



HERBERT
SMITH
FREEHILLS

OUR 2020 UK PAY GAP REPORT



Introduction

Our vision – to be the leading global law firm for diversity and inclusion – is ambitious. We recognise the power of diversity and inclusion to drive innovation, collaboration and results. By enabling our people to be their unique selves every day, we are leading for inclusion.

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 included our partner pay gap in 2018 and our ethnicity pay gap in 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 targets and 10 Actions for Change are focused on those 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 2020, and bonus data is based on payments made between 6 April 2019 and 5 April 2020.

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, and 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. That 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. That number is then divided by the median hourly pay for men and shown as a percentage.

Gender pay gap: employees

As we've mentioned in previous reports, our analysis of different employee groups shows that we have a disproportionate number of women in jobs within the lower pay quartiles. This is an ongoing challenge for us, in particular because of the high percentage of female employees within Business Services and in secretarial roles. We believe this is the primary reason for our employee gender pay gap, rather than an absence of women in the higher pay quartiles.

The gap has widened slightly this year; we believe this is largely because of population changes within our workforce. In the lowest pay quartile, in particular, the number of male employees has decreased, while the number of female employees has increased. Therefore we have proportionately more women in the lowest pay quartile than we did last year; this affects our overall pay gap.

The median and mean hourly pay rate has increased for all employees. However, it has increased more significantly for men than for women. Again, we believe that this is a result of the fact that there is a larger population of women in the lower pay quartiles, where pay increases are typically smaller.

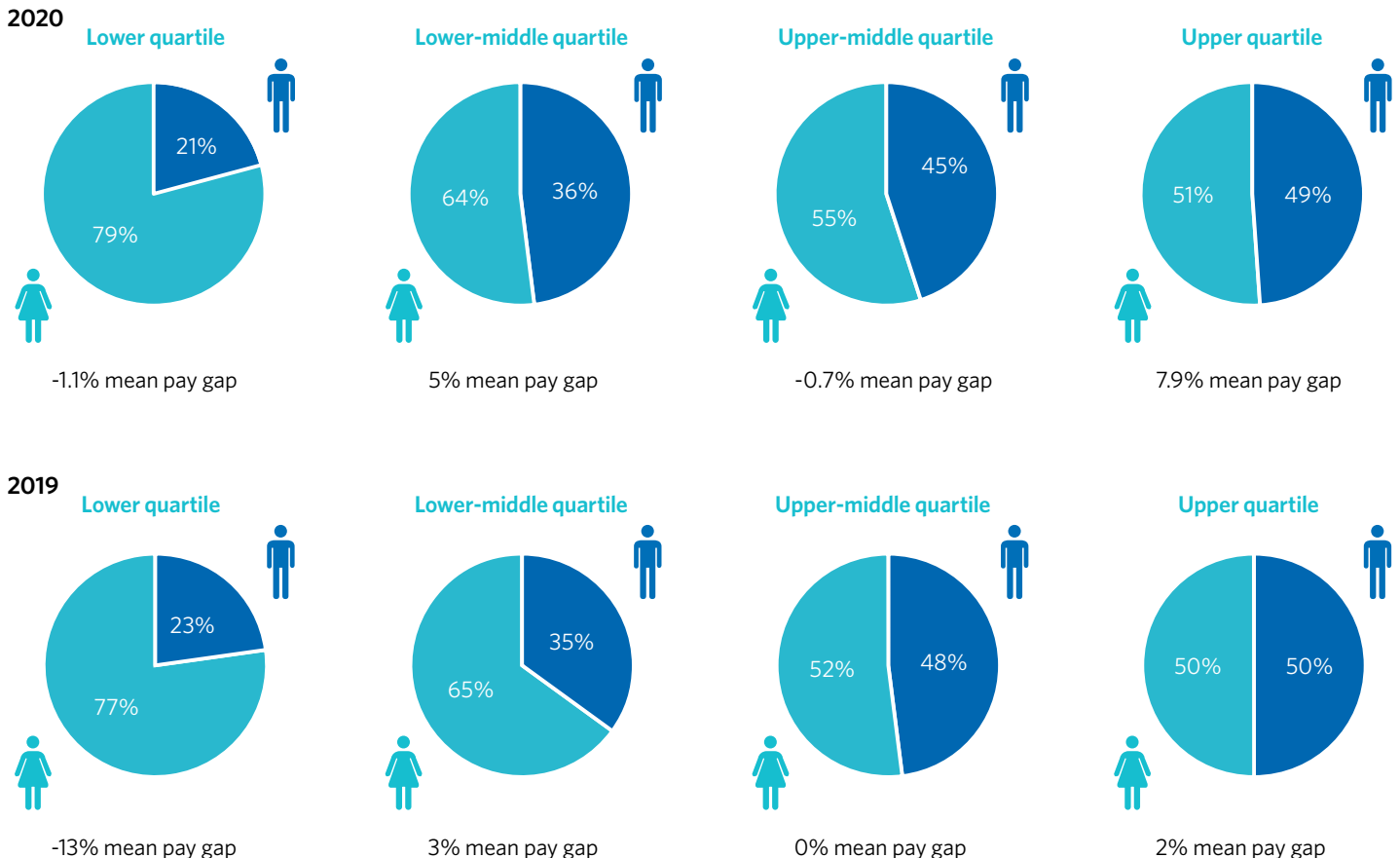
The number of women in our two highest pay quartiles increased this year, but that increase does not balance out the overall effect of population changes on our gender pay gap.

