



VOLKSWAGEN GROUP UNITED KINGDOM LIMITED

GENDER AND ETHNICITY PAY GAP REPORT | 2021

VOLKSWAGEN
GROUP UNITED KINGDOM LTD

Executive summary

Across the globe, major corporations are realising that they need to put in place comprehensive strategies to ensure their companies are gender-balanced and ethnically diverse. We are proud to say that with this report, we are part of this movement, working hard to ensure that inclusion is core to the ethos of our company.

Our report findings show that whilst we are still lacking in women in senior leadership positions, we have an almost 50:50 balance of female and male employees (45% female 55% male).

We can report there is no median ethnicity pay gap (0%). The mean ethnicity pay gap is 3.8%, demonstrating more must be achieved in improving diversity in leadership roles.

We will continue to implement and improve our strategies in complete commitment to creating and sustaining a diverse and inclusive environment in our company.

We confirm the data reported is accurate and in line with The Equality Act 2010 (Gender pay gap information) Regulations 2017.



Alex Smith, Managing Director



Penny Weatherup, HR Director

Driving diversity and inclusion

At Volkswagen Group UK, we foster an inclusive environment where our employees can be at their best. We are committed to building a **diverse and inclusive** team, where everyone belongs, and which reflects our society. We are passionate about creating a workplace which celebrates creativity and innovation; one with a vibrant culture where **everyone can flourish** and reach their full potential.

We want to create opportunities in our business, have the best person in the right role at every level and be reflective of our society and our customers.

Working with our employees we have gathered data to have a much greater understanding and insight of representation across our business. This has focused our efforts on ensuring we have a **gender-balanced workforce and an ethnically representative employee group**. As a result, this year for the first time, we are expanding our annual Gender Pay Gap Report to include Ethnicity Pay Gap information.

In the UK, unlike gender pay gap reporting, it is not yet a legislative requirement to report on the ethnicity pay gap. We have chosen voluntarily to estimate and disclose these figures as we recognise it is an important step forward in **understanding and addressing any ethnicity-related disparities** within our organisation.

Being transparent in the way we report our progress will help us continue to **build trust and drive progress** inside our organisation. Supporting colleagues from an ethnically diverse background in our workplace remains of paramount importance and we have established a strategy and are implementing goals to support this ambition.

What is the gender pay gap?

When discussing the gender pay gap, it's important to define what we're looking at.

Median pay gap

Imagine we split our employees by gender, arranging men and women in two lines in order of pay from highest to lowest. The median is the middle number of a ranking of pay from lowest to highest and gives us the best view of 'typical' pay. We calculate separately for men and for women and then compare the results.

The most common reason for a gap is that there are more men in senior roles than women. Seniority and hierarchy drive the difference.

Mean pay gap

The mean gender pay gap, on the other hand, shows the difference in the average hourly rate of pay between men and women in a company. As with the median gender pay gap, the mean pay gap is often there because there are more men than women in senior roles in the company.

Bonus gap

These median and mean calculations are also carried out when comparing bonuses paid over a 12-month period.

Equal pay

Both median and mean pay gaps are different from 'equal pay', which is the difference in pay between men and women doing the same or similar jobs – i.e. equal pay for equal jobs. The gender pay gap measures the difference in pay regardless of role and can be influenced by the different number of men and women in the organisation across all roles.

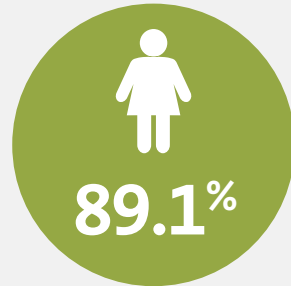
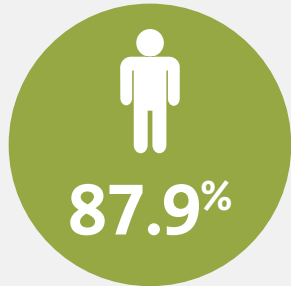
An equal pay analysis considers two employees or groups of employees carrying out the same, similar, or equivalent roles.



