

Remuneration

Our meritocratic compensation practices support the Group’s long-term business strategy and provide a fair total compensation that reflects each employee’s contribution and performance for the year and their upholding of the UOB values in their decision-making and actions. While seeking to build a highly-skilled workforce for our organisation worldwide, we also encourage values-based behaviours that underpin our financial strength and reputation.

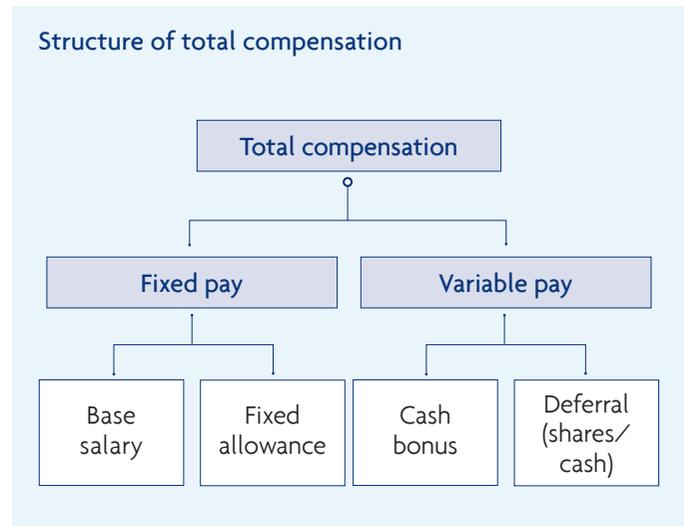
Remuneration policy for employees

Our remuneration policy for employees sets out the principles and philosophies that guide the design, operation and management of our remuneration programmes. The policy covers the remuneration of 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 retain and to motivate a highly-skilled workforce, while meeting applicable regulatory requirements. The programmes are designed to support the Group’s business and people strategies and objectives.

Our remuneration policy for employees takes into account the principles and standards set by the Financial Stability Board and the Monetary Authority of Singapore’s (MAS) 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 (2018 Code).

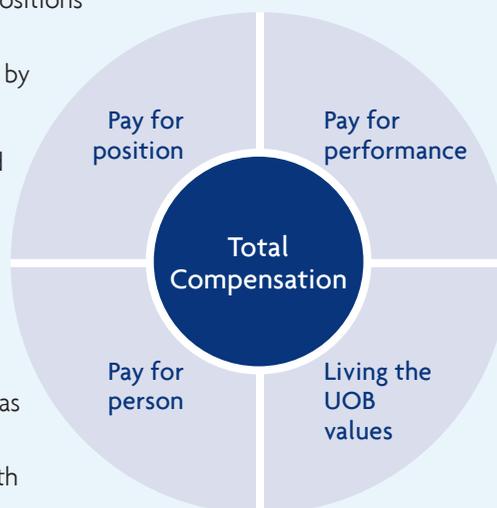
Our approach to remuneration

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 (BU), as well as the employee’s individual performance, including behaviour aligned to our values.



Ensuring fair compensation for every employee

- Benchmarked against comparable positions in the market.
- Benchmarked against salary surveys by established external independent compensation consultants, such as McLagan, Willis Towers Watson and Mercer.
- Employee’s personal attributes such as skills and experience.
- Base salary that is commensurate with personal attributes.



- Variable pay based on the performance of the Group and the employee’s BU and the employee’s individual achievement of performance targets.
- Total compensation that is competitive and is differentiated by performance.
- Employee’s demonstration of our UOB values of Honour, Enterprise, Unity and Commitment.

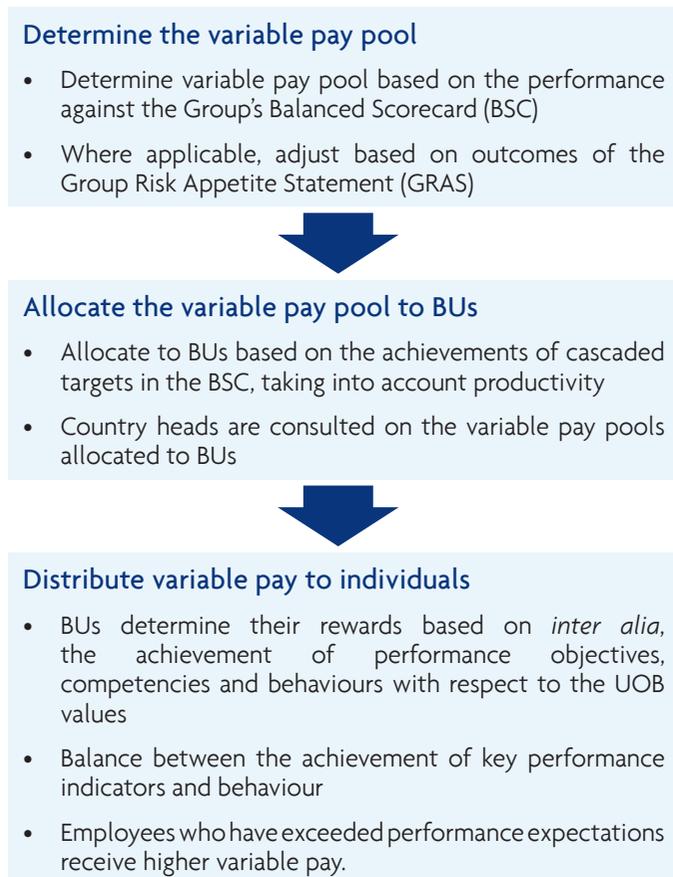
Remuneration governance

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 and other stakeholders' 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.

