THE SRI LANKA INSTITUTE OF DIRECTORS

# The Director

VOLUME 22 ISSUE 02

Faizal Salieh re-elected Chairman SLID

Harsha Amarasekera meets SLID's Young Directors

SLID's Gender Panel Pledge

Sri Lanka's Crisis Lessons from Greece

Why Corporate Boards Need ESG Specialists

"Ask The Guru"

Let us read the fine print for you

**We've got you covered**

George Steuart

INSURANCE BROKERS

George Steuart Insurance Brokers (Pvt) Ltd. No. 439, Galle Road, Colombo 03, Sri Lanka.
+94 117 792 520 | admin@gsinsurance.lk | www.gsinsurance.lk

The
# Director

## Contents




**EDITOR** : Mr. A. R. Rasiah
**CEO** : Mr. Rizan Jiffrey

**SLID OFFICE**
Room 166
Cinnamon Grand Colombo
No. 77, Galle Road,
Colombo 03

THE SRI LANKA INSTITUTE OF DIRECTORS

Dear Members,

Greetings to you all at the dawn of the New Year 2023!

The past year saw our country, the economy, people and businesses face one of the most arduous, trying and testing times in our history. The year was marked with a serious economic crisis and political crisis which, put together, made most businesses witness unprecedented changes in their operating landscape and challenges for which most of us were not ready. The business and operating environments changed so rapidly challenging the existing business models and strategies, and made it imperative to make swift changes to the way businesses were operated.

Though businesses and the government have taken many initiatives to steer the corporate sector and the country out of this turbulent environment, none will disagree that much more needs to be done. Businesses have to be built to be resilient and made agile and nimble in order to be sustainable.

Our company directors will have to stay tuned to current global trends and move the boardroom conversation towards renewed focus on ESG security, shift to stakeholder governance, digital transformation and set goals for real value creation. Boards will have to prioritize their agenda on what issues they need to focus upon, from both local and global perspectives, in the new year.

As we enter 2023, our wish lists may vary but I would think that our boards should make a firm resolve this year to disengage our businesses from corrupt practices; create more space in our boardrooms to infuse fresh and talented young directors; drive the company processes in a form and manner that rightly balances business objectives with ethical social responsibility; and adopt a vigorous and meaningful board performance assessment process including individual director assessments.

Our Institute stands committed to enabling boards and directors on all of the above in our journey to build *Better Directors, Better Boards, Better Companies*. The environment is uncertain but we remain hopeful as we enter the new year. What matters most is our state of mind and the resolution to ***do the right thing*** with courage, determination, preparation and readiness.

I wish you a Bright and Happy New Year! May it bring good health, peace of mind and prosperity to you and your families!

Warm regards,

Faizal Salieh
**Chairman**

Room 166, Cinnamon Grand Colombo,
No. 77, Galle Road, Colombo 03
Tel: (011) 3620613, (011) 3620607, (011) 3620609
Email: iod@slid.lk | Website: www.slid.lk
Company Registration No: GA 2726

**Aroshi Nanayakkara**
Chairperson
Women Directors Forum

**Anshari Perera, CFA**
Head of Sector Research & Lead
Macro Economic Analyst'

**Chayu Damsinghe**
Product Head
Macroeconomic and
Thematic Research
Frontier Research (Pvt) Ltd

# SLID webinar

# Sri Lanka's economy: The next 6 months

The Women Directors Forum of The Sri Lanka Institute of Directors together with the Women Corporate Directors (WCD) Sri Lanka Chapter organized a webinar on Sri Lanka's Economy': The Next 6 Months to understand what the next 6 months will hold for Sri Lanka under different political and debt scenarios. Anshari Perera – Head of Sector Research & Lead Macro Economic Analyst and Chayu Damsinghe – Product Head Macroeconomic & Thematic Research of Frontier Research (Pvt) Ltd were the resource persons for the session.

In her presentation, Anshari Perera said that the near-term economic outlook is very ambiguous as it is tied to the political nuances in the country and that there can be a significant amount of volatility over the next few months depending on how the situation unfolds. She added that political situation and the negotiations with the IMF are two key factors that will have a significant impact on how Sri Lanka's economy will perform in the near-term as well as from a longer-term perspective.

"The IMF is important in bringing back confidence and improving the sentiment – particularly the foreign investor sentiment – towards Sri Lanka. From a political perspective, if we have a stable government that can continue throughout this period, it will immensely help with the IMF negotiations and the debt restructuring process.

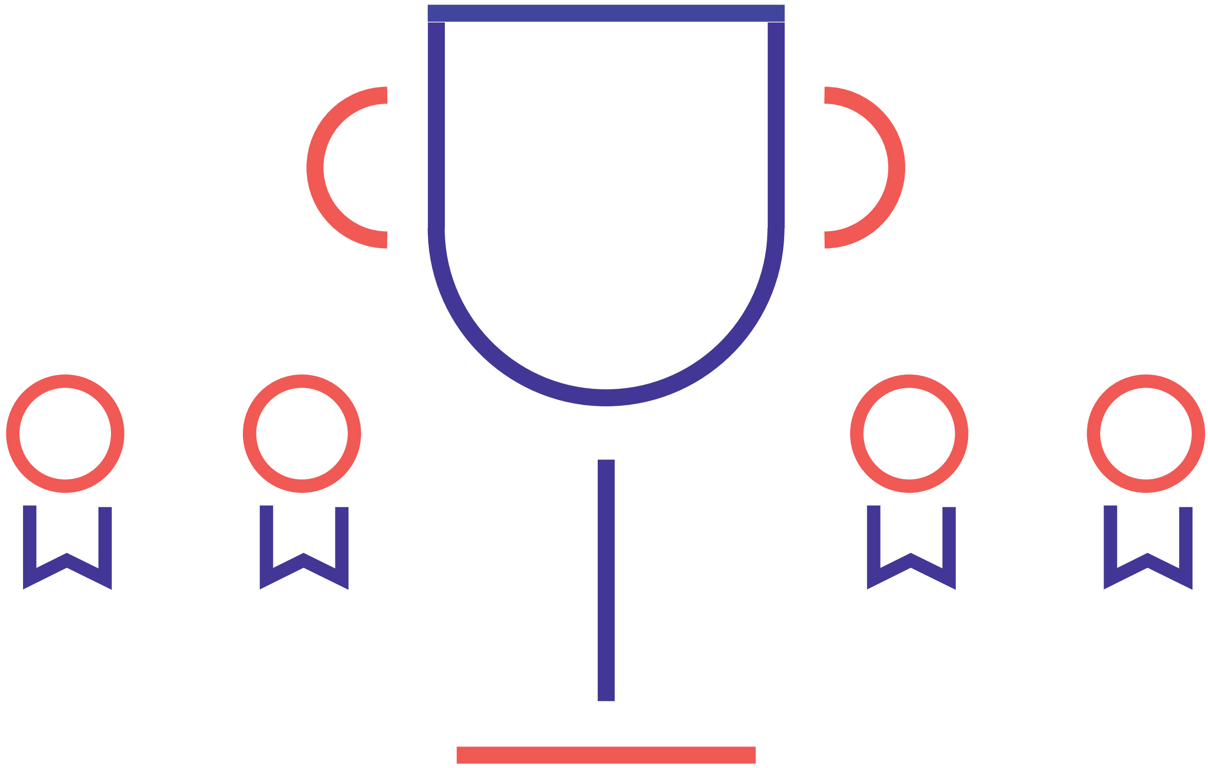
Anshari went ahead to comment that Sri Lanka is not unique in the situation it is in. Many other economies have undergone similar experiences in the past 10-15 years. IMF's importance at this juncture can be understood by studying the experience other countries have had in similar currency and debt crises and how they have manoeuvred their economies back to health with the backing of the IMF. She mentioned that countries which have continued with the IMF programme for at least two years have seen spiralling inflation fall back to below 15% and cut back on money printing with tight monetary and fiscal policy reforms such as interest rate increases and restructuring of taxes. An IMF programme will also support an inflation rate slow-down and stabilization of exchange rates" she said adding that while Sri Lanka can recover from this crisis and come out stronger like some of the other countries, the recovery will not be a "V" shaped fast recovery.

