Risk Management and Internal Controls Policy
SINGHE HOSPITALS PLC

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Risk Management and Internal Controls Policy

1. Requirement for the Policy

The Risk Management and Internal Control Policy of Singhe Hospitals PLC, referred to as "The Company," addresses and minimizes risks associated with Health services operations. This policy outlines the risks the Company faces, the regulatory requirements for overseeing these risks, and how internal controls mitigate them. It is designed to comply with Section 9 of the Colombo Stock Exchange (CSE) listing rules on Corporate Governance.

2. Objectives of the Risk Management Policy

The primary objective is to create guidelines for controlling, monitoring, and reporting risks that may impact the Company. The policy seeks to:

- Develop a risk management culture using integrated risk management frameworks.
- Introduce industry best practices and benchmark the Company's risk policies.
- Record and monitor risks and opportunities systematically.
- Define and manage risk exposure.
- Encourage calculated risk-taking through well-evaluated decisions.

3. Role of the Board of Directors

The Board of Directors holds ultimate responsibility for planning risk management frameworks, which include:

- Establishing written systems, policies, and procedures for risk management.
- Identifying risk tolerance levels and defining risk goals.
- Assessing risk exposure relative to the Company's capital.
- Ensuring compliance with internal policies and regulatory requirements.

- Implementing and updating robust internal control systems.

4. Responsibilities and Users

This policy applies to the Board of Directors, and all employees, including contract staff. Employees are required to provide accurate, timely information, and deviations may result in disciplinary action.

5. Operational Procedures, Guidelines, and Risk Goal Monitoring

Operational procedures and guidelines are created under the Board's direction. These procedures apply to various business units such as the front office, credit relationships, and support services, which engage in risk-taking activities on behalf of the Company. The primary risks the Company faces include:

- Credit Risk
- Liquidity Risk
- Market Risk
- Operational Risk

Key Types of Risk

1. Credit Risk

Credit risk occurs when a counterparty fails to meet its contractual obligations, leading to financial losses. This risk is primarily linked to receivables from customers.

Management of Credit Risk:

- Formulating credit policies with business units to cover credit assessments, legal procedures, and compliance.
- Establishing an authorization structure for credit approvals.
- The carrying amount of financial assets represents the maximum exposure to credit risk.

2. Liquidity Risk

Liquidity risk arises when the Company lacks sufficient financial resources to meet its obligations. This risk occurs due to mismatches in cash flow timings.

Management of Liquidity Risk:

- The Company ensures sufficient liquidity under normal and stressed conditions to meet liabilities.

- The Company maintains a balance between funding continuity and flexibility, using tools like bank overdrafts and loans.

3. Market Risk

Market risk refers to fluctuations in the fair value of financial instruments due to changes in market prices, including interest rate risk, currency risk, and other price risks.

Management of Market Risk:

- Interest-bearing borrowing rates are linked to the Average Weighted Prime Lending Rate (AWPLR) and Sri Lanka Interbank Offered Rate (SLIBOR), with changes in the market reflecting on the Company's borrowing costs.
- The Company manages interest rate risk by maintaining a mix of fixed and floating interest rates.

4. Operational Risk

Operational risk results from failures in processes, systems, or external events. This includes risks associated with personnel, technology, infrastructure, and legal or regulatory compliance.

Management of Operational Risk:

- Developing controls for segregation of duties, transaction monitoring, and regulatory compliance.
- Ensuring documentation of procedures, information technology risk management, and adherence to ethical standards.

Limitations of Internal Controls

No internal control system can guarantee absolute assurance. Limitations include human error, the possibility of management override, and collaboration between multiple parties to circumvent controls. Even an effective internal control system can experience failures due to unforeseen circumstances.