How we measure up

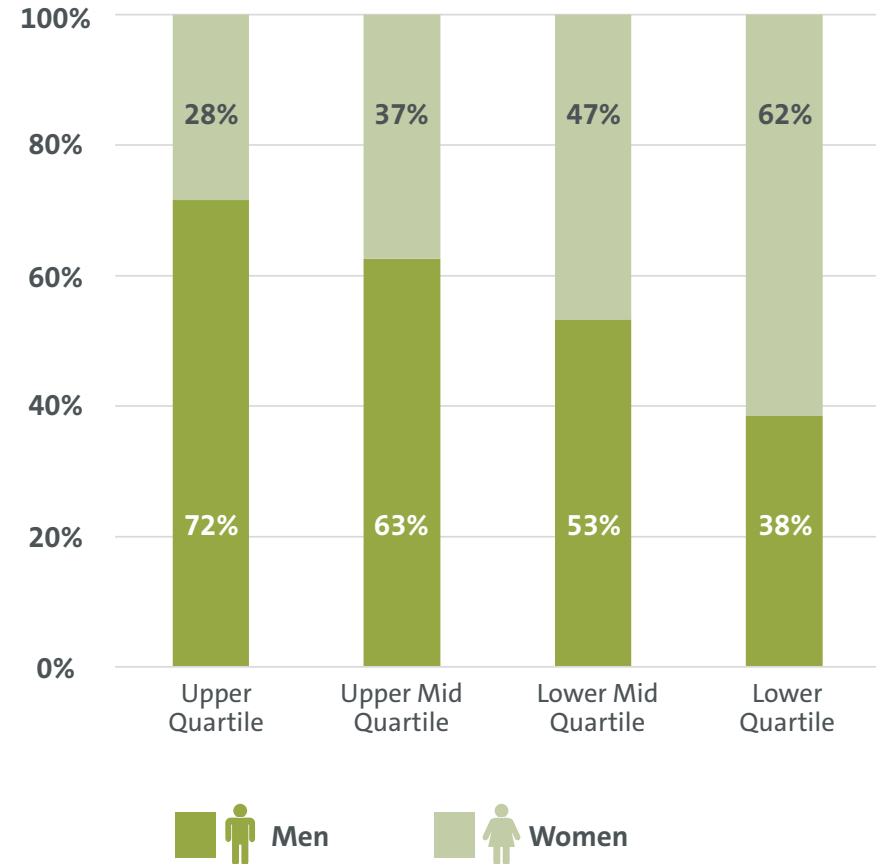
| Gender pay gap (the difference between the pay of men and women in our organisation) | Mean % (Average) | Median % (Middle) |
|---|---------------------|----------------------|
| Hourly pay gap | 20.2 | 15.0 |
| Bonus pay gap | 49.2 | 28.7 |

Proportion of employees who received a bonus



(in the 12 months up to April 2021)

2021 Gender distribution by pay quartile



Gender pay results in focus



Although 45% of employees in our organisation are women, we have more men in senior roles, and this is what drives our current gender pay gap.

In contrast, our own internal analysis shows that our equal pay gap is less than one per cent. We work hard to maintain pay equality for equivalent jobs – following strict processes like our annual pay review and pay principles. We also perform regular checks to ensure our policies and practices are fair to all.

Where bonuses have been paid, they have been based on several factors, including grade, and personal and company performance. The bonus pay gap is influenced in a similar way to the median pay gap. The gap exists because we currently have more men than women in higher-grade roles. We are working hard to change this and have set a goal to have 30% of leadership roles filled by women by 2025.

What is the ethnicity pay gap?

When discussing the ethnicity pay gap, it's important to define what we're looking at. In this case, the ethnicity pay gap measures the difference between the earnings of "white" individuals and those expressed as "other" across the business, regardless of the work they do.*

Median pay gap

The median is the middle number of a ranking of pay from lowest to highest and gives us the best view of 'typical' pay. The calculation is completed separately for white and other individuals and the medians are compared.

Mean pay gap

The mean is calculated by adding up the total pay of employees and dividing it by the number of employees. The calculation is completed separately for white and other individuals and the means are compared.

Bonus gap

These median and mean calculations are also carried out when comparing bonuses paid over a 12-month period.

Equal pay

The ethnicity pay gaps calculated here are different from 'equal pay', which is the difference in pay between employees of different ethnicities doing the same or similar jobs – i.e., equal pay for equal jobs. We work hard to maintain pay equality for equivalent jobs; following strict processes such as our annual pay review, pay principles and performing regular checks to ensure our policies and practices are fair to all.



