



**POLICY ON CONTROL AND MANAGEMENT  
OF COMPANY ASSETS AND SHAREHOLDER  
INVESTMENTS**



**Merchant Bank of Sri Lanka & Finance PLC**

**POLICY ON CONTROL AND  
MANAGEMENT OF COMPANY  
ASSETS AND SHAREHOLDER  
INVESTMENTS**

---

## Table of Contents

1. Purpose.....	3
2. Scope.....	3
3. Policy Principles .....	3
3.1 Regulatory Compliance .....	3
3.2 Asset Types.....	3
4. Control and Management of Company Assets .....	4
4.1 Asset Management.....	4
4.2 Valuation and Reporting .....	4
4.3 Risk Management for Financial Assets .....	4
5. Management of Shareholder Investments.....	4
5.1 Investor Protection .....	4
5.2 Investment Committee .....	4
5.3 Ethical Investment Guidelines .....	5
6. Risk Management and Mitigation.....	5
6.1 Enterprise Risk Management (ERM).....	5
6.2 Internal Controls and Audits.....	5
7. Conflict of Interest and Transparency.....	5
7.1 Conflict of Interest .....	5
7.2 Transparency in Reporting.....	5
8. Review and Monitoring .....	6
9. Accountability.....	6
10. Effective Date .....	6

## 1. Purpose

Merchant Bank of Sri Lanka & Finance PLC (the Company) has implemented this Policy on Control and Management of Company Assets and Shareholder Investments in compliance with the Section no. 9 (Corporate Governance) of the Listing Rules of the Colombo Stock Exchange. This policy outlines the guidelines and procedures for the control, management, and oversight of company assets and shareholder investments to ensure financial integrity, regulatory compliance, risk management, and the protection of shareholder interests.

## 2. Scope

This policy applies to all employees, directors, and officers of the Company and covers all company assets, including physical, financial, and intellectual assets, as well as investments made on behalf of shareholders. It is applicable to subsidiaries, branches, and any affiliated entities engaged in financial services.

## 3. Policy Principles

### 3.1 Regulatory Compliance

The Company shall comply with all applicable local and international financial regulations, including but not limited to the regulations of the central bank, securities exchange commissions, and financial conduct authorities. This includes:

- Maintaining adequate capital reserves as mandated by regulatory bodies.
- Compliance with anti-money laundering (AML) and counter-terrorist financing (CTF) laws.
- Regular audits and disclosures in accordance with regulatory requirements.
- Adhering to Basel II (or other relevant frameworks) for risk and capital management.

### 3.2 Asset Types

The Company's assets include physical assets (property, equipment), financial assets (loans, securities, derivatives), and intellectual assets (software, trademarks). Each category will be managed under specific guidelines to ensure value preservation and regulatory compliance.

- **Physical Assets:** All physical assets are to be recorded, maintained, and insured adequately to minimize loss.
- **Financial Assets:** The management of financial assets must follow stringent procedures for valuation, risk assessment, and compliance. For example, loans will be subjected to credit risk assessments, and securities will be managed to ensure liquidity and market risk considerations.
- **Intellectual Assets:** These will be protected via patents, trademarks, and data protection laws.

## 4. Control and Management of Company Assets

### 4.1 Asset Management

The Company shall establish an Asset-Liability Committee (ALCO) responsible for overseeing the control and proper use of company assets. This committee shall:

- Establish asset utilization and preservation strategies.
- Approve all material asset purchases or sales.
- Ensure that regular audits are conducted to verify the existence, condition, and valuation of all assets.

### 4.2 Valuation and Reporting

- All assets will be regularly valued based on industry best practices and applicable accounting standards (such as SLFRS or IFRS).
- An asset register will be maintained, capturing the details of each asset and its valuation, updated quarterly.
- Internal audits will verify the accuracy of reported asset values as part of the annual audit plan.

### 4.3 Risk Management for Financial Assets

- **Credit Risk:** The Company will establish a credit risk management framework that evaluates counterparties and sets exposure limits.
- **Market Risk:** All marketable securities will be monitored for price volatility and managed using hedging strategies, if necessary.
- **Liquidity Risk:** The Company will maintain a liquidity ratio as required by regulators and ensure sufficient short-term assets to cover liabilities.

## 5. Management of Shareholder Investments

### 5.1 Investor Protection

The Company will prioritize transparency and fairness in managing shareholder investments:

- Provide timely and accurate information regarding investment portfolios, fund performance, and market outlook.
- Ensure that all investment decisions are made with due diligence, safeguarding shareholder interests and adhering to fiduciary responsibilities.

### 5.2 Investment Committee

An Investment Committee shall be responsible for:

- Developing and reviewing the company's investment strategy.
- Setting risk appetite levels for investments, ensuring alignment with shareholder objectives and regulatory requirements.
- Monitoring performance of all investment portfolios regularly, with quarterly reports submitted to the Board of Directors.

## **5.3 Ethical Investment Guidelines**

The Company shall adhere to ethical investment principles, ensuring that investments avoid industries associated with high environmental or social risks unless part of a recognized solution-based approach. Investments should support sustainable practices in line with the Company's Environmental, Social, and Governance (ESG) commitments.

## **6. Risk Management and Mitigation**

### **6.1 Enterprise Risk Management (ERM)**

The Company will implement a robust ERM framework that integrates asset and investment management into the wider company risk profile, ensuring:

- Identification and mitigation of risks, including credit risk, operational risk, and market risk.
- Regular stress testing of investment portfolios under adverse market conditions.
- Contingency planning for liquidity crises or sudden changes in asset valuations.

### **6.2 Internal Controls and Audits**

- The Company will ensure strong internal control systems are in place to prevent fraud, misuse, or mismanagement of assets.
- Internal audits will be conducted annually, focusing on both the accuracy of asset records and adherence to this policy.
- Independent external audits will review both the Company's financial statements and the management of shareholder investments in their annual statutory audit.

## **7. Conflict of Interest and Transparency**

### **7.1 Conflict of Interest**

Any employee or officer involved in the management of company assets or shareholder investments must disclose any personal or financial interests that could create a conflict of interest. Strict measures will be in place to prevent such conflicts from influencing company decisions.

### **7.2 Transparency in Reporting**

The Company commits to transparency in all communications regarding the management of assets and investments. Regular updates will be provided to shareholders, including:

- Quarterly investment performance reports.
- Annual reports detailing the state of company assets and asset management strategies.

## **8. Review and Monitoring**

The Company shall review this policy annually and as and when necessary to account for changes in regulations, market conditions, or business strategy. The Board of Directors will ensure that all necessary amendments are made to enhance governance and risk management practices related to assets and investments.

## **9. Accountability**

The ultimate accountability for compliance with this policy rests with the Board of Directors. However, each department involved in asset management, risk management, and investor relations is responsible for ensuring that the policy is implemented effectively and adhered to at all times.

## **10. Effective Date**

This policy is effective as of 4<sup>th</sup> November 2024.

---