Chayu Damsinghe commented that the crisis that Sri Lanka is going through is not necessarily rare or uncommon. He mentioned that the recovery witnessed by other countries gives optimism even though the trajectory of recovery may be mid to long term. While some countries like Venezuela and Zimbabwe underwent a hyper-inflationary period, most countries recovered, some quite strongly, having undergone varying levels of pain."

"In 1991 India experienced its Gross Fiscal Deficit rising which was financed through increased borrowings. India saw its reserves falling from USD 3.11 billion at the end of August 1990 to USD 891 million by mid-January 1991 causing massive problems across India. The economic crisis fuelled a political upheaval too with India appointing four prime ministers from 1989 to 1991. It was PM Narsimha Rao's Government that was credited for having implemented the necessary reforms for India to come out of the crisis."

"Across this period, the currency depreciated quite heavily across a series of devaluations. Interest rates were also high although not as high as in Sri Lanka" he added."

He also highlighted that India was facing the same issues that Sri Lanka is currently facing such as foreign lenders becoming reluctant to lend money, non-availability of forex to import essentials such as fuel and fertiliser, an adjustment of the exchange rate which was put in place to discourage the import of non-essential items while encouraging non-residents to send more money to their local bank accounts. The reforms package promulgated by the then PM of India to make them self-reliant with the ability to pay for their imports with their own exports, liberalising government regulation and controls which hindered economic activity and employment opportunities, reducing rural urban disparities, ensuring social justice and the misuse of government concessions with those other than the poor and needy enjoying the benefits does resonate with the discussions that are now taking place in Sri Lanka.



## The 50 awards we’ve received over the past decade is a testament to the value we deliver to our people, customers and nation

Great Place To Work® 10 YEARS LEGENDS™

# Why Corporate Boards Need ESG Specialists

The most important topic on which investors demand to engage their corporate boards is sustainability. When the most powerful stakeholder (investor) of a company demands priority be given to ESG (Environment, Social & Governance), one would expect boards around the world to be able to engage with investors. But unfortunately this is not the case. Only 56% of Directors understand their company's carbon emissions and fewer than two-thirds of them admit their boards even understand their company's climate strategy. Another BCG-INSEAD Survey says unfortunately 70% of board directors said their boards were ineffective at integrating ESG into strategy building and governance. This is at a time of monumental change driving the need for ESG integration in companies. Not just investors, but consumers and regulators are strongly pushing for sustainability integration in corporate policies. For change to happen at the top, ESG specialists need to be in the most powerful decision making body of the private sector.

## Why is ESG important?

A company focusing on sustainability in the past would have had a competitive edge over the other in terms of marketing but today it has become imperative for corporates to integrate ESG into their strategy due to the overwhelming demand by all stakeholders which include the investors, consumers, employees, supply chain partners and government regulators According to Gartner, 85% of investors in 2020 looked at ESG factors when making important investment decisions. ESG is not just about doing the right thing but it is also profitable as a Deloitte report shows that an inclusive culture results in a productivity increase of 22%.

The demand from consumers for sustainability is ever increasing especially among millennials and Gen Z. A study shows that nearly two thirds of consumers are even willing to spend more if the product is from a company that values sustainability. ESG factors also affect talent acquisition as 49% of Gen Z in 2021 had made career choices taking personal ethics into consideration according to Deloitte. Lastly, government regulations on ESG are getting stricter since the Paris Climate Agreement with legally binding net zero emission targets being set by many European governments. The recent regulations by the Securities and Exchange Commission of the United States and the EU's new taxonomy laws make it essential for any company around the world doing business in or exporting to Western countries to adhere to ESG commitments.

## Why are ESG Specialists needed on corporate boards?

**Fulfilling stakeholder demand** - As discussed above, the business case for ESG rests within the rising demand from all stakeholders. Earlier this year, shareholder pressure on Apple saw Apple giving in to do a civil rights audit and the world also witnessed the world's largest asset manager BlackRock backing the appointment of climate activists to the oil giant ExxonMobil's board of directors. There is also pressure from the younger generations as they aspire to work for and buy from companies with greater ESG integration. Having ESG specialists on boards to influence ESG strategy integration to the overall corporate strategy is of urgent need. Relying on the C-Suite or an external consultant for ESG can be costly in the long term.

Addressing critical ESG knowledge gaps within Boards -- An INSEAD Survey shows that less than half of board directors claimed they had the required ESG expertise and competence to exercise board level execution oversight. This is backed by a report which states that only 25% of directors on boards understand ESG risks in the first place. Urgent action is needed as earlier this year the Board of Directors of the oil giant Shell were sued as they failed to prepare the company for a net zero future. This further drives the urgency for ESG experts at higher levels of authority in the private sector.

Achieving regulatory requirements - Many ESG standards are likely to converge under a global standard and the likelihood of independent ESG auditors granting assurance is increasing. This will require board members to be able to meet the requirements. The US Securities and Exchange Commission's recent regulations show that aligning financial statements with ESG disclosures will be needed. With the EU and even Asian countries moving in this direction, it will become a necessity for Sri Lankan businesses in this globalized world.

Mainstreaming ESG concepts into corporate strategy - ESG factors need to be integrated in the overall corporate strategy building process as sustainability similar to digital transformation is embedded in diverse sectors of a company. 81% of board members favor ESG integration operationally and strategically. This is needed to establish long term strategic partnerships and investment decisions. ESG Experts on corporate boards can make a board ready for the future in a fast evolving world.

*Talal Rafi is a Senior Global Management Consultant at Deloitte Consulting focusing on corporate strategy and he was on Deloitte's Global ESG Operations Team. He is a member of the Expert Network of the World Economic Forum and he Co-Chairs the Global Plastic Innovation Network Action Group of the World Economic Forum. He has given talks globally including at the NASDAQ Entrepreneurial Center, S&P Global and the Central Bank of Sri Lanka. His work has been published by the World Bank, International Monetary Fund, Asian Development Bank, World Economic Forum, UNFCCC, London School of Economics and Forbes.*

# SLID'S GENDER PANEL PLEDGE


**1.0** This is a pledge SLID has endorsed and encourages its membership to pledge. This will promote due visibility of women at panels and conferences (be they private or public. It is expected that peer pressure will make this goal a reality. In taking the Panel Pledge the pledgor commits to openly calling for gender balance on panels, at conferences and other professional events. The pledgor also commits to actively support women's voices.

