

SOCIAL AND NETWORK CAPITAL

The communities within which we operate have expectations of us for their well-being in the same way that we have expectations of them for our growth and sustainability. As we create value for them so they too create value for the Bank. The networks that have sprung up between the Bank and each stakeholder group – namely, customers, suppliers and business partners, and communities – are built on trust, loyalty, and shared values. These networks enhance the well-being of both the individual and the community as a whole, providing the Bank with a legitimate social license to operate.

This section explores how the Bank leverages social and network capital by delivering value to and deriving value from customers, suppliers and business partners and community thereby meeting all five of the Bank's strategic imperatives – namely prudent growth, customer centricity, operational excellence, digital leadership, and risk management.

Customers

Customer centricity

Anticipating customer needs. The term customer service has taken on a completely new meaning in today's context and judging by current trends will continue to morph even further. Service providers such as banks now need to be at least two steps ahead of the customer – being where they are, when needed.

To stay in touch with customers the Bank employs a number of channels such as customer gatherings, one-to-one meetings, social media, its widespread branch network, and complaints and feedback. For instance, during the year under review, the Bank's Corporate Banking arm increased the number of face-to-face customer meetings by specially trained business promotion managers resulting in a net increase in customer acquisitions.

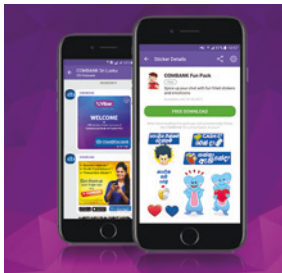
The Bank's Personal Banking arm continues to have regular conversations with customers and uses such feedback to design customised products to drive financial inclusion and continue its expansion into the peripheries. The Bank on Wheels concept, succession planning for entrepreneurs and the ComBank Biz Club for small and medium enterprises (SMEs) were all ideas that sprang up as a result of customer conversations (refer Review of Key Business Lines on pages 61 to 65 for more details). Further investment in digitalisation and branch automation, online banking, mobile banking and collaborative networks was a result of the Bank's determination to fulfil the financial needs of its customers. Instant loan approvals, which were launched in June 2017, have proved to be very successful. Through this initiative loans are instantly approved or registered subject to document verification and credit clearance. By the end of 2017, Rs. 143.670 Mn. worth of advances have been approved, with a total of 195 loan applications approved.

During the year, the Bank's Treasury Department continued to enhance its products and services offering, assigning during the year. The Bank's Treasury department set up dedicated dealers for each product to ensure a superior customer experience.

In credit cards the Bank continued to focus on security and convenience. From September 2017 onwards the Bank began utilising NFC (near field communication) technology for all cards. The Bank also introduced DCC or dynamic currency conversion – where at the point of sale, customers are presented with the choice of having their credit card transactions converted by a merchant or ATM to the currency of the country where their credit card was issued. These initiatives provide the Bank's customers with the latest technology in credit cards.

Promoting financial inclusion. In addition to customer convenience, the Bank also focused on making a positive difference to the lives and livelihoods of customers in urban centres as well as areas with a higher proportion of unbanked. During the year, the Bank provided investment opportunities as illustrated in graphs 44 and 45.

Commercial Bank expands its social media offerings with attractive new features on Viber



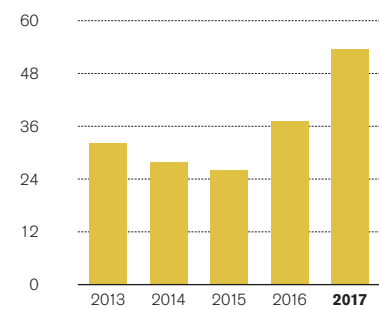
Commercial Bank has further broadened its social media presence with attractive new offerings on Viber.

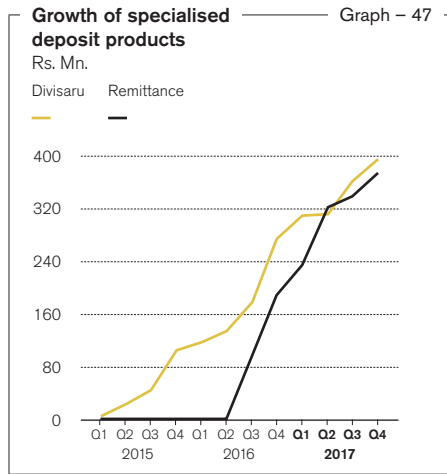
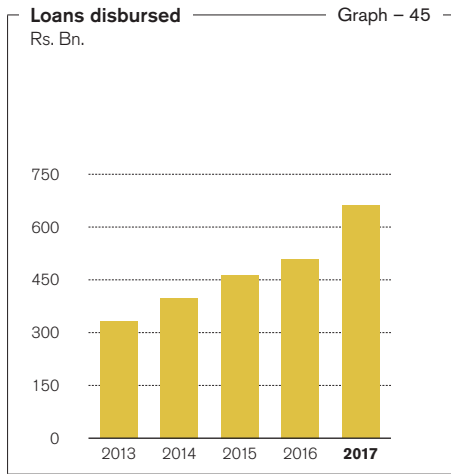
Commercial Bank launches "Biz Club" to empower SME customers



The first of its kind in the country, Commercial Bank Biz Club will focus on bringing SME customers together in order to create new business opportunities, and to provide them support beyond lending.

Interest paid to depositors — Graph – 44
Rs. Bn.

