Fair-ON-Pay

Certification for equal pay between women and men

Fair-ON-Pay Norm

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Owner:
The Fair-ON-Pay Association

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1 Fair-ON-Pay Norm

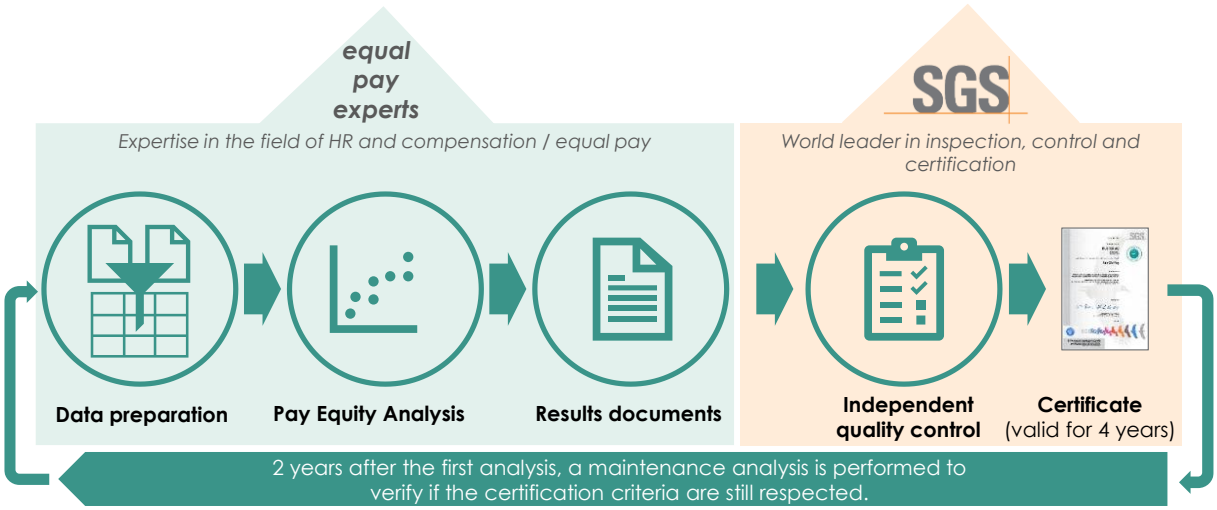
Fair-ON-Pay is a standardized analysis process that examines equal pay within an organization according to defined requirements. Companies that adhere to these requirements can be awarded with the Fair-ON-Pay certification label.

The Fair-ON-Pay Association, based in Switzerland, defines the Fair-ON-Pay standard and process, and ensures its maintenance and further development.

This document describes the Fair-ON-Pay requirements (i.e., the Fair-ON-Pay Norm).

1.1 Procedure

The Fair-ON-Pay analysis needs to be carried out by accredited experts in the field of equal pay and can lead to a four-year certification, issued by SGS as an independent quality auditor.



Data preparation
In order to be able to carry out the analysis, the required information must be complete for all employees. The information is then processed by the equal pay experts and checked for data quality and plausibility.

Equal pay analysis
If the data is available in the required quality, it is imported into the Log-ON statistical analysis tool and checked for compliance with equal pay. Equal pay is complied with if a defined statistical tolerance threshold within the result is met.

Results documents
If data are of the required quality and complete and the statistical tolerance threshold is not exceeded, the Fair-ON-Pay reports are produced by the equal pay experts as following:

- Technical report: description of the procedure and data processing
- Report of results: explanation of the method of the analysis and presentation of the statistical results of the analysis

Independent quality control
The Société Générale de Surveillance (SGS) verifies the compliance of the reports and underlying data with the defined Fair-ON-Pay requirements and issues the SGS Fair-ON-Pay certificate if all requirements are met. The certificate is valid for 4 years. A maintenance analysis

is performed two years after the 1st analysis; by re-doing the above-mentioned steps with up-to-date data from the organization.

1.2 Requirements and certification level

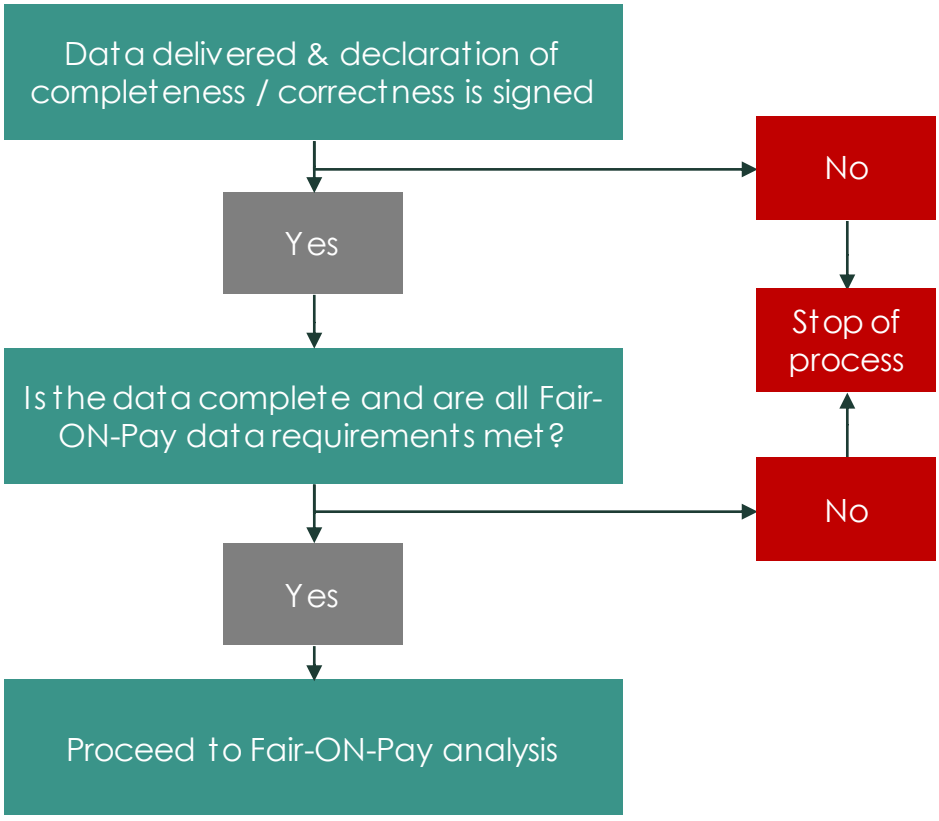
The Fair-ON-Pay norm has three areas of requirement:

1. Compliance with requirements regarding the completeness and correctness of data
2. Compliance with requirements regarding of the statistical result
3. Compliance with requirements regarding possibility of certification

1.2.1 Assessment of the completeness and correctness of the data

The first step is to check whether the data basis for the analysis is sufficient (minimum 50 and complete. If all data requirements are met, a company has the possibility to achieve a FOP certificate.

Based on the processing of the data, the equal pay experts make a judgment as to whether the data basis is sufficient and whether the data requirements have been fully met. In the case of a non-compliance / i.e. major deviations from the data requirements, the Fair-ON-Pay process cannot proceed / will be stopped. The detailed data requirements as well as the allowed possible deviations still leading to a certification are defined in later chapters.



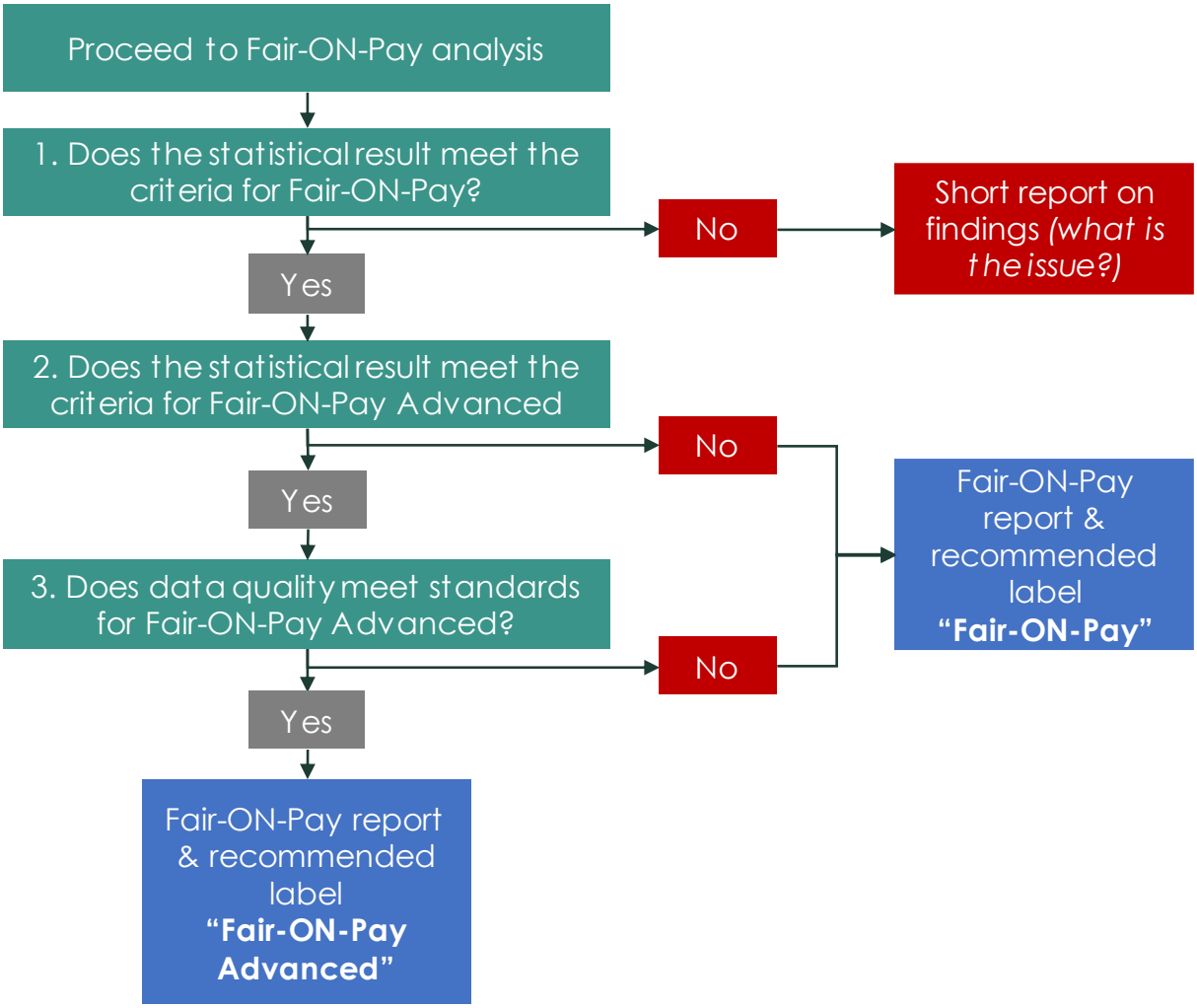
If part of the population is excluded (e.g., Partners, Management Board), this information will be mentioned in the Fair-ON-Pay reports as well as on the certificate itself.

