



UK  
FINANCE

# **Gender and Ethnicity Pay Gap Report for UK Finance**

Snapshot date 5 April 2021

# Pay gap reporting Overview



## Overview

- Companies who employ more than 250 employees are legally required to undertake gender pay gap reporting on an annual basis. The legislation requires these companies to report the following:
  - Their mean and median pay gap,
  - Their mean and median bonus gap,
  - The percentage of male and female employees who received a bonus payment
  - The percentage of males and females in each pay quartile.
- UK Finance is not legally required to undertake pay gap reporting but has elected to do so on a voluntary basis as part of our inclusion strategy. The government does not require any Company to undertake ethnicity pay gap reporting but many companies elect to do this on a voluntary basis. This is our second voluntary pay gap report.
- In accordance with the government requirements for gender pay gap reporting, the figures must be calculated using a specific reference date - this is called the 'snapshot date'. The snapshot date each year is 31 March for public sector organisations and 5 April for businesses and charities. The data used to prepare this report is based on active employees of UK Finance as of 5 April 2021.
- The statutory deadline for submitting pay gap reports is one year in arrears. The deadline for reporting in respect of the snapshot date of 5 April 2021 is therefore 5 April 2022.

## What is the pay gap?

- The pay gap is a straightforward measure to show the difference in the **average hourly rate of pay** between two groups in a workforce (e.g. men and women or white and non-white colleagues), regardless of job role or seniority.
- Establishing the pay gap provides a framework within which pay gaps between groups can be surfaced so that we can think constructively about why these pay gaps exist and what to do about them. For example, the pay gap can highlight if women or non white colleagues are concentrated in lower level jobs at UK Finance.

## The gender pay gap and unequal pay – what is the difference?

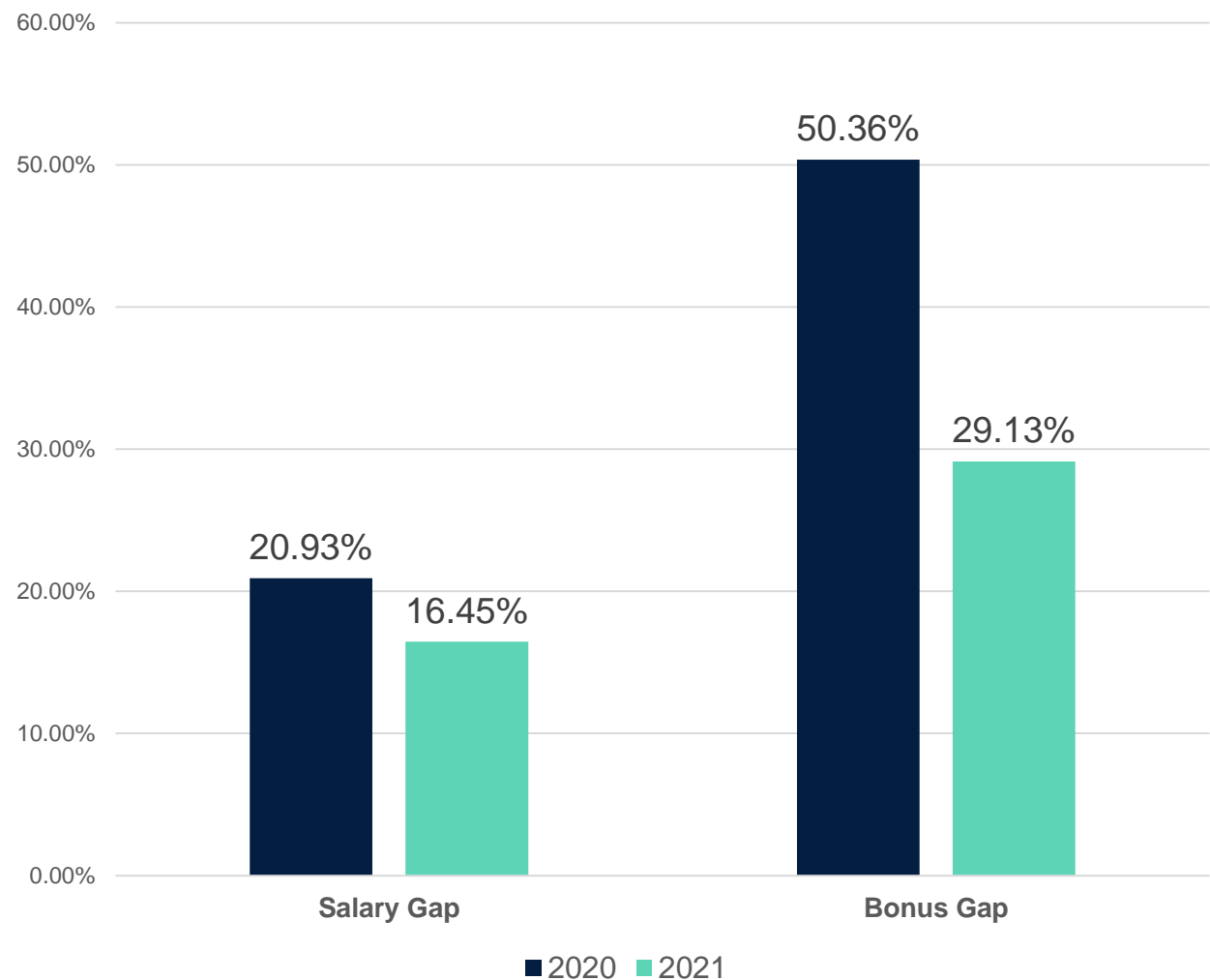
- Establishing our pay gap is **not the same** as measuring 'equal pay'. The gender pay gap is the difference between the median and mean of men and women's pay irrespective of the roles they perform – across the UK, a sector or an entire company.
- Equal pay is paying males and females equally for like work, work of equal value and work rated as equivalent. This has been a legal requirement since 1970. Other discrimination legislation also makes it unlawful to pay someone less because of their race or ethnic origin.

