



**Nam Tai Property, Inc.  
Corporate Governance Guidelines**

**Updated on : January 25, 2019**

## Corporate Governance Guidelines

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## Corporate Governance Guidelines

### 1A. Director

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Nam Tai Property, Inc. ("Nam Tai" or the "Company") has developed and adopted these Corporate Governance Guidelines to reflect the Company's commitment to good corporate governance and to comply with New York Stock Exchange (the "NYSE") and other legal requirements. The major differences between NYSE Corporate Governance Rules and Nam Tai's current practices, if any, will be posted on the Company's website at <http://www.namtai.com/investors#investors/corporate-governance.htm>

These Corporate Governance Guidelines are intended to assist the Board of Directors (the "Board") and its committees in carrying out their respective duties in compliance with NYSE's Listed Company Manual Section 303A and the Sarbanes Oxley Act of 2002. The Corporate Governance Guidelines are subject to review and change from time to time as recommended by the Nominating / Corporate Governance Committee and determined by the Board.

#### **1A.01. Directors' Qualification and Affiliation**

**Qualification.** Directors shall be highly accomplished in their respective fields, with backgrounds, skills and experience relevant to the Company.

**Terms of Appointment.** Directors are elected annually to serve until the next Annual General Meeting. Each director holds office according to the terms of his appointment until his successor takes office or until his earlier death, resignation or removal.

**Affiliation.** The Board will review annually the outside affiliations of each director to determine whether those affiliations present any conflicts of interest or are otherwise inconsistent with the Company's and shareholders' best interests.

**Resignation.** A director shall offer his or her resignation if there is any significant change in his or her circumstances that would be detrimental to the Company's business or his or her ability to serve as a director. The Board, through the Nominating / Corporate Governance Committee, will review whether it is appropriate for such director to continue to be a member of the Board under these circumstances.

#### **1A.02. Directors' Responsibilities**

**Represent Shareholders Interests.** Directors shall maintain and enhance the success of the Company's business at all times, and seek to maximize shareholder return in the long run. Directors shall act in good faith and with due care so as to exercise their business judgment on an informed basis in what they reasonably and honestly believe to be in the best interests of the Company and its shareholders. In discharging that obligation, the directors must inform themselves of all relevant information reasonably available to them and review materials made available to them in advance of meetings.

**Interact with Senior Management.** Directors shall oversee and interact with senior management on



business planning, management development and operation performance.

**Attend Meetings.** Directors shall attend Board meetings and review meeting materials in advance.

### **1A.03. Independence of Directors**

The Board will have a majority of directors who meet the criteria for independence required by the NYSE. The Board will monitor its compliance with the NYSE requirements for director independence on an ongoing basis. Each independent director is expected to notify the Chairman of the Nominating / Corporate Governance Committee, as soon as reasonably practicable, in the event that his or her personal circumstances change in a manner that may affect the Board's evaluation of such director's independence.

The Nominating / Corporate Governance Committee is responsible for reviewing, on an annual basis, the composition of the Board as a whole, and whether the Company is being well served by the directors taking into account the director's independence, age, skills, experience and availability for service to the Company.

Nam Tai adopts the directors' independence criteria as established by NYSE Corporate Governance Rules Section 303A.02.

#### **An independent Non-Executive Director ("INED") is one among other conditions :**

- who has no material relationship with the Company as affirmatively determined by the Board;
- who is not nor has been within the last 3 years immediately prior to the date of his appointment as the INED an employee of the Company, *provided, however*, employment as an interim Chairman of the Board or Chief Executive Officer or other executive officer of the Company shall not disqualify a director from being considered independent following that employment<sup>1</sup>;
- whose immediate family members<sup>2</sup> are not, nor have been within the last 3 years immediately prior to the date of his appointment as the INED, an executive officer of the Company;
- who, or whose immediate family members<sup>2</sup>, have not received greater than US\$120,000<sup>3</sup> in direct compensation from the Company, other than directors' and committees' fees and pension or other forms of deferred compensation for prior service (provided such compensation is not contingent in any way on continued service), during any twelve-month period within the last 3 years immediately prior to the date of his appointment as the INED;
- who is neither a partner nor an employee of the internal or external audit firm of the Company and within the last 3 years immediately prior to the date of his appointment as the INED was neither a partner nor an employee of such firm and personally worked on the Company's audit during that time;
- none of whose immediate family members<sup>2</sup> is (a) a current partner of the internal or external audit firm of the Company or (b) a current employee of the internal or external audit firm of the Company and personally works on the Company's audit<sup>4</sup>;
- none of whose immediate family members<sup>2</sup> have been, within the last 3 years immediately prior to the date of his appointment as the INED, partners or employees of the internal or external audit firm and personally worked on the Company's audit during that time;
- who, or whose immediate family members<sup>2</sup>, are not, nor within the last 3 years immediately prior to the date of his appointment as the INED, employed as an executive officer of another company in which any of the Company's present executives at the same time serves or served on that company's compensation committee; and
- who is not an employee of, or whose immediate family members<sup>2</sup> are not executive officers of, a company that has made payments to, or received payments from, the Company for property or services in an amount which in any of the 3 fiscal years prior to his appointment as the INED, exceeds the greater of US\$ 1 million or 2% of such other company's consolidated gross revenues.

