LONDON BOROUGH OF CAMDEN	WARD: All
REPORT TITLE: Environment, Social and Governance fund manager metrics	
REPORT OF: Executive Director Corporate Services	
FOR SUBMISSION TO: Pension Committee	**DATE:** **23 September 2021**

SUMMARY OF REPORT:

This report presents comparative analysis of the Fund's investment managers' performance on Environment, Social and Governance (ESG) issues against peers and national indicators.

Local Government Act 1972 – Access to Information
No documents requiring to be listed were used in the preparation of this report:

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RECOMMENDATIONS:

The Committee is asked to note the contents of the report.

Signed by

Director of Finance: Approved

Date: 15 September 2021

1. INTRODUCTION

1.1. The Fund publishes its Investment Strategy Statement (ISS) that sets out its policy on how social, environmental and corporate governance considerations are taken into account in the selection, non-selection, retention and realisation of investments.

1.2. The Pension Fund’s ISS legally binds the Fund in respect of Socially Responsible Investment (SRI) policy. The law makes clear that the Fund should, in all circumstances, act in the best financial interests of the members of the Fund. Where this primary consideration is not prejudiced, investment managers are expected to have active regard to the impact that SRI issues might have on the returns of companies in which they invest on the Fund’s behalf.

1.3. The Fund believes that ‘robust’ engagement with companies is a better approach than placing restrictions on particular types of investment. It also believes that companies conforming to high ethical and social standards will produce shareholder returns that are at least comparable to those produced by other companies.

1.4. The Fund is a member of the Local Authority Pension Fund Forum (LAPFF). Climate change, and low-carbon transition, is one of the largest individual engagement streams that LAPFF deals with. Membership of LAPFF allows the Fund, along with other local government funds, to engage with FTSE 100 and other large global firms that the Fund would otherwise not have the resources to engage with.

1.5. The Pension Committee receive an annual update (with quarterly monitoring) on the carbon footprint of the Fund’s equity assets and also relevant information on other asset classes.

1.6. This report builds on that report by reviewing the progress that the Fund has made in the transition to a low carbon investor/Fund and how its current investment managers are rated by the leading proponents of responsible investment. The report also reports on investment managers’ performance on issues such as gender pay gap and diversity of corporate board and senior management.

2. Analysis of Fund's Fossil Fuel Concentration

2.1. In last year's ESG report the proportion of assets in fossil fuels had fallen from 12.81% in 2010 to 4.66% in 2020. At June 2021, for our main equity holdings, the percentage invested in fossil fuel related companies was 3.29% as shown in the Table 1 below.

TABLE 1 PERCENTAGE INVESTED IN FOSSIL FUELS

£m	L&G	Harris	Baillie Gifford	Total
Total funds at June-21	£656m	£340m	£462m	£1,458m
Fossil fuel stock	£17m	£25m	£6m	£48m
% invested in fossil fuels for equities at Jun-21				**3.29%**

2.2. These figures are influenced by the size of equities in the portfolio which is affected by market fluctuations. The split of active versus passive also makes a difference, as passive equity managers have no choice but to follow the benchmark and stocks held in the proportions they make up of the index. The text below summarises the responses obtained from the fund managers in relation to fossil fuel related investments.

2.3. **Barings** The Barings Dynamic Asset Allocation Fund was fully liquidated on 30 June 2021.

2.4. **Insight** had 2.93% exposure to energy producing fossil fuel companies. Two of the fund's holdings are on the CU200 list: BP 0.61% and Petrobras 0.15%. The remaining exposures are not on the CU200 list as they are energy pipeline companies.

2.5. **Standard Life** has stepped up its climate change drive with a commitment to achieve a 50% cut in operational emissions by 2025 as a step to achieving net zero by 2050.

2.6. **Ruffer** have a 4% exposure to the Carbon Underground 200 (CU200) Index at 30 June 2021. During Q2 2021, they met with many companies on ESG matters. For example:

- Arcelormittal on Climate Action 100+ meeting, to continue the discussions on the company's greenhouse gas emissions reduction targets.
- BAE Systems to discuss its progress in relation to its greenhouse gas emissions reduction goals and the long-term effects of the 2010 bribery scandal on its stakeholders.
- British American Tobacco held a meeting to learn about the effectiveness of the company's efforts to eliminate child labour through its supply chain, and an update on its greenhouse gas emissions reduction targets.

