UK FINANCE

Gender and Ethnicity Pay Gap Report for UK Finance as at snapshot date 5 April 2022

Pay gap reporting
Overview

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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 third 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 on **5 April 2022**.
- 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 2022 is therefore 5 April 2023. It is for this reason that UKF pay gap data on P.9 is benchmarked against member data for 5 April 2021.

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.

Pay gap reporting
Overview

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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 at UK Finance
5 April 2020, 5 April 2021 and 5 April 2022

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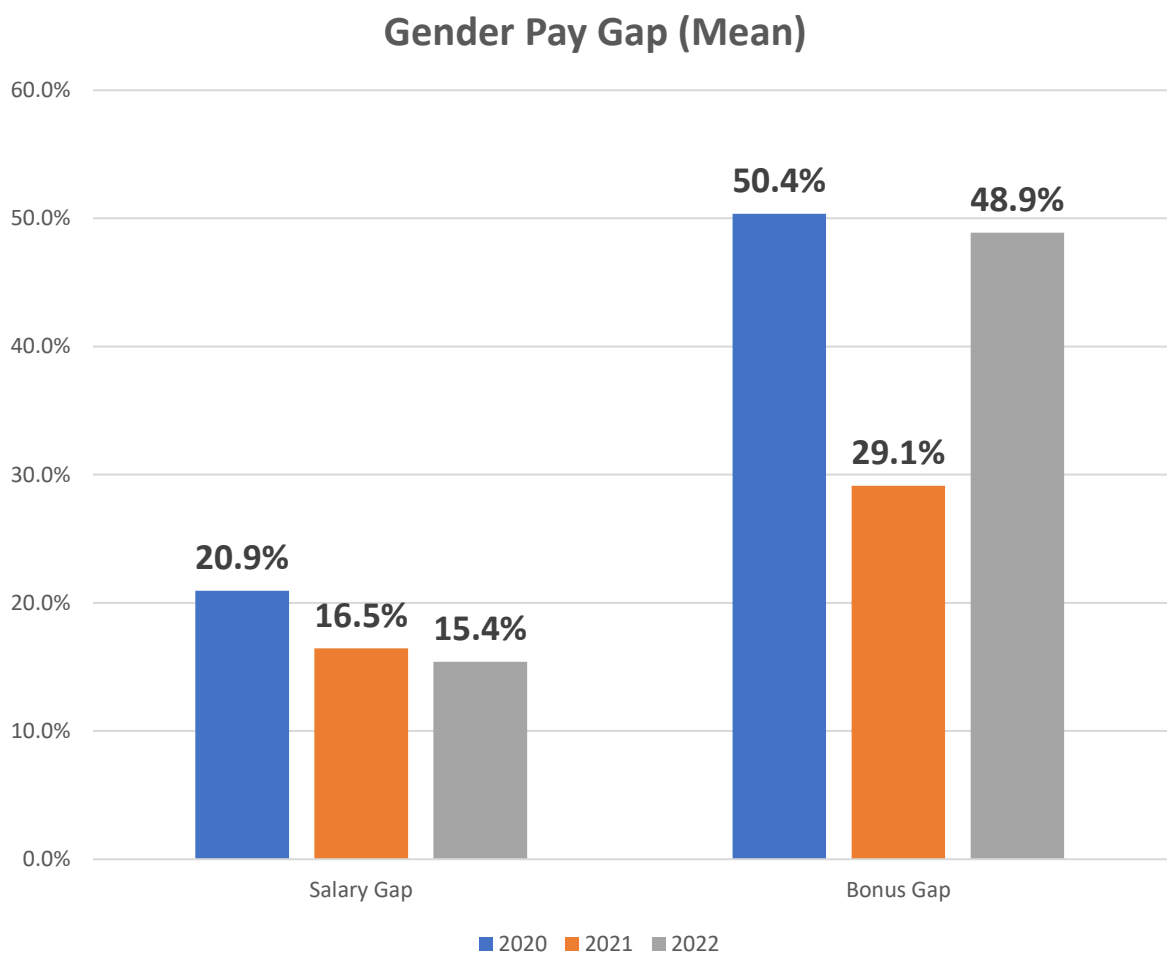

