



# **Environmental, Social and Governance Sustainability Policy**

**Marketing Department**

**SOFTLOGIC FINANCE PLC**

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Version 1

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## 1. Introduction

The purpose of this Environmental, Social, and Governance (ESG) policy is to articulate **SOFTLOGIC FINANCE PLC**'s commitment to sustainable and ethical practices across all facets of our operations. By integrating ESG principles into our strategy and daily activities, we aim to enhance our environmental stewardship, foster a positive social impact, and uphold the highest standards of governance. This policy underscores our dedication to creating long-term value for our stakeholders while contributing to a sustainable future.

ESG has gained significant importance as investors and stakeholders increasingly consider non-financial factors when making investment decisions. ESG factors help assess the overall sustainability and ethical performance of companies, which can have implications for their long-term success and reputation. ESG programs help businesses attract investors, build customer loyalty, improve financial performance, make operations sustainable, and gain a competitive edge.

### 1.1 Scope

This ESG policy applies to all aspects of **SOFTLOGIC FINANCE PLC** operations, including but not limited to our business activities, supply chain management, corporate governance, and community engagement. It encompasses our global operations and applies to all employees, management, and board members, as well as our partners, suppliers, and other key stakeholders. The policy is designed to guide decision-making and actions across the organization, ensuring that we operate in a manner that aligns with our ESG values and objectives.

The finance sector is one of the cornerstone industries in the economy and plays a pivotal role in the sustainability of the planet. The role of finance companies in contributing toward sustainable development is potentially enormous because of their intermediary role in an economy.

We have ensured that the Finance Company's ESG policy has been aligned to the United Nations' Sustainable Development Goals (SDGs) with the vision of "sustainable development through social, environmental, and social bottom lines." The Finance Company issues a report on sustainability on an annual basis covering finance's contribution towards the enhancement of the economic, environmental, and social bottom lines. In reporting, we have incorporated internationally accepted GRI standards to ensure the transparency and accountability of reporting.

## 1.2 Overview

In an era of increasing awareness about environmental and social challenges, **SOFTLOGIC FINANCE PLC** recognizes the importance of aligning our business practices with sustainable development goals and ethical standards. This policy outlines our strategic approach to managing ESG issues, including our commitment to reducing our environmental footprint, promoting social responsibility, and maintaining robust governance practices. We believe that addressing these areas proactively not only mitigates risks but also creates opportunities for innovation and growth.

## 2. Corporate Social Responsibility Policy

We are committed to engaging with our stakeholders transparently and constructively. This policy reflects our dedication to open dialogue and collaboration with employees, customers, investors, suppliers, and the communities in which we operate. By fostering strong relationships and actively seeking feedback, we aim to continually improve our ESG performance and ensure that our practices align with stakeholder expectations and societal needs.

### **Purpose:**

The purpose of this corporate social responsibility policy is to ensure Softlogic Finance PLC consistently operates in a manner that minimizes detrimental impacts to society and on the environment.

### **Commitment:**

#### **We are committed to:**

- Continuous improvement in our Corporate and Social Responsibility (CSR) strategy,
- Encouraging our business partners to strive for matching performance,
- Acting in a socially responsible way
- Continually improving our performance and meeting all relevant legislation,
- Encouraging our staff to be mindful of the effect of their actions on any natural resource.

### **Aims:**

The aim of the policy is to make clear to all stakeholders what we mean by CSR and how we propose to work towards achieving it. The CSR policy applies throughout all of the service and governs our approach to all our activities.

### **In implementing this policy, we aim to:**

- Be responsible.
- Be an exemplar of good practice.

**Standards of business conduct:**

- We recognize that good CSR embraces all aspects of sustainable development and the way we affect people through our business operations.
- We will assess which social issues are of most relevance to the contract and decide at what stage in the procurement lifecycle, this social policy could most effectively and legally be included.
- We shall operate in a way that safeguards against unfair business practices.
- We believe that a responsible approach to developing relationships between companies and the communities they serve, global or local, is a vital part of delivering business success.
  - When carrying out our business, in consultation with our customers, we will determine the environmental, social, economic issues.
- Our contracts will clearly set out the agreed terms, conditions and the basis for our relationship.
- We will continually review our policies and business practices to encourage engagement with small and medium enterprises and to promote the development of the supply chain.

