

LANKA ALUMINIUM INDUSTRIES PLC

POLICY ON RISK MANAGEMENT AND INTERNAL CONTROLS

1. OVERVIEW

The Board of Directors of Lanka Aluminium Industries PLC (“Lanka Aluminium”) has developed this Policy on Risk Management and Internal Controls (“the Policy”) to provide a structured approach to identifying, assessing, and managing risks across all operational areas. This Policy establishes a framework for risk management aimed at enhancing the resilience of Lanka Aluminium while protecting shareholder value and maintaining operational stability.

2. PURPOSE

The purpose of this Policy is to embed a proactive approach to risk management, ensuring that risks are systematically identified, assessed, and mitigated in alignment with organizational objectives. This approach supports informed decision-making, business continuity, and adaptability to changing market dynamics.

3. SCOPE

This Policy applies organization-wide, covering all business units, employees, and the Board of Directors, including the Managing Director.

4. GOVERNANCE AND RESPONSIBILITY

4.1 Board Oversight: The Board holds ultimate oversight of risk management processes and the internal control framework. The Board Risk Committee assists in implementing and monitoring risk management activities and ensures alignment with the company’s strategic goals.

4.2 Management and Staff Training: Management is responsible for instilling a risk-aware culture throughout the organization. Employees will receive targeted training to understand risk management protocols applicable to their roles, ensuring active participation in risk mitigation efforts.

4.3 Annual Review: This Policy will undergo an annual review to incorporate changes in regulatory requirements, market conditions, and emerging risks. Feedback from stakeholders, including employees and customers, will be considered to strengthen the risk management framework.

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5. RISK IDENTIFICATION AND ASSESSMENT

5.1 Systematic Risk Identification: Risks will be identified using comprehensive assessments, including workshops, employee surveys, and consultations with relevant stakeholders.

5.2 Classification of Risks: Risks will be categorized based on nature, severity, and likelihood, addressing both internal and external influences such as market volatility, regulatory changes, and technological advancements.

5.3 Operational and Strategic Focus: The risk management process will be guided by the Risk Management Framework, considering operational, financial, and strategic risks to establish priorities that safeguard both current operations and future growth.

6. RISK MITIGATION AND INTERNAL CONTROL

6.1 Prioritizing Risks: Risks will be prioritized according to their potential impact and probability of occurrence, enabling Lanka Aluminium to focus resources on mitigating high-impact risks.

6.2 Mitigation Strategies:

- **Risk Avoidance:** Certain activities may be avoided to eliminate associated risks.
- **Risk Reduction:** Measures will be implemented to minimize the likelihood or impact of specific risks.
- **Risk Transfer:** Where feasible, financial risks may be shared with third parties, such as insurers.
- **Risk Acceptance:** For manageable risks, Lanka Aluminium may choose to retain and monitor these risks with clear contingency plans.

6.3 Internal Control Measures: The company will maintain a set of internal control mechanisms, including compliance audits and system checks, to monitor and limit risk exposure effectively.

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7. REPORTING

7.1 **Monitoring and Indicators:** Key risk indicators will be established to provide early warnings on changing risk exposures and the effectiveness of internal controls.

7.2 **Regular Reporting:** Management will present periodic risk reports to the Board and Key Management, summarizing the company's risk profile, significant exposures, and the performance of risk management initiatives.

7.3 **Escalation Procedures:** In the case of significant changes in risk exposure or unforeseen risk events, the Managing Director will communicate with the Board Risk Committee to ensure prompt assessment and response.

8. POLICY REVIEW AND IMPROVEMENT

This Policy will be reviewed annually by the Board to ensure continued alignment with Lanka Aluminium's strategic direction, regulatory updates, and stakeholder expectations. Amendments to this Policy will be approved by the Board, enhancing the company's ability to navigate a dynamic risk environment.

Effective Date:

This policy is effective from 1st October 2024.