

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

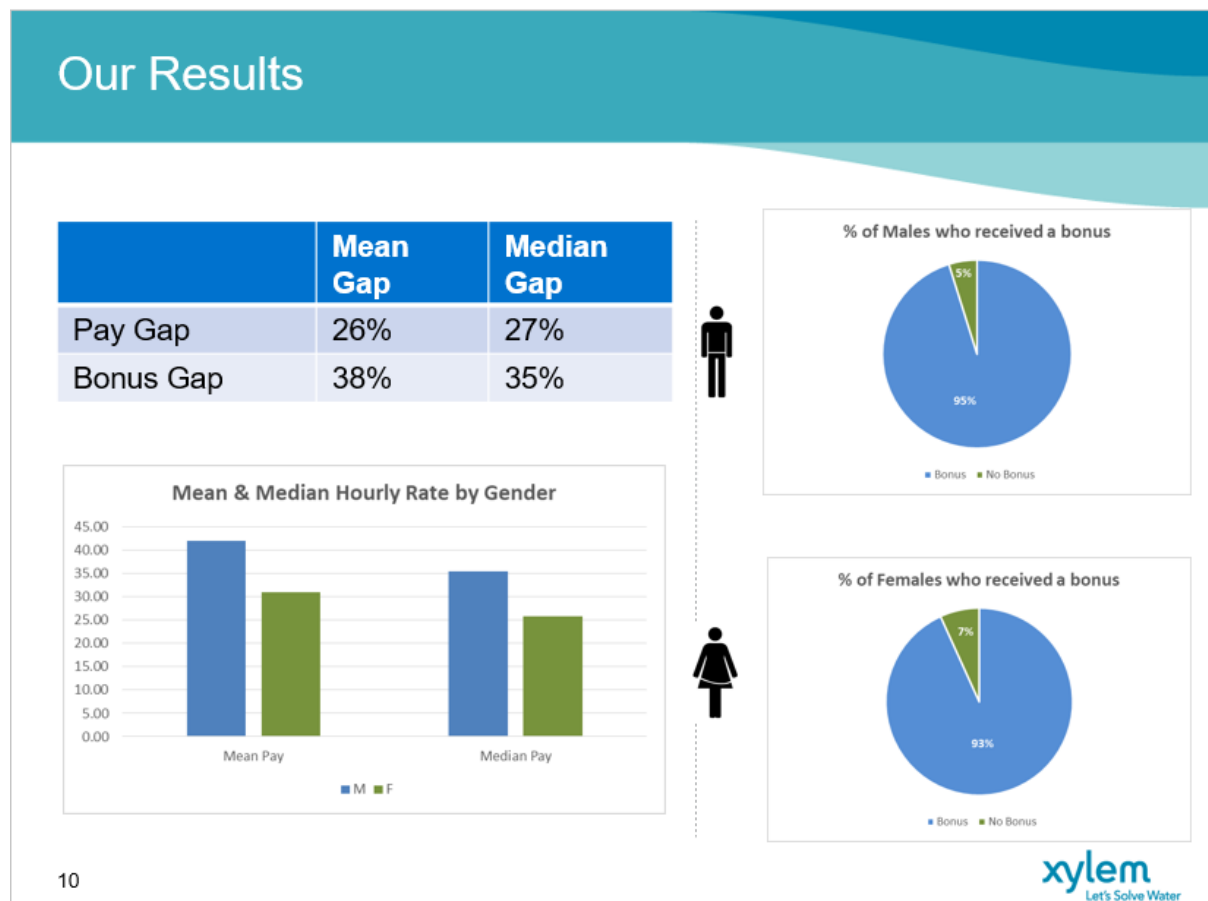
The **mean** is the usual average, so total the value and then divide by the number of elements:
 $(13 + 18 + 13 + 14 + 13 + 16 + 14 + 21 + 13) \div 9 = \mathbf{Mean}$ is 15

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.



