BOARD INTEGRATED RISK MANAGEMENT COMMITTEE

Composition of the Board Integrated Risk Management Committee

The Board appointed Integrated Risk Management Committee (BIRMC), as at the end of financial year 2025 comprised of the following members:

Mr.R. Senanayake**(Chairman)*

Mrs. J. Lee* *(Director)*

Ms D.L.T.S. Wijewardena* *(Director)*

Mr.D.N.L.Fernando**(Director)*

Mr. P.Y.S.Perera* *(Director)*

Mr.S.C.U Manathunga*(Managing Director / CEO)*

Mr.S.K.K.Hettihamu*(Chief Risk Officer)*

**Independent Non-Executive Director*

[Please refer 'Board of Directors 'section for the profiles of the Board members.]

Chief Financial Officer functions as the Secretary of the Committee.

Charter of the Board Integrated Risk Management Committee

The BIRMC was established in accordance with the Central Bank of Sri Lanka (CBSL) regulatory framework for Corporate Governance in licensed banks. Its formation historically aligned with Directions No. 11 of 2007, which was superseded by the Banking Act Directions on Corporate Governance for Licensed Banks No. 05 of 2024, dated September 30, 2024 and amendments thereto, issued by the CBSL.

The composition and the scope of work of the Committee are in line with the said Directions, as set out in the BIRMC Charter which is reviewed annually, most recently in January 2026, which clearly sets out the membership, authority, duties and responsibilities.

Committee Meetings and the Methodology

The Committee holds five meetings on a quarterly basis, during a particular financial year. The Committee submits a risk assessment report within a week of each meeting to the Board of Directors. The attendance of Committee Members at meetings in the year 2025 is stated below.

The BIRMC assists the Board of Directors in fulfilling its responsibilities of overseeing the Bank's risk management framework and activities including the review of major risk exposures, the steps taken to monitor and control those exposures pertaining to the myriad of risks faced by the Bank in its business operations. Responsibilities of the BIRMC include determining the adequacy and effectiveness of such measures and ensuring that the actual overall risk profile of the Bank conforms to the desirable risk profile, as defined by the Board. Special attention is given to the material risks that the Bank may face within its existing portfolio of risks, as well as for forward-looking and emerging risks that require action to minimise their potential impact on future performance.

All key risks such as Credit, Operational, Market, Liquidity, Information Security, Technology Risk and Cybersecurity, Strategic, etc. are assessed by the BIRMC regularly through a set of defined risk indicators. The Committee works very closely with the Key Management Personnel and the Board in fulfilling its statutory, fiduciary and regulatory responsibilities for risk management. The risk profile of the Bank is communicated to the Board of Directors periodically through the Risk Assessment report following each BIRMC meeting.

Activities of the Committee

In discharging the above duties and responsibilities vested in the BIRMC, the Committee reviewed all significant and emerging risks during the year, focusing on their potential impact on the Bank's operations, financial stability and strategic objectives. The activities carried out by the Committee are appended below:

- In discharging the above duties and responsibilities vested in the BIRMC, the Committee reviewed all significant and emerging risks during the year, focusing on their potential impact on the Bank's operations, financial stability and strategic objectives. The activities carried out by the Committee are appended below:
- Local and global macro-economic factors were discussed with a view to identify and assess the impact of such factors on changes in the Banking sector as a whole and for the Bank, in order to initiate remedial action in a proactive manner. Further, various challenges experienced by the Bank due to socio-economic and geopolitical factors gave rise to volatile market conditions. The impact of these factors on the Bank's capital and performance were reviewed closely by the BIRMC, and mitigatory measures were deliberated accordingly to reduce the impact.
- Comprehensive risk oversight was maintained on all financial subsidiaries including Commercial Bank of Maldives and the Bangladesh operations. The Committee deliberated extensively on various risk aspects associated with the Maldives and the Bangladesh Operations, taking into account the macro-economic and political uncertainties that prevailed in both countries. Strategic decisions were made to mitigate potential impacts, strengthen resilience and proactively address emerging challenges.
- Comprehensive Policy and Guideline frameworks for Overseas Lending, Supply Chain and Distributor Financing, as well as Agency Banking, have been developed and implemented to reinforce and enhance the Bank's overall Risk Management framework, ensuring robust governance, effective oversight, and alignment with regulatory and strategic objectives.
- Successfully established and operationalised the Operational Risk Review function to enhance the Bank's operational risk landscape, enabling timely identification and escalation of critical risks to support informed Management decision-making.
- Reviewed and approved comprehensive scorecards for assessing climate related risks within Internal Capital Adequacy Assessment Process (ICAAP) 2024, covering the Bank's lending portfolio, to ensure effective integration of climate risk into the capital planning process in alignment with industry best practices and regulatory expectations.
- Provided oversight of sustainability related risks and reviewed and approved the Bank's sustainability disclosures, ensuring compliance with SLFRS S1 and S2 standards and alignment with global best practices in sustainability reporting
- Provided oversight of risk mitigation measures for IT incidents, cybersecurity breaches, and digital fraud, ensuring quarterly monitoring and reporting of IT and cybersecurity risks in compliance with regulatory requirements
- Successfully implemented an automated, web-based solution for Individually Significant Customer (ISC) impairment assessments. This solution establishes a seamless end-to-end data pipeline for the accurate identification and validation of ISC exposures, thereby strengthening the Bank's credit risk assessment framework. Implemented as part of the Bank's broader digital transformation agenda and ongoing commitment to enhancing risk management practices, the initiative supports more robust credit risk assessments, timelier decision-making, and improved regulatory compliance.
- Artificial Intelligence & Machine Learning (AI & ML) Model Governance and Data Cleansing Policy frameworks were implemented to strengthen and enhance the Bank's overall Data Governance framework, in line with the Personal Data Protection Act No. 09 of 2022 and industry best practices.
- Approval of parameters and limits set by the Management against various risk categories upon ascertaining that they are in accordance with the relevant laws and regulations as well as the desired policy levels stipulated by the Board of Directors.
- Periodic reports from the Management were reviewed on the metrics used to measure, monitor and manage risks, including acceptable and appropriate levels of risk exposures. The reviews covered both inherent and residual risk levels which indicated the progress of implementing controls and assessing the effectiveness of measures to address the sources of risk.

