

## **DISCLOSURE OF THE REMUNERATION SYSTEM OF PUBLIC FINANCE LIMITED (“PFL” or THE “COMPANY”)**

### **Remuneration Committee of PFL**

The Company established its Remuneration Committee with written terms of reference with effect from 1 January 2011 in compliance with the requirements of the Supervisory Policy Manual on “Guideline on a Sound Remuneration System” (the “Guideline”) issued by the Hong Kong Monetary Authority (the “HKMA”). There are five members in the Remuneration Committee and the majority of the members are Independent Non-executive Directors. The Remuneration Committee is chaired by Tan Sri Dato’ Sri Dr. Teh Hong Piow. The other members are Tan Sri Datuk Seri Utama Thong Yaw Hong, Mr. Lee Chin Guan, Mr. Quah Poh Keat and Tan Sri Dato’ Sri Tay Ah Lek.

The Remuneration Committee shall meet at least once a year to review and make recommendations to the Board of Directors of the Company on the overall remuneration policy/specific remuneration packages/compensation arrangement relating to termination of their office or appointment of the Directors, Chief Executive, senior management and key personnel, and for the formulation of the remuneration policy applicable to all employees of the Company and its subsidiaries (the “PFL Group”).

Prior to the establishment of a separate Remuneration Committee of the Company, the functions of the remuneration system of the Board was undertaken by the Remuneration Committee of its intermediate holding company, Public Financial Holdings Limited (“PFHL”), the shares of which are listed on The Stock Exchange of Hong Kong Limited. The Remuneration Committee of PFHL was formed in January 2005 with specific written terms of reference. The Remuneration Committee of PFHL meets at least once a year to review and make recommendations to the Board of Directors of PFHL on the overall remuneration policy/specific remuneration packages/compensation arrangement relating to termination of their office or appointment of the Directors, Chief Executive and key senior management officers, and to establish a formal and transparent procedure for developing policy on such remuneration of PFHL and its subsidiaries (the “PFHL Group”) which includes PFL.

There are five members in the Remuneration Committee of PFHL and the majority of the members are Independent Non-executive Directors. The Committee is chaired

by Tan Sri Dato' Sri Dr. Teh Hong Piow. The other members are Tan Sri Datuk Seri Utama Thong Yaw Hong, Mr. Lee Chin Guan, Mr. Quah Poh Keat and Tan Sri Dato' Sri Tay Ah Lek. Two meetings were held in 2010. The attendance of each member in 2010 is set out as follows:

Name of Director	Number of meetings attended in 2010	Attendance rate
Tan Sri Dato' Sri Dr. Teh Hong Piow, <i>Chairman</i>	2	100%
Tan Sri Datuk Seri Utama Thong Yaw Hong	2	100%
Mr. Lee Chin Guan	2	100%
Mr. Quah Poh Keat	2	100%
Tan Sri Dato' Sri Tay Ah Lek	2	100%

At the meetings held during the year, the recommendation of annual salary increment for staff, the progress of formulating the Remuneration Policy and the opening of new branches of the PFHL Group were reviewed and noted.

The remuneration of the Directors, Chief Executive and key senior management officers is determined by reference to factors including the level of workload, responsibilities and commitments, performance and remuneration packages of comparable institutions. No individual Director or any of his associate is involved in deciding his own remuneration.

The scales of Director's fees for 2010 are outlined as follows:

	PFL
Chairman	HK\$85,000
Other Director	HK\$85,000*

\* Only a Non-executive Director was paid a fee of HK\$85,000.

### **Human Resources Committee of PFL**

The Human Resources Committee of the Company was formed with written terms of reference to assist the Board of Directors of the Company in formulating and implementing policies relating to all human resources matters and to make decisions within its terms of reference to ensure the smooth implementation of human resources

policies. The members are the General Manager/Chief Executive, Executive Director, Deputy General Manager, Assistant General Managers, Business, Head of Credit and Personnel Manager. Currently, there are four members in the Human Resources Committee.

