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This report provides an update on progress during 2019 and summarises how the Group currently meets the principles of the Fair Pay Charter. While we acknowledge that we have more to do, we take seriously our work on fair pay and, for the first time, have issued this fair pay report to share more on our progress with our external stakeholders.

Colleagues are encouraged to share feedback on our report to help the Group understand the extent to which it is delivering on their expectations. We also welcome feedback from external stakeholders on our fair pay work.

74,000 colleagues (including for the first time, 3,000 Non-Employed Workers) told us how they feel about their reward through the 2019 My Voice survey, and 24,000 colleagues shared their views in the pay and performance review survey (relating to the 2018 review). Comments provided on the fair pay report and our internal intranet were helpful, with colleagues sharing positive comments about the level of transparency in the report, and some concerns around consistent application of the fair pay principles in different parts of our business.

**What have we heard from employees?**

- 56% of My Voice respondents answered favourably when asked if they are satisfied with reward (2018: 56%)
- 84% of My Voice respondents feel that the people they work with give and receive constructive feedback about work performance (2018: 81%)
- 83% of My Voice respondents feel that everyone is treated with respect at work regardless of who they are (including band, age, gender, and physical capabilities) (2018: 82%)
- 83% of My Voice respondents feel the Bank supports their wellbeing (2018: 81%)
- 77% of My Voice respondents feel supported to work flexibly by their People Leader (2018: 76%)
- 88% of pay and performance survey participants understood their 2018 variable pay
- 78% of pay and performance survey participants believed their 2018 variable pay was fair (2017: 81%)

Reward is an important part of the employee experience at Standard Chartered, contributing to making colleagues feel valued, respected and recognised for the work that they do. The Group’s Fair Pay Charter supports our commitment to deliver fair and competitive reward to all colleagues, by setting out the principles used to guide performance and reward decision-making globally.

How do we define Reward?

- Fixed pay
- Variable pay
- Recognition awards
- Learning and development opportunities
- Sharesave
- Core and additional benefits
- Wellbeing support

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Analysis of pay and tenure

Following publication of the 2018 Fair Pay Report, some colleagues commented that they think external new hires are paid more favourably than long-serving colleagues. HR carried out analysis of pay-rates and position to market by tenure and have not found evidence of this in the data. Generally, there is no difference in the competitiveness of pay compared to market data based on length of service with the Group. We know that there may be a number of factors driving this perception, and we hope that measures such as clear organisation structures and work we are doing to increase transparency in fixed pay decisions, may help to address it.

Emailing payslips to a personal address

In response to feedback, our payroll team developed new functionality to enable colleagues to email their payslip to a personal email address. This launched in 20 markets in 2019 and colleagues can now email their payslip with a few simple clicks.

Supporting People Leaders

One of the themes from feedback on the intranet was that People Leaders need more support in applying the Charter principles. We are looking at how we can best support People Leaders to apply the Charter when making pay decisions on hiring and during the pay and performance review.

Fair Pay Charter intranet space

Colleagues told us that they would like to hear more about principle five of the Charter, which is about providing competitive total fixed and variable pay opportunities. The section below explains about how we are looking for new ways to increase our alignment with this principle, through the introduction of salary ranges which began as a pilot in 2019.

Fixed pay decisions: salary ranges pilot

The internal 2018 Fair Pay Report explained how market data is one of the factors considered in reward decision-making. Starting in 2019, HR teams worked on piloting the use of salary ranges as a new way of using market data. The aim of the pilot is to test whether we can better support People Leaders in making fixed pay decisions by simplifying guidance and removing the potential for disagreement or lack of understanding on individual market matching decisions and data points.

In 2019, the pilot focussed on roles in parts of the Corporate & Institutional Banking, Private Banking and Retail Banking businesses, and most roles in Pakistan, Indonesia, Brunei, Nepal, Vietnam, China and Taiwan. Ranges were used as part of the 2019 pay and performance review in these areas. We will seek feedback from People Leaders on their experience and review satisfaction with reward in these markets, compared to others.

Learning from this pilot will help us understand how we can implement salary ranges more widely, to increase the transparency of fixed pay decisions, and reduce the potential risk of bias by shifting the focus to the salary range for the role and away from an individual’s past or current compensation.
Our multi-year review of benefits will help us align more closely to principle six of the Charter, which commits that the structure of pay and benefits is consistent for colleagues based on their location and role, with a clear rationale for exceptions.

During 2019, we launched the first phase of our new flexible benefits approach, known as mybenefits, in Singapore and the UK. The benefits support our four wellbeing pillars:

- **Mental Wellbeing**: Creative infrastructure to promote mental wellbeing
- **Physical Wellbeing**: We provide a safe, supportive environment to encourage physical health
- **Social Wellbeing**: Our culture promotes positive social interaction and belonging
- **Financial Wellbeing**: We share our expertise to help staff optimise their financial potential

Colleagues in Singapore and the UK are now able to choose the combination and level of benefits that best suits their individual needs, including making choices about the level of medical cover, and the amount of annual leave over and above the core or minimum level.

