

# **ENVIRONMENT, SOCIAL AND GOVERNANCE SUSTAINABILITY POLICY**

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## Document Control

### Document properties

<b>Owner</b>	Risk Officer / Compliance Officer
<b>Version</b>	Version 1.0
<b>Review frequency</b>	Annually or as and when required to accommodate any changes in regulatory or other requirements.

### Authorization

<b>Drafted by</b>	Risk Department
<b>Approved by</b>	Board of Directors
<b>Date</b>	

## Contents

1. Background .....	4
1.1 Objectives.....	4
1.2 Environmental Goals.....	4
1.3 Social Goals .....	4
1.4 Governance Goals .....	4
1.5 Sustainable Development Goals (SDGs) .....	5
2. Scope.....	5
3. Legal Framework and Other Guidelines .....	5
4. What is ESG Sustainability.....	6
4.1 Integrating ESG Sustainability into Finance .....	6
5. Sustainable Finance .....	6
5.1 Priority sectors for sustainable finance activities .....	7
6. Roles and Responsibilities.....	7
6.1 Responsibilities of Board of Directors (BODs).....	7
6.2 Responsibilities of Chief Executive Officer.....	7
6.3 Responsibilities of Senior Management .....	8
6.4 Employee Responsibilities .....	8
7. Role of Energy Manager.....	8
7.1 Importance of the Energy Manager Role in Sustainable Finance.....	8
7.2 Responsibilities of Energy Manager.....	9
8. ESG Risk Assessment and Management .....	9
8.1 Identification and Assessment of ESG Risks.....	9
8.2 Integration into Risk Management Framework.....	9
8.3 Implementation of Risk Management Practices.....	9
8.4 Continuous Review and Improvement .....	9
9. Capacity Building and Innovation .....	9
10. ESG Sustainable Finance Disclosure and Reporting Requirement.....	9
10.1 Overview of Sustainable Finance Policies and Activities .....	9
10.2 ESG and Sustainable Finance Risks and Mitigation Measures.....	10
10.3 Environmental and Social Impact .....	10
10.4 Progress and Roadmap Implementation .....	10
10.5 Sustainable Funds Raised and Allocated.....	10
11. Review of the Policy & Procedure.....	10
12. Effective Date.....	10

## 1. Background

Abans Finance PLC is dedicated to being a responsible and forward-thinking company. The Company know that businesses have a big role in protecting the environment and supporting society. That's why the company have created a clear sustainability plan that includes Environmental, Social, and Governance (ESG) goals. This plan helps the company to make decisions that are good for both people and the planet.

The company`s sustainability plan is designed to guide us in doing the right thing. It's based on best practices from around the world and local standards, so the company can effectively tackle environmental and social challenges.

### 1.1 Objectives

- **Unified Approach:** The Company want to work closely with government agencies and financial regulators to make sure everyone is on the same page about sustainability. By aligning our policies with theirs, The Company can better manage environmental and social issues together.
- **Building Strength and Growth:** The Company aim to make our company and the financial sector more resilient by managing risks related to the environment and society. This means the company is not just protecting against risks but also helping our business and the industry grow in a sustainable way.
- **Supporting Green Innovations:** The Company is committed to developing and supporting new financial products that help the environment. This includes investing in projects that fight climate change and promote sustainable development in Sri Lanka.

### 1.2 Environmental Goals

- **Reducing Climate Impact:** The Company focus on lowering our carbon footprint by supporting projects that cut greenhouse gas emissions and move towards a greener economy.
- **Adapting to Climate Change:** The Company invest in projects that help communities and businesses adapt to climate change, like improving infrastructure to handle extreme weather.
- **Preventing Pollution:** The Company work to reduce pollution and manage waste more effectively, supporting practices that keep our environment clean.
- **Conserving Resources:** The Company emphasize using resources wisely and protecting natural areas. Our goal is to back initiatives that conserve nature and use resources more efficiently.

### 1.3 Social Goals

- **Diversity and Inclusion:** We hire and promote people from various backgrounds to create a more inclusive workplace.
- **Community Support:** We donate to local charities and fund community projects like schools and parks.
- **Employee Well-being:** We offer wellness programs, flexible work hours, and mental health support for our employees.
- **Fair Labor Practices:** We ensure fair wages and safe working conditions for everyone in our supply chain.

### 1.4 Governance Goals

- **Transparency:** We regularly share clear and honest updates about our business practices and financial status.
- **Ethical Conduct:** We follow strict rules to prevent corruption and ensure fair dealings in all our business activities.