The Human Resources Committee meets 4 times a year or as and when needed. 21 meetings were held in 2010 to discuss on employment extension of contract staff, staff movement, review of salary range/employment terms and review of staff referral program. Discussions and recommendations related to employees at managerial level made in the meetings were submitted to the Human Resources Committee of Public Bank Berhad, the ultimate holding company of the Company, and where appropriate, to the Remuneration Committee of PFHL for endorsement while discussions and decisions related to non-managerial employees made in the meetings were noted in the Board Executive Committee of the Company.

Upon the adoption of the Remuneration Policy for the PFL Group and the establishment of the Remuneration Committee of the Company, there will be changes to the existing practices on remuneration matters as follows:

- (i) the Board of Directors of the Company will oversee the formulation, maintenance and implementation of the Remuneration Policy.
- (ii) the Remuneration Committee of the Company will approve the remuneration packages of the key senior management personnel of the PFL Group in accordance with the authorities and responsibilities as stipulated in the terms of reference for the endorsement of the Board of Directors of the Company.
- (iii) Proposal of remuneration review will be submitted to the Chairman of the Board of Directors of the Company by the Remuneration Committee for consideration each year.
- (iv) Regular compliance monitoring will be imposed to review the management and operation of the remuneration system.

Human Resources Department will continue to take initiatives on all human resources matters while Human Resources Committee will continue to function in accordance with the terms of reference.

The Remuneration Committee of the Company also works closely with Human Resources Committee, Audit Committee and other dedicated committees and departments to (i) review if there are any material non-compliance issues in relation to internal policy and statutory requirements and make adjustments to payments of remuneration whenever necessary, and (ii) decide upon appraisal system which fairly measure the performance of each key personnel, and make changes to the system necessary to meet the changing needs of the Company.

### **Remuneration of Directors, Senior Management and Key Personnel**

The Company's Remuneration Policy encourages employee behavior that supports the Company's risk tolerance, risk management framework and long-term financial soundness. The policy is established and implemented in line with the objectives, business strategies and long-term goals of the Company and formulated in a way that will not encourage excessive risks taken by employees but allows the Company to attract and retain employees with relevant skills, knowledge and expertise to discharge their specific functions.

Basically, the remuneration package consists of fixed and variable remuneration. Fixed remuneration refers to basic salary, the year end double pay and other fixed income while variable remuneration refers to discretionary bonus, sales commission and other variable income. The remuneration packages are determined by taking into consideration the evaluation of the job's responsibilities and contribution, the market pay levels for benchmark positions, and employee's performance. The level of remuneration and the proportion of variable remuneration to fixed remuneration of senior management and key personnel are linked to their level of responsibility undertaken and contribution to business performance and enhancements of efficiency and effectiveness of operations.

The Company uses a comprehensive performance measurement framework that incorporates both financial and non-financial performance in determining the size and allocation of variable remuneration. The financial metrics link the variable remuneration to the profits, revenue and other performance measures of the Company as a whole, and the contribution of business units or departments and an individual employee to the Company as well. The applicable and material risks associated with the activities of employees, the cost and quantity of capital required to support the risks taken, and the cost and quantity of liquidity risk in the conduct of business are also taken into consideration. The non-financial metrics capture the performance on

qualitative aspects such as the compliance with risk management policies, adherence to legal, regulatory and ethical standards; customer satisfaction; and effectiveness and efficiency of supporting operations.

The aggregate quantitative information on remuneration for the Company's senior management (including one Executive Director) and key personnel is set out below.

- (i) The amount of remuneration for the financial year 2010, split into fixed and variable remuneration, and number of beneficiaries were:

Fixed remuneration	Variable remuneration	Number of beneficiaries
HK\$9,232,187	HK\$2,596,456	14

- (ii) The amount of variable remuneration for the financial year 2010 was paid in cash. No variable remuneration in shares or share-linked instruments was granted to the beneficiaries.
- (iii) There was no deferred remuneration awarded during the financial year 2010 being paid or reduced through performance adjustment.
- (iv) No senior management or key personnel had been awarded with new sign-on or severance payments during the financial year 2010.