

Risk and Opportunity Management Report

Talawakelle Tea Estates PLC has navigated decades of industry challenges through a strong and evolving Risk and Opportunity Management Framework, enabling the Company to effectively manage risks while unlocking the new opportunities. We have fully integrated the Climate-Related Risks and Opportunities (CRRO) and Sustainability-Related Risks and Opportunities (SRRO), in line with SLFRS S1 and S2, into our Risk and Opportunity Management Report—enhancing its scope, depth, and relevance. Amid fluctuating climate conditions, market dynamics, and socio-economic changes, TTE continues to grow as a resilient, sustainable, and forward-thinking plantation company—committed to creating long-term value for all stakeholders.

TTE's Enterprise Risk and Opportunity Management (EROM) Framework

The EROM framework is a robust, comprehensive system designed to identify, assess, manage, and monitor risks and opportunities across all levels of the organization. Its primary objective is to ensure business continuity, protect the TTE's integrity, uphold its reputation, and enhance its position in the industry. The framework is wide-reaching and designed to address all potential risks and opportunities that could potentially influence The Company's efforts to remain competitive and resilient against the backdrop of the dynamic and fast-paced business environment. The EROM framework is an essential component of TTE's operational architecture that underpins the Company's ability to generate consistent value regardless of externalities.



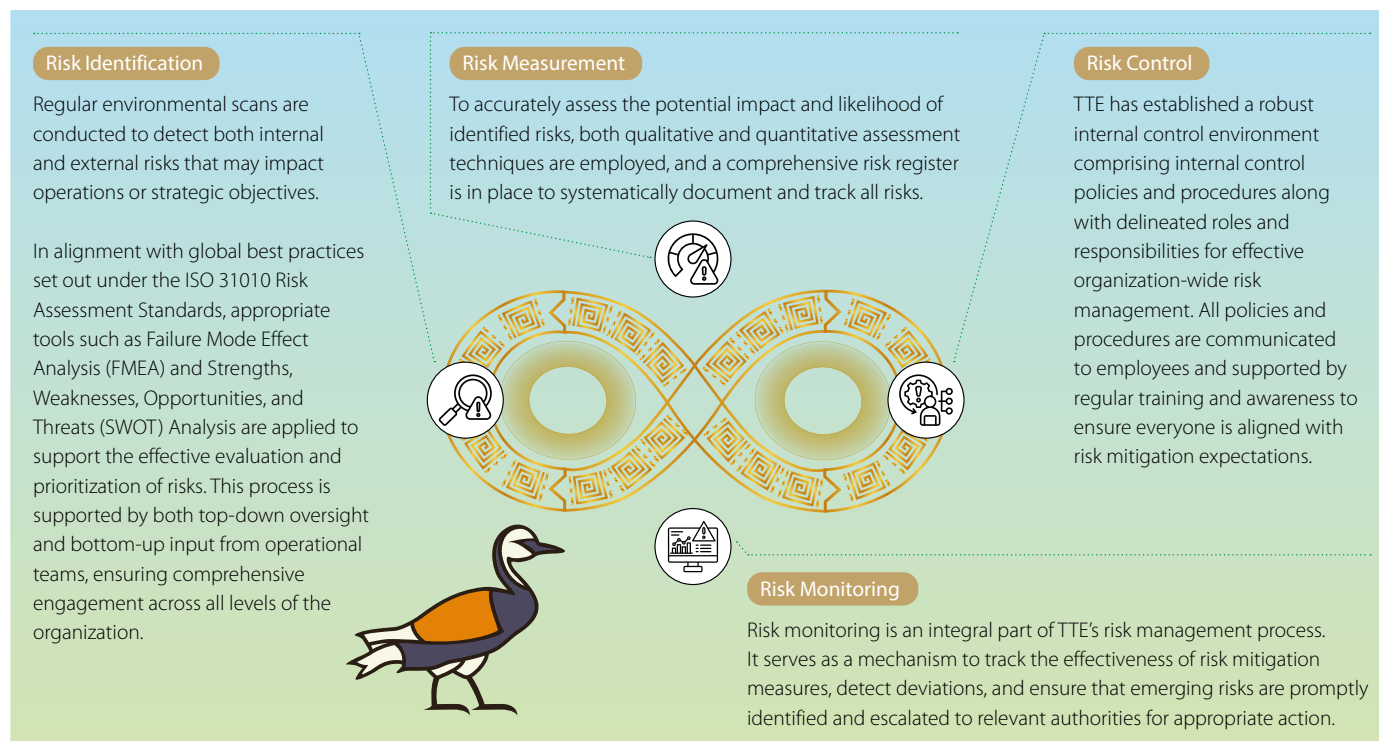
Risk Register

