



HERBERT
SMITH
FREEHILLS

OUR 2023 UK PAY GAP REPORT



Introduction

To deliver our [Ambition 2025 strategy](#) and achieve our vision of being a world-leading international law firm, we are focused on building a culture of inclusion, high performance and collaboration.

Since the introduction of gender pay gap reporting, we have welcomed the opportunity to be more transparent. Each year, we've also gone beyond the scope of reporting requirements, by including our partner pay gap (since 2018) and our ethnicity pay gap (since 2019).

Although we continue to make progress on the gender and ethnicity balance in our partnership and across the firm, there is still much to do.

Our gender and ethnicity targets, as part of our [10 Actions for Change](#) and [8 Drivers for Gender Equity](#), focus on particular areas of diversity where we – and the legal sector – still need to improve. We will continue to review our initiatives to help us reduce the gender pay gap and ethnicity pay gap in the coming years.

Alison Brown

Executive Partner, West

Definitions

Gender pay equity vs equal pay

Gender pay equity legislation requires us to report on the difference in hourly pay and bonus payments between male and female employees across all roles at the firm. In accordance with the requirements, hourly pay data is taken on the snapshot date of 5 April 2023, and bonus data is based on payments made between 6 April 2022 and 5 April 2023.

Gender pay equity is different from equal pay. An equal-pay analysis considers whether men and women are paid equally for performing similar roles. We are confident that men and women are paid equally for doing equivalent jobs across our firm. We are also confident that men and women have an equal opportunity to earn a bonus.

Mean vs median

Mean: the mean takes the hourly pay for all male employees and adds the amounts together before dividing the total by the number of male employees to find an average. The same calculation is done for females. The difference between the two is then calculated by subtracting the mean female hourly pay from the mean male hourly pay. The number is then divided by the mean hourly pay for men and shown as a percentage.

Median: the hourly pay for males is ordered low to high, and the mid-point is selected. The same is done for females. The difference between the two mid-points is then calculated by subtracting the female hourly pay mid-point from the male hourly pay mid-point. The number is then divided by the median hourly pay for men and shown as a percentage.

Gender pay gap: employees

As in previous years, there are significantly more women than men in our lower pay quartiles because we have a high proportion of female employees in Business Services and in secretarial roles. This distribution – rather than an absence of women in the upper pay quartiles – is the primary reason for our employee gender pay gap.

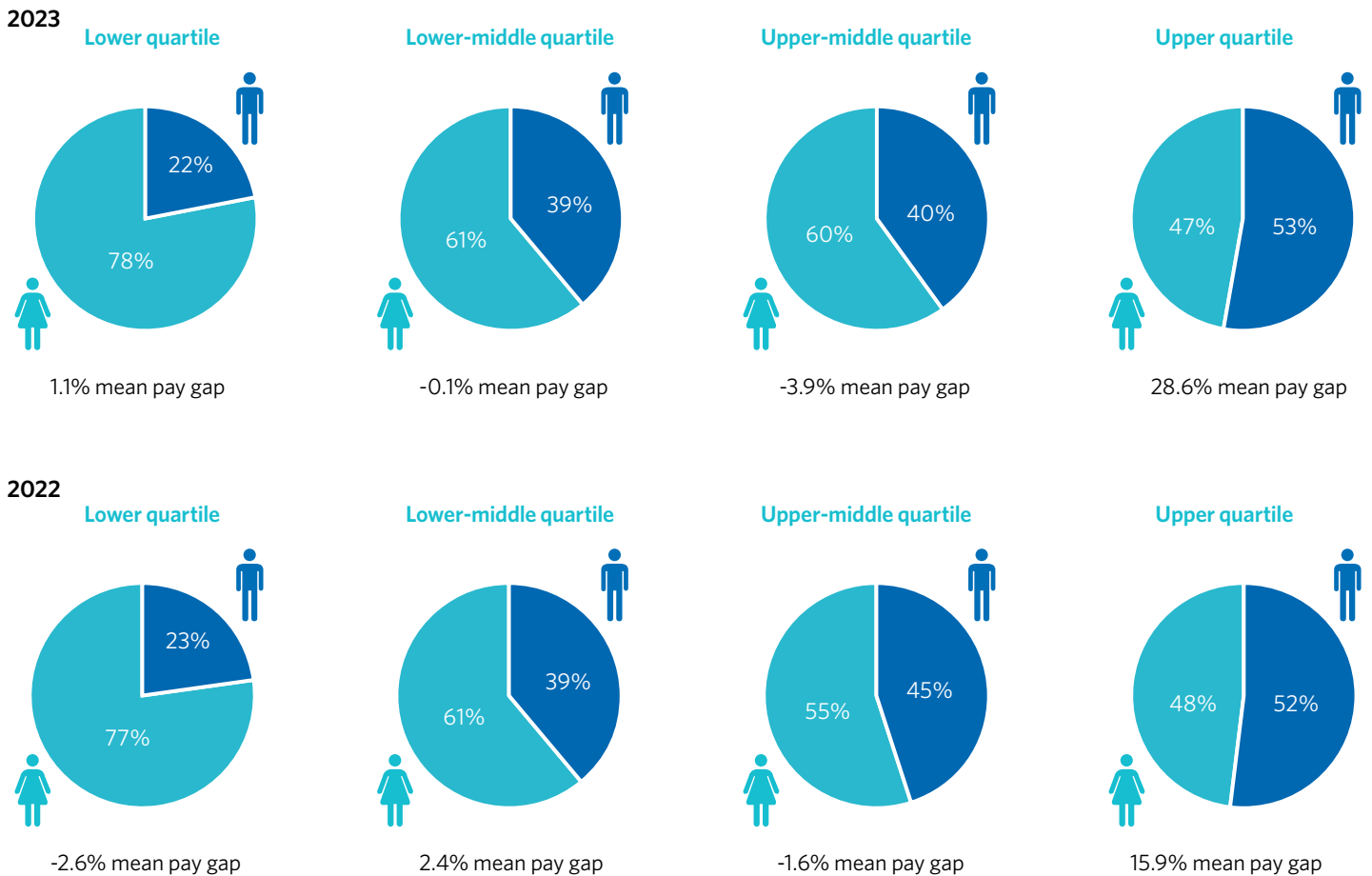
This year, the median pay gap decreased, and the mean pay gap increased. The number of women in the upper-middle quartile increased by 5%, which contributed to the reduction in the median pay gap.

