

គ្រឹះស្ថានមីក្រូហិរញ្ញវត្ថុ



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LOLC (Cambodia) Plc.

Annual Report 2020

31st December 2020

LOLC (Cambodia) Plc.

Annual SECC Report – For Investors

www.lolc.com.kh

Vision and Mission

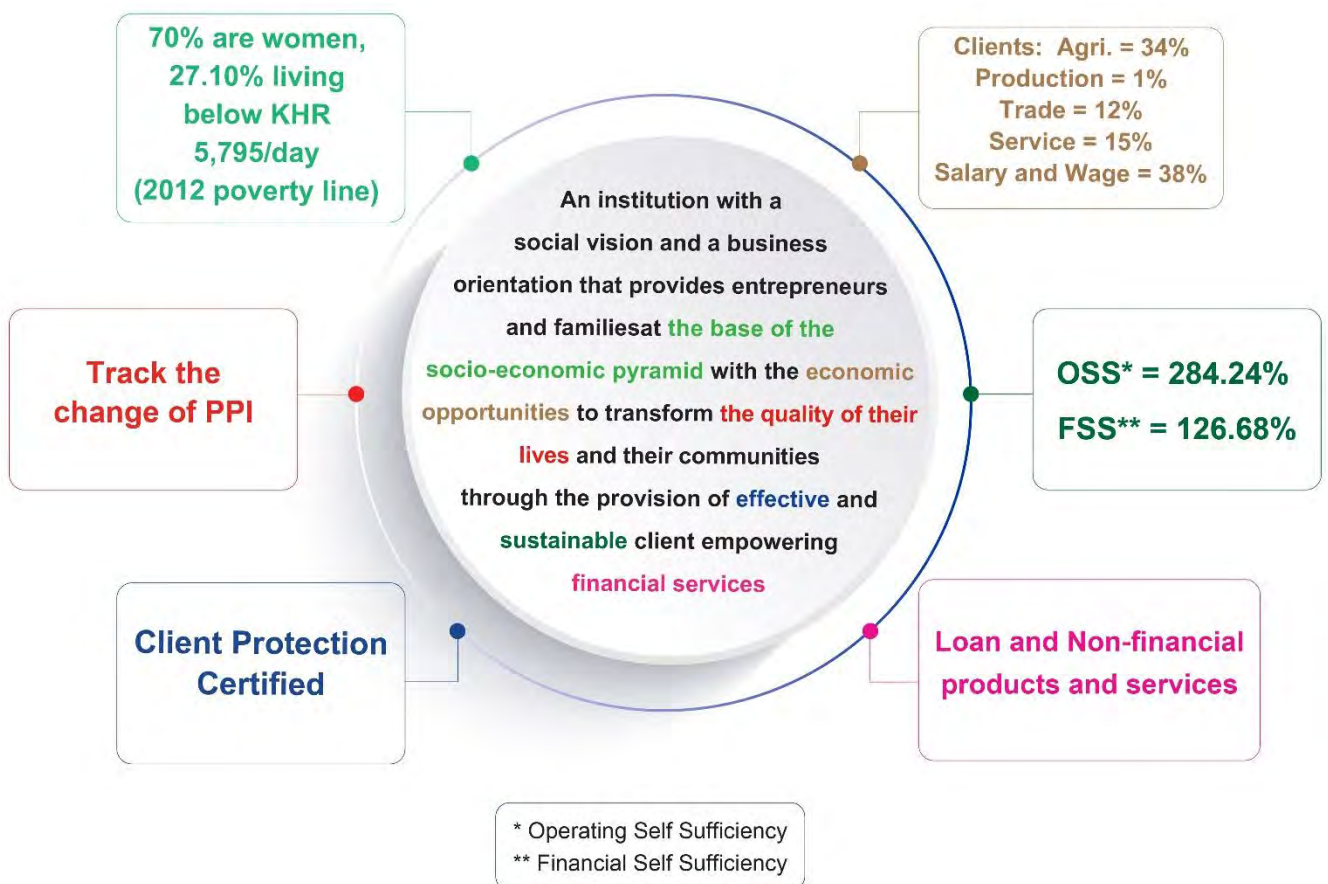
Vision Statement

Families at the base of the socio-economic pyramid are empowered to live their lives with dignity, social and economic security and justice.

Mission Statement

LOLC (Cambodia) Plc. ("LOLC") is a microfinance institution with a social vision and a business orientation that provides entrepreneurs and families at the base of the socio-economic pyramid with the economic opportunities to transform the quality of their lives and their communities through the provision of effective and sustainable client empowering financial services.

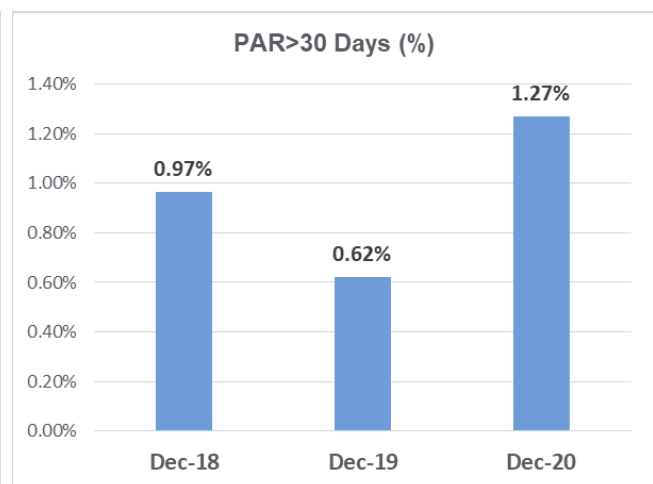
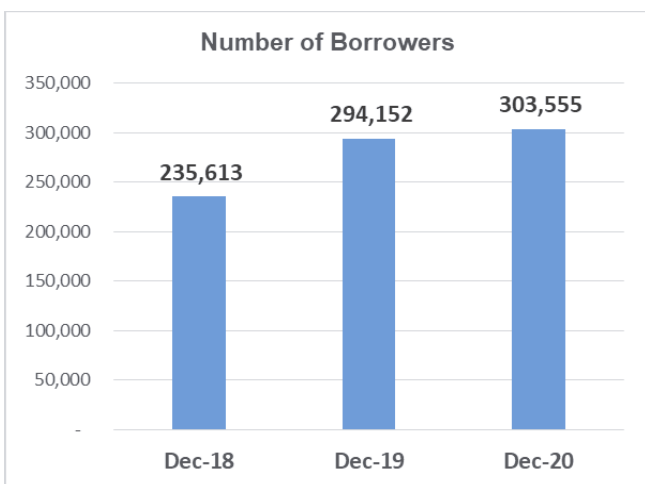
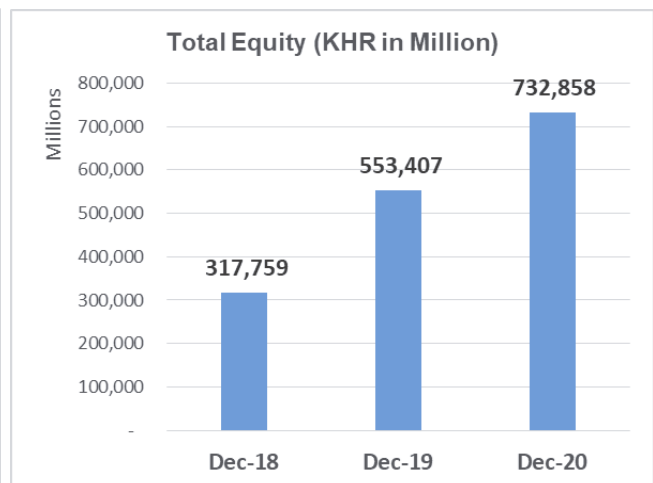
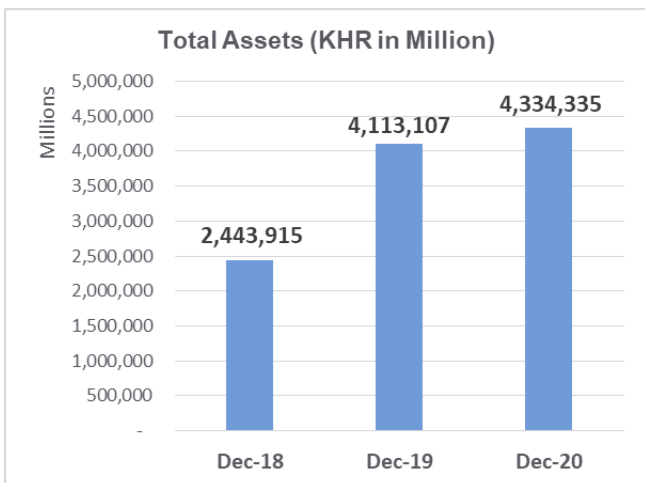
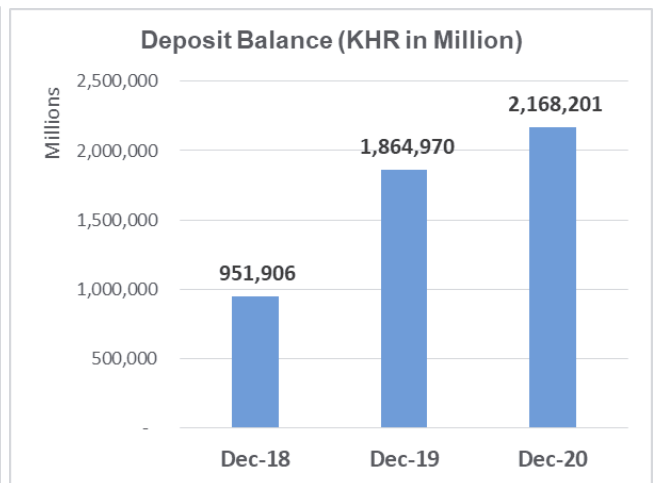
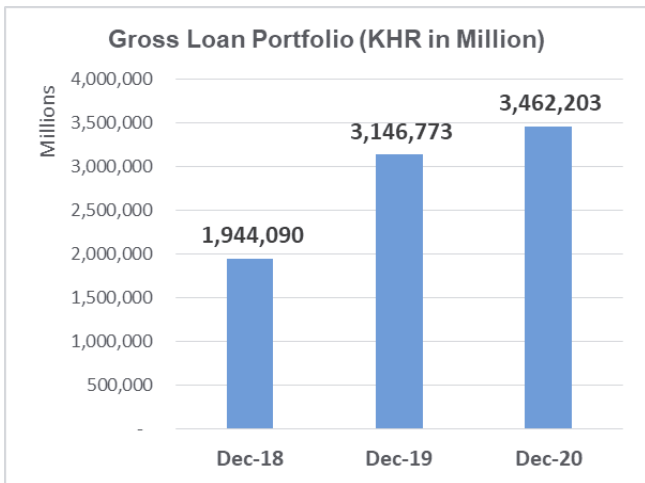
How Do We Translate Our Mission as of December 2020?



Financial Highlight

Description	2020	2019
Financial Situation		
Total assets (KHR million)	4,334,335	4,113,107
Total liabilities (KHR million)	3,601,477	3,559,700
Total equities (KHR million)	732,858	553,407
Profit / (Loss)		
Interest Income (KHR million)	665,618	522,751
Profit/(Loss) before Tax (KHR million)	211,338	160,999
Profit/(Loss) during the period (KHR million)	179,451	143,733
Financial Ratio		
Solvency Ratio	23.99%	20.05%
Debt to Equity Ratio	4.91	6.43
Liquidity Ratio	235.30%	281.90%
Non-Performing Loan Ratio	1.27%	0.61%
Deposit to Gross Loan Portfolio Ratio	62.62%	59.27%
Return on Assets	4.25%	4.38%
Return on Equity	27.90%	32.68%
Interest Coverage Ratio	178.36%	174.71%
Earnings per Share (for equity listed entity)	N/A	N/A
Dividend per Share (for equity listed entity)	N/A	N/A
Other Important Ratio (If any)	N/A	N/A

Graphs of Financial Summary



Key Statistics of Annual Operational Results

Metric	2020	2019
Total Assets (KHR in Million)	4,334,335	4,113,107
Gross Loan Portfolio (KHR in Million)	3,462,203	3,146,773
Equity (KHR in Million)	732,858	553,407
Net Income (KHR in Million)	179,451	143,733
Number Active Borrowers	303,555	294,152
Deposit Balance (KHR in Million)	2,168,201	1,864,970
Depositors	401,660	336,002
Number Offices (include HO)	79	79
Number Personnel	3,140	2,757
PAR>30 days	1.27%	0.61%
Gross Write-offs	0.23%	0.27%
Capital Adequacy Ratio (CAR)	23.99%	20.05%
Return On Assets	4.25%	4.38%
Return On Equity	27.90%	32.68%

Composition of the Board of Directors



Mr. Brindley de Zylva
Chairman



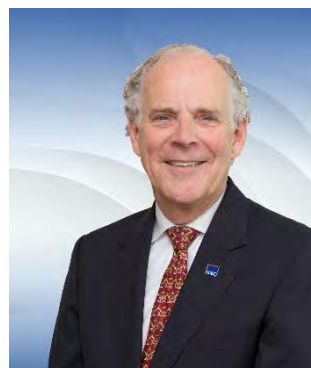
Mr. Conrad Dias
Director



Dulip Rasika Samaraweera
Director



Mr. Indrajith Wijesiriwardana
Independent Director



Mr. Michael Moormann
Independent Director

Chairman Statement

It gives me great pleasure to place before you the Annual Report and Audited Financial Statements for the year ended 31st December 2020. As the second Microfinance Deposit Taking Institution (MDI) in the country to issue a corporate bond (KHR 80 billion - equivalent to USD 20 million), LOLC Cambodia keeps offering financial products while promoting the use of Khmer Riel Currency. As a result, 25% of total loan portfolio was in Khmer Riel Currency.

With the outbreak of the COVID-19 pandemic in April 2020, LOLC Cambodia adopted a cautious approach to face the adverse impact to economic activity. As an initial step the Company provided concessions to its customers in the tourism, construction and apparel industries whose income was seriously impacted by the COVID-19 outbreak. The concessions include restructuring repayment schedule providing borrowers with the space required to face the downturn in business activities.

