

# MATERIALITY



Material Matters are the key aspects that have significant impact on People’s Leasing & Finance PLC’s (People’s Leasing) ability to achieve its strategic objectives and deliver on its value creation goals. Given that it plays an important role in the strategy formulation process, a structured methodology is in place for the determination of Material Matters. The Materiality determination process involves a deep dive into the internal and external environments to identify factors that could potentially affect the Company’s strategy, performance and prospects, either negatively or positively. Its sensitive nature demands that the process be undertaken by the Company’s Corporate Management under the guidance of the Board. In the current financial year, the Materiality determination process was further strengthened with the application of “Double Materiality” filters to understand how People’s Leasing’s impact on the environment and society can materially influence the Company’s financial performance.

## Changes in Material Matters - FY 2023/24 vs. FY 2022/23

Several new Material Matters were identified as relevant to the Company in FY 2023/24. Detailed below are the newly identified topics along with the rationale for labelling them as Material.

**Macro-economic Amenableness** - which highlights the importance of easily rescaling the Company’s business model in response to the rapidly changing economic landscape similar to that witnessed in Sri Lanka over the past few years.

**Innovation in parallel with Market Demand and enhancing Digital Integration** - refers to Company ability to leverage technology to consciously reorient to market demands ahead of peers. Given its broader focus, this new Material Topic replaces the “Digitalisation” topic disclosed in FY 2022/23.

**Brain Drain** - with the prolonged economic downturn causing overseas migration and job transitions of skilled employees, People’s Leasing like all other organisations in Sri Lanka, faced the challenge of retaining key personnel at all levels of the business.

**Principle Relationship** - refers to the importance of cultivating robust relationships with all key stakeholders to create a strong and reliable ecosystem to drive business continuity and fuel long term growth.

Meanwhile, two Material Matters “Business Continuity” and “Human Talent Development” were reviewed and realigned to reflect the Company’s broader strategic objectives, which resulted in these Material Matters being renamed as “Business Vitality” and “Best-fit Employees” respectively in FY 2023/24.

In light of the consistent improvement in economic conditions in the Country from the latter part of 2023, the “Customer Financial Resilience” Material Topic was deemed not material for the current financial year as customer’s cash flows and financial position strengthened visibly resulting in significantly improved repayment capacity.

The following Material Matters disclosed in the previous financial year, remain applicable for the current financial year as well.

- » Sustainable growth through Sustainable Finance
- » Financial Stability
- » Customer Experience
- » Ethics and Integrity
- » Resource Optimisation
- » Inclusive Finance and minimising Inequalities
- » Health and Safety
- » Climate Action

## 4 Respond and Monitor Through Integration with Strategic Planning Process

### Integrate to Strategic Planning Process

- » Material matters serve as vital inputs to our strategic planning process, allowing us to swiftly recognise both opportunities and risks as they emerge.
- » Reflecting on the significance of material matters, we have identified similar concerns within broader themes and condensed them into concise summaries. This enables us to pinpoint the key strategic imperatives that the Company should focus on to achieve its ultimate objectives.
- » The following Key material matters are key input to the strategic planning process.
  - 1 Macro-economic Amenableness
  - 2 Business Vitality
  - 3 Innovation in parallel with Market Demand and enhancing Digital Applications
  - 4 Sustainable Growth through Sustainable Finance
  - 5 Financial Stability
  - 6 Brain Drain
  - 7 Principle Relationship
  - 8 Customer Experience
  - 9 Ethics and Integrity
  - 10 Resource Optimisation
  - 11 Best-fit Employees
  - 12 Inclusive Finance and minimising Inequalities
  - 13 Health and Safety
  - 14 Climate Action

**1 Prepare Long List Based on PLC ESG Framework**

**Review Frameworks**

- » UN Sustainable Development Goals
- » CSE recommendations for communicating sustainability
- » GRI Standards
- » Code of Best Practice on Corporate Governance
- » Sustainability Accounting Standard Board (SASB)
- » TISL (Transparency International Sri Lanka)
- » TCFD Disclosures (Task Force on Climate-Related Financial Disclosures)

**Potential Matters Identified Considering**

- » Operating Environment (Pages 44 to 47)
- » Stakeholder Engagement (Pages 48 to 53)
- » Strategy and Resource Allocation (Pages 67 to 77)
- » Approach to Sustainability (Pages 62 to 66)
- » Specific Assessments

**Validation Process of the List Through**

- » Global and local trends
- » Industry peer review
- » Engagement with various internal functions; as strategy, risk, investor relations, governance, sustainability and internal control.



