Risks and Opportunities

Talawakelle Tea Estates PLC operates across sixteen estates in Sri Lanka's upcountry, mid-country and low-country agro-climatic zones — an environment that is inherently shaped by climate variability, structural labour market pressures, evolving ESG certification requirements, and dynamic global buyer sustainability demands. Each of these forces presents both risks and opportunities that we must manage with discipline and rigour to deliver long-term value for our stakeholders.

Proactive, structured risk and opportunity management is central to the way we run our business. By embedding risk thinking into strategic planning, capital allocation, replanting decisions and operational management, we respond quickly to emerging conditions and maintain resilience through commodity and climate cycles. Our approach is forward-looking: we do not simply protect against downside risk — we actively pursue the opportunities that responsible, nature-positive plantation management creates.

Our FY 2025/26 Risk Environment

FY 2025/26 was defined by three intersecting pressures that collectively elevated our risk exposure and sharpened our focus on operational resilience. The South-West monsoon season brought above-average rainfall intensity to several Upcountry estates, heightening acute physical risk from floods and slope instability. The September 2024 wage revision — the largest in recent years — created an immediate and material increase in estate operating costs. Simultaneously, advancing global regulatory frameworks on supply-chain sustainability began to translate into concrete buyer due-diligence requirements that TTE must prepare for.

Despite these headwinds, group-wide risk-bearing capacity remained stable. Our estate-level emergency response capabilities, strengthened through slope engineering and drainage investments, contained disruption events within acceptable OPEX thresholds. The biodiversity corridor initiative and ongoing RA certification compliance continued to strengthen TTE's nature-positive credentials, creating long-term competitive differentiation.

FY 2025/26 Actions

- Strengthened slope engineering and drainage infrastructure across HIGH-exposure Upcountry estates, reducing acute physical risk profile.
- Formalised all 16 Estate-Level Sustainability Steering Committees with Board-approved Terms of Reference, improving first-line risk intelligence.
- Implemented the Internal Controls for Sustainability Reporting (ICFSR) — the first full-year operation of formalised sustainability data controls.

Future Focus

- Advance the 13 km Nanu Oya/ Agra Oya biodiversity corridor, targeting PES revenue certification by FY 2027/28.
- Deploy stochastic climate modelling to strengthen scenario analysis and improve quantification of value at risk across the estate portfolio.
- Progress the SBTi near-term target submission and align CapEx programme with the validated decarbonisation pathway.

Our Risk Management Approach

TTE's Enterprise Risk and Opportunity Management (EROM) Framework is a Board-approved, systematically implemented approach to identifying, assessing, prioritising, controlling and monitoring all material risks and opportunities across the full enterprise. The Framework is reviewed and approved by the Board annually and covers all risk categories business, climate, sustainability, financial and operational under a unified structure.

The Framework employs a bottom-up approach, with estate-level data and operational intelligence flowing up through the ESEG Steering Committee to the Board Audit Committee (BAC). This is reinforced by a structured quarterly top-down review by the BAC to ensure completeness, proportionality and continuous improvement. The EROM Framework directly feeds the sustainability-related financial disclosures presented separately in this report.

Five Integrated EROM Components:

Culture & Values	Embedding risk awareness, accountability and ethical behaviour across all 16 estates, 15 factories and central functions. Supported by the Hayleys Way Code of Conduct.
Risk Taxonomy	Six-category risk universe: Business, Sustainability, Climate, Financial, Operational and Opportunity. Consistent classification enables enterprise-wide comparability.
Risk Processes	Five mandatory identification sources, five-criteria assessment framework, composite scoring methodology and four-level monitoring system.
Risk Governance	Three-tier governance model (Board / Management / Operational), Three Lines of Defense, and BAC oversight with defined escalation protocols.
Technology	Estate-level digital data collection, ESG dashboard, KRI/KPI tracking systems and centralised sustainability data infrastructure.

Risk-Bearing Capacity

Maintaining adequate risk-bearing capacity is the foundation of TTE's prudent risk management. Risk-bearing capacity is assessed across three dimensions.

Estate & Asset Insurance

Comprehensive plantation and factory insurance programme. All 16 estates and 15 factories covered for asset damage and tea stocks business interruption. Annual coverage reviewed against risk appetite thresholds.

Financial Liquidity

Stable liquidity profile maintained through strong management of tea operations and disciplined working capital management. Followed Group treasury guidelines and instructions.

Operational Resilience Capacity

Estate-level reserve capacity through business continuity protocols, emergency OPEX provisions and the three-tier Continuresponse framework. Operational RBC embedded in estate management practices.

EROM DESIGN IMPERATIVES

1. Effectively and proactively identify, assess, quantify and mitigate all material risks and opportunities.
2. Consider both the positive and negative dimensions of every risk — every risk contains an opportunity.
3. Identify and pursue strategic opportunities arising from the ESG transition, nature-positive positioning and climate resilience investments.

Embedding Our Erom Framework

Maturing our risk and opportunity management is a journey that will enhance our long-term strategic resilience and enable sustained value creation across all capitals.

Risk Identification

Proactive identification of emerging internal and external risks through structured assessments, industry best practices, and cross-functional collaboration.

Risk Measurement

Comprehensive evaluation and prioritization of risks using qualitative and quantitative assessment methodologies supported by systematic risk tracking.

Risk Control

Implementation of robust internal controls, clear accountability, and organization-wide awareness to strengthen risk mitigation and governance.

Risk Monitoring

Continuous monitoring and timely escalation of risks to ensure the effectiveness of mitigation measures and support proactive decision-making.

