



Ethnicity and Gender Pay Gap Report

Introduction

Although we have published our gender pay gap data for several years now, it is only the second year that we have reported our ethnicity pay gap data. It remains that only a handful of firms operating in the Wealth/Asset/Investment Management sector have voluntarily published their ethnicity pay gap data. We encourage other businesses to do the same in the coming years.

Being able to analyse our pay gaps through both a gender and ethnicity 'lens' provides us with further transparency and input of where we stand, as well as identifying further areas of diversity and inclusion we wish to address.

It remains a top priority for our business to continue to promote and encourage diversity and inclusion and we fully believe that in doing so we will enhance our culture and deliver superior business results.

Our gender and ethnicity pay gap report examines the following:

- Mean pay gap in hourly pay
- Median pay gap in hourly pay
- Mean bonus pay gap
- Median bonus pay gap
- Proportion of employee populations receiving a bonus payment
- Proportion of employee populations in each pay quartile

Hourly pay: calculated on what had been paid in the period including the 'snapshot date' (i.e. in the April 2022 payroll). As we pay our annual bonuses in April, the total hourly rate incorporates the bonus for the 2022 review year, which does widen the pay gap. It also means that we are, to some extent, double counting the bonus. This is clarified later in the report.

Bonus: payment received in the twelve month period that ends on the 'snapshot date' (i.e. the bonus payment period is 6 April 2021 to 5 April 2022). For the vast majority, this is the bonus that was paid in April 2021.

Mean: represents the difference between the average of male, female, white and ethnic minority groups' pay as expressed as a percentage of the average pay for the white ethnic group.

Median: represents the difference between the midpoints in the ranges of male, female, white and ethnic minority groups' pay.

Gender Pay Gap: introduction

On the 'snapshot date' of 5 April 2022, our headcount was 322 employees (138 females and 184 males) in our largest entity, LGT Wealth Management UK LLP. Although the report excludes the data of our 63 partners¹ in line with the regulations (The Equality Act 2010 (Gender Pay Gap Information) Regulations 2017) for transparency we have made reference to this in the report.

The results

Employee hourly pay and bonus gap

For full transparency, we have compared our pay gaps over the past three years and have indicated the trends below:

Three year pay gap trends

Hourly mean pay and bonus gap				
Gap	2020	2021	2022	Trends
Mean Pay Gap	29.6%	28.4%	32.1%	▲ Increased Gap
Median Pay Gap	25.0%	23.9%	23.6%	▼ Reduced Gap
Bonus Mean Gap	52.4%	55.2%	39.8%	▼ Reduced Gap
Bonus Median Gap	44.8%	41.2%	50.0%	▲ Increased Gap

Hourly pay trends

Regrettably, our mean pay gap has increased again by 3.7%. However, we are pleased that year on year our median pay gap is reducing. When calculating hourly pay gaps, the regulations stipulate that any bonus payments made in the period, including the snapshot date, must be incorporated. This affects our pay gap calculations as our annual bonus payment date is in April, which, in our situation, creates an additional increase in our pay gaps. As not all firms pay their annual bonuses in April, comparing our pay gaps against our peers is not accurate.

2021 was a strong year in terms of revenue and new assets; bonus awards paid in April 2022 were correspondingly linked to these factors, also impacting our mean pay gap. We anticipate that our mean pay gap will reduce in next year's report, as bonus payments based on the 2022 performance year have reduced.

If we were to remove the bonus element of the pay gap calculations, both the mean and median figures reduce accordingly:

Hourly pay, with bonus exclusion			
Gap	Hourly pay gap	Hourly pay gap, excluding bonus	Difference
2022 Mean Pay Gap	32.1%	25.8%	▼ 6.3%
2022 Median Pay Gap	23.6%	12.4%	▼ 11.2%
2021 Mean Pay Gap	28.4%	24.3%	▼ 4.1%
2021 Median Pay Gap	23.9%	21.6%	▼ 5.7%

As illustrated above, our 2022 median pay gap would reduce significantly if the bonus payment were removed. This is a promising sign that our initiatives and focus on our people's progression are addressing our gender balance and representation.

Bonus trends

Our mean bonus gap has seen a significant reduction against our 2022 bonus gap data. Whilst this may appear promising, we expect our mean bonus gap to increase again when we report our 2023 bonus gap figures. This is due to a strong financial year in 2021 and, subsequently, high bonus payments linked to revenue and/or net new assets awarded to our Client Relationship Managers and Business Developers (of whom 80.8% are male) in April 2022.