**Environment:**

- Our objective is to endeavour to reduce our impact on the environment through a commitment to continual improvement.
- We will continue to work with our vendors to reduce their impact on the environment.
- We will assess production, use, and disposal associated with the main goods we use.
- Our customers will be informed of the key issues involved in procurement so they can make informed purchases to reduce their impact on the environment.

**Equality and Diversity:**

- We aim to eliminate discrimination on any grounds and promote equality of opportunity in the organization.
  - We will ensure that our customers and vendors are able to work together in confidence and be treated with respect by each party.
- Our range of contracts will take account of the needs of a diverse customer base.

**Impact on Society:**

- We will take steps to understand how we can most effectively support the needs of the local community and implement initiatives accordingly through our branch network.
- Our impact on the local and wider community will be understood and nurtured.
- Dialogue with local communities shall be encouraged for mutual benefit.

**Ethics and Ethical Practice:**

- Training will be provided to relevant people on environmental and social issues affecting our business.
- We will ensure that vendors uphold the workplace standards and behaviours consistent with the company requirements.

**Vendors (Suppliers):**

- Vendors will be worked with to help us achieve our policy aspirations in the delivery of our products and services.
- We shall encourage vendors to adopt responsible business policies and practices for mutual benefit.
- Vendors are regarded as partners, and we will work with them to help us achieve our policy aspirations in the delivery of our products and services.
  - We are committed to ensuring that the welfare of workers and labour conditions within our supply chain meet or exceed recognized standards.
  - Where necessary, we will exert procurement pressure to ensure that all of our vendors behave in a socially responsible way. This includes environmentally friendly products and making sure that workers are treated properly.
  - Where appropriate, our tender specifications include questions to reflect our desire for sustainable procurement.
  - We hold regular meetings with vendors to support these ideas.
  - We will continue to work with vendors to:
    - ♣ Promote more environmentally friendly products and promote these to our customers.
    - ♣ Reduce the amount of packaging and transit where possible.

♣ Implement schemes to take back, recover, re-use and recycle products at the end of their use or life.

### 3. Corporate Governance

Oversight of this ESG policy is the responsibility of the [relevant committee/board/department], which will ensure that our ESG initiatives are effectively implemented, monitored, and reported. Regular reviews and updates of the policy will be conducted to adapt to evolving standards and best practices, ensuring that our approach remains relevant and effective.

By adhering to this ESG policy, **SOFTLOGIC FINANCE PLC** commits to making a positive impact on the environment, society, and governance, thereby contributing to sustainable development and long-term success.

**SOFTLOGIC FINANCE PLC** understands that a focus on governance can underpin the success of the broader ESG strategy by ensuring that both the people and policies are fit for purpose. offer a suite of services designed to review your governance structures so that they are effective and efficient to remove inadequacies, and ensure your board and leadership have the required expertise.

#### **Corporate Governance:**

- We will share and declare information on personal and corporate conflicts of interest and seek guidance from higher authority before acting.
- We are committed to ensuring that our business is conducted in all respects according to rigorous ethical, professional, legal standards.
- All the laws that regulate and apply will be complied with.
- We endeavour to ensure that stakeholders have confidence in the decision-making and management processes of the procurement service, through the conduct and professionalism of all staff. We do this by continually training and developing our staff.
- All groups and individuals with whom we have a business relationship will be treated in a fair, open, and respectful manner.
- Competition will be reasonable and based upon the quality, value, and integrity of the products and services being supplied.
- Feedback on performance will be actively sought, and we will continually review all activities to ensure best practice is observed at all times.
- We will allow our customers and vendors to give feedback on our performance and ensure that all customer comments are analysed, responded to, and, where appropriate, acted upon;
- An action plan will be developed to ensure continuous improvement is achieved.

## **4. Environmental and Social Responsibility Policy**

This Environmental and Social Responsibility Policy of Softlogic Finance PLC reflects the company's recognition that there can be a strong, positive correlation between financial performance and corporate, social, environmental responsibility. The company believes that the observance of sound environmental and social strategies is essential for building strong brands and safeguarding reputation, which in turn is vital for long-term success.

