

Gender and Ethnicity Pay Gap Report

CDC, the UK's development finance institution

April 2021



The view from our CEO and Board

In this report we present our gender pay gap results as at 4 April 2020. We confirm that our calculations are accurate and meet the requirements of the Regulations. In addition, although we are currently only required by law to publish our gender pay gap, we have recently calculated our ethnicity pay gap and are pleased to be reporting here on both gender and ethnicity. This reflects our commitment to identifying and addressing our pay gaps, to meeting or exceeding the targets we have set and to driving sustained culture change through greater diversity and inclusion.

Between 2019 and 2020 our mean gender pay gap increased by one point from 29% to 30%; the median also increased from 28% to 31%. The gender pay gap is not a result of paying differential salaries to men and women at the same level of the firm - indeed such a policy would be illegal. At CDC it is the result of a disproportionate number of men at director level with commensurately higher salaries (particularly in our Investment teams, which remain two-thirds male); a higher percentage of our female employees in roles within our more operational areas, which are less well-paid compared to roles within the Investment teams, and within more junior administrative roles.

It is disappointing that the pay gap has not narrowed, especially given that female leadership in the UK (directors and above) increased in the year to April 2020 from 29% to 33%. This reflects the success of deliberate actions we have continued to take to increase the representation of women in senior ranks through recruitment and promotion from our pipeline of female talent. Given the progress towards our original target of 30% female directors (and above) by 2023, we have raised our target for a second time, now aiming for 40% of our director population to be female by 2023, reflecting our Board and Senior Management's aspiration to raise our sights and keep challenging ourselves.

The gender pay gap, however, is driven by the whole population, and our senior leaders only made up about 20% of our UK headcount in April 2019 and 2020. In addition, a decrease in the percentage of female managers diluted the impact of an increase in women at director and above in that period, even though over half our new recruits into all roles at CDC were female. Finally, female representation in the most junior levels of the organisation has increased, which also contributes to the persistent gender pay gap. All this points to the complex picture which lies behind the statistics.

As to the gender bonus gap, over the period the mean gap increased by 15 points to 32% while the median bonus gap was 52%. This differential continues to be driven by factors associated with the structure of CDC's long-term incentive programme (LTDPP) which is based on tenure and where eligibility differs by function. This plan is under review and change to the plan will change the bonus gap figures.

Turning to our ethnicity pay gap, which we have calculated using the same methodology as for the gender pay gap, this showed a mean pay gap of 11% (and a 2% median) for Black, Asian and Minority Ethnicity colleagues (BAME) compared to White colleagues. At 11%, the ethnicity pay gap is smaller than our gender pay gap and is the result of BAME employees being more consistently represented across the full pay range than female employees. As with gender, the way to reduce the pay gap is for there to be more BAME colleagues in senior, more high-paid roles. However, comparison of BAME employees as a group masks different pay gaps experienced by Asian and Black employees. Representation of Black employees (and the much smaller group of employees who do not identify as Asian, Black or White) decreases as salaries increase, while Asian employee representation increases across the first three quartiles.

Looking to our talent pipeline, our data shows that the speed of promotion does not differ by ethnicity or gender. We are promoting at least an equal number of women and men into our most senior roles and are recruiting women into director roles at a higher percentage than that by which they are currently represented in the director population, both of which help move us towards our gender target.

Discussions about race at CDC were rightly pushed to the fore by the tragic events in the summer of 2020, and the subsequent Black Lives Matter protests, prompting us to seek to understand the experience of our Black employees, to develop a new framework for inclusion and speed up implementation of our action plan which is outlined below. In particular, to maintain the same focus on increasing ethnic diversity as well as gender diversity in our senior team, we have set a target for Black leadership in our UK population by 2023.

