

Diversity and inclusion at Freshfields

# UK pay gap report

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Freshfields Bruckhaus Deringer

# “ Through another year of testing challenges and rapid change, our people have pulled together to drive significant progress on diversity and inclusion.

Despite working remotely, we have stayed connected, offering each other the mutual support needed to increase engagement as we work together to create a culture where everyone feels they can belong, engage and excel.

Our diversity and inclusion targets and commitments (launched in 2021) have helped us focus on measurable change and track our progress over time. The targets related to leadership and more balanced representation across different levels of seniority are already positively influencing pay gaps. In 2021, 71 per cent of our London partner promotions were women.

As individuals, many different parts of our identity impact our experience of work and we have tried to reflect this in the information we publish (which goes beyond what we have to disclose under pay gap reporting legislation). Last year, for the first time and based on the data available, we reported our pay gap figures across four dimensions of diversity: gender, ethnicity, disability and sexual orientation. We have done the same again this year so we can transparently track progress.

Our reporting is based on the voluntary provision of personal data and self-identification. We continue to work to increase response rates, including a global data exercise last year to encourage our people to update their personal information as far as they are comfortable doing so. We are pleased to see an increasing number of colleagues choosing to share their data, which

enables a better understanding of our people and where we need to concentrate our efforts.

Throughout this report, we have highlighted some of the steps we are taking to create a more diverse and inclusive firm, as well as some of our achievements in 2021 in bridging the pay gap. Examples include enhanced and new policies, including on family forming and menopause, and embedding diversity and inclusion further into our appraisal and feedback processes.

This is also the first year we are taking part in the Mansfield Rule UK: Freshfields is one of 14 leading law firms piloting the certification programme, which aims to boost the number of underrepresented lawyers in leadership roles.

Our engaged internal UK employee diversity networks, which are growing in number, continue to play a vital role in ensuring all colleagues' voices are heard, including during our first UK Networks Week in 2021.

We are concentrating our efforts on activity that will move the dial: what will have the most positive impact for colleagues, clients and our communities. While we are keen to celebrate our progress, we also recognise that there is more still to do. With support from our leadership, networks and colleagues, we continue to strive for everybody to feel able to belong, engage and excel at Freshfields.



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# Understanding the pay gap

## What is pay gap reporting?

A pay gap is the difference in the average pay between two groups in a workforce (eg men and women), regardless of job role or seniority.

## How is pay gap different to equal pay?

Equal pay deals with any pay differences between men and women who carry out equal work. Equal pay legislation is specific to gender and makes it unlawful to pay women less than men where they carry out equal work without a material reason not related to gender. Other discrimination legislation makes it unlawful to pay someone less because of their race or ethnic origin. Other characteristics are also protected, including disability and sexual orientation.

## Who in Freshfields is included in pay gap data?

As well as reporting the gender pay gap data for employees of Freshfields Service Company, we are, as before, voluntarily reporting our overall pay gap data for Freshfields Service Company and Freshfields Bruckhaus Deringer LLP, and reporting separately for the LLP in the UK.

Our overall pay gap report includes data from both our Freshfields Service Company and Freshfields Bruckhaus Deringer LLP in the UK, including partners, members, consultants and employees.

To ensure clarity and comparability, we have used the same methodology when publishing our partner data for the last three years. (Partners do not have to be included in statutory declarations as partners are not employees. However, we have included partners in this report to offer a comprehensive picture.)