In addition to these roles, females accounted for 29.4% of our senior manager roles (per our Women in Finance Charter definition) in April 2022.

Until we are able to address our gender imbalance in these two areas, our bonus pay gaps will remain high. This continues to be an area of focus, as evidenced by the progress we have made since signing the Women in Finance Charter. We are pleased to have met our first initial target of having 30% of senior management positions held by women (by December 2022) and increasing our management board diversity to 33% female representation.

We also need to take into account our 18 part-time employees, of whom 16 are female. This also has a key impact on the bonus gap, as the figure used for the calculation is the actual bonus payment received, rather than factoring in the full-time equivalent.

¹ Our partners are not defined as 'employees' and are not on our payroll

Partner and employee hourly pay gap combined

Although regulation does not require us to include our Partner data, we continually strive for transparency and therefore analyse these figures too. When we include our Partner pay data (comprising 20.7% females), our mean hourly pay gap increases to 47.6%. These results reflect again the strong bonus performance awarded in April 2022, as mentioned above.

Partner and employee hourly pay gap combined				
	2022	2021	2020	Difference
Mean Pay Gap	47.6%	38.9%	45.6%	▲ 2%
Median Pay Gap	33.5%	40.8%	40.5%	▼ -7%

**Although our mean pay gaps increase when we include Partner pay data, we also see a 7% decrease in the median pay gap between our 2020 and 2022 pay data, which is promising.*

If we were to remove the bonus element of the April 2022 hourly pay from the Partner and employee pay analysis, our mean pay gap is 33.9% and median gap is 30.96%.

As we continue to promote employees into the partnership each year, we remain motivated to monitor our people's progression and pay, not just solely across our employee population. By having both sets of pay data available, it helps track our progress and further identify any barriers to females gaining senior positions at LGT Wealth Management.

Proportion of male and female employees receiving a bonus

This is calculated by separating out all employees at 5 April 2022 by gender and analysing how many of each gender received a bonus in the relevant bonus payment period (6 April 2021 to 5 April 2022).

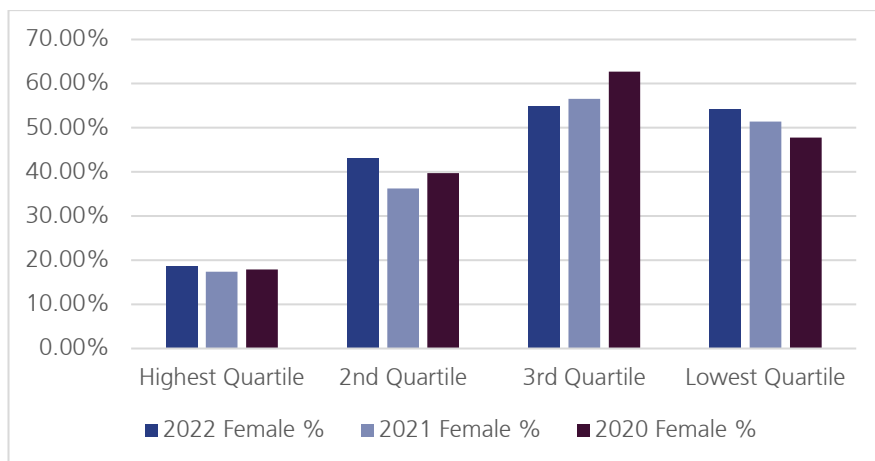
Some employees at 5 April 2022 were not employed during the bonus payment period or did not have the requisite length of service or performance standards to qualify for a bonus payment. This had an impact on the percentage difference between our male and female employees.

% received bonus			
Gender	2020	2021	2022
Male	74.2%	77.6%	84.2%
Female	79.3%	75.2%	80.4%

Proportion of male and female employees in each quartile

We divided the hourly rates for our 322 employees into quartiles, from largest to smallest hourly pay rate in order to derive the proportion of our male and female population.

Proportion of female employees across each quartile: 2020 to 2022 comparison



Our 2022 female representation in the highest quartile remains similar to 2020 (up to 18.6% in 2022 from 17.5% 2020), although there is a noted consistent improvement since our first 2019 pay gap report (with only 14% female representation).

Our entry-level recruitment practices remain in line with our commitments to gender balanced shortlists and this translates into greater gender balance in our lower quartiles.

Overall, our 2022 collective gender pay gap results indicate progress towards reducing our pay gaps. Our median pay gap is now consistently reducing every year and our mean bonus pay gap data has seen significant reductions. Our mean pay gap, on the other hand, still fluctuates depending on the bonuses awarded in April annually.

