

**ENVIRONMENTAL  
SOCIAL AND  
GOVERNANCE  
POLICY**

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## 1. Introduction

This policy aims to develop an understanding of Softlogic Capital PLC's (The Company) approach to managing Environmental, Social and Governance Risk.

The Company will integrate the assessment of Environmental, Social and Governance Risks into its' Corporate Strategy and existing Risk Management Framework and processes.

## 2. Purpose

The purpose of this Policy is to formalize Softlogic Capital PLC's commitment to responsible and thoughtful management and the integration of ESG considerations throughout its processes, to reduce risk and enhance value creation.

This Policy will be supported by relevant Global Initiatives Industry Standards and best practices as well as reporting standards that Softlogic Capital PLC aligns with, including but not limited to those developed by:

- International Labour Organisation (ILO),
- Shop and Office Act
- United Nations (UN) Global Compact,
- The International Finance Corporation (IFC),
- GRI Standards published by the Global Reporting Initiative, 'In accordance' to core guidelines ([www.globalreporting.org](http://www.globalreporting.org)).
- Guidance on ESG Reporting by the Colombo Stock Exchange.
- Sustainable development goals (SDGs) and UNGC of United Nations

### **3. Applicability of the Policy**

The Policy will be applicable to Softlogic Capital PLC's (SCAP) including its affiliates and/or subsidiaries.

### **4. Policy Owner**

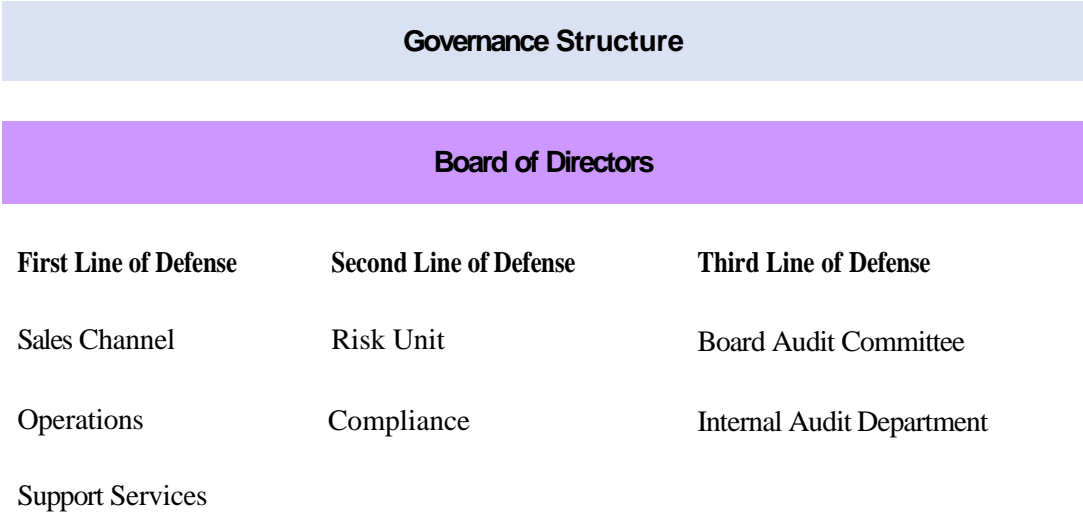
The Policy falls under the purview of the Risk Unit, which will bear responsibility for compiling and presenting the policy as well as reviewing the policy on an annual basis and reporting any changes that arise as a result. The Policy will be approved by the Board of Directors.

### **5. Application of Policy**

The Responsibility of applying this policy and following required procedures rests with all employees of SCAP who bear responsibility for assessing and/or approving new business in relation to Group Policies as well as Individual/s in charge of carrying out Investments on behalf of the Company

## 6. ESG Framework

The Company’s ESG Framework is integrated and embedded within the overall Risk Management Framework of the Company and operates based on key stakeholder pillars.