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<sup>1</sup> Revised January 2009; Source: NYSE Listed Company Manual ("LCM") §303A, Commentary to §303A (b)(i).

<sup>2</sup> An "immediate family member" includes a person's spouse, parents, children, siblings, mothers- and father-in-law, sons-and daughters-in-law, brothers and sisters-in-law, and anyone (other than domestic employees) who shares such person's home.

<sup>3</sup> Revised January 2009; Source LCM §303A(b)(ii) (last modified 11 September 2008).

<sup>4</sup> Revised January 2009; Source LCM §303A(b)(iii) (last modified 11 September 2008)



The above factors are not exhaustive and the Board may take into account other factors to consider the independence of the directors.

#### **1A.04. Conflicts of Interest**

Directors have the duty to avoid business, financial or other relationships which compete with the interests of the Company and which may affect his or her loyalty in carrying out the position of director for the Company. Any activity which appears to have such a conflict of interest should also be avoided, unless it is determined that such activity is not harmful to the Company after discussion and disclosure with the Board.

#### **1A.05. Types of Directors in Nam Tai**

The Company has classified its directors into 3 types :

- Executive: Executive Directors engage in the daily business operations of the Company.
- Non-Executive: Non-Executive Directors are not involved in the daily management of the Company.  
Non-Executive Directors are appointed because the Board:
  - (i) needs advice in one particular area of expertise; or
  - (ii) wants to address the concerns of shareholders, customers, creditors or employees.Non-Executive Director's duties are to:
  - (i) determine overall policies of the Company; and
  - (ii) contribute to decision making of the Board.
- INEDs: INEDs fulfill the "Independence of Directors" requirements as set forth in Section 1A.03 above.

According to NYSE Corporate Governance Rules Sections 303A.01 and 303A.03,

- Companies must have a majority of independent directors to exercise independent judgment in carrying out their responsibilities. A majority of independent directors will increase the quality of board oversight and lessen the possibility of damaging conflicts of interest.
- Non-Executive Directors of the Company must meet at regularly scheduled executive sessions without management participation to promote open discussion among the Non-Executive Directors. Regular scheduling of such meetings is important not only to foster better communication among Non-Executive Directors, but also to prevent any negative inference from attaching to the calling of executive sessions.
- In accordance with NYSE Corporate Governance Rule 303A.03, if meetings of Non-Executive Directors held during the year include directors who are not INEDs, the Company shall schedule at least once a year an executive session including only INEDs.



The following constitute the directors of Nam Tai as of January 1, 2019:

**DIRECTORS OF NAM TAI PROPERTY, INC.**

<b><u>DIRECTORS</u></b>	<b><u>DESIGNATION</u></b>	<b><u>BOARD COMMITTEES</u></b>
Ying Chi Kwok	Executive Director	<ul style="list-style-type: none"> <li>• Chairman of the Board</li> </ul>
Hao Xu	Non Executive Director	<ul style="list-style-type: none"> <li>• None</li> </ul>
Peter R. Kellogg	Independent Non-Executive Director	<ul style="list-style-type: none"> <li>• Member of Audit Committee</li> <li>• Member of Nominating / Corporate Governance Committee</li> <li>• Member of Compensation Committee</li> </ul>
Mark Waslen	Independent Non-Executive Director	<ul style="list-style-type: none"> <li>• Chairman of Audit Committee</li> <li>• Member of Nominating / Corporate Governance Committee</li> <li>• Member of Compensation Committee</li> </ul>
Dr. William Lo	Independent Non-Executive Director	<ul style="list-style-type: none"> <li>• Chairman of Nominating / Corporate Governance Committee and Compensation Committee</li> <li>• Member of Audit Committee</li> </ul>
Paul Lau	Independent Non-Executive Director	<ul style="list-style-type: none"> <li>• Member of Audit Committee</li> <li>• Member of Nominating / Corporate Governance Committee</li> <li>• Member of Compensation Committee</li> </ul>
Vincent Fok	Independent Non-Executive Director	<ul style="list-style-type: none"> <li>• Member of Audit Committee</li> <li>• Member of Nominating / Corporate Governance Committee</li> <li>• Member of Compensation Committee</li> </ul>

