

Remuneration

We attract, motivate and retain a highly-skilled workforce across our organisation worldwide, while also encouraging values-based behaviours that underpin our financial strength and reputation. Our meritocratic compensation practices support the Group's long-term business strategy and provide a total compensation that reflects fairly each employee's contribution and performance for the year and his/her upholding of the UOB values in his/her decision-making and actions.

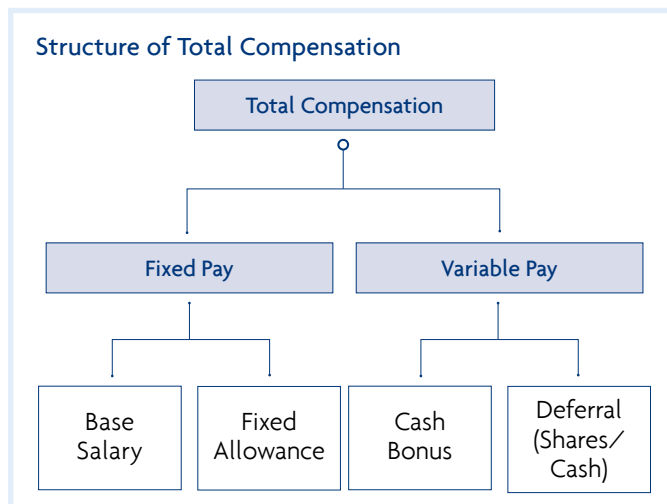
Group Remuneration Policy

Our Group Remuneration Policy sets out the principles and philosophies that guide the design, operation and management of our remuneration programmes. The programmes are designed to support the Group's business strategies and objectives and to comply with the principles and standards set by the Financial Stability Board and by the Monetary Authority of Singapore's 2013 Guidelines on Corporate Governance for Financial Holding Companies, Banks, Direct Insurers, Reinsurers and Captive Insurers which are incorporated in Singapore (MAS Guidelines) and Code of Corporate Governance issued in 2018.

The policy covers the remuneration of directors and all employees and is reviewed by the Remuneration and Human Capital Committee (RHCC) regularly to ensure our compensation practices and programmes are appropriate to attract, to motivate and to retain a highly-skilled workforce, while meeting applicable regulatory requirements.

Our Approach to Remuneration

Our compensation structure comprises two main components, namely fixed pay and variable pay. Fixed pay consists of a base salary and fixed allowances that are pegged to the market value of the job. Variable pay (cash bonus and deferrals in the form of cash or shares, where applicable) rewards employees based on the performance of the Group and their business unit, as well as the employee's individual performance.



We consider holistically various factors to determine and to ensure fair compensation for every employee. These factors include:

- the market value of the employee's job (Pay for Position);
- the performance of the Group, the employee's business unit and the employee's individual achievement of performance targets (Pay for Performance);
- the employee's personal attributes such as skills and experience (Pay for Person); and
- the employee's upholding of our values (Living the UOB Values).

Pay for Position

The value of each position is benchmarked against comparable positions in the market. Results from salary surveys conducted by established external compensation consultants such as McLagan, Willis Towers Watson and Mercer, were used as market reference for our Group employees' salary benchmarking purposes.

Pay for Performance

With a Pay for Performance approach, the variable pay is differentiated to ensure employees are recognised, rewarded and motivated for their contributions. We aim to deliver a total compensation that is competitive for differentiated performance.

Pay for Person

An employee's personal attributes such as skills and experience determine how the employee is compensated. Employees who are highly competent and more experienced in their roles typically receive a higher base salary that is commensurate with those personal attributes.

Living the UOB Values

In addition to compensating employees appropriately for their position, contributions and attributes, we also take into consideration how consistently employees behave in respect of our UOB values.

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Remuneration Governance

The RHCC seeks to ensure that compensation for the Group is able to create long-term value and to strengthen the franchise, and is aligned with shareholders' long-term interests. It determines the total compensation for the Group by considering various factors including the underlying business risks, business outlook, performance and investments in building infrastructure and capabilities. The Board Risk Management Committee (BRMC) provides input to the RHCC to ensure that remuneration and incentive practices adopted by the Group do not incentivise inappropriate risk-taking behaviours.

In 2019, we engaged Oliver Wyman to review the compensation model for our senior executives. Taking into consideration the findings of Oliver Wyman, the RHCC approved a recalibrated variable pay pool funding formula for senior executives. Oliver Wyman and the other consultants are independent and are not related to UOB or any of our Directors.

