

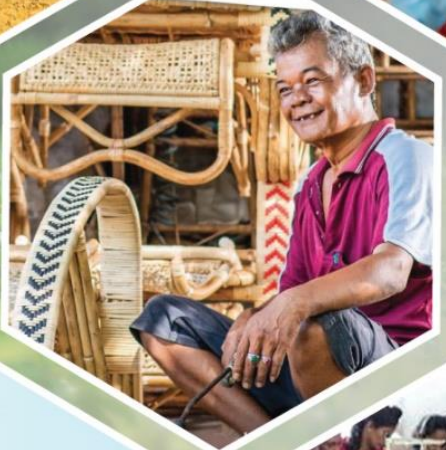


PROMOTING SUSTAINABILITY TOGETHER

**UNITED NATIONS GLOBAL COMPACT COMMUNICATION ON
PROGRESS REPORT FOR 2020/2021**

Embracing people and planet

(Original images from the LOLC sustainable initiatives)



More than
70%
of the total energy requirement
of the LOLC Group is powered by
Solar Energy



CONTENTS

Foreword	Page 3
Principals of the UN Global Compact	Page 7
Implementing the UNGC Principals	Page 8

FOREWORD

Admired as one of the most strategically diversified conglomerates in Sri Lanka, LOLC Group is also the largest multi-currency and multi-geographic microfinance platform in the world. LOLC Group has been a key catalyst in facilitating financial inclusion worldwide, whilst striving to maximise environmental, social benefits through green operations and processes in line with its triple bottom line focus.

At LOLC Holdings we believe that sustainable practices have truly transformed our products, services, and businesses. Hence, we are concerned and conscious of caring for our living environment. All processes, strategies and decisions are aligned to protect our people and planet. Our work culture is linked and well in line with the LOLC Group policy on environmental responsibility. In order to protect the environment for future generations, we trust that we need to make the right choices now. We are always looking for new ways to reduce the environmental impact on our business and thereby to minimise our environmental footprint. In enhancing the values, the group has embarked on several key sustainability initiatives;

NATURAL CAPITAL

LOLC Green - Tree Planting

Engaging the school students island wide, a tree planting project 'Engaging Young Minds in Nature for Future Sustainability', was established raising awareness on the need for greening and its benefit to the environment and climate change. By 31st March 2020, fruit bearing trees were planted across 300 schools island wide. Each branch office and its staff members were entrusted to work closely with the administrators and the students of the selected schools to monitor and record the growth of the plants. Certificates and rewards were given during the 2020/21 financial year in recognition for the students who demonstrated exceptional engagement in the project and who have contributed immensely for future sustainability. Rewards were given only after a 6-month evaluation period. A total of 3,143 trees have been planted as at year-end 31st March 2021.

Renewable Energy

Under this project, the group made significant progress by completing three of its main solar panel installation projects at the LOLC head office premises in Rajagiriya, LOLC Motors workshop at Kolonnawa as well as the Office located at Shady Grove Avenue. With these three projects plus Gal Oya and Saga Solar, all together, footprint of its installations now span to ten. Today LOLC is able to produce 77% of its total annual energy requirement to the national grid. All these projects generate 1.5 million units per month.

The Saga Solar project, the first of its kind by the Private sector, is over seven times the size of the largest Solar project in Sri Lanka. Sustainability at LOLC Hambantota is known to have one of the highest levels of Annual Global Horizontal Irradiation (GHI) in Sri Lanka. The project reduces the nation's carbon dioxide emission by 11,000 tons.

Other Conservation Initiatives

- LOLC Group's latest initiative towards a greener planet is the launch of an e-learning platform. This offers the greatest benefits for outstation branches as travelling and accommodation costs (and the resulting carbon footprint) have been greatly reduced.
- A group plantation company generates 20% of its energy requirement within the factory through the use of steam-fired boilers, which are powered by Bagasse.
- A paperless project was introduced to improve the operational efficiencies within the organisation. This project will pave the road to many digital initiatives that are being implemented. As a result of this proposal, 80% of operation related documents will be minimised.
- Energy saving LED light systems are now in place at all Group locations and air conditioners maintained at low temperatures on leisure properties, bringing savings on the energy bill.
- Replacement of company fleet with electric and eco-friendly vehicle project was executed in order to reduce the organisational carbon footprint.

LOLC HUMAN CAPITAL

LOLC has a unique centralised Human Resource (HR) management framework enabled to effectively manage the extensive and diversified group of employees in both its domestic and overseas operations. Employees at LOLC are recognised and rewarded in a fair and just manner, while the underperformers endure rigorous training and development. Company conducts a full calendar of virtual training activities for employees across all cadre.

LOLC values the diversity of its extensive staff cadre which reflects the diverse ethnic and socio-economic backgrounds and has ensured the welfare of these diverse groups within the organisation by maintaining policies and procedures regarding the same. Gender equality and zero tolerance policies on sexual harassment guarantee that female employees across the group feel secure and respected.

Employee well-being and safety is an ongoing priority for the group. During the recent pandemic LOLC had contingency plans in place. Funding was provided to support COVID-19 affected families, leave was granted for employees to undergo quarantine, and salaries and benefits were maintained as before, without any reductions, which gave employees the assurance and peace of mind they needed amidst this stressful period. Further, transportation was provided to employees who had to report to work to help them avoid public transportation. Tests were also conducted amongst staff and protective gear provided as needed, while the premises were kept clean and sanitized in compliance with guidelines established by the health authorities.