Softlogic Finance PLC aims to encourage its employees to take responsibility for the environmental and social impact of their business operations.

- 1.** Consider social, ethical, environmental issues affecting the company both (a) during the due diligence stage of customers and (b) as part of our ongoing collaboration with existing customers.
- 2.** Seek to engage with, a range of stakeholders on key issues and challenges relating to the social, environmental; ethical issues addressed by this Policy.
- 3.** Work with customers to address environmental, public health, safety, and social issues, with the goal of improving long-term sustainability and performance and minimizing adverse impacts arising from these areas.
- 4.** Provide timely information to stakeholders regarding the actions taken to address the environmental, social and ethical issues outlined in this policy.
- 5.** Encourage customers to practice the principles outlined in this policy in a manner consistent with their duties to their stakeholders.

Softlogic Finance PLC believes that the principles outlined in this policy not only serve customers with the broader objectives of society, but also help build better businesses and thus support the firm's primary objective of generating superior investment returns.

The environmental and social risks inherent in a transaction depend on several factors, such as the specific issues associated with a client's operations and the industry sector. E&S issues typically include environmental pollution, hazards to human health, safety, security, impacts on communities, threats to a region's biodiversity and cultural heritage. In most cases, a client has control over the E&S issues associated with the operation and can take the necessary steps to mitigate these risks.

### **Exclusion list:**

As a responsible finance institute, Softlogic Finance PLC looks at the environment and social impact, that could result as an end product of the loan facility given to its customers. There are 2 areas that can have an impact such as environmental issues and social issues.



### **Environmental Issues:**

- **Pollution of water sources** Water pollution is the contamination of water bodies (e.g., lakes, rivers, oceans, aquifers, groundwater). Water pollution occurs when pollutants are directly or indirectly discharged into water bodies without adequate treatment to remove harmful compounds.
- **Noise pollution** Noise pollution is the disturbing or excessive noise that may harm the activity or balance of human or animal life. The source of most outdoor noise worldwide is mainly caused by machines and transportation systems, motor vehicles, aircraft, and trains.
- **Air Pollution** Air pollution is the introduction of particulates, biological molecules, or other harmful materials into the Earth's atmosphere, possibly causing disease, death to humans, damage to other living organisms such as food crops, or damage to the natural or built environment.
- **Waste generation** Waste management is the "generation, prevention, characterization, monitoring, treatment, handling, reuse, residual disposition of solid wastes. "There are various types of solid waste, including municipal (residential, institutional, commercial), agricultural, and special (health care, household hazardous wastes, sewage sludge). The term usually relates to materials produced by human activity, and the process is generally undertaken to reduce their effect on health, the environment.
- **Land degradation** Land degradation is a process in which the value of the biophysical environment is affected by a combination of human-induced processes acting upon the land. Also, environmental degradation is the gradual destruction or reduction of the quality and quantity of human or animal activities or natural mean; for example, water causes soil erosion, wind, etc. Natural hazards are excluded as a cause; however, human activities can indirectly affect phenomena such as floods and bushfires.
- **Biodiversity loss** Biodiversity is the degree of variation of life. This can refer to genetic variation, species variation, or ecosystem variation within an area. All these could lead to global issues such as climate change.

### **Social & safety issues:**

- **Child labour** Child labour refers to the employment of children in any work that deprives children of their childhood, interferes with their ability to attend regular school, and that is mentally, physically, socially, morally dangerous and harmful. This practice is considered exploitative by many international organizations. Legislations across the world prohibit child labour
- **Forced Labour** Free labour is, especially in modern or early modern history, in which people are employed against their will by the threat of destitution, detention, violence (including death), lawful compulsion, other extreme hardship to themselves or to members of their families.
- **Unsafe working environment** A hostile work environment exists when an employee experiences workplace harassment and fears going to work because of the offensive,

intimidating, or oppressive atmosphere generated by the harasser. A hostile work environment may also be created when management acts in a manner designed to make an employee quit in retaliation for some action. For example, if an employee reported safety violations at work or reported regulatory violations by management, then their response might be to harass and pressure the employee to quit. It can also arise from unsafe working conditions in the working area.

