

The Crown Estate 2024 UK Ethnicity Pay Gap Reporting Methodology

This document provides details about The Crown Estate's commitment and response to the UK Guidance for Employers on Ethnicity Pay Gap reporting. It includes a summary of the metrics, methodology, scope, eligibility, and other relevant descriptors.

1. Government Guidance

The Crown Estate prepares the Ethnicity Pay Gap in line with the Ethnicity pay Gap Reporting: Guidance for Employers, published on the government website in April 2023 which aims to develop a consistent, methodological approach to ethnicity pay reporting.

2. Metrics

Employees update their ethnicity group on the Human Resource Information System (HRIS) themselves, selecting from the following categories: Asian/ Asian British; Black/African/Caribbean/Black British; Mixed/Multiple; Other; White; Ethnicity unknown; Prefer not to say. The Crown Estate acknowledges that Ethnicity Pay reporting is complex, and we have to make decisions about how best to combine different ethnic groups to ensure their results are reliable and statistically sound and to protect confidentiality. The Crown Estate's approach is to report internally and externally, using 'binary' reporting, reporting White and Black, Asian and Minority ethnic employees. 'Black, Asian and Minority ethnic employees' is an aggregation of: Asian/ Asian British; Black/African/Caribbean/Black British; Mixed/Multiple; Other ethnic groups. The Crown Estate excludes the following categories: 'Prefer not to say'; 'Ethnicity unknown' and those who have not declared their ethnicity from the mean, median and quartile metrics below. However, for the People team analysis we may look at the five aggregated groups: Asian/ Asian British; Black/African/Caribbean/Black British; Mixed/Multiple; Other ethnic groups and White.

For the purposes of reporting ethnicity pay gap reporting The Crown Estate has followed the same approach that has been taken for gender pay reporting.

The Crown Estate publishes the following metrics:

- Mean ethnicity pay gap (%) – includes all elements of pay identified as relevant pay according to government legislation. This is based on payroll data as at the snapshot date of 5 April 2024
- Median ethnicity pay gap (%) - includes all elements of pay identified as relevant pay according to government legislation. This is based on payroll data as at the snapshot date of 5 April 2024
- Mean ethnicity bonus gap (%) – includes any bonus payments received between April 2023 and March 2024. Employees who do not receive a bonus are excluded, and this is based on actual figures.
- Median ethnicity bonus gap (%) - includes any bonus payments received between April 2023 and March 2024. Employees who do not receive a bonus are excluded, and this is based on actual figures.
- Proportion of White and Black, Asian and Minority ethnic employees receiving a bonus payment (%) – proportion of White and all other ethnic minorities combined receiving a bonus in the eligibility period (for example between April 2023 and March 2024).

- Proportion of White and Black, Asian and Minority ethnic employees in each pay quartile of the organisation (%). Quartiles are the proportion of White and Black, Asian and Minority ethnic employees in each quartile, ranked by hourly pay (lowest to highest). Where our employees cannot be divided equally into four quartiles, we apportion employees as evenly as possible between the quartiles.
- Percentage of White employees.
- Percentage of Black, Asian and Minority ethnic employees.
- Percentage of employees whose ethnicity is unknown.
- Percentage of employees who prefer not to say.
- Percentage of employees whose ethnicities has not been declared.

3. Methodology

Our Ethnicity Pay Gap disclosed metrics are calculated in accordance with the guidance available on the government website (Ethnicity Pay Gap Reporting: Guidance for Employers).

The end-to-end process is as follows:

Firstly, demographic, and pay-related data are extracted from our HR Information System (HRIS) and our payroll reports.

For our Ethnicity Pay Gap reporting, we use the April payroll report (April 2024) to calculate the employee's ordinary pay for employees on permanent and fixed term contracts and we use the May payroll report (May 2024) to calculate the employee's ordinary pay for employees on casual contracts, as they are paid a month in arrears. We use the March payroll (year-end – April 2023 to March 2024) report to calculate bonuses paid, as we do not pay bonuses in April the March payroll provides the bonuses paid in the 12 months ending on the snapshot date.

For ordinary pay, it includes employees on the payroll who were employed as at the snapshot date 5th April 2024 and all payroll elements. For casual employee, who work irregular hours, it includes employees on the payroll at the snapshot date 5th April 2024 and who worked during the April payroll period. As such we do not include casual employees who were not on assignment during the April payroll period.

For the bonus calculation we only include those employees in employment as at the snapshot date 5th April 2024. As such we do not include all active employees in the March payroll, as they may have left before the snapshot date.

For ethnicity pay reporting purposes and in keeping with the guidance, ethnicity may be reported as White and Black, Asian and Minority ethnic employees and the data used for the calculation come from the employee's self-declaration.

