

Gender Pay Gap Report 2018

Promoting equality at
Newcastle Building Society

newcastle.co.uk



Our 2018 Gender Pay Gap Report



As a values driven member owned business, we are committed to being a great place to work, providing opportunity, fairness, equality and inclusivity.

Last year we reported on our gender pay and bonus gap data and were well below the average seen in other financial services organisations. We have maintained this position through 2018.

There is still significant work to do to as our pay gap falls short of national average figures and of the desired state where no difference exists between the hourly earnings of men and women.

For the past 12 months we have been implementing a range of actions to understand and respond to what is driving our particular gender pay disparity.

We are confident that our reward processes drive equal pay decisions regardless of gender. We know we are very successful in attracting a female workforce into our organisation, providing flexible working and good work life fit. Our particular challenge lies in building a greater presence of females at senior levels, thus securing appropriate female representation at higher levels of pay and reward. This will in turn help to drive an erosion of the pay and bonus gender disparity.

We are already investing in actively developing female talent within our Society. This is important but we can't solely rely on this to secure the volume of talented women we need to see competing for and being successful in our senior positions. We are committed to supporting the delivery of this internally but recognise we may need to think differently around our strategies of attracting from an external pool of talent.

What is clear is that there are no tactical quick fixes. We are engaged and committed to a longer timeline of activity to drive and embed the changes we want to secure.

Andrew Haigh
Chief Executive



Addressing our gender pay gap

Our work to erode our gender pay gap is underway across a number of focused activities.

Our last 12 months

- ✓ Pay and grading review completed
- ✓ Performance related pay model now in place (will resolve historical pay inequities over a defined time period)
- ✓ Robust performance management framework delivered alongside a thorough external review of the link between performance and remuneration
- ✓ Unconscious bias training rolled out across recruitment and selection
- ✓ Manager upskilling to support better handling of cross gender flexible working requests

Underway:

- ✓ Gender pay, diversity and inclusions strategies being developed as part of a partnership with ENEI (Employers Network of Equality & Inclusion)
- ✓ Continuing activity to strengthen performance management
- ✓ 2019 equal pay audit to be undertaken
- ✓ Development of a Returners Programme to attract external talent back to the Society focused on senior roles
- ✓ Development of preferred recruitment suppliers who focus on balanced shortlists

Newcastle Building Society Group

Gender Pay Gap Report 2018

Salary and Bonus Information

The below table shows our mean and median gender gap, based on a snapshot date of 5 April 2018.

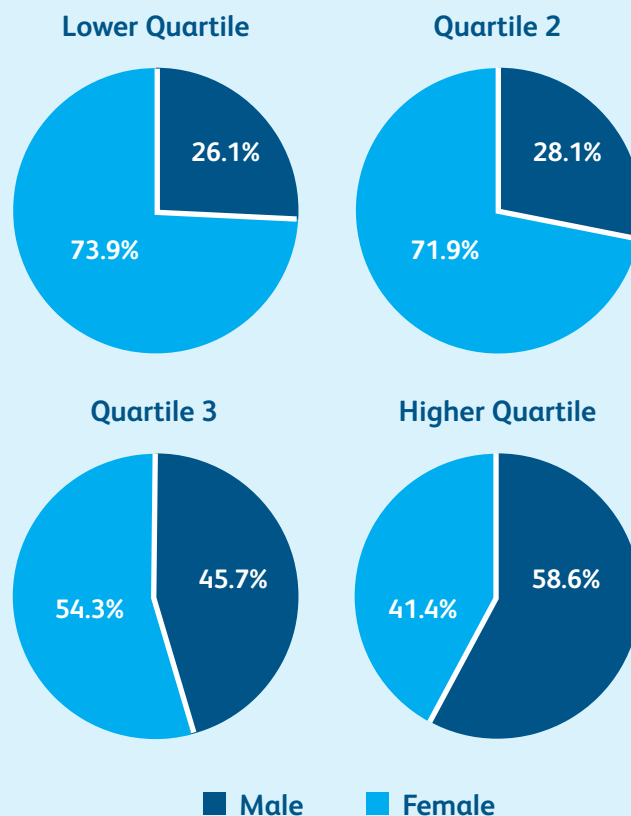
	MEAN	MEDIAN
Hourly Rate of Pay	24.4%	26.2%
Bonus Amount	58.8%	21.3%