**2.0 Why does visibility at panels and conferences matter?**

a. Conferences and panels provide a platform to share experiences and perspectives. When you limit the range of perspectives, you limit the quality of the conversation and the potential outcomes.

b. From a woman speaker's perspective, the opportunity assists them in building their profiles and contributes to their experience and recognition. Moreover, when visible role models are male, the absence of women perpetuates absence of women.

c. From the participant's perspective, it reinforces the view that there are women worthy of emulation. This not only leads to recognition but also belief that it is accepted and possible for a woman to be a leader in whatever sphere.

d. In society it creates awareness that women can have a voice and a voice that provides quality to any discussion.

e. Empirical evidence teaches us that if you don't intentionally include, the system unintentionally excludes.

**3.0 What is the Pledge?**

Pledge made by SLID and its employees:

"SLID pledges that whenever it organizes a forum or participates in a panel, it will inquire about the participation of women in such forum and encourage their participation in a meaningful manner."

Pledge to be taken by Members:

"I pledge that whenever I am organizing a forum or participating in a panel I will inquire about the participation of women in such forums and take action to promote their participation in a meaningful manner."

4.0 How will the pledge manifest itself?

a. When a pledgor is invited to speak at or participate in a forum,

**i.** Enquiring as to who the other panelists/ participants/speakers are and how male/ female balance is achieved.

**ii.** Asserting that as a condition of participation you expect for women to participate in a meaningful manner and that there should not be mere tokenism.

**iii.** Reserving the right to withdraw from the event, even at the last minute, should this not be the case when the speaker list is finalized.

**iv.** Helping in finding women who are suitable for the relevant discussions.

b. Pledgers will make best efforts to ensure that the pledge is lived by those over whom the pledgor has influence.

c. Pledgors will speak up for gender balance at forums, as appropriate.

d. Pledgors will use their networks to link women to speaking opportunities.

e. Pledgers will acknowledge and find ways to counter fears women have in speaking up.

f. Pledgors will inculcate the habit of using the check list set out below amongst forum organizers and their own organization

- Is there female participation and if not, why?
- Are there women participating in discussing hard topics as well as "soft" topics?
- Are the speaker criteria inadvertently or otherwise biased?
- Have steps been taken to ensure women participation in a timely manner?

*The below is an excerpt of an interview of Dinesh Weerakkody with Professor Dave Ulrich. We believe the timeless insights shared in their conversation is apt to the current climate of Sri Lanka.*

# "BUSINESS SHOULD NOT BE LIMITED to making boatloads of money"

*Prof Dave Ulrich is the Rensis Likert Professor at the Ross School of Business, University of Michigan. Ulrich has published over 25 books and has been ranked the #1 Management Educator & Guru by Business Week and named the most influential thinker of the decade in HR by HR magazine. Professor Ulrich in an interview with Dinesh Weerakkody talks of the many challenges faced by leaders and businesses and points out that CEOs can add considerably to their bottom line by being more attentive to "soft" organization factors.*

Excerpts of the interview;
**By Dinesh Weerakkody**

**Your book The Leadership Code provides a fascinating and helpful framework for leadership. However across those thousands of books and articles, among the countless legends and stories, you'll find some common themes woven throughout successful leaders. What are they?**

We have studied many of these works and tried to find common themes, which we put into our book Leadership Code. We recently updated this research and identified current leadership requirements. As much as 70% of leadership is transferable from one context to another (the other 30% is specific to that context or industry). The 70% is the code and contains five essentials: Strategist (focused on the organization for the future), Executor (focused on the organization today),Talent manager (focused on individuals today), Human capital developer (focused on individuals for the future), Personal proficiency (the center of the model: person of character and integrity). I think that the five Code domains remain the same, but some of the skills have pivoted beyond all this. We believe leaders can add to their bottom line by being more attentive to "soft" organization factors, such as the commitment level of employees, the quality of leaders, and the linkage of both to obtaining results. Such "intangible" factors account for 50 percent of a company's market value.

**Which traits are we born with and which do we need to develop to be successful?**

The psychology research is pretty clear on this ¼ 50/50 overall ¼ half nature; half nurture. In our Code model, we think that the "personal proficiency" domain may be more 60/65 nature. We talk in that domain about the intellectual, emotional, physical, social, and spiritual attributes of leadership and some of these seem more innate than learned. The other four domains are probably 50/50. Lately, I have used the term 'predisposition' which I like because it means that while a leader may be predisposed to NOT be a strategist, a person can clearly learn the skills to do so. I am predisposed to be an introvert, but I can learn the skills of being an extrovert when I do presentations and speak.

**Books all the time will talk about how a well known business brand started at one time in someone's basement or garage, so much that it's become a sexy notion of sorts that going from rags-to-riches. What really identifies a true entrepreneur?**

An entrepreneur has a knack for seeing beyond the present, envisioning what might be, and turning those ideas and dreams into products and services. I think entrepreneurs can imagine a business or market opportunity that others may not have seen. They have a knack of seeing beyond what others experience to create a future experience. This discovery phase of innovation or entrepreneurship can be learned, to some extent, but it is also a god given gift. Bezos at Amazon could envision on line shopping beyond facilitating book sales; Jobs at Apple could envision iPhones and apps beyond computers.

**So far we have discussed some of the most important concepts you need to understand in order to achieve success in business - but how do you exactly justify what is true success? Is it money, or the influence your actions have over the environment and people around you?**

Success in business or in life is a very personal decision and choice. For some it is monetary and therefore success to them is making boatloads of money. For others, it is power and success to them is having influence over people and events. For others it is relationships, and success is belong to a tribe and having deep friendship. For others, it is ideas and success is discovering new insights that shape thought and action that can change the world. Success is so personal that there is not one definition that applies to all; and success may vary over a lifetime. Earlier in a career, success may be economic, but over time, this may shift to generativity and building next generation leaders. I think one of the most important coaching questions I ask is "what do I want" so that people can look at their strengths, values, predispositions and define success for them. If people don't define success for them; someone else is likely to do so, not in the person's interest.

**Technology over the last 10 years has altered the way we communicate and do things effectively . How has it impacted Busines and talent management practices?**

Technology allows information to shape behavior. Through artificial intelligence, smart machines, robots, and other technology advances, most of the administrative heritage of HR will be automated. Many firms went to service centers (1-800-HR help line) for administrative efficiency; now these service centers will likely be replaced with robots and/or self service. HR work that is routine, standard, and repetitive can likely be automated. HR professionals will become more critical to offer judgment about talent, leadership, and organization, but the administrative HR processes will not require human judgment. It talks about four stages of digital HR ¼ with most of the work done at stage 1 and stage 2.

