



Mr. Ravi Yatawara
Executive Director



HUMAN CAPITAL



Mr. Niroshan Udage
Deputy Managing Director

Six question roundup with our Leaders

Q1 What human capital means to LBF?

As a service-oriented entity, our human capital is the backbone of our business. A solid human capital base is also a strong competitive advantage against peers.

Q2 How human capital supports our value-creation goals?

The collective knowledge, skills, and expertise as well as the commitment of our human capital shapes LBF's ability to effectively live up to the Company's core purpose and in doing so achieve its strategic ambitions.

Q3 What are the challenges and opportunities associated with the developing human capital?

High attrition rates, especially among frontline employees have long been the most crucial human capital challenge facing all financial institutions in Sri Lanka and LBF is no exception. These issues further intensified in the current financial year as many began pursuing overseas employment opportunities in light of the severe economic crisis that erupted in the country in 2022. This trend has paved the way for LBF to revitalise its workforce by offering new career growth opportunities to keep employees engaged and invested over the long term.

Q4 What are the key strategic drivers for developing human capital and how does the Company manage trade-offs against other capitals?

Investing in employee capacity building will result in a loyal and motivated workforce that will improve LBF's competitive position through more productive use of resources as follows.

- ▶ Improve workforce productivity
- ▶ Invest in strengthening employee knowledge and skills
- ▶ Empower employees through better work-life balance

Q5 What are the key material drivers identified, which were raised by the stakeholders?

Based on our materiality determination process, we have identified the following matters as material to our human capital. Each matter is grouped under a relevant materiality theme that speaks to our broader operating context.

Customer satisfaction	Regional expansion	Ethics and transparency
Employee engagement	Health, safety and wellbeing	Training and development

Q6 What is LBF's approach to differentiate its human capital from peers?

Stemming from this philosophy, LBF's overarching priority is to create an environment where employees remain committed, stay motivated, are consistently satisfied with the work they do and have realistic prospects for career advancement and fulfilling personal growth. The dynamic environment in which the Company operates requires employees to be adaptable, results driven, self-motivated, decisive and responsive team players. It is why we are continuously evolving our workforce management approach in an effort to gain access to the right people with the right capabilities to achieve our business objectives.

STAKEHOLDER'S EXPECTATIONS

STAKEHOLDERS

	Stakeholder 1	Stakeholder 2	Stakeholder 3	Stakeholder 4	Stakeholder 5	Stakeholder 6
Performance management	✓	✓		✓		
Safety and well-being		✓	✓			✓
Enhanced employee skillset	✓	✓				

SPACE FOR DEVELOPMENT

- ▶ Encouraging and motivating employees to stay aligned with LBF's organisational values and culture
- ▶ Developing critical skills and succession planning to achieve long term strategic objectives
- ▶ Promote employee wellbeing at all levels

CHALLENGES

- Attracting, retaining key staff in the highly competitive financial services sector
- Meeting the high standards required from an employer of choice
- Employee morale and mental health during the pandemic

