



RICARDO GENDER PAY GAP REPORT 2021

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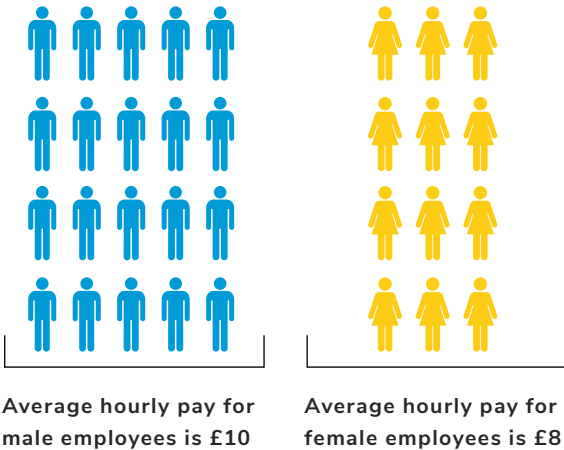
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INTRODUCTION

As part of the Equality Act 2010 (Gender Pay Gap Information) Regulations 2017, the Government requires organisations with 250 or more employees to report annually on the differences between average and median levels of pay for men and women. This difference is known as the 'gender pay gap'. Ricardo has two legal entities with 250 or more employees:

- Ricardo UK Ltd (which includes UK employees in the internal business units of Automotive & Industrial, Performance Products and Software)
- REE (Ricardo AEA Ltd, trading as Ricardo Energy & Environment)

GENDER PAY EXAMPLE



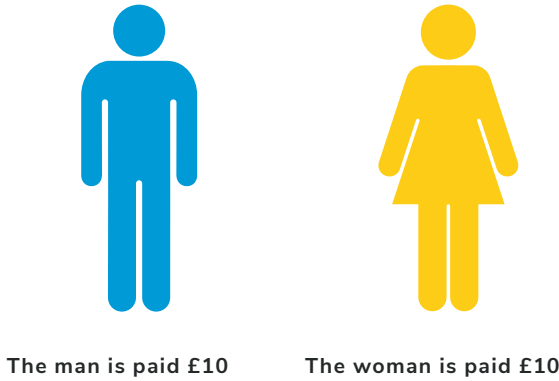
The difference between £10 and £8 is the gender pay gap

Gender pay gap versus equal pay for work of equal value

The gender pay gap is based on an analysis of mean and median data for male and female employees. Equal pay is when a man and a women doing the same job and/or work of equal value receive the same pay.

EQUAL PAY EXAMPLE

A man and woman who are doing the same work.



The difference between £10 and £10 is the equal pay gap

Ricardo does not discriminate between men and women

Ricardo uses external market data benchmarks to ensure that our male and female employees are paid equally for equal work. Ricardo supports the principle of equality of treatment in employment, and is committed to ensuring that no group of employees is discriminated against for equal work.

EXECUTIVE SUMMARY

We are a world-class environmental, engineering and strategic consulting company. With over 100 years of engineering excellence, we provide exceptional levels of expertise in delivering leading-edge and innovative cross-sector sustainable products and solutions, helping our global customers increase efficiencies, achieve growth and create a cleaner and safer future. Our mission is clear – to create a safe and sustainable world.

Our people are our greatest asset and we work collaboratively to achieve that vision. At Ricardo, we believe that a diverse workforce and an inclusive environment is critical to our success. We are passionate about being an inclusive organisation, and seek to provide job opportunities for everyone regardless of gender, age, background, nationality, etc. We are committed to building an organisation which leverages individuals' unique talents so that we deliver a world-class service to our customers.

Like many organisations, the Coronavirus (COVID-19) pandemic has had a significant impact on our organisation. In some areas of our business, we have needed to furlough teams, adapt quickly to remote working, and assist individuals with shielding, self-isolating or increased childcare and home-schooling responsibilities.

The full impact of the Coronavirus (COVID-19) pandemic is reflected in our 2021 gender pay gap reporting as the consequences for women of increased childcare and home schooling responsibilities, furlough and job losses, are realised. We recognise that these pressures are shrinking an already pressurised female talent pool and continue to create the potential for the gender pay gap to widen as a result across the UK. We believe at Ricardo it is therefore even more critical at this time to remain committed and focused on equality as we work towards a more gender balanced workforce.

