

Dynamic Bond ESG: Engagement Work on Diversity

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This year, Jupiter's Fixed Income team undertook a large-scale project to engage with all the individual companies whose bonds are held in the Dynamic Bond ESG strategy. We explained to these companies [why diversity matters to Jupiter](#) and encouraged them to publish **board gender diversity¹ and unadjusted gender pay gap²** data if they were not doing so. Where companies did publish this data already, the conversation progressed to target setting on board diversity and the practical steps that they were taking to close their unadjusted gender pay gap.

Board gender diversity and unadjusted gender pay gap are two of the [14 principle adverse impact indicators](#) that are mandated for Article 8 and 9 funds by the European Commission under SFDR, which help to indicate how well a fund is meeting its ESG objectives.

Results analysis

We wrote to the CEOs of all 134 companies whose bonds are held in the Jupiter Dynamic Bond ESG strategy. In our correspondence, we highlighted the companies' currently available diversity data, requested further data where it was not published, and asked for details on companies' diversity strategy in those cases where companies already demonstrated progression in their diversity work.

We received 66 replies, 12 of which came directly from the CEO, including eight meeting requests (one with a CEO). Many companies also asked us to report our findings back to them to enable them to gain a better understanding of what their peers were already doing and achieving in terms of diversity.

The 66 companies that replied to our emails demonstrated a clear understanding of why diversity was important to them, not only in terms of having a positive impact on society, but also because it makes good business sense.

Nevertheless, many companies do still have room for improvement in terms of publishing diversity data, and differences in data transparency are largely country dependent. For example, in the UK, the

publication of gender pay gap data is [mandated by law](#) for companies with 250 or more employees.

However, we were encouraged to see that several investee companies outside of the UK still chose to publish this data, despite not being obligated to do so by law.

Country-based analysis

The UK

Of the 37 companies we engaged with in the UK, only four of these companies did not publish their unadjusted gender pay gap³. Of the 33 companies that do publish this data, their gender pay gaps ranged significantly, from two companies that are paying their female employees more than their male employees (-11% for a travel company and -3% for a food retailer), to the largest pay gap of 58.7% for a financial services company.

Breakdown of our responses in the UK

Gender pay gap band (men paid more than women)	Number of companies	Sectors
0 - 10%	9	Auto, utilities, supermarkets, leisure services, broadband
10 - 30%	14	Supermarkets, leisure services, financial services, clothing retail
30 - 58.7%	10	Primarily banks and financial services; some property and logistics

Source: Jupiter

While many of these companies are global, they do not provide respective data for their *global* workforce, instead choosing to publish only UK data to fulfil UK legal requirements. We hope this is an area where we will see some improvement in the near future.

More positively, gender diversity on **board disclosure** was stronger, with only one company not reporting its board diversity make-up. We invest in bonds issued by three companies with zero board gender diversity; however, as private equity-owned companies, we acknowledge that their owners have strong control of nominations to the board.

¹ Board gender diversity: the average ratio of female to male board members in investee companies, expressed as a percentage of all board members

² Unadjusted gender pay gap: the average unadjusted gender pay gap of investee companies

³ These four companies have fewer than 250 employees, so are not legally required to publish this data

Breakdown of our responses in the UK

BREAKDOWN OF OUR RESPONSES IN THE UK	
Board diversity (% of women)	Number of companies
<30%	15
30 - 40%	10
40 - 50%	10
55%	1

Source: Jupiter.

The Hampton-Alexander review

The Hampton-Alexander review⁴ highlights the importance of a diverse talent pipeline all the way up to the board level. Given that so many UK companies are measuring and publishing data, for many the conversation has now moved on to setting **female targets at senior levels**.

Disappointingly, nearly every company we engaged with highlighted a drop in the number of women vs men at their senior levels/top quartile levels of pay over the past two to three years; furthermore, in many cases, companies have many more women in junior or customer facing roles at the lower quartile levels of pay.

More encouragingly, 23 of the 37 UK companies whose bonds we invest in have senior female targets, be it at the Exco or Exco-minus-one level, several of which are aiming towards 50% female leadership structure to better reflect the makeup of society.

Three of these companies (Barclays, Lloyds and HSBC) talked about their executive pay being linked to targets on diversity; progress towards targets makes up a significant part of their CEO and senior tier bonus award. However, disappointingly, none of these companies have set targets on their unadjusted pay gap.

Interestingly, and perhaps a reflection of how far ahead UK companies are in their active engagement on diversity topics, 10 of the 12 responses from CEOs came from those companies based in the UK. It is our hope that as CSRD reporting becomes live in the EU in 2024, corporate publication and ExCo dialogue on this topic will quickly accelerate.

Europe

We invest in debt issued by 68 companies based in Europe, 38 of which publish their unadjusted gender pay gap. Unfortunately, 12 of these companies publish this data for *the UK only*, where they are required by law to do so (as discussed above).

Of those 38 European companies that publish their unadjusted gender pay gap, figures range from as low as 0%, 0.5% and 1% (entertainment, industrial chemicals, and pharma, respectively), to as high as 30% for six companies (all financial services and banks); again, it is important to note the available data is often not for all of Europe, but mostly for their UK divisions only.

