2016

Guidelines on Remuneration Practices

State Bank of Pakistan

Table of Contents

Prologue

Better Corporate Governance is a cornerstone to efficiency and stability of any institution, especially financial services providers. As the Board and senior management of Banks/DFIs carry responsibilities to provide strategic direction, vital business decisions and implementation, it is crucial that they should be made more responsible and accountable for their performance. The remuneration practices of senior management and Board members is one of the very important aspects of overall Corporate Governance framework, as it influences the performance of the institutions, which resultantly impact the returns to ordinary shareholders, depositors and - more importantly - the stability of financial system.

In the aftermath of global financial crisis, the global standard setting and regulatory bodies such as Financial Stability Board (FSB), Basel Committee for Banking Supervision (BCBS), Organisation for Economic Co-operation and Development (OECD) and European Central Bank etc. are increasingly focusing on the strengthening and rationalization of compensation practices in the financial sector. The FSB developed *Principles for Sound Compensation Practices* in 2009[1]. These principles are accompanied by Implementation Standards and were later adopted by Bank for International Settlements (BIS) and BCBS in their instructions and guidelines[2] for national regulators on governance and remuneration practices; and have been made a part of Basel framework through Pillar III disclosure requirements and subsequent amendments in it.

In Pakistan, the issues related to remuneration of Directors and Executives have been addressed in various regulatory instructions. However, there is a need to review and align the overall remuneration related framework with international standards and emerging best practices. Therefore, the Guidelines on Remuneration Practices have been developed to provide banks and DFIs with recommended policy measures and disclosures on their compensation practices.

However, these guidelines should be treated as minimum benchmarks towards better remuneration practices further augmenting corporate governance culture. The Banks and DFIs are encouraged to take additional measures to adopt best practices and guidelines issued by various international standard setting bodies and regulators to supplement the measures recommended in this document.

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[1] FSB Principles of Sound Compensation Practices (April 02, 2009)

[2] International guidelines and standards refer to the various documents related to Remuneration Practices issued by FSB and BCBS under various titles. (www.financialstabilityboard.org)

1. Objective

The objective of these guidelines is to provide guidance to Banks and DFIs to develop fair, transparent and sound compensation policy that is aligned with risks and responsibilities of Financial Intermediation. These guidelines intend to make Directors and senior management more accountable for their governance and performance vis-à-vis determination and payment of compensation. The compensation policy needs to be objective and transparent.

2. Scope of the Guidelines

The Guidelines on Remuneration are applicable to all Banks and are to be applied to members of the Board, Key executives and other senior level employees of the institution.

However, keeping in view the complexities and level of risks, an institution may appropriately apply similar principles to its employees, other than key/senior executives, Material Risk Takers (MRTs) and Risk Control Functions (RCFs), by formally identifying such employees or class of employees and explaining the rationale of such measures in the remuneration policy.

Development Finance Institutions (DFIs) may appropriately comply with the requirements of these guidelines in accordance with their size, nature of business and complexities of operations.

These guidelines are not applicable to those foreign banks which are operating in Pakistan in branch mode. However, they will be required to provide a written confirmation to SBP that FSB and BIS guidelines on remuneration practices or other similar local standards are being fully complied with by their Board and Head offices in their home jurisdictions.

Section-I: Governance of Remuneration Policy

1. Responsibilities of Board of Directors for Remuneration Policy and Mechanism

a) The responsibility of developing and implementing institution-wide policy on remuneration rests with the Board of Directors (BoD). The BoD should ensure that a fair, transparent and competitive remuneration mechanism be developed and put in place that encourages the culture of 'pay for performance'.

b) The Board of Directors may directly approve the compensation and benefits of CEO and other key executives. For this purpose, the Board may devise specific criteria to identify the positions for which it will exercise the powers of directly determining compensation. For the matter of fairness and transparency, these decisions will be recorded in writing with justifications. However, the compensations determined and paid to any official should be in line with the overall compensation policy.

c) The BoD should constitute a Human Resource and Remuneration Committee (keeping in view the complexity, large banks can also form separate committees for 'Human Resource Management' and 'Remuneration' functions).