We are on a longer journey to create a diverse and inclusive organisation and we continue as part of this to build upon the action plans we established to improve our programmes and activities already in place. We have a mean gender pay gap of 5.21% (UK Ltd) and 17.62% (REE), both favouring males, and a median gender pay gap of 9.38% (UK Ltd) and 18.81% (REE), both favouring males. Encouragingly the UK Ltd figures are below the UK national figures reported by the Office for National Statistics, 2020 with REE slightly above the UK national comparison. This gap is reflective of the fact that our industry employs significantly more men than women. A number of our employees stay with Ricardo for long and fulfilling careers – whilst we are proud of this, we recognise that low levels of turnover, particularly at middle and senior management, means that change can take time.



We are pleased that we see positive year on year trends for UK Ltd in the form of a narrowing gender pay gap at both the median and the mean, together with a narrowing mean bonus gap, with the median remaining static. For REE, we see a narrowing mean gender pay gap and median gender bonus gap.

We actively continue to invest in providing access to training and development opportunities to our entire workforce to encourage and promote progression across the organisation.

Females currently represent 24% of our overall workforce (12% UK Ltd; 42% REE). Encouragingly, last year 44% of employee

promotions were female in REE and 15% in UK Ltd. However, men and women are paid equally for doing equivalent jobs across our business.

In our fifth reporting year, a number of initiatives are collectively influential in taking strides towards making Ricardo a fair and balanced workplace. We continue to support accelerated development among our high potential female colleagues at all levels through our training and development programmes.

We actively support our diversity message across the organisation by positively supporting our managers to create an open, fair and inclusive workplace culture. This in turn will have a positive impact on the gender pay gap.

ENCOURAGINGLY, YEAR ON YEAR WE
HAVE REDUCED THE GENDER PAY GAP
ACROSS BOTH RICARDO ENTITIES.

GENDER PAY GAP

Mandatory Gender Pay Gap Reporting applies to all private and voluntary sector employers in England, Wales and Scotland with at least 250 employees as of 5 April 2021 snapshot date.

Those organisations are required to publicly report their gender pay gap metrics as follows on the government-sponsored website, with the aim of eliminating the gender pay gap:

MEAN GENDER PAY GAP

Difference between average hourly earnings of males and females

MEDIAN GENDER PAY GAP

Difference between median hourly earnings

GENDER BONUS GAP

Proportion of male and female employees receiving bonus within the 12 month period

MEAN GENDER BONUS GAP

Difference between average bonus earnings

MEDIAN GENDER BONUS GAP

Difference between median bonus earnings

PAY QUANTILES

Insight into career paths

The gender pay gap is calculated as follows:

$$\frac{\text{Male Hourly Rate} - \text{Female Hourly Rate}}$$
$$\text{Male Hourly Rate}$$

As of 5 April 2021 payroll, our mean gender pay gap stood at 5.21% (UK Ltd) and 17.62% (REE), both favouring males. Our median gender pay stood at 9.38% (UK Ltd) and 18.81% (REE), both favouring males:

MEAN HOURLY PAY DIFFERENCES

	UK Ltd	REE
Male hourly rate	£22.72	£22.34
Female hourly rate	£21.54	£18.40
Pay gap	5.21%	17.62%

UK Ltd is below both the national mean (14.9%) and the national median (15.4%) as reported by the Office of National Statistics, 2021, with REE sitting above in both instances.

The underlying reason behind the gap is predominantly due to the lower representation of women in more senior positions, coupled with females representing just 12% of the workforce in UK Ltd. The engineering industry is typically male-dominated and this is reflected across our organisation, recognising the majority of our roles are sourced from this sector. We know we have a lack of female representation in some of our more highly-skilled STEM roles which contributes to our pay gap, as we have a predominance of qualified male specialists in roles which attract higher pay because of a scarcity of skills and competition in the market.

MEDIAN HOURLY PAY DIFFERENCES

	UK Ltd	REE
Male hourly rate	£19.09	£20.23
Female hourly rate	£17.30	£16.43
Pay gap	9.38%	18.81%

On the matter of pay, men and women are paid equally for doing equivalent jobs across our business. When we look at our internal structure of seven broad job levels across the company, encouragingly we see that:

- In UK Ltd, three job levels have a pay gap favouring females.
- In UK Ltd, three job levels that favour men have a pay gap of less than 10%.
- In REE, five job levels have a pay gap of less than 10% in favour of males.

