



NAAFI Gender Pay Gap Statement 2017

From 2018 Employers in the UK with 250 or more employees are required to publish certain information relating to their gender pay gap. This statement sets out the relevant information for NAAFI, as at the snapshot date 5th April 2017. 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 367 people from the UK. 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 and catering 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. In terms of employee turnover, NAAFI are well below the national UK average and has a significant pool of long standing employees as 50% 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 increases are negotiated annually with Unite the Union and are applied equally across all NAAFI UK employees, excluding the Non-Executive Directors. We operate three bonus schemes, which have clear and transparent metrics 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 over the last 10 years. This has been particularly felt in Germany, our largest trading estate. This has resulted in a decrease in our business for a number of years, whilst contemplating the possible closure of the entire business in 2020. During this time, we have downscaled our operation, particularly in our corporate support office, which has reduced from circa 160 employees to 17 in just over 5 years.

This period, has led to few middle management positions becoming available for recruitment and no senior positions have become available. The senior manager team that have been retained have long periods of service and are essential for their skills and knowledge in either drawing the business to a successful closure or finding alternative trading avenues to secure an enduring business post the closure of British Forces Germany.

Due to this, our gender pay gap report does not accurately reflect our commitment to diversity in our opening statements 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	46.7%	22.6%
Bonus Pay Gap	21.2%	-6.5%

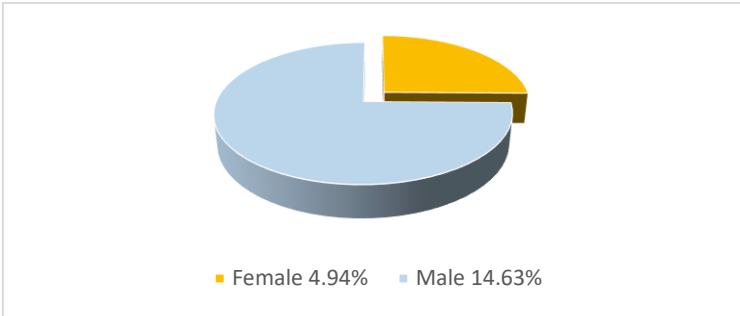
The main reasons for the mean pay gap is the high proportion of males at the very top end of our business and the difficulty in recruiting female managers for our Naval Canteen Service. Excluding this, the gap would significantly reduce. These individuals all have lengths of service of 10 years or more and as such, further recruitment has been unnecessary during this time.

The median pay gap is caused by the fact that there are less 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 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 is that only 8 women receive a bonus in comparison to 30 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 17 men who receive a bonus in that area of the business and only 1 woman.

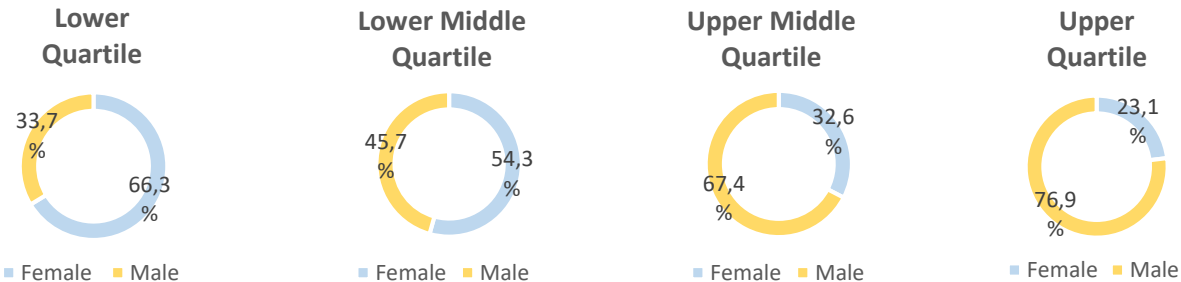
The median pay gap is because, when ranked into order, the NCS female manager in the middle of the table is at a more senior grade than the NCS male manager in the middle of that table.

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 NCS part of our business, where the ratio of male managers in comparison to female is 17:1 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 it is important to understand in our organisational context, these are outlined below:

- The majority of our recruitment is from our local military community. The demographic of the military is predominantly male and our local recruitment pool is made up from their spouses and dependants. This leads to the overall gender composition of our recruitment pool and therefore our workforce having a high incidence of females in the lower paying roles.
- Due to the frequent departure of members of the military to different locations, turnover in this part of the business is highest as these lower paid predominantly female employees leave as their partners are 'posted'. 50% of our total employee base has service of five years or less and the frequent turnover and relatively short employment periods of the lower paid employees 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 part of our workforce. This represents 50% of our employee base, all of whom are static and have 5 years of more service. This results in under representation of females in the higher quartiles.
- The Upper middle 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 so 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.
- The Upper middle quartile is also made up of 'Mess Managers', who historically transferred in to our employment from the Compass Group. At the point of transfer, the majority of transferees were male and since that transfer there has been a relatively low turnover of staff.
- The Upper Quartile is made up of a large proportion of male employees. These employees all have a significant lengths 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 will work 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

These will need a period of time to take effect. We will be monitoring progress on a regular basis and reporting on this in future gender pay gap statements.