Risks and Opportunities

	Where we were	Where we are	Where we want to be
Risk Maturity	Estate-level risk data collected in isolation; no enterprise-wide view. Risk treated as a compliance function.	Structured EROM Framework operational across all 16 estates. Quarterly BAC risk reviews. KRI/KPI system active. Five-criteria composite scoring applied consistently.	Stochastic modelling of multi-risk clusters. Predictive, data-driven risk intelligence. SRRO financial effects quantified with high precision across all time horizons.
Climate & Nature Integration	Climate risks tracked informally through estate weather logs. No scenario analysis. Biodiversity managed as a certification requirement only.	Three-scenario climate analysis (SSP1-2.6, SSP2-4.5, SSP3-7.0) conducted annually. Biodiversity corridor programme underway. RA geospatial risk assessment completed.	Full TNFD LEAP nature-related risk assessment integrated into EROM. Climate financial effects quantified across all scenarios. PES revenue streams generating income.
Governance & Controls	Risk governance limited to Board and management level. No formal estate-level governance. Sustainability data collected without formal controls.	Three-tier governance fully operational with 16 Estate Sustainability Steering Committees. ICFSR implemented. Three Lines of Defense embedded.	Mature ICFSR with annual effectiveness assessment. Reasonable assurance over sustainability data quality. Integrated risk and financial controls.
Strategic Value Enabler	ESG managed as a certification and reporting obligation. Risk and sustainability silos.	ESG and sustainability risks fully integrated into the EROM Framework. Sustainability-related risks elevated to same level as financial and operational risks in BAC review.	Forward-looking approach where nature-positive and climate-resilient positioning drives strategic competitive advantage and unlocks new revenue streams.

Balancing Risk Capacity, Appetite and Tolerance

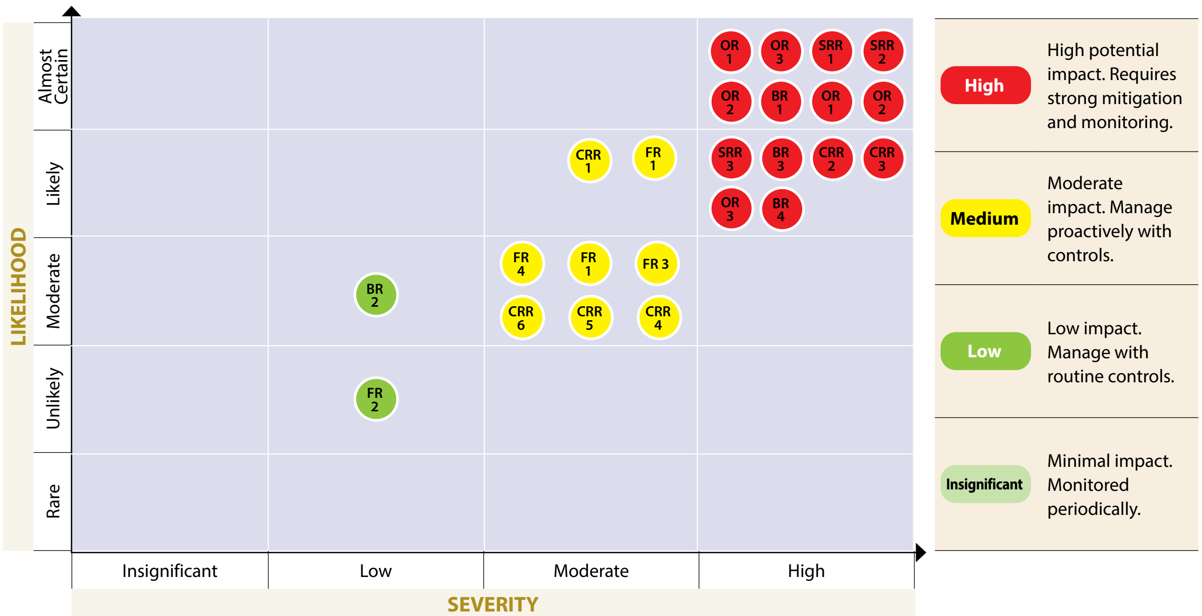
	RISK CAPACITY	RISK APPETITE	RISK TOLERANCE
Definition	The total amount of risk TTE may bear across all categories, assuming all other factors remain constant.	The total level of risk TTE is willing to accept in pursuit of its strategic objectives and the Hayleys ReGen Agenda 2030.	The specific maximum level of exposure by risk category or SRRO that the Board considers acceptable.
Measurement	Assessed in terms of TTE's operating cash flow stability, asset base, insurance coverage and CapEx headroom.	Measured through composite risk scores against priority bands. Appetite for HIGH-band SRROs is LOW; appetite for SRO-1 (Biodiversity Opportunity) is HIGH.	Tolerance thresholds are expressed as Rs. amounts and operational KPI limits — e.g., acute disruption OPEX cap Rs. 80 Mn/year; absenteeism <25%; SBTi pathway maintained.
Application	Used by the BAC at the annual EROM review and monitored quarterly to ensure TTE's risk profile remains within capacity limits.	Applied in setting CapEx priorities, replanting cycles, energy transition investments and estate social welfare programmes.	Used by management as an early-warning trigger. KRI threshold breaches against tolerance levels are escalated to ESEG and BAC within defined timeframes.

The board annually evaluates and reaffirms TTE's risk capacity, appetite and tolerance thresholds as part of the EROM Framework review cycle. This allows the board to assess whether TTE is exploiting the full potential of its risk appetite, protecting itself sufficiently from the risks associated with value creation, and making the appropriate disclosures to its stakeholders.

Principal Risks — Heat Map Assessment

As part of our dynamic risk assessment process, all material risks are evaluated across short (18-month), medium and long-term time horizons. The heat maps below present the 18-month and five-year views of TTE's seven principal risks, assessed on likelihood and magnitude dimensions.

