



NAAFI Gender Pay Gap Statement 2019

From 2018 Employers in the UK with 250 or more employees are required to publish certain information relating to their gender pay gap. This year's statement sets out the relevant information for NAAFI, as at the snapshot date 5th April 2019. Many factors contribute to, or cause, a gender pay gap, and these will vary between different employers and employment sectors. We have set out in this statement the main factors we consider are contributing to our gender pay gap.

NAAFI

NAAFI is a non-profit retaining organisation that employs 321 people from the UK. We are the Ministry of Defence's in-house provider of soft facilities services and our main aim is to 'Serve the Services'. We do this by supporting the UK Armed Forces across the globe through the provision of retail, leisure, catering and cleaning facilities. In addition to this we provide employment opportunities to the spouses and dependents of current UK Armed Forces in overseas locations, where there is little alternative employment availability and we actively recruit veterans where possible (who are predominantly male). In terms of employee turnover, NAAFI are well below the national UK average and has a significant pool of long-standing employees as 72% of our people have been employed for 5 years and above.

We are committed to equality and to underpin this, we have a standard set of pay, terms and conditions that apply equally across all NAAFI employees, irrespective of their gender. We aim to be a fair and progressive employer and we are committed to tackling inequality and promoting diversity. Our employment arrangements comply with all relevant UK equality legislation and our policies have been created in close partnership with Unite the Union to prevent any kind of discrimination.

Our pay arrangements aim to fairly reward staff contribution and performance and are benchmarked against the pay rates of similar roles in the wider UK economy. Pay rates and any increases are negotiated annually with Unite the Union and are applied equally across all NAAFI employees, excluding the Non-Executive Directors. We operate a bonus scheme, which has a clear and transparent metric measured against business and individual performance objectives. The rules, arrangements and payments of which are agreed annually by a Remuneration Committee.

It is important to note that NAAFI exists to 'Serve the Services' and as a result, we have been significantly impacted by the reducing number in our Armed Forces, particularly due to the drawdown of troops in Germany in the last few years. This has resulted in a significant decrease in employee numbers across our business over a number of years and from 2020 we will drop below 250 employees for the first time.

This period has led to middle management and senior management positions becoming static. The senior management team have long periods of service and their skills and knowledge are

essential in not only finding alternative trading avenues, but in continuing to provide a first-class service, as well as an additional stream of revenue to the MOD.

Due to this, our gender pay gap report does not accurately reflect our commitment to diversity in our opening statement and there are several further organisational, demographic and historical reasons for this outlined in our summary statement at the end of this report.

Gender pay and bonus gap - Difference between men and women

	Mean (Average)	Median (mid-range)
Hourly Pay Gap	37.3%	22.6%
Bonus Pay Gap	15.3%	-17.3%

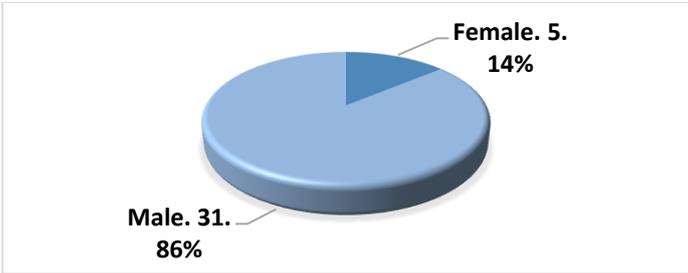
The main reasons for the mean pay gap is the high proportion of males at the very top end of our business and in professional/qualified roles for example chefs, along with the historic difficulty in recruiting female managers for our Naval Canteen Service (NCS). Excluding this, the gap would significantly reduce. The individuals in these male groups all have lengths of service in excess of 10 years and as such, further recruitment has been unnecessary during this time.

The median pay gap is caused by the fact that there are fewer male employees in the lower grades, as such there are more females to each grade. When this is translated into a mean average, the male in the middle of the group is in a different position at a higher grade than the female at the same point in the female group. If this were matched grade to grade and role to role, the pay and benefits for both genders would be exactly equal.

The main reasons for the mean bonus gap are that only 5 women receive a bonus in comparison to 31 men. When looking at this in context, one must take into consideration the narrative in relation to our NCS business (summary below, where there are 15 men who receive a bonus in that area of the business and only 2 women) in addition to our demographic in regard to our employee turnover and the impact of that on upward mobility.