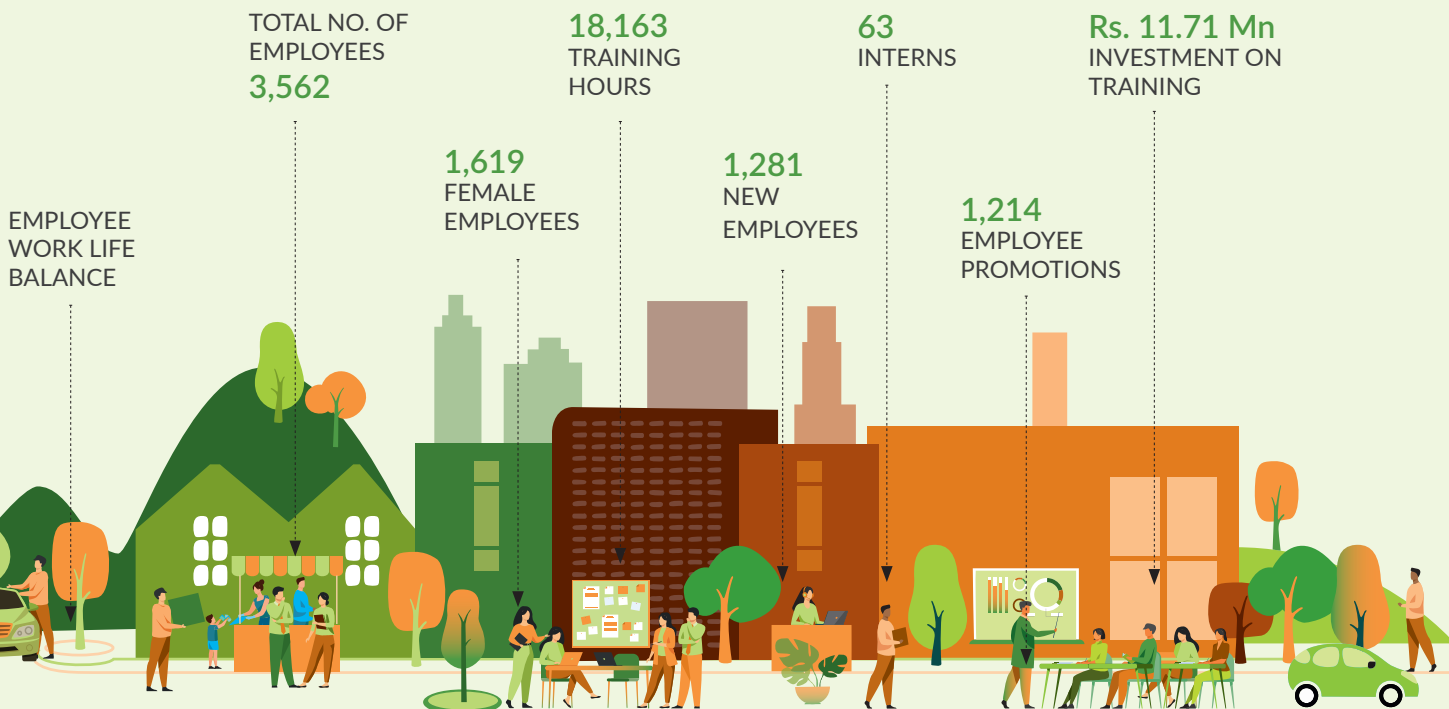
WAY FORWARD

- Build a strong employer brand
- Emerge as one of the top employer of choice
- Use technology to automate HR processes

Related strategic themes



SDG Impact



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EMPLOYEE EXPERIENCE FRAMEWORK

LBF's Employee Experience Framework is designed to make every stage of the employee's journey an irresistible one. Our goal is to ensure that every one of our employees feels understood and valued and knows that their contribution to the Company will be recognized, and duly appreciated.

CRITICAL SUCCESS FACTORS

- ▶ Top management commitment
- ▶ High quality training deliverable
- ▶ Raising employee morale and productivity

At present, we follow a more mainstream strategy for entry-level frontline positions where we hire for potential and train for competence, performance and cultural orientation. In this regard, our HR policy specifies that at least 90% of branch staffing needs must be met by the local community.

LIVING AND DOING

Integrating our people's lives at work with their personal working circumstances and preferences more deliberately, creating true work-life integration

GROWING AND EVOLVING

Creating the platform for our people to take control their career, role and learning evolution, encouraging non-linear and self-driven growth

MOVING AND MOVING ON

Enabling a seamless onboarding experience for our people while allowing them to move on to the next phase of their career with dignity, remaining connected to the organisation

REALISING AND RECOGNISING

Aligning, more deliberately, employee performance outcomes and Liberty's business outcomes, shifting the cultures and habits around performance management

CONNECTING AND BELONGING

Uniting our people across functions, levels and backgrounds to create a cohesive organisation where everyone feels included and valued

INSPIRING AND INNOVATING

Driving meaningful and inspirational work that aligns with our purpose and values, creating an engaged and motivated organisation



MANAGING HUMAN CAPITAL - MAKING THE RIGHT MOVE AT RIGHT TIME



1 OUR EMPLOYEE PROFILE

LBF's competitive position and success as a financial services institution depend largely on our teams' know-how and specialist skills. It is, therefore vital that we attract and retain the right people with the right skills and mindset.

	2022/23	2021/22	2020/21
Employees - full time	3,483	3,804	3,501
Employees - contract basis	79	18	22
Female employees	45%	40%	40%
Male employees	55%	60%	60%
Employee turnover	43%	38%	30%



Talent acquisition

Having been in the business for over half a century now, LBF's recruitment priorities have continued to evolve in tandem with the Company's strategy over the past 50+ years. At present, we follow a more mainstream strategy for entry-level frontline positions where we hire for potential and train for competence, performance and cultural orientation. In this regard, our HR policy specifies that at least 90% of branch staffing needs must be met by the local community.

