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For information
on 17 November 2003

Legislative Council Panel on Public Service

STUDY OF REMUNERATION OF SENIOR EXECUTIVES OF STATUTORY AND OTHER BODIES

INTRODUCTION

This paper sets out the responses of ten statutory and other bodies to the recommendations of the consultancy study of remuneration of their senior executives.

BACKGROUND

2. The Administration commissioned a consultancy study on the remuneration of senior executives of ten selected statutory and other bodies in January 2002. The study findings were made public in June last year.

3. The Administration subsequently invited the governing boards of the bodies concerned to carefully consider the recommendations in the consultancy report. The bodies were requested to advise relevant directors of bureaux on their acceptance of the study recommendations and submit annual reports thereafter on the detailed implementation of the recommendations. At a meeting of the LegCo Panel on Public Service in July 2002, we briefed Members on the study findings and recommendations. On Members' request, we undertook to consult the ten bodies through relevant bureaux and provide the Panel with an update on the bodies' formal responses. We also undertook to convey to the bodies concerned the Panel's request for information on their senior staff's remuneration and employment contracts.

RESPONSES OF BODIES

4. The ten bodies have provided relevant bureaux with their formal responses to the study recommendations. A summary of the bodies' responses and the bureaux' assessments is at Annex A [Note].

5. The ten bodies' responses with regard to their compliance and acceptance of the study recommendations are generally positive. The recommendations of the consultancy study and the bodies' corresponding responses are set out at Annex A under the following headings:

(i) Target remuneration level
(ii) Qualitative factors
(iii) Remuneration mix and conversion factor
(iv) Leave and retirement benefits
(v) Adjustment process
(vi) Objectivity of process
(vii) Transparency
(viii) Flexibility in implementation
(ix) Implementation timeframe

6. Notwithstanding the above, whilst generally accepting the broad principles of the recommendations, individual bodies have in a few cases proposed modifications to the study recommendations to cater for their operational needs. The implementation plans for some of the recommendations are explained below.

(a) Qualitative factors

7. The Administration considers the proposed adjustment for qualitative factors for the heads of the two bodies viz. Chief Executive, HKMA and Chairman, SFC agreeable. This will be taken into account upon renewal or review of existing contracts, or when new appointments are made.

[Note] Among the ten bodies, the case of the MTR Corporation Limited (MTRCL), being a company registered under the Companies Ordinance (Cap. 32) and listed on the Hong Kong Stock Exchange, is rather unique. In this regard, Members are invited to consider MTRCL's responses against its obligations and responsibilities under its unique capacity.

(b) Remuneration mix and conversion factor

8. The proposed adoption of a remuneration mix and application of a conversion factor otherwise by each of the ten bodies are to ensure fair comparison of remuneration packages between the body and its comparable companies in the market. In other words, if a particular body decides not to adopt the specific remuneration mix in the consultancy study, it could apply a conversion factor of "1.5" to convert fixed pay into variable pay and compare its total remuneration level with that of its comparable companies.

9. Among the ten bodies, the Hong Kong Airport Authority (HKAA) has implemented a variable pay scheme but has not adopted the specific remuneration mix. Nevertheless, HKAA pointed out that the current remuneration levels of its senior executives would be in compliance with the recommended levels in the study if it applies the conversion factor. As for the Hong Kong Trade Development Council (TDC), it is awaiting the outcome of its own review and therefore cannot offer information to confirm compliance or otherwise.

10. Instead of adjusting 30% of the "total remuneration" to become variable component as proposed in the study, the MTR Corporation Limited (MTRCL) Board has proposed that the amount of the fixed pay component of each director should be adjusted downwards in 2003 and the balance would be put in the Variable Incentive Scheme. As a result, the target variable component of an Executive Director will be around 30% of total base salary. The relevant bureaux considered MTRCL's response acceptable.