2. Responsibilities of Board Remuneration Committee

The Board Remuneration Committee (herein after referred to as BRC) should have following responsibilities:

a. The BRC shall be responsible for recommending to the Board, the structure of compensation package of Executive Directors, CEO, Key Executives and any other employee or group of employees institution wide (as required by the BoD). These recommendations will then be approved at appropriate level either by shareholders or by the BoD itself according to legal and regulatory requirements.
b. Ensure that the institution-wide remuneration policy should take into account all cadres of employees. The remuneration policy should specifically take into account the pay-gap between the highest paid and the lowest paid employees, across various levels as well as across the organization. The pay-gap shall be based on the total compensation awarded to the employees and should be maintained at reasonable levels. The institutions should preferably devise a formal policy on pay-gap, which should not allow concentration of the benefits of institution's performance only to top level or certain class or group of employees. The pay structure for all employees should be fair, competitive and encourage performance and motivation.
c. The remuneration policy of the institution may also provide for reasonable levels of compensation for contractual employees of institution and commensurate with their assignments.

d. The BRC will review the remuneration policy and remuneration setting mechanism at least once every three years. Among other factors, the review of remuneration framework may include, but not limited to; a) the effectiveness of remuneration policy and mechanism i.e., whether it is providing the expected outcomes, b) any necessary changes required and c) any unintended consequences. The findings of review and rectification measures shall be presented to the Board for approval.

e. Keeping in view the importance of Risk Control Functions and Material Risk Takers (MRTs), one of the key aspects of remuneration policy would be to develop separate structures of remuneration for these two categories.

   (The Material Risk Takers and Risk Control Functions are described in detail under points 5 and 6, respectively)

f. In devising the Remuneration setting policy and mechanism, the BRC can also seek internal inputs from any other committee of the Board or directly from any department or official of the institution.

g. If so required, the remuneration committee can, seek independent external advice / expert opinion for accomplishment of devising an effective and prudent remuneration framework.

   (Explanation: The external advice should be independent in the manner that no director or employee of the institution shall have any conflict of interest)

3. Composition of Board Remuneration Committee

a) The BRC shall be comprised of independent directors in majority, with chairmanship of an independent director. The executive director of the institution shall not be a member of the committee. However, the executive directors and other senior officials can be invited by the BRC to present information and share their views. These executives will not have any voting rights.

b) The members of the BRC should be suitably qualified and experienced to accomplish the tasks of developing and oversight of remuneration setting policy. The members of BRC should have sufficient understanding of various business units and risk control functions and their significance for the institution's growth and survival, along with the risks emanating from these functions. The nomination criteria for members of BRC shall be decided by the BoD and shall be formally recorded.

4. Performance Assessment and Remuneration for Non-Executive Directors

a) The BoD will also be responsible to develop transparent, measurable, quantitative and qualitative performance measures for the Board, committees and individual directors. The Board shall frequently review its own performance according to performance criteria set by itself. However, the Board may delegate the authority of assessment of performance of Board committees and individual directors, to BRC. However, this delegation of authority will be limited to performance assessment only, within the mandate of BRC. The performance assessment of the Board, its committees and Directors shall be formally recorded.

b) The BoD and BRC may also seek external independent expertise / opinion to develop comprehensive criteria and mechanism to assess its own performance and performance of its committees and individual directors.

c) The non-executive directors should only be compensated in accordance with the instructions laid down in Prudential Regulations issued by the State Bank of Pakistan from time to time.

