

Policy on Internal Controls of Sri Lanka Telecom Group

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1. Introduction

Sri Lanka Telecom PLC (hereinafter referred to as "the Company" or "organisation") is the national telecommunication service provider listed on the Colombo Stock Exchange. Given its competitive business portfolio and the dynamic business environment, it is crucial for the Company to have a robust risk management and internal control framework. This policy establishes the principles and processes for effective internal controls to safeguard assets, ensure financial integrity, and comply with regulatory requirements.

The internal control policy refers to various types of internal controls established and practiced on a continuous basis by all levels of employees within the organisation, in order to achieve the organisational objectives and optimise processes by mitigating risks. Established internal controls include financial, operational and compliance controls.

Internal control policy currently in place is set by the risk management framework, financial control, internal audit and supporting policies.

2. Objectives

The internal control policy is designed to provide reasonable assurance regarding the achievement of organisational objectives and help the management to evaluate processes and manage risks.

The aim of SLT's internal control policy is to ensure that operations are effective and well aligned with the strategic goals. The internal control policy is intended to ensure correct, reliable, complete and timely financial reporting and management information. The policy endorses ethical values, good corporate governance and risk management practices.

It includes but is not limited to:

- a) assure that operations are effective and well aligned with the strategic goals
- b) ensure correct, reliable, complete and timely financial reporting and management information.
- c) ensure compliance with relevant laws, rules, regulations and internal policies
- d) protect the company's assets from unauthorized access, misuse, theft, or loss.

- e) establish procedures to prevent, detect fraudulent activities or errors
- f) ensure systematic risk management to develop efficiency and control of business operations as well as their profitability and continuity
- g) enhance organizational resilience by continuously monitoring and refining risk management and internal control processes.

3. Scope

The internal control policy is applicable across Sri Lanka Telecom PLC, its subsidiaries and associate companies.

4. Internal Control Framework

4.1 Board of Directors

The Board of Directors shall ensure that controls are in place to safeguard the company's assets.

4.2 Finance Function

In order to facilitate safeguarding of assets, the company's finance function should maintain adequate and accurate records.

The finance function also should ensure that adequate internal controls are in place to ensure the accuracy of financial statements.

4.3 Internal Audit Function

The internal audit function shall carry out tests/verifications/reviews and process audits to provide comfort that internal controls designed are followed.

4.4 Audit Committee

The audit committee shall oversee the adequacy of internal controls and their implementation

5. Implementation of Internal controls

Various types of internal controls are established within the organisation and key control activities are as follows:

5.1 Control Environment

The control environment is the foundation of organisations governance mechanism. It sets the tone of an organisation, influencing the control consciousness of its employees. The control environment reflects the overall attitude, awareness and actions of the Board of Directors and the Management concerning the importance of control activities. It is the foundation of all other components of internal control, providing discipline and structure. The organization's leadership, particularly the Board of Directors and senior management, demonstrates a commitment to integrity, ethical behavior, and adherence to the organization's values.

The well-structured organizational hierarchy with clear roles and responsibilities ensures accountability at every level, including a clear segregation of duties.

Controlled environment is established in the organisation in the following way:

- The Board and management promote high ethical & integrity standards and establish a culture that emphasises and demonstrates the importance of internal controls to all levels of staff.
- All the key functions in the organisation are operating as per the approved policies/ Standard Operating Procedures (SOP) or processes.
- Organisational policies/SOP are designed in line with the internal control principles of segregation of duties, Delegation of Authority (DOA), compliance with applicable laws/ regulations etc.

- All the organisational policies/ processes are approved by the Board of Directors or CEO/ Senior Management.
- All the user divisions are reviewing the relevant policies/processes periodically and amend /update them to comply with changing business requirements/regulations.
- All the organisational decisions are made as per the approved Delegation of Authority.
- All information systems and activities are performed strictly subject to the approved IT Security Policy of the organisation.
- Exercising internal controls is the responsibility of every individual employee of the organisation and violations of set policies & procedures are subject to accountability.
- All agreements with external party/vendors or business partners are signed only by the Board of Directors or Officials who have been authorized by the Board of Directors.
- All the business partners are bound to deliver their scope of work/duties in line with the terms of the agreements and the Management is taking actions to monitor the adherence.

5.2 Control Activities

Control activities are the actions taken by the Board and the management to mitigate risk and increase the likelihood of achieving established objectives and setting goals. Control activities are performed at all levels of the Company and its subsidiaries, at various stages of the business processes, and over the technological environment. The governance by the policies, procedures and practices implemented ensures alignment between SLT's strategic direction and risk management. Regular monitoring, reporting, and reviews ensure that the control activities of the Company are aligned with the governance framework. There are several types of system and process controls followed at SLT.

01. Preventive Controls – These are the proactive measures which are designed to minimize and avoid errors, fraud, or other undesirable events from occurring within SLT Group.

02. Detective Controls - These measures are designed to identify and detect errors, irregularities, or unauthorized activities that have already occurred within SLT Group.

03. Corrective Controls - These are measures implemented to address and rectify issues or irregularities that have been identified by detective controls.

5.3 Self-Assessment & Monitoring

Self-assessment and monitoring are integral parts of the internal control system, which is carried out through below functions/processes.

- **Internal audit**

Independent Internal Audit function, which is reporting to the Audit Committee has been established.

The Internal Audit Division is carrying out internal audits as per the annual audit plan, which is approved by the Audit Committee and the Board.

Findings are presented to the Audit Committee and make recommendations to improve the processes/ minimise leakages.

- External Auditors carry out the annual financial audit and interact with the Audit Committee and present the Management Letter to the Audit Committee and the Board.
- Senior Management is making all efforts to implement the audit recommendations and monitor the progress of implementation of audit recommendations.

- The Compliance Team is carrying out reviews on legal & process compliance on a periodic basis and non-compliances are presented to the Audit Committee.
- The Internal Audit Team take steps to include appropriate controls to develop processes.
- The Revenue Assurance Team is monitoring the revenues from products and take steps to minimize revenue leakages. Key findings and corrective actions are presented to the Audit Committee.

5.4 Awareness & Communication of Internal Controls:

- All the documented organisational policies & Procedures are published in organisation intranet for reference of all the relevant parties.
- Any amendment/update to the existing policies/ processes or introduction of new policies are informed/ communicated to all staff via e-mail.
- Awareness being conducted for staff on organisational policies/processes during the induction programs.
- Training sessions are conducted for staff on a periodic basis to improve their knowledge of organisational processes and established internal controls.
- Managers foster a culture that encourages all employees to come forward and reveal control lapses and violations.
- All divisions/departments shall report issues including control weaknesses, compliance issues and risks in a timely manner, identified within their respective groups during the periodic process reviews.

6. Document Control

Owner of this policy	Chief Finance Officer
Version	Version 1.0
Review frequency	Every financial year or as and when required to accommodate any changes.
Approved by and date	Approved by the Board of Directors Sri Lanka Telecom PLC on 13 th December 2024