




REMUNERATION COMMITTEE REPORT

	Composition	Chairman Members	Mr Patrick Paul, INED Dr Rosanna Wong, INED Mr Andrew Brandler, NED
	Meeting Frequency		<ul style="list-style-type: none">At least two meetings every year with the Chief Executive Officer and Group Director, Human Resources in attendanceTwo meetings in 2019
	Responsibilities		To exercise oversight of all aspects of the group's remuneration policies, in particular to review and approve the proposals for the basic compensation and bonuses for Executive Directors and senior management, as well as the application of the group's bonus scheme for senior staff.

HSH Rewards Philosophy

This philosophy is to ensure that compensation and benefits programmes are designed for the group and its executives according to an overall framework setting out various guiding principles. Our objective is to attract talent and retain good performers by offering a mix of financial and non-financial rewards to remain competitive and meet our employees' expectations.

Key guiding principles

- Providing benefits that are competitive and support the long-term objective of caring for our employees and ensuring these benefits are legally compliant, locally relevant and globally consistent
- Formulating weightings of variable pay such as bonus and incentive targets, taking into account the business performance of the group and the particular business unit
- Recognising and encouraging long-term careers within HSH through appropriate rewards and succession management
- Designing a total cash package with an appropriate mix of fixed and variable pay, taking into account the group's pay policy and market practice to incentivise management and individual performance

Remuneration for Executive Directors and Senior Management

The Committee recognises that there is a competitive market for successful executive talent and believes that remuneration packages being offered must be set competitively with the market in order to attract, retain and motivate the company's key executives.

As part of its scope of responsibility, this Committee is involved in reviewing and approving the terms of service of all Executive Directors and senior management, including remuneration and duration of the service contracts. No individual is involved in determining his or her own remuneration.

There are four components of remuneration paid to Executive Directors, senior management and other executives:

Basic compensation

Basic compensation includes basic salary and other allowances and the general policy is to set them at the level required to retain and motivate, taking into account the scope and complexity of responsibilities, market pay levels in the defined markets, as well as individual performance.

Bonuses and incentives

The provision of appropriate bonus and incentive awards for performance is vital to the continued growth to the business. Executive Directors' bonuses consist of contractual and discretionary components while the two Group Executives are under a discretionary bonus plan to align with market practice. Other senior management participates in the HSH Management Bonus Plan²⁵ which is a short-term incentive scheme calculated by reference to financial and non-financial considerations as follows:

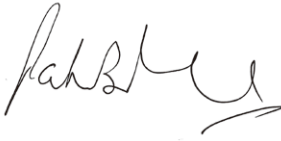
- The group's financial performance
- The Business Units' quality measurement²⁶
- Individual performance
- Share Price

In 2018, the Committee approved the management proposal to simplify the administrative procedures and the methodology for business units' quality measurement and individual performance within HSH Management Bonus Plan. The Committee also approved changing the bonus approval basis to a percentage

25 Senior staff also participates in the HSH Management Bonus Plan
26 A quality score measuring user experience and/or operational excellence against a set of standards



“On behalf of the Remuneration Committee, I am pleased to present our 2019 Report. The Committee has continued to play a key role to ensure that our financial and non-financial rewards remain competitive and can continue to attract, retain and motivate the company's executives.”


Patrick Paul
Chairman of the
Remuneration Committee
17 March 2020

of underlying profit which allows the Committee to focus more on the total bonus pool and its relation to the group's performance. These revisions were implemented in 2019 with the first bonus payout in 2020.

Retirement benefits

The Executive Directors and the senior management participate in the company's retirement plan which is a scheme set up under the Occupational Retirement Scheme Ordinance of Hong Kong – The Hongkong and Shanghai Hotels, Limited 1994 Retirement Plan or a local plan. The employer contributions to the company's plan for the Executive Directors, senior management and all other Hong Kong employees are made according to the plan's defined contribution level and vesting conditions. Employees can opt to pay contributions.

Other benefits

The benefits available to Executive Directors and senior management include, but are not limited to, health, life, disability and accidental insurance.

Remuneration for Non-Executive Directors

Fees of Non-Executive Directors (NEDs) are fixed by shareholders at shareholders general meetings, while any additional fees of NEDs for serving on Board Committees are fixed by the Board. The Committee has the responsibility of reviewing management's annual recommendations for these fees. Factors taken into account in this process include estimated time spent in the discharge of these duties and benchmarking against other Hong Kong listed companies of similar size and activities as well as other international companies. After review, the Committee makes recommendations to the Board. No director approves his or her own remuneration. The Committee endorsed management's

proposal after benchmarking not to recommend any changes to the fees of NEDs in 2019.

