

UK Gender pay report 2021

We believe in the significant benefits that derive from a more inclusive and diverse organisation. From entry-level roles to senior executive positions, we're committed to driving gender equality across our business. However, gender equality is just one element of our commitment to create a truly inclusive workplace where all employees can thrive.

What is the gender pay gap?

The gender pay gap is the difference between the hourly rate of pay levels for male and female employees in our UK business, covering standard and variable pay. It is influenced by a range of factors, most notably the voluntary sacrifice deductions chosen by employees and the representation of women at senior level in a company's workforce.

Details of our gender pay gap as at 5 April 2021 are set out below.

Does having a pay gap mean women are not paid the same as men?

No, the gender pay gap is different to equal pay. Equal pay is about whether a woman and a man receive equal pay for the same or a similar job. We are committed to equal pay and fostering a fair and transparent environment where employees are rewarded based on their position, competencies, performance and contribution. As explained further below, the pay gap is calculated post voluntary salary sacrifice deductions, meaning that a pay gap could exist between a man and a woman even if they are paid the same amount.

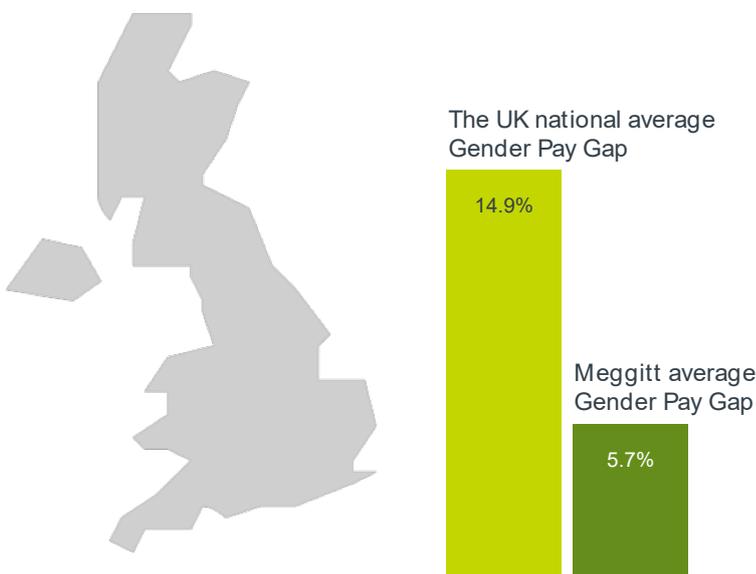
What is Meggitt's Gender Pay Gap?

Gender pay gap legislation requires us to report data as at 5 April 2021 for two of our four UK employing companies, Meggitt Aerospace Limited and Meggitt (UK) Limited. This data is reported in the prescribed format at the end of this statement, under 'Statutory disclosures'.

To help provide a complete picture, we set out in this statement the combined data for all of our UK companies.

Hourly Pay Gap

- Meggitt mean pay gap – 5.7% (2020: 9.3%)
- Meggitt median pay gap – 9.7% (2020: 9.5%)
- UK national gender pay gap – 14.9% (2020: 15.5%)



WHAT IS MEDIAN PAY?

We rank all male employees in order of their hourly pay and do the same for all female employees. We then compare the pay of the 'middle male' and the 'middle female'.

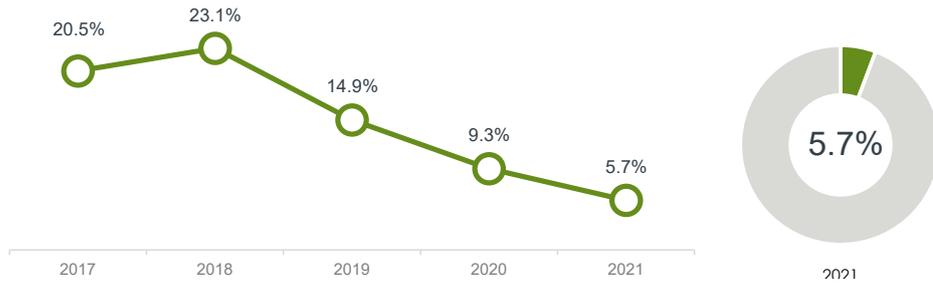
In 2021 the 'middle male' earned 9.7% more than the 'middle female'.