The pay gap at each quartile is significantly smaller than the overall pay gap and, in most cases, is either minimal or negative (in favour of women).

Pay gap: employees

	2020	2019
Mean	21.3%	19.0%
Median	41.5%	38.3%

Pay quartiles: employees



Employees (continued)

Employee bonus gap

We believe the primary reason for our bonus gap is that bonuses are reported as actual values, not FTE values. We have more women than men working part time, and the bonuses paid to women are more likely to be reduced to reflect long-term absences such as maternity leave.

The gap between the median male and female bonus amounts increased significantly this year. We believe this is because the percentage of women in lower-paid roles increased this year. Given that bonuses for these roles are based on a percentage of salary, the median bonus value for women is also lower.

In addition, under a new Business Services bonus scheme introduced in July 2019, the total number of employees who received a bonus dropped significantly in the 2020 reporting period. In the 2019 analysis, 80% of Business Services/secretarial employees received a bonus; this year, 58% did.

This change affected both men and women. But because 70% of Business Services/secretarial employees are female, the change had a greater impact on women.

The average bonus amount for those in Business Services who did receive a bonus increased, however, and we believe that is the reason the mean bonus gap fell compared to last year.

Bonus gap: employees

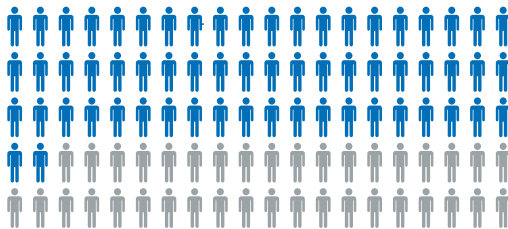
	2020	2019
Mean	41.9%	46.7%
Median	57.8%	41.7%



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

56%



62%



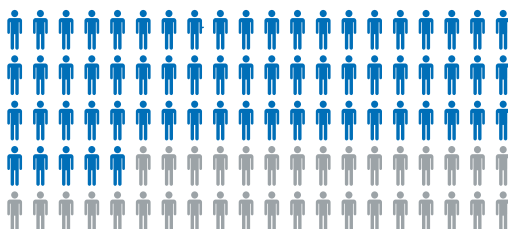
 Received a bonus
 Did not receive a bonus



Proportion of women and men (employees) awarded a bonus in the reporting period for 2019

70%



65%



 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 2020 only). This is the same approach we have used in previous reports, to allow for direct comparison.

