

# SUSTAINABILITY REPORT 2022/23



LB FINANCE

LB Finance PLC | Sustainability Report 2022/23

# GRI 2: GENERAL DISCLOSURES 2022/23

## 1 THE ORGANISATION AND ITS REPORTING PRACTICES

### DISCLOSURE 2-1 Organisational details

#### a. Report its legal name

LB Finance PLC (LBF)

#### b. Report its nature of the ownership and legal form

- Incorporated in May 1971 as a private limited liability company and later converted into a public limited liability company in 1982, LB Finance PLC (LBF) was listed on the Colombo Stock Exchange in 1997 and re-registered in June 2008 under the new Companies Act No. 7 of 2007. Initially, the majority shareholding was held by Lewis Brown & Company Limited and subsequently, in 1994, Vanik Incorporation Limited acquired the controlling interest of the Company.
- Vallibel One PLC and Royal Ceramics Lanka PLC have shareholdings of 51.75% and 26.07% in LBF respectively. The Company's latest venture, LB Microfinance Myanmar Company Limited with 100% stake held by LB Finance PLC.

#### c. Report the location of its headquarters;

No. 275/75, Prof. Stanley Wijesundara Mawatha, Colombo 07.

Tel: 011- 2 200 000

Fax: 011-5 345 327

#### d. Report its countries of operation

LBF has 192 branches in Sri Lanka and 14 branches in Myanmar.

### DISCLOSURE 2-2 Entities included in the organisation's sustainability reporting

- a. list all its entities included in its sustainability reporting, if the organisation has audited consolidated financial statements or financial information filed on public record, specify the differences between the list of entities included in its financial reporting and the list included in its sustainability reporting. If the organisation consists of multiple entities, explain the approach used for consolidating the information

The scope for the financial reporting covers all LB Finance entities and the 02 subsidiaries. The scope for social indicators covers:

The number of full-time employees refers to equivalent full-time employees only in LB Finance PLC and employees work for the subsidiaries are reported separately in the subsidiary information included on the annual report.

The scope for environmental performance indicators (operations) covers all LB Finance entities and subsidiaries. For environmental and social performance indicators, the scope has not changed from 2021/22 and covers all LB Finance entities and subsidiaries.

### DISCLOSURE 2-3 Reporting period, frequency and contact point

- a. Specify the reporting period for, and the frequency of, its sustainability reporting, specify the reporting period for its financial reporting and, if it does not align with the period for its sustainability reporting, explain the reason for this

This report covers LBF performance (Financial and Sustainability) as a Group, for the financial year ended 31 March 2022 (FY20).

- b. Report the publication date of the report or reported information  
First week of the June.
- c. Specify the contact point for questions about the report or reported information

We have strived to respond to your comments and suggestions received during the previous financial year. We welcome your comments and suggestions on this report. (Feedback form – enclosed) You may contact:

Chief Financial Officer /  
Senior Manager - Integrated Reporting & Sustainability

LB Finance PLC (Corporate Office)  
No. 20, Dharmapala Mawatha,  
Colombo 03.  
Tel: 011 2155 000 Fax: 011 2564 488

### DISCLOSURE 2-4 Restatements of information

- a. Report restatements of information made from previous reporting periods and explain:
- I. the reasons for the restatements;
  - II. the effect of the restatements

There has been no restatement information to the Group's reporting.

### DISCLOSURE 2-5 External assurance

- a. Describe its policy and practice for seeking external assurance, including whether and how the highest governance body and senior executives are involved;

We have used a combined assurance approach to verify the accuracy and completeness of the information contained in this Integrated Report. The content included herein has been first approved by the respective business Heads with all financial information, further reviewed by the Audit Committee prior to submission to the Board of Directors for approval. Moreover, Messers, Ernst and Young, Chartered Accountants have provided an independent assurance for the Consolidated Financial Statements as well as the non-financial sustainability indicators as per the Global Reporting Initiative (GRI) Standards.

- b. If the organisation's sustainability reporting has been externally assured:

- I. Provide a link or reference to the external assurance report(s) or assurance statement(s), describe what has been assured and on what basis, including the assurance standards used, the level of assurance obtained, and any limitations of the assurance process;

2022/23 Integrated Annual Report, Sustainability Assurance Report, online version.

- II. Describe the relationship between the organisation and the assurance provider.

There no relationship with the assurance provider. We maintain a professional relationship as a service provider to conduct the independent assurance.

## GRI 2: GENERAL DISCLOSURES 2022/23

### 2 ACTIVITIES AND WORKERS

#### DISCLOSURE 2-6 Activities, value chain and other business relationships

##### a. Describe its value chain, including:

- I. the organisation's activities, products, services, and markets served

II. the organisation's supply chain;

III. the entities downstream from the organisation and their activities

2022/23 Integrated Annual Report,  
Product portfolio, page 35

##### b. Report other relevant business relationships

2022/23 Integrated Annual Report,  
Social and Relationship Capital, Service  
provide Capital, page 180

##### c. Describe significant changes in 2-6-a, 2-6-b, and 2-6-c compared to the previous reporting period.

2022/23 Integrated Annual Report,  
Social and Relationship Capital, Service  
provide Capital, page 180.

#### DISCLOSURE 2-7 Employees

##### a. Report the total number of employees and a breakdown of this total by gender and by region

Province	2022/23			2021/22		
	No of employees			No of employees		
	Male	Female	Total	Male	Female	Total
Central	197	110	307	203	89	292
Eastern	144	136	280	119	70	189
Northern	88	102	190	79	67	146
North-central	80	45	125	84	34	118
North-western	115	97	212	119	76	195
Sabaragamuwa	88	52	140	103	47	150
Southern	148	85	233	176	77	253
Uva	73	38	111	78	32	110
Western	1010	954	1,964	1183	913	2,096
Total	1,943	1,619	3,562	2,144	1,405	3,549

##### b. Report the total number of:

- I. permanent employees, and a breakdown by gender and by region
- II. temporary employees, and a breakdown by gender and by region

Province	2022/23		Total
	Full-time employees	Employees on a contract basis	
Central	307		307
Eastern	278	2	280
Northern	190	0	190
North-central	125	0	125
North-western	210	2	212
Sabaragamuwa	139	1	140
Southern	233	0	233
Uva	110	1	111
Western	1891	73	1964
Total	3483	79	3,562

- III. non-guaranteed hours employees, and a breakdown by gender and by region not applicable for LB Finance
- IV. full-time employees, and a breakdown by gender and by region in our context, permanent employees consider as the full-time employees
- V. part-time employees, and a breakdown by gender and by region there are no part-time employees in the LBF

**Total number of employees by employment contract (permanent and temporary) by gender**

Employee type	2022/23		2021/22	
	Male	Female	Male	Female
Full-time employees	1894	1589	2181	1623
Employees on contract basis	49	30	15	3
<b>Total</b>	<b>1,943</b>	<b>1,619</b>	<b>2,196</b>	<b>1,626</b>

**Total number of employees by employment contract (permanent and temporary) by region**

Province	2022/23		
	Full-time employees	Employees on contract basis	total
Central	307	-	307
Eastern	278	2	280
Northern	190	0	190
North-central	125	0	125
North-western	210	2	212
Sabaragamuwa	139	1	140
Southern	233	0	233
Uva	110	1	111
Western	1891	73	1964
<b>Total</b>	<b>3483</b>	<b>79</b>	<b>3,562</b>

**c. Describe the methodologies and assumptions used to compile the data, including whether the numbers are reported:**

- I. in head count, full-time equivalent (FTE), or using another methodology;
- II. at the end of the reporting period, as an average across the reporting period, or using another methodology;

outlines our commitment to ensuring a representative workforce that reflects the diverse communities in which we operate.

We assess and review the statistics of our workforce, tracking progress, particularly in relation to gender, including the percentage of women and high growth market nationalities in leadership positions.

flexible work arrangements. To help mitigate this, we have placed a focus on embedding best practices in talent acquisition and leveraging our unique value proposition as an employer. In specific areas where turnover is higher, such as in the western province, we focus on our unique work culture and involve and collaborate with local teams on engagement and community building.

We continue to promote a representative workforce through our better balance approach. This involves discussions, giving senior leaders an opportunity to exchange ideas with newly recruited about how our leadership mix can better reflect consumer and market demographics. Since the programme's launch in 2023. Other actions to achieve our balanced targets include inclusive hiring initiatives. In order to attract and assess top talent faster, we further developed tools to help us create more impactful and inclusive job advertisements. Inclusive hiring

**d. report contextual information necessary to understand the data reported under 2-7-a and 2-7-b;**

Turnover is also monitored very closely at LBF because it is important to understand why people leave the organisation. This helps us manage the turnover rate, reduce regretted losses and develop a better understanding of how to retain our people. Hiring demand has increased both internally and externally because of the current talent landscape, which includes more voluntary turnover because of intense competition in roles and people's changing needs. Candidates also have higher expectations, e.g., a need for

**e. describe significant fluctuations in the number of employees during the reporting period and between reporting periods**

We embrace diversity throughout our organisation, recruiting to build a representative and inclusive workforce of local talent and industry experts that help us support growth in all markets. Our Diversity Position Statement

**GRI 2: GENERAL DISCLOSURES 2022/23**

initiatives also involve having a balanced list of candidates and balance in the interviewing panel. Deliberate succession planning enabled us to place emphasis on leaders in the high growth market regions.

Fostering a sense of belonging in the Company helps us bolster inclusiveness. Our instructor-led training for selected groups, “Golden Minute 360,” teaches the importance of inclusive behaviours, of being aware of, and managing, our unconscious bias. Online learning opportunities through e-learning platforms were developed to train on how to identify unconscious biases and disrupt them to create a more inclusive culture. This allows us all to play a critical role in promoting the visibility, validity, and credibility of the work and contributions of others.

