Spirax-Sarco Engineering plc Gender Pay Gap Report 2017

Background:

In accordance with the Equality Act 2010 (Gender Pay Gap Information) Regulations 2017, which came into force on 6th April 2017, all UK subsidiaries of Spirax-Sarco Engineering plc employing 250 or more people are required to publish gender pay gap data on their website, on an annual basis.

Spirax-Sarco Engineering plc has three UK subsidiaries which meet the statutory reporting threshold: Spirax Sarco Ltd¹, Watson-Marlow Ltd and Aflex Hose Ltd. Two UK subsidiaries (BioPure Technology Ltd and VCE Ltd) do not meet the statutory reporting threshold and are not reported separately. We have chosen to voluntarily disclose consolidated Group figures for Spirax-Sarco Engineering plc’s entire UK workforce and consolidated figures for Watson-Marlow Fluid Technology Group’s UK workforce.

Total number of employees

The hourly gender pay gap contained in this Report was calculated as at 5th April 2017 and bonus data from bonuses paid in the 12 months prior to that date. On 5th April 2017, Spirax-Sarco Engineering plc’s UK operations employed 1,546 people of whom 1,228 were male (79%) and 318 were female (21%).¹

Definitions:

Unlike equal pay data, which considers the differences in pay between men and women carrying out similar jobs or work of equal value, the gender pay gap is a measure of the difference in the average earnings of men and women across the company as a whole, irrespective of role. Positive gender pay gap figures denote higher male earnings, while negative figures denote higher female earnings.

Spirax-Sarco Engineering plc, consolidated data for all UK operations: ²

<table>
<thead>
<tr>
<th></th>
<th>Difference between men and women</th>
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<tbody>
<tr>
<td></td>
<td>Mean</td>
<td>Median</td>
</tr>
<tr>
<td>Hourly fixed pay gap</td>
<td>17.4%</td>
<td>21.1%</td>
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<tr>
<td>Bonus pay gap</td>
<td>54.2%</td>
<td>43.8%</td>
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</table>

Proportion of employees who received a bonus for 2016 (%)

¹ For the purpose of this Report, three Executive Directors employed directly by Spirax-Sarco Engineering plc and five employees of VCE Ltd have been included in the Spirax-Sarco Ltd figures.

² Consolidated data includes employees of Spirax-Sarco Ltd (including three Directors of Spirax-Sarco Engineering plc and five employees of VCE Ltd), Watson-Marlow Ltd, Aflex Hose Ltd and BioPure Ltd.
Analysing Spirax-Sarco Engineering plc’s UK pay gap:

The average hourly pay of males is 17.4% higher than that of females in Spirax-Sarco Engineering plc’s UK operations. This is primarily because there is less female representation in the upper pay bands within Spirax-Sarco Engineering plc compared to the lower pay bands.

The UK Office for National Statistics estimates a 17.4% mean gender pay gap across all industries in 2017; therefore, our mean gender pay gap is in line with the national average.3

Spirax-Sarco Engineering plc is an equal opportunities employer. Therefore, we believe that the gender pay gap disclosed in this Report reflects structural differences in the level and types of jobs carried out by males and females within our workplaces. Our remuneration practices are designed to reward and recognise the contribution of all employees, and be free of gender bias. We complete a regular salary benchmarking exercise, using external agencies and consultants, to help standardise and inform pay recommendations.

In total, 83% of male and 77% of female employees received bonuses in the 12 months to 5th April 2017, with male bonus earnings being 54.2% higher on average. Again, this reflects the lower proportion of women in senior management positions.

How Spirax-Sarco Engineering plc is addressing its UK gender pay gap

According to a 2017 report by the Institution of Mechanical Engineers, women account for only 9% of the engineering workforce in the UK.4 The gender imbalance and structural workforce challenges that we face are symptomatic of a number of wider issues within UK society, such as the underrepresentation of females studying STEM (Science, Technology, Engineering and Mathematics) subjects at university and going into STEM careers, entrenched gender stereotypes associated with certain roles, the continuing predominance of females acting as primary childcare provider and the attendant likelihood of females working reduced hours.

We seek to challenge entrenched gender stereotypes around the roles of men and women in the workplace, with the aim of encouraging more females into engineering and STEM careers.

We have an active early careers programme, which includes regular engagement with local schools; participation in, and hosting of, International Women in Engineering Day events; sponsorship of the Cheltenham Science Festival and the Cheltenham Science Group; attending careers fairs; and offering apprenticeship, Year in Industry and Graduate recruitment and employment programmes, all of which

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4 Institution of Mechanical Engineers, “Stay or Go? The Experience of Female Engineers in Early Career”, July 2017
are designed to break down gender stereotypes and raise awareness of engineering as a career for both males and females.

