

Managing for Sustainability

Sustainability Report

- Managing and Retaining Talent
- Effective Employee Engagement
- Continuous Learning and Development
- Environmental Consciousness
- Serving the Microfinance/SME Sector
- Empowering Women
- Empowering the Community

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At inception, the very nature of the LOLC Group's business rested on a firm tripod of sustainability, where economic, social and environmental implications were intrinsic components of our business model.

This basic premise remains true today as the Group diversifies and evolves into a financial solutions provider across all segments of society, economy and geography.

Given the extensive diversification of the Group, each Business Unit is entrusted with the task of managing the challenges to their triple bottom line, within the provisos of the overall Group Sustainability Policy.

LOLC is a member of the UN Global Compact and its charter on sustainability in practice.



This is our [Communication on Progress](#) in implementing the principles of the [United Nations Global Compact](#).

We welcome feedback on its contents.

Principles of the UN Global Compact

Human Rights

- Principle 1** - Businesses should support and respect the protection of internationally proclaimed human rights; and
- Principle 2** - Make sure that they are not complicit in human rights abuses.

Labour

- Principle 3** - Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
- Principle 4** - The elimination of all forms of forced and compulsory labour;
- Principle 5** - The effective abolition of child labour; and
- Principle 6** - The elimination of discrimination in respect of employment and occupation.

Environment

- Principle 7** - Businesses are asked to support a precautionary approach to environmental challenges;
- Principle 8** - Undertake initiatives to promote greater environmental responsibility; and
- Principle 9** - Encourage the development and diffusion of environmentally friendly technologies.

Anti-Corruption

- Principle 10** - Businesses should work against anti-corruption in all its forms, including extortion and bribery.

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Developing People for Growth

The HR strategy, which is firmly embedded in the overall business strategy of the LOLC Group, seeks to construct an apt, pragmatic and dynamic HR architecture for the organisation which effectively engages and develops employees to realise business strategies and objectives leading to growth in profitability and sustainability of the organisation. The strategy contributes to ascertaining and delivering HR requirements by ensuring that the apposite mix in quality and quantity of personnel exists in the Group through the implementation of effective people management policies, processes and technology thus making Human Resource Management and Development an influential part of the organisation's overall management.

The contribution of HR has been significant during the period under review, which enabled LOLC to really drive its rapid expansion, particularly in the North and East. HR processes were strengthened and they continued to perform on a shared service platform for the entire Group.

Managing and Retaining Talent

Through our HR processes, we have managed staff growth effectively by job rationalisation and re-structuring of departments during the economic downturn, which was in existence globally and locally from 2008 to mid 2009.

Assessment centres and screening processes were introduced for all positions of the Group and new recruits were required to follow these processes.

Many initiatives were taken to retain the existing talented employees which included performance-based rewards and recognition, employee engagement activities, learning initiatives, etc. A significant improvement of our attrition rate is visible over the past few years, which stood at 10.65% at the end of the 2009/10 financial year.

A performance driven climate helped strengthen the performance management system, which applies to all employees of the Group. Goal setting was optimally carried out, so that individual and team goals were linked to the Business Unit as well as Corporate Objectives.



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Effective Employee Engagement

Many opportunities were afforded to employees to formulate and contribute their own ideas and initiatives towards improving existing business practices, a system which has brought many benefits to the Group. During the year, employees were seen keenly involved in many decision making activities of the Group.

Continuous Learning and Development

We were focused mainly on internal and external customised multi-disciplinary training programmes during the period where 94% of the total staff cadre has been trained which is a key achievement.

Yet another successful Management Development Programme was conducted for young high flyers to train and prepare them for key leadership positions in the future. Thus, the corporate objective of creating a continuous learning climate and developing future leaders has been fulfilled.

Moreover, the Group has conducted many training programmes for the microfinance staff, in order to strengthen and establish its presence in the emerging microfinance field. With this intention, LOLC has also invested in the formation of a separate training academy for microfinance.

An industrial placement/internship programme was also introduced for undergraduates and school leavers with the idea of training and developing the younger generation to become the driving force of the country in the future.

Work/Life Balance

In addition, many recreational activities were conducted by the Group's Recreation Club 'SPIRIT'. A Sports Day was held regionally. The Annual Dinner Dance, Kiddies Party and Pirith Ceremony were also major events on the Group Calendar.

Winning the Silver for Best HR Practices at the Sri Lankan HR Awards 2010 organised by the Association of HR Professionals Sri Lanka in collaboration with Hewitt Associates - India, clearly demonstrates for the strong HR practices adopted by the Group and the employee value proposition of 'As we grow, so would you'.

