

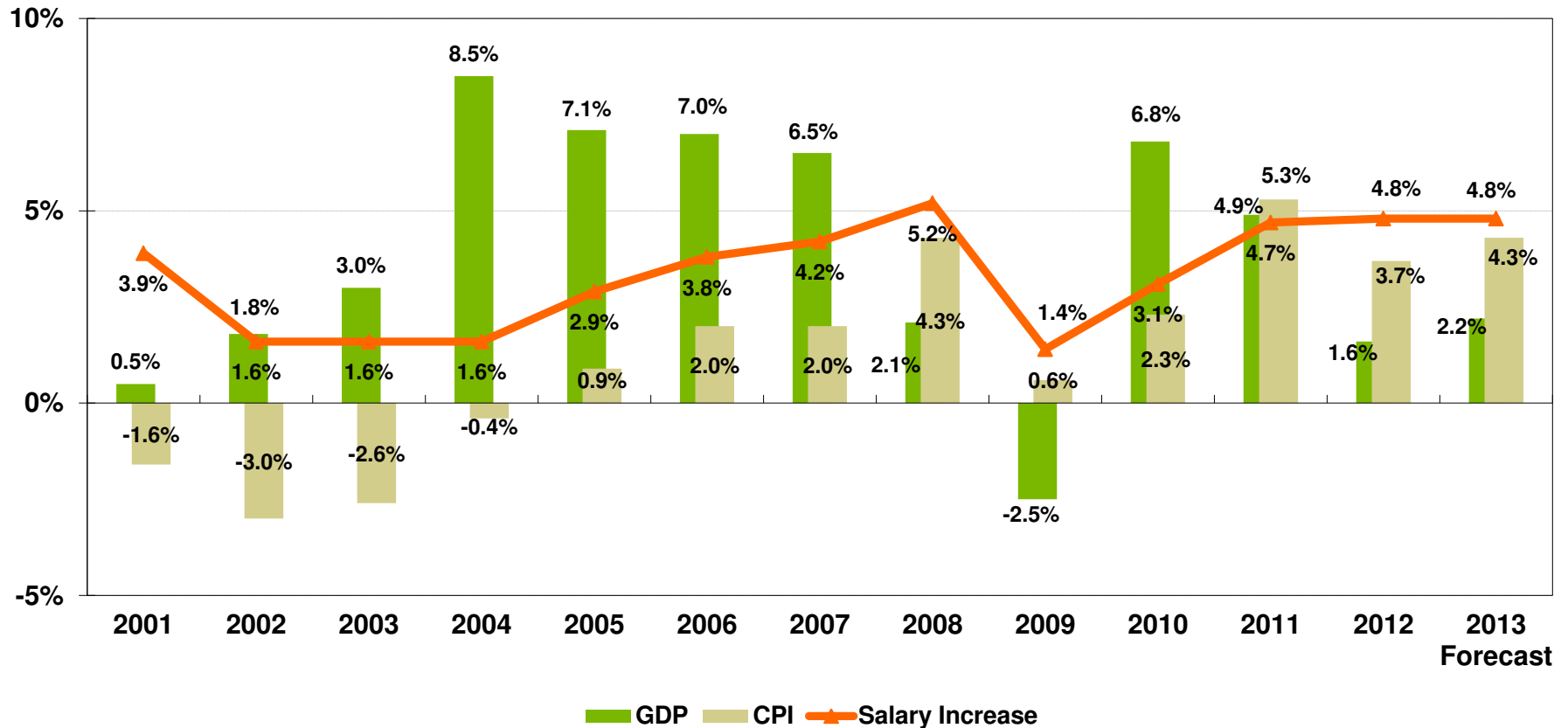
Hong Kong & China Pay Trends – Outlook for 2013 & the Changing Paradigm of Total Rewards

24th January, 2013

Key Pay Trends in 2012 & Projections for 2013

Hong Kong & China

Hong Kong Salary Increase Trends: 2001 – 2013



Data Source: 1. Aon Hewitt 2001-2012 Salary Increase Survey in HK
2. Economist Intelligence Unit

