

MACFARLANES

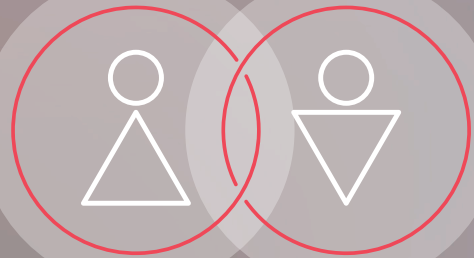
Pay gap

2019 report

macfarlanes.com

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We are committed to ensuring that everyone has the same opportunity to fulfil their potential and to progress in their careers.



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A pay gap is a measurement of the difference between the earnings (hourly rate of pay) of two populations across an organisation, expressed as a percentage of one population's earnings.

Introduction

Diversity and inclusion has been an increasing priority for us for a number of years. Being transparent about our challenges, actions and progress is an important part of achieving our goal of fostering a diverse and inclusive workplace - and we see pay gap reporting as a significant element of that.

As well as continuing to publish the gender pay gap for the firm as a whole including partners, as we did last year, this year we are also publishing our ethnicity pay gap.

Our gender and ethnicity pay gaps highlight an imbalance in our most senior roles. We are working hard to be a place which supports everyone to develop their career in line with their aspirations. We believe that diverse teams make better decisions and therefore provide a better service to our clients.

While our overall figures appear relatively unchanged, we are committed to long-term change. You can read more about what we are doing about this on page 18. Initiatives such as the Female lawyers forum and the BME and Male lawyers roundtables are also generating feedback and ideas to help us to continue to develop a workplace in which everyone feels that they belong.

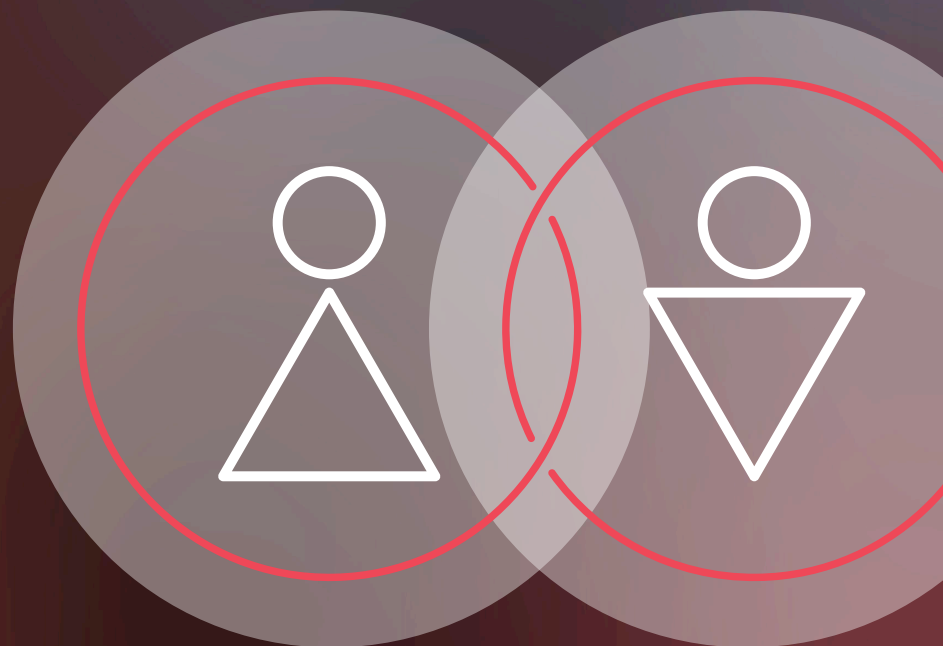


Julian Howard
Managing partner

What do we mean by a pay gap?

A pay gap is a measurement of the **difference between the earnings** (hourly rate of pay) of two populations across an organisation, **expressed as a percentage** of one population's earnings.

The gender pay gap is not the same as equal pay. As set out in the Equality Act 2010, equal pay means that men and women in the same employment and performing equal work will receive equal pay. Macfarlanes fully supports this legislation.



How is a pay gap calculated?



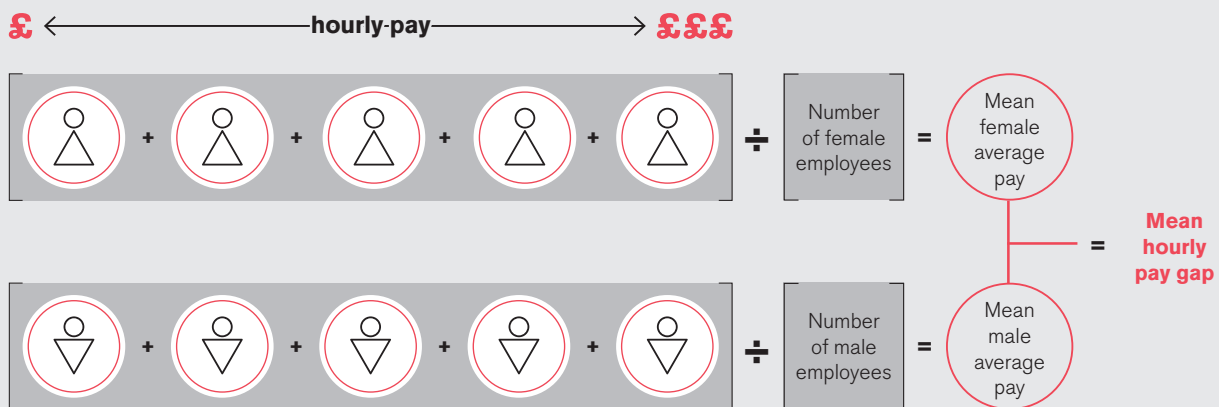
How is a pay gap calculated?

A pay gap is expressed using two different average calculations, comparing one population with another.

Gender is used in the explanation below.

