Environmental Social and Governance Policy

LB FINANCE

CONTENT

1 Introduction

LB Finance, engaged in lending, funding and value-added services, recognises the importance of managing its environmental, social and governance impacts through a robust framework. This ESG Policy outlines the Company's commitment to identifying, measuring, monitoring, and managing its impacts on the environment and society while maintaining a strong governance structure. The overarching objectives are to:

A. Foster integrated thinking and optimise resource allocation to ensure financial stability and sustainable growth in the short, medium, and long-term.
B. Comply with the requirements of SLFRS S1 (General Requirements for Disclosure of Sustainability-Related Financial Information) and SLFRS S2 (Climate-Related Disclosures).
C. Comply with the requirements of International Finance Corporation (IFC) and International Labour Organisation (ILO).

A comprehensive policy framework governs various aspects of the organisation. This ESG Policy details how the Company will manage its impacts on the environment, society, and governance.

2 Implementation

A. The policy will be implemented across all entities within the Company and at all operational locations.

B. The non-financial information that is required to assess the Company's impacts will be collected from all entities and locations reflected in the Company's financial statements, ensuring alignment between financial and non-financial reporting boundaries.

3 ESG Structure

A. The Board acknowledges its responsibility for overseeing how the Company manages ESG-related matters and has appointed a Sub-committee, known as the Board Sustainability Committee (BSC), to assist with the oversight of corporate sustainability. Under this, the Sustainability Management Committee (SMC) monitors the Company's impact on ESG matters.

B. This Sub-committee meets at least quarterly and is responsible for:

   a. Establishing a robust system for identifying, measuring, monitoring, and managing the Company's sustainability-related risks and opportunities.
   b. Reviewing the materiality assessment process and approving identified material topics annually.
   c. Reviewing the ESG statements of the Company.
   d. Recommending ESG-related strategies to be incorporated into the Company's overall business strategy.
   e. Reviewing and recommending relevant ESG goals and targets to the Board.
   f. Maintaining and submitting meeting minutes to the Board.
   g. Escalating critical matters to the Board.

C. The BSC is supported by the SMC, chaired by an Executive Director and Heads of selected Departments. This Committee is responsible for implementing the Company's ESG strategy, managing risks, and steering the Company towards achieving its sustainability-related goals and targets.

D. The Company has appointed a Head of Sustainability (HOS) to coordinate and manage this function. This person is authorised to obtain the necessary information for monitoring the Company's ESG performance.

E. HOS is responsible for producing regular information dashboards, reports, and recommendations for review by the SMC and BSC, as well as providing recommendations for future actions.

F. The Sustainability Department of the Company shall appoint Sustainability Champions, whose job descriptions and objectives will include providing reliable and accurate sustainability information to the HOS, as well as ensuring the effective implementation of key sustainability initiatives and programmes within the Company/Departments.

G. The ESG structure for managing the Company's Sustainability is shown in this figure.

4 ESG Approach

The principles outlined in this policy apply to our existing operations as well as any major investments the Company may consider in the future. The following processes are essential for aligning our strategies and resource allocation with the approach described above.

A. **Understanding our business model**

Our business model must be reviewed at least every three years, or more frequently if needed, to assess our position across the value chain and identify areas where financial and sustainability risks are concentrated. This business model will be disclosed in the entity's annual report.

B. **Stakeholder engagement**

a. LB Finance recognises that sustainable growth and profitability depend on maintaining positive engagement with key stakeholders. These relationships are dynamic and continuously evolving. To address this, risk management tools such as data analytics, sensitivity analysis, and scenario analysis must be applied, where appropriate, to Sustainability-Related Risks and Opportunities (SRROs) and Climate-Related Risks and Opportunities (CRROs) that pose significant threats or opportunities to the organisation's long-term value creation.

b. Additionally, SRROs and CRROs must be analysed over different time horizons: short-term (one year), medium-term (one to three years), and long-term (beyond three years).

c. SRROs and CRROs that could reasonably be expected to affect the organisation's prospects must be integrated into the Company's Risk Register.

d. The Company must understand their needs, concerns, and perceived value of the services provided, addressing any issues that may diminish or impair these relationships.

e. The Board has implemented mechanisms to engage with stakeholders and understand their levels of satisfaction and concerns in dealing with the organisation. Feedback from these processes will be regularly provided to the Board, and the results (levels of satisfaction and concerns) will be utilised in developing strategic plans for the Company. Stakeholder engagement will be disclosed in the entity's annual report.

C. **Review of sustainability standards**

a. LB Finance adheres to recognised sustainability and disclosure standards, including SLFRS S1 and SLFRS S2, the Global Reporting Initiative (GRI) Standards, Sustainability Accounting Standards Board (SASB) - Consumer Finance Standard, and corporate governance practices recommended by Colombo Stock Exchange (CSE) and CA Sri Lanka, ensuring our ESG reporting is transparent, consistent, and comparable.

b. These frameworks guide our ESG strategy, data collection, performance evaluation, and external disclosures, enabling us to maintain high levels of accountability in areas such as climate resilience, financial inclusion, responsible lending, governance practices, and stakeholder impacts.

c. An annual review of all applicable ESG frameworks and standards is conducted, assessing updates issued by GRI, SASB, CSE, CA Sri Lanka, and industry-specific guidelines relevant to the financial services sector.

d. Revisions, new requirements, and enhanced metrics introduced by these standard-setting bodies are incorporated into our policies, processes, and disclosures, ensuring that our ESG practices remain aligned with evolving local and global best practice.

e. Updates to sustainability standards are communicated across relevant departments, supporting continuous improvement in data quality, risk management, product development, and customer engagement as they relate to ESG considerations.

f. Where necessary, internal procedures, reporting templates, and management oversight mechanisms are updated to reflect changes in these frameworks, ensuring ongoing compliance and robust stakeholder reporting.

D. **Determining material topics (that fall within the broader scope of "material matters")**

a. It is necessary to assess and refine the potential material topics from the material matters that the Company can focus on to manage its finite resources and optimise resource allocation. This narrowed list of topics is expected to vary in strategic importance to the entity and the environment in which we operate. The Company will implement a formal process that considers both the organisation's impact on the economy, society, and the environment, as well as the impact external factors may have on the organisation.

b. In determining potential material topics, the HOS will review the sustainability reporting standards and the rapidly evolving sustainability reporting landscape, with multiple standards expected to be released in the coming years and make recommendations on the standards relevant to the Company's operations.

c. The Company will determine its material topics as follows:

i. **Determining relevant matters:** The HOS will prepare a long list taking into consideration the following:

- ☑ IFRS Sustainability Standards.
- ☑ Material topics set out in the relevant SASB Standards.
- ☑ Material topics set out in the relevant GRI Sector Standard or Topic Standards.
- ☑ Any other relevant standards or certification requirements.

ii. **Aggregation:** HOS must consider if topics can be aggregated to avoid overlapping. For example, forced labour, child labour and the rights of Indigenous people can be aggregated to make one topic titled "Human Rights".

iii. **Applying filters using dual materiality:**

DUAL MATERIALITY	
The concept of dual materiality recognises that issues can be material in two distinct ways. By considering both perspectives, companies can better understand and manage SRROs and CRROs and improve their accountability and transparency.	
ORGANISATIONAL MATERIALITY	**IMPACT MATERIALITY**
This perspective considers how ESG issues impact a company's performance. For example, how climate change might affect a company's operations, costs and profitability.	This perspective looks at how a company's operations impact the environment and society. For instance, how a company's activities contribute to climate change or affect local communities.