1.2.2 Assessment of the results

The second step is to check whether the statistical data analysis meets the defined threshold.

For this, Fair-ON-Pay uses a standardized analysis process carried out with the "Log-ON" tool. Log-ON is based on the standard analysis tool of the Swiss Federal Office for Gender Equality, which was developed in the early 2000s and has been continuously improved since then. The tool, called Logib, has been awarded the UN Award for Excellence in Public Service and the EPIC Good Practice Label. Basically, Log-ON calculates the **gross** pay gap between men and women and tries to explain the difference based on personal qualification factors, job-related factors and gender. Log-ON can thus determine what proportion of the salary difference between all women and men in a company cannot be explained by objective, non-discriminatory factors and is correlated with gender (potential gender pay discrimination). The resulting gender discriminatory factor shall not exceed a defined tolerance threshold.

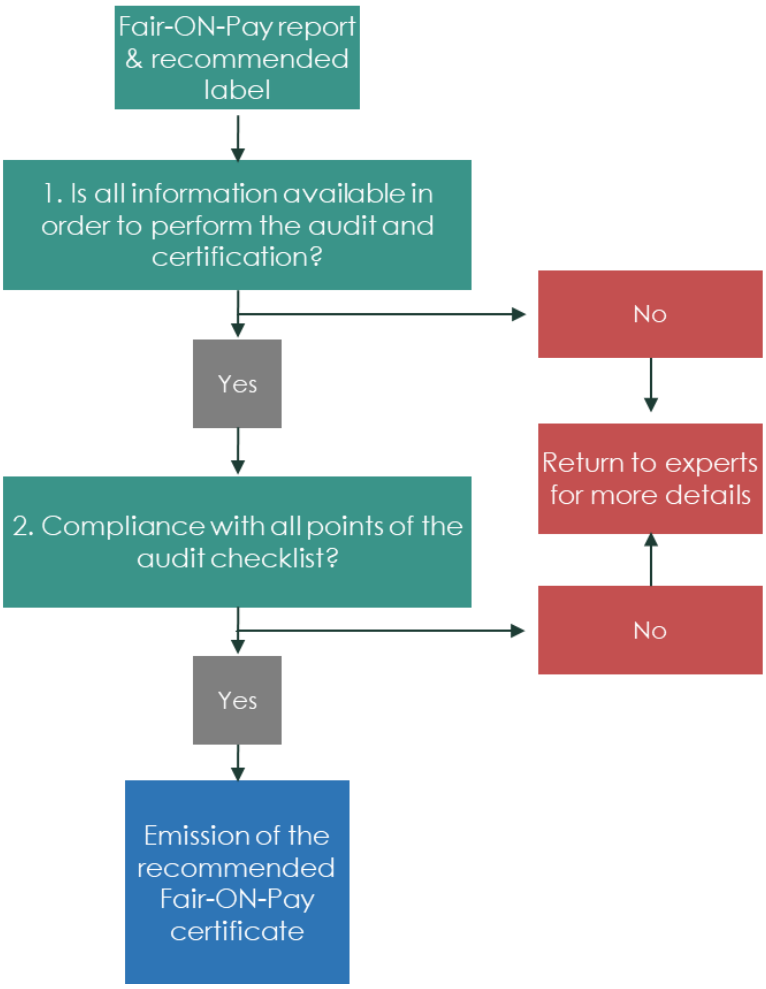
The **result of the statistical equal pay analysis as well as compliance with data quality will determine which type of certification is obtainable**.



The detailed statistical requirements as well as the tolerance threshold and criteria for data quality are defined later (see chapter 3).

1.2.3 Assessment of the possibility of a certification

The third and last step is to submit the analysis and reports produced by the experts to an independent quality auditor. The auditor's role is to verify that the experts carried out all necessary steps according to a predefined checklist. Having confirmed the completeness and correctness of the data as well as the clarity and transparency of the data processing, the auditor can then proceed to emitting the recommended Fair-ON-Pay certification label (Fair-ON-Pay or Fair-ON-Pay Advanced).



2 Fair-ON-Pay data requirements

2.1 Overview

In this step, the experts check the submitted data basis for its completeness for the analysis with the Log-ON tool.

The required data basis is discussed with the organization in advance using a structured checklist.

The needed data can be divided into 3 areas:

1. Data regarding the organization (Fair-ON-Pay checklist)
2. Data on employees (ERP data)
3. Data on individual salary payments (payroll data)

The data supplied by the organization is then checked by the experts using the respective checklist. Missing data and anomalies are reported back to the organization and must be supplemented or adjusted.

The data is then processed by experts to be suitable for the statistical analysis. The processing of the data needs to be performed according to the data processing requirements. There are two types of data processing:

1. Technical data processing – this type of processing purely consists in transforming the available data in the format required by Log-ON (i.e. transform a birth date into an age in years)
2. Qualitative data processing – this type of processing requires to qualify and transform the available data in an objective and systematic way so that it can be used in Log-ON (i.e. qualify the ranking system in the company and categorize the ranks into a defined number of levels of professional position)

Based on the processing of the data and documents, the experts assess whether the data basis is complete and whether the data requirements for the processing of the data basis have been met. Depending on the quality of the data basis, there may be deviations from the Fair-ON-Pay requirements - the extent of the deviations has an impact on whether the certificate can be issued or not.

