



Gender Pay Report 2017

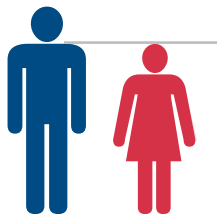
From April 2017, the UK Government introduced new legislation requiring companies with over 250 employees to report on gender pay. Within the L3 SDS Group of Companies, only L3 MacDonald Humfrey (Automation) Ltd ("MacH") is required to report and we have analysed our data which we present in the report below.

From 2018, we will report on all 3 business entities within the SDS Group; L3 MacDonald Humfrey (Automation) Ltd, L3 ExMac Automation Ltd, and L3 SDS Ltd.

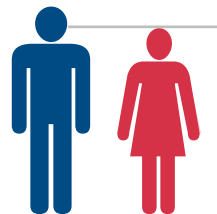
At L3, we are committed to diversity in every aspect of our business. Our inclusive culture welcomes all employees and places a premium on their unique contributions to our success. By continually investing in diverse initiatives at the corporate and local levels, L3 has forged stronger customer relationships, developed more innovative solutions, and attracted the best and the brightest to join our team. For L3, diversity just makes good business sense.

MacH joined the L3 SDS Group of Companies in November 2016 and just over 18 months on from the acquisition, we have made huge progress in aligning our business practises, however it is recognised that we still have a long way to go.

Pay difference between Men and Women in L3 MacDonald Humfrey (Automation) Ltd at 5 April 2017



