

Report of the Board Human Resources and Remuneration Committee

Board Human Resources and Remuneration Committee (BHRRC) of SDB Bank was established under the Terms of Reference approved by the Board of Directors of the Bank. Its primary responsibility is to establish the conceptual framework on establishing Remuneration Policy and other key policies related to Human Resource Management and Development.

Composition of BHRRC

The Board Human Resources and Remuneration Committee consists of Three (03) Non-Executive Directors appended below:

- Mr Chaaminda Kumarasiri – (Chairman – BHRRC), Independent, Non-Executive Director (Appointed to the BHRRC w.e.f. 20 June 2018)
- Ms Samadanie Kiriwandeniya – (Chairperson) Non-Independent, Non-Executive Director
- Mr Lakshman Abeysekera – (Senior Director), Independent, Non-Executive Director (Re-appointed to the BHRRC w.e.f. 26 September 2018)

Prof Sampath Amaratunge and Mr D J K Newunhella, Independent Non-Executive Directors served in the Committee until 20 June 2018 and 31 July 2018 respectively. Mr Navindra Liyanaarachchi Non-Independent, Non-Executive Director served as a member of the committee since 20 June 2018 resigned from the Board with effect from 29 August 2018. We take this opportunity to place on record the committee's appreciation for the valuable service rendered by members who had retired from the Committee.

Company Secretary of the Bank serves as the Secretary to the Committee based on the approved Terms of Reference for the Committee. Attendance of the Committee Meetings is mandatory for the Chief Executive Officer and the Head of Human Resources, except when matters relating to those two positions are discussed.

Committee Meetings of BHRRC

The Committee held Fourteen (14) Board Human Resources and Remuneration Committee Meetings during the year under review and deliberated 74 papers associated with a wide array of aspects relating to the Human Resources function of the Bank. The Committee has been able to continuously direct the HRM function of the Bank to align with its strategic direction whilst complying with the regulatory and statutory framework of the Bank.

Scope and responsibilities

The Board Human Resources and Remuneration Committee is vested with the objective of assisting the Board to discharge its responsibilities in the following areas:

- Guide the implementation of Human Resource Management and Human Resource Development functions of the Bank
- Provide guidance to ensure that HR policies and strategies are aligned with the strategic direction of the Bank
- Provide the necessary direction for fostering performance culture within the Bank
- Ensure conformity of Bank's HR policies and practices with labour laws, Central Bank regulations and other applicable standards

Key HR initiatives during the year

During the year, the Committee, comprehensively reviewed the performance of the Key Management Personnel's (KMP) of the Bank for the year 2017 against the set goals and targets. They also set goals and targets for KMPs for 2018 in line with the strategic vision and direction of the Bank in 2018.

The Committee acknowledges that in addition to effective strategic planning and talent management, cultivating a work environment that supports and sustains a culture of superior performance that drives success both current and in the future is essential and thus approved a performance linked bonus plan for all staff according to the overall achievement of Bank level profit target, a rewarding incentive scheme for sales personnel and a performance-based variable pay plan for support staff.

The Committee also recommended to Board of Directors of the Bank, a fair salary revision of 33% to Bank staff in par with industry standard. A Collective Agreement has been signed with the Ceylon Bank Employees' Union for the period between 2018-2020 simultaneously with the salary revision. Further, viable Non-salary benefits have also been negotiated to implement. This salary revision along with the Collective Agreement were recommended to promote trust and industrial harmony, uplifting the quality of the work life of employees and to motivate employees for better performance.

The Bank undertook a job evaluation and grading exercise across the Bank and job descriptions were reviewed and revised. The Committee deliberated on the policy parameters and recommended these changes. With these changes new grades were created, re-aligned etc., and promotions were carried out accordingly as recommended by the Committee.

Apart from the above, during the financial year, the Committee had considered many aspects related to human resources aspects of the Bank which is mutually beneficial for the Bank and its employees. To ensure that the Committee's performance is optimal, a self-evaluation of the Committee Members was also carried out and circulated amongst the members of the Committee for necessary action.

For and on behalf of the Board Human Resources and Remuneration Committee,



Chaaminda Kumarasiri
Chairman

Board Human Resources and Remuneration Committee

8 March 2019

Colombo, Sri Lanka