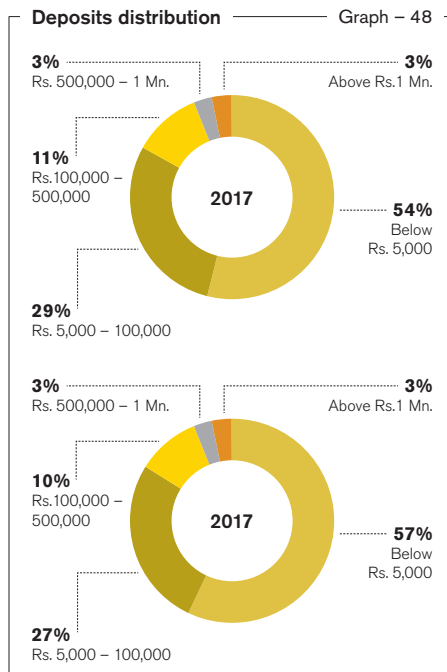




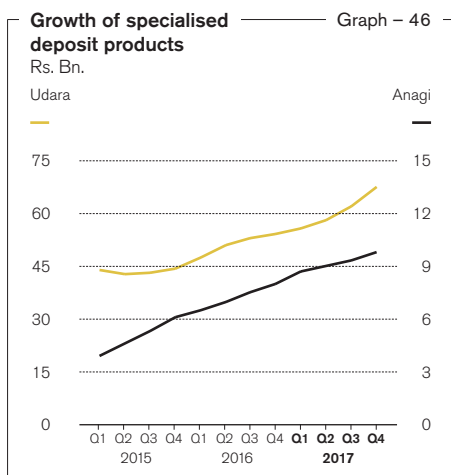
Financial literacy and capacity building.

As Sri Lanka's largest financier to the SME sector, the Bank takes its role very seriously, providing SMEs with the type of financial literacy and capacity building they need to flourish and significantly contribute to the social and economic well-being of the country. For instance, through the CommBank Biz Club we are able to segment these customers into four groups – platinum, gold, silver, and bronze – to better cater to their needs. We work hand in hand with them to move members of each tier up to the next. This is achieved by first identifying their financial and business needs and providing them with the kind of advice and services they require to increase capacity and expand their financial knowledge. The Bank then utilises its far-reaching social networks to partner with external parties, including the Central Bank, which are able to provide them with the kind of training and development they need.

The Bank's customer penetration rate outside Sri Lanka's Western Province remained at 12% during the year. Specialised deposit products for women (Anagi savings accounts), senior citizens (Udara savings/ fixed deposit accounts) (graph 46), micro entrepreneurs and small scale farmers (Divisaruru savings accounts), and beneficiaries of migrant workers (Remittance special savings account) (graph 47) show an upward trajectory while overall deposits are well distributed (graph 48) as the Bank continues its efforts to ensure that such groups are involved in the country's socio-economic progress.



During the year, 500 entrepreneurs in this segment benefited from three programmes. Continuing on from the initiative taken in 2016, one of such programmes was dedicated for women which drew a participation of 200 female entrepreneurs.



Commercial Bank hosts seminars for SMEs in Polonnaruwa and Gampaha



An ongoing initiative of the Commercial Bank to develop entrepreneurship in the SME sector benefited 341 entrepreneurs in the Polonnaruwa and Gampaha areas, the majority of them women.

The Bank also conducted five financial literacy programmes targeting micro and agri entrepreneurs that benefited 695 participants of which 150 were females.

Commercial Bank engages in knowledge sharing with Kilinochchi farmers



Commercial Bank's Kilinochchi Branch with the assistance of the Bank's Development Credit Department organised a multifaceted seminar for 154 members of the Farmers Association in the area in collaboration with the Central Bank of Sri Lanka.

Commercial Bank shares knowledge with Achchuveli's micro entrepreneurs



Commercial Bank's Achchuveli branch and the Bank's Development Credit Department (DCD), conducted a seminar in collaboration with the Central Bank of Sri Lanka, for 162 micro entrepreneurs in the Achchuveli area, one of the major centres of agriculture in the Jaffna peninsula.

Other customer empowerment efforts include:

- Increasing wheel-chair accessible branches to 188 (72% of branches).
- Providing customers with their choice of language when operating our ATMs – Sinhala, Tamil, English and/or Bengali in Bangladesh.
- Enhancing access for differently-abled persons by enriching the corporate website with special assistive technologies for users with visual disabilities, hearing impairments, physical disabilities and age-related conditions.
- Launching the Smart Tea Card in late 2016 in collaboration with the Smart Metro Pvt Limited, – a hybrid card having the features of a debit card and data capturing card – facilitating transactions otherwise made by way of cash or cheque.

Expanding our footprint. Our overseas business has grown from strength to strength. Operations in Bangladesh, which began in July 2003 with the acquisition of the Bangladesh operations of Crédit Agricole Indosuez (CAI) has grown from four outlets to 19 with 20 ATMs, contributing 12% to the Bank's bottom line. The Bank has won many awards for its operations in Bangladesh.

Commercial Bank of Maldives Private Limited launched in September, 2016, began turning in profits and opened its second branch in Hulhumalé during the year under review. Customer feedback is overwhelmingly positive as we continue to grow our retail operations.

The Bank established its representative office in Myanmar in June 2015 to offer advisory services for Sri Lankan and Bangladeshi businesses wishing to operate in that country. The Bank also established the CBC Myanmar Microfinance Company Limited, a fully owned subsidiary, in April 2017. The Company received the license from Myanmar Microfinance Supervisory Enterprise to carry out microfinance business operating as a non-saving deposit organisation. The Company is yet to commence operations.

Commex Sri Lanka S.R.L. in Italy expanded to nine cities through agency operations covering most of northern region.

Risk management

Transparent service offering. We make sure customers are fully aware of the terms and conditions of the financial products and services they use. To this end we develop clear policies and procedures which are regularly monitored to ensure that transparency and integrity are maintained at all times.

Sound employee training takes into account our customers' varying levels of financial savviness as well as their preferred language. Along with the necessary literature, this ensures that our people are well-equipped to explain our products and services to customers so that they are able to make informed choices.

Customers can also visit the Bank's corporate website for the latest deposit rates, lending rates, exchange rates and tariffs, and charges. They can also contact the Bank's newly integrated Information Centre or visit any branch for clarification.

We ensure customers are aware of our Complaints and Grievances Procedure by promoting it on our website and at our branches. This includes contact details of Bank officials and the Financial Ombudsman in case the customer finds the Bank's efforts unsatisfactory.

