

China Construction Bank Corporation Sydney Branch - CPS 511 Remuneration Disclosure

For the period 1 January 2024 to 31 December 2024

Introduction

China Construction Bank Corporation Sydney Branch (**Branch**) is a branch of a foreign authorised deposit taking institution (**ADI**) regulated by the Australian Prudential Regulation Authority (**APRA**). The Branch is subject to remuneration requirements under Prudential Standard CPS 511 Remuneration (**CPS 511**).

The Branch is a non-Significant Financial Institution (**non-SFI**) for the purposes of CPS 511. This document has been prepared by the Branch in accordance with the remuneration disclosure requirements under CPS 511 that apply to the Branch as a non-SFI. The information in this disclosure is for the period 1 January 2024 to 31 December 2024.

Governance of Remuneration arrangements for CCBC

The Board of China Construction Bank Corporation

The Board of directors of China Construction Bank Corporation (**CCB Board**) is ultimately responsible for the governance of the Branch including remuneration governance. The CCB Board meets regularly and generally no less than six times a year.

Senior Officer Outside Australia

The CCB Board has nominated a Senior Officer Outside Australia (**SOOA**) to oversee the operations of the Branch in Australia. The responsibilities of SOOA include approving the Branch's remuneration policy on behalf of the CCB Board and overseeing arrangements of the Branch's Australian business.

The SOOA, in consultation with CCBC Head Office is responsible for:

- approving changes to the Branch's Remuneration Policy and conducting regular reviews of the Remuneration Policy including a review of its effectiveness and compliance with CPS 511 and the Financial Accountability Regime;
- reviewing and making annual decisions in respect of the remuneration arrangements and variable remuneration outcomes of the expatriate Branch Management; and
- adjusting variable remuneration payments downwards, to zero if appropriate, in relation to relevant persons or classes of persons as required by law, regulations or CPS 511.

General Manager (Sydney Branch)

The General Manager of the Sydney Branch is responsible for overseeing the business operations of CCBC in Australia. The General Manager is responsible for reviewing and making annual decisions in respect of the remuneration arrangements and variable remuneration outcomes of the local Branch Management members, the Chief Risk Officer and other Sydney Branch employees who have a substantial impact on the Branch's risk control.

Branch Management

Branch Management of CCBC meet regularly to conduct business and manage the Australian based business of CCBC.

The CCB Board, the SOOA and Branch Management have free and unfettered access to all CCBC Risk and Financial Control Personnel and any other parties (internal or external) as required, to assist them in undertaking their responsibilities.

Design and Structure of Remuneration Framework

The Remuneration Policy is reviewed by Branch Management on an annual basis to ensure the Remuneration Policy continues to:

- align with the business plan, strategic objectives and risk management framework of the Branch;
- promotes the effective management of both financial and non-financial risks, sustainable performance and long-term soundness of the Branch; and
- supports the prevention and mitigation of conduct risk.

Branch Management is responsible for completing the performance assessment process and ensuring the process aligns with the Branch's business plan, strategic objectives and risk. In accordance with the Remuneration Policy, the performance assessment will promote the effective management of both financial and non-financial risks, sustainable performance and long-term soundness and supports the prevention and mitigation of conduct risk.

Annual assessment of performance and remuneration

The CCBC Head Office reviews and approves the variable remuneration for the SOOA which relates to the work they have performed for CCBC in Australia.

The SOOA in consultation with the CCBC Head Office Human Resource Department approves the variable remuneration outcomes for expatriate Branch Management.

The General Manager Sydney Branch approves the variable remuneration for local Branch Management, the Chief Risk Officer, Material Risk Takers and all other eligible local and expatriate employees.

"Accountable Person" means a person designated as an Accountable Person of the Branch for the purposes of the *Financial Accountability Regime Act 2024* (Cth) or any successor legislation and would include Senior Managers.

"Highly Paid Material Risk Taker" means a Material Risk Taker whose total fixed remuneration (including salary, superannuation, allowances and benefits) plus actual variable remuneration is equal to or greater than AUD \$1 million in a financial year.

"Material Risk Taker" means a person whose activities have a material potential impact on the Branch's risk profile, performance and long-term soundness.

"Risk and Financial Control Personnel" means a person whose primary role is in risk management, compliance, internal audit or financial control.

Once the outcomes of all staff performance appraisals are completed, any staff eligible for Variable Remuneration are nominated by their respective managers and their performance appraisal is provided to HREO who assesses the individual's performance against the Variable Remuneration measures. The assessment incorporates a number of financial and non-financial factors including achievement of KPIs and achievement of or above a certain rating in an employee's annual performance review.

Branch Management approves the variable remuneration for all other employees at the Branch and before awarding any variable remuneration payments will consider whether there are any material risk management considerations such as breaches, misconduct or significant customer complaints within their responsible business units before making a recommendation that an employee is eligible for the recommended bonus amount.

Remuneration arrangements

Fixed Remuneration

All Branch employees are paid fixed remuneration plus superannuation guarantee contribution. The fixed remuneration component is determined by the nature of the role (such as complexity of the role, specific skill requirement and the number of responsibilities) and the market salary guide for similar roles.

Fixed remuneration consists of base annual salary, which includes cash and salary sacrifice items. Superannuation is paid in addition to fixed remuneration arrangements for employees. Fixed remuneration and benefits are reviewed annually in the context of business performance, internal relativities, Australian employment law requirements and market practice.

