



# UN Global Compact Communication on Progress

September 2020 – September 2021



## **Citizens Development Finance PLC**

Ranked among the top 5 Non-Bank Financial Institutions (NBFIs), Citizens Development Finance PLC is one of the largest and most successful financial institutions in Sri Lanka. With an asset base nearing Rs. 100 Bn and a staff strength of over 1,700 we empower the aspirations of all Sri Lankans.

Recognized as one of the most innovative NBFIs with a strong commitment to sustainability, we have revolutionized and disrupted the financial services industry with technological innovations. Our disciplined culture and foresight have enabled us to record a strong financial performance as reflected in the growth of our size and profitability over the past decade.

### **Our Vision**

To be the financial powerhouse that will foster entrepreneurial innovation and workmanship towards building our Nation's economy to make sustained gains in living standards of Sri Lankan

### **Our Purpose**

#### **Empowering Aspirations**

Goals, hopes, dreams, ambitions; whatever you aspire to achieve, we exist to elevate your life

### **Our Values**

Perseverance  
Empathy  
Reliable  
Innovation

**Sustainability Agenda at CDB**

Our Sustainability Agenda encompasses both social and environmental dimensions. As we journey on the path of a Rs. 100 Bn. Asset base company to a company with a quarter of a trillion-asset base, we are committed to leave behind the least carbon footprint and continue our carbon neutral status.

We will contribute towards a greener economy, while being a highly socially impactful organization ensuring financial inclusion, as we reach out to the most disadvantaged, rural, vulnerable and base of the pyramid market segments. The key verticals under the CDB Sustainability Agenda include;

**SUSTAINABILITY AGENDA**



**Carbon Neutral**

Becomes a resource efficient organization and contribute towards decarbonisation focusing on a Green Economy.

- Accelerate Sustainable Mobility Solutions
- Accelerate Household Renewable Energy Solutions
- Enabling Shared Economy
- Conservation and Biodiversity

**Social Conscious**

- Financial Inclusion
  - Reach out to most vulnerable, remote and base of the pyramid market segments
- Community Impact
  - Child Health and Well-Being
  - Child Education and Literacy
  - Volunteerism
  - Empower entrepreneurs,


- Engage Mindful Team Members
  - Extraordinary results through ordinary people
  - Empower them to be Green Ambassadors
- Responsible and Sustainable Brand


### **Commitment to SDGs at CDB**



The long-term success of our company is closely intertwined with the futures of stakeholders, a future where our customers and team members have opportunities to realize their aspirations, communities to thrive and the environment to be conserved. Our Sustainable value creation model remains at the core of our growth strategy. Sustainability principles are entrenched into all aspects of our business.

Based on our business model and the stakeholders who are most relevant to us, we prioritized 7 SDGs that are key to making a material impact.




SDG	CDB Commitment
	<p>Provide health-care options, encourage healthy lifestyles and provide decent working conditions:</p> <p><b>Health-care options</b></p> <ul style="list-style-type: none"> <li>• Investment of Rs. 17.5 Mn. for 198 team members on health care facilities through “CDB Suwa Sampatha”.</li> <li>• Maintaining a zero-occupational disease rate, zero work-related fatalities and promoting safe and healthy surroundings.</li> <li>• Introduced paternity leave.</li> <li>• Extending leave in the event of an illness or complication or risk of complications, providing facilities and flexible working hours and developing appropriate family friendly facilities for team members, which extend beyond compliance.</li> </ul> <p><b>Decent working conditions</b></p> <ul style="list-style-type: none"> <li>• A comprehensive range of health and safety protocols were implemented within all CDB premises investing Rs. 15 Mn. to ensure safety and decent working conditions.</li> </ul> <p><b>Healthy lifestyles</b></p> <ul style="list-style-type: none"> <li>• “Active Ninja” – In collaboration with the Health and Wellness Unit of the University of Colombo, the employee health and wellbeing educational programme was launched to provide free medical services, resources and information to raise awareness about health issues and available services.</li> <li>• Child health and well-being “Act early for Autism” programme.  <p style="margin-left: 40px;">To promote early detection and timely intervention, the Autism Awareness project was launched in collaboration with Sri Lanka Association for Child</p> </li> </ul>


	<p>Development (SLACD) in 2016. We have continued to make a positive impact through many initiatives under this project since its inception.</p> <ul style="list-style-type: none"> <li>• Contributed towards the construction of a quarantine centre at the Maduru-oya Army Training centre supporting the national effort to combat COVID-19.</li> </ul>
	<p>Providing all our team members learning opportunities to enhance their knowledge and skills needed for sustainable development and pursue sustainable lifestyles. This process is encouraged from the beginning of their journey at CDB and this is further supported by providing an e-learning platform and library facilities.</p> <p>Reimbursing the examination and course fees to encourage team members to obtain extra qualifications or continue their education. Investment during the year was Rs. 2.4 Mn.</p> <p>Average hours of training per employee for FY 2020/21 was 20.6 hours.</p> <p>We provide employment opportunities to youth in rural areas, support their education and provide training opportunities to increase their employability. During the year, 193 youth were recruited from outside the Western Province.</p> <p>Scholarships were provided for high achievers of Grade Five Scholarship Examination and the GCE Ordinary Level Examinations, through the “Sisu Diri” scholarship Programme. 609 scholarships have been offered since the inception of this programme.</p> <p>Under the “CDB Smart Classroom” programme, CDB presented</p>

