
REMUNERATION POLICY

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1. Introduction

The purpose of this policy is to provide a direction on fair, just, equitable and transparent remuneration. AFPLC is committed to creating a workplace that attracts, motivates, rewards and retains competent and talented individuals. The remuneration policy aims to provide clear and transparent guidelines for the Company to develop market-related, modern remuneration practices that achieve the Company objectives, promoting positive outcomes and ethical culture and responsible corporate citizenship.

2. Legal framework

The remuneration policy of the Company will include;

- Sri Lanka labour regulation
- The guiding principles for remuneration
- The remuneration structures.
- CBSL corporate governance rule No. 10.5 on Human Resources and Remuneration Committee.
- As per CSE rule No. 9.2.1 (d) & 9.12 on Corporate Governance
- Sri Lanka Labour Regulation - Shop & Office Act

3. Objective

The objective of the Policy is to ensure that the total remuneration package enables the Company to attract and retain talented staff. The company provides attractive terms of employment, of which remuneration, personal development, training and working environment. As such, the Policy contributes to achieving the companies' strategic goals.

The remuneration structure of AFPLC ensures a proper balance between fixed and variable remuneration to attract, motivate and keep qualified staff.

4. Applicability

This policy and procedure apply to all employees of AFPLC.

Each internal stakeholder involved at any stage in the Compensation Management should be aware of and adhere to the content of this policy.

5. Sri Lanka labour regulation - Shop & Office Act

AFPLC employees are covered under the shop and office employees Act no 19 of 1954.

5.1. Remuneration

As per the provisions of the Act, salary should be paid to employees before the 10th of the succeeding month. However, AFPLC make the monthly salary payment on the last day of the current month (30th)

The aggregate of authorized deductions should not exceed 60% of the remuneration. Authorized deductions – Consent of employee is mandatory.

5.2. Remuneration Elements

5.2.1. Base Pay (Basic Salary)

Base pay takes into account the nature of the position, its decision-making responsibilities, reporting structures, its value to the company, scarcity of skills and the skills and experience of the person required for the position.

5.2.2. Fixed allowances

Allowances will be offered to employees in line with the company-approved guidelines.

5.2.3. Other Benefits

Other Benefits will be offered to employees in line with the company-approved guidelines.

5.2.4. Incentive

Incentives will be offered to employees in line with the company-approved guidelines.

5.2.5. Bonus

- The purpose of the bonus **scheme** is to reward past good performance and to incentivize future performance. As such, there should be a clear linkage between performance levels and the bonus amounts rewarded.
- Decision of the bonus payment is based on the profitability of the company. Also, consider normalized profit.
- The achievement of budget for the year under review, financial profit reflected in the annual financial statements and CBSL method as described in the Finance Companies (provision for bad & doubtful debts) direction No. 3 of 2006 the ability to strengthen cash reserves are factors that are taken into account when deciding the bonus pool amount.
- Based on the individual performance rating, the total bonus pool will be distributed among its eligible staff.

- Bonus is never guaranteed.
- Employee is generally excluded from the Bonus Scheme where
 - 1) Staff under probation
 - 2) Contract staff who has not completed 12 months
 - 3) Employees who are under investigation/ inquiries will not be paid the bonus until such\ time those investigations are finalized.

6. Remuneration of the Board of Directors

The committee shall establish and maintain a formal and transparent procedure on Executive Directors Remuneration and for fixing the remuneration package for the non executive Board members. No Directors shall be involved in fixing his/her own remuneration.

Remuneration of the non executive Directors will be based as per this policy which adopts the principle of non – discriminatory pay practices among them to ensure that their independence is not impaired

6.1. General

- a) The remuneration will be benchmarked against comparable organizations and will be reviewed annually or when required.
- b) The aggregated total remuneration paid to directors will be disclosed in the annual report of the AFPLC.

7. Termination benefit

7.1. Employees' Provident Fund (EPF)

The Employees' Provident Fund (EPF) is a retirement benefit fund in Sri Lanka which was established under Act No. 15 of 1958.