While females currently represent just 24% of our overall workforce, we are pleased that 32% of our senior management and executive roles are currently being undertaken by females in REE and 9% in UK Ltd. In UK Ltd we are pleased that 43% of the board for our largest business unit is represented by females.

BONUS PAYMENTS AND PARTICIPATION

Our mean bonus gap currently stands at 52.50% favouring males (UK Ltd) and 2.41% (REE), favouring females, with our median bonus gap favouring males in UK Ltd at 50% and 41.18% in REE. We have a higher proportion of male employees receiving a bonus in REE:

MEAN BONUS DIFFERENCES - UK LTD

	Mean bonus	Number receiving a bonus	Bonus distribution
Female	£1,473.58	9	9.1%
Male	£3,102.28	19	2.6%
Bonus gap	52.50%		

MEDIAN BONUS DIFFERENCES - UK LTD

	Median bonus	Number receiving a bonus	Bonus distribution
Female	£250.00	9	9.1%
Male	£500.00	19	2.6%
Bonus gap	50.00%		

MEAN BONUS DIFFERENCES - REE

	Mean bonus	Number receiving a bonus	Bonus distribution
Female	£2,846.14	19	7.7%
Male	£2,779.06	36	10.3%
Bonus gap	-2.41%		

MEDIAN BONUS DIFFERENCES - REE

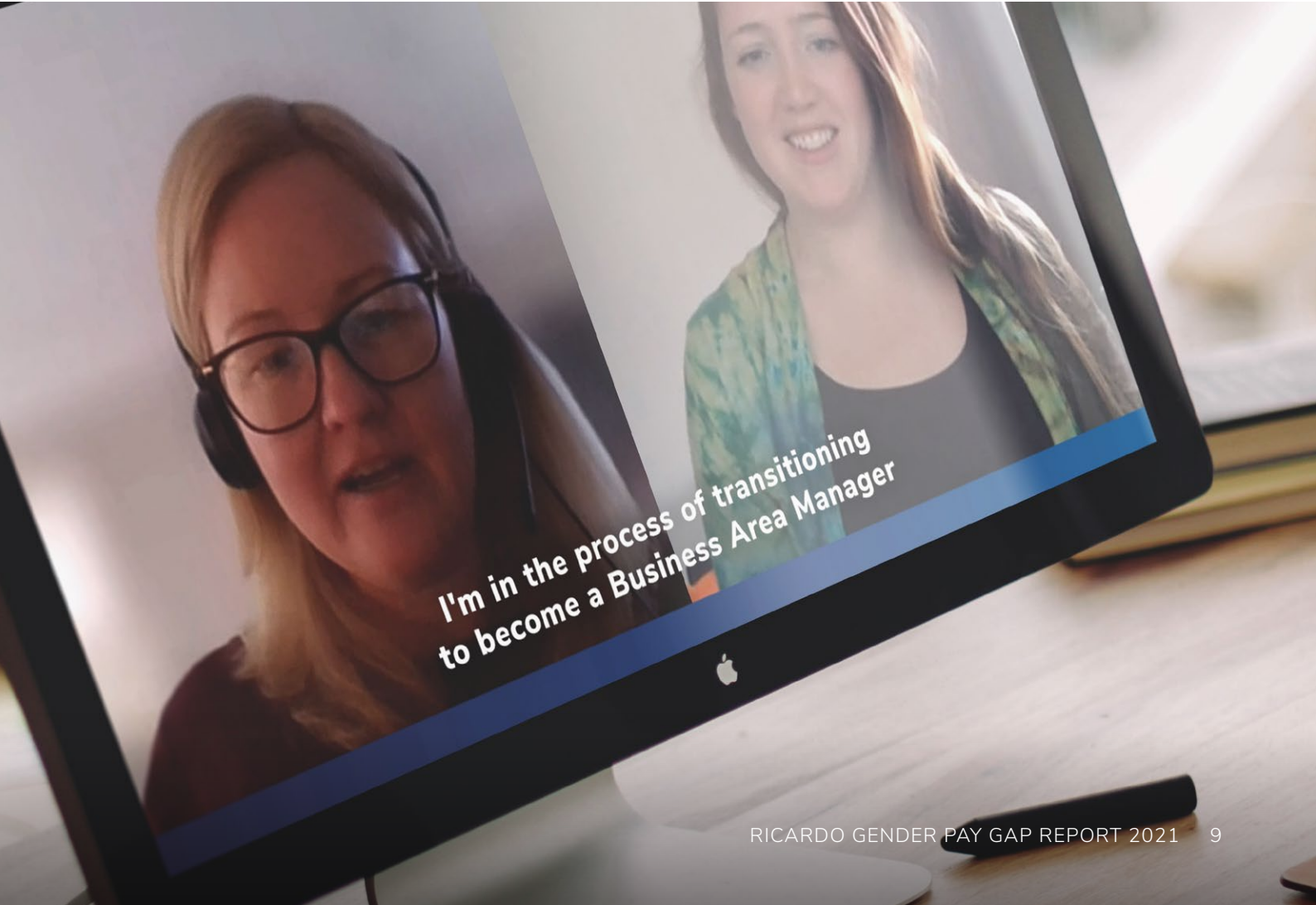
	Mean bonus	Number receiving a bonus	Bonus distribution
Female	£250.00	19	7.7%
Male	£425.00	36	10.3%
Bonus gap	41.18%		

