

UK Pay Gap Report 2020

Gender and Ethnicity

Inclusion is a strategic focus

HSBC is a bank born across cultures. We are at our best when we utilise our powerful international network to connect people, ideas and capital across boundaries, making great things possible.



Our people are at the heart of our success and, as we continue to grow and transform, improving our diversity will bring together different perspectives that will help us to compete, innovate and manage risk.

We consider a number of indicators as we drive progress towards a more diverse HSBC:

- 1** We closely measure the overall diversity of our organisation to ensure we see more diverse representation over time. We have more to do, but are making progress. For example, we reached our global target of 30% women in senior leadership by 2020.
- 2** We ensure fair pay to all employees regardless of gender, ethnicity, age, disability or any other factor unrelated to performance or experience. We regularly review pay practices with independent third parties and make adjustments if differences are identified that are not due to an objective reason.

We look at pay gaps as one indicator of how we are doing against our objective of building a workforce that is representative of the communities we serve.

This report details our UK-wide gender pay gaps. For the first time, we are also sharing our UK-wide ethnicity pay gaps. We hope that by publishing this additional data annually, and improving data coverage, we will continue to drive progress in ethnicity representation.

Both the insight from our data and our active, and ongoing, conversations with colleagues, help us to define the steps we can take to build a more inclusive culture. I invite you to **explore more here**.

The future of our business relies on us continuing to embrace the benefits of a diverse and inclusive workforce. I am proud to put those values at the heart of our strategy.

A handwritten signature in black ink, appearing to read 'Noel Quinn'.

Noel Quinn
Group Chief Executive

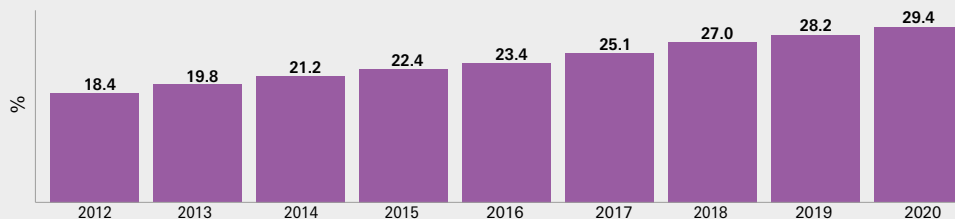
Our UK Gender Pay Gaps

We are making progress in improving gender balanced representation at HSBC and are committed to fair pay for all employees regardless of gender or any other characteristic.

Find out more about our efforts to drive an inclusive culture.

We are improving gender balanced representation

Proportion of UK senior leadership roles held by women

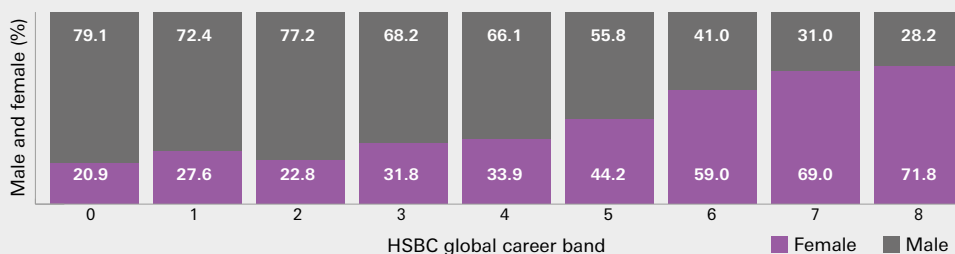


Senior leadership refers to employees performing roles classified as 0, 1, 2 and 3 in our global career band structure.

Every year since 2012, we have improved the representation of women in senior leadership roles, reaching our global target of 30% by 2020. We have increased the aspirational target to 35% by 2025.

UK share of headcount by gender by HSBC global career bands

The chart below illustrates our male and female representation in the UK across global career bands.



