

LH/POLICY/LEGAL/10

POLICY ON RISK MANAGEMENT AND INTERNAL CONTROLS

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1. Introduction

The Lanka Hospitals Corporation PLC (hereinafter referred to as "Lanka Hospital" or "the Company") is committed to high standards of business conduct while prioritizing the needs of patients, staff, contractors, and visitors at every level of the organization. The Company aims to implement an open and transparent risk management and internal controls system with a dynamic and proactive approach, ensuring the achievement of its principal objectives: delivering safe, cost-effective, high-quality care while maintaining the integrity, transparency, and sustainability of its operations.

Therefore, this Risk Management and Internal Controls Policy (hereinafter referred to as "Policy") is designed to enable the Company to implement a defined process for managing its risks on an ongoing basis. It intends to establish a common understanding and methodology for identifying, assessing, monitoring, and reporting risks while also providing management and the Board of Directors with assurance that key risks are being identified and managed. This Policy aligns with Section 9 of the Listing Rules issued by the Colombo Stock Exchange (CSE), effective from October 1, 2024.

Note:

- a) *This Policy is intended to be read in conjunction with the Risk Management Programme and Clinical Risk Management Policy of the Company.*
- b) *This Policy complements and does not replace other existing compliance programmes.*
- c) *This policy is drafted with reference to ISO 31000- Risk Management, Principles and Guidelines, Joint Commission International, ISO9001:2015 Quality Management System with current emphasis on Risk-based Thinking and COSO Internal Control Integrated Framework*
- d) *This Policy is approved by the Audit Committee on 10th September 2024 and by the Board on 19th September 2024.*

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2. Objectives

The objective of this Policy is to provide a comprehensive approach to identifying, assessing, prioritizing, managing, reporting and monitoring actual and potential risks that could affect the Company's ability to achieve its strategic and operational goals and also to promote a more risk-aware culture in pursuit of opportunities to benefit the Company.

3. Scope

This Policy applies to all functions, departments, and employees of the Company and its fully owned subsidiary, Lanka Hospitals Diagnostics (Private) Limited, including their Boards of Directors and senior management.

4. Definitions

Clinical Risk Management Policy: The policy that is in place to formalize and communicate the approach to the management of clinical risk across Lanka Hospitals.

Risk: The term Risk refers to the possibility or anticipated event or action or omission that has a chance of occurring or sustaining a direct or indirect loss, damage, or injury as a result of unexpected changes in the internal business environment or mismanagement of the internal control system or external events that may negatively impact the Company and meeting its objectives. It includes Adverse Events and/or Sentinel Events as defined in the Risk Management Programme.

Risk Classification: The term Risk Classification refers to Risk elements that are classified into various risk categories. Risks are grouped for better management and control. Each risk category is appropriately defined for the purpose of common understanding. The list of the main Risk Categories is marked **Annexure I** and attached hereto.

Risk Assessment: The term Risk Assessment refers to the combined process of Risk Analysis and Risk Evaluation.

Risk Analysis: The term Risk Analysis refers to the process of determining how often specified events may occur (likelihood) and the magnitude of their consequences (impact).

Risk Appetite: The term Risk Appetite refers to the level of risks that the Company is prepared to accept or not for each type of risk in achieving its objectives.

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Risk Evaluation: The term Risk Evaluation refers to the process used to determine Risk Management priorities by comparing the level of risk against predetermined standards, target risk levels or other criteria, to generate a prioritized list of risk for further monitoring and mitigation.

Risk Management: The term Risk Management refers to the systematic process of identifying, analysing, and prioritizing the Risks to minimize, monitor and control the probability or impact of such unfortunate events or acts.

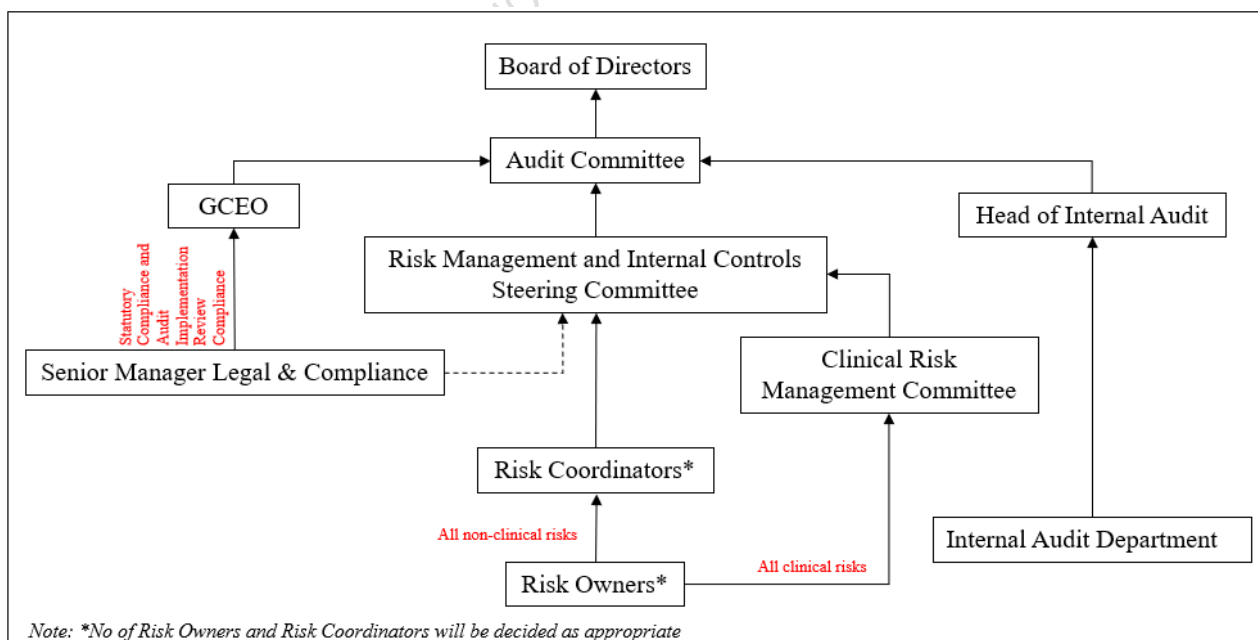
Risk Management Programme: This refers to the documented programme in Lanka Hospital in which the clinical and operational activities that the Company undertakes to identify, evaluate and reduce the risk of injury to patients, staff and visitors and the risk of loss to the organization itself.