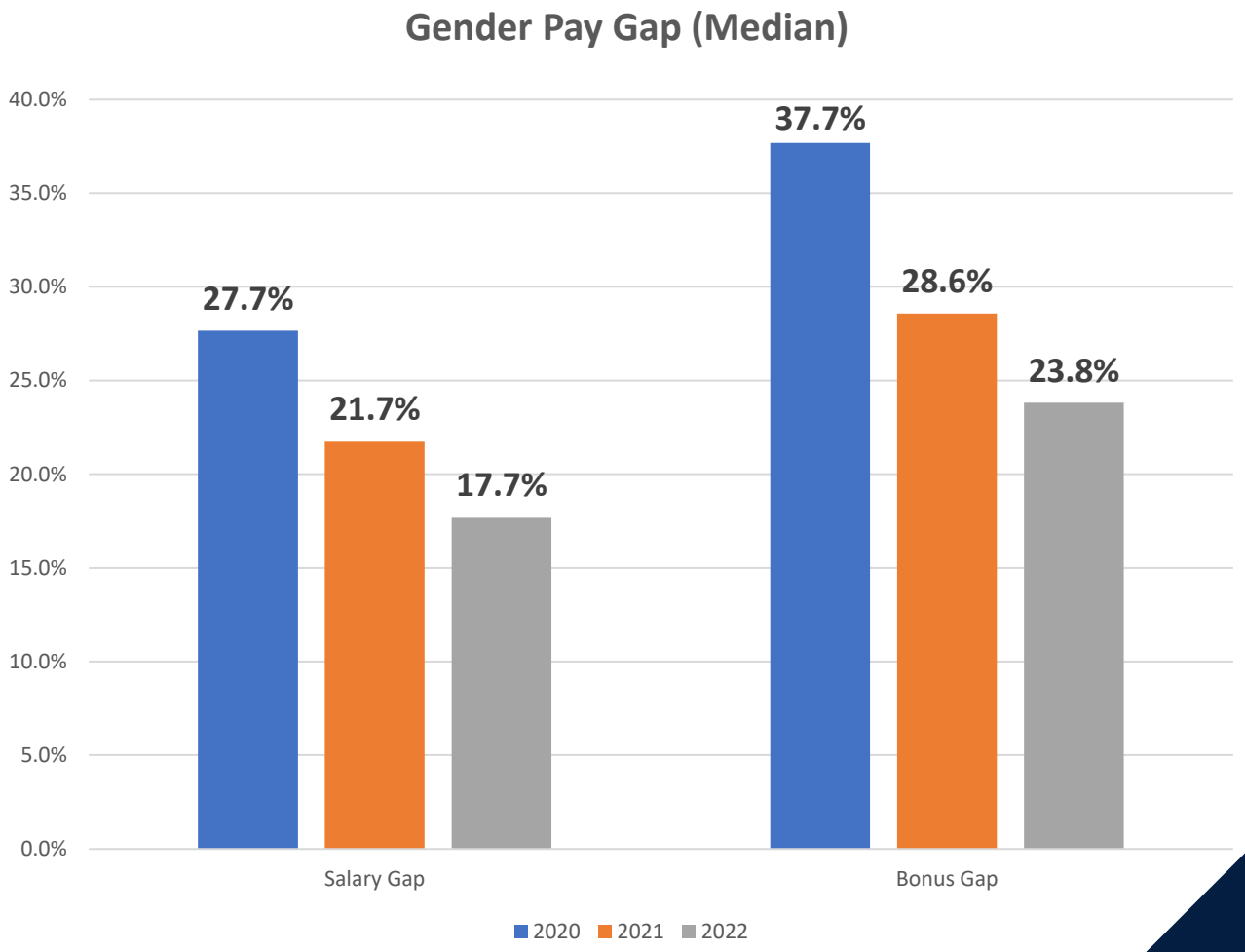

Calculating the pay gap

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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/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

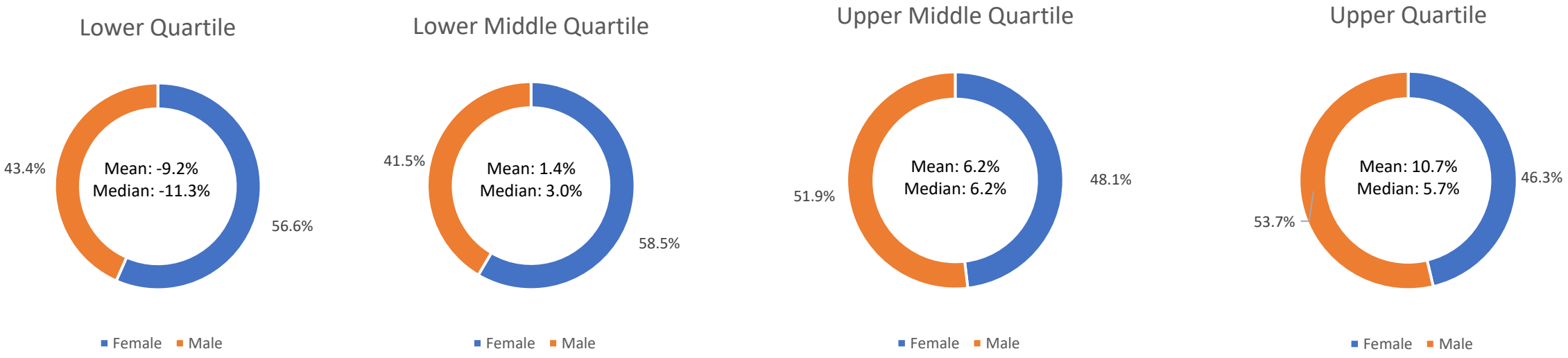
	Female colleagues	Male colleagues	Difference between hourly rates	Pay gap
Mean (average) hourly rate	£15.13	£17.51	£2.38	13.6%
Median (middle) hourly rate	£15.00	£14.00	£1.00	- 6.67%

