

Gender Pay Gap Report

2017

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What is a gender pay gap?

A gender pay gap is the difference between the average earnings of male and female employees.

It is expressed as a percentage of the male employee earnings and illustrates the gap between how much men and women are paid.

It is not the same as equal pay which means that companies ensure men and women in the same employment performing equal work receive equal pay, as set out in the Equality Act 2010.

“Gender pay gap legislation asks us to report some key data”

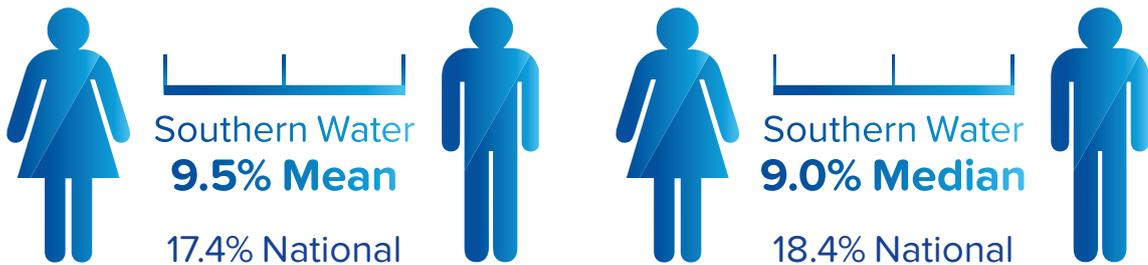
Gender pay gap legislation asks us to report some key data relating to salary, bonus and the distribution of pay within the organisation the latter is reported by looking at the proportion of male and female employees expressed in quartiles.

In line with the gender pay gap legislation, this report is based on our data as at April 2017.



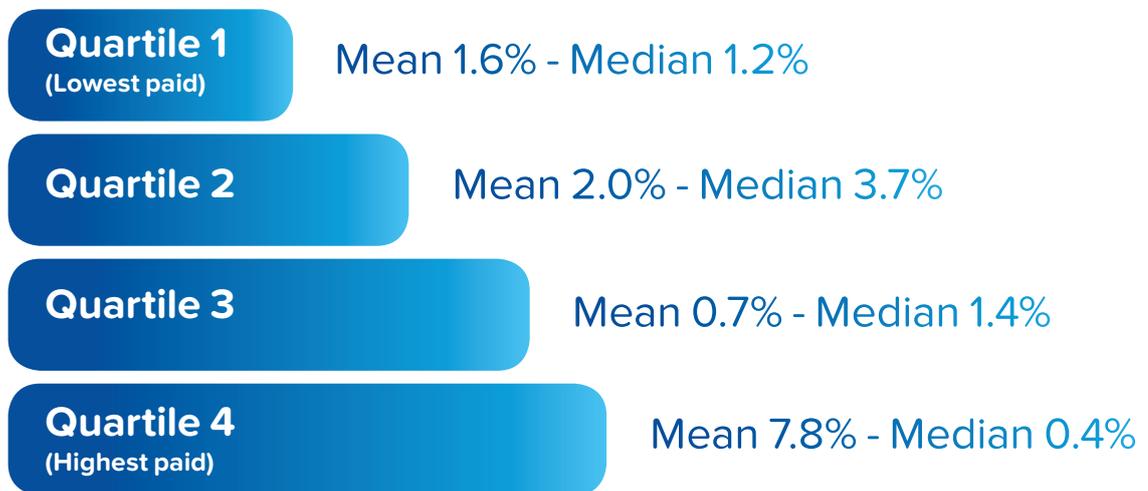
Southern Water's salary pay gap

We calculated the hourly rate, taking into account base salary (after salary sacrifice) allowances, and recognition payments. The hourly rates of men and women were then compared and the gap is the percentage difference between the average hourly rates. A negative percentage indicates a gap in favour of female employees and a positive one is a gap in favour of male employees.



The Southern Water pay gap is significantly lower than the national average of all companies that had submitted data as at November 2017.

To get a clearer picture of the reasons for our pay gap, we looked at the data again by quartile. The quartiles are found by listing all of the data in order and dividing it into four equal groups.

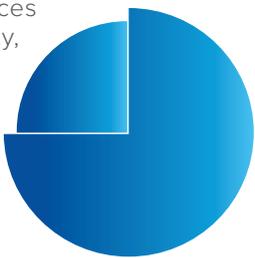


This has highlighted two areas which are contributing to our pay gap:

Our senior population has a high gap in favour of male employees. As we'll show later in this report, this population is mainly made up of men and shows that we need to do more to encourage women to be appointed to senior roles and have long term careers with us.



