



Gender pay gap report

—
Representation and compensation as at
31 March 2023

nestpensions.org.uk

Introduction

We've made a long-term commitment to close our gender pay gap. This latest report shows our progress for the 2022/23 financial year. We know where we need to improve, and we feel well equipped to do it.

The gender pay gap refers to the percentage difference between average hourly earnings for all men and women. This is not to be confused with equal pay, which partly looks at the pay disparities of men and women being paid differently for doing the same job.

Since reporting began in 2017, we have seen a general decrease in the mean hourly gender pay gap at Nest. While we are disappointed to see a 0.9% increase this year compared to last year's data, the trends are still generally positive, and Nest continues to have a smaller pay gap than the national average.

Last year we reported that although a higher proportion of our workforce are women, they are over-represented in our lower-quartile roles. This remains true. Since last year there has been a 3.6% decrease in women in the upper-mid and upper quartile roles. We know more needs to be done to support women into higher quartile roles and close the gender pay gap.

Women make up 51% of our staff. We have recruited more women than men into Nest in the last 12 months, however we have also seen more women leavers than men. Our focus on recruitment is working, but we must do more to support and retain the women who already work at Nest. To reduce our pay gap, we must also improve the distribution of women across our roles. This includes helping them to develop their careers and progress into more senior positions across Nest. We'll only close our gender pay gap if we create a fairer distribution of women across our pay grades.

Last year, flexible working, parental leave and fostering an inclusive working environment were key areas of focus for our report. These continue to be a priority, and this year we have an added focus on development.

Since the 2021/22 financial year, we've taken positive action to improve in these areas.

Key actions include:

- launching our updated diversity, equity and inclusion strategy
- working with our gender working group and diversity and inclusion business partner to create the menopause and menstruation policy
- working with our internal audit team to audit our recruitment and onboarding processes to ensure they are as inclusive as possible

Although we've made progress in some areas, we know we need to do more and we understand where we must focus to reach our goals. Closing our gender pay gap is a long-term commitment, and we will continue to take action year on year until pay parity is achieved.



Overall, I'm pleased with the progress we continue to make in relation to our pay and bonus gaps over the last year. Although the pay gap has increased, it was a small increase of less than 1% and overall we are still seeing positive trends. We must not become complacent, and we'll carry on working hard so that we can exceed our targets for representation and reduce the pay gap.



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, equity and inclusion strategy.

In 2022/23 we took several steps across the organisation to help close our gap. Here are the highlights.

Improving our recruitment practices

We need to get things right from the start. Ensuring we're mindful of where we're advertising roles, demonstrating our commitment to diversity, equity and inclusion on our website and social platforms, and having a fair recruitment process will all help us to continue attracting women to Nest. Over the last year we have:

- Continued to use anonymised job applications to tackle unconscious bias at the shortlisting stage. We've also been collecting data which we will eventually use to understand barriers faced by women in the recruitment process and how we can address them.
- Ensured all job descriptions go through an inbuilt programme in Eploy called Ad Tuner before advertising a vacancy. The programme focuses on addressing gender bias within job descriptions to ensure the language is gender neutral.

- Taken a targeted approach when advertising vacancies by using job boards such as Timewise Jobs, Women Returners and Working Mums. Although we recognise that flexible working is not just an option chosen by women, research also shows that women are more likely to work part time compared to men.
- Reviewed our careers webpage to ensure we better reflect our commitment to diversity, equity and inclusion.
- Worked with our internal audit team to audit our recruitment and onboarding processes. We will address the recommendations outlined in the resulting report to ensure that we make our recruitment and onboarding processes as inclusive as possible.
- Started to take positive action in our recruitment campaigns to attract women to areas of the business where they're underrepresented, ensuring we have a gender balanced workforce across all areas.¹ When recruiting for an area of the business where roles had been historically held by men, we included a statement in our job advert to encourage women to apply. This approach has already resulted in the recruitment of a woman into an area at Nest where women are underrepresented.
- Launched a campaign to recruit three new board members. Working with our diversity and inclusion business partner, we took a number of steps to attract a diverse group of candidates. This included:
 - asking applicants to demonstrate how they align with Nest's social purpose, value and commitment to diversity
 - delivering a live public webinar explaining the role of a Nest board member and reiterating our commitment to diversity, equity and inclusion at Nest
 - encouraging applicants from diverse backgrounds to apply for the role.