The COVID-19 pandemic has heightened the need to expand the development of Digital Financial Services (DFS). During the year LOLC Cambodia launched six digital banking services namely (i) the Bakong project with the National Bank of Cambodia, (ii) FAST service with the National Bank of Cambodia, (iii) Internet Banking Service, (iv) 'iPay' our Mobile Banking Application, (v) ATM cards via CSS, and (vi) Real Time Fund Transfer. The Company is also in the process of commencing the use of tablets to conduct its business and partnering Financial Service Providers in expanding its DFS outreach.

It is very reassuring to note that the Management and Staff of the Company have shown resilience and the ability to adjust to macroeconomic changes and Covid-19 challenges whilst ensuring compliance with all laws and regulations.

In 2021, LOLC will keep expanding its DFS footprint and develop products designed to cater to business grappling to adjust to the new realities of a shrinking economy. This requires facing up to the new realities of business moving from the Medium to Small and Small to Macro Sectors and developing products to cater to these new conditions.

Finally, a big thank to all our stakeholders including our customers, investors, regulators, banking and funding partners – both local and foreign for placing their trust, confidence by supporting our growth over the years. Once again, I extend my appreciation to my colleagues on the Board, for their advice and guidance, and the entire team at LOLC Cambodia led by a very capable and committed management team for their commendable performance.

We reaffirm our commitment to all our customers and shareholders that in 2021 we will continue to focus on areas that represent the best opportunities and support business that have shown resilience in light of the pandemic.

Phnom Penh, 26th March 2021

Signature, Stamp and Name of Chairman



Brindley de Zylva
Chairman

CEO Statement

In 2020 LOLC conducted its business operations with caution and maintained its loan portfolio growth with quality and strong internal control. LOLC's Board of Directors and management team have worked together closely to strengthen credit risk management and internal control. Responding to the Covid-19 impacts, LOLC has given concessions to its customers whose income was seriously impacted by the Covid-19 outbreak mainly on tourism, construction, garment sectors and other sectors, and also modified products and services to meet client's need and cash flow conditions.

As of end of 2020, LOLC's loan portfolio reached KHR 3,462 billion, an increase of 10% compared to end of 2019. Number of borrowers reached 304 thousand, a growth of 3.2%, while portfolio at risk more than 30 days was 1.27%. The deposit balance reached an impressive of over KHR 2,168 billion, with almost 402 thousand depositors. The growth of portfolio and deposit balance indicates that LOLC is a trustworthy microfinance institution offering excellent customer service, guaranteeing client protection and providing competitive and innovative deposit and loan products.

In order to support the business and new products development, LOLC Cambodia has been investing in digital banking projects which will improve customer services and increase efficiency. As a result, in 2020 LOLC launched digital banking projects as the following:

- ☞ Bakong project with the National Bank of Cambodia to enable customers to transfer their money between banks and MDIs who are Bakong members.
- ☞ Internet banking service to all branches, which allows customers to do banking transactions by themselves at any time without having to go to LOLC branch offices.
- ☞ iPay Mobile Application, upgrading with new interface and enhancement, which allows our customers to view their banking accounts and do transactions conveniently from their mobile phone.
- ☞ LOLC ATM cards, which allows LOLC customers to perform transactions at thousands of ATM machines of the CSS members across the country.
- ☞ The Real Time Fund Transfer, which allows customers to do interbank fund transfer across banks and MDIs (account base and to phone number) who are the members of RFT in both KHR and USD currency.
- ☞ FAST service which enables customers to do interbank fund transfer across banks and MDIs (account base) who are the members of FAST system in KHR currency.

In addition, LOLC has been piloting the use of tablet banking system which enables our officers to operate their tasks (loan origination, loan collection, open savings account) from the tablet devices, which improve the productivity, efficiency and effectiveness. Furthermore, LOLC has been integrating with third party connectivity in order to contribute more distribution channels and provide superior customer experiences.

We see 2021 as the year of new opportunities and challenges for LOLC.

On the lending side, we will continue to follow our existing strategy and keep focusing on micro, small and medium business loan and asset backed lending/leasing, which are the core business of LOLC.

On the deposit side, we will keep strengthening our customer services and using diversified digital channels to promote more deposit collection. We will also diversify products and services to meet client's needs, including plan savings account, kid savings account, bill payment services and payroll services.

On the digital side, LOLC will keep enhancing its digital footprints, design new products to embed into existing digital channels which will improve customer services and increase efficiency.

On the funding side, LOLC will diversify sources of fund to ensure sufficiency of funding requirements to support LOLC’s growth. Besides sources of fund from shareholder paid-up capital, borrowings and deposit, LOLC has issued corporate bond to support LOLC’s long-term growth.

On the social performance side, LOLC will continue focusing on social activities to meet LOLC’s core values: “LOLC values the vision of a balanced social and profit organizational agenda.”

In short, we will try to make the most out of the opportunities that our current successes open for us. And, we are confident that LOLC is well positioned to bring further value to its customers, investors and shareholders.

Finally, I would like to express my sincere thanks to our shareholders, Board of Directors and committee’s members for their leadership, support, and guidance throughout the year. I would also like to express my sincere gratitude to all LOLC staff who have been working very hard/smart and highly committed to perform their work with integrity, ethics, profession and high responsibilities. Additionally, I would like to express my sincere thanks to all of LOLC’s clients, investors and business partners for supporting LOLC to be a part of its achievements. To the Royal Government and the National Bank of Cambodia, I offer my sincerest thanks — both for your support in 2020 and in anticipation of happy and prosperous coming years.

Phnom Penh, 26th March 2021
Signature, Stamp and Name



Mr. Sok Voeun
Chief Executive Officer

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Section 1: General Information of the Listed Entity

A. Identify of the Listed Entity

- Name of Company in Khmer: អិលអូអិលស៊ី (ខេមបូឌា) ភីអិលស៊ី in Latin: LOLC (Cambodia) Plc.
- Standard Code: KH2000081953 (FX-Indexed Bond) និង KH2000082951 (Plain Bond)
- Address: #666B, Street 271, Sangkat Boeng Tumpun 2, Khan Mean Chey, Phnom Penh
- Telephone: (855) 23 991 991, Fax: (855) 23 220 642
- Website: www.lolc.com.kh, Email: info@lolc.com.kh
- Registration Number: 00012829 dated 28th September 2015
- License Number: M.F 04 issued by the National Bank of Cambodia dated 11th September 2018.
- Disclosure document registration number: 084/19 គ.ម ក/ស.ស.រ. dated 22nd April 2019.
- Representative: Mr. Sok Voeun

B. Nature of Business

LOLC (Cambodia) Plc. is one of the largest microfinance deposit taking institutions in Cambodia, regulated by the National Bank of Cambodia and has been operating for more than 26 years. LOLC has been providing diversified financial products and services to customers such as loan, deposit, finance lease and local fund transfer throughout its network of 79 branches in the nationwide. As of December 2020, LOLC's deposit balance reached to KHR 2,168 billion with almost 402 thousand depositors. Total loan portfolio increased to KHR 3,462 billion with a total of almost 304 thousand loan customers.

C. Group Structure of the Listed Entity

(Affiliate refers to subsidiary company, subsidiary of subsidiary company, holding company or other related companies.)

No.	Company Name	Type of Relation	% of share holding	Core Business	Date of Registration	Business Location
1	LOLC Private Limited	Shareholder	96.97%	Investment Services	01 November 2016	Singapore

E. Market Situation

Cambodia microfinance industry witnessed 12.5% portfolio growth compared to year-end 2019, reaching KHR 27,778 billion in December 2020, having more than 1.9 million borrowers and PAR>30 days of 1.5%. Number of depositors reached to around 2.7 million with deposit balance more than KHR 14,464 billion. Microfinance providers in Cambodia operate nationwide and have innovative products such as unsecured lending, leasing, asset-backed lending, SME, agriculture lending etc. Moreover, fin-tech solutions are also popular across mobile, online payments and digital lending.

Currently, there are more than 80 licensed providers in the country while the top 6 MDIs take up 87% of portfolio market size.

F. Competitive Situation

LOLC (Cambodia) Plc. is the third-largest microfinance institution in Cambodia in terms of number of borrowers, loan outstanding and deposit balance. The company has competitive advantages on its diversified products, network outreach, diversified sources of fund, and technical capacities and resources.

As of end of 2020, LOLC (Cambodia) Plc. recorded growth of 10% in portfolio and 16% in deposit balance, while number of borrowers has grown 3.2% and depositors grown 20%. LOLC gains 13% of market share in terms of loan outstanding balance and has potential to grow more since its main strategy is to improve client retention rate, expand number of borrowers focusing on both rural and urban, and improve quality of loan by focusing on repayment capacity.

Microfinance market situation is known as matured market where the new entrants have to possess very strong capital.

G. Business Plan

LOLC (CAMBODIA) PLC. STATEMENT OF FINANCIAL POSITION

	Actual	Financial Projection				
	31-Dec-20	31-Dec-21	31-Dec-22	31-Dec-23	31-Dec-24	31-Dec-25
	KHR'000 000	KHR'000 000	KHR'000 000	KHR'000 000	KHR'000 000	KHR'000 000
ASSETS						
Cash on hand	89,632	75,247	104,164	140,364	189,569	260,507
Deposits and placements with central banks	322,628	184,819	357,576	527,066	783,977	1,000,351
Deposits and placements with other banks	235,909	268,627	274,879	324,899	377,426	510,683
Financial assets at fair value through other comprehensive income	61	60	60	61	61	61
Loans and advances at amortised cost	3,394,875	4,816,140	6,749,028	9,158,815	12,427,754	16,837,791
Statutory deposits with central banks	217,819	302,303	439,010	587,194	843,079	1,155,674
Property and equipment	7,540	9,297	8,265	7,544	9,325	9,135
Right-of-use assets	20,688	23,074	16,540	16,386	12,537	15,312
Intangible assets	6,110	24,265	26,201	19,332	15,251	8,942
Deferred tax assets	25,449	17,218	13,932	16,949	19,780	21,769
Other assets	13,624	20,417.83	25,108.91	30,245.41	35,067.58	38,452.81
TOTAL ASSETS	4,334,335	5,741,469	8,014,766	10,828,855	14,713,826	19,858,677
LIABILITIES AND EQUITY						
LIABILITIES						
Deposits from banks and other financial institutions	134,233	186,687	268,634	373,766	520,118	721,368
Deposits from customers	2,033,968	3,130,845	4,505,144	6,268,274	8,722,689	12,097,777
Borrowings	1,083,286	888,965	1,234,399	1,631,566	2,082,234	2,804,876
Subordinated debts	165,561	310,951	453,588	523,432	619,228	607,758
Debt securities issued	81,350	80,660	-	-	-	-
Lease liabilities	18,229	28,974	28,654	29,670	27,008	22,672
Current income tax liabilities	47,900	50,820	68,786	94,072	125,819	168,840
Employee benefits	2,650	2,915	3,207	3,528	3,880	4,268
Other liabilities	34,299	45,467	49,139	53,367.72	61,534	75,803
TOTAL LIABILITIES	3,601,477	4,726,283	6,611,549	8,977,674	12,162,510	16,503,362
EQUITY						
Share capital	224,377	264,707	325,187	325,187	426,187	426,187
Retained earnings	298,065	540,063	867,615	1,315,579	1,914,714	2,718,713
General reserve	210,415	210,415	210,415	210,415	210,415	210,415
Regulatory reserves	-	-	-	-	-	-
TOTAL EQUITY	732,858	1,015,185	1,403,217	1,851,181	2,551,317	3,355,315
TOTAL LIABILITIES AND EQUITY	4,334,335	5,741,469	8,014,766	10,828,855	14,713,826	19,858,677

LOLC (CAMBODIA) PLC. STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Actual	Financial Projection				
	31-Dec-20	31-Dec-21	31-Dec-22	31-Dec-23	31-Dec-24	31-Dec-25
	KHR'000 000	KHR'000 000	KHR'000 000	KHR'000 000	KHR'000 000	KHR'000 000
Interest income	665,618	822,588	1,082,799	1,485,659	1,995,063	2,676,444
Interest expense	(269,690)	(284,191)	(382,979)	(527,975)	(711,175)	(958,646)
Net interest income	395,929	538,397	699,819	957,684	1,283,888	1,717,797
Fee and commission income	19,549	20,592	21,691	21,864	22,039	22,215
Fee and commission expense	(699)	(3,839)	(5,193)	(7,419)	(10,906)	(16,082)
Net fee and commission income	18,850	16,753	16,499	14,446	11,132	6,133
Other operating income	6,250	6,539	9,148	11,072	13,084	15,413
Other gains/(losses) - net	(539)	2,338	3,151	757	884	1,046
Total operating income	5,711	8,877	12,300	11,828	13,968	16,460
Credit impairment losses	(43,358)	(54,927)	(61,187)	(85,667)	(114,817)	(152,319)
Net other operating income	(37,647)	(46,050)	(48,888)	(73,839)	(100,849)	(135,859)
Personnel expenses	(115,709)	(143,725)	(176,168)	(226,421)	(291,417)	(365,747)
Depreciation and amortisation charges	(10,244)	(16,193)	(20,548)	(21,472)	(21,312)	(21,698)
Operating expenses	(39,841)	(46,684)	(60,763)	(89,742)	(131,585)	(194,370)
Profit before income tax	211,338	302,497	409,952	560,656	749,857	1,006,256
Income tax expense	(31,888)	(60,499)	(82,400)	(112,692)	(150,721)	(202,257)
Net profit for the year	179,451	241,998	327,552	447,964	599,136	803,998
Other comprehensive income:						
<i>Items that will not be reclassified to profit or loss</i>						
Currency translation differences	-	-	-	-	-	-
Other comprehensive income for the year, net of tax	-	-	-	-	-	-
Total comprehensive income for the year	179,451	241,998	327,552	447,964	599,136	803,998

H. Risk Factors

1. Analysis

While the types and degree of risks the company may be exposed to depend upon several factors such as its size, complexity of business activities, volume etc., we believe that LOLC generally faces the following types of risk on a continuous basis:

Credit risk is the financial loss to LOLC if a borrower fails to meet its contractual loan obligations. LOLC's main income generating activity is lending to clients and therefore credit risk is a principal risk. LOLC considers all elements of credit risk exposure such as PAR by products, payment modes, currencies, loan sizes, collateral types, loan tenures, disbursed years, loan cycles, sectors, multiple loans within LOLC, multiple loans with other FIs before disbursement, interest rates for risk management purposes.

