

# KCA Deutag Drilling Limited

22/23 Gender Pay Gap Report



# Addressing the Gender Pay Gap

## Introduction

Please find enclosed the KCA Deutag Drilling Limited gender pay gap report for 2022. This report is for our UK entity not the KCA Deutag Group operating internationally. It covers employees only and not agency workers or contractors.

KCA Deutag Drilling Limited comprises our UK North Sea (UKNS) rig operations currently 100% male and our UK office with a 54% male to 46% female ratio. For legislative reporting purposes, rig, and office report together under one legal entity which distorts results due to the fluctuating headcount based on operational contracts offshore and a market approach to total reward in the office versus a client driven total reward approach for UKNS.

We completed the 2021 year-end with strong Group operational and financial performance but have had a challenging 2022 due to a cyber-attack on our IT systems in December 2021 and the impact of Russian sanctions due to the conflict in Ukraine, requiring us to remove a key EBITDA contribution to Group. More positively, completion of a sale and purchase agreement in June 2022 to acquire the Saipem Land drilling business and phase 1 transfer of middle eastern and rest of world activities completed in Q4 2022 and 1 February 2023 (Kuwait) which significantly increased our business revenues and headcount bringing additional opportunities into new markets.

We appointed an SVP to lead our Kenera business combining engineering and manufacturing capabilities to support, focus and expand into Energy Transition and the traditional oilfield markets. We published our first sustainability report in 2022 and increased the focus on sustainability in our Group and Business 2022 targets which links to the Group management short term bonus plan. We created a culture of care for a sustainable business. Our sustainability efforts are focused on three principal areas: caring for our people, caring for our future, and caring for our planet.

The total headcount size increased from 320 in 2021 to 456 in 2022 across KCA Deutag Drilling Limited in April 2022 and from 395 at year end in 2021 to 501 at year end in 2022 reflecting

increased operational activities in UKNS and a small addition to Head Office roles.

KCA Deutag is a global and multi-cultural organisation. With operations in over twenty 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 and creating an inclusive and psychologically safe culture as part of our sustainability focus.

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 taken.



## Promoting and recruiting women into more senior roles

During 2022, 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, succession planning and reward decision making.

Concrete success includes internal female promotions to Head of Project Delivery, Head of Land Finance and Head of Global Business Services all of whom replaced previous male post holders. We have replaced high-profile roles with new external female appointments including our SVP HR & Shared Services, Group General Counsel, and Head of Communications.

In total in 2022 we made 35 promotions of which 16 were male and 19 were female. The range of promotional increases and average values were similar across both groups. The size of increase awarded is dependent on a range of factors including current salary, peer comparisons and compa ratio principles.

We have five student placements of which 2 are female. In 2023, we plan to offer 3 apprentice placements into the office by working in partnership with a local college.

Proportionally, we are now hiring greater numbers of female (64%) to male (36%) employees into the office at all levels within our organisation which is having a positive impact on the gender pay gap.

Balancing the gender workforce is an issue faced by the Oil & Gas sector. We are passionate in highlighting to diverse candidates the opportunities and attractions of offshore, engineering and IT roles to increase candidate pools and ensure we select the right candidates for taking our Group forward. Examples of this include our successful greenhand recruitment programme with Atlas Professionals for entry level roles for our UKNS operation where one of the 5 successful candidates was female, and we recruited a female into Senior HSSE Advisor and Assistant Rig Manager roles.

## Talent management and succession planning

Progress continued during 2022 on talent management and succession planning, ensuring a structured approach globally supporting employees progress in their career. This process identifies high potential employees and targets the development, coaching and mentoring they need to meet their full potential.

In the last year, succession plans have improved and refined with vision from the Executive Team to senior line management of the criteria for high potential and top performer employees. Senior leaders held 1:1's with our Talent & Mobility team to identify future senior managers, with diversity a crucial element of the criteria.

The Executive Team talent panel, which identifies and agrees development recommendations on high performing employees, made further progress against their 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 Talent & Mobility team review succession plans for senior and middle management roles, with key stakeholders and HR, including supporting high potential female employees as successors to traditionally male dominated roles in Operations, Engineering and Maintenance.

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

Our Leadership programme has significant numbers of female participants from the UK. It consists of fourteen modules delivered remotely over fourteen months supported by line managers and Talent & Mobility.

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

We are taking every opportunity to increase the number of women leading projects intrinsic to our success as part of their day-to-day responsibilities such as Sustainability, SKORE,

cyber-attack recovery and Saipem integration.

Our network of Group champions for topics such as behaviours, wellbeing and mental health bring together a diverse group of motivated employees to inclusively support our culture of care across all locations.