¹ The Equality and Human Rights Commission identifies six examples of positive action in the workplace, see equalityhumanrights.com/en/advice-and-guidance/employers-what-positive-action-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. We have continued our commitment in this area through:

- Encouraging the use of personal learning accounts that provide £2,500 towards development to help employees access the training they need to progress. There has been a 2% increase in the number of women that have used their personal learning accounts this year in comparison to 2021/22.
- Continuing to promote LinkedIn Learning, a platform that allows employees to choose from thousands of online courses at a time and place which works for them.
- Inviting our learning and development business partner to the gender working group meeting to talk about our learning and development offer. We want to see an increase in the uptake and usage rates of our learning accounts among women at Nest to create a culture focused on development. We will continue to promote our learning and development offer among our staff from underrepresented groups, including women.

- Developed the future leadership sponsorship programme to promote a pipeline of diverse talent into senior roles. While this year's programme is focused on supporting people from ethnically diverse backgrounds, we take an intersectional approach meaning that four out of seven of those on the programme are women.

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.

- In the last year we've promoted flexible working and job-sharing opportunities both internally and externally through advertising, including our most senior positions, in order to attract candidates with caring responsibilities or other commitments.

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. Our latest initiatives include:

- Launching our updated diversity, equity and inclusion strategy for 2022/25. The strategy will ensure we take a targeted approach to attract, support and develop those from underrepresented groups, including women. This includes the areas of the business and grades where women are underrepresented. The roadmap we set out to deliver the strategy will ensure we're intentional in all that we do to support women, and this will support us with closing the gender pay gap. The strategy will place a strong emphasis on data, not only to understand the gender balance of our workforce, but to learn what our data says about the experiences of women across the employee lifecycle.

- Listening to feedback from our staff forum, 'Your Voice'. This included feedback on the diversity, equity and inclusion strategy, our new policies and our pay propositions. We share our plans and request feedback from the forum before we finalise decisions.
- Continuing to work closely with our gender working group to steer our gender policies. After the success of our previous campaign to raise awareness about the menopause and how it can impact women in the workplace, we worked with the working group and our diversity and inclusion business partner to launch the menopause and menstruation policy. By educating our employees we hope to break stigma and create an open and healthy workplace culture where colleagues feel comfortable and supported.
- Piloting the offer of free menstrual products in our office.

Supporting gender-balanced leave

We want to lead by example and inspire the women who work at Nest to progress. We've made progress to support long periods of leave, including different types of family leave such as maternity and adoption leave, and providing support to those returning to work after caring for a child. Over the last year we have:

- Reviewed the support offered to women while on maternity leave and provided guidance for managers on keep-in-touch days. The diversity, equity and inclusion strategy we launched this year also outlines our aim to explore a returners programme for those who have been absent for long periods of time.
- Promoted paternity leave internally and externally to encourage men to take this leave as we know this can help to reduce the pay gap.
- Reviewed the family leave policy, with an aim to enhance the paternity and adoption leave on offer so colleagues are supported if they choose to have a family. We hope this will encourage more men to take paternity leave as this will contribute to reducing the pay gap.

Taking a lead in our industry

We work hard to encourage pay progression and to close the pay gap in our industry. In the last year, we've taken action through:

- Being a member and participating in the 30% Club UK Investor Group, where we're proud to have a Nest member of staff sitting as co-chair.² The group campaigns for at least 30% representation of women on global corporate boards. Gender diversity on UK boards improved in 2022 as FTSE 350 companies met the 40% target for Women on Boards, three years ahead of the December 2025 target end date.³ Moreover, the top 10 companies on the list had more than 50% women on their boards.

