

An insight into the proactive initiatives Seagate Technology took when riding recession storm to set the stage for 2010

Molly Ang

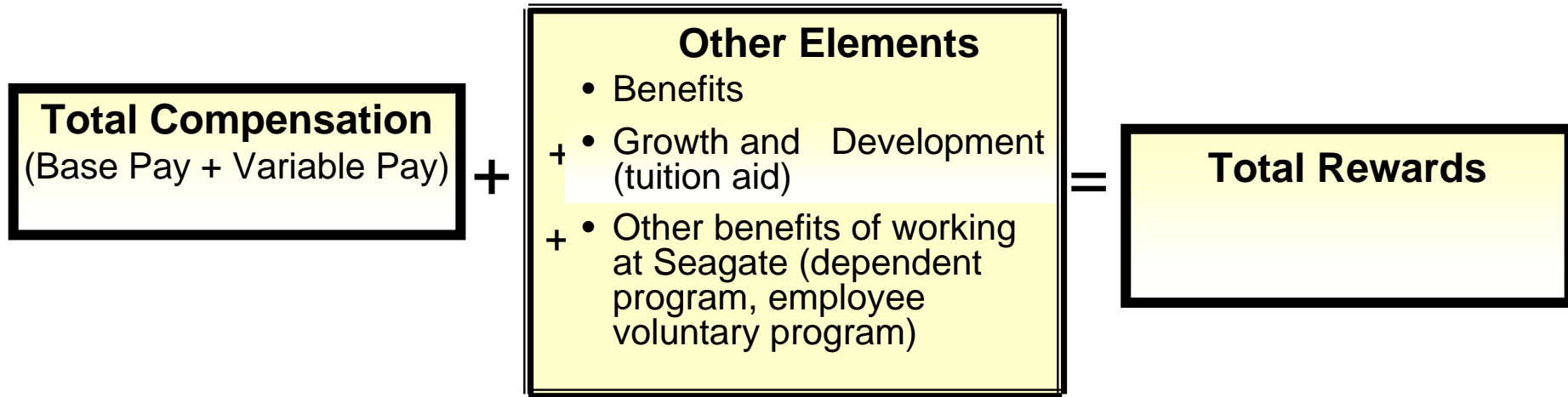
Executive Director Compensation and Benefits

Seagate Technology

Learning from the past

- Overview of 2009
 - Continue to embrace our Compensation Strategy and Philosophy
 - Broad-based approach with variations across different levels of employees
- Challenges faced during recession and impact to our Total Rewards Programs
 - Address Key and Critical Talents
 - Market data is volatile
 - Implications of Compensation & Benefit Freeze
 - Impact to growth sites
- Decisions made from a global and regional level
 - Different implementation timeline

The Components of Total Rewards



- **Total Rewards** – includes base pay, variable pay, equity, benefits, growth opportunities
- **Total Compensation** – includes pay programs; base and variable pay
- **Short Term Incentives** – includes variable pay programs; Executive bonus, KCPB and CPB
- **Long Term Incentive** – includes equity
- **Job Classification System**
- **Market Pricing Tools**
- **Determining Salary and Job Level**
- **Additional Tools & Support**

The various elements in Total Compensation

Base Pay + Variable Pay = Total Compensation

Base Pay (Fixed) Market-based pay for work performed	Variable Pay Performance-based pay to motivate, retain and reward select employees. Bonus targets and guidelines based on competitive market.	
Base pay	Short-Term incentives	Long-Term incentives
Annual salary review increase Lump sum payment Promotional increases Other adjustments <ul style="list-style-type: none"> • Job-related premiums • Annual Wage supplement (Asia) 	Annual bonus plans <ul style="list-style-type: none"> • Key Contributor Performance Bonus (KCPB) • Company Performance Bonus (CPB) • Executive Performance Bonus (EPB) Reward and Recognition	Stock Options Restricted Stock Units (RSUs)

Short-Term Incentives

KCPB	EPB	CPB
Directors, managers, supervisors and professional employees	VP and above	Support and operator employees
Rewards based on achievement of company profitability goals and individual employee goals and objectives.		Eligible employee's bonus pool is funded based on the company achieving profitability goals; individual reward is tied to Seagate performance

Long -Term Incentives

Stock Options and RSU's
<ul style="list-style-type: none"> • Provide an additional way to deliver retention value • Remain competitive with what other similar organizations are providing • Promotes a Seagate "ownership culture" and aligns employees' interests with shareholder interests • Stock Options provide additional incentive to "grow" the stock value

Note: Not every employee will participate in a program.