(c) Leave and retirement benefits

11. To facilitate fair comparison on the basis of total remuneration, the study recommended a broad-brush method to estimate the monetary value of those leave or retirement benefits above the usual market practice. HKAA, HKMA, HKTB, MPFA, TDC, MTRCL and SFC have advised that they did not intend to exactly follow the proposed method. They have either indicated that their own methods of total remuneration comparison have already taken into account the values of such benefits, or considered that the required adjustments to their packages would be small relative to their existing contracts.

OTHER INFORMATION REQUESTED BY THE PANEL

12. The Panel also requested the following information from the ten bodies -

(a) the existing remuneration packages and contract expiry dates of the top three tiers of senior executives in these bodies; and

(b) the pay adjustment trends for the past five years in respect of the top three tiers of senior executives in these bodies.

13. The information provided by the ten bodies is at Annex B. Whilst some of the bodies did not disclose the required data in the specific form, the information would be submitted to relevant policy bureaux in the bodies' first annual reports covering details of their senior staff's remuneration packages. The bureaux will follow up and work out the public disclosure arrangements with the bodies accordingly.

CONCLUSION

14. On the whole, the ten bodies have responded positively to the study recommendations. Relevant bureaux have also confirmed their acceptance of those areas where individual bodies have proposed modifications. The recommended remuneration levels in the study report were derived from market data collected in early 2002 and they provided the benchmarks for comparison then. As explained in the study report, these benchmarks do not represent the ceiling. Governing boards of the bodies may decide to pay individual executives higher or lower remunerations depending on the individuals' special skills, capabilities and performance. Furthermore, the bodies would work out a mechanism to keep the market benchmarks up-to-date. The bodies and relevant bureaux will be ready to explain to the public the justifications for identified discrepancies, if any.

15. The Administration understands and accepts the need for the bodies to fulfill their obligations under existing employment contracts. Insofar as the bodies concerned undertake to adjust the remuneration of their senior executives to fulfill the study recommendations upon renewal or review of existing contracts or employment of new recruits, we would accept such

undertaking as complying with the study recommendations.

16. One of the most significant recommendations of the review is the introduction of the annual review and reporting mechanism between the bodies and relevant bureaux. The new practice would enhance the transparency of these bodies' remuneration policies. The ten bodies are all committed to reporting to the bureaux concerned annually the detailed remuneration arrangements for their senior executives and their compliance with established principles in the study. Their first annual reports on remuneration are expected to reach the bureaux in 2003/04. Should the need arise, the bureaux will explain the detailed remuneration arrangements in each of the ten bodies to the relevant LegCo panels.

Administration Wing
Chief Secretary for Administration's Office
November 2003

REVIEW OF REMUNERATION OF SENIOR EXECUTIVES OF STATUTORY AND OTHER BODIES

Responses of the Bodies and Relevant Bureaux

BODY	Airport Authority Hong Kong	Hong Kong Monetary Authority	Hong Kong Science and Technology Parks Corporation	Hong Kong Tourism Board	Hong Kong Trade Development Council	Kowloon Canton Railway Corporation	Mandatory Provident Fund Schemes Authority	MTR Corporation Limited	Securities and Futures Commission	Urban Renewal Authority
BUREAU	EDLB	FSO	CITB	EDLB	CITB	ETWB/FSTB	FSTB	ETWB/FSTB	FSTB	HPLB
RECOMMENDATION 1. **Target remuneration level** To use the median of total remuneration of relevant private sector comparison group as starting point for determining the target remuneration level.	**Adopt**	**Adopt**	**Adopt**	**Adopt**	**Adopt**	**Adopt**	**Adopt**	**Adopt**	**Adopt**	**Adopt**
2. **Qualitative factor** To adjust the target total remuneration level having regard to qualitative factors such as recognition, respect as well as greater public scrutiny.	**N.A.**	**Adopt** In adopting the qualitative factor, the FS, on the advice of Exchange Fund Advisory Committee and its Remuneration and Finance Sub-Committee, will also take account of the practicalities in attracting candidates of the right calibre, expertise and experience.	**N.A.**	**N.A.**	**N.A.**	**N.A.**	**N.A.**	**N.A.**	**Adopt** In adopting the qualitative factor, the CE, on the advice of the governing body and the Remuneration Committee of the SFC, will also take account of the practicalities in attracting candidates of the right calibre, expertise and experience.	**N.A.**