We need to keep focussed on developing and maintaining a talent pipeline that is balanced, both by gender and ethnicity. To address the continuing challenges of attracting diverse candidates, particularly into Investment roles and senior management roles, we've modified our recruitment practices: reviewing the language used in our job advertisements, insisting on diverse shortlists (and keeping some roles open for longer to do this), engaging specialist, diversity-focused search firms and ensuring a good mix on interview panels.

In 2020, we were proud to have been recognised by the Employers' Network for Equality and Inclusion with a Silver Award for our work in improving diversity and inclusion, and to be a finalist in Working Families Best Practice Awards, as well as being signatories of HM Treasury's Women in Finance Charter.

We are utterly committed to reducing our pay gaps and improving representation by gender and ethnicity throughout CDC. We will do this by embedding sustained culture change and continuing our efforts to make CDC a diverse and inclusive workplace where long-term partnerships thrive, enabling every one of our people to pursue a fulfilling and purpose-driven career.



Nick O'Donohoe
Chief Executive Officer



Laurie Spengler
Non-executive Director and Chair
People and Remuneration Committee

CDC is the UK's development finance institution. We help solve the biggest global development challenges by investing patient, flexible capital to support private sector growth and innovation. Through our investments we look to deliver on the UN's Sustainable Development Goals, which include improving gender equality.

Our vision

We continue to prioritise improving diversity of all types at CDC and creating an inclusive working environment which enables everyone to thrive. The case for a diverse and inclusive organisation is established: the positive impact on employees across our increasingly geographically distributed organisation, the advantages of tapping into the widest pool of talent and the business benefits of being able to understand and connect with the people, companies and markets in which we invest so that we make better decisions and improve our business outcomes. By many benchmarks, CDC as an organisation is highly diverse, but our diversity is not always evenly distributed within the different levels or functions.

As well as improving diversity within our own organisation, we are also committed to using our role as an investor to help close the gaps between men and women in the markets and companies in which we invest, to promoting Black African business owners and promoters on the African continent within our portfolio, and to demonstrating to the wider investment industry the social and economic value of investing in women and indigenous businesses.

Understanding the difference between equal pay and the gender or ethnicity pay gap

Equal pay means that men and women, or employees of different ethnic backgrounds in the same employment performing the same jobs, similar jobs or work of equal value receive equal pay, as set out in the Equality Act 2010. It is unlawful to pay people unequally on the grounds of gender or ethnicity, as well as the other 'protected characteristics' which include sexual orientation, age and disability.

The pay gap is a measure of the difference between the average pay in an organisation – of men and women, or people of different ethnicity. If an organisation has a particularly high pay gap for a group, this can indicate there may be a number of issues to deal with, and the individual calculations can help to identify what those issues are.

Our results

Our gender pay gap results

Mean salary gap	30%
Median salary gap	31%
Mean bonus (LTDPP at CDC ¹) gap	32%
Median bonus gap	52%
Proportion of men receiving a bonus	42%
Proportion of women receiving a bonus	23%

The proportion of men and women in quartiles by salary from low (Quartile 1) to high (Quartile 4)

Pay bands	Male	Female
Quartile 4	68%	32%
Quartile 3	50%	50%
Quartile 2	49%	51%
Quartile 1	16%	84%

Our ethnicity pay gap results

Mean salary gap	11%
Median salary gap	2%
Mean bonus (LTDPP at CDC ¹) gap	27%
Median bonus gap	8%
Proportion of White employees receiving a bonus	31%
Proportion of BAME employees receiving a bonus	34%

The proportion of White and BAME employees in quartiles by salary from low (Quartile 1) to high (Quartile 4)

Pay bands	White	BAME
Quartile 4	71%	29%
Quartile 3	60%	40%
Quartile 2	64%	36%
Quartile 1	59%	41%

Delivering on our plans for reducing the pay gaps

In the year since we last published our gender pay gap, we have continued to make changes which we believe will help us to achieve a balanced organisation over time. This is particularly in the area of cultural enhancement, and we have developed a 'dashboard' of indicators by which we measure this.

