

YBS GENDER PAY REPORT 2017

For the first time, companies with over 250 employees have been asked to report on their gender pay gap.

The gender pay gap is most simply described as the difference between the average wages of men and women regardless of seniority. This is different to equal pay which addresses the difference in pay for men and women in the same job. We regularly review our pay by grade to ensure that men and women are treated equally, and we are comfortable with our position in that respect.

Our mean gender pay gap at April 2017 is 31.0%. Another way of looking at our gender pay gap is the median average; this is 28.6% for the same period.

Trust, transparency and fairness is very important to us, and we've taken real care to understand what's behind our pay gap. We've worked with our line managers to review our pay policies and procedures and are confident that these do not favour one group over another. Diversity and inclusion is important to YBS Group. So is gender balance. This is not about positive discrimination – we want everyone to have access to opportunities. Our analysis shows that the key driver for our gap is the imbalance in the numbers of women and men at different levels in the organisation. In simple terms we have more females occupying the less senior roles in the organisation, with fewer in the most senior roles. It is this imbalance that results in the gender pay gap.

If YBS Group were to have a 50:50 split of males and females at each level, our gap would be much lower at 3.5%.

Our colleagues are also rewarded and recognised through our annual bonus scheme in 2017. Nearly equal proportions of women and men receive a bonus award. When compared to the maximum bonus opportunity available, both men and women achieved virtually the same amount.

For comparison purposes we've also calculated the gap in the actual bonus pay received by both groups (the gender bonus gap). In 2017 this stands at 39.7% (mean) and 32.1% (median). Again, this is largely due to the imbalance of women and men across organisation levels. Unlike the gender pay gap, the bonus gap is calculated purely on the number of colleagues in the organisation. This means that it doesn't take account of part-time working, and the result is potentially higher due to the majority of our part-time colleagues being female.

WHAT COULD CAUSE A GENDER PAY GAP?

The gender pay gap is based on average pay of females and males, so one of the biggest causes of it can be the numbers of women and men in different roles and at different levels in an organisation.

For example: if the majority of employees in the upper pay levels are male, and the majority of employees in the lower pay levels are female, there is likely to be a gender pay gap, even though everyone is being paid the correct and fair pay for the job that they are doing. Other reasons which may contribute to a gap include:

- Different industry sectors and different jobs – with different rates of pay – that people work in.
- Contracted hours – the high proportion of women in often lower-paid part-time work.
- Pay progression – across the UK generally, a widening of the gender pay gap typically happens when women take time away from work to raise families, with pay progression for women returners on average being slower than for men.
- Pay choices – that are made at various points of an individual's working life.

There are many possible root causes to these reasons. Some may be personal, such as choices people make because of their own circumstances, their work preferences, and their aspirations. Other causes are part of society generally, such as the roles that people have historically been attracted to or feel comfortable working in. The culture in an organisation can have an impact too, affecting how well supported all colleagues feel to progress as far as they would like.

Because there are many contributing factors to a gender pay gap, there isn't one simple solution that 'fixes' it.

OUR PRIORITIES FOR 2017 TO 2018

We're on a journey to understand more about gender pay at YBSG today. We want to ensure that we create an environment for all of our colleagues to thrive, and that there is nothing in the way of any colleague fulfilling their potential and aspirations. For example, we want to make sure that both women and men feel confident to apply for our most senior roles, and men as well as women feel equally comfortable applying for part time working, if they'd like to do so.

Our diversity and inclusion strategy is key to help us achieve this aim. We've appointed a dedicated Diversity and Inclusion Manager and made a commitment to fostering an inclusive workplace.

In the meantime we're implementing a number of actions to ensure that we have strong foundations to move forward:

- Educating managers to enable them to make the most effective pay decisions for their people regardless of gender. In 2017 over 400 line managers attended pay education training.
- Supporting working parents through our 'Finding the Balance' initiative so they don't have to choose between their career and bringing up their children. In 2017 we increased our maternity pay, paternity pay, adoption pay and shared parental pay. YBS featured in the top 30 Britain's most family friendly workplaces for the first time in 2017 following the enhancements to our policies.
- Developing a more diverse and inclusive workforce through our inclusion commitments. Over 4000 colleagues have undertaken equality and diversity training so far this year. For more information on this please follow the link below.

