

# Gender pay gap reporting

## Nurturing a workforce built on equality, diversity and inclusion

We are committed to being an employer of choice and continually strive to create a diverse and inclusive environment that recognises and rewards our employees' achievements.

We aim to ensure that everybody has the opportunity to reach their full potential and we are passionate about providing our people with the opportunities and support they need to develop their careers and grow professionally as part of our company.

We want Arvato to be a place where people can bring their whole selves to work and that means making a consistent effort to attract an increasingly diverse candidate base. Alongside this, it means ensuring that we are creating opportunities for our employees to direct their career in a way that works for them.

We acknowledge that we are on a journey. We are committed to reducing our gender pay gap year-on-year and we are working on a number of initiatives, set out in this report, that aim to improve the development pathways for women in our business and boost gender diversity across the recruitment process.

Due to the coronavirus pandemic, the Government Equalities Office suspended compulsory reporting for the 2019–20 reporting cycle, but Arvato chose to report anyway. The Equality and Human Rights Commission (EHRC) has announced that enforcement of gender pay gap reporting for the 2020/21 reporting year, which uses a snapshot date of 5 April 2020, will not begin until 5 October 2021. However, Arvato is reporting in April 2021 as planned.

## Our successes

We made important progress in closing our gender pay gap in the 12-months ending 5th April 2020 in two of our three legal entities.

Overall, the mean and median gender pay gaps across our business are 11.8% and 1.9% respectively.

In both Arvato Limited and Arvato Public Sector Services, we are pleased to report a reduction in both the mean and median pay gap;

### Arvato Limited

2019	2020	
13%	1%	Median
23%	20%	Mean

### Arvato Public Sector Services

2019	2020	
19%	4%	Median
18%	11%	Mean

Women represent 56% of our total workforce (compared to 54% in 2019) and they represent 54% of the total employees in the Upper Quartile across the whole of our business (compared to 46% last year).

In all three entities, the percentage of women in the Upper or Upper Middle Quartile increased in 2020 as it did in 2019.

## Understanding our gap

This report includes the gender pay gap and bonus pay gap data for each of our three legal entities. We are not legally required to report on our Public Sector Services entity this year due to the decrease in employee numbers, however we have included it here for completeness and transparency.

- Arvato CRM – this consists of our private sector call centre business.
- Arvato Limited - this consists of our corporate departments, our central government contract and a retail contact centre client.
- Arvato Public Sector Services - this consists of our local government operations.

We have a more limited opportunity to influence the gap in the Arvato Public Sector Services business as the majority (60%) of employees are on protected TUPE terms and conditions. In 2019, one of our major public sector contracts came to an end and as a result of this, the colleagues attached to that contract TUPE transferred out of Arvato. This has had an impact on the make-up of the workforce in this entity – women now account for 82% of our people in the Public Sector Services business, up from 66%.

Arvato Ltd is the entity which contains a high proportion of our senior roles and corporate function roles, and is also where our retail contact centre client contract sits. We recognise that there is still work to be done in this entity. But we made good progress on closing both the mean and median gaps by April 2020, with the median gap moving from 13% to 1% over the 12 months.

This large change is due to a shift in workforce profile in this entity. The total number of employees increased by 93 between April 2019 and April 2020 and of the new starters, 80% were recruited to the lower and lower middle quartiles in contact centre and apprenticeship roles. This had the effect of moving the middle point and the mean for both male and female colleagues to a lower hourly rate.

## Our bonus gap

The median bonus gap in the Public Sector Services business closed from 12% to 4% as a result of changes to the workforce profile in this entity.

