

**MERCHANT BANK OF
SRI LANKA & FINANCE PLC**

**CODE OF BUSINESS CONDUCT
& ETHICS**

APPROVED ON 20/11/2023

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Code of Business Conduct and Ethics

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1. Background

This Code of Business Conduct and Ethics (the "Code") is designed to promote honest, ethical and lawful conduct by all employees, officers and directors of MBSL (the "Company"). The Code is intended to help employees, officers and directors understand the Company's standards of ethical business practices and to stimulate awareness of ethical and legal issues that may be encountered in carrying out their responsibilities.

The actions of every employee, officer and director affect the reputation and integrity of the Company. Therefore, it is essential that each of us take the time to review this Code and develop a working knowledge of its provisions. In particular, all employees, officers and directors are expected at all times to:

- Avoid conflicts between personal and professional interests where possible;
- Act with integrity, including being honest and candid while maintaining the confidentiality of information where required or consistent with the Company's policies;
- Pursue the ethical handling of actual or apparent conflicts of interest when conflicts or appearance of conflicts are unavoidable, including full disclosure to a responsible supervisor or to the Compliance Officer or to the Internal Auditor as applicable of any transaction or relationship that could reasonably be expected to give rise to a conflict;
- Provide full, fair, accurate, timely, and understandable disclosure in the periodic reports required to be filed by the Company with the Central Bank of Sri Lanka (CBSL) and other regulatory authorities and in other public communications made by the Company;
- Comply with applicable governmental rules and regulations, accounting standards and Company policies;
- Promptly report (to a responsible supervisor or to the Compliance Officer or to the Internal Auditor as applicable) any violations of this Code; and
- Be accountable personally for adherence to this Code.

It is difficult to anticipate every decision or action that an employee, officer or director of the Company may face or consider. Whenever there is doubt about the right ethical or legal choice to make, you are required to fully disclose the circumstances, seek guidance about the right thing to do, and keep asking until guidance is obtained. An employee should make full disclosure to, and seek guidance from, the employee's supervisor in the first instance and subsequently the Compliance Officer/ the Internal Auditor if necessary.

Those who violate the standards in this Code will be subject to disciplinary action. If you are in a situation that you believe may involve or lead to a violation of this Code, you have an affirmative duty to disclose to, and seek guidance from a responsible supervisor, or other appropriate internal authority. Failure to follow this Code, as well as to comply with applicable State laws, and the Company's corporate policies and procedures may result in termination of employment. It is the Company's policy to encourage the communication of bona fide concerns relating to the lawful and ethical conduct of business, and audit and accounting procedures or related matters.

It is also the policy of the Company to protect those who communicate bona fide concerns from any retaliation for such reporting. Confidential and anonymous mechanisms for reporting concerns are available and described in this Code. However, anonymous reporting does not serve to satisfy a duty to disclose your potential involvement in a conflict of interest or in unethical or illegal conduct.

2. Conflict of Interest

A "conflict of interest" occurs when an employee, officer or director of the Company has a private interest which is adverse to, or may appear to be adverse to, the Company's interests. The Company expects all employees, officers and directors to exercise good judgment and the highest ethical standards in their activities on behalf of the Company as well as in their private activities outside the Company. Particular care should be taken to ensure that no detriment to the interests of the Company (or appearance of such detriment) may result from a conflict between those interests and any personal or business interests which an individual employee, officer or director may have. In particular, every employee, officer and director has an obligation to avoid or, if avoidance is not feasible, disclose in accordance with Section 2.4 of this Code any activity, agreement, business investment or interest or other situation that might in fact or in appearance cause the individual to place his or her own interests, or those of another, above his or her obligation to the Company. Care should be taken about the appearance of a conflict since such appearance might impair confidence in, or the reputation of, the Company even if there is no actual conflict and wrongdoing.

