

THE DIRECTOR

VOLUME 23 | ISSUE 02

SLID THE SRI LANKA
INSTITUTE OF
DIRECTORS

Newsletter of The Sri Lanka Institute of Directors

A hand holding a glowing globe with a network overlay. The globe is semi-transparent, showing the continents and oceans. It is surrounded by a network of white dots connected by thin lines, with some dots glowing orange. The hand is positioned at the bottom, with fingers spread, holding the globe. The background is dark blue with a subtle pattern of the same network overlay.

SLID
ONBOARDS STRATEGIC
PARTNERS

**BUILDING BACK BETTER
WITH INTERGENERATIONAL
LEADERSHIP**

ASK THE GURU

**INSIGHTS INTO THE PERSONAL
DATA PROTECTION ACT**

**KEY TAKEAWAYS FROM
FUTURE READY BOARDS EVENT**



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THE DIRECTOR

Newsletter of The Sri Lanka Institute of Directors

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Articles and comments therein are views of the author concerned and does not represent the view of SLID

EDITORIAL

Corporate Governance (CG) has been defined as a system of rules, practices and processes by which a private sector business enterprise/ private firm/ company is directed and controlled. The purpose of CG is to ensure efficient as well as proper management of a company. The primary purpose of CG is to ensure that there is transparency in all transactions of a company so that it conforms to established rules and regulations and at the same time protects the rights of the company's stakeholders which include their shareholders. Lack of independent oversight is one of the key factors that weakens good governance in a company.

It is believed that the concept of CG has existed since about the 17th century, when European powers became powerful and tended to dominate the world, mostly through colonisation. This was the era when modern corporations first came into being.

In more recent times, CG started to become important in the United States in the 1970s, when cheating the marketplace became noticeable and officials wanted to steer corporations away from malpractice. However, businessmen and women began to

resent what they felt was government interference in their affairs. They wanted the freedom to make their own business decisions independently of government oversight.

CG was born in the above context and the Securities and Exchange Commission(SEC) of the United States- the country's market watchdog-- led the efforts to develop it. The SEC had been in existence since the 1930s but it was only four decades later, in the 1970s that it began to assert itself. The SEC began to identify what it deemed foul play in the markets and boards did not seem to be alert to these corporate wrongdoings while they were occurring.

Reform by means of legislation came into being in the US from this point onwards. The "Protection of Shareholders Rights Act 1980" introduced, for the first time, a standard for large public companies via establishing rules for independent boards, through audits, and thereby seeking to safeguard the rights of the shareholders. Soon, however, the conservative business forces with the blessings of the Reagan administration that came to office in 1980 began to oppose moves to regulate business enterprises.

From the 1990s, though, investors and shareholders finally began to assert themselves with vigour as they were concerned about the direction in which the companies they worked with were

headed. Two major US companies that were found not to follow proper business conduct were Enron, an energy - trading and utility company based in Houston, Texas formed in 1986 and Worldcom, an American telecom company established in 1983 which became a byword for fraudulent accounting. Both companies filed for bankruptcy in 2001. Consequent to the economic crash of 2008, the above- referenced concern deepened. Immediately thereafter everyone wanted to know more about how businesses behaved and how those in charge made internal decisions.

In the UK, as explained by Professor Patrick Dunne and Glynis Morris in their "Non- Executive Director's Handbook" (2008), Corporate Governance became an issue of significance in December 1992 with the publication of the " Cadbury Code of Best Practice and the Report of the Committee on the Financial Aspects of Corporate Governance" known as the "Cadbury Report" for convenience.

The above Committee, chaired by Sir Adrian Cadbury, was formed in 1991 as a result of the general concern in the 1980s over existing standards of financial reporting and accountability , especially in the light of the two cases: one involving the Bank of Credit and Commerce International (BCCI) which was involved in massive money laundering and other financial crimes; and the other of plundering of pensions by Robert Maxwell of the Maxwell Communication Corporation. The levels of remuneration of company directors which was then becoming a controversial issue in the UK at this time, also added fuel to the fire caused by the BCCI and Maxwell cases.

Closer home, the Satyam Computer Services, an India-- based outsourcing company scandal, according to information in Wikipedia, is considered to be India's largest corporate fraud until 2010. The company was found to have falsified its accounts, inflated the share price and stolen large sums from the company. With the confession in 2009 of Ramalinga Raju, the Chairman of Satyam Computer Services, that the company's accounts had been falsified, the scandal became public knowledge. Raju and ten other members of the company were eventually convicted in April 2015.

