

COMMERCIAL CREDIT & FINANCE PLC

REMUNERATION POLICY (SUMMARIZED VERSION)

(This replaces all previous documents covering the remuneration of Directors, KRPs and other Employees of the Company except policies related to remuneration of Non-Executive Directors)



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1) Introduction

The Remuneration Policy is to ensure that payment of remuneration (salaries, allowances and other financial payments) to all Directors, other Key Responsible Personnel (KRP) and all the other employees of the Company is by considering the individual performances, adherence to the Company's purpose and values, the performance of the Company as a whole and industry best practices.

2) Version Control

This will be reviewed once every five (5) financial years as per the Company requirements or in the event of any changes in the regulatory/market requirements. The updates will be recorded in the "Version Control" with details of revisions and effective dates.

Version Code	Release Date	Prepared by	Approved by
2.0	September 2022	Head of MI	Board of Directors

3) Legal and regulatory framework

- Finance Business Act and subsequent Directions
- Shop and Office Act
- Gratuity Act
- Employees Provident Fund and Employees Trust Fund Acts
- Financial Consumer Protection Framework
- Inland revenue Act
- Directions issued by the CBSL

4) Scope of policy

The scope of this policy includes the following.

- Remuneration of Directors
 - ✓ CEO
 - ✓ Other Executive Directors
 - ✓ Non-Executive Directors
- Remuneration of other Key Responsible Personnel & All the other employees

5) Objectives of the Remuneration Policy

The main objectives of the Remuneration policy are as follows.

- To determine remuneration based on the Company's business outlook, financial position, growth and trends and practices on prevailing remuneration.
- To align reward schemes with the Company Culture.
- To attract, retain, motivate and promote talent and to ensure long term sustainability of individuals.
- To ensure that remuneration is linked to performance and to strike the right balance between fixed and variable pay reflecting on short and long term performance objectives appropriate to the goals of the Company.
- To ensure that remuneration schemes be designed for employees to encourage responsible business conduct and discourage excessive risk taking.
- To ensure that targets are realistic and are within the personal capacity of the employee (s).
- To ensure that remuneration is not solely on work performance, but include factors such as efforts to live the Company culture, customer satisfaction, loan repayment performance, customer retention, compliance with the regulatory requirements, best practices, guidelines and code of conduct (ethical framework) which are related to the best interest of all stakeholders.
- To ensure compliance with high standards of corporate governance.

6) Overall Performance Management Approach

At Commercial Credit we give high prominence to the process of Performance Management, and we believe a credible performance evaluation is important for the same.

Commercial Credit Performance Evaluation is conducted quarterly/annually, and the results are used for the Performance Incentives, bonuses and Increments of each member of staff.

The performance pay may be paid monthly, quarterly, semi-annually or annually where appropriate as determined by the Management.

The Quarterly performance evaluation system mainly consists of two components, a 360 Degree Appraisal and a work related appraisal to ensure not only the scope of work but also to make all the employees principle based individuals.

7) Remuneration of Directors

7.1) Remuneration of CEO

This will be carried out by the BHRRC and will be recommended to the Board for approval based on KPI achievements

BHRRC may commission an independent survey periodically, towards a better understanding of the market remuneration.

7.2) Remuneration of Other Executive Directors

In General, the remuneration of Executive Directors may comprise of a fixed component and/or a variable component. The fixed component comprises of salary, allowances, perquisites, statutory contributions and post-retirement benefits etc. The variable component comprises of performance incentives and bonuses. The main component of the marks will be 360 degree appraisal.

The review of the Executive Directors remuneration will be carried out annually by the BHRRRC.

7.3) Remuneration of Non – Executive Directors

Non-executive Directors remuneration is governed by the board approved Non-Executive Directors Remuneration Policy and is under the purview of the BHRRRC and approved by the Board.

8) Remuneration of other Key Responsible Personnel (KRP) & all other employees

The compensation of other Key Responsible Personnel, and all other staff of the organization would be guided by the external competitiveness and internal performance evaluation and alignment with the Company culture. The remuneration policy is broadly divided into fixed and variable components. The fixed component comprises of salary, allowances, perquisites, statutory contributions and post-retirement benefits. The variable component comprises performance incentives and bonuses. The quantum payable will be determined taking into consideration the efforts to live in the Company culture, performance of the individual employee and the Company's performance as a whole. The performance pay may be paid monthly, quarterly, semi-annually or annually where appropriate as determined by the Management. The Company should perform internal performance evaluation of all its employees based on work performance and 360 degree evaluation. The marks gained may be used to determine the annual increments, bonuses and incentives. Compensation may also be determined based on identified skill sets critical to the success of the organization.

8.1) Process to be observed for CRO/CO/CIA & Senior staff of IA Assessments and emoluments review with the CBSL direction No. 5 of 2021

- 1) The Technical Performance Assessment (TPA) for the KRPs designated by the Direction (CRO, CO, CIA, senior staff of IA ie. direct reports to CIA) would be carried out by the respective Board Committees and their superiors wherever applicable.
- 2) Work performance and 360 degree evaluation would be aggregated with the TPA with appropriate weightage used to determine the annual increments, bonuses and incentives. Compensation may also be determined based on identified skill sets critical to the success of the role.
- 3) The review of assessment scores and emolument information for the KRPs mentioned above would be carried out by the BIRMC (CRO and CO) and the BAC (CIA and senior staff of IA i.e. direct reports to CIA).

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