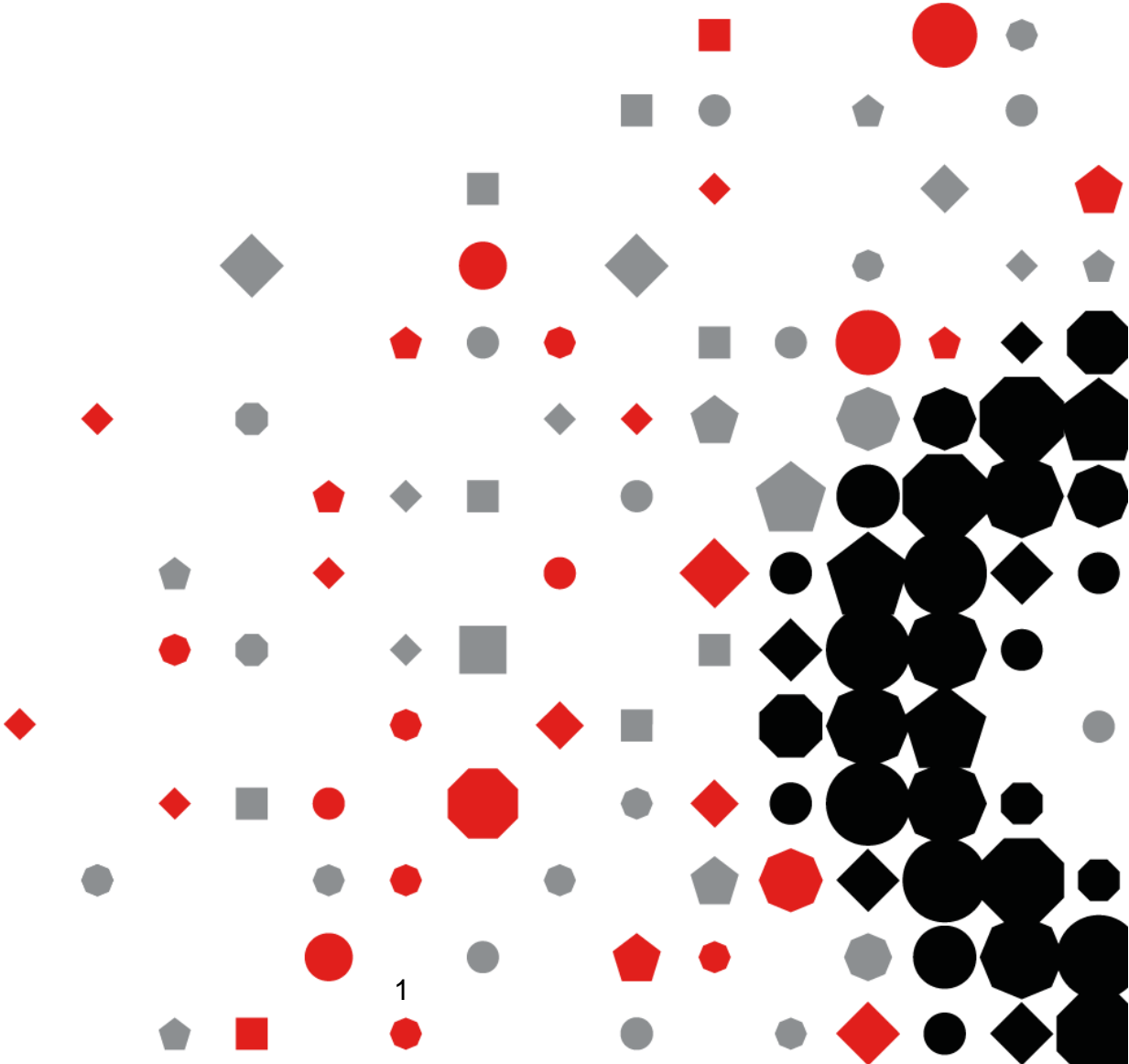


City & Guilds 2021 gender pay gap report (effective April 2020)

This is City & Guilds' fourth annual UK gender pay gap report. Findings are based on data as at 5 April 2020. We have seen some encouraging movement this year and have set targets to close our gaps further in the coming years.