# Understanding the pay gap

## Activity to drive change, diversity and inclusion

Throughout this report we will highlight specific actions we have taken as we continue to drive progress across multiple dimensions of diversity and inclusion. Some examples include:

- Launched our diversity and inclusion [targets and commitments](#), including specific targets for race and ethnicity for the UK and globally for gender and LGBTQ+.
- Global wellbeing strategy focused on mind, body and balance with new UK-tailored content and resources available to colleagues.
- Embedding D&I in appraisal processes for all and 360 feedback process for senior colleagues.
- Launched a new global training module for all colleagues on D&I and facilitated multiple bespoke training workshops for UK colleagues, including on allyship, belonging, microaggressions and affirmations.
- Our first UK Networks Week brought together colleagues across the firm to highlight the inspiring work of our employee diversity networks. We have more than 10 employee networks that play a vital role in our D&I efforts, including sharing feedback and advice as we evolve our strategy and actions.
- Global reverse mentoring programme with high engagement from leaders and colleagues in the UK.
- Awareness-raising events and activities to mark key dates such as International Women's Day, Pride, International Day of Persons with Disabilities, World Mental Health Day and Black History Month.
- Seeking certification with Mansfield Rule UK focused on increasing the representation of historically underrepresented lawyers, particularly in leadership roles. This includes women, lawyers with disabilities, LGBTQ+ lawyers and those from ethnic minority groups.

# Overall gender pay gap

## Understanding the numbers

Our overall mean and median gender pay gaps have decreased this year, maintaining the ongoing trend since 2019.

Our pay gaps overall continue to be predominantly driven by the distribution of women and men across different types of roles, and across different levels of seniority.

In our partnership data, the mean pay gap now favours our women partners and the median pay gap has moved further in favour of women.

This trend is driven by the distribution of women and men across our partnership. Our lockstep model of partner compensation means those who have served in the partnership longer are typically more highly remunerated.

For context, 24 per cent of our partners in the UK were women at the reporting snapshot date. This is an increase from the previous year.

Our partner data only references pay data as partners do not have a bonus plan equivalent to employees.

## Recent actions on gender

- Enhanced policies, including:
  - adjustments to family leave policies (such as new parent leave);
  - a pregnancy loss policy;
  - fertility and family-forming benefits; and
  - a menopause policy;
- our Global Sponsorship Programme’s sixth cohort is in progress;
- continuing collaboration with The 30% Club – including participation in its cross-organisational mentoring scheme; and
- joined WEConnect International to increase diversity within our supply chain.

## Gender pay gap including partners

	2018	2019	2020	2021
Difference in mean hourly rate of pay	57.6%	57.2%	54.5%	<b>52.1%</b>
Difference in median hourly rate of pay	18.4%	24.2%	16.8%	<b>12.5%</b>

## Gender pay gap for partners

(covering UK LLP members and consultants held out as partners)

	2018	2019	2020	2021
Difference in mean hourly rate of pay	18.3%	10.4%	2.4%	<b>-2.6%</b>
Difference in median hourly rate of pay	20.6%	13.3%	-6.7%	<b>-13.3%</b>

Gender is referenced in binary terms of men and women throughout this report, Freshfields recognises that people are non-binary or gender non-conforming too and will not be represented by this breakdown.

# Gender pay gap for employees

The numbers on the right reflect all UK employees of Freshfields Service Company, a subsidiary of Freshfields Bruckhaus Deringer LLP, which includes both our London and Manchester offices.

## Understanding the numbers

The 2021 results show a slight move in the overall mean pay gap from 2020 but there is now less than 1 per cent difference between men and women.

We continue to report a median pay gap for 2021 slightly in favour of men, although the size of the gap has been reduced by 2.9 percentage points to 1 per cent.

Both the mean and median bonus gaps have increased this year in favour of men, but more women than men received a bonus.