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.

Pay quartiles – gender hourly pay gap as at 5 April 2022



- Overall our **mean** (average) gender hourly pay gap as at 5 April 2022 was **15.4%.**
- Overall our **median** (middle) gender hourly pay gap as at 5 April 2022 was **17.7%**
- 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**

Summary of findings from the data
Gender hourly pay gap as at the snapshot date 5 April 2022

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Overview

- Overall our **mean** (average) gender hourly pay gap as at 5 April 2022 was **15.4%** (vs **16.5%** on 5 April 2021).
- Overall our **median** (middle) gender hourly pay gap as at 5 April 2022 was **17.7%** (vs **21.7%** on 5 April 2021).
- 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 2022 is largely attributable to the following factors:

- The overall number of females colleagues occupying roles in the combined middle and upper quartiles has continued to steadily increase from 43.5% on 5 April 2021 to 47.2% on 5 April 2022. (female representation in the middle upper quartile increased from 46% on 5 April 2021 to 48% on 5 April 2022 and in the upper quartile from 42% on 5 April 2021 to 46% on 5 April 2022).
- There has been a corresponding decline in the number of female colleagues occupying role in the lower and lower middle quartiles (from 61.8% in April 2021 to 57.5% in April 2022).
- We have maintained strong female representation at MD level which are the highest paid roles in the Company (50% of MDs were female on 5 April 2022)

Reasons for the hourly pay gap

- Whilst this is a move in the right direction and we are continuing to make good progress on reducing our gender pay gap, 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 52.3% of our workforce we continue to have more men than women in the combined group of the highest ranking roles at CEO, MD and Director level. These roles all fall in the upper pay quartile which is driving the difference in mean and median pay for male and female colleagues.
  - 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 57.5% of the lower and lower middle quartiles and 47.2% 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 there are more female than male colleagues in these roles 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 where we are already making good progress.
  - 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 2021

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(2022 comparator data not yet available, 2020 figures shown in brackets)

Comparator member organization	Mean Gender Pay Gap	Median Gender Pay Gap
UBS AG	41.8% (40.1%)	36.8% (38.0%)
Paragon Finance PLC	38.1% (40.4%)	36.4% (35.0%)
Bibby Financial Services	35.5% (37.5%)	41.3% (44.4%)
Coventry Building Society	32.9% (30.8%)	33.0% (33.3%)
Santander UK	32.6% (30.7%)	30.4% (27.0%)
Nationwide Building Society	30.0% (28.3%)	34.3% (31.4%)
Standard Chartered Bank	27.4% (30.5%)	24.8% (29.0%)
Investec Bank PLC	26.2% (27.1%)	25.7% (23.7%)
Morgan Stanley UK Ltd	21.7% (19.0%)	21.2% (19.7%)
Mastercard	17.9% (19.4%)	18.0% (15.3%)
UK Finance (snapshot date 5 April 2021)	(16.5% - 2021)	(21.7% - 2021)
American Express	13.3% (16.1%)	7.7% (6.6%)
Visa Europe Ltd	6.7% (4.6%)	11.6% (7.8%)
Hoare & Co	2.0% (19.1%)	28.0% (28.2%)

Source: www.gender-pay-gap.service.gov.uk

Gender bonus gap as at 5 April 2022
Summary of findings from the data

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Overview

- Overall our **mean** (average) gender bonus gap as at 5 April 2022 was 48.9% (vs 29.1**% o**n 5 April 2021).
- Overall our **median** (middle) gender bonus gap as at 5 April 2022 was 23.8% (vs 28.6**% o**n 5 April 2021).

