



CHANNEL 4
GENDER
PAY REPORT
2017

GENDER PAY REPORT 2017

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www.channel4.com/corporate

This report focuses on gender pay within Channel 4. It sets out the difference in average hourly pay between men and women across the organisation, as well as other required data. As required by the Equality Act 2010 (Specific Duties and Public Authorities) Regulations 2017, we will publish this data on an annual basis. This will allow us to track our progress and help set the actions that we will take to reduce the gender pay gap in our organisation.

This report has been independently assured by Deloitte LLP.

FOREWORD



We fundamentally believe in and support the clear moral, social and economic cases for equality and diversity. Channel 4 has advocated diversity and inclusion, including gender equality, since our creation in 1982. The fact that many organisations across the UK look to us for our pioneering diversity work on screen, off screen and in our own organisation spurs us on to do even more to champion diversity.

I'm proud to be Channel 4's first female Chief Executive and to lead an organisation that employs more women than men and a greater proportion of women than other public service broadcasters.

This report focuses on our gender pay gap, setting out the difference in average hourly pay between men and women across the organisation, as at the public authority snapshot date of 31 March 2017.

It shows that Channel 4 has a mean gender pay gap of 28.6%. This number obviously makes for uncomfortable reading and I am determined to take action to address it. There is no quick fix, but identifying the complex and multiple reasons behind our gap is the first step towards tackling the fundamental issues at play.

While we employ significantly more women than men there is an imbalance in the ratios at the higher and lower-earning parts of the business. We have more men in higher-paid roles, and more women in lower-paid roles.

28.6%

Channel 4's gender pay gap (mean)

47.6%

Channel 4's bonus gap (mean)

It would be perverse for us to reduce the number of women in lower-paid roles and we want to continue to be an attractive place for women to work.

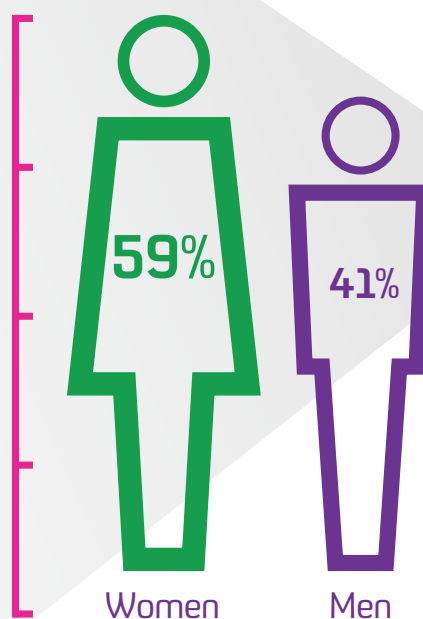
Instead, we must reduce the gap by focusing on increasing the proportion of women in higher-paid roles. In this report, we are setting out the strategy to achieve that, with a goal of a 50:50 gender balance in the top 100 earners by 2023.

We have also looked at the question of equal pay – not required as part of this formal reporting process, but an area that we felt it was important to assess – and commissioned external counsel to conduct a review of a sample of employees. We are pleased that when assessing whether men and women are paid equally for equal work, this external review found no evidence of a systematic equal pay problem. However, that doesn't mean we're complacent, and we're planning a number of steps to ensure that our approach to pay is always as fair and transparent as possible.

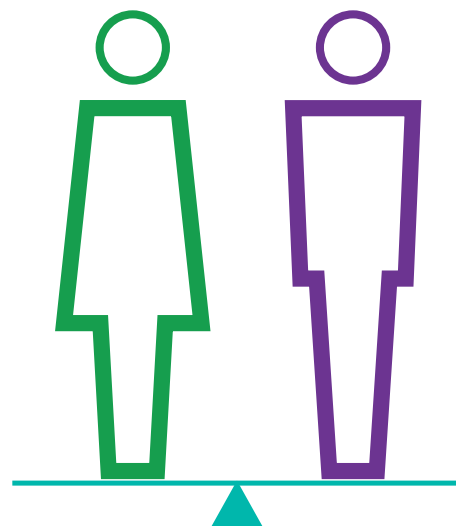
This process has been valuable in prompting Channel 4 and others to take a closer look at the important topic of women in leadership. We want women and men to be equal in the workplace and we aim to be at the vanguard of that, living up to our aspiration to be a truly inclusive organisation.

