LSEG Global Pay Equity Report 2022

Achieving pay equity globally

Our ambition

At LSEG, we are committed to achieving pay which is free of bias – and to building an equitable and inclusive environment for all.

It's clear society and industry have evolved greatly over the centuries, from the first legislation enshrining political and religious rights for women in the mid-1800s, to the Civil Rights movement of the 1960s, and more recent action by networks such as Black Lives Matter. While progress has been made, there are still significant issues that need to be addressed in order to eradicate bias. They include achieving true pay equity, regardless of gender or ethnicity.

At LSEG we are committed to shaping inclusion and contributing to sustainable economic growth for the communities and societies where we operate. We are also committed to improving pay equity in our own workforce of approximately 24,000 employees in 65 countries.

We believe data-driven reporting, transparency around pay and a commitment to true diversity and inclusion (D&I) is fundamental to continued and sustainable advancement for those who have historically faced discrimination in the labour market. This is why we are publishing our global Pay Equity Report.

A typical gender pay gap report compares the mean and median earnings of men in an organisation to those of women, but gives limited information about why that gap exists. We want to go further.

As an organisation, our analysis has gone beyond the raw statistics so we can understand the factors contributing to any pay gaps, why they exist and how we can take targeted action. This report therefore covers gender-related pay data in all the countries where we have employees, as well as our ethnicity pay gap where we are able to collect the data.

We challenged ourselves to apply the same level of scrutiny to gender and ethnicity reporting as we do to financial reporting, to understand and be better equipped to explain all elements of the pay gap and methodology across all geographies.

Inclusion defines who we are

Our D&I strategy is built on taking an evidence-based, data-led approach to develop our understanding, identify areas for focus and then measure our progress.

Inclusion defines who we are as an organisation and we all have a role to play in creating a culture where everyone feels they belong. We are focused on developing our leaders' behaviours, so they can role-model inclusion in everything we do. We have eight thriving Inclusion Networks that help shape our D&I strategy and hold us to account on the progress we are making.

Above all, we are challenging ourselves to be better, by constantly reviewing our processes to identify and tackle any residual bias. Our hope is that the changes we make will tangibly improve equity, diversity and inclusion at LSEG – and that others can learn from them too.

We are pleased to share our first Pay Equity Report that considers gender, globally, and ethnicity for United Kingdom (UK) and United States (US). The report contains our methodology, which we've partnered with Mercer to carry out, and actions we are taking to drive pay equity and build an equitable and inclusive environment for all.

Harnessing the power of data

Pay equity is ensuring no discrepancies in pay exist as a result of personal characteristics, such as gender, ethnicity, age and nationality.

LSEG's acquisition of Refinitiv transformed our business overnight and presented us with the challenge of balancing different reporting requirements and standards across 67 markets. This report goes beyond statutory reporting requirements (such as the UK gender pay gap) to provide a best-in-class pay equity assessment.

We want to use this study to understand what drives all differences in pay and opportunity at LSEG, by looking at both the Identifiable and Non-Identifiable Pay Gaps for employees doing similar work.

Our aim is to use this data to build and implement a strategy that not only tackles pay equity, but also drives equal opportunity, representation and inclusion throughout our organisation.

Our methodology

LSEG engaged Mercer, a global HR consultancy that specialises in pay equity, D&I and rewards to support and independently quality assure our global pay equity study. This study analyses our pay data, on a job-by-job basis for our global employee population. It is an enhancement on the simple single country comparison of mean and median hourly pay. The study's deep statistical analysis of pay considers many identifiable factors known to impact compensation, including but not limited to seniority, location, job role, experience, business sector and performance. This enables us to understand how much of a headline (Raw) pay differentiation is explainable due to identifiable factors, and how much is due to non-identifiable factors that may result from bias.

The process

Mercer first identified our Raw Pay Gap which is the comparison of the mean and median pay between gender/ethnicity groups across LSEG. This is similar to the way some statutory gender pay gap reports show their figures. (For our 2022 UK gender pay gap report, see Appendix 2).