Ethical products and services. The Bank's Product Development Committee which consists of Key Management Personnel from a wide cross section of business and service units – including the audit team – ensures that all new products and services as well as any amendments to current offerings are ethical and in line with all applicable laws and regulations.

Lending responsibly. Our employees take pride in living by the Bank's strong values and its Code of Ethics. They help school and encourage customers in ethical and conservative wealth management practices while serving varying risk appetites.

Working in tandem with our lending practices, our marketing efforts focus on products that create wealth for our customers such as home loans and business loans. At the same time we generally discourage consumption-based lending.

Every single business loan and industrial loan is screened by qualified employees to ensure compliance with the Bank's Social and Environmental Management System (SEMS) to ensure compliance with the country's environmental and labour regulations. They also take the time to educate customers on the benefits of such compliance and provide advice on remedying shortcomings. (For more information on our SEMS framework please refer page 102.)

With regard to asset quality in loans and advances, including credit cards, the recovery teams are now reporting to the head of the Recoveries Division. Another unit – the Branch Credit Monitoring Unit also under the purview of the head of Recoveries Division – begin their monitoring duties from the time the loan is approved. This is an ongoing process improvement with further improvements and the elimination of duplications planned for the coming year.

Securing sensitive information. Taking its responsibility of ensuring the security and privacy of customer information a step further than the stipulated regulations (as outlined in the Banking Act and subsequent directives by the Central Bank of Sri Lanka), Commercial Bank has been in compliance with the ISO 27001:2013 certifications on critical functions for the past seven years. This certification covers computer servers of Bangladesh operations too. In addition the Bank continues to invest in research and technology that is designed to help it meet the rapidly evolving threats of the future.

Having already introduced 3D secure enabled cards the Bank upgraded all cards, POS machines and ATMs to the EMV (EuroPay, MasterCard and Visa) standard, dramatically reducing instances of card present fraud.

The Bank is working towards being compliant with PCI Security Council Standards, which makes sure customer information is not indiscriminately available. An example of this is when a customer receives his or her ATM slip or the monthly statement which no longer reveals the entire account number, providing greater security in terms of customer information.

OTP or over the air pins for third party fund transfers was also launched within the year under review. With the OTP customers receive a message directly to their mobile phone while making a fund transfer. This means that even if the customer's computer is hacked they will still be able to prevent unauthorised fund transfers.

Being prepared. As always, regular drills are conducted to ensure that the Bank's disaster recovery data centre is geared to deal with any eventualities that could affect the business and the Bank's ability to continue providing the type of customer service that is expected of an organisation of Commercial Bank's stature and reputation. The Bank sends progress reports on such drills regularly to the CBSL, taking prompt action to remedy any weaknesses and eliminate the possibility of repeating any lapses.

The Bank takes the following additional precautions as well:

- An oath of secrecy is taken by all employees.
- Specific restrictions are placed on disclosure of account information to third parties.
- Access to customer accounts by staff members who do not have a need for such access is being monitored.
- Investments are made to secure online privacy and protection of all customers.
- Compliance reviews and audits are conducted regularly.
- Certification on specific aspects takes place benchmarking international best practices.
- All requests containing sensitive information are routed through a dedicated officer who keeps control over the dissemination of information.
- Sensitive data such as name, identification number, address, etc., are masked in data backups.

“No” to corruption. The Bank places a premium on the trust and confidence of its customers – a strength it has carefully cultivated for close to half a century. As illustrated in the Bank's Code of Ethics this is an organisation that forbid corruption. Through onsite audits and online surveillance the Inspection Department reinforces the provisions of the Code. The scope and frequency of audits are determined using a risk-based model and this approach ensures that customers continue to benefit from the highest levels of integrity.

With constant advances in technology the unlawful find new ways to profit through nefarious activities such as money laundering. It is to fight against such risks that the Bank continues to strictly enforce its Know Your Customer (KYC) policy and upgrade its systems for better monitoring. The Bank's Anti-Money Laundering Unit, under the purview of the Compliance Officer, also centrally monitors transactions promptly reporting any irregularities or suspicious activities to the Financial Intelligence Unit (FIU) of the CBSL.

Digital Leadership

Preparing for the future. In addition to focusing on being future ready as a Bank we are also focused on taking our customers with us on this exciting journey. With the goal of migrating more customers towards online channels several online banking drives were conducted at branches during the financial year resulting in an increase of 22.90% of internet and mobile banking users. The Bank's current platform offers SMEs and corporate customers Internet Banking services but with the new platform to be launched in 2018 they will also be ready to enjoy mobile banking services.

As part of the channel optimisation efforts, the Bank enabled fixed deposits to be opened via online banking, providing greater convenience for customers. This feature too is increasing in popularity with 8% of fixed deposits being opened online, within a very short period after its introduction, demonstrating the trust customers have placed in the Bank.

Commercial Bank unveils “COMBANK Auto Bill Pay” an automated bill payment facility



This new facility enables the customers to schedule recurring payments such as monthly bills to be paid through Commercial Bank Credit Card

Another feature that has customer convenience at its heart is the Commercial Bank Fast Pay. Currently being road tested at a popular café in Colombo, Fast Pay allows the customers to pay without taking their wallets out. The customer simply provides the cashier with their mobile phone number, then accepts a message for payment and has their account immediately debited.


Commercial Bank innovates with “Fast Pay” – new Mobile Payment Option



Commercial Bank launched its own Mobile Payment option, enabling account holders to make instant cash-less transactions via the Bank’s existing mobile banking app, through a simple and innovative mobile payment option.

The Bank has also begun integrating all four of its call centres – the Card Centre, Digital Banking, Recoveries, and regular telephone operators. This move is in anticipation of the new digital platform that will be launched next year and which will allow all customer interaction – via telephone or social media – to be addressed via a single point of contact.

During the year under review the Bank launched a number of new initiatives, products, and services designed to bring greater convenience and security for the customer. These included assistive online technology for differently-abled customers, electronic fixed deposits in local and foreign currency, instant loan approval through online banking, credit facilities for fixed deposit holders through ATM for pre-registered

customers, new credit card and point-of-sale (POS) technology, automated bill-payment facilities and travel-related benefits for credit cardholders, and an online platform that facilitates e-commerce for SME customers. These innovations are discussed in detail under the Review of Key Business Lines (on  pages 61 to 65).