For more specialised skills, we often headhunt the best-in-class talent in these fields.

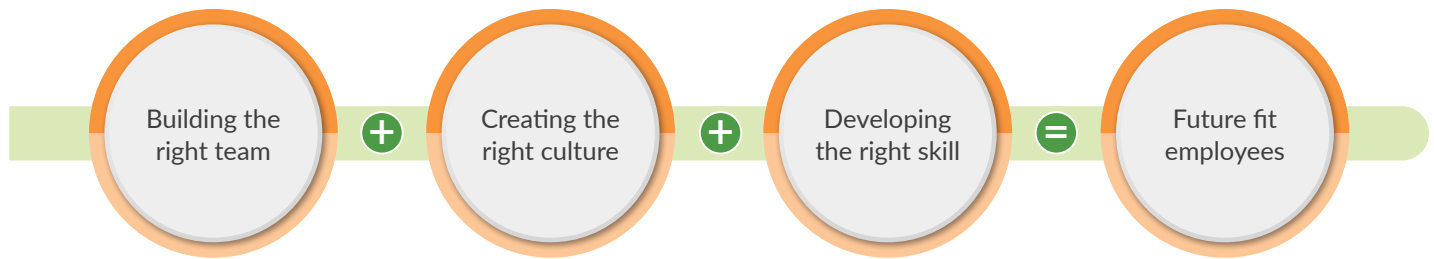
In the year under review, mainstream recruitments were kept to a minimum owing to the prevailing economic uncertainty with only a few selected new recruitments made to fill specialised skill gaps created by labour migration. On this basis, LBF recruited a total of 1,281 new employees in the current financial year.

Talent retention

Although LBF's labour attrition rate did not reflect any major deviation from the past years, seeing as how the Country as a whole was witnessing high numbers pursuing overseas employment opportunities amidst the worsening economic situation, talent retention was deemed a top priority for LBF in the current financial year. As a first step, the orientation program for new recruits was revamped and relaunched under the theme "Golden 360" to focus on creating a more interactive environment to increase engagement between the management and new entrants to the company. The buddy system for new recruits was also further strengthened to drive continuous engagement throughout the probationary period of new employees.

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FUTURE FIT EMPLOYEES



TRAINING INTERVENTIONS IN 2022/23



Competency development

Holistic development initiatives to drive the inculcation of organisational competencies

Leadership development

Trainings for middle and senior managers across sectors, with the aim of building the next generation leaders

Sector level training

Sector specific training programmes focused on lean management, leadership development, technical skill building, marketing & sales among others

Management trainee programme

The Group inducted the new management trainee batch with recruitment of 6 aspiring young professionals

Training programmes carried out during the year

Programme	No. of programmes	No. of participants
Technical	14	220
Skill development	16	1,691
Motivational	9	883

Talent management

Our long-standing performance evaluation program remains the key enabler in our efforts to recognise and reward our employees for their contribution towards achieving LBF's corporate objectives. Designed to drive a high-performance culture, our performance evaluation program is based on pre-agreed KPIs set at the start of the year. Employee performance is monitored continuously through our fully automated HRIS, followed by a mid-year review and concluding with the formal annual performance appraisal at the end of the financial year based on which salary increments, bonuses and promotions are

granted, training needs are assessed and high performers are earmarked further development in line with the Company's talent development and succession planning strategies.

Making a conscious effort to focus on talent management right from the start of the employees' career journey with LBF, we introduced "The Best Starter" initiative to reward newly recruits (frontline employees) who achieve their given targets during the probationary period. In addition to monetary incentives, we are also planning to formulate a special skill development program to enable best starters to integrate into the Company's talent pipeline in time.

Developing talent for the future

Our talent development activities have traditionally delivered targeted training and capacity-building initiatives to support the developmental needs of our employees. Having invested in e-learning during the pandemic, we facilitate our operational trainings and soft skills trainings online.

In the current financial year, we further strengthened our e-learning platform with the inclusion of new learning tools covering functional areas such as finance, IT, HR, marketing, etc. We have thus been able to create a platform to enable our employees to refresh critical skills on an ongoing basis.

Following the expansion of the scope of e-learning activities, we initiated a special initiative to gauge the post-training performance of employees regularly with the findings being used to fine-tune our course content.