* For this report 'White' is used to group all individuals that self-identified as being from a white background, inclusive of White British and White Other. 'Other' is used to group all racially and ethnically diverse individuals and excludes those that prefer not to say. This high-level category is used within this report because to breakdown the grouping further into categories such as Black, Asian and more than two ethnicities pose a risk of identifying individuals from this data. This is in line with ONS category suggestions.

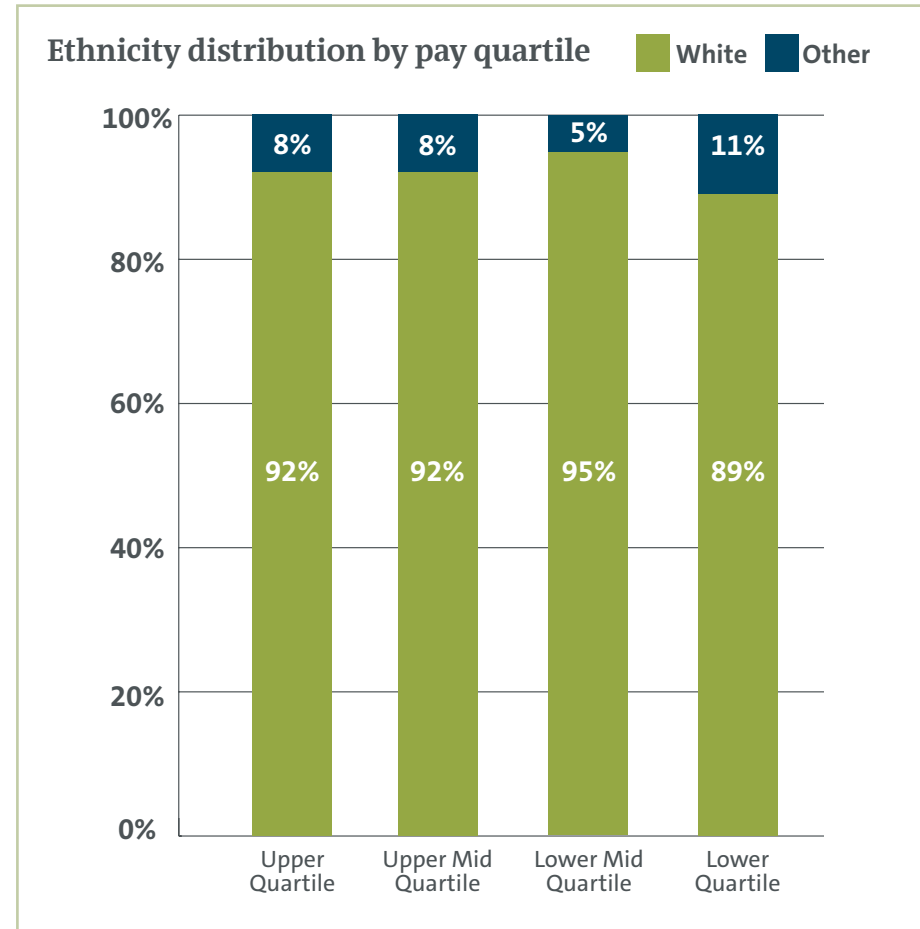
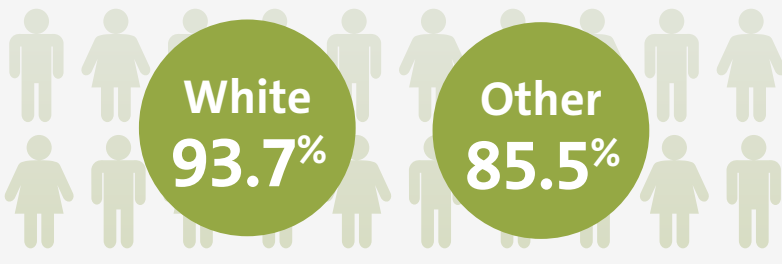
How we measure up

We work hard to ensure our pay and reward policies and practices are fair to all and will continue to review these to ensure there are no disparities between employees.

We collate ethnicity data via a self-identification, voluntary disclosure approach. Currently, the disclosure rate sits at 86%. As this number changes over time, estimates may change considerably depending on the ethnicities of those who chose 'prefer not to say'.

| | Mean (Average) | Median (Middle) |
|---|-------------------|--------------------|
| Ethnicity pay gap (the difference between the pay of white colleagues and non white colleagues in our organisation) | 3.8% | 0.0% |
| Ethnicity bonus gap | 26.2% | 9.5% |

Proportion of employees receiving bonus payment



According to the 2011 UK Government Census, 86.0% of the total population of England and Wales was white*. For the population in this report 796 employees identified their ethnicity. Of these 735 were white, which is 92.3% of employees.