2.7. **Legal and General** are our passive equity managers and 2.59% of their equity portfolio is invested in fossil fuel stock. Their Investment Stewardship team engaged with 67 banks over 2020. The Stewardship team's top 2020 engagement themes were Environmental (47%), Social (11%), Governance (31%) and Strategy / Other (11%).

2.8. **Harris** have 7.35% of the portfolio invested in fossil fuel associated companies, relating to Berkshire Hathaway and Glencore. Harris had similar investment holdings in both of these companies The fund also had a 3.75% exposure to the Carbon Underground 200 (CU200) Index at 30 June 2021. They discussed electric and fuel cell powertrains with the CEO of Daimler Trucks, during Q2 2021. Daimler Trucks are one of the companies who are at the forefront of developing these new technologies that will enable the widespread adoption of clean transportation. Engagements with the firm focused on the R&D investment, partnerships, and joint ventures that will be necessary for success in this area.

2.9. **Baillie Gifford** have 1.3% of the net asset value invested in EOG Resources, Inc. and Reliance Industries Limited which is in the oil and gas sector. EOG Resources, Inc. was held in the fund at the end of June 2021, (0.5% of the net asset value invested), but has since been fully liquidated. The Sub-fund manager's work to understand the portfolio's climate preparedness has continued apace, with the recent completion of a climate audit.

2.10. **CQS** believe that ESG factors can influence performance, more for equities than debt, but they focus on ESG matters when constructing strategies.

2.11. **HarbourVest** had 1.09% of the Global Fund 2016 invested in energy-related companies (0.92% was to oil, gas and consumable fuels). None of these were in the CU200.

2.12. Holdings in fossil fuel related investments is less relevant for property holdings, like Partners and CBRE.

2.13. **CBRE** are currently preparing a comprehensive annual ESG report which will soon be released in 2021. This report will provide information on metrics, targets and the ESG Maturity of the fund's portfolio and its underlying investments. CBRE look forward to discussing the report, post publication. CBRE have a 0.57% exposure to the Carbon Underground 200 (CU200) Index at 30 June 2021.

3. Investment Managers' Performance on ESG

3.1. The Fund takes its Environmental, Social and Governance (ESG) responsibility very seriously and has successfully reduced the Fund's carbon footprint as it relates to investment of funds without neglecting its fiduciary duties to members.

3.2. This is demonstrated by the reduction of the proportion of fossil fuel extractors in the Fund's overall portfolio of assets. The Fund undertakes an annual benchmarking exercise to compare the carbon footprint of each of its investment managers and managers would need to explain the inclusion of high emitters in a portfolio. The Fund is also keen to continue to influence where it can the push toward a more diverse and inclusive policy in the companies that it invests in.

3.3. All of the Fund's investment managers have confirmed that they are signatories to the **United Nations Principle for Responsible Investment (UNPRI)**. Each signatory to the UNPRI is required to undergo an annual review which assesses how a participant has implemented the principles of UNPRI in their investment process. The principles are:

- To incorporate Environmental, Social and Corporate Governance (ESG) issues into investment analysis and decision-making processes
- To be an active owner and to incorporate ESG issues into ownership policies and practices
- To seek appropriate disclosure on ESG issues by the entities invested in
- To promote acceptance and implementation of the Principles within the investment industry
- To work with the PRI Secretariat and other signatories to enhance their effectiveness in implementing the Principles
- To report on activities and progress towards implementing the Principles

3.4. The UNPRI have a new pilot reporting framework but the 2021 results have been delayed due to feedback from signatories and issues completing the data and data gaps. Publicly available reports will only be available in June 2022 which means the data below has been reproduced from last year for the purposes of this report.

3.5. The Strategy & Governance element of the assessment framework is common to all managers. The table below compares each manager's overall assessment for strategy and governance against the mean score for their respective category.

