






Material Matters

Sustaining success and staying primed for the future requires shaping the Bank's strategy for growth today, adapting to change, identifying opportunities in challenges, and seizing the opportunities that change itself may present. In a rapidly changing environment, where unprecedented technological, social, and environmental upheavals present new risks and new opportunities, the wealth of intellect the Bank has built over a century plays a pivotal role in formulating a strategy primed for the future. A strategy that continues to deliver value to all our stakeholders and, in turn, derive value from them.

In formulating a strategy fit for the time, the Bank analysed its external environment to identify matters arising from emerging trends and their relevance to key stakeholder groups, as given below:

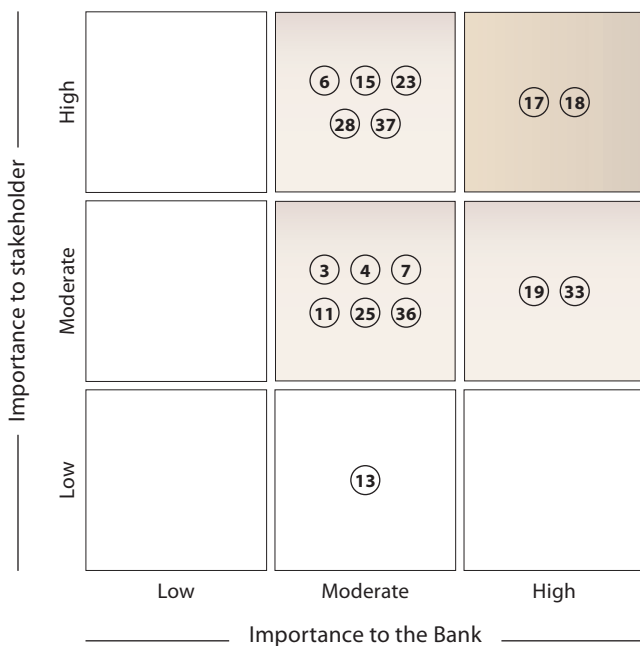
Analysis of Commercial Bank's external environment Figure – 06

	Political	Economic	Social	Technological	Environmental	Legal/Regulatory
Investors 	① Instability and lack of policy consistency	② Economic slowdown	③ Growing influence of social media	④ Unorthodox competition and financial disintermediation		⑤ Implementation of SLFRS 16 – Leases
	⑥ Directed lending	⑦ Depreciating currencies against USD	⑧ Demand for non-financial information and long termism			⑨ Basel III compliance requirements
		⑩ Negative rating outlook for sector	⑪ Demand for more transparency and accountability			⑫ Higher regulatory capital
		⑬ High CAPEX requirements				⑭ New Banking Act
		⑮ New tax reforms				⑯ Pending Basel IV compliance requirements
Customers 		⑰ Envisaged upturn in private sector credit and improvement in asset quality	⑱ Changing customer expectations	⑲ New technological advances such as AI, Robotics and Blockchain		⑳ Compliance requirements and regulations such as Foreign Account Tax Compliance Act (FATCA), General Data Protection Regulation (GDPR), and Base Erosion and Profit Shifting (BEPS).
		㉑ Import restrictions		㉒ Cybersecurity threats		
Employees 		㉓ Need to enhance productivity	㉔ Staff recruitment and retention becoming more challenging	㉕ Technology driving change in job skills		

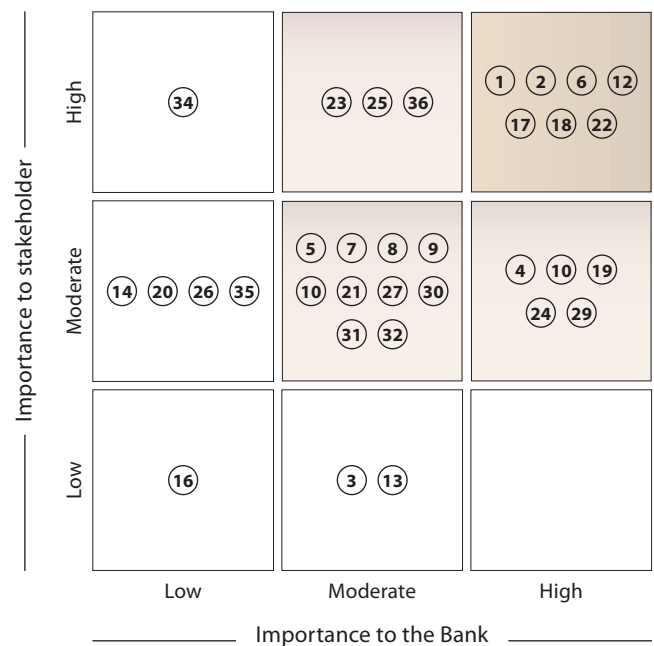
	Political	Economic	Social	Technological	Environmental	Legal/Regulatory
Society and environment 	26 Geopolitical conflicts	27 Declining worker remittances	28 Need to commit to Sustainable Development Goals (SDGs)		29 Increasing frequency and magnitude of natural disasters and poor disaster preparedness	
	30 Increasing levels of corruption	31 Sri Lanka's global competitiveness declining	32 Increasing conflicts		33 Increasing demand for green banking and green lending	
		34 Increasing drug pedaling and drug and alcohol addiction	35 Viral outbreaks hampering world trade and economy			
		36 Infrastructure out of sync with development needs				
Business partners 		37 A more collaborative approach				