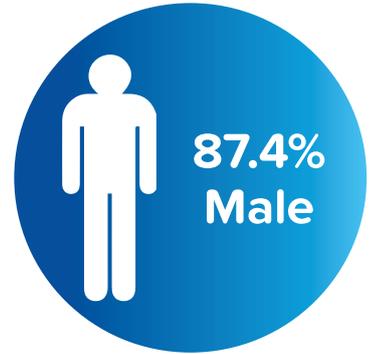
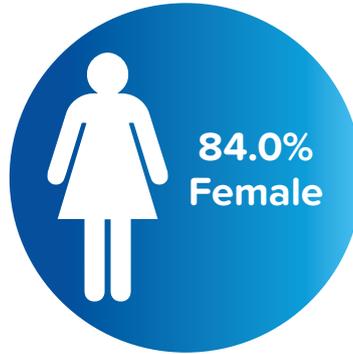
Quartile 2 is made up of 75% operational staff, predominantly men, who work in roles which attract additional allowances such as shift pay (for clarity, overtime is not included in the calculations), showing that we need to think about how to attract more women into operational roles.



Southern Water's bonus pay gap

At Southern Water, all employees are eligible to receive a bonus subject to the plan rules.

Employees who received a bonus during this reporting period

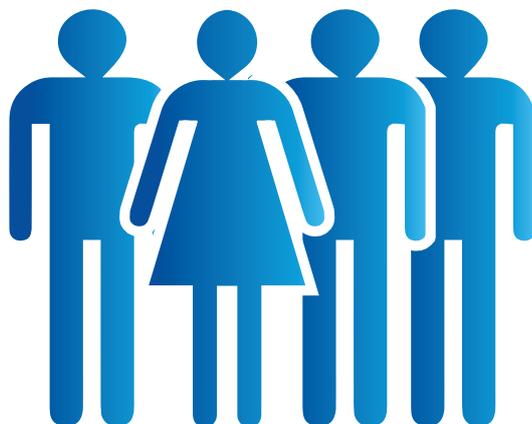


We have three bonus plans – one for the executive team, one for management and one for all other employees.

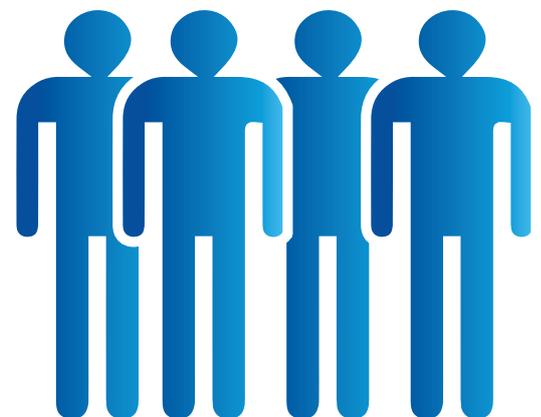
Our bonus pay gap is:



This gap is largely due to a high proportion of male senior managers compared to female senior managers.



**Senior managers
75% Male***



**Executive team
100% Male***

* A number of women have been promoted at Southern Water since the data was taken in April 2017. In January 2018 women make up 22% of our Executive team, and 26% of our senior managers.

How is pay distributed?

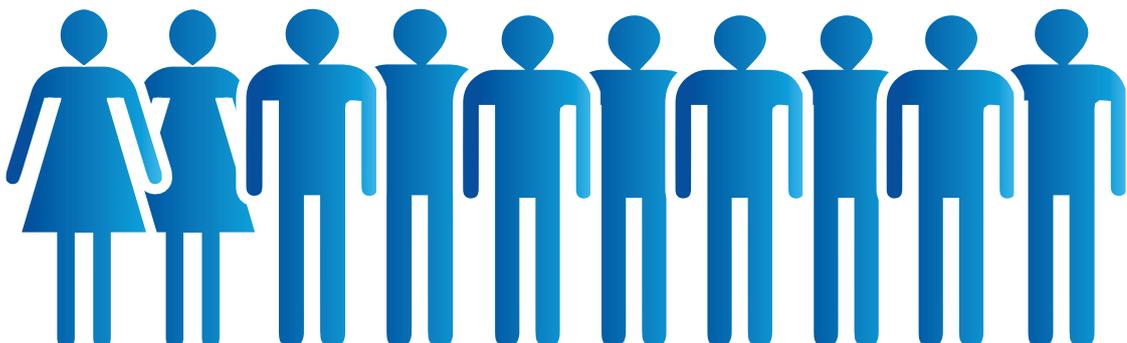
The distribution of pay is examined by looking at the hourly rate of pay for all employees in rank order and splitting the population into four equal quartiles as follows:



There are few female employees in areas such as Wholesale Water, Wastewater and within our Engineering function, which accounts for the higher proportion of male employees within our organisation.

