



Northrop Grumman UK Ltd

GENDER PAY GAP REPORT 2021

**NORTHROP
GRUMMAN**

A MESSAGE FROM NICK CHAFFEY

Chief Executive, UK, Europe & Middle East



Northrop Grumman is committed to fostering a diverse and inclusive culture. Diversity in the workforce is a key driver of business success, innovation and growth, and our mission is to recruit, retain and promote individuals of all backgrounds regardless of gender, race, age, disability status, sexual orientation, religion, or any other such characteristic.

We are confident that we pay men and women equally for work of equal value. We do have a gender pay gap within NGUKL, defined as the difference in the average pay and bonuses of all men and all women across the company, regardless of role or seniority. Since our first

report in 2017 our mean pay gap has dropped to 10.5% in 2021, significantly lower than the overall UK gender pay gap of 15.4%

We are committed to progressing opportunities for women, particularly in STEM-related areas of science, technology, engineering and mathematics, and overcoming challenges presented by the global pandemic.

In this report, we discuss in some more detail the reasons for the gender pay gap and ways we are tackling the challenges to help enable significant and sustained improvement. This is a core goal of Northrop Grumman in the UK.

I confirm that NGUKL's pay gap data has been collected and presented within this report in accordance with the Equality Act 2010 (Gender Pay Gap Information) Regulations 2017.

A MESSAGE FROM KATHY WARDEN

Chairman, Chief Executive Officer and President



I am proud of our company's culture and our commitment to fostering diversity, equity and inclusion – where every person is valued for who they are and the unique perspectives they bring to our team. We believe that diversity at every level helps us to deliver strong and sustainable company performance, and we will continue to drive positive change in our company and beyond.

We continue to make great strides in ensuring our employees feel respected and know their voices matter.

In 2021, our UK team took significant steps toward reducing the gender pay gaps highlighted in their annual reports. Their efforts were successful in reducing the gap further year over year, but we realise there is more work required, and they detail a number of those efforts and initiatives in this year's report.

At the enterprise level, I confirm that we are continuing our efforts to create a more diverse workforce and inclusive culture, enforcing our code of conduct (especially including race and gender equality matters), and enabling access to quality STEM education for all.

We were recognized as one of the top 25 companies among the S&P 500 for our gender equality performance, ranked on 19 gender criteria, including the gender balance of employees, senior management and board of directors, as well as policies that address areas like the pay gap and parental leave. The ranking highlights the proactive steps Northrop Grumman takes to create a more equal workforce and to champion diversity and inclusion.

ABOUT US

Northrop Grumman is a technology company, focused on global security and human discovery. We solve the toughest problems in space, aeronautics, defense and cyberspace to meet the ever evolving needs of our customers worldwide. Our 90,000 employees define possible every day using science, technology and engineering to create and deliver advanced systems, products and services.

Northrop Grumman UK Ltd. (“NGUKL”), the subject of this report, is a key supplier of operationally strategic programmes in the defence and security, cyber markets, providing a range of capabilities and technologies in support of the Armed Forces, emergency services and wider government.

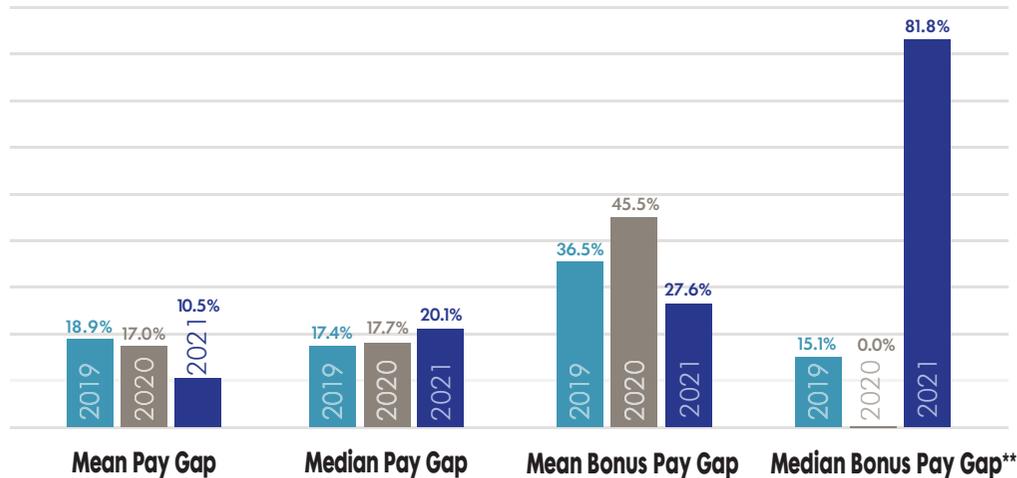
NGUKL had around 500 employees at 5 April 2021. Our workforce composition is predominately professional, with the majority of roles in science, technology, engineering and mathematics (STEM) occupations.

