

KCA Deutag Drilling Limited

2020 Gender Pay Gap Report



Addressing the Gender Pay Gap

Introduction

This year we can report that our median gender pay gap (GPG) has increased by 4.2% to 30.4%. The markets we serve experienced unprecedented change during 2020, with a sharp decline in commodity prices, exacerbated by the coronavirus pandemic. In common with many other oil and gas-focused businesses, this resulted in the introduction of a number of measures to reduce cost, including limited headcount reduction. Small changes in our personnel demographic and the level of bonus payments can have a disproportionate impact on our figures and lead to volatility, as bonus is also paid in the reference month. We share the view of many industry commentators that the next twelve months will also be challenging for the oil and gas sector.

Since we began reporting our GPG in 2017 our GPG mean has reduced by 3.8%.

KCA Deutag is a global and multi-cultural organisation. With operations in approximately 20 countries, diversity is recognised as important and necessary to our Group's success. That is why we are fully committed to making a sustained change in the profile of the people we employ.

Our strategy to achieve this focuses on ensuring the initiatives and processes we apply to attracting, retaining and promoting people eliminate unconscious bias and embed the importance of diversity, including our gender mix in the decisions that are taken. Amongst other ways of achieving this, I continue to co-chair our Gender Diversity and Equality Forum, which continues to drive momentum across the business.

Promoting and recruiting women into senior roles

During 2020, progress has been made in promoting and recruiting talented women into senior roles.

This reflects the benefits of work the company has undertaken in recent years to change mind-sets and educate employees on unconscious bias; and a maturing and more structured approach to talent and succession planning.

Concrete success has been delivered with a higher proportion of females being promoted or recruited into senior positions. These include the promotion and significant broadened organisational remit of an Executive Team member; the recruitment of a senior female professional to lead Group HSSEQ & Operational Integrity, who also joins the Executive Team; and, a high value employee who has been internally promoted to a senior functional leadership role within Finance, with global responsibility.

While this represents good progress, the talent pool for engineering and operational roles remains predominantly male biased. Looking at our overall recruitment into quartile four roles, the majority of vacancies were in STEM functions, of which 70% were filled by males. Proportionally, we have continued to hire equal numbers of female and male employees into business overhead departments, with 19 females and 19 males hired during the reporting period.

Balancing the gender workforce is an issue faced by the drilling industry in general, but we will play our part in highlighting to diverse candidates the opportunities and attractions of offshore roles.



Talent management and succession planning

Progress has been made during 2020 on talent management and succession planning, ensuring a structured approach is taken globally to supporting employees to progress in their career. This process identifies high potential female employees, taking into account the development and mentoring needs they will need to meet their full potential within the organisation.

In the last year, succession plans have been improved and refined for our business areas with a clear vision - from Executive Team to line management – of the criteria to be met for high potential and top performer employees. Senior

leaders have held a series of 1:1 conversations with our talent and organisational development team to identify future senior managers, with diversity an important element of the consideration criteria.

The Executive Team talent panel, which identifies and agrees development recommendations on high performing employees has agreed a 2021 goal to develop and inspire more potential female leaders within the organisation and to build on work already started on the 'KCA Deutag Way of Leading' to ensure current and future leaders cultivate leadership styles which embrace gender and cultural diversity.

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 gross average hourly earnings of all men, expressed as a percentage of men's earnings. 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.

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 2020. This is based on a demographic of 310 male employees and 84 female employees. In 2020, our median gender pay gap increased from 26.2% to 30.4% and the median bonus pay gap has increased to 47.6%. The reason for the marked increase in the gender bonus gap is that there are two employee demographics in the data set.

Approximately 50% of the workforce are office based, evenly split between male and female, with a bonus tied to corporate KPI's. The other 50% are rig-based employees, who are 99% male, but their bonus payments are tied to client performance. Over the twelve-month GPG period, the corporate bonus was 70% lower, but the accumulation of rig bonus payments were flat. The impact of bonus outcomes on the different demographics means relative male bonus is higher, driving the increase in the gender bonus gap.

