



HERBERT
SMITH
FREEHILLS

OUR 2022 UK PAY GAP REPORT



Introduction

To deliver our [Ambition 2025 strategy](#) and achieve our vision of being a world-leading international law firm, known for our insights and our diverse perspectives, we must build a culture of inclusion, high performance and collaboration across our business.

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: we have included our partner pay gap since 2018 and our ethnicity pay gap since 2019 - and have reported both again this year.

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. Creating an inclusive environment where everyone can thrive remains central to everything we do: without this sort of culture, specific programmes and initiatives can't succeed.

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 the legal sector still needs to improve. We will continue to review our initiatives to ensure we reduce the gender pay gap and ethnicity pay gap in the coming years.

Alison Brown

Executive Partner, West

Definitions

Gender pay versus equal pay

Gender pay 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 2022, and bonus data is based on payments made between 6 April 2021 and 5 April 2022.

Gender pay 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, both the mean and median pay gap reduced. The number of women in both the upper and lower quartiles dropped, fairly evenly. But we added more women and lost more men in the upper-middle quartile; this has likely contributed to the overall decrease in the pay gap.

Pay gap: employees

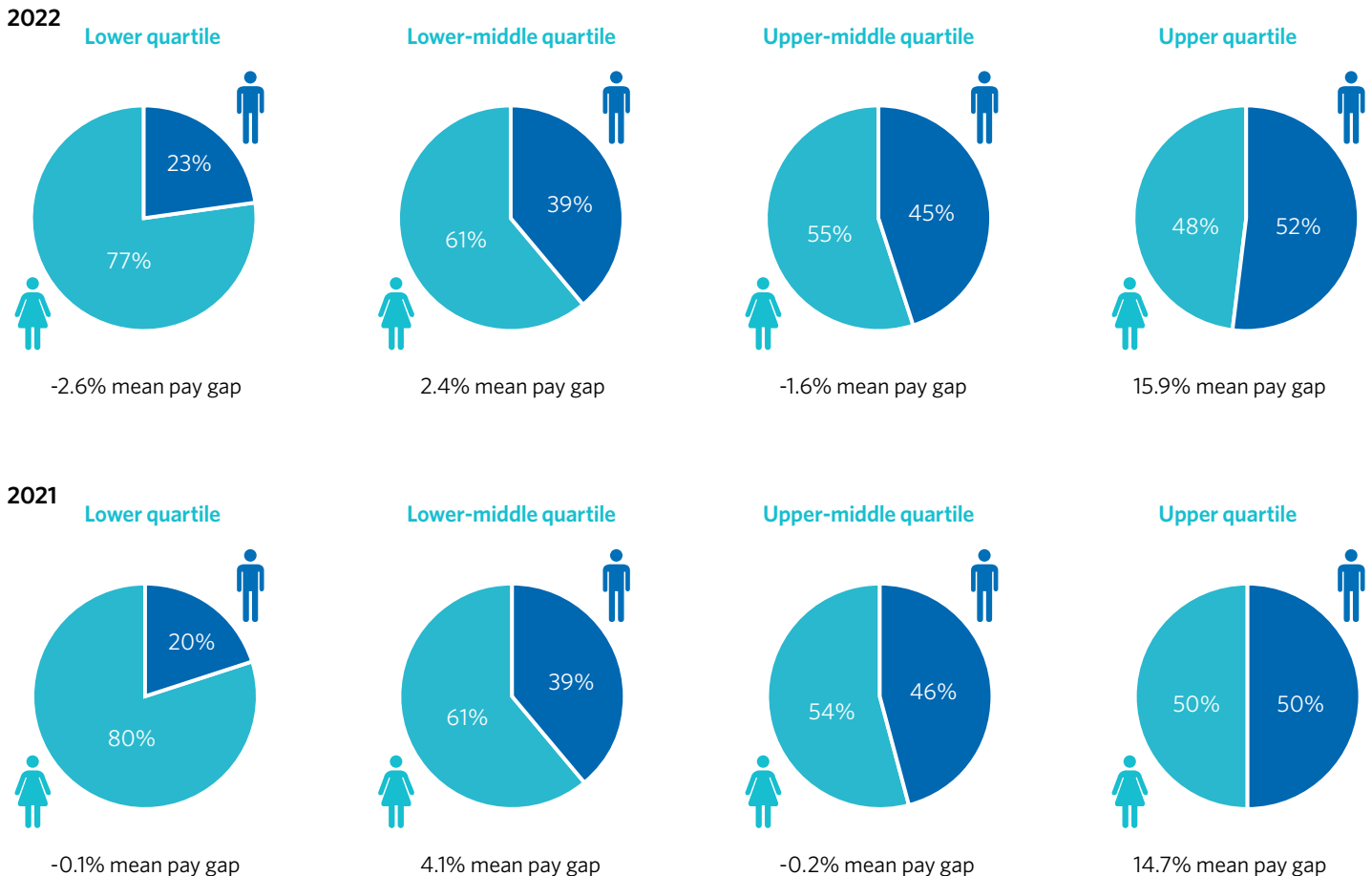
	2022	2021
Mean	25.1%	25.5%
Median	39.1%	41.2%