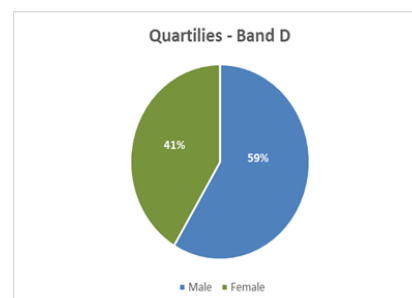
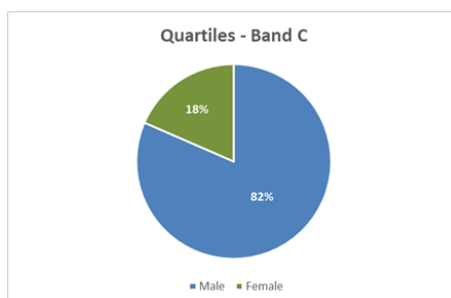
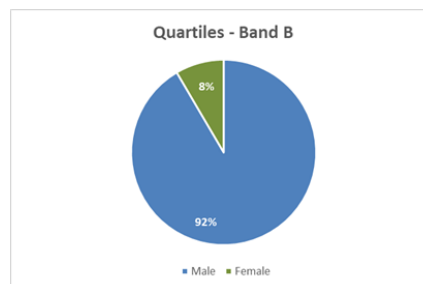
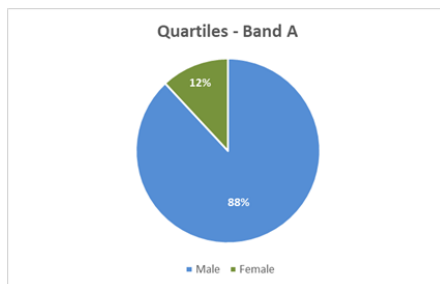
What was included?

Total Employees	518	
Males	414	80%
Bonus Gap	104	20%
Part Time Employees	3%	

Hourly pay:

- Basic pay
- Allowances (first aid, car allowance)
- Holiday pay
- NOT overtime
- Bonus payment (annual lump sum paid in March)

Quartiles



What do the figures mean?

- Our gender pay gap is 27% using data as at April 2020
- The UK National Gender Pay Gap, as reported by the Office of National Statistics 2020, is 15.5%
- Our gap is therefore higher than the national average

Comparison to 2019

- In 2019 our gender pay gap was 10% it has now more than doubled to 27%, this is a reversal to the trend between 2018 and 2019 when the gap decreased by 9.4%
- The UK National Gender Pay Gap, as reported by the Office of National Statistics 2019, was 17.3%. This reflects an ongoing reduction in the national pay gap

- The number of employees has decreased over the 12 months by 7% this has been gender neutral in terms of impact i.e. a relative equal proportion of males and females have left. The breakdown of the workforce in 2019 was crudely an 80/20 split and this has remained the case for 2020.
- The average pay for men in 2019 was £39.58 per hour and in 2020 has increased to £41.42 per hour, whereas for women the average pay was £35.42 per hour in 2019 and decreased to £31.71 per hour for 2020. This reflects an increase in a number of lower paid women joining Xylem
- In 2019 there were 54 male employees who because of their length of service were ineligible for a bonus payment. This meant that they did not earn sufficient in that year to qualify for the top quartile for pay. The majority (80%) of these employees have remained and now have been included in the top 2 quartiles
- Conversely there are a handful of highly paid women who have commenced in 2020 but were not eligible for bonus and therefore did not qualify for the top quartile

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 have identified that 95% of men and 93% of women received a bonus. Those who did not receive a bonus were excluded on the basis of their length of service as they had commenced employment after the cut-off date for eligibility of 1st October 2019.

Comparison

	2019	2020
Male	88%	95%
Female	90%	93%

Pay Quartiles

We've apportioned each employee into a quartile. This was distributed by splitting the entire population into four equal groups from highest to lowest based on earnings.

Comparison

Quartiles	2019 Male	2019 Female	2020 Male	2020 Female
Upper	84%	16%	88%	12%
Upper Mid	75%	25%	92%	8%
Lower Mid	81%	19%	82%	18%
Lower	82%	18%	59%	41%

Why do we have a Gender Pay Gap?

