

## DISCLOSURE ON REMUNERATION FOR YEAR 2013

### INTRODUCTION

In accordance with the "Guideline on a Sound Remuneration System" (the "**Guideline**") issued by the Hong Kong Monetary Authority in March 2010, Industrial and Commercial Bank of China (Asia) Limited (the "**Bank**") has prepared its 2013 arrangement for bonus distribution according to its remuneration policy.

The remuneration policy is applicable to the Bank's employees in Hong Kong and covers all categories of employees including senior management, proprietary traders and dealers, marketing and sales, loan officers, risk management, financial control and compliance personnel.

### GENERAL PRINCIPLES

Remuneration should facilitate the delivery of long term financial stability for the business and promote sound risk management principles. Risk control functions have played a defining role in the remuneration related procedures and decisions of the Bank. The remuneration policy is initiated by Human Resources Department after consultation of the external consultant, the risk controls units including risk management, financial management and compliance prior to submission to the Remuneration Committee and the Board of Directors for approval. The aim of the remuneration policy and the arrangement is to enable the Bank to maintain a fair, equitable and market-competitive remunerative structure for its employees based on the Bank's performance and industry practice, and is designed to encourage employee behaviour that supports the institution's risk tolerance, risk management, business strategies and long-term financial soundness of the Bank. Total bonus is funded based on the Bank's overall performance, after factoring in the financial, non-financial and other long-term strategic measures, as well as risk-adjusted elements. Legacy losses realized (ex post) in the performance year should be taken into consideration to determine the bonus pool created and the deferral payout. All the above factors have no adverse impact on remuneration in 2013. Remunerations and incentives of key risk personnel will be independent of the performance of the business areas they oversee.

### REMUNERATION COMMITTEE

A Remuneration Committee has been set up with specific terms of reference and delegated with the authority and duties which include, amongst others, making recommendations to the board of

directors (the "**Board**") on the Bank's policy and structure for remuneration of all directors, senior management and key personnel of the Bank, determining the specific remuneration packages of all executive directors, senior management and key personnel, and reviewing and approving performance-based remuneration of directors, senior management and key personnel of the Bank by reference to corporate goals and objectives as determined by the Board from time to time. Factors such as business performance of the Bank and emoluments paid by comparable banks will be considered. No director will be involved in deciding his own remuneration. The Remuneration Committee will also review the remuneration policy of other employees.

The terms of reference require that the Remuneration Committee shall comprise not less than 3 independent non-executive directors, constituting more than half of the members of the Committee. Chairman of the Remuneration Committee should also be an independent non-executive director. Currently, members of the Remuneration Committee are Mr. Yuen Kam Ho, George (independent non-executive director), Mr. Wong Yue Chim, Richard (independent non-executive director), Mr. Tsui Yiu Wa, Alec (independent non-executive director), Mr. Wu Hongbo (non-executive director) and Mr. Wu Jie Si (independent non-executive director). Mr. Yuen Kam Ho, George is the chairman of the Remuneration Committee.

During year 2013, the list of staff in the employee categories has been reviewed in the remuneration policy.

## **REMUNERATION STRUCTURE**

The remuneration package is comprised of both fixed and variable incentive-based elements in line with the seniority, role, responsibilities and activities of an employee within the Group.

Fixed remuneration refers to an employee's annual salary (including double pay and pension contributions), while variable cash-based remuneration is awarded based on the employee's performance which aims to advocate the pay-for-performance philosophy and internal equity to encourage the achievements and desirable activities that align with the Bank's risk management framework, long term goals and strategies. Variable remuneration is directly related to performance, and poor performance (including both financial and non-financial factors) will result in a reduction or elimination of variable remuneration.

