



MBDA UK ETHNICITY PAY GAP REPORT 2021

Statement from MBDA UK Managing Director

At MBDA UK, we're committed to an inclusive working environment and culture, where everyone has the chance to reach their full potential, and is valued for their unique skills, perspectives and contribution. That's why we're acting now to publish our first ethnicity pay gap report, as an important step in understanding the experience of our employees of different ethnicities, and to help us actively tackle any barriers to representation and progression.

This report includes the context of our approach, our demographics and how we plan to address our pay gap across MBDA UK. Like many businesses, we still have missing data where our people are deciding not to disclose their ethnicity. This limits our ability to draw truly robust conclusions, and we will continue to work on building trust and encouraging our people to share this personal information.

This will not stop us from taking action based on what our first report tells us. We can see that our ethnicity pay gap is driven by the uneven distribution across our grading structure. Specifically, we can see that there are proportionally fewer employees of ethnic groups other than White in more senior executive grades. The data also indicates that the percentage of MBDA UK employees of ethnic groups other than White is low when compared with the UK working population. This report does not indicate any pay imbalance for employees in the same or equal roles, grades, skills or experience.

We recognise that there is work to be done, and look forward to seeing this reflected in an increasingly diverse and effective workforce going forward.



A handwritten signature in black ink, appearing to read 'Chris Allam'.

Chris Allam
Managing Director UK

// Every person, regardless of their ethnicity or background, should be able to fulfil their potential at work. That is the business case as well as the moral case. Diverse organisations that attract and develop individuals from the widest pool of talent consistently perform better. //

Baroness McGregor-Smith, Race in the Workplace: The McGregor-Smith review (2017)

INNOVATION



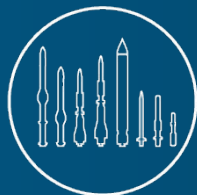
COMMITMENT



INTEGRITY



PASSION



TEAM SPIRIT



What is ethnicity pay gap reporting?

- This looks at the distribution of employees of all ethnicities across all grades across an organisation. It is reported as a percentage difference in average salary between different ethnic groups. It can be reported by aggregate groups or by individual ethnic groups.
- The approach looks at salary and additional payments for all employees equally, it doesn't recognise differences in grade, experience or skills.



How does this differ to equal pay?

Pay gap reporting measures the percentage difference in average pay and bonuses for all white employees and all employees of other ethnic groups. The calculations do not take into account whether employees are doing the same or equal work, level, skills or experience.

It is entirely possible to have an employer delivering equal pay for equal work but to have an Ethnicity Pay Gap, which shows the difference in average pay for employees in different ethnic groups.

- Ethnicity pay gap reporting is not mandatory in the UK for employers at this stage. We have chosen to publish our first report voluntarily as we believe this is the right action to take.
- The Government commissioned a report into race and ethnic disparities in 2020. The Commission on Race and Ethnic Disparities report (CRED) was published in March 2021 and this recommends that employers report their ethnicity pay gap voluntarily with an action plan.
- We have decided to report on ethnicity pay using an approach which closely follows the methodology for gender pay gap reporting. However, there is additional complexity in reporting on ethnicity information, and so we have shared additional information which looks more closely at specific ethnic groups, where possible given the number of employees in each group. We have used groupings as recommended [here](#).
- We currently collate ethnicity information based on the 2011 Census categories. For the purposes of this report, we've grouped ethnicities into aggregate groups: White, all other ethnic groups combined and no data/prefer not to declare. Where possible, we have included additional reporting for aggregate ethnic groups where possible: Asian, Black and Mixed Ethnicity.
- The Government may introduce mandatory reporting for the ethnicity pay gap in the future and the legal approach may differ to the approach taken in our first voluntary report.

Our approach

We have reported our pay gap based on six key measures.