Market risk is the risk that the value of on and off-balance sheet positions of a financial institution will be adversely affected by movements in market rates or prices such as interest rates, foreign exchange rates and commodity prices resulting in a loss to earnings and capital.

Liquidity risk is the potential for loss to an institution arising from either its inability to meet its obligations or fund increases in assets without incurring unacceptable cost or losses.

Operational risk is the risk of loss resulting from people, inadequate or failed internal processes, systems and/or from external events such as disasters.

Legal and Compliance Risk is the risk from changes or violations or non-conformance with laws, rules, policies and ethical standards (regulatory, lender and/or internal) that may result in loss to LOLC.

Environmental Risk refers to the inherent risks of LOLC's business activity associated with geographic, seasonal/weather and demographic (illness and death, mobility of population, local authorities' willingness to support, corruption, political tensions, etc.).

Reputation risk refers to the potential for negative publicity, public perception or uncontrollable events to have an adverse impact on LOLC's reputation, thereby affecting LOLC's revenue.

Capital risk is the risk that LOLC has insufficient capital resources to meet the minimum regulatory requirements to support its credit rating and to support its growth and strategic options. LOLC's strategy is to maintain a strong capital base so as to maintain market confidence and to sustain further development of the business. LOLC's lead regulator, the NBC, sets and monitors capital requirements for the whole LOLC.

2. Management's Opinion and Risk Mitigation

LOLC is committed to mitigate the above risks to acceptable level by taking all of the necessary steps of the effectiveness of internal controls and the best practice of corporate governance.

LOLC's approach to governance is predicated on the belief that there is a link between high quality governance and the creation of long-term stakeholder value. In pursuing our corporate objectives, we have committed ourselves to the highest level of governance and strive to foster a culture that values and rewards exemplary ethical standards, personal and corporate integrity, and mutual respect.

Section 2: Information on Business Operation Performance

A. Business Operation Performance Including Business Segment

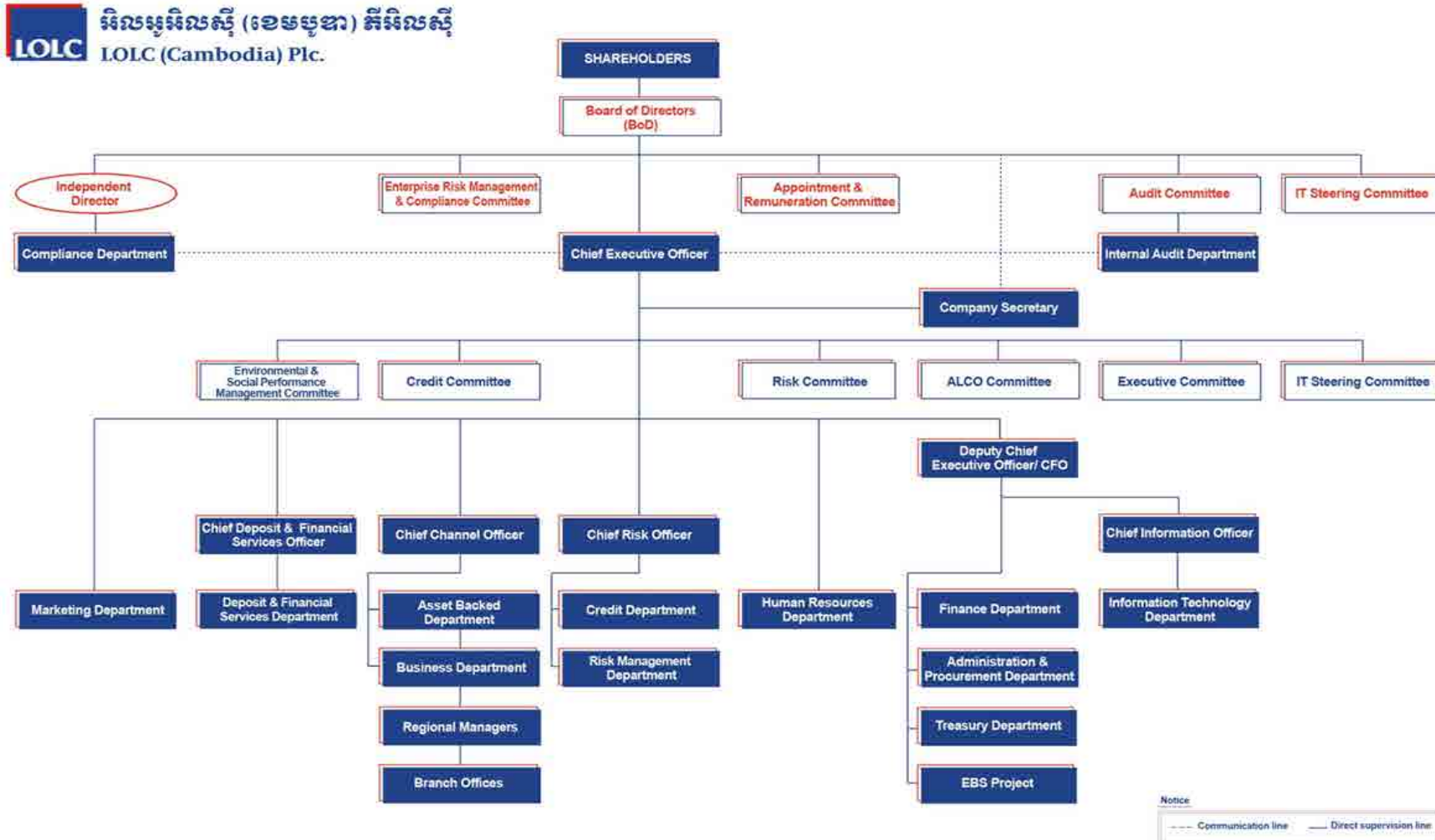
Key Achievement	Plan	Actual Achievement
Loan		
Loan customers	349,120	303,555
Gross loan portfolio (KHR million)	3,893,527	3,462,203
Deposit		
Deposit customers	411,540	401,660
Savings balance (KHR million)	2,714,786	2,168,201
Others		
Number of offices	82	79
Number staff	3,188	3,140

B. Income Structure

No.	Source of Income	2020		2019	
		Amount (KHR million)	%	Amount (KHR million)	%
1	Interest Income	665,618	96.27%	522,751	96.84%
2	Other Income	25,799	3.73%	17,039	3.16%
Total Income		691,417	100%	539,790	100%

Section 3: Information on Corporate Governance

A. Organizational Structure



B. Board of Directors

Composition of Board of Directors

No.	Name of Directors	Position	Start Date in Position	End Date in Position
1	Mr. Brindley de Zylva	Chairman	15 October 2015	No Limit
2	Mr. Conrad Dias	Director	12 February 2018	No Limit
3	Mr. Dulip Samaraweera	Director	02 July 2018	No Limit
4	Mr. Indrajith Wijesiriwardana	Independent Director	01 January 2015	01 January 2024
5	Mr. Michael Moormann	Independent Director	01 February 2013	01 February 2022

Name of Company Secretary: **Ms. Kheng Navy**.

C. Senior Officers

Composition of senior officers:

No.	Name	Gender	Position
1	Mr. Sok Voeun	M	Chief Executive Officer
2	Mr. Sok Sophal	M	Deputy Chief Executive Officer/Chief of Finance
3	Mr. Romesh Perera	M	Chief Channel Officer
4	Mr. Duleep Liyanage	M	Chief Information Officer
5	Mrs. Chheang Kagna	F	Chief Digital Financial Services and Deposit Officer
6	Mrs. Svoeuy Sodyna	F	Chief Risk Officer
7	Mrs. Leng Thavy	F	Head of Human Resources Department
8	Mrs. Keo Taraty	F	Head of Finance Department
9	Mrs. Try Sola	F	Head of Treasury Department
10	Mrs. Siv Bopha	F	Head of Administration and Procurement Department
11	Mr. Teng Pheap	M	Head of Internal Audit Department
12	Mr. Nuth Theng	M	Head of Business Department
13	Mr. Muth Pisey	M	Head of Credit Department
14	Mr. Ban Phalleng	M	Head of Compliance Department
15	Mr. Hul Sovutha	M	Head of Information Technology Department
16	Mrs. Kheng Navy	F	Company Secretary

Note: Detail information on corporate governance is attached as Appendix.

Section 4: Information on the Securities' Trading and Shareholders of the Listed Entity

A. Information on Securities

1. Information on Equity Security

As of reporting date, the Institution has not issued equity security.

2. Information on Debt Securities

Information	LOLC's FX-Indexed Bond 2019-202 No. 1	LOLC's Plain Bond 2019-202 No. 2
Type of Debt Securities	FX-Indexed Bond	Plain Bond
Symbol	LOLC22A	LOLC22B
Date of Issuance	26 April 2019	26 April 2019
Total amount of debt securities	KHR 53,600,000,000	KHR 26,400,000,000
Total amount of outstanding debt securities	KHR 53,600,000,000	KHR 26,400,000,000
Maturity	26 April 2022	26 April 2022
Coupon Payment Date	26 April and 26 October	26 April and 26 October
Coupon Rate (%)	8.00% per annum	9.00% per annum
Total Coupon Payment	KHR 6,541,037,983	KHR 3,573,764,382
Credit ratings (if any)	None	None

3. Other Securities

None

B. Securities' Price and Trading Volume

As of the reporting date, there was no trading on LOLC's corporate bonds by maintaining the same price at KHR 100,000 per debt security.

C. Controlling Shareholder (s) (30% or more)

No.	Name	Nationality	Number of Shares	Percentage
1	LOLC Private Limited	Singapore	2,175,792	96.97%
Total			2,175,792	96.97%

D. Substantial Shareholder (s) (5% or more)

No.	Name	Nationality	Number of Shares	Percentage
1	None	None	None	None
Total			None	None

E. Information on Dividend Distribution in the Last 3 (three) Years (for Equity Listed Entity)

As of reporting date, the Institution has not issued equity security.

Details of Dividend Distribution	2020	2019	2018
Net Profit	-	-	-
Total Dividend in Cash	-	-	-
Total Dividend in Shares	-	-	-
Other Dividend	-	-	-
Dividend Payout Ratio (%)	-	-	-
Yield on Dividend (%)	-	-	-
Dividend Per Share	-	-	-

Section 5: Internal Control Audit Report by Internal Auditor

The Internal Audit Department (IAD) at LOLC (Cambodia) Plc. (“LOLC”) performs regular reviews of the business operations of the company to ensure that:

- Financial and operating information is accurate and reliable;
- Risks to the company are identified and minimized;
- Internal policies and procedure, laws and regulations are followed;
- Resources are used efficiently and economically;
- Strong internal control systems and risk management systems are in place;
- The objectives of the company are effectively achieved.

The IAD consists of 35 experienced staff led by the Head of Internal Audit Department. The reports are directly submitted to the Chairman of the Audit Committee of the Board of Directors of LOLC. Every quarter, the Head of the IAD prepares a report for the Board Audit Committee, which is discussed at the meeting of the Board Audit Committee.

Scope of work performed:

The scope of work of IAD is as follows:

- Assess the company’s internal control to ensure operational effectiveness and efficiency;
- Evaluating the effectiveness of risk management process;
- Review and assess to ensure that company’s assets are protected from misappropriation;
- Review legal and regulatory compliance;
- Review, test and evaluate the effectiveness of resources utilized;
- Assess and evaluate the adequacy and effectiveness of the internal control system; and
- Evaluate the achieved results of the company.

Consulting Activities:

The internal auditors have good knowledge of the business of LOLC and have the necessary knowledge of internal control systems and skills and experiences to provide added value to the company through the provision of consultations and recommendations to improve the quality of the internal control system and productivity. Internal auditors are continuously trained.

Summary Report for 2020

From January 1st to December 31st 2020, the Internal Audit Department has conducted 169 audits in which 2 audits for the head office and 167 audits for branches, disclosing findings covering all the auditable areas such as Operation, Finance, Deposit, Treasury, Human Resources, IT and Administration. These findings are summarized below:

Operation Observation

Findings under the operation area: there are some issues such as some weakness in gathering information from clients, some missed recording of client information in loan documents and lack of supporting documentation, lack of introducing product types to clients, lack of monitoring on arrear clients, lack of supporting documents for a few loan collection, lack of loan monitoring after disbursements, lack of proper organization of some loan files and lack of proper implementation in activating of a few ATM cards.

Finance and Treasury Observation:

Findings under the finance area: some transactions are not appropriately supported by documentation and approval, some expenditures are not properly classified, lack of control on official receipts and late updating of inventories in the system, lack of changing the safe code, and some missed conducting for some surprise cash count.

Information Technology Observation

Findings under the Information Technology area: there are some identified issues such as restore testing of backup dataset, anti-virus definition update for some computers, and lack of security management of wireless devices.

Human Resource Observation:

Findings under the human resource area: there are some identified issues such as some weakness in new staff capacity development, lack of control on personnel files, a few wrong calculations of staff final payment, some staff taking leave without posting in E-Leave system and shop steward selection process was not fully carried out.

Conclusion:

All these issues are of a minor nature and do not have any negative impacts on the financial position and/or achievement of the company. All issues identified have been reported in writing and been discussed with managers at various levels. The recommendations have been accepted by management and timely implemented. LOLC has a strong internal control system to manage and minimize risk and has carried out its day to day operations in accordance to the internal policies and procedures, laws and regulations.

Audit Committee

Mr. Michael Moormann

Chair of Audit Committee

Date:28/1/2021

Head of Internal Audit Department

Mr. Teng Pheap

Head of Internal Audit Department

Date: ..26/01/2021

Section 6: Financial Statement Audited by the External Auditor

Please refer to the Appendix for detail information.

Section 7: Information on Related Party Transactions and Conflict of Interest

The listed entity shall disclose information on significant transactions with related parties in the last two (2) years by specifying name, relationship between the listed entity and related parties, size of transactions and type of interest which arise from that relationship as follows:

A. Material transactions with shareholder who hold at least 5% or more shares of outstanding equity securities.

Please refer to the attached external audit report.