Meanwhile, considering the labour migration trend in the Country in 2022, more emphasis was given to building a pipeline of multi-talented employees who could potentially drive the strategic ambitions of the LBF Group in the years ahead. Special training interventions coupled with a leadership development series targeting middle management were carried out.

Employee Value Proposition (EVP)

Best employer brand

To instil a sense of ownership and pride in working for the LBF brand

Benefits for employee

To provide remuneration and benefits that empower employees to protect the well-being of their families and continue to enhance their lifestyle over time

Best for teamwork

To promote and recognise teamwork as the basis for achieving personal and professional goals

Best growth opportunities

To create an atmosphere that encourages continuous learning as a means of sustained progress

2 SUSTAINING THE EMPLOYEE RESOURCE

Remuneration and benefits

LBF's remuneration and benefit structures are designed to ensure that every employee is remunerated fairly and equitably, solely on merit. As such, we have established specific parameters to determine salary scales for different employee categories. These include job role, level of responsibility, skills, competencies and work experience. We also monitor industry trends and labour market movements in our sector in order to make timely adjustments to ensure our remuneration and benefit structures remain competitive over time.

The determination of employee benefits is based primarily on the Shop and Office Employees Act of 1954, EPF Act, ETF Act, and the Payment of Gratuity Act of Sri Lanka.

In addition to the benefits mandated by law, we provide our employees with the opportunity to earn bonuses and other performance-based incentives.

Considering the severity of the economic challenges encountered in the current financial year, the HR and Remunerations Committee was reactivated to address pertinent human capital issues.

Ethical business conduct

Ethical business conduct is embedded in LBF's core values. The LBF Board and senior management provide leadership in setting the tone for high standards of business integrity. The Board-approved Code of Conduct outlines employees' duties towards colleagues and responsibilities as representatives of the Company, while the Anti-Bribery and Corruption (ABC) Policy sets out appropriate behaviours expected of employees in their interactions with customers and other external stakeholders.

The Board and the management also collectively provide oversight to enforce the Code and the ABC Policy with the HR team tasked with raising employee awareness regarding these mandates and the repercussions of violation. The Code and the Policy are disseminated to new recruits during their orientation to help them understand and absorb LBF's ethics principles. All new recruits are further expected to sign a declaration indicating their understanding and acceptance of the Code of Conduct and the ABC Policy. Both the Code and Policy are also accessible through the e-learning platform for easy reference at any time.

In the year under review, a new Social Media Conduct policy was implemented. An initiative by the newly convened HR and Remunerations Committee, the Social Media Policy sets out appropriate behavioural guidelines for use on both internal and public social media platforms.

Meanwhile, as part of our integrated approach to promoting ethical business conduct at all levels of operation, we encourage employees and other stakeholders to raise concerns regarding conflicts of interest or any other perceived ethics violation. A whistleblower policy is also in place to enable

reporting of fraud or financial irregularities or misappropriations, with the assurance of complete anonymity.

Grievance handling

We encourage our teams to be open and forthright about discussing any work-related issues or grievances they may have. Various mechanisms including daily/weekly/monthly team briefings enable employees to express their opinions and voice their collective concerns to superiors, while our open-door policy allows employees to individually reach out to members of the senior management to address any issues that may be affecting their job role. Beyond this, the grievance procedure maintained by the HR department allows employees to formally escalate any concerns directly to the HR Head. Our Code of Conduct contains detailed information regarding LBF's grievance procedure, including when and how it should be activated and the standard timelines for when a resolution can be expected. No grievances were reported to the HR department in the year under review.

Health and safety

Providing a safe and secure environment for employees to work in, is one of our top priorities. Accordingly, LBF complies with all mandatory fire safety measures at all company locations. Designated fire wardens have been appointed at every one of our locations, while the central administration department monitors fire safety systems, engages in regular maintenance of fire safety equipment, and oversees the annual fire drill process. These efforts are accompanied by regular safety training sessions covering all LBF employees. Since the pandemic, we have also been using the "Life at LB" facebook page to strengthen the safety awareness culture among our teams.

As a financial services business, LBF's day-to-day operations do not pose any occupational health and safety risks to employees. Hence the need for a dedicated safety system does not arise. However, our business continuity plan and crisis management plans include necessary measures to ensure employee safety in the event of an unforeseen crisis.

Employee engagement

After a lapse of two years, we resumed physical employee engagement activities. However, in light of the economic crisis in the country, no large gatherings were held throughout the year. All engagement activities were held on a smaller scale than in the past, mainly as branch / department-wise events.

