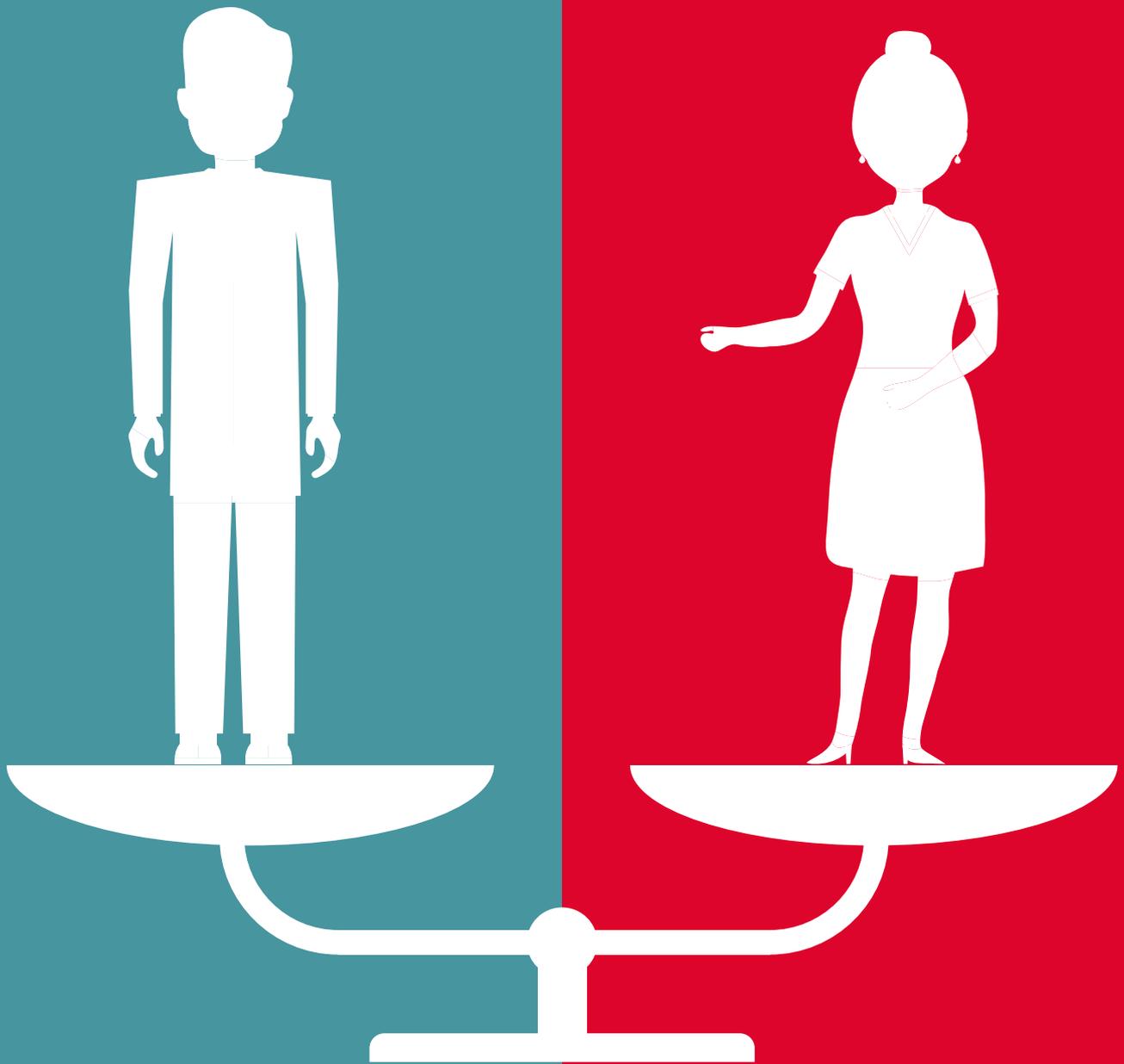


KCA Deutag Drilling Ltd

2019 Gender Pay Gap Report





Lynne Clow
Senior Vice President, Human Resources

Introduction

KCA Deutag Drilling Limited today reports on its 2019 gender pay gap and our approach to “Changing Mindsets” and encouraging a wider culture of diversity and inclusion across our UK organisation.

This year we can report that our mean gender pay gap has reduced by 5% to 21.5%. Whilst we are delighted to see a reduction in the gap once again this year, we remain cautious about the pace of future improvement, as small changes in our personnel and the level of bonus payments can have a disproportionate impact on our figures and lead to volatility.

As the UK subsidiary of a multi-cultural organisation operating in approximately 20 countries, diversity is central to the success of our business and whilst we already have a highly talented workforce, we are fully committed to making a sustained change in the profile of the people we employ.

Our strategy to achieve this focuses on implementing various initiatives to ensure that our people reach their full potential. By eliminating unconscious bias from our recruitment and career development decisions, we will enable a broader range of men and women to move into new and more senior roles across the company.

Changing mindset to eliminate unconscious bias

As we explained in last year's report, everybody, no matter who they are, makes immediate, snap decisions about new people. 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.

To begin to address this, over the course of this year we have been rolling out various awareness raising activities to help our staff understand what influences them in making recruitment decisions. These have included staff training and presentations, a poster campaign and the production of e-Learns and training tools, which people can use at their leisure.

In addition to this, our customers are increasingly recognising the importance of diversity, and we are actively collaborating with them and taking part in various unconscious bias forums to drive forward change in the industry, both offshore and onshore.

