

Environmental Resources Management Limited

Gender Pay Gap Report

April 2023

The gender pay data in this report has been validated by Korn Ferry

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The business of sustainability



Introduction



Foreword

This report provides information regarding the gender pay gap within Environmental Resources Management Limited (our UK Company), reflecting the position on 5 April, 2022. The report also provides a summary analysis of some of the factors that contribute to the findings presented in this report.

As previously reported, we remain committed to building an inclusive culture across ERM. We launched a global strategy in 2018 that helps us adapt, educate and engage as a business, and build a company where everyone can bring their whole self to work. Our global strategy continues to evolve and our commitment to this continues.

A stylized, handwritten signature in black ink, appearing to read 'V. Sauvaire', enclosed within a faint, light-colored rectangular border.

Vincent Sauvaire
Northern Europe Business Unit Managing Partner

Company Background

ERM is the world's largest pure play sustainability consultancy. We work with the world's leading organizations, delivering innovative solutions and helping them to understand and manage their sustainability challenges. As at April 2022, ERM employed over 7,000 staff worldwide, with over 500 people employed by Environmental Resources Management Limited based in the UK. ERM has operated in the UK since 1971 and has been at the forefront of environmental and social consultancy. Our services to private and public sector clients offer a rare blend of technical and business management skills to help them understand and manage their environmental, health, safety, risk and social impacts. "The business of sustainability" reflects what we do to support our clients as they strive to attain their business goals. Sustainability and business are now inextricably linked and as an expert in sustainability, we play a role in helping companies achieve their objectives with an understanding of how this impacts wider society and the environment.

Gender Pay Gap Legislation

The UK Government Equalities Office's Gender Pay Gap reporting regulations came into force in April 2017, and employers in the UK with 250 or more relevant employees are now required to publish mandatory information concerning gender pay. This report enables ERM to meet its obligations to publish our overall mean (average) and median gender pay gaps, gender bonus gaps, gender distribution within salary quartiles and bonus-received proportion.

The gender pay gap is a measure of the difference between men's and women's average earnings across the organisation irrespective of their role or seniority, and is expressed as a percentage of men's earnings. Organisations such as ERM that have more men in senior roles are likely to have a gender pay gap.

It is important to note that gender pay is different to equal pay. Equal pay is defined under the Equal Pay Act as work of equal value, or 'like' work which is the same or broadly similar and extends to the full terms and conditions of employment (i.e. basic pay,

overtime rates, performance related benefits, hours of work, access to pension schemes, non-monetary terms, and annual leave entitlements).

This report provides data on ERM's gender pay gap as at 5 April, 2022.

Population

Environmental Resources Management Limited is the only UK employing entity that falls into scope, as it employs more than 250 employees. No other UK-based ERM companies are covered in this report.

The legislation specifies a 'snapshot date' that employers must use as the basis for their data reporting. It also provides specific definitions for determining which employees are relevant for reporting purposes (a detailed glossary of definitions and terms is included in the Appendix).

As at the snapshot date (5 April, 2022), 460 employees fell into the scope of 'full-pay relevant employees' with respect to the calculation of hourly pay, and 486 people were in scope for bonus pay calculations (bonuses paid in the 12 months prior to the snapshot date). The difference is due to some people being excluded from the hourly pay calculations as they were not considered as full-pay relevant employees as per the legislation (for example, those receiving reduced pay for absence, such as sabbatical, maternity or unpaid leave).

The data contained in this report has been reviewed and validated by a third party, Korn Ferry.

Employee Distribution

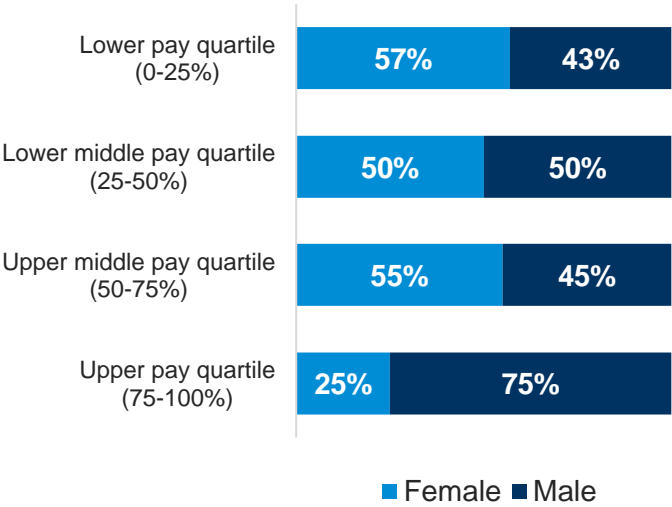
Full-pay relevant employee distribution



This section refers to the population included in the hourly pay gap calculation, referred to as full-pay relevant employees. The graphic above shows the overall gender distribution of full-pay relevant employees within Environmental Resources Management Limited. Overall gender distribution within ERM remains consistent with previous years showing an even distribution of female to male full-pay relevant employees with a slight skew towards male employees.

