



HAYCARB PLC

REWARDS AND REMUNERATION POLICY

1. Objectives

This policy details how the organisation's total rewards should be managed with the aim of aligning rewards and remuneration with the organisation's business strategy, objectives, risk tolerance levels, values and long-term interests. The policy drives high performance while precluding excessive risk-taking.

Key objectives of the policy are,

- Drive the achievement of the organisation's strategic aspirations
- Attract, motivate and retain high-performing employees with the right experience and skills
- Promote internal equity through fair and transparent remuneration schemes
- Promote the optimum allocation of resources driving positive outcomes
- Nurture ethical, responsive and responsible corporate citizenry

2. Scope

The policy applies to all entities within the Haycarb Group, including subsidiaries and joint ventures in which we hold a majority interest. It also applies consistently in overseas locations, except where it conflicts with either local statutes or regulations, in which case such directions would apply. Furthermore, if there are other agreements entered to with specific categories of employees regarding compensation and benefits the provisions of such agreements would supersede the provisions in this policy.

3. Remuneration Governance

The Board Remuneration Committee is mandated to govern and provide oversight on all aspects of remuneration and operates in line with defined Terms of Reference, which includes the following:

- Determining the compensation of the Executive Directors and the Members of the Senior Management Team.
- Laying down guidelines and parameters for the compensation structures of all management staff within the Group taking into consideration industry norms.

- Formulating guidelines, policies and parameters for the compensation structures for all Executive staff of the Company.
- Reviewing information related to executive pay from time to time to ensure same is in par with the market/industry rates.
- Recommending annual salary increments and bonuses.

4. Remuneration Principles

- **Transparency:** The policy is accessible to all employees and everyone should have an understanding on the criteria that will be used to determine their remuneration. The performance management process should be documented and available to all employees.
- **Fair and free from discrimination:** Reward and remuneration structures should encourage equity and ethical outcomes, based on objective, job-related criteria.
- **Strategic alignment and performance orientation:** Reward and remuneration structures should motivate employees to deliver high levels of performance and drive the execution of the organisation's strategy while being cognisant of the risk exposures.
- **Market competitiveness:** The guaranteed elements of pay should be positioned at comparable levels established by the peer group of companies while talent dynamics and affordability should be considered in determining remuneration if the organisation positions roles in upper quartiles. The variable elements of remuneration are positioned at par with the peer group.

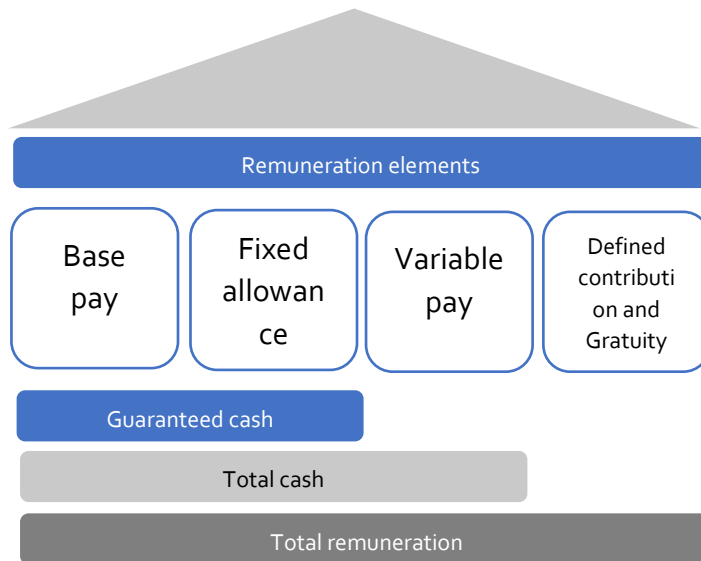
5. Performance Management

The performance management framework aims to align individual and team performance objectives with the organisation's strategic objectives, enabling the translation of strategic priorities into individual and departmental action plans. Key principles of the organisation's performance management framework are as follows:

- Performance management is a key input in determining remuneration, thereby ensuring appropriate differentiation in remuneration based on performance
- Performance objectives comprising a combination of financial, non-financial and competency-based metrics are used to evaluate performance
- The framework is applied consistently to all employees across the Group

6. Remuneration Framework

The organisation's remuneration comprises guaranteed and variable elements, which ensure fair, equitable pay structures that motivate performance. Key elements are set out below:



6.1 Base Pay

Base pay, generally terms as 'salary' reflects the prevailing 'rate for the role' within a job grade/level depending on the competencies and experience of the employee. Jobs with similar duties, responsibilities and requirements are classified under a grade/level, creating a transparent framework for managing roles and determining pay scales. Market comparability also place a key role in determining base pay and benchmarking is conducted against comparable organisations to assess market competitiveness.

6.2 Fixed Allowances

Employees are entitled to a range of allowances including but not limited to traveling depending on the category of employment and the job requirement.

6.3 Variable Pay

Variable pay comprises periodic, or lump-sum pay-outs linked to organisational and individual performance, to drive the achievement of strategic goals. The Annual Bonus is designed to reward and recognize the successful execution of our business strategy each year. Financial and business targets are established during the budgeting process, and bonus levels are determined

by the Remuneration Committee based on performance against these targets. There is no guaranteed bonus or performance incentive in any given year and variable remuneration is determined primarily based on performance.

6.4 Defined contribution and gratuity

Defined contributions-The organisation has in place a defined contribution plan under which the entity contributes 12% and 3% of gross emoluments to employees as Provident Fund and Trust Fund contribution respectively.

Gratuity- Gratuity payments are aligned to the requirements of the Payment of Gratuity Act No. 12 of 1983 with the proportion of monthly salary dependent on the length of service, as given below.

Length of each service (years)	No. of months' salary for completed years of service
Up to 20	$\frac{1}{2}$
20 up to 25	$\frac{3}{4}$
25 up to 30	1
30 up to 35	$1 \frac{1}{4}$
Over 35	$1 \frac{1}{2}$

For employees outside Sri Lanka, defined contributions and defined benefit plans are complied with in accordance with the laws and regulations of the respective countries of employment.

7. Rewards

7.1 Annual package increase

Annual increases in remuneration are primarily guided by market competitiveness. Subsequently, adjustments are also influenced by collective and individual performance, as detailed in the table below. Individual performance evaluations take into consideration performance against defined objectives, competencies and values. This dual approach enables the organisation to align with market standards while recognising and rewarding employee contributions.

7.2 Salary increases in case of Promotions/ Upgrading

Individuals moving to a higher Job Grade because of promotions/ upgrade can be given a salary increment in line with market competitiveness and respective role following the approval of the Human Resources Manager/ Head of Department, Managing Director and Chairman.

7.3 Salary corrections

The Managing Director is entitled to approve any salary corrections for the purpose of rectifying any reward anomalies that may prevail.

7.4 Annual bonus

Overall Sector performance metrics (ROE (Return on Net Assets), CAGR (Compound Annual Growth Rate- Revenue & PAT) & Previous Year Budget Achievement) are used to ascertain the affordability of the annual bonus.

8. Non-Executive Director's Remuneration

All Non-Executive Directors other than Directors who are employed by Haycarb PLC or Hayleys PLC receive a fee for serving on the Board and serving on sub committees. They do not receive any performance related remuneration or employee benefits. The fees of Non-Executive Directors are reviewed annually.

9. Review and revision to this Policy

This policy shall be reviewed and updated at least once every two (2) years by the HR Division. The required updates and modifications shall be recommended to the Managing Director and Chairman and to the Board for approval. All stakeholders shall be informed of any revisions made to this Policy. Haycarb PLC reserves the right to modify/amend the policy at any time.

Effective date of implementation

This policy shall be effective and operative from 1st of October 2024.