The filters applied to determine materiality matters are as follows:

ORGANISATIONAL MATERIALITY	
	▪ Financial impact ▪ Impact on non-monetised capitals ▪ Innovation opportunity ▪ Reputation and brand ▪ Impact on strategy ▪ Impact on the value chain ▪ Key risk
IMPACT MATERIALITY	
Stakeholder impact	▪ Shareholders ▪ Customers ▪ Employees ▪ Government and regulators ▪ Community ▪ Suppliers and business partners
Environmental impact	▪ Environment

iv. **Prioritising material matters:** The HOS should begin the process of determining material matters at least six months before the close of the financial year. In determining the material matters, both financial and non-financial aspects should be considered. The SMC should review and deliberate on the topics considered as material, the criteria and filters applied, the ranking of these topics, and the final material matters identified through the assessment process. Since this prioritised list serves as a guide for both disclosures in the annual report and the strategic planning process including resource allocation, the participation and consensus of the SMC are essential.

E. **Value creation through ESG**

LB Finance recognises that strong ESG practices create long-term value for our stakeholders by enhancing resilience, building trust, and supporting sustainable growth. By integrating ESG considerations into our strategy and operations, we strengthen risk management, improve resource efficiency, and drive innovation in responsible financial solutions.

Strategy	Value Creation Through ESG
Sustainable growth Long-term value creation	Embedding ESG principles strengthens long-term resilience by improving risk management, ensuring responsible financial practices, and reducing environmental impacts. This builds investor confidence, enhances regulatory compliance, and supports sustainable profitability through forward-looking decision making.
Customer centricity Market-leading customer experience	ESG enables the delivery of fair, transparent, and inclusive financial services. Prioritising customer protection, accessibility, data privacy, and ethical conduct enhances trust and loyalty, improving customer retention and reinforcing LB Finance's reputation for responsible service.
Digital leadership Innovative digital transformation	ESG-aligned digital solutions reduce resource consumption, improve operational efficiency, and expand access to financial services through secure, reliable technology. Ethical use of data and responsible innovation support a more resilient and inclusive digital ecosystem.
Positive impacts Thriving business with sustainable impact	Focusing on environmental stewardship, social responsibility, and ethical governance allows LB Finance to generate positive outcomes for communities and the environment. This creates shared value by supporting low-carbon initiatives, financial inclusion programmes, and community development.
Empowering people Empowering creativity and driving innovation	ESG supports a strong organisational culture through diversity, equity, wellbeing, and continuous learning. Investing in employees enhances productivity, fosters innovation, and builds a motivated workforce capable of driving long-term sustainable success.

F. **Our Pledges Towards ESG**

Environmental Pledge

"We pledge to minimise our environmental footprint by adopting sustainable practices across our operations. We commit to reducing energy consumption, enhancing resource efficiency, and supporting initiatives that protect and preserve our natural environment. Our goal is to contribute to a greener future by fostering environmental stewardship within our industry and community."

Social Pledge

"We pledge to foster a culture of inclusivity, equality, and empowerment within our organisation and the communities we serve. We are committed to enhancing financial inclusion, supporting community development, and improving the quality of life. Through ethical business practices and meaningful social initiatives, we aim to build a more equitable and just society."

Governance Pledge

"We pledge to uphold the highest standards of corporate governance, ensuring transparency, accountability, and ethical conduct in all our engagements. We are committed to maintaining strong governance frameworks that protect the interests of our stakeholders and build trust in our brand. By adhering to best practices and regulatory requirements, we strive to lead with integrity and inspire confidence in our financial services."

G. **Identifying Sustainability Related Risks and Opportunities**

The process for determining material matters supports the identification of SRROs and CRROs. The material matters that rank high present potential risks and opportunities to the Company and therefore must be proactively managed.

The HOS will provide the Head of Risk with prioritised material matters to integrate SRROs and CRROs into the risk register, ensuring their inclusion in the Company's risk management processes, including measurement, monitoring, management, and reporting.

Where existing processes are insufficient for the effective measurement and monitoring of SRROs and CRROs, the HOS will implement a robust system to capture the necessary information. This system must include internal controls to ensure the accuracy and completeness of the information and must be auditable.

Risk management tools such as data analytics, sensitivity analysis, and scenario analysis must be applied, as appropriate, to SRROs and CRROs that pose significant threats or opportunities to the Company or are required by SLFRS S1 & S2 standards.

5 ESG Pillars

A. **Environmental Pillar**

LB Finance seeks to minimise its environmental impact while transitioning to a low-carbon business model. As a finance company, LB Finance can guide its customers in supporting these aspirations by creating relevant financial products and services and directing its investment portfolios towards low-carbon business models. Additionally, the Company is able to promote capacity building and raise awareness among both internal and external stakeholders, and it is committed to pursuing these goals. The key environmental topics impacting LB Finance are outlined below:

a. **Relevant Products and Services**

LB Finance is committed to developing products and services that support the country's transition to a low-carbon economy. We actively explore and promote green financing opportunities, including lending solutions that encourage energy-efficient technologies, cleaner transportation, and environmentally responsible business practices. By integrating climate considerations into product design and credit evaluation, we aim to enable customers and communities to adopt sustainable alternatives. These efforts not only help reduce national emissions, but also position LB Finance as a catalyst for climate-resilient economic growth.

b. **Capacity Building and Awareness**

LB Finance is committed to developing and implementing projects that raise awareness of the need to preserve and restore the environment, while also building the capacity of micro-entrepreneurs and small and medium enterprises to adopt sustainable environmental practices in their business ventures.

c. **Compliance with Environmental Laws and Regulations**

   i. LB Finance is committed to compliance with laws and regulations relating to preservation of the environment and ensuring compliance with the terms and conditions of its operational licenses and certifications.

   ii. The Company presents sustainability information as part of its annual reporting suite and shall obtain external assurance on the sustainability disclosures.

   iii. Recommendations made by both internal and external auditors shall be considered by both SMC, BSC and implemented as agreed.

d. **Biodiversity**

   LB Finance recognises the impact of its operations on biodiversity and is committed to operating in a way that values, conserves, and restores natural ecosystems. The Company aims to maintain ecosystem services that support a healthy planet while delivering essential benefits for all people.

e. **Materials and Waste**

   LB Finance seeks to build resilient supply chains for materials and continues to deepen our understanding of the environmental and social risks. The Company will apply the 5Rs (Reduce, Reuse, Refuse, Recycle and Rethink) in managing operations while also seeking opportunities for collaborative innovation to minimise negative impacts.

f. **Energy and Emissions**

   LB Finance seeks to manage the Company's energy consumption to enhance energy resilience while reducing the Company's carbon footprint. Accordingly, the Company will continue to invest in the generation of renewable energy and energy-efficient technologies. Additionally, we will continue to explore and implement energy saving practices to minimise energy consumption.

g. **Water and Effluents**

   LB Finance seeks to manage its water consumption to reduce its overall water footprint. The Company promotes efficient water use across its branch network, encourages conservation practices among employees, and invests in water-saving technologies where feasible. We also monitor water usage to identify improvement opportunities and ensure responsible discharge practices that comply with all applicable regulations. Through these measures, LB Finance aims to minimise operational impacts on local water resources and contribute to broader environmental sustainability.

h. **Climate Actions**

   LB Finance is committed to reducing its climate footprint and supporting the transition to a low-carbon economy. We work to minimise greenhouse gas emissions across our operations through energy-efficient technologies, responsible resource use, and improved monitoring of energy and fuel consumption. As a leading financial institution, we also recognise our role in enabling climate-positive outcomes by promoting green financing, sustainable products, and investments that support renewable energy, cleaner transport, and climate-resilient development. Through continuous staff awareness, stakeholder engagement, and alignment with national and global climate priorities, LB Finance strives to build long-term resilience and contribute meaningfully to climate action.