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3(a). Remuneration mix To adopt the proposed remuneration mix appropriate to the body's business nature (commercial vs. regulatory) having regard to prevailing market practices. (Remuneration mix expressed in fixed pay : variable pay)	Recommendation: 1^{st} tier – 60:40 2^{nd} tier – 70:30 3^{rd} tier – N.A. **Modified approach** AA adopts the concept of variable pay but not the specific recommended remuneration mix. AA points out that its operating environment reflects a balance between community obligation and financial results. It considers the recommended mix as exceptionally aggressive. AA will continue with its variable pay scheme under its current remuneration mix, i.e. 80:20 for 1^{st} tier and 85:15 for 2^{nd} tier. EDLB considers the justifications provided by AA reasonable.	Recommendation: 1^{st} tier – 80:20 2^{nd} tier – 85:15 3^{rd} tier – 85:15 **Modified approach** HKMA will adopt the following mix: 1^{st} tier – 80:20 2^{nd} tier – 80:20 3^{rd} tier – 85:15 HKMA's current arrangement involves a higher variable pay portion for the 2^{nd} tier which enhances the performance-based element of this tier. FSO considers the approach acceptable.	Recommendation: 1^{st} tier – 75:25 2^{nd} tier – 80:20 3^{rd} tier – 80:20 **Adopt**	Recommendation: 1^{st} tier – 80:20 2^{nd} tier – 85:15 3^{rd} tier – 85:15 **Modified approach** HKTB will adopt lower variable remuneration ratio of 15% for 1^{st} tier, and 10% for 2^{nd} and 3^{rd} tiers respectively. HKTB explains that there are practical difficulties in directly relating HKTB's activities to the key performance indicators, such as visitor arrivals, visitors' spending, etc. It considers its senior management's performance to weigh more heavily by non-financial measures. EDLB considers HKTB's claim justifiable.	Recommendation: 1^{st} tier – 75:25 2^{nd} tier – 80:20 3^{rd} tier – 80:20 **To be decided** Since 1997, TDC has adopted a discretionary performance pay system which includes a variable component. TDC is conducting a remuneration review (to be completed in early 2004) and will consider the proposed remuneration mix with reference to the review findings. CITB considers that the spirit of implementing a "remuneration mix" system is to incentivise the executives by introducing a variable component. TDC's discretionary performance pay system is in line with this concept. We also agree that TDC should consider the mix of fixed and variable remuneration with reference to the findings of the remuneration review.	Recommendation: 1^{st} tier – 60:40 2^{nd} tier – 70:30 3^{rd} tier – 70:30 **Modified approach** KCRC has, based on the findings of the consultancy commissioned by the Corporation, decided that 20% variable pay should be adopted for the 2^{nd} and 3^{rd} tiers executives. The Corporation's consultant is reviewing the remuneration mix of the CEO post and decision will be made by the Managing Board . The review by the consultant is expected to be completed in the next few months. ETWB and FSTB have no objection to KCRC's position.	Recommendation: 1^{st} tier – 85:15 2^{nd} tier – 85:15 3^{rd} tier – 85:15 **Adopt**	Recommendation: 1^{st} tier – 60:40 2^{nd} tier – 70:30 3^{rd} tier – N.A. **Modified approach** MTRCL points out that the remuneration package of CEO is a matter of negotiation between the Corporation and the appointee. Appropriate details of executive remuneration will be disclosed in its 2003 Annual Report and Accounts. For the 2^{nd} tier, the MTRCL agrees to reduce the fixed annual salary of individual 2^{nd} tier employee and incorporate the reduction in a variable incentive pay scheme starting 2003. As a result, the target variable for the 2^{nd} tier will be around 30% of total base salary. ETWB and FSTB have no objection to MTRCL's. position.	Recommendation: 1^{st} tier – 85:15 2^{nd} tier – 85:15 3^{rd} tier – 85:15 **Modified approach** SFC will implement the 85:15 mix for all new recruits and upon renewal of existing contracts subject to negotiation and agreement. FSTB sees the need for flexibility to implement the recommendation.	Recommendation: 1^{st} tier – 75:25 2^{nd} tier – 80:20 3^{rd} tier – 80:20 **Adopt**

