

# **SMS Plc**

## **Gender Pay Report**

### **2021**

## **Statutory Gender Pay Report**

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## Introduction

The SMS Group welcomes and supports gender pay gap reporting (introduced to increase pay transparency) and is committed to equal opportunities and diversity and inclusion throughout the business.

All companies with 250 or more employees are required to publish their gender pay gap under legislation that came into force from 5 April 2017. Employers must publish the gap in pay between men and women on both a median basis (pay per hour based on the person ‘in the middle’ of the distribution of pay) and a mean basis (average hourly pay). In addition, employers are required to disclose the distribution of gender by pay quartile – in other words splitting the workforce into four groups based on their pay and showing the proportion of men and women in each group. Employers are also required to disclose percentages of staff receiving bonuses by gender and the gender gap on bonuses.

Smart Metering Systems Plc (‘SMS’) and its wider corporate group, operate within both the domestic and industrial & commercial, gas and electricity markets. Within SMS corporate group, CH4 Gas Utility and Maintenance Services Limited (‘CH4’) and SMS Energy Services are the only two companies which fall within the remit of the Regulations and therefore require statutory disclosure. Our gender pay analysis for both companies are included within this document. We have also voluntarily elected to provide a consolidated gender pay gap analysis for the entire SMS group. In addition, the figures for the previous year (2020) are referenced for comparison purposes.

Providing a complete energy service, SMS plc (including its subsidiaries) funds, installs, operates, and manages smart meters and carbon reduction (“CaRe”) assets, including electric vehicle chargers and battery storage systems, which together facilitate a smarter, greener, and more flexible energy system. Accordingly, a vast number of our employees are gas and electric engineers (and male).

The SMS Group has also included a ‘Taking Action’ section, setting out the actions we have and will take, to address the gender pay gap set out in this Report.

## Reporting Requirements

There are 6 reporting requirements that require to be published;

- Mean gender pay gap in hourly pay
- Median gender pay gap in hourly pay
- Mean bonus gender pay gap
- Median bonus gender pay gap
- Proportion of males and females receiving a bonus payment and
- Proportion of males and females in each pay quartile

## Why Equal Pay and the Gender Pay Gap are not the same

### Equal pay

Equal pay is when men and women are paid the same for like work.

UK law has, since the 1970s, prohibited paying different amounts to men and women who are doing 'like work', 'work of equal value' or 'work rates as equivalent' unless there is a 'genuine material factor' for the difference.

### The Gender Pay Gap

The gender pay gap is the difference between the hourly rate of pay of male employees and female employees (as set out in the regulations), expressed as a percentage of the hourly pay rate of the male employees. The gender pay gap is reported on both a mean (average) and median (mid-point on a distribution) basis. See Table 2.

Gender pay gap is a collective figure which does not compare individuals or groups in comparable jobs and most employers will find that they do have a gender pay gap.

### Mean vs. Median

The Gender Pay Gap reporting regulations specifically require both the median and mean to be reported. These metrics are complementary and illustrate different aspects of the distribution of pay across an organisation. The median is a statistic commonly used in analysing both internal pay tendency and external market norms, because it looks at the central tendency of the market or sample, showing the middle-most salary of a sample. Calculating the median involves taking all salaries in a sample, lining them up in order from lowest to highest, and picking the middle-most salary. The mean is the overall average of the whole sample and thus can be subject to the influences of any extremely high or low salaries at the top or bottom of the sample. In other words, the mean is much more subject to skewing by a small number of outliers. See Table 2.

### National Average

The median national gender pay gap is 7.9% for all full time employees, as of April 2021 (Office of National Statistics), and the mean is 11.9%. For all employees, the median national gender pay gap is 15.4% and the mean is 14.9%. These figures are not however based on the compulsory reporting statistics. They also cover all organisations and therefore are not a like for like comparison.

Nationally, one of the main reasons for the gender pay gap is more men are likely to hold senior positions. Other factors can include, however are not limited to;

- Occupational segregation – the distribution of men and women employed in different sectors or at different levels in the labour market;
- Women are more likely to work part-time, which can mean a lower rate of pay;
- Women are under-represented in senior roles;
- More women work in lower paid jobs/sectors;
- Industry sectors may vary and have their own nuisances (including SMS with a vast number of roles being engineers and the majority of these being held by males).