The mean hourly gap reduced for both the upper-middle and lower-middle quartiles, but there was an increase in the highest and lowest quartiles. The biggest increase was in the upper quartile, made up of the highest earners in the firm. This influenced the overall pay gap.

Pay gap: employees

	2023	2022
Mean	32.3%	25.1%
Median	36.8%	39.1%

Pay quartiles: employees



Employees (continued)

Employee bonus gap

In 2023, 42% of all men and women received a bonus. This was a slight reduction from 2022.

The mean bonus gap for 2023 was almost identical to the gap in 2022, but the median bonus gap increased in 2023, to 50%.

A greater proportion of women than men received a bonus in 2023.

Given that bonuses for these roles are based on a percentage of salary – and there are more women in the lower pay quartiles – the bonus value for women is also lower.

In addition, bonuses are reported as actual values, not FTE values. As was the case last year, more women than men worked part time in 2023.

Bonus gap: employees

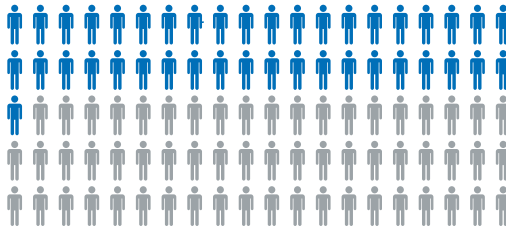
	2023	2022
Mean	34.8%	34.9%
Median	50.2%	43.8%



Proportion of women and men (employees) awarded a bonus in the reporting period for 2023



43%



41%



  Received a bonus

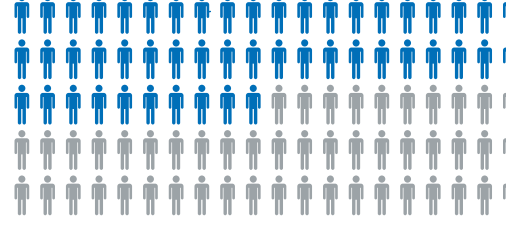
  Did not receive a bonus



Proportion of women and men (employees) awarded a bonus in the reporting period for 2022



50%



50%



  Received a bonus

  Did not receive a bonus

Gender pay gap: partners

Partners are paid differently from employees, and there are no guidelines for reporting partner pay (nor is there a requirement to report these figures).

Unlike employee pay, payments to partners are not made evenly over 12 months. Therefore, to determine an hourly pay rate for partners, we have based our calculation on full pay entitlement, rather than adopt the approach used for employees in the statutory reporting (which bases the calculation on the actual payments made in the month of April 2023 only). This is the same approach we have used in previous reports to allow for direct comparison.