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3(b). Conversion factor To use a 1.5 conversion factor (i.e. \$1.5 variable pay will convert to \$1 fixed pay) to derive the corresponding remuneration level if a body adopts a different remuneration mix in 3(a) above.	**Modified approach** AA considers that the practice of benchmarking its pay with the market, including variable pay, can best suite its circumstances. AA points out that its remuneration levels after applying the conversion factor are in line with the recommendations. EDLB will continue to monitor AA's future practice.	**Adopt**	**Adopt**	**Adopt**	**To be decided** CTIB will follow up with TDC on the outcome of its remuneration review.	**Adopt**	**Adopt**	**Modified Approach** MTRCL considers that a variable pay portion of around 30% of total base salary is reasonable. Its remuneration packages are reviewed periodically to make them in line with the market practice. As the remuneration packages are already comparable with the market, there is no need to apply the conversion factor. ETWB and FSTB have no objection to MTRCL's position.	**Modified Approach** SFC will primarily draw reference from the actual pay level of the market, including the variable pay. The conversion factor would be applied to double check the comparability of the total pay with the market. SFC will compare the actual pay of their senior executives with the results of the actual market pay levels in the annual survey report sensitively. FSTB considers SFC's approach acceptable as it also achieves the objective of ensuring a fair comparison.	**Adopt**

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4. <u>Leave and retirement benefits</u> - *<u>Retirement benefits</u>* To adjust "fixed remuneration" to offset contribution rates or gratuity payments that are relatively high or low compared to the market practice. - *<u>Leave benefit</u>* To place an estimated annualized value on leave beyond the recommended standard that can be carried forward and ultimately encashed upon termination of employment.	*<u>Retirement benefits</u>*: **<u>Modified Approach</u>** AA will compare its total package encompassing all major benefit items with findings of major survey reports. EDLB considers AA's approach reasonable.	*<u>Retirement benefits</u>*: **<u>Modified Approach</u>** HKMA follows a total remuneration approach in benchmarking with the private sector.	*<u>Retirement benefits</u>*: **<u>Adopt</u>**	*<u>Retirement benefits</u>*: **<u>Modified Approach</u>** Since HKTB's contribution of 9% (8.6% w.e.f. 1 April 2003 based on 2003 Actuary Valuation Report) is only marginally below the recommended threshold of 10%-15%, no adjustment to fixed remuneration is considered necessary.	*<u>Retirement benefits</u>*: **<u>To be further considered</u>** Contribution to TDC retirement fund is 14%, which is below the 15% upper bound of the median base salary and no adjustment to the fixed remuneration is necessary. In addition to retirement fund contribution, TDC will adopt a 10-15% gratuity for its 2nd and 3rd tiers of senior management. As for the post of Executive Director, TDC prefers retaining the flexibility of setting a higher percentage for contract-end gratuity, in order to be able to recruit and/ or retain high quality personnel. CITB will invite TDC to review the gratuity arrangement with reference to the findings of its remuneration review.	*<u>Retirement benefits</u>*: **<u>Adopt</u>**	*<u>Retirement benefits</u>*: **<u>Modified Approach</u>** MPFA adopts a total remuneration approach when benchmarking with the financial sector. It is not the practice to single out a benefit item (retirement) and apply an adjustment amount for market comparison. FSTB considers MPFA's approach, namely adopting a total remuneration approach when benchmarking with the financial sector, reasonable	*<u>Both retirement and leave benefits</u>*: **<u>Modified Approach</u>** Since the Executive Director's (2nd tier) pay level is well in line with the market practice and will not be affected by the relatively small adjustments for leave and retirement benefits, the MTRCL has decided that no change should be made. ETWB and FSTB have no objection to MTRCL's position.	*<u>Retirement benefits</u>*: **<u>Adopt</u>**	*<u>Retirement benefits</u>*: **<u>Adopt</u>**

