



Gender Pay Gap Report 2021

Nurturing an equal, diverse and inclusive workplace



Responsible businesses today have an important role to play in promoting social mobility, addressing inequality

As one of a handful of FTSE businesses to have both a female Chair and CEO we are passionate about promoting diversity.

2021 was challenging as we continued to deliver essential services to customers and communities alongside the global pandemic. At the same time we evolved the Group structure, saying farewell to our Viridor employees and welcoming Bristol Water colleagues who will be included in this data set from next year. I would like to thank each and every one of them for their loyalty and hard work.

Since our last report, we have placed great emphasis on our emerging talent programme and you can find out more in this report.

We believe taking a leadership role in promoting environmental, social and governance goals is the role of responsible business today in creating sustainable and financial value – working for the benefit of shareholders, customers and our people for the longer term.

One of the most effective ways we can do this is by providing meaningful career opportunities across our region, nurturing the diverse talent who will be the business leaders of the future. Our progressive recruitment strategy is fundamental in building on our diversity and gender equality aspirations. Over the next five years, we have also pledged to recruit an additional 500 roles, supporting the Greater South West with meaningful employment.

Eradicating pay gaps whether these relate to gender, ethnicity or any other individual characteristic will continue to be a priority for the Group.

It takes time to build representation at management and senior levels, which can often be the cause of a pay gap, but this is exactly what we are doing and I am delighted that female colleagues now hold 44% of leadership posts below our Executive Committee level.

Adele Barker
Group Chief People Officer



Left: **Susan Davy** Group CEO
Right: **Adele Barker** Group Chief People Officer

Since our last report, we have placed great emphasis on our emerging talent programmes and more can be read in the report.

Developing future female leaders, through our emerging talent programmes

In our 2020 report, we signposted the plans for our new graduate scheme. Launched in 2021, we were privileged to meet so many outstanding talented and energetic people during our assessment process.

27 talented graduates joined our rotational programme, with 55% female. Building female talent within Pennon and across the water industry has been a core part of our people strategy and we were delighted with the high application rate from females. The majority of these roles are also within our operational core business areas and this signals a real shift in the perception of the water industry and the career opportunities available to all.

The graduate population are our leaders of the future. At the end of their programme, we anticipate most will move into a management role. There will also be opportunities for those to take more specialist routes in engineering, regulation and environmental roles. Career support will not end at the end of the graduate programme and we are currently establishing our mentoring programme across the Group. We also actively encourage external networking and it was great to see 3 of our female graduates attend a Women in Water event in December.

One consequence of building the female talent pipeline at entry level, the Gender Pay Gap could temporarily increase, as it drives greater female representation in lower and lower-middle quartile pay positions for a period of time. It is however the right thing to do.



Alongside and graduate and apprentice programmes, we have also provided intern placements across the business. Not only does this support students in experience different work environments and gaining practical skills, but helps to create longer term diverse relationships, advancing representation of different groups within the industry. We are looking forward to our participation in the 10000 Black Interns initiative with a number of placements in the summer of 2022.



Hear from two of our amazing recent female hires



Jo Hardy Group Reporting Manager

How do you find the culture at Pennon?

Joining Pennon during the pandemic meant I've spent more time working remotely than I ordinarily would have. I expected it to be a challenge to become integrated into the business remotely but there is such a welcoming culture that I felt part of the team straight away. It's a very connected and supportive culture and I work with some amazing people who genuinely care about each other. I feel part of something special here and there are so many opportunities to grow and develop, not only in our own job roles, but outside of that. We're encouraged to get involved in initiatives like volunteering, joining a champion group for Net Zero or Wellbeing for example, or an employee network committee. It's great to have that opportunity.

Why I choose to work for Pennon?

I originally joined Pennon on a short-term contract and was then offered a permanent role. I was delighted as I was really keen to stay! I wanted to join Pennon because it's really making a difference – doing an enormous amount for the environment and for its customers, tackling some of the big issues that the world is facing. It's a big advocate for apprentices and graduates from all backgrounds, which I think is fantastic. I was new to the water industry when I joined Pennon and I'm fascinated by it! It's such a dynamic business. The fact that Pennon is led by a female CEO and has a female Chair is also rare and that told me a lot about the ambition of the business.

What do you think about the commitments you're seeing?