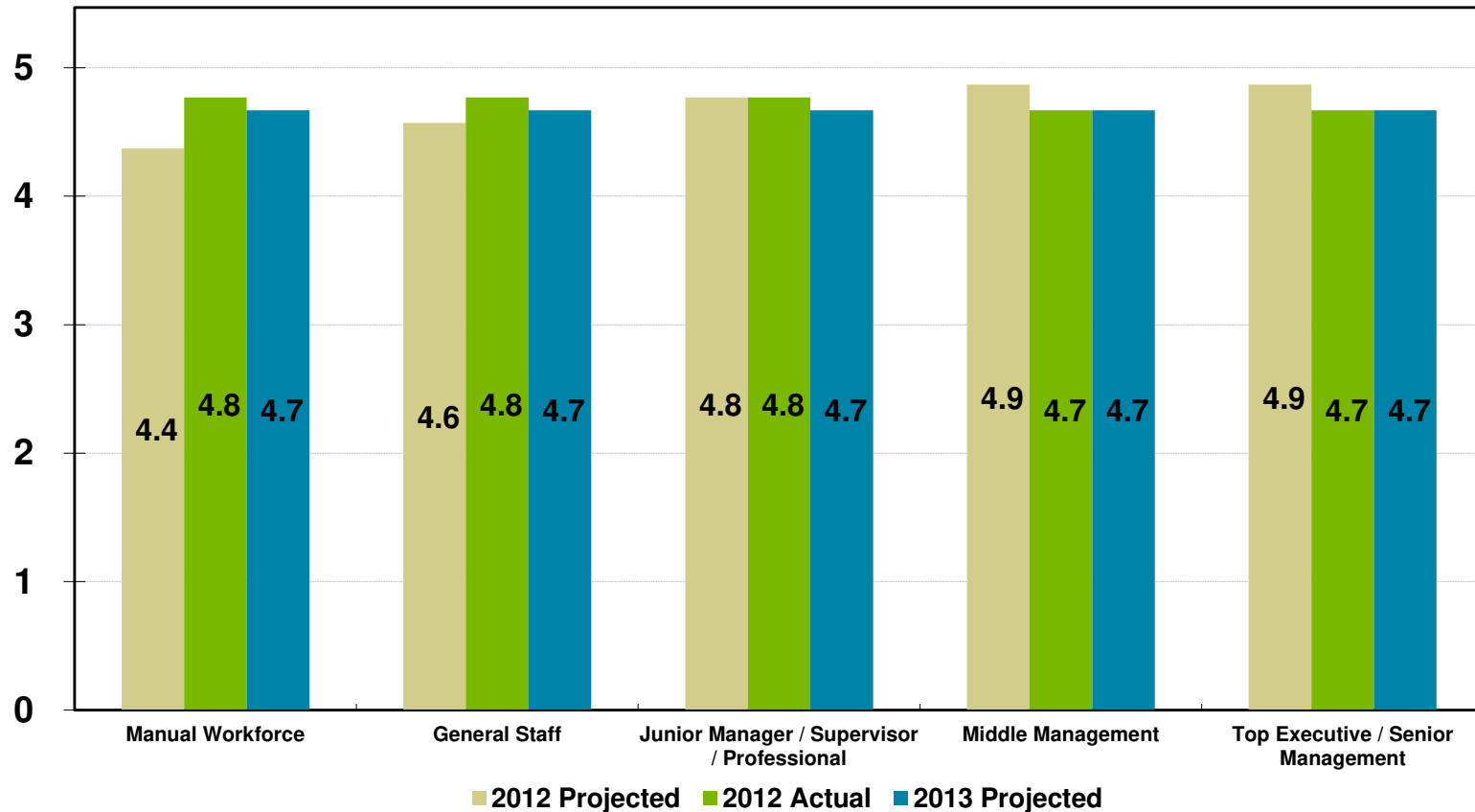
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Salary Increase Across Employee Groups for HK

- The overall salary increases averaged at 4.8% in 2012. The average salary increase for 2013 is expected to be 4.8%

