

Gender pay report 2019

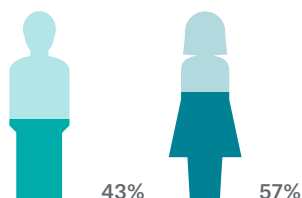
This is the third year we have prepared and reported gender pay figures since the UK Government introduced a requirement for employers with 250 or more employees to report annually on their Gender Pay Gap.

We are committed to creating an inclusive culture and environment of equality where all employees can have the opportunity to realise their full potential. We believe that having a diverse employee base is key to the success of our business and the high standard of customer experience we provide.

Gender pay gap reporting is one of the means by which we measure the results of the positive activities we undertake to attract and retain diversity of talent across our organisation. This report outlines our Gender Pay Gap figures for the 12 months ending 5 April 2019 and provides an update on our strategies to address this gap.

Our data is based on hourly rates of pay (as defined by the Office for National Statistics) as at 5 April 2019 and bonuses paid in the 12 months ending 5 April 2019. 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 senior management team



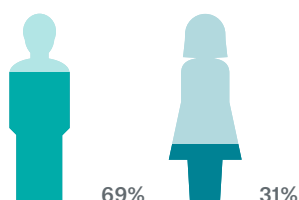
Our employee demographics

Within HSB, the combined employee demographic is 69% male and 31% female.

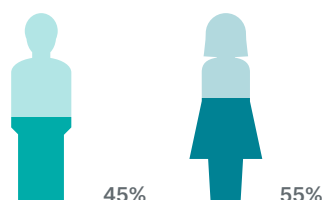
HSB has several employees who are supported in part-time working. Currently we have 28 employees (5.8% of our overall workforce) who work part time, 27 of whom are female.

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

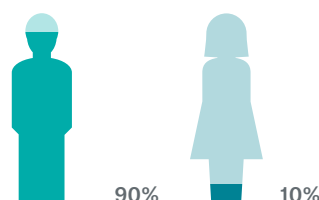
HSB combined demographic



HSBEIL



HSBEISL



HSBEISL specific employee demographics

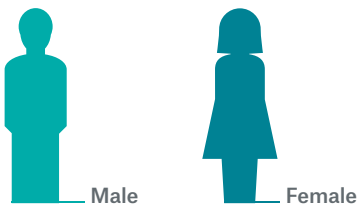
In common with many engineering employers in the UK, the talent pool for engineer surveyors in the inspection services industry is predominantly male; illustrated by the Society of Operational Engineers (SOE) who report of circa 15,325 members 0.53% are female.

As at 5 April 2019, 1% of HSBEISL engineer surveyors were female. Additionally, the HSBEISL senior management team included one female. In 2019, we recruited a female Director of Engineering so that the board composition of HSBEISL now comprises 2 female directors and 2 male directors. The remainder of the 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 aide comparison with prior year figures and reflect meaningful report data relevant to our organisational activities and employee demographics. Figures filed with the UK government include these individuals.

Key



Pay and bonus figures

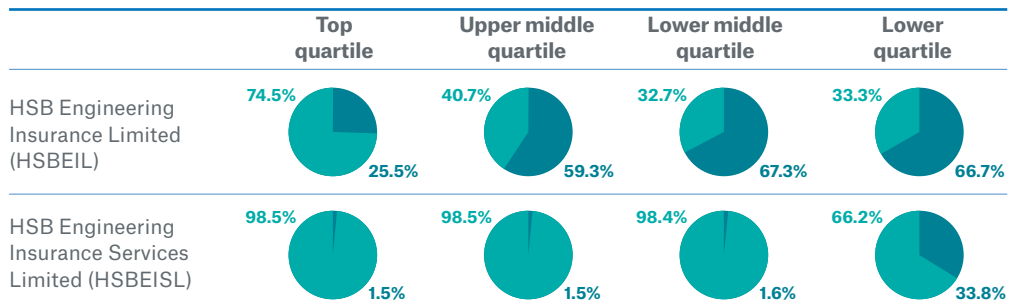
The table below shows the gender pay and bonus figures as reported for our two companies for year ending 05 April 2019.

	Pay		Bonus		Receiving Bonus	
	Mean	Median	Mean	Median	Male	Female
HSB Engineering Insurance Limited (HSBEIL)	27.0%	26.7%	39.9%	28.8%	54.5%	45.8%
HSB Engineering Insurance Services Limited (HSBEISL)	30.8%	40.8%	-13.6%	70.0%	9.8%	16.0%

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 2018?

