



Gender pay gap report

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Representation and compensation as at
31 March 2022

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Introduction

We've made a long-term commitment to close our gender pay gap. This latest report shows that we continue to make progress in most areas. We know where we need to improve, and we feel well equipped to do it.

We've changed the way we report our pay gap data. Previously, the data in our pay gap reports was a year behind the data that appeared in our annual report. We're now bringing our reporting forward so that we publish pay gap data from April in June, rather than at the end of March the following year. This will remove any confusion about the timing and consistency of our data. In this report, we are publishing our gender pay gap data for two financial years, 2020/21 and 2021/22.

In previous years we've reported that the pay and bonus gaps between men and women at Nest are getting smaller. While we unfortunately can't say that for the last two years, the trends are still generally positive.

The average hourly pay gap between men and women at Nest has continued to fall every year since we first published our data in 2017. However, after falling year-on-year, our average bonus gap increased in 2021/22. We understand why. For the first time a higher proportion of our workforce are women, but they're still over-represented in our lower-quartile roles.

This is in our own hands. Women make up 52% of our staff – this goes beyond our target for a gender-balanced workforce. Our focus on recruitment and retention is working. Now we must do more to keep supporting the women who work at Nest to develop their careers and help them progress into more senior positions. We'll only close our gender pay gap if we can create a fairer distribution of women across our pay grades.

Flexible working will play a key role in helping all our employees to progress. We do our best to make sure any employee juggling work with family or caring commitments can achieve the right balance, so they've got the space to develop in their roles. That's why we offer a range of family leave options, like shared parental leave – we want parents to have as much choice as possible in the first year of their child's birth or adoption. Employees' flexible working requirements are changing in response to the pandemic and we recognise this – last year we updated our policy to ensure we continue to meet their needs.

It's about our culture too. We work to create an inclusive environment where women can progress and not be held back by bias or unfairness. We'll keep finding new ways to do this, whether it's our menopause campaign or focus on allyship. We're on the right track – in our latest staff survey women overwhelmingly said they feel respected at Nest.

Overall, we're pleased with the direction we're heading in and understand our areas for improvement. Publishing two years of data has given us the opportunity to take a wider perspective on our progress. It's reinforced our view that closing pay gaps is a long-term commitment, and that we can tackle the ups and downs along the way.



Overall, I'm pleased with the progress we've made with our pay and bonus gaps over the last two years. There are areas where we can do better, but I think we're on the right track. I'm encouraged to see us exceed our targets for representation of women in director-level roles, and for a gender-balanced workforce. This is another sign that the plans we have in place can lead to pay equality at Nest.



Helen Dean
Chief Executive Officer

What we've already done

We're serious about closing our gender pay gap. It's one of the ways we measure our progress against the aims in our diversity and inclusion strategy.

In 2020/21 and 2021/22 we took several steps across the organisation that can help us close our gap. Here are the highlights.

Improving our recruitment practices

We need to get things right from the start. Ensuring our recruitment process is as fair as possible will help us to continue to attract women to Nest. Over the last two years we:

- Launched a new recruitment platform. This allows us to anonymise job applications which helps to tackle bias at the shortlisting stage. It also provides us with improved data we can use to better understand the number and profile of women candidates.
- Continued to provide training to our recruitment managers that encourages the use of gender-balanced interview panels. These managers also complete training on unconscious bias and the benefits of a diverse workplace.

Developing our workforce

Helping the women who work at Nest to develop and progress into senior roles is at the core of our approach to closing our gender pay gap. Our latest initiatives include:

- Introducing personalised training accounts. These let employees have more control over their development by providing a £2,500 budget to spend on training that will help them to progress.
- Providing access to the LinkedIn Learning platform. This allows all our employees to choose from thousands of online courses that they can access flexibly at a time that suits them, giving them more ownership of their development.

Promoting flexible working

Flexible working has benefits for our employees and for us, and we recognise the impact it can have on reducing pay gaps. We have continued our commitment in this area by:

- Considering flexible working for all our roles, including during the recruitment stage. We specifically advertise roles that offer flexible working, such as part-time and job sharing, in order to attract candidates with caring responsibilities or other commitments.
- Updating our flexible working policy. In light of the pandemic and changing work patterns we refreshed our policy to make sure it supports all our employees' needs. The policy now covers a wider range of situations, including flexible working on an ad hoc, temporary, or regular basis.
- Listening to our employees. In our latest staff survey, women responded positively when asked if people at Nest can maintain a healthy blend between work and personal life. It's something we're committed to maintaining.

