



RESEARCH REPORT

Employee share plans in Hong Kong

A strategic evolution

From optional tool to strategic mandate

Executive and employee remuneration among companies listed on the Hong Kong Stock Exchange (HKEX) has evolved and transitioned from being a supplementary offering to becoming a core component of corporate strategy. Today, they serve as powerful tools for driving long-term growth and talent engagement.

This transformation of the Hong Kong market is evidenced through our research concluding that more than 80% of listed companies are now incorporating employee share plans into their remuneration strategy. This widespread adoption indicates a structural shift in total compensation design toward a more diversified incentive framework. This evolution aims to foster employee ownership, talent engagement, reinforce long-term alignment with company value, and enhance employee retention.

As a global leader, Computershare has conducted research and analysed data from 2,631 Hong Kong listed companies across several industries. And, while share plan adoption overall continues to grow, our data provides greater insights into what the future holds for Hong Kong's equity market.

Specifically, our research suggests the Hong Kong market has transitioned beyond a focus on the quantitative adoption of share schemes toward the qualitative optimization of share plan design and execution.

Using a mix of share options, share awards, and other equity-based incentives tailored to different employee groups fosters a sense of ownership, loyalty, and long-term commitment. Aligning performance metrics and vesting conditions with employee interests and strategic company goals encourages productivity, accountability, and retention.

Ultimately, our findings demonstrate that employee share schemes have evolved from a discretionary benefit to an integral component of modern compensation strategies in Asia.



Jennifer Sun

Head of Computershare Plan Managers, Asia

Optimizing the use of equity

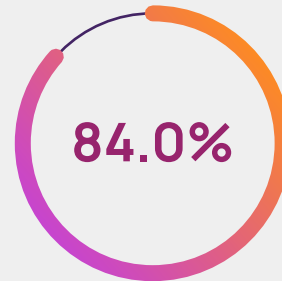
Share incentive schemes in Hong Kong have been on the rise for the past decade.

While the greatest surge occurred between 2015-2019 driven primarily by an increasing demand for equity-based incentives and a favorable regulatory environment, the last 5 years have shown share plan adoption at a relatively steady growth rate.

In the early years of share plan adoption, companies predominately focused on aggressive growth incentives in the form of option-based schemes. However, as the market grew and expanded, growth became more linear.

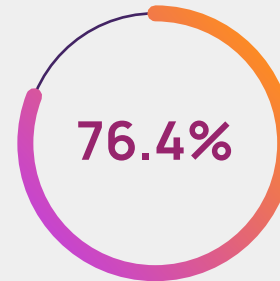
84% of listed companies are now incorporating employee share plans into their remuneration strategy