2.1.1 Data regarding the organization (Fair-ON-Pay checklist)

Generally speaking, the employer is the natural or legal person in the employment relationship who benefits from the work done and thus has an obligation arising from the employment contract, which, in particular, means paying the salaries. In the few instances (e.g., in the case of a group of companies) in which it is not clear who the employer is, the respective labor law practice can be applied.

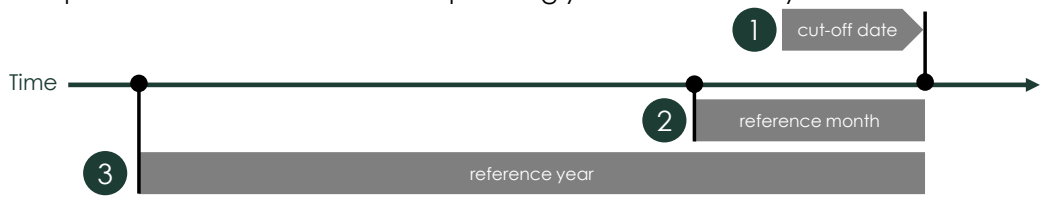
The Fair-ON-Pay analysis may apply to a legal entity (an employer in the legal sense) or to a group of entities or a portion thereof. Depending on local legislation and regulatory guidelines, it makes sense to perform a Fair-ON-Pay analysis per legal entity.

Henceforth, the organization / entity to analyze will be called “company”.

For the company to be reviewed, two conditions must be met:

- Company set a “cut-off date”
- Fair-ON-Pay Declaration of accuracy must be complete and signed.

Fair-ON-Pay requires that the company defines reference date for the equal pay analysis ("cut-off date"). The date always needs to be the last day of a month. The month of the beforementioned specified cut-off date is then the "reference month". The reference month plus the 11 previous months is then correspondingly the "reference year".



The Fair-ON-Pay Declaration of accuracy is a document that needs to be completed and signed by the company by filling out:

Required data	Description	Requirement for Fair-ON-Pay Norm
Company	Name of the company as it will appear on the certificate at the end of the process	optional
Reference date	Date to which the population refers (cut-off date). It always needs to be the last day of a month. *Reference month* *month of the reference date* *Reference year* *reference month + 11 months preceding months*	mandatory
Declaration signed	Declaration of completeness / correctness must be signed	mandatory

Any deviations from the defined mandatory data requirements for the declaration of accuracy will result in the termination / stop of the Fair-ON-Pay certification process.

2.1.1.1 Data processing requirements on data of the organization

Only technical data processing is required in this stage.

2.1.2 Data on employees (ERP data)

In principle, all persons employed in the company, i.e. employees from all business units and places of activity who were employed by the company and contractually may receive a salary in the reference month should be part of the population. This also includes executive directors, partners, and members of the board of directors, provided they have a contract of employment with the company and are actively involved in its operation.

Certain groups of employees from that total population with a special employment situation will be specifically marked and then later excluded from the analysis to avoid distorting the results of the analysis.

For the population to be analyzed, the following data are required per person. Typically, this information is provided based on a download of the organizations Enterprise Resource Planning (ERP) system (1 line per employee or employment contract). If necessary, it can be completed by other lists from other systems. The 'contract view' applies to the equal pay analysis. Individuals with more than one role or employment contract (concurrent employment) are to be entered in the data sheet more than once, i.e. once for each employment contract.

For ensuring consistency, the defined cut-off date has direct implications:

- The relevant "population" (list of all employees) is defined as of the reference date
- Personal data (e.g. age, seniority, personal education) refer to the reference date
- Role-related data (e.g., degree of employment, role, complexity of activity, professional position) refer to the reference month

Required data	Description	Requirement for Fair-ON-Pay Norm
Personnel number / Identification key	Unique identifier as identification for any individual person (i.e., *an unambiguous key)*	mandatory
Gender	Indication of the legally recognized sex[1]	mandatory
Age	Indication of the person's date of birth OR age in years as of the *reference date*	mandatory
Entry date / Seniority	Date of entry OR indication of the duration of the affiliation to the enterprise (seniority) as of the *reference date*	mandatory
Level of employment / activity rate	Information on the level of employment / (activity rate (in % of full-time) OR a derivative from the weekly (or hourly) working hours	mandatory
Highest completed education	Highest level of completed education	mandatory
Role	Role (function/job) performed by the individual	mandatory
Structuring elements on position in the company	Indication of how much responsibility is assigned to the role (e.g. hierarchy / management level, rank, grading, disciplinary or technical management, autonomy, etc.)	mandatory
Structuring elements on the level of competency in the company	Information on the complexity / requirement level of the role (e.g. job evaluation, grading, requirement level, etc.)	mandatory
Gross basic salary (at a full-time equivalent)	Contractually agreed gross base salary (at full-time equivalent as an annual figure in local currency) or hourly rate for hourly paid employees For both above cases: *Excluding special / variable payments, before deduction of taxes, statutory supplements for holidays/holidays, etc.*	mandatory
Weekly working hours	Indication of the standard weekly working hours for full-time employees. *If different target working times exist (e.g. according to occupational groups), all regulations must be stated individually or documented separately.*	mandatory
Number of monthly salaries	Indication of the number of salary payments per calendar year. *If there are different payment modes (e.g. according to occupational groups), all regulations must be stated individually or documented separately.*	mandatory
Region	Indication of the region in which the person is employed *(please refer to country specific guidelines, where available)*	optional

[1] Depending on local legal circumstances, other genders officially exist in addition to the female and male gender. Such people are excluded from the analysis, considering that Fair-ON-Pay is an equal pay analysis between women and men only.

