Policy on Risk Management and Internal Controls

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KEGALLE PLANTATIONS PLC

1. Introduction

The Policy on Risk Management & Internal Controls outlines Kegalle Plantations PLC's commitment to identifying, assessing, and managing risks that could impact its operations and objectives. This policy establishes a robust framework for mitigating risks and ensuring the effectiveness of internal controls across the organization. By fostering a proactive approach to risk management, Kegalle Plantations PLC aims to safeguard its assets, maintain business continuity, and ensure compliance with regulatory requirements while promoting sustainable growth and value creation for shareholders.

2. Purpose and Scope of the Policy

The Policy on Risk Management & Internal Controls is designed to ensure that Kegalle Plantations PLC adheres to the revised Section 9 of the Corporate Governance Rules (9.2) set by the Colombo Stock Exchange (CSE). This policy establishes a comprehensive framework for identifying, assessing, managing, and mitigating risks that may affect the company's operations, financial performance, and strategic objectives. It also outlines the role of internal controls in safeguarding assets, ensuring compliance with legal and regulatory requirements, and promoting effective and efficient operations.

This policy applies to all levels of the organization, including the Board of Directors, senior management, employees, and the Internal Audit Department. It covers all types of risks, including financial, operational, strategic, and compliance risks. The policy ensures that risk management and internal control procedures are integrated into all business processes and decision-making activities.

3. Policy Details

3.1. Risk Management Framework

- **Risk Identification:** Kegalle Plantations PLC will continuously identify potential risks that could impact its objectives. This includes both internal and external factors that could affect the company's operations, reputation, or financial stability.
- **Risk Assessment:** Risks will be assessed based on their likelihood and potential impact. This assessment will help prioritize risks and allocate resources effectively to address them.
- **Risk Mitigation:** The Company will implement strategies and controls to mitigate identified risks. This includes developing action plans, setting risk tolerance levels, and monitoring the effectiveness of risk mitigation efforts.
- **Risk Monitoring:** Regular monitoring and review of risk management activities will be conducted to ensure that risks are being managed effectively and that new risks are identified and addressed in a timely manner.

3.2. Internal Controls

- **Control Environment:** Kegalle Plantations PLC is committed to maintaining a strong control environment that supports ethical behavior, compliance with laws and regulations, and effective management of risks. The control environment includes the company's culture, governance structure, and commitment to integrity.
- **Control Activities:** The Company will implement and maintain appropriate control activities, including policies and procedures, to ensure that risks are managed and objectives are achieved. Control activities will be designed to prevent or detect errors, fraud, and non-compliance.
- **Monitoring:** Continuous monitoring of internal controls will be conducted to assess their effectiveness and ensure that they are functioning as intended. This includes regular reviews and updates to control activities based on changes in the risk environment or business operations.

3.3. Role of Internal Audit

The Group Internal Audit Department plays a crucial role in the risk management and internal control framework:

- **Independent Assessment:** Internal Audit provides independent and objective assessments of the effectiveness of risk management processes and internal controls. It evaluates the design and operation of controls and identifies areas for improvement.
- **Audit Planning and Execution:** Internal Audit develops and executes a risk-based audit plan that focuses on key risk areas and critical business processes. The plan is reviewed and approved by the Audit Committee.
- **Reporting and Recommendations:** Internal Audit reports its findings, recommendations, and improvement opportunities to the Board of Directors and the Audit Committee. These reports include assessments of control effectiveness and recommendations for enhancing risk management and internal controls.
- **Follow-Up:** Internal Audit follows up on the implementation of audit recommendations and ensures that corrective actions are taken in response to identified issues.

3.4. Responsibilities

- **Board of Directors:** The Board is responsible for overseeing the risk management and internal control framework, ensuring that it is effective and aligned with the company's strategic objectives.
- **Audit Committee:** The Audit Committee supports the Board by reviewing and approving the risk management and internal control policies, monitoring the performance of Internal Audit, and ensuring that risk management and control activities are adequately addressed.
- **Senior Management:** Senior management is responsible for implementing the risk management and internal control framework, ensuring that controls are effective, and reporting on risk management activities to the Board and Audit Committee.

4. Compliance and Review

Kegalle Plantations PLC will ensure compliance with all relevant laws, regulations, and corporate governance standards. The risk management and internal control policies will be reviewed annually to ensure their effectiveness and relevance. Any necessary updates or amendments will be made to reflect changes in the business environment, regulations, or best practices.