As a leading Bank, our main purpose is to contribute to the socio-economic wellbeing of all Sri Lankans. Value creation for our shareholders and other stakeholders is therefore the primary reason that inspires the Bank to achieve profitability and financial stability. In order to create shared value for our stakeholders, our focus is on both profit maximization as well as wealth maximization.

The shared benefits of profit maximization result in an increase in the direct value distributed to stakeholders each year, in terms of dividends paid to shareholders, salaries and benefits to employees and taxes paid to regulators. Profit maximization also means a higher annual spend on community investments.

Wealth maximization benefits our shareholders by way of increased market capitalization, leading to better trading prospects in the equity market. On a broader scale, wealth maximization creates a platform through which the Bank can expand its market presence and contribute towards nationwide growth through increased job creation and financial inclusion.

Aggressive focus on NII growth coupled with disciplined cost management strategies to improve the cost-to-income ratio, are the key drivers of the Bank’s profit maximization model.

Wealth maximization is achieved by optimizing the allocation of capital resources to meet our strategic objectives as well as by managing asset quality and impairments through portfolio diversification and proactive risk assessments vis-à-vis the bank’s risk appetite.

Coupled with a strong governance framework and an innate compliance culture, the Bank extends its commitment to ensure all regulatory requirements, relevant to different parts of our business are met with at all times.

Essentially, our goal is to combine a robust business model, strong governance and an integrated risk management and compliance framework to ensure long-term profitability and continued financial stability in a highly competitive industry.

**Financial Capital**

**Profitability and Financial Stability**
- GRI Topics covered under this Material Topic
  - Economic Performance
  - Market Presence
  - Indirect Economic Impacts

**Management Approach**
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**Strategic Imperatives for 2017**
- **Adoption of Sri Lanka Accounting Standard - SLFRS 9 (Financial Instruments)**
  CASL has issued the Sri Lanka Accounting Standard - SLFRS 9 (Financial Instruments), which would be effective from 1st January 2018. The Bank commenced working towards this goal during the year 2016 with the help of an external consultant. The Bank has disclosed the relevant details on potential implications in the Financial Statements for the year ended 31st December 2017 as required by the reporting framework in Note No 4.1 to the Financial Statements.

- **Complying with Basel III Capital Requirements**
  Eager to comply with the new capital requirements under the new Basel III regulations, the Bank took swift action to strengthen the Bank’s Tier I and Tier II capital. Under the aegis of the Board Capital Planning Committee, a new capital plan was formulated with actionable objectives.

**Goals and Targets**
(Refer Financial Highlights on page 6 of the Annual Report 2017)

**Disclosure Parameters**
GRI 202 - 1/202-2 : Market Presence

<table>
<thead>
<tr>
<th>Term Used</th>
<th>Definition/Relevance to Sampath Bank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Local Operation</td>
<td>Sampath Bank operates within the boundary, the local term used to define the operation within Sri Lanka</td>
</tr>
<tr>
<td>Significant Operation</td>
<td>In Sri Lankan market, this means every corner of the island through its branch network [for more detail on the locations of operations, please refer page 64 of Annual Report 2017]</td>
</tr>
<tr>
<td>Senior Management</td>
<td>At Sampath Bank, this refers to a designated authority in charge of a key business unit/ function. All senior managers of the Bank are local hires.</td>
</tr>
<tr>
<td>Entry Level Wage</td>
<td>Entry Level Wage refers to remuneration paid to new entrants joining to the Bank as a Trainee Staff Assistant/ Junior Executive I. The Bank does not distinguish between gender and both males &amp; females in these positions are entitled to the same entry level wage.</td>
</tr>
</tbody>
</table>
MANUFACTURED CAPITAL

CHANNEL MANAGEMENT

• Management Approach

The purpose of our channel management initiatives is to establish the broadest possible range of touch points through which customers can access our products and services. Meanwhile, to ensure that each channel is effective in meeting its stated objectives, we remain deeply committed to innovate, develop our expertise and experience so that our customers enjoy the convenience of world class banking systems through each of our channels.

• How is it Managed

Customer-centricity and relevance are the key pillars on which our channel management strategy rests. Accordingly, the choices we make are centered on meeting our strategic priority to offer our customers the best in class experience. It is why we strive to benchmark our channels against international banking standards and globally accepted best practices.

The Bank’s leadership continuously reviews the effectiveness of our channels and makes necessary improvements to ensure each one stays relevant in tandem with the evolving needs of our customers.