**DISCLOSURE 2-8  
Workers who are not employees**

- a. **Report the total number of workers who are not employees and whose work is controlled by the organisation and describe:**
  - I. the most common types of worker and their contractual relationship with the organization
  - II. the type of work they perform  
N/A
- b. Describe the methodologies and assumptions used to compile the data, including whether the number of workers who are not employees is reported:
  - I. In head count, full-time equivalent (FTE), or using another methodology;
  - II. At the end of the reporting period, as an average across the reporting period, or using another methodology
  - III. Describe significant fluctuations in the number of workers who are not employees during the reporting period and between reporting periods.  
N/A

**3 GOVERNANCE**

**DISCLOSURE 2-9  
Governance structure and composition**

The organization shall:

- a. **Describe its governance structure, including committees of the highest governance body;**

The Board of Directors is the highest governing body. Management Committees responsible for decision-making on economic, environmental, and social topics Committees of the governing body are: Audit Committee (AC), Integrated Risk Management Committee (IRMC), Nomination Committee (NC), Remuneration Committee (RC), Related Party Transaction Review Committee (RPTRC)

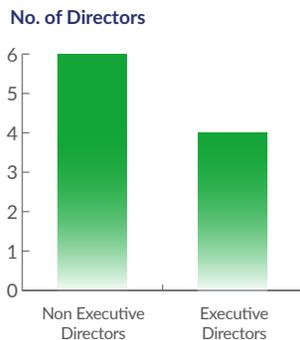
2022/23 Integrated Annual Report, governance structure, page 220

- b. **List the committees of the highest governance body that are responsible for decision making on and overseeing the management of the organization’s impacts on the economy, environment, and people**

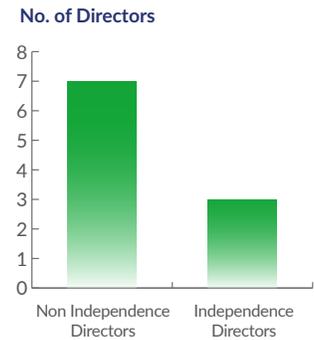
Committees of the governing body are: Audit Committee (AC), Integrated Risk Management Committee (IRMC), Nomination Committee (NC), Remuneration Committee (RC), Related Party Transaction Review Committee (RPTRC) and specially form Internal Social Responsibility committee.

- c. **Describe the composition of the highest governance body and its committees by:**

- I. Executive and non-executive members



- II. Independence



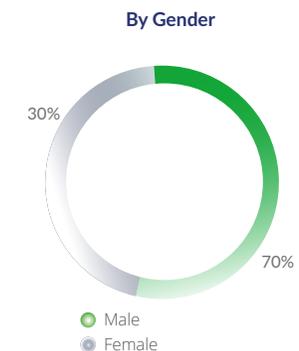
- III. Tenure of members on the governance body



- IV. Number of other significant positions and commitments held by each member, and the nature of the commitments

2022/23 Integrated Annual Report, board profile, page 58

- V. Gender



- VI. Under-represented social groups

None

VII. Competencies relevant to the impacts of the organization  
2022/23 Integrated Annual Report, board profile, page 58

VIII. Stakeholder representation  
Provide the model which describe the stakeholder in the corporate governance

**DISCLOSURE 2-10**  
**Nomination and selection of the highest governance body**

**a. Describe the nomination and selection processes for the highest governance body and its committees**

**b. Describe the criteria used for nominating and selecting highest governance body members, including whether and how the following are taken into consideration**

- I. Views of stakeholders (including shareholders);
- II. diversity
- III. independence
- IV. competencies relevant to the impacts of the organisation.

In the process of nomination of Directors, the Board independently and the Nomination Committee, evaluate the balance of skills, knowledge and

experience on the Board and selects candidates who would complement the make-up of the Board. When doing so the skillset, experience, knowledge, diversity and availability on economic, environmental and social topics of the candidate are taken into consideration. Further, whether the candidate is independent in character and judgment and whether there are relationships or circumstances which are likely to affect, or could appear to affect, his/her judgment is also considered. Directors appointed to the Board are required to retire and submit themselves for re-election by the shareholders at the Annual General Meeting of shareholders immediately succeeding his/her appointment.

Aspect	Consideration	Reasons if any
Views of stakeholders	Yes	Consider the shareholder's view and the internal stakeholder's views
Diversity	No	Not consider
Independence	Yes	Adhere to the new corporate governance code issued
Competencies	Yes	Refer skill matrix on page 58

2022/23 Integrated Annual Report, corporate governance, page 210.

**DISCLOSURE 2-11**  
**Chair of the highest governance body**

**a. Report whether the chair of the highest governance body is also a senior executive in the organization**

**b.** If the chair is also a senior executive, explain their function within the organization's management, the reasons for this arrangement, and how conflicts of interest are prevented and mitigated.

Chairman is Non-Executive

**DISCLOSURE 2-12**  
**Role of the highest governance body in overseeing the management of impacts**

**a.** Describe the role of the highest governance body and of senior executives in developing, approving, and updating the organization's purpose, value or mission statements, strategies, policies, and goals related to sustainable development

Setting purpose, values and strategy reviewed and recommended by the Integrated Risk Management Committee and approved by the Board. Board approved strategic objectives and

corporate values has been derived from the Company's Vision and Mission and it has been communicated throughout the Company. Respective functional Heads/ business Heads review and update strategies, policies and goals for submission to the Board through the responsible Executive Directors.

**b.** Describe the role of the highest governance body in overseeing the organization's due diligence and other processes to identify and manage the organisation's impacts on the economy, environment, and people, including:

- I. whether and how the highest governance body engages with stakeholders to support these processes;
- II. how the highest governance body considers the outcomes of these processes

The impact identification of the risks will be carried out by the Integrated Risk Management Committee team on behalf of the Board, in consultation with the relevant business owners. The

Board of directors and management Committees are responsible for the identification and resolving of queries on economic, environmental, people and governance. Identification, monitoring and controlling the due diligence aspects. Assess, validate, report and review the sustainability aspects with compliance and due diligence;

- Monthly
- Quarterly
- Annually and submitting a report to the Board of Directors and stakeholder consultation is an integral part of the IRMC process within LBF.

**c.** Describe the role of the highest governance body in reviewing the effectiveness of the organization's processes as described in 2-12-b, and report the frequency of this review

2022/23 Integrated Annual Report, Corporate Governance Report, page 210

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### DISCLOSURE 2-13

#### Delegation of responsibility for managing impacts

- a. Describe how the highest governance body delegates responsibility for managing the organisation's impacts on the economy, environment, and people, including:

- I. whether it has appointed any senior executives with responsibility for the management of impacts;
  - II. whether it has delegated responsibility for the management of impacts to other employees
- b. describe the process and frequency for senior executives or other employees to report back to the

highest governance body on the management of the organisation's impacts on the economy, environment, and people.

The delegation of authority for economic, environmental and social topics related to Sustainability Committee has been formalised in the CSR and sustainability guidelines.

Aspect	Direct responsibility (Delegated)	Overall responsibility	Process of reporting
Economic	Chief Financial Officer	Executive Directors	Frequently
Environment	Senior Manager – Business process and development		
People	Assistant General Manager – Human Resources		

### DISCLOSURE 2-14

#### Role of the highest governance body in sustainability reporting

- a. Report whether the highest governance body is responsible for reviewing and approving the reported information, including the organisation's material topics, and if so, describe the process for reviewing and approving the information
- b. If the highest governance body is not responsible for reviewing and approving the reported information, including the organisation's material topics, explain the reason for this.

All Directors are guided by the provisions of the Conflict of Interest Policy. Where Directors have an interest in a material transaction or matter involving the Company that is being considered at the Board or a Board Sub Committee level, they: disclose interest as a general requirement, excuse themselves from the meeting during Board or Board Sub Committee discussions do not cast a vote on the matter related party disclosures. The Related Party Transaction Review Committee reviews non-recurrent related party and interested person transactions and keeps the Board informed of such transactions, if any.

### DISCLOSURE 2-17

#### Collective knowledge of the highest governance body

- a. Report measures are taken taken to advance the collective knowledge, skills, and experience of the highest governance body on sustainable development.

Board having the optimal mix of skills, expertise and experience, is paramount to ensure that the Board as a collective is equipped to guide the business and strategy of the Company. To enhance and develop the collective knowledge, Board is briefed on such matters to the management at the committee meetings. Then an expert independent consultant or internal expert conducted a specialised refresher on sustainability topics to the Board of Directors.

2022/23 Integrated Annual Report, Board Responsibility Statement, page 16

### DISCLOSURE 2-15

#### Conflicts of interest

The organisation shall:

- a. Describe the processes for the highest governance body to ensure that conflicts of interest are prevented and mitigated
- b. Report whether conflicts of interest are disclosed to stakeholders, including, at a minimum, conflicts of interest relating to:
- I. cross-board membership;
  - II. cross-shareholding with suppliers and other stakeholders;
  - III. existence of controlling shareholders;
  - IV. related parties, their relationships, transactions, and outstanding balances.

### DISCLOSURE 2-16

#### Communication of critical concerns

- a. Describe whether and how critical concerns are communicated to the highest governance body
- If there is/are critical concern/s, management will communicate the same to the Board of Directors for their discussion and Board will provide narrations and direction to solve or mitigate the concern/s.
- b. Report the total number and the nature of critical concerns that were communicated to the highest governance body during the reporting period.

Concerns are considered 'critical' when existing internal controls are inadequate to appropriately address them. Concerns taken up for discussion with the Board in 2022/23, none were deemed as 'critical'.

