

Summary of the CIMB Group Remuneration Policy

Remuneration Policy

The CIMB Group Remuneration Policy, which has been reviewed by the GCRC and approved by the Board, applies to all subsidiaries and overseas offices within CIMB and acts as a guiding principle in relation to the design and management of our remuneration programmes. Three key principles of CIMB's Remuneration Policy are as follows:

Principle	Purpose	Approach
Strong governance	To ensure strong and independent oversight of the remuneration system	<ul style="list-style-type: none"> Oversight and review by GCRC and GNRC Guided by input from control functions, Audit Committees and Board Risk Committees
Appropriate assessment of performance	To support a performance based culture which promotes prudent risk-taking and long-term sustainability	<ul style="list-style-type: none"> Performance measurement through balanced scorecard which includes both financial and non-financial goals, short-term and long-term perspectives and incorporates measures related to risk, compliance and process controls Use of risk-adjusted performance measures i.e. risk-adjusted return on capital (RAROC) and economic profit Deferral and clawback arrangements in variable remuneration schemes
Market competitiveness	To offer rewards that allow CIMB to attract, motivate and retain the right talent	<ul style="list-style-type: none"> Benchmarking against similar organisations in the geographies and industries in which we operate

Components of Remuneration

Employee remuneration is composed of two main components – fixed and variable:

Principle	Purpose	Approach
Fixed	Consists of base salary and fixed allowances	<ul style="list-style-type: none"> Determined based on skills, competencies, responsibilities and performance of the employee, taking into consideration market competitive levels.
Variable	Payable annually through cash bonus and shares (through participation in the Equity Ownership Plan, described below)	<ul style="list-style-type: none"> Purpose of motivating, rewarding and retaining high-performing employees who generate shareholder value and contribute to the success of the Group. Performance-based and not guaranteed, reflecting the individual employee's performance, and business unit or function performance as well as the Group's results. Portions of cash bonus may be subject to deferral over 6 to 9 months. Based on a selection criteria, shares may be awarded to employees through participation in the Group's Equity Ownership Plan, where the value of award ranges from 20% to 60% of variable remuneration.

The Equity Ownership Plan serves as the Group's share-based long-term incentive plan, with the intent of:

- aligning the interests of key personnel to that of shareholders;
- mitigating a short-term mindset and cultivating a focus towards long-term sustainability; and
- retaining key personnel with the Group.

Shares under the plan are released progressively to the participants over three years.

Any deferred variable remuneration (cash bonus and/or EOP shares) that has not been paid to or vested to the employee is subject to forfeiture or adjustment in the event of:

- Resignation or cessation of employment with the Group
- Misconduct
- Material restatement of financial results

Measurement of Performance

The Group's performance is determined in accordance with a balanced scorecard which includes key measures on profitability, cost, capital, shareholders' return, medium to long-term strategic initiatives, as well as risk, audit and compliance positions. CIMB currently tracks two risk-adjusted performance measures –risk-adjusted return on capital (RAROC) and economic profit, which are adopted in phases across the Group.

The Group's key measures are cascaded to the business units and enabler functions accordingly and subsequently to the KPI scorecards of individuals. In 2017, the RAROC measure has been cascaded to the KPI scorecards of key individuals in the organisation across the Group.

For each employee, performance is tracked through KPIs in a balanced scorecard. In addition to financial targets, KPIs in the balanced scorecard usually include measures on customer experience, long-term initiatives (where progress of milestones or ROI may be monitored), risk management and process controls, audit and compliance findings, as well as people-related measures. At the end of the year, performance of each individual is then assessed through the Group's performance management framework which is based on 70% of the balanced scorecard and 30% of the individual's proficiency in required competencies.

Determination of Variable Remuneration

Based on CIMB's performance, the GCRC will determine the overall variable remuneration pool taking into consideration key performance measures and ensuring that CIMB does not pay variable remuneration at a level that would affect shareholders' interest. The GCRC has the discretion to adjust the pool where required, based on poor performance, capital requirements, economic conditions, competitive landscape and retention needs.

The Group pool will be allocated by the GCRC to the business units and functions based on their respective performance, measured through balanced scorecards and guided by the Group CEO. The allocation will also take into consideration inputs from the control functions such as Audit, Compliance and Risk.

Variable remuneration of each individual employee is then determined based on individual assessment and the adequacy of bonus pool allocated to the business unit/function to which the individual belongs. Variable remuneration of the individual may also be adjusted based on accountability of audit and compliance findings, or disciplinary action.

The control functions of Audit, Compliance and Risk operate independently from the business units in CIMB, and have appropriate authority to carry out their individual functions without intervention from the business units. To prevent conflict of interest, remuneration of employees in these control functions are not dictated by business units that they support. Remuneration of the Group Chief Risk Officer, Group Chief Compliance Officer and the Group Chief Internal Auditor are approved by the Board Risk Committee and Audit Committee.