Introduction

At Vectura we believe in a diverse and gender-balanced workforce. Our Equal Opportunities policy ensures the provision of equal opportunities in all aspects of employment including recruitment, promotion, opportunities for training, pay and benefits. We are committed to creating a rewarding and stimulating place to work and one which embraces diversity, throughout all levels of the organisation.

Since 5 April 2017, the UK Government has required all companies that employ 250 employees or more to report their gender pay and bonus pay gaps. The Vectura Group has a total of six companies (including two companies outside of the UK); all six companies fall outside of the regulatory requirement to report on their gender pay gap. Despite this, we have decided voluntarily to be transparent about our gender pay gap figures for our largest UK-based company – Vectura Limited. Due to the smaller sizes of the remaining five companies, the numbers produced by the regulatory analysis are not considered to be robust. Nonetheless, we will be monitoring process and progress across the entire group to ensure internal equity and alignment. This decision is reflective of the inclusive, diverse and engaged culture we have built up at Vectura. We believe it is important to progressively close the gender pay gap to enable us to attract, retain and develop the best talent, which is aligned with our core purpose and values.

This report has been approved by our Chairman and Chief Executive Officer.

Bruno Angelici
Chairman

James Ward-Lilley
Chief Executive Officer
Understanding the regulations

It is important to understand the distinction between the gender pay gap and equal pay. While the gender pay gap is the difference in the average pay of men and women across the organisation, equal pay refers to a legal requirement that men and women within the same organisation must receive equal pay for doing like-for-like or similar work. Equal Pay has been protected by legislation in the UK for over 40 years but the Gender Pay Gap reporting is new and this is the information that organisations are now required to disclose annually.

If we were to line up all of our employees with women in one line and men in another, the median gender pay gap would compare the pay of the female in the middle of their line with the pay of the male in the middle of their line. The mean is the comparison of the average pay for a female and the average pay for a male. As all jobs pay differently, and the number of men and women performing these jobs will inevitably vary, a gender pay gap therefore exists.

At present, the total UK gender pay gap is estimated to be at its lowest level ever (18.4% which includes full and part-time employees); however, the Government wants to bring this number down further.

What are the typical causes of the gender pay gap in the UK?*

- A higher proportion of women choose occupations that offer less financial reward and many high-paying sectors are disproportionately male.
- A higher proportion of women work part-time, and part-time workers earn less than their full-time counterparts on average.
- Women are still less likely to progress up the career ladder into senior roles.

It is essential for employers to disclose their gender pay gap, as this obliges organisations to consider their culture and approach to gender diversity. This is particularly evident in an organisation’s reward, recruitment and progression approach, and is a useful tool for the Government to ensure that companies are “gender neutral”.

Joanne Hombal
EVP – Human Resources

* Source: ACAS Guide “Managing gender pay reporting”
Our results for Vectura Limited

Despite all six companies within the Vectura Group falling outside of the regulatory requirement, we have decided voluntarily to publish our gender pay gap figures for our largest UK-based company – Vectura Limited.

We can confirm that at this stage, our median gender pay gap is below the UK average of 18.4%* and as at 5 April 2017 it stands at 15.1%.

Pay gap and bonuses**

<table>
<thead>
<tr>
<th>Gap</th>
<th>Percentage</th>
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<tbody>
<tr>
<td>Median pay gap</td>
<td>15.1%</td>
</tr>
<tr>
<td>Mean pay gap</td>
<td>32.8%</td>
</tr>
<tr>
<td>Median bonus gap</td>
<td>25.1%</td>
</tr>
<tr>
<td>Mean bonus gap</td>
<td>85.3%</td>
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Median gender pay gap

<table>
<thead>
<tr>
<th>Industry average*</th>
<th>UK average*</th>
<th>Vectura average</th>
</tr>
</thead>
<tbody>
<tr>
<td>22.4%</td>
<td>18.4%</td>
<td>15.1%</td>
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Pay quartiles**

