

Gender Pay Gap Report 2019

Promoting equality at
Newcastle Building Society

newcastle.co.uk



Our 2019 Gender Pay Gap Report



We are committed to fairness, equality and inclusion across our Society. A balanced workforce is good for business – good for customers, for profitability and workplace culture.

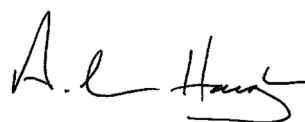
Whilst our gender pay gap continues to be significantly better than the financial services industry average, it is still above the average for the UK as a whole. We continue to take action to reduce our disparity, acknowledging it will take time for this change to happen.

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.

We do, however, recognise that we need to build a greater presence of females at senior levels, and we are continuing our investment in developing female potential within our Society. Securing appropriate female representation at higher levels of pay and reward will help to drive an erosion of our pay and bonus gender disparity.

Our Women in Leadership Programme, work with the Employers' Network for Equality & Inclusion, and 'Supporting Women onto Boards' activity, are all focused on this outcome.

We are engaged in, and committed to, a range of activity that will drive the changes we want to secure, because this is in the interests of our customers, our colleagues and our business as a whole.



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

- ✓ Performance related pay model now in place
- ✓ 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 up-skilling to support better handling of cross gender flexible working requests
- ✓ Continuing activity to strengthen performance management
- ✓ 2019 equal pay audit completed; to be reviewed in 2020 by Towers Watson
- ✓ Preferred recruitment suppliers list who focus on balanced short-lists
- ✓ Established Diversity & Inclusion Committee
- ✓ Signed up to the Women in Finance Charter

Underway:

- ✓ Gender pay, diversity and inclusion strategies being developed as part of a partnership with ENEI (Employers Network of Equality & Inclusion)
- ✓ Women in Leadership programme in progress
- ✓ Supporting Women onto Boards activity in progress
- ✓ A commitment to deliver a 40% female senior management representation by 2023. Our current figure is 32%.
- ✓ Linking Executive remuneration to achievement of gender/diversity targets

Newcastle Building Society Group

Gender Pay Gap Report 2019

Salary and Bonus Information

The below table shows our mean and median gender gap, based on a snapshot date of 5 April 2019.

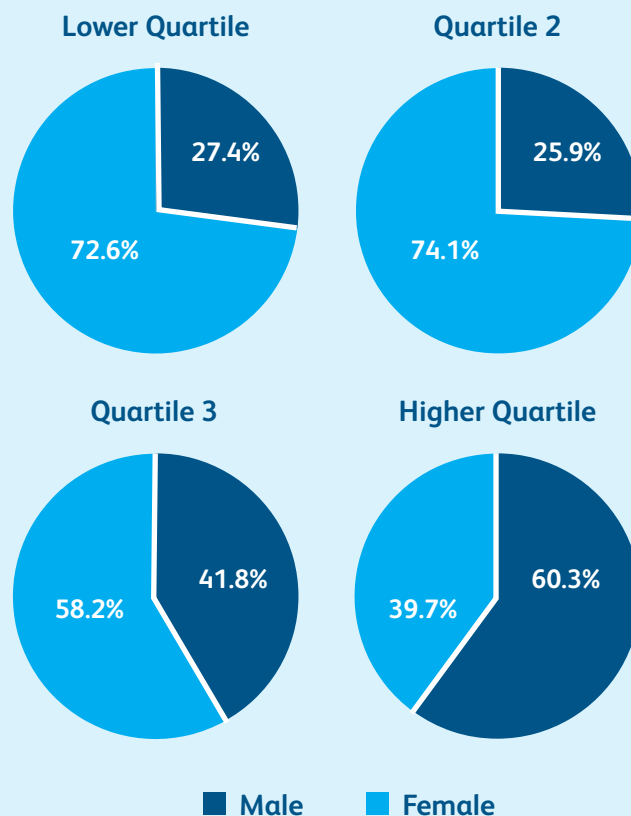
	MEAN	MEDIAN
Hourly Rate of Pay	26.4%	23.5%
Bonus Amount	54.7%	21.0%

2018 Figures	MEAN	MEDIAN
Hourly Rate of Pay	24.4%	26.2%
Bonus Amount	58.8%	21.3%

Within the Group, 90 % of male colleagues were eligible to be paid a bonus in relation to 2018 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 280 people.