It's really clear that Pennon is a progressive business. I see the daily drive to make progress with important societal and environmental commitments, doing things innovatively. It really does deliver on its purpose. I am proud to work for a company that has a real drive to make sure we're a diverse and inclusive organisation. In my own role, I'm lucky enough to work with a lot of women in senior roles. To have them as role models for others coming through is really important and inspirational.



Olivia Crisp Graduate, Sustainability Advisor

Why I choose to work for Pennon?

Having grown up in Cornwall I dreamed of being able to work within the South West, supporting the communities I grew up in and the environment I cherished. The graduate programme presented an incredible opportunity to develop my career in the water industry, working within the South West, but with the flexibility to move around the business as I discovered where my interests lie. From the virtual assessment centre I knew this was the company for me – it was the only interview I have ever done where I came out saying I really enjoyed that experience!

How do you find the culture at Pennon?

Now on the graduate programme, I can say it has been life-changing for my career. Every single person I have met has been massively receptive to questions and comments; you really have the freedom and flexibility to explore the business and contribute your own ideas and projects. Alongside this the business is supporting us in completing a management diploma; through this they are fully investing in us becoming the next leaders of the business.

What do you think about the commitments you're seeing?

Being a woman and coming into this industry I had reservations about how I would be received in a male-dominated industry, however, my mind has been completely changed. Young women should not shy away from pursuing a career in the water industry, as there are ample opportunities to progress careers.

I am so grateful for the incredible opportunity working at SWW has given me. Beyond the opportunities the thing that gets me excited to come to work is the community of people, from the graduate cohort, who have become some of my closest friends, to my colleagues and managers.

Building an inclusive environment

Building an environment that enables colleagues to be themselves and to enjoy their work is a critical part of supporting diversity and gender equality in the workplace.

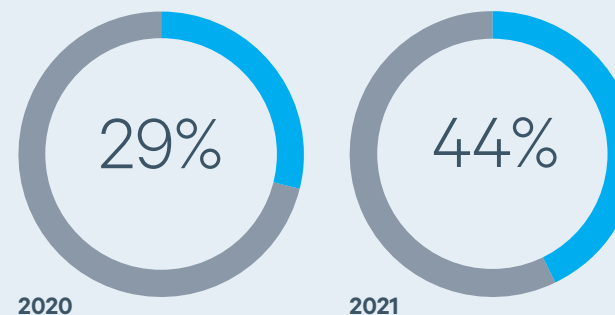
As we consider the future after lockdown and remote working for many colleagues we are working to set a new, more flexible and informal culture in our offices and satellite sites and with the addition of Bristol Water, we hope to become an employer of choice across the Greater South West. We also support different working patterns, encouraging an increasing applicant pool from female candidates as well as those with disabilities. We have invited our colleagues to work with our Diversity and Inclusion Committee to develop a number of support groups.

The growing list of groups includes new parents, those with caring responsibilities, menopause, and LGBTQ+.

We also believe that many of the changes we are making will have a positive effect on retaining and attracting female colleagues at all levels. In 2021, we became an accredited Great Place to Work, with engagement from our female workers 6% higher than males.

It's not just our own employees who are recognising our efforts. In 2021, we were ranked 1st in the Utilities category of the FTSE Women Leaders, recognised for our Board diversity and female representation at senior management levels. In January 2022, we were proud to be listed 41st in the UK of the European Women on Board survey and Pennon was against listed in the Bloomberg Gender Equality Index.

Women in leadership roles



At the heart of any great business are the people that work in it and ultimately this is what this report is about.

"I believe passionately that a diverse and inclusive culture is a strategic imperative, and at Pennon we treat it the same way as we do each strategic priority – setting the tone from the top, holding leaders accountable and delivering against a clear action plan."

We welcome the FTSE Women Leaders Review. Measurement, time series and benchmarks are essential tools. We see the impact of the pandemic globally increasing already uneven work equity gaps, with women and those with ethnic backgrounds impacted most. Given this, businesses in the UK must act to avoid reversing progress of recent years. We all have more to do.

Susan Davy and I both hold a firm view - if ever there was a time for us to act collectively, that time is now."

Gill Rider
Chair, Pennon Group Plc



All companies employing more than 250 people have been required to publish a Gender Pay Gap report

The methodology for calculating the Gender Pay Gap is now more widely understood, as all companies employing more than 250 people have been required to publish this since 2017. It is not a reflection of equal pay, but serves as a valuable tool for companies to assess their policies and progress in this important area.