• Strategic Imperatives for 2017

  • Branch Network
  • ATM Network
  • Digital Channels

• Goals and Targets

(Refer Manufactured Capital Report on pages 64 to 67 of the Annual Report)

DIGITIZATION AGENDA

• Management Approach

The need for state of the art IT systems and processes are essential for the Bank to achieve its vision and mission. Digitization is therefore deemed to be a critical success factor in our business. Three key objectives continue underpin our digitization agenda. These are broadly:

  • To strike the right balance between cost and customer service to drive the Bank’s “cheaper-better-faster” strategy
  • Improve operational efficiency and productivity to bring down the cost-to-income ratio (CIR)
  • Collaborative partnerships with Fin-tech companies to set up IT architecture needed to capture new markets

• How is it Managed

We have in place a comprehensive board approved IT strategy accompanied by a stringent IT governance mechanism to facilitate the digitization of critical business processes. Execution and monitoring of our digitization strategy is overseen by the Bank’s IT department in compliance with the ISO 27001:2013 Information Security Management standards. As part of this process, we carry out continuous assessments to determine gaps and weaknesses with necessary remedial action implemented promptly.

• Strategic Imperatives for 2017

  • Strengthening IT infrastructure

• Goals and Targets

(Refer Manufactured Capital Report on pages 64 to 67 of the Annual Report)
INTELLECTUAL CAPITAL

BUSINESS CONTINUITY PLAN (BCP)

• Management Approach
Sampath Bank’s BCP provides a framework for building resilience and the capability and triggering an effective response to safeguard the interests of key stakeholders, the Bank’s reputation, brand and business activities, in the event of unforeseen disruptions.

Our BCP is designed to resume operations as quickly as possible, given the scope and severity of the business disruption.

While every emergency situation poses unique problems based on external factors, such as time of day and the severity of the disruption, it is our aim to restore operations and be able to resume business operations as per predefined “Recovery Time Objectives (RTO)”.

• How is it Managed
Our BCP addresses: data backup and recovery, all critical systems, financial and operational assessments and assuring our customers prompt access to their funds and securities, in the event of a disruption.

Sampath Bank’s BCP consists of two key components; the Business Impact Analysis (BIA) through which we quantify adverse impacts to the business based on the criticality of the processes, the relevant RTOs and the Disaster Recovery Procedure (DRP) which facilitates the swift recovery of IT systems following an interruption to the business.

We have adopted the following best practices to ensure business continuity.

• Regular risk analysis and business impact analysis considering both internal and external factors
• Proper communication and training to ensure that employees are made aware of the purpose of the BCP and understand the proper use of the BIA and DRP
• Conducting regular critical process reviews to promote continuous improvements in line with business continuity management best practices
• Conducting system drills to check the readiness of our DR centre operations

ANTI-CORRUPTION PRACTICES

• Management Approach
To realize its vision to be “The growing force in Sri Lankan financial services”, Sampath Bank is fully committed to conduct its business in an honest and ethical manner and strictly adheres to best practices including all applicable laws, rules and regulations with respect to anti-corruption behavior. The Bank rejects bribery and corruption by all employees and Directors.

The Bank promotes a culture of honesty and fair dealing and encourages employees to observe ethical business practices at all times without attempting improperly influence others or be influenced by others (directly or indirectly) by paying or accepting bribes or kickbacks in any form.

• How is it Managed
The key drivers in this regard are the Code of Conduct for Employees, which outlines the Bank’s stance on fair dealing and compliance, Code of Conduct for the Corporate Management and the Code of Conduct and Governance Requirement for Directors through which the employees and Board of Directors are bound to execute duties ethically, observing Bank’s values. Employees who violate the code will be dealt with summarily, resulting in appropriate disciplinary action that may include termination of employment, and the reporting of such violations to appropriate regulatory authorities.

To further ensure measures of upholding Bank's policy on maintaining ethical behavior, upholding values, rejecting bribery and corruption, the Bank has, in place, its Policy on Managing Conflict of Interest, its Anti-Fraud Policy, its Procedure in dealing with Related Party Transactions and its Whistle Blowing Policy.
BRAND EQUITY

Management Approach

Operating in an increasingly competitive environment, we have found that growing our physical presence alone is no guarantee that we stay ahead of our peers. We realize that to safeguard our position in today’s context, it is critical that we work to strengthen our credentials as a leading bank in the country. We want to be the top-most recognized banking brand in Sri Lanka.

Therefore, from our inception we have looked to build brand equity by positioning ourselves as a truly authentic Sri Lankan Bank that strives to bring prosperity to all citizens of the country. Our goal is to position Sampath Bank as the only truly Sri Lankan Bank that provides the customer with a world-class experience through innovative financial solutions.

How is it Managed

We have made sure that every investment made over the years to strengthen our brand architecture is a reflection of our core values of innovation, integrity, trust, and patriotism. Our staff are trained to bring these values to life each day in every aspect of our business, from the traditional gesture used to welcome our customers to the personalized professional service we provide or the way we handle customer complaints.

