

**Smart Metering Systems Plc
(SMS)
Gender Pay Report
2020**

Statutory Gender Pay Report

Contents

- 3 - Introduction
- 4 - 5 Why Equal Pay and the Gender Pay Gap are not the same
- 5 - 6 Gender within the SMS Group
- 6 - 7 Pay Quartiles
- 7 - The Gender Pay Gap within SMS Group
- 8 - Gender Bonus
- 9- 10 Taking Action (Our Strategy) & Declaration

Introduction

Smart Metering Systems Plc ('SMS') and its wider corporate 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.

SMS operates 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 (2019) are referenced for comparison purposes.

The services provided by CH4, SMS Energy Services, Solo Energy and the SMS group, involve the installation, ownership and management of utility metering assets and provision of energy management solutions throughout the UK and abroad. 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 7.4% for full time employees, as at April 2020 (Office of National Statistics), or 15.5% for all employees, and the mean is 14.6%.

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 limited 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 on 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](#):

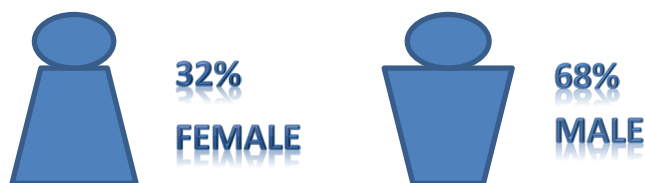
- In 2020, overall, 14.5% of those working in engineering occupations, across all industries, were women. Encouragingly, this represented a 2.5% point increase from the 12% reported in 2018;
- This varied depending on whether they were in the engineering workforce or not. Just 11.2% of those in engineering occupations within the engineering workforce were women, compared to 22.0% of those in engineering occupations outside the engineering workforce.

For the Academy Fellowship, the gender figure was the same their active Fellowship 7.7% as of July 2020. This data is based on voluntary diversity monitoring data.

Gender within the SMS Group

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

Overall, the SMS Group has a 32% female and a 68% male workforce. **The percentage of female employees has decreased slightly in the lower pay quartile of the organisation by 7% 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 6% in the percentage of female employees (compared to 2019) 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	51%	47%	7%	25%
Male	49%	53%	93%	75%

The percentage of women in 2 quartiles has increased in 2020 (lower middle and top), with 6% more female employees in the top quartile and 8% more female employees in the lower middle quartile, with women in the lower quartile having decreased by 7% all of which is positive (2020 V 2019).

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	51%	38%	1%	10%
Male	49%	62%	99%	90%

The percentage of women in 2 quartiles has increased in 2020 (lower middle and top), with 4% more female employees in the top quartile and 15% more female employees in the lower middle quartile, with women in the lower quartile having decreased by 7%, all of which is positive. However, there has been a slight decrease in the number of women in the upper middle quartile by 5% (2020 V 2019).

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	49%	51%	28%	22%
Male	51%	49%	72%	78%

The percentage of women in the top quartile has increased in 2020, with 5% more female employees, whilst female employees in the upper middle and lower middle quartiles have stayed the same, and women in the lower quartile has decreased by 7%, all of which are positive (2020 V 2019).

The Gender Pay Gap within SMS Group

We collected our data on 5th April 2020, when our total workforce for the consolidated group consisted of 368 women and 778 men. The figures below show that 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	23.3%	27.3%	22.9%
Median Gender pay gap in hourly pay	34.5%	40.8%	27.0%

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 2020 V 2019 for the consolidated Group, the median hourly gap has widened by 1.1%, however the **mean hourly pay gap has decreased, thus improving by 5.5%**. For CH4 Gas Utility & Maintenance Services there are **2 positive improvements, with the median hourly pay gap having decreased and thus improved by 0.6%, and the mean hourly pay gap improved by 3.9%**. Within SMS Energy Services, the **median hourly pay gap has improved by 4.4%**, whilst the mean hourly pay gap has widened by 1.5%.

Gender Bonus

For the consolidated group 48.8% of males and 20.4% of females received a bonus. The percentage of females receiving a bonus is 28.4% less than males. For CH4 Gas Utility and Maintenance Services Limited, 25.3% of females and 48.8% of males received a bonus and for SMS Energy Services, 30.2% of females and 32.9% of males received a bonus. The reason for the difference in 2019 is that no discretionary bonus was paid to the Group, whilst in CH4 engineers (majority male) continued to receive their performance related monthly health & safety related 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	82.6%	86.9%	50.4%
Mean Gender pay gap in bonus	65.7%	75.0%	77.9%

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 performance bonus related to health & 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).

From 2020 V 2019 for the consolidated Group, the **median bonus pay gap has improved by 1.6%**, whilst the mean bonus pay gap has widened by 49.3%. For CH4, the median bonus pay gap has widened by 24.2% and the mean bonus pay gap has widened by 6.3%, this is due to an increase in the number of engineers employed (majority of whom are male) and who may be entitled to a monthly health & safety bonus, and a greater number of part time employees who are predominantly female. Within SMS Energy Services, the median bonus pay gap has widened by 42% and the mean bonus pay gap by 12.1%.

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 pay and reward framework to monitor pay and ensure there is no bias towards either gender from the point of recruitment, through to salary conversations and progression opportunities, and continuing to actively promote gender balance within the SMS Group.

We will explore how we can continue to attract women into our organisation to create a more even gender balance. 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 2020 includes;

- We have appointed a woman, Miriam Greenwood, to Chair of the Board;
- We have implemented a new pay and grading 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;
- The appointment of women into 3 senior roles including New Energy Director, Energy Sector Specialist and Head of Marketing, and the appointment of 2 women into management level roles; Business Architect and HR Business Partner. In addition, the internal promotion of 5 females to management and senior level roles including Senior Internal Audit Manager, Group Head of HR, HR Business Partner, Account Management Support, and I&C Contract Manager;
- We have become 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 have become a mentor within 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 due to their backgrounds. A social mobility charity that provides 'real world' and practical support to young people;

- 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;
- We continue to be actively involved in the 'Career Ready' Mentor Scheme, a national social mobility charity which works with employers, schools, and volunteers across business, to support young people across the UK with their future career and study choices. We aim to continue this partnership and for the second-year running and have supported young female students.

Declaration

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

Alan Foy
Chief Executive Officer

