



Ethnicity pay gap report

—
Representation and compensation as
at 31 March 2022

nestpensions.org.uk

Introduction

We're pleased to publish our latest ethnicity pay gap report. Voluntarily disclosing this data every year is part of our commitment to transparency and to reducing our gap.

We've changed the way we report our pay gap data. Previously, the data in our pay gap reports was a year behind the data that appeared in our annual report. We're now bringing our reporting forward so that we publish pay gap data from April in June, rather than at the end of March the following year. This will remove any confusion about the timing and consistency of our data. In this report, we are publishing our ethnicity pay gap data for two financial years, 2020/21 and 2021/22.

When we publicised our ethnicity pay gap data for the first time last year, we acknowledged we had significant work to do. That's still the case. On average, employees from an ethnic minority background still earn considerably less than white employees across the organisation, and some of our gaps have increased.

We're concerned about our level of progress and are committed to understanding and addressing the reasons behind this. Last year we said that we're in the early stages of our journey, and we still believe that's true. Closing a large pay gap takes time, and the commitments we have in place are for the long term. So, at this stage we don't think we need to start all over again. Instead, we have expanded our plan of action this year, and we'll measure the effectiveness of our initiatives. If we need to change course, we will.

There are some causes for optimism. Our average bonus gap started to decrease for the first time in 2020/21 and this trend continued in 2021/22. For the last two years there has been no gap in the median bonus received by white employees and employees from an ethnic minority background. As you'll see, this is in part credit to the new reward proposition we introduced in 2021.

We understand the areas we need to focus on. The numbers show that we're doing well to attract diverse talent to Nest. We have a higher proportion of employees from an ethnic minority background in our workforce than the proportion in the UK working-age population. But we also recognise that we must do more to develop the skills of these employees and support progression from junior to senior roles.

Our culture plays a key part in helping employees to progress. We want to create an environment that's inclusive by instinct, where employees feel they can focus on succeeding in their role. We need to keep working hard to achieve this. Overall, our workforce says that we take diversity seriously, but employees from an ethnic minority background feel this less. This gives us a clear indication of where we need to improve.

Closing our pay gap and improving diversity in senior positions are long-term targets. This report shows how determined we are to hit them. It sets out the steps we've already taken and makes it clear how we aim to achieve success in the future.



I'm proud that we continue to demonstrate transparency and a strong commitment to closing our ethnicity pay gap. However, I accept this report shows that we've still got lots of work to do. I know that we'll only get better if we keep developing our culture and practices to create an organisation that's inclusive by instinct. That's why I do believe the long-term holistic plan we have in place can get us to where we want to be.



Helen Dean
Chief Executive Officer

What we've already done

We take action to make Nest a fair and inclusive place to work. The initiatives we put in place to do this can help to close pay gaps and increase ethnic minority representation in our senior roles.

In 2020/21 and 2021/22 we took a range of steps across the organisation that we think will support us in this area. Here are the highlights.

Improving our recruitment practices

We work to remove bias and barriers from our recruitment processes. This gives us the best chance of attracting and hiring candidates from under-represented groups. Over the last two years we:

- Launched a new recruitment platform. This allows us to anonymise job applications which helps to tackle bias at the shortlisting stage. It also provides us with improved data we can use to better measure the diversity of our candidates.
- Delivered training to hiring managers. We made sure those responsible for recruiting complete training on unconscious bias and the benefits of a diverse workplace. This is in addition to the mandatory 'licence to recruit' training we've previously rolled out for all hiring managers.

Developing our workforce

To close our ethnicity pay gap, we know that we need to develop our diverse talent from more junior roles into senior positions. Our latest initiatives to do this include:

- Introducing personalised training accounts. These let employees have more control over their development by providing a £2,500 budget to spend on training that will help them to progress.
- Providing access to the LinkedIn Learning platform. This allows all our employees to choose from thousands of online courses that they can access flexibly at a time that suits them, giving them more ownership of their development.