The Risk Register is a critical instrument for capturing, organising, and monitoring significant risks that could affect the achievement of strategic and operational goals. The Risk Register is essentially a living document that documents risk as they evolve, their potential consequences, probability of occurrence, and the mitigation strategies. By offering a structured and transparent view of TTE's evolving risk landscape, the Risk Register supports informed and timely decision-making. It ensures that appropriate controls and response mechanisms are effectively implemented and regularly reviewed across all level of the organisation.

Risk and Opportunity Management Process

At the heart of the EROM Framework is a structured Risk Management Process pivoted on four interconnected steps to identify, assess, control, and monitor key risks and opportunities across all levels of the organization. This proactive and integrated process enables the company to protect its competitive advantage, ensure financial stability, and meet stakeholder expectations consistently.

Risk Management Process



Risk Governance and Oversight

The TTE Board remains the key custodian entrusted with the responsibility of steering the organization's risk management agenda. The Board establishes clear policies and controls to embed risk considerations into strategic planning and decision-making, thereby ensuring risk is not only managed, but leveraged as a tool for resilience and long-term value creation.

Hayleys PLC Board & Risk Management Committee

TTE Board & Risk Management Committee

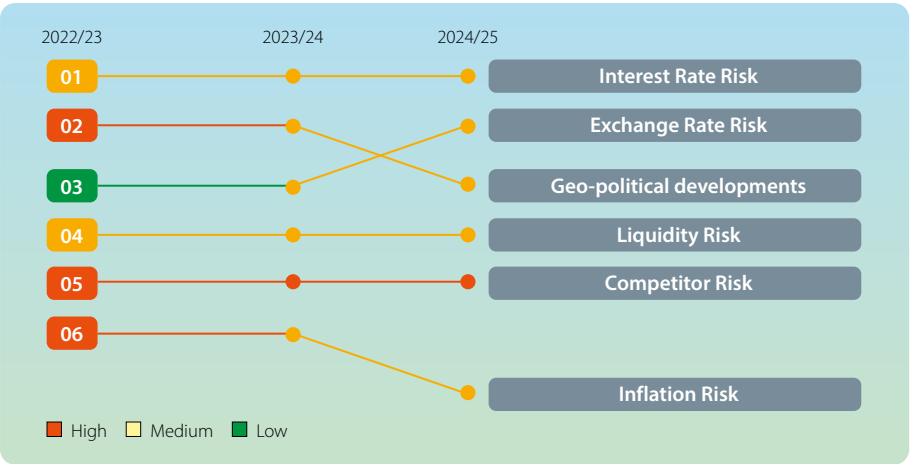


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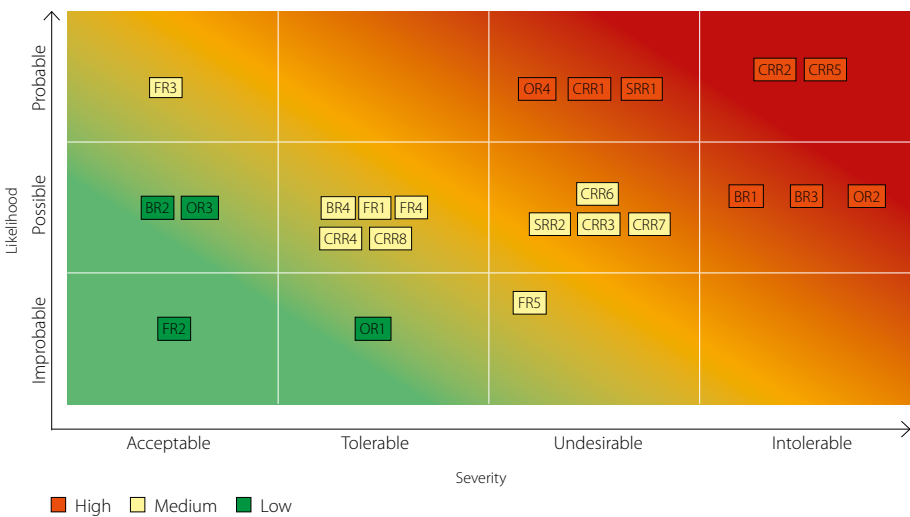
Risk Awareness Culture

The effectiveness of the EROM Framework is fundamentally anchored in a strong culture of risk awareness. The Board sets the tone at the top to promote the importance of risk consciousness across the organization.