We operate a small number of discretionary role-specific performance-related bonus plans, including sales incentive plans. Our annual management performance-related incentive plan takes account of both company and individual performance. We recognise that bonus pay, as defined by the regulations, includes a wide-ranging suite of awards including amounts relating to performance and commission plans, but also more 'operational payments' such as profit-sharing, referral payments, welcome bonuses, award payments, and maternity bonuses which can help drive a corresponding wide range in individual amounts reported.

For UK Ltd, a wide range of bonuses have been included in the data, and we have analysed how the bonus types might affect the data if they are split into 'operational bonus' payments and the traditional 'performance-related bonus'

payments. All employees are eligible to receive an operational bonus, and we see that 19% of operational bonus payments were paid to females, which aligns to the proportion of females in UK Ltd. Some of the larger bonus value payments were operational bonuses, which were mainly paid to males, who were the higher proportion of the employees receiving the bonus. When reviewing performance-related bonuses, we are pleased to note that 50% of employees receiving these bonuses were females. The gap appears where large performance bonuses were paid to a few male directors, which skews the mean bonus gap data.

As an equal opportunities employer, all our permanent employees in eligible roles are eligible for bonus, irrespective of their age, gender, ethnicity, etc.

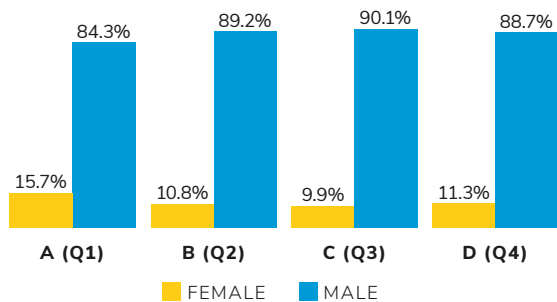


CAREER PATHS AND EARNINGS

Our gender distribution by quartiles, as defined by the regulations, shows us that female employees are under-represented across all four quartiles in both legal entities (with the exception of the lowest pay quartile in REE):

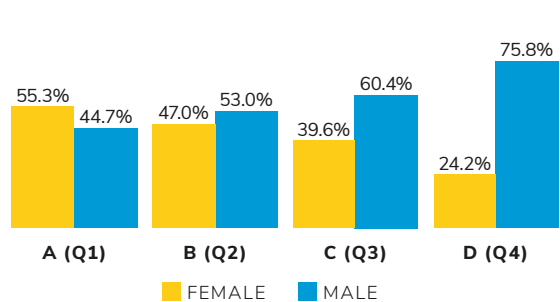
UK LTD

GENDER DISTRIBUTION BY PAY QUARTILES



REE

GENDER DISTRIBUTION BY PAY QUARTILES



HR STRATEGY

Our HR philosophy is to attract and retain high calibre individuals and to leverage their unique talents to deliver leading-edge and innovative cross-sector sustainable products and solutions, helping our global customers increase efficiencies, achieve growth and create a cleaner and safer future. Our mission is to create a safe and sustainable world.

