

Policy on Risk Management and Internal Controls

LOLC HOLDINGS PLC

Contents

1. Purpose	2
2. Scope	2
3. Objectives of Risk Management	2
4. Risk Identification and Assessment	3
5. Risk Mitigation.....	3
6. Control Activities	3
7. Compliance.....	4
8. Risk Ownership and Review	4

Policy on Risk Management and Internal Controls

1. Purpose

LOLC Holdings PLC is the ultimate parent company within the LOLC Group which has a diverse investment portfolio which ranges from Finance, Insurance, Leisure, Plantation, Trading and Manufacturing and has investment footprints both in Sri Lanka as well as overseas. The purpose of this policy is to safeguard the company's assets & investment portfolio, ensure sustainable investment practices, and maintain long-term value for stakeholders and to formulate a risk management & internal control frame work to identify and manage the risks that could hinder the achievement of the organisation objectives and goals and to have a reasonable assurance that adequate risk mitigation controls are formulated to manage such risks with in the risk appetite of LOLC Holding PLC.

This policy will facilitate a systematic approach to internal controls within LOLC Holding PLC and its subsidiaries.

2. Scope

This policy applies to all employees & departments of LOLC Holdings PLC and its subsidiaries. This policy covers all operations of LOLC Holding PLC including but not limited to investment management, portfolio management, and strategic planning and operations. All stake holders such as contractors, suppliers are also encouraged to uphold the provisions of this policy.

3. Objectives of Risk Management

- To protect & enhance shareholder value.
- Comply with statutory and regulatory provisions.
- Ensure risks are managed with in all operations and processes of LOLC Holdings PLC.
- Enhance decision-making through informed risk & reward assessments.
- Protection of the assets & investments of the organization.
- Protection of confidentiality, integrity and availability of information assets.
- Ensure operational continuity with effective and efficient processes.
- Ensure accuracy & reliability of financial reporting.
- Promote a controlled culture and promote continues process improvements.
- Ensure the sustainability of the organization.
- Ensure Sector Level risks are managed.

4. Risk Identification & Assessment

LOLC Holding PLC conducts regular risk assessments to identify potential threats and vulnerabilities which could hinder the achievements of its stated objectives and expected outcomes. The risks are assessed to evaluate the likelihood and impact. The following areas are focussed.

- Strategic risks
- Market risks
- Operational risks
- Regulatory risks
- Country & Systemic risks
- Reputational risks
- Industry & Sectorial risks
- Forex risks
- Sector Industry level exposures and risks

5. Risk Mitigation

A controlled culture is encouraged and promoted within the organisation encompassing its operations and the following broad level actions are undertaken by the Company.

- The Organization Processes are well established.
- The company has implemented adequate internal controls to manage financial, operational regulatory & market risks.
- Based on the impact & the complexity of risks; Risk avoidance, reduction, sharing and acceptance strategies are employed.
- Continuous monitoring of risk parameters and reporting to the Group Risk Committee.

6. Control Activities

LOLC Holdings PLC has developed a comprehensive internal control frame work for risk mitigation including;

- Segregation of duties to ensure that single individuals have no control over all aspects of any transaction/process.
- Critical activities are subject to authorization processes which includes limit & process controls considering the nature, complexity and the value of such activities and transactions.
- Physical access controls are implemented to safeguard assets through locks, security systems, and inventory management practices.
- Continuous monitoring of risks & exposures.

7. Compliance

- LOLC Holdings PLC ensures compliance with all applicable statutes, regulations, and industry standards.
- The respective units maintain documentation of internal control processes, control assessments, and any corrective actions taken.

8. Risk Ownership & Review

- Periodic risk reporting to LOLC Group Risk Management committee on sector level risks & Exposures.
- The risk ownership remains with the respective business unit head while regular reviews are conducted on the effectiveness and reliability of the risk mitigation controls.
- The Management/Risk owners are responsible to ensure that risks within their scope of operations are identified and adequate internal controls are in place and practiced to mitigate such risks.
- Internal audit conducts independent reviews on the effectiveness of the internal controls.
- All employees have a responsibility to inform any weaknesses or a breach of internal controls promptly to the management.
- This policy is subject to review periodically on a need basis.