Monitoring our activities

We report quarterly on the gender balance of our teams and of our progress towards achieving our female leadership target by 2023. As noted above, given that we had reached 33% by March 2021, we have now raised this target to 40% by 2023.

We assess our promotion and progression decisions to ensure they reflect the gender balance and ethnic representation of the talent pipeline. We focus on career development and ensure that individuals are promoted only if they satisfy the requirements of the technical and behavioural competencies for their role, based on objective evidence.

We test employee feedback to our diversity and inclusion work through targeted questions in our annual engagement survey. In 2021 we are undergoing the EDGE gender certification process, a global assessment of gender equality within organisations. We will use the results of the EDGE all-employee survey (which captures feedback by gender and ethnicity) to inform our future activities.

We monitor our recruitment pipeline by gender and ethnicity. We ensure that this information is reviewed before successful candidates are made an offer of employment and, in the case of gender, this data is captured in our internal offer approval documentation.

¹CDC does not operate an annual bonus scheme, but some employees are eligible for a long-term development performance plan award. This award is linked to the development outcome and performance of CDC's portfolio. It is determined by tenure and capped relative to an individual's salary. More information can be found in our Annual Accounts on [cdcgroup.com](https://www.cdcgroup.com)

Setting and meeting our ethnicity target

To accelerate our progress on increasing representation, we have set a target for Black leadership in our senior UK population, aiming to increase from 7% to 11% of Black directors and above by 2023. To inform our target, we used the UK's Office for National Statistics data on the London labour market's ethnicity profile, as projected to 2023.

We plan to achieve our ethnicity target in three ways. We're increasing our focus on recruiting diverse talent, whilst ensuring that all our processes have been diversity-proofed, and that our hiring managers have had awareness training on unconscious bias as part of the overall inclusive leadership training. We've reviewed our performance management process to ensure employees are recognised for their contribution to the wider company as well meeting their goals and the competencies for their role, and we've designed a talent review process that is inclusive when identifying and developing talent.

Values and behaviour

Our company values aim to promote high standards of behaviour. Two of our values, collaboration and caring, are at the heart of our culture; they underline our belief both in the power of inclusion and that diversity helps us take a wider view, generating deeper insights and better ideas.

It takes time to shift culture and we continue to embed our values and behaviours into the firm, including into how we manage people – our performance feedback and assessment mechanisms, the training we give our leaders and line managers. We translated the values into a set of standards – the behavioural competencies noted above – which articulate how we expect everyone at CDC to behave towards one another, from our Board members through to entry-level positions, and we measure candidates on their behaviours in line with our values when making promotion decisions. In November 2020 we provided feedback to the Board on the cultural health of the organisation against a diverse set of metrics; the framework for these metrics – which are both quantitative and qualitative - is an expression of our operational commitments to living our values.

Policy improvements

We believe that parity between women and men will only be achieved when there is an equal sharing of domestic work and childcare. We therefore focussed efforts on improving our family policies, for example by enhancing our maternity, paternity and shared parental leave provisions which apply equally to women and men. Wherever possible we apply our policies globally.

We provide support to expectant mothers through maternity leave guidance and build connections through periodic pre-maternity coffee chats, alongside the personal coaching sessions we already offer before, during and after maternity leave. This support has contributed to a very high retention rate of returners. We have also published an IVF policy for women and men, recognising the stresses put on parents wanting to conceive.

In 2021 we will be carrying out a review of our policies to ensure that the language is inclusive as is benefits provision (for instance in respect of same-sex partners).

We take measures to fulfil our Duty of Care towards all our staff, covering their physical and mental health and wellbeing, security when travelling and safeguarding protections.

Speak-up mechanisms

Our aim is to foster an environment of psychological safety in which everyone feels able to speak up and share their views and opinions. In the past year, alongside inclusion training for managers, we have greatly enhanced the confidential channels by which employees can share a concern so that we can address issues swiftly and effectively. These channels include an anonymous 'concerns register' and an informal grievance process, as well as a small group of employees from within the organisation who have been appointed to provide a point of contact for staff independent of HR.