For these three measures we have compared white employees and those of all other ethnic groups combined:

Mean hourly pay gap*

The difference between the mean (average) pay for all White employees and all employees of other ethnic groups combined on 5th April 2021

Mean bonus pay gap**

The difference between the mean (average) average bonus pay for all White employees and all employees of other ethnic groups combined in the 12 months to April 2021

Quartile pay bands

The proportions of employees in each 25% of the pay structure for their hourly pay rate

For these three measures we have compared white employees and those of all other ethnic groups combined. We have also compared white employees with individual ethnic groups, where possible given the size of each group:

Median hourly pay gap*

The difference between the median (mid-point) average pay for all white employees and all employees of other ethnic groups combined on 5th April 2021

Median bonus pay gap**

The difference between the median (mid-point) average bonus pay for all white employees and all employees of other ethnic groups combined in the 12 months to April 2021

Bonus proportions

The percentage of employees who were paid a bonus

* Hourly pay: includes basic salary, allowances, salary sacrifice benefit deductions and any bonus payments in the April 2021 payroll. It excludes employees on leave with reduced pay, such as statutory maternity, paternity, adoption or shared parental leave, unpaid leave, long-term sickness or career breaks.

** Bonus pay: includes payments for performance, profit-sharing and recruitment, such as employee referral. It does not take into account reduced bonus pay for new starters, part-time employees or career breaks.



Engaging our employees

Ethnicity data

91% of our employees have disclosed their ethnicity data, however, we still have gaps in our data, especially towards the higher end of our pay structure.

This may limit the accuracy of our reporting and the conclusions we are able to draw at this stage.



In 2021, we launched a communications campaign encouraging employees who had not already done so to voluntarily disclose their ethnicity data to help us build a better picture of our demographics and develop clear, targeted action plans that benefit everyone.

At the date of reporting, there were 4,004 permanent MBDA UK employees, 91% having disclosed their ethnicity data.

Whilst this is a significant proportion of our employees, we recognise that this limits the accuracy of our reporting.

Where we still have gaps in our data

Quartile	Declared	No data/prefer not to declare
Lower quartile	94.8%	5.2%
Lower middle quartile	92.1%	7.9%
Upper middle quartile	90.0%	10.0%
Upper quartile	86.5%	13.5%

The quartiles show the distribution of employees across each 25% of our pay structure, where employees have declared their ethnicity or where data is not held.

This demonstrates that in the top 50% of the pay structure, we do not hold ethnicity data for a higher proportion of employees.