GENDER PAY AND GENDER BONUS GAPS EXPLAINED.

The descriptions below give an overview of the gender pay gap measures and how they are calculated. For precise definitions, the relevant regulations should be referred to.

THE GENDER PAY GAP – WHAT IT IS

The gender pay gap is the average difference in pay between all men and all women – at an organisation, industry, or country level. It uses average hourly rates of pay, so puts everyone on a level footing by adjusting for the number of contracted hours.

THE GENDER PAY GAP – WHAT IT ISN'T

Because it's based on average rates of pay, the existence of a gender pay gap does not mean that individuals are being paid unfairly for the specific role that they do. Gender pay is completely different from equal pay, which considers pay differences for individuals at a role level e.g. jobs of the same value.

CALCULATING THE GENDER PAY GAP

'Pay' is calculated for the pay period including 5 April, according to strict definitions. It includes basic salary and a number of other elements paid in that month, including shift premia, bonus payments and certain allowances. It doesn't include overtime, or deductions. Where pay is less than usual in April due to particular reasons, such as maternity, paternity or sick leave, the individual is not included in the pay gap calculation. In the regulatory data two ways of calculating the average are shown:

- The mean averages all of the pay rates for all men (included in the calculation), and all of the pay rates for all women (included in the calculation).
- The median takes the middle value in a range of pay rates.

THE GENDER BONUS GAP AND NUMBERS OF COLLEAGUES RECEIVING BONUS

The gender bonus gap shows the average difference in all bonuses received in the 12 months prior to the 5 April, by women and men employed at 5 April. Unlike the gender pay gap, there is no pro-rating for hours worked, or length of service in year. So the gap can be particularly high if, for example, there are more women than men carrying out part-time work.

As with pay, both the mean and the median bonus gaps are calculated. And we also show the proportions of male and female colleagues, employed at 5 April, who were paid bonus during the previous 12 months.

THE PROPORTIONS OF COLLEAGUES IN PAY QUARTILES

The final metric produced for gender pay gap reporting is the proportion of male and female colleagues, in receipt of full pay in April, in each of four pay quartiles. This demonstrates how many women and men there are at different pay levels in the organisation. Quartiles are found by listing everyone's hourly rate pay, from the lowest to the highest, in four equal quartiles.



STATUTORY METRICS 2017

Gender pay gap
Mean¹

31.0%

Median²

28.6%

Gender bonus gap
Mean³

39.7%

Median⁴

32.1%

Bonus pay

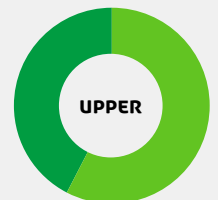
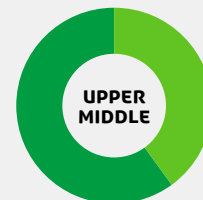
The proportion of male and female relevant employees who were paid bonus pay.

MALE: 95.0%

FEMALE: 96.3%

Pay quartiles

The proportions of male and female full-pay relevant employees in specific pay quartiles.



Statement of accuracy

The information presented in this statement in relation to the Yorkshire Building Society Group has been created in line with and to comply with The Equality Act 2010 (Gender Pay Gap Information) Regulations 2017, in relation to the pay period including 5 April 2017.

Stephen White, Chief Operating Officer
Date: 16th November 2017

¹ The difference between the mean hourly rate of pay of male full-pay relevant employees and that of female full-pay relevant employees. ² The difference between the median hourly rate of pay of male full-pay relevant employees and that of female full-pay relevant employees. ³ The difference between the mean bonus pay paid to male relevant employees and that paid to female relevant employees. ⁴ The difference between the median bonus pay paid to male relevant employees and that paid to female relevant employees.