WHAT IS MEAN PAY?

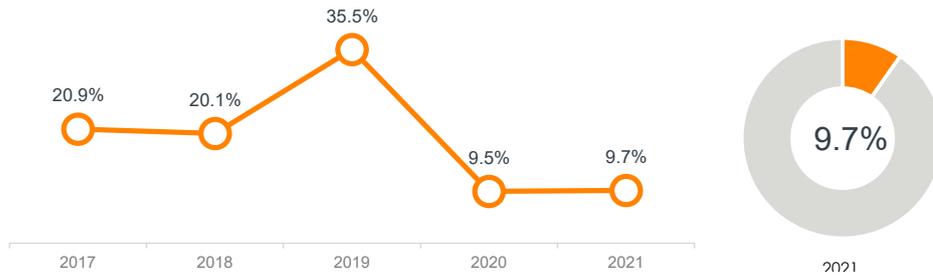
We add together the hourly pay of all male employees, then divide the total by the number of male employees. We then do the same for all female employees and compare the average (or mean) hourly pay.

In 2021 on average, men were paid 5.7% more an hour than women.

Meggitt mean pay gap over time



Meggitt median pay gap over time



Bonus Pay Gap

- Median difference in bonus pay – 41.2% (2020: 37.0%)
- Mean difference in bonus pay – 67.9% (2020: 36.3%)

Bonuses are made up of 'one-off' payments such as incentive, sale of shares and other recognition, retention and service awards. These have a variable monetary value for each element so amounts paid vary year-on-year. This makes the data more volatile and so our figures fluctuate from one year to the next.

WHAT IS MEDIAN DIFFERENCE IN BONUS?

We rank all male employees that received a bonus in the 12 months preceding 5 April 2021 in order of the value of their bonus and do the same for all female employees. We then compare the bonus of the 'middle male' and the 'middle female'.

In 2021 the 'middle male' received a bonus that was 41.2% more than the bonus received by the 'middle female'.

WHAT IS MEAN DIFFERENCE IN BONUS?

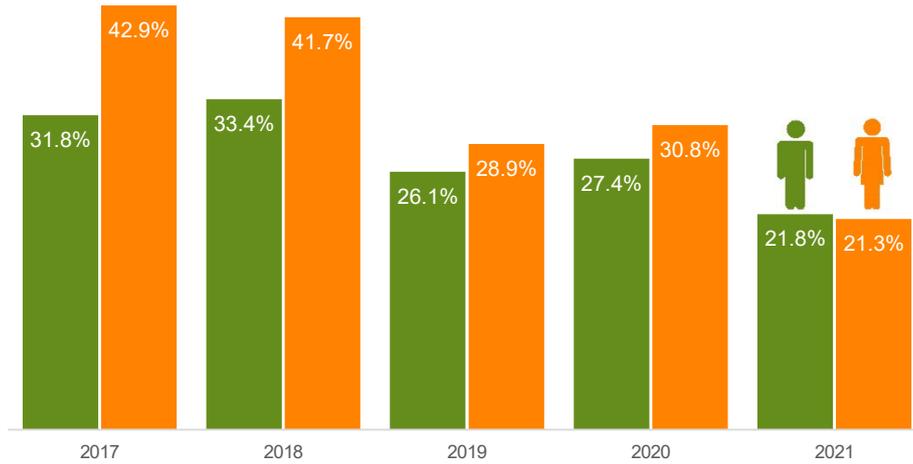
We add together the bonuses received by all male employees, then divide the total by the number of male employees that received bonuses. We then do the same for all female employees and compare the average (or mean) bonus.

In 2021, on average men received bonuses worth 67.9% more than the bonuses received by women.