Employee benefits	2019/20 Rs. Mn	2020/21 Rs. Mn	2021/22 Rs. Mn	2022/23 Rs. Mn
Salaries and other related expenses	2,537.98	2,520.98	2,739.25	3,000.43
Employer's contribution to EPF	239.16	232.85	253.77	262.01
Employer's contribution to ETF	47.83	46.57	51.15	54.30
Gratuity	75.94	93.91	79.61	102.77

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Mechanisms to measure and monitor employee satisfaction

LBF participated in the “Great Place to Work” (GPTW) survey in 2022. The survey which was conducted by an independent third party was rolled out as a company-wide initiative with all employees encouraged to participate.

Work stress

Various initiatives continued to be implemented to help employees to manage work stress, especially in these economically challenging times. ‘The SMILE’ counselling hotline launched at the onset of the pandemic in March 2020 and also remained active throughout the year to offer employees 24/7 assistance.

HR governance

HR governance is centralised under the purview of LBF’s Human Resource Department (HRD). The HRD is led by the Head of HR who reports to LBF’s Managing Director. The Head of HR also works closely with the Board Human Resource and Remuneration Committee and the Nominations Committee, on certain HR-related matters. The HRD under the supervision of the Head of HR is responsible for ensuring LBF remains fully compliant with all applicable laws and regulations on its employees. Beyond this, HRD is responsible for ensuring the Company’s human capital development activities are carried out in line with the Board-approved policy frameworks.

3 CREATING AN ENTREPRENEURIAL AND INNOVATIVE CULTURE

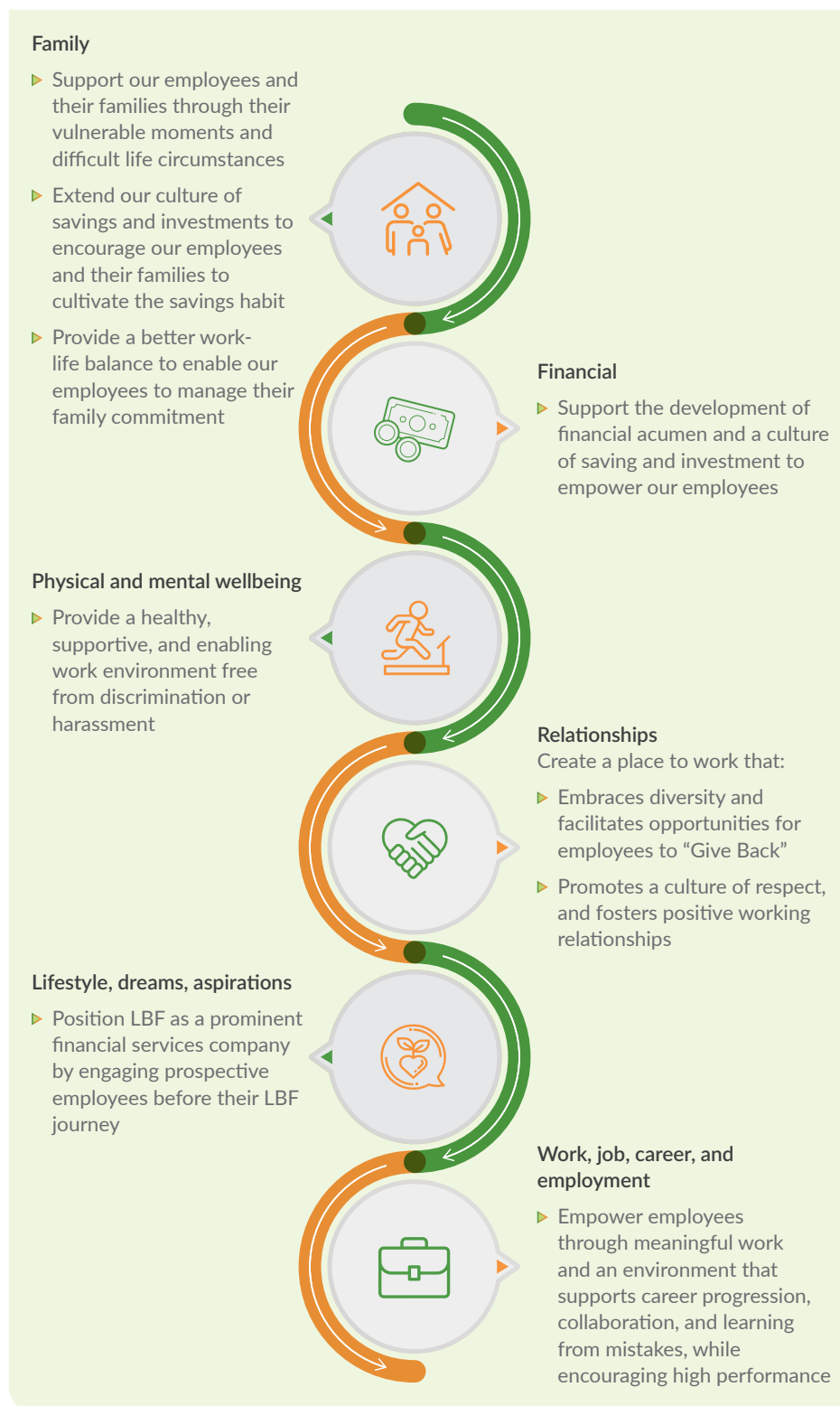
For the past five years, LBF has been blazing trails in the digital financial services space, thanks to comprehensive manpower planning and efforts to source top IT specialists and data scientists.

