

KCA Deutag Drilling Ltd

2018 Gender Pay Gap Report





Lynne Clow

Senior Vice President, Human Resources

Introduction

KCA Deutag Drilling Limited today reports on its 2018 gender pay gap and the various initiatives it is implementing to encourage gender and cultural diversity across its UK organisation.

As you will see in this report, our mean gender pay gap has reduced by 3.8% to 26.5%. Whilst we are pleased with this small improvement, we are however cautious about whether this rate of change will be sustainable in the longer term.

Our strategy to reduce the gender pay gap centres around how we develop the mindset of our employees so that they understand those factors which unconsciously affect them when making recruitment decisions and consequently we recruit a broader range of candidates for new positions, whether male or female.

The KCA Deutag Gender Diversity and Equality Forum

A key foundation of this strategy is KCA Deutag's new Gender Diversity and Equality Forum, which we established in March of last year. This consists of male and female leaders from across our UK business and meets on a monthly basis.

As the UK subsidiary of a global business, KCA Deutag's priority is to ensure that we develop a culture that provides opportunities for everyone regardless of gender, age or race. As a result, the focus of the Forum is not restricted solely to gender issues but those broader workplace issues, which affect our people in general.

• Staff Flexible Working Survey

As a company, KCA Deutag is keen to improve its attractiveness and promote flexible working to staff. In its first initiative, the Gender Diversity and Equality Forum issued a staff survey across our offices in Aberdeen and London, to obtain their views on how flexible an employer the company is.

The results of this survey were excellent, with 87% of staff responding that they felt able to work flexibly in their current role and 82% confirming that flexible working has had a beneficial impact on them personally.

In addition to this, there were some very positive key themes running through the feedback. Employees said that they already saw flexible working as a very valuable part of KCA Deutag's offering and that this is supported by the compressed working week and the various systems and processes we have in place to help people work remotely and encourage a better work / life balance.

• Introduction of New Interview Panels

In 2018, the Gender Diversity and Equality Forum also reviewed the company's current recruitment process and ran a pilot, which involved changing the structure of KCA Deutag's interview panels to include an independent interviewer from outside the recruiting function or business unit. The aim of the pilot was to see if our approach to interviews would

benefit from the addition of a manager with a very different background and skillset to encourage the panel to think differently about potential candidates. The pilot was very successful and moving forward this will become part of our standard recruitment process for all office-based positions

In addition to the Forum's work, we have a number of ongoing activities in our business, which, whilst not specifically addressing the gender pay gap, will develop our people in the longer term, and encourage a diverse and balanced workforce. These include:

- Leadership development and mentoring programmes
- Global succession planning
- Job grading and evaluation
- Gender neutral selection processes
- Working with schools to promote the industry and the various roles within it

We hope that through these initiatives and by developing the mindset of our employees, we will see a sustainable increase in the diversity of the people who work at KCA Deutag. However, this is only the start of the journey and we, and the industry, have a lot to do to make a lasting difference.

Plans for 2018/19 - Eliminating Unconscious Bias

Everybody, no matter who they are, makes immediate, snap decisions about new people. We do this by instinct as our brains assess the person based on past knowledge, creating a positive or negative judgement. This is called our unconscious bias, and it can have a huge influence on how we respond to new people and hire for new positions.

In its plans for 2018/19, the Gender Diversity and Equality Forum is keen to progress this further and for everyone in KCA Deutag to make a sustained change in how we treat each other so that we remove as much as possible any unconscious bias from our workplace by encouraging people to identify this for themselves. A key part of this is education, and over the coming year the Forum will be running a campaign of awareness raising activities to help our staff start to understand their own unconscious bias.

KCA Deutag's gender pay gap statistics

The gender pay gap is a measure, which shows the difference between the gross average hourly earnings of all women in an organisation compared to the average gross hourly earnings of all men, expressed as a percentage of men's earnings.

Please note that this report and the statistics provided are for KCA Deutag Drilling Limited, which is our UK entity and not the KCA Deutag group, which operates internationally.

The table below shows KCA Deutag's mean and median gender pay and bonus gap in the UK as at 5 April 2018. This is based on a demographic of 333 male employees and 107 female employees. In 2018, our mean gender pay gap reduced from 30.3% to 26.5% and the bonus pay gap similarly reduced from 62.8% to 58.4%. The gender pay gap is not the same as equal pay. We have robust policies in place to ensure that our male and female employees receive equal pay for equal work.

