

QINETIQ

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Gender Pay Gap Report 2018

QinetiQ Ltd

QinetiQ

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As part of the Government's commitment to tackle workplace discrimination, all UK companies with 250 or more employees are required to disclose their gender pay gap.

Annually, companies must report on their gender pay gap. This comprises of four different measures: the mean and median gender pay gap in hourly pay; the mean and median bonus gender pay gap; the proportion of men and women who receive a bonus; and the distribution of men and women across pay quartiles.

The gender pay gap is different to equal pay. Equal pay is when men and women in a company are paid the same when they are doing the same work, at the same level. In comparison, the gender pay gap is a measure of the difference between the mean and median hourly earnings of women and men, so compares the hourly earnings across a range of roles and levels.

We are committed to equal pay and to closing the gender pay gap.

Message from our Chief Executive Officer

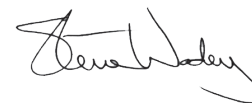
The Government initiative on gender pay gap reporting has started a healthy debate and created greater transparency within industry.

This is our second Gender Pay Gap Report, and we remain committed to making progress to close the gap. It's part of our plan to create a diverse and inclusive QinetiQ; where our differences are not only embraced, but make us stronger.

We have a Diversity & Inclusion (D&I) strategy and programme, the aim of which is to ensure our ways of working mean that everyone can contribute to the best of their ability. We are focused on creating a culture where our people work together and learn from each other; enabling each of us to realise our full potential.

Our gender pay gap for 2018 is 16.6%. The reasons for the gap remain the same, being primarily driven by the proportion of men who have senior roles. We recognise that improving our pay gap will not happen overnight but we are committed to making progress; not because we have to report on it, but because we believe it is the right thing to do for our people and it is fundamental to creating an innovative, sustainable and high performance culture. We have recently seen some success in Australia being awarded Employer of Choice for Gender Equality – but we know there is more to do to embed improvement across our business.

We take the issues of gender and diversity seriously and I look forward to working with colleagues as we strive to deliver a more inclusive company.



Steve Wadey



The QinetiQ gender pay gap

Our gender pay gap¹ is as follows:



Gender pay gap across all QinetiQ employees in the UK:

Mean

16.6%

Median

19.1%



The bonus gender pay gap in QinetiQ is:

Mean

30.7%

Median

21.0%



Proportion of UK employees in receipt of a bonus payment:

Men

34.4%

Women

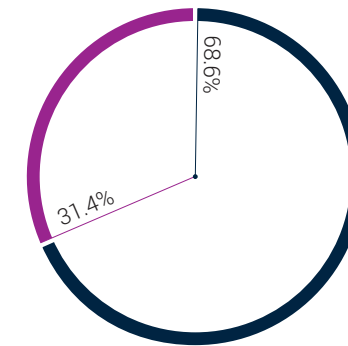
35.6%

¹ calculated as required by the legislation, see Appendix for an explanation of the terms

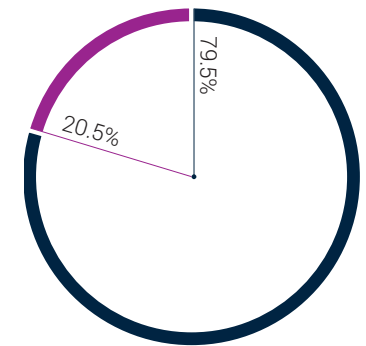
The quartile pay distribution in QinetiQ is:

Quartile pay distribution is the proportion of men and women in each 25.0% (quartile) of our pay structure.

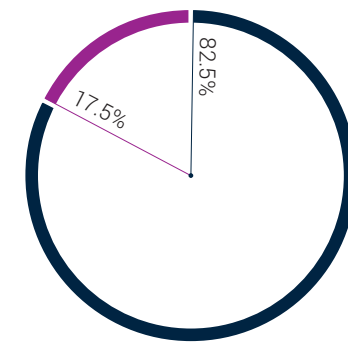
Lower quartile



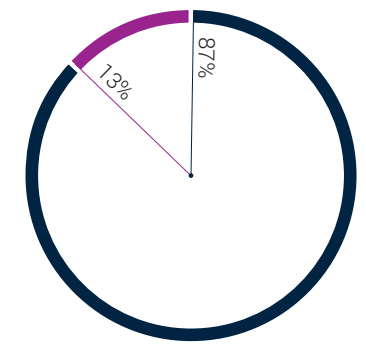
Lower middle quartile



Upper middle quartile



Upper quartile



● Male
● Female

Why do we have a gender pay gap?

We employ significantly more men than we do women. This is not uncommon in companies which employ a large proportion of people with expertise in science, technology, engineering and maths, where there is a historical gender bias.



In 2018, women accounted for

20.6%

of our QinetiQ Ltd workforce

983

out of a total of 4,773; and

15.9%

of senior management roles

When we look at the salaries we pay our men and our women, the difference in mean and median pay is due primarily to our employee profile; more men being in senior, higher paid roles and with only 15.9% of senior management roles held by women.

Since we published last year we reviewed and updated our methodology and so have made some changes to the numbers we published last year. Predominantly, the changes are a result of a better understanding of the regulations and legal advice on the treatment of certain items such as allowances. Comparison numbers used here are the updated values.