TTE's Risk and Opportunity Universe



Risk Matrix



Insurance As a Risk Management Tool

We use Insurance as a risk management tool, where we periodically assess the insurance risks against the unforeseen, thereby minimizing potential business interruptions. Insurance coverage includes the plantations, factories and their storage along with risk factors affecting machinery, building, stocks, and work in progress.

Business Continuity and Crisis Management Plans

Our comprehensive plan for business continuity and crisis management ensures likely business disruptions are handled with the minimum loss to property, plant, equipment and any danger to human life. Though annually reviewed, the plan is e-visited where necessary making any required adjustment depending on the disruptive factor in hand.



















Strategic Risk

Strategic risks for plantation companies are fundamental threats that could undermine their long-term viability and competitive standing, moving beyond daily operational issues to systemic challenges. Key among these are the severe impacts of climate change, including acute weather events and chronic shifts that directly jeopardize crop yields and infrastructure. Market disruptions, driven by evolving consumer demands for sustainable products or the emergence of disruptive technologies, threaten traditional business models and market access. Persistent labor shortages coupled with rising wage costs pose a significant threat to operational capacity and profitability. At the same time, unfavorable regulatory and geopolitical shifts can fundamentally alter operating costs and market entry. Furthermore, failure to innovate and adopt new technologies can lead to declining productivity and competitiveness, and significant supply chain disruptions can halt operations. Lastly, severe brand and reputation damage, often stemming from social or environmental missteps, risks the crucial social license to operate. Effectively navigating these complex and interconnected strategic risks demands proactive planning, substantial investment, and collaborative efforts across the industry.













Legal Risk













For plantation companies, particularly in a context like Sri Lanka, legal risks represent a significant threat, stemming from non-compliance with a complex web of laws, regulations, and contractual obligations, as well as changes in the legal landscape. These risks span critical areas such as land tenure and ownership disputes, often rooted in historical complexities or evolving government policies. Labor and employment law non-compliance presents substantial exposure, covering everything from minimum wage adherence and working conditions to critical issues like a child or forced labour, which can trigger severe penalties and reputational damage. Furthermore, stringent environmental laws governing pollution, agrochemical use, and biodiversity protection demand rigorous adherence to avoid fines and operational restrictions. Taxation and financial regulations, including compliance with SLFRS and foreign exchange rules, also pose considerable legal hurdles. Finally, contractual breaches with buyers or suppliers, alongside the loss of vital sustainability certifications due to non-compliance, can severely impact market access and profitability. Effectively navigating these multifaceted legal risks necessitates a robust internal compliance framework, continuous legal oversight, and proactive engagement with relevant authorities.

Managing TTE's Top Risks




Business Risks (BR)			Mitigation Strategies	Risk Grading	
				2024/25	2023/24
BR1	Geo-political developments	Ongoing Russia-Ukraine conflict and tensions in the Middle East disrupted major trade routes, such as the Suez Canal, leading to increased shipping costs and delays which affected tea exports from key producers like India and Sri Lanka to markets in Europe and the Gulf region.	<ul style="list-style-type: none"> Continuous and proactive evaluation of factors that affect the business given the geopolitical conflicts and uncertainties Diversifying in new markets around the world Strengthened relationships with business partners domestically and internationally for early detection of disruptive occurrences Review and update contingency plans 	 High	 High
BR2	Macroeconomic and political developments	Economic and political stability had a mixed impact on the tea industry. While the economic stabilization efforts and policy reforms provided a more conducive environment for growth, the government's decision to increase tea plantation workers' daily wages by 70% raised concerns among producers about increased production costs and competitiveness in the global market.	<ul style="list-style-type: none"> Scenario testing and proactively identifying action plans to mitigate risks Maintaining close contact with trade organizations and various associations that are relevant to the tea industry to be in touch with latent and emergent demands of the domestic consumer 	 Low	 Low
BR3	Threat from civil unrest	The threat of civil unrest abated significantly in 2024 against the backdrop of improving economic conditions and greater political stability	<ul style="list-style-type: none"> Ongoing review of business continuity plans. 	 High	 High
BR4	Inflation Risk	Inflation moderated in 2024	<ul style="list-style-type: none"> Continuing with cost-efficiency initiatives 	 Medium	 High
Financial Risks			Mitigation Strategies	Risk Grading	
				2024/25	2023/24
FR1	Liquidity Risk	Geopolitical and domestic macroeconomic uncertainties can adversely impact the cash flow	<ul style="list-style-type: none"> Preserve cash flow and unutilized credit facilities to build adequate liquidity buffers 	 Medium	 Medium
FR2	Credit Risk	Risk of customer defaulting on payments	<ul style="list-style-type: none"> Evaluate customer creditworthiness Stringent credit policies in place Peperiodic confirmations on outstanding balances Regular follow up 	 Low	 Low
FR3	Interest Rate Risk	Fluctuations impact investments and borrowing costs	<ul style="list-style-type: none"> Prudent management of financial assets Closely monitor the financial markets and regulatory stand-point lose relationships and negotiations with financial institutions Diversifying the investment and liability portfolios 	 Medium	 Medium
FR4	Exchange Rate Risk	Currency volatility can impact foreign currency-denominated borrowings	<ul style="list-style-type: none"> Regular monitoring of the currency fluctuations Hedging the exposure through financial instruments 	 Medium	 Low
FR5	Financial Covenant Breach	The possibility of breaching repayments due to finance institutions due to liquidity constraints	<ul style="list-style-type: none"> Closely monitor debt repayment Where necessary, re-negotiate with banks to adjust repayment terms 	 Medium	 Medium





