People
Focusing on our culture and values to drive engagement

In 2010, our people strategy remained consistent and focused on sustainable high performance

Our highlights in 2010

• Increased the engagement of our employees, moving from 4.03 to 4.21 on a scale of 1 to 5 in our annual Gallup Q12 Employee Engagement Survey
• Maintained an impressive retention record for leaders and high-performing individuals, with an average attrition rate of less than 1.5 per cent
• Implemented a new, transparent online system for managing individual performance
• Doubled our investment in learning and development to over $50 million

Our priorities for 2011

• Increase our focus on attracting and retaining talented employees in our key strategic markets, such as Greater China, Korea and Africa, by offering more opportunities for training and development
• Enhance our distinctive culture by giving our employees practical guidance on how to live our values and establishing an even closer link between values and reward
• Embed our Here for good brand promise into the tools we use for recruiting new staff and helping them adapt to our ways of working
• Build on our efforts to ensure that we offer our employees competitive rewards, while complying with evolving regulation and maintaining control of cost and risk
Our approach
We employ over 85,000 people, representing 129 nationalities, working across 71 markets. We pride ourselves on being a truly diverse organisation, combining an international footprint with in-depth local understanding. Our pervasive sense of shared values helps us feel and behave as one team across our different markets and business functions. Wherever we are, our ambition remains one and the same: to work in partnership with our clients to provide solutions that meet their needs. This unique culture is a strong competitive advantage for the Bank.

Focusing on our culture and values
Our distinctive culture is the reason why clients and customers choose to bank with us. It is why employees want to join us and stay with us. Our five core values are at the heart of our culture. At all times we aspire to be:

- **Courageous** – standing up for what we believe is right
- **Responsive** – delivering thoughtful, timely solutions
- **International** – valuing diversity and collaborating as a team
- **Creative** – continuously improving the way we work
- **Trustworthy** – being reliable, open and honest

Our brand promise, Here for good, reaches out to all our stakeholders, including our employees, through a simple and compelling promise. It says who we are, what we stand for and what makes us different.

Here for good captures our genuine commitment to our customers and clients, our staff and the communities where we operate; our focus on consistently doing the right thing and acting responsibly; and our aim to continually lead the way across Asia, Africa and the Middle East. It has raised the bar on how we demonstrate our values through our everyday business activity.

This year, we have stepped up by embedding our values further into our processes for managing individual performance. For example, we have established a clearer link between performance and reward and how our people live our values. This assessment is then reviewed by their line manager as part of the basis for determining their annual reward.

Our Consumer Banking Customer Charter reflects Here for good, our brand promise. In 2010, to support the roll-out of the charter and help our employees live up to the brand promise, we facilitated over 1,500 one-day workshops, reaching 92 per cent of our Consumer Banking staff globally.

In our Wholesale Banking business, we conducted interviews with over 50 internal leaders and major clients, and held focus groups for more than 220 employees in nine markets, to find out how we can deepen the understanding of our unique approach to business. We also held team discussions, talking about how we bring to life our culture in the choices we make.

In both businesses, we are integrating our values further into the materials we use to attract people to the Bank. Our orientation material for new staff incorporates case studies that explore how we live the values. This ensures we attract people who have an affinity for our culture, and help them understand what our values mean to the way we work every day.
Building our leadership capabilities

In the last two years, our leadership population has grown over 40 per cent, with almost two-thirds (64 per cent) of new leaders coming from inside the Bank. This indicates the level of effort we put into developing our leadership capabilities across the business.

We aim to have possible successors in place for all of our leaders. Succession plans for our top executives are reviewed on behalf of the Board by our Nomination Committee twice during the year, and this process is replicated through all senior management levels. This helps us to ensure that our high-performing employees are fully prepared for opportunities as they become available.

All our leaders receive one-on-one coaching and team support, provided by in-house leadership coaches. In 2010, we supported over 160 leaders and 30 senior teams and provided targeted coaching for newly-hired senior leaders during their first 100 days with us.

In addition, we have a special development programme for our most senior leaders, Leading the Journey. The programme provides a forum for senior leaders to come together across markets and functions to discuss issues affecting our business. This helps our most senior leaders work together as a cohesive group and demonstrate Group-wide leadership going beyond their individual functions.

Growing our employee engagement

The commitment of our employees is fundamental to our business success. We track our employee engagement annually, using the Gallup Organisation’s Q12 Employee Engagement Survey. In 2010, based on a response rate of 96 per cent, this showed a significant increase from 4.03 to 4.21 on a scale of 1 to 5. All of our major markets, including Hong Kong, India, Taiwan, China and Singapore, saw increases in their scores.