B. Material transactions with directors and senior officers

Please refer to the attached external audit report.

C. Material transactions with directors and shareholders related to purchase-sell of assets and services

Please refer to the attached external audit report.

D. Material transactions with immediate family members of directors, senior officers and shareholders holding at least 5% or more shares

Please refer to the attached external audit report.

E. Materials transactions with the person who associated with directors of the listed entity, its subsidiary or holding company whose relationship has occurred in any transactions or have been made by the listed entity

Please refer to the attached external audit report.

F. Material transactions with former director or person who involved with former director

None

G. Material transactions with directors who is holding any position in a non-profit organization or in any other company other than the listed entity

None

H. Material transactions with directors who get benefit either finance or non-financial from the listed entity

None

Section 8: Management's Discussion and Analysis

The following discussion and analysis is the discussion of LOLC management team on the operational results and financial situation based on Financial Statement as of 31st December 2020, which is reviewed by Independent Auditors. LOLC's Financial Statement is prepared in accordance with Cambodian International Financial Reporting Standards (CIFRS). The management team discussed and analysed only the key components of the Financial Statement and key factors that affect LOLC's profitability.

A. Operational Overview

1. Income Analysis

LOLC has two major types of income, i.e. interest income and other income.

- **Interest Income includes** fees from loans, net interest income from loans to customers and deposits at banks, which are recognized monthly.
- **Other Income includes** income from penalty, income from write-off collection, profit from exchange rate, other fees, etc.

2. Income Analysis by Segment

No.	Source of Income	2020		2019	
		Amount (KHR million)	%	Amount (KHR million)	%
1	Interest Income	665,618	96.27%	522,751	96.84%
2	Other Income	25,799	3.73%	17,039	3.16%
Total Income		691,417	100%	539,790	100%

Interest income is the largest and most significant for LOLC, which is 96.27% of total income.

3. Gross Profit Margin Analysis

LOLC prepares its income statement in the format which do not show gross profit margin. However, this report format allows us to discuss and analyse operating profit, which resulted from total income less operating expense. Operating expense will be discussed and analysed in point 4. Analysis on Profit/Loss before Tax.

4. Analysis on Profit/Loss before Tax

Summary Income Statement (KHR in Million)	2020	2019	Variance (KHR in Million)	Variance (%)
Interest Income	665,618	522,751	142,867	27.33%
Interest Expense	(269,690)	(215,486)	(54,204)	25.15%
Net Interest Income	395,928	307,265	88,663	28.86%
Other Income	25,799	17,039	8,760	51.41%
Personnel Expense	(115,709)	(100,061)	(15,648)	15.64%
Depreciation on Tangible and Intangible Assets	(10,244)	(10,307)	63	-0.61%
Administrative and Other Expense	(41,078)	(35,700)	(5,378)	15.06%
Profit from Operations	254,696	178,236	76,460	42.90%
Provision on Financial Instruments	(43,358)	(17,237)	(26,121)	151.54%
Profit before Tax	211,338	160,999	50,339	31.27%

In 2020, LOLC's profit before tax was KHR 211,338 million while it was KHR 160,999 million in 2019, which increased KHR 50,339 million, equivalent to 31.27%. This increment was mainly due to the increase in interest income with the amount of KHR 142,867 million in proportion to the increase of loan portfolio.

5. Analysis on Profit/Loss after Tax

Summary Profit (KHR in Million)	2020	2019	Variance (KHR in Million)	Variance (%)
Profit before Tax	211,338	160,999	50,339	31.27%
Income Tax Expense	(31,888)	(17,266)	(14,622)	84.69%
Profit after Tax	179,450	143,733	35,717	24.85%

In 2020, LOLC's net profit was KHR 179,450 million, increased 24.85% compared to 2019. This increment was mainly due to the increase of interest income.

6. Analysis of Factors and Trends Affecting Financial Situation and Results

As of 31st December 2020, management acknowledged that LOLC did not have any significant factors and trends that would affect LOLC's financial situation and results.

B. Significant Factors Affecting Profit

1. Analysis on Demand and Supply Conditions

LOLC is one of the largest financial institutions in Cambodia which always focuses on quality of service to make it convenient for customers in using LOLC's products and services. LOLC has received strong support from loan customers, finance lease customers and depositors, which make us grow rapidly during the last few years.

2. Analysis on Fluctuation in Prices of Raw Materials

As of 31st December 2020, management acknowledged that LOLC did not have any unusual elements.

3. Tax Analysis

LOLC is under the governance of Commercial Law on Taxation, so LOLC has obligation to pay taxes according to the applicable laws and regulations. LOLC has obligation to pay value added tax in accordance to real regime and large tax payer enterprise as determined by the General Department of Taxation.

4. Analysis on Exceptional and Extraordinary Items

As of 31st December 2020, management acknowledged that LOLC did not have any unusual or extraordinary elements.

C. Materials Changes in Sales and Revenue

As of 31st December 2020, management acknowledged that LOLC did not have any significant changes in sales or revenue.

D. Impact of Foreign Exchange, Interest Rate and Commodity Price

LOLC maintains its accounting record using KHR as functional currency. Transactions in USD and THB are translated into KHR at the exchange rate ruling at the dates of the transactions. Monetary assets and liabilities denominated in currencies other than KHR at the reporting date are translated into KHR at the rates of exchange ruling at that date. Exchange differences arising on translation are recognized in the income statement.

E. Impact of Inflation

LOLC does not adjust interest rate based on inflation. Instead, LOLC adjusts the interest rate based on real competitive situation in the market, while maintaining excellent financial sustainability.

F. Economy, Fiscal and Monetary Policies of the Royal Government


As of 31st December 2020, management acknowledged that LOLC was not adversely affected by the Economy, fiscal and monetary policies of the government.

Section 9: Other Necessary Information for Investors Protection (If Any)

The Institution does not have any significant information other than disclosing in this report and external audit report.

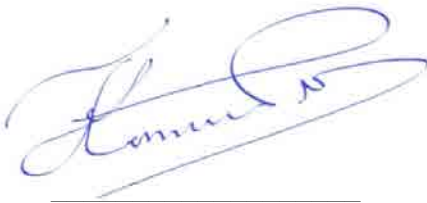
Signatures of Directors of the Listed Entity

Date: 26th March 2021
Having read and approved




Mr. Brindley de Zylva
Chairman

Date: 26th March 2021
Having read and approved



Mr. Conrad Dias
Director

Date: 26th March 2021
Having read and approved



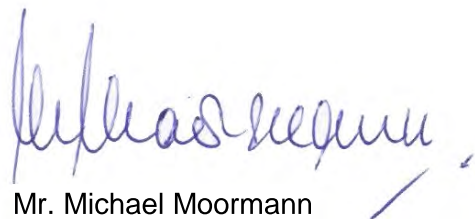
Mr. Dulip Rasika Samaraweera
Director

Date: 26th March 2021
Having read and approved



Mr. Indrajith Wijesiriwardana
Independent Director

Date: 26th March 2021
Having read and approved



Mr. Michael Moormann
Independent Director

Appendix of Annual Report 2020

LOLC (Cambodia) Plc.

Annual Corporate Governance Report

Appendix of Annual Report 2020
LOLC (Cambodia) Plc.
Annual Corporate Governance Report

Section 1: Shareholders

A. Shareholding Structure (as of 31st December 2020)

1. Shareholder Information

Description	Nationality	Type of Shareholders	Number of Shareholders	Number of Shares	Percentage
Less than 5%	Cambodian	Individual	None	None	None
		Legal Person	1	67,982	3.03%
	Non-Cambodian	Individual	None	None	None
		Legal Person	None	None	None
From 5% up to 30%	Cambodian	Individual	None	None	None
		Legal Person	None	None	None
	Non-Cambodian	Individual	None	None	None
		Legal Person	None	None	None
From 30%	Cambodian	Individual	None	None	None
		Legal Person	None	None	None
	Non-Cambodian	Individual	None	None	None
		Legal Person	1	2,175,792	96.97%

2. Shareholders Who Are Directors, Senior Officers and Employees of Listed Company

Shareholders	Number of Shareholders	Number of Shares	Percentage
Directors	-	-	-
Senior Officers	2	45,548	2.03%
Employees	-	-	-
Total	2	45,548	2.03%

B. Shareholders' and Protection of Shareholders' Rights

1. Rights of Shareholders

All shareholders have full rights to make decisions at the meeting regardless of their status and number of shares. A decision adopted at the Shareholders meeting may be made without meeting if all shareholders approve in writing to make such decision.

2. Protection of Shareholder's Right and the Company's Practice of the Protection of Shareholders' Rights

Shareholders select and nominate the Board of Directors. Shareholders are protected by the Board of Directors.

3. Protection of Minority Shareholders' Rights and the Company's Practice of the Protection of Shareholders' Rights

Shareholders have the rights equivalent to number of their shares to vote without any restriction.

C. General Shareholder Meeting

1. Procedure of General Shareholder Meeting and Voting

The General Meetings of the Shareholders shall be held at least once a year but no later than 15 months after the previous General Meeting. The Board of Directors shall fix the date for General Meeting. An extraordinary meeting may be convened at any time if it is proposed in writing by the Shareholders holding at least 51 percent shares. The Chairman of the Board, a majority vote of the Board or the Company's auditor may also convene an extraordinary meeting.

2. Information on General Shareholder Meeting

No.	Date	Type of Meeting	Quorum of Meeting	Agenda	Resolution																																			
1	17 June 2020	Ordinary	100%	<ul style="list-style-type: none"> i. LOLC Performance as at December 2019 ii. Report of 6 MDIs Performance 2019 iii. Approval of the Audited Financial Statement covering the financial year 2019 and covering period from January to March 2020 iv. Review the Result from Board Performance Evaluation v. COVID-19 Situation in Cambodia and Business Strategy 2020 	<ul style="list-style-type: none"> i. Reviewed LOLC performance as at December 2019 ii. Reviewed report of 6 MDIs performance as at December 2019 iii. Audited financial statement covering the financial year 2019 and covering period from January to March 2020 were already approved through the circular resolutions. iv. Reviewed the Result from Board Performance Evaluation and confirm to maintain composition of the Board of Directors and Board Committees as below: <table border="1" data-bbox="1312 564 1975 895"> <thead> <tr> <th></th> <th>Name</th> <th>Position/Role</th> </tr> </thead> <tbody> <tr> <td rowspan="5">Board of Directors</td> <td>Brindley de Zylva</td> <td>Chairman</td> </tr> <tr> <td>Conrad Dias</td> <td>Director</td> </tr> <tr> <td>Dulip Samaraweera</td> <td>Director</td> </tr> <tr> <td>Michael Moormann</td> <td>Independent Director</td> </tr> <tr> <td>Indrajith Wijesiriwardana</td> <td>Independent Director</td> </tr> <tr> <td rowspan="3">Appointment and Remuneration Committee</td> <td>Indrajith Wijesiriwardana</td> <td>Chair</td> </tr> <tr> <td>Conrad Dias</td> <td>Member</td> </tr> <tr> <td>Dulip Samaraweera</td> <td>Member</td> </tr> <tr> <td rowspan="3">Enterprise Risk Management and Compliance Committee</td> <td>Michael Moormann</td> <td>Chair</td> </tr> <tr> <td>Brindley de Zylva</td> <td>Member</td> </tr> <tr> <td>Conrad Dias</td> <td>Member</td> </tr> <tr> <td rowspan="3">Audit Committee</td> <td>Michael Moormann</td> <td>Chair</td> </tr> <tr> <td>Brindley de Zylva</td> <td>Member</td> </tr> <tr> <td>Indrajith Wijesiriwardana</td> <td>Member</td> </tr> </tbody> </table> v. Reviewed COVID-19 Situation in Cambodia and Business Strategy 2020 		Name	Position/Role	Board of Directors	Brindley de Zylva	Chairman	Conrad Dias	Director	Dulip Samaraweera	Director	Michael Moormann	Independent Director	Indrajith Wijesiriwardana	Independent Director	Appointment and Remuneration Committee	Indrajith Wijesiriwardana	Chair	Conrad Dias	Member	Dulip Samaraweera	Member	Enterprise Risk Management and Compliance Committee	Michael Moormann	Chair	Brindley de Zylva	Member	Conrad Dias	Member	Audit Committee	Michael Moormann	Chair	Brindley de Zylva	Member	Indrajith Wijesiriwardana	Member
	Name	Position/Role																																						
Board of Directors	Brindley de Zylva	Chairman																																						
	Conrad Dias	Director																																						
	Dulip Samaraweera	Director																																						
	Michael Moormann	Independent Director																																						
	Indrajith Wijesiriwardana	Independent Director																																						
Appointment and Remuneration Committee	Indrajith Wijesiriwardana	Chair																																						
	Conrad Dias	Member																																						
	Dulip Samaraweera	Member																																						
Enterprise Risk Management and Compliance Committee	Michael Moormann	Chair																																						
	Brindley de Zylva	Member																																						
	Conrad Dias	Member																																						
Audit Committee	Michael Moormann	Chair																																						
	Brindley de Zylva	Member																																						
	Indrajith Wijesiriwardana	Member																																						
2	25 June 2020	Ordinary	100%	<ul style="list-style-type: none"> i. LOLC's Performance as at May 2020 ii. Report of Top MDIs Data Sharing May 2020 iii. LOLC Goal 2020 and Business Opportunities 	<ul style="list-style-type: none"> i. Reviewed LOLC performance as at May 2020 ii. Review report of top MDIs data sharing as at May 2020 iii. Discussed the goal for 2020 and business opportunities during COVID-19 																																			

D. Dividend Distribution

1. Dividend Policy

Dividend policy of LOLC Cambodia is that total net profit is maintained in the retained earning account.

