

Gender Pay Gap Reporting 2023 - Xylem Water Solutions UK Limited

What is it and why are we doing this?

From April 2017 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 in bonus payments.

This Report provides both the statutory disclosures required by law and 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 pay rate 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's and women's earnings where they are doing like-for-like work / a work of equal value. The 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:

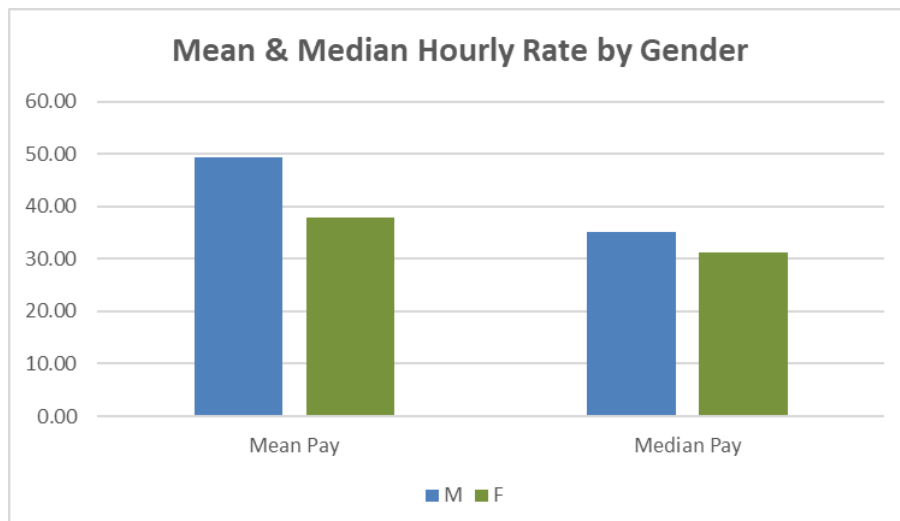
13, 13, 13, 13, 14, 14, 16, 18, 21 = Median is 14

What are our results?

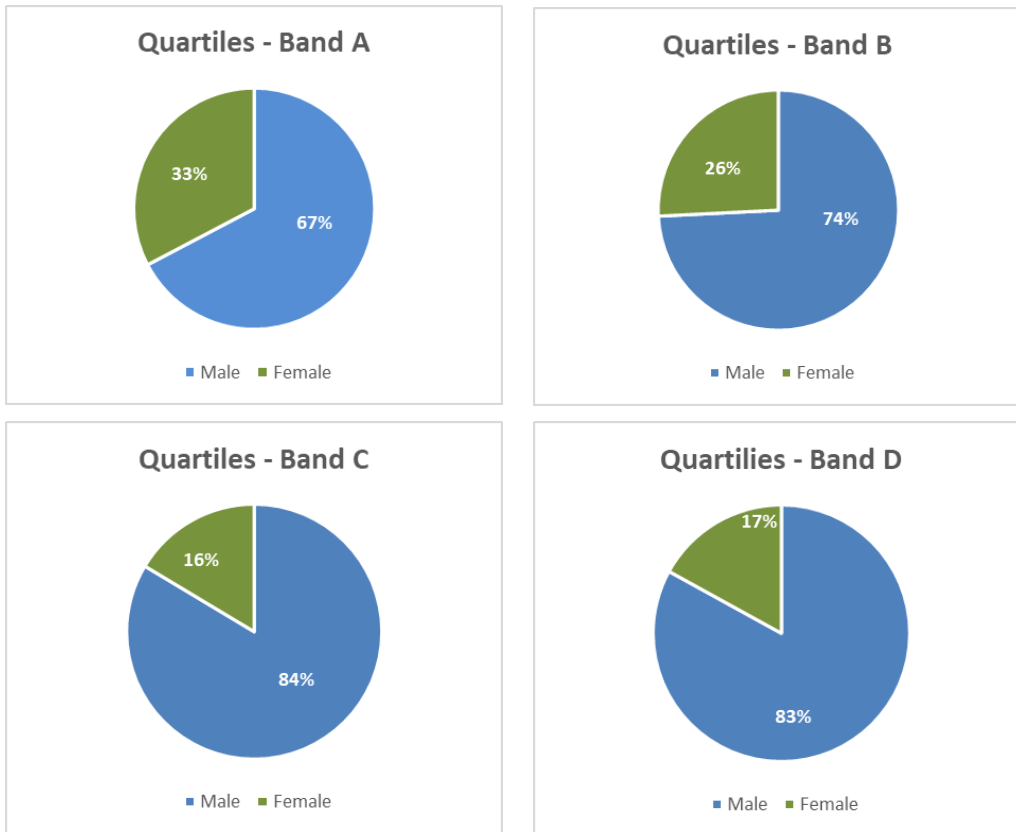
The below table demonstrates what the mean and median gap is with pay and bonus data.

	Mean Gap	Median Gap
Pay Gap	16%	13.6%
Bonus Gap	21.1%	27%

The below table demonstrates what the mean and median gap is in the hourly pay between men and women:



The below charts demonstrate the upper, upper mid, lower mid, and lower quartile bands of hourly pay between men and women:



What do the figures mean?

