



Reward Trends – Hong Kong

Insights from the top 50 Hong Kong-
headquartered companies



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01

Executive summary

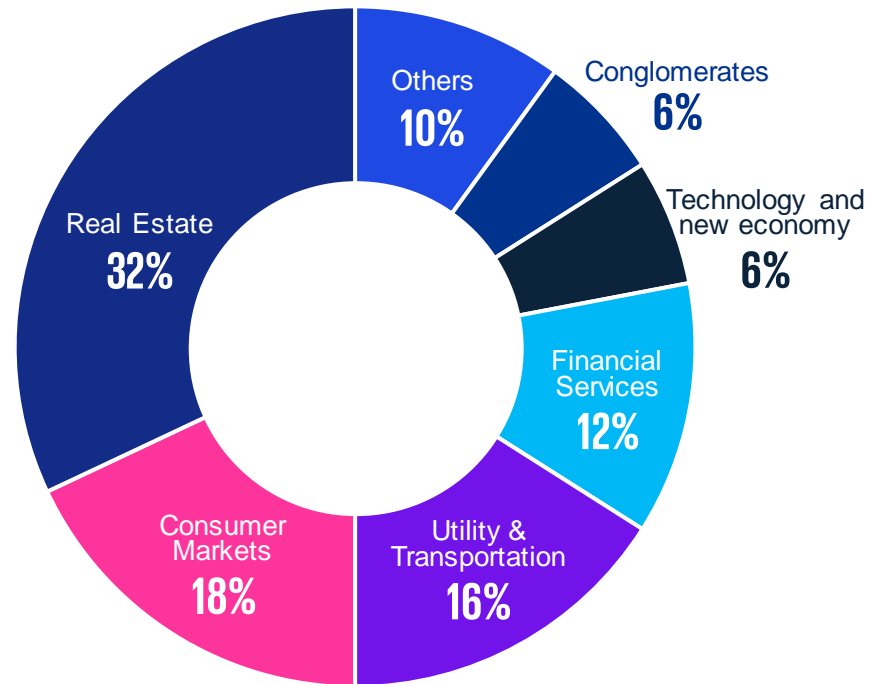


Overview

'Reward Trends – Hong Kong' takes an in-depth look at the Hong Kong talent market and the remuneration practices of the city's leading employers. The report is based on the top 50¹ Hong Kong SAR ("HKSAR") publicly listed companies ("the Companies") by market capitalisation, with research into their financial statements for the years 2020 to 2022, as well as employment/census data published by the HKSAR Government.

Key findings

- Salary and compensation packages are a key driver for attracting and retaining talent
- Companies experienced ~6% annual increases in staff costs, although headcounts remained at similar levels
- Organisations are increasingly tailoring short-term and long-term incentive arrangements to support their strategies/business plans
- Employers have an opportunity to differentiate by offering flexibility, housing benefits and enhanced retirement benefits



David Siew

Partner
Head of People
Services Hong Kong
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Gabriel Ho

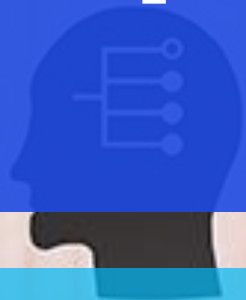
Director
People Services
KPMG China

Source:

1. [CompaniesMarketCap - Largest companies in Hong Kong by market capitalization](#)

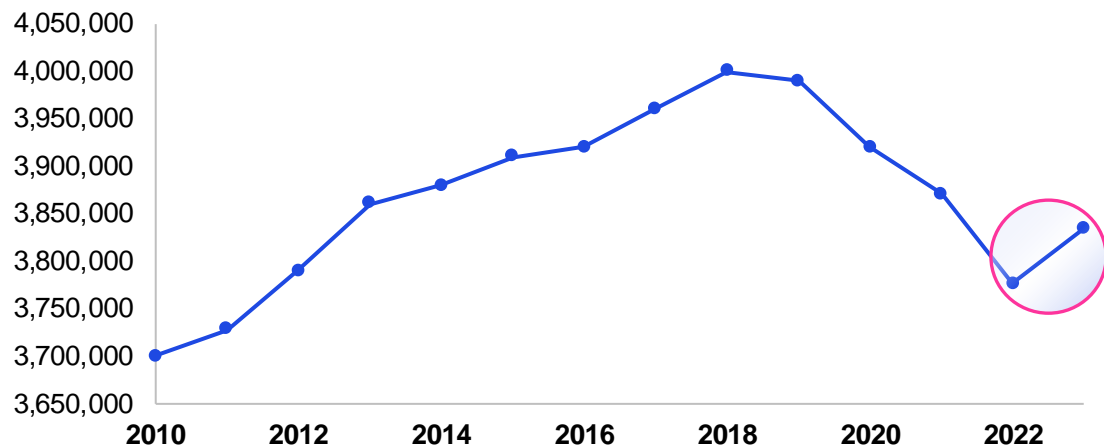
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Talent landscape



Employment market likely to remain competitive

Labour force



Source: HKSAR Government – Census and Statistics Department

Rebound in labour force

Following a contraction of Hong Kong's labour force during the period from 2018 to 2022 there have been signs of a rebound in 2023.