Overall, the pay gap decreased in all but the upper quartile, where we saw an increase of 1.2 percentage points in the mean hourly pay gap. Because this quartile is made up of the highest earners within the firm, the mean salary for men is even higher in this quartile – and this influences the overall pay gap.

There was further progress in the lower and upper-middle quartiles, the gap has increased *in favour* of women.

The mean and median hourly pay rate again increased slightly for both men and women. However, the mean rate increased more for men. This was because the proportion of men in the upper pay quartile increased, while the proportion of women in the same quartile decreased.

Pay quartiles: employees



Employees (continued)

Employee bonus gap

The overall percentage of bonus recipients dropped significantly this year as we returned to a normal bonus scheme. (The firm made a one-off payment of 5% of salary – considered a bonus for reporting purposes – to the vast majority of employees in March 2021, which meant that more employees than usual received a bonus in 2021.)

In 2022, half of all men and women received a bonus. This was also a drop from 2020.

Both the mean and median bonus gap increased in 2022 – there was a particularly significant increase in the median bonus. Many employees in the lower pay quartiles were less likely to have received a bonus this year – whereas most would have received one in 2021 as part of the one-off payment to all staff.

But when we compare 2022 to the most recent 'typical' bonus year (2020), both the mean and median bonus gap dropped significantly, by 7 and 14 percentage points respectively.

Despite this significant change, a gap remains. 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.

Bonuses are reported as actual values, not FTE values. And as was the case last year, more women than men work part time. In addition, bonuses paid to women are more likely to be reduced to reflect long-term absences such as maternity leave.

Bonus gap: employees

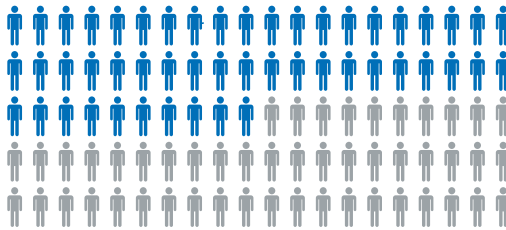
	2022	2021	2020
Mean	34.9%	31.3%	41.9%
Median	43.8%	24.1%	57.8%



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

50%



50%



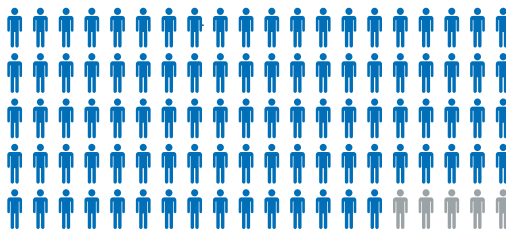
 Received a bonus
 Did not receive a bonus



Proportion of women and men (employees) awarded a bonus in the reporting period for 2021

97%



95%



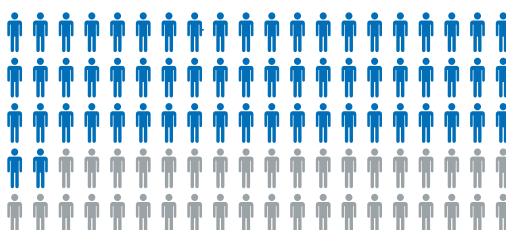
 Received a bonus
 Did not receive a bonus



Proportion of women and men (employees) awarded a bonus in the reporting period for 2020

56%



62%



 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 2022 only). This is the same approach we used in our previous reports to allow for direct comparison.

A significant pay gap remains in the partnership. This is largely because men hold a much greater proportion of partner roles (74% in 2022; 76% in 2021). Because the partnership has historically been mostly made up of men, men continue to be disproportionately represented at the more senior end.