Risk Management Pillars	ESG Pillars
Environmental, Social and Governance Risks	• <i>Employees</i> <b>S</b>
Strategic Risks	• <i>Sales Agents</i> <b>S</b>
Insurance Risks	• <i>Vendors, Suppliers and Consultants</i> <b>S</b>
Economic and Market Risks	• <i>Government</i> <b>G/S</b>
Reputation Risk	• <i>Regulator</i> <b>G</b>
Regulatory Risks Operational Risks	• <i>Investors</i> <b>G/S</b>
	• <i>Other External Community</i> <b>S</b>
	• <i>Environment</i> <b>E</b>

## 7. ESG Objectives

This objectives below are applicable across the Companies activities and will be adopted and refined as the business matures.

- Setting the framework, strategy and policy and procedures for ESG Risk Management
- Establishing the Company's ESG Risk appetite and strive to reach specific measurable ESG Goals
- Align the Company's ESG Goals against the United Nations Sustainability Development Goals
- Build internal capacity in environmental and social (ESG) risk analysis and management and to cultivate specialist skills in these regards,
- Building ESG awareness and building an ESG Pro culture and disseminating the culture across the organization
- Integrate environmental and social risk management considerations into SCAP's business activities and approval and risk management processes and establish an effective reporting framework to track and report ESG issues in relevant areas
- Apply the environmental and social requirements and standards, relevant exclusion lists etc as per International best practices where relevant.
- Ensuring our ESG Policy is available on the company's intranet initially with the aim of publishing the same on the Company's website
- Communicate the importance of ESG practices with all existing and potential stakeholders whilst encouraging these stakeholders to practice the same.
- Ensuring that the Board of Directors has all the required information to enable it to efficiently exercise its governance function in relation to ESG Risks.
- Disseminating information on ESG risk to the Board of Directors.
- Reporting to our investors on ESG Metrics on an annual basis.

## 8. Core UNSDG Goals



## 9. Exclusion List

The Company will apply the Exclusion List below and will **not invest** in any activity, production of, trade in, or distribution of involving the list below.

1. Forced labour<sup>1</sup> or child labour<sup>2</sup>
2. Gambling, casinos and equivalent enterprises
3. Activities or materials deemed illegal under host country laws or regulations or international conventions and agreements, or subject to international phase-outs or bans, such as;
  - a) Ozone depleting substances, PCB's<sup>3</sup> (Polychlorinated Biphenyls) and other specific, hazardous pharmaceuticals, pesticides/herbicides or chemicals.
  - b) Wildlife or products regulated under the Convention on International Trade in Endangered Species or Wild Fauna and Flora (CITES)<sup>4</sup>; or
  - c) Unsustainable fishing methods (e.g. blast fishing and drift net fishing in the marine environment using nets in excess of 2.5 km in length).
4. Cross-border trade in waste and waste products, unless compliant with the Basel Convention and the underlying regulations.
5. Destruction<sup>5</sup> of High Conservation Value areas<sup>6</sup>
6. Radioactive materials<sup>7</sup> and unbounded asbestos fibres.
7. Pornography or prostitution.

8. Racist and anti-democratic media.
9. Weapons and ammunitions
10. In the event the following sector exposures are more than 10% of the Company's Total Revenue for Investment Activities
  - i. Alcoholic Beverages (except beer and wine)
  - ii. Tobacco
11. Significant conversion or degradation of Critical Habitat
12. Significant alteration, damage, or removal of any critical cultural heritage.
13. Relocation of Indigenous Peoples from traditional or culturally significant land

**Where;**

<sup>1</sup> Forced labor means all work or service, not voluntarily performed, that is extracted from an individual under threat of force or penalty as defined by ILO conventions.

<sup>2</sup> Persons may only be employed if they are at least 14 years old, as defined in the ILO Fundamental Human Rights Conventions (Minimum Age Convention C138, Art. 2), unless local legislation specifies compulsory school attendance or the minimum age for working. In such cases the higher age shall apply.

