

Reporting Parameters

Report Scope

This Report covers the economic, social and environmental performance of Commercial Bank of Ceylon PLC for the fiscal year ended December 31, 2014. In reporting both financial and non-financial matters, we have acted in compliance with the provisions stipulated by the Central Bank of Sri Lanka (CBSL) and Bangladesh Bank, as well as with those of The Institute of Chartered Accountants of Sri Lanka, the Companies Act No. 07 of 2007 and the Listing Rules of the Colombo Stock Exchange.

This Report also adopts the Global Reporting Initiative (GRI) Guidelines, version G4 and the GRI's G4 Financial Services Sector Supplement for sustainability reporting. This year too we have prepared our Sustainability Report based on GRI G4 'in-accordance' - Core option of the guidelines.

This Sustainability Report has been approved by the Board of Directors of the Bank.

Inclusivity

In preparing this Report, we took into account key aspirations and concerns discovered through our structured stakeholder engagements, in our day-to-day interactions and from the community at large. It reviews the Bank's direct impacts on sustainability, as well as Corporate Social Responsibility (CSR) initiatives undertaken by the Bank's CSR Trust Fund, which are designed to foster greater prosperity in the communities where we operate and to promote a healthier natural environment.

The stakeholder engagement process is discussed on pages 75 to 78.

Materiality

This Report covers aspects identified as having at least a moderate impact on sustainability, either in the Bank's view or from the perspective of one or more stakeholder groups. The aspects identified as 'material' and the process for determining materiality are discussed on pages 71 to 73.

Coverage and Boundary of Aspects

This Report primarily covers sustainability impacts, risks and opportunities arising from the Bank's activities in Sri Lanka and in Bangladesh.

The activities and performance data of Commercial Bank's four Subsidiaries – Commercial Development Company PLC, ONEzero Co. Ltd., Indra Finance Ltd. and Commex Sri Lanka SRL– as well as the operations of our two Associate companies, Equity Investments Lanka Ltd. and Commercial Insurance Brokers (Pvt) Ltd., are not included in this report, as the results of operations of these entities are insignificant compared to the overall results of the group. Moreover, we believe that the low-scale operations of these businesses produce negligible social, economic and environmental impacts, and therefore do not warrant inclusion.

Reporting Cycle

The Bank's sustainability impacts have been published in our Annual Report since 2009, initially based on GRI G3 guidelines. In 2013, we early adopted GRI G4 guidelines and sector disclosures. The Annual Report is published within the time frames stipulated by the Bank's Articles of Association, the Companies Act and the Listing Rules of the Colombo Stock Exchange. This Report and the previous Report for the financial year ending December 31, 2013 can be accessed through our website at www.combank.lk/newweb/investor-relations

Report Quality

We take every effort to ensure that our corporate reporting meets widely accepted quality criteria, including:

- **Completeness:** We include key material sustainability impacts within and under the direct control of the Bank; impacts outside the organisation that are indirectly influenced through our engagement with stakeholders; and broader sustainability initiatives undertaken through the CSR Trust Fund in co-operation with Government organisations and other groups.
- **Comparability:** We provide results from both current and previous reporting periods.
- **Accuracy and consistency:** Our information-gathering process includes verification by internal authorities and external assurance providers.
- **Clarity:** We provide both quantitative and qualitative information, accompanied by tables and graphs where appropriate.
- **Balance:** We report all relevant information; nothing is withheld.
- **Credibility and Reliability:** We seek external confirmation from reputed assurance providers.

Policy in Seeking External Assurance

Commercial Bank appoints a reputable audit firm to act as the independent External Auditor. The Auditors' remuneration is determined according to the Board of Directors' recommendation and is approved by the shareholders at the Annual General Meeting. The Bank's policy is to rotate External Auditors every five years.

We began seeking external assurance with the publication of our second Sustainability Report to enhance its credibility. This year's report received external verification and assurance by DNV GL, represented by DNV Business Assurance Lanka (Pvt.) Limited. We also retained the services of Messrs KPMG to gain appropriate assurance of financial performance data, as well as some key performance indicators. These independent assurance reports appear on pages 113 to 118.