	<p>12 state-of-the-art smart classrooms to disadvantaged schools in rural areas, providing access to digital education.</p>
	<p>Respecting the right to safe drinking water and sanitation through availability, accessibility, acceptability, and quality of water.</p> <p>Improving water performance and promoting reuse of fresh water through rainwater harvesting system.</p> <p>Sharing smart solutions with peers and promoting awareness in conserving water among team members.</p>
	<p>As at 31 March 2021, our energy efficient vehicle-lending portfolio stood at 25%. During the year a project was initiated to convert our branch network to Green branches and renewable energy backed locations.</p> <p>Partnered with roof solar energy suppliers to encourage customers to change to solar electricity, introducing a payment plan under green financing. This was initiated as a pilot project during the year and owing to its success we will further expand the initiative in the ensuing year.</p> <p>Mid-term plan to engage responsibly with the public sector to support the development of well-designed, stable policy frameworks and financing mechanisms to tackle market barriers including providing finance assistance to generate affordable, energy-efficient vehicle technologies to Sri Lanka.</p> <p>Monitoring and reporting the amount of energy produced, purchased and consumed, according to source as per the annual carbon footprint analysis of our Company. Our energy consumption was at 2.2 Mn. KWh in FY 2020/21.</p>

	<p>Ongoing efforts to reduce energy consumption in our own operations, collaborating with suppliers to reduce energy consumption, setting efficiency standards and conducting regular energy audits. CDB e-newsletter is circulated monthly creating awareness among our team members on using renewable energy in their households and switching to clean mobility solutions.</p>
	<p>Incorporating sustainable development into our corporate vision, policies and strategies and developing sustainability targets and indicators across our operations:</p> <ul style="list-style-type: none"> <li>• Voluntary adoption of UN SDGs across the Company.</li> <li>• Business model, which combines urban funding and rural lending, with sustainable practices.</li> <li>• Use of tech disruption to find sustainable solutions for maximum resource efficiency and low carbon growth.</li> <li>• Embedding a sustainability agenda to the core business strategy and the company business model.</li> </ul> <p>Implementing our mid-term goal of setting up the Citizens Sustainable Financing Unit to process sustainable financing requirements of our customers:</p> <ul style="list-style-type: none"> <li>• Using renewable materials and energy-efficient technologies to reduce the negative environmental impact.</li> <li>• Investing in improving environmental performance.</li> <li>• Raising consumer awareness and promoting consumer education to improve their willingness to engage in sustainable consumption.</li> </ul> <p>Understanding sustainable management in all operations through Environmental and Social Management policy and system (ESMS).</p>



	<p>Tracking and reporting waste generated and disposed, energy and water consumption GHG, through the annual Carbon Footprint analysis. Maintaining the carbon neutral status of the company by investing in UN Clean energy projects for the sixth consecutive year.</p>
	<p>Conducting numerous environmentally sustainable activities across our outlets and communities by the CDB Green Ninja Ambassadors of “CDB Advance Green Ninja Club” with the aim of connecting people to nature.</p> <p>ISO 14064-1:2018 Carbon verification and a certified Carbon Neutral business entity.</p> <p>Understanding the social and economic value of ecosystems, the value of recreation and functions in supporting ecosystem processes, we collaborated with private sector institutions, Biodiversity Sri Lanka (BSL), International Union for Conservation of Nature (IUCN) and the Sri Lanka Forest Department to restore and manage the degraded land adjacent to Kanneliya Forest Reserve, under the “Life project”.</p> <p>“Green Ninja – CDB Quiz Master” programme to create awareness in biodiversity and ecosystems amongst our team members.</p> <p>CDB annual “e-waste” and “Paper waste” recycling programmes to recycle waste generated and harmful chemicals used in our operations responsibly, and assess and prevent the actual or potential negative impact on soil, wildlife and ecosystems.</p>

	<p>Creating awareness on bio diversity, climate emergency and other sustainability issues to build a grassroots level movement to achieve SDGs by sharing e-flyers, videos among all staff members.</p>
	<p>We have nurtured long-term relationships with the following sustainability partners to make a positive contribution to the society and environment.</p> <ul style="list-style-type: none"> <li>• Biodiversity Sri Lanka</li> <li>• Green Links (Pvt) Ltd.</li> <li>• Sri Lanka Climate Fund</li> <li>• Sri Lanka Association for Child Development</li> </ul>

## **Aligning with UN Global Compact Principles**

### **Human Rights**

**Principle 1:** Businesses should support and respect the protection of internationally proclaimed human rights

**Principle 2:** Make sure that they are not complicit in human rights abuses

### **Business Conduct**

CDB ensure that no slavery, forced, or bonded labour is undertaken within CDB operations and suppliers' operations through the Environmental and Social Management System (ESMS), Procurement policy, and Supplier Codes of Conduct.

Respecting human rights and respecting the universal right to work, equal opportunity is provided to earn a living through work, with freedom of choice and space to safeguard the rights of team members. We have included information about human rights, gender equality, and sustainable development in our corporate internal policies, such as the Employee Code of Conduct and HR Policy. By increasing awareness and application, we have ensured that these policies are comprehensively shared and understood by all team members.

We also established a zero-tolerance policy towards all forms of violence in the workplace and preventing sexual harassment. Appropriate policies, procedures, grievance mechanisms, and support structures have been established for our team members to anonymously report incidences or suspected incidences of violence, exploitation, or harassment. Protection is in place for whistle-blowers so that the team is free from fear of retribution. Our commitment to reduce gender-based violence has been communicated both internally and externally. We have also raised awareness among team members about what constitutes harassment, trafficking, or exploitation, and provide training on how to manage and prevent it.

**Ethics and Integrity**

Ethical leadership is a fundamental aspect and is of paramount importance to CDB. Ethical behaviour is internalized through the Company’s Code of Ethics which is central to how we operate and grow sustainably, refuting unethical behaviour, fraud, and corruption. Ethical business practices are supported by the top management and are guided by our values driven culture and are cascaded to the staff members in carrying out day-to-day business.

**Future Outlook**

We are focused on continuing to strengthen our governance and regulatory compliance aspects as a responsible and ethical corporate entity that creates and sustains shareholder value and ensures sustainable value creation for all stakeholders.