In order to ensure we stay ahead of the game, we are constantly on the lookout for talented IT professionals who can work independently and support business growth through effective ideation and innovation. Moving away from our traditional approaches, we held a special open day in February 2023 intending to attract IT professionals and data scientists. The open day proved to be a massive success, attracting over 100 IT professionals from which 20 was recruited by LBF in the current financial year.

4 LIFE AT LB

Employee’s journey

Employees drive our business and we consider it our responsibility to make their life journey more comfortable and trouble-free.



5 DRIVING DIVERSITY

We believe the different ideas and perspectives that stem from a diverse workforce pave the way for innovation for the benefit of the Company and all stakeholders including the wider community.

Opportunities for gender equity and strategies for gender parity

As a non-discriminatory employer, LBF does not discriminate based on gender. Accordingly, we have established specific gender parity thresholds for every stage of the employment lifecycle.

Gender Parity Thresholds	FY 2022/23
Overall gender ratio (male : female)	55 : 45
Female hiring rate	53%
The proportion of females promoted (as a percentage of total promotion)	44%

A long-term initiative to empower & embolden women in Myanmar

LBF's microfinance operation in Myanmar represents our long-term commitment

to women's empowerment. Through our lending operations in Myanmar, we focus on assisting female-based micro-entrepreneurs involved in small-scale farming, animal

husbandry, and cottage industries. On this basis, our loan book is dominated by women-led businesses.

Our internal policy frameworks/actions/activities that promote gender equality

Solution for the gender gap

Indicator	Explanation of LBF	Result
Gender inequality in the jobs of the future	The economic gender gap from closing is women's under-representation in emerging roles	03 women represent the LBF Board out of 10 Directors
Female workforce participation	Number of women in a leadership position	02 women represent the LBF senior management out of 33
Closing wage gaps and preparing women for jobs of the future	The benefit structure is based on the performance of the worker	There are no wage gaps

Diversity and inclusion are integrated into all our HR processes including recruitment, remuneration and benefits, training and development, promotions, employee retention, flexible work arrangements, leave entitlement, policies, and procedures, Board appointments, and succession planning.

Furthermore, LBF's Board and management provide oversight for remuneration decisions ensuring that comparable salaries are offered

without bias to men and women in similar roles at any level across the organisation.

