

REMUNERATION COMMITTEE REPORT

The Remuneration Committee is established to ensure that remuneration arrangements support the strategic aims of the business and enable the recruitment, motivation and retention of senior executives while complying with the requirements of regulatory and governance bodies, satisfying the expectations of shareholders and remaining consistent with the expectations of the wider employee population.

Composition of the Remuneration Committee:

Mr. Lalith De Mel
(Independent Director and Chairman
Company/Remuneration Committee)

Mr. Maithri Wickremesinghe
(Independent Director and Chairman Audit
Committee)

Meetings

The Remuneration Committee meets regularly; at least four times a year. The Chief Executive Officer of the Group participates at meetings of the Remuneration Committee by invitation.

The Minutes of each Remuneration Committee meeting held are submitted to the Board for their information. The tasks and responsibilities of the Remuneration Committee are defined in its charter, which is approved by the Board.

Remuneration Policy

The Committee has given full consideration to the Principles of Good Governance as set out in the Code with reference to directors' remuneration. The main objectives of the policy are to ensure that pay and benefit packages are sufficiently competitive to attract, develop and retain high calibre executives. The Committee will continue in the future to ensure that a competitive and well-balanced package is maintained. It also seeks to align individual rewards and incentives with the performance of the Group and hence, with the interests of the shareholders. When carrying out its role the Committee will consider corporate performance on environmental, social and corporate governance issues.

In 2012/13

The Committee met six times during the year based on an Annual Agenda, the following tasks were carried out:-

Agenda Item

- Review comparative data on compensation levels, remuneration trends across the group and align salaries to retain and motivate senior staff.

Activity

The Committee retained Ernst & Young as its independent advisor to advise them on compensation to directors and senior management of the group. A survey has been commissioned through E & Y following which pay bands of key roles will be adjusted and each individual placed in an appropriate grade.

Agenda Item

- Review and recommend increase in fixed pay and benefits to directors.

Activity

Based on a Market survey conducted by Cornucopia in 2012 and Ernst & Young this year, the fixed pay and benefits to directors have been increased.

Agenda Item

- Formally approve salaries and benefits, annual increments and Bonus to top Management.

Activity

The mechanism for granting bonuses to top management and lower grade employees and the process adopted for deciding the percentage of increments to staff which is based on Market indicators were reviewed and agreed upon.

Agenda Item

- Review development and succession plans for top and key Management

Activity

Various overseas training programmes were provided to key personnel during the year, with the sanction of the Committee, which has served as an incentive. A Talent discussion was held in 2012, at which the development needs of key individuals and

potential successors to key roles were initially identified for nurturing. The Committee has evaluated the outcome of the discussions held and will further refine the competencies per role before finalising the development and succession plans.

Agenda Item

- Develop and determine targets for performance related pay schemes and recommend share option/purchase schemes to the Board.

Activity

With a view to retain key employees, a new Employee Share scheme along with a cash bonus scheme has been reviewed by the Committee. It is intended to seek Board approval to implement the two schemes in the ensuing year.

Agenda Item

- Review remuneration philosophy, strategy, policies and practices and formulate recommendations to the Board.

Activity

Policies in major companies overseas were reviewed by the Committee following which the Annual Agenda that would encompass all the activities of the REMCO was drawn up.

Scope

The scope of the Remuneration Committee shall cover the following responsibilities:-

- Compensation philosophy /policies including stock options and benefits
- Fixed pay (based on grading /evaluation)
- Performance Bonus
- Special Schemes
- Performance Management systems
- Annual Goals and performance targets
- Performance assessment and development plans
- Executive search



Lalith De Mel
Chairman

22 May 2013