Flexible working

In common with other businesses, the pandemic has accelerated our move to flexible working which had been a consistent request through our staff surveys and our employee networks. We responded quickly, upgrading our IT infrastructure, training managers on how to manage remote teams and supporting staff through the unprecedented challenges of juggling work and home responsibilities during lockdown. We have tried to be especially sensitive to the needs of parents with young children, who have been challenged by home schooling, and carers.

Our regular pulse surveys tell us that employees have adapted well to working from home but have also missed having the opportunity to meet in person. We are developing our model for a blended approach to work once restrictions are lifted with the aim of retaining the benefits of remote working and evolving our office set-up to promote more collaboration and social interaction within informal meeting spaces. Managers now feel more comfortable that, with greater flexibility, productivity can be maintained, even improved, and employee engagement and loyalty enhanced. We know that women, in particular, stand to gain from increased flexibility.

Employee diversity networks

In early 2020 we launched Umoja works, a network for employees associated with or interested in Africa. Umoja joined other networks: our women's network, She works; Pride works, our LGBTQI+ network; and Caring works, for parents and carers. All our existing networks have continued to run periodic events throughout the year and in the coming year we are launching a Disability Working Group with the aim of becoming a Disability Confident employer in 2021.

The events of last summer which initiated the Black Lives Matter protests prompted discussions, in every team and at every level, about race and ethnicity and diversity more generally. Increasingly we see the importance of understanding the impact of intersectionality and encourage our networks to collaborate on addressing common issues, for example through jointly held events.

Governance

To strengthen governance of our diversity and inclusion commitment, planning and activities, in 2021 we have made changes to develop our Diversity and Inclusion Steering Committee. Chaired by a member of the Executive Committee, this now includes the Executive Sponsors of each of our employee diversity networks, along with representatives of these networks and of our international offices. In addition, the People and Remuneration Committee of the Board (PremCo) discusses culture, diversity and inclusion matters as a standing item at each Committee meeting. PremCo also invites members of the various employee diversity networks to present at PremCo meetings, strengthening the connection between CDC staff and the Board.

Employee Forum

During 2020, we made the decision to establish an Employee Forum aimed at continuous improvement of our working culture and to strengthen engagement between the Board and CDC staff. We have appointed Laurie Spengler, the designated non-executive director for employee engagement, to lead on this. She is supported by Employee Forum members whose intentionally diverse composition ensures the Board has a broad and rich perspective on workforce considerations.

Although the Board already has several touchpoints with staff, this forum – launched in 2021 - provides another, more focused, opportunity for them to be involved in shaping and contributing to improvements to CDC's culture and employee experience.

Learning and development

Expanded training programmes are vital to strengthening the CDC culture consistent with our values. To raise awareness in our employees of behaviour which falls below our expected standards, we have run training on inclusive behaviours to all our people, including our Board members. To date over 85% of our population has taken part in this drama-based course which seeks, via scenarios based on our own workplace, to demonstrate potential biases, inappropriate behaviour and subtle micro-aggressions, and encourage people to speak up if they experience or witness it.

We run line manager training with emotional intelligence as its foundation. Using role playing with actors, we teach managers to give honest performance feedback in a constructive way. Research shows people are sometimes less likely to give direct, developmental feedback to women.

We have also increased our technical training, particularly training our investment staff in Board director skills to equip staff of both sexes to join the Boards of the companies in which we invest.

We provide support and guidance to develop mentoring relationships across the organisation and have been exploring opportunities to include relationships with Development Finance Institutions in other countries. In 2021 we are also looking to set up reverse mentoring opportunities for our leaders with Black colleagues.

Career development – building the talent pipeline

Responding to feedback from our employee survey for more guidance and opportunities for career development, we have launched a career navigation tool, along with a mentoring programme, more global assignments and greater promotion of internal moves.