<sup>3</sup> PCBs: Polychlorinated biphenyls, a group of highly toxic chemicals. PCBs are likely to be found in oil-filled electrical transformers, capacitors and switchgear dating from 1950-1985

<sup>4</sup> CITES: Convention on International Trade in Endangered Species or Wild Fauna and Flora

<sup>5</sup> Destruction means the (1) elimination or severe diminution of the integrity of an area caused by a major, long- term change in land or water use or (2) modification of a habitat in such a way that the area's ability to maintain its role is lost.

<sup>6</sup> High Conservation Value (HCV) areas are defined as natural habitats where these values are considered to be of outstanding significance or critical importance (See <http://www.hcvnetwork.org>).

<sup>7</sup> This does not apply to the purchase of medical equipment, quality control (measurement) equipment or any other equipment where the radioactive source is understood to be trivial and/or adequately shielded.



## 10. Other Supporting Policies

It must be noted that the ESG Policy will be supported and complimented by multiple policies governing a variety of areas and specialties across the Company.

For example, it will be supported by, but not limited to the HR Policy (Employees), Customer Complaint Management Policy, Multiple IT Policies governing the end user such as; (*Sofilogic Capital PLC Access Control Policy, Sofilogic Capital PLC Password Policy, Sofilogic Capital PLC Computing Devices Usage Policy, Sofilogic Capital PLC E-mail Usage Policy*) etc.

## 11. Assessment of ESG Risks and Impacts

All identified risks are rated according to its likelihood of occurrence and the potential impact on the Business as per the Risk Scoring Matrix below which evaluates the impact and likelihood of occurrence.

The potential impact of a risk is evaluated based on its impact on business continuity, profit, and the loss of business portfolio as detailed below.

### Assessment and Measurement of Identified Risks

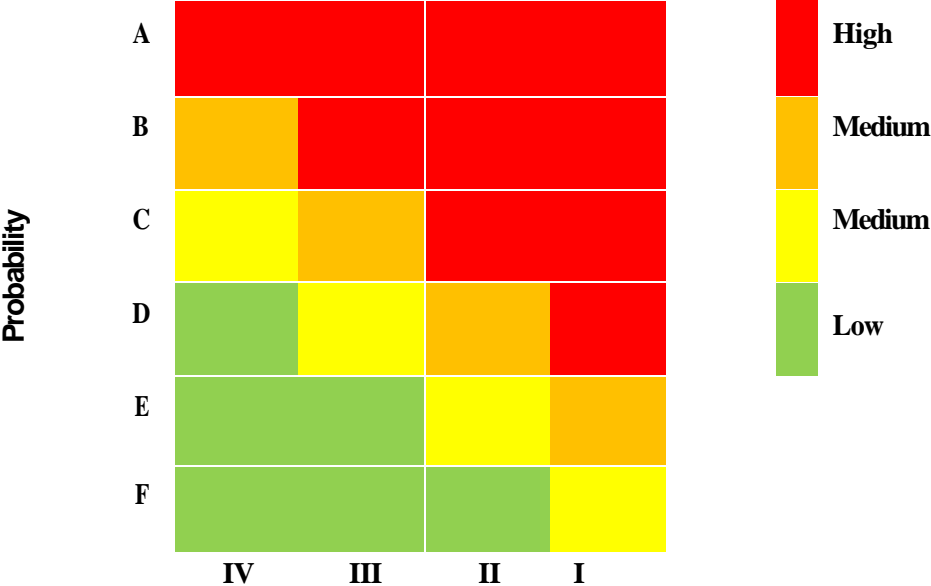
Risks that affect Business Continuity				
	IV – Marginal	III – Significant	II – Critical	I - Catastrophic
<b>Operations</b>	< 1 Hour	1 Hours < x < 5 Hours	5 hours < x < 1 Day	x > 1 Day
<b>Call Centre</b>	<5 Minutes	> 5 Minutes < 15 Minutes	> 15 Minutes < 30 Minutes	> 30 Minutes
<b>Other Critical Systems</b>	As defined in the BCP and IT DR Plan			