We aim for continuous improvement in our employment practices and seek to advance, appoint or externally recruit females into senior management positions within the Group. It is our policy to consider overall Board and Executive balance and diversity when appointing new Directors and senior leaders. We also offer practical support for the Department for Business Innovation and Skills’ “Women on Boards” initiative by encouraging two females from our senior management team to serve as Non-Executive Directors on other company Boards.

During 2017 we commenced a review of our UK employment practices and working culture. As part of this review we have conducted interviews with female employees to determine what, if any, barriers there are to progression within the Company. The purpose of the review is to provide information from which we will identify further actions that we can take, over the coming years, to increase female representation within the business as a whole and at senior management levels in particular, and to identify opportunities to increase flexibility and promote more agile, “family friendly” working practices for all employees, irrespective of gender.

The gender pay gap won’t close overnight, but through the actions described above we demonstrate our commitment to ensuring fair and equal representation and pay for all of our colleagues within our businesses.

Statement:

The data contained in this Report, including the reports of Spirax-Sarco Ltd, Watson-Marlow Ltd and Aflex Hose Ltd, as well as the consolidated Spirax-Sarco Engineering plc and Watson-Marlow Fluid Technology Group reports, has been calculated using the mechanisms set out in the gender pay gap reporting legislation, in line with mandatory requirements, and reviewed by external consultants Willis Towers Watson, and is accurate at the time of publishing.

Signed,

Jim Devine

Group HR Director, Spirax-Sarco Engineering plc

19th February 2018
Spirax-Sarco Ltd

On 5th April 2017, Spirax-Sarco Ltd comprised 946 employees of whom 749 were male (79%) and 197 were female (21%).

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<td></td>
<td>Mean</td>
<td>Median</td>
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<tr>
<td>Hourly fixed pay gap</td>
<td>24.4%</td>
<td>26.8%</td>
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<tr>
<td>Bonus pay gap</td>
<td>61.6%</td>
<td>45.8%</td>
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Proportion of employees who received a bonus for 2016 (%)

- **Males**: 96%
  -Received a bonus: 96%
  -Did not receive a bonus: 4%

- **Females**: 89%
  -Received a bonus: 89%
  -Did not receive a bonus: 11%

Proportion of males and females in each pay quartile (%)

- **Upper quartile pay band**: 89%
  -Males: 11%
  -Females: 78%

- **Upper middle quartile pay band**: 89%
  -Males: 11%
  -Females: 78%

- **Lower middle quartile pay band**: 73%
  -Males: 32%
  -Females: 41%

- **Lower quartile pay band**: 68%
  -Males: 32%
  -Females: 36%

Analysing Spirax-Sarco Ltd’s gender pay gap

Spirax-Sarco Ltd’s gender pay gap data is similar to Spirax-Sarco Engineering plc’s consolidated data. As with the Group figures, the key contributing factor affecting of the gender pay gap for both hourly rates of pay and bonus pay is the higher proportion of women in the lower pay bands compared to the proportion of women in the higher pay bands.

The slightly higher pay gap in the mean and median hourly rates of pay and bonuses is primarily a result of the inclusion of Spirax-Sarco Engineering plc Executive Directors and the senior managers of a number of Group functions in the Spirax-Sarco Ltd data. The inclusion of these senior managers in the smaller data set serves to widen the pay gap.

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5 Spirax-Sarco Ltd’s data includes three Spirax-Sarco Engineering plc Executive Directors.
On 5th April 2017, Watson-Marlow Fluid Technology Group employed 595 people in the UK, of whom 475 were male (80%) and 120 were female (20%).

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<th>Median</th>
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<tbody>
<tr>
<td>Hourly fixed pay gap</td>
<td>1.9%</td>
<td>-2.2%</td>
</tr>
<tr>
<td>Bonus pay gap</td>
<td>18.8%</td>
<td>0.0%</td>
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</table>

Proportion of employees who received a bonus for 2016 (%)

- **Males**: 65% (35 received a bonus, 65 did not receive a bonus)
- **Females**: 58% (42 received a bonus, 58 did not receive a bonus)

Proportion of males and females in each pay quartile (%)

- **Upper quartile pay band**
  - Males: 86%
  - Females: 14%
- **Upper middle quartile pay band**
  - Males: 73%
  - Females: 27%
- **Lower middle quartile pay band**
  - Males: 78%
  - Females: 22%
- **Lower quartile pay band**
  - Males: 85%
  - Females: 15%

Analysing Watson-Marlow Fluid Technology Group’s UK gender pay gap

At 1.9%, Watson-Marlow Fluid Technology Group’s mean hourly gender pay gap is significantly lower than the national average. This is a result of there being similar proportions of women in the higher pay bands as the lower pay bands.

