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Corporate Governance refers to the framework through which a Company maintains relationships with all its stakeholders. The key stakeholders include the shareholders, directors, and management of a company, as defined by the corporate charter, bylaws, formal policy and rule of law. Also included are community, customers, suppliers, employees and other related institutions such as the Department of Customs, the BOI, and other government entities.

Corporate governance is a core element of the corporate philosophy of Teejay. For us, good governance is essential for the sustainable growth of our business and strive to ensure that company adheres to the highest ethical standards in corporate conduct.

The Board of Directors, led by the Chairman, is responsible for good governance at Teejay, its system of Internal Controls and for the review and the design and effectiveness of the same. There is a perpetual process for identifying, evaluating and managing significant risks by way of elimination or mitigation of same. This process is described in full in the Enterprise Risk Management section of this report.

The period under review saw the company focusing on consolidation of processes and resources within the group. The company also underwent a name change. The company managed this process through a cross functional team which ensured various deliverables were achieved. The new corporate brand 'Teejay' was introduced to the stakeholders through a colourful event.

GOVERNANCE STRUCTURE

Teejay operates within the statutes and has adopted and complies to a collection of best Governance practices which are;

Acts –

Companies Act No. 07 of 2007
Shop and Office Employees Act No 15 of 1954
Factories Ordinance
Wages Board Ordinance

Regulations –

BOI Regulations
Continuous Listing Requirements of the Colombo Stock Exchange

Code of Best Practice on Corporate Governance stipulated jointly by the Institute of Chartered Accountants Sri Lanka (ICASL) and the Securities and Exchange Commission (SEC) in July 2008 and revised in 2011 and 2013.

Articles of Association of the Company

ENGAGEMENT

Employees are actively involved in planning and implementing the processes required to meet Corporate Governance Best Practices, individually and as teams who have clearly defined roles and responsibilities. The compliance with statutes is reported quarterly, to the Audit Committee.

Meetings of the Board of Directors (BOD) are held quarterly whilst Committee meetings are also held on same day on most occasions. The table below provides information on the members of the BOD during 2016/17, their positions and attendance at meetings during the period.

Board Member	Date of First Appointment to the Board	Board Position	Attendance at Board Meetings	Audit Committee Position	Attendance
Wing Tak Bill Lam	03.06.2004	Non-Executive Chairman	4/4	Member	4/6
Mohamed Ashroff Omar	28.08.2000	Non-Executive Director	4/4	-	-
Kulatilleke Arthanayake Malik Kumar Ranasinghe	15.04.2011	Independent Non-Executive Director	3/4	Member	6/6
Amitha Lal Gooneratne	15.04.2011	Independent Non-Executive Director	4/4	Chairman	6/6
Hasitha Premaratne	01.08.2012	Non-Executive Director	4/4	-	-
Kang Po Tsang	31.03.2013	Non-Executive Director	0/4	-	-
Wai Loi Wan	06.08.2013	Non-Executive Director	0/4	-	-
Sriyan Joseph de Silva Wijeyeratne	01.11.2013	Executive Director	4/4	-	-

During the period under review, the Company complied with the Corporate Governance requirements identified above. Given below is the compliance status for each of the Corporate Governance Principles as identified in the Corporate Governance Best Practices by ICASL and SEC in 2008, revised in 2011 and 2013; and Corporate Governance Compliance Reporting Requirements in CSE Listing Rules section 7.10.

Corporate Governance Principle	Compliance Status	Teejay Lanka PLC's Compliance
A: DIRECTORS		
Principle A.1 - THE BOARD: Every public company should be headed by an effective Board, which should meet regularly, direct, lead and control the Company.	Complied	Teejay Lanka PLC is headed by an eight-member Board of Directors which consists of two Independent Non-Executive Directors, four Non-Executive Directors, one Executive Director headed by a Non-Executive Chairman.
A1.1 Frequency of Board Meetings	Complied	The Board meets at least once a quarter.
A1.2 The Board's role is to provide entrepreneurial leadership of the Company within a framework of prudent and effective controls which enables risk to be assessed and managed.	Complied	Board provides leadership to the Company, monitors risk management and ensures that oversight is maintained over high risk areas.
Principle A.2 - CHAIRMAN AND CHIEF EXECUTIVE OFFICER (CEO): There are two key tasks at the top of every public company – conducting of the business of the Board, and facilitating executive responsibility for management of the Company's business. There should be a clear division of responsibilities at the head of the Company, which will ensure a balance of power and authority, such that no one individual has unfettered powers of decision.	Complied	The Board provides leadership and direction. The CEO is responsible for the day to day operations of the business.
Principle A.3 - CHAIRMAN'S ROLE: The Chairman's role in preserving good Corporate Governance is crucial. As the person responsible for running the Board, the Chairman should preserve order and facilitate the effective discharge of Board functions.	Complied	Chairman facilitates the effective discharge of Board functions.
Principle A.4 - FINANCIAL ACUMEN: The Board should ensure the availability within it of those with sufficient Financial acumen and knowledge to offer guidance on matters of finance.	Complied	Non-Executive Director (NED) Mr. Amitha Lal Gooneratne, FCA (SL), FCA (England & Wales) and Non-Executive Director (NED) Mr. Hasitha Premaratne, ACCA, FCMA(UK), CGMA and MD/CEO Mr. Sriyan Joseph de Silva Wijeyeratne FCMA(UK), CGMA are professionally qualified accountants.

