

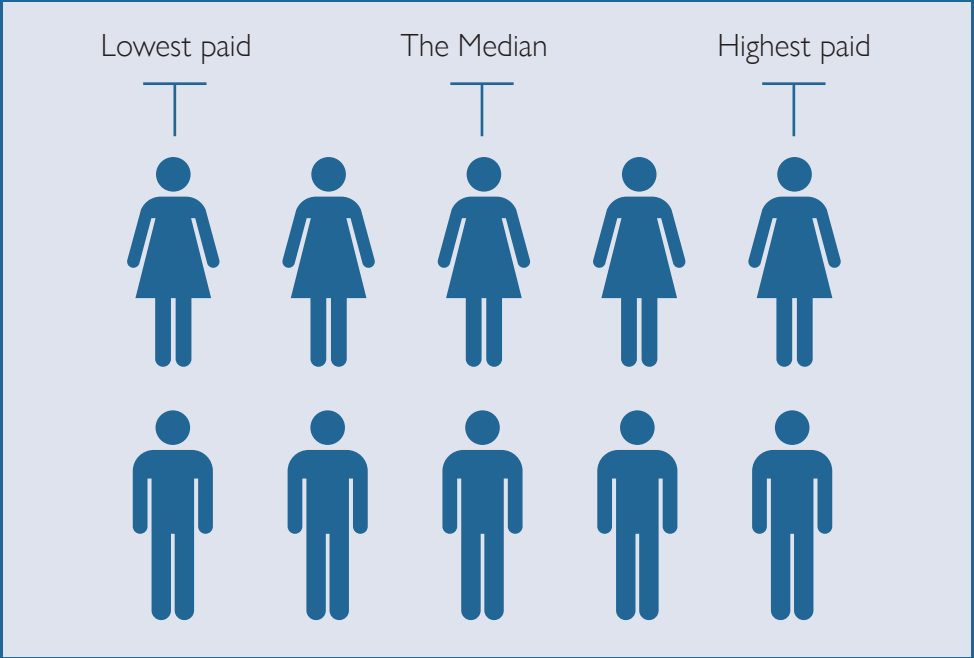


CHEMRING ENERGETICS UK LTD 2023 GENDER PAY GAP REPORT

Gender pay reporting legislation requires employers with 250 or more employees to publish statutory calculations every year showing the pay gap between their male and female employees. This involves carrying out six calculations that show the difference between the average earnings of men and women in our organisation.

We can use these results to assess:

- the balance of male and female employees at different levels
- how effectively talent is being maximised and rewarded across the organisation as a whole.



GENDER PAY GAP AND EQUAL PAY

Gender pay reporting is different to equal pay. The gender pay gap is an equality measure that shows the variance between what men typically earn in a business compared to what women earn, regardless of their role or seniority. Equal pay examines the difference in male and female pay for the same or similar work. Therefore, it is entirely feasible to

have a gender pay gap and to pay men and women fairly. The gender pay gap is determined by taking all colleagues across an organisation and comparing the average pay between men and women. In contrast to equal pay, the gender pay gap is more a reflection of the workforce profile rather than an issue of unequal rewards for men and women doing the same job. We are confident that CEUK's gender pay gap is not a pay issue as our approach to recruitment and pay is gender neutral. We adhere to the Fair Work principles set out by the Scottish Government whilst continuing to evaluate our approach to talent attraction, using role specific selection criteria to ensure both objectivity and inclusivity. In addition, all vacancies are advertised with clear salary bandings, we also remunerate above the 'real' Living Wage and benchmark all roles externally via Cendex to ensure our pay and rewards compensation are competitive and impartial.

Unequal pay

Paying men and women differently for the same job



Illegal in the UK



Gender Pay Gap

Looking at the sectors women tend to enter and the levels of seniority they progress to



We want to close this in a generation

[#GenderPayGap](#)



GENDER PAY GAP

	Median	Mean
Gender pay gap	23.08%	23.45%

This table shows our overall mean and median gender pay gap based on rates of pay as at the snapshot date (being 5th April 2023.) The mean gender pay gap has increased slightly from the last reporting period from **22.19%** to **23.45%** and median from **22.58%** to **23.08%**.