Improving representation positively impacts pay gaps

| | | 2020 | 2019 |
|-----------|--------|-------|-------|
| Pay Gap | Mean | 48.3% | 51.1% |
| | Median | 48.0% | 47.8% |
| Bonus Gap | Mean | 67.1% | 72.9% |
| | Median | 57.9% | 60.5% |

- > Our aggregate UK-wide gender pay gaps reflect the shape of our organisation, and will narrow as we improve gender balanced representation. There are a number of factors that explain our pay gaps:
 - There are more men than women in senior and higher-paid roles, and more women than men in our junior and lower paid roles.
 - HSBC UK, our largest employing entity in the UK (with over 20,000 employees), has a mean pay gap of 32.9% and a median pay gap of 20.2%, which is more comparable to UK domestic peers.
 - Unlike a number of our peers, our aggregate UK-wide figures include our Global Banking and Markets business (within our HSBC Bank Plc entity) which has a predominance of men in senior, higher-paid roles.
 - We have a significant number of senior, global roles based in our UK head office.
 - Part-time employees (predominantly women) receive their bonuses on a 'pro-rata' basis, however the gender pay gap calculation does not take this into account.

Pay gaps are not the same as unequal pay

- > They instead show the difference in average earnings between two groups (e.g. women and men) across an organisation regardless of role or seniority.

Our UK Ethnicity Pay Gaps

We have made commitments in the UK and across the Group to support more Black and ethnic minority employees to succeed at HSBC. **Find out more.**

We are focused on improving representation of ethnic minority groups

UK share of headcount by ethnic group¹

| | Asian | Black | Mixed Race | Other ethnicities | White | Prefer not to say | Not responded |
|--------------------------------|-------|-------|------------|-------------------|-------|-------------------|---------------|
| All career levels | 12.6% | 2.5% | 1.4% | 1.6% | 60.5% | 6.9% | 14.4% |
| Senior leadership ² | 10.5% | 0.9% | 1.6% | 1.6% | 60.0% | 9.9% | 15.6% |

1 Based on the ethnicity self-declarations of 79 per cent (32,370) of HSBC's UK-based employees as at 31 December 2020.
2 Senior leadership refers to employees performing roles classified as 0, 1, 2 and 3 in our global career band structure.

- > 79% of UK employees have declared their ethnicity to HSBC. We will continue to encourage our colleagues to share their ethnicity with us in order to create a more accurate picture of our workforce.
- > We intend to publish ethnicity representation and pay gap data annually to ensure we continue to make progress and to help us identify further areas for action.
- > Black employees tend to be less represented in senior, higher paid roles and more represented in junior, lower paid roles, relative to all other ethnic groups.
- > Asian employees are more represented in senior leadership roles than other ethnic minority groups.

We are sharing detailed data for better transparency

UK ethnicity pay gaps by ethnic minority group

| | | All Ethnic Minority Groups | Asian | Black | Mixed Race | Other ethnicities |
|-----------|--------|----------------------------|-------|-------|------------|-------------------|
| Pay Gap | Mean | 2.2% | -1.0% | 29.0% | -12.4% | -7.4% |
| | Median | -5.6% | -7.7% | 16.9% | -25.1% | -18.3% |
| Bonus Gap | Mean | 10.3% | 3.6% | 55.6% | -13.4% | -2.3% |
| | Median | 0.8% | -3.8% | 30.1% | -33.6% | -23.8% |

The pay gap percentages reflect the current shape of our organisation:

- > We have lower representation of employees from ethnic minority groups in senior, higher paid roles.
- > The overall median pay gap (-5.6%) is in favour of ethnic minorities because the ethnic minority mid-point employee is at a higher grade, with different pay and bonus opportunity, compared to the ethnic majority mid-point employee.
- > Underlying pay and bonus gaps are at their widest for Black employees as they are less represented in senior, higher paid roles.
- > Fewer senior leaders have disclosed their ethnicity to HSBC. This means a number of higher paid individuals are not reflected in the pay gap calculations, which may impact the numbers in future years.