To put it in a nutshell, Corporate Governance has to do with both efficiency and effectiveness. As Peter Drucker, considered to be the 'Father of Modern Management' famously said 'Efficiency is doing things right; effectiveness is doing the right things.' Doing the right thing always is a fundamental value that everyone-- whether in the corporate sector or the government sector-- should strive to uphold in their personal and professional lives. It is a value that combines honesty, integrity and accountability.

Corporate Governance, when strictly followed, means that the directors and management of a company doing what is morally and ethically right, even when bodies like the SEC, Exchange Control Department, the Institute of Chartered Accountants are not watching. Compliance with clearly set out rules and regulations in good corporate governance is key if we are to avoid, to the human extent possible, corruption of the kind that the commercial world has been rocked by over the centuries.

The inclusion of independent non-executive Director's to the boards of companies should go a long way to ensuring good Corporate Governance. If corporate entities conduct their business in an orderly manner, the path to success becomes smooth and fast. One may compare good Corporate Governance to traffic on the road. If drivers of vehicles at all times follow clearly established road

rules, stick to correct lanes and obey traffic light signals and other rules such as observing speed limits, then driving becomes safer and easier for all. Likewise if corporates follow the rules that have been clearly mapped out for them, ensure transparency in all transactions, protect their stakeholders which includes their shareholders, these corporates will function in a safe and smooth manner.

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Followed by a panel discussion with eminent IT professionals and board directors.

SLID Members: Rs 30,000.00
Non-Members: Rs 35,000.00

For more information and registrations
Contact the SLID Secretariat
T: 0113 620613 / 076 7383050
Email: ops@slid.lk

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6th December 2023
9.00 am - 5.30 pm

7th December 2023
2.00 pm - 6.00 pm

Cinnamon Grand Ivy Room

Platinum Partners
Sampath Bank, Robbilar

Corporate Partners
Sampath, Board PAC, Daily FT

Appreciation of Mr. Ravi Abeysuriya



On behalf of the Council of the Sri Lanka Institute of Directors, it is with profound sadness that I pen these few words of appreciation for our dear colleague, friend and fellow Council member, Ravi Abeysuriya, whose untimely passing has left us all in shock.

Ravi was a remarkable individual who made an enormous contribution to the financial services sector and the corporate landscape of Sri Lanka.

Ravi's extensive and illustrious career speaks volumes about his knowledge, expertise and dedication. Serving as the Director of several prominent organizations including Seylan Bank PLC, HNB Assurance PLC, Bio Foods Ltd. and many others, he played a pivotal role in shaping the financial services sector of Sri Lanka. His commitment to governance, high ethical standards and transparency was well recognized in the corporate sector. His leadership and strategic vision were evident in his roles and his impact will be felt for years to come.

Notably, Ravi's pioneering work as the first head of the Sri Lanka unit of Fitch Ratings and as the Managing Director of Amba Research brought global recognition to the country's knowledge processing services. His efforts put Sri Lanka on the map as a hub for financial research and analysis. His contributions extended to the regulatory arena as well, where he served as a commission member of the Securities and Exchange Commission on two occasions.

Ravi was a Founder President of the Chartered Financial Analyst (CFA) community in the country reflecting his passion for advancing the field and nurturing future financial professionals. He was also dedicated to enhancing financial literacy among the Sri Lankan public where he worked with the media in both the English and Sinhala languages to raise financial awareness in communities.

Ravi was an exceptional human being, kind, gentle, soft spoken and humble. He was a true friend, ready to help whether in his professional or personal capacity. His legacy will continue to inspire and guide those in the financial services industry and corporate Sri Lanka. For us on the Council of SLID, Ravi's absence will be sorely felt, his wisdom, warm friendship and camaraderie deeply missed.

Aroshi Nanayakkara
Chairperson
Sri Lanka Institute of Directors

THE SRI LANKA INSTITUTE OF DIRECTORS PARTNERS WITH COLOMBO STOCK EXCHANGE

The Sri Lanka Institute of Directors signed an MoU with Colombo Stock Exchange on 21st July 2023 to drive a culture of excellence in promoting corporate good governance and best practices across listed and un-listed companies in Sri Lanka.