Male employees earn a mean average of **15.32%** more than female employees

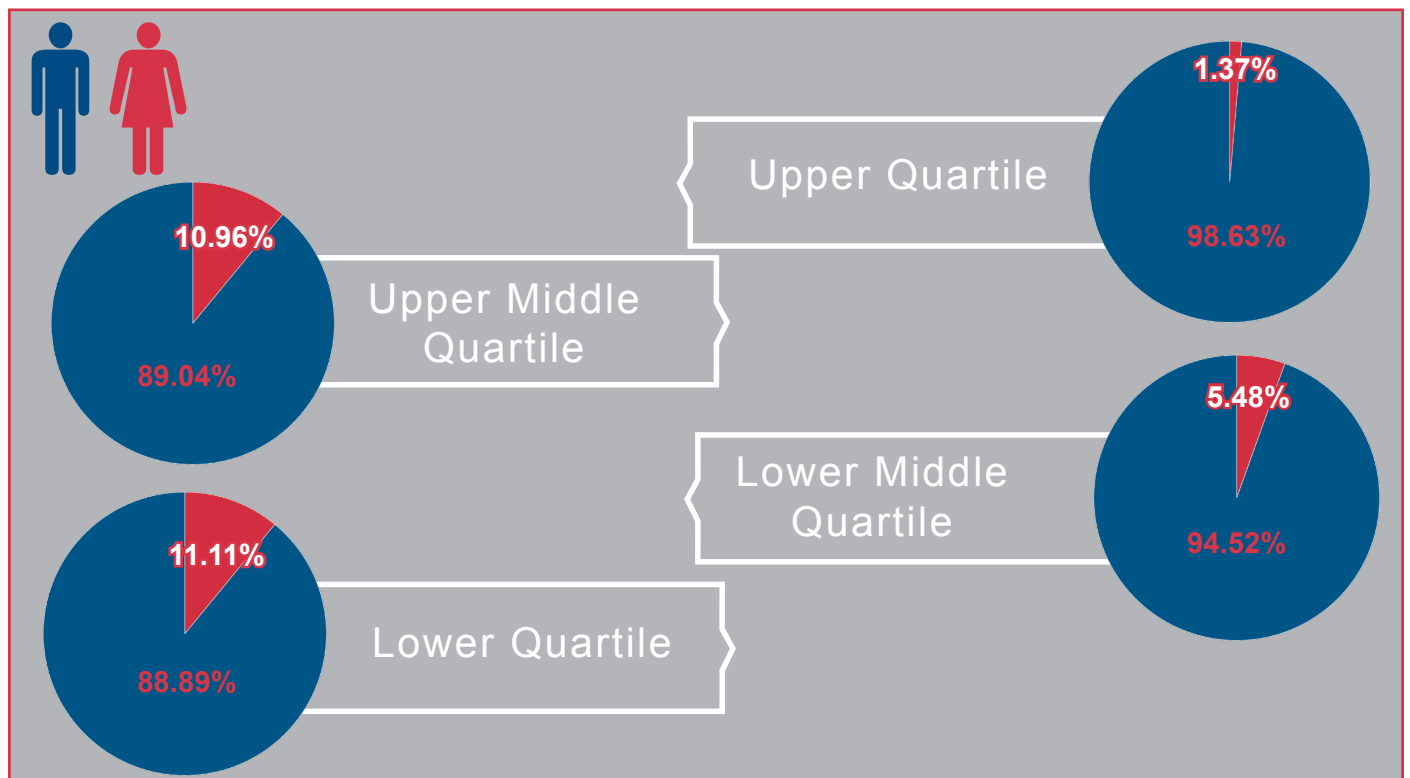


Male employees earn a median average of **9.04%** more than female employees

This chart expresses the 'mean' and 'median' differences between the ordinary pay of men and women. This calculation includes basic pay and allowances but excludes overtime and non-money benefits in kind such as private medical insurance and salary sacrifice schemes. Whilst it is well documented that our industry has predominantly appealed to a much higher number of males than females with statistics showing that only 25% of core STEM (Science, Technology, Engineering & Maths) subject graduates at A Level are female, we are still ahead of the mean national gap of 18.1% as published in 2016.

Pay quartiles across L3 MacDonald Humfrey (Automation) at 5 April 2017

The charts below show the gender distribution across MacH displayed as 4 equal ordinary hourly pay quartiles. Overall women represent 7.22% of employees, however as the charts clearly demonstrate, there are fewer women in management and technical roles.



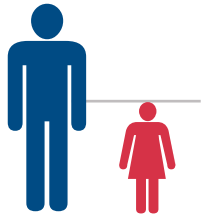


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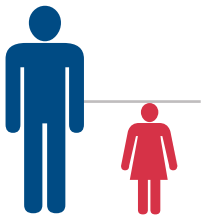
Definition of Gender Pay Gap

The Gender Pay Gap is different from equal pay. Equal pay considers the earnings of individuals doing equal work, whereas the Gender Pay Gap is concerned with the comparison between the average hourly rates of pay of men to women.

Bonus difference between Women and Men at 5 April 2017

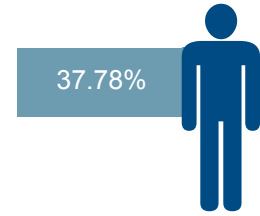
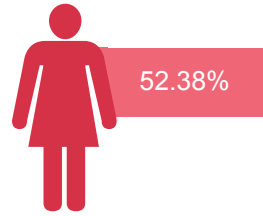


Male employees mean bonus earnings are **63.90%** more than female employees



Male employees median bonus earnings are **66.66%** more than female employees

Proportion of employees receiving a bonus in 12 months preceeding 5 April 2017



Bonus Difference between Men and Women & Proportion of employees receiving a bonus

These charts show the 'mean' and 'median' differences between bonus payments made to men and women and the proportion of men and women who received a bonus during the period of 12 months leading up to the snapshot date of 5th April 2017.

How We Are Taking Action Across the UK L3 SDS Group

Mach has established itself as a successful market leader in the supply of high tech total turnkey system solutions to core industrial sectors. Despite huge success and rapid growth, the company has been able to retain the culture of a family business with a very high number of long serving key employees who's careers have grown with the achievements of the business. The figures reported for 2017 reflect this, as most of these roles are held by men with an engineering background, which is not uncommon for the industry.

Mach has developed strong links with local schools and colleges over the years and has worked with them to encourage young apprentices in to the business. With the added resource and experience that L3 brings, we are building on the apprenticeship schemes that are already in place, as well as introducing newly developed leadership and development programmes to support our succession planning.

We have already approached WES (Women's Engineering Society) and are discussing how we may support and benefit from their STEM returners scheme, and introduce MentorSET to support our women in STEM roles and help them to raise the profile of women in engineering. We are forging new relationships with colleges and universities in both the Home Counties and the Midlands and our team of 'STEM promoters', made up of both male and female employees, who we see as our future leaders, will play a key role in making visits to present opportunities and encourage school leavers to consider engineering as a challenging and exciting career option.

Declaration

We confirm that the information and data reported are accurate and in accordance with the UK Equality Act 2010, and Gender Pay Gap Information Regulations 2017

Barbara Vickerman
Group HR Director, L3 SDS