

SMS Plc

Gender Pay Report

2022

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, 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 (2021) 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 ‘Positive Action Taken’ section, setting out the actions we have taken and will continue to support, 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

From the Office of National Statistics (ONS) in 2022, the gap among full-time employees increased to 8.3%, up from 7.7% in 2021. This is still below the gap of 9.0% before the coronavirus pandemic in 2019. Estimates for 2020 and 2021 are subject to more uncertainty than usual, therefore it is recommended to look at the longer-term trend. Amongst all employees, the gender pay gap decreased to 14.9%, from 15.1% in 2021, but is still below the levels seen in 2019 (17.4%). This is for all organisations and therefore not a like for like comparison. Additionally, there should be more focus on long-term trends rather than year-on-year changes.

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

As at 5 April 2022 there were 1284 employees within SMS, compared to 1051 in 2021. An increase of 233 employees, with the majority of these being male. Overall there are 3% less women in total (2022 verse 2021).

- There are more men than women within the engineering industry, from which we source most of our employees and therefore there are more male than female engineers within SMS;
- There are more men than women in senior roles;
- There are more women in part-time roles and;
- There are more women in lower paying roles.

Wider UK Perspective

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 'Engineering UK' (published online Women's Engineering Society) who provide workforce statistics, in March 2022:

- Women make up 16.5% of all engineers, compared to 10.5% reported in 2010;
- This represents a 6 percentage point increase in the proportion of women in the engineering workforce;
- The actual number of women working in engineering roles also increased from 562,000 in 2010 to 936,000 in 2021 and;
- The Royal Academy of Engineering's Fellowship (comprising Fellows, Intl Fellows, Honorary Fellows, and Emeritus Fellows) currently has 1672 individuals, of whom 145 are female (8.7%). However when reviewing Fellows (i.e. the active and mainly UK-based part of the Fellowship), there are 1251 Fellows, of whom 123 are female, which is 9.8%.

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 30% female and a 70% male workforce. The percentage of female employees has decreased in the lower middle pay quartile of the organisation by 11% as during the data set period, there was significant increase in headcount in engineering roles, which is predominantly a male dominated field, and **the upper middle pay grade has 2% more women which is positive**, however there are still significantly more male employees (in senior roles) in the upper middle and top pay grade quartiles, which contributes to a gender pay gap. 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%	32%	9%	22%
Male	46%	68%	91%	78%

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

For the Group, comparing SMS Gender split by pay quartile 2022 V 2021:

Group Annual Comparison	Lower Pay Grade	Lower Middle Pay Grade	Upper Middle Pay Grade	Upper Pay Grade	Rationale
2022				+6% male	the number of men in the upper pay grade has increased by 6%, which is a negative
			+2% female		the number of females has increased by 2%, however some of this increase will have come from the negative movement in the Upper Pay Grade category
		+11% male			during the data set period, there was significant increase in headcount in engineering roles, which is a predominantly male dominated field
	no movement				although an increase in overall headcount. This is the category with the most even gender split

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	49%	18%	2%	7%
Male	51%	82%	98%	93%

**Any increases for females within the Upper Middle and Upper pay quartiles is a positive, however any increases of 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 pay grade has decreased by 6% compared to 2021**, additionally **there has also been decrease in the number of women in the lower middle quarter with 13% less, both a positive**. The **upper middle quartile has increased by 2% for women**, again positive, however there are 3 % less females in the upper pay grade, which is a negative. Most of the recruitment was for engineers (predominantly male by market and industry default) within the lower middle pay grade, and an increase in headcount of entry level roles including contact centre advisors and warehouse operatives. Our female engineer population remained at five in 2022.

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	59%	35%	21%	25%
Male	41%	65%	79%	75%

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

Compared to 2021, there are 16% less females within the lower middle pay grade, however there are 8% more females within the lower pay grade, therefore some have moved from lower middle to lower pay grade which is a negative. There are 3% less females within the upper middle pay grade and 2% less within the upper pay grade. This is due to the recruitment of specialist technical skills sets, where the successful candidates have been male.

