

## CORPORATE RESPONSIBILITY

### and Social and Environmental Capital Formation

# THE BANK ADOPTS A THREE-PRONGED APPROACH TO CORPORATE RESPONSIBILITY

As a responsible corporate citizen the Bank is ever mindful of the impact it makes on local communities and the environment, and its symbiotic relationship. It is a win-win approach that recognizes that the ability of the Bank to create sustainable value for itself is related to the value it creates for others. Thus, our approach to corporate social responsibility (CSR) is structured along three strategic lines - operational, strategic and philanthropic initiatives.

### Operational CSR

Operational CSR initiatives are based on the Bank's day-to-day business operations. They are an integral part of the business and serve to create value for the Bank as well as its multiple stakeholders over time. For brevity, only material aspects that have identifiable impacts on local communities and the environment are discussed here.

### Market Presence

A broad geographical coverage is important for business segments such as SME financing and retail fund mobilization. The benefits are mutual:

local hires improve the diversity within the management team; they provide fresh insights on local needs that help us to tailor our products and services more effectively, while the local community too enhances its human capital. The Bank has progressively expanded its market position through organic growth in the past and is represented in every province and 22 districts of the country (see page 82 for details).

Location	Employees in executive grade and above	
	Total Number	% From Locality*
Head Office – Colombo	370	36
Region 1 – Colombo	34	22
Region 2 – Greater Colombo	23	17
Region 3 – Southern	24	21
Region 4 – North Western	32	22
Region 5 – North Central	23	23
Region 6 – Central	25	20
Region 7 – Uva-Sabaragamuwa	20	26
Region 8 – North Eastern	18	24
Overall	569	29

\*Defined as one's permanent residence lying within the defined geographic location/region  
Employees in executive grade and above are considered as Senior Management in order to present the employee percentage from locality.

## MSME Development

Since its founding, the Bank has been active in the development of micro, small & medium enterprises (MSME) sector, through the provision of finance and much more.

Our strategic approach to micro financing is two-pronged: (i) Target underserved communities of the economy through empowerment and capacity building (the 'Jeevana' or 'Life' programme), and (ii) Promote livelihood development through financial inclusion (the 'Divi Aruna' or 'Awakening of Lives' programme). Both programmes inculcate a business orientation that instils a strong credit culture to wean the beneficiaries away from a dependency mindset.

Our five dedicated SME Centres in the provinces are equipped with

state-of-the-art facilities to support entrepreneurs in many ways. The Centres provide access to a wide range of information and online training modules, while also organizing seminars and workshops targeting the rural entrepreneur.

An account of the financial and non-financial impacts of our MSME development work, is given under Profitable Growth (page 42) and Lasting Relationships (page 74) respectively.

## Indirect Economic Impacts

In addition to direct value creation and distribution through our own operations, the Bank's investments and market presence impact on local communities in many ways. They include jobs created or jobs supported in the supply chain, development of

local skills and knowledge, attracting investment and so on. The Bank's strategic planning and management of its economic performance thus support a sustainable business that also makes a positive impact on the society and environment in which it operates. In short, they encapsulate the dual aspects of sustainable value creation (page 36).

## Environmental and Social Strategy

Our eight-pronged '8 R' strategy aims to inculcate sound environmental and social practices across the Bank, our customers and suppliers. Some of these aspects were discussed previously, such as our ESMS (page 84), supplier/procurement policy (page 69), use of digital technology (page 84) and borrower capacity building. The table that follows encapsulates these and more.

The 8 R's	Definition	Activities
Refuse	Refuse transactions that could be socially and environmentally harmful	<ul style="list-style-type: none"> <li>Avoid purchase of materials that would negatively impact the environment</li> <li>Screen suppliers for labour and environmental practices as per the Bank's Supplier and Procurement Policy</li> <li>Lend responsibly through the Bank's Environmental and Social Management System (ESMS) - an integral part of our credit policy and credit evaluation process - which specifies negative sectors, watchlists and compliance requirements for borrowers</li> </ul>
Reduce	Reduce the utilization of scarce resources by switching to alternatives that are less resource intensive	<ul style="list-style-type: none"> <li>e-Learning modules for staff that reduces paper consumption</li> <li>e-Statements to clients to reduce paper consumption</li> <li>The Bank's consumption of stationary in 2015 amounted to LKR 53 million</li> <li>Improve energy efficiency through regular energy audits and implement solutions</li> <li>Implement the '5 S' methodology - sort, straighten, shine, standardize and sustain</li> </ul>
Reuse	Reuse waste material without processing whenever possible	<ul style="list-style-type: none"> <li>Reuse stationary items, such as the reverse side, for workings</li> <li>Donate usable assets of the Bank that are replaced during an upgrade (e.g. computers and furniture) to deserving institutions</li> </ul>
Recycle	Recycle used materials that cannot be reused	<ul style="list-style-type: none"> <li>Recycle waste paper through authorized recyclers, 8,103 kg in 2015</li> </ul>
Renew	Promote renewable energy development	<ul style="list-style-type: none"> <li>Finance micro hydro power projects within the plantation sector (6 projects with 445 kW total capacity financed in 2015)</li> </ul>