The mean pay gap increased slightly in 2022, while the median gap reduced slightly. One contributing factor was small a reduction in the

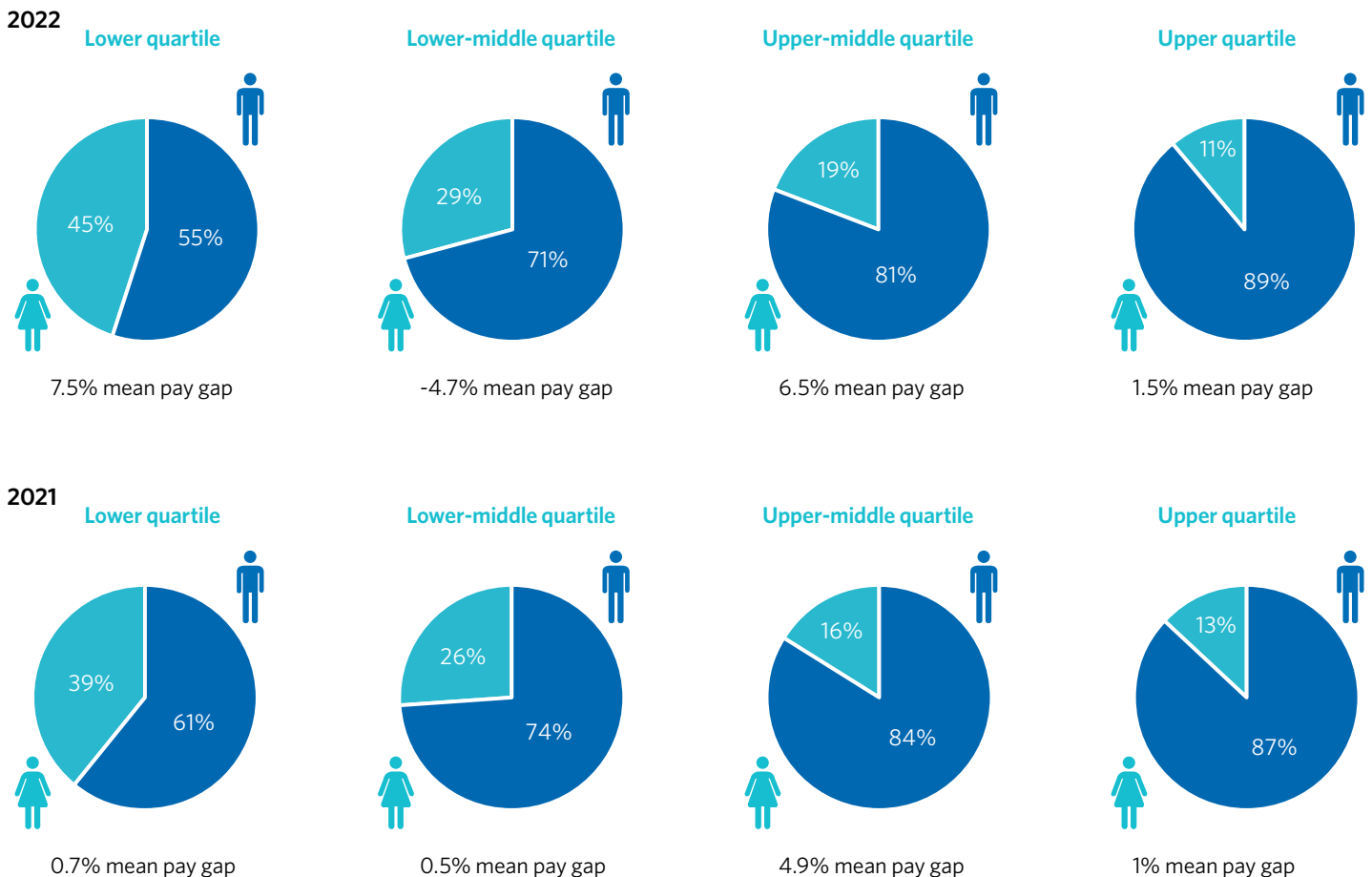
number of women within the upper pay quartile (while the number of men in this quartile remained constant). Conversely, the number of women in the middle two quartiles grew - which helped close the median pay gap.

Overall, the number of women in the partnership increased slightly from 2021. Because the number of partners in scope for analysis is relatively low, small changes can have a significant effect on the statistics.

Pay gap: partners

	2022	2021
Mean	28.7%	26.8%
Median	36.1%	39.6%

Pay quartiles: partners



Partners (continued)

Partner bonus gap

As has been the case in previous years, a larger proportion of female than male partners received a bonus. Compared to 2021, a smaller proportion of men received a bonus this year while the proportion of women receiving a bonus remained consistent

The size of the partner population means that small changes in headcount or number of bonus recipients can create large shifts in the statistics. This likely influenced the bonus gap this year..