THE GENDER PAY GAP

The UK Gender Pay Gap, which we are required to report under the Equality Act 2010 (Gender Pay Gap Information) Regulations 2017, differs significantly from equal pay. Equal pay is about paying women and men equally for equal work. We have long been, and we remain committed to this. The Gender Pay Gap addressed in this report is about measuring the difference in average pay between men and women in all roles across the organisation. There are several factors that can drive differences in pay, such as job level, location and type of role.



CLOSING THE GAP

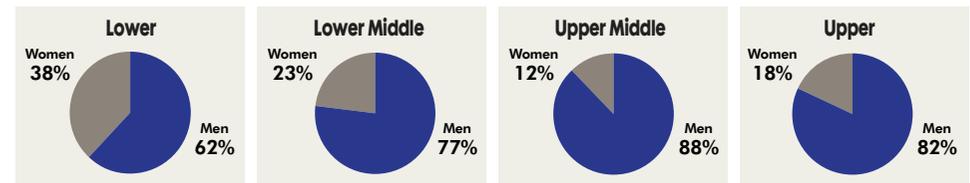


** All employees (bar directors) with sufficient tenure are eligible for a company wide global bonus scheme. In 2020, this resulted in a 0% median bonus pay gap, as both male and female medians were the same set amount. Directors and other employees are also eligible for a variable incentive scheme, which is paid more frequently at the higher levels of the organisation, where we see a greater proportion of men. This year's median bonus gap was skewed, at least in part because the female median was the global set amount whereas the male median was the global set amount and a variable bonus as well. Comparing just those on the variable incentive bonus schemes, more accurately reflects a 15.9% median bonus gap, with 53% of males and 39% of females participating.

Percentage of employees receiving a bonus:



Proportion of males and females in each pay quartile band:



MEAN AND MEDIAN: Figures show the difference between the median (mid-point) and mean (average) of hourly pay and bonus pay of all male and female employees, irrespective of job or level, expressed as a percentage of male employee's pay.

PAY QUANTILES: Figures represent proportion of male and female employees in four quartile hourly pay bands ranked from lowest hourly rate to the highest hourly rate by dividing the workforce into four equal parts.

UNDERSTANDING OUR RESULTS

Our industry has historically employed significantly more men than women and we are proud that many of our employees stay with Northrop Grumman for long careers in a variety of roles, but this retention means that it can take time to increase the number of underrepresented populations in Northrop Grumman in the UK. Additionally, we continue to see substantial challenges in recruiting females with STEM qualifications as there continue to be significantly fewer women who study and work in these fields. Our workforce continues to have a greater proportion of male employees. While improvements have been made, we are committed to far greater progress, addressing this challenge and benefiting our company, our workforce, and our industry partners.

Our mean pay gap in 2021 continues the positive trend we have seen since the initial publication of our figures in 2017, reducing each year, where the median pay gap has fluctuated. We have seen significant variation in the bonus pay gap figures from 2020 and we address factors that have impacted these below:

- Our business in the UK continues to focus on the cyber domain, an industry that has a lack of experienced female professionals. Our recruitment of experienced professionals within this area reflects current market conditions with a significant under representation of women. We are committed to continued improvements in the future.
- During the pandemic the overall percentage of women in the workforce decreased and a higher proportion of new joiners were men. This is consistent with published reports citing the impact of the pandemic with respect to women in the workplace. Indeed a Women in Workplace 2020 report by McKinsey and LeanIn reported that one in four women are considering leaving the workforce or downshifting their careers versus one in five men.

- The difference in the proportion of male and female employees (approximately 4%) receiving a bonus reflects the higher proportion of recent new male starters at the Company, who joined after the eligibility date for receiving the bonus during the relevant performance year.
- We saw the ongoing reduction of the mean bonus pay gap report, but a significant shift in the median bonus pay gap, discussed on p3. The difference in the median pay gap reflects the mid-point of the bonus award for females being at the global bonus level (where all employees with sufficient tenure receive an award), where the midpoint for the males included both global bonus and variable bonus, which is paid more frequently at the higher levels of the organization, where we see a higher proportion of male employees.

