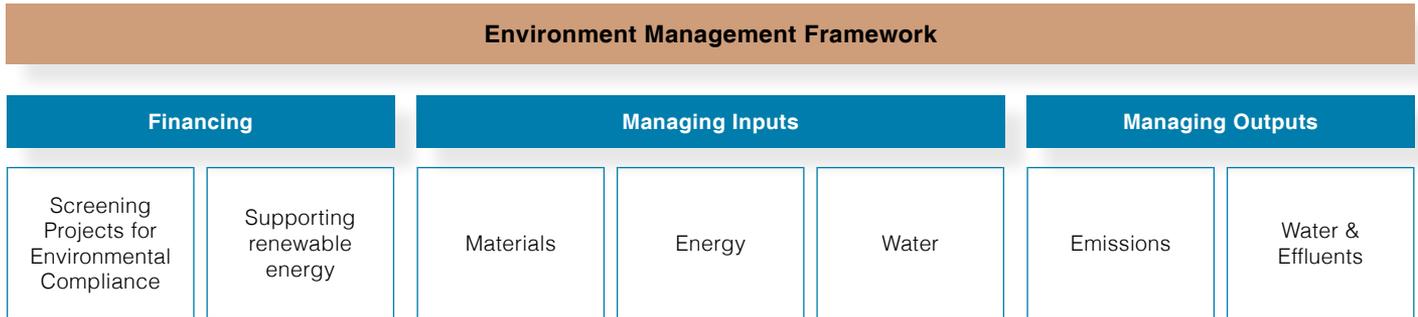


Impact on Environment

We are committed to measuring and minimising our carbon footprint and making a positive impact through projects that preserve or rejuvenate natural ecosystems. Our role as a provider of finance also carries with it a responsibility to ensure that projects financed by us assess and minimise negative environmental impacts and processes have been put in place to facilitate the discharge of this responsibility.



→ Figure – 37

*We are very much focused on complying with the **regulatory requirements** whilst **delighting all stakeholders***



Chanura Wijetillake
Assistant General Manager
Compliance

Financing

We believe that our most significant contribution to minimising environmental impacts arises from our lending operations as we engage with customers to ensure that projects financed by us and the suppliers of goods and services that we recruit are in compliance with environmental regulations from the approval stage to the implementation as well as on an ongoing basis. A robust structure and a comprehensive policy framework supported by highly trained employees serve to operationalise our concern, embedding environmental screening into our mainstream lending operations. The Bank also actively supports and encourages customers to adopt technologies that support minimising their footprint through loan schemes specifically designed for the purpose with attractive rates, making a positive change.

Screening Projects for Social and Environmental Compliance

All lending decisions are required to be aligned with the Social and Environmental Management System as well as applicable national laws and regulations on environmental and social issues. Every effort is made by the Bank to ensure:

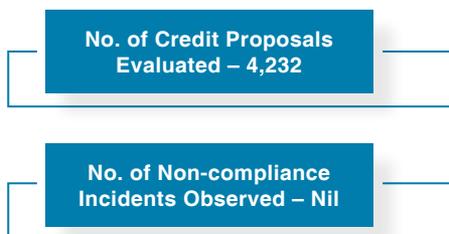
- That proper review process is taken place for environmental impact.

- That the customers understand the policy commitments we uphold in the areas concern.
- And that financing is only given to projects that are designed, built, operated and maintained in a manner consistent with the Bank’s policies and requirements.

The SEMS co-ordinator validates SEMS compliance on credit proposals of Rs. 100 Mn. and above to ensure compliance and is required to report to the Chief Manager of Risk and is also subject to the audit of the Bank’s Inspection Department (Figure 38). Further, the Bank’s lending officer makes periodic visits to financed sites to evaluate and ensure environmental and social regulations are complied with. All visits and discussions are documented for future reference and review.

The SEMS co-ordinator receives ongoing training to continuously update their required skills and the employees of the Bank are kept abreast with the Bank’s policies and procedures on environmental protection.

SEMS Evaluations Validated by the SEMS Co-ordinator during the Year.