## **CHIEF EXECUTIVE, SENIOR MANAGEMENT AND KEY PERSONNEL COMPENSATION**

The Remuneration Committee annually reviews the remuneration packages of the Chief Executive, members of the senior management and key personnel. The aggregate payout of the Chief

Executive, senior management and key personnel for 2013 is shown in the section “Remuneration for the Chief Executive Officer, Senior Management and Key Personnel” in accordance with the disclosure requirement of 3.2.3 of the Guideline. In the year 2013, the senior management (10 Persons) of the Bank includes: Chief Executive Officer, Deputy Chief Executives, Chief Financial Officer, Chief Operation Officer, Chief Risk Officer, Assistant Chief Executive (Personal Banking) and Assistant Chief Executive (Risk Management). Key Personnel (7 Persons) includes Head of Global Markets and Trading Department, Co-Head of Global Markets and Trading, Deputy Head of Global Markets and Trading and Chief Traders.

### **DEFERMENT OF VARIABLE REMUNERATION**

The award of variable remuneration to the Chief Executive, members of the senior management, and key personnel is subject to deferral mechanism. The key deferral principles are:

- deferral applies when the amount of performance-based variable remuneration is considered "significant" according to the remuneration policy of the bank;
- deferral amount needs to be "meaningful" according to the remuneration policy of the bank;
- the period of deferred performance-based variable remuneration is no less than 3 years and aligned the nature and risks of business, activities undertaken by the employee and the time frame during which the risks from the activities are likely to be realised.

In addition, the deferral remuneration is subject to forfeiture/claw-back in circumstances where it is later established that any performance measurement for a particular year was based on data which is later proven to have been manifestly misstated, or it is later established that the relevant employee has committed fraud or other malfeasance, or a violation of any regulatory requirements or the Bank's policy or procedures, or there has been a significant financial performance deterioration of the Bank, i.e. financial loss, or significant variation in the economic capital or in the qualitative valuation of risk.

The rationale and justification for any forfeiture/claw-back imposed must be recorded and retained for 7 years.

### **POLICY REVIEW**

The remuneration policy shall be reviewed at intervals to be determined by the Remuneration Committee. The policy shall at minimum be reviewed annually from the effective date.

**REMUNERATION FOR THE CHIEF EXECUTIVE, SENIOR MANAGEMENT AND KEY PERSONNEL**

Pursuant to CG-5 Guideline on a Sound Remuneration System issued by the Hong Kong Monetary Authority, details of the remuneration for the Chief Executive, Senior Management and Key Personnel of the Group for the year are as follows:

A) Remuneration awarded for the year

(i) Chief Executive & Senior Management

Year	2013	2012
No. of beneficiaries	10	8
Year	2013	2012
	HK\$'000	HK\$'000
Fixed remuneration	22,182	16,816
Variable remuneration		
- Cash	7,983	6,269
Deferred remuneration		
-Unvested		
-Cash	2,850	1,668
<b>Total</b>	<b>33,015</b>	<b>24,753</b>
Deferred remuneration		
Balance b/f	2,767	1,649
-Awarded	2,850	1,668
-Paid Out (previous years deferred remuneration)	(1,105)	(550)
-Forfeited	0	0
<b>Balance c/f</b>	<b>4,512</b>	<b>2,767</b>

(ii) Key Personnel

Year	2013	2012
No. of beneficiaries	7	5
Year	2013	2012
	HK\$'000	HK\$'000
Fixed remuneration	8,881	4,853
Variable remuneration		
- Cash	2,062	481
Deferred remuneration		
-Unvested		
- Cash	0	0
<b>Total</b>	<b>10,943</b>	<b>5,334</b>
Deferred remuneration		
Balance b/f	111	166
-Awarded	0	0
-Paid Out (previous years deferred remuneration)	(55)	(55)
-Forfeited	0	0
<b>Balance c/f</b>	<b>56</b>	<b>111</b>

Fixed remuneration included employee's annual salary, double pay and pension contributions.

Variable remuneration comprised of cash bonus payment only.

Deferred remuneration comprised cash bonus depend on pre-defined vesting, service and/or performance conditions. If certain conditions are not fulfilled during the vested period, all or part of the unvested portion of the deferred remuneration should be foregone.

No guaranteed or sign-on bonus and severance payments were awarded or made to the Chief Executive, senior management and key personnel in 2012 and 2013.