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Operational Risks			Mitigation Strategies	Risk Grading	
				2024/25	2023/24
OR1	Occupational health and safety	Noncompliance with health and safety standards can disrupt operations and pose a threat to human capital wellbeing	<ul style="list-style-type: none">Well-documented health and safety procedures in line with ISO 45000 Occupational Health and Safety StandardPeriodic audits to test the strength of internal controlsPeriodic training to inculcate a safe working environment	 Low	 Low
OR2	Fraud and anti-corruption	Theft, misappropriation of assets, misstatement of financial disclosures, quality reduction in production, unethical business practices to gain favors, loss of Brand reputation, penalties and fines	<ul style="list-style-type: none">Sound internal controls supported by audit and assurancePre-employment screeningHayley Way - Code of Conduct, including anti-bribery and corruption policyWhistleblower channel for anonymous reporting of allegationsContinuous training and awareness	 High	 High
OR3	Technology and data leakage risk	Potential for system failures resulting in non-availability of data for quick decision making, data leakages jeopardizing TTE's market standing and loss of stakeholder confidence, cyber-attacks preventing smooth and timely production, and delayed and accurate financial reporting	<ul style="list-style-type: none">Dedicated IT experts manning the IT teamProcurement of licensed softwarePeriodic IT auditsImplementation of Disaster Recovery with the latest technologies to support business continuityConduct user awareness sessions to upgrade knowledge and applicationContinuous device monitoring to prevent cyber-attacks	 Low	 Low
OR4	Competitor Risk	The emergence of new competitors, locally and globally, declining the revenue in captive markets	<ul style="list-style-type: none">Build strong ties with the existing customer baseProduct diversification through innovation to gain first mover advantage in new, emerging and premium marketsDeveloping new global marketsCapacity expansion through investment in the state-of-the-art Kiruwanaganga Factory	 High	 High
Climate Related Risks (CRR)			Mitigation Strategies	Risk Grading	
				2024/25	2023/24
CRR1	Transition Risk	Tightening climate regulations and rising ESG requirements increase costs for system implementation, GHG disclosures, digital compliance, and investments in sustainable infrastructures.	<ul style="list-style-type: none">Collaborate actively with industry stakeholders and partners to drive sustainable actionsConduct science-based environmental audits in partnership with universities and conservation organizations.Set ambitious environmental goals, including zero net loss of nature and full ecosystem recovery by 2050.Implement a strategic ecosystem preservation program focused on biodiversity-rich areas.	 High	 High
CRR2	Physical Risk: Acute	Sudden extreme weather events pose substantial risks to physical assets, infrastructure, and plantation resources. Such events can severely disrupt operations by damaging tea bushes, factory facilities, and critical transportation networks, leading to increased emergency repair expenditures and operational interruptions.	<ul style="list-style-type: none">Business Continuity planningBudget allocations for infrastructure restoration and structural reinforcements.	 High	 High

