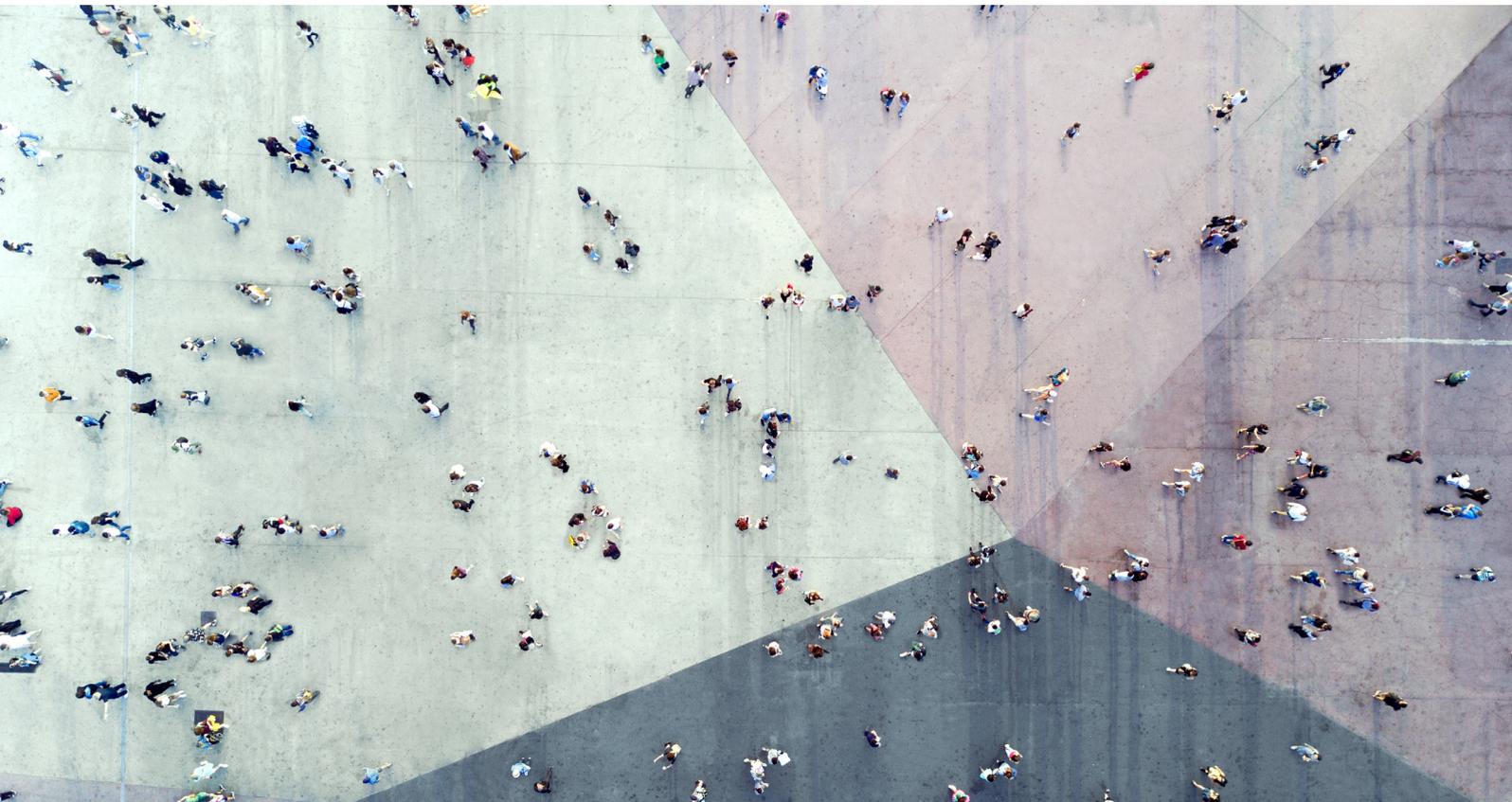




HERBERT
SMITH
FREEHILLS

OUR 2018 GENDER PAY GAP REPORT



Introduction

Gender balance and diversity are key priorities for Herbert Smith Freehills. Fostering a culture of inclusion is crucial for our business and for the diverse clients we serve. Embracing diverse views and experience means we attract and retain the best people, and provide our clients with the most considered and innovative advice.

In the first year of gender pay reporting, we welcomed the opportunity to outline the pay gap between female and male employees in our firm and explain the initiatives and processes we have in place to address this. Since then, public discussion in the UK has demonstrated an interest in data that goes beyond the scope of the reporting requirements. We believe in the principles of the legislation and the issues it aims to address – as a result, our 2018 report includes compensation for partners as well as employees, and additional information to provide context to our results.

