COMMERCIAL CREDIT AND FINANCE PLC

Sustainable Finance Policy

(Environmental, Social and Governance Policy)

CONTENTS

1. Introduction

This policy statement lays out Commercial Credit and Finance (CCL) approach to sustainable finance through effectively managing environmental , social and governance (ESG) risks associated with the business model of the Company and increase support to business that are greener , climate-friendly and socially inclusive.

2. Version Control

This policy will be reviewed once every three (3) financial years or in the event of any changes in the regulatory requirements. The updates will be recorded in the "Version Control" with details of revisions and effective dates.

Version Code	Release Date	Prepared by	Approved by
1.0	31 March 2023	Genius Compliance / Compliance Officer	Board of Directors

3. Scope of this Policy

This policy applies to everyone who carries out work for the company, including but not limited to;

- All directors and employees including trainees and staff under contract basis,
- Outsourced staff,
- Consultants.

4. Regulatory framework

This policy is guided by;

- Road-map for Sustainable Finance in Sri Lanka issued by the Central Bank of Sri Lanka.
- The CBSL Guideline on suitable finance activities applicable to licensed finance Companies.

5. **Definitions**

- Sustainable finance is broadly defined as any form of financial product/service that promotes positive environmental and/or social (ES) purposes while contributing to achieve the road-map for Sustainable Development presented by the Central Bank of Sri Lanka as per United Nations (UN) Sustainable Development Goals (SGD) .

- Following sectors are defined as the priority sectors in accordance with the CBSL guideline,

  a) Forestry and logging;

  b) Agriculture;

  c) Manufacturing;

  d) Electric power generation, transmission and distribution;

  e) Water supply, sewerage and waste management;

  f) Construction;

  g) Transportation and storage;

  h) Tourism and recreation;

  i) Information and communication technology;

  j) Financial services (facilitating provision of affordable insurance products to increase climate resilience of agriculture and tourism activities); and

  k) Other activities such as, gas, steam, and air conditioning supply, underground permanent geological storage of CO_2, Hydrogen storage.

6. **Role of the Board of Directors**

The Board of Directors play a vital role when establishing a sustainable financing strategy of the company and key roles are set out as below.

- Ensure sustainable finance through appropriate Environmental , Social and Governance consideration in the company business strategies.
- The Board should effectively and efficiently oversee the sustainable finance activities in the company.
- Ensure sufficient resources are allocated to achieve objectives of the sustainable finance policy.
- Ensure identification of priority sectors for sustainable financing as defined in the section 5 above.
- Ensure disclosure of both positive and negative environmental and social impacts generated through investment, sustainability policies and programs implemented within the organization.
- Ensure technical training and capacity building among key stakeholders on ESG risk management and opportunities.
- Oversee the ESG risk management structure of the company .

7. Roles and Responsibility of the CEO and Senior Management

- Provide leadership to Innovate loan/deposit products for energy efficiency, green building, green urban infrastructure, water saving and efficiency, and climate-smart agriculture through project loans, corporate loans, green mortgage loans, etc.
- Ensure adequate resources, skills and expertise are allocated to the implementation and management of sustainable finance activities.
- Develop sustainable saving products to mobilize small savings for sustainable activities.
- Raise the public's awareness on sustainable finance.
- Support green and socially inclusive projects through leasing business.
- Explore a sustainable model of leasing that could extend the life-cycle of equipment, machinery and appliances to promote a circular economy and sustainability.
- Explore specialized investment instruments to mobilize savings/assets and catalyze them towards sustainable investments.

- Develop more accessible, affordable and efficient financial products and services tailored for individual and communities that traditionally have had limited or no access to financial services.
- Improve access to essential financial products and services.
- Develop internal programs to enhance capacity of identifying and quantifying the credit and market risks that may arise from environmental and social exposure.
- Develop expertise in environmental stress testing and scenario analysis.
- Hire professionals that have sustainable finance-related work experiences to help them gain a better understanding of ESG risks, develop tools that fit their existing procedures and processes to better-mitigate and -manage risks and to better-grasp green investment opportunities.
- Encourage the establishment of monitoring and evaluation mechanism of sustainable finance progress and impacts within financial institutions.
- Ensure policies, tools, metrics, operational procedures and controls adopted implemented by the company in respect of sustainable finance activities are integrated with other relevant policies and procedures of the company.
- Ensure Board is informed in a timely manner on the progress and material issues relating to sustainable finance activities.
- Ensure sustainable finance through financial Inclusion.

8. Management of ESG and Risk Relating to Sustainable Finance Activities

ESG risk management is a system that helps financial institutions identify, assess and manage ESG related risks through financial institutions' decision-making processes to enhance ESG integration. It includes governance for environmental and social risks, risk management practices as well as an enforcement mechanism.

- The company should identify and evaluate ESG risks and risk relating to sustainable business activities, considering the nature, scale, complexity and interconnectedness of their operation and assess the magnitude and materiality of such risk.

- The company should incorporated the identified ESG risks in the company overall risk management framework and ensure appropriate risk mitigation measures are in place.
- In this regard, the company shall incorporate ESG risk management into decision-making processes, including the integration of ESG factors into the company's internal risk assessment methods.

9. Disclosures and Reporting

The company should ensure following disclosures in the annual report

- An overview on sustainable finance policies and activities.
- Identified ESG and sustainable finance related risks and associated mitigation measures.
- The environmental and social impact of current and proposed investment and business activates.
- The progress made on suitable finance related activates including implementation of the road-map and the action plan for the next year.
- The total annual amount of sustainable funds raised for and funds allocated to sustainable finance related activities.

End of the document.

Recommended by the BIRMC on 22.03.2023
Approved by the BOD on 31.03.2023