Introducing a new reward proposition

We launched a new reward proposition in 2021 to benefit all our employees, and we believe it can help us to close pay gaps. As part of the proposition we:

- Simplified our pay grade structures. We reduced the number of pay grades from 13 down to 6. Going forward we'll work to make these structures as transparent as possible for employees, so they know exactly how to progress at Nest.
- Standardised our bonus system. All eligible employees currently receive a bonus based on Nest's collective performance. The amount paid is a flat rate that's the same for all employees in a pay grade. The impact of this is clear – it helped to reduce our median gender bonus gap to zero in 2020/21, and it stayed the same in 2021/22.

Fostering a diverse and inclusive culture

It's important that we build the right environment for our employees. The more comfortable they feel, the more likely they are to perform well and progress. Over the last two years we:

- Worked closely with our gender working group. It was established in 2021 with a remit to help us improve our gender balance and steer our gender policies. The group recently organised a campaign to educate employees about the menopause and raise awareness of how it can affect women in the workplace.
- Focused on allyship. The gender working group also helped us launch a new initiative to embed allyship across the business. This includes a focus on empowering men as allies to support women's careers and to speak up if they witness gender bias in action.
- Improved communications to employees on family leave. We started to send regular internal job alerts to these employees, to make sure they're not excluded from opportunities to progress.

Taking a lead in our industry

We want to lead by example and inspire the women who work at Nest to progress. That's why we work hard to encourage pay progression and to close the pay gap in our industry. We've taken action by:

- Joining the 30% Club investor group. The group campaigns for at least 30% representation of women on global corporate boards. After initially signing up as a member, we went a step further and two of our colleagues joined as co-chairs.
- Using technology to attract women candidates. We hired five women to paid roles as data analytics interns after using a gender-bias tool to check the job description. The tool found that over 95% of the words, many of them common data analytics terms, were male-coded. We made the language gender-neutral and all resulting applications were from women.
- Staying committed to HM Treasury's Women in Finance Charter. We've previously signed up and we'll submit our next findings in August 2022.

Reviewing and reporting on our progress

Our data helps us to track how we're doing. Our latest reporting shows that we:

- Increased the proportion of women in our workforce. In 2017 we reported that 7% more men worked at Nest than women. We worked hard to achieve parity. In 2019/20 the numbers were equal. As at March 2022, 52% of our workforce are women.
- Slightly increased the proportion of women directors. In 2020/21, 54% of our director-level roles were held by women. In 2021/22, we increased this to 55%. This exceeds the 50% target we committed to under the Women in Finance Charter. We'll work to maintain this and keep striving towards our aim to have 30% of executive roles held by women by 2025. We're currently at 14%.
- Used our people data more effectively. We've increased the scope of our quarterly people data dashboards. This data feeds into a 'people plan' for each directorate that helps to determine workforce priorities and initiatives in that area.

Our gender pay data for 2020/21 and 2021/22

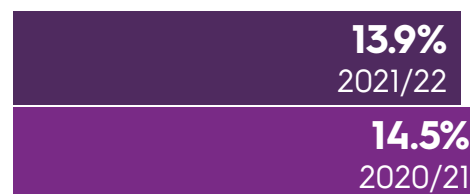
Our data shows the impact of all the measures we've taken to close our gender pay gap at Nest, as well as highlighting the areas we need to focus on.

Mean hourly pay gap

A gap of 13.9% in 2021/22. That works out to be £5.14 per hour.

It's a reduction of 0.6 percentage points from 2020/21, when the mean gap was 14.5% and £5.19 per hour.

Since we first reported our gap in 2017, it's a reduction of 3.5 percentage points.



Median hourly pay gap

A gap of 9.5% in 2021/22. That works out to be £3.07 per hour.

It's a reduction of 1.4 percentage points from 2020/21, when the median gap was 10.9% and £3.41 per hour.

Since we first reported our gap in 2017, it's a reduction of 14.7 percentage points.

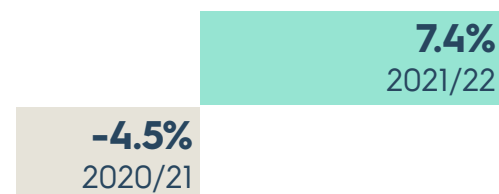


Mean bonus gap

A gap of 7.4% in 2021/22. That works out to be £132.19.

It's an increase of 11.9 percentage points from 2020/21, when women took home a mean bonus that was £68.70 higher than men.

Since we first reported our gap in 2017, it's an increase of 3.2 percentage points.