Introducing a new reward proposition

We launched a new reward proposition in 2021 to benefit all our employees, and we believe it can help us to close pay gaps too. As part of the proposition we:

- Simplified our pay grade structures. We reduced the number of pay grades from 13 down to 6. Going forward we'll work to make these structures as transparent as possible for employees, so they know exactly how to progress at Nest.
- Standardised our bonus system. All eligible employees currently receive a bonus based on Nest's collective performance. The amount paid is a flat rate that's the same for all employees in a pay grade. The impact of this is clear - it helped to reduce our median ethnicity bonus gap to zero in 2020/21, and it stayed the same in 2021/22.

Fostering a diverse and inclusive culture

Our culture is key to closing our pay gaps. If our workers can bring their authentic selves to Nest, we think they'll be more likely to succeed and progress. We must improve to help employees from an ethnic minority background feel this way. Over the last two years we:

- Worked closely with our race working group. We established the group in 2021 and it acts as a critical friend to help us meet our diversity and inclusion targets. The group's other areas of focus include better understanding of our employee diversity data and social outreach.
- Started an allyship campaign. We encourage employees to become workplace allies for those who are in under-represented groups at Nest. By tackling microaggressions and taking positive steps to support these groups, allyship can help to embed inclusivity across the organisation. This was our first step to raise awareness of allyship and to establish it at Nest – we're making a long-term commitment to this initiative as we recognise it will take time.

- Delivered a reverse mentoring programme. Our staff from ethnic minority backgrounds mentored our executive committee and senior leaders. We aimed to give our leadership a better insight into the challenges that staff from ethnic minority backgrounds face and to ensure their voices are heard.
- Acted on our employees' feedback. We held focus groups with our employees from an ethnic minority background to understand their experiences of working at Nest. Our learnings helped us to draw up a corporation race action plan (see [page 8](#) for more details).

Taking a lead in our industry

If we can help to improve diversity in our industry, then we act. Not only can it help to reduce pay gaps, but it shows our own employees that this really matters to us. Our activities include:

- Recruiting diverse talent of the future. We signed up to the 10,000 black Interns programme in 2020. The programme offers internships to eligible black candidates across 24 different sectors, including financial services. During 2021/22, we held interviews and awarded two eight-week living-wage paid internships in Nest Invest.
- Signing the Asset Owner Diversity Charter. We want to see increased diversity in the investment industry and to work with fund managers who take the issue seriously. So, we signed the charter and our Head of Responsible Investment joined the charter working group. It's an initiative from the Diversity Project – our accountable executive officer for diversity sits on the project's Advisory Council which provides leadership to its workstreams.

- Joining the 30% Club investor group. The group campaigns for at least 30% representation of women on UK, US and European corporate boards. After initially signing up as a member, we went a step further and two of our colleagues joined as co-chairs. They aim to expand the group's approach to broader areas of diversity and inclusion including on race and ethnic minority representation.

Reviewing and reporting on our progress

We aren't where we want to be with our pay gap performance. Our data can help us to improve. It gives us a clear measure to track our progress against, and sharing it shows our commitment to transparency. Our latest reporting shows that we:

- Increased the number of employees from an ethnic minority background at Nest. In 2021/22, we saw an 8% increase. Overall, these employees make up 27% of our workforce. That's higher than the proportion of ethnic minority employees in the UK's working-age population, which is 14%. We're focusing on developing these employees to help them progress at Nest.
- Improved representation of employees from an ethnic minority background in some of our senior roles. Between 2020/21 and 2021/22 we've seen a 5 percentage point increase of these employees in our upper-mid quartile roles. We hope to maintain this trend by continuing to focus on fair recruitment practices and on staff development.

- Stayed committed to achieving the targets we set as part of our approach to diversity and inclusion. We said that by 2025 we'll have two black directors and that 13% of our executive team would be from an ethnic minority background. We're yet to make progress with these targets but we'll continue to review and report our progress.
- Used our people data more effectively. We've increased the scope of our quarterly people data dashboards. This data feeds into a 'people plan' for each directorate that helps to determine workforce priorities and initiatives in that area.



