

Linking employee benefits to corporate responsibility strategy

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Key learning points



- Broad understanding of corporate responsibility (CR)
- Key CR Risks
- What good CR and it's link to EB looks like
- Synergy between CR and EB strategy
- Impact on global staff mobility
- Impact on Talent retention
- The link to Total Reward strategy
- Why linking CR and EB strategies is a good idea during the economic downturn
- Case study: InterContinental Hotels Group - Pia Cornejo, Compensation & Benefits for EMEA -

What is corporate responsibility?

Corporate Responsibility is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large



CR Risks

- Risk is dual edged, there is generally a possible upside and a possible downside, so risk needs to be managed.
- In CR terms the impact is most likely to be one or all of:
 - Reputational
 - Financial
 - Health & Welfare



Enron Case Study

- ENRON – one of the biggest financial scandals in US history
- Paved the way for tighter legislation on corporate governance and accounting rules (Sarbanes Oxley)
- New tax legislation in the US around deferred benefits – 409a
- the demise of Arthur Anderson (Enron's auditors),
- over USD1 billion wiped off employee retirement funds
- 4000 people lost their jobs;
- Company left USD31.8b debts



Kenneth Lay, ex CEO and chairman of Enron

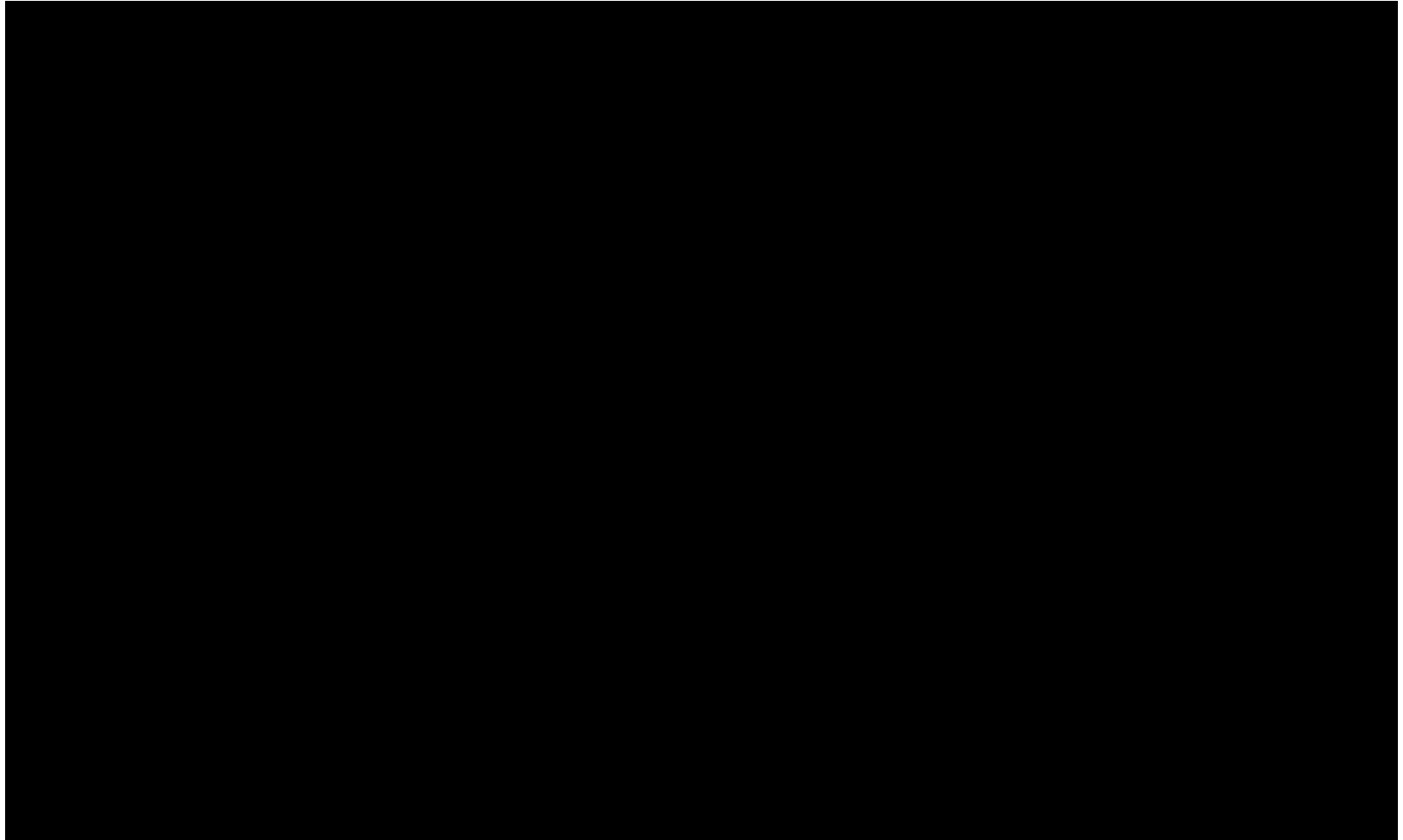
Positive CR behaviours deliver bottom line and community benefits – Zurich & IHG



