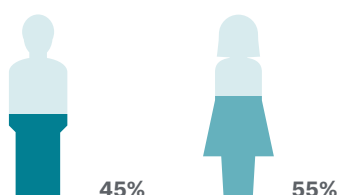


Gender pay gap report 2021

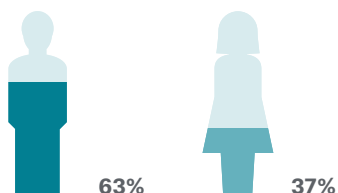
This is the fifth year we have reported on our gender pay figures since the UK Government introduced the requirement in 2017.

Our management demographics

HSB Senior management team, as at 5 April 2021:



Our wider management team, as at 5 April 2021:



At HSB, having a diverse employee base is key to our business success and maintaining our high levels of customer experience. We remain committed to creating an inclusive culture and environment of equality where all employees can have the opportunity to realise their full potential. As with last year, we are not obliged by law to report on our gender pay gap, as across our two UK businesses we have less than 250 employees in each. However, we feel it is important for us to continue to do so. Not only do we consider it as market best practice, it is also an opportunity to engage with our employees on diversity, equity and inclusion topics, and it helps our understanding of how the actions we take can build and develop our inclusive culture which benefits all our employees.

This report outlines our Gender Pay Gap figures for the 12 months ending 5 April 2021 and provides an update on our strategies to address both this gap as well as promote a more diverse and inclusive environment across HSB.

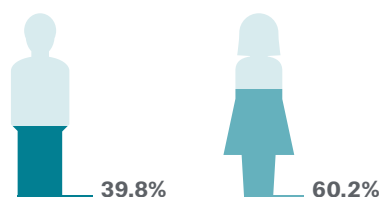
Our data is based on hourly rates of pay (as defined by the Office for National Statistics) as at 5 April 2021 and bonuses paid in the 12 months ending 5 April 2021. The report includes data from both organisations which are part of the combined HSB brand in the UK – our insurance company HSB Engineering Insurance Limited (HSBEIL) and our inspection services company HSB Engineering Insurance Services Limited (HSBEISL). HSB's UK entities' (HSBEIL and HSBEISL) gender pay gap figures are reported separately on the Government website.

HSB combined demographic

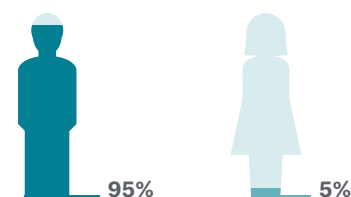
Within HSB, the combined employee demographic is 68.8% male and 31.2% female.

Within the different companies under the HSB UK brand, the employee demographics are split as follows:

HSBEIL



HSBEISL



HSBEISL specific employee demographics

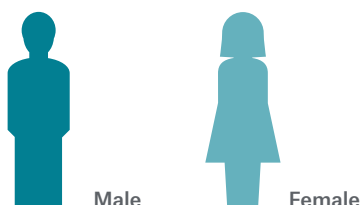
In common with many engineering employers in the UK, the talent pool for engineer surveyors in the inspection services industry is predominantly male. This is illustrated by the Society of Operational Engineers (SOE) which has reported a female membership of 1.46% out of circa 14,206 members.

As at 5 April 2021, 1% of HSBEISL engineer surveyors were female and the HSBEISL senior management team included one female, our Director of Engineering Services. In addition, the HSBEISL Board composition comprised 2 female directors and 2 male directors. The remainder of the 5% female population within HSBEISL are in customer service and operational support team roles.

¹ HSBEIL references employees within HSB Engineering Insurance Ltd; HSBEISL references employees within HSB Engineering Insurance Services Ltd; References to HSB refer to combined.

Our data includes employees who are based in Northern Ireland but excludes our colleagues who are in the Republic of Ireland, which is outside the scope of this reporting. In addition our figures on this page have been adjusted to exclude individuals who are processed through the company payroll but provide services for our US parent; as remuneration decisions for these employees are made at a US level. This adjustment has been made in order to better aid comparison with prior year figures and reflect meaningful report data relevant to our organisation's activities and employee demographics. Figures filed with the UK government include these individuals.

Key



	2020	2021
Upper pay quartile	61.8%	68.5%
Lower middle pay quartile	69.1%	69.8%

These increases are positive indications that the actions implemented so far to address the gender pay gap are beginning to have effect.

Pay and bonus figures

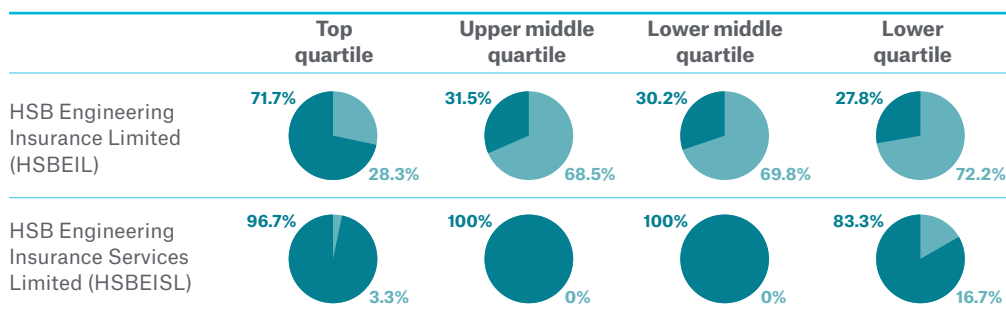
The table below shows the gender pay and bonus figures as reported for our two companies for year ending 05 April 2021.