**Suppliers and business partners
Operational excellence**

Building smart partnerships. The proverb, “A chain is only as strong as its weakest link,” is very apt in the context of our suppliers and business partners. Just as our partnerships with them are mutually beneficial we ensure these relationships are professional, transparent, and fair so that we may be assured of operational excellence at all times. During the financial year, payments to business partners amounted to Rs. 8.775 Bn. with over 90% of value created for local suppliers. One example of our support for local suppliers is the Passbook for account holders which used to be printed by an overseas supplier. With input and advice from the Bank’s Procurement Department local suppliers were groomed to provide the Bank with this product resulting in more value being created for our local business partners.

The figure below depicts our level of dependency on business partners. It demonstrates the entire spectrum from critical to ad hoc.

Risk management

Our Approach. Fair and transparent processes have been in place to ensure that the Bank’s business needs are met without compromising quality, agreed deadlines, or the Bank’s Code of Ethics. A thorough technical review, including social and environment aspects, is an essential part of every process. This goes hand in hand with a detailed financial review. Ongoing conversations and reviews help address any areas of concern on social and environment aspects.

As set out in figure 16 on  page 83 the Bank has established an efficient process to ensure that standards are met in line with the Bank’s evolving business needs.

Signing of Memorandum of Understanding



Commercial Bank of Ceylon PLC signed a Memorandum of Understanding (MoU) with ARTISAN Outfitters Ltd which is a prominent Departmental Store in Bangladesh to offer discount facility on COMBANK Debit & Credit Cards.

Our business partners

Figure – 15

Extending our reach

- Correspondent banks
- Franchise partners
- Exchange houses
- Business Promotions Officers
- Agents

Critical to operations

- Utility services providers
- Travel and transport
- Materials suppliers

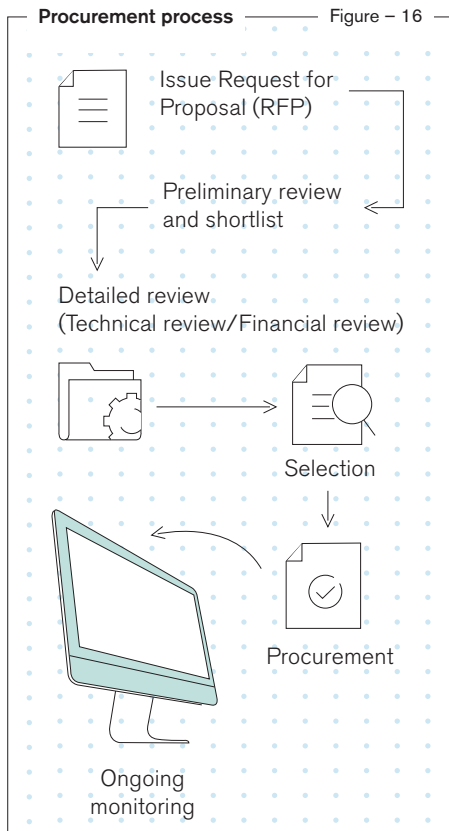


Ongoing support

- Maintenance
- Software suppliers
- Staff welfare
- Waste management
- Communication
- Human resource providers
- Asset suppliers
- Travel and transport
- Debt collection agencies

Infrequent engagement

- Premises providers
- Contractors
- Professional service providers



Each RFP issued to a potential supplier includes the following to ensure the highest standards:

- Compliance with Environmental Standards.
 - Restriction of Hazardous Substances (RoHS) directive.
 - Energy star rating.
- Adherence to software piracy regulations.
- Adherence to the 10th principle of the UNGC.
- Adoption of health and safety standards for suppliers with workers at risk of injury or disease.
- Supplier Human Rights assessment

The Bank works closely with suppliers wherever possible to help identify, address and resolve any areas of concern. In rare instances where material issues remain unresolved exit clauses in contracts make it possible for the Bank to terminate a relationship. Suppliers who are unable to adhere to the Bank's requirements are disqualified from the selection process and removed from the Bank's registered suppliers' list.

Customer centricity

Greater accessibility. With our customers venturing further afield and an ever-widening diversity within our customer base we have continued to focus on expanding our network. Consisting of some of the world's largest financial institutions (with some relationships spanning over 25 years), our network consists of 55 correspondent banks (please refer page 436 for complete list of correspondent banks) and franchise partners that include MasterCard, Visa, China UnionPay and Discover. Through these partners we are able to provide customers with greater connectivity to global payment platforms. Such connectivity benefits a large proportion of our customers as it facilitates trade and tourism.

Commercial Bank enables point-of-sale use in Sri Lanka for UnionPay cards

Commercial Bank has enabled point-of-sale (POS) usage for UnionPay cards, making it possible for cardholders of the world's largest card base in circulation to pay for purchases at local retailers with these cards.

Our network of exchange houses and agents totalling to 104 facilitate remittances to and from Sri Lankan and Bangladeshi citizens working overseas. We continue to be among the market leaders in this business segment.

A thorough screening is conducted on all partners in accordance with defined criteria. Further, detailed agreements have been signed formalising relationships and defining mutual obligations. Performance is monitored on an ongoing basis by both parties to ensure compliance with agreed terms and conditions.

Operational excellence

Critical support. We depend on business partners such as electricity, telecommunication, and software systems support providers for the smooth functioning of our business. Since we do not have much capacity to influence or switch a supplier easily without incurring hefty costs in the case of most services, we have taken great care to build long-standing relationships with them, ensuring that our expectations are met specially, compliance with all applicable regulations. Wherever possible, we have made stand-by arrangements and maintain a certain degree of redundancies to face any contingencies.

