

# REMUNERATION REPORT



**The Group's remuneration package is designed to attract, retain and motivate high calibre individuals who will make significant contributions to the success of the Group.**

The Remuneration Committee comprises three members, all of whom are Independent Non-executive Directors. The Committee is chaired by Dr John CHAN Cho Chak, who is the Deputy Chairman of the Company, and the other members are Dr Eric LI Ka Cheung and Professor LIU Pak Wai. The Remuneration Committee is authorised to obtain independent professional advice on relevant issues as and when required.

Under the authority delegated by the Board, the Remuneration Committee is responsible for ensuring that the Company applies properly structured and fair remuneration policies, which align with the interests of Directors, staff and other stakeholders of the Company. It formulates and makes recommendation to the Board on the remuneration packages of Directors and employees of the Company and its subsidiaries (the "Group"). The level of remuneration is determined according to the principles of performance, fairness, transparency and market competitiveness.

The principal remuneration policies adopted by the Group may be summarised as follows:

- Remuneration policy and practice including that relating to Directors should be fair, transparent and compliant with relevant legislation;
- No Director or member of senior management is to be involved in deciding his or her own remuneration; and

- Participants should be rewarded on a fair basis according to their merits, job responsibilities, qualifications and experience, taking into account market practices and packages offered for similar posts by comparable companies.

The Remuneration Committee's written terms of reference, which are published 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:

- Determining the framework and policies on remuneration of the Directors and the employees of the Group for approval by the Board;
- Setting appropriate criteria for performance related bonuses for employees, having regard to achievement against the assessment criteria with reference to market norms, and the Group's business objectives and targets;
- Establishing guidelines for determining the remuneration of Directors, including terms and conditions of employment, remuneration and retirement benefits of the Executive Directors;
- Reviewing and making recommendations to the Board on the remuneration packages of individual Executive Directors and senior management, as well as Non-executive Directors; and
- Reviewing and considering proposals submitted by the Managing Director regarding human resources or related policies and making appropriate recommendations to the Board.



In 2014, the Remuneration Committee:

- Reviewed the remuneration policy for 2014;
- Reviewed the annual performance related bonuses for Group employees, with reference to their achievements and the Group's financial performance, assessment criteria and market norms;
- Examined employees' wage and salary increments on a merit basis with reference to relevant factors including market pay trends and inflation forecasts; and
- Reviewed the remuneration of Executive and Non-executive Directors, benchmarked against the remuneration level of comparable listed companies in respect of workload, scale and complexity of business.

## CRITERIA FOR DETERMINATION OF THE REMUNERATION OF DIRECTORS

As a part of good corporate governance practices, assessment of the remuneration of Directors is based on formalised principles, which take into account both market practices and a tried and tested methodology. Consistent with previous years, Directors' fees for 2014 were determined based on the methodology developed in the "Higgs Report" in the United Kingdom on the "Review of the Role and Effectiveness of Non-executive Directors", which takes into account the likely workload, the scale and complexity of the business, and the responsibility involved. Reference was also made 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. The fee structure for Directors in 2014, which is the same as 2013, is set out as follows:

	Fee per annum HK\$
<b>Board Members</b>	
– Chairman	369,600
– Other Director	264,000
<b>Audit Committee Members</b>	
– Chairman	92,400
– Other member	66,000
<b>Remuneration Committee Members</b>	
– Chairman	46,200
– Other member	33,000
<b>Nomination Committee Members</b>	
– Chairman	30,800
– Other member	22,000
<b>Standing Committee Members (except Executive Directors)</b>	
– Chairman	323,400
– Other member	231,000

## REMUNERATION REPORT

Except as disclosed above, none of our Independent Non-executive Directors or Non-executive Directors received any pension benefits or bonuses from the Group in 2014.

The remuneration package of each Director, on a named basis, for the year ended 31 December 2014, together with 2013 comparisons, are set out in note 7 to the consolidated financial statements on pages 155 and 156 of this Annual Report.

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

The remunerations of the members of senior management, namely Mr Edmond HO Tat Man (who was the Managing Director of the Company, KMB and LWB up to 31 December 2014) and his successor, Mr Roger LEE Chak Cheong (who was appointed as the Managing Director of the Company with effect from 1 January 2015), and Mr Evan AU YANG Chi Chun and Mr Charles LUI Chung Yuen, who are Executive Directors of the Company and whose biographies are set out in the Directors' Profiles on pages 112 to 118 of this Annual Report, as well as those of other employees are benchmarked against 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 Group's financial performance, 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 financial results of the Group. No senior management members are members of the Remuneration Committee.

The key components of remuneration for senior management members and other employees are as follows:

#### Base Compensation

Base compensation, including salaries, allowances and fringe benefits, is reviewed annually. The annual review process takes into consideration the Group's financial performance, the scope and complexity of responsibilities, market pay levels and individual performance.

#### Discretionary Bonus

A discretionary bonus may be granted to individuals in recognition of their outstanding performance. Individuals are subject to comprehensive performance appraisal by their immediate supervisors on an annual basis. Only those who obtain at least a satisfactory performance rating are considered for the award of an incentive bonus.

#### Staff Retirement Schemes

The Group operates two non-contributory defined benefit 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"). 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 ("the Hong Kong MPF Ordinance") in 2000.

##### i) The Monthly Scheme

The Monthly Scheme was formally established under trust and registered under the Occupational Retirement Schemes Ordinance (Cap. 426) (the "ORSO"). It 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 an independent actuary who values 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**

The Daily Scheme was formally established under trust and registered under the ORSO. It 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 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 employment terms and 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 MPF Ordinance, subject to a cap of monthly relevant income of HK\$30,000 (HK\$25,000 prior to 1 June 2014).