While it is not possible to describe or anticipate all the circumstances and situations that might involve a conflict of interest, a conflict of interest can arise whenever an employee, officer or director takes action or has interests that may make it difficult to perform his or her work objectively or effectively or when they (or a member of their family) receive improper personal benefits as a result of their position in the Company. Conflicts may arise where an employee, officer or director, or member of his or her family:

- Has a financial interest in the Company's competitors, customers, suppliers or others dealing with the Company.
- Is indebted to a competitor or supplier of goods or services to the Company, other than banks or other financial institutions for typical consumer debt generally available to non-company employees;
- Has a consulting, managerial or employment relationship in any capacity with, or is a board member of, a competitor, customer, supplier or others dealing with the Company; or
- Acquires, directly or indirectly, real property, leaseholds, patents or other property or rights in which the Company has, or the employee, officer or director knows or has reason to believe at the time of acquisition that the Company is likely to have, an interest.

2.1. Focus on the Company

The Company's employees and officers are expected to devote their full time and attention to the Company's business during regular working hours and for whatever additional time may be required. Outside business activities can easily create conflict of interest or diminish productivity and effectiveness. For these reasons, employees and officers should avoid outside business activities that divert their time and talents from the Company's business. Although the Company encourages professional activities and community involvement, special care must be taken not to compromise duties owed to the Company. Employees and officers are expected to disclose the nature of any non-Company activity for which compensation is received.

Employees and officers must obtain approval from the Company before agreeing to serve on the board of or similar body of a for-profit enterprise or government agency.

Serving on boards of non-profit or community organizations does not require prior approval. However, if service with a non-profit or community organization creates a situation that poses a conflict of interest with the Company (for example, the organization solicits charitable contributions from the Company or purchases significant services from the Company), you are required to disclose and obtain prior approval from the Compliance Officer.

2.2. Investments in Other Companies

Employees and officers of the Company should not acquire a significant equity ownership position in any customer, supplier or competitor of the Company or in any company with which the Company is engaged in, or proposes to engage in, or, to the knowledge of the employee, officer or director, is considering entering into, a substantial financial transaction or a deal that has a substantial impact on a company's financial position, operations, or strategic direction. An employee, officer or director who holds a significant equity ownership position in another company that, subsequent to the acquisition of the ownership position, becomes a significant customer, supplier or competitor of the Company, or with which the Company is considering or proposes to enter into a significant business transaction, shall promptly disclose his or her ownership in the other company to a responsible supervisor or to the Compliance Officer or to the Internal Auditor as applicable.

2.3. Special Situations

- *Public Office.* Prior to seeking any election or appointment to public office, an employee, officer or director must notify the Board through a responsible supervisor or the Compliance Officer or the Internal Auditor to clarify the Company's position in the event the candidacy is successful or the appointment is made. Written approval must be obtained.
- *Solicitations.* Employees and officers should not solicit contributions or other support from fellow employees, or distribute non-work-related material to fellow employees, during working hours or in areas where work is being performed.
- *Loans.* No employee or officer may accept loans or guarantees of obligations (except from banks of other entities that provide such services in the normal course and at arms' length) from any individual, organization or entity doing or seeking to do business with the Company. Any offer of such a loan should be reported to a responsible supervisor or to the Compliance Officer or to the Internal Auditor as applicable.

2.4. Procedures in the Event of Conflicts

Subject to the limitations imposed by this Code employees are free to engage in outside activities that do not interfere with the performance of his or her responsibilities or otherwise conflict with the Company's interests.

Where there is a real or perceived conflict of interest involving an employee or officer of the Company the nature of the conflict must be disclosed to a responsible supervisor or to the Compliance Officer or to the Internal Auditor as applicable. Where there is a real or perceived conflict of interest involving the CEO or a director of the Company, the CEO or such director shall notify the Board of Directors or the relevant Board Committee. For any conflict of interest due approval will be required from the Board of Directors or the relevant Board Committee.

2.5. Corporate Gifts and Hospitality

To ensure that the Company's business dealings are open, sincere, honest and truthful, employees, officers and directors of the Company should:

- Avoid using their position, Company resources or time for personal benefit or for the benefit of persons or organizations unconnected with the Company; and
- Not accept money, significant gifts, services or hospitality that might affect, or could reasonably appear to affect, their ability to make independent judgments on business transactions, from a customer or supplier.