Bonus gap: partners

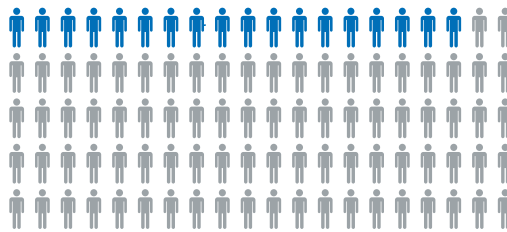
	2022	2021
Mean	12.5%	-6.7%
Median	33.3%	0%


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


26%



18%



 Received a bonus

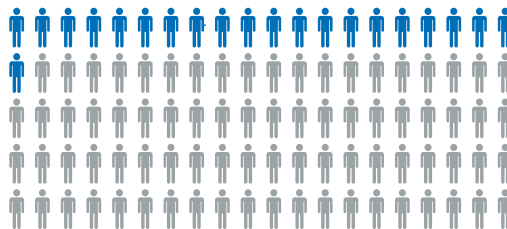
 Did not receive a bonus


Proportion of women and men (partners) awarded a bonus in the reporting period for 2021


25%



21%



 Received a bonus

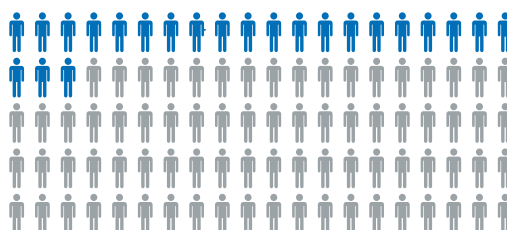
 Did not receive a bonus


Proportion of women and men (partners) awarded a bonus in the reporting period for 2020


26%



23%



 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.

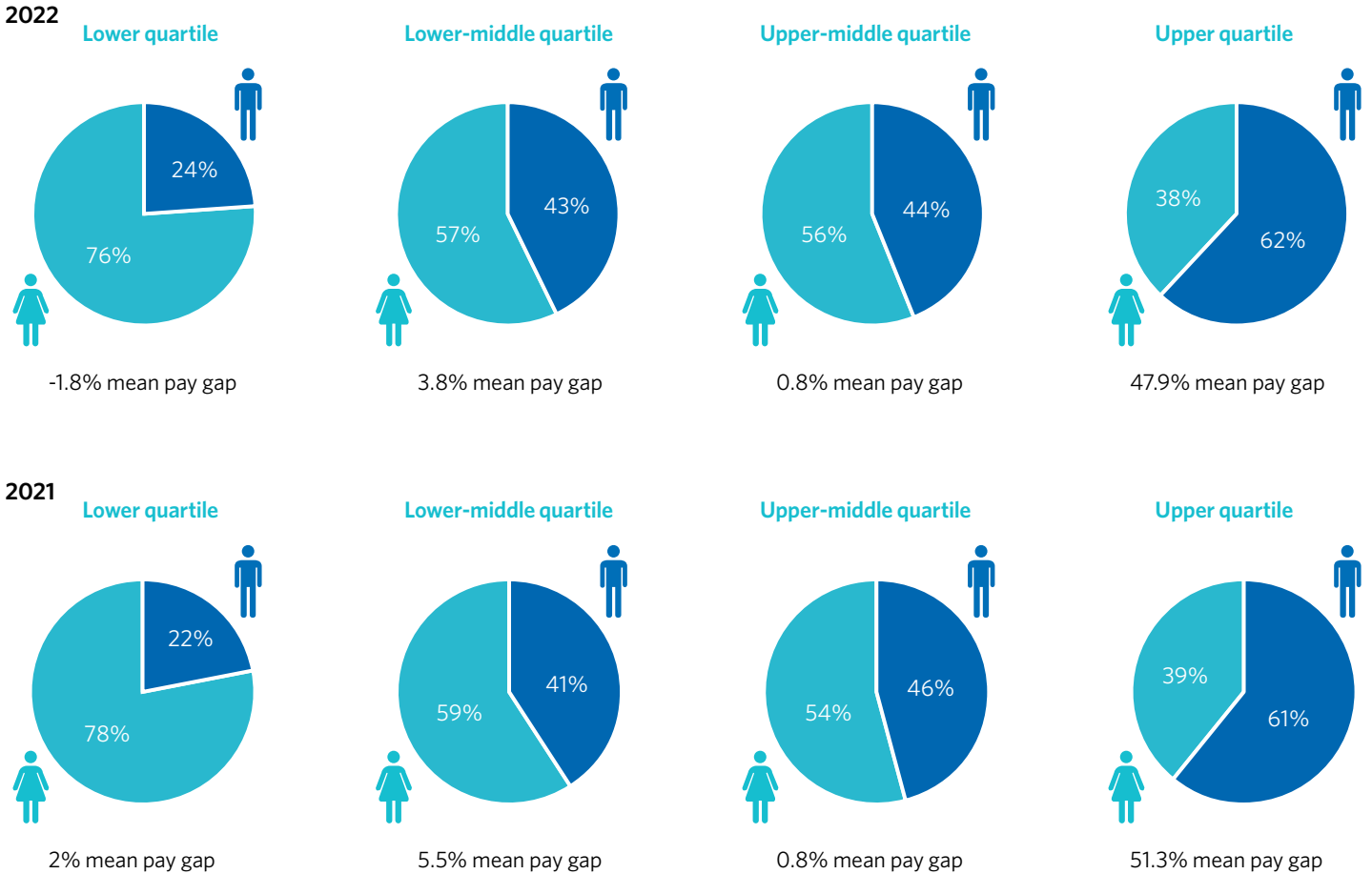
As explained in previous reports, including partners in the overall picture significantly widens the pay gap. The number of women in the partnership continues to grow, but there is still a significant imbalance. Men are therefore more likely to receive higher salaries and, proportionately, higher bonuses.