Climate Related Risks (CRR)			Mitigation Strategies	Risk Grading	
				2024/25	2023/24
CRR5	Physical Risk: Chronic	Gradual climatic changes are leading to increased pest and disease prevalence, bush fatigue, and soil degradation. These chronic stressors negatively affect crop yields, increase the frequency of replanting cycles, and undermine long-term sustainability of plantation operations.	<ul style="list-style-type: none"> Align with emerging national policies promoting climate-resilient agriculture by integrating best practices. Reducing overall energy consumption helps mitigate long-term environmental impact. Invest in renewable energy sources to enhance operational resilience. Integrate circular economy principles into operational planning to support sustainable growth 	 Medium	 Medium
CRR4	Reputational damage	Negative perceptions from stakeholders regarding the environmental impact of tea cultivation practices could affect brand value and customer loyalty.	<ul style="list-style-type: none"> Adoption and Certification under Global Standards (ISO 50001, ISO 14064-1, SBTi) Investment in Renewable Energy and Energy Efficiency Robust Emission Management and Climate Action Leadership Responsible Waste Management Based on Circular Economy Principles Sustainable Land and Water Stewardship Initiatives Engagement in large-scale reforestation and biodiversity projects Transparent reporting on environmental performance 	 High	 High
CRR3	Rise in Temperature	Gradual rise in average temperatures can affect tea plant health and productivity, altering growth cycles and reducing yields.	<ul style="list-style-type: none"> Use of adaptive management systems, organic matter management, erosion control, and water management to promote a self-sustaining agricultural ecosystem, safeguarding soil health and enhancing the resilience of tea plants to temperature variations Develop and deploy drought-resistant cultivars 	 High	 High
CRR6	Water Scarcity	Long-term changes in precipitation patterns and increased evaporation rates lead to imbalance of ground water table, impacting tea quality and production	<ul style="list-style-type: none"> Rainwater Harvesting and Efficient Irrigation Systems Water Stewardship and Conservation Initiatives 	 Medium	 Medium
CRR7	Extreme Weather events	Increased frequency and severity of extreme weather events, such as heavy rainfall, floods, and droughts, can cause immediate damage to tea lands, crops, infrastructure, and disrupt operations	<ul style="list-style-type: none"> Investing in mini-hydro's, biomass, and rooftop solar installations. These initiatives aim to achieve energy self-sufficiency Implementation of ISO 50001 Energy Management System Net Zero commitment through SBTi and other Carbon Offsetting and Reduction Strategies 	 Medium	 Medium
CRR8	Pest and Disease Outbreaks	Climate change exacerbates the prevalence of pests and diseases, leading to increased use of pesticides and higher operational costs	<ul style="list-style-type: none"> Integrated Pest Management strategy that combines biological, cultural, mechanical, and chemical control methods Use of Biopesticides and Organic Farming Practices Employing early warning systems and weather-based forecasting to anticipate pest outbreaks and take preemptive actions, reducing the need for reactive pesticide application 	 Medium	 Medium

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Sustainability Related Risks (SRR)			Mitigation Strategies		Risk Grading	
					2024/25	2023/24
SRR1	Labour Risk	The growing challenge of losing high-performing employees and the increasing difficulty in attracting and retaining talented individuals with the necessary expertise pose significant risks to operational continuity, productivity, and long-term competitiveness.	<ul style="list-style-type: none"> Building a skilled and competent workforce by investing in training and Development. Systematically measuring employee performance. Creating a safe and conducive workplace. Upholding the highest standards of employee well-being and workplace safety. Prioritizing employee motivation and satisfaction by promoting a culture of recognition and shared success. 		 High	 High
SRR2	Change in consumer demand behaviour	Global consumer behaviour shifted towards healthier, sustainably produced beverages, with rising demand for organic and ethically sourced teas	<ul style="list-style-type: none"> Developing agrochemical-free tea gardens. Leveraging the reputation for Ceylon Tea to promote its black tea. Cultivated a range of tea varieties with healing and immune-boosting properties. Operating the Radella Green Tea Centre with both steamed and pan-fried processing capabilities. Backed by a strong R&D team exploring new tea varieties. 		 Medium	 Medium

Sustainability-Related Opportunities (SRO)			Management Approaches		Risk Grading	
					2024/25	2023/24
SRO1	Eco Systems and Biodiversity	Growing global and national focus on biodiversity conservation presents a strategic opportunity to enhance our environmental value	<ul style="list-style-type: none"> Promote sustainable land management practices to preserve soil health and ecological integrity. Expand ecosystem restoration projects targeting degraded or high-risk areas within and around estates. 		 High	 High
SRO2	Growing Demand for Sustainable Products and services	With rising global awareness around climate change and ethical sourcing, consumers are increasingly demanding sustainably grown tea and seeking more hand-on interactions with the tea growing and production process	<ul style="list-style-type: none"> Promote TTE's range of specialty teas across a wider global audience Promote eco-tourism by leveraging the scenic beauty and biodiversity of TTE's estates, Expansion of the Somerset Estate-Tea Boutique Center Establishing a Glamping site at the Greatwestern Estate 		 Medium	 Medium