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	Leave Benefit: **Adopt**	*Leave benefit*: **Modified Approach** HKMA follows a total remuneration approach in benchmarking with private sector. FSO considers the explanation acceptable.	*Leave benefit*: **Adopt**	*Leave benefit* : **Modified Approach** HKTB will align benefits, terms and conditions of service with the market as recommended in the HKTB's Compensation and Benefits Study. No adjustment to fixed remuneration is considered necessary. EDLB considers HKTB's approach acceptable.	*Leave benefit*: **Modified Approach** In TDC, annual leave earned in a particular year, if not taken by end of the following year, will be forfeited. CITB has no objection to TDC's approach.	*Leave benefit*: **Adopt**	*Leave benefit* : **Adopt**		*Leave benefit*: **Modified Approach** SFC adopts a total remuneration approach comprising major benefit items in benchmarking with the private sector. Since the pay level for the Senior Director posts at 3rd tier is well in line with the market and will not be affected by the negligible amount of adjustment for annual leave, SFC decides that no adjustment to the remuneration is necessary. FSTB considers SFC's explanation acceptable.	*Leave benefit*: **Adopt**

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5. <u>Adjustment process</u> To track levels and trends in relevant sectors and adjust the fixed and variable remuneration targets accordingly	**<u>Adopt</u>**	**<u>Adopt</u>**	**<u>Adopt</u>**	**<u>Adopt</u>**	**<u>To be decided</u>** TDC will consider ways to track levels and trends of remuneration, having regard to the findings of its remuneration review. CITB considers TDC's approach reasonable.	**<u>Adopt</u>**	**<u>Adopt</u>**	**<u>Adopt</u>**	**<u>Adopt</u>**	**<u>Adopt</u>**
6. <u>Objectivity of process</u> To have a dedicated committee to deal with remuneration issues	**<u>Adopt</u>**	**<u>Adopt</u>**	**<u>Adopt</u>**	**<u>Adopt</u>**	**<u>Adopt</u>**	**<u>Adopt</u>**	**<u>Adopt</u>**	**<u>Adopt</u>**	**<u>Adopt</u>**	**<u>Adopt</u>**

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7. Transparency - To disclose remunerations of the top five executives in 2002. - To report annually the detailed remuneration arrangements for senior executives and the compliance of such arrangements with the established principles from 2003.	**Adopt**	**Adopt**	**Adopt**	**Adopt**	**Adopt**	**Adopt**	**Adopt**	**Modified Approach** Remuneration of directors will be disclosed, starting from 2003 Annual Report, subject to agreement from individuals concerned, in view of personal data privacy issue. The format of disclosure is under review and the Corporation will take into account the listing rules and the prevalent best practices. ETWB and FSTB consider that there is scope for MTRCL to fully comply with the recommendation but note that MTRCL is already practicing above the listing requirements.	**Adopt**	**Adopt**.

