

# POLICY ON RISK MANAGEMENT AND INTERNAL CONTROLS – MILLENNIUM HOUSING DEVELOPERS PLC

## 1. Purpose

The Policy has been adopted by the Board of Directors of the Company in conformity with the Listing Rules to establish a framework to identify, assess, mitigate, and monitor risks across all aspects of the Company's operations.

The Policy aims to ensure that risks are managed effectively, with adequate internal controls to protect the interests of all stakeholders, maintain business continuity, and enhance the Company's resilience in the face of uncertainties.

## 2. Scope

The Policy applies to:

- The Board of Directors.
- Board Committees.
- Senior Management.
- Employees.
- All business units and operations of the Company.

## 3. Regulatory Framework

The Policy is developed in accordance with the following:

- Companies Act No. 07 of 2007 of Sri Lanka.
- Securities and Exchange Commission of Sri Lanka Act No. 19 of 2021, including the Listing Rules of the Colombo Stock Exchange (CSE).
- Shop and Office Employees (Regulation of Employment and Remuneration) Act No. 19 of 1954 and any amendments thereto.
- Code of Best Practices on Corporate Governance (2023) issued by CA Sri Lanka.

This list is not exhaustive. The Company shall also comply with all other applicable laws, regulations, circulars, directives, and regulatory requirements issued by relevant authorities from time to time, as applicable to the Company and its subsidiaries.

## 4. Risk Management Framework

The Company shall establish and maintain a structured Risk Management Framework to identify, assess, manage, and monitor risks that may affect the achievement of its strategic and operational objectives.

- **Risk Identification**

The Company shall systematically identify risks that may impact its objectives, including but not limited to:

- a) Strategic risks.
- b) Operational risks.
- c) Financial risks.
- d) Compliance and regulatory risks.
- e) Reputational risks.
- f) Environmental and social risks.
- g) Legal risks.
- h) Liquidity risks.
- i) Credit risks.

- **Risk Assessment**

All identified risks shall be evaluated based on:

- a) The likelihood of occurrence.
- b) The potential impact on the Company's operations, financial performance, or reputation.
- c) The effectiveness of existing controls.

Risks shall be prioritized according to their level of severity and significance to ensure appropriate management attention.

Risk assessment and prioritization shall be conducted through a standardized Risk Register.

- **Risk Mitigation and Internal Controls**

Upon identification and assessment, risks shall be prioritized based on their potential impact and likelihood.

The Company shall ensure that high-priority risks are treated in one of the following ways:

- a) **Risk Avoidance** – Avoiding the risk by deciding not to commence or continue the activity that gives rise to the identified risk.
- b) **Risk Reduction** – Reducing the severity of the loss or the likelihood of the loss occurring.
- c) **Risk Transfer** – Sharing the burden of loss or benefit with another party.
- d) **Risk Acceptance** – Accepting the loss or benefit from a risk when it occurs.

- **Risk Monitoring**

Management shall continuously monitor identified risks and the effectiveness of related control measures. Any significant changes in risk exposure or emerging risks shall be promptly reported to the Board or the relevant Board Committee.

## 5. Internal Control System

The Company shall establish and maintain an adequate and effective system of internal controls designed to support the achievement of its objectives and ensure sound corporate governance.

Internal controls shall be periodically evaluated, at least annually, or at such other intervals as determined by the Audit Committee and shall be reviewed to ensure their effectiveness and compliance with applicable laws, regulations, and relevant industry standards.

The internal control framework shall include, but not be limited to:

- a) financial controls.
- b) Operational controls.
- c) Compliance and regulatory controls.
- d) Information and communication controls.
- e) Monitoring, evaluation, and reporting mechanisms.

The internal control system shall be designed to:

- a) Safeguard the Company's assets from loss, misuse, or unauthorized use.
- b) Ensure the accuracy, reliability, and integrity of financial and operational reporting.
- c) Promote efficiency and effectiveness in business operations.
- d) Ensure compliance with applicable laws, regulations, and internal policies.

## 6. Roles and Responsibilities

The Board has ultimate oversight of the Company's risk management activities. The implementation and oversight of the risk management framework are delegated to the Audit Committee.

Roles and responsibilities are categorized as follows:

- **Board of Directors**

The Board shall:

- a) Establish and oversee the risk management and internal control framework.
- b) Ensure that appropriate systems are in place to manage risks effectively.
- c) Review the effectiveness of internal controls on a periodic basis.

- **Audit Committee**

The Audit Committee shall:

- a) Review the adequacy and effectiveness of internal control systems.
- b) Monitor risk management processes.
- c) Review internal and external audit findings related to risk and control.

- **Management**

Management shall:

- a) Identify and manage risks within their respective areas.
- b) Implement appropriate internal controls.
- c) Report significant risks and control weaknesses to the Board and Audit Committee.

- **Internal Audit**

The Internal Audit function shall:

- a) Independently evaluate the effectiveness of risk management and internal controls.
- b) Provide recommendations for improvement.
- c) Report findings to the Audit Committee.

## 7. Reporting

Management shall periodically report to the Audit Committee and the Board of Directors on the following matters:

- a) Key risks facing the Company and the status of risk mitigation measures.
- b) The effectiveness of the Company's internal control systems.
- c) Any significant control deficiencies, weaknesses, or incidents identified, together with the corrective actions taken or proposed.

## 8. Review of the Policy

- a) The Board of Directors shall review the Policy at least annually to ensure that it remains effective and aligned with applicable regulatory requirements, corporate governance standards, and recognized best practices.
- b) Any amendments to the Policy shall be subject to the approval of the Board of Directors.

## 9. Effective Date of Implementation

The Policy shall come into effect from 1st April 2026.

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