SLID DISCUSSION ON THE PERSONAL DATA PROTECTION ACT OF SRI LANKA (PDPA)



The Innovation and Technology committee of The Sri Lanka Institute of Directors (SLID) hosted an evening discussion recently on the Personal Data Protection Act (PDPA). Mr. Jayantha Fernando, Partner at Heritage Partners and a senior digital lawyer, elaborated on events leading to the expeditious enactment of this Act and noted that it will come into effect any time from September 2023 and March 2025, depending on the setting up of the regulator and other pre-requisites being met.

Mr Fernando explained the rationale for this legislation, and the economic benefit that the country stands to derive through the adoption of this Act, he further noted that this was a primary requirement of foreign investors and high net worth individuals. A proper legal framework is needed to secure the privacy of data collected by organisations, this becomes an important element for a digital economy and to foster innovation for business growth and development.

The evening session commenced with a presentation by Mr Nakul Chopra, Associate Director at EY Global Delivery Services India LLP, an expert in data privacy and protection. Mr Chopra highlighted the key areas of the PDPA, he articulated the instances where the requirements of the Act will apply to businesses and individuals. Mr Chopra noted that the obligations to protect the data will apply to all businesses irrespective of size and nature of business. He noted that the journey to comply with PDPA should start with an initial privacy risk assessment to gain an understanding of current state and establish a future strategy to respect the 'right to privacy'.

Mr Madu Ratnayake, co-founder of Scybers, a global firm specialising in cyber security highlighted that this act will apply to instances where data is to be sent across borders. He further noted that ensuring privacy and security of data is a key responsibility of any organisation that collects data of individuals. He highlighted the need for setting the tone from the top from the board level to all levels of leaders and, building talent and capacity in the organisation for appropriate use of personal data. Mr Ratnayake further stated that establishing a strong culture

that respects privacy and security is essential for going beyond compliance towards building digital trust that will create competitive advantage for companies.

Ms Suhadini Wickremasinghe, Head of Compliance at NDB Capital Holdings speaking during the panel discussion explained the measures being taken within the financial services industry to ensure privacy of Data. Ms Wickremasinghe opined that the law allows Companies to design their own self governance programmes to meet the requirements of the law. She also explained that the law provides the flexibility to Companies to implement the law in a way that will help build trust especially in attracting investments from abroad.

The discussion was ably moderated by Mr Arjuna Herath, Former Partner and Head of Consultancy at EY Sri Lanka and Maldives. Mr Herath who is also the Chair of the Innovation and Technology Committee of SLID, facilitated an insightful Question and Answer session with the audience. It was noted that default in meeting the provisions in the Act can lead to fines being imposed and most crucially loss of business reputation.

Is Your Board Future-Ready?

As we come out of the current crisis, Sri Lankan businesses will have to face a different environment and market as opposed to the conditions that prevailed pre-Covid, opined Harsha Basnayake, Deputy Area Managing Partner for Ernst and Young (EY) Asia Pacific, presenting at a session titled 'Is Your Board Future-Ready : Emerging Global Trends and Building Agile Businesses' organised by The Sri Lanka Institute of Directors.

Mr Basnayake went onto elaborate quoting global trends and research reports which indicate that the economic conditions and business environment has changed significantly from that of pre-Covid, global economies are grappling with inflation as a result of stimulus packages and measures undertaken during Covid, and climate mitigation and adaptation efforts are diverting attention of businesses. Companies will have to manage risks from 4 different fronts, viz, Economic, Environment, Geo-political and Technology in the future.



He further highlighted that the evolving business environment will necessitate Countries and its businesses to consider geopolitical developments arising particularly out of the shift in global power as we move away from a unipolar world to a multipolar world with multiple regional blocs. Trade policies and sanctions will dictate the ability of Companies to choose and compete in markets. Thus, being compelled to trade off on markets, focus on new markets and form collaborations to gain access and control over its supply chains.

He noted that future-ready boards should reinvest in core businesses and create new sources of competitive advantages, whilst future-ready leaders should adapt to shifts in realities, look for new growth opportunities and be driven by a sense of purpose.