2017 Figures	MEAN	MEDIAN
Hourly Rate of Pay	23.7%	19.7%
Bonus Amount	59.8%	16.4%

Within the Group 91 % of male colleagues were eligible to be paid a bonus in relation to 2017 performance. This figure was the same for female colleagues at 91 %.

Salary Quartiles

The below charts show the percentage of male and female colleagues in each quartile of the organisation. The quartiles are determined by hourly rate of pay and each includes around 256 people.



Newcastle Building Society Group

Gender Pay Gap Report 2018 (continued)

Commentary

Our Group mean gender pay gap is 24.4%, our median gender pay gap is 26.2%.

Last year's position was 23.7 % (mean) and 19.7 % (median).

These pay figures are significantly below the financial sector pay gap averages at 33.4 % mean and 35.7 % median. They are higher than the national averages of 17.4 % mean and 17.9 % median.

Our 2018 Group Gender Pay Gap figures demonstrate a positive mean gender pay gap for Newcastle Building Society but a negative position for the Group and Newcastle Strategic Solutions.

What's driving our Group gender pay gap?

Overall we have more men than women in leadership roles and this pattern has continued. 2018 has seen a growth in female representation at lower pay quartiles and an increase in male representation in more senior pay quartiles.

Technology plays a key role in our business. Newcastle Systems Management Ltd, our information technology subsidiary, is reported in our Group figures. Higher average salaries continue to be driven across the IT sector, which tends to be male dominated. This trend is similarly represented in our Society where we see a high proportion of males earning higher than average salaries.

Our Group Executive team on the snapshot date of April 5 2018 comprised four men and two women.

Our Group mean bonus gap is 58.8%, our Group median bonus gap is 21.3%

The 2017 bonus position was 59.8 % (mean) and 16.4 % (median).

2018 saw payment of bonuses across two bonus schemes where bonus was applicable.

Reward for financial advisers in our Newcastle Financial Advisers subsidiary is bonus weighted. The bonus is linked to the quality of service.

For other colleagues, provided they meet performance criteria, our corporate bonus scheme applies and in 2018 we paid a rate of 3 % and 6 % for Achievers and High Achievers respectively.

What's driving our Group bonus gap?

We had a marginally higher proportion of females (+1 %) choosing to work part time in 2018 compared to 2017. Under Gender Pay Gap bonus reporting rules, part time bonuses are not converted to full time equivalents. 33 % of our female colleagues vs 2.5 % of male colleagues currently work on a part time basis across our Group.

The female to male gender mix of financial advisers improved in 2018 from one in eight to one in seven. However, the higher proportion of males continues to impact bonus figures.

The factors that drive our Group gender pay gap also contribute to our Group bonus gap.

Newcastle Building Society

Gender Pay Gap Report 2018

Salary and Bonus Information

The below table shows our mean and median gender gap, based on a snapshot date of 5 April 2018.

