UK Gender Pay Gap Report 2018

It’s vital that the inside of an organisation reflects society as we believe it underpins our ability to remain competitive and keeps our outlook filled with fresh ideas and viewpoints. Thales UK is continuing to work hard to create a genuinely diverse organisation and we are pleased to recognise that we are now having more conversations about diversity and inclusion than ever before.

There’s been a real drive to increase internal mobility and create great opportunities for all of our people to develop and progress within Thales. We’re starting to push back the boundaries of conventional employment and use forward-thinking initiatives, such as smart working, to ensure that we can support healthy work life balances. We’ve also taken positive steps to eliminate unconscious bias from our hiring process.

In 2017 we launched our Thales Commitments towards People which illustrates how we are working both globally and in the UK towards an environment that understands and values difference and encourages each employee to create an enriching career for themselves.

Over the last 12 months, we’ve progressed ideas that have arisen from our diversity discussions and forged forward with new innovations that will continue to develop Thales UK into a fresh thinking, fully inclusive and mutually supportive workplace.
UK Gender Pay Gap Report 2018

Equal Pay and the Gender Pay Gap are not the same

**Gender Pay Gap**
The gender pay gap is the difference between the average hourly earnings of men and women, irrespective of role or seniority, expressed as a percentage of the hourly pay rate of male employees. It is reported on a mean (average) basis, and median (middle point) basis.

**Equal Pay**
In contrast, an Equal Pay issue can arise where one gender is paid less than the other for performing the same or comparable work. Since the 1970s, UK law has prohibited paying different amounts to men and women who are performing the same or comparable work, unless there is a “genuine material factor” for doing so.

Organisations like Thales with a large proportion of male employees, especially in senior roles, will typically report a Gender Pay Gap – this does not mean that there are any equal pay issues. At present 20% of our UK workforce, and 14% of our senior workforce, is female – this is key to understanding why a Gender Pay Gap exists in our organisation.

**Example**
If a hypothetical company has 30 employees with ten each in Grades A, B and C and each grade pays the same salary:

Grade A: £60,000 | Grade B: £40,000 | Grade C: £20,000

Grade A has **two female** and **eight male**
Grade B has **five female** and **five male**
Grade C has **eight female** and **two male**

Overall mean salary is: £40,000
Female Mean Salary: £32,000
Male Mean Salary: £48,000

**Mean Gender Pay Gap is 33.33%**

Overall Median Salary: £40,000
Female Median Salary: £20,000
Male Median Salary: £60,000

**Median Gender Pay Gap is 66.67%**

Male and female employees at each grade are paid equally, but as there are more male employees in the higher paying grade – there is a gender pay gap.
UK Gender Pay Gap Report 2018

Thales in the UK: Overall Results

Pay Gap is the difference between the mean and median men and women’s hourly pay across the whole organisation irrespective of role or seniority. The gross hourly pay includes not only base salary but various allowances and other pay elements as specified in the regulations. Pay Gap uses data from April 2018.

Bonus Gap is the difference between the mean and median men and women’s bonus pay received in the 12 months ending on 5th April 2018. Bonus pay includes money and other forms of remuneration such as vouchers and securities – again, as specified in the regulations.

We are pleased to report that the mean pay gap within Thales UK as a whole has decreased from 15.8% to 14.5% between 2017 and 2018, and the median pay gap within Thales UK as a whole has decreased from 18.1% to 16.8% between 2017 and 2018.

In 2017, we reported a bonus being paid to 74% of our male, and 62% of our female, employees. In the relevant period for 2018, we are pleased to report that almost all Thales UK employees received a bonus. This improvement, however, also resulted in an increase to our reported Bonus Gap - linked to the demographics of our organisation and the different bonus mechanisms in place. This can be seen most significantly in our Median Bonus Gap measure – consistent with the fact that the median grade (LR) for our female population is lower than the median grade for our male population. This is a direct result of the larger proportion of women in lower grades than higher ones.