We're aiming for 13% of our executive team to be from an ethnic minority background by 2025.

Our ethnicity pay data for 2020/21 and 2021/22

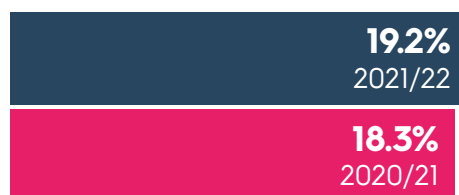
We're pleased to keep making this data publicly available. We recognise the pay gap between employees from an ethnic minority background and white employees is disappointing and accept we need to keep working hard to improve this.

Mean hourly pay gap

A gap of 19.2% in 2021/22. That works out to be £6.96 per hour.

It's an increase of 0.9 percentage points from 2020/21 when the gap was 18.3% and £6.39 per hour.

Since we first started reporting our gap in 2017/18, it's a reduction of 1.2 percentage points.

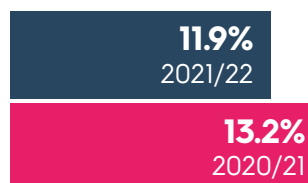


Median hourly pay gap

A gap of 11.9% in 2021/22. That works out to be £3.79 per hour.

It's a reduction of 1.3 percentage points from 2020/21 when the gap was 13.2% and £3.99 per hour.

Since we first started reporting our gap in 2017/18, it's a reduction of 8.0 percentage points.



Mean bonus

A gap of 21.4% in 2021/22. That works out to be £401.00.

It's a reduction of 5.7 percentage points from 2020/21 when the gap was 27.1% and £442.61.

Since we first started reporting our gap in 2017/18, it's an increase of 7.6 percentage points.

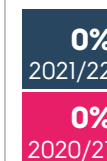
This gap is due to employees from an ethnic minority background being over-represented in the lower pay grades and under-represented in the more senior pay grades.



Median bonus

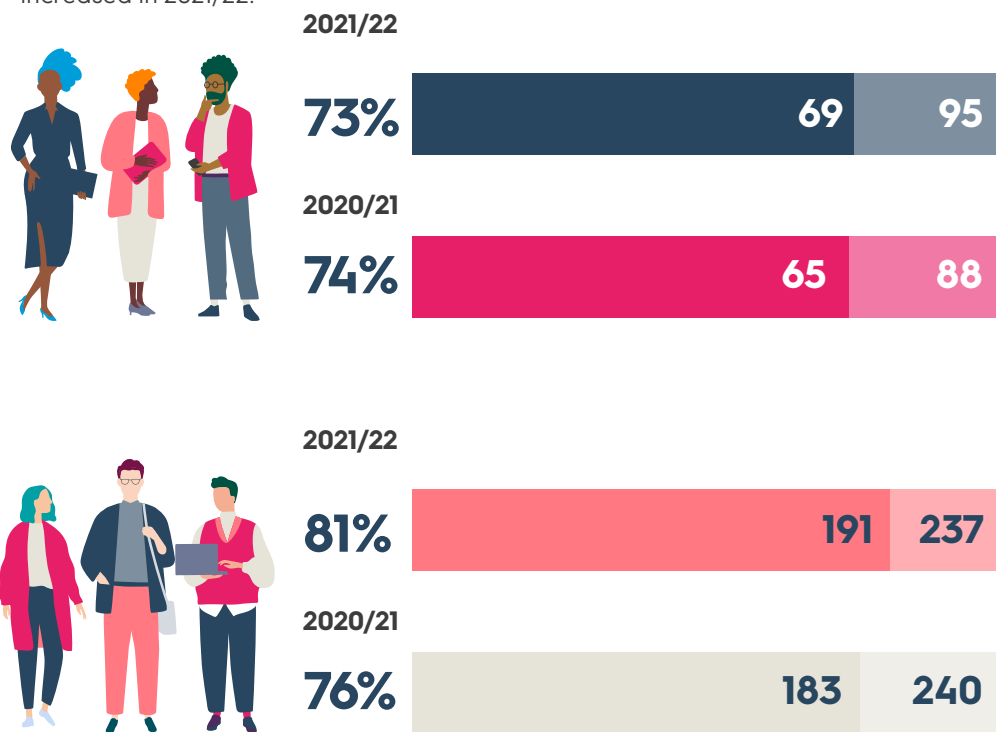
There is no gap in 2021/22. Employees from an ethnic minority background received the same median bonus as white employees. This was the case in 2020/21 too.