Risk Register: The term Risk Register refers to a record of all identified risks relating to a set of objectives, including their history, status and risk score. The purpose of a risk register is to evidence and drive risk management activities and it is used as a source or means of risk reporting.

5. Structure, Role and Responsibilities

5.1 The Organizational Structure for Risk Management/Internal Controls

The Organizational Structure for Risk Management is as follows;



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Figure 1: Organizational Structure for Risk Management

Source: Internal Data

5.2 Roles and Responsibilities of Organizational Structure for Risk Management/ Internal Controls

5.2.1 Risk Owners

Risk Owners will be the department or unit heads or unit-in-charges or floor-in-charges or their authorized nominees covering both medical and non-medical areas of the Company.

An integral part of this policy is the need for recognition that risk management is a line management responsibility. Risk Owners at all levels must subscribe to this approach and take ownership of managing risk within their individual sphere of responsibility. This involves taking proactive actions to address any risk issues affecting their respective areas.

The roles and responsibilities of the Risk Owners are;

- a) Identifying, assessing and prioritizing risks.
- b) Preparing and updating the departmental risk register and reporting same to the Company Secretary to update the overall Risk Register according to the timelines given in this Policy.
- c) Documenting mitigation/action plans for all risks and risk profiles for critical risks.
- d) Managing risk by implementing mitigation plans
- e) Reporting on the non-clinical risk management activities and progress of risks to the RMIC through the Risk Coordinators on a periodic basis and/or on a need basis
- f) Reporting on the clinical risk management activities and progress of risks to the CRMC on a periodic basis and/or on a need basis
- g) Overall maintenance of a fully effective risk management system that supports the strategic direction of the Company.
- h) To make their staff aware of the necessity to identify and report both existing and new hazards and risks.

5.2.2 Risk Coordinators

Risk Coordinators will be appointed to mainly cover non-clinical areas. Thus, the roles and responsibilities of the Risk Coordinators are;

- a) Providing input to the creation of and review of non-clinical risk-related documents.

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- b) Coordinate the non-clinical risk management activities for the respective division/function as per this Policy and the directives of the RMIC.
- c) Obtaining approval and guidance from RMIC and the Audit Committee (through RMIC) as stated in this Policy for prioritized risks and their mitigation action plans.
- d) Responsible for coordination between the RMIC and the Risk Owners and reporting to the RMIC on non-clinical risk management activities and the progress of the said risks.
- e) Overseeing whether Risk Registers are updated on time in accordance with this Policy.
- f) Responsible for ensuring that the required documentation has been maintained and the required sign-offs or approvals have been obtained.

5.2.3 Clinical Risk Management Committee (CRMC)

CRMC is established to oversee and ensure the safety and quality of patient care by identifying, evaluating, and mitigating clinical risks. The committee is responsible for developing, implementing, and monitoring risk management policies and procedures to minimize adverse events and improve overall clinical outcomes. The composition, objectives, KPIs meeting frequency and roles and responsibilities shall be as per the CRMC Charter and CRMC Framework. Any clinical risks identified through the Patient Safety Committee shall also be directed and discussed at CRMC. CRMC shall report risks related to clinical areas to RMIC on a quarterly basis.

5.2.4 Risk Management and Internal Controls Steering Committee (RMIC)

5.2.4.1 Composition:

- a) Risk Management and Internal Controls Steering Committee will consist of not more than 10 members inclusive of the secretary.
- b) The Chairman of RMIC will be the Group Chief Executive Officer.
- c) The composition needs to be proposed by the Group Chief Executive Officer and approved by the Audit Committee on an annual basis.
- d) Other invitees may be called to join specific RMIC meetings if required.

5.2.4.2 Meetings and Reporting:

- a) RMIC will meet every quarter or as required for urgent matters.
- b) Reports of RMIC's activities decisions and meetings (including attendance) will be maintained for each meeting by its secretary.
- c) The Secretary will coordinate the information flow between the RMIC and Risk Coordinators/CRMC as well as the RMIC and Audit Committee and be responsible for ensuring that meetings of the RMIC are held quarterly basis or as required and such reports to be submitted to the Audit Committee on quarterly basis for the purpose of risk management.