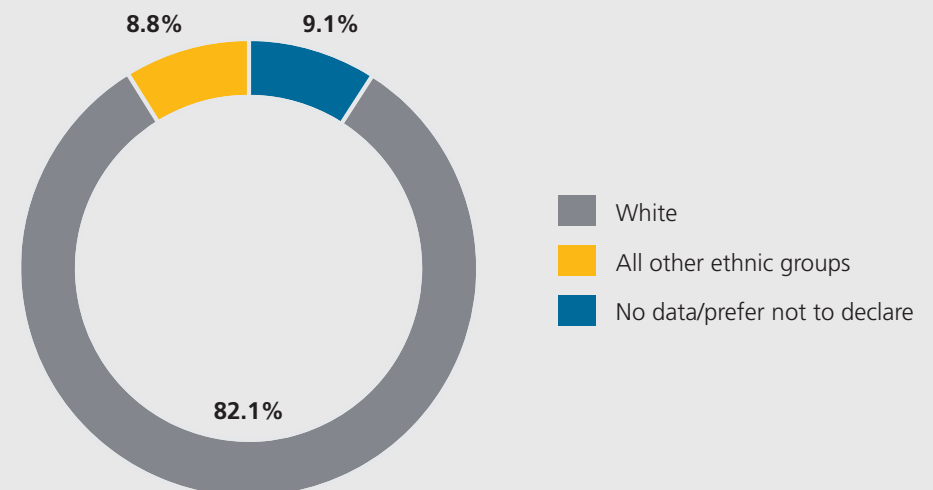
Summary of key points

- **8.8% of employees who disclosed their ethnicity data told us that they are of an ethnic group other than White*. This compares with the percentage of the overall UK working population, 14.4%*.**
- **The proportion of White employees increases with the pay quartiles, suggesting that the primary driver of our pay gap is low representation of other ethnic groups at senior levels. However, this may be skewed by the proportion of employees who preferred not to share their ethnicity or where we have no data.**
- **Specific action is needed to ensure that we are more representative of the wider UK working population overall, particularly at more senior levels.**
- **This is our first year of reporting and so represents our understanding of the pay gap and its causes based on the ethnicity information we hold. Our understanding will further develop as our employees share more information.**

*<https://www.ethnicity-facts-figures.service.gov.uk/uk-population-by-ethnicity/demographics/working-age-population/latest>

MBDA employee ethnicity data

The primary reason for our ethnicity pay gap is the uneven distribution of white employees and employees of other ethnicities in our grading structure. Proportionally, we have more white employees in Executive roles compared to employees of other ethnicities, resulting in higher average salaries and bonuses.



Analysis of our pay gap

Representation at different levels

Our ethnicity pay gap data highlights the uneven distribution of White employees and employees of other ethnicities in our grading structure. As there are proportionally more White employees in Executive roles compared to employees of other ethnicities, this therefore results in higher average salaries and bonuses for these employees.

Hourly pay gap

The average difference in hourly pay between all White employees and all employees of other ethnic groups.

	Mean	Median
All other ethnic groups combined	7.8%	7.7%
Asian or Asian British employees		4%
Black, African, Caribbean or Black British employees		13.3%
Employees of Mixed or Multiple ethnic groups		13.2%

Bonus pay gap

The difference in bonus pay over a 12 month period between all White employees and all employees of other ethnic groups.

	Mean	Median
All other ethnic groups combined	36.2%	3.9%
Asian or Asian British employees		1.8%
Black, African, Caribbean or Black British employees		10.3%
Employees of Mixed or Multiple ethnic groups		7.1%

For individual ethnic groups we have chosen to include more data on the median gaps. This is because the data set is very small, and so by excluding the extreme values in the distribution we are more likely to demonstrate a representative average. The median pay gap data demonstrates that there may be different causes and influences for the pay gap for each individual ethnic group.

The data above shows the mean and median hourly and bonus pay gaps. This reflects the difference in average pay for employees overall and is no reflection of their role, skills or experience.

We have chosen to publish the pay gap between White employees and all other ethnic groups, as well as several individual ethnic groups, where possible given the size of each group.

The data shows that the pay gap for the Black, African, Caribbean or Black British employees and employees of Mixed or Multiple ethnic groups is larger than for Asian or Asian British employees. This does not mean that employees in the Black or Mixed ethnic groups in an equal role to an Asian or White employee are paid less, but reflects the lower representation of employees in the Black and Mixed ethnic groups than White or Asian employees at higher grades in the organisation.

It should be noted however that these are very small groups, and an increase in representation at every level, especially towards the top of our organisation, is likely to be the most significant factor in addressing the pay gap.

The mean bonus pay gap for white employees compared to employees in all other ethnic groups combined is significantly higher than the median. This reflects the difference in bonus schemes across the grading structure and that proportionally there are more White employees in senior grades in higher paying bonus schemes.

Analysis of our pay gap

Ethnicity pay gap data

The Office for National Statistics reported for 2019 that the UK pay gap between employees in the White ethnic group and in other ethnic groups was 2.3%. They state that this figure includes a range of different experiences amongst different ethnic groups.

The MBDA UK ethnicity pay gap is slightly above the ONS pay gap, we recognise we have further work to do to increase representation of employees from different ethnic groups at senior levels.

Hourly pay quartiles

The quartiles show the distribution of employees across each 25% of our pay structure, based on their hourly pay.