Median bonus gap

There is no gap in 2021/22. Women and men at Nest received the same median bonus. This was the case in 2020/21 too.

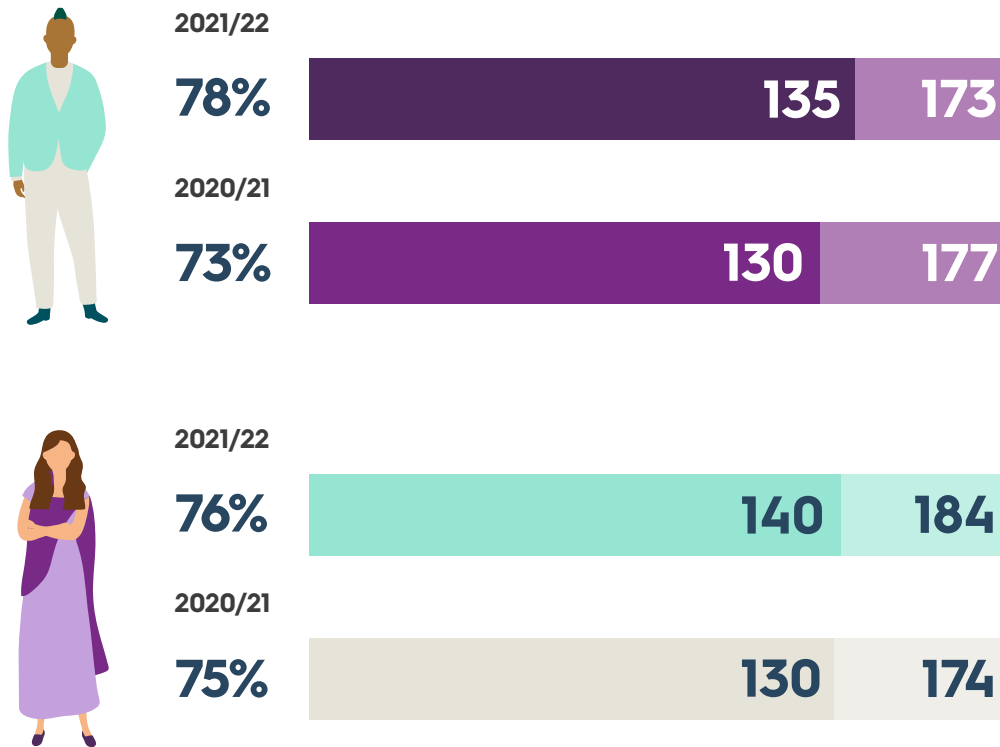
When we first started reporting in 2017, there was also no gap.



- In 2021/22, we increased the number of women working at Nest, and had more women in our workforce than men. Women do, however, continue to be over-represented in our lower-quartile roles. This partially accounts for the increase in our mean bonus gap.
- Some of this gap is also due to the recruitment of 44 new starters who were women in 2021/22. A number of these women joined after the bonus cut-off date and were ineligible to receive a bonus. In comparison, we had 38 new starters who were men.

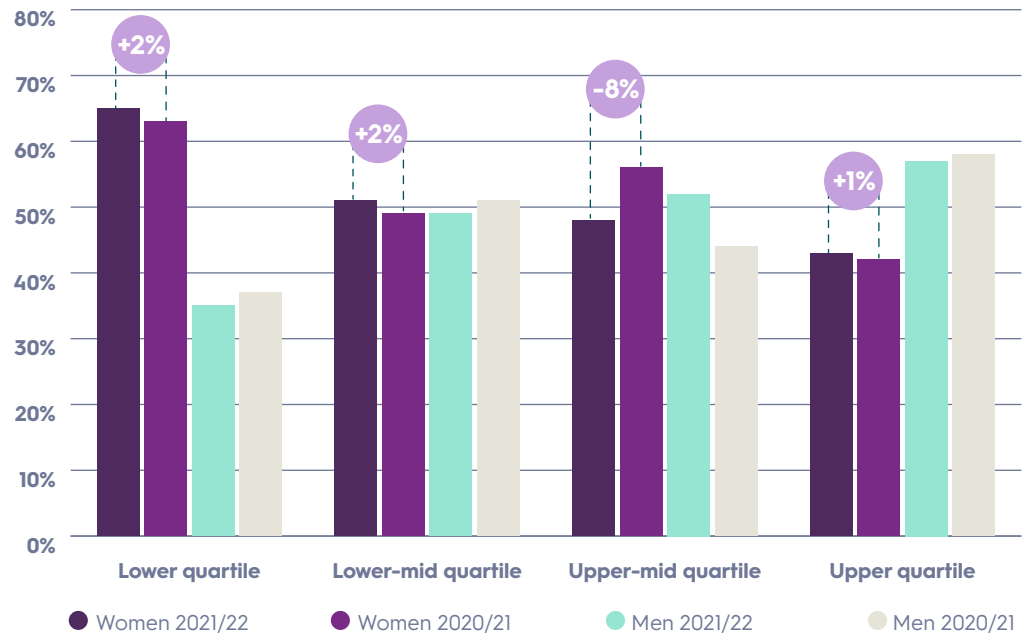
Proportion of men and women who received a bonus in 2020/21 and 2021/22

