

Background

ICBC's Remuneration Policy (the Policy) recognises the need to attract, motivate and retain high-calibre staff necessary to obtain business results. The Policy operates in the context of ICBC's business goals and the Bank's other people policies. It aims to ensure remuneration practices are fair and consistent with the Bank's view on equality and diversity. The Bank implements and maintains remuneration policies, procedures and practices that are consistent with and promote sound and effective risk management. ICBC also has procedures that set out the means by which the Policy will be implemented including those relating to recruitment, retention and motivation.

The Policy and related procedures ensures that there is a link between remuneration, strategy, objectives, values and long term interests by:

- Cascading the Bank's strategy, goals and objectives as part of the annual appraisal process
- Incorporating these goals and objectives into KPIs and objectives, including timescales for completion, through discussions with Senior Managers, Heads of Departments and individuals.
- Assessment of performance against these measures through the annual appraisal process
- Making decisions on salary reviews and bonus awards that reflect the degree to which performance measures have been met

KPIs are subject to review by the Parent Bank thus ensuring a strong link to global strategy.

Governance

ICBC is committed to high standards of corporate governance, business integrity and professionalism in all its activities.

In setting remuneration policy, the Board of Directors recognises its role in ensuring remuneration arrangements are structured in order to promote an effective risk management culture aligned with the Bank's business strategy, objectives and long terms interests. This is balanced with the need to recruit and motivate suitably experienced staff with competitive pay and benefits comparable to similar organisations in the market place.

The Board is responsible for approving and maintaining the Policy. The Board takes into account inputs from the Risk and ALM Department, Human Resources, Compliance, and Financial Control. As a result these functions are involved in the design of the Policy. The Board will consider information affecting remuneration throughout the year and will ensure remuneration policies, practices and procedures are clear and documented, including the performance appraisal process and decisions.

Remuneration of Material Risk Takers

ICBC maintains a record of all Remuneration Code Staff which is reviewed and agreed annually by the Board. Code Staff are categorised by certain qualitative and quantitative criteria as defined by CRD IV.2. Risk Management and risk tolerance. All Code Staff are informed of their status and the implications of this.

ICBC aims to align the personal objectives of staff with the long term interests of the Bank, therefore promoting effective risk management that does not encourage risk taking beyond levels tolerated by the Bank. The Board works closely with the risk function of the Bank to evaluate the incentives created by remuneration decisions.

Conflicts of interest

The Bank's KPI framework ensures that a balanced approach towards expected levels of performance is achieved by setting both financial and non financial KPIs:

- Financial KPIs – Profitability, Sustainability, Risk Control
- Non Financial KPIs – Customer Structure and business structure development, Corresponding Bank Business, Compliance and Risk Management

The annual assessment of whether departmental KPIs have been met, and therefore determine remuneration decisions, provides the opportunity for Compliance & Legal, Internal Audit and Risk departments to influence this assessment.

The Bank's compliance, internal audit and risk management monitoring activities are overseen by various committees, members of which include Board representatives. As a result, those involved in promoting sound and effective risk management are also involved in remuneration decisions.

The Board

The Board reviews the general principles of this Policy on an annual basis, and is responsible for its implementation. The policy and its implementation are also subject to an annual independent review by Internal Audit, who will provide a summary of their report to the Board. The Board exercises competent and independent judgement on remuneration policies and the incentives created for managing risk, capital and liquidity and will integrate the Parent's governance process. The Board approves and oversees the remuneration of senior executives and staff members that receive the highest amounts of total remuneration within the Bank.

Control functions

ICBC ensures all those engaged in control functions ie Compliance and Legal, Risk &ALM Internal Audit and Financial Control, are independent from the business units they oversee; they have appropriate authority and are remunerated in accordance with the achievements of the objectives linked to their functions. The remuneration of the Heads of those departments is directly overseen by the Board.

ICBC's Control Functions contribute to the development of policies and procedures that govern remuneration to ensure that due regard is paid to managing conflicts of interest and management of risk within the business. These factors must also be considered when remunerating staff and senior management.

Remuneration and capital

The Bank will ensure that total variable remuneration does not limit the firm's ability to strengthen its capital base.

Profit based measurement and risk adjustment

ICBC's assessment of financial performance used to calculate variable remuneration is not based principally on profits but also reflects the Treating Customers Fairly (TCF) principles and conduct risks. Variable remuneration will be contracted where negative financial performance of the Bank occurs or if TCF and conduct principles and compliance with policy have not been met. The Board will select appropriate risk-adjustment measures along with checks and balances to prevent against manipulation, for measuring the full range of current and future risks, potential future (risk-adjusted) profits and the cost and quantity of required capital and liquidity when calculating variable remuneration. At least 20% of individual variable remuneration takes account of Conduct Risk issues.

Remuneration structures

ICBC ensures that the structure of its employee's remuneration is consistent with and promotes effective risk management and employees are rewarded adequately according to competitive market levels. ICBC sets the fixed component of remuneration to represent a sufficiently high proportion of the total remuneration to allow the operation of a fully flexible policy on variable remuneration components

Fixed components of remuneration represent base salary and non cash benefits, including pension and other benefits in kind. Pension arrangements are in the form of a Group Personal Pension scheme with fixed monthly employer contribution with the facility for employee contributions. No discretionary pension benefits are paid to staff.

Fixed remuneration is determined on the basis of the role and position of the individual employee, including professional experience, responsibility, job complexity and local market conditions.

The variable component of remuneration is in the form of an annual discretionary bonus. Bonus is performance related and is based on a combination of the assessment of the performance of the individual, the business unit concerned and the overall results of ICBC. Variable remuneration, in most circumstances will not exceed 50% of fixed components.

ICBC takes into account financial and non-financial criteria when assessing performance. Non financial performance metrics form a significant part of the performance assessment process and includes effective adherence to effective risk management and compliance with the regulatory system. Behaviours that pose a risk to the Banks values/goals can override assessments of financial performance. The assessment of performance considers longer term performance and considers the underlying business cycle and risks of the firm and that TCF/conduct principles have been applied.

ICBC does not pay guaranteed variable remuneration and in accordance with its Policy payments are made to reflect performance and personal objectives achieved. Particular rules relate to the variable remuneration of Code Staff as per FCA Remuneration Code guidelines. The Bank ensures that any termination payments do not reward underperformance or misconduct.

Aggregate quantitative information for the ended 31 December 2016

Units in USD*

Business area	Remuneration
Senior Management (Board and ExCo)	\$1,304,083
Sales, Trading and Risk	\$2,737,947
Central Support	\$496,336
Total Code Staff	4,538,366

* 1GBP = 1.3551 USD for 2016 (Average rate)

Disclosure

The regulators' Remuneration Code requires that a disclosure is made and the Bank will do this with its Pillar 3 disclosures.