



Ceylon Tea Brokers PLC

Enterprise Risk Management Policy

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1. Introduction

Enterprise Risk Management (ERM) is an integral part of the organizations operational and strategic processes within Ceylon Tea Brokers PLC (CTB). Risk Management is a key process in ensuring sustainable growth of the company, and improving the probability of achieving its strategic and operational objectives.

The purpose of this document is to articulate the Company's approach and expectations with regards to enterprise risk management across the organization and to:

- i. Communicate the Company's commitment to risk management in assisting with the achievement of strategic and operational objectives
- ii. Formalize a consistent approach to risk management across the Company
- iii. Ensure that the appropriate processes are in place to identify the material risks facing the Company and that the appropriate controls and strategies are adopted to manage exposure to those risks
- iv. Assign accountability and ensure the appropriate responsibilities are delegated to mitigate and control identified risks effectively
- v. Ensure that risk reporting protocol is in place so that any material changes to the Company's risk profile are tracked and reported

The key objective of this policy is to ensure that Ceylon Tea Brokers PLC has a consistent basis for identifying, measuring, controlling, monitoring and reporting risk across the Company.

1.1. Risk Strategy and Risk Appetite

Risk Strategy

The Risk Strategy of the Company is to establish formal mechanisms to ensure that best efforts are taken to appropriately identify the risks and maximize any potential opportunities arising from such risks events and mitigate and minimize the adverse effects stemming from those identified risks.

This is operationalized through the embedding of risk management in business operations and strategic decision making process.

Risk Appetite

The Company's risk appetite is the amount of risk it is prepared to accept in pursuing its strategic objectives based on its key value drivers. The Company's stated Risk Appetite provides a decision-making framework for the strategic and operational treatment of risk and is used as an internal tool by the central Enterprise Risk Management Division as means of calibrating the level of tolerance of risk on a Company-wide level.

The Company's overall risk appetite for 2017/18 has been determined through consideration of the following value drivers.

Value Drivers	Risk Appetite Levels					
	Low		Medium		High	
	0	1	2	3	4	5
Financial/Earnings Volatility						
Regulatory Compliance						
Governance						
Reputation						
Business Continuity						
Health and Safety						
Employee Satisfaction						

Pls refer Appendices 4.1 for Risk Appetite Level Parameters

Ceylon Tea Brokers PLC Risk Appetite Statement

Ceylon Tea Brokers PLC operates within a low overall risk range. The Company has a zero tolerance with regards to governance, reputation and regulatory non-compliance, and a low tolerance to business disruption, health and safety of its stakeholders, and employee satisfaction and a medium level of tolerance towards strategic objectives related to earnings volatility.

While the constituent departments of CTB are encouraged to identify value drivers specific to their businesses and their corresponding risk appetites, all businesses should operate within the overall risk attitude framework set by CTB. The risk attitude of CTB will be revisited periodically and the above constitutes the risk appetite for 2017/18.

2. Risk Architecture

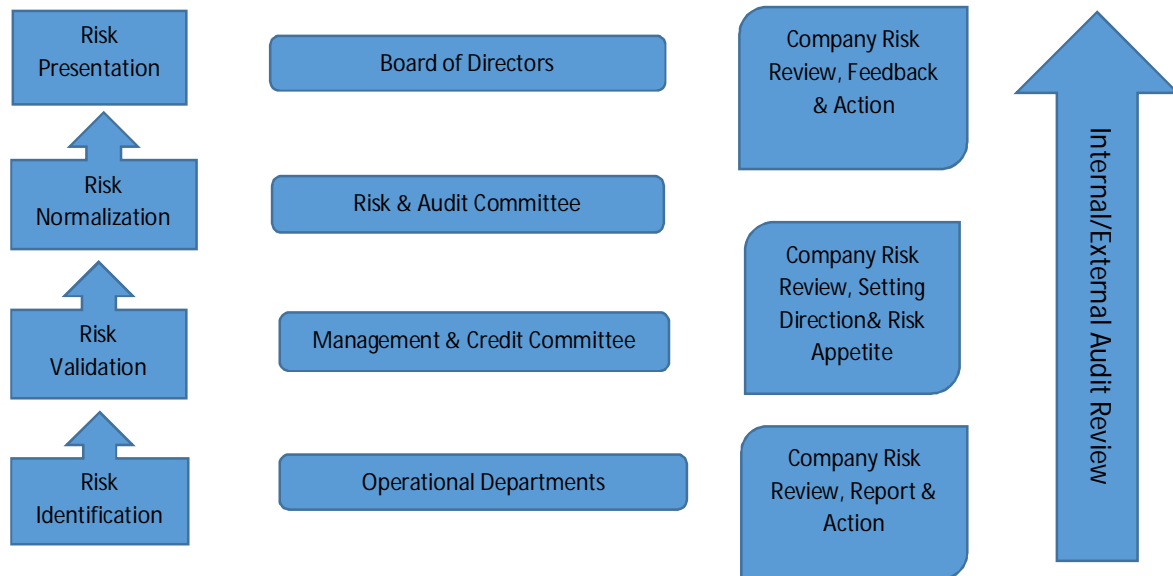
2.1. Governance Framework and Management Structure