Companies with employee share plans



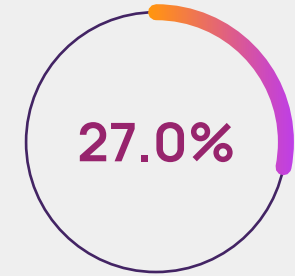
2,210 companies

Companies with share option schemes



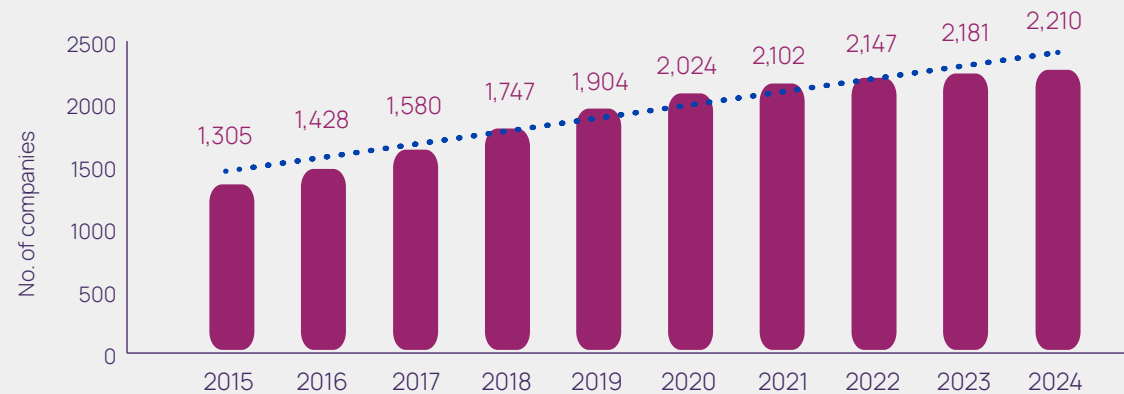
2,009 companies

Companies with share award schemes



713 companies

Hong Kong companies offering share plans

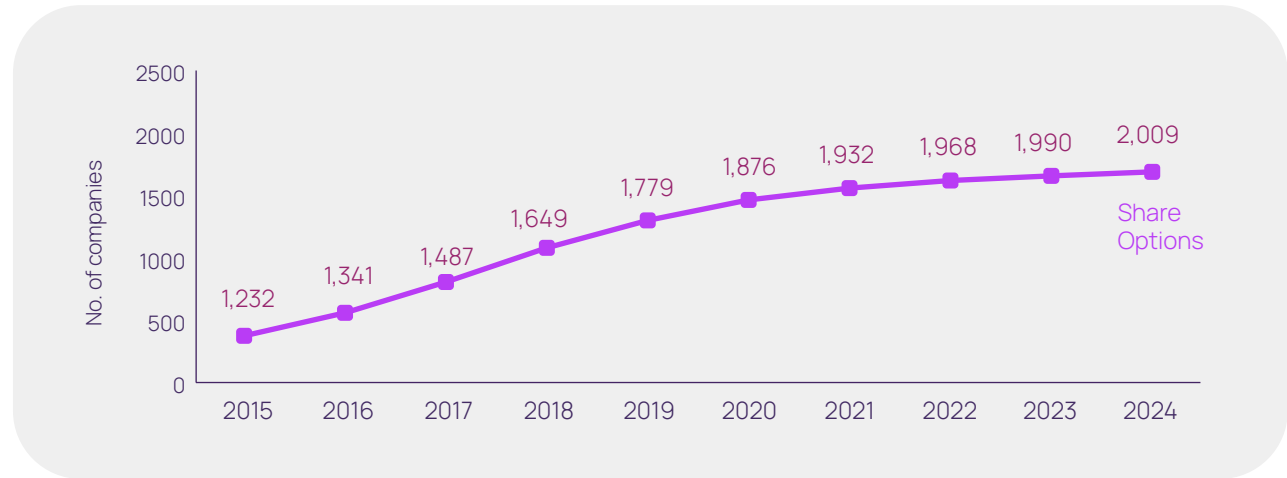


Retention-focused share awards gaining momentum in Hong Kong

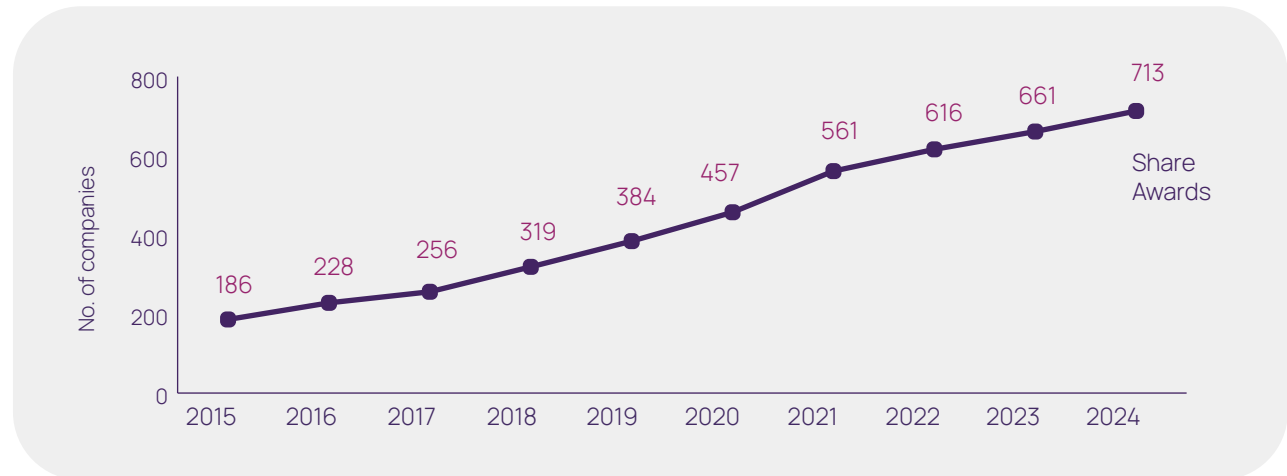
While share options have been historically popular, the use of share awards is growing at a rapid pace. In fact, as share option schemes decelerated, share awards schemes nearly doubled over the last 5 years.