Corporate Governance Principle	Compliance Status	Teejay Lanka PLC's Compliance
<p>Principle A.5 - BOARD BALANCE: It is preferable for the Board to have a balance of Executive and Non-Executive Directors such that no individual or small group of individuals can dominate the Board's decision-taking process.</p> <p>CSE Rule 7.10.1 (a) - NON EXECUTIVE DIRECTORS: At least two Directors or one third of the Board of Directors, whichever is higher, should be Non- Executive Directors</p>	Complied	The board consists of two Independent Non-Executive Directors and Five Non Independent Non-Executive Directors and one Executive Director who is the CEO.
<p>CSE Rule 7.10.1 (a) – INDEPENDENT NON-EXECUTIVE DIRECTORS: Where the constitution of the board of directors includes only two non-executive directors in terms of Rule 7.10.1.a above, both such non-executive directors shall be 'independent'. In all other instances, two or 1/3 of non-executive directors appointed to the board of directors, whichever is higher shall be 'independent'.</p>	Complied	Two of the seven Non-Executive Directors are independent.
<p>CSE Rule 7.10.2.(b) – DECLARATION OF INDEPENDENCE BY NON-EXECUTIVE DIRECTORS: The board shall require each non-executive director to declare annually his/her independence against the specified criteria.</p>	Complied	All non-executive directors have declared their independence in writing.
<p>Principle A.6 - SUPPLY OF INFORMATION: The Board should be provided with timely information in a form and of a quality appropriate to enable it discharge its duties.</p>	Complied	The Board is provided with timely information seven days prior to each board meeting as per items included in the agenda for the meeting. The senior team attending the board meeting will provide any other information requested at the meeting spontaneously.
<p>Principle A.7 - APPOINTMENTS TO THE BOARD: There should be a formal and transparent procedure for the appointment of new Directors to the Board.</p>	Complied	This is done as per Articles of Association.
<p>Principle A.8 - RE-ELECTION: All Directors should be required to submit themselves for re-election at regular intervals and at least once every three years.</p>	Complied	This is done as per Articles of Association.
<p>Principle A.9 - APPRAISAL OF BOARD PERFORMANCE: Boards should periodically appraise their own performance to ensure that Board responsibilities are satisfactorily discharged.</p>	Complied	Two main shareholders Directors perform this activity on the board members on an annual basis.
<p>Principle A.10 - DISCLOSURE OF INFORMATION IN RESPECT OF DIRECTORS: Shareholders should be kept advised of relevant details in respect of Directors.</p>	Complied	Shareholders are advised of the relevant qualifications and details of directors. Please refer profile of Board Members in section titled "Board of Directors".

Corporate Governance Principle	Compliance Status	Teejay Lanka PLC's Compliance
<p>CSE Rule 7.10.3. (a,c) – DISCLOSURES RELATING TO DIRECTORS - Names of Independent Directors should be disclosed in the Annual report.</p> <p>In addition to disclosures relating to the independence of a director, set out above, the board shall publish in its annual report a brief resume of each director on its board which includes information on the nature of his/her expertise.</p>	Complied	Please refer section titled "Board of Directors".
<p>Principle A.11 - APPRAISAL OF CHIEF EXECUTIVE OFFICER (CEO): The Board should be required, at least annually, to assess the performance of the CEO.</p>	Complied	Key senior members of the Board assesses the performance of the CEO and the leadership team.
B: DIRECTORS' REMUNERATION AND 7.10.5. REMUNERATIONS COMMITTEE		
<p>Principle B.1 - REMUNERATION PROCEDURE: Companies should establish a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual Directors. No Director should be involved in deciding his/her own remuneration.</p> <p>CSE Rule 7.10.5. (a, b, c) - REMUNERATION COMMITTEE: A Listed Entity shall have a remuneration committee</p> <p>The remuneration committee shall comprise of a minimum of two independent non-executive directors or of non-executive directors a majority of whom shall be independent, whichever shall be higher.</p> <p>The Remuneration Committee shall recommend the remuneration of the Chief Executive Officer and the Executive Directors.</p> <p>The Annual Report should set out;</p> <p>a) Names of Directors comprising the Remuneration Committee</p> <p>b) Statement of Remuneration policy</p> <p>c) Aggregate remuneration paid to Executive & Non-Executive Directors</p>	Complied	<p>The Board consists of a Remuneration Committee which decides on Executive Remuneration packages and related benefits.</p> <p>The Remuneration Committee consists of two Independent Non-Executive Directors and one Non-Executive Director.</p> <p>Please refer the Remuneration Committee report for information on Composition of Remuneration Committee and Remuneration policies.</p> <p>Please refer Note 8 to the financial statements for aggregate remuneration paid to Directors.</p>