Ethnicity Pay Gap: introduction

This is our second year of publishing our ethnicity pay gap data.

Our ethnicity pay gap analysis is undertaken on a voluntary basis, where we have been able to collect ethnicity data from 65.5% of our people for the April 2022 reporting period (an increase from 59% data in our 2021 report). Overall, we now hold 70% of our people's ethnicity data. Without our people's input, it would not be possible to analyse and report this data or compare our ethnicity breakdown against the England and Wales 2021 census data.

In future, we hope to collect 100% of our workforce's ethnicity data to ensure the results we publish are a completely accurate record of our firm's ethnic diversity and any pay gaps.

Methodology

On the 'snapshot date' of 5 April 2022, we had 420 employees and partners across our UK based entities. As ethnicity/gender pay gap reporting regulations are UK based, we have excluded our Jersey data from this analysis. We have however, included our Jersey data when reviewing our overall workforce ethnicity demographics.

The results

Ethnicity demographics (including Jersey)

The below table provides a breakdown of our declared ethnicity groups in comparison to England and Wales' 2021 ethnicity census data. We also chose to review our ethnicity population in comparison to London as this is where the majority of our people live and work:

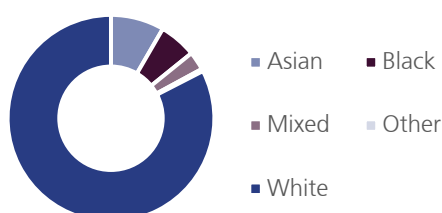
Ethnicity	LGT declared 2021	LGT declared 2022	London 2021 Census ²	England & Wales 2021 Census ³
Asian ethnic groups; <i>Asian, Asian British</i>	7.7%	8.4%	18.5%	7.5%
Black ethnic groups; <i>Black, African, Caribbean, Black British</i>	4.1%	5.8%	13.3%	3.3%
Mixed/Multiple ethnic groups	2.6%	2.9%	5.0%	2.2%
Other ethnic groups	0.0%	0.4%	3.4%	1.0%
White ethnic groups; <i>White British, White European, White Other</i>	85.6%	82.5%	59.8%	86.0%

As expected and from the data we have collected thus far, the vast majority of our workforce is from a white ethnic group (82.5%) with 17.5% of our workforce being from an ethnic minority group. Whilst our demographic is reflective of England & Wales' overall ethnicity breakdown, we feel it is more accurate for us to be more closely aligned to London's statistics given our London headcount.

It is interesting to note that we have an increased representation across all our ethnic minority groups at our firm over the past year. Out of the 108 individuals who joined between April 2022 and March 2023, 42% declared they were either Asian, Black or Mixed ethnic groups. This is a much higher proportion in comparison to our current workforce demographics and reflects that we are attracting diverse talent.

Our declared ethnicity data only accounts for 70% of our workforce, so our actual ethnicity groups could differ from the results we are able to publish here. However, from our own internal assessment of our workforce, we believe the above table reflects a fairly accurate analysis of our ethnic diversity.

Ethnicity



² <https://www.ons.gov.uk/visualisations/censusareachanges/E09000001/>

³ [https://www.ons.gov.uk/peoplepopulationandcommunity/culturalidentity/ethnicity/bulletins/ethnicgroupenglandandwales/census2021#:~:text=the%20%22Asian%2C%20or%20Asian%20British,was%2081.0%25%20\(45.8%20million\)](https://www.ons.gov.uk/peoplepopulationandcommunity/culturalidentity/ethnicity/bulletins/ethnicgroupenglandandwales/census2021#:~:text=the%20%22Asian%2C%20or%20Asian%20British,was%2081.0%25%20(45.8%20million))

Ethnicity hourly pay and bonus gap

Ethnicity pay gap reporting is still a relatively new concept and not a mandatory government requirement for businesses to publish. Only a small percentage of businesses actually publish this data. An analysis of company pay gap disclosures, compiled by HR DataHub⁴, found just 64 UK organisations published their ethnicity pay gap in 2021. Since HR DataHub started collecting the data in 2018, just 170 organisations have at some point reported their ethnicity pay gap, of which just one in four have reported their data annually.