TABLE 2 – FUND MANAGERS' UNPRI RATINGS

Manager	Strategy & Governance Score	Median Score for Sector	Performance Indicator
Baillie Gifford	A+	A	
Barings	A+	A	
CBRE	A+	A	
CQS	A	A	
HarbourVest	A	A	
Harris	B	A	
Insight	A+	A	
LGIM	A+	A	
Partners	A+	A	
Ruffer	A+	A	
Standard Life	A+	A	
Stepstone	A	A	

3.6. All the Strategy and Governance scores collated are largely better than the industry average with the exception of Harris, who achieved a score of B which is below median. Some of the areas Harris scored poorly on were:

- responsible investment (RI) in roles and responsibilities
- RI in personal development / training
- Promotion of RI

3.7. Harris have a new Director of Responsible Investment who joined the firm in 2020. Harris comment that they recognise the value of connecting with other organisations, including civil society groups, trade associations, government agencies, and industry peers. During the quarter, external groups that they interacted with include:

- **Investment Adviser Association:** Their Director of Responsible Investing and Associate General Counsel joined the IAA's ESG Committee and provided input into consultations on ESG policy.
- **Natixis Investment Managers ESG Integration Working Group:** They joined other Natixis affiliates to share best practice and discuss developments in ESG integration across asset classes.
- **Principles for Responsible Investment:** They completed their 2021 PRI reporting submission, which this year is in a new format. They comment that they find this to be a valuable benchmarking exercise,

that helps them to identify best practice and assists with continuous improvement in ESG integration.

3.8. In terms of recent engagement apart from Daimler Harris met with AIG and Credit Suisse. They met with AIG's recently-appointed CEO, together with the firm's CFO, to discuss the impact of this leadership change on strategy and operations. Since the new CEO had previously led AIG's General Insurance business, Harris wanted to address the impact of appointing an insider, from an operational and governance perspective. This dialogue allowed them to obtain a better view of how the firm's leadership is addressing key questions relating to its ongoing growth potential.

3.9. Harris spoke with Credit Suisse's new Chairman, António Horta-Osório, on the bank's response to the significant losses earlier this year resulting from its relationships with Greensill Capital and Archegos Capital. As well as the immediate actions taken, they believe that it is important to focus on the accountability and governance structures that underlie this response. In Harris' view, Mr Horta-Osório's track record in risk management puts him in a strong position to address both the immediate effects of these incidents and their underlying causes.

3.10. The London CIV also received an A rating in their first report against the UNPRI goals.

3.11. **Gender diversity information on pay** relating to the Fund's managers is presented below. The table shows the direction of travel compared to the previous year; the colour indicates performance against a comparator:

- 'red' indicates that gender pay gap is higher than national average;
- 'amber' is higher than national average but lower than sector average
- 'green' is below national average

3.12. In 2017, the UK government introduced regulations requiring companies with 250 or more employees to publish data every year on the **gender pay gap** within their organisations.

3.13. A **gender pay gap** is often confused with the issue of **equal pay**, but the two are fundamentally different.

- **EQUAL PAY** is being paid the same for similar or the same work.
- **GENDER PAY GAP** is the difference in the average pay for men and women in the workforce.

Therefore, the existence of a **gender pay gap** does not necessarily mean that there is **unequal pay** for men and women who are performing the same work.

UNDERSTANDING THE DATA – KEY TERMS

- **MEAN PAY GAP** - The difference in the average hourly rate of men's and women's pay.
- **MEDIAN PAY GAP -** The difference between the midpoints in the ranges of men's and women's pay.

3.14. The **Office for National Statistics** says the **mean national gender** pay gap was 15.5% in 2020 (latest data), down from 17.4% in 2019.

3.15. **PwC** published data which shows that both the pay and bonus gaps in banking are, in general, considerably higher than the pay gap across industries. The median mean pay gap for all UK companies is around 14% compared to around 35% in banking and 30% across Financial Services.

The **Mean Gender Pay Gap** (in Table 3 below) has been benchmarked against the above noted median mean pay gap for Financial Services at 30%

3.16. PwC also published data which highlights the **median mean bonus** gap for all UK companies is around 36% compared to around 59% in banking and a similar level across Financial Services. This is consistent with what PwC would expect, based on the latest Office of National Statistics data.

The Mean Bonus Gap (in Table 3 below) has been benchmarked against the above noted median mean bonus gap for banking at 59% (which is similar level to Financial Services)

TABLE 3 – GENDER PAY GAP

Manager	Mean Gender Pay Gap	Direction of Travel	Mean Bonus Gap	Direction of Travel
Baillie Gifford	18.5%	↓	50.3%	↓
CBRE	28.6%	↓	57.8%	↓
CQS	NR		NR	
HarbourVest	NR		NR	
Harris	31.8%	↑	61.5%	↑
Insight	24.0%	↓	58.3%	↓
LGIM	30.8%	↑	48.0%	↓
Partners	-0.50%	↔	-0.50%	↔
Ruffer	14.5%	↓	38.5%	↓
Standard Life	34.5%	↓	65.9%	↓
StepStone	NIA		NIA	

NIA – No information available

3.17. Overall **Ruffer** is the best performer of all the managers with a **Mean Gender Pay Gap** of 14.5%, which is below the national average on gender pay gap, but a majority are better than average for the financial sector and the direction of travel is predominantly downward or stable. Bonus pay paints a starker picture in terms of pay gap. Bonus pay gap for all employers where this information is available shows male employees generally receive over 50% more in bonus pay than their female counterparts. These results are little changed from last year but then you would expect progress to be slow rather than rapid, as it takes time for the make-up of an organisation to change in response to a change in policies.

