

MAHLE

Engine Systems
Gender Pay Gap Report

March 2018

Introduction

We are an employer required by law to carry out Gender Pay Reporting under the Equality Act 2010 (Gender Pay Gap Information) Regulations 2017.

This involves carrying out six calculations that show the difference between the average earnings of men and women in our company; it will not involve publishing individual employee data.

We are required to publish the results on our own website and a government website. We will do this within one calendar year of April 5th 2017.

We can use these results to assess:

- ✓ the levels of gender equality in our workplace
- ✓ the balance of male and female employees at different levels
- ✓ how effectively talent is being maximised and rewarded.

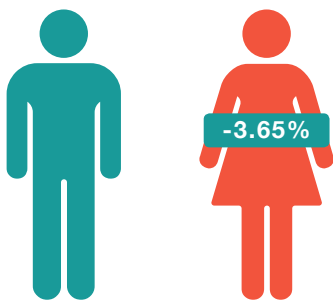
The gender pay gap shows the difference between the **average** (mean or median) earnings of men and women. This is expressed as a percentage against men's earnings. For example, women earn 15% less than men. A negative figure would indicate that women on average earn more.

The challenge in our company and across Great Britain is to eliminate any gender pay gap.

MAHLE Engine Systems Summary Results

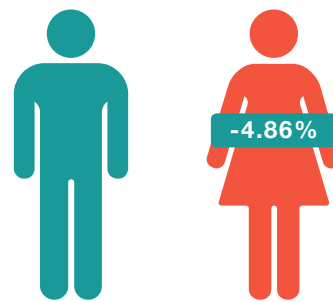
The gender pay gap

- The **mean gender pay gap** for MAHLE Engine Systems is -3.65%.
- The **median gender pay gap** for MAHLE Engine Systems is -4.86%.



MEAN gender pay gap

The average value of combined numbers

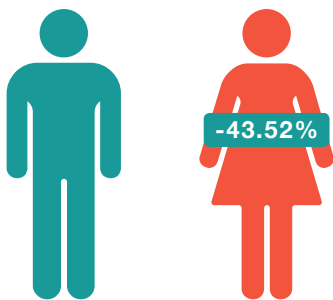


MEDIAN gender pay gap

The middle value in a list of numbers

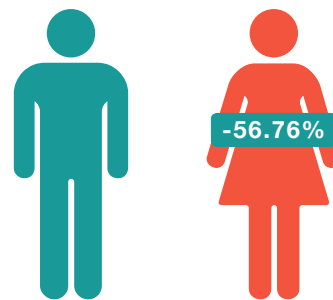
The gender bonus gap

- The **mean gender bonus gap** for MAHLE Engine Systems is -43.52%.
- The **median gender bonus gap** for MAHLE Engine Systems is -56.76%.
- The proportion of male employees in MAHLE Engine Systems receiving a bonus is 7.66% and the proportion of female employees receiving a bonus is 3.23%.