This growing emphasis on share awards provides insight into a strategic pivot by Hong Kong listed companies reflecting a broader shift in corporate incentive structures aligning to a more balanced, retention-focused equity structure.

Hong Kong companies offering Share Options



Hong Kong companies offering Share Awards



Does company size shape equity distribution?

Further analysis shows equity incentive structures scale with company size. While smaller firms favor growth-linked share options to drive performance and agility, larger organizations adopt more diversified schemes strategically supporting talent-management and long-term value alignment.

Why the different approach amongst companies of different sizes?

As mentioned on page 5, smaller companies often prefer offering stock options over stock awards for several key factors, including:

- **Cash flow management.** Startups and smaller businesses often have limited cash flow. Stock options allow them to attract and retain talented employees by offering the potential for future employee wealth without requiring significant cash investment upfront, allowing them to keep more cash on hand and available for company spend.
- **Strategic growth focus.** Stock options give employees a direct stake in the company's success. Employees are incentivized to work harder and make decisions that contribute to the long-term company value.

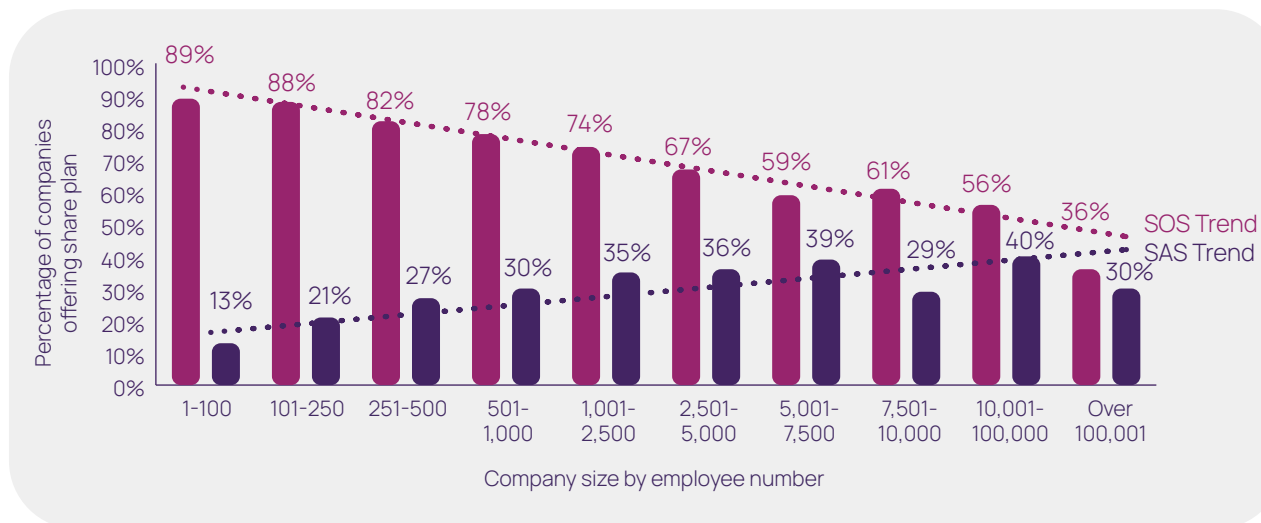
- **Retention and loyalty.** Options typically come with vesting schedules, often requiring employees to stay with the company for a number of years before they can exercise their full options. This encourages long-term commitment and reduces turnover and associated costs.

Larger, more established companies are showing trends in adopting both share options and share awards. Share awards offer employees a clear and immediate value, whereas share options require employees to pay a predetermined exercise price to acquire the shares. By offering a mix of both, companies can support broader employee incentive goals including:

- **Attracting and retaining diverse talent.** A successful strategy must acknowledge and accommodate the diverse financial goals of the employee population. Offering both options and awards allows companies to cater to a wider pool of talent from executives to entry-level while matching different employees' preferences and market expectations.
- **Ownership and alignment.** Both options and awards aim to align employee interests with the company's long-term success by providing employee ownership.

