

ABIC Membership Survey 2013

ABIC represents 115 small, medium and large companies that are directly or indirectly involved in international business in Bermuda. Since 2004 it has undertaken periodic surveys of its member companies to identify trends in business development in the sector.

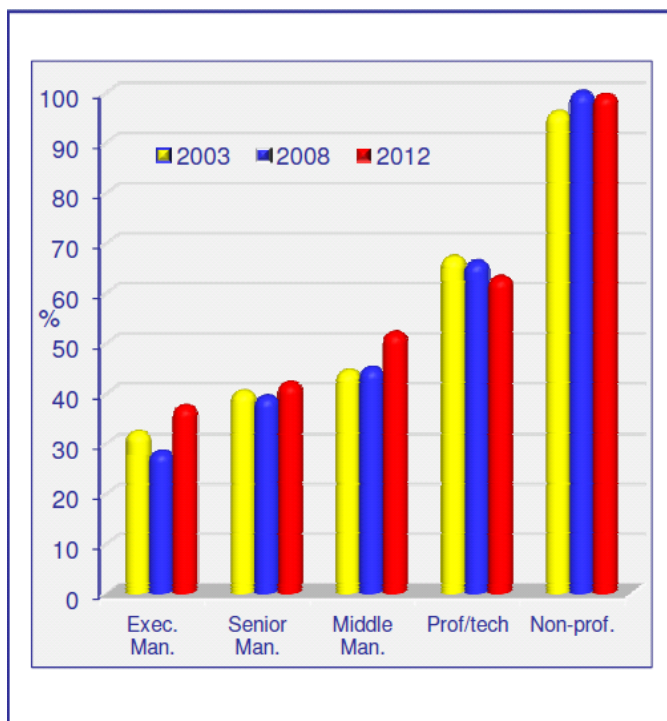
The 2013 survey incorporated 2 separate surveys; a survey of employment characteristics and financial contributions of ABIC companies and a survey of the opinions and outlooks of the CEO's of ABIC companies. Responses were received from 35% of member companies and 48% of ABIC CEO's.

The following is a brief summary of the findings.

Employment

Responding companies employed almost 1600 employees at the end of 2012.

Fig.1 Non-work permit employees – employment level



64% of the employees of responding companies are non-work permit employees (i.e. Bermudians, spouses of Bermudians or holders of permanent resident certificates) – there has been a consistent albeit small rise in this proportion in each survey.

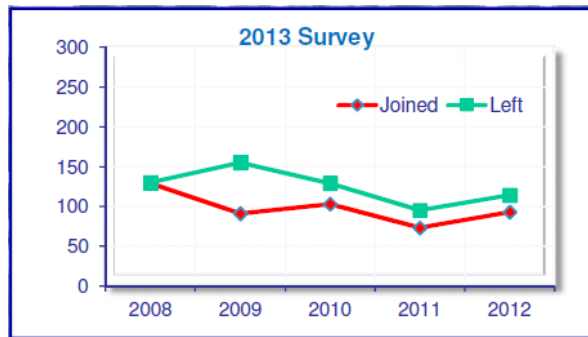
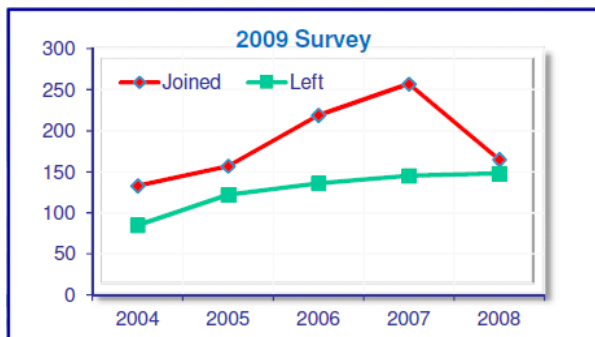
While the employment pattern is similar for each survey the 2013 survey shows the proportion of Bermudians in managerial positions is rising.

The CEO survey revealed that 8 of the 9 CEO's leading the largest companies that responded to the survey are Bermudian of which 2 are black Bermudians.

The trend of increasing recruitment of work permit employees during the years leading up to the 2009 survey has been reversed in the 2013 survey. The most recent survey shows more work permit employees left companies during the preceding 5 years than joined. The reduction in work permit employment has an impact on the wider economy.

