



CHAMPIONING DIVERSITY

AT PENNON

2019

MAKING GENDER EQUALITY AND DIVERSITY COUNT

From April 2018, the reporting of Gender Pay Gaps (GPG) became mandatory for larger companies, in a move that sought to bring greater transparency to the way in which men and women are rewarded. This is the second year of reporting our gender pay gap across the Group.

As with last year, we welcome the opportunity to provide clarity on why there are differences and that has led us to continue to think differently about diversity.

As a Group that operates in traditionally non-diverse sectors, we are well aware of the impact our own practices may have with relation to gender, as well as the broader issue of race and ethnicity. Whilst we are pleased to see a reduction over the year we are not complacent as we know this figure fluctuates year on year based on many variables.

As Group Human Resources Director for Pennon, I, Adele Barker, can confirm that the information contained herein is accurate.



Adele Barker, Group Human Resource Director, Pennon



WHAT IS THE GENDER PAY GAP?

Not to be confused with **equal pay**, which has been law for 47 years and requires that men and woman doing the same job are paid the same salary, **the gender pay gap** is the difference in average hourly earnings between male and female staff members.

The national average GPG is currently 17.9% less for women than for men (April 2018).

FAQS

If men and women are paid equally, why does such a gap exist?

A pay gap can easily occur when there are more men in senior leadership roles and greater numbers of women further down the pay scale. UK figures also show us that more women are typically employed in part-time roles, which naturally result in fewer hours.

How is a gender pay gap calculated?

There are two key measures. The first is 'mean pay gap', which is a comparison between the average female employee salary and the average male employee salary. The second is 'median pay gap'. In this calculation, the salaries of all female employees are listed from lowest to highest, and the middle one is compared to the equivalent middle salary on the male list.

Are bonuses included?

No, but they do also need to be included in gender pay gap reporting. Mean and median bonus payments should be calculated over a 12-month period in the same way as basic salaries.



GENDER PAY GAP (GPG) REPORTING

Since 4 April 2018, employers in Great Britain with more than 250 staff have been required by law to publish the following four types of figures annually on their own website and on a government website:

- Gender pay gap (mean and median averages)
- Gender bonus gap (mean and median averages)
- Proportion of men and women receiving bonuses
- Proportion of men and women in each quartile of the organisation's pay structure

Are there any other measures that need to be reported?

Yes, the final calculation required is 'pay quartiles', which list rates of pay for men and woman from low to high. Each list is then divided into quarters to work out how many employees are in each one.

Why does any gender pay gap exist within the Pennon Group?

The industries we operate in have traditionally seen more men in senior, or highly-paid roles, which has contributed to our gender pay gap.

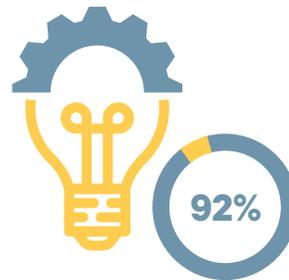
OUR LATEST GENDER PAY GAP REPORT

At Pennon, we view gender pay gap reporting as an opportunity to gather valuable insight to better understand our organisation and encourage us to think a little bit differently.

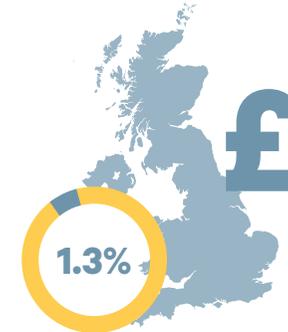
We're not looking to simply focus on the why, but also on the improvements that we can make to ensure that we truly represent a great place to work.

WHY GENDER EQUALITY & DIVERSITY MATTERS

Having a more diverse structure benefits everyone – employees, customers and shareholders alike, with a strong business case for ensuring a better balance.



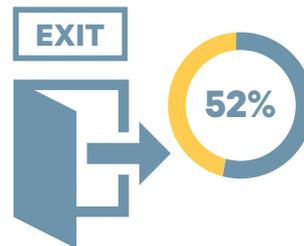
Research conducted by Business in the Community found 92% of female respondents would use GPG data to choose between two potential employers.



The potential benefit to the UK economy from full representation of BME (Black and Minority Ethnic) individuals is estimated to be £24 billion a year, which represents 1.3% of GDP.

“I think of the gender pay gap as being an intelligent summary – a measure of all those systemic issues going on. It could be a very good indicator of where to focus strategically and [identifying] the untapped potential”

Jana Javornik, Director of the Noon Centre for Equality and Diversity in Business at the University of East London.



Over half of BAME employees believe they would need to leave a company to progress.

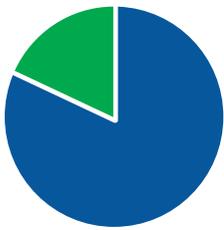


4 in 10 women would consider leaving a company if it reports a problematic gender pay gap.