As part of the implementation of mybenefits, allowances and non-cash benefits that differed by age, seniority or tenure were reviewed and phased out, to bring consistency of our pay structure across all hierarchy levels.

87% of colleagues in Singapore and 71% of colleagues in the UK made changes to their benefits following the launch in March 2019.

Colleagues in both markets told us that they found the mybenefits portal intuitive and easy to navigate and that they appreciated the flexibility to modify their benefits package to meet their individual needs. On average, colleagues in Singapore sold annual leave and colleagues in the UK bought annual leave.

**Feedback from the first phase of mybenefits is helping us develop future phases, and we welcome further suggestions and comments from colleagues about what is most important to them.**

Work is underway for the next phases, which include Poland, Malaysia, Hong Kong and India. More information will follow as plans develop for these locations and as we start to review our other markets.

In addition to changes relating to mybenefits, the creation of the new Managing Director (MD) hierarchy level in 2019 provided the opportunity to start reviewing the structure of benefits for our senior leaders, to align entitlement by location and role, and remove benefits where they existed only based on seniority. During 2019, we started to review and phase out allowances which had historically been provided to only our most senior leaders, as a first step in aligning entitlement across all levels.

To support colleagues in understanding benefit and wellbeing provisions in the context of our Fair Pay Charter, a new Global Wellbeing and Benefits Standard will be published in 2020 to replace and simplify the existing policies and procedures.
Continuous performance management leads to fairer outcomes, by reducing bias through having more feedback from a variety of sources as input to the performance assessment and rating decision at the end of the year. Also, given the continuous nature of the feedback, it reduces recency bias which can be a result when feedback is only collated once or twice a year.

Our Performance Management approach supported by a new HR system is helping us drive cultural change in the Bank towards continuous feedback, with all colleagues now able to:

- Update their objectives through the year and link them to the valued behaviours that underpin their achievement
- Build individual Growth Plans to support the discussion of development with their People Leader on a regular basis
- Update accomplishments at any time and link them to objectives to help track progress
- Use Feedback365 to exchange feedback with colleagues at all levels and to link that feedback to accomplishments and growth goals

Early indications are that the changes in 2019 have had a positive impact, with almost 50% more colleagues exchanging feedback compared to 2018.

We encourage more colleagues to use Feedback365 to celebrate what others are doing well and where they can continue to develop and improve their skills.
Our Group executive directors are Group Chief Executive, Bill Winters, and Chief Finance Officer, Andy Halford. The way we reward Bill and Andy is explained each year in the directors’ remuneration report within our annual report. The structure of Bill’s and Andy’s reward is determined by the executive directors’ remuneration policy which is approved by our shareholders at least once every three years.

At our 2019 AGM shareholders approved a new directors’ remuneration policy. The policy aims to provide a competitive total reward opportunity, using market benchmarking and considering best practice, which is the same approach we take for all other colleagues, in line with our Fair Pay Charter. The table below shows how our executive director remuneration aligns with our wider workforce in the UK, which is where they are based.

| Salary                                                                 | ✓ Salary is set for Bill and Andy based on role, skills and experience, and is reviewed annually with reference to market benchmarks, in line with our approach for all employees  
|                                                                      | ✓ Bill and Andy receive part of their salary in shares to increase alignment with shareholders |
| Pension                                                               | ✓ From January 2020, Bill and Andy receive a pension allowance of 10 per cent of salary, in line with the provision for all UK employees  
|                                                                      | ✓ Initially, our new remuneration policy aligned pension provision for new executive directors but maintained the higher rate of 20 per cent of salary for Bill and Andy, in line with contractual commitments. In response to developments in sentiment around executive director pension allowances at UK companies, including feedback from our shareholders, we adjusted our policy and did not compensate Bill and Andy for the reduction in allowance |
| Benefits                                                              | ✓ The core benefits offered to Bill and Andy include medical insurance, life assurance, annual leave and a cash benefits allowance. Bill and Andy receive a lower cash benefits allowance than other UK employees as a percentage of their salary  
|                                                                      | ✓ Bill is provided with a driver on account of the security and privacy requirements of his role. He is also entitled to a contribution to the preparation of his annual tax returns owing to the complexity of his tax affairs, in part due to his extensive travel on Group business |
| Variable pay                                                          | ✓ The Group scorecard is used to determine annual incentives for executive directors in the same way as for other employees  
|                                                                      | ✓ Our remuneration policy defines executive director variable pay levels as a multiple of fixed pay, so the pension allowance change also resulted in a reduction to their future incentive opportunity |
| Long-term incentive plan (LTIP)                                       | ✓ LTIP awards are granted to senior executives, including Bill and Andy, who have clear line of sight to influence the achievement of targets linked to the long-term performance of the Group. This further aligns their interests with shareholders |
| Shareholding requirements                                             | ✓ Bill and Andy are required to hold shares worth 250 per cent and 200 per cent of salary respectively in order to align them with the interests of our shareholders |
How closely aligned are we to the principles of our Fair Pay Charter?