### DISCLOSURE 2-18

#### Evaluation of the performance of the highest governance body

- a. Describe the processes for evaluating the performance of the highest governance body in overseeing the management of the organisation's impacts on the economy, environment, and people

A performance self-evaluation is carried out internally on a periodic basis. A self-evaluation is conducted within Group Sustainability updates to the Board. The evaluation covers performance on key economic, environmental and social topics of priority at all levels of the Company. None of these actions was taken in response to evaluation of the highest governance body's performance

with respect to governance of economic, environmental and social topics.

- b. Report whether the evaluations are independent or not, and the frequency of the evaluations

All evaluations are independent

- c. Describe actions taken in response to the evaluations, including changes to the composition of the highest governance body and organisational practices.

In the process of nomination of Directors, the Board independently and the Nomination Committee, evaluate the balance of skills, knowledge and experience on the Board and selects candidates who would complement the make-up of the Board. When doing so the skillset, experience, knowledge, diversity and availability on economic, environmental and social topics of the candidate are taken into consideration. Further, whether the candidate is independent in character and judgment and whether there are relationships or circumstances which are likely to affect, or could appear to affect, his/her judgment is also considered. Directors appointed to the Board are required to retire and submit themselves for re-election by the shareholders at the Annual General Meeting of shareholders immediately succeeding his/her appointment.

**DISCLOSURE 2-19  
Remuneration policies**

- a. Describe the remuneration policies for members of the highest governance body and senior executives, including:

- I. Fixed pay and variable pay;
- II. Sign-on bonuses or recruitment incentive payments;
- III. Termination payments;
- IV. Claw backs
- V. Retirement benefits

2022/23 Integrated Annual Report, Staff Benefit, page 153

- b. Describe how the remuneration policies for members of the highest governance body and senior executives relate to their objectives and performance in relation to the management of the organisation's impacts on the economy, environment, and people.

According the organisation policy, information cannot be disclosure-confidential information

**DISCLOSURE 2-20  
Process to determine remuneration**

- a. Describe the process for designing its remuneration policies and for determining remuneration, including:
  - I. whether independent highest governance body members or an independent remuneration committee oversees the process for determining remuneration
  - II. how the views of stakeholders (including shareholders) regarding remuneration are sought and taken into consideration
  - III. whether remuneration consultants are involved in determining remuneration and, if so, whether they are independent of the organization, its highest governance body and senior executives

Yes, Chairmen is the member of the Human Resources and Remuneration Committee. The primary objective of the Remuneration Policy of the Company is to align remuneration with performance, whilst ensuring that the Company is able to attract and retain employees critical to deliver the Company's strategy and to make continued progress towards ensuring a high performing culture in line with the Company's values. Through the Remuneration Policy, the Company endeavors to encourage an entrepreneurial mindset by creating a working environment that motivates high performance so that all employees can positively and ethically contribute to the strategy, vision and goals of the Company while upholding its values.

- b. Report the results of votes of stakeholders (including shareholders) on remuneration policies and proposals, if applicable

Information cannot be disclosure-confidential information

**DISCLOSURE 2-21  
Annual total compensation ratio**

The organisation shall:

- a. Report the ratio of the annual total compensation for the organization's highest-paid individual to the median annual total compensation for all employees(excluding the highest-paid individual)
- b. Report the ratio of the percentage increase in annual total compensation for the organisation's highest-paid individual to the median percentage increase in annual total compensation for all employees (excluding the highest-paid individual)
- c. Report contextual information necessary to understand the data and how the data has been compiled.

2022/23 Integrated Annual Report, Transactions with Key Management Personnel (KMPs), page 359

**Table men women ratio**

	Female	Male
Senior Management	0.30	1
Middle Management	0.96	1
Executive	0.88	1
Clerical	0.94	1

According to the company policy, some information cannot be disclosure-confidential information

**4 STRATEGY, POLICIES AND PRACTICES**

**DISCLOSURE 2-22  
Statement on sustainable development strategy**

- a. Report a statement from the highest governance body or most senior executive of the organisation about the relevance of sustainable development to the organisation and its strategy for contributing to sustainable development.

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2022/23 Integrated Annual Report, Chairman’s Statement, page 52, Managing Director’s Review, page 66

**DISCLOSURE 2-23 Policy commitments**

- a. Describe its policy commitments for responsible business conduct, including:
  - I. The authoritative inter-governmental instruments that the commitments reference;
  - II. Whether the commitments stipulate conducting due diligence;
  - III. Whether the commitments stipulate applying the precautionary principle;
  - IV. Whether the commitments stipulate respecting human rights;
- b. Describe its specific policy commitment to respect human rights, including:
  - I. The internationally recognised human rights that the commitment covers;
  - II. The categories of stakeholders, including at-risk or vulnerable groups, that the organisation gives particular attention to in the commitment;
- c. Provide links to the policy commitments if publicly available, or, if the policy commitments are not publicly available, explain the reason for this;
- d. Report the level at which each of the policy commitments was approved within the organisation, including whether this is the most senior level;
- e. Report the extent to which the policy commitments apply to the organisation’s activities and to its business relationships;
- f. Describe how the policy commitments are communicated to workers, business partners, and other relevant parties.

**DISCLOSURE 2-24 Embedding policy commitments**

- a. Describe how it embeds each of its policy commitments for responsible business conduct throughout its activities and business relationships, including:

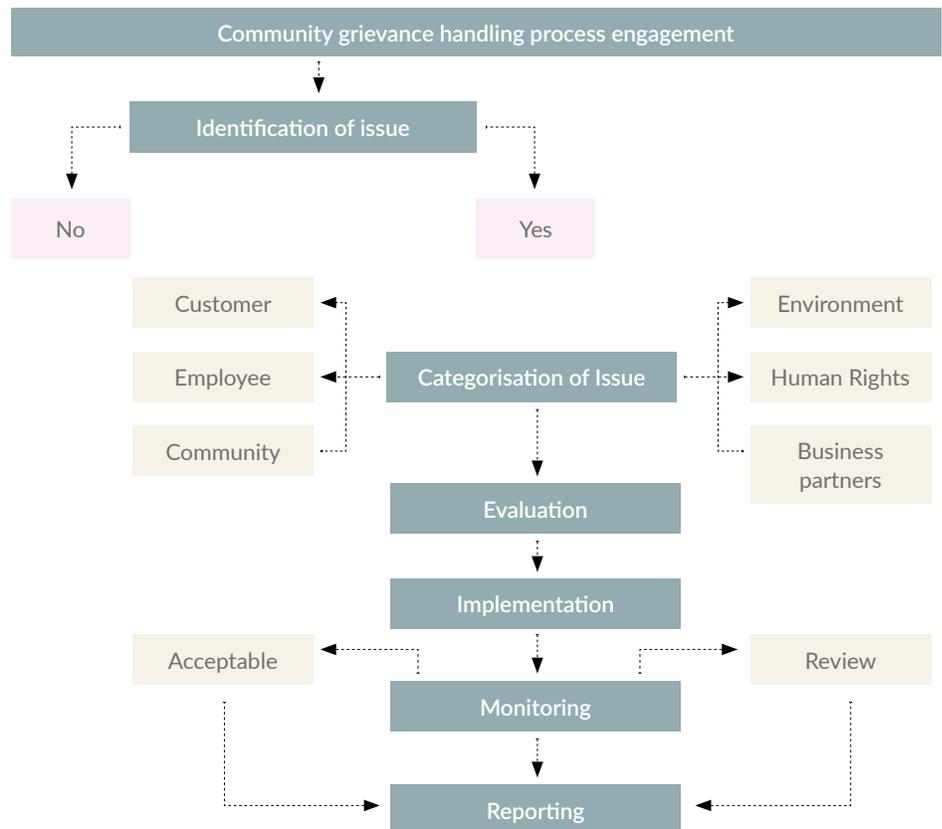
- I. How it allocates responsibility to implement the commitments across different levels within the organisation  
 2022/23 Integrated Annual Report, Organisation chart, page 427
- II. How it integrates the commitments into organisational strategies, operational policies, and operational procedures  
 2022/23 Integrated Annual Report, Strategic focus, page 44
- III. How it implements its commitments with and through its business relationships  
 2022/23 Integrated Annual Report, Business Review, page 99
- IV. Training that the organisation provides on implementing the commitments.  
 2022/23 Integrated Annual Report, Training and development, page 148

**DISCLOSURE 2-25**

**Processes to remediate negative impacts**

The organisation shall:

- a. Describe its commitments to provide for or cooperate in the remediation of negative impacts that the organization identifies it has caused or contributed to  
 2022/23 Integrated Annual Report, Strategic Focus, page 44
- b. Describe its approach to identify and address grievances, including the grievance mechanisms that the organization has established or participates in
- c. Describe how the stakeholders who are the intended users of the grievance mechanisms are involved in the design, review, operation, and improvement of these mechanisms
- d. Describe how the organisation tracks the effectiveness of the grievance mechanisms and other remediation processes, and report examples of their effectiveness, including stakeholder feedback.



- e. Describe other processes by which the organization provides for or cooperates in the remediation of negative impacts that it identifies it has caused or contributed to

2022/23 Integrated Annual Report, Strategic Focus, page 44

## DISCLOSURE 2-26

### Mechanisms for seeking advice and raising concerns

- a. Describe the mechanisms for individuals to:
  - I. Seek advice on implementing the organisation's policies and practices for responsible business conduct;
  - II. Raise concerns about the organisation's business conduct.

LBF has built its good reputation and brand name over a long and rich history. To preserve it, we are committed to adhering to the highest ethical standards in our interactions with all stakeholders – customers, business partners, shareholders, employees, government institutions and the communities in which we operate. Being open, transparent and honest in dealing with these stakeholders allow us to grow responsibly and share our success. All employees should comply with Financial Customer Protection Framework, Finance Business Act Directions No. 01 of 2018 dated 16th January 2018, issued by the Central Bank of Sri Lanka, and should undertake to comply with the guidelines as stated therein discharging their duties and responsibilities. Dedicated HR Officer oversees and monitoring the ethics and integrity of the Company and Compliance Officer conduct the training and administration as part of the ethics and integrity on behalf of the Company. Every employee should sign the declaration of the Code of Conduct and agree with at all times act in conformity with all the provisions in the Code of Conduct and it publish in English language.