This is evident when looking at our pay quartiles. Because all 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. This year, the gap is negative (in favour of women) in the lower quartile.

Pay gap: employees and partners

	2022	2021
Mean	60.3%	62.1%
Median	44.8%	40.7%

Pay quartiles: employees and partners



Employees and partners (continued)

Employee and partner bonus gap

As mentioned, far fewer people received a bonus this year. A similar percentage of male and female colleagues received a bonus this year. Once again, a slightly greater proportion of women received this payment.

Both the mean and median bonus gaps increased. The much larger rise in the median bonus gap figure can be explained in part by the absence this year of the one-off payment that went to all staff in 2021. This meant fewer lower earners got a bonus in 2022. Because bonuses are paid as a percentage of salary, the median bonus shifted more toward the upper end of the scale. Because the relevant quartiles have more men in them than the lower quartiles, the gap tends to be larger.

As noted in the analysis of employee bonuses, the one-off payment that took place in 2021 makes it difficult to draw comparisons to last year. However, when we compare 2022 to 2020, there has been significant reduction in mean and median bonus gaps.

Bonus gap: employees and partners

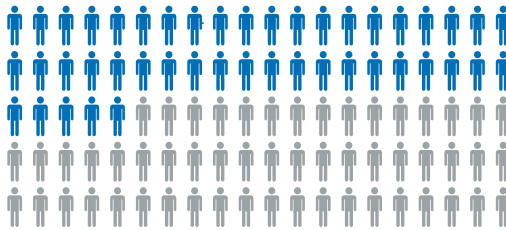
	2022	2021	2020
Mean	45.1%	40.3%	54.8%
Median	50.1%	26.2%	61.4%



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

49%



45%



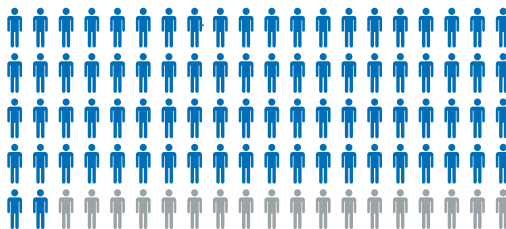
 Received a bonus
 Did not receive a bonus



Proportion of women and men (employees and partners) awarded a bonus in the reporting period for 2021

94%



82%



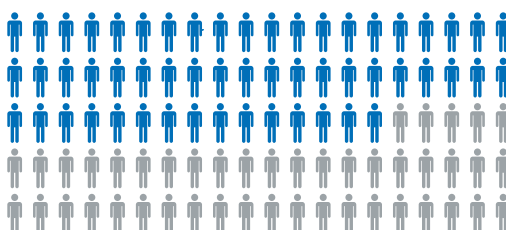
 Received a bonus
 Did not receive a bonus



Proportion of women and men (employees and partners) awarded a bonus in the reporting period for 2020

55%



55%



 Received a bonus
 Did not receive a bonus

Ethnicity pay gap: employees and partners combined

Three 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.

Despite an increase in the total number of employees in scope for pay analysis this year, we saw a slight drop in the percentage for whom we hold ethnicity information (74% to 70%). However, the difference is small enough that we can still make meaningful comparisons to previous years.