	Pay		Bonus		Receiving Bonus	
	Mean	Median	Mean	Median	Male	Female
HSB Engineering Insurance Limited (HSBEIL)	41.5%	35.6%	50.5%	65.0%	58.1%	47.7%
HSB Engineering Insurance Services Limited (HSBEISL)	9.0%	31.0%	-528.0%	0.0%	95.2%	41.7%

This data outlines:

- The percentage difference between the average (mean and median) hourly rates for men and women in each entity
- The percentage difference between the average (mean and median) bonus pay for men and women in each entity
- The proportion of men and women who received a bonus

Our pay quartiles



This data excludes US funded employees and outlines the proportion of men and women in each quartile of pay (i.e. splitting a list from highest hourly rate of pay to lowest hourly rate of pay, dividing it into 4 and looking at the gender split within each of these quartiles)

How have our gender pay, and bonus figures changed since 2020?

We have summarised below how our 2021 Gender Pay Gap figures compare against those we reported in 2020.

Within HSBEIL:

- The median pay gap has increased from 28.7% to **35.6%** ▲
- The percentage of females receiving a bonus has increased from 43.7% to **47.7%** ▲

The increase in the pay gap is a consequence of a restructure of the leadership team of our insurance operations at the beginning of 2021. This change largely impacted individuals within the top pay quartile who were predominately male employees.

The bonus pay gap is influenced by the payment of historical bonus commitments, the final payments of which are due in 2022. These legacy schemes were only available for more senior employees, many of whom were male.

During 2020 we implemented a new annual profit share bonus scheme. Unlike our previous bonus arrangement, all employees participate. The resulting payments were due to be received in 2021 and we had anticipated this new scheme to have had a positive influence on our pay and bonus gap figures in this report. Unfortunately, because of COVID, no payment was made so we're yet to see the impact of this new, more inclusive bonus arrangement, on our reporting.

Whilst the median pay gap has increased by 6.9% since 2020, the underlying pay quartiles again have seen an increased percentage of females within the upper and lower middle quartiles.

Within HSBEISL:

- The median pay gap has reduced from 31.7% to **31.0%** ▼
- The median bonus gap has reduced from 37.5% to **0.0%** ▼
- The percentage of females receiving a bonus has increased from 15.0% to **41.7%** ▲

The mean bonus gap of -528% compares to -24% in our 2020 report. As with HSBEIL, this is driven by payments made through our legacy bonus arrangements.

What are we doing to address the gender pay gap?

Key activities taken by HSB to address the Gender Pay Gap

The actions underway are longer-term activities designed to benefit HSB and our people in the years to come. We believe that these actions will have a positive impact on HSB's ambition to improve the gender pay gap in the years to come.

Learning and development

Since our last report, we've focused on our commitment to our employees' learning and development. In 2021 we:

- Continued to embed our 'Continuous Conversations' approach to performance management, through which managers and employees regularly agree commitments, share feedback and discuss the employee's development. We were pleased to note that 83% of our employees told us they are comfortable applying this new approach when asked in an anonymous survey.
- Made a leadership commitment to roll out 'unconscious bias' workshops to all our people managers.
- Continued to enhance and develop our development programmes so all our employees are able to progress their careers with us.

We are confident that the above commitments will continue to support the diversity of our future leaders as they progress through the organisation to senior positions.

Recruitment

We continued to make progress to broaden the diversity of candidates applying for positions during 2021 through:

- Widening the diversity of talent pools which we access for recruitment purposes
- Further promotion of our accredited Engineer Surveyor Apprenticeship scheme in collaboration with The Safety Assessment Federation (SAFED)
- Taking actions to reduce risk of unconscious bias within the job application and interview processes

During 2022 we will continue to develop our employer brand in our market places to raise awareness that HSB is an employer that fosters diversity in the workplace.

Compensation

- To ensure pay consistency we implemented a new tool to provide a structured remuneration framework across the business. This enables managers to review pay fairly and consistently.
- We committed to increasing the bonus earnings opportunity of our more junior staff in 2022. This will benefit our female employees many of whom perform non-management roles.

Diversity and inclusion

We continue to develop our inclusive culture. During 2022 we are increasing our emphasis on identifying areas for further development through the appointment of a Munich Re UK and Ireland Head of D&I who will be working closely with HSB in developing and implementing D&I initiatives and programmes.

We confirm that the gender pay gap calculations for each entity are accurate and meet the requirements of the Equality Act 2010 (Gender Pay Gap Information) Regulations 2017.



Stephen Worrall
Managing Director
HSB Engineering Insurance Limited



Paula Homan
Director of Engineering Services
HSB Engineering Insurance Services Limited

Statutory disclosure and declaration

	Pay		Bonus		Receiving Bonus	
	Mean	Median	Mean	Median	Male	Female
HSB Engineering Insurance Limited (HSBEIL)	34.6%	35.3%	35.8%	65.0%	58.1%	47.7%
HSB Engineering Insurance Services Limited (HSBEISL)	9.0%	31.0%	-528.0%	0.0%	95.2%	41.7%

Our pay quartiles

	Top quartile	Upper middle quartile	Lower middle quartile	Lower quartile
HSB Engineering Insurance Limited (HSBEIL)	68.5% male 31.5% female	33.3% male 66.7% female	29.6% male 70.4% female	27.8% male 72.2% female
HSB Engineering Insurance Services Limited (HSBEISL)	96.7% male 3.3% female	100% male 0% female	100% male 0% female	83.3% male 16.7% female

Notes: The statutory disclosure and pay quartiles figures above represent the data for all individuals who are processed through the HSB UK payroll as required by UK Government. The statutory disclosure and pay quartiles figures for HSBEL included individuals who provide services for our US parent (please note these individuals were excluded from the comparison figures shown on page 2)