Thirty of these European companies do not publish unadjusted gender pay gap data, but given the upcoming CSRD regulation, encouragingly many are already starting to look at providing diversity data, with some already collecting this data internally.

Four companies have already set gender pay gap targets:

Company	Target
BORMIOLI PHARMA SPA	0% gender pay gap by 2028; mid-term target 5% by 2025
TELEFONICA EUROPE BV	A zero gross (i.e. unadjusted) wage gap by 2050
KLOCKNER PENTAPLAST	To reduce the difference in its female/male compensation ratio by 0.5% per year (currently at 4%)
AROUNDTOWN SA MTN	Continues to monitor its gender pay gap; aiming to reduce its pay gap below the national average reported by the German Federal Bureau of Statistics, ultimately targeting full pay equality

Source: Jupiter.

Three European investee companies explained that executive pay is linked to diversity targets (Techem, SPCM and UniCredit).

Twenty-nine of the 68 companies set targets for senior women.

Disclosure of board diversity information was much better. Only two of the 68 companies do not disclose board diversity. Six companies have no women on their board, 28 companies have under 30% board diversity, and 38 companies have over 30% board diversity.

⁴ [FTSE women leaders: Hampton-Alexander review \(publishing.service.gov.uk\), page 10](#)

Several companies have 50% or higher board diversity, as follows:

Company	Board diversity
HANDELSBANKEN	50%
RABOBANK	50%
ISABEL MARANT	50%
BNP PARIBAS SA	53%
CNP ASSURANCES	53.33%
YARA INTERNATIONAL ASAS	55.50%
ELECTRICITE DE FRANCE SA	58%

Source: Jupiter

In France, the gender equality index is commonly used, which enables companies to measure progress in terms of gender pay gaps as well as age and progression. Of the 17 French companies we invest in, 10 report their score. For the companies that provided data, their scores range between 83 (healthcare) and 94 (food retail).

Gender equality index

[Gender equality index | Crédit Agricole \(credit-agricole.com\)](#):

“The gender equality index was established by the French government in November 2018, and enables companies to measure their progress in terms of compensation gaps between men and women of comparable age and position. It also highlights points of progress that should be acted upon when these differences go unjustified.

The Index is marked over 100 points. It is calculated based on five indicators for companies of over 250 employees, and four indicators for those employing between 50 and 250 people:

- 1. The pay gap between women and men, for comparable positions and ages.*
- 2. The difference in the distribution of individual raises between women and men.*
- 3. The difference in the distribution of promotions between women and men.*
- 4. The percentage of female employees receiving raises upon return from maternity leave.*
- 5. The gender distribution among the ten highest remunerations.*

Companies must reach a minimum score of 85 points. If not, they must define progress objectives. If the

score is below 75 points, companies must implement corrective measures to reach this score within three years. Failure to do so exposes companies to a penalty of up to 1% of the total payroll. The index is published every year on companies' websites and is communicated to their works councils (CSE) and the national labour inspectorate (DRIEETS).”⁵

The United States

The US Equal Employment Opportunity Commission (EEOC) requires companies with more than 100 employees to disclose the racial, ethnic and gender composition of their U.S. employee base across nine groups and 10 job categories in annual EEO-1 Reports. While these reports are required disclosures to the EEOC, corporations are not obligated to make this data publicly available.

Furthermore, the Securities Exchange Commission (SEC) has approved new Nasdaq listing rules that will require board diversity disclosure; this policy came into effect in Spring 2023.

We invest in bonds issued by 26 US companies, seven of which publish their UK division unadjusted gender pay gaps. We received seven replies from the 26 companies that we contacted, with pay gaps ranging from 6.2% in a female product centric pharma company, to 37.7% in a media firm (music).

Board statistics were comprehensive and published by every investee company. One company has zero gender diversity, though interestingly it was the only one to give a target for decreasing its gender pay gap by 20% from a current nondisclosed level. In total, 16 investee companies have board gender diversity below 30% and 10 have diversity statistics over 30%. Nielsen, Chobani and Organon all had diversity figures at 50% or higher. Three of these investee companies have targets to increase the percentage of senior females within their organisations.

What companies say

We received many interesting and comprehensive responses to our requests. Below, we have selected excerpts from a few of these to showcase what can be achieved and the ambitions that are held by the companies whose bonds we invest in:

⁵ Source: [Gender equality index | Crédit Agricole \(credit-agricole.com\)](#)

1. United Group

“At United Group we are committed to a work environment where respect, inclusion, and diversity are valued and people with a wide range of different experiences and perspectives can reach their full potential. Our ability to attract, develop and retain diverse top talent in our industry at every level is pivotal to our success. This would not be possible without providing equal opportunity in all aspects of employment.

For this reason, we have implemented various initiatives aiming to support all women across different roles, areas, and geographies of our business which will contribute reducing the gender pay gap within our organisation.

