

# Change the Race Ratio

2022



# Building a sustainable, agile and diverse workforce

Pennon is the largest private sector employer in the region, with over 3,000 colleagues. We are one of a handful of FTSE companies with both a female Chair and CEO and are committed to our people strategy 'talented people doing great things for our customers and each other'.

In 2021/22, Pennon was recognised as the winner in Britain's Most Admired Companies (Utilities) for the second year running and has been accredited as a Great Place to Work for the last two years. We strongly believe our values of Trusted, Responsible, Collaborative and Progressive sit at the heart of this success. Our diversity plans mean that we are increasing our engagement across the region, developing partnerships in communities, creating 500 new jobs and as part of this initiative, have supported 50 Kickstart placements in 2021/22. All of these activities will lead to greater accessibility for minority groups.

Our ambitious plans for our customer service, environmental and social targets and our aim to be Net Zero by 2030 will be driven by our amazing employees and relentless drive to deliver for all our stakeholders, now and in the future.

Developing our participation in ethnic and black minority populations across all levels of the organisation is fundamental to reaching these ambitions. **We are proud to have been the first water company to become a signatory of Change the Race Ratio in 2020.**



# Our commitment to building representation of black and ethnic minorities

In 2020, Pennon pledged its support to the CBI initiative, Change the Race Ratio. Building diversity across all areas and levels of our business is at the core of being a socially responsible and progressive organisation. We recognise that there are many benefits to our organisation in achieving diversity - for our customers, the engagement of our colleagues and our wider stakeholder groups.

Setting meaningful targets for representation of different groups is something that we have carefully considered, taking stock of the locations we operate in and the industry background. We have committed to doing this not just for ethnicity but for all minorities and to achieve greater gender equality. The targets we have set for ourselves and the action plan to meet these is outlined over the next few pages.



# Our commitments



By becoming a signatory to Change the Race Ratio, we have committed to:

## Increase racial and ethnic diversity among Board members

Take action to set targets to achieve:

- FTSE 100 – At least one racially and ethnically diverse Board member by end 2021.
- FTSE 250 – At least one racially and ethnically diverse Board member by 2024.

## Increase racial and ethnic diversity in senior leadership

- Take action at ExCo and ExCo minus one to set clear and stretching targets and publish them within 12 months of making this commitment.
- Establish a separate target for black participation at both levels.

## Be transparent on actions

- Publish a clear action plan to achieve the targets and share progress in the Annual Report or on the company website.
- Disclose ethnicity pay gaps by 2022.

## Create an inclusive culture in which talent from all diversities can thrive

- Focusing on recruitment and talent development processes to drive a more diverse pipeline; data collection and analysis; fostering safe, open and transparent dialogue, with mentoring, support and sponsorship; and working with a more diverse set of suppliers and partners, including minority-owned businesses.

# Our targets



## Increase racial and ethnic diversity among Board members

- Maintain one board member as a minimum who is racially or ethnically diverse.

## Increase racial and ethnic diversity in senior leadership

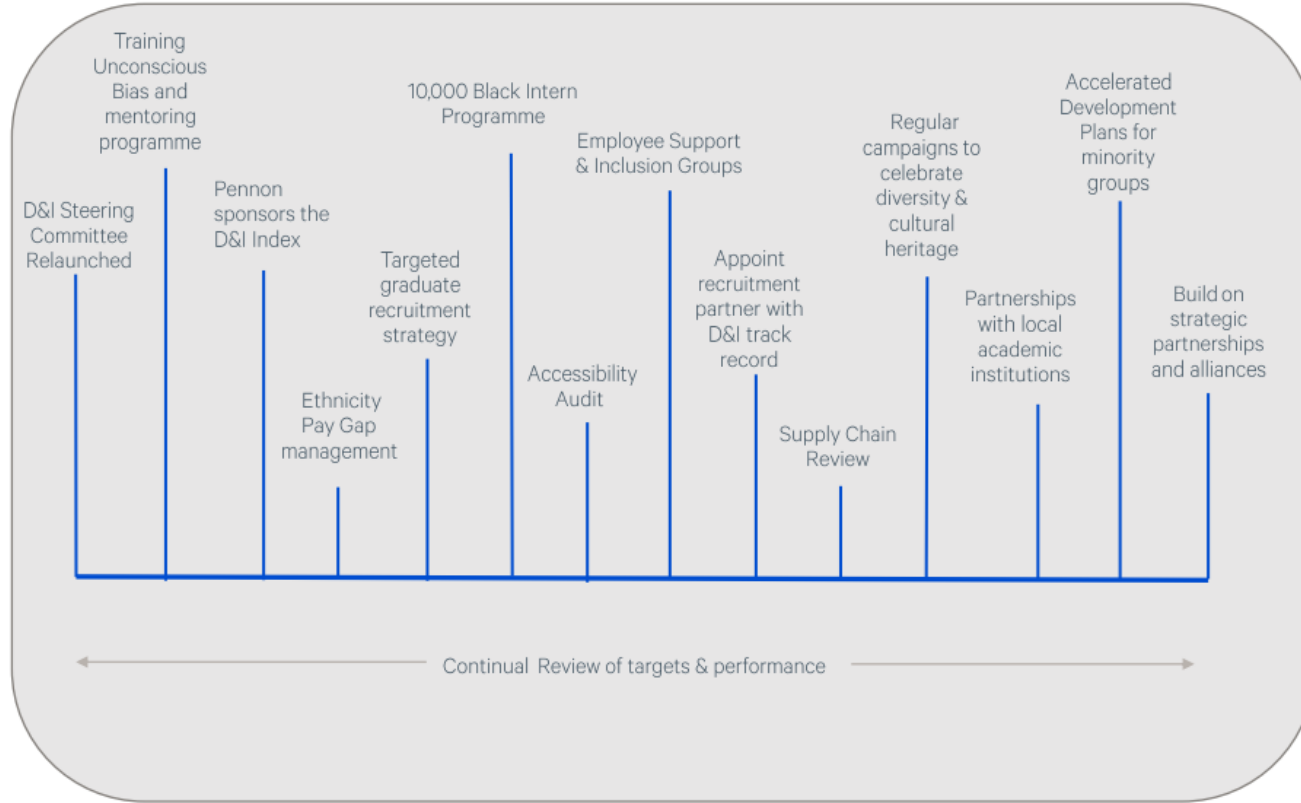
- ExCo – For any future appointments at this level ensure a diverse shortlist.
- ExCo -1 – Have 10% ethnically or racially diverse representation by 2024 of which 50% will be black participation.
- Publish our ethnicity pay gaps in 2022 alongside our Gender Pay Gap reporting.