To calculate the pay quartiles, we listed all employees by hourly pay from the highest to the lowest salaries. The list was then divided into four equally sized parts. The gender mix in each of these resulting ‘quartiles’ was then analysed and is shown below:

- **Lower**
  - Male: 43.4%
  - Female: 56.6%
- **Lower middle**
  - Male: 32.1%
  - Female: 67.9%
- **Upper middle**
  - Male: 58.5%
  - Female: 41.5%
- **Upper**
  - Male: 54.7%
  - Female: 45.3%

Proportion of men who received a bonus: 81%

Proportion of women who received a bonus: 82%

* ONS 2017 Annual Survey.
  Source: https://www.ons.gov.uk Annual Survey of Hours and Earnings 2017

** All numbers have been calculated in accordance with the regulatory requirements.
Clarifying our results

We have found that the current gender pay gap in Vectura Limited is lower than the UK average of 18.4% (according to the ONS 2017 Annual Survey), but the relatively small headcount of Vectura Limited (212) means that our data is subject to more volatility, particularly for the mean figures which are sensitive to outliers, i.e. one or two senior hires can distort the picture. Despite the positive comparison with the national figure we recognise that we have a shortage of women at senior levels in our business and this needs to be addressed if we are to close our pay gap in the future.

Industry challenges

There are clear benefits to ensuring that all organisations in our industry work together to address this imbalance by providing more opportunities for women to enter and progress in STEM (science, technology, engineering and mathematics) education and careers. Vectura is fully committed to playing a part by promoting STEM subjects to young people and inspiring the next generation of STEM talent.

Our female representation in leadership roles will need to be looked at in the context of our STEM industry sector, where women make up 15% of the total SET (science, engineering and technology) management roles (according to the latest statistics published by WISE, 2017). We have observed that candidate market forces are impacting the gender pay gap when we are recruiting in certain functions within pharma medical devices. An example of this is our recent recruitment for a senior role which attracted a significantly higher number of male applicants than female.*

Reward infrastructure

In Vectura, we are taking all possible steps to manage reward equity in the business and to help ensure that none of our processes are open to potential discrimination. We have implemented a simple and easy to understand reward framework which was designed to provide transparency of career progression and an equitable approach to reward. We regularly evaluate our pay and benefits against specific job types using internal and external benchmarking data to ensure our remuneration stays competitive.

Addressing imbalance

Our commitment to equal opportunities, diversity and inclusion is enshrined in our working practices and policies. We offer a range of dynamic, flexible working opportunities which promote work–life balance and enable us to retain talented employees without compromising their development and career progression. Around 21% of our workforce are making use of some form of flexible working arrangement or pattern, including part-time, job share or homeworking. Our family-friendly policies provide enhanced maternity, paternity, adoption and shared parental paid leave which enable both parents to take an active role in the upbringing of their children.

* Applicant statistic: 80:20 males to females.

Juliet Thompson was appointed to the Board of Vectura as an Independent Non-Executive Director in December 2017. Juliet has spent approximately 20 years working as an investment banker and strategic advisor to healthcare companies in Europe. She has a strong track record of advising companies on corporate strategy across numerous transactions.

“We continue to review our recruitment and talent development processes to ensure we can achieve impactful changes and encourage greater female applicant representation”.

Juliet Thompson
Non-Executive Director
Next steps for Vectura

In order to reduce gender imbalance, there needs to be a continued and determined focus on gender equality. At Vectura we have always recruited and promoted the right people for the right jobs based on personal merit and regardless of gender (or any other personal characteristic) and we will continue to do so. We have considered our next steps from a diversity perspective (not just gender) across the breadth of the employee life-cycle: recruitment, retention and development.

Recruitment

We aim to recruit from the widest possible talent pool. We commit to using language in job adverts that is gender neutral; developing diverse candidate lists for jobs; and understanding the importance of interviewing people with diverse panels in order to avoid unconscious bias.

