

REMUNERATION REPORT

The Board has delegated authority to the Remuneration Committee for ensuring that the Company has in place properly structured and fair remuneration policies, which are in line with the interests of Directors, staff and other stakeholders of the Company. The Committee has 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 makes recommendations 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 Group's remuneration packages are designed to attract, retain and motivate high calibre individuals who will make significant contributions to the success of the Group. The Remuneration Committee is authorised to obtain independent professional advice on relevant issues as and when required.

The main principal remuneration policies adopted by the Group are 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
- Directors and employees 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 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:

- Determining the 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 the 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 2015, the Remuneration Committee:

- Reviewed the remuneration policy for 2015;
- Reviewed the annual performance-related bonuses for Group employees, with reference to the performance of the Group, individual achievement, the 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.

REMUNERATION REPORT

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 both market practices and a tried and tested methodology. Consistent with previous years, Directors' fees for 2015 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 2015 is set out as follows:

	Fee per annum HK\$
Board Members	
– Chairman	403,200
– Other Director	288,000
Audit and Risk Management Committee Members	
– Chairman	170,000
– Other member	150,000
Remuneration Committee Members	
– Chairman	70,000
– Other member	60,000
Nomination Committee Members	
– Chairman	70,000
– Other member	60,000
Standing Committee Members (except Executive Directors)	
– Chairman	352,800
– Other member	252,000

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 2015.

The remuneration package of each Director, on a named basis, for the year ended 31 December 2015, together with 2014 comparisons, are given in note 7 to the consolidated financial statements on pages 152 and 153 of this Annual Report.

CRITERIA FOR DETERMINATION OF THE REMUNERATION OF CORPORATE EXECUTIVES AND OTHER EMPLOYEES

The remuneration of the corporate executives of the Company 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 financial 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 financial results of the Group.

The main components of remuneration for corporate executives 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 financial performance, 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 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. The Group 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

Formally established under trust and registered under the Occupational Retirement Schemes Ordinance (Cap. 426) (the "ORSO"), 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 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

Formally established under trust and registered under the ORSO, the Daily 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 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. 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.