Risk Matrix 2025/26



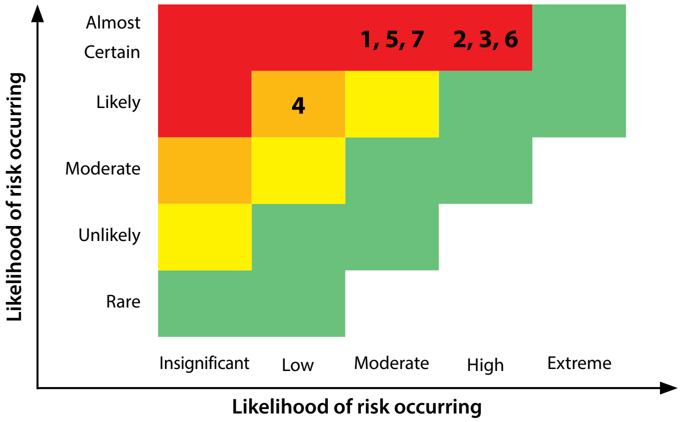
Five Year Risk Trend Analiysis

High Medium Low

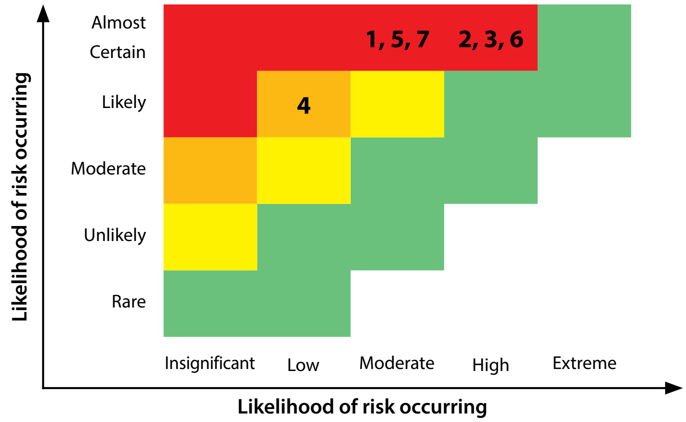
	Risk Title	Risk Rating				
		2025/26	2024/25	2023/24	2022/23	2021/22
	Inflation Risk	High	Medium	High	Medium	High
	Interest Rate Risk	Medium	Medium	Medium	Low	Low
	Geo-political developments	High	High	High	High	High
	Macroeconomic and political developments	Low	Low	Low	Low	Low
	Compliance Risk	High	High	High	High	Low
	Exchange Rate Risk	Medium	Medium	Low	Low	Medium
	Competitor Risk	High	High	High	High	Medium
	Climate Change & Extreme Weather Risk	High	Medium	High	Medium	Medium
	Biological Risk	Medium	Medium	Medium	Medium	Medium
	Labour Scarcity & Wage Escalation Risk	High	High	High	High	High

Risks and Opportunities

Year Time Horizon



5 Years Time Horizon



Extreme / High Risk | High / Medium Risk | Medium Risk | Low Risk

1	Acute Physical Climate Risk (CRR-2)-High
2	Labour Scarcity & Wage Esalation (SRR-1)-High
3	Chronic Physical Climate Risk (CRR-3)-High
4	Climate Transition Risk (CRR-1)-Med-High

5	Health Risk from Pesticide and agrochemical Exposure (SRR-3)-High
6	ESG Certification Compliance and Sustainability Requirements (SRR-2)-High
7	Ecosystems and Biodiversity (SRO-1)-High

Year-On-Year Change and Risk Appetite Mapping

▲ Elevated Risk

Risk has increased in likelihood, magnitude or financial exposure relative to FY 2024/25.

▼ Reduced Risk

Risk has decreased due to effective mitigation actions, improved controls or favourable operating conditions.

● Static Risk

Risk profile is broadly unchanged from the prior year. Monitoring continues at the same intensity and escalation tier.

Mapping Strategic Priorities Across Our Risk Appetite Profile

Extreme Eager to be innovative; choose options offering higher potential reward despite higher inherent risk	High Willing to consider options and choose one likely to result in successful delivery	Medium Preference for safe options with reasonable risk and limited potential reward	Low Preference for extremely safe options with low risk and limited reward	Insignificant Avoidance of risk and uncertainty is the key objective	
IS **Invest Strategically**	**Extreme to High** Strategic CapEx for climate adaptation (slope works, factory upgrades), replanting programme and nature-positive investment reflects high risk appetite for growth-creating investments that deliver long-term competitive positioning.				
OC **Optimise Capital**	**High to Medium** Strong cash generation and disciplined balance sheet management provide headroom to fund ESG investments. High appetite for broadening funding sources and securing climate-aligned (green) financing. Low appetite for covenant breach or rating downgrade.				
CR **Drive Climate Resilience**	**Medium** TTE has a medium risk appetite for the pace of climate transition investment. SBTi pathway is non-negotiable; however, capital deployment is sequenced against financial capacity constraints. LOW appetite for being on the wrong side of regulatory developments.				
WS **Workforce Sustainability**	**Low to Medium** Workforce is TTE's primary operational asset. Zero tolerance for occupational safety failures or violations of statutory wage obligations. Low appetite for workforce instability. Social licence to operate is foundational.				
NP **Nature-Positive Operations**	**High Opportunity** TTE actively seeks to exploit the high-value opportunity created by biodiversity restoration and nature-based finance. Board appetite for SRO-1 (Biodiversity Opportunity) is fully favourable. CapEx allocation approved at Rs. 22–25 Mn/year.				
OE **Operational Excellence**	**Medium Tto Low** Low appetite for OPEX overruns beyond approved thresholds. Active appetite for productivity improvements and technology adoption that reduce cost per kg tea. Zero tolerance for fraud or data integrity failures in sustainability reporting.				
FY25/26	**Extreme to High**	**High to Medium**	**Medium**	**Low to Medium**	**High OPP. (NP)**

TTE's Board-approved risk appetite framework applies differentiated tolerance positions across its six strategic priorities rather than a single aggregate threshold. Each calibration reflects the distinct risk-reward logic of that priority and governs capital allocation, SRRO escalation, and management response across the year.