## Gender pay and bonus pay gaps

	2018	2019	2020	2021
Difference in mean hourly rate of pay	5.7%	3.8%	-1.1%	<b>0.7%</b>
Difference in median hourly rate of pay	6.2%	7.8%	3.9%	<b>1.0%</b>
Difference in mean bonus pay	32.7%	7.1%	2.4%	<b>11.6%</b>
Difference in median bonus pay	26.5%	23.1%	0.0%	<b>8.6%</b>

## Proportion of women and men employees who received bonus pay

	2018	2019	2020	2021
Women	55.4%	51.8%	60.3%	<b>64.6%</b>
Men	53.5%	54.1%	58.6%	<b>62.3%</b>

# Gender pay gap for employees

## Quartile data



### Understanding the numbers

In 2021 the pay gap is less than 2 per cent in each quartile. Q1 and Q3 had a change from last year in favour of women. Q4 has changed year-on-year, moving to favour men by 1.9 per cent. This is driven by the distribution of men in this quartile in business services roles. The split in men and women across all quartiles reflects the overall demographic of Freshfields Service Company (43 per cent men/57 per cent women). The proportion of women employees is more level across the quartiles than it was in previous years. There are more women in Q1 (0.3 per cent) and Q4 (2.2 per cent) than in previous years, which is an ongoing trend over the last couple of years.



# Gender pay gap for trainees and associates

## Understanding the numbers

The mean and median gender pay gaps for trainees and associates are slightly higher than in the previous year, signalling that when these two groups are considered together men receive a greater mean and median pay than their women counterparts.

The mean and median pay gaps for associates/trainees are being driven by more women first-year trainees, and more men at the higher end of the associates' salary grids. When trainee and associate populations are separated, pay gaps are all less than 1 per cent or 0 per cent.

The bonus gap decreased to less than 2 per cent for the mean and median this year.

The gender ratio for trainees and associates as a whole was 43 per cent men and 56 per cent women in 2021, slightly more women than in 2020.

Trainees and newly qualified associates were not eligible for bonuses and are therefore not included in the proportion of men and women who received bonus pay in the voluntary bonus data.

The FTE bonus gap has moved this year to favour women.

For context, 91 per cent of our people who work part-time were women at the reporting snapshot date (business services, trainees and associates combined).

## Gender pay and bonus pay gaps

	2018	2019	2020	2021
Difference in mean hourly rate of pay	3.2%	3.2%	2.4%	<b>3.5%</b>
Difference in median hourly rate of pay	0.6%	-0.1%	6.5%	<b>9.1%</b>
Difference in mean bonus pay	23.5%*	8.5%*	9.4%*	<b>1.9%*</b>
Difference in median bonus pay	19.4%*	21.9%*	6.7%*	<b>0.8%*</b>

## FTE bonus gap as a percentage of FTE salary

	2018	2019	2020	2021
Difference in mean bonus pay	17.0%	-0.2%	3.7%	<b>-5.9%</b>
Difference in median bonus pay	6.3%	3.9%	6.7%	<b>-24.5%</b>

\*Note: Calculation includes associates only.



# Gender pay gap for business services

## Understanding the numbers

The gender pay gap continues to be in favour of women for both the mean and median pay hourly rate of pay. However, the pay gap has reduced since last year due to the changing demographics of the senior population.

Both the mean and median bonus pay gaps have moved in favour of men as, on average, men received larger bonuses this year. The change in demographics in the top bonus earners has moved in favour of men in 2021, which has also impacted our bonus mean and median gaps in favour of men.

## Gender pay and bonus pay gaps

	2018	2019	2020	2021
Difference in mean hourly rate of pay	-0.3%	-4.3%	-9.0%	<b>-2.0%</b>
Difference in median hourly rate of pay	-14.2%	-8.5%	-6.6%	<b>-1.3%</b>
Difference in mean bonus pay	32.9%	-4.2%	-19.3%	<b>4.7%</b>
Difference in median bonus pay	2.0%	28.7%	8.8%	<b>19.9%</b>

## FTE bonus gap as a percentage of FTE salary

	2018	2019	2020	2021
Difference in mean bonus pay	12.2%	-18.8%	-26.3%	<b>3.8%</b>
Difference in median bonus pay	8.5%	0.0%	0.0%	<b>18.4%</b>

# Ethnicity pay gap for employees and partners

## Understanding the numbers

For context, 19 per cent of our partners and employee population in the UK identified as part of a minority ethnic group at the reporting snapshot window (as a percentage of those who disclosed their ethnicity). We recognise the limitations of reporting on multiple ethnic groups together, and we recognise the differences across and within these groups. However, given the size of the populations and for consistency and transparency as we have previously, we are reporting on all ethnic minority groups collectively.