Ongoing support. Covering a wide range of services that allow us to operate at an optimum on a day-to-day basis these suppliers provide a wide range of services. Ranging from large corporates to SMEs and individuals, they face many sustainability challenges as identified below:

Business partners/Material aspects
Maintenance service providers Labour practices Health and safety of workers Effluents and waste
Human resource providers Labour practices Human rights
Travel and transport providers Emissions
Material/asset suppliers Responsible sourcing Human rights of workers
Debt collection agents Customer privacy Human rights
Waste management service providers Effluents and waste

We provide ongoing monitoring for this segment of suppliers initiating regular dialogue about areas of concern, working towards resolving identified issues and encouraging the adoption of best practices.

From all supplier groups we require compliance with all applicable regulations.

Outsourced staff. We outsource non-critical functions to reputable agencies after following a rigorous and well-documented screening process that is fully compliant with the CBSL directives. Issues that apply to all outsourced firms include:

- Compliance with labour laws.
- Preservation of human rights.
- Minimum wages.
- Timely payment of wages.
- Payment of statutory levies.
- Payment of social security contributions.
- Sufficient leave.
- Reasonable working hours.
- No forced or child labour.

To ensure these standards are met the Bank's Human Resources Department screens and provides guidance to outsourced agencies while the Bank's Internal Audit Department provides assurance on the function of processes.

The Bank also obtains the services of debt collection agents to recover its unsecured personal loans and credit card dues. Covered by an agreement which sets out rules for ethical conduct, these agencies are under continuous monitoring by the Recoveries Division of the Bank. Any violation of terms and conditions results in termination of service of such agency for which provisions are made in the agreement.

Infrequent engagements. From time to time the Bank engages a range of suppliers and service providers from large scale corporates, micro entrepreneurs to individuals. Suppliers in this category are monitored less frequently. The exception is for contractors whose employees work on Bank premises. In such cases the Bank works closely with the supplier to ensure the health and safety of such workers.

Supporting policy formulation. As a leading bank in Sri Lanka, Commercial Bank is constantly working towards the social and economic betterment of the country, identifying areas of concern and exploring solutions. Undertaking studies and analysis to support recommendations made to policy makers is a role that the Bank takes very seriously. In this pursuit it backs the following organisations:

- Sri Lanka Banks' Association.
- Institute of Bankers, Sri Lanka.
- Ceylon Chamber of Commerce.
- National Chamber of Commerce.
- Association of Banking Sector Risk Professionals, Sri Lanka.
- The Association of Compliance Officers of Banks, Sri Lanka.

The Bank is actively participating in the formulation of Sustainable Finance Initiative in Sri Lanka, comprising 11 principles.

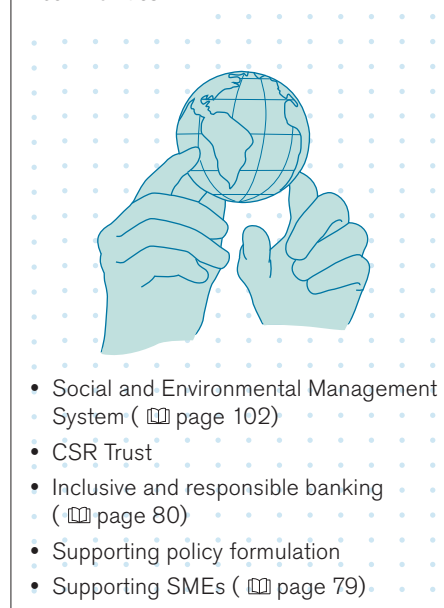
Community Risk management

Building sustainable communities. Empowering the communities within which we operate and supporting their development is part of the ethos of the Bank. In addition to investing in such communities directly we also provide financial support through selected Corporate Social Responsibility (CSR) projects. Up to 1% of the Bank's post tax profits are allocated for the Bank's CSR Trust. The Trust supports altruistic activities with no expectation of financial return.

CSR Trust

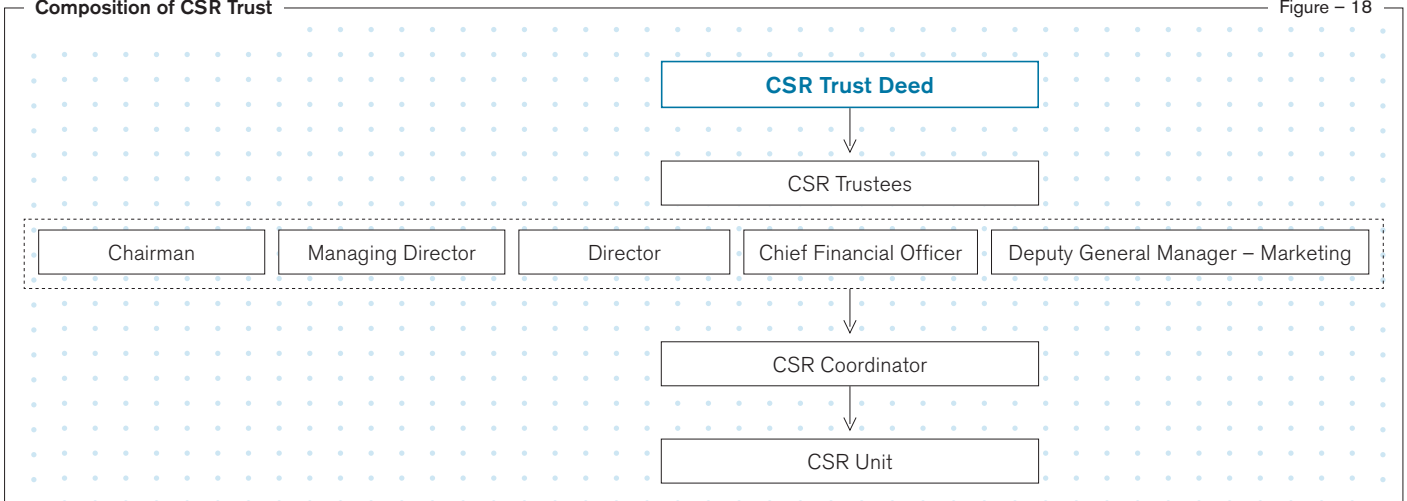
Established in 2004, the CSR Trust is an independent body that was established to ensure that the Bank's CSR projects were effective and meaningful. As outlined in the Trust Deed, the objectives, powers of the Trustees, eligibility criteria and the Bank's pledge to transfer up to 1% of its post-tax profit annually – all make up the formal structures and processes that ensure the proper governance of the CSR Trust. The Trust is operated by a cross section of employee volunteers from strategic business units as well as dedicated resources (Figure 18 on [page 85](#)). The Bank's top management provides the Trust with unfettered support generating the inspiration required to make a difference for good. Over the past 10 years the Bank has contributed Rs. 513.863 Mn. to the CSR Trust. During that period the Trust has utilised Rs. 412.440 Mn. (Graph 49).

