MERCANTILE INVESTMENTS AND FINANCE PLC

SUMMARY OF CORPORATE GOVERNANCE POLICIES

Mercantile Investments & Finance PLC ("the Company") is committed to maintaining high standards of corporate governance, accountability, transparency and ethical business conduct. In line with the section 9 of the Listing Rules on the Corporate Governance requirements of the Colombo Stock Exchange (CSE), the Company has established and maintains the following policies to guide its governance practices, business operations and relationships with stakeholders.

The following provides a summary of the key objectives and principles governing each policy.

1. Policy on Matters Relating to the Board of Directors

The Company maintains a formal framework governing the roles, responsibilities, authority and accountability of the Board of Directors. The framework establishes the Board's responsibilities in providing strategic direction, overseeing management, monitoring corporate performance and ensuring compliance with applicable laws, regulations and governance requirements.

The Board is responsible for safeguarding the interests of the Company and its shareholders while ensuring effective oversight of the Company's operations and risk management framework.

2. Policy on Board Committees

The Company has established a framework for the constitution and effective functioning of Board Committees to strengthen governance, oversight and accountability.

The framework provides for the establishment of the Nominations and Governance Committee, Remuneration Committee, Audit Committee, Integrated Risk Management Committee and Related Party Transactions Review Committee.

The Board is responsible for appointing Committee members, considering their skills and experience, and periodically reviewing the composition and effectiveness of the Committees. Each Committee operates in accordance with its respective Terms of Reference approved by the Board.

3. Policy on Corporate Governance, Nominations and Re-election

The Company is committed to conducting its business in a prudent, responsible and accountable manner in accordance with applicable corporate governance requirements.

The policy establishes the framework for the appointment of new Directors and the re-election of existing Directors. The Nominations and Governance Committee is responsible for evaluating and recommending suitable candidates, considering their qualifications, experience, skills and ability to contribute effectively to the Board.

The policy also requires periodic review of governance arrangements to ensure their continued effectiveness and compliance with applicable regulatory requirements and good corporate governance practices.

4. Policy on Remuneration

The Company maintains a formal framework governing remuneration arrangements for Directors and relevant personnel, with the objective of ensuring appropriate, fair and transparent remuneration practices.

The policy provides the basis for determining remuneration in a manner consistent with the Company's objectives, responsibilities and applicable corporate governance requirements.

The Remuneration Committee reviews and recommends remuneration arrangements in accordance with its approved Terms of Reference, ensuring an appropriate governance framework for remuneration-related decisions.

5. Policy on Internal Code of Business Conduct and Ethics

The Company expects all Directors and employees to maintain high standards of integrity, professionalism, accountability and ethical conduct in performing their duties.

The policy establishes key principles relating to honesty, respect, transparency, accountability and compliance with applicable laws and regulations.

It requires Directors to appropriately disclose actual or potential conflicts of interest, maintain confidentiality of sensitive information, use Company resources responsibly and refrain from trading in the Company's listed securities or other relevant securities while in possession of unpublished price-sensitive information.

The policy also encourages the reporting of suspected violations through established reporting channels and is subject to periodic review.

6. Policy on Risk Management and Internal Controls

The Company maintains a risk management and internal control framework to identify, assess, monitor and manage risks arising from its business activities.

The policy provides the basis for maintaining appropriate internal controls, monitoring the Company's risk exposure and ensuring that significant risks are identified and addressed in a timely manner.

The framework supports effective management oversight, accountability and the protection of the Company's assets and stakeholders' interests.

7. Policy on Relations with Shareholders and Investors

The Company is committed to maintaining effective communication and transparent relationships with its shareholders and investors.

The policy establishes the framework for communicating relevant corporate information and responding to shareholder and investor concerns in a fair and timely manner.

The Company seeks to ensure that shareholders and investors have access to appropriate information to understand its business activities, financial performance and significant corporate developments, in accordance with applicable disclosure requirements.

8. Policy on Environmental, Social and Governance Sustainability

The Company recognizes the importance of integrating Environmental, Social and Governance (ESG) considerations into its business activities and decision-making processes.

Through its Sustainable Finance Activities Policy, the Company promotes responsible financing practices while considering relevant environmental, social and governance factors.

The policy supports the Company's commitment to sustainable business practices, responsible resource utilization and creating long-term value for its stakeholders.

9. Policy on Control and Management of Company Assets and Shareholder Investments

The Company maintains a framework to ensure proper accountability, safeguarding and effective utilization of its capital assets and equity investments.

The policy covers the acquisition, recording, maintenance, valuation and disposal of Company assets, including tangible and intangible assets.

The Board designates responsibility for maintaining appropriate asset records, including the fixed asset register. Periodic physical verification is undertaken through Internal Audit, with findings reported to the Audit Committee at least annually.

The policy also provides for periodic valuation reviews, appropriate approvals for asset disposals and the management of equity investments in accordance with the Company's Investment Policy and applicable accounting standards.

10. Policy on Corporate Disclosures

The Company is committed to ensuring timely, accurate, fair and transparent disclosure of material information in accordance with the CSE Listing Rules and other applicable regulatory requirements.

The policy establishes the framework for disseminating material corporate information to investors and the market in a fair and consistent manner.

Corporate disclosures are made with the appropriate Board approval, except where circumstances require immediate disclosure. The Company also ensures that regulatory reporting obligations are fulfilled in accordance with applicable directions, circulars and statutory requirements.

The policy promotes transparency while avoiding disclosures relating to uncertain or immaterial matters that could create unnecessary market speculation.

11. Policy on Whistleblowing

The Company maintains a whistleblowing framework to encourage the reporting of suspected misconduct, unethical behavior, irregularities and other violations of Company policies or applicable laws and regulations.

The policy provides confidential reporting arrangements to facilitate the reporting and appropriate investigation of concerns.

The Company seeks to ensure that reported matters are addressed appropriately while maintaining confidentiality and protecting the integrity of the reporting process.

12. Policy on Anti-Bribery and Corruption

The Company adopts a zero-tolerance approach towards bribery, corruption and unethical business practices in all its operations.

The policy applies to employees, agents and representatives acting on behalf of the Company and prohibits offering, giving or receiving bribes, kickbacks, improper payments, gifts or favours.

Business-related gifts, entertainment and hospitality must be reasonable, transparent and consistent with applicable laws and regulations.

The policy encourages the reporting and investigation of suspected bribery and corruption incidents and establishes responsibilities for Senior Management, employees and relevant control functions in supporting effective implementation.

The Company is committed to complying with the Anti-Corruption Act No. 09 of 2023, as amended.

Policy Governance and Review

The Company is committed to maintaining the effectiveness of its corporate governance policies through periodic reviews and updates, taking into consideration applicable legal and regulatory developments, changes in business operations and recognized good governance practices.

The Board of Directors and relevant Board Committees oversee the implementation and monitoring of these policies in accordance with their respective responsibilities.

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