A significant pay gap remains in the partnership. This is primarily because men are disproportionately represented at the more senior end of our partnership. Overall, men account for 74% of partner roles in the UK, the same as in 2022.

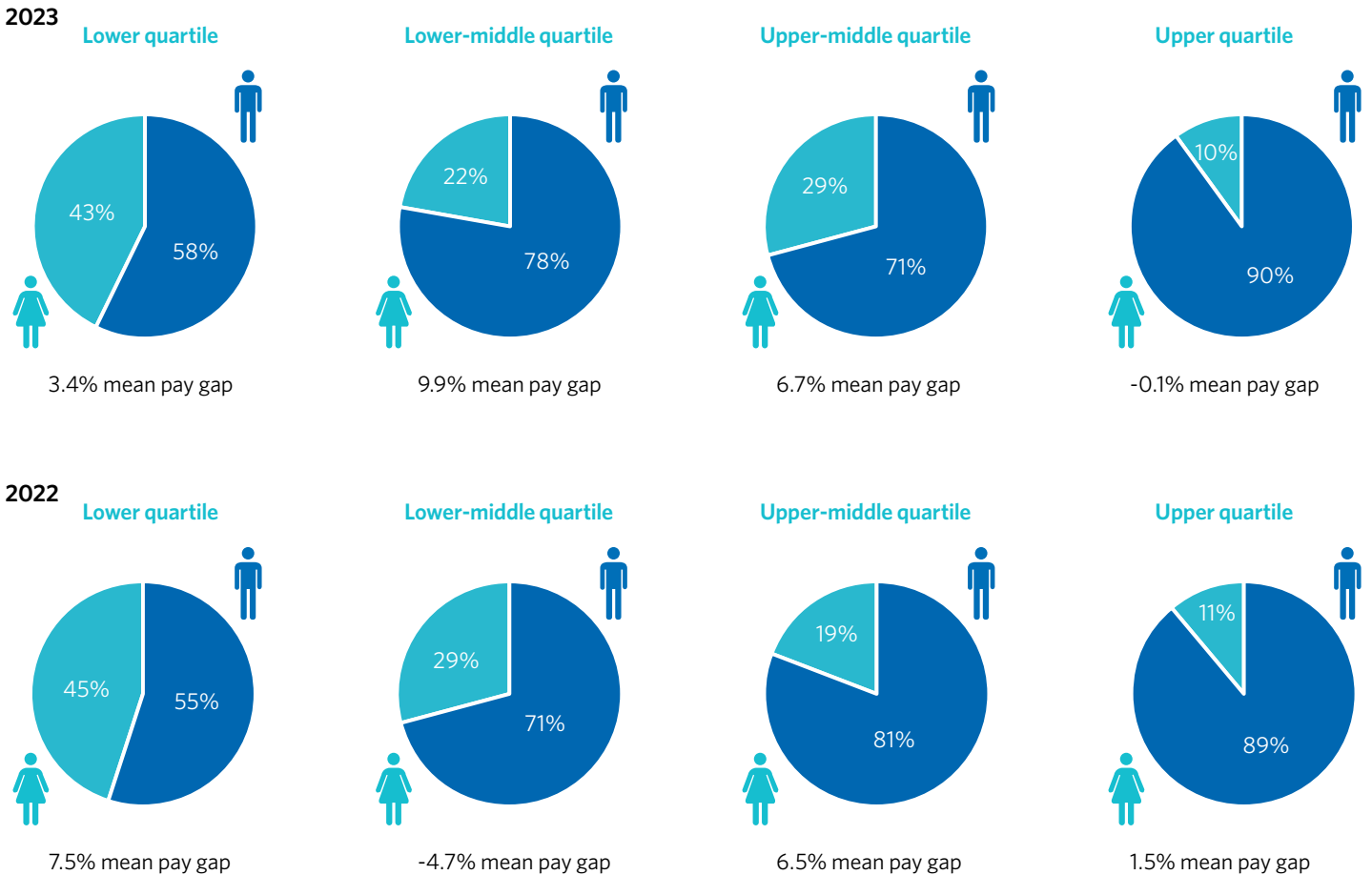
The mean pay gap dropped slightly in 2023, while the median gap increased slightly. A significant increase in the number of women in the

upper-middle quartile (29%, up from 19%) does not yet counteract the imbalance in the upper quartile, where men account for 90%.