Salary
Increase %

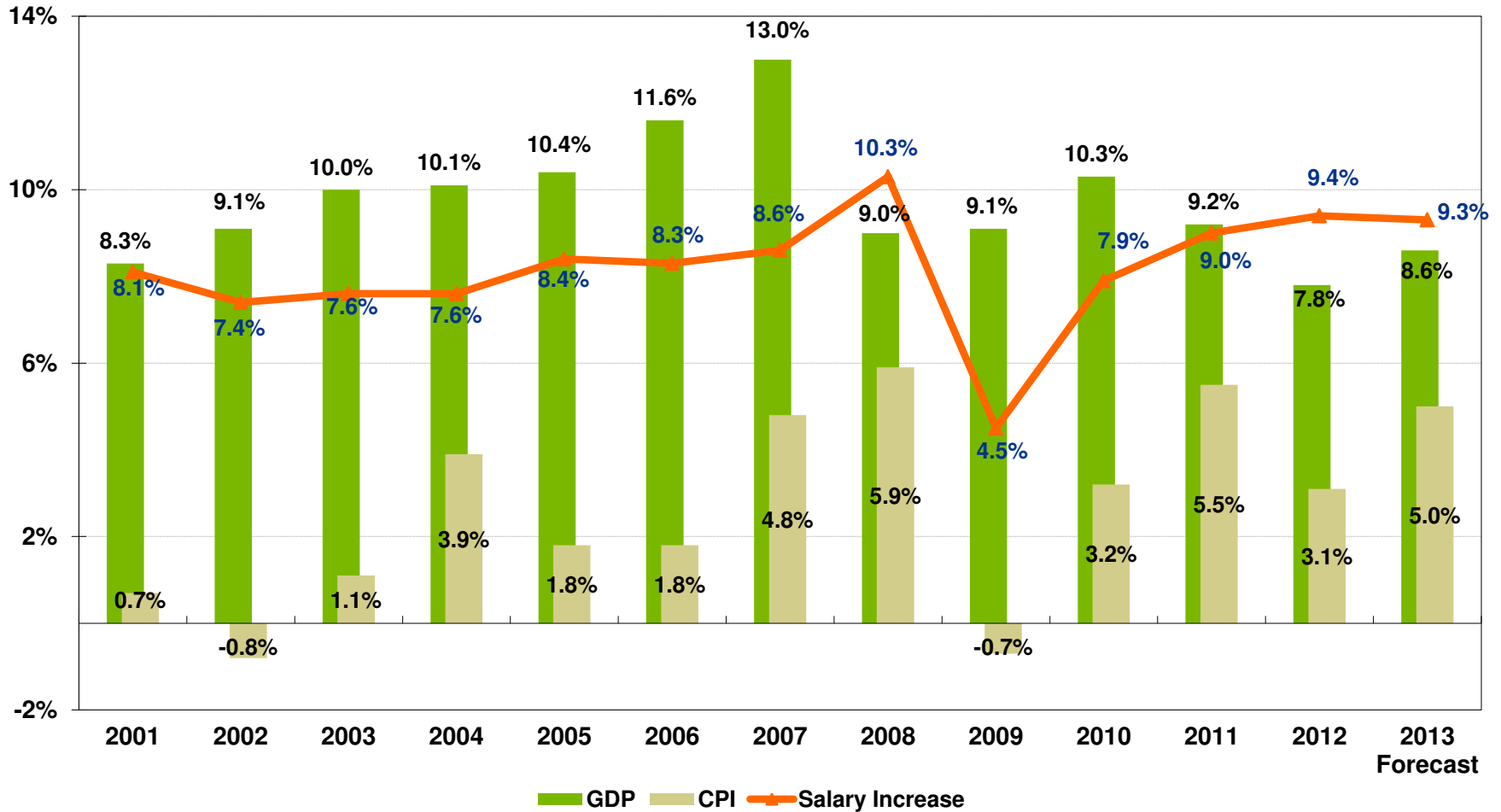


Data Source: Aon Hewitt 2011-2012 Salary Increase Survey in HK

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Mainland China Salary Increase Trends: 2001 – 2013



Data Source: 1. Aon Hewitt 2001-2012 Salary Increase Survey in PRC
2. Economist Intelligence Unit