- **Board Oversight:** We have a diverse and independent board that makes sure we're following our policies and managing risks properly.
- **Data Security:** We protect customer and employee data with strong security measures and comply with privacy laws.
- **Stakeholder Communication:** We actively listen to feedback from customers, investors, and the public to make sure our business practices align with their expectations.

### 1.5 Sustainable Development Goals (SDGs)

The United Nations Sustainable Development Goals (SDGs) are a set of 17 global goals designed to address a broad range of issues and challenges facing the world. Adopted in 2015, these goals aim to end poverty, protect the planet, and ensure prosperity for all by 2030.

Abans Finance PLC is committed to aligning its operations and investment strategies with the United Nations Sustainable Development Goals (SDGs), by embedding these goals into our core policies, The Company aim to support global efforts in.

The 17 SDGs are integrated, they recognize that action in one area will affect outcomes in others, and that development must balance social, economic and environmental sustainability and are as listed below.

No	UNDP SDGs	No	UNDP SDGs
1	No Poverty	10	Reduce Inequalities
2	Zero Hunger	11	Sustainable Cities and Communities
3	Good Health and well-being	12	Responsible Consumption and Production
4	Quality Education	13	Climate Action
5	Gender Equality	14	Life Below Water
6	Clean Water and Sanitation	15	Life on Land
7	Affordable and Clean Energy	16	Peace, Justice and Strong Institutions
8	Decent Work and Economic Growth	17	Partnerships for the Goals
9	Industry, Innovation and Infrastructure		

### 2. Scope

This ESG policy applies to everyone involved with Abans Finance PLC (AFPLC), including employees, partners, and clients. If there are any conflicts between this policy and other regulations or guidelines, the stricter rules will take priority. The policy ensures that all our activities and decisions consider environmental protection, social responsibility, and good governance.

The company expect everyone involved with AFPLC to act honestly and fairly. This means following the law, avoiding any form of corruption, and being transparent in all the company dealings and commitment to ethical behavior helps build trust and ensures that the company operate with integrity.

### 3. Legal Framework and Other Guidelines

The following legal provisions are applicable for this policy

- a) Environmental Protection Act No 11 of 2000
- b) The Social Responsibility Act No 7 of 2018
- c) Corporate Governance Code No 5 of 2017
- d) Climate Change Act No 23 of 2016
- e) Financial Disclosure Regulation No 3 of 2021
- f) Guidelines on Sustainable Finance Activities
- g) Roadmap for Sustainable Finance in Sri Lanka

- h) Sri Lanka Sustainable Energy Authority Act No 35 of 2007
- i) Finance Business Act Direction No 01 of 2024 – Periodic Reporting Requirements

#### 4. What is ESG Sustainability

ESG sustainability refers to integrating environmental, social, and governance factors into business practices to promote long-term, responsible growth.

- **Environmental sustainability** involves actions to reduce a company’s ecological footprint, such as conserving resources, managing waste, and supporting climate action.
- **Social sustainability** focuses on fair treatment and respect for people, ensuring safe working conditions, promoting diversity and inclusion, and engaging positively with communities.
- **Governance sustainability** ensures ethical management and transparency, adherence to laws, effective risk management, and accountable decision-making.

##### 4.1 Integrating ESG Sustainability into Finance

Integrating ESG sustainability into finance means incorporating environmental, social, and governance factors into financial decisions. This includes investing in eco-friendly projects, ensuring fair treatment and safety for employees, and maintaining transparent and ethical practices. By doing so, finance companies support positive social and environmental outcomes while promoting long-term success.

#### 5. Sustainable Finance

Sustainable finance is crucial for addressing the pressing challenges of environmental degradation, climate change, and social inequality. It involves directing investments towards projects and initiatives that promote environmental protection and social well-being while supporting economic growth. To achieve the Sustainable Development Goals (SDGs) and meet the targets of the Paris Agreement, substantial public and private financial mobilization is required. This includes adhering to international standards such as the Sustainable Banking Network (SBN) and the Equator Principles, as well as implementing national policies tailored to local contexts. Sustainable finance aims to support a wide range of sectors and investments necessary for creating an inclusive and resilient global economy.

The figure below illustrates the "Roadmap for Sustainable Finance in Sri Lanka." This roadmap outlines the strategic approach and key steps for integrating sustainable finance practices within the country. It highlights how Sri Lanka plans to align with international standards and implement national policies to support environmental, social, and economic sustainability.