Our gender pay gap is 16% using April 2023 data. Women are marginally overrepresented in the two upper quartiles in comparison to the lower quartiles.

The UK National Gender Pay Gap, as reported by the Office of National Statistics 2023, is 7.7%. Our gap remains higher than the national average, albeit decreasing.

Comparison to 2022

- In 2022 our gender pay gap was 23%, this has now decreased to 16%.
- The UK National gender pay gap in 2023 increased to 7.7%, up from 7.6% in 2022. This is still below the gap of 9.0% before the coronavirus (COVID-19) pandemic in 2019.
- The Commercial Team workforce has increased by 23.24%. The breakdown of the workforce by gender has broadly remained the same for 2021, 2022, and 2023 with a circa 80/20 split in favour of men.
- The mean pay for men in 2022 was £49.30 per hour and in 2023 it has increased to £49.92 per hour, this is a 1.26% increase. Similarly, for women the mean pay was £37.92 per hour in 2022 and increased to £43.13 per hour for 2023, an increase of 13.74%.
- In order to recruit highly skilled Engineers, it has been necessary to make pay offers at the top of our pay bands. 99% of this cohort are male which reflects labour market supply.

How do we compare to similar businesses?

Employer	Employer Size	% Difference in hourly rate (Mean)	% Difference in hourly rate (Median)
FLOWSERVE INT LTD	250 to 499	12.2%	7.7%
SEVERN TRENT WATER LTD	Not Provided	2.9%	9.4%
GRUNDFOS PUMPS LTD	250 - 499	18%	16%
XYLEM	1000 to 4999	16%	13.6%

Bonus Gap

Regardless of role 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, 89.5% of men and 89% of women received a bonus. Those who did not receive a bonus were ineligible based on their start date after the 1st of October 2022.

This table demonstrates the comparison of the percentage of bonuses paid to women and men in the years of 2022 and 2023:

	2022	2023
Male	94%	89.5%
Female	89%	89%

Pay Quartiles

We have 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.

This table demonstrates the different in the pay quartiles in the years of 2022 and 2023 for both women and men:

Quartiles	2022 Male	2022 Female	2023 Male	2023 Female
Upper	89%	11%	67%	33%
Upper Mid	76%	22%	74%	26%
Lower Mid	77%	19%	84%	16%
Lower	71%	30%	83%	17%

There has been a tripling of the proportion of females in the upper pay quartile which reflects a focus on ensuring we have diverse slates of candidates for senior positions within the company.

The increase in male representation in the lower quartile reflects an increase in headcount in the unskilled technical engineering group who traditionally are predominantly male.

Why do we have a Gender Pay Gap?

In 2022 our gender pay gap was 23%, this has now decreased to 16%, which is encouraging and has reflected the increased focus that has been put on addressing any systemic barriers to ensuring fair pay. Nevertheless, there remain some areas that require continued efforts in particular:

- Continuing to review upper quartile recruitment to ensure we have a diverse slate of candidates.
- Continuing to ensure that access to talent development opportunities and internal promotions are considered through a diversity and inclusion lens.
- Growing our graduate and apprenticeship schemes, focussing on attracting diverse talent.
- Additionally, Xylem's pay gap reflects factors that are common to our industry including:
- More men in senior roles/management.
- Fewer women in STEM (science, technology, engineering, and maths). *
- We also have a low proportion of female employees (23%).
- Xylem works within the Manufacturing and Engineering industry, a traditional sector. reliant on the knowledge and skills of those from STEM-related areas of work. Women make up 26% of all people employed in STEM industries, demonstrating that women are marginally underrepresented within this group. **

Most of our female employees operate in Scheduler, Service Coordinator, Entry Level Finance positions or administrative roles which attract less pay when compared with the higher-paid External Sales and professional engineering roles.

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 a discretionary bonus scheme.

- There will be people who did not receive payment as they did not qualify either due to the 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 payout.
- 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.

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. Detailed guidance is provided to managers.
- We are continuing with a programme to ensure that all leadership and management recruitments have a diverse slate of applicants in respect to gender.
- To ensure that all employees understand the importance of diversity and inclusion in the workplace all meetings start with a diversity and inclusion tip.
- In 2023 we ran in depth training regarding harassment and discrimination for our managers.

- Additionally, we have started rolling out a skilled-based programme on fair and effective recruitment.
- When hiring we pay with reference to market, skills, and qualifications rather than current salary to avoid continuing gender bias from other employers.
- We have launched a mentoring scheme for employees with high potential and a focus on diversity. Additionally, we are actively participating in the 30% club.
- 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 have reviewed and expanded our talent pipeline through graduate and apprenticeship programmes focussing on attracting diverse and marginalised talent within this sector.
- We continue to cultivate a flexible working culture to enable part-time working at all levels.

Sources:

Women In STEM Statistics: Progress and Challenges - (www.Stemwomen.com) *

Resources & Statistics - WISE (wisecampaign.org.uk) **