Alex Mahon
Chief Executive
19 March 2018

Channel 4 employs more women than men:

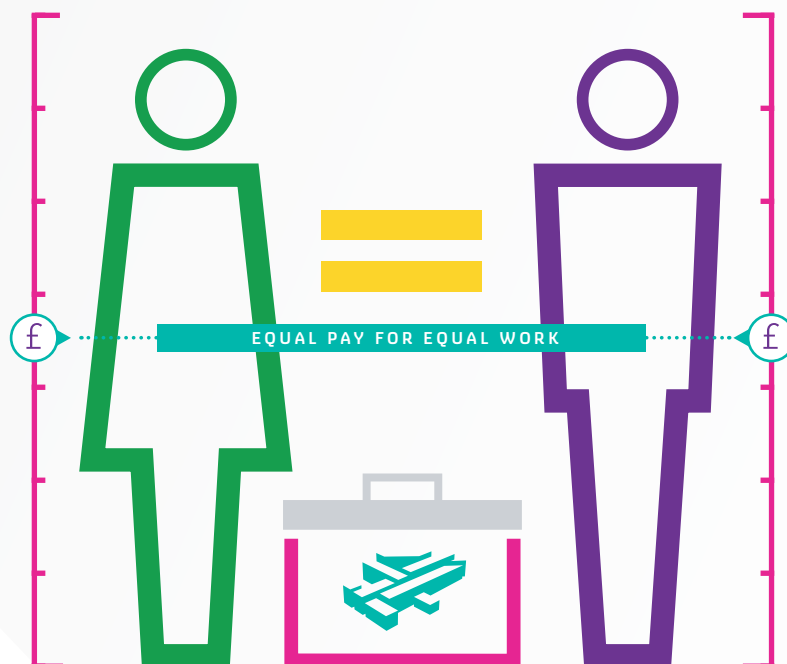


Channel 4 is targeting a 50:50 gender balance in the top 100 earners by 2023. Currently men make up 66% of this group.



EQUAL PAY AT CHANNEL 4

Channel 4 is committed to providing equal pay for like work or work of equal value¹. It is right and it is a legal requirement.



What is equal pay?

Equal pay is a legal requirement, set out in the Equality Act 2010, to ensure that men and women performing like work or work of equal value are treated the same. It is the law and all employers must observe it.

Equal pay applies not just to salary, but to all contractual terms and conditions of employment, such as holiday entitlements, contractual bonuses, pay and reward schemes, pension payments and other contractual benefits.

The principle of equal pay has been part of UK law for some time. Equal pay law does not require that everyone doing the same job or an equal value job must earn exactly the same. There are a number of legitimate, non-discriminatory reasons why individuals performing the same duties may be paid differently – for example, factors such as experience, performance and relative competency may all be relevant.

We are confident that Channel 4 is compliant with equal pay law².

In order to verify this, we commissioned a review earlier this year, led by external counsel Lewis Silkin LLP, which looked at samples of broadly comparable groups of employees. Based on the samples analysed, the review found that there was no evidence of a systemic equal pay issue at Channel 4. Employees were either being paid the same for equal work, or there were legitimate non-discriminatory reasons for pay differences.

We are not complacent, however, so to demonstrate our commitment, we have also set up a separate internal process for employees with any concerns about equal pay to raise them. We will review these promptly and thoroughly with the assistance of external counsel. We also propose to undertake a wider review of our pay practices, and look at the introduction of job levels with more clearly defined benchmark pay ranges across the organisation within the coming months.

¹Channel 4 is committed to providing equal pay for like work or work of equal value unless non-discriminatory material factors justify differences.

²Based on a sample of 30 job titles with more than five incumbents, representing circa 300 employees in total.

24.2%

Channel 4's gender pay gap
(median)

GENDER PAY AT CHANNEL 4

28.6%

Channel 4's gender pay gap
(mean)

What is the gender pay gap?

The "gender pay gap" is a metric that measures the difference in the average hourly pay of all men and all women across an organisation, by reference to both mean and median figures. The pay taken into account includes basic pay, allowances and bonuses paid in March 2017 to Channel 4 employees as at the public authority snapshot date of 31 March 2017.

59% of all of our employees are female and we have a low employee turnover rate. Yet, while confident that we pay our employees fairly, we do have a gender pay gap and we are committed to taking steps to address this.

What are quartiles?

Quartiles refer to the division of data into four equal-sized groups. When calculating gender pay gap data, the quartiles are calculated by listing all employees' earnings in order (from highest to lowest), and splitting them into four even groups. This then allows you to calculate the proportion of men and women in each quartile.

