Policy on Environmental, Social and Governance (ESG) Sustainability

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01. Purpose

The purpose of this policy is to establish a guideline for integrating Environmental, Social and Governance (ESG) principles into the business operations, decision-making processes and strategies of People's Leasing & Finance PLC ("PLC" or "the Company").

It also serves as a guiding reference for all employees in implementing and upholding the Company's ESG commitments across its business operations and strategies.

02. Introduction

Being a responsible and inclusive financial service provider, PLC understand its true corporate responsibility towards fulfilling national priorities for the nation's sustainable growth. To achieve this goal, PLC understand the importance of integrating ESG principles to its overall corporate strategy, decision-making processes, risk assessment procedures and corporate reporting while simultaneous adherence to the regulatory requirements.

As a responsible corporate citizen and on its long-term sustainable existence, the Company pledge fostering sustainable financial solutions to its customer base via Island-wide branch network and digital channels, strengthening stakeholder capacity building on ESG compliant investment and financial literacy.

By adopting this policy on ESG Sustainability, PLC aims to contribute positively towards enhancing and risk mitigation of ESG aspects while enhancing long-term value to all its key stakeholders.

03. Scope

This policy applies to the People's Leasing & Finance PLC (the Company) including its Board of Directors (BoD), senior management, employees, branches and all business operations as well as covers the integration of ESG principles across the Company's business operations and strategies.

04. Policy Objectives

I. Managing environmental impacts and promoting sustainability across the Company's business operations and strategies

II. Integrating ESG considerations into business activities including lending, investment and other financing activities as well as procurement practices

III. Promoting employee health, safety and wellbeing, Diversity, Equity and Inclusion (DEI), human rights, customer protection, financial inclusion and community developments

IV. Upholding strong corporate governance, ethical conduct, transparency, accountability and regulatory compliance

V. Identifying, assessing, monitoring and managing Sustainability-Related Risks and Opportunities (SRROs)

VI. Monitoring, measuring, reporting and continuously improving ESG performances

VII. Supporting sustainable development objectives while meeting stakeholder expectations and regulatory requirements

05. ESG Governance and Oversight

ESG Governance and Oversight is an integral part of the Company's Policy on ESG Sustainability. The Company is committed to strong governance practices that ensure transparent reporting, ethical conduct, regulatory compliance and effective management of Sustainability-related strategies and SRROs.

The Board of Directors provides ultimate oversight and approval of the company's ESG Strategy, policy and key ESG objectives. The Board Sustainability Committee (BSC) oversees the implementation of the ESG strategy and monitors progress and performance on behalf of the Board. The Sustainability Steering Committee (SSC) is responsible for the day to day execution and coordination of ESG Initiatives across departments and for providing regular operational and performance reports to the BSC.

This ESG governance framework ensures accountability across the company and aligns business activities with long-term sustainability objectives while integrating ESG considerations into risk management and decision-making processes. The Company adopts a formal approach to governing sustainability-related matters as set out below.

5.1 Roles and Responsibilities

5.1.1 Board of Directors

The Board of Directors' role in ESG is primarily one of oversight. The Board is responsible for providing effective oversight of the Company's Sustainable Finance Activities (SFAs) and ensuring that ESG considerations are integrated into the Company's strategic direction and governance framework.

It oversees ESG performance based on the recommendations of the Board Sustainability Committee (BSC), the Sustainable Steering Committee (SSC) and the Sustainable Finance Unit (SFU). The Board also ensures compliance with applicable regulatory requirements while promoting sustainable and ethical business practices.

5.1.2 Board Sustainability Committee (BSC)

The Board Sustainability Committee (BSC) supports the Board of Directors in providing strategic oversight and governance of the Company's sustainability agenda. It assists the Board in overseeing ESG matters, ensuring compliance with applicable Sri Lankan regulatory requirements, supporting the integration of sustainability considerations across the Company, reviewing ESG performance, SRROs, Sustainability reporting/ disclosures requirements and recommending actions to strengthen the Company's sustainability strategy and its effective implementation.

5.1.3 Sustainability Steering Committee (SSC)

The Sustainability Steering Committee (SSC) is a management-level committee to provide operational leadership, coordination and oversight in implementing the Company's sustainability strategy. The SSC drives the Company's sustainability agenda in alignment with applicable regulatory requirements.