Our ethnicity pay gap data comes solely from individuals who voluntarily choose to share their diversity data with us. We have been working to increase our response rate over the past few years, which, for those included in this reporting, has grown from 70 per cent in 2019 to 79 per cent in 2020 and then to 93 per cent in 2021.

As a result, ethnicity pay gap insights for 2021 are based on more robust data. However, comparisons with previous years are more difficult. All the per cent figures in this section are proportions of the relevant population who responded and chose to disclose their ethnicity.

The ethnicity pay gap has decreased this year for our overall mean and median pay gaps including partners.

In our UK partnership, 7 per cent (of those who responded and chose to disclose their ethnicity) identify as part of an ethnic minority group.

## Recent actions on race and ethnicity

- Launched our Future Leaders Programme in 2021 for Black and ethnically diverse colleagues.
- Early outreach and building our talent pipeline, including:
  - Freshfields Stephen Lawrence Scholarship Scheme (ongoing); and
  - Aspiring Professionals Programme (launched).
- Freshfields is a founding member of Legal CORE and co-hosted the group’s first event, a think tank focused on retention.
- Reporting to Rare Race Fairness Commitment to track our progress.
- Freshfields is a founding signatory of The Charter for Black Talent in Finance and the Professions and hosted the group’s first forum.

## Ethnicity pay gap including partners

	2018	2019	2020	2021
Difference in mean hourly rate of pay	58.3%	66.4%	59.5%	<b>50.5%</b>
Difference in median hourly rate of pay	12.2%	17.8%	12.8%	<b>7.3%</b>

## Ethnicity pay gap for partners

(covering UK LLP members and consultants held out as partners)

	2018	2019	2020	2021
Difference in mean hourly rate of pay	33.4%	32.9%	30.0%	<b>28.2%</b>
Difference in median hourly rate of pay	44.7%	60.0%	56.3%	<b>52.9%</b>

We have used the same overall methodology for our ethnicity pay reporting as for our gender pay report. Where partners are included, we have only referenced pay data for the UK as partners do not have a bonus plan equivalent to employees.

# Ethnicity pay gap for employees

## Understanding the numbers

Our ethnicity pay gap for employees decreased significantly in 2021 (from 15.5 per cent to 4.3 per cent mean, and from 9.1 per cent to 1.9 per cent median). This positive trend is driven by several factors, including:

- a greater increase in the overall mean pay for ethnic minority employees relative to white employees; and
- an increase in the number of ethnic minority associates.

Our ethnicity mean bonus gap for employees has decreased significantly, and the median remains the same as in 2020.

As highlighted last year, we have a strong junior pipeline in our legal population and we continue to focus on retaining and developing our ethnically diverse talent.

This year, 6 per cent more employees from ethnic minority groups received a bonus, reducing the gap. The gap is driven by the diversity of our trainee population, who are not eligible to receive a bonus.

## Ethnicity pay and bonus pay gaps for employees

	2018	2019	2020	2021
Difference in mean hourly rate of pay	12.1%	19.9%	15.5%	<b>4.3%</b>
Difference in median hourly rate of pay	7.3%	8.9%	9.1%	<b>1.9%</b>
Difference in mean bonus pay	18.9%	57.8%	48.4%	<b>19.2%</b>
Difference in median bonus pay	0.0%	16.9%	16.7%	<b>16.7%</b>

## Proportion of employees who received bonus pay

	2018	2019	2020	2021
White	58.0%	60.1%	68.1%	<b>66.8%</b>
Ethnic minority	44.7%	37.6%	48.4%	<b>54.3%</b>