It is therefore difficult for us to assess whether we are above or below average in comparison to other businesses across the UK and specifically within our sector. However, we conducted our own independent research in August 2022 to establish our position in the market compared with peers publishing their own ethnicity pay reports:

Women in Finance Charter signatories: Ethnicity Pay Gap

- 34 investment management signatories
- Only **four** firms (11.7%) reported their ethnicity pay gap in 2021

LGT competitor firms: Ethnicity Pay Gap

- 35 competitor firms
- Only **six** Firms (14.14%) reported their ethnicity pay gap in 2021

Whilst we are pleased to be one of the first firms in our industry to voluntarily publish our ethnicity pay gap data, we would have hoped for larger percentage of our sector to have started reporting on their own Ethnicity Pay Gap reports. We feel this is specifically relevant when only seven people from ethnic minority backgrounds currently hold the role of chief executive of a FTSE 100 company⁵ and only 1% of senior leaders are ethnic minority females from working class backgrounds.⁶ Both these statistics indicate that progress remains extremely slow in boosting diversity into senior management positions.

The below table provides our first insights into our ethnicity pay gap trends over the past two years:

Ethnicity pay gap trends

Gap	2022	2021	Difference
Mean Pay Gap	36.2%	42.2%	▼ 6%
Median Pay Gap	5.5%	7.2%	▼ 1.7%
Bonus Mean Gap	40.4%	12.4%	▲ 28%
Bonus Median Gap	24.0%	35.0%	▼ 11%

From our own assessment of the ethnicity diversity across our whole workforce, we believe that the ethnicity mean pay gap published here is larger than our actual ethnicity pay gap.

Whilst it appears that our firm has made a meaningful impact in reducing our mean pay gap and bonus gap figures on the face of it, until we are able to collect the vast majority of our people's data we anticipate our figures will vary year on year until we have consistency in the data.

This further emphasises the need for us collect all our people's ethnicity data to ensure accuracy in our reporting.

Our mean bonus gap appears to be an outlier in our above results (a 28% increased gap from our 2021 results). As mentioned earlier, over the past couple of years, we have increasingly attracted diverse talent that is much more representative of our London population over the past couple of years. When individuals join our firm, their bonus award is calculated on a pro-rata basis to reflect the proportion of the calendar year worked. Therefore, their first bonus award will not be a true reflection of their future bonus awards and therefore has affected our bonus gap disproportionately in a year where we were able to recruit a proportionately higher number of people from ethnic minorities. We believe this is another reason our bonus gap has fluctuated significantly.

In comparison to our most recent 2022 gender pay gap results, our ethnicity mean pay gap is larger than our gender pay gap.

Proportion of white and ethnic minority groups receiving a bonus

This is calculated by separating out all our staff at 5 April 2022 by ethnicity and accounting for how many of our white population versus our ethnic minority population have received a bonus in the relevant bonus payment period (6 April 2021 to 5 April 2022). Some of our staff as at 5 April 2022 were not working with us during the bonus payment period or did not have the requisite length

⁴ <https://www.peoplemanagement.co.uk/article/1751815/number-uk-companies-reporting-ethnicity-pay-gap-halves-year-data-reveals>

⁵ Parker Review Committee, 2023

⁶ Progress Together, 2022

of service or performance standards to qualify for a bonus payment. This had an impact on the percentage difference between our ethnic and white groups of employees.

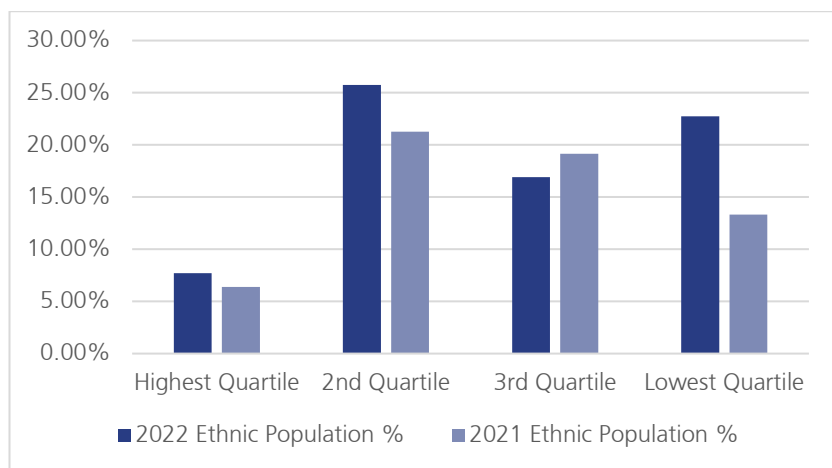
Ethnicity bonus gap

	% received bonus in 2021 period	% received bonus in 2022 period
Ethnic minority population	64.29%	66.66%
White population	79.52%	85.51%