A current list of Nam Tai’s Directors will be included annually in the Section entitled “Directors and Senior Management” of Item 6 of its Annual Report on Form 20-F filed with the United States Securities and Exchange Commission and is available at: <http://www.sec.gov>.

**1A.06. Ethical Requirements**

Nam Tai adopted the “Code of Business Conduct and Ethics” on July 1, 2015 which is available in the Company’s website at <http://www.namtai.com>. All employees shall abide by this “Code of Business Conduct and Ethics”.

**1A.07. Board Committees**

**Composition and Responsibilities.** The Board will have at all times an Audit Committee, a Nominating / Corporate Governance Committee, a Compensation Committee, and any other committees the Board deems appropriate. All of the members of the Audit Committee, the Nominating / Corporate Governance Committee and the Compensation Committee are independent directors under the criteria for independence required by law and the NYSE. The members of the Audit Committee, the Nominating / Corporate Governance Committee and the Compensation Committee will be appointed by the Board upon recommendation of the Nominating / Corporate Governance Committee based on each committee's member qualification standards. Consideration should be given to the desires, skills and characteristics of individual directors. The Board will appoint the Chairman of each committee upon the recommendation of the Nominating / Corporate Governance Committee.

**Existing Committees.** The Board has three existing committees: the Audit Committee, the Nominating / Corporate Governance Committee and the Compensation Committee. Please see Section 1D for more information on these committees, such as purpose, composition and meetings.

**New Committees.** The Board shall evaluate and determine when to form new committees and to dissolve existing committees as and when needed and permitted.

#### **1A.08. Directors' Compensation**

Directors shall be compensated for time dedicated to, and other contributions on behalf of, the Company. Compensation should be competitive with market practice but should not be at a level that would call into question the Compensation Committee's or the Board's objectivity. The Board will consider that directors' independence may be jeopardized if directors' compensation and perquisites exceed customary levels, if the Company makes substantial charitable contributions to organizations with which a director is affiliated or if the Company enters into consulting contracts with (or provides other indirect forms of compensation to a director or an organization with which the director is affiliated).

#### **Compensation for Executive Directors is recommended by the Compensation Committee for approval of the Board**

Compensation for any Executive Directors is recommended by the Compensation Committee to the Board for approval and is subject to review each year.

#### **Compensation for Non-Executive Directors and Independent Non-Executive Directors is recommended by the Compensation Committee and determined by the Board**

Non-Executive Directors and INEDs are paid \$5,000 per month for services as a director, \$1,200 per meeting (including Board meetings and committee meetings) attended in person and \$800 per meeting (including Board meetings and committee meetings) attended by telephone. Moreover, they are reimbursed for all reasonable expenses incurred in connection with their services as a director.

In addition, pursuant to the Stock Option Scheme approved by the Board of Directors on July 4, 2016, every non-executive director has been granted certain options vested over the terms listed in the certificate thereof. Directors Peter R Kellogg, Mark Waslen and Dr William Lo were granted 150,000 options with an exercise price of US\$6.22 to be vested in five equal portions of 30,000 each, exercisable prior to the end of each financial year from July 29, 2016 to December 31, 2020. Directors Paul Lau and Vincent Fok were granted 90,000 options with an exercise price of \$12.20 to be vested in three equal portions of 30,000 each, exercisable prior to the end of each financial year from June 1, 2018 to December 31, 2020. Director Hao Xu was granted 90,000 options with an exercise price of \$10.55 to be vested in three equal portions of 30,000 each exercisable prior to the end of each financial year from August 1, 2018 to December 31, 2020. Executive Director Ying Chi Kwok was granted 600,000 options with an exercise price of \$13.30 to be vested in two equal portions of 300,000 each, exercisable prior to the end of each financial year from January 26, 2018 to December 31, 2019.