How we calculate the mean average pay gap

The **mean** average is calculated by adding together the hourly rate of each male employee and dividing the total by the number of male employees. The same is done for the female employee population and the numbers are compared.



How we calculate the median average pay gap

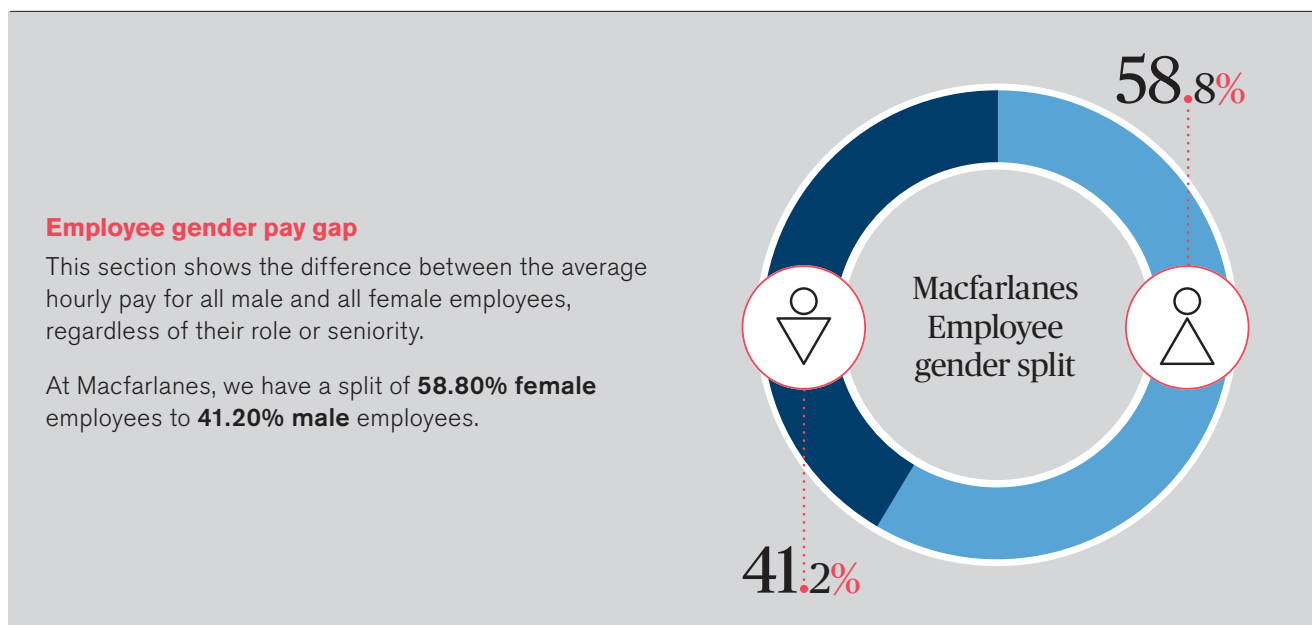
The **median** average is the number in the middle. Each male employee's hourly rate is put in order, lowest to highest, and the middle value is taken. The same is done for the female employee population and the numbers are compared.



Statutory reporting

Every UK employer with more than 250 staff is required to report annually on a number of data points using the snapshot date of 5 April each year. This includes the median and mean gender pay gaps, the difference in average bonuses and the share of men and women in each pay quartile. As a business with a partnership structure, our partners are not employees and are therefore removed from the statutory reporting.

Statutory reporting 2018-2019



Gender pay gap

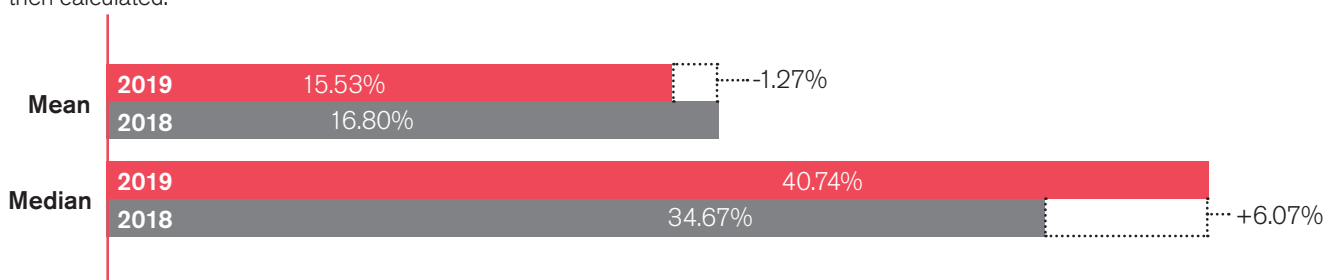
	2019 hourly pay gap	2018 hourly pay gap	Variance
Mean	15.53%	16.80%	-1.27%
Median	40.74%	34.67%	+6.07%

These figures mean that the average income of a male employee at the firm is either 15.53% higher or 40.74% higher (depending on the calculation performed) than the average income of a female employee.