The following exceptions are possible within the Fair-ON-Pay certification:

Possible deviations for Fair-ON-Pay:

- No ERP data for individuals that would be later excluded from the analysis anyways:
  - vocational trainees and/or interns with a "training character" role,
  - employees with a partial disability a consequently reduced salary (special employment contracts),
  - employees with a special remuneration that cannot be converted to a degree of employment (e.g., monthly fixed amount "on the side" position for a janitor)
  - expat/inpat contracts with lack of remuneration comparability.
- Missing highest completed education information for a small portion of the population (max. 5% of the population) AND the efforts for their subsequent collection would be out of proportion to the Fair-ON-Pay mandate (in terms of time and costs) or can no longer be collected because the person(s) concerned have already left the company. In such a case, the highest education can be derived via the role (e.g., "modus" of the education level of the other persons in the same role).
- Missing employee groups: In such cases, the excluded employee (groups) will be stated on the certification itself.
- No structuring elements exist in the company beside the role.

Any other deviations from the defined data requirements for the checklist will result in the termination / stop of the Fair-ON-Pay certification process.

2.1.2.1 Data processing requirements on data on employees

Regarding the employee data, Log-ON requires three types of data that must be processed on a qualitative basis.

- Competency level: Log-ON gives the possibility to categorize all employees of an organization into up to 8 different competency levels. Experience in the application of Log-ON has shown that in most medium and large organizations 5 or 6 levels are sufficient to represent the company in a reliable and plausible way. It is technically possible to use less than 4 levels, but it is important to be able to justify that it is relevant for the organization (e.g. a very agile organization where all employees are expected to be able to do everything AND there are almost no complexity / seniority differences).
- Professional position: Log-ON gives the possibility to categorize all employees of an organization into up to 8 different levels of hierarchy / responsibility (professional position). Experience in the application of Log-ON has shown that in most medium and large organizations 5 to 6 levels are sufficient to represent the company in a reliable and plausible way. It is technically possible to use less than 5 levels, but it is important to be able to justify that it is relevant for the organization (e.g. a very small company; or a company that applies a holacracy).
- Region: Log-ON gives the possibility to categorize all employees of an organization into up to 8 different work regions within a country. The definition of the regions must comply to clear objective officially recognized regional delimitations or official groupings of regions. It is important to ensure that the regions are representative and do not contain too little employees.

Note: The Log-ON methodology allows additional explanatory factors to be taken into account in the model (e.g., pro rata factor, manager flag). However, these may not be used for the final variant, which serves as the basis for certification, but are used to gain insights during the analysis phase.

2.1.3 Data on individual salary payments (payroll data)

2.1.3.1 Definition of salary for the purpose of the equal pay analysis

The principle of equal pay applies to total salary, as discrimination can occur in various salary components. However, the meaning of the term 'salary' has been variously defined in legislation, case law and doctrine for a variety of purposes. Also, there are further definitions of salary under country specific employment, social insurance and tax law, for example.

Fair-ON-Pay bases its equal pay analyses on wage data in accordance with best practice and from relevant institutions such as the Swiss Federal Office for Gender Equality (FOGE) or the Equal Pay International Coalition (EPIC)

The resulting salary specification (see also appendix 4) established a clear basis by describing which salary components are relevant when carrying out a gender-based equal pay analysis and exactly how they are to be taken into account. In doing so, the pay specification also gives due consideration to the Fair-ON-Pay principle of proportionality: in the present context, this means that the time and effort invested by individual companies in their equal pay analysis must be reasonable in relation to the evidence they are being asked to provide.

It therefore follows that, in certain business constellations, certain elements of salary can be checked to see whether they may justifiably be excluded. If there are binding and contractual rules in place, an exclusion may be justified particularly if the elements of salary in question make up a very small proportion of the total salary and including them would impose a considerable extra administrative burden.

Based on the salary specification, the majority of salary elements used can be included or excluded unambiguously from the equal pay analysis. Unless other country-specific legal provisions exist, the FOP standard is based on the FOGE equal pay manual, which lists the most known remuneration components and groups them into Group 1, Group 1* and Group 2:

- **Group 1 (aka Type A)**: Salary elements to be included
- **Group 1* (aka Type B)**: Salary elements to be included (however might be excluded in individual cases)
- **Group 2 (aka Type C)**: Salary elements to be excluded

Also, there is a general rule in terms of amounts to consider. All remuneration elements need to be taken as "paid out" (not as planned / targeted), however as gross amounts (i.e. no deduction of taxes or insurance). However, Long Term Incentive Plans differ from that rule.

Special case Long Term Incentive Plans (LTI):
Long Term Incentive Plans (e.g., share-based employee participations and other long-term, variable elements of remuneration) regularly qualify as a salary component in various areas of law. As employers have discretion in allotting these elements of remuneration and this discretion can be exercised in a discriminatory fashion, the assessment procedure of the pay specification states that employee participations are to be included in the equal pay analysis.

However, employee participations are generally problematic because the time of accrual (time at which the element is allotted/granted) and time of realization (time at which the element is exercised/sold or received/converted) can sometimes be several years apart.

