

DIVERSITY DATA AND PAY GAP REPORTING

MARCH 2023

THE SIX PRINCIPLES

PREAMBLE TO THE PRINCIPLES

As institutional investors, we have a duty to act in the best long-term interests of our beneficiaries. In this fiduciary role, we believe that environmental, social, and governance (ESG) issues can affect the performance of investment portfolios (to varying degrees across companies, sectors, regions, asset classes and through time). We also recognise that applying these Principles may better align investors with broader objectives of society. Therefore, where consistent with our fiduciary responsibilities, we commit to the following:

- 1 We will incorporate ESG issues into investment analysis and decision-making processes.
- 2 We will be active owners and incorporate ESG issues into our ownership policies and practices.
- 3 We will seek appropriate disclosure on ESG issues by the entities in which we invest.
- 4 We will promote acceptance and implementation of the Principles within the investment industry.
- 5 We will work together to enhance our effectiveness in implementing the Principles.
- 6 We will each report on our activities and progress towards implementing the Principles.



PRI's MISSION

We believe that an economically efficient, sustainable global financial system is a necessity for long-term value creation. Such a system will reward long-term, responsible investment and benefit the environment and society as a whole.

The PRI will work to achieve this sustainable global financial system by encouraging adoption of the Principles and collaboration on their implementation; by fostering good governance, integrity and accountability; and by addressing obstacles to a sustainable financial system that lie within market practices, structures and regulation.

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INTRODUCTION

I am pleased to share the PRI's first diversity data and gender and ethnicity pay gap report.

Continuing to enhance our work on diversity, equity, and inclusion (DEI) is critical for us to lead and collaborate effectively with our ever-growing, diverse signatory base. We need a mix of brilliant minds, working together as a team, to provide fresh perspectives and innovative solutions.

The PRI is committed to transparency, because we understand how important it is for holding ourselves to account. We therefore wanted to commit to best practice, including reporting on what we think is important – above and beyond what we are required to do by law.

This report demonstrates how we are walking the talk on DEI practices. Our findings show we have good gender balance, and a comparably low gender pay gap, but we recognise the need to improve our racial/ethnic diversity, particularly at senior levels. This data will act as a springboard for us to continue the strong work we have already begun in this space, [outlined on our new DEI homepage](#).

I look forward to reporting on our progress in our annual report later this year.

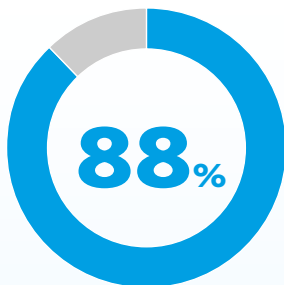


David Atkin
CEO, PRI

GLOBAL DEMOGRAPHIC MAKEUP OF OUR WORKFORCE

Collecting employee diversity data is now accepted as best practice. It ensures we understand how well represented different demographic groups are, what evidence-based targeted actions we can take and how to track the effectiveness of our programmes over time.

KEY FINDINGS¹:



88%
of staff provided data on average across all fields

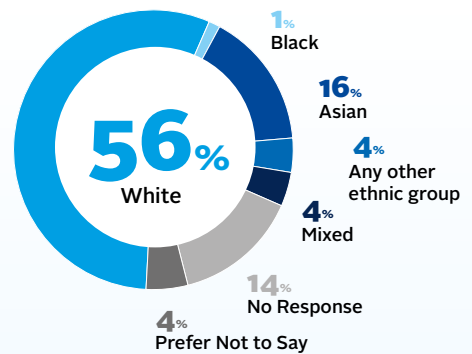
(including people selecting “prefer not to say”) – much higher than is typically seen in organisations and thus representing

fantastic engagement from our employees.



We have a relatively **even split between male and female**

employees across the different teams and levels of the organisation.



Concerningly, ethnic diversity is lower at more senior levels.

(We have grouped these categories together in all other reporting due to the small sample size.)

