



SRI LANKA TELECOM PLC

POLICY ON REMUNERATION

Approver

Board of Directors of Sri Lanka Telecom PLC

Owner

Group Company Secretary

Functional Owners

Nomination & Governance Committee

Revision History

Version	Approval Date	Author	Description
1		Group Company Secretary Asst. Company Secretary	New Policy

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1. PREAMBLE

The Remuneration Policy (“Policy”) of Sri Lanka Telecom PLC and its subsidiaries (the “Company” or the SLT Group”) is aligned to the principles of good corporate governance.

This Policy has been prepared with due observance of the requirements of the Companies Act No. 07 of 2007, the Articles of Association of the Company and the Continued Listing Rules of the Colombo Stock Exchange and the other laws applicable to the Company.

2. SCOPE OF APPLICATION

The Policy has been formulated to ensure the payment of equitable, competitive remuneration to all Directors (Executive & Non - Executive), Key Managerial Personnel (“KMP”) and employees of the Company which is based on individual performance, Company’s benchmark, Industry practices and performance of the Company as a whole.

3. OBJECTIVE

The objective of this policy is:

1. To determine the remuneration framework based on the Company’s business outlook and financial position and trends and practices on remuneration prevailing in the industry.
2. To ensure that remuneration is structured in a way that the Company can attract, retain and motivate talent and to ensure to ensure long term sustainability of talented persons and create competitive advantage.
3. To promote the achievement of the Company's strategic short and long - term performance objectives contributing to the achievement of the Company's sustainable long -term value creation.
4. To ‘Pay for Performance’ i.e. the remuneration shall be linked to the performance and to strike the right balance between fixed and incentive pay reflecting short and long term performance objectives appropriate to the goals of the company
5. To ensure compliances and maintain high standards to governance

4. APPLICABILITY

This policy applies to the following categories:

- Executive and Non - Executive Directors
- Chief Executive Officer/Group Chief Executive Officer as applicable
- Chief Operating Officer/s of SLT and its subsidiaries

- Senior Management of the Company*

*for the purpose of this Policy means persons defined as Chief Officers and Deputy Chief Officers in A1, A2 and A3 grades and other similar grades in other subsidiaries of SLT Group.

5. OPERATION OF THE POLICY

5.1. Remuneration of Non – Executive Directors

- Non-Executive Directors will be awarded fixed cash based fee as described in Articles 81 of the Articles of Association (“AoA”) of SLT. The Remuneration of the Directors shall be such sum as the Directors shall determine, and such remuneration shall be divided among the Directors in such manner as the shall from time to time determine and shall accrue de die in diem. The Company may also have an ordinary resolution vote for extra remuneration to the Directors or to any other Director and either for one year or any longer or shorter period.
- The Company may repay to any Director all such reasonable expenses as he/she incurs in attending and returning from meetings of the Board of Directors or of Committees of the Board of Directors or general meetings, or which he may otherwise incur in or about the business of the Company or may pay to any Director such allowances as the Directors think proper in respect of such expenses.
- Any Director who serves on any committee or who otherwise performs services which in the opinion of the Directors are outside the scope of the ordinary duties of a director, may in addition to the reimbursement of expenses reasonably incurred by him be paid such extra remuneration by way of professional allowances or incentives as the Directors may determine.
- The Company will procure to have in place appropriate liability insurance for the benefit of the Non-Executive Directors. The liability insurance will be obtained from a reputable insurance provider and will provide adequate coverage limits and scope of protection in line with industry standards. Additionally, Non-Executive Directors will be entitled to indemnification.
- Non-Executive Directors are not eligible for an annual bonus, share incentives, or other benefits applicable for executive directors.
- Fee levels are normally set by reference to the level of fees paid to Independent Non-Executive Directors serving on boards of similarly sized, listed companies, taking into account the size, responsibility and time commitment required of the role. Fees may be reviewed (but not necessarily increased) on an annual basis.

5.2. Remuneration of Executive Directors

- The remuneration for Executive Director/s shall be based on the Executive Director's role and responsibilities as well as their skills, expertise, professional background and prevailing remuneration in the industry.
- Executive Director/s render their services to the Company on the basis of a Services Agreement.
- Service Agreement is entered into for the duration of the Executive Director's appointment and will terminate automatically by operation of law at the end of the term of appointment, without prior notice being required.
- The Board has the authority to negotiate and agree upon contract terms and conditions through the AoA, provided such terms are consistent with the other terms of this Policy.
- The base salary and the other benefits are set for the entire term of the service agreement. The base salary is set at a level that contributes to the remuneration objectives of this Policy.

5.3. Remuneration of Key managerial personnel/ senior management

- The remuneration structure is broadly divided into fixed and variable components. The fixed component comprises salary, allowances, perquisites, Provident Fund etc. The variable component comprises annual performance of the Individual employee and Company's performance as a whole.
- The rating obtained by an employee will be used as an input to determine Variable and Merit Pay increases. Variable and Merit pay increase will be calculated using a combination of individual performance and organizational performance.

5.4. Performance Evaluation.

- Performance evaluation of Executive Directors and CEO shall be carried out by the N & GC.
- The evaluation of rest of KMPs and Senior management shall be as per the extant annual performance evaluation policy of the Company.
- The goals are derived from the Company's vision which is translated to Annual Business Plan. These goals are cascaded to the functional heads /Unit Heads/ Business Heads and from them to the departmental heads, and then to the respective employees in each department. In this manner, the Company's annual business goals are cascaded to all levels in the organization. The employees are rated on the basis of achievements of these goals and also a defined competency framework. The weightages of these depend on the level within the organization.

6. **REVIEW & MONITORING**

The N & GC will from time to time review this Policy, monitor its implementation to ensure its continued effectiveness and compliance with regulatory requirements and good corporate governance practice and makes recommendation on any proposed revisions as may be required to the Board for approval.