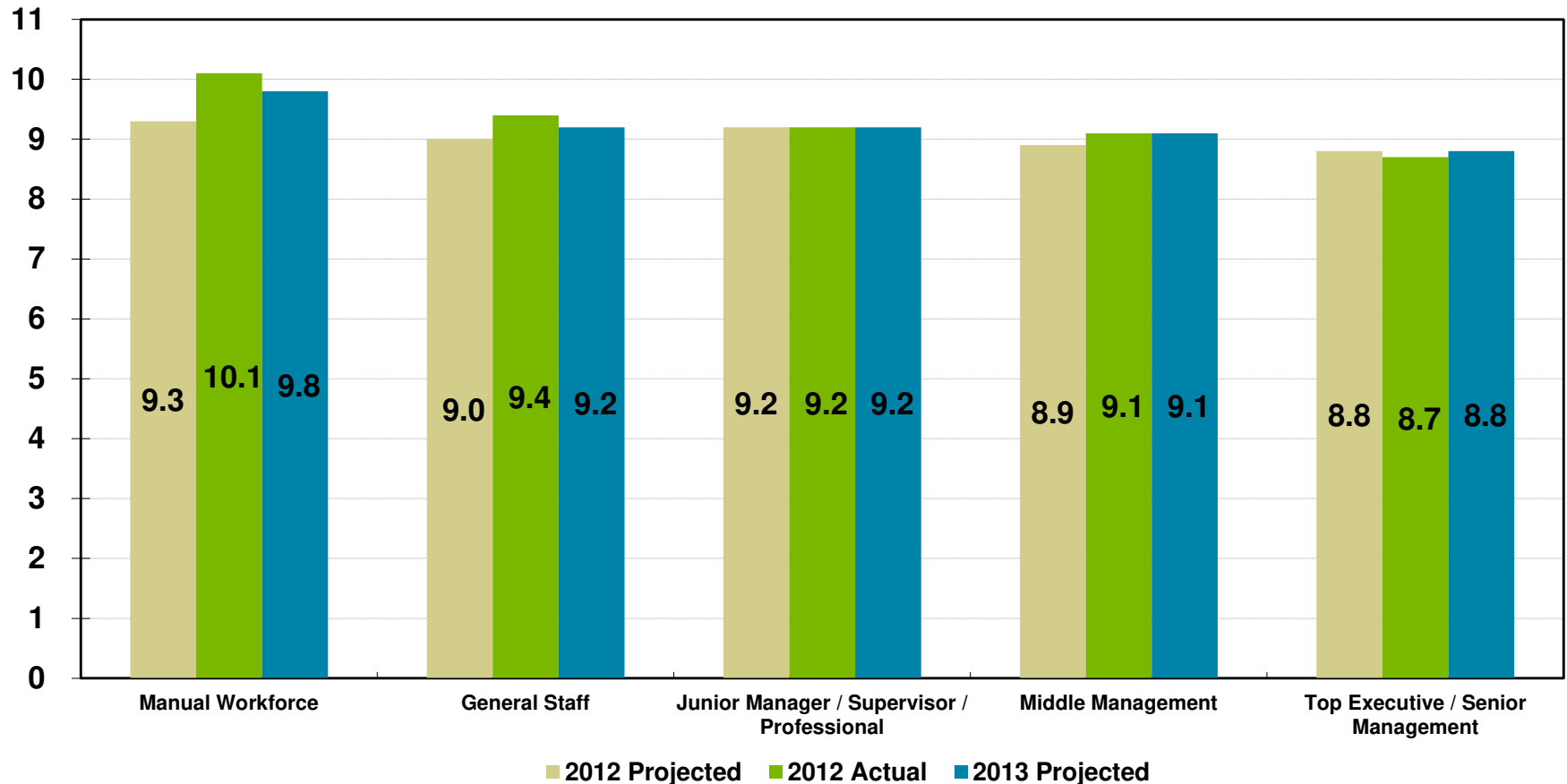
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Salary Increase Across Employee Groups for Mainland China

- The overall salary increases averaged at 9.4% in 2012. The average salary increase for 2013 is expected to be 9.3%