Fig. 2 Work permit employees 2004 - 2009

Fig. 3 Work permit employees 2008 - 2013



Black employees comprise 35% of the manpower of responding companies. This has risen from 31% in the 2004 survey. The surveys show continued evidence of the progression of black Bermudian employees to managerial positions.

Promotion and Training

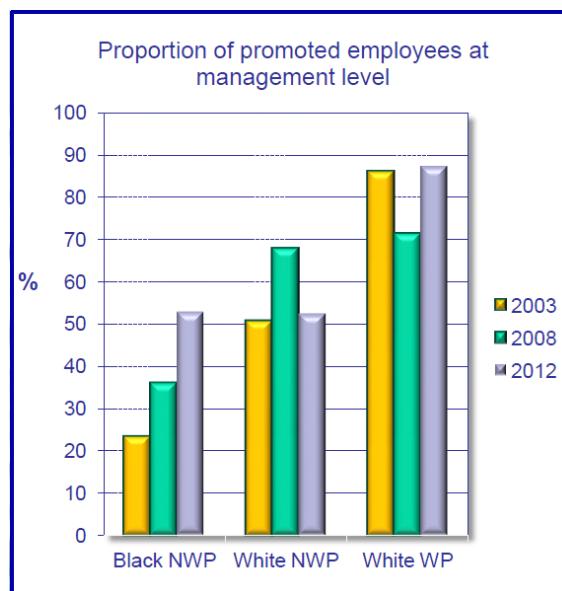
Opportunities for promotion continue to be provided at a rate consistent with previous surveys. There is a relatively even split between non-work permit and work permit employees receiving promotions with a trend towards increasing promotions for the latter.

In the 2013 survey over 50% of black non-work permit employees receiving promotion were promoted to a managerial position. This increase continues a trend that was noticeable in previous surveys.

Training effort increased in the 2013 survey with more employees receiving professional and/or non-professional training than previous surveys despite fewer companies responding.

Nearly two-thirds of employees receiving training are non-work permit employees.

Fig. 4 Promotions at management level



Financial Contributions of ABIC Companies

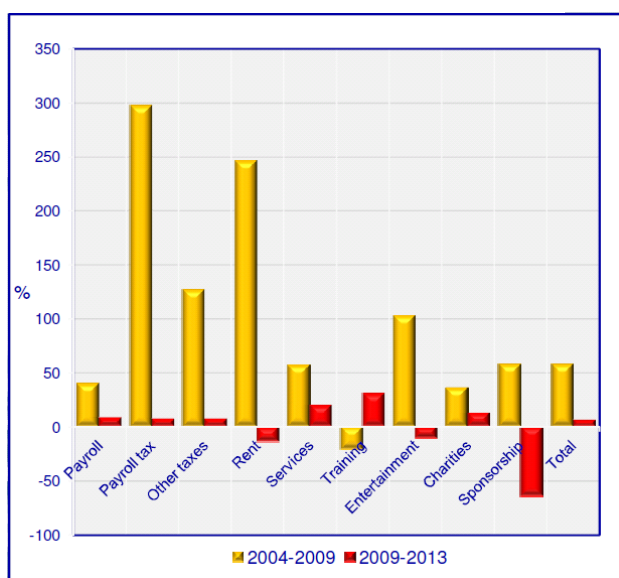
Total financial contributions to the Bermuda economy in 2012 of the responding ABIC companies amounted to **\$560m**. This was reduced from \$685m in the 2009 survey although 12 fewer companies responded in the 2013 survey. On the basis of the survey data the estimated total financial contributions to the Bermuda economy of all ABIC member companies is **\$1.47bn**.

In the 2013 survey the largest component of the financial contributions was payroll which totaled **\$433m**. As a result companies paid **\$47m** to Bermuda Government in the form of payroll tax. Another **\$10m** was paid to Government in other taxes and license fees.

Companies paid **\$51m** in rents and services and **\$7.4m** was spent on entertainment in Bermuda by companies.

Bermuda charities benefited to the tune of **\$8m** in direct contributions and other sponsorships from ABIC companies responding to the survey.