Policies associated with environmental pillar are given below.

i. Energy management policy
ii. Water management policy
iii. Emissions management policy
iv. Waste management policy
v. Climate policy

For detailed information on the environment-related sub-policies developed, please refer to Annexure A. Further, Annexure B contains the environmental strategy with clearly defined metrics and targets.

B. **Social Pillar**

LB Finance recognises that stakeholder relationships are dynamic, and the value delivered to stakeholders can fluctuate due to both internal and external factors. Balancing stakeholder interests is crucial for sustainable growth, as different stakeholders may have conflicting concerns. In line with this, LB Finance is committed to expanding access to financial services across diverse communities. By bridging the gap between urban and rural populations, we offer tailored products and services that cater to underserved and unbanked segments of society, empowering individuals and small businesses with the financial tools they need to succeed.
The key social topics impacting LB Finance are outlined below:

a. **Employee Wellbeing and Safety**

LB Finance prioritises the physical, mental, and emotional wellbeing of its employees by fostering a safe, healthy, and supportive work environment. The Company is committed to upholding stringent occupational health and safety standards, ensuring that all workplaces meet regulatory requirements and best practices. Employee wellbeing programmes, including health screenings, counselling support, and wellness initiatives, help maintain a motivated and resilient workforce. By embedding safety culture and proactive risk management, LB Finance seeks to protect its people while enabling them to perform at their best.

b. **Diversity, Equity and Inclusion**
LB Finance promotes a diverse, equitable, and inclusive workplace where employees are valued for their unique backgrounds and perspectives. The organisation ensures equal opportunity in recruitment, development, and advancement, actively working to eliminate bias and discrimination. By encouraging diverse representation and building an environment of respect and belonging, LB Finance enhances teamwork, innovation, and decision-making. A strong commitment to diversity, equity & inclusion not only strengthens the Company's internal culture, but also supports fair and responsible business practices.

c. **Training and Development**
Recognising that continuous learning is essential to long-term success, LB Finance invests in comprehensive training and development programmes for its employees. From technical skills to leadership development, the Company provides structured learning pathways designed to enhance professional growth and future readiness. Employees are encouraged to pursue career advancement through access to workshops, certifications, and digital learning platforms. By cultivating a culture of ongoing learning, LB Finance builds a capable, adaptive, and future-oriented workforce.

d. **Customer Privacy and Personal Data Protection**
As a responsible financial institution, LB Finance places the highest importance on safeguarding customer data and personal data. The organisation employs robust cybersecurity frameworks, advanced technology systems, and strict internal controls to protect sensitive information from breaches or unauthorised access. Compliance with national regulations and global best practices ensures that customer trust remains at the core of all operations. By continuously strengthening personal data protection and privacy measures, LB Finance reinforces its commitment to integrity, transparency, and responsible financial services.

e. **Customer Experience and Product Responsibility**
LB Finance is dedicated to delivering a reliable, accessible, and customer-centric experience across all channels. The Company ensures that services are fair, transparent, and aligned with the financial needs and wellbeing of customers. Clear communication, responsible lending practices, and strong customer support help promote trust and long-term relationships. By prioritising customer satisfaction and product accountability, LB Finance enhances service quality, strengthens loyalty, and contributes to responsible financial inclusion.

f. **Community Engagement**
LB Finance is committed to creating positive social impact by engaging with and contributing to the communities it serves. Through targeted CSR initiatives, financial literacy programmes, and partnerships with local organisations, the Company supports community development and empowerment. Efforts are directed toward uplifting vulnerable groups, supporting education, improving livelihoods, and promoting sustainable social outcomes. By actively participating in community wellbeing, LB Finance strengthens societal trust and reinforces its role as a responsible corporate citizen.

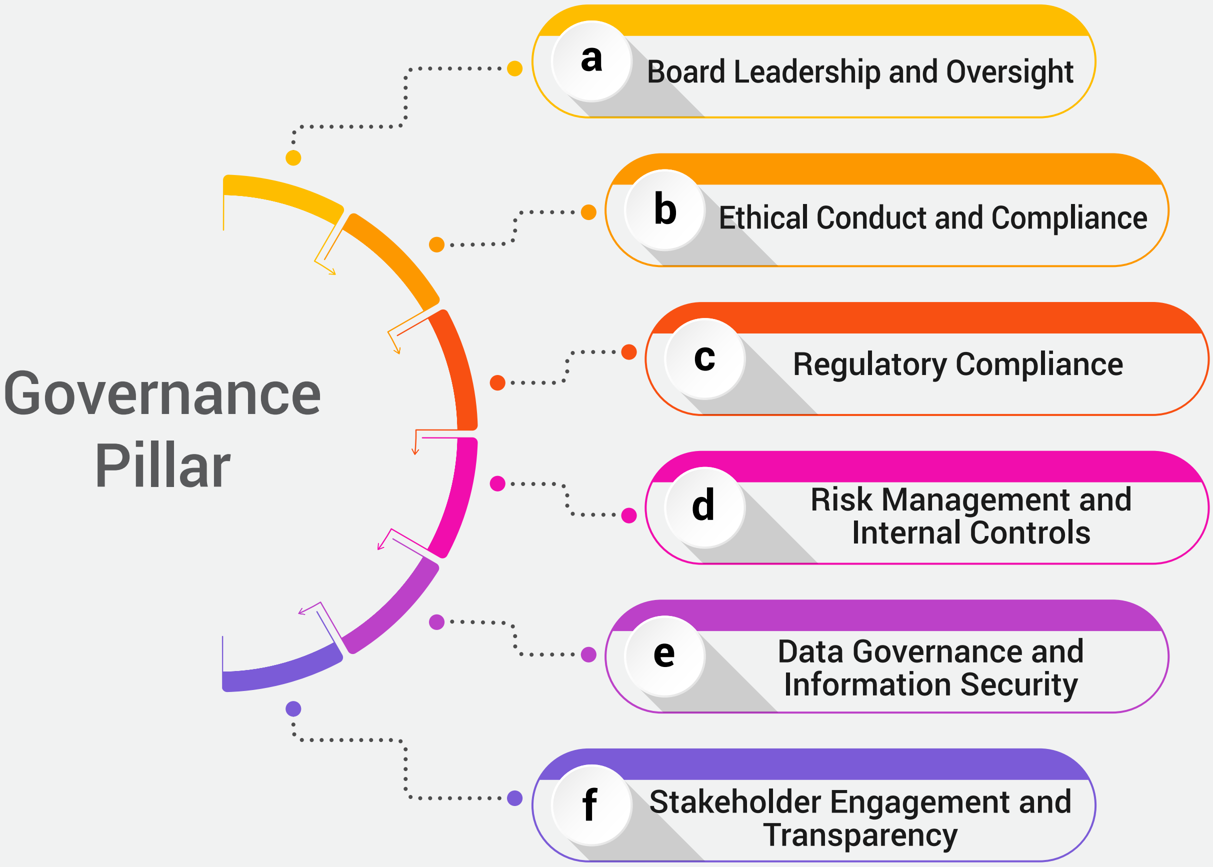
Policies associated with social pillar are given below.

i. Working hours & leave policy
ii. Corporate communication policy
iii. Financial consumer protection policy
iv. HR policy

Annexure B contains the social strategy with clearly defined metrics and targets.