When we first started reporting our gap in 2017/18, employees from an ethnic minority background received a median bonus that was 56% higher than white employees.



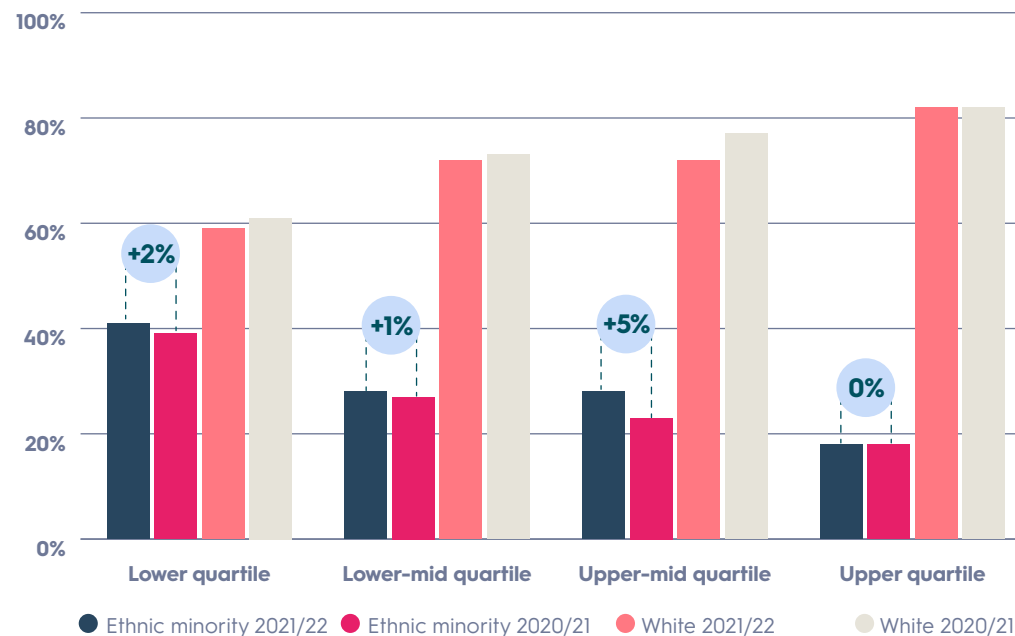
Proportion of people who received a bonus in 2020/21 and 2021/22

- In 2021/22, a higher number of employees from an ethnic minority background received a bonus compared to 2020/21. However, the overall proportion dropped slightly. This is partly due to more employees from an ethnic minority background working in the lower quartiles, and more white employees working in the upper quartiles in 2021/22. A higher number of staff from an ethnic minority background also joined after the bonus eligibility cut-off date.
- Higher proportions of white employees continue to receive bonuses, and this gap increased in 2021/22.



Comparison of 2020/21 and 2021/22 quartiles

- Nest overall: Ethnic minority background 27%, white 73%. Anyone who marked their ethnicity as 'Prefer not to say' is not included in this data.
- Employees from an ethnic minority background continue to be under-represented in the upper pay quartile and over-represented in the lower quartile. We'll keep focusing on developing our talent to help employees progress into upper-pay quartiles.
- We are pleased to see a 5 percentage point increase of employees from an ethnic minority background in the upper-mid quartile.



What we'll do next

We're committed to closing our ethnicity pay gap over the long term. Going forward, we have a clear plan in place to help us do this.