Overall, we have seen a reduction in both the median and mean pay gaps this year.

The composition of employee ethnicities in each pay quartile has remained relatively static since last year. However, we have seen a narrowing of the pay gap at both the upper quartile and the lower-middle quartile. There was little movement in the other two quartiles. There is little to no gap except in the upper quartile, where, despite some progress, the pay gap remains large. We believe our ethnicity pay gap is a result of the fact that we have fewer minority ethnic employees and partners than white colleagues in senior positions within the firm. This is particularly apparent within our pay quartiles. The distribution of all minority ethnic and white colleagues is fairly consistent across each of the quartiles, with the exception of the upper quartile – which is almost entirely populated by white colleagues (and is where all our partners fall).

Definitions

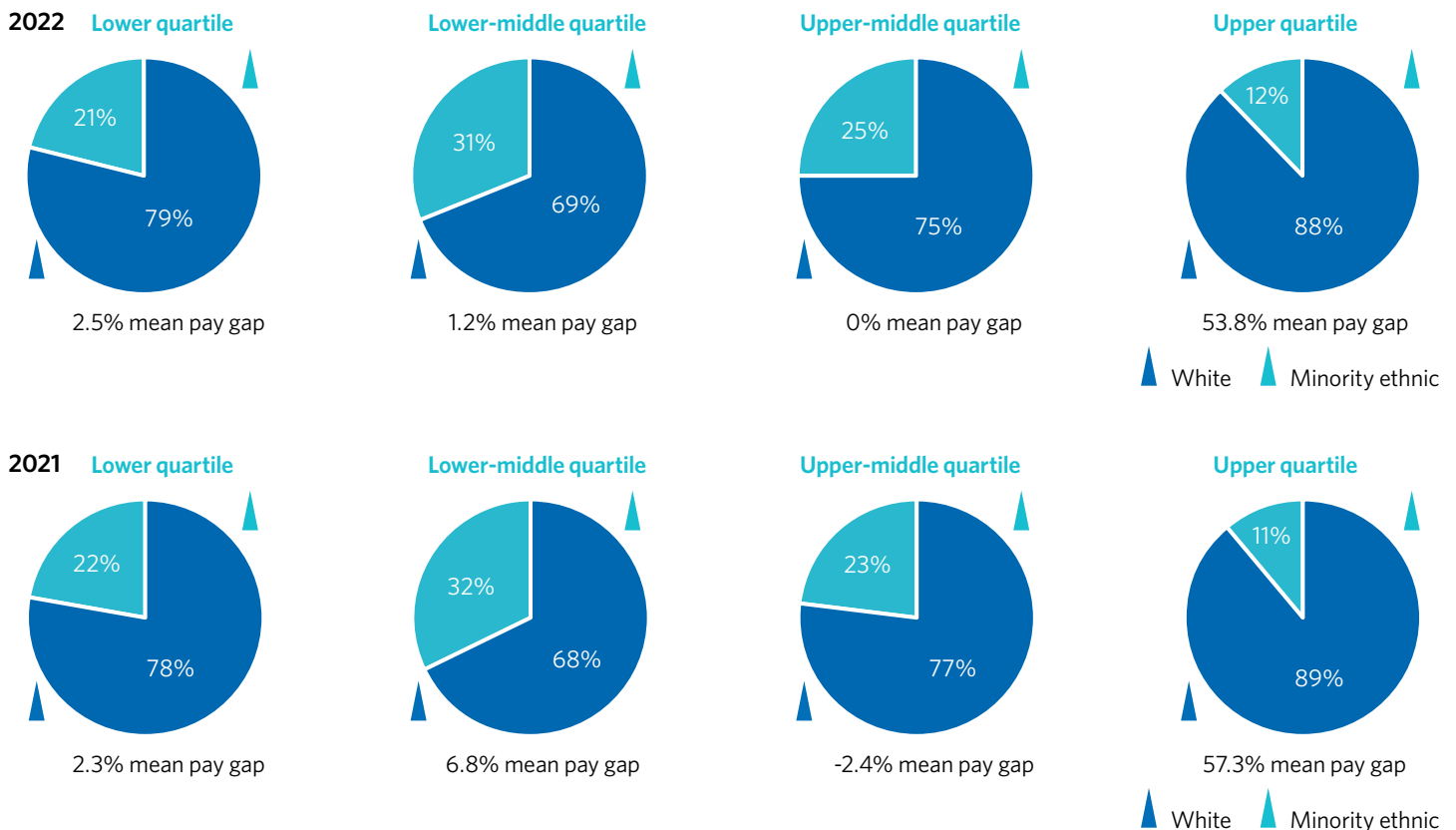
Minority ethnic

We believe it's important to acknowledge the limiting effect of terms such as 'minority ethnic' – as the specific challenges and biases that affect access and progression for minority ethnic people can differ depending on specific 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 organisations. 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 crucial to 10 Actions for Change – our global framework for improving ethnic diversity across all our offices.

