



Mr. Ravi Yatawara  
Executive Director



## Six question roundup with our Leaders



Mr. Sumith Adhietty  
Managing Director

### Q1 What natural capital means to LBF?

As a provider of financial services, our business operations do not rely on natural resources. Even though LBF's operations are not directly responsible for the depletion of Natural Capital, we consider it our duty to contribute towards the preservation of Natural Capital.

### Q3 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 natural capital. Each matter is grouped under a relevant materiality theme that speaks to our broader operating context. We are also considering this materiality analysis in the context of our climate risk framework, the first version of which will be released in early 2025.

|                          |                           |                       |
|--------------------------|---------------------------|-----------------------|
| Process excellence       | Online customer support   | Corporate citizenship |
| Environmental management | Business model Innovation |                       |

### Q5 What are the key strategic drivers and how do we manage the trade-off to achieve the output?

Efforts to build natural capital can only generate positive outcomes. For example, responsible consumption of resources lowers our carbon footprint, helps to improve the lifespan of our assets, and also enhances LBF's reputation.

### Q2 How natural capital supports our value-creation goals?

By undertaking meaningful green initiatives in our daily operations and supporting external projects that limit the adverse effects, create awareness, and influence the right behaviours among all our stakeholders, we believe we can contribute towards enhancing LBF's reputation as an environmentally friendly conscious corporate citizen.

### Q4 What are the challenges and opportunities associated with developing natural capital?

Our efforts to contribute towards natural capital preservation are led by LBF's digital strategy, wherein we focus on innovation to digitise our mainstream products and delivery channels and also to expedite process automation to create a paperless office environment. As part of our long-term environmental strategy, we are looking to transform our lending model to give more priority to sustainable green financing projects.

### Q6 What is LBF's approach to differentiate its Natural Capital from peers?

We remain committed to reduce our direct impact on the environment by promoting responsible environmental management activities across all of our operations. At the same time, by using our position as a leading financial institution in the country, we seek to positively influence society to work towards generating favourable environmental outcomes. Our efforts in this regard are operationalised through a holistic Environment Management System (EMS), which has been designed to support global initiatives aimed at protecting the environment and conserving natural resources.

## STAKEHOLDER'S EXPECTATIONS

|             |                                    | STAKEHOLDERS |   |   |   |   |   |
|-------------|------------------------------------|--------------|---|---|---|---|---|
|             |                                    |              |   |   |   |   |   |
| MATERIALITY | Environmental friendly initiatives | ✓            | ✓ | ✓ | ✓ |   |   |
|             | Green financing                    |              | ✓ | ✓ | ✓ |   | ✓ |
|             | Carbon footprint calculation       | ✓            | ✓ |   |   | ✓ | ✓ |

### SPACE FOR DEVELOPMENT

- ▶ Introducing digital products
- ▶ Benchmarking global carbon management models
- ▶ Process of shifting towards a paperless e-office system
- ▶ Customized products & services for green financing

## CHALLENGES

- Reducing the paper usage
- Lowering the carbon footprint across the organisation
- Increasing the green financing

## WAY FORWARD

- Increase focus on environment sustainability
- Create a paperless workplace
- Increased focus on organisation-wide carbon management

### Related strategic themes

### SDG Impact

ISLAND WIDE TREE PLANTING PROGRAMMES

AWARENESS BUILDING THROUGH INFORMATIVE BOARDS

3,480 tCO<sub>2</sub>e CARBON FOOTPRINT

Rs. 769.84 Mn GREEN LENDING

STRENGTHEN E-LEARNING PLATFORMS

CARBON CONSCIOUS COMPANY

Rs. 8.53 Mn INVESTED IN ENVIRONMENTAL INITIATIVES



NATURAL CAPITAL

MANAGING NATURAL CAPITAL - MAKING THE RIGHT MOVEMENT AT RIGHT TIME



1 APPROACH TO NATURAL CAPITAL

As a responsible business entity, we understand that it is our ethical duty to avoid and reduce the negative effects on the environment. With no direct environmental regulatory frameworks applicable to our business as a financial services institution, LBF has adopted globally accepted environmental best practices recommended for service sector organisations. We have continued to refine our approach and more recently have chosen a more structured approach to develop our environmental projects in line with the targets set out under global policy frameworks such as the Paris Climate Agreement and the United Nations Sustainable Development Goals (SDGs).

