

Policy on Risk Management and Internal Controls

Revision history			
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1. Definitions and Abbreviations

Unless otherwise defined or the context otherwise requires, all capitalized terms used in this Policy shall have the following meanings.

Applicable Laws	means all applicable statutes, laws, ordinances, rules and regulations, including but not limited to the Listing Rules, SEC Act and the Companies Act, in each case as in effect from time to time;
Board	means the Board of Directors of the Company;
Companies Act	means the Companies Act No. 7 of 2007;
Company	means Laugfs Gas PLC Laugfs Power PLC;
Personnel	means all directors, consultants, management, officers and employees (including permanent, probation, temporary or contract staff) of the Company, and individuals (including trainees, seconded staff, casual workers, agency staff, interns);
CSE	means the Colombo Stock Exchange;
Listing Rules	means the Listing Rules of the Colombo Stock Exchange;
Policy	means this Policy on Risk Management and Internal Controls;

2. Introduction

This Policy establishes the Company's approach to risk management and internal controls, designed to protect its assets, ensure compliance, and support its strategic goals. The Policy outlines the processes for identifying, assessing, and mitigating risks, as well as implementing and maintaining effective internal controls. By adhering to this Policy, the Company aims to foster a culture of accountability and resilience, safeguarding the organization against potential threats and ensuring operational integrity.

3. Scope

This Policy applies to all Personnel, departments, and business units within the Company. It encompasses all activities and processes related to risk management and internal controls, including but not limited to financial operations, compliance, and operational procedures. Every individual and team is responsible for adhering to this Policy to ensure a cohesive approach to managing risks and maintaining effective controls throughout the Company.

4. Related Policies

This Policy should be read in conjunction with the other policies, key documents, and guidelines of the Company, including the following:

- Risk Management Framework;
- Policy on Control and Management of the Company Assets and Shareholder Investments;
- Policy on Internal Code of Business Conduct and Ethics
- Policy on Environmental, Social and Governance Sustainability;

5. Risk Management Framework

- (a) Risk Identification: Risks (i.e., uncertain future events which could influence the achievement of the Company's strategic, operational and financial objectives) shall be systematically identified, classified and documented through regular assessments and reviews of all organizational processes and external factors.

- (b) Risk Assessment: Identified risks will be evaluated based on their potential impact and likelihood. Risk assessments will be conducted periodically and whenever significant changes occur.
- (c) Risk Mitigation: Appropriate strategies and controls will be implemented to manage and mitigate identified risks. This may include preventive measures, contingency plans, and ongoing monitoring.
- (d) Risk Monitoring: Continuous monitoring will ensure that risk mitigation strategies remain effective and relevant. Regular reports will be reviewed by management to track risk exposure and control effectiveness.

6. Internal Controls

- (a) Control Environment: A strong control environment will be maintained through clear organizational structures, defined responsibilities, and ethical standards.
- (b) Control Activities: Effective control activities, including approvals, authorizations, and reconciliations, will be implemented to safeguard against errors and fraud.
- (c) Information and Communication: Accurate and timely information will be communicated across all levels of the organization to support effective risk management and control activities.
- (d) Monitoring and Evaluation: Regular evaluations of internal controls will be conducted to ensure they operate as intended and address any identified deficiencies.

7. Roles and Responsibilities

- (a) Board of Directors: The Board is responsible for overseeing the risk management framework and ensuring that adequate controls are in place. The Board must identify principal risks on an ongoing basis and ensure the implementation of appropriate systems to evaluate and manage the risks by considering the following factors:
 - (i) The nature and extent of the risks facing the Company;
 - (ii) The adequacy of the entire risk management framework of the Company;
 - (iii) The extent and categories of risk which it regards as acceptable for the Company to bear;
 - (iv) The likelihood of the risks concerned materializing;

- (v) The Company's ability to reduce the incidence of risks that do materialize and their impact on the business;
 - (vi) The costs of operating particular controls relative to the benefit thereby obtained in managing the related risks.
- (b) Management: Management is responsible for implementing the risk management and internal control processes, ensuring compliance with this Policy, and reporting on risk and control matters.
- (c) Personnel: All Personnel are responsible for understanding and adhering to the risk management and internal control processes relevant to their roles.

8. Internal Audit

- (a) Purpose: The Internal Audit function is established to provide independent assurance that the Company's risk management, internal controls, and governance processes are operating effectively.
- (b) Responsibilities: Internal Audit will conduct regular audits to evaluate the effectiveness and efficiency of risk management and internal control processes. This includes assessing compliance with policies, identifying areas for improvement, and ensuring corrective actions are implemented.
- (c) Reporting: Findings from internal audits will be reported to senior management and the Board. Significant issues and recommendations will be highlighted, with follow-up actions tracked to ensure resolution.
- (d) Independence: The Internal Audit function will operate independently from other operational units to maintain objectivity and impartiality. The Head of Internal Audit will report functionally to the Audit Committee and administratively to the Managing Director.

9. Training and Awareness

- (a) Training Programs: Comprehensive training programs will be provided to all Personnel to ensure they understand the risk management and internal control policies and procedures. Training will be tailored to specific roles and responsibilities.

- (b) Ongoing Education: Regular refresher courses and updates will be provided to keep Personnel informed of any changes to policies or emerging risks.
- (c) Evaluation: The effectiveness of training programs will be evaluated periodically to ensure they meet the needs of the organization and its Personnel.

10. Compliance and Review

Compliance with this Policy is mandatory for all Personnel. Regular reviews of this Policy will be conducted to ensure its relevance and effectiveness. Updates will be made as necessary to reflect changes in the organizational environment or regulatory requirements.

11. Enforcement

Violations of this Policy may result in disciplinary action, up to and including termination of employment. All instances of non-compliance should be reported to management or through established reporting channels.

12. Reviews

This Policy and related procedures will be reviewed at least annually, or more frequently if required, by the Board to:

- ensure they remain effective and relevant to the Company;
- ensure that they continue to comply with Applicable Laws and industry standards;
- determine if any changes are required.