How we impact communities Figure – 17



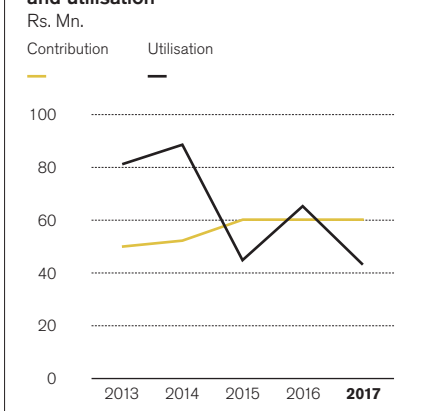
Composition of CSR Trust

Figure – 18



CSR Trust contribution and utilisation

Graph – 49



During the year under review the Trust focused on four main pillars: Education, Community, Healthcare, and Culture and Heritage. In addition to these key focus areas the Trust also funded a few other initiatives that met with the Bank’s ethos for making an impact for good.

Education for employment generation

At the heart of any prosperous society lies education. It offers a new generation the chance to follow their dreams, realise their potential and make a worthwhile contribution to the world. The Trust dedicated 65% of spending, amounting to Rs. 28.57 Mn. during the year under review to education for employment generation (refer graph 50 on page 86).

Digital citizens. Since its inception, the CSR Trust’s successful pilot projects under the pillar of education saw the donation of 175 IT labs and the introduction of comprehensive Learning Management Systems (LMS) to schools across Sri Lanka up to end 2017.

The Bank’s recent education project “Smart Schools” is a collaboration between HeadStart (Pvt) Limited, Microsoft – Sri Lanka, Dialog Axiata PLC, and Commercial Bank under the supervision of the Department of Education – Western Province. Through the e-learning platform of Trust “www.sipnena.lk”, of HeadStart (Pvt) Limited www.guru.lk, the project aims to improve results, digital skills and employability for students in Commerce, Maths, and Science streams at the GCE Advanced Level (A/L) Examinations. It also benefits students sitting English, Maths, and Science subjects at the GCE Ordinary Level (O/L) Examinations. Another important aim is to elevate the concept of teaching through technology in schools to the level of global trends and standards.

Through this project the Bank funded the training of 195 ambassador teachers in the use of Office 365 and LMS. In turn approximately 6,000 teachers and over 90,000 students benefit from this programme.

These teachers were also encouraged to create and upload their own teaching modules to the e-learning platform. So far over 10,000 learning content have been uploaded by these teachers adding to the wealth of knowledge accumulating for the use of students – totalling over 30,000 Office 365 user accounts for the year under review.

Through the successful implementation of this project Microsoft - Sri Lanka noticed an increased use of their tools in Sri Lanka and engaged local teachers with Microsoft educator network, to develop themselves and get certified. These teachers have earned more than 20,000 digital badges so far. To encourage the new interest in technology Microsoft also sponsored a total of eight teachers to participate in various overseas training programmes.

Commercial Bank wins four CSR and Sustainability Awards from CMO Asia Council



Commercial Bank received the awards for Best Use of CSR Practices in Banking and Finance, Developing Sustainability Strategies, Concern for Health, and support and Improvement in quality of education, all in the sphere of Corporate Social Responsibility.

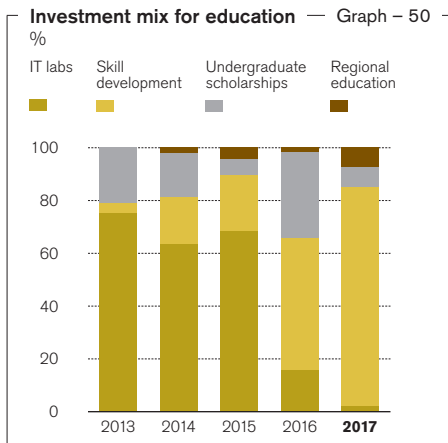
The programme has awakened a renewed interest in technology with many alumni associations sponsoring additional interactive boards for their schools to replace black or white boards.

Another benefit of this project is that it enables collaborative work. Students are able to interact with other learners and discuss their chosen fields of study. At a different level, teachers are able to do the same and have, in addition, access to resource material and teaching guides.

Funded by the Bank, HeadStart (Pvt) Limited provides resources, training, support and guidance to all schools in the project while Dialog Axiata PLC ensures that they have the necessary data to work effectively.

Math Lab. Is a novel concept founded by a former maths teacher, consisting of over 70 interactive mathematical games that help stimulate the mathematical and analytical skills. Started in 2015, Trust has helped setup five labs, including one in a home for differently abled children.

During the year under review, a special programme was carried out by selecting 471 extremely weak students of four schools, resulting in 263 of them improving their scores in term tests evincing the effectiveness of the concept.



Vocational training. With Sri Lankan universities able to accommodate an annual intake of only 30,000 of students who pass their A/Ls the Trust decided to take action to support the large number of school leavers left with few options for improving their prospects.

Reaching out to the Department of Technical Education and Training (DTET) under the Vocational Training Ministry, the Vocational Training Authority (VTA) and 39 technical colleges across the country the Trust began a pilot project – the establishment of six career guidance units (CGUs) in schools in remote areas around the country. The aim of the CGUs was to make students aware of alternatives to a university education. The Trust then sponsored DTET officials to speak to students about achieving National Vocational Qualification certification, explaining that level seven certification is equivalent to a university degree.