At the same time, we frequently engage with our key stakeholders including the government, to help reorient our approaches in tandem with the latest developments and emerging trends. We are now planning to implement a certified environmental management system to guide our efforts more systematically. We intend to make an impact directly through our operations and indirectly in our relationships with customers and suppliers across the value chain as well as through the projects we undertake.

CRITICAL SUCCESS FACTORS

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

Driving behavioural change through engagement

Our approach to safeguarding natural capital is based on understanding stakeholder needs and taking action in areas where we can positively impact long-term sustainability and effective environmental stewardship. By incorporating ESG into our stakeholder engagement, we are able to create awareness and influence better practices.

ENGAGEMENT

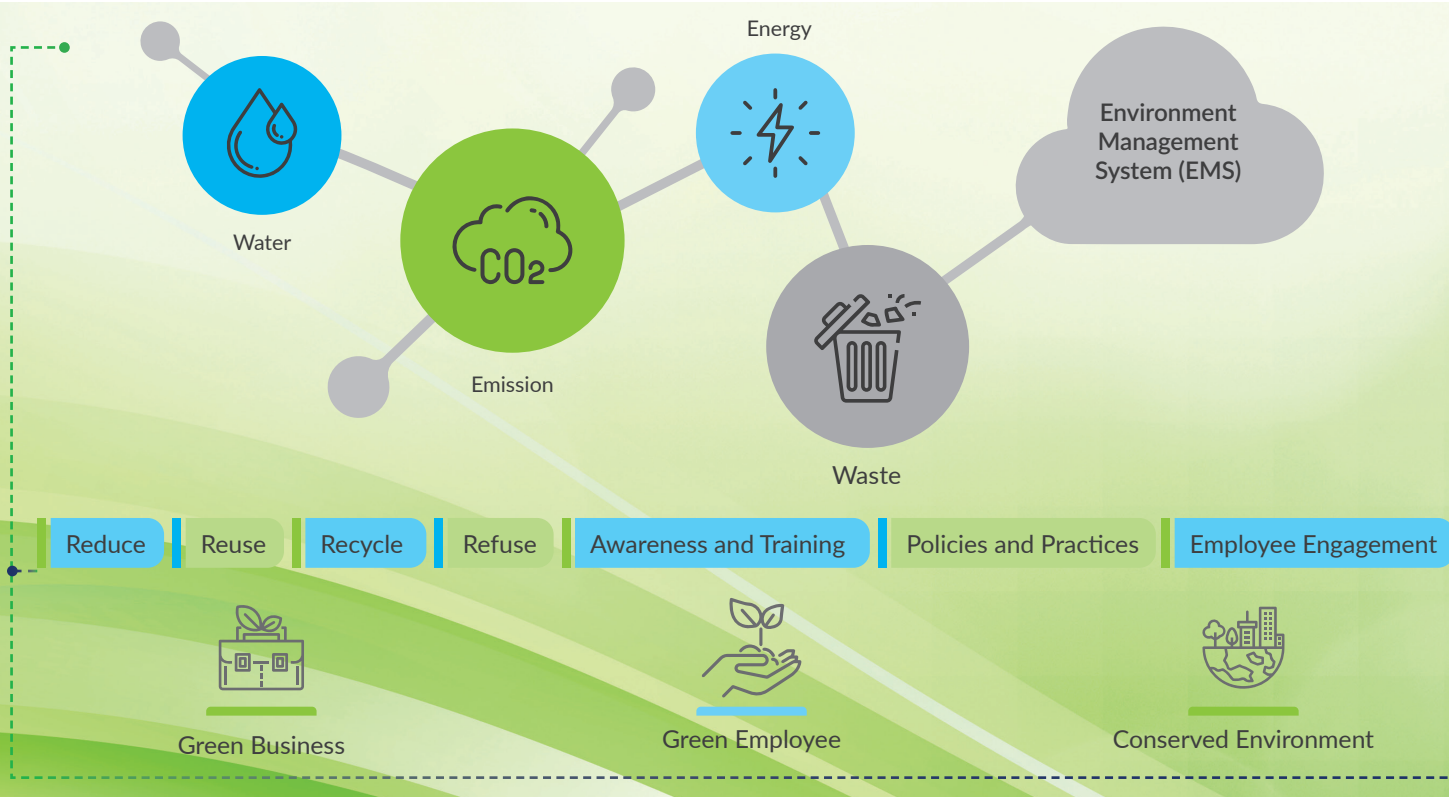


Environment Governance

LBF's sustainability team provides oversight for the implementation of environmental best practices at all levels of the business. In this capacity, the sustainability team is tasked with educating employees on the policies and procedures and providing necessary technical support. The team is also responsible for continuous improvement; in this regard, the team undertakes to assess potential environmental risks across LBF's operations on an ongoing basis. Based on the findings, recommendations for appropriate policy and procedure revisions are implemented, subject to the approval of the Company's senior management.



## Environment management system



Right Solutions

Right Value

Right Direction

Right Experience

## 2 RESPONSIBLE OPERATIONS

LB Finance's environmental best practices aim to promote the optimal usage of existing resources, ultimately helping to minimise the impact on the environment over the long-term. These actions are collectively or individually addressed under each of the Company's main focus areas.

### Environment policy and pledge

#### Policy frameworks

In an era when the world is beset by the crisis of global warming and climate changes, our business operations have not been directly affected by the climate change. However, LB Finance considers it as a moral obligation to deal with environment in a sustainable manner and strive to conserve them. The Company is therefore, committed to the implementation of green initiatives within the Company through internal develop policies and frameworks.

Each of us are a part of the LB family and whatever the actions of our family leave a huge impact on the environment. We pledge to combine individual efforts with our green initiatives to create a green country.