Therefore, the time of accrual should serve as the basis for including employee participations which are not released at the same time as the right to them is accrued (e.g. in the case of a lock-up period or vesting clause). This also applies mutatis mutandis to other long-term, variable elements of remuneration (e.g. blocked/deferred bonuses, bonus banks). This approach is in keeping with the assessment procedure, which states that disputed elements of remuneration

should only be taken into account if the employer has some discretion in this respect and could exercise such discretion in a discriminatory manner (in relation to the amount and/or group of beneficiaries). The time of accrual for these employee participations is generally the time at which they are allotted. Options can be valued at the time of accrual in accordance with the various known pricing methods, e.g. the Black-Scholes method.

2.1.3.2 Required salary data

For a compliant preparation of the salary components, the following data are required per person based on the organizations salary payment system (payroll):

Required data	Description	Requirement for Fair-ON-Pay Norm
Personnel number / Identification key	Unique identifier as identification for a person; *an unambiguous key*	mandatory
Salary element ID	For each person, the individual salary elements (complete excerpt from the payroll) must be listed per each month of the *reference year*	mandatory
Salary element description		mandatory
Payout month		mandatory
Payout amount		mandatory
Additional salary elements outside of payroll	Any other payment in kind with a salary character based on the definition (see chapter 2.1.3.1.1), which are not listed in the payroll (e.g. LTI).	mandatory *(if available)*

The following exceptions are possible within the Fair-ON-Pay certification:

Possible deviations for Fair-ON-Pay:

1. Non-delivery of salary elements from the payroll in type c (group 2) if they are:
    - social security deduction figures, or
    - technical / accounting figures with no link to salary, or
    - informative figures with no link to salary
2. Depending on the country and the technical structure of the payroll as well as the salary payment [contractual base of payment (e.g., are employees being paid by the hour, day, week or month) and the payout rhythm)], the Fair-ON-Pay statistical data analysis can also be carried out partially or completely on the salary data from the ERP system. To decide, the "principle of proportionality" must be considered (i.e. data consistency between employees must be ensured; however, the effort required to achieve this must not be excessive). However, even in such a case the payroll must be sent anyways to allow for spot data checks.

Any other deviations from the defined data requirements for the checklist will result in the termination / stop of the Fair-ON-Pay certification process.

2.1.3.3 Data processing requirements on individual salary payments

Salary data needs to be processed in a qualitative way by the experts. The processing has two stages of qualitative processing:

1. Each salary type in payroll is reviewed by the experts for its intended use and for any potential for discrimination. Each element is classified into one of the above three categories (1, 1* or 2 – refer to chapter 2.1.3.1). More detail below.
2. Coherence between and "within" each employee: must be ensured to enable a comparability. More detail below.

Classification of salary elements
Having identified the salary elements to be included (Type 1 as well 1* that cannot be excluded), they need to be grouped into one of the following types:

- **Basic salary:** regular remuneration for the contractually owed working hours. Depending on the type of employment, this includes hourly wages, daily wages, weekly wages or monthly wages - i.e. the fixed salary paid for normal work. In countries with a 13th, 14th or x-th monthly salary, the annual salary is divided into x parts. That additional x-th monthly wage is part of the contractually agreed wage and counts in full as a wage element / component. Any further paid out elements are considered either as "allowances" or as "special payments".

- **Allowances:** additional payments made on top of the basic salary, typically on a regular basis, to compensate for specific working conditions, responsibilities, or burdens. They are granted in recognition of particular circumstances or characteristics, such as night shifts, Sunday work, hazardous or physically demanding environments, or standby duties. Examples include shift allowances, hardship or inconvenience allowances, risk or dirt allowances, functional allowances, and on-call compensation.

- **Special payments:** variable, typically non-guaranteed forms of compensation provided in addition to the basic salary. They are typically performance- or results-based and may be tied to individual, team, or company achievements or special occasions. Common types include bonuses, gratuities, commissions, profit-sharing, and employee referral rewards. Special payments can be made regularly (e.g. annual bonuses) or on specific occasions (e.g. goal achievement, company anniversaries, or long service awards). They may also include non-cash benefits with monetary value, such as private use of a company car or gifts exceeding tax-free thresholds. Although mostly not paid monthly, these payments are considered part of total salary and must be accounted for in the equal pay analyses.

Coherence between and "within" each employee:
A statistical equal pay analysis must convert the salary components of all employees to a uniform and thus comparable basis. Typically, the salary components for all employees are "extrapolated" to a full-time position. This process is referred to as standardization. For this purpose, the data on the individual workload (activity rate) on the one hand and on the individual salary components on the other hand must be coherent for each individual person employed. This means that the data provided for each person must be consistent, so that no distortion occurs as a result of the standardization in the context of the equal pay analysis.

For ensuring consistency, the defined cut-off date has direct implications:
- **Basic salary;** is taken as per the reference month
- **Allowances** are taken as per the reference month unless they or are paid out less than on a monthly basis and/or fluctuate over time. For these cases, the remuneration element is taken as per the reference year.
- **Special payments** are taken as per the reference year

Depending on the operational reality, allowances are either regular and stable in terms of amount OR sporadic and/or fluctuating in terms of amount, leading to a consideration as the amount paid out in the reference month or the reference year respectively. A decision per element needs to be taken. Any consideration as per the reference year implies that a yearly average must be calculated (i.e. sum of the payments of each remuneration element over the reference year and then conversion to an average monthly amount).