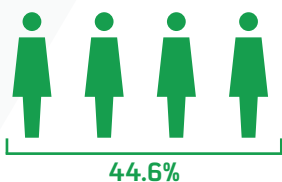
There are almost twice as many women as men in the lower two quartiles (62% and 68%).

Based on mean average, Channel 4 has a gender pay gap of 28.6%. This is created by two key factors:

- there is a large number of women in the lower two quartiles of the organisation
- the majority of employees in the highest-paid quartile are men.

Highest earners
↑
↓
Lowest earners

UPPER QUARTILE



GENDER PAY GAP (MEAN) BY QUARTILE

22.8%

UPPER MIDDLE QUARTILE



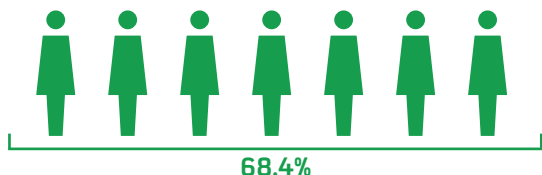
0.6%

LOWER MIDDLE QUARTILE



0.3%

LOWER QUARTILE



-1.4%

GENDER PAY AT CHANNEL 4

Why is this?

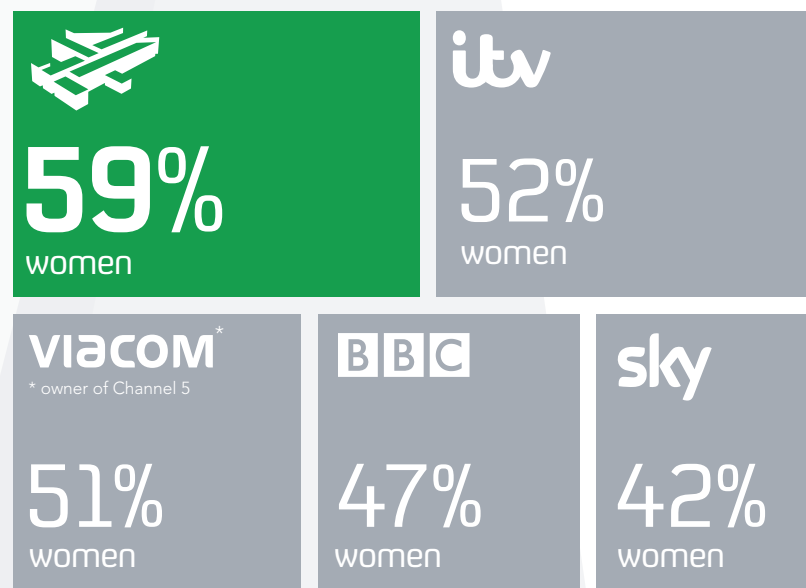
The higher proportion of men among our top-earning employees, coupled with the significant majority of women in the lower quartiles, effectively creates the difference in average pay by gender.

There are two key factors that have created our gender pay gap:

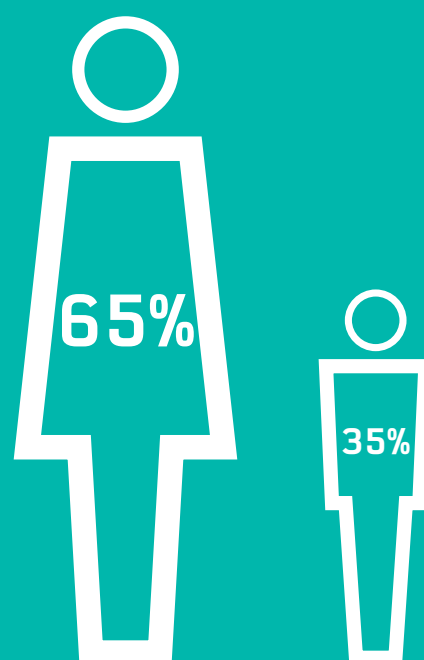
- A** Our gap is skewed by a higher proportion of men in senior positions, including in departments that attract higher average salaries overall, due to external market forces and the need to compete for talent. This factor accounts for close to half of our gender pay gap.
- B** We have nearly twice as many women as men in the two lower-earning quartiles. The high number of women in these lower quartiles pulls down the average female earnings overall and therefore increases our gender pay gap.

