

POLICY ON REMUNERATION

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POLICY ON REMUNERATION

1. OVERVIEW

This Policy has been adopted by the Board of Directors of the Company in conformity with the Listing Rules to provide for the framework for remuneration to Directors and Employees in accordance with the Companies Act, the relevant labour laws, the Articles and other internal policies and procedures.

2. DEFINITIONS

The following words and expressions shall have the respective meanings given against each such word unless such meanings are inconsistent with or repugnant to the subject or context:

“**Articles**” mean the articles of association of the Company, as amended from time to time;

“**Board**” means the board of directors of the Company;

“**Listing Rules**” means the Listing Rules of the Colombo Stock Exchange;

“**Companies Act**” means the Companies Act No. 07 of 2007 as amended from time to time;

“**Company**” means Vallibel One PLC and includes, when the context so requires, any subsidiary of Vallibel One PLC;

“**Director**” or “**Directors**” means a director or the directors (as the case may be) for the time being of the Company, including where the context so requires or admits, alternate directors, and the directors assembled at a Board meeting;

“**Employee**” or “**Employees**” means a person or persons employed by the Company including executive and non-executive staff;

“**Listing Rules**” mean the Listing Rules of the Colombo Stock Exchange;

“**Policy**” means this policy on remuneration;

“**Senior Management**” means the Managing Director and Executive Director and any other Senior Officer designed as the Senior Management by the Board from time to time;

3. PURPOSE

The purpose of this Policy is to establish the relevant criteria and guidelines in respect of the remuneration paid to Directors and all Employees.

4. SCOPE

This Policy applies to the Company, the Directors and all Employees including members of the Senior Management.

5. REMUNERATION OF DIRECTORS

5.1 The remuneration to the Directors shall be adequate to attract and retain qualified members to the Board with the requisite professional skill, experience and competence necessary to ensure the development and growth of the Company while ensuring the Company's sustainability.

5.2 As authorized by the Articles, the Board may approve,

- (i) the payment of any remuneration and/or other benefits by the Company to a Director for services as a Director or for services rendered to the Company in any other capacity;
- (ii) the payment by the Company to a Director or a former Director of compensation for loss of office; and
- (iii) the entering into by the Company of a contract to do any of the above,

if the Board is satisfied to do so is fair to the Company.

5.3 The Directors shall receive a fixed fee, as determined by the Board, for their attendance at Board meetings/Board sub-committee meetings and such fee shall be assessed and may be reviewed on an annual basis. When determining the fee, the Board shall take into account the relevant experience and expertise of the Director and the extent of involvement that is expected of the Director as a member of the Board as well as in any Board sub-committee.

5.4 The Directors shall also be entitled to be repaid all travelling, hotel or other expenses properly incurred by them or with a view to the performance of their duties including attendance at Board meetings.

5.5 Directors may also receive additional remuneration, as determined by the Board, for services performed by them by virtue of any other office or position held by him in the Company in conjunction with their directorship.

5.6 The Board shall comply with its obligations under section 216 of the Companies Act read together with the Articles, when approving remuneration of Directors including in determining the basis under which such remuneration may be considered fair to the Company.

6. EMPLOYEES' REMUNERATION STRUCTURE

6.1 The Employees shall be adequately compensated for their services rendered to the Company.

6.2 Remuneration of Employees shall be determined in a manner that ensures consistency and uniformity across various categories of employment and in compliance with the relevant laws and regulations including,

- (i) The Shop and Office Employees (Regulation of Employment and Remuneration) Act No. 19 of 1954;
- (ii) Employees Provident Fund Act, No. 19 of 58;
- (iii) Employees Trust Fund Act, No. 46 of 1980;
- (iv) Budgetary Relief Allowance of Workers Act, No 04 of 2016; and
- (v) Payment of Gratuity Act No. 12 of 1983.

6.3 The total remuneration of all Employees may include,

- (i) fixed remuneration;
- (ii) variable remuneration;
- (iii) other benefits, including in non-cash form (if applicable);
- (iv) severance payments; and
- (v) Employee Share Option Schemes or Employee Share Purchase Schemes established in conformity with the Listing Rules (if applicable).

6.4 The fixed and variable components of total remuneration shall be appropriately balanced, and the fixed component shall represent an adequately high proportion of the total remuneration to allow the operation of a fully flexible policy on variable remuneration components, including the possibility and option of paying no variable component.

