

ASIAN INFRASTRUCTURE INVESTMENT BANK

POLICY ON COMPENSATION AND BENEFITS

April 2019

1. Introduction

- 1.1 This Policy, adopted by the Board of Directors, establishes the fundamental objectives and terms of the compensation, allowances, benefits and retirement plan of the staff of the Bank, pursuant to Article 26(ii) of the Articles of Agreement.
- 1.2 This Policy is to be construed, consistent with the Staff Regulations adopted in accordance with Article 30(2) of the Articles of Agreement.
- 1.3 The President shall ensure the observance of this Policy through the adoption of Staff Rules.

2. Objectives

- 2.1 The Bank shall be guided by a concept of *total rewards*, aggregating the total value of compensation, other financial and non-monetary rewards, to ensure alignment with the Bank's purpose and functions.
- 2.2 This Policy shall pay due regard to concerns of efficiency, effectiveness and economy, consistent with the Bank's core values, and mindful of the highest standards of governance owed to the Bank's Members.
- 2.3 The fundamental objectives of the Bank's compensation shall be to:
 - 2.3.1 Enable the President to recruit and retain Staff Members of the highest standards of efficiency and technical competence;
 - 2.3.2 Contribute to the motivation of superior performance by Staff Members; and
 - 2.3.3 Ensure equal pay for equal work.
- 2.4 The fundamental objectives of the Bank's other financial rewards shall be to:
 - 2.4.1 Enable the recruitment and retention of Staff Members with due regard to as wide a regional geographical basis as possible;
 - 2.4.2 Safeguard the welfare and wellbeing of Staff Members; and
 - 2.4.3 Promote gender equality, and diversity and inclusivity, of the staff of the Bank.

3. Fundamental Terms of Compensation

- 3.1 The President shall adopt Staff Rules to assign staff to Professional and Support Staff categories, and to determine a grading system and salary structure for the staff of the

Bank. The design rationale for salary midpoints, midpoint progressions, range spreads and range overlaps shall be so determined in line with the objectives of this Policy.

3.2 In fulfilment of the objectives established by this Policy, the President shall undertake:

3.2.1 *Periodic Identification of Market Comparators:* To ensure the alignment of the Bank to a defined comparator market, market comparators shall be Multilateral Development Banks/International Financial Institutions ('MDB/IFI') and the private sector Financial Services industry ('FS').

3.2.2 *Periodic Market Review:* Comprehensive reviews shall be conducted every three years to reassess the appropriateness of the compensation methodology and the competitiveness of total rewards. In the intervening years, only the salary structure will be reviewed annually and may be consequently adjusted by the President.

3.2.3 *Alignment of Salary Structures:* The target market positioning of salary shall be between the MDB/IFI 50th percentile and the FS 75th percentile, for Professional Staff, and shall be the 75th percentile of middle and back-office roles in FS in China, for Support Staff.

3.2.4 *Merit-based Salary Increase:* The salary increase of Staff Members shall be based, and differentiated, upon performance assessed in accordance with the Staff Rules. A salary increase shall be withheld for unsatisfactory performance.

4. Allowances

4.1 The staff of the Bank shall be afforded the following allowances, in accordance with the objectives established by this Policy.

4.1.1 *Location Premium:* In order to alleviate the specific costs and hardships of the scheduled working locations of the staff of the Bank, there shall be a Location Allowance, of 23% of the salary of Staff Members at the Bank's Headquarters or as determined by the President at other scheduled working locations, and expressed as a percentage of the salary of Staff Members.

4.1.2 *Resettlement Allowance:* For Professional Staff having completed an initial fixed-term appointment, and in order to defray the costs of resettlement, there shall be a Resettlement Allowance, as determined by the President, and expressed as a lump sum.

5. Benefits

5.1 The staff of the Bank shall be afforded the following benefits, in accordance with the objectives established by this Policy.

5.1.1 *Medical Insurance Benefit:* For the duration of appointment of the staff to the Bank, there shall be a medical insurance plan for Staff Members, extendable to their qualified dependents, as determined by the President and in accordance with the Staff Rules.

