

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.

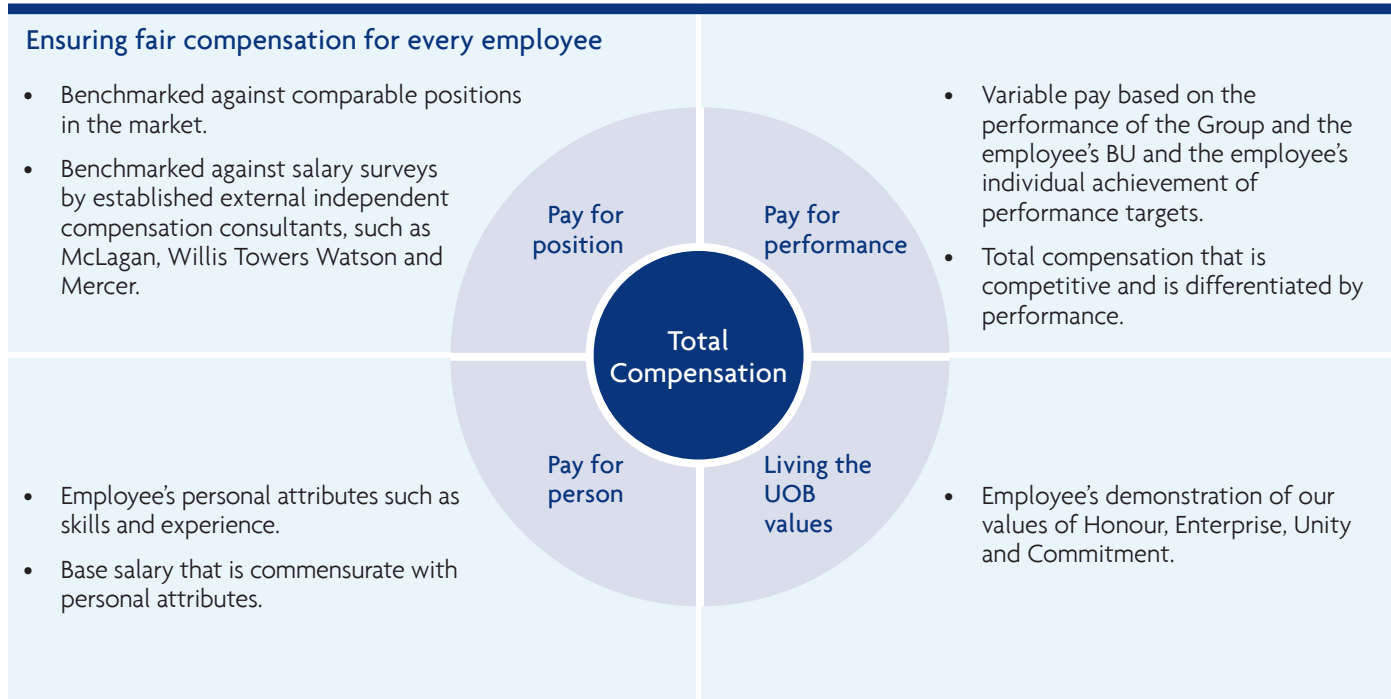
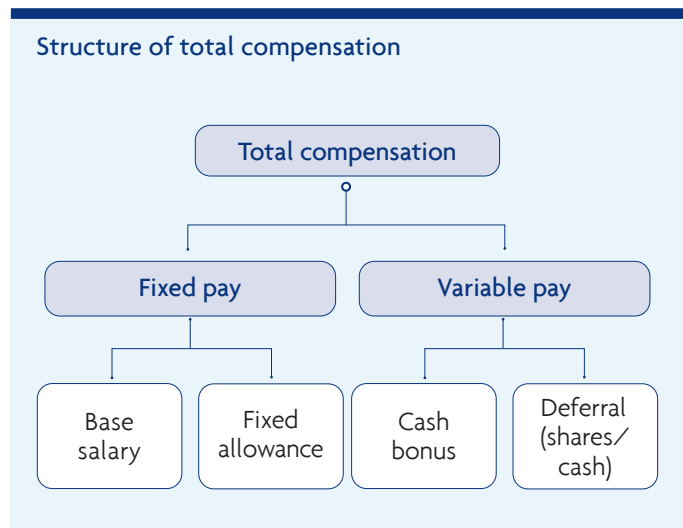
Remuneration policy for employees

The 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.

The remuneration policy for employees takes into account the principles and standards set by the Financial Stability Board and the Guidelines on Corporate Governance for Financial Holding Companies, Banks, Direct Insurers, Reinsurers and Captive Insurers which are incorporated in Singapore issued in 2013 (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.



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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 the long-term interests of shareholders and other stakeholders. It determines the total compensation for the Group taking into consideration various factors including 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 2021, the RHCC endorsed the engagement of an external management consulting firm, Oliver Wyman, to provide an independent review of the Group’s total compensation model. Oliver Wyman and all other consultants we engaged in 2021 were independent and unrelated to UOB or any of our Directors. Following the review, the RHCC approved changes to the structure, funding and allocation mechanism of the total compensation model, as well as updates to the variable pay deferral policy.