Reasons for the increase in the gender bonus gap

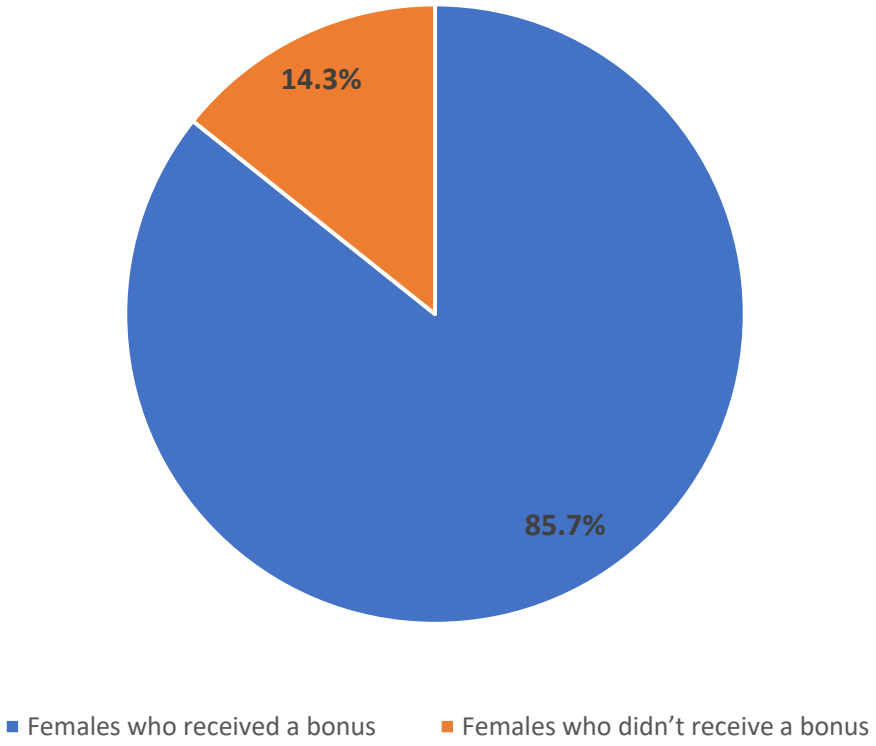
- As anticipated last year, the gender bonus gap has increased significantly since 5 April 2021 due to the fact that a CEO bonus was not included in the snapshot data of that date, as the incumbent of the role joined the Company in January 2021 and did not therefore receive a bonus in respect of the 2020 performance year. In any year however the inclusion/exclusion of a CEO bonus will have a significant impact on the figures regardless of whether it is occupied by a male or female colleague, because there is only one role at this level, and there is a considerable gap in the remuneration between the CEO role and other senior level roles.
- For comparison purposes, the mean gender bonus gap on 5 April 2022 *excluding* the bonus payment for the CEO role is 21.2% (vs 29.1% on 5 April 2021).

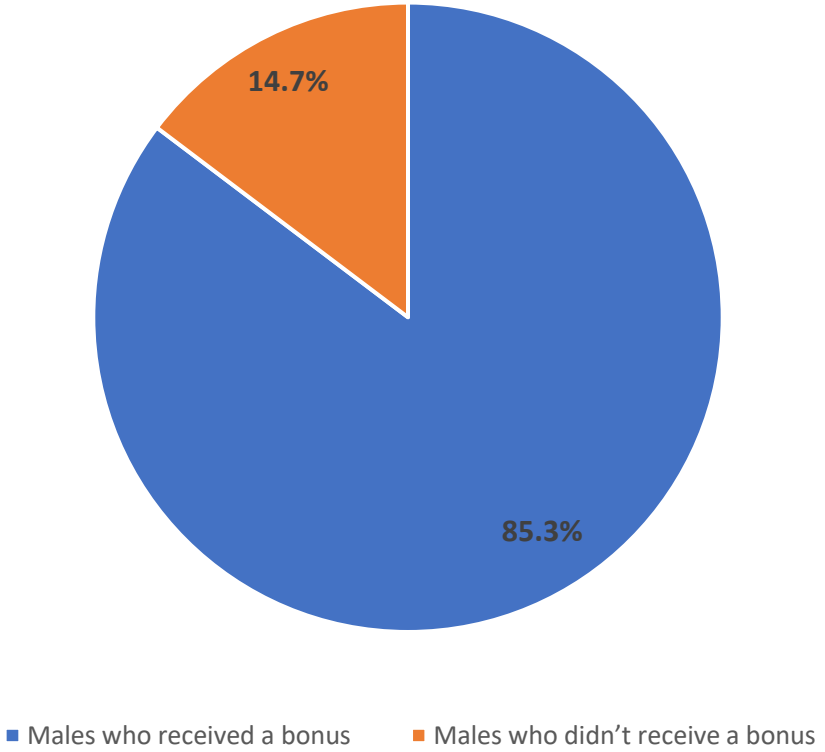
Reasons for the gender bonus gap

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 factors:

- The most highly paid roles receive the largest bonus payments but we have fewer female than male colleagues in these roles (47.2% of roles in the middle and upper middle quartile are held by female colleagues vs 52.8% of male colleagues).
- Whilst female colleagues make up 52.3% of our workforce, there are significantly more female than male colleagues concentrated in the lower and lower middle quartiles (57.5% female colleagues and 42.5% male colleagues). Whilst these roles in the lower and lower middle quartiles are competitively rewarded by reference to the market, the fact there are more female than male colleagues in these roles has the effect of reducing the average bonus payment of women in our Company.