To improve the success rate of this project the Trust also funded final year undergraduates from the University of Colombo to act as counsellors at the CGUs. The Trust also funded students from the six schools to attend Open Days at various technical colleges so that they gain a better understanding of the opportunities available to them, including the prospect of working abroad.

The Bank signed a memorandum of understanding with Access Engineering PLC that allows students in the pilot project to be employed by the construction giant after one year of DTET training. The Trust also funded informational videos to change negative stereotypes about builders and made these available online, including the Sipnena site. With the current boom in the construction industry, for example, skilled labour is imported from countries such as Bangladesh, China and India. Hiring skilled local builders will benefit corporates such as Access Engineering PLC as well as the local labour market.

In anticipation of a new generation of professionals in various vocational fields the Bank also created awareness about its development credit loans for those who wish to set up their own businesses.

Clean water. Having previously financed and supported research that identified a link between the quality of drinking water and Chronic Kidney Disease of an unknown origin (CKDu), the Trust funded the provision of clean drinking water through rainwater harvesting by providing 5,000-litre capacity water tanks for 25 households affected by the disease in Ginnoruwa in the Mahiyangana area.

Following the indication from the research, the Trust has entrusted Wayamba University with conducting an in depth scientific study into the suitability of rainwater for consumption. The Trust has also commissioned an anthropological study to analyse and assess the changing perceptions of the villagers on the harvested water. The results show that there is now high demand for rainwater tanks within the community.

Commercial Bank's "Raindrops" project to combat CKDu enters Phase 2



Commercial Bank commenced the second phase of its "Raindrops" project to combat Chronic Kidney Disease of an unknown origin (CKDu) following the resounding success of the first phase in which the Bank in 2016 donated 5,000 litre storage tanks for rainwater harvesting to 25 families in Ginnoruwa in the Girandurukotte area.

Seeing the success of the project, other donors have come together to provide the community with close to 100 water tanks. These included the National Water Board which provided the control group with 25 rainwater tanks.

The Trust also helped establish a society to give the community more control over the project. Among other things, the Society provides data for research projects and undertakes the construction of rainwater tanks – a useful source of income.

Culture and heritage

Puppet museum. The Trust funded the opening of Sri Lanka's first traditional puppet museum in Balapitiya, an area that has traditionally been famous for its string puppets. The museum is run by a science graduate whose family had been puppeteers for generations. He turned his back on a promising career in his chosen field of study to revive a dying cultural art form – a tradition that has been handed down from generation to generation in Balapitiya. The Trust invested a total of Rs. 1.19 Mn. on this project to promote this traditional industry to a sustainable level. Using its contacts in the hotel industry the Bank encouraged local hotels to provide patronage to the museum. The museum also provides skits with powerful social messages to be enjoyed by visiting groups from schools.

Commercial Bank fund Sri Lanka's first traditional puppetry museum



Ambalangoda's rich but partly-forgotten tradition of puppetry was revived and developed with the establishment of Sri Lanka's first puppetry museum with funding support from the Bank.

Other projects. Given below are some of the other projects the Trust carried out during the year.

- Financial assistance for upgrading the IT lab of Employers' Federation of Ceylon.
- Provision of furniture and equipment for Special Needs Resources Unit of the University of Peradeniya.
- Donation of over 1,400 library books to 13 rural schools.
- Financial assistance to construct a clinic for a divisional hospital in Jaffna peninsula.
- Provision of a water bowser to Caritas – Valuthayam Diocese of Mannar benefiting 382 families.
- Relief for flood and landslide victims of worst-hit areas of the country.
- Financial assistance to provide National Identity Cards to over 16,000 persons in the Galle District under the "Nila Mehewara" Presidential Mobile Service concluded in January 2017.

Commercial Bank celebrates 'Avurudu' with war heroes



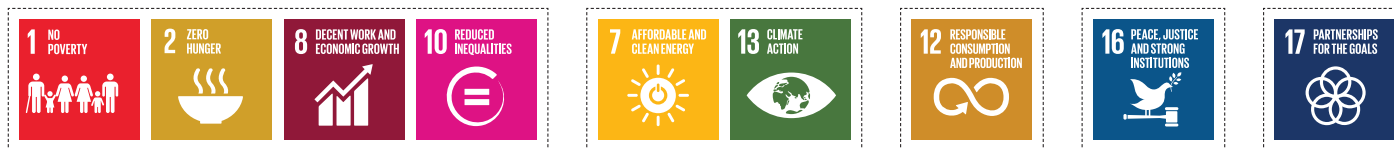
The annual Sinhala and Tamil New Year celebrations of "Ranaviru Sevana," the rehabilitation centre in Ragama for differently abled war heroes, were supported for the eighth consecutive year by Commercial Bank.

Donation to the Society for Welfare of Autistic Children (SWAC)



The Chief Operating Officer, Mr Najith Meewanage is handing over the Cheque for the donation to Mr Anwar Hossain, Chairman of "Society for the Welfare of Autistic Children". Mr Binoy Gopal Roy, DGM (Finance) & Mr Shakir Khusru AGM (Personal Banking) of the Bank are also seen in the picture.

Our Contribution towards the Sustainable Development Goals



1 2 8 10

How we do it

The Bank extends financial support through its “Micro Loan” product specifically designed to support micro entrepreneurs in income generation activities and for upgrading their living standards.

We continue to enhance our footprint outside the principal province supporting financial inclusion, increasing financial literacy through target programmes and alongside a digital banking experience.

Our reputation as Sri Lanka’s largest financier to the SME sector is a result of our commitment to financial inclusion. Through our Diribala Viyapara Pubuduwa programme we invest in capacity building and succession planning for the SME and Micro sectors. While our “Divisararu” product provides total financial packages, including savings schemes and micro loans facilities, we also focus on bringing banking facilities to the “unbanked”.