Our efforts towards diversity are also reflected in our top management where women play a crucial role, starting from our CEO, Ms. Boklag. In fact, at United Group women make up 38% of our top executives (VPs), 63% of our Executive Directors, and 40% of OpCo’s leadership team.”⁶

2. Center Parcs

1. *“As a business, we recognise that the most successful businesses ensure that they have the broadest range of views represented at board level to ensure that we make the right decisions for the business and do not get caught in a self-perpetuating echo chamber of views. We also recognise that in the war for talent, we must ensure that we do not intentionally or unintentionally limit or restrict the talent pool that is open to us.*
2. *We have launched our D, E & I vision: **Everyone’s welcome**. That’s our approach to diversity, equity and inclusion in a nutshell. We’re the best short break provider in the UK and we’re proud to work with the best people. And we’re all at our best when we’re being ourselves. We’re a place where everyone feels welcome. A place that you look forward to coming to, whether on a short break or to work. A place where you can be yourself, whoever you are. Diversity, equity and inclusion is a key area of focus for the business. We want to create an environment where everyone can be themselves, whoever they are.*

3. *We agree that gender diversity is important in terms of the boardroom and senior management. However, diversity in all of its forms must be addressed and taken into account and whilst there are targets in terms of gender, diversity must be considered broadly.*
4. *The 40% women target and the “comply or explain” regime relates to FTSE100, 250 and 350 companies. We are an unlisted and privately owned company. Notwithstanding, I can confirm that:*
 - a) *At Executive Board level, we have one woman on the board and this represents 1/6th of the board. The Executive Board is made up of 3 members from our shareholder and 3 executive directors. The next time there is an opening on the board, we are committed to ensuring that diversity is an active consideration in selecting an appointee.*
 - b) *At Operating Board level, we have one woman on the board and this represents 1/6th of the executive members of the board. This individual serves as Chief Financial Officer and this is one of the key positions (along with CEO etc) where diversity is sought. Later this year, we have a new role joining the Operating Board – “Chief People Officer”. The CPO we have appointed is female, which will bring the board to 2/7th female.*
 - c) *It is worth noting that, at the level below the board:*
 - i. *Of our 6 holiday villages, the Village Directors of 3 of them are women.*
 - ii. *Important senior roles are held by women across the business and provide an excellent pipeline of talent: Director of HR, Director of Health & Safety & Risk, Director of Service Development, Legal Manager, Head of Guest Services, Head of Digital Marketing & Media.”*

3. Pure Gym

“Our commitment to Diversity and Inclusion is demonstrated by our concerted efforts to ensure that we have a diverse and representative group of

⁶ We received the company’s analysis shortly after this correspondence.

decision makers in each of our markets. Our Group Executive Management Team is collectively responsible for determining the majority of the key business decisions of the Group and I am proud that 50% of this team are women, reporting directly into me as Group CEO. In addition, within each of the main country-level senior management teams (in the UK, Denmark and Switzerland) 43% of the leadership team are women and the third most senior position in the organisation (Group MD) is held by a woman.

Whilst there is work to be done in relation to the makeup of the Governance Board, when looking at our Governance and Executive Management boards collectively, we continue to benefit from c.30% female representation. I should also point out that the Governance Board simply reflects our ownership model and so is largely made up of representatives nominated by our 2 private equity owners, of which we have no control. Unlike a UK Plc business, the Governance Board is not responsible for the day to day running of the business.

I am proud to acknowledge that Pure Gym is pioneering change in the gym industry (which has traditionally tended to be rather male dominated) and this is reflected in our Gender Pay Gap results. Our Gender Pay Gap report for 2022 clearly shows that our focus on gender balance, fairness and equality alongside our initiatives to increase in number of women in senior, higher paid roles has made a significant difference, resulting in a 0% median pay gap and 3.4% mean pay gap.

We are focused on attracting and retaining diverse talent throughout the organisation through several means, including:

- Gender balanced senior management teams to set the example and tone for our business.
- Progressive working policies such as menopause support, enhanced maternity cover and flexible working, aimed at supporting women and those with carer responsibilities who may have previously dropped out of the workforce.
- We are committed to building the talent pipeline, which has historically been a challenge, and I am pleased to see good representation in most areas of the business despite the fact that the gym

industry, for a variety of reasons, typically attracts more men than women.”

4. Recordati (an Italian company that publishes its unadjusted gender pay gap)

Recordati general statement:

“At Recordati, we believe that including as much diversity as possible within the Group, (in terms of perspective and culture, background, gender, age, or other personal traits) along with the resulting collaboration, will enhance the capacity for innovation and make the business more successful. To promote this culture the Group asks each manager not only to guarantee that there is no discrimination in the workplace, but also to underline the importance of Diversity & Inclusion, issues by demonstrating how diversity, fairness and inclusion can help the Group to achieve its short, medium and long-term goals and objectives. At Recordati, we strive to make everyone aware of their importance and encourage them to be ambassadors for the Group inside and outside the company.