We have taken steps to increase the proportion of women in senior roles – for example, growing the proportion of female Heads of Department by +11% between March 2016 and March 2017 to reach 41% of total Heads, but there is still further progress needed, most notably at the highest-paying levels.

Channel 4 employs a greater proportion of women than the other UK public-service broadcasters



There are nearly twice as many women as men in the lower two quartiles:



Within our top 100 earners, this is reversed, with 66% being men.

GENDER PAY AT CHANNEL 4

Bonus gap

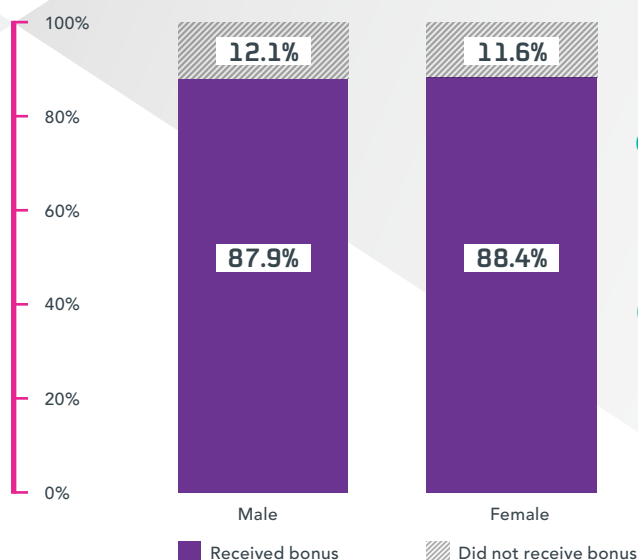
Based on the average annual gross bonus paid, the bonus gap is 47.6% (mean) and 28.7% (median).

While men and women are offered the same opportunities to receive bonuses, there are more men in senior positions with higher bonus rates: bonuses can be up to 10% of total gross salary for staff, 20% for Heads of Department and between 30% and 50% for the Executive team. Our Advertising Sales department operates on a separate scheme, linked to advertising revenue.

In addition, because bonus rates are a percentage of salary, our bonus gap is further increased by the presence of more men in the higher-paying upper quartiles.

This is further exacerbated by 22.7% of our female employees working on a part-time basis, as the gender pay gap reporting legislation requires that bonus gaps be calculated on actual bonus paid, rather than on a full-time pro-rata equivalent amount – i.e. it does not take into account part-time working.

Proportion of Channel 4 employees to receive a bonus:



47.6%

Channel 4's bonus gap (mean)

28.7%

Channel 4's bonus gap (median)

ACTIONS WE ARE TAKING

Diversity at Channel 4

We have always stood up for diversity – it is at the centre of our purpose and a key part of what we exist to do.

This data gives us a solid baseline and enables us to be targeted in where we focus our efforts to make the biggest impact on narrowing our gender pay gap.

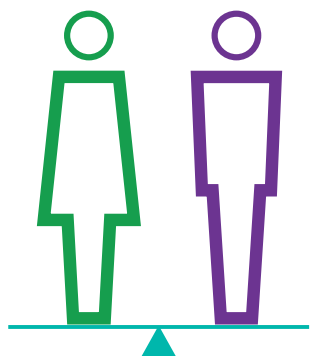
We are fully committed to increasing the representation of women in our upper quartiles through targeted actions. This will help to reduce our gender pay gap significantly.

However, we are unlikely to ever reduce the gender pay gap to zero.

This is because to reduce the gender pay gap to zero we would need to achieve gender parity in our lower two quartiles, which are currently predominantly female (65%).

This is not a stated aim as, if it were, it would result in actions that would go against the spirit of the gender pay gap legislation, which was designed to help women achieve greater equality of opportunity in the workplace.

Channel 4 is targeting a 50:50 gender balance in the top 100 earners by 2023. Currently men make up 66% of this group.



Our aim is to boost the progression of women at senior levels

We believe it is an appropriate target to aim for a 50:50 gender balance among the top 100 earners within Channel 4. Improving the gender balance in the highest-paid roles will have a substantial impact on reducing our gap.