Risk Management is an integral part of CTB overall Governance Framework, integrated with other systems and processes.

While the overall setting of risk appetite is set at a Company level, the CTB's ERM process is a bottom-up approach, starting at business level as depicted in the process diagram below

Enterprise Risk Management Policy

Risk Universe	External Environment	Business Strategy & Policies	Business Process	Organization & People	Analysis & Reporting	Technology & Data	Sustainability & CSR
Headline Risks							



2.2 Risk management roles and responsibilities

Board of Directors

The Board is responsible for oversight on the ERM process and review the risk assessment outcomes on a quarterly basis. The Board is responsible for determining the risk appetite and overall policy for the Company.

Risk & Audit Committee

The Risk and Audit Committee s are responsible for oversight on the ERM process of the Business and review the risk assessment outcomes on a quarterly basis.

Management & Credit Committee

The Management and Credit Committee is responsible for assessing risks on a Company-wide basis by considering the risks emanating on a quarterly basis. These committees are responsible for identifying the risks, and the level of risk that can be taken within the risk appetite parameters set by the Board and confirming the risk status of risk events for the business. Further those committees are responsible for validating risks at a business and Company level on a quarterly basis.

Operational Departments

HOD's are the ultimate risk owners of risks in their operations and are responsible for complying with risk procedures and identifying, assessing and managing risks by ensuring that appropriate mitigation plans are put in place. they are also responsible for tracking any incidences of risk and updating and reviewing the RCSA on a quarterly basis.

Individual Risk Owners

Each identified risk at the operational department level is assigned to a risk owner who is responsible for ensuring that the specified mitigation plans are put in place and followed up on.

Risk Champion

The company has an appointed Risk Champion who is responsible for updating the RCSA at the quarterly risk review, tracking, profiling and monitoring risks and their mitigation plans, working with the individual risk owners and the CEO

Internal Audit

Internal Audit is responsible for monitoring the mitigation plans set out by the company to manage risks identified through the RCSA. This acts as a second line of defense in the risk mitigation/control.

3. Risk Management Framework

3.1. Risk Management Strategy

All documentation of risk is recorded in Risk Control Self-Assessment (RCSA) documents. Operational Department's management of risks identified in RCSAs is carried out as follows:

- i. Identifying the risks in achieving the company's strategic and operational objectives
- ii. Determining and assessing existing mitigation processes and controls in place
- iii. Assessing the impact and likelihood and velocity of the risk after taking account existing controls to derive the net risk rating
- iv. Identifying and determining further control improvements to mitigate the risk event
- v. Assigning the owner of the risk
- vi. Auditing of RCSAs by Internal Audit to ensure follow through of mitigation plans

Risk Identification

CTB identifies risk events as any event with a degree of uncertainty which, if occurs, may result in the Organization not meeting its stated objectives.

The identified risks are broadly classified into the Risk Universe as identified by the Company, (*Appendices 4.2 of this document*).

Rating of Risks

The level of risk for each risk event is determined by rating risks based on:

- i. Likelihood of occurrence – Rating of probability of occurrence from 1 to 5
- ii. Severity of impact – Rating of the impact to the business from 1 to 5.
- iii. Velocity of Risk – assessment of the speed at which the impact of the risk would affect the organization.

The risk rating assigned is considered '**net risk**' i.e. the level of risk pertaining to the organization *after* consideration of risk mitigation processes in place.

The guidelines for rating risks based on the above parameters are detailed in Appendices 4.3.

Risk Mitigation and Monitoring

Each risk event is mitigated through specific preventive, detective and corrective action plans and assigned to a specific risk owner who are responsible for management of such risk items and follow up of mitigation plans.

