

HATTON NATIONAL BANK PLC

POLICY ON REMUNERATION

1. OVERVIEW

The Board of Directors of the Bank has adopted the Policy on Remuneration (the "**Policy**") in conformity with the Listing Rules to provide for the framework for remuneration to Directors and employees of the Bank in accordance with the Companies Act, the Banking Act, the relevant labour laws, the Bank's articles of association and other internal policies and procedures. This document sets forth a summary of such Policy.

Any capitalized term not specifically defined in this Summary will have the meaning therefor set forth in the Policy.

2. PURPOSE

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

3. SCOPE

The scope of the Policy is organization-wide and applies to all employees of the Bank including the MD/CEO, other executive Directors and non-executive members of the Board of Directors.

4. REMUNERATION POLICY FOR EMPLOYEES

4.1 The Policy aligns with the Bank's vision, mission, and strategic business objectives, aimed at ensuring sustainable long-term results. The long-term focus is reflected in the remuneration structures and salary scales applicable to all employee categories and grades within the Bank.

4.2 Employee remuneration will be determined consistently and uniformly across various employment categories, in compliance with relevant laws and regulations.

4.3 All employees must receive adequate compensation for services rendered. Remuneration will consist of a balanced mix of fixed and variable pay, as outlined in section 5 of the Policy.

4.4 Non-executive compensation primarily comprises fixed remuneration and is governed by the collective agreement with the Ceylon Bank Employees Union.

4.5 Annual salary increments will be determined based on the macroeconomic environment, utilizing indicators such as the Colombo Consumers Price Index, New

Colombo Consumers Price Index, Annual Average Inflation, and other relevant economic indicators published by the Central Bank of Sri Lanka.

5. REMUNERATION

5.1 The remuneration structure comprises of,

- (i) Fixed Compensation
- (ii) Variable Compensation
- (iii) Allowances
- (iv) Superannuation

Additional benefits may be granted at the discretion of the Board.

5.2 The Board may periodically introduce equity-based incentive programs to promote long-term shareholder value and support the Bank's achievement of its strategic goals sustainably.

6. REMUNERATION CYCLE

6.1 Employee monthly remuneration comprises of salary, allowances, incentives and overtime compensation.

6.2 Increments are awarded annually for executive grades based on performance. Non-executive increments follow collective agreements and are reviewed every three (3) years. Salary scales and allowances may be adjusted periodically as necessary.

6.3 Performance bonuses for executives are typically paid in specific months.

7. FUND ADMINISTRATION

7.1 The Bank manages the following superannuation funds internally; the Employee Provident Fund, HNB Pension Scheme/Optional Pension Scheme, Widows/Widowers Orphans Pension Fund ("**WWOP**"), and Gratuity Fund.

7.2 Annual accounts are prepared, audited and presented at the annual general meeting of the Bank. All funds also undergo external audits as part of the statutory requirements. Regular actuarial valuations are conducted to ensure the sustainability of the Pension and WWOP funds.

8. INSURANCE AND INDEMNIFICATION

The Bank will provide directors and officers insurance for its Directors and Key Management Personnel, as permitted by the Articles and the Companies Act. If this insurance is insufficient, the Bank may indemnify these individuals for additional

claims, to the extent allowed by law, excluding claims arising from willful misconduct or criminal offenses.

9. PERFORMANCE APPRAISAL

- 9.1 All employees must undergo an annual performance review, measuring their achievements against the Bank's strategic objectives and individual key performance indicators.
- 9.2 The performance of Key Management Personnel will be evaluated according to Board-issued guidelines and Banking Act Directions.

10. NEW RECRUITMENTS

- 10.1 For new recruits, the Bank will ensure that the remuneration package is consistent with the Policy.
- 10.2 In determining the remuneration for a new recruit, the Bank will consider relevant factors, including the candidate's experience, qualifications, and previous compensation.

11. REMUNERATION POLICY FOR NON-EXECUTIVE MEMBERS OF THE BOARD

- 11.1 Non-Executive Directors will receive a fixed monthly retainer for Board participation and related responsibilities, with fees determined based on their experience, expertise, and expected involvement.
- 11.2 Non-Executive Directors serving on Board committees may receive additional remuneration as prescribed by the Human Resources and Remuneration Committee, and for any other roles held within the Bank.
- 11.3 Non-Executive Directors are not eligible for performance-based remuneration. Their fees will align with industry standards, reflecting the complexities of their roles, independent of meeting attendance, with no pension contributions applicable.
- 11.4 The remuneration for Board members and Board committee members will be periodically reviewed based on market conditions.

12. REMUNERATION POLICY FOR EXECUTIVE MEMBERS OF THE BOARD

Remuneration to the Executive Directors will be based on the framework for remuneration applicable to employees as set forth in the Policy.