

Gender Pay Reporting 2018



Introduction

This Report contains Philips Electronics UK Ltd legal disclosure of the gender pay gap for 2018. It provides analysis and commentary on gender pay with regards to Philips Electronics UK Ltd.

All companies with 250 or more employees are required to publish their gender pay gap under legislation. Employers have to publish the gap in pay between men and women on both a median and a mean basis. In addition, employers are required to disclose the distribution of gender by pay quartile by splitting the workforce into four groups (based on a list of eligible employees from the lowest paid to the highest paid), and showing the proportion of men and women in each group. For the purpose of the reporting we have named the quartiles: Lower Quartile, Middle Quartile, Upper Middle Quartile and Higher Quartile. Employers are also required to disclose percentages of employees receiving bonuses by gender and the gender gap on bonuses.

“Gender diversity has been on the Philips agenda for a number of years, and since the launch of Gender Pay reporting, it has highlighted the challenges that need to be addressed in the business. Our Gender Pay Committee is established and has reviewed root causes and actions that can increase gender diversity at all levels in the organisation. We have made good progress with the initiatives and actions detailed in this report, such as our STEM ambassadors and Healthcare Industry careers fairs, which are part of our long term plans to grow gender diversity in software and engineering in the male dominated industries that we work in.

Gender diversity has become a topic firmly on the agenda of everyone as we continue with actions to drive diversity and inclusion in the organisation, making Philips a destination employer for all.”

Jonathan Coles, HR Director UKI

For more information on Jonathan’s article on creating a balanced workplace:

<https://www.linkedin.com/pulse/creating-balanced-workplace-mirrors-society-we-operate-jonathan-coles>

Gender Pay Gap

The gender pay gap is the difference between the gross hourly rate of pay of male employees and female employees (as set out in the regulations), expressed as a percentage of the gross hourly pay rate of the male employees. The gender pay gap is reported on both a mean (average) and median (mid-point on a distribution) basis.

Equal pay

Equal pay deals with the pay differences between men and women who carry out the same jobs, similar jobs or work of equal value. It is unlawful to pay people unequally because they are a man or a woman.

For more information on Equal Pay or Gender Pay Gap reporting, please visit www.acas.org.uk

Mean vs. Median

The Gender Pay Gap reporting regulations specifically require both the median and mean to be reported. These metrics are complementary, and illustrate different aspects of the distribution of pay across an organisation. The median is a statistic commonly used in analysing both internal pay tendency and external market norms, because it looks at the central tendency of the market or sample, showing the middle-most salary of a sample. Calculating the median involves taking all salaries in a sample, lining them up in order from lowest to highest, and picking the middle-most salary. The mean is the overall average of the whole sample and thus can be subject to the influences of salaries at the top or bottom of the sample. In other words, the mean is much more subject to skewing by a small number of outliers.

Our Business

Royal Philips of the Netherlands, founded in 1891 in Eindhoven, is a leading health technology Company focused on improving people's health and enabling better outcomes across the health continuum from healthy living and prevention, to diagnosis, treatment and home care. The Company is a leader in diagnostic imaging, image-guided therapy, patient monitoring and health informatics, as well as in consumer health and home care. At Philips, we are striving to make the world healthier and more sustainable through innovation, with the goal of improving the lives of 3 billion people a year by 2025. We have a multinational workforce of approximately 73,000 employees and are globally present with sales and services in more than 100 countries worldwide.

Philips UK

Philips UK consists of offices, a factory, research & development sites and a goods warehouse and a large field based base of Health Systems Medical Service Engineers and Account Managers for our commercial organisations that work from home. The Philips sites across the UK, as at April 2018, are:

Guildford: Commercial Health Systems, Personal Health & Health & Parenting organization, along with UK Enabling functions, supporting all businesses in the UK

Chichester: Commercial Sleep and Respiratory Care, Sleep and Respiratory Care European Warehouse and Respiratory Drug Delivery Research & Development

