Remuneration Policy of Identified Staff of Haitong Bank, S.A.

Approved by the Board of Directors
on 29 of April 2020

REMUNERATION POLICY OF IDENTIFIED STAFF OF HAITONG BANK, S.A.

I. DEFINITIONS

a. **Bank**: Haitong Bank, S.A..
b. **Remuneration**: means all forms of fixed and variable remuneration and includes payments and benefits, monetary or non-monetary, awarded directly to staff by or on behalf of institutions in exchange for professional services rendered by staff.
c. **Fixed remuneration**: means payments or benefits for staff where the conditions for its award and its amount: a. are based on predetermined criteria; b. are non-discretionary reflecting the level of professional experience and seniority of staff; c. are transparent with respect to the individual amount awarded to the individual staff member; d. are permanent, i.e. maintained over a period tied to the specific role and organisational responsibilities; e. are non-revocable; f. cannot be reduced, suspended or cancelled by the institution; g. do not provide incentives for risk assumption; and h. do not depend on performance.
d. **Variable remuneration**: means all remuneration which is not fixed.
e. **Identified staff**: means staff whose professional activities have a material impact on the Bank's risk profile, in accordance with the criteria set out in the Commission Delegated Regulation (EU) 604/2014, namely a staff member who is a member of senior management, Head of a control function or receives total remuneration that places them into the same remuneration bracket as the categories mentioned before.
f. **Control functions**: risk management, internal audit and compliance.
g. **Accrual period**: means the period of time for which the performance is assessed and measured for the purposes of determining an award of variable remuneration.
h. **Award**: means the granting of variable remuneration for a specific accrual period, independently of the actual point in time where the awarded amount is paid.
i. **Vesting**: means the effect by which the staff member becomes the legal owner of the variable remuneration awarded, which may be subject to clawback arrangements.
j. **Upfront payments**: means payments which are made immediately after the accrual period and which are not deferred.
k. **Deferral period**: means the period of time between the award and the vesting of the variable remuneration during which staff is not the legal owner of the remuneration awarded.
l. **Malus**: means an arrangement that permits the institution to reduce the value of all or part of deferred variable remuneration based on ex post risk adjustments before it has vested.
m. **Clawback**: means an arrangement under which the staff member has to return ownership of an amount of variable remuneration paid in the past or which has already vested to the institution under certain conditions.

II. GOVERNANCE

1. The Remuneration Committee reviews and presents a proposal for the Remuneration Policy of Identified Staff (herein after "Remuneration Policy") to the Board of Directors. The Board of Directors then approves the Remuneration Policy of the Bank.
2. Compliance, risk management, human resources, legal and finance functions should work closely with the Board of Directors and the Remuneration Committee in the process of defining the Remuneration Policy.
3. The Remuneration Committee monitors the application and implementation of the Remuneration Policy and should work closely with the Risk Committee in order to ensure

that the Remuneration Policy is consistent with and promotes sound and effective risk management.

4. The Remuneration Committee reviews the application of the Remuneration Policy on an annual basis, namely its effects on risk management, capital and liquidity, and reports its conclusions to the Board of Directors.
5. The human resources function should inform on the remuneration structure, remuneration levels and incentive schemes, in a way that would not only attract and retain the staff the Bank needs but also assure that the remuneration policy is aligned with the Bank's risk profile.
6. The risk management function should assist in the definition of suitable risk-adjusted performance measures, as well as in assessing how the variable remuneration structure affects the risk profile and culture of the institution.
7. The compliance function should analyse how the remuneration policy affects the Bank's compliance with legislation, regulations, internal policies and risk culture and should report all identified compliance risks and issues of non-compliance to the Board of Directors.

III. SCOPE

8. The Remuneration Policy establishes the principles for the determination of the remuneration of identified staff, i.e. staff whose professional activities have a material impact on the Bank's risk profile, in accordance with the criteria set out in the Commission Delegated Regulation (EU) 604/2014.
9. The human resources function is responsible for the annual identification of staff that falls within the criteria set out in the Commission Delegated Regulation (EU) 604/2014, which should, at least, include the following information:
   a. The rationale underlying the self-assessment and the scope of its application;
   b. The role and responsibilities of the different corporate bodies and internal functions involved in the design, oversight, review and application of the self-assessment process;
   c. The identification outcome.

IV. GENERAL PRINCIPLES

10. The Remuneration Policy must respect, in accordance with the Bank's dimension, organization, scope and complexity of its activities, the following requirements:
    a. Promote and be consistent with sound and prudent risk management and not encourage the taking of risks higher than the level of risk tolerated by the Bank;
    b. Be compatible with the Bank's business strategy, its long-term objectives, values and interests and include measures to avoid conflicts of interest;
    c. Provide for the independence of employees who exercise control functions in relation to the structure units they control, by providing them with adequate powers and ensuring that their remuneration is determined independently from the performance of the business units they control and is based on the control functions' objectives;
    d. Establish that the remuneration of employees who perform control functions is supervised directly by the Remuneration Committee;
    e. Clearly distinguish the criteria for setting the fixed component of remuneration, based mainly on relevant professional experience and organizational responsibility, and the criteria for the variable component of remuneration, based on the sustainable and risk-

adjusted performance of the institution and the fulfilling of the duties by the employee beyond what would be required.