# Gender Pay Gap Comparison

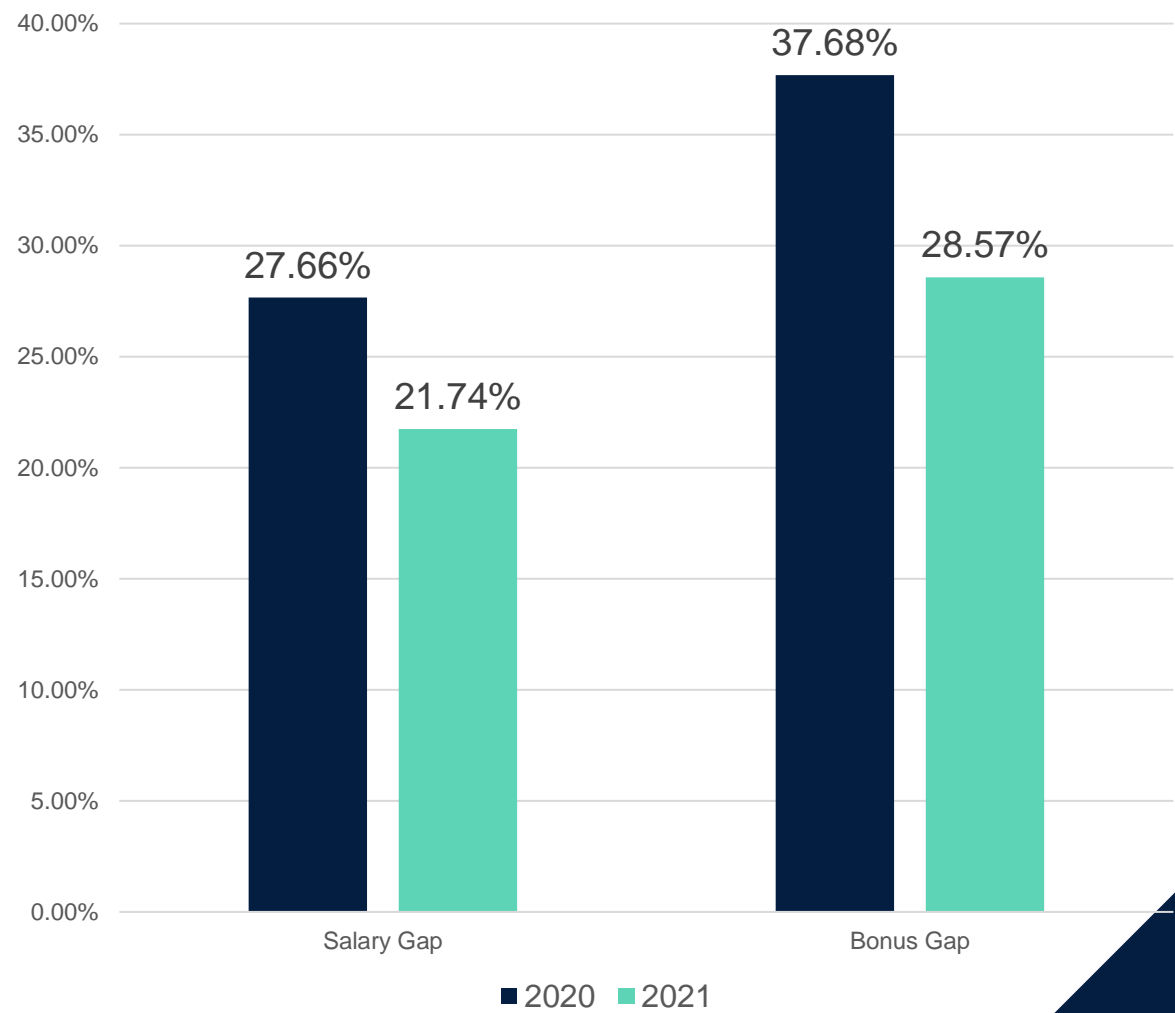
## 5 April 2020 v 5 April 2021



Gender Pay Gap (Mean)



Gender Pay Gap (Median)



# Calculating the pay gap

## How do we calculate the pay gap?

- The pay gap is determined by calculating the **mean** (average) and the **median** (middle) hourly rate of the groups of workers that we wish to compare (e.g. male and female colleagues or white and non white colleagues).
- The difference between the mean and the median hourly rate of pay of the groups which are being compared is shown as a percentage
  - A **negative** percentage figure indicates a pay gap **in favour of female/non white colleagues**.
  - A **positive** percentage figure indicates a pay gap **in favour of male/non white colleagues**.
- All colleagues who were employees of the Company at the snap shot date have been included in the data.
- We have calculated 'hourly pay' in accordance with employees basic annual salary and any allowances they receive.

## Example gender pay gap calculation

	Female colleagues	Male colleagues	Difference between hourly rates	Pay gap
Mean (average ) hourly rate	£15.13	£17.51	£2.38	13.6%
Median (middle) hourly rate	£15.00	£14.00	£1.00	- 7.1%

*Numbers above are for illustration purposes only and do not relate to UK Finance*

## Quartiles

- The pay quartiles are calculated by ranking all hourly rates paid across the business, from lowest to highest and then dividing them into four equal sized groups from the lowest paid quartile to the highest paid quartile. The quartiles also show the percentage of men and women/white and non white colleagues in each group.
- The quartile distribution is intended to provide insight about the 'glass pyramid' or how the comparison groups (e.g. male and female colleagues or white and non white colleagues) are distributed across our Company. The calculation of the quartiles will also pick up on pay gaps at the top of the organisation, even if the mean and median figures have masked this.

# Summary of findings from the data

## Gender hourly pay gap as at 5 April 2021



### Overview

- Overall our **mean** (average) gender hourly pay gap as at 5 April 2021 was **16.5%** (vs 20.9% on 5 April 2020).
- Overall our **median** (middle) gender hourly pay gap as at 5 April 2021 was **21.7%** (vs 27.7% on 5 April 2020)
- Whilst this seems high these figures are comparatively low when compared to member Companies of our Board.

### Reasons for the improvement

This reduction to our pay gap in 2021 is largely attributable to the following factors:

- The increased number of female colleagues at MD level (6 out of 9 MDs were female on 5 April 2021 vs 4 out 8 on 5 April 2020).
- An overall increase in the number of females colleagues occupying roles in the middle and upper quartiles (increased from 39% on 5 April 2020 to 43.5% on 5 April 2021).
- In three out of the four quartiles (including the upper quartile) there is a mean and median pay gap in favour of female colleagues.

### Reasons for the hourly pay gap

- Whilst we are delighted with this improvement there is still significant progress to be made, and our analysis shows us that this pay gap is attributed to the following factors:
  - Whilst women make up 53% of our workforce we have more men than women in the highest ranking roles at CEO, MD and Director level. These roles all fall in the upper pay quartile.
  - We have a larger proportion of women concentrated in the most junior roles at EA and Administrator level. Roles at this level are in the lower quartile.
  - The four pay quartiles (p.6) reflect this concentration of women across our workforce with female colleagues making up 62.5% of the lower and lower middle quartiles and just 43.8% of the upper middle and upper quartiles.
  - Whilst these roles in the lower and lower middle quartiles are competitively rewarded by reference to the market, the fact that so many of them are held by women has the effect of reducing the average pay and bonuses of women in our Company.
- Achieving real progress in reducing our overall gender pay gap relies on improving the gender balance at the most senior levels of our business which is work which is already underway and attracting more men to our secretarial and administrator roles and breaking down the occupational stereotypes.