Carrying on with our commitments

In our previous pay gap reports we outlined some initiatives to help us make progress. They continue to be an important part of our approach to closing our gap.

Recruitment

- Continuing with our direct-hire approach. This gives us more control to attract applicants through our recruitment processes, which we work to remove bias and barriers from. This approach gives us the best chance of reaching candidates from under-represented groups.
- When we do work with an external recruitment agency, we request ethnically-balanced shortlists.

Our data

- Using our workforce equality and people data more effectively. This will help us understand the trends in our recruitment, development, and progression data and why staff from ethnic minority backgrounds may leave Nest. Utilising our data better will make it easier to identify the areas we need to intervene in, to ensure we move in the right direction. Improving our quarterly people data dashboard is a good start, but we'll do more where we can.

Diversity and inclusion

- Continuing to listen to all our diversity working groups, including our race working group. We welcome the group's challenges, and we'll work to make sure its action plan gets delivered.
- Working to meet our diversity and inclusion targets. By 2025, we want 13% of our executive team to be from an ethnic minority background, and two black directors in post.
- Making sure each member of our executive team has a diversity-related objective. We want to build an organisation that's inclusive by instinct, and our executives will lead by example.

- Building our open and honest environment. We continue to hold our all-staff 'let's talk about race sessions'. These encourage our workforce to discuss diversity and inclusion.
- Staying transparent. We'll continue to follow the recommendations in the [McGregor-Smith review](#) and voluntarily publish our ethnicity pay gap data every year.

Our wider industry

- Leading and collaborating with our peers. We'll keep working to improve diversity across our industry, whether that's through initiatives like the Asset Owner Diversity Charter or through new opportunities we think can be influential.
- Using our scale to push for change. Our responsible investment team continues to hold the companies we invest in to account on issues including ethnicity pay gaps and the make-up of boards.

Other areas of focus

Going forward we think these further initiatives can play a key role in helping us to close our pay gaps.

- Focusing on development. To close our ethnicity pay gap, we know that we need to do more to retain and develop talent from junior roles into leadership. We'll focus more on nurturing our talent internally and continuing to make the pathways to pay progression and promotion as clear as possible.
 - Building a data infrastructure. This is part of our plan to use our data more effectively and includes a drive to increase the number of employees who declare their ethnicity. Ultimately, this will allow us to better understand our workforce and how we can address any barriers they face.
 - Reviewing intersectionality. A comprehensive data infrastructure will also improve our ability to gather intersectional data and insight. Over the next few years, we aim to gain a better understanding of gender pay gaps across ethnicity groups and to highlight areas we can improve in.
- Continuing to listen to our staff forum, 'Your voice'. The forum was established in 2021 and is made up of representatives selected from across our people. It provides feedback into organisation-wide initiatives and decision-making. We'll keep listening to everything the forum raises, including on issues that can help us to close our pay gaps like pay, progression and development.
 - Implementing our corporation race action plan. The plan has been drafted by our race working group and its executive champion and it outlines our priorities for 2022/23. These include a review of the inclusivity of our recruitment processes, a sponsorship programme that pairs our heads of departments from ethnic minority backgrounds with an executive sponsor, and the expansion of our 'let's talk about race' sessions.



It's clear we must do more to address our ethnicity pay gap. I think the plan we've set out shows how serious we are about this. While we're at an early stage of our journey, I'm hopeful. Nest does well to attract employees from an ethnic minority background to the organisation. Increasing our focus on staff development can improve representation in senior roles, which is key to closing our pay gap.



Richard Lockwood
Diversity and Inclusion lead,
Chief Financial Officer

© 2022 National Employment Savings Trust Corporation. All rights reserved. Reproduction of all or any part of the content, use of the Nest trademarks and trade names is not allowed without the written permission of Nest. Nest does not warrant nor accept any responsibility for any loss caused as a result of any error, inaccuracy or incompleteness herein. This content is provided for information purposes only and should not be construed as financial, investment or professional advice or recommendation by Nest. Data may be obtained from third party weblinks, but these may not be error free and cannot be verified.