Salary
Increase %

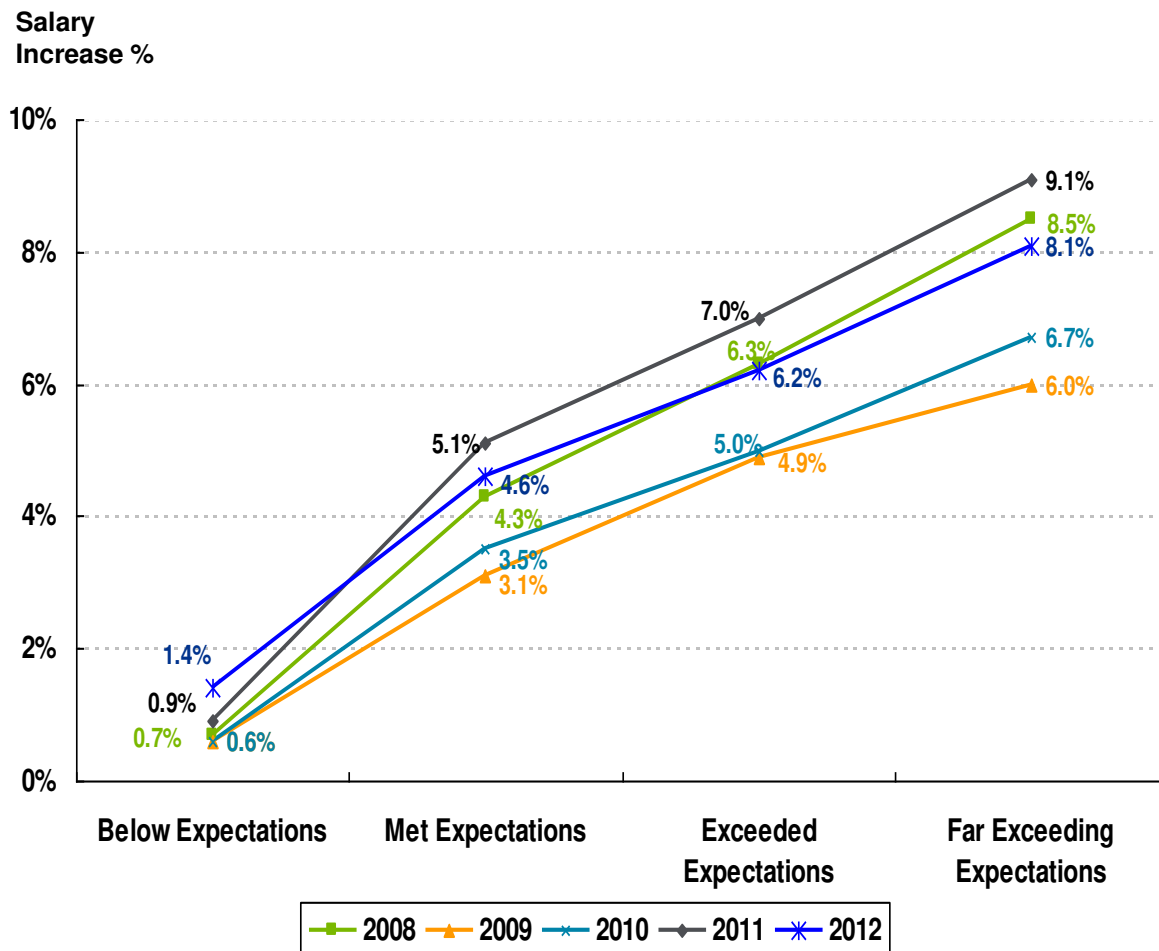


Data Source: Aon Hewitt 2011-2012 Salary Increase Survey in PRC

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Hong Kong: Salary Increase by Performance Rating



Year	Ratio of Far Exceeding Expectations vs. Met Expectations	Ratio of Exceeded Expectations vs. Met Expectations
2012	1.76	1.35
2011	1.78	1.37
2010	1.91	1.43
2009	1.94	1.58
2008	1.98	1.47