## Flexible working

Office employees successfully worked remotely during covid restrictions, and we continue to operate a flexible approach to working combining office and remote working. We recognise the benefits of collaborating in

the office and working remotely and provide employees with personal choice where this supports business requirements. This supports attraction, engagement, retention, and diversity of employee groups.

## Diversity, equity, and inclusion

We have a Steering Committee and Working Party on DEI of a diverse mix of employees from distinct roles, levels and countries in the organisation bringing together inclusive minds, cultures, and skills; responsible to the Executive Team and Board for developing short and longer-term strategy and plans for making sustained improvements.

In 2022 the DEI focus has been on raising awareness about what DEI means to us and why it is vital to our future success. We have achieved this through increased employee communications on topics such as unconscious bias and celebration of world events including International Woman's Day which we highlighted

for a month, World Menopause Day, World Mental Health Day, Breast Cancer Awareness, Movember etc.

Due to the impact of the cyber-attack on our systems our focus on DEI data has been to get the various systems used globally for holding and reporting HR employee DEI data running again in line with the IT recovery plan and to ensure we can report on headcount, nationality and gender which has successfully restarted.

We continued to take opportunities to increase transparency, fairness and consistency in Recruitment and Reward to support DEI.

## KCA Deutag's gender pay gap statistics

The Gender Pay Gap (GPG) is an equality measure, showing the difference between the gross average hourly earnings of women compared to the gross average hourly earnings of 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 different from 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, Kornferry job evaluation methodology, compa ratio pay and market data for total Reward. During 2022 we increased the

number of internally trained job evaluators and introduced mixed gender, ethnicity & culture job evaluation panels.

The Group Pay Policy, the overarching framework document for Reward refreshed in 2022 supports DEI aims and provides guidance to inform pay and total reward decisions. In addition, we created a policy to guide decisions when making internal promotions, demotions, transfers and in level increases which supports consistency.

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 useful.

The median GPG reports the difference between the middle value in all gross full pay hourly rates for women compared to the middle value in all 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 KCA Deutag Drilling Limited mean and median gender pay and bonus gap between males and females in the UK as of 5 April 2022:

## Pay and Bonus Gap Difference between men and women

|                | Mean % | Median % |
|----------------|--------|----------|
| Gender Pay Gap | 18.7%  | 25.8%    |
| Bonus Pay Gap  | 48.4%  | 6.3%     |

This is based on a total employee demographic of 456 (358 male employees and 98 female employees) with 421 relevant employees included in the calculations. There was a significant increase in male employees in 2022 versus 2021 as we increased our UKNS operations post covid recovery. In 2022, our median gender pay gap reduced by 13.2% from 39% to 25.8%. This is the lowest GPG since we began reporting in 2017.

A contributing factor to the decrease in the gender pay gap is the significant increase in male recruits to junior roles in the UKNS paid on client agreed spot rates.

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

Our April 2022 bonus payment paid out at 55% minimum of overall entitlement to those in the Group management bonus and our UK office bonus paid out in full at 5% due to the strong 2021 financial results.

The bonus payment percentages reflect the distribution of bonus payments made to male