2019 Main Activities

The Remuneration Committee conducted the following business in 2019:

Remuneration

- Reviewed and endorsed management's proposals for the fees for NEDs to remain unchanged in 2019
- Reviewed and approved the 2018 proposed bonus pool for senior staff
- Reviewed and approved the 2018 annual discretionary bonus proposal for Executive Directors and Group Executives
- Reviewed and approved the revision of discretionary bonus range for Chief Executive Officer
- Noted the group-wide 2020 general salary increase proposal taking into account various factors including market pay trends, inflationary forecasts, labour market outlook and the group financial performance
- Reviewed and approved the 2020 salary of Executive Directors and senior management
- Reviewed and noted the remuneration of senior staff in grades A and B

Remuneration Committee Report

Others

- Reviewed and approved the 2018 Remuneration Committee Report
- Reviewed and confirmed that the terms of reference of the Committee remained relevant and no revision was required
- Reviewed and approved the letter of appointment for an INED

2019 Remuneration of Directors and Senior Management

The following information is an integral part of the Audited financial statements for the year ended 31 December 2019.

Non-Executive Directors – remuneration

The fees paid to each of our NEDs in 2019 for their service on the company’s Board and, where applicable, on its Board Committees are set out below.

Higher levels of fees were paid to the Chairmen of the Audit Committee and the Remuneration Committee indicated by “C”. Executive Directors serving on the Board and Board Committees are not entitled to any Directors’ fees.

(HK\$'000)	Board	Executive Committee	Audit Committee	Remuneration Committee	Nomination Committee	Total* 2019	Total* 2018
Non-Executive Directors							
The Hon. Sir Michael Kadoorie	325	100	–	–	40	465	456
Mr Andrew C.W. Brandler	325	100	150	60	–	635	626
Mr William E. Mocatta	325	–	–	–	–	325	316
Mr John A.H. Leigh	325	100	–	–	–	425	416
Mr Nicholas T.J. Colfer	325	–	–	–	–	325	316
Mr James L. Lewis ⁽²⁾	325	–	–	–	–	325	316
Mr Philip L. Kadoorie ⁽³⁾	325	–	–	–	–	325	316
Independent Non-Executive Directors							
Dr the Hon. Sir David K.P. Li	375	–	–	–	40	415	406
Mr Patrick B. Paul	375	–	185 ^(c)	100 ^(c)	–	660	646
Mr Pierre R. Boppe	375	–	–	–	–	375	366
Dr William K.L. Fung	375	–	–	–	40	415	406
Dr Rosanna Y.M. Wong	375	–	–	60	–	435	426
Dr Kim L. Winser	375	–	–	–	–	375	366
Ms Ada K.H. Tse	375	–	150	–	–	525	516
	4,900	300	485	220	120	6,025	5,894

Executive Directors – remuneration

The remuneration paid to Executive Directors of the company in 2019 was as follows:

(HK\$'000)	Basic compensation	Bonuses and incentives	Retirement benefits	Other benefits	Total* 2019	Total* 2018
Executive Directors						
Mr Clement K.M. Kwok	7,260	7,213	1,194	186	15,853	16,548
Mr Peter C. Borer	5,211	3,363	844	137	9,555	9,710
Mr Matthew J. Lawson	4,822	2,385	791	186	8,184	8,505
	17,293	12,961	2,829	509	33,592	34,763

* In line with industry practice, the group operates a scheme which encourages Directors and senior management to use the facilities of the group to promote its business. For this purpose, discount cards are issued to the Directors. The remuneration disclosed does not include the amount of discounts offered to the Directors and senior management

Senior Management – remuneration

Remuneration for senior management (GMB members other than Executive Directors**) disclosed pursuant to the Listing Rules falls within the following bands:

	2019 Number	2018 Number
HK\$4,000,001 – HK\$5,000,000	1	1
HK\$5,000,001 – HK\$6,000,000	3	2
HK\$6,000,001 – HK\$7,000,000	1	1
HK\$7,000,001 – HK\$8,000,000	1	1

** GMB, the company’s management and operations’ decision-making authority, comprises the three Executive Directors and six (2018: five) senior management who represent the various key functions and operations of the company

Individuals with highest remuneration

The five highest paid individuals in the group included three Executive Directors and two (2018: two) other members of senior management. The remuneration of the three Executive Directors are set out above. The remuneration of the two (2018: two) other individuals with highest remuneration are within the following bands:

	2019 Number	2018 Number
HK\$6,500,001 – HK\$7,000,000	1	1
HK\$7,000,001 – HK\$7,500,000	1	–
HK\$7,500,001 – HK\$8,000,000	–	1

The aggregate of the remuneration in respect of these two (2018: two) individuals is as follows:

(HK\$'000)	2019	2018
Basic compensation	9,024	8,475
Bonuses and incentives	4,191	5,173
Retirement benefits	902	847
Other benefits	239	225
	14,356	14,720

The Committee has reviewed the methodology and benchmarking of the remuneration disclosed above and has endorsed and approved the same. The Committee remains committed to careful oversight of the remuneration policies of the company.