The Committee is chaired by the CEO/GM, and its permanent members comprise the following. In addition, any officer of the Company may be invited to participate in Committee meetings, as required to provide expertise or support on matters under consideration.

- Chief Executive Officer/General Manager
- Chief Operating Officer
- Chief Information Officer
- Head of Operations
- Chief Risk Officer
- Chief Finance Officer
- Head of Human Resources
- Head of Leasing & Loans
- Head of Sustainable Finance

5.1.4 Chief Executive Officer/General Manager (CEO/GM)

With the guidance of the Board of Directors, Chief Executive Officer/General Manager (CEO/GM) is responsible for providing executive leadership and ensuring the effective implementation of the company's sustainability strategy and SFAs. Further CEO/GM directly oversees the Sustainable Finance Unit and provides leadership for:

I. Providing overall oversight of the implementation and management of the Company's Sustainable Finance Activities.

II. Ensuring that sustainability-related policies, frameworks, tools, metrics, operational procedures, and controls are reviewed and updated periodically and integrated with other relevant Company policies and procedures.

III. Ensuring that adequate resources, skills and expertise are allocated for the effective implementation and management of Sustainable Finance Activities.

IV. Ensuring that clear roles and responsibilities are assigned across business units and functions for managing Sustainability-Related Risks and Opportunities (SRROs).

V. Monitoring the progress of Sustainable Finance Activities and ensuring that the Board of Directors and the Board Sustainability Committee are informed of material developments and issues in a timely manner.

VI. Promoting the integration of sustainability considerations into the Company's business operations and decision-making processes.

5.1.5 Senior Management

Senior Management is also responsible for implementing the company's sustainability strategy and integrating ESG considerations into their respective business functions.

5.1.6 Sustainable Finance Unit (SFU)

The Sustainable Finance Unit (SFU) is a dedicated function established to drive the integration of ESG principles into the Company’s core business activities. The SFU supports the development of sustainable financial solutions, promotes responsible lending and investment practices, and ensures alignment with national and international sustainability standards. It also plays a key role in advancing the Company’s Sustainability Roadmap and fostering a strong culture of sustainability across the company. The SFU is headed by the Head of Sustainable Finance and operates under the purview of the CEO/GM.

5.1.7 Branches and Departments

Branches and Departments are responsible for embedding ESG principles into their day-to-day operations and ensuring compliance with this policy.

5.1.8 Employees

All employees are responsible for acting with integrity and honesty in their daily activities and duties. Each employee shall comply with the company's ESG requirements within their respective areas of responsibility and to actively contribute to the achievement of the Company's Sustainability objectives.

06. ESG Commitments

6.1 Environment Responsibility

PLC is committed to minimizing its direct environmental impact by promoting the efficient use of natural resources, enhancing energy efficiency and reducing Greenhouse Gas emissions (GHG) in line with its responsibility to protect biodiversity and preserve fragile ecosystems.

As a responsible financial services provider, PLC also recognizes the environmental risks associated with its lending portfolio and is committed to managing and minimizing the indirect environmental impacts arising from its financing activities. The Company achieves this by integrating environmental considerations into its business operations, strengthening ESG awareness and competency among employees and key stakeholders, and promoting environmentally responsible and sustainable financial solutions to its customers. To effectively implement its environmental commitments, PLC focuses on the following five strategic pillars:

I. Environmental Compliance
II. Promoting Environmental Awareness
III. Promoting Green Financing
IV. Greening Our Operations
V. Green Outreach Projects

6.2 Social Responsibility

PLC is committed to creating positive social impact by expanding access to responsible financial services for underserved and vulnerable communities, including Micro, Small and Medium Enterprises (MSMEs), women entrepreneurs, rural communities and other priority groups. Through financial inclusion, the Company supports livelihoods, entrepreneurship, and inclusive economic growth.

The Company is committed to respecting human rights and fostering a diverse, equitable and inclusive workplace. PLC promotes employee wellbeing by providing a safe working environment, continuous learning opportunities, leadership development, and equal opportunities for all. PLC also encourages responsible business practices throughout its value chain by working with suppliers and business partners who uphold ethical labour practices, human rights, and environmental and social standards.

Beyond its business operations, PLC contributes to sustainable community development through financial literacy programmes, entrepreneurship development, education, community empowerment, disaster relief, and environmental conservation initiatives. To deliver its social commitments effectively, PLC focuses on the following strategic social pillars:

I. Financial Inclusion
II. Employee Wellbeing and Development
III. Human Rights, Diversity and Inclusion
IV. Responsible Supply Chain Management
V. Community Investment and Social Outreach

6.3 Good Governance

PLC is committed to maintaining the highest standards of corporate governance to protect the interests of its shareholders and all other stakeholders while ensuring the long-term sustainability of the Company.