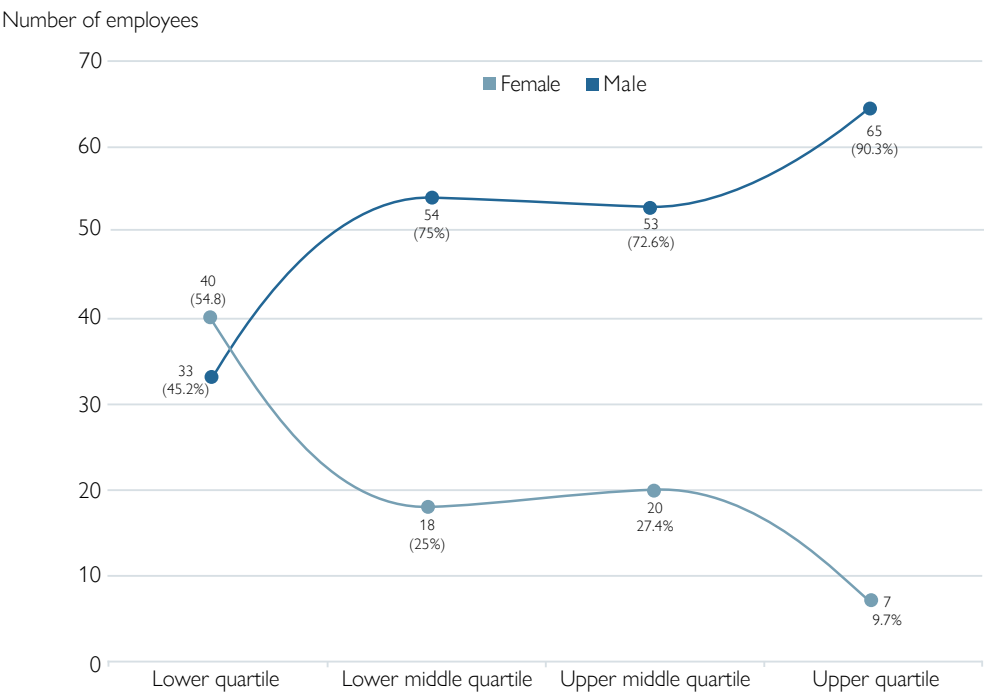
Our analysis shows that our pay gap is driven by the gender split of our workforce, which is made up of **72%** men and **28%** women. This gender imbalance reflects our long history of operating in a male dominated sector and the challenge within engineering industries where significantly more men than women are employed, particularly at middle and senior management levels.

To that end, we went behind the headline figures and examined our management and leadership profile. When the males in this category are removed from the dataset, the mean gap reduces by approximately 9.5 percentage points to **13.98%**. In this scenario, the mean figure is informative as it captures the effect of a small number of high earners. This holds particular significance for us because the conventional outside responsibilities that women typically shoulder have traditionally constrained their entry into higher-level, better-paid roles. Recognising that women commonly bear primary caregiving responsibilities; we need to work towards availability of high-quality flexible work to not only facilitate any management of caregiving duties but also empower them to actively participate and advance in their careers. Our attendance at Close the Gap and Scottish Enterprise information sessions further reinforces these insights, providing evidence of barriers to flexible working, including top-down cultural resistance, line manager discretion, assumptions about its relevance to specific jobs or sectors, operational pressures or constraints, and low awareness of its practical implementation. Aligning with our mean gap we recognise the importance of using this information to propel us forward, promoting alternative work schedules in high level positions and fostering an inclusive workplace that accommodates diverse needs and responsibilities.

We also recognise that workplace culture can play a role in perpetuating the glass ceiling, with assumptions about the capabilities and preferences of women and men serving as contributing factors. There is often an inaccurate perception that management positions are more naturally suited for men, while the assumption persists that woman, especially after having children, are not inclined to progress. To address this, we are proactively challenging biases and engaging in workforce education, as outlined in the initiatives at the end of the report.

It is also worth noting that the enduring stability in the senior team's retention rates serves as a reminder that adjusting the gender ratio is not a straightforward change that can be made rapidly.