The inbound flow of foreign talent has been on the rise with over 100,000 visas approved and 60,000 talents arriving in Hong Kong since the HKSAR Government's initiatives to attract new talent were introduced¹. In his 2023 Policy Address², the Chief Executive announced further measures to attract, retain and develop talents, and promote re-employment.

Demand for talent

Demand for talent grew with the number of job vacancies increasing. Vacancies were up 26.5% in June 2023 year-on-year³, but the unemployment rate remains at a low level (~3%)⁴.



Organisations should review their talent needs and strategies heading into the new year.

David Siew

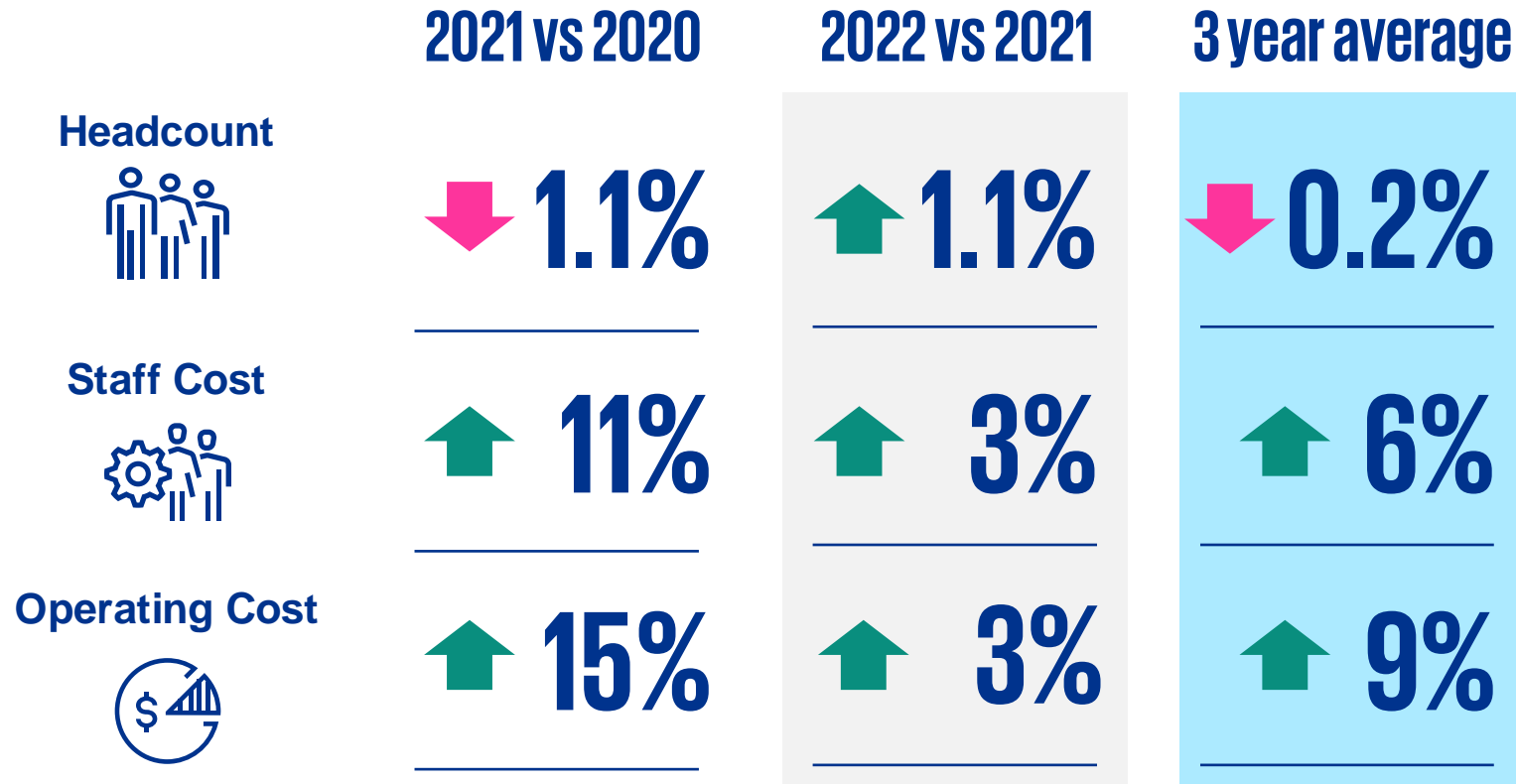
Partner, Head of People Services Hong Kong



