

## Board Human Resources and Remuneration Committee Report

### Composition of the Committee

The Board appointed Human Resources and Remuneration Committee comprises of three Non-Executive Directors. The Managing Director of the Bank will be present on invitation.

Mr. D.S. Weerakkody (*Chairman*) - until July 28, 2014

Mr. K.G.D.D. Dheerasinghe (*Deputy Chairman and Chairman*) - since July 29, 2014

Prof. U.P. Liyanage (*Director*)

Mr. M.P. Jayawardena (*Director*)

Mr. W.M.R.S. Dias (*Managing Director/CEO*) - until July 16, 2014 - By invitation

Mr. J. Durairatnam (*Managing Director/CEO*) - from July 17, 2014 - By invitation

Brief profiles of each member are given on pages 129 to 131.

The Managing Director who is responsible for the overall management of the Bank provides information to the Committee and participates in all deliberations. The Managing Director took part in all deliberations except in relation to those matters where the outcome had an impact on him.

### Charter of the Committee

The Committee is vested with power to evaluate, assess, decide and recommend to the Board of Directors on any matter that may affect the Human Resources Management of the Bank and shall specifically include -

- Determining the compensation of the Chairman, Deputy Chairman, Managing Director and other members of the Board of Directors of the Bank, while ensuring that no Director is involved in setting his or her own remuneration.
- Determining the compensation and benefits of the Key Management Personnel and establishing performance parameters in setting their individual goals and targets.
- Formulate guidelines, policies and parameters for the compensation structures for all executive staff of the Bank and oversee the implementation thereof.
- Review information related to executive pay from time to time to ensure same is in par with the market/industry rates or as per the strategy of the Bank.
- Evaluate the performance of the Managing Director and Key Management Personnel against the pre-agreed targets and goals.
- Make recommendations to the Board of Directors from time to time of the additional/new expertise required by the Bank.
- Assess and recommend to the Board of Directors of the promotions of the Key Management Personnel, address succession planning and issues connected to the organisational structure.
- Evaluate, assess and make recommendations and provide directions pertaining to the Board of Trustees and the management of the Private Provident Fund of the Bank.
- Make recommendations/decisions/directions pertaining to the statutory payments made by the Bank on behalf of its employees (EPF, ETF, Terminal Benefits, etc.), ensuring the effective fulfillment of all commitments arising as a result of the employer-employee relationship.
- Recommend/decide/give directions on disciplinary matters resulting in a significant financial loss to the Bank caused by Key Management Personnel of the Bank.
- Formulating formal and transparent procedures for developing policy on remuneration for Executives and Directors.
- Approving annual increments, bonuses, changes in perquisites and incentives.

### Guiding Principles

The overall focus of the Committee:

- Setting guidelines and policies to formulate compensation packages, which are attractive, motivating and capable of retaining qualified and experienced employees in the Bank. In this regard, the Committee sets the criteria such as qualifications, experience and the skills and competencies required, to be considered for appointment or promotion to the post of Managing Director and to Key Management positions.
- Setting guidelines and policies to ensure that the Bank upholds and adhere to the provisions of the Laws of the Land particularly those provisions of the Banking Act No. 30 of 1988, including the Directions issued by the Monetary Board/Director of Bank Supervision in accordance of the provisions of such Act.
- Providing guidance and policy direction for relevant matters connected to general areas of Human Resources Management of the Bank.
- Ensuring that the performance related element of remuneration is designed and tailored to align employee interests with those of the Bank and its main stakeholders and support sustainable growth.
- Structuring remuneration packages to ensure that a significant portion of the remuneration is linked to performance, to promote a pay for performance culture.
- Promoting a culture of regular performance reviews to enable staff to obtain feedback from their superiors in furtherance of achieving their objectives and development goals.
- To develop a robust pipeline of raising talent capable and available to fill key positions in the Bank.

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### Committee Meetings

The Committee held seven meetings during the year under review. The attendance of Committee members at meetings is stated in the table on page 153. The Chairman of the Committee can convene a special meeting in the event a requirement arises provided all members are given sufficient notice of such special meeting. The quorum for a meeting is two (2) members.

Members of the Corporate Management were invited to participate at the sittings of the Committee meetings as and when required by the Chairman, considering the topics for deliberation at such meeting.

The proceedings of the Committee meetings were regularly reported to the Board of Directors.

### Methodology used by the Committee

The Committee recognised rewards as one of the key drivers influencing employee behaviour, thereby impacting business results. Therefore, the reward programmes are designed to attract and retain and to motivate employees to perform by linking performance to demonstrable performance based criteria. In this regard, the Committee evaluates the performance of the Managing Director and Key Management Personnel against the pre-agreed targets and goals that balance short term and long term financial and strategic objectives.

The Bank's variable (bonus) pay plan is determined according to the overall achievements of the Bank and pre-agreed individual targets, which are based on various performance parameters. The level of variable pay is set to ensure that individual rewards reflect the performance of the Bank overall, the particular business unit and individual performance. The Committee makes appropriate adjustments to the bonus pool in the event of over or under achievement against pre-determined targets. In this regard, the Committee can seek external independent professional advice on matters falling within its purview.

Further, the Committee may seek external agencies to carry out salary surveys to determine the salaries paid to staff vis-à-vis the market position, enabling the Committee to make informed decisions regarding the salaries in the Bank. Moreover, the Committee also ascertains the engagement levels of staff through Staff Engagement Surveys.

During the year, the Committee interviewed - based on the succession plan, suitable candidates to fill the vacancies in the Corporate Management and such recommendations were accordingly approved by the Board of Directors and appointments were effected. The recent changes in the Key Management Positions and the ability of the Bank to ensure a smooth transition in each of these cases, signifies the importance of and the attention paid to the talent management process of the Bank. It is in this context that the Bank rolled out the Leadership Competencies with the behavioural indicators for the senior officers of Chief Manager grade and above, covering the members of the Corporate Management as well under the guidance of the Committee. In all promotions to the Corporate Management grade, the Committee applied these competencies to judge the suitability of the candidates.

The year under review also saw the smooth transition of a new Managing Director/Chief Executive Officer and a new Chief Operating Officer assumed duties as planned under the succession plan of the Bank.

With the Collective Agreement due for renewal in 2015, the Management was advised to proceed with the conduct of a Compensation & Benefits Survey through an external agency. The current market position of all grades as per the findings of the survey were noted by the Committee in considering the proposed salary and other related benefits by the Management, consequent to the negotiations. Under the guidance of the Committee and with approval of the Board Collective Agreement was signed with the Ceylon Bank Employees Union in December 2014 covering a period of three years i.e. 2015 to 2017.



**K.G.D.D. Dheerasinghe**

*Chairman - Board Human Resources and Remuneration Committee*

Colombo  
February 23, 2015