**Here I pledge:**

- To conserve energy by,**
  - using stair often other than using the elevator
  - setting sleep mode on computer when it is idle
  - switching off lights, computer, monitor, printer and other electronic devices when I leave the office
  - changing A/C thermostats a few degrees up
  - using natural lights whenever possible
  - unplugging laptop and cell phone charges when not in use
  - parking my vehicle in shade
- To conserve resources by,**
  - using water sparingly and closing the running taps
  - using documents in soft form without printing
  - printing only when necessary and double-sided
  - using rough papers for printing
- To prevent pollution and waste by,**
  - using a lunch box and a reusable bottle to reduce plastic and polyethylene waste
- To recycle by,**
  - dropping all waste papers into waste paper bins for recycling
  - disposing of electronic waste responsibly

I commit myself to develop more sustainable habits to be an environmentally responsible member in the LB family.

**SUSTAINABILITY**  
LB FINANCE

Let's get to gather to protect our world

### Environmental Policy Statement

LB Finance PLC is fully committed to conduct business operations sustainably, identifying the impact of a business by directly engaging the stakeholders. Accordingly the company has identified that commitment on environmental initiatives as one of the key priorities. This policy binds the company and its entire distribution channels in planning and implementing green initiatives. These eco-friendly initiatives will be publicized both through the internal portal, and externally as appropriate through a variety of media and ultimately will be published in the Annual Report under sustainability section and are subject to periodic reviews.

**Vision**  
To achieve a healthy and pleasant environment sustaining nature for the well-being of the stakeholders and the economy

**Objectives**  
"Protection and conservation of the integrity of the nation's environment and natural resources through ecologically sustainable development, with due recognition of the contribution of natural resources to economic development and to the quality of life"

**Values**

- Conduct our business in compliance with all relevant environmental legislation
- Achieving effective environmental governance
- Learn from best practice
- Establish practices to ensure the efficient use of energy, raw materials and natural resources
- Manage our waste efficiency through minimization, recycling and reuse where practicable
- Communicate our policy to all the stakeholders
- Promote environmental justice
- Promote environmental awareness and education
- Continue to develop longer term strategy for strengthening the commitment to environmental, corporate and social responsibility.