- Improvements were recommended to the Bank's Risk Management Framework and related policies and procedures as deemed suitable, in consideration of anticipated changes in the economic and business environment, including consideration for emerging risks, legislative or regulatory changes and other factors relevant to the Group's risk profile.
- The Key Risk Indicators (KRIs) designed to monitor the level of specific risks were reviewed regularly, with a view of determining the adequacy of such indicators to serve the intended risk management objectives. Moreover, proactive measures were taken to control risk exposures. The actual results computed monthly were reviewed against each risk indicator and prompt corrective actions were recommended to mitigate the effects of specific risks, in case such risks exceeded the prudent thresholds defined by the Board of Directors.
- Reviewed and revised the Terms of Reference of all Management Committees dealing with specific risks or some aspects of risk such as the Executive Integrated Risk Management Committee, Executive Committee on Monitoring NPLs, Credit Policy Committee, Information Security Council, Asset and Liability Committee, etc. for enhanced effectiveness. Actions initiated by the Senior Management were monitored periodically to verify the effectiveness of the measures taken by these respective Committees.
- The annual work plans, related strategies, policies and frameworks of the above Committees were reviewed to ensure that these Committees have a sound understanding of their mandates and mechanisms to identify, measure, avoid, mitigate, transfer or manage the risks within the qualitative and quantitative parameters set by the BIRMC.
- Reviewed and approved the ICAAP results related to Commercial Bank Group entities to ensure that the Group maintains an appropriate level and quality of capital in line with the risks inherent in its activities and projected business performance.
- Reviewed, approved and oversaw the Bank's Recovery Plan (RCP) framework and accountability matrix whilst ensuring that RCP is subject to comprehensive internal audit. Moreover, the Early Warning Indicators/Trigger events defined in the RCP paper were periodically monitored in order to assess compliance with regulatory guidelines and Board approved RCP Policy parameters.
- Reviewed and approved the identified critical systems essential for uninterrupted banking operations, as per CBSL Banking Act Directions No. 16 of 2021 on Technology Risk Management and Resilience.
- Monitored the effectiveness and the independence of the risk management function within the Bank and ensured the adequacy of resources deployed for this purpose.
- Reviewed the effectiveness of the compliance function in order to assess the Bank's compliance with laws, regulations, regulatory guidelines, internal controls and approved policies in all areas of business operation. Increasing regulatory expectations, challenging working conditions and heightened levels of misbehaviour of certain customer segments posed further challenges during the period under review in this front.
- Initiated appropriate action through the Management against failures of the Risk Owners in order to improve the overall effectiveness of the Risk Management of the Bank.
- The risk profiles of the Subsidiaries of the Bank were monitored through periodic review of KRIs and comprehensive annual risk reviews.
- Continually overseeing the Sustainable Banking Initiatives performed by the Bank (through Executive Sustainability Committee) whilst consistently directing the Data Governance Framework of the Bank and periodically evaluating the adequacy of controls deployed with regard to confidentiality, integrity and availability of Data Assets.
- Reviewed the adequacy of the Business Continuity and Disaster Recovery plans of the Bank, in line with the statutory requirements.
- Findings from the bi-annual Risk Control Self-Assessment (RCSA) exercise were reviewed.