² See 30percentclub.org/uk-investor-group

³ See the FTSE Woman Leaders Review at ffsewomenleaders.com

- Leading a piece of work engaging with a small number of US companies with poor gender and ethnicity board representation. We wrote to these companies on behalf of the 30% Club Investor Group and set out expectations for improvements and need for clear policies. Collaborating alongside other investors in the group and teaming up with the Canadian chapter of the 30% Club helped achieve higher impact, as many of the companies on the list improved representation either during or since our engagement.

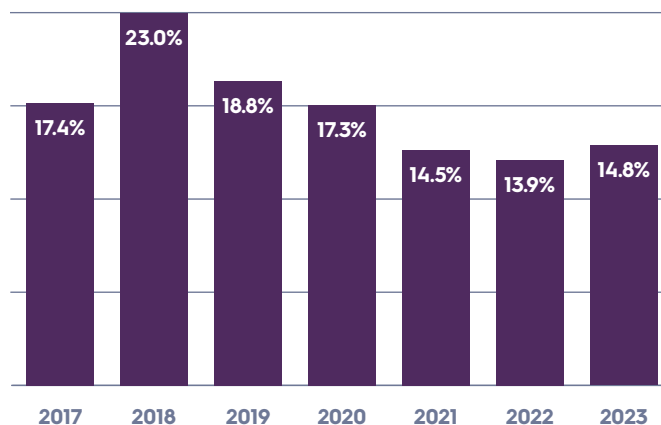
Our gender pay data for 2022/23

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 14.8% in 2022/23. That works out to be £5.71 per hour. This is an increase of 0.9 percentage points from 2021/22, when the mean gap was 13.9% and £5.14 per hour. Since we first reported our gap in 2017, it is a reduction of 2.6 percentage points.

- Since 2018 we have seen a gradual decrease in the mean hourly pay gap, but this has increased slightly this year. However, it remains below the pay percentage from 2017 when we started collecting data.
- One of the main reasons for the increase in the mean hourly pay gap is due to a decrease in the overall number of women in upper-mid and upper quartile roles, falling by 3 percentage points compared to last year.
- Although there are more women than men working at Nest, the proportion of men on higher salaries impacts the pay gap.



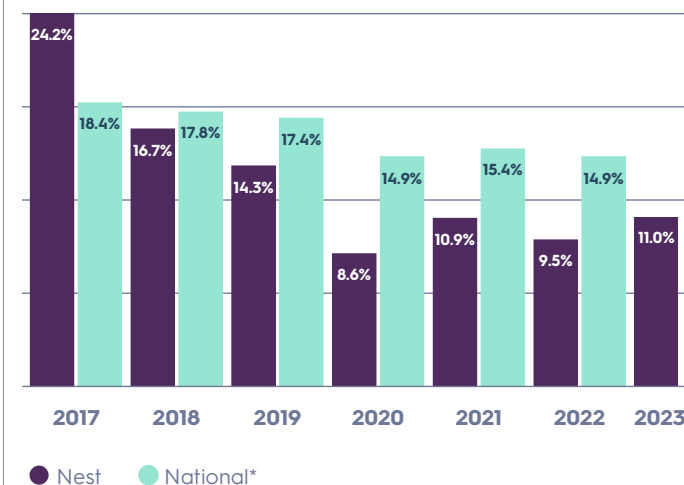
Median hourly pay gap

A gap of 11% in 2022/23. That works out to be £3.69 per hour.

This is an increase of 1.5 percentage points from 2021/22, when the mean gap was 9.5% and £3.07 per hour.

Since we first reported our gap in 2017, it is a reduction of 13.2 percentage points.

- The median hourly pay gap at Nest has remained below the national average pay gap since 2018.