The combined pay gap for partners and employees illustrates an issue we have been working to address: we have fewer women than men in our partnership, and that means there are fewer women among those who are most highly paid in the firm. This widens the gap between pay for women and men. We continue to take steps to improve gender balance in our partnership and elsewhere in our firm. And we acknowledge that there is more to do. You can find out more about the progress we have made this year within this report.

Ian Cox
Managing Partner, UK/US and EMEA

Definitions

Gender pay gap vs 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 2018, and bonus data is based on payments made between 6 April 2017 and 5 April 2018.

Gender pay gap is different from the issue of 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. 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. This number is then divided by the mean hourly pay for men, and shown as a percentage.

Median: the hourly pay for males is ordered high to low, 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. This number is then divided by the median hourly pay for men, and shown as a percentage.

Employees

Our analysis indicates that our gender pay gap is affected substantially by the type of roles within our organisation and the distribution of men and women performing those jobs.

We have a disproportionate number of women in Business Services and secretarial roles – and we believe this is the primary reason we have a gender pay gap. These roles are typically some of the lower-paid jobs within our firm and, as a result, our lowest two pay quartiles are heavily populated by women from Business Services and secretarial groups.

This is evident, for example, when we compare the pay gap within our associate group to the pay gap within the Business Services and secretarial population.

The distribution of men and women in the top two quartiles is roughly equal, and the corresponding pay gap is minimal.

The slight decrease in our overall pay gap from last year is, we have determined, a result of changes in the composition of our workforce between 2017 and 2018.

Pay gap: employees

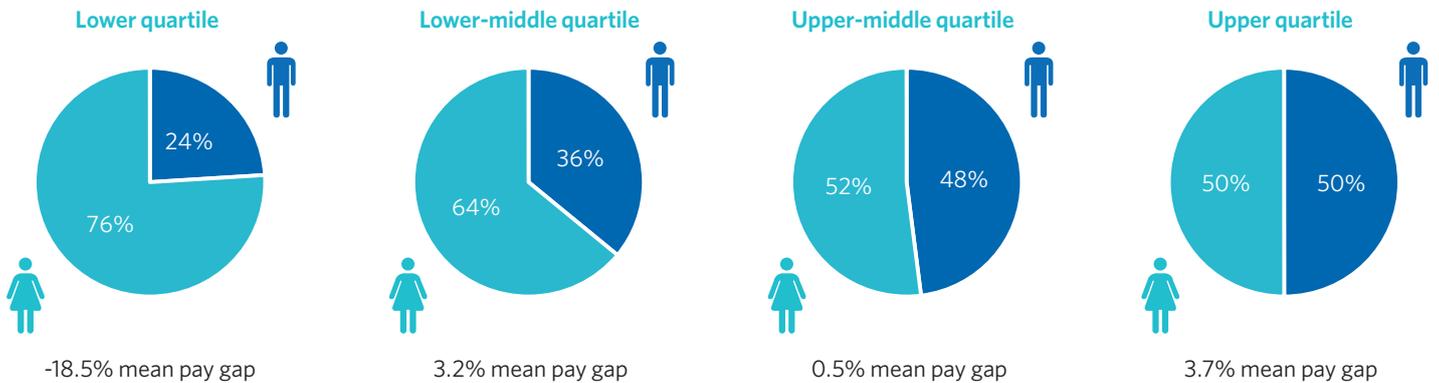
	2018	2017
Mean	17.9%	19.0%
Median	37.4%	38.8%

Pay gap: selected employee groups

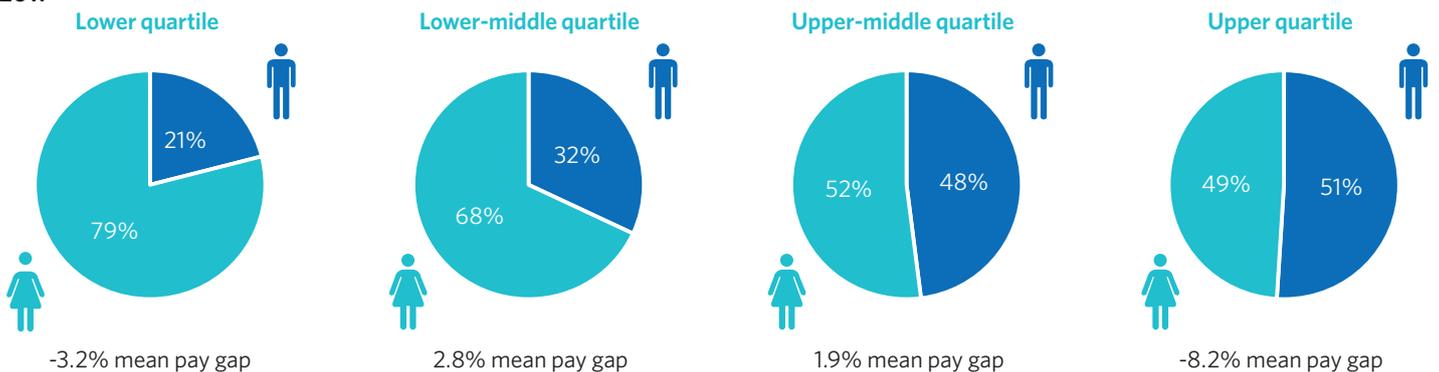
	ASSOCIATES (INCLUDING OF COUNSEL)	BUSINESS SERVICES AND SECRETARIES
Mean	4.3%	22.2%
Median	7.1%	23.9%