Pay gap: partners

	2023	2022
Mean	26.6%	28.7%
Median	39.5%	36.1%

Pay quartiles: partners



Partners (continued)

Partner bonus gap

In 2023, 26% of women partners received a bonus, compared to 19% of men. Higher bonuses tend to be awarded to those in the upper quartile, which still has a higher proportion of men. As a result, a significant bonus gap remains. The size of the partner population means that small changes in headcount or number of bonus recipients can create large

shifts in the statistics. The median bonus gap was particularly affected by the small population size and relatively low percentage of people in that quartile who received bonuses.

Bonus gap: partners

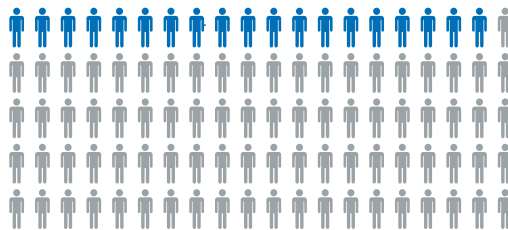
	2023	2022
Mean	13.6%	12.5%
Median	50.0%	33.3%



Proportion of women and men (partners) awarded a bonus in the reporting period for 2023

26%



19%



 Received a bonus
 Did not receive a bonus



Proportion of women and men (partners) awarded a bonus in the reporting period for 2022

26%



18%



 Received a bonus
 Did not receive a bonus

Gender pay gap: employees and partners combined

Reporting on the combined gap for employees and partners goes beyond the Government's requirements. As a reminder, partners are paid differently from employees. Therefore, to produce the most meaningful picture, we have again used the statutory reporting method for employees, combined with the annual pay entitlement for partners.

Including partners in the overall picture significantly widens the pay gap. The number of women in the partnership continues to grow, but there is still a significant imbalance, and we still have more men in more senior partner roles. This affects all the statistics, but particularly the mean calculations.

This is evident when looking at our pay quartiles. Because all our partners fall into the upper quartile, the pay gap is significant because

the population of men is much higher in the top quartile; in each of the other three quartiles, the pay gap is minimal.