From the Raw Pay Gap, Mercer used a statistical analysis to calculate both the Identifiable Pay Gap and the Non-Identifiable Pay Gap.

– The **Identifiable Pay Gap** shows the gap in pay between two groups that can be attributed to explainable and objective factors. These factors may include seniority, job role, location, business sector, experience and performance.

– The **Non-Identifiable Pay Gap** shows the remaining pay gap once Identifiable factors have been accounted for. This approach indicates that the differences in pay are unexplained and may be due to biases or inequity.

By understanding both Identifiable and Non-Identifiable Pay Gaps, we can locate where we need to focus our attention to reduce them.

Mercer's team of experts used a well-established methodology, developed over 25 years, to ensure we took an objective, robust approach to analysing our pay equity data. This methodology is widely recognised and has been used by many top FTSE 100 companies when undertaking pay equity reporting. Partnering with Mercer brings quality assurance to our results.

SECTION 3:
Our pay equity – **gender**

This section presents our pay equity statistics, and lays out the key reasons behind our current Identifiable and Non-Identifiable Pay Gaps for gender, as well as for ethnicity.*

Total compensation by gender (global)

The chart below shows the Raw Pay Gap for women compared to men, and the percentage that is attributed to Identifiable and Non-Identifiable factors.

Pay Gap

32.6%	31.1%	1.5%
Raw	Identifiable	Non-Identifiable
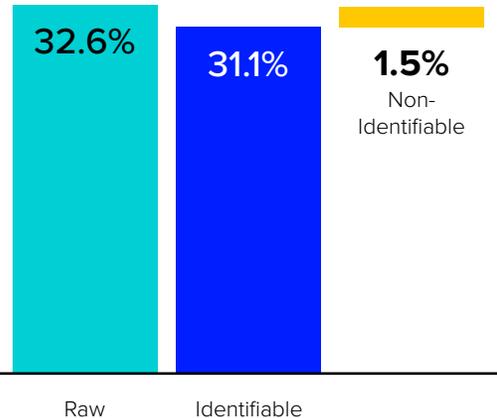
– Positive figures indicate pay is in favour of men.

– Statistically significant gaps are shown in **bold**.

We are pleased that our **Non-Identifiable Pay Gap (1.5%)** figure is low. We want it to be as close to zero as possible and so we are continuing to take action. Our current figures show that there is little disparity in pay between men and women at LSEG doing similar work under similar conditions. We are fully committed to ensuring any gaps fall below the level of statistical significance.

Glossary

Pay equity – Equal pay for the same work in the same conditions.

Median – The value in the middle of a data set if the salaries were ranked from lowest to highest.

Mean – The average value of a data set and is calculated by dividing the sum of salaries of members of the group by the total number of people in the group.

Statistically significant – Statistical significance means we find an outcome evidenced through statistical analysis. Non-Identifiable Pay Gaps that are statistically significant indicate that differences in pay may be due to systematic differences which may be caused by bias.

Senior Leadership – Made up of Group Executives and Group Leaders at LSEG.

*More information on what makes up our data sets can be found in **Appendix 1**.

Our pay equity – **ethnicity**

Total compensation by race and ethnicity group (UK and US)

The chart details the Raw Pay Gap for employees from underrepresented ethnic groups when compared to white employees, and the percentage that is attributed to Identifiable and Non-Identifiable factors (data from UK and US only).

Pay Gap

All underrepresented ethnic groups
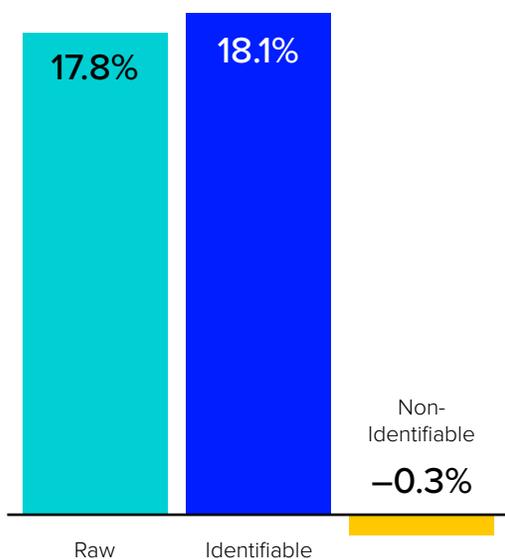
– Underrepresented ethnic groups are defined as all ethnicities reported on other than white. We use the recommended government census categories when collecting ethnicity data.