CONSOLIDATED NON-FINANCIAL STATEMENT 2022

Ratio of basic salary and remuneration of women to men by professional level

Ratio between women and men	2022		2021	
	Basic Salary	Total Remuneration	Basic Salary	Total Remuneration
Top Managers	103%	113%	106%	112%
Senior Managers	92%	90%	91%	88%
Middle Managers	96%	94%	97%	93%
Staff	99%	96%	96%	93%

The Board of Directors of the Recordati group is composed of 12 members (4 of which are independent directors and 7 non-executive). Specifically, 58% of the BoD is composed of men and 42% of women. Furthermore, 25% of BoD members are between 40 and 50 years of age, while the remaining 75% are over 50.”

5. Sagax (a Swedish company with board diversity of 16.6%, unadjusted gender pay gap not disclosed)

“Board of directors of Sagax:

A Swedish limited liability company can neither (a) nominate candidates to the board, nor (b) vote for candidates that have been nominated. The company has no say in the composition of its directors. The

directors can only be nominated by the shareholders and can only be elected by the shareholders.

Sagax has no capacity to set or enforce a target, in terms of diversity or otherwise, for the company's shareholders. The identity, as well as the number, of board members is outside the company's control by law.

This may be a slightly different corporate governance model than what is found in certain other jurisdictions, where a company/a board of directors may have the power to propose, and even elect, directors."

6. Altice France (targeting to reduce its gender pay gap)

"Within the FY21 reporting, Altice France disclosed an objective to reduce the wage gap between women and men, and for the first time they disclosed to difference in pay which was 2% and this improvement marginally in FY21 to 1.9%. Although there is no disclosure of a detail report, this demonstrates progress in disclosure."

The objectives of the Altice France group

CHALLENGES	TELECOMS	MEDIA	INTELICIA	OBJECTIVE	2021	2022	TREND
Human rights and fundamental freedoms	✓	N/A	N/A	Increase the representation of women in: - the workforce - management - promotions/mobility ⁽¹⁾	36 % 30 % 48 %	36 % 30 % 35 %	→ → ↓
	✓	N/A	N/A	Reduce the gender pay gap, with a dedicated budget	1,9 %	1,8 %	↗
	✓	N/A	N/A	Increase employment rate of persons with disabilities	3,03 %	3,80 %	↗
	✓	N/A	N/A	Hire at least 70 employees with disabilities between 2020 and 2022	42 (cumulés)	50 (cumulés)	↗

N/A: Not applicable; N/D: Not disclosed; N/C: Non-consolidated

(1) While the share of female promotions and mobility decreased in 2022, their volume over the same period has been more than doubled.

7. Nationwide (board diversity 58%)

Debbie Crosbie, CEO:

"It's important to Nationwide and to me that we have an inclusive and diverse workplace and we're committed to fair gender representation across the organisation. We're making steady progress towards that, particularly at Board level, and will continue to take bold and targeted action to improve diversity in a sustainable way.

As of 4th April 2023, women represent 60.7% of the workforce at Nationwide. However, we know this reduces at more senior levels to 36.1%.

⁷ Source: [Yara Sustainability Report 2022](#), page 51

Our diversity measures include increasing the percentage of women in senior leadership roles to 50% by 2028. This is also our Women in Finance Charter target.

To make sure we're on track, we check progress regularly and report directly to our:

- Executive Committee (monthly)
- Nominations and Governance Committee (quarterly)
- Board (annually).

Our aim is to achieve 50% representation of women in senior management by 2028.

We acknowledge that we still have work to do to achieve gender balance, so we are taking, evidence-based and integrated action to accelerate progress and achieve sustainable impact. Our [gender pay gap page](#) highlights some of the action we are taking to make progress."

Society gender measures and progression	Measure 2028	Current Actual - April 2023
Board (pg 96)	50%	58%
Executive Committee (pg 96)	50%	42%
Leadership population* (pg 51)	50%	36%

*Leadership population – A targeted and broader leadership population comprising around 1,000 of our leaders.

8. Yara (pay gap disclosure despite not being mandated to do so by law)

"The [2022 analysis](#) covered 25 countries and around 8,000 employees. Employees covered by tariff agreements were excluded from the study, because tariff schemes provide strong protection against gender bias. The gap reported ranged from zero in several countries to 10.2% in the United Kingdom.⁷

UNADJUSTED GENDER PAY GAP

	2022	2021	2020	2019
Unadjusted gender pay gap	0.5%	(1.4%)	(0.4%)	(2.6%)
Average female salary over average male salary	99.5%	101.4%	100.4%	102.6%
Employees covered	91%	85.2%	84.6%	83.9%

Balanced representation in senior leadership: In this subset of senior leadership positions, 28.9% of our senior leaders were women at the end of 2022, a slight decrease from 29.1% at year-end 2021. Given that we were not able to increase the hiring of women in 2022 compared to the previous year, accelerated efforts will be needed to achieve the 2025 target of having 40% female senior managers. Inclusive talent management initiatives are vital to raise awareness about possible biases in decision making on both promotions and new hires. Some initiatives include setting targets for women in leadership positions and measuring the number of applications per gender.