IS commands the broadest appetite Extreme to High anchored in the conviction that sustaining competitive relevance through structural industry change demands bold capital commitment. OC is set at High to Medium, disciplined by balance sheet guardrails while pursuing climate-aligned financing. CR carries a Medium appetite, sequencing transition investment against financial capacity without compromising regulatory commitments. WS is Low to Medium, reflecting zero tolerance for safety failures, wage violations, and anything that erodes TTE's social licence to operate. NP is uniquely designated High Opportunity biodiversity and ecosystem assets are treated as a source of financial value, not compliance cost. OE holds a Medium to Low appetite, with zero tolerance for data integrity failures in sustainability reporting.

Taken together, the FY 2025/26 profile reflects a Company willing to absorb growth-creating risk while holding firm boundaries over operational, workforce, and regulatory exposures.

Risks and Opportunities

Three Lines of Defense

First Line - Operational Control

Estate Managers, Factory Supervisors and 16 Estate Sustainability Steering Committees own and manage risks within their operations. They generate primary risk data, execute mitigation actions, implement controls, and escalate threshold breaches within 48 hours.

Second Line - Risk Oversight

ESEG Steering Committee, design and monitor the EROM Framework, maintain the SRRO register, review data quality, provide risk reporting to BAC, conduct scenario analysis and oversee policy compliance.

Third Line - Independent Assurance

Board Audit Committee, Hayleys Internal Audit Division and the external sustainability assurance provider deliver independent assurance on the effectiveness of risk management, internal controls, and the accuracy of sustainability disclosures.

Principal Risks and Opportunities

TTE's risk and opportunity register covers the full enterprise — from climate and sustainability risks to financial, operational and business risks. Each item has been identified through TTE's five-source EROM identification process, assessed against five criteria, and scored using the Board-approved composite methodology. Where a risk also meets the financial materiality threshold for sustainability-related financial disclosures, a cross-reference to the relevant Sustainability Disclosure Note is provided.

BM — Business Model	VC — Value Chain	P&P — Performance and Prospects
High Impact	Medium Impact	Low Impact

Elevated	Reduced	Static
Risk has increased in FY 2025/26	Effective mitigation has reduced risk	Risk profile broadly unchanged

Business Risks (BR)

BR-1	Geo-Political Developments		YoY Change	High FY24/25 Status
Risk appetite: LOW TO MODERATE	Score: H×H = Adj. 12	Horizon: Short to Medium		High

Description and Implications for Value Creation

Political conflicts and geopolitical tensions disrupt global trade flows, shipping access and export market predictability. Volatility in commodity prices and supply chain disruption translate directly into revenue and cost uncertainty for TTE.

Response and mitigating actions	Opportunities arising
• Proactive scenario testing for geopolitical shocks and their export market impacts. • Diversification into new and emerging markets to reduce concentration risk. • Strengthening domestic and international buyer relationships for early risk signal detection. • Regular review and updating of contingency and business continuity plans.	• Geographic market diversification opens access to high-growth markets (US, Middle East, Japan). • Supply chain disruptions faced by competing origins create opportunities for Ceylon Tea to capture incremental market share. • Strong buyer relationships provide intelligence advantage in volatile market conditions.

BM	VC	P&P	Committee	Geography	Capitals
H	H	H	ESEG Steering Committee · Director/ CEO	All estates · Export markets globally	Financial Capital · Social & Relationship Capital

BR-2	Macroeconomic and Political Developments		YoY Change	Low — Stable - FY24/25 Status
Risk Appetite: Moderate	Score: L×L = Adj. 4	Horizon: Short		Low

Description and Implications for Value Creation

Inflation, exchange rate fluctuations, and global demand dynamics for plantation commodities directly influence TTE's revenue and cost base. Political stability supports export performance and investment flows, while prolonged uncertainty can defer investment and dampen buyer confidence.

Response and Mitigating Actions	Opportunities Arising
• Scenario testing for key macroeconomic sensitivities. • Engagement with trade organisations and industry associations for market intelligence. • Robust financial planning with inflation-adjusted cost assumptions. • Diversification of revenue streams to reduce commodity price concentration.	• Strong post-reform political stability creates a conducive environment for export-led growth. • Exchange rate movements can provide revenue upside for LKR-denominated cost bases with USD export receipts. • Inflation-driven input cost pressures accelerate productivity investment, improving long-term competitiveness.

BM	VC	P&P	Committee	Geography	Capitals
L	L	L	Director Finance · ESEG Committee	All operations · Export markets	Financial Capital · Social & Relationship Capital

BR-3	Civil Unrest		YoY Change	High - Static - FY24/25 Status
Risk Appetite: Low	Score: H×H = Adj. 12	Horizon: Short		High

Description and Implications for Value Creation

Civil unrest disrupts estate operations, reduces workforce availability, and can result in property and infrastructure damage. It deters investment, delays export activities, and undermines market credibility. Estate communities are both TTE's workforce and its primary social licence constituency.

Response and Mitigating Actions	Opportunities Arising
• Active community engagement and welfare investment to sustain social stability. • Maintaining strong labour relations across all 16 estates and 15 factories. • On-site security and business continuity protocols for escalation scenarios. • Adequate insurance coverage for property and operational disruption.	• Proactive community investment builds long-term loyalty, reducing social friction and turnover risk. • Estates with strong community relations attract better workforce quality and reduce absenteeism. • Demonstrating responsible community stewardship strengthens RA certification and buyer ESG assessments.