6.5 Fixed remuneration of Employees shall be set on an individual basis considering the position held by the Employee, market standards in respect of the position the Employee holds and non-financial criteria including,

- (i) the description and complexity of the position;
- (ii) responsibilities and risks related to the position;
- (iii) level and hierarchy of the position;
- (iv) market practice in respect of the position;

- (v) data available for comparison;
 - (vi) the Employee's previous work experience;
 - (vii) educational level and specific technical knowledge;
 - (viii) unique skill level or expertise of the Employees that is not easily or readily replaceable; and
 - (ix) any other criteria as determined by the Board.
- 6.6 The Board may also decide to provide other benefits to the Employees including health insurance and allowances for travel, internet, telephone and/or educational/professional development programs.
- 6.7 The fixed remuneration of Employees shall be paid on a monthly basis on the day of every month after making the requisite statutory deductions, including tax.
- 6.8 Variable remuneration including bonuses and performance-based benefits shall be granted at the discretion of the Board, to motivate and reward employees for exceptional performance. In deciding to recommend payment of variable remuneration to employees, the Remuneration Committee shall take into account,
- (i) overall individual performance of the Employee;
 - (ii) accomplishment of the tasks and responsibilities;
 - (iii) key performance indicators;
 - (iv) performance of the Company;
 - (v) the effect of the variable compensation on the economic soundness of the Company;
 - (vi) consideration of existent and potential future risks generated or directly linked with the variable compensation; and
 - (vii) any other criteria as determined by the Board.
- 6.9 Where variable remuneration is directly correlated to the performance of the Employee, the performance appraisal of such Employee shall be analysed by reviewing the achievement of pre-determined objectives as set and agreed upon by the relevant Employee and their respective heads of division/ supervising authority.
- 6.10 The Board may, from time to time, introduce schemes that allow Employees to participate in an equity-based incentive programs as determined by the Board, in order to create long-term shareholder value and ensure the Company's achievement of its long-term strategic goals in a sustainable manner.
- 6.11 The total remuneration of all Employees shall be reviewed annually and from time to time and increments shall be provided as determined by the Board on the recommendation of the Remuneration Committee.

7. INSURANCE AND INDEMNIFICATION

- 7.1 The Company shall effect customary directors and officers insurance covering the Directors and Senior Management.
- 7.2 To such extent such insurance coverage should prove to be insufficient, the Company may in certain cases decide to indemnify the Directors and Senior Management covered by the Policy, to the fullest extent as permitted by law (including the Companies Act) and the Articles, for additional claims incurred, provided that such claims did not result from willful misconduct or otherwise criminal offenses.

8. PERFORMANCE APPRAISAL

- 8.1 All Employees shall undertake an annual performance review with their relevant heads of divisions. The performance of each Employee shall be assessed by a comparison of the Company's strategic achievements against the Employee's responsibilities and key performance indicators.
- 8.2 The performance of Senior Management shall be assessed annually by the Board, with input from the Remuneration Committee.
- 8.3 Directors shall be assessed on their performance as part of their annual self-assessment process.

9. RECRUITMENTS/REMUNERATION POLICY

- 9.1 In the case of recruitments, the Company shall seek to align the remuneration package with the existing Policy.
- 9.2 The Company's policy on recruitment/remuneration is to offer a compensation package which is sufficient to attract, retain and motivate the individual with the appropriate skills for the relevant role.
- 9.3 In assessing the remuneration of a new employee, the Company shall consider all relevant factors including the experience and caliber of the candidate and the candidate's remuneration package at his/her previous place of employment.

10. REVIEW AND MONITORING

- 10.1 The Remuneration Committee shall from time to time review this Policy, monitor its implementation to ensure continued effectiveness and compliance with regulatory

requirements and shall make recommendations on any proposed revisions as may be required to the Board for its review and final approval.

10.2 Upon the Board's approval, the said revision or amendment shall be deemed to be effective and form part of this Policy.

10.3 This Policy is to be read in conjunction with the Articles and other relevant Company policies, including:

- (i) Policy on Corporate Governance, Nomination and Re-election;
- (ii) Policy on Internal Code of Business Conduct and Ethics for all Directors and Employees, including policies on trading in the Company's listed securities;
- (iii) Policy on matters relating to the Board of Directors; and
- (iv) Policy on Board Committees.