

Background

The 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 (London) plc's business goals and the Bank's other people policies. The Policy applies equally to the Bank's expatriate employees on secondment from China and employees recruited in the UK. All staff are treated equally in respect of remuneration decisions, regardless of whether an employee is an expatriate from China or a local member of staff. The Policy 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. The Bank's Remuneration Procedures set out the means by which this Policy will be implemented including those relating to Risk Adjustment Remuneration decisions, Recruitment, Retention and Motivation.

Under the FCA/PRA rules the Bank qualifies as a Level 3 firm. This enables the Bank to disapply the following rules relating to guaranteed variable remuneration (SYSC 19D.3.44R), retained shares or other instruments (SYSC 19D.3.56R), deferral (SYSC 19D.3.59R) and performance adjustment (SYSC 19D.3.61R). A Service Level Agreement (SLA) exists between the Subsidiary and the Branch and therefore remuneration management for the Branch is outsourced to the Subsidiary.

Scope

The policy applies to all staff and directors of ICBC (London) plc. It takes into consideration equal opportunities legislation and statutory duties.

Governance

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

In setting remuneration policy, the Board of Directors ('The Board') 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, and ensure the expatriate ("expat") remuneration package is in line with Head Office policy and also in accordance with local regulatory requirements.

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 & Legal, 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.

Policy details

1. Code Staff

The Bank will maintain a record of all Remuneration Code Staff to be reviewed and agreed annually by the Board, who will take steps to ensure Code Staff understand the implications of their status. This record is maintained by the HR & Administration Department. Code Staff are categorised by certain qualitative and quantitative criteria as defined by CRD IV. All Code Staff are informed of their status and implications and are invited to raise any questions with Compliance & Legal or HR. See appendices for further details on Code Staff communications.

2. Senior Managers and Certification Staff

The Bank will maintain a record of all employees who are covered by the Senior Managers and Certification Regime. This record is maintained by the HR & Administration Department. Certification Staff are issued with an annual Certificate to confirm their fitness, propriety and competence and are reminded of their obligations in maintaining this status. See appendices for further details.

2. Risk Management and Risk Tolerance

The Bank currently has a straight forward business model and as such the Policy 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.

3. Supporting business strategy

The Policy is designed to be in line with business strategy, objectives and long term interests of the Bank. Staff carry out the type of business our strategy confirms the Bank should be engaged in. The Bank ensures the contribution of staff in achieving the strategic goals of the organisation is recognised.

4. Conflicts of interest

The annual KPI framework, as referred to in the Remuneration Procedures, sets out a balanced approach towards expected levels of performance:

- A Financial KPIs – Profitability, Sustainability, Risk Control
- B 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 which therefore determines remuneration decisions, provides the opportunity for Compliance & Legal, Internal Audit and Risk & ALM departments to influence this assessment. These departments use data from their regular audit processes, which are embedded into the Bank's compliance and risk management culture, to assess the performance of departments in these areas. Any negative assessments will result in points being deducted from a department's score against achievement of KPIs.

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.

5. The Board

The Board will review 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.

6. Control functions

The Bank will ensure all engaged in control functions i.e. 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.

The Bank'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.

The performance of both ICBC London Branch and ICBC (London) plc are built into the assessment and incentive mechanisms for both senior management and all staff.

7. Remuneration and capital

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

8. Profit based measurement and risk adjustment

Assessments of financial performance used to calculate variable remuneration should not be based principally on profits but should also reflect the Treating Customers Fairly (TCF) principles and conduct risks. This will be based on the individual performance targets set for the Subsidiary and the Branch. Therefore failure to meet the targets of one entity will impact the final variable remuneration given as a whole. 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 remuneration takes account of Conduct Risk issues.

9. Pension policy

The Bank operates a Group Personal Pension scheme with fixed monthly employer contribution with the facility for employee contributions. The London Group Personal Pension scheme is not applicable to expatriates. No discretionary pension benefits are paid to staff.

10. Personal investment strategies

Employees must not use hedging strategies or remuneration or liability related insurance to undermine the risk alignment effects imbedded in the Banks remuneration arrangements. Employees are advised of their obligations through various policies that are communicated on commencing and during employment such as the Staff Handbook and Code of Conduct. The consequences of non-compliance are also communicated through the Staff Handbook and Contract of Employment.

11. Avoidance of the Regulators' Remuneration Code

Variable remuneration will not be paid through vehicles or methods that facilitate the avoidance of the regulators' Remuneration Code.

12. Remuneration structures

The Bank ensures that the structure of an employee's remuneration is consistent with and promotes effective risk management and staff are rewarded adequately according to competitive market levels. The Bank 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. Variable remuneration, in most circumstances will not exceed 65% of fixed components.

Fixed components of remuneration represent base salary and non cash benefits, including pension and other benefits in kind. 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 the Bank.

In line with Head Office's remuneration policy, a certain percentage of total annual bonus awarded to expat senior management is deferred over a consecutive three year period, subject to the performance of the bank.

When assessing performance, financial and non-financial criteria are taken into account. 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.

The Bank does not pay guaranteed variable remuneration and in accordance with the 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.

Individual performance is assessed formally on an annual basis and takes account of the results of 360 degree feedback, performance against the Bank's competencies, achievement of objectives, ongoing fitness and propriety and completion of mandatory training. The performance rating scale is expressed in terms of Exceptional, Exceeds Expectations, Meets Expectations, Partially Meets Expectations and Does Not Meet Expectations. An individual's overall assessment will therefore reflect good and poor conduct. The overall assessment will also inform decisions made on their fixed and variable remuneration.

13. Personal Objectives

When setting personal objectives line managers must work in conjunction with HR to ensure that in particular sales targets are not overly aggressive that will encourage the behaviour of the individual not to follow the TCF principles and manners of good conduct. Targets set should also include an assessment of other behaviours such as the management of risks, compliance with policy and that TCF/conduct principles have been applied.

14. Disclosure

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

15. Other

The Board will ensure that payments related to the early termination of a contract reflect performance achieved over time.

Audit and Review

Internal audit must review the Policy and procedures surrounding Remuneration annually.