Some of our Compensation Tools for Market Pricing and Determining Salary Increase Budgets

Market Pricing Tools

- Benchmark Job Descriptions & Level Guide Chart – we compare benchmark jobs to Seagate's jobs and a content match of 70-80% is considered a good market match.
- Conduct Job Analysis of the market data to determine appropriate salary grade



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Salary Increase Budget Tools

- Base Pay Analysis Tool (BPAT) - an internal compensation tool used globally to conduct our annual base pay and focal budget analysis



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Others

- Job Look-up Tool
 - Job Descriptions
 - Leveling Guide Charts
- HR Policies and Procedures
- HR Portal
- HR Central



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Taking on a proactive approach

- Importance of transparency
 - Comprehensive global communication strategy
- Ensure competitiveness within the industry
 - Continue to monitor the market, conduct benchmarking and assess market competitiveness
 - Plan for growth and yet careful
- Address growth sites
 - Introduce compensation changes
- Global process in identifying key and critical skill set employees

Seagate's views on external Compensation and Benefit trends

- **Increased Disclosure and Control of Executive Compensation**
- **Increase Healthcare Costs:** Shifting from entitlement and illness based healthcare program delivery, to a consumer based employee-engagement model emphasizing health management , wellness, healthy behaviors and shared financial responsibilities
- **Increasing Focus on Total Rewards Communication** : Focused communication is one of the biggest influencer to employee behavioral change, and arming managers with tools and knowledge to effectively administer and communicate total rewards to their employees
- **Globalization/Regionalization of Compensation & Benefit Programs**
- **Changing Labor Law particularly in Asia:** As the global labor market in Asia continues to expand, governments are implementing new labor laws with additional protections for contingent workers as well as employees particularly in China, Thailand and Malaysia.
- **Corporate Social Responsibility**
- **Changing Workforce Demographics.** Demographic changes (an aging population, generational mixes in the workplace, and more minorities entering the workforce) create changing workplace priorities and necessitate that HR policies and programs are tailored to meet a broader and more diverse set of workers' needs.

Health care spend in Singapore is expected to increase

1. SG government's target spend on healthcare to increase from 3.5% to about 10% of GDP (probably by 2020) and rising private sector medical expenditures
2. Ageing workforce and cost shifting from government with means testing, lesser or no subsidy for Singapore Permanent Resident and foreigner workers impacting future healthcare cost
3. WDA's ADVANTAGE! Scheme provides an opportunity to review and develop a viable plan to incorporate
 - fixed quantum medical benefits per worker (*align with WDA's key objective of not to disadvantage cost competitiveness of mature workers*)
 - individual choice towards total wellness and healthy living
 - portability to achieve lifetime coverage
 - mid to long term medical cost containment strategy
 - greater personal responsibility towards total healthcare cost

The issue on rising healthcare cost is not going away

Source: The Straits Times, 11 September 2008,

home.

THE STRAITS TIMES THURSDAY, SEP

Spending on health care 'bound to go up'

But it would still be reasonable if kept below 10% of GDP in the future, says Health Minister

BY LEE HUI CHIEH

IT IS unrealistic to expect national spending on health care not to increase in the future, said Health Minister Khaw Boon Wan yesterday.

Now at a low 4 per cent of gross domestic product (GDP), spending will go up but would still be reasonable if kept below 10 per cent of GDP, he said.

If spending on health care reached 8 to 9 per cent of GDP, it would mean an individual would need to use some 15 per cent of his own income on medical expenses, including health insurance premiums and co-payments.