The Company upholds the principles of integrity, accountability, transparency, fairness and ethical conduct across all aspects of its business operations. PLC is committed to complying with all applicable laws, regulations, regulatory guidelines and internal governance requirements, while integrating ESG considerations into its strategic decision-making, risk management and business practices.

Through a robust governance framework, effective Board oversight, sound risk management, strong internal controls and a culture of ethical behavior, PLC seeks to foster responsible business practices, maintain stakeholder confidence and create sustainable long-term value. To strengthen its governance practices, PLC focuses on the following strategic pillars:

I. Corporate Governance and Board Oversight
II. Business Ethics and Code of Conduct
III. Risk Management and Internal Controls
IV. Regulatory Compliance and ESG Governance
V. Stakeholder Engagement and Transparency

07. Purpose Statement, High Impact Goals and High Impact Goal - Targets

7.1 Purpose Statement

PLC's Sustainability Strategy is anchored on the Board-approved Purpose Statement, "Prosperity for All," which defines the foundation of why the Company exists and the value it seeks to create for its stakeholders. This purpose reflects PLC's long-term commitment to sustainable development, inclusive growth, and creating lasting value for all stakeholders and beneficiaries.

7.2 High Impact Goals

Guided by Our Purpose statement, PLC has established Board Approved High Impact Goals (HIG) which define the strategic direction for PLC's sustainability agenda while ensuring that ESG principles are effectively integrated into core business operations. Through these goals, PLC seeks to drive inclusive economic growth, promote technological advancement and strengthen key economic sectors while delivering sustainable long-term value to customers, communities and other stakeholders.

7.2.1 HIG 01: Drive Financial Inclusion

PLC is committed to promoting Financial Inclusion by providing access to essential, affordable and appropriate financial services to underserved and informal segments of society, including Micro, Small and Medium-sized Enterprises (MSMEs). Through its financial products and services, the Company seeks to support livelihood development, strengthen economic empowerment and create long-term value while promoting financial literacy among underserved communities.

The Company aims to ensure that individuals and businesses, irrespective of their socioeconomic circumstances, have access to appropriate financial solutions including credit and other essential financial services. Through this commitment, PLC seeks to reduce economic disparities, foster inclusive and equitable economic growth and empower communities by bridging the gap between formal financial systems and underserved and excluded segments of society.

7.2.2 HIG 02: Lead Technological Transformation

PLC is committed to using technology and digital innovation to improve its business operations, customer experience, financial inclusion and sustainable growth. The Company aims to provide convenient, affordable and accessible digital financial services, particularly to underserved and informal segments of society.

PLC will promote digital and financial literacy, automation, data-driven decision-making, and secure digital services while maintaining appropriate standards for information security and data privacy. The Company will also adopt suitable technologies to improve efficiency, reduce resource consumption and minimize environmental impacts.

Through technological transformation, PLC aims to create long-term value for its stakeholders and contribute to a more inclusive, efficient and digitally enabled user-friendly financial products aligned with evolving customer needs.

7.2.3 HIG 03: Strengthen SMEs

PLC is committed to supporting Micro, Small and Medium Enterprises (MSMEs) by providing appropriate financial and non-financial solutions that enable sustainable business growth and contribute to economic development. The Company seeks to address key challenges faced by MSMEs, including access to finance, markets, technology, and financial management knowledge.

Through tailored financing solutions, capacity-building initiatives, financial literacy programmes and other business support, PLC aims to strengthen the resilience and competitiveness of MSMEs, encourage entrepreneurship across regions, create employment opportunities and support sustainable livelihoods. The Company also seeks to contribute to the development of an enabling ecosystem that improves MSMEs' access to capital, markets, technology and business knowledge, supporting their long-term growth and sustainability.

7.3. High Impact Goal - Targets

PLC shall establish measurable targets under its High Impact Goals to monitor progress, strengthen accountability and ensure continuous improvement in its sustainability journey. These targets are aligned with the Company's purpose of "Prosperity for All" and reflect its commitment to generating positive impact on corporate performance, society, economy and environment.