The information that companies are required to publish is:

the Mean and Median Gender Pay Gaps

the Mean and Median Bonus Gender Pay Gap

the distribution of male and female employees in each pay quartile

the percentage of the relevant male and female populations receiving a bonus.

For the Gender Pay Gap calculations, pay includes all basic pay and permanent allowances, such as skills allowances and car allowances but excludes pay such as overtime which is not connected to regular working hours.

Other payments which are excluded are those for expenses and benefits in kind. Employees who have not been receiving normal pay, for example due to a period of long-term ill health, are excluded from the calculations.

The hourly rate for each employee is calculated and ranked in order. The mean hourly rates of male and female colleagues are compared and any resulting difference is the Mean Gender Pay Gap.

The Median Gender Pay Gap is calculated by comparing the middle male colleague and the middle female colleague. Where there is a very large difference in population size, it is possible that colleagues in very different jobs could therefore become direct comparisons to each other.

The same calculation is then done for bonus payments received during the reporting year to provide a Mean and Median Bonus Pay Gap.

The full details of our results are shown at the end of the document.



Nancy Smith Graduate

Understanding our Gender Pay Gap

Our 2021 mean pay gap has seen a small increase since 2020. There is a combination of factors that have led to this.

In July 2020 we restructured the Group, with the sale of Viridor. This has had the impact of adding over 2.5% to the Mean Gender Pay Gap. This now stands at 9.2%. Our female population stands at 30% compared with 20% in the water industry as a whole. The Group has grown and so this does mean we have more female colleagues.

There has also been an increase in females holding roles in our emerging talent pool. These tend to be at graduate level salaries, as we build our leaders of the future, contributing to our overall Mean Gender Pay Gap.

0% Median Bonus Pay Gap.

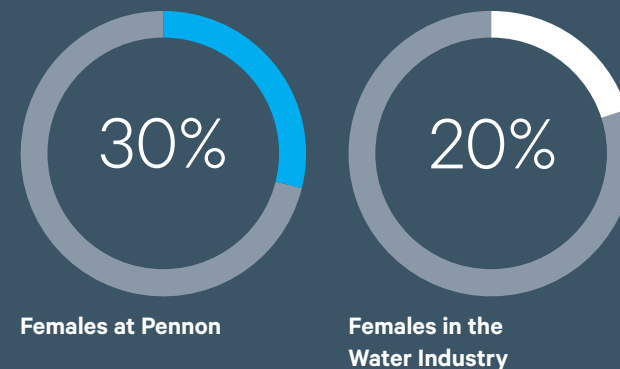
We have also seen growth in the upper middle and lower middle pay quartiles, reflecting that our pipeline strategy is working and the percentage of female representation in the lowest pay quartile has reduced by over 5%.

Our Mean Bonus Pay Gap for the Group of -43% is reflective of a Covid-19 bonus payable to all employees at a fixed amount irrespective of working hours. As no reduction was made for part-time employment this contributed to a negative pay gap. Our strong female representation at leadership levels has also been a factor. Our Median Bonus Pay Gap is at 0%, meaning that for the majority of employees, the bonuses paid are of equal value for both male and female colleagues.

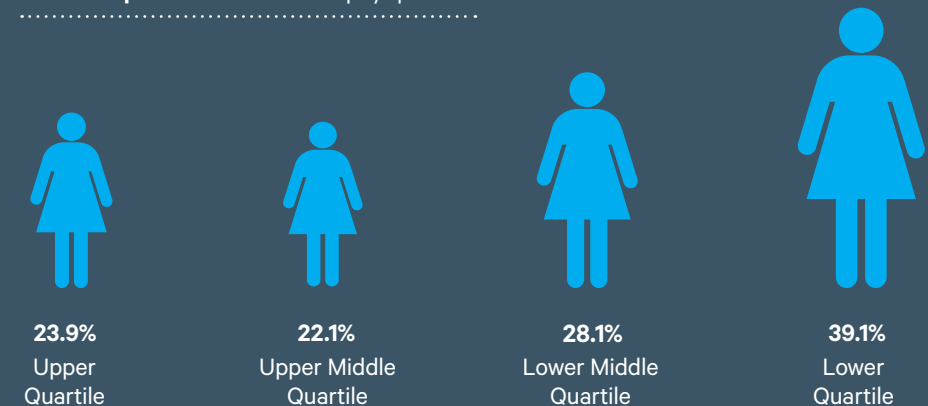
We also anticipate that the pay gaps for our existing workforce will close in 2022 as we review the pay structure for our lower paid roles and a commitment to pay above the Living Wage Foundation rate of pay.