Risk Reporting

The Management and Credit Committees are responsible for a formal quarterly review of RCSAs, which is also communicated to Risk and audit committees where relevant for validation. Company risks are presented to the board on a quarterly basis.

New Projects

All new ventures planned to be undertaken by the Company shall be assessed for risk based on the Company's risk management framework using the RCSA template specific to the industry of the new project.

Treatment of Risk

Tolerate	Certain risks where the current control measures in place are sufficient to reduce the likelihood and impact of risk (residual/Net) to a tolerable level and that there is no necessity to do more – it is not cost effective to try and manage it any further. Where the level of exposure is within our risk appetite risks may be accepted and a conscious decision made not take any further mitigating action
Treat	The most frequent course of action will be to treat the risk, to take actions to reduce the risk likelihood or impact or both. Addressing the cause of a risk generally affects the likelihood (eg preventative measures like improved training). Addressing the impacts generally affects the extent of the potential impact (eg contingency plans for alternative service providers)
Transfer	This involves transferring or sharing the risk with another party through such actions as outsourcing or insurance. There is normally some financial cost/benefit associated with this (eg premiums for insurance). Outsourcing or entering into partnerships may allow the Company to transfer certain risks – however by entering into such arrangements the council will inevitably be faced with new and different risks which it will have to manage
Terminate	In some instances the best other option is to terminate the activity that is generating the risk. In practice this can be difficult for the Company given the number of statutory functions we undertake. However many authorities have stopped providing a non-statutory service due to the risks surrounding their operation

Risk Level	Risk Treatment Guidelines
Ultra-High	<i>Requires immediate action as the potential risk exposure could be devastating to the Company</i>
High	<i>Requires action very soon (within 3 months), as it has the potential to be damaging to the Organization</i>
Medium	<i>Requires treatment with routine or specific procedures</i>
Low	<i>Continue to monitor and re-evaluate the risk, ideally treat with routine procedures</i>
Insignificant	<i>Continue to monitor and re-evaluate the risk</i>

4. Appendices

4.1. Risk Appetite Parameters

Value Drivers	RISK APPETITE PARAMETERS					
	LOW		MEDIUM		HIGH	
	0	1	2	3	4	5
Financial/ Earnings volatility	No tolerance	Impact on profits/returns of up to 5%	Impact on profits/returns of >5% but <20%	Impact on profits/returns of >20% but <50%	Impact on profits/returns of >50% but <75%	Impact on profits/returns of >75%
Regulatory compliance & Governance	No tolerance	Minimal deviation from compliance and governance framework	Minor deviation from compliance and governance framework	Moderate deviation from compliance and governance framework	Major deviation from compliance and governance framework	Severe deviation from compliance and governance framework
Reputation & Brand	No tolerance	Minority or few stakeholders disadvantaged or very short term medium negative exposure (a few days)	Minority or few stakeholders disadvantaged or short to medium term medium negative exposure (up to 1 week)	Multiple stakeholders significantly disadvantaged or medium term medium/high negative exposure (>1 week)	Key stakeholders severely disadvantaged or medium to long term high negative exposure (up to 1 month)	All stakeholders severely disadvantaged or long term high negative exposure (beyond 1 month)
Business Continuity	No tolerance	Intermittent business performance disruption or isolated partial disruption (less than 1 day)	Full service or partial business performance disruption or limited partial disruption (1 day)	Full service or business performance disruption, consistent partial disruption (2 days)	Full service or business performance disruption (2-7 days)	Full service or business performance disruption (> 1 week) or partial disruption for (months)
Health & Safety	No tolerance	Onsite exposure, immediately contained/treated, minor injury	Onsite exposure, contained with external assistance, requires outpatient treatment	Moderate incident requiring short-medium term outpatient treatment	Any incident with serious casualties requiring hospitalization	Major incident with serious casualties/ one or multiple fatalities
Employee satisfaction	No tolerance	Minor dissatisfaction from a minority	Minor dissatisfaction from a majority of the staff	Widespread staff complaints and demotivation of a majority of staff	Formation of trade unions/threat of strikes or widespread dissatisfaction in a majority of staff	Trade unions in conflict mode or severe impact to retention and recruitment