3 Fair-On-Pay result requirements

3.1 Threshold & statistical tests

The statistical Log-ON model regresses the total salary of all analyzed individuals based on objective explanatory factors as well as the discrimination factor gender in a multiple regression calculation. A Log-ON analysis requires **at least 50 analyzable employees**, with a sample of at least 10% of women and 10% men, but in any case, at least 10 women and 10 men.

In case equal pay exists in an organization, the discrimination factor gender (i.e., the gender coefficient as a %-figure) should have no influence in the statistical model and should therefore equal 0%. However, due to limitations of the statistical model to explain salary differences within an organization (Log-ON specifically is a generic approach to fit for all organizations), there is a need to define a tolerance threshold larger than 0%. The threshold therefore compensates for the part that could be explained by other objective, company-specific factors, but which are not part of the model.

As long as the resulting discrimination factor gender of the statistical model does not exceed the defined tolerance threshold, equal pay is upheld at the company level. However, the result of the analysis must have an **R2 of at least 70%**.

When a statistical parameter such as the discrimination coefficient is estimated, this always includes some uncertainty, as the effective / "true" value of the parameter remains unknown. Nevertheless, a hypothesis can be made about the value and a statistical inference can be used to test this hypothesis. In a hypothesis, a result is considered statistically significant if it is extremely unlikely to have occurred by chance. Therefore, the estimate of the discrimination coefficient should be interpreted together with its statistical significance.

Log-ON assesses the statistical significance of the gender effect in two steps:

- the null hypothesis of the discrimination coefficient of the order **of less than or equal to** the defined tolerance threshold of ±2.5% is tested (significance level α = 5%)
- the null hypothesis of the discrimination coefficient of the order **of less than or equal to** the defined tolerance threshold of ±5% is tested (significance level α = 5%)

3.2 Threshold levels

For the Fair-ON-Pay certification, there are **two tolerance threshold significant levels**[2] for the gender coefficient:

below +/-2.5% to achieve **Fair-ON-Pay Advanced**

below +/-5.0% to achieve **Fair-ON-Pay**

Besides the significance level, the gender coefficient %-figure is also relevant for the Label:

- Figure below +/-2.5% → criteria for **Fair-ON-Pay Advanced** is met in any case **(A)**.
- Figure between +/-2.5% to +/-5.0%;
  - coefficient is not statistically significantly larger than +/-2.5% (i.e., confidence interval overlaps with the ±2.5% tolerance threshold) → criteria for **Fair-ON-Pay Advanced** is met **(B)**.
  - coefficient is statistically significantly larger than +/-2.5% → criteria for **Fair-ON-Pay** is met **(C)**.

[2] The determination of the tolerance threshold is based on the fact that the statistical model "Logib", which is used as a methodical basis for Log-ON, has been applying a threshold of +/-5.0% in legal proceedings in Switzerland for more than 15 years. Due to the fact that Log-ON allows for a finer calibration of some of the explanatory factors than the standard version of Logib, the additional, stricter tolerance threshold is therefore justified.

- Figure above +/-5.0% → Fair-ON-Pay Advanced is not obtainable (although in some cases the coefficient may not be statistically significantly larger than +/-2.5%):
  - coefficient is not statistically significantly larger than +/-2.5% → criteria for **Fair-ON-Pay** is met **(D)**.
  - coefficient is not statistically significantly larger than +/-5.0% → criteria for **Fair-ON-Pay** is met **(E)**.
  - coefficient is statistically significantly larger than +/-5.0% → criteria for Fair-ON-Pay is **not met (F)**.

In **B cases**, Fair-ON-Pay Advanced is in principle obtainable. However, in situations where the statistical test is very "tight" (e.g. smallest changes in the compensation distribution could lead to a significant crossing of the tolerance threshold), the Fair-ON-Pay experts will make a recommendation as to whether Fair-ON-Pay Advanced or rather Fair-ON-Pay should be pursued.

In **E cases**, the discrimination coefficient as a figure is above 5% but not in a statistically significant way (meaning that the confidence interval overlaps with the defined tolerance threshold of 5.0%), equal pay with Fair-ON-Pay is considered respected, however such a case is highlighted as "at risk case".

Result of the statistical Log-ON equal pay analysis		**%-figure** of the gender effect / coefficient *(smaller %-figure = better)* ▼		
		below ±2.5%	between ±2.5% to ±5%	above ±5%
Lowest level of adhered statistical significance of the gender coefficient ▶ *(lower %-level = better)*	Not significant above ±2.5%	**Case A** Fair-ON-Pay Advanced	**Case B** Fair-ON-Pay Advanced*	**Case D** Fair-ON-Pay
	Not significant above ±5%	n/a	**Case C** Fair-ON-Pay	**Case E** Fair-ON-Pay (at risk case**)
	Significant above ±5%	n/a	n/a	**Case F** Non-compliance with equal pay

* In some cases, the experts may recommend staying on the Fair-ON-Pay certificate if, based on the data, the risk of downgrading is high.

** Statistical borderline cases in which there is a particularly high risk of significantly exceeding the tolerance threshold when the equal pay analysis is repeated.

3.3 Data quality requirements

If the demanding statistical requirements for Fair-ON-Pay Advanced are met, the data quality needs to be assessed in order to determine whether a Fair-ON-Pay Advanced certification can be recommended or not.

A Fair-ON-Pay Advanced certification implies not only that the statistical results comply to the above defined thresholds, but also that data is sufficiently structured and that the statistical result is sufficiently stringent.