Proportion of UK employees receiving a bonus in 2021



Proportion of UK employees receiving a bonus over time



Pay quartiles

WHAT ARE PAY QUARTILES?

We rank the workforce from lowest to highest paid, then split into four equal groups (quartiles), and state the percentage of men and women in each group.



For the purpose of Gender Pay Gap reporting, as at 5 April 2021, there were around 820 relevant employees in the UK (2020: 2,547). Each quartile represents approximately 205 employees. The lowest quartile represents the typically more junior roles in our organisation, while the top quartile represents the most senior roles and highest paid roles.

What does the Gender Pay Gap tell us?

Whilst we have seen an overall improvement in Gender Pay Gap over the last few years, there are many factors which influence the data, most notably the voluntary sacrifice deductions chosen by employees and the male to female ratio of our senior leadership population. Whilst calculating our pay gap prior to salary sacrifice deductions would impact our data, it would not eliminate our pay gap due to the fact that a greater proportion of our senior managers are male. Minor changes to our senior leadership population can have a substantial impact on our gender pay gap, potentially overshadowing the significant work we have undertaken in recent years to improve diversity, in its truest sense, throughout the organisation.

Our bonus gap primarily exists because we have fewer women in roles that attract higher levels of pay where the scale of the bonus potential is greater. Small changes to our senior leadership team can also have a significant impact on our bonus gap.

Why do we employ more males?

Our business relies on employing large numbers of employees with qualifications in science, technology, engineering and mathematics (STEM) related fields. We, like others in similar industries, face challenges recruiting female employees with STEM qualifications and experience because there are significantly fewer women who study and work in these fields.

Why are there more males in the senior leadership team?

Due to the under-representation of females with STEM qualifications and relevant industry experience we face particular challenges in finding females with the requisite knowledge and or experience to become members of our senior leadership team.

We invest time and energy to ensure that we attract, develop and retain the best talent and foster an environment where everyone has equal opportunity to succeed and reach their full potential. Appointment into senior leadership roles at Meggitt is based on skills, behaviours, knowledge and experience. Currently 18.18% of our Executive Committee and their direct reports are female. We recognise that through our commitment to diversity and inclusion, there is more work to do to increase female representation at all levels of the organisation.

What can we learn from the 2021 data?

Whilst changes to our Gender Pay Gap have historically been positive and driven by movements in senior roles, there are a number of factors this year that have impacted and distorted both the hourly rate and bonus calculations, these are:

- Government guidance was issued which states that employees with reduced earnings during the snapshot date by reason of furlough or COVID Salary Reductions related to the Coronavirus Job Retention Scheme should not be classed as Full Pay Relevant. This significantly reduced the 'data pool' from 2,547 employees in 2020 to 820 in 2021, significantly distorting the final hourly pay rate Gender Pay Gap numbers.
- Updated guidance clarifies that calculations should use data post salary sacrifice deductions for the hourly pay rate calculation, this means that our 2021 calculations take into account voluntary salary sacrifice pension, childcare vouchers and Cyclescheme contributions. Historically our calculations were based on pre-salary sacrifice data as it was thought that this provided a more accurate and meaningful comparison of male and female salaries. Using data post salary sacrifice deductions significantly distorts the data presented so that it does not give a true picture of male and female pay as demonstrated below.
- The updated guidance also clarifies the pay elements to be included in the Bonus pay calculations. As a result our 2021 bonus calculations include additional pay elements such as the Extraordinary People Awards – meaning much smaller values are included in the calculations making the range of amounts paid much larger. In addition to this, the standard bonus process was cancelled in 2021 meaning that significantly less bonuses were paid compared to the prior year.

These significant changes in 2021 make any meaningful comparison to previous years difficult.