2018 Pay and Bonus Gap Difference between men and women

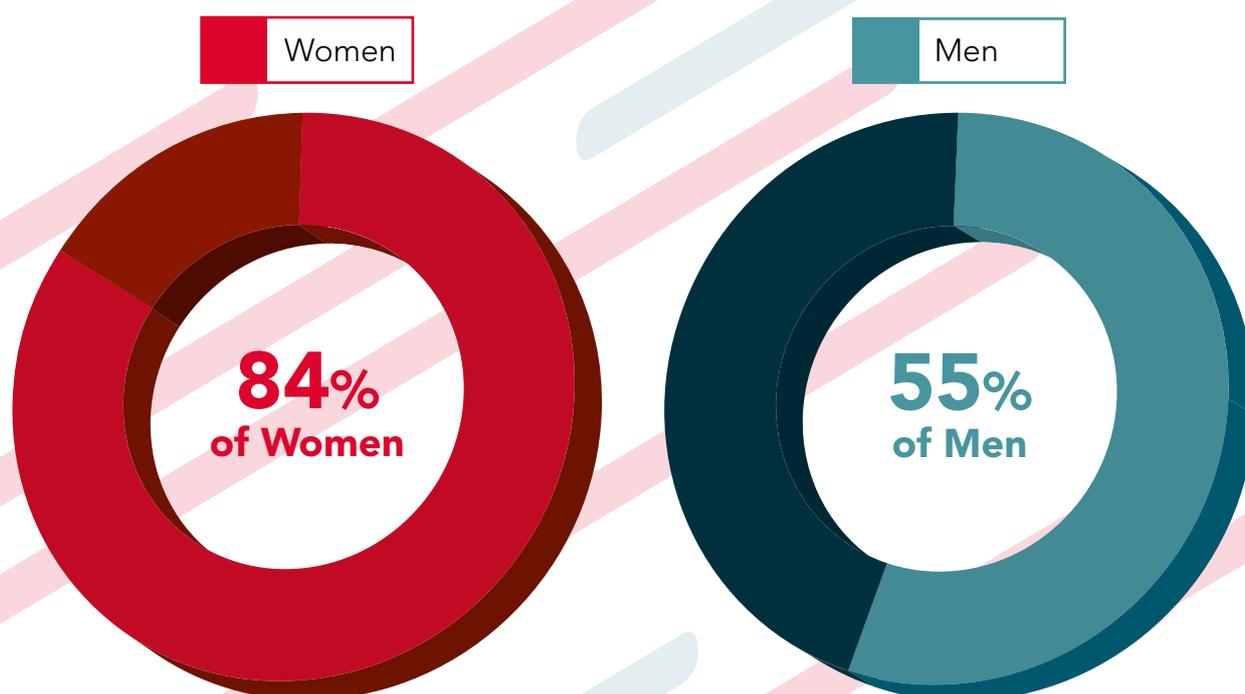
	Mean %	Median %
Gender Pay Gap	26.5	33.5
Bonus Pay Gap	58.4	69.0

The reasons for the gender pay gap in the UK oil and gas industry are well known. It has historically been male dominated. As last year, approximately one in four of KCA Deutag's employees are female and the majority of those work in office based support functions with low representation in operational roles and in senior leadership positions where remuneration is higher in both.

The challenge for the industry is to encourage more women to graduate from university with the necessary science, technology, engineering and mathematics (STEM) degrees to carry out operational rig based roles, which provide the majority of jobs. In the UK, only 24%¹ of STEM graduates are female and, of this only 14%¹ graduate in engineering and technology subjects.

Proportion of employees receiving a bonus in 2017/18

The table below shows the percentage of men and women who received a bonus. As last year, the male percentage in general is lower as our UK North Sea operation is entirely crewed by men and has a different pay structure, which reflects the offshore environment in which they work.



Pay Quartiles

The pay quartile data assists in explaining why we have seen a positive trend in the mean pay gap. It shows the proportion of men to women in four equally sized pay bands ranging from the lowest hourly rate to the highest hourly rate, and is calculated by dividing the workforce into four.

Broadly speaking the lowest and highest pay quartiles have remained relatively steady. The most notable change is in the upper middle quartile where we have seen an 8.2% increase in the number of women employees in this band. This has been offset by a reduction of 3.6% in the lower middle quartile.

Proportion of employees in each pay quartile band in 2018

PAY QUARTILE	Women	Men
Upper quartile	14.5%	85.5%
Upper middle quartile	18.2%	81.8%
Lower middle quartile	25.4%	74.6%
Lower quartile	39.1%	60.9%

Statement

I confirm that the information and data provided in this report is accurate and in line with mandatory requirements.



Lynne Clow
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