**You are a strong advocate of good board governance . Are we heading in the right direction or are is it still talk and no real action?**

Corporate Governance is the system determining the direction and performance of companies. It consists of the interaction of the shareholders as owners, acting mainly at the annual general shareholders' meetings, the Board of Directors, acting on behalf of the shareholders at Board meetings, led by the Chairman; and the Executive Management, in charge of operational management, led by the CEO. Board governance has primarily been financial and strategic oversight:  is the management team delivering financial results and setting a strategy for future financial results?  Increasingly, I think this should be coupled with a focus on what I have called leadership capital.  Leadership capital means that boards should look at the qualities of individual leaders at key positions in the firm and the capabilities of the organization around culture, talent, accountability, information, and work.   I believe that these leadership capital intangibles will lead to long term, sustainable financial and strategic results..

**As the Guru of gurus for HR. What are some of the new trends in HR?**

I get very excited about how HR is not about HR, but about delivering business value. Employee experience is not just about employee sentiment, but how that sentiment will deliver business results. Without serving customers and investors, organizations do not exist, so employee experience should lead to better customer and investor experiences. My Leadership Capital Index book highlights this connection. HR's evolution will continue as current business issues place HR center stage (e.g., digital information age, #MeToo movement) and HR needs to continually upgrade to respond; but it is useful to move at this time from business partner 1.0 to business partner 2.0. We have identified 13 dimensions. Each of these thirteen dimensions is the topic of a book that is on our website (www.rbl.net) . The thirteen trends capture the pivots to make business partner 2 happen.

**What is your experience of getting good CHROs to run businesses as CEOs?**

In our research we found that top CHRO's has a closer leadership profile to top CEOs than CMO, CFO, CIO . The best CHROs think and act like CEOs in delivering business results.

**Finally, If HR could only do one big thing that would have the fastest impact, what would it be in your view?**

Talent management continues to be a real challenge for all organizations. We have seen that many organizations have learned where and how to source talent. So I would say, how to source talent, bring talent on board, reward and motivate talent, and retain the best talent. That is what CEOs also want from HR.

# Sri Lanka's Crisis - Lessons from Greece

'In some of the key metrics, such as debt/GDP, fiscal and current account deficit, you can see a lot of similarities between the crisis in Greece and that in Sri Lanka, which also has a lot to do with the actual incidents of the crisis, including accumulating of early warning signals and the failure to see the signals, rising deficits and debt to around 10% of GDP and triple deficits in 2009, in the case of Greece, former Finance Minister of Greece, Dr. George Papaconstantinou said at a Sri Lanka Institute of Directors (SLID)-initiated webinar recently.

**Dr.George Papaconstantinou**
Former Finance Minister of Greece

**Faizal Salieh**
Chairman-SLID

'The deeper causes behind the crisis was a combination of clientelism, a dysfunctional political system and weak institutions that could not act as a counterbalance to check political decision-making, Dr. Papaconstantinou added.

A SLID press release said: 'The Sri Lanka Institute of Directors recently held a webinar titled Sri Lanka's Economic Crisis: Lessons from Greece, featuring Dr George Papaconstantinou, the former Finance Minister of Greece. The session drew several pertinent lessons from Greece's own experience through its tumultuous period of unprecedented economic crisis in 2009-2018 and its road to recovery. The session was moderated by Faizal Salieh, chairman of SLID. It had a 30-minute keynote speech by Dr Papaconstantinou followed by a 30-minute Q & A discussion.

'Dr Papaconstantinou in his keynote said; "No two crises are the same. but there are many similarities such as warning signals, incidents, and unfortunately the same long and painful recovery periods." He spoke about the key learnings from the Greek experience, critical actions that are required from a political and economic sense, the roles of business, government, and citizens in trying to find right solutions, short term quick fixes vs long term sustainability, and gave some broad recommendations that can be considered as Sri Lanka moves forward.

'Greece had three bail outs, by far the biggest in any country. Unsustainable debt levels, excessive public expenditure, massive tax evasion, huge credit expansion and wages outstripping productivity gains contributed to the decline in the economy's competitiveness.

'He said that the Greek crisis was longer than it should have been due to mistakes that were made which need to be avoided in Sri Lanka, and that it is important to focus on the logic of the IMF bailout which is to provide funds until Sri Lanka regains access to international financial markets. In order to continue getting these funds, a combination of fiscal consolidation, monetary and exchange rate policies, and reforms in product, labour, and financial markets must be implemented which can be extremely unpleasant. He pointed out that fiscal consolidation would lead to recession but would eventually restore investor confidence and enable the return of long-term investors. He stressed the importance of long-term investors over the short-term opportunity-seekers for the economy's long-term sustainability.'

'Dr. Papaconstantinou cautioned that the country risk immediately spilled over to the corporate sector and had stayed over a long period in Greece, and they had a hard time tapping into international markets and had to grapple with issues such as acute forex shortages, and flight of highly skilled human capital that was essential for rebuilding the economy. He said the Greek economy was still carrying the cost of lost human talent.

"A lesson that we learnt was that one should not delay taking painful decisions, which is important for politics as well, because the longer it waits the tougher it becomes." He stressed the need to move fast on the restructuring of debt. "Delay entails costs and typically, time is not in your favour. There is also a trade-off between short and long-term transformation with IMF asking for a lot of short-term measures which makes it harder to have long-term reforms. It is important to push for long-term transformation and growth potential of the country. In the private sector, when the bubble bursts there will be many losses and very few wins," he added. "The crisis inevitably entails political polarisation, and even good companies can go bust. That's where the Government should step in and support them."

'Speaking of the role of the citizens, business, and government, he said "Crises are transformative, dramatic and tend to completely upend a society, politics and business and often go through the 5 stages of grief – denial, anger, bargaining (Sri Lanka's current stage), depression, and acceptance. Crises consume governments. It is important to keep the political climate non-toxic helping to keep the crisis duration shorter as in Portugal and Ireland and elites must also take the pain. If they are sheltered it is going to prolong the crisis. Social partners need to be part of the solution and should have a seat at the table even with IMF discussions on what needs to be done, and often IMF also gets it wrong as their recipes are not necessarily useful for every country."

"The pain which accompanies every crisis needs to be apportioned in a socially fair manner. Everyone will suffer but the vulnerable will suffer more. If it is seen that business and political elites were carving out a secure environment, it will backfire. The government needs to be fully accountable with maximum publicity, honesty, and openness. Greece passed a law where every government expense is published on the web, if it is not, then it is not legal. Also, a realistic fiscal path needs to be determined, if not it could lead to a vicious circle and lead to economic collapse which happened in Greece. Embrace the necessary reforms whether they are public sector, product/market reforms, opening up markets, professions or reforming SOEs, and privatisation. It is important for the government to stand firmly behind these rather than as an afterthought to fiscal consolidation. Finally, it is important to get the narrative right, and recognize the reasons how you got to this situation, and who is accountable. In Greece, we blamed the IMF, the Germans for being too tough, and blamed everyone else except for ourselves, the government and the business community for making some wrong decisions like relying too much on the government and not standing on its own feet," he concluded.

