

Gender Pay Reporting 2019



Introduction

This Report contains Philips Electronics UK Ltd legal disclosure of the gender pay gap for 2019. 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, Lower Middle Quartile, Upper Middle Quartile and Upper Quartile. Employers are also required to disclose percentages of employees receiving bonuses by gender and the gender gap on bonuses.

“Gender pay reporting has provided further focus on driving diversity at all levels in the organisation. We have made good progress over the last 3 years with a positive trend in our data, and I am particularly pleased that our UK Leadership team now has balanced gender diversity”.

Jonathan Coles, HR Director UKI



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 2030. We have a multinational workforce of approximately 75,000 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 base of Health Systems Medical Service Engineers and Account Managers for our commercial organisations.

The Philips sites across the UK, as at April 2019, 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

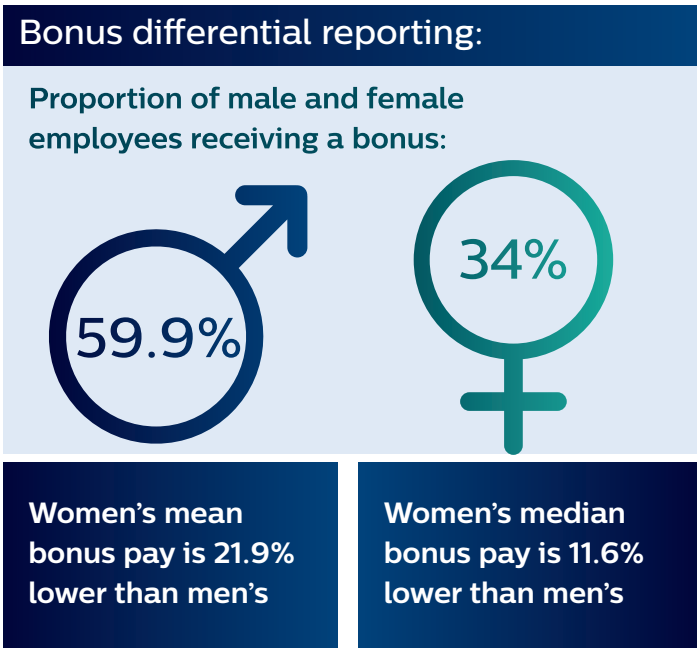
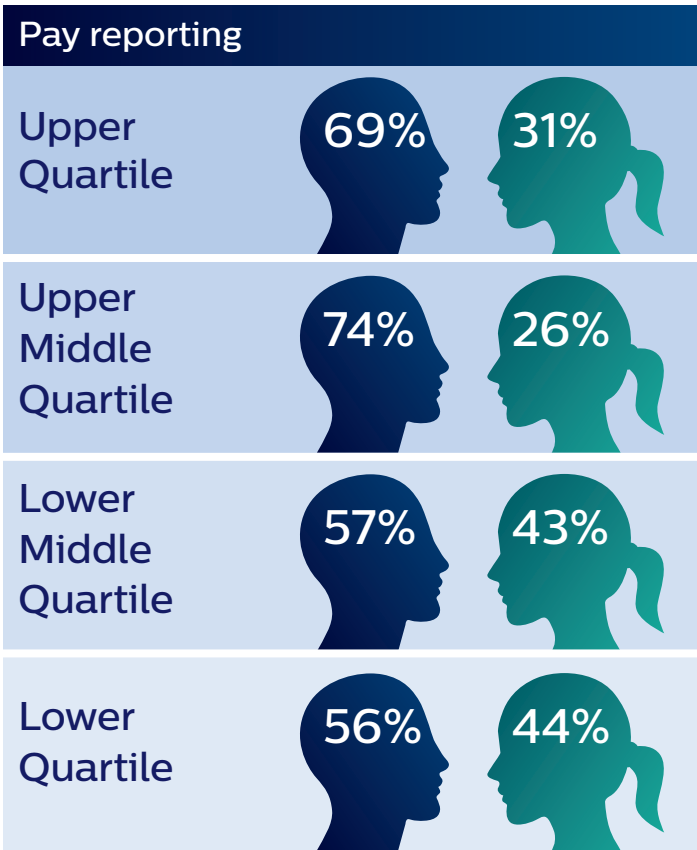
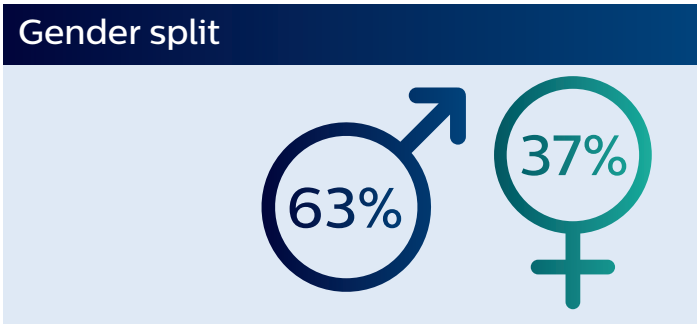
Glemsford: Philips AVENT factory