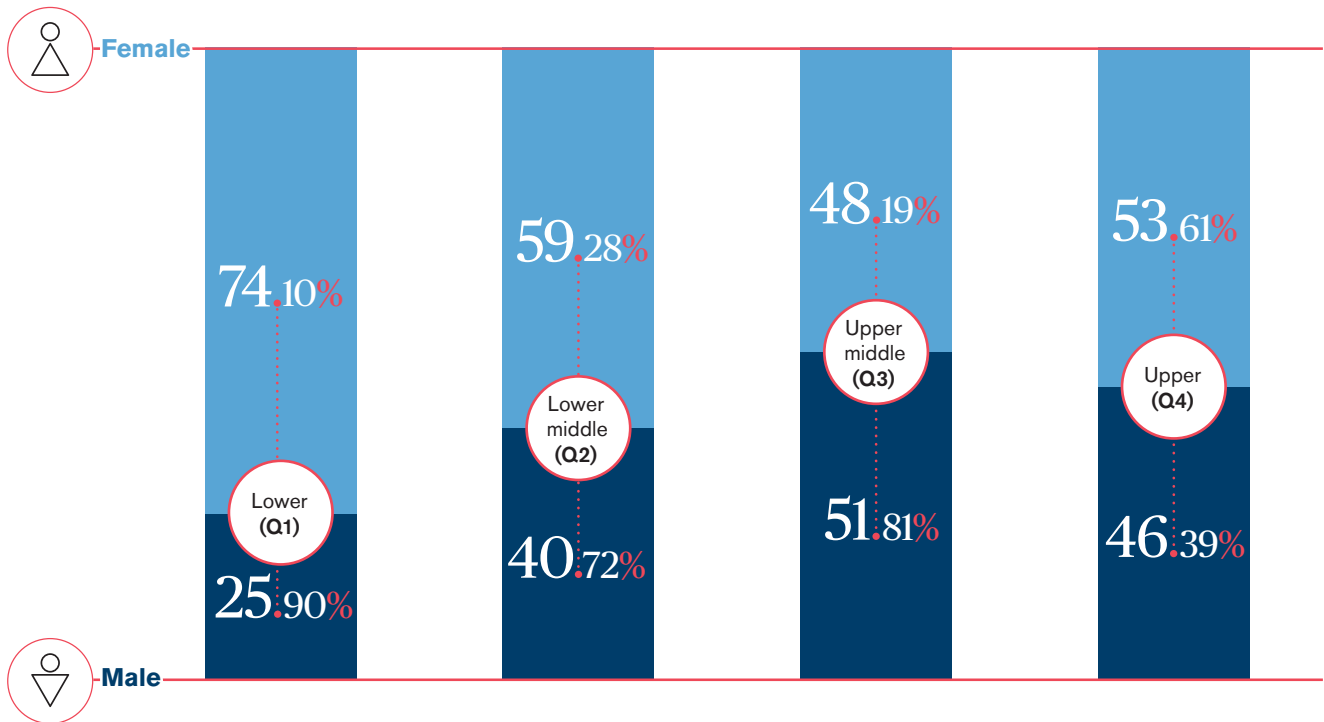
Our gender pay gap is primarily driven by the shape of our business (see pay quartile chart opposite). We have a higher percentage of women in business support, a term which covers all business services teams and secretaries, where the market rate for salaries is generally less than for qualified fee earning roles. For example all our secretaries are female.

Our mean gender pay gap has reduced by 1.27% but we have seen a 6.07% increase in our median pay gap. We have seen a larger number of junior female employees joining the business compared to male joiners, and the increased number of junior females into the business in quartile one, compared to more senior leavers in this group, has caused the median gap to increase.

The chart on the following page breaks down the organisation into pay quartiles. Quartiles are useful for highlighting any gender patterns of pay distribution. To calculate the quartiles, all relevant employees are ranked from the lowest earners in the firm to the highest earners and then divided into four equal parts ('quartiles'). The percentage of men and women in each of the quartiles is then calculated.

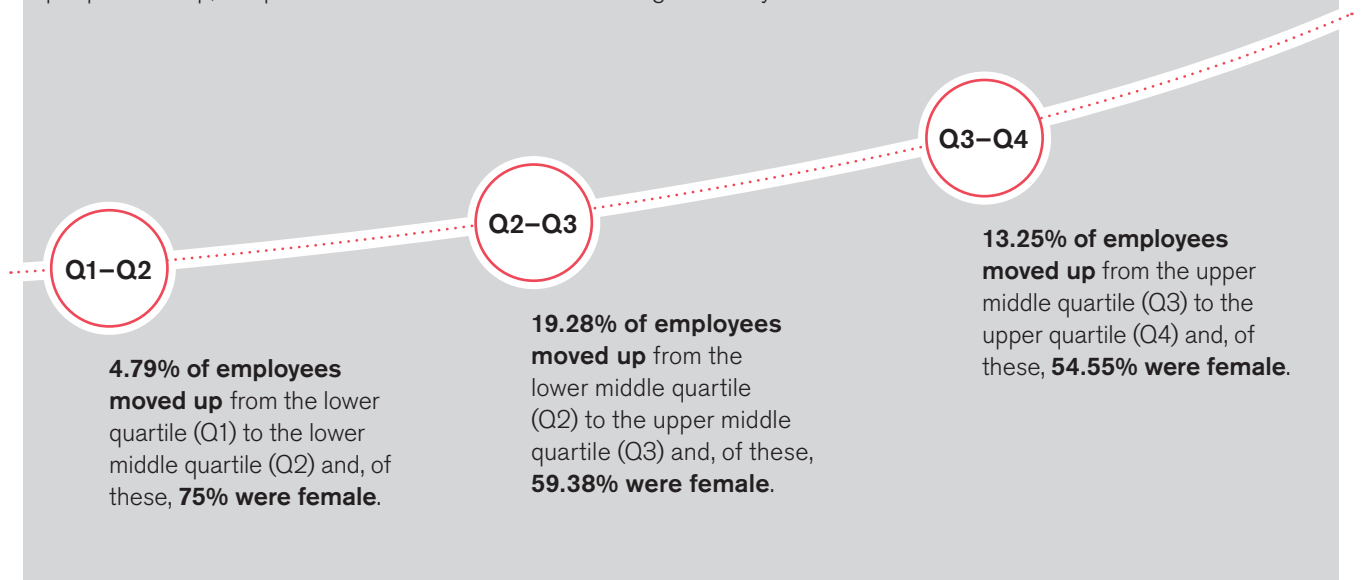


Statutory pay quartiles - gender



Comparison between 2018 and 2019 statutory gender pay gap data

We continue to see positive trends around career progression between this year and last year and there is an upwards movement across the quartiles, as people develop, are promoted and therefore receive a higher salary.

