

Gender Pay Report

April 2017

Gender Pay Report

'Building a Better Society' is at the heart of everything we do at Skipton Building Society. Our culture and the way we do things are built on solid values of trust, ownership and working together as one team. Our continued commitment to developing our people and our sustained levels of high colleague engagement have resulted in us attaining Investors in People (IIP) Platinum status, an award which is only achieved by 0.5% of IIP organisations and of which we are very proud.

'Building a Better Society', for us, also means sustaining an inclusive society which, amongst other things, means ensuring women have an equal opportunity to men in achieving their potential. This Gender Pay Gap report shows that there are twice as many men in senior roles than women, thereby

impacting the average pay per gender. We have established a number of working groups and network forums to look at the wider aspects of diversity and identify whether things can be improved. We will be rolling out unconscious bias training to the Board and our leadership population, reviewing our flexible working practices and looking at how we can address our Gender Pay Gap. We want our colleagues to be representative of the communities in which we work and the membership we serve.

We have consulted colleagues, male and female, across the business to get their views on how we can provide better support and facilitate career progression for women as well as providing greater work/life balance for everyone. These views have directly contributed to the initiatives outlined later in this report.

Gender Pay Gap – results overview*

Pay Comparison

Gender Pay Gap (Mean)	29.8%
Gender Pay Gap (Median)	26.4%

Bonus Comparison

Bonus Gap (Mean)	66.2%
Bonus Gap (Median)	31.7%

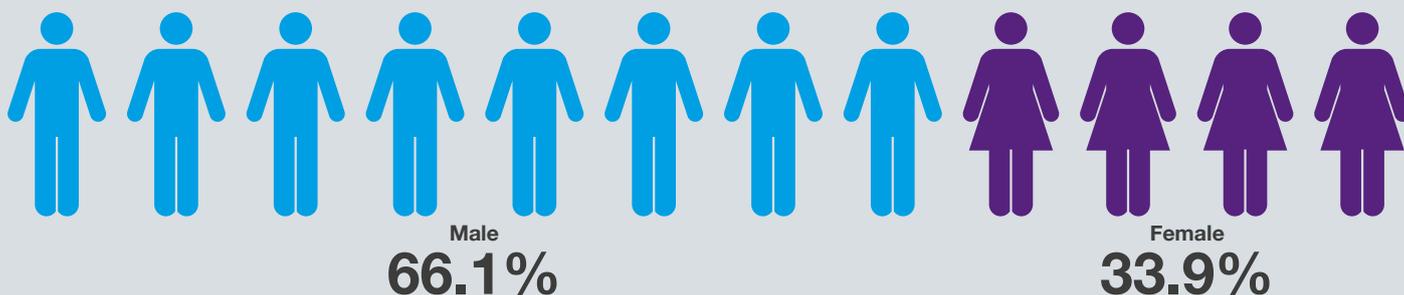
Bonuses Received

Female	88.6%
Male	87.0%

Quartile Pay Bands

	Female	Male
Lower Quartile	66.6%	33.4%
Lower Middle	73.1%	26.9%
Upper Middle	57.0%	43.0%
Upper Quartile	38.5%	61.5%

Current Senior Leadership Team representation*



*Mandatory pay figures are as at 5th April 2017 i.e. the snapshot date and exclude our Non-Executive Directors. Senior Leadership figures show the figures as at December 31st 2017.