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:

Determine the variable pay pool

- Determine variable pay pool based on the performance against the Group’s Balanced Scorecard (BSC)
- Where applicable, adjust based on outcomes of the Group Risk Appetite Statement (GRAS)



Allocate the variable pay pool to BUs

- Allocate to BUs based on the achievements of cascaded targets in the BSC, taking into account productivity
- Country heads are consulted on the variable pay pools allocated to BUs



Distribute variable pay to individuals

- BUs determine their rewards based on *inter alia*, the achievement of performance objectives, competencies and behaviours with respect to the UOB values
- Balance between the achievement of key performance indicators and behaviour
- Employees who have exceeded performance expectations receive higher 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 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, Credit and Compliance, are compensated independently of the performance of any business line or BU that they oversee or audit. 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, and with the concurrence of the RHCC.

Variable pay deferrals

Our Group variable pay deferral policy applies to employees in senior grades, material risk takers (MRTs) and material risk personnel (MRP). 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. MRP refers to employees who have the authority to make decisions or conduct activities that can significantly impact the Bank's safety and soundness, or cause harm to a significant segment of the Bank's customers or other stakeholders, as defined in our Policy on Individual Accountability and Conduct.

The objectives and details of the deferral policy are as follows:

Objectives	Details
<ul style="list-style-type: none"> To align compensation payment schedules with the time horizon of risks. To align the interests of employees with the long-term interests of shareholders and the Group. To retain employees whose contributions are essential to the long-term growth and profitability of the Group. To deliver compensation in a manner that drives the long-term performance of the Group. 	<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 UOB Share 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 for MRP who are on sales incentive plans, and in countries where local regulations are stricter. Deferred compensation is subject to <i>malus</i> and clawback within a period of up to seven years from the grant date. Unvested portions of the deferred cash and shares may be eligible for interest and dividends respectively.

Malus of unvested deferred compensation and/or clawback of paid deferred compensation will be triggered by conduct constituting, causing or contributing to, *inter alia*:

- material violation of risk limits;
- financial losses or adverse change in risk profile;
- 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.



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The deferral guidelines and vesting conditions apply consistently to all employees in senior grades, MRTs and MRP, 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 any employee. Employees who have resigned or whose services are terminated will forfeit any unvested deferred variable pay, save in exceptional circumstances.

Details of awards under the UOB Share Plan can be found at Note 42 of the Financial Statement.

Remuneration outcomes in 2021

The Group posted a 40 per cent rebound in net profit to \$4.1 billion for 2021 as economic growth, business activities and consumer sentiment recovered across the region. On the back of a diversified customer franchise and strong capabilities, total income grew seven per cent to \$9.8 billion, driven mainly by stellar credit demand from large corporate and institutional clients as well as record fees from wealth and loan-related activities. Cost-to-income ratio improved to 44.1%, as ongoing strategic investments in people and technology were balanced with continued control over discretionary spend. Asset quality remained stable in 2021, while reserve coverage was maintained at a prudent level. Together with capital and funding metrics staying robust, the Group is well-positioned to capture opportunities from the region's long-term growth potential.

In line with the Group's improved performance, the Group's variable pay pool increased. The RHCC also took into account the GRAS outcomes when determining the Group's compensation. The level and structure of remuneration are aligned with our long-term interests and our risk management policies.

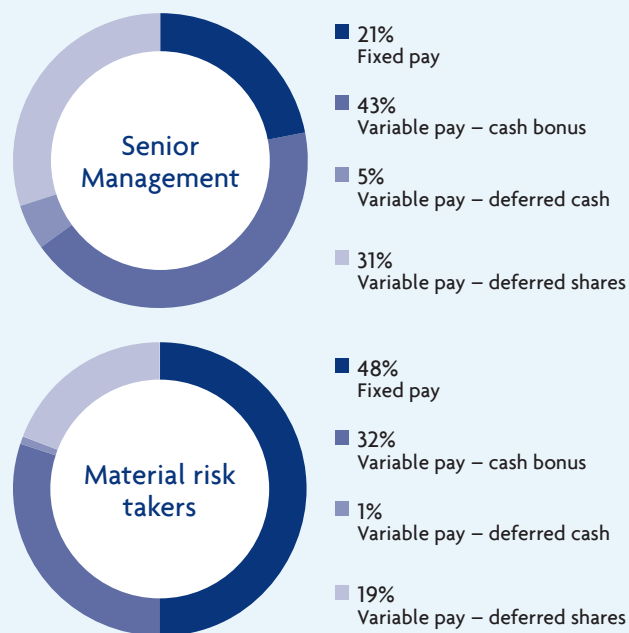
Non-disclosure of Remuneration

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	3
Number of sign-on awards	0	1
Number of severance payments	0	0
Total amount of above payments made for the financial year (\$'000)	0	1,954
Number of employees	16	219
Number of employees that received variable pay	16	206

Breakdown of 2021 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%	33%
Cash	11%	11%	0%	0%	7%
Shares and share-linked instruments	89%	89%	0%	0%	27%
Other forms of remuneration	0%	0%	0%	0%	0%
Other material risk-takers	100%	100%	0%	0%	31%
Cash	1%	1%	0%	0%	0%
Shares and share-linked instruments	99%	99%	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.