The 8 R's	Definition	Activities
Refine	Refine and build capacity of internal and external customers	<ul style="list-style-type: none"> <li>Empower environmental literacy amongst:               <ul style="list-style-type: none"> <li>Employees through internal awareness campaigns and specialised training (2015: 18 branch officers and 1 Vice-President trained through 2 programmes)</li> <li>Customers and potential customers (2015: 9 workshops on environmental and social responsibility conducted, attended by 776 participants)</li> </ul> </li> </ul>
Respond	Respond to the environmental and social needs of our nation	<ul style="list-style-type: none"> <li>Responsible product development</li> <li>Responsible lending</li> <li>Responsible procurement</li> <li>Promote English language proficiency and the reading habit</li> <li>Support screening programmes for chronic kidney disease</li> <li>Combat climate change by planting trees to mitigate deforestation</li> </ul>
Replace	Restore the resources consumed by the Bank to establish neutrality or mitigate negative impacts as far as possible	<ul style="list-style-type: none"> <li>Bank employees planted 2,000 trees at Deduru Oya in 2015 with employee volunteerism to mitigate its carbon footprint through carbon sequestration</li> </ul>

## Our Carbon Footprint

We are reporting our greenhouse gas (GHG) emissions for the second successive year, using the most recent version of WBCSD/WRI Greenhouse Gas Protocol Corporate Accounting and Reporting Standard (2004) and Calculation Tools (2015).

To be consistent with the aspects discussed in this section of the Annual Report the boundary is limited to the Bank and its core business. Hence, we have restated the figure for Scope 2 electricity for 2014 to enable comparison. Our reporting of GHG emissions under Scope 3, which is optional, is limited to sources that are material and measurable.

## GHG Emissions of the Bank

Scope	Source	2015		2014	
		tCO <sub>2</sub> e	%	tCO <sub>2</sub> e	%
1	Combustion in stationary sources	4.4	0.2	22.2	0.8
1	Combustion in mobile sources	55.4	1.8	233.3	8.3
1	Fugitive emissions from air conditioning equipment	101.2	3.4	99.9	3.6
<b>Subtotal, Scope 1</b>		<b>161.0</b>	<b>5.4</b>	<b>355.4</b>	<b>12.7</b>
2	Purchased electricity	1,297.9	43.1	1,161.8	41.5
<b>Subtotal, Scopes 1 and 2</b>		<b>1,459.0</b>	<b>48.4</b>	<b>1,517.2</b>	<b>54.2</b>
3	Combustion in stationary sources	55.5	1.8	52.1	1.9
3	Purchased electricity	1,444.9	48.0	1,181.2	42.2
3	Employee air travel	52.7	1.8	47.4	1.7
<b>Subtotal, Scope 3</b>		<b>1,553.1</b>	<b>51.6</b>	<b>1,280.7</b>	<b>45.8</b>
<b>Total, all Scopes</b>		<b>3,012.1</b>	<b>100.0</b>	<b>2,797.9</b>	<b>100.0</b>

Note: Totals may not tally exactly due to rounding

The Bank's total carbon footprint amounted to 3,012 tonnes carbon dioxide equivalent (tCO<sub>2</sub>e) in 2015, an increase of 7.7% over the previous year. The increase is largely due to the 22.3% increase in purchased electricity consumed in branches occupying rented premises, a Scope 3 item. The branch network expanded during the year to support business growth.

On the other hand, Scopes 1 and 2 together accounted for 1,459 tCO<sub>2</sub>e, a decrease of 3.8%, largely due to a decline in fuel usage of the Bank owned generator, a Scope 1 item.

Purchased electricity was by far the largest source of GHG emissions, with 43% coming from our own premises (banking business only) and another 48% from premises rented by branches. Taken together, purchased electricity accounted for 91% of the total carbon footprint of the Bank. This high proportion is to be expected considering the nature of our business

and reliance on air conditioning in the climatic conditions under which we operate.

### GHG Emissions Intensity

When related to an activity level, our overall GHG emissions intensity in 2015 was 247 kg tCO<sub>2</sub>e per LKR million of the Bank's total operating income (2014: 240 kg tCO<sub>2</sub>e per LKR million). Considering only Scopes 1 and 2, which is complete and hence a more meaningful figure for benchmarking, the Bank's GHG emissions intensity in 2015 was 119 kg tCO<sub>2</sub>e per LKR million (2014: 130 kg tCO<sub>2</sub>e per LKR million).

Going forward, we see the importance of closely managing electricity consumption through measures such as improved energy efficiency in plant, equipment and buildings as well as augmentation with solar PV based self-generation. These steps will not only make the Bank more environmentally responsible, but also result in cost savings through the effective and efficient use of resources.