Newcastle Building Society Group

Gender Pay Gap Report 2019 (continued)

Commentary

Our Group mean gender pay gap is 26.4%, our median gender pay gap is 23.5%.

There are improvements in our median pay gap (this has moved from 26.2 to 23.5) which shows the positive impact of implementing our new performance related pay process. Our mean pay gap, however, has increased (from 24.4 to 26.39), due largely to an increase in the number of males at a senior level following changes to the Executive team last year.

These pay figures are significantly below the financial sector pay gap averages at 32.7 % mean and 33.7 % median. They are higher than the national averages of 16.2 % mean and 17.3 % median.

The pay gap doesn't mean we pay female colleagues less than male colleagues for the same role.

What's driving our Group gender pay gap?

The picture is a complex one, largely shaped by the make up of our workforce which sees over representation of women in part time, lower paid roles and under representation at more senior levels.

Technology plays a key role in our business. 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 2019 comprised six men and one woman.

Our Group mean bonus gap is 54.7%, our Group median bonus gap is 21% The 2018 bonus position was 58.8% (mean) and 21.3% (median).

2019 saw payment of bonuses across two bonus schemes where bonus was applicable for 2018 performance, calculated at 5 % for achievers and 10 % for over achievers.

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

What's driving our Group bonus gap?

We had a marginally higher proportion of females (3.9 %) choosing to work part time in 2019 compared to 2018 (2.9 %). Under Gender Pay Gap bonus reporting rules, part time bonuses are not converted to full time equivalents. Across our Group 32 % of our female colleagues vs 3 % of male colleagues currently work on a part time basis across our Group.

The female to male gender mix of financial advisers is one in seven. Here, 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.

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.

Newcastle Building Society

Gender Pay Gap Report 2019

Salary and Bonus Information

The below table shows our mean and median gender gap, based on a snapshot date of 5 April 2019.

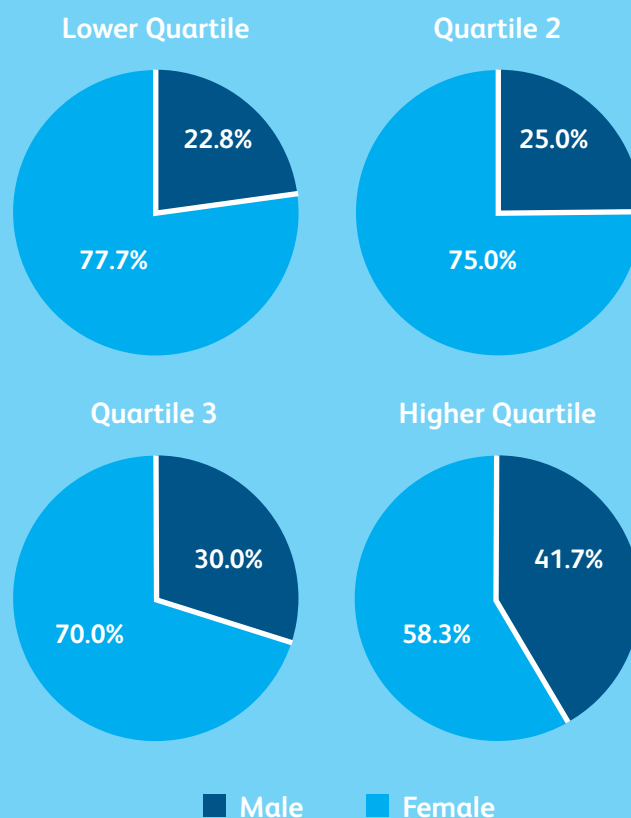
	MEAN	MEDIAN
Hourly Rate of Pay	31.2%	14.1%
Bonus Amount	34.9%	18.6%

2018 Figures	MEAN	MEDIAN
Hourly Rate of Pay	26.0%	17.9%
Bonus Amount	30.3%	8.5%

Within Newcastle Building Society 92 % of male colleagues were eligible to be paid a bonus in relation to 2018 performance; 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 122 people.