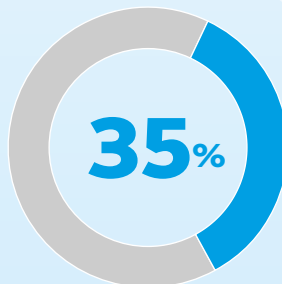
7% identified as **LGBTQ+**

although 9% of people answering “prefer not to say” for sexual orientation was a higher proportion than for other categories.

14% considered themselves to have a **disability**

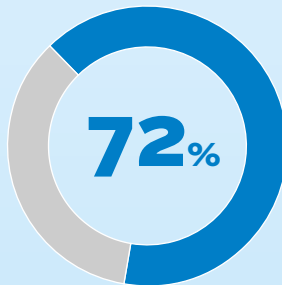
7% answering “prefer not to say” is again higher than in other categories.

(Estimates in the UK suggest 19% of people of working age have a disability.)



of our promotions in 2022 were for Black, Indigenous or People of Colour (BIPOC)

a group that is under-represented at senior levels.



were for women a group that has only recently achieved strong representation at senior levels.



Slightly more female candidates progress through the recruitment process (application review, interview, hired) than male candidates, and

a higher proportion of White candidates progress than BIPOC candidates

although we have seen improvements since the introduction of our BeApplied system.

¹ As at 30 August 2022. All global employees were included in the data collection where possible, taking into account local data protection legislation and other legal considerations.

OUR UK PAY GAP DATA

In the UK, employers that have a headcount of 250 or more UK-based staff must comply with regulations on gender pay gap reporting². Whilst we are not legally obliged to report our gender pay gap, we want to share this information with our employees in line with walking the talk. The data below is as at 5 April 2022.

GENDER PAY GAP VS EQUAL PAY

The **gender pay gap** is the difference between the average (mean or median) pay of men and women across all jobs in a workforce. It is an indication of whether women have an equal opportunity to progress their careers and earnings and be included in the highest pay quartiles – often roles of influence. (Where female pay is higher than male pay, the gender pay gap is often expressed as a negative value, e.g. -10%.)

Equal pay is the legal obligation³ (in the UK) requiring employers to give equal pay to people employed to do similar work. The PRI is fully compliant with equal pay legislation.

As we only have a very small number of employees that identify outside of the binary male/female distinction, this analysis is only able to report in those terms. However, we recognise that not everyone's gender identity fits within this binary distinction.

ETHNICITY PAY GAP

Ethnicity pay gap reporting is the difference in average pay between employees from different ethnicities – typically expressed as how all BIPOC employees compare as a group to White employees. The UK has no legal requirement or government guidance around whether organisations should measure or report on their ethnicity pay gap, or how to go about it.⁴ Most organisations that are reporting voluntarily are adapting the methodology used for gender pay gap reporting.

KEY FINDINGS⁵

- Our ethnicity pay gap sees the median White employee pay being 20.8% higher than the median BIPOC employee, and the mean for White employees being 21.5% higher. This should therefore be a key area of focus.
- Looking across all roles in the organisation, the median⁶ male pay is 15% higher than the median female pay. Mean⁷ male pay is 10% higher than female.
- At director-level there is a pay gap in favour of women (-7.9% median and -12% mean). This contrasts with ONS findings that the gender pay gap is typically widest amongst higher earners.
- While women are over-represented in the lowest earnings quartile, we should be proud of the near 50:50 representation in the highest salary quartile, demonstrating that women are being supported to reach higher roles and enabling balanced representation at higher decision-making levels. Compared to financial services data, which sees a 26.6% median, we are pleased to see a relatively low gap to address⁸.

² Since 2017

³ Under the Equality Act 2010

⁴ The government has tasked the Department for Business, Energy and Industrial Strategy (BEIS) with providing guidance.

⁵ As at 5 April 2022

⁶ The middle value when values in a data set are ordered from smallest to largest.

⁷ The total of all values in a data set divided by the number of values.