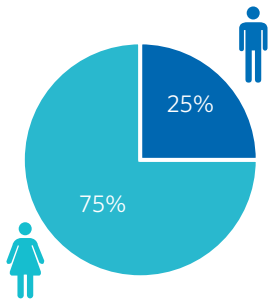
Pay gap: employees and partners

	2023	2022
Mean	60.7%	60.3%
Median	42.6%	44.8%

Pay quartiles: employees and partners

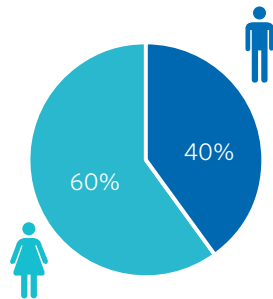
2023

Lower quartile



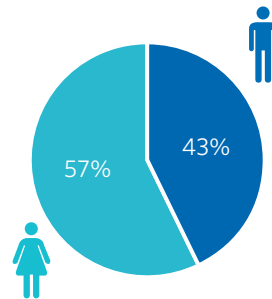
4.1% mean pay gap

Lower-middle quartile



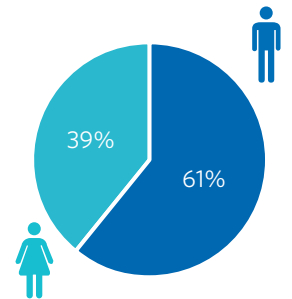
2.1% mean pay gap

Upper-middle quartile



0.8% mean pay gap

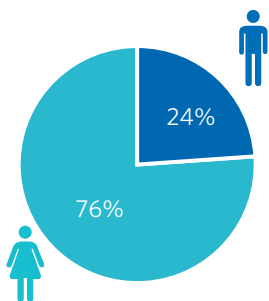
Upper quartile



49.4% mean pay gap

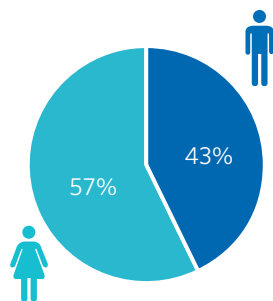
2022

Lower quartile



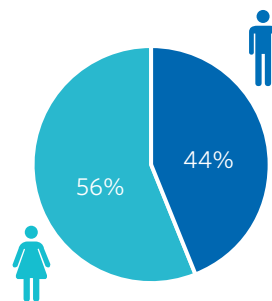
-1.8% mean pay gap

Lower-middle quartile



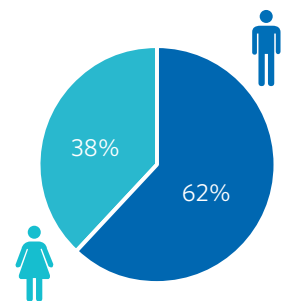
3.8% mean pay gap

Upper-middle quartile



0.8% mean pay gap

Upper quartile



47.9% mean pay gap

Bonus gap: employees and partners

A similar number of people received a bonus this year compared to 2022. Overall, a higher percentage of female colleagues received a bonus this year (42% vs 37% for male colleagues).

Both the mean and median bonus gaps increased. The gap exists because we continue to have a higher proportion of men in the upper quartile of employees and partners, and more women in the lower quartile.

The inclusion of partners in the analysis means the bonus gaps are much higher than for figures that include only employees.

Bonus gap: employees and partners

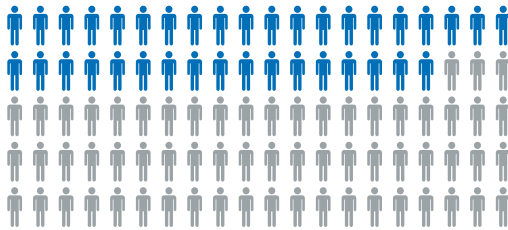
	2023	2022
Mean	48.6%	45.1%
Median	54.9%	50.1%

Proportion of women and men (employees and partners) awarded a bonus in the reporting period for 2023

42%



37%



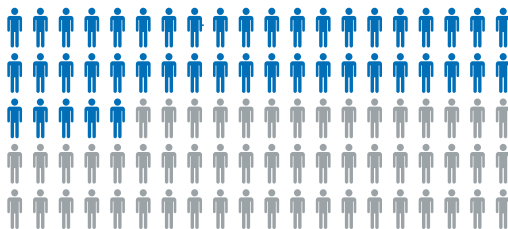
Received a bonus
 Did not receive a bonus

Proportion of women and men (employees and partners) awarded a bonus in the reporting period for 2022

49%



45%



Received a bonus
 Did not receive a bonus

Ethnicity pay gap: employees and partners combined

Four years ago, we disclosed our ethnicity pay gap for the first time. Although there is no requirement to report these figures (nor guidelines for doing this), we believe doing so is an important step in continuing to highlight any potential issues we need to address to attract and retain the best people at Herbert Smith Freehills.

To protect the privacy of individuals in different groups (partners and employees), we are disclosing a combined ethnicity pay gap. We have used the same methodology as with our gender pay gap reporting, to provide a representative figure of hourly pay that is consistent with both the employee and partner pay calculations.

This year, there was an increase in the percentage of employees and partners for whom we hold ethnicity data (76% in 2023, up from 70% in 2022). Although we do not hold ethnicity data for everyone, the data we do hold is enough to allow us to make meaningful comparisons to previous years.

Overall, we saw a reduction in the mean hourly pay gap in 2023 but an increase in the median hourly pay gap.

We saw an increase in the percentage of all minority ethnic employees and partners across all four quartiles. The pay gap in each of these quartiles has remained relatively static in recent years, with little to no gap except in our upper quartile, where the pay gap remains large. This is because we have fewer minority ethnic employees and partners than white colleagues in the firm's most senior positions. Although the percentage of minority ethnic employees in the upper pay quartile has increased (15% in 2023, up from 12%), minority ethnic representation is still lowest in this quartile.