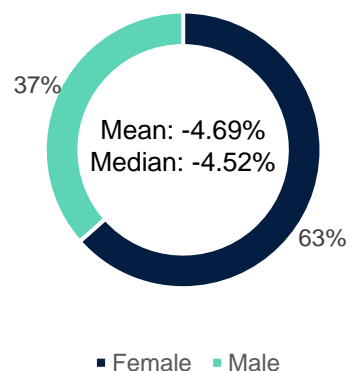
# Comparison hourly gender pay gap data from our Board – Snapshot date 5 April 2020 (2019 figures in brackets)



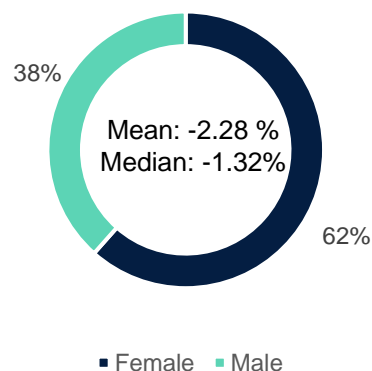
Comparator member organization	Mean Gender Pay Gap	Median Gender Pay Gap
UBS AG	40.1% (42.1%)	38.0% (40.0%)
Paragon Finance PLC	40.4% (41.4%)	35.0% (31.3%)
Bibby Financial Services	37.5% (36.2%)	44.4% (41.9%)
Standard Chartered Bank	30.5% (32.1%)	29.0% (28.4%)
Santander UK	30.7% (31.4%)	27.0% (26.6%)
Coventry Building Society	30.8% (30.9%)	33.3% (33.3%)
Investec Bank PLC	27.1% (29.4%)	23.7% (26.1%)
Nationwide Building Society	28.3% (28.0%)	31.4% (30.0%)
Hoare & Co	19.1% (25.2%)	28.2% (24.1%)
UK Finance (snapshot date 5 April 2021, 2020 in brackets)	16.45% (20.93%)	21.74% (27.66%)
Mastercard	19.4% (20.1%)	15.3% (16.4%)
Morgan Stanley UK Ltd	19.0% (19.9%)	19.7% (22.0%)
American Express	16.1% (19.1%)	6.6% (12.7%)
UK	(17.3%)	
Visa Europe Ltd	4.6% (4.4%)	7.8% (7.4%)

# Pay quartiles – gender hourly pay gap as at 5 April 2021

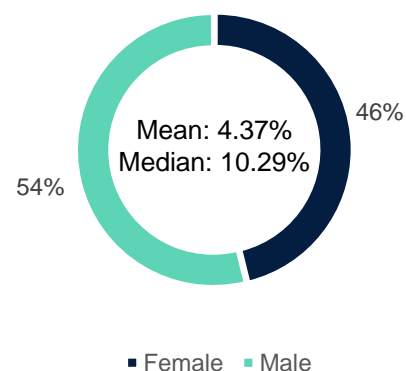
Lower Quartile



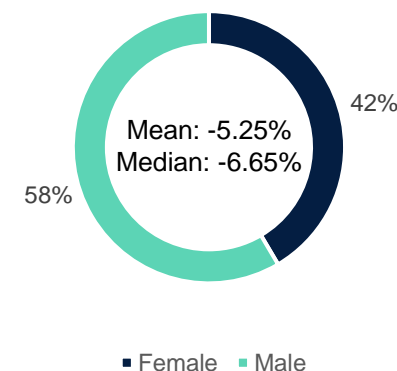
Lower Middle Quartile



Upper Middle Quartile



Upper Quartile



- Overall our **mean** (average) gender hourly pay gap as at 5 April 2021 was **16.45%**.
- Overall our **median** (middle) gender hourly pay gap as at 5 April 2021 was **21.74%**
- In order to determine the quartiles, all employees are ranked in order based on their hourly rate of pay from the lowest paid to the highest paid. The data set is then split into four equal groups or 'quartiles' from the lowest paid quartile to the highest paid quartile.

\*A **negative** percentage figure indicates a pay gap **in favour of female colleagues**

\* **positive** percentage figure indicates a pay gap **in favour of male colleagues**

# Gender bonus gap as at 5 April 2021

## Summary of findings from the data



### Overview

- Overall our **mean** (average) gender bonus gap as at 5 April 2021 was 29.1% (vs 50.4% on 5 April 2020).
- Overall our **median** (middle) gender bonus gap as at 5 April 2021 was 28.6% (vs 37.7% on 5 April 2020).