Further detailed examination of the data will be undertaken to forensically understand the reasons for the significant increase in the gender pay gap over the last 12 months. An initial review has identified the following factors:

- Whilst there has been a proportionate ratio of male and female leavers where replacements have been made the trend has broadly been high paid males and lower paid women
- Because the required month for reporting is March this means that the annually paid bonus amount which is also paid every March can skew the data especially as eligibility criteria can

potentially prohibit highly paid employees from being included in the top quartile. In 2020 this disproportionately affected a cohort of newly appointed senior females

- Over 30 males who commenced in 2019 became eligible for bonus in 2020 increasing the proportion of males in the top quartiles
- In 2019, 28 employees working within our Irish team were erroneously included in the data set

Additionally Xylem's pay gap reflects factors which are common to our industry including:

- More men in senior roles/management
- Less women in STEM (science, technology, engineering and maths) roles
- We also have a low proportion of female employees (20%)
- Xylem works within the Manufacturing and Engineering industry, a sector that is traditionally reliant on the knowledge and skills of those from STEM related areas of work. Women make up 24% of all people employed in STEM industries,* demonstrating that women are largely underrepresented within this group

The majority of our female employees operate in Scheduler, Service Coordinator or Administrative roles which attract less pay when compared with the higher paid External Sales roles for example:

- Internal Sales – 65% male vs 35% female
- External Sales – 95% male

There is some inequity in the way in which we are required to do the calculation. The figures include those with a car allowance but not those with a car benefit, so we are only comparing earnings rather than the total reward package someone may receive (pension, benefits, car etc.)

Bonus comments:

- At Xylem Water Solutions every employee is eligible for our discretionary bonus scheme.
- 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
- The scheme is based on company, team and individual financial and project targets. An individual's own performance will influence their exact pay out
- We also made other payments that fall under pay, for example retention payments associated with re-organisation activities in the prior year, or recruitment (recommend a friend) which will distort the data slightly
- When removing the bonus and analysing the gap there has been a percentage drop of 40.74%

How are we addressing the gap?

We are committed to the Equality Act 2010 and ensuring both applicants and employees have equal opportunity and fair treatment.

- At Xylem we conduct our annual merit reviews based on individual performance and review the outcomes for bias
- We have commenced a programme to ensure that all leadership and management recruitments have a diverse slate of applicants in respect to gender
- We are focusing on building a local women's employee network to support and create the right environment for women to grow and flourish within the company
- To ensure that all employees understand the importance of diversity and inclusion in the workplace all meetings start with a diversity and inclusion tip at the beginning

- When hiring we pay with reference to market, skills and qualifications
- We are looking at the overall representation of women in management teams and what we can do to encourage progression via understanding available roles and how we can attract more women
- We are launching a mentoring scheme for employees with high potential and a focus on diversity
- We are actively participating in Recruitment/Career events at local schools, colleges and universities to encourage a STEM (Science, Technology, Engineering and Maths) career
- We are reviewing our talent pipeline through graduate and apprenticeship programmes
- We are cultivating a flexible working culture to enable part time working at all levels
- We are undertaking a review of all female employees pay and grading to ensure that it is fair, equitable and without bias

This data is correct as at April 2020.

Sources:

[*https://www.stemwomen.co.uk/blog/2021/01/women-in-stem-percentages-of-women-in-stem-statistics#:~:text=Since%202016%2C%20the%20number%20of,STEM%20workforce%20in%20the%20UK.](https://www.stemwomen.co.uk/blog/2021/01/women-in-stem-percentages-of-women-in-stem-statistics#:~:text=Since%202016%2C%20the%20number%20of,STEM%20workforce%20in%20the%20UK.)

[**https://www.wisecampaign.org.uk/statistics/updated-workforce-statistics-to-september-2020/](https://www.wisecampaign.org.uk/statistics/updated-workforce-statistics-to-september-2020/)