

ICBC (Asia)'s Remuneration Policy

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 2010 arrangement for bonus distribution and is in the process of revising its remuneration policy.

The remuneration policy 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

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.

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) and Mr. Hu Hao (non-executive director). Mr. Yuen Kam Ho, George is the chairman of the Remuneration Committee.

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 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 2010 is shown in **Appendix** in accordance with the disclosure requirement of 3.2.3 of the Guideline.

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";
- deferral amount needs to be "meaningful";
- 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 timeframe 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.

Appendix

(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 during the year are as follows:

	2010	2009
No. of beneficiaries	12	9
	2010	2009
	HK\$'000	HK\$'000
Fixed remuneration	24,536	24,447
Variable remuneration		
- Cash	6,597	9,093
Deferred remuneration		
- Cash	0	-
	<u>31,133</u>	<u>33,540</u>

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 sign-on and severance payments were awarded or made to the Chief Executive, senior management and key personnel in 2010 and 2009.