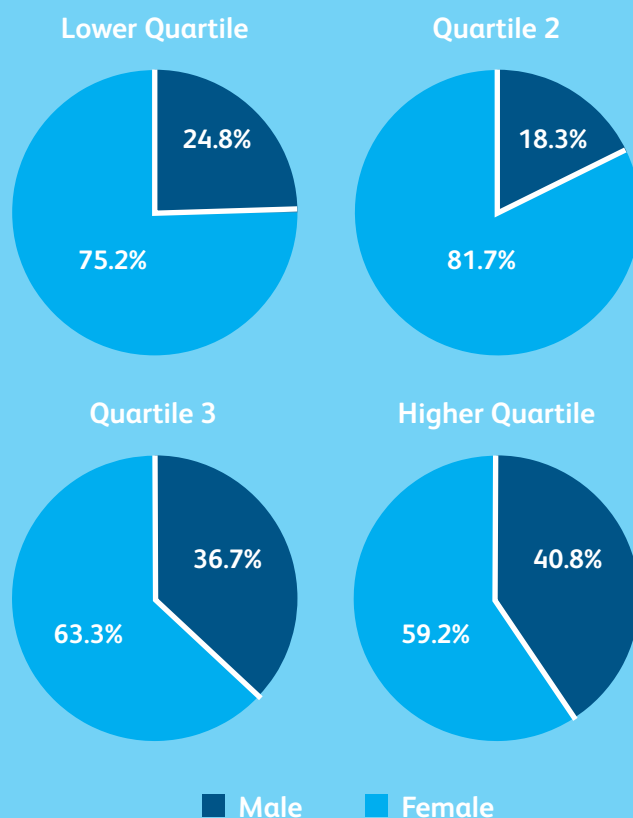
	MEAN	MEDIAN
Hourly Rate of Pay	26.0%	17.9%
Bonus Amount	30.3%	8.5%

2017 Figures	MEAN	MEDIAN
Hourly Rate of Pay	29.4%	16.9%
Bonus Amount	30.7%	10.1%

Within Newcastle Building Society, 88 % of male colleagues were eligible to be paid a bonus in relation to 2017 performance whereas this figure was 89 % for female colleagues.

Salary Quartiles

The below charts show the percentage of male and female colleagues in each quartile of the organisation. The quartiles are determined by hourly rate of pay and each includes around 120 people.



Newcastle Building Society

Gender Pay Gap Report 2018 (continued)

Commentary

Newcastle Building Society's mean gender pay gap is 26%; our median gender pay gap is 17.9%

Newcastle Building Society is pleased that our mean pay gap has improved in the past 12 months (from 29.4% to 26%).

However, our median pay gap has increased from 16.9% to 17.9%.

The financial services sector averages are 33.4% mean and 35.7% median.

What's driving our gender pay gap?

We have seen a higher proportion of men in, and recruited to, more leadership positions, particularly in the most senior roles than we did in 2017. Women are over represented at entry level where roles are typically lower paying.

Newcastle Building Society's mean bonus gap is 30.3%; our median bonus gap is 8.5%

The factors that drive our Society's gender pay gap also contribute to our Society's bonus gap.

The bonus pay gap is calculated on actual bonus paid rather than a full time equivalent. 41% of our part time colleagues are female.

Newcastle Strategic Solutions Limited

Gender Pay Gap Report 2018

Salary and Bonus Information

The below table shows our mean and median gender gap, based on a snapshot date of 5 April 2018.

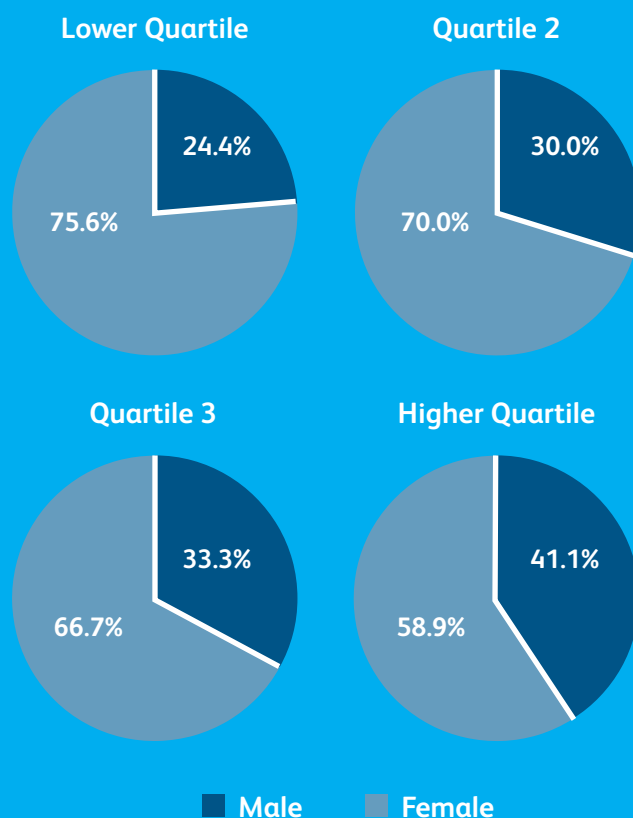
	MEAN	MEDIAN
Hourly Rate of Pay	14.3%	2.9%
Bonus Amount	25.5%	1.2%