1. Living Wage
   - We commit to pay a living wage in all our markets and seek to go beyond compliance with minimum wage requirements.
   - A living wage is a wage that allows an individual to maintain an adequate standard of living and is based on various economic factors and the cost of goods and services.
   - All employees are paid a living wage, as measured by the benchmarks in place through our extensive work during 2018 with the NGO Fair Wage Network.
   - We have taken the first steps to assess the feasibility of incorporating living wages in to our supply chain and we will continue to work on this in 2020.

2. Providing security
   - We provide an appropriate mix of fixed and variable pay, and a core level of benefits, to ensure a minimum level of earnings and security to colleagues, and to reflect the Group’s commitment to wellbeing.
   - We have guidelines to support our resourcing teams and People Leaders in providing an appropriate balance between salary and variable pay opportunity, depending on the role and location, and HR checks this as part of our hiring and pay and performance review processes.
   - We provide core benefits in all markets, covering retirement savings, medical insurance, life assurance and annual leave.

3. Flexibility for all
   - We support colleagues in working flexibly, in ways that balance both business needs and their personal circumstances, and provide colleagues with the opportunity to select the combination and level of benefits that is right for them.
   - Our global flexible working practices apply to colleagues in all markets. 77% of My Voice respondents feel supported to work flexibly by their People Leader, but we know we have more to do and we continue to focus on ways to support all colleagues to feel able to work flexibly.
   - Our global standard for parental leave is market-leading across much of our footprint, providing a minimum of 20 calendar weeks of maternity leave, two calendar weeks of parental leave for spouses or partners and two calendar weeks of adoption leave, all fully paid.
   - In March 2019 we launched the first phase of mybenefits, and colleagues in Singapore and the UK now have the opportunity to select and adjust benefits to meet their personal needs. Review work is underway for the next launch phase and further information will follow as plans develop.

4. Reliable pay administration
   - Pay is well administered with colleagues paid accurately, on time, and in a way that is convenient for them.
   - Our payroll accuracy remains consistently high and was 99.9% in 2019.
   - In response to feedback, colleagues in 20 markets are now able to email their payslip to their personal email address.
On average, across the Group, we pay competitively, however we know that we have work to do to improve satisfaction with reward.

- We have Group-wide principles, guided by market data, for making salary decisions to help us balance what is right for colleagues with the Bank’s financial position.
- We expect the work undertaken in 2019 to pilot salary ranges to further improve the transparency and fairness of fixed pay decision-making.

The phased roll-out of mybenefits will, over time, bring consistency to the structure of our pay and benefits by country, including the removal of differentiation of allowances and benefits solely by band, age, tenure and dependent status.

- During 2019, mybenefits launched in Singapore and the UK. Work is underway for the next phases, which include Poland, Malaysia, Hong Kong, and India.

We continue to conduct Group-wide statistical analysis as part of the annual pay and performance review, to identify areas where pay should be reviewed to check it is fair. We use the outcome of this to guide any remedial action if required.

- In line with our Group Diversity and Inclusion Standard, our reward policies and practices do not discriminate based on personal characteristics.
- As at the end of 2019, more than 80% of People Leaders have completed the Inclusive Leadership Programme, which is designed to cultivate inclusive leadership skills and behaviours to help mitigate unconscious bias and build a culture of inclusion. This has been supported through the launch of the activity based ‘When we’re all included’ programme, for all colleagues.

Our approach to determining variable pay is consistent across the Group, and considers achievement and demonstration of our valued behaviours in support of the high performance culture we want to embed.

- Variable compensation outcomes are directly linked to Group, business area and individual performance through the application of ‘modifiers’ which are based on the outcome of Group and business area performance scorecards, and individual performance ratings.
Clear expectations
We set clear expectations for how colleagues are rewarded and the principles guiding decisions, including clear personal objectives and feedback.

Our Fair Pay Charter sets our principles for reward.

- Each colleague has a People Leader whose role is to support their performance management, including discussing personal objectives, providing advice through regular discussions and holding structured performance and development conversations at mid-year and year-end.
- We continue to support People Leaders in making fair and consistent decisions. During the year, 90% of our first-time leaders attended our People Leader training program to support them in becoming effective leaders. Global People Leader calls provide support throughout the year.
- All colleagues are encouraged to regularly seek and give feedback as part of continuous performance management.

Clear communication
We provide clear communication of pay and performance decisions, and seek feedback and input from colleagues on our pay structures and outcomes.

- Group communications on pay and performance review outcomes are sent to all colleagues and People Leaders, and support materials are available for People Leaders on how to have effective conversations.
- Feedback is actively sought through our engagement surveys, and on the Fair Pay Charter intranet space.
- Where colleagues do not feel decisions have been made fairly or explained clearly, there are mechanisms in place to raise and resolve concerns, ranging from support from People Leaders and HR, to our Speaking Up programme.