To build on this progress, we seek to advertise on job boards specifically geared towards attracting diverse candidates. We will also leverage our internal and external networks and online forums, engaging with women who are returners from a long career break or raising a family, to promote our career opportunities. We will appoint employees as our brand ambassadors who will actively and positively promote our business and inclusive culture on the main social media channels.

We will continue to encourage students to select maths and sciences at an early age through our STEMNET group participation. We will also develop our strategy to enhance our approach by building a work experience programme for local schools and colleges, as part of which our laboratory teams will give young people valuable insights into a career in science. This programme will be aligned to intern placement and graduate hiring schemes for entry-level roles.

Retention

As part of our defined culture, we have a shared mindset which is “to create opportunities to improve lives”. Once we have attracted talented people, we want them to stay and to gain every opportunity for professional growth and development. To support them we will create diversity networks and forums including an active gender network, Women in Science, using social media to actively promote these resources. We continue to offer a range of flexible working options at all levels, to enhance work–life balance, engagement and opportunities for development.

We will build on our existing talent management, succession planning and promotion processes to ensure a broad, diverse mix of people with a range of skills, capabilities and behaviours have the opportunity to progress.

We have also introduced a leader development programme which articulates the responsibilities of our leaders. One such responsibility is for leaders to treat people as individuals by understanding their working preferences, enabling a healthy work–life balance and higher levels of engagement.

Ensuring that the leadership practice is continuously demonstrated by leaders at all levels is a key objective and will help everyone to realise their ambitions.

James Ward-Lilley
Chief Executive Officer
Thoughts from our team…

“Despite having a gender pay gap that is lower than the average, there is still more to do and we will continue to focus on building a diverse workforce and inclusive culture at Vectura.”

Ian Wheeler
Resourcing Manager

“We are pleased that 68% of all promotions in the last twelve months were awarded to women; 39% of all promotional roles were management positions, of which 58% were awarded to women.”

Albena Petrova
Senior Manager – HR

“I am looking forward to the opportunity of shared parental leave with my daughter and I greatly appreciate Vectura’s flexible working policies that help maintain family values. The overlap afforded through my partner’s accrued holiday whilst on maternity and the sharing of paternity gives us a small break in the routine to appreciate the start of our new family life.”

Luke Cox
Lead scientist – Pharmaceutical Development

“At Vectura I have appreciated the opportunity to work flexibly with reduced working hours to fit around my childcare commitments. This has allowed me to continue to progress in my career within the organisation and has meant that I am able to successfully balance my work and life commitments.”

Charlotte Yates
Senior Manager – Pharmaceutical Development

Development

We know we need to support women in accelerating and pursuing a career within Vectura (and more widely within the life sciences) as we can offer a range of diverse, flexible and appealing career pathways. In order to develop our people, we offer financial assistance to our colleagues to study for vocational qualifications.*

We also encourage reskilling through internal job moves across functions, e.g. between our quality, pharmaceutical development and manufacturing groups. And since new skills can also be acquired outside the day job, we have a very active social committee which provides all employees with the opportunity to get involved with charitable support initiatives, supporting their personal and professional growth.

We also intend to introduce a mentoring scheme to facilitate career progression and development opportunities for talented employees including our future female leaders.

We believe that individual success depends on ability, behaviour, performance and potential and remain committed to offering career opportunities without discrimination. Our promotion process ensures employees are assessed objectively against the requirements for the job, individual contribution and capability irrespective of gender. We will review and monitor the distribution of performance ratings and incentive payments annually to ensure our approach to performance management is gender neutral and free from any form of bias. We will continue to leverage all internal opportunities to drive a greater gender balance in our senior positions.

We hope that as a result of this government initiative, all companies in our industry will pull together to drive positive change.

* Around 10% of our workforce at Vectura Limited studied for degrees or professional qualifications over the last 5 years.