Integrated Sustainability Policy Framework of SDB bank

Who We Are

SDB bank, a public listed development bank with deep roots in Sri Lanka's underserved communities, is uniquely positioned to drive sustainable development by leveraging its strong partnerships with local and international stakeholders. Committed to transforming Sri Lanka's real economy, we aim to channel capital and knowledge towards inclusive, green growth and the achievement of the UN Sustainable Development Goals through collaborative and innovative solutions.

Purpose, Scope and Alignment

Purpose and Scope

To clearly communicate the bank's philosophy, ethos, and commitments toward holistic sustainable development, outlining its approach to managing and upholding these values for the benefit of all stakeholders.

Global and National Alignment

SDB bank is committed to advancing global sustainability goals, including UN SDGs, Paris Climate Agreement, Aichi Biodiversity Targets, Sendai Framework, and the Addis Ababa Action Agenda. At the national level, we support priorities such as Sustainable Vision 2030, Sri Lanka's NDCs, and the National Biodiversity Strategic Action Plans. We will continue reducing our environmental and social footprint, promoting sustainable practices across our operations and financing activities, and engaging with stakeholders.

In line with this, we actively support the Central Bank of Sri Lanka's "Roadmap for Sustainable Finance" and, as a signatory and Core Group Member of the Sri Lanka Banks Association's Sustainable Banking Initiative, are committed to implementing the sector's 11 Sustainable Banking Principles.

Global Alliance for Banking on Values

PROUD MEMBER

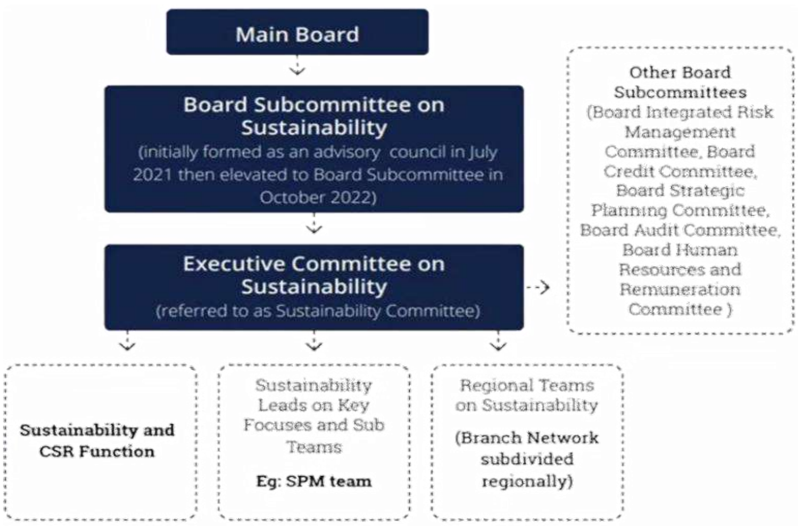
SBI

SDGs Prioritized for Mobilization by SDB bank

Leadership for Sustainability

At SDB bank, leadership for sustainability starts at the top with our board and executive management team committed to integrating sustainable practices throughout our operations. Our governance structure ensures accountability for meeting our sustainability goals and targets.

We foster a culture of sustainability awareness among all employees and provide training to enhance their understanding of environmental and social issues. Our leadership approach emphasizes innovation, transparency, and continuous improvement in our sustainability performance.



How We Deliver Impact

1

Environment and Social Management System (ESMS)

SDB bank recognizes that its financing activities have the most significant environmental and social impact. To manage this, the bank follows an "Exclusion Criteria" that prohibits financing unethical, harmful or illegal activities. All loans are screened against this list. Loans above LKR 500,000 undergo Environmental and Social Due Diligence, and those above LKR 30 million with medium to high risk receive enhanced review by ESG experts.

3

Sustainable and Inclusive Finance (SIF)

Beyond minimizing harm, the bank aims to create a positive impact by supporting areas like sustainable agriculture, women's financing, circular economy, digital inclusion, renewables, and green business. All activities are aligned with local and global sustainability standards, including the Sri Lanka Green Finance Taxonomy and Climate Bonds Initiative.