Code of Conduct: Ethical and lawful behavior and organisational integrity

The Company should proactively promote ethical behaviour and encourage employees to talk to supervisors, managers or other appropriate personnel when in doubt about the best course of action in a particular situation. Additionally, employees should report violations of laws, rules and regulations or the Code of Business Conduct and Ethics to appropriate personnel. To encourage

employees to report such violations, the Company must ensure that employees know that the Company will not allow retaliation for reports made in good faith.

## DISCLOSURE 2-27 Compliance with laws and regulations

- a. Report the total number of significant instances of non-compliance with laws and regulations during the reporting period, and a breakdown of this total by:
  - I. Instances for which fines were incurred;
  - II. Instances for which non-monetary sanctions were incurred;
- b. Report the total number and the monetary value of fines for instances of non-compliance with laws and regulations that were paid during the reporting period, and a breakdown of this total by:
  - I. Fines for instances of non-compliance with laws and regulations that occurred in the current reporting period;
  - II. Fines for instances of non-compliance with laws and regulations that occurred in previous reporting periods;
- c. Describe the significant instances of non-compliance;
- d. Describe how it has determined significant instances of non-compliance.

Indicator	LBF status
Significant fines and nonmonetary sanctions for non-compliance with laws and/or regulations in the social and economic area in terms of:	None
Total monetary value of significant fines	
Total number of nonmonetary sanctions	
Cases brought through dispute resolution mechanisms	

## DISCLOSURE 2-28 Membership associations

- a. Report industry associations, other membership associations, and national or international advocacy organisations in which it participates in a significant role.

- » The Finance Houses Association of Sri Lanka
- » Leasing Association of Sri Lanka
- » The Ombudsman Sri Lanka (Guarantee) Limited
- » Mercantile Cricket Association
- » Mercantile Football Association

## 5 STAKEHOLDER ENGAGEMENT

### DISCLOSURE 2-29 Approach to stakeholder engagement

The organisation shall:

- a. Describe its approach to engaging with stakeholders, including:
  - I. The categories of stakeholders it engages with, and how they are identified;
  - II. The purpose of the stakeholder engagement;
  - III. How the organisation seeks to ensure meaningful engagement with stakeholders

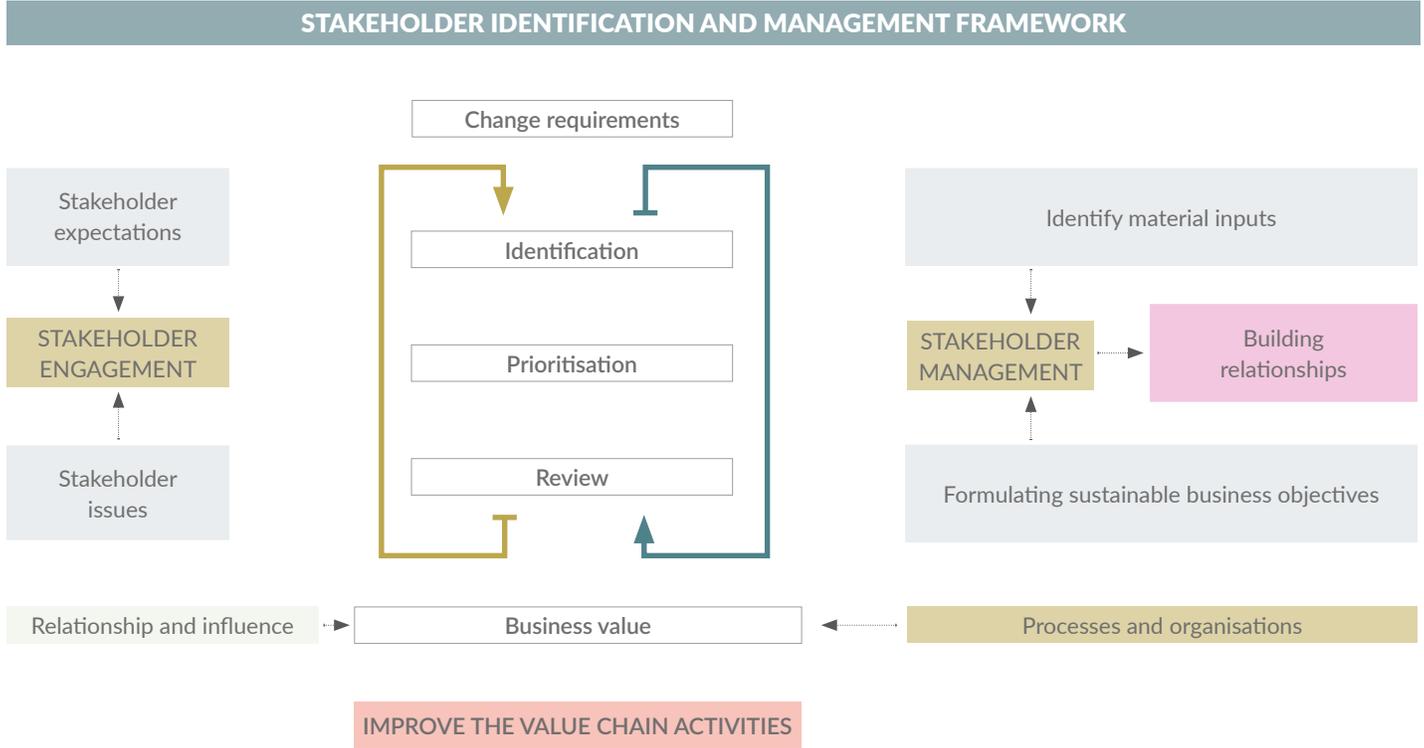
Stakeholder identification is the first and second steps respectively in our integrated stakeholder management framework. We follow two-pronged approach to identify LBNF's stakeholders and broadly classify them under the economic, social or environmental dimensions;

- » Impact-based - Stakeholders who have the ability to directly influence the Company's economic, social or environmental performance.
- » Interest-based - Stakeholders who may not have a direct influence over our business activities but have an interest on our economic performance and the progress we are making as a corporate steward.

### Stakeholder relationships

Being a financial services organisation, our business depends largely on relationships with customers, employees, shareholders, business partners, society/communities and regulators etc. Everyday, across our business we encounter stakeholders who determine our ability to create and sustain long term value. It is therefore, imperative that we connect with them and remain connected with all our stakeholders. We follow an Integrated Stakeholder Management Framework in order to build strong and rewarding relationships with our stakeholders which we expect will pave the way to achieve LBF's vision.

Stakeholder engagement framework



Taking cognizance of the dynamic environment which we operate in, the stakeholder identification process is revisited every five years to identify the emergence of any new stakeholders. Using the below matrix as a base, we then measure the quality of the existing relationship and determine the scope and scale of engagement required. Working within these parameters we are then able to deploy the most appropriate methodologies to engage with different stakeholder groups.

STAKEHOLDERS POWER	<b>Keep satisfied - meet needs</b> ➤ Regulators	<b>Keep engaged - manage closely</b> ➤ Customers ➤ Investors ➤ Employees
	<b>Monitor lightly</b>	<b>Keep informed - Respect interest</b> ➤ Business partners ➤ Community
	STAKEHOLDERS INTEREST	

**DISCLOSURE 2-30**  
**Collective bargaining agreements**

- a. Report the percentage of total employees covered by collective bargaining agreements;
- b. For employees not covered by collective bargaining agreements, report whether the organisation determines their working conditions and terms

of employment based on collective bargaining agreements that cover its other employees or based on collective bargaining agreements from other organisations.

While respecting the universal principles and norms that protect human rights in employment, as specific in the UN Global Compact (UNG) and in the declarations

of the International Labor Organisation (ILO), including the employee right to the freedom of association and the right to engage in collective bargaining, LBF's strong relationships with employees has meant there is no need for any collective agreement. During the year under review, the Company has not faced any type of industrial disputes.

## 2. DISCLOSURES ON MATERIAL TOPICS

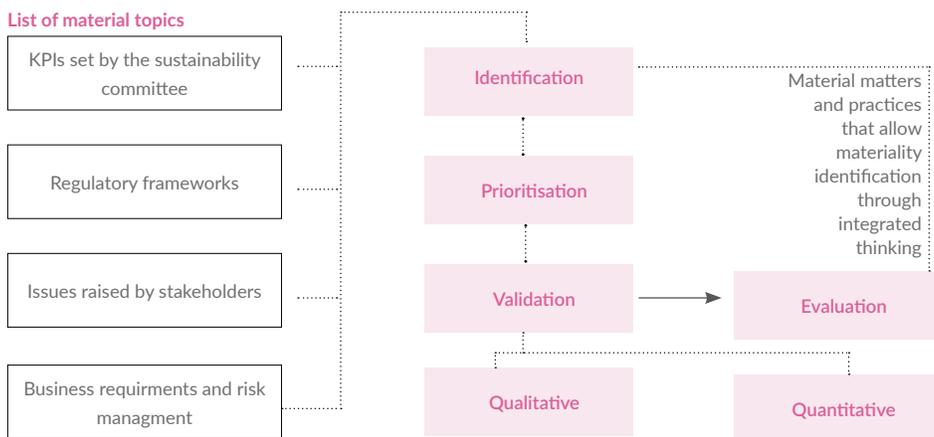
### DISCLOSURE 3-1 Process to determine material topics