MEAN gender bonus gap

The average value of combined numbers

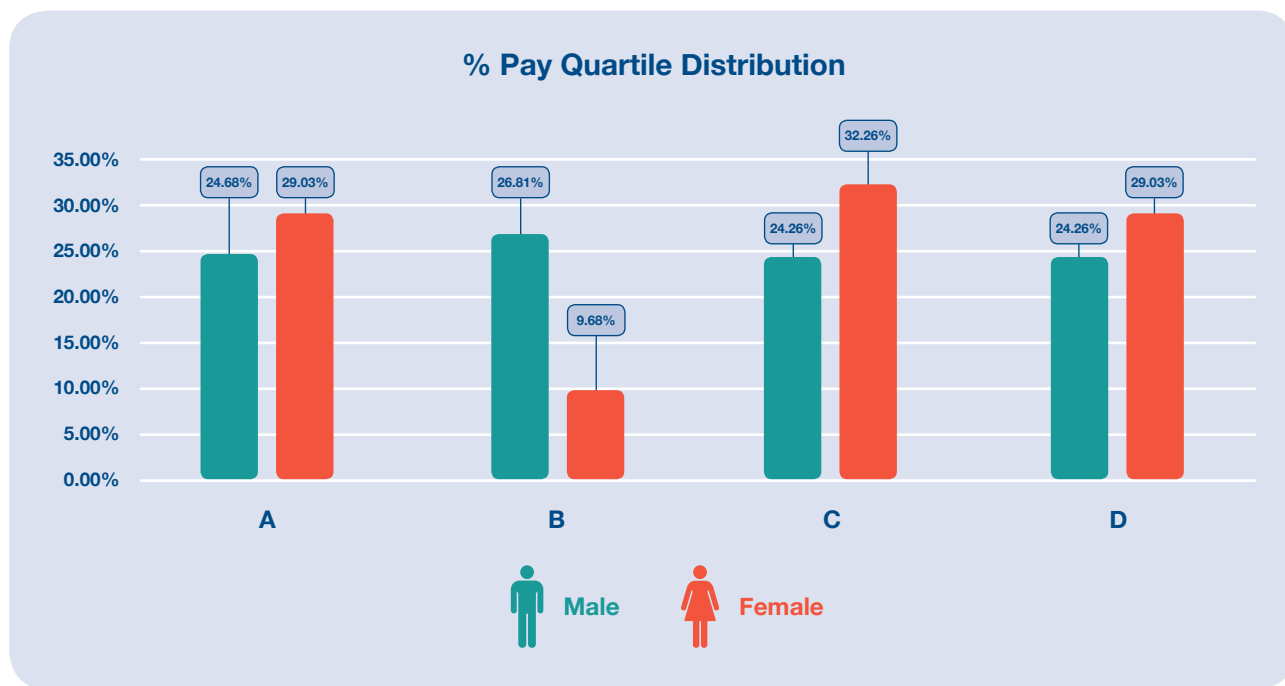


MEDIAN gender bonus gap

The middle value in a list of numbers

Pay Quartiles

- A** Includes all employees whose standard hourly rate places them at or below the lower quartile
- B** Includes all employees whose standard hourly rate places them above the lower quartile but at or below the median
- C** Includes all employees whose standard hourly rate places them above the median but at or below the upper quartile
- D** Includes all employees whose standard hourly rate places them above the upper quartile



Both the Gender Pay Gap and Bonus Pay Gap results show a negative pay gap, meaning that women within Engine Systems on average are not paid less than their male counterparts. This is not reflective of the Industry.

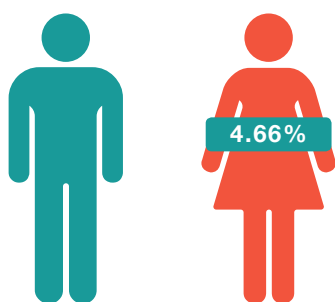
However, there are some differences in how females are distributed among the pay quartiles.

We have provided further details below on the Gender Pay Gap across the whole of MAHLE UK, including information on how this compares to our Industry, to put these figures into perspective.

MAHLE UK Summary Results

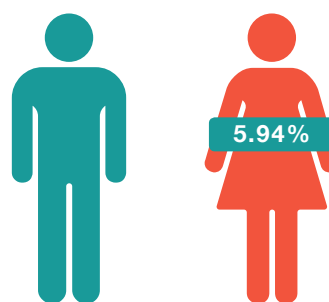
The gender pay gap

- The **mean gender pay gap** for MAHLE UK is 4.66%.
- The **median gender pay gap** for MAHLE UK is 5.94%.



MEAN gender pay gap

The average value of combined numbers



MEDIAN gender pay gap

The middle value in a list of numbers

The gender bonus gap

- The **mean gender bonus gap** for MAHLE UK is 18.06%.
- The **median gender bonus gap** for MAHLE UK is 6.10%.
- The proportion of male employees in MAHLE UK receiving a bonus is 6.63% and the proportion of female employees receiving a bonus is 4.55%.