BM	VC	P&P	Committee	Geography	Capitals
H	H	H	ESEG Steering Committee · Director/ CEO · DGM HR	All 16 estates across agro-climatic zones	Human Capital · Social & Relationship Capital · Financial Capital

BR-4	Inflation Risk		YoY Change	High - Elevated - FY24/25 Status
Risk Appetite: Low to Moderate	Score: H×M = Adj. 10	Horizon: Short		High

Description and Implications for Value Creation

Escalating input costs — particularly labour, energy, fertiliser and agrochemicals — exert persistent pressure on operating margins. The September 2024 wage revision compounded an already elevated cost environment, with limited ability to pass through cost increases at the commodity auction level.

Response and Mitigating Actions	Opportunities Arising
• Continuous efficiency improvements and productivity enhancement across estates and factories. • Cost benchmarking and lean operations initiatives to sustain competitiveness. • Strategic procurement of key agricultural inputs to reduce unit cost exposure. • Integration of cost reduction targets within the Hayleys ReGen Agenda 2030 initiatives.	• Cost inflation pressure accelerates modernisation and mechanisation investment, improving long-term productivity. • High-cost environment favours premium and certified tea segments where value-to-cost ratios are more favourable. • Operational efficiency gains from renewables (solar, hydro) reduce energy cost exposure over time.

BM	VC	P&P	Committee	Geography	Capitals
H	H	H	Director Finance · ESEG Committee · Estate Managers	All estates and factory operations	Financial Capital · Manufactured Capital · Human Capital

Risks and Opportunities

Financial Risks (FR)

FR-1	Liquidity Risk		YoY Change	Medium - Static - FY24/25 Status
Risk Appetite: Low to Moderate	Score: M×M = Adj. 6	Horizon: Short		Medium

Description and Implications for Value Creation

Exposure to cash flow pressures from tea price fluctuations, crop volume variability, wage cycle commitments and geopolitical macroeconomic uncertainty. Adequate liquidity buffers are essential to fund operations, CapEx and debt service without disrupting strategy execution.

Response and Mitigating Actions	Opportunities Arising
• Preservation of cash and unutilised credit facilities to maintain adequate liquidity headroom. • Maintaining diversified banking relationships and access to short and long-term credit facilities. • Proactive cash flow forecasting aligned with tea auction cycle and seasonal crop patterns. • Scenario planning for liquidity under adverse price and yield assumptions.	• Strong cash generation from certified-tea premium sales reduces base liquidity risk. • Exploring sustainability-linked financing to access new funding sources at competitive terms. • Renewable energy income provides a stable, non-tea revenue buffer during adverse commodity cycles.

BM	VC	P&P	Committee	Geography	Capitals
M	M	M	Director Finance · ESEG Committee	Group treasury and all operational cash flows	Financial Capital

FR-2	Credit Risk		YoY Change	Low - Reduced - FY24/25 Status
Risk appetite: Low	Score: L×L = Adj. 3	Horizon: Short		Low

Description and Implications for Value Creation

Exposure to potential financial loss from delays or defaults in buyer or customer payments. TTE's primary exposure is through tea auction receivables and direct export buyer accounts. Current credit quality of the buyer base remains sound.

Response and Mitigating Actions	Opportunities Arising
• Regular follow-up procedures to ensure timely settlement of outstanding balances. • Continuous monitoring of outstanding customer balances and ageing analysis. • Stringent credit policies and pre-approved credit limits for direct export buyers. • Periodic balance confirmations to ensure agreement with counterparty records.	• Conservative credit management maintains strong receivables quality. • Long-term direct buyer relationships reduce credit risk through relationship accountability.

BM	VC	P&P	Committee	Geography	Capitals
L	L	L	Director Finance	Tea auction receivables · Direct export buyers	Financial Capital

FR-3	Interest Rate Risk		YoY Change	Medium — Static - FY24/25 Status
Risk Appetite: Low to Moderate	Score: M×M = Adj. 6	Horizon: Short to Medium		Medium

Description and Implications for Value Creation

Fluctuations in market interest rates impact borrowing costs on TTE's variable-rate facilities and the opportunity cost of capital allocation. Rising rates increase debt service costs and raise the hurdle rate for CapEx investment decisions.

Response and Mitigating Actions	Opportunities Arising
• Close monitoring of financial market conditions and central bank policy signals. • Diversifying investment and liability portfolios to reduce rate concentration. • Maintaining strong banking relationships to ensure competitive refinancing terms. • Integration of interest rate sensitivity into OPEX and CapEx financial planning.	• Declining interest rate environment improves debt service economics and supports CapEx deployment. • Sustainability-linked loan structuring can access preferential rate margins through ESG performance linkage.

BM	VC	P&P	Committee	Geography	Capitals
M	M	M	Director Finance	Group treasury — all borrowing facilities	Financial Capital

FR-4	Exchange Rate Risk		YoY Change	Medium - Static - FY24/25 Status
Risk Appetite: Low to Moderate	Score: M×M = Adj. 6	Horizon: Short		Medium

Description and Implications for Value Creation

Currency volatility in LKR/USD creates exposure on foreign currency-denominated borrowings and on the USD value of export receipts. LKR depreciation improves export revenue in local currency terms but increases imported input costs.

Response and Mitigating Actions	Opportunities Arising
• Continuous monitoring of FX market movements and macroeconomic trends. • Hedging exposure through approved financial instruments where material. • Optimisation of currency conversion timing to manage exchange rate gains. • Maintaining FX risk within Group treasury guidelines.	• LKR depreciation increases LKR-denominated revenue from USD export receipts. • Structured hedging programme provides predictability in planning, enabling better investment decisions. • Diversified export currency exposure reduces concentration in any single currency.