Definitions

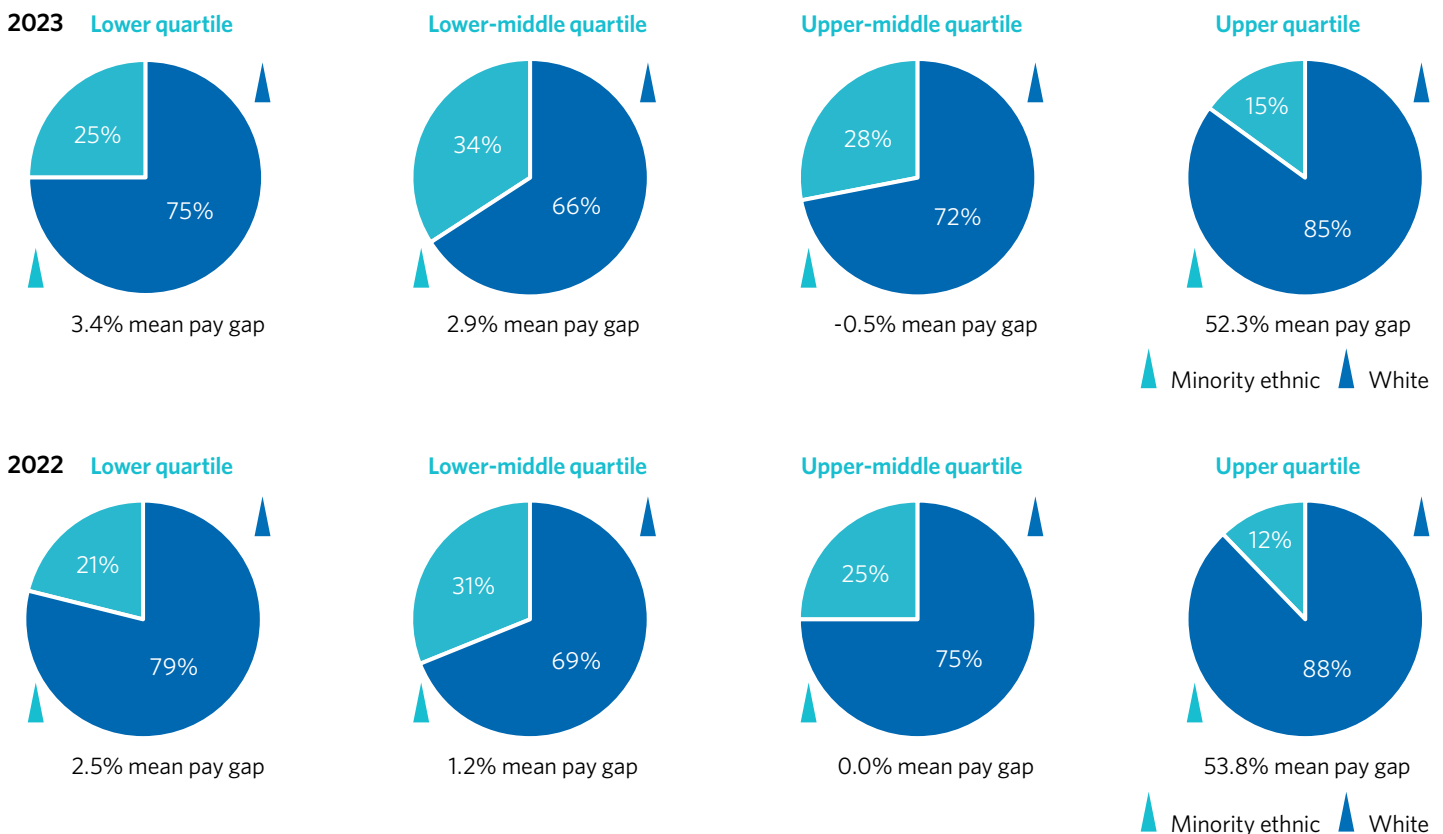
Minority ethnic

We believe it's important to acknowledge the limiting effect of terms such as 'minority ethnic'. The specific challenges and biases that affect access and progression for minority ethnic people can differ depending on ethnic background, and can be compounded by factors such as a person's social background, religion or gender (among other things). This grouping also hides specific challenges and areas of low representation. For example, our overall diversity statistics mask significant challenges in recruiting and retaining Black professionals. In addition, many of our people tell us they don't necessarily identify with the term 'minority ethnic'. Unpicking this term is important to 10 Actions for Change - our global framework for improving ethnic diversity across all our offices.

Pay gap: employees and partners

	2023	2022
Mean	53.1%	56.1%
Median	32.1%	29.6%

Pay quartiles: employees and partners



Employees and partners (continued)

Bonus gap

The average bonus remains lower for minority ethnic employees than for their white counterparts. This is primarily because employee bonus awards are based on a percentage of salary: the bonus gap reflects the pay gap. We have a larger population of white colleagues in the upper quartile of the pay structure, where salaries and bonuses are significantly higher.