Other Risks				
	IV – Marginal	III – Significant	II – Critical	I - Catastrophic
<b>PBT</b>	x < Rs. 200 Mn	Rs. 200 Mn < x < Rs.450 Mn	Rs. 450 Mn < x < Rs. 750 Mn	x > Rs. 750 Mn
	X < 4.4%	4.4% < x < 10%	10% < x < 16.6%	x > 16.6%
<b>Total Equity</b>	X < 500 Mn	Rs. 500 Mn < x < Rs. 750 Mn	Rs. 750 Mn < x < Rs. 1.5 Bn	x > Rs. 1.5 Bn
<b>Loss of Market Share</b>	x < 0.5%	0.5% < x < 1.5%	1.5% < x < 2.5%	x > 2.5%
<b>Stakeholder Faith</b>	x < Rs. 2,500 Mn	Rs. 2,500 Mn < x < Rs. 4,500 Mn	Rs. 4,500 Mn ≤ x < Rs. 5,700 Mn	x ≥ Rs. 5,700 Mn

The likelihood of the occurrence of the risk is examined based on the historical experience and probabilities of occurrence under current market and economic conditions. The matrix defines the probability of occurrence as the likelihood of an event occurring in a particular time period. As such we have defined six probabilities of occurrence as given below.

Probability	Description	Definition
A	Very High	<3 Months
B	High	3 Months < 1 Year
C	Occasional	1 Year < 5 Years
D	Low	5 Years < 15 Years
E	Very Low	15 Years < 100 Years
F	Almost Impossible	>100 Years

These risks once rated according to the above are plotted on the traffic light matrix below.



## 12. Escalation, Treatment and Reporting of Risks

	Marginal	Significant	Critical/ Catastrophic
Escalation of Risk	Not Required	<ul style="list-style-type: none"> <li>Risk Unit</li> <li>Risk Owner</li> <li>Owner of Risk Mitigation</li> <li>Senior Management</li> </ul>	<ul style="list-style-type: none"> <li>Risk Unit</li> <li>Risk Owner</li> <li>Owner of Risk Mitigation</li> <li>Senior Management</li> <li>Board of Directors</li> </ul>
Treatment Mechanism	Acceptable with continued monitoring or Acceptable after review of operation. Requires continued tracking and recorded action plans	<p>Implement controls immediately to mitigate risks so that risk is controlled.</p> <p>The Risk may also be accepted by the Board of Directors with recommendation of the Head of Risk</p>	<p>Immediate risk treatment actions are required since the impact is significant and reported and discussed by the Board of Directors.</p> <p>The Risk may be accepted by the Board of Directors on the recommendation of the Head of Risk</p>
Reporting	Internal Risk Committee and Board Risk Committee		

### **13. Acceptance of ESG related Risks**

#### **a) Criteria for Risk Acceptance**

- Risk acceptance shall be based on the following criteria's:
  - ✓ The cost of controls is significantly higher than the possible benefits gained from implementing such controls.
  - ✓ Acceptance of risk does not violate any legal, statutory and/or regulatory requirements.
  - ✓ Regional, socioeconomic, and environmental aspects that prevent the implementation of controls; and
  - ✓ The possible adverse impacts on business operations due to implementation of the controls and the related stakeholders' concerns and priorities.

#### **b) Communication of Risk Acceptance**

- a) The Company's Risk register will note the acceptance of the said risk, along with the description of the risk, justification of the risk, the criteria for risk acceptance as per the above methodology and any plans to reduce the risk in future
- b) Additionally, the Minutes of the Board of Directors should clearly mention the acceptance of the same

### **14. Awareness and Training**

The Company will continuously increase awareness of its staff on the Environmental Social and Governance Policy and its obligations.

- The policy will be uploaded on the company's intranet
- E-Flyers containing the exclusion list will be circulated to all staff at least 4 times a year

