Ethnicity pay gap report 2024/25

Representation and compensation as at 31 March 2025

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Introduction

As our commitment to closing our ethnicity pay gap continues, this latest report shows the work we've done during the 2024/25 financial year and what still needs to happen to improve on this as we move forwards.

The ethnicity pay gap measures the difference in hourly pay between different ethnic groups. This is not to be confused with equal pay, which looks at whether colleagues from different ethnic groups are being paid differently for doing the same job.

We've seen an increase in the mean hourly ethnicity pay gap over the past 12 months. It has risen by 2.2 percentage points, from 22.9 to 25.1 percentage points.

Our colleagues

32% of our colleagues come from ethnically diverse backgrounds, which is an increase of 2 percentage points on last year. This continues to be higher than the percentage of people from ethnically diverse backgrounds in the UK, as declared in the 2021 census.

In the 12 months prior to 31 March 2025, 33% of leavers were from an ethnically diverse background, which is the same as the previous year. This is roughly the same proportion as the overall headcount but equates to around a third of all colleagues from an ethnically diverse background. We need to better understand their reasons for leaving, so we can take action to address these sooner where possible.

Some highlights of our work undertaken in 2024/25 include:

- setting DE&I objectives for our executive committee for the first time.
- colleagues delivering a virtual workshop as part of The Skills Workshop, whose goal is to tackle underrepresentation across the industry.
- signing up to the Trustee Accelerator Programme, which aims to give people from diverse backgrounds, and those with little or no pensions knowledge, the training and development to become the next generation of pension trustees.
- running monthly Let's talk about… sessions for colleagues, including one run by the race working group to discuss issues which predominately impact those from ethnically diverse backgrounds.

Despite all this, there's no hiding away from the fact we need to do more across the board to close our ethnicity pay gap, and we're tackling it head on. This report shows, in detail, what we've been working on and what's happening next.

> **This report highlights our continued activity to create a truly diverse and inclusive environment. Whilst the positive impact of this is shown in different ways, including the increase in colleagues from ethnically diverse backgrounds in senior roles, we cannot ignore that we're still not where we want to be. DE&I continues to remain an important part of everything we do and this will not change. Going forwards, we'll continue to work towards improving ethnic diversity, particularly at senior levels, and closing our pay gaps.**
>
> **Ian Cornelius**
> Interim Chief Executive Officer

What we've done this year

As our commitment to closing the ethnicity pay gap continues, here's what we've done over the last 12 months.

Developing our people

39% of colleagues from ethnically diverse backgrounds accessed their learning account in 2024/25, which is a higher percentage than white colleagues at 36%, and around the same as last year.

It's positive that colleagues from ethnically diverse backgrounds now make up 17% of our senior leadership team which is over 9 percentage points higher than last year. This is due to the continued work we're doing on improving our talent pipelines.

We've seen an increase in the number of colleagues from ethnically diverse backgrounds in our more senior roles, which comprises heads of and directors.

- At head of level there are 26 colleagues (18%) from an ethnically diverse background, up from 24 (16%) last year.
- At director level there are 6 colleagues (22%) from an ethnically diverse background, up from 2 (10%) last year.

To support our line managers, we improved our approach to learning. We've worked to provide regular in-house training for line managers, including sessions on psychological safety, inclusive leadership and managing diverse teams. We want to ensure our managers have the resources and knowledge they need to be an inclusive leader.

To continue the development of our colleagues from ethnically diverse backgrounds we worked with KPMG and joined their cross company allyship programme. This saw 5 Nest colleagues from ethnically diverse backgrounds become mentors and 5 become mentees. It's important for us to continue to find different career pathways to develop and grow our colleagues.

Several colleagues delivered a webinar as part of The Skills Workshop (TSW) for the second year running. This is a virtual workshop aimed at providing the insights, knowledge and direction needed to pursue a career in the investment industry. Its goal is to tackle underrepresentation across the industry and increase social mobility by addressing the intersectionality between ethnicity, gender, social mobility and other dimensions of diversity.

63% of TSW attendees live outside London; the online format allows the workshop to be truly geographically accessible, widening opportunities for all. 70% of TSW's audience are from ethnically diverse groups within the UK. Their policies of free access, virtual attendance and cameras-off anonymity effectively remove many barriers to participation.

In 2023, we launched our Future Leadership sponsorship programme. The programme was aimed at groups who are underrepresented at senior leadership level. We constantly strive to better reflect the customer groups we serve as we know that everyone benefits from having diversity in decision-making.