Glemsford: Philips AVENT factory

Cambridge: Research

Belfast: Clinical Informatics and Digital Pathology Solutions

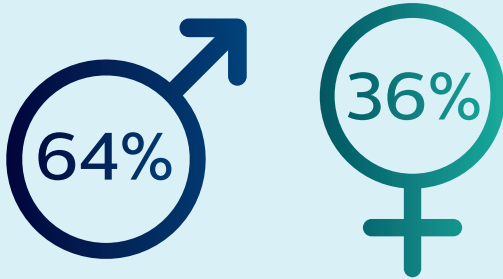
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Our data

The total number of 'relevant' employees for the Gender Pay reporting in April 2018 was

1,478

Gender split



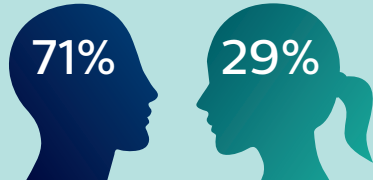
Overall our pay differentials are:

Mean Gender Pay Gap 14.5%

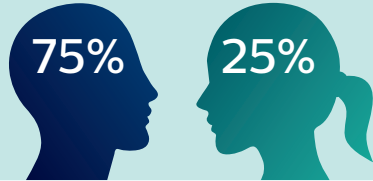
Median Gender Pay Gap 23.9%

Pay reporting

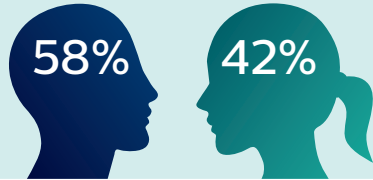
Top Quartile



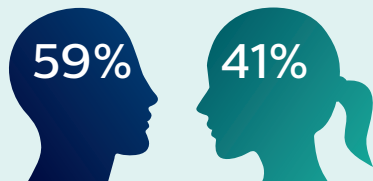
Upper Middle Quartile



Lower Middle Quartile

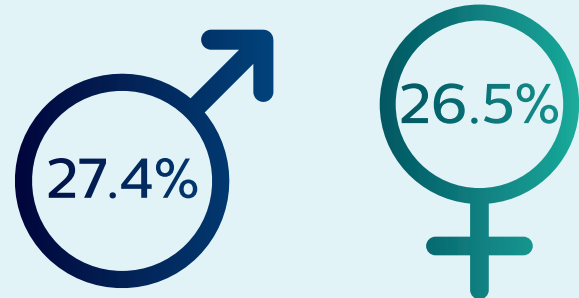


Lower Quartile



Bonus differential reporting:

Proportion of male and female employees receiving a bonus:



Women's mean bonus pay is 20.3% lower than men's

Women's median bonus pay is 20.0% lower than men's

Please note Philips operates a wide ranging flexible benefits salary sacrifice scheme. A salary sacrifice scheme is where an employee gives up a proportion of basic salary in return for benefits. The amount an employee sacrifices is a personal decision, however gross hourly rates are impacted by the salary sacrifice scheme, which is calculated on basic hourly rate, less salary sacrifice benefits i.e. the residual gross hourly salary.

Gender Pay Gap Summary

Philips operates across a number of industries. We have employees in medical devices and associated engineering, scientific research and factory assembly which are historically and currently still male dominated industries and our workforce reflects this. In our consumer goods sector, we are female dominated.

Philips mean gender pay gap of 14.5% has decreased from 18% and the median has decreased from 29.2% to 23.9%.

For further information on data in our 2017, please refer to the 2017 Gender Pay report.

The change we have seen in the second year of statutory reporting is positive yet small and we would like to see a sustained, more significant improvement before drawing firm conclusions.

It is widely understood that one of the factors influencing the gender pay gap is that men have historically been more likely to hold senior positions with organisations. As a fair employer we continue to be committed to providing the necessary focus on reducing the gender pay gap and recognise that some of our initiatives will take time to embed in the organisation.

Our Initiatives

Philips UK is committed to working on initiatives to improve our gender diversity which research shows improves gender pay parity in a company. Following our first report, one of our actions was to create our Gender Diversity Committee. Over the past 12 months, our Committee has gathered insight into views of our workforce by carrying out employee interviews across our diverse employee demographic.

Women and men in the organisation shared their views on opportunities and barriers to career development. Using problem solving methodology, we explored root causes and the initiatives described below include recommendations from the Committee.