These emerging trends presents risks, opportunities or both and their impact is felt by the stakeholders and the Bank alike on varying degrees. The topics that stem from these trends and are material to the Bank according to their impact on stakeholders and the Bank itself are portrayed in the matrices that follow. For the purpose of this study, the Bank defined material matters as those that significantly affect the Bank's ability to create value over the short, medium and long term. Materiality of each matter is determined by its relevance, the magnitude of its impact, and the probability of occurrence.

Opportunities to be seized



Risks to be mitigated



Following this study, the Bank formulated strategies necessary to seize opportunities, mitigate risks and continue its value creation journey under the four strategic imperatives as outlined in the section on Management Discussion and Analysis. These strategies were then embedded in the Corporate Plan for execution by the Management together with underlying KPIs for measuring successful achievement.



Management approach

The Bank manages its material topics through its strategic planning process by assigning responsibility to the heads of the relevant divisions of the Bank, allocating necessary resources based on the significance of each material topic towards achieving the aforesaid strategic imperatives. Goals and targets, where relevant are embedded into the KPIs of the Key Management Personnel to ensure that the organisation achieves its objectives with regard to its material topics and are reviewed at regular intervals.

Many policies are in place guiding its people to conduct activities in a responsible, transparent, and ethical manner in managing the material topics. These policies are duly approved by the Board of Directors and are reviewed at predetermined intervals to stay current with the changing environment.

Where relevant grievance mechanisms are in place with assigned responsibility to the relevant divisional heads to manage, address and resolve grievances.

Screening is carried out into the social and environmental aspects of the Bank's lending to its customers and dealings with its business partners.

Internal and external auditing and verifications are carried out to ensure that the internal controls, policies and procedures laid down to achieve the objectives of material topics are adhered to. Findings are reported to the Board of Directors and/or to the Management Committees on a regular basis for corrective action where necessary.

External ratings and awards and accolades bear testimony to the success of the Bank's approach in managing its affairs.

While majority of material matters affect the Bank's economic performance (GRI 201: Economic Performance) following are matters identified by the Bank as material and are discussed within this report. Where relevant GRI disclosures are mapped to the material matter as given below:

Material matters Table – 05

Materiality topic	GRI Disclosure	Page	
1 Instability and lack of policy consistency	GRI 201: Economic Performance	20 to 27, 33 to 35	
2 Economic slowdown			
4 Unorthodox competition and financial disintermediation			
6 Directed lending			
10 Negative rating outlook for sector			
12 Higher regulatory capital			
15 New tax reforms			
17 Envisaged upturn in private sector credit and improvement in asset quality			
18 Changing customer expectations			47
19 New technological advances such as AI, Robotics, blockchain			52
22 Cyber security threats	GRI 418: Customer Privacy	56	
23 Need to enhance productivity	GRI 404: Training and Education	58	
	GRI 405: Diversity and Equal Opportunity	58	
24 Staff recruitment and retention becoming more challenging	GRI 401: Employment	58	
25 Technology driving change in job skills	GRI 404: Training and Education	58	
	GRI 405: Diversity and Equal Opportunity	58	
28 Need to commit to Sustainable Development Goals (SDGs)		53	
29 Increasing frequency and magnitude of natural disasters and poor disaster preparedness	GRI 302: Energy	57	
	GRI 305: Emissions	57	
33 Increasing demand for green banking and green lending		54	
36 Infrastructure out of sync with development needs	GRI 203: Indirect Economic Impact	51	
37 A more collaborative approach		54	