We have summarised below how the Gender Pay Gap figures as at 5 April 2019 compare against those as at 5 April 2018

Within HSBEIL:

- The median pay gap has remained unchanged at **26.7%** ●
- The mean bonus gap has reduced from 45.3% to **39.9%** ▼
- The percentage of females receiving a bonus has marginally increased from 45.0% to **45.8%** ▲

Within HSBEISL:

- The mean pay gap has reduced from 32.9% to **30.8%** ▼
- The mean bonus gap has reduced from 74.3% to **-13.6%** ▼
- The percentage of females receiving a bonus has decreased from 61.0% to **16.0%** ▼

Many of the movements since 2018 are encouraging, however these trends are also reflective of reward decisions taken in respect of specific operational requirements in 2018 that were not repeated in 2019 (such as an 'out of cycle' bonus received within a predominantly female operational support team).

What are we doing to address the gender pay gap?

Our 2018 report outlined some of the activities to reduce the potential for bias and further promote fairness and consistency in matters of remuneration. We continue to focus on the four key areas we outlined in our 2018 report:

Remuneration reviews

Since the 2018 report, HSB has announced, in conjunction with its parent Munich Re, a new annual profit share bonus scheme to replace the existing bonus plans. From 1 January 2020, all employees are eligible to receive a profit share related bonus each year, linked to the overall financial performance of the Munich Re group.

This new approach to the bonus scheme is inclusive for all employees; removing the possibility of management discretion or potential bias, unconscious or otherwise for bonus scheme participation. We expect this change will begin to have a positive impact within our gender pay gap figures from 2021 onwards.

Learning and development

During 2019 and in line with developing our learning culture, HSB launched a new Learning Management System. The system has many online e-learning modules including Unconscious Bias in the workplace, which we believe will assist individuals in adopting a fair and equitable approach in their day to day activities.

In addition to the variable remuneration structure changes being implemented in 2020, HSB has introduced a new performance review approach which moves away from annual reviews to 'Continuous Conversations'. This approach strongly encourages more regular employee and manager engagement to openly discuss performance, track progress against personal development goals, encourage two-way feedback, and talk about career development.

Since the 2018 report, two HR team members have successfully completed the world-renowned KornFerry Leadership Architect Certification in order to support the identification and development of future leaders within HSB. Work to develop the progression and leadership potential of our employees within HSB will commence in 2020.

HSB continues to invest in the development of its future leaders through the provision of the 'Aspire' programme; a programme designed specifically for individuals aspiring to management positions. During 2016 - 2019, 39% of Aspire attendees were female, 25% of whom have since progressed to management positions within HSB.

Recruitment

Our commitments to ensuring we are reaching the most diverse talent pool include:

- Recruitment of a Talent Acquisition professional to support HSB with identifying new recruitment avenues and opportunities, which encourage and generate applications from more diverse talent pools for all available positions.
- Development of an accredited Engineer Surveyor Apprenticeship scheme in collaboration with The Safety Assessment Federation (SAFed); providing access to a more diverse recruitment pool such as centres of learning.
- Using initiatives, such as International Women in Engineering day, to raise HSB's profile as a prospective engineering employer that fosters diversity in the workplace.

Whilst some of these actions may have an immediate impact on our Gender Pay Gap, many are strategic, longer-term activities, which mean their effect will take several years to materialise within our figures.

Communication

When we first published the Gender Pay Gap Report in 2017, we committed to raising awareness of our gender pay reporting with our employees and are continuing to do so. In advance of the publication of our 2019 report, supporting information will be provided to our people managers explaining any relevant change in the statistics. Additionally, we will communicate the report to all HSB's employees to highlight the steps we are taking to address the gender pay gap and promote an inclusive culture and environment of equality, where all employees can have the opportunity to realise their full potential.

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)	21.86%	25.08%	17.65%	28.85%	54.54%	45.9%
HSB Engineering Insurance Services Limited (HSBEISL)	30.85%	40.78%	-13.65%	70%	9.82%	16%

Our pay quartiles

	Top quartile	Upper middle quartile	Lower middle quartile	Lower quartile
HSB Engineering Insurance Limited (HSBEIL)	69.1% male 30.9% female	42.9% male 57.1% female	34.5% male 65.5% female	32.7% male 67.3% female
HSB Engineering Insurance Services Limited (HSBEISL)	98.5% male 1.5% female	98.5% male 1.5% female	98.4% male 1.6% female	66.2% male 33.8% 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)



HSB

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www.hsbeil.com HSBEI-2125-0320