As shown below, 89% of companies with less than 100 employees offer share options while only 13% offer share awards. On the contrast, 74% of companies with 1,001-2,500 employees offer share options and 35% offer share awards.

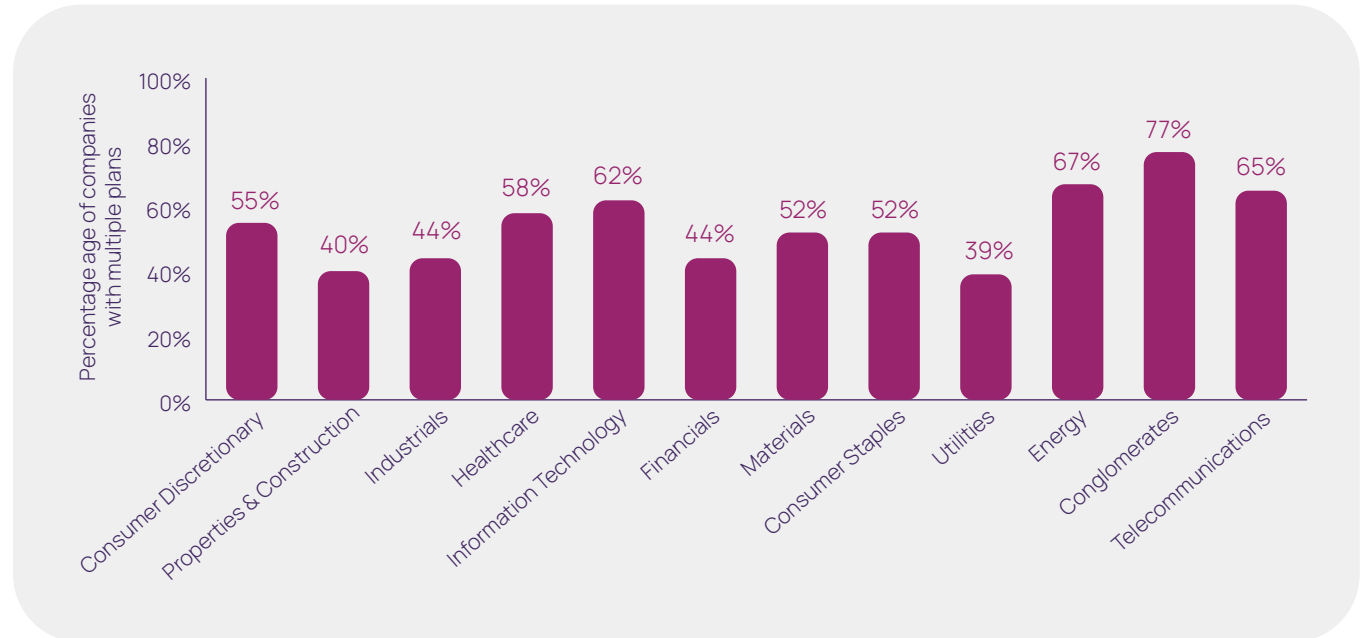
Share plan type preferences by company size





Furthermore, our data shows that more than 50% of companies have more than one plan. This variation in multi-plan adoption across industries reflects how companies strategically embrace organizational flexibility and recognize the multifaceted value of talent through more complex incentive structures.

Industries offering multiple plans



More than 50% of companies have more than one plan

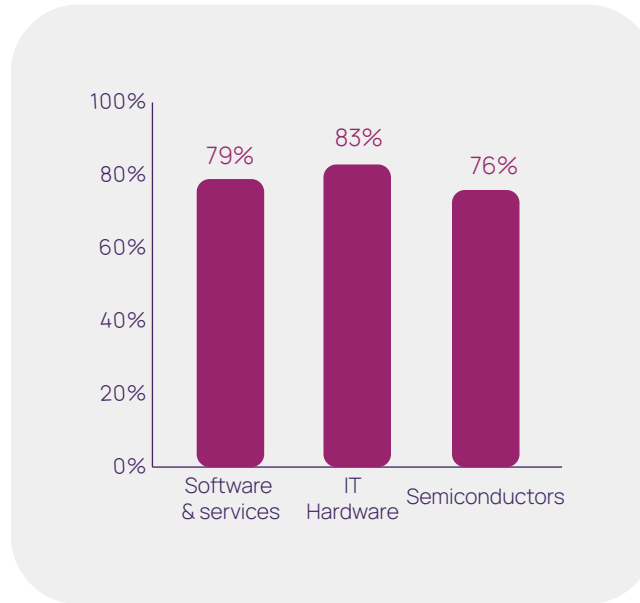
Why share options are better suited for high-growth, high-uncertainty industries