### Reasons for the improvement

- The gender bonus gap has reduced significantly since 5 April 2020 which is primarily due to the fact that a CEO bonus was not paid out in respect of the 2020 performance year. As the current incumbent of the CEO role will be in post on 5 April 2022, we anticipate that the gender bonus gap will therefore increase again in the next gender bonus gap report. This is because this role is occupied by a male colleague, there is only one role at this level, and there is a considerable gap in the remuneration between the CEO and other senior level roles. As noted by the figures above for 2020, this has previously had the effect of skewing the data set upwards as reflected by the mean being significantly higher than the median in 2020.

### Reasons for the gender bonus gap

Setting aside the impact of CEO remuneration on the gender bonus gap, our analysis shows us that this bonus gap can be attributed to the following additional factors:

- The most highly paid roles receive the largest bonus payments but we have fewer female than male colleagues in these roles (Only 43.8% of roles in the middle and upper middle quartile are held by female colleagues vs 56.2% of male colleagues).
- The bonus pay gap is calculated in accordance with actual bonus received rather than full time equivalent. We have a higher proportion of female colleagues than male colleagues who work part time (11 out of 16 part time colleagues are female) meaning that they receive a pro rated bonus in accordance with their working hours.
- The same number of female colleagues (13.5%) as male colleagues (13.5%) did not receive a bonus. This is broadly because none of these colleagues were employed by the Company during 2020 which is the performance year that the bonus relates to, or they joined too late in the performance year to qualify for consideration for a bonus.

