



## RISK MANAGEMENT POLICY

LOLC Finance Plc.

## ***1. Objectives***

The purpose of this policy is to obtain a reasonable assurance that;

- a) The risks, which would hinder the achievement of stated objectives of LOLC Finance Plc are identified, measured, managed, controlled, reported and maintained at acceptable levels.
- b) High level objectives and goals are in line with the mission of the organization.
- c) Resources are effectively and efficiently allocated, managed & utilized.
- d) Reporting to all stake holders are reliable, timely and accurate to the best of our knowledge.
- e) There are no breaches or non-compliances to applicable CBSL directions or other applicable laws.
- f) The internal control frame work is consistent, reliable & effective.
- g) Reliability of decision making, planning & responsiveness based on a structured dissemination of knowledge on business activities & Risk are maintained.
- h) Adequate development of the organizational knowledge and skills in risk management at all levels of operations are maintained.

## ***2. Scope***

The scope of this policy covers the risk management framework of LOLC Finance Plc. The policy is under the oversight of the Board Integrated Risk Management Committee and applicable to the Board of Directors & all employees of the LOLC Finance Plc.

## ***3. Risk Culture***

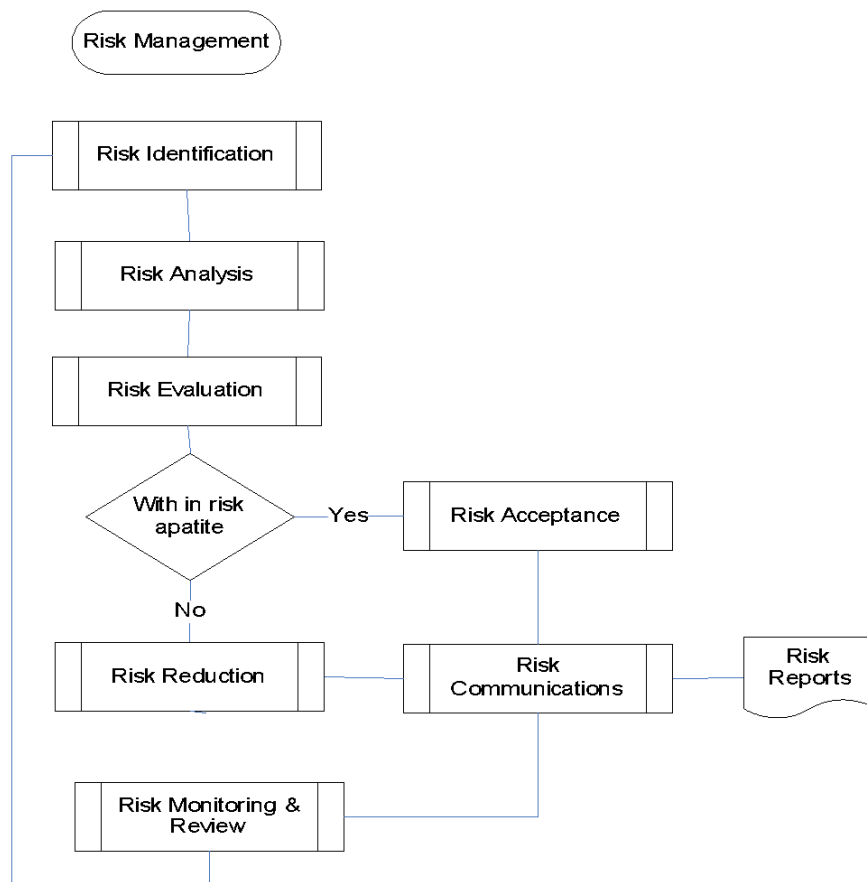
All staff in LOLC Finance are encouraged to identify, understand, openly discuss and act on risks faced by the company at present and in the future. The company

encourages transparency and openness. LOLC Finance Plc adopt a formal & structured approach to risk management.

#### 4. Risk Governance Structure

LOLC Finance Plc Board of Directors will primarily oversee the Enterprise level Risk Management through the Board Integrated Risk Management Committee (BIRMC) and the adherence to internal controls to mitigate risks through the Audit Committee. These committees would advise the board on all matters related to Risk, Audit & Compliance.

#### 5. Risk Management Process



## **5.1 Risk Identification**

The company identifies the main risks to the company which may hinder the achievements of its stated objectives and expected outcomes. Periodic review of the same to be coordinated and initiated by ERM-risk. Risks are identified at pre-occurrence & post occurrence stages.

## **5.2 Risk Assessment**

The company performs frequent risk assessments by considering the impact and likelihood of each identified risk on the business as well as the effectiveness of the relevant control environment. It is encouraged to follow the formal & structured process of risk Management practices.

## **5.3 Control/Manage Risk**

The appropriate risk Management strategy to be carried out upon the identification & measurement of risk to be informed to the board of management along with the recommended mitigation action. If more risk mitigation is necessary, control instruments are devised and implemented to address those concerns.

## **5.4 Risk Monitoring**

Monitoring activities are carried out by risk owners and Risk department. Risks are to be monitored against risk tolerance limits established by the risk owners and approved by the board of management. The monitoring of risks will ensure that the risks are managed with in the risk appetite of the organization.

## **5.5 Risk Reporting**

Risk reporting can be multi directional and all stake holders are encouraged to report/share risk related information. Effective reporting is essential for maintaining transparency and communication with key stakeholders, both internal and external.

## ***6. Capital planning and stress testing***

The Risk Management Framework includes an annual planning process for capital adequacy. Stress testing framework help to strengthen the capital planning and liquidity planning process of the company under major risks which are identified according to the operations of the company and the behavior of the external environment.

The company has contingency and emergency plans in place to address any unexpected disruptions

*(This is an overview of the Risk management Policy of LOLC Finance. If any additional details are required please contact the LOLC Finance team for a comprehensive overview of our policies and procedures on the risk management framework. Thank you for your interest in LOLC Finance's risk management practices.)*