**2 Prepare Short List By Assessing and Prioritising Long List**

**Assess**

- » Detail business environment assessment together with risk and opportunities.
- » In-depth strategy review process (Pages 67 to 77).
- » Response to volatile consumer needs and dynamics.
- » Assess the resource requirement and availability of resources.
- » Rectify the trade-off between possible responses.
- » Time frame and execution plan.

**Prioritise**

- » Throughout the process, we come up with the answer for what matters most to the People's Leasing. The matters that are most material to achieve our vision and create sustained value for our stakeholders.

**3 Confirm Short List Through Presentations and Discussions**

**Confirmation**

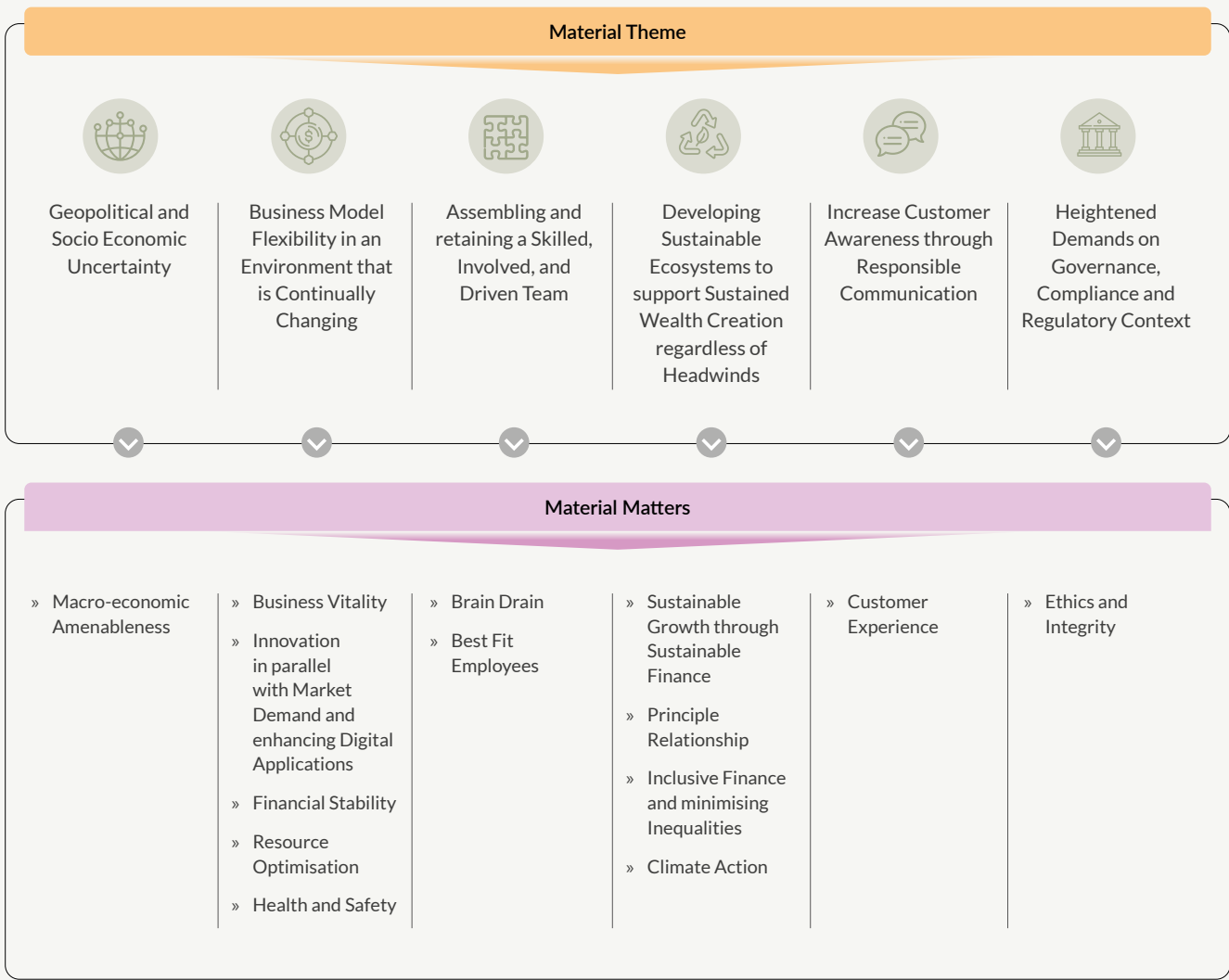
- » Prioritise material concerns enable us properly respond to our strategies with the consent of corporate members.