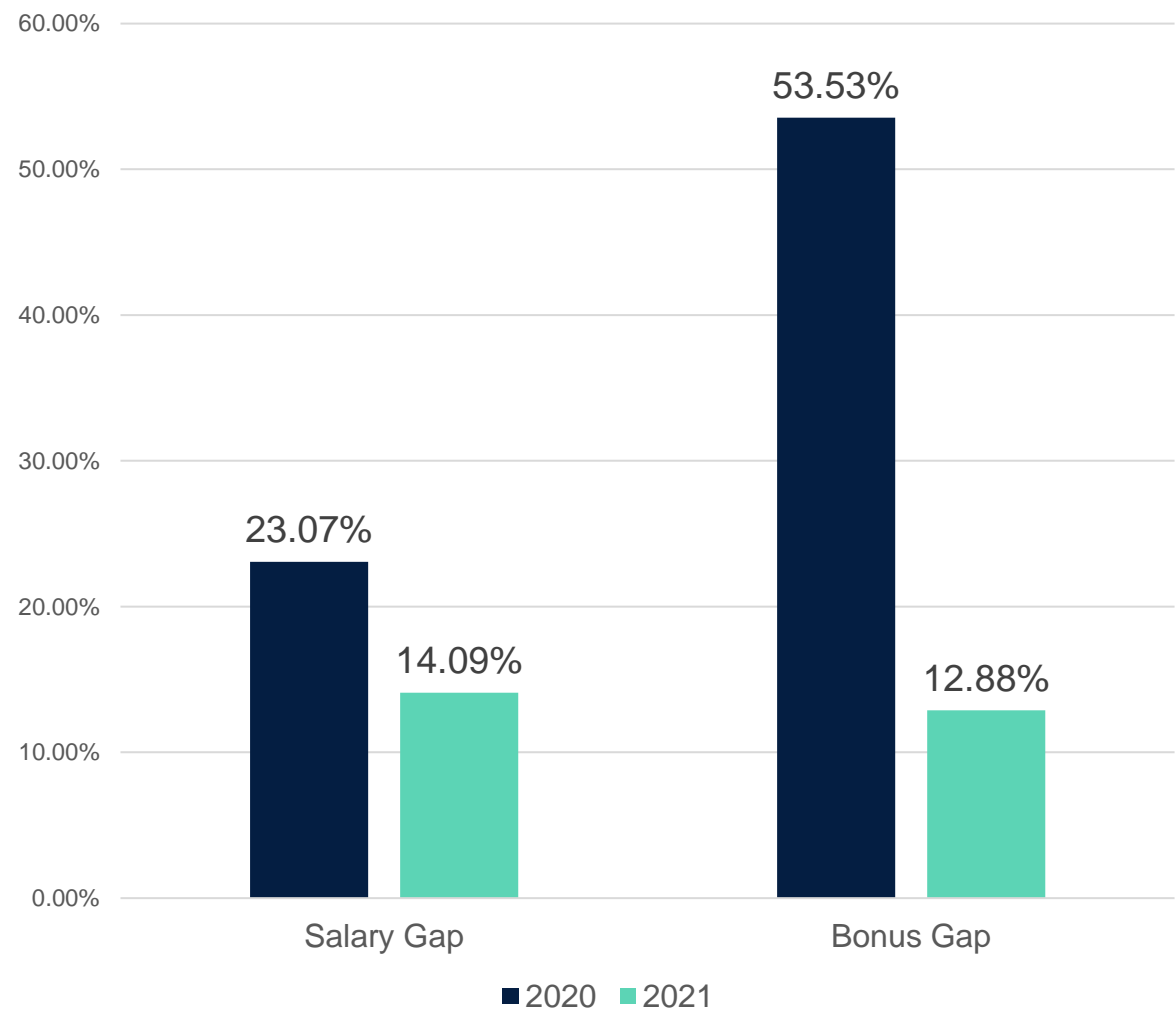


# Ethnicity Pay Gap Comparison