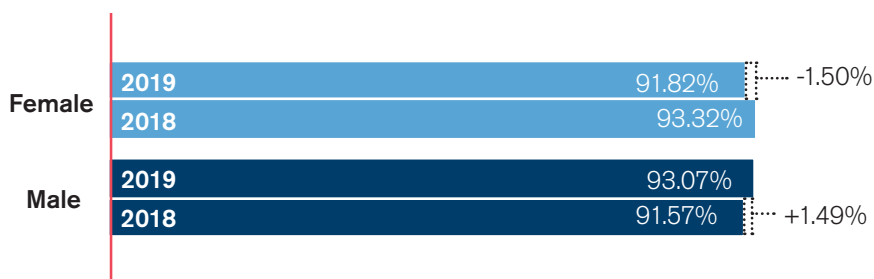


Bonus pay

Proportion of males and females who were paid a bonus

	2019	2018	Variance
Female	91.82%	93.32%	-1.50%
Male	93.07%	91.57%	+1.49%

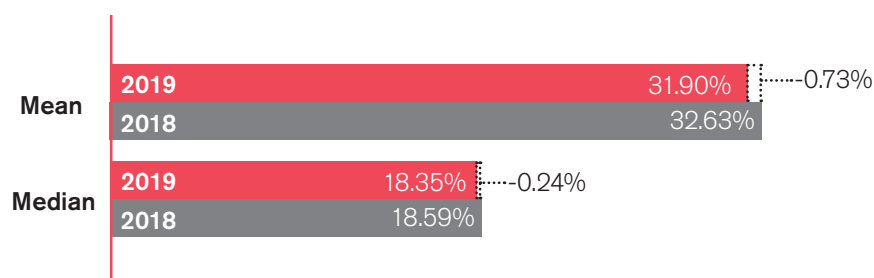
We have seen a slight change in the percentage of male and female staff receiving a bonus. Our bonus rules require an employee to be with the firm for a certain period of time within the financial year to receive a reward. As we have seen a higher percentage of female staff joining the business during the year, the proportion of women who were paid a bonus was affected as not all had been here the requisite period.



Bonus gap

	2019 bonus gap	2018 bonus gap	Variance
Mean	31.90%	32.63%	-0.73%
Median	18.35%	18.59%	-0.24%

The legislation states that actual pay received is used in the bonus calculation instead of a full time equivalent (FTE). This has created a higher gap than if we had used FTE as we have more women than men in part time roles whose bonus is therefore pro-rated to reflect their working pattern.



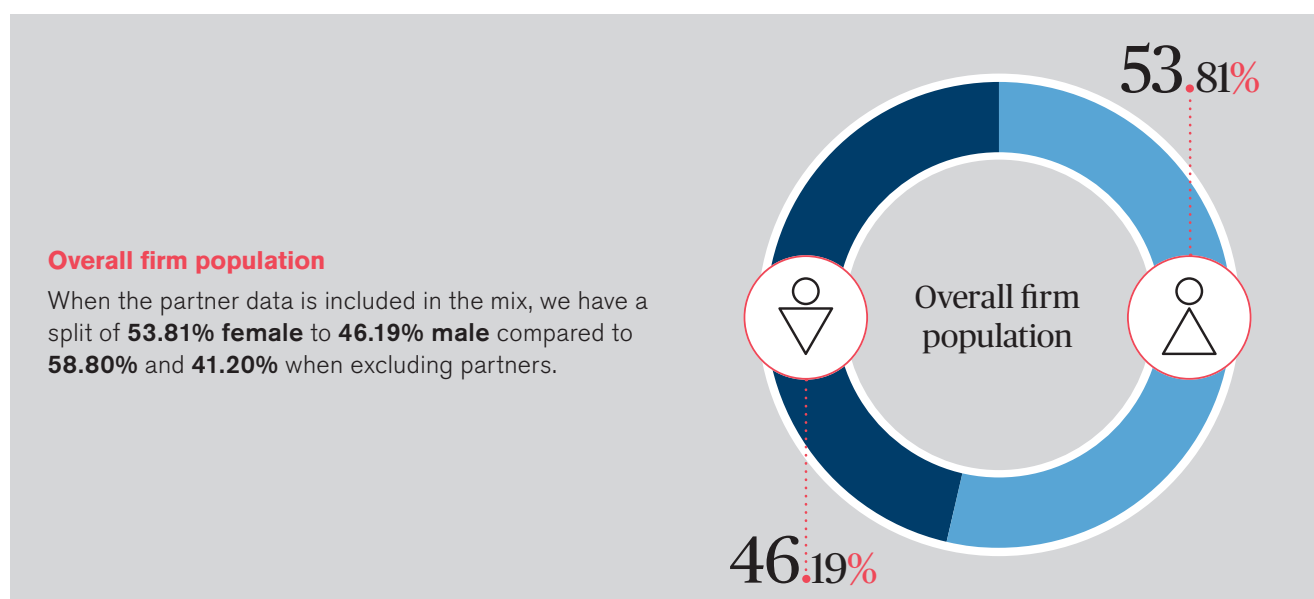


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While it will take time for the actions we have been taking to be reflected in the numbers, we remain committed to long-term change.

Additional reporting

The Government's gender pay gap methodology requires that partnerships exclude partners from their reporting (as they are not employees). However, we have decided to also publish our pay gap data including partners. Partners receive a share of the firm's profits at various points in the year. Therefore to enable us to compare the partners' earnings with the rest of the firm for the purpose of pay gap reporting, we have taken the total annual FTE pay (260 working days, 35 hours per week) for partners and employees including FTE bonuses, to calculate a total earnings figure per person in the period 6 April 2018 to 5 April 2019.