According to our latest research, share options are nearly or more than twice as popular to offer than share awards for high-growth, high-uncertainty industries such as software and services industries.

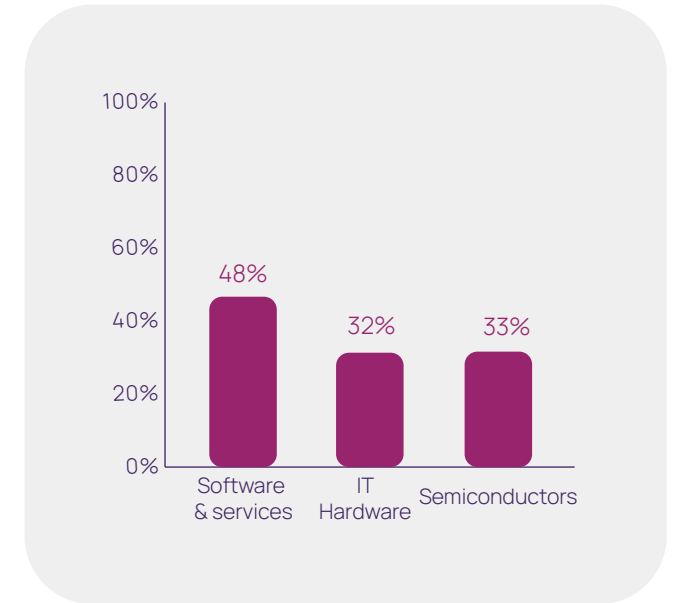
But why? In these industries the focus tends to be long-term success and cash conservation.

The potential for growth can turn a stake in the company into a massive financial gain for employees. Employees in these industries are often motivated to work towards the long-term growth, successes, and innovation of the company and more willing to take on risk in exchange for the potential future reward.

Share Option adoption rate



Share Award adoption rate



Equity incentives in key industries

Share-based compensation: a significant component of employee compensation

Equity incentives form an important part of employee compensation for talent-driven industries such as technology and healthcare. Strategic emphasis on using equity helps companies attract and retain top talent, align employee interests with company success, improve employee loyalty, and increase employee productivity.

Information technology and healthcare leading the way in employee investment

Aligning equity with share-based compensation, the information technology sector demonstrates a strong commitment to employee investment and long-term value.

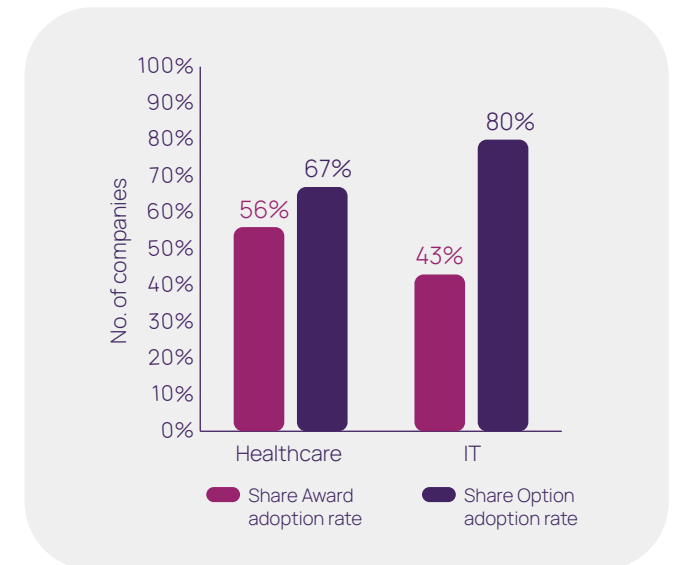


Did you know?