Specifically within the SMS Group;

- There are more men than women within the engineering industry, from which we source most of our employees;
- There are more men than women in senior roles
- There are more women in part-time roles
- There are more women in lower paying roles

- Engineers are subject to a monthly health & safety related performance bonus.

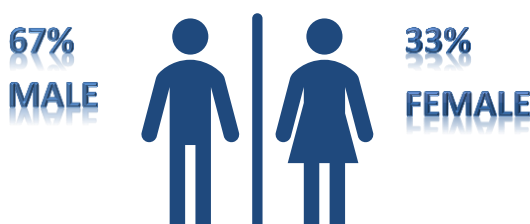
Most of these issues are however prevalent throughout the UK and on a wider global level, therefore are not unique to SMS. As can be seen via 'EngineeringUK' who provide workforce statistics, whilst they have not yet officially published their new workforce data, they did submit the new figures regarding the % of women in the workforce to the APPG inquiry on D&I in STEM recently and their response is public on the [British Science Association's website](#) and on [Engineering UK](#):

- As of June 2021, 14.5% of those working in engineering occupations, across all industries, were women. Encouragingly, this represented a 2.5% point increase from the 12% reported in 2018, however, no increase year on year.
- Women were underrepresented in senior positions (12.9%) and skilled trade (2.6%).
- The percentage of women Fellows of the Academy is 7.8% of the total Fellowship (that is, including International, Honorary and Emeritus Fellows) and is 8.9% of the Fellows. Fellows are those who have achieved a high level of esteem in the profession who are typically elected later in their careers, whereas the percentage in the workforce includes everyone from age 18 up. There are many more women in the younger age ranges of the professional engineering workforce than in the older, which is a positive future indicator.

## Gender within the SMS Group

SMS are part of the historically male dominated engineering industry; therefore it is no surprise that such a wide gender split exists between men and women (weighted more towards men), and that a gender pay gap exists.

Overall, the SMS Group has a 33% female and a 67% male workforce. **The percentage of female employees has decreased slightly in the lower middle pay quartile of the organisation by 4% which is positive**, however there are significantly more male employees (in senior roles) in the upper middle and top pay grade quartiles, which contributes to a gender pay gap. That said, there has been **an increase of 3% in the percentage of female employees (compared to 2020) represented in the top quartile, which is positive**. Please refer to Table 1.



## SMS Gender Split

Table 1 below sets out the gender profile by pay quartile. The fact that there are significantly less females in the upper pay quartiles and more females in the lower quartile, is a driver towards the gender pay gap overall (shown in Table 2). As per reporting legislation, the quartiles are calculated using employees on full pay (i.e. whose pay for the survey period was not affected by absence). However, the bonus calculation uses total number of employees who received a bonus regardless of if they are on reduced pay (shown in Table 3).

**Table 1. SMS Consolidated Group Pay Quartile Gender Split**

Gender	Lower Pay Grade	Lower Middle Pay Grade	Upper Middle Pay Grade	Upper Pay Grade
	%	%	%	%
Female	54%	43%	7%	28%
Male	46%	57%	93%	72%

*\*Any increases for females within the Upper Middle and Upper pay quartiles is a positive, however any increases for females within the Lower Middle and Lower pay quartiles is negative (unless they have moved from lower to lower middle).*

*The percentage of women in two quartiles has increased in 2021 (lower and top), **with 3% more female employees in the top quartile which is positive.** There are 3% more female employees in the lower quartile in 2021 compared to 2020. Lastly, **women in the lower middle quartile have decreased by 4% which is positive (2021 V 2020).***

**Table 1A. CH4 Gas Utility and Maintenance Services Limited Pay Quartile Gender Split**

Gender	Lower Pay Grade	Lower Middle Pay Grade	Upper Middle Pay Grade	Upper Pay Grade
	%	%	%	%
Female	55%	31%	0%	10%
Male	45%	69%	100%	90%

*\*Any increases for females within the Upper Middle and Upper pay quartiles is a positive, however any increases for females within the Lower Middle and Lower pay quartiles is negative (unless they have moved from lower to lower middle).*

