

Manuscript: Anti- Bribery and Anti-Corruption Policy

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5 Introduction

1.1 LOLC Finance PLC (referred to as the “LOFIN” throughout this document), is committed to maintaining the highest ethical standards in all its activities. As a member of the LOLC Group, Sri Lanka’s premier conglomerate, we recognize the paramount importance of upholding our reputation in all our activities. Anti-Fraud and Anti-Corruption Policy (referred to as the “policy” throughout this document) serves as a testament to our unwavering stance against frauds and corruption in any form.

1.2 We strongly believe that ethical conduct and compliance are the cornerstones of sustainable business success. This policy reflects our dedication towards transparency, integrity, and accountability, and guiding our employees, partners, and stakeholders in maintaining these values. We are determined to lead by example in combatting fraud and corruption, ensuring that our operations are free from unethical practices.

6 Purpose

- Communicate the LOFIN’s commitment of anti-fraud and anti-corruption and set out procedures for the prevention of, detection of and response to incidents of fraud and corruption applicable to all its activities and operations
- Make aware of roles and responsibilities of employees, management, and the board of directors in upholding this commitment.
- Promote a culture of honesty and openness among the employees and management of LOFIN.

7 Scope

7.3 The policy applies to all employees of the LOFIN (both executive and non-executive), excluding interns; Conditions for intern are covered by an oral agreement or internship contract with the LOFIN.

3.2 LOFIN considers fraud and corruption within the remit of this policy to comprise acts consistent with financial misconduct, misuse of resources, illegal actions, nepotism, money laundering, theft, and some cases of undeclared conflict of interest and any other that can be interpreted as bribery or corruption under the prevailing law of the country or under international conventions.

4. Key Definitions

4.1 Fraud

Fraud is defined as the use of deception with the intention of pursuing personal or private interests at the expense of the organization or others, or to avoid an obligation.

Different types of fraud may include (this list is not exhaustive):

- Asset misappropriation- Wrongful use or acquiring of money, securities, supplies or other assets. Destruction, removal, or inappropriate use of organizational assets.

- Reporting and false declarations - Misreporting or mishandling money or financial transactions, including accounts receivable fraud. Misrepresentation of financial statements and reporting. Fake documents in loan applications, expense claims, or invoices.
- Misuse of information- Benefitting from insider knowledge of organizational activities. Disclosing confidential information. Data theft, including trade secrets, personal data, and customer data.
- Third-party fraud- Accepting or seeking gifts, hospitality, travel, or entertainment from third parties or other individuals seeking to provide, or providing, services to the organization. Billing schemes, including fake vendors, invoices, and price-fixing.
- Payroll fraud- Including ghost employee schemes, expenses fraud and timesheet fraud.

4.2 Corruption

Corruption is the abuse of entrusted power for personal gain.

Types of corruption include (this list is not exhaustive):

- Bribery- Requesting, receiving, accepting, offering, or accepting something of value in exchange for personal gain. The person receiving the bribe will typically fail to carry out their duties properly and award the person providing the bribe with an improper or unfair advantage. The bribe does not need to be cash or cash equivalents; it can be anything of value.
- Extortion - Using power, position, or knowledge to demand unmerited cooperation or compensation following threats.
- Facilitation payments- A payment made to an official to make them do their job correctly. Facilitation payments differ from bribes in that the payment does not secure an unfair advantage; they are made to ensure the official provides a service to which you are entitled.
- Conflicts of interest- When personal interests – family, friendships, financial, or social factors – could compromise someone's judgment, decisions, or actions in the workplace. Common conflicts of interest include favouring individuals or companies, even if they are not qualified or deserving, and pursuing competing business interests.
- Political or charitable contributions- Donating money, cash equivalents, services, or other items of value to a political or charitable cause to gain an unfair advantage.
- Gifts, Entertainment, and Hospitality (GEH) - GEH can be used to gain unfair or improper advantage. We do not differentiate between favours, cash, GEH, or any other benefit.