- **90%** of information technology companies are using equity in their compensation
- **18%** of all information technology companies invest more than \$100M in equity compensation
- **5%** of all information technology companies invest more than \$1B in equity compensation
- **71%** of all share-based payments are made by information technology companies
- **14%** of healthcare sector companies invest \$500M to \$1B in equity compensation

While the information technology sector shows a nearly doubled percentage of share options over share awards, in healthcare there is a more balanced approach to using both share awards and share options. This shows share-based compensation trending towards greater stability and long-term incentive structures.

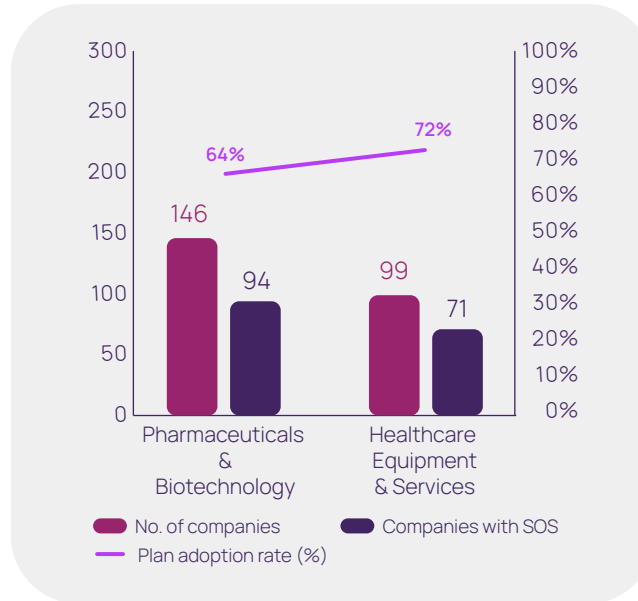
Share Awards and Options in IT and Healthcare



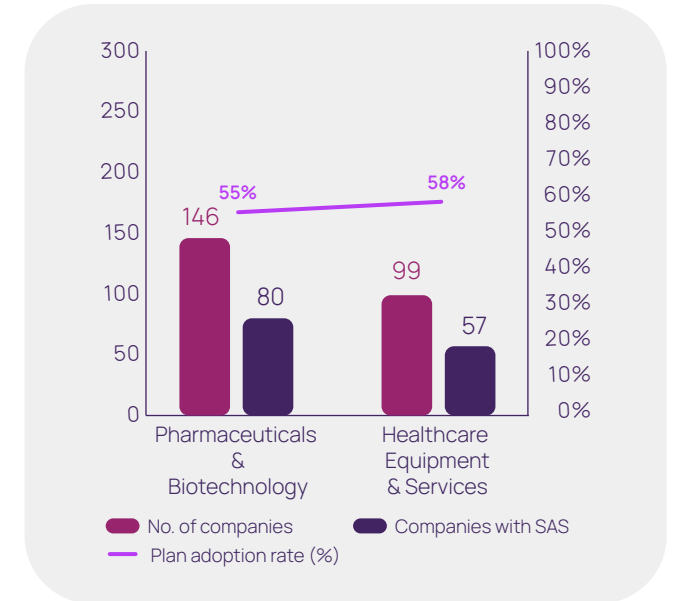


The healthcare sector shows a more balanced use of Share Awards and Share Options, indicating a greater inclination toward stable, long-term incentive structures.

Share Option adoption rate



Share Award adoption rate



Both the healthcare and information technology industries offer the highest proportion of salary via share plans, emphasizing long-term company value alignment with key stakeholders.



Share-based compensation in remuneration for key management proves to be a significant component of executive pay in Hong Kong

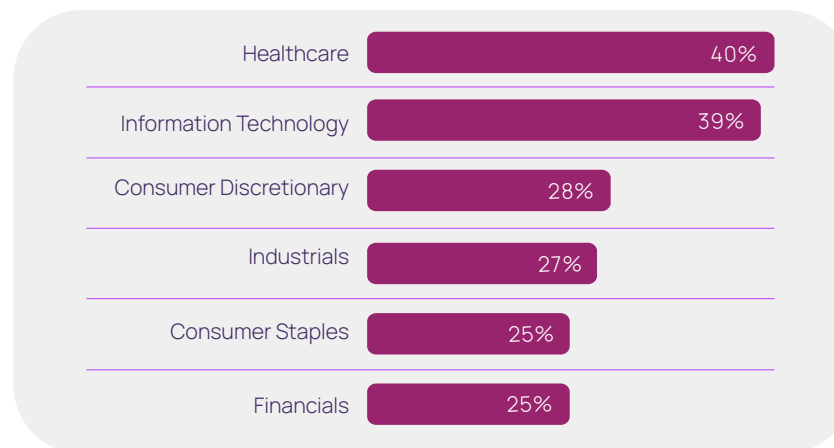
Offering a competitive key executive remuneration package can play a crucial role in your company's success. In fact, on average, **27.3% of executive pay accounts for share-based compensation.**