Introduction

About City & Guilds

City & Guilds comprises a number of business units that collectively employ 1455 staff around the world, of whom 1202 in the UK. Our core vocational qualifications business was founded in 1878 and we have grown predominantly by acquisition in recent years, diversifying into corporate learning and technical training.

652 (54.2%) of our 1202 UK-based employees are women and their average length of service of just under 6 years is very similar to that of our male employees. 19 (44.2%) of our 43 most senior employees by grade are women, including our Group Chief Executive Officer and 3 of her 8 direct reports.

Our commitment to inclusion and diversity

Our commitment to inclusion and diversity has always been implicit within our organisational purpose (to 'help people, organisations and economies develop their skills for growth') but in recent years we have sought to connect the two intents more explicitly. We are currently exploring how we can evidentially demonstrate how our social impact starts with internal equity and ends with our external contribution to the United Nations sustainable development goal to 'achieve gender equality and empower all women and girls'.

We have invested significantly in inclusion and diversity since the start of 2020, undertaking a range of ad hoc and cyclical listening exercises to understand better the lived experiences of our employees and their motivational drivers, taking a data-led approach to the development of our inclusion and diversity strategy, and hiring additional resource to focus both on our internal employee experience and the embedding of inclusivity in the design of our products and services.

Changes in reporting scope and responsibilities

Since the publication of our 2019 gender pay gap report we have decided to include all of our UK employees within the scope of future reports. Previously some of our smaller contracting entities were excluded for reasons of headcount size (<250) and limited availability of pay data but we are now in a position to include our entire UK employee base.

Responsibility for our gender pay gap reporting has transferred from our Group Reward team to our People Insights & Experience team, enabling a more direct flow of our analytical insights into our inclusion and diversity strategy and more effective alignment of the latter with specific actions arising from pay gap reports.

External context

Per the Office for National Statistics the national median pay gap as at April 2020 stood at 15.5%, having fallen from 17.4% since the previous year. Until age 39 it is roughly 1% but jumps above 11% from age 40 and never recovers, increasing slightly with further age.

Internal context

Our corporate bonus scheme (essentially an all-staff profit-share) did not pay out in this reporting period. Sales incentive bonuses and long service awards continued to be paid, however.