The LOLC Group is one of the very few corporates offering unlimited OPD facilities for staff members and a wide array of other related benefits such as critical illness covers and paid leave for special ailments.

The Group's central HR function is tasked with establishing, administering and effectively communicating corporate values, policies and practices that treat employees with dignity and equality, in compliance with employment and labour laws, corporate directives and labour agreements.

LOLC CORPORATE SOCIAL RESPONSIBILITIES (CSR)

Financial inclusion, women's empowerment, economic contributions are some of the undeniably powerful sustainable social impacts courageously spearheaded by LOLC.

During the past year amidst the pandemic, the CSR arm of the Browns, 'Browns Shakthi' aided deprived groups across the island with the community development initiatives and contributed to uplift the socioeconomic values through school renovations, equipment donations, library and playground installations. Furthermore, empowering the female entrepreneurship, CLC Diwibala, a series of "Technical Assistance programmes" providing the required technical knowledge/ skills the female clientele was successfully conducted covering 31 locations island wide.

In the agricultural sector, LOLC provided training to customers on greenhouse, compost, drip irrigation and training programmes on green and organic cultivation and how to compost for a circular economy. LOLC has also provided community-based training to teach vocations such as mushroom and Aloe Vera cultivations. The organization has also funded vast spectrum of industries like brass, pottery, choir, handloom and had dispersed technical knowledge and support as required.

LOLC Care, channelled towards the welfare of children also provides shelter to orphans and this establishment is continuously well sustained by the organization. LOLC has also partnered with Sumithrayo and ADIC to address social issues on addictions. LOLC also works with the Child Protection Authority and experts to raise awareness on drugs and child abuse.

Relief Efforts During Covid-19 Outbreak

LOLC also partnered with two of Sri Lanka's premier broadcasting stations, Hiru Sahana Yaatra & Manusath Derana to drive its humanitarian efforts to facilitate the sub-urban and rural areas of the country. LOLC stepped forward to extend their assistance to religious places, elders, children's homes as well as hospitals who were severely impacted by the pandemic.

The relief efforts involve providing the most needed safety equipment and supplies to government hospitals including the IDH Hospital, Homagama Base Hospital, Maharagama Apeksha Hospital, Colombo, Kandy, Karapitiya, Anuradhapura, Negombo, Jaffna and Kurunegala National Hospitals, Iranawila Air Force Hospital, the Ministry of Defence, Ministry of Sports as well as a few quarantine centres.

The safety equipment and supplies include protective kits, surgical masks, hand sanitizers, mattresses and pillows, protective helmets, footbath units and washing powder. Essential dry ration packs were distributed to temples, churches and other religious places as well as elders and children's homes. These distribution efforts are accompanied by LOLC staff and vehicles in a safe manner.

LOLC also donated dry ration packs to over 100 vulnerable families residing in the neighbourhood of the LOLC Head Office premises in Rajagiriya. These families were those affected by the pandemic as well as the floods.

LOLC Finance, rescheduled a substantial amount of loans during the COVID and post COVID period, offering relief to a large number of entrepreneurs and individuals. A majority of those loans were of Small & Medium (SME) scale businesses. These loans were mainly rescheduled as a result of significant income and cash flow reduction.

In addition, moratoriums were offered to customers in order to overcome financial challenges during the COVID-19 Pandemic. These moratoriums were issued time to time on 6 occasions. Moreover, the iPay Digital Platform of LOLC Finance was expanded aggressively throughout the region since it is a convenient, easy-to-use and well sophisticated digital payment platform.

Despite the lockdowns and curfews, LOLC Finance was able to support its customers with new loan disbursements especially to SME and Micro businesses. MSME and Micro clients with granular credit requirements were fulfilled with tailor-made plastic credit amidst the challenge of prolonged lockdowns.

Several tailored solutions were introduced to the customers, offering unmatched relief and flexibility in repayments. Despite the curfew and lockdowns, the company continued to support the requirements of the customers through its staff working from home. Furthermore, LOLC Finance continued to stay connected with its customers through webinars, post-COVID workshops and offering advice.

PRINCIPALS OF THE UN GLOBAL COMPACT

LOLC Group is a signatory to the United Nations' Global Compact (UNGC) strategic policy initiative and its established code of principles that promotes sustainable and responsible business practices among corporate and non-corporates alike around the world. Some of the ways in which we practice these principles are communicated in this Sustainability.

Review as well as elsewhere in this Annual Report such as the Governance Report.

THE TEN PRINCIPLES OF UNGC:

Human Rights

- Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and
- Principle 2: make sure that they are not complicit in human rights abuses.

Labour

- Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
- Principle 4: the elimination of all forms of forced and compulsory labour;
- Principle 5: the effective abolition of child labour; and
- Principle 6: the elimination of discrimination in respect of employment and occupation.

Environment

- Principle 7: Businesses should support a precautionary approach to environmental Challenges;
- Principle 8: undertake initiatives to promote greater environmental responsibility; and
- Principle 9: encourage the development and diffusion of environmentally friendly technologies.

Anti-Corruption

- Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.

IMPLEMENTING THE UNGC PRINCIPLES

LOLC's commitment to the established 10 principles of the UNGC initiative can be found rooted into the functions of all its business operations which are demonstrated in their Annual Reports, Press Releases and Websites.

Our commitment to Sustainability is outlined in the LOLC Annual Report for the financial year 2020/21 which is submitted together with this review.

- Statement of continued support: Group Managing Director/ CEO - Page 21-24
- Sustainability Report - Pages 81-94
- Enterprise Risk Management Report – Page 112-114

All above mentioned material can be accessed via www.lolc.com