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5.2.4.3 Deliverables/Responsibilities:

- a) Assist Risk Owners in identifying, analyzing, prioritizing and mitigating risks
- b) Developing overall risk management strategies, framework and processes.
- c) Oversee recent developments in the company and external business environment and periodic updating of the Company's risk management framework and process for assessing, monitoring and mitigating the risks.
- d) Approving risk migration action plans for cautionary risks and acceptable risks.
- e) Overseeing and monitoring the implementation of risk mitigation plans by Risk Owners
- f) Reporting risk management activities, findings and implementation compliances to the Audit Committee.
- g) Enhance awareness about risks and potential threats within divisions and functions with the assistance of the HR Division
- h) Recommend training programs for staff with specific risk management responsibilities or Risk Owners
- i) Perform quarterly review of risk register and risk profiles
- j) Escalation of issues requiring policy approvals to the Audit Committee
- k) Ensure the implementation of Internal Audit recommendations

5.2.5 Internal Audit Department and Head of Internal Audit

The Internal Audit Department, led by the Head of Internal Audit, will review the Company's risk management and internal control processes, conduct audits, and report their findings or observations to the Audit Committee.

5.2.6 Legal and Compliance Department and Senior Manager Legal & Compliance

Under the compliance function, the Legal and Compliance Department, led by the Senior Manager of Legal & Compliance, is responsible for reviewing and reporting the Company's statutory compliance status or any violations, non-compliances, or notices of contraventions (if any) to the Audit Committee on a quarterly basis. Additionally, they are tasked with reviewing and monitoring the implementation status of agreed internal audit recommendations by the Company through the primary responsibility holders and reporting the compliance status to the Audit Committee quarterly. In carrying out these functions, any identified risks that have not been escalated by the respective Risk Owners will also be reported to the RMIC on a need basis.

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5.2.7 Group Chief Executive Officer (GCEO)

The GCEO has overall accountability and responsibility for ensuring that the Company meets its statutory and legal requirements and adheres to guidance issued by the respective authorities. This responsibility encompasses risk management, clinical governance, health and safety, and financial and organizational controls.

The GCEO will ensure that the responsibilities for the management and coordination of risk are clear and that the structure for risk management outlined in the Risk Management and Internal Control Policy is maintained and necessary matters are duly reported to the Audit Committee and the Board of Directors while making necessary disclosures as per the applicable laws of the country.

5.2.8 Audit Committee

The risk functions are entrusted to the Audit Committee and those include the following:

- a) Reviewing risk management and internal control systems, policy and framework.
- b) Monitoring the effectiveness and adequacy of risk management activities, framework and internal controls.
- c) Review and approve the risk management reports for approval of the Board

The Audit Committee Charter which includes composition, quorum, meeting frequency and recording and reporting shall be applicable hereunder. Every Audit Committee shall discuss aspects related to risk function and Board Secretary shall be responsible for recording and maintaining such minutes.

5.2.9 Board of Directors

The Board of Directors holds ultimate responsibility for:

- a) Approving the risk management and internal control policy and framework
- b) Overseeing the adequacy, effectiveness and integrity of the internal control system and risk management framework/process.
- c) Review and consider risk management reports escalated to the Board

5.2.10 All Staff

It is the responsibility of all employees and staff to support the application of this Policy and its related processes and participate in the monitoring and auditing process. Therefore, all staff are required to;

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- a) Accept personal responsibility for maintaining a safe environment, which includes being aware of their duty and taking reasonable care of their own safety and all others that may be affected by the Company's business.
- b) Actively participate in managing risk including the risk assessments within their area of work and notify their line manager/Risk Owners of any perceived hazard which may not have been risk assessed.
- c) Be aware of the Company's Risk Management Strategy and processes and regulatory requirements in their respective areas and comply with them.
- d) Report all incidents to Risk Owners

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6. Internal Controls

The scope of the internal control system in the application of risk management shall cover at least the following:

- a) Appropriateness of the internal control system to the type and level of inherent risk in the business operations or in other words prioritizing and bringing focus to managing processes that are most likely to have an impact on accomplishing significant goals and objectives
- b) Identifying internal control gaps for remediation
- c) Identifying opportunities to streamline controls and reduce inefficiencies and redundancies
- d) Assessing important compliance areas such as the reduction and deterrence of fraud or the protection of health information
- e) Establishment of powers and responsibilities for monitoring of compliance with internal policies, programmes, standard operating procedures and limits.
- f) Establishment of reporting lines and clear segregation of functions between operating units and units performing control functions.
- g) Organizational structure that clearly depicts the business activities.
- h) Financial and operational reporting on an accurate and timely basis.
- i) Adequacy of procedures to ensure compliance with prevailing laws and regulations.
- j) Effective, independent, and objective review of the procedures for assessment of operations.
- k) Adequate testing and review of management information system.
- l) Complete and adequate documentation of the scope, operating procedures, audit findings, and response of management on the basis of audit results.
- m) Regular and ongoing verification and review of the handling of material weaknesses and actions of the management in correcting any irregularities that may occur.
- n) Improving corporate governance

The COSO framework which is very much similar to ISO standards is one of the most used frameworks for Risk Management. It describes five integrated components. They are control environment, risk assessment, control activities, information and communication, and monitoring activities. The approach and the process that would be taken by the Company on Risk Management is given hereinafter.

