



POLICY ON RISK MANAGEMENT AND INTERNAL CONTROLS

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Company Secretary

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1. Introduction

Overseas Realty Ceylon PLC (“ORCL”), is committed to maintaining a robust system of risk management and internal controls to safeguard its assets, protect shareholder interests, and ensure compliance with regulatory requirements. This Risk Management and Internal Controls Policy outlines the principles, procedures, and guidelines that directors, officers, and employees must adhere to in the management of risk and internal controls.

2. Objective

The primary objectives of ORCL's Risk Management and Internal Control Framework are as follows:

- To identify, measure, monitor, assess, manage and report the material risks that could affect the achievement of the Company's objectives.
- To ensure the reliability of financial and non-financial reporting
- To ensure compliance with laws and regulations.
- To safeguard company assets and enhance operational efficiency.
- To promote a culture of risk awareness, accountability and transparency in risk management.

3. ORCL Principles for Risk Management

3.1 Risk management is everyone’s responsibility.

3.2 Risk management is integrated into the Group’s strategic planning and operational processes in recognition of the potential impacts to the organization and its ability to operate.

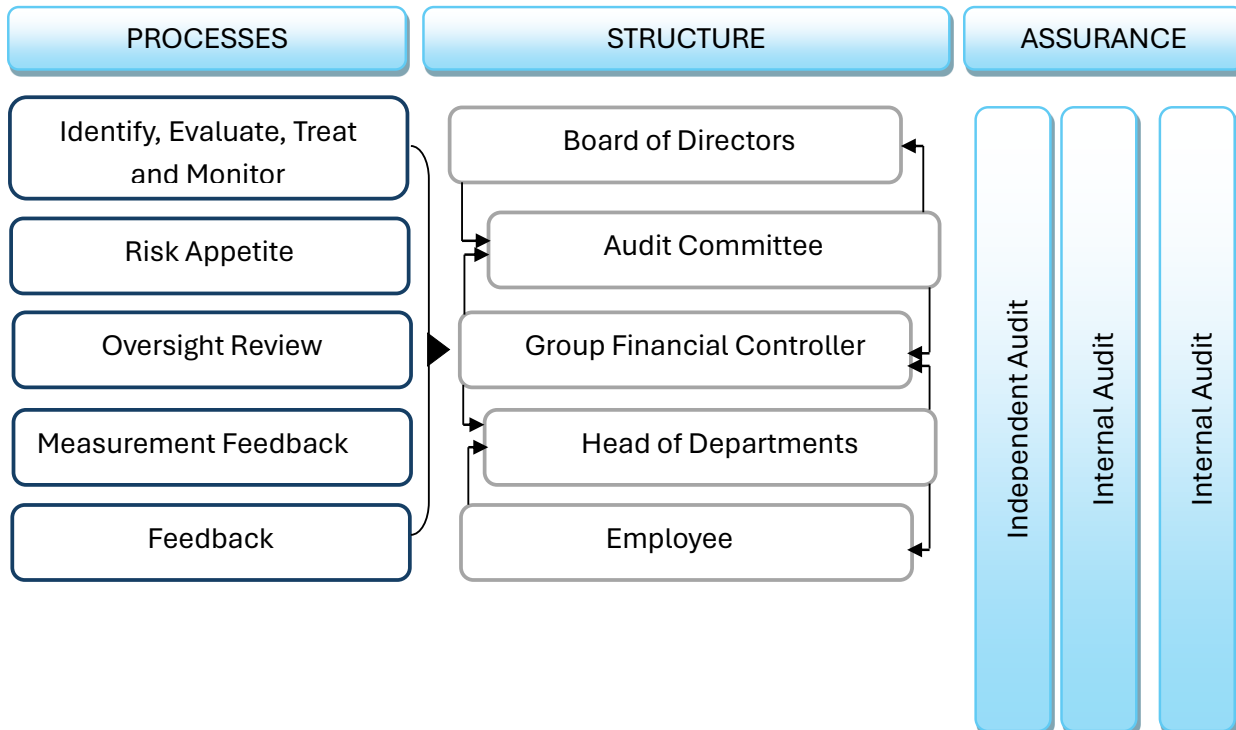
3.3 It seeks to create a culture of risk awareness to ensure that all employees are able to identify and raise awareness of potential threats or opportunities, building organizational resilience.

3.4 ORCL recognizes that risk is inherent in all business operations and that management of risks can also create opportunities for growth and enhancing productivity and profitability.