Data Source: Aon Hewitt 2008-2012 Salary Increase Survey in HK

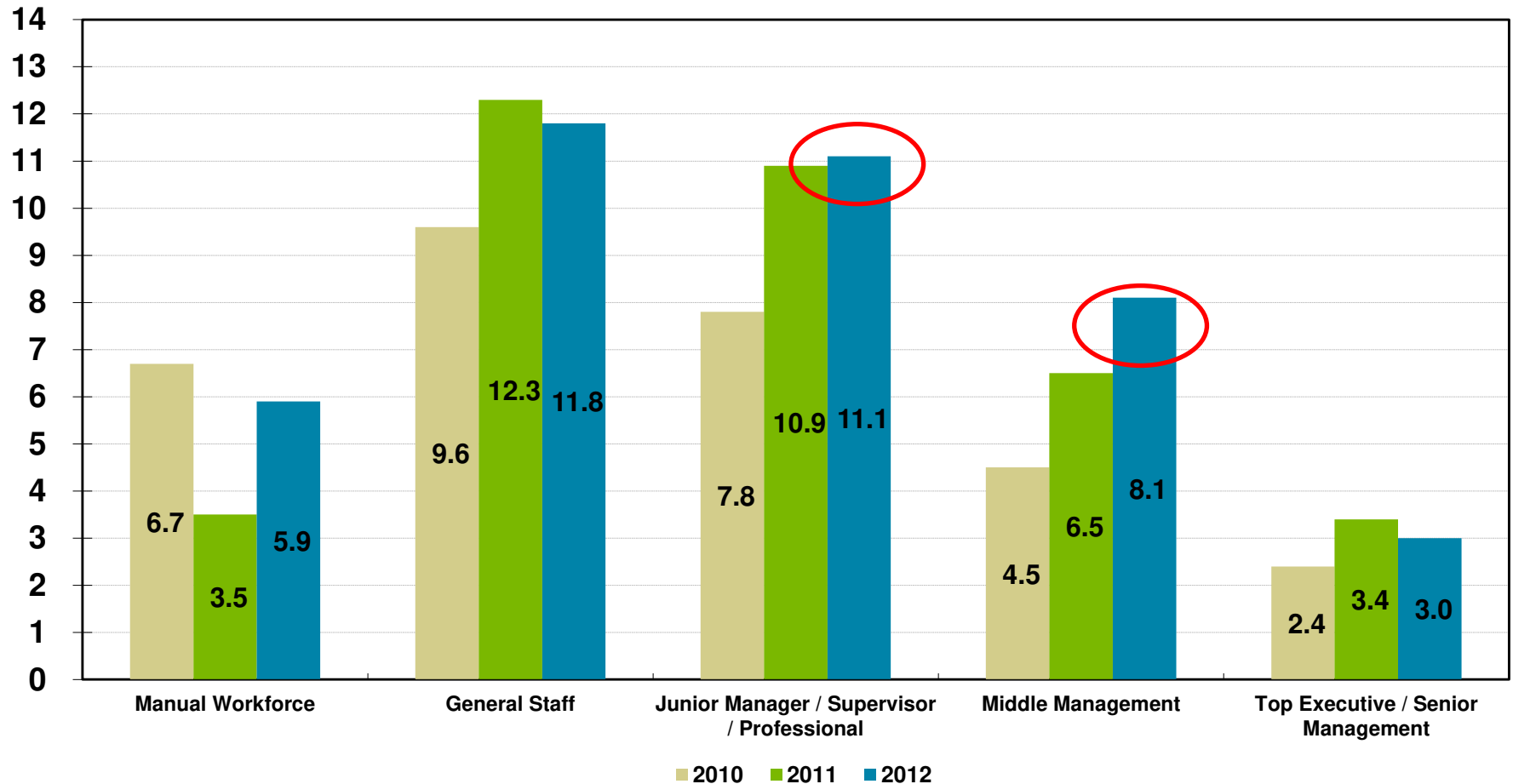
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Voluntary Turnover Rate Across Employee Groups for HK

- The overall voluntary turnover rate was 11.6% for 2010, 12.9% for 2011, 14.4% for 2012

Voluntary
Turnover Rate %



Data Source: Aon Hewitt 2010-2012 Salary Increase Survey in HK

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Hong Kong: Top Reasons for Turnover

- The top 4 reasons for turnover remain stable, with the 'better external opportunity' continue to top the chart over the past 3 years