Bonus gap: employees and partners

	2023	2022
Mean	34.9%	25.2%
Median	11.1%	7.9%

Proportion of white and minority ethnic employees and partners awarded a bonus in the reporting period for 2023

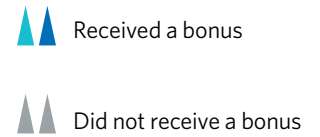
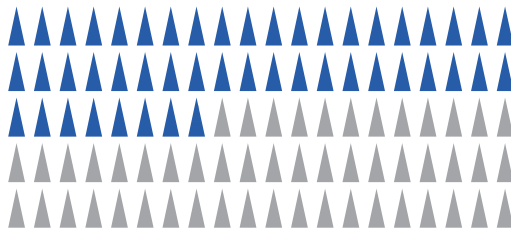
Minority ethnic:

32%



White:

48%



Proportion of white and minority ethnic employees and partners awarded a bonus in the reporting period for 2022

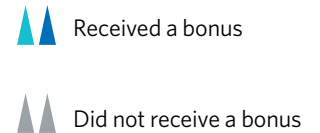
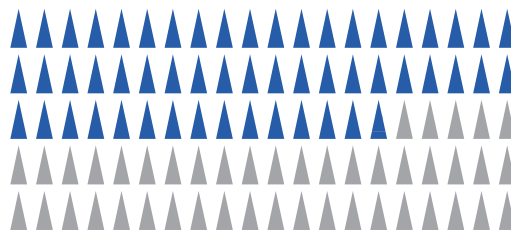
Minority ethnic:

41%



White:

55%



Taking action on gender and ethnicity

Diversity and inclusion is the work of leadership. And as part of our efforts to create a culture where everyone feels valued and supported, we work closely with our firm's leaders to address unconscious bias, promote inclusive behaviours and develop a diverse pipeline of talent in our business.

In addition to raising awareness of the effects of unconscious bias, we integrate prompts to counteract bias in key people processes, including during the partner-promotion process and pay discussions. This helps ensure that decision-makers are aware of their potential biases (and how to counteract them) when going into those discussions.

More specifically, we scrutinise people decisions – performance, bonus and salary, for example – with gender and ethnicity in mind to allow us to understand and challenge systemic biases, and ensure equity in our processes.

Ethnicity

We're pleased with the progress we've made since launching our [10 Actions for Change](#) – and very proud of the people across our network who have dedicated their time and talents to improving the representation, and experience, of Black, First Nations, Asian and minority ethnic colleagues throughout our firm.

But we still have much to do – and we will not lose our focus.

In our London office, we have set a target to have 10% minority ethnic partners by 2025. We are striving to ensure that the proportion of minority ethnic trainees we retain as newly qualified lawyers will be at least the same as the proportion of minority ethnic trainees in each intake. And we have committed to improving Black representation across all practice groups and functions.

Since we set the targets in 2020, the percentage of minority ethnic partners in London has risen from 5.6% to over 10%. We are proud to have achieved that target ahead of time, but there is still much to do to improve Black representation in the office, in particular.

Last year, the UK Executive worked with our Multiculturalism Network to refocus the Executive's support for the 10 Actions. The work was informed by input from working groups across the firm; conversations with trainees in the office's Race, Identity, Society and Ethnicity trainee network committee; lessons from external studies of the legal sector (for example, [The 1% Study](#)) and focus groups. These representatives continue to meet with the UK Executive to report on progress, and to continue advising on the direction of our work. Those conversations will now also include members of our newly formed Black Employee Network.

We continue to focus on improving diversity among people we hire. This includes working with external training provider Hemisphere to deliver unconscious bias training – with a specific lens on race and social mobility – for anyone involved in recruitment or management of others (including trainee supervisors). Completion of the training is required every two years.

On average, across our 2021/22 recruitment pool, 38% of hires were from a minority ethnic background, including 10% from Black backgrounds. Of the trainees who joined in September 2023, 50% are from a minority ethnic background, including 7% from Black backgrounds. We work closely with trainee supervisors to help create an inclusive environment.

Education and conversations also remain integral to our work on the 10 Actions. We recently re-launched a reverse-mentoring programme, which turns the traditional mentoring relationship on its head by pairing a senior leader (mentee) with a more junior colleague (mentor) from a minority ethnic background to help mentees better understand other people's perspectives and experiences. Previous participants have said the programme has helped raise awareness of weak spots and identify opportunities for the firm more widely. Our mentors have also benefited from the exposure to leaders beyond their group, and a greater understanding of leadership challenges.

This year, over 80 participants – including all members of the UK Executive – are taking part across London, Belfast and Johannesburg.

We've also created discussion forums that focus on improving understanding of non-inclusive behaviours and being an 'active bystander'. Within teams, our people have explored how they might address non-inclusive comments and how we can all be more open to learning. This exercise supports our commitment to building a more inclusive culture and finding ways for open and respectful conversation.

