



Gender pay gap report

—
Representation and compensation as at
31 March 2020

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Introduction

We're pleased to publish our latest gender pay gap report. While our data shows that we've made good progress towards our goal of removing inequality in remuneration at Nest, it's clear there's still much more to do.

Gender parity is a serious issue for us. We invest our members' money responsibly and we know that companies with good environmental, social and governance practices have more chance of long-term success. We push companies to set goals for pay equity and to increase transparency, which includes reporting on gender pay gaps. It's only right that we hold ourselves to the same standards.

Our members come into it too. Almost a third of the working population saves with us and they reflect the diversity of the UK. Our aim of achieving gender pay parity among Nest staff is in place to make sure our organisation represents the profile of our members. Our latest data suggests we're going in the right direction.

Since 2017, when we voluntarily produced our first gender pay report, we've continually narrowed our pay gap between men and women. For the past two years we've also maintained an equal gender balance across our workforce.

Our latest report shows that we've increased our proportion of women who are directors to 45%, again exceeding the 30% target that we committed to under the Women in Finance Charter.¹ To show our continued dedication to equality, you'll see that we've now pledged to increase this target to 50%.

We accept that more progress is still needed. On average, a woman working for Nest earns less per hour than her male counterpart and she faces a bonus gap too. While women were more likely to be hired into new and existing positions in 2020, and we've made good progress in appointing more women as directors, we still need to do more to tackle under-representation of women in our executive team.

¹ Director roles are those in our top two pay bands, comprising director-level roles and our executive committee.

We're confident that we have the people and policies to maintain our achievements and to improve in the areas we need to. Commitments are in place that include:

- a review of the reward proposition that we offer to women in leadership roles
- a plan to use our people data more effectively to identify and tackle gender gaps

On top of this, we're guided by the objectives that we set out in our diversity and inclusion strategy. To create a workforce that reaches its full and future potential we said we'd increase representation of women at the senior leadership and executive team level. To attract, recruit and retain diverse talent we said we'd renew our commitment to the Women in Finance Charter.

Next year, we hope to report that we've improved our performance where we need to and are closer to meeting our gender pay objectives.



Gender parity is a serious issue for us. We invest our members' money responsibly and we know that companies with good environmental, social and governance practices have more chance of long-term success, with Nest as no exception. Making long-term sustained change is not something that can happen overnight. I'm committed to tackling this issue head on, and to being transparent about our successes and the setbacks we face too. Nest will continue to report on our progress as we work towards achieving the targets and ambitions we have set out in our diversity and inclusion strategy.



Helen Dean
Chief Executive Officer

What we've already done

We're on a continuing journey to embody a diverse workforce and create an inclusive environment at Nest. This includes improving our gender parity.

By making a range of positive changes we helped reduce our gender pay gap for the fourth successive year in 2020. Here are some of the things we did:

Promoted flexible working

- We attracted and appointed more women as job candidates and continued to recruit employees into positions that offer flexible working.
- Our employees still ranked their ability to have a good work-life balance as one of the major positives of working at Nest.

Improved our recruitment practices

- We increased our focus on using a direct hiring approach so our adverts have more chance of reaching women from all backgrounds. This included posting vacancies on online job boards such as Women Returners, a network that aims to help professionals get back to work after an extended career break.
- When we did use a recruitment agency, we told them that we expected to see gender-balanced shortlists. To make sure this keeps happening, we monitor this target every quarter.
- Plans were put in place to change our recruitment and selection policy to ensure we have gender-balanced panels at every stage. We also established a diverse group of trained employees to help us introduce gender diversity into our interview panels to mitigate against any biases.
- We procured a recruitment platform, provided by Eploy, which will be introduced into our hiring process. Not only does the platform anonymise a candidate's details to help reduce unconscious bias, it also checks that job descriptions use gender-fair language. This will help us to continue to attract the best talent to Nest and reward them fairly, regardless of sex, age or ethnicity.

