

UK Gender Pay Gap Report 2018



arm

Introduction

This report sets out the UK gender pay gap and gender bonus gap at Arm Limited as well as other data required by the Equality Act 2010 (Gender Pay Gap Information) Regulations 2017.

The pay data of 2,293 UK Arm employees was analysed as of 5 April 2018 (1,841 men and 452 women), including all UK full and part-time employees and casual workers. This represents an 18% increase to the number of men and a 33% increase to the number of women compared to last year. The data does not include freelancers or other staff not on the Arm UK payroll. Anyone not receiving full pay on 5 April 2018 was excluded from the hourly pay calculations.

The bonus data is taken between 5 April 2017 and 4 April 2018.



CEO statement

Diversity and inclusion is, and always will be, integral to the success of our business. At Arm it is about recognising, respecting and embracing individual differences.

It is knowing that each of us adds value, and our contribution matters. Underpinned by our values – We not I, Passion for progress and Be your brilliant self – it is core to our innovation and makes sure we are reflective of the world we are developing technology for.

That's why UK gender pay gap reporting is so important for us. It is a moment, among others, to make sure we are fairly rewarding all our colleagues – and that we are doing the right things to enable progress.

We are absolutely committed to equal pay for equal work and are intolerant of anything else. Following our UK gender pay gap reporting in 2017, we undertook a global pay equity project which showed that in the UK there is no statistically significant variance in base pay between men and women. Our UK gender pay and bonus gap exists because a large portion of our UK work is hardware engineering which has been a historically male-dominated profession and therefore there are few women in senior roles. We continue to challenge ourselves to ensure fairness and to remove barriers to progress. Internally we focus on unconscious bias training, hiring more women and helping them to develop their careers once they have joined us. But this is only half the story. We won't make progress as quickly as we would like to unless we can encourage more girls to consider STEM careers. Inspiring young women to work in STEM is a priority for us and I'm proud of the work we do in our community to build a female talent pipeline for the long-term.

It is going to take time, for Arm and our peers, to improve senior female representation. Bringing these issues to life through initiatives like the UK gender pay gap reporting are crucial for making sure we continue to make progress in the right direction.

Simon Segars

What is UK gender pay gap reporting?

UK gender pay gap reporting calculates the difference between the hourly earnings of men and the hourly earnings of women in a company. Earnings include base pay, allowances and any bonus and other incentive pay. The **gender bonus gap** is the difference in the bonus pay received by men and women.

From April 2017, the UK Government requires all UK companies with over 250 employees to annually publish figures on median and mean UK gender pay gap, median and mean gender bonus gap, the proportion of men and women receiving bonuses and the proportion of men and women in each quartile of the organisation's pay structure. UK Gender pay gap reporting is a recently introduced requirement for companies to disclose information that looks at total earnings by gender. This contrasts with equal pay for equal work, which continues to be a legal requirement.

In the UK 10,532 employers reported gender pay gap data for 2017/18. 77% of employers stated that median hourly pay was higher for men than for women in their organisation, 14% stated that median hourly pay was higher for women and 9% stated that median hourly pay was the same for women as for men.*

MEAN:

The mean is calculated by adding up the total pay of employees and dividing by the number of employees in the list. This calculation is completed separately for men and women. While useful, this true average is easily skewed by a small number of high or low earners.

MEDIAN:

The median is the number which is in the middle of a ranking of pay from lowest to highest. This is broadly understood to be the best representation of typical pay as extremes of low and high pay do not affect the median.

Sources:

*House of Commons Library - Gender Pay Gap Briefing Paper 2018



Our figures

The table below shows our UK gender pay and bonus gap data for 2018.