**Labour**

**Principle 3:** Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining

**Principle 4:** The elimination of all forms of forced and compulsory labour

**Principle 5:** The effective abolition of child labour

**Principle 6:** The elimination of discrimination in respect of employment and occupation

Based on the unwavering belief “strategy bets on people to succeed”, our team has generated extraordinary value ensuring long-term sustainability.

CDB’s diverse workforce comprised 1,758 team members as at 31 March 2021, of which 803 are permanent and 955 are contractual. In terms of gender, 27% represented female team members. A total

Gender analysis of employees – 2020/21



of 368 new team members were recruited into the CDB family during the period under review.

**Diversity and Inclusivity**

CDB believes that a diverse workforce broadens perspectives and enhances resilience and performance. An antidiscrimination policy is in place to ensure that all team members are treated fairly without any bias towards race, religion, gender, age, and disability, amongst others.

All team members received regular performance and career development reviews during the reporting period. To ensure non-discrimination in employment, CDB has implemented gender sensitive recruitment policies, including recruiting women, promoting women to managerial and executive positions, and welcoming women to the corporate Board of Directors.

Distribution by employment category

	2020/21		2019/20		2018/19	
	Male	Female	Male	Female	Male	Female
Front line	801	305	867	294	881	358
Junior management	227	107	205	105	73	47
Middle management	196	51	201	49	151	41
Managers	24	7	27	8	27	7
Senior management	23	3	19	2	16	2
Top management	13	1	13	1	14	1

474 team members were entitled to maternity leave and 20 team members availed of this facility during the year, while 90% of them have returned to work whilst the balance are still on leave. We also introduced a three-day Paternity Leave process which was welcomed by all. CDB extends leave in the event of an illness or risk of complications and provides facilities and flexible working hours for its team members to take care of their children, and develops family-friendly facilities that go beyond compliance. No incidents of discrimination were reported during the period under review.

**Talent Acquisition**

We provide our new recruits with comprehensive learning and development opportunities throughout their career at CDB. All recruitments to CDB are based on merit through fair and transparent competition without favouritism or discrimination. By taking raw talent at grassroots level we groom them, making them employable. During the period under review, 368 new

recruits joined the CDB team, and 26% were women. Out of the 30 management trainees recruited during the year, 15 were from outside the Western province.

**New hires based on region**

Province	2020/21 (Nos.)	2019/20 (Nos.)
Central	36	50
Eastern	9	18
North	9	11
North Central	12	23
North western	44	52
Sabaragamuwa	37	51
Southern	30	38
Uva	16	25
Western	175	232
Grand Total	368	500

**Employee Engagement**

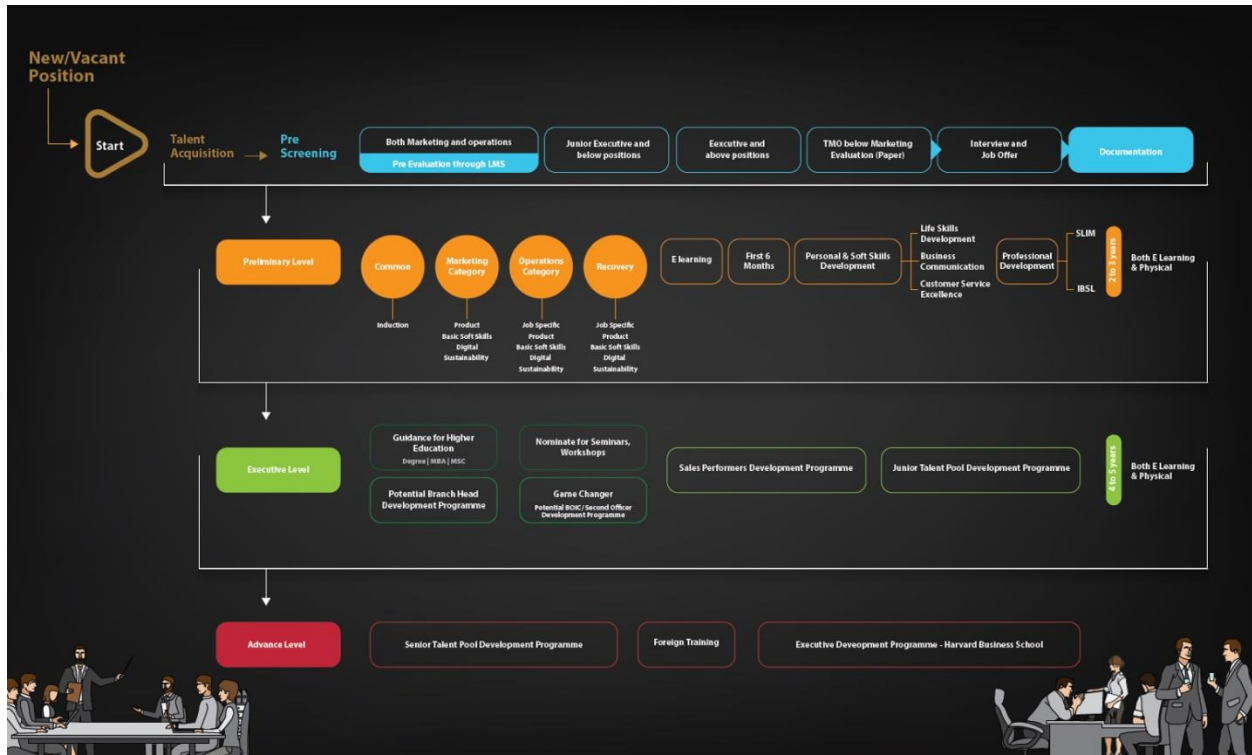
Employee engagement is a strategic priority for CDB, which stems from the belief that a great customer experience is driven by a great employee experience. CDB engage their team members by linking them to the overall objectives of the organization, irrespective of their designation or area of work as a part of the annual strategic plan unveiling ceremony. Every team member is given a personalized letter at the beginning of the financial year.