Focused on diversity and inclusion

- Launched a gender working group to improve gender balance at Nest, particularly at senior levels. We continue to focus on embedding our diversity and inclusion strategy throughout the organisation to ensure we're 'inclusive by instinct'.
- As part of the annual performance review process, each executive team member has a diversity-related objective.
- Overall, we significantly increased the representation of women at the director level over the past two years. In 2018, 25% of our directors were women. In 2020 this was 45%. This surpassed the target of 30% that we signed up to under the Women in Finance Charter. We've now pledged to increase this to 50%.
- We read, discussed and acted on recommendations in the **McGregor-Smith review** into race in the workplace. This has included pledging to publish our ethnicity pay gap data for the first time.

Continued in-year monitoring and reporting on our progress

- In 2017 we reported that 7% more men worked for our organisation than women. In 2018 this was 5%. In 2019 there wasn't a significant gap and we have continued this trend in 2020 with equal men and women in our workforce.
- Overall, the number of women working at Nest has increased, but women are still more likely to occupy more junior roles. This isn't necessarily a bad thing, as through development and talent management we expect to see these women flourish at Nest.

Responsible investment

- Our responsible investment team continued to hold companies to account, including on their gender pay gap reporting and their pay equity ambitions. We hold ourselves to these same high standards.

Our gender pay data for 2020

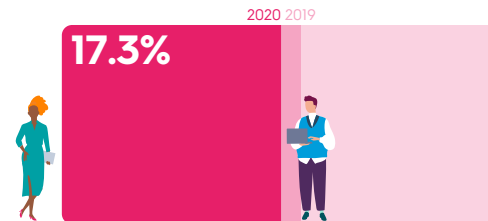
Our data shows the impact of all the measures we've taken to move towards gender parity at Nest, as well as some of the areas we need to improve in.

Mean and median gender pay gap

- Both our mean and median hourly gender pay gaps have fallen.
- This continues the trend seen every year since we voluntarily published our first gender pay gap report in 2017.
- In particular, the gap in our median hourly pay has fallen significantly.
- In 2020 women were more likely to be hired into new and existing positions at Nest.
- The significant increase in the proportion of women in director-level roles in 2020 is noteworthy. As of the 31 March 2020, 45% of our directors were women. This is an 8 percentage point increase from 37% in 2019.

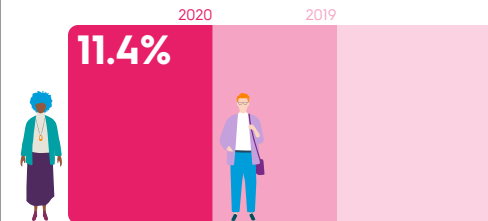
Mean hourly pay gap 2020

A gap of £6.09 per hour. This gap has reduced by 1.5 percentage points from 2019.



Mean bonus

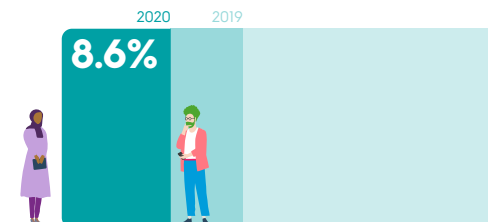
A gap of £164.59. This is 9.8 percentage points lower than the gap in 2019. We have seen a significant drop in the gender gap in our mean bonus.



- This reduction in the mean bonus pay gap is a result of the recruitment of an increased number of women into senior roles in 2018.
- They became eligible for a bonus in 2019/20 which has resulted in the mean bonus gap falling significantly.

Median hourly pay gap 2020

A gap of £2.58 per hour. This gap has reduced by 5.7 percentage points from 2019.