Impact of calculating data post salary sacrifice deductions

Example 1

Male and female employees choose different benefits



Example 2

Male opts for company car



EMPLOYEES RECEIVE EQUAL REMUNERATION PACKAGE				
Annual salary	£40,000	£40,000	£40,000	£40,000
Annual car allowance	£6,500	£6,500	£6,500	£6,500
Annual working hours (39 p/w)	2,033.46	2,033.46	2,033.46	2,033.46
EMPLOYEE OPTIONS				
Company car or cash allowance	Cash allowance	Cash allowance	Cash allowance	Company car
Bike to work	No	Yes	No	Yes
Child care vouchers	Yes	No	Yes	No
Employee pension 5%	Yes	No	Yes	No
MONTHLY PAY				
Monthly salary	3,333.33	3,333.33	3,333.33	3,333.33
Monthly car allowance	541.67	541.67	541.67	0.00
Bike to work	0.00	-200.00	0.00	-200.00
Childcare vouchers	-250.00	0.00	-250.00	0.00
Employee pension 5%	-166.67	0.00	-166.67	0.00
Gross Pay	3,458.33	3,675.00	3,458.33	3,133.33
Hourly rate for gender pay gap	20.41	21.69	20.41	18.49
Gender Pay Gap		5.9%		-10.37%

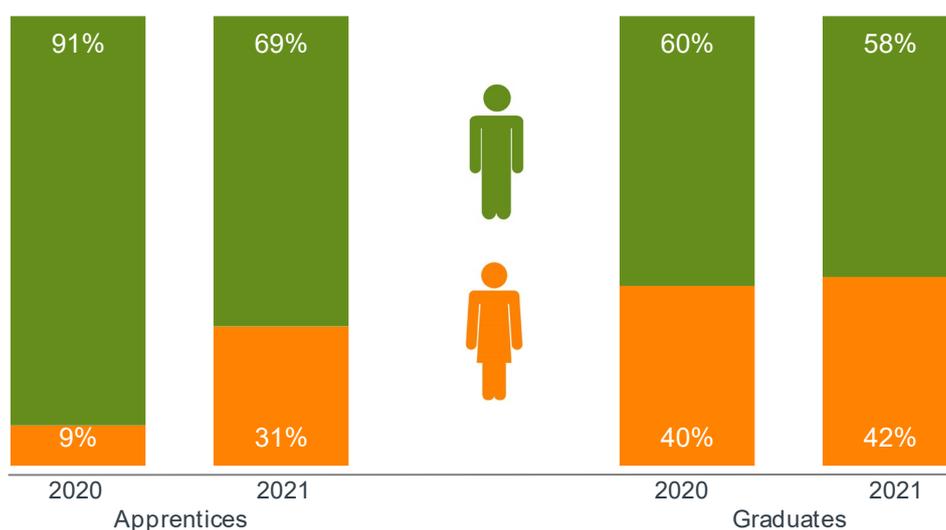
What are we doing to reduce the Gender Pay Gap?

As noted above, the Gender Pay Gap is significantly impacted by the ratio of men and women in the organisation, particularly those at senior management level. We are determined not only to bring more women into the organisation but to increase the number of women through middle and senior management roles, creating a more inclusive organisation across the pay grades, and ultimately, strengthening our performance and competitiveness.

Since 2017 we have launched various initiatives at Meggitt to develop our culture and more specifically our approach to diversity and inclusion. This includes:

- Progressive improvements to our talent, recruitment and retention processes to reflect and encourage a more diverse organisation.

- A focus on an inclusive culture as part of our High Performance Culture work and specific unconscious bias training.
- Helping to foster an inclusive workplace culture, promoting agile and flexible working where possible. During 2021 we launched our Global Flexible Working Policy and Guidelines which apply to both flexible working (e.g. flexible start and finish times) for shopfloor staff and remote working for office staff.
- The launch of three key diversity projects focused on (i) improving diverse talent acquisition, and increasing gender diversity in new hires and promotions; (ii) increasing visibility and communication of global activities in respect of diversity and inclusion; and (iii) roll out of inclusion training in 2022 to all people managers to increase awareness, desire and skill to create a more inclusive organisation. Together these projects have helped increase the % of female hires in professional roles from 30% in 2020 to 34% in 2021.
- In 2021 we expanded our apprenticeship and graduate programme offerings to include a wider variety of apprenticeship levels and standards and to introduce business focused programmes to offer more varied career opportunities for young people and encourage a more diverse intake. We are also working to ensure that female representation is included in our promotion material for our early careers programmes. Together this has had a positive effect on the ratio of female apprentices and graduates appointed in 2021 as shown below:



Additionally, we support a grassroots approach to diversity and inclusion, where we encourage employees to raise issues that are important to them and create Employee Resource Groups (ERGs), supported by the company. Currently we have eight Employee Resource Groups functioning to raise awareness, foster an inclusive workplace and build a sense of belonging.

