

Capital Allocation Methodology Statement

1. Objective

The purpose of this Capital Allocation Methodology Statement is to outline the principles, processes, and criteria used to allocate capital resources within the organization. This document aims to ensure transparent, consistent, and strategic decision making in support of long-term value creation.

2. Guiding Principles

- Alignment with corporate strategy and risk appetite.
- Support for sustainable growth and value maximization.
- Promotion of financial discipline and operational efficiency.
- Flexibility to adapt to market and regulatory changes.

3. Capital Allocation Process

The capital allocation process is structured to assess, prioritize, and approve capital deployment across operating units, investments, and strategic initiatives. The primary steps are:

- **Capital Planning:** Annual assessment of capital requirements based on business objectives and financial forecasts.
- **Evaluation & Prioritization:** Projects and investments are evaluated using standardized criteria such as return on capital employed (ROCE), net present value (NPV), risk profile, and strategic fit.
- **Approval:** Recommended allocations are reviewed and approved by the Capital Allocation Committee or governing body.
- **Monitoring & Review:** Post-allocation monitoring ensures intended outcomes are achieved. Capital allocation strategies are periodically reviewed for effectiveness and relevance.

4. Allocation Criteria

- Financial returns exceeding the organization's hurdle rates.
- Risk-adjusted performance and regulatory compliance.
- Strategic alignment with long-term objectives and growth areas.
- Resource optimization and scalability potential.

5. Roles and Responsibilities

- **Executive Management:** Develops and communicates capital allocation strategy.
- **Business Units:** Propose and justify capital requirements.
- **Finance Team:** Provides analysis, due diligence, and oversight.
- **Governing Committee:** Reviews, approves, and monitors allocations.

Important Notes:

- This document should be reviewed and updated annually or upon significant organizational change.
- Capital allocation methodologies must comply with relevant regulations and internal policies.
- Transparent documentation and rationale are essential for all capital allocation decisions.
- Effective communication and training support consistent application across the organization.