*J. S. S. Achuthy*  
Managing Director  
June 06, 2012

**LB FINANCE**

Right Vision

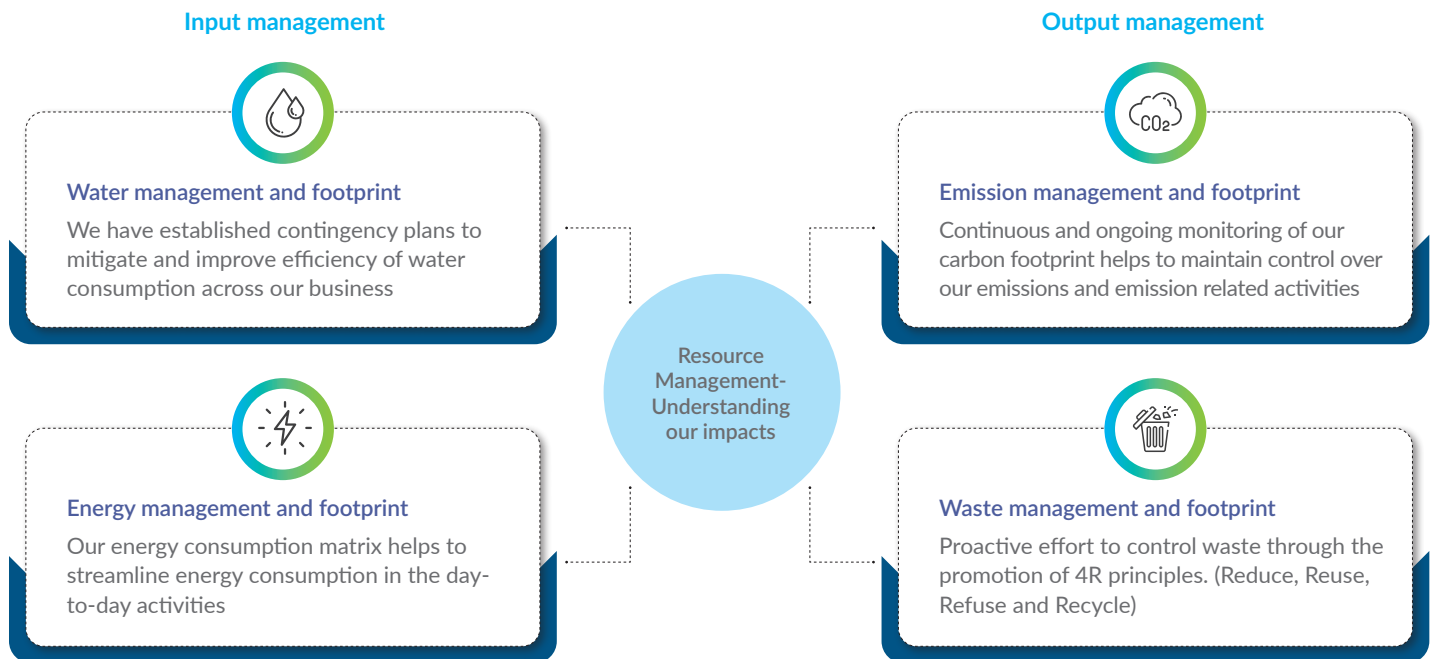
Right Strategy

Introduction



Visit web page for more information on Our policy frameworks

**CAPITAL REPORTS**  
**NATURAL CAPITAL**



**Water management strategy**

As a financial service provider, LBF's water footprint is limited to the sanitation needs of its employees. Despite our limited consumption, we have set out the Company-wide water reduction targets accompanied by the following initiatives to reduce day-to-day water consumption levels;

| Main focus                     | Actions taken  |
|--------------------------------|--|
| Reduce consumption             | <ul style="list-style-type: none"> <li>▶ Usage of pressure reducing valves to maintain consistent water pressure</li> <li>▶ Taps with spray attachment to regulate water flow</li> <li>▶ Use of high-intensity pressure pumps for vehicle washing</li> </ul> |
| Awareness                      | <ul style="list-style-type: none"> <li>▶ Signage providing water saving tips</li> </ul>  |
| Reuse                          | <ul style="list-style-type: none"> <li>▶ Usage of drain water for air conditioning cooling</li> </ul>  |
| Water efficiency interventions | <ul style="list-style-type: none"> <li>▶ Leak detection tools</li> <li>▶ Automatic shutdown valves</li> </ul>  |
| Policies and procedures        | <ul style="list-style-type: none"> <li>▶ Commitment of employees via the sustainability pledge</li> </ul>  |