Pay quartiles: employees

2018



2017



Employees (continued)

Women are more likely than men to receive a bonus, but the average bonus amount received by women is lower. We believe there are two reasons for this.

First, we operate a number of performance-related bonus schemes that are specific to employee groups. While employees in our Business Services functions are more likely to receive a bonus than our lawyers are, the bonus awards they receive are typically lower than bonuses awarded to lawyers. Therefore, the disproportionate number of women in Business Services and secretarial roles affects our bonus gap.

In addition, as per the requirements of the legislation, statistics are reported on an actual basis, rather than pro-rata for part-time employees. At the time of reporting, 22% of the female population in our firm (compared to 2% of our male population) worked part-time. This also affects our bonus gap.

For example, if two employees are awarded a full-time equivalent bonus of £1,000 but one works 50% of the time, the two bonuses included in the statutory reporting are the actual figures paid to each employee: £500 to the part-time worker and £1,000 to the full-time worker. If one employee is female and one is male, this can create a pay gap that reflects the working patterns of the two individuals but is not a true reflection of bonus awards on a full-time basis.

Bonus gap: employees

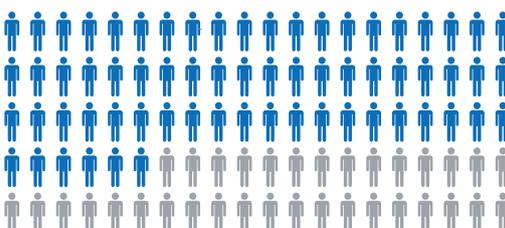
	2018	2017
Mean	47.4%	35.2%
Median	42.7%	44.2%

Proportion of women and men (employees) awarded a bonus in the reporting period for 2018

76.0%



66.3%



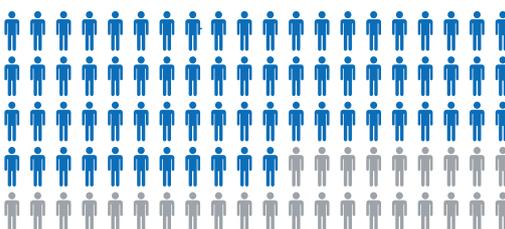
 Received a bonus
 Did not receive a bonus

Proportion of women and men (employees) awarded a bonus in the reporting period for 2017

76.9%



71.2%



 Received a bonus
 Did not receive a bonus

In our 2017 report, we unintentionally calculated our bonus gap incorrectly. We included employees within the calculation who were not paid a bonus during the reporting period; these employees should have been excluded. We have recalculated these figures and corrected them in this report and on the government portal.

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 for a particular year are not made evenly over a 12-month period. 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 on the snapshot date of 5 April 2018).

The pay gap in our partnership roles is more pronounced, as men make up 75% of the partnership. 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. This is reflected in our pay quartiles and will take some time to work itself out.

Female partners are equally as likely as male partners to receive a bonus, and the actual bonus awards result in a gap in favour of women.

Although each of our pay quartiles is dominated by male partners, the pay gap at each quartile is significantly smaller than the overall partner pay gap and, in most cases, is either minimal or negative (in favour of women).