Our STEM employee resource group works towards inspiring young people to engage in STEM subjects, which is not only crucial for a young person's educational development, but to the future of global STEM industries. Our STEM initiatives engage young men and women, educate them in the real-world applications of STEM, and encourage them to pursue higher education and careers in a technical field. Our STEM group's aims include creating partnerships with schools and increasing the profile of Meggitt in the communities around our key sites and increasing the quality, quantity and diversity of young men and women applying to be a part of our Apprenticeship and Graduate Programmes, and the industry as a whole.

PAVE is an employee resource group focused on encouraging women's contributions, development and advocacy across Meggitt. Focused on women and open to all, PAVE is designed to advance gender equality by sponsoring, inspiring and educating men and women at Meggitt. The group connects a strong network of individuals across Meggitt to support encourage and mentor women towards achieving their career goals increasing engagement, helping to improve working conditions, through process and policy change, facilitating growth and development and providing mentorship opportunities. To support the career progression of

women, PAVE has delivered training on mentoring, building personal brand, finding and being an advocate, career development (when and how to interview for internal promotions) and work life balance as a working mother; launched "PAVE circles" groups designed to connect like minded people with a common interest to develop together and support each other.

We will continue to promote diversity and inclusion through our policies, training, awareness events and commitments as well as through our internal promotion, recruitment and graduate and apprentice intakes.

A handwritten signature in black ink that reads "Tony Wood". The signature is written in a cursive, slightly slanted style.

Tony Wood
Chief Executive Officer

We confirm that the data reported under the Regulations is accurate and meets the requirements of the Regulations.

A handwritten signature in black ink that reads "Geoff Lloyd". The signature is written in a cursive, slightly slanted style.

Geoff Lloyd
Group HR Director

Statutory disclosures

Under the regulations we are required to report our gender pay gap data for employers that have at least 250 employees. The relevant reporting employers for the Meggitt Group are Meggitt (UK) Limited and Meggitt Aerospace Limited. Their data is set out below.

Meggitt (UK) Limited

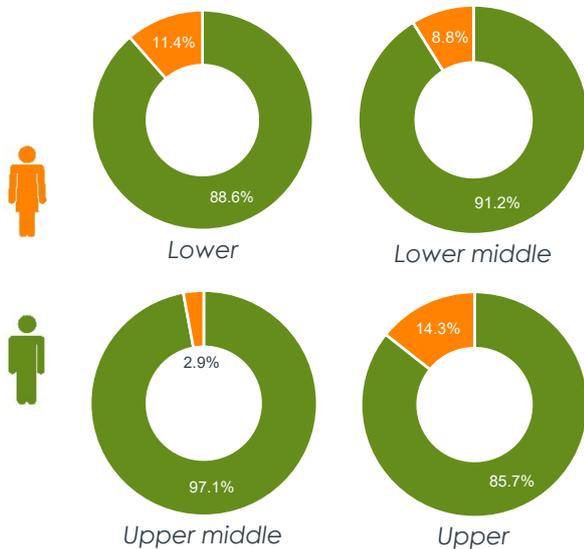
Pay and bonus difference between men and women

	Median	Mean
Hourly pay gap	9.1%	5.6%
Bonus gap	48.8%	91.1%

Proportion of employees receiving a bonus



Proportion of females and males in each quartile band



Meggitt Aerospace Limited

Pay and bonus difference between men and women

	Median	Mean
Hourly pay gap	10.7%	4.6%
Bonus gap	86.5%	77.6%



Proportion of females and males in each quartile band