3.5 ORCL will manage its risk in accordance with its defined risk appetite set out below.

4. Responsibility and Accountability – Risk Management Framework

The risk management framework illustrates our approach to risk management, reflecting the risk management process, the structure in place to administer the process and sources of comfort with regard to its effectiveness.



4.1 Board of Directors

The Board of Directors is ultimately responsible for overseeing the company's risk management and internal control processes. This includes:

- Setting the risk tolerance and risk management strategy.
- Reviewing the effectiveness of the internal control system.
- Ensuring the organization complies with applicable laws and regulations.

4.2 Audit Committee

The Board will be assisted in the review of risk management by the Audit Committee of the Board who have oversight responsibility for risk management. The responsibilities of the Audit Committee regarding risk management and internal controls are set out below:

- Oversee the processes to ensure that the Entity's internal controls and risk management are adequate to meet the requirements of the Sri Lanka Auditing Standards.
- Obtain and review assurance received from the CEO and other key management personnel who are responsible, regarding the adequacy and effectiveness of the Entity's risk management and internal control systems.

- Review and assess the company’s risk management process, including the adequacy of the overall control environment and controls in areas of significant risks and updated business continuity plans.
- Review the risk policies adopted by the Entity on an annual basis.
- Take prompt corrective action to mitigate the effects of specific risks in the case such risks are at levels beyond the prudent levels decided by the committee on the basis of the Listed Entity’s policies and regulatory requirements.

These form part of the Functions of the Audit Committee set out in the Policy on Board Committees.

4.3 Group Financial Controller

The Group Financial Controller will be responsible for maintaining the risk register and implementing an annual Risk & Control Self-Assessment which should be completed by all department heads.

4.4 Management and Executives

The management team and executives are responsible for identifying the risks related to their roles and implementing the risk management and internal control framework and reporting on its effectiveness.

Departmental heads are responsible for ensuring that the semi-annual risk and control self-assessment is carried out effectively and forwarded to the Group Financial Controller.

4.5 Employees

All employees are responsible for identifying the risks related to their roles and for adhering to the risk management and internal control policies and procedures.

5. Risk Management Process

The risk management process shall include the following key steps:

- **Identification of Risks:** Employees shall identify and categorize potential risks, including operational, financial, strategic, and compliance-related risks.
- **Risk Measurement:** Employees shall identify an internal or external risk indicator to facilitate measurement of risk.
- **Risk Monitoring:** Employees shall monitor risk indicators to understand the changes and potential impacts of changes/movements in risk indicators
- **Risk Assessment:** Each risk shall be assessed for its potential impact and likelihood of occurrence. Risks shall be prioritized based on their significance.
- **Risk Mitigation:** Appropriate risk mitigation strategies and controls shall be established for identified risks.
- **Risk Reporting:** The company shall maintain a risk register and continuously monitor and report on risks, including any material changes in risk indicators or exposures.

6. Risk Register

The Group Financial Controller will be responsible for maintaining the Risk Register in the format given in Annex A. It will be updated quarterly with input from all department heads and any other relevant internal or external parties. The information presented to the Board must be extracted from the risk register reflecting the current position, analysis, forecasts and views/opinions as at a specified date.

7. Internal Control Framework

The internal control framework shall encompass the following components:

- **Control Environment:** Establishing a culture of accountability, ethics, and governance throughout the organization.
- **Risk Assessment:** Identifying and assessing risks to determine the necessary internal controls.
- **Control Activities:** Implementing controls that mitigate identified risks.
- **Information and Communication:** Ensuring relevant information is effectively communicated to appropriate personnel.
- **Monitoring:** Regularly evaluating the effectiveness of internal controls and risk management.

8. Risk Appetite

The Board determines the risk appetite and are assisted in this by the Audit Committee who make recommendations to the Board. The Risk Appetite is dynamic and must be reviewed at least annually if not more frequently.

9. Reporting, Communication and Escalation

The Company shall establish reporting mechanisms to communicate risk and control-related information to the Board, management, and stakeholders, including periodic risk assessments and updates on control effectiveness.

The Group Financial Controller and the Chief Executive Officer shall exercise their professional judgement in reviewing risks and escalate key risks to the Audit Committee and the Board if an imminent threat is immediate and has a material impact on the operations of the Group.

10. Review and Amendment

This policy shall be reviewed periodically to ensure alignment with corporate governance best practices and regulatory requirements. Amendments may be made when necessary.

11. Conclusion

ORCL is dedicated to maintaining a strong risk management and internal control framework to protect the interests of shareholders and stakeholders. This policy reflects our commitment to sound governance and accountability.

Annex I: Risk Register

Risk Type	Rank	Factor	Strategies/Action Plan	Risk Owner