More recently we have also been carving out a niche as the most digitally sophisticated bank in the country. Our investments in new-age digital banking solutions continue to revolutionize conventional banking norms and raise Sri Lanka’s standing on par with banking systems in advanced economies.

Strategic Imperatives for 2017

- Building Brand Equity

Goals and Targets

(Refer Intellectual Capital Report on pages 68 to 69 of the Annual Report 2017)

RESEARCH AND DEVELOPMENT (R&D)

Management Approach

Strong R&D has been the cornerstone of our success. For the past thirty years our investments in research and development have succeeded in groundbreaking new ideas and innovations enabling Sampath Bank to stay ahead of its peers.

The aim of our ongoing market research activities is to gather intelligence, enabling us to be more proactive in developing new products or upgrading existing products in response to our customers’ needs. We hope that by doing so, we can secure first-mover advantage and become the preferred bank among all key customer segments.

How is it Managed

We conduct extensive product research in order to explore customers’ views and expectations regarding our products and services and also to identify new trends in consumer banking. A thorough evaluation of the need for the product in the market is also conducted as part of the research to determine the relevance of the new product before the development phase commences. The development phase deals with the creation of the product from the specifications established during the research function, with all products developed to meet all regulatory requirements. Regular updates of a company’s existing products are also facilitated through our research and development initiatives. This ensures that the products currently in the market are still functional. Further product upgrades are done whenever appropriate, based on market research to ensure products serve the purpose it was meant for and that it meets customer expectations.

Strategic Imperatives for 2017

- Targeted R&D Initiatives

Goals and Targets

(Refer Intellectual Capital Report on pages 68 to 69 of the Annual Report 2017)
HUMAN CAPITAL

EMPLOYEE ENGAGEMENT

• Management Approach

In an increasingly competitive market, it is crucial to have highly engaged employees who feel valued and take pride in the growth of the business. We believe that employees who feel good about what they do and why they do it are most likely to stay motivated; thereby creating greater value for all stakeholders.

It is why we are committed to creating a work environment where our employees feel recognized for their talents and valued for their commitment to the Bank’s strategic vision. Led by HR policies, we continue to invest considerable resources each year, to keep our employees happy and motivated through multiple engagement opportunities that encourage them to pursue their career aspirations as well as develop their personal strengths.

• How it is Managed

We have a planned approach to Employee Engagement and have implemented a robust activity calendar to provide opportunities for employees to showcase their talents both on and off the job.

Appreciation for our employees for their long service as well as their exemplary contribution and commitment to business and various other spheres are considered as a very important aspect in our recognition scheme.

We foster team spirit and camaraderie through sports and recreation activities. Further, on an ongoing basis, we conduct Health and Wellbeing related programmes to uplift the Health and Wellbeing of our employees.

We encourage and provide opportunities for our employees to rally round our Corporate Social Responsibility endeavours to make them feel good about themselves while making a positive impact to the community we live in.

We have also implemented a range of programmes to recognize the children of our employees. The key effort in this regard is the “Daru Daskam” event held to showcase the talents of our employees’ children. Further, “Reward for Children” programme organized annually recognized children of our employees who have excelled in national examinations, sports and special achievements in different fields.

In recent times we have set up a special disaster relief programmes to provide assistance to our employees affected by natural disasters.

• Strategic Imperatives for 2017

• Strengthen Employee Relations and Employee Engagement

• Goals and Targets

(Refer Human Capital Report on pages 70 to 77 of the Annual Report 2017)
Human Capital

TALENT ACQUISITION AND MANAGEMENT

- GRI Topics covered under this Material Topic
  - Employment [GRI 401]
  - Diversity and Equal Opportunity [GRI 405]

- Management Approach
  To retain our competitive position at the forefront of Sri Lanka’s banking industry, it is important for us to always stay ahead of our peers. It is what motivates us to provide a challenging and rewarding environment where our employees have the opportunity to strive for excellence. Our goal is to attract the best people with the right mix of technical and behavioural competencies to meet our targeted business requirements. Moreover, underpinned by our HR Philosophy that advocates the “Develop from within” approach, we invest in sustainable initiatives to develop and retain our human capital in the long term.

  We are an Equal Opportunity employer and remain fully committed to comply with same in managing our people.

- How it is Managed
  We continue to invest in building our Human Capital with the aim of supporting the long-term business imperatives. Our reward management policy offers competitive remuneration to all employees. We regularly review our salary and benefit packages to assess our position vis-à-vis industry benchmarks and ensure our team benefits from market competitive pay and rewards at all times.

