Board from time to time, provided however, the Board shall consist of not less than five (5) Directors.

3. NOMINATION, SELECTION, APPOINTMENT AND RE-ELECTION OF DIRECTORS

3.1 Nomination Criteria

3.1.1 Hela Apparel Holdings PLC (the Company) recognises that diversity at the Board level is an essential element in supporting the attainment of its strategic objectives and its sustainable development. All board appointments are based on meritocracy, and candidates are considered against appropriate criteria which include the following;

- a) Consideration is given to a range of diversity perspectives, including gender, age, educational background, skills, knowledge, professional experience, and commitment of potential candidates expected to add value to the Board.
- b) Consideration of the qualities of leadership, vision, ethics, and honesty to uphold the highest principles of good corporate governance.
- c) The candidate should not be a person blacklisted by any organization (including the SEC) or convicted of any crime.
- d) Independent director candidates must meet the criteria specified by the CSE to be classified as independent.
- e) Other qualifications are to be considered as may be advisable.

3.2 Procedure for selection and appointment of new directors

3.2.1 The procedure when selecting and appointing new directors varies depending upon the circumstances of the Company at the particular time. In general, when the Board of Directors intends to appoint a new director (as a vacancy occurs or as an additional member on the Board), the following procedure is followed in selecting and appointing a new director to the Board of Directors:

- a) The Nominations and Governance Committee (NGC) evaluates the range of skills, experience, expertise and diversity of the existing directors, and identifies other appropriate qualifications giving consideration to the Company's strategic direction, and gaps which need to be filled.
- b) Consideration is given to the balance of independent directors on the Board and the best practice recommendations as set out in the Code of Best Practice on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka.
- c) When seeking suitable candidates, the NGC may utilise the personal network of the Board members and top executives of the Company and may consider proposals from shareholders or may engage an external search firm or may use director pool information from the Sri Lanka Institute of Directors (SLID).
- d) The NGC screens the director candidates, and then interviews each preferred candidate to identify those individuals who best fit the target candidate profile. Once the NGC has identified an appropriate candidate for the Board to consider, it may also arrange for the Board members to meet with the candidate.
- e) The NGC submits its recommendations to the Board of Directors, which is proposed for the shareholders' approval at the subsequent shareholders' meeting or which is proposed for the Board's approval as a temporary replacement if a director resigns during his or her term in office and a casual vacancy is created.

3.2.2 The following procedure is followed for re-appointment of a Director who is over 70 years:

- a) The NGC considers the past performance of the Director, including attendance, participation in meetings and other contributions to the activities undertaken by the Board of Directors.
- b) After reviewing this information, the NGC submits its recommendations to the Board of Directors and the reappointment is subsequently proposed for the shareholders' approval at a shareholders' meeting.

4. SUPERVISION OF SUBSIDIARIES AND ASSOCIATED COMPANIES

4.1 This corporate governance policy, the business ethics and code of conduct as well as other company policies govern not only the Company, but also extend to its subsidiaries and associated companies (where applicable) so as to ensure that all business operating entities of the Company, irrespective of their business locations, comply with these policies uniformly.

4.2 In addition, the Company shall at all times, ensure that all the subsidiaries and associated companies are in compliance with applicable laws and regulations.

4.3 The Board has set up the following mechanism in order to supervise and monitor corporate governance of the Company's subsidiaries and associated companies:

a) The Company shall nominate directors in each subsidiary as appropriate for the business operations of such subsidiary and the governing laws and regulations. For associated companies and joint ventures, director appointment shall be as per the relevant agreement (if any).

b) The Board of Directors considers proposed candidates for executive directors on the Board of Directors of the Company. The executive directors are generally appointed as directors in the Company's subsidiaries. However, the number of directors in each subsidiary depends on business requirements and governing laws. Directors of the subsidiaries perform their duties in conformity with applicable laws and ensure that the business of the subsidiaries operate in accordance with applicable laws. The directors, in their business conduct, are expected to generally act with care to preserve the interest of the Company.

c) Financial performance of the subsidiaries shall also be reported to and considered by the Company's Board of Directors on a regular basis.

d) The executive directors shall ensure that the Company and its subsidiaries comply with the disclosure requirements as applicable. They shall also ensure that all material information is disclosed in a timely and accurate manner.

e) The internal control systems and policies of the Company shall extend to its subsidiaries. The internal audit department will monitor the implementation of these policies and procedures at the subsidiaries and report any issues to the Audit and Risk Committee. The committee will then review the findings and take appropriate action to address any issues identified.

5. RIGHTS OF THE SHAREHOLDERS

5.1 The Board of Directors is expected to be careful and circumspect in discharging its responsibilities with full awareness of all shareholders' rights, and the need for equitable treatment and to safeguard the interests of all shareholders.

5.2 The Company's shareholders shall have the following rights:

- Right to buy /sell or rights to transfer shares.
- Right to share in profits of the Company.
- Right to obtain relevant and adequate information on the Company in timely manner.
- Right to participate and vote in the shareholders meetings to elect or remove members of the Board, appoint the external auditor and make decisions on any transactions that affect the Company such as dividends payment, amendments to the Company's articles of association, capital increases or decreases, the approval of extraordinary transactions, and other matters where shareholder approval is required.
- Right to propose agenda items for shareholders meeting and elect suitable candidates to be a member of the Board of Directors of the Company.

5.2 Shareholders shall be fully informed of the criteria and procedures governing shareholder meetings. Sufficient information regarding the issues to be decided in each agenda item shall be provided in advance of the meeting. Shareholders are able to query directors both in the meeting and by sending their questions in advance. The Board of Directors recognises and values shareholders rights and avoids any action that violates those rights.

6. CONFLICT OF INTEREST

6.1 The Board has established guidelines where a director or member of the management has a conflict of interest on a particular issue.

7. ROLE OF STAKEHOLDERS

7.1 The Board of Directors is expected to be aware, careful, and circumspect of stakeholders' rights as provided by law and encourage cooperation between the Company and stakeholders to create wealth, jobs, financial stability, and sustainability of the business.

7.2 The Company sets guidelines for treatment of stakeholders based on the principles of fairness and equitable treatment. The above measures/guidelines are explained in the business ethics and code of conduct manual of the Company.

8. INFORMATION DISCLOSURE AND TRANSPARENCY

8.1 The Board has a duty to disclose information whether it is related to financial matters or not. The disclosure should be accurate, complete, adequate, reliable, and timely so that the company's shareholders and stakeholders (if required) are well-versed with the information equally as stipulated by laws, state agencies, and concerned organisations.

8.2 Company information must be compiled with care, clarity, and should be concise and transparent. Important information must be disclosed regularly, whether positive or negative, but due care must be exercised not to confuse and mislead users.