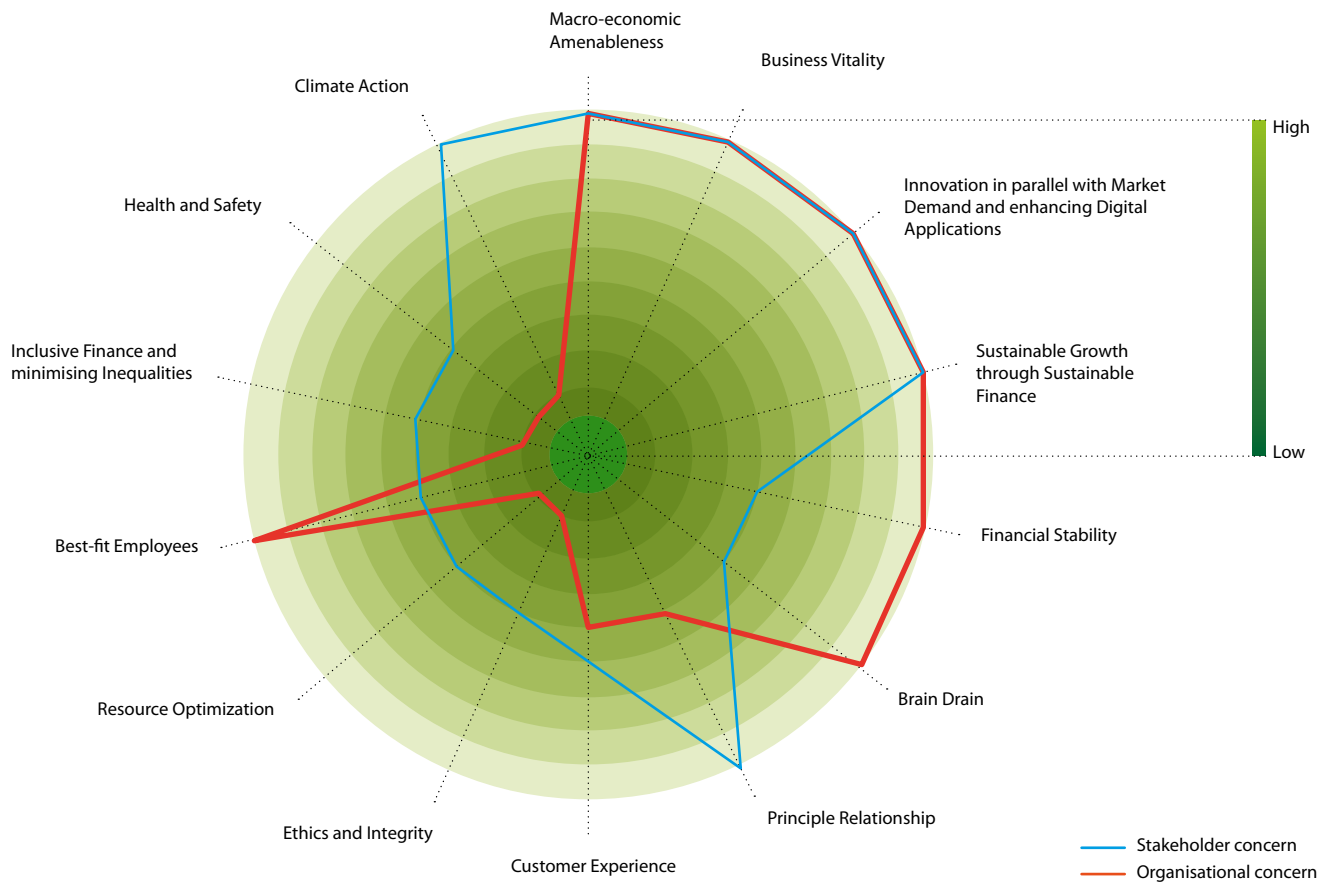
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As per the established procedure, all Material Matters (newly identified, updated and unchanged) were all mapped on the Materiality Matrix and prioritised based on its impact to the business and importance to stakeholders.