	Gender pay gap	Gender bonus gap
Median	16.9%	27.5%
Difference to 2017 median +/-	+1.5%	-3.3%
Mean	16.8%	31.2%
Difference to 2017 mean +/-	+5.8%	-9.3%

For wider comparison, in April 2018, other median UK gender pay gaps were:

- All UK employers: 17.9%*
- UK High Technology Software: 20.6%**
- Professional, Scientific and Technical Companies: 22.7%***

Sources:

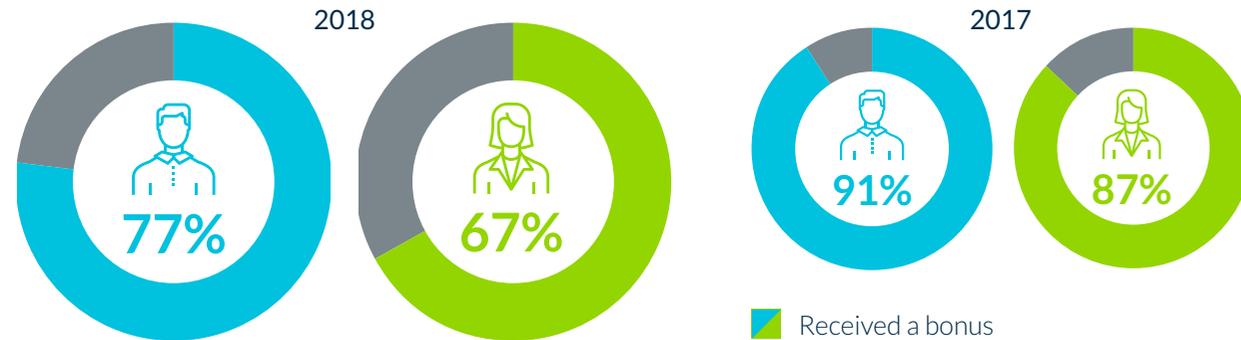
*House of Commons Library - Gender Pay Gap Briefing Paper 2018

**Source of comparative data: Mercer UK Gender Pay Gap –Sector Results And Responses 2018

***<https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/datasets/annualsurveyofhoursandearningsasgenderpaygaptables>

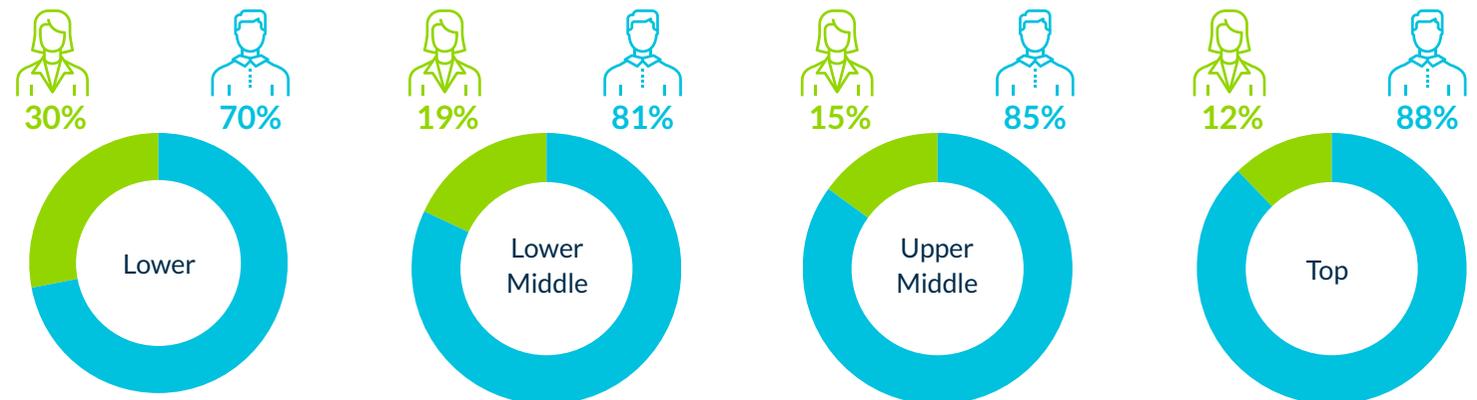
The figures below provide the further UK pay gap metrics required, including the percentage of each gender receiving bonuses and the percentage of men and women in each quartile of our pay structure.

What proportion of UK employees received bonus pay?