- Similar corporate philosophy and practise leads to stronger B2B relationships
- Zurich has many strands to its CR policy lead by our CEO & board including
- our core behavioural standards under Zurich Basics
- Climate change initiative
- Regional community investment programmes
- Voluntary “green” benefit programmes
- Zurich Micro Insurance programme



Zurich Micro Insurance



CR Stakeholders



Workplace

Employees/unions



Marketplace

Shareholders/customer
/financial analysts



Environment

Government/non-
government organisations

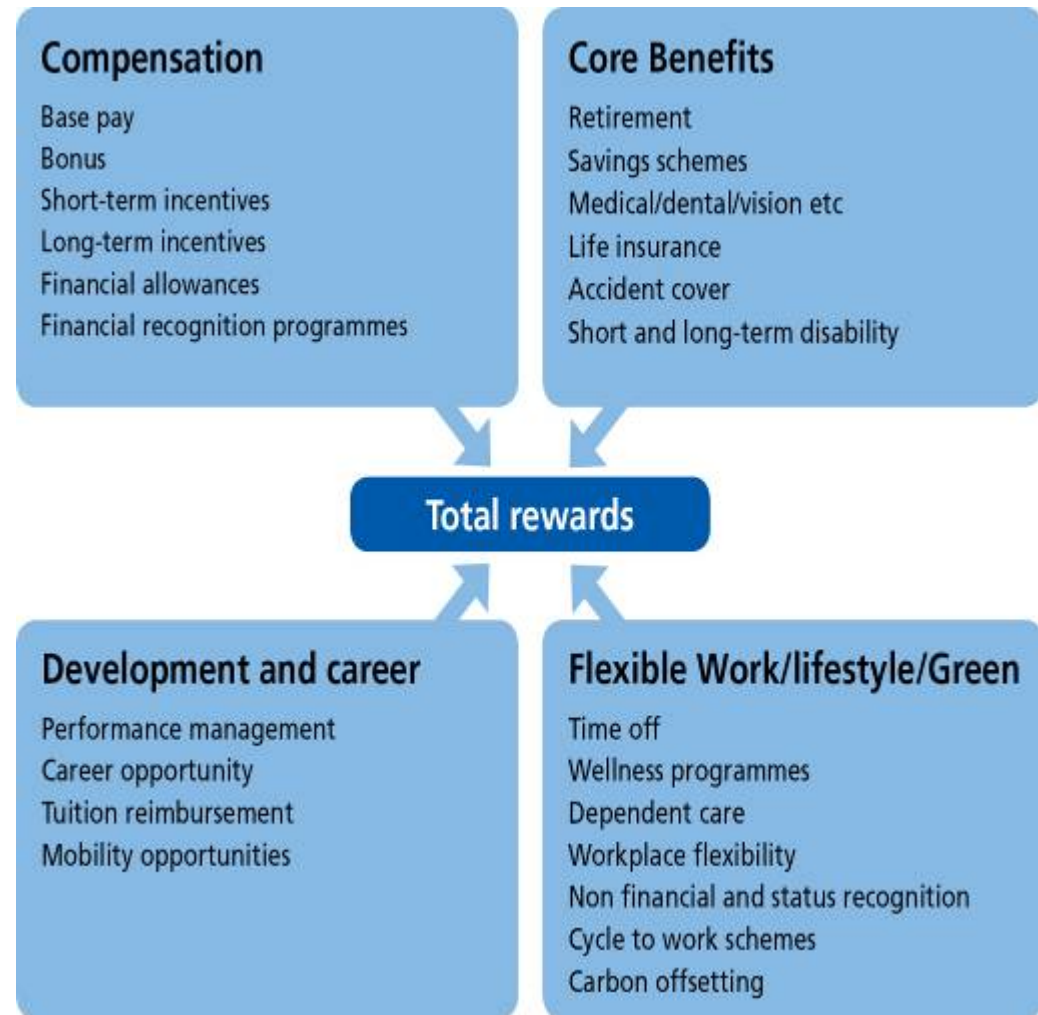


Community

Local communities

CR and total rewards

- A voluntary benefits plan as part of a total reward approach will highlight the core values of the organisation
- Flexible 'green' benefits help employees to contribute to socially responsible programmes that match their values and those of the organisation
- Up front payments like season ticket loans for trains and public transport are 'green' help alleviate financial pressure and can be provided at a very low cost



Employee attraction, retention & motivation

- Key reason for provision of benefits is to attract, retain and reward our company's most valuable asset
- Contributes significantly to job satisfaction
- Allowing employees participation in the design and delivery of CR initiatives increases loyalty and is especially pertinent during tough market conditions
- Improved engagement leads to higher productivity
- Lower turnover rates



Socially responsible benefits

- Childcare Vouchers
- Flexible Holidays
- Flexible Working
- Cycle to Work Schemes
- Payroll giving
- Charitable donations
- Individual Carbon Offsetting
- Access to “green” shopping
- Bus pass / Train ticket provision