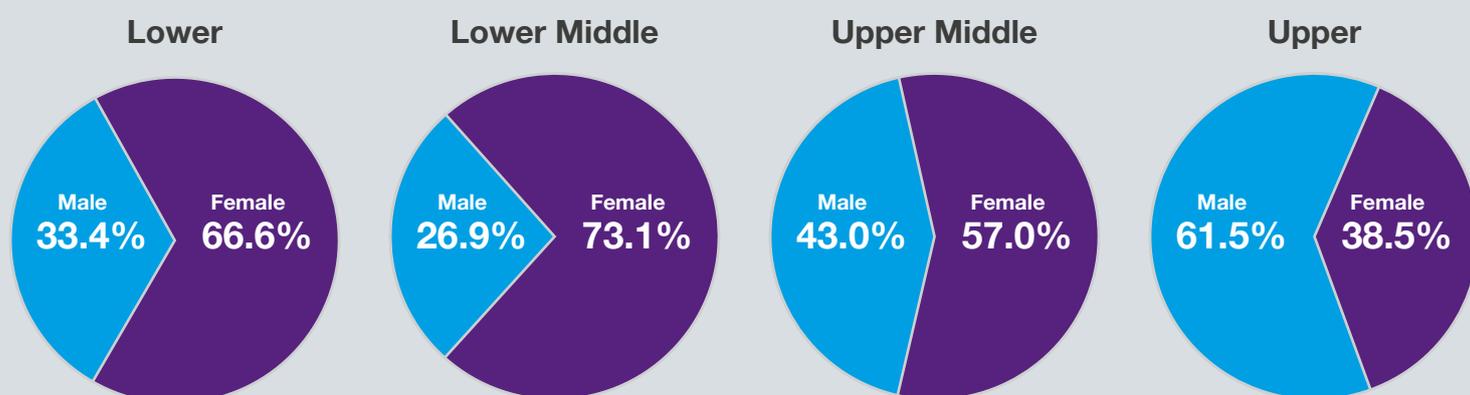
What does the Gender Pay Gap mean and how is it calculated?

The Gender Pay Gap measures the difference between the average earnings of all men and women across an organisation, irrespective of the level of their role. The existence of a Gender Pay Gap does not mean that people are being paid unfairly for the job that they do because it is influenced by many different factors, including the proportion of males versus females in senior roles. In this respect, it is very different from equal pay which considers pay differences for individuals at a role level.

For the purposes of Gender Pay Gap reporting, 'pay' is expressed as an hourly rate (calculated as at 5 April 2017). In addition to basic salary, the hourly rate calculation includes a

number of other payments e.g. specific allowances, monthly bonuses and shift payments. The mean Gender Pay Gap is the difference between the average pay rate for males and females expressed as a percentage of the male average pay figure. The median hourly rate is the middle figure when the hourly rates of all relevant colleagues are ranked in order and the median Gender Pay Gap is the difference between the median rate for males and females expressed as a percentage of the male figure. For clarity, our Non-Executive Directors are not included in the calculations as it is not possible to assign accurate working hours.

Proportion of male and female employees according to quartile pay bands



The proportion of males and females in each pay quartile is calculated by listing, in decreasing order, the hourly pay rate for all colleagues included in the calculation and splitting it into four equal groups.

Our mean Gender Pay Gap, while higher than the national average of 17.4% (ONS 2017), is lower than the Gender Pay Gap for the Financial Services and Insurance sector (35.1%) outlined in the same report. However, we are far from complacent and are taking steps to address the gap.

Our Gender Pay Gap, as is the case for many other organisations, is influenced largely by the shape of our organisation in that we have a much higher percentage of males in more senior managerial roles, (63% male and 37% female), but this position reverses in non-managerial roles (63% female and 37% male). This reflects in our pay position and as the above table shows the three lower pay quartiles have a much higher female representation (66.6% female and 33.4% male in the lower quartile) whereas the upper quartile has a higher male representation (61.5% male and 38.5% female).

The pay gap is increased slightly by the fact that allowances and monthly paid bonuses are included in the 'hourly rate' calculation. While overall the number of allowances paid to males and females is broadly similar, roles attracting more significant payments (such as shift allowance and car allowance) have higher male representation than female.

Similarly, roles attracting monthly bonus (e.g. Financial Advisers) have a significantly larger proportion of males than females. In order to develop internal talent and to encourage more gender balance in these roles, we have set up our own internal development schemes.

Whilst we have a Gender Pay Gap, we are confident that our approach to setting pay is fair. We have an objective method for setting levels of pay which uses a recognised job evaluation framework and a gender neutral salary increase mechanism. This is based on performance and market position for our senior roles and performance and position in band for the remainder of our roles. Our performance data shows that males do not achieve systematically higher performance ratings than females, indicating that performance rating is not a factor influencing our Gender Pay Gap.

Female representation in our Senior Leadership Team (defined as the Executive Committee and broadly their direct reports) was 33.9% at the end of December 2017. Over the last few years, we have also increased female representation of Non-Executive Directors at Board level. At the end of December 2017, 44.4% of Non-Executive Directors were female and 30.8% of all Directors were female.