Data from the Office of National Statistics² indicates that the gap in mean pay between men and women is 17.9% at 31 March 2018; our mean for 2018 has increased from 14.3% to 16.6%, but is lower than the national average.

With respect to the bonus calculations, we anticipated and have seen an increase in the mean bonus (from 21.2% to 30.7%) due to some changes in the male/female makeup of our executive committee and bonus levels paid to senior executives. The increase in the median (15.6% to 21.0%) though is due to our General Bonus Scheme which is available to all employees paying a percentage of salary and the average male employee being paid more. We have seen an increase in the percentage of both men and women receiving a bonus (to 34.4% and 35.6% respectively).

The quartile distribution shows that we have a higher proportion of women (31.4% up from 28.0%) in lower paid roles. This has been driven by two factors in 2018: firstly we have been focusing on how we increase diversity in our early careers programme and so have seen a small percentage increase in the proportion of women in the lower quartile. Secondly we have also decreased the number of men in this quartile following the outsourcing of our guard force.

² <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/bulletins/genderpaygapintheuk/2018>, cited February 2019. Note: This is calculated on a slightly different basis from the gender pay gap analysis, as it is the average hourly pay of women compared to men in the Annual Survey of Earnings and Hours

What is QinetiQ doing to reduce the gender pay gap?

Activities to reduce our gender pay gap form part of a wider D&I programme where we have a number of interventions in place:

Encouraging more women into technical and engineering roles

- Actively supporting campaigns such as International Women in Engineering Day (we are corporate sponsors), and the Wise Ten Steps and the Year of Engineering
- Targeting activities through our 'girls in STEM' working group throughout the year; 31% of our STEM ambassadors are female and are key role models
- Sponsor of the Innovation Award in Women in Defence
- Founding Member of The 5% Club which has campaigned on diversity

Improving recruitment

- Providing unconscious bias training for our interviewers
- Gathering data to better understand diversity in the market and potential pipeline
- Considering all new roles as potentially 'part-time' as the default approach

Improving training and awareness

- Providing mandatory D&I training for all employees and unconscious bias training for key roles
- Embedding diversity and inclusion into our manager and leadership training
- Creating a new D&I resource hub on our online learning zone
- Building our employee networks and delivering a new mentoring and coaching strategy

Focusing on our senior talent pipeline

- Widening our programme around talent and succession for senior leaders and have a far greater understanding now of our male/female pipeline

Improving reward and recognition

- Introducing an All Employee Incentive Scheme that provides all employees with an equal opportunity to receive a bonus of a fixed value

Participating in benchmarking and collaboration

- Using specialist benchmarking tools and as part of an industry exercise
- Active participating in expert networks to share best practice within our industry and other sectors
- Taking part in the Royal Academy of Engineering Culture programme.

Our action plan has been focusing on these interventions and we will be reviewing flexible working practice and family friendly policy next.

D&I strategy

The initiatives described above forms part of our wider Inclusion 2025 strategy; supported by our D&I Steering Group, which is chaired by our Group HR Director. We discuss strategy and plans with our Board regularly. We have a clear roadmap and desire to improve diversity and inclusion; enhancing business performance and creating a stronger company.

We recognise that some positive activities, such as attracting more women onto our graduate and apprentices programmes, will increase the proportion of women on lower salaries at the start of their careers.

This may have a negative impact on our gender pay gap in the short-term. However, this is clearly the right thing to do. We have seen an increase in the percentage of women joining our early careers programme during the last three years and are keen to progress this further.

We know that closing the gap will take some time and, due to in-year changes within our business, we are likely to see fluctuations in our numbers year on year. **We are committed not just to the transparency of reporting, but to closing the gap in a sustainable way.**



Appendix

Methodology

The methodology used is from ACAS; Managing Gender Pay Reporting February 2019. Since we published last year we reviewed and updated our methodology and so have made some changes to the numbers we published last year. Predominantly, the changes are a result of a better understanding of the regulations and legal advice we have received on the treatment of certain items such as allowances.

Scope

The snapshot date for the pay data is 5 April 2018 and relevant bonus period is 6 April 2017 to 5 April 2018. Our report applies to QinetiQ Ltd and does not include some of our UK subsidiaries, which individually have fewer than 250 employees so are exempt from reporting. Figures account for employees who are full-time and part-time (on a full-time equivalent basis), not contractors.

Definitions

- **The mean gender pay gap** is the difference between the mean (average) hourly pay rate for all men in our organisation, and the mean hourly pay rate for all women, expressed as a percentage of the mean hourly rate for men.
- **The median gender pay gap** is the difference between the median (middle) value of hourly pay rates (when ordered from lowest to highest) for all men in our organisation, and the median value of hourly pay rates for all women, expressed as a percentage of the median hourly rate for men.
- **The bonus gender pay gap** is the difference between the mean (average) value of bonuses for all men in our organisation and the mean value of bonuses for all women, expressed as a percentage of the mean bonus for men.
- **Quartile pay distribution** is the proportion of men and women in each 25% (quartile) of our pay structure, calculated by taking all the hourly pay rates, from lowest to highest, for all men and women and dividing them into four equal sections of 25%: lower, lower middle, upper middle and upper.