Our acquisition of Bristol Water will also be reflected in our 2022 disclosure.

Gender diversity



Female representation in each pay quartile

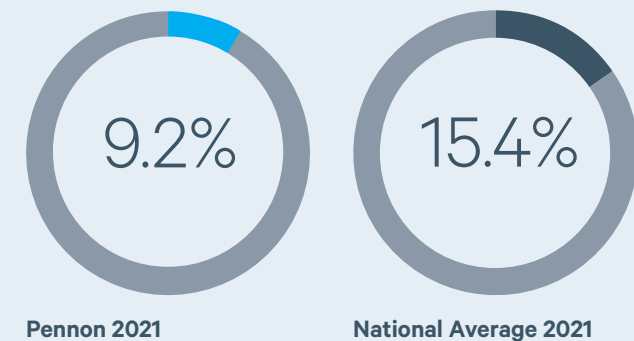


Full results for our Gender Pay Gap Reporting

	Employees as at 5th April 2021	Mean Gender Pay Gap in hourly pay % (2021)	Mean Gender Pay Gap in hourly pay % (2020)	Mean year-on-year difference in mean Gender Pay Gap %	Median Gender Pay Gap in hourly pay % (2021)	Median Gender Pay Gap in hourly pay % (2020)	Median year-on-year difference in median Gender Pay Gap %	Proportion of Males who received bonus in previous 12 months (%)	Proportion of Females who received bonus in previous 12 months (%)	Mean Bonus Gender Pay Gap % (2021)	Mean Bonus Gender Pay Gap % (2020)	Mean Bonus Gender Pay Gap year-on-year difference	Median Bonus Gender Pay Gap % (2021)	Median Bonus Gender Pay Gap % (2020)	Median Bonus Gender Pay Gap year-on-year difference
Pennon Plc.	63	6.7%	21.5%	-14.8%	24.5%	16.8%	7.7%	96.8%	91.2%	-2.65%	49.9%	-50.6%	65.3%	28.3%	37.05%
Pennon Water Services	156	26.1%	23.3%	2.8%	20.4%	14.8%	5.6%	93.7%	91.8%	38.5%	73.0%	-34.48%	0.0%	0.0%	0.0%
Source	252	2.9%	-1.4%	4.2%	3.2%	0.1%	3.1%	94.3%	94.1%	17.9%	2.4%	15.4%	3.9%	3.8%	0.1%
South West Water	1624	6.7%	4.9%	1.8%	11.4%	11.6%	-0.2%	94.7%	96.7%	-28.4%	-10.0%	-18.3%	0.0%	3.4%	-3.4%
Pennon Group	2095	9.2%	5.7%	3.5%	18.5%	15.6%	2.9%	94.3%	94.2%	-43.1%	-15.9%	-27.2%	0.0%	3.4%	-3.4%

	Upper Quartile % of Males	Upper Quartile % of Females	Upper Middle Quartile % of Males	Upper Middle Quartile % of Females	Lower Middle Quartile % of Males	Lower Middle Quartile % of Females	Lower Quartile % of Males	Lower Quartile % of Females
Pennon Plc.	53.3%	46.7%	62.5%	37.5%	50.0%	50.0%	31.3%	68.8%
Pennon Water Services	71.8%	28.2%	43.6%	56.4%	41.0%	59.0%	33.3%	66.7%
Source	49.2%	50.8%	52.4%	47.6%	41.3%	58.7%	46.0%	54.0%
South West Water	81.5%	18.5%	85.7%	14.3%	80.5%	19.5%	67.0%	33.0%
Pennon Group	76.1%	23.9%	77.9%	22.1%	71.9%	28.1%	60.9%	39.1%

How Pennon's Gender Pay Gap compares to the National Average





I confirm with this statement that the information in this report is accurate.

Adele Barker
Group Chief People Officer