According to the EPF Act, an employee contributes 8% and the AFPLC contribute 12% of the total basic salary to the EPF. The 20% contribution is forwarded to the Superintendent, Employees' Provident Fund, Central Bank of Sri Lanka, or before the last working day of the following month of salary was paid.

7.2. Employees' Trust Fund (ETF)

The Employees Trust Fund was established on 1st March 1981 under the provisions of ETF Act No.46 of 1980.

The contribution by the AFPLC is 3% of the monthly basic salary of every employee. Contributions of a particular month should be paid on or before the last working day of the succeeding month.

7.3. Gratuity

In accordance with the Payment of Gratuity Act No. 12 of 1983, an employee is entitled on completion of a minimum of five (05) years' service, to a payment of half ($\frac{1}{2}$) months' basic salary for each year of completed service. The basic salary for this purpose is the terminal basic salary rate.

Gratuity is payable at end of employment (whether by the employer or workman, or on retirement or by the death of the workman, or by operation of law, or otherwise).

The gratuity is payable within thirty (30) days of the end of employment. The HR Department together with all relevant Officers of other Departments and their Heads of Department (HODs) should take measures to complete the clearance process pertaining to such employees and make arrangements to settle the payment within 30 days.

Gratuity can be forfeited only in terms of S.13 of the Act. Accordingly, where any employee, to whom gratuity is payable under the Act and whose services have been terminated by AFPLC reasons of fraud, misappropriation of funds of the employer, willful damage to property of the employer, or causing the loss of goods, articles or property of the employer, gratuity shall be forfeited to the extent of the damage or loss caused by him.

8. Revision of Salary and Benefits

Remuneration is linked to the performance of the individual, department and the Company.

8.1. Confirmation Increment

Standard confirmation increments are granted on employment confirmation based on the recommendation of the HOD. Any increment above 30% is to be approved by CEO and two members of the Human Resource and remuneration committee.

8.2. Annual Performance Management cycle

The annual performance management cycle may lead to an increase of the fixed remuneration of employees if the agreed targets have been met.

This will be implemented in line with the company-approved guidelines.

8.3. Annual Increment

- Annual salary increment is based on Individual performance, company performance and market related and linked to success in delivering according to company approved budget delivery expectations from each employee are formalized and agreed upon in individual performance appraisal.
- Employees do not have a right to an annual salary increase. Annual salary increases and any salary increase are based on industry market conditions, inflation, employee performance, internal equity, strategic investment, and company financial position and ability to pay.
- Yearend appraisal will be conducted and based on the appraisal results salary increment % will be decided
- Annual salary increments are effective from the 01st of April

Eligibility:

- Employees in the permanent cadre as confirmed employees as of 31st March.
- Employee on a Fixed-term contract of employment who completed 01 year of service as of 31st March.

8.4. Promotion Increment

- Promotions are based on an actual increase in the scope of duties and responsibilities. Seniority in years is not a reason for promotion.
- Promotional increases are considered in the event that an employee is promoted into a new role with additional duties and responsibility and decision-making capacity.

Should an employee be promoted to next level position, the employee's salary will be reviewed according to the approved increment based on the new grade.

8.5. Adhoc Salary adjustment & benefit adjustment

Increments/ salary adjustments/ benefit adjustment outside the annual increment cycle is not encouraged.

However, employees who have been promoted outside the promotion cycle, taking on additional responsibilities or accountabilities, employees who have been identified as key talent and who need to be retained specifically in the event of an employee possessing critical knowledge or skills may qualify for adjustment outside the annual salary increment process on need basis.

It is the responsibility of the relevant HOD to justify a salary/ benefits adjustment request for a particular employee to the Human Resource and Remuneration Committee through CEO and Head of HR

HOD must ensure that the employee's job description, KPI and performance appraisal documents is updated.

9. Policy reviewing frequency

This Policy shall be reviewed at least two years, to ensure it is in accordance with the Laws, Directions and Guidelines issued by Regulatory Authorities.