We are confident that this increase in bonus gap is not due to disparity, but it does support our view that we need to keep working towards our target of employing more females at a senior level.

It is also important to note that both mean and median bonus gaps are below 17% when comparing employee groups with similar bonus types.

Pay and Bonus Gap

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<thead>
<tr>
<th></th>
<th>MEAN 2018</th>
<th>MEDIAN 2018</th>
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<tbody>
<tr>
<td>Pay Gap</td>
<td>15.8%</td>
<td>16.8%</td>
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<tr>
<td>Bonus Gap</td>
<td>24.3%</td>
<td>61.7%</td>
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Note: “Thales in the UK: Overall Results” include employees in Northern Ireland and in fully owned UK Thales companies with less than 250 employees. Consistent with the regulations governing what must be reported – the results for the three limited companies on page 9 do not.
UK Gender Pay Gap Report 2018

What have we achieved in line with our Thales Commitments?

The Gender Pay Gap at Thales is lower than the national average of the UK but we are continually working to close it further

Creating an open minded workforce that values the diversity employees bring whatever their background

To better equip our HR function to have conversations about the importance of diversity and inclusion, we have been holding regular HR huddle events. We’ve invited inspiring guest speakers, including WISE (Women into Science & Engineering) and the Business Disability Forum. Our Diversity & Inclusion [D&I] network have also run a series of ‘Lunch & Learn’ events, discussing various topics, including neurodiversity, The Prince’s Trust, the 2017 Gender Pay Gap report and community STEM activities. The D&I network also reviewed and discussed the launch of a further Women in Thales network at our Green Park, Reading office giving a good opportunity for people to join in at another of Thales’ large sites in the UK. Women from Thales UK also attended and took part in the 2018 Gender Diversity convention in Velizy, France, the purpose of which was to create links between all of Thales’ gender diversity networks worldwide.

In 2018, 21 Prince’s Trust candidates were offered permanent roles in Thales across software, manufacturing, engineering, rail and project management - 20% of these candidates were women. We’re now into the second year of the Prince’s Trust’s ‘Get Into’ programme, with three cohorts having completed their training this year. We are really encouraged by the diverse range of talent on our Early Careers pathway.

In 2018 we recruited 50 apprentices into engineering and manufacturing roles; 20% of these are women. The Transport Sector has set targets for 20% of new entrants to engineering and technical apprenticeships to be women by 2020. We are proud to be meeting this target already.

It’s more than a statistic to us, however, and we’re continuing our efforts to encourage more women to take up STEM apprenticeships. We’ve given greater focus to universities that have a higher than average percentage of women, we’ve attended diversity-focused events (such as the ‘IT’s not just for the boys’ employability event in London) and we’ve implemented game-based assessments that have been shown to lessen adverse impact for certain demographics, thus further reducing unconscious bias in our selection process and placing candidates on an equal footing.

2018 saw us take a stand at the WISE conference in Manchester and deliver a smart working presentation on the main stage. We’ve continued to sponsor a number of our STEM ambassadors through the WISE ‘People Like Me’ training programme which has brought particular focus to the effect of the language we use with children in schools.
What have we achieved in line with our Thales Commitments?

Ensuring managers empower their employees and care about their well-being

2018 saw the introduction of our ‘Licence to Hire’ training programme aimed at managers who recruit new people into their teams. Split into three modules that cover recognising unconscious bias, best practice in competency-based interviewing and writing effective job descriptions, three pilots were completed in 2018. Following this, the rollout is planned for Q1 2019, targeting frequent-hire managers as a priority.

We have had extremely positive feedback from our Future World of Work sessions with our senior leadership team all of which had the opportunity to take part during 2018. In this workshop we focused on how our leaders can support their teams as our organisation moves into the future, and how they can continuously develop their inclusive leadership skills.