We will achieve this by:

- ① Focusing on career progression for women across the wider organisation, to help create a more equal distribution of gender across all levels. This includes our Women's Development Programme, which will support more than 200 women from across Channel 4 over the next few years.
- ② Reviewing whether the factors that make Channel 4 an attractive place to work are sufficiently applied at all levels within the organisation, including in senior roles. This will be a core project of our new Diversity and Inclusion strategy.
- ③ Undertaking independent qualitative research among female staff and our 4Women network to assess and better understand their views about working at Channel 4, their professional development and career progression opportunities.
- ④ Reviewing our pay practices, harmonising job titles and introducing levels across the organisation. We have updated and revised our Pay Principles, which articulate our approach to remuneration and help our employees better understand progression and promotion routes.
- ⑤ Undertaking a comprehensive review of our recruitment and selection practices to ensure we attract a broad range of applicants and provide a level playing field for applicants at all levels. Plus, we are currently training all hiring managers in inclusive hiring practices, in order to minimise the risk of any unconscious bias in the selection process.

APPENDIX

The vast majority of people who appear in our programmes are not employed by Channel 4 as, unlike most other broadcasters, we commission programmes solely from external production companies. However, a small number of presenters are Channel 4 employees and these have been included in our calculations.

Similarly, production staff engaged in making our programmes are employed by our suppliers. Their data is therefore not included in this report. The calculations do include 22 freelancers who satisfied the definition of employee for the purpose of this reporting requirement.

Non-Executive Directors are excluded from the calculations as they are office-holders, and not employees, of Channel 4. They are selected, appointed by and accountable to Ofcom.

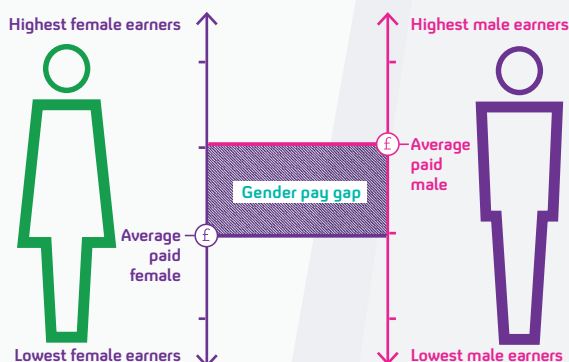
How is the gender pay gap calculated?

What is the 'mean'?

The mean is the arithmetic average of a set of numbers.

The mean gender pay gap is calculated by taking all relevant "ordinary pay" (as defined in the legislation) for women, from the highest to the lowest paid, and calculating the average hourly rate of pay. This is then compared with the average hourly rate of pay for men, calculated in the same way.

The difference between the two is the mean gender pay 'gap'.

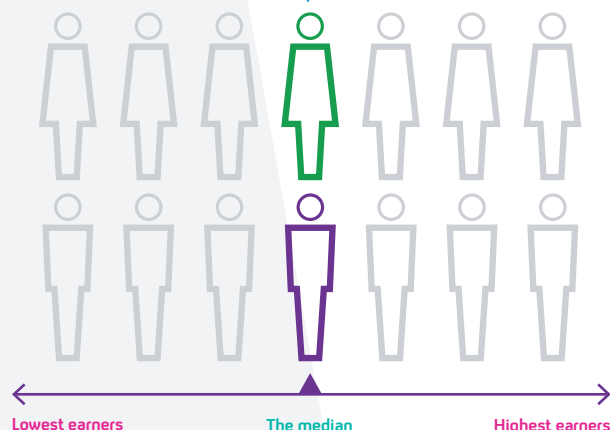


What is the 'median'?

The median is the number in the middle of a set of ordered numbers.

The median gender pay gap is calculated by taking all of the female "ordinary pay" in a sample and lining them up by value, then selecting the middle ranking. This is then compared with the median male hourly rate of pay, calculated in the same way.

The difference between the two is the median gender pay 'gap'.



INDEPENDENT ASSURANCE STATEMENT BY DELOITTE LLP TO CHANNEL FOUR TELEVISION CORPORATION REGARDING THE GENDER PAY GAP DISCLOSURES FOR 2017

What we looked at: scope of our work

Channel Four Television Corporation ('Channel 4') engaged us to provide limited assurance over the six mandatory Gender Pay Gap ("GPG") disclosures ("the subject matter") as required by The Equality Act 2010 (Gender Pay Gap Information) Regulations 2017 and The Equality Act 2010 (Specific Duties and Public Authorities) Regulations 2017 ("the Regulations") for the reporting period ending 31 March 2017. The subject matter addresses the required disclosures for Channel Four Television Corporation, which comprise:

- Mean gender pay gap (%)
- Median gender pay gap (%)
- Mean gender bonus gap (%)
- Median gender bonus gap (%)
- Proportion of men and women receiving a bonus payment (%)
- Proportion of men and women in each quartile pay band (%)

What we found: our assurance opinion

Based on the scope of our work and the assurance procedures we performed, nothing has come to our attention that causes us to believe that the subject matter, as listed above, is not prepared, in all material respects, in accordance with the applicable criteria.

