

Gender Pay Gap Report  
21/22



# Addressing the Gender Pay Gap

## Introduction

Please find enclosed detail of the KCA Deutag Drilling Limited gender pay gap report for 2021. This report is for our UK entity and not the KCA Deutag Group, which operates internationally.

KCA Deutag Drilling Limited comprises our UK North Sea (UKNS) rig operations which are currently 100% male and our UK offices which have a 70% male to 30% female ratio. For legislative reporting purposes, rig and office are reported together under the one legal entity which distorts the results due to the market spot rates applicable to the client contracts for the UK North Sea male workforce.

2021 was one of the most challenging periods in the history of oil and gas. The markets we serve continued to experience difficulties due to the coronavirus pandemic and commodity price volatility. Oil prices started to rise as demand increased with more Covid restrictions being lifted globally and oil production increased which was curtailed during the pandemic. We share the view of many industry commentators that the next twelve months will continue to be challenging for our sector.

We completed the financial restructuring of the Group at the end of 2020. This was a significant milestone and by successfully deleveraging the balance sheet we have financial flexibility to support the future development of the business and deliver long-term value to stakeholders. We have also seen the positive financial impact of cost reduction measures introduced to mitigate the impact of coronavirus and commodity pricing.

We have slowly increased operational activity and employee headcount in line with recovery in our traditional hydrocarbon businesses and transitioned into new markets such as Renewables. We created an integrated business unit called Kenera combining our engineering and manufacturing capabilities to support and focus on Energy Transition activities.

The total headcount size reduced from 505 in 2020 to 320 in 2021 across KCA Deutag Drilling Limited due to redundancies because of covid and oil demand impact.

KCA Deutag is a global and multi-cultural organisation. With operations in approximately 20 countries, Diversity, Equity, and Inclusion (DEI) are vital to our Group's success. We are fully committed to recruiting, developing, rewarding, and engaging with a diverse workforce throughout our global operations.

Our strategy focuses on ensuring the initiatives and processes we apply to attracting, retaining, and promoting people eliminate unconscious bias and embed the importance of diversity, including gender in the decisions that are taken.

We have a Steering Committee on DEI responsible to the Executive Team and Board for developing short and longer-term strategy and plans for making sustained improvements.



## Promoting and recruiting more women into senior roles

During 2021, progress continued in promoting and recruiting talented women into senior roles.

This reflects efforts across the company to change mind-sets and educate employees on unconscious bias, and adopting a diverse and structured approach to recruitment, talent, and succession planning.

Concrete success has been delivered with a higher proportion of females being promoted or recruited into senior positions. These include the appointment of our first female Non-Executive Director onto the Board who chairs the external Remuneration Committee, the recruitment of a senior female to lead Group Communications, the recruitment of a senior female to lead Tax and the promotion of high potential employees to senior roles within Finance and HR with global responsibility. In addition, we recruited a replacement female to the SVP HR and Shared Services role on the Executive Team who started in March 2022.

We hired 2 female employees into graduate positions in HR and Finance which is part of a wider desire to attract females starting their career paths into the oil and gas sector.

## Talent management and succession planning

Progress has been made during 2021 on talent management and succession planning, ensuring a structured approach globally supporting employees to progress in their career. This process identifies high potential female and male employees and targets the development, coaching and mentoring they need to meet their full potential within the organisation.

In the last year, succession plans have been improved and refined for our business areas with a clear vision from the Executive Team to senior line management of the criteria to be met for high potential and top performer employees. Senior leaders held 1:1 conversations with our Talent and Organisational development team to identify future senior managers, with diversity an important element of the consideration criteria.

The Executive Team talent panel, which identifies and agrees development recommendations on high performing employees, made progress against an agreed 2021 goal to develop and inspire more potential female leaders within the organisation to build on the 'KCA Deutag Way of Leading' to ensure current and future leaders cultivate leadership styles which embrace gender and cultural diversity. We have an agreed succession pool including females

for Executive Team roles with appropriate leadership development interventions and Executive mentors.

The Organisation and Development team review succession plans for senior and middle management roles, with key people in the business and the HR function, several include supporting high potential female employees as successors to traditionally male dominated roles in Operations and Engineering & Maintenance.

We have recently reinvigorated our Group mentoring programme with more female role models as mentors on the programme and within the UK, half the mentors and half the mentees are female.

Our new Leadership programme has 83% female participants from our UK attendees on our programme which consists of 14 modules to be delivered remotely over the next 14 months supported by line managers and our Talent and Organisational Development team.

We hold awareness sessions with all new line managers into the Group to discuss leading for values with a gender and cultural focus.