The Gender Pay Gap within SMS Group

We collected our data on 5th April 2022, when our total workforce for the consolidated group consisted of 388 women and 896 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	22.4%	31.3%	22.9%
Median Gender pay gap in hourly pay	37.2%	45.3%	26.8%

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 2022 V 2021 for the SMS Consolidated Group, the **mean hourly pay gap has decreased and thus improved by 1.2% which is a positive**, however the median hourly gap has increased by 3.4%, thus widening the gap. Within CH4 Gas Utility and Maintenance Services Limited, the median hourly pay gap has widened by 2.4%, and the mean hourly pay gap has widened by 1.6%, however the compilation of the workforce within CH4 is where our engineers are employed, with the majority being male and the additional headcount of 233 employees in 2022 was predominantly male.

Within SMS Energy Services, there is a **positive improvement, with the mean hourly pay gap having decreased and thus improving by 0.7% and the median hourly pay gap also reducing and improving by 1.8%** 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	1.2%	-1.6%	0.7%
Median Gender pay gap in hourly pay	-3.4%	-2.4%	1.8%

Gender Bonus

SMS Consolidated Group: 79.4% of males and 79.6% of females received a bonus.

The percentage of females receiving a bonus is 0.2% more than males.

CH4 Gas Utility and Maintenance Services Limited: 75.5% of females and 75.7% of males received a bonus.

SMS Energy Services: 83.3% of females and 85.9% 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	66.9%	84.4%	39.2%
Mean Gender pay gap in bonus	58.3%	72.0%	7.9%

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), however the significant increase in females receiving a bonus in 2021 was due to all employees in internal SMS career levels C, D & E receiving a discretionary payment to support the cost of living challenges in 2022.

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 2022 V 2021 for the SMS Consolidated Group, the median bonus pay gap has widened by 19%, and the mean bonus pay gap has widened by 21.5%. For CH4, the median bonus pay gap has widened by 5.9% and the mean bonus pay gap has widened by 29.1%. Within **SMS Energy Services**, **the median bonus pay gap has improved by 14.7%** and the **mean bonus pay gap has also improved by 23.4%**.

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, inclusive, and engaged workforce will produce the solutions we need to tackle the varying challenges faced by our business, and industry leading thinking will transition the energy market.

We are prioritising the following areas for action: Diversity & Inclusion will remain a strategic driver, utilising external accreditations and memberships for support (i.e. WES), additionally utilising internal tools including the SMS EDI voluntary monitoring form (with a focus on increasing completion rates), and continuing to use our group pay and reward framework. This will help 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 and explore how we can continue to attract women into our organisation, to create a more even gender balance, specifically in our engineering workforce.

Positive Action taken in 2022 includes:

- The promotion of 13 women internally into management and senior level roles; Head of Agent Services, Strategic Relationship Manager, Head of Sustainability, Team Manager, Head of SHEQ Policy & Assurance, Delivery Project Manager, Business Analyst, Sustainability Manager, Project Manager Renewables, Reverse Asset Control Manager, I&C Capacity Manager, Group Payroll Manager and Contact Centre Manager;
- The external appointment of women of 4 women into management level roles; Operations Support Manager, Business Development Manager, Lead Software Developer, and I&C Metering Operations Manager;
- We are an Accredited Living Hours and Living Wage employer;
- We became members of WES (Women's Engineering Society), the largest women's engineering network in the UK, campaigning for gender diversity in engineering. The partnership with WES will enable us to support women within engineering careers and encourage young girls to see engineering as a career option and with their advice, and resources, this will help SMS in their continued journey to ensure a more diverse and inclusive workforce and culture, especially with female engineers.;
- We became a Cornerstone Employer within the South Yorkshire area, which provides us with the opportunity to inspire young people to consider a future in our industry and to develop the skills of our future workforce - building our talent pipeline;
- Winner 'Best Diversity & Inclusion Initiative' – the S1 Awards 2022, recognising the way we embrace diversity and inclusion in our recruitment and people management;
- We launched our 'Levelling Up Impact Report', developed in partnership with The Purpose Coalition, presented to business leaders and MPs in Westminster, outlining how we are making a positive social impact;
- We participated in various local school engagement activities such as mock interview days, careers fairs, and career networking, to support our future talent pipeline and wider levelling up agenda and;
- We have updated our voluntary Equality, Diversity & Inclusion (EDI) monitoring form via our secure HR system for existing and new employees to complete, to capture 4 socio-economic questions, to support the levelling up agenda, and enable the business to monitor and report on our workforce, to be able to identify the steps required to become a more inclusive and diverse employee base.

Declaration



1st March 2023

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