As you can imagine, changing people's mindsets does not happen immediately, and we will be rolling out more activities to embed this in 2020 and beyond.

Implementation of new interview panels

Following a successful pilot in 2018, we have now fully changed our interview panels for all office-based positions. These now include an independent interviewer from outside the recruiting function or business unit as this increased diversity helps us to think differently about potential candidates.

Whilst we always employ the best candidate for any role, the number of women we recruited into office based roles this year increased by 12%. Whilst we cannot be sure that our new selection process is responsible for this, we hope that this initiative coupled with our unconscious bias training and gender-neutral selection process is in some way partly attributable.

In our offshore business however, almost all applicants for new positions continue to be male and as a result, we have made limited progress in this area, recruiting only one female employee this year, compared to none last year. This is a systemic long-term issue for the industry, requiring fundamental change and as a result, it will take much longer to make a quantifiable difference in this.

Talent Management and Succession Planning

Identifying and developing the talent we have in our organisation, so that we have a robust succession plan for business critical and leadership roles, is essential in helping our employees to achieve their potential and moving more women into senior positions.

Each of our global locations have succession plans in place. These are reviewed annually as well as on an ad hoc basis by our Talent Panel, whose members include our Executive Leadership Team. This looks at the breadth of talent we have across the world, and aims to identify suitable candidates for current vacancies and future roles.

As part of this process, the panel identifies where further training and leadership development is required and if an individual would benefit from joining our mentoring programme. Our mentors include women and men from across a diverse range of senior positions within the company.

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 2019. This is based on a demographic of 361 male employees and 102 female employees. In 2019, our mean gender pay gap reduced from 26.5% to 21.5% and the mean bonus pay gap similarly reduced from 58.4% to 48.7%.

2019 Pay and Bonus Gap Difference between men and women

	Mean %	Median %
Gender Pay Gap	21.5	26.2
Bonus Pay Gap	48.7	1.8

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, the magnitude of improvement is surprising. The data suggests that other factors may have contributed to the change.

As bonus pay can shift significantly on an annual basis, and is an integral part of the gender pay calculation, any marked change in Company bonus can cause notable short term movements in the data. This has been the case this year where Onshore and Offshore bonus payments were appreciably lower.

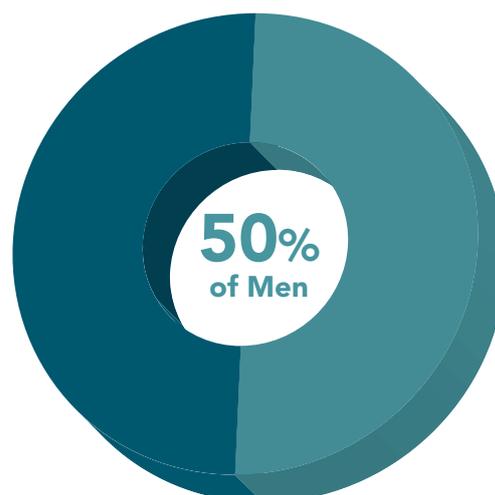
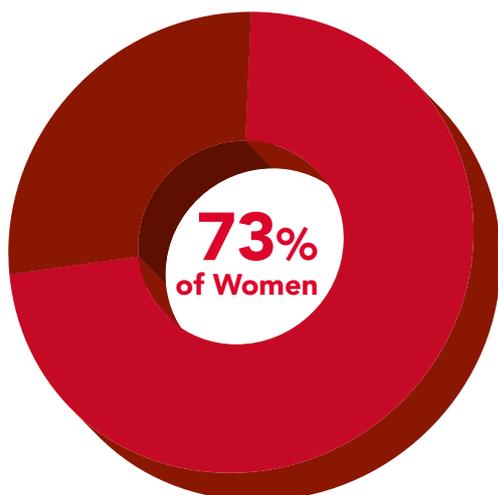
This has created an impact in two areas:

1. Our offshore workforce are composed mainly of male employees and they sit on a different bonus scheme compared to onshore employees. As noted above, both bonus schemes experienced a reduction, however, the offshore bonus scheme paid out at a much lower level. As the data from this population straddles the median point, this explains the marked reduction in the median bonus gap from 2018. In other words, male offshore workers broadly received the same bonus as female onshore workers this year.
2. The majority of our onshore, quartile 4 employees are also male, where the bonus target multiplier is higher. A reduction in bonus will therefore have a greater impact on the highest paid employees. Since the majority are male, this means it has a greater impact on their total remuneration than the female population. Consequently, this contributes to the reduction in mean bonus gap, but it also manifests as a reduction in the mean gender pay gap.

As our clients have a significant stake in the offshore bonus strategy, we expect to see continued fluctuation in offshore bonus payments in the future. Past practice has shown that bonus payments for offshore employees are typically higher when compared to employees who are working in onshore jobs. Whilst this has created a significant improvement in the reported data for this cycle, this may not be sustainable.

Proportion of employees receiving a bonus in 2018/19

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 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. The only notable change is in the lower middle quartile where we have seen a 7% increase in the number of women employees in this band. 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 improvements in the gender pay gap are being influenced by factors that directly affect bonus pay.

Proportion of employees in each pay quartile band in 2018

PAY QUARTILE	Women	Men
Upper quartile	13.7%	86.3%
Upper middle quartile	17.5%	82.5%
Lower middle quartile	18.3%	81.7%
Lower quartile	38.5%	61.5%

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