The effectiveness of internal controls will be continuously monitored and reviewed through internal audits and regular management reviews.

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7. Risk Management Strategy, Framework and Process

The fundamental principle of the Company's risk management strategy is that an awareness and understanding of risk should be used to inform decision-making at all levels. This necessitates the active engagement of all staff in practical risk management activities and the integration of risk management principles and techniques within the Company's formal governance arrangements.

The Risk Management Process of the Company consists of the following steps that form a continuous cycle.

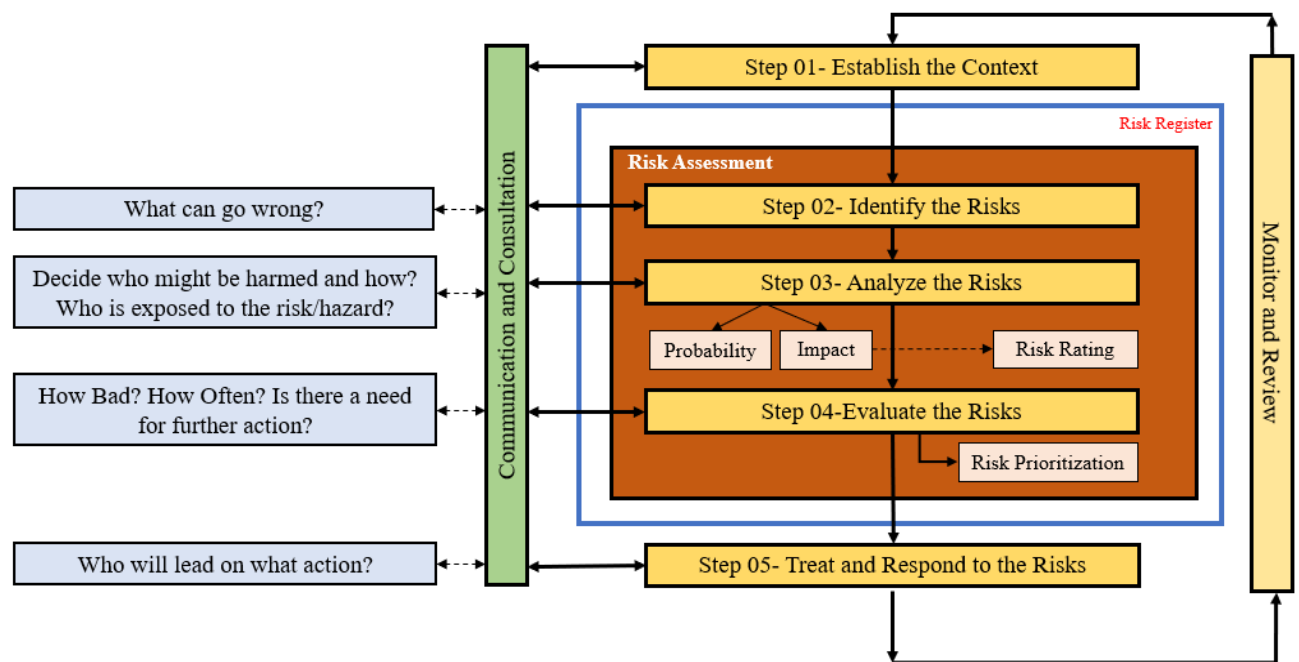


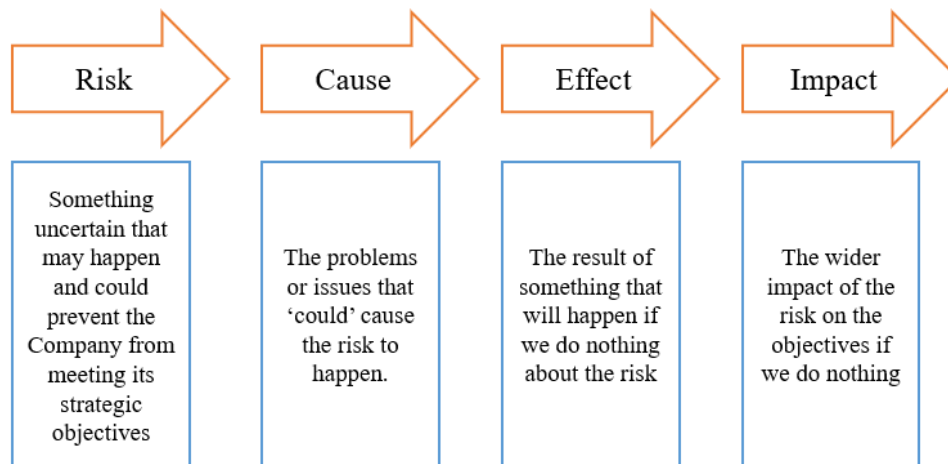
Figure 2: Risk Management Process

Source: Adapted from ISO 31000 Risk Management-Principles and Guidelines

Within the Risk Management Process, it should be identified

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7.1 Establishing the Context

Defining the external and internal parameters to be considered when managing risks, and setting the scope and risk criteria for the risk management.

7.2 Risk Identification

When identifying risks consideration should be given to what could pose a potential threat to the achievement of objectives within the context of the Company. Identification should include all risks whether or not they are under the control of the Company. Risks can be identified (*proactively: before the event or reactively: after the event*) in various means including but not limited to:

- Audit observations and recommendations
- Incident reports
- Occurrence of a loss event (Root Cause analysis)
- Trend and forecast analysis
- Structured workshops or brainstorming sessions or engagement with stakeholders.
- Document and process reviews.
- Other methods

Each Risk Owner must periodically review the risks within their risk category. One or all of the above methods can be used to identify new risks that may have emerged over a period of time.