The Company intends to, and the directors shall be entitled to, have the Company purchase reasonable directors' and officers' liability insurance on behalf of the directors to the extent reasonably available. In addition, the directors will receive the benefits of indemnification provided by the law of the British Virgin Islands, the Company's place of incorporation, the Articles of Association of the



Company, as amended from time to time, and any indemnification agreements, as well as the provisions regarding absence of personal liability contained in the Company's Articles of Association.

#### **1A.09. Directors' Orientation**

The Board shall implement and maintain an orientation program for newly elected directors. All new directors must be provided with these Corporate Governance Guidelines and will participate in the Company's orientation initiatives as soon as practicable after the annual general meeting at which such new directors are elected. All directors shall receive periodic updates on directors' roles and responsibilities throughout their tenure.

#### **1A.10. Management Succession**

The Board shall approve and maintain a succession plan for the chief executive officer ("CEO"), and directors, based on recommendations from the Nominating / Corporate Governance Committee, if necessary.

#### **1A.11. Insider Trading and Employee Selling / Buying Securities Guidelines**

The Company proactively promotes compliance with Insider Trading Laws. Insider Trading & Employee Selling / Buying Securities Guidelines are posted on the Company's website at <http://www.namtai.com>

#### **1A.12. CEO and Non-CEO Evaluation**

The Compensation Committee will review and approve corporate goals and objectives relevant to the compensation of the CEO and set his or her compensation level by evaluating his or her performance with reference to these goals and objectives. The Board of Directors will review the Compensation Committee's report in order to ensure that the CEO is providing the necessary leadership for the Company in the long- and short-term. The Compensation Committee will also review and make recommendations to the Board, as required by the Board, regarding the compensation of Non-CEO with the definition set out in the Compensation Committee Charter.

### **1B. Board of Directors**

#### **1B.01. Responsibilities of the Board**

#### **1B.02. Executive Meetings and Reports**

#### **1B.03. Assessment of the Board**

#### **1B.01. Responsibilities of the Board**

The business affairs of the Company are managed under the direction of the Board, which represents and is accountable to the shareholders of the Company. The Board's responsibilities are active and not passive and include the responsibility to regularly evaluate the strategic direction of the Company, management policies and the effectiveness with which management implements the Board's policies. The primary responsibility of the Board is to exercise business judgment independently on matters of material long-term significance to the Company.

Directors shall select and monitor the performance of the senior management team for the day-to-day conduct of the Company's business, always acting in the best interest of the Company and its shareholders. Directors shall monitor the Company's financial reporting and public disclosure, and shall oversee the Company's internal controls and compliance with laws. The Board shall also set the tone for ethical business conduct.

#### **1B.02. Executive Meetings and Reports**

**Executive Directors.** Executive Directors are expected to prepare for and use reasonable efforts to



attend Board meetings and meetings of the committees on which they serve, to spend time needed and to meet as frequently as necessary to properly discharge their responsibilities. Written materials to be discussed at a Board or committee meeting shall, to the extent practical, be distributed to directors far enough in advance to allow time for preparation. Executive Directors are expected to review the provided materials in advance of each meeting. Meeting minutes shall be published on time.

**Non-Executive Directors and Independent Non-Executive Directors.** Non-Executive Directors and INEDs shall meet in regularly scheduled executive sessions at least annually (without management) and such other times as they deem appropriate. The Non-Executive Directors and INEDs will designate a director from among themselves to preside at all executive sessions of the Non-Executive Directors and INEDs. In order to facilitate the ability of interested parties to communicate with and make their concerns known to the Non-Executive Directors and INEDs, the Non-Executive Directors and INEDs will establish an electronic mailing address and a physical mailing address to which such communications may be sent and publish the addresses on the Company's website.

### **1B.03. Assessment of the Board**

The Board shall conduct a self-evaluation at least annually to determine whether it and its committees are functioning effectively.

## 1C. Fiduciary Oversight

### **1C.01. Duty of Care and Loyalty**

### **1C.02. Access to Management**

### **1C.01. Duty of Care and Loyalty**

Directors shall undertake affirmative duties of care and loyalty to the Company and the shareholders as required by Common Law and the BVI Business Companies Act, 2004, as amended (the "BVI Act"), the corporate law of the British Virgin Islands under which the Company is governed.

- The duty of care requires an officer and director to exercise the care that an ordinary prudent person (reasonable director<sup>5</sup>) in a like position would exercise under similar circumstances.
- The duty of loyalty dictates a course of conduct requiring directors to exercise their powers in the interests of the Company and not in the directors' own interests or in the interests of another person or organization.