Pay gaps are not the same as unequal pay

- > They instead show the difference in average earnings between two groups (e.g. ethnic majority vs ethnic minority groups) across an organisation regardless of role or seniority.

The insights we get from our data help to define **actions** that will build a more inclusive culture where the best, diverse talent wants to work


Mental health awareness and training


Flexible working


Sabbaticals


Family Hub provides information on benefits/support for managing a family


Introducing improved maternity and adoption leave from 2021



Supporting employees

Global Aspirational Targets

At least double the number of Black employees in senior leadership by 2025

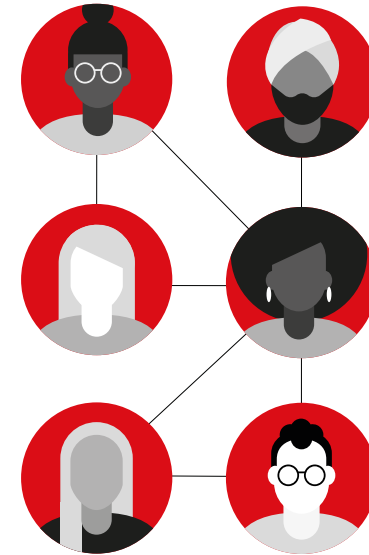
35% women in senior leadership by 2025



Diverse leadership

Driving an inclusive culture that fosters diversity

Connecting through networks



- Employee Resource Groups in the UK**
- Ability
 - Balance UK
 - Buddhist Network
 - Christians in HSBC
 - Flex
 - Hindu Network
 - HSBC Assistants Network
 - HSBC China Connect
 - HSBC Muslim Network
 - Jewish Network
 - Military Network
 - Mindfulness
 - Nurture
 - Pride UK
 - Sikh Network
 - UK Embrace
 - Vedic Society

Accelerated leadership development for women, and Black and other ethnic minorities

Fair and inclusive hiring


Gender balanced graduate recruitment


Inclusive hiring and selection training for people managers



Identifying diverse talent pools

Statutory Gender Pay Gap Disclosures

As at 5 April 2020, HSBC had seven legal entities which employ 250 or more employees, for which we are required to publish gender pay gap information in line with UK regulation. This reflects changes to HSBC's entity structure in the UK which have taken place since our 2019 UK Gender Pay Gap Report. Our Private Banking entity, which previously reported its pay gaps separately, was integrated with the HSBC UK entity in 2020.

| UK entity | Employee headcount (as at 5 April 2020) | Pay gap | | Employee population receiving bonus | | Bonus gap | | Gender distribution across pay quartiles | | | | | | | |
|---------------------------------------|---|--------------|--------------|-------------------------------------|--------------|--------------|--------------|--|------------|-------------|------------|-------------|------------|--------------|------------|
| | | Mean | Median | % | | Mean | Median | 0-25% | | >25% to 50% | | >50% to 75% | | >75% to 100% | |
| | | M vs F | M vs F | M | F | M vs F | M vs F | M | F | M | F | M | F | M | F |
| HSBC UK (HBUK) | 20,324 | 32.9% | 20.2% | 90.7% | 90.4% | 56.9% | 43.5% | 31% | 69% | 29% | 71% | 36% | 64% | 60% | 40% |
| HSBC Global Services (UK) Ltd (HGSU) | 11,307 | 28.9% | 32.6% | 88.5% | 90.3% | 41.0% | 33.0% | 42% | 58% | 57% | 43% | 67% | 33% | 75% | 25% |
| HSBC Group Mgmt Services Ltd (HGMS) | 5,668 | 31.7% | 19.3% | 89.3% | 90.8% | 49.0% | 31.6% | 41% | 59% | 50% | 50% | 61% | 39% | 69% | 31% |
| HSBC Bank Plc (HBEU) | 2,015 | 54.4% | 53.7% | 92.0% | 90.3% | 64.4% | 67.5% | 46% | 54% | 67% | 33% | 78% | 22% | 91% | 9% |
| Marks & Spencer Financial Svcs (MSFS) | 1,303 | 13.7% | 2.8% | 89.5% | 90.7% | 33.3% | 19.0% | 33% | 67% | 28% | 72% | 29% | 71% | 39% | 61% |
| HSBC Gbl Asset Mgt (UK) Ltd (AMEU) | 388 | 26.7% | 29.7% | 94.4% | 97.6% | 49.9% | 49.4% | 53% | 47% | 70% | 30% | 75% | 25% | 80% | 20% |
| HSBC Asia Holdings BV (HSBC BV) | 268 | 26.8% | 31.7% | 98.5% | 95.8% | 36.6% | 34.9% | 63% | 37% | 70% | 30% | 73% | 27% | 88% | 12% |
| All UK Employees | 41,273 | 48.3% | 48.0% | 89.9% | 90.5% | 67.1% | 57.9% | 32% | 68% | 37% | 63% | 56% | 44% | 71% | 29% |