BM	VC	P&P	Committee	Geography	Capitals
M	M	M	Director Finance	Export receivables · USD-denominated borrowings	Financial Capital

Operational Risks (OR)

OR-1	Fraud and Anti-Corruption Risk		YoY Change	High — Static - FY24/25 Status
Risk Appetite: Zero Tolerance	Score: H×H = Adj. 10	Horizon: Short		High

Description and Implications for Value Creation

Exposure to potential financial and reputational risks from fraudulent activities, misappropriation of assets or unethical conduct in operational processes. TTE operates across dispersed estate locations, requiring robust distributed controls.

Response and Mitigating Actions	Opportunities Arising
• Sound internal controls framework supported by audit & assurance procedures. • Hayleys Way Code of Conduct: anti-bribery, anti-corruption, zero-tolerance policy. • Whistleblower channel for anonymous reporting of suspected fraud. • Continuous employee training & awareness programmes on ethical conduct. • Strengthening digital approval workflows to reduce manual intervention risk.	• A strong ethical culture and zero-tolerance governance framework is a reputational asset for buyers and investors. • Digital controls reduce fraud vulnerability and improve process efficiency simultaneously. • Transparent governance standards support TTE's position as a preferred corporate partner in ESG supply chains.

BM	VC	P&P	Committee	Geography	Capitals
H	H	H	Director Finance · BAC · Internal Audit · Hayleys Group	All estate and factory operations	Intellectual Capital · Financial Capital · Social & Relationship Capital

OR-2	Technology and Data Integrity Risk		YoY Change	HIGH - Elevated - FY24/25 Status
Risk appetite: Low	Score: H×H = Adj. 10	Horizon: Short		High

Description and Implications for Value Creation

Exposure to information technology failure, cybersecurity breaches and unauthorised data leakage across TTE's estate management, ESG data collection and financial reporting systems. Digitisation of sustainability reporting increases data integrity risk if controls are inadequate.

Response and Mitigating Actions	Opportunities Arising
• Access controls and multi-factor authentication for all key systems. • Licensed software procurement and periodic IT audits. • Antivirus, firewall and controlled access environment across all IT assets. • Employee awareness programmes on data confidentiality and cybersecurity. • Enhanced data governance and formal information security policies.	• Cybersecurity investment enables digital transformation of estate operations without unacceptable risk. • Robust ESG data infrastructure supports credible sustainability disclosures and assurance engagement. • Digital systems improve ESG data quality, reducing the measurement uncertainty in sustainability reporting.

BM	VC	P&P	Committee	Geography	Capitals
H	H	H	SM Management Information Systems · ESEG Committee	All IT systems: estate, factory and corporate	Intellectual Capital · Financial Capital · Manufactured Capital

Risks and Opportunities

OR-3	Competitor Risk		YoY Change	High — Static - FY24/25 Status
Risk Appetite: Moderate	Score: H×M = Adj. 8	Horizon: Short to Medium		High

Description and Implications for Value Creation

Competitive pressure from other Ceylon Tea Regional Plantation Companies and alternative beverage categories threatens market share, auction pricing and buyer relationships. Competitors with stronger ESG credentials or lower cost structures may displace TTE in premium buyer portfolios.

Response and Mitigating Actions	Opportunities Arising
• Product innovation and diversification into value-added teas, tea tourism and renewable energy strengthen TTE's premium market position. • Strong buyer relationships, brand reputation and RA/Fairtrade certification create a competitive barrier to entry.	• Deep ESG certification credentials and Hayleys Group scale create strong competitive barriers and market-access advantages. • First-mover positioning in specialty tea categories such as Matcha and organic tea strengthens brand value and premium market differentiation.

BM	VC	P&P	Committee	Geography	Capitals
H	H	H	Director/CEO · GM Sustainability	Colombo Tea Auction · Direct export buyer market	Financial Capital · Intellectual Capital · Social & Relationship Capital

Climate-Related Risks and Opportunities (CRR / CRRO)

CRR-1	Climate Transition Risk — Low Emission Compliance		YoY Change	Med-High - Elevated - FY24/25 Status
Risk Appetite: Moderate	Score: L×M = Adj. 9	Horizon: Short to Long		Med-High

Description and Implications for Value Creation

The global shift to a low-carbon economy creates compliance costs through carbon pricing, mandatory GHG disclosure and buyer-driven Scope 3 targets. TTE's Scope 1 intensity (biomass processing, diesel, fertiliser) requires active CapEx investment in the decarbonisation transition.

Response and Mitigating Actions	Opportunities Arising
• Annual renewable energy CapEx focused on solar PV expansion and biomass combustion efficiency improvements. • SBTi-aligned Scope 1 and 2 reduction tracking, supported by ISO 14064-1:2018 GHG inventory, assurance and regulatory horizon scanning.	• Renewable energy investments reduce long-term energy costs while supporting Scope 2 emission reductions. • SBTi-aligned low-carbon credentials strengthen access to premium buyers, green financing and sustainability-focused markets.

BM	VC	P&P	Committee	Geography	Capitals
H	H	H	BAC · Director Finance · GM Sustainability	All estates · EU export markets (CBAM monitoring)	Natural Capital · Financial Capital · Intellectual Capital

CRR-2	Acute Physical Climate Risk — Extreme Rainfall, Floods & Landslides		YoY Change	HIGH - Elevated - FY24/25 Status
Risk Appetite: Low - Zero Tolerance	Score: L×M = Adj. 16	Horizon: Short to Medium		High

Description and Implications for Value Creation

Extreme rainfall events during the South-West monsoon season cause floods, slope failures, factory shutdowns and direct crop losses across TTE's Upcountry and mid-country estates. Speed of onset is very high (hours), making preventive infrastructure investment the primary control lever.

Response and Mitigating Actions	Opportunities Arising
• Strengthen vulnerable slopes through retaining walls, drainage channels and soil anchoring, supported by flood early-warning alerts. • Maintain annual monsoon preparedness by pre-positioning equipment, reviewing emergency plans and monitoring emergency OPEX against the Rs. 80 Mn tolerance cap.	• Proactive resilience investment reduces event-related losses, protects long-term asset quality and strengthens estate climate resilience. • Climate-resilient estates improve ESG buyer positioning, support RA certification strength and enhance green finance eligibility.