- Employee Assistance programmes



International mobility

- In economic downturn company's looking for emerging market opportunities
- Standardising minimum benefit levels across all regions makes talent mobility easier
- Socially responsible benefits can fill gaps in state benefit provision
- Sourcing of global providers allows for leveraging of buying power
- Single benefit provider globally makes administration and communication more effective



Summary



- Compensation and benefits strategy is a key element underpinning CR policy and mitigating risk
- All companies have to deliver employee benefits but when they are underpinned and aligned to a CR programme it can lead to :
 - competitive differentiation –employer of choice
 - Increased motivation
 - Improved employee retention
 - Improved global staff mobility
 - Support to employees in difficult times
 - Improved employee engagement
 - Positive company PR
- Poor CR behaviour can have serious consequences

Thank you

Socially Responsible Benefits – IHG Case Study

HRM Compensation & Benefits Congress – 16 September 2009



InterContinental Hotels Group (IHG)

- World's Largest Hotel Company (by number of rooms)
 - Over 4,200 hotels, over 100 countries, with over 600,000 rooms
 - Biggest in Asia, Biggest in China
- Our Brands



Core Purpose and Our Values



Do the right thing



Show we care



Aim higher



Celebrate difference



Work better together

IHG Commitment (Employment Value Proposition)

The IHG Commitment to employees:

Room to be yourself

Becoming one of the best companies in the world requires attracting and keeping the very best people. That is why IHG has made a commitment to give all of our people Room to be yourself.