Useful definitions

| | |
|--|--|
| Gender pay gap* | A gender pay gap (mean or median) is the difference between the hourly rate of pay of male and female employees. The figure is expressed as a percentage of male pay. |
| Gender bonus gap* | A gender bonus gap (mean or median) is the difference between the bonus paid to male employees and that paid to female employees. This is expressed as a percentage of the bonus paid to male employees. The bonus period in question is the 12 months ending on 5 April 2020. |
| Ethnicity pay gap | An ethnicity pay gap (mean or median) is the difference between the hourly rate of pay of employees who are part of the ethnic majority and that of the employees who are part of the ethnic minority. The figure is expressed as a percentage of pay of the employees who are part of the ethnic majority. The aggregate UK-wide ethnicity pay gaps have been calculated using the same seven reported legal entities as the UK gender pay gaps. Where a figure is negative, this means the pay gap is in favour of the ethnic minority group. The individual ethnic minority group pay gaps are calculated by comparing the specific group against all others e.g. Asian is compared to all non-Asian (i.e. Majority, Black, Mixed Race and other ethnic minority groups). |
| Ethnicity bonus gap | An ethnicity bonus gap (mean or median) is the difference between the bonus paid to employees who are part of the ethnic majority and that paid to employees who are part of all ethnic minority groups. This is expressed as a percentage of the bonus paid to employees who are part of the ethnic majority. The individual ethnic minority group pay gaps are calculated by comparing the specific group against all others e.g. Asian is compared to all non-Asian (i.e. Majority, Black, Mixed Race and other ethnic minority groups). The bonus period in question is the 12 months ending on 5 April 2020. |
| Proportion of employees that receive a bonus* | This calculation shows the proportion of employees (male and female) that receive a bonus during the reporting year. It is expressed as a percentage of all of HSBC's UK employees. |
| Percentage of male and female employees in each quartile of the pay distribution* | This information reflects the balance of employees in four pay quartile bands. The bands are established by listing all employees from the lowest hourly pay rate to the highest and dividing the entire workforce into four equal parts. Once the quartiles are established, the proportion of male and female employees in each is calculated. |
| Mean | A mean average is calculated by adding up the wages of all relevant employees and dividing the figure by the number of employees. For example, the mean gender pay gap is calculated based on the difference between mean male pay and mean female pay. |
| Median | The median is the figure that falls in the middle of a range when the wages of all relevant employees are lined up from smallest to largest. For example, the median gender pay gap is calculated based on the difference between the employee in the middle of the range of male wages and the middle employee in the range of female wages. |

*This data is required as part of the UK gender pay gap regulation.

Declaration

I confirm that the information and data reported are accurate and in line with the UK government's Equality Act 2010 (Gender Pay Gap Information) Regulations 2017.



Elaine Arden

Group Chief Human Resources Officer, HSBC