

Xylem Water Solutions UK Gender Pay Gap Reporting

What is it & why are we doing this?

From April 2017 new legislation requires UK employers with more than 250 employees to calculate and publish their gender pay gap annually.

What is included?

There are certain elements of data we have to publish:

- The gap between the mean (average hourly salary) and median (middle of the group) for men and women
- The distribution of men and women by quartile, essentially splitting our data into four equal groups based on earnings, and displaying the proportion of each gender for each of those four quartiles
- The percentage of men and women who received a bonus during the relevant period, along with the gender gap on bonus payments

This Report provides both the statutory disclosures required by law as well as some more information and background on gender pay at Xylem. We have included data for people employed by the legal entity Xylem Water Solutions UK Ltd, both on fixed term and permanent contracts. We have not included anyone working via a third party contractor or agency.

What do we have to report on?

Mean gender pay gap	• The difference between the mean hourly rate of pay of male employees and that of female employees
Median gender pay gap	• The difference between the median hourly rate of pay of male employees and that of female employees
Mean bonus gap	• The difference between the mean bonus pay paid to male employees and that paid to female employees
Median bonus gap	• The difference between the median bonus pay paid to male employees and that paid to female employees
Bonus proportions	• The proportions of male and female employees who were paid bonus pay during the relevant period
Quartile pay bands	• The proportions of male and female employees at different levels i.e. in the lower, lower middle, upper middle and upper quartile pay bands

Definitions:

The gender pay gap is the difference between the hourly rate of pay of male and female employees, represented as a percentage.

It's important to note that the Gender Pay Gap is different to Equal Pay which evaluates men and women's earnings where they are doing like for like work / a work of equal value. **Gender Pay Gap is simply reporting pay between men and women, regardless of the role they are doing.**

Mean vs Median

The Gender Pay Gap reporting regulations require us to report on both the mean and median for gross pay and bonus separately. The **mean** is the overall average of the entire data and therefore can be affected and potentially skewed by any exceptionally high or low salaries. The **median** however demonstrates the midpoint of the data.

Example for data: 13, 18, 13, 14, 13, 16, 14, 21, 13

The **mean** is the usual average, so total the value and then divide by the number of elements:
 $(13 + 18 + 13 + 14 + 13 + 16 + 14 + 21 + 13) \div 9 = \text{Mean is } 15$

The **median** is the middle value, so first rewrite the list in numerical order:
13, 13, 13, 13, 14, 14, 16, 18, 21

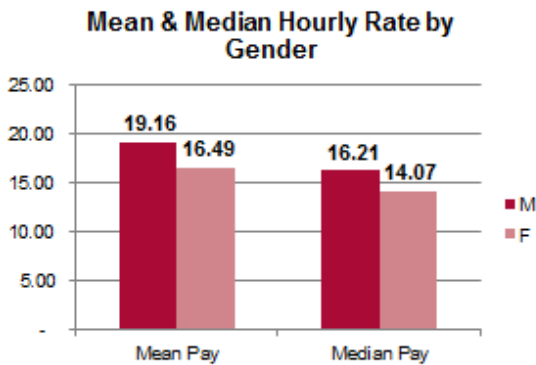
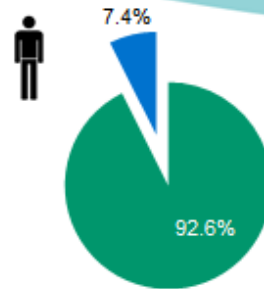
There are nine numbers in the list, so the middle one will be the 5th number:
13, 13, 13, 13, 14, 14, 16, 18, 21 = **Median is 14**

Our Results

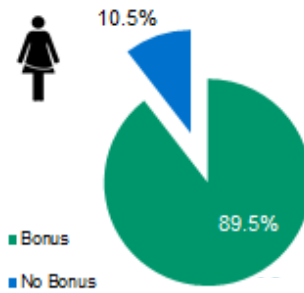
All of these figures have been calculated according to the Gender Pay Gap Reporting Regulations:

Our Results

	Mean Gap	Median Gap
Pay Gap	13.9%	13.2%
Bonus Gap	5.7%	4.8%



Proportion receiving a bonus



What was included?

528 employees

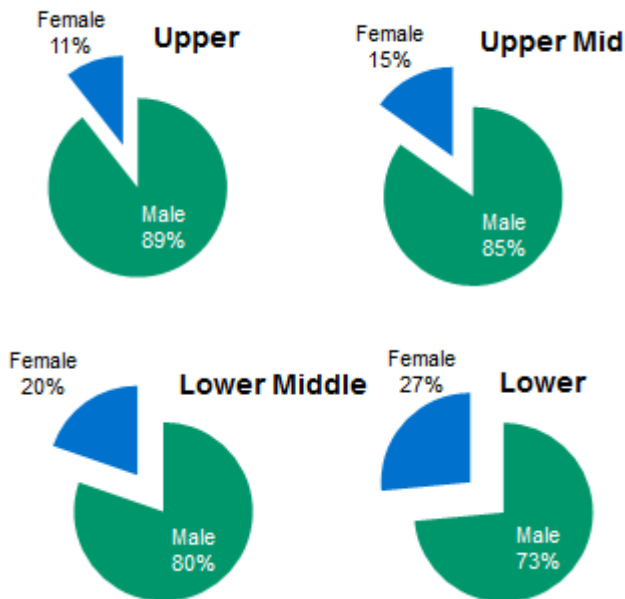
Male: 433 (82%)

Female: 95 (18%)

Hourly pay:

- Basic pay
- Allowances (first aid, car allowance)
- Shift premium (London weighting)
- Holiday pay
- NOT overtime

Quartiles



What do the figures mean?

