



Zurich, July 23, 2020

Scientific validation of the EDGE Gender Pay Gap Analysis Method

As of the 1st of July 2020, Swiss legislation on equal pay requires that organizations with more than 100 employees conduct an analysis of gender pay equity by the 30th of June 2021, verified by an independent body by the 30th of June 2022. Organizations are free to select a specific method of analysis provided it is scientific and in accordance with the law.

The EDGE Gender Pay Gap Analysis Method was developed by the EDGE Certified Foundation to investigate gender pay equity in the workplace for organizations with 100 or more employees. This method is used by organizations globally to assess the risk associated with gender pay equity primarily as part of the preparation for EDGE Certification.

The Department of Economics at the University of Zurich has performed a review of the EDGE Gender Pay Gap Analysis Method, as described in the EDGE Unexplained Gender Pay Gap (UGPG) Analysis Methodology and the Unexplained Gender Pay Gap (UGPG) Analysis Certification Body Verification Requirements, **in order to establish its scientific robustness in terms of gender pay equity in Switzerland.**

Using a linear regression model with Ordinary Least Squares, the EDGE Gender Pay Gap Analysis Method measures whether an organization has an Unexplained Gender Pay Gap, a pay gap that cannot be explained by any other factors than gender. The methodology, which covers all employees in an organization, is based on the following elements:

- Two dependent variables, salary (base salary) and pay (base salary plus bonuses and other cash benefits), which are measured against multiple objective and non-discriminatory explanatory variables.
- Explanatory variables related to the personal characteristics of the employee: tenure, age.
- Explanatory variables related to the type of job of the employee: responsibility of the role, type of performed function, level of responsibility.
- A tolerance threshold for the unexplained gender pay gap to be met that differs based on the number of explanatory variables included in the analysis.

As the explanatory variables used in the analysis include factors related to personal characteristics and the type of job, the EDGE Gender Pay Gap Analysis Method can provide statistically robust results to assess whether an organization has an unexplained gender pay gap, i.e., a pay gap which cannot be explained by the factors incorporated into the analysis.

The EDGE Gender Pay Gap Analysis Method allows organizations the possibility to include additional explanatory variables in line with the organization's compensation and benefits structure. However,



the EDGE Gender Pay Gap Analysis Method expressly excludes any discriminatory variables, such as race, nationality or part-time, or any other variables that are not strictly related to the skills and/or competencies of the employee, or the nature of the job.

On behalf of the Department of Economics at the University of Zurich, I am happy to herewith confirm that the EDGE Gender Pay Gap Analysis Method is a scientifically rigorous method to investigate gender pay equity in the workplace in Switzerland, as set out by the Federal Law on Gender Equality dated 24th of March 1995 with its further amendments and the Executive Order for the Audit of the Gender Pay Gap Analyses dated 21st of August 2019.

Sincerely,

A handwritten signature in blue ink, appearing to read 'R. Ossa'.

Prof. Dr. Ralph Ossa
Chairman of the Department of Economics
Kühne-Professor in International Trade