4.2. Risk Universe

RISK UNIVERSE							
Headline Risk	External Environment	Business Strategies and Policies	Business Process	Organization and People	Analyzing and Reporting	Technology and Data	Sustainability and CSR
Related Risks	Political	Reputation & Brand Image	Internal Business Process	Leadership/Talent Pipeline	Performance Measurement & reporting	Technology Infrastructure/ Architecture	Sustainability Strategy
	Competitor	Governance	Operations – Planning, Production, Process	Training & Development	Budgeting/ Financial Planning	Technology Reliability & Recovery	Biodiversity & Climate Change
	Catastrophic Loss	Capital & Finance	Operations – Technology, Design, Execution, Continuity	Human Resource Policies & Procedures	Accounting/ Tax	Data relevance, Processing & Integrity	Natural/Sustainable Resource Utilization
	Stakeholder Expectations	Strategy & Planning	Interdependency	Ethics	Internal/ External Reporting & Disclosures	Cyber Security	Community Investment & Philanthropy
	Macro Economic	Business/Product Portfolio	Customer Satisfaction	Fraud & Abuse		IT processes	Financing & Tax
	Foreign Exchange & Interest Rates	Organization Structure	Legal, Regulatory Compliance & Privacy	Attrition		Cloud computing	Oversight/Monitoring/Compliance
	Weather & Climate	innovation & R&D	Property & Equipment Damage & Breakdown	Knowledge & Intellectual Capital			Goal Congruence/ Dependence
		Investment, Mergers, Acquisitions & Divestments	Vendor/Partner Reliance	Employee Relations & Welfare/H & S			
	Treasury, Hedging & Insurance	Health & Safety of External Parties	Performance Management & Compensation				

4.3. Risk Rating Parameters

Likelihood Parameters

RATING	DESCRIPTION	ESTIMATED PROBABILITY	LIKELIHOOD
5	Event is expected in most circumstances	≥ 75%	Almost Certain
4	Event will probably occur in most circumstances	50% < 75%	Likely
3	Event should occur at some time	25% < 50%	Possible
2	Event could occur at some time	10% < 25%	Unlikely
1	Event may occur only in exceptional circumstances	< 10%	Rare

Impact Parameters

IMPACT PARAMETERS	INSIGNIFICANT	MINOR	MODERATE	MAJOR	CATASTROPHIC
Rating	1	2	3	4	5
Revenue Loss (E.g)* (Annual)	< 5%	05 - 20%	20 - 50%	50 - 75%	> 75%
Total disruption to Operations	< 2 hrs	1 - 3 hrs	3 - 10 hrs	10 - 48 hrs	48 hrs and over
Management Time	An event that can be managed through routine activity	An event can be absorbed/managed with minimum management effort	A significant event that can be managed through work/ planning from management	A critical event which can be endured through dedicated management team	A disaster that could lead to the collapse of the business
Occupational Health & Safety	None	Onsite exposure, immediately contained. Minor injury	Onsite exposure, contained with outside assistance. Requires outpatient treatment.	Major incident with serious casualties. Hospitalization required.	Major incident with multiple fatalities
Staff Impacts (Morale, Recruitment, Retention)	No adverse reaction	Staff complaints from minority	Widespread Staff complaints	Threat of Strike, discussions to be held with Trade Unions	Trade Unions in Conflict Mode
Media Attention	None	Media enquires only	One-off newspaper article / radio / television / online mention	3-5 days of negative media coverage	Extensive sustained negative media coverage - > 1 week
Reputation	None	Customer complaints generally restricted to hotline/ emails.	Customer complaints include negative posts online (e.g. blogs, twitter, etc.).	Widespread negative publicity in social and other media. Corporate image significantly affected.	Widespread negative publicity social and other media. Long-lasting reputation damage with possible political or legal intervention
Regulatory and Legal Action	None	Small fine with no disruption to operations	Moderate fine with short term disruption to operations	Large fine with significant disruption to operations over extended period of time	Closure of business indefinitely

Overall Rating

Ultra High	High	Medium	Low	Insignificant
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Impact/ Severity	5	Catastrophic/ Extreme Impact	5	10	15	20	25
	4	Major/ Very High Impact	4	8	12	16	20
	3	Moderate/ High Impact	3	6	9	12	15
	2	Minor Impact	2	4	6	8	10
	1	Low/ Insignificant Impact	1	2	3	4	5
			Rare / Remote to occur	Unlikely to occur	Possible to occur	Likely to occur	Almost certain to occur
		1	2	3	4	5	
		Occurrence/Likelihood					