Metrics

Mean and median pay gaps

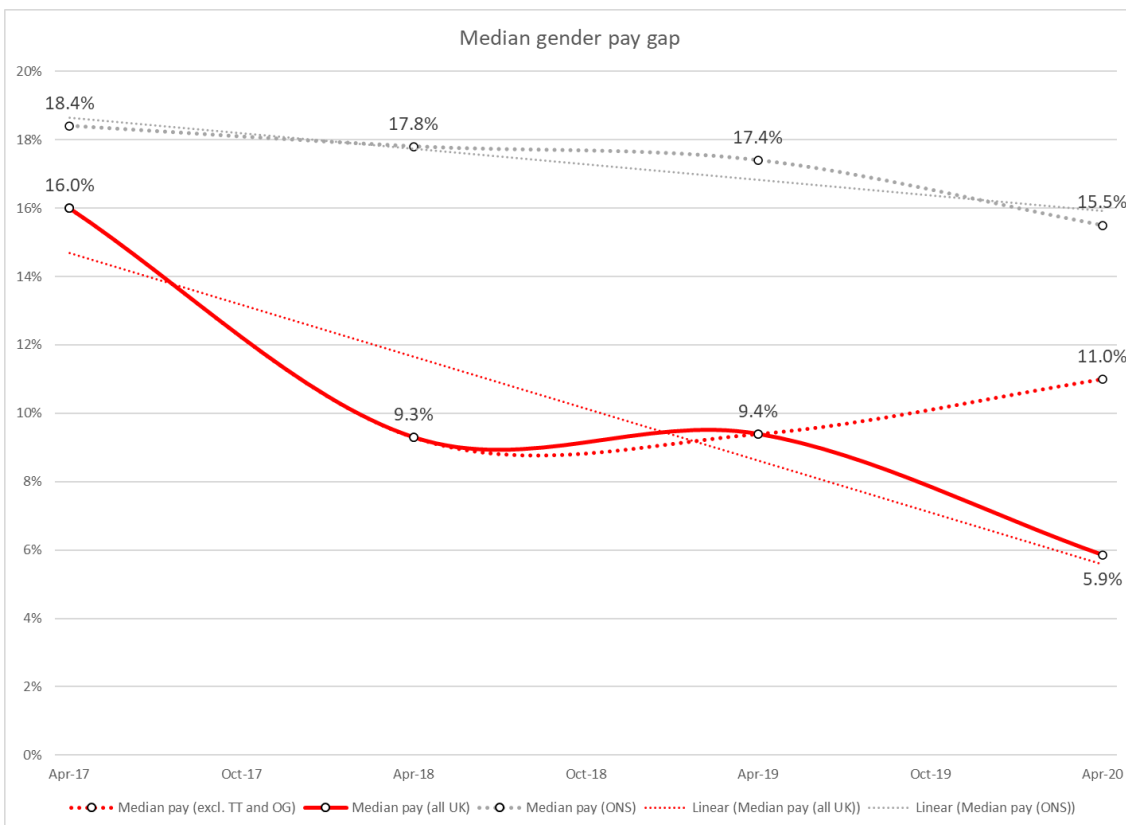
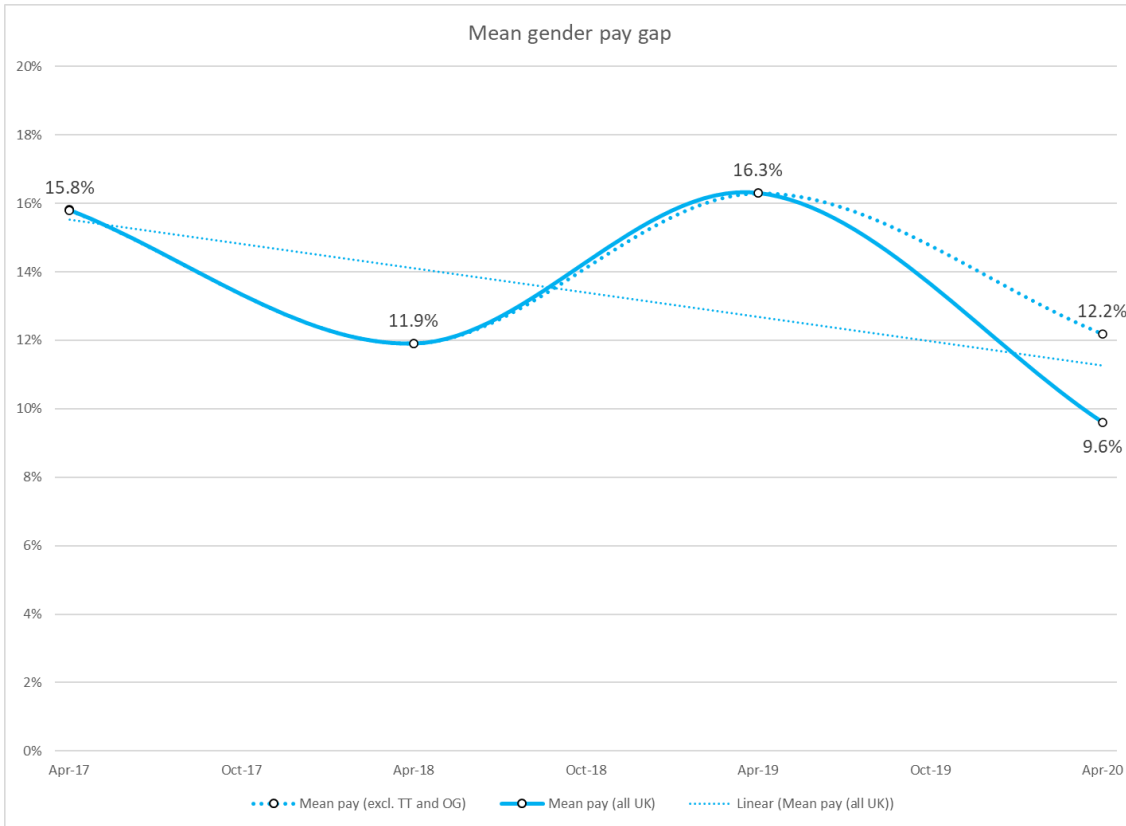
Our mean pay gap has reduced by some 6.7 percentage points (pp) from 16.3% to 9.6% since 2019. However please note that were we to continue to exclude the same smaller business units as in previous years the reduction would be to 12.2%.