MEAN gender bonus gap

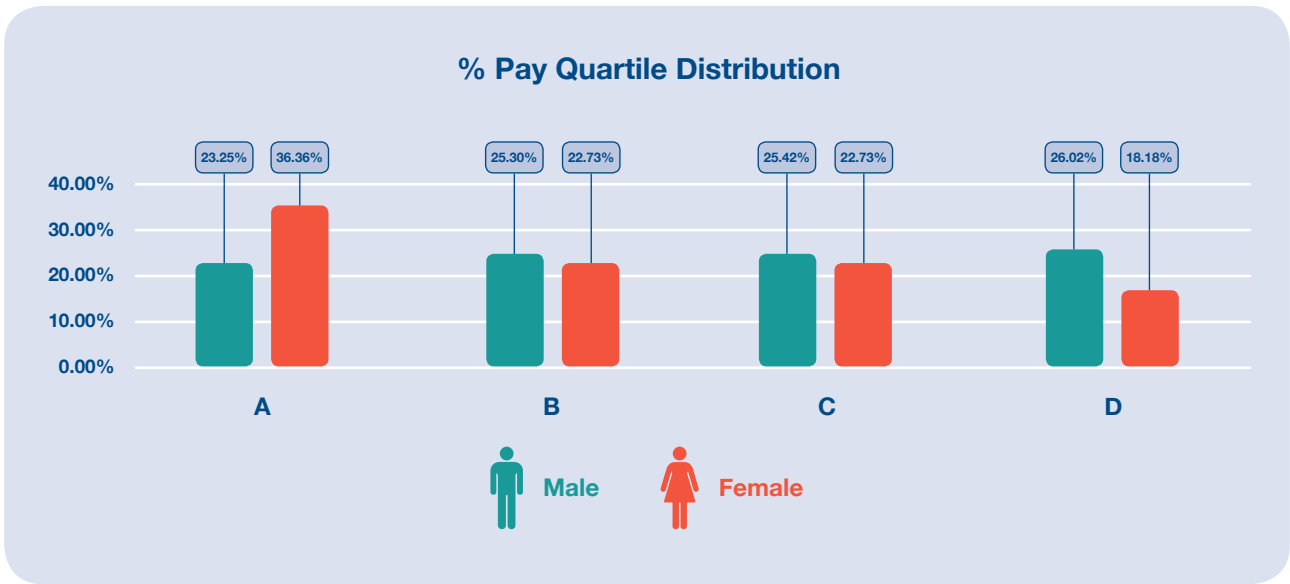
The average value of combined numbers



MEDIAN gender bonus gap

The middle value in a list of numbers

Pay Quartiles



The figures set out above have been calculated using the standard methodologies used in the Equality Act 2010 (Gender Pay Gap Information) Regulations 2017.

What are the underlying causes of MAHLE UK's gender pay gap?

Equal pay deals with the pay differences between men and women who carry out the same jobs, similar jobs or work of equal value.

Under the law, men and women must receive equal pay for:

- ✓ the same or broadly similar work;
- ✓ work rated as equivalent under a job evaluation scheme; or
- ✓ work of equal value.

The gender pay gap shows the difference in the average pay between all men and women in a workforce. If a workforce 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.

MAHLE is committed to the principle of equal opportunities and equal treatment for all employees, regardless of sex, race, religion or belief, age, marriage or civil partnership, pregnancy/maternity, sexual orientation, gender reassignment or disability. It has a clear policy of paying employees equally for the same or equivalent work, regardless of their sex (or any other characteristic set out above). As such, it:

- carries out pay and benefits audits;
- provides advice and guidance for managers and other staff members who are involved in pay reviews; and
- evaluates job roles and pay grades as necessary to ensure a fair structure.

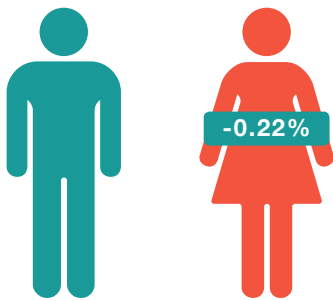
MAHLE is therefore confident that its gender pay gap does not stem from paying men and women differently for the same or equivalent work. Rather its gender pay gap is the result of the roles in which men and women work within the company and the salaries that these roles attract.