Share-based compensation aligns the financial interests of key management with those of the company's shareholders, as their compensation increases when the company's stock price rises. This creates real "skin in the game", ensuring executives remain personally invested in driving shareholder value.

By linking compensation to stock performance and requiring vesting over time, share-based compensation encourages executives to focus on the company's long-term growth and success.

See how the top six industries in Hong Kong are prioritizing share-based compensation below.

How much equity is used in remuneration for key management personnel?



The importance of share-based compensation in both the healthcare and information technology industries is directly reflected in these numbers with both sectors' compensation for key management accounting for approximately 40% of their total pay.

Setting strategic performance targets

Ensuring high performers are rewarded for excellence

Performance targets are a powerful motivator that can increase productivity and improve performance. In fact, 32% of Computershare employee share plan clients attach performance targets to awards. When done correctly, they create a clear line of sight between daily work and overall company goals, giving employees a sense of purpose and direction.

Beyond tenure-based vesting, companies are increasingly incorporating market, financial, and non-financial performance metrics into their equity plans. These conditions require employees to meet specific goals and criteria, reinforcing accountability, and aligning rewards with measurable outcomes.

Data from our most recent research shows performance targets are segmented into three categories: group target, individual target, and a combination of both. As shown on the right, more than half of the companies set individual targets, showing a shift towards clear expectations at the employee's individual job level and a more personalized set of performance metrics.



What performance measures are companies using?

- Individual performance metrics
- Team or business unit performance
- Company-wide performance
- Milestone-based performance
- Strategic or non-financial metrics

Companies are designing performance targets to more closely align company and individual goals, promoting personal accountability and increasing motivation and focus



How performance targets can impact greater company success

Individual targets offer a greater ability to reward high-performing employees directly as they are tied to goals set for that specific employee. These goals often feel attainable and personal and tend to increase employee productivity. Often, these are evaluated and scored during employee review or appraisal periods.

Group targets are typically associated with company financial targets, departmental operations, or stock prices. Because these targets are on a much bigger scale, an employee may not perform as well as they would if their goal were individual.

Ultimately, when your employees meet their performance targets, you're one step closer to meeting your equity goals and objectives and increasingly aligning remuneration strategies with long-term shareholder value by connecting compensation to sustainable performance metrics and equity-based incentives.

Ultimately, when your employees meet their performance targets, you're one step closer to meeting your equity goals and objectives

