Eastern Merchants PLC

(ESTABLISHED IN 1945)
Reg. No. PQ 153

EXPORTERS - IMPORTERS
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RISK MANAGEMENT AND INTERNAL CONTROLS POLICY

1. Purpose

Eastern Merchants PLC ("the Company") recognises that effective risk management and internal controls are fundamental to protecting shareholder value, supporting sustainable business performance and achieving the Company's strategic objectives.

This Policy establishes the Company's framework for identifying, assessing, managing, monitoring and reporting risks and for maintaining effective internal controls. This Policy has been established in accordance with Rule 9.2.1(f) of the CSE Listing Rules.

2. Objectives

The Company's risk management and internal control framework is intended to:

- identify material risks that may affect the Company;
- assess the likelihood and potential impact of identified risks;
- establish appropriate risk responses;
- protect Company assets;
- support reliable financial and operational reporting;
- promote compliance with applicable laws and regulations;
- prevent and detect fraud and irregularities; and
- support achievement of strategic and operational objectives.

3. Board Responsibility

The Board of Directors ("the Board") has overall responsibility for ensuring that an appropriate risk management and internal control framework is maintained. The Board shall oversee the Company's principal risks and the effectiveness of measures implemented to manage such risks.

4. Management Responsibility

Management is responsible for implementing the risk management and internal control framework approved by the Board.

Management shall:

- identify and assess risks;
- implement appropriate controls;

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Directors: S. Jayakody, G.R.J. de Silva, F. Mushin, R. Pradeep, N. Nanayakkara

- monitor control effectiveness;
- address identified weaknesses; and
- report significant risks and control matters to the Board or relevant Board Committee.

5. Risk Identification and Assessment

The Company shall identify and assess risks that may arise from its operations, financial position, strategic objectives, regulatory environment and external circumstances.

Risks shall be assessed having regard to their:

- likelihood;
- potential impact;
- velocity;
- interdependencies; and
- existing mitigation measures.

6. Risk Categories

Depending on the Company's activities and circumstances, risks may include:

- strategic risk;
- operational risk;
- financial risk;
- credit and counterparty risk;
- liquidity risk;
- market risk;
- regulatory and compliance risk;
- reputational risk;
- human resource risk;
- environmental and sustainability-related risks.

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7. Risk Appetite

The Board shall determine the Company's overall approach to risk and shall seek to ensure that material risks remain within acceptable parameters. Risk-taking shall be consistent with the Company's strategy, resources and long-term objectives.

8. Internal Controls

The Company shall maintain internal controls appropriate to the nature and scale of its operations.

Controls may include:

- segregation of duties;
- delegated authority limits;
- approval procedures;
- reconciliations;
- physical safeguards;
- access controls;
- financial controls;
- management reviews;
- monitoring procedures; and
- internal and external audit activities.

9. Financial Reporting Controls

The Company shall maintain appropriate controls to support the integrity, accuracy and reliability of financial information. Financial reporting shall be subject to appropriate review and oversight by management, the Audit Committee and the Board.

10. Fraud Risk

The Company shall seek to prevent, identify and respond to fraud and other irregularities. Suspected fraud or material control weaknesses shall be reported promptly through appropriate channels.

11. External Audit

The Company's external auditor shall provide independent assurance over the financial statements in accordance with applicable professional and regulatory requirements. The Audit Committee shall oversee the external audit process in accordance with its Terms of Reference.

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12. Monitoring and Reporting

Risk exposures and significant control matters shall be monitored and reported to the appropriate level of management, the Audit Committee or the Board, as applicable. Identified weaknesses shall be addressed through appropriate corrective actions.

13. Business Continuity

The Company shall seek to maintain appropriate arrangements to respond to significant disruptions to its operations and to protect critical business activities.

14. Technology and Information Security

The Company shall maintain appropriate controls over information systems and access to Company information. Measures shall be implemented, as appropriate, to protect information against unauthorised access, loss, alteration or disclosure.

15. Risk Culture

The Company shall promote a culture in which risk is appropriately identified, considered and managed as part of day-to-day decision-making. Directors and employees are expected to understand and comply with the risk management and internal control requirements relevant to their responsibilities.

16. Review and Continuous Improvement

The Company's risk management and internal control framework shall be reviewed periodically to ensure that it remains appropriate and effective. The Board and management shall seek to strengthen controls where weaknesses or emerging risks are identified.

17. Disclosure

The Company shall make the disclosures concerning risk management and internal controls required by applicable laws, regulations, accounting standards and CSE Listing Rules.

18. Review of Policy

This Policy shall be reviewed periodically by the Board or an appropriate Board Committee and amended where necessary to reflect changes in the Company's business, risk profile, applicable laws, regulations and CSE Listing Rules.

The existence and implementation of this Policy shall be disclosed on the Company's website in accordance with Rule 9.2.1.

19. Document Control and Implementation

Upon Board approval, this Policy shall be communicated to all Directors, Board Committees and relevant senior management, published on the Company's website in accordance with Rule 9.2.1 of the CSE Listing Rules, and applied with immediate effect from the Effective Date stated above, with compliance monitored on an ongoing basis by the Company Secretary.

Board Approval Date	29.01.26
Effective Date	02.02.26
Review Date	
Version	1.0