Maki
Mark
IHG, Philippines



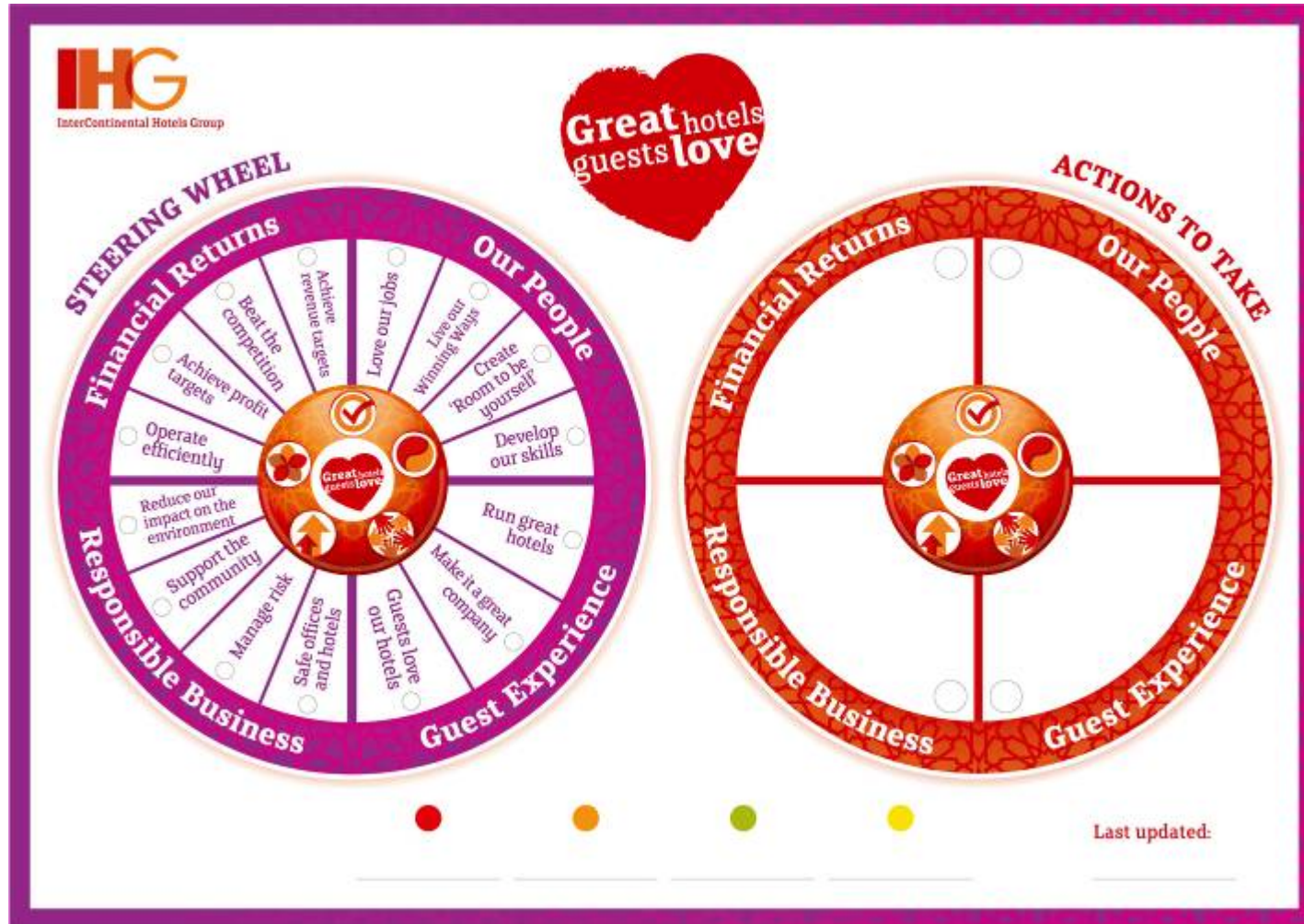
Room to have a great start >>

Room to be involved >>

Room to grow >>

Room for you >>

How We Plan and Prioritise



Corporate Social Responsibility At IHG

Corporate Social Responsibility

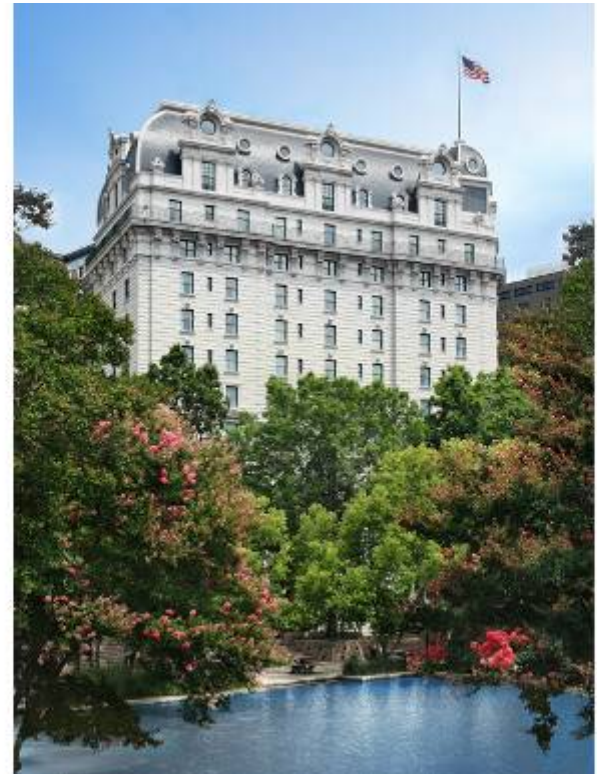
InterContinental Thalasso Spa, Bora Bora