It is difficult to lay down hard and fast rules covering the acceptance of hospitality in all circumstances. The overriding concern is that we are all above suspicion and that our dealings with commercial and other interest should bear the closest possible scrutiny.

Occasionally, a supplier may offer a discount on services or products purchased by Company employees and representatives. Such discounts can only be accepted when they are available to everyone in the Company. Employees, officers and directors and their families are prohibited from requesting, accepting or offering any form of under-the-table payment, kickback, bribe, rebate, or other improper payment or gratuity in connection with any corporate expenditure or sale of goods or services. If approached with such an offer, it should be disclosed to a responsible supervisor or to the Compliance Officer or to the Internal Auditor as applicable.

3. Protection and Proper Use of Company Assets

Every employee, officer and director has a personal responsibility to protect the assets of the Company from misuse or misappropriation. The assets of the Company include tangible assets, such as products, equipment and facilities, as well as intangible assets, such as corporate opportunities, intellectual property, trade secrets and business information (including any non-public information learned as an employee, officer or director of the Company).

3.1. Theft/Misuse of Company Assets

The Company's assets may only be used for business purposes and such other purposes as are approved by the Company. No employee, officer or director may take, make use of, or knowingly misappropriate the assets of the Company, for personal use, for use by another, or for an improper, careless, wasteful or illegal purpose. No employee, officer or director is permitted to remove, dispose of, or destroy anything of value belonging of the Company without proper approval including both physical items and electronic information.

3.2. Corporate Opportunities

No employee, officer or director of the Company shall (1) take for himself or herself personally opportunities that are discovered with Company property, information or position or (2) use Company property, information, or position for personal gain. Employees, officers and directors who learn of any such opportunity through their association with the Company may not disclose it to a third party or invest in the opportunity. Nor should any employee, officer or director use Company property, information or position for personal gain.

3.3. Confidential Information/Privacy

No employee, officer or director of the Company who is entrusted with information of a confidential or proprietary nature (about the Company, its suppliers, customers or other constituents) shall not disclose that information outside the Company, either during or after service with the Company, except with written authorization of the Company or as may be otherwise required by law. Employees, officers and directors may not use confidential information for their own personal benefit or the benefit of persons or entities outside the Company.

Confidential information includes all non-public information learned as an employee, officer or director of the Company. It includes, but is not limited to;

- Non-public information that might be (i) of use to competitors, suppliers, vendors, joint venture partners or others, (ii) of interest to the press, or (iii) harmful to the Company or its customers, if disclosed;
- Non-public information about the Company's financial condition, prospects or plans, its marketing and sales programs as well as information relating to mergers and acquisitions.
- Non-public information concerning possible transactions with other companies or information about the Company's customers, suppliers or joint venture partners, which the Company is under an obligation to maintain as confidential;
- Non-public information about discussions and deliberations, relating to business issues and decisions, between and among employees, officers and directors.
- Non-public information about fellow employees or any other individuals about whom the Company may hold information from time to time.

3.4. Network Use, Integrity & Security

The Company reserves the right to monitor or review any and all data and information contained on any employee's or officer's computer or other electronic device issued by the Company. In addition, the Company reserves the right to monitor or review an employee's or officer's use of the Internet, Company Intranet and Company e-mail or any other electronic communications without prior notice.

Access to Company systems will be revoked and disciplinary action may be taken in the event that such systems are used to commit illegal acts, or to violate the non-discrimination, harassment, pornography, solicitation or proprietary information terms of this Code, or any other terms of this Code.

In order to maintain systems integrity and protect the Company network, no employee or officer should divulge any passwords used to access any Company computer or database. Any suspected breach of the Company's network security systems should be reported to Head of IT immediately.

All employees and officers should refrain from using or distributing software that may damage or disrupt the Company's work environment by transmitting a virus or conflicting with Company systems. No employee or officer should engage in the unauthorized use, copying, distribution or alteration of computer software whether obtained from outside sources or developed internally.