At year-end 2022, Yara's Group Executive Board comprised nine members, five of whom were women. Six management team members were Norwegian, one was French, one was Spanish, and one was British. Yara does not have a corporate assembly, and the shareholders' representatives on the Board of Directors are therefore elected directly at the Annual General Meeting.

Yara is committed to ensuring a more balanced representation at the top levels and in the company overall, while providing equal pay for equal work. We have implemented stricter rules for salary review and recruitment processes and other actions are being managed and adopted by each unit as permitted by local laws.

Commitments

Diversity and inclusion index:

Through 2025, maintain a Diversity and inclusion index in the top quartile of international benchmarks.

Female senior managers:

By 2025, increase the share of women in senior management positions to 40% or more".

9. Goodman Group

"As a global company, Goodman values diversity and encourages inclusion. We continue to undertake several diversity and inclusion initiatives as summarised in our 2023 Sustainability Report, along with our progress against targets. We have maintained our overall gender representation at 44% female, with a target of 50/50 by 2030. We recognise the need to increase our female senior management representation which currently sits at 30%. We are actively working to reach our target of 40% by 2030 with succession planning, recruitment, and employee development.

At a Board level, we have a Board diversity target of 40/40/20 for non-executive directors. Board appointments over the past 18 months have seen four out of five positions be filled by females and three out of five by directors based outside of Australia, reflecting the global nature of Goodman's business. As a result of these appointments, the Goodman Board's proportion of female non-executive directors is now at 40%."

10. Techem

"In the energy and real estate sector, female representation is traditionally low compared to other industries which becomes especially visible in leadership positions. Despite these preconditions, Techem is eager to change these structures and targets a minimum share of 35 % of women in management positions by end of financial year 2025.

Our efforts to reach a share of 35 % women in management positions include following actions:

- *Techem integrated the share of women in management positions into the bonus structure for all level two managers globally. The bonus is tied to the achievement of the target that at least 40 % of new appointments to management positions are filled by female managers.*
- *Techem's employee development programs reflect the share of women in the workforce, which is well above 40 %.*
- *Techem provides an opportunity for all employees returning to work after maternity leave to discuss any concerns they may have with HR colleagues. This will be especially valuable for women.*

In addition to our target regarding the share of women in management positions, Techem has implemented further targets and actions to strengthen diversity in the course of its diversity roadmap launched in 2022. The roadmap can be found in our latest sustainability report on page 62ff. In the meantime, Techem implemented several measures.

Building a diverse workforce: Recruiting is the basis to foster a diverse workplace. Thus, we implemented several measures to ensure adequate recruiting procedures, including:

- *Mandatory recruiter training regarding DEI*
- *Target group analysis for potential employees & identification of new platforms to address different target groups.*
- *Renewal of job advertisements including gender-neutral wording, guiding principle related to DEI, arguments to attract diverse talents.*
- *Raise awareness among managers regarding "unconscious bias", e.g., by pointing out the added value of heterogeneous teams and by conducting online courses for managers with regard to diverse recruiting.*
- *Use of standardised interview guidelines/assessment criteria (Kornferry Tool) for evaluation according to objective criteria"*

11. Lloyds

Lloyds has made some good progress over the past year, as evidenced in its Gender Pay Gap report. Nevertheless, the bank acknowledges there is still work to be done; one of the biggest challenges is in terms of under representation of women at senior levels.

Lloyds has introduced a target of 50% of senior roles to be held by women by 2025; at the end of 2022 it was at 39.4%, which was an improvement on 2021.

Lloyds also publishes an Ethnicity Pay Gap report. It was the first FTSE100 company to do so. Its gender and ethnicity diversity targets are also part of the group's balanced scorecard (diversity performance measures account for 7.5% of the balanced scorecard), to ensure focus and to drive progress on this important topic. Its balanced scorecard provides transparency on how its performance directly aligns

with remuneration outcomes for management 2022 GPS and 2023 LTSP awards.⁸

To continue its journey to becoming a more inclusive and diverse business, Lloyds also recently announced a new public goal to double the representation of its colleagues with disabilities in senior management by 2025.

12. Coventry Building Society

"We have had some recent changes to both the Board, communicated via RNS, and the Executive team, which won't be reflected in previous gender reporting. In January 2023, the Society appointed Vanessa Murden to the Board and in April 2023, Peter Frost and Catherine Doran retired from the Board. The Board is currently composed of 9 members, with 7 Non-Executive Directors and 2 Executive Directors. Three of the Non-Executive Directors are women, resulting in 33% of Board roles held by women in total. We have one vacancy for a Non-Executive Director and given our aim for gender parity on the Board, our intention is to recruit a woman for this role. This appointment would result in 40% of Board roles being held by women by the end of 2023.

The Executive team is 10 individuals and 5 of the roles are held by women. This is the first time in the Society's history that gender balance has been achieved in the Executive team. The most recent external hire is a woman (Rachel Macfarlane, General Counsel hired January 2023) and 2 internal promotions were made in April 2023, both women.

