RISK MANAGEMENT & INTERNAL CONTROL POLICY

SEPTEMBER 30, 2026

MULLER & PHIPPS (CEYLON) PLC

No.98, Sri Sangaraja Mawatha, Colombo 10

1 Introduction

The Board and Corporate Management of Muller & Phipps (Ceylon) PLC ("M&P") is responsible for maintaining a sound system of risk management and internal controls to safeguard shareholders' investment and the company's assets. This policy sets out the duties and processes which facilitate the discharge of the Board's and Corporate Management duties in this regard.

2 Board responsibilities

2.1 Risk Management

The Board of M&P shall identify principal risks on an ongoing basis and ensure the implementation of appropriate systems to evaluate and manage these risks by considering the following factors:

a) The nature and extent of risks facing the company;

b) The adequacy of the entire risk management framework of the company

c) The extent and categories of risk which it regards as acceptable for the company to bear;

d) The likelihood of the risks concerned materializing;

e) The company's ability to reduce the incidence of risks that do materialize and their impact on the business; and

f) The costs of operating particular controls relative to the benefit thereby obtained in managing the related risks

2.2 Internal Control

The Board of M&P shall discharge its responsibilities with regard to setting in place a system of comprehensive internal control in the manner specified below:

a) Reviewing the design and effectiveness of the company's internal control systems and management information systems including systems for compliance with applicable laws, regulations, rules, directives and guidelines is an essential part of the board's responsibilities.
b) Defining the process to be adopted for its review of the design and effectiveness of internal control. This should encompass both the scope and frequency of the reports it receives and reviews during the year, and also the process for its assessment.
c) Assessing and forming its own view on the design and effectiveness of the company's internal control systems after due and careful enquiry based on the information and assurances provided to it. Management is accountable to the board for monitoring the company's internal control systems and for providing assurance to the board that it has done so.
d) Effectively monitor on a continuous basis the effective operation of the system of internal controls implemented which is an essential component of a sound system of internal control. The board cannot, however, rely solely on the embedded monitoring processes within the Company to discharge its responsibilities. It should regularly receive and review reports on internal control through an independent internal audit function or an outsourced internal auditor.

e) Establish an internal audit function with operationally independent, appropriately trained and competent staff who will carry out an effective and comprehensive internal audit of the internal control systems.

f) The board should review reports presented to it by management, internal and external audit to ensure that:

1. significant risks are identified and documented and assessed how they have been evaluated, monitored and managed;
2. the design and effectiveness of the related system of internal control having regard, in particular, to any significant failures or weaknesses in internal control that have been reported;
3. necessary action is being taken promptly to remedy any significant failings or weaknesses; and
4. if the findings indicate a need of more extensive monitoring of the system of internal controls sufficient resources are deployed.

3 Role of the Audit Committee

a) The Audit Committee assists the Board in discharge of their duties regarding risk management and internal control. This policy should be read in conjunction with the Policy on Board Committees.

b) The Audit Committee will be responsible for oversight of 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.

3.1 Internal Controls

a) The Audit Committee shall report the progress on reviews of internal control to the Board and also bring to the notice of the Board relevant material matters and any concerns that the Audit Committee may have regarding the effectiveness of the systems in place to manage risks and internal controls.

b) The Audit Committee shall obtain and review assurance received from:

1. the CEO and the Group CFO that the financial records have been properly maintained and the financial statements give a true and fair view of the Entity's operations and finances; and
2. 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.

c) The Audit Committee shall review the internal controls in place to prevent the leakage of material information to unauthorized persons.

3.2 Risk Management

a) The Audit Committee shall 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.

b) The Audit Committee shall review and assess the risk policies adopted by the Entity on an annual basis.

c) The Audit Committee shall 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.

4 Corporate Management responsibilities

a) Corporate Management led by the Chief Executive Officer is responsible for implementing board policies on risk and internal control. In fulfilling its responsibilities, management should identify and evaluate the risks faced by the company and implement a process or monitoring, managing and reporting risk for consideration by the Board.

b) Management should design, implement, operate and monitor a suitable system of internal control in accordance with the policies adopted by the board.

5 Internal control environment

a) The board and top management should establish an appropriate control environment which includes:

1. A documented and duly communicated; company values, the code of conduct, policies and procedures including but not limited to operations, internal control, compliance, HR and customer relationship management and others as relevant;
2. The functions of the board of directors and its committees;
3. Management's philosophy and operating style;
4. The company's organizational structure and methods of assigning authority and responsibility;
5. Clearly defined authorities and responsibilities for each manager, employee and department.

b) All M&P Group employees have responsibility for internal controls as part of their accountability for achieving objectives. Employees as a whole should have the necessary knowledge, skills, information and authority to establish, operate and monitor the system of internal control.

6 Annual Report Disclosures

a) The board is required by the Code of Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka to disclose whether there is an ongoing process for identifying, evaluating and managing the significant risks faced by the company, whether it has been in place for the year under review, whether it is regularly reviewed by the Board and accords with such direction.

b) In addition, the board is also required to present a report on the company's internal control mechanism that confirms that the financial reporting system has been designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes has been done in accordance with relevant accounting principles and regulatory requirements. To fulfil this requirement, the board should disclose the following as a minimum.

1. The board should summarise the process it has applied in reviewing the design and effectiveness of the system of internal control.
2. It should also disclose the process it has applied to deal with material internal control aspects of any significant problems disclosed in the annual report.
3. An acknowledgement by the board that it is responsible for the company's system of internal control and for reviewing its design and effectiveness. It should also explain that such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatements in the financial statements and frauds & errors.
4. The directors should disclose that there is an ongoing process for identifying, evaluating and managing the significant risks faced by the company, whether it has been in place for the year under review and whether it is regularly reviewed by the board.
5. The board has to disclose if it has failed to conduct a review of the design and effectiveness of the company's system of internal control.
6. The board should ensure that its disclosures provide meaningful, high-level information and do not give a misleading impression.
7. Where material; subsidiaries, joint ventures and associates have not been dealt with in applying this guidance, as part of the group, that fact should be disclosed.
8. The board should confirm in its report that the financial reporting system has been designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes has been done in accordance with applicable accounting standards and regulatory requirements. The report should be signed by the directors who signed the financial statements and the chairman of the audit committee.

MULLER & PHIPPS (CEYLON) PLC

Policy on Risk Management & Internal Control

Approved at the Board Meeting on …… ……. Chairman

Circulated to the Directors on …… Uploaded to Website on …… ……. Company Secretary