3.5. Segregation of Duties

Segregation of Duties is an important aspect and needs to be followed by all the employees of MBSL. The segregation of duties is important for sustainable risk management, internal controls, protection

of assets & funds of the Company. The segregation of duties is based on shared responsibilities of a key process that disperses the critical functions of that process to more than one person or department. MBSL will have a clearly defined policies and procedures for key functions with clearly defined job descriptions. In addition to that MBSL will have an organizations structure defining each department/function with clear segregation of duties.

4. Relationships with Customers and Vendors

4.1. Fair Dealing

Each employee, officer and director should deal fairly with the Company's suppliers, customers, competitors and employees. No employee, officer or director should take unfair advantage through manipulation, concealment, abuse of privileged information, misrepresentation of material facts, or any other unfair-dealing practice. We respect the confidentiality and privacy of our suppliers and customers. Information about the Company's suppliers, customers, competitors and employees must be used in an ethical manner and in compliance with the law. Under no circumstance should information be obtained through theft, illegal entry, blackmail, or electronic eavesdropping, or through misrepresenting affiliation with the Company or identity. Any confidential or proprietary information should not be used if it is suspected that such information has been obtained improperly.

Similarly, each employee, officer and director must respect and protect any confidential or proprietary information shared with the Company unless disclosure is necessary to comply with statutory requirements, court orders or other lawful process or properly authorized government investigations. Employees and officers, after leaving MBSL, shall ensure confidentiality of proprietary information and information pertaining to any employees, director or officers.

Customers and potential customers are entitled to receive accurate information from the company. The Company strives to produce advertisements that are fair, accurate and lawful. False or misleading statements to sell or market Company products or services are to be strictly avoided. Immediate efforts should be made to correct any misunderstanding that may exist with a customer or potential customer.

You should assume that anything that would present a conflict for an employee, officer or director would likely also present a conflict with respect to a member of his or her family or someone with whom the employee, officer or director in question has a close personal relationship.

4.2. Trade Practices and Antitrust Compliance

Vigorous competition free from collusion and unreasonable restraints is the best mechanism for ensuring the innovative products and services. Moreover, failure to comply trade regulation laws in which the Company does business could result in serious consequences for both the Company and the offending individuals including significant penalties and damage to the Company's reputation. Therefore, it is the Company's policy to compete solely on the basis of its superior and innovative products and services, through the efforts and contributions of its employees, officers and directors, and to avoid improper practices.

4.3. Documentation

Employees, officers and directors who are authorized to make expenditures or enter into transactions on behalf of the Company must ensure that the applicable records comply with the Company's policies and procedures and that all transactions are recorded properly

5. Compliance with Other Laws, Rules & Regulations

The Company requires its employees, officers and directors to comply with all applicable laws, rules and regulations of Sri Lanka. Violation of these laws and regulations may subject an individual, as well as the Company, to penalties and lawsuits.

Employees, officers and directors are strongly encouraged, and indeed have an obligation, to raise concerns promptly when they are uncertain as to the proper legal course of action or they suspect that some action may violate the law. The earlier a potential problem is detected and corrected, the better off the Company will be in protecting against harm to the Company's business and reputation.

5.1. Inquiries from the Media and Public

The Company is committed to providing full, fair and accurate disclosure in all public communications and in compliance with all applicable law, regulations and rules. Consistent with this commitment and the Company's policy regarding Fair Disclosure, employees generally are not authorized to answer questions from the media, analysts, investors or any other members of the public. The Company's appointed persons are authorized to answer questions from the media, analysts, investors and other members of the public and comment on matters relating to the Company and its industry. If you should receive such an inquiry and are not authorized to respond, you must record the name of the person and immediately notify the Company's CEO.

5.2. Maintaining a Safe, Healthy and Affirmative Workplace

The Company is an equal opportunity employer and bases its recruitment, employment, development and promotion decisions solely on a person's ability and potential in relation to the needs of the job, and complies with Sri Lankan employment laws. The Company makes reasonable job-related accommodations for any qualified employee or officer with a disability when notified by the employee that he/she needs an accommodation.