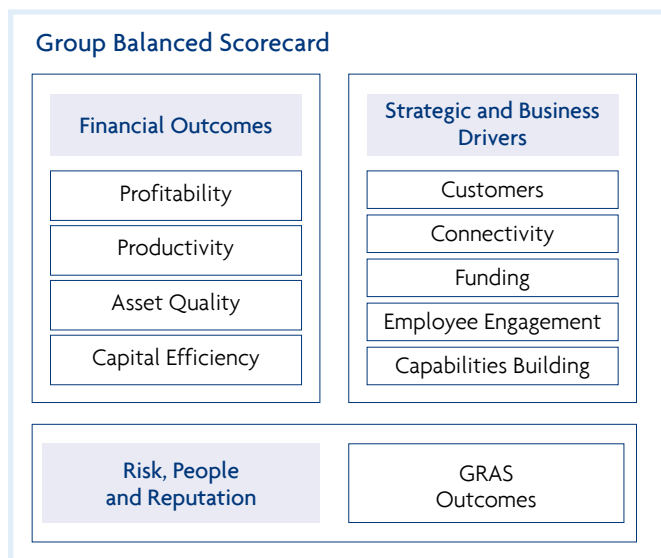
Details of the composition of the RHCC and a summary of its key roles and responsibilities can be found in the Corporate Governance section of this report.

Variable Pay

Determining the Variable Pay Pool

Under the Group's total compensation framework, the total compensation paid to employees is a function of net profit before tax. The variable pay pool is then determined by the productivity levels achieved based on the performance against the Group Balanced Scorecard. The Group Balanced Scorecard includes metrics for financial outcomes, as well as strategic and business drivers. The Group Risk Appetite Statement (GRAS) measures outcomes relating to risk, people and reputation. Depending on the nature of the GRAS breaches as assessed by the BRMC, the RHCC may reduce the variable pay for the year as it deems fit.

For our senior executives, the variable pay pool is determined based on the net profit before tax with reference to the Group Balanced Scorecard and risk-weighted metrics. The usage of risk-weighted metrics emphasises our prudent capital usage and risk management approach across the Group.



Allocating and Distributing the Variable Pay Pool

The Group's variable pay pool allocation to each business unit takes into account its productivity and achievements against the cascaded targets from the Group Balanced Scorecard. Country heads are consulted on the variable pay pools allocated to the business units in their respective countries.

Business unit heads assess their team members and determine their rewards based on performance objectives, competencies and behaviours with respect to the UOB values. This balances the quantitative achievement of key performance indicators with the behaviours that employees are expected to uphold in achieving their objectives. Employees who have exceeded performance expectations would receive higher variable pay. Conversely, employees who do not meet the performance expectations for the year would not receive variable pay.

Control Functions

Employees in control functions, namely Risk Management, Audit, Credit and Compliance, are compensated independently of the performance of any business lines or business units that they oversee. This is to avoid any potential conflict of interest. The compensation of the control function employees is determined based on the overall performance of the Group, the achievement of operational key performance indicators of the control function and the performance of the individual employee. To further strengthen the independence of these control functions, the variable pay for control functions is managed within a band. The BRMC and the Audit Committee approve the remuneration for the Chief Risk Officer and the Head of Group Audit respectively based on the Group's remuneration approach.

Variable Pay Deferrals

Our Group variable pay deferral policy applies to senior management and material risk takers (MRTs). MRTs are employees with significant organisational responsibilities that have a material impact on the Group's performance and risk profile, and employees with high risk mandates in the form of risk-weighted assets, trading limits and trading sales budgets.

The objectives of the deferral policy are to:

- align compensation payment schedules with the time horizon of risks;
- retain employees whose contributions are essential to the long-term growth and profitability of the Group; and
- encourage employees to focus on delivering sustainable long-term performance to align with shareholders' interests.

Under our variable pay deferral policy, 20 per cent to 60 per cent of variable pay is subject to deferral, with the proportion of deferral increasing with the amount of variable pay received.

Deferred variable pay may be in the form of deferred cash or shares under the Executive Equity Plan (EEP) and vests over three years.

The deferral guidelines and vesting conditions apply consistently to all senior management and MRTs, as well as retiring, retired and retrenched employees. There is no accelerated payment of deferred compensation for employees leaving the Group other than in exceptional cases, such as death in service. There is also no special retirement plan, golden parachute or special severance package for senior executives and MRTs. Employees who resign or whose services are terminated forfeit any unvested deferred variable pay.