Our median pay gap has reduced by 3.5pp from 9.4% to 5.9% since 2019. However please note that were we to continue to exclude the same smaller business units as in previous years we would in fact have seen a 1.6pp increase to 11.0%. Either metric compares favourably with the national average per the ONS.

We have set a target to reduce our pay gaps by at least 1pp per year to 2025. We have identified the following contributors to the gap:

1. Women are over-represented in lower starting salary ranges (<£20ph) and generally under-represented in higher starting salary ranges (>=£20ph)
2. While women are generally more likely to receive an increase than men (64.1% of women vs 56.5% of men) they are slightly less likely to if the increase is over 5%;
3. If we 'band' increases in ranges of £ values, men receive higher increases in monetary terms across all 'bands';
4. Women are over-represented in rises of <£1k and slightly under-represented in rises of >=£1k;
5. While our mean pay gap is relatively small up to c. age 34 it increases and then remains consistently above 9% from c. age 35 onwards.

Actions to address the contributing factors listed above are outlined later in this report.

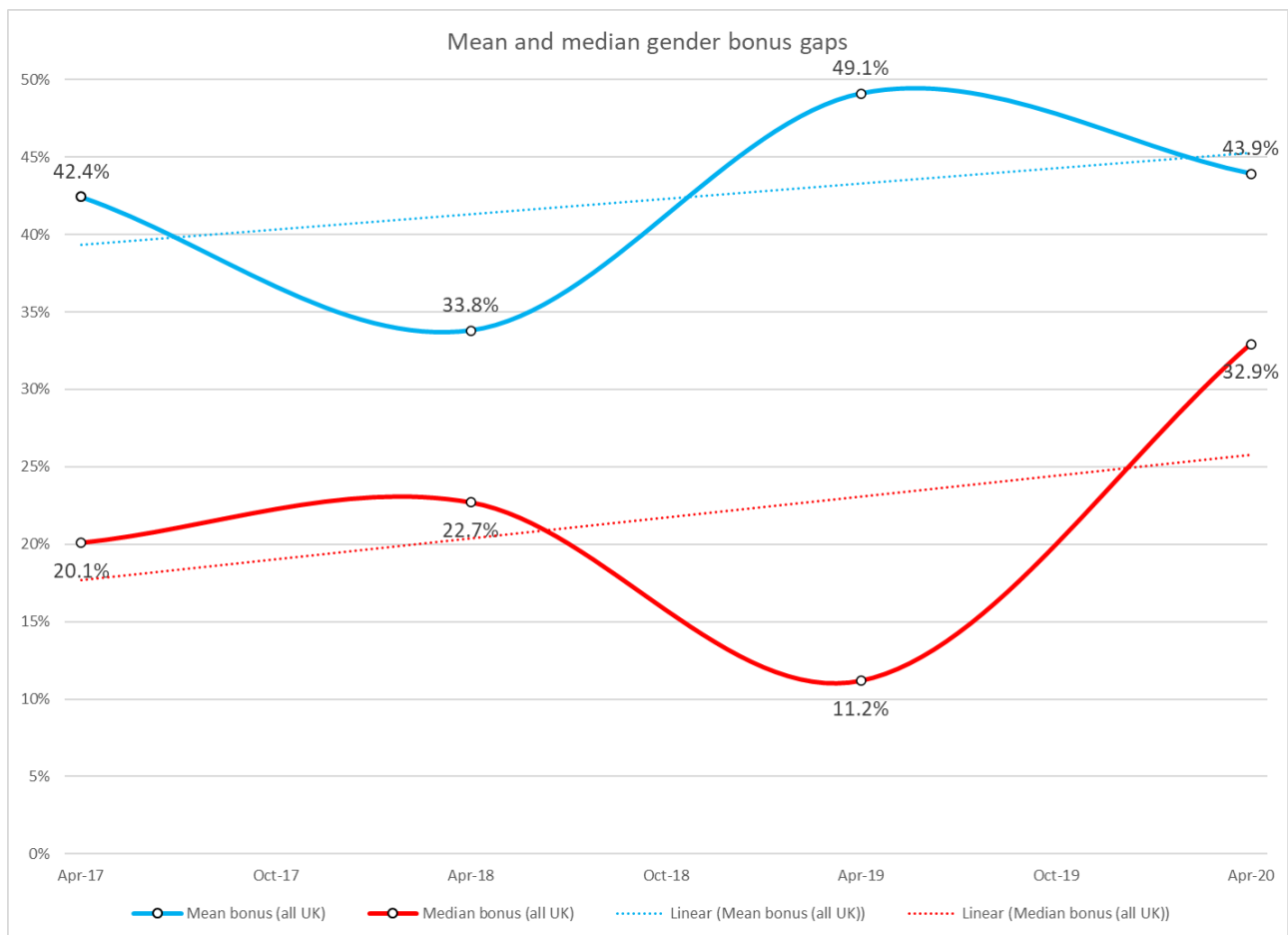


Mean and median bonus gaps

Our mean bonus gap has reduced from 49.1% in 2019 but is still very significant at 43.9%.

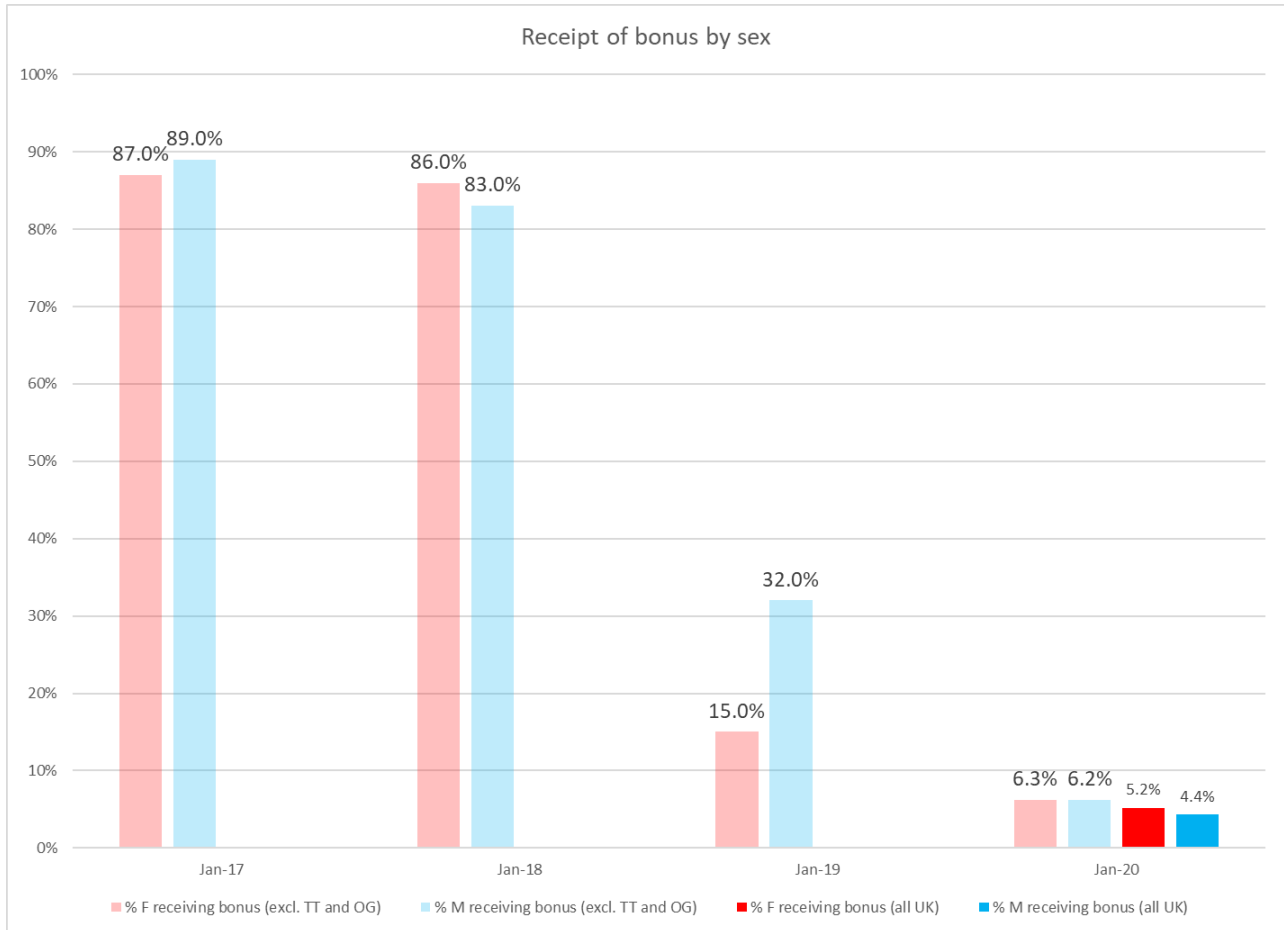
Our median bonus gap has increased significantly from 11.2% in 2019 to 32.9%.