Sources:

1. [HKSAR Government - HK Talent Engage office opens](#)
2. [HKSAR Government - The Chief Executive's 2023 Policy Address](#)
3. [HKSAR Government, Census and Statistics Department - Quarterly Report of Employment and Vacancies Statistics for June 2023](#)
4. [HKSAR Government, Census and Statistics Department - Unemployment and underemployment statistics for August - October 2023](#)

Increasing costs



% changes across the years (median)

Staff costs are increasing

Between 2020 and 2022 the total staff costs of the Companies researched increased, while headcounts remained at similar levels.

Staff costs increased substantially in 2021. This is aligned with our observation that the employment market was active, with more than a quarter¹ of talents changing jobs and many securing sizeable salary increases after moving positions.

In 2022 we observed fewer job changes, although we anticipated earlier this year that salaries would continue on an upward trend in 2023¹ and a recent survey has confirmed this².

With uncertainties in the global economic outlook, organisations will continue to face pressure to manage costs.

Sources:

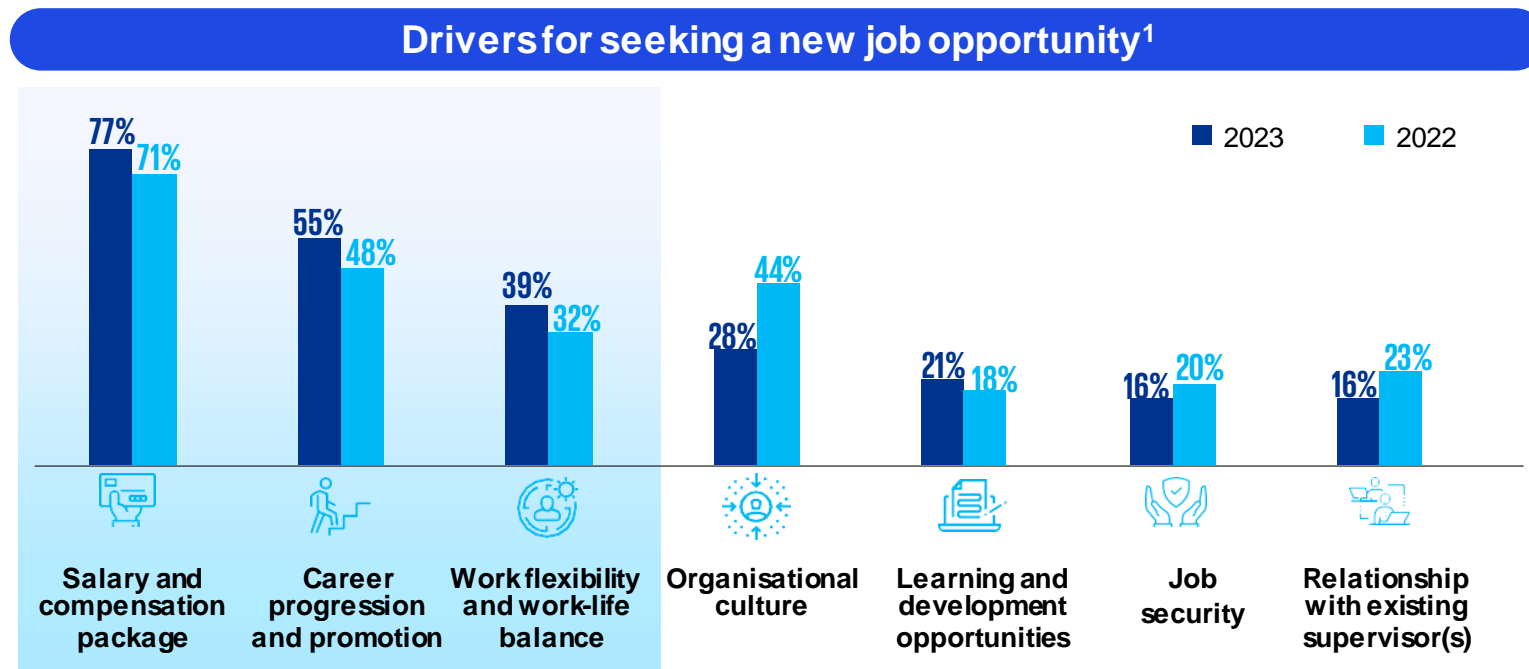
1. [KPMG Hong Kong Executive Salary Outlook 2023 – Employment Trends Survey](#)
2. [Hong Kong Institute of Human Resource Management - 2023 Pay Trend Survey](#)

What are talents looking for?