08. Sustainable Financing

Sustainable Financing is the integration of ESG considerations into the Company's financing decisions, products, services, and risk management processes. It enables PLC to create long-term value by supporting economic growth while promoting environmental sustainability, social well-being and good governance.

As a responsible financial institution, PLC is committed to directing finance towards sustainable economic activities, managing sustainability related risk within its lending portfolio and developing financial solutions that contribute to a more resilient, inclusive and low-carbon economy. Through these initiatives, the Company aims to balance business growth with positive environmental and social impact.

As part of its Sustainability Strategy, PLC aims to create a meaningful and measurable High impact, particularly under the Social pillar of ESG through Financial Inclusion. The Company provides financial services to underserved and informal segments of society, including Micro, Small and Medium-sized Enterprises (MSMEs), supporting entrepreneurship, livelihood development, economic empowerment and financial resilience.

Where applicable, PLC aligns its Sustainable Finance Activities (SFAs) with the following priority sectors under the Sri Lanka Green Finance Taxonomy (SLGFT). This supports the consistent identification, classification, monitoring and reporting of sustainable financing activities in line with recognized national sustainability criteria.

I. Forestry and Logging
II. Agriculture
III. Manufacturing
IV. Electricity Generation, Transmission and Distribution
V. Water Supply, Sewerage and Waste Management
VI. Construction
VII. Transportation and Storage
VIII. Tourism and Recreation
IX. Information and Communication Technology
X. Financial Services
XI. Other eligible activities, including gas, steam and air conditioning, underground geological storage of carbon dioxide (CO_2), and hydrogen storage

8.1 Sustainable Finance Framework

PLC Sustainable Finance Framework is consistent with PLC sustainability strategy. The Framework will be applicable to all Sustainable Financial Instruments including bonds, debentures, loans or any other sustainable finance instrument which are used to finance /refinance eligible green and/or social projects.

09. Sustainability Related Risks and Opportunity

PLC recognizes that Sustainability related Risks and Opportunities (SRROs) can significantly impact the Company's long-term sustainability, operational resilience and stakeholder value. Sustainability Related Risks may arise across various risk categories, including credit risk, market risk, liquidity risk, operational risk, reputational risk and compliance risk.

Conventional Risks		**Sustainability Related Risks**	
1.	Credit Risk	**1.**	Physical Risk
2.	Market Risk		
3.	Foreign Exchange (FX) Risk		
4.	Country or Sovereign Risk	**2.**	Non- Physical Risk
5.	Insolvency Risk		
6.	Operational Risk	**3.**	Social Risk
7.	Legal Risk		
8.	Concentration Risk	**4.**	Transition Risk
9.	Reputational Risk		
10.	Off-balance-sheet Risk	**5.**	Anti-money laundering (AML) Compliance Risk

The Company has established risk management processes and controls to identify, assess, monitor and mitigate such risks, as outlined under the respective sections on company's Integrated Risk Management Policy. Accordingly, PLC is committed to effectively managing SRROs through the following key areas:

I. Identifying, assessing, managing and monitoring SRROs considering the nature, scale, complexity and interconnectedness to company operations and assess the magnitude and materiality of such risks and opportunities

II. Incorporate the identified Sustainability Related Risks in to Company's overall risk management framework

III. Implement effective risk management practices and internal controls to mitigate the identified ESG related risks in line with applicable regulatory requirements, industry best practices and recognized sustainability frameworks

IV. Incorporate Sustainability Related Risks management to the entire decision- making process including credit evaluation, product development, operational activities, and strategic planning.

In addition, PLC has incorporated ESG due diligence checklists into its credit evaluation process and new supplier registration process to identify, assess and manage potential Sustainability Related Risks associated with financing activities and business activities.

10. Alignment with UN SDGs and Sri Lanka's NDCs

PLC recognizes the importance of contributing to sustainable development and is committed to aligning its business activities and sustainability initiatives with the relevant Nationally Determined Contributions (NDCs) and United Nations Sustainable Development Goals (UN SDGs).

Through its ESG initiatives, responsible financing, financial inclusion efforts, environmental practices, employee development and community engagement programmes, PLC aims to contribute towards economic growth, social well-being, and environmental sustainability while creating value for its stakeholders.

Based on PLC's business model, material sustainability topics and strategic priorities outlined in Section 7.2, the following UN SDGs have been identified as the Company's priority SDGs, reflecting their relevance to PLC's business operations and strategic initiatives.

