UP.

IS WHERE EVERY BUSINESS WANTS TO BE.
BUT HOW DO YOU GET THERE?
**IT ISN’T ROCKET SCIENCE, BUT IT IS SCIENCE.**

Korn Ferry knows more about human performance in the workplace than any other organization.

<table>
<thead>
<tr>
<th><strong>Engagement data on 6M professionals</strong></th>
<th><strong>7,000 colleagues</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>One candidate placed every 3.5 minutes</strong></td>
<td><strong>100,000 people</strong></td>
</tr>
<tr>
<td><strong>Assessment data on 3M professionals</strong></td>
<td><strong>developed in our leadership programs each month</strong></td>
</tr>
<tr>
<td><strong>Reward data on 20M professionals</strong></td>
<td><strong>Management data on 114 countries</strong></td>
</tr>
<tr>
<td><strong>Engagement data on 6M professionals</strong></td>
<td><strong>50+ books published</strong></td>
</tr>
<tr>
<td><strong>Roots dating back to 1943</strong></td>
<td><strong>Partner to 93% of FORTUNE 100</strong></td>
</tr>
</tbody>
</table>
Our solutions are aligned to this framework
A total approach to talent

Korn Ferry Executive Search helps you attract the best executive talent for moving your company in the right direction.

Korn Ferry Hay Group helps you align your organization to your people – developing, engaging, and rewarding them to reach new heights.

Korn Ferry Futurestep delivers professional talent that builds up leadership.
Agenda

1. BREAKFAST
2. ABOUT KORN FERRY HAY GROUP
3. MARKET TRENDS AND ANALYSIS
4. PANEL DISCUSSION
5. Q & A
6. BACK TO THE OFFICE!
PayNet in 2016

The world’s biggest pay and benefits database now has even better information to help you make pay decisions in 2016. This year we improved the way we deliver insights to nearly 30,000 HR specialists from around the world using Hay Group PayNet. Take a look at how we’ve grown in 2015:

- **North America**: 2 countries, 2,700 companies, 4.6 million people
- **United States**: People grow by 127%
- **Colombia**: People grow by 20%
- **Chile**: Companies grow by 65%
- **Latin America**: 19 countries, 2,600 companies, 3 million people
- **Sweden**: People grow by 33%
- **Germany**: People grow by 40%
- **Ukraine**: Companies grow by 35%
- **Middle East**: 10 countries, 2,300 companies, 1.2 million people
- **Kazakhstan**: People grow by 47%
- **China**: Companies grow by 38%
- **Philippines**: People grow by 140%
- **United Arab Emirates (UAE)**: Companies grow by 41%
- **Tunisia**: People grow by 18%
- **Uzbekistan**: People grow by 148%
- **Lebanon**: Companies grow by 41%
- **Azerbaijan**: People grow by 47%
- **Bohswana**: People grow by 14%
- **African countries**: 20 countries, 1,200 companies, 489,000 people
- **Pacific**: 3 countries, 850 companies, 400,000 people
GDP growth in 2016 (forecast)
Unemployment in 2016 (forecast)
Inflation in 2016 (forecast)
Salary Movements and Forecasts
Global Salary Forecast 2016 – Nominal Increases

- **Latin America** 11.4%
  Regional average
- **Africa** 6.5%
  Regional average
- **Middle East** 5.3%
  Regional average
- **North America** 2.8%
  Regional average
- **Europe** 2.8%
  Regional average
- **Asia** 6.4%
  Regional average
- **Pacific** 2.8%
  Regional average
Global Salary Forecast 2016 – Real Increases

- Latin America Regional average: -1.4%
- Africa Regional average: 1.6%
- Middle East Regional average: 3.8%
- North America Regional average: 2.0%
- Europe Regional average: 2.3%
- Asia Regional average: 4.2%
- Pacific Regional average: 1.5%
Global Salary Forecast 2016
Asia/Pacific

- In Asia, salaries are forecast to increase by 6.4% – down 0.4% from last year. However, real wages are expected to rise by 4.2% – the highest globally.
- The largest real wage increases are forecast in Vietnam (7.3%), China (6.3%) and Thailand (6.1%).
- In China, despite China’s economic slowdown, coupled with plummeting stock markets and reduced exports, workers in the country are set to see an 8% salary increase in 2016 as employment rates continue to grow due to the increasing need for skilled workers and the sustained rise of the burgeoning middle class.
- Seeing the benefit of being a part of the fastest growing major economy, Indian workers are also forecast to see the highest real wage increase they have seen in the last three years, at 4.7% compared to 2.1% last year and 0.2% in 2014.
Key points global salary forecast 2016

Globally
Global salary rise is highest in three years. Real wages up 2.5%, as pay rises combine with low inflation. Despite economic slowdown, Asian workers to see biggest real wage rise, with China forecast to see third highest real wage increase globally.