Mr Basnayake highlighted specific course of action that Boards need to take to create value and impact businesses to be future-ready. Boards and leaders need to have an aspirational mindset and culture, focus on profitability and growth with an emphasis on search for new businesses, commit to net zero whilst recognising the business cost of not doing so, re-invent destiny by leveraging and prioritising digital transformation, developing talent by continuously upskilling and re-skilling, and collaborating as a means to augment technology investment & to derive competitive advantage,

Mr. Shamindra Kulamannage, Publisher of Echelon media moderated the conversation that ensued and facilitated the exchange of ideas between the audience and Mr Basnayake.

Key areas that came out of the discussion included the need to create diversity at the Board level both in terms of gender and age, relentlessly focusing on identifying the best talent and facilitating them to perform, and the Board playing a proactive role and guiding the senior leadership of an organisation. The benefits of adapting emerging new technologies and AI was also discussed, whilst it was noted that Companies will have to invest in managing the vast amount of data available to derive insights to facilitate better decision making.

The profile of the emerging consumer was highlighted whereby the young consumers are willing to pay a higher price for sustainable and ethical sourcing and production. It was also noted that Sri Lankan businesses should aim to benefit from a consumer base of over 1.6 bn accessible over the digital market space in South and East Asia, as competing in the physical market space could be more challenging.

The evening session concluded with fellowship and networking.

NEW GENERATION OF CFOs DRIVING BROADER VIEW OF BUSINESS PERFORMANCE AND PURPOSE

CHIEF VALUE OFFICER – THE IMPORTANT EVOLUTION OF THE CFO

In the move towards sustainable organisations, the role of the CFO is evolving beyond finance to include sustainability and social aspects of their operations

New research by ACCA (the Association of Chartered Certified Accountants) and BDO, the international network of public accounting, tax and advisory firms, has revealed how the role of the CFO is growing to include driving business decisions and reporting on the non-financial areas of their operations.

Over 100 CFOs and business leaders from around the world took part in roundtables and in-depth interviews to contribute their insight into how the traditional role of the CFO is changing, resulting in the report 'Chief value officer – the important evolution of the CFO'.

To be successful and sustainable, businesses and other organisations increasingly need to combine economic, environmental and social equity. Those that don't, face risks and their value can diminish – there is a very strong link between value creation and strategy. Using the breadth of drivers (financial, manufactured, intellectual, human, social & relationship and nature) to generate benefit for a wide range of stakeholders creates value. With a focus for many organisations on purpose and value, contributors were asked to consider whether there is a trend to asserting the need for a new role of chief value officer and whether this a role that the CFO is already fulfilling.

The report yields three significant findings. Firstly, the concept of value holds paramount importance in organizational performance

management, serving as a pivotal factor in their journey towards long-term sustainability. Secondly, Chief Financial Officers (CFOs) are progressively embracing a value-centric methodology in their operations, signifying a transition towards encompassing the role of Chief Value Officer within their traditionally financially-oriented responsibilities. Lastly, the trajectory to becoming a CFO demands an expanding array of experiences, necessitating a blend of structured and informal learning initiatives. Professional bodies and practices must actively engage with this evolving development path to effectively cater to aspiring CFOs.

Helen Brand, ACCA chief executive, noted: 'We already know that CFOs are increasingly acting as strategic leaders and advisers in their organisations. The CFO role is one that has moved significantly from the traditional view, while retaining the core responsibilities. Now there's a real opportunity for them to satisfy the value agenda and evolve the role for the next generation of CFOs.'

Ashane Jayasekera, Deputy Managing Partner, Head of Forensics, Risk & IT Security, BDO Partners Sri Lanka, added CFO's play a very important role as "Co- Pilots" in an organisation, and they already interact with the key players involved in ESG planning and implementation. Given the importance of the ESG Agenda, CEO's are expecting their CFO's to step up and play their role in ESG adoption and reporting". CFO's are in an ideal position to provide the necessary information to obtain the funding for ESG investments"

The emerging generation of CFOs in Sri Lanka must take the lead in cultivating

a comprehensive outlook on business performance and purpose. As our nation progresses towards nurturing sustainable organizations, the role of the CFO should be poised for a transformative evolution that demands a deep embrace of the broader facets of sustainability and social impact, that requires to be seamlessly integrated into their operational strategies, noted ACCA Head of South Asia , Ms,Nilusha Ranasinghe .