Our target was to have at least 2 sponsored individuals develop, progress or achieve another form of personal success. As a result of the programme, we saw one of our female colleagues from an ethnically diverse background graduate from the award winning **Diversity Project Pathway programme**. This programme focuses on developing the female portfolio managers of the future, supporting their ambitions of moving into a fund management role.

We had a second individual who progressed into a new role which was partly due to the programme.

> **I'd like to call out Nest's Future Leadership programme – it's a great initiative that has put me in good stead for this role.**
>
> **Allen Anthony**
> Chief of staff

Attracting and recruiting diverse talent

In the last 12 months, 41% of new joiners were from an ethnically diverse background. However, there is a higher proportion of these new joiners being recruited into lower quartile roles. The number of people from ethnically diverse backgrounds being recruited into lower quartile roles is up 8% from last year, now at 57%. Three times more white colleagues are appointed into upper and upper mid-quartile roles compared to those from ethnically diverse backgrounds.

Our data shows there's still an under-representation of colleagues from ethnically diverse backgrounds in the upper quartiles. We must focus on attracting talent from ethnically diverse backgrounds into our upper quartiles, making sure we're intentional in our efforts, whilst also ensuring we continue to have inclusive recruitment practices to make our recruitment process as fair as possible.

We continued to focus on developing our external platforms to boost our employee brand. For example, we reviewed and redeveloped our LinkedIn page to showcase our commitment and approach to DE&I, to help candidates from all backgrounds and walks of life know they can find allies and a sense of belonging here.

We reviewed and launched our new recruitment and interview training to support hiring managers to be more consciously inclusive and improving the candidate experience.

Using data to identify opportunities

Data collection is key to us addressing our pay gaps. We created a DE&I report that includes different data sets, which shows the varying experiences of different demographic groups across the employee lifecycle. This report was shared with the executive team and supported us in creating a set of objectives aimed at addressing the findings and trends to improve the experiences of colleagues.

For the first time we've broken down our pay gaps by directorate, allowing us to understand the areas of the organisation which require focus. Through the development of this data, we've been able to identify the areas of the business with the biggest pay gaps and this, along with other data sets, has also allowed us to set specific DE&I objectives for our executive team for the first time.

To strengthen the inclusivity of our processes and procedures, we took part in EY's National Equality Standard (NES) initiative, which is the UK's leading DE&I standard. It supports organisations with tackling inequality and promoting diversity and inclusion. As part of the audit, we were assessed against 3 standards: recruitment and onboarding, data analysis and middle management.

Since then, we've worked hard to address the recommendations provided in the report. This has helped us improve our recruitment and onboarding processes, data collection and how we support managers to ensure we're better prepared to create an inclusive experience for colleagues.

> **"Thank you for organising the interview and sharing resources. From the accessibility panel on the careers website to considering my needs, it's clear a lot of thought has gone into the process."**
>
> **Femi Adigun**
> New starter

Taking a lead in our industry

In 2024, Nest signed up to a new pilot called the Trustee Accelerator Programme (TAP). The programme is aimed at giving people with diverse backgrounds and characteristics, and those with little or no pensions knowledge, the training and development to become the next generation of pension trustees. As part of the programme, we recruited a female apprentice from an ethnically diverse background. Our aim is to support with increasing the diversity of Board members across the industry, whilst ensuring we benefit from the diversity of thought and experience on our own Board.

As part of the initiatives run by the Diversity Project, we worked with The Skills Workshop to deliver a session to young people and students from ethnically diverse and lower socio-economic backgrounds. This was to encourage them to get involved in the investment industry, provide them with tips and talk them through the recruitment process at Nest.

For the third year in a row, we joined the 10,000 Black Interns programme, which aims to support young Black individuals gain experience in the investment industry. Since partaking in this programme we've seen 4 interns secure a job in the investment industry.

Listening and learning from each other

Our race working group will remain a trusted sounding board for policy decision making and will be empowered to bring further suggestions and opportunities to the table. We'll also act on employees' feedback following our annual colleague survey, as in previous years.

From September 2024 to March 2025 we ran monthly sessions under the umbrella title of Let's talk about... which were open to all colleagues. These were hosted by our DE&I working groups and included a session hosted by our race working group where we discussed issues which predominately impact those from ethnically diverse backgrounds.
We wanted to educate colleagues on how best to support others and keep the conversation around racial inclusion going.

Striving for more in the wider world

We're a leading member of the **30% Club Investor Group** and are proud that a Nest colleague is the co-chair. We will continue to be a leading voice in this group.