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7.2.1 Risk Categories

Once Risks are identified, they can be categorized under the main Risk Categories stated in **Annexure I** hereto for easy reference.

7.2.2 Risk Registers

- a) Each Risk Owner must have a departmental risk register demonstrating risk management action plans to manage each individual risk within that department.
- b) All identified departmental risks should be updated in the departmental risk register at least every quarter. These will feed into the overall Risk Register on a quarterly basis.
- c) The custodian of the departmental risk register shall be the respective Risk Owner and the custodian of the overall Risk Register shall be the Company Secretary.
- d) **Annexure II** demonstrates the reporting and review of the risk registers across the Company. Each Risk Owner/Company Secretary shall maintain their risk registers in the format given in **Annexure II** hereto.
- e) Risk registers should be periodically reviewed to ensure the pertinence of the risks listed. Risks that would have ceased should also be closed appropriately.

7.3 Risk Assessment

Risk Assessment can be done using the template given in **Annexure III**.

7.3.1 Risk Analysis

The risks will be assessed on qualitative two-fold criteria. The two components of risk assessment are;

- a) the likelihood of occurrence of the risk event
- b) the magnitude of impact if the risk event occurs

Both of these components need to be evaluated according to clearly defined criteria that are applied consistently throughout the Company, to enable meaningful prioritization of actions and for proportionate responses to be decided upon, planned and implemented.

The criteria for assessing the likelihood and consequence of a risk occurring are given below (Risk Matrix). The risk types and descriptors provided hereunder are only for guidance only.

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7.3.2 Risk Matrix

7.3.2.1 Consequence Score (Impact or Severity)

	Sample Consequence Score and Sample Descriptors				
	1	2	3	4	5
Risk Type	Very Low	Low	Moderate	High	Very High
Clinical Risk (Patient harm or Staff harm or Public harm)	Minimal physical or psychological harm, not requiring any clinical intervention (eg. Discomfort) No time off from work	Minor, short-term injury or illness, requiring non-urgent clinical intervention (e.g. extra observations, minor treatment or first aid). Requiring time off work for >3 days Increase in length of hospital stay by 1-3 days	Moderate injury requiring professional intervention (e.g.: Substantial laceration, severe sprain, fracture, dislocation, concussion. Sustained stress, anxiety, depression. Requiring time off work for 4-14 days Increase in length of hospital stay by 4-15 days An event which impacts on a small number of patients/persons	Major injury leading to long-term incapacity/disability (eg. Loss of a limb Permanent disability. Severe, long-term mental illness) Requiring time off work for >14 days Increase in length of hospital stay by >15 days Mismanagement of patient care with long-term effects	Incident leading to death Multiple permanent injuries or irreversible health effects (eg. Major incident casualties. Multiple missed cancer diagnoses. Outbreak of serious infectious disease) An event which impacts on a large number of patients/persons

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	Sample Consequence Score and Sample Descriptors				
	1	2	3	4	5
Risk Type	Very Low	Low	Moderate	High	Very High
Reputation al Risk	Complaint / Rumours. Derogative posts on Social Media, Potential for public concern. Informal/locally resolved complaint. Potential for settlement/litigation up to Rs.1mn.	Local media coverage, short-term reduction in public confidence. Shared derogative posts on Social Media, Elements of public expectation not being met. Formal justified complaint Claim up to Rs.5mn.	Local media coverage. Long-term reduction in public confidence. Sustained postings of derogative posts on Social Media, A justified complaint involving lack of appropriate care. Claim(s) between Rs.5mn to Rs.10mn	National media coverage with <3 days service well below reasonable public expectation. Petition raised on social media platform. Multiple justified complaints leading to an independent review. Claim(s) between Rs.10mn to Rs.20mn	National media coverage with >3 days of service well below reasonable public expectation. Total loss of public confidence. Multiple justified complaints leading to independent review Noncompliance with National standards with significant risk to patients if unresolved. Claim (s) >Rs.20mn
Service or Business Risk	Disruption to peripheral aspects of service affecting one or more services.	Disruption to essential aspects of service affecting one or more services.	Temporary service closure affecting one or more services or disruption to services across multiple divisions.	Extended service closure affecting one or more services or prolonged disruption to services across multiple divisions.	Permanent loss of service or facility or Hospital or site closure. Catastrophic impact on business environment and revenue
Information & Communications Technology Risk	Unplanned loss/interruption of service for up to 1 hour affecting one business-	Unplanned loss/interruption of service for up to 4 hours affecting one business-critical	Unplanned loss/interruption of service for up to 8 hours affecting one business-critical	Unplanned loss/interruption affecting service of one business-critical IT systems for up	Unplanned loss/interruption affecting service of many business critical IT systems for up to 1 hour.