– 'Other' includes individuals who have identified as:

  – US – Native American or Alaska Native; Native Hawaiian or Pacific Islander and two or more races.

  – UK – Mixed: other; white & Asian; white & black African; white & black Caribbean; Arab and any other.

– Positive figures indicate pay is in favour of white employees.

– Negative figures indicate pay is in favour of employees from underrepresented ethnic groups.

– Statistically significant gaps are shown in **bold**.

Underrepresented ethnic group	Analysis headcount
Asian	**1,146**
Black	**297**
Hispanic	**174**
Other	**197**

Pay Gap

By underrepresented ethnic groups
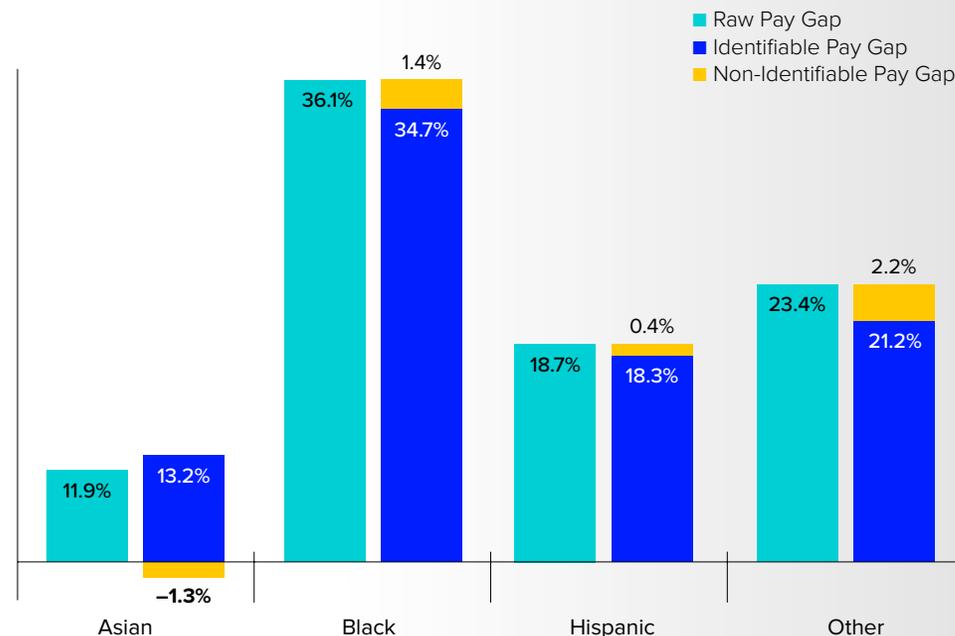
Our **Non-Identifiable Pay Gap** figure for ethnicity is -0.3% which is not statistically significant. This means that there is no evidence of systematic differences in pay between underrepresented ethnic groups and white employees overall.

We continuously review our processes and take action to reduce and maintain any gaps below the level of statistical significance. We will discuss the actions we are taking to help reduce our Identifiable and Non-Identifiable Pay Gaps overall and within specific underrepresented ethnic groups in **Section 4**.

What drives our gaps

Our study finds that LSEG's Identifiable Pay Gaps are mainly driven by the following factors (listed in descending order of impact):

1. Role and location

– Career stage is a major factor impacting pay and by far the strongest of all. The grade-related pay increment is higher in senior grades when compared to junior grades.

– Location and job family are recognised as important factors in the model.

2. Experience

– Experience (proxied by tenure) is positively recognised in the majority of the business divisions by rewarding more job-specific tenure and external experience.