Then, the information is pulled together and reconciled in accordance with employee eligibility criteria and employment circumstances based on the guidance. This will lead to a set of data relevant to the ethnicity pay gap calculations for the following considerations:

- a) Relevant employee
- b) Full pay relevant employee
- c) Relevant pay period/bonus pay period
- d) Ordinary pay/bonus pay

To determine the ordinary pay/bonus pay, we have set formulas which automatically calculate ordinary pay and bonus pay based on specific payroll codes. Each year, we review the paycodes to capture any updates or new paycodes which then need to be considered in the formulas. For the current reporting period new paycodes were added as a result of the transfer of employees from the Royal household and due to the addition of a will writing benefit and where necessary the treatment of the new paycodes are reviewed by an appointed external legal firm.

We have formulas in our reports to easily identify the relevant/full pay relevant employees, However, we may run additional reports, if needed, for a secondary layer of security.

The population with their relevant remuneration is then used to complete the calculations, using set formulas with automatically calculate the metrics.

The data is prepared and reviewed by the People Team.

4. Scope, eligibility, and key definitions.

We publish our ethnicity pay gap results internally and externally.

The Ethnicity Pay Gap results will be published on The Crown Estate's external website <https://www.thecrownestate.co.uk/careers/pay-gap-report-2024>.

See Appendix 1 for our key definitions.

Notes:

Leavers before 5th April 2024 and new joiners after the 5th April 2024 are excluded from the calculation. Employees leaving after 5th April but before 30th April, or joining before 5th April but after 1st April are included, with pay calculated based on their actual pay for the period (i.e., in these instances we do not calculate up to the full month equivalent).

Employees not receiving full pay in April (such as those on unpaid maternity/paternity leave, unpaid sick or unpaid leave) are deemed to be "relevant employees" and have been included in the bonus calculation, however, are not considered "full pay relevant employees" so are not included in snapshot pay data.

We pay our employees monthly and therefore as per the regulations for ordinary pay calculations, a month is treated as having 30.44 days. As such, for our employees on permanent and fixed term contracts, the hourly rate is calculated as: $7 \text{ days over } 30.44 = 0.23$. (Total monthly salary * 0.23)/weekly working hours. For our employees on casual contracts who work irregular hours, we use their pay for the month of April and their hours worked for that period which includes the snapshot date. This provides an hourly rate that more fairly represents the employees hourly rate than using the 12-week average.

Where retrospective salary increases have been awarded, backdated to 5th April 2024 or before, we have used the amounts actually paid in April 2024.

Within our quartile calculations, if there are employees in different ethnic groups at the cut off for a given quartile earning the same ordinary pay, we split the employees as evenly as possible between the quartiles.

Non-executive board members are included in our payroll, however, do not fall under the definition of an “employee” so are excluded from the analysis. The CEO is the only executive board member but meets the definition of “employee” and is therefore included in our calculation.

Appendix 1

Key Definitions

Bonus	Bonuses include annual bonus payments (performance related), long term incentives plan payment, sign-on or completion bonuses, recognition awards or any other special bonuses paid using the bonus payments, LTIP, recognition award or special bonus paycodes. Bonuses associated with referral bonuses, i.e., where an employee is paid a one-off payment for referring an employee to The Crown Estate are not included within the bonus calculation.
Bonus period	This covers any bonus payments received between 1 April 2023 and 31 March 2024.
Full-pay relevant employee	A full-pay relevant employee is one who is employed by The Crown Estate on the snapshot date of 5 April and is paid their usual full basic pay during the pay period in which the snapshot date falls (the relevant pay period). This excludes employees who are receiving pay at a reduced rate in the April 2024 payroll, as a result of being on any type of leave (maternity, paternity, shared parental, sick or any unpaid leave).
Hourly Pay	Hourly pay is the sum of ordinary pay and any bonus pay (including any pro-rated bonus pay) that was paid in the pay period in which the snapshot date falls (April 2024). Bonus payments are included if they are paid during the relevant pay period. For employees on permanent and fixed term contracts the hourly rate is calculated as: 7 days over 30.44 = 0.23. (Total monthly salary * 0.23)/weekly working hours. For our employees on casual contracts, we use their pay for the month of April and their hours

	worked for that period which provides an hourly rate. Total monthly salary/monthly working hours.
Leave	Employees not at work as a result of maternity, paternity, shared parental, sick leave, unpaid or any other leave.
Ordinary Pay	Ordinary pay includes basic pay, allowances such as flexible benefit, pension allowances, all hours and game allowances, annual leave pay and cash in lieu payments such as private medical insurance cash in lieu.
Pay period	The monthly schedule on which employees are paid on a re-occurring basis.
Relevant Employee	Those employees who are in active employment at the snapshot date. This includes full-pay relevant employees and other employees employed on the snapshot date but on less than full pay because of leave. Relevant employees are included in overall headcount and bonus gap calculations.
Relevant pay period	The month in which the snapshot date falls which is April 2024.
Snapshot Date	The specific date each year on which ethnicity pay gap calculations will be based which is 5 April 2024.
Weekly working hours	The weekly working schedule of a person in employment over a selected period. This excludes any hours for which an employee is entitled to overtime pay.