Watson-Marlow’s Executive Committee comprises five males and two females. Of the males, two are paid outside of the UK and so are excluded from the data set. The combination of a higher percentage of female senior managers in the data set and a number of male senior managers being employed outside the UK, serves to further reduce the gender pay gap.

6 The consolidated data for Watson-Marlow Fluid Technology Group includes Watson-Marlow Ltd, Aflex Hose Ltd and BioPure Technology Ltd.
Watson-Marlow Ltd

On 5th April 2017, Watson-Marlow Ltd employed 288 people, of whom 221 were male (77%) and 67 were female (23%).

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<tr>
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<th>Median</th>
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<tbody>
<tr>
<td>Hourly fixed pay gap</td>
<td>6.5%</td>
<td>18.8%</td>
</tr>
<tr>
<td>Bonus pay gap</td>
<td>-35.2%</td>
<td>0.0%</td>
</tr>
</tbody>
</table>

Proportion of employees who received a bonus for 2016 (%)

- **Males**: 97%
- **Females**: 96%

Proportion of males and females in each pay quartile (%)

- **Upper quartile pay band**
  - Males: 19%
  - Females: 13%

- **Upper middle quartile pay band**
  - Males: 81%
  - Females: 87%

- **Lower middle quartile pay band**
  - Males: 34%
  - Females: 66%

- **Lower quartile pay band**
  - Males: 24%
  - Females: 76%

Analysing Watson-Marlow Ltd’s gender pay gap

Watson-Marlow Ltd’s mean hourly pay gap is considerably lower than the Spirax-Sarco Engineering plc consolidated figure, and also the national average, at 6.5%. Bonus pay is 35.2% higher for females than for males. A number of female senior managers in Watson-Marlow Ltd serve to lower the gender pay gap and increase the average bonus pay for females.
Aflex Hose Ltd

On 5th April 2017, Aflex Hose Ltd employed 259 people, of whom 224 were male (86%) and 35 were female (14%).

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<tr>
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<th>Mean</th>
<th>Median</th>
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<tbody>
<tr>
<td>Hourly fixed pay gap</td>
<td>2.9%</td>
<td>-3.5%</td>
</tr>
<tr>
<td>Bonus pay gap</td>
<td>46.8%</td>
<td>-325.0%</td>
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Proportion of employees who received a bonus for 2016 (%)

<table>
<thead>
<tr>
<th>Gender</th>
<th>Received a bonus (%)</th>
<th>Did not receive a bonus (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Males</td>
<td>40%</td>
<td>60%</td>
</tr>
<tr>
<td>Females</td>
<td>17%</td>
<td>83%</td>
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Proportion of males and females in each pay quartile (%)

<table>
<thead>
<tr>
<th>Quartile</th>
<th>Males</th>
<th>Females</th>
</tr>
</thead>
<tbody>
<tr>
<td>Upper quartile pay band</td>
<td>16%</td>
<td>84%</td>
</tr>
<tr>
<td>Upper middle quartile pay band</td>
<td>12.5%</td>
<td>87.5%</td>
</tr>
<tr>
<td>Lower middle quartile pay band</td>
<td>12%</td>
<td>88%</td>
</tr>
<tr>
<td>Lower quartile pay band</td>
<td>11%</td>
<td>89%</td>
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Analysing Aflex Hose Ltd’s gender pay gap

Aflex Hose Ltd’s mean hourly pay gap is significantly lower than the national average at just 2.9%, while median hourly pay is 3.5% higher for females than males. The narrowness of Aflex’s gender pay gap is primarily structural in nature. While males outnumber females in all quartiles of the workforce, female representation is highest in the upper pay quartile at 16%, with only 11% of employees in the lower pay quartile being female, which serves to inflate the female average pay in comparison to males. A small number of higher-earning females serve to reduce the hourly pay gap.

The median bonus is significantly higher (325%) for females than for males. A small number of females received a bonus in the reporting period and they had a relatively high median bonus pay. More males than females received bonuses and male bonuses were spread across a much wider value range, with a larger proportion of them receiving lower bonuses, giving a lower median bonus for males than females.