

HML GROUP

GENDER, RACE & CEO
PAY GAP/RATIO REPORT

2020/2021



Executive Summary

Marking the publication of our fifth Gender Pay Gap report, HML have taken the decision to work within the Race at Work Charter to now report on our Race Pay Gap. Moreover, HML have brought into this single report our CEO Pay Ratio figure. Thus, consolidating all strategic pay related matters under a single annual report.

Gender Pay Gap Definition (Mandatory Reporting) - As a reminder the gender pay gap is a measure of the difference in the average pay and bonuses of men compared with women across our organisation. It is not a comparison for equal pay for equal work.

This year HML will report a small decrease in our gender pay gap. Our gender pay gap now stands at 15%. This represents a decrease of 0.5% when compared to last year. HML are also reporting a 3% decrease to 7% on the median pay gap.

Whilst it is once again good to see a decrease in our gender pay gap, our challenges remain fully in quartile 1 of our pay structure. Inevitably the conclusion is there is further work to be done in this area and this remains the only cause of our gender pay gap.

As explained previously, our structural issue in this area is that there are a higher proportion of men in senior technical and managerial roles. Equally this group of males has remained stable and consistent year on year. It is a very stable senior executive leadership team.

In quartiles 2,3 and 4 the gender pay gap is now a negative figure. This means females in these categories are now earning at a higher rate than that of their male counterparts. In the lowest quartile this is largely related to HML's starting salary being linked to the Living Wage foundation hourly rate. This has seen a high proportion of females that enter into roles of this level, receiving a fairer starting salary. This policy also led to significant pay increases for staff already employed and operating at this level.

HML continue to recognise the gender imbalance that exists and continues to act to address this through our long-term strategy to ultimately improve performance. We have already acknowledged that it will take time until a balance is found, but HML is committed to addressing the imbalance.

Our bonus pay gaps have plummeted to a 0% gap; essentially as no bonuses were paid in the last financial year due to the impact of the global coronavirus pandemic.

Race Pay Gap Definition (Optional Reporting) - The Race Pay Gap is a measure of the difference in the average pay and bonuses of staff that identify as White and those that identify as Black, Asian and minority ethnic group (BAME). Naturally data in this area is not as comprehensive as gender split. Currently HML have 16% of staff that are classed as 'unknown' this is due to missing data on this area. As such it cannot be reported with complete accuracy.

Taking a proactive lead in publishing figures in this area, HML are reporting a Mean Gap of 21% and a Median Gap of 18%. It is hard to compare the gap HML are reporting with the wider UK, due to the overall lack of reporting nationwide. However, this gap does highlight that HML have to work hard in this area to fully understand the gap and how a long-term strategy can be applied.

It is worthy to note the initial publication of our gender gap was similar to this figure at 19%. Following this publication in 2017 we have worked hard to reduce the gap and with equal hard work in the area of race this too can start to reduce.

What is extremely encouraging is when compared with the population of White and BAME ethnicity groups, HML employs a far higher proportion of BAME staff. In England about 6.2% of the population are from a BAME and 86% identify as White. Across all quartiles the percentage of BAME staff is far greater than this. Based on our data, HML have 65% who identify as White and 35% as BAME. Whilst this shows we have a diverse workforce one cannot ignore the significantly high proportion of BAME workers within our lowest paid quartile. As such attention is drawn to the proportion of BAME staff that occupy our lowest pay quartile; 43% of BAME staff operate in roles in this area that typically attract a lesser salary.

CEO Pay Ratio Definition (Optional Reporting) - Pay ratio is a measure between the Chief Executive Officer and average worker's salaries within HML. It highlights any pay disparities from the top of an organisation.

As a reminder it was identified in 2018 that the UK's largest firms (FTSE 100) CEOs were earning excessive salaries when compared to their average employee. Research identified that the pay ratio was **129:1***

Once again HML voluntarily publish this figure. This year HML report that the ratio has stayed static with a mean ratio of **5:1** and median ratio of **6:1**. This remains a figure HML are proud of and is best summed up by stating; for every £1 our employees get their CEO gets £5.

Summary

HML has set a long-term goal to achieve a 50:50 gender balance by 2025 (within a 5% tolerance). HML have now also set a 50:50 race balance by 2035 (within a 5% tolerance).

It was identified that to achieve this in both race and gender we must see an enhanced number of females and BAME undertaking senior leadership positions within the Group. This conclusion was drawn since the gender pay gap within the upper quartile of the Group.

This report outlines our report for 2020/2021 with the snapshot of data being taken 30th April 2021.

Gender Gap

Pay & Bonus Gap

Difference between men and women

	Mean	2019 vs 2020	Median	2019 vs 2020
Hourly fixed pay	15%	0.5% ↓	7%	1% ↓
Bonus paid	0%	52% ↓	0%	50% ↓

The table above shows our overall mean and median gender pay gap based on hourly rates of pay as of the snapshot date (30th April 2021). It also captures the mean and median differences between bonuses paid to men and women across the HML Group in the year up to 1st May 2021 (e.g the 2020 performance year).