Pay and Bonus Gap Difference between men and women

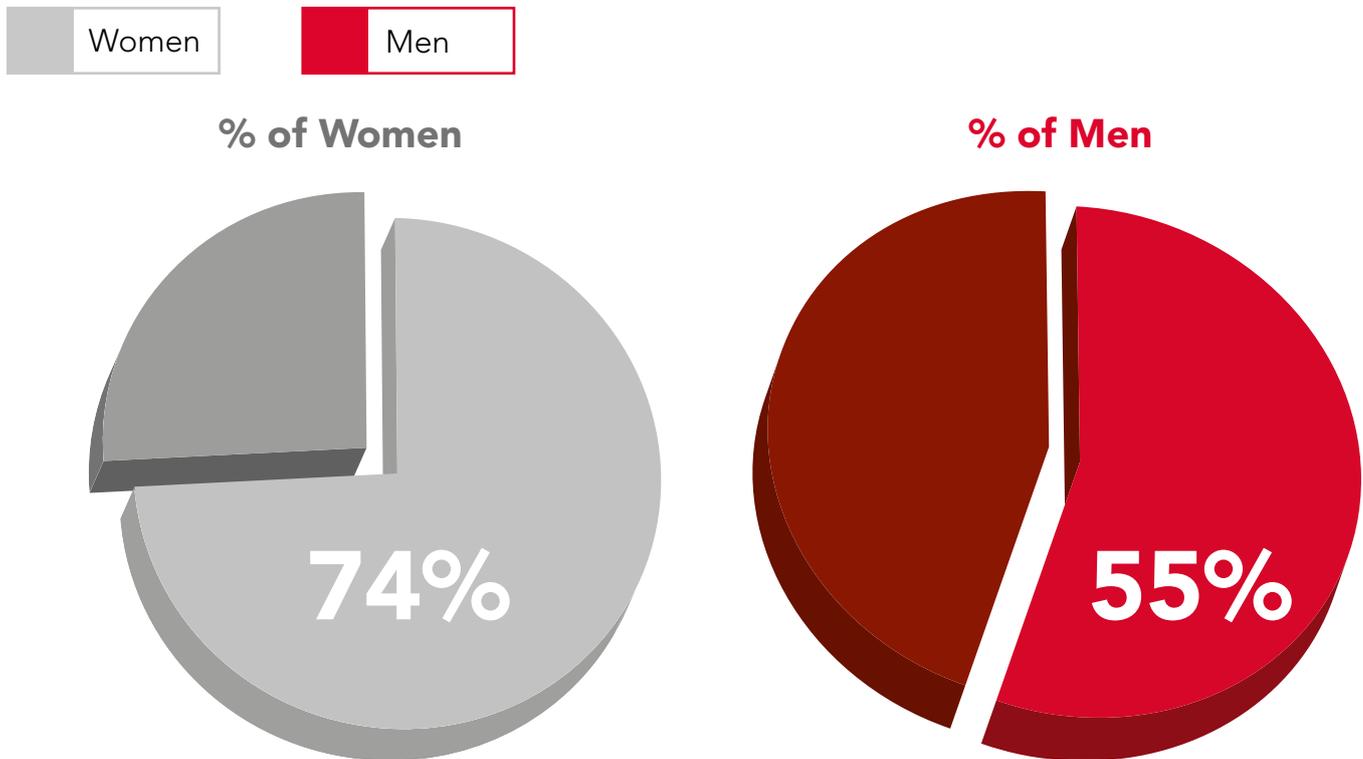
	Mean %	Median %
Gender Pay Gap	25.8	30.4
Bonus Pay Gap	46.3	47.6

It has been widely reported that making sustained changes to the gender pay gap will take time and require a number of different interventions to see measurable changes. Whilst KCA Deutag have been very pro-active in driving change, short-term fluctuations, as noted above, will continue to have a significant influence on year to year result comparisons, so it remains imperative to view reported data using a much longer term lens.

Proportion of employees receiving a bonus in 2019/20

The table below shows the percentage of men and women who received a bonus. The number of women receiving a bonus increased by 1% and the number of men increased by 5%. The increase in eligible male bonus entitlement was all attributable to rig based jobs.

As last year, the male percentage in general is lower as our UK North Sea operation is predominately crewed by men and has a bonus structure influenced by the client. This reflects the offshore environment in which they work.



Pay Quartiles

The pay quartile data assists in explaining the factors that contribute to the gender 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 profile of pay quartile data has remained relatively steady compared to last year, however compared to the 2017 baseline; there are now 4% less women in the lower quartile and 15% less women in the lower-middle quartile, which is encouraging progress.

As already outlined, there are a number of activities being implemented to close the gender pay gap and the pay quartile data provides a record of the progress on these initiatives. As noted above, it also confirms that sustainable gender pay gap improvements need to be viewed over a longer period.

Pay Quartile	Women	Men
Upper quartile pay band	9.4%	90.6%
Upper middle quartile pay band	18.8%	81.3%
Lower middle quartile pay band	13.7%	86.3%
Lower quartile pay band	37.3%	62.7%

Statement

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



Lynne Clow
Senior Vice President, Human Resources and Shared Services