### Consumption of Paper in 2015

The Bank in collaboration with an accredited recycler makes every effort to collect the waste paper generated in its day-to-day operations for recycling. A waste reduction and recycling drive is done by the Bank where waste paper amounting to 8,103 kgs was recycled during the year, resulting in an estimated reduction in GHG emissions of 8,103 kgs of carbon equivalent and saved:

- 138 trees
- 14,216 litres of oil
- 32,400 kWh of electricity
- 257,418 litres of water
- 24 cubic metres of land fill

Our material usage is not significant hence, recycled input material are not used.

## Strategic CSR

Education, particularly competency in a global language such as English, is an important factor that contributes to the nation's economic growth in the long-term. As this is well aligned with the Bank's own business focus and strategy, 'education' is an important facet of our strategic CSR initiatives.

<b>Project</b>	English Communication Programme for secondary school teachers Commenced: 2012 Current status: Ongoing
<b>Objective</b>	Enhance the standard of English in Sri Lanka
<b>Partner</b>	British Council, Colombo
<b>Sustainability</b>	196 Teachers from 295 participating schools covering 07 Provinces are well equipped to teach students who come under their purview.  Cumulative: all 486 trained teachers are linked with the British Council and thus have access to assistance whenever required. The trained teachers impact over 81,000 students.

<b>Project</b>	Chronic kidney disease of unknown etiology (CKDu) screening programme Commenced: 2014 Current status: Ongoing
<b>Objective</b>	Early detection of CKDu in identified geographical areas
<b>Partner</b>	Renal Unit of Anuradhapura Hospital
<b>Sustainability</b>	Screening of over 3,800 persons from 17 rural villages in Anuradhapura District during 2015 Cumulative: 5,571 persons from 23 villages. Over 200 individuals detected with CKD and referred for treatment in 2015 (cumulative 405 persons) Public awareness raised in 17 rural villages in 2015 (cumulative: 23 villages)
<b>Project</b>	Schools Library Project Commenced: 2008 Current status: Ongoing
<b>Objective</b>	Improve reading habits and English language skills
<b>Partner</b>	Asia Foundation
<b>Sustainability</b>	Upgraded 10 school libraries in 02 provinces during 2015 Cumulative: Upgraded 210 school libraries in all provinces of the country by providing high quality English language books.
<b>Project</b>	Palmyra Bio-fencing Project Commenced: 2014 Current status: Ongoing
<b>Objective</b>	Prevent wild elephants from entering areas of human habitat and causing destruction by planting palmyra palms as a barrier, while providing mutual benefits to both, the inhabitants and the animals.
<b>Partner</b>	Janathakshan, Sri Lanka (an NGO)
<b>Sustainability</b>	This was a pilot project limited to 1 km of fencing. Funding for the balance 21 kms to be considered, based on lessons learnt.
<b>Project</b>	Combating Deforestation Commenced: 2015 Current status: Ongoing
<b>Objective</b>	To recover lost forest cover in Sri Lanka and to replenish the equivalent of the Bank's consumption of paper in day-to-day business operations by partnering the 'One million tree stories' project.
<b>Partner</b>	Rotary Sri Lanka, CIMA Sri Lanka
<b>Sustainability</b>	Planted 2,000 saplings near the Deduru Oya reservoir in 2015 as part of the Bank's Employee Volunteerism Programme. The plants will be nurtured for two years, to ensure growth and sustainability. It will be followed by regular inspections and replacements of casualties as required.

## Philanthropic CSR

Philanthropic CSR initiatives are based on the identified needs at national level. The Bank has selected Cancer Aid and Prevention of Child Abuse as areas for support, with assistance channelled through two Trusts set up for this purpose.

<b>Project</b>	NDB Cancer Aid Trust Fund Commenced: 2008 Current status: Completed
<b>Objective</b>	Provide assistance through the Maharagama Cancer Hospital to patients who are unable to afford vital therapeutic items.
<b>Partner</b>	Cancer Hospital, Maharagama
<b>Sustainability</b>	Activities during 2015: Donation of DVT Pumps, Glucometers and 2 Multipara Meters To date over LKR 10 million worth of donations consisting of essential therapeutic items for patients as well as surgical items for the hospital

<b>Project</b>	Prevention of Child Abuse Trust Commenced: 1997 Current status: Ongoing
<b>Objective</b>	Make our communities a better and safer place for our nation's children. Prevent child abuse and protect children by creating awareness of child abuse and how to prevent it amongst caregivers as well as children.
<b>Partner</b>	Department of Probation and Child Care
<b>Sustainability</b>	Activities during 2015: Skills building programme for 30 Child Right Promotion Officers of the Department of Probation and child care To date, the Trust has conducted over 100 awareness programmes, benefiting over 9,000 parents, 1,900 students, 1,000 teachers and 500 principals. In addition special awareness programmes have been conducted for 1,126 trainee teachers in 07 National Colleges of Education in 2014. Over the years, the Trust has also conducted special programs for probation Officers and Caregivers.