**Water footprint**

**TOTAL WATER CONSUMPTION**

**38,847 m<sup>3</sup>**

2021/22 33,044 m<sup>3</sup>



**Per employee**  
**10.91 m<sup>3</sup>**

2021/22 - 8.65 m<sup>3</sup>



**Per working day**  
**157.28 m<sup>3</sup>**

2021/22 - 165.22 m<sup>3</sup>



**Per outlet**  
**202.33 m<sup>3</sup>**

2021/22 - 182.56 m<sup>3</sup>

### Energy management strategy

LBF's energy footprint is represented mainly by the electricity used to power the branch network, where 100% of our electricity requirements are drawn from the national power grid. Our electricity demand has increased considerably due to the acceleration of our branch strategy, causing energy management to become a key priority in recent years. To drive an ongoing reduction in energy consumed daily, we have established baseline energy targets supported by the following initiatives;

| Main focus              | Actions taken  |
|-------------------------|--|
| Reduce consumption      | <ul style="list-style-type: none"> <li>▶ Use of high-tech energy efficient equipment</li> <li>▶ Energy reduction methodologies</li> <li>▶ Electronic data collection and analysis</li> <li>▶ Energy audits</li> <li>▶ Installation of solar water heating systems to save electricity</li> <li>▶ Energy efficient lighting for sign boards at outlets</li> <li>▶ Maximum usage of natural light</li> </ul> |
| Awareness               | <ul style="list-style-type: none"> <li>▶ Display of energy saving tips</li> <li>▶ E-mail campaign on the benefits of energy saving</li> </ul>  |
| Employee engagement     | <ul style="list-style-type: none"> <li>▶ Use of energy reduction methods at office and home</li> </ul>   |
| Policies and procedures | <ul style="list-style-type: none"> <li>▶ Commitment of employees to the sustainability pledge</li> <li>▶ Regulate the operating time of equipment</li> </ul>   |
| Refuse                  | <ul style="list-style-type: none"> <li>▶ Ask employees to refuse non degradable materials and wastages</li> </ul>  |

### Energy footprint

#### TOTAL ENERGY CONSUMPTION

**14,384 GJ**



Per employee  
**4.04 GJ**



Per working day  
**58.23 GJ**



Per outlet  
**74.92 GJ**

### Emission management strategy

LBF's emission management strategy cascades from the aforementioned energy management strategy. This approach has ensured that our emission indicators have been consistently well managed. Based on this, we are aiming to be a carbon credit-generating organisation by 2030.

It should be noted that the increased use of diesel in backup generators during frequent power interruptions in 2022 has resulted in the ad-hoc increase in LBF's overall carbon footprint in the financial year 2022/23.

### Emission management footprint

#### TOTAL CO<sub>2</sub> EMITTED

**3,480 tCO<sub>2</sub>e**

2021/22 3,259 tCO<sub>2</sub>e



Per employee  
**0.98 tCO<sub>2</sub>e**  
2021/22 - 0.85 tCO<sub>2</sub>e



Per working day  
**14.09 tCO<sub>2</sub>e**  
2021/22 - 16.30 tCO<sub>2</sub>e



Per outlet  
**18.13 tCO<sub>2</sub>e**  
2021/22 - 18.01 tCO<sub>2</sub>e



Scope 1

Direct emission

**346 tCO<sub>2</sub>e**



Scope 2

Indirect emission

**2,115 tCO<sub>2</sub>e**



Scope 3

Other indirect emission

**1,019 tCO<sub>2</sub>e**



Total

Carbon footprint

**3,480 tCO<sub>2</sub>e**

NATURAL CAPITAL

Carbon footprint calculation

We are dedicated to operate in a socially and ecologically conscious manner. As part of the global effort to keep global warming below 2 degrees Celsius and move towards a sustainable future, we are continuously exploring new ways to reduce emissions across our value chain. Towards this end, we are combining both technology and operational solutions into our day-to-day operations.

The carbon footprint calculation is the key driver of our emission management strategy. For this calculation we have adopted the methodology promulgated by

GHG protocol. Accordingly, LBF reports on GHG emissions against three WBCSD/ WRI scopes; which is further verified by the ISO 14064 - 1:2006 standards.