→ Figure – 38

Supporting Renewable Energy



The Bank supports the efforts of customers to make their businesses more eco-friendly through Green Development Loans at concessionary interest for Small and Medium Enterprises (SMEs) and entrepreneurs who wish to invest in energy saving, energy efficiency or off-grid renewable energy projects, including investments in solar power. Commercial Bank’s Green Development Loans are available to organisations who are willing to standards by improving their waste management systems or by installing wastewater treatment plants, air pollution control systems, solid waste recycling/treatment plants or sound pollution control systems. During the year we financed 6 projects disbursing Rs. 159.22 Mn. in Green Development Loans whilst a further Rs. 386.18 Mn. was disbursed for renewable energy projects that supply power to the national grid, minimising the country’s emissions.

Managing Our Inputs

We recognise that managing consumption and eliminating waste is key to sustainability of the planet and our own organisation. Managing our cost income ratio is a key strategic priority and managing inputs is a key component of identified goals for materials and energy which are significant. Water is less significant for our operations but awareness created over the years ensures inclusion of the same in to our processes.

Commercial Bank’s Procurement Department plays a fundamental role in the day-to-day procurement of goods and services by way of third party suppliers. The Bank has a Supplier Code of Conduct that is applicable to all parties with commercial dealings to support the basic principles such as the ethical

nature of the business ranging from the environmentally accredited materials that the suppliers use to transparent, fair and honest dealings in finances and employees in their respective companies, ensuring that environmental and social standards are adhered to, across their value chain.

Materials

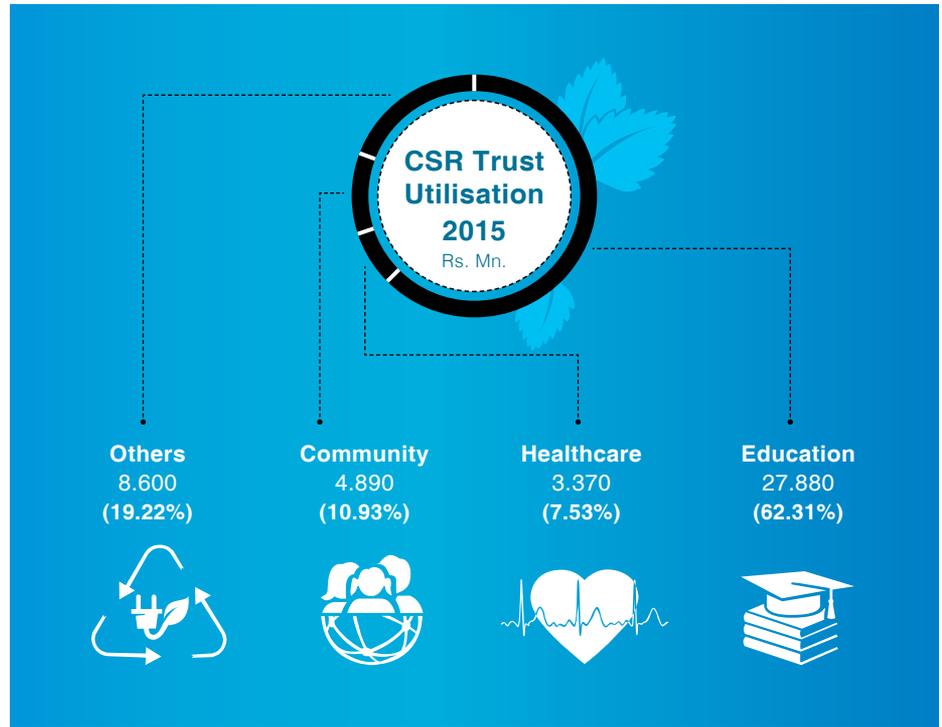
The Bank’s consumption of natural resources is mainly paper material and we have continued our efforts in finding alternative methods to reduce consumption and wastage. We engaged with our customers through our branch network and through national media to create awareness and empowering them to choose to go green. Their response has been encouraging and we continue to promote Green Banking to reduce our environmental footprint.

GREEN Banking Channel
Save the environment with paperless banking

Save trees and help the planet through paperless banking

- Through our online real-time deposit machine you can deposit cash to your Savings or Current Account
- Online real-time bill payments to your Combank Credit Card
- Available 24X7
- No need to fill deposit slips
- Avoid queues

We also invested Rs. 36 Mn. on 20 more units of a new generation automated cash deposit terminal that completely eliminates the use of paper under the Green Banking Programme. Dispensing with deposit slips and envelopes, the new machine has a stacker that can accept and count up to 200 notes at a go, enabling customers to make deposits of up to Rs. 200,000 per deposit at a time into savings or current accounts, 24 hours of the day. The same machine can also be used to pay dues on Commercial Bank Credit Cards.



