

Remuneration Report

Established in 2003, the Remuneration Committee is chaired by Dr Norman LEUNG Nai Pang, who is an Independent Non-executive Director and also the Deputy Chairman of the Company. The other members of the Committee are Dr Eric LI Ka Cheung and Dr John CHAN Cho Chak, both Independent Non-executive Directors of the Company.

The Remuneration Committee is delegated by the Board with the responsibility of ensuring that the Company employs properly structured and fair remuneration policies, which take into account the interests of Directors, staff and other stakeholders, as well as align with the Company's goals, objectives and performance. Remuneration levels are determined according to the principles of individual performance, fairness, transparency and market competitiveness. A variety of remuneration elements are incorporated in order to attract and retain people who are fully motivated to contribute to the Group.

The main principal remuneration policies adopted by the Group are as follows:

- No Director or member of senior management is involved in deciding his or her own remuneration;
- Remuneration policy and practice including that relating to the Directors should be as transparent as possible; and
- Remuneration packages should constitute a fair system of reward for all participants, taking qualifications, experience and performance into consideration, while also taking account of market practices and packages offered for similar posts by comparable companies. Independent professional advice on human resource related matters is sought whenever required.

The Remuneration Committee's written terms of reference, which are posted on the Company's website, fully comply with the Code Provisions set out in Appendix 14 of the Listing Rules. The main duties of the Committee include:

- making recommendations to the Board on the Company's remuneration policy and structure for all Directors and senior management, and on the establishment of a formal and transparent procedure for developing remuneration policy;

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- establishing guidelines for determining the remuneration of the Directors (including terms of conditions of employment, remuneration and retirement benefits of Executive Directors) and to make recommendations to the Board on the remuneration packages of individual Executive Directors and senior management, as well as Non-executive Directors;
- considering salaries paid by comparable companies, as well as time commitment, responsibilities and employment conditions elsewhere in the Group;
- reviewing and approving compensation payable to Executive Directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive;
- reviewing and approving compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate;
- ensuring that no Director or any of his or her associates is involved in deciding his or her own remuneration; and
- reviewing and considering proposals from the Managing Director regarding human resources or related policies and making appropriate recommendations to the Board.

In 2011, the Remuneration Committee:

- Reviewed the remuneration policy for 2011;
- Reviewed the remuneration of Executive and Non-executive Directors, benchmarked against the level of remuneration of major listed companies in respect of workload, scale and complexity of business;
- Reviewed the annual performance-related bonuses for the Group employees, with reference to the performance of the Group and individual achievement, measured against the assessment criteria and taking into consideration market norms; and
- Examined employees' wage and salary increments by reference to the relevant factors and on a merit basis.

CRITERIA FOR DETERMINATION OF THE REMUNERATION OF DIRECTORS

In accordance with good corporate governance practices, assessment of the remuneration of Directors is based on formalised principles, which take into account market practices and a tried and tested methodology. The determination of Directors' fees was based on the Higgs Methodology and with reference to the results of a desk-top survey conducted by the Company on the remuneration of the directors of 20 major companies listed on The Stock Exchange of Hong Kong Limited.

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The fee structure for Directors in 2011, which was fixed by the shareholders at the annual general meetings of the Company held in 2008 and 2010 and remained effective until the Company in general meetings otherwise determines, is set out below:

	Fee per annum	Effective from 1 January
Board Members	HK\$	
– Chairman	504,000	2008
– Other Director	360,000	
Audit Committee Members		
– Chairman	84,000	2008
– Other member	60,000	
Remuneration Committee Members		
– Chairman	42,000	2008
– Other member	30,000	
Standing Committee Members (except Executive Directors)		
– Chairman	336,000	2010
– Other member	240,000	

Besides the fees disclosed above, neither the Independent Non-executive Directors nor the Non-executive Directors received any pension benefits or bonuses from the Group.

The remuneration package of each Director, on a named basis, for the year ended 31 December 2011, together with 2010 comparisons, are given in note 7 to the consolidated financial statements on pages 162 and 163 of this Annual Report.

