



Northrop Grumman UK Ltd

GENDER PAY GAP REPORT 2020

**NORTHROP
GRUMMAN**

A MESSAGE FROM NICK CHAFFEY

Chief Executive, UK, Europe & Middle East



We are committed to shaping our future with a diverse workforce, inclusive of women at all levels and are delighted to be able to demonstrate our ongoing progress towards this. The UK gender pay gap reporting regulations differ significantly from an equal pay analysis. Our gender and bonus pay gaps do not stem from paying men and women differently for the same or equivalent work, instead the report highlights the difference between the average earnings of men and women, irrespective of role or seniority, bringing transparency with the aim of increasing gender balance.

In a year that created great challenges for our company and the world, we remain focused on delivering greater diversity and inclusion. Despite the impact on delivery of

development and STEM outreach, we have continued to make good progress via alternative delivery channels to ensure we maintain momentum.

The effect of the coronavirus pandemic on the workforce has been widely reported. Throughout this period, Northrop Grumman UK Ltd has not furloughed any employees, so our reporting numbers are unaffected.

Since our first 2017 report the mean pay gap has dropped, year on year, from 27.3% to 17.0% in 2020 and the proportion of women in our upper middle pay quartile has increased. We recognise that organizational change has impacted our results and with upcoming business transfers we predict that it may continue to be a driver in the years ahead. These factors mean that in the short term, our results may change either way, but in the longer term, we expect to see the gender pay gap continue to close. We are using our data to help us identify where further improvement needs to be made and we maintain our focus and commitment to drive continued change.

I confirm that NGUKLs 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



We believe that creating a workforce and a workplace that values diversity and fosters inclusion is pivotal to promoting innovation and increasing productivity and profitability.

Our goal is to continually support and nurture all Northrop Grumman employees whose diverse backgrounds, characteristics and perspectives are highly valued in supporting us across all the global communities we serve.

We are continuing our efforts to create a more diverse workforce and inclusive culture; require diversity in our supplier base; enforce our code of conduct, including

policies against racism with business partners; and enable access to quality STEM education for all.

We are committed to leveraging our organisational diversity through teamwork, cross-functional collaboration and joint ventures to help us meet, and indeed exceed, our business goals and ensure our role as a leader in our industry and in the communities we operate.

We were recently recognized as one of the top 25 companies among the S&P 500 for our gender equality performance. I'm particularly proud of this recognition because it is based on more than the gender balance of employees – it also recognises our commitment to equitable pay and benefits, family care support, well-being programs and work-life flexibility. We are taking proactive steps to champion diversity, equity and inclusion, and we will continue doing so.