C. **Governance Pillar**

In terms of governance, LB Finance adheres to stringent practices that align with regulatory frameworks. We work closely with governmental bodies to ensure compliance with national laws and regulations while contributing to the broader economic stability and development of the country. Our governance practices emphasise transparency, accountability, and ethical business conduct, reflecting our commitment to responsible and sustainable growth. The key governance topics impacting LB Finance are outlined below:



a. **Board Leadership and Oversight**
LB Finance's Board of Directors provides strategic guidance and ensures strong oversight of ESG integration, risk management, and ethical leadership. The Board monitors organisational performance, sets long-term objectives, and ensures accountability across all levels of management. By maintaining clear governance structures, the Board supports sustainable growth and protects the interests of shareholders, employees, customers, and other stakeholders.

b. **Ethical Conduct and Compliance**
LB Finance is committed to conducting business with integrity and upholding the highest ethical standards. Our Code of Conduct, anti-corruption policies, and whistleblowing mechanisms ensure that employees and management operate responsibly and transparently. By fostering a culture of honesty, fairness, and accountability, LB Finance mitigates risks and strengthens trust with customers, regulators, and stakeholders.

c. **Regulatory Compliance**
LB Finance ensures strict adherence to all applicable laws, regulations, and industry standards, including Central Bank directives, anti-money laundering (AML), counter-terrorist financing (CTF), and consumer protection requirements. The Company maintains robust processes to monitor regulatory changes, implement necessary adjustments, and ensure full compliance. This proactive approach safeguards the organisation's reputation and operational integrity while supporting sustainable growth.

d. **Risk Management and Internal Controls**
LB Finance maintains a comprehensive risk management framework to identify, assess, and mitigate operational, financial, and ESG-related risks. Strong internal controls, regular audits, and continuous monitoring ensure that potential threats are addressed proactively. Environmental and social risks are integrated into credit, investment, and operational decisions to enhance resilience and support responsible business practices.

e. **Data Governance and Information Security**
LB Finance places the highest priority on data protection and information security. Advanced technology, robust policies, and strict access controls safeguard customers and institutional information against breaches and misuse. Compliance with national and international data protection standards ensures privacy, trust, and operational reliability, supporting both regulatory requirements and stakeholder confidence.

f. **Stakeholder Engagement and Transparency**
LB Finance actively engages with stakeholders, including investors, customers, regulators, employees, and communities, to maintain open communication and transparency. ESG performance and business practices are reported in line with SLFRS S1&S2, GRI, and SASB standards. Regular dialogue and disclosure of progress reinforce trust, inform decision-making, and strengthen long-term relationships with all stakeholders.

Policies associated with governance pillar are given below.

i. Policy of anti-money laundering and counter-terrorist financing
ii. Procedure manual of anti-money laundering and counter-terrorist financing
iii. Anti-money laundering, countering the financing of terrorism and know your customer policy
iv. ABC policy
v. Whistleblowing policy
vi. AML policy
vii. Compliance policy
viii. Security and surveillance policy (SSP 001)
ix. Information security policy

Annexure B contains the governance strategy with clearly defined metrics and targets.

6 Reporting and Review Transparency

- SMC will report quarterly reporting to the BSC.
- Reporting on environmental performance will be integrated into the Company's annual sustainability report.
- Policies will be reviewed periodically to adapt to emerging environmental challenges and regulatory requirements, subject to Board approval.

LB Finance is committed to transparency in climate-related disclosures. We publish climate-related information in our integrated annual report, which includes progress against climate targets, risk management actions, and the financial impacts of climate-related risks and opportunities. Our reporting is aligned with SLFRS S1 & S2 recommendations, and we continue to refine our processes to ensure the accuracy and comprehensiveness of our disclosures.

We will disclose:

- Governance processes related to climate risk oversight.
- Strategic impacts of climate-related risks and opportunities.
- Metrics and targets for climate performance.
- Our progress in reducing emissions, energy consumption, and water usage.
- Details of financed emissions and efforts to align our lending portfolio with a low-carbon economy.

7 Annexure A

Environment-related Sub-policies

The environment management policies, as detailed below, constitute an essential part of the Annexure to the ESG Policy framework. These policies underscore the organisation's commitment to environmental stewardship, providing structured approaches to address pressing environmental challenges. By adopting these policies, the organisation aims to embed sustainability into its core operations and align with international standards.

1. **Objective**

   The environment management policies aim to establish a comprehensive framework for managing environmental impacts arising from the organisation's operations. These policies align with global sustainability goals and address critical areas such as energy, water, emissions, waste management and climate action.

2. **Policy scope**

   These policies will apply to all business operations, subsidiaries, and stakeholders involved in activities that have an environmental impact. They encompass strategies to reduce the environmental footprint, enhance sustainability, and ensure compliance with environmental regulations.

3. **Sub-policies**

   3.1. **Energy policy**

   3.1.1. **Objective**

   Optimise energy consumption, transition to renewable sources, and enhance energy efficiency.

   3.1.2. **Commitments**

   - Improve energy efficiency in facilities and processes.
   - Transition to renewable energy.
   - Monitor and report energy performance.

   3.1.3. **Implementation**

   - Conduct energy audits.
   - Set benchmarks and reduction targets.
   - Integrate energy-efficient technologies.
   - Promote awareness through internal email campaigns to share energy-saving tips.
   - Facilitate engagement activities to involve employees in energy conservation efforts.
   - Conduct training programs to educate staff on energy-saving methods.

3.2. **Water policy**

3.2.1. **Objective**

Manage water usage, avoid water waste, and promote sustainable water management.

3.2.2. **Commitments**

- Optimise water usage.
- Protect water resources through projects.

3.2.3. **Implementation**

- Integrate water-saving technologies.
- Engage in community water conservation initiatives.
- Conduct internal email campaigns sharing water-saving techniques.
- Facilitate engagement activities for water conservation awareness.
- Provide training in effective water management practices.

3.3. **Emissions policy**

3.3.1. **Objective**

Reduce greenhouse gas emissions and transition to a low-carbon economy, with a target to achieve net-zero emissions by 2050.

3.3.2. **Commitments**

- Set and achieve GHG reduction targets.
- Work towards carbon neutrality.
- Disclose emissions data transparently.
- Implement robust decarbonisation strategies aligned with the best global practices.

3.3.3. **Implementation**

- Develop a GHG reduction roadmap with clear milestones toward net-zero emissions.
- Invest in renewable energy and carbon offsets.
- Promote energy efficiency and adopt low-carbon technologies.
- Use data analytics to monitor and optimise emissions reduction efforts.
- Foster collaboration with stakeholders to implement decarbonisation initiatives.

3.4. **Waste management policy**

3.4.1. **Objective**

Minimise waste generation and promote recycling using the 5R concept.

Definition of 5R

- Reduce: Minimise waste generation at the source.
- Reuse: Utilise items multiple times before disposal.
- Recycle: Convert waste materials into reusable forms.
- Refuse: Avoid unnecessary waste by rejecting unsustainable practices.
- Rethink: Innovate processes to minimise waste.

3.4.2. **Commitments**

- Adopt the 5Rs principles to manage all waste streams.
- Assign specific focus on e-waste and paper waste management.
- Collaborate with suppliers on sustainable practices, including partnership with Neptune Recycles Pvt Ltd., and NS Green Links Lanka Pvt Ltd.
- Ensure responsible waste segregation and disposal.

3.4.3. **Implementation**

- Establish systems for segregating and recycling e-waste and paper waste.
- Partner with certified waste disposal entities for non-recyclable waste.
- Conduct awareness training programmes for employees.
- Launch social media awareness campaigns.
- Facilitate engagement activities with communities and stakeholders to promote waste management practices.

3.5. **Climate policy**

3.5.1. **Introduction**

LB Finance acknowledges the critical importance of addressing climate change and integrating climate-related risks and opportunities into our business model. As a leading financial institution in Sri Lanka, LB Finance understands its role in facilitating the transition to a low-carbon economy while also minimising the environmental impacts of its operations. This climate policy is part of our commitment to sustainability, which is reflected in our broader ESG framework. Our aim is to manage climate risks, promote environmental sustainability, and foster long-term resilience for both the Company and the communities we serve.

The policy outlines the Company’s approach to addressing climate-related risks, integrating these considerations into our operational resilience, and ensuring that our governance processes align with industry best practices and global climate goals.