Our partnership continues to have a significant pay gap. As we explained in previous reports, this is because men make up a high proportion of these roles (77%). The more senior end of the partnership includes an even more disproportionate number of men, as men have historically made up a greater percentage of partners.

The mean and median hourly pay gap for partners has decreased this year; we believe this is because of changes in the partner population,

specifically that there are now more women in the upper pay quartile and slightly fewer in the lower pay quartile.

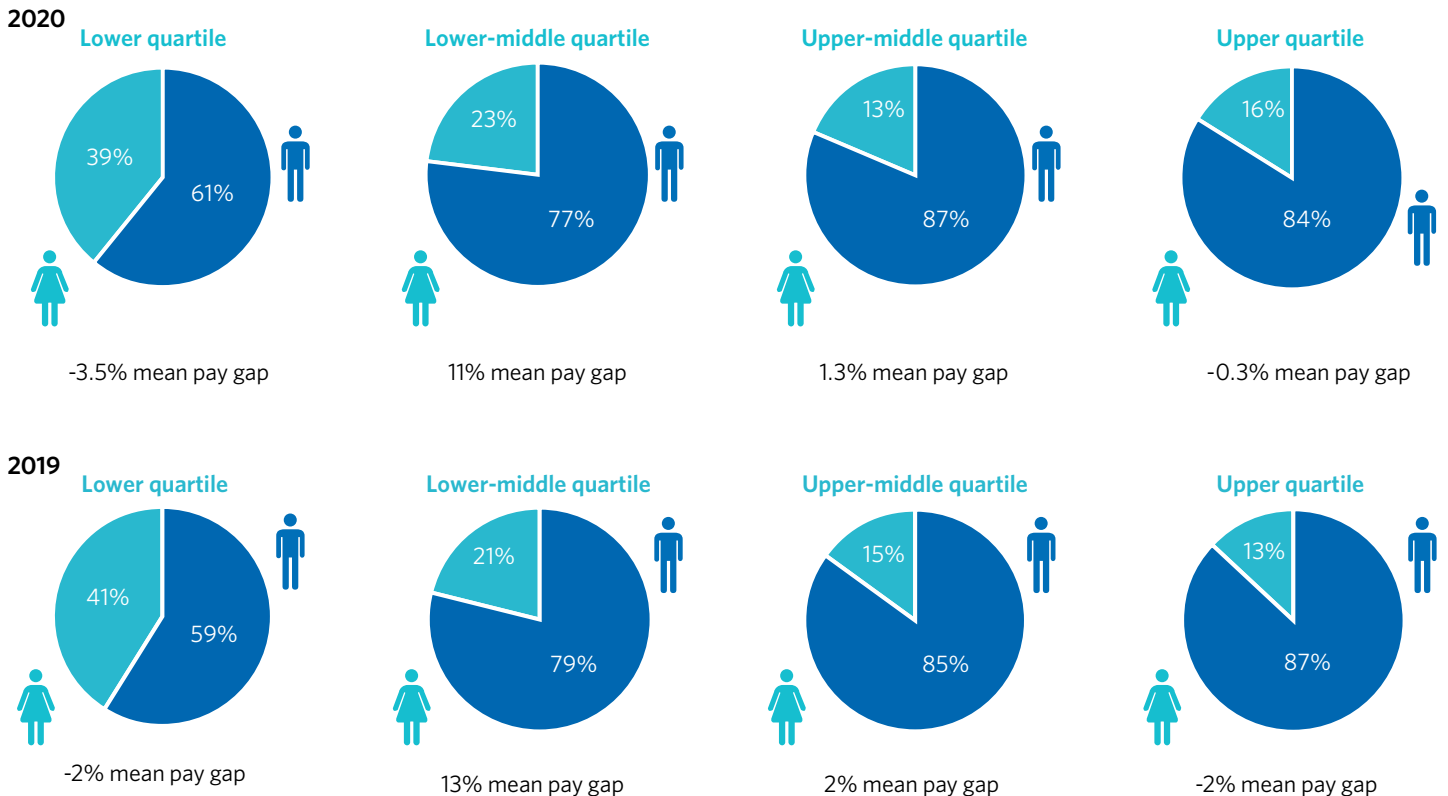
Because the number of partners in scope for analysis is relatively low, small changes can have a significant effect on the statistics. This may reflect changes in population make-up (rather than a positive trend) and may fluctuate each year; we will continue to monitor it.