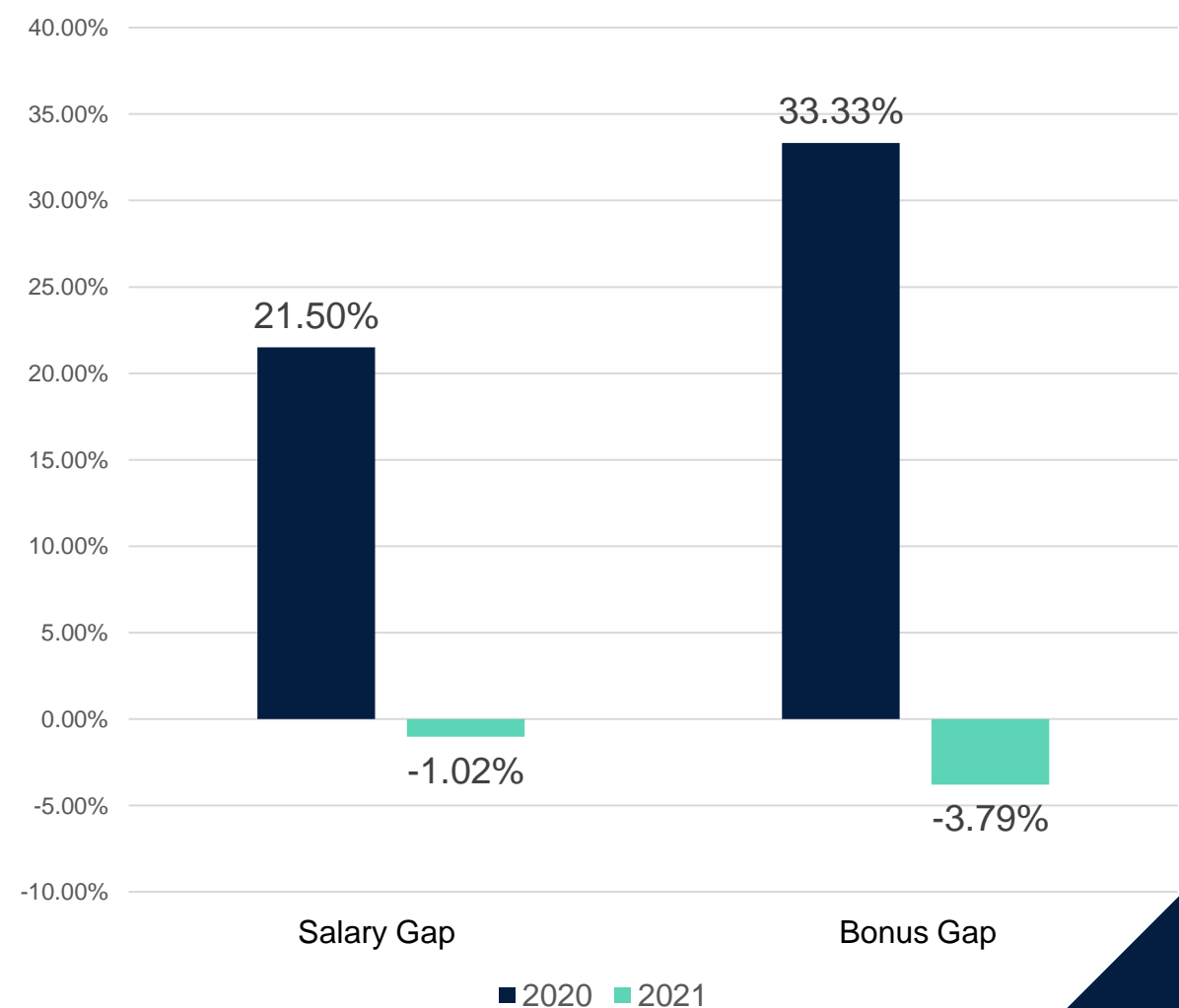
## 5 April 2020 v 5 April 2021



Ethnicity Pay Gap (Mean)