Remuneration package at the top of their list

The attractiveness of salary and compensation packages has been rated by professionals in Hong Kong as the top driver for pursuing a new job opportunity¹. The offer of an attractive remuneration package continues to be of key importance in attracting and retaining talent.

The next sections of this report focuses on the observations and compensation trends identified from our research across the 50 companies considered.



Sources:

1. KPMG Hong Kong Executive Salary Outlook 2023 – Employment Trends Survey

“ With uncertainties in the global economic outlook, organisations will be cautious about increasing salaries. They should consider innovative ways to improve the attractiveness of remuneration packages, and alternatives to increasing salary, as a way of managing costs.

David Siew

Partner, Head of People Services Hong Kong



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Overview of findings



Core remuneration components

We discuss below the core components of executive and employee remuneration, following analysis of data from the Companies between 2020 to 2022.



Base salary

Base salary is **typically the largest individual component** of total remuneration.

The Companies **reviewed and adjusted base salary annually**, referencing the roles and responsibilities of the position, the experience of the employee, and the market salary for the role in question.



Benefits

The types of benefits provided varied but would typically include **medical insurance coverage, leave entitlement and retirement benefits**.

Around 30% of the Companies **make employer contributions** to retirement schemes **in addition to the mandatory MPF contributions**.

Organisations are looking for opportunities to enhance staff benefits to differentiate themselves from others, and to attract and retain talent.



Short-term incentives

All of the Companies have short-term incentive (STI) arrangements and may grant **annual bonuses and/or performance-based cash incentives**.

Annual bonuses may be guaranteed or discretionary.

For executive directors, around one-third of total remuneration is provided in the form of short-term incentives.



Long-term incentives

Around 60% of the Companies **have long-term incentive (LTI) plans**. Around three-quarters of these firms have granted LTI awards in the past three years.

Awards are **mainly granted to directors and key management personnel**.

Common types of awards include **share options and share awards**.

For executive directors granted LTI awards, **such awards may make up a quarter of their total remuneration**.







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Benefits



Opportunities to enhance staff benefits

Most desired benefits in Hong Kong¹

	Desired	vs	Provided
 Medical benefits for self and/or family members	85%	vs	86%
 Flexible work	74%	vs	49%
 Housing benefits	59%	vs	35%
 Share options, share awards or long-term incentive awards	53%	vs	22%
 Flexible benefits arrangements	53%	vs	13%
 Employer's additional voluntary contribution to retirement scheme	50%	vs	45%

Sources:

1. [KPMG Hong Kong Executive Salary Outlook 2023 – Employment Trends Survey](#)
2. [KPMG – A Global Look at Benefits](#)

A differentiated benefit offering

Offering benefits that are attractive to talents and tailored to their needs can help organisations to differentiate themselves from their peers.

Apart from medical benefits, which are already widely available, organisations might consider some of the other desired benefits, as most of them are not as widely provided. We consider these further on subsequent pages.

Globally, KPMG has observed recent trends in benefits including support and stipends for remote work, expanded mental health services, telehealth services, paid leave (e.g. parental and caregiver leave) and employer incentives for electric cars².



Retirement benefits

Gap in preparedness for retirement

Recent census data shows that around 60% of the local labour force is 40 years old or above¹. Reports² also suggest a gap in preparedness for retirement. Retirement scheme benefits are one source of post-retirement income.

Around 30% of the Companies made contributions to retirement schemes exceeding the mandatory contributions required under MPF.