2. Historical Information on Dividend Distribution for the Last Three Years

No	Detail of Dividend Distribution	2020	2019	2018
1	Announcement date of dividend distribution (Approved by Shareholders)	None	None	None
2	Date of approval from NBC	None	None	None
3	Date of dividend Payment	None	None	None

Section 2: Board of Directors

A. Board of Directors

1. Composition of Board of Directors

No.	Name of Directors	Position	Start Date in Position	End Date in Position
1	Mr. Brindley Chrisantha Gajanayake De Zylva	Chairman	15 October 2015	No Limit
2	Mr. Francisco Kankanamalage Conrad Prasad Nirosch Dias	Director	12 February 2018	No Limit
3	Mr. Dulip Rasika Samaraweera	Director	02 July 2018	No Limit
4	Mr. Indrajith Wijesiriwardana	Independent Director	01 January 2015	01 January 2024
5	Mr. Hans Michael Theodor Moormann	Independent Director	01 February 2013	01 February 2022

2. Biography of Directors

❖ Mr. Brindley de Zylva, Chairman

Mr. Brindley is the Chairman of the Board of LOLC (Cambodia) Plc and LOLC Finance PLC in Sri Lanka. He is also the Managing Director of LOLC Myanmar Micro-Finance Company Ltd. He has served the Non-Bank Financial Services Industry (NBFIs) during the past 37 years in Licensed Finance Companies, Specialized Leasing Companies and Microfinance Institutions holding Board & General Management positions prior to taking over as the Chairman of LOLC (Cambodia) Plc. He has a wide range of expertise and experience in the NBFIs sector; covering Marketing & Sales, Credit & Recovery Management, and Finance. Brindley is a Fellow of the Sri Lanka Institute of Credit Management; was elected as its Honorary Secretary in 2010. He also served as a Member of the Council of Management of the Finance Houses Association of Sri Lanka for nine years, Four of which as one of its Vice Chairmen, and as a Director of the Financial Ombudsman Sri Lanka (Guarantee) Limited, in Sri Lanka. These positions were relinquished in 2015 to take over a regional assignment for the LOLC Group in Myanmar & Cambodia.”

❖ **Mr. Conrad Dias, Director**

Conrad Dias is the former Group CIO of the LOLC Group and Director of LOLC Holdings PLC, Director/CEO of LOLC Finance PLC and the Co-founder of iPay. He holds a Master of Business Administration from the University of Leicester and is a Fellow of the Chartered Institute of Management Accountant, a Chartered Global Management Accountant and a Fellow of British Computer Society and Fellow Member of Certified Management Accountant of Sri Lanka. Mr. Dias counts over 30 years of experience and processes domain expertise in sectors such as Trading, Banking and Finance, Assets Management and Manufacturing. In recognition of his contributions to the LOLC Group, and the local IT Industry as a whole, Conrad was awarded the CSSL CIO of the year in 2016. He was also awarded the professional Excellence Award 2017 at the event organized by Institute of Certified Management of Accountant of Sri Lanka. He is also inducted to Global CIO Hall of Fame 2020 and winner of Global CIO100 for year 2020 from IDG USA.

❖ **Dulip Rasika Samaraweera, Director**

Dulip Rasika Samaraweera is a Director of LOLC (Cambodia) Plc. Dulip Samaraweera is a graduate of the University of Sri Jayawardenepura, with a Degree in Physical Sciences specializing in Statistics and is a passed finalist of the Chartered Institute of Management Accountants (UK). He started his career in investment research in 2004 and joined the LOLC Group in 2007. He serves as a director of LOLC Myanmar Microfinance Limited. He is an experienced professional in financial management, process improvement, strategic planning, investments and acquisitions.

❖ **Mr. Michael Moormann, Independent Director**

Mr. Michael Moormann is an Independent BOD Member of LOLC (Cambodia) Plc. He started his career in the Netherlands within the foreign division of ABN AMRO Bank in 1971 and was transferred to Indonesia in 1973. He gained much experience serving in a variety of positions and working in many different countries before taking up senior management positions. In 1992 he became the Regional Manager of private banking in Latin America for AB AMRO and starting in 1994 served as Country Manager for the same bank in several countries including the Philippines, Sri Lanka and Vietnam. Since 2005 Mr Moormann completed several consulting assignments in microfinance and presently serves as a director on the board of two microfinance institutions. His professional strengths include internal audit, human resource management and change management. Mr. Michael joined LOLC (Cambodia) Plc. in February 2013.

❖ **Mr. Indrajith Wijesiriwardana, Independent Director**

Mr. Indrajith Wijesiriwardana is currently an Independent BOD member of LOLC (Cambodia) Plc. Indrajith is a highly skilled consultant in international development finance with over 20 year's international experience from nearly 30 countries. His key areas of experience include Microfinance and SME Finance (MSME) and Capacity Building in the financial sector. He is skilled and experienced in strategy and business design developing inclusive financial systems, developing capacity in financial institutions focusing on MSME, institutional transformations and product design and process improvements. During his career in the banking sector, prior to consulting, he prepared and evaluated project proposals and monitored projects. His responsibilities included; loan financing for small, medium and large enterprises, trade financing, equity financing, restructuring, loan syndication, leasing. He developed and managed financial support services such as planning, budgeting and monitoring, accounting, financial administration and MIS. Mr. Indrajith Wijesiriwardana joined LOLC (Cambodia) Plc. in 1st January 2015.

3. If any Directors serve as Directors, Shareholders or Co-Owner of other Companies

No	Name of Directors	Name of Companies	Director, Shareholder or Co-Owner
1	Mr. Brindley de Zylva	<ul style="list-style-type: none"> ▪ Browns Machinery (Cambodia) Co., Ltd. ▪ Serendib Microinsurance Plc. 	<ul style="list-style-type: none"> ▪ Chairman ▪ Chairman
2	Mr. Dulip Rasika Samaraweera	<ul style="list-style-type: none"> ▪ LOLC Myanmar Microfinance Limited. ▪ Browns Machinery (Cambodia) Co., Ltd. 	<ul style="list-style-type: none"> ▪ Director ▪ Director
3	Mr. Conrad Dias	<ul style="list-style-type: none"> ▪ LOLC Holdings PLC ▪ LOLC Finance PLC ▪ iPay App ▪ Serendib Microinsurance Plc. 	<ul style="list-style-type: none"> ▪ Director ▪ Director/CEO ▪ Co-founder ▪ Director/CFO
4	Mr. Michael Moormann	<ul style="list-style-type: none"> ▪ RIEEF BV, Netherlands 	<ul style="list-style-type: none"> ▪ Managing Director
5	Mr. Indrajith Wijesirirwardana	<ul style="list-style-type: none"> ▪ UVADES Consulting Ltd ▪ Serendib Microinsurance Plc. 	<ul style="list-style-type: none"> ▪ Owner and Manager of UVADES ▪ Independent Director

4. Roles, Duties and Responsibilities of the Board of Directors

- ☞ Approve business plan and business strategies of the company;
- ☞ Oversight the overall AML/ CFT measures;
- ☞ Approve the opening and close of bank accounts and set the authorized limit amount and authorized signatories for bank account(s);
- ☞ Approve on remuneration policy for management and employees;
- ☞ Select, monitor, and replace key executives;
- ☞ Elect board committee members;
- ☞ Approve on annual audited financial statement;
- ☞ Approve on loan that LOLC borrows from lenders;
- ☞ Propose to shareholders to:
 - Increase or decrease capital;
 - Select and appoint external auditor;
 - Revise the Memorandum and Articles of Associations;
 - Dissolve or liquidate of the Company;
 - Declare the dividend;
 - Purchase, sell, or exchange the immovable property or franchise which is worth more than USD500,000;
 - Mortgage the Company's immovable property or encumbrance or lease of franchise/goodwill.

5. Board of Directors Meeting

No.	Date	Type of Meeting	Participated Directors
1	07 February 2020	Ordinary	Brindley de Zylva Conrad Dias Michael Moormann Indrajith Wijesiriwardana
2	12 May 2020	Ordinary	Brindley de Zylva Conrad Dias Dulip Rasika Samaraweera Michael Moormann Indrajith Wijesiriwardana
3	25 May 2020	Extraordinary	Brindley de Zylva Conrad Dias Dulip Rasika Samaraweera Michael Moormann Indrajith Wijesiriwardana
4	07 August 2020	Ordinary	Brindley de Zylva Conrad Dias Dulip Rasika Samaraweera Michael Moormann Indrajith Wijesiriwardana
5	06 November 2020	Ordinary	Brindley de Zylva Conrad Dias Dulip Rasika Samaraweera Michael Moormann Indrajith Wijesiriwardana

B. Board Committees

1. Structure of Board Committees

1.1 Audit Committee

No.	Name	Position	Date of Appointment	Number of Attended Meeting	Total Number of Meeting
1	Michael Moormann	Chair	17 th July 2013	4	4
2	Brindley de Zylva	Member	15 th October 2015	4	4
3	Indrajith Wijesiriwardana	Member	01 st January 2015	4	4

Roles and Responsibilities of Audit Committee

1. Financial reporting

The committee shall review and challenge where necessary:

- a) The consistency of, and any changes to, accounting policies on a year by year basis;
- b) That the information provided to the public, to NBC, regulators and stakeholders is clear, accurate and reliable;
- c) Ensure that the financial and risk-related information is clear and assess the relevance of the accounting and valuation methods used for the establishment of the individual and, where applicable, consolidated accounts, and financial statements;
- d) Whether the company has followed appropriate accounting standards and made appropriate estimates and judgments, taking into account;
- e) The views of the external auditor;
- f) The clarity of disclosure in the company's financial reports and the context in which statements are made; and
- g) All material information presented with the financial statements, such as the business review/operating and financial review and the corporate governance statement (as it relates to the audit and risk management).

2. Internal controls and risk management systems

The committee shall

- a) Review and approve the statements to be included in the directors' annual report about internal controls and risk management;
- b) Assess the quality of internal control procedures, in particular whether the systems for measuring, monitoring and controlling risks are consistent, and recommending further action when appropriate;

3. Compliance, whistleblowing and fraud

The committee shall

- a) Review the adequacy and security of the company's arrangements for its employees and its contractors to raise concerns, in confidence, about possible wrong doing in financial reporting or other matters. The committee shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action;
- b) Review the company's procedures for detecting fraud and conflict of interest such as management, related parties and affiliate;
- c) Review the company's systems and controls for the prevention of bribery and receive reports on non-compliance.

4. Internal audit

The committee shall

- a) Monitor and review the effectiveness of the company's internal audit function in the context of its overall risk management system;
- b) Approve the appointment and removal of Head of Internal Audit Department;
- c) Review and assess the annual internal audit plan, the training and staffing plan;
- d) Review reports from the internal auditor to the committee;

- e) Follow up on effective corrective actions' implementation, notably by tracking pending and outstanding recommendations issued by Internal Audit and further supporting the work of Internal Audit;
- f) Chairman shall meet Head of Internal Audit Department at least at once a year without the executive being present to discuss the remit and any issues arising from the internal audits carried out;
- g) The internal auditor shall report to the committee and shall have direct access to the chairman of the committee and to the chairman of the board.

5. External audit

The committee shall

- a) Consider and make recommendations to the board in relation to the appointment, re-appointment and removal of the company's external auditor. The committee shall oversee the selection process for a new auditor and, if an auditor resigns the committee shall investigate the issues leading up to this and decide whether any action is required;
- b) Review and monitor the external auditor's independence, objectivity and the effectiveness of the audit process, which shall include a report from the external auditor on their own internal quality procedures;
- c) Oversee the relationship with the external auditor including (but not limited to):
 - i. Recommendations on their remuneration whether fees for audit or non-audit services, and that the level of fees is appropriate to enable an adequate audit to be conducted;
 - ii. Approval of their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit;
 - iii. Satisfying itself that there are no relationships (such as family, employment, investment, financial or business) between the auditor and the company (other than in the ordinary course of business);
 - iv. Monitoring the auditor's compliance with relevant ethical and professional guidance on the rotation of audit partner, the level of fees paid by the company compared to the overall fee income of the firm, office and partner and other related requirements;
 - v. Seeking to ensure co-ordination with activities of the internal auditor.
- d) Meet the external auditor at least once a year, without the executive being present, to discuss the auditor's remit and any issues arising from the audit;
- e) Review and approve the annual audit and ensure that it is consistent with the scope of the audit engagement;
- f) Review the findings of the audit with the external auditor. This shall include:
 - i. A discussion of any major issues which arose during the audit;
 - ii. Any accounting and audit judgements;
 - iii. Levels of errors identified during the audit;
 - iv. The effectiveness of the audit;
- g) Review the management letter and management's response to the auditor's findings and recommendations;
- h) Develop and implement a policy on the supply of non-audit services by the external auditor, taking into account any relevant ethical guidance on the matter.

6. Other matters

The committee shall

- a) Have access to sufficient resources to carry out its duties,
- b) Be provided with appropriate and timely training, both in the form of an induction program for new members and on an ongoing basis for all members
- c) Be responsible for co-ordination of the internal and external auditors
- d) Oversee any investigation of activities which are within its terms of reference
- e) Arrange for periodic reviews of its own performance and, at least annually, review its constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the board for approval.

Results of Audit Committee

In 2020, Audit Committee convened 4 meetings (the meeting is convened quarterly), which discussed and approved the following:

- ☞ Follow-up management's action taken over the findings raised by HIAD
- ☞ Discussed and fixed the issues of internal audit findings
- ☞ Reviewed and discussed fraud case report in 2020
- ☞ Approved annual report of "Organization and Effectiveness of the Internal Control for the year ended 2019
- ☞ Reviewed and approved annual report 2019
- ☞ Reviewed training report for internal auditors
- ☞ Evaluated annual performance of Head of Internal Audit Department
- ☞ Reviewed and approved the new audit rating guideline
- ☞ Reviewed the external audit management letter
- ☞ Approved training budget and plan 2021 for internal auditors
- ☞ Reviewed and approved audit work plan for 2021
- ☞ Conducted performance evaluation of audit committee
- ☞ Reviewed internal audit performance and function during COVID-19 outbreak

1.2 Appointment and Remuneration Committee

No.	Name	Position	Date of Appointment	Number of Attended	Total Number of Meeting
1	Indrajith Wijesiriwardana	Chair	02 nd November 2016	4	4
2	Dulip Rasika Samaraweera	Member	02 nd July 2018	3	4
3	Conrad Dias	Member	12 th February 2018	4	4

Roles and Responsibilities of Appointment and Remuneration Committee

1. Policy and Procedure

- a) Ensure that the remuneration policy is consistent with the long-term objectives and corporate values of the institution;
- b) Review any external evaluations of the institution's human resources strategy and policies, and report to the Board on its findings and recommendations;

- c) Review and recommend to the Board of Directors on the human resources strategy and policies covering but not limit to recruitment, staffing, development, retention, compensation, and benefits;

2. Appointment and Review Process

- a) Recommend procedures to select and replace board members;
- b) Recommend independent persons who will become committee members;
- c) Approve the nomination of senior management;

3. Remuneration

- a) Review and recommend remuneration arrangements for the Executive Directors including but not limited to contract terms, annual remuneration and participation in the Company's short and long term incentive plans.
- b) Review major changes and developments in the Company's remuneration, recruitment, retention and termination policies and procedures for Senior Management;
- c) Review and approve short term incentive strategy, performance targets and bonus payments.

