

Women in Finance and Gender Pay Gap

September 2017



Foreword



In June 2016, we signed up to HM Treasury's Women in Finance Charter, a commitment to improve gender balance across the financial services sector, at every level. As a challenger business, we know and understand the need to challenge the status quo and our ambitions around gender and diversity are no different. Since signing up to the Charter, we have embarked on a journey to improve gender balance and have made some significant steps. We aim to ensure women are not only better represented within Aldermore but most importantly supported. Our investment in the Charter will continue over the coming months and years to ensure it is embedded into our culture for the benefit of everyone now and in the future.

Whilst the Women in Finance Charter focuses on gender diversity,

our ambitions are much greater. We want to ensure our workforce is diverse and inclusive and our culture continues to be open, collaborative and respectful. We think we're getting some things right as our colleagues continue to feel immensely proud to work here – in fact 91%¹ of them have told us so, but we know there's more to do. Building on this, we are committed to creating a Bank that people want to work for and where they feel welcomed and involved at all levels regardless of their race, ethnicity, gender, age, disability, religion or belief, sexual orientation, marital status, gender reassignment and pregnancy and maternity. To help us shape our thinking and ambition around all areas of Diversity & Inclusion we have also joined Stonewall, a LGBT rights charity in the UK as well as the enei, The Employers Network for Equality & Inclusion.

It's not just numerical targets we've set ourselves. We've set up a taskforce to help us drive forward a number of initiatives and this report will update you on our progress. We're also taking the opportunity to provide an update on our gender pay gap figures, which as of June 2017 stood at 29.9%. We are confident in our knowledge that the principal reason we see the gap is due to the representation of females in our senior leadership population. We have taken the opportunity to release our figures earlier than required and transparently – one of our core pillars.

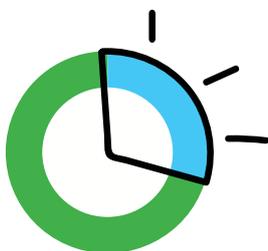


Phillip Monks, OBE,
Chief Executive Officer

Women In Finance and Gender Pay – our goals

By signing up to the Charter, we have committed as a business to:

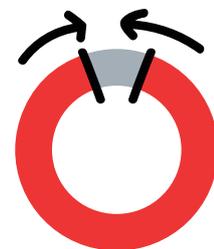
We have also gone one step further to set ourselves a target around our gender pay:



Having **30%** of our senior managers as female by 2020



Ensuring a **50/50** gender split across the Bank is maintained



To **close** our pay gap year on year

1. Aldermore Annual internal survey

So what are we doing and how we're doing it?

As well as our numerical targets we are also adhering to the four recommendations in the Charter:



Have one member of our senior executive team who is responsible and accountable for gender diversity and inclusion

Complete ✓

assigned Christine Palmer, Chief Risk Officer



Set internal targets for gender diversity in senior management

Complete ✓

30% of our senior leadership population to be female



Publish progress annually against these targets in reports on our website

Complete ✓

complete for 2017 with this report



To ensure the pay of the senior executive team is linked to delivery against these internal targets on gender diversity

Complete ✓

all our senior leadership population have a relevant bonus element linked



The aim of the Woman in Finance ‘Steering Committee’ is to ensure we’re debating and discussing the right actions we need to take as a business to make progress against our Women in Finance commitments.

Our accountable senior executive is Christine Palmer, our Chief Risk Officer who joined Aldermore in early 2016. Christine established a Woman in Finance ‘Steering Committee’ shortly after the Bank agreed to sign up to the Charter last year. The aim of the group is to ensure we’re debating and discussing the right actions we need to take as a business to make progress against our Women in Finance Charter commitments. In the last 12 months we’ve focused on increasing female representation across our senior leadership population, encouraged and supported individuals across the Bank for promotion and reviewed existing policies to encourage and support flexible working within the organisation. It’s not just women

involved, this group is made up of a diverse group of colleagues from different parts of the Bank, who are passionate and interested in achieving a balanced and fair workforce. The Committee has also been supported by a Women’s network whose purpose is to ensure every colleague can fulfil their full potential by creating a supportive group to share ideas around the Bank. They’ve held some really insightful events in bringing people together to hear from relevant speakers and an environment where they can access the help and tools they need. They’ve been joined by a number of key internal and external speakers including our interim chair, Danuta Gray, non-executive director, Cathy Turner and our Chief Risk

Officer, Christine Palmer, all holding sessions discussing their career journey so far and how they’ve successfully navigated the world of business as a female. We’ve seen real benefits to holding these sessions for our colleagues – with 100%² of attendees finding these sessions useful. The Women’s network continues to evolve and has been developed to fit with the Bank’s overall Diversity and Inclusion ambition. Now known as the Inclusion@Aldermore network, this support group has been created following feedback internally from our colleagues to ensure they are fully supported to do their role regardless of their race, ethnicity, gender, sexual orientation or background.