Pay gap: partners

	2020	2019
Mean	23.7%	27.2%
Median	39.5%	57.2%

The percentage of female partners in the top two quartiles increased this year, while the percentage in the lower two quartiles decreased. We believe these population changes are the primary reason for the decrease in our partner pay gap this year.

Pay quartiles: partners



Partners (continued)

Partner bonus gap

The percentage of partners who received a bonus this year increased overall. However, the percentage of male partners receiving a bonus increased more significantly than the percentage of female partners who received one. We believe this is the primary reason for the increase in the mean bonus gap.

lower for female partners than for male partners; this results in a mean bonus gap. We believe this because a large number of our female partners are at the lower end of the partnership structure. We anticipate that this gap will narrow over time, as female partners move up the partnership ladder.

A greater proportion of female partners received a bonus compared to their male counterparts. However, the average bonus payment was

The median bonus gap remained 0%.

Bonus gap: partners

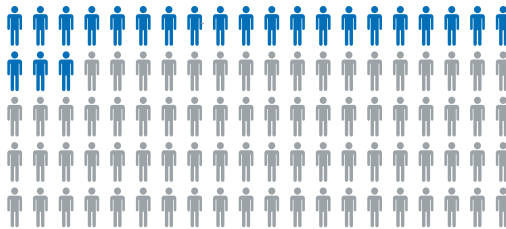
	2020	2019
Mean	28.9%	11.3%
Median	0.0%	0.0%


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


26%



23%



 Received a bonus

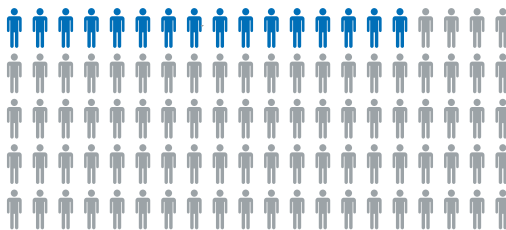
 Did not receive a bonus


Proportion of women and men (partners) awarded a bonus in the reporting period for 2019


23%



16%



 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 used the statutory reporting method for employees, combined with annual pay entitlement for partners.

As we have seen in our previous reports, including partners in the analysis significantly widens our overall pay gap. Although the number of women in our partnership has increased in recent years, there are still significantly more men than women in the partnership - which means more men occupy our most senior roles and are therefore more likely to receive higher salaries and bonuses.

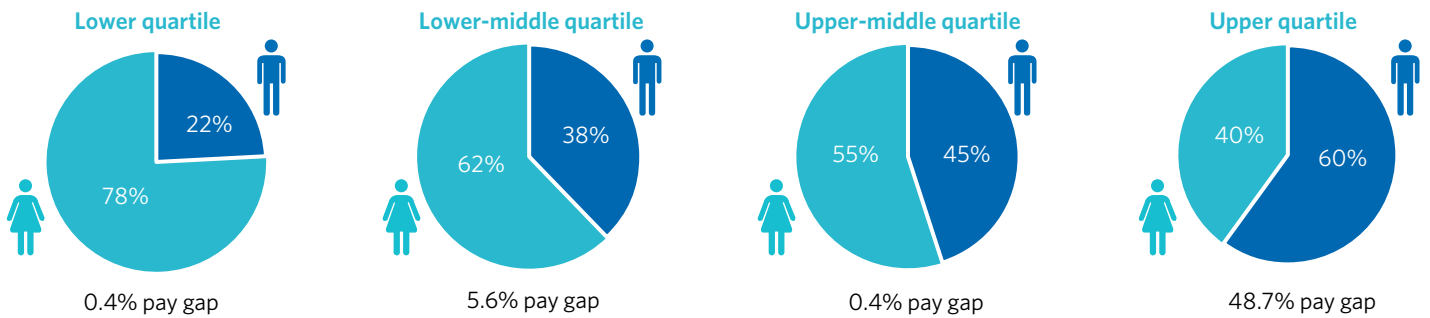
This is evident when looking at our pay quartiles. Because all our partners fall into the upper quartile, the pay gap is significant because the population of men is much higher in the top quartile; in each of the other three quartiles, the pay gap is minimal.