5. Identification of Material Risk Takers (MRTs)

a) The BoD should identify the products and processes which may pose serious risks to the institution and should also identify the appropriate levels of authorities and decision makers for these products and processes as MRTs. The MRTs should be identified as functions and designations rather than as individuals. The BoD should also clearly identify the functions, authorities and responsibilities of MRTs to remove any confusion and minimize risks arising out of transactions which are not properly reviewed and authorized. The MRTs should have appropriate level of authority and control.

b) For the purpose of these guidelines all Country Heads or principal officers (or by whatever name called) of overseas branches / operations of Pakistani banks will also be included in MRTs Category. Further, all Presidents/CEOs (or by whatever name called) of local and foreign subsidiaries of institutions incorporated in Pakistan shall also be included in the definition of MRTs. In addition to CEOs / Country Heads, the BoD can also identify other officials of subsidiaries and foreign branches and operations as MRTs.

c) For proper assessment of other material risk takers, the BoD should seek inputs from Audit and Risk committees of the Board and / or from other risk control functions.

6. Identification of Risk Control Functions (RCFs)

The Board should also identify functions and processes that are established or need to be established for risk identification and risk mitigation functions. The functions such as Compliance, Audit, Risk Management etc are common example of RCFs, but Board can identify other functions which may fall under this category. More importantly, all RCFs should have suitable autonomy and authority to perform their tasks independently, without influence from the functions they are assigned to review. For the purpose of these guidelines, the appropriate levels of RCF employees should also be identified in remuneration policy.

The identification of MRTs and RCFs should be based on clear and well thought policy and the employees falling under these functions should be communicated about the remuneration policy and the aspects applicable to their role and responsibilities.

(Explanation: In case institution decides to identify specific function of employees or group of employees (e.g. treasury dealers, relationship managers etc.) as MRTs, it is important that the Board should set criteria for identification of such MRTs and provide details on their compensation related matters in remuneration policy.

Section-II Alignment of Compensation with Risks and Business Objectives

1. It must also be ensured that 'Profit Maximization' should not be the only benchmark for determination of salaries and bonuses of the employees. Rather, remuneration policy should give significant importance to the quantum of risks taken to generate profits.

2. The remuneration of all senior management officials and MRTs should be dependent upon the achievement of performance based on risk and reward matrix and qualitative factors such as legal and regulatory compliance and organizational discipline etc. The performance on qualitative factors may override the achievements of quantitative factors.

3. The remuneration policy should clearly identify major types of risks and how these risks are taken into account for determination of risk adjusted compensation. For this purpose, the BRC should closely collaborate with Risk and Audit Committees of the Board and RCFs for inputs on institution-wide risk assessment, risk appetite and risk tolerance which may ultimately lead to development of risk reward matrix / performance matrix in remuneration policy for CEO, Key Executives, other senior officials and MRTs.

4. The compensation mechanism should discourage MRTs from taking excessive risks to gain short term profits resulting in their bonuses or performance awards. In order to control undue risk-taking, the compensations should be adjusted for all types of risks.

5. The compensation policy should be aligned with long term and short term business objectives of the institution.

6. Fixed and guaranteed bonuses are not consistent with the pay for performance and alignment of risks with compensation, hence these types of bonuses should not be allowed under the remuneration policy.

   (Explanation: Bonuses paid to employees for eid, Christmas or similar festive occasions etc. and any other reasonable fixed bonus paid to non-MRTs shall not be subject to this clause, provided this should be based on an objective and consistent criteria)

Section-III Composition and Structure of Remuneration

1. The compensation to be awarded to all Senior Executives including CEO and MRTs, should be composed of variable and fixed components. The mix of cash, equity and other forms of compensation must be consistent with risk alignment. The mix may vary depending on the employee's position and role. The remuneration policy should explain the rationale for the mix recommended for each position.

2. As a part of remuneration mechanism, an appropriate proportion of the amount of variable pay of CEO, Key executives, any other senior officials and MRTs, would need to be withheld / deferred. For this purpose, the remuneration policy should provide for the basis of calculation of deferred pay and deferment period.