4.3 Third-party

A third-party is anyone acting on behalf of LOFIN. For example, an agent, intermediary, subcontractor, advisor, supplier, or representative.

LOFIN shall not be liable for any fraudulent or corrupt act that is committed by third-parties. However, it is essential our third-parties to understand the policy.

6 Fraud and corruption risk management

LOFIN has established a risk management framework informed by a risk assessment process to manage fraud and corruption risks. We continually adapt the prevention, detection and response framework as risks and regulation evolve.

5.1 Preventing fraud and corruption

Every employee in LOFIN is responsible and accountable for risk management. LOFIN is committed to proactively managing fraud and corruption risks. LOFIN's preventative framework includes:

6.6.1 Policies and procedures

Policies and procedures clearly explaining our expectations of employees and third-parties, and provide guidance around specific issues. Supporting policies include:

- Code of Ethics
- Disciplinary Policy
- Whistle Blowing Policy
- Fraud Prevention Policy

5.1.2 Tone from the top

The board and the leadership team of LOFIN are committed to implement the frameworks and systems required to manage fraud and corruption risks. The leadership supports all managers and employees by providing guidance, protecting those who speak up and setting realistic and risk-based incentives and strategies.

5.1.3 Risk assessment

LOFIN regularly conduct risk assessments to identify potential fraud and corruption exposure, considering the external threats and the adequacy of internal systems. It works with our first line of defence, i.e. employees operating in higher-risk functions, providing the necessary guidance, support, and strategies to manage fraud and corruption risks.

5.1.4 Third-party management

LOFIN has stringent Know Your Customer (KYC) standards and systems. Also, it implements similar risk-profiling, vetting, and due diligence for third-parties, including those acting on our behalf.

5.1.5 Training and communication

To properly communicate and help employees managing fraud and corruption, LOFIN continues to provide required training for employees, and it is mandatory for all the employees.

5.1.6 Incentives

LOFIN uses appropriate incentives when making decisions, considering our risk appetite and the LOFIN 's long-term objectives. However, it is not setting targets in this regard, putting unnecessary pressure on employees, partners, or third-parties.

5.2 Detection

Identifying and deterrence of fraud and corruption is everyone's responsibility. All employees and third-parties are obliged to report fraud and corruption. LOFIN adopt proactive and preventative measures to detect potential incidents, including:

5.2.1 Confidential reporting framework

Any potential fraud or corruption case should be firstly reported to the business unit head. In any instance of inability to do so, it is advised to notify the Chief Risk Officer using the **whistle blower hotline 5752622**.

5.2.2 Monitoring framework

LOFIN conducts ongoing monitoring of internal controls related to fraud and corruption, including in the management of third-parties. This monitoring includes reviewing expenses, GEH, third-party payments, and payments to public officials, among other areas.

5.2.3 Audits

LOFIN maintains a programme of regular internal and external financial, compliance and performance audits, which includes a focus on fraud and corruption.

5.3 Response

Possible and actual incidents of fraud and corruption may occur. In those situations, we must respond decisively, consistently, with a focus on remediation and recovery. The frameworks and systems supporting these processes include:

5.3.1 Confidential investigation framework

Enterprise Risk Management (ERM) team of LOFIN oversees all investigations. If any fraud and corruption suspicious incident is observed or become aware of, it is can be directly reported to the tea.

5.3.2 Reporter protection

Anyone raising a suspicion in good faith will be protected. Further details are provided below.

5.3.3 Disciplinary policies and procedures

In line with the **LOFIN Group Amended Disciplinary Policy**, anyone involved in fraudulent or corrupt activities will face disciplinary action, up to and including dismissal and possible criminal prosecution.