3.5.2. **Climate risk management**

LB Finance recognises that climate change poses significant risks and opportunities that must be effectively managed to ensure the long-term viability of the Company.

Climate risk categories:

1. **Physical risks:**
   - Acute risks: Sudden climate-related events such as floods, storms, lightning and wildfires that disrupt operations, damage assets, and affect supply chains.
   - Chronic risks: Long-term climate changes, such as rising temperatures, sea level rise, and water scarcity, which can affect infrastructure, operations, and customer repayment abilities.

2. **Transition risks:**
   - Policy and regulatory changes: New regulations, taxes, or mandates aimed at reducing carbon emissions or improving energy efficiency.
   - Technological shifts: Advances in renewable energy and low-carbon technologies that could lead to stranded assets in carbon-intensive sectors.
   - Market changes: Changing consumer preferences towards sustainable products and services, which may affect market demand.
   - Reputational risk: Negative public perception from failing to manage or adapt to climate-related risks, which can damage LB Finance's brand.

3.5.3. **Climate risk management process**

- Risk identification: We regularly assess the physical and transition risks that may impact the Company. This includes monitoring regulatory changes, technological advancements, and environmental conditions that could affect operations.
- Risk assessment: We use scenario analysis, stress testing, and sensitivity analysis to evaluate the potential impacts of climate-related risks on our operations and portfolios.
- Risk mitigation: To address physical risks, we invest in resilient infrastructure, while for transition risks, we adopt sustainable business practices and align our operations with global climate goals.
- Integration with business strategy: Climate risk management is embedded in the Company's business continuity and financial planning processes. This ensures that climate-related risks and opportunities are considered during decision-making at all levels.

3.5.3. **Three lines of defense model for climate risk**

- First line: Business operations are responsible for identifying and managing climate-related risks in their daily activities.
- Second line: Risk management teams provide independent oversight, ensuring that climate-related risks are assessed, monitored, and mitigated across the organisation.
- Third line: Internal audit assesses the effectiveness of the Company's climate risk management processes and provides assurance to the board on the robustness of these processes.

8 Annexure B - Environmental Strategy

E1 – Climate Action & Net-Zero Transition

- Establish long-term net-zero ambition aligned with national climate goals
- Measure and reduce Scope 1 & 2 emissions; gradually address Scope 3 emissions
- Climate risk considerations are integrated into risk register

Key Area	Baseline Performance 2024/25	Year 1 Target (2026/27)	2030 Target	Actions	Sustainability Frameworks
Scope 1 emissions reduction • On-site generators • Refrigerant leakage • Company own vehicles • Fuel paid to employees • CO_2 fire extinguishers	2,711 tCO_2e	2% (net 2,656.78tCO_2e) reduction in Scope 1 emissions	10% (net 2,439.9tCO_2e) reduction in Scope 1 emissions	• Optimise generator usage and preventive maintenance • Monitor fuel consumption per branch and per employee • Solar backup systems	SDG 7.3,SDG 13.2,GRI 102, GRI 305-1
Scope 2 emission reduction • Grid electricity consumption	2,241 tCO_2e	2% (net 2,196.18tCO_2e) reduction in Scope 2 emission	10% (net 2,016.9tCO_2e) reduction in Scope 2 emission	• Expand rooftop solar installations at high-energy -consuming branches (started in Panadura) • Replace conventional lighting with LED across branches (39%) • Procure energy-efficient equipment for new and refurbished branches • Conduct annual energy audits and implement corrective actions • Monitor electricity consumption monthly at branch level	SDG 7.2, SDG 13.2 GRI 102, GRI 302, GRI 305

Scope 3 emissions reduction ● Purchased goods and services ● Water consumption ● Capital goods ● Upstream emissions for fuel ● Upstream emissions for electricity ● Waste generation ● Business air travel ● Employee commuting ● Teleworking ● Financed emissions	31,981 tCO_2e	1% (net 31,661.19tCO_2e) reduction in Scope 3 emissions	5% (net 30,381.95tCO_2e) reduction in Scope 3 emissions	● Improve accuracy of Scope 3 accounting (employee travel, leased assets, purchased goods) ● Introduce ESG screening for suppliers and service providers ● Promote hybrid and electric vehicle (EV) leasing products for customers (300+ EVs) ● Encourage virtual meetings	SDG 13.1, SDG 13.2, SDG 17.17, GRI 102, GRI 305

E2 – Sustainable Operations & Green Buildings

- Energy-efficient branches and offices
- Renewable energy adoption (e.g., solar where feasible)
- Water efficiency and responsible resource use
- Green building standards for new and refurbished branches

Key Area	Baseline Performance 2024/25	Year 1 Target (2026/27)	2030 Target	Actions	Sustainability Frameworks
Increase renewable energy adoption	18% of branches with solar backup	≥ 25% of branches with solar installations	≥ 50% of branches with solar installation	● Expand rooftop solar installations ● Prioritise company-owned premises for solar deployment ● Integrate solar solutions into new branch planning ● Reduce reliance on diesel generators where solar is operational ● Monitor renewable energy contribution on a monthly basis	SDG 7.3, SDG 12.2 GRI 302, GRI 305

Optimise water usage	Water consumption: 48,514 m³	Promote efficient water use	Implement technology-based water management solutions	● Install water-efficient fixtures (low-flow taps, dual-flush toilets) in branches ● Implement branch-level water monitoring and reporting ● Conduct employee awareness programmes on responsible water use ● Introduce preventive maintenance to minimise leakages (if any)	SDG 6.4, SDG 12.2, GRI 303
Green Building Standards for branches	Started the Green Building concept in Chilaw branch	Green design principles applied to new branches, existing branches and major refurbishments	Green Building Standards embedded across all new developments	● Integrate energy efficiency, water efficiency, materials and resources, indoor environmental quality, sustainable sites, waste reduction, innovation, and management criteria into branch design guidelines ● Adopt green building concepts for lighting, ventilation, and layout ● Prioritise sustainable materials and equipment in refurbishments ● Align branch development with local environmental regulations and best practices	SDG 11.3, SDG 11.6 GRI 302, GRI 305

E3 – Circular Economy & Waste Management

- Waste segregation and recycling across branches
- Reduction of single-use plastics
- Sustainable procurement practices
- Partnering with certified recyclers

Key Area	Baseline Performance 2024/25	Year 1 Target (2026/27)	2030 Target	Actions	Sustainability Frameworks
Improve paper recycling	Paper recycled: 52,604 kg (Neptune Recycles)	Ensure all recyclable paper is recycled	Optimise digital solutions to reduce paper usage and recycling	• Install clearly labelled paper-only collection bins at all branches and offices • Segregate paper waste at source (operational vs confidential) • Track quantities recycled using recycler-issued certificates • Monitor monthly paper recycling performance at branch level • Tech-based solutions	SDG 12.5, GRI 306
Enhance plastic waste management	Plastic waste generated sources identified, but not fully quantified the amount	Complete plastic waste inventory	≥50% reduction in plastic waste generation	• Improve the existing plastic recycling mechanism • Introduce reusable and eco-friendly alternatives (cups, bottles, packaging) • Partner with certified recyclers and "Zero Plastic Movement" initiatives • Conduct employee awareness programmes on plastic reduction and segregation • Monitor plastic waste quantities quarterly	SDG 12.4, 12.5 GRI 306