3. Compensation payout schedules must be sensitive to the time horizon of risks. For this purpose, the compensation policy may recommend different ranges of variable compensation and time periods of deferred compensation for different risk takers according to the nature and magnitude of risk involved. For CEO, Key Executives and senior level MRTs, it is recommended that the payout period for deferred compensation may not be less than three calendar years.
   (Explanation: The amount thus withheld would be paid proportionately during the deferral period, even if that individual is no more employee of the institution. For this purpose, the remuneration policy should provide for a fair and transparent mechanism for final settlement of withheld / deferred pay)

4. The variable compensation should be linked with the performance of the employees. Bonuses should diminish or disappear in the event of poor performance of division or business unit. Subdued or negative financial performance of the institution should generally lead to a considerable contraction of the institution's total variable compensation taking into account both current compensation and amounts previously earned withheld under deferred pay arrangements.

5. The institutions should not allow their employee(s) to hedge or get insured their remuneration, or provide opportunities in any manner that could undermine the effectiveness of these guidelines.

6. The institutions should ensure that total variable compensation in any specific year does not limit their ability to strengthen their equity base.

Section-IV Independence and Remuneration of Risk Control Functions (RCF's)

1. For the RCFs to operate independently, it is vital that all the employees in these functions have clear line of responsibilities, independent of areas or functions being reviewed by them. In order to ensure their independence, the performance appraisal of RCF staff should not be performed by business or risk taking functions.

2. The compensation of RCF employees should be adequate enough to ensure that their authority may not be undermined; and to attract and retain suitably qualified and experienced staff.

3. The compensation of employees of RCF should not be determined or influenced by the profitability of functions or areas which they review. Hence the compensation setting mechanism should have inbuilt processes to independently assess the performance of RCF employees irrespective of the performance of the area under their review.

4. The compensation of RCF staff should be based on the achievement of the goals and objectives of their respective functions and according to the significance of their functions in the institution. Further, the compensation structure of control function staff should be such that their independence is not compromised or influenced by the functions they oversee.

5. The compensation of RCF staff may also be composed of fixed and variable pay components with fix compensation being the major portion. The compensation of control function employees can also be adversely effected by loss events, where negligence from their functional objectives and responsibilities is identified.

Section-V Effective Oversight of Remuneration Setting Mechanism

1. The internal audit and compliance functions of the institution should review the remuneration policy for any inconsistencies before approval of the BoD. During the implementation phase the internal audit should periodically review the effective implementation of the policy on an ongoing basis.

2. The external auditors during their review of annual accounts should also review and verify the information made available in various statements provided in the prescribed disclosures.

Section-VI: Disclosures requirements for Remuneration.

All Institutions should provide detailed disclosures on remuneration. The minimum required disclosures have been prescribed and are attached as Annexure-A. However, the institutions are encouraged to further enhance their reporting on governance and compensation, in addition to the prescribed disclosures.

Section-VII **Explanations**

a. The terms like, Director, Executive, Key Executive, President / CEO etc. have the same meanings as defined in Prudential Regulations.

b. The Guidelines on Remuneration Practices are meant to supplement the existing Corporate Governance framework of Banks/DFIs. In case of any conflict between these guidelines and existing legal and regulatory instructions on the subject, the legal and regulatory instructions shall prevail.

c. The words 'Remuneration' and 'Compensation' have been used interchangeably in these guidelines and include all fixed and variable salary, emoluments and benefits by whatever name called and also include all cash and non-cash benefits allowed to the officials in lieu of their services rendered to the institution. The items such as Sign-on and Severance payments are also part of remuneration. <u>In addition any amount paid by the institution on behalf of any employee (other than for official purpose; i.e., traveling and lodging etc) shall also be included in the total remuneration</u>. <u>All payments made to the Chairman of the Board and non-executive directors, or on their behalf (except for reasonable re-imbursements of travel and lodging expenses) shall be considered as their remuneration.</u> As the Prudential Regulations allow payment of Fees and allowances to non-executive directors and Chairman, the term remuneration will include fees and allowances for such directors.

d. The term Board Human Resource and Remuneration Committee (BHR&RC) or Board Remuneration Committee (BRC) is used in this document interchangeably for the Board Committee responsible for dealing with institution-wide remuneration matters.

e. Risk Control Functions' (RCFs) primary task is to review and assess the idiosyncratic and systemic risks of processes, products and functions, to determine and recommend the ways to mitigate those risks and to minimize the probability of occurrence of loss events. These functions are not directly involved in business and operations functions of the institution.

f. These guidelines are intended to act as broad outline for institutions to develop their remuneration setting policies and mechanisms.