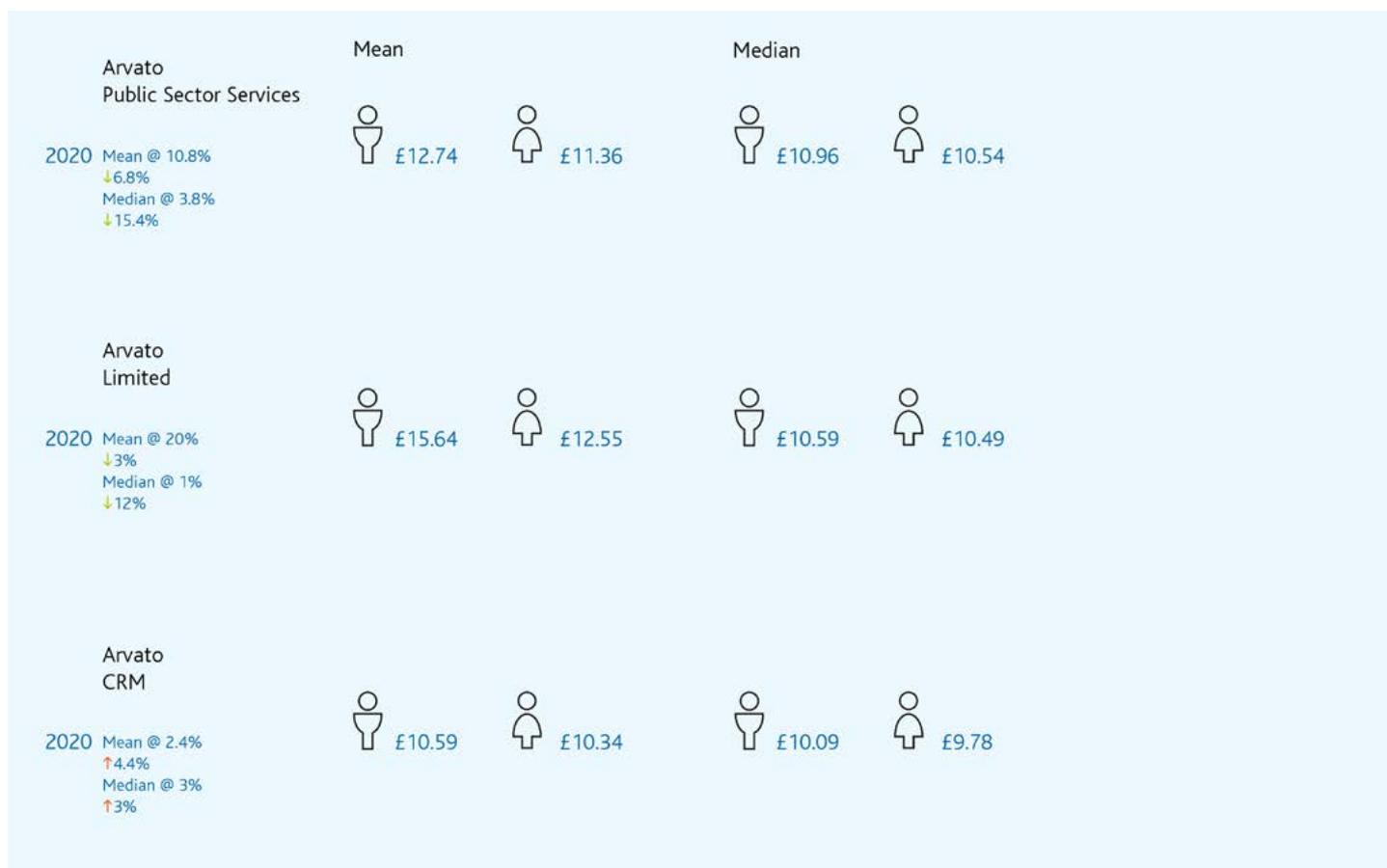
The bonus pay gap in the Arvato Limited business is the result of having a higher proportion of males in senior level positions and across highly specialist professions, such as IT and cyber security. Non TUPE roles in Arvato attract a discretionary bonus payment and the majority of payments are 5% of salary. However, some senior and specialist roles attract a higher percentage bonus and the occupancy of these roles is predominantly male (63%).