Carly Bleathman, Partner – Business Services and Outsourcing at BDO UK said: 'Our research highlights the exceptional role that CFOs are playing in developing their organisations. We commend the role that these individuals play and how they are truly embracing the broader value agenda. I know from my own experience that CFOs are truly chief value officers'.

Albert Lopez, Global Head of Business Services and Outsourcing, BDO Global said: 'There are many CFOs from across the world who are embracing this wider concept of value and our research highlights many positive stories. Embracing the sustainability agenda and delivering against it is a key role that our profession must play to help ensure that we have a positive future.'

Author Clive Webb, Head of Business Management at ACCA said: 'Creating sustainable organisations is a key priority for all organisations and CFOs have a fundamental role to play in delivering this. The perception of the CFO and the finance team needs to change from being Dr No to Dr How. It is pleasing to see how many finance teams are working towards this agenda'.

- article by ACCA global

BOARD LEADERSHIP TRAINING PROGRAMME

The Sri Lanka Institute of Directors successfully concluded The Board Leadership Training Program Intake 14 Part IV, Intake 15 Part I & II, with interactive participants continuing to enhance their competencies in corporate governance.



Intake 14 Part IV was held on 18th & 19th July 2023 facilitated by Anoji De Silva, Suren Rajakarier, Senaka Kakiriwaragodage & Thamali Rodrigo.

Intake 15 Part I was held on 17th & 18th August 2023 facilitated by Thamali Rodrigo, Rajeeva Bandaranaike, Hiranthi Fonseka & Naomal Goonewardena.

Intake 15 Part II was held on 20th & 21st September 2023 facilitated by Ranil De Silva, Anthony Jayaranjan, Richard Ebell & Aruni Rajakarier.



BOARD LEADERSHIP TRAINING PROGRAMME



GRADUATION CEREMONY



The Sri Lanka Institute of Directors successfully concluded the Board Leadership Training Programme Graduation Ceremony for Intake 14 on 18th August 2023 at Cinnamon Grand. The Institute offers its warmest congratulations.

GRADUATES

Dr. Eshan Dias
Mr. Rikas Ahamed K M
Mrs. Sonali Wijekoon
Mr. Asela Galappattige
Mr. Thushara Thomas
Mr. Chandana Aluthgama
Mr. Colvin Reginold Suraj De Silva
Mr. M N K Jayamanne
Mr. S P C S Wijyaratne
Mrs. U A J A Anthony

Miss. T S Kothalawala
Mr. Rohitha Amarapala
Mr. Tharaka Harish Weragoda
Mr. D Prathapasinghe
Mr. Daniel Hess
Mrs. Ramani Chandrika
Ms. Punya Nanayakkara
Mr. Asanka Nanayakkara
Mr. Mafaz Ansar

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INTERGENERATIONAL LEADERSHIP IS KEY IN BUILDING BACK BETTER



How to Convince Your Board - Getting the Dynamics Right was organised by the Young Directors Forum of The Sri Lanka Institute of Directors. The event was held on 11th September 2023 at Cinnamon Grand Colombo.

The vibrant panel included.

- Ajit Gunawardena, Founder Bluestone Capital
- Sharini Kulasinghe, Independent Director, KBSLIT
- Dinesh Athapattu, Managing Director, Morrisons PLC
- Dilanka Jinadasa, Group CEO, Hela Apparel Holdings PLC
- Krystle Reid Wijesuriya - Non-Executive Independent Director, PMF Finance

An intergenerational dialogue by the Young Directors Forum, part of its efforts to build capacity and skills among young directors and director aspirants on the soft skills required on company boards. A unique mix of speakers, from diverse backgrounds, who were able to reflect on both their approaches and tactics to convincing boards, but also the wider implications and lessons for others.

The Q&A interaction between participants and the panelists explored topics ranging from how to convince traditional boards about investments in start-ups and digital technology, to how best to push the board of ideas and issues that a management leader would be very keen to pursue. There was consensus among several of the panellists that a key strategy in convincing the Board, especially for young Directors, was to always come well prepared to build a rapport with Board members and align on new ideas before, and in between, Board meetings.

The event hosted over fifty participants from a wide range of industries: banks, insurance companies, start-ups, digital technology companies, real estate, manufacturing, exports, and family businesses. Anushka Wijesinghe announced he would be stepping down as Chair of the Young Directors Forum and Ameena Ziauddin, Deputy MD of Norfolk Foods would be taking over as Chair going forward.