Enhancing retirement benefits

Offering retirement benefits in addition to mandatory retirement scheme contributions may be attractive to both talents and employers for the following reasons:

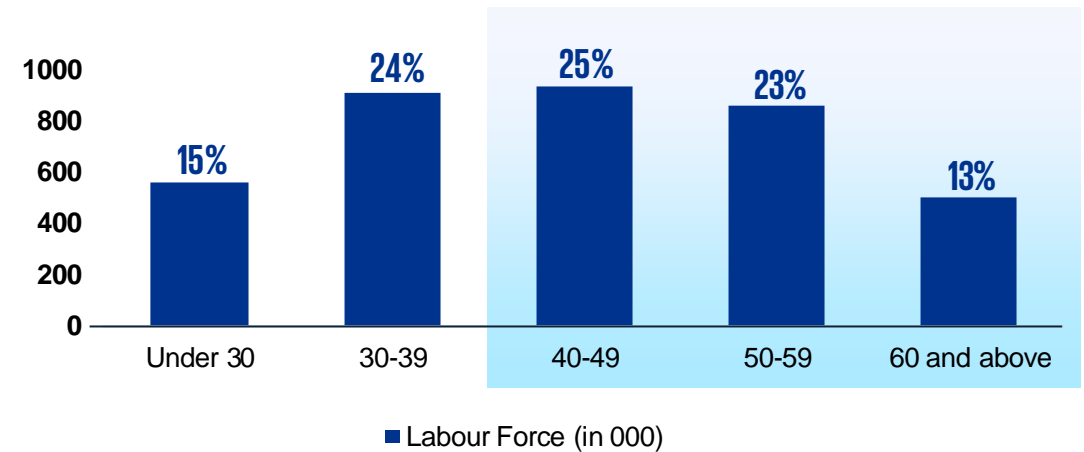
- Enhanced benefits to support talents' wellbeing post-retirement.
- The employer may include vesting conditions for top-up retirement benefits tied to continued employment (helping to retain talent).
- The availability of preferential Salaries Tax rules for retirement scheme benefits and a Profits Tax deduction for employers.

With the launch of Hong Kong's eMPF platform approaching, now is a good time for organisations to review their retirement scheme benefits.

Sources:

1. [HKSAR Government, Census and Statistics Department – Labour force and labour force participation](#)
2. [HSBC Quality of Life Report 2023 & Manulife Investment Management Diverse Asia – the demographic challenge](#)

Labour force in 2022



Source: HKSAR Government, Census and Statistics Department – Labour force and labour force participation

“Pensions are underused in Hong Kong compared with much of the rest of the world. The provision of additional employer contributions to retirement schemes is a way to contribute to the long-term financial wellbeing of employees, while also building loyalty and boosting retention.”

KPMG Hong Kong Executive Salary Outlook 2023



Housing benefits

Housing assistance is highly desired

With high rents in Hong Kong, housing benefits such as rental reimbursements or allowances are highly desirable and attractive to employees.

The favourable tax treatment associated with these benefits enhances their appeal. In many cases, tax treatment for housing benefits will be preferential over claiming a deduction for domestic rental expenses, which is capped at HK\$100,000 per annum.

However, we note that housing benefit is not widely provided, with only 35% of respondents to our employment trends survey this year indicating that this benefit is being offered¹.

Organisations which are yet to offer housing benefits (e.g. rental reimbursement) should consider doing so, as they can be implemented and operated at relatively low cost in comparison to the potential value perceived by employees.

Firms which already offer such benefits could consider reviewing the arrangements, perhaps by expanding the eligibility and scope, as well as by analysing the efficiency and compliance of their existing programmes.

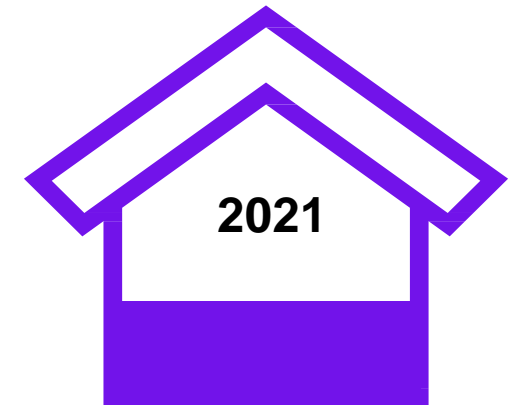
Source:

1. KPMG Hong Kong Executive Salary Outlook 2022 & 2023 – Employment Trends Survey

Housing benefits provided



35%



29%

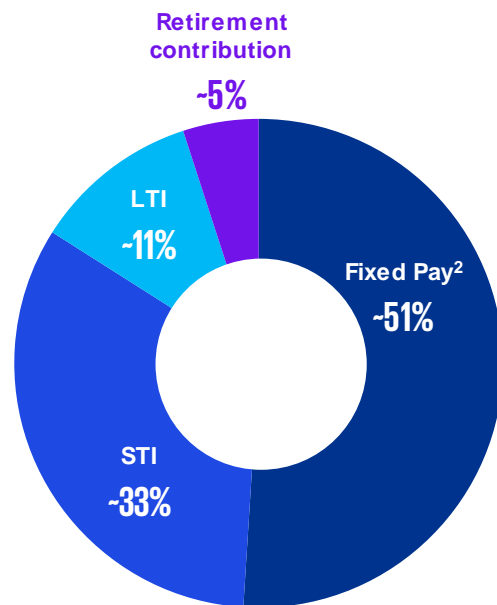
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Incentive compensation



