

REMUNERATION REPORT

The Board delegates authority to the Remuneration Committee to ensure that the Company adopts fair and well-structured remuneration policies consistent with the interests of its Directors, staff members and other stakeholders. The Committee is composed of five members, with three being Independent Non-executive Directors and the other two Non-executive Directors. The Committee is chaired by Independent Non-executive Director, Dr John CHAN Cho Chak, *GBS, JP*, who is also the Deputy Chairman of the Company. The other members are Independent Non-executive Director, Dr Eric LI Ka Cheung, *GBS, OBE, JP*, Independent Non-executive Director, Professor LIU Pak Wai, *SBS, JP*, Non-executive Director, Ms Winnie NG, *JP*, and Non-executive Director, Mr LUNG Po Kwan.

The Remuneration Committee recommends to the Board remuneration packages for the Directors and employees of the Company and its subsidiaries. The level of remuneration is determined in accordance with the principles of performance, fairness, transparency and market competitiveness. The Group's remuneration packages are designed to attract, retain and motivate high-calibre individuals, encouraging them to make significant contributions to the Group. The Remuneration Committee is authorised to obtain independent professional advice on relevant issues if required.

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

- ⬆ The remuneration policy and practices, including those relating to the Directors, should be fair, transparent and compliant with relevant legislation;
- ⬆ No Director or member of Senior Management should be involved in deciding his/her own remuneration; and
- ⬆ Directors and employees should be rewarded on a fair basis according to their merits, job responsibilities, qualifications and experience, with reference to market practices and packages for similar posts offered by comparable companies.

The Remuneration Committee's written terms of reference, which are published on the Company's website, comply with the Code Provisions set out in Appendix C1 to the Listing Rules. The main duties of the Committee are:

- ⬆ Determining the remuneration policies for the Directors and employees of the Group for approval by the Board;
- ⬆ Setting appropriate assessment criteria for performance-related bonuses for employees, considering their achievements based on the said criteria and referencing market norms as well as 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 for the Executive Director(s);
- ⬆ Reviewing and recommending to the Board remuneration packages for individual Executive Director(s), Senior Management and Non-executive Directors; and
- ⬆ Reviewing and considering proposals submitted by the Managing Director regarding human resources and related policies, and making appropriate recommendations to the Board.

In 2024, the work conducted by the Remuneration Committee included:

- ⬆ Reviewing the Remuneration Policy for 2024;
- ⬆ Reviewing the annual performance-related bonuses for the employees of the Group by considering its performance, individual achievements, assessment criteria and market norms;
- ⬆ Examining wage and salary increments for employees based on merit with reference to relevant factors including market pay trends and inflation forecasts; and
- ⬆ Reviewing the remuneration of Executive and Non-executive Directors, benchmarking it against the remuneration levels of comparable listed companies, considering the workload, scale and complexity of the business.

Criteria for Determining the Remuneration of Directors

In line with good corporate governance practices, the assessment of Directors' remuneration is based on formal principles that take into account both market practices and a proven methodology. As in previous years, Directors' fees for 2024 were determined based on the methodology developed in the United Kingdom under the "Higgs Report" on the "Review of the Role and Effectiveness of Non-executive Directors". The said methodology takes into consideration the likely workload, 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 Directors' remuneration of 20 major companies listed on the Stock Exchange. The fee structure for the Directors in 2024 is set out as follows:

	Fee per annum HK\$
Board Members	
— Chairman	606,200
— Other Directors	433,000
Audit and Risk Management Committee Members	
— Chairman	319,200
— Other members	228,000
Remuneration Committee Members	
— Chairman	100,800
— Other members	72,000
Nomination Committee Members	
— Chairman	70,000
— Other members	60,000
Standing Committee Members (except Executive Director)	
— Chairman	1,743,400*
— Other members	293,140

* Comprising (i) HK\$410,400 per annum, being the fees for the Chairman of the Standing Committee; and (ii) HK\$1,333,000 per annum, being the additional remuneration for the Standing Committee Chairman in respect of his additional responsibilities and commitments.

Except as disclosed above, no Independent Non-executive Director or Non-executive Director received any pension benefits or bonuses from the Group in 2024.

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The remuneration package of each Director, on a named basis, for the year ended 31 December 2024, together with a comparison to 2023, is given in Note 7 to the consolidated financial statements on pages 220 to 221 of this Annual Report.

Criteria for Determining the Remuneration of Corporate Executives and Other Employees

The remuneration of the corporate executives and other employees of the Company is benchmarked against the remuneration for similar positions in comparable local companies. This is consistent with the Group's Remuneration Policy, which ensures that remuneration packages are aligned 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, taking into account the financial results of the Group.

The main components of remuneration for corporate executives and other employees are as follows:

Base Compensation

The Remuneration Committee reviews employees' base compensation, including salaries, allowances and fringe benefits, with reference to the Group's financial performance, the scope and complexity of their individual responsibilities, performance and market pay levels.

Discretionary Bonus

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

Share Option Scheme

Under the Share Option Scheme approved and adopted by shareholders at the 2016 Annual General Meeting held on 26 May 2016, the Board may grant options to eligible persons, including employees and Director(s) of the Company and its subsidiaries, to subscribe for the Company's shares. The Share Option Scheme is intended to provide the employees and Director(s) of the Company and its subsidiaries with the opportunity to participate in the growth and success of the Company. The Board may exercise its discretion to grant options to eligible persons as proposed by the Remuneration Committee.

Details of the Share Option Scheme and options granted to eligible persons under the Share Option Scheme are set out on pages 172 to 177 of this Annual Report.

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 Mandatory Provident Fund Schemes Ordinance (Cap. 485 of the Laws of Hong Kong) (the “MPF Ordinance”) in 2000.

i) The Monthly Scheme

Formally established under trust and registered under the Occupational Retirement Schemes Ordinance (Cap. 426 of the Laws of Hong Kong) (the “ORSO”), the Monthly Scheme is administered by an independent trustee, with assets 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 corresponding to the member’s completed years of service. Contributions to the Monthly Scheme are made in accordance with the recommendations of an independent actuarial firm which values the retirement scheme at regular intervals. The scheme is closed to employees first employed or re-employed by KMB (including any subsidiary(ies) and associated company(ies) which participate 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, with assets held separately from those of the Group. Under the current scheme rules, an eligible member’s benefit is equivalent to the final daily basic emoluments multiplied by the number of completed years of service as a daily-rated employee, and then further multiplied by the benefit factor corresponding 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(ies) and associated company(ies) participating 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 aforesaid 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 in independently administered funds, separate from those of the Group. 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 their relevant income as defined by the MPF Ordinance, subject to a cap of monthly relevant income of HK\$30,000.