In March 2025, Nest's responsible investment team attended an Ethnicity Pay Gap roundtable at the Cabinet Office alongside the Minister of Equalities Seema Malhotra. They had an engaging and positive discussion and there was clear consensus that ethnicity pay gap reporting should be mandatory. They agreed this kind of reporting can bring tangible benefits, such as improving the diversification of employee pipelines and reducing the cost of staff acquisition and retention, but challenges on collecting good quality data persist.

We included additional guidance on diversity in our UK voting policy to reflect the 30% Club's new targets to focus efforts on improving diversity at executive leadership level. This includes a new engagement guideline for companies to set targets for ethnic diversity at the executive leadership level in line with the Parker Review.

New 30% Club targets:

- Beyond 30% representation of FTSE 100 CEOs and chairs by 2035.
- 50% female representation in FTSE 100 EXCO and EXCO-1 by 2035.



Our ethnicity pay data for 2024/25

We're pleased to continue making this data publicly available. We've committed to closing the pay gap between employees from an ethnically diverse background and white employees and have plans in place to do so.

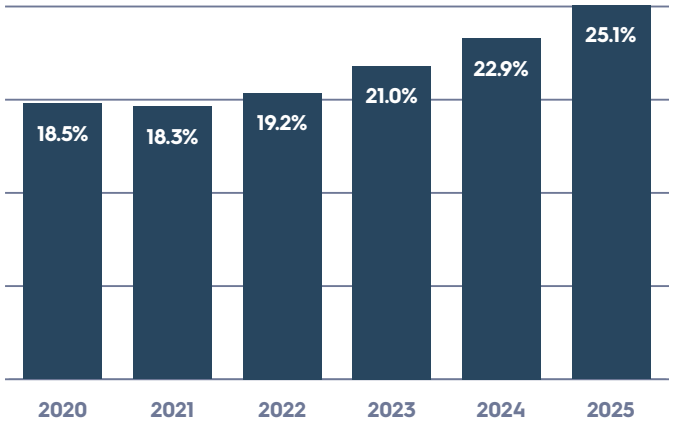
NB – 13 colleagues (4%) chose not to disclose their ethnicity.

Mean hourly pay gap

There is a gap of 25.1%. This works out to be £11.50 per hour.

This is an increase of 2.2 percentage points from 2023/24 when the gap was 22.9% and £9.33 per hour.

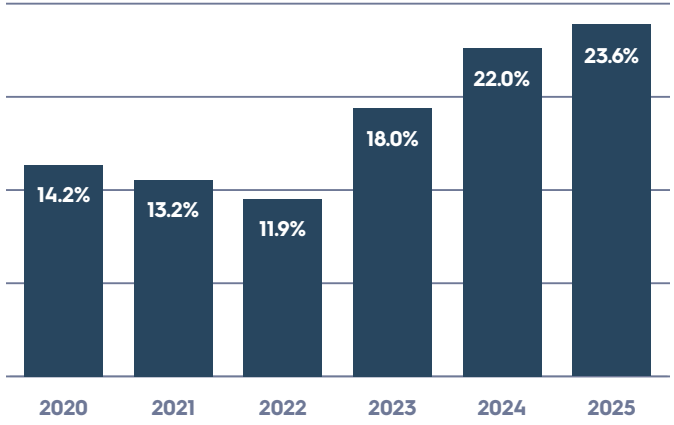
Of the 13 colleagues who chose not to disclose their ethnicity, 73% sit in the upper and upper-mid pay quartiles. We continue to encourage colleagues to share their protected characteristics with us, to help us understand our inclusion gap and how we can address this.



Median hourly pay gap

There is a gap of 23.6%. This works out to be £8.96 per hour.

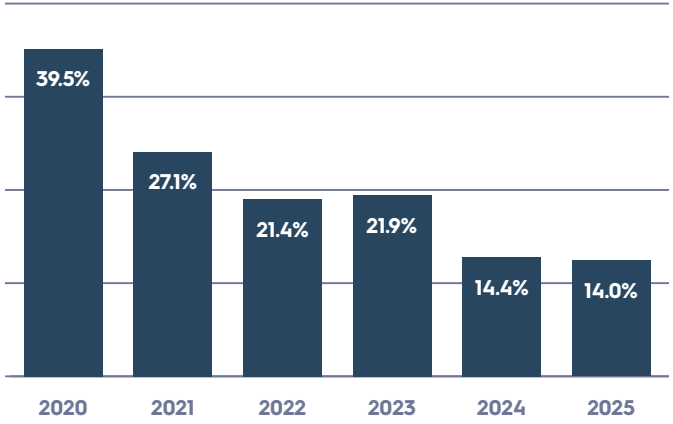
This is an increase of 1.6 percentage points from 2023/24 when the gap was 22% and £7.93 per hour.