**Population of England and Wales - GOV.UK ethnicity facts and figures (ethnicity-facts-figures.service.gov.uk)*

Ethnicity pay gap results in focus

Pay gaps are generally driven by workforce representation. A significant driver of our mean ethnicity pay gap of 3.8% continues to be a simple structural reason: we still have too few racially and ethnically diverse colleagues in senior roles.

Representation for colleagues within the 'other' category are generally similar across the organisation resulting in no (0%) median ethnicity pay gap. We are committed to initiatives that will yield sustained improvements; these include a reverse mentoring programme, inclusive recruitment practices, Employee Network Groups and targeted talent development. It is our intention to track the impact of these initiatives via the ethnicity pay gap report, amongst other key metrics.

Bonuses are affected by business performance, job family and individual performance. Ethnicity bonus gaps are typically more volatile than ethnicity pay gaps but are also driven by the same structural impacts as the ethnicity pay gaps, i.e., we still have too few ethnically and racially diverse colleagues in senior roles. We are committed to maintaining a focus on requesting and understanding our employee data while balancing this with respecting employees wishes with a prefer not to say option. We work hard to maintain pay equality for equivalent jobs, following strict processes like our annual pay review and pay principles, and performing regular checks to ensure our policies and practices are fair to all.

We continue to review our Talent Attraction processes to ensure all roles appeal to diverse candidates.



A changing culture

We believe that equality and diversity adds value and is essential for the transformation of our group worldwide. We are already seeing the benefits of a long-term commitment to address the balance.

Several initiatives and activities are helping us to put diversity and inclusion on a sustainable footing within our business, including our refreshed Diversity & Inclusion strategy.

Making progress in 2021

- The Cultural Diversity Employee Network Group celebrates our differences and engages in awareness and education-building activities throughout the year.
- We have received a silver accreditation from Inclusive Employers and are striving to achieve gold.
- We introduced our fifth Employee Network Group of Disability and Neurodiversity, sponsored by a member of the senior leadership team.
- We include objectives for recognition for our Employee Network Group leaders.

Unbiased and equitable talent processes

- We strive for no barriers for racially and ethnically diverse employees and continue to review our talent management processes.
- We maintain diverse interview panels and feature D&I prompts in recruitment activity.
- We have reviewed all our job adverts to ensure they have inclusive wording.
- All managers undertake a mandatory 'We Live Diversity' course which covers issues such as unconscious bias and the importance of employees feeling included as part of our culture.

Supporting future talent

- Our INSPIRE programme works with young people in schools and colleges, sharing the excitement of working in the automotive sector and the rich career opportunities available to encourage talent from all backgrounds to join the automotive sector.
- We have introduced a Legal Internship programme which provides career and development opportunities to students from backgrounds traditionally underrepresented in the legal profession.

Looking forward to 2022

- We are introducing our drive to broaden our ethnically diverse leadership representation, and will focus on increasing racial and ethnically diverse representation overall as well as at senior levels.
- We have appointed a D&I manager in the UK to support us in accelerating our D&I strategy.
- Specifically turning our focus to racial equality, we are extending our mentorship programmes to include reverse mentoring which is led by our Cultural Diversity Employee Network Group.

Our continuing journey

Our Employee Network Groups play an important role in our commitment to creating an inclusive culture where everyone is unique, feels involved and acts with integrity.

Over the coming year, we look forward to sharing how we are continuing on our journey; challenging ourselves to achieve the best possible outcome for our colleagues and our customers.



**Cultural
diversity**



**Driven
women**



**Parents
and carers**



**We drive
proud**



**Disability and
neurodiversity**

Push to progress...

Working flexibly can be a great way to keep people with family responsibilities in key roles. Bhav Chotai and Silke Anderson explain how job sharing has meant they can juggle parenting with a high-profile management position...



Bhav Chotai
Digital Marketing Manager,
Volkswagen Commercial Vehicles

“

I joined full time 16 years ago and reduced my hours when my children were born nine, and five, years ago. There were quite a few young mums within our team so it wasn't unusual to organise our workload flexibly. This was great for my personal life and also meant that for the Company important knowledge was retained.