The headline ambition that drives our gender diversity activity is for 40% of senior manager and above roles to be held by women by 2025. You'll note that we continue to make progress and are on track to meet this ambition moving from 34% in 2020, to 37% in 2021 and to 38% in 2022.

Gender Pay Gap

We undertake rigorous equal pay auditing and know that the gender pay gap does not arise from men and women doing the same role but being paid differently, but results from a concentration of women in customer facing roles and a concentration of men in our Chief Information and Digital Office in particular – the latter being a growth area for the Society. That said, this directorate sees 31% of roles

⁸ <https://www.lloydsbankinggroup.com/assets/pdfs/investors/financial-performance/lloyds-banking-group-plc/2022/full-year/2022-lbg-annual-report.pdf>, p110

held by women against a UK average for technology roles of 26% (source: Women in Tech). Whilst we would like to see the gender pay gap lower, our analysis shows that the biggest influence on this would be to significantly limit the number of women hired into entry customer roles at the Society, which we believe to be the wrong approach.

We will continue to invest in development and in talent programmes, providing sponsorship to help colleagues fulfil their potential and creating opportunities for internal progression. We'll also continue to drive diversity through our external hiring processes and report the results openly through our sustainability reporting in particular. D&I data is included in every Board pack and the ambitions for race and gender diversity also form part of the Society's strategic scorecard (as a subset of the ESG category). This scorecard is used to track business performance and in turn underpins decisions for variable remuneration."

13. Keepmoat

"The construction sector has traditionally been and remains a male dominated industry, just 16% of the UK's construction workforce is female, the majority working in sales or administration jobs, with a very small minority having a skilled trade site-based role. We recognise that young people, especially girls, are put off working in the sector because of the negative, stereotypical image of a male-dominated industry. As such, a key focus area is making our industry, and our company, more appealing to women by breaking down some of the barriers that may prevent women joining and/or staying with the business and introducing family-friendly initiatives.

Our overall female representation in the group is 34%, well above the average for the construction industry and in line with the peer group of listed Plc housebuilders. We recently promoted a second female to the Group Exec Board which has increased our female representation to 25% and in our next tier of senior leadership in the business female representation stands at 28%. Female representation varies functionally across all levels from Construction at 6%, Commercial 26%, Land & Partnerships at 39%, Finance at 54%, Sales at 83% and HR at 94%. Through increased female representation across the business, notably in the

upper pay quartile, our mean gender pay gap has decreased year on year (FY22 mean 21.73% and median 18.08% / FY21 mean 21.93% and median 19.27%).

While we do not set specific targets/quotas for gender and ethnicity for example through our recruitment and internal promotion processes, as our approach is based on right people, right roles, we are committed to greater diversity and to that end over the recent years we have launched a number of initiatives and updated key policies under our "Valuing Difference" strategy. Our actions include enhanced maternity and paternity pay, a menopause policy, enhanced policies covering both flexible and agile working, free sanitary products in our offices and our sites, dress for the day policy and policy on meeting start times to support parents / carers. In addition, we focus on training and developing our managers in Leadership and People Management skills, tools and techniques to support them in their day-to-day roles and their career progression towards senior leadership roles.

We are proud to be a founder member of the "Women into Construction" initiative, a nationwide employment programme to attract women into Site Management co-ordinated by the Home Builders Federation (HBF). The programme will provide work placements and 1-2-1 coaching and development for participants to inspire and encourage more women to take up a career in home building (for more details please see <https://www.hbf.co.uk/news/major-homebuilders-launch-nationwide-employment-scheme-women/>). In addition to industry wide schemes, at Keepmoat our Regional Social Value Managers are actively working in their local communities to raise awareness of employment opportunities within Keepmoat and in the housebuilding sector to more diverse groups, including across age, ethnicity, gender and so on."

14. NatWest

"What are we doing to reduce the pay gaps?

- As a purpose-led organisation we need to reflect the communities we serve, so that we can cater to them to the best of our ability – that's why we are committed to improving diversity at senior levels, supported by representation targets to have: full gender balance in global CEO-3+ roles by 2030; 14% colleagues from ethnic minority backgrounds

in UK CEO-4+ roles by 2025 and to have 3% Black colleagues in UK CEO-5+ roles by 2025*.*

At 31 December 2022, we had on aggregate 40% women in our top three layers (within the scope of EY assurance). This represents an increase of 11% since targets were introduced in 2015 and an increase of 2% since 31 December 2021; 11% of colleagues from ethnic minority backgrounds in our CEO-4 and above positions (of 82% of colleagues who disclosed their ethnicity); 1.5% of colleagues who identify as Black in CEO-5 and above roles in the UK.

