



5 May 2023

## Feedback Statement to 2023 ISS Voting Recommendations

In response to the voting recommendations of ISS published on 4 May 2023 and to assist the preparation of your voting in respect of the proposed resolutions to be tabled at the 2023 annual general meeting (“AGM”) of AIA Group Limited (the “Company”, “AIA” or “we”), we would like to highlight the following:

**1) Resolution #9: To approve and adopt the proposed amendments to the share option scheme (“SO Scheme”) of the Company**

**Resolution #10: To approve and adopt the restricted share unit scheme (“RSU Scheme”) of the Company with amended terms**

### Scheme Limit

ISS has suggested that the proposed amendments to the SO Scheme and RSU Scheme would further increase the overall dilution limit.

**We believe that this reflects a misunderstanding of the administration of the programme and we do not agree with this statement.**

The amended Chapter 17 of the Hong Kong Listing Rules (“Listing Rules”) now applies to **all share schemes of Hong Kong listed issuers**, rather than only to share option schemes as was the case prior to the amendments. One of the amendments relates to the application of an overall 10% scheme limit to all share schemes of an issuer. Accordingly, while we are proposing to spell out this particular requirement in the various scheme rules to align with the Listing Rules, **this does not change the current 2.5% limit that pre-existed in each of our share schemes. It is critical to note that the proposed amendments do not increase the overall dilution limit as suggested by ISS.**

The overall 10% limit merely represents **a maximum cap** on the number of AIA shares which can be issued **across all schemes** during the 10-year scheme period. We note that for the RSU Scheme and the ESPP (as defined below), since the adoption of these scheme/plan in 2010 and 2011, respectively, **the Company has not issued any new shares upon vesting of the awards thereunder.** Instead, AIA purchased shares on market to satisfy the vesting of these awards. Accordingly, our share mandate has **never** been utilised for this purpose.

Set out in the table below are our historical grants made under each of our share schemes (% figures in the last column were calculated with reference to our latest number of issued shares). While we have not set an annual grant limit under each of our share schemes, the aggregated grant (in % term) made under all our schemes **has been well below 0.5% during the scheme/plan period in each year.**



FY	Share Awards Granted				Total	% of issued shares as of 4/5/23
	SO Scheme	RSU Scheme	ESPP	ASPP		
2011	20,426,519	32,011,761	109,802		52,548,082	0.451193%
2012	7,816,367	22,348,056	737,079		30,901,502	0.265329%
2013	7,490,459	20,645,534	871,716		29,007,709	0.249069%
2014	6,678,445	19,086,387	935,808		26,700,640	0.229260%
2015	5,937,871	17,933,566	979,728	1,041,690	25,892,855	0.222324%
2016	9,550,232	18,964,022	1,164,179	927,042	30,605,475	0.262788%
2017	9,460,949	16,003,902	1,394,227	1,037,294	27,896,372	0.239526%
2018	4,601,313	11,617,538	1,409,739	1,167,021	18,795,611	0.161385%
2019	4,412,153	10,672,622	1,331,071	1,260,386	17,676,232	0.151773%
2020	5,856,668	13,451,940	1,552,890	1,185,442	22,046,940	0.189302%
2021	1,849,222	9,484,581	1,557,557	1,192,355	14,083,715	0.120927%
2022	2,519,456	12,535,139	1,912,225	1,119,763	18,086,583	0.155297%

Note: The Company has not issued any new shares upon vesting of the awards granted under the RSU Scheme and ESPP since their respective adoption in 2010 and 2011. This also applies to their replacement schemes both adopted in 2020. Accordingly, the % figures in the last column cover new and secondary AIA shares.

### **Vesting Period**

The minimum vesting period for options/awards granted under all our share schemes is proposed to be increased to 'one year' from '6 months' in order to align with the latest requirement in the amended Chapter 17 of the Listing Rules. We believe strongly that this change should, from the perspective of shareholders, be considered an improved plan feature.

The grants made under the SO Scheme and the RSU Scheme, as we disclose in our annual Remuneration Report, **vest only after a three-year period (please refer to pages 129 and 133 of the Company's 2022 Annual Report)**, except for those circumstances as specifically set out on pages 14 and 17 of our AGM Circular. As disclosed, our Board and Remuneration Committee are of the view that the shorter vesting period permitted under these exceptions is appropriate as this allows AIA to make buyout grants to new hires so as to attract key talent, compensating them for any forfeited remuneration and benefits in respect of their prior employment, as well as to reward good leavers in exceptional cases where justified.

### **Performance conditions**

The share options are granted under the SO Scheme to drive long-term focus and shareholder value creation. Further, the share options are typically granted to our key talents together with other long-term incentives, such as grants made under the RSU Scheme, which have performance conditions to holistically support attraction, motivation and retention considerations.



Regarding the performance alignment, it is well understood that share options are inherently performance driven as their exercise price does not include any discount. The exercise price for options is prescribed under the Listing Rules in such a way that share options have no value in absence of growth in share value during the life of the options.

Therefore, share options can only be exercised for value by the holder if there is value creation for shareholders. As such, the interests of the share option grantees and our shareholders is aligned, which is why it is a common practice for Hong Kong listed companies that no performance conditions layered on top of these provisions in the context of share option grants.

Regarding the restricted share units, detailed and challenging performance conditions have been disclosed in our AGM Circular. ISS even underlines, in their report, that the details of the performance conditions we disclosed are better than that of most companies in Hong Kong.

In view of the above, and in accordance with the ISS Guidelines, it is our considered view that AIA clearly complies with the ISS' rule of exception on plan dilution, applicable to mature companies, making the 10% dilution acceptable.

### **Administration of the Share Schemes**

ISS suggested that our directors eligible to receive options/awards under the share schemes may be involved in the administration of the schemes.

We would like to clarify that this is a clear misunderstanding on the part of ISS. As set out in the terms of reference of our Remuneration Committee and in our other public disclosures, our Board has delegated to the Remuneration Committee to administer the share schemes on its behalf. The Remuneration Committee comprises only of independent non-executive directors. **None of the Company's independent non-executive directors is eligible to participate in any of the share schemes. This has been the case since the Company's initial public offering and is confirmed by the its mandatory public disclosures.**

- 2) **Resolution #11: To approve and adopt the employee share purchase plan ("ESPP") of the Company with the amended term**

**Resolution #12: To approve and adopt the agency share purchase plan ("ASPP") of the Company with the amended terms**

Page 75 of our AGM Circular has stated **the maximum monthly contribution which each ESPP Participant can make for his/her monthly purchase of AIA shares is the lesser of (a) HK\$12,500 or (b) an amount equal to 10% of the ESPP Participant's monthly earnings**, and that such monthly contribution will be used by the ESPP trustee (a third-party trustee appointed by us) to purchase as many shares as can be purchased with the contribution. **These purchases are made by the trustee on the secondary market and at market price.**



For our ASPP, please refer to pages 81 & 82 of the AGM Circular – it was also stated that the same individual limit applies to the monthly contribution under the ASPP. Similarly, such monthly contribution will be used by the ASPP trustee (a third-party trustee appointed by us) to purchase as many shares as can be purchased with the contribution. **These purchases are also made by the trustee on the secondary market and at market price.**

Thank you for your kind attention. Should you have any follow-up questions, please feel free to contact AIA's Investor Relations team at [ir@aia.com](mailto:ir@aia.com).

Yours faithfully,

Lance Burbidge  
Chief Investor Relations Officer  
AIA Group Limited