⁸ [Gender pay gap and diversity in financial services](#) (pwc.co.uk) March 2022. The data for the UK overall shows a [15% median pay gap](#).

Gender pay gap

Difference in hourly pay		% of women in each pay quartile			
Mean	Median	Lower	Lower middle	Upper middle	Upper
10.1%	15.0%	65.8%	56.8%	56.8%	47.4%

Gender pay gap for Director level only

Difference in hourly pay	
Mean	Median
-12%	-7.9%

Ethnicity pay gap

Ethnic group	Number of employees	% of the workforce	Mean Pay	Mean pay gap against White	Median pay	Median pay gap against White
White	86	57.3%	£36.36	n/a	£32.02	n/a
All other ethnic groups	33	22.0%	£28.56	21.5%	£25.36	20.8%
Not disclosed	31	20.7%				
	150					

METHODOLOGY

Our analysis covers all PRI employees who are working under UK contracts. We cannot include global data because:

- pay scales differ vastly based on local markets;
- many employees outside London have non-UK contracts, which legally excludes them from pay gap analysis;
- some countries also have legal restrictions on the publication of pay data.

We have calculated the mean/median hourly pay for men, subtracted the mean/median hourly pay for women, and expressed the resulting gap as a percentage of men's pay. Pension salary sacrifice is deducted from basic pay.

In accordance with legislative guidance, we have excluded those currently on leave if they are not receiving full pay. (In the event of a birth or adoption, employees with two or more years' service are offered six months of fully paid leave, regardless of gender).

WHY DO WE HAVE A PAY GAP?

There is a lack of ethnic representation in senior positions across the organisation.

While we have a relatively even balance of men and women in the highest paying roles (upper: 47.4% female; upper middle: 56.8% female), in lower paying roles we employ more women than men (lower middle: 56.8%; lower: 65.8%).

Roles in the organisation typically taken by women tend to be benchmarked against lower paying roles in the wider market.

As we have a relatively small workforce, there can be instances where small sample sizes show up pay gaps that are due to legitimately differing roles within a small sample of employees, rather than indicating a trend or discriminative pay gap.

WHAT ARE WE DOING ABOUT IT?

The Equal Pay analysis we conducted as part of our benchmarking exercise, in partnership with experts Willis Towers Watson, confirms there is no direct pay discrimination in Equal Pay terms (as outlined above). We are pleased to see that our promotions data from recent months shows we are promoting women (72% of promotions vs 58% of the workforce) and BIPOC (35% of promotions vs 25% of the workforce) at a high rate, demonstrating that we are continuing to develop people in these groups and increase their representation at higher pay levels.

In January 2022 we released a new Global Pay Policy. In the July 2022 annual pay review, individuals were aligned to the new pay policy using the benchmarking data.

We are taking a transparent approach to communicating our benchmarking and new Global Pay Policy with process documentation shared with all employees held on our internal HR SharePoint site.

We should continue work to ensure there is consistency in performance reviews, tackle bias in recruiting for all roles, consider how we can encourage more diversity in applications for senior roles, and enhance career support for those already employed. This is captured in our broader DEI action plan which will address the root cause of any challenges highlighted by the pay data, which is outlined below.

OUR DEI TARGETS FOR 2023

We will report formally on this in our 2023 Annual Report in September, but have provided a status update here.

- We have chosen to focus on **gender and race/ethnicity** in our first year, with the intention to look at other areas in the future.
- Targets are **not designed to encourage positive discrimination**, but to focus on [positive action](#).
- They are set to stretch us based on historical and current data so we can ascertain what is achievable within agreed timeframes.
- Our targets **address retention, promotion and development of existing staff and redressing imbalances in recruitment**.
- Later in 2023, we will **introduce targets with a stronger focus on inclusion and employee experience**, based on employee engagement survey data.

Setting targets focuses our minds, makes a statement of intent and encourages us to ask questions of our approach as an organisation if we do not see progress. Accountability for the targets sits right across the PRI, and we have centralised initiatives planned that are designed to support this.