In addition, the vesting of deferred compensation is subject to *malus* and clawback. *Malus* of unvested compensation and clawback of paid compensation will be triggered by, *inter alia*:

- material violation of risk limits
- Bank-wide losses or material risks due to negligent risk-taking or inappropriate individual behavior
- material restatement of financial results
- misconduct, malfeasance or fraud

The RHCC reserves the discretionary powers to enforce *malus* and the clawback of any paid compensation.

Remuneration Outcomes in 2019

The Group achieved strong earnings in 2019, with income crossing the S\$10 billion mark on the back of healthy growth in the client franchise, coupled with higher trading and investment income. Business segments registered broad-based improvement in profitability, supported by the successful execution of our strategic priorities and growth in our regional franchise. Regional markets delivered strong contribution, with stable growth from our ASEAN franchise while Greater China grew by double digits despite challenging macroeconomic headwinds. Cost-to-income ratio increased as the Group continued to invest in people and technology to improve digital capabilities and to strengthen customer franchise. Asset quality remained stable while the balance sheet continued to be supported by robust capital and liquidity positions.

In addition to the Group's overall performance, the RHCC also took into account the GRAS outcomes when determining the Group's compensation. The RHCC is of the view that the level and structure of remuneration are aligned with the long-term interests and our risk management policies.

Non-disclosure of Remuneration

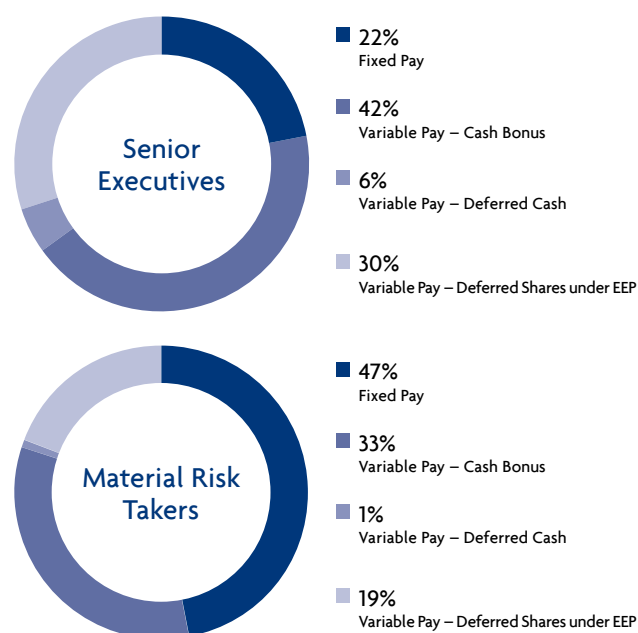
While the MAS Guidelines recommend the disclosure of the remuneration of the top five non-director executives, the Bank believes that it would be disadvantageous for us to do so given the highly competitive market for talent. There are many banks operating in Singapore who are not required to disclose such information. Disclosure will impair the Bank's ability to compete fairly for talent.

Guaranteed Bonuses, Sign-On Awards and Severance Payments

Category of Remuneration	SEs	MRTs
Number of guaranteed bonuses	0	2
Number of sign-on awards	0	6
Number of severance payments	0	1
Total payments made for the above in the financial year (\$'000)	0	1,236
Number of employees	14	219
Number of employees that received variable pay	14	211

Senior executives (SEs) refer to the Group Chief Executive Officer and members of the Group Management Committee who have the authority and responsibility for their respective Group Functions.

Breakdown of 2019 Remuneration Awarded to SEs and MRTs



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Breakdown of deferred remuneration

Deferred and retained remuneration	Total outstanding deferred remuneration	of which: total outstanding deferred and retained remuneration exposed to ex post explicit and/or implicit adjustments	Total amendments during the year due to ex post explicit adjustments ⁽¹⁾	Total amendments during the year due to ex post implicit adjustments ⁽²⁾	Total deferred remuneration paid out in the financial year
Senior executives	100%	100%	0%	0%	38%
Cash	16%	16%	0%	0%	8%
Shares and share-linked instruments	84%	84%	0%	0%	30%
Other forms of remuneration	0%	0%	0%	0%	0%
Other material risk-takers	100%	100%	0%	0%	33%
Cash	3%	3%	0%	0%	1%
Shares and share-linked instruments	97%	97%	0%	0%	32%
Other forms of remuneration	0%	0%	0%	0%	0%

(1) Examples of ex post explicit adjustments include *malus*, clawbacks or similar reversals or downward revaluations of awards.

(2) Examples of ex post implicit adjustments include fluctuations in the value of shares or performance units.