Forecasts remains positive in Europe
Salaries in Europe have been buoyed by the improving performance of economies that have struggled recently. Across the region, salaries are expected to rise by 2.8%. And with low inflation (predicted to be 0.5%), employees will see real average wage growth of 2.3%.

Highest real wage growth in Asia
In Asia, salaries are forecast to increase by 6.4% – down 0.4% from last year – but with relatively low predicted inflation (2.2%), employees are set to experience the highest growth in real income across the globe (4.2%). The largest increases are forecast in India (10.3%), Indonesia (9.1%) and Vietnam (8.6%). And, even when inflation is factored in, real pay rises are 4.7%, 2.4% and 7.3% respectively.

Economic turmoil impacting workers in Latin America
Wage rises in Latin America are being eroded by high inflation. Employees across the region being forecasted to receive the highest salary increases of 11.4% on average, but with inflation predicted to be 12.8%, workers will see an average real wage cut of 1.4%.

Buoyant labour market in North America
Pay rises in North America are forecast at 2.8% – the same as last year and with inflation predicted to be 0.8%, employees will experience a real income increase of 2.0%.

Strong growth in the Middle East and Africa
Despite broader economic and political turmoil, salaries in the Middle East and Africa are forecast to rise by 5.3% and 6.5% respectively, a real growth in income of 3.8% and 1.6% as inflation is predicted to remain relatively low.
Average Annual Movements – Fixed Annual Reward

Hay Group's average annual movements in Fixed Annual Reward

- Financial
- Industrial & Service
- Resources
- All Organisations
Average Annual Movements – Total Annual Reward

Hay Group's average annual movements in Total Annual Reward

- Financial
- Industrial & Service
- Resources
- All Organisations

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Client Forecast and Movements – Fixed Annual reward

Fixed Annual Reward Annual Movements (%)

<table>
<thead>
<tr>
<th>Year</th>
<th>Client Forecast</th>
<th>Client Movements</th>
<th>Hay Group Forecast</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>4.0%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2013</td>
<td>3.9%</td>
<td>3.8%</td>
<td></td>
</tr>
<tr>
<td>2014</td>
<td>3.5%</td>
<td>3.5%</td>
<td>3.4%</td>
</tr>
<tr>
<td>2015</td>
<td>3.0%</td>
<td>3.0%</td>
<td>3.0%</td>
</tr>
<tr>
<td>2016</td>
<td>2.9%</td>
<td></td>
<td>2.5%</td>
</tr>
</tbody>
</table>
Nominal and Real Salary Increases over the last 5 years

- **Nominal increases**
  - 2012: 4.3%
  - 2013: 4.0%
  - 2014: 3.8%
  - 2015: 2.7%
  - 2016: 2.5%
  - 2017*: 2.50%

- **Real increases**
  - 2012: 2.5%
  - 2013: 1.6%
  - 2014: 1.3%
  - 2015: 0.9%
  - 2016: 0.7%
  - 2017*: 0.4%
Average Salary Increase For 2015 Remuneration review

Leisure & Hospitality: 3.3%
Consumer Durables: 3.0%
Public Sector, NFP & Education: 2.8%
Financial Services: 2.5%
Telecommunications & Media: 2.5%
FMCG: 2.5%
Transportation: 2.5%
Other: 2.3%
Utilities: 2.3%
Professional Services: 2.2%
Retail: 2.0%
Chemicals: 2.0%
Business Services: 1.5%
Construction: 1.3%
Resources: 0.0%