Speaking at a dialogue with more than 200 doctors

yesterday, he noted that Singapore has managed to cap national health-care spending at 4 per cent of GDP and still achieve high standards of health care compared with the United States, which spends 16 per cent of its GDP on health care.

These were "results which we can be proud of", he said.

But spending must go up, with medical advances making treatments and drugs costlier, and plans by the Health Ministry to recruit more doctors, nurses and other health-care professionals to improve standards of care.

He said: "How high will it go? That's really a question for society at large to answer."

Mr Khaw felt that a cap below 10 per cent of GDP would be a fair amount and that individuals would be prepared to spend 12 to 15 per cent of their income on health care.

He was responding to a question from Dr Francis Chin, an associate consultant from the National Cancer Centre's department of radiation therapy.



Mr Khaw thinks people would be prepared to spend 12 to 15 per cent of their income on health care. ST FILE PHOTO

BLOW THE WHISTLE

"We must, however, always be a few black ethical majority must to stain their noble pr... They must be prepared and not simply look th... prepared to be the bad... but we need you to bl... If sound values and m... our journey to a health... jeopardised."

Health Minister Khaw Boon Wan says doctors

Dr Chin later told know that the Govern crease health spending given patients' rising e

Medical ethics were

Mr Khaw felt that had high ethical standa that commercial inter tional values of medici

For example, a surv general practitioners p which seemed high at

But only 6 per cent some aesthetic proced in fact done for legitim

Mr Khaw credited t years of nurturing o doctors, whom he liket masters", passing on values and ethos.

The dialogue was group Singapore Heal launch its book, Behin Reflections On Life In The book had been

Recent government healthcare reform:

1. Wef 1st April 2008 – Foreign workers no longer enjoy the same medical subsidy (40% to 80%) as Singaporean / PRs at government restructured hospitals & polyclinics
2. Wef 1st Jan 2009 – "Means testing" to determine the amount of subsidy on medical expenses that a Singaporean and PR would qualify at government restructured hospitals & polyclinics
3. Wef 1st June 2009 – Singaporean & PRs can withdraw more from their CPF Medisave account for medical treatment

A Holistic approach to meet diverse needs and shared responsibility

- Fixed quantum medical benefits per worker model and co-payment. Key objective of not to dis-advantage cost competitiveness of mature workers
- New Outpatient Plan - promotes wellness and preventive care
 - Employee is given an annual Wellness and Treatment budget
 - Coverage to include Traditional Chinese Medical (TCM), Vaccination, Health Screening, mental health and psychiatric treatment
 - Option for employees to top up coverage for GP and Specialist expenses under group insurance arrangement
- New Inpatient Plan – provides opportunity to achieve portable & lifetime coverage
 - Premium subsidy for employees and their dependents when they have successfully enrolled into CPF Medisave-approved Integrated, Enhanced As Charged Shield Plan
 - Employees who are uninsurable or have exclusions will continue to be covered under the Group Plan
 - Tender bid was conducted for selected insurers to provide onsite assistance and special privileges

Some of the challenges in launching this new plan

- Most people do not have sufficient understanding on how the medical financing system work in Singapore
 - 3 M framework – Medisave, Medishield and Medifund
 - Means testing and government subsidy on medical expenses
- False perception on the coverage adequacy of Medishield
- Resistant to recognize personal responsibility, depend on employer to fund for greater portion of the cost and provide post retirement coverage
- Massive communication plan involving pre-launch, launch and post launch activities and timeline
- Reaching out to the operators
- Managing insurers' underwriting turnaround and outcome
- System and administration to validate the appropriate shield plan, subsidy grant and de-enroll from group insurance coverage (employee and dependents)

Key Take Away

- Importance of communication, communication, communication
- Justify business decisions to senior management
- Importance of having valid data to support decisions
- Dare to differentiate your markets when making decisions

Thank You

Molly Ang

Executive Director, Compensation and Benefits

Seagate Technology