Corporate Governance Principle	Compliance Status	Teejay Lanka PLC's Compliance
Principle B.2 - THE LEVEL AND MAKE UP OF REMUNERATION: Levels of remuneration of both Executive and Non-Executive Directors should be sufficient to attract and retain the Directors needed to run the Company successfully. A proportion of Executive Directors' remuneration should be structured to link rewards to corporate and individual performance.	Complied	The Remuneration packages are consistent with market rates. The Company follows a performance based incentive culture at all levels.
Principle B.3 - DISCLOSURE OF REMUNERATION: The Company's Annual Report should contain a Statement of Remuneration Policy and details of remuneration of the Board as a whole.	Complied	The Remuneration Committee Report in this annual report contains a statement on the Remuneration Policy. Details of Board remuneration could be found in Note 8 to the Financial Statements
C: RELATIONS WITH SHAREHOLDERS		
Principle C.1 - CONSTRUCTIVE USE OF THE ANNUAL GENERAL MEETING (AGM): Boards should use the AGM to communicate with shareholders and should encourage their participation.	Complied	Shareholders are engaged well at the AGM by the Board where questions and suggestions are welcome.
Principle C.2 - COMMUNICATION WITH SHAREHOLDERS: The Board should implement effective communication with shareholders.	Complied	A contact name and details of a Board member is communicated via the Annual Report for all investor related matters.
Principle C.3 - MAJOR AND MATERIAL TRANSACTIONS: Further to complying with the requirements under the Companies Act, Securities and Exchange Commission law and Colombo Stock Exchange regulations; as applicable, Directors should disclose to shareholders all proposed material transactions, which if entered into, would materially alter/vary the Company's net assets base or in the case of a Company with subsidiaries, the consolidated group net asset base.	Complied	All contingencies and capital commitments for future periods are disclosed in the Notes No. 28 and 29 of Notes to the Financial Statements.
D: ACCOUNTABILITY AND AUDIT & AUDIT COMMITTEE		
Principle D.1 - FINANCIAL REPORTING: The Board should present a balanced and understandable assessment of the Company's financial position, performance and prospects.	Complied	An assessment of the performance, future prospects and financial position of the Company is included in the Annual Report of the Board of Directors.
Principle D.2 - INTERNAL CONTROL: The Board should have a process of risk management and a sound system of internal control to safeguard shareholders' investments and the Company's assets.	Complied	The Board facilitates the Enterprise Risk Management process and reviews controls through various processes. The Board shares collective responsibility for controls within the organization's control environment. Board oversight is achieved through the Internal Audit function.

Corporate Governance Principle	Compliance Status	Teejay Lanka PLC's Compliance
<p>Principle D.3 – AUDIT COMMITTEE: The Board should establish formal and transparent arrangements for considering how they should select and apply accounting policies, financial reporting and internal control principles and maintaining an appropriate relationship with the Company's Auditors.</p> <p>CSE Rule 7.10.6. (a) – AUDIT COMMITTEE:</p> <p>A listed company shall have an Audit Committee.</p> <p>The audit committee shall comprise;</p> <p>of a minimum of two independent non-executive directors or of non-executive directors a majority of whom shall be independent, whichever shall be higher.</p> <p>One non-executive director shall be appointed as Chairman of the committee by the board of directors.</p> <p>Chief Executive Officer and the Chief Financial Officer should attend Audit Committee Meetings.</p> <p>The Chairman of the Audit Committee or one member should be a member of a professional accounting body.</p>	<p>Complied</p>	<p>The BOD, especially the Audit Committee maintains a formal and a transparent relationship with the external Auditors. Board ensures that accounting policies are consistent with previous years, unless a change is required by changes to Financial Reporting Standards, in which case changes are specifically stated in the Auditor's Report. Due to the requirement to meet SLFRS, comparative figures are provided where appropriate.</p> <p>The Audit Committee consists of two Independent Non-Executive Directors and one Non-Executive Director.</p> <p>Chairman of the Audit Committee is an Independent non-executive director who is a member of The Institute of Chartered Accountants of Sri Lanka and the Institute of Chartered Accountants of England & Wales.</p> <p>Chief Executive Officer, other board members and Chief Financial Officer attend Audit Committee meetings by invitation.</p>