3. Business sector

– Business area impacts pay in a moderate way, e.g. employees in Technology usually have higher pay than employees in other areas of the business.

4. Performance

– Our data shows elements of a 'pay for performance' reward approach. Low performance seems to consistently reduce pay outcomes while better performance is rewarded.

5. Hiring and promotion

– Employees recently hired are in general paid comparably to incumbents.

6. Supervision

– Data doesn't indicate that being in a supervisory role is a strong factor impacting pay. This finding is most likely because the job and grading structures have already taken supervisory responsibilities into account.

Taking action on our pay equity gaps

We recognise that our 2022 results for gender (**1.5%**) and ethnicity (-0.3%) are significantly lower than industry averages. Typically, organisations starting on a pay equity journey show Non-Identifiable Pay Gaps of 3-5%*. With a FY22 total reward spend of c.£2.3bn, even any small pay gap can equate to a significant monetary amount. Our aim therefore is to continually test and assess our Reward Framework and its processes to help minimise any and all pay gaps.

We also believe that being able to explain the factors behind our Identifiable Pay Gaps does not justify them, nor should it prevent us from acting to improve on them.

How we are addressing the Non-Identifiable Pay Gap

– **Regular review of pay and performance policies and practices** – Our pay and performance policies are adopted across the globe and regularly reviewed by LSEG's Executive Committee and Remuneration Committee, with the aim of ensuring market-alignment and compliance, improving transparency and reducing any inequity in pay.

* Mercer equity database

– **Audit salaries and bonuses** – As part of the Annual Compensation Review process, we provide reporting that shows the average level of salary increase and bonus awarded to men and women, based on geography, grade and performance. The aim is to allow our leaders to ensure there are no biases.

How we are addressing the Identifiable Pay Gap

We are also addressing our Identifiable Pay Gaps, which account for almost all pay differentiation across LSEG. Through our analysis, we have been able to understand the key factors that affect pay for gender as well as ethnicity.

Even though we can attribute our Identifiable Pay Gaps to various recognised factors, we believe there are actions we can take to reduce them further. By improving representation globally at all levels, geographies and functions, we can begin to reduce our Identifiable Pay Gaps between the different genders and ethnicities – particularly in terms of job roles.

We are taking a data-driven approach to increasing levels of representation at both Senior Leadership and Group Director levels.

Our goals for this are:

Senior Leadership goals set in 2021

– 40% women by the end of 2022

– 20% from underrepresented racial and ethnic groups by the end of 2023

– 25% from underrepresented racial and ethnic groups by the end of 2025

Group Director level goals set in 2022

– 40% women by end of 2027

– 25% from underrepresented race and ethnic groups by the end of 2027

While we are proud of the progress we have made on gender representation, we acknowledge that we can do more to increase levels of ethnic representation at Senior Leadership and within our Group Director population.

For more details on our progress against our goals, click here to see our **Sustainability Report**.

In 2023, we are reviewing our ethnicity disclosures to ensure our goals are representative of our growing employee and customer base, and are useful measures of our progress.

Achieving our goals

To achieve our goals and address our Identifiable Pay Gap we are taking action, including:

– **Building capabilities for people leaders** – LSEG is working to embed best practice around identifying talent and mitigating bias in our talent identification, assessment and selection processes. We offer inclusive hiring masterclasses, covering drafting job descriptions, comprehensive sourcing for both internal and external talent, and best practices when screening and interviewing candidates.

– **Inclusive leadership training** – This has been completed by all Executive Committee members and their leadership teams, reinforcing the concept that even the smallest acts and decisions can help colleagues feel more included. This approach is helping us build more diverse and inclusive teams across our organisation.

– **Diverse shortlists and hiring panels** – Our guidelines and best practice in support of all hiring decisions reinforce our intention to provide a diverse and/or gender-balanced candidate slate. We promote gender-neutral and inclusive language in job descriptions and adverts, and use dedicated technology to provide this support.