ABOUT US

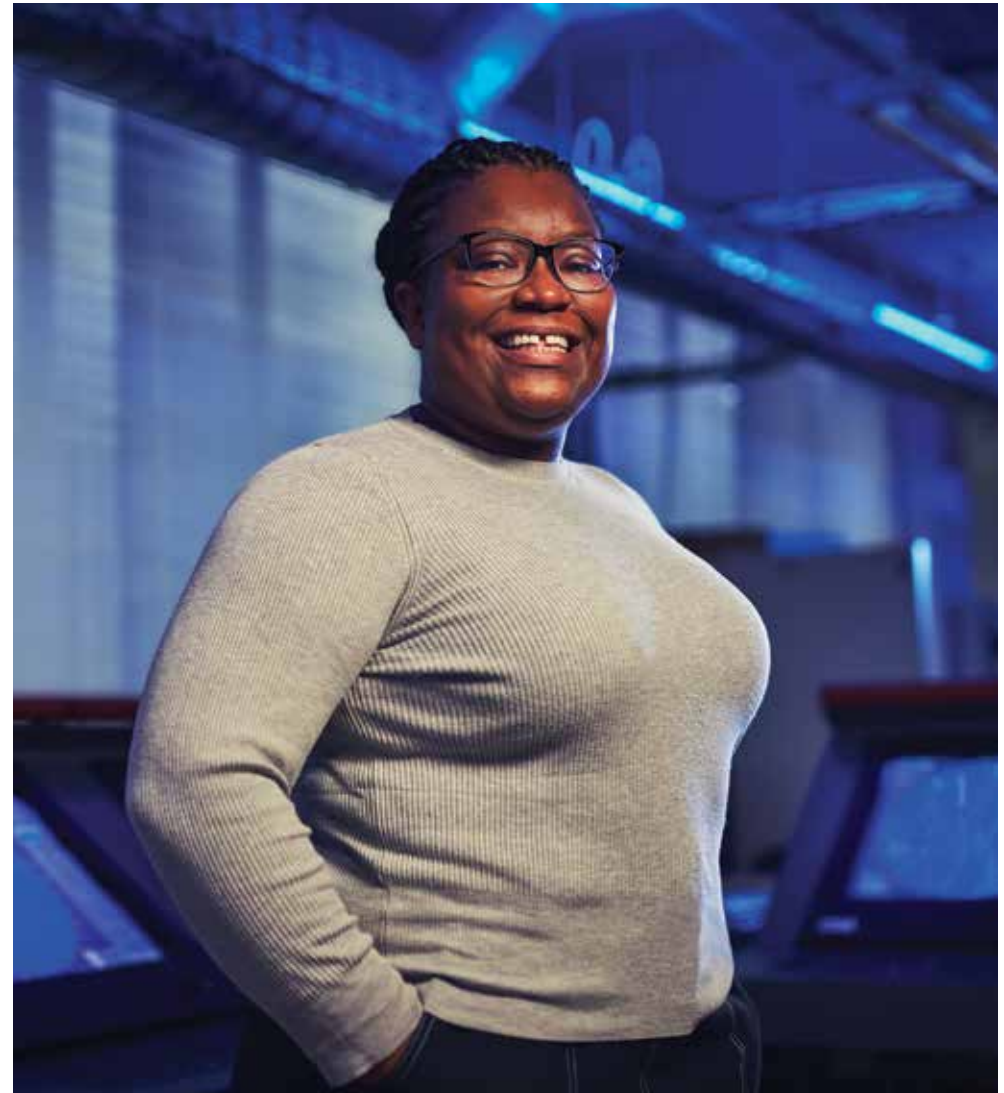
Northrop Grumman solves the toughest problems in space, aeronautics, defense and cyberspace to meet the ever evolving needs of our customers worldwide. Our 90,000 employees are Defining Possible every day using science, technology and engineering to create and deliver advanced systems, products and services.

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

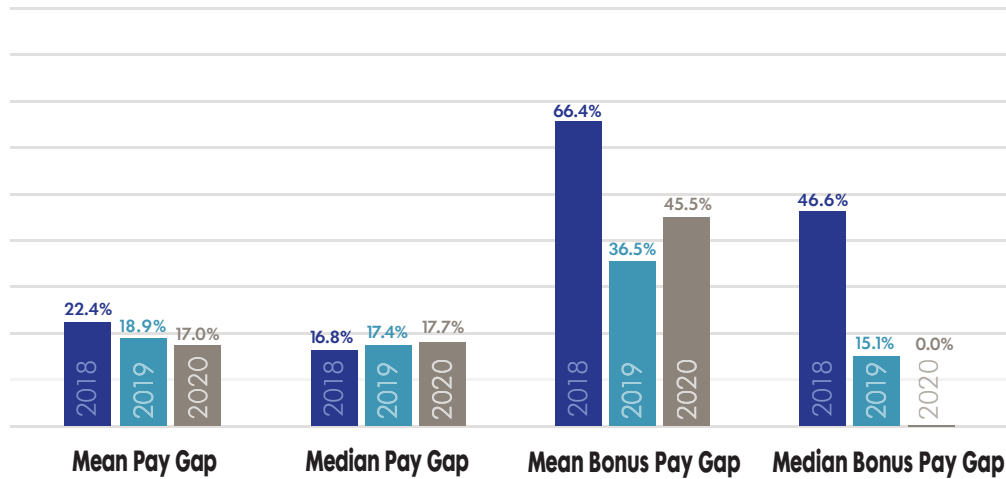
NGUKL had over 450 employees at 5 April 2020. Our workforce composition is predominately professional, with the majority of roles in science, technology, engineering and mathematics (STEM) occupations.

THE GENDER PAY GAP

The UK gender pay gap differs significantly from equal pay. Equal pay is about paying women and men equally for equal work and we remain committed to this. The gender pay gap is about measuring the difference in average pay between men and women in all roles across the organisation. There are a number of factors that can drive differences in pay, such as job level, location and type of role.