We continue our efforts to address the gender pay gap and underlying contributing factors, including:

- The greater proportion of men than women in our most senior roles, which have a higher proportion of variable pay, through bonuses linked to company and individual performance. With the greater representation of men in these senior roles, our mean bonus gap may widen in years of strong business performance.
- The underrepresentation of women in many STEM subject specialist roles. We continue to focus on opportunities to increase the proportion of women in these roles, but it will take some time for these initiatives to drive long-term change.

INVESTING FOR THE FUTURE IN STEM EDUCATION

Northrop Grumman and the Northrop Grumman Foundation are dedicated to expanding and enhancing sustainable science, technology, engineering and mathematics (STEM) education opportunities for students globally. In 2021, we contributed over \$20 million dollars towards these initiatives. Unfortunately, many of our programmes were interrupted by the Covid-19 pandemic, and we have been working to increase our ability to support these virtually.

To help address the underrepresentation of women in STEM and build a robust pipeline of female STEM talent in the UK, Northrop Grumman provides significant investment in outreach programmes. These include:

- CyberCenturion, the national youth cyber defence competition for 12-18 year olds.
- Summer Time Advanced Aerospace Residency (STAAR) programme which went ahead in a new hybrid format, 6 STEM challenges online, where teams demonstrated how their mission planning skills, decrypting of messages and code, and skills in creating or using a high-tech C4ISR system followed by the residential final, where 35 boys and 34 girls took part.
- The John Egging Trust (JET), to support young people transitioning back to school and re-engaging with education in the aftermath of the Covid-19 crises. JET's response is spearheaded via a unique JET-Red Arrows partnership and MOD License, launched in schools and youth clubs. This will be followed by the creation of a suite of films and resources, co-created by young people, for young people and delivered across the UK.
- Participation in online Cheltenham Science Festival 'Be The Change' and sponsorship of the Diversity in Space Careers one-day conference exploring the importance of diversity within the space industry and the adversities faced.

- In partnership with the Space Foundation, we piloted an online teacher professional development opportunity for Northrop Grumman Foundation Teachers Academy fellows and educators in the U.K.
- Other key UK STEM initiatives include University grants, bursaries and mentorship for disadvantaged students, the VEX Robotics competition, supporting Project X in association with Royal Air Force Waddington, and as the industry supporter for the regional LEGO First League in the East of England.



ATTRACTING AND DEVELOPING TALENT

We provide developmental programmes and opportunities designed to strengthen and grow our UK women into STEM and leadership positions.

These include:

- 2021 Partnership with Black Codher, supporting a 30 week intensive part-time bootcamp that trains black women to become full stack software developers; with potential opportunity to join Northrop Grumman.
- The Northrop Grumman Women's Conference which brings together over 400 attendees biannually with the mission to enhance the development and leadership potential of women within the company by providing opportunities for learning and networking. Due to COVID restrictions, we transitioned the 2020 conference to a virtual format.
- NGWIN (UK) is a women focused Employee Resource Group (ERG) with six chapters, aimed at facilitating professional and personal development, networking, recruiting, information sharing, and community outreach and alignment to the business.
- Our annual celebration of International Women's Day. In the UK, we hosted a virtual, interactive panel discussion on the theme Choose to Challenge – Strength in Diversity, featuring representatives from each of our UK Employee Resource Groups, exploring how different underrepresented groups had been impacted by the pandemic, shared experiences and lessons on how to support each other.
- The Northrop Grumman Inclusive Leadership Conference held biannually to create Diversity & Inclusion ambassadors, includes women and diverse talent from NGUKL.
- The Leadership Cohort Programmes provide cross-business and cross-functional networks to gain visibility to the executive team and strategic issues.

For Northrop Grumman, widening the talent pool and expanding our leadership pipeline is imperative. One flagship effort is the Women in Leadership Programme (WIL). Launched in 2014, WIL aims to accelerate the readiness of women for their first executive roles, thereby increasing their representation in leadership. Globally our representation of women across the company has increased across multiple levels. In 2021 the proportion of women reporting directly to the CEO was 50%. Women's representation as Vice Presidents was 35.4%. Women in all levels of management was 26.6% and Women in early to mid-level management was 26.2%. We believe this demonstrates our commitment, investment and the progress we have made in recent years to increase representation of women in leadership. We are proud of the progress we have made and are determined to continue to drive this change.



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