Eastern Merchants PLC

(ESTABLISHED IN 1945)
Reg. No. PQ 153

EXPORTERS - IMPORTERS
No. 240, Torrington Avenue, Colombo 7, Sri Lanka.
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POLICY ON MATTERS RELATING TO THE BOARD OF DIRECTORS

1. Purpose

Eastern Merchants PLC ("the Company") recognises that an effective Board of Directors ("the Board") is fundamental to sound corporate governance, responsible stewardship and sustainable value creation.

This Policy establishes the principles governing the composition, responsibilities, effectiveness and conduct of the Board and has been established in accordance with Rule 9.2.1(a) of the CSE Listing Rules.

2. Role of the Board

The Board is collectively responsible for providing strategic direction, oversight and stewardship of the Company. The Board shall:

- determine the Company's strategic direction and objectives;
- oversee financial performance and long-term sustainability;
- ensure appropriate systems of internal control and risk management are maintained;
- oversee compliance with applicable laws and regulations;
- monitor management performance;
- ensure appropriate governance structures are maintained;
- safeguard the interests of shareholders and other stakeholders; and
- oversee the Company's ethical standards and corporate culture.

3. Board Composition

The Board shall comprise an appropriate combination of Executive, Non-Executive and Independent Non-Executive Directors in accordance with the CSE Listing Rules and applicable law.

The Board shall at all times include at least two (2) Independent Non-Executive Directors, or such number of Independent Non-Executive Directors equivalent to one third (1/3) of the total number of Directors of the Company, whichever is higher, in accordance with Rule 9.8.2 of the CSE Listing Rules. Any change resulting in non-compliance with the above ratio shall be rectified within the period prescribed under the CSE Listing Rules, and the names of Directors determined to be independent shall be disclosed in the Annual Report. The Board shall seek to maintain an appropriate balance of skills, experience, knowledge, independence and diversity.

Chairman: J.B.L. de Silva | Deputy Chairman: H.J. de Silva | Managing Director: C.S.L. de Silva
Directors: S. Jayakody, G.R.J. de Silva, F. Mushin, R. Pradeep, N. Nanayakkara

4. Independence

The Board shall assess the independence of Non-Executive Directors in accordance with the applicable CSE Listing Rules. Each Director shall make the required declarations regarding independence, interests and other relevant matters.

5. Chairman and Senior Independent Director (SID)

The Chairman shall provide leadership to the Board and is responsible for its overall effectiveness. Where the Chairman is an Executive Director, or the positions of Chairman and Chief Executive Officer are held by the same individual, or the Chairman and Chief Executive Officer are Close Family Members or Related Parties, the Board shall appoint an Independent Non-Executive Director as the Senior Independent Director ("SID"), in accordance with Rule 9.6.3 of the CSE Listing Rules.

As the Chairman of the Company is an Executive Director, the Board shall appoint a SID and shall immediately disclose such appointment, together with the rationale, by way of a market announcement to the Exchange.

The SID shall:

- chair a meeting of the Independent Directors, held at least once a year or as often as necessary, without the presence of the other Directors, to discuss matters and concerns relating to the Company and the operation of the Board, and shall provide feedback and recommendations from such meetings to the Chairman and the Board;
- be entitled to a casting vote at the meetings referred to above; and
- make a signed explanatory disclosure in the Annual Report demonstrating the effectiveness of the SID's duties.

The rationale for the appointment of an Executive Director as Chairman shall be set out in a market announcement and in the Annual Report.

6. Appointment and Re-election

Appointments to the Board shall be considered in accordance with the Company's Corporate Governance, Nominations and Re-election Policy and applicable CSE Listing Rules. Directors shall be appointed based on their qualifications, experience, skills, integrity, competence and ability to contribute effectively to the Board.

7. Responsibilities of Directors

Each Director shall:

- act honestly and in good faith;
- exercise due care, skill and diligence;
- act in the best interests of the Company;

- comply with applicable laws, regulations and Company policies;
- disclose relevant interests and conflicts of interest;
- maintain confidentiality; and
- devote sufficient time and attention to the affairs of the Company.

8. Director Remuneration

The remuneration of Directors shall be fair, reasonable and sufficient to attract, retain and motivate Directors of the quality required to lead the Company successfully, without being excessive.