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8. Flexibility in implementation - To allow the governing body or approving authority retain the discretion to determine the rate for the job (on a discretionary basis for CEO and a range of +/- 25% for 2nd and 3rd tiers)	**Adopt**	**Adopt**	**Adopt**	**Adopt**	**Adopt**	**Modified Approach** KCRC's consultant recommends a salary range of +/- 30% for the 2nd and 3rd tiers executives combined. This would result in a lower maximum level for the 2nd tier as compared to having two separate salary ranges of +/- 25% for each tier. This wider range provides sufficient flexibility for rewarding both the tiers while maintaining a reasonable differential to the 1st tier pay level. ETWB and FSTB have no objection to KCRC's position.	**Adopt**	**Adopt**	**Adopt**	**Modified Approach** To ensure market competitiveness and the ability to recruit/retain the required talents, URA proposes more flexibility for dealing with exceptional cases at the 3rd tier and for moving beyond the recommended range. The types of job at the 3rd tier can be very different and the market remunerations also differ significantly. The recommended range may not be able to cater for all cases. HPLB agrees that there may be certain positions that merit special consideration, e.g. the position of the Director of Property is very highly paid in private development firms, and the recommended range may not be

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										able to attract the right talents. Instead of exempting a whole tier from the general discretionary range, it may be preferable to allow this post a higher discretionary range.
9. <u>Implementation Timeframe</u>	AA indicates that for those recommendations it has agreed to adopt, they were put into practice already.	Started from annual pay review exercise in March 2003.	Upon expiry of current contracts or new appointment. Resurvey of market median may be conducted in 2003/04 or 2004/05.	Agreed recommendations will be implemented, together with measures arising from HKTB's Compensation and Benefits Study, which will be completed before March 2004.	Subject to further consideration after the completion of the remuneration review.	Necessary actions have been taken on all relevant items except on the introduction of variable pay. For the purpose of implementing the practice of variable pay for the top three tiers of executives, KCRC will submit detailed scheme design and implementation plan to its Managing Board for consideration upon completion of the study in the next few months.	For item on disclosure of remuneration of the top 5 executives: implemented in 2003. For all other items: to take effect on new recruits/ appointments or upon renewal of existing contracts.	MTRCL points out that the remuneration package of CEO is a matter of negotiation between the Corporation and the appointee. The change in the fix and variable pay mix for Executive Directors (2nd tier) has taken effect in January 2003. The Corporation plans to provide more transparent information on Director's remuneration starting from the 2003 Annual Report.	Upon expiry of current contracts or new appointment.	Upon expiry of current contracts or on new appointments

REVIEW OF REMUNERATION OF SENIOR EXECUTIVES OF STATUTORY AND OTHER BODIES
SUPPLEMENTARY INFORMATION

Information provided by individual body

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Existing Remuneration packages										
1st tier	Total cash[Note1]: $6.07M Total package[Note2]: $6.57 M (as at Mar 2003)	Fixed: $6.49M (as at Oct 2003) Variable: $1.73M (for the year 2003)	Base salary: $4M (as at Mar 2003)	Salary: $3 M Variable Award: $300 k (as at Aug 2003)	Base salary plus discretionary performance pay: $5 – 6 M (as at Mar 2003)	$5.5M (as at mid 2003)	$4.69M[Note3] (as at Mar 2003)	Given MTRCL's status as a publicly listed company, the Corporation should continue to adhere to the listing rules. It will adopt a more transparent approach and disclose the remuneration of the directors on an individual, named basis, starting from the 2003 Annual Report.	Base salary: $6.75M Variable: nil (as at Sep 2003)	Base salary: $3.5M Variable pay: $998k (as at end 2002)
2nd tier (average)	Total cash: $1.16 – 3.21M Total package: $1.29 – 3.59M (as at Mar 2003)	Fixed: $4.36M (as at Oct 2003) Variable : $848k (for the year 2003)	Base salary : $2.13M (as at Mar 2003)	Salary: $1.91M Variable Award: $191k (as at Aug 2003)	Base salary plus discretionary performance pay: $2 - $3M (as at Mar 2003)	$4.3M (as at mid 2003)	$3M[Note3] (as at Mar 2003)		Base salary: $3.88M Variable: $80k (as at Sep 2003)	Base salary: $2.5M Variable pay: $585-618k (as at end 2002)

Notes:
[1] Total cash includes all cash remuneration.
[2] Total package includes all cash remuneration plus benefits items.
[3] Included the variable pay for 2002-03.