Median: 2.3%
Average: 2.0%
### Average Salary Increase Forecast for 2016/2017

<table>
<thead>
<tr>
<th>Industry</th>
<th>Median</th>
<th>Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>Leisure &amp; Hospitality</td>
<td>3.0%</td>
<td>3.0%</td>
</tr>
<tr>
<td>Consumer Durables</td>
<td>3.0%</td>
<td>3.0%</td>
</tr>
<tr>
<td>FMCG</td>
<td>3.0%</td>
<td>3.0%</td>
</tr>
<tr>
<td>Public Sector, NFP &amp; Education</td>
<td>2.8%</td>
<td></td>
</tr>
<tr>
<td>Financial Services</td>
<td>2.5%</td>
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</tr>
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<td>Telecommunications &amp; Media</td>
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</tr>
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<td>Retail</td>
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<td></td>
</tr>
<tr>
<td>Business Services</td>
<td></td>
<td>1.8%</td>
</tr>
<tr>
<td>Construction</td>
<td></td>
<td>1.3%</td>
</tr>
<tr>
<td>Resources</td>
<td></td>
<td>0.0%</td>
</tr>
</tbody>
</table>

Median: 2.5%
Average: 2.2%
Greatest salary differentials still in WA

TAR Percentage difference from national average

- WA Regional (14.9%)
- NT Regional (0.3%)
- QLD Regional (-2.7%)
- NSW Regional (-2.7%)
- VIC Regional (-1.9%)
- TAS Regional (-7.1%)
- SA Regional (1.0%)
- Perth (4.3%)
- Adelaide (-5.8%)
- Melbourne (-1.9%)
- Brisbane (-1.3%)
- Sydney (-2.3%)
Pay difference by sector

All market = 100%
Pay difference by sector

All market = 100%
Pay differences by job families
Hot Jobs

AVAILABILITY OF CANDIDATES IN THE MARKETPLACE

- In our data submission survey, 41% of organisations report a scarcity of candidates in the market.

ROLES IN DEMAND

<table>
<thead>
<tr>
<th>Premium</th>
<th>No Premium</th>
</tr>
</thead>
<tbody>
<tr>
<td>IT</td>
<td>Marketing – Digital &amp; E-commerce</td>
</tr>
<tr>
<td>Engineering – All Types</td>
<td>Sales</td>
</tr>
<tr>
<td>Health/Safety/Environment</td>
<td>Finance &amp; Accounting</td>
</tr>
<tr>
<td>Energy Trading</td>
<td>Risk Management</td>
</tr>
</tbody>
</table>
Hot Jobs

HOW DO ORGANISATIONS DEAL WITH CANDIDATE SCARCITY

- Majority of organisation maintain their current pay policy (i.e. do nothing)
- If organisations do attempt to address candidate scarcity through remuneration, we commonly see:
  - Higher STI
  - Higher Fixed Pay
  - Recognition/Sign-on Bonuses
  - Additional Benefits
Performance Measurement
Pay Forum Spot Survey

Industries reviewing the link between pay & performance:

- Construction
- Consumer Durables
- Retail
- Public Sector & Education
- Business Services

Common items reviewed:

- General review of performance management processes
- Review of reward and performance philosophy
- A few companies were considering changes to the way they use performance ratings
Australia – incentive pay
Trends of STVP Plans – Last 3 Years

- 2014: 86.0%
- 2015: 85.0%
- 2016: 83.0%

%Orgs with STVP: 94.0%
%STVP plans that paid: 92.0%
STI – Target Vs. Actual

Actual STI Payout vs. 2015 Targets (%FAR)

- Clerical/Operational: 2%
- Supervisory/Junior Prof: 5%
- Middle Mgt/Seasoned Prof: 10%
- Snr Mgmt/Executive: 39%

- STI Paid
- Target Incentive 2015

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Pay Forum Spot Survey

Organisations intending to Pay a Bonus This Year

- 82% Yes
- 18% No

- 25% Lower
- 23% Higher
- 52% Undecided
Benefits
Pay Forum Spot Survey

Benefits most commonly reviewed:

- Superannuation
- Health & Wellbeing
- Salary Packaging
- Motor Vehicles
- Workplace flexibility

A number of organisations also indicated they were intending to do a full review of benefits

Key Drivers:

- Improve Employee Value Proposition
- Wellbeing
- Cost Reduction
- Benefit harmonisation
Gender Headline