Glossary

The following terms are clarified for the sake of general understanding and standardization only.

a) **Board :** Board of Directors (BoD) of the institution.

b) **Deferred Remuneration** : The portion of remuneration that is withheld following the end of accrual period.

c) **Fixed Remuneration :** Fixed remuneration is that part of compensation which remains unaffected by the performance of the institution or individual employee. It may include items such as base pay and allowances etc. that are part of total compensation package of employee.

d) **Institution :** For the purpose of these guidelines, the institution shall mean a bank, and a DFI.

e) **Malus :** Prevention of accrual or disbursement of bonus / awards to employees.

f) **Pay Gap :** Difference between average minimum of and maximum remuneration of the institution, based on total remuneration.

g) **Remuneration Framework:** The term Remuneration Framework is used in broader sense and includes remuneration policy, remuneration setting mechanism and pay structure etc.

h) **Severance Allowance:** Severance Allowance (by whatever name called) is a payment made to any employee at the time of his retirement / separation / or termination of contract, over and above his normal retirement / separation / termination benefits or dues (like gratuity, provident fund, pensions etc.). Severance allowance may or may not be part of the employment contract.

i) **Sign-on Payments :** Sign-on Payments/ Joining Bonus (by whatever name called) is any amount paid to any employee, whether in cash or shares etc., as an attraction or incentive to join the offering institution. The payment may be made at the time of joining or later and made in lump-sum or broken down in series of payments.

j) **Variable Remuneration**: Variable remuneration is that part of total compensation package of an employee which is linked with some pre-determined measure of performance / target achievement or profitability etc. Variable component of remuneration means cash bonuses, stock bonuses, awards, other incentive pays or allowances etc.

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Annexure-A

Additional Disclosures on Governance and Remuneration

The institutions should provide additional information on governance and remuneration based on following disclosures, in their annual financial statements and reports thereto.

A. Qualitative Disclosures

The following disclosures should be a part of the institutions' annual financial statements and should be placed at the beginning of the report[3].

1. **Explanation on the Corporate Governance culture and standards followed by the institution, the governance values institution aspires for and steps taken to achieve them.**

2. **Discussion** on the process of nomination and selection of Board members (including executive directors); including,
   a. Process of appointment and nomination of Directors.
   b. Profile of each of the director and advisor including his qualifications, expertise and past work experience along with their status (Executive director, Independent director, Nominee director or Sponsor Director).
   c. Details of Membership on the Board(s) / Shariah Boards of other companies (Table-1)
   d. The Institutions having Shariah Board shall also disclose the details mentioned in (a), (b) and (c) above, for all the members of Shariah Board.

3. **Detailed separate disclosure for each of the Board Committees (containing, at the minimum, following information)**
   a. Composition and membership of each of the Board Committees.
   b. TORs of Board committees. (For Islamic Banks and Banks with Islamic Banking Branches; separate disclosures on Boards' oversight and Committee(s) on Shariah Compliance function (if any) and Shariah Board.
   c. Number of Board and Committee meetings held during the year. (Table -2)
   d. Number of meetings attended by each member of the Board and Committees (Table-2).
   e. Key achievements of Board Committees during the year that institution may like to highlight.
   f. TORs of Shariah Board, number of meetings held and attended by each member. (for institutions required to have Shariah Board)

[3] *(A brief, preferably under a separate heading of 'Corporate Governance' in Chairman's or Directors' Report)*

4. Disclosure related to appointment and scope of work of external expert(s) (if any) for formulation and implementation of remuneration policy and Assessment of Board performance. The Chairman to certify that the experts hired are independent and no conflict of interest exists with any Board member or any key executive.