Therefore, the following additional criteria also need to be met:

1) **Suitable Structural Element(s):** The organization to be reviewed must have an appropriate structure in addition to the role itself. This requires one or more structural elements. The structural element or a combination of several must meet the following requirements:
   i. All employees to be considered for the analysis can be clearly assigned to structural elements,
   ii. It exists consistently throughout the entire organization OR there are clear equivalences between several structural elements for different areas of the organization,
   iii. It must be suitable for systematically assigning/calibrating the factors "Professional Position" and "Competence Level",
   iv. It must be sufficiently differentiated to calibrate these two factors differently from each other.

   The goal is that such a consistent structure results in the most precise and uniform approach possible across the entire organization for grouping comparable activities in terms of pay equality ("Equal pay for equal and equal value").

   Structural elements exist in various forms (e.g., a job architecture with levels, a ranking system, a grading system, etc.) and in different manifestations and are also sometimes named differently from organization to organization. Accordingly, this requires a situational assessment by the Fair-ON-Pay experts, whereby a qualitative assessment must usually be made as to whether the structural element(s) of the organization to be reviewed meet all the above conditions. In particular, the assessment of the absence of a suitable structure must be documented in the reporting.

2) **Narrow confidence interval**: The Log-ON tool runs a mathematical multiple regression analysis, which attempts to explain the salary of each employee "regressively". Log-ON statistically calculates (estimates), the gender discrimination factor. The "true" figure, however, is unknown, but is very likely to be close to this estimated figure. Accordingly, the reliability - the "significance" - of the discrimination coefficient (gender effect) must be checked in every regression analysis carried out.

   This statistical test is carried out using a mathematical confidence interval, which is - visually speaking - "wider" or "narrower" depending on the variance of the discrimination coefficient. With very high confidence, the "true" value of the respective gender effect lies within this calculated interval.

   Depending on the size of the employee sample and the distribution of the data, the confidence interval can be more or less “wide” or “narrow”. However, an “Advanced” certification implies that the result of the analysis must be within a “narrow corridor” – hence, if the confidence interval is **over 7.5%-points** wide, an “Advanced certification is not possible”. On this basis, an Advanced certification is very difficult to obtain for smaller companies.

4 Appendix

4.1 Pay specification

Pay specification – Definition of pay
The principle of equal pay applies to total pay, as discrimination can occur in various wage components (basic salary, allowances, variable pay and any special payments). However, there is no global definitive definition or comprehensive list of all relevant salary elements that may exist.

According to good practice, doctrine and case law, variations in pay are nondiscriminatory if they can be justified by objective, non-discriminatory factors. These factors must not discriminate between the sexes, either directly or indirectly. Objective criteria are non-gender-specific criteria that influence the value of the work (e.g., education, age, experience, job-related tasks, the demands of the job). In the context of company-level equal pay analyses, individual pay elements must therefore be included, especially those with a (theoretical) potential for discrimination.

However, due to fact that there are numerous salary elements and their various implementations and/or regulations (by the organization and/or law), it is impossible to compile a definitive list of salary elements for the specific purpose of an equal pay analysis. Rather, it is crucial to define an "assessment procedure" to create the basis to decide on a company level which salary elements to include and which to exclude for each equal pay analysis.

Pay specification - Assessment procedure to define relevant salary elements
Fair-ON-Pay uses the assessment procedure defined by FOGE (see FOGE Logib Guideline). The FOGE Logib guideline contains an overview of the most known salary elements and classifies them into three groups:

- **Group 1 (aka. Type A)**: Salary elements to be included
- **Group 1* (aka Type B)**: Salary elements to be included (however might be excluded in specific constellation based on company specific and/or legal regulations)
- **Group 2 (aka Type C)**: Salary elements to be excluded

With that list, the most commonly used salary elements can be unambiguously included (Group 1, aka Type A) or excluded (Group 2, aka Type C) from the equal pay analysis. If a payroll system is in place, all payroll elements must be examined in detail. If no payroll system exists, all available salary elements must be checked.

The following procedure must be used to examine whether any salary element classified as Type B (i.e. Group 1) may be excluded or not. If an element is excluded, this applies to all employees of the company in question. **If the decision to include or exclude an element based on the assessment procedure is inconclusive, the element should be included.**

Assessment procedure for remuneration elements type B (Group 1*)

1. Salary statement
    - Is the amount of the remuneration element listed on the employee's **salary statement** and is the element reported as salary (and **not as a reimbursement for expenses** of the employees under a specific section)?
    - If yes: Continue to step 2
    - If no: Wage element is to be excluded

2. Law
    - Is the remuneration element regulated by **law** and the payments in the company do not significantly exceed these statutory provisions (amount / rate)? *(2.1b in the FOGE assessment)*
    - If yes: Wage element is to be excluded
    - If no: Continue to step 3

3. Internal regulation
    - Does an organizational and **regulatory framework** exist enabling women and men to have equal access to the remuneration element and for the same amount? *(2.1a in the FOGE assessment)*

    - If no: Wage element is to be included
    - If yes: Continue to step 4

4. Other reasons for exclusion
   Is the remuneration element a **SMALL** amount of money which is paid **SPORADICALLY** **and/or** that would involve considerable recalculation work to ensure the **COHERENCY** of the data to be provided? *(2.2 in the FOGE assessment)*
    - If yes: Wage element is to be excluded
    - If no: Wage element is to be included

➔ *See the **FOP Salary Elements Guideline** for technical implementation details of the assessment scheme (overview of the most known salary elements).*

***ATTENTION**: Country-specific* legal provisions *must be considered or take precedence over this assessment scheme.*