Climate-Related Opportunities (CRO)			Management Approaches		Risk Grading	
					2024/25	2023/24
CRO 1	Organic Tea Production	Transitioning to organic farming practices can open new markets, meet growing consumer demand for organic products, and improve soil health.	<ul style="list-style-type: none"> Operating the Radella Green Tea Centre with both steamed and pan-fried processing capabilities. 		 Medium	 Medium
CRO2	Renewable energy Adoption	Investing in renewable energy sources, such as Hydro, solar and wind power, can reduce greenhouse gas emissions and lower operational costs.	<ul style="list-style-type: none"> Rs. 93.0 Mn invested to-date in solar energy generation Rs. 225.79 Mn invested to-date in hydro energy generation Rs. 678.71 Mn invested to-date in biomass conversion 88% of TTE's energy requirements are met through renewable energy 		 Medium	 Medium
CRO3	Sustainable Agriculture Practices	Implementing sustainable agriculture techniques, such as Agro-forestry, permaculture and organic farming, can improve soil health, sequester carbon, and enhance biodiversity.	<ul style="list-style-type: none"> Anticipated adoption of precision Agriculture and Climate-Smart Practices 		 Medium	 Medium

Company and Industry Analysis

The analysis of competitor entry in the Sri Lankan plantation sector will identify potential new players (domestic, expanding, foreign investors, diversified companies, and organized smallholders) and evaluate the ease of their entry based on barriers like land, regulations, capital, expertise, supply chains, brand loyalty, labor, and infrastructure, considering the specific Sri Lankan context. Timely communication of potential threats and strategic responses to internal stakeholders is vital for preparedness.

This analysis will compare the company's specific risks and assessment of these risks with prevailing industry risk factors. It will evaluate the suitability and robustness of the company's mitigation strategies in addressing these industry-wide challenges. Furthermore, the strength of the company's risk governance framework and the transparency of its risk reporting will be compared to the industry's best practices and the needs of key stakeholders. This comparison aims to determine how well the company is positioned to navigate the inherent risks of the Sri Lankan plantation sector compared to its peers.

Timely and effective communication with key stakeholders is crucial for a plantation company's risk response, ensuring trust, managing expectations, preventing misinformation, demonstrating responsibility, protecting reputation, and supporting business continuity. This involves establishing clear channels, developing key messages, being transparent, and proactive, and tailoring communication to different stakeholder groups.

Governance Framework

A robust Governance Framework for Board-level knowledge and training in a plantation company in Sri Lanka is crucial for effective oversight, strategic decision-making, and long-term sustainability. It ensures that the Board of Directors possesses the necessary expertise and understanding of the complex issues facing the sector.

• Skills and Experience Mapping

The Board should periodically assess the skills, experience, and knowledge present among its members against the key requirements of the plantation industry.

- Agronomy and Plantation Management

Understanding crop cultivation, land management, pest and disease control, and sustainable farming practices relevant to tea, rubber, coconut, etc

- Financial Management and Accounting

Expertise in financial reporting, cost management, investment analysis, and understanding commodity price volatility.

- Risk Management and Compliance

Knowledge of enterprise risk management, regulatory frameworks (land, labor, environment), and sustainability reporting standards (including SLFRS S1 and S2).

- Sustainability and Environmental Issues

Understanding climate change impacts, biodiversity, conservation, and sustainable agricultural practices specific to Sri Lanka.

• Induction and Onboarding for New Directors

- Company Overview

History, business model, operations, key assets (land), financial performance, and strategic objectives specific to the plantation sector in Sri Lanka.

- Industry Dynamics

Overview of the Sri Lankan plantation industry, key crops, market trends, regulatory landscape, and major players.

- Sustainability Context

In-depth briefing on the environmental and social challenges and opportunities facing the Sri Lankan plantation sector, including climate change vulnerabilities and sustainable development goals.

- Risk Management Framework

Understanding the company's ERM framework, key risks (including those related to climate, labor, and commodity prices), and mitigation strategies.

