

LOFC Sustainability Policy

Vision

To lead the non-banking financial sector in Sri Lanka by embedding sustainability at the core of our operations, supporting inclusive growth and environmental resilience.

Mission

To deliver sustainable financial solutions that empower entrepreneurs, safeguard the environment, and uphold ethical governance, thereby creating lasting value for society.

Strategic Commitment

LOFC is committed to environmental stewardship, social responsibility, and sound governance. We recognize our role in shaping a sustainable future through responsible financing and inclusive practices. Our policy is aligned with the national and international laws, agreement, and commitments including and not limited to the Nationally Determined Contributions (NDCs) of Sri Lankan government which are made in accordance with the decisions taken at the 21st session of the Conference of the Parties to the United Nations Framework Convention on Climate Change (UNFCCC), United Nations Sustainable Development Goals (SDGs), and other relevant and applicable international frameworks. LOFC integrates the Central Bank of Sri Lanka's Sustainable Finance Roadmap 2.0 and relevant national environmental and social policies into its sustainability efforts. We conduct biennial materiality assessments to identify priority ESG issues and guide strategic planning.

Objectives

In line with LOFC's commitments to the ESG, the following policy objectives are made:

Aspect	Objectives
Environmental (E)	- Climate Resilience and Carbon Neutrality - Operational carbon neutrality by 2030 - ISO 14064 certification to quantify GHG emissions (Scope 1, 2, and 3 including financed emissions) - Sustainability related disclosures and reporting in accordance with IFRS S1 & S2 Standards - Identification of Climate related risk and opportunities (CRROs) and Sustainability related Risk and Opportunities (SRROs) in the business operation. - Implementation of ISO 14001 Environment Management System (EMS)



	• Sustainable Products and Green Finance - Offering "green" financial products and services (e.g., green bonds, sustainability-linked loans, climate finance, renewable energy project financing) to support environmentally positive projects and businesses transitioning to a lower-carbon economy. • To optimise resource use by recycling, reusing, minimising waste generation and process automation • To promote responsible use of energy, water and waste disposal by throughout the organisation; • To comply, and to strongly encourage our Borrowers to comply, with all applicable national environmental and social laws, rules and regulations, and when applicable, with the international best practice standards; • To prioritise investments / other financial interventions in commercially viable projects relating to UNFCCC Clean Development Mechanism (CDM), and environmentally friendly technologies that minimize environmental impacts including climate change, global warming, biodiversity and species extinction, local air pollution, water, land and noise pollution, waste disposal, deforestation, soil erosion, and non-renewable natural resource depletion; • To create awareness on environmentally friendly practices and support for such projects in proximity to our places of business; • To provide in-house training on environmental education and support for environmental activities; • To create awareness in pollution prevention and resource conservation strategies in our business planning and operational decision making to reduce negative environmental externalities; and • To pay a particular attention and focus to water and its use. • Environmental Risk Management: Assessing and managing environmental risks associated with the LOFC 's lending, investment, and operational activities. This includes developing an Environmental and Social Risk Management System (ESMS) (https://tinyurl.com/535px7s7)
Social (S)	• Inclusive and Responsible Financing - Ensure access to finance for underserved groups, while screening all loans for social risks including labour rights and community impact. • Gender and Diversity Equity - Achieve gender pay equity, improve representation in leadership roles, and promote inclusive workplace practices. • Human Rights and Labor Standards - Adhere to ILO Conventions across operations and supply chains; implement grievance and whistleblower mechanisms. • Occupational Health and Safety - Measurement of fatalities, serious incidents, lost time incidents or other incidents

Governance (G)

- Customer Data Protection - Implement ISO/IEC 27001 aligned information security systems to protect customer data.
- Community Empowerment - Support local development through projects on climate resilience, sustainable tourism, and entrepreneurship.
- Supply Chain Sustainability - Maintaining healthy and responsible supplier relationships, ensuring suppliers adhere to ethical and sustainable practices.
- Corporate Ethics and Integrity - Promote ethical behaviour through a Code of Ethics, anti-bribery policy, and compliance with the LOLC Group's Integrity Framework.
- Regulatory Compliance and Risk Management - Embed ESG risks in the enterprise risk management (ERM) system and align with CBSL guidelines.
- Transparency and Stakeholder Engagement - Disclose ESG performance through IFRS-compliant reports and maintain open stakeholder engagement channels.
- Board Accountability and Shareholder Rights
 - The Board of Directors sets the sustainability agenda. The Sustainability Management Committee, chaired by a senior executive, ensures its execution.
 - The Sustainability Unit collaborates with Risk, Credit, HR, and Compliance teams under the guidance of the Sustainability Management Committee.
 - ESG considerations are integrated into credit evaluations, procurement, branch operations, and strategic initiatives.
 - The Board reviews ESG KPIs quarterly and engages with shareholders on ESG matters.