5.3.4 Remediation and recommendation framework

After investigations, which the ERM team log centrally, reviewing of findings and recommendations will be carried out. Then all the employees (and third-parties, as necessary) will be communicated any suggestions leading to revisions in our anti-fraud and anti-corruption framework

5.4 Reporting

All employees must report suspected fraud and corruption as soon as possible. Non-reporting of such fraud and corruption related cases will also be treated as a cause for disciplinary action and an omission of duty. It is required to report any instance of suspected fraud or corruption to the Divisional management, the ERM team, or through the Whistle Blowing line. Reporting suspected fraud not only allows individual cases to be investigated but drives the improvement of LOFIN 's fraud and corruption risk management practices.

Management is entrusted to treat all reports fairly, thoughtfully, and promptly, and if something needs addressing, onus is on them to act with due care to resolve the issue. Any reports made anonymously will be considered and investigated, to the best of our abilities.

5.5 Protecting whistle-blowers

It is the utmost responsibility of the management to protect anyone reporting suspected fraud or corruption to the full extent allowed by law. LOFIN will not tolerate any form of retaliation or victimization of those making good faith reports.

If you work with someone who has raised concerns or provided information in an investigation, you should continue treating such a person with respect, professionalism, and courtesy.

5.5.1 What is retaliation

Retaliation is suffering or being threatened with negative consequences (e.g., someone punishes you or threatens to do so) for making a good faith report or cooperating with an audit or investigation. For example, if you report misconduct on your supervisor's part, and for that reason, you are terminated or receive an unjustified performance evaluation, your supervisor's actions may be considered retaliatory. You are entitled to protection from retaliation.

5.5.2 Consequences of retaliation

Anyone who retaliates against an employee for making a good-faith report will be subject to disciplinary action, including termination.

5.5.3 No false accusations

LOFIN protects any employee or individual who makes honest inquiries or reports but will not tolerate false accusations. False accusations amount to a breach of our policies.

Intentionally misleading, lying, or refusing to cooperate with the ERM team, auditors or investigators is also violation.

5.6 The investigation process

All reports and cases of possible misconduct to be treated seriously. When we assess the information, we consider the credibility, verifiability, and potential impact of the allegation. If this assessment indicates that further investigation is required, the ERM team will appoint an investigating officer or team. The team may include members of other divisions, depending on the nature of the investigation. It will be ensured that the matter will be investigated confidentially, determine if there was a violation, and take appropriate corrective action.

Each member of LOFIN should cooperate with all duly authorized audits and investigations. ERM team and their designated nominees will ensure they have the full and prompt access to all records, property, personnel, operations, and functions within the organization. To prevent the theft, alteration, or destruction of relevant records, management may compel to remove and secure records (this may include computers or other electronic storage devices) with appropriate action. Implement access restrictions (physical and electronic) where the records are stored. Parties involved in an investigation or audit should honestly answer all questions.

The investigating team will record verbal statements, and you will have the chance to review the statement before signing. If the process or questions are unclear, please ask for clarification and additional information.

LOFIN upholds the fundamental principles of natural justice and ensure implicated parties can be heard and defend themselves before making any decisions. We expect managers to respect the process, discourage speculating on matters pending investigation and retain all relevant records.

If we find evidence of fraud or corruption, the investigating officer will prepare an incident report for LOFIN's executive management, highlighting control weaknesses and making recommendations to mitigate future risks.

The consequences for committing or fraudulent or corrupt acts may include, but are not limited to:

- Disciplinary action
- Demotion
- Repayment of misappropriated funds and other costs
- Written warnings
- Termination of employment
- Referral to the police or relevant prosecution agencies

We will not disclose or discuss investigation results with anyone other than those who have a legitimate need know. We do this to protect the reputation of anyone suspected but subsequently found innocent of wrongful conduct.