The Company is committed to a workplace that is free from any kind of harassment, and from threats or acts of violence or physical intimidation. Abusive, harassing or other offensive conduct is unacceptable, whether verbal, physical or visual. Any person who believes that they have been harassed or threatened with or subjected to physical violence in or related to the workplace should report the incident to a responsible supervisor or to the Compliance Officer or to the Internal Auditor as applicable who will arrange for it to be investigated. All efforts will be made to handle the investigation confidentially.

All accidents, injuries, or concerns about unsafe equipment, practices, conditions or other potential hazards should be immediately reported to the immediate unit head.

5.3 Controlled Substances and Drugs

The Company prohibits the manufacture, use, possession, distribution, purchase or sale of controlled substances on its premises and while engaged in business for the company. Controlled substances include: • Illegal drugs and narcotics • Prescription drugs obtained or used without a legal prescription • Other unlawful substances or materials.

6. Accounting Practices, Books & Records and Record Retention

It is the policy of the Company to fully and fairly disclose the financial condition of the Company in compliance with applicable accounting principles, laws, rules and regulations and to make full, fair, accurate timely disclosure. Honest and accurate recording and reporting of information is critical to our ability to make responsible business decisions. The Company's accounting records are relied upon to produce reports for the Company's management, CBSL and other regulatory authorities, investors, creditors, governmental agencies and others. Our financial statements and the books and records on which they are based must accurately reflect all transactions and conform to all legal and accounting requirements and our system of internal controls.

All employees, officers and directors have a responsibility to ensure that the Company's accounting records do not contain any false or intentionally misleading entries.

Compliance with the Company's records retention procedures is mandatory. Destroying or altering a document with the intent to impair the document's integrity or availability for use in any potential official proceeding is a crime. Destruction of corporate records may only take place in compliance with the records retention guidelines in force in the country. Documents relevant to any pending, threatened, or anticipated litigation, investigation, or audit shall not be destroyed for any reason. Any belief that Company records are being improperly altered or destroyed should be reported to the Company's CEO or the Chairman of the Audit Committee.

7. Scope

If employees have questions regarding any of the standards discussed or policies referenced in this Code or are in doubt about the best course of action in a particular situation, the employee should refer to the Compliance Officer.

This Code is not intended to supersede or materially alter Company policies and procedures already in place and communicated to Company employees. Only the Board of Directors or the Audit Committee to which such responsibility has been delegated may make any waivers of this Code.

8. Duty to Report Violations

Each employee, officer and director is responsible for promptly reporting to the Company any circumstances that such person believes in good faith may constitute a violation of this Code, or any other Company policy, or applicable law, regulations and rules.

Employees are encouraged to report violations to their supervisors or immediate Managers. If a Manager is involved in a violation, employees have the option to escalate it to the next highest level of Authority or the Compliance Officer or the Internal Auditor. Whist Blowing is also available avenue for reporting misconduct.

No retribution against any individual who reports violations of this Code in good faith will be permitted. Every effort will be made to investigate confidential and anonymous reports within the confines of the limits on information or disclosure such reports entail. While self-reporting a violation will not excuse the violation itself, the extent and promptness of such reporting will be considered in determining any appropriate sanction, including dismissal. The Company will investigate any matter which is reported and will take any appropriate corrective action.

9. Violations of this Code

Allegations of Code violations will be reviewed and investigated by the Compliance Officer or the Internal Auditor. Violations of this Code may result in, among other actions, suspension of work duties, diminution of responsibilities or demotion, and termination of employment.

10. Decision making

A code of conduct cannot dictate precise actions for every circumstance. Instead, it establishes fundamental rules and principles that must be applied meaningfully by all employees.

When uncertain about the appropriateness of a decision, the following self-check questions can help clarify the situation:

- Does my decision align with both the law and the Bank's rules?
- Can I make an impartial decision that serves the organization's best interests, free from my personal conflicting concerns?
- Would my decision withstand scrutiny from a third party?
- Is my decision capable of being transparently communicated?
- Does my decision uphold the Company's commitment to legal compliance, a positive reputation, and social responsibility?

If uncertain about how to answer any of these questions, consult the code of conduct for guidance. Seek advice from colleagues, your Manager, or the Compliance department.