CDB adopts an efficient communication process which facilitates the smooth exchange of information between the Company and its team members via various channels of communication which includes our intranet, emails, meetings, announcements, events, SMS, WhatsApp groups, and Microsoft Teams. With the ongoing pandemic, we increasingly relied on digital engagement platforms.

**Learning and Development**

CDB continually invests in the professional and personal development and career progression of our team members, to make people employable and generate extraordinary results through ordinary people. We engage with educational institutions to develop and support programs for employee training, employment skills and educational development, and enhancing training skills. We support team member education by providing an e-learning platform and library

facilities and reimbursing their professional examination fees to encourage them to obtain extra qualifications or continue their education. All training is conducted through the CDB Academy.



Following the pandemic related lockdowns, we immediately converted most of our training programs onto virtual mode, delivering 65% of training mainly through our Learning Management System. Through activity-based learning and discussions, we provided more engagement throughout the programs. In particularly, our staff members were made aware of health precautions through the learning platform. Our aim is to convert more in-house physical learning onto online and digital modes, maintaining a physical to online ratio of 80:20. We have already converted most of the product related training to video-based learning modules and all evaluations to online. Our target is to convert over 80% of induction and sales orientation sessions onto online and make learning more engaging and attractive.

**Training programmes conducted during 2020/21**

Training Programme	No of Participants	Male	Female	Training Hours	Number of programmes
Branch Heads Development Program	17	17	0	850	11
Induction Program	163	120	43	906	3
Seminar, Conference & Workshops	39	32	7	371	8
CDB Digital Strategy	536	361	175	2,200	3
CDB Advance Sustainability Programme	34	33	1	102	2
Cross Functional Training Programme	36	0	36	1,440	1
Technical Skills Development Programme	697	623	74	4,394	8
Sales Orientation Program	55	54	1	249	2
Game Changer Program	37	6	31	925	5
License to Sell Programme	56	55	1	8,960	1
Management Trainee Program	16	12	4	7,680	1
Trainee Marathon	40	17	23	4,800	1
Transformers Programme	30	12	18	440	1
Process Automation Awareness Programme	466	403	63	2,264	4
Product Basket and Business Channel Approach	196	194	2	588	2

During the period under review, CDB spent Rs. 2.4 Mn. on education reimbursements. Team members received an average of 20.6 hours of training with total investment in team member training and development reaching Rs. 6.29 Mn.

**Performance Management and Succession Planning**

All CDB team members undergo regular appraisals as part of the Company’s performance management system, a key component of team member engagement that helps to align our team and operations with our corporate strategy. Performance management is a self-evaluation done by all team members by themselves sticking to Key Results Areas (KRAs), which are systematically monitored by their respective supervisors and followed by one-to-one feedback sessions.

CDB has established Talent Pools as part of a robust succession planning process, to ensure bench of internal candidates to fill leadership positions. This includes a selection of potential successors who are earmarked for key positions in the Organization. There are two talent pools at CDB; managers and above and assistant managers and below. We groom them with the necessary skills and knowledge to take on higher levels of responsibility in the future.



**Promotions granted**

Category)	2020/21		2019/20		2018/19	
	Male	Female	Male	Female	Male	Female
Board of Directors	1	0	0	0	0	0
Senior management	10	3	6	0	9	2
Middle management	63	18	40	17	53	12
Junior Management	60	41	70	33	71	27
Front Line	115	44	170	75	58	54
Total	249	106	286	125	191	95
Percentage of total	70	30	70	30	67	33

**Rewards and Recognition**

CDB offers our team members fair, competitive, and attractive remuneration packages, as well as an extensive range of medical, financial, and educational benefits. We also offer performance-based rewards and other monetary and non-monetary benefits to incentivize our team members and will be introducing an instant recognition scheme in the future.

**Decent Working Environment**

As a moral obligation CDB is committed to provide safe working environment and ensures the health and safety of our team members. The Company has taken steps to implement appropriate measures to secure the health and wellbeing of our team members during the COVID-19 pandemic and ensure that they remain engaged wherever they may be working from. In addition, the head office and branch premises are equipped with fire protection safeguards and all team members undergo emergency preparedness training. No accidents were reported within our business premises during the reporting period.

CDB health and safety protocols to combat COVID-19:

- Maintaining physical distancing
- Temperature checks
- Shoe disinfectant rubber mats at entrances
- Transparent counter separators for customer interactions
- Providing Personal Protective Equipment (PPE) for Security Officers
- Wash basins for regular hand washing

- Disinfecting branch premises
- Providing private transportation facilities to team members

CDB provides healthcare options to its team, encourages healthy lifestyles, and provides decent working conditions. During the period under review, we further strengthened the safety of the staff by deploying first aid assistants for each floor of the head office and one assistant for each of our 70 outlets.

In collaboration with the Health and Wellness Unit of the University of Colombo, we launched the “Active Ninja” team member health and wellbeing educational programs to provide free medical services, resources, and information to raise awareness about health issues and available services. 108 team members received health screening during the reporting period.

### **Future Outlook**

Our focus for the next decade will be to embrace the sustainability agenda coupled with the tech transformation. This will be centered on the entire workplace ecosystem, driven by the personal needs and aspirations of existing and prospective team members, technological advancements and broader societal and economic trends.

We expect our team members to lead their roles to ensure a compelling culture enabling them to shine. Experimenting with new ways of working and embracing continuous learning are a reality for all our people as they adapt to a constantly evolving and highly competitive world of work. A multigenerational workforce, coupled with shifting customer expectations, accelerating digital transformation, predictive analytics and the introduction of robotic process and automation are impacting the future volume, shape and capabilities of our workforce, prompting the reshaping of the team member experience in the Company in a deliberate way.