The hotel has the world's deepest underwater pipeline which feeds ultracold deep sea water for eco-friendly air-conditioning, saving 90% of the hotel's electricity use annually. This is equivalent to 2.5m litres of fuel oil.



The Willard, Washington, D.C.

- Willard InterContinental in Washington DC, USA, has been announced winner of Condé Nast Traveler's third annual World Savers Awards, in the City Hotel category.
- **The hotel is 100% wind powered** and is known for a wide range of environmental and corporate responsibility.





GreenEngage

Green Measure: Consumption

Select a property: All properties

- [Green Engage Home](#) →
- [Green Measure](#) →
- [Measure Reports](#) →
- [Green Manage](#) →
- [Google Maps](#) →
- [HG Engage Survey](#) →

- [Introduction](#)
- [Overview](#)
- [Monthly Submission](#)
- [Hotel Profile](#)

Compare All Properties

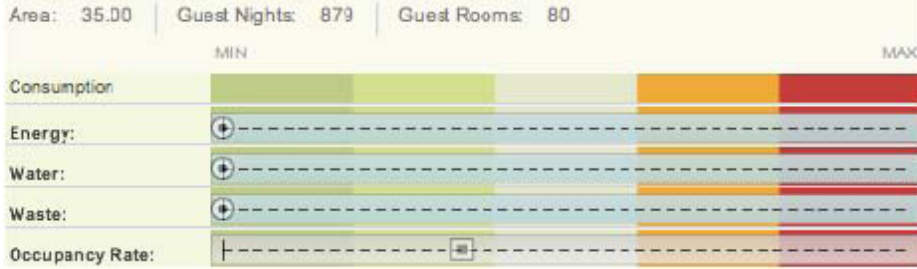
March 2009

Data as of March 11, 2009

Key: Consumptions Benchmarks: Occupancy Rate:

[Expand All](#) | [Collapse All](#)

- ▶ **Osaka Hotel**
- ▼ **Palace Tokyo Hotel**



Notifications

Recent Actions(3)

- Osaka Hotel
03/10/09 5:39 PM
Notification4
- Osaka Hotel
03/10/09 5:39 PM
Notification1
- Osaka Hotel
03/10/09 5:39 PM
Notification3

▶ [Override Actions\(3\)](#)

▶ [Late Specifications\(1\)](#)



Project Hope – China (since 1989)

- In 2009, IHG has raised over RMB 2,000,000 from hotel activities to benefit children in earthquake-stricken Sichuan Province
- Another RMB 2,000,000 raised from guests—RMB 5 is added to every guest room bill; guest can add more or decline to donate
- Seven schools built
- Musical Instruments



Sichuan children on way to Hope



Corporate Social Responsibility And Employee Benefits

Considerations

- **Reflect our culture and values**
- Addresses **real needs felt by people** on a local level
- There must be a **sound business case**—we are businesses first, not charities;
- **Market benchmarks** - is this offered by other employers?
- May address **small groups** of employees, who may have special needs
- Need to understand the country's **government social benefits** structure – is there a public (government-provided) safety net? Is assistance already available? Are there tax incentives for providing a company benefit?
- Does it **tell a story** that shows our company is socially responsible?