Planning and Engaging our Workforce of the Future

- We are continuing our work with schools and young people and have expanded our STEM (Science, Technology, Engineering & Maths) Ambassador network across our UK & Ireland businesses. We're looking to influence the choices young people make about their future careers and encourage female students who disproportionately opt out of studying STEM subjects to continue with them and consider working in the varied and rewarding health tech roles that exist.
- Philips are active in other activities at schools, such as Careers Fairs and promoting 'Women in Leadership'. Our vision is that by providing young people with a wide variety of role models and allowing them to hear our Philips stories, this will encourage students to consider gender stereotypically jobs more critically before making decisions about their career choices.
- As part of the industry body 'Associated of British Healthcare Industries' (ABHI) we have been working on a strategic project to promote MedTech as an attractive career option to school leavers. The ambition being to increase the diversity of applicants to the Medtech industry and build a long term pipeline of new talent & skills to narrow the skills shortage in our industry.

Enabling Diverse Talent Acquisition

- Our talent acquisition processes strive to attract diverse candidates for all roles. Our candidates are interviewed by a diverse hiring team.
- Our interviewers have a greater awareness of female and male traits at interview stage. This cognizance supports recruitment and promotions decisions more effectively with deepened understanding of what women and men focus on when applying for a new role.
- To support objective decision making on pay, for a trial period for specified roles, we will not request previous salary details from candidates.

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Leadership Commitment

- Our Future Leaders Programme continues across the organisation, from Early Career Professionals to Senior Leaders. The programme includes modules on unconscious bias and how professionals can role model inclusivity and embrace diversity in the workplace.
- Philips pro-actively builds succession plans for key Leadership positions. We measure how many female successors we have in our plans, and ensure our recruitment strategy and leadership programs help deliver on our future plans to have more female senior leaders in our business.
- Our Leadership Team is committed to continuing unconscious bias training and further deployment plans to extend training through the organisation are underway.
- Part of the Philips culture is learning through real life stories. We embraced this and through our celebration of International Women's and Men's days, with Leaders sharing personal experiences of how they have achieved their position alongside balancing personal commitments, family obligations, healthy living along with the expectations and deliverables of their work.

HR Policy Development

- Philips employees have always been supported through enhanced HR Policies. Via engagement of our Gender Pay Committee and the interviews they carried out, we believe there is more to offer. For example, awareness and understanding has been raised of Shared Parental Leave entitlements, so that employees and trials of more flexible working patterns in roles where this has not been considered previously feasible.
- In 2018, we launched a Carers Policy, which provides additional paid leave days for those employees with formal carer responsibilities. This responsibility often falls on female employees, yet feedback has already shown that this is not the case, and a progressive policy helps make this available to all.
- In 2019 we are undertaking a review of employees' experiences when returning to work after maternity leave. Our research is to ascertain how we can improve the onboarding after a pause from the workplace and how we can replicate this for new candidates we wish to attract and retain returning to work post maternity leave or career break.
- Philips UK & Ireland are connected to our global Inclusion and Diversity network to share and seek best practices from across the Philips organisation. In 2018, a Global Lead for Inclusion & Diversity was appointed, enabling further development of global and local initiatives.

In Summary

Philips Electronics UK will continue to develop and work on a combination of initiatives to reduce our gender pay gap, further embed gender diversity, build diverse teams, celebrate uniqueness and reduce unconscious bias throughout our Company. That's why we've set ourselves the Global goal of growing the percentage of women in senior leadership to **25%** by **2020**.

“I am pleased with the progress that we have made in 2018 to improve our gender diversity in our UK businesses. We will continue to drive initiatives to achieve our ambition of greater gender parity in the business at all levels, be an employer of choice for women and a great place to work for all”.

Neil Mesher, CEO, Philips Electronics UK Ltd

“It's my opinion that diversity is not a nice to have, but that it is a business imperative. We want Philips to be a company of “all talents”, and a healthy and satisfied workforce goes together with the exemplary innovation and business performance we strive to deliver. We also want Philips to be a company that motivates and inspires women – and people of all backgrounds – to pursue a career in health technology”.

Frans van Houten, CEO, Royal Philips