## Environment

**Principle 7:** Businesses should support a precautionary approach to environmental challenges

**Principle 8:** Undertake initiatives to promote greater environmental responsibility

**Principle 9:** Encourage the development and diffusion of environmentally friendly technologies

Environmental sustainability is a way of life at CDB and is an area of utmost priority across every operation within our organization. Governed by the environmental and social management policy, we remain strongly committed towards transforming into a zero-carbon business model.

### Responsible and Sustainable Financing

With the ambitious goal of becoming the leader in sustainable finance by advancing the Green Economy by 2030, the CDB Advance Sustainable Financing vertical was initiated in FY 2020/21. In order to support a green economy and lifestyle, CDB partnered with solar energy suppliers to encourage customers to switch to solar electricity while introducing a financial facility under green financing. This was initiated as a pilot project during the year under review, and owing to its success, we will expand it to the ensuing year.

In our commitment to advancing environmental and social progress, we always manage environmental and social risks when promoting new businesses. Environmental, Social and Governance (ESG) considerations have been embedded to our credit and risk assessment process for our lending activities by establishing an Environmental and Social Risk Management System (ESMS).

We offer responsible and inclusive financial services (loans, leases, etc.) to enable positive social and environmental development by promoting environmental protection, social justice, and economic prosperity. This also includes raising customer awareness and engaging with customers to minimise the negative environmental effects of their business operations.

**Accelerating Sustainable Mobility Solutions**

We actively promote leasing of hybrid and electric vehicles, which emit low emissions and are high in fuel efficiency. We encourage our customers to be environmentally conscious by promoting environmentally friendly products and encouraging customers to reduce their own carbon footprint. We are working towards a climate conscious coalition with related stakeholders to formulate a proposal named “CDB Haritha” to promote electric vehicle and solar energy solutions for Sri Lankans. We will do this by tackling market barriers including providing sustainable finance assistance to generate affordable energy efficient vehicle technologies to Sri Lanka.

**Educating our Team Members**

Sustainability being a way of life at CDB, we have instilled in our team members a sense of responsibility and affinity towards the environment. Therefore, our team members act as green ambassadors, deeply committing to advancing sustainability in their families, workplace and the communities, by taking affirmative action to conserve our natural world for future generations.

- CDB Advance Green Ninja Club:

Through this we connect people to nature by promoting eco-friendly business practices, preserving fragile ecosystems and conserving energy. The club comprises 35 members from head office covering almost all the divisions and 70 Green Ninjas from each of our 70 outlets to coordinate the green Initiatives. These include coordinating CDB environmental awareness programmes and environmental conservation projects.

We engage our team members and their families through numerous competitions throughout the year, such as the eco-friendly Vesak lantern competitions, Christmas decoration competitions, home gardening competitions, world water day competition and online quizzes.



– Green Ninja – CDB Quiz Master Programme:

We create awareness on biodiversity and ecosystems amongst our team members. This helps us to further connect our people with nature by infusing a green culture and spreading green awareness across the network. During the year under review, we could not conduct this due to the pandemic and in the ensuing year, we will conduct it virtually, through the CDB e-learning platform.

– “My Victory Garden” home gardening competition:

To promote sustainable consumption, we encouraged our team members to grow organic food and be engaged with the environment. For this purpose, a home gardening competition was launched during the period of lockdown.



– “Seed Your Future” Project:



On 1 January 2021, we launched our “Seed your future” project engaging our staff members and their families by distributing five types of vegetable seed pods in partnership with “Thuru”. All our team members planted these seeds on the same day at the same time. This project not only engaged our team members and their families in sustainable home gardening, but provided the opportunity to learn about organic food consumption while protecting the environment. The objective of this project was to educate, inspire and engage our team members. By using seed pods made from 100% biodegradable recycled papers, we were able to distribute seeds to all our team members across the island, without using polythene.



– Green Communication and Green Networking Platforms:

We believe environmental literacy is essential to tackle climate change, and build resilient communities. In this context, we circulate the CDB Advance e-newsletter and e-flyers to all our staff members through internal announcements, Green Ninja FB group and WhatsApp group in





an effort to raise awareness, encourage green communication, knowledge sharing and keep our staff updated on latest and important information on environmental issues and how they could become a solution to the issues. Moreover, international days are celebrated to create awareness and to take actions on the respective subject matter by sharing posts, quizzes, educational videos, documentaries, statistic and facts through our Green Ninja FB group.

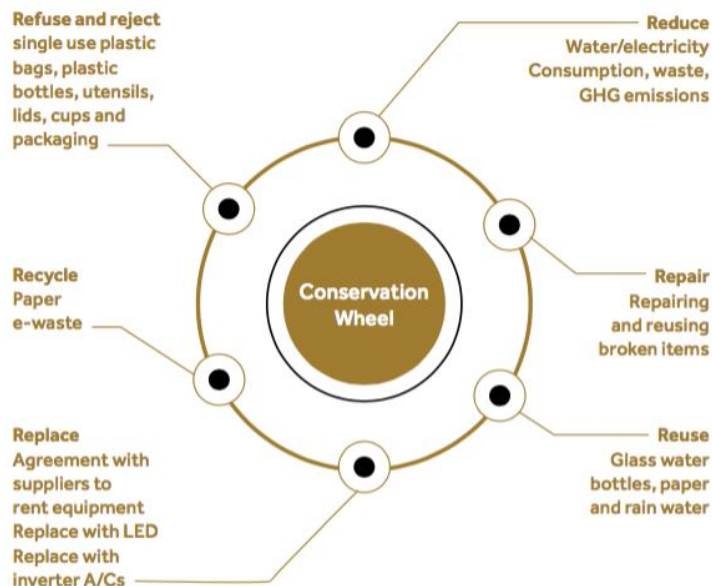
Induction presentation on sustainability to ensure all our new team members are aligned with the Company’s sustainability initiatives, and inculcate a sustainability led culture and mindset within them. Further, we are in the process of developing a sustainability module to educate and inspire all our team members.