  Meanwhile, our performance management policy, and our Code of Ethics for Employees, focus on embedding a high-performance culture into business objectives at every level. To support this, we regularly engage employees in performance discussions and have established clear and open communication to enable our staff to understand how their roles contribute to the Bank’s goals and mission.

  For our goal setting as well as our mid and end year reviews, we employ an approach that links strategy to performance, thereby allowing our people to align their goals with the Bank’s annual key performance indicators and long term strategic agenda. This process also seeks to bring out employee career aspirations and development opportunities, enabling employees themselves to identify their prospective career track. Our performance-based bonus scheme further demonstrates the commitment to this high-performance culture.

  We also constantly engage with our people through shared value initiatives to ensure that our people stay connected to the Bank’s culture and purpose.

- Strategic Imperatives for 2017
  - Improve Employee Productivity

- Goals and Targets
  (Refer Human Capital Report on pages 70 to 77 of the Annual Report 2017)
EMPLOYEE RELATIONS

- GRI Topics covered under this Material Topic
  - Labour Management and Relations GRI 402
  - Employee Health and Safety GRI 403

- Management Approach

  In order to manage and drive our workforce we believe that a strong Employee Relations climate is vital. Therefore, we consider constructive dialogue between Management, employees and their representatives is of paramount importance in our journey.

  In doing so, we continue to work towards creating an inclusive work environment encompassing gender diversity and a multi-cultural and multi-generational workforce. This means creating an inclusive environment where the diversity of experiences, knowledge and approaches allows employees to thrive.

- How it is Managed

  We have well defined set of HR policies covering all Key Result areas of HR. These policies are reviewed annually to ensure that they align with internal and external requirements. At the same time, we continue to increase the effectiveness of internal communication channels through which to build a strong rapport with our team members at all levels.

  Sampath Bank Employees Association (SBEA) is a vital stakeholder in our business. With over 98% of Team Sampath being members of the SBEA, our relationship with the SBEA is based on mutual respect and understanding. The Management works closely with SBEA on matters on mutual interest. Further it also serves as a platform for the exchange of ideas for the improvement of working conditions, benefits etc. for the betterment of employees.

  At Sampath Bank, we are committed to ensuring the safety and security of all of our employees at our Head Office and in branches in accordance with all applicable safety regulations. We work together with our stakeholders to continuously improve our safety performance, taking cognizance of legislative updates and improvements in ‘best practices’ for employee health and safety.

TRAINING AND DEVELOPMENT

- GRI Topics covered under this Material Topic
  - Training and Education

- Management Approach

  Our industry-leading position is largely dependent on competency of our people. Hence our goal is to build a strong Leadership pipeline and a future ready workforce by equipping our employees with the relevant knowledge and skills that encourage them to innovate and lead the change in the industry. In recent years we have begun enabling our employees to embrace a digital frame of mind through greater experimentation and experiential learning that will enable them to keep pace with our accelerated digitalization agenda.

- How it is Managed

  The objective of our training and development policy is to offer focused and relevant learning solutions to our people, by prioritizing and aligning learning to strategic priorities and business needs. We continuously tap into our in-house expertise as well as external sources including overseas training, to expose our employees to areas pertaining to their job as well as on industry, business, current and regulatory matters.

- Strategic Imperatives for 2017
  - Develop Employee Capabilities
  - Improve Employee Productivity
  - Strengthen Customer Orientation

- Goals and Targets
  (Refer Human Capital Report on pages 70 to 77 of the Annual Report)
The Bank has established a formal Grievance Handling mechanism to give employees the opportunity to escalate their grievances and receive appropriate feedback and solutions.

- **Strategic Imperatives for 2017**
  - Improve Employee Productivity
  - Strengthen Employee Relations and Employee Engagement

- **Goals and Targets**
  (Refer Human Capital Report on pages 70 to 77 of the Annual Report)
SOCIAL AND RELATIONSHIP CAPITAL

CUSTOMER

COMPLAINT MANAGEMENT

• Management Approach
At Sampath Bank, we are dedicated to providing our customers with the best in-class products and services. It is why we take our customers’ feedbacks, concerns and complaints with a great deal of due care and attention, for we believe that these inputs are the key to improving our standards, policies, products, and services.

Further we understand that resolving customer complaints quickly and effectively is fundamental to good customer service. Therefore, reducing complaints by addressing the underlying causes remains a major priority for our business.

• How is it Managed
Our customers can voice their concerns and complaints either in person, mail, email, fax, telephone, online or social media. All complaints are treated with equal importance.