If you would like to be a part of the Young Directors Forum of The Sri Lanka Institute of Directors, please contact policy@slid.lk



RECENT DEVELOPMENTS IN REPORTING, ESG & FINANCE AND ITS IMPACT TO BUSINESS

- JOINT EVENT BY SLID & CA SRILANKA



The event was held on 23rd August 2023 in the backdrop of the recently published IFRS standards. The distinguished dignitaries present for the event were Mr. Sanjaya Bandara, President of Institute of Chartered Accountants of Sri Lanka, Mr. Laknath Jayawickrama, Chairman of the CA Sri Lanka Business School, Ms. Aroshi Nanayakkara Chairperson of The Sri Lanka Institute of Directors.

Ms. Natalie Warawita, Director, Group Risk & Control, Mas Capital Ltd. moderated the discussion as the panel of insightful personalities, Mr. Manil Jayasinghe, Past President of Institute of Chartered Accountants of Sri Lanka, Ms. Aruni Rajakarier, Chief Executive Officer of SheConsults (Pvt) Ltd., Mr. Rajith Perera, Partner Financial Advisory Services of Ernst & Young, and Ms. Chiranthi Cooray, Deputy General Manager, Sustainability & Corporate Communications at Hatton National Bank PLC provided their views on the future of sustainable business practices.

SLID PARTNERS WITH STEWARDSHIP ASIA CENTRE, SINGAPORE, ON AN ASIA-PACIFIC RESEARCH STUDY ON THE ROLE OF BOARDS IN DRIVING SUSTAINABILITY

The region's most significant research undertaking on the role of boards in recent years will gather information across 12 countries on Board stewardship of the ESG agenda.

The Sri Lanka Institute of Directors (SLID) has joined with Stewardship Asia Centre (SAC), Singapore, together with 12 other institutions across 11 Asia-Pacific countries to undertake a research study titled "Creating a Collective Better Future: The Role of Boards." This study aims to better understand board-level responsibilities in driving environmental and social sustainability agendas.

SAC is a non-profit organisation established by Temasek Holdings and is dedicated to helping business and government leaders, investors and individuals action stewardship practices through research, executive education and engagement.

Businesses are increasingly expected to consider the impact of their activities on the environment and society. Despite more organisations reporting ESG (Environmental, Social & Governance) metrics, the existential threats that humanity faces, such as climate change and socioeconomic inequality, continue to grow in severity and urgency.

Led by SAC, the study will collate and analyse inputs from board leaders across Asia-Pacific via interviews and an online survey. It aims to determine the key challenges board leaders face when driving the sustainability agenda in their organisations, potential ways adopted to circumvent these barriers and their roles in championing a collective better future for the stakeholders of their organisations.

"Since governance, sustainability and leadership are deeply intertwined, the senior-most leadership group in any organisation - the board of directors - must lead in guiding, helping and sometimes nudging the management teams to curate a compelling sustainability agenda. To make a tangible difference, boards not only need the right skill set and toolset but, most importantly, a mindset of 'doing well and doing good' deeply rooted in the purpose and values of the organisation. SAC is excited to collaborate with like-minded partners in Asia-Pacific to explore the role of boards in driving the sustainability agenda," said Mr Sunil Puri, Senior Vice President, Research and Engagement at SAC.

"At a time when climate change and environmental and social issues are becoming a critical element of every business, we feel this study is a timely initiative to understand the varying practices and perspectives on ESG and sustainability across the Asia Pacific region. It will also enable us to understand the leadership provided to ESG and sustainability initiatives and how they have been embedded into the different elements of an organisation," shared Ms. Aroshi Nanayakkara, Chairperson of The Sri Lanka Institute of Directors (SLID).

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Mr. Sivarajah Thumilan
ACA, ACCA, ACMA (UK), CGMA (UK),
CPA (AUS), MCSI (UK), FMAAT (SL), ACS
Chairman
Blue Ocean Group Of Companies

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11
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55
UNITS
03
LEVEL
CAR PARK

NO.15A Layards Road, Colombo 04.



09
FLOORS
54
UNITS
03
LEVEL
CAR PARK

NO.30 Hotel Road, Mount Lavinia.



10
FLOORS
45
UNITS
04
LEVEL
CAR PARK

NO.35 Ramakrishna Road, Colombo 06



05
FLOORS
14
UNITS
GROUND
LEVEL
CAR PARK

NO.02 Glenfall Road, Nuwara Eliya.