We will be setting out additional inclusivity training across LSEG for all our people leaders. Its an aim is to develop their understanding of diversity and allyship, giving them greater responsibility for ensuring equity and inclusion in the employee experience and life cycle at LSEG

Actions to support our wider D&I strategy

While our goals and many of our D&I programmes have not been implemented to directly address pay equity, they are part of our wider strategy aiming to increase levels of inclusion and career progression for underrepresented groups.

Career progression programmes – Last year, we piloted two new initiatives: Illuminate, a UK and US programme, focused on developing black, Latinx and ally leaders; and the APAC Accelerator, designed to support talented future leaders at critical career milestones.

These pilot programmes have been a great success. Progressing talent to grow representation at senior levels is an important part of addressing our pay gaps, and we are excited to continue these programmes in 2023.

Promoting an inclusive culture – Our eight global Inclusion Networks provide open platforms where employees are encouraged, educated and empowered. Open to everyone, they foster discussion around important issues and help establish connections across all levels and locations of LSEG. This networking serves to break down silos, helping realise our ambition to be a truly diverse, inclusive culture.

Our employees are the key to our success, so providing an equitable, inclusive culture for all at LSEG is essential for us to thrive. For this reason we will continue to take a data-led approach to pay equity; to be transparent in the way we communicate our position and our ongoing efforts to improve; and to promote and lead positive change, as we build a more sustainable, equitable future together.

By better understanding our own position, we are taking responsibility and holding ourselves to the highest standards. At LSEG, we are committed to creating a more diverse and inclusive environment for our talented people; ensuring their skills, experiences, ideas and hard work are recognised above all else, and building a better future where everyone feels they belong.
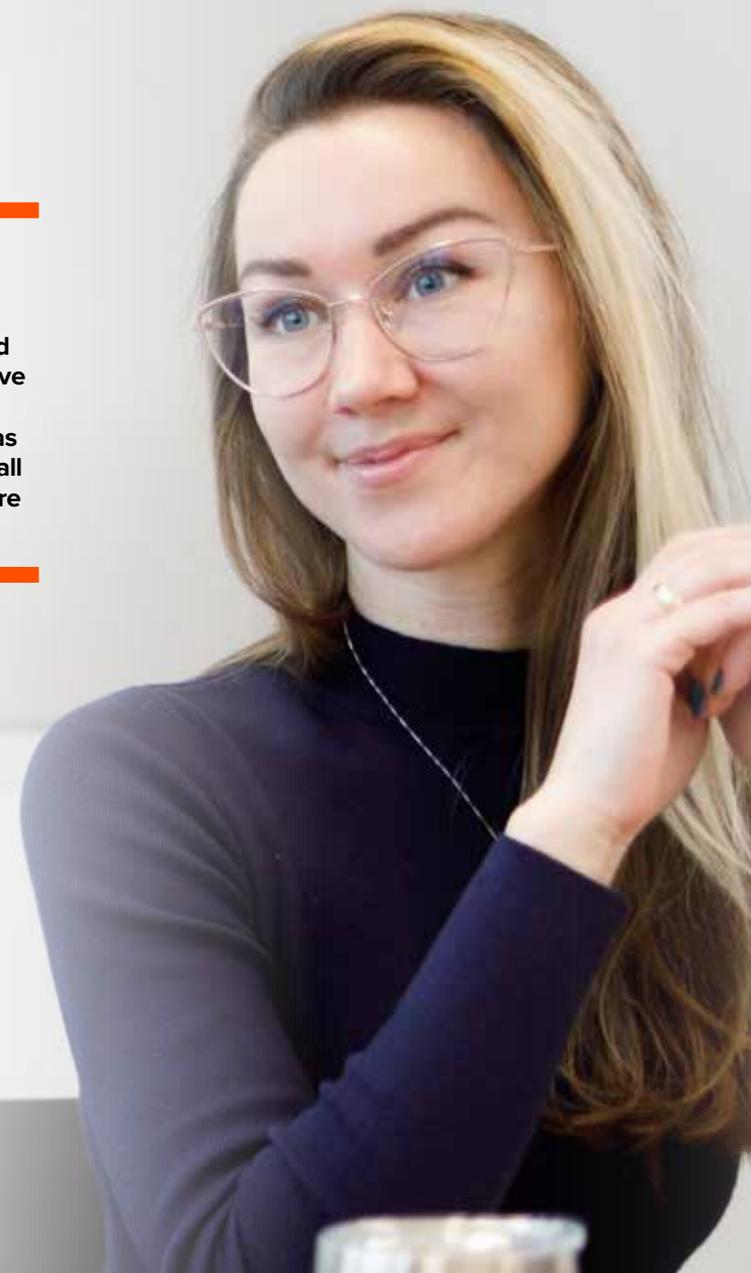
What makes up our pay equity data?