## In addition

- To achieve 33% female participation by the end of 2025 across the wider business.
- Increase REACH (Race, Ethnicity and Cultural Heritage) recruitment by 5% by March 2025.
- We will report on our progress through our Group website and in our Annual Report.



# Our diversity and inclusion journey to 2030



# Our action plans



## Our action plans include:

- Identifying potential opportunities at Exco and Exco -1, from our resource planning, fulfilment of our succession planning and retirement.
- Selecting a new recruitment partner with strong D&I credentials.
- Targeted approach to recruitment– use of sites known to have high participation.
- Supporting 10,000 Black interns initiative for the first year and are currently looking to recruit a further 10-12 interns for 2023.
- Strengthening our talent pipeline with targeted recruitment incorporating greater participation of black and ethnic representation at all levels, enacting our succession plans.
- Accelerating development of individuals through supported learning, coaching and external programmes.



# Our action plans (continued)



- Improving our data and the ability to track progression against targets. Building employee disclosure.
- Sponsorship of HR Datahub's D&I Index gaining insight on industry and geographical demographic.
- Establishing datasets for selection, shortlisting and appointments during recruitment providing greater insight to effective recruitment techniques.
- Setting internal local targets and holding leaders accountable.

## **Our inclusive culture is being enhanced with:**

- Development of internal support groups for a wide range of characteristics and an internal mentoring programme.
- Unconscious bias training and development of hiring managers in supporting and developing minority groups.
- Promotion of awareness through guest speakers, lived experiences, reverse mentoring supported by the Diversity and Inclusion Steering Group.
- Celebrating national events, strategic alliances and working with academic institutions.



# Progress with our Ethnicity Pay Gap



We have published our Gender Pay Gap figures for the last 5 years and have now chosen to start analysing and publishing our Ethnicity Pay Gap figures.

We are beginning our journey of ethnicity reporting as we think casting a light on this topic is the right thing to do for our employees and wider stakeholder groups.

Our voluntary approach to publicly reporting provides further transparency within our group and demonstrates our commitment to addressing any equity, diversity and inclusion gaps as well as supporting our commitment to the Change The Race Ratio mission.

As advocates of Sir John Parker's review for ethnic board diversity, we are pleased to report meeting the target ahead of the required date.

We will be publishing a full combined Ethnicity and Gender Pay Gap report early in 2023.

	Employees as at 5th April 2022	Mean Ethnicity Pay Gap in hourly pay % (2022)	Median Ethnicity Pay Gap in hourly pay % (2022)	Mean Bonus Ethnicity Pay Gap % (2022)	Median Bonus Ethnicity Pay Gap % (2022)
<b>Pennon plc.</b>	65	-5.5%	-41.9%	78.2%	-42.6%
<b>Pennon Water Services</b>	142	-1.1%	2.1%	58.3%	0.0%
<b>Customer Services</b>	308	10.6%	4.0%	20.0%	6.5%
<b>South West Water</b>	1676	17.7%	15.3%	2.9%	-7.6%
<b>Bristol Water</b>	553	3.8%	2.5%	67.7%	0.2%
<b>Pennon Group</b>	2744	10.3%	13.1%	53.4%	0.7%