Discrimination and harassment

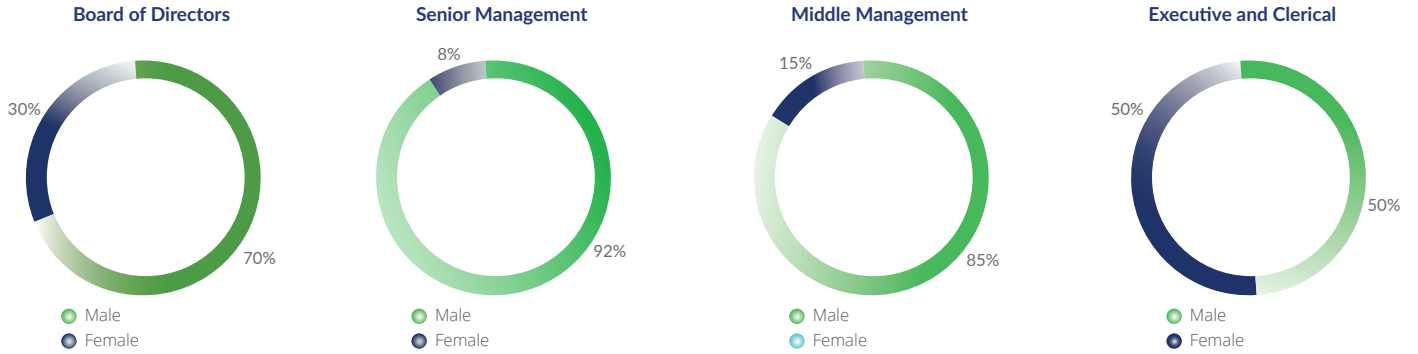
As a responsible employer, LBF does not discriminate based on a person's sex, race, caste, community, marital or family status, religion, age, sexual orientation, disability, or any other status protected by law.

Specific policies on sexual harassment in the workplace are aimed at safeguarding all employees from unwanted sexual advances and providing them with guidelines to report incidents. The policy further implies that if an employee hears about or observes possible harassment or discrimination, the respective employee is accountable to report the situation to the HR Department.

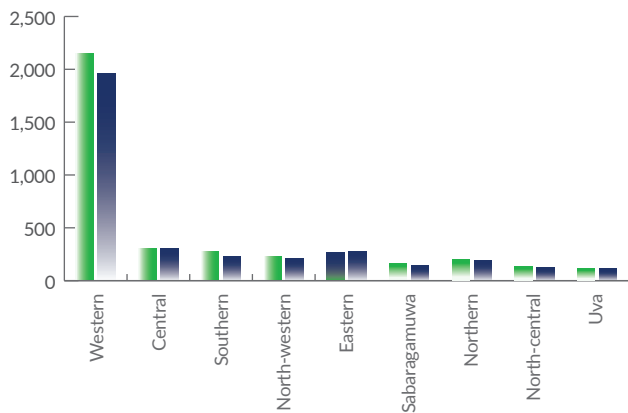
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EMPLOYEE STATISTICS

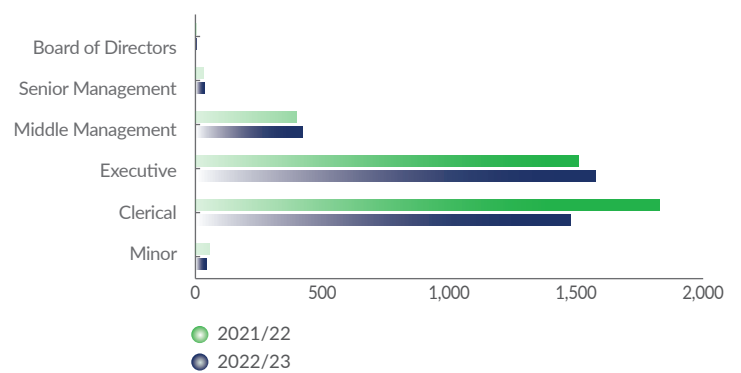
Gender representation per occupational level