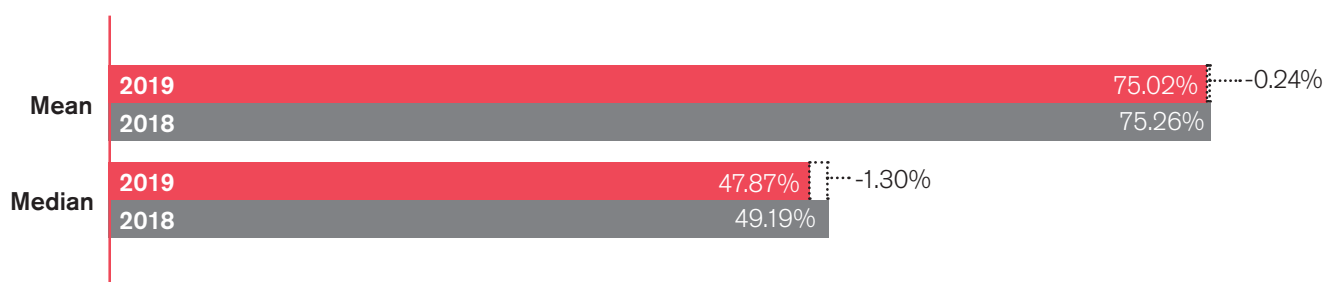
Overall gender pay gap for the entire firm including partners

Gender pay gap

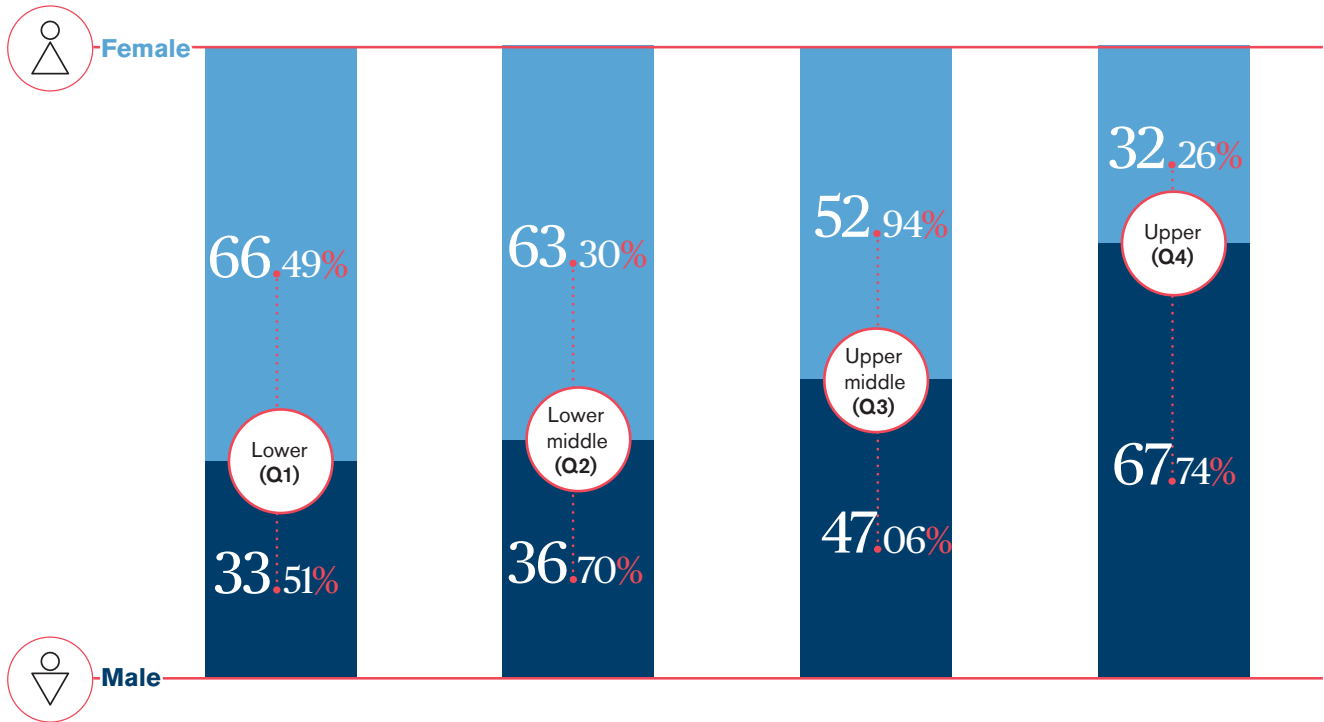
	2019 hourly pay gap	2018 hourly pay gap	Variance
Mean	75.02%	75.26%	-0.24%
Median	47.87%	49.19%	-1.30%

The total earnings data for the whole firm shows a bigger pay gap (compared to the earlier figure required for statutory reporting) as a result of:

- The significantly higher levels of remuneration received by partners compared to the rest of the firm.
- The low number of female and particularly senior female partners. During the 2018/19 year, we had 84 partners - 12 female and 72 male.



Pay quartiles - Firmwide gender split



The difference seen in the quartiles, particularly the upper quartile (Q4) compared to the statutory quartile split, reflects the greater number of male partners in the firm.

