INTRODUCTION

At Thales UK, our aspiration is to provide a genuinely respectful and inclusive environment for all of our employees.

It is disappointing, therefore, to see that our pay gap statistics for 2019-20 do not show much change from previous years. This feels especially frustrating given the many positive initiatives that we have spoken about in earlier reports and that we continue to embed as ‘business as usual’ activity – initiatives such as our Smart Working Charters, our Licence to Hire Programme, our Mental Health First Aid Programme, and our on-going investment in policies that support a positive work-life balance for all of our employees.

With a workforce that is around 80% male, Thales UK is a long way from being gender-balanced, and our pay gap statistics reflect that reality. This gender imbalance is the result of a long history of operating in male dominated sectors; it will not change overnight, but we are confident that it will change over time if we keep working to improve it.

Having reviewed all of the data that sits behind our reported gender pay gap - we must also accept that by doing what we believe to be the right thing, by focusing on the genuinely inclusive environment that we want to achieve - our pay gap is not decreasing as quickly as we would like. In fact, if we focus on the bigger picture, as I believe we must, our pay gap is likely to move up as well as down over the short term.

Improving gender diversity in Thales UK includes such things as focusing on STEM, increasing our female apprentice and graduate intake, choosing the right person for the job rather than imposing a quota system, and increasing the percentage of female hires across our businesses. These types of actions are ensuring our progress on the journey towards a more gender-balanced organisation in the future, but will not necessarily reduce our reported gender pay gap this year or next.

Along with my colleagues in the Thales UK Management Board, I will keep working to do the right thing, and to encourage initiatives underpinned by respect, celebration of diversity and the desire to provide an inclusive environment in which all of our employees can succeed.

Lynne Watson
VP, HR UK
**EQUAL PAY AND THE GENDER PAY GAP ARE NOT THE SAME**

Equal Pay is the right for women and men to be paid the same for doing the same or comparable work, and has been a part of UK law since the 1970s. Equal Pay means that men and women performing the same role are entitled to equal pay.

VS. GENDER PAY GAP

indicates the difference in average earnings between men and women means that men and women performing the same role are entitled to equal pay

The Gender Pay Gap is a measure of the difference between the earnings of women and men in an organisation, calculated on a mean (average) and median (middle point) basis. It includes the whole male and female workforce and takes no account of whether they perform same or comparable work.

<table>
<thead>
<tr>
<th>ENTRY LEVEL: £20,000</th>
<th>MID LEVEL: £40,000</th>
<th>SENIOR LEVEL: £60,000</th>
<th>MEDIAN</th>
<th>MEAN</th>
</tr>
</thead>
<tbody>
<tr>
<td>Organisation with Equal Gender Balance</td>
<td><img src="image1" alt="Equal Gender Balance" /></td>
<td><img src="image2" alt="Equal Gender Balance" /></td>
<td><img src="image3" alt="Equal Gender Balance" /></td>
<td>Female: £40k</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>Male: £40k</td>
<td>Male: £45.5k</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>Gap = 0%</td>
<td>GAP = 0%</td>
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<tr>
<td>Organisation with more male employees, notably in senior roles</td>
<td><img src="image4" alt="More Male Employees" /></td>
<td><img src="image5" alt="More Male Employees" /></td>
<td><img src="image6" alt="More Male Employees" /></td>
<td>Female: £20k</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Male: £40k</td>
<td>Male: £41.2k</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>Gap = 50%</td>
<td>Gap = 20.6%</td>
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</table>

Organisations like Thales, that historically have a larger proportion of male employees in senior roles, will often report a Gender Pay Gap. The table below illustrates how variations in gender demographics can cause a Gender Pay Gap, even where everyone is paid the same amount for the level at which they work.

In the first example, there are equivalent numbers of male and female employees at each level in the organisation – and we see a Gender Pay Gap of 0%.

In the second example, there are fewer female employees than male overall and particularly at the higher levels – this returns a Gender Pay Gap for both mean and median measures.

In both examples, however, male and female employees at the same level are paid equally.
PAY GAP
This is the difference between men and women’s hourly pay – including the whole workforce, irrespective of role or seniority. The regulations require that hourly pay include not only salary but various other allowances and pay elements.

The Thales results for the 2019-20 reporting period show a slight variation from the previous year in both mean and median measures, really down to the natural movement in the workforce. An accumulation of many individual changes in both the male and female employee populations affect pay gap statistics. Although our female population has increased very slightly from 20% to 21%, more significant improvements to the Thales gender balance are needed before we start to see any real impact in our pay gap.

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mean</td>
<td>14.5%</td>
<td>14.9%</td>
</tr>
<tr>
<td>Median</td>
<td>16.8%</td>
<td>16.7%</td>
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</table>

BONUS GAP
This is the difference between men and women’s bonus pay for the 12 months to 5 April 2019. Again this includes the whole workforce, irrespective of role or seniority. Some fluctuation can be seen in our reported bonus gap, particularly in the median measure which shows a fairly significant reduction. This is linked to the demographics in our organisation, and the different bonus mechanisms in place. We remain confident that these are the factors behind the bonus gap rather than any disparity in bonus payments between male and female employees.