Proportion of Colleagues Awarded a Bonus for 2020



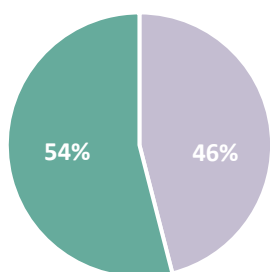
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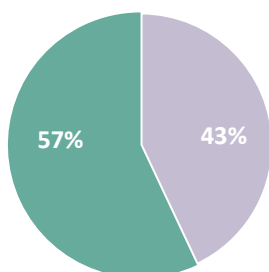
Pay Quartiles

Lowest



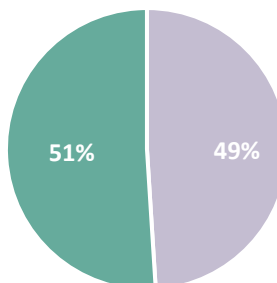
-7% pay gap

Quartile 3



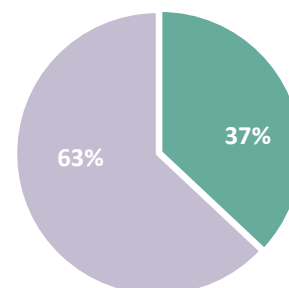
-1% pay gap

Quartile 2



-1% pay gap

Highest



16% pay gap

Key:



Understanding the Gap

HML Group's gender pay gap of 15% for 2020/21 is around the national average of 14.2%. Although the gap is still considered to be too high, one must remember that the strategy to close this gap is a long-term one. It remains our conclusion that it is the upper quartile being the sole reason for HML having a Gender Pay Gap.

Race Gap

Pay & Bonus Gap

Difference between staff identifying as White and BAME

	Mean	2019 vs 2020	Median	2019 vs 2020
Hourly fixed pay	21%	N/A	18%	N/A
Bonus paid	0%	N/A	0%	N/A

Proportion of Colleagues Awarded a Bonus for 2020



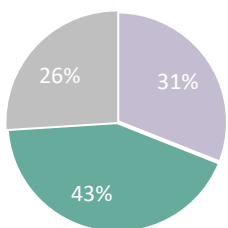
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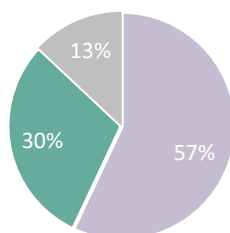
Pay Quartiles

Lowest



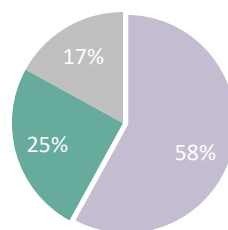
-4% pay gap

Quartile 3



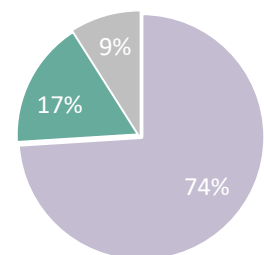
-0.5% pay gap

Quartile 2



1% pay gap

Highest



12% pay gap

Key:
 ■ = BAME
 ■ = White
 ■ = Unknown

Understanding the Gap

HML Group's race pay gap at first glance appears to be extremely high. But from the quartile breakdown it can clearly be seen where the problem lies. HML must look to increase the number of BAME staff working at senior positions within the Group as our conclusion that it is the upper quartile is the sole reason for HML having a race pay gap.

HML CEO Pay Ratio 2020

HML CEO & Employee Pay Ratio				
	Mean	2019 vs 2020	Median	2019 vs 2020
Annual Salary	5:1	No Change	6:1	No Change