The Sydney Morning Herald
National

Gender pay gap hits 20-year high leaving women's wages up to 10 years behind

March 2, 2015
Inga Ting

Gender inequality still rampant in Australian workplaces, pay gap remains high: report

The World Today  By Peter Ryan
Posted 26 Nov 2015, 2:03pm

Illustration: Ron Tandberg.
Gender distribution on each reference level
Gender differences

Gender Demographics

- 59% Male
- 41% Female

Pay Differential

- 5% higher Fixed Annual Reward for men

- 2% Male
- -3% Female
## Ratio of average female pay to Male – All Orgs

<table>
<thead>
<tr>
<th>Reference Levels</th>
<th>Fixed Annual Reward</th>
<th>Total Annual Reward</th>
</tr>
</thead>
<tbody>
<tr>
<td>Level 7 (85 - 97)</td>
<td>94%</td>
<td>94%</td>
</tr>
<tr>
<td>Level 8 (98 - 113)</td>
<td>96%</td>
<td>97%</td>
</tr>
<tr>
<td>Level 9 (114 - 134)</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Level 10 (135 - 160)</td>
<td>95%</td>
<td>95%</td>
</tr>
<tr>
<td>Level 11 (161 - 191)</td>
<td>95%</td>
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</tr>
<tr>
<td>Level 12 (192 - 227)</td>
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<tr>
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<tr>
<td>Level 20 (735 - 879)</td>
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<tr>
<td>Level 21 (880 - 1055)</td>
<td>96%</td>
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</tr>
<tr>
<td>Level 22 (1056 - 1260)</td>
<td>93%</td>
<td>97%</td>
</tr>
<tr>
<td>Level 23 (1261 - 1507)</td>
<td>97%</td>
<td>94%</td>
</tr>
<tr>
<td>Level 24 (1508 - 1800)</td>
<td>87%</td>
<td>104%</td>
</tr>
<tr>
<td>Level 25 (1801 - 2140)</td>
<td>88%</td>
<td>75%</td>
</tr>
</tbody>
</table>
## Ratio of average female pay to Male – Resources

<table>
<thead>
<tr>
<th>Reference Levels</th>
<th>Fixed Annual Reward</th>
<th>Total Annual Reward</th>
</tr>
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<tbody>
<tr>
<td>Level 9 (114 - 134)</td>
<td>101%</td>
<td>97%</td>
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<td>100%</td>
<td>99%</td>
</tr>
</tbody>
</table>
Infographic example

ASX 300 Directors

- Male: 90%
- Female: 10%

ASX 300 CEO

- Male: 95%
- Female: 5%

* Data obtained from Hay Group’s ASX 300 proxy database
Pay Forum Spot Survey

Industries where the majority of organisations indicated they were reviewing gender equity:

- Financial Services
- Utilities
- Resources
- Professional Services

Common measures being undertaken:

- Review of salaries against job levels
- Review of salaries against market data
- Full review of gender equity
- Guidance provided at remuneration review
Gender Equity

PREVALENCE OF FEMALE VS MALE

- From our database, the year on year improvement on overall female prevalence is only 2%
- We continue to see lower prevalence of female in roles from RL14 and above from our PayNet database
- When looking at director roles, the female prevalence on the ASX300 were only 10%.

CLOSE TO 50% SURVEYED* NOT DOING ANYTHING ON PAY EQUITY

*Survey results obtained from the Pay Forum Spot Survey conducted by Korn Ferry Hay Group conducted.
Performance Management

SMALLER PAY INCREASES AND CONSISTENT BONUS PAYOUT TREND

- Potentially indicates more focus on bonuses as reward tool.

FROM OUR SURVEY, JUST UNDER 40% OF COMPANIES ARE REVIEWING LINK BETWEEN PAY AND PERFORMANCE

- Common items reviewed are the performance management process and the reward and performance philosophy.
- Only 1 company indicated removing performance ratings.

*Survey results obtained from the Pay Forum Spot Survey conducted by Korn Ferry Hay Group conducted.
Hot Jobs

JOB FAMILY PREMIUMS

- Based on the trends we have presented on premium of various job families, majority of the % differentials are within the +/-10% range.

POPULAR BELIEF THAT HOT JOB = PREMIUM; BUT NOT SO

WHAT APPROACH SHOULD AN ORGANISATION TAKE WHEN VALUING HOT JOBS
Thank you