**Eliminate all forms of waste**

We maintain waste disposal records at the head office for better management and disposal of waste. We also educate our team to reduce waste in general, including food waste, paper waste to instil a mind-set of responsible waste management, which is crucial in reducing our environment footprint. Further, our conservation wheel showcases the environmental friendly measures implemented across our Company to reduce waste.

➤ **Conservation wheel:**

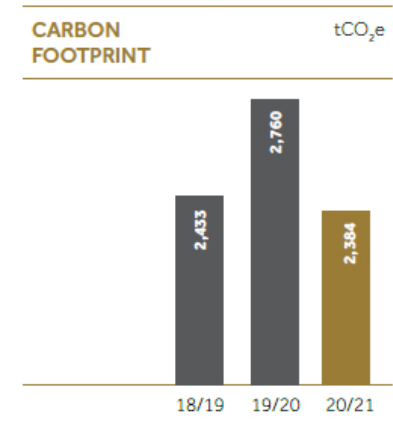
This showcases the environmental friendly measures implemented across our Company to reduce our carbon footprint, waste generation and water and energy consumption by applying the concepts – reduce, reuse, repair, replace, recycle and refuse and reject.



➤ **Carbon Management at CDB:**

In our efforts to become a carbon neutral entity, we embarked on the carbon footprint calculation journey in the year 2015, enabling CDB to be recognised as the first ISO 14064-1 carbon verified financial institution in South Asia by Sri Lanka Carbon Fund in 2015/16. Our efforts continued and we are a Carbon verified company for the sixth consecutive year and certified as a Carbon Neutral business entity. We have invested in United Nations Certified Emission Reductions (CERs) in a Clean energy project of Installing wind power project in Rajasthan and Tamil Nadu by Wind Urja India Private Limited, registered under UN Clean Development Mechanism.

Our carbon footprint

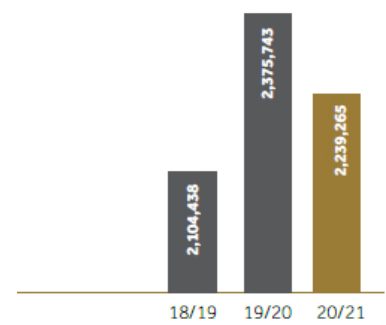


– **Energy Management:**

As per the annual carbon footprint analysis of CDB, we monitor and report the amount of energy produced, purchased and consumed. The following measures are adopted to reduce our energy consumption:

- Collaborating with suppliers and peers to reduce energy consumption, setting energy efficiency standards, adopting cost-effective standards of technologies and promoting energy efficiency through regular “Energy Audits”
- Tracking and reporting energy usage, reduction and intensity over time and continuously striving to reduce energy consumption in our own operations, including using efficient lighting and efficient electrical appliances as a compulsory requirement under annual CDB GHG emission analysis process
- Creating awareness among our team members on energy reduction and improving energy efficiency in households through competitions

ELECTRICITY CONSUMPTION kWh



- Embracing the green building concept that saves energy, water and natural resources and maintains the wellbeing and quality of life of people, we are in the process of converting the branches in Mawathagama, Mahiyanganaya and Moratuwa to green branches
- Integrating into our medium-term business strategy to invest and promote household renewable energy and increase our renewable energy consumption

– **Waste Management:**

We adopt the following measures to efficiently manage the waste generated in our Company.

- All CDB staff members are committed to the CDB single use plastic free pledge. Members of all divisions and branches of CDB have committed and signed the pledge on World Environment Day. As a result, we have eliminated the use of plastic water bottles and plastic food containers at all CDB events, and the use of plastics decorations across the network for any cultural or religious festival or any event
- CDB “e-waste” and “paper waste” recycling programmes are in place to recycle waste generated in our operations responsibly and assess and prevent the actual or potential negative impact on soil, wildlife, ecosystems and the food chain
- Providing information to team members to reduce food waste and contribute towards a sustainable environment
- Improving environmental literacy to build a grassroots movement to achieve SDGs by sharing E-flyers and videos among all staff members

Waste disposal during the year 2020/21

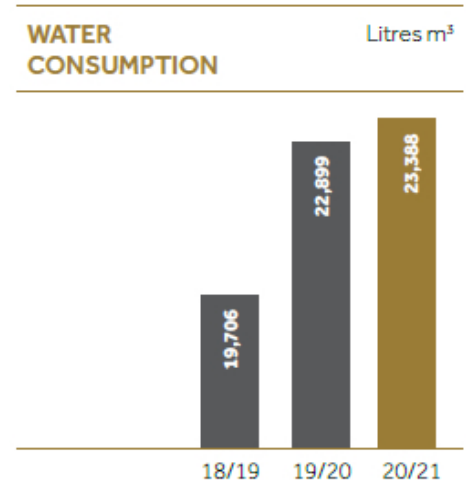
Type of waste item	Disposal frequency	Weight (Kg)	Disposal method
Waste paper	As and when required	878	Waste collected from the head office is stored in the basement and sent for recycling through Green Links (Pvt) Ltd.
E-waste	As and when required	524	Collected as and when required and disposed through Green Links (Pvt) Ltd.
Food waste	Once in two days	6,912	Collected by the owner of a farm.
Damaged office equipment	Upon request by respective division/branch	Not weighed	Collected at a single location in the head office and disposed through a registered supplier.
Polythene	Daily	Not weighed	Disposed through CMC garbage disposal method.