The majority of bonuses in scope relate to sales incentive bonus schemes, within the highest paying of which men are currently over-represented; men in this particular scheme also received significantly higher average bonuses in this reporting period than women. We propose to address this imbalance via actions outlined later in this report.



% women and men receiving bonus

5.2% of women received a bonus, compared to 4.4% of men. However please note that were we to continue to exclude the same smaller business units as in previous years these proportions would be much closer, at 6.3% and 6.2% respectively.

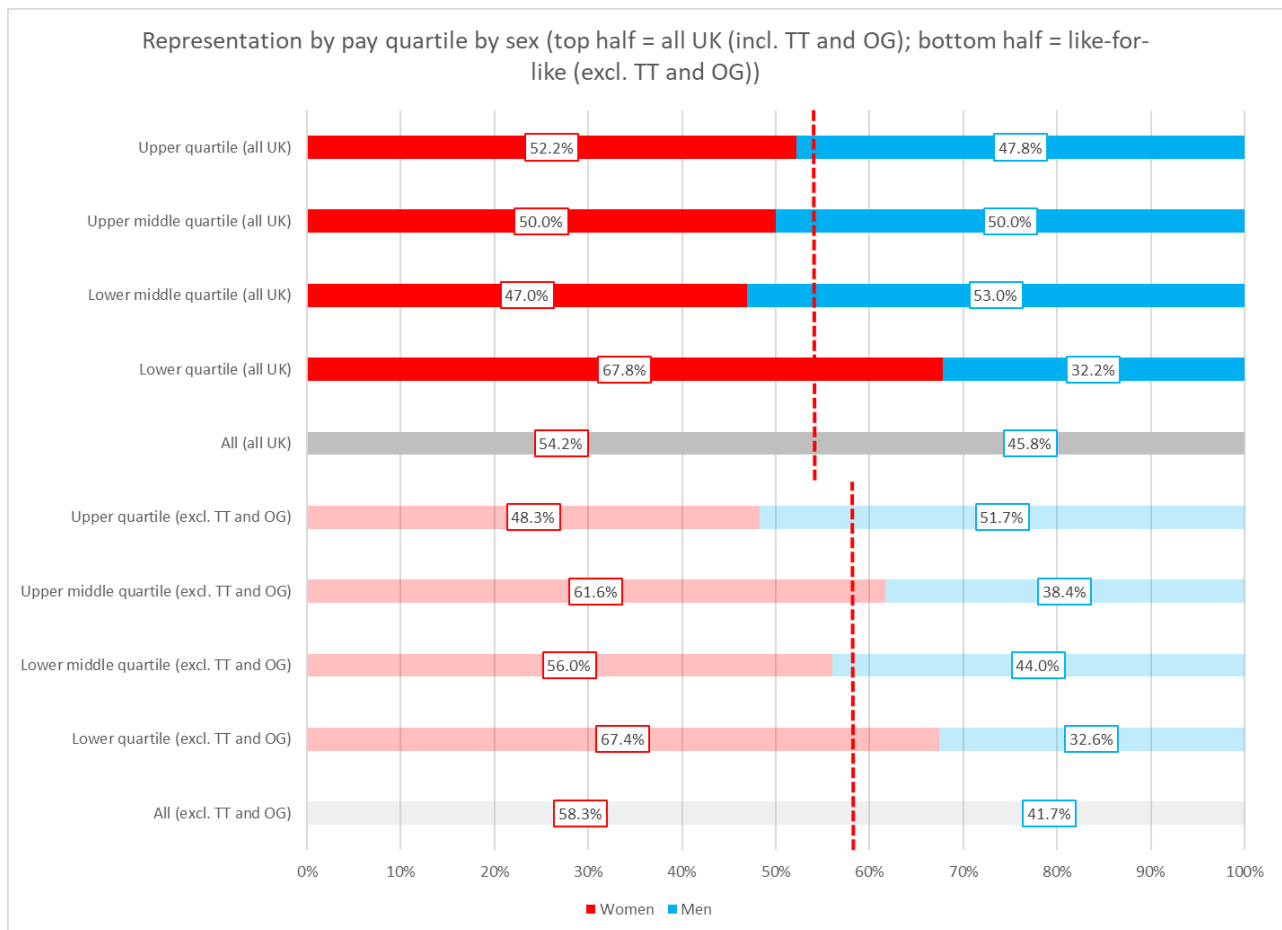


Pay quartiles

Women are very significantly over-represented in our lowest pay quartile (67.8% of all employees in this quartile are women, compared to only 54.2% of overall headcount being women). Under-representation across the three higher quartiles is relatively evenly spread and the smallest variance is observed within our uppermost quartile.

However please note that were we to continue to exclude the same smaller business units as in previous years we would see over-representation in the lowest pay quartile (67.4% vs 58.3% of overall like-for-like headcount) mirrored by equivalent under-representation in the highest (48.3% vs 58.3%), with more limited variance in the middle two quartiles.

We anticipate that actions outlined later in this report to address factors contributing to our mean and median gender pay gaps will inherently impact our pay quartile gaps in a positive way too.



Actions

The executive team have agreed for the following recommendations to be taken forward over the coming year and beyond with the expectation that they will either positively impact our pay and bonus gaps or identify further actions that will do so in future reporting periods:

- Review agreed target to reduce pay gaps by 1pp per year to 2025;