5. **Disclosure relating to the Remuneration Policy:**
   a. Information on overall remuneration policy of the institution, its key features and objectives and remuneration related governance framework.
   b. Among others, features of total compensation i.e. fixed remuneration as well as various form of variable remuneration offered (cash and stock bonuses, and/ or stock option plans or any other instrument) to employees of institution/DFI.
   c. Factors considered for differentiating the variable pays across employees or group of employees.
   d. A description of the types of employees considered as Material Risk Takers (MRTs).
   e. The ways in which current and future risks and performance are measured when implementing the remuneration measures and the ways remuneration of CEO, senior executives and MRTs are aligned with these risks.
   f. Given the responsibility levels of the key executives in major decisions and that of the Directors in devising overall policy framework, highlight the basis for;
      - the determination of compensations provided to non-executive directors, and
      - remuneration provided to the Shariah Board members and its components,
      - both fixed and variable pay provided to senior executives including CEO and other MRTs.

   g. The report should clearly discuss the basis for payment of bonuses and awards to CEO, senior executives and MRTs.

   h. A discussion on how the institution ensures that Risk Control Function employees are remunerated independently of the functions they oversee.

   i. Explanation of entity’s policy on vesting and deferral of variable remuneration, rationale of the fraction of remuneration being deferred.

   j. A discussion explaining whether an entity has offered Employee Stock Option Scheme (ESOS) to its employees and its salient features along with specific quantitative disclosures of (ESOS) under relevant IAS / IFRS.

Concomitant to the disclosures given in this circular, the institution should ensure adherence to all applicable accounting standards, laws, rules and regulations.

Table – 1

Disclosure on Board of Directors

Sr. No.	Name of Directors	Date of Joining / Leaving the Board	Status of Director (Independent, Non-Executive, Executive)*	Member of Board Committees	Number of other Board Memberships along with name of company(ies)

* As defined in Prudential Regulations for Corporate & Commercial Banking

Table – 2

Directors' Participation in Board and Committee meetings

Sr. No.	Name of Director	Number of Board Meetings Attended	Number of Board committees Attended				
			Name of Board Committee	Name of Board Committee	Name of Board Committee	Name of Board Committee	Name of Board Committee
	Total meetings held						

B. Quantitative Disclosures

Table – 3: This disclosure will replace the existing Disclosure Note No. 39 present in "Revised Forms for Annual Financial Statements" issued vide BSD Circular No.04 dated February 17 2006 as amended from time to time.

Sr. No.	Items	Chairman	Directors		Members Shariah Board	President / CEO	Key Executives	Other MRTs
			Executives (other than CEO)	Non-Executive				
1	Fees and Allowances etc.							
2	Managerial Remuneration							
	i) Fixed							
	ii) Total Variable							
	of which;							
	a) Cash Bonus / Awards							
	b) Bonus & Awards in Shares*							
3	Charge for defined benefit plan							
4	Contribution to defined Contribution Plan							
5	Rent & House Maintenance							
6	Utilities							
7	Medical							
8	Conveyance							
9	Others (such as Leave Fare Assistance, club memberships, children education etc. please specify item-wise)**							
10	**Total (1 - 9)**							
11	Number of Persons							
12	Any Other Perks and Privileges: allowed to above officials should also be disclosed and specified separately.							

Explanations and Guidance for Table-3

- **i.** The terms Directors/ Executive Directors/ Non-Executive Directors, CEO and Key Executives have same meaning as defined in Prudential Regulations (PRs) for Corporate and Commercial Banking. For the purpose of these disclosures Key Executive will also include Executives who have directly reporting line to the President/CEO or BoD or its Committees.

- **ii.** The term MRTs is explained in detail in the 'Guidelines on Remuneration Practices'.

- **iii.** Remuneration to Non-Executive Directors (including Chairman) shall only be paid in accordance with PRs for Corporate and Commercial Banking and all emoluments paid to these persons shall be disclosed under this disclosure. <u>All payments made by the institution to or on behalf of the individuals designated in Table-3 shall be reported. However payments made for official travelling and lodging etc. are not included in remuneration.</u>

- **iv.** *Shares / Stocks awarded as performance bonus or otherwise should be reported here. Shares offered under Employees Stock Option Scheme (ESOS) should be reported under separate note.