'In response to a question from the moderator that the usual criticism levelled against IMF was that it has a "one-size-fits-all" prescription for remedy and how it was managed in Greece, Dr George explained that the IMF is now different from the Asian crisis times, "it is a different beast, they do actively try to be more understanding of the social situation and they are open to keeping a recipe of measures that is balanced and protects the vulnerable, and they are open as long as you got the data to back it up, and arguments to exchange some measures for others if you can show them that a specific measure is detrimental. At the end of the day, they have the money and therefore the veto rights, so it's a delicate situation and they have to be convinced of your sincerity and competence. The conversation with the IMF does not finish with the signing of the agreement."

# SLID's Code of Ethics & Professional Conduct

## Introduction:

The Sri Lanka Institute of Directors (SLID) Code of Ethics and Professional Conduct is published to encourage its members to aspire to the highest level of professionalism and integrity in the work they discharge.

This is a voluntary pledge we hope members will respect, as part of achieving their commitment to professionalism, good governance and moral leadership

### 1. Professional Integrity & Honesty

**1.1** Members should conduct themselves as persons of integrity, respecting the principles and spirit of the Code so their reputations and that of the Institute are maintained and enhanced, and not compromised.

**1.2** Members should act honestly in professional dealings with their customers and the employees of the organizations they represent, and regulatory bodies and others whom they encounter in their dealings.

**1.3** Members must strive to ensure accuracy and transparency in business records and in reporting of information based on them, whether they relate to the Member or the organization they represent.

### 2. Professional Competence

**2.1** Members should employ the highest professional standards in carrying out their tasks, and promote those standards to their colleagues and employees of the organization they represent.

**2.2** Members should keep abreast of new knowledge in their fields.

### 3. Professional Conduct

**3.1** Members should maintain the highest standards of non-disclosure of proprietary and privileged information.

**3.2** Members should not disclose or permit disclosure to anyone, or use to their own advantage, confidential information concerning their organizations/customers, except when required by law.

**3.3** Members should not by any unfair or unprofessional practices vilify or harm the business of their organizations, or engage in conduct likely to bring discredit to their organizations or the Institute.

**3.4** Members should not by any unfair or unprofessional practice, vilify or injure the business reputation or interest of any other business.

**3.5** Members should seek and pursue business opportunities in a professional and ethical manner and encourage their colleagues and subordinates to conduct themselves in the same manner.

**3.6** Members should not offer, give, request or accept bribes of any description in the course of their professional dealings. Bribes include anything given or promised to improperly influence decisions made and actions taken.

**3.7** Members should not accept gifts or favours in whatsoever form from clients, service providers, customers and business associates, if it was possible on the part of a 'reasonable person' to conclude that the acceptance of such gifts or favours could directly or indirectly affect independence in decision making.

**3.8** Members should support fair participation and equal treatment of all people in the activities they are involved in, irrespective of gender, ethnicity, caste or creed, religion, or sexual orientation.

**3.9** Every member is encouraged to adopt in the organisation the member belongs to or has influence over, codes of conduct setting out the standards of conduct expected of all its directors and employees with respect to embracing anti-corruptio practices and practices to prevent harassment of any nature, including sexual harassment.

### 4. Other Codes of Professional Conduct

**4.1** Members should observe the requirements of all other codes of practice which may from time to time be relevant to them.

**4.2** Members should have due regard for, and comply with all relevant laws of the country in which they operate.

**Faizal Salieh**
Chairman-SLID

# Faizal Salieh re-elected Chairman SLID

Faizal Salieh was unanimously re-elected as Chairman of the Sri Lanka Institute of Directors (SLID) for the year 2022/23 at the Institute's Annual General Meeting held in July.

Aroshi Nanayakkara and Dinesh Weerakkody were elected as Senior Vice Chairperson and Vice Chairman respectively. Prakash Schaffter, Dilshan Rodrigo, Aruni Rajakarier, Ravi Abeysuriya, Manohari Abeyesekera, Charaka Perera and Rolf Blaser were elected to the Council with Immediate Past Chairman A. R. Rasiah continuing in his ex-officio capacity.

In his speech, Mr. Salieh referred to the visible breakdown of governance at both the political and economic levels in the country, and supported the call of the people for the restoration of good governance as a necessary condition for the nation's political and economic recovery, stability and well-being .He said SLID had issued a public statement against corruption and the need to eliminate it at the business level, public level and government level. "Sadly, bribery has acquired a new label called Facilitation Fees in business today. Business seems to have accepted bribery and corruption as a necessary evil. But we all know that corruption discourages investment, leads to the misallocation of resources and is a great social evil," he added. Salieh further stated that SLID has entered into an MOU with Transparency International Sri Lanka to launch an anti-corruption theme called Business Against Corruption. Under this theme, the Institute in partnership with TISL will enable Business to mitigate the corruption risk, build a resilience framework and create pathways to abhor and avoid corruption. The initiative will call upon Corporates, SOEs, family-owned businesses, MMEs and SMEs to join the collective action against corruption.


Salieh also commented on three other alarming concerns arising from the crisis - the threat of collapse faced by SME businesses, the unusually large number of youth preparing to leave the country in disgust and despair, and the lack of public consciousness about protecting public assets. "We as a nation cannot ignore these alarming situations" he said and urged the political leadership to expeditiously restore national stability.

The Chairman also launched a collective pledge to facilitate the participation of women in a meaningful manner in all of SLID's programs, events and activities and a Code of Ethics & Professional Conduct for members at the event.

H.E. Tareq Md Ariful Islam, High Commissioner of Bangladesh to Sri Lanka in his remarks as Chief Guest at the event shared the story of Bangladesh's remarkable journey of success. Mr. Katsuki Kotaro, Deputy Head of Mission, Embassy of Japan to Sri Lanka was the Guest of Honour.

# SECRETARIAT NEWS

# SLID appoints Rizan Jiffrey as new CEO

The Sri Lanka Institute of Directors has appointed Rizan Jiffrey as its CEO with effect from 15 November 2022. He replaces Radika Obeyesekere who has served the Institute as the CEO since February 2020.

Rizan is a qualified and experienced professional in finance and corporate management. He is a FCMA, CGMA, CA, MSc (Management), Dip. M and an alumnus of the Executive education program of the Business School of University of Oxford, UK. Rizan has over 30 years of corporate experience in financial management, strategic planning, project management, and operational management both in Sri Lanka and overseas. He has worked in leadership roles at Forbes & Walker Group, Kahawatte Plantations Ltd, and within the overseas business segment of Carsons Group. He was also an active member of the CIMA Sri Lanka Divisional Council.

## APPRECIATION TO THE OUTGOING CEO

Radika Obeyesekere who had been associated as Chief Executive Officer over the past two years left us for greener pastures. She joined us at the height of the then Covid crisis and held a firm and strong position to help the Institute handle the crises and very difficult times. During her tenure the Institute moved a "notch" higher in many aspects and she helped the Institute to adjust smoothly to the new norm. While thanking her for her contribution we wish her well in her new endeavors.