Fig. 5 Av. Financial Contributions - % change



On average, ABIC companies each contributed almost **\$14m** to the Bermuda economy in 2012. This represents a 6% increase over the \$13.2m estimated from the 2009 survey data. Adjusted for inflation this is a slight decline from 2009 but nevertheless represents a significant increase in real terms over the contributions noted in the original survey in 2004.

The 2013 survey shows the effect on the sector of more difficult economic circumstances. The change in average financial contributions from the 2009 survey was generally much more modest with certain items, such as property rents,

registering a decrease. By contrast, substantial increases, especially in payroll tax and property rents, were recorded between the 2004 and 2009 surveys.

CEO's Opinions

In each of its surveys ABIC has sought to gauge the opinions of the CEO's of its member companies on a range of issues that impact business in Bermuda.

ABIC CEO's have consistently expressed satisfaction at Bermuda as a domicile for a business and as a place in which to live and work and the results of the 2013 survey confirm these opinions.

The 2013 survey recorded an uptick in many of the other issues with CEO's having a more positive view of Government and work permit procedures in particular.

Notwithstanding the more positive outlook there are still areas of concern. These include the cost of doing business in Bermuda, crime, the standard of education in the public school system and the potential impact on business of independence.

A Dynamic Business Sector

As noted above the 2013 survey results show the consequences of the recent economic challenges. Notwithstanding this, CEO's outlooks for business expansion are cautiously optimistic. Although few see much change in the near term, in the medium term the expectation is for modest growth in manpower and floorspace requirements.

ABIC companies operate in a dynamic environment that is becoming more global. Asked if their companies have operations elsewhere CEO responses in 2009 indicated that on average these companies had operations in 2 other locations. The 2013 survey results show that this has doubled to 4 with some companies operating in many more regions of the world.

Fig.6 CEO 5-yr Outlook - Employment

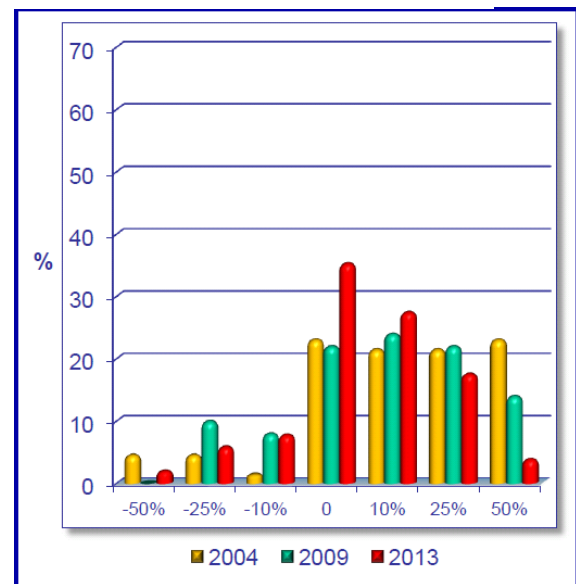
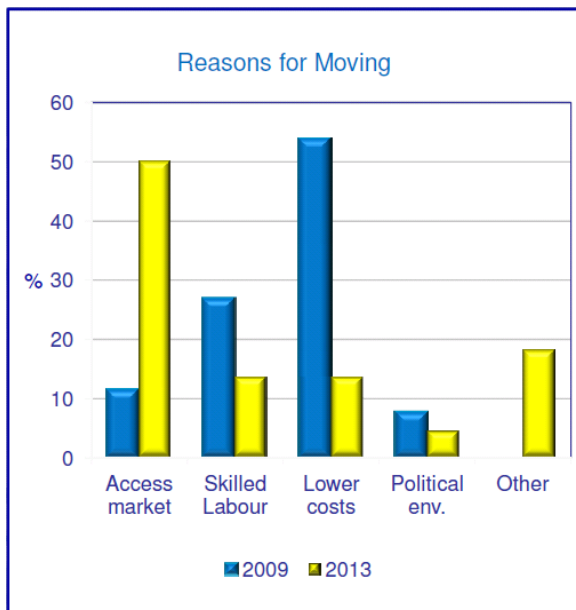


Fig. 7 Reasons for moving functions of company



Nearly half of companies with operations elsewhere had moved functions of their Bermuda-based company to another location in the last 5 years.

In 2009 the principal reason was to lower costs. In 2013 the focus had changed to market access.

Outsourcing is an option that is being considered by 39% of CEO's with India being the most favoured location.