**a. Describe the process it has followed to determine its material topics, including:**

- I. How it has identified actual and potential, negative and positive impacts on the economy, environment, and people, including impacts on their human rights, across its activities and business relationships
- II. How it has prioritized the impacts for reporting based on their significance

**b. Specify the stakeholders and experts whose views have informed the process of determining its material topics.**

2022/23 Integrated Annual Report, Our Material Matters in Action, page 79



### DISCLOSURE 3-2 List of material topics

The organisation shall:

**a. List its material topics;**

2022/23 Integrated Annual Report, Our Material Matters in Action, page 79

Material Topic	GRI reference
Direct economic value generated and distributed	201
Employee, Employee wages and benefit	202,401, 404,405
Risk and Corruption	205
Anti-competitive behavior	206
Emission Management	305
Empowering community	413
Customer privacy	418

2022/23 Integrated Annual Report, Our Materiality, page 80

### DISCLOSURE 3-3 Management of material topics

For each material topic reported under Disclosure 3-2, the organization shall:

**a. Describe the actual and potential, negative and positive impacts on the economy, environment, and people, including impacts on their human rights**

2022/23 Integrated Annual Report, Our Operating Environment, page 70

**b. Report changes to the list of material topics compared to the previous reporting period.**

The matters deemed material for 2022/23 are more or less unchanged from those reported in the previous financial year, except for one specific instance (explained below) where material changes were required to the

business model as a result of a shift in materiality during the year based on the operating environment changes and regulatory changes during the period

## GRI 3: MATERIAL TOPICS 2022/23

**b. Report whether the organisation is involved with the negative impacts through its activities or as a result of its business relationships, and describe the activities or business relationships**

There is no any negative impacts through its activities or as a result of its business relationships

**c. Describe its policies or commitments regarding the material topic;**

**d. Describe actions taken to manage the topic and related impacts, including:**

- I. Actions to prevent or mitigate potential negative impacts;
- II. Actions to address actual negative impacts, including actions to provide for or cooperate in their remediation;
- III. Actions to manage actual and potential positive impacts;

**e. Report the following information about tracking the effectiveness of the actions taken:**

- IV. Processes used to track the effectiveness of the actions;
- V. Goals, targets, and indicators used to evaluate progress;
- VI. The effectiveness of the actions, including progress toward the goals and targets
- VII. Lessons learned and how these have been incorporated into the organization's operational policies and procedures;

**f. Describe how engagement with stakeholders has informed the actions taken (3-3-d) and how it has informed whether the actions have been effective (3-3-e).**

2022/23 Integrated Annual Report, Our Material Matters In Action, page 79

## GRI 3: MATERIAL TOPICS 2022/23

### DISCLOSURE 201-1

#### Direct economic value generated and distributed

- a) Direct economic value generated and distributed (EVG&D) on an accruals basis, including the basic components for the organisation's global operations as listed below. If data are presented on a cash basis, report the justification for this decision in addition to reporting the following basic components:
- I. Direct economic value generated: revenues;
  - II. Economic value distributed: operating costs, employee wages and benefits, payments to providers of capital, payments to government by country, and community investments;
  - III. Economic value retained: 'direct economic value generated' less 'economic value distributed'.
- b) Where significant, report EVG&D separately at country, regional, or market levels, and the criteria used for defining significance.

2022/23 Integrated Annual Report, financial capital, page 120

### DISCLOSURE 201-2

#### Financial implications and other risks and opportunities due to climate change

- a. Risks and opportunities posed by climate change that have the potential to generate substantive changes in operations, revenue, or expenditure, including:
- I. A description of the risk or opportunity and its classification as either physical, regulatory, or other;
  - II. A description of the impact associated with the risk or opportunity;
  - III. The financial implications of the risk or opportunity before action is taken;
  - IV. The methods used to manage the risk or opportunity;
  - V. The costs of actions taken to manage the risk or opportunity.

We address risks associated with climate change risk through initiatives. We look to minimise our contribution to climate change and promote transition to a low carbon economy. In the business context, we haven't such risk and opportunities through

the climate changes in 2022/23. As a result of that there is no potential to generate substantive changes in operations, revenue, or expenditure. We are fully committed to excellence in climate preserving action and our ambitious agenda aims at taking actions for the environment across our operations and beyond. This agenda is based on ambitious GHG emission reduction targets and our own targets have been prepared in alignment with the global effort to limit climate change. We continue to reduce the environmental impact of our activities. Our commitment in green lending practices such as encouraging our customers to purchase hybrid or zero emission vehicles. We continue to conduct carbon footprint calculation for the entire branch network. Our CSR and sustainability teams are also working on awareness programmes and green CSR activities.

2022/23 Integrated Annual Report, Natural capital, page 192

### DISCLOSURE 201-3

#### Defined benefit plan obligations and other retirement plans

The reporting organisation shall report the following information:

- a. If the plan's liabilities are met by the organisation's general resources, the estimated value of those liabilities.
- b. If a separate fund exists to pay the plan's pension liabilities:
  - I. The extent to which the scheme's liabilities are estimated to be covered by the assets that have been set aside to meet them;
  - II. The basis on which that estimate has been arrived at
  - III. When that estimate was made.
- c. If a fund set up to pay the plan's pension liabilities is not fully covered, explain the strategy, if any, adopted by the employer to work towards full coverage, and the timescale, if any, by which the employer hopes to achieve full coverage.
- d. Percentage of salary contributed by employee or employer.
- e. Level of participation in retirement plans, such as participation in mandatory or voluntary schemes, regional, or country-based schemes, or those with financial impact.

2022/23 Integrated Annual Report, financial capital, page 120

2022/23 Integrated Annual Report, Human capital, page 148

### DISCLOSURE 201-4

#### Financial assistance received from government

The reporting organisation shall report the following information:

- a. Total monetary value of financial assistance received by the organisation from any government during the reporting period, including

Indicator	LBF status
<b>Tax relief and tax credits;</b>	None
<b>Subsidies;</b>	
Investment grants, research and development grants, and other relevant types of grant;	
<b>Awards;</b>	
Royalty holidays;	
Financial assistance from Export Credit Agencies (ECAs);	
<b>Financial incentives;</b>	
Other financial benefits received or receivable from any government for any operation.	
<b>The information in 201-4-a by country.</b>	
Whether, and the extent to which, any government is present in the shareholding structure.	

### DISCLOSURE 202-1

#### Ratios of standard entry level wage by gender compared to local minimum wage

The reporting organisation shall report the following information:

- a. When a significant proportion of employees are compensated based on wages subject to minimum wage rules, report the relevant ratio of the entry level wage by gender at significant locations of operation to the minimum wage  
Wages are managed locally with a global

## GRI 3: MATERIAL TOPICS 2022/23

oversight to ensure competitive and equitable practices. In all cases, LBF pays above minimum wages as stipulated by law or applicable collective agreements (There is no gender differences). According to legislation to be presented in Parliament of Sri Lanka, the national minimum monthly wage for all workers in any industry or service will be Rs. 10,000/- while the national minimum daily wage of a worker will be Rs. 400/-.

- b. When a significant proportion of other workers (excluding employees) performing the organization's activities are compensated based on wages subject to minimum wage rules, describe the actions taken to determine whether these workers are paid above the minimum wage.  
N/A
- c. Whether a local minimum wage is absent or variable at significant locations of operation, by gender. In circumstances in which different minimums can be used as a reference, report which minimum wage is being used.  
N/A
- d. The definition used for 'significant locations of operation'.  
In LBF context, within the Sri Lanka

### DISCLOSURE 202-2 Proportion of senior management hired from the local community

The reporting organisation shall report the following information:

- Percentage of senior management at significant locations of operation that are hired from the local community.
- The definition used for 'senior management'.
- The organisation's geographical definition of 'local'.
- The definition used for 'significant locations of operation'.

All Senior managers (Employees who are senior manager and above consider as Senior Management are locally hired (100%, within Sri Lanka).

2022/23 Integrated Annual Report, Senior Management, page 62

### DISCLOSURE 205-1 Operations assessed for risks related to corruption

Indicator	LBF status
Total number and percentage of operations assessed for risks related to corruption.	None
Significant risks related to corruption identified through the risk assessment	

### DISCLOSURE 205-2 Communication and training about anti-corruption policies and procedures

- Total number and percentage of governance body members that the organisation's anticorruption policies and procedures have been communicated to, broken down by region.
- Total number and percentage of employees that the organisation's anti-corruption policies and procedures have been communicated to, broken down by employee category and region.
- Total number and percentage of business partners that the organisation's anticorruption policies and procedures have been communicated to, broken down by type of business partner and region. Describe if the organisation's anti-corruption policies and procedures have been communicated to any other persons or organisations.
- Total number and percentage of governance body members that have received training on anti-corruption, broken down by region.
- Total number and percentage of employees that have received training on anticorruption, broken down by employee category and region.