- 5.1.2 *Incapacity Benefit:* In order to safeguard the welfare and wellbeing of the staff of the Bank, there shall be an Incapacity Benefit, for incapacitated Staff Members who have exhausted full pay entitlement, payable at 70% of salary and salary-related allowances and retirement plan contributions.
- 5.1.3 *Post-Retirement Medical Benefit:* In order to substantially alleviate post-retirement medical costs, there shall be a Post-Retirement Medical Benefit, as determined by the President and in accordance with the Staff Rules.
- 5.1.4 *Relocation Benefit:* In order to substantially alleviate the costs of relocating to the scheduled working location when entering on duty, there shall be a Relocation Benefit, as determined by the President and in accordance with the Staff Rules.
- 5.1.5 *Education Benefit:* In order to substantially alleviate the tuition costs, up to secondary schooling, in Beijing of qualified dependent children of Professional Staff there shall be an Education Benefit, as determined by the President and in accordance with the Staff Rules.
- 5.1.6 *Death in Service Benefit:* In order to safeguard the welfare and wellbeing of the staff of the Bank, there shall be a Death in Service Benefit, on the basis of an insurance policy obtained by the Bank, and payable to a nominated beneficiary in the event of death in service of a Staff Member, as determined by the President and in accordance with the Staff Rules.

6. Retirement Plan

- 6.1 In accordance with the objectives established by this Policy, there shall be a retirement plan for the staff of the Bank, on the following basis.
 - 6.1.1 Staff Members shall be participants of a retirement plan established as a trust, in accordance with the Staff Rules and upon such terms as afforded by the trustee.
 - 6.1.2 Retirement plan contributions, expressed as a percentage of salary, shall comprise mandatory, voluntary and matching contributions.
 - 6.1.2.1 The mandatory contribution by the Bank shall be 18%. The mandatory contribution by Staff Members shall be 5%.
 - 6.1.2.2 Voluntary contributions by Staff Members may be up to 5%.
 - 6.1.2.3 Matching contributions shall be up to 2.5% by the Bank, at the rate of 0.5% for every 1% of voluntary contribution.
 - 6.1.3 The mandatory, and matching, contributions by the Bank shall vest over three initial years of service by a Staff Member, as determined by the President, in accordance with the Staff Rules.
 - 6.1.4 The retirement plan of a Staff Member ending service may be charged by the Bank in order to recover sums owing the Bank, in accordance with a written contractual basis and due process, limited to the actual sum owed by the Staff Member.

7. Leave

- 7.1 Consistent with Article 10(2) of the Staff Regulations, the staff of the Bank shall be entitled to paid leave for the purposes of annual, sick, family, maternity, bereavement and administrative leave. Such leave types shall be further determined, administered, and may be supplemented, by the President, in accordance with the Staff Rules.

8. Budgetary Approval

- 8.1 The implementation of this Policy shall be subject to the budget, as approved by the Board of Directors, in accordance with Article 26(v) of the Articles of Agreement.

9. Implementation

- 9.1 In implementing this Policy, the President shall have due regard to concerns of administrative efficiency, economy and fair treatment, in accordance with the generally recognized principles of international administrative law.
- 9.2 On a three-yearly basis, the Board of Directors shall consider, for decision, the appropriateness of the compensation methodology and the competitiveness of total rewards, together with any amendment to this Policy, as recommend by the President, resultant from a comprehensive review of compensation and benefits.
- 9.2.1 In the intervening years, the President shall undertake an annual review of the salary structures and report to the Board of Directors the results and any adjustments based on the approved methodology. Any such adjustments shall be reflected in the Annual Business Plan and Budget, to be approved by the Board of Directors.
- 9.3 The Budget and Human Resources Committee of the Board of Directors shall periodically review the sufficiency and implementation of this Policy and the total rewards afforded by the Bank, and the governance and financial performance of the retirement plan, established in accordance with this Policy. The Committee may request reports from the President for such purpose.
- 9.4 This Policy revokes and replaces the Policy on Compensation and Benefits approved by the Board of Directors in January 2016, as revised in December 2016 and September 2018.