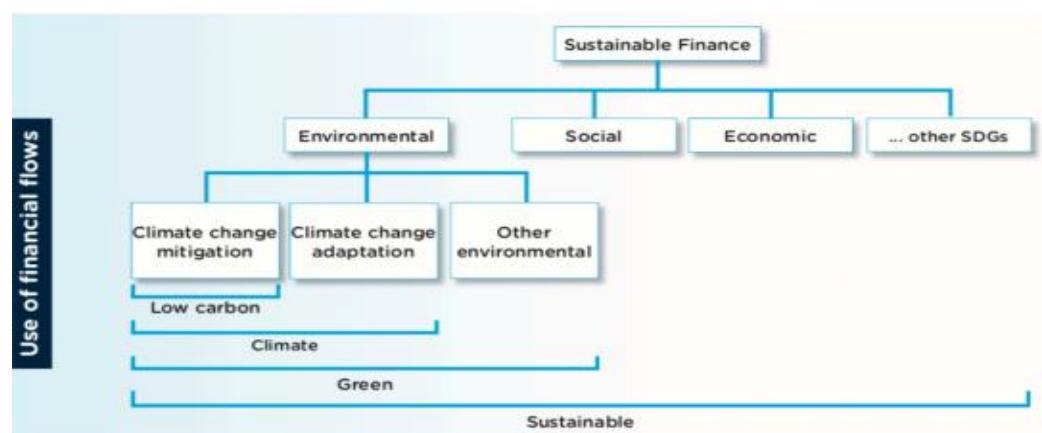


Figure 1 UN Environment & World Bank Group, 2017. Roadmap for A Sustainable Financial System. Adapted from UN Environment Inquiry, 2016.

## 5.1 Priority sectors for sustainable finance activities

Priority Sector	Description
Forestry and Logging	Activities related to sustainable forest management and logging practices.
Agriculture	Initiatives promoting sustainable farming and food security.
Manufacturing	Projects focused on sustainable production processes and reducing environmental impact.
Electric Power Generation, Transmission, and Distribution	Investments in renewable energy sources and efficient power infrastructure.
Water Supply, Sewerage, and Waste Management	Solutions for improving water management, sewage systems, and waste reduction.
Construction	Development of green buildings and sustainable construction practices.
Transportation and Storage	Enhancements in sustainable transportation systems and efficient storage solutions.
Tourism and Recreation	Projects that promote sustainable tourism and recreational activities.
Information and Communication Technology	Technologies that support environmental sustainability and efficiency.
Financial Services	Facilitation of affordable insurance products to increase climate resilience in agriculture and tourism.
Other Activities	Includes: <ul style="list-style-type: none"> <li>• Gas, steam, and air conditioning supply</li> <li>• Underground permanent geological storage of CO<sub>2</sub></li> <li>• Hydrogen storage</li> </ul>

## 6. Roles and Responsibilities

The following roles and responsibilities apply:

### 6.1 Responsibilities of Board of Directors (BODs)

- Clear roles and responsibilities of BODs and senior management who are implementing sustainable finance activities.
- Identifying and managing of ESG risks, and risks relating to sustainable finance activities.
- Parameters and metrics for measuring the progress of sustainable finance activities.

### 6.2 Responsibilities of Chief Executive Officer

- Policies, tools, metrics, operational procedures and controls implemented by the company in respect of sustainable finance activities are reviewed and updated at least annually, and integrated with other relevant policies and procedures of the company.
- Adequate resources, skills and expertise are allocated to the implementation and management of sustainable finance activities.

- Clear articulation of roles and responsibilities of business units and functions in managing risks associated with sustainable finance activities.
- BODs are informed in a timely manner on the progress and material issues, relating to sustainable finance activities.

### **6.3 Responsibilities of Senior Management**

- Ensure that policies and procedures related to sustainable finance are reviewed and updated at least once a year, and make sure they work well with other company policies.
- Allocate the necessary resources and skills to effectively manage and support sustainable finance activities.
- Clearly outline who in the company is responsible for managing risks related to sustainable finance.
- Keep the Board of Directors informed about progress and key issues related to sustainable finance on a regular basis.

### **6.4 Employee Responsibilities**

- Stick to the company's sustainable finance policies in their daily tasks.
- Attend training sessions on sustainable finance.
- Spot and report any problems or risks related to sustainable finance.
- Share information and work together with their team and other departments.
- Use resources effectively in their role.
- Follow ethical practices in all their work.