The data will also be integrated into reviews conducted by our People and Culture Committee, who report to our Board.

Organisational Targets	Timeframes	Progress update - January 2023
Maintain a minimum of 50% female, GNC (gender non-conforming) or non-binary employees at every level	Will be reported on quarterly as part of our internal organisational dashboard, with a yearly update published externally in PRI's Annual Report from September 2023	✓ Achieved
A year-on-year increase in our % of Black employees (from 1% at Aug 2022)		✓ On track: 2.43% as at 31.01.22
BIPOC candidates to make up 30% of all new hires (34% of applicants in 2022 were BIPOC, current employee BIPOC population is 21%)	Yearly update in PRI's Annual Report from September 2023	= 26% in 2022, will continue to build on this in 2023
Black candidates to make up 10% of all new hires (9% Black applicants in 2022)		✗ 4.5% of hires in 2022 were Black
BIPOC employees to make up 30% of all promotions (this was at 20% in July 2021, 35% in Feb 2022. 31% of associates and 28% of current specialist/senior associates are BIPOC)		✓ On track: 30.2% of promotions were BIPOC in July 2022

DEI STRATEGY AND ACTION PLAN

Our ongoing DEI strategy, which will enhance the equity of all our core processes, including pay, is based on four key areas of work:

- **Inclusive culture:** enabling all colleagues at the PRI to feel respected and valued, actively participating in building an inclusive culture
- **Strong governance:** building the structures, policies, and processes to embed accountability for DEI across the organisation
- **Measuring our impact:** developing a framework for DEI at the PRI so we can transparently benchmark our progress and take a data-driven approach
- **Tell our story:** communicating a clear plan and narrative for DEI at the PRI, aligning our internal strategy and Walk the Talk programme

We are committed to this level of transparency and will publicly report this data annually, so that signatories and others can hold us accountable. Next year, we commit to conducting analysis into our pension gap to understand discrepancies between different groups' contributions.

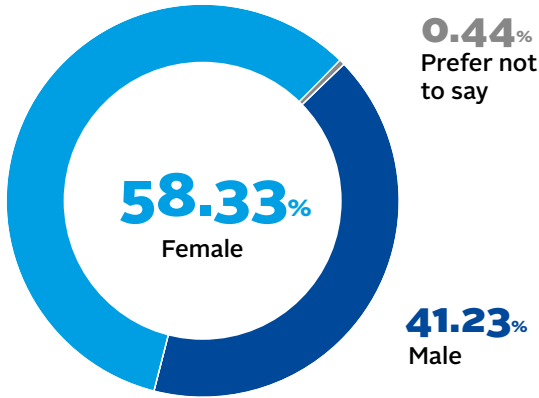
Key actions to address the findings, amongst others, are outlined below.

Targeted sourcing and inclusive recruitment	Equitable core processes	Training to support managers	Development opportunities for mid-level and junior employees
<p>We use external agencies and partnerships to diversify our recruitment pipeline and consider a wide range of candidates for all roles, particularly those at a senior level. This includes setting recruitment targets for under-represented groups.</p>	<p>We are building equity into our employee lifecycle by assessing how we recruit, promote and assess performance. We know consistency and fairness are critical to developing and retaining a diverse workforce. Our DEI Working Group has worked with our People Team to develop clear templates and guidance to support these processes.</p>	<p>We are continuing to build managers' capabilities with coaching, training and events to raise awareness and provide practical guidance on topics such as inclusive recruitment, people development and creating a psychologically safe team environment. We are also launching our first Gender Balance Network, which will run events to further raise awareness.</p>	<p>We are enhancing our approach to training and development through INvolve's Emerging Leaders' Programme. Every year, people from under-represented groups will have the opportunity to apply to attend this interactive course focused on building leadership capability.</p>