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Environmental Consciousness

At the heart of every LOLC's enterprise lies environmental consciousness. The Group has in place many initiatives such as internal paper recycling, maximising the use of natural lighting resources, employing energy saving lighting and minimising unnecessary power draw offs particularly in respect of air conditioners, computers and the like. LOLC has also initiated a mammoth solar power project at its Head Office which will produce 15% of its total requirement, thus saving the 'draw-off' from the National Grid.

We are 'on the ground' with farmers everywhere; we know their business and its challenges and victories intimately. We are 'on the ground' with start up entrepreneurs, small scale business people, fishermen, dairy and livestock farmers... the list is extensive. Perhaps we are more privileged than many others to be steeped in the business we are - of taking a total financial solution portfolio with an accent on microfinance and SME empowerment, across the length and breadth of Sri Lanka.

We understand weather patterns; harvest times; conservation; renewable energy cultivation; carbon credits... in fact everything to do with appreciating and safeguarding precious natural resources and the environment. LOLC has been successful in using this knowledge in ground realities, to incorporate environmental and social risk assessments even within its credit appraisal processes.

As a PFI in the Environmentally-Friendly Solutions Fund Project II (E-Friends II), which has as its main objectives the control of industrial pollution, minimising industrial waste, protection and saving of resources, recycling waste and energy saving, LOLC has funded a number of projects such as paddy husk and saw dust fired boilers, waste water treatment plants and paint booths at service stations, among others.

As a PFI for RERED Grid connected Renewable Energy Projects, the Group has extended financial facilities for projects such as mini-hydropower generation, wind power generation, biomas-based energy projects plus projects aimed at improving energy efficiency in industries.

LOLC has pursued 'green' investments, taking a 75% stake in United Dendro as a step towards producing dendro power (renewable energy).

A further investment in 14 mini-hydropower projects was made to set these up on Pussellawa and Maturata Plantations. Pussellawa Estate already has a renewable power generating project producing 3.2 MW and earning valuable carbon credits for the Group.



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In fact, these two estates are a prime example of a vibrant and functioning ecosphere with impeccable environmental pedigree. Maturata plantations is in tea whilst Pussellawa is in rubber. LOLC has ensured that the substantial areas of uncultivated land on both estates do not lie fallow; extents not under cultivation are developed as forest reserves, growing teak and mahogany, whilst yet more land will welcome the 14 mini-hydropower stations.

Serving the Microfinance/SME Sector

Empowerment is the key factor that distinguishes LOLC's enterprise in this sector. A sustainable business model was created to serve the sector, where empowerment and support across economic, social and environmental parameters was of paramount importance.

During the year in review, LOMC proved to be one of Sri Lanka's largest providers of micro credit. They also became the largest financier of agricultural equipment in the country. LOMC's NPL ratios were among the lowest in the industry, which is ample proof of soundness of its business model.

LOLC was also a Participating Financial Institution (PFI) for the Japan International Cooperation Agency (JICA) funded Poverty Alleviation Microfinance Project II, which has as its primary goal, the improvement of income levels and economic and social conditions of those households earning an income of less than Rs. 15,000/- per month, and is active across 14 selected districts.

This project will finance fixed and working capital requirements of any legitimate income generating activity undertaken by the qualifying beneficiaries. Essentially, these activities are in the sectors of Agriculture, Livestock Farming, Fisheries, Small and Cottage Industries, Trade and Services and any other self-employment or income generating activity qualifying for the assistance of the PFI.

Empowering Women

Understanding the family nucleus in the traditional micro sectors and the peripheries of the country, lead in a logical projection to an increasing empowerment of women.

Through LOMC, the LOLC Group integrated empowerment of women into the microfinance business through issuing loans targeted at female micro-entrepreneurs who do not possess sufficient collateral to obtain credit from banks. The successful implementation of this product resulted in more than 90% of all LOLC's Group loan customers being women.

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Empowering the Community

Paraphrasing the American commando credo 'no one left behind', LOLC has a commitment to 'take the people with us' on a journey of self-help and self-development leading to a life lived with dignity and possessing the required resources of livelihood, shelter, education and income.

This is what we have set our business goals to deliver.

During the year in review, our subsidiary LOMC expanded group loan facilities to cover the areas of Nikaweratiya, Divulapitiya, Palaviya, Chilaw and Balangoda.

Our association with Sri Lanka Post as an important component of our outreach is reciprocated through many CSR measures we carry out assisting by way of contributions to their welfare and towards the upgrading and renovation of post offices particularly those in which we have a presence.