Nearly 40% of all trainees for whom we hold ethnicity data are recorded as minority ethnic. As these individuals qualify over the next two years, we will see a rise in the number of minority ethnic people represented within the two higher quartiles – and, in turn, should also see the overall pay gap change.

Pay gap: employees and partners

	2022	2021
Mean	56.1%	58.5%
Median	29.6%	34.8%



Employees and partners (continued)

Employee and partner bonus gap

As with all other bonus stats in this report, the percentage of bonus recipients is lower this year because of the one-off payments made in 2021. We have again included 2020 as a comparator for the bonus figures due to the unusual nature of the 2021 payments. This year, we also saw a lower percentage of bonus recipients across both minority ethnic and white colleagues compared to 2020.

The average bonus remains lower for minority ethnic employees compared to their white counterparts. However, when comparing this year to 2020, we see significant drops in both the mean and median bonus gap, with the mean bonus gap narrowing by 17 percentage points and the median by 28 percentage points. This was driven in large part by the fact that the median bonus gap among employees in 2022 favoured minority ethnic colleagues.

We believe the discrepancy in the average bonus is because we have a larger population of white colleagues in the upper quartiles of our pay structures, where salaries (and corresponding bonuses, as a percentage of pay) are significantly higher.

Bonus gap: employees and partners

	2022	2021	2020
Mean	25.2%	27.3%	42.2%
Median	7.9%	21.6%	35.9%

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

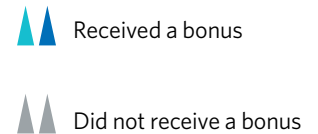
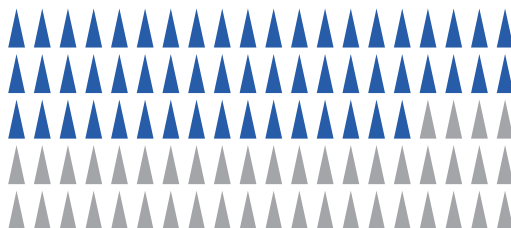
Minority ethnic:

41%



White:

55%



Proportion of white and minority ethnic employees and partners awarded a bonus in the reporting period for 2021

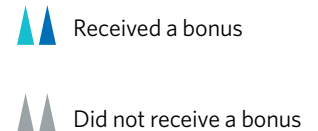
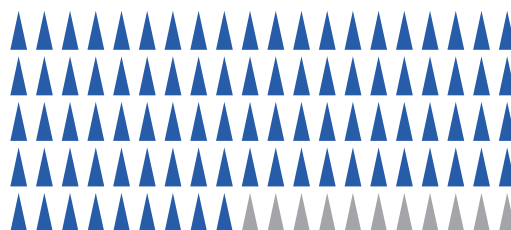
Minority ethnic:

96%



White:

89%



Proportion of white and minority ethnic employees and partners awarded a bonus in the reporting period for 2020

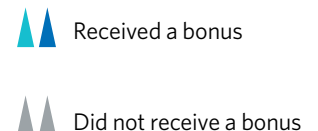
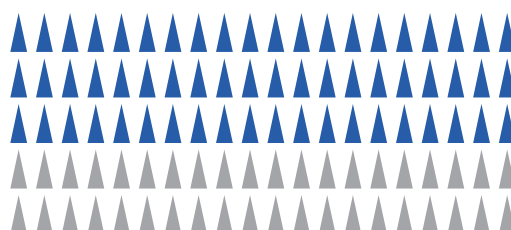
Minority ethnic:

52%



White:

60%



Taking action on gender and ethnicity

People and culture are at the heart of our Ambition 2025 strategy – which seeks to foster ambition, diversity and high performance across our global network. Initiatives alone aren't enough to bring change: our focus is on ensuring we have an inclusive organisational culture, where the wellbeing of all our people is a key priority.

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 running specific unconscious bias-awareness workshops, we integrate prompts to counteract bias into 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 ratings, 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. In practice, this means discussing the impact of remuneration on gender and ethnicity pay gaps – during individual and practice group conversations, and when the UK Executive is considering high-level decisions.