To bring more focused oversight to managing materiality, all Material Matters for FY 2023/24 have been organised around six major themes that better reflect the broader contextual factors that influence the Company’s performance and progress.

## Bridging Material Matters with Material Themes





The pictogram above illustrates the connection between organisational and stakeholder concerns regarding each material topic. Additionally, the relevance and significance of these concerns fluctuate over time in tandem with shifts in the operating environment. Therefore, the depicted pictogram isn't a fixed description but adapts as needed over time.

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GRI 3-2

Rank	Material Matters	Material Themes	Impact on value creation	Capitals Impacted	Most affected Stakeholders
<b>01</b>	Macro-economic Amenableness	<i>Geopolitical and Socio Economic Uncertainty</i>	Boosts the ability to deliver stakeholder expectations by effectively navigating varying economic cycles.		
<b>02</b>	Business Vitality	<i>Business Model Flexibility in an Environment that is Continually Changing</i>	Enhances reputation for reliability and strengthens industry positioning.		
<b>03</b>	Innovation in parallel with Market Demand and enhancing Digital Applications	<i>Business Model Flexibility in an Environment that is Continually Changing</i>	Strengthens market responsiveness and reach.		
<b>04</b>	Sustainable Growth through Sustainable Finance	<i>Developing Sustainable Ecosystems to support Sustained Wealth Creation regardless of Headwinds</i>	The advocacy of sustainable finance enhances customer awareness on social and environmental criteria, in turn leading a more socially and environmentally conscious society.		
<b>05</b>	Financial Stability	<i>Business Model Flexibility in an Environment that is Continually Changing</i>	Ensuring that People's Leasing remains financially stable during economic turbulence enhances the Company's resilience and safeguards the interests of all stakeholders.		
<b>06</b>	Brain Drain	<i>Assembling and Retaining A Skilled, Involved, and Driven Team</i>	Business disruption to the loss of key personnel in management positions.		
<b>07</b>	Principle Relationship	<i>Developing Sustainable Ecosystems to support Sustained Wealth Creation Regardless of Headwinds</i>	Enduring relationships with all key stakeholders supports business growth and resilience.		
<b>08</b>	Customer Experience	<i>Increase Customer Awareness through Responsible Communication</i>	Customer experience is a key competitive advantage supporting the sustained growth of the deposit and lending portfolios and enhancing People's Leasing's brand reputation and Industry standing.		

Customers
 Employees
 Investors
 Business Partners
 Government and Regulators
 Local Communities

Financial Capital
 Human Capital
 Social & Relationship
 Intellectual Capital
 Manufactured Capital
 Natural Capital







