

GENDER PAY GAP REPORT

April 2018



HCP is improving all aspects of the equality and diversity of our workforce.

HCP's Gender Pay Statistics

As an employer, we are required to undertake annual Gender Pay Reporting under the Equality Act 2010 (Gender Pay Gap Information) Regulations 2017. This is our second report and it was implemented shortly after we published our first set of figures in April 2018. The initiatives that were put in place last year are beginning to have a positive effect, and we are pleased to report a pleasing overall improvement (see table below). We are working hard to ensure this trend continues, but substantive changes are likely to take 4 -5 years to be realized.

In complying with this reporting obligation, we included all 316 relevant employees as at 5 April 2018 when calculating the figures below. The salary data includes base salary and certain allowances in-line with the government guidelines, and performance payments (bonus) figures over the previous 12 months. This exercise involves carrying-out six prescribed calculations that show the difference between average earnings of men and women in HCP. We do not publish individual employee data.

Official Gender Pay Gap Report:

Pay Category	Male (£)	Female (£)	Difference (%)	Comparison with 2017
Mean Hourly Pay	£40.82	£25.58	+37.3%	3.4% improvement
Median Hourly Pay	£35.55	£21.73	+38.9%	7.6% improvement
Proportion receiving a bonus	75.7%	82.6%	-9.1%	14% improvement
Mean bonus (%)			+52.7%	7.5% Decline
Median Bonus (%)			+52.2%	2.2% Decline

What do HCP's Gender Pay Statistics mean?

The headline statistics above still suggest a significant pay gap between genders at HCP, despite the above noted improvements, when examining average (mean & median) pay across the whole of HCP's UK workforce. However, we are very clear that the **issue is one of female representation** in higher-paying roles, rather than equal pay for equivalent roles. Equal pay deals with the pay difference between men and women who carry-out the same/similar jobs, or work of equal value. The data below illustrates that **equal pay is not a significant issue at HCP**, and includes additional data on hourly rate by pay quartile.

Analysis of Gender Pay Gap Report:

Quartile Split	Male %	Female %	Male Mean Hourly Rate (£)	Female Mean Hourly Rate (£)	Difference in Hourly Rate (%)
Lower	13.9%	86.1%	£15.13	£14.79	+2.2%
Lower Middle	31.7%	68.3%	£25.01	£23.27	+7.0%
Upper Middle	62.0%	38.0%	£33.68	£35.03	-4.0%
Upper	74.7%	25.3%	£58.24	£54.31	+6.7%

What are some of the reasons for HCP's Gender Pay distribution?

Encouraging inroads are being made to increase the relative female representation in the higher pay quartiles, with 7% more women now in the upper quartile, and 6.2% in the Upper Middle quartile compared with last year. However, the difference in mean bonus payments may still seem surprising, but this can partly be explained by the relatively high proportion of females who are either part-time, or have been on maternity leave, and therefore whose bonus payments are pro-rated. There are no part-time male employees.

There are a range of reasons for the gender pay gap at HCP, many of which are common across most businesses:

- Relatively historic gender demographic differences in HCP. Nearly 55% of relevant staff are female. However, there are proportionally still significantly more females occupying roles in the lower earnings quartile, and conversely more males in the upper quartile. Like other companies across our industry, we have a lower proportion of females in senior roles than we would like.
- Individual employee choices made around; part-time working, types of occupations, and time-out of work due to caring responsibilities.
- External factors such as the sector we occupy, and the relatively technical nature of some of the roles, influences gender demographics.
- Salary sacrifice (including performance payment salary sacrifice) arrangements are excluded from the calculations which has distorted the results slightly.

What actions being taken by HCP to reduce the Gender Pay Gap?

HCP's Management Board remain fully committed to reducing the Gender Pay Gap, but we appreciate that this will take time due to the complexity of the issues surrounding the structural imbalances in our workforce. The Board's focus is to address the gender balance across the firm at all levels and continue to build a diverse and inclusive workforce. HCP's succession planning, recruitment and promotion policies are totally unbiassed, but we acknowledge that there is more that we can do.

Some of the initiatives that HCP have include:

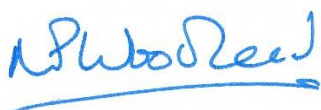
- Supporting a Diversity Working Group who meet regularly to help raise awareness of the issues and promote best practice across the organisation. A dedicated Diversity page has been established on the intranet portal ('HUB') and promoting an informal networking forum for female employees. The company is showcasing International Women's Day in March and promoting Diversity TED talks showcasing female role models.

- Improving how the company can offer more family friendly arrangements, including flexible working where practicable. Over 18% of our female employees are now able to work flexibly in part-time roles and others are in home-based roles.
- Proactive steps to develop and support talented female employees to progress their careers, based around the IPR process, and encourage more to apply for roles that are underrepresented. Establishment of a Junior Development Programme to help upskill staff to be able to progress in their careers.
- Active steps to encourage more women to take-on senior leadership positions, with over 30% female representation in the Upper Quartile by 2022.
- Publicising senior female role models, and supporting female mentoring via a pilot programme.
- Providing managers with gender bias awareness training (to help them recognise unconscious biases when making recruitment and talent management decisions).
- Active measures to ensure recruitment agencies present a gender balanced and diverse range of suitable candidates on shortlists for senior positions, ideally from local communities close to the place of work. Wherever possible, the establishment of mixed gender interview panels.
- Provision of individual training opportunities for female employees to equip them with the appropriate leadership, technical and managerial competencies to help them maximise their career development opportunities within HCP.
- Undertaking enhanced HR gender monitoring strategies and external benchmarking, particularly in relation to recruitment, retention and talent development.

People are at the core of HCP's aim to create outstanding value through the intelligent management of assets. The company is committed to be an equal opportunities employer and will never knowingly discriminate on grounds of sex, race, religion or belief, age, marriage or civil partnership, pregnancy/maternity, sexual orientation, gender reassignment, or disability. We endeavour to always pay employees equally for the same or equivalent work, regardless of gender (or other characteristics listed above) and promote a rich diversity in our workforce. We will continue to closely monitor pay and benefits, undertaking regular audits and ensure that appropriate guidance is provided to managers. However, we must recognise that ongoing initiatives to address the company's gender pay gap will take several more years to achieve the desired effect.

I confirm that the above Gender Pay Gap statistical data is correct and in line with Government reporting regulations.

Date: 21st February 2018



Michael Woodhead
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