Whilst we recognise that there is a gender pay gap, we think it is important to highlight that the calculation of pay for the purposes of the gender pay gap report, requires us to include the make-up of additional allowances and payments (including shift allowance, call-out allowance, car allowance). These allowances are common practice within our industry and tend to be linked to male-dominated roles.

The pay gap with no additional allowance payments

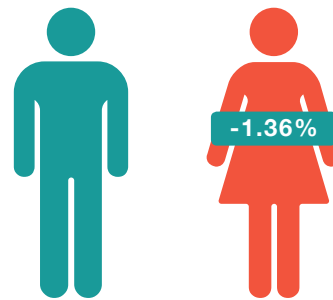
If we were to remove these additional allowance payments from the calculations and looked at basic hourly rate only, the pay gap within MAHLE reduces to;

- The mean gender pay gap of -0.22%.
- The median gender pay gap of -1.36%.



MEAN gender pay gap

The average value of combined numbers



MEDIAN gender pay gap

The middle value in a list of numbers

This means that, overall, MAHLE UK pays women a higher basic pay rate than men.

So why do we have a gap at all?

- Reflective of the UK economy
- Gender imbalance within our industry

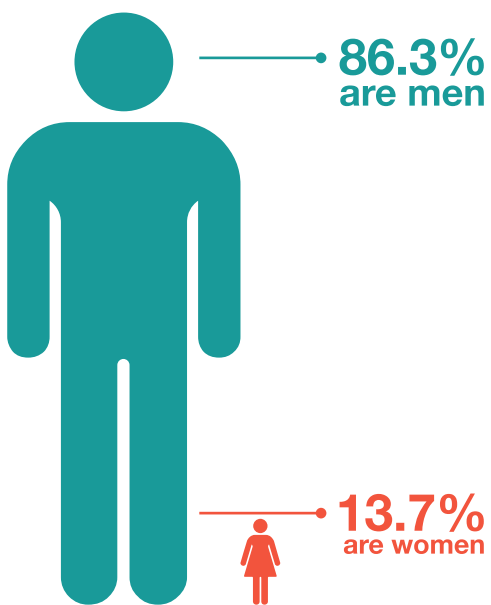
The UK economy

Across the UK economy as a whole, men are more likely than women to be in senior roles (especially very senior roles at the top of organisations), while women are more likely than men to be in front-line roles at the lower end of the company. In addition, men are more likely to be in technical roles, which attract higher rates of pay than other roles at similar levels of seniority. Women are also more likely than men to have had breaks from work that have affected their career progression, for example to bring up children. They are also more likely to work part time, and many of the jobs that are available across the UK on a part-time basis are relatively low paid.

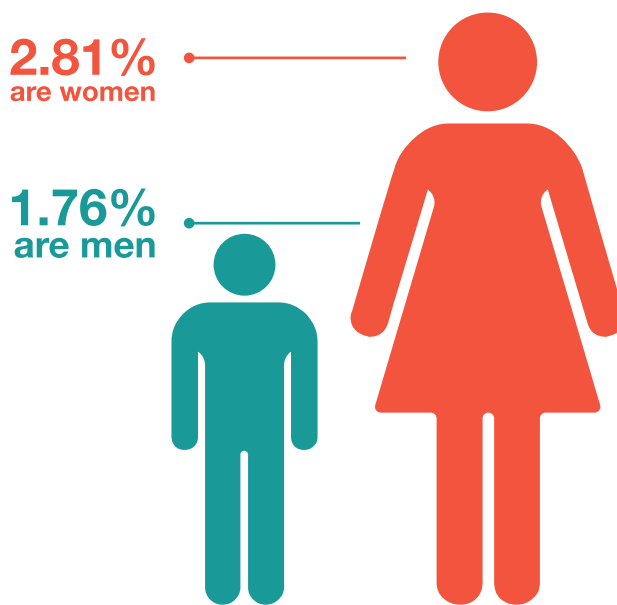
This pattern from the UK economy as a whole is reflected in the make-up of MAHLE UK’s workforce. Of the 962 employees counted in the gender pay gap figures, only 13.7% are women. MAHLE has a total of 4.57% employees working on a part-time basis, of which the majority are women (2.81%).

