

China Merchants Bank Luxembourg Branch Remuneration Policy

The China Merchants Bank Luxembourg Branch's ("the Branch") Remuneration Policy complies with the regulation requirements in terms of remuneration policy and principles, and it has been defined about the following key points:

1. Basis for the application of the proportionality principle

The application of the proportionality principle may lead to the neutralization of some remuneration policy requirements. These requirements relate to:

- pay-out of part of the variable remuneration in instruments;
- retention policy;
- deferral of part of the variable remuneration;
- ex post incorporation of risk;
- establishment of a remuneration committee.

Notwithstanding the proportionality principle, the Branch shall be committed to the implementation of sound remuneration practices that prevent excessive risk taking.

2. Responsibilities

Define the responsibility of the CMB Head Office, the Authorised Management, the Chief Executive Officer, the Internal control functions and Human Resources and Administration Department.

3. Define Remuneration structure

The Branch offers Remuneration packages based on the following components:

- Fixed Remuneration components;
- Variable Remuneration components.

4. The principle for fixed remuneration.

The fixed remuneration is the portion of the total remuneration received in cash on a periodic basis. It remunerates the competences of the member of staff and is guaranteed irrespective of their performance. It is defined based on (i) job complexity and responsibility, (ii) local market conditions and (iii) so as to allow for a fully flexible variable remuneration policy.

5. The principle for variable remuneration.

The variable remuneration is paid only if it is sustainable according to the financial situation of the Branch as a whole, and justified on the basis of the performance of the Branch, the business unit and the individual concerned.

The allocation of the variable remuneration at the individual level should base on the following relevant criteria:

- Consolidated result of CMB Group as a whole;
- Results at CMB Luxembourg branch level;
- Performance at department level; and
- Performance evaluation at the individual level.

6. Determination of the Material Risk Taker.

The Branch performs, at least on an annual basis, a detailed analysis in order to identify its staff members whose professional activities have a material impact on the Branch's risk profile (hereafter referred to as the "Material Risk Taker") on qualitative and quantitative criteria. The Branch applies the guidance provided by the EBA when determining its "Material Risk Taker" and recommended to Authorised Management to approve.

7. Documentation and record keeping

Ensuring the preparation, evaluation and decision of Remuneration Policy is well documented.