Rank	2010	2011	2012
1	Better external opportunity →	Better external opportunity →	Better external opportunity
2	Limited growth opportunities →	Limited growth opportunities →	Limited growth opportunities
3	External equity of compensation →	External equity of compensation →	External equity of compensation
4	Work life balance →	Work life balance →	Work life balance
5	Relationship with manager	Other	Relationship with manager

Data Source: Aon Hewitt 2010-2012 Salary Increase Survey in HK

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Hong Kong: Key Retention Measures

- The top 5 measures remain the same from 2011 to 2012, with more emphasis on 'Pay above market'

Rank	2010	2011	2012
1	Improved work life balance	Accelerated career development opportunities	Accelerated career development opportunities
2	Accelerated career development opportunities	Timely and meaningful feedback from managers	Pay above market (off-cycle / merit adjustment)
3	Long-term Incentives	Pay above market (off-cycle / merit adjustment)	Timely and meaningful feedback from managers
4	More flexible work arrangements	Short term incentives	Short term incentives
5	Pay above market (off-cycle / merit adjustment)	Improved work life balance	Improved work life balance

Data Source: Aon Hewitt 2010-2012 Salary Increase Survey in HK

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Hong Kong: Key Attraction Measures

- Competitive fixed compensation is the most prevalent factor to attract talent

Rank	2012
1	Competitive fixed compensation
2	Work environment (e.g. Leadership, culture, flexible work arrangements)
3	Career development opportunities
4	Competitive variable compensation (e.g. Bonus, stock awards)
5	Employer Brand
6	Competitive benefits and perquisites (e.g. Pension, time off)

Data Source: Aon Hewitt 2012 Salary Increase Survey in HK

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Looking Ahead to 2013

- The outlook for 2013 is cautiously optimistic
- Investment will be limited in view of the global economic uncertainty
- Firms will be expected to grow despite budget constraints; variable pay and LTI are more important than ever
- The employee value proposition (beyond compensation) is now more important than it ever was!

The Changing Paradigm of Total Rewards

Total Rewards: Confused & Dissatisfied

Results of Recent Employee Engagement Surveys

- 1 out of 2 employees is disengaged
- 1 out of 8 is **actively** disengaged
- 1 out of 6 choose to leave
 - 10% of high performers have chosen to leave *since the downturn*
 - 25% planning to go?
- More than half of employees do not know how their **pay** is determined
- **Health benefits** satisfaction is declining
- Most employees do not understand the value of their **pension** plans
 - 80% fear they will not have enough money in retirement
- Roughly half do not see long-term **opportunities** with current employer
 - 43% believe they must change employers to advance
- More than half do not have clarity on skills they should be **developing**

Plus, many organizations are not getting an optimum return on their rewards program...

Employees perception of rewards

- Salary
- Short term incentive/Bonus
- Vacation
- Health care (if utilized)

83% of organizations feel that employees only see the number in the pay slip as their Total Rewards*

Rewards employers provide

- Salary
- Short term incentive/Bonus
- Vacation
- Health care
- Long-term incentive
- Other leave - paternity, marriage, compassionate etc
- Dental
- Vision
- Wellness
- Retirement
- Life & disability Insurance
- Loan programs
- Study program
- Learning & development

*Aon Hewitt Rewards Communication Survey May 2012

Organizations need to consider *all* reward elements

Everything an employee gets and perceives as valuable or rewarding.



Total Rewards is a priority, but ...