Mean bonus pay gap

There is a gap of 14%. This works out to be an average bonus gap of £353.69.

This is a decrease of 0.4 percentage points from 2023/24 when the gap was 14.4% and £277.58.



Median bonus pay gap

There is no gap in 2024/25. Employees from ethnically diverse backgrounds received the same median bonus as white employees. This has been the case since 2021/22.

0%
2024/25



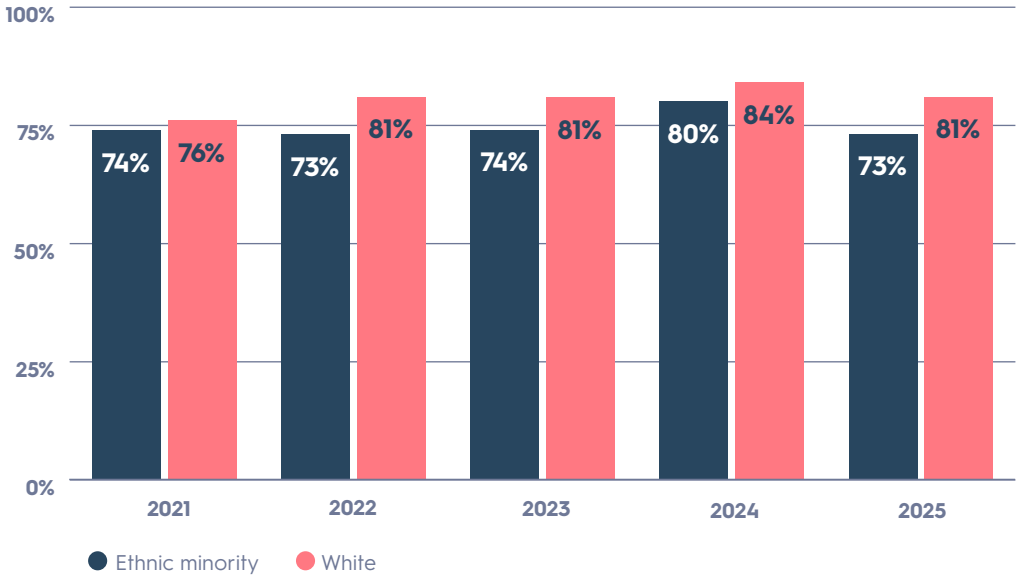
0%
2022/23



Proportion of people from ethnically diverse backgrounds who received a bonus in 2024/25

In 2024/25, 73% of employees from ethnically diverse backgrounds received a bonus. This is a decrease of 7 percentage points from 2023/24. The main driver of this decrease is the higher rate of recruitment of colleagues from ethnically diverse backgrounds, a number of whom joined after the cut-off date and so were not eligible for a bonus this year, but will be if they remain employed at Nest next year.

In comparison, 81% of white employees received a bonus in 2024/25. This is 3% lower than 2023/24.



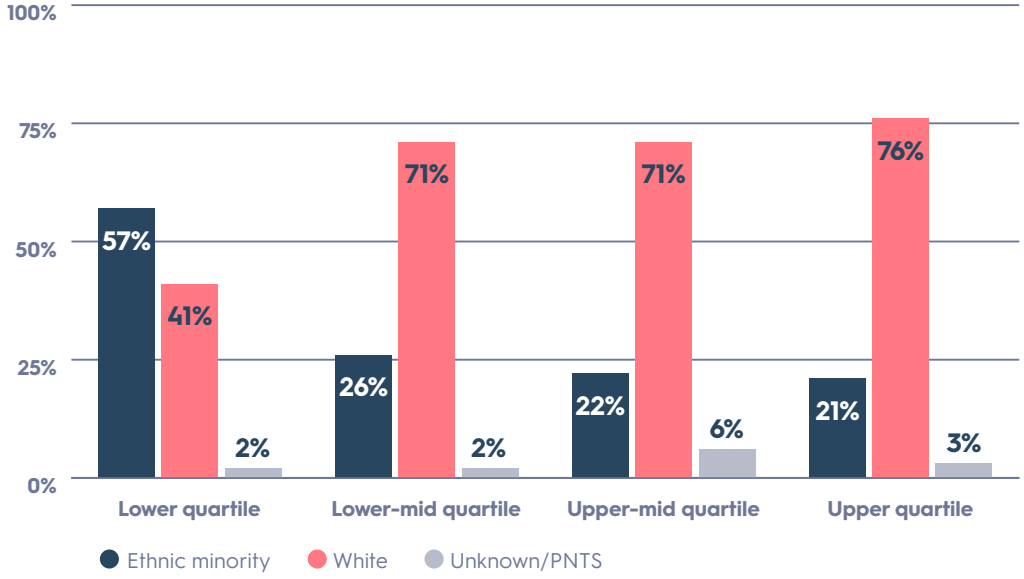
Distribution of employees per pay quartile

