

# **Environmental and Social Management System**

**LOLC Finance PLC (LOFC)**

**Version control** [To be used after first approval and use for version control]

## **ENVIRONMENTAL AND SOCIAL MANAGEMENT SYSTEM**

Micro, Small and Medium Enterprises (MSMEs) play a key role in the Sri Lankan economy, accounting for more than 90% of registered enterprises in the non-agricultural sector and 45% of total employment.

LOLC Finance PLC (LOFC) believes in the importance of providing an inclusive financial service. Our mission is to reach out to all Small and Medium Enterprises and provide them with affordable and convenient financial services tailored to their specific needs.

In line with our corporate values, we are committed to the highest standards of ethical conduct in all we do. We abide by the laws of the land and strive to be good citizens and take responsibility for our actions.

Consequently, we are committed to integrating environmental and social management into our business activities and those with whom we have a relationship with.

In accordance with the aspirations and obligations of LOFC, we have developed and will implement an Environmental & Social Management System (ESMS) which supports the following policy objectives:

- We will conduct our business in accordance with the applicable E&S laws, rules and regulations in the localities we operate in and strive to be an environmentally responsible neighbour in each locality;
- We will strive to introduce pollution prevention and resource conservation opportunities in our business planning and operation decisions;
- We will not finance any of the excluded activities, as defined in this ESMS;
- We will ensure the operations of borrowers are adequately assessed against the environmental & social requirements, as defined by the ESMS;
- We will adequately integrate environmental and social risk management into the credit review cycle to ensure lending activities are screened for environmental & social risks;
- We will work together with our customers put into practice applicable environmental and social safeguard requirements;
- We will ensure that there are designated people with roles and responsibilities to support the implementation of the ESMS, and provide appropriate training for them to carry out their responsibilities;
- We will ensure the ESMS is reviewed and updated on a regular basis; and
- We will report, as required, to our stakeholders on ESMS implementation.

This Environmental and Social (E&S) Policy will be communicated to all staff and operational employees of LOFC, as well as our customers.