Newcastle Building Society

Gender Pay Gap Report 2019 (continued)

Commentary

Newcastle Building Society's mean gender pay gap is 31.2%; our median gender pay gap is 14.1%

Our median pay gap has improved in the past 12 months (from 17.9 % to 14.1 %). This is as a result of the implementation of performance related pay, which is addressing legacy pay anomalies.

However our mean pay gap has increased from 26 % to 31.2 %. The financial services sector averages are 33.7 % median and 32.7 % mean.

What's driving our gender pay gap?

Our pay gap reflects the higher proportion of men in, and recruited to, senior leadership roles and our need to increase the ratio of our female colleagues at senior levels. Women are over represented in lower paid roles in the Society.

Newcastle Building Society's mean bonus gap is 34.9%; our median bonus gap is 18.6%

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. 98 % of part time colleagues in our Society are female.

Newcastle Strategic Solutions Limited

Gender Pay Gap Report 2019

Salary and Bonus Information

The below table shows our mean and median gender gap, based on a snapshot date of 5 April 2019.

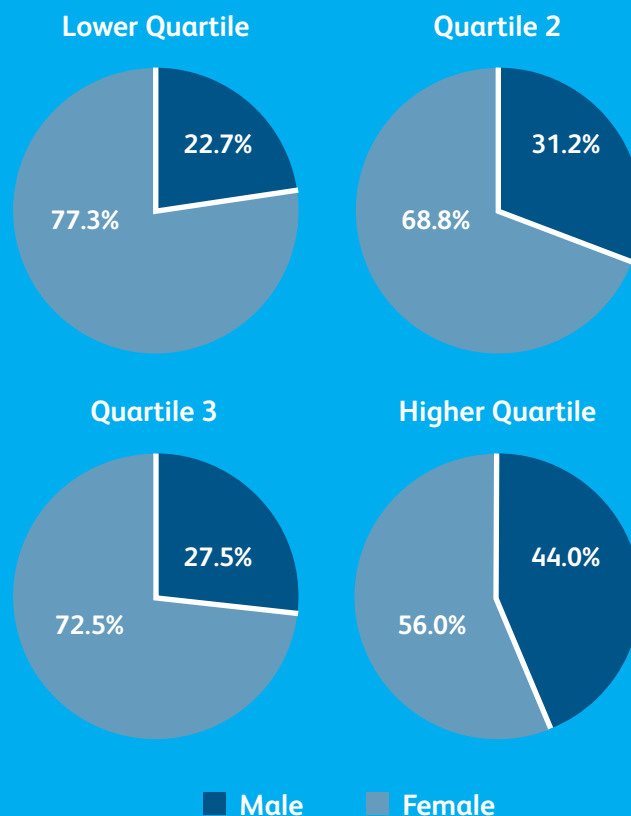
	MEAN	MEDIAN
Hourly Rate of Pay	16.1%	1.9%
Bonus Amount	26.3%	2.0%

2018 Figures	MEAN	MEDIAN
Hourly Rate of Pay	14.3%	2.9%
Bonus Amount	25.5%	1.2%

Within Newcastle Strategic Solutions Ltd, 88 % of male colleagues were eligible to be paid a bonus in relation to 2018 performance; this figure was 88 % 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 109 people.



Newcastle Strategic Solutions Limited

Gender Pay Gap Report 2019 (continued)

Newcastle Strategic Solutions is our technology and services platform.

Commentary

Newcastle Strategic Solutions' mean gender pay gap is 16.1%; the median gender pay gap is 1.9%

Newcastle Strategic Solutions' mean gender pay gap was 14.3 % in 2018; its median gender pay gap was 2.9 %.

Newcastle Strategic Solutions' mean bonus gap is 26.3%; the median bonus gap is 2%

In 2018 Newcastle Strategic Solutions' mean bonus gap was 25.5 %; its median bonus gap was 1.2 %.

Continued growth of our Solutions' call centre has attracted a high proportion of women into lower paid or part time customer service adviser roles, which, alongside over representation of males in senior roles, has driven our gender pay gap.

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. 94 % of our part time colleagues are female.

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.