Ethnicity

Since we launched our [10 Actions for Change](#), we've made great strides in improving ethnic diversity in our firm.

We still have much to do – and we will not lose our focus. But we're pleased with our progress – 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.

In our London office, we have set a target to have 10% minority ethnic partners by 2025. In addition, 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.

Progress against these targets includes improving ethnic diversity within the London partnership – the percentage of minority ethnic partners in London has risen to 7% (from 5.6% when we set the target). The targets focus our efforts to remove systemic barriers to racial equity, and, in combination with our 10 Actions for Change, targets have fundamentally shifted our conversations.

Underpinning this work are a wide range of actions and initiatives aimed at improving racial equity.

The UK Executive recently worked with our Multiculturalism Network to refresh and refocus the Executive's support for the 10 Actions. The exercise also took input from working groups across the firm; conversations with trainees in the office's BAME Committee; lessons from external studies of the legal sector (for example, [The 1% Study](#)) and focus groups. Key actions as a result have included a campaign on non-inclusive behaviours, and development of a plan for ongoing learning about anti-racism.

Those representatives will continue to meet with the UK Executive to report on the impact of these initiatives, and to continue advising on the strategic direction of our work.

We continue to focus on improving diversity among people we hire. This includes training – with a specific lens on race and social mobility – for anyone involved in recruitment or management of others (including trainee supervisors).

On average, across our 2021/22 recruitment pool, 38% of hires were from a minority ethnic background, including 10% from Black backgrounds. 31% of trainees who joined in March 2023 are from a minority ethnic background. We work closely with trainee supervisors not just on the technical elements of supporting new trainees – but to equip them to understand and challenge biases, and help create an inclusive environment.

Education and conversations also remain integral to our work on the 10 Actions. Our reverse-mentoring programme 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. In its first round, nearly 100 participants took part across London and Belfast; we're set to run the scheme again this year. We continue to collaborate with consultancy firm [Inner Ambitions](#) to deliver sessions on building knowledge about systemic racism and sharing practical methods for addressing systemic barriers and challenging unacceptable behaviour – in the workplace and across society.

We're a pilot participant of Rare's new [Articles Plus programme](#), which supports black and minority ethnic 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 – and in society, in general. As part of our commitment to engaging with our clients on anti-racism (and diversity and inclusion more broadly), client-relationship partners and Business Development teams joined worked with external consultancy [APS](#) to learn more about having impactful conversations with clients. And 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 are tracking progress against the 10 Actions globally, including collecting ethnicity data across all offices where we're legally permitted to do so.

Helping support and lead this work, the firm's internal Multiculturalism Network and BAME Trainee Committee allow people to share experiences, support colleagues and develop contacts. These groups also engage with clients to help raise awareness of minority ethnic issues. Open to anyone interested in improving ethnic diversity or learning about different cultures or religions – regardless of background or ethnicity – these networks are a thriving part of our firm's culture.

Taking action on gender and ethnicity (continued)

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 30%, and the number of women partners has increased by 85%. In addition, women now hold 30% 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 parity, and we must not lose momentum.

Targets have fundamentally shifted the conversations we are having about the makeup of our firm – particularly about the partnership pipeline. They have also been instrumental in ensuring accountability among our leadership teams.

Underpinning this work are numerous actions to improve gender balance – for example, analysing the talent pipeline for partnership, including the leadership pipeline; increasing focus on the number of women progressing into partner leadership roles; 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.

Our gender networks 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.

The London Women Lawyers Network recently launched a campaign in which a range of senior role models talk about career highlights, challenges and useful advice they've received or would like to share.

We're increasingly focused on ensuring we're representative of all women in our firm – for example, looking at the specific experiences of LGBT+ women in the workplace.

We offer generous parental policies to support all working parents, regardless of family structure, gender identity or sexual orientation – and a bespoke online portal that provides parents and carers with access to personalised tools and resources.

We are working to challenge structures that see women taking on the majority of unpaid care; only by changing these norms will we ultimately achieve gender parity at work and in the home. In support of this, our Family Network recently hosted a session focused on engaging dads, covering all aspects of fatherhood and men's mental health. We're working to further develop in this area, for the benefit of all working parents at the firm.

In addition, we remain committed to better supporting people returning from parental leave – as this can be a challenging time of adjusting to new routines, rebuilding client relationships and maintaining career progression. We run sessions in each of the firm's regions to bring together people who are on parental leave – or are preparing to go or returning – to encourage people to share experiences and insights with colleagues in similar life stage.

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)