10
FLOORS
120
UNITS
03
LEVEL
CAR PARK

NO.358 High Level Road, Nugegoda.

KELSEY PALACE



10
FLOORS
70
UNITS
05
LEVEL
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UNITS
03
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Seize your Own ESG Opportunities



The Sri Lanka Institute of Directors, together with CFA Society Sri Lanka, ACCA Sri Lanka, and KPMG Sri Lanka as the technical partner, joined hands in delivering key ESG insights relevant to governance, equipping Board Directors of corporate Sri Lanka. This comes in the backdrop of the latest IFRS standard disclosures being released.



Good Governance - Rights and Obligations of an Independent Director and the New CSE Listing Requirements



The Sri Lanka Institute of Directors (SLID) recently concluded an evening discussion to delve into the rights and obligations of an Independent Director and the new CSE listing rules,

Making the keynote at the event, Dr Harsha Cabral, PC, explained the key provisions and objectives of the Company's Act. He opined that the types and roles of different categories of Directors would be further articulated in the Articles of Association of a Company. He further pointed out that governance aspects stems from the securities regime, through the Securities Exchange Commission, the Colombo Stock Exchange and the Central Depository Systems.

Dr Cabral advised that Boards should clearly understand it's oversight roles and responsibilities, and seek the views of experts on relevant areas. He explained that an independent Director has the right to dissent. He further

stated that Independent Directors should check and understand the internal audit mechanisms, role of CEO and the Board Committees, maintain confidentiality, and be updated on new laws that will come into effect with regard to Personal Data Protection and electronic signatures, etc, and be thorough with the new listing rules. He further elaborated the need for Independent Directors to continuously upgrade their skills given the changing business and legal requirements.

Mr Manil Jayasinghe, former Managing Partner of EY Sri Lanka, clarified that an Independent Director is not an employee of a Company and is by default Non-Executive in role. Mr Jayasinghe was of the view it is part of an Independent Director's responsibility to ensure that there are systems and processes in place for risk management and governance though the auditors will check the adequacy of such systems and processes.

Mr Manjula De Silva, former CEO of the Ceylon Chamber of Commerce, highlighted the need for an Independent Director to be independent of significant shareholders as well as Independent of the management. He further stated that an Independent Director is expected to bring objectivity and independent judgement and should retain independence by not getting involved in operations nor providing advice and guidance to the management.

Ms Aroshi Nanayakkara, Chairperson of SLID, observed that Independent Directors should sight and ensure that there is a robust succession planning process for both the board as well as for the Key Management Personnel. Ms Nanayakkara further noted that potential candidates for placement on boards should be earmarked in advance.

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The panel further discussed in detail the legal provisions with regard to the right of Independent Directors to dissent, whereby they are required to act in the best interest of the company and in good faith. It was noted that Independent Directors could disagree without being disagreeable.

The panel noted that responsibility will fall on the Directors to ensure that there is a process to identify and report

Related Party Transactions, an effective financial reporting process manned by competent personnel, and that Directors have a good understanding of the estimates and assumptions exercised by management based on their judgement. It was also highlighted that IT risks should be separately addressed considering that responsibility would lie with the Board for licensing and other IT-related risks.

Salient features of the new CSE listing rules

Salient features of the amendments

Chairperson of the Board of Directors shall not be the Chairperson of the Board Committees

Requirement of Chairperson and CEO duality, and the requirement to appoint a Senior Independent Director on specified instances

Enhanced requirements in relation to Fitness and propriety of Directors and CEOs

Enhancement to the Independence Criteria as follows:

-A Director shall not be considered independent if he/she is above 70 years of age.

-Declaring directors as “nevertheless independent” by the board will not be applicable w.e.f 1/10/2024

Listed entities shall have Nomination and Governance Committees

Revisions to the composition of the Audit Committee

Enhanced functions and disclosures in the annual report relating to the Audit Committee

Revisions to the composition of the Related Party Transaction Review Committee

“Ask The Guru”

1. How should I share the importance/convince the Board regarding the Personal Data Protection Act coming into effect soon?