We carried out analysis across two sets of data.

– Gender* data on a global basis

– Ethnicity for the UK and US,** based on the employees who have recorded their ethnicity in our HR system. These are the countries where we currently have access to enough reliable data to undertake an accurate study

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In 2023, we want to improve how we collect and disclose our ethnicity data globally. This is a nuanced topic as data cannot be collected consistently across all our locations – unlike other areas of focus, such as gender.

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* Legislation in most countries requires gender to be reported in a binary way, recognising only men and women; as such we have used the binary gender data available to us in our HR system in this report. However, we recognise that gender is not binary and that many people do not fall into these categories.

** We have a ethnicity disclosure rate of 86% across the UK and US. While we would like this to be 100%, our current disclosure figures mean we have a strong data set for conducting our pay equity analysis. We continue to encourage individuals to submit their ethnicity data on our HR system where it is permitted to do so, helping us build an increasingly accurate understanding of our pay equity figures.

APPENDIX 2:
UK gender pay gap data

The UK Government requires that organisations with more than 250 employees report their gender pay gap (GPG). The table shows LSEG's UK statutory disclosures for our four legal entities covered by the regulation for the reporting period 6 April 2021 to 5 April 2022: LSEG Employment Services Limited (LSEG ESL), London Stock Exchange plc (LSE plc), LCH Limited (LCH Ltd) and Refinitiv Limited. Variable pay includes Long Term Incentive Plan (LTIP) awards, which are used to align Senior Leadership roles to long-term goals and strategic growth of LSEG.

Declaration
I confirm that the data and information presented below is accurate and meet the requirements of the UK Equality Act 2010 (Gender Pay Gap Information) Regulations 2017.

David Schwimmer
Chief Executive Officer
London Stock Exchange Group

LSEG Employment Services Limited

	Mean	Median
Gender hourly pay gap	9%	11%
Gender variable pay gap	8%	14%

	Male	Female
% receiving variable pay	89%	88%

% in each pay quartile	Male	Female
Upper quartile	70%	30%
Upper mid quartile	79%	21%
Lower mid quartile	71%	29%
Lower quartile	56%	44%

	Male	Female
Headcount	589	277

London Stock Exchange plc

	Mean	Median
Gender hourly pay gap	7%	10%
Gender variable pay gap	33%	15%

	Male	Female
% receiving variable pay	91%	93%

% in each pay quartile	Male	Female
Upper quartile	71%	29%
Upper mid quartile	65%	35%
Lower mid quartile	64%	36%
Lower quartile	56%	44%

	Male	Female
Headcount	295	173

LCH Ltd

	Mean	Median
Gender hourly pay gap	16%	18%
Gender variable pay gap	52%	42%

	Male	Female
% receiving variable pay	95%	96%

% in each pay quartile	Male	Female
Upper quartile	85%	15%
Upper mid quartile	80%	20%
Lower mid quartile	79%	21%
Lower quartile	59%	41%

	Male	Female
Headcount	405	137

Refinitiv Limited

	Mean	Median
Gender hourly pay gap	11%	11%
Gender variable pay gap	16%	16%

	Male	Female
% receiving variable pay	91%	84%

% in each pay quartile	Male	Female
Upper quartile	71%	29%
Upper mid quartile	71%	29%
Lower mid quartile	65%	35%
Lower quartile	55%	45%

	Male	Female
Headcount	1,316	713