PROPORTION OF MALES & FEMALES IN EACH PAY QUARTILE



The above graph shows the data broken down into 4 equally sized groups ranging from the lowest to the highest paid employees. This graph shows the difference in the actual numbers of employees within the separate pay quartiles.

Overall, women currently represent **28%** of CEUK employee base and this data is directly related to the profile of our workforce. This is particularly evident in the top quartiles, emphasising that senior, higher-paying roles have a greater representation of males than females. In comparison to last year's report, our study shows that 3 out of the 4 quartiles have remained somewhat static. Unfortunately, the Upper quartile female percentage rate has reduced in this reporting period, which is directly linked to the retention rate of females in this category. Upon evaluation of each sub-category's contribution towards our mean pay gap of **23.45%** the upper quartile contributes **35.47%** to the overall percentage, while the lower, lower-middle, and upper-middle contribute **-18.83%**, **3.48%**, and **3.33%**, respectively. We have confidence that our continued efforts, emphasised in the report's conclusion, to enhance the recruitment of diverse candidates for senior positions throughout the organisation will lead to a change in upper quartile percentages in future reports.

GENDER BONUS PAY GAP

	Median	Mean
Bonus Gender pay gap	0%	60.81%

This table captures the mean and median difference between bonuses paid to men and women at CEUK.

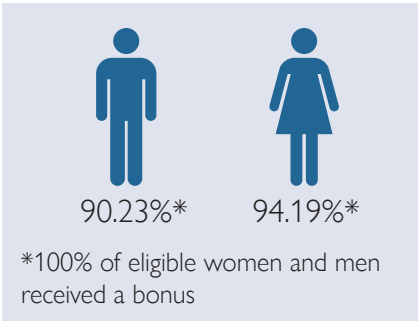
The mean bonus gender pay gap has reduced by just under **10%** compared to the previous reporting period, while the median bonus gender gap has remained unchanged at **0%**. Our CEUK bonus scheme is gender neutral, and the bonus gap figure includes payments such as one off and performance related bonuses as well as long service awards. The composition of our workforce impacts our mean bonus gap in the same way it does our gender pay gap. Additionally, there are a number of other factors which also account for this difference. In the reporting period we paid holiday pay bonuses that are payable to employees who TUPE transferred to CEUK, **83%** of the employees who were eligible to receive this bonus in the reporting period were male. Moreover, all our workforce is eligible to receive a long service bonus in which the scheme recognises long service milestones on a 5-year basis commencing on achievement of 10-year service, **70%** of the employees who received this bonus were male and **30%** female.

The correlation between two of the above-mentioned bonus payments and long service awards underscores that a larger number of males received these bonuses. This pattern is a consequence of the longstanding male dominance in our sector.

As in previous years, it is also essential to consider the business leadership team, characterised by a gender ratio of 6:1 in favour of men. As with the mean pay gap, we went beyond the surface level data and removed the males in this group from the dataset which resulted in a mean bonus gap of **3.10%**, a decrease of over **57%**. Like the mean gender pay gap, the bonus gap underscores the substantial impact of a small cohort of high earners on the overall data. Again, this is directly tied to the composition of our workforce, specifically the prevalence and overrepresentation of males in senior and higher-paid roles within CEUK.

PERCENTAGE OF STAFF AWARDED A BONUS

The above shows just under a **4%** difference between the number of women and men being paid a bonus in 2022. Not all employees were eligible for a bonus in this reporting year, namely, all new joiners who did not meet the eligibility criteria.



WHAT ARE WE DOING HERE AT CEUK TO ADDRESS OUR GENDER PAY GAP?

We hold confidence in the ongoing reduction of the gender pay gap here at CEUK and are committed to enhancing our efforts to narrow it further. Additionally, annual reporting enables us to explore the factors contributing to the gap and set meaningful targets for improvement.

