

GENDER PAY GAP REPORT

April 2017



Improving all aspects of the equality and diversity of our workforce is of the utmost importance to HCP.

HCP's Gender Pay Statistics

As an employer, we are required to undertake Gender Pay Reporting under the Equality Act 2010 (Gender Pay Gap Information) Regulations 2017. In complying with this obligation, we included all relevant employees as at 5 April 2017 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 We do not publish individual employee data.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 (%)
Mean Hourly Pay	£42.43	£25.14	+40.7%
Median Hourly Pay	£39.01	£20.88	+46.5%
Proportion receiving a bonus	85.8%	80.7%	+5.1%
Mean bonus (%)			+45.2%
Median Bonus (%)			+50.0%

What do HCP's Gender Pay Statistics mean?

The headline statistics above suggest a significant pay gap between genders at HCP 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	13.8%	86.2%	£15.14	£14.71	+2.8%
Lower Middle	30.3%	69.7%	£25.21	£23.56	+6.5%
Upper Middle	68.2%	31.8%	£32.65	£33.50	-2.6%
Upper	81.5%	18.5%	£59.98	£60.27	-0.5%

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

In the pay quartiles where there are more females, their hourly pay closely matches males in the same quartile, and in the two upper quartiles female hourly pay actually slightly exceeds that of their male counterparts. Because of this, the difference in mean bonus payments at the lower levels of pay may seem surprising. However, this can partly be explained by the relatively high proportion in these

groups of part-time females, 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. Our overall gender profile is 52% female and 48% male. However, there are proportionally 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 are fully committed to reducing the Gender Pay Gap, but appreciate that there is no quick fix due to the complexity of the issues surrounding the structural imbalances in our workforce. The main effort 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 unbiased, but we acknowledge that there is more that we can do.

Some of the initiatives that HCP have include:

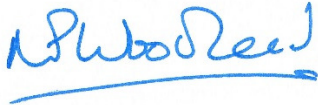
- Establishment of a Diversity Working Group to help raise awareness of the issues and promote best practice across the organisation. This will include setting-up a dedicated Diversity page on the intranet portal ('HUB') and promoting an informal networking forum for female employees.
- Review how the company can offer more family friendly arrangements, including flexible working where practicable.
- 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. In time we expect more women to take-on senior leadership positions with 30% female representation in the Upper Quartile by 2022.
- Publicise senior female role models, and support informal mentoring.
- 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 all vacant positions, ideally from local communities close to the place of work. Wherever possible, the establishment of mixed gender interview panels.
- Focused training for female employees to equip them with the appropriate leadership, technical and managerial competencies to help them maximise their career development opportunities within HCP.
- Implementing 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 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: 3rd April 2018



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