3.18. **Partners** is reporting an almost 0% pay gap but their measure is different. They annually conduct equal pay analysis on gender and their 2020 analysis shows a deviation of 0.53% on the fixed salary in favour of female employees. For this analysis, all employees with same pay currency, same location and same functional title were compared.

3.19. In 2019 **Partners** launched a Diversity & Inclusion Committee responsible for the coordination of initiatives to advocate and promote diversity & inclusion at Partners Group. It works as a consultant to their Executive Committee on diversity & inclusion topics and acts as a bridge between Partners Group employees and senior management. The mandate for the committee in 2020 and 2021 is focused primarily on hiring & onboarding, culture & retention, and progression & development:

- **Hiring & onboarding**: **Partners** continue to work towards their target of substantially increasing the number of female Partners and Managing Directors to at least 25 by 2025. They are also aiming to increase the diversity of the Financial Analyst Program by identifying at least five new sources of diverse candidates per region, with the ambition to hire 40%-60% of program members from under-represented groups in each region into our 2022 Financial Analyst Program class.
- **Culture & retention**: **Partners** support employee networks that work to help increase the diversity of hiring and create a sense of inclusion at Partners Group. The current employee networks comprise:
  - - The Women's Network
  - - The Black Network
  - - The LGBT++ Network

3.20. **Progression & development**: Partners Human Resource department annually performs an equal pay analysis, which has shown no pay inequalities in recent years. To provide our stakeholders with further confidence in our results, they decided to engage PwC in 2020 to perform the analysis, which is currently still ongoing. In addition to their global equal pay analysis, they also engaged the Center of Diversity and Inclusion of the University of St. Gallen to run the analysis for our Swiss based employees as a sample group. The analysis found no pay gap between male and female Swiss-based employees in 2020. In the course of its 2020 audit the Compensation Report, KPMG conducted a formal examination of this legally required equal pay analysis for Switzerland. Based on KPMG's review of the equal pay analysis, nothing has come to their attention that the analysis is not in compliance with the requirements of the Swiss Gender Equality Act and Ordinance. In 2021 and beyond, they plan to extend the equal pay analysis by measuring progression

3.21. The **CBRE** UK Gender Pay Gap reflects their current structure where they have more men in senior positions. The year-on-year median reduction demonstrates that women are becoming more proportionally represented yet they comment they have work to do in the upper pay quartile.

They comment that in terms of attracting women they are implementing a talent source system to improve recruitment process and reduce bias. They are also implementing minimum standards for diverse interview panels and monitoring long list to short lists. They are also reviewing job descriptions to remove gender bias and rolled out unconscious bias and inclusion training for all managers.

They are also focussing on retaining women by focussing on the upper quartile which they see as key to tackling the gender pay gap. They are analysing data to follow career paths of women and are creating sponsorship and mentoring programmes. They are also working with their Women's network to review policies.

3.22. **HarbourVest** have provided data but at this point still do not report on gender pay gap information formally.

3.23. **CQS** have also provided data but at this point still do not report on gender pay gap information formally. They are not at the level of staff yet to require publishing the gender pay gap and are committed to undertaking this analysis and sharing the result with their clients over the next 12 months.

3.24. **Insight** comment that their gender pay gap continues to be influenced by the greater proportion of men than women in senior roles. However, they are encouraged to see a decrease of 2% for both our mean and median pay gaps. They recognise that they still have a long way to go to reaching a more balanced female representation at every level of the organisation and continue to promote initiatives and processes to help us achieve this.