Across the company, 85% of our colleagues who work part-time are female. As bonus is paid as a percentage of salary and there are more part-time females, bonus payments to women are generally lower value.

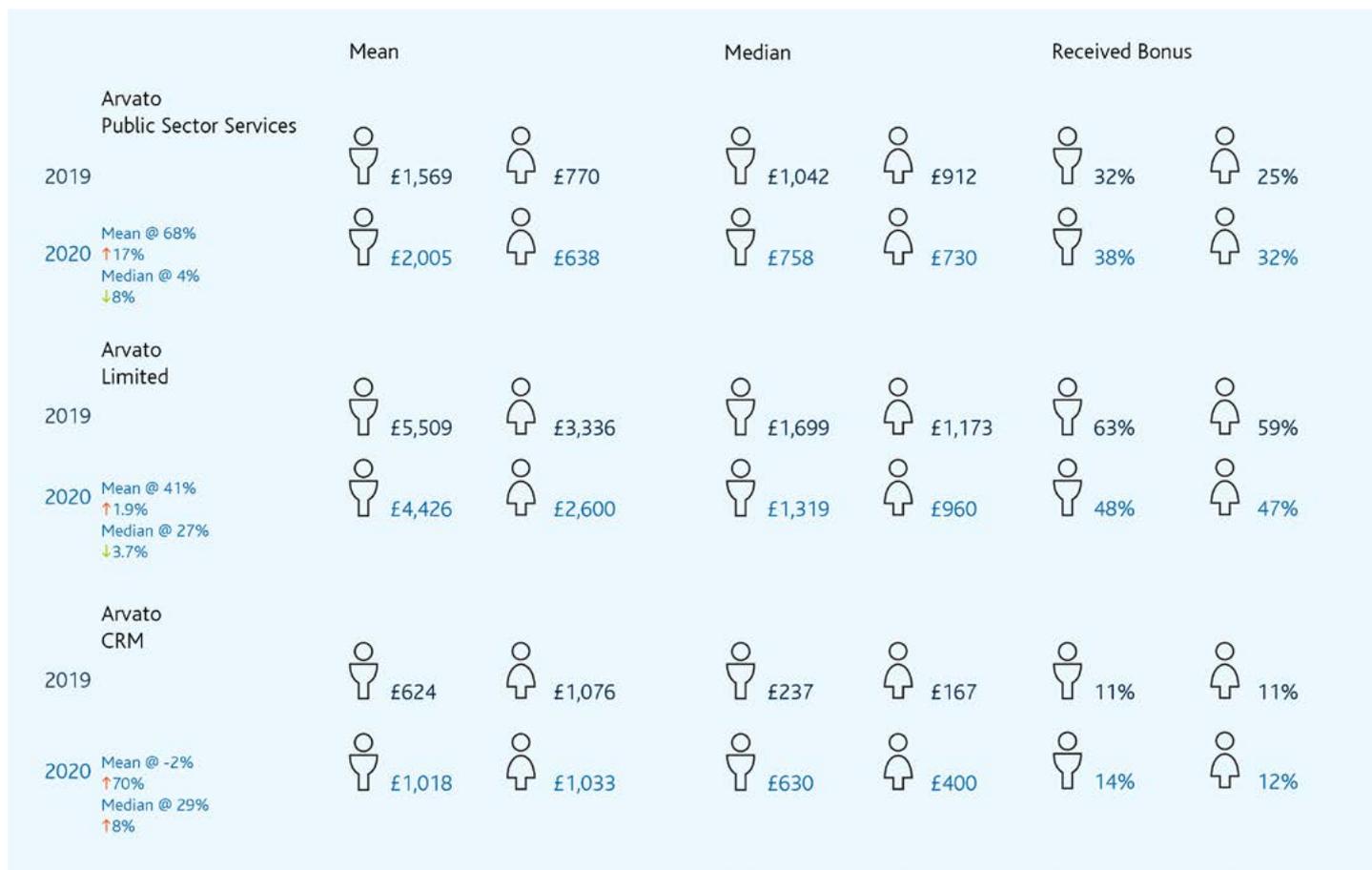
In the Arvato Ltd entity, the percentage of men and women receiving a bonus is 48% and 47% respectively. 86% of part-time workers in this entity are female, which results in lower bonus payments. However, the median bonus pay gap in this entity has reduced from 31% to 27% over the reporting period.