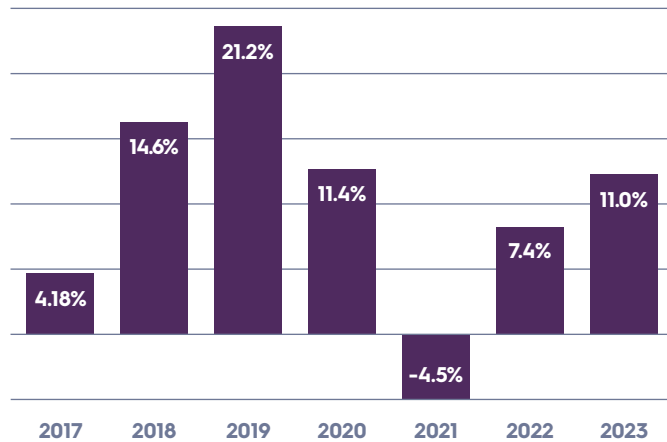
*Source: Office of National Statistics - Gender Pay Gap in the UK 2022

Mean bonus gap

A gap of 11% in 2022/23. This works out to be an average bonus gap of £177.93.

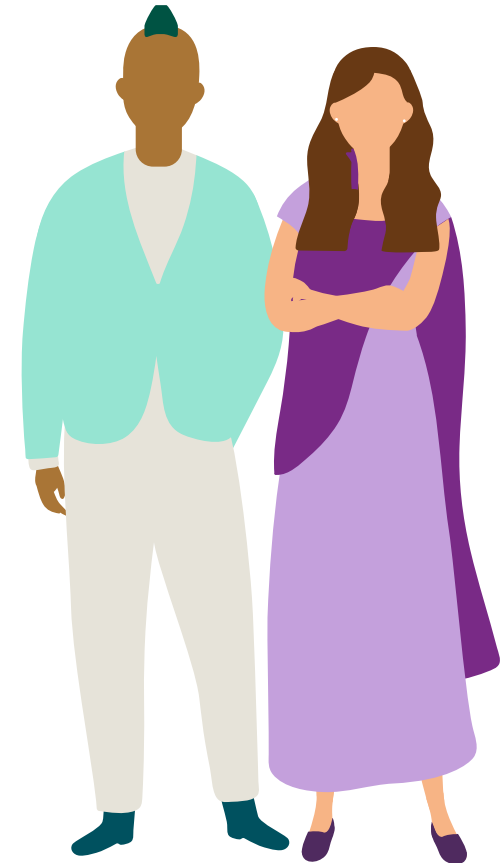
This is an increase of 3.6 percentage points from 2021/22, when the mean gap was 7.4%.

Since we first reported our gap in 2017, it is an increase of 6.8 percentage points.