3.25. Some of **Insight's** initiatives to increase female representation include:

- A Diversity and Inclusion strategy built on the work already underway to attract, develop and retain female talent. The strategy includes agreed medium term targets for female representation across all levels of the firm.
- One particular area of success in 2020 was the build-out of their new technology hub in Manchester. Their recruitment process drew on the expertise of professional networks that support female technology talent. They also directed recruitment partners to focus on increasing female representation.
- Insight continue to work with recruitment partners to ensure balanced shortlists of candidates. This approach is paired with a selection process that seeks to minimise the risk of unconscious bias. In their graduate scheme they have reviewed and removed any aspects which may result in unconscious bias at all stages of attraction and selection, and are pleased that this has resulted in an increase in applications from female undergraduates. For 2020 there was a 20% increase of women in Insight's population of new recruits with 60% of new graduates being female.

In terms of retaining female talent Insight comment on their flexible working policies and continue to support all colleagues in balancing their work and home lives. They encourage all employees to take advantage of the diverse range of support benefits available such as discounted childcare support, emergency childcare and elder-care, parental leave and dedicated maternity coaching for working mothers.

In terms of Developing female talent they hold an annual talent review process with the heads of business divisions where they focus discussions on the career development of female colleagues, agreeing development priorities and actions.

Each year and in partnership with Henley Business School they run Women in Insight, a programme which supports the development and advancement of female talent across the firm. In 2021 they have planned a number of alumni events for previous participants.

Through their membership of the 30%Club, they participate in a cross company mentoring programme paring high potential female colleagues from Insight with senior executive mentors from other organisations.

3.26. **Legal & General** has reported a continued decrease in its median gender pay gap for 2020. The improvement was driven by progress in its investment management division and CALA Homes. However, these gains were offset by a widening of the median gap in its largest holding company, L&G Resources (by 4.4%).

They comment that like other companies in the core industries across which Legal & General operates, particularly financial services and investment management, the gender pay gap is the result of having historically employed more men than women in more senior, higher-paid roles. As well as actively working to address this gender imbalance, Legal & General is tackling the underlying causes of its pay gap by creating a more diverse workforce and a more inclusive culture through sustained, long-term action:

- **Gaining a better view of workforce diversity**: Continuing to gather and track diversity data to inform strategy.
- **Improving access and addressing under-representation**: Creating career opportunities for under-represented groups. In particular, L&G announced a £250,000 investment as a founding partner in FastFutures – a 12-week digital and business skills programme for young people
- **Greater agility and flexibility**: Continuing to support working parents with additional flexibility during periods of school closure, along with additional measures to ensure all employees were supported throughout the Covid-19 pandemic
- **Internal education and accountability**: Better informing the executive committee and leadership on diversity and inclusion issues and holding them to account on progress. In 2020 this included piloting an inclusive leadership toolkit to enable line managers to understand the importance of building diverse and inclusive teams as well as an internal listening programme
- **Influencing and looking outside the business**: Partnering with several external bodies – including the Diversity Project; LGBT Great; #talkaboutblack; Investing in Ethnicity; FastFutures and the Vision Foundation – to build an understanding of what meaningful action looks

like, as well as using Legal & General's leverage as an investor to engage with investee companies and hold them to account for addressing diversity and inclusion issues

In 2020, Legal & General also established its Global D&I Council, which reports to the Group Executive Committee and Group Board. The Council is responsible for driving forward an ambitious D&I agenda, which includes initiatives to further embed inclusive practices in the way the organisation recruits, retains and progresses its people.

3.27. In relation to the figures reported for **Harris.** Mean Gender Pay Gap and Mean Bonus Gap: does not include those named partners at the firm. As a wholly owned subsidiary, true equity ownership is not possible. However, while the partners at Harris Associates do not have the ability to grow their wealth through ownership of the company, they execute decisions as owners and receive their income in the form of shares in a bonus pool paid out annually.

3.28. **Harris** aims to promote gender equality as part of its Diversity and Inclusion (D&I) initiatives. These include:

- **Training**
  - - Conducted firm-wide D&I training, 100% participation rate
  - - Conducted Manager training on topics including unconscious bias
- **Recruitment**
  - - Introduced standardised interview scorecards
  - - Hired talent acquisition specialist to expand our new hire recruiting pipeline
  - - Established diverse candidate slate requirements with hiring managers
  - - Evaluated position descriptions for gender-coded phrasing that may influence or deter specific candidates from applying
  - - Reinforced consistent hiring practices to treat candidates fairly and objectively
  - - Centralised and standardised tracking of applicant, interviewee and new hire data across departments
  - - Introduced standardised interview scorecards
- **Nurturing future talent**
  - - Expanded partnerships with women-and minority-led talent pools
  - - Elevated Harris brand through external education opportunities at universities and organisations targeting diverse individuals
  - - Increased firm membership and participation in industry-related diversity networking organisations
- **Partnerships with external programmes**
  - - Girls Who Invest (GWI): An initiative to promote female participation in the investment management industry. Harris partnered with GWI beginning in 2019 and hired summer research interns in from the Girls Who Invest participant pool. The 2020 GWI Intern returned for summer research internship in summer 2021