To ensure that complaints are managed efficiently and promptly, the Bank has established a comprehensive set of policies and procedures to receive, investigate, and specific time frames to respond to customers’ complaints. Our well-trained personnel ensure that all customer concerns are documented, studied and promptly resolved as per the established guidelines.

Where appropriate, we also take measures to change our policies and procedures to ensure that other customers will not encounter the same problem in the future.

• Strategic Imperatives for 2017
  • Strengthening Complaint Management Processes

CUSTOMER CONVENIENCE

• Management Approach
Whether they are visiting a branch, using an ATM, banking online or with a mobile phone, customers have come to expect a whole new level of banking convenience. To meet this ever-growing demand for convenience we are always looking for new and more convenient ways to service our customers.

We continue to refine our product development process to reflect the needs of specific customer segments and offer our customers the best in-class banking convenience through solutions that meet the needs of the customer at every stage of their life.

• How is it Managed
We have a documented product policy, which set out guidelines and responsibilities that product owners are expected to follow throughout the product lifecycle. Key aspects of the product policy are:

Product Introduction
  • A new product shall not adversely affect the risk appetite of the Bank
  • A new product shall not breach any law or regulation in any manner
  • Changes to existing products should be completed in line with prevailing procedures as per the directives of the Bank
  • Each new product should have a product manager, product sponsor and a proper business owner
  • Suitable employee training and awareness building should be carried out prior to launch
  • New products should be approved by the corporate management

Product maintenance
  • Regular monitoring to assess market responsiveness to the product
  • Bi-annual profitability analysis and target measurement
  • Annual review to establish product relevance and suitability to current market demand

Product Discontinuation
  • Obtain reviews from relevant authorized parties such as risk, compliance, internal audit, system audit, and legal audit departments
Social and Relationship Capital

- Discontinuation should be performed as per the procedure stipulated by the Bank
- All internal and external stakeholders should be made aware regarding the discontinuation of products

In addition to the above, product-specific policies apply for each individual product.

- **Strategic Imperatives for 2017**
  - Enhance customer convenience through the use of breakthrough technology
  - Aligning with current market trends

- **Goals and Targets**
  [Refer Social and Relationship Capital Report [Customer Capital] on pages 78 to 79 of the Annual Report]

### CUSTOMER HEALTH AND SAFETY

- **Management Approach**

  As a financial institution, we are in the business of supporting the financial needs of people. To do this responsibly, we need to ensure that our products or services are not used in the furtherance of financial crime, such as money laundering, financing of terrorism, fraud and corruption. Taking cognizance of all applicable local legislature and regulatory directives; including the Money Laundering & Terrorist Financing Risk Management for Financial Institutions Act No. D1 of 2018, Financial Institutions (Customer Due Diligence) Rules No. D1 of 2016 and the Financial Transaction Reporting Act No. D6 of 2006, we have formulated our Anti-money laundering policy and Anti-fraud policy to enforce controls and prevent our products and services from being used to facilitate fraudulent or money laundering activities.

- **How is it Managed**

  Guided by our Anti-money laundering policy and Anti-fraud policy, we have implemented control systems to protect our customers from security threats and to prevent them from falling prey to financial theft. These systems are designed to ensure customers can transact securely, and reliably, be it through all channels.

  Our ATMs are regularly checked for PIN/card data skimming devices. Periodic awareness campaigns are conducted through email, posters and social media to remind our customers to be mindful about protecting their money, PIN, ATM and credit cards. We also regularly provide tips on protecting personal information and accounts against fraud and misuse. Our branch personnel are likewise trained to advice customers on these matters as well as on procedures for reporting fraud cases and captured/missing/stolen cards. Our Customer Contact Center supported by capable IT teams are equipped to respond to customers who become victims to phishing and other similar scams.

  Our online customers are assured of the security of account information and other related details through enhanced verification protocols deployed across all available channels of service. Our online facilities are equipped with multi-level security verification beyond the standard static customer information prior to processing of transactions, while our Customer Contact Center conducts several layers of positive identification before assisting clients with their needs.
CUSTOMER

We also continuously issue warnings on information security threats to our clients and provide them with practical and useful tips on how to protect themselves against such threats through our website, social media accounts, email announcements, and ATM screen displays.

Further our Risk management team proactively engages in the development and of advanced systems to detect and mitigate exposure to financial crimes and compliance to regulations concerning the same.

- **Goals and Targets**
  (Refer Social and Relationship Capital Report [Customer Capital] on pages 78 to 79 of the Annual Report)

CUSTOMER PRIVACY

- **Management Approach**
  Safety and security of our customer data and information is considered a top priority at Sampath Bank. To assure our customers of the security of their account information and other related details, we continue to invest in enhanced security systems and verification protocols across all available channels of service.