- Our gender pay gap is 13.9% using data as at April 2017
- The UK Gender Pay Gap, as reported by the Office of National Statistics, is 18.1%
- Our gap is therefore lower than the national average, but there is still more we can do

Bonus Gap

Regardless of role or level or seniority within Xylem everyone is responsible for contributing towards the Company's performance, and we have a bonus plan to reflect this. For the period we've reported on 92.6% of men and 89.5% of women received a bonus, and anyone employed before 1st October 2016 was eligible for this.

Pay Quartiles

We've apportioned each person into a quartile, as represented in the table above. This was distributed by splitting the entire population into four equal groups from highest to lowest based on earnings, and then representing the number of men and women in each group.

The data for each quartile generally mirrors the split between men and women at a national level (i.e. 82% male and 18% female across the UK), however only 11% of the top quartile are women compared to 27% of the lower quartile. This may be due to the proportion of women within our customer call centres as opposed to External Sales roles which would fall into different quartiles.

Why do we have a Gender Pay Gap?

Our analysis suggests that our gender pay gap stems from factors which are common to our industry, not from equal pay issues including:

- More men in senior roles looking at Management team direct reports
- More women in part time roles
- We also have a significantly low proportion of female employees (18%)
- Xylem works within the Manufacturing and Engineering industry, a sector that is traditionally reliant on the knowledge and skills of those from STEM (science, technology, engineering and maths) related areas of work. Women make up 24% of all people employed in STEM industries – Source: Wise Campaign, demonstrating that women are largely underrepresented within this group.

This has a significant influence on our median Gender Pay Gap within Xylem as we have a large number of Service Engineers or office based Engineers within our technical teams, and nationally there's a minority of STEM workers in the UK being female (1 in 8 of those in Engineering occupations are women – Source: Engineering UK).

- The majority of our employees fall in to these groups:
 - Sales Engineers
 - Sales Managers
 - Service Engineers
 - Schedulers
 - Service Co-ordinators
 - Internal Sales Administrator/Engineer
 - Support functions (Finance/HR/Purchasing/LSS/Safety/IT/Marketing)
- The majority of our women are employed in Scheduler, Service Coordinator or Administrative roles which attract less pay when compared with the External Sales roles for example :
Finance – 23% male vs 76% female
Internal Sales – 70% male vs 30% female
External Sales – less than 2% female
- Majority of UK/I management team are male (MD direct reports): 3 are female out of a team of 11
- At Xylem we conduct our annual merit reviews based on individual performance
- When hiring we pay with reference to market/skill/qualifications
- There is some inequity in the way in which we are required to do the calculation: Shows those with a car allowance (5 people, 3 female and 2 male) but not those with a car benefit, so we are only comparing earnings rather than total reward package someone may receive (pension, benefits, car etc.)

Bonus comments:

- At Xylem Water Solutions UK everyone is eligible for our discretionary bonus scheme.
- The scheme is based on company, team and individual financial and project targets. An individual's own performance will influence their exact payout.
- There will be people who did not receive payment as they did not qualify either due to start date (after 1st October) or some other reason due to the criteria e.g. disciplinary.
- Those women who did not receive a bonus for 2016 were all due to their start date.
- We also made other payments that fall under bonus, for example retention associated with re-organisation activities in the prior year, or recruitment (recommend a friend) which will distort the data slightly.

How are we closing the gap?

All our vacancies are open to all our employees. We are committed to the Equality Act 2010 and ensuring both applicants and employees have equal opportunity and fair treatment.

In 2017 we had 10 internal promotions, 1 of those was female.

- We are looking at the overall representation of women in management teams and what we can do to encourage progression via understanding of roles available, how we can attract more women.
- Our Engineering department are already engaged in work with a local school to encourage STEM (Science, Technology, Engineering and Maths) career. We are reviewing whether it is possible to broaden our school career events.
- Monitoring the diversity of candidates who take-up our apprenticeship and NVQ schemes
- Succession planning has been cascaded to MD-2 levels in 2017 - try to bring people up internally to fill senior roles
- Within our engineer and customer service population we are implementing structured career and development pathways.



Duncan Lewis
Managing Director, Sales

This data is correct as at April 2017

Sources:

http://www.engineeringuk.com/media/1356/enguk_report_2017_synopsis.pdf

<https://www.wisecampaign.org.uk/resources/2017/10/women-in-stem-workforce-2017>