  - - Women Investment Professionals (WIP): As lead sponsor of WIP's Members Only Series since 2018, Harris hosts several educational events annually for 100+ female investment management professionals
  - - After School Matters (ASM): An initiative to provide Chicago teenagers the opportunity to develop their talents through after school and summer programmes. In 2019, Harris has organised onsite workshops focused on presentation skills, financial literacy, project management and resume building for ASM teens

3.29. **Ruffer** states that their overall gender pay gap is largely attributable to demographic factors. This means it reflects a disproportionate representation of men and women at different levels of the firm.

- For example, Ruffer have a larger proportion of women in junior roles, relative to men. The converse is also true – there are fewer women in senior roles, relative to men. This means that their gender pay gap is likely to persist until they have a more balanced representation of men and women at all levels within the firm — something Ruffer are committed to addressing, as in the key things Ruffer are doing below.

Ruffer's mean gender pay gap of 14.5% this year is a decrease of 1.4% when compared to last year. Their **gender pay gap** has reduced by 13.9% since 2018 when the mean hourly pay gap was 28.4%.

Whilst this is the first year Ruffer is reporting its gender pay gap as required by the regulations, they have been carrying out internal annual gender pay gap analysis since 2016 and they have seen good progress in reducing their gender pay gap since then.

Ruffer's mean gender bonus gap is 38.5%. This figure has slightly decreased from 41.3% in favour of men in 2019. Furthermore, when the impact of the highest and lowest bonuses is removed by considering the bonus pay gap across the mid-range of employees, the median bonus gap is significantly lower at 21.8% in favour of men. The bonus gap is partly driven by the under-representation of women at the most senior levels of the business. All employees who have been employed from 1 January each year, and have passed their probation period, are eligible for a bonus. Proportionally more women than men receive a bonus at Ruffer.

Key things Ruffer are doing to create an environment where men and women can excel:

- **Reviewing their HR processes for inclusion:** Ruffer have reviewed their recruitment, performance management and promotion processes to minimise bias. For example, they liaise with recruitment agencies to identify diverse talent for their vacancies, including actively identifying external female talent for senior roles, where possible.

- **Recruiting diverse talent**: Over the past three years Ruffer implemented steps to evolve the they we hire graduates to increase the diversity of the group. This has involved reviewing and amending their assessment processes and training their assessors on competency-based interviewing.

- **Paying staff fairly**: Ruffer begins from a position that their staff should be paid fairly for their contribution to the firm, and progression in their career at Ruffer should be based on merit.

3.30. **Baillie Gifford's mean gender pay gap** decreased slightly from 18.8% in 2019 to 18.5% in 2020. As owners of the firm, partners are excluded from the scope of the report.

In recent years, **Baillie Gifford's** have taken several steps to help close their gender pay gap. The most significant of these has been the introduction of their equal parental leave policy in April 2019, which allows all parents to take up to a year to spend with their child. Some of the other initiatives they have adopted as a firm are as follows:

- **Baillie Gifford** have become a more flexible employer, with many choosing to work some of their time from home long before Covid-19 dictated homeworking for the majority. This has given allowed them to pause for thought when we consider what working practices could look like in a post-pandemic world and how they retain the benefits of greater flexibility that their staff have come to value.
- As in their investment approach, they are taking the long-term view. **Baillie Gifford** do appreciate that meaningfully increasing the representation of women in senior roles will take time – women currently make up 53% of the membership of their entry level bonus schemes, and 28% of their upper levels. This latter figure is up from just over 10% a decade ago. They are committed to making fundamental rather than cosmetic changes and they recognise their longer-term perspective may lead to year-on-year fluctuations in the gender pay gap figures.

