

Berne, August 6, 2020

Validation letter

The EDGE Gender Pay Gap Analysis Method was developed by the EDGE Certified Foundation to determine whether any unexplained pay gaps between women and men exist. This document verifies that the EDGE Gender Pay Gap Analysis Method is a scientifically rigorous and legally compliant method for analyzing wage equality in Switzerland, in accordance with Art. 13c para. 2 of the Gender Equality Act (GEA).

1. Context

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 is a scientific, legally compliant method to analyze gender pay equity in the workplace for organizations with 100 or more employees. This method is already used by organizations globally (including for example international organizations, international financial institutions, private companies and government agencies) to assess the risk associated with gender pay equity primarily as part of the preparation for EDGE Certification.

2. Overview of the EDGE Gender Pay Gap Analysis Method

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, i.e., a pay gap that cannot be explained by factors related to the skills and/or competencies of the employee or the nature of the job but by gender. The estimation covers all employees in an organization and 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 of +/- 5% for the unexplained gender pay gap to be met that diminishes if a larger set of explanatory variables is 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 that are not strictly related to the skills and/or competencies of the employee, or the nature of the job.

3. Full documentation of the EDGE Gender Pay Gap Analysis Method and guidance for formal evaluation of this method's application

The EDGE Gender Pay Gap Analysis Method is described in full detail in the attached document, which is also available in French. This document is publicly available on the site of the EDGE Certified Foundation.

Guidance for the formal verification of the EDGE Gender Pay Gap Analysis Method is described in full detail in the attached document, which is also available in French.

4. Review of Scientific Rigor and Legal Conformity of the EDGE Gender Pay Gap Analysis Method

I have reviewed the EDGE Gender Pay Gap Analysis Method, as described above, in order to establish its scientific rigor and legal conformity in terms of gender pay equity 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.

I therefore confirm that the EDGE Gender Pay Gap Analysis Method is a scientifically rigorous, legally compliant method to investigate gender pay equity in the workplace in Switzerland. This document serves as verification of the conformity of the Methodology as per Art.13c GEA.

A handwritten signature in blue ink, reading 'I. Stadelmann'.

Prof. Dr. Isabelle Stadelmann-Steffen