The remuneration payable to Executive Directors shall be recommended by the Remuneration Committee for determination by the Board, and no Director shall be involved in determining his or her own remuneration.

The remuneration of Non-Executive Directors shall be determined on the basis of non-discriminatory pay practices among them, so as to ensure that their independence is not impaired. For the purposes of this Policy, remuneration includes cash and all non-cash benefits received by a Director. The aggregate remuneration of Executive and Non-Executive Directors shall be disclosed in the Annual Report.

9. Board Meetings

The Board shall meet regularly and as frequently as necessary to discharge its responsibilities effectively, and the number of Board meetings held during each financial year shall have regard to the requirements of the applicable CSE Listing Rules and shall be disclosed in the Annual Report.

The agenda for each Board meeting, together with the Board papers relevant to the matters to be considered, shall be circulated to Directors sufficiently in advance of the meeting to enable informed decision-making. Minutes of Board meetings shall be recorded, circulated to Directors and formally confirmed at the following meeting, and retained as a permanent record of the Company.

Directors are expected to attend all Board meetings and to devote sufficient time to prepare for and participate effectively in such meetings. Directors must attend a minimum of 75% of the board meetings. In accordance with Rule 9.5.1(g) of the CSE Listing Rules, the number of Board meetings attended by each Director during the year shall be disclosed in the Annual Report.

Directors shall be entitled to participate in Board and Board Committee meetings by audio-visual means, and such participation shall be counted for the purpose of determining a quorum.

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10. Conflicts of Interest

Directors shall promptly disclose actual, potential or perceived conflicts of interest. A Director with a material interest in a matter shall comply with applicable legal and governance requirements regarding participation and voting.

11. Dealing in Securities of the Company by Directors

Directors shall comply with the Company's Internal Code of Business Conduct and Ethics, including the requirements relating to trading in the Company's listed securities, established in accordance with Rule 9.2.1(e) of the CSE Listing Rules.
Directors shall not deal, directly or indirectly, in the shares of the Company during any closed period, or at any time while in possession of material non-public information concerning the Company.
Directors and their Close Family Members shall promptly disclose to the Company any acquisition or disposal of shares in the Company, for onward disclosure to the Exchange in accordance with the applicable CSE Listing Rules.

12. Access to Information and Independent Advice

The Board shall have access to accurate, relevant and timely information necessary to discharge its responsibilities. Where appropriate, Directors may seek independent professional advice in accordance with Board-approved procedures.

13. Board Evaluation

The Board shall periodically evaluate its performance, effectiveness and composition. Individual Directors and Board Committees shall be evaluated in accordance with the Company's governance framework and applicable CSE Listing Rules.

14. Succession Planning

The Board shall oversee appropriate succession planning to ensure continuity of leadership and availability of the skills and experience required to support the Company's strategy, based on the information provided by the management.

15. Board Committees

The Board may delegate specific responsibilities to Board Committees while retaining overall responsibility for the governance and affairs of the Company.
The Board shall, at a minimum, establish and maintain the following Board Committees, in accordance with Rule 9.3.1 of the CSE Listing Rules:

- Nominations and Governance Committee;
- Remuneration Committee;
- Audit Committee; and
- Related Party Transactions Review Committee.

The Chairman of the Board shall not be the Chairperson of any of the Board Committees referred to above. Mandatory Board Committees shall operate in accordance with their approved Terms of Reference and applicable CSE Listing Rules. Further details on the composition and functions of Board Committees are set out in the Company's Policy on Board Committees.

16. Review

This Policy shall be reviewed periodically by the Board and amended where necessary to reflect changes in the Company's requirements, applicable laws, regulations and CSE Listing Rules.
The existence and implementation of this Policy shall be disclosed on the Company's website in accordance with Rule 9.2.1.
The Policy shall be made available to shareholders upon written request, subject to applicable requirements.

17. Document Control and Implementation

Upon Board approval, this Policy shall be communicated to all Directors, Board Committees and relevant senior management, published on the Company's website in accordance with Rule 9.2.1 of the CSE Listing Rules, and applied with immediate effect from the Effective Date stated above, with compliance monitored on an ongoing basis by the Company Secretary.

Board Approval Date	29.01.26
Effective Date	02.02.26
Review Date	
Version	1.0