Arvato CRM shows balanced results - the percentage of men and women receiving a bonus is 13.5% and 12% respectively. The number of people in this entity who receive a bonus is small (14 people) and this is made up of eight men and six women, so a small change to the profile will make a difference to the figures. The bonus mean pay gap for this group is -2%.

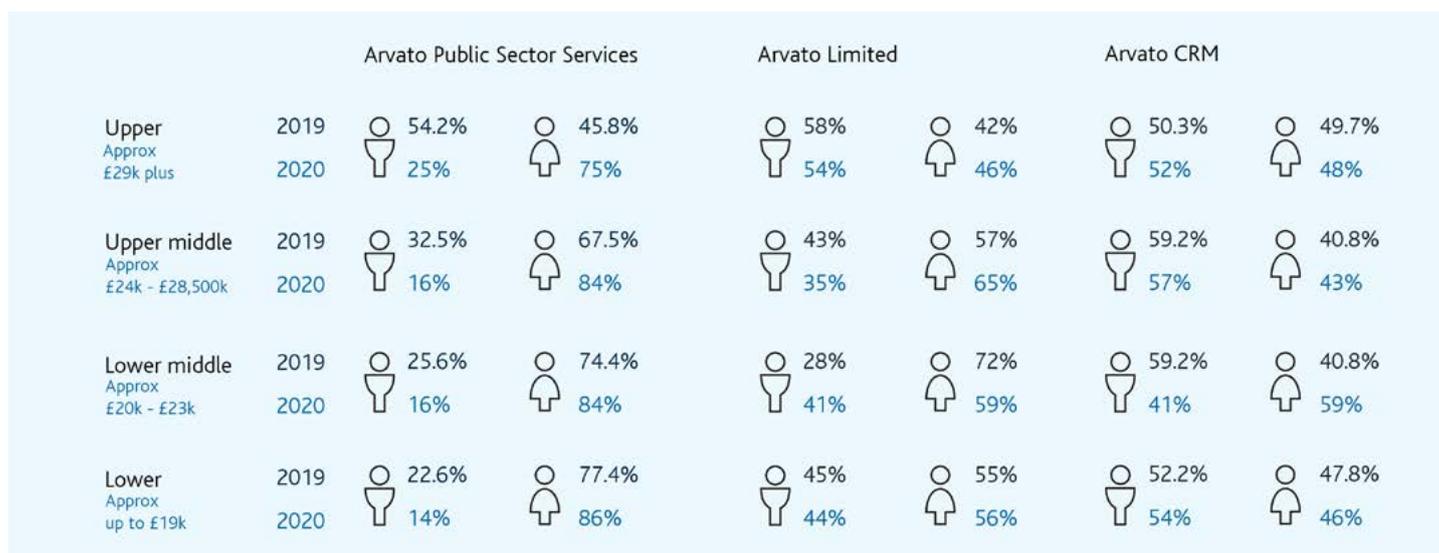
## Earnings pay gap - Hourly rate (Fig.1)



## Bonus pay gap (Fig.2)



## Arvato quartile distribution (Fig.3)



## Closing our gap

### Building on our progress

We have made good progress since the last report, but we recognise that there is still plenty of work to do. Tackling the gender pay gap is a long-term challenge and while it will take several years before our actions are truly reflected in the data, we are working hard to identify and implement ways to attract and retain more women into our business, particularly at a senior level.

Our focus is not solely on gender pay but ensuring that all our people are able to thrive in an environment that fosters inclusion at all levels in each of our businesses and provides them with the flexibility they need to succeed.