BM	VC	P&P	Committee	Geography	Capitals
H	H	H	BAC · ESEG · Director Plantations · Estate Managers	Upcountry and Mid-Country estates — highest exposure	Natural Capital · Manufactured Capital · Financial Capital

CRR-3	Chronic Physical Climate Risk — Rising Temperatures and Yield Decline		YoY Change	High — Static - FY24/25 Status
Risk appetite: Low To Moderate	Score: L×M = Adj. 12	Horizon: Medium to Long	High	

Description and Implications for Value Creation

Progressive warming at Upcountry elevations above 1,600 m affects leaf flush rates, crop quality, pest incidence and varietal agro-climatic suitability. IPCC AR6 projections under TTE's base scenario (SSP2-4.5) indicate cumulative yield decline from the late 2020s.

Response and Mitigating Actions	Opportunities Arising
• Align annual replanting with TRI climate-resilient varieties and estate-level vulnerability mapping to prioritise high-risk areas. • Apply agronomic adjustments and SLAS 36 climate scenario reviews to protect crop resilience and long-term asset value.	• Early replanting and climate-adapted varieties position TTE ahead of competitors while supporting premium specialty market opportunities. • Crop diversification and deep TRI engagement reduce climate concentration risk and build strong agronomic knowledge that is difficult to replicate.

BM	VC	P&P	Committee	Geography	Capitals
H	H	H	BAC · ESEG · Director Plantations · Head of Agronomy	Upcountry estates (primary) · All zones over the long term	Natural Capital · Manufactured Capital · Financial Capital

CRR-4	Reputational Risk from Environmental Performance		YoY Change	Medium — Static - FY24/25 Status
Risk Appetite: Low to Moderate	Score: L×M = Adj. 6	Horizon: Short to Medium	Medium	

Description and Implications for Value Creation

Negative stakeholder perceptions regarding the environmental impact of tea cultivation — chemical use, water consumption, land-use change — can erode brand value, buyer confidence and investor sentiment. ESG reputation risk is increasingly amplified by digital monitoring and NGO scrutiny.

Response and Mitigating Actions	Opportunities Arising
• Strengthen ESG performance across plantation and factory operations through RA, ISO 14001, Fairtrade, GRI reporting and transparent annual disclosures. • Advance large-scale reforestation, biodiversity corridors and water stewardship initiatives to reinforce environmental resilience and sustainability leadership.	• Leading ESG performance and transparent reporting strengthen TTE's reputation as a sustainability leader. • Strong environmental credentials and nature-positive positioning attract ESG-oriented buyers, sustainability-linked investors and above-auction margin opportunities

BM	VC	P&P	Committee	Geography	Capitals
H	H	H	ESEG · GM Sustainability · Director/ CEO	All estates · Brand exposure: global buyer markets	Social & Relationship Capital · Intellectual Capital · Natural Capital

CRR-5	Biological Risk — Pests, Pathogens and Crop Disease		YoY Change	Medium - Static - FY24/25 Status
Risk Appetite: Low to Moderate	Score: L×M = Adj. 5	Horizon: Medium	Medium	

Description and Implications for Value Creation

Changing microclimatic conditions are increasing the prevalence of pests, pathogens and crop diseases across TTE's estates. Higher agronomic inputs are required to maintain yield and quality, adding cost and creating residue management challenges.

Response and Mitigating Actions	Opportunities Arising
• Apply IPM, regular crop surveillance and disease monitoring to reduce chemical dependency and strengthen early pest control. • Improve soil and plant health through nutrient programmes, organic matter management and field supervisor training on IPM protocols.	• IPM adoption and proactive disease management reduce chemical input costs, strengthen RA compliance and protect crop quality. • Soil health improvements build long-term estate productivity resilience and support stronger auction price realisation.

BM	VC	P&P	Committee	Geography	Capitals
M	M	M	Director Plantations · Head of Agronomy · GM Sustainability	All estates across agro-climatic zones	Natural Capital · Manufactured Capital · Financial Capital

Risks and Opportunities

CRR-6	Water Scarcity and Changing Rainfall Patterns		▲ YoY Change	Medium - Elevated - FY24/25 Status
Risk Appetite: Low to Moderate	Score: L3×M2 = Adj. 5	Horizon: Medium to Long		Medium

Description and Implications for Value Creation

Changes in rainfall seasonality, rising evaporation rates and potential groundwater depletion threaten irrigation availability and tea processing water supply. Dry-season water stress can reduce leaf flush, constrain factory operations and damage soil structure.

Response and Mitigating Actions	Opportunities Arising
• Expand rainwater harvesting, water storage and efficient irrigation practices to improve estate-level water security. • Monitor water use and rainfall trends while aligning water stewardship initiatives with RA certification requirements.	• Water efficiency investments reduce per-unit operating costs, improve RA audit performance and strengthen buyer ESG confidence. • Best-practice water stewardship supports long-term soil health, estate productivity and differentiation with water-sensitive buyers.

BM	VC	P&P	Committee	Geography	Capitals
M	M	M	GM Sustainability · Director Plantations · Estate Managers	All estates — highest exposure in dry-zone regions	Natural Capital · Manufactured Capital · Financial Capital

Sustainability-Related Risks and Opportunities (SRR / SRO)

SRR-1	Labour Scarcity and Wage Escalation		▲ YoY Change	High - Elevated - FY24/25 Status
Risk Appetite: Low	Score: H×H = Adj. 16	Horizon: Short to Medium		High

Description and Implications for Value Creation

Structural decline in estate labour supply, driven by demographic change and alternative employment, creates persistent harvest capacity risk. The September 2024 wage revision resulted in a material increase in estate OPEX. Absenteeism above the 25% threshold directly reduces crop volumes and quality.