→ Figure – 39

Risk Governance embedded in the Corporate DNA enabled the Bank in driving its strategic goals in a sustainable manner

During the year the Bank took following initiatives to reduce its paper consumption:

- The completion of the final phase of the implementation of the biometric attendance system resulting in the discontinuation of the previous paper based administrative system
- The Bank's ATM system being programmed to ask the customer whether or not a printed receipt for the transaction is required
- Converting over 100,000 customers to online banking and over 200,000 mobile banking over the past three years
- Converting nearly 15,000 customers to e-statements

We have also made conscious choices to reduce the amount of paper used in our operations and choosing post-consumer recycled paper more often.



Kapila Hettihamu
Chief Risk Officer



Energy



Solar Panels at Narahenpita Branch

2015 marked a milestone for the Bank as we converted 4 branches to solar power generating 40 kW of power at Balangoda, Borella, Maharagama and Narahenpita at an investment of Rs.10 Mn.

We have commissioned the conversion of 5 more branches at Kollupitiya, City Office, Main Street, Gampaha and Nugegoda which will increase our solar power generation capacity to 240 kWh in 2016. At least 5 more branches will convert to solar power in 2016 enhancing our renewable power generation capability. Solar power is utilised mainly to provide lighting and charge the uninterrupted power supply units of the branch. Our Green Banking concepts extend to the design of our branches as well with new branches using more natural lighting and energy efficient lighting and equipment. These initiatives inspire our customers to invest in renewable energy in addition to minimising our carbon footprint.

In terms of our branch interior and exterior signage, we have instigated photo-cell technology extended through solar energy that powers exterior signage when necessary.

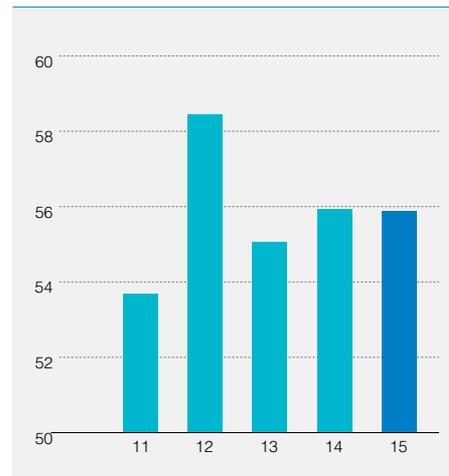
We are conscious of the need to ensure that our ATMs and IT equipment are energy efficient and only procure equipment with Energy Star 5 ratings which are compliant with the RoHS standards. We also give preference

to ATMs that function without air conditioning. As noted above, we are increasingly looking beyond energy requirements to ensure that equipment procured will also eliminate use of paper increasing the rigour of our procurement standards for equipment.

Despite the expansion in our branch network as a result of opening of 7 new touch points the total energy consumption recorded a decline compared to the last year evincing the effectiveness of our green banking initiatives. Thus our per capita energy consumption for customer also decreased.

Electricity Consumption

Gigajoule '000



→ Graph - 92

Water

Bank's water consumption is mainly limited to drinking water and water used for sanitary purposes. Our employees are continuously encouraged to preserve these natural resources. On going awareness programmes and notices are displayed for this purpose.

Managing Our Outputs

Our philosophy is to eliminate waste in all forms based on the conviction that it is good for our long term sustainability and that of everybody. Controlling inputs is a key strategy for managing inputs as is the concept of reusing and recycling. As we have minimal effluents our policies and efforts are centred on management of emissions and waste.

Emissions

Direct emissions (Scope 1) generated by the Bank are negligible and comprising mainly of emissions from motor vehicles owned by the Bank used by senior executives. Scope 2 emissions comprise emissions generated from purchased electricity for which the inputs are reported above together with the initiatives taken to reduce the consumption. Scope 3 emissions are not reported as it is not material to our operations.

Effluents and Waste

The key areas of concern in managing outputs are disposal of e-waste and recycling paper. Bank employees are continuously kept up to date and trained to ensure that they are aware of the Bank's initiatives to keep our environment free from pollution and the entire business process; from suppliers to employees to customers are evaluated to find ways and means of minimising effluents and wastage.

E-waste is managed through agreements with vendors of IT equipment who follow internationally recognised disposal practices which are monitored by the Logistics/Procurement and Information Technology Departments monitor these compliances.