3.31. **Standard Life** stated that they are really pleased with a 5% reduction in their **mean gender pay gap** this year. They comment that 34.5% is still a significant gap but they continue to work relentlessly on their gender actions which they know have a sustainable and longer term impact

Standard Life have also commented that their mean gender bonus gap has reduced by 1.2% which is welcomed, but they know there is much more to do here, even though more women than men received a bonus this year. The bonus figures include any share options exercised during the year. As a result, large individual transactions can have a material impact on the resulting bonus gap figure. This year, like last, they have seen a large transaction distort the figures. Without this transaction the reduction in the gap would have been greater.

They acknowledge that the fundamental changes needed to reduce their gender pay gap are part of cultural change, which takes time. But they are closely monitoring and reporting progress against the actions which drive or contribute to these culture changes to make sure they sustain focus and keep pace and momentum. Standard Life are taking the following steps to address the gap:

- **Hardwiring gender equality through their HR process**

- ○ - Designing their systems and processes for inclusion removes the chance of making biased decisions much more effectively than relying on people not to act on any unconscious bias they might have

- ○ - This year they have been minimising bias at the systematic level in HR processes and policies by:

- ○ • Critically analysing all parts of their employee journey like recruitment, leadership and talent, performance management

- ○ • working with a behavioural anthropologist to add 'nudges' to their processes to change behaviours

- ○ • working with their gender balance employee network to consider the impact of their processes, policies and procedures from a gender perspective

- **Supporting inclusion through COVID**

    - - **Standard** launched a new smarter working policy for all colleagues in the UK, setting out their goal for people to feel equal and trusted. Smarter working supports all genders and is relevant for roles which may have always been done in a certain way, moving away from the more traditional part-time working mothers and back office roles stereotype of flexible working.

Another measure of corporate social responsibility is the **diversity within companies' Boards**, senior management teams and the overall mix of employees. The below table presents gender diversity analysis relating to the Fund's investment managers. In the table, 'red' indicates performance is lower than the comparator; 'green' indicates that performance matches or exceeds the comparator.

With respect to **Table 4 – Board/Employee Diversity** detailed below:

- The Board metrics has been benchmarked against the National Average of 23%
- The Executive/ Senior Mgt metrics has been benchmarked against the FTSE 100 Average of 33%
- The Workforce metrics has been benchmarked against the National Average of 47%

Table 4 – Board/Employee Diversity

Manager	Board	National Average*	FTSE 100 Average	Executive/ Senior Mgt	Workforce	National Average
Baillie Gifford	NR	23%	33%	NR	19%	47%
Barings	NR	23%	33%	NR	38%	47%
CBRE	30%	23%	33%	24%	NR	47%

CQS	25%	23%	33%	25%	26%	47%
HarbourVest	39%	23%	33%	40%	57%	47%
Harris	44%	23%	33%	24%	22%	47%
Insight	17%	23%	33%	18%	29%	47%
LGIM	38%	23%	33%	50%	37%	47%
Partners Group	14%	23%	33%	20%	39%	47%
Ruffer	29%	23%	33%	44%	43%	47%
Standard Life	45%	23%	33%	36%	46%	47%
StepStone	18%	23%	33%	18%	35%	47%

Where blank, manger was unable to provide the information requested.
N/A – Not applicable
Sources:

Gender Pay Gap Reporting: Spotlight on banking - PwC UK

https://www2.deloitte.com/uk/en/pages/press-releases/articles/slow-progress-for-gender-diversity-in-the-boardroom.html

https://www.gov.uk/government/news/third-of-ftse-100-board-members-now-women-but-business-secretary-says-more-needs-to-be-done

3.32. Examining the percentages of women in the executive/senior management bracket (in some cases defined as the top 25% of salaries in a firm), the figures are not as positive as the Board's percentages. This is more telling given the sample sizes are much larger. Clearly, smaller companies with smaller workforces will have larger movements in percentages over time. Overall **Ruffer** are the best performers when it comes to this metric of gender diversity.

4. FINANCE COMMENTS OF THE EXECUTIVE DIRECTOR CORPORATE SERVICES

4.1. There are no finance comments to add.

5. LEGAL COMMENTS OF THE BOROUGH SOLICITOR

5.1. The Guidance on Preparing and Maintaining an Investment Strategy Statement states that when making investment decisions, an administering authority must take proper advice and act prudently. The scheme should consider any factors that are financially material to the performance of their investments, including social, environmental and corporate governance factors. The scheme should make the financial return their main concern, but non-financial considerations can be taken into account provided that this will not entail significant risk of financial loss to the scheme and where the administering authority have good reason to think that scheme members would support their decision.