Employees from an ethnically diverse background make up 32% of our workforce. This is an increase of 2% compared to last year.

In 2024/25, the median hourly salary for leavers from an ethnically diverse background was higher than the median hourly salary for new starters from ethnically diverse backgrounds, impacting the pay gap.

Employees from an ethnically diverse background continue to be under-represented in the upper pay quartile and over-represented in the lower quartile, as shown in the graph below.

We're committed to understanding the reasons for this and will keep focusing on developing our talent to support employees from an ethnically background to progress into upper pay quartile roles.



What we'll do next

We're committed to continuing our work to close the ethnicity pay gap and will build on our progress by consolidating what we did last year and launching new projects and initiatives.

Improving attraction and recruitment

We'll seek out job boards aimed at attracting candidates from different backgrounds, specifically people from ethnically diverse backgrounds, especially for positions in areas and grades where ethnic diversity is under-represented.

We'll review our approach to recruitment and work with recruitment agencies to ensure we're provided with diverse shortlists.

We'll continue to use positive action during our recruitment practices for our more senior roles to ensure we're working towards attracting candidates from ethnically diverse backgrounds.

Putting DE&I front and centre

We want to improve the equality of opportunity in the workplace for our colleagues and to do this, we'll sign up to the Business in the Communities Race at Work charter. We'll ensure we take an active approach and focus on the actions outlined in the charter to amplify our commitment to inclusion.

We'll review our targets around the percentage of colleagues from an ethnically diverse background based on our most recent data. This will ensure we're working towards improving the diversity of our senior leadership team.

Our DE&I business partner will continue to work with our executive committee to ensure the succession planning process is fully inclusive.

Using data to identify opportunities

We're continuing to review our overall reward proposition to further ensure we manage pay effectively and appropriately. As part of this work, we're undertaking an equal pay audit and are committed to addressing any findings.

We'll create a dashboard to understand the varying experiences of our colleague groups across the employee life cycle and regularly review this data, working to address areas of opportunity and equality.

We'll review our people processes and address any issues, to ensure we work hard to retain colleagues from ethnically diverse backgrounds. We'll identify barriers in career progression and reasons that might contribute to colleagues leaving, and work to address these.

Developing our workforce

We know we need to do more to ensure colleagues from ethnically diverse backgrounds have the support to progress through Nest and we'll take a number of steps to do this. For example, we'll be launching a mentoring programme to give these colleagues greater opportunities to grow and develop.

We'll also relaunch our reverse mentoring programme. This is a great way to build inclusion as it gives senior leaders insights into the experiences and perspectives of under-represented groups in the workplace.

We'll support our executive committee and leadership community when it comes to DE&I programmes so they feel able to lead the way with clarity and confidence. We'll also provide more DE&I training opportunities for line managers on how to be consciously inclusive.

Listening and learning from each other

We'll continue to work with our race working group to agree an action plan aimed at improving the experiences of the group itself and all colleagues from ethnically diverse backgrounds.

Using our listening strategy, we'll continue to gather data and insight from a variety of data sets, including our annual colleague survey and feedback from our race working group. We'll use this to understand the experiences of colleagues from ethnic minority backgrounds and take action where needed.

Striving for more in the wider world

We'll expand our participation in the 10,000 Black Interns programme to the wider organisation to ensure we give young Black people more opportunities to gain experience in the industry. This will also allow us to benefit from their knowledge and experience across the organisation.

We'll follow the recommendations to improve workplace ethnic diversity as set out in the Parker Review.

> **We are an ethnically diverse organisation, with around a third of our current colleagues and over 40% of our new hires in the last year coming from diverse backgrounds. However, our pay gap reflects that most of this representation is in lower quartile roles. We have more than doubled the number of ethnically diverse senior leaders in this same period, and we expect the impact of this on the pay gap to be reflected in future years. We are committed to continuing to monitor the pay gap, to ensure the actions we're taking are moving us in the right direction.**

April Clark
Chief People Officer



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