CCBC offers salary sacrifice options in the form of:

- superannuation, employees may request the Branch sacrifice a portion of their fixed and/or variable remuneration into their nominated superannuation fund; and
- novated leasing, employees must request to enter into a novated leasing arrangement.

Variable Remuneration

Variable remuneration is paid on a totally discretionary basis and is linked to CCBC's business performance, which is reflected through its overall key performance indicator, with no contractual obligation to the employees.

Variable remuneration consists of an annual performance-based cash bonus designed to reward performance and other variable awards. Subject to the terms and conditions of the Branch's Remuneration Policy, variable remuneration is available to all CCBC employees that meet the eligibility criteria. All variable remuneration is offered as a short-term cash incentive. CCBC does not offer long-term incentives such as shares or share options to Australian employees.

An employee's annual performance-based bonus is determined on a discretionary basis according to an overall assessment of their performance against set objectives, including risk performance. The criteria for assessing Variable Remuneration is set out in detail in the Branch's Remuneration Policy. In addition to measuring what has been achieved, there are additional considerations which support the overall assessment of performance, such as Risk Culture awareness. The maximum any employee may receive through variable remuneration arrangements is 12 months' salary.

CCBC also offers certain discretionary benefits to its employees typically on a non-ongoing basis. Discretionary benefits are paid in the form of one-off cash payments in certain circumstances such as successfully referring a potential candidate for employment. These payments may be subject to separate internal policies and can be changed or withdrawn at any time.

Expatriate remuneration

Expatriates of the Branch are the employees who are employed by CCB Head Office or a domestic branch in China and working in Australia temporarily. In addition to fixed base pay, expatriate employees receive a variable pre-paid bonus plus various mobility benefits and allowances. All of these arrangements are subject to the Head Office Expatriate Remuneration Policy and both Head Office and Branch policies and procedures. Expatriate employees must perform within the risk appetite parameters of the Branch. The variable pre-paid bonus is subject to vesting arrangements and is adjusted the following year based on an employee's performance assessment outcomes.

Remuneration Policy

Alignment with performance

The Branch's Remuneration Policy is designed to align to the Branch's business plan, strategic business goals and objectives and risk management framework. The Remuneration Policy promotes the effective management of both financial and non-financial risks, sustainable performance and long-term soundness and supporting the prevention and mitigation of conduct risk.

Application

The Branch's Remuneration Policy applies to:

1. all individuals employed by CCBC;
2. individuals retained directly by CCBC under contract; and
3. any person employed by or is a contractor of a body corporate (including service company) that is a related body corporate or connected entity of CCBC.

Variable remuneration for Accountable Persons

In accordance with its regulatory obligations the Branch must defer at least 40% of the deferred variable remuneration of all the Branch's Accountable Persons for a minimum of four years if the amount of that variable remuneration is greater than AUD \$50,000. If the deferred amount of the variable remuneration is less than AUD\$50,000 the deferral will not apply.

Expatriate Branch Management and the SOOA

In accordance with the CCBC Head Office Policy deferred remuneration obligations apply to expatriate Branch Management, and the SOOA regardless of the amount. Typically, the departure of an employee from CCBC does not trigger early payout of deferred variable remuneration that is still within the deferral period.

Variable remuneration for Highly Paid Material Risk Takers

For Highly Paid Material Risk Takers, the Branch will defer a minimum of 40% of their deferred variable remuneration for a minimum period of four years, vesting no faster than on a pro-rata basis and only after four years. If a Highly Paid Material Risk Taker's deferred variable remuneration is less than AUD \$50,000 in a financial year no deferral is required. As at the date of this Remuneration Disclosure, the Branch does not currently have any Highly Paid Material Risk Takers.

Consequence management

The Branch applies appropriate measures to adjust variable remuneration in response to adverse risk and conduct events. The Branch will consider the application of a variable remuneration adjustment tools when any of the following events occur:

- misconduct leading to significant adverse outcomes;
- a significant failure of financial or non-financial risk management
- a significant failure or breach of accountability, fitness and propriety, or compliance obligations;
- a significant error or a significant misstatement of criteria on which the variable remuneration determination was based;
- significant adverse outcomes for customers, beneficiaries or counterparties;
- to protect the financial soundness of the Branch or CCBC;
- respond to significant unexpected events or unintended outcomes; and
- to comply with applicable law, regulations, prudential standards and any prudential guidelines.

Vesting of awards will be delayed if a participant is under investigation for a matter which may amount to an adverse risk or conduct event specified above.

The amount of downward adjustment and the adjustment tools are guided by the adjustment guidelines and consequence management framework established by the Branch. Any use of downward adjustment and how the amount of downward adjustment is calculated must be proportionate to the severity of the adverse risk or conduct event.

If an Accountable Person does not comply with their accountability obligations the Branch will be required to reduce their variable remuneration by an amount proportionate to that failure. This may be a reduction to zero. This can include a reduction in remuneration payable for a year other than the year in which the non-compliance occurred.

Variable remuneration may also be reduced if it is unvested and is subject to clawback, including in circumstances where the person is deregistered or disqualified as an Accountable Person and has not complied with their accountability obligations.

The Branch has a register of deferred variable remuneration to record and implement any deferred variable remuneration for Accountable Persons. Potential outcomes for downward adjustment include reduction in the employee's eligible remuneration to zero. In certain circumstances the variable remuneration paid to Highly Paid Material Risk Takers and Accountable Persons in the last two years may be subject to clawback.