Proportion of male and female colleagues who received a bonus (in respect of 2021 performance year)





- Our overall **mean** (average) gender bonus pay gap as at 5 April 2022 was **48.9%.**
- Our overall **median** (middle) gender bonus pay gap as at 5 April 2022 was **23.8%**
- 14.5% of employees did not receive a bonus in respect of the 2021 performance year of which almost the same number were female (16) as male (15). This is broadly because either none of these colleagues were employed by the Company during 2021 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 2021 v 5 April 2022

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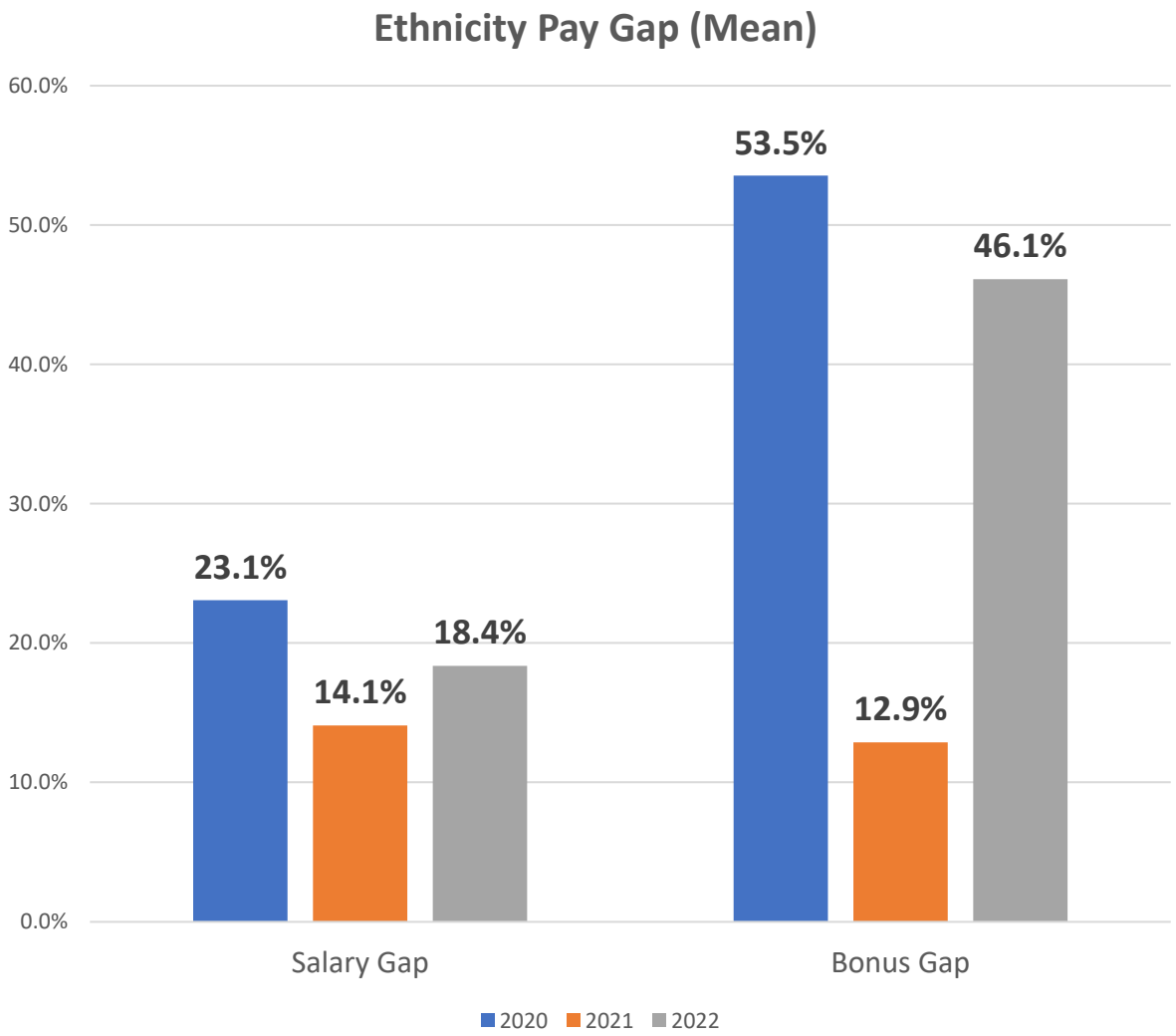