Commercial Bank of Ceylon PLC, including the Board of Directors and senior management, does not have any relationship with DNV GL or KPMG, apart from the latter's engagement as the Independent External Auditor of the Group. The Bank's Managing Director, who is an Executive Director of the Board and members of the Corporate Management of the Bank are responsible for sustainability practices and disclosures reviewed in this Report; worked with the external assurance providers on the Report content. We plan to continue seeking independent external assurance for future sustainability reports, to ensure continued credibility.

Precautionary Approach

Bank manages the social and environmental impacts in our products and services through the Social and Environment Management System (SEMS) and also channelling new product developments through the Bank's product development committee. Refer page 88 under section 'Product Responsibility' for Bank's procedures in place for new product developments and SEMS.

Bank also manages the social and environmental impacts in our Supply chain through the supplier selection and evaluation process. The process includes a technical review, which encompasses social and environmental aspects. Refer page 110 for details on Supplier Assessment.

Bank's Subscription to External Charters and Principles

Commercial Bank is committed to uphold the principles of United Nations Global Compact and International Finance Corporation guidelines and performance standards that reflect our operating values, principles and commitments to stakeholders.

Memberships in Associations

The Bank has general memberships in a number of sectoral, industrial and professional organisations and associations. Although, the Bank does not hold positions on the governance bodies of these institutions, we extend our fullest support for their activities.

- Sri Lanka Banks' Association (Guarantee) Ltd.
- Institute of Bankers of Sri Lanka (IBSL)
- The Ceylon Chamber of Commerce, Sri Lanka
- The National Chamber of Commerce, Sri Lanka
- Association of Banking Sector Risk Professionals
- Association of Compliance officers of Banks, Sri Lanka

MATERIAL ASPECTS AND BOUNDARIES

Our Approach to Defining Report Content and the Aspect Boundaries

We believe it is vital to align the Bank's business strategy with the expectations of our stakeholders, given the strong connection between our sustainability commitment and our overall goals as an enterprise. The content of this Report therefore considers the full

range of the Bank's business activities, along with our economic, environmental and social impacts and also the views expressed by our stakeholders, as outlined in the section 'Stakeholder Engagement Process' on pages 75 to 78.

The methodology used to determine report content is based primarily on the strategic imperatives and the GRI G4 guidelines and follows a two-step process:

Step 1 – Identify Relevant Aspects and Their Boundaries

We have identified aspects with broad sustainability significance collected via the stakeholder engagement process and established 'boundaries' to isolate those impacts that are most relevant to Commercial Bank and our stakeholders.

We evaluated aspects according to their impact on, and contribution to, areas of sustainability related to the Bank's business strategy and operations. They were also assessed in the light of stakeholder expectations – again, as gathered through the engagement process.

Aspects were categorised according to three levels of significance: high, moderate and low. We applied the following criteria to measure impacts and boundaries:

- The level of influence that the Bank has over each aspect.
- The extent to which a resource is used in our operations.
- The degree of various stakeholders' interactions and their levels of expectation.
- The Bank's responsibility as a good corporate citizen.
- The impacts of the activities of our customers and suppliers.
- The value that the Bank can potentially deliver in relation to each aspect.

Step 2 – Establishing Material Aspects and Prioritisation

We evaluated and ranked 'material aspects' based on their importance to the Bank's operations, as well as the expectations of our stakeholders and the applicability of relevant local and international laws, regulations and treaties. At the same time, for each material aspect, we identified a boundary encompassing its most significant impacts.

To establish an aspect's 'materiality' or direct importance, we prioritised its relevance (again, with rankings of high, medium and low) from two perspectives:

- (1) The importance of the aspect to our pursuit of the Bank's strategic objectives (set out in the Corporate Plan) as we fulfill our responsibilities to the economy, the natural environment and society as a whole.
- (2) The importance of the aspect to specific stakeholder groups, and the influence it could have on how they assess their relationship with the Bank.