We're a pilot participant in Rare's new [Articles Plus programme](#), which supports Black and ethnic minority trainees and lawyers through group career-development and mentoring sessions; one-to-one mentoring; and networking events.

We're also committed to helping improve racial equity in the broader legal sector. We're a lead partner of [Legal Core](#), a cross-firm collective aimed at tackling underrepresentation of minority groups in the UK legal sector. We recently hosted a session for law firm leaders across Legal Core's 40 members to share best practice, with a focus on the role leaders play in improving inclusion in their teams.

We remain focused on improving representation of Black people in the sector. Research such as [The 1% Study](#) continues to highlight the significant lack of Black representation in the profession – particularly in legal roles. This year, we launched our Black Employee Network, which will play a key role in advocating for, and building community among, Black lawyers and Business Services professionals. The network will also support the firm's inclusion strategy by promoting the talents, skills and views of Black colleagues.

Gender

To create greater transparency and consistency about the steps we're taking, our [8 Drivers for Gender Equity](#) bring together existing and new areas of focus for making progress towards gender equity.

Since we first set gender targets in 2014, we've increased female representation in the global partnership from 18% to 31%, and the number of women partners has more than doubled. In addition, women now hold 31% of our key partner leadership roles, compared to 16% in 2014. We're pleased with our progress – but we have a long way to go to reach our goal of gender balance, and we must not lose momentum.

Taking action on gender and ethnicity (continued)

Targets have fundamentally shifted the conversations we are having about our firm – particularly about the partnership pipeline. This year, we are redoubling our focus on our gender targets in the UK: although we're making good progress, we're not making change as quickly as other regions of our global firm. Our UK Executive has agreed priority areas of focus to help improve gender balance. These include enhancing sponsorship opportunities and reviewing our parental leave policies.

Underpinning this work are numerous actions to improve gender balance – for example, analysing the talent pipeline for partnership and leadership roles; increasing focus on the number of women progressing into full equity partnership; and ensuring that junior partners have the right support from their team, as well from as the broader network.

Collaboration with each practice group on a number of these points allows us to scrutinise individual pipelines and respond to specific challenges and opportunities in each group. And we ensure momentum and accountability by conducting six-monthly meetings with each group's managing partner.

We recently relaunched our Athena Forum – aimed at improving representation of women across our global Corporate practice. The forum brings women together to hear from leaders on career progression and development – and has drawn praise for its practical focus and for providing the opportunity to create a global sense of community and mutual support.

Supporting systemic change across our firm, our GEM Networks (Gender Equity Matters) help us raise the profile of senior women for the benefit of our more junior talent; build on relationships with clients; offer opportunities such as informal mentoring; and ensure support and role-modelling are available to women at key milestones in their careers.

In September, GEM hosted a speed-mentoring session that gave junior women mentees the opportunity to have one-on-one conversations and seek career advice from senior HSF mentors in the London office. In light of research that shows that women are less likely to be vocal about career aspirations and less likely to form sponsorship or mentoring relationships with people in power, the networking session was a fantastic way to ensure women have access to support.

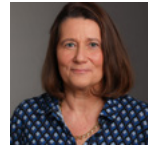
For a number of years, our clients have been challenging us to improve diversity – particularly in regard to gender – in matter teams. We've made good strides in ensuring that teams better reflect the communities where we do business. We often engage directly with our clients on shifting working practices. As a Lead Partner Law Firm for the

General Counsel for Diversity and Inclusion group, we collaborate with many of our clients to improve representation for women in the broader legal sector.

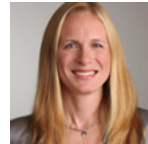
We continue to ensure our focus is representative of all women in our firm – for example, looking at the specific experiences of LGBT+ women in the workplace.

Our parental policies support all working parents, regardless of family structure, gender identity or sexual orientation. We recently launched HSF Dads United, a group aiming to support fathers and expectant fathers to come together to share their experiences, challenges and successes in juggling family life and a busy career.

We are committed to continuing and building on these activities. And we are confident the efforts we're making will not only help us reduce our pay gaps, but, importantly, will help build an environment that feels more inclusive and supportive for all our people.



Alison Brown
Executive Partner, West



Julie Cupit
Director of People, UK and EMEA

For a full list of our global offices visit [HERBERTSMITHFREEHILLS.COM](https://www.herbertsmithfreehills.com)