- In 2021/22, more women than men received a bonus.
- The proportion of women receiving a bonus, however, was slightly lower than men. This can be attributed to more women in the lower quartile at Nest than men, and a higher number of women joining after the bonus eligibility cut-off date.



Comparison of 2021/22 and 2020/21 quartiles

- While we have a higher proportion of women working at Nest in 2021/22, they continue to be over-represented in the lower quartile. To help close the pay gap we'll aim to increase representation of women in the upper quartile.
- We'll continue to focus on developing and nurturing our talent to assist progression through the quartiles.
- Our upper-mid quartile has moved slightly closer to gender parity. However, women are still under-represented in this quartile.
- We acknowledge the drop in the number of women in our upper-mid quartile. We are committed to understanding the reasons for this.



What we'll do next

We need to keep working hard to close our gender pay gap and we already have several initiatives in place to help us do this. This is our plan for the near future.



We're aiming for 30% of our executive team to be women by 2025.

Carrying on with our commitments

In our previous pay gap reports we outlined some initiatives that can contribute to our progress. They continue to be an important part of our approach to closing our gap.

Recruitment

- Keeping a focus on our direct-hiring approach. We think this is the best way to reach women from all backgrounds. As part of this, we'll keep posting vacancies on online job boards such as Women Returners.

Our data

- Using our workforce equality and people data more effectively. This will help us understand workforce demography and identify areas we need to intervene in. Improving our quarterly people data dashboard is a step in the right direction, but we'll do more where we can.

Diversity and inclusion

- Continuing to listen to all our diversity working groups, including our gender group. We welcome the group's challenges, and we'll work to make sure its action plan gets delivered.
- Making progress towards our diversity and inclusion targets and objectives. This includes continuing to exceed our target of gender parity in director-level roles, and aiming for 30% of our executive team to be women by 2025.
- Making sure each member of our executive team has a diversity-related objective. We want to build an organisation that's inclusive by instinct, and our executives will lead by example.

Our wider industry

- Looking for more opportunities to lead the way. Just like our co-chairing of the 30% Club, if we can play a role in trying to improve representation of women in our industry, we'll act.
- Using our scale to push for change. Our responsible investment team continues to hold the companies we invest in to account, including on gender pay gaps and pay equity ambitions.



We're committed to reducing our pay gaps year-on-year. I'm proud of our clear plan that can drive us towards our long-term goal of pay parity for women at Nest. I believe our continued focus on recruitment and development, and on building an inclusive culture where all employees can progress, will help us achieve this.



Richard Lockwood
Diversity and Inclusion lead,
Chief Financial Officer

Other areas of focus

We've identified some further initiatives that will help us on our journey towards closing our gender pay gap. These include:

- Focusing on development. We have attracted and recruited more women to Nest. To reduce our pay gap, we need to improve the distribution of women across our roles. We'll focus more on nurturing our talent internally and continuing to make the pathways to pay progression and promotion as clear as possible.
- Building a data infrastructure. This is part of our plan to use our data more effectively and includes a drive to increase the number of employees who declare data about their personal characteristics. Ultimately, this will allow us to better understand our workforce and how we can address any barriers they face.
- Reviewing intersectionality. A comprehensive data infrastructure will also improve our ability to gather intersectional data and insight. Over the next few years, we aim to gain a better understanding of gender pay gaps across ethnicity groups and to highlight areas we can improve in. We'll stay transparent about our ethnicity pay gap and continue to voluntarily publish this information every year.
- Continuing to listen to our staff forum, 'Your voice'. The forum was established in 2021 and is made up of representatives selected from across our people. It provides feedback into organisation-wide initiatives and decision-making. We'll keep listening to everything the forum raises, including on issues that can help us to close our pay gaps like pay, progression and development.



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