4. Other Matters

- a) Annually reviews of its own performance and its terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the board for approval.

Results of Appointment and Remuneration Committee

In 2020, Appointment and Remuneration Committee convened 4 meetings (the meeting is convened quarterly), which discussed and approved the following:

- ☞ Quarterly reviewed HR and training report;
- ☞ Reviewed annually staff satisfaction survey;
- ☞ Approved annual bonus 2019 and salary increment 2019;
- ☞ Reviewed and approved new organizational structure;
- ☞ Reviewed the progress of HRIS system;
- ☞ Reviewed and approved the performance evaluation form and procedure for Board Committees, Individual Director, and Board of Directors;
- ☞ Conducted performance evaluation of ARC;
- ☞ Declared and informed all directors to complete and sign the conflict of interest form;
- ☞ Reviewed and approved the updated HR Policy;
- ☞ Reviewed and discussed HR Management during COVID-19;
- ☞ Reviewed and approved the updated Whistle Blowing and Grievance Policy;
- ☞ Reviewed the succession plan for senior management;
- ☞ Reviewed and discussed the staff working environment during COVID-19;
- ☞ Reviewed and approved the training plan and budget 2021;
- ☞ Reviewed the mid-year performance evaluation of LOLC's staff;
- ☞ Discussed and developed core competencies for Chief-Level;
- ☞ Reviewed the status of scholarship intern.

1.3 Enterprise Risk Management and Compliance Committee

No.	Name	Position	Date of Appointment	Number of Attended	Total Number of Meeting
1	Mr. Michael Moormann	Chair	02 November 2016	4	4
2	Mr. Brindley de Zylva	Member	06 February 2016	4	4
3	Mr. Conrad Dias	Member	12 February 2018	4	4

Roles and Responsibilities of Risk Management Committee

1. Risk Management Framework

- a) Make recommendations to the Board concerning the current and future risk appetite, risk management strategy and particular risks or risk management practices;
- b) Manage the identification, assessment and prioritization of risks to the institution;
- c) Discuss any risk of fraud brought to the committee's attention by the independent auditors and the auditors' recommendation for timely action;
- d) Review the risk philosophy, strategy and policies as recommended by management, and ensure compliance with such policies and with the overall risk profile of the Company. Risk in the widest sense includes market risk, credit portfolio risk, liquidity risk, operational risk and commercial risk which together cover detailed, combined risks such as:
 - Interest rate risk
 - Currency and foreign exchange risk
 - Technology risk
 - Disaster recovery risk
 - Operational risk
 - Reputational risk
 - Competitive risk
 - Legal risk
 - Compliance and control risks
 - Safety, health and environment risk
 - Investment risk
 - Asset valuation risk
 - Other risks appropriate to the business, which may be identified from time to time.

2. Policy and Report

- a) Monitor the implementation of risk management policies, as defined by the Board.
- b) Review asset/liability management report of the company annually or more frequently if circumstances require and monitor that the company's funds are manageable.
- c) Review guidelines on the company's tolerance for financial related risk and review performance against limits.
- d) Review management reports detailing the adequacy and overall effectiveness of the Company's risk management functions and its implementation by management, and reports on internal control, any recommendations, and confirm that appropriate action has been taken.
- e) Review and monitor the impact on the balance sheet, the profit and loss account and on liquidity including stress test, contingency funding, business continuity plan, caused by changes in volumes and pricing of products, costs, growth of loans and borrowed funds/deposits, also including effects caused by changes in investment strategy, economics, and customer behavior.
- f) Review of credit risk management, grading, and impairment policies and procedures at least annually.

3. Insurance and Compliance

- a) Oversee and review the scope, cover, and cost of the insurance program for the institution.
- b) Monitor that company is meeting public regulators requirement and covenants set by lenders in the loan agreements.
- c) Ensure the effectiveness and compliance with AML/CFT requirements of the relevant laws and regulation. Inadequacies of any AML/ CFT measures and control systems within the company shall be assessed and taken necessary steps to rectify the situation.

4. Other Matters

- a) Review the detail items that should be published in the Company's Annual Report relating to the activities of the committee.
- b) Annually reviews of its own performance and its terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the board for approval.

Results of Enterprise Risk Management and Compliance Committee

In 2020, Enterprise Risk Management and Compliance Committee convened 4 meetings (the meeting is convened quarterly), which discussed and approved the following:

- ☞ Quarterly reviewed risk report;
- ☞ Reviewed compliance to CMA Lending Guideline;
- ☞ Reviewed CBC reports on customer loyalty and industry performance;
- ☞ Quarterly reviewed compliance report;
- ☞ Reviewed progress report responding to NBC's onsite visit report;
- ☞ Reviewed the status of DR and Fire Drill testing;
- ☞ Reviewed IT risk assessment and treatment plan;
- ☞ Reviewed the cyber risk and control;
- ☞ Quarterly reviewed restructuring report;
- ☞ Reviewed management's action plan during COVID-19 crisis;
- ☞ Reviewed and approved the updated risk management policy;
- ☞ Reviewed the liquidity stress test during COVID-19 crisis;
- ☞ Reviewed and approved the Liquidity Risk Management Report for 2020;
- ☞ Reviewed whistle blowing policy;
- ☞ Reviewed the progress of the vendor selection and procurement of AML/CFT system;
- ☞ Reviewed AML/CFT dashboard report;
- ☞ Reviewed the updated ECL tools used in Audited Financial Statement 2020;
- ☞ Reviewed the technology risk management guideline issued by NBC to fulfil the gap between the institution's current implement and NBC's guideline;
- ☞ Discussed with management on the fraud risk prevention and detection strategy;
- ☞ Discussed the reputation risk from media;
- ☞ Evaluated annual performance of Head of Compliance Department;
- ☞ Conducted performance evaluation of ERM.

1.4 IT Steering Committee

IT Steering Committee was formed as a board committee on 06th February 2020 and start conducting its first meeting from May 2020.

No.	Name	Position	Date of Appointment	Number of Attended	Total Number of Meeting
1	Conrad Dias	Chair	06 February 2020	3	3
2	Brindley de Zylva	Member	06 February 2020	3	3
3	Indrajith Wijesiriwarda na	Member	06 February 2020	3	3

Roles and Responsibilities of IT Steering Committee

1. Provide advice and guidance on IT governance policy and procedure to the Board of Directors for approval;
2. Ensure that management has put an effective IT Governance process in place;
3. Ascertain that management has implemented processes and practices that ensure that the IT function delivers value to the business;
4. Ensure IT investments represent a balance of risks and benefits and that budgets are adequate and;
5. Continuous improvement programme and effective monitoring of IT Risk;
6. Recommend priorities for new technology initiatives that benefit LOLC's business operations;
7. Ensure that the IT Strategic Plan is aligned with the Business Plan;
8. Submit quarterly ITSC update to the Board of Directors on issues, priorities, recommendations, activities and actions;
9. Provide information to the Board/Board Risk Committee/Board Audit Committee and Executive Committee to support the overall management of IT Governance;
10. Overseeing and monitor the execution of the IT strategy;
11. Assist to set the high-level priorities and direction for LOLC;
12. Place focus on key projects or initiatives that will derive benefit for LOLC.

Results of IT Steering Committee

In 2020, IT Steering Committee convened 3 meetings (the meeting is convened quarterly), which discussed and approved the following:

- ☞ Quarterly reviewed critical issues of Core Banking System
- ☞ Quarterly reviewed the IT downtime report
- ☞ Quarterly reviewed the IT projects status
- ☞ Reviewed the progress of ISMS audit findings and status of ISO 27001:2013 Certification
- ☞ Discussed the Robotic Process Automation
- ☞ Quarterly reviewed Information Security Posture Report
- ☞ Discussed DR site movement plan and budget
- ☞ Discussed and approved to move iPay into Google Cloud
- ☞ Reviewed NBC's Prakas on KHRQR Code Requirement

- ☞ Discussed and approved AML solution
- ☞ Discussed on the procurement of MS Office 365 license
- ☞ Reviewed and finalized pricing structure of iPay Mobile App agreement
- ☞ Reviewed and approved branch network upgrading

2. Changes of Committee Members

No.	Committees	Name	Reasons
1	Audit	None	None
2	Appointment and Remuneration	None	None
3	Enterprise Risk Management and Compliance	None	None
4	IT Steering	None	None

C. Indemnity or Remuneration

1. Summary Policy on Indemnity or Remuneration for Directors and Senior Staff

a. Indemnity or Remuneration for Directors

Directors will receive Board of Directors fee, accommodation and airfare to attend the board meeting.

b. Indemnity or Remuneration for Senior Staff

Senior Staff will receive indemnity or remuneration as below:

- ☞ Function Allowance
- ☞ Savings Scheme
- ☞ Khmer New Year Bonus
- ☞ Pchum Ben Bonus
- ☞ Year-End Bonus
- ☞ Seniority Payment

2. Persons Who Receive Indemnity or Remuneration

No.	Persons Who Receive Indemnity or Remuneration	Indemnity or Remuneration Amount	Others
1	Directors	USD 158,702	
2	Executive Directors	N/A	
3	Senior Officers	USD 848,478	
4	Top 5 employees receiving indemnity or remuneration	USD 50,000 - USD 190,000	

D. Annual Performance Evaluation of Board of Directors, Individual Director, Board Committees and Chief Executive Officer

No.	Description	Evaluation Procedure	Criteria
1	Board of Directors	Each director shall evaluate performance of Board of Directors by giving scores (1 – 5) to each criteria and sign on evaluation form. After the evaluation, Company Secretary will consolidate the result of all evaluation to discuss during board meeting.	<ol style="list-style-type: none"> 1. Composition of Board of Directors 2. Oversight of Management 3. Understanding the company and its business 4. Conduct of Board meeting
2	Directors	Individual director shall conduct self-evaluation by giving scores (1 – 5) to each criteria and sign on evaluation form. After self-evaluation, any other 2 directors will conduct peer review. After the peer review, all evaluation forms will be handed to Company Secretary to consolidate result to discuss during board meeting.	Director performance quality
3	Committees	Each member in committee evaluates the performance of his/her own board committee by giving scores (1 – 5) to each criteria and sign the evaluation form. After the evaluation, Company Secretary will consolidate result to discuss during each board committee meeting.	<ol style="list-style-type: none"> 1. Authority of board committee 2. Resources and organizing 3. Duty quality
4	CEO	CEO conducts self-evaluation by giving scores (1 – 5) to each criteria and his own goal. After self-evaluation, the evaluation form will be passed to ARC to review and evaluate CEO's performance with the present of CEO himself. After that, Chair of ARC will pass the evaluation form to Chairman of the Board of Directors to approve and sign together with acknowledgement from CEO.	<ol style="list-style-type: none"> 1. Performance expectation (quality and goal) 2. Core competency

E. Training for Directors and Senior Officers

Directors and senior staff are trained in order to update their knowledge on leadership skills and company management.

No	Name	Position	Training Courses in 2020
1	Mr. Sok Voeun	Chief Executive Officer	<ul style="list-style-type: none"> - AFI FORUM 2020 - The SAM_ The future of Financial Inclusion in Africa- Post COVID19 strategies for MFIs and DFIs
2	Mr. Sok Sophal	Deputy Chief Executive Officer/Chief Finance Officer	<ul style="list-style-type: none"> - AFI FORUM 2020 - The SAM_ The future of Financial Inclusion in Africa- Post COVID19 strategies for MFIs and DFIs - Certified Management Account (CMA) - Funding and Communication with Lenders
3	Mr. Nuth Theng	Head of Business Department	<ul style="list-style-type: none"> - Crisis Response to Arrears and Delinquency Management During COVIDs-19 - Portfolio Restructuring - Loan Recovery Operations- Front Office and Branches - Organizational Challenges in Practice in Recovery Activities - Practical Aspects of Recovery Project Planning and Implementation

No	Name	Position	Training Courses in 2019
4	Ms. Svoeuy Sodyna	Chief Risk Officer	<ul style="list-style-type: none"> - The SAM_ The future of Financial Inclusion in Africa- Post COVID19 strategies for MFIs and DFIs - Certified Expert in Risk Management
5	Mr. Duleep Liyanage	Chief Information Officer	<ul style="list-style-type: none"> - EMV Payment card technologies and card operation
6	Ms. Keo Taraty	Head of Finance Department	<ul style="list-style-type: none"> - ALCO as Management Tool
7	Ms. Try Sola	Head of Treasury Department	<ul style="list-style-type: none"> - Liquidity Management and Planning/Forecasting - Liquidity Risk and Liquidity Crisis Management - ALCO as Management Tool - Funding and Communication with Lenders - Operational Risk - Fraud Risk
8	Ms. Kheng Navy	Company Secretary	<ul style="list-style-type: none"> - Corporate Governance Master
9	Mr. Hual Sovutha	Head of Information Technology Department	<ul style="list-style-type: none"> - EMV Payment card technologies and card operation - Internal Audit training on ISO 27001:2013 information security management systems
10	Mr. Teng Pheap	Head of Internal Audit Department	<ul style="list-style-type: none"> - EMV Payment card technologies and card operation - Internal Audit training on ISO 27001:2013 information security management systems - Certification in Internal Audit - Fraud Risk
11	Ms. Siv Bopha	Head of Administration and Procurement Department	<ul style="list-style-type: none"> - Internal Audit training on ISO 27001:2013 information security management systems

Section 3: Code of Conducts Practices

A. Policies related to Code of Conduct applicable to Directors, Senior Staff and Employees:

❖ Conflict of Interest

Unless prior written approval of LOLC is granted, employees are not allowed to participate in any kind of paid activities outside LOLC including work in another company, do freelance work for another company, participate as board of directors, or in the management of other companies. A conflict of interest is deemed to exist in the following cases and employees shall not be involved in such activities.