Ethnicity Pay Gap (Median)



# Ethnicity hourly pay gap

## Summary of findings from the data



### Overview

- Overall our **mean** (average) ethnicity hourly pay gap as at 5 April 2021 was **14.1%** (vs 23.1% on 5 April 2020).
- Overall our **median** (middle) ethnicity hourly pay gap as at 5 April 2021 was **-1%** (vs 21.5% on 5 April 2020).
- We have a robust data set for ethnicity with 92% of our colleagues voluntarily disclosing their ethnic background. Based on those who have voluntarily disclosed their ethnicity, approximately 19.3% of our colleagues are non white (for comparison purposes the proportion of people in the UK from a non white background is 14%). Colleagues who have not disclosed their ethnic background have been excluded from the calculations.

### Reasons for the improvement

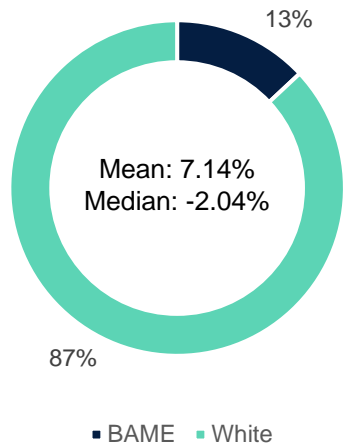
- This reduction to our pay gap in 2021 is largely attributable to the following factors:
  - Overall the proportion of non white colleagues in the lower quartile has reduced from 23% on 5 April 2020 to 13% on 5 April 2021.
  - There has also been a smaller reduction of non white colleagues in the lower middle quartile from 28% to 25%. The proportion of non white colleagues in the middle upper and upper quartiles has however remained consistent.
  - The difference in pay between white and non white colleagues in the upper middle quartile has been significantly reduced (and indeed almost eliminated) with a mean difference of 0.3% and a median difference of just 0.5%.

### Reasons for the hourly pay gap

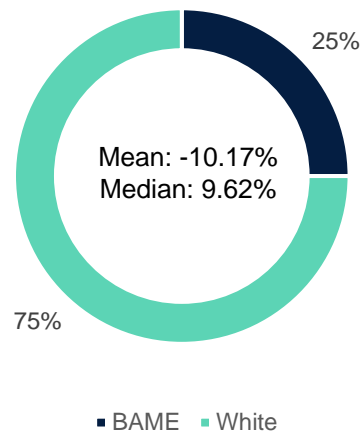
- Our analysis shows us that this ethnicity pay gap is attributed to the following factors:
  - Non white colleagues are well represented across each of the four pay quartiles including the upper quartile, but we do not have any non white colleagues in the most senior level roles of our business at MD/CEO level. These roles are all in the upper quartile.
  - Whilst the proportion of non white colleagues is representative of wider UK society in every quartile, the overall pay gap for ethnicity is impacted by the smaller size of this group relative to white colleagues.
- When we look at the ethnicity pay gap by quartile the gap is significantly smaller across all four quartiles including the upper quartile.
- Achieving real progress in reducing our overall ethnicity pay gap relies on achieving proportionate ethnic minority representation at the most senior level of the business (Director/MD/CEO level).

# Pay quartiles – ethnicity hourly pay gap as at 5 April 2021

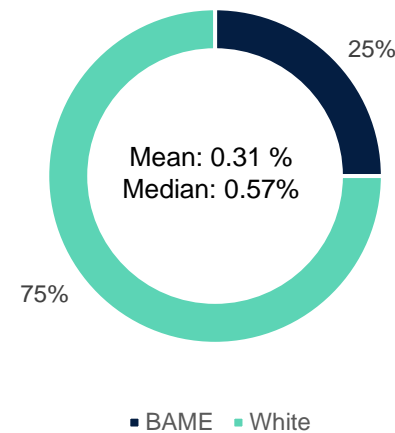
Lower Quartile



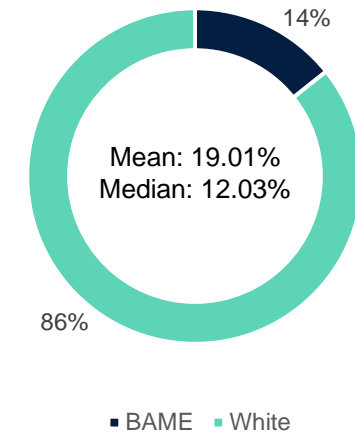
Lower Middle Quartile



Upper Middle Quartile



Upper Quartile



- Overall our **mean** (average) ethnicity hourly pay gap as at 5 April 2021 was **14.09%** (vs 23.1% as at 5 April 2020)
- Overall our **median** (middle) ethnicity hourly pay gap as at 5 April 2021 was **-1.02%** (vs 21.5% as at 5 April 2020)
- In order to identify the quartiles, all employees are ranked in order based on their hourly rate of pay from the lowest paid to the highest paid. The data set is then split into four equal groups or 'quartiles' from lowest to highest paid.