## **7. Role of Energy Manager**

The role of an energy manager emerged as part of the Sri Lanka Sustainable Energy Authority's efforts to improve energy efficiency and promote sustainable energy practices. As the authority set policies and goals for better energy use, it became clear that dedicated professionals were needed to manage and monitor energy consumption effectively. To support this, SLSEA introduced training and certification programs, helping to establish and formalize the position of energy manager within organizations.

Energy management involves a systematic approach to monitoring, controlling, and conserving energy within an organization. The process begins with metering energy consumption and collecting data to establish a baseline. Next, opportunities for energy savings are identified and potential savings are estimated. Following this, actions are taken to implement energy-saving measures, such as addressing routine energy waste and upgrading inefficient equipment. Finally, progress is tracked by analyzing the collected data to ensure that the implemented measures are effective. This process is cyclical, requiring ongoing evaluation and adjustment to continually improve energy efficiency and conservation.

### **7.1 Importance of the Energy Manager Role in Sustainable Finance**

The energy manager role is crucial in sustainable finance because it helps companies save money by reducing energy costs, ensures they meet regulations to avoid fines, and supports environmental goals by improving energy efficiency. This makes the company more attractive to investors interested in sustainability and helps with long-term planning by maintaining equipment and managing future energy needs.



## **7.2 Responsibilities of Energy Manager**

- Monitor and record energy consumption; submit regular reports.
- Identify and estimate potential energy savings.
- Act on energy-saving opportunities and keep up with new technologies.
- Conduct training on energy efficiency and advise on equipment purchases.
- Verify that new buildings meet energy-efficient standards.
- Prepare and implement the energy efficiency plan; assess progress and impact.

## **8. ESG Risk Assessment and Management**

### **8.1 Identification and Assessment of ESG Risks**

The Company is required to identify and evaluate Environmental, Social, and Governance (ESG) risks, as well as risks related to sustainable business activities. This evaluation should consider the nature, scale, complexity, and interconnectedness of the company's operations, and assess the magnitude and materiality of these risks.

### **8.2 Integration into Risk Management Framework**

Identified ESG risks must be incorporated into The company's overall risk management framework. This integration ensures that ESG risks are managed alongside traditional financial and operational risks.

### **8.3 Implementation of Risk Management Practices**

The company is expected to implement effective risk management practices and internal controls to mitigate identified ESG risks. ESG risk management should be integrated into all decision-making processes to ensure comprehensive and proactive management of these risks.

### **8.4 Continuous Review and Improvement**

The company must continuously review and improve their risk management practices to adapt to evolving ESG risks and regulatory requirements. Regular updates and adjustments should be made to maintain effective risk management and internal control systems.

## **9. Capacity Building and Innovation**

The company is encouraged to:

- Develop ESG risk management skills of its staff members through internal external trainings.
- Develop internal expertise to implement sustainable finance related activities or hire sustainable finance professional as appropriate, for such implementation.
- Develop expertise in environmental stress testing and scenario analyses.

## **10. ESG Sustainable Finance Disclosure and Reporting Requirement**

### **10.1 Overview of Sustainable Finance Policies and Activities**

The company are required to provide a comprehensive overview of their sustainable finance policies and activities in their annual reports. This should include details on the objectives, strategies, and key initiatives related to sustainable finance.

## **10.2 ESG and Sustainable Finance Risks and Mitigation Measures**

The company must disclose identified Environmental, Social, and Governance (ESG) and sustainable finance-related risks, along with the associated mitigation measures. This includes outlining how these risks are managed and controlled.

## **10.3 Environmental and Social Impact**

Report on the environmental and social impact of both current and proposed investments and business activities. This includes an assessment of how these activities contribute to or detract from sustainability goals.

## **10.4 Progress and Roadmap Implementation**

Provide updates on the progress made in sustainable finance activities, including the implementation of the sustainable finance roadmap and action plan. Outline achievements and plans for the upcoming year.

## **10.5 Sustainable Funds Raised and Allocated**

Disclose the total and annual amounts of sustainable funds raised and allocated to sustainable finance-related activities. This includes specifying how funds are utilized to support sustainability goals.

## **11. Review of the Policy & Procedure**

Policy is subject to review within 12 months from the effective date, or, the occurrence of a trigger event, whichever is earlier.

## **12. Effective Date**

This document shall be applicable with effect from the date of the board meeting at which it is approval.

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End of Document

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