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	critical system. Loss of data from a single business-critical system that takes up to 1 hour to recover. Exposure of non-personal or confidential information to those not covered by a data sharing agreement or otherwise unintended.	system. Loss of data from a single business-critical system that takes up to 8 hours to recover. Exposure of embarrassing information to unintended recipients.	system. Loss of data from a single business-critical system that takes up to 24 hours to recover. Exposure of commercially confidential information to unintended recipients.	to 24 hours. Temporary loss of data from multiple business critical systems. Exposure of a single individuals' personal information to those not covered by a data-sharing agreement or otherwise unintended	Permanent loss of data from a single business critical system. Exposure of multiple individuals' personal information to those not covered by a data sharing agreement or otherwise unintended.
Sample Consequence Score and Sample Descriptors					
	1	2	3	4	5
Risk Type	Very Low	Low	Moderate	High	Very High
Environmental Impact Risk	Minimal or no impact on the environment. Minor onsite release of substance. Not directly coming into contact with patients, staff or members of the public.	Minor impact on environment. Onsite release of substance contained with potential contact with patients, staff or members of the public.	Moderate impact on environment. Onsite release of substance contained with potential contact with patients, staff or members of the public.	Major impact on environment. On-site release with potential for detrimental effect leading to off-site release with potential for detrimental effect. Involvement by the Environmental Authority with penal sanction	Catastrophic impact on environment. Onsite/Offsite release with realised detrimental/ catastrophic effects. Suspension of Activity by Environmental law enforcement Authority with penal sanction

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Identify the most appropriate risk under the risk category types given and insert the same in the left-hand side of the table. Then work along the columns in same row to assess the impact of the risk on a scale of 1 to 5 to determine the severity score, which is the number given at the top of the column. (Note: The above table needs to be amended to meet the needs of the individual Risk Owner and provided only as a guideline).

7.3.2.2 Likelihood Score (Probability)

When assessing the likelihood of the consequences described in the Consequences Table (7.3.2.1), it is important to take into consideration the controls already in place. The likelihood score reflects how likely it is that the adverse consequence described will occur.

	Likelihood Score and descriptor with examples				
	1	2	3	4	5
	Rare	Unlikely	Possible	Likely	Almost Certain
Frequency How often might it/does it happen	This will probably never happen/recur OR Not expected to occur for years	Do not expect it to happen/recur but it is possible it may do so OR Expected to occur at least annually	Might happen or recur occasionally or there are a significant number of near misses/incidents at a lower consequence level OR Expected to occur at least monthly	Will probably happen/recur, but it is not necessarily a persisting issue/circumstances OR Expected to occur at least weekly	Will undoubtedly happen/recur, possibly frequently OR Expected to occur at least daily

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Probability	Less than 1 chance in 1,000	Between 1 chance in 1,000 and 1 in 100	Between 1 chance in 100 and 1 in 10	Between 1 chance in 10 and 1 in 2	Greater than 1 chance in 2
Will it happen or not?	(0-5%)	(5-20%)	(20-50%)	(50-75%)	(75-100%)

Likelihood can be scored by considering as stated above:

- Frequency (how many times will the adverse consequence being assessed actually be realised) Or
- Probability (what is the chance the adverse consequence will occur)

Note: For Clinical risk assessment if and where required a different level of consequence and probability assessment criteria can be identified with the consultation of the Clinical Risk Management Committee.

7.3.3 Risk Evaluation

Impact and likelihood are combined to produce a level of risk. The risk should be classified into three zones based on the scores.

7.3.3.1 Calculation of Risk Magnitude

To calculate the Risk Magnitude (or risk index) the following formula can be used.

The formula: Risk Magnitude = Severity x Likelihood.

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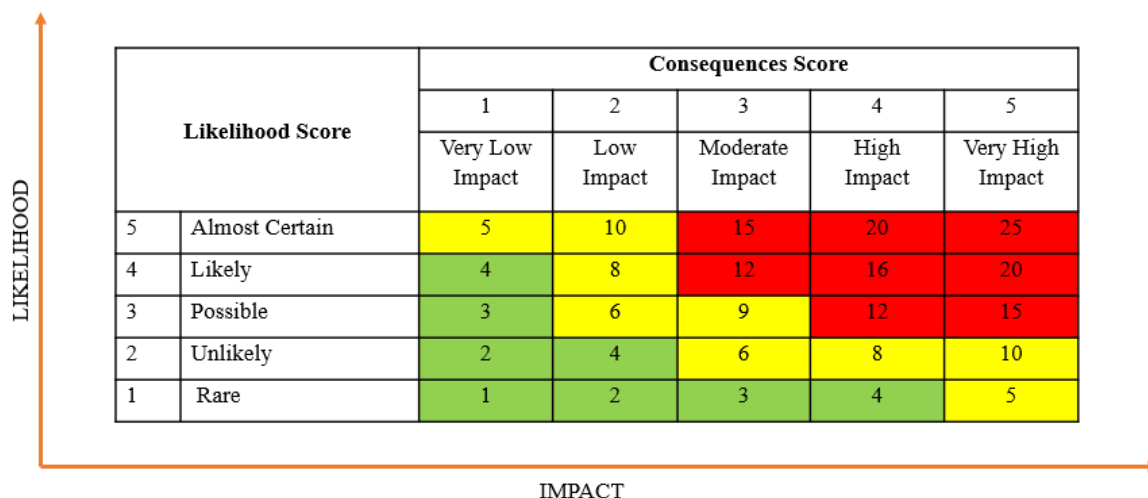


Figure 3: Risk Matrix

Source: Author

7.3.3.2 Risk Grading and Risk Appetite

For grading risk, the scores obtained from the Risk Matrix are assigned as follows;

Score	Grade	Risk Appetite
Score: 1 to 4	Low	Acceptable Risks that score within the green zone are considered “acceptable” or in control.
Score: 5 to 10	Medium	Cautionary Risks that score within the yellow zone are considered “cautionary” where action steps to develop or enhance existing controls are also needed.
Score: 12 to 25	High	Critical Risks that score within a red zone are considered “critical” and require immediate action plans to close a significant control gap.

