

# Methodology for calculating pay gaps

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## UK

### Gender pay gaps:

In the UK, gender pay gaps have been calculated in line with the regulations where employers based in Great Britain (England, Scotland and Wales) with 250 or more employees must publish the following figures:

- ◆ mean gender pay gap in hourly pay
- ◆ median gender pay gap in hourly pay
- ◆ mean bonus gender pay gap
- ◆ median bonus gender pay gap
- ◆ proportion of male and female employees receiving a bonus payment
- ◆ proportion of male and female employees in each pay quartile

Legal entities that are part of a group must individually report a set of figures. We are reporting gender pay gaps for six legal entities in the UK. The calculations must use a specific 'snapshot date' of 5 April, and be published within a year of the snapshot date on an external website and reported to government. Importantly, 'hourly pay' is not defined the same way as HSBC's fixed pay and 'bonus' is not the same as variable pay for the performance year. Hourly pay is the sum of ordinary pay and any bonus pay (including any pro-rated bonus pay) that was paid in the pay period which ends on the snapshot date and hence includes variable pay paid in March 2023. As in 2022, we are voluntarily publishing our salary gaps as well which are based on hourly pay but excluding variable pay paid in March 2023.

There is no UK legislation currently regarding ethnicity pay gap reporting.

### Ethnicity pay gaps:

The aggregate UK-wide ethnicity pay gaps have been calculated using a similar methodology (including data as at 5 April) as the UK gender pay gaps for consistency. The data is based on the same six reported legal entities as the UK gender pay gaps and covers UK employees (across the six reported UK entities) who have shared their ethnicity. 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).

### Definitions

- ◆ A gender pay gap<sup>1</sup> (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.
- ◆ A gender bonus gap<sup>1</sup> (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 2023.
- ◆ Proportion of employees that receive a bonus<sup>1</sup> – 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 employees in that UK entity for whom gender information is held and are classed as relevant per regulations.
- ◆ Percentage of male and female employees in each quartile of the pay distribution<sup>1</sup> - This information reflects the balance of employees in four pay quartile bands. The bands are established by listing all employees

<sup>1</sup> This data is required as part of the UK gender pay gap regulations

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.

- ◆ 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. 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).
- ◆ Proportion of employees that receive a bonus by ethnic group - This calculation shows the proportion of employees (by each ethnic group) that receive a bonus during the reporting year. It is expressed as a percentage of all of HSBC's employees for whom ethnicity information is held and are classed as relevant.
- ◆ 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 2023.
- ◆ Percentage of employees by ethnic group 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 employees in each ethnic group, those who prefer not to disclose their ethnicity and those who have not responded is calculated.
- ◆ A salary gap (mean or median) is the difference between the salary and allowances (i.e., hourly rate of pay excluding variable pay) of male and female employees or 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 male pay or employees who are part of the ethnic majority.
- ◆ A mean average is calculated by adding up the pay of all 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.
- ◆ The median is the figure that falls in the middle of a range when the pay of all employees is 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 pay and the middle employee in the range of female pay.

## Argentina, Mainland China, Malaysia, Hong Kong, India, Mexico, Singapore, UAE and US

There is currently no legislative requirement for pay gap reporting across these markets. We have calculated the pay gaps using the 2023 year-end compensation information on Fixed Pay and Total Compensation. We anticipate that this approach will be the most useful basis for comparison both internally and externally as other organizations also share their pay data.

The US ethnicity pay gaps are based on US employees who have shared their ethnicity. 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, Hispanic and other ethnic minority groups).

## Definitions

- ◆ A gender fixed pay gap (mean or median) is the difference between the full time equivalent (annualised) fixed pay of male and female employees. The figure is expressed as a percentage of full time equivalent (annualised) male fixed pay.
- ◆ A gender total compensation gap (mean or median) is the difference between the total compensation paid to male employees and that paid to female employees. This is expressed as a percentage of total compensation paid to male employees. Total compensation is the sum of full time equivalent (annualised) fixed pay and variable pay. This is for the performance year ending on 31 December 2023.
- ◆ An ethnicity fixed pay gap (mean or median) is the difference between full time equivalent (annualised) fixed 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 full time equivalent (annualised) fixed pay of the employees who are part of the ethnic majority. The individual ethnic minority group fixed 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, Hispanic and other ethnic minority groups).
- ◆ An ethnicity total compensation gap (mean or median) is the difference between the total compensation 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 total compensation paid to employees who are part of the ethnic majority. The individual ethnic minority group total compensation gaps are calculated by comparing the specific group against all others e.g., Asian is compared to all non-Asian (i.e., Majority, Black, Hispanic and other ethnic minority groups). Total compensation is the sum of full time equivalent (annualised) fixed pay and variable pay. This is for the performance year ending on 31 December 2023.
- ◆ A mean average is calculated by adding up the pay of all 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.
- ◆ The median is the figure that falls in the middle of a range when the pay of all employees is 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 pay and the middle employee in the range of female pay.