Moving up from my role was however not straight-forward. If there was a full-time role I wanted to go for I needed to scope out the opportunity to work flexibly.

Silke was looking to job share, and working together we discovered we had very similar career progression plans. So when the right job came up, we applied as a package. We were interviewed separately and both got our role on our individual merits.

It's a great result for all – us as employees and the Company.

This demonstrates how the business can be flexible and accommodating when needed. While we are the first at this management grade in this type of arrangement, we hope this example will be followed by more mums, or maybe others with caring or other roles, to adopt a similar solution for their personal needs. We are in discussions with the HR team to communicate this opportunity more widely.

The key to success is of course that managers are open-minded and can see the potential that two people can bring to a role - just as our manager did. We each work 23.5 hours a week, have complementary thoughts, offer more flexibility - including providing cover when needed - and bring ideas from different backgrounds. The company is benefitting with much more than they would from one full-time person!

It's clear to see that Volkswagen is trying hard to encourage more diversity with visible progress year on year. My advice to other employees is to have confidence, be proactive and push to progress. If you think it's reasonable, have the confidence to ask. The flexibility is there – use it!

Working parents can have it all; a rewarding career and being around for your children".



Silke Anderson
Digital Marketing Manager,
Volkswagen Commercial
Vehicles

“ A first at this level

Bhav and I have been sharing this role as Digital Marketing Managers in Commercial Vehicles for almost a year. We knew each other from working for two years together within the sister brand Volkswagen Passenger Cars. I had also experienced another job-share role meaning that in total I have been working this way for five years.

As a job-share this is the most senior position in this form within Volkswagen Group UK.

As a working mum, our Head of Marketing has worked flexibly in various guises and understands the benefits both for us as employees and for the Company from such an arrangement.

Of course it helped that we came as a package and we could demonstrate that we can work smoothly and flexibly together, complementing one another's skills and experience.

I joined the Volkswagen Group as a graduate 20 years ago, and have grown up working here. The flexibility and culture of the Company have been important factors in my career development. I have been able to combine having a family and a meaningful job that challenges me.

Of course that's not the case for all women across all employers when they have a family, so I feel really lucky. I'm also proud to work for a company that's proactive in encouraging women and providing meaningful scope for career progression.

Our example will hopefully function as a role model for more women to develop their potential in a role sharing position. There is certainly potential for more women and others to adopt a similar job share structure with benefits for staff and the Company.

It's important to me, and something that I am grateful for, that I am recognised as the sum of many parts. I am proud that I can be an example for my children that you can have a responsible job and a family".

We're on a journey...

Employee Network Groups are helping people open up about diversity and have challenging conversations, says Kitesh...



Kitesh Patel
Group Risk and
Internal Controls
Manager



My role covers a range of areas including risk management, policies and internal controls. When I joined back in 2016 the focus was mainly on gender diversity.

This realisation that we could be more inclusive was one of the drivers behind the establishment of Employee Network Groups (ENGs at Volkswagen Group UK. All forms of inclusivity are now part of the conversation.

I joined the Cultural and Diversity ENG in 2019 to support constructively and to encourage challenging conversations.

In early 2020 a couple of high-profile incidents in the USA grabbed global headlines and kick-started the conversation around ethnicity within wider societal groups - and spurred on our discussions internally too.

We quickly realised that if we are to have an impact we needed a firm foundation to base our recommendations on. We spent time diving into our ethnicity mix to understand how reflective we are as a company of society. Where we defined shortcomings, what might be some of the causes?

Based on our findings, we have worked with the HR team on recruitment analysis, introduced reverse mentoring across many levels of the Company pairing ENG members with senior leaders. Last summer we also hosted an LLX (Listen, Learn, Exchange) with the Board of Management to also share our experiences and ideas.

Of course, we are on a journey. No company has (yet!) totally nailed it. But we are trying, and learning, by putting on events, providing training and helping our colleagues and managers get comfortable having conversations around ethnicity and race - and what we can do increase our ethnic diversity.

That the business and senior stakeholders are voluntarily prepared to undertake ethnicity pay gap reporting shows that Volkswagen is willing to challenge the state of play.

This is a massive step in the right direction. It also provides a benchmark, draws a line in the sand and shows where we are right now - and hopefully, a point we can look back on in the future and see the progress we have made".