During 2017 we implemented a scheme of training to create a network of more than 150 Mental Health First Aiders across the UK. This continued in 2018 and we now have nearly 250 Thales people operating as Mental Health First Aiders, aiming to intervene, offer support and signpost to resources when they see the early warning signs of stress or mental ill health.

Ensuring employees have the means and support to manage their work life balance

In 2017, 20% of Thales UK teams were covered by our Smart Working Charter. By the end of 2018 we have 60% of our teams included, and we will work to continue this trend in 2019. It’s a complex request for some areas of our business, particularly engineering and manufacturing, where more challenges arise surrounding when and where our people can work, but we are training managers to facilitate smart working conversations and asking teams to challenge themselves as to how they could work differently. Moving forward, we will continue to develop our thinking on how we assess performance during the recruitment process to ensure we widen the diversity of our talent pool.
Working towards a culture change
The road to culture change within a complex organisation such as Thales is long but we feel hopeful that we are picking up speed as we travel it. 2018 saw the first woman Country Business Unit [CBU] Engineering Director appointed to one of the five Thales UK CBU Executive Committees [executive management board] joining a growing number of women directors from different disciplines on Thales UK executive management boards. This has continued to spur us on to drive towards a business that recognises and celebrates the positive and dynamic future that diversity and inclusion promises.

Alongside the initiatives already mentioned, we are working on many others that support our long-term goal.

Recruitment Briefing Pack
Our recruitment briefing pack now includes material that ensures hiring managers are asked to think about whether the role needs to be full-time, which can restrict applications from individuals who have working pattern requirements that differ from more traditional full time office based arrangements.

Shared Parental Leave
Our Shared Parental Leave Policy seeks to redress the imbalance between the time each gender traditionally takes off work following the birth or adoption of a child. We are working towards creating an environment where both men and women feel comfortable taking time off when they become a parent and know that they’ll be supported by Thales while they are off and also when they return to work.

Return to Work Programme
In 2019 we will be starting our Return to Work programme, offering up to 12 senior management engineering roles to people who are looking to return to employment in a pilot running in two large parts of Thales UK. There are 2 million people in the UK who are able to work at degree level or above but don’t currently - the majority of these are women. Our initiative is aimed at both genders, but we are confident this will support our goal of bringing more women into senior leadership roles within engineering and generally expand the talent pool in this sector.
UK Gender Pay Gap Report 2018

Working towards a culture change

**Smart Working**

Our push towards smart working will continue to be enabled through the use of innovative collaborative technology and new ways of working which enable people to work more effectively in ways that suit them and their team. We've also developed a new learning module to support people to make smart working changes.

We will continue to work hard to demonstrate to both our people and our external partners that Thales is dedicated to diversity and inclusion, because we, as an organisation, believe that it is important and the right thing to do.

We are moving forward with many initiatives designed to create positive change within Thales UK and credit is due to all those who are embracing those changes and helping us to create a more inclusive culture.

We will continue, as an organisation, to challenge ourselves with every step forward.

**Auditing**

In our first year of reporting, Thales used the services of PWC to review our interpretation of the Gender Pay Gap regulations. The same methodology was applied to calculating the statistics published for 2018.

**STATEMENT OF ACCURACY**

I can confirm that the data contained in this report is accurate and that the statistics have been calculated in accordance with current legislation.

**Victor Chavez**
Chief Executive Officer
UK Gender Pay Gap Report 2018

Our Results

As the Thales organisation in the UK operates as one, the above statistics and narrative incorporates all entities. Under the regulations, however, we are required to report separately for each legal entity with more than 250 employees.

Our legal structure therefore requires us to publish statistics for three separate entities in the UK – these are summarised here, along with the combined results for our transportation business.

### Thales UK Ltd

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<td>2018</td>
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### Thales Ground Transportation Ltd Systems UK (GTS)

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### Thales Transport & Security Ltd (TTS)

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<td></td>
<td>(26.6)%</td>
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### Thales GTS/TTS Combined

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