2. Internal feedback from Aldermore colleagues



We're making really good progress on ensuring we meet the 30% target of women in senior leadership roles by 2020. We have nine females in leadership roles accounting for 26.5% of our leadership team and they are in key roles across the business. We have seen a number of female promotions into senior roles over the course of the past year, which has accounted for our increased percentage, from 21% to 26.5%, and ultimately see us on track to meeting the target we set out for 2020.

One of our key focus areas to ensure better representation at senior level has been our approach to recruitment. We introduced unconscious bias training for all our leadership team, helping our leaders recognise their actions, both negative and positive, that exists in our subconscious affecting the decisions we make.

nine
females in leadership roles accounting for 26.5% of our senior leadership team

50/50
gender split at Aldermore and our aim is to ensure this remains so

In addition to this, we've changed our recruitment process and now require a diversified shortlist for all senior positions meaning broadly a 50/50 split of male and female candidates being put forward for roles. We believe this step has helped us increase our female representation within Aldermore at a senior level. We've still work to do but we're well on track and pleased with our progress.

We're also really pleased to have maintained a broad 50/50 gender split at Aldermore and our aim is to ensure this remains.

Enabling women within our business to succeed remains a priority and building an environment for our colleagues to develop is key. Our Steering Committee has worked closely with our HR team to develop and enhance our existing mentoring programme to make this opportunity available to everyone. Our

mentoring programme will play a vital role as part of our plan to increase and exceed our female representation across senior roles and as we head towards meeting our goals for 2020, we will strive to improve and implement further new policies to ensure that we're creating opportunities for all.

Our training programmes also help us to deliver success for all our colleagues. As a business we run numerous training and development programmes to ensure we have an engaged, skilled and knowledgeable workforce. Out of the colleagues, both male and female, who took part in one of the Bank's training programmes over the past year, we have seen 28% take on a new role by their next performance review within the business and almost 12% of colleagues actually moving into line management roles – helping us to move the dial on our targets for 2020.

Gender pay gap

In our progress report we also wanted to update on our gender pay gap. The gender pay gap is an equality measure that shows the difference in average earnings between women and men³. The Equality Act 2010⁴ (Gender pay gap Information) Regulations 2016 aims to tackle the gender pay gap that exists in organisations and provide transparency around gender pay gap differences. The regulation requires employers with more than 250 employees to report to the government and make publicly available their gender pay gap metrics.

As of the 5th April 2017 payroll, our mean⁵ gender pay gap stood at 29.9% (mean being the average number when

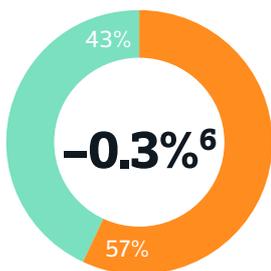
you take all employees into account). The calculation behind the gender pay gap is not the same as equal pay. The underlying reason behind the gap is predominantly due to the lower representation of women in senior leadership roles within our business – which is why we've set a target to increase female representation across senior roles for the coming years. We are confident that we do not have any processes or practices which would see people being paid differently due to their gender.

In line with the way in which we have to do so according to the regulations, we have organised our gender

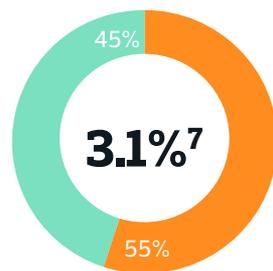
distribution by the quartile pie charts below, with each chart holding 219 colleagues based on salary, correct as at the end of April 2016. Figures have been organised by splitting our colleague numbers equally into four parts. Female representation is actually positive in both our quartiles one and two; it's in our upper quartiles where representation shows an imbalance. We know this, which is why we're committed to increasing representation in these bands, and potentially exceeding our target of 30%. We are definitely heading in the right direction but we know that work needs to be done. We're pleased with the progress we've made so far.

Gender representation: Pay gap by Quartile

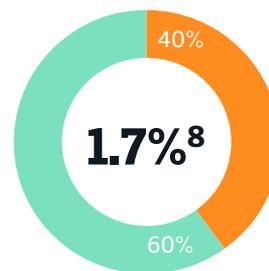
Lower Quartile



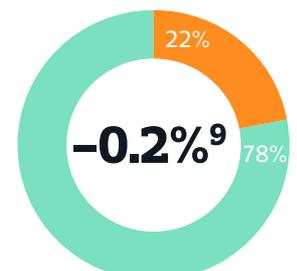
Quartile 2



Quartile 3



Upper Quartile



● Male ● Female

3. UK Gender Pay Gap - <https://www.gov.uk/government/news/uk-gender-pay-gap>

4. The Equality Act 2010 - <http://www.legislation.gov.uk/ukpga/2010/15/contents>

5. Mean – being the average number when all numbers are added together and then divided / Median – the middle number when taking all numbers into account