- Select 1.2x more eligible women for leadership development programmes than eligible men per year to 2025;
- Identify and eliminate any internally controllable factors influencing variance in starting salaries between women and men;
- Identify and eliminate any factors influencing variance in salary increases between women and men;
- Assess specific challenges for women employees in 35-49 age range in particular and agree remedial interventions to facilitate promotion of more women into higher-paid positions (e.g. job sharing), support families and carers to achieve greater balance of work and home life, etc;
- Analyse inequality in sales incentivisation scheme and evaluate options to increase opportunities for women to achieve more equal sales bonuses;
- Submit application to appear on next Business in the Community/Times Top 50 Employers for Women list.

Concluding comments

We are encouraged by the positive direction of our pay gaps but recognise that further work needs to be done to close them further – and that this may take some time. We welcome the creation of a dedicated team of inclusion and diversity experts and their data- and insights-driven approach to the development of a clear inclusion and diversity strategy. We also acknowledge the good work done to date by our network of Inclusion and Diversity Champions and our Community Support Groups (CSGs), in particular our Women's Network CSG, which was formed as an output of our Lived Experience listening project. The People Insights & Experience team and broader People function have the full support of our Trustees and executive team to take forward the recommendations outlined above. We expect to see further positive progress in the coming years as we remain fully committed to eradicating the gender pay gap, to inclusion and diversity as a whole and to the social impact that our organisational purpose delivers.



Kirstie Donnelly
Group Chief Executive Officer



Sir John Armitt
Chair

October 2021