

Policy on Remuneration

Co-operative Insurance Company PLC

1. Purpose

This policy establishes a framework for determining and managing remuneration at Co-operative Insurance Company PLC. It ensures fair, competitive, and transparent compensation practices aligned with corporate objectives, shareholder interests, and applicable regulatory requirements, including those of the **Insurance Regulatory Commission of Sri Lanka (IRCSL)** and the **Listing Rules of the Colombo Stock Exchange (CSE)**.

2. Scope

This policy applies to the remuneration of:

- Board of Directors (both executive and non-executive directors).
 - Senior management.
 - Other employees, including performance-linked incentives.
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3. Key Principles

3.1 Fairness and Equity

- Remuneration policies shall ensure fairness and equity across all levels, promoting internal parity while being externally competitive.

3.2 Pay for Performance

- Compensation shall be linked to performance, aligning individual and team achievements with the company's strategic goals.

3.3 Market Competitiveness

- Remuneration packages shall be benchmarked against industry standards to attract and retain talent.

3.4 Risk Alignment

- Incentive structures shall consider risk management practices, ensuring long-term sustainability over short-term gains.

3.5 Compliance

- Remuneration practices shall comply with relevant laws, including IRCSL solvency and governance requirements, tax laws, and CSE rules.
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4. Components of Remuneration

4.1 Fixed Remuneration

- **Directors and Senior Executives:** Competitive base salary reflecting the role's complexity, responsibility, and required expertise.
- **Non-Executive Directors:** Fixed fees commensurate with their time commitment and responsibilities.

4.2 Variable Remuneration

- **Short-Term Incentives (STIs):** Performance bonuses based on annual targets, financial results, and individual contributions.
- **Long-Term Incentives (LTIs):** Equity-based compensation designed to align executive interests with shareholder value.

4.3 Benefits and Perquisites

- Health and life insurance, retirement benefits, and other allowances shall be provided to ensure the well-being of employees.

4.4 Termination Payments

- Severance pay shall be determined by employment contracts and applicable labor laws, ensuring fairness and compliance with regulatory requirements.
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5. Remuneration of the Board of Directors

5.1 Executive Directors

- Compensation shall include fixed salary, STIs, and LTIs, reflecting the director's role in driving company performance.
- Incentives shall be tied to pre-defined key performance indicators (KPIs).

5.2 Non-Executive Directors (NEDs)

- NEDs shall receive fixed fees, with additional compensation for committee memberships or chairing roles.
 - NEDs shall not participate in performance-based incentive schemes to maintain independence.
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6. Remuneration Governance

6.1 Remuneration Committee

The Remuneration Committee, a sub-committee of the Board, is responsible for overseeing and recommending remuneration policies.

Composition:

- Comprise at least three non-executive directors, with the majority being independent.
- Chaired by an independent non-executive director.

Responsibilities:

- Review and recommend the remuneration structure for directors and senior executives.
- Monitor compliance with regulatory and governance standards.
- Ensure alignment of incentive structures with the company's long-term goals.

6.2 Board Oversight

- The Board shall approve the overall remuneration policy and ensure alignment with the company's performance and stakeholder interests.
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7. Performance Evaluation

7.1 Executive Directors and Senior Management

- Performance appraisals shall be conducted annually, considering financial performance, strategic achievements, and risk management.
- KPIs shall include metrics such as profitability, growth, compliance, and ESG initiatives.

7.2 Non-Executive Directors

- Performance shall be evaluated based on attendance, participation, and contributions to Board discussions and decisions.
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8. Disclosure and Transparency

8.1 Annual Report Disclosure

The following remuneration details shall be disclosed in the Annual Report, in compliance with CSE and IRCSL requirements:

- Total remuneration of directors, segregated into fixed and variable components.
- Performance criteria for variable pay.
- Any severance or termination payments made.

8.2 Stakeholder Communication

The company shall maintain transparency in its remuneration policies and engage with shareholders on matters relating to director pay during the Annual General Meeting (AGM).

9. Compliance with Regulations

9.1 Regulatory Framework

The remuneration policy shall comply with:

- IRCSL guidelines on corporate governance and solvency.
- CSE Listing Rules on director and executive remuneration.
- The Companies Act No. 7 of 2007.

9.2 Independent Audits

- The company shall subject its remuneration practices to periodic independent audits to ensure compliance and fairness.

10. Review and Amendments

This policy shall be reviewed annually or whenever significant regulatory or business changes occur. Amendments must be approved by the Board of Directors.

Approved by the Board of Directors