Annex B

Information provided by individual body

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3rd tier (average)	Not applicable	Fixed: 2.89M (as at Oct 2003) Variable: $348k (for the year 2003)	Base salary: $1.124M (as at Mar 2003)	Salary: $1.47M Variable: $114k (as at Aug 2003)	Base salary plus discretionary performance pay: $1.5 - $2M (as at Mar 2003)	$3.4M (as at mid 2003)	$2.9M[Note3] (as at Mar 2003)		Base salary: $2.53M Variable : nil (as at Sep 2003)	Base salary: $1.97 M Variable pay: 162k[Note4] - 579k (as at end 2002)

[4] The executive concerned only had 5 months' service for 2002.

Information provided by individual body

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Contract expiry dates										
1st tier	Dec 2003	On continuous terms	Mar 2005	Mar 2004	Feb 2004	Dec 2003	The incumbent resigned in August 2003.	See above	Sep 2005	Dec 2004
2nd tier	All on continuous terms except one, whose contract will expire in Jun 2006.	1 will in Aug 2006. The remaining DCE on continuous terms.	July 2003- Jun 2005	On permanent terms	On permanent terms	Dec 2003 or on indefinite terms of contract.	Jul 2006		Sep 2004 – May 2006	Dec 2004 – Jan 2005
3rd tier	Not applicable	1 will expire in May 2005. Others on continuous terms.	June 2004 – Jan 2006	Apr 2004 – Jul 2006 or on permanent terms	Aug – Nov 2003	June 2004, June 2005 or on indefinite terms of contract	Jun 2004 – Mar 2005		Nov 2003- Mar 2004, plus six on continuous contracts	Aug 2004 – Oct 2005

Information provided by individual body

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BUREAU	EDLB	FSO	CITB	EDLB	CITB	ETWB	FSTB	ETWB	FSTB	HPLB
Pay adjustment trend for the past five years										
1st tier	No increase since the current CEO's employment with AA in January 2001.	See attachment	No pay adjustment for staff since HKSTPC's establishment on 7 May 2001. For 1st tier, the current CEO was appointed w.e.f. 1 April 2002.	No other adjustment made.	See attachment	See attachment	No pay adjustment for staff since MPFA's establishment in September 1998.	See above	See attachment	Not applicable. URA was only established on 1 May 2001.
2nd tier	Merit adjustment averaged 4.8% applied in 2001. Pay frozen for the other four years.			2% and 4.5% pay increase in 2001 and 1998 respectively. No other adjustment made.						
3rd tier	Not applicable			New joiner in July 2003 with variable award. 2% and 4.5% pay increase in 2001 and 1998 respectively. No other adjustment made.						

Attachment to Annex B

PAY ADJUSTMENT TREND FOR THE PAST FIVE YEARS

Hong Kong Monetary Authority

Fixed Pay (Note 1)

	1999	2000	2001	2002	2003
1st tier	0%	0%	-5% (Note 2)	-5.3% (Note 2)	-5.2%
2nd tier (average)	0%	0%	+1.1%	0%	-3.1%
3rd tier (average)	0%	0%	0%	0%	-1.3%

Variable Pay - Range of Variable Pay paid out (Note 3)

	1999 to 2003
1st tier	1 – 3 months of fixed pay
2nd tier (average)	1 – 2.4 months of fixed pay
3rd tier (average)	0.8 – 2 months of fixed pay

Notes:

1. Adjustments shown are to the Fixed Pay for the specified year (i.e. April to March) relative to the Fixed Pay for the previous year for the same group of incumbents on 1 April of the specified year.

2. The Chief Executive of the HKMA volunteered, and the Financial Secretary approved, a 10% reduction in Fixed Pay with effect from 1st October 2001.