2022/23 Integrated Annual Report, Corporate Governance, page 210

### DISCLOSURE 205-3 Confirmed incidents of corruption and actions taken

Indicator	LBF Context
<ul style="list-style-type: none"> <li>Total number and nature of confirmed incidents of corruption.</li> </ul>	None
<ul style="list-style-type: none"> <li>Total number of confirmed incidents in which employees were dismissed or disciplined for corruption.</li> </ul>	
<ul style="list-style-type: none"> <li>Total number of confirmed incidents when contracts with business partners were terminated or not renewed due to violations related to corruption.</li> </ul>	
<ul style="list-style-type: none"> <li>Public legal cases regarding corruption brought against the organisation or its employees during the reporting period and the outcomes of such cases.</li> </ul>	

### DISCLOSURE 206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices

Indicator	LBF Context
<ul style="list-style-type: none"> <li>Number of legal actions pending or completed during the reporting period regarding anti-competitive behavior and violations of anti-trust and monopoly legislation in which the organization has been identified as a participant.</li> </ul>	None
<ul style="list-style-type: none"> <li>Main outcomes of completed legal actions, including any decisions or judgements.</li> </ul>	

### DISCLOSURE 305-1 Direct (Scope 1) GHG emissions

- Gross direct (Scope 1) GHG emissions in metric tons of CO<sub>2</sub> equivalent.
- Gases included in the calculation; whether CO<sub>2</sub>, CH<sub>4</sub>, N<sub>2</sub>O, HFCs, PFCs, SF<sub>6</sub>, NF<sub>3</sub>, or all.
- Biogenic CO<sub>2</sub> emissions in metric tons of CO<sub>2</sub> equivalent.
- Base year for the calculation, if applicable, including:

- I. the rationale for choosing it;
- II. emissions in the base year;
- III. the context for any significant changes in emissions that triggered recalculations of base year emissions.
- e. Source of the emission factors and the global warming potential (GWP) rates used, or a reference to the GWP source.
- f. Consolidation approach for emissions; whether equity share, financial control, or operational control.
- g. Standards, methodologies, assumptions, and/or calculation tools used.

Carbon footprint calculation page 37, natural capital page 197.

#### **DISCLOSURE 305-2 Energy indirect (Scope 2) GHG emissions**

The reporting organisation shall report the following information:

- a. Gross location-based energy indirect (Scope 2) GHG emissions in metric tons of CO<sub>2</sub> equivalent.
- b. If applicable, gross market-based energy indirect (Scope 2) GHG emissions in metric tons of CO<sub>2</sub> equivalent.
- c. If available, the gases included in the calculation; whether CO<sub>2</sub>, CH<sub>4</sub>, N<sub>2</sub>O, HFCs, PFCs, SF<sub>6</sub>, NF<sub>3</sub>, or all.
- d. Base year for the calculation, if applicable, including:
  - I. The rationale for choosing it;
  - II. Emissions in the base year;
  - III. The context for any significant changes in emissions that triggered recalculations of base year emissions.
- e. Source of the emission factors and the global warming potential (GWP) rates used, or a reference to the GWP source.
- f. Consolidation approach for emissions; whether equity share, financial control, or operational control.
- g. Standards, methodologies, assumptions, and/or calculation tools used.

Carbon footprint calculation page 37, natural capital page 197.

#### **DISCLOSURE 305-3 Other indirect (Scope 3) GHG emissions**

The reporting organization shall report the following information:

- a. Gross other indirect (Scope 3) GHG emissions in metric tons of CO<sub>2</sub> equivalent.
- b. If available, the gases included in the calculation; whether CO<sub>2</sub>, CH<sub>4</sub>, N<sub>2</sub>O, HFCs, PFCs, SF<sub>6</sub>, NF<sub>3</sub>, or all.
- c. Biogenic CO<sub>2</sub> emissions in metric tons of CO<sub>2</sub> equivalent.
- d. Other indirect (Scope 3) GHG emissions categories and activities included in the calculation.
- e. Base year for the calculation, if applicable, including:
  - I. The rationale for choosing it;
  - II. Emissions in the base year;
  - III. The context for any significant changes in emissions that triggered recalculations of base year emissions.
- f. Source of the emission factors and the global warming potential (GWP) rates used, or a reference to the GWP source.
- g. Standards, methodologies, assumptions, and/or calculation tools used.

Carbon footprint calculation page 37, natural capital page 197.

#### **DISCLOSURE 305-4 GHG emissions intensity**

- a. GHG emissions intensity ratio for the organisation.
- b. Organisation-specific metric (the denominator) chosen to calculate the ratio.
- c. Types of GHG emissions included in the intensity ratio; whether direct (Scope 1), energy indirect (Scope 2), and/or other indirect (Scope 3).
- d. Gases included in the calculation; whether CO<sub>2</sub>, CH<sub>4</sub>, N<sub>2</sub>O, HFCs, PFCs, SF<sub>6</sub>, NF<sub>3</sub>, or all.

Carbon footprint calculation page 37, natural capital page 197.

#### **DISCLOSURE 305-5 Reduction of GHG emissions**

The reporting organization shall report the following information:

- a. GHG emissions reduced as a direct result of reduction initiatives, in metric tons of CO<sub>2</sub> equivalent.
- b. Gases included in the calculation; whether CO<sub>2</sub>, CH<sub>4</sub>, N<sub>2</sub>O, HFCs, PFCs, SF<sub>6</sub>, NF<sub>3</sub>, or all.
- c. Base year or baseline, including the rationale for choosing it.
- d. Scopes in which reductions took place; whether direct (Scope 1), energy indirect (Scope 2), and/or other indirect (Scope 3).
- e. Standards, methodologies, assumptions, and/or calculation tools used.

Carbon footprint calculation page 37, natural capital page 197.

#### **DISCLOSURE 305-6 Emissions of ozone-depleting substances (ODS)**

- a. Production, imports, and exports of ODS in metric tons of CFC-11 (trichlorofluoromethane) equivalent.
- b. Substances included in the calculation.
- c. Source of the emission factors used.
- d. Standards, methodologies, assumptions, and/or calculation tools used.

None

#### **DISCLOSURE 305-7 Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions**

- a. Significant air emissions, in kilograms or multiples, for each of the following:
  - I. NO<sub>x</sub>
  - II. SO<sub>x</sub>
  - III. Persistent organic pollutants (POP)
  - IV. Volatile organic compounds (VOC)
  - V. Hazardous air pollutants (HAP)
  - VI. Particulate matter (PM)
  - VII. Other standard categories of air emissions identified in relevant regulations
- b. Source of the emission factors used.
- c. Standards, methodologies, assumptions, and/or calculation tools used.

Not applicable due to the nature of the business

## GRI 3: MATERIAL TOPICS 2022/23

### DISCLOSURE 401-1 New employee hires and employee turnover

The reporting organization shall report the following information:

- a. Total number and rate of new employee hires during the reporting period, by age group, gender and region.

Province	2022/23			2021/22		
	No of employees			No of employees		
	Male	Female	Total	Male	Female	Total
Central	43	24	67	74	25	99
Eastern	63	65	128	92	67	159
Northern	38	42	80	56	49	105
North-central	33	21	54	41	26	67
North-western	35	56	91	72	65	137
Sabaragamuwa	36	33	69	44	28	72
Southern	47	34	81	93	46	139
Uva	13	9	22	31	13	44
Western	294	395	689	423	489	912
<b>Total</b>	<b>602</b>	<b>679</b>	<b>1,281</b>	<b>926</b>	<b>808</b>	<b>1,734</b>

Category	2022/23		2021/22	
	No of employees		No of employees	
	Male	Female	Male	Female
<b>Board of Directors</b>				
Below 30 years			0	0
30-50 years			0	0
Over 50 years			0	0
<b>Senior management</b>				
Below 30 years			0	0
30-50 years	1		2	0
Over 50 years			1	1
<b>Middle Management</b>				
Below 30 years	3	1	6	1
30-50 years	21		35	3
Over 50 years			1	1
<b>Executive</b>				
Below 30 years	88	64	142	43
30-50 years	16	7	50	11
Over 50 years	1		2	0
<b>Clerical</b>				
Below 30 years	461	607	664	746
30-50 years	2		10	2
Over 50 years			0	0
<b>Minor</b>				
Below 30 years	8		10	
30-50 years	1		3	
Over 50 years			-	
<b>16 Total</b>	<b>602</b>	<b>679</b>	<b>926</b>	<b>808</b>

b. Total number and rate of employee turnover during the reporting period, by age group, gender and region.

Province	2022/23			2021/22		
	No of employees			No of employees		
	Male	Female	Total	Male	Female	Total
Central	54	27	81	60	14	74
Eastern	79	47	126	57	20	77
Northern	29	26	55	41	19	60
North-central	28	20	48	32	14	46
North-western	56	39	95	47	35	82
Sabaragamuwa	42	24	66	43	12	55
Southern	63	13	76	68	18	86
Uva	20	6	26	18	8	26
Western	484	484	968	512	437	949
<b>Total</b>	<b>855</b>	<b>686</b>	<b>1,541</b>	<b>878</b>	<b>577</b>	<b>1,455</b>

Category	2022/23		2021/22	
	No of employees		No of employees	
	Male	Female	Male	Female
<b>Senior management</b>				
Below 30 years	-	-	-	-
30-50 years	-	-	1	-
Over 50 years	1	1	2	1
<b>Middle Management</b>				
Below 30 years	4	-	4	2
30-50 years	74	5	45	5
Over 50 years	2	-	5	3
<b>Executive</b>				
Below 30 years	135	110	169	155
30-50 years	110	76	102	85
Over 50 years	1	-	2	1
<b>Clerical</b>				
Below 30 years	505	491	508	321
30-50 years	17	3	16	4
Over 50 years	-	-	1	-
<b>Minor</b>				
Below 30 years	3	-	13	-
30-50 years	1	-	9	-
Over 50 years	2	-	1	-
<b>Total</b>	<b>855</b>	<b>686</b>	<b>878</b>	<b>-</b>

## GRI 3: MATERIAL TOPICS 2022/23

### DISCLOSURE 401-2 Benefits provided to full-time employees that are not provided to temporary or parttime employees.

- a. Benefits which are standard for full-time employees of the organisation but are not provided to temporary or part-time employees, by significant locations of operation. These include, as a minimum:

	Full-time employees	Temporary or part-time employees
life insurance health care	LBF having a company own medical scheme	X
Disability and invalidity coverage	Covered critical illness	X
Parental leave	Based on the situation	X
Retirement provision	X	X
Stock ownership	X	X

2022/23 Integrated Annual Report, Company Benefit Structure, page 150.