This can be seen above in the table depicting pay quartiles by gender. This shows MAHLE UK’s workforce divided into four equal-sized groups based on hourly pay rates, with Band A including the lowest-paid 25% of employees (the lower quartile) and Band D covering the highest-paid 25% (the upper quartile). In order for there to be no gender pay gap, there would need to be an equal ratio of men to women in each Band. However, within MAHLE, 36.3% of the employees in Band A are women and 23.2% men. The percentage of male employees in each band remains fairly evenly distributed, whereas women see a drop to just 18.18% in Band D.

962 employees



4.57% are part-time



Industry gender figures

The automotive industry is heavily male dominated. This is particularly prevalent in areas such as maintenance, quality, engineering technician and manufacturing roles. While women make up 46% of the UK workforce as a whole, in engineering women continue to be underrepresented, making up only 1 in 8 of those in engineering occupations and less than 1 in 10 of those in an engineering role within an engineering company.

The Women's Engineering Society report that only 9% of the engineering workforce is female and only 6% of registered engineers and technicians (i.e. CEng, IEng, EngTech) are women.

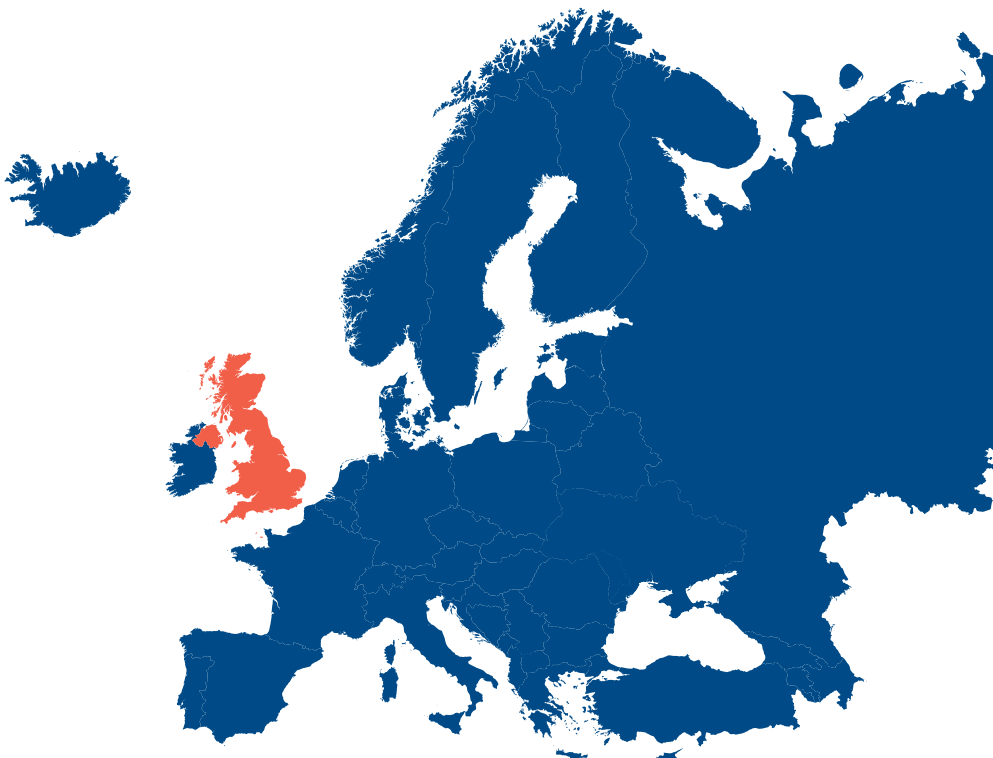
The UK has the lowest percentage of female engineering professionals in Europe, at less than 10%, while Latvia, Bulgaria and Cyprus lead with nearly 30%. Within MAHLE UK, women make up 7.59% of the technical and manufacturing based roles across all of our business units.