Alignment of PLC's High Impact Goals (HIG) with UN Sustainable Development Goals (SDGs)			
UN SDG	**HIG 01: Drive Financial Inclusion**	**HIG 02 : Lead Technological Transformation**	**HIG 03: Strengthen MSMEs**
SDG 1 - No Poverty	Provides access to finance for underserved and informal sectors.	Improves access to financial services through digital channels.	Supports income generation and sustainable livelihoods through MSME financing.
SDG 8 - Decent Work & Economic Growth	Supports self-employment, income generation and participation in economic activities.	Improves productivity, efficiency and innovation through technology.	Supports business growth, entrepreneurship, and employment creation.
SDG 9 - Industry, Innovation & Infrastructure	Expands access to formal and digital financial services.	Promotes digitalization, automation, innovation and technology adoption.	Supports access to finance, technology, and business development.
SDG 10 - Reduced Inequalities	Reduces financial exclusion by serving underserved and informal segments.	Uses digital solutions to reach geographically and financially underserved customers.	Improves access to finance and economic opportunities for smaller businesses.

SDG 12 - Responsible Consumption & Production	Promotes digital financial services, reducing reliance on paper-based processes.	Reduces paper and resource consumption through digitalization and automation.	Encourages sustainable and resource-efficient business practices.

11. Capacity Building

PLC is committed to enhancing ESG awareness and strengthening the capacity of its employees and relevant stakeholders by developing their knowledge and skills in ESG principles and Sustainability related risk management through internal and external training programmes.

The Company will continue to strengthen its internal expertise to effectively implement Sustainable Finance initiatives by developing existing capabilities and/or engaging qualified Sustainable Finance professionals, as appropriate. Further, PLC will enhance its technical capacity in areas such as environmental stress testing, climate risk assessment and scenario analysis to support effective ESG risk management.

In addition, the Company will promote continuous ESG awareness through internal communications, guidance materials, and knowledge-sharing initiatives to foster an ESG conscious company culture and encourage sustainable business practices across the company.

12. Disclosure and Reporting

PLC shall, on a voluntary or mandatory basis, communicate the environmental and social impacts arising from its business activities, including relevant non-financial information through internationally recognized sustainability reporting frameworks and disclosure standards. These include the Global Reporting Initiative (GRI), Sustainability Disclosure Standards (SLFRS S1 – General Requirements for Disclosure of Sustainability-related Financial Information and SLFRS S2 – Climate-related Disclosures) and any other applicable sustainability reporting requirements introduced in the future.

Through these disclosures, PLC aims to enhance transparency, accountability and stakeholder confidence by providing meaningful information on its ESG performance, SRROs and progress towards achieving its sustainability objectives.

In addition, PLC shall disclose relevant information relating to its Sustainable Finance Activities (SFAs) in its Annual Report, including the progress, impact and key initiatives undertaken in support of sustainable development.

I. An overview on sustainable finance policies and activities
II. Identified ESG and Sustainable finance related risks and associated mitigation measures
III. The environmental and social impact of current and proposed investments and business activities
IV. The progress made on sustainable finance related activities including implementation of the roadmap and the action plan for the next year
V. The total and annual amounts of sustainable funds raised for and funds allocated to sustainable finance related activities

Further PLC shall ensure periodic reporting of ESG performance and progress to the Board of Directors and/or the designated sustainability-related governance committee/s as part of its overall sustainability oversight and risk management framework. The Company shall also provide relevant updates and disclosures to regulatory authorities and other responsible stakeholders, wherever applicable, in accordance with applicable requirements.

13. Monitoring, Evaluation and Review

PLC shall establish appropriate mechanisms to monitor, evaluate and review the effective implementation of this ESG Policy on a regular basis.

The Company's ESG performance shall be monitored through relevant qualitative and quantitative indicators covering key ESG areas including SFAs, operational impacts and SRROs associated with the financing portfolio.

14. Review of the Policy

The ESG policy will be reviewed every two years or as and when operating conditions or regulatory requirements necessitate demand in order to protect its effectiveness and relevance to our business.

15. Approval and Effective Date

This ESG Policy was reviewed and approved by the Board of Directors of People's Leasing & Finance PLC. The effective date of this Policy shall be the date of approval by the Board of Directors, unless otherwise specified. Any subsequent amendments, revisions, or updates to this Policy shall be subject to review and approval in accordance with the Company's established governance framework.