2017 Figures	MEAN	MEDIAN
Hourly Rate of Pay	6.3%	0.0%
Bonus Amount	2.7%	12.3%

Within Newcastle Strategic Solutions, 91 % of male colleagues were eligible to be paid a bonus in relation to 2017 performance whereas this figure was 92 % for female colleagues.

Salary Quartiles

The below charts show the percentage of male and female colleagues in each quartile of the organisation. The quartiles are determined by hourly rate of pay and each includes around 90 people.



Newcastle Strategic Solutions Limited

Gender Pay Gap Report 2018 (continued)

Newcastle Strategic Solutions is our technology and services platform.

Commentary

Newcastle Strategic Solutions' mean gender pay gap is 14.3%; the median gender pay gap is 2.9%

Newcastle Strategic Solutions' mean gender pay gap was 6.3 % in 2017; its median gender pay gap was 0 %.

Newcastle Strategic Solutions' mean bonus gap is 25.5%; the median bonus gap is 1.2%

In 2017 Newcastle Strategic Solutions' mean bonus gap was 2.7 %; its median bonus gap was 12.3 %.

We have completed a lot of recruitment into customer service adviser roles and these have been largely female appointments which in turn drives a gender pay gap. We have made some very senior appointments which have been male.

The factors that drive Newcastle Strategic Solutions' gender pay gap also contribute to its bonus gap.

The bonus pay gap is calculated on actual bonus paid rather than a full time equivalent. 25 % of our part time colleagues are female.

More men than women were recruited into the most senior roles within the business in the past 12 months, increasing the prevalence of males in the upper quartile.

Cost centre changes, new senior roles being filled by males and a higher proportion of females in the lower two quartiles contribute to an impact on mean bonus.

Gender Pay Report – Appendix

Information to be reported and calculations

The Gender Pay reporting legislation requires organisations of more than 250 colleagues to report on 6 key measures of their pay; these are:

- the difference in mean pay between male and female employees;
- the difference in median pay between male and female employees;
- the difference in mean bonus pay between male and female employees;
- the difference in median bonus pay between male and female employees;
- the proportions of male and female employees who were paid bonus pay; and
- the proportions of male and female employees in each quartile of their pay distribution.

Definitions

The mean is determined by adding up all of the figures in a range and dividing them by how many numbers there are in the range.

The median is determined by arranging all figures within a range in order from largest to smallest and choosing the middle value.

For gender pay reporting purposes, pay is calculated at the snapshot date of 5th April. Calculations are made on the basis of hourly rate of pay and after any salary sacrifice.

Whereas pay figures are calculated using the hourly rate of pay, and therefore reflect Full Time Equivalent figures, Bonus figures are calculated on the basis of actual payments made. Where colleagues work part-time, their part-time bonus will be reflected.

The salary quartiles are determined by arranging all hourly rates of pay in order from largest to smallest, then dividing this list into four equal sized sections.

Pay Calculations

The mean and median pay gap is derived from the following formula:

$$(A-B) \div A \times 100$$

A is the mean/median hourly rate of pay of all applicable male employees.

B is the mean/median hourly rate of pay of all applicable female employees.

The result is expressed as a percentage.