- **How is it Managed**
  Our online facilities are equipped with multi-level security verification beyond the standard static customer information prior to processing of transactions, while our Customer Contact Center conducts several layers of positive identification before assisting clients with their needs.

  We also continuously issue warnings on information security threats to our clients and provide them with practical and useful tips on how to protect themselves against such threats through our website, social media accounts, email announcements, and ATM screen displays.

- **Strategic Imperatives for 2017**
  - Cyber Security Training

- **Goals and Targets**
  (Refer Social and Relationship Capital Report [Customer Capital] on pages 78 to 79 of the Annual Report)
MARKETING AND LABELING

• **Management Approach**

  Our customers are central to our business and it is therefore important that they trust the products and services we provide. At Sampath Bank it has always been our mission to render fair, honest and equitable service to our customers and in doing so ensure that our customers’ interests are protected throughout their relationship with us.

• **How is it Managed**

  We endeavour to make sufficient product disclosures in every sales process in a clear and transparent manner. As per the guidelines issued by the CBSL Customer Charter for licensed commercial banks, we ensure that the information about our products and services are clear, understandable, accurate, and accessible. We provide our customers with all the necessary and relevant information in order to enable them to make informed decisions when transacting with us. The information is communicated to our customers through a range of diverse channels and mediums covering electronic, print and social media platforms. In addition, all mandatory customer disclosures are openly displayed at our branches. Our branch personnel are trained to handle inquiries about any information in a professional manner to explain risks relating to our products and services and to provide advice on financial matters.

  We invest in training programmes to boost our staff’s ability to understand customers’ needs, recommend suitable products, provide adequate disclosures, and conduct the advisory and sales process professionally. All frontline employees undergo regular product knowledge training carried out under the supervision of relevant managerial heads.

• **Strategic Imperatives for 2017**
  - **Tactical Marketing**

• **Goals and Targets**

  [Refer Social and Relationship Capital Report (Customer Capital) on pages 78 to 79 of the Annual Report]
COMMUNITY

COMMUNITY DEVELOPMENT

- Management Approach

Being a leading Bank in Sri Lanka, we consider it is our duty to do more to address the challenges that hinder the progress of our people. As a responsible corporate citizen, our aim is to respond to Sri Lanka’s emerging socio-economic needs in a manner that would trigger meaningful societal change for the longer term. By working to help people grow and prosper, we believe, we can create lasting change for betterment of society.

We begin by linking our corporate goals to socio-economic issues that are deemed national priorities. In doing so we are also guided by the United Nations Sustainability Development Goals (SDGs).

Our efforts are driven by a socially responsible CSR model, through which we strive to deliver grass root level change, vis-à-vis four key sustainability pillars.

- How is it Managed

Sampath Bank allocates 1% of the annual profit after tax to a CSR Fund, which is used to meet the cost of all community-based projects. The overall stewardship of the fund is listed under the purview of CSR & Corporate Sustainability Steering Committee led by the Managing Director with designated appointees assigned to execute projects under each CSR/Sustainability pillar. In an effort to further streamline the Bank’s sustainability strategy, a dedicated Corporate Sustainability Unit was set up in 2017. The Corporate Sustainability Unit provides oversight for projects carried out under each CSR pillar and as such is responsible for the evaluation, resource allocation, implementation and successful completion of these projects.
Social and Relationship Capital

We expect our team to understand and appreciate the purpose of our community efforts and therefore, encourage them to get involved in projects in their localities. Employee volunteerism is therefore an important part of our Project Management Process. We provide a range of opportunities for employees to get involved, either individually or as teams, enabling them to use their professional and personal skills to the betterment of society at large.

Community engagement and project sustainability are other crucial elements of our Project Management Process. These are managed by the Corporate Sustainability Unit through regular and ongoing dialogue with community stakeholders. The feedback/grievances that result from this process is what determines what projects we undertake in response to these issues. For more details please refer page 80 of the Annual Report 2017.

<table>
<thead>
<tr>
<th>Identified Key Grievances/ Community Needs</th>
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</thead>
<tbody>
<tr>
<td>• Improve of basic education facilities</td>
</tr>
<tr>
<td>• Develop career path of students</td>
</tr>
<tr>
<td>• Competency/Skills development</td>
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<tr>
<td>• Develop entrepreneurs</td>
</tr>
<tr>
<td>• Livelihood development</td>
</tr>
<tr>
<td>• Development of community infrastructure</td>
</tr>
<tr>
<td>• Improve community health facilities</td>
</tr>
</tbody>
</table>

In addition to our structured community interventions, we are always proactive in our emergency response initiatives. In the event of an emergency, we do not hesitate to meet the need of the hour and are always ready to support affected communities. In such cases, rapid response teams are deployed to act quickly to bring relief to where it is needed most.