- Governance Policies and Procedures

Familiarization with the Board's charter, committee mandates, code of conduct, and relevant corporate governance regulations in Sri Lanka.

- Site Visits

Opportunities to visit the company's plantations and processing facilities to gain a firsthand understanding of operations.

- Meetings with Key Management

Interactions with senior management to discuss strategy, operations, and key challenges.

- Relevant Documentation

Provision of key reports, strategic plans, and governance documents.

The company implementing a comprehensive Governance Framework focused on Board-level knowledge and training, plantation companies in Sri Lanka can equip their directors with the necessary expertise to navigate the complexities of the industry, make informed strategic decisions, effectively oversee risk management (including climate-related and sustainability risks), and drive long-term sustainable value creation. This is particularly critical in a sector facing significant environmental, social, and economic challenges.

In the plantation company in Sri Lanka, management oversight on risks would specifically address the unique challenges of the sector, such as climate change impacts on crop yields, labor relations in plantation settings, commodity price volatility in global markets, and compliance with Sri Lankan environmental and land regulations. Effective management oversight ensures that the company is not only aware of these risks but also actively taking steps to mitigate them and protect the long-term value of the organization.

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Strategy

The identification of material risks and opportunities for a plantation company in Sri Lanka is a crucial process that informs its strategic planning, risk management, and sustainability reporting (including alignment with standards like SLFRS S1 and S2). "Material" in this context refers to risks and opportunities that could reasonably be expected to influence the decisions of the company's primary stakeholders, including investors.

Business resilience for Sri Lankan plantation companies in the face of climate change demands a proactive and adaptive approach. It involves not only preparing for and mitigating physical threats like extreme weather and altered growing conditions but also strategically leveraging the emerging opportunities within a low-carbon global economy. This includes embracing sustainable practices, accessing green financing, and catering to evolving consumer preferences for climate-friendly products, ultimately ensuring long-term viability and competitive advantage in a changing world.

Disclosure of impacts on and by the Plantation business involves transparently communicating how the plantation company affects the environment, society, and economy and how external factors, including climate change, market shifts, and regulatory changes, affect the company. This disclosure is crucial for accountability, stakeholder engagement, and long-term sustainability, and is increasingly expected by investors and regulators, particularly with the advent of standards like SLFRS S1 and S2. By comprehensively disclosing their impacts on and by the business, plantation companies in Sri Lanka can demonstrate their commitment to sustainability, build stronger relationships with stakeholders, and contribute to a more resilient and responsible industry.

Matrices and Targets

Measuring the impacts of metrics and targets within a plantation company's sustainability efforts, particularly in the context of S1 and S2 disclosures and broader ESG performance in Sri Lanka, involves a systematic process of tracking progress, quantifying outcomes, and evaluating the effectiveness of the company's goals. By employing robust measurement frameworks to track the outcomes of their sustainability metrics and targets, Sri Lankan plantation companies can effectively quantify the tangible value generated by their initiatives, strengthen

accountability to stakeholders, and foster a culture of continuous improvement that propels them towards a more environmentally sound, socially responsible, and economically resilient future.

Disclosing risk-related metrics of the matrices and targets within a plantation company's reporting, particularly in the context of SLFRS S1 and S2 and broader Enterprise Risk Management (ERM), involves transparently communicating how the company monitors and manages its exposure to significant risks through quantifiable measures and established goals. This provides stakeholders with insights into the company's risk profile, its efforts to mitigate potential negative impacts, and its progress in achieving risk management objectives.

By providing this level of detail, the plantation company can effectively communicate its commitment to managing risks and leveraging opportunities through clear and measurable targets, enhancing transparency and accountability for its stakeholders. However, the context of the previously highlighted regression results suggests that the drivers behind these targets might be heavily influenced by external institutional pressures.

The Future of Sri Lanka's Plantations by 2030

The global plantation industry faces significant challenges that threaten its productivity, profitability, and sustainability, with climate change, soil degradation, and labour shortages among the foremost risks. For Sri Lanka's plantation sector, addressing these risks by 2030 is crucial.