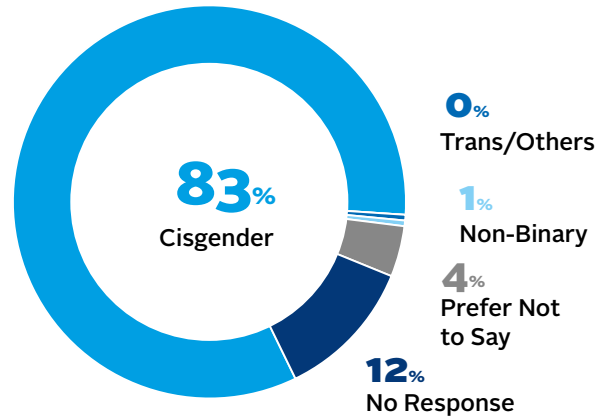
APPENDIX: DEMOGRAPHIC DATA

Findings in full from our first DEI data collection exercise (30 August 2022).

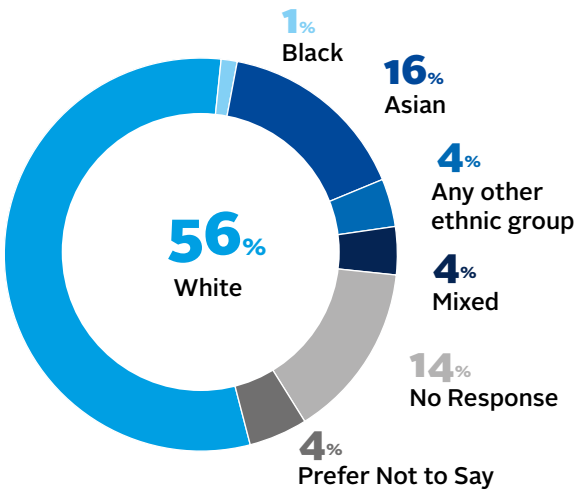
Legal gender



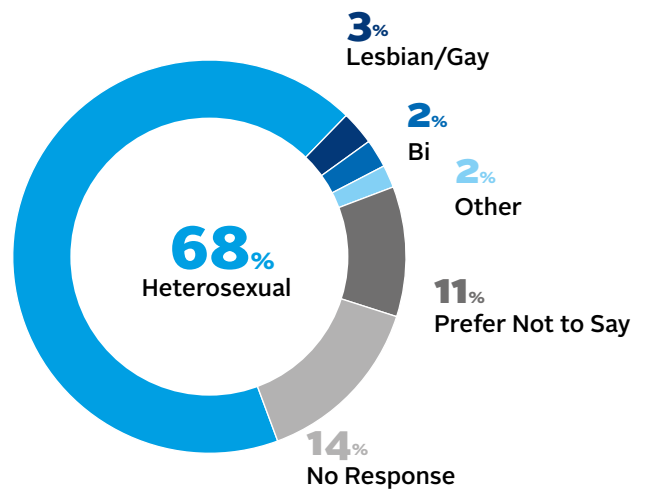
Gender identity



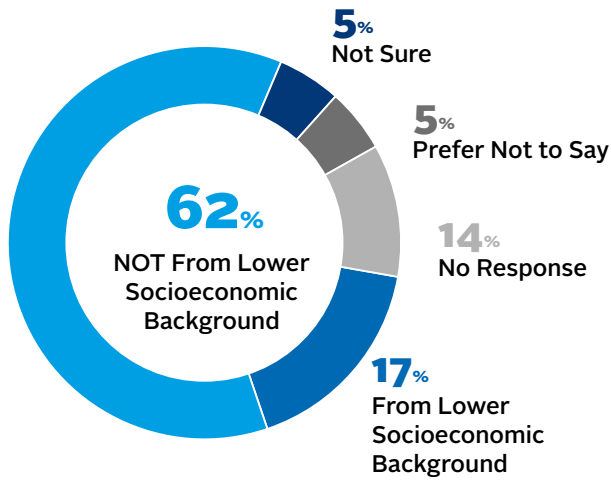
Race/ethnicity



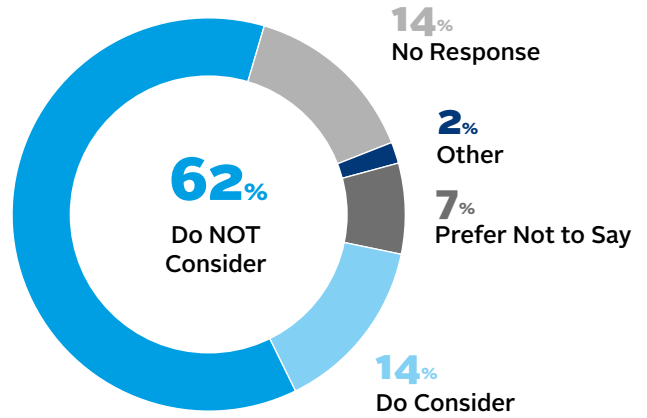
Sexual orientation



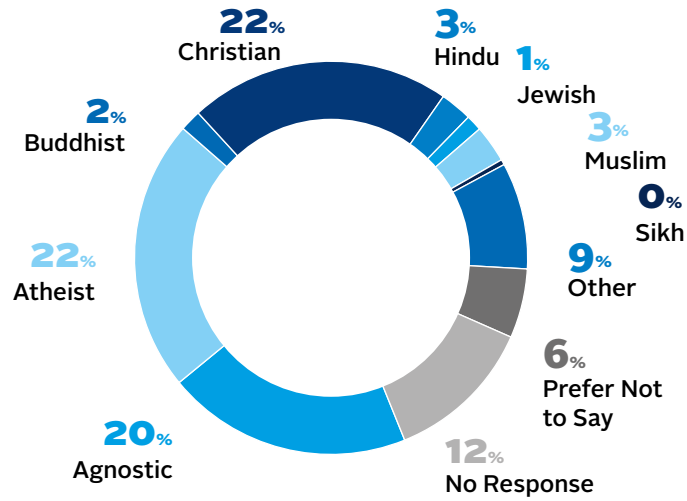
Socioeconomic status



Disability



Religion



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The Principles for Responsible Investment (PRI)

The PRI works with its international network of signatories to put the six Principles for Responsible Investment into practice. Its goals are to understand the investment implications of environmental, social and governance (ESG) issues and to support signatories in integrating these issues into investment and ownership decisions. The PRI acts in the long-term interests of its signatories, of the financial markets and economies in which they operate and ultimately of the environment and society as a whole.

The six Principles for Responsible Investment are a voluntary and aspirational set of investment principles that offer a menu of possible actions for incorporating ESG issues into investment practice. The Principles were developed by investors, for investors. In implementing them, signatories contribute to developing a more sustainable global financial system.

More information: www.unpri.org



The PRI is an investor initiative in partnership with **UNEP Finance Initiative** and the **UN Global Compact**.

United Nations Environment Programme Finance Initiative (UNEP FI)

UNEP FI is a unique partnership between the United Nations Environment Programme (UNEP) and the global financial sector. UNEP FI works closely with over 200 financial institutions that are signatories to the UNEP FI Statement on Sustainable Development, and a range of partner organisations, to develop and promote linkages between sustainability and financial performance. Through peer-to-peer networks, research and training, UNEP FI carries out its mission to identify, promote, and realise the adoption of best environmental and sustainability practice at all levels of financial institution operations.

More information: www.unepfi.org



United Nations Global Compact

The United Nations Global Compact is a call to companies everywhere to align their operations and strategies with ten universally accepted principles in the areas of human rights, labour, environment and anti-corruption, and to take action in support of UN goals and issues embodied in the Sustainable Development Goals. The UN Global Compact is a leadership platform for the development, implementation and disclosure of responsible corporate practices. Launched in 2000, it is the largest corporate sustainability initiative in the world, with more than 8,800 companies and 4,000 non-business signatories based in over 160 countries, and more than 80 Local Networks.

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