SAY it is critical

But actually **DO**

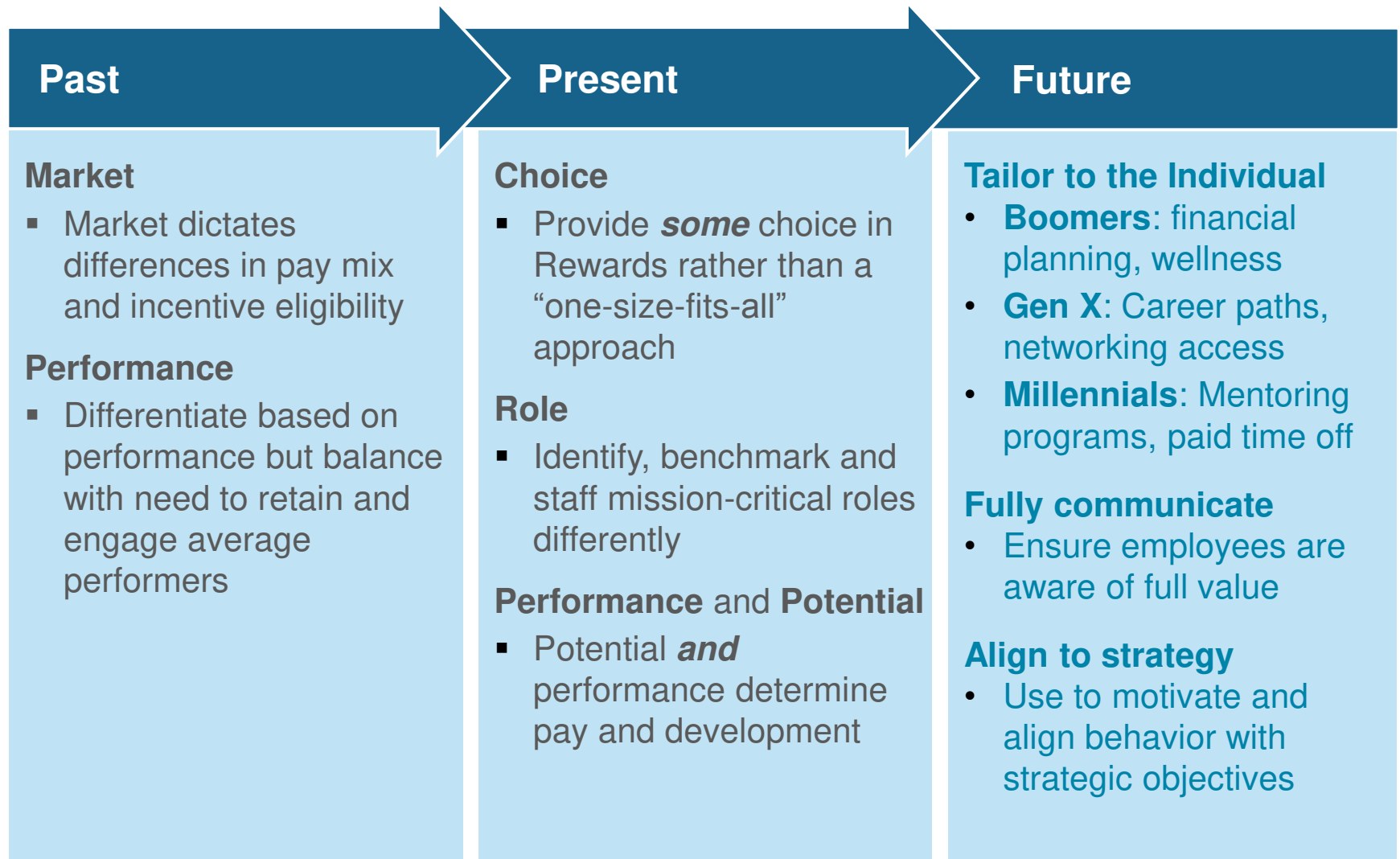
88%	Align total rewards with business strategy	56%
87%	Have a total rewards strategy in place	25%
73%	Communicate total rewards effectively	49%
50%	Differentiate total rewards for performance	28%
46%	Gather facts to drive total reward decisions	37%
41%	Manage total rewards as a portfolio	9%
37%	Gather input from employees	28%
33%	Use total rewards as a differentiator	10%
24%	Be an innovator or early adopter	19%

The Bottom Line on Rewards

- For simple, straight forward tasks, cash incentives are a great motivator
- However, for more complex tasks, cash incentives don't work. Three factors often lead to better performance and greater personal satisfaction
 - Autonomy
 - Mastery
 - Purpose
- If you don't pay people enough, pay can be a de-motivator (i.e. hygiene factor)

***Let's translate this into a
total rewards philosophy and objectives***

In Summary, The Future of Total Rewards



Thank You!

Should you have any questions, please contact:

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