Strengthen e-waste disposal and recovery	Importance of responsible e-waste management recognised Partnered with licensed e-waste recyclers (Green Links)	Establish comprehensive e-waste inventory 100% tracking of e-waste movement	Ensure 100% responsible e-waste disposal through licensed recyclers	● Maintain a centralised e-waste register (IT assets, electronics, office devices) ● Track quantities generated, stored, and disposed with disposal certificates ● Conduct periodic staff awareness on e-waste segregation and safe disposal ● Ensure compliance with national environmental regulations	SDG 12.4 GRI 306
Sustainable procurement practices	No ESG considerations applied	Integrate environmental criteria into procurement decisions	ESG-aligned procurement embedded across value chain	● Introduce sustainable procurement guidelines (recyclable, reusable, low-impact materials) ● Prefer suppliers with environmental certifications where feasible ● Include waste reduction and recyclability criteria in supplier selection ● Align procurement practices with LB Finance ESG policy	SDG 12 GRI 204, GRI 306

E4 – Paperless & Digital Banking

- E-statements, digital onboarding, and e-products
- Reduction of paper-based processes
- Digitisation to reduce operational environmental footprint

Key Area	Baseline Performance 2024/25	Year 1 Target (2026/27)	2030 Target	Actions	Sustainability Frameworks
Digital onboarding (Customers)	30% digital onboarding	60% digital onboarding	90% fully digital onboarding	• Enhance e-KYC and biometric verification • Simplify app-based onboarding • Promote paperless account opening	SDG 8.10 SDG 9.1
Cardless transactions (virtual cards)	N/A	50% cardless usage	70% cardless / NFC transactions	• Promote virtual cards and wallets • Incentives for tokenised payments • Merchant enablement	SDG 9.c SDG 12.2
Customer adoption and awareness	25% of active customers digitally engaged	65% active digital users	90% digitally active customer base	• Digital literacy campaigns • In-app education and nudges • Branch-to-digital migration programmes	SDG 4.4 SDG 10.2
E-receipt/product related service documents generation	25% of letters and receipts issued electronically	70% adoption of electronic letters and receipts	95% electronic letters and receipts	• Default e-receipts across all channels • SMS / email / app-based receipts • Merchant and teller training	SDG 12.5 SDG 13.2
Number of app downloads	19% downloads	55% downloads	75% downloads	• Digital literacy campaigns • In-app education and nudges • Digital marketing (ATL and BTL)	SDG 9.c
Digital Fixed Deposit (FD) opening	35% of FDs opened digitally	65% digital FD openings	85% digital-only FD journey	• End-to-end digital FD journeys • Digital KYC and e-signatures • Preferential digital rates	SDG 8.10 SDG 9.1
Digital FD-backed loans	85% of FD loans granted digitally	95% of FD loans granted digitally	95%–98% of FD loans granted digitally	• Instant loan-on-FD via app • Straight-through processing (STP) • Paperless disbursement	SDG 8.3 SDG 9.4

AI-powered digital loans (Selected products)	N/A	0.9% AI-powered digital loan disbursements	10% AI-powered digital loan disbursements	● Digital marketing campaigns ● Customer awareness programmes ● Staff awareness and training ● Group synergy and introduction to eligible customer segments	SDG 8.10 SDG 9.5

E5 – Environmental Risk Management in Lending

- Environmental risk screening embedded in credit appraisal
- Alignment with Sri Lanka Carbon & Green Taxonomy
- Enhanced due diligence for high-risk sectors
- Monitoring of environmental covenants

Key Area	Baseline Performance 2024/25	Year 1 Target (2026/27)	2030 Target	Actions	Sustainability Frameworks
Environmental risk screening in credit appraisal	Environmental considerations applied on an ad-hoc / qualitative basis	100% of new lending subject to standard environmental risk screening	100% of lending portfolio screened and periodically reviewed	● Introduce a standard Environmental & Social (E&S) risk screening checklist through Environmental and Social Management Systems (ESMS) ● Embed screening into credit appraisal and approval workflow ● Make E&S screening mandatory for all credit proposals ● Provide structured training to credit officers and approvers ● Maintain audit trails for screening outcomes	SDG 12.6 SDG 13.2

Alignment with Sri Lanka Carbon and Green Taxonomy Category ● Agriculture, forestry and fisheries ● Construction real estate ● Energy ● Transportation ● Water supply, sewerage and waste management ● Information & communications technology ● Tourism and recreation ● Wholesale and retail trade ● Disaster and risk management ● Biodiversity and ecosystem	No formal taxonomy mapping at loan level	Identify and map the eligible loan portfolio under the taxonomy	≥30% of eligible loan portfolio mapped to taxonomy	● Map loan products and sectors to Sri Lanka Carbon & Green Taxonomy ● Classify loans as green, transition, or neutral at origination ● Integrate taxonomy tagging into loan systems ● Use taxonomy outputs for sustainable finance reporting and disclosures	SDG 9.4 SDG 13.2
Enhanced due diligence for high-risk sectors	High-risk sectors identified, but not systematically assessed	100% of new high-risk loans subject to enhanced E&S due diligence	100% of high-risk portfolio monitored throughout loan life cycle	● Categorise sectors and clients using A/B/C environmental risk classification through ESMS ● Conduct site visits and document verification for category A & B loans ● Require environmental management plans (where applicable) ● Include mitigation measures and corrective actions in loan conditions ● Environmental mitigation requirements and plans	SDG 8.4 SDG 15.1 IFC PS 1

Capacity building and governance	Limited ESG expertise among credit teams	Train ≥60% of credit, risk, and business teams on E&S risk	100% of relevant staff trained on E&S risk management	● Develop structured E&S risk training programmes ● Assign clear roles and responsibilities for E&S risk approval ● Establish ESG escalation protocols for high-risk lending ● Periodic refresher training and guidance notes	SDG 4.7 SDG 16.6 GRI 404

9 Annexure C - Social Strategy

S1 – Financial Inclusion & Responsible Finance

- Inclusive financial products for SMEs, women, and underserved segments
- Financial literacy and entrepreneurship development programmes
- Fair, transparent, and responsible lending practices

Key Area	Baseline Performance 2024/25	Year 1 Target (2026/27)	2030 Target	Actions	Sustainability Frameworks
Enhance financial inclusion through geographic outreach	6 branches opened outside Western Province 124% increase CIM transactions	● Open branches in underserved / remote regions (Untouched markets) ● Enhance digital engagement ● Strengthen the CIM app penetration	● Enhance the digital engagement of customers ● Limit the branch openings	● Expand branch network in underserved communities ● Digital onboarding for rural communities	SDG 1.4, SDG 8.10 GRI 203, GRI 417
Strengthen access to finance for SMEs	Sanmitha loan portfolio (Rs.1.4 Bn)	Increase SME loan portfolio and onboard new SMEs annually through targeted products	Sustain steady growth in SME portfolio with strong repayment performance	● Expand specialised SME lending schemes (e.g. Sanmitha) ● Simplify credit appraisal for eligible SMEs ● Provide tailored products for women-led and micro enterprises ● Track SME onboarding, portfolio growth, and performance	SDG 8.3, SDG 9.3 GRI 203, GRI 413

Build financial literacy, community capacity and customer education programmes	160 individuals trained 3 programmes conducted (200+ participants)	● Train ≥500 individuals through structured programmes ● Conduct minimum 5 programmes annually	● Train ≥1000 individuals cumulatively ● Conduct minimum 12 programmes annually nationwide	● Conduct community-based financial literacy workshops under Sanmitha Knowledge Platform ● Strengthen partnerships with NEDA and relevant government bodies ● Collaborate with schools, universities, and NGOs ● Organise branch-level customer education sessions ● Develop digital and online financial education content ● Use mobile and social media platforms for outreach	SDG 4.4, SDG 8.3, SDG 8.6, GRI 413

S2 – Customer Protection & Fair Pricing

- Transparent product disclosures
- Ethical sales and marketing practices
- Grievance redress mechanisms
- Alignment with CBSL consumer protection principles

