

**Smart Metering Systems Plc
(SMS)
Gender Pay Report
2019**

Statutory Gender Pay Report

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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 (2018) are referenced for comparison purposes.

The services provided by CH4, SMS Energy Services 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 national gender pay gap is 8.9%. (Office of National Statistics October 2019).

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 nuances (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 woman in part-time roles
- There are more women in lower paying roles.

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 and it is clear that; "There is continued gender disparity in engineering: while women comprised 47.1% of the overall UK workforce in 2018, only 12.0% of workers in engineering occupations were female."

In addition, with regards the percentage of female Fellows at the 'Royal Academy of Engineering', women only make up 7.7% of their active Fellowship, which excludes Emeritus, Honorary and International Fellows.

Gender at 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 31% female and a 69% male workforce. The percentage of female members of staff is higher at the lower pay quartile of the organisation, and whilst there are more male employees (in senior roles) at the upper middle and upper pay grade quartiles, which contributes to a gender pay gap, **there is an also an increasing percentage of female staff (compared to 2018) represented in the Upper Middle and Upper quartiles, which is positive.** Please refer to Table 1.

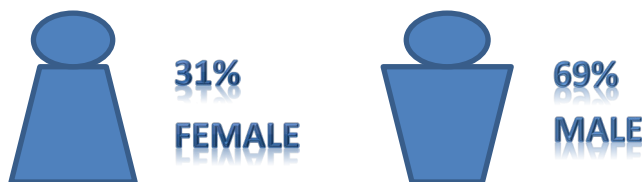


Table 1 below sets out the gender profile by pay quartile. The fact that there are more females in the lower pay quartile is a driver towards the gender pay gap overall (shown in Table 2).

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	58%	39%	12%	19%
Male	42%	61%	88%	81%

The percentage of women in each quartile has increased in 2019, with 3.8% more female employees in the top quartile and 3.0% more female employees in the upper middle quartile (2019 V 2018), both of which are positive

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	58%	23%	6%	6%
Male	42%	77%	94%	94%

The percentage of women in each quartile has increased in 2019, with 2.9% more female employees in the top quartile and 4.5% more female employees in the upper middle quartile (2019 V 2018), both of which are positive

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	56%	51%	28%	17%
Male	44%	49%	72%	83%

The percentage of women in each quartile has increased in 2019, except for the lower and upper middle quartiles. There are however 9.8% more female employees in the top quartile (2019 V 2018), which is positive

The Gender Pay Gap within SMS Group

We collected our data on 5th April 2019, when our total workforce for the consolidated group consisted of 364 women and 808 men. The figures below show that the mean gender pay gap and median gender pay gap 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	28.8%	31.2%	21.4%
Median Gender pay gap in hourly pay	33.4%	41.4%	31.4%

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 2019 V 2018 for the consolidated Group, the median hourly gap has widened by 0.4% and the mean hourly pay gap has widened by 0.8%, however for CH4 Gas Utility & Maintenance Services the median hourly gap has improved by 2.1% and the mean hourly pay gap has improved by 0.9%. A substantial improvement can be shown by SMS Energy Services whereby the median hourly pay gap has improved by 2.4% and the mean hourly pay gap has improved by 14.5%, both of which are positive.

Gender Bonus

For the consolidated group 79.6% of males and 72% of females received a bonus. The percentage of females receiving a bonus is 7.6% less than males.

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	33.3%	62.7%	8.4%
Mean Gender pay gap in bonus	67.3%	68.7%	65.8%

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 & safety practices.

From 2019 V 2018 for the consolidated Group, the median bonus pay gap is the same and the mean bonus pay gap has improved by 6.8%, which is positive. However for CH4 Gas Utility & Maintenance Services the median bonus pay gap has widened by 24.3% and the mean bonus pay gap has widened by 31.2%, this is due to the substantial 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 mean bonus pay gap has widened by 0.8%, however a substantial positive improvement can be shown by the median bonus pay gap which has improved by 5.4%.

Taking Action – Our Strategy

SMS supports and encourages a culture of gender diversity amongst its workforce. It is through the contributions of 'Our People' from of all backgrounds that ensures our business is successful, as only innovative thinking 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: building gender pay gap analysis into our management processes and continuing to actively promote gender balance within the SMS Group. We will use tools to monitor pay and ensure there is no bias towards either gender from the point of recruitment, through to salary conversations and progression opportunities.

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 other protected characteristics as covered by the Equality Act.

Positive Action taken in 2019 includes;

- The appointment of 3 senior roles including; Divisional Finance Director, Group HR Director and Head of Contact Centre, and the appointment of 2 upper middle management roles; Regional Operations Manager and Business Development Manager. In addition, the internal promotion of 3 females to middle management roles including; Internal Audit Manager, Group Financial Analyst and Senior Financial Accountant;
- In addition, we became an 'Accredited Living Wage' employer and therefore the salary for our entry level roles has increased;
- We are also in the process of reviewing our career levels and creating one SMS pay and reward scheme across the business, which will continue into 2020;
- We are actively involved in the 'Career Ready' Mentor Scheme, working with a local high school to provide mentoring to a young adult to support their future career and study choices. We aim to roll this out further across the Group in 2020.

Declaration

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

Alan Foy
Chief Executive Officer

