

Nurturing an
equal, diverse
and inclusive
workplace



“As Chief People Officer, it is a privilege to address our collective efforts towards fostering a workplace that champions equality and empowers every individual within our organisation.”

Adele Barker Group Chief People Officer

Fostering Transparency and Inclusion: Pennon's Commitment to Diversity and Equity

I am pleased to share Pennon Group's 2023 Gender Pay Gap Report, reflecting our continued commitment to transparency, diversity, and inclusion.

With a workforce comprising over 5,000 dedicated colleagues, Pennon has a pivotal role as one of the largest employers in the region. It is our responsibility to contribute positively to society by cultivating an environment that promotes social mobility, prioritises diversity and inclusion, and ensures equitable treatment for all employees, regardless of background.

Our aspiration is to become the Employer of Choice across our region, where trust is paramount, and every individual is valued for their contributions.

Transparency lies at the heart of our commitment to diversity and inclusion. This report helps to demonstrate openness, allowing us to candidly assess the gender and ethnic diversity within our workforce.

Moreover, it enables us to share some of the initiatives we are trialling and testing to improve diversity across all levels and roles within our organisation.

We also understand that fostering an inclusive workplace is imperative not only for attracting talent but also for retaining our valued colleagues.

That's why we are so proud that one of our new Group values is 'Be You'. Co-created with employees, it means bringing your best self to work, every day. It's about being proud to be part of the Pennon Group, but also proud to be yourself and being mindful of the needs of others and making everyone feel like they belong.

Finally, I am proud to note that our REACH representation across the Group has seen a meaningful increase, reaching 3% in the past year. While this progress is commendable, we recognize that building representation, particularly at management and senior levels, is a gradual process— one that we are steadfastly dedicated to advancing. We acknowledge that such representation gaps can contribute to disparities in pay, and thus, we remain resolute in our efforts to attract, retain, and nurture talent from diverse backgrounds.

Adele Barker
Group Chief People Officer

Progress made so far

Pennon recognises its pivotal role in fostering diversity and inclusion within the South West of England landscape.

While our region historically has lower proportions of ethnic diversity, Pennon is committed to creating a workplace that embraces and supports mobility for all. In the past two years, we have seen a notable increase in our ethnically diverse workforce, from approximately 0.5% to 3%, propelled by targeted recruitment efforts and the inclusion of Bristol Water employee's post-acquisition.

Leadership Training

Our two leadership courses, LEAD Aspire for employees wishing to advance into a leadership role, and the LEAD Programme for our current leaders, both include an Inclusive Leadership module. The programme promotes awareness of what we mean when we talk about Diversity, Equality, and Inclusion, investigates how our own identities have been created and how this can limit the experience of others, and proposes measures to improve leadership practices.

Diversity Awareness and Training

Our commitment to fostering an inclusive workplace extends to comprehensive Unconscious Bias training for senior leadership and hiring managers. We prioritise understanding the lived experiences of minority groups through dedicated group sessions, enabling us to address pertinent issues and implement meaningful actions.

Monitoring and Inclusivity

We employ proactive measures to ensure inclusivity in our recruitment processes. Utilising gender decoder tools, we scrutinise job adverts to mitigate biases and actively feature ethnically diverse employees in our promotional materials. Our concerted efforts have resulted in a substantial increase in applications from ethnically diverse and female candidates, signalling progress in an industry still dominated by males.



Progress made so far

Employee-led Inclusion

Our Employee Network Groups continue to play an important role in raising awareness and promoting change. These groups have focused on raising awareness about the challenges that under-represented groups face, which has included educating employees on LGBTQ+ topics and experiences, including a session led by a transgender speaker, celebrating different cultures and customs through in-person events, sessions on racism and allyship, promoting understanding of neurodiversity, developing a webinar on sexism and misogyny, and creating an Equality, Diversity and Inclusion awareness session for all new starters into the Group.

Women FTSE Leaders

In the most recent publication of the FTSE Women Leaders Report, we have once again been recognised as a leader for female representation, earning bronze for best performers in Women on Boards within the FTSE 250. The assessment, which was performed independently and is approved by the government, is a validation of Pennon's tireless efforts to lead the charge in promoting equality and diversity, with Pennon being one of the few FTSE-listed businesses with more women on the Board than men, and with inspirational role models.