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<p>CSE Rule 7.10.6. (b) – FUNCTION OF AUDIT COMMITTEE</p> <p>The Committee shall;</p> <ol style="list-style-type: none"> Overseeing of the preparation, presentation and adequacy of disclosures in the financial statements of a Listed Entity, in accordance with Sri Lanka Accounting Standards. Overseeing of the Entity's compliance with financial reporting requirements, information requirements of the Companies Act and other relevant financial reporting related regulations and requirements. Overseeing the processes to ensure that the entity's internal controls and risk management, are adequate, to meet the requirements of the Sri Lanka Auditing Standards. Make an assessment of the independence and performance of the entity's external auditors. Make recommendations to the board pertaining to appointment, re-appointment and removal of external auditors and to approve the remuneration and terms of engagement of the external auditors. 	Complied	<p>The Audit Committee, which meets the formulation requirements is governed by an Audit Charter.</p> <p>It reviews and ensures that the Company's financial statements comply with financial reporting requirements and information requirements of the Companies Act and the Accounting Standards.</p> <p>It also oversees the Risk Management and internal control system of the organization, engages in continuous review of the scope and results of the audits and the audit process and its effectiveness, and the independence and objectivity of the Auditors. Please refer to Audit Committee report for more information.</p>
<p>Principle D.4 - CODE OF BUSINESS CONDUCT & ETHICS: Companies must adopt a Code of Business Conduct & Ethics for directors and members of the senior management team and must promptly disclose any waivers of the Code for directors or others.</p>	Complied	Code of Business Conduct and Ethics are available and is followed by the Directors and the management. The employees at executives and above have signed having read the document.
<p>Principle D.5 - CORPORATE GOVERNANCE DISCLOSURES: Directors should be required to disclose the extent to which the Company adheres to established principles and practices of good Corporate Governance.</p>	Complied	Adherences to Corporate Governance Best Practices are disclosed in this area.
E: INSTITUTIONAL INVESTORS		
<p>Principle E.1 - SHAREHOLDER VOTING: Institutional shareholders have a responsibility to make considered use of their votes and should be encouraged to ensure their voting intentions are translated into practice.</p>	Complied	All items coming for voting at meetings are notified well with due notice for institutional shareholders to encourage the use of their votes.

Corporate Governance Principle	Compliance Status	Teejay Lanka PLC's Compliance
<p>Principle E.2 - EVALUATION OF GOVERNANCE DISCLOSURES: When evaluating Companies' governance arrangements, particularly those relating to board structure and composition, institutional investors should be encouraged to give due weight to all relevant factors drawn to their attention.</p>		Key institutional investors are actively involved in appointing members to the board.
F: OTHER INVESTORS		
<p>Principle F.1 - INVESTING/ DIVESTING DECISION: Individual shareholders, investing directly in shares of companies should be encouraged to carry out adequate analysis or seek independent advice in investing or divesting decisions.</p>	Complied	All individual shareholders are provided with adequate information on the performance of the Company thereby encouraging them to analyse their investments adequately.
<p>Principle F.2 - SHAREHOLDER VOTING: Individual shareholders should be encouraged to participate in General Meetings of companies and exercise their voting rights.</p>	Complied	All individual shareholders are sent AGM notices well in advance, encouraging them to exercise their voting rights.
G: SUSTAINABILITY REPORTING		
<p>Principle G.1 - PRINCIPLES OF SUSTAINABILITY REPORTING: The following principles will serve the entities in maintaining policies and procedures to develop a sustainable business environment and to make disclosures on sustainability.</p> <p>Principle 1 – Economic sustainability</p> <p>Principle 2 – The Environment</p> <p>Principle 3 – Labour Practice</p> <p>Principle 4 – Society</p> <p>Principle 5 – Product Responsibility</p> <p>Principle 6 – Stakeholder identification, engagement & effective communication</p> <p>Principle 7 – Sustainable reporting and disclosure should be formalized as part of the Company's reporting processes.</p>	Complied	<p>Sustainability reporting is achieved through Reporting under National Green Reporting System of Sri Lanka.</p> <p>Please refer the Section on Sustainability in this Annual Report, for further details on sustainability related initiatives.</p>