### DISCLOSURE 401-3 Parental leave

The reporting organisation shall report the following information:

- Total number of employees that were entitled to parental leave, by gender.
- Total number of employees that took parental leave, by gender.
- Total number of employees that returned to work in the reporting period after parental leave ended, by gender.
- Total number of employees that returned to work after parental leave ended that were still employed 12 months after their return to work, by gender.
- Return to work and retention rates of employees that took parental leave, by gender.

Description	2022/23	2021/22
Total Number of Female Employees	1652	1635
Total number of employees that were entitled to parental leave, by gender	304	395
Total number of employees that took maternity leave	70	46
Number of employees who returned to work after maternity leave ended	61	38
Number of employees who returned to work after maternity leave ended and still employed twelve months after their return to work	48	38
Return to work rate	87%	82.6
Retention rate	69%	82.6

### DISCLOSURE 404-1 Average hours of training per year per employee

The reporting organisation shall report the following information:

- Average hours of training that the organisation's employees have undertaken during the reporting period, by:
  - gender;
  - employee category.

Average hours of training per year per employee

Average training hours per employee	6.50
Average training hours per female	11.21
Average training hours per male	9.34
Average training hours per Senior Management	3.89
Average training hours per Middle Management	4.39
Average training hours per Executives	4.74
Average training hours per Clerical	5.33

**DISCLOSURE 404-2 Programs for upgrading employee skills and transition assistance programs**

The reporting organisation shall report the following information:

- a. Type and scope of programs implemented and assistance provided to upgrade employee skills.
- b. Transition assistance programs provided to facilitate continued employability and the management of career endings resulting from retirement or termination of employment.

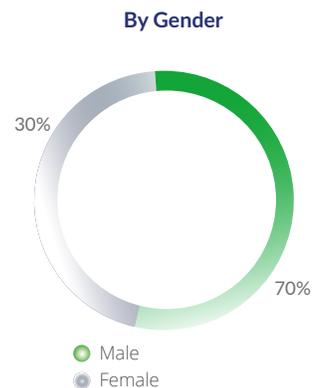
**Training types and Scopes**

- AML/CFT Compliance for Financial Institutions
- Compliance for Non Bank Financial Institutions
- Valuation training
- Performanced based training
- Promotion Ceremony “Motivational Session”
- Customer services
- Be an Effective Leader
- Better You - Motivational Session
- Delighting Your Customers
- Delighting Your Customers / Telephone Skills
- Find the Greatness Inside You
- New Beginning
- Perform Beyond Crisis
- Sell With Billionaire Mind set
- Setting Goals for Work & Life Enhancements
- Seven Magic Habits To Be A Genius
- Technical Training For Newly Joined Marketing Officers
- Technical Skills

**DISCLOSURE 404-3 Percentage of employees receiving regular performance and career development reviews**

The reporting organisation shall report the following information:

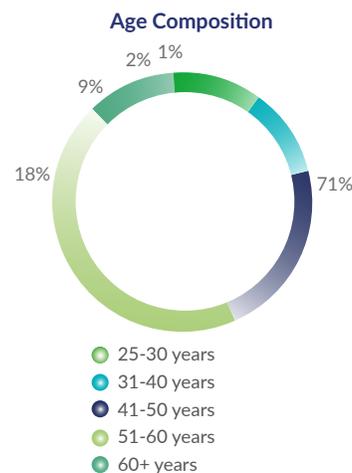
- a. Percentage of total employees by gender and by employee category who received a regular performance and career development review during the reporting period. 100% of male and females received the internal, external or on job training during the year



**DISCLOSURE 405-1 Diversity of governance bodies and employees**

The reporting organisation shall report the following information:

- a. Percentage of individuals within the organisation's governance bodies in each of the following diversity categories:
  - I. Gender;
  - II. Age group: under 30 years old, 30-50 years old, over 50 years old;
  - III. Other indicators of diversity where relevant (such as minority or vulnerable groups).
- b. Percentage of employees per employee category in each of the following diversity categories:
  - I. Gender;
  - II. Age group: under 30 years old, 30-50 years old, over 50 years old;
  - III. Other indicators of diversity where relevant (such as minority or vulnerable groups).



## GRI 3: MATERIAL TOPICS 2022/23

### DISCLOSURE 405-2 Ratio of basic salary and remuneration of women to men

The reporting organisation shall report the following information:

- Ratio of the basic salary and remuneration of women to men for each employee category, by significant locations of operation.
- The definition used for 'significant locations of operation'.

	Female	Male	Significant Location
Senior Management	0.30	1	Within the Sri Lanka
Middle Management	0.96	1	
Executive	0.88	1	
Clerical	0.94	1	

### DISCLOSURE 413-1 Operations with local community engagement, impact assessments, and development programs

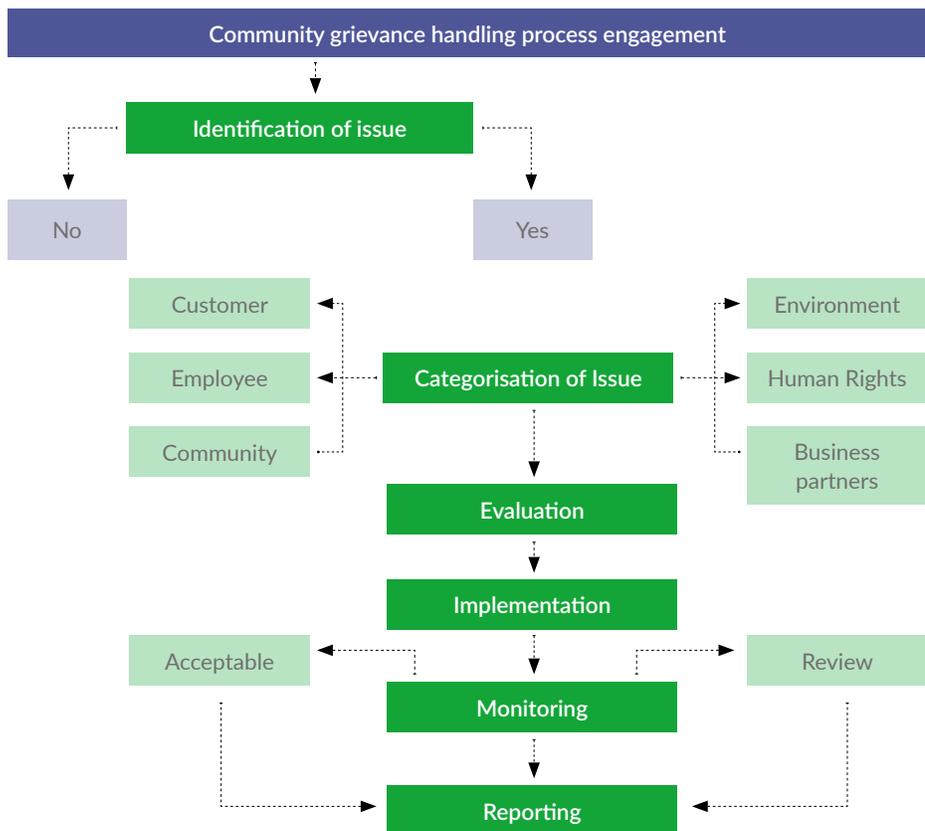
The reporting organisation shall report the following information:

- Percentage of operations with implemented local community engagement, impact assessments, and/or development programs, including the use of:
  - social impact assessments, including gender impact assessments, based on participatory processes;
  - environmental impact assessments and ongoing monitoring;
  - public disclosure of results of environmental and social impact assessments;
  - local community development programs based on local communities' needs;
  - stakeholder engagement plans based on stakeholder mapping;
  - broad-based on local community consultation committees and processes that include vulnerable groups;
  - Works councils, occupational health and safety committees and other worker representation bodies to deal with impacts;
  - formal local community grievance processes

Identified national issues	No. of issues identified	No. of issues addressed	Impact
Social	Refer page 185		
Environment	Refer page 196		

Environmental impact assessments and ongoing monitoring	2022/23 Integrated Annual Report, natural capital, page 192
Public disclosure of results of environmental and social impact assessments	2022/23 Integrated Annual Report, social capital, page 170 and natural capital, page 192
Local community development programs based on local communities' needs	2022/23 Integrated Annual Report, social and relationship capital, page 170 and sustainable approach, page 204
Stakeholder engagement plans based on stakeholder mapping	2022/23 Integrated Annual Report, stakeholder engagement, page 40

Local community grievance processes



**DISCLOSURE 413-2**  
**Operations with significant actual and potential negative impacts on local communities**

The reporting organisation shall report the following information:

- a. Operations with significant actual and potential negative impacts on local communities, including:
  - I. the location of the operations;
  - II. the significant actual and potential negative impacts of operations.

As a financial services provider, there is no significant actual and potential negative impacts on local communities from the business operations.

**DISCLOSURE 418-1**  
**Substantiated complaints concerning breaches of customer privacy and losses of customer data**

The reporting organisation shall report the following information:

- a. Total number of substantiated complaints received concerning breaches of customer privacy, categorised by:
  - I. complaints received from outside parties and substantiated by the organization;
  - II. complaints from regulatory bodies.
- b. Total number of identified leaks, thefts, or losses of customer data.

c. If the organisation has not identified any substantiated complaints, a brief statement of this fact is sufficient.