Key Area	Baseline Performance 2024/25	Year 1 Target (2026/27)	2030 Target	Actions	Sustainability Frameworks
Customer satisfaction and experience	Customer satisfaction rate / Net Promoter Score (NPS): 41%	Achieve ≥50% customer satisfaction / NPS	Achieve ≥60% customer satisfaction / NPS	● Conduct structured customer satisfaction and NPS surveys at least annually ● Analyse feedback by product, channel, and branch level ● Implement customer-centric service training for frontline and contact-centre staff ● Strengthen grievance handling turnaround times and escalation protocols ● Enhance digital customer touchpoints (mobile app, call centre, online services)	SDG 8.3, SDG 9.1, GRI 418

Customer grievance redressal mechanism	Resolved ≥89% of complaints	Resolve ≥95% of complaints	Resolve ≥99% of complaints	• Maintain a centralised complaint management system • Track complaints by category, branch, and product • Strengthen escalation to compliance and management for repeated issues • Periodic reporting to senior management and Board committees	SDG 8.3, SDG 16.6, GRI 418-1
Customer data privacy and security	Zero data breaches	Maintain zero data breaches	Sustain zero data breaches	• Implement robust IT security and access controls • Conduct regular staff training on data protection and cyber hygiene	SDG 16.6, SDG 16.10 GRI 418-1

S3 – Workplace Diversity, Equity and Inclusion

- Gender equality and equal opportunity policies
- Inclusive recruitment and career progression
- Safe, respectful and inclusive workplace culture
- Employee wellbeing and engagement programmes

Key Area	Baseline Performance 2024/25	Year 1 Target (2026/27)	2030 Target	Actions	Sustainability Frameworks
Gender diversity and inclusion	• Women in workforce : 47% • Women in senior management 5% • Female branch managers (HOB) : 4 • Female officers in charge (OIC) : 43	Maintain well balanced women in total workforce	Ensure gender parity is maintained at the highest possible level	• Implement women-focused leadership development and mentoring pathways • Ensure gender-balanced recruitment • Establish inclusive workplace practices and anti-harassment training	SDG 5.5, SDG 8.5 GRI 405

Employee retention and turnover	Employee talent turnover ratio: 10.1%	Reduce talent turnover ratio to 7.6%	Reduce talent turnover ratio to 7%	• Strengthen career progression and succession planning • Improve onboarding, mentoring, and probation support • Conduct structured exit interviews and root-cause analysis • Enhance worker management engagement forums and employee engagement activities	SDG 8.5, GRI 401
Employee training and skill development	Training hours: 53,845 hours	Increase training hours to 59,420	Increase training hours to 68,786	• Strengthen annual training calendar aligned to business and ESG needs • Expand e-learning and blended learning platforms • Introduce leadership, digital and risk management training • Track training hours and participation by staff category	SDG 4.4, SDG 8.2 GRI 404
Occupational health and safety	Work-related illnesses: 0 Conducted first aid training for 29 employees	Maintain zero major workplace injuries or illnesses	Maintain zero major workplace injuries or illnesses	• Improve injury, illness and near-miss reporting across branches • Conduct periodic workplace safety inspections and audits • Update Organisational Health and Safety (OHS) guidelines and emergency • response procedures Continue the basic first-aid and safety training	SDG 3.8, SDG 8.8 GRI 403
Community well-being and engagement	Volunteer hours: 7,552 Employee engagement activities 14	Increase volunteer activities for employees	Establish employee voluntary group	• Establish employee volunteering programmes aligned with CSR priorities • Promote wellness, mental health and engagement initiatives	SDG 11.3, SDG 17.17 GRI 413

S4 – Gender and GBVH / TFGBVH Prevention

- Zero tolerance for Gender-Based Violence and Harassment (GBVH)
- Awareness, training, and reporting mechanisms on GBVH

Key Area	Baseline Performance 2024/25	Year 1 Target (2026/27)	2030 Target	Actions	Sustainability Frameworks
GBVH / TFGBVH policy and zero tolerance framework	No standalone GBVH / TFGBVH policy in place	Include TFGBVH provisions to the GBVH and workplace harassment policy approved and communicated in 2025/26	Zero-tolerance GBVH / TFGBVH framework fully embedded across the organisation	• Develop and approve a standalone GBVH / TFGBVH and workplace harassment policy • Obtain Board and management endorsement • Integrate GBVH / TFGBVH provisions into Code of Conduct and HR policies • Define clear disciplinary procedures and sanctions	SDG 5.2 SDG 8.8
Awareness and mandatory training	No structured GBVH / TFGBVH training	Train ≥50% of employees on GBVH /TFGBVH and respectful workplace behaviour	Train 100% of employees on GBVH / TFGBVH and respectful workplace behaviour	• Introduce mandatory GBVH / TFGBVH training at onboarding • Conduct annual refresher training for all staff • Provide role-based training for managers, HR, and investigators • Implement branch-level awareness campaigns	SDG 4.7 SDG 5.1
Reporting and grievance mechanism	No GBVH / TFGBVH -specific reporting guidance	Confidential, accessible GBVH / TFGBVH reporting mechanism established	Survivor-centred reporting system fully operational and trusted	• Establish dedicated GBVH / TFGBVH reporting channels (email, hotline, focal points) • Ensure confidentiality, anonymity and non-retaliation safeguards • Define clear reporting, escalation and response timelines • Provide guidance to staff on how and where to report	SDG 8.8 SDG 16.6

Management accountability and response	No defined roles or procedure	GBVH / TFGBVH case management framework established	Consistent, fair and timely handling of all GBVH / TFGBVH cases	● Establish trained investigation panels (gender-balanced where possible) ● Develop standard operating procedures (SOPs) for GBVH / TFGBVH case handling ● Assign clear roles and accountability at HR and management level ● Implement corrective and disciplinary actions as per policy	SDG 8.8 SDG 16.6

S5 – Community Development and Disaster Response

- Structured disaster relief for employees and communities
- Community investment aligned with local needs
- Long-term social impact programmes rather than ad-hoc donations

Key Area	Baseline Performance 2024/25	Year 1 Target (2026/27)	2030 Target	Actions	Sustainability Frameworks
Community engagement and outreach	18 CSR programmes conducted	Implement impact-driven CSR initiatives (women, children and student focus)	Become impact based iconic CSR initiative in Sri Lanka	● Conduct branch-level community needs assessments annually ● Develop structured CSR plans aligned with local priorities (education, livelihoods, environment, health) ● Establish long-term partnerships with local authorities, NGOs, and community-based organisations ● Track beneficiaries, outcomes, and community feedback	SDG 11.3, SDG 17.17 GRI 413

Disaster response / preparedness and recovery (Employees and communities)	● Ad-hoc disaster support ● Climate change mitigation and adaptation actions	Establish a structured disaster response framework	Integrated disaster preparedness and recovery system	● Develop a disaster response / preparedness and relief SOP (employees and communities) ● Pre-define support categories (cash, in-kind, rehabilitation) ● Maintain emergency contact and vulnerability data ● Conduct pre and post-disaster assessments and timely assistance	SDG 11.5 SDG 13.1

S6 – Social Risk Management in Lending

- Social risk screening integrated into credit process
- Compliance with IFC Performance Standards & ILO Core Labour Standards
- Monitoring of labour practices, health and safety, and community impacts

Key Area	Baseline Performance 2024/25	Year 1 Target (2026/27)	2030 Target	Actions	Sustainability Frameworks
Social risk screening in credit appraisal	No formal social risks assessment	Social risk screening applied to ≥50% of new lending	100% of lending subjected to social risk screening	● Develop and approve a standard social risk screening checklist under ESMS ● Integrate social screening into credit appraisal and approval workflows ● Require screening results to be documented in credit files ● Train credit officers and risk teams on social risk identification	SDG 8.8 SDG 16.6