Since 2013, LBF has been using a formal carbon footprint calculation methodology based on the GHG protocol guidelines to measure its emission footprint. We calculate direct emissions (Scope 1 as defined by the GHG protocol) resulting from our business activities along with Scope 2 and Scope 3 emissions due respectively to electricity purchased in the course of business and the emissions caused by employees commuting to and from work. Our assessments for the year

under review, did not reveal any significant air emissions or emission of ozone depleting substances, pollutants and other hazardous compounds arising from LBF's operations.



Visit web page for more information on the carbon footprint report

Waste management strategy

In striving to manage the volume of waste generated daily, LBF has implemented a well-defined approach to manage different waste streams.






| Main focus              | Actions taken   |
|-------------------------|---|
| Refuse                  | <ul style="list-style-type: none"> <li>▶ A paperless environment created by digitizing document storage and archiving processes</li> <li>▶ The centralised web portal (intranet) containing organisational policies, procedures, news, photo gallery and other downloadable documents</li> <li>▶ Usage of paperless fax machines for day-to-day operations</li> </ul> |
| Reduce                  | <ul style="list-style-type: none"> <li>▶ Monitor and control paper consumption</li> </ul>   |
| Reuse                   | <ul style="list-style-type: none"> <li>▶ Reuse of paper and envelopes as much as possible</li> </ul>  |
| Recycle                 | <ul style="list-style-type: none"> <li>▶ Paper items directed for recycling are directed to a designated area within each office</li> <li>▶ All paper waste is recycled through Neptune Recyclers</li> <li>▶ Recycle all e-waste through an authorised e-waste recycle partner</li> </ul>   |
| Awareness               | <ul style="list-style-type: none"> <li>▶ Regular email notifications to build awareness among employees</li> <li>▶ Campaigns to promote resource efficiency among customers</li> </ul>  |
| Policies and procedures | <ul style="list-style-type: none"> <li>▶ Policies on material usage</li> <li>▶ Dual side printing policy, with all default settings on printers adjusted accordingly</li> </ul>   |

Waste footprint

TOTAL PAPER RECYCLED

48,643 Kg

2021/22 23,399 Kg

|  |  |  |   |  |
|--|--|--|---|--|
| <br>Saved No. of fully-grown trees<br><b>827</b><br>2021/22 - 398 | <br>Saved oil<br><b>85,368 Litres</b><br>2021/22 - 41,065 | <br>Saved electricity<br><b>194,572 Kwh</b><br>2021/22 - 93,596 | <br>Saved water<br><b>1,548,875 Litres</b><br>2021/22 - 743,620 | <br>Saved landfill<br><b>146 m<sup>3</sup></b><br>2021/22 - 70 m <sup>3</sup> |
|--|--|--|---|--|



## ENVIRONMENTALLY-FRIENDLY OFFICE

Digitisation is rapidly changing LBF's workplace. From web based remote customer on-boarding, digital document scanning and automated customer due diligence, to online credit approvals, our teams are now empowered to carry out their duties effectively and efficiently in a paperless environment.

Our paperless environment creates the eco-system to support collaboration between teams, simplify inter-departmental communication and more informed decision making, all ultimately helping to boost employee productivity and improve customer service.

## 3 RESPONSIBLE PRODUCTS AND SERVICES

Sustainability considerations are integrated into our long-term decision-making to ensure our product development approaches are aligned with our goal of reducing our impact on the environment. Towards this end, we remain committed to prioritise the development of innovative digital products that have a strong positive impact in optimising the use of existing resources.

### Green lending

LBF's green lending scheme offers concessionary terms for the lease of hybrid vehicles and electric vehicles, which are deemed to have a significantly lower carbon footprint compared to traditional diesel or petrol vehicles.

| Year    | Green financing facilities (nos.) | Amount granted (Rs. Mn) |
|---------|-----------------------------------|-------------------------|
| 2022/23 | 1,896                             | 3,709.88                |
| 2021/22 | 147                               | 326.88                  |
| 2020/21 | 1,747                             | 3,515.66                |
| 2019/20 | 2,576                             | 5,401.45                |
| 2018/19 | 3,561                             | 8,566.00                |