## KCA Deutag's gender pay gap statistics

The Gender Pay Gap (GPG) is an equality measure, which shows the difference between the gross average hourly earnings of all women in an organisation compared to the gross average hourly earnings of all men, expressed as a percentage of men's earnings. The aim is to identify whether a gap exists and then proactively manage the gap to achieve pay equity between women and men.

The GPG is not the same as equal pay. We have robust policies in place to ensure that our male and female employees receive equal pay for the same or equal work such as our grading framework, use of Kornferry job evaluation methodology and market data for total Reward.

We report mean and median gender pay gap based on gross full pay hourly rates for women and men. Mean averages are useful because they place the same value on every number used giving a good indication of the GPG. Very high or low hourly pay can dominate and distort the figure hence median GPG is also a useful measure.

The median GPG reports the difference between the middle value in all the gross full pay hourly rates for women compared to the middle value in all the gross full pay hourly rates for men, ordered from highest to lowest paid. Medians are useful to indicate the typical situation as they are not distorted by very high or low hourly pay.

The table below shows the KCA Deutag Drilling Limited mean and median gender pay and bonus gap in the UK as of 5 April 2021:

2021 Pay and Bonus Gap Difference Between Men and Women		
	Mean %	Median %
<b>Gender Pay Gap</b>	<b>32.2</b>	<b>39.0</b>
<b>Bonus Pay Gap</b>	<b>36.3</b>	<b>21.9</b>

This is based on a total employee demographic of 320 (221 male employees and 99 female employees) with 302 relevant employees included in the calculations. There was a 91% reduction in male employees in 2021 versus 2020 due to the high proportion of men in the UKNS offshore part of the business and significant downsizing. In 2021, our median gender pay gap increased by 8.6% from 30.4% to 39%.

A contributing factor to the increase in the gender pay gap is the impact of sizeable redundancies and cost saving measures in 2020/2021 due to the pandemic and lower work volumes. The UKNS employees had the reversal of a salary reduction initiative implemented to minimise redundancies in April whereas office employees were July which impacted our GPG. We also continue to have a higher proportion of women in more junior office roles impacted to a lesser degree by restructuring.

Small changes in our employee demographic and levels of bonus payments can also have a disproportionate impact on our reported figures as bonus is also paid in the gender pay reporting reference month of April which means that 1/12 of bonuses paid in this month are included in the hourly pay calculation.

Since we began reporting our GPG in 2017 our GPG median has increased by 9.8% with 2019 being the year when we had the lowest reported gap across both median and mean.

The bonus payment percentages are intended to reflect the distribution of bonus payments made to men and women relevant employees paid bonus in the 12-month period that ended on the snapshot date of 5 April 2021.

The median bonus pay gap reduced by 26.2% to 21.9% and the mean bonus pay gap reduced by 9.1% to 36.3%. The reason for the marked decrease in gender bonus gap is explained by the two employee demographics in the data set. Approximately 50% of the workforce are office based, evenly split between male and female, with bonus tied to corporate performance metrics. The other 50% are rig-based employees, who are currently 100% male, with bonus tied to client performance. Over the 12-month GPG bonus period, the corporate bonus was higher, whilst rig bonus payments decreased due to a significant drop in headcount and lower payments from clients. The impact of the bonus outcomes on the different demographics means relative female bonus is higher driving the decrease in the gender bonus gap.

It has been widely reported that making sustained changes to the gender pay gap will take time and a number of different interventions to see measurable changes. Whilst KCA Deutag have been pro-active in driving change, short-term fluctuations, as noted above, will continue to have a significant influence on year to year result comparisons, so it remains imperative to view reported data using a longer term lens.

## Flexible working

Office employees have successfully worked remotely for the last 18 months due to the covid pandemic and as we gradually return to our offices, we listened to employees and will continue to operate a flexible approach to working combining both office and remote working. We recognise the benefits of both and want to provide employees with personal choice where this supports business requirements. This will help attraction, engagement, retention, and diversity of all our employee groups.