Acceptable: Acceptable (tolerable) risks do not mean mere acceptability. It refers to a willingness to live with risk to secure certain benefits, but with the confidence that it is being properly controlled. To tolerate risk does not mean to disregard it, but rather that it is reviewed with the aim of reducing further risk.

It is reasonable to accept a risk that under normal circumstances would be unacceptable if the risk of all other alternatives, including nothing, is even greater.

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Cautionary: This means that safe options are preferred in mitigating the risks.

Critical: No acceptable unless the Board of Directors makes an informed decision.

7.3.3.3 Risk Prioritization

The prioritization of risks included in the Risk Register will be primarily based on risk rating/risk grading, which will ultimately be agreed upon by the Audit Committee.

The monitoring and reporting of prioritized risks shall be as follows:

	Score	Risk Appetite	Frequency of Monitoring and Review	Expected Level of Management
	Score: 1 to 4	Acceptable	Low likelihood and impact need annual review or if required bi-annually	Risk Owners/CRMC and RMIC
	Score: 5 to 10	Cautionary	High likelihood and impact need active monitoring and quarterly review	RMIC To be reported to the Audit Committee
	Score: 12 to 25	Critical	Most critical. Need active monitoring and monthly review	Audit Committee and Board of Directors

The objective of risk assessment is to assist the Company in prioritizing risk to ensure that appropriate attention is given to risks based on their criticality and that Company resources are effectively utilized in managing these risks.

7.4 Risk Treatment and Action Plan

The response to the risk should be in proportion to the level of risk identified and in accordance with the risk appetite and tolerance levels.

Risk treatment involves identifying the range of options for treating risk, assessing those options, preparing risk treatment plans and implementing them. The Risk treatment options may include:

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- a) Risk acceptance: Accepting the risk level within established criteria;
- b) Risk transfer: Transferring the risk to other parties viz. insurance;
- c) Risk avoidance: Avoiding the risk by adopting safer practices or policies;
- d) Risk reduction: Reducing the likelihood of occurrence and/or consequence of a risk event.

The following should be adhered to when treating risks;

- a) The risk assessed as critical should be profiled in the 'Risk Profile Format' provided in **Annexure IV**. The profile contains details of the risk, its contributing factors, risk scores, control documentation and specific and practical action plans.
- b) Action plans need to be time-bound and responsibility driven to facilitate future status monitoring.
- c) Mitigating practices and controls shall include determining policies, procedures, practices and processes in place that will ensure that existing levels of risks are brought down to an acceptable level.
- d) In many cases significant risk may still exist after mitigation of the risk level through the risk treatment process. These residual risks will need to be considered appropriately.

The most critical risks (score 12 and above) should be included in Risk Profiles along with Risk Registers, reported to RMIC, monthly or immediately (as necessary) and escalated to the Audit Committee quarterly. The risk treatment action plan for the most critical risks should be approved by the Audit Committee. Ensuring implementation of the approved action plan shall be the responsibility of the Risk Owners/CRMC and RMIC shall be responsible for overseeing and carrying out active monitoring.

All cautionary and acceptable risks (score 1 to 10) should be included in Risk Registers and be reported to RMIC quarterly. The risk treatment action plan for cautionary risks should be approved by RMIC. The decisions to accept any risk made by RMIC shall be reported to the Audit Committee quarterly.

7.5 Escalation

Every employee of the Company has the responsibility of identifying and escalating the risks to appropriate levels within the Company. The Risk Owners have the responsibility for ensuring that all details on the risk assessment are complete and complete risk registers as per Annexure-II and escalate the risks according to their prioritization in Clause 7.4 to either RMIC and/or the Audit Committee. In any event, RMIC shall have the right to determine whether the risk needs immediate escalation to the next level or it can wait till subsequent periodic review.

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7.6 Risk Review and Reporting Cycle

Risks and the effectiveness of control measures need to be monitored to ensure changing circumstances do not alter risk priorities. Few risks remain static. Ongoing review is essential to ensure that the management plans remain relevant. Factors, which may affect the likelihood and impact of an outcome, may change, as may the factors, which affect the suitability or cost of the various treatment options.

A risk review involves a re-examination of all risks recorded in the risk register and risk profiles to ensure that the current assessments remain valid. The review also aims to assess the progress of risk treatment action plans. Risk reviews should form part of the agenda for every RMIC meeting. The risk register should be reviewed, assessed and updated on a periodic basis.

The frequency of review and reporting of the risk management process is given below:

Action	Frequency	Responsibility
Updating departmental Risk Register	As an when risks are identified and assessed, however at least every quarter	Risk Owners
Updating Overall Risk Register	Quarterly	Company Secretary
Risk management reporting	Quarterly	All levels as stated in this Policy

The risk management process will be reviewed annually by the Internal Audit Department and undertake audits to ensure compliance with this Policy.