Hourly pay gap: partners

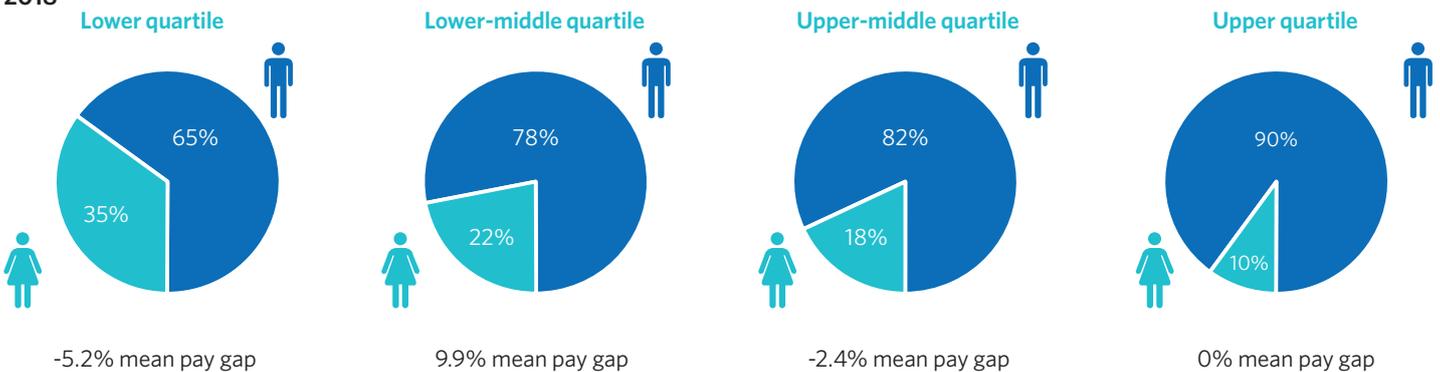
	2018
Mean	23.6%
Median	49.7%

Bonus gap: partners

	2018
Mean	-7.3%
Median	-50.0%

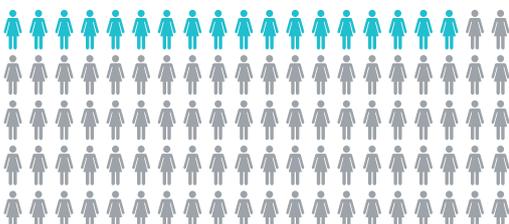
Pay quartiles: partners

2018

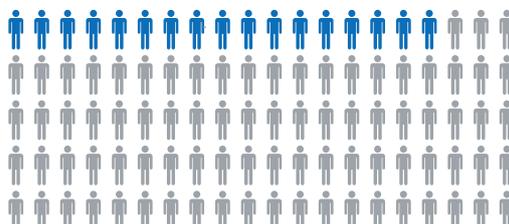


Proportion of women and men (partners) awarded a bonus in the reporting period for 2018

17.6%



17.3%



 Received a bonus
 Did not receive a bonus

Employees and partners combined

To produce the most meaningful data, we have used gross actual salary on 5 April 2018 for employees to provide a representative figure of hourly pay entitlement that is consistent with the partner pay calculation. As a reminder, the partner hourly pay figures are based on annual pay entitlement because partners are paid differently from employees.

Full-time equivalent bonus payments have been used where possible for both employees and partners.

Including partners in our figures significantly widens our overall pay gap. We have 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. In the upper quartile (where all partners fall when data for both partners and employees is included), the pay gap is significant because the population of men is much higher; in each of the other three quartiles, the pay gap is minimal or negative (in favour of women).