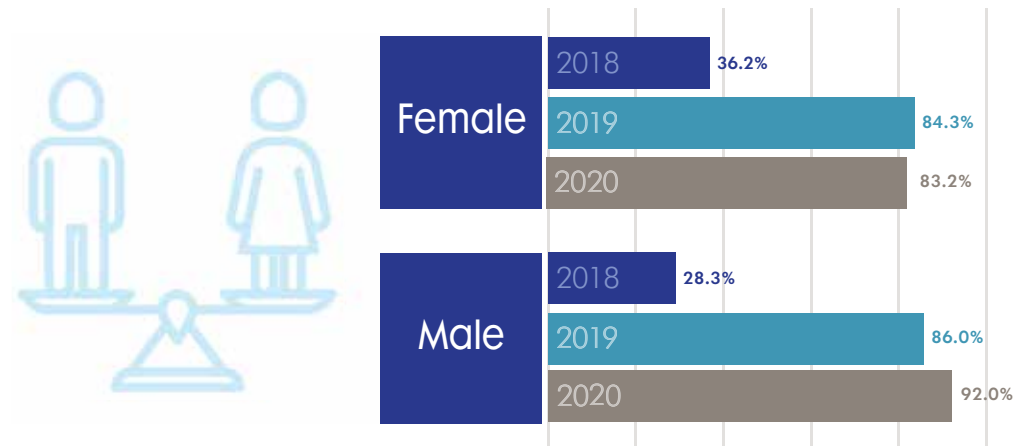
CLOSING THE GAP



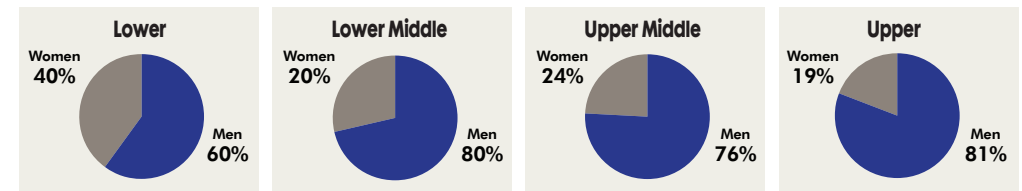
MEAN AND MEDIAN: Figures show the difference between the median (mid-point) and mean (average) of hourly pay and bonus pay of all male and female employees, irrespective of job or level, expressed as a percentage of male employee's pay.

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.

Percentage of employees receiving a bonus:



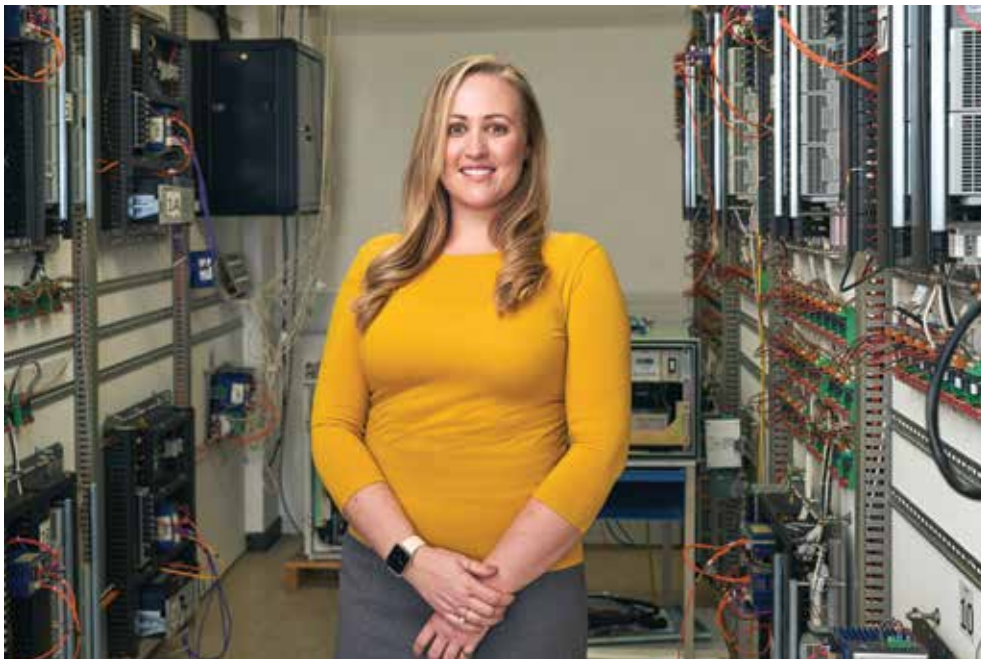
Proportion of Males and Females in each Pay Quartile Band