100% of all eligible employees received a bonus, there is no management discretion in this. The statistics above include people who are both eligible and ineligible for bonus pay (people are ineligible for bonus due to being on a fixed term contract or having joined the company after the eligibility date during the bonus year).

What proportion of UK employees do we have in each of our pay quartiles?



Understanding the Arm UK gender pay gap

When considering year-on-year comparisons, it is of note that our employee population and female representation has grown over the period.

Metric	Difference
Arm Limited Headcount	+21%
Arm Limited Males	+18%
Arm Limited Females	+33%

Our UK gender pay and bonus gap exists because of the male and female distribution across Arm (we have a greater proportion of women in lower paid roles), not because men and women are paid unequally for the same work. Our median gender pay gap has increased slightly to 16.9% (1.0% lower than the national average and 3.7% lower than our peers in the High Technology Software sector). This year on year change is due to the efforts to increase the proportion of women joining Arm. Overall female representation has improved along with promotion rates and the number of women moving into senior roles, but the majority of new hires still remain in the lower two pay quartiles as there are fewer women in senior roles in the hardware engineering profession. We understand that there is still a lot of work to be done in closing this gap and that this will take time to shift. The median bonus pay gap has reduced by 3.3% since last year. The high bonus gap reflects the fact that we have more men in senior roles where receiving higher variable pay (i.e. bonus) is in line with market expectations.

The proportion of men and women across quartile pay bands remains very similar to those seen in the April 2017 analysis (+/-2%). The female population has however slightly increased in the upper middle pay quartile by 3%.

Following our UK gender pay reporting in 2017, we undertook a global pay equity project which helped us identify legitimate factors that drive pay globally and any resulting issues that needed to be addressed. The analysis showed that in the UK there is no statistically significant difference in base pay between men and women.

To address our UK gender pay gap, we must continue to challenge ourselves and take action to ensure fairness and to remove barriers to female progression to higher paid functions and roles.

*“The real reason that on average women are paid less than men is not necessarily because they are being paid unfairly, but because they are less likely to be working in one of the higher paid positions, and significantly less likely to be working in a leadership role.”**

*Korn Ferry – More than gender paper 2018

Building the female talent pipeline within Arm

We know that it will take time to truly address our UK gender pay gap, but at Arm, we strive to build an inclusive culture that encourages, supports and celebrates the diversity of our community.

We commit to offering fair, equal and unbiased recruitment, promotion and reward systems and a safe, inclusive and agile work environment where all our people can thrive and be their brilliant self every day.

From attracting female talent to Arm, through to growing, developing and retaining them once they have joined us, we are focused on building programmes that ensure that everyone has an equal opportunity to progress. These include:

Attracting:

Our aim is to make Arm an attractive employer for everyone. We continue to look for a diverse set of candidates and then select those who will add the most value to Arm. To eliminate any potential gender bias in our recruitment process, we use a tool to support the development of gender-balanced job advertisements. The use of this tool has also helped to educate our hiring managers on considering diversity during the recruitment process. We have also implemented an objective online assessment of a candidate's values and motivations to help predict their potential to reach and sustain high performance within Arm. These tools support diversity initiatives by removing and challenging potential biases from our attraction and decision-making. We also participate in diversity recruitment and community events to highlight Arm as an employer of choice at both early careers and established hiring levels. Over the last year we have hired more women, but we still have higher female representation at lower grades.

Project Everyone:

Unconscious bias and stereotyping can influence hiring, compensation and progression. To help eliminate unconscious bias we launched Project Everyone, our interactive unconscious bias and diversity training. It focuses on creating a positive approach to difference and harnesses the benefits of diversity. Since its launch in 2016, over 1,600 Arm people have completed the training, with 100 colleagues dedicated to delivering the training and being ambassadors for diversity at Arm, as Project Everyone Champions.

Progression/Promotion:

As of the April 2018 Annual Review, a greater percentage of women were promoted globally. We have also consistently seen higher percentage pay increases for women over the past six promotion cycles/three years. Incremental increases will not however be enough to fix the broader structural issues affecting our gender pay gap, and Annual Review is just one part of Arm's longer-term strategy to ensure we have more female representation at senior levels.