1. The service of employee

Participation in any business activity outside the institution and demands excessive time and attention from the member of staff, thereby depriving LOLC of employee best efforts on job.

Engage directly or indirectly in any business activity that competes or conflicts with the LOLC's interest.

If staff personal/ financial interests or those of his/her spouse or children are in conflict with the interest of LOLC, staff must declare such an interest to manager and disassociate from the activity where the conflict arises.

2. Purchasing assets from clients

Client assets and collateral: staff, and their relatives, involved in the seizing process are prohibited from bidding process/ buying client collateral or assets. Information about the process and date of seizing client's collateral shall be kept confidential.

Product and services: Staff are prohibited to buy client's product/ service at a very cheap price (compared to the market price) in exchange for his/her service with LOLC.

❖ Fair Competition

☞ LOLC (Cambodia) has been investing considerably to study the evolution of the sectors they finance: clients' preference changes, changes with competitors, service impact on clients, ideas about new products, etc. This allows LOLC to design, develop and improve products and services to satisfy clients and to be competitive in the market.

☞ LOLC have also been investing much money to initiate new ideas of products and services creation possibility to entrance new market share as well as growth existing marketing share. There are many related fields to generate all these ideas or sources to take from such as board of directors or regulation requirements, management team concept, market conductive research and competitors etc.

☞ The primary competitive advantages in the current situation MFIs businesses in Cambodia are new products and services development while other institutions are aggressing to increase, expand their market shares as well as maintained existing customers by own strategies.

❖ Confidentiality of Information

☞ Employee must take every precaution to protect the confidentiality of company's information and its transactions.

☞ During employment with LOLC, or upon and after termination of employment, employees are not allowed to disclose any information about LOLC's business deals, negotiations,

customers, correspondence, structure, policies, procedures, etc., to third party without written consent from LOLC or when law require.

- ☞ Employees are strictly prohibited from accessing the accounts and personal files of other staff members.

❖ **Using Institution's Assets**

- ☞ Do not use any of LOLC's computers, telecommunications, buildings, supplies or other assets/equipment for personal or third party's business.
- ☞ Do not access, reproduce, display, distribute, or store any materials that are sexually explicit, obscene, defamatory, harassing, illegal or otherwise inappropriate when using LOLC assets, or when performing the job, especially over the internet and by electronic materials.
- ☞ When asset is lost, LOLC will investigate theft or loss of its assets and take appropriate action.

❖ **Laws and Regulations related to the labor and relevant sectors**

- ☞ No discrimination on the basis of race, color, religion, ethnic, age, gender, national origin, citizenship, disability, marital status, political tendency, union status, pregnancy, veteran status, genetic information, or any other characteristic protected by law.
- ☞ Obey safety and security rules and guidelines at all times. Whenever travelling by car or motor bike, wear seatbelts and helmet accordingly.
- ☞ Must comply with all Cambodian laws, rules and regulations.
- ☞ Must not consume prohibited drugs or substance either during or outside office hours.
- ☞ Must not bring weapons or any item that is considered illegal under the law like prohibited drugs or substances into the premises of the LOLC or while on official LOLC business.
- ☞ Do not access, reproduce, display, distribute, or store any materials that are sexually explicit, obscene, defamatory, harassing, illegal or otherwise inappropriate when using LOLC assets, or when performing the job, especially over the internet and by electronic materials.
- ☞ LOLC evaluates and minimize the potential negative effects of its activities, including impact on the environment (e.g., air, water, and land), health and safety, and labor (e.g., child labor). Credit staff shall assess the compliance of every loan with Cambodian environmental laws, exclusion lists, and child labor, health, safety, and other regulations.

❖ **Work Discipline and Regulations**

I. Regulations on Work Discipline

Article 1: Requirements for employee recruitment

Candidates of both genders who have the age from 18 years old with good health and have enough skills to meet the Company's requirements can apply for the job.

Article 2: Work Procedure and Implementation

All employees shall comply with the following:

- Respect working hours set forth by the company.
- Wear appropriate clothing.
- Be committed to achieving the work assigned by the company.

- Shall wear ID card during working hours in the company.
- Shall not disclose any confidential information of the company.
- Shall not defame the company.
- Shall not work on personal tasks during working hours without permission.
- Shall not serve own customer during working hours without permission.

Article 3: Physical check-up

Before starting work, all employees shall go to do Physical Check-up at the Department of Occupational Health and Safety of the Ministry of Labour and Vocational Training.

Article 4: Working Hours and Holidays

All employees shall be required to work as set the following:

- Morning: from 7:30 to 12:00
- Afternoon: from 13:30 to 17:00

All employees shall be entitled to get paid leave as the following:

- **Public holidays:** Subject to the announcement of the Ministry in charge of Labour.
- **Annual leave:** 18 days/year. One more regular working day shall be added to this leave after three years of service.
- **Special leave:** Subject to the announcement of the Ministry in charge of Labour.
- **Maternity leave:** shall be granted 90 days of maternal leave for female employees before and after delivery date.
- **Sick leave:** For employees who have medical certificates, company provides full salary payment for the 1st month. In the 2nd and 3rd month, company provides only 60%. From the 4th to 6th month, company does not provide the salary but the employment shall be maintained. If it is over 6months, company will consider terminating the employment in accordance with the Law on Labour.
- **Leave due to occupation accident:** Subject to the announcement of the Ministry in charge of Labour.

Article 5: Salary, Bonus, and Other allowances

The company provides the salary based on performance ability and work result of each employee. The company reviews the salary increment of each employee at the end of each year based on performance, comply with the rules and regulations, and individual achievements as well as the ability of the company. Any urgent, the company will request employees to work overtime by voluntary basis by offering overtime rate as mentioned in the Law on Labour. Employees who intentionally damage the properties of the company shall pay back to the company based on actual damage. In case, no ability to pay for the damage, the company will deduct his/her salary in accordance with the procedures and levels set forth in the Law on Labour.

Article 6: Authorized leave and unauthorized leave

Employee who wishes to request leave for any reasons shall obtain prior written permission at least 2 days in advance. In case of serious illness, employee is unable to work or other urgencies, employee may request leave permission through own representative by phone. However, employee shall submit leave form within no longer than two days after come back to work. For sick leave, shall attach with official medical certificate by doctor.

Unauthorized absence is considered as the mistake which is set as below:

- Unauthorized leave less than 2days per month are considered as minor offence.
- Unauthorized leave from 2days to less than 6days per month are considered as significant offence.
- Unauthorized leave from 6days per month or 6 consecutive days up are considered as giving up the job.

Employee who takes unauthorized leave, company will not provide the salary based on the amount of unauthorized leave days.

Article 7: Using the company's building

Employees shall take care the company's building and hygiene. Shall not draw or beat on the wall or any parts of the building. All employees shall not make unhygienic such as: Defecate, throw the garbage and cigarettes and other wastes with the wrong place that is allowed. Shall not stay in the office out of working hour without permission.

Article 8: Exiting and entering the company

Employee shall exit and enter the company through the door that company set and shall no bring weapons and explosives into the company. Employee shall obtain prior approval from the company before exiting the company during working hours. Employee shall sign on attendance list regularly. It is considered as absence if no signature. Employee shall not sign instead of each other.

II. Disciplinary and Rights to Self-Defence of Employee

Article 9: Disciplinary

Employee who commits an intentional misconduct and also have the actual evidence, company will discipline based on the level of misconduct as following:

- **Minor Offence:** For the first time, shall receive verbal warning and keep in personal file. If the mistake is repeated in the second time, shall receive written warning. For the third time, in case it is still repeated, shall be dismissed from the company.
- **Significant Offence:** For the first time, shall receive written warning and keep in personal file. For the second time, shall suspend the employment with without pay (Not more than 7days). For the third time, in case it is still repeated, shall be dismissed from the company.
- **Serious Offence:** As mentioned in the Law on Labour, will be dismissed from the company. For necessary case, company will transfer this case to the police.

Article 10: Rights to Self-Defence of Employee

Employees shall have the rights to respond to and argue against the accusation of the company by him/herself or through the shop steward if he/she considers that the accusation is not proper. If no agreement is reached, the employee may file a complaint to Ministry of Labour and Vocational Training or complain to the court to solve.

III. Occupational Hygiene and Safety

Article 11: Occupational Hygiene and Safety

Employee shall keep own body hygiene while working and keep the workplace is clean. Do not perform the wrong tasks to avoid work-related accidents and disasters. Shall follow the technical procedures recommended by the company and regularly use the labour equipment provided by the company.

When a company's equipment is found to be malfunctioning that it may occurs as the accident, employee shall report to the company immediately for corrective action.

Employee shall adhere to the rules of hygiene and safety of the company trained.

❖ Whistle Blowing

As soon as an employee becomes reasonably concerned about a matter, they should raise the issue to Compliance Officer or Chief Executive Officer through phone call, email or face-to-face meeting. If the matter relates to CEO, the reporting staff can log the issue to independent director through email or face-to-face meeting.

❖ Conflict Resolution

All concerned officials and staff shall be guided by the following in observance of LOLC (CAMBODIA) PLC's policy on Grievance Handling:

1. Any issue that the staff feels strongly about can be raised to the grievance committee.
2. The issue shall be settled at the lowest possible level in the organization. If any member of the grievance committee is the subject of the complaint, s/he shall be required to abstain in the handling of the case.
3. All parties involved in the issue shall be properly informed and given an opportunity to present their side and the first opportunity to solve/adjust the complaint.
4. The issue shall be adjusted/solved within a maximum period of fifteen (15) days from date of presentation.
5. Any employee raising the issue shall not be subject to disciplinary action by LOLC (CAMBODIA) PLC for raising the issue. However, a co-employee or supervisor may raise an action against the employee under the grievance handling policy, or any other policy recognized by the Board of LOLC (CAMBODIA) PLC as official as a counter-action. This, however, will be handled as a separate issue.
6. An employee has four (4) options in presenting his/her complaint. S/He may go to
 - ☞ His/her supervisor or manager.
 - ☞ Request Branch Grievance committee to help in resolving his/her complaint.
 - ☞ Request Head Office Grievance committee to help in resolving his/her complaint through Head of HR via phone 081 800 717.
 - ☞ E-complaint.

B. Dissemination of Code of Conduct to Directors, Senior Staff and Employees

All Directors, Senior Staffs and all employees must read, understand and comply with Company's Code of Conduct as summary below:

I. Principal of Code of Conduct

1. Behavior toward other employees

- ☞ Value life and uphold every people's rights;
- ☞ Observe courtesy and respect in dealing with others;
- ☞ Must not use abusive language. "Abusive" refers to verbal/ oral speech which is characterized by bullying, criticizing, threatening, attacking on self-esteem, and undermining towards receptor.
- ☞ Must not use physical violence such as physical hitting, pushing, biting, punching, limit physical freedom and throwing things at someone, etc.
- ☞ Must not commit any form of general or sexual harassment towards other people. General harassment refers to any continued unwanted or annoying actions of one party towards others while sexual harassment refers to any unwelcome sexual advances, requests for sexual favors, and other verbal or physical conduct of a sexual nature that tends to create a hostile or offensive work environment.
- ☞ No discrimination on the basis of race, colour, religion, ethnic, age, gender, national origin, citizenship, disability, marital status, political tendency, union status, pregnancy, veteran status, genetic information, or any other characteristic protected by law.

2. Professional Conduct

- ☞ Work in a manner that is consistent with LOLC core values;
- ☞ Perform duties competently, faithfully, and diligently;
- ☞ Dress in LOLC uniform while working;
- ☞ Keep the office and premises clean and refrain from untidy habits;
- ☞ Punctual and secure approved office pass from supervisor when leaving the office premises during office hours whether on official or personal business;
- ☞ Obey safety and security rules and guidelines at all times. Whenever travelling by car or motor bike, wear seatbelts and helmet accordingly;
- ☞ Must carefully manage personal financial situation to avoid circumstance that could lead to financial embarrassment. If such a difficulty were to arise, the problem should be discussed with immediate manager;
- ☞ Comply with all LOLC rules and regulations, policies and procedures and generally with all the tasks given by supervisor;
- ☞ If a case arises where the tasks given oppose LOLC's interests or are illegal, staff should either make opinion known to supervisor or, if necessary, report this to the department head, Head of Human Resources Department or the CEO. Even though tasks should normally be followed at all times, in such extreme cases, staff are expected to act so as to protect LOLC's interests;
- ☞ Must comply with all Cambodian law, rules and regulations;

- ☞ Committed to saving energy and the environment such as the appropriate use of paper, electricity, and water;
- ☞ Must not seek any benefit from money lending within LOLC include playing TONTINES in LOLC;
- ☞ Must not make false or misleading reports, illegally alter documents, or conceal information of benefit or cause potential harm to LOLC;
- ☞ Must not gamble, drink liquor within the office premises or while on official duty;
- ☞ Must not consume prohibited drugs or substance either during or outside office hours;
- ☞ Must not bring weapons or any item that is considered illegal under the law like prohibited drugs or substances into the premises of the LOLC or while on official LOLC business;
- ☞ Must not deliberately expose oneself to unnecessary harm or untoward occasions that could endanger staff while on duty.

3. Fraud

- ☞ LOLC has a zero-tolerance for fraud. Cases of suspected fraud will be seriously investigated and if found to exist, those responsible will be subject to disciplinary action, which includes dismissal.
- ☞ Staff are required to report any cases of fraud or suspected fraud. This may be reported to either direct supervisor, Regional Manager, Chief Operation Officer (COO) or Chief Executive Officer (CEO).

4. Misuse of Position

- ☞ Must not misuse position for personal or third party's benefit;
- ☞ Must not seek out or accept any loan or inducement of any kind in order to influence, assist in, or procure: the employment of any person(s) or awarding of the contract for the supply of goods or services. Any such offers should be reported to immediate manager;
- ☞ Must not solicit inducement, either directly or indirectly, whether in cash or in kind in order to provide any favors to a customer in the provision of loans, acceptance of deposits or any other business activity.