Response and Mitigating Actions	Opportunities Arising
• Strengthen workforce stability through estate welfare programmes, absenteeism monitoring, gender diversity initiatives and female workforce participation. • Manage labour cost and productivity pressures through targeted mechanisation pilots, wage planning and OPEX sensitivity analysis.	• Welfare investment, labour standards compliance and workforce training strengthen loyalty, reduce turnover and support certified-tea premiums. • A stable workforce and selective mechanisation improve productivity and tea quality, helping offset wage cost escalation.

BM	VC	P&P	Committee	Geography	Capitals
H	H	H	Director/CEO · DGM HR · ESEG Committee · Estate Managers	All 16 estates across all agro-climatic zones	Human Capital · Social & Relationship Capital · Financial Capital

SRR-2	ESG Certification Compliance and Buyer Sustainability Requirements		▲ YoY Change	High - Elevated - FY24/25 Status
Risk Appetite: Low	Score: H×H = Adj. 12	Horizon: Short to Medium		High

Description and Implications for Value Creation

Failure to meet evolving sustainability standards — Rainforest Alliance 2020, Fairtrade International, ISO 22000 — risks loss of certified-tea premiums (Rs. 185/kg High-Grown; Rs. 166/kg Low-Grown) and access to ESG-focused buyer contracts. Global certification requirements are intensifying, not stabilising.

Response and Mitigating Actions	Opportunities Arising
• Conduct annual RA and ISO 22000 audits with proactive internal reviews to maintain consistent certification readiness across all estates. • Monitor evolving buyer ESG requirements and train staff on certification compliance and Good Agricultural Practices.	• Premium certifications and EUDR readiness strengthen access to ESG-committed buyers and position TTE ahead of competitors. • A strong certification profile supports first-mover advantage, green financing and sustainability-linked lending opportunities.

BM	VC	P&P	Committee	Geography	Capitals
H	H	H	GM Sustainability · ESEG Committee · Estate Managers	All 16 estates · Low-Country factory operations	Financial Capital · Intellectual Capital · Social & Relationship Capital

SRR-3	Health Risks from Pesticide and Agrochemical Exposure		▲ YoY Change	High — Static - FY24/25 Status
Risk appetite: Low	Score: H×H = Adj. 12	Horizon: Short		High

Description and Implications for Value Creation

Pesticide exposure poses direct health risks to estate workers, increasing absenteeism and healthcare costs. Regulatory and legal liability from non-compliance with occupational health standards, combined with reputational damage, can threaten RA certification and buyer relationships.

Response and Mitigating Actions	Opportunities Arising
• Strengthen worker safety through appropriate PPE, regular health monitoring and strict adherence to occupational health, safety and regulatory standards. • Reduce agrochemical risk through integrated pest management, proper storage, handling and labelling of all agrochemical inputs.	• Transitioning to organic and low-chemical practices creates access to premium organic market segments and reduces long-term input costs. • Strong worker health and safety standards support RA and Fairtrade certification while lowering environmental liability.

BM	VC	P&P	Committee	Geography	Capitals
H	H	H	DGM HR · GM Sustainability · Estate Managers	All 16 estates and 15 factories	Human Capital · Natural Capital · Social & Relationship Capital

Business Related Opportunity (BO)

BO-1	Robust Global Demand for Plantation Products		▲ YoY Change	High — Elevated Opportunity FY24/25 Status
Risk Appetite: High Appetite	Score: M×M = Adj. 9	Horizon: Short to Medium		High OPP.

Description and Implications for Value Creation

Growing global demand for premium tea, cinnamon and rubber — particularly from the US, Germany, China and Middle Eastern markets — creates sustained export opportunity. Rising consumer preference for organic, sustainable and provenance-verified plantation products directly aligns with TTE's certification credentials.

Response and Mitigating Actions	Opportunities Arising
• Diversify export markets across multiple geographies while leveraging institutional support from the Sri Lanka Export Development Board. • Strengthen ISO and RA-backed product quality through enhanced processing, innovation and value addition.	• Market diversification reduces concentration risk while accessing higher-growth regions and premium direct-buyer opportunities. • Ceylon Tea heritage, sustainability-certified products, cinnamon and rubber diversification strengthen premium positioning and create uncorrelated revenue streams.

BM	VC	P&P	Committee	Geography	Capitals
M	M	M	Director/CEO · ESEG Committee	All estates · Global export markets	Financial Capital · Social & Relationship Capital · Intellectual Capital

BO-2	Strong Demand for Value-Added Products		▲ YoY Change	Medium - Elevated Opportunity FY24/25 Status
Risk Appetite: High Appetite	Score: M×M = Adj. 9	Horizon: Medium		High OPP.

Description and Implications for Value Creation

Shifting from raw commodity sales to processed, packaged and specialty products — Matcha, organic tea, cinnamon-based products, tea tourism — improves revenue quality, reduces commodity price volatility exposure, and creates defensible brand positioning in premium segments.

Response and Mitigating Actions	Opportunities Arising
• Accelerate branded and value-added product lines through improved processing, packaging technology and product differentiation. • Use market research and quality standards such as ISO and HACCP to strengthen consumer relevance and product credibility.	• Premium value-added products such as Matcha, cold brew and cinnamon blends generate higher margins and build brand/IP value beyond bulk auction teas. • Tea tourism and value-added product expansion create non-commodity income streams, reducing exposure to Colombo Tea Auction price volatility.

BM	VC	P&P	Committee	Geography	Capitals
M	M	M	Director/CEO · Director Plantations · GM Sustainability	Select estates with tourism and processing capability	Intellectual Capital · Financial Capital · Manufactured Capital