We are passionate about developing our leaders, as borne out by our IIP status. In the course of the last five years 280 female and 221 male leaders have completed internal leadership training. We have also established a number of Talent Development Programmes to grow our people and develop our leaders of the future. Over the last three years, 51% of the delegates on these programmes were female.

These on-going activities, plus the new initiatives we have identified, should continue to improve our gender balance at senior levels of the Society.

Gender statistics – bonus

The Gender Bonus Gap compares the average actual bonus paid to males and females in the twelve months to 5th April 2017, and unlike the Gender Pay Gap, does not take account of working hours or length of service in the year.

Bonus Comparison

Mean Bonus Gap	66.2%
Median Bonus Gap	31.7%

Bonuses Received

Female	88.6%
Male	87.0%

Our annual bonus awards are based on the achievement of a combination of measures - financial measures, key performance indicators and personal performance, which results in a percentage award applied to the recipient's salary. Our bonus gap is heavily influenced by our bonus structure, in that the percentage levels of bonus awarded increase with seniority and the percentage awards are applied to higher salaries due to the greater proportion of males at the senior levels of the Society. Added to this, there is a much higher proportion of males than females in roles attracting monthly bonus payments during the period in question.

Our bonus gap is exacerbated by the proportion of our relevant part time workers who are female (94%) compared to those who are male (6%) as the % bonus award is applied to a pro rata part time salary rather than a full time salary. This results in a lower absolute amount of bonus for part time colleagues than it does for full time colleagues which increases the gender bonus gap.

A further driver is that the majority of part year recipients who received a pro rata bonus payment (reflecting the number of days worked in the performance year) were female; a large number of which were new starters to the Society.

How we are addressing our Gender Pay Gap

We are committed to providing a fair and inclusive Society for all our colleagues. Our diversity working groups are already identifying key initiatives that will not only increase female representation at more senior levels in the Society, but also encourage and support other under-represented groups in the Society. We understand that improvements will not be achieved overnight, but we believe that real progress can only be made in the long-term if we address the underlying causes.

Our key actions to improve representation and career progression for women, and in turn improve our Gender Pay Gap, are as follows:

Culture and leadership

Continuing to educate our leaders is a key foundation stone of our approach to reducing our Gender Pay Gap. Ensuring that Leaders understand the benefits of diversity, are aware of unconscious bias in all its dimensions and how it can impact decision making, culture and working environment are key to developing and maintaining an inclusive culture. We will be rolling out unconscious bias training to our board and leadership populations throughout 2018.

Flexible working

A key theme emerging from our internal and external research is the importance of flexible working. As a result of this, we have undertaken a comprehensive review of our flexible working practices, seeking views from colleagues and from senior managers in order to develop formal and informal flexible working practices which are of value to our colleagues and offer improved work/life balance. In our branch network and larger operational areas, we are introducing more flexible ways of working and identifying areas where part time resource could be used more effectively. We are also supporting managers with guidance on how to make flexible arrangements work effectively.

Succession planning

While greater flexibility may facilitate career progression to more senior levels, we will also be ensuring that our succession and leadership development approaches are aligned to our diversity goals.

Resourcing initiatives

Reviewing our approach to internal and external appointments to ensure that we attract and consider a diverse and gender balanced range of candidates is a key initiative, which is crucial to addressing our Gender Pay Gap.

Return to work experience

We will be focussing on the return to work experience for colleagues who have had an extended period out of the business and will look at how we can improve this, providing further support for training/development and career progression. Alongside this, we are looking at related policies to ensure they align to our goals.

Monitoring our progress

We recognise the importance of addressing our Gender Pay Gap and have accordingly agreed key measures which will be tracked on a monthly, quarterly and annual basis to monitor the impact of our initiatives.

Most importantly, continuing to develop and embed our culture to recognise and promote the value of diversity while fairly supporting men and women through enlightened leadership will be critical to our long term remuneration strategy.

We will be implementing these initiatives over the course of this year and will report on progress in our 2018 report.

The data in this report has been externally reviewed and I confirm the data in this report to be accurate.



D J Cutter
Group Chief Executive

13 March 2018

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