- *Our Executive Committee members have held specific gender and ethnicity targets as part of annual performance goals for a number of years. These are reviewed every year by our Board to ensure our continued focus on achieving our targets. More information on this is available in our Directors' Remuneration Report.*
- *We regularly benchmark our progress and our approach to diversity equity and inclusion with external partners, and monitor colleague sentiment on inclusivity via our 'all colleague' engagement survey. We review external guidance to help inform our plans (e.g. Women in Finance Blueprint) and guide our future focus, adjusting our approach to ensure we are focussed on the interventions that will make the most difference.*

These include:

- *A focus on recruitment, retention, and advancement*
- *Building an inclusive culture*
- *Continuing to create inclusive and accessible practices and policies.*
- *The roles of Chief Financial Officer, Chief Marketing Officer, Chief People and Transformation Officer, and Chief Governance Officer and Company Secretary on our Executive Management team are all held by women.*
- *We are committed to building a diverse and inclusive organisation and we continue to iterate how we do that – for example, by the introduction in January 2023 of our new market-leading partner leave policies which went live across our*

operations in the UK, Offshore, Republic of Ireland, and US Poland and India.

- *The policy supports eligible colleagues – of all genders – with significantly enhanced pay and time away from work to help their partner look after their new child, whether the child has arrived through birth, adoption or surrogacy. The policy supports eligible colleagues – of all genders – which ultimately champions the potential of both parents and promotes gender equality in the workplace.*
- *We want to give everyone who works here, and every customer who comes into contact with us the chance to succeed and the support to thrive. And until that's everyone's lived experience, we'll work to make it a reality. We remain steadfast in our focus to meet our ambition of having full gender balance in our CEO-3 and above global roles by 2030."*

**Targets introduced in 2018 and 2021 respectively*

15. Telefonica

"Women currently make up 33.3% of our Board of Directors, compared to 11.1% in 2015.

Female managers

*In order to reduce the wage gap, we are aware it is important to increase the presence of **women in management roles** at the company, not only because of the benefits it brings to us as a company but also because girls need role models, especially in the technological world.*

As a result, we are committed to having women in at least 33% of Senior management roles by 2024. We are making good progress - the percentage at the end of 2021 was 29.5% and 31.3% in 2022.

Please note that this refers to the restrictive group of senior management roles within the company, which represents 0.7% of the company's employees. We are also ensuring that there is fair gender representation at all management levels.

In order to progress further, we have given greater weight to the fulfilment of our gender diversity target in the variable remuneration of our employees, which has gone from making up 1% of the total variable remuneration in 2021 to 3% in 2022.

In addition, we have refinanced €5.5 billion, the interest on which is linked to the commitment to reduce our carbon footprint and increase the percentage of women in management roles (37% in 2027).

The measures we have implemented in order to move ahead include the presence of both genders in final shortlists of candidates for internal and external recruitment processes for executive positions. A Transparency Committee, consisting of the chairman and four top-level executives, monitors compliance with this rule. We are also developing fast track and visibility programmes for our female employees.

As a North Star objective, Telefónica is looking to achieve a zero gross (i.e., unadjusted) wage gap by 2050. The World Economic Forum, in its “Global Gender Gap 2021” report, estimates that equal pay will not be achieved until 2154 (131 years’ time).⁹

Since this is a societal effort, the company is specifically working to ensure equal wages for equal responsibilities (measured by the adjusted wage gap) regardless of gender with a goal to reduce the adjusted gap to +/-1% by 2024. After years of steady decrease, the adjusted pay gap amounted to 0.7% in 2022, meaning that the 2024 target was achieved ahead of schedule. Additionally, Telefónica is committed to increasing the proportion of women in leadership positions, as well as in the Company’s highest governing bodies. Also, it aims to increase the weight and prominence of women in digital and STEM environments, as well as strengthen the commitment to work-life balance and co-responsibility. Over the last few years, the gross gap has been reduced (16.8% in 2022).”

Conclusion

As discussed throughout this report, we believe there are many benefits in having a diverse organisation. We think Matthew Syed makes the point very clearly in his book, *Rebel Ideas*:

“The deepest problem of homogeneity is not the data that clone-like teams fail to understand, the answers they get wrong, the opportunities they don’t fully exploit.

No, it is the questions they are not even asking, the data they haven’t thought to look for, the opportunities they haven’t realised are out there. The more challenging the domain, the less that any single person – or perspective – can hope to grasp. With prediction teams, homogenous minds make the same errors. With problem-solving teams, they get stuck in the same place. With strategy teams, they miss the same opportunities.”¹⁰

There are several key takeaways on diversity from our recent corporate engagement work:

1. There is a **high correlation between a lower gender pay wage gap, more senior females or higher board diversity, and a company having a female CEO.**

We see this high correlation across many of our investee companies with a female CEO: Biogroup, Cerba Healthcare, Handelsbanken, Matalan, Nationwide Building Society and United Group.

Bloomberg’s 2023 Gender-Equality Insights Report came to a similar conclusion:

- “Women’s representation on the board continues to be an indicator of the representation of women executives in the corporation as a whole.
- Corporations that have a woman CEO tend to have a higher representation of women at all levels of the firm.”