# Ethnicity bonus pay gap

## Summary of findings from the data

### Overview

- Overall our **mean** (average) ethnicity bonus gap as at 5 April 2021 was **12.9%** (vs 53.5% on 5 April 2020).
- Overall our **median** (middle) ethnicity bonus gap as at 5 April 2021 was **-3.8%** (vs 33.3% on 5 April 2020).

### Reasons for the improvement

The significant reduction in the ethnicity bonus pay gap as at 5 April 2021 is primarily due to the fact that a CEO bonus was not awarded in respect of the 2020 performance year, which has the effect of artificially reducing the average bonus payment across the board. As the CEO role has been occupied for the last 15 months by a white colleague, we anticipate a significant increase in the ethnicity bonus gap on the next reporting snapshot date (5 April 2022).

- Despite this however there have been a number of other changes reflected in the data which have also had a positive albeit smaller impact:
  - Overall the proportion of non white colleagues in the lower quartile has reduced from 23% on 5 April 2020 to 13% on 5 April 2021.
  - There has also been a smaller reduction of non white colleagues in the lower middle quartile from 28% to 25%. The proportion of non white colleagues in the middle upper and upper quartiles has however remained consistent.
  - The difference in pay between white and non white colleagues in the upper middle quartile has been significantly reduced since 5 April 2020 (and indeed almost eliminated) with a mean difference of 0.3% and a median difference of just 0.5%.
- **Reasons for the ethnicity bonus gap**
- Our analysis shows us that this bonus gap is attributed to the following factors:
  - The most highly paid roles at CEO and MD level receive the largest bonus payments but we have but we do not have any non white colleagues in these roles.
  - Whilst non white colleagues are strongly represented within the upper middle quartile (25%), there are significantly fewer non white colleagues in the upper quartile (14%)
  - Whilst the proportion of non white colleagues is representative of wider UK society in every quartile, the overall bonus gap for ethnicity is impacted by the smaller size of this group relative to white colleagues.

# Ethnicity bonus pay gap as at 5 April 2021

## Summary of findings from the data



### Colleagues who didn't receive a bonus

- 8.3% of non white colleagues and 15.2% of white colleagues did not receive a bonus.
- This is broadly because none of these colleagues were employed by the Company during 2020 which is the performance year that the bonus relates to, or they joined too late in the performance year to qualify for consideration for a bonus.

# Recommendations

## Gender and ethnic background

- Continue to carefully scrutinise all recruitment and selection practices in order to ensure bias not creeping in at any stage of our processes (this includes retaining our 'blind recruitment' practices and clearly briefing agencies on expectations of balanced short lists and using mixed interview panels).
- Continue to monitor all role regrading proposals in order to ensure that no colleague is unfairly overlooked and that all colleagues are fairly considered and assessed during the promotion process.
- Continue to ensure that all reward decisions are fair and that bias has not crept in to these decisions (in particular during the annual salary review extensive modelling is undertaken in order to ensure consistency and fairness in reward all decisions).
- Use the data and insight generated by this diversity pay gap exercise to inform future remuneration decisions for new joiners, role regrading candidates and the annual salary and bonus review more generally.
- Continue to encourage all female and non white colleagues to participate in our mentoring programme.
- Continue to encourage all colleagues to ensure that they have robust personal development plans in place and participate in our other professional development activities.

## Gender

- To remove barriers for women, we must enable men to be 'hands-on' fathers. We will therefore continue to promote the Company's shared parental leave pay policy.
- Leverage the new 'hybrid working policy' to attract diverse talent at all levels. In particular hiring females at senior levels can be challenging for some roles so demonstrating our family friendly/flexibility credentials in this area could help to improve our access to this pool of talent.
- Review our approach to resourcing for more junior level roles. To increase the gender balance in these roles how can we make these positions more attractive to male applicants?

## Ethnic background

- Continue to focus on working towards our target of 14% non white colleagues in senior level roles. (The figure is currently 11%).
- Continue to focus on attracting a diverse range of candidates from all backgrounds to work at UK Finance (in 2021 30% of our vacancies were filled by colleagues from non white backgrounds).