Alignment with IFC Performance Standards P1: Environmental and social risks and impacts P2: Labour and working conditions P3 : Resource efficiency P4 : Community health and safety P5 : Land acquisition and involuntary resettlement P6 : Biodiversity conservation P7 : Indigenous people P8 : Cultural heritage	No formal alignment	IFC Performance Standards adopted for medium and high-risk lending	Full alignment with IFC PS 1–8 across relevant portfolio	● Adopt IFC Performance Standards (PS 1–8) as the guiding framework for social risk ● Develop sector-specific social risk guidance notes ● Apply enhanced due diligence for higher-risk sectors	SDG 9.4 SDG 12.6
Compliance with ILO Core Labour Standards	No systematic verification	Labour compliance checks applied to all medium and high-risk borrowers	Labour compliance verified for 100% of relevant borrowers	● Screen for child labour, forced labour, discrimination, and unsafe working conditions ● Require borrower self-declarations and labour-related covenants ● Introduce corrective action plans where gaps are identified ● Include labour compliance clauses in loan agreements	SDG 8.7 SDG 8.8

Community impact and stakeholder risks	Limited assessment of community impacts	Community impact screening for high-risk sectors	Community impact assessment embedded across relevant lending	• Identify risks to local communities (health, safety, displacement, nuisance) • Require mitigation measures for adverse community impacts • Encourage borrower-level grievance mechanisms for affected stakeholders • Escalate high-impact cases to Risk/Sustainability Committee	SDG 11.3
Capacity building and governance	Limited social risk expertise among lending teams	≥50% of relevant staff trained on social risk management	100% of relevant staff trained; social risk fully embedded in ESMS	• Conduct training on IFC Performance Standards and ILO Standards • Establish social risk escalation and approval protocols • Integrate social risk monitoring into ESMS governance and reporting • Periodic internal reviews of social risk implementation	SDG 4.7 SDG 16.6

10 Annexure D - Governance Strategy

G1 – ESG Governance and Oversight

- Board-level oversight of ESG strategy and risks
- Training and development on ESG topics
- Management accountability for ESG implementation
- Clear ESG roles and responsibilities

Key Area	Baseline Performance 2024/25	Year 1 Target (2026/27)	2030 Target	Actions	Sustainability Frameworks
Board ESG oversight and capacity building	4 Board training sessions conducted	Minimum 4 ESG-focused Board/ Management Committee training sessions per year	Minimum 5 ESG-focused Board training sessions per year with advanced topics	• Develop an annual Board ESG training calendar • Include ESG risk, climate risk, sustainable finance, and regulatory updates • Engage external ESG experts for Board-level briefings	SDG 5.5 SDG 16.6 GRI 2-9, 2-12, 2-13
Management (working committee) ESG training and accountability	4 management training sessions conducted	Minimum 4 ESG training sessions for working committee	Minimum 5 ESG training sessions annually	• Conduct ESG training for senior management covering ESMS, ESG risks, and targets • Assign ESG-related responsibilities to working committee members • Periodic ESG performance reviews at management meetings	SDG 12.6 SDG 16.6 GRI 2-12, 2-13

ESG reporting and decision-making	Section included in the Annual Report	Regular ESG reporting and quarterly update to the BSC	ESG dashboard-integrated ESG reporting aligned with global standards	● Quarterly ESG dashboards to Board and working committee ● Align disclosures with GRI, SLFRS S1 & S2 (where applicable) ● Use ESG data to inform strategic and risk decisions	SDG 16.6 GRI 2-14, 2-15

G2 – Compliance, Ethics and Risk Culture

- Strong compliance culture aligned with regulatory expectations
- Ethical conduct and whistleblowing mechanisms
- Alignment with national and international standards
- Anti-corruption and fraud prevention

Key Area	Baseline Performance 2024/25	Year 1 Target (2026/27)	2030 Target	Actions	Sustainability Frameworks
Regulatory compliance and standards alignment	Compliance with CBSL requirements; limited formal alignment to international standards	Alignment with key national and international standards (CBSL, GRI, IFC guidance)	Full integration of compliance and ethics into ESG governance framework	● Map compliance framework against CBSL regulations, GRI, IFC and ISO guidance ● Regular compliance monitoring and internal reporting	SDG 16.6 GRI 102, GRI 418
Anti-corruption and fraud prevention	Zero confirmed fraud or corruption incidents	Maintain zero confirmed incidents with strengthened detection and prevention controls	Sustain zero incidents with mature prevention, detection, and response systems	● Conduct annual fraud and corruption risk assessments across branches and functions ● Strengthen internal controls and segregation of duties ● Implement mandatory anti-bribery & corruption (ABC) training for all employees ● Periodic fraud risk reporting to senior management and the Board	SDG 16.5, SDG 16.6 GRI 205

Whistleblowing and grievance mechanisms	Whistleblowing mechanism exists, but limited usage and awareness	Confidential, accessible whistleblowing channels operational across all branches	Globally aligned whistleblowing mechanism	• Strengthen anonymous whistleblowing channels (hotline, email, digital) • Defined investigation, escalation, and closure timelines • Regular awareness campaigns for employees and stakeholders	SDG 16.5 SDG 16.6
Ethical conduct and code of ethics	Code of conduct in place; awareness varies across functions	100% employee awareness and acknowledgement of code of ethics	Ethics fully embedded into organisational culture and decision-making	• Review and update code of ethics aligned with regulatory and international standards • Annual employee declaration and acknowledgement • Integrate ethics into performance management and disciplinary processes	SDG 16.5 SDG 16.6 GRI 205

G3 – Transparency, Reporting and Disclosure

- ESG disclosures aligned with:
  - CBSL Sustainable Finance Roadmap 2.0
  - IFC and international best practices
  - SLFRS S1 & S2 (where applicable)
- Regular communication with stakeholders

Key Area	Baseline Performance 2024/25	Year 1 Target (2026/27)	2030 Target	Actions	Sustainability Frameworks
ESG reporting and disclosure frameworks	• ESG disclosures prepared under multiple non-financial frameworks with limited integration • 4 non-financial frameworks subject to audit assurance • UN-based sustainability frameworks • Corporate governance frameworks	Strengthen consistency and depth of ESG disclosures across all applied frameworks	Full alignment with applicable global ESG reporting standards, with integrated and decision-useful disclosures	• Enhance ESG disclosures under GRI Standards and existing frameworks • Harmonise disclosures across Annual Report, sustainability content, and regulatory submissions • Integrate ESG disclosures with financial reporting where applicable	SDG 12.6 SDG 16.6 GRI 2, GRI 102

Cross-Cutting and Integrated Strategies (CC)

CC1 – Product Innovation with ESG Focus

- Green, social, and sustainable lending products
- Incentives for environmentally and socially responsible customers
- Alignment with sustainable finance taxonomies

Key Area	Baseline Performance 2024/25	Year 1 Target (2026/27)	2030 Target	Actions	Sustainability Frameworks
Green and sustainable lending products	Limited sustainable lending products	Strengthen the existing sustainable lending products	Launch 1–2 green or sustainable lending products	• Define green eligibility criteria for assets and activities • Align product definitions with Sri Lanka Carbon and Green Taxonomy • Pilot green asset financing (solar systems, EVs, energy-efficient equipment) • Track disbursements and environmental outcomes	SDG 7.2 SDG 9.4 SDG 13.2
Sustainable lending framework and governance	ESG considerations applied informally in product design	Introduce a sustainable lending framework	All ESG adopted products to be governed under the sustainable lending framework	• Develop and approve a sustainable finance / lending framework • Define governance, approval, and review processes • Establish clear product information, eligibility, and disclosure rules • Periodic review to prevent greenwashing	SDG 7.2 SDG 13.2 GRI 202, GRI 305