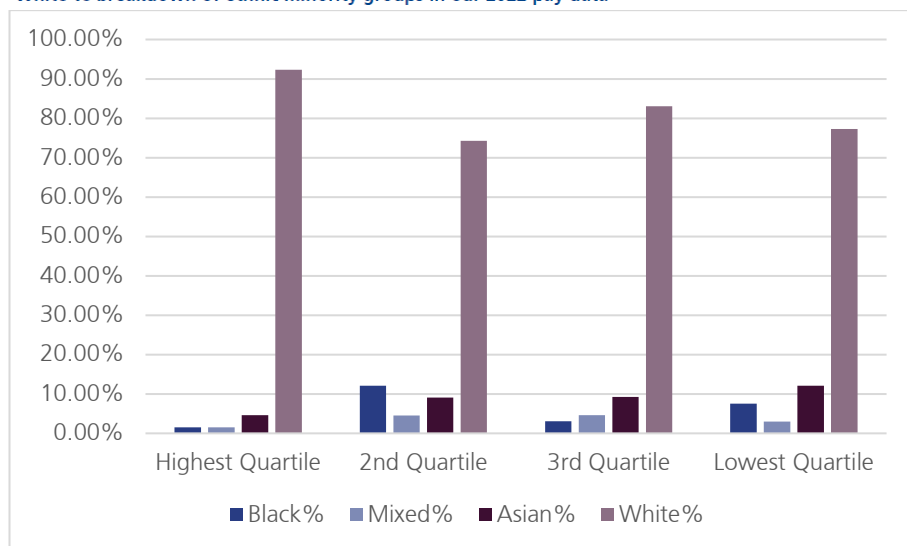
Proportion of white and ethnic minority groups in each quartile

We divided the hourly rates for our 262 staff members into quartiles, from largest to smallest hourly pay rate in order to derive the proportion of our white and ethnic minority groups.

Proportion of ethnic minority staff across each quartile: 2021 to 2022 comparison



White vs breakdown of ethnic minority groups in our 2022 pay data



Both graphs illustrate that we have a small percentage of staff in ethnic minorities across all four paying quartiles, however our ethnic minority population remains the least represented in our highest paying quartile.

A notable difference from our 2021 reporting year is that our lowest paid quartile has increased in our ethnicity representation. This is reflective of the structured grassroots recruitment drives undertaken over the past couple of years including partnering with a number of social mobility organisations (including #10,000blackinterns and Investment20/20) to ensure we are able to attract a wider and more socioeconomically diverse range of candidates.

It is clear that our results indicate that until we have a consistent level of data to report on annually, our declared ethnicity pay gap data is likely to fluctuate while we continue to increase the percentage of ethnicity data we hold on our people. Future communications are planned to encourage our existing population of people to volunteer their ethnicity data.

Promisingly, our 2022 data indicates that our firm's ethnicity and socioeconomic focuses are starting to gain traction in effectively attracting, hiring and progressing diverse talent across our business, which is in turn becoming more representative of our London population. Recognising we have the smallest percentage of ethnic minority staff in our highest paying quartile, we will continue to provide equality of progression and promotion opportunities as well as fairness in our recruitment and people development practices. We are dedicated to improving ethnic diversity across our business and creating an inclusive environment for individuals from all ethnicities.

Conclusions from our CEO

Whilst continual analysis of our people's data remains important, the data alone in this report does not provide a full picture of the significant progress made to enhance our culture of belonging and respect. We are proud of our successes in 2022, which include:

- Working with a consultancy to further inform and define our diversity, equity and inclusion strategy for 2023 and beyond
- Introducing a blind recruitment platform for our internship programme, supporting the removal of bias
- Creating an Employee Branding brochure for prospective employees, ensuring our firm's culture is clearly articulated from the start
- Launching our first ever degree apprenticeship programme, which attracted a wide, diverse set of applicants
- Offering twelve-month internships via the CFA Young Women in Finance programme
- Partnering with Progress Together, a membership body focused on socioeconomic diversity in our industry
 - Part of our membership includes capturing the socioeconomic data of our workforce, which is a priority for 2023.

Our diversity and inclusion steering group, #included, and its network of ambassadors play a pivotal role in driving forward the agenda, which has the full support of the Management Board. We remain committed to attracting, developing and retaining the best and brightest from all walks of life.



Ben Snee
CEO LGT Wealth Management

LGT Wealth Management UK LLP

14 Cornhill
London
EC3V 3NR
www.lgtwm.com

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