Social Mobility Pledge

Pennon remains steadfast in its commitment to the Social Mobility Pledge, reinforcing our dedication to addressing social injustice and supporting our communities. We have doubled our efforts in apprentice and graduate recruitment, aiming to offer structured programs to 1,000 apprentices and graduates by 2030. Furthermore, our pledge to provide 5,000 work placements for young people underscores our commitment to nurturing talent and fostering understanding of our industry.

Change the Race Ratio and 10,000 Black Interns Initiatives

Pennon proudly supports the Change the Race Ratio initiative, striving to enhance racial and ethnic representation in senior leadership roles. Additionally, as a sponsoring business of the 10,000 Black Interns initiative, we have provided valuable internship opportunities that pave the way for increased ethnic diversity within our organization and the wider industry.



Progress made so far

Progression

One of our primary challenges has been to enable a diversified workforce at all levels through internal development and progression. The REACH (Racial, Ethnic, and Cultural Heritage) Network Group and the Women's Network Group have both played important roles in determining how we may better support them with professional advancement throughout the company.

This year, we introduced our Women's Mentoring Programme, which assists women in seeking professional counsel, expanding their network, or navigating their work environment and the problems it brings. In January, we launched our Reciprocal Mentoring experiment, which linked eight members of the REACH Network with eight members of our Executive and Senior Leadership team, with the purpose of allowing individuals to share their lived experiences and inspire active behaviour from those involved.

We also collaborated with the Inclusive Village to create a REACH Development Programme. The curriculum is intended to support the career objectives of those who may face career disadvantage or inequalities as a result of their racial identity, while also allowing Pennon to support our commitment to Change the Race Ratio. This session will address a variety of career-enabling issues recognised by research as being particularly relevant to assisting racialised minorities in the workplace, such as leveraging line manager and ally connections, impact and influence, and establishing a credible professional/personal brand.

We will continue to collaborate with these groups on career advancement possibilities, to better understand the difficulties they experience, and how we can address them as an organisation.



“Support from my mentor has been exceptional. Her willingness to share her knowledge and experience has been pivotal in my professional development, especially with this being my first job, and in a country that is so culturally different from home. Most importantly, she has created a safe space where I feel comfortable sharing my experiences, concerns, and doubts, making it clear that my professional well-being is her priority.”

Mentoring Testimonial – Namita Pezheri

Understanding our Gender Pay Gap

This year, Pennon Group's Gender Pay Gap (GPG) remains consistent at 8.5% and remains consistently lower than the national average of 14%.

Concurrently, the Median GPG has seen a decrease of over 1% to 14.4%, which is indicative of an increase in female representation, particularly within the upper quartiles, where female representation has increased from 21.4% to 25.6%.

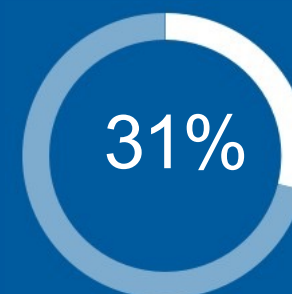
Across Pennon plc. and Pennon Water Services, we have seen an increase in the Mean GPG. This increase is attributed to the impact of a few senior appointments, and the impact these have on a relatively small headcount.

Across South West Water we have seen a significant increase in female representation in senior leadership roles. This is testament to last year's efforts and initiatives to enhance female representation. The representation in the Upper Quartile has now increased from 21% to 26%.

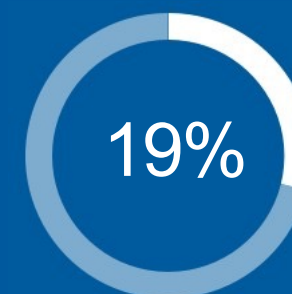
Furthermore, the bonus gap has shown a trend favouring females, reflecting the higher number of women in roles with a greater bonus opportunity.