To ensure the long-term prosperity and significant contribution of Sri Lanka's plantation sector to the national economy, a decisive and forward-thinking approach is essential. By 2030, the sector must proactively embrace climate-resilient crop varieties and implement sustainable soil management techniques to safeguard productivity in an increasingly volatile environment. Simultaneously, addressing the pressing issue of labor shortages necessitates a strategic integration of advanced technologies, including mechanization, coupled with tangible improvements in working conditions to attract and retain a skilled workforce. Navigating the inherent instability of market fluctuations and adapting to evolving policy changes will also be paramount. Furthermore, a concerted national effort to tackle water scarcity and a steadfast commitment to aligning with global sustainability standards are crucial to meeting discerning consumer demands. Strategic planning, dedicated investment in cutting-edge research, and a resolute embrace of technological advancements will serve as the cornerstones for effectively navigating these multifaceted challenges and securing a vibrant and sustainable future for Sri Lanka's plantations.

As we look towards 2030, the global plantation industry faces numerous risks that threaten productivity, profitability, and sustainability. For Sri Lanka's plantation sector, understanding and addressing these risks is essential for crafting effective strategies that ensure long-term success. This editorial explores the key challenges and opportunities that will shape the sector's future.

We will be intensely focused on:

- Climate Change
- Soil Degradation
- Pests and Diseases
- Labour Shortages
- Market Fluctuations
- Policy and Regulatory Changes
- Technological Advancements
- Water Scarcity
- Sustainability and Consumer Preferences
- Biodiversity Loss



Corporate Governance Report



Chairman's Introduction to Corporate Governance

At Talawakelle Tea Estates PLC (TTE), we believe good governance is a key differentiator that positions us for sustained growth in an ever-changing landscape. Hence our commitment to robust governance goes beyond mere compliance; it is a fundamental pillar woven into the very fabric of our organizational culture. Governance shapes our strategic decision-making, risk management frameworks, and all our stakeholder interactions. We are dedicated to continuously evolving our governance architecture to protect the interests of our shareholders and also to foster trust, confidence, and long-term sustainability in our relationships with employees, customers, suppliers, and the wider community.

The Board

Throughout the year, the Board of Directors remained actively engaged in guiding the Company's strategic direction and ensuring the continued success and sustainability of our operations. The Board convened four times during the year and held an additional session to approve the budget for the upcoming financial year and to review the Company's long-term strategy and business plan.

Board Refreshment

Our ongoing Board refreshment process resulted in several Board changes in the current year. We welcomed Mr. Darshana Gunasekara and Ms. Harshani Randiligama to the TTE Board in December 2024 as a Non Executive and Independent Non Executive respectively. Mr. Gunasekara brings extensive financial and executive expertise from his successive roles as Chief Financial Officer, while Ms. Randiligama brings a wealth of executive experience accumulated through various positions in local

and international companies. Additionally, Mr. Milinda Hewagama, who serves as the Group Chief Financial Officer of the Hayleys Group with extensive experience in financial reporting, ESG, tax, risk, safety, and corporate secretarial functions, also joined the TTE Board in May 2025, as a Non -Executive Director.

Board Committees

I am pleased to report that all Board Committees were actively involved in executing their mandates, as outlined by their respective TOR's. The Audit Committee assisted the Board in monitoring the integrity of financial reporting, reviewing the effectiveness of internal controls, risk management, and compliance.

The Related Party Transaction Review Committee continued its valuable work to ensure that all related party transactions during the year were conducted in an orderly manner and complied with the necessary regulatory requirements.

Likewise, the Remuneration Committee remained proactive in reviewing and strengthening the Company's compensation structures to ensure they remain competitive and effective in retain high-performing executives.

The Nomination and Governance Committee continued to support the Board refreshment process that led to the appointment of three new Directors during the year. The Committee also undertook to monitor the publication of twelve policies mandated under section 9 of the CSE's revised Listing Rules on Corporate Governance issued in 2024.

Conclusion

I would like to confirm that Talawakelle Tea Estates PLC has fully adhered to the corporate governance directives established under the latest regulations issued by the Colombo Stock Exchange for listed entities, as well as the principles set forth in the Code of Best Practices on Corporate Governance (2023), issued by Institute of Chartered Accountants of Sri Lanka. On behalf of the Board, I further declare that the Board of Directors, Corporate Management, and employees of TTE have conducted the affairs of

the Company in good faith, in strict compliance with the provision of the Hayleys Way - Code of Conduct including the Anti-Bribery and Corruption Policy, and all other relevant conduct practices.

The Board is satisfied that it has effectively discharged its duties and obligations during the year, ensuring the highest standards of governance, accountability, and oversight. We also confirm that the fit and proper assessment criteria stipulated in the Listing Rules have been duly met and that the Company has complied with the requirements of the Policy on Matters Relating to the Board.

Mohan Pandithage
Chairman