### **1C.02. Access to Management**

Directors are granted access to the name, address, and phone number of all employees and management of the Company. Directors are likewise granted access to all employees and management as they deem necessary or appropriate in the course of their duties and responsibilities as directors.

## 1D. Committees

### **1D.01. Audit Committee**

### **1D.02. Nominating / Corporate Governance Committee**

### **1D.03. Compensation Committee**

### **1D.01. Audit Committee**

Purpose

<sup>5</sup> Revised January 2009. Source, § 122 of the BVI Act.



The purpose of the Audit Committee is to assist the Board in fulfilling its oversight responsibilities related to the Company's internal control, financial reporting and audit functions. The structure and membership, roles and responsibilities of the Audit Committee are more fully described in the "Audit Committee Charter" which has been prepared in accordance with NYSE Corporate Governance Rules Sections 303A.06 and 303A.07, and the Sarbanes-Oxley Act of 2002. The latest version of Nam Tai's Audit Committee Charter was published on October 30, 2015 and is available on the Company's website at <http://www.namtai.com>

#### Composition

Members (Current as of January 1, 2019): Mr. Mark Waslen (Chairman), Mr. Peter Kellogg, Dr. William Lo, Mr. Paul Lau and Mr. Vincent Fok

#### Meetings

The Audit Committee shall meet at least 4 times each year, or more frequently as needed and as determined by the Audit Committee and the Board.

### **1D.02. Nominating / Corporate Governance Committee**

#### Purpose

The purpose of the Nominating / Corporate Governance Committee is to (i) assist the Board by actively identifying individuals qualified to become Board members consistent with criteria approved by the Board; (ii) recommend to the Board the director nominees for election at each annual general meeting of shareholders, the member nominees for the Audit Committee, Compensation Committee and the Nominating Committee on an annual basis; (iii) review and recommend to the Board whether it is appropriate for such director to continue to be a member of the Board in the event that there is a significant change in the circumstance of any director that would be detrimental to the Company's business or his/her ability to serve as a director or his/her independence; (iv) review the composition of the Board on an annual basis; (v) recommend to the Board a succession plan for the CEO and directors, if necessary; (vi) monitor significant developments in the law and practice of corporate governance and of the duties and responsibilities of directors of public companies; (vii) establish criteria to be used in connection with the annual self-evaluation of the Nominating Committee; and (viii) develop and recommend to the Board and administer the Corporate Governance Guidelines of the Company.

The structure and membership, roles and responsibilities of the Nominating / Corporate Governance Committee are more fully described in the Nominating / Corporate Governance Committee Charter which has been prepared in accordance with NYSE Corporate Governance Rules Section 303A.04. The Nominating / Corporate Governance Committee Charter is available on the Company's website at <http://www.namtai.com>

#### Composition

Members (Current as of January 1, 2019): Dr. William Lo (Chairman), Mr. Peter Kellogg, Mr. Mark Waslen, Mr. Paul Lau and Mr. Vincent Fok.

#### Meetings

The Nominating / Corporate Governance Committee shall meet at least annually (i) to set corporate governance procedures; (ii) to evaluate or select the nominees for election as directors at the annual general meeting; and (iii) to recommend to the Board the member nominees for the Audit Committee, the Compensation Committee and the Nominating / Corporate Governance Committee for appointment.

### **1D.03. Compensation Committee**

#### Purpose

The purpose of the Compensation Committee is to evaluate and make recommendations to the Board regarding (i) compensation of the Company's board of directors; (ii) compensation of the Executive Directors and CEO with reference to achievement of corporate goals and objectives established in the previous year; (iii) compensation of Non-CEO if required by the Board; and (iv) equity based and incentive compensation programs of the Company.

The structure and membership, roles and responsibilities of the Compensation Committee are more fully described in the "Compensation Committee Charter" which has been prepared in accordance with NYSE Corporate Governance Rules Section 303A.05. Nam Tai's Compensation Committee Charter is



available on the Company's website at <http://www.namtai.com>

Composition

Members (Current as of January 1, 2019): Dr. William Lo (Chairman), Mr. Peter Kellogg, Mr. Mark Waslen, Mr. Paul Lau and Mr. Vincent Fok

Meetings

The Compensation Committee shall meet at least annually or more frequently as needed and as determined by the Compensation Committee and the Board. Its most important meeting will be held when fiscal year-end results are available, to assess the performance of the CEO of the Company against corporate and personal goals and objectives for that year and to establish goals and objectives for the following year.