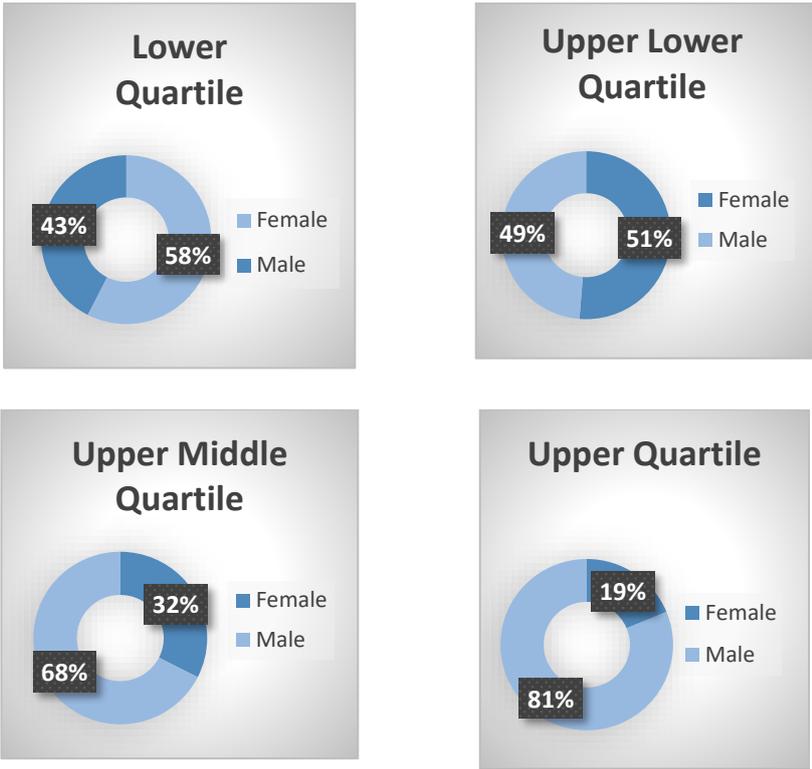
The median pay gap is because, when ranked into order, the female manager in the middle of the table is at a more senior grade than the male manager in the middle of that table.

Proportion of males and females receiving bonus pay



We consider the main reasons for the differences in these proportions are predominantly in relation to the number of male chefs and the NCS part of our business, where the ratio of male managers in comparison to female is 15:2 and the lower upward mobility of our lower paid female employees.

Quartiles



Summary Statement

As reflected in the last paragraph of our opening statement, our gender pay gap report does not accurately reflect our commitment to diversity as set out in our opening statements. Whilst the Company has provided a narrative as to the reasons for this in the body of this report, there are several organisational, demographic and historical reasons that is it important to understand in our organisational context, these are outlined below:

Lower Quartile and Upper Lower Quartile

The figures are driven by our recruitment pool, which is, where possible, from our local military community. The demographic of the military personnel is predominantly male, which results in our local recruitment pool being predominantly female spouses along with a few other dependents. This leads to the overall gender composition of our recruitment pool and therefore our workforce having a high incidence of females in lower paying roles. Due to the frequent departure of members of the military, turnover in this part of the business is highest as these lower paid, predominantly female employees, leave as their partners are 'posted'. Only 28% of our total employee base has service of less than five years, both the relatively short employment periods of the lower paid employees and the frequent turnover results in less promotion opportunity and therefore upward mobility. This has led to an increased opportunity for promotion and therefore upward mobility in the other 72% of our workforce, who, as the business has contracted, have remained in fairly static roles for a number of years generating relatively little recruitment activity. The combination of these two has resulted in under representation of females in the higher quartiles.

Upper Middle Quartile

This quartile is made up from a significant number of our Naval Canteen Service (NCS). This job is working alongside members of the Royal Navy on HM Ships and involves many months deployed at sea. Historically, this job was only available to men as females were not allowed by the Royal Navy to work on board ships. Many of the managers in this area of our business have worked for

NAAFI for over 15 years and their recruitment pre-dates the Royal Navy's change of policy. Turnover is very low in this part of our business and jobs do not become available very often, exacerbated by the reducing size of the Fleet. When roles become available, we have historically faced difficulties in attracting and therefore recruiting female employees to that particular area of our business. More recently where recruitment opportunities have become available, we have focussed on positive recruitment. We will strive to continue this and anticipate that this will be reflected in next year's report. This quartile is also made up of 'Mess Managers' and chefs, who historically transferred into our employment from Defence contractors and the military. At the point of transfer, the majority of transferees were male and since that transfer there has been a relatively low turnover of staff.

Upper Quartile

This quartile is made up of a large proportion of male employees. These employees all have a significant length of service and were recruited 10 or more years ago.

Actions to address any pay gaps

Our gender pay gap is predominantly caused by having fewer women in senior grades. Our recruitment pool and community demographic and low turnover of staff will make it difficult to close the gap completely. We are committed to reducing our pay gaps where we can. We are continually working to improve this by:

1. Monitoring the outcomes of management decisions in relation to recruitment to ensure no gender, or other bias is occurring
2. Reviewing recruitment processes to try and attract more female candidates for roles in which they currently are under-represented.
3. Maintain clear and transparent pay and benefits and terms and conditions

We monitor progress on a regular basis and reporting on this in future gender pay gap statements.