## THE SECRETARIAT TEAM

- **Hafsah Muheed / Manager –Policy, Programmes & Communication**
- **Yalini Rajaratnam / Manager – Finance & Administration**
- **Priyangi Abeywickrama - Manager – Operations**

## FORTHCOMING EVENTS OF SLID (JANUARY-MARCH 2023)

- **January 2023**
  -Young Directors Forum – Launch of Video series on social media
  -17th & 18th - Board Leadership Training (Intake 13, Part 4)
  -31st - Board IT Governance Survey Report Launch

- **February 2023**
  -Event by the Family Business forum on the transformation of Family Businesses
  -Event by Board Secretaries Forum
  -Young Directors Forum - knowledge sharing session
  - BLT (Intake 14 – Part 1)

- **March 2023**
  -BLT (Intake 14 – Part 2)

*"We apologize for the delayed release of this publication'*

EDITORIAL

# The Challenge of 2023

## A crisis laden 2022 now makes way to an uncertain 2023.

The past year saw the nation face multiple crises; wide-spread social unrest, the collapse of the Rupee, an extreme shortage of foreign currency, incredibly long queues, the re-emergence of the Covid threat, massive shortages of essential items, in short, a country writhing in continuous pain.

Except for the Corona virus, which could be blamed on a foreign source, all the other difficulties could be considered self-inflicted or matters that were within our capacity to address, had they been clearly understood early. We did not, imagining that by ignoring problems we could make them go away, the nation continued in the accustomed way, basically living beyond its means.

Massive projects were funded with borrowings, but gave little or no returns. A huge but inefficient public sector was maintained or even further expanded, effectively taking funds away from a relatively efficient sector to an inefficient sector. The argument was that the public sector provided services that were needed by the general population. However, our service quality kept dropping, several countries in the neighbourhood have now overtaken Sri Lanka in their service quality in essential areas like education, health and transport.

Although there were vague references to the darkening clouds, it is worrying that none of the think tanks or economic/business writers foresaw the magnitude of the storm that hit this country. The media either sings praises of or demonizes politicians, but did it seriously address the impending disaster? Although much has been said about economic reforms, the country still remains desperately dependent on remittances from our blue collar workers in the Middle-East and budget tourists from East Europe for the precious trickle of foreign exchange.

Our industries are basic and out-dated, compared to countries like Thailand, Malaysia and even Bangladesh there is an early 20th Century quality to them. When it comes to services like banking, finance and legal, again, there is nothing exceptional or competitive about our service quality, the most noticeable factor being their averageness, no great asset in a competitive world.
If we are to come out of this crisis unscathed we need Business/industry leaders who can make a difference, those who can compete with other countries and industries and come up on top.

That will be the challenge of 2023.

# Dinesh Weerakkody appointed as BOI Chairman

*We Congratulate the Vice Chairman of Sri Lanka Institute of Directors, Dinesh Weerakkody, on his appointment as the Chairman of the Board of Investment (BOI).*

*Mr. Weerakkody is also the Chairman of the Port City Economic Commission of Sri Lanka apart from being an Advisor on Treasury Affairs to President Ranil Wickremesinghe. He has served as the former Chairman of the Hatton National Bank and Commercial Bank of Ceylon and, is the Vice Chairman of the Employers' Federation of Ceylon.*

*We wish him well as he plays a prominent role in attracting much needed FDI's to Sri Lanka and shaping the economic landscape of the Country.*

## Passing Away of Dinesh Schaffter

We note with a sense of sadness the untimely demise of SLID member and business leader Dinesh Schafter. Mr Schafter has been a member of SLID since 2012 and has served the Institute whenever his services were required. Mr Schaffter is also the brother of SLID Council member, Mr Prakash Schafter.

# New Members

Ms Yanika
Amarasekera

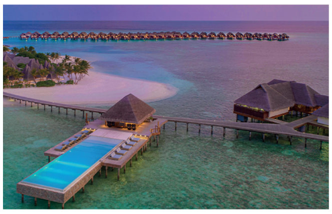
Mr Asela
Waidyalankara

Mr Joesph
Rajive Silva

Mr Sampath
Senawatte

Annika
Senanayake

# THE WORLD
## certainly is your treasure trove and what better way to
# EXPLORE IT



The world certainly is your treasure trove, and what better way to explore it than with Aitken Spence Travels. We offer our clients unmatched, comprehensive and professional overseas travel solutions with absolute peace of mind. Needless to say, we deliver what we promise! At Aitken Spence Travels we cater to individual travellers, couples, families and even corporate groups. So come,plan your next vacation, tour or business trip with Aitken Spence Travels, we're absolutely sure you will be amazed at what we can offer.

- Airline ticketing and reservation
- Visa Service
- Overseas hotel accommodation
- Rail tickets to Europe
- Foreign exchange - Travel Card
- Overseas Travel Insurance
- Airport drop and pick up services

Chandima
011 2 308 308 - Ext 9651 | 077 311 2862

www

Aitken Spence Travels

*Nanda Fernando Managing Director, Sampath Bank PLC together with Aroshi Nanayakkara Senior Vice Chairperson, The Sri Lanka Institute of Directors, exchange the agreement. Tharaka Ranwala Senior Deputy General Manager and Group Marketing, Deposit Mobilization and Digitalization, Sampath Bank PLC and Radika Obeysekera Chief Executive Officer, The Sri Lanka Institute of Directors.*


# Sampath Bank sponsors 'Women on Boards' training programme

Sampath Bank has been named one of the Annual Corporate Partners sponsoring the 'Women on Boards' Training Programme launched by the Women Directors Forum (WDF) of the Sri Lanka Institute of Directors (SLID). The initiative, announced to coincide with this year's International Women's Day, will include the compilation of an e-Directory of Board and Board-Ready Women.

It is a key element of the WDF's ambitious goal of creating a female leadership pipeline.

The 'Women on Boards' Training Programme is in the process of identifying and assembling a deep talent pool of Sri Lankan working women with professional backgrounds, management experience, people skills and leadership potential. These are prime candidates for board membership, managers who are ready for bigger things.

The plan is to groom these talented individuals and fast-track them for placement on the boards of public and private corporate entities. Formed in 2019, Women's Diversity Forum spearheaded SLID's agenda to foster diversity on boards. Among other accomplishments, this resulted in progressive gender quotas being included in the budget presented by the Minister of Finance in March 2019. It mandated a minimum of 20% female membership on boards by the end 2024, and encouraged a voluntary target of 30 percent. The WDF also partnered with the International Finance Corporation (IFC) on its first Women on Boards and Leadership Training Programme.

"Women are somewhat an under represented gender on corporate boards, so we at Sampath Bank are glad to be part of this movement to radically change the status quo," said Nanda Fernando-Managing Director, Sampath Bank PLC. "Case studies done at Harvard Business School and other prestigious management training institutions have proved over and over again that women leaders bring diverse and different thinking to the board table. Women are seen to be more collaborative and are great team players. Women tend to be non-confrontational and are thus very effective at conflict-resolution and problem-solving."

"The WDF's plan to redress the imbalance at the board table is both timely and noteworthy. There's a vast pool of underutilized talent that's going to waste--qualified, motivated women who are no strangers to hard work. Tapping into this rich resource is long overdue, and should have significant benefits for corporate bottom lines, he added.