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mean</td>
<td>26.0%</td>
<td>30.3%</td>
</tr>
<tr>
<td>Median</td>
<td>61.7%</td>
<td>36.2%</td>
</tr>
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IN RECEIPT OF BONUS
We see a slight reduction from the previous reporting period in the proportion of employees, both male and female, who received a bonus during the 12 months to 5 April 2019. Again, this is due to the bonus mechanisms in place and not related to any disparity in treatment.

PAY QUARTILES
Consistent with our gender demographics generally, there are higher proportions of female employees in the lower quartiles. However, the fact that the pay gaps within the quartiles sit between -1.5% and 2.5% reflect our confidence that female employees are distributed throughout each quartile and not, for example, clustered at the lower part.
THALES IN THE UK OVERALL RESULTS CONTINUED

Since we began reporting on our GPG, our statistics have stayed broadly the same. In the narratives we have published, we have shared details of some of the steps we are taking to promote and celebrate diversity within our organisation and we firmly believe that these things are important regardless of their impact on our GPG. However, in isolation these interventions have not yet moved us in the direction we had hoped.

Like many other organisations, we are continuously learning about the most effective ways to make positive changes for our people, and our work in this space is teaching us that real, lasting change is going to take some time to achieve. We believe in finding the right person for all of our roles; trust underpins everything we do at Thales and we will not undermine the credibility of the great work of the people in our organisation by working with a quotas system. Instead, we have had to face an uncomfortable truth; the history and demographics of the sectors in which we work, mean that there are currently less women than men, particularly at a senior level, who have the skills and experience to fill some of the roles we recruit for. Having recognised this unfortunate fact, we must continue the hard work of making changes.

Two of our biggest internal challenges are based on our demographics; women are under-represented in our business. Women currently make up only around 21% of our workforce and this percentage drops to around 11-12% when we look at our engineering functions. Furthermore, it drops to around 14-15% across our senior roles, which we believe is reflective of the fact that the female talent pools we can develop and promote are fewer in number than the male talent pools. However, more positively, 27% of new starters since our last report have been female – an increase on previous years and a trend which we must maintain and improve upon to achieve change in the future.

If we are serious about seeing that change, we believe we need to dedicate time and resources to building the diversity of talent pools. With this in mind, we have committed to scaling up our work in STEM with young people. Creating passion in young people for STEM subjects and building a pipeline of future talent is something we believe will make a real difference to workplaces of the future. We know some of our competitors/industry peers are also doing great work in this space which will push us all to work harder to be employers of choice – this can only be good for the people in the sectors in which we work.
SO, WHAT ARE WE DOING NOW?
During the last academic year we worked with around 5000 students delivering meaningful workshops and activities. We have seen thousands more students at large scale STEM events such as the Big Bang science fairs at national and local level, and the STEM activity days organised by TeenTech. We also have national partnerships with Primary Engineers and The Smallpiece Trust – allowing us to work collaboratively on large scale STEM projects across our sites in the UK.

With all the work that we devise and deliver we are reliant on our fantastic team of STEM Ambassadors who work within Thales across a number of roles, and whose passion and knowledge of their specialist area is vital in enthusing the next generation of talent. We fully believe that this Ambassador role benefits not only our future generation but also provides an excellent development opportunity for the ambassadors themselves.

We have also recently committed to a partnership between Thales, Welsh Government and the University of South Wales using the National Digital Exploitation Centre facilities in Ebbw Vale. Working in collaboration with USW, the facility will provide STEM outreach activities and valuable work experience to young people across schools in Wales in 2020 and beyond.

As our opening statement indicated, a fairly static gender pay gap can feel frustrating in light of all of this – but we must recognise that this is a marathon and not a sprint.

AND, IN THE MEANIME?
Whilst inspiring future talent, we must not lose sight of the environment we create for the people in our organisation at the moment, and we aim to continue with the process of building a respectful and inclusive environment internally. In larger organisations it can be extremely difficult to effect cultural change and so, often, content is created by small groups of people and pushed out to the rest of the organisation with minimal impact. We’ve spent time during 2018 and 2019 gathering the views of many of the people that work in our organisation to help us understand their experience, and we will work in partnership with them to develop policy and process that supports their needs and promotes greater equality. We plan to talk internally about this much more in the future.

We are not where we’d like to be but we commit to keep listening, learning and working, until we are. In the meantime, we would welcome conversations with other organisations in our sectors on how we might work together to level the playing field of the future.

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.

Alex Cresswell
Chief Executive Officer and Chairman
OUR RESULTS

The Thales organisation in the UK operates as one and so our report reflects that and incorporates all our entities. However, the regulations require us to report separately for each legal entity with more than 250 employees. This is shown here along with the combined results for our transportation business.

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Pay Gap 15.3% 15.8% 18.6% 19.0%
Bonus Gap 27.6% 31.8% 58.9% 42.5%

Pay Gap 22.8% 20.8% 25.8% 24.0%
Bonus Gap 38.5% 43.9% 30.0% 21.1%

Pay Gap 1.9% 6.1% 8.4% 9.9%
Bonus Gap 2.8% 7.7% (3.6)% 6.9%

Pay Gap 13.9% 13.9% 14.7% 16.4%
Bonus Gap 24.2% 29.1% 20.5% 13.9%

Note: Thales in the UK: Overall Results on Page 4 include employees in Northern Ireland and in fully owned UK Thales companies with less than 250 employees. Consistent with the regulations, the results shown here do not.