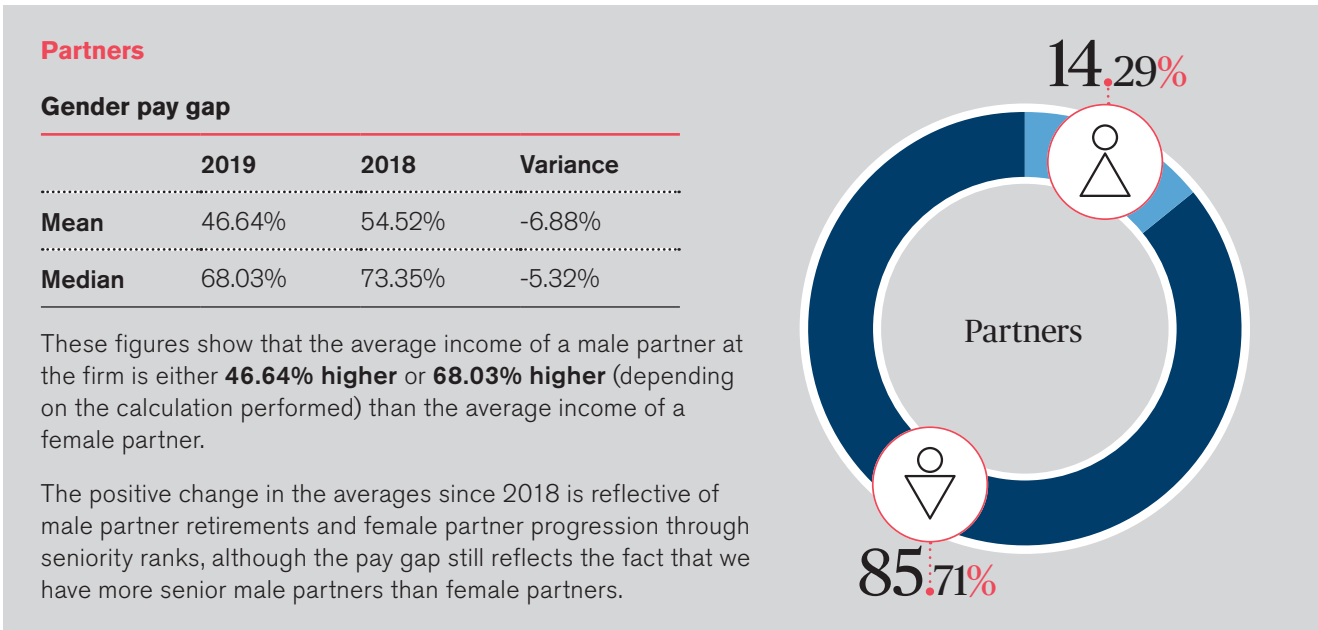
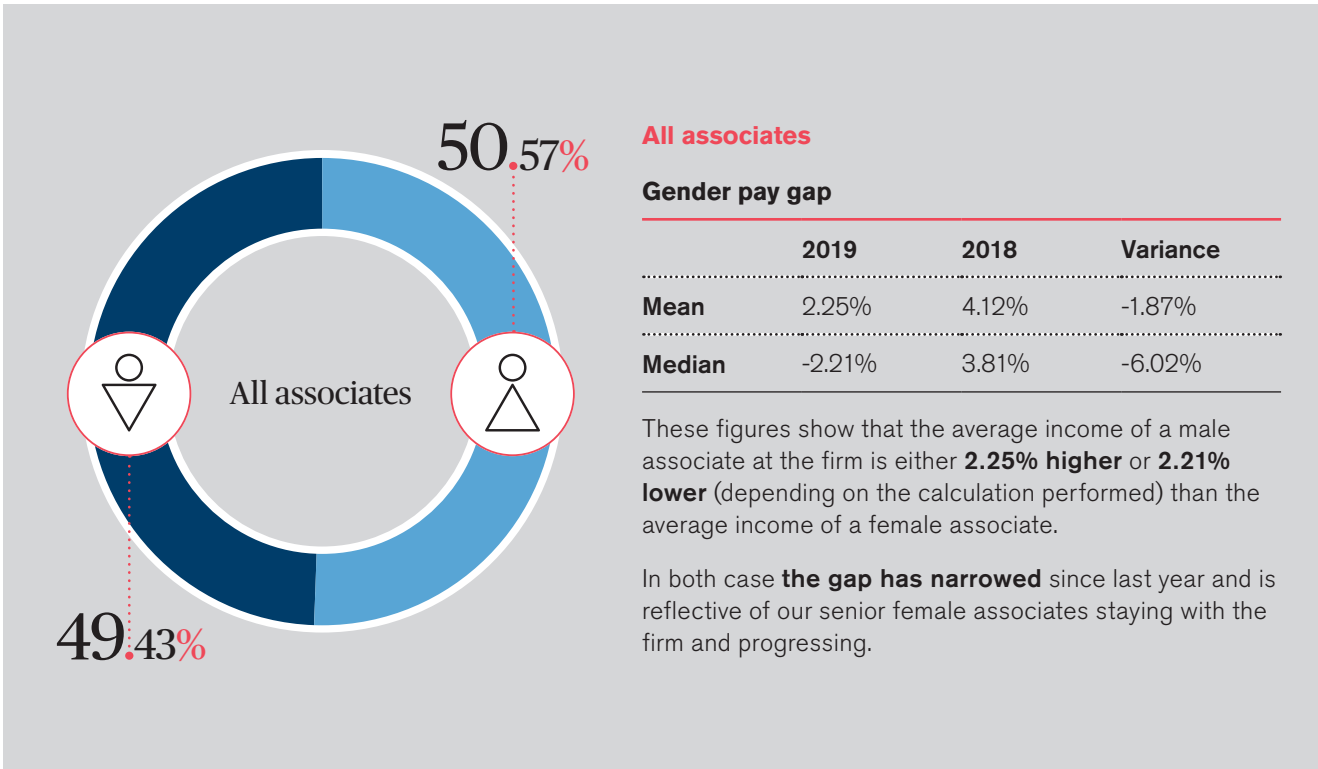


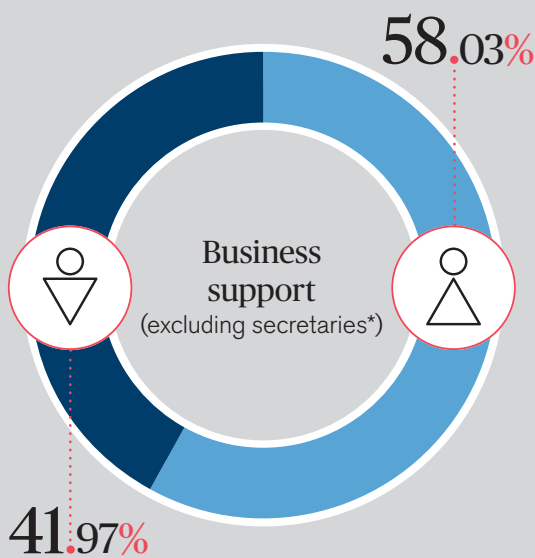
Rebecca Ashton
Real estate solicitor



The Female lawyers forum has provided me with useful tools and tips on how to take control of my career, in addition to extending my network of female solicitors and partners at the firm, both through large training sessions and small discussion groups. This programme reflects the firm's ongoing commitment to developing and promoting women, together with its support of other initiatives such as the 30% club mentoring scheme.