We ensure our customers benefit from favourable interest rates by participating in loan schemes supported by the Central Bank.

What we did in 2017

- Rs. 132 Bn. disbursed to SME sector and 20% of all loans.
- Three entrepreneurship development programmes with 500 beneficiaries, out of which 200 were women.
- Five financial literacy programmes conducted targeting 695 micro and agri entrepreneurs. One of such programmes was dedicated for women with 150 participants.
- Customer penetration rate of 12% outside principal province.
- Added another Agriculture and Micro Finance Unit (AMFU) increasing the total to 16 units supporting expansion of our work in the peripheries.
- Loans to agriculture and fishing sector accounts for 9.37% of the total loan book.
- Introduced “Bank on Wheels” concept supporting financial inclusion.
- Launched CommBank Biz Club for the benefit of SMEs.

(More details on [pages 61 to 65 and 78 to 80](#))

7 13

How we do it

We are continuing with our comprehensive programme of investing in solar power in our own buildings.

Our Investment Banking Unit helps finance large scale renewable energy generation projects. We also support the investments in renewable energy, waste management and pollution control systems through dedicated loan products.

What we did in 2017

- Invested Rs. 85.134 Mn. in solar panels in 20 branches taking the total investment to Rs. 118.837 Mn. in 28 branches.
- Contributed Rs. 441.465 Mn. for renewable energy generation projects.
- Reduced energy consumption by 1,539 Gj.
- Offset 9,500 kg of CO₂ emissions by recycling 497 units of e-waste.
- Disposed 151,885 kg of used paper for recycling.

(More details on [pages 102 to 104](#))

12

How we do it

We provide customers with paperless banking options such as online banking, mobile banking, e-statements and e-passbook to reduce paper use. We also eliminated unproductive paper-based processes. Our waste is disposed of in a responsible manner.

What we did in 2017

- Converting the procurement process for all fixed assets to an online system.
- Increased use of e-passbook, to over 580,000 registration up from 500,000 the previous year.
- Through branch and other promotions increased registrations for online and mobile banking by 16.44% and 25.90% respectively.
- The Bank’s used electronic equipment was disposed of through Ceylon Waste Management (Pvt) Limited, an international award-winning waste management company.

(More details on [pages 102 to 104](#))

16

How we do it

We continue to strictly enforce the “Know Your Customer” policy. Our Anti-money Laundering Unit monitors illicit financial flows allowing us to report irregularities to the relevant regulatory authorities.

We are also expanding our support for SMEs, micro and agriculture sector in former conflict zones in the Northern and the Eastern Provinces to support economic development.

What we did in 2017

- 14 cases of suspicious transactions reported to the CBSL.
- Introduced “Bank on Wheels” concept supporting financial inclusion.

(More details on [pages 65 and 81](#))

17

How we do it

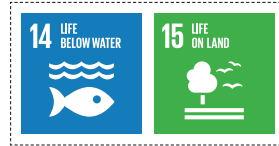
Having pioneered the adoption of sustainable practices in the industry we continue to promote sustainability practices in the country. In collaboration with 18 members of the Sri Lanka Banks’ Association, we are working to formulate a Sustainable Finance Initiative in the country.

We also partner with organisations and Government authorities to implement initiatives of the CSR Trust.

What we did in 2017

- Progress has been achieved in the formulation of the Sustainable Finance Initiative.
- Collaborated with HeadStart (Pvt) Limited, Microsoft – Sri Lanka, and Dialog Axiata under the supervision of the Department of Education – Western Province to improve A/L and O/L results, digital skills and employability of students.
- Partnered with the Department of Technical Education and Training, the Vocational Training Authority, various technical colleges and large corporates such as Access Engineering PLC to launch a vocational training project for school leavers.

(More details on [pages 84 to 87](#))



4

How we do it

Supporting secondary education through a combination of online solutions for education, information technology infrastructure for schools, scholarships, and vocational training avenues leading to the equivalent of a university degree.

What we did in 2017

- Invested Rs. 28.57 Mn. in education through the Bank's CSR Trust.
- Under the Smart School project:
 - Benefits 6,000 teachers and 90,000 students approximately
 - Over 10,000 learning content were uploaded to the system

(More details on pages 84 to 87)

3 6

How we do it

Apart from its primary focus on education, the CSR Trust engages in activities that supports treatment facilities in Government healthcare institutions by donating necessary medical equipment. Our efforts under the healthcare pillar of the CSR Trust have benefited thousands of patients and number of beneficiaries adds on each day.

Under the community and healthcare pillar of the CSR Trust our main focus has been on finding ways to prevent the spread of Chronic Kidney Disease of an unknown origin (CKDu).

What we did in 2017

- Sponsored further research at the Girandurukotte Government Hospital.
- Commissioned two scientific researches to study the effects of CDKu on the community.
- Funded and helped establish the Gannoruwa Kidney Patients Society within the community.

(More details on pages 84 to 87)

14 15

How we do it

The Bank ensures that all business loans and advances are screened for Social and Environment Management System (SEMS) compliance, financing projects that do not harm the environment.

With its main energies focused on Education, Community and Healthcare, and Culture and Heritage, the Trust sponsors projects on the conservation of wildlife and marine life on a case by case basis.

What we did in 2017

- 9,595 loan proposals were screened for SEMS compliance.
- Bank is formulating a process to identify the green component of its lending and promote green lending.

(More details on page 102)

5

How we do it

We take pride in being an equal opportunities employer. We have a good track record of female employees returning after maternity leave – 94.64% in 2017.

Our Anagi savings account is designed to support and encourage female entrepreneurship, providing benefits such as lower interest rates on loans and special discounts on health packages at selected hospitals.

Dedicated capacity building and financial literacy programmes for women.

What we did in 2017

- Held a capacity building and a financial literacy programme dedicated to female entrepreneurs with participation of 200 and 150 respectively.
- Promoted nine employees to Senior Management of whom five were females, increasing the female representation in the Senior Management to 25%.

(More details on page 79)

9 11

How we do it

At present the Bank does not have a dedicated product or process aligned with these goals.