CRITERIA FOR DETERMINATION OF THE REMUNERATION OF SENIOR MANAGEMENT AND OTHER EMPLOYEES

In determining the remuneration of senior management members, comprising Messrs Charles LUI Chung Yuen, Edmond HO Tat Man and Evan AU YANG Chi Chun, who are Executive Directors of the Company and whose biographies are set out in the Directors' Profiles on pages 116 to 122 of this Annual Report, and other employees, the Group makes reference to the remuneration for similar positions in comparable local companies. This is consistent with the Group's remuneration policy of aligning remuneration packages with market practices. Depending on the performance of the Group, discretionary bonuses may also be granted to individuals on a merit basis. The level of any such discretionary bonus is subject to review and approval by the Remuneration Committee and the Board after taking into account the Group's performance. No senior management members serve on the Remuneration Committee. The main components of remuneration for senior management members and other employees are set out below:

Base Compensation

The Remuneration Committee reviews base compensation, including salaries, allowances and fringe benefits, with reference to the Group's performance, market practices and individual performance.

Discretionary Bonus

Discretionary bonuses are designed to align employee contribution with Company performance and may be granted to staff members in recognition of their outstanding performance. Individuals are subject to comprehensive performance appraisal by their immediate supervisors and only those who obtain at least a satisfactory performance rating are considered for the award of an incentive bonus.

Staff Retirement Schemes

The KMB Monthly Rated Employees Provident Fund Scheme (the “Monthly Scheme”) and the KMB Daily Rated Employees Retirement Fund Scheme (the “Daily Scheme”) are two non-contributory defined benefit retirement schemes operated by the Group. It also participates in a defined contribution retirement scheme, the SHKP MPF Employer Sponsored Scheme, which was established and registered under the Hong Kong Mandatory Provident Fund Schemes Ordinance in 2000.

i) The Monthly Scheme

Formally established under trust in 1978 and registered under the Occupational Retirement Schemes Ordinance (Cap. 426), the Monthly Scheme is administered by an independent trustee and the assets are held separately from those of the Group. Under the current scheme rules, an eligible member’s benefit is equivalent to the final monthly salary multiplied by the service period and the benefit factor applicable to the member’s completed years of service. Contributions to the Monthly Scheme are made in accordance with the recommendations of independent actuary who value the retirement scheme at regular intervals. The scheme is closed to employees first employed or re-employed by KMB (including any subsidiary or associated company which participates in the Monthly Scheme) on or after 1 December 2000.

ii) The Daily Scheme

Formally established under trust in 1983 and registered under the Occupational Retirement Schemes Ordinance (Cap. 426), the Daily Scheme is administered by an independent trustee and the assets are held separately from those of the Group. The Scheme provides benefits on death or retirement or on otherwise leaving service to its daily-rated employees. Under the current scheme rules, an eligible member’s benefit is equivalent to the final daily basic emolument multiplied by the number of completed years of service as a daily rated employee and further multiplied by a benefit factor applicable to the member’s completed years of service. Contributions to the Daily Scheme are made in accordance with the actuary’s recommendations. The Scheme is closed to employees first employed or re-employed by KMB (including any subsidiary or associated company which participates in the Daily Scheme) on or after 1 December 2000.

iii) SHKP MPF Employer Sponsored Scheme

The Group is a participating member of the SHKP MPF Employer Sponsored Scheme (“SHKP Scheme”), which is a defined contribution retirement scheme. A majority of those employees who do not participate in the defined benefit retirement schemes are covered by the SHKP Scheme, which is administered by an independent trustee. The assets of the SHKP Scheme are held separately from those of the Group in independently administered funds. The Group is required to make contributions to the SHKP Scheme at rates ranging from 5% to 12% of relevant employees’ salaries, depending on their length of service with the Group. Employees are required to make contributions to the SHKP Scheme at 5% of the employees’ relevant income as defined by the Hong Kong Mandatory Provident Fund Schemes Ordinance, subject to a cap of monthly relevant income of HK\$20,000.