Half of directors' pay is variable

Breakdown of director's compensation¹



Average across the directors			
	2020	2021	2022
Fixed Pay	51%	50%	52%
STI	34%	33%	34%
LTI	12%	11%	11%
Retirement Contribution	3%	6%	3%

Base: 47 companies disclosed details of director's compensation

Notes:

1. Directors include executive directors, non-executive directors and independent non-executive directors
2. Fixed Pay includes director's fee, base salary, allowances and benefits-in-kind.

Source: KPMG analysis on research companies

Similar findings year-on-year

Directors' pay composition across the Companies remained similar year-on-year.

Just under half of their annual remuneration is provided in the form of variable pay (e.g. short-term incentive and long-term incentive income). This is not surprising as executive directors would typically have a significant portion of their remuneration provided as variable pay, and this is often required for executives of regulated businesses.

Variable remuneration is mainly short-term incentives

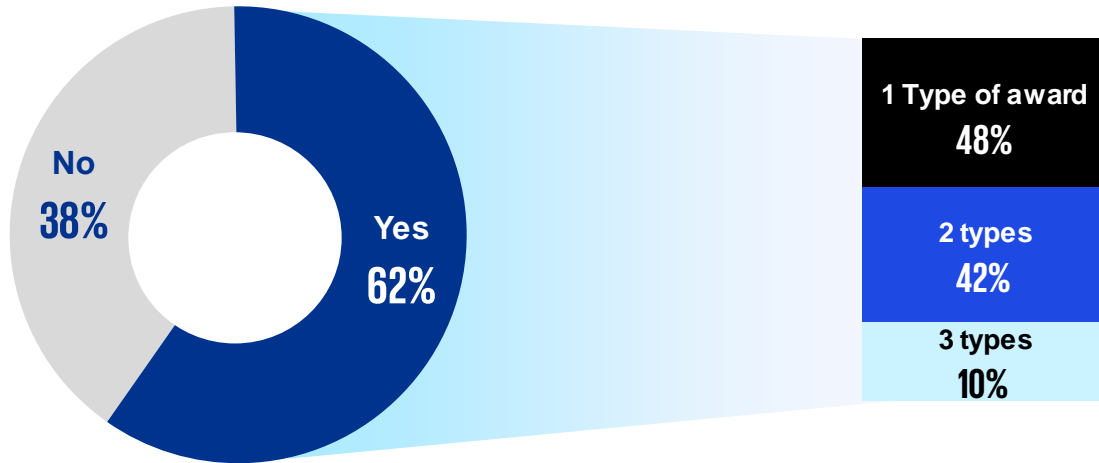
The bulk of variable compensation is provided in the form of short-term incentives such as annual bonuses. Bonuses are typically determined based on prior year corporate and individual performance.

Across the Companies, around one quarter of total variable compensation for directors is provided in the form of long-term incentive awards like share-based incentives. When considering directors with long-term incentive awards vesting in the past 3 years, around two fifths of total variable pay was long-term incentive awards.

We observe an increased interest in long-term incentives (implementing new incentives or reviewing existing ones to attract and retain talent, drive business strategies and achieve desired outcomes for stakeholders). Our findings and observations on long-term incentives are set out in the following pages.

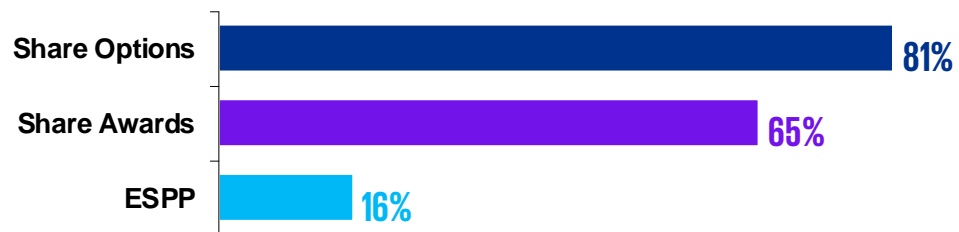
Long-term incentive plans

Companies with LTI plan



Base: All 50 companies

Type of award



Base: 31 companies which adopted LTI plans
Source: KPMG analysis on research companies

LTI plans are prevalent

62% of the Companies have adopted long-term incentive plans. Of these, over half grant more than one type of award.