5. Use of LOLC's Facilities and Assets

- ☞ Do not use any of LOLC's computers, telecommunications, buildings, supplies or other assets/equipment on personal or third party's business.
- ☞ Do not access, reproduce, display, distribute, or store any materials that are sexually explicit, obscene, defamatory, harassing, illegal or otherwise inappropriate when using LOLC assets, or when performing the job, especially over the internet and by electronic materials.
- ☞ When asset is lost, LOLC will investigate theft or loss of its assets and take appropriate action.

6. “Back-scratching” Exercises

Staff are not allow to engage in “back-scratching” (i.e. when staff agrees to do something or requests someone to do for him/her a favour in return for some present or future benefit).

7. Public Representation (Safeguarding the Company Reputation)

If LOLC wishes to make public statements, an officially delegated person will be nominated. Unless nominated, and with formal approval from the CEO, the employee is not allowed to make oral or written public statements about national, local, legal or other matters as LOLC’s representative. If the employee wishes to make such statements he/she should make it clear that he/she is expressing his/her personal views, and not those of LOLC.

8. Confidentiality of Information

- ☞ Employee must take every precaution to protect the confidentiality of company’s information and its transactions.
- ☞ During employment with LOLC, or upon and after termination of employment, employees are not allowed to disclose any information about LOLC’s business deals, negotiations, customers, correspondence, structure, policies, procedures, etc., to third party without written consent from LOLC or when law require.
- ☞ Employees are strictly prohibited from accessing the accounts and personal files of other staff members.

9. Behavior toward clients

- ☞ Must not use abusive language
- ☞ Must not use physical force;
- ☞ Must not limit physical freedom;
- ☞ Must not shout at the client or enter in the client’s home uninvited;
- ☞ Must not publicly humiliate the client;
- ☞ Must not violate the client’s right to privacy;
- ☞ Must not discriminate clients based on ethnicity, gender, sexual orientation, religious belief, political opinions, disability;
- ☞ Must not participate in corruption, kickbacks, theft;
- ☞ Must not participate in sexual or moral harassment toward clients.

10. Behavior toward the community and the environment

LOLC evaluates and minimize the potential negative effects of its activities, including impact on the environment (e.g., air, water, and land), health and safety, and labor (e.g., child labor). Credit staff shall assess the compliance of every loan with Cambodian environmental laws, exclusion lists, and child labor, health, safety, and other regulations.

II. Implementation of Code of Conducts

This code of conduct forms part of the terms and conditions of employment and governs staff activities at LOLC. Staff are required to read, understand and abide by the code of conduct. Staff are subjected to the full range of disciplinary sanctions which include warning or termination for not abiding by the code of conduct.

C. Mechanisms and Procedures for the Implementation of Code of Conduct

This code of conduct forms part of the terms and conditions of employment and governs staff activities at LOLC. Staff are required to read, understand and abide by the code of conduct. Staff are subjected to the full range of disciplinary sanctions which include warning or termination for not abiding by the code of conduct. LOLC Executive Committee members will function as the Code of Conduct Committee, and the committee will oversee staff knowledge, understanding, implementation of code of conduct, and sanction for code violation.

D. Transactions with Related Parties

Please refer to attached Financial Statement reviewed by Independent Auditor for detail information.

1. Policy for Managing Transactions with Related Parties

No.	Related Parties	Policies
1	Holding Company	Transfer Pricing Policy
2	Joint Venture	None
3	Subsidiary Company	Transfer Pricing Policy
4	Majority Shareholders and Controlling Shareholders	Transfer Pricing Policy
5	Directors and their family	Guideline on Related Parties Transactions
6	Employees and their family	Guideline on Related Parties Transactions
7	Other	None

2. Significant transactions with Related Parties

Please refer to attached Financial Statement reviewed by Independent Auditor for detail information.

Section 4: Risk Management, Internal Control and Auditing

A. Summary of Risk Management System or Risk Management Policy

The board has approved Risk Management Policy and Procedure for detecting and managing risks which including the following steps:

- **Identifying:** the risks facing the organization and assessing their severity;
- **Measuring:** the risks appropriately and evaluating the acceptable limits for those risks;
- **Monitoring:** the risks on a routine basis, ensuring that the right people receive accurate and relevant information for corrective action if necessary;
- **Controlling:** the risks through close examination and evaluation of performance.

In LOLC, risk management activities broadly take place simultaneously following different hierarchy levels:

- **Strategic level:** This encompasses risk management functions performed by senior management and the Board. For instance, defining of risks; ascertaining institutions' risk appetites; formulating strategies and policies for managing risks; establishing adequate systems and controls to ensure that overall risks remain within an acceptable level; and rewarding compensation for the risk taken.
- **Macro Level:** This encompasses risk management within a business area or across business lines. Generally, the risk management activities performed by middle management or units devoted to risk reviews fall into this category.
- **Micro Level:** This involves 'on-the-line' risk management where risks are created. These are the risk management activities performed by individuals who take risks on the organization's behalf, such as front office and loan origination functions. The risk management in those areas is confined to following operational procedures and guidelines set by management.

B. Summary of Internal Control

Components of control system include permanent control system and periodic control. The permanent control consists of:

1. Organizational chart and manager/staff job's description to perform the jobs like unit and department;
2. Level of authorities;
3. Dual control of transactions and;
4. Implementation of policies, procedures or manuals.

Periodic control is the control of internal audit used sampling methodology and subjected to risks, objectives, and annual plan approved by audit committee.

LOLC Internal Audit Department's main goal is to follow the existing footpaths of procedures and standards, ensuring that the compliance obligations were met.

The internal audit department is independent, and it reports directly to the Audit Committee of the Board of Directors. The internal auditors provide assurance and advisory services to the institution. The head of internal audits is responsible for leading his internal auditors to

evaluate and assess the internal control to ensure compliance effectively, without conflict of interest.

The internal auditors have full access to all departments, branch offices, field areas, activities, information, properties, accounts, policies, documents, and reports that are relevant to the performance of auditing.

C. Auditing

1. Internal Audit

1.1 Roles and Responsibility of Internal Auditors

The Internal Audit Department performs regular reviews of the business operations of the company to ensure that:

- Financial and operating information is accurate and reliable;
- Risks to the company are identified and minimized;
- Internal policies and procedure, laws and regulations are followed;
- Resources are used efficiently and economically;
- Strong internal control systems and risk management systems are in place;
- The objectives of the company are effectively achieved.

1.2 Appointment and Removal/Resignation of Head and/or Deputy Head of Internal Audit

No.	Name	Date of Appointment	Date of Dismiss/Resignation	Reason
1	None			

1.3 New Appointment of Head and/or Deputy Head of Internal Audit

No.	Name	Date of Appointment	Reason
1	None		

2. External Auditor

No.	Name of Company	Date of Engagement	Audit Fee	Non-Audit Fee
1	PricewaterhouseCoopers (Cambodia) Ltd.	31 st December 2019	Around USD 170 thousand	None

Reasons for change, suspension and termination of Audit Company

LOLC changes external auditor every 3 years in accordance with regulation requirement from the central bank.

Section 5: Stakeholders

A. Identifying policies and activities related to the following:

No.	Description	Policies	Activities
1	Customer welfare	<ul style="list-style-type: none"> - Code of Conduct - Mechanisms for Complaint Resolution Guideline 	LOLC employees shall implement the code of conducts which include customer welfare such as client's rights, behaviors toward clients, implementation of loan collection and use of client's information. Mechanism for Complaint Resolution Guideline is being implemented and used by clients and it is mandatory required by regulator.
2	Selection of Suppliers/ Contractors	Administration and Procurement Policy	By policy, any purchase of USD 1,000 up requires quotation from at least three suppliers/contractors and it shall must selected by the committee. Selection of suppliers/contractors is taken into account if affecting child labour, environment and society.
3	Management and protection of employees	Human Resources Policy	Management and protection of employees is implemented following laws and related Prakas such as Labor Law and Employee Safety Act, etc.
4	Environmental protection	<ul style="list-style-type: none"> - Environmental and Social Guideline - Environmental and Social Protection Policy for SME products 	Clients are rejected for the purpose of using loan for doing businesses as listed in the rejection list (businesses that are prohibited by laws and businesses that have negative impacts on child labor, environment and society). For SME clients with loan size of USD 30,000 up, the environmental and social impact assessment must be conducted.
5	Interaction with Community	<ul style="list-style-type: none"> - Environmental and Social Guideline 	Social activities such as community events including repairing roads, providing benches in public places, school activities, planting trees, providing books to library, cleaning public places, providing financial literacy to both clients and non-clients in the community and some partners. Distribution to customers affected by fire, flood, etc., and to contribute to environmental and social programs.
6	Protection of the rights of creditors	Bondholders Representative Agreement	Stipulates the rights and obligations of bondholders on bonds that comply with SECC regulations on the settlement date, including any other modifications that are in accordance with this Agreement. If there is a discrepancy between the terms of the bond and the Bondholders Representative Agreement, the Bondholders Representative Agreement will be implemented.
7	Anti-Corruption Programs	Anti-Money Laundering (AML)/Combating Financial Terrorism and Know Your Customer Policy	Anti-Money Laundering (AML)/Combating Financial Terrorism and Know Your Customer Policy shows significant principles for anti-money laundering and combating financial terrorism (AML/CFT), Know Your Customer (KYC), Customer Due Diligence (CDD,EDD), procedures for reporting cash transactions (CTR), suspicious transactions (STR), reporting of financial terrorism, keeping confidentiality, compliance and training.

B. Describe the Social Responsibility of the Listed Entity

LOLC has contributed to social activities as follows:

- ☞ Sponsored the leaflets and supporting drugs campaign activities;
- ☞ Sponsored the pumping well and washing basin to Srea Kac Primary School, Kampong Chhnang Province;
- ☞ Donated fund for National Committee of Covid-19 Disease Control;
- ☞ Donated foodstuffs to clients who were affected by the Covid-19 pandemic;
- ☞ Donated fund to Komar Angkor Hospital, Siem Reap Province;
- ☞ Donated foodstuffs to the people who were affected by flood in Batambang, Pursat, and Banteay Meanchey;
- ☞ Donated fund annually to the organization of volunteer doctors that operate on small children who are born with chlamydial smear.
- ☞ Produced 12 short videos about financial literacy to raise financial awareness.
- ☞ Fund contribution to the government for buying the Covid-19 vaccine.

Section 6: Disclosure and Transparency

A. The following information has been disclosed in this Annual Report:

No.	Information	Yes/No
1	Vision/Mission/Business Objectives	Yes
2	Financial Indicators	Yes
3	Non-financial Indicators	Yes
4	Key Risk Factors	Yes
5	Dividend Policy	Yes
6	Biography of Directors	Yes
7	Training for Directors	Yes
8	Number of Board of Directors Meeting	Yes
9	Attendant of Directors in Board of Directors Meeting	Yes
10	Remuneration or Indemnity for Directors and Senior Management	Yes

**The listed entity shall indicate the reasons if above information is not disclosed.*

B. Describe the mechanism of disclosure by describing the means, procedures and responsible person in charge of disclosure

The disclosure of information of the Disclosure Personnel is made using the following procedure:

- Sending Email, written letters and phone call to SECC.
- Sending Email, written letters, phone call and disclosure of information in **E Disclosure System** to CSX.
- Disclosure of information on LOLC's website, including Investor Relations section, with email address of the Disclosure Personnel and Question-Answer box.
- Disclosure of information in LOLC's social media, etc.

Responsible persons in charge of disclosure:

➤ **Mr. Sok Sophal**

Position: Deputy Chief Executive Officer/Chief Finance Officer

Address: #666B, Street 271, Phum Kbal Tumnuh Muoy, Sangkat Boeng Tumpun 2, Khan Mean Cheay, Phnom Penh, Kingdom of Cambodia

Phone: (+855) 23 991 991

Email: soksophal@lolc.com.kh

➤ **Ms. Try Sola**

Position: Head of Treasury Department

Address: #666B, Street 271, Phum Kbal Tumnuh Muoy, Sangkat Boeng Tumpun 2, Khan Mean Cheay, Phnom Penh, Kingdom of Cambodia

Phone: (+855) 23 991 991

Email: trysola@lolc.com.kh

C. Communication with Investors

1. Demonstrate the mechanisms and procedures of communication with investors

Communication with investors is made using the following procedures:

- Disclosure of information on LOLC's website, including Investor Relations section, with email address of the Disclosure Personnel and Question-Answer box.
- Disclosure of information in LOLC's social media, etc.
- Website of SECC and CSX which contains information of LOLC.
- Sending email, written letters and phone call to investors.
- Bondholder Representative of LOLC who play an important role in providing information to investors.

2. Brief description on communication with investors in the last one year

LOLC has disclosed information to investors as the following:

- On 30th March 2020, press release on disclosure Annual Report as of 2019 in compliance with Cambodian International Financial Accounting Standards (CIFRS) of LOLC (Cambodia) Plc.
- On 3rd April 2020, press release to replace the Financial Statements for the year ended 31st December 2019 in Khmer language from page 7 to page 10 at the point "Report of the Independent Auditors" by replacing the new pages with signature from the Independent Auditor
- On 24th April 2020, announcement to investor on coupon payment of LOLC (Cambodia) Plc.'s Corporate Bond.
- On 29th May 2020, press release on disclosure of financial report as of quarter 1 of 2020 in compliance with Cambodian International Financial Accounting Standards (CIFRS) of LOLC (Cambodia) Plc.

- On 14th August 2020, press release on disclosure of financial report as of quarter 2 of 2020 in compliance with Cambodian International Financial Accounting Standards (CIFRS) of LOLC (Cambodia) Plc.
- On 23rd October 2020, announcement to investor on coupon payment of LOLC (Cambodia) Plc.'s Corporate Bond.
- On 13rd November 2020, press release on disclosure of financial report as of quarter 3 of 2020 in compliance with Cambodian International Financial Accounting Standards (CIFRS) of LOLC (Cambodia) Plc.

គំនិតដ៏ល្អសម្រាប់ជំនួញ *Ideas for Growth*

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