- **v.** **Expenses incurred of Rs. 0.5 million or more per annum under any single head / account needs to be disclosed individually.

- **vi.** Based on the actual expenses incurred by the entity, the non-monetary benefits and perquisites provided to the above officials (such as vehicles, residence etc.) should also be added in total compensation.

- **vii.** For the purpose of consolidated financial statement, the same table will be applicable.

- **viii.** For further guidance, please refer to the 'Guidelines on Remuneration Practices.'

Note: This table shall provide comparative information. Therefore, separate tables shall be given for current and previous years.

Table - 3a Remuneration Paid to Directors for Participation in Board and Committee Meetings							
		Meeting Fees and Allowances Paid					Rs. in '000'
			For Board Committees				
Sr. No.	**Name of Director**	**For Board Meetings**	**Name of Board Committee**	**Name of Board Committee**	**Name of Board Committee**	**Name of Board Committee**	**Total Amount Paid**
	Total Amount Paid						

Table 3b - Disclosure of remuneration paid to Shariah Board Members			
			Amount in Rs. '000'
Items	**Chairman**	**Resident Member**	**Non-Resident Member(s)**
a. Meeting Fees and Allowances			
b. Other Heads (please specify)			
c.			
d.			
Total Amount			
Total Number of Persons			

The information in Table –3b shall be provided for current year as well as prior year.

Note: The sum total of amounts at the footing of Table 3a and Item (a) of Table 3b should match with amount mentioned against item No. 1 of Table 3.

Table – 4:				
Details of Total Compensation Paid				
			(Amount in Rs. '000')	
Sr. No.	**Items**		**Current Year**	**Prior year**
1	Fees and Allowances etc.			
2	Managerial Remuneration			
	i) Fixed			
	ii) Variable			
	of which;			
	a) Cash Bonus / Awards etc.			
	b) Bonus & Awards in Shares etc.			
3	Charge for defined benefit plan			
4	Contribution to defined contribution plan			
5	Rent & House Maintenance			
6	Utilities			
7	Medical			
8	Conveyance			
9	Others			
10	**Sub Total (1 - 9)**			
11	Sign-on Bonus	11a) Amount Paid (if any)		
		11b) No. of Persons		
12	Severance Allowance	12a) Amount Paid (if any)		
		12b) No. of Persons		
13	**Grand Total (10+11a+12a)**			

The information in Table –4 shall be provided for current year as well as prior year.

Note. This table will explain the breakup of total compensation paid to all the officials and employees of the Institution, including fees / remuneration paid Shariah Board.

The following items of the note 30 'Administrative Expenses' will be replaced with new terminology '**Total Compensation Expenses'**:

a) Salaries, allowances etc
b) Charge for defined benefit plan
c) Contribution to defined contribution plan &
d) Non-executive directors' fees allowances and other expense.

The above table will be produced as sub-note 30.1 of 'Total Compensation Expenses'. All other sub-notes to **'Administrative Expense'** shall be adjusted in numerical order accordingly. Furthermore, no expenses related to fees, compensation and any allowance should be directly recorded in administrative expense.

The Institutions/DFIs shall continue with the practice of further explaining Charges for Defined Benefits and Contributions Plans and other items of significance under their relevant notes and sub-notes.

C. <u>Disclosures applicable only for CEOs, Key / Senior Executives and MRTs</u>

1. Number of Employees having received a variable pay.
2. Number and total amount of guaranteed bonuses awarded.
3. Number and total amount of sign-on bonuses / awards paid.
4. Number and total amount of severance allowances paid.
5. Details of deferred remuneration;
    - remuneration deferred during the year, paid during the year and outstanding.
    - forms of deferred remuneration i.e., Cash, Shares and others instruments (please specify).
6. Number and total amount of remuneration reduced or withheld through malus (if any).