2

Social Performance Management (SPM)

The bank ensures its internal operations and products align with social responsibility goals and client protection principles. Guided by the Universal Standards for Social and Environmental Performance, SDB bank integrates these values into product development, customer service, HR, and overall culture, in line with national frameworks like the Financial Inclusion Strategy and the Sustainable Finance Roadmap.

4

Operational Footprint (OPR)

SDB bank monitors and review material aspects of its own operational footprint, including energy, material usage and waste, transport, emissions, water use, and effluents, and implements measures to reduce resource intensity. This includes reviewing and supporting green initiatives such as converting branch rooftops to solar and upgrading buildings to green standards. It also aims to develop a net zero strategy as a long-term strategy and beginning with a focus on Scope 1 and Scope 2 emissions at pilot branches, including the Head Office. The goal is for all owned buildings to achieve a minimum three- star rating on the national energy benchmarking index by 2026. The bank will also align with future national benchmarks for water and waste. To further reduce its footprint, the bank will prioritize digitization, digitalization, and lean business process reengineering. Sustainability and green criteria are integrated into procurement decisions. Investments such as solar installations or energy-efficient upgrades with a discounted payback of five years or less will be given priority in the capital budget.

5

Operational Resilience and Excellence (OPR)

Bank monitor and review environmental and social (E&S) risks across the value chain, aiming to uplift practices to best-in-class sustainability standards. This includes ensuring safety, health, and wellbeing for employees, customers, and others using bank facilities, along with robust emergency management and business continuity planning. The bank will also address human rights concerns, security practices, accessibility for differently-abled individuals, and sustainable procurement. Additionally, it will prioritize implementing best practices in information security and data privacy.

6

Sustainability Culture, Brand, and CSR (SBCR)

This involves implementing and reviewing a structured, phased program to raise awareness and engage employees in the bank's sustainability efforts. It includes integrating sustainability into Learning and Development plans, communication strategies, employee volunteerism, and recognition programs. The committee will also oversee external engagements and brand positioning related to holistic sustainability, as well as evaluate and approve CSR initiatives for alignment with bank's strategy

7

Integrated Strategy and Reporting (ISR)

SDB bank holistically review the bank's strategy and performance, considering both financial and non-financial aspects, and guide resource allocation for sustainability initiatives. It aims to strengthen internal data collection, monitoring, and analysis of ESG performance to inform strategy and enhance reporting and disclosure quality. The bank will also work toward the adoption of IFRS/SLFRS S1 and S2 standards.

Sustainability Management Focus	Leads
Environmental and Social Risk Management System (ESMS)	Chief Risk Officer (Supported by Chief Credit Officer/Head of Credit)
Social Performance Management	Head of Branch Banking (Supported by Head of HR, Head of Marketing and Head of Compliance)
Sustainable and Inclusive Finance	Deputy CEO/Head of Business (Supported by Segment Heads)
Operational Footprint	Head of Operations (Supported by Head of Administration)
Operational Resilience and Excellence	Head of Operations (Supported by Chief Risk Officer)
Sustainability Culture, Brand and CSR	Head of HR and Head of Marketing
Integrated Strategy and Reporting	Chief Financial Officer

Grievance Redress Mechanism

ESG-related grievances from stakeholders will be reviewed by the Executive Committee on Sustainability. Stakeholders may submit complaints via the designated email on the bank's website or through existing channels such as the call center, digital platforms, social media, or branch network. Any grievance received must be forwarded to the Customer Protection Unit by the receiving officer. The Head of Branch Banking will present the findings to the Executive Committee on Sustainability. A report on received grievances and remedial actions will be shared with the Board Audit Committee and the Board Subcommittee on Sustainability. Throughout the process, the Customer Protection Unit will keep the stakeholder informed on the status of the grievance resolution.