Pay gap breakdown of our populations





Business support (excluding secretaries*)

Gender pay gap

	2019	2018	Variance
Mean	4.93%	7.17%	-2.24%
Median	0.65%	-0.54%	1.19%

These figures show that the average income of a male employee within this group is either **4.93% higher** or **0.65% higher** (depending on the calculation performed) than the average income of a female employee in this group.

During this reporting period a higher proportion of our new joiners within business support were women. The women who joined in roles that are in the upper quartile were paid more on average than the male employees joining this quartile, reducing the mean.

We have also had a **greater number of female joiners** in the lower quartiles compared to our leavers, increasing the median slightly.

* We have no male secretaries, therefore we have excluded the secretarial population from this breakdown to ensure that the most meaningful data is published.



Awards

FT INNOVATIVE LAWYERS

FT Innovative Lawyer Awards 2019: Diversity and Inclusion

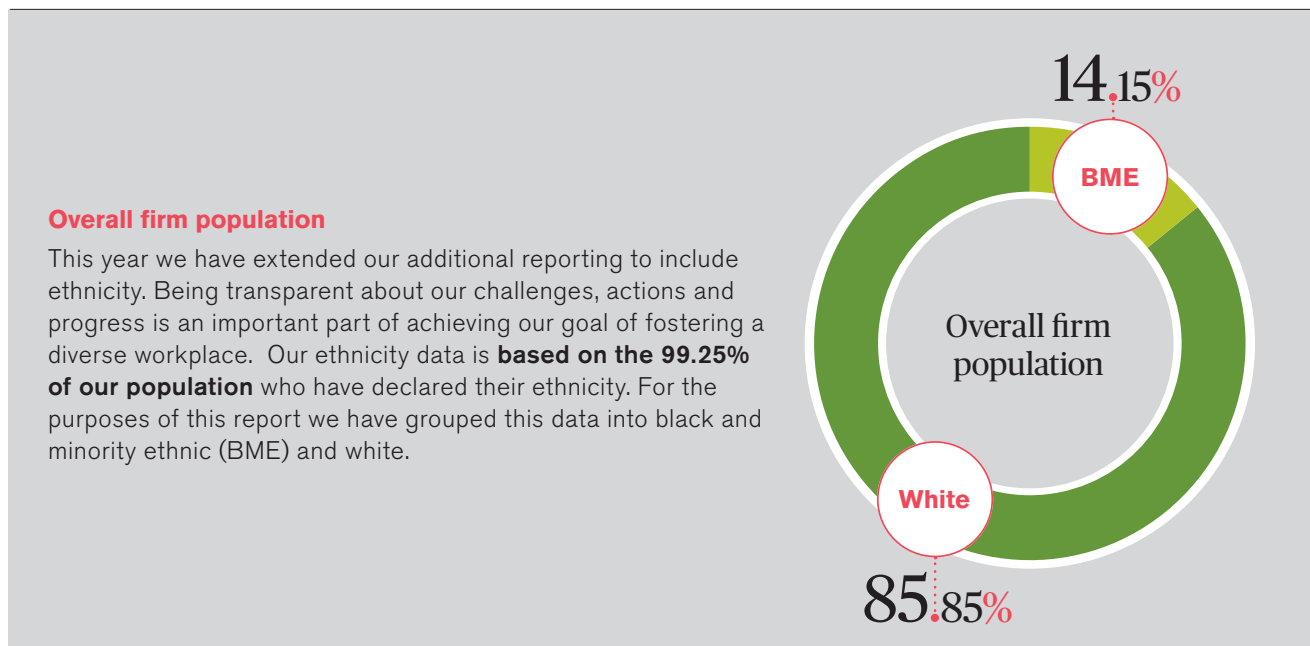
In recognition of our role in setting up the Reignite Academy (in collaboration with five other law firms), Macfarlanes won the Diversity and Inclusion category at the FT Innovative Lawyer Awards 2019. The Reignite Academy helps lawyers, particularly women, return to work in law firms after an extended career break.

MY FAMILY CARE⁺

Family Care Parental Leave Policy & Reward Benchmark 2019

Macfarlanes was ranked first in the legal sector in the My Family Care Parental Leave Policy & Reward Benchmark 2019. 250 companies provided details of their current policies and benefits for maternity, adoption, paternity and shared parental leave.

Ethnicity



Overall ethnicity pay gap for the entire firm including partners

Ethnicity pay gap including partners

	2019
Mean	68.79%
Median	43.15%

When partners are removed from the calculation, our mean ethnicity pay gap reduces to **21.22%** and the median reduces to **37.88%**.

The ethnicity gap is driven by the greater population of BME people in business support, where the market rate for salaries is generally less than for qualified fee earning roles, and in more junior fee earning roles. Also, as the size of the two populations (BME and white) are significantly different, very small changes in our BME population (for example one or two leavers or joiners) can significantly affect our ethnicity pay gaps.