# Ethnicity pay gap for employees

## Quartile data

	2018		2019		2020		2021	
Min to 1st quartile (Q1)	19.0%	81.0%	29.4%	70.6%	30.4%	69.6%	<b>23.2%</b>	<b>76.8%</b>
1st quartile to median (Q2)	18.7%	81.3%	18.1%	81.9%	22.1%	77.9%	<b>20.4%</b>	<b>79.6%</b>
Median to upper quartile (Q3)	20.9%	79.1%	17.7%	82.3%	19.7%	80.3%	<b>19.2%</b>	<b>80.8%</b>
Upper quartile to max (Q4)	13.6%	86.4%	18.4%	81.6%	18.9%	81.1%	<b>20.4%</b>	<b>79.6%</b>

■ Ethnic minority
 ■ White

## Understanding the numbers

The proportion of ethnic minority employees in Q1 to Q3 has reduced and there is a greater proportion of the upper quartile (Q4).

# Disability pay gap for employees and partners

Our disability pay reporting uses the same overall methodology as our gender pay report.

## Understanding the numbers

This is the second year that we have reported our disability pay gap for employees and partners.

For context, 5 per cent of our partner and employee population in the UK identified as disabled at the reporting snapshot window (as a per cent of those who chose to disclose).

Our disability pay gap data comes solely from those individuals who voluntarily shared their diversity data with us (94 per cent responded in 2021). The per cent figures in this section are proportions of the relevant population who have responded and chosen to disclose their diversity data.

The mean pay gap favours non-disabled colleagues but has reduced this year. The median pay gap is now in favour of disabled colleagues.

The size of the population makes discerning clear patterns difficult.

Only a very small number of senior colleagues have disclosed a disability and our mean pay gap excluding partners is much smaller.

## Recent actions on disability

- Partnership level engagement with Business Disability Forum providing access to resources and best practice insights.
- Building out our diversity recruitment strategy by collaborating with external organisations as we seek to attract more disabled candidates.
- Collaboration with GCs for D&I – we are proud to co-lead the workstream focused on ability.
- Part of the Valuable 500, a global business collective committed to disability inclusion.
- Disability allyship training and events open to all colleagues.

## Disability pay gap including partners

	2020	2021
Difference in mean hourly rate of pay	65.4%	<b>52.5%</b>
Difference in median hourly rate of pay	8.9%	<b>-12.7%</b>

# Sexual orientation pay gap for employees and partners

Our sexual orientation pay gap reporting uses the same overall methodology as our gender report.

## Understanding the numbers

This is the second year that we have reported our sexual orientation pay gap for employees and partners.

For context, 6 per cent of our partner and employee population in the UK identified as LGBTQ+ at the reporting snapshot window (as a per cent of those who chose to disclose).

As above, our data comes solely from those individuals who voluntarily shared their diversity data with us (82 per cent responded in 2021).

The per cent figures in this section are proportions of the relevant population who have responded and chosen to disclose.

Based on the data available, there is a pay gap in favour of non-LGBTQ+ colleagues. However, the mean and median gaps have both reduced this year.

As with our disability data, the size of the disclosed population makes discerning any clear patterns difficult.

## Recent actions on LGBTQ+

- Ensuring policy changes (such as family-forming benefits) are inclusive and extending our private medical cover for gender affirmation surgery.
- Engaging with Out Leadership, including opportunities for colleagues to attend talent programmes.
- Training on LGBTQ+ allyship with Stonewall and with Global Butterflies on trans allyship.
- Awareness raising with a number of events featuring external speakers and contributing to external research, including InterLaw's career progression report focusing on LGBTQ+ professionals in law.
- Colleagues engaged in multiple pro bono efforts focused on LGBTQ+ rights.

## Sexual orientation pay gap including partners

	2020	2021
Difference in mean hourly rate of pay	49.4%	<b>33.4%</b>
Difference in median hourly rate of pay	19.3%	<b>10.4%</b>

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