Hourly pay gap: employees and partners combined

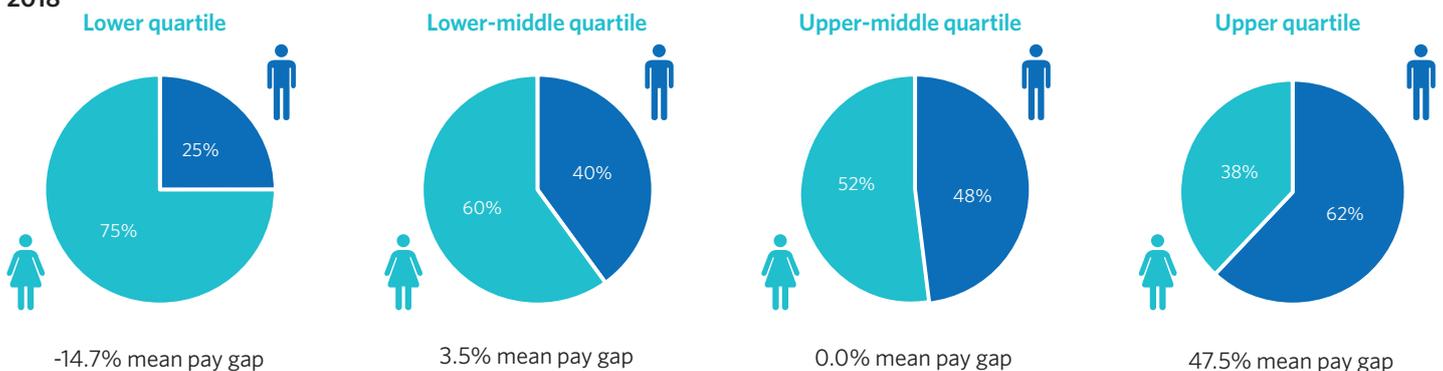
	2018
Mean	57.2%
Median	46.0%

Bonus gap: employees and partners combined

	2018
Mean	58.4%
Median	51.0%

Pay quartiles: employees and partners combined

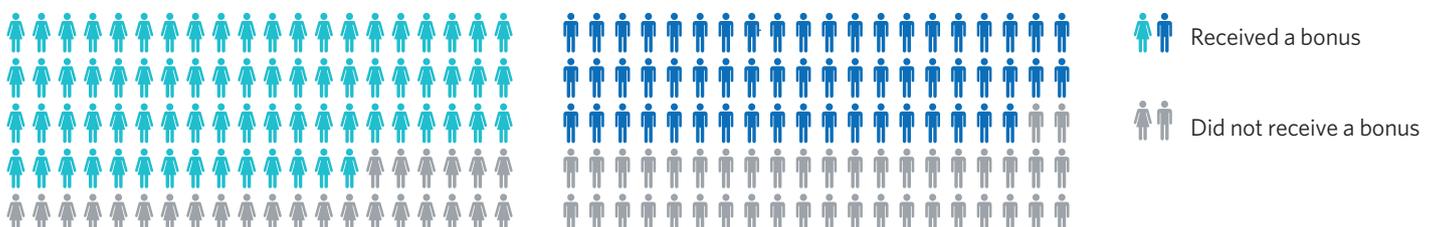
2018



Proportion of women and men (employees and partners combined) awarded a bonus in the reporting period for 2018

74.0%

57.5%



Taking action: Gender, diversity and inclusion at Herbert Smith Freehills

At Herbert Smith Freehills, we aim to be the leading global law firm for our diverse and inclusive culture.

Our recently launched Leading for Inclusion strategy aims to help us reach that goal by deepening our understanding of people's experiences and challenges, and breaking down barriers to ensure all colleagues can achieve their full potential.

To inform our approach, we conducted our first global diversity audit in 2018 to give us better insight into the diversity in our firm, evaluate our progress towards creating an inclusive culture and provide an opportunity for people to share their perspectives. We were pleased that 70% of people who responded believe we are making good progress towards a more diverse and inclusive culture – and that 77% support the target we have set to increase the percentage of women in our global partnership. As a result of the feedback on areas for improvement, we are looking at issues such as equitable work allocation and ensuring people have the right support to achieve their career objectives.

In 2014, we set a target to have 30% women in our global partnership by May 2019. We now have 25% women in partnership – up from 17.5% when we set the targets – and the majority of our global practice groups and regions met our interim target of 25% by 2017. In Business Services, we set a target that neither gender would represent more than 60% or fewer than 40% of senior roles. Women make up 54% of senior Business Services roles. We will publish updated numbers in the coming weeks and will refresh this report at that time.

These targets are an important step in helping create equal opportunities for men and women aspiring to become partners or to progress to senior levels in Business Services – and an important part of the firm's overall approach to achieving greater gender balance at all levels. And, most importantly, the targets have helped to drive cultural change throughout the firm.

More than 30% of people in our firm have caring responsibilities for someone under the age of 18. To support colleagues as they balance professional and personal responsibilities, we offer benefits such as assistance with childcare, shared parental leave and coaching to help people better plan and manage periods of leave and their return to work. In addition, 50% of our people in the UK participate in some form of agile working – which affords greater flexibility over where, when and how colleagues work.

As part of our drive 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. We offer mentoring and sponsorship programmes; ensure visibility of role models in our firm; and provide a range of professional development opportunities to help people build successful careers. Our people-led diversity networks – which focus on gender, ability, LGBT*, multiculturalism and family – help strengthen inclusion and engagement within the firm, and with our clients.

We also partner with external organisations that are dedicated to improving gender balance in business. In addition to being members of the 30% Club, we recently participated in a research project with Murray Edwards College, University of Cambridge, aimed at fostering a greater understanding of systemic cultural barriers and exploring how men and women can work together to improve gender diversity in the workplace. This initiative supports our ongoing work to better understand and respond to potential barriers that may prevent people from achieving their full potential, or feeling valued and included.

We are committed to continuing and building on these activities – and we are confident that the efforts we are making will help us reduce the gender pay gap in our firm.

We confirm the data in this report to be accurate.



Ian Cox
Managing Partner, UK/US and EMEA



Julie Cupit
HR Director, UK/US and EMEA

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