South West Water Customer Service has shown improvement, reducing its Mean GPG from 4% to 1.5%.

Gender Diversity



Females at Pennon



Females in the Water Industry
(Institute of Water, 2023)

Female representation in each pay quartile



25.6%
Upper
quartile



19.7%
Upper Middle
quartile



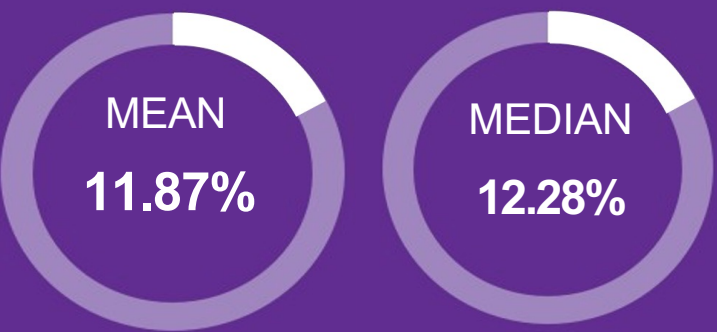
30.3%
Lower Middle
quartile



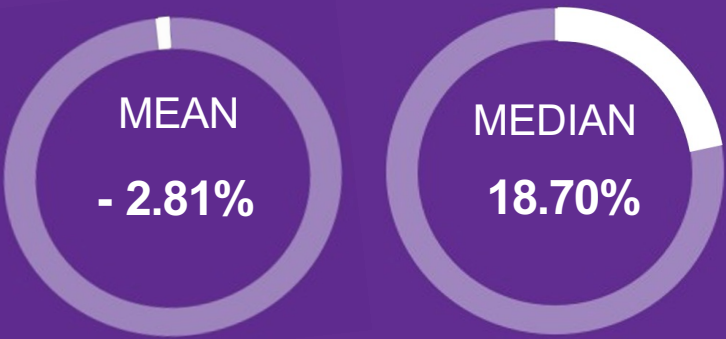
47.5%
Lower
quartile

Understanding our Ethnicity Pay Gap

We have reported two measures of our Ethnicity Pay Gap: the Mean and the Median.



The difference in annual bonus pay between ethnic colleagues and non-ethnic colleagues in 2023 is:

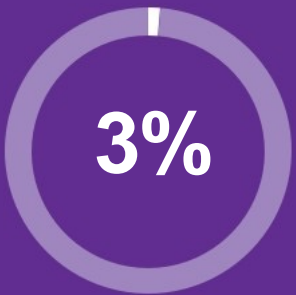


The Mean Ethnicity Pay Gap (EPG) has shown a slight increase.

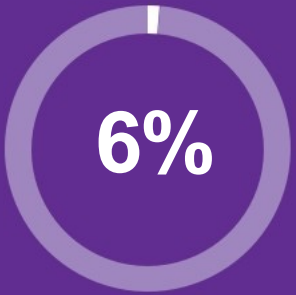
However, the Median EPG shows a decrease of nearly 1%, which reflects an increase in ethnic representation in our upper quartiles.

Our Mean Bonus Gap has seen a significant drop of over 50% since 2022, at -2.81% this year, which is attributed to the provision of bonus parity for all colleagues, and the opportunity to earn bonus is fair and transparent for all.

Ethnic Diversity



Ethnic Diversity
In Pennon Group



Ethnic Diversity
In South West Region*

Ethnic representation in each pay quartile



4.4%
Upper quartile



3.6%
Upper middle quartile



8.7%
Lower middle quartile



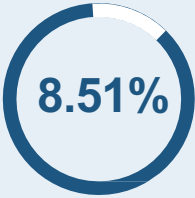
5.8%
Lower quartile

*Gov.UK Census data 2021

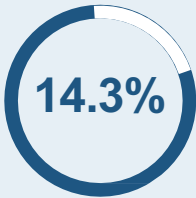
Full results for our Gender Pay Gap Reporting