Just 15.8% of engineering and technology undergraduates in the UK are female. The MAHLE graduate programme currently consists of 12.5% women.

Of Engineering Graduates, EngineeringUK reports that;

- 8.2% of applicants to engineering degree courses in 2013/14 were female.
- Only 3% of engineering apprenticeships were taken up by women in England in 2013/14.
- Out of 1,000 11 year olds, 111 boys and 101 girls will go on to achieve a physics GCSE A*-C or equivalent.
 - Of that group, 21 males and 3 females will obtain an engineering & technology degree.

The UK has the lowest percentage of female engineering professionals in Europe with less than 10%



How does MAHLE UK’s gender pay gap compare with that of other companies?

The vast majority of companies have a gender pay gap, and we are pleased to be able to say that in MAHLE UK the gap compares favourably with that of other UK companies, including those within our industry.

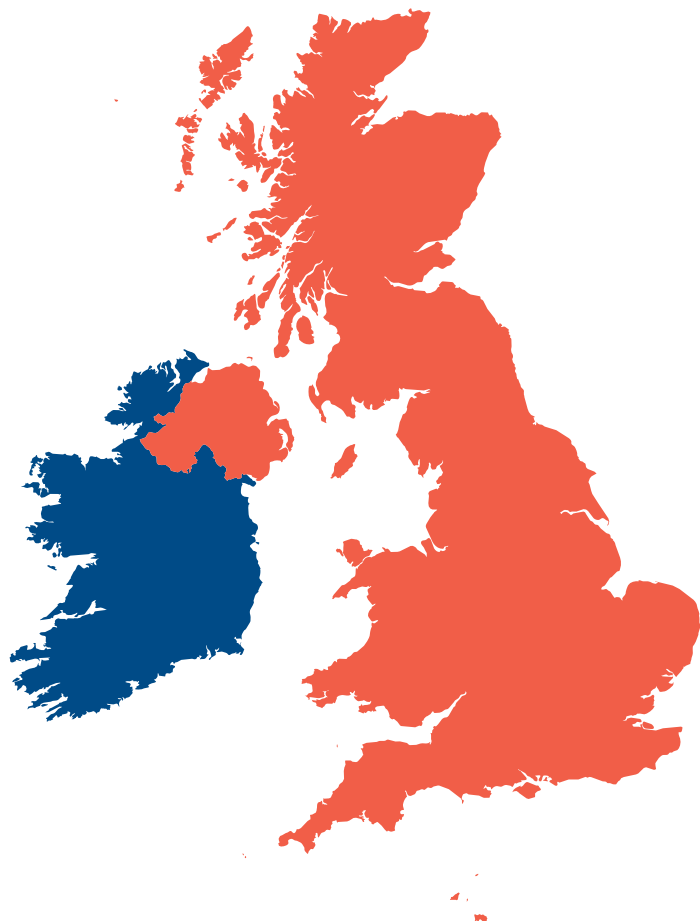
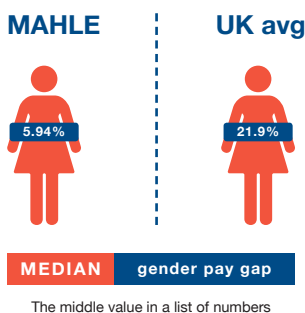
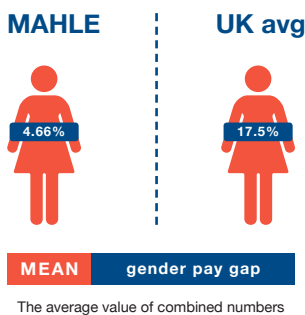
The mean gender pay gap for the whole economy (according to the November 2016 Office for National Statistics (ONS) Annual Survey of Hours and Earnings (ASHE) figures) is 17.5%. At 4.66%, MAHLE’s mean gender pay gap is, therefore, significantly lower than the average for the UK economy .