8. Review and Update

This Policy will be reviewed annually or more frequently if necessary, to ensure its continued relevance and effectiveness. Any changes to this policy will be subject to approval by the Board of Directors.

9. Communication and Training and Education

This Policy will be communicated to all employees, with training provided (where necessary) to ensure thorough understanding and effective implementation.

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To support the implementation and embedding of the risk management policy and procedures training and awareness is provided through a variety of mediums to ensure staff receive training appropriate to their role and reinforce the main elements of this policy.

10. References

Risk Management Programme (LH-QPS-PRO-03)
Clinical Risk Management Policy of Lanka Hospital

Annexure I- List of Risk Categories

No	Risk Category	Definitions
1	Clinical Risk	Risks associated with the health and well-being of patients or the provision of care to them.
2	Operational Risk	Risks associated with adequate infrastructure to support patient services, patient satisfaction and care for IP, OP and International Patients and all Centers of Excellence and all other support services.
3	Service Risk	Risks associated with disruption to peripheral aspects of service affecting one or more services.
4	Human Resource	Risks associated with culture, organizational structure, communication, recruitment, performance management, remuneration, learning & development, retention, Occupational Health & Safety and industrial relations, including supporting systems, processes and procedures.
5	Information Technology	The risk that systems are inadequately managed or controlled, data integrity, and reliability may not be ensured, inadequate vendor performance and monitoring, system or network architecture not supporting medium or long-term business initiatives and strategy, capacity planning not being reviewed on a regular basis resulting in processing failures, risks of data or systems migration or interfaces.
6	Cybersecurity	Risks associated with exposure or loss resulting from a cyberattack or data breach on the company
7	Marketing/Business Development	Risks associated with customer sources, competition, brand management & brand licensing and the reputation of the company.

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		<p>Risks associated with changing consumer/business trends/technological shifts affecting all aspects of business and adequacy of assessment of such risks</p> <p>Risks associated with appropriateness/adequacy of external communication & PR</p>
8	Finance and Liquidity Risk	Risks related to liquidity /treasury operations, relationship management with lenders, management of cash, billing and claims processing, customer credit risks, receivables management inadequacy of controls and lack of adequate monitoring leading to higher risks of frauds.
9	Legal, Regulatory and Compliance	Risk relating to non-compliance with legislations including direct & indirect tax law provisions, adequacy of financial reporting & disclosures, regulations, internal policies and procedures.
10	Corporate Governance	The risks associated with board and board procedures including risk oversight, internal controls, CSR, stakeholder relations including investor relations etc
12	Planning and Strategy	Risks associated with strategy development, strategic alliances, business planning, business mix, performance targets, and failure to align functional strategies and objectives with enterprise-wide strategies. Risks related to improper capital structuring and funding.
13	Environmental Risk	Risk associated with acts that may have an impact on the environment.

Any other incidents where you think there has been an adverse event or near miss or you feel that the standard of care is below that which would be expected can be added to the above list.

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Annexure II- Risk Register

Name of the Department:

Risk ID No	Date	Risk Category	Risk Description	Contributing Factor	Likelihood Score	Impact Score	Total Score	Risk Criticality (colour code)	Risk Owner	Reporting Forum	Reporting Frequency	Action Plan	Action Owner	Completion Date of Action

Prepared by

Reviewed by

Signature:.....

Signature:.....

Name:.....

Name:.....

Designation:

Designation:

Date:

Date:

The same format can be used for Risk Register Review and Reporting purposes.

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Annexure III- Risk Assessment Form

<p>What is the activity that is being risk assessed?</p> <p>Source of Risk:.....</p> <p>(eg: Compliant/Incident/Patient Feedback/Audit Recommendation)</p> <div style="display: flex; justify-content: space-between;"> Risk Owner : Signature: Date Completed : </div>									
Risk description	Primary controls	Current Risk			Gaps in control	Acceptable Risk			Mitigating actions required
What event could happen which would impact on the activity? What would cause it to happen? What would the consequence be?	What is in place now to prevent the risk from occurring or to act as a contingency if it does occur?	Consequence	Likelihood	Rating	If the risk is not controlled to an acceptable level, what are the issues that need to be addressed?	Consequence	Likelihood	Rating	What needs to be done to reduce the risk to an acceptable level?

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<p>Transferred to Risk Register(s) Yes ♦ No ♦</p> <p>Date of Transfer</p> 									

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Annexure IV- Risk Profile Format (for Critical Risks only)

Risk Ref No.		
Risk Category		
Risk		
Risk Owner		
Risk Coordinator		
Date of Next Review		
Contributing Factors a- b- c-		
Likelihood Rating (A)		
Impact Rating (B)		
Overall Risk rating (A*B)		
Description of Controls a- b- c-		

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RISK TREATMENT PLAN			
Proposed Risk Treatment Actions			
No	Description	Target Date	Status
1			
2			
3			
4			
<p>Assessment and Action Plan accepted by RMIC/Audit Committee and review date agreed:</p> <p>Yes ♦ No ♦</p> <p>Proposed Costs:</p> <p>Review Date:</p>			
<p>Signature of the Risk Owner</p> <p>Date</p>		<p>Signature of RMIC Member/Head</p> <p>Date</p>	

Note: For the completion of Risk treatment actions, the overall responsibility lies with the respective Risk Owner

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