<table>
<thead>
<tr>
<th>Strategic Imperatives for 2017</th>
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</thead>
<tbody>
<tr>
<td>• Education for All</td>
</tr>
<tr>
<td>• Entrepreneurship Development</td>
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<tr>
<td>• Community Capacity Building</td>
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<td>• Emergency Response</td>
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</tbody>
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<thead>
<tr>
<th>Goals and Targets</th>
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<tbody>
<tr>
<td>(Refer Social and Relationship Capital Report (Community Capital) on pages 80 to 85 of the Annual Report 2017)</td>
</tr>
</tbody>
</table>

Operations with Local Community Engagement, Impact Assessments & Development Programmes (GRI 413 -1)

<table>
<thead>
<tr>
<th>Project</th>
<th>Investment (Rs Mn)</th>
<th>No. of Beneficiaries</th>
<th>Employee Engagement</th>
<th>Volunteered Employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Education for All</td>
<td></td>
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<tr>
<td>&quot;Sampath Pasala&quot;</td>
<td>7.1</td>
<td>21,988</td>
<td>263</td>
<td></td>
</tr>
<tr>
<td>Effective Career Guidance Programme 1.0 (ECG 1.0)</td>
<td>0.3</td>
<td>961</td>
<td>30</td>
<td></td>
</tr>
<tr>
<td>Grade 5 Scholarship Support Programme</td>
<td>5.6</td>
<td>11,082</td>
<td>213</td>
<td></td>
</tr>
<tr>
<td>Other projects</td>
<td>2.0</td>
<td>8,502</td>
<td>108</td>
<td></td>
</tr>
<tr>
<td>Entrepreneurship Development</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>&quot;Sampath Saviya&quot; SME workshops</td>
<td>3.2</td>
<td>459</td>
<td>62</td>
<td></td>
</tr>
<tr>
<td>&quot;Saviyaka Abhiman 2017&quot; - SME Fair</td>
<td>5.2</td>
<td>10,000</td>
<td>30</td>
<td></td>
</tr>
<tr>
<td>Other projects</td>
<td>0.4</td>
<td>4,084</td>
<td>26</td>
<td></td>
</tr>
<tr>
<td>Community Capacity Building</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>&quot;Wewata Jeewayak&quot; programme</td>
<td>3.1</td>
<td>304</td>
<td>13</td>
<td></td>
</tr>
<tr>
<td>Other projects</td>
<td>3.3</td>
<td>79,363</td>
<td>131</td>
<td></td>
</tr>
<tr>
<td>Emergency Response</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Medical camps</td>
<td>0.6</td>
<td>6,000</td>
<td>40</td>
<td></td>
</tr>
<tr>
<td>Other projects</td>
<td>0.4</td>
<td>508</td>
<td>74</td>
<td></td>
</tr>
</tbody>
</table>

Note: Investment in other CSR initiatives and CSR communication Rs 3.0 Mn
PROMOTING FINANCIAL INCLUSION

Management Approach
At Sampath Bank, we are committed to work for the betterment of society by investing to resolve their problems and enable them to create a more secure financial future for themselves.

We do this by promoting financial inclusion. By promoting financial inclusion, we are looking to help low-income communities and small business to access quality financial products and services as a way of improving the livelihoods and living standards, ultimately leading to broader economic progress. Our goal is to ensure that all Sri Lankans have access to financial services regardless of where they live or socio-economic status, in turn reducing poverty and increasing prosperity.

How is it Managed
From the very beginning, we have adopted a two-pronged strategy to promote financial inclusion.

Firstly, we focus our attention on improving the financial literacy levels among communities by providing them with the tools and knowledge needed to help them take decisions. A number of these programmes in recent years have been conducted to encourage youth and women to embrace financial independence and become productive members of society.

Secondly, we offer them appropriate financial solutions to ensure these target groups have access quality financial products and services at a fair price.

Strategic Imperatives for 2017
- Deployment of “My Bank” agents island-wide
- Entrepreneurship Development

Goals and Targets
(Refer Social and Relationship Capital Report [Community Capital] on pages 80 to 85 of the Annual Report 2017)

SUPPLIERS & SERVICE PROVIDERS

DISCLOSURES ON PROCUREMENT PRACTICES

Management Approach
Being a Bank, our offerings are largely developed in-house and unlike in a manufacturing organization, our products and services do not require the sourcing of external components. However, for practical reasons, we do work with suppliers and service providers for certain day-to-day operations.