The median gender pay gap for the whole economy (according to the November 2016 ONS ASHE figures) is 19.2%, while in the ‘Manufacturing’ sector it is 21.9%, and in the ‘Professional, Scientific and Technical Activities’ sector it is 23.7%. At 5.94%, MAHLE’s median gender pay gap is, therefore, significantly lower than both that for the whole economy and that for our sector.

The mean gender bonus gap and the median gender bonus gap for MAHLE UK are relatively small at 18.06% and 6.10%. When we look at this in terms of cash amounts rather than percentage terms, the figures involved are comparatively small, at a difference of £1,478 and £455 respectively.

The proportion of men at MAHLE who received a bonus in the 12 months up to 5 April 2017 was 6.63%, while for women this was 4.55%. This reflects the higher proportion of men in the management and sales based-roles that attract a company bonus.

Compared to the rest of the UK



What is MAHLE UK doing to address its gender pay gap?

While MAHLE's gender pay gap compares favourably with that of organisations both across the whole UK economy and within the engineering and manufacturing sectors, this is not a subject about which we are complacent, and MAHLE is committed to doing everything that it can to reduce the gap. However, MAHLE also recognises that its scope to act is limited in some areas - it has, for example, no direct control over the subjects that individuals choose to study or the career choices that they make.

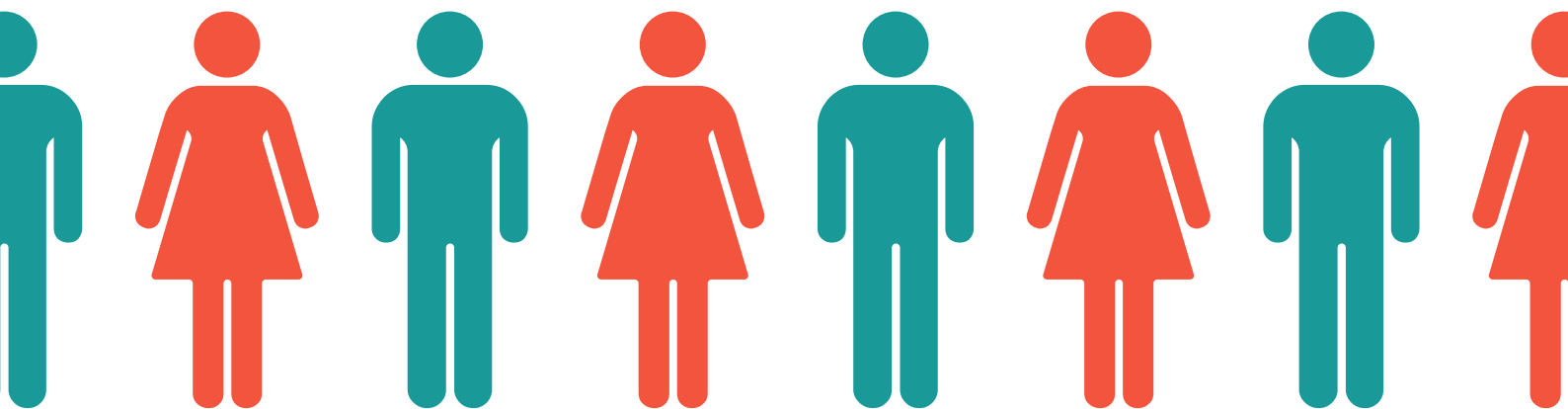
We only have to look at the statistics about females in our industry to know that there is a clear case for the industry as a whole to look at how it can encourage the female labour pool into these areas.

In a 2016 report, the Automotive Council UK suggested that in particular, businesses may need to review their family friendly policies and flexibility around shift patterns to tap into the female market, as well as ensuring an inclusive environment appealing to women.

MAHLE has generous policies on Maternity, Paternity and Shared-Parental Leave which go beyond the statutory minimum requirements. A number of our UK sites also enjoy the benefit of Flexi-Time.