– **Water Management:**

We respect the right to safe drinking water and sanitation through availability, accessibility, acceptability and quality of water. Therefore, following measures are adopted to optimally manage our water consumption:

- Improving water performance and promoting reuse of fresh water through rainwater harvesting system for gardening purpose
- Sharing smart solutions with peers and promoting awareness in conserving water among team members
- World Water Day celebration and conducted competitions to create staff awareness
- Providing safe and gender- separate toilets facilities to team members
- Managing sanitary products, medical waste disposal and cleaning equipment storage, and providing sanitation and hygiene training to team members



**Sustainable Energy and Transport and our team members Walk the Talk**

We have established a comprehensive set of criteria to convert our branches to green branches including increasing the level of awareness of branch team members, engagement, eliminate use of single use plastics and embracing the green building concepts that save energy, water and other resources. Currently this is conducted as a pilot project in three selected branches – Mawathagama, Mahiyanganaya and Moratuwa and the plan is to convert all our branches to green branches by 2025.

Further, we urge our team members to replicate these good practices in their homes and let them cascade to everyone around them. During the year, we conducted a survey to inculcate a sustainability culture within the households of our team members, enabling us to find out the current use of energy efficient equipment, LED and solar energy used in their homes and their preference to use clean energy. The CDB Advance Roof solar facility was introduced, facilitating our team members to invest in a smarter and sustainable tomorrow.

We introduced “biking to work” concept, encouraging our team members who live within a radius of 10km to their reporting branch/ division to ride to work. We offered a concessionary loan scheme to purchase bikes and accessories (lights and helmet) for those who are interested.

**Conservation of Biodiversity**

We contribute to sustainable management of forests through rehabilitating lands destroyed by human activities and committing to reduce deforestation of degraded landscapes. This is exemplified through our commitment to restore one acre of Wilpattu forest reserve in collaboration with the “Thuruliya Wenuwen Api” national tree planting project and through the Life project which is our main conservation project. The Life project includes restoring one hectare of a degraded land in Halgahawala, Opatha,



adjacent to Kanneliya rain forest over a period of five years. The restoration program has a high survival rate as it includes a stringent monitoring and a gap-filling plan. The development of a biodiversity credit accrual system in par with international standards enables biodiversity conservation project owners to generate accruable non-carbon credits. The partners involved in this project will be the first to earn such credits from engaging in restoration activities in Sri



Lanka. The credit accruals will be recorded in a “bio register” and can be set off against the biodiversity footprint. The process will be carried out by experts in the field.

This project is done in partnership with Biodiversity Sri Lanka (BSL), the Forest Department and International Union for Conservation of Nature (IUCN) Sri Lanka and

nine private sector partners. Further during the year, we partnered BSL’s collaborative initiative – Life to Our Beaches, which aims to support the cleaning up and maintenance of two selected beach stretches. We will commence the project in the ensuing year, in collaboration with the Marine Environment Protection Authority (MEPA) and the Department of Samurdhi Development (DoSD), making it a truly Public-Private- People Partnership, benefitting Sri

Lanka’s coastal environment as well as underprivileged coastal communities that live within the selected area.

The CDB Chief Executive Officer serves as the director of the BSL for the second consecutive year, thus setting the tone from the top for environmental conservation.

### **Future Outlook**

**We aim to be the leader in sustainable finance, advancing the Green Economy by 2030.**

To achieve this, we will prioritize green financing, offer a renewable energy- based bundled products suite and accelerate affordable electric and hybrid mobility solutions. Under conservation and bio diversity, we will play a leading role in sustainable financing, forest conservation and preservation and landscape restoration by 2030. We will create Green Ambassadors who will be a part of the solution by creating awareness on current sustainability issues among our team members, their families, our customers and other stakeholders.

## **Anti-Corruption**

**Principle 7:** Businesses should work against corruption in all its forms, including extortion and bribery

The CDB Sustainability Steering Committee closely monitors our business conduct to ensure accountability, fairness, and ethical behaviour whilst assuring privacy of customer data. Adopting ethical business practices, we maintain a zero tolerance towards financial crime, bribery, and corruption. Concerns over money laundering, terrorism financing, fraud, and corruption are growing and our compliance team has ensured that we meet all our regulatory obligations in this regard.

### **Operational Risk Management**

The risk of loss resulting from inadequacy of, or failure in internal processes or events including internal frauds processes or events. Operational risk covers a myriad of non-financial risks

including conduct risk, fraud, cyber, privacy, unauthorized lending/borrowing activities and information security. Based on the seven types of operational risks that banks and financial institutions should focus on, following table summarizes how CDB manage risks;

Risk Type	How we manage
<p><b>Internal Fraud</b> – Unexpected financial, material or reputational loss as a result of fraudulent actions of persons internal to the Company</p>	<ul style="list-style-type: none"> <li>• Regular spot audits covering each and every branch</li> <li>• Detailed audits on a regular basis covering every business operation</li> <li>• Efficient monitoring mechanism to capture any unauthorized transactions/procedure violations through exceptional reports on a daily basis by Risk Division</li> <li>• Reward based risk reporting culture</li> </ul>
<p><b>External Fraud</b> - Impact arising due to fraudulent activities committed by parties’ external to the Company</p>	<ul style="list-style-type: none"> <li>• Specialized internal/external assurance on new initiatives</li> <li>• System audits/application controls reviews carried out by specialized external parties</li> <li>• Frequent vulnerability assessments and penetration testing to ensure the systems are resilient to cyber-attacks</li> <li>• Enhanced IT governance framework</li> <li>• Continuous monitoring on external threats</li> </ul>
<p><b>Employment Practices and Workplace Safety</b> – Non-compliance to ethical practices related to employment or health and safety laws and regulations</p>	<ul style="list-style-type: none"> <li>• Properly trained first aiders/ fire fighters</li> <li>• Fire drills are conducted to act upon in an emergency situation</li> <li>• Safety standards are maintained by</li> </ul>