Our investment in the Galoya sugar factory with our plans to enhance its operations when it comes on-line in 2011, will be of direct benefit to the lives of 300 employees. Add to this figure the 4,400 irrigated farmer families for whom employment opportunities will materialise as a result of the factory being in viable operation plus a further 2,000 non-irrigated farmer families and you stand to have over 6,400 persons with gainful occupation and livelihood.

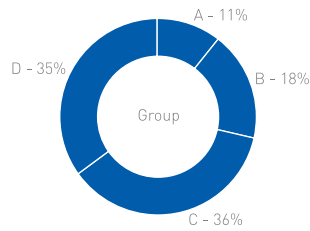
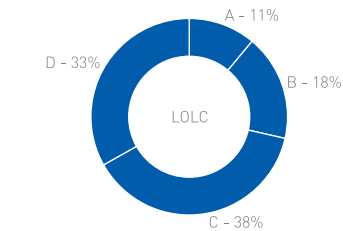
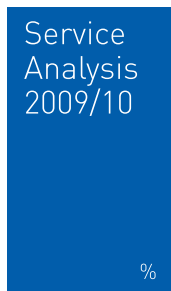
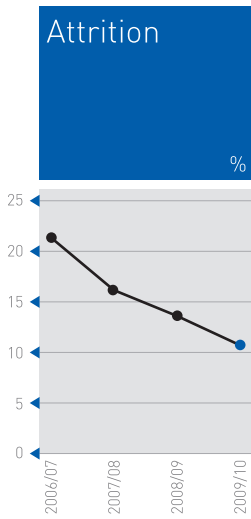
LOLC Care is a strategic CSR project of the Group which this year, sought to bring succour to the Madiwela Home for the Mentally Handicapped. The employees of the LOLC Group are offered an opportunity to contribute and participate in the CSR initiatives taken by the Group, through LOLC CARE.

Community service initiatives are also undertaken at Business Unit level. These initiatives range from providing food supplies to the needy, dry rations to victims of natural disasters and many more such projects which involve senior citizens, little children, the infirm, the differently abled, etc 'To give to those who are less fortunate and touch their lives in a way that truly matters' is the underlying philosophy of the Group's CSR policy.

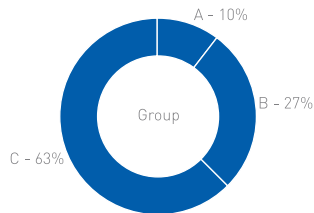
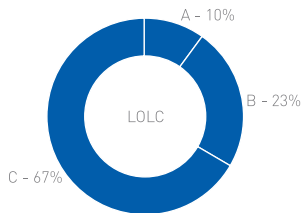
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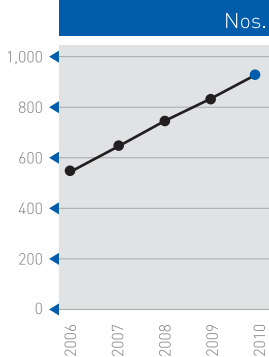
A - Over 10 Years | B - 5-10 Years | C - 2-5 Years | D - Less than 2 Years



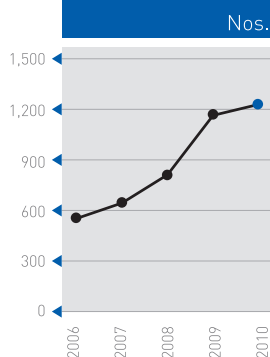
A - Managerial | B - Executive | C - Non-Executive

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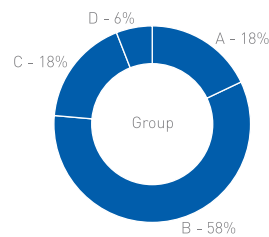
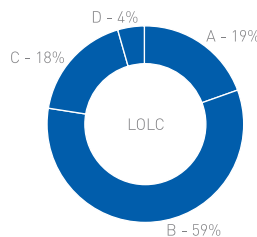
LOLC Staff Strength (LOLC)



LOLC Staff Strength (Group)

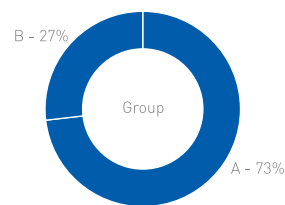
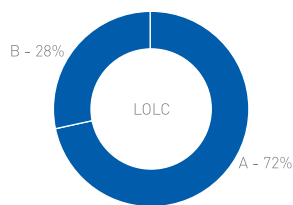


Age Analysis 2009/10



A - Less than 25 Years | B - 25-34 Years | C - 35-44 Years | D - Over 45 Years

Gender Analysis 2009/10



A - Male | B - Female

