

## BOARD HUMAN RESOURCES AND REMUNERATION COMMITTEE REPORT



### Composition of the Committee

Board Human Resources and Remuneration Committee (the BHRRC) consists of following members whose profiles are given on pages 25 to 27:

Mr K G D D Dheerasinghe\* (Chairman)  
Mr M P Jayawardena\* (Director)  
Mr S Swarnajothi\* (Director)

\*Independent Non-Executive Director

### Regular attendees by invitation

Mr J Durairatnam, Managing Director/CEO participated in all deliberations, except those matters impacting his own terms and conditions of employment.

### Secretary to the Committee

Mr U I S Tillakawardana  
(Deputy General Manager – Human Resource Management)

### Meetings

Name	Eligible to attend/Attended
Mr K G D D Dheerasinghe	5/5
Mr M P Jayawardena	5/5
Mr S Swarnajothi	5/5
Mr J Durairatnam	5/5

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 may be 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.



***This year we 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.***

### 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 adheres to the provisions of the Laws of the Lands 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 with 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.
- Developing a robust pipeline of raising talent capable and available to fill key positions in the Bank.

### Methodology

The Committee recognises 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 KMP 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 predetermined 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.

### Charter of the Committee

Evaluate, assess, decide and recommend to the Board, matters that may affect the Human Resource Management of the Bank specifically including:

- Determine 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.

- Determine compensation and benefits of the KMP and establish 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 its implementation.
- 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 Managing Director and KMP against the pre-agreed targets and goals.
- Make recommendations to Board of additional/new expertise required by the Bank.
- Assess and recommend to the Board, promotions of KMP, address succession planning and issues relating to 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.
- Ensure that all regulatory and contractual commitments relating to employees are fulfilled in a timely manner.
- Recommend/decide/give directions on disciplinary matters resulting in a significant financial loss to the Bank, caused by KMP 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.

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 are 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 are regularly reported to the Board of Directors.

### Activities in 2017

The Committee held five (5) meetings during the year under review as stated in the table on page 112. 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. The changes that took place in the Key Management Positions during the year, and the ability of the Bank to ensure a smooth transition in each of these cases, signify the importance of and the attention paid to the talent management process of the Bank. In all promotions to the Corporate Management grade, the Committee applied previously approved leadership competency framework to judge the suitability of the candidates.

Further, the Committee determined the bonus payable for 2016 performance according to the Variable Pay Plan (VPP) for Executive staff and the grant of annual increments to the Executive staff who are not covered by Collective Agreement. Performance of the members of the Corporate Management during the financial year 2016 including that of MD and COO were reviewed. At the conclusion of the review process for 2016, the Key Performance Areas and the respective KPI's of the Corporate Management members for 2017 were carefully perused by the Committee and agreed on, subject to changes.

The pensions and the outdoor medical scheme for the retired staff members of the bank, who are entitled to pension under the system which prevailed before year 2000, were also reviewed by the Committee on the recommendation of the MD and the proposal was recommended for the approval of the Board. A proposal to change the policy for the Widows & Orphans of pensioners, who had not contributed to the W&OP during their tenure at the Bank, was also recommended by the Committee for the approval of the Board.

The Committee also reviewed, suggested changes and recommended for the approval of the Board, revisions made to the Bank's HR Policy manual. Committee also approved the nomination made by the Association of Commercial Bank Executives to the vacant position in the Board of Trustees of the Bank's Retirement Pension Fund.

In view of the need to sign a fresh Collective Agreement with the Ceylon Bank Employees Union (CBEU) for a period of three years – with effect from January 1, 2018, the Committee ascertained the salary positions in the market through a survey and recommended for the Board approval the revisions proposed by the Management after negotiations with the CBEU.



**K G D D Dheerasinghe**  
*Chairman – Board Human Resources and Remuneration Committee*

Colombo  
February 23, 2018