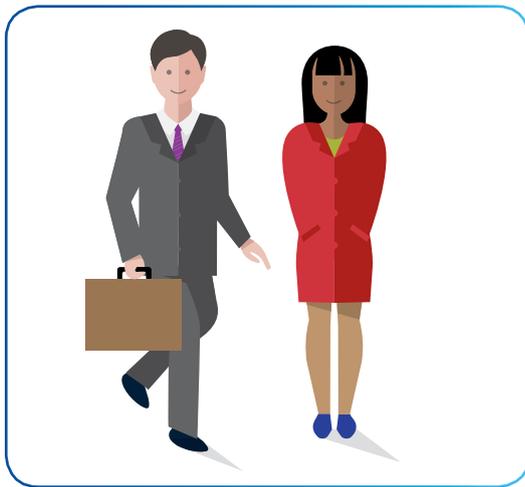
The lowest quartile has the most equal distribution of male and female employees, and at this level there is very little difference between male and female pay as shown above (1.6% mean and 1.2% median). The largest pay gap is in quartile 4, which contains a high proportion of male employees including the executive team (which as noted on page 5, was all male employees in April 2017).

Overall, 29.6% of our workforce is made up of female employees.

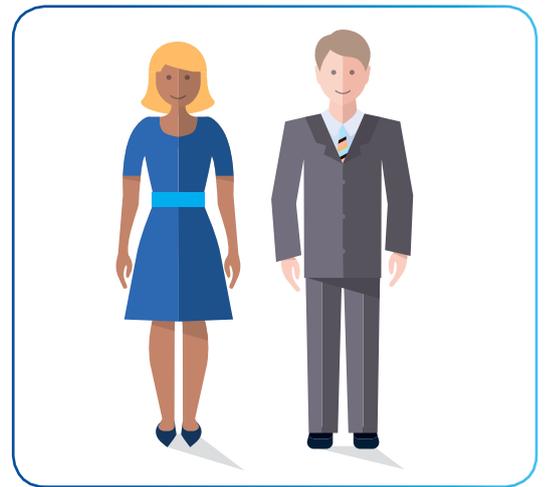


What are our next steps?

We'll take immediate steps to make sure that we're doing more to improve female representation in key roles within our business by:



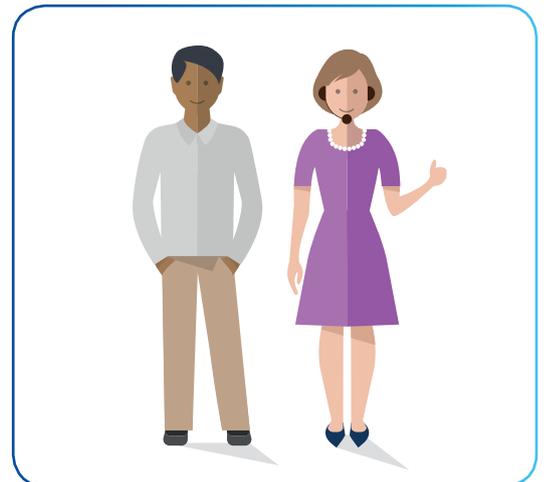
Ensuring that our recruitment processes attract excellent candidates and, wherever possible, the candidates we shortlist will support our commitments to having a diverse workforce, representative of the communities we serve.



We will seek to minimise unconscious bias by amending our recruitment systems during the year to anonymise applications before shortlisting.



We'll ensure that female employees are fairly represented in our talent pipeline and succession plans, and that appropriate development is put in place to enable more women to achieve senior roles within our organisation.



We'll continue our work within our communities to promote Southern Water as a great place to work, eg working with organisations promoting STEM careers in our local schools and other events.

We recognise that this will take time, but we will continue to strive to have a diverse workforce that is representative of the communities in which we work.

What we're doing to close the gap



We're committed to supporting the aspirations of our talented female workforce and we're implementing plans to help us close the gender pay gap.

On our Board, we already have a good balance of gender diversity, with women making up 57% of our non-executives as at March 2018.

“We're implementing plans to help us close the gender pay gap”

In terms of overall equality we've already taken steps to improve gender diversity at an executive level and we continue to focus and develop our succession plans and recruitment processes to strengthen gender equality across the business.

I confirm that the information within this report was correct as at April 2017.

A handwritten signature in blue ink, appearing to read 'Ian McAulay'.

Ian McAulay
Chief Executive Officer