We recognise the motivational importance of positive senior role models to inspire confidence and success and we are proud that 32% of our senior management roles are occupied by females in REE and 9% in UK Ltd. We continuously strive to ensure that we attract a higher proportion of females into our organisation and we actively drive our hiring managers to reflect our strategic approach to diversity.

We continue to actively foster an environment where everyone is motivated to develop and progress through innovative HR policies and practices in an encouraging environment. We proactively keep in touch with those on maternity leave through our maternity and adoption buddy support programme in REE and are pleased that we saw a 100% return rate in 2021 in both entities. We look to support our career returners with different tools to positively impact their back to work experience.

We ensure that all our HR policies and tools proactively support flexible working across the organisation as we believe that these policies encourage our talented and driven employees to deliver results, and in turn advance their careers in our organisation. While both entities have these policies, our recently relaunched Carers Policy and Flexible Working Policy, together with our Menopause and enhanced Maternity Policies in REE, have continued to be positively received by both managers and beneficiaries alike.



We now strive to ensure that all recruitment conversations promote our flexible work culture and in REE, have taken the further step that all roles default to flexible working from the outset. During the Coronavirus (COVID-19) pandemic, UK Ltd identified roles most suited for hybrid working and launched this initiative on an informal basis which has been well-received. REE introduced ultra-flexible working during the same period – the ability to work 24/7 any hours as agreed with line managers – which was also positively received. In this reporting cycle, we are pleased that we continue to have approved 100% of flexible working requests in both entities.

In REE, our established Gender Pay Forum engages talent from across the organisation to innovate potential solutions to drive a reduction in our gender pay gap looking across three core streams involving culture, progression and recruitment.

In REE, supported by our diversity champions, who are empowered to develop and implement diversity strategies and policies, we seek to highlight the importance of inclusion across our organisation. Both entities have focused particularly on employee well-being, supported by our Executive sponsor, and as part of International Women's Day, spotlighted women's health.

RECRUITMENT

We continue to adopt more proactive recruitment approaches and are pleased this has resulted in a greater gender balance in potential candidates presented, which has proactively reduced bias from our candidate selection. REE also now strive to ensure that all recruitment conversations promote our flexible work culture, reinforced through our inclusive employer branding imagery.

In REE, our diversity champions actively monitor our talent management processes, aiming to eliminate biased decisions at both recruitment and promotion.

We continue our partnership with local schools, promoting STEM subjects in education and offering career advice to prospective new hires. We operate a buddy system where appropriate, for new employees. Encouragingly, we see broadly sustained growth of females in our student, apprenticeship and graduate programmes in UK Ltd, with an intake of 15% in UK Ltd.

Our HR team actively supports our diversity message across the organisation by positively influencing and challenging our hiring managers to ensure they recognise how their individual behaviours and actions impact our overall ability to create an open, fair and inclusive workplace culture. As part of this, we are on a journey from an unconscious bias to a conscious inclusion focus.

DEVELOPMENT

Employee development is a key focus within our organisation and we are committed to making the most effective use of the talent, skills and abilities of our employees. We rigourously apply a gender lens to all our talent development and succession planning discussions. Our training programmes continue to support achievements and success for all our colleagues. As part of this we ensure full gender representation at all STEM events and technical/non-technical training programmes. In UK Ltd, where we run a two-year graduate training programme, we are pleased that 25% of our graduates are female. We are pleased to report that our formal paid placement programme, open to undergraduates, has 36% female participation, up from 14% last year. In REE, we are pleased that 55% of participants in our Young Professionals Programme, aimed at junior employees who have limited experience of the consultancy environment, are females. Collectively, these initiatives showcase our level playing field for engagement.

We continue to proactively manage monthly check-ins for our employees so that they have twelve opportunities for meaningful career conversations, wellbeing, and learning and development discussions.