## Digital financing Initiatives

LBF's flagship digital offering - the LB CIM wallet app presents a fully digital customer experience requiring no use of paper and no commuting. All products offered through the app, such as the LB CIM Business Loan (CIMBL) have a significantly low environmental footprint. CIMBL is a pioneering digital loan product designed as a flexible and highly affordable working capital solution to give MSME entrepreneurs access to much-needed financial assistance. The uniqueness of CIMBL is that its credit evaluation is done via a digital rule engine embedded within the app to determine the customers' business cash flows as opposed to the conventional method of requesting the borrowing entity/entrepreneur to pledge movable or immovable assets as collateral. In that context, MSMEs who have digital transactions to validate their business inflows stand a greater chance of becoming eligible for loans. Another important feature of the CIMBL is its automated loan recovery mechanism which offers greater convenience to the borrower while delivering significant cost efficiencies to the Company.

## 4 ENVIRONMENTAL PROTECTION AND CONSERVATION

### 'Thuru Wawamu' 50 to 50,000

'Thuru Wawamu' is LBF's flagship environmental project. Launched on 13th September 2018, 'Thuru Wawamu' is an ambitious project to systematically increase the forest cover in Sri Lanka by planting 50,000 saplings over a three-year period. The 'Thuru' mobile app launched subsequently in 2019 was also aimed at supporting the overall effort. As per the initial plan, the project was to conclude in May 2021 to coincide with LBF's 50th anniversary. However, pandemic related constraints in 2020 saw plans being postponed and tree planting programme conducted based on the situation.

## Awareness building through informative boards

As part of our ongoing efforts to increase awareness, LBF has undertaken to install and maintain display boards and warning messages at the entrance of all national parks. The project is an ongoing initiative of the Company conducted in partnership with the Young Zoologists' Association of Sri Lanka.

| Year    | Project location   |
|---------|--|
| 2022/23 | Udawalawa, Katharagama, Suriyawewa, Padalangala, Matara, Ambalanthota, Ussangoda, Agunakolapaessa, Hambanthota, Dehiwala Zoo |
| 2020/21 | Dehiwala   |
| 2019/20 | Ridiyagama, Pinnawala  |
| 2018/19 | Ridiyagama, Pinnawala, Dehiwala  |
| 2017/18 | Wasgamuwa  |

### Continuous Awareness

To demonstrate our commitment to climate action, we undertake to promote sustainability knowledge and good practice among our customers and communities. Awareness campaigns run through social media aim to inform the importance of environment protection and conservation.

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**5 RELATIONSHIP BETWEEN CAPITALS**

**Trade-off between capitals**

|                        | S |   |   | M |  |  | L |  |  | S |   |   | M |   |   | L |   |   |
|------------------------|---|---|---|---|--|--|---|--|--|---|---|---|---|---|---|---|---|---|
| Green office practices | ▼ | ▲ | ▲ |   |  |  | ▲ |  |  | ▲ | — | — |   |   |   | ▲ | ▲ | ▲ |
| Green financing        | ▼ | ▲ | ▲ |   |  |  |   |  |  |   |   |   | — | ▲ | ▲ | ▲ | ▲ | ▲ |

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

**Reaping benefits of investing in natural capital**



## 6 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.

#### Short-term

- ▶ Invest in alternative energy such as solar power to meet at least 80% of LBF's energy requirements
- ▶ Implement solutions to enhance the digital user experience for employees

#### Medium-term

- ▶ Using low CO<sub>2</sub> emitting equipments and materials
- ▶ Supporting the low carbon economy by promoting the use of electric or hybrid vehicles

#### Long-term

- ▶ Reduce carbon emissions through green building design
- ▶ Improve environmental tracking and reporting
- ▶ Implementing fully fledged EMS

#### Growth sustainable opportunity

Fully fledged digital branches

#### Vision

Be Sri Lanka's No. 1 tech-driven financial entity

### SWOT ANALYSIS

#### **S** STRENGTHS

- ▶ Well established environmental managing strategy to promote sustainable waste and energy management

#### **W** WEAKNESSES

- ▶ High dependency on non-renewable sources for the Company's energy requirements

#### **O** OPPORTUNITIES

- ▶ Moving towards a low carbon operations by embedding emission reducing initiatives into operational plans

#### **T** THREATS

- ▶ Stiff competitive pressure for green financing

Right Solutions

Right Value

Right Direction

Right Experience

Right Vision

Right Strategy

Introduction