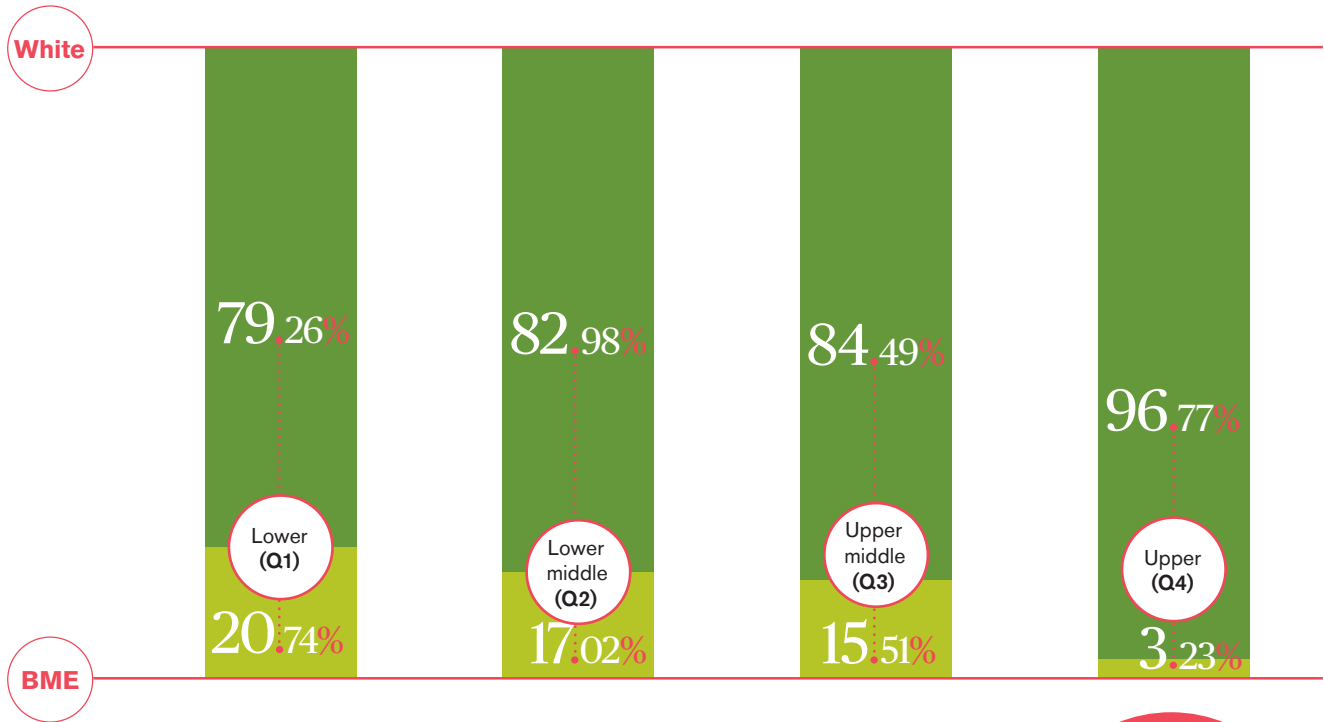
Awards



Top 10 outstanding employer in the 2019 Investing in Ethnicity awards

We are working hard to progress our ethnicity agenda and in recognition of this Macfarlanes was named as a top 10 outstanding employer in the 2019 Investing in Ethnicity awards. In addition, Jat Bains (a partner in our Finance team) won an individual award at the same event for his contribution to our efforts to improve diversity and inclusion.

Pay quartiles - Employee ethnicity split including partners



21.3%
of our current
Trainees are BME



Aalia Datoo
Senior counsel
Litigation and dispute resolution

“The BME roundtables were an opportunity for us to share our experiences in the profession and in the firm; and to make some practical suggestions about what more we would like to see the firm doing to foster an environment where BME lawyers thrive. The sessions included lawyers from all levels and departments, providing the added benefits of networking and sharing best practice. It is good to see that our ideas are being actioned already, with more cultural events and a reverse mentoring programme - demonstrating a real commitment to moving the dial forwards with respect to diversity and inclusion at the firm.

Pay gap breakdown by populations



All associates

Ethnicity pay gap

	2019
Mean	10.48%
Median	9.89%

The mean calculation shows that the income of white employees is 10.48% higher than BME employees on average within this group. The median calculation shows that white employees earn 9.89% more on average than BME employees within the associate population.

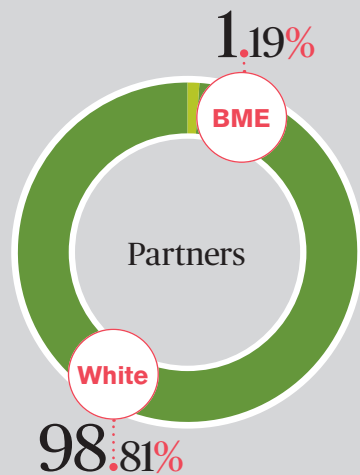
The gap reflects the larger population of white employees in our more senior associate positions.

Partners

Ethnicity pay gap

	2019
Mean	-14.65%
Median	-22.22%

Both the mean and median calculations are reflective of the seniority of our BME partner population.



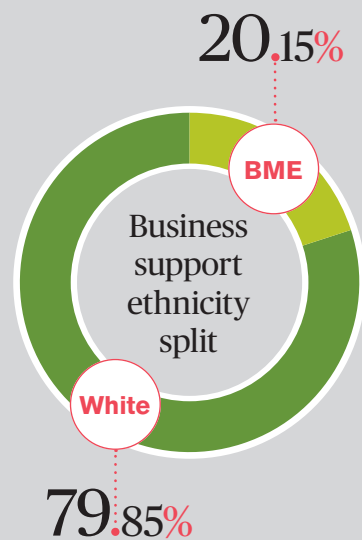
Business support

Ethnicity pay gap

	2019
Mean	11.87%
Median	-0.04%

The mean calculation shows that white employees earn 11.87% more on average than BME employees within this group. The mean gap reflects the wide variety of roles within business support. Most of our BME employees hold positions that are mid-seniority level within this group.

The median income of BME and white employees is equal on average within the business support population.



Raad Rizk
Hydrogen Recruitment

“

Macfarlanes invited us to a meeting so that we could understand the actions they're taking to attract and retain a diverse workforce and to discuss how we can support this through lateral recruitment. What stood out to me was the level of importance placed on diversity within the firm's strategy and how