WHERE WE ARE TODAY

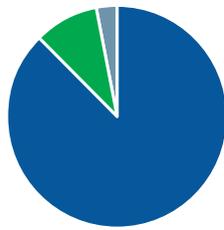


**Pennon Group
Gender Split 2018**



● Male **79.45%**
● Female **20.55%**

**Pennon Group
BAME Split 2018**

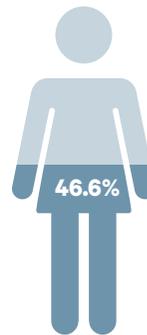


● White British **87.75%**
● Not Specified **9.46%**
● BAME **2.79%**

**A higher percentage of women
than men were paid a bonus last year**

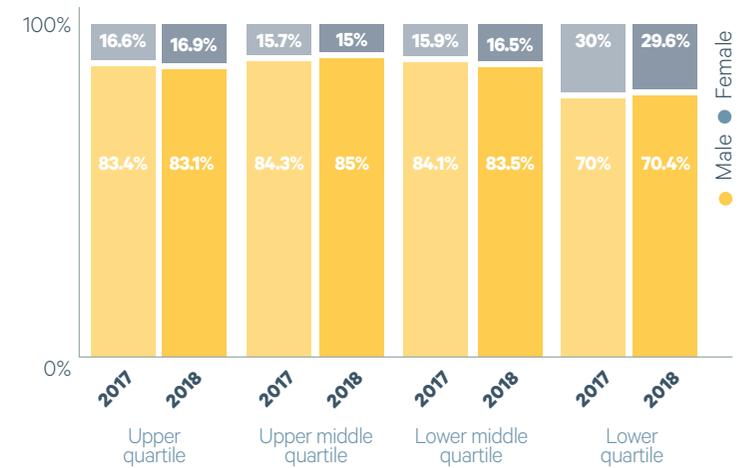


A year on year
difference of **-1.5%**



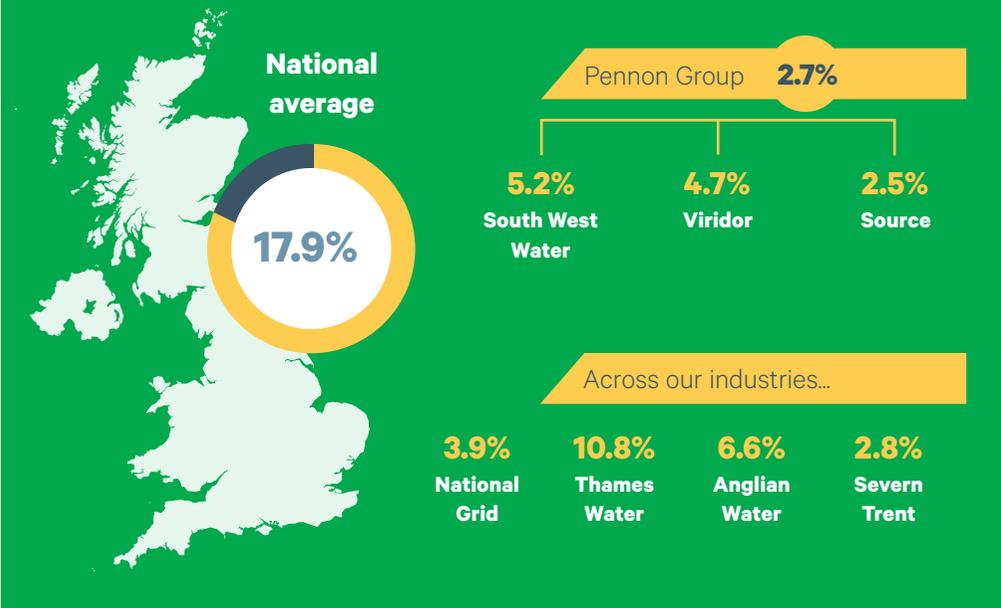
A year on year
difference of **-1.9%**

We have more men in senior roles



WHERE WE ARE TODAY

CURRENT GENDER PAY GAP



EQUAL BONUSES

The proportion of males receiving a bonus compared to females is relatively consistent across all parts of the Group, with the exception of Viridor, where fewer employees overall receive bonuses, and more eligible employees are male.



WHAT YOU TELL US...

Last year, we partnered with a new supplier, Great Place to Work, to improve our understanding of diversity in our employee engagement survey. The latest set of results show increased satisfaction in questions relating to social inclusion and diversity.



of employees believe they are treated fairly regardless of their race or ethnic origin



of employees believe they are treated fairly regardless of their sexual orientation



of employees believe they are treated fairly regardless of their sex



of employees believe they are treated fairly regardless of their age

¹ [Why diversity matters, by Vivian Hunt, Dennis Layton, and Sara Prince, January 2015, www.mckinsey.com]

OUR STORY SO FAR...

We're already making progress towards a more diverse future.



WAYS WE'VE ALREADY MADE PENNON MORE DIVERSE

1 GROUP EQUALITY WORKING GROUP

We have established a cross Group Equality Working Group. This comprises self-nominated individuals across Pennon, at all levels, who have expressed an interest in making a difference to this agenda. So far, the Working Group has driven the development of quarterly reporting, conducted benchmarking research across the FTSE 250 and ensured the inclusion of female sizing for PPE.