*The percentage of **women in the lower middle quartile has decreased by 7% compared to 2020 which is a positive.** There has been a slight decrease in the number of women in the upper middle quartile by 1%. This is due to most of the recruitment being for engineers, however a positive is that our engineer female population has increased from 1 to 5. (2021 V 2020).*

**Table 1B. SMS Energy Services Pay Quartile Gender Split**

Gender	Lower Pay Grade	Lower Middle Pay Grade	Upper Middle Pay Grade	Upper Pay Grade
	%	%	%	%
Female	51%	51%	24%	27%
Male	49%	49%	76%	73%

*\*Any increases for females within the Upper Middle and Upper pay quartiles is a positive, however any increases for females within the Lower Middle and Lower pay quartiles is negative (unless they have moved from lower to lower middle).*

*A positive increase in 2021 is the percentage of **women in the top (upper pay) quartile, with 5% more female employees**. This is due to appointments of female employees at senior level including a New Energy Director. Female employees in the upper middle and lower middle quartiles have stayed the same, both of which are positive. Women in the lower quartile has slightly increased by 2%. This is due to several new roles being created for Project Coordinators and Settlement Coordinators, whereby the successful candidates were all female (2021 V 2020).*

## The Gender Pay Gap within SMS Group

We collected our data on 5<sup>th</sup> April 2021, when our total workforce for the consolidated group consisted of 356 women and 695 men. The figures below show the mean gender pay gap and median gender pay gap for the SMS Consolidated Group, CH4, and SMS Energy Services. **The figures are entirely reflective of the demographic of our organisation and the gap is due to the compilation of our workforce from historically what has been a male dominated environment (engineering).**

The table below sets out the mean and median gender pay gaps expressed as a percentage.

**Table 2. Pay Gap Data**

	SMS Consolidated Group	CH4	SMS Energy Services
Mean Gender pay gap in hourly pay	23.6%	29.7%	23.6%
Median Gender pay gap in hourly pay	33.8%	42.9%	23.6%

The gender pay gap is the difference between the hourly rate of pay of male employees and female employees, expressed as a percentage of the hourly pay rate of the male employees. The gender pay gap is reported on both a mean (average) and median (mid-point on a distribution) basis.

From 2021 V 2020 for the SMS Consolidated Group, the **median hourly gap has decreased and thus improved by 0.8% which is positive**, and the mean hourly pay gap has slightly widened by 0.2%. Within CH4 Gas Utility and Maintenance Services Limited, the median hourly pay gap has widened by 2.1%, and the mean hourly pay gap has widened by 2.4%, however the compilation of the workforce within CH4 is where our engineers are employed, with the majority being male.

Within SMS Energy Services, there is a **positive improvement, with the median hourly pay gap having decreased and thus improved by 3.4%**. The mean hourly pay gap has slightly widened by 0.7%. See table below.

**Table 3. Year on Year (YOY) Data**

	SMS Consolidated Group YOY	CH4 YOY	SMS Energy Services YOY
Mean Gender pay gap in hourly pay	-0.2%	-2.4%	-0.7%
Median Gender pay gap in hourly pay	0.8%	-2.1%	3.4%

## Gender Bonus

**SMS Consolidated Group:** 56.7% of males and 24.7% of females received a bonus.

The percentage of females receiving a bonus is 32% less than males.

**CH4 Gas Utility and Maintenance Services Limited:** 22.1% of females and 70.6% of males received a bonus. Engineers (majority male), receive a monthly health & safety bonus, which is job specific.

**SMS Energy Services:** 19% of females and 39.1% of males received a bonus.

The median bonus gender pay gap is the difference between the median bonus pay of male employees and female employees, expressed as a percentage of the median bonus pay of the male employees.

The mean bonus gender pay gap is the difference between the mean bonus pay of male employees and female employees, expressed as a percentage of the mean bonus pay of the male employees.

The gender bonus pay gap is reported on both a mean (average) and median (mid-point on a distribution) basis.

**Table 3. Gender Bonus**

	SMS Consolidated Group	CH4	SMS Energy Services
Median Gender pay gap in bonus	47.9%	78.5%	53.9%
Mean Gender pay gap in bonus	36.8%	42.9%	31.3%

The figures are entirely reflective of the demographic of our organisation and the gap is due to the compilation of our workforce from historically what has been a male dominated environment (engineering), having more male employees in senior roles, having more part time employees who are predominantly female, and in addition, our engineers are paid a monthly bonus related to health and safety practices.