The increase in our employee engagement score was due in part to a planned and concerted effort to strengthen our management culture. Country and business leaders encouraged line managers to place more emphasis on staff development, both formally through our performance management process, and informally in everyday conversations. Teams were also encouraged to integrate their action plans for increasing employee engagement into their overall business strategies.

Supporting our business growth

Our business functions, such as Finance and Risk, play a vital role in supporting our growth and ensuring that we demonstrate good governance and comply with current legislation. In 2010, we undertook a thorough evaluation of these functions to assess whether they have the necessary structures, processes, systems and people capabilities in place to support our long-term objectives. The evaluation concluded that our functions are well positioned to meet both the current and future needs of the businesses. However, it also identified opportunities for further improvement, such as ways in which to adapt certain functions so that they may expand more seamlessly as the business grows. In 2011, we will focus on implementing these recommendations.

Enabling Diversity and Inclusion

Diversity and Inclusion (D&I) is embedded in our values and forms an inherent part of our brand and culture. We strive to offer all our people an inclusive and supportive environment in which they feel valued and appreciated for who they are and what they bring to the Bank. This year, in our annual employee engagement survey, we achieved an increase in our inclusiveness score from 4.13 to 4.28 on a scale of 1 to 5.

We strongly encourage gender diversity, with women representing 45 per cent of our staff in 2010. During the year we continued to develop our female leadership talent. For example, we expanded our signature Women in Leadership Programme for high-performing women in middle management into nine markets across Asia, Europe and the Americas. When surveying participants after the programme, we found a 21 per cent increase in those feeling able to articulate their ambitions and a 24 per cent increase in those who said they were clear on the steps required to achieve their aspirations. 97 per cent of participants said they aspired to become senior managers.

In 2010, we also introduced special employee networks for D&I. Launched in numerous markets, including China, Korea and the UAE, these networks provide an important additional source of social support and guidance for our employees. Through online discussions and targeted events, employees learn from each other by talking about their experiences. To date, four kinds of employee networks have been formed, including networks for female employees, for people working internationally, for parents and carers, and for spouses and partners.

Performance and reward

Our performance and reward policies are designed to drive our business strategy and reinforce our values. The Group is committed to an extremely high level of governance and is supportive of the Financial Stability Board’s principles on sound remuneration practices. During 2010 we enhanced our existing reward policies and processes in a number of ways.

We introduced a new global online system for managing individual performance, which is more disciplined and transparent than our previous paper-based system. Using the new system, 98 per cent of our employees in 2010 had clear and approved objectives to guide their performance.
Business review

Creating long-term value for our shareholders is our core business objective. We recognise the importance of long-term performance and have structured our performance and reward packages accordingly. In 2010, we increased the deferred proportion of the variable compensation that we awarded to our staff. This followed an ongoing review of our deferral policy.

During the year, in addition to the deferral policy review, we assessed the reward structures in other specific areas of the business. As a result, some employees in Wholesale Banking saw their packages rebalanced from variable to fixed pay. The aim of this rebalancing – which was in line with advice from the Financial Stability Board – was to ensure that our compensation structure guards against excessive risk-taking, while remaining competitive.

We have also enhanced our claw-back policy, which specifies that, in certain circumstances, deferred awards will not vest. From 2010 these circumstances relate not only to the restatement of our financial results, but could also apply where an employee has caused a material loss as a result of inappropriate behaviour. For further information on our remuneration policy, please refer to our Directors’ remuneration report on pages 106 to 125.

Strengthening our employer brand

We rely on our employees to keep our brand promise to be Here for good in their interactions with each other, with customers, with clients and with communities. In 2010, to support the launch of Here for good, we articulated clearly what the brand promise means for our employees, by outlining both what we offer our people and what we expect in return. Our annual employee engagement survey showed a high degree of understanding of what our brand stands for and what makes it different from our competitors. Our score in this area was 4.40 on a scale of 1 to 5.

In 2011, to strengthen our employer brand even further, we will be reviewing our people processes, starting with how we attract and select new employees. We will refresh our recruitment websites and update our selection tools, including how we interview for senior roles.

Our sound performance during the financial crisis significantly strengthened our attractiveness as a prospective employer. Between 2004 and 2010, we more than doubled the number of people we employ to over 85,000.

We actively encourage international mobility, for example through our International Graduate Programme and targeted talent programmes across regions. These programmes support our growth in some of the world’s fastest growing markets, while helping to develop our junior talent by giving them international experience early on in their careers.

Summary

In 2010, our people strategy remained consistent and focused on sustainable high performance. We delivered on our objectives, by further increasing our employee engagement, by strengthening our leadership capabilities and by rewarding our employees not only for what they deliver, but also for how they deliver it. Supported by the launch of our brand promise, Here for good, we renewed our focus on culture and values, enhancing our distinct competitive advantage.