Quartile	White	All other ethnic groups combined	No data/prefer not to declare
Lower quartile	85.5%	9.3%	5.2%
Lower middle quartile	82.7%	9.4%	7.9%
Upper middle quartile	83.4%	6.6%	10.0%
Upper quartile	81.8%	4.7%	13.5%

The pay quartiles demonstrate that employees in all other ethnic groups combined are more likely to be in the lower or lower middle quartiles.

In addition, where we do not hold data for employees, the pay quartiles show that these employees are more likely to be in the upper middle and upper quartiles, and this could further influence the overall ethnicity pay gap. We encourage employees to share this information to ensure our reporting and conclusions are as accurate as possible.



Bonus proportions

The bonus proportions highlight percentage of employees receiving any bonus pay in the relevant period. All MBDA UK employees are eligible for the annual bonus schemes.

The employees who did not receive a bonus across all groups in the period are new employees who joined after the end of the relevant bonus year (January to December 2020).

98.8% White employees

97.7% Employees of all other ethnic groups

Taking action



We are at the early stages of our journey, but data analysis and feedback from our employees have already helped us to form an initial action plan to address our ethnicity pay gap and ethnic diversity across MBDA UK

- We will continue to raise awareness and champion ethnic and racial inclusion through our internal and external communications.
- We will continue to provide learning resources and tools for our employees, managers and leaders on inclusive behaviour, respect at work and equal opportunities for all.
- We will continue to support Mosaic, our employee-led network championing ethnicity balance at MBDA, as a powerful agent of change, and involve and consult with membership on our action plan and initiatives.
- Deeper dive into our data and facilitated listening activities to better understand barriers to inclusion, attraction, retention and progression of Black, Asian and Minority Ethnic talent in our organisation.

Mosaic – championing ethnic diversity at MBDA UK

Mosaic is our employee-led network supporting and representing employees from Black, Asian, and Minority Ethnic backgrounds.

Membership is open to all employees regardless of race or ethnicity, and allies play an integral role in driving positive change and demonstrating that this is a topic that matters to everyone.

Mosaic has started to build relationships with counterpart networks in other defence organisations, and in November 2021 co-sponsored the 'Breaking Boundaries' event in partnership with Atkins and Airbus. This gala event featured sessions on the theme of improving racial and ethnic diversity within the Aerospace & Defence industry, including a panel discussion with representatives from the different employee networks, business leaders and HR professionals.

At MBDA we've made great progress over the last two years in having open conversations about race and ethnicity, launching the Mosaic employee network and raising awareness. We've set in place a clear action plan and this Ethnicity Pay Gap Report is a key foundation.

Having taken the role as Executive Sponsor of Mosaic in 2020, I've been impressed at the passion, energy and drive within the community, which includes members and allies of all ethnicities, ages, genders and backgrounds.

It's important that all our colleagues lean into and are invested in this important topic, and play a part in championing a diverse and inclusive workforce which benefits us all, both personally and from a business perspective.

Paul Mead



At its heart, Mosaic is about promoting positive behaviours which foster equality and inclusivity, helping to promote an environment in which all employees have equal opportunity to realise their potential, to dream and aspire without limits.

It's about feeling valued, safe and being yourself without fear of judgement or retribution. It's also about respect, understanding and embracing your diverse heritage, religion, culture... your uniqueness.

Our differences can connect us, educate us and make us grow; embracing diversity adds value, enriches our lives and is the light reflected in a thousand mirrors, to make us more than we were.

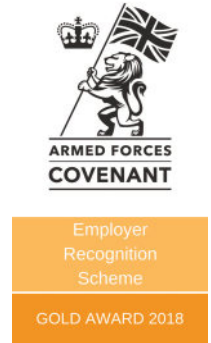
Michael Lawrence and Suzette Vidal, Chairs of Mosaic





INVESTORS IN PEOPLE®
We invest in people Gold

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