Indicator	LBF status
Total number of substantiated complaints received concerning breaches of customer privacy, categorized	Nil
Complaints received from outside parties and substantiated by the organization	None
Complaints from regulatory bodies	None
Total number of identified leaks, thefts, or losses of customer data	None

# GRI CONTENT INDEX

Gri Standard/Other Source	Disclosure	Location (Page)	Explanation
<b>GENERAL DISCLOSURES</b>			
GRI 2: General Disclosures 2021	2-1	Organizational details	1 x
	2-2	Entities included in the organization's sustainability reporting	1
	2-3	Reporting period, frequency and contact point	1
	2-4	Restatements of information	1
	2-5	External assurance	1
	2-6	Activities, value chain and other business relationships	2
	2-7	Employees	2 to 4
	2-8	Workers who are not employees	4
	2-9	Governance structure and composition	4 to 5
	2-10	Nomination and selection of the highest governance body	5
	2-11	Chair of the highest governance body	5
	2-12	Role of the highest governance body in overseeing the management of impacts	5
	2-13	Delegation of responsibility for managing impacts	6
	2-14	Role of the highest governance body in sustainability reporting	6
	2-15	Conflicts of interest	6
	2-16	Communication of critical concerns	6
	2-17	Collective knowledge of the highest governance body	6
	2-18	Evaluation of the performance of the highest governance body	6 to 7
	2-19	Remuneration policies	7
	2-20	Process to determine remuneration	7
	2-21	Annual total compensation ratio	7
	2-22	Statement on sustainable development strategy	7 to 8
	2-23	Policy commitments	8
	2-24	Embedding policy commitments	8
	2-25	Processes to remediate negative impacts	8 to 9
	2-26	Mechanisms for seeking advice and raising concerns	9
	2-27	Compliance with laws and regulations	9
	2-28	Membership associations	9
	2-29	Approach to stakeholder engagement	9 to 10
	2-30	Collective bargaining agreements	10

Gri Standard/Other Source	Disclosure	Location (Page)	Explanation
<b>MATERIAL TOPICS</b>			
GRI 3: Material Topics 2021	3-1	Process to determine material topics	11
	3-2	List of material topics	11 to 12
<b>Economic performance</b>			
GRI 3: Material Topics 2021	3-3	Management of material topics	11
GRI 201: Economic Performance 2016	201-1	Direct economic value generated and distributed	13
	201-2	Financial implications and other risks and opportunities due to climate change	13
	201-3	Defined benefit plan obligations and other retirement plans	13
	201-4	Financial assistance received from government	13
<b>Market presence</b>			
GRI 3: Material Topics 2021	3-3	Management of material topics	11
GRI 202: Market Presence 2016	202-1	Ratios of standard entry level wage by gender compared to local minimum wage	13 to 14
	202-2	Proportion of senior management hired from the local community	14
<b>Indirect economic impacts</b>			
GRI 3: Material Topics 2021	3-3	Management of material topics	11
<b>Anti-corruption</b>			
GRI 3: Material Topics 2021	3-3	Management of material topics	11
GRI 205: Anti-corruption 2016	205-1	Operations assessed for risks related to corruption	14
	205-2	Communication and training about anti-corruption policies and procedures	14
	205-3	Confirmed incidents of corruption and actions taken	14
<b>Anti-competitive behavior</b>			
GRI 3: Material Topics 2021	3-3	Management of material topics	11
GRI 206: Anti-competitive Behavior 2016	206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	14
<b>Emissions</b>			
GRI 3: Material Topics 2021	3-3	Management of material topics	11
GRI 305: Emissions 2016	305-1	Direct (Scope 1) GHG emissions	14 to 15
	305-2	Energy indirect (Scope 2) GHG emissions	15
	305-3	Other indirect (Scope 3) GHG emissions	15
	305-4	GHG emissions intensity	15
	305-5	Reduction of GHG emissions	15
	305-6	Emissions of ozone-depleting substances (ODS)	15
	305-7	Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	15

## GRI CONTENT INDEX

Gri Standard/Other Source	Disclosure	Location (Page )	Explanation
<b>Employment</b>			
GRI 3: Material Topics 2021	3-3 Management of material topics	11	
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	16 to 17	
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	18	
	401-3 Parental leave	18	
GRI 3: Material Topics 2021	3-3 Management of material topics		
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	18	
	404-2 Programs for upgrading employee skills and transition assistance programs	19	
	404-3 Percentage of employees receiving regular performance and career development reviews	19	
<b>Diversity and equal opportunity</b>			
GRI 3: Material Topics 2021	3-3 Management of material topics	11	
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	19	
	405-2 Ratio of basic salary and remuneration of women to men	20	
<b>Local communities</b>			
GRI 3: Material Topics 2021	3-3 Management of material topics	11	
GRI 413: Local Communities 2016	413-1 Operations with local community engagement, impact assessments, and development programs	20 to 21	
	413-2 Operations with significant actual and potential negative impacts on local communities	21	
<b>Customer privacy</b>			
GRI 3: Material Topics 2021	3-3 Management of material topics	11	
GRI 418: Customer Privacy 2016	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	21	

# INDEPENDENT ASSURANCE REPORT



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## INDEPENDENT ASSURANCE REPORT TO THE BOARD OF DIRECTORS OF LB FINANCE PLC

### Scope

We have been engaged by LB Finance PLC ("the Entity") to perform a 'limited assurance engagement,' as defined by Sri Lanka Standard on Assurance Engagements, here after referred to as the engagement, to report on the Economic, Environment, Social and Governance (EESG) indicators of the Entity's Integrated Annual Report (the "Subject Matter") as of 31st March 2023.

### Criteria applied by LB Finance PLC

In preparing the Subject Matter, LB Finance PLC applied the following criteria ("Criteria"):

- The Global Reporting Initiative's (GRI) Sustainability Reporting Guidelines, publicly available at GRI's global website [www.globalreporting.org](http://www.globalreporting.org).

Such Criteria were specifically designed for purpose of assisting you in determining whether Entity's Economic, Environment, Social and Governance (EESG) indicators of the Entity's Integrated Annual Report FY 2022/23 is in accordance with the relevant criteria; As a result, the subject matter information may not be suitable for another purpose.

### LB Finance PLC's responsibilities

LB Finance PLC's management is responsible for selecting the Criteria, and for presenting the EESG indicators contained in the Integrated Annual Report in accordance with that Criteria, in all material respects. This responsibility includes establishing and maintaining internal controls, maintaining

adequate records and making estimates that are relevant to the preparation of the subject matter, such that it is free from material misstatement, whether due to fraud or error.

### Ernst & Young's responsibilities

Our responsibility is to express a conclusion on the presentation of the Subject Matter based on the evidence we have obtained.

We conducted our engagement in accordance with the Sri Lanka Standard for Assurance Engagements Other Than Audits or Reviews of Historical Financial Information (SLSAE 3000 (Revised), and the terms of reference for this engagement as agreed with the LB Finance PLC on 02 May 2023. Those standards require that we plan and perform our engagement to obtain limited assurance about whether, in all material respects, the Subject Matter is presented in accordance with the Criteria, and to issue a report. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risk of material misstatement, whether due to fraud or error.

We believe that the evidence obtained is sufficient and appropriate to provide a basis for our limited assurance conclusions.

### Our Independence and Quality Control

We have maintained our independence and confirm that we have met the requirements of the Code of Ethics for Professional Accountants issued by CA Sri Lanka and have the required competencies and experience to conduct this assurance engagement.

EY also applies International Standard on Quality Control 1, Quality Control for

Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

### Description of procedures performed

Procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for a reasonable assurance engagement. Consequently the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Our procedures were designed to obtain a limited level of assurance on which to base our conclusion and do not provide all the evidence that would be required to provide a reasonable level of assurance.

Although we considered the effectiveness of management's internal controls when determining the nature and extent of our procedures, our assurance engagement was not designed to provide assurance on internal controls. Our procedures did not include testing controls or performing procedures relating to checking aggregation or calculation of data within IT systems.

A limited assurance engagement consists of making enquiries, primarily of persons responsible for preparing the subject matter and related information and applying analytical and other appropriate procedures.

Partners: H M A Jayasinghe FCA FCMA, R N de Saram ACA FCMA, Ms N A De Silva FCA, W R H De Silva FCA ACMA, Ms. Y A De Silva FCA, Ms. K R M Fernando FCA ACMA, N Y R L Fernando ACA, W K B S P Fernando FCA FCMA, Ms. L K H L Fonseka FCA, D N Gamage ACA ACMA, A P A Gunasekera FCA FCMA, A Herath FCA FCMA, D K Hulangamuwa FCA FCMA LLB (London), Ms. G G S Manatunga FCA, A A J R Perera ACA ACMA, Ms. P V K N Sajeevani FCA, N M Sulaiman ACA ACMA, B E Wijesuriya FCA FCMA, C A Yalagala ACA ACMA

Principals: W S J De Silva BSc (Hons)-MIS MSc-IT, G B Goudian ACMA, D L B Karunathilaka ACMA, Ms. P S Paranavitane ACA ACMA LLB (Colombo), T P M Ruberu FCMA FCCA

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## INDEPENDENT ASSURANCE REPORT

Our procedures included:

- Validated the information presented and checked the calculations performed by the organization through recalculation
- Performed a comparison of the content given in the Report against the criteria given in the selected sustainability standards/frameworks.
- Conducted interviews with relevant organization's personnel to understand the process for collection, analysis, aggregation and presentation of data. Interviews included selected key management personnel and relevant staff
- Read the content presented in the Report for consistency with our overall knowledge obtained during the course of our assurance engagement and requested changes wherever required.
- Provided guidance, recommendations and feedback on the improvement of the sustainability reporting indicators to improve the presentation standard.

We also performed such other procedures as we considered necessary in the circumstances.

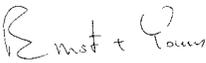
### Emphasis of matter

Economic, Environment, Social management data/information are subject to inherent limitations given their nature and the methods used for determining, calculating and estimating such data.

We also do not provide any assurance on the assumptions and achievability of prospective information presented in the Integrated Annual Report.

### Conclusion

Based on our procedures and the evidence obtained, we are not aware of any material modifications that should be made to the Economic, Environment, Social and Governance (EESG) indicators of the Entity's Integrated Annual Report as of 31st March 2023 in order for it to be in accordance with the Criteria.



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31 May 2023  
Colombo