Targets

In line with LOLC Group's sustainability dashboard, LOLC Finance PLC (LOFC) has set the following sustainability targets for 2030 that are focussed on environmental, social & economic criteria:



	Criteria	Indicator	2030 Goal
Environmental	Operational Carbon Neutrality (energy efficiency, renewable energy, carbon offsets)	- Annual measurement and verification of operational GHG emissions (tCO₂e) - % reduction in operational carbon emissions compared to base year.	Achieve Operational Carbon Neutrality at the end of 2030
	Zero waste	% of waste reduced	Reduced by 75% from 2021 levels
	Electricity Consumption	% of Electricity Reduction	Reduced by 15% from 2021 levels
	Shift to paperless offices	% of paper use reduction	Reduced by 100% from 2021 levels
	Zero toxic emissions	% of toxic emissions reduction	Reduced by 100% from 2021 levels
	Zero particulate matter (PM) emissions	% use of diesel free / hybrid / electric company-owned vehicles	Use 100% from 2021 level
	Positive water use (Generation exceeds Consumption)	Difference between water generation and consumption	Maintain Net positive water use from 2021 level
Social	Competitive gender equitable wages and incentives for staff	% of staff paid at above living wage	Increased 100% from 2021 level
	Low staff turnover	% turnover rate	Reduced by 10% from 2021 level
	Community outreach	% of profits donated to charity	Increased by 10% from 2021 level
	Positive workplace with international labour standards	% of staff satisfaction assessed through workplace surveys / audits	Increased by 90%; from 2021 level
	Gender supportive work environment, work-life balance, etc.	% of women in total workforce % of women in senior management positions Introduction of flexible work arrangements for parents	Increased to 50% Increased to 40% Full implementation
Economic	Innovative Sustainable Living Products / Services for Borrowers (Sustainable living	# of new products / services;	Finance LKR 10 billion in sustainable living

	products/services are those that help borrowers reduce environmental impact, enhance resource efficiency, or improve social well-being. These products should align with climate resilience, low-carbon, or inclusive development goals)	# of loans disbursed per product; % share of new products in total portfolio.	products and services for 100,000 individual borrowers
	Products sourced from sustainable sources, certified, recyclable, locally sourced, etc.	% of purchases procured from sustainable sources ("Sustainable sources" in procurement refer to products, services, or suppliers that minimize environmental impact, support social responsibility, and promote long-term economic viability.)	Reduced by 100% from 2021 levels

Monitoring and Reporting

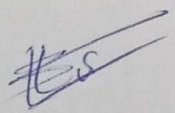
In accordance with the requirements of LOFC's stakeholders including sustainability reporting requirements, LOFC shall ensure the following are monitored and adhered to.

ESG Pillar	Objective / Target Area	Monitoring Method	Reporting Frequency	Responsible Unit
Environmental	Achieve Operational Carbon Neutrality by 2030	ISO 14064 audits, utility bills, internal dashboards	Quarterly (internal) Annually (external)	Sustainability Unit
	Zero Waste to Landfill Initiative	Waste audits, vendor records, consumption logs	Quarterly	Admin & Procurement Sustainability Unit
	Shift to Paperless Operations	IT usage reports, print logs	Quarterly	IT Department
	Green Fleet Transition	Vehicle fleet logs, emissions tracking	Biannually	Transport Unit
	Efficient Water Use	Water audit including utility bills, rainwater harvesting reports	Quarterly	Admin & Sustainability Unit
Social	Gender Pay Equity & Inclusive Workplace	HR audits, gender balance reports	Annually	HR Department



	Employee Retention & Satisfaction	Surveys, exit interviews	Biannually	HR Department
	Community Empowerment (CSR)	CSR project reports, financial records	Annually	Sustainability Unit
	Data Protection & Privacy	Internal audits, IT security logs	Quarterly	IT & Compliance
	Human Rights Compliance	Grievance registers, investigation reports	Monthly summary Annually detailed	HR & Compliance
	Supply Chain Sustainability	Supplier assessments, ESG checklists	Annually	Admin Department
Governance	Ethical Governance & Integrity	Internal audits, whistleblower logs	Quarterly	Compliance & Internal Audit
	Regulatory Compliance	Regulatory review, internal compliance checks	Quarterly	BODs, Risk, Legal & Compliance
	ESG Integration in Lending & Risk	Credit risk assessments, ESG filters	Monthly	Credit & Risk Department
	ESG Disclosures & Green Finance Reporting	Annual sustainability report, third-party audit	Annually	Sustainability Team Finance Team
	Stakeholder Engagement	Stakeholder Engagement Process (SEP) tracking logs, call center records	Quarterly	Corporate Communications

This Sustainability Policy will be communicated to all Internal and External Stakeholders of LOFC and shall be reviewed annually



Hasini Siriwardana
Sustainability Manager
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