# SLID Webinar on Company Secretary in the Digital Age

Ms. Nisha Najumdeen
Director/Council Member
Board of Management ICCSSL
Former Company Sectetary
Seylan Bank PLC

Mr. S. Sudarshan
Deputy President-ICCSSL
Director
Geneco Pvt Ltd
Greenvest Pvt Ltd

Mr. Sunil G. Wijesinha
Chairman
Watawaia Plantations PLC
RIL Property PLC

Mr. Naomal Goonewardena
Partner
Nithya Partners

The Board Secretaries Forum of The Sri Lanka Institute of Directors (SLID) together with their strategic partner – the Institute of Chartered Corporate Secretaries of Sri Lanka (ICCSSL) recently organized a webinar on "The Company Secretary in the Digital Age" to share experiences on how digital innovation is helping the Company Secretary to be more efficient and effective.

The webinar was moderated by S. Sudarshan – Chair of the SLID Board Secretaries Forum and Deputy President of the ICCSL while the keynote was delivered by Nisha Najumudeen – former Company Secretary of Seylan Bank PLC. Naomal Goonawardena – Precedent partner of Nithya Partners together with Sunil G. Wijesinha – Director of BizEX Consulting (Pvt) Ltd and Chairman of many public companies were the expert panellists.

Introducing the topic, S. Sudarshan said that the Company Secretary's work related to administrative responsibilities used to consume a significant amount of time which reduced the capability to focus on important areas such as strategy, research, problem solving, and representation and coordination of company matters. "The opening represented by technological advancements offers the opportunity to manage the ever-increasing governance challenges and compliance requirements faced by all organizations. Through digitalization I believe that the company secretary can discontinue certain traditional office work mechanisms and implement digital services. Digitalization has undoubtedly changed the way Corporate Secretaries work, both in scope and execution. As Boards go digital, corporate secretaries must work closely and ensure a seamless transition."

In her keynote, Nisha Najumudeen said "individuals like me who began our careers in the '80s have seen how the work that we have been doing has evolved beyond recognition over the 3 decades due to technological development and rapid digitalization. Automation enabled me to perform my duties with ease. Technology has become pervasive, and digitalization is an indispensable element for any professional and company secretaries are no exception."

# "ASK THE GURU"

**1. How do we develop a succession plan for a Board of Directors, particularly for the Non-Executive Directors?**

Leaders should understand that creating and executing a board succession plan is not a one off proposition. Rather, it is an ongoing process requiring routine evaluations of board composition and competencies, including regular gap analysis to identify opportunities for improvement to better position the board to meet current or future needs.

Eight fundamental steps in establishing an effective board succession plan include:

I. Establish accountability - form a board development committee to oversee the board succession planning process, establish accountability, and ensure succession planning is integrated with regular board operations.

II. Build buy-in - Discuss the need for board succession planning and the potential benefits with other board members. This helps them to understand the process and be more engaged.

III. Identify leadership priorities - Examine the organization's strategic plan and evolving market forces to determine the types of competencies needed to navigate current and future challenges.

IV. Routinely evaluate board performance and competencies - Assess overall board composition and performance, as well as the expertise and contributions of individual board members at least annually to identify strengths and potential areas for improvement.

V. Conduct a gap analysis - Analyze the findings from your board evaluations relative to organizational priorities to identify any gaps between current board competencies and what competencies should be added.

VI. Need for diversity - Take the opportunity to increase board diversity in multiple forms- including gender, race, nationality, age, experience, and expertise, etc. Companies with a diverse board of directors ensure more robust and insightful board discussions with broader perspectives.

VII. Map upcoming vacancies - Keep a running list in the board succession plan of any known dates for when board members will be stepping down from their positions due to term limits, retirement, or other reasons.

VIII Develop a pipeline of candidates - Based on the board assessments and gap analyses, maintain and routinely update a list of potential, qualified director candidates to fill upcoming vacancies in the near future, or within the next few years.

**2. How should we address ESG responsibility within a Board?**

The most important topic on which investors demand to engage their corporate boards is sustainability. For some, the term ESG (environmental, social, and governance) still conjures notions of issues not linked to the financial performance of the company. But given the heightened focus from a variety of stakeholders (including regulators) and the growing understanding of its impact on performance, ESG is a critical topic in the boardroom.

ESG presents real risk—and potentially even bigger opportunities

Should each board member assume all ESG responsibilities? Should ESG responsibilities be assigned to an existing committee? Or should the board create a new committee with specific ESG assignments and roles?

The answers to these questions will depend upon each company's board structure and responsibilities. The Company's business environment and the extent to which ESG is integrated into its operating model and organizational structure also needs to be considered. For some companies, that may mean creating a new and separate ESG committee depending on the strategic importance and customer and regulatory framework concerning ESG. For others, the right approach may be to delegate oversight of some ESG issues within existing board committees given the risk and compliance perspective of ESG. One size will not fit all boards. Boards must identify synergies when distributing ESG oversight within the board and its committees.

John Elkington, who has served on more than 70 boards and advisory boards, says the next two years are set to be "absolutely critical" in terms of ESG. "By 2030 I think we will have seen a profound, seismic shift in the makeup of boards," he says. "Not necessarily lots of sustainability experts, but people who are open to that agenda, connected with people who are active in that world, and bringing the new agenda into the heart of the business."

**Please send in your questions to ops@slid.lk**

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

# SERIES 04 -AWARENESS OF OCCUPATIONAL FRAUD

BOARD SNIPPETS

**Why is this relevant?**

The Association of Certified Fraud Examiners (ACFE), says fraud costs organizations an average of about 5% of annual revenue. Occupational fraud (employees' fraud against their employers) is a major part of this; in very stressed times such as we are in, the risks may escalate. Boards and Audit Committees are advised to strengthen internal controls and detection mechanisms in readiness for a heightened level of fraud risk.

### The fraud triangle suggests three factors underlie fraud



**RED FLAGS TO OBSERVE ARE**

1. EMPLOYEE LIVING BEYOND HIS MEANS.
2. ADDICTIONS/DEBTS OWED.
3. FAMILY PRESSURE TO EARN MORE.
4. RELUCTANCE TO TAKE LEAVE.
5. RELATIONSHIPS WITH CUSTOMERS AND SUPPLIERS ARE TOO CLOSE.
6. OVERRIDDEN CONTROLS.
7. UNEXPLAINED ANOMALIES AND INCOMPLETE RECONCILIATIONS.
8. DELAYED EXPLANATIONS.
9. IRRITATION WHEN QUESTIONED.
10. RECURRING DISAGREEMENT WITH AUDIT FINDINGS.

**More than HALF of all tips come from employees**

## PREVENTING & MANAGING FRAUD

01 THE TONE FROM THE TOP DISSUADES FRAUD AND SUPPORTS ACTION AGAINST IT.

02 MANAGEMENT MUST FOCUS ON CONTROLS.

03 ENSURE CLEAR SEGREGATION OF WORK AT ALL LEVELS OF STAFF.

04 A WHISTLEBLOWING SCHEME CAN BE IMPORTANT.

**This is part of a series developed by The Sri Lanka Institute of Directors to strengthen corporate governance. For inquiries on membership, activities, and training, please contact the secretariat on email: ops@slid.lk 011 362 0613**

SLID THE SRI LANKA INSTITUTE OF DIRECTORS

The Education & Training committee of SLID recently launched a series of "Board Snippets" to present aspects of special importance to Directors in an easily digested, single page capsule.

