

UK GENDER PAY GAP REPORT 2018

Red Hat strives to be a diverse and inclusive meritocracy where everyone has the opportunity to contribute. We believe that good ideas can come from anyone, anywhere, and that diversity fuels our culture by bringing in many perspectives and ideas, challenging our assumptions, and inspiring innovation.

Our approach to diversity and inclusion includes our goal of paying employees equitably for comparable roles, skills, and experience. One of the ways we enable this is by providing managers with guidance to support objective, data-driven reward decisions.

As of April 2017, all companies in the United Kingdom (U.K.) with more than 250 employees are required to report statutory calculations annually showing their gender pay^[1] and bonus^[2] gaps. Red Hat believes these ongoing requirements are an opportunity to highlight where we need to focus as we continue our efforts to build a diverse workforce.

KEY FINDINGS

UNADJUSTED PAY GAP

Unadjusted pay gap, also referred to as a pay gap, shows how much two groups of people—in this case females and males—earn when compared to each other. It is calculated by taking female employees' average salary and dividing by male employees' average salary. This data often reflects differences in factors such as types of work and job level. We refer to the result of this calculation as the “unadjusted pay gap” because it does not control for comparable roles, skills, and experience.

The mean pay gap is the difference between the average of males' and females' pay, and the median gap is the difference between the midpoints in the ranges of males' and females' pay. These calculations are based on data for active employees as of April 5, 2018. Both the mean and median pay gap percentages decreased compared to our 2017 report.

1 Pay refers to ordinary pay (basic pay, allowances, pay for piecework, pay for leave, and shift premium pay) converted to an hourly rate.

2 Bonus includes pay related to profit sharing, productivity, performance, incentives, or commissions paid and received from April 6, 2017 to April 5, 2018.

UNADJUSTED PAY GAP PERCENTAGES

MEAN (AVERAGE)	MEDIAN (MIDDLE)
24.7%	31.4%

ADJUSTED PAY GAP

The adjusted pay gap, also referred to as the pay equity gap, shows how people in comparable roles with comparable skills and experience are paid. In order to understand whether our pay gap data also reflects pay equity differences, we work with a third party to conduct a statistical analysis of pay for U.K. employees, controlling for factors such as role type (sales or non-sales, for example), job level (management or individual contributor), location, and experience.

Consistent with last year, the result of this analysis indicates that our mean and median pay gaps are largely explained by the different types of roles females and males are in, rather than differences in compensation, when controlling for factors such as those mentioned above. Red Hat is committed to increasing gender diversity across all levels and roles within our organization through hiring, promoting, and developing talent. In the “How are we making a difference section?” below we highlight some of the key initiatives we're currently engaging in to support gender diversity. However, if our adjusted pay gap analysis indicates differences exist, we take action to address them.

PAY QUANTILES

Pay quartile^[3] data shows how two groups of people—in this case males and females—are distributed when sorted from lowest to highest paid and then compared to each other. This data is then broken into quartiles and generally reflects the different types of roles females and males are in. We've already shared how males and females are distributed throughout our global workforce^[4] and are committed to continuing to foster diversity at all levels and across all functions within Red Hat. Compared to our 2017 report, the percentage of females in the lower quartile decreased and the percentage of females in the upper quartile increased.

3 Pay quartile data is calculated using ordinary pay converted to an hourly rate.

4 Global data, as of February 2019, can be found at <https://www.redhat.com/en/jobs/life/diversity>.

PAY QUARTILE PERCENTAGES

QUARTILE	FEMALES	MALES
Upper	19.2%	80.8%
Upper middle	12.0%	88.0%
Lower middle	29.0%	71.0%
Lower	45.2%	54.8%

BONUS PAY GAP

The mean bonus gap is the difference between the average of males' and females' bonuses paid, and the median gap is the difference between the midpoints in the ranges of males' and females' bonuses paid. Similar to our pay gap and pay quartile data, these outcomes are heavily influenced by the types of roles males and females are in. While our bonus gap percentages increased over last year, further analysis indicated that the change was primarily the result of the different types of roles females and males are in, and how those roles typically receive stock as a part of their compensation (the value of which increased significantly since the last reporting period).

BONUS PAY GAP PERCENTAGES

MEAN (AVERAGE)	MEDIAN (MIDDLE)
49.7%	51.9%

PROPORTION OF EMPLOYEES RECEIVING A BONUS

This data is simply a calculation of the percentage of employees who receive a bonus. We researched the differences between males and females receiving bonuses and determined that they were primarily driven by the timing of when males and females joined or left Red Hat, as all of our employees are eligible to participate in one of our bonus plans.

BONUS PERCENTAGES

	FEMALES	MALES
Percentage receiving bonus payment	96%	97%
Percentage not receiving bonus payment	4%	3%

HOW ARE WE MAKING A DIFFERENCE?

Red Hat is committed to equitable pay and equal opportunities for all employees as we aspire to be a diverse and inclusive meritocracy. The following are some of the activities we are engaging in that support gender pay and pay equity.

- Promoting visibility of, and support for, diverse talent inside Red Hat through Diversity and Inclusion (D+I) communities, including a global Women's Leadership Community
- Building more inclusive team environments using research-backed tools and resources, including creating D + I toolkits that provide guidance, resources, and training opportunities for our associates
- Promoting opportunities in accelerated development programs for participants from diverse backgrounds
- Providing managers with training on how to avoid unintended bias in talent processes including interview and selection, performance and development, and salary and promotion decisions
- Training managers on how to provide meaningful and actionable feedback for career development to all employees
- Operating a recruiting and hiring process that recognizes the value of a diverse workforce
- Promoting inclusive team dynamics to foster an environment where employees feel they can contribute their ideas and can do their best work
- Conducting ongoing pay equity analyses as a part of our salary program
- Supporting programs that introduce contributors from historically underrepresented background to open source
- Supporting flexible work schedules, including remote working, work from home and part-time employment

DECLARATION

We confirm that our data has been calculated in accordance to the requirements of the Equality Act 2010 (Gender Pay Gap Information) regulations 2017.

Michael O'Neill

Michael O'Neill, Senior Director Finance and Director of Red Hat U.K. Limited

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