We have a significant number of TUPE employees in our public sector business and we will continue to protect their terms and conditions. We recognise that this will impact our ability to close the gap in that particular entity due to the restraints that come with TUPE protection and the pay increases that are delivered through National Pay Bargaining.

### What do we already do?

- We have introduced a range of policies in recent years to continue to develop a supportive, diverse and inclusive environment for our people:
- Family friendly policies, such as enhanced maternity and paternity policies and shared parental leave.
- The right to request flexible working options, which include home working, working from different locations, a compressed week and reduced hours.
- We have introduced holiday purchase schemes that allow employees to buy additional leave to enhance their work-life balance.

### A pipeline of new initiatives

We have committed to a number of long-term plans which will enable us to improve our pay and bonus gaps:

#### *Recruitment and succession planning*

In reviewing our succession planning, our aim is to increase diversity in terms of gender, ethnicity and sexuality across all job roles within the business.

Our resourcing team are ensuring that we attract the most talented employees who can deliver success for our clients. Our inclusive recruitment approach will also continue to ensure we're attracting women and talent from groups that are less well represented within our business.

In addition to this, we undertake regular reviews of our pay procedures and bonus scheme policies to ensure they are applied equitably.

#### *Colleague engagement*

We want to reward and recognise the great work our colleagues do for our business, while celebrating their success and giving everyone a voice. Our '100% You' Initiative runs throughout the year with nominations for awards with a different focus each month. We have also launched our CEO Club. CEO stands for Coaching, Empowerment and Opportunity and is a chance for entry level employees to be part of a programme designed to coach and empower colleagues to become more confident and in control of their own development and, importantly, it gives them the opportunity to increase their visibility within Arvato. There is also a focus on where participants want to be in their career in years to come and support for them to create an action plan on how they can get there.

#### *Early careers talent development*

- Developing our early careers strategy will be a key focus, together with strengthening our existing apprenticeship programme and our position as a top 100 apprentice employer. We will continue to partner with local schools and colleges to encourage more female applicants for our apprenticeship schemes, particularly in areas such as IT, where women represent a small proportion of our workforce. In the snapshot data, 57% of our apprentices are female
- Alongside this, we are aiming to upskill our existing employees by:
- Future proofing the organisation in several areas, which include continuing to develop robotic process automation (RPA), digitalisation, artificial intelligence (AI) and Internet of Things. Our people are actively developing these new technologies and providing ideas and input to enable processes to be digitised. This reduces room for error and provides an opportunity for our employees to carry out increasingly fulfilling roles.
- Implementing continuous innovation to create new solutions for our target sectors. We are actively seeking input and ideas from our employees and setting up projects where they can develop and implement ideas.

#### *A culture of diversity and inclusion*

The key driver for us is to ensure we attract a diverse applicant pool, while developing and promoting our existing talent. This is essential for the future success of the business and for ensuring our employees feel they have adequate support to grow and develop within our company. We will also review and promote our existing agile and flexible working policies and ensure our employees are fully engaged with the range of benefits on offer to them. We believe that over time, our commitment to fostering inclusion, fairness and flexibility will be reflected in our gender pay gap figures.

But it's not just about closing the pay gap; it's about building a strong foundation for individual and organisational growth by ensuring that the people who work for us feel a sense of belonging and that we value everyone for the differences they bring. To progress in the right direction requires a concerted effort at every level of our business and at every point in the employee lifecycle, from recruitment through to progression opportunities and how we retain our people by keeping them engaged.

## Final quote from Debra

We are making strong steps forward in improving diversity, equality and inclusion across our business and in closing our gender pay gap. But we know that we must continue to do more to deliver our objectives.

We have a long-term strategy to meet this challenge, which is focused on actively engaging with our people to ensure we attract, develop and retain a diverse and talented workforce in a culture where they can grow and be themselves.

Signed by:

A handwritten signature in black ink, appearing to read 'Debra', with a large, sweeping flourish underneath.

Position: CEO

Date: 15.03.2021

Review Date: 15.03.2022