Flexibility of working practices/ Global policy for Childbirth Leave and Parental Bonding Leave:

We demonstrate a progressive approach to flexible working, through a high-trust approach to time off including flexible working practices for employees to balance work and family commitments. In March 2018 we also launched a formal policy to allow people who are welcoming a child into their home an extended amount of time on full pay to celebrate and adjust to this significant life event.

Developing:

We are committed to ensuring that all employees are offered the same development and progression opportunities within Arm, to help them reach their full potential. Our development programmes for people managers and leaders focus on building awareness of unconscious bias and how it can influence decisions.

Mentoring:

All our employees have access to the Everywoman Network where they can be a mentor or mentee and access resources.

Building the female talent pipeline in our community: a long-term strategic initiative

The future of our business and ecosystem is dependent on a diverse pipeline of young people pursuing STEM careers.

There is a huge drop in the number of girls studying core STEM subjects at the age of 16. In 2017, 66,000 less girls took STEM GCSEs with further decreases in the number of girls entering Design & Technology, ICT and Statistics, by 11.1%, 16.6% and 43.6% respectively.* To increase diversity within our industry over the long term, we must strengthen the education-to-employment pipeline and at Arm, we have made it a priority to focus on elevating girls and young women in STEM.



The Arm Schools Programme and our employee community engagement programme, Team Arm, are focused on empowering young people with the opportunity to develop the interest in, skills and knowledge that enable a lifetime of engagement in STEM through:

- Intergenerational mentoring and providing role models - last year, over 60% of our volunteering supported educational outreach, with a strategic focus on encouraging and supporting girls to get hands-on with technology
- Engaging with stakeholders in school education to support best practice in STEM education – from teachers and schools to EdTech companies and university research groups
- Funded research programmes, PhD sponsorship and student internships

Our aim is to engage young people in fun and meaningful technology experiences, enabling them to see themselves as technologists of the future.

Case study:

In 2018, Arm supported Ada Lovelace Day, delivering 22 inspirational events, internally and externally, around the globe. In Cambridge, our employees volunteered and enabled 150+ girls to take part in coding-classes and hands-on-tech activities. We used resources from Women In Science and Engineering (WISE), to help the girls understand their strengths and what a career in STEM might look like – with female engineers from Arm sharing their experiences.

We're proud that our partnership with WISE actively contributes to its commitment to engage more girls to consider studies and careers in STEM – and reach 200,000 girls in the UK within the next five years.

Source:

*<https://www.wisecampaign.org.uk/statistics/analysis-of-gcse-stem-entries-and-results/>

Appendix

Metric	2018	2017	Difference
Median Pay Gap	16.93%	15.46%	+1.47%
Mean Pay Gap	16.83%	11.05%	+5.78%
Median Bonus Gap	27.46%	30.79%	-3.33%
Mean Bonus Gap	31.17%	40.45%	-9.28%
% Males receiving bonus	77%	91%	-14%
% Females receiving bonus	67%	87%	-20%
Male Lower Quartile	70%	72%	-2%
Male Lower Middle	81%	82%	-1%
Male Upper Middle	85%	88%	-3%
Male Top Quartile	88%	89%	-1%
Female Lower Quartile	30%	28%	+2%
Female Lower Middle	19%	18%	+1%
Female Upper Middle	15%	12%	+3%
Female Top Quartile	12%	11%	+1%
Arm Limited Headcount	2,293	1,893	+21%
Arm Limited Males	1,841	1,554	+18%
Arm Limited Females	452	339	+33%

Contributors:

Diversity – Adele McIntosh; Ali Stripling

Team Arm – Anna Malan

Arm School Project – Nicholas Sample

Global Pay Equity Project - Reward

arm

Declaration

I confirm that our data is accurate and has been calculated according to the requirements of The Equality Act 2010 (Gender Pay Gap Information) Regulations 2017.

Simon Segars, CEO