6,7,8 & 9. Mean pay gap number for each quartile

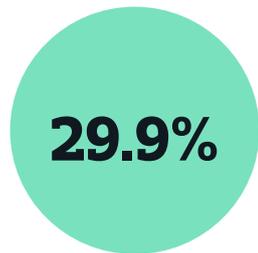
We can see that the gap falls slightly below the predictions of PWC¹⁰ for financial services, which is positive, but above the average reported by the Office of National Statistics for all businesses (ONS) of 18.1%¹¹ for full and part time employees. As a fair and equal employer, we're proud to say that all permanent colleagues, irrespective of their position, age, gender or ethnicity, are eligible for bonuses. Discretionary bonuses are paid relative to company and individual performance on an annual basis. Bonuses are performance related and are rewarded based on a percentage of each colleague's salary. Our figures reflect the success and achievements of individuals in 2016

and the fact we offer an equal chance for all our colleagues to receive a bonus; in fact 85% of both our male and female colleagues received a bonus in 2016 and there was no difference in those who were rewarded with bonuses. We are aware that there is a gap in our mean and median figures relating to bonuses. This is explained similarly to the reasons why we have a gender pay gap, due to the composition of our senior workforce and the fact that there are more male than female employees in this population whose bonus structures are different. The equality of our bonus pay structure is reflected in our median pay and median bonus

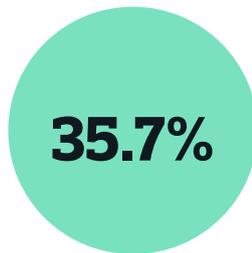
figures which are of course based around an individual's salary and their performance for that year.

Whilst we acknowledge we have a gender pay gap, we're clear on why it exists and focused on the steps we need to take to close the gap we see today. Our targets for Women in Finance will play a key role in the steps we need to take to reduce our current pay gap by increasing the representation across our senior leadership team. The journey has started but we still have a way to go to get to where we need to be.

Hourly Pay

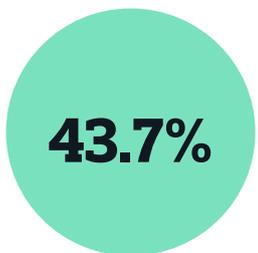


Gender Pay Gap Mean

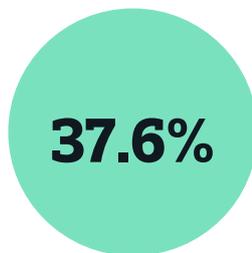


Gender Pay Gap Median

Bonus

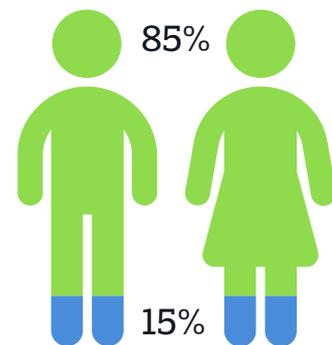


Gender Pay Gap Mean



Gender Pay Gap Median

Receiving a bonus



- Received bonus
- Did not receive bonus

10. PWC Women in Work Index, Closing the Pay Gap – <https://www.pwc.co.uk/economic-services/WIWI-2017/pwc-women-in-work-2017-report-final.pdf> – A benchmarking report published by PWC suggested that over 60% of financial service firms will report a mean and median pay gap of between 20–40% with the average reporting a pay gap of around 34%.

11. Office of National Statistics – Office of National Statistics – <http://visual.ons.gov.uk/the-gender-pay-gap-what-is-it-and-what-affects-it/>



We've definitely come a long way over the past year, but we know there's still a considerable journey to go on. We've seen real commitment within the Bank to reach and potentially exceed the targets we've set by 2020, and it's been exciting so far. We've taken significant steps made to increase female representation within our senior leadership population and beyond, with our unconscious bias training and the changes to our recruitment process. However, we know more needs to be done and we will continue to work towards the recommendations of the Charter and develop our own initiatives. Our aim is to ensure women are not only better represented within Aldermore but most importantly supported.

**Christine Palmer,
Chief Risk Officer**

Conclusion

We're well on track to meeting our Charter targets for 2020 and we have a clear plan to close our gender pay gap. There's more that can be done and the Steering Committee we have

established internally are working tirelessly to ensure that we're making Aldermore a bank that is inclusive, diverse and an organisation people want to work for.



Contact Us

For any questions or comments on this report please contact:

Chelsey Palmer, Aldermore

020 8185 3142

chelsey.palmer@aldermore.co.uk

aldermore.co.uk