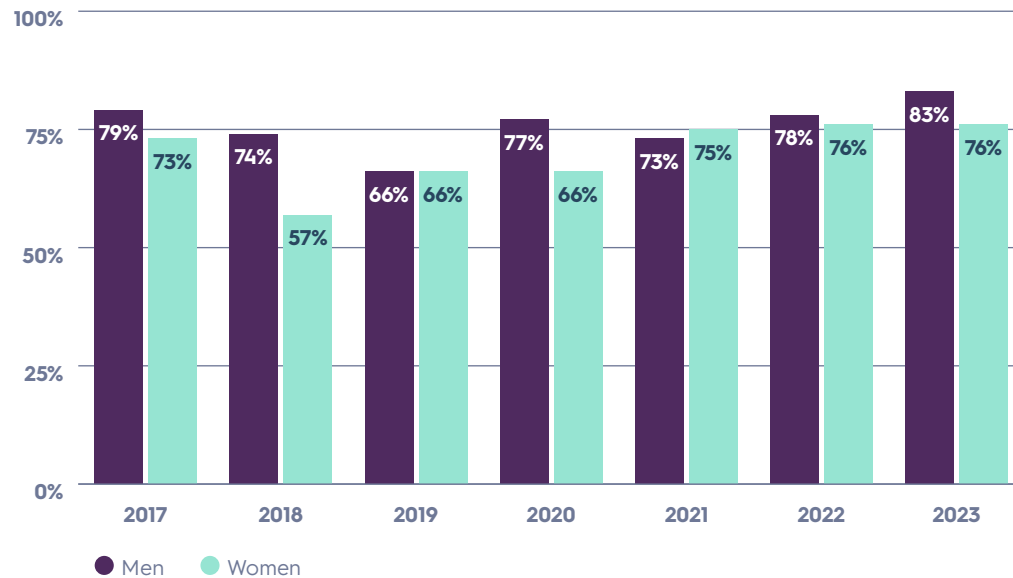
Median bonus gap

There is no gap in 2022/23. Women and men at Nest received the same median bonus. This was the case in 2021/22 too.



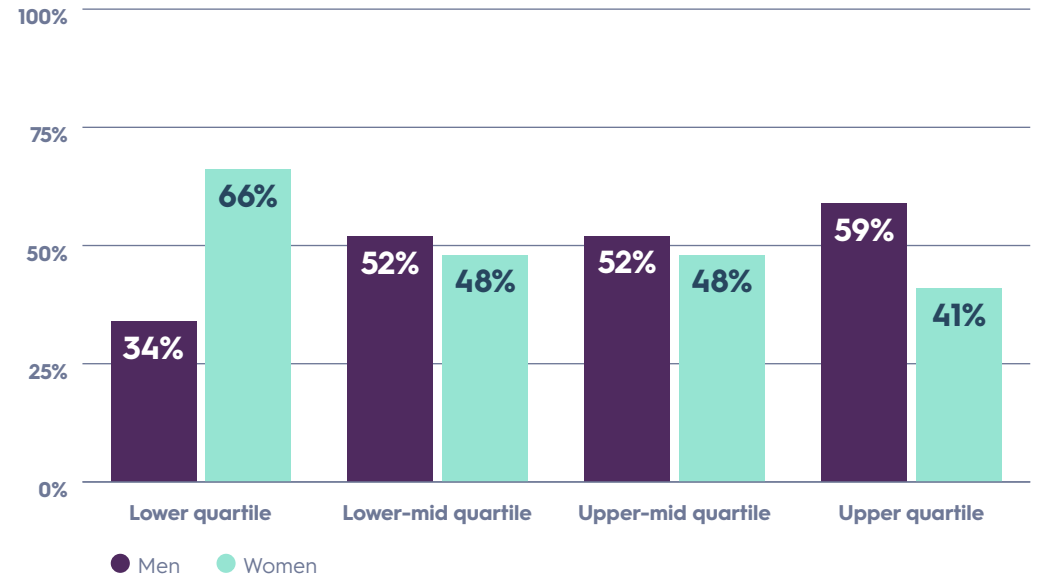
Proportion of men and women who received a bonus in 2022/23

- In 2022/23, more men than women received a bonus.
- The proportion of women receiving a bonus has remained the same as 2021/22 at 76%. However, the number of men receiving a bonus in 2023 increased to 83% from 78% in 2022.
- The average percentage of women receiving a full bonus in the last seven years is 70%, whereas the average for men has been 76%. Around 30% of staff are not receiving a bonus due to not being eligible because of their length of service. There is a higher proportion of men receiving a full bonus compared to women, due to a higher number of women in part-time roles. For example, those who work full time receive a full bonus, however those who work part-time have their bonus pro-rated. This will have impacted the bonus gap.



Distribution of men and women per pay quartile

- In 2022/23, we had more women than men leave Nest. 41% of leavers were from the upper-mid quartile and upper quartile range, which would have had a negative impact on the pay gap.
- Although there have been more new starters who are women this year, compared to men, 62% were hired in the lower quartile range. This would have also impacted the pay gap.
- While we have a higher proportion of women working at Nest in 2022/23, they continue to be over-represented in the lower quartile as shown in the graph below. 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.