What standards we used: basis of our work and level of assurance

We carried out limited assurance on the selected indicators in accordance with the International Standard on Assurance Engagements 3000 (Revised) (ISAE 3000). To achieve limited assurance ISAE 3000 requires that we review the processes, systems and competencies used to compile the areas on which we provide assurance. This is designed to give a similar level of assurance to that obtained in the review of interim financial information. It does not include detailed testing of source data or the operating effectiveness of processes and internal controls. This provides less assurance and is substantially less in scope than a reasonable assurance engagement.

The evaluation criteria used for our review were The Equality Act 2010 (Gender Pay Gap Information) Regulations 2017, as described at: <http://www.legislation.gov.uk/ukdsi/2017/9780111152010> and The Equality Act 2010 (Specific Duties and Public Authorities) Regulations 2017 as described at: <https://www.legislation.gov.uk/ukdsi/2017/9780111153277>.

What we did: our key assurance procedures

To form our conclusions, we undertook the following procedures:

- Interviewed management at Channel 4, including those with operational responsibility for the assured indicators listed above;
- Evaluated the approach for measurement, calculation and reporting of each indicator as set out in the reporting criteria at: <http://www.legislation.gov.uk/ukdsi/2017/9780111152010> and <https://www.legislation.gov.uk/ukdsi/2017/9780111153277>;
- Understood, analysed and tested on a sample basis the key structures, systems, processes, procedures, and controls relating to the aggregation, validation, and reporting of the mandatory GPG indicators set out above; and
- Reviewed the content of the draft disclosure against the findings of our work and made recommendations for improvement where necessary.

Limitations

In relation to our work performed on the subject matter, we note that our scope of work did not include examinations of the underlying data systems, or the accuracy of the underlying data in systems operated by Channel 4.

¹The levels of assurance engagement are defined in ISAE 3000 (Revised). A reasonable level of assurance is similar to the audit of financial statements; a limited level of assurance is similar to the review of a half year financial report.

Responsibilities of Directors and independent assurance provider

Channel 4's responsibilities

The Directors are responsible for the preparation of the subject matter and statements contained within any voluntary narrative disclosure. They are also responsible for establishing and maintaining appropriate performance management and internal control systems from which the reported information is derived and for calculation of the required indicators.

Deloitte's responsibilities, independence and team competencies

Our responsibility is to independently express conclusions on the subject matters as defined within the scope of work above to Channel 4 in accordance with our letter of engagement. Our work has been undertaken so that we might state to Channel 4 those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Channel 4 for our work, for this report, or for the conclusions we have formed.

The maintenance and integrity of Channel 4's websites is the responsibility of the Directors; the work carried out by us does not involve consideration of these matters and, accordingly, we accept no responsibility for any changes that may have occurred to the reported subject matter when presented on Channel 4's website.

We complied with Deloitte's independence policies, which address and, in certain cases, exceed the requirements of the International Federation of Accountants' Code of Ethics for Professional Accountants in their role as independent auditors, and in particular preclude us from taking financial, commercial, governance and ownership positions which might affect, or be perceived to affect, our independence and impartiality, and from any involvement in the preparation of the subject matter. The firm applies the International Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our team consisted of a combination of Chartered Accountants with professional assurance qualifications and professionals with a combination of responsible business experience, including many years' experience in providing non-financial assurance.

We have confirmed to Channel 4 that we have maintained our independence and objectivity throughout the year and in particular that there were no events or prohibited services provided which could impair our independence and objectivity.

Deloitte LLP

London, United Kingdom
13 March 2018

Appendix 1: Gender Pay Gap calculations

KPI	Assured value
Mean gender pay gap (%)	28.6%
Median gender pay gap (%)	24.2%
Mean gender bonus gap (%)	47.6%
Median gender bonus gap (%)	28.7%
Proportion of men and women receiving a bonus payment (m/f)	87.9% / 88.4%
Proportion of men and women in each quartile pay band (m/f)	
• Lower	31.6% / 68.4%
• Lower middle	37.9% / 62.1%
• Upper middle	50.2% / 49.8%
• Upper	55.4% / 44.6%