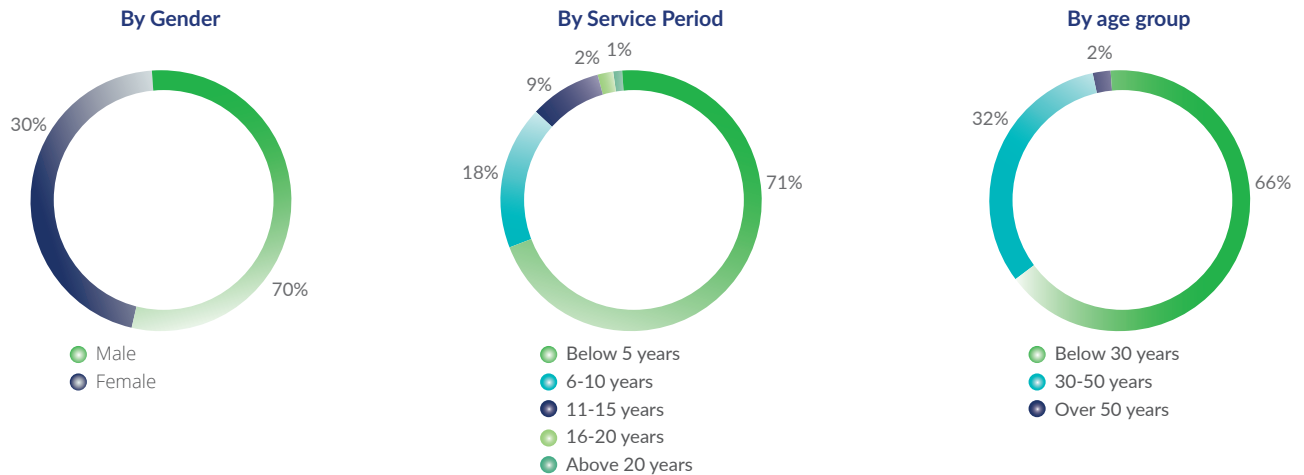
Number of Employees Split by Province



Number of Employees Split by Grade



Our hires



6 HUMAN RESOURCE ACCOUNTING

Human Resource Accounting (HRA) involves quantifying the value of the LBF's human capital in terms of their capacity to create value for the Company in the future. Essentially, HRA is the process of identifying, measuring, and reporting on the investments made in human resources that are currently not accounted for under conventional accounting practices. As per the HRA approach, the expenditures related to human resources are reported as assets on the balance sheet as opposed to the traditional accounting approach which considers personnel costs as an expense item in the profit and loss account.

HR KEY METRICS PER EMPLOYEE

FACILITY DISBURSEMENT

Rs. 40.76 Mn

2021/22 Rs. 35.16 Mn

DEPOSIT PORTFOLIO

Rs. 32 Mn

2021/22 Rs. 23.32 Mn

BORROWINGS

Rs. 5.43 Mn

2021/22 Rs. 7.03 Mn



OPERATING PROFIT

Rs. 4.05 Mn

2021/22 Rs. 3.67 Mn

PBT

Rs. 3.30 Mn

2021/22 Rs. 3.12 Mn

PAT

Rs. 2.37 Mn

2021/22 Rs. 2.26 Mn

7 RELATIONSHIP BETWEEN CAPITALS

Trade-off between capitals

	S			M			L			S			M			L			S			M			L		
	S	M	L	S	M	L	S	M	L	S	M	L	S	M	L	S	M	L	S	M	L	S	M	L	S	M	L
New recruits	▼		▼▲							▲	▲		▲	▲	▲												
Training and development	▼	▲	▲	▲	▲	▲	▲	▲	▲																		
Benefit structure	▼	▼▲	▼▲																								

S - Short term M - Medium term L - Long term ▲ Increase ▼ Decrease — Neutral

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Reaping benefits of investing in human capital



8 BUILDING FOR THE FUTURE

Strategic objective

Developing leaders at all levels by providing them with the tools and resources they need to contribute to LBF's high-performance culture.

<p>Short-term</p> <ul style="list-style-type: none"> ▶ Using mobile learning and other business technology to enhance the environment for continuous learning that was created by our digital learning approach ▶ Attracting and retaining diverse talent, particularly in scarce and critical skills 	<p>Medium-term</p> <ul style="list-style-type: none"> ▶ Incorporating core values into the performance-based reward mechanism ▶ Implementing a grievance redress committee to function independently to investigate and offer solutions for employee grievances 	<p>Long-term</p> <ul style="list-style-type: none"> ▶ Creating exceptional employee experiences through employee journeys and interactions that promote a productive and engaged workforce
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Growth sustainable opportunity
Supporting diversity, equity, and inclusion throughout our operations

Vision
Understanding, supporting, and responding to the holistic well-being of our people

SWOT ANALYSIS

S STRENGTHS

- ▶ Ability to recruit and retain a multi-talented team by providing them with competitive remuneration and a robust work environment that promotes engagement and performance-based rewards

W WEAKNESSES

- ▶ Non-availability of a streamlined mechanism to offer emotional and psychological support to employees in the event of an unforeseen crisis

O OPPORTUNITIES

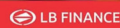
- ▶ Create a framework to help employees adapt to a better work-life balance
- ▶ Improve succession planning at all levels to minimise the dependency on a few key individuals

T THREATS

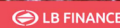
- ▶ High turnover among frontline branch teams due to stiff competition in the NBF1 sector



Seven Magic Habits to be Genius



Journey to Excellence



LB IT Recruitment Open Day



Investing 360 Golden Minutes



Training Program for IT Department



Right Solutions

Right Value

Right Direction

Right Experience

Right Vision

Right Strategy

Introduction