We have instituted an annual talent review to help us identify and accelerate our future leaders. Our data shows an improvement in the numbers of women making their way into more senior levels in the organisation - which reflects our success in promoting women at the same rate as men through the firm - and we are committed to enabling the same improvement in levels of Black leadership.

Whilst promotion of women is good news, we continue to work to improve our recruitment of women into senior roles. Since 2020, are proud to have hired five female leaders - among them one Black African director and these include our CFO, Coverage Director for Egypt and Investment Director in Kenya. At the same time we have continued to improve the gender balance and senior female representation of our teams in India.

Expanded memberships

In addition to being signatories of HM Treasury's Women in Finance Charter, we are members of Working Families, Carers UK and the Employers' Network for Equality and Inclusion (enei). After gaining a Bronze Award in 2019 from the enei, we are proud to have risen to a Silver Award in 2020 and to be a Finalist in Working Families' *Best Practice Awards* for 2020, both reflecting the success of our actions in creating a more inclusive workplace. In 2021 we aim to become signatories of the Business in the Community's *Race at Work Charter* and, having launched a new Disability Working Group, to become a *Disability Confident* employer in 2021.

In our markets

We recognise the barriers that women in our markets face and, as an impact investor, we have been working to close gender gaps, as well as demonstrate the social and economic value of investing in women. To help move gender-smart investing into the mainstream we created a free-to-use, accessible toolkit aimed at investors and companies working in our markets. Launched in December 2020, [The Gender Toolkit](#) brings together resources, guidance, and templates that focus on gender-smart investing, gender diversity and inclusion, and gender considerations across a range of sectors. The toolkit joins the Good Practice Note on Gender Based Violence and Harassment, a collaboration between CDC and the International Finance Corporation (IFC), which we published in December 2019.

Gender smart investing

We know that the coronavirus pandemic, which is continuing as we write, has had a disproportionately negative effect on women, who are nearly twice as likely to have lost their job than a man. Over the past year we've been actively working to try to mitigate the negative effects of the pandemic on women by supporting business to engage and protect women in the workforce, and by improving access to finance for women and women-owned businesses. We have done this through our commitment to gender smart investing using the 2X criteria – the emerging industry standard for gender finance, which CDC co-created with our partners in the 2x initiative, which to-date has collectively invested \$7bn in businesses that meaningfully support women as entrepreneurs, business leaders, employees and consumers (through the development of products and services that disproportionately serve women). This year, we will be joining with our partners to launch a new industry body – the 2X Collaborative – as the 'one-stop shop' for gender-smart investing. In 2021 we've set a new internal 2X target at CDC of 25% of our annual commitments (~\$450m) with an ambition that by the end of 2026 our 2X Gender Finance portfolio will reach 40% of our overall portfolio.

Collecting gender disaggregated data across the markets and companies that we invest in is also critical to helping us understand how to further identify and close gender gaps. Over the past year, we have been leading a task force in collaboration with the broader impact investing community to create and harmonise gender metrics based on the 2X criteria to be tracked across investments over time and to help us continue to identify where challenges and barriers for women remain.

We also work directly with the businesses in which we invest to identify and close gender gaps, often drawing on our internal approaches such as by providing unconscious bias training, female mentorship programmes and advocating for higher representation of women on boards and in senior management.

Investing in Africa

In addition to our gender-focussed investing, we have now widened our scope to include a new diversity investment dimension: promoting African Representation, and specifically Black African business owners and sponsors in our Africa portfolio in 2021. We will do this by focussing on ownership and origination for the Africa portfolio, building on our gender finance experience with a view to setting an ambition for a percentage of Black African sponsors in our Africa portfolio.



This document demonstrates the breadth of our work to develop further the diversity of the CDC workforce, and to build a truly inclusive working environment.

Our pay gaps show that there is much more to be done.

However, we are committed to our goals and will continue to develop CDC to be a truly inclusive workplace.





Investment works

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