We continue to support the accelerated development among our high potential female colleagues. In 2020 in REE we ran Springboard, a training programme targeting females at lower levels of their career to support their development while increasing their confidence and assertiveness skills. In 2021 we have evolved this programme into "Step Up for Women" so it now operates on a modular basis, which increases the flexibility for our females to attend the modules applicable to

their needs and to open up the opportunity to a larger number of females. Over 50 females attended at least one of these modules during 2021. Our partner programme, Navigator, designed specifically for men as we want all our employees to optimise their potential irrespective of gender, has continued during 2021 and continues to be well-received. In REE, we launched our Development Roadmap, furnishing employees with the opportunity to have a targeted conversation about their career aspirations and showcasing a clearly identified suite of learning and development tools at employees' disposal – this has been very well received.

We actively encourage our employees to consider different role experiences as they progress their careers within our organisation and we are pleased that our mentoring programme in REE has a 54% female take-up, with 40 female mentors supporting the programme. This year we launched an HR mentoring scheme, the majority of whom are female. In REE, we have external coaches working alongside those identified through succession planning, and have widened our pool to incorporate more female coaches.

In UK Ltd, as part of STEM activities, we operate a formal mentoring scheme for undergraduates as well as gender-based recognition initiatives. In REE we regularly deliver career planning workshops. These workshops are designed to clarify the broad range of support available, both formal and informal, for the development of careers.

We know we have a lack of female representation in various STEM roles. We recognise this is reflective of the sectors in which we operate which have traditionally been male-dominated. We are continuing to build female technical networks to support early recruitment opportunities and have launched our STEM programme, enabling our STEM ambassadors to engage and inspire young people in a variety of forums. In UK Ltd, we looked to work towards the principles of our Promotions Board, seeking to actively challenge the gender perspectives of our leaders, to ensure that all our employees, regardless of gender, have equal opportunity for progression in the business.

WE SEE BROADLY SUSTAINED
GROWTH OF FEMALES IN OUR
STUDENT, APPRENTICESHIP AND
GRADUATE PROGRAMMES IN UK LTD.

YEAR ON YEAR COMPARISON

It is important to remember that two data points – the mean and median – are both included as part of the government’s gender pay gap reporting requirements.

We are pleased that in both the UK Ltd and REE we see positive year on year trends in the form of a narrower mean hourly pay gap. We believe this is evidence of the effort we have already invested in providing access to

training and development opportunities to our entire workforce to encourage and promote progression across the organisation.

For UK Ltd, we note a narrowing year over year median gender pay gap and mean gender bonus gap, with flat movement at the median. We are also pleased to see a narrower mean bonus gap for REE, with a very slight widening at the median.

RICARDO UK

	2019	2020	2021	2021 Vs 2020	
Mean Gender Pay Gap	15.36%	8.83%	5.21%	-3.63%	↓
Median Gender Pay Gap	13.30%	11.60%	9.38%	-2.22%	↓
Mean Gender Bonus Gap	76.97%	68.93%	52.50%	-16.43%	↓
Median Gender Bonus Gap	50.00%	50.00%	50.00%	0.00%	→
Males receiving bonus	10.31%	9.42%	2.65%	-6.77%	↓
Females receiving bonus	11.76%	23.58%	9.09%	-14.49%	↓

RICARDO E&E LTD

	2019	2020	2021	2021 Vs 2020	
Mean Gender Pay Gap	20.11%	20.04%	17.62%	-2.42%	↓
Median Gender Pay Gap	19.52%	18.20%	18.81%	0.60%	↑
Mean Gender Bonus Gap	41.54%	41.26%	-2.41%	-43.67%	↓
Median Gender Bonus Gap	18.14%	34.81%	41.18%	6.36%	↑
Males receiving bonus	11.38%	41.08%	10.32%	-30.77%	↓
Females receiving bonus	7.95%	29.19%	7.66%	-21.53%	↓

CLOSING REMARKS

We know and understand the reasons why we see a gender pay gap within our organisation and we are committed to actively managing this differential, as we try to move towards a more gender balanced workforce.

We constantly develop and improve our HR policies and practices to encourage and promote the development and progression of all our employees. We will continue to leverage technology to help us identify areas of our

organisation that need renewed focus to drive continuous improvement relating to gender equality.

Building on our values of respect, integrity, innovation and passion, we will continue to work with all of our employees and, regardless of ethnicity, gender, age, disability, religion, sexual orientation etc, provide them with opportunities to build their confidence and help them in reaching their full potential.

This statement was approved by



Mary Moore

Group HR Director



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