As per reporting legislation, the bonus calculation uses total number of employees who received a bonus, regardless of if they are on reduced pay for any reason, however the quartiles (shown in Table 1), are calculated using employees on full pay (i.e. whose pay for the survey period was not affected by absence).

We are committed to ensure our bonus and pay structures are fair and equitable.

From 2021 V 2020 for the SMS Consolidated Group, the **median bonus pay gap has improved by 34.7% which is a positive step forward, and the mean bonus pay gap has improved by 28.9%**. For CH4, the **median bonus pay gap has improved by 8.4% and the mean bonus pay gap has improved by 32.1% which are both positive steps forward**. Within SMS Energy Services, the median bonus pay gap has widened by 3.6% and the **mean bonus pay gap has improved by 46.6%**

## Taking Action – Our Strategy

SMS supports and encourages a culture of gender diversity amongst its workforce. It is through the contribution of 'Our People' from of all backgrounds that ensures our business is successful, as only a diverse and engaged workforce will produce the solutions we need to tackle the varying challenges faced by our business, and industry leading thinking will diversify and transition the energy market.

**We are prioritising the following areas for action:** utilising tools including the new SMS pay and reward framework, Disability Confident Leader status, and EDI monitoring form, to ensure there is no bias towards either gender from the point of recruitment, through to salary conversations and progression opportunities, and we continue to actively promote gender balance within the SMS Group.

We are continuing to explore how we can continue to attract women into our organisation to create a more even gender balance, specifically in our engineering workforce. As an equal opportunities' employer, we firmly believe in appointing the best candidate into the role, regardless of their gender, or 8 other protected characteristics, as specified by the Equality Act.

### Positive Action taken in 2021 includes

- We have implemented a new pay and reward framework with clear career levels, job families and pay bandings across the group, thus creating a one SMS pay and reward framework across the business to ensure equity and consistency in pay decisions i.e. within recruitment, promotion etc. We continue to improve this framework and have completed the next stage of aligning our benefits;
- The appointment of women of 9 women into management level roles; Business Development Manager, Business Support Manager, Digital Conversion Manager, EQMS Project Delivery Manager, Financial Controller, Group Financial Systems Analyst, Operations Manager and two Solicitors. In addition, 2 females have joined the business in engineering roles. There has also been internal promotion of 4 females to management and senior level roles including I&C Team Leader, Lead QA Analyst, Head of Business Analysis, Service Delivery Manager;
- We have implemented a voluntary Equality, Diversity & Inclusion (EDI) monitoring form via our secure HR system for existing and new employees to complete, to enable the business to monitor and report on our workforce, to be able to identify the steps required to create a

more inclusive and diverse employee base;

- We continue to be members of the Tomorrow's Engineers Code, whereby the shared aim is to increase the diversity (gender, race etc.) and number of young people entering engineering, and to commit to working collaboratively with the community of Signatories to achieve this;
- We continue to be mentors with the 'Aleto Foundation', which was created to provide significant lifetime opportunities for young people with high potential. The Foundations' focus is on identifying and developing the next generation of leaders from communities (including BAME, gender etc.) who have historically found it challenging to access jobs or promotions due to their backgrounds. A social mobility charity that provides 'real world' and practical support to young people;
- We are committed to ensuring our employees and potential employees have all available opportunities and are treated fairly. As part of our EDI strategy, we have achieved Leader status for the Disability Confident Scheme. This will help ensure that we are able to access all talent pools;
- We are a signatory of 'Race at Work Charter' which means taking practical steps to ensure workplaces are tackling barriers that ethnic minority people may face in recruitment and progression and that their organisations are representative of British society today; and
- We have continued to be a voluntary 'Accredited Living Wage' employer, maintaining entry level salaries, and rewarding all our employees fairly for their contributions, regardless of gender, and are committed to becoming a voluntary 'Accredited Living Hours' employer.

## Declaration

1<sup>st</sup> March 2022

I confirm that our data has been calculated according to the requirements of the **Equality Act 2010** (Gender Pay Gap Information) Regulations 2017.



**Tim Mortlock**  
Chief Executive Officer