Actions taken to address opportunities and risks	Impact		Materiality compared to 2022/23	GRI	SDG	SDG Targets
	Organisation concern	Stakeholder concerns				
Diversifying the lending mix Product innovation to gain first mover advantage in emerging market segments.			New Topic	-	 	8.2, 8.3, 8.10, 8.5 9.3, 9.4
Integrated Risk Management encompassing all financial and non-financial risks.			Same	-	  	8.2, 8.3 9.4 12.5
Fully Integrated New Loan Origination platform and Rule-based Approval Engine to streamline credit assessment.			New Topic	-	  	8.2, 8.3, 8.10 9.3, 9.4 12.2, 12.5
Formulation of a comprehensive framework to incorporate sustainability metrics for all new exposures.			Same	GRI -201	    	8.8, 8.7, 8.10 9.4 12.2, 12.5, 12.7 15.6, 16.7
Strengthen the capital management process to enhance the Company's capital and liquidity position.			Same	-	   	8.2, 8.3 9.3, 9.4 11.a 12.2
Increased emphasis on succession planning to build a dependable talent pipeline.			New Topic	-	 	5.1 8.3, 8.5, 8.7, 8.8
Continuous and ongoing stakeholder engagement to increase stakeholder involvement and interest in the business.			New Topic	-	  	17.3 9.3 8.3 17.7
Launch of innovative products and services targeting a wider customer audience. Implementation of the PLCCORE system to expedite turnaround times to the customer.			Same	GRI - 417	 	8.10 9.3

 Low  Moderate  High

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Rank	Material Matters	Material Themes	Impact on value creation	Capitals Impacted	Most affected Stakeholders
09	Ethics and Integrity	<i>Heightened Demands on Governance, Compliance and Regulatory Context</i>	Operating in a highly regulated sector such as financial services, ethics and integrity impacts nearly every aspect of People's Leasing's operations.		
10	Resource Optimisation	<i>Business Model Flexibility in an Environment that is Continually Changing</i>	Resource optimisation is key to driving cost efficiencies to boost profit margins and maximise value delivered to stakeholders.		
11	Best-fit Employees	<i>Assembling and Retaining A Skilled, Involved, and Driven Team</i>	Recruit and retain the employees with the right skills and competencies, including high level of digital proficiency to deliver optimal performance.		
12	Inclusive Finance and minimising Inequalities	<i>Developing Sustainable Ecosystems to support Sustained Wealth Creation regardless of Headwinds</i>	Promoting financial inclusion paves the way for business expansion and enhances the Company's reputation as a responsible corporate entity.		
13	Health and Safety	<i>Business Model Flexibility in an Environment that is Continually Changing</i>	Safeguarding employee well-being and creating a safe space for customers to transact enhances stakeholder satisfaction and strengthens loyalty.		
14	Climate Action	<i>Developing Sustainable Ecosystems to support Sustained Wealth Creation regardless of Headwinds</i>	Demonstrating leadership in tackling climate related challenges builds stakeholder trust, enhance the company's reputation and safeguards the Company's bottom line against uncertainties.		



Actions taken to address opportunities and risks	Impact		Materiality compared to 2022/23	GRI	SDG	SDG Targets
	Organisation concern	Stakeholder concerns				
Implementation of a formal Anti-Bribery and Corruption policy supported by training and awareness to educate employees.			Same	GRI 205 GRI 207 GRI 308 GRI 413 GRI 414	  	5.1, 8.5, 8.7, 8.8, 8.10 16.4, 16.5, 16.7
Ongoing cost containment measures Increased emphasis on automation and digitisation to reduce costs.			Same	GRI 302 GRI 305 GRI 306	    	1.2, 1.4 6.b 7.2, 11.a, 12.2, 12.5, 12.7
Robust human capital development framework to improve bench strength at all levels of the business.			Same	GRI 401 GRI 404 GRI 405 GRI 406 GRI 407 GRI 408 GRI 409	  	4.4, 4.7 5.1, 8.2, 8.3, 8.5, 8.7, 8.8
Introduce low cost financial products and solutions, such as Gold Loans tailored to the specific needs of underserved communities.			Same	-	    	1.2, 1.4 8.2, 8.3, 8.10 9.3 11 a 16.7
Continuous and ongoing upgrade of safety systems on par with global standards.			Same	GRI 401 GRI 403 GRI 416 GRI 418	  	3.6 8.5, 8.8 11.2
Focus on green operations, green finance, green infrastructure and green projects.			Same	GRI 302 GRI 305 GRI 306	    	8.8 9.4 12.2, 12.5, 12.8 13.1, 13.2, 13.3 15.6

 Low  Moderate  High