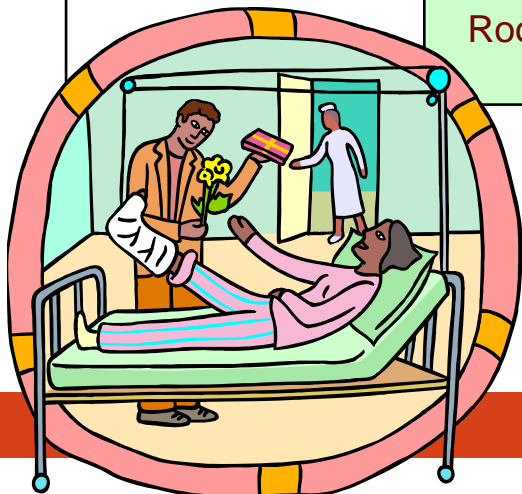
Enhancements to Singapore Health Benefits

Principle: When you're in the hospital, your Job Title shouldn't matter

Funding: Positive claims experience in prior years

Benefit provided by Government: Insufficient

Type	Prior Benefit		Enhanced	
	Coverage	Eligibility	Coverage	Eligibility
Hospital & Surgical Insurance	Room & Board \$300	Band 4 & 5 employees only	Room & Board \$300	Employees & dependents
	Room & Board \$250	Band 6 & 7 employees only		
	Room & Board \$220	Band 8 employees only		



China Life and Accident Insurance



- Local Employees were had only basic government benefit
- Government benefit based on salary capped at 3 times city average salary; death benefit would be very low for some people, as low as 5% of salary
- Market Study showed cash compensation was above market, but some benefits were lagging
- Of these, life/accident seemed the most important to address as a basic “safety net”
- Consistent with values of a filial society
- A small portion of the annual merit increase budget was set aside for benefits enhancement; this was fully sufficient to cover cost of introducing supplemental life & accident insurance, with death benefit equal to 3x annual salary

India Public Holidays

- IHG offered 16 fixed holidays
- there are other popular holidays beyond these 16
- Hindus and Muslims were taking Christian holidays, Buddhists taking Hindu holidays, etc.
- We have a diverse population, and we promise “Room to be Yourself”
- Rewards study found many areas in need of alignment, but we also saw the opportunity to “Celebrate Difference” by allowing some choice of Public Holidays
- We converted **two** of the less popular 16 holidays into “**flexible holidays**”, allowing each person to choose how/when to use them, as long as these days were a recognized holiday in India.

2009
26 Jan** Republic Day.
23 Feb Mahashivratri.
9 Mar Milad-Un-Nabi (Birth of the Prophet).
7 Apr Mahavir Jayanthi.
10 Apr Good Friday.
13 Apr Easter Monday.
9 May Buddha Purnima.
14 Aug Janmashtami.
15 Aug** Independence Day.
20-21 Sep Id ul Fitir (End of Ramadan).
28 Sep Dussehra (Vijaya Dashami).
2 Oct** Mahatma Gandhi's Birthday.
2 Nov Guru Nanak's Birthday.
27-28 Nov Idu'l Zuha/Bakrid (Feast of the Sacrifice).
18 Dec Muharram (Islamic New Year).
25 Dec Christmas Day.
26 Dec Boxing Day.

Lifestyle-Changing Benefits

- Smoking and Obesity are two major health issues in the US
- These lifestyle-related issues drive up the cost of healthcare
- Obesity is also largely hereditary, not just lifestyle
- IHG wanted to help those wishing to have a healthier lifestyle
- Smoking cessation: nicotine replacement, helpline counseling, cash incentive
- 78% of employees said they were tobacco free to get incentive, 22% were honest smokers, paying extra for their healthcare
- Introduced Weight Watchers program reimbursement, following successful completion of 13-week program.
- 1,400 KG of weight lost by employees in first 6 months. One colleague lost 70 pounds (31 kg).



Summary

- Four successful initiatives:
 - Singapore Hospital Benefit (equality)
 - China Life & Accident Insurance (safety net)
 - India Public Holidays (diversity)
 - Healthy Lifestyle (helping people change their lives)
- All reflect a social value
- Some help differentiate the company; others are a minimum safety net
- All require a business case, research/benchmarking and funding
- No impact for most people, but a very meaningful benefit for those who need it
- All send powerful messages to employees, customers and communities