	Employees as at 5th April 2023	Mean Gender Pay Gap in hourly pay % (2023)	Mean Gender Pay Gap in hourly pay % (2022)	Mean year-on-year difference in Mean Gender Pay Gap %	Median Gender Pay Gap in hourly pay % (2023)	Median Gender Pay Gap in hourly pay % (2022)	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 % (2023)	Mean Bonus Gender Pay Gap % (2022)	Mean Bonus Gender Pay Gap year-on-year difference	Median Bonus Gender Pay Gap % (2023)	Median Bonus Gender Pay Gap % (2022)	Median Bonus Gender Pay Gap year-on-year difference
Pennon plc.	79	10.83%	5.13%	5.7%	21.58%	12.06%	9.52%	73.68%	72.73%	-129.54%	-58.40%	-71.14%	37.84%	3.11%	34.73%
Pennon Water Services	163	18.12%	16.24%	1.88%	12.34%	13.23%	-0.89%	82.14%	75.86%	-38.30%	7.24%	-45.54%	13.70%	0.0%	13.70%
SWW Customer Service	375	1.51%	4.15%	-2.64%	0.77%	2.57%	-1.80%	86.36%	83.70%	31.38%	14.40%	16.98%	16.56%	1.08%	15.48%
South West Water	2,463	6.72%	5.36%	1.37%	9.11%	11.04%	-1.94%	84.15%	78.35%	-34.53%	-11.71%	-22.82%	37.11%	15.49%	21.62%
Pennon Group	3,080	8.51%	8.41%	0.09%	14.36%	15.43%	-1.07%	84.07%	79.10%	-99.73%	-30.46%	-69.27%	37.16%	18.39%	18.77%

	Upper quartile % males	Upper quartile % females	Upper middle quartile % males	Upper middle quartile % females	Lower middle quartile % males	Lower middle quartile % females	Lower quartile % males	Lower quartile % females
Pennon plc.	57.9%	42.1%	50.0%	50.0%	50.0%	50.0%	30.0%	70.0%
Pennon Water Services	72.5%	27.5%	43.9%	56.1%	51.2%	48.8%	31.7%	68.3%
SWW Customer Service	48.4%	51.6%	45.7%	54.3%	37.2%	62.8%	50.0%	50.0%
South West Water	76.4%	23.6%	82.6%	17.4%	75.5%	24.5%	64.9%	35.1%
Pennon Group	74.4%	25.6%	80.3%	19.7%	69.7%	30.3%	52.5%	47.5%



FY23 Pennon GPG



National Average

Full results for our Ethnicity Pay Gap Reporting

	Mean Ethnicity Pay Gap (%)	Median Ethnicity Pay Gap (%)	Proportion of REACH employees who received bonus in previous 12 months (%)	Proportion of white employees who received bonus in previous 12 months (%)	Mean Bonus Pay Gap as % of white	Median Bonus Pay Gap as % of white
Pennon plc.	-7.12%	-58.55	100%	80.0%	80.64%	-92.25%
Pennon Water Services	-7.27%	3.07%	85.7%	84.0%	64.94%	2.78%
SWW Customer Service	7.67%	2.00%	74.4%	85.3%	14.04%	6.05%
South West Water	11.05%	11.93%	88.9%	96.3%	-32.05%	23.24%%
Pennon Group	11.87%	12.28%	76.8%	86.10%	-2.81%	18.7%

Ethnicity Pay Gap Quartiles by company	UPPER		UPPER MIDDLE		LOWER MIDDLE		LOWER QUARTILE	
	REACH	White	REACH	White	REACH	White	REACH	White
Pennon plc.	7.7%	92.3%	7.7%	92.3%	0.0%	100%	0%	100%
Pennon Water Services	12.5%	87.5%	6.7%	93.3%	10.0%	90.0%	21.4%	78.6%
SWW Customer Service	3.6%	96.4%	7.1%	92.9%	10.8%	89.2%	0%	100%
South West Water	4.0%	96.0%	4.3%	95.7%	6.6%	93.4%	6.9%	93.1%
Pennon Group	4.4%	95.6%	3.6%	96.4%	8.7%	91.3%	5.8%	94.2%

There is no national average data to compare this to as Ethnicity Pay Gap reporting is not yet mandatory for organisations in the UK