The Personal Data Protection Act No. 9 of 2022 ('PDP Act') was certified by the Speaker on 19th March 2022. This act identifies measures to protect personal data of individuals held by government entities, banks, telecom operators, hospitals and any other person that processes personal data. The Act is required to be enforced by March 19, 2025, prior to which the policy framework and rules and regulations to enforce the Act will be required to be made and brought into operation.

How the PDP Act will apply to the processing of personal data is defined and described in the PDP Act and the processing of such personal data will be required to be done in compliance with the obligations specified under the PDP Act.

It will be the duty of every person to whom the PDP Act applies to implement internal controls and procedures and embed this overall 'Data Protection Management Programme' within the overall governance structure with an internal oversight mechanism which should include a mechanism to receive complaints, conduct of inquiries and to identify personal data breaches, ensuring compliance with the obligations of PDP Act.

Where a penalty is imposed on non-compliance with the obligations of the Act on a body of persons, and if that body of persons is a body corporate, every person who at the time of non-compliance was a director, and other officer responsible with management and control of that body corporate shall be liable to pay such penalty, unless he proves that he had no knowledge of the failure to comply with the requirement

or that he exercised all due care and diligence to ensure the compliance therewith.

The above stated is one interpretation of what is in the Act relevant to the query and not a complete opinion of a specialist.

2. How should the Board navigate risk management in the current landscape?

The Corporate World has been speaking of a VUCA (Volatile, Uncertain, Complex & Uncertain) world now for a couple of decades. However, if recent events are anything to go by, the VUCA world has progressed to a completely different level fuelled by innovations in technology, freak weather patterns, global conflicts erupting in many parts of the world, biological threats and an uncertain global economy. Furthermore, these patterns are here to stay and as an organisation, accepting this fact and gearing yourselves for the future is the only solution.

As a Board, steering your company during all this chaos, is indeed going to be challenging and not an answer that can be given in a few lines. However, as a Board Director, a few time-tested principles can be followed to ensure that your organisation stays resilient:

- Ensure that risk is a key agenda point at every Board meeting.
- Ensure that a clear risk framework has been put in place by the management.
- As part of the risk framework, ensure that the Board has set its risk appetite and tolerance levels within its business environment. This involves determining the acceptable level of risk the company is willing to take to achieve its strategic objectives.

- Ensure the setting up of Risk Committees for regular monitoring of risks and to ensure robust mitigation plans.
- Ensure that management regularly reports on risk-related matters, including key risk indicators (KRIs), highlighting key risks and how the organisation is handling those risks.
- Stay informed about evolving regulations and compliance requirements relevant to your industry. Ensure that the organisation has a compliance programme in place and that it is regularly audited and updated.
- Ensure a crisis management and business continuity plan is in place. Ensure that the management tests these plans to ensure readiness.
- Evaluate the organisation's insurance coverage and risk transfer strategies to ensure they align with the identified risks and risk appetite.

3. Why should company Boards need to pay attention to the recently published IFRS Standards on sustainability?

The Financial reporting standards dictate the way company communicates with the stakeholders how the entity has performed and how it has managed the business. The new standards would indicate changes to the existing standards or a new area which is brought within the reporting framework. The application of a standard requires preparation. Therefore, the directors would have to be aware of the changes that are required to comply with the standard and the impact on reporting under the new/revised standards.

Please send your questions to policy@slid.lk

Responses are advisory and does not constitute the opinion of the Institute or of the Council of the institute.

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The Sri Lanka Institute of Directors is happy to welcome Sampath Bank as a Platinum Annual Corporate Partner of The Sri Lanka Institute of Directors (SLID) and look forward to a mutually beneficial relationship as we foster good corporate governance.

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LYNEAR's commitment to promoting transparency, accountability and ethical business practices aligns perfectly with SLID's mission. Together, we can make substantial impact to the business landscape, setting high standards for corporate governance that will benefit not only businesses, but also the wider community.



MEMBER APPOINTMENTS

The Sri Lanka Institute of Directors offer its warmest congratulations to Mr. Vish Govindasamy & and Mr. Anushka Wijesinghe on their appointment to the Governing Board of The Central Bank of Sri Lanka.



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PART 1: 17th & 18th JANUARY 2024

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Non-member Rs. 50,000

For more information and registrations

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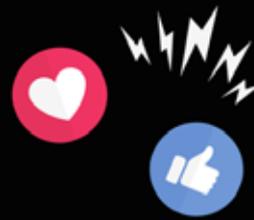
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