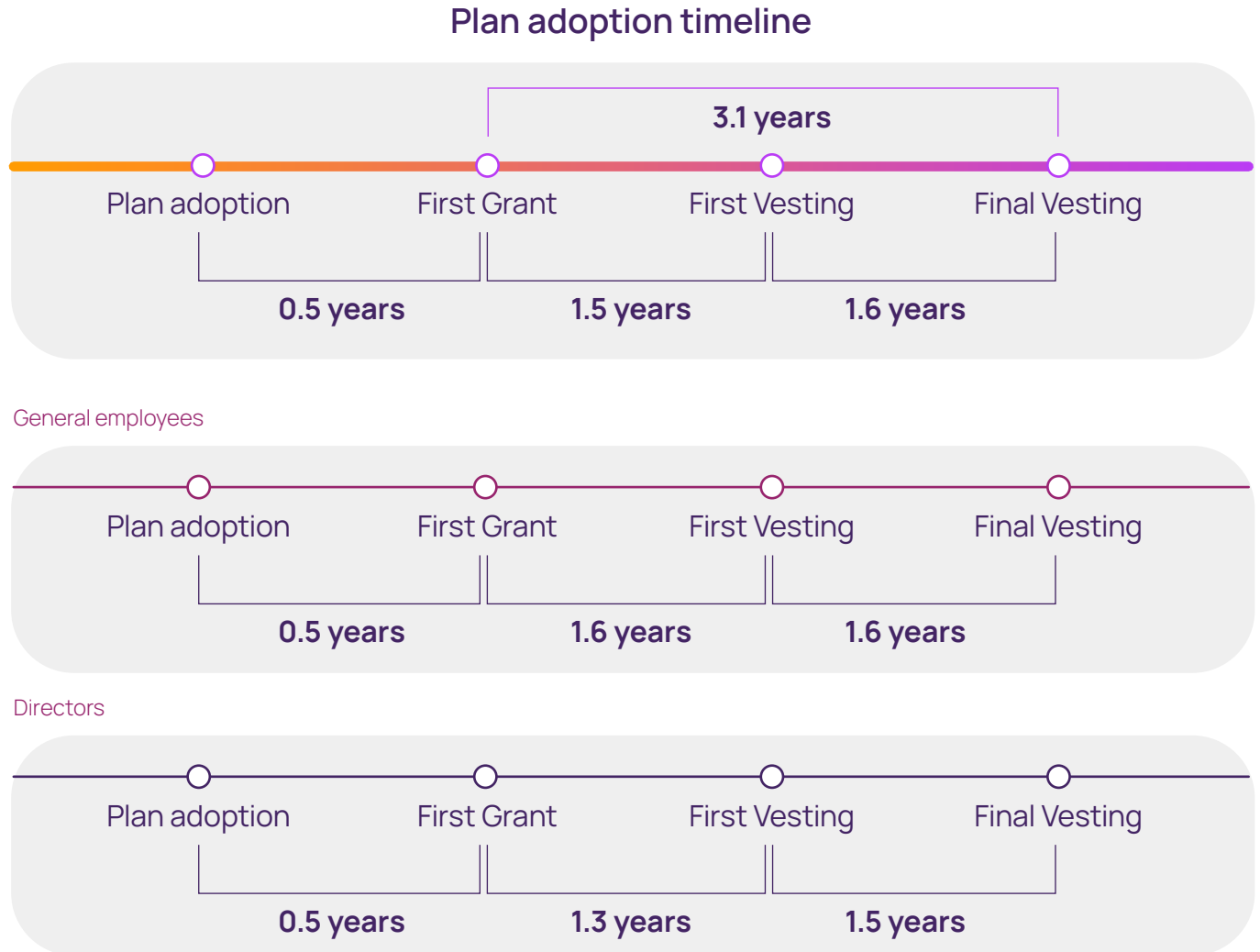
Encouraging employee tenure through vesting schedules

How vesting schedules reflect retention priorities

Vesting periods remain a key strategy for companies to retain employees as they create a structured timeline for earning equity, encouraging long-term commitment and reducing turnover. The most common vesting schedule spans over a three-year period. As an employee or director is less likely to leave before being fully vested, your company benefits from stable and tenured employees. Many companies consider this timing to be optimal for balancing employee incentives and retention goals.

Why the variation between general employees and directors?

As shown on the right, directors typically have a slightly faster vesting schedule. This highlights the strategic importance of their director or executive level contributions, paving the future successes of your company while aligning incentives with shorter term strategic milestones. The shorter vesting period reflects their central role in strategic decision-making and enhances executive accountability as they are more directly aligned with the near-term outcomes of their strategic decisions.



About Computershare Plan Managers

As a leader in employee share plans, with a global presence spanning 40 years and over 20 years of footprint in Asia, Computershare provides equity plan services to over 1,500 global clients and 5.2million participants across more than 50 countries. This extensive experience enables us to deliver valuable insights to the market.

Our knowledgeable local staff is experienced in all aspects of share plan management across Asia, including Mainland China, delivering employee share plans to hundreds of companies. We provide compliant solutions for our clients' share plan management and employee benefit trust needs, regardless of complexity.

We are committed to providing value to our clients beyond the day-to-day services we offer. We support our clients in successfully implementing and delivering effective employee share plans as part of their journey to reward their employees and build a high-performing culture.

Ready to optimize your employee share plan?

Discover the Computershare difference today and unlock a wealth of knowledge and market best practices to attract and retain top talent, increase your employee engagement, and deliver employee share plans that make a difference.