



MADHUCON PROJECTS LIMITED

INTERNAL CONTROLS POLICY

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INTERNAL CONTROLS POLICY

1. OBJECTIVE

This document aims to establish the guidelines for the assessment of internal control, considering the main operational processes of Madhucon Projects Limited and its subsidiaries/affiliates ("**Company**"), focusing on the disclosure of financial reports and operations efficiency. These guidelines are complemented, when applicable, by specific business rules and procedures, which are fully disclosed and available to all employees of the Company.

2. RESPONSIBILITY

The responsible areas are Risk Management and Internal Controls, Internal Audit and Company coordinators whose business processes are part of the scope of the periodic assessment of internal controls.

3. DEFINITIONS

3.1 **Internal control** is defined as a process that is executed by the Company's senior management, managers or other persons associated with the Company, and considers policies, procedures, activities and mechanisms that are aimed at providing a significant degree of reliability on the following objectives:

3.1.1 Effectiveness and efficiency of resources;

3.1.2 Reliability of the financial information;

3.1.3 Compliance with established laws and regulations.

3.2 **Business Process** means a succession of clearly defined activities with at least one initial step and one final step.

3.3 **Risk** means any and all events arising from uncertainties to which the Company is exposed, and which may negatively impact the objectives and value generation.

3.4 **Types of Controls:** The internal controls of the business processes can be classified as Preventive (executed at the beginning of the process - prevents the occurrence of errors or irregularities and minimizes the risks at the source) and Detective (executed throughout the process, detecting errors which are difficult to define or predict)

3.5 **Control Deficiency** means a failure to execute a control that individually or together with other failures would clearly result in immaterial distortions in financial statements or immaterial financial loss.

4. ROLES AND RESPONSIBILITIES

4.1 Audit and Risk Management Committee:

4.1.1 Reviews and evaluates the adequacy of the internal control assessment plan, including the scopes for process, methodology, strategy and its comprehensiveness;

- 4.1.2 Takes recognition of the control deficiencies identified within the Company's internal control environment;
- 4.1.3 Monitors the implementation of the action plans when applicable; and
- 4.1.4 Informs the Board of Directors on significant deficiencies and actions taken towards them.
- 4.1.5 Establish and maintain effective internal controls, comprising financial and organizational checks and balances over (a) Company's financial, accounting, and recordkeeping practices and (b) over other business practices relating to the Company's Integrity Compliance Program obligations (**ICP**)
- 4.1.6 Ensure that the internal controls systems, particularly accounting and record keeping practices, should be subject to regular, independent, and external audits.
- 4.1.7 Assist the business areas in the identification/implementation/adequacy of internal controls, documentation of internal controls;
- 4.1.8 Identify the need to implement new controls and/or the need for improvement in existing controls when the absence and/or insufficiency of these result in significant deficiencies;
- 4.1.9 Review/evaluates the corrective action plans indicated by the business areas in relation to meeting the objectives of internal controls, mitigation of risks and implementation deadlines

4.2 **Senior Management (as defined by the Company):**

- 4.2.1 Periodically monitors the evolution of the internal control assessment according to the reports issued by the Audit and Risk Management Committee;
- 4.2.2 Ensures the implementation of actions defined by the Audit and Risk Management Committee in relation to the implementation/adequacy of internal controls;
- 4.2.3 Sponsors improvements to the internal control environment, always seeking a balance among the effectiveness of the processes, controls and costs, as well as the alignment with the Company's strategic objectives.
- 4.2.4 Encourage the adoption of ICP compliance business practices and reasonable oversight with respect to the ICP implementation and effectiveness.

4.3 **Internal Audit:**

- 4.3.1 Independently evaluates the efficiency and effectiveness of internal controls;
- 4.3.2 Recommend the implementation of new internal controls and/or improvements in existing internal controls, when the absence and/or insufficiency of these result in significant deficiencies;
- 4.3.3 Report deficiencies in internal controls to Senior Management and the Audit and Risk Management Committee;

4.3.4 Follow the recommendations of the independent auditors; and

4.3.5 Monitors the implementation of action plans for identified internal control deficiencies.

5. INTERNAL CONTROLS DOCUMENTATION

The documentation of processes, risks and internal controls is carried out to guarantee the necessary information that supports the assessments of processes, systems and controls is transparently recorded. The Audit and Risk Management Committee shall be responsible for ensuring that all processes related to internal control are adequately documented and retained.

In case an auditor (internal or external), discovers indications of a suspected misconduct but not limited to the violations of U.S. Foreign Corrupt Practices Act 1977, the U.K. Bribery Act 2010, the (Indian) Prevention of Corruption Act, 1988 and the (Indian) Prevention of Money-Laundering Act, 2002 shall report to the Audit and Risk Management Committee or Senior Management, as appropriate.

6. INDEPENDENT ASSESSMENT OF INTERNAL CONTROLS.

The work carried out by the independent audit may use information provided by the internal audit to identify material misstatement in the financial statements, and the internal audit may use the work performed by the independent audit to complement the assessment of the company's control environment. This synergy does not eliminate the need for the independent auditor to study and evaluate the entity's accounting system and internal controls as a basis for determining the nature, timing and extent of the application of audit procedures, considering various aspects.

The result of the internal control tests is consolidated by the internal audit and presented to Management and the Audit and Risk Management Committee.

Note: The Board of Directors of Madhucon Projects Limited ("The Company") has Approved the "Internal Controls policy" at their Board Meeting held on 13th February, 2023.