Table 1: HML CEO pay ratio to average employee

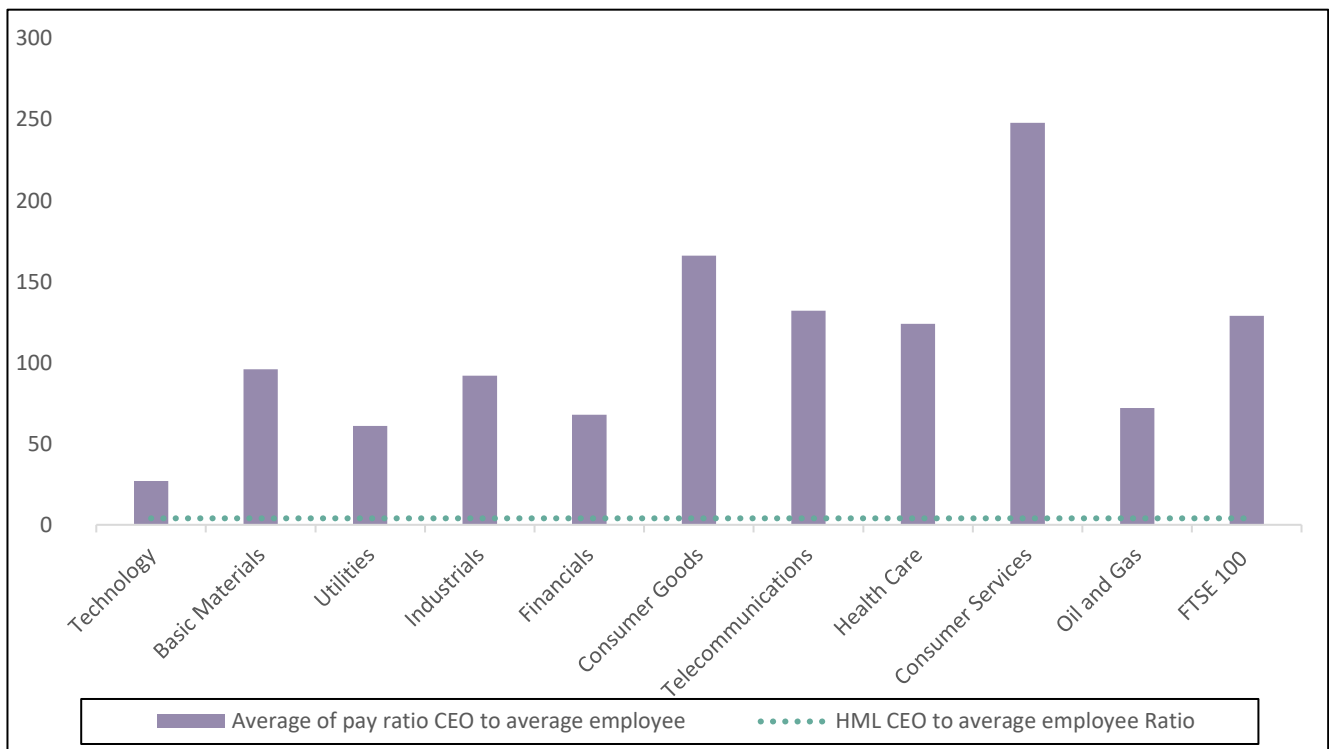


Figure 1: Average ratios of CEO pay to average employee by industry sector*

Table 1 above demonstrate clearly that our Pay Ratio is one to be proud of. For every £1 our employees get their CEO gets £5. When comparing HML with sectors (Figure 1) across the UK economy the ratio further demonstrates how **significantly** lower the ratio is.

*Reference – CIPD Research Report. Review of FTSE 100 executive pay packages. CIPD 2017

Our Long-Term Strategy - Gender

It has always been stated that there is no quick fix to the gender pay gap, but HML is taking a series of measures now and in the long-term to promote a diverse and inclusive workforce. Our focus needs to remain on helping women to progress within the organisation.

Our aim remains at achieving a 50:50 gender balance by 2025 (within a 5% tolerance). To help achieve this aim the following objectives remain:

- Existing female talent within the HML Group should be identified and encouraged to undertake set development programmes and enrich their career and skills
- Where HML needs to recruit externally for roles that have salaries in excess of £50,000, that females should be targeted to provide a gender biased pool by our partners Randstad. Our aim should be to achieve a 70% target of female hires at this level in the next 4 years.
- Flexibility is still 'frowned upon' for working mothers across the Group. Females within our society still bear the brunt of child-minding requirements. As such HML must look to embrace flexibility for our female working employees by developing a culture where we trust our staff to work flexibly whilst retaining the ability to monitor them effectively through our systems
- HML to embrace encouraging 'returnships', where women that choose to leave HML for a career break are actively engaged in returning back to work
- If HML is committed to increasing the number of women in the most senior positions within the company, the Company need to set a long-term target. For example, our target could be to more than double the proportion of women earning over £40,000 a year, to at least 40% by 2025

Our Long-Term Strategy - Race

In line with our experiences with the gender pay gap, once again HML realise that there is no quick fix to the race pay gap. In addition HML know that the only area that needs to be addressed is increasing the appointments of BAME staff into senior/technical roles within quartile 1 of our pay structure.

Our aim is to achieve a 50:50 race balance by 2035 (within a 5% tolerance). To help achieve this aim the following objectives remain:

- Existing BAME talent within the HML Group should be identified and encouraged to undertake set development programmes and enrich their career and skills
- Where HML needs to recruit externally for roles that have salaries in excess of £50,000, BAME groups should be targeted to provide a race biased pool by our partners Randstad. Our aim should be to achieve a 70% target of BAME hires at this level in the next 10 years.

Terminology

Median pay gap

- The median pay gap is the difference in pay between the middle-ranking woman and the middle-ranking man.

Mean pay gap

- The mean pay gap is the difference between a company's total wage spend-per-woman and its total spend-per-man.
- The number is calculated by taking the total wage bill for each and dividing it by the number of men and employed by the organisation.

Pay gap v equal pay

- The gender pay gap is not the same as unequal pay
- Unequal pay is giving women less than men for the same work. That has been against the law since the Equal Pay Act was introduced in 1970
- A company's gender pay gap can also be caused by other things, for example fewer women in senior or highly paid roles or more women in part-time jobs