UNDERSTANDING OUR RESULTS

Our mean pay gap in 2020 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. The median bonus gap has consistently fallen year on year, reaching zero in 2020, and we have seen some fluctuation around the mean. These changes are due to number of different factors including:

- Significant variances in our employee population year on year from 2019- 2020 as a result of attrition, active recruitment and other substantial organisational change, which resulted in employee turnover around 20%.



- The ongoing focus on the cyber domain and intake on our graduate programmes and experienced professionals in this area. In particular, the recruitment of experienced professionals within this STEM area reflects current market conditions with a significant under representation of women.
- The Northrop Grumman global bonus scheme had a significant impact on the median bonus pay gap, dropping to zero. The difference in the proportion of male and female employees (approximately 9%) receiving a bonus was due to the higher proportion of female recent new starters, who joined after the eligibility date for receiving the bonus in this performance year.
- Our efforts to create a more diverse workforce and inclusive culture has supported both the increase in female talent in the upper middle pay quartile and our increased proportion of females in NGUKL Director level roles, from about 25% to 35% from April 2017 to April 2020.

We continue to see a gender pay gap due to:

- 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 greater representation of men in senior positions, our mean bonus gap is heightened in years of strong business performance. In a population of 450, with only a small number of these roles, we are working to effect change over the medium to long term.
- The under representation 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 a number of years 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 2020, we contributed over eight million dollars towards these initiatives. Unfortunately, some of our programmes were interrupted by the COVID-19 pandemic, so we have been working to increase the online focus.



CyberCenturion Finals

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

- **CyberCenturion**, the national youth cyber defence competition for 12-18 year olds.
- **Summer Time Advanced Aerospace Residency (STAAR)** programme, a residential camp for 14-15 year olds developed in partnership with the Royal Air Force and the Royal Air Force Museum. The programme was postponed in 2020 due to COVID-19 and in the interim digital content is being re-developed and enhanced.
- **The Jon 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 will be spearheaded via a unique JET-Red Arrows partnership and MOD License, to be launched in schools and youth clubs from September 2020. 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 @ Home** and sponsorship of the Diversity in Space Careers one-day conference exploring the importance of diversity within the space industry and the adversities faced.
- 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:

- 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.
- International Women’s Day (IWD) is an annual celebration featuring powerful speakers and discussions centered on the advancement of women in the workplace. Our UK women and leaders play a key role in IWD broadcasts and events around the world.
- The Northrop Grumman Inclusive Leadership Conference held biannually to create Diversity & Inclusion ambassadors, includes women and diverse talent from NGUUKL.
- Women in Leadership (WIL), Executive Leadership Programme, and the Leadership Cohort Programmes provide cross-business and cross-functional networks to gain visibility to the executive team and strategic issues.

Globally, our representation of women across the company has increased across multiple levels. In 2019, Northrop Grumman reached its 5 year employee diversity goals and has made significant progress since 2010. Women’s representation as Vice Presidents increased from 16% to 33%. During that same time period, females in early to mid level management increased from 11% to 18%. 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 very proud of the progress we have made and are determined to continue to drive this change.



The 2020 Northrop Grumman Virtual Women’s Conference

Northrop Grumman: BUILDING THE BEST CULTURE BY LEVERAGING THE POWER OF WOMEN

For Northrop Grumman, widening the talent pool and expanding its leadership pipeline has become an imperative on more than one front. One flagship effort to promote and advance women, people of color, and people with disabilities is the Women in Leadership program (WIL). Launched in 2014, WIL aims to accelerate the readiness of women for their first executive roles, thereby increasing their representation in leadership. This is accomplished by expanding participants' exposure to the business, providing them with increased visibility to executives, and emphasizing as well as facilitating network-building. Efforts to create a more inclusive culture and to diversify Northrop Grumman's population at every level are making an impact. Of Northrop Grumman's senior executives—defined as employees who report directly to the CEO—57% are women, and management consists of more than 26% women. Read more about how women at Northrop Grumman are thriving with the support of committed, passionate leaders and one another.



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