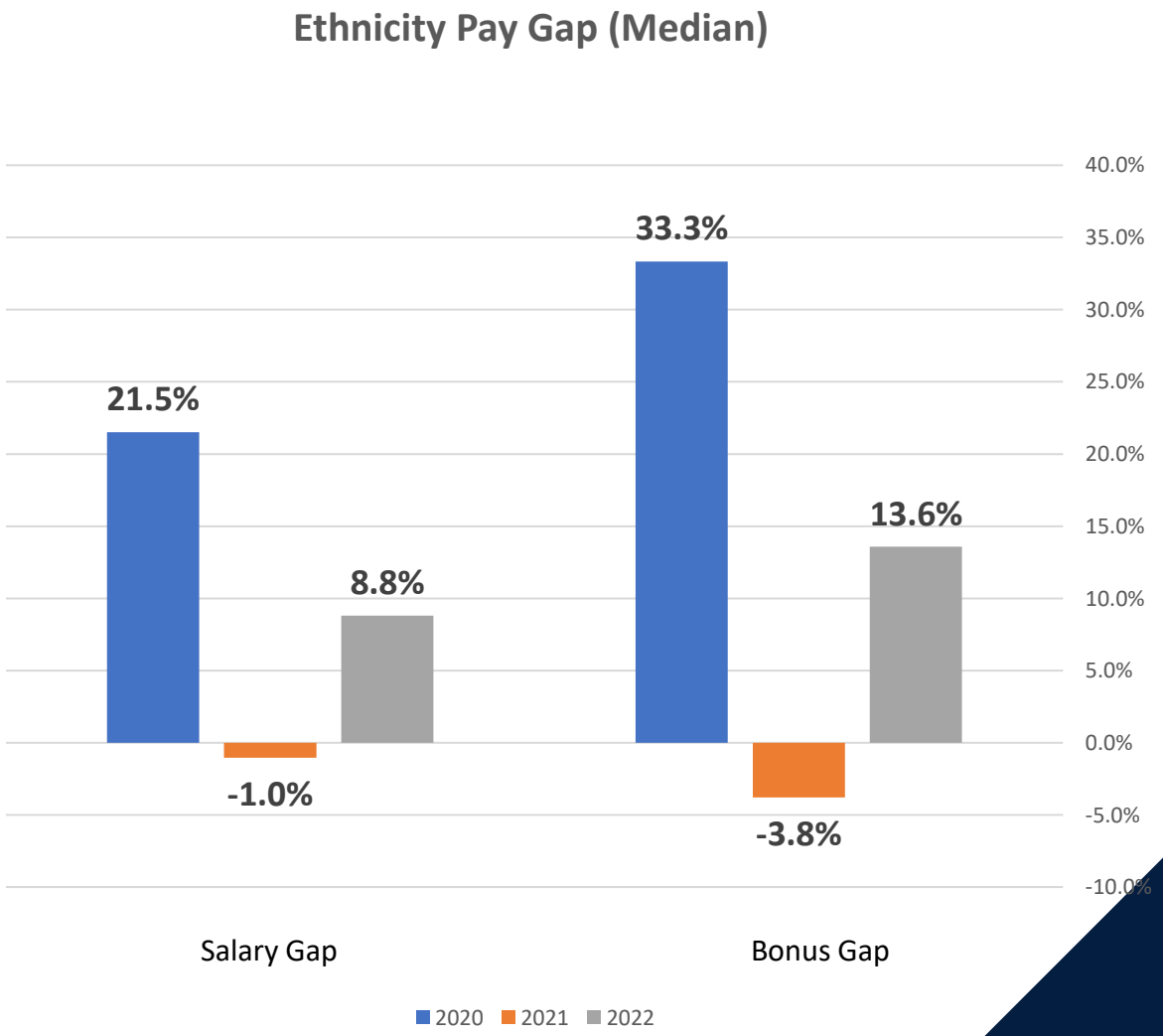

Ethnicity hourly pay gap as at 5 April 2022
Summary of findings from the data

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Overview

- Overall our **mean** (average) ethnicity hourly pay gap as at 5 April 2022 was **18.4%** (vs 14.1% on 5 April 2021).
- Overall our **median** (middle) ethnicity hourly pay gap as at 5 April 2022 was **8.8%** (vs -1.0% on 5 April 2021).
- We have a robust data set for ethnicity with 90% of our colleagues voluntarily disclosing their ethnic background. Based on those who have voluntarily disclosed their ethnicity, approximately 24.5% of our colleagues are non white (for comparison purposes the proportion of people in the UK from a non white background is 18%). Colleagues who have not disclosed their ethnic background have been excluded from the calculations.