CEUK is consistently working towards attracting exceptional talent from all genders and is dedicated to rectifying its gender imbalance through the adoption of the following strategies:

- **Partnering** with Equate Scotland during 'creating a diverse workplace' series we collaborated to ensure that all our job advertisements incorporated gender-neutral and inclusive language. Additionally, we promoted our positions through their STEM platform and participated in a workplace assessment, the results of which were analysed by Equate, leading to a comprehensive report. Subsequently, a consultancy session to identify where challenges may be impacting on our progress around key STEM & DE&I focuses guided our efforts to enhance inclusivity in our practices.
- **Creation** of our Diversity, Equity, and Inclusion (DE&I) commitment statement which champions diversity, equity, and inclusion as core values. This includes actively supporting initiatives, integrating considerations into strategic planning, and ensuring accountability and transparency in our progress. We encourage open communication and collaboration, supporting programmes for cultural competency, addressing biases, and promoting inclusivity. In recruitment, we prioritise fair, transparent, and bias-free processes, working towards a gender ratio of 65/35 by 2026 and 33% women in senior management by 2027. Ensuring equal opportunities, we identify and rectify systemic barriers, promote inclusive leadership, and commit to continuous improvement by reviewing efforts, seeking feedback, and allocating resources for meaningful change.
- **Awareness** DE&I sessions rolled out for all staff, covering fundamental principles to foster understanding and ensuring that all employees receive learning on the importance of diversity, equity, and promoting a culture of inclusivity throughout CEUK.
- **Continuing** to build upon our CEUK's Managers Programme for staff with line management responsibility. This programme includes unconscious bias training, to ensure that we address any stereotypes, negative or positive, that exist in the subconscious and may be adversely affecting behaviour during the recruitment, development and promotion processes.
- **Identifying** high potential female employees and supporting them to succeed and grow into more senior positions via inhouse talent development programme like Chemring Aspire, a groupwide initiative and training programme- which is designed to develop leadership skills against career aspirations and get individuals ready to progress in the organisation. This strategy has demonstrated its efficacy, resulting in the promotion of two female employees to more senior positions in the last year.
- **Attainment** and continuation of 'real' Living Wage accreditation since 2022 which promotes gender balance by ensuring fair and equitable compensation. Through paying a wage that aligns with the real cost of living, irrespective of gender, we foster an environment that promotes equality and inclusivity which will help diminish our gender pay gaps, support financial stability for all employees, and promotes a workplace culture that values diversity, contributing to a more balanced and equitable representation of both genders within the workforce.

- **Conducting** regular pay audits to analyse and assess our pay structure to identify and address gender pay gaps.
- **Promoting** our family friendly and parental leave policies such as: flexible work e.g. part time or job share flexible work schedules, hybrid working, shared parental leave, maternity, adoption, and paternity pay (all of which are enhanced) to support both men and women, encouraging a more balanced distribution of responsibilities for colleagues who may have additional commitments outside of work. e.g. caregiving.
- **Investing** in education and training via the establishment of a new learning and development team in CEUK to provide training programmes that enhances skills, bridge competency gaps, and allow individuals to compete more effectively for higher-paying roles.
- **Developing** internal level progression framework to facilitate ongoing conversations for career development, advancement, and professional aspirations.
- **Continuous** improvement of the Chemring Early Careers Programme to support our graduates, trainees and apprentices to build the foundational early career and professional skills needed in the workplace including promoting a genuinely inclusive environment for all our employees.
- **Participating** in community and school initiatives aimed at encouraging females to pursue careers in the STEM sector via our in-house team of CEUK STEM Ambassadors. For example, working with Primary Engineer to bring our engineers into classrooms in the local Ayrshire community, inspiring children, pupils, students and teachers through continued professional development, whole-class project work, competitions, and exhibitions.
- **Proactively** reviewing and updating our policies on a regular basis to ensure they remain effective and aligned with evolving societal norms and expectations.
- **Partnering** with our recruitment associates to actively promote diversity in recruitment processes and foster shortlists of candidates that are gender balanced and diverse.
- **Establishing** a Women's Inclusivity Network Group which facilitates collaborative efforts among colleagues to support female counterparts, aligning with our objective of fostering a more gender-diverse community at CEUK. This forum addresses diverse topics and recently introduced a workplace policy focusing on menopause.
- **Advancing** our relationship with Scottish Engineering by getting involved in employer led projects such as mentoring, which promote the importance of females in the engineering and manufacturing sector. Two females and one male have actively taken part in these initiatives.

Declaration

I confirm that our data has been calculated according to the requirements of the Equality Act 2010 (Gender Pay Gap Information) Regulations 2017.



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