3. Actual Variable Pay payouts depend on both corporate and individual performance as assessed by the Exchange Fund Advisory Committee.

Kowloon-Canton Railway Corporation

	1999	2000	2001	2002	2003
1st tier	Jan Pay freeze Dec Reduced by 6.6% (contract renewal)	Dec Pay freeze but an one-off bonus of 3% was awarded	Dec Reduced by 6.67% (new offer for CEO post)	Aug Reduced by 2%	Contract end in Dec 2003
2nd and 3rd tier	July Pay freeze	July Pay freeze	July +2%	Aug Reduced by 2%	July Pay freeze

Hong Kong Trade Development Council

	1998/1999	1999/2000	2000/2001	2001/2002	2002/2003
1st tier	+6.03%	0%	0%	+4.99%	-4.42%
2nd tier	+6.03%	0%	0%	+4.99%	-4.42%
3rd tier	+6.03%	0%	0%	+4.99%	-4.42% (w.e.f. 1.10.2002)

Securities and Futures Commission

Fixed Pay

	1998/1999	1999/2000	2000/2001	2001/2002	2002/2003
	Average % of Fixed Pay Adjustment *(Note 1)*				
1st tier	0% *(Note 2)*	0%	0%	0% *(Note 3)*	0%
2nd tier	2.3%	0%	0%	0%	0%
3rd tier	3.1%	0%	0%	1.6%	0%

Variable Pay awarded (in terms of average % of total latest contractual annual fixed pay for the financial year) – see Note 4

Notes :

1. Methodology for calculating fixed pay adjustment captures the difference between 1 April of a financial year and 31 March of the preceding financial year with respect to the same group of incumbents in post as at 1 April of the financial year.

2. Mr Anthony Neoh left the Commission on 30 September 1998 and Mr Andrew Sheng was appointed as Chairman with effect from 1 October 1998.

3. In line with the methodology explained under "Note 1" above, 0% for 2001/2002 reflects that there is no difference between the fixed pay of the incumbent as at 1 April 2001 and 31 March 2001. However, it should be noted that for the preceding contract of Mr Sheng commenced on 1 October 2001, the contractual fixed pay offered to him increased from $7 million to $7.5 million per annum (an increase of 7% compared to his first contract).

   For Mr Sheng's preceding contract commenced on 1 October 2001, Mr Sheng has voluntarily reduced his fixed pay from the contractual $7.5 million to $6.75 million per annum by $0.75 million (i.e. 10%).

4. Calculation for the percentage of Variable Pay awarded is as follows:

$$\frac{\text{Total amount of variable pay awarded for each tier for the financial year}}{\text{Total latest contractual annual fixed pay for each tier for the financial year}} \times 100\%$$

	1998/1999	1999/2000	2000/2001	2001/2002	2002/2003
1st tier	N.A.	N.A.	N.A.	N.A.	0%
2nd tier	4.5%	6.3%	6.0%	6.5%	2.5%
3rd tier	2.8%	6.1%	12.6%	0%	0%

There is no Variable Pay element in the Chairman contracts until Mr Sheng's preceding contract commenced on 1 October 2001. Mr Sheng has voluntarily forgone his performance-related variable pay of $0.375 million per annum (i.e. 5% of his contractual fixed pay) for his preceding contract (i.e. from 1 October 2001 to 30 September 2003).

Remarks:

1. The post of Deputy Chairman has left vacant with effect from 1 March 2001 due to budgetary constraints and other factors.

2. The above figures denote the remuneration information for each tier of senior executives in each of the past 5 years and the incumbents are not the same each year due to staff movements.

3. The total voluntary reduction (including foregoing of all variable pay) from the contractual pay of Mr Sheng for his preceding contract from 1 October 2001 to 30 September 2003 was $1.125 million per annum (i.e. 14.3% of $7.875 million). [Please refer to "Note 3" and "Note 4" above.]