Reasons for the change since 2021

As the size of the two populations (white and non white) differs significantly, very small workforce composition changes can cause a large change to the overall mean and median ethnicity pay gap. This increase to our ethnicity pay gap in 2022 is largely attributable to the following factors:

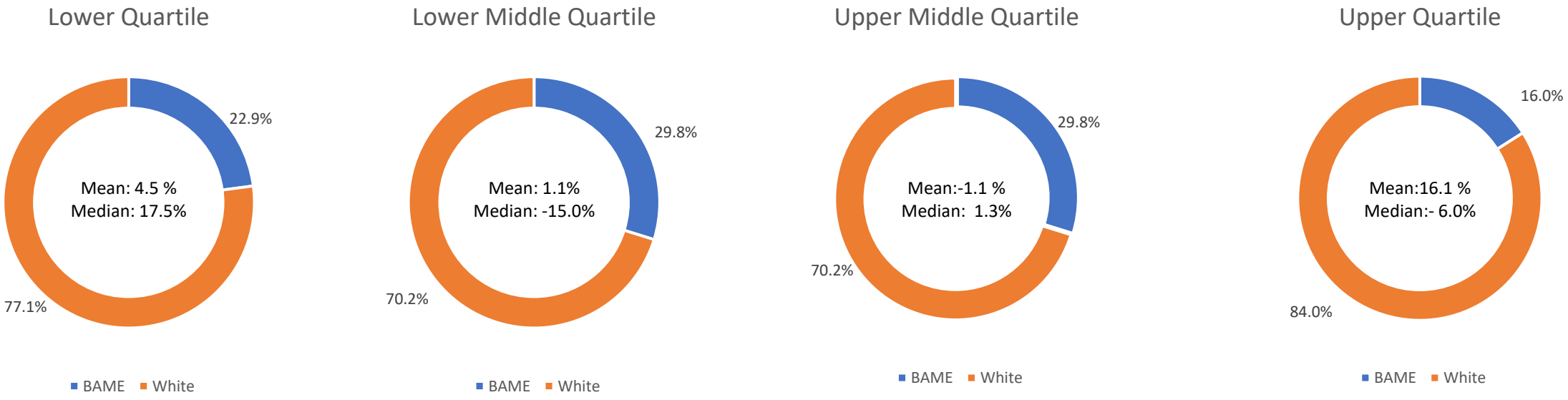
- Overall the proportion of non white colleagues has increased across all four quartiles since 5 April 2021. The small increases in representation in the upper and upper middle quartiles however is not sufficient to offset the relatively larger increase of non white representation in the lower and lower middle quartiles.
- It is important to note however that over a quarter of the non white colleagues in the lower quartile were on the Company's intern programme which is reflective of our drive to increase non white representation for these early career opportunities.

Reasons for the ethnicity pay gap

- Our analysis shows us that this ethnicity pay gap is attributed to the following factors:
  - Non white colleagues are well represented in the upper and middle upper quartiles but we do not have any non white colleagues in the most senior level roles of our business at MD/CEO level. The salary for these roles is at the top end of the upper quartile which is driving the difference in mean and median pay for white and non white colleagues.
  - 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 population relative to the white population.

- 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 2022



- Overall our **mean** (average) ethnicity hourly pay gap as at 5 April 2022 was 18.4% (vs 14.1% % as at 5 April 2021)
- Overall our **median** (middle) ethnicity hourly pay gap as at 5 April 2022 was 13.6% (vs -1.02 % as at 5 April 2021)
- 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 as at 5 April 2022
Summary of findings from the data

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Overview

- Overall our **mean** (average) ethnicity bonus gap as at 5 April 2022 was **46.1%** (vs 12.9% on 5 April 2021).
- Overall our **median** (middle) ethnicity bonus gap as at 5 April 2022 was **13.6%** (vs -3.8% on 5 April 2021).
- To assist comparison with last year, the mean ethnicity bonus gap on 5 April 2022 ***excluding*** the bonus payment for the CEO role was 25.2% (vs 12.9% on 5 April 2021) - so even accounting for the CEO bonus, the ethnicity bonus gap has increased.