	<p>continuously monitoring safety measures in a timely manner</p> <ul style="list-style-type: none"> <li>• Medical insurance schemes</li> <li>• COVID-19 BCP ensuring employee safety and business continuity</li> </ul>
<p><b>Client, Products and Business Practice –</b> Risk of engaging in malpractices which are against the interest of our stakeholders such as market manipulation, improper way of doing business, over promise and under delivery, misuse of confidential information etc.</p>	<ul style="list-style-type: none"> <li>• Compliance with all the applicable guidelines and circulars imposed by regulatory bodies</li> <li>• Updated and clear guidelines and procedure manuals are available in intranet for staff reference</li> <li>• Adopting high standards relevant to information security</li> <li>• Risk Division recommendation for product/ process initiation and modifications</li> <li>• Enhanced customer care service and efficient complaint handling process</li> <li>• Increased awareness on information security aspects (through e-mails)</li> <li>• Improved corporate governance framework</li> </ul>
<p><b>Damage to Physical Assets -</b> Potential losses arising due to damages to physical assets as a result of natural disasters or terrorist activities</p>	<ul style="list-style-type: none"> <li>• A robust BCP is in place, defining the guidelines on continuing key business operations un an emergency situation</li> <li>• Proper DR plan is available and periodically tested to continue system operations in the event of a disaster striking</li> <li>• BCP initiatives are evaluated at IRMC</li> </ul>

	<p>meetings</p> <ul style="list-style-type: none"> <li>• Fire drills are conducted at CDB head office with the support of Colombo fire service department</li> <li>• Access controls and enhanced awareness among staff on safety measures</li> <li>• Supplier agreements to recover losses from possible damages to specific high value assets</li> </ul>
<p><b>Business Disruption and Systems Failures –</b> Disruptions and threats to business continuity due to power failures, software failures, hardware failures etc.</p>	<ul style="list-style-type: none"> <li>• System down time is a KRI which is thoroughly monitored in order to effect immediate corrective actions</li> <li>• Maintaining updated software licenses</li> <li>• Daily health check of operating system, hardware, database level alert logs covering both DR and production by IT department</li> <li>• Restoring a tape backup on a monthly basis in order to verify the functionality of restored tape and the connected application</li> <li>• Enhanced infrastructure framework</li> <li>• Empowered a designated managerial position to manage IT risks</li> <li>• Perform IT Risk Assessments to identify and mitigate information security risks</li> </ul>
<p><b>Execution, Delivery, and Process Management</b> - Not meeting service standards</p>	<ul style="list-style-type: none"> <li>• Efficient monitoring mechanism of all types of transactions on a daily basis by</li> </ul>

<p>due to human errors and process omissions</p>	<p>risk and compliance division</p> <ul style="list-style-type: none"> <li>• Comprehensive risk analyses are carried out for every business operation by risk division with special emphasis on process improvements to minimize human errors</li> </ul>
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**Compliance Risk Management**

The risk of legal or regulatory sanction, financial loss, or damage to reputation the Company may suffer as a result of its failure to comply with laws, regulations, codes of conduct, and standards. Accordingly, we have adopted an organization and a body of strict doctrines, procedures and rules that are updated regularly. And for that, CDB has proactive ongoing engagements with the relevant regulatory and government authorities.

Our compliance division ensures that Company conducts its business in line with all applicable statutory and legal requirements while continuously monitoring changes in the legal environment and compliance requirements imposed by the Central Bank of Sri Lanka and other authorities. Applicable rules which need to be adhered to and compliance requirements are communicated to top management at compliance meetings which are held on a monthly basis and it makes a ground to discuss on plans and strategies put in place in order to meet potential compliance requirements.

Key highlights during the year were as follows;

- Appointment of compliance representatives for each and every department including branch staff and frequent discussions with them has led to a creation of compliance culture throughout the organization
- Continuous training programmes, Quiz Sessions along with QR Code E-Flyers to all staff with special focus to Branch Staff have created good awareness on Compliance including Anti Money Laundering aspects
- Continuous transaction monitoring with several red flag indicators is conducted in order to identify unusual and suspicious transactions

## **A Sound Governance Structure**

Good corporate governance practices are imperative to creating and sustaining shareholder value and ensuring that behaviour is ethical, legal, transparent, and for the benefit of all stakeholders. Whilst supporting a sound and ethical operating environment, we remain committed to proactively engaging with regulators and other stakeholders. Simultaneously, we integrate ethical behaviour and good conduct within our culture. Since we operate in a highly regulated environment, we follow an organised approach to ensure that our business processes, policies, or system changes necessary for regulatory compliance are implemented. The regulators conduct reviews of our controls and progress in meeting regulatory requirements in the normal course of business. We maintain open and transparent communications with regulators and we engage constructively in inspections and investigations.

### **Future Outlook**

By ensuring that all the applicable rules, laws and regulations are observed, we are committed to protect our customers and, in general, all of our counterparties and employees. We pay our attention to have an automatic alert generation system for both compliance and transaction monitoring in order to create real time alerts, effective online training and awareness sessions with the support of E-Learning platforms and generating an interface with KYC data for all customers which would create a path for enhanced due diligence on customers and some other critical decision-making activities in future.

Further, we will be committed in enhancing IT governance framework, strengthening the security measure by keeping the existing systems up to date with the latest protection software and timely updates in order to prevent from the external threats, facilitating RPA processes to emphasise less human interactions and improvement of performance and establishing segregation of duties, enhancing credit/debit card Fraud Risk Monitoring with dashboards with behaviour analysis, conducting frequent vulnerability assessments and penetration testing to ensure the systems are resilient to cyber-attacks and initiating information security awareness among the staff members in light of the increased use of digital platforms and work from home practices