Our Flexible Working Policy makes it clear to all employees in all areas and levels of the company that requests for flexible working will be considered regardless of their role and level of seniority, and that flexible working need not be limited to part-time working.

MAHLE prides itself on its range of family friendly policies, and regularly reviews these to ensure they remain current and competitive.



MAHLE has also introduced a Diversity Project Team, which will be working on a number of key activities to encourage and promote a more diverse workplace. The company will actively monitor the diversity of our workforce, so that the project team can identify any barriers to equality (including gender) and subsequently inform and communicate priorities for action. The focus will be on areas such as recruitment, training & development and employee engagement. Diversity is high on the agenda for MAHLE globally, and there will be company-wide objectives driven by MAHLE GmbH.

The Automotive Council also reports that the continuation and expansion of graduate and apprenticeship programmes across the whole of the UK automotive industry is essential if it is to meet the envisaged growth of business and technological developments. MAHLE is working hard to develop both its graduate and apprenticeship programmes.

MAHLE is also helping to tackle the industry skills shortage by working directly on STEM projects to promote a healthy interest in engineering at a young age, including inspiring girls to take up a career in the automotive industry.

None of these initiatives will, of themselves, remove the gender pay gap - and it may be several years before some have any impact at all. In the meantime, MAHLE is committed to reporting on an annual basis on what it is doing to reduce the gender pay gap and the progress that it is making.

In the coming year, MAHLE is also committed to:

- Reviewing its policies on flexible working
- Introducing new benefits and initiatives that encourage women to work for and stay working for MAHLE
- Carry out UK-wide benchmarking
- Unconscious Bias Training for all managers in the UK
- Reviewing its recruitment process for bias, and diversity monitoring

Any further initiatives launched throughout the year will be reported on the company intranet.

Declaration

I, Toni Snell, Head of HR UK, confirm that the information in this statement is accurate.

Signed:



Dated:

20-03-2018

Gender pay gap for median gross hourly earnings (excluding overtime) by industry section, UK, April 2015-2016

Industry section	2015			2016		
	All employees	Full-time employees	Part-time employees	All employees	Full-time employees	Part-time employees
Agriculture, forestry and fishing	10.5	11.3	-7.8	13.5	14.3	1.1
Mining and quarrying	-8.6	-10.9	x	-11.9	-14.1	x
Manufacturing	23.5	19.3	8.5	21.9	18.8	9.0
Electricity, gas, steam and air conditioning supply	26.5	23.5	x	28.1	20.3	x
Water supply, sewerage, waste management and remediation activities	2.8	-4.8	-39.9	4.1	0.4	-13.8
Construction	21.6	11.9	6.9	16.3	10.8	-0.6
Wholesale and retail trade; repair of motor vehicles and motor cycles	20.4	13.9	0.5	18.8	12.7	0.5
Transport and storage	3.8	0.5	-3.0	3.7	1.2	-2.2
Accommodation and food service activities	5.4	5.1	-0.2	3.9	5.3	0.0
Information and communication	19.8	15.6	-1.4	19.6	14.8	25.0
Financial and insurance activities	39.2	34.5	11.8	37.4	33.6	14.7
Real estate activities	17.4	12.3	-8.1	14.3	9.4	5.6
Professional, scientific and technical activities	25.1	20.3	5.1	23.7	20.1	15.7
Administrative and support service activities	8.8	2.2	-0.2	8.5	4.1	-0.5
Public administration and defence; compulsory social security	17.0	11.6	16.6	16.3	10.4	12.4
Education	25.3	10.6	35.0	26.7	12.4	34.6
Human health and social work activities	18.8	16.9	-0.1	19.0	15.0	4.0
Arts, entertainment and recreation	10.3	6.7	-1.8	14.4	10.3	1.9
Other service activities	25.3	14.9	14.8	26.4	16.4	14.6
All industries and services	19.3	9.6	-6.8	18.1	9.4	-6.0

Source: Annual Survey of Hours and Earnings (ASHE), Office for National Statistics