Sampath Bank procurement policy sets high standards that ensure fair and equitable procurement and promote sustainable supply chain management practices. To ensure fair and equitable purchasing practices, our procurement policy is based on Tender procedure that creates a healthy level of competition, where all applicants are considered on an equal basis. The Bank’s Procurement Committee is responsible for the screening and selection of suitable suppliers/service providers, a process that allows us to assess the risks involved in purchasing from different sources. As a BCP measure, for critically important supplies and services, the Bank has registered more than one supplier or service provider in order to obtain services without interruption.

Number of Registered Suppliers & Service Providers in 2017

<table>
<thead>
<tr>
<th>Department</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Engineering Department</td>
<td>296</td>
</tr>
<tr>
<td>Logistics Department</td>
<td>283</td>
</tr>
<tr>
<td>IT Electronic Data Processing Dept.</td>
<td>57</td>
</tr>
<tr>
<td>Marketing Department</td>
<td>55</td>
</tr>
<tr>
<td>Total</td>
<td>691</td>
</tr>
</tbody>
</table>

In year 2017, 691 registered suppliers and service providers were at Sampath Bank who provides stationery, fixed assets, outsourced services, IT & telecommunication equipment, promotional materials and other utility services. All the service providers and suppliers are located in Sri Lanka.

Whenever possible and practical, we engage in local sourcing to procure based on the emergency of requirement at branch level. Due to our effective supply chain process, we were able to repair and re-open four branches (Morawaka, Akurissa, Neluwa, Ratnapura Metro) within two days after the major floods happened during June 2017.
Social and Relationship Capital

- **How is it Managed**
  
  Sampath Bank Supplier Evaluation Model

Note: Our supplier evaluation model remain unchanged compared with the previous year.
ENVIRONMENTAL MANAGEMENT

• Management Approach

As a Bank, our business has very little direct impact on the environment. However, we realize that as regulations evolve and markets change, our relationships with customers, suppliers and other stakeholders, as well as our growth prospects, will depend on the way we manage the environmental impact of our business. That is why we are committed to understanding and managing even the smallest impact on the environment resulting from our work.

By understanding natural capital considerations and integrating them into our day-to-day decision-making and risk assessment processes, we seek to do our part in finding solutions to such global challenges as climate change, resource scarcity and natural capital loss. We expect that doing so would bring us closer to our goal to become Sri Lanka’s first “Green Bank”.

• How is it Managed

Having undertaken to minimize the business impacts on the environment, we have implemented a broad-ranging Environmental & Social Risk Management System (ESMS) designed in line with internationally accepted best practices. The key principles of the ESMS are:

- Energy management through exploring energy efficient lighting solutions and alternative energy sources,
- Measuring direct and indirect emissions using the GHG protocol Carbon Footprint Calculation process to track environmental performance and benchmark our progress against our peers in the industry
- Waste management whenever possible and practical
- Sustainable lending to the NCRE (Non-Conventional Renewable Energy) sector and green energy loan scheme
- Raising awareness to enable stakeholders (customers, employees, community etc.) to embrace Green Ethics
- Environmental CSR and partnerships to ensure sustainable solutions to prevent natural capital loss

• Strategic Imperatives for 2017

- Energy Management
- Carbon Footprint Calculation
- Waste Management
- Responsible Lending
- Environmental CSR

• Goals and Targets

(Refer Natural Capital Report on pages 86 to 89 of the Annual Report 2017)

**Environmental CSR**

<table>
<thead>
<tr>
<th>Project</th>
<th>Investment (Rs Mn)</th>
<th>No. of Beneficiaries</th>
<th>Employee Engagement (No. of Volunteered Employees)</th>
</tr>
</thead>
<tbody>
<tr>
<td>“Parisarayata Vinadiyak” – environmental awareness programme</td>
<td>3.2</td>
<td>Approximately 200,000</td>
<td>6</td>
</tr>
<tr>
<td>“Sampath Green School”</td>
<td>0.3</td>
<td>Approximately 4,000</td>
<td>56</td>
</tr>
<tr>
<td>“SNaPC” fabric eco bag for Team Sampath</td>
<td>0.2</td>
<td>Approximately 380</td>
<td>56</td>
</tr>
<tr>
<td>Green initiatives in collaboration with BEEZ, University of Colombo</td>
<td>0.3</td>
<td>Approximately 1,380</td>
<td>12</td>
</tr>
<tr>
<td>“Sampath Green Inventor”</td>
<td>0.8</td>
<td>116</td>
<td>6</td>
</tr>
<tr>
<td>Carbon Footprint Calculation</td>
<td>0.1</td>
<td>Approximately 4,011</td>
<td>6</td>
</tr>
<tr>
<td>Other projects</td>
<td>0.8</td>
<td>Approximately 238,997</td>
<td>28</td>
</tr>
</tbody>
</table>