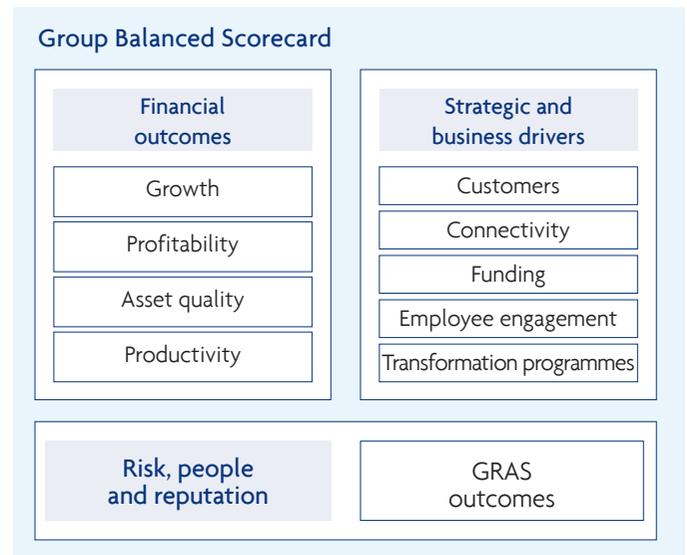
Details of the composition of the RHCC and a summary of its key roles and responsibilities can be found in the Corporate Governance section of this report.

Variable pay

Under the Group's total compensation framework, the total compensation paid to employees is a function of net profit before tax. The Group goes through the following process to determine an employee's variable pay:



The Group BSC includes metrics for financial outcomes, as well as strategic and business drivers.



Senior Management

Senior Management (SM) is defined as the Chief Executive Officer and members of the Group Management Committee who have the authority and responsibility for their respective Group functions.

The variable pay pool for the SM is determined based on net profit before tax with reference to the Group BSC and risk-weighted metrics. The usage of risk-weighted metrics emphasises our prudent capital usage and risk management approach across the Group.

Control functions

Employees in control functions, namely Risk Management, Audit, Credit and Compliance, are compensated independently of the performance of any business line or BU 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. 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, with the concurrence of the RHCC.



Remuneration

Variable pay deferrals

Our Group variable pay deferral policy applies to employees in senior grades 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 and details of the deferral policy are as follows:

Objectives	Details
<ul style="list-style-type: none"> 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. Encourage employees to focus on delivering sustainable long-term performance to align with shareholders and other stakeholders' interests. 	<ul style="list-style-type: none"> 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. Deferred cash vests equally over three years while 30 per cent and 70 per cent of the deferred shares vest in the second and third years respectively. Vesting schedules may differ in countries where local regulations are stricter. Vesting of deferred compensation is subject to <i>malus</i> and clawback.

Malus of unvested deferred compensation and clawback of paid deferred 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 behaviour;
- material restatement of financial results; or
- misconduct, malfeasance or fraud.

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

The deferral guidelines and vesting conditions apply consistently to all employees in senior grades 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 all employees. Employees who resign or whose services are terminated forfeit any unvested deferred variable pay.

Remuneration outcomes in 2020

The Group's financial results for 2020 reflect the impact of the global pandemic with earnings at \$2.91 billion, 33 per cent lower than 2019. The cost-to-income ratio increased on the back of slower revenue, while the Group continued to be prudent and disciplined as we invested in technology capabilities and supported our people through these unprecedented times.

In line with the Group's overall performance, the Group's variable pay pool declined. 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 our long-term interests and our risk management policies.

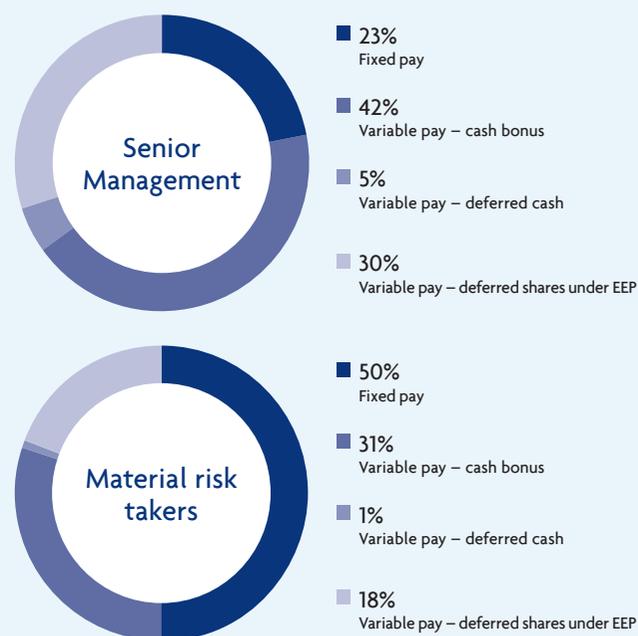
Non-disclosure of Remuneration

While the 2018 Code and 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. As there are many banks operating in Singapore that are not required to disclose such information, such disclosure will impair the Bank's ability to compete fairly for talent.

Guaranteed bonuses, sign-on awards and severance payments

Category of remuneration	SM	MRTs
Number of guaranteed bonuses	0	1
Number of sign-on awards	0	2
Number of severance payments	0	2
Total payments made for the above for the financial year (\$'000)	0	1,628
Number of employees	14	224
Number of employees that received variable pay	14	213

Breakdown of 2020 remuneration awarded to SM and MRTs



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 Management	100%	100%	0%	0%	35%
Cash	14%	14%	0%	0%	8%
Shares and share-linked instruments	86%	86%	0%	0%	27%
Other forms of remuneration	0%	0%	0%	0%	0%
Other material risk-takers	100%	100%	0%	0%	32%
Cash	2%	2%	0%	0%	0%
Shares and share-linked instruments	98%	98%	0%	0%	31%
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.

