

## Summary

Essity UK Ltd is required by law to publish an annual gender pay gap report. The data is based on a snapshot as at 5<sup>th</sup> April 2017. The results show a negative gender pay gap meaning that on average women's gross hourly earnings are higher than those of men. This is due to the demographics of the workforce, with a high proportion of women in senior management and professional roles.

All Essity UK Ltd employees participate in bonus schemes, however a slightly smaller percentage of female employees received a bonus. This is due to a higher proportion of women joining after the bonus eligibility cut off date of 1<sup>st</sup> October.

Essity UK Ltd is committed to the principles of equal opportunity and treatment for all employees and has clear policies on this matter, including a Code of Conduct. Various audits are undertaken and we are confident that the gender pay gaps does not stem from paying men and women differently for the same or equivalent work.

## Gender Pay Gap Report

This is its report for the snapshot date of 5 April 2017.

- The mean gender pay gap is -9.23%.
- The median gender pay gap is -6.55%.
- The mean gender bonus gap is -38.01%.
- The median gender bonus gap for is -0.16%.
- The proportion of male employees receiving a bonus is 97.41% and the proportion of female employees receiving a bonus is 93.82%.

## Pay quartiles by gender

Band	Males	Females	Description
A	81.16%	18.84%	Includes all employees whose standard hourly rate places them at or below the lower quartile
B	79.39%	20.61%	Includes all employees whose standard hourly rate places them above the lower quartile but at or below the median
C	86.67%	13.33%	Includes all employees whose standard hourly rate places them above the median but at or below the upper quartile
D	69.30%	30.70%	Includes all employees whose standard hourly rate places them above the upper quartile

The figures set out above have been calculated using the standard methodologies used in the Equality Act 2010 (Gender Pay Gap Information) Regulations 2017.

The results show a negative gender pay gap meaning that on average women's gross hourly earnings are higher than those of men.

### What are the underlying causes of Essity UK Ltd's gender pay gap?

Under equality law, men and women must receive equal pay for:

- the same or broadly similar work;
- work rated as equivalent under a job evaluation scheme; or
- work of equal value.

Essity UK Ltd is committed to the principle of equal opportunities and equal treatment for all employees, regardless of sex, race, religion or belief, age, marriage or civil partnership, pregnancy/maternity, sexual orientation, gender reassignment or disability. Essity has a Code of Conduct that includes a policy of paying employees equally for the same or equivalent work, regardless of their gender (or any other characteristic set out above). As such, it:

- carries out pay and benefits audits annually;
- evaluates job roles and pay grades as necessary to ensure a fair structure.

Essity UK Ltd is therefore confident that its gender pay gap does not stem from paying men and women differently for the same or equivalent work. Rather its gender pay gap is the result of the roles in which men and women work within the organisation and the salaries that these roles attract.

Across the UK economy as a whole, men are more likely to be in senior roles (especially very senior roles at the top of organisations), while women are more likely to be in front-line roles at the lower end of the organisation. In addition, men are more likely to be in technical and IT-related roles, which attract higher rates of pay than other roles at similar levels of seniority. Women are also more likely than men to have had breaks from work that have affected their career progression, for example to bring up children. They are also more likely to work part time, and many of the jobs that are available across the UK on a part-time basis are relatively low paid.

Unlike the UK economy, the make-up of Essity UK's workforce has mainly men in operative roles within the manufacturing operation which dominate the lower pay quartiles, while a high proportion of women are in senior management and professional roles.

This can be seen above in the table depicting pay quartiles by gender. This shows Essity UK Ltd's workforce divided into four equal-sized groups based on hourly pay rates, with Band A including the lowest-paid 25% of employees (the lower quartile) and Band D covering the highest-paid 25% (the upper quartile). In order for there to be no gender pay gap, there would need to be an equal ratio of men to women in each Band. Within Essity UK Ltd, whilst men are the majority they are evenly spread across the quartiles. However, the majority of women (30.70%) fall in to the highest paid quartile.

### **How does Essity UK Ltd's gender pay gap compare with that of other organisations?**

The vast majority of organisations have a gender pay gap and it is possible for an organisation to have a negative gender pay gap, meaning that women earn more than men on average, but this is not common. In the manufacturing industry for example, where few women are employed, a small number of highly paid women among a majority male workforce produces a negative gender pay gap. This is also the case in some construction and mining companies.





The mean gender pay gap for the whole economy (according to the November 2016 Office for National Statistics (ONS) Annual Survey of Hours and Earnings (ASHE) figures) is 17.5%, the mean gender pay gap within manufacturing is currently unavailable. At -9.23%, Essity UK Ltd's mean gender pay gap is significantly lower than the whole economy.

The median gender pay gap for the whole economy (according to the November 2016 ONS ASHE figures) is 19.2%, while in the manufacturing sector it is 18.8%. At -6.55%, Essity UK Ltd's median gender pay gap is therefore significantly lower than both that for the whole economy and that for the manufacturing.

**Comparison with other organisations**

	<b>Essity UK Ltd</b>	<b>2016 ONS ASHE whole sector</b>	<b>2016 ONS ASHE Manufacturing sector</b>
Mean gender pay gap	-9.23%	17.5%	Currently not available
Median gender pay gap	-6.55%	19.2%	18.8%

The mean gender bonus gap and the median gender bonus gap for Essity UK Ltd at -38.01% and -0.16%. All employees are eligible to participate in a bonus scheme. Bonus scheme frameworks are driven at a global level, while they will differ across business areas they are consistent for all employees. What differs with seniority is the percentage of base salary that can be achieved. As a third of female employees fall within the top quartile it is likely they will receive a higher bonus, thus, increasing their average pay out.

The proportion of men at Essity UK Ltd who received a bonus in the twelve months up to 5 April 2017 was 97.41%, while for women this was 93.82%. The bonus scheme runs January – December and to qualify employees must be employed before 1<sup>st</sup> October and remain employed until 31<sup>st</sup> December. A higher percentage of women started after 1<sup>st</sup> October and therefore they were not eligible to participate in the bonus scheme. This accounts for the lower proportion of females who received a bonus.

## What is Essity UK Ltd doing to address its gender pay gap?

While Essity UK Ltd's gender pay gap compares favourably with that of organisations both across the whole UK economy and within manufacturing sector, this is not a subject about which Essity UK Ltd is complacent and it is committed to doing everything that it can to reduce the negative gap. However, Essity UK Ltd also recognises that its scope to act is limited in some areas - it has, for example, no direct control over the subjects that individuals choose to study or the career choices that they make. Encouraging women in to Manufacturing / Engineering is a challenge throughout the industry. Essity UK Ltd will continue to work with schools and colleges supporting females wishing to pursue a career within the industry.

Whilst there has been a drive in the UK for more women to sit on the board of directors, Essity UK Ltd's Country Management team is made up of almost 40% Women. Coupled with women in senior professional positions, this has skewed the figures in to a negative gap. This could be considered a positive picture in comparison to the UK economy. However, for Essity UK Ltd to achieve a balanced outcome and comparable average pay, women need to be encourage into the manufacturing environment.

It may be several years before some have any impact at all. In the meantime, Essity UK Ltd is committed to reporting on an annual basis on what it is doing to reduce the gender pay gap and the progress that it is making.

I, Heather Baker, HR Director confirm that the information in this statement is accurate.

*Heather Baker*

Date

*8th January 2018*