“For GEI members, companies led by women have higher representation of women at all levels. GEI Member companies with greater than 30% women representation on the board have, on average, 27% of women executives within the corporation, as compared to 20% of women executives in firms with less than 30% of women on the board.”¹¹

2. **Board diversity is accepted as a necessity** and none of the companies that responded to us noted issues in finding good diverse candidates.
3. **Several companies are using innovative sourcing routes to find strong candidates**, such as looking in areas where there are candidates with expertise, but who had not done the exact

⁹ Source: [Benchmarking gender gaps, 2023 - Global Gender Gap Report 2023 | World Economic Forum \(weforum.org\)](#)

¹⁰ Source: Syed, Matthew; *Rebel Ideas: The Power of Diverse Thinking* (p. 65)

¹¹ Source: [2178700_BBGT_ESG_2023-GEI-Global-Campaign_BCH_230124-1-1.pdf \(bbhub.io\)](#), [Companies Take Action on Diversity and Inclusion in Bloomberg's 2023 Gender-Equality Index | Press | Bloomberg LP](#)

same role that was being hired for. This is despite several companies having mentioned that they operated in businesses where traditionally there are lower female candidates available. Examples include looking for candidates in the civil service, education, healthcare, politics and hiring specialist head-hunter firms that offer returner CVs of women post a career break.

Often, we see women being hired for their experience, while men are hired for their potential. In practice, this means that if a woman does not have the relevant work history on her CV, she will not be given the chance to step into a more senior role and prove that she is capable in that job. By promoting women based on their potential — not just their performance — leaders can help fix the [stagnant pipeline problem](#) and create a more equitable organisation at every level.

An interesting case study is that from Christian Dior. In [an interview with the Guardian](#), Dior's Maria Grazia Chiuri on bridging feminism and fashion, Dior's Creative Director discusses some of the key changes she has implemented since joining the company:

"Since 2017, when Chiuri's first collections went on sale, Dior revenues have [tripled to €6.6bn](#).

Chiuri instigated a policy of using female photographers for all Dior's commercial projects. "People were shocked when I first said I only wanted women to shoot for us. They said it wasn't possible – that there aren't so many women photographers. I said, that's not true. There are plenty. But when fashion houses want to shoot a campaign, they always call up men because the male gaze is seen as the perspective that matters."

A commitment by LVMH, owners of Dior, to increase the representation of women in key positions to 50% stands at 45% across the group, and 50% within Dior. They have committed to pay equity by 2025."

4. **Shadow boards are a useful tool in providing diverse talent with hands-on decision-making experience**, so when called upon they can step into more senior roles. They are also very helpful in identifying cultural shifts that older management members may be unaware of. There is lots of research on diversity of age benefits

brought by utilising a shadow board; there is no reason why a shadow board cannot be constructed with the female talent pipeline in mind:

"Consider Prada and Gucci, two fashion companies with a good track record of keeping up with — or shaping — consumer tastes. Until recently, Prada enjoyed high margins, a legendary creative director, and good growth opportunities. But since 2014, it has witnessed declining sales. In 2017, the company finally admitted that it had been "slow in realizing the importance of digital channels and the blogging online 'influencers' which are disrupting the industry." Co-CEO Patrizio Bertelli said, "We made a mistake."

Over the same period, under the direction of CEO Mario Bizzarri, [Gucci underwent a comprehensive transformation](#) that made the company more relevant to today's marketplace. Gucci created a shadow board composed of Millennials who, since 2015, have met regularly with the senior team. According to Bizzarri, the shadow board includes people drawn from different functions; they're "the most talented people in the organization — many of them very young." They talk through the issues that the executive committee is focused on and their insights have "served as a wakeup call for the executives." Gucci's sales have since grown 136% — from 3,497 million Euro (FY2014) to 8,285 million Euro (FY2018) — a growth driven largely by the success of both its internet and digital strategies. In the same period, Prada's sales have dropped by 11.5%, from 3,551 million Euro (FY2014) to 3,142 million Euro (FY2018)."¹²

5. It can be beneficial to **visualise a diverse exco**. Companies should ask themselves, what would our gender pay gap be if we had a significant percentage of very senior roles filled with diverse talent?

Unless diversity objectives are measured and planned for, it is unlikely they will occur in the short term by themselves, which is why we see so many companies implementing senior female targets. We would go one step further and ask how diverse the people are who are running the company, and what the company

¹² Source: [Why You Should Create a "Shadow Board" of Younger Employees \(hbr.org\)](#)

would like to see in the make-up of its most senior people.

6. We would argue that the **biggest challenge facing humanity today is climate change**. There are many talented senior females working within the climate change space. Examples include the eight global heat officers [recently appointed](#) in various countries, as well as women taking political roles, especially where climate change is being taken seriously. Hiring this sort of talent and expertise will be valuable for future-proofing companies.
7. There is **more that many companies can do to educate themselves**. This includes considering the recommendations made by the Hampton-Alexander Review, as mentioned earlier in this article, and by making people aware of unconscious bias via training programmes¹³.

If companies are to continue to change for the better, it will take commitment from the top. We are encouraged to see so many companies already significantly improving gender diversity, and we hope our research helps to explain the benefits of improving a company's diversity further.

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¹³ An example of an unconscious bias test: [What is Dads4Daughters? –Dads4Daughters](#)