- Economic and Physical Displacements Infrastructure development often requires the acquisition of privately owned land and assets. Typical development induced impacts, physical relocation, loss of land and assets, disruption of livelihoods, breakdown of communities. These impacts are not just limited to large infrastructure, but many projects require minor land acquisition or relocate people only a few hundred meters. This involuntary resettlement may result in severe economic, social, environmental impacts on affected populations.

These could lead to social upheavals, human rights violations, social discrimination.

### **Role of Marketing Officer and Credit Manager:**

It is the responsibility of Softlogic Finance as a whole, specially by marketing officers and the credit departments to make sure that loans given are not contributing to any of the above mentioned environmental or social issues.

E&S risks associated with the operations of an individual SME are generally limited but aggregated across all SMEs; these risks can be significant and need proper management. During the marketing officer's initial discussion with the customers, he should examine the E&S impact that is already there and discuss ways to reduce the impact. This information has to be incorporated in the appraisal.

The credit Departments in the credit evaluation process should evaluate to see if measures taken to reduce the impact are good enough to grant the facility. E&S evaluation should be one of the criteria in the credit evaluation process.

### **HR Role:**

The HR Department will need to ensure that the Compliance Officer role be evolved to undertake more E&S responsibilities. Also manage resources (budget and staff) for E&S risk management and training. These trainings mostly should focus on marketing and credit staff.

## **5. Our Commitment to Sustainability**

At Softlogic Finance, sustainability ranks high on our agenda among our top business priorities; Sustainability has always been central to our philosophy and is entwined in our culture and in how we conduct business.

As defined by the Brundtland Commission, ‘Sustainable Development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs’. As a leader in the country’s finance sector, the Board of Directors and Management recognize our position of responsibility as a financial institution in influencing and shaping the transition to a more sustainable, green, and inclusive economy.

We remain steadfastly committed to playing a lead and active role in enabling and facilitating sustainable growth across our business undertakings, our operations, our engagements with stakeholders, the markets we serve.

**Sustainability:**

- A sustainable procurement policy will be maintained that will set out the principles, policies, and procedures on which sustainable business activity within the company will be based.
- The policy will act as a prompt to staff to consider sustainability as a factor in all purchasing decisions.
- We seek to minimize the adverse environmental effects of people traveling to and from our offices.

**Our sustainability approach is guided by:**

- Central Bank of Sri Lanka Sustainable Finance Roadmap
- United Nations Global Compact Principles
- UN Sustainable Development Goals

**How sustainability aspects are infused into our day-to day business practices:**

- Integrating sustainability considerations within decision making processes and business activities
- Incorporating ESG due diligence into lending activities and financing decisions so as to identify and manage the Finance’s exposure to ESG risks of clients, ensuring responsible financing decisions that create positive ESG outcomes for both the client and the Finance.
- Advancing the transition to a green economy by mobilizing capital investments and offering financing solutions towards resource-efficient, low-carbon, inclusive industries and solutions.
- Building social equity through financial inclusion of traditionally excluded sectors by extending access to affordable financial services in a responsible and sustainable manner, and improving financial literacy in underserved communities
- Managing and controlling the direct environmental risks and impacts resulting from the Finance
- finance’s operations, including energy use, paper consumption, waste management, water usage, etc.
- Upholding standards and principles for safe and fair labour practices and working conditions for employees.
- Implementation of CSR activities focused on education, healthcare, and environmental conservation.
- Empowerment of women through targeted strategic financing initiatives.

- Instilling sustainability values in business partners, including suppliers, ensures their conformity to the Finance specified standards of conduct.
- Leveraging innovative technologies to bring increased convenience to customers through digital financing channels.

## 6. Support for the Sustainable Development Goals (SDGs)

As a leading finance institution, we are also committed to supporting the global mandate in achieving the Sustainable Development Goals (SDGs) by the year 2030, agreed on by 193 countries. Based on a process of principled prioritization, we have identified the following SDGs as most aligned to the finance's ethos:



By committing our support to these selected SDGs that most closely align with our work, we believe we can focus our efforts better to realize maximum positive impact in these areas.