Hourly Pay – Gender Split by Salary Quartiles

Salary quartile distribution by gender



In order to understand ERM's gender pay gap, it is important to show the proportion of males and females in each pay quartile, presented in the charts above.

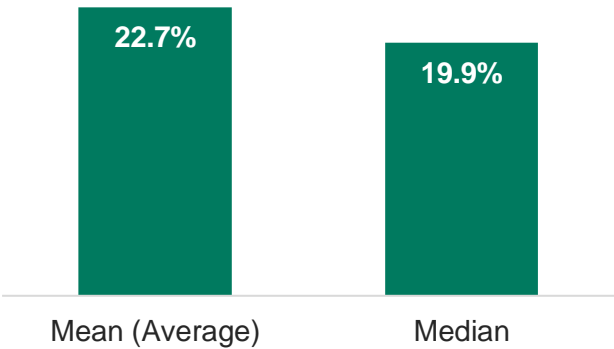
Consistent with last year the salary quartile distribution shows a fairly even distribution of males to females in the lower to upper middle pay quartiles, suggesting overall equity between male and female pay. The percentage of females in the upper pay quartile has fallen again which is related to the uneven distribution of males to females in the higher pay grades

The trend of decreasing female representation in higher quartiles is comparable with what Korn Ferry have seen in other organisations and is attributable to the distribution of gender, with males tending to occupy jobs in higher levels. Given that we continue to have more men than women in senior career levels and more women in junior support roles (Support Levels 1 & 2), we continue to see a gender pay gap.

Hourly Pay Gap

The chart to the below shows the overall hourly pay rate gap for Environmental Resources Management Limited. It's important to note that this overall gap can be heavily driven by the distribution of gender within company levels.

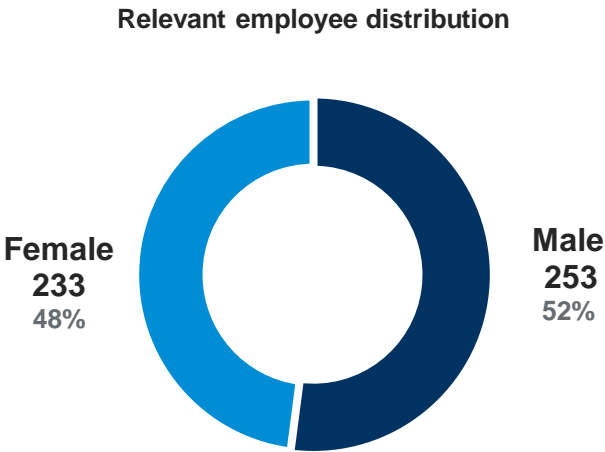
Hourly pay gender gap



The pay gap average has risen 1.7% on the previous year and is up to 22.7%, the median however remains the same as last year at just below 20% (19.9%).

The overall hourly pay rate gender gap for ERM at 22.8% (mean) and 19.7% (median) is greater than the reported UK gender pay gap of 14.9%* for all staff. The overall gender pay gap at ERM is predominantly due to the disproportionate number of males to females in the CL4-5 and Partner levels.

Employee Distribution



The graphic above shows the overall gender distribution for bonuses for relevant employees within Environmental Resources Management Limited.

Percentage of Males and Females Receiving a Bonus

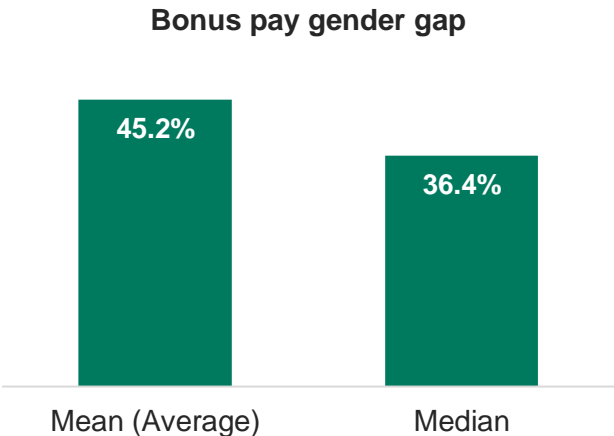
Only jobs that received a bonus have been included in the bonus pay gap analysis (i.e. where no bonuses were awarded, this was not taken into consideration for the purposes of calculating average bonuses). The percentage of employees receiving a bonus (in both females and males) is greater than reported last year; with almost 75% of males and just under 70% of females receiving a bonus payout (a significant increase on last year). The proportion of bonus received is slightly in favour of males this year which will impact the bonus gap.

Bonus Pay Gap

The chart below shows the overall bonus pay gap. It is important to note that this overall gap can be heavily driven by the distribution of gender within company levels and employee performance. The overall bonus gap on average and median has returned to levels seen prior to last year; rising back up to 45.2% on average with a median of 36.4%. Last year's figures appear to have been impacted by Covid and sample change due to furloughing of staff.

The gap is again heavily driven by the distribution of gender throughout the career levels, with more senior grades (CL5 and Partner) driving the higher average for Male staff. The gap is also exacerbated by an additional 'two weeks' pay' covid bonus paid out in November 21.