5 OUR EMERGING TALENT PROGRAMMES

As well as achieving a 70:30 male female split in our apprenticeship programme, we have now doubled the size of our graduate intake, targeting women and individuals from diverse ethnic backgrounds, achieving a 66% male 34% female gender split.



2 RWS LANGUAGE SOLUTIONS



Within Viridor, we employ a diverse workforce representing more than 30 different nationalities. Back in April 2017, we established a partnership with RWS Language Solutions to provide interpretation and translation services. This has been seen as an important step forward in ensuring that language is not seen as a barrier to work and that crucial guidelines and safety advice is understood.

3 WOMEN IN WATER NETWORK

South West Water has signed up to the Women in Water Network, an initiative from British Water that aims to identify ways to support women in their careers.



4 TAMAR ENGINEERING PROJECT

We are actively engaged in supporting the TAMAR engineering project, sponsoring degrees for students from disadvantaged backgrounds and active mentoring of students by senior business leaders.



6 ENERGY & UTILITY SKILLS DIVERSITY AND INCLUSION COMMITMENT

We have signed up to the Energy & Utility (EU) Skills Diversity and Inclusion Commitment, which works across the sector to drive change and focus on inclusion.



EXPANDING OUR HORIZONS

As a Group, we believe that improving our overall diversity holds the key to closing the gender pay gap.

Whilst we are beginning to see improvements in our diversity, we do not intend to become complacent. Our aim is to put ourselves in a prime position to attract, and retain, the top talent from across our sectors. By appealing to a wider range of audiences, we should further improve our diversity mix.

Diversity is a priority of the people strategy, and we have a range of activity happening in 2019 (and beyond) to ensure that this remains on the agenda across the Group.

6 WAYS WE AIM TO PUT PENNON ON THE MAP FOR DIVERSITY

1 BY ESTABLISHING QUARTERLY REPORTING

We will start reporting on our diversity numbers by organisation and level on a quarterly basis to make sure we keep our focus on improving the landscape.



5 FOCUSING ON RECRUITMENT

We have instigated a review of our wider recruitment practice and advertising with a diversity and inclusion lens.



2 SET UP OF A DIVERSITY AND INCLUSION STEERING GROUP

We will be expanding the membership of the Working Group and setting up an Executive sponsored steering group to drive the strategy across Pennon.



3 DIVERSITY, INCLUSION AND RESPECT POLICY

We want to do more with the policy that we revised last year, and will be working with the Viridor Voice Forums, and the South West Water Employee Engagement Forum to work out how we do this in an engaging and interactive way.



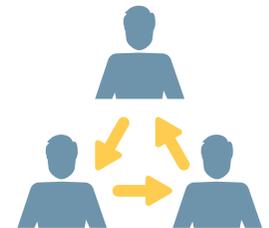
4 30% CLUB MENTORING PROGRAMME

As part of our 30% club membership we will be working to identify candidates for their cross company mentoring programme.



6 EXPANDING OUR FOCUS

As part of the development of a wider Diversity and Inclusion Strategy, we will explore strategic partnerships with disability and LGBTQ organisations (e.g. Stonewall) during the 2019/20 financial year, and conduct a disability audit to better understand our performance and challenges in this space.



BREAKDOWN OF OUR GENDER PAY GAP

	Mean gender pay gap in hourly pay % (2017)	Mean gender pay gap in hourly pay % (2018)	Mean Year on year difference in mean GPG %	Median GPG in hourly pay % (2017)	Median GPG in hourly pay % (2018)	Median Year on year difference in median GPG %	Proportion of Males who received bonus in previous 12 months (2018) %	Proportion of Females who received bonus in previous 12 months (2018) %	Mean bonus gender pay gap % (2018)	Median bonus gender pay gap % (2018)
Pennon plc.	41.3	29.3	-12	57.4	18.6	-38.8	61.4	57.6	49.4	73.1
Pennon Water Services	16.7	18.8	+2.1	14.1	9.3	-3.5	70.9	77.4	61.9	0.0
Source	2.6	2.5	-0.1	-1.2	2.1	+3.3	78.6	82.3	3.6	8.5
South West Water	4.0	5.2	+1.2	10.1	9.3	-0.8	91.6	85.9	25.8	0.0
Viridor	6.9	4.7	-2.2	3.6	6.1	+2.5	26.1	9.8	7.1	-1.3
Pennon Group	5.5	2.7	-2.8	9.7	8.7	-1.1	45.8	46.6	26.4	9.1

2018	Upper quartile % of males	Upper quartile % of females	Upper middle quartile % of males	Upper middle quartile % of females	Lower middle quartile % of males	Lower middle quartile % of females	Lower quartile % of males	Lower quartile % of females
Pennon plc.	64	36	30.8	69.2	60	40	19.2	80.8
Pennon Water Services	90	10	61.9	38.1	61.9	38.1	50	50
Source	54.1	45.9	48.4	51.6	43.5	56.5	53.2	46.8
South West Water	78.2	21.8	87	13	84.6	15.4	64.6	35.4
Viridor	88.7	11.3	85.5	14.5	87	13	79.4	20.6
Pennon Group	83.1	16.9	85	15	83.5	16.5	70.4	29.6

Percentages rounded to 1 decimal place