Common types of award

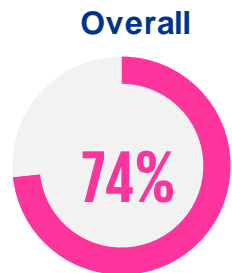
- Share options: A right to acquire shares at a predetermined price (i.e. exercise or strike price). Participants can exercise the rights within a fixed period of time after satisfying the vesting conditions (e.g. continued employment until vesting date).
- Share awards: An award of shares typically subject to vesting conditions. Participants typically pay nil or nominal consideration for the shares. Awards may be structured as an outright grant of shares subject to forfeiture (e.g. ceasing employment prior to vesting) or participants receive shares after vesting if the relevant conditions are satisfied.
- Employee share purchase plans (ESPP): Participants may purchase shares at a discounted price or they receive additional free matching shares, subject to conditions. The amounts each employee may spend and the number of shares they may purchase under the ESPP are capped each year.

In Hong Kong, share award plans are more commonly adopted than ESPPs. They are typically granted to senior executives only, whereas it is more common to offer a wider group of employees the chance to participate in ESPPs.

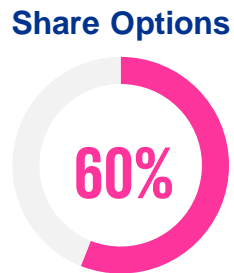
Prevalence of LTI awards

Grant Frequency in 2020-2022 (out of companies with LTI Plans)

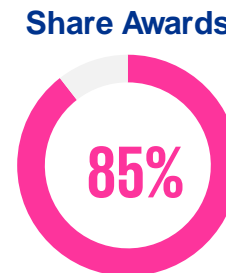
% of companies granted awards between 2020-2022



Base: 31 companies

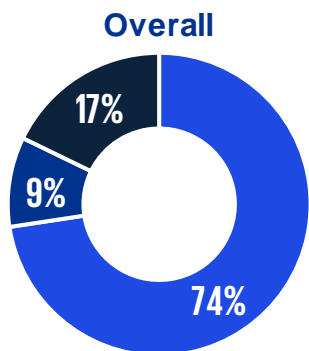


Base: 25 companies



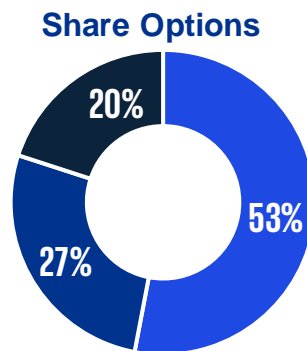
Base: 20 companies

Grant Frequency (out of companies with award grants in 2020-2022)



Base: 23 companies

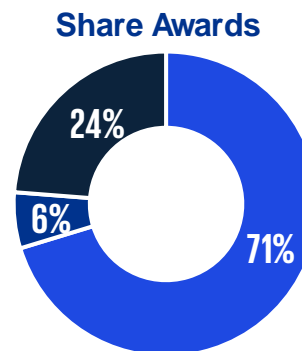
■ Grant Annually



Base: 15 companies

■ 2 years out of 3 years

■ 1 year out of 3 years



Base: 17 companies

Common to grant LTI awards

Nearly three quarters of the companies with LTI plans have granted awards (i.e., share options and/or share awards) in recent years. Half of these companies granted share awards annually.

Share awards are more popular

It is worth noting that three-fifths of the companies with share option plans granted options in recent years. On the other hand, 85% of the companies with a share award plan have granted share awards.

Share awards are granted more frequently in comparison with share options, with 71% of companies with share award plans granting awards annually.



In recent years there has been increased interest in implementing share award plans to attract, retain, incentivise and reward talents. Organisations should consider how they utilise share awards, and other types of awards, to support their business and talent strategies.