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 2019 was **1,455**



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. Since Gender pay reporting was introduced in 2017 Philips mean gender pay gap has reduced from 18% to 10.2% and the median has decreased from 29.2% to 21.5%

For further information on data for 2017 and 2018, please refer to the respective Gender Pay reports held on our website. The change we have seen in the third year of statutory reporting is starting to show a trend in the right direction. The decrease over 2 years represents the continued focus on short and long term initiatives to achieve greater gender balance and further progression of females into senior positions in the organization.

“Our journey of increasing gender diversity continues and I’m personally pleased to see the initiatives in place having the intended impact of reducing our gender pay gap. We will continue with determination to offer transparency, fairness and integrity in our processes alongside a fully inclusive culture in which all employees can thrive.”

Neil Mesher, Market Leader UK&I



Our Initiatives

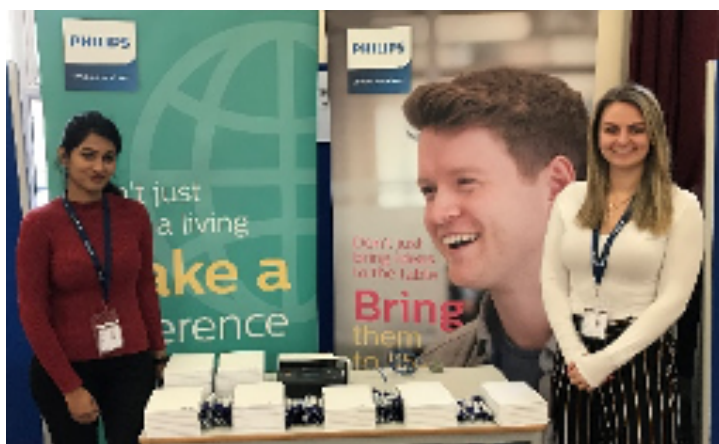
In this report we are capturing either new initiatives or updates on our previous commitments in this area. Previous reports contain details of ongoing Gender Diversity actions.

Our Gender Diversity Committee continues to use insight generated both internally and via the information shared by the Government Equalities office to pursue gender neutral policies. In particular, this year the recommendations have been geared around improving our approach to how jobs are designed, and the ability to offer more flexible work offerings to both men and women.

Planning and Engaging our Workforce of the Future

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. Our STEM* Ambassadors reach out to young people in schools sharing personal experiences and creating awareness of career paths and influencing the choices that young people are making.

(*STEM Science Technology Engineering Maths)



Gender Pay Reporting 2019



Enabling Diverse Talent Acquisition

- Our trial period referenced in our previous report of not asking candidates applying to Philips for salary information was successful, and therefore we will apply this practice more extensively across Philips. We believe that this provides greater objectivity in compensation decisions.
- Our job role adverts are being enhanced to include more information regarding salary ranges as well as greater reference to more flexible working patterns as well as our agile working environments.

HR Policy Development

- Philips employees have always been supported through enhanced HR Policies. Based upon the recommendations of our Gender Diversity committee and some of the trials carried out in certain roles in the organisation we believe we can do more to extend the opportunities for more flexible ways of working for men and women and further normalise this in our culture. Guidance for line managers is provided and we expect a greater number of opportunities to be open for variable working patterns.
- We know that Returning to Work after maternity leave is a critical point to maintain engagement of women in our business and we have enhanced our guidance for Managers to ensure this works in the best possible way.

“Diversity is not just a claim at Philips, it is a reality...we can of course always do better, and we are and we will continue to improve. I am encouraged to see so many talents being developed through our Leadership programs, tailored to different levels in our organization, and the positive impact these have on our people. I am thinking especially of our female talents who realise their full potential and their leadership skills...I've been on this journey myself, and will continue to be. It's an enjoyable ride!”

Veronique Tordoff, Business Marketing & Sales Leader, IGT



In Summary

We are holistically targeting areas both in our systems and processes and in developing our culture to continue on our journey of achieving greater Gender Diversity. This report captures the output of trials and new areas of focus however we are also sustaining other initiatives already captured in previous reports to reduce the Gender Pay gap. Our UK Directors review the progress on a regular basis and there is ongoing global commitment to achieve gender diversity goals in Philips.

“We are not yet as diverse as we want to be. This is especially true of gender diversity. **Around 36% of our organization are women;** with representation reducing to **24% at senior leadership level.** We’ve made significant progress in the last two years but **we are not moving nearly fast enough.**”

Frans van Houten, CEO Philips