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.

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.

Improving our recruitment practices

- We have a higher proportion of women working part-time and in job shares compared to men, and research shows that women are more likely to request flexible working. We will continue to promote our flexible working and job-sharing opportunities both internally and externally through advertising, including our most senior positions, to encourage women to apply. We'll also launch a job-sharing policy which will help us to ensure we have a process in place for all job shares, and hopefully provide more opportunities for progression.

- We will continue to focus on attracting a diverse range of candidates by reviewing our careers page. We recognise we have more work to do on social media, and we'll focus on this next to ensure we better reflect our commitment to diversity, equity and inclusion through our digital presence.
- We will take positive action to increase the number of women in areas of the business where they are underrepresented and in more senior posts should the opportunity arise. We'll do this by including statements in our job adverts to encourage women to apply and offer development opportunities to women who are underrepresented in different parts of the workforce.

Developing our workforce

- We will work with our senior leadership and people and development team to ensure we focus our efforts on succession planning so that we have a diverse group of future potential leaders.

Our data

- We will continue to use our workforce equality and people data to identify areas of intervention and expand our data capture across the employee lifecycle. Comparing year on year will tell us more about the experiences of staff, and where we can make a positive impact to improve the pay gap difference.

Diversity and inclusion

- We will continue to work with our gender working group to ensure that we deliver on their actions for 2023 to 2024.
- We will review our diversity, equity and inclusion training and work with the leadership coaches to refresh the content, ensuring that it is relevant to the organisation and aligns with what we are trying to achieve in our diversity, equity and inclusion strategy. This is an important part of ensuring that we educate our staff to support us with creating an inclusive culture.

Development and reward

- We will review, develop and promote our line manager hub. We'll update it with management guidance and resources to upskill line managers on inclusive people practices.
- We will continue to promote our learning and development offer among our staff from underrepresented groups, including women at Nest.
- We will review our reward proposition to ensure that it supports all our staff.
- We will use exit interviews to understand the reasons women leave Nest and use this information to inform our people processes and actions.
- Following feedback in our March 2023 staff survey, we'll work to make our pay grade structures more transparent so our employees know how to progress at Nest.

Our wider industry

- We will continue our membership with the diversity project¹ to ensure we're working to make change within Nest and across the industry. Whether that's through taking part in cross organisation initiatives or having our say in the diversity project steering committee meetings.
- We will continue to look 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.
- Similarly, we'll continue to use 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.

¹ See diversityproject.com



Our latest report reflects our commitment to closing the gender pay gap. We acknowledge the need to support women in higher quartile roles and create a fairer distribution across pay grades. Through improved recruitment practices, workforce development, flexible working, and fostering an inclusive culture, we aim to achieve pay parity. We will continue taking action until equality is achieved.



Richard Lockwood
Diversity and Inclusion lead,
Chief Financial Officer

Other areas of focus

- We know we need diversity to start at the very top of the organisation. While our CEO is a woman, the rest of the executive team are men. We are thinking hard about how we can improve the gender balance at this level in future as roles become available.
 - We have attracted and recruited more women to Nest. But to reduce our pay gap, we need to improve the distribution of women across our roles. We'll continue to focus on nurturing our talent internally and making the pathways to pay progression and promotion as clear as possible.
 - We will continue to gather data and insight on intersectionality. We aim to gain a better understanding of gender pay gaps across different ethnic groups, as we need to understand where there may be issues throughout the employee lifecycle, including entry into senior positions. We'll stay transparent about our ethnicity pay gap and continue to voluntarily publish this information every year.
- We will continue to listen to our staff forum, 'Your Voice'. The forum was established in 2021 and is made up of representatives selected from across our workforce. 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.
 - We will also work with our diversity, equity and inclusion working groups to help us meet our diversity, equity and inclusion commitments and ensure we continue to be an inclusive organisation.



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