7 Roles and Responsibilities

Role	Responsibilities
Executive management	<ul style="list-style-type: none"> • LOFIN 's board of directors is responsible for controlling and limiting fraudulent or corrupt activities, and their roles shall include: • Approving anti-fraud and anti-corruption strategy and policies. • Providing the resources to implement the strategy and policies. • Overall responsibility for prevention and detection of fraud and corruption. • Managing LOFIN's resources efficiently, responsibly and in an accountable manner. • Ensuring accountability and transparency in operational performance. • Promoting continual improvement of LOFIN 's management practices.
Managers and supervisors	<ul style="list-style-type: none"> • Display ethical leadership and high personal standards. • Visibly promote the ethical framework and adherence by all employees. • Effectively manage risk following the company's anti-fraud and anti-corruption risk management framework. • Proactively manage staff conduct by taking prompt and appropriate action. • Develop strong internal controls to assist with fraud and corruption prevention. • Ensuring all employees and contractors complete compulsory LOFIN training and awareness sessions in addition to job-specific training. • Ensure employee compliance with relevant policies and procedures, including identifying and reporting potential fraudulent and corrupt activities.
ERM and Compliance Team	<ul style="list-style-type: none"> • Responsibility for the overall fraud and corruption control framework. • Ensure the fraud and corruption control framework undergoes a biennial review or more frequently as required. • Develop strategies in consultation with other key stakeholders to achieve an effective fraud and corruption control regime. • Ensure all operational areas implement effective risk management practices, including risk assessment of fraud and corruption. • Ensure that LOFIN policies, training and reporting are effective, comprehensive and helpful for employees, contractors and clients. • Independently investigates all allegations of suspected fraud and corruption. • Report suspected fraud, corruption, criminal and other matters to the appropriate external organizations where required. • Provide advice and direction to employees on the correct protocol for reporting unethical matters, updating policies and training accordingly.
Information technology	<ul style="list-style-type: none"> • Manage the security of LOFIN 's information through the use of technology. • Manage all information technology risks and ensure all LOFINs IT users do not misuse company software and assets.

Role	Responsibilities
Internal and external auditors	<ul style="list-style-type: none"> • Internal audit: <ul style="list-style-type: none"> -Tracking fraud and corruption incidents, collecting necessary evidence, and investigating suspicious transactions. -Conducting regular assessments of the effectiveness of policies and procedures and dealing with suspicious cases promptly. -Proper documentation of actions taken. • External audit; <ul style="list-style-type: none"> -Responsible for verifying the Company's compliance with anti-fraud and anti-corruption policies.
All employees	<ul style="list-style-type: none"> • Act ethically in the workplace. • Understand and comply with all policies and procedures, including: • Safeguarding assets, information and other resources. • Identifying and reporting potential issues. • Ensuring all administration is accurate with no deliberate omissions. • Registering all GEH offered, given, accepted, or received. • Declaring all perceived, potential and actual conflicts of interest, including those of family members, which may influence their official duties. • Undertaking required education and training to responsibly and effectively undertake their duties.

7. Authority & Responsibility

- **Board of Directors:** Overall responsibility for ensuring the company complies with its legal and ethical obligations and that all employees and associates follow this policy.
- **Management:** Implement and enforce the policy, provide training, and ensure controls are in place.
- **Employees:** Comply with the policy and report any concerns or breaches.

8. Relevant Legislations/Acts

This policy aligns with the following legislation and regulations:

- Anti-Corruption Act No 09 of 2023
- Bribery Act No. 11 of 1954 (Sri Lanka)
- Prevention of Money Laundering Act No. 5 of 2006 (Sri Lanka)
- United Nations Convention Against Corruption (UNCAC)

9. Implementation of this Policy

- **Training:** All employees will receive training on this policy upon joining the company and regularly thereafter.
- **Monitoring and Review:** The compliance department will regularly monitor and review the implementation of this policy and report findings to the board.

- **Reporting Mechanisms:** Establish and maintain secure and confidential reporting channels for employees to report concerns about bribery and corruption.

10. Miscellaneous

To the extent legally acceptable under applicable law, there can be slight deviations from this policy in individual cases, if justified by extraordinary and exceptional circumstances under the authorization of HOHR /CEO.