Median bonus

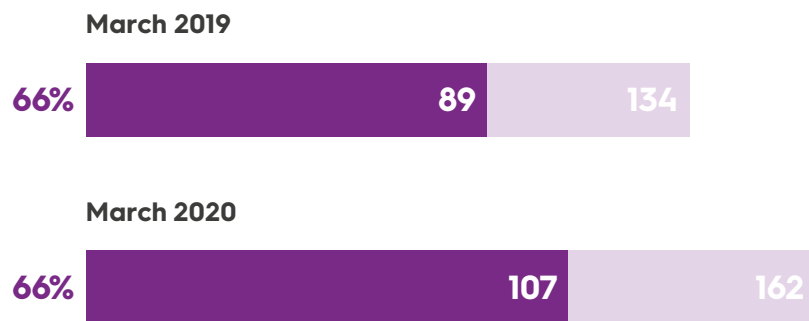
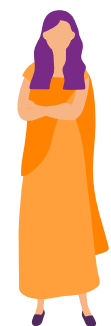
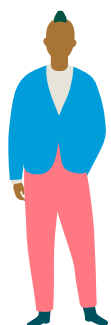
A gap of £300.00. This gap has increased by 12 percentage points from 2019. We have seen a significant increase in the gender gap in our median bonus.



- The median bonus paid to both men and women increased in this period.
- Some of this gap is due to the recruitment of 54 new starters who were women in 2019/20. Some of them were ineligible to receive a bonus in this period. In comparison, 37 men started in 2019/20.

Proportion of men and women working at Nest who received a bonus

- In 2019/20 our headcount of employees who were eligible to receive a bonus increased by 34.
- Women made up a significantly larger proportion of this new headcount compared to men.
- Women were also more likely to be hired into an existing or a new role.
- This has resulted in more women than men being ineligible to receive a bonus due to being a new starter.



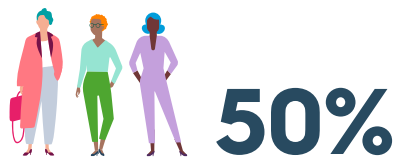
Comparison of March 2019 and March 2020 quartiles

- Comparing quartiles between March 2019 and March 2020, we have parity between men and women in the lower, mid- and upper-mid quartiles.
- The upper-mid quartile in particular has seen a significant increase in the representation of women and is now at 51%. This is a 12 percentage point increase from 2019.
- Women continue to be over-represented in the lower quartile and under-represented in the upper quartile.



What we need to do next

We're committed to keep improving our gender pay performance at Nest. Our diversity and inclusion strategy sets out the objectives we're working towards and the measures that hold us to account.



We've now pledged to increase our proportion of female directors to 50%.

Going forward, our key areas of focus are on continuing to reduce our gender pay gap and on increasing representation of women in the upper-mid and upper quartile roles.

We have the people and processes in place to help us achieve our objectives and have already planned some upcoming initiatives. These include:

- Listening and acting on the recommendations of our newly established gender working group, championed by our chief investment officer and our director of strategy, to further improve gender balance at Nest, particularly at the senior levels.
- Updating our Women in Finance Charter pledge after reaching our target of 30% of directors being women. We've set our new target at 50%.
- Continuing to review our women's leadership and empowerment offer and exploring initiatives such as sponsorships and confidence programmes.

- Making sure that recruitment panels remain gender-balanced and that our equality and diversity panel ensures that all our interview panels are diverse.
- Using our workforce equality data to understand workforce demography and identify any necessary interventions.
- Using our people data to understand where our talent lies and to improve the representation of women at the top of the organisation.
- Continuing to focus on direct hiring to ensure that we directly source the best diverse talent.
- Launching a new total reward proposition which is aimed in part at reducing these pay gaps.
- Working collaboratively with other financial services organisations to improve representation of women in the sector. We recognise that gender balance is a sector-wide issue and one that we can't tackle alone.



In 2016, Nest set a goal to have a 50/50 gender-balanced workforce and 30% of director roles to be held by women. The success we have had in accomplishing both of these goals shows our commitment to achieving and exceeding a target once we set it. We now need to take the next steps.



Richard Lockwood
Diversity and Inclusion lead,
Chief Financial Officer