

Gender Pay Reporting 2017



Introduction

This Report contains Philips Electronics UK Ltd first legal disclosure of the gender pay gap report 2017. It includes analysis and commentary on gender pay with regards to Philips Electronics UK Ltd.

All companies with 250 or more employees are now required to publish their gender pay gap under new legislation that came into force in April 2017. 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. Employers are also required to disclose percentages of employees receiving bonuses by gender and the gender gap on bonuses.

“Philips Electronics UK welcomes the Gender Pay reporting, as we continue our initiatives to further embed gender diversity, building internationally diverse teams, celebrating uniqueness and removing unconscious bias throughout our company. At Philips, we’re always looking for ways to make life better and, within our talent management and culture, this means challenging ourselves to make sure that every voice is heard and valued. We want our company – our offices and people throughout the world – to mirror the society in which we operate and foster an environment of inclusiveness where everyone can be themselves. We still have work to do to achieve gender parity and reduce our gender pay gap and I am committed to make Philips the destination employer for women, at all levels.”

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. If a workplace has a particularly high gender pay gap, this can indicate there may be a number of issues to deal with, and the individual calculations may help to identify what those issues are.

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.

One of the main reasons for the gender pay gap, across many companies, is that men are currently holding a greater % of senior positions.

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 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

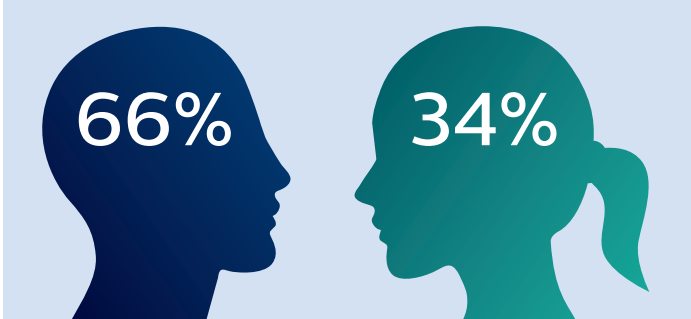
Gender Pay Reporting 2017

Our data

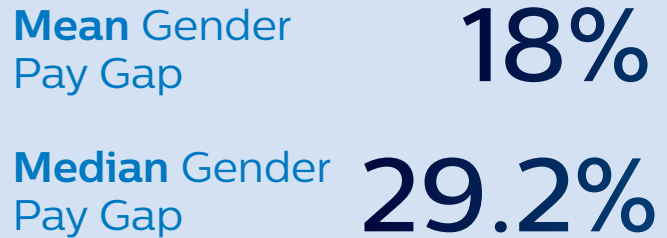
The total number of employees for the Gender Pay reporting

1,434

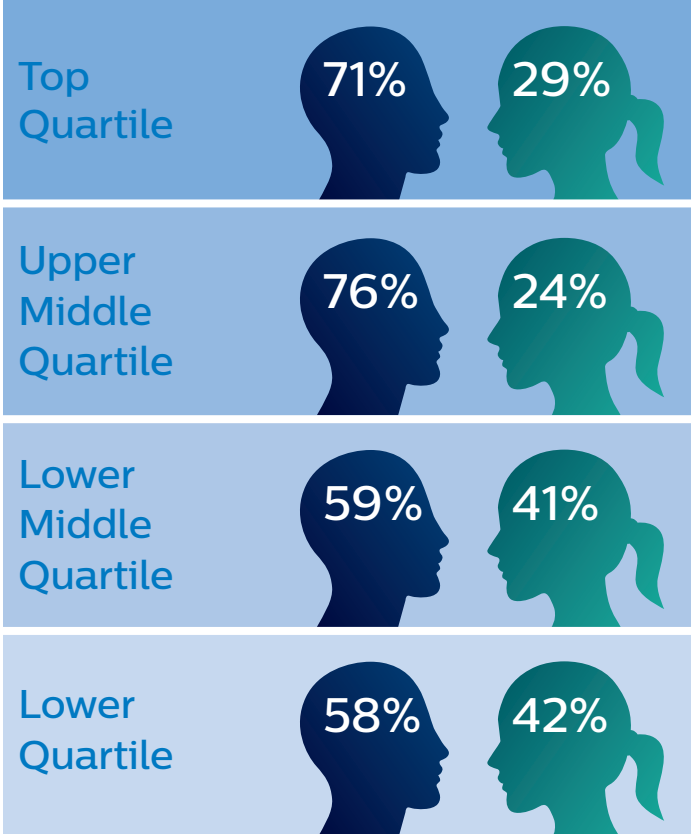
Gender split



Overall our pay differentials are:

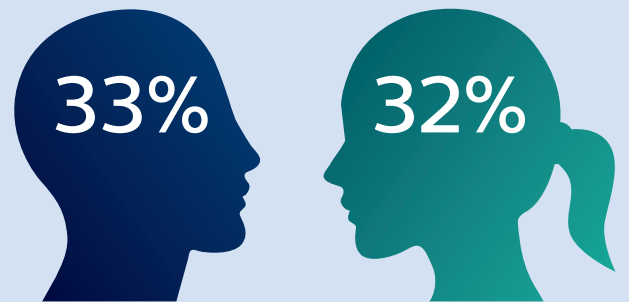


Pay reporting



Bonus differential reporting:

Proportion of male and female employees receiving a bonus:



Women's mean bonus pay is 25.9% lower than men's

Women's median bonus pay is 21.6% 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 mean gender pay gap is 18.0% Philips sits across a number of industries. We have employees in medical devices and associated engineering, scientific research and factory assembly which are all male dominated industries and our workforce reflects this. In our consumer goods business we are female dominated. We recognise that men disproportionately hold the more senior level roles in businesses, and have longer tenure, and this is reflected in our top quartile where Philips have the biggest differential.

As a fair employer and with a desire to be a continued 'employer of choice' we are working to improve our gender parity and to reduce the gender pay gap.

Our Actions

Philips UK is committed to working on initiatives to improving our gender diversity, including the following:

During our talent acquisition process we aim to include a female candidate on the shortlist for all final interviews, including the male dominated sectors of our business. Furthermore, we are including a female interviewer on all interview panels to increase diversity in the selection process. As a fair employer we always hire and promote the most qualified candidate for a role.

We are supporting women with our UK women's leadership program, which has been running for 5 years. Its focus is on how we develop female leaders and also enrich succession planning. This starts with early career professionals to build talent from within and empower our employees at every stage in their career.

We have also developed a male future leadership program as all leaders of the future should understand unconscious bias, work on how they can role model inclusivity and embrace diversity in the workplace.

Philips has a number of leadership and people development programs which focus on the key skills to be an inclusive and diverse leader of the future.

Philips pro-actively builds succession plans for key positions in the organisation. We measure how many female successors we have in our plans, and our recruitment strategy and leadership programs help drive this as we aim to grown the percentage of women in senior leadership positions.

Philips has a strong culture of progressive agile working principles across the UK allowing flexibility for both male and female employees to support work life balance. We also have a variety of enhanced family friendly policies.

We have a global Philips University that provides blended learnings on diversity and inclusion, unconscious bias, and a range of areas that improve awareness and behaviour change.

As a result of the gender pay gap we have set up a gender pay committee to review and shape actions on helping reduce the gender pay gap and improving gender parity.

We know that creating a diverse talent pipeline for future roles means investing in making all students aware of the opportunities available to them in science and engineering. Philips is proud to support the STEM (Science, Technology, Engineering & Maths) Ambassador programme. In the past 12 months our employees have been involved in activities ranging from mentoring, mock interviews and science fairs to careers talks, demonstrations of different technologies and attending large-scale events like the Suffolk Skills Show and Women in Engineering (Norfolk/Suffolk). We know that a disproportionate number of female students choose not to study STEM subjects at GCSE, and this increases at A-Level. We want to support all students in making informed choices about potential careers.

In Summary

Philips Electronics UK will continue to develop and work on new 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'm convinced that inclusion requires more intentional actions; a mindset and workplace where every employee's ideas, knowledge, perspectives, experiences and styles are valued for their uniqueness. And where we should challenge our own unconscious bias and build diverse teams.”

Frans van Houten, CEO, Royal Philips

For more information on Frans article 'Inclusion Requires Action':

<https://www.linkedin.com/pulse/inclusion-requires-action-frans-van-houten/>

“I am committed to increased gender diversity in our UK businesses, supporting local and global actions that increase inclusion and diversity. We have lots of great actions in place, recognising that we are on a journey to be an employer of choice for women and a great place to work for all”.

Neil Mesher, CEO, Philips Electronics UK Ltd