Other reasons that can lead to bonus differentials in ERM include date of hire, which impacts bonus eligibility, salary sacrifice into pensions and part-time working.



Conclusions & Commitments

Conclusions

The key conclusions of this report are:

- ERM continues to have a pay gap (for hourly and bonus pay) in its eligible UK business.
- The pay gap average has risen 1.7% on the previous year yet the median remains the same as last year at just below 20%.
- The sample is larger than last year and almost a third of the sample (150 employees, 32.6%) were not included in last year's analysis. That the median has remained exactly as last year despite significant sample change points towards the distribution of gender within the workforce at ERM and across its seniority levels.
- This gender pay gap continues to be driven by the gender distribution of employees. The salary quartile analysis shows an even distribution of females to males in the lower to upper middle pay quartiles which is a positive trend, however, the number of females in upper pay quartile has fallen slightly, with females representing only 25%.
- The bonus pay gap (45.2% for mean and 36.4% for median) is back to previous levels prior to last year's analysis. Last year's figures appear to have been impacted by Covid and sample change due to the furloughing of staff. The gap is also exacerbated by an additional 'two weeks' pay' covid bonus paid out in November 21.
- The bonus pay gap continues to be driven by the fact that ERM has more males than females in senior roles.
- ERM expects to continue to have a gender pay gap until such time that there is a more even gender split across all levels within the organisation.

UK Commitments

ERM is committed to addressing the gender pay gap and has a global commitment to diversity and inclusion, as well as specific actions we are taking within our UK business.

Key to closing our gender pay gap is ensuring we have increasingly more women in senior leadership roles. We need to encourage and support the demographic changes we need to see at our more senior levels. We have a series of commitments to push this agenda forward as follows:

- Continue to improve and test processes to ensure they are free from gender bias, and encourage hiring managers to review diverse slates of candidates.
- Continue to set industry specific long-term targets to ensure we are striving to a more equitable and diverse workforce that represents the communities in which we operate.
- Continue to set maximum level of acceptable attrition to retain under-represented talent and monitor. Understand attrition trends by gender to determine support required.
- Focus on developing and promoting female employees from within the organization, both through participation in globally-led development programmes, as well as UK-specific talent development initiatives. Which in turn enables strategic target of achieving gender balance across all management levels.
- Continue to support modern working in order to attract and retain females at all levels. Examples are to continue to support, advertise and empower through our employee resource groups (ERGs). We will ensure that we remain equitable providing tools the multi-generational workforce will find relevant such as menopause support and flexible working practices.
- Maintain our keen focus on balance during each pay review and address any gaps, as required.
- Implement diverse interview panels where possible.

ERM's UK gender pay gap will continue to be monitored and published in coming years and we will hold ourselves to account to ensure that:

We make a concerted effort to create more diversity at partner level, by focusing on our path to partnership promotion pipeline and sourcing of external candidates.

Our recruitment practices are free from bias, utilising inclusive language through training and inclusive leadership at scale from a top-down approach.

Our talent management and recruitment processes are inclusive and aim to reflect the diversity of existing employees and the geographical talent markets in which we source candidates.

Appendix

Definitions*

Snapshot date

Gender pay gap calculations are based on figures drawn from a specific date each year called the 'snapshot date', which is 5 April. The reference period for this report is the 12-month period preceding April 2022.

Relevant and full-pay relevant employees

- All employees employed by Environmental Resources Management Limited on the snapshot date are referred to as 'relevant employees'.
- All employees who were paid their usual full pay in their pay period that included the snapshot date are referred to as 'full-pay relevant employees'.

Ordinary pay

Ordinary pay includes any monetary payment such as:

- Basic pay
- Allowances (such as overseas allowance payments)
- Pay for leave.

Gross figures are used:

- Before tax and any deductions for employee pension contributions
- After any deductions for salary sacrifice.

Bonus Pay

Bonuses include any rewards related to:

- Annual performance bonus
- Ad hoc bonuses, including referral bonuses, global recognition, thank you and service excellence awards.

Hourly pay rate

- Add together each employee's ordinary pay and any bonus pay
- Divide the total by the 'appropriate multiplier' – this gives you the employee's average weekly pay
- The specific 'appropriate multiplier' for monthly pay periods is 4.35 (30.44 days divided by 7)
- Divide the result for each employee by the number of their weekly working hours – this gives you the employee's average hourly pay rate.

Mean (Average)

The arithmetic mean obtained by adding several quantities together and dividing the sum by the number of quantities.

Median

50th percentile, which divides the upper 50% from the lower 50% of data.

Proportion of males and females receiving a bonus payment

Number of male relevant employees who received a bonus divided by the total number of male relevant employees. Number of female relevant employees who received a bonus divided by the total number of female relevant employees.

Salary Quartiles

The proportion of male and female full-pay relevant employees in four pay bands.

- Full-pay relevant employees are ranked from highest to lowest paid
- Divided into four equal parts ('quartiles')
- The percentage of men and women is calculated in each of the four parts.

**These definitions draw upon information provided on the GOV.uk gender pay website. For further details on the methodology used refer to www.gov.uk/guidance/gender-pay-gap-reporting-overview*

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