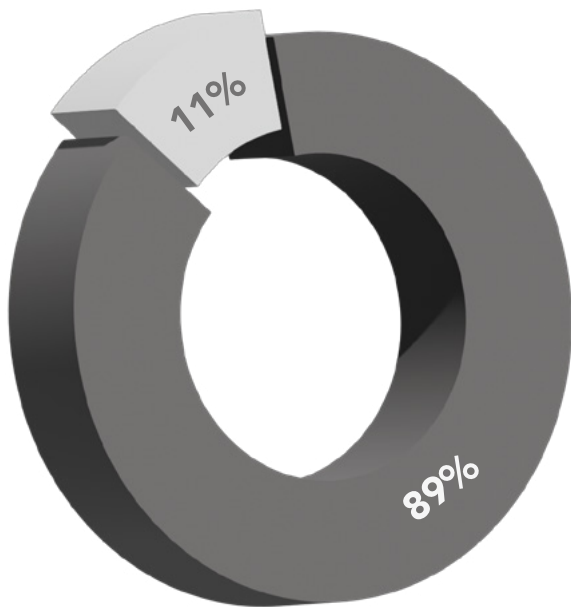




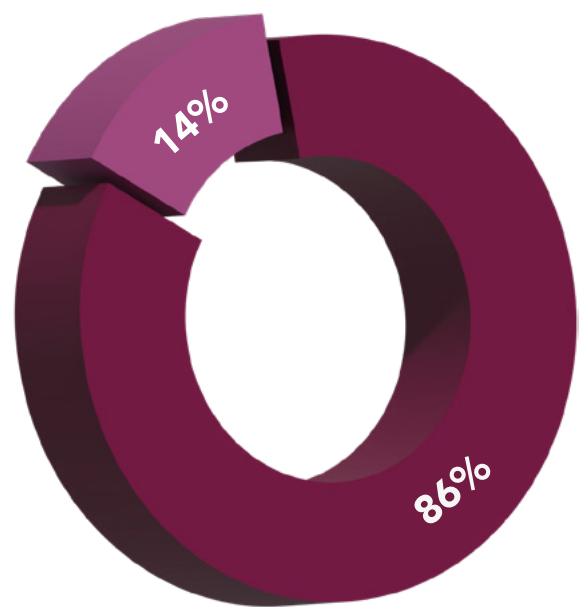
## Proportion of employees receiving a bonus in 2020/21

The charts below shows the percentage of men and women who received a bonus:

Women	
89%	With Bonus
11%	Without Bonus



Men	
86%	With Bonus
14%	Without Bonus



The number of women receiving a bonus increased by **15%** due to a higher number of women in office roles and less impact due to redundancies. The number of men in receipt of bonus increased by **31%**. The increase in eligible male bonus entitlement was attributable to rig based jobs as although there was a significant decrease in headcount overall, there were a similar number of roles remaining bonus eligible.

The male percentage in general is slightly lower than female percentage as our UKNS offshore operation is predominately crewed by men and has a bonus structure influenced by the client and dictated by client outcomes.

## Pay quartiles

The pay quartile data assists in explaining the factors that contribute to the gender pay gap. It shows the proportion of men to women within KCA Deutag Drilling Limited in four equally sized pay bands ranging from the lowest hourly rate to the highest hourly rate and is calculated by dividing the total workforce into quarters.

Pay Quartile	Women	Men
Upper quartile pay band	15.8%	84.2%
Upper middle quartile pay band	13.3%	86.7%
Lower middle quartile pay band	31.6%	68.4%
Lower quartile pay band	60.0%	40.0%

There have been areas of improvement in the pay quartile data compared to last year, with 15.8% women in upper quartile roles compared to 9.4% in 2020 and 31.5% women in the lower middle quartile compared to 13.7% in 2020 which is encouraging. We will continue to focus effort on increasing the percentage of women in upper and middle quartiles. The number of women in the lowest quartile has increased from 37.3% to 60% due to the significant downsizing of our UKNS offshore population during the reporting period resulting in women being reported more heavily in quartile one.

We excluded our lowest paid employees from the cost reduction measures in 2021 and this population were the only employees in the UK who received a pay increase in 2021. As we move forward, we will continue to focus attention on these employees when implementing Reward policy.

The actual hourly pay has remained constant across all four quartiles since reporting began in 2017.

As already outlined, there are several activities being implemented to close the gender pay gap and the pay quartile data provides a record of the progress on these initiatives. As noted above, sustainable gender pay gap

improvements need to be viewed over a longer period because there is volatility in single year reporting.

### 2022 focus

During 2022 we will focus on a range of activities supporting Diversity, Equity, and Inclusion (DEI) across the Group, including how to reduce the gender pay gap in the UK. Activities will concentrate on:

- Reviewing and improving the data we hold and share globally and within the UK to help inform our focus for DEI
- Increasing transparency in Recruitment, Talent and Reward so employees have visibility that our approach is fair and limits bias
- Implementing further enhancements in Recruitment, Talent and Reward to support DEI
- Educating all employees on DEI and bias
- Considering DEI in target setting for senior leadership
- Establishing a comprehensive DEI policy standard for the Group

## Senior person statement

The statistics used in this report were compiled in line with the advice contained on the UK Government website. For more information on definitions and calculations please use the link below:

Making your gender pay gap calculations - GOV.UK ([www.gov.uk](http://www.gov.uk))

I confirm that the information provided in this report is accurate and in line with mandatory requirements.



Sarah Walters  
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X April 2022