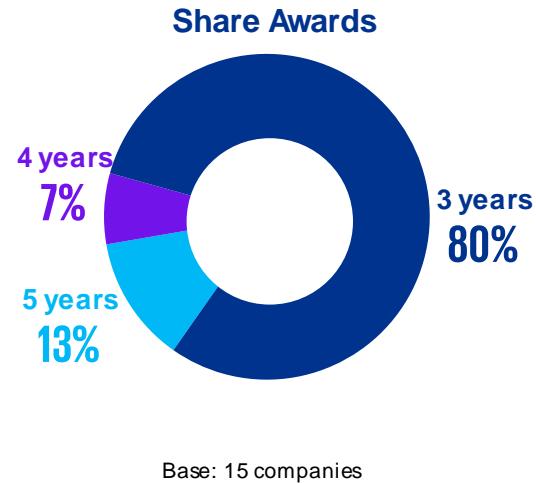
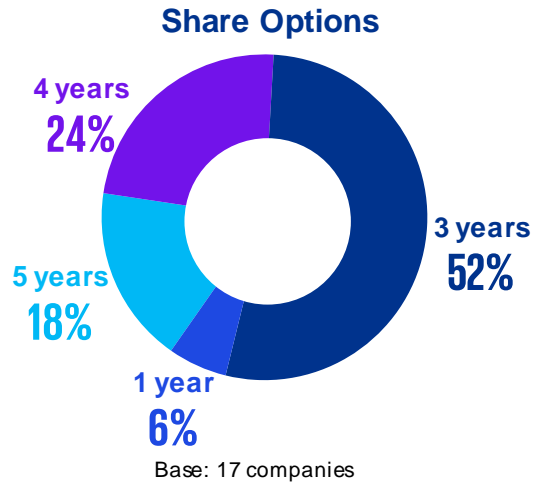
Gabriel Ho
Director, People Services



Source: KPMG analysis on research companies

Vesting period and conditions

Vesting Period



Three-year vesting period is most common

Long-term incentive awards typically have a vesting period of three to five years.

A vesting period of up to three years is most common, and awards often vest in tranches over three years (instead of “cliff vesting” at the end of three years).

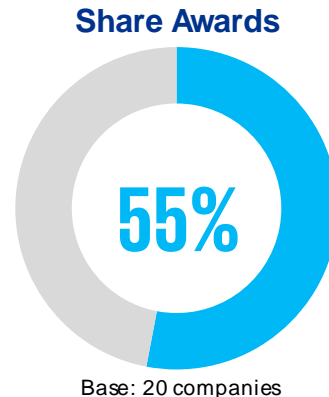
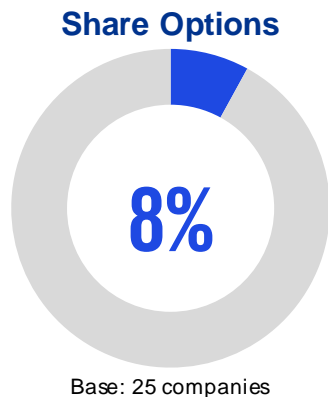
Performance-based vesting for share awards

Awards are typically subject to vesting conditions where awards vest if the participant remains employed up to the vesting date, unless they are “good leavers”.

Around half of the companies with share award plans may grant share awards that are subject to additional performance-based vesting conditions, such as achieving revenue, profit, return on investment or shareholder return targets. A much smaller proportion of companies may include performance-based vesting conditions in share options.

In our experience, organisations may grant senior executives awards that are subject to performance-based vesting conditions to incentivise them and link the delivery of the rewards to the achievement of long-term business targets and goals.

Awards may include performance-based vesting conditions



Source: KPMG analysis on research companies

06

How we can help



Our Reward Services

KPMG offers a wide range of rewards services, with professionals well versed in talent and rewards, tax, accounting and legal matters

We would be pleased to discuss your needs and how we can help



Executive pay benchmarking

- Analyse and share insights on executive pay
- Provide bespoke analysis and reviews against specific peer groups



Benefits and incentive plans

- Advise on different arrangements, such as housing benefits, retirement schemes and incentive plans
- Design new plans or review existing plans
- Offer insights on market practices and trends



Tax, accounting and legal

- Advise on other key considerations for benefits and incentive plans, such as the tax and accounting implications, as well as any legal considerations.
- Advise on local and overseas requirements and obligations
- Draft legal documents, such as plan rules and agreements



Ongoing support

- Assist with employee communications
- Provide other services such as supporting administration for rental reimbursement schemes, and overseas tax withholding calculations for incentive awards

People Services

Supporting your talent needs:



Our services:



Executive Search and Recruitment

- Talent search and recruitment
- Remuneration benchmarks and surveys
- Talent and skills assessments



Immigration Services

- Employment and dependent visa applications
- Talent admissions
- Investment visas



Reward Solutions

- Equity incentive plan design and implementation
- Rental Reimbursement policy and scheme design
- Pension optimization and restructuring



Payroll Services

- Payroll outsource and managed service
- Pension setup and administration
- Payroll, tax and legal review and health check



Global Mobility Services

- Global mobility programme and policy design
- Assignee tax and immigration support
- Mobility operations support and managed services



Agile Working Solutions

- Hybrid work planning
- Work from anywhere
- Business traveller support

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