The fourth in the series is on occupational fraud developed by Mr Richard Ebell
.
The snippets are also available on the SLID website. SLID acknowledges the contributions of Ms. Aruni Rajakarier and Mr. Dusty Alahakoon in achieving the distinctive branding of "Board Snippets".

**BOARD**
**SNIPPETS**

# Invite to Follow Us on Social Media

**Let's Get Connected for Our Latest News & Updates**

- LinkedIn: [The Sri Lanka Institute of Directors]
- Facebook: [The Sri Lanka Institute of Directors]
- Instagram: [@theslinstituteof.directors]
- Twitter: [@SriLankaIoD]
- YouTube: @thesrilankainstituteofdire8613

# Harsha Amarasekera meets SLID's Young Directors

The Young Directors Forum of The Sri Lanka Institute of Directors hosted a session with veteran Board Leader Harsha Amarasekera PC and chairman of a number of private and public listed companies.

The event was an open discussion engaging young Board leaders on the role of young directors, key aspects of board governance and emerging concerns and challenges. As the first in-person event of the Young Directors Forum, it provided a platform for both young directors and aspiring directors to gain valuable insight from Harsha Amarasekera's extensive corporate and board experience.

The session was moderated by Seylan Bank and HNB Finance Director, YDF Chair Anushka Wijesinha. Harsha Amarasekera enlightened the participants on the 'non-negotiable' critical attributes that young directors and director-aspirants should possess, broke down myths and misconceptions about the role of independent directors and provided a range of personal examples and experiences.

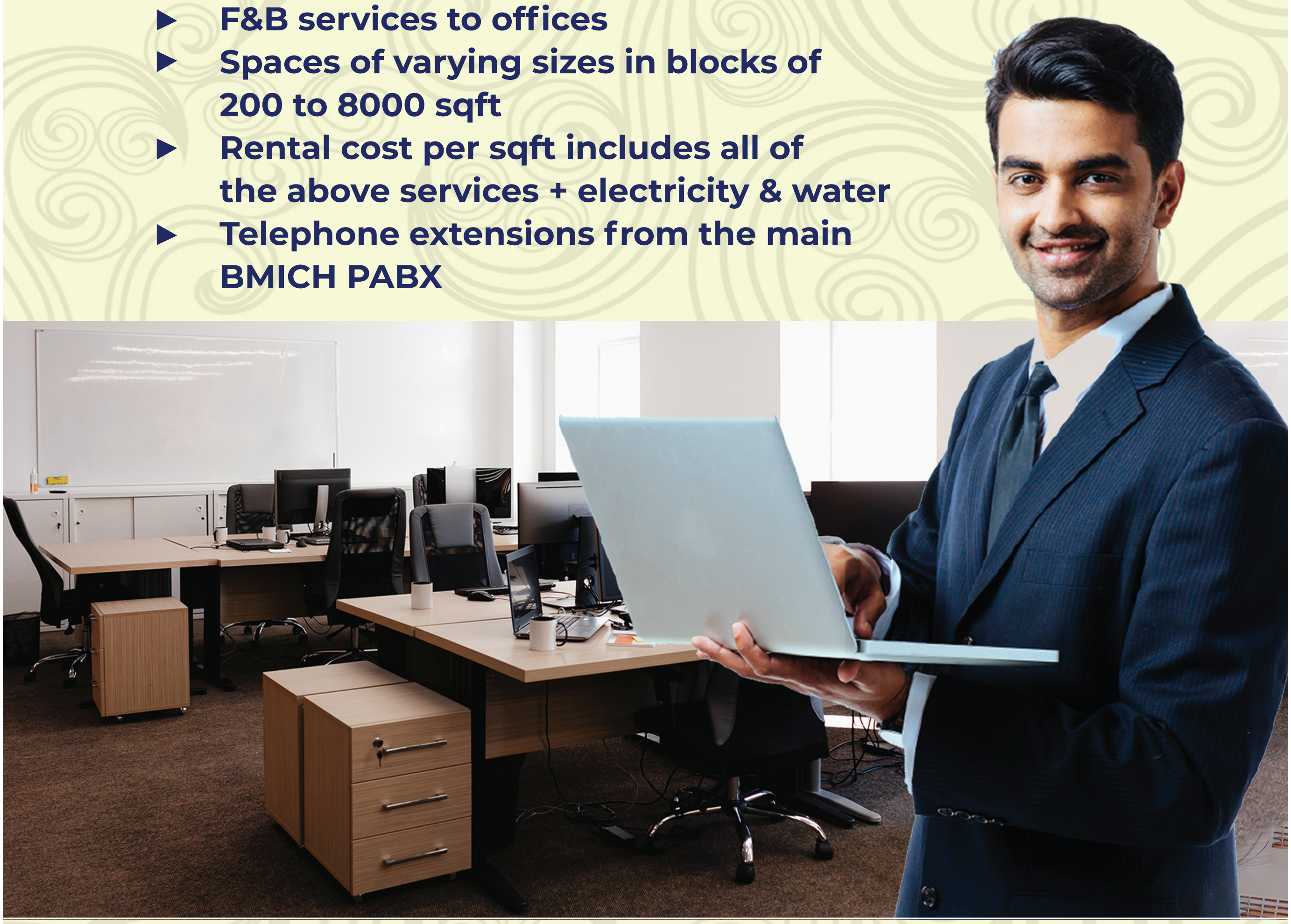
Harsha and Anushka also discussed as to how directors can continually sharpen their contribution and where they often fail in making an impact. In responding to audience questions, Harsha explained how young directors in family businesses could strategically improve their impact, as well as which aspects of his own Board-related responsibilities are most challenging and rewarding.

The event was sponsored by Revago – the preferred partner in Polymers. For more information on the Forum and SLID email ops@slid.lk

# BMICH TENANCY

**Invitation to public and private sector organisations to try out office spaces at BMICH . Available for long, medium, short term rent!**

- Air conditioned office spaces
- 24/7 security
- Janitorial services
- Soft furnishing
- Car parking
- Premium address
- F&B services to offices
- Spaces of varying sizes in blocks of 200 to 8000 sqft
- Rental cost per sqft includes all of the above services + electricity & water
- Telephone extensions from the main BMICH PABX



**For further details & appointments for viewing, contact Deepika on 0718033445 or E-mail deepikag@bmich.com**

## BMICH- SOUTH ASIA'S BEST MICE BRAND

The Century International Quality ERA Award
Gold- Geneva Platinum -Paris

BWIO
Platinum Award

BMICH International Congress, Conventions, Conferences, Exhibitions & Events.
COLOMBO • SRI LANKA
Meet in Sri Lanka

South Asian Travel Award
Leading Meeting & Convention Centre

Sri Lanka Tourism Awards
The Best MICE Venue

Bauddhaloka Mawatha, Colombo 07, Sri Lanka Tel 0112 691131 Fax 0112 696130 reservations@bmich.com www.bmich.com