Reasons for the increase in the ethnicity bonus gap

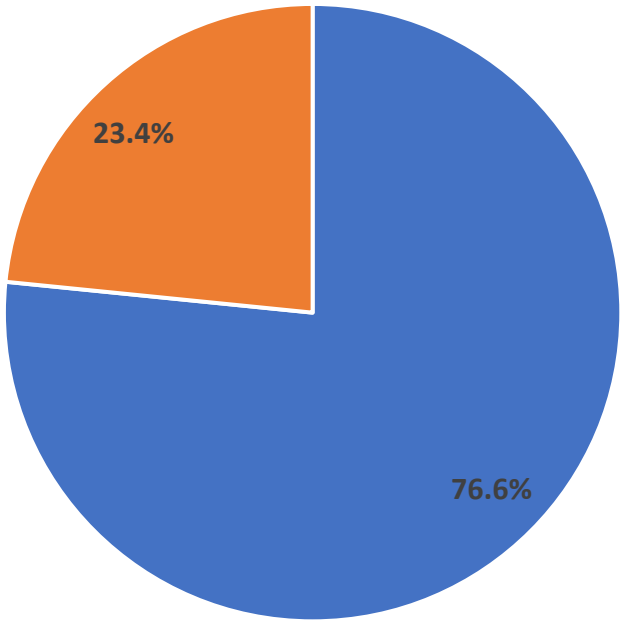
As the size of the two populations (non white and white) differs significantly, very small workforce composition changes can cause a large change to the overall mean and median ethnicity pay gap. This increase to our ethnicity pay gap in 2022 is largely attributable to the following factors:

- As anticipated last year, the ethnicity bonus gap has increased significantly since 5 April 2021 due to the fact that a CEO bonus was not included in the snapshot data of that date, as the incumbent of the role joined the Company in January 2021 and did not therefore receive a bonus in respect of the 2020 performance year. This had the effect of artificially reducing the bonus gap in 2021 as the role of CEO is currently held by a white colleague.
- Setting aside the impact of the CEO bonus, whilst the proportion of non white colleagues has increased across all four quartiles since 5 April 2021, this has been greater in the lower and lower middle quartiles i.e. the largest increase is in the lower quartile where representation has increased from 13% in 2021 to 22.9% in 2022 whereas the upper quartile has only increased from 14% in 2021 to 16% in 2022.

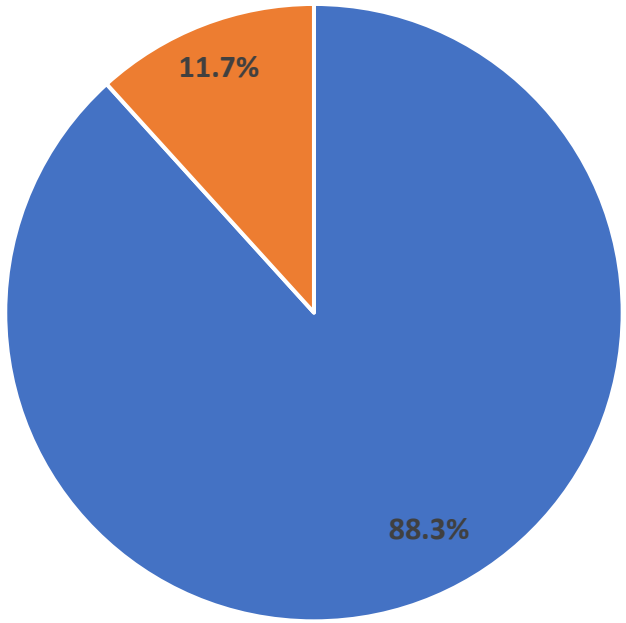
Reasons for the ethnicity bonus gap

- Our analysis shows us that overall 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 do not have any non white colleagues in these roles.
  - Whilst the proportion of non white colleagues is more than representative of wider UK society in the upper middle and upper quartile, the overall bonus gap for ethnicity is impacted by the smaller size of this group relative to the number of white colleagues.

Proportion of BAME and non BAME colleagues who received a bonus (in respect of 2021 performance year)



BAME who received a bonus ■ BAME who didn't receive a bonus



White who received a bonus ■ White who didn't receive a bonus

- Overall our **mean** (average) ethnicity bonus gap as at 5 April 2022 was **46.1%.**
- Overall our **median** (middle) ethnicity bonus gap as at 5 April 2022 was **13.6%**.
- 23.% of non white employees did not receive a bonus in respect of the 2021 performance year vs. 11.7% of white colleagues. This is broadly because either none of these colleagues were employed by the Company during 2021 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

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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 our '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% but in due course our target should be revised to 18% to reflect the changing demographics of the UK as reported in the 2021 census.
- Continue to focus on attracting a diverse range of candidates from all backgrounds to work at UK Finance (at the time of writing in 2022 28% of our vacancies have been filled by colleagues from non white backgrounds).