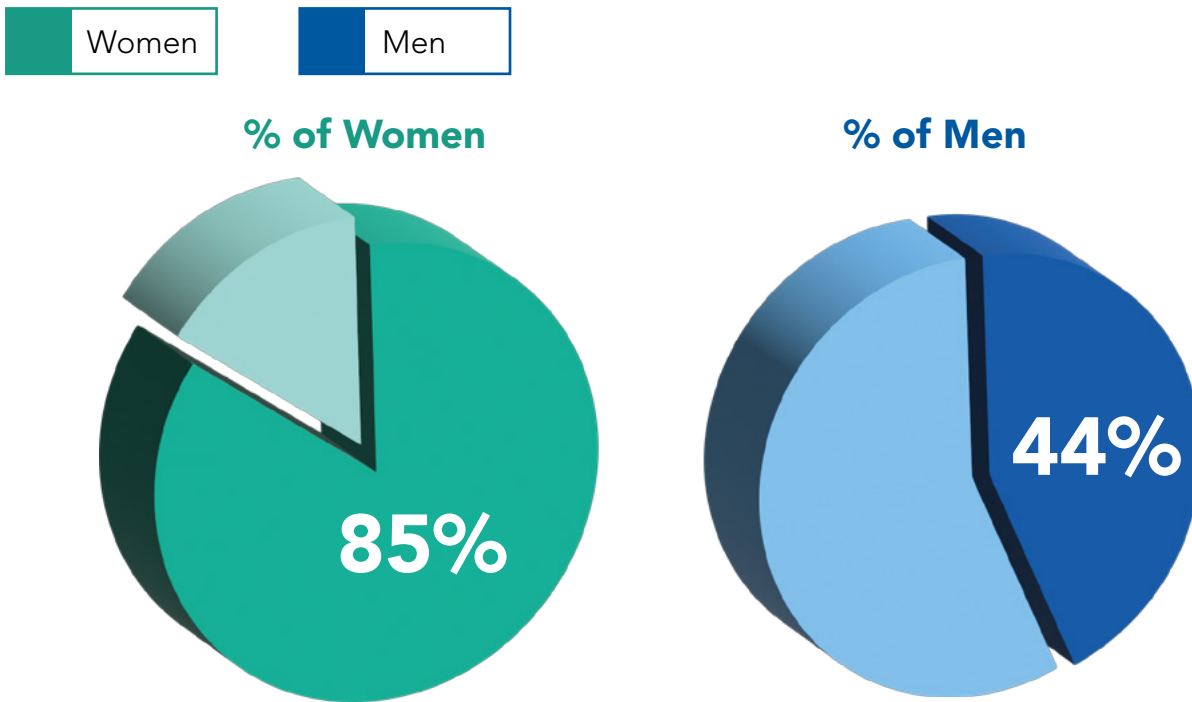
and female relevant employees paid bonus in the 12-month period that ended on the snapshot date of 5 April 2022.

The median bonus pay gap reduced by 15.61% from 21.9% to 6.29% and the mean bonus pay gap increased by 12.11% from 36.3% to 48.41%. The reason for the decrease in median gender bonus gap is explained by the two employee demographics in the data set and the increase in junior rig crew receiving smaller bonus payments to those in junior office roles where we have a higher concentration of women. The main factor in the increase in mean gender bonus gap is due to a lower number of senior eligible females at the relevant reporting date which had a temporary impact that evens out in future years due to recruitment.

Making sustained changes to the gender pay and bonus gap will take time and a number of different interventions to see measurable changes, particularly in the Oil & Gas sector. Whilst KCA Deutag have been pro-active, short-term fluctuations continue to have a significant influence on year to year result comparisons, so it remains imperative to view reported data recognising we are on a long term journey and we will continue to make improvements even if results in any single year show the gap narrowing.

## Proportion of employees receiving a bonus in 2021/22

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



The number of women receiving a bonus decreased by 4% based on the number of females eligible at the relevant reporting date. The number of men in receipt of bonus decreased by 42%. The decrease in eligible male bonus entitlement was attributable to rig based jobs as although there was a significant increase in headcount, there were roles which did not attract bonus dictated by client outcomes rather than the office bonus open to all and based on Group performance.

## Pay Quartiles

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 calculated by dividing the total workforce into quarters.

| Pay Quartile                   | Women | Men   |
|--------------------------------|-------|-------|
| Upper quartile pay band        | 16%   | 84%   |
| Upper middle quartile pay band | 13.3% | 86.7% |
| Lower middle quartile pay band | 19%   | 81%   |
| Lower quartile pay band        | 36.2% | 63.8% |

There have been areas of improvement in the pay quartile data compared to 2021, with 16% women in upper quartile roles slightly up from 15.8% in 2021 and 36.2% women in the lowest quartile compared to 60% in 2021 which is encouraging but due to the increased headcount in UK North Sea. The upper middle quartile has remained static, and the lower

middle quartile decreased from 31.6% women to 19% women due to the increased headcount in UK North Sea. We will continue to focus effort on increasing the percentage of women in upper and middle quartiles, so it more closely mirrors the male to female ratio for the business.

We excluded our lowest paid employees from cost reduction measures in 2021 and these were the only employees in the UK who received a general pay increase in 2021. In 2022 we addressed the salaries of our lowest paid in line with changes to the real living wage and conducted an annual salary review across the UK office implementing a temporary merit increase for a 12-month period balancing affordability, market rate and inflation in line with compa ratio pay

principles and a performance gateway. This is the first time since 2014 that there has been a full office increase for eligible employees due to the significant challenges the business has faced over this period.

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

## 2023 focus

During 2023 we will focus on a range of activities supporting Diversity, Equity, and Inclusion (DEI) across the Group, in support of our people strategy including how to reduce the gender pay gap in the UK. Activities will concentrate on:

- **Reviewing and improving the people data we hold 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 such as reviewing induction materials, greater diversity in decision making panels**
- **Educating employees on DEI and unconscious 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  
Senior Vice President, Human Resources and Shared Services

20 March 2023