V. RATIO BETWEEN FIXED AND VARIABLE REMUNERATION

11. The Bank should ensure that the fixed component of remuneration is sufficiently high, in order to allow the operation of a fully flexible policy, including the possibility to pay no bonus.
12. The variable component shall be established every year by the Executive Committee. Subject to the paragraphs below, the variable remuneration cannot exceed the value of the fixed component of the remuneration for each employee.
13. The variable remuneration of the Control functions shall not represent more than 50% of the fixed remuneration.
14. The Bank may, exceptionally, approve a higher maximum level for the variable component of remuneration, provided that the variable component of the remuneration does not exceed twice the fixed component of the remuneration of each employee. A detailed proposal from the Executive Committee of a higher ratio must be submitted to the Shareholder and approved by the General Shareholders Meeting or via Written Shareholder Resolution.

VI. FIXED REMUNERATION

15. The fixed component of remuneration is determined by the professional category of each employee, the length of service in the job and the local market salary practices for identical positions in similar financial institutions.
16. It comprises the fixed salary that is attributed to all the employees of the Bank, such as seniority payments or other allowances. The Bank's Executive Committee may establish a minimum amount for each professional category.

VII. VARIABLE REMUNERATION – GENERAL RULES

17. The Bank ensures that the variable component of remuneration does not limit the ability of the Bank to strengthen its capital base and that all types of risks, both current and future, are taken into account.
18. The variable component of the remuneration, including the deferred part of that remuneration, shall only vest or be paid in the terms set out in section IX. (*Risk Adjustments*) below.
19. The variable component of remuneration shall be awarded at any time but always until one week after the Annual General Meeting approving the Bank's annual accounts.

VIII. VARIABLE REMUNERATION – DEFERRAL PERIOD

20. At least 40% of the variable component of remunerations should be subject to a deferral over (at least) a 3-year period, so that a sufficient part of the variable remuneration can be adjusted for risk outcomes over time through ex post risk adjustments.
21. This percentage can be increased to 60% when the amount of variable component of remuneration represents more than 75% of the fixed component.
22. The deferred payments should be made, according to the following vesting scheme: at the end of years n+1, n+2 and n+3, respectively 40%, 30% and 30% of the deferred

remuneration vests. For the purposes of this clause, *n* being the moment at which the upfront part of awarded variable remuneration is paid, which for all purposes is deemed the date falling one week after the Annual General Meeting approving the Bank's annual accounts.

23. A deferral schedule should include the following components:
    a. the proportion of the variable remuneration that is being deferred;
    b. the length of the deferral period;
    c. the speed at which the deferred remuneration vests, including the time span from the end of the accrual period until the vesting of the first deferred amount; the first deferred portion should not vest sooner than 12 months after the start of the deferral period.

IX. VARIABLE REMUNERATION – RISK ADJUSTMENTS

24. Without prejudice to the general principles of national labour law, each of the deferred payments referred in paragraph 22. above shall be subject to *clawback* according to the following pre-determined criteria as assessed by the Executive Committee:
    a. A decrease of Haitong Bank Group's total equity attributable to the Shareholder (as identified in the Bank's financial statements), in the financial year previous to the relevant deferred payment. For the purposes of this calculation, Haitong Bank Group's total equity attributable to the Shareholder is adjusted (if applicable), to allow comparison with the calculation of the previous year (e.g. capital increases or decreases, dividends paid, regulatory changes which might impact on total equity);
    b. Significant negative changes in the economic results of a business unit that affects the Group's results and capital.
25. Additionally, each of the deferred payments shall be subject to *malus*, according to pre-determined criteria as assessed by the Executive Committee, such as:
    a. evidence of misconduct or serious error by the relevant staff member;
    b. the identified staff member was responsible for a significant downturn in the financial performance of his business unit;
    c. the identified staff member was responsible for a significant failure of risk management;
    d. any regulatory sanctions where the conduct of the identified staff member contributed to the sanction;
    e. the identified staff member leaves the Bank, either voluntarily or through dismissal with due cause.

26. Any variable payment which has been cancelled by the Bank or been subject to the application of *clawback* or *malus* provisions is lost and can under no circumstances be recovered by the employee at a later date.

X. GUARANTEED VARIABLE REMUNERATION

27. Guaranteed variable remuneration is forbidden, except is the case of recently hired staff. In this case, it can only be awarded during the first year of activity.

XI. DISCRETIONARY PENSION BENEFITS

28. Discretionary pension benefits are a form of variable remuneration and the Bank must ensure that when a staff member leaves the institution or retires from the Bank, discretionary pension benefits are not paid without considering the economic situation of

the Bank or risks that have been taken by the staff member which can affect the Bank in the long term.

XII - PERSONAL HEDGING

29. Identified staff members are forbidden from transferring the downside risks of variable remuneration to another party through hedging or insurance.
30. In order to prevent this from happening, the Bank has policies for dealing in financial instruments and has specific disclosure requirements.

XIII. DISCLOSURE

31. The present Remuneration Policy shall be disclosed in the Bank's website.