Pay gap: employees and partners

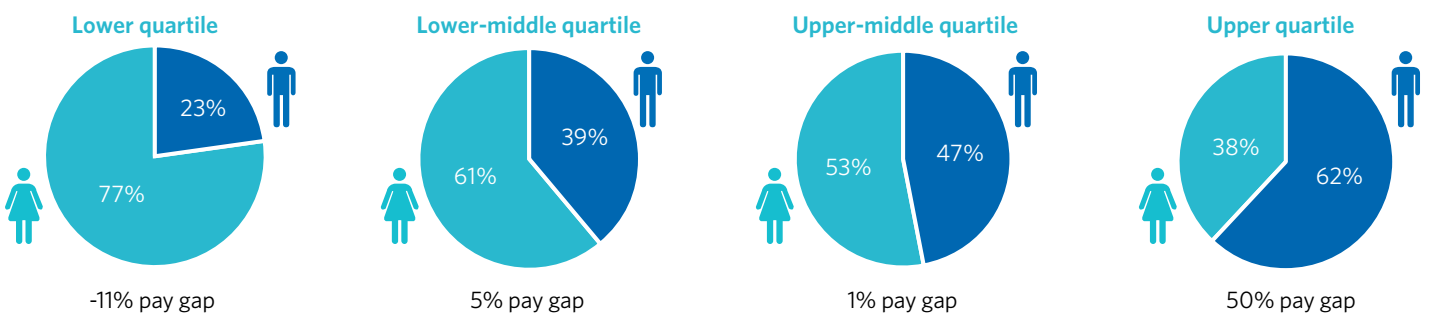
	2020	2019
Mean	58.5%	60.7%
Median	41.5%	46.1%

Pay quartiles: employees and partners combined

2020



2019



Employees and partners (continued)

Employee and partner bonus gap

The percentage of female employees and partners who received a bonus decreased this year. We believe this is a result of changes to the Business Services bonus scheme: under the new scheme, the percentage of employees receiving a bonus fell from 80% in 2019 to 58% in 2020. Female employees and partners qualified for a bonus in equal proportion to their male counterparts.

The median bonus for male employees and partners was higher than for females. Again, we believe this is primarily because female employees occupy a higher proportion of roles within the lower and lower-middle pay quartiles; likewise, there are more women at the more junior end of the partnership.

We still believe this gap will narrow over time, as we continue to improve the gender balance in our partnership and across the firm.

Bonus gap: employees and partners combined

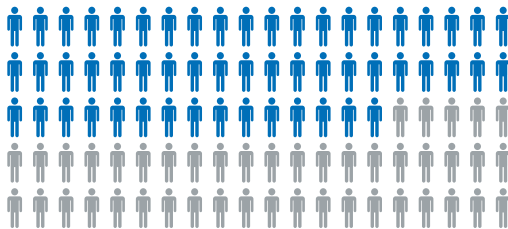
	2020	2019
Mean	54.8%	56.0%
Median	61.4%	50.9%





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

55%



55%



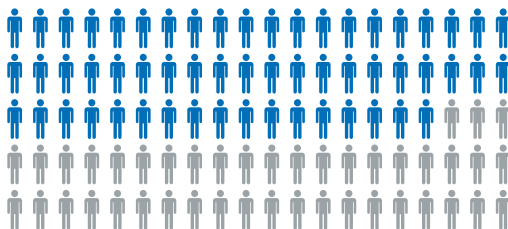
  Received a bonus
  Did not receive a bonus





Proportion of women and men (employees and partners combined) awarded a bonus in the reporting period for 2019

69%



57%



  Received a bonus
  Did not receive a bonus

Ethnicity pay gap: employees and partners combined

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

When we published last year’s report, we had ethnicity information on only 52% of our partner and employee population. Over the past year, we have increased that significantly, to 71%. Although we’re pleased with that progress, comparing data for 2019 and 2020 is difficult, given the difference in the ethnicity data we hold for those periods. However, we are committed to tracking this to help us understand and address any barriers that might exist for minority ethnic colleagues. We are therefore publishing our ethnicity pay gap again this year.

To protect the privacy of individuals in different groups (partners and employees), we are disclosing a combined ethnicity pay gap for employees and partners. 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 the partner pay calculation.

The mean hourly pay gap decreased slightly this year, while the median hourly pay gap increased. There is no obvious reason for these changes beyond the increase in the number of people in scope for analysis this year, but we will continue to monitor this trend.

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

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 ethnic minority people 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. In addition, many of our people are telling us they don’t necessarily identify with the term minority ethnic. For example, our higher-level stats mask significant challenges in recruiting and retaining Black professionals. Unpicking this term is crucial to our ethnicity action plan.

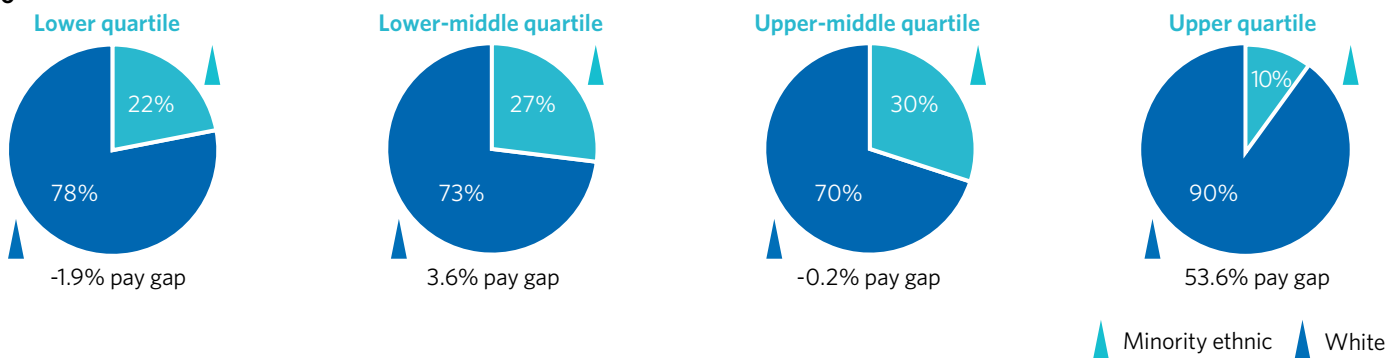
upper quartile – which is almost entirely populated by white colleagues (and is where all our partners fall). The pay gaps at the other quartiles are all either low or negative (in favour of minority ethnic colleagues).

Pay gap: employees and partners

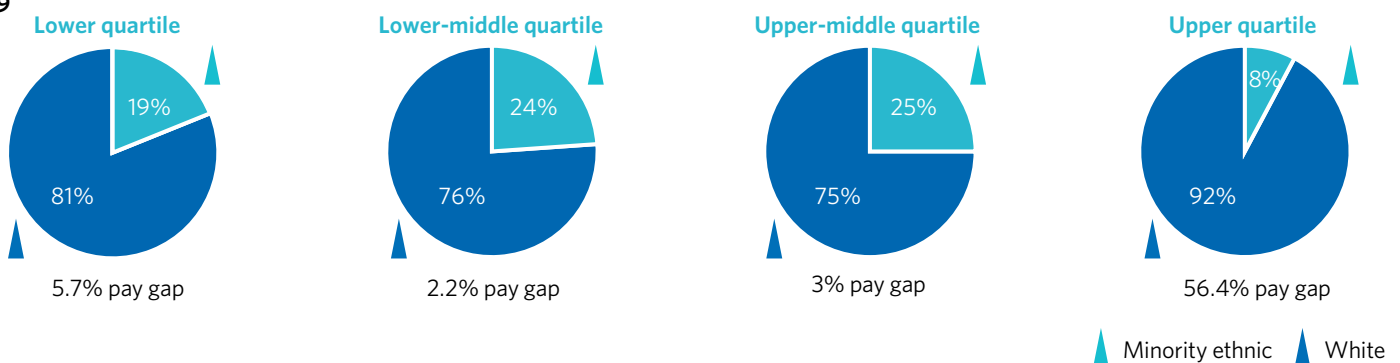
	2020	2019
Mean	52.0%	59.7%
Median	22.5%	4.7%

Pay quartiles: employees and partners

2020



2019



Employees and partners (continued)

Bonus gap

The percentage of employees and partners receiving a bonus this year was lower overall, and a slightly lower proportion of minority ethnic employees received a bonus compared to their white counterparts. In addition, the average bonus was lower for minority ethnic colleagues.

The changes could be because the population in scope for analysis this year increased, but it may also be due in part to the changes in the Business Services bonus scheme. Sixty per cent of minority ethnic people in the firm work in Business Services roles; the changes to scheme eligibility would therefore have had a disproportionately negative impact on 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.

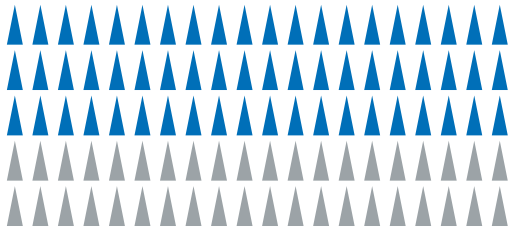
Underrepresentation of minority ethnic colleagues within senior roles is an issue that we are working to address through our [10 Actions for Change](#).

Bonus gap: employees and partners

	2020	2019
Mean	42.2%	35.4%
Median	35.9%	6.9%

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

White: 60%



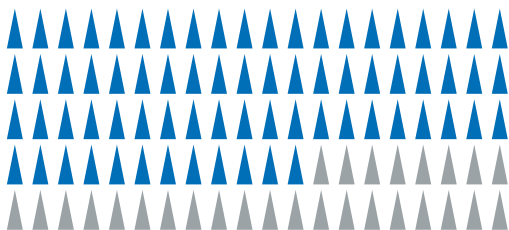
Minority ethnic: 52%



▲ Received a bonus
▲ Did not receive a bonus

Proportion of white and minority ethnic employees and partners awarded a bonus in the reporting period for 2019

White: 72%



Minority ethnic: 74%



▲ Received a bonus
▲ Did not receive a bonus

Taking action on gender and ethnicity

Initiatives alone aren't enough to bring change. We are relentlessly focused on ensuring that our programmes operate in an inclusive organisation, where the wellbeing of all our people is a priority.

As part of our work to create a culture where everyone feels valued and supported, we run a range of initiatives to address unconscious bias, promote inclusive leadership and develop a diverse pipeline of talent in our business. In addition to offering specific unconscious bias-awareness workshops, we integrate prompts to counteract bias in key people processes, including during the partner-promotion process and pay discussions. This helps ensure that our key decision-makers are aware of their biases (and how to counteract them) when going into those discussions.

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 systems. We are also putting more structure around career opportunities such as sponsorship and mentoring, as we know an absence of structure can make access to these opportunities more challenging for those from diverse backgrounds.

Ethnicity

Our [10 Actions for Change](#) are gaining momentum globally, and have set a global framework for improving ethnic diversity across all our offices.

Education and conversations are core to the 10 Actions. Over the past year, we've:

- introduced a global programme of anti-racism workshops
- teamed up with people consultancy Inner Ambitions to deliver sessions on building knowledge and conversations about systemic racism, and sharing practical methods for addressing systemic barriers and challenging unacceptable behaviour – in the workplace and across society. Five hundred colleagues in London have already attended.

Ownership comes from the top of our business.

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 improve communication and help mentees understand other people's perspectives and experiences. The scheme has nearly 100 participants across London and Belfast.

And we were delighted to have psychologist John Amaechi OBE speak with all partners and business services leaders in our UK, US and EMEA regions last year about leadership and anti-racism.

In our London office, we have set a target to have 10% minority ethnic partners by 2025, up from 5.6% when we set the targets in 2020. In addition, 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 specifically to improving Black representation across all practice groups and functions.

As a founding member of [Rare's Race Fairness Commitment](#), we have publicly committed to taking decisive steps to ensure we better recognise, and discuss, issues of race and racism – including at every induction and exit interview. We are monitoring and, where appropriate, publishing our rates of offers, retention, pay and promotion. We will also ensure that our recruitment efforts continue to attract and support diverse candidates, and we will keep developing our processes to ensure minority ethnic representation in our training contracts and in newly qualified lawyer roles.

On average across our 2019/20 recruitment pool, 48% of hires were from a minority ethnic background, including 15% from Black backgrounds (up from 35% and 8%, respectively, the previous year).

We're proud of our progress – but we're also clear that we need to improve retention of ethnic minority employees (particularly junior talent) and improve progression into partnership.

We are tracking progress against the 10 Actions globally, and a project is under way to collect ethnicity data across all offices where we're legally permitted to do so. Better data will strengthen efforts to improve diversity in our firm, in the same way data collection has underpinned the work to improve our gender balance.

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

Gender

We continue to make progress towards our gender targets. By 2023, we want women to make up 35% of the global partnership and 35% of leadership roles. We now have 67% more female partners than we did when we set our original targets, in 2014, and we have increased female representation in the partnership from 18% to 28%. Women hold 25% of partner leadership roles, and they made up 30% of partner promotions in 2021.

While we are proud of how far we've come in recent years, we know we still have a lot of work to do.

Our gender networks across the global firm focus on ensuring we're raising the profile of senior women for the benefit of our more junior talent; building on relationships with clients; offering opportunities such as informal mentoring; and ensuring support and role-modelling are available to women at key milestones in their careers. Our Gender Equity Matters (GEM) and Multiculturalism Networks recently

Taking action on gender and ethnicity (continued)

collaborated for International Women's Day, when Booker Prize winner Bernardine Evaristo joined us by video to discuss her work, career and experiences growing up in Britain as a woman of colour.

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 also want to ensure that all working parents can play an active role in their children's lives, regardless of family structure, gender identity or sexual orientation. To ensure parents have more choice about leave, we've enhanced our leave policy for co-parents/secondary carers to offer up to 24 weeks at full pay to welcome a new child.

By demonstrating and reinforcing the idea that all parents can take time out for childcare without a significant effect on their income, we're hoping to challenge structures that see women taking on the majority of unpaid care. It is only by changing these norms that we will ultimately achieve gender parity at work and in the home.

We've also teamed up with benefits platform Circle In to introduce a new bespoke portal that provides parents and carers with access to personalised tools and resources - including articles, webinars, tip sheets and checklists - based on their circumstances.

We collaborate with each practice group individually; this lets us scrutinise individual pipelines and respond to specific challenges and opportunities in each group. For example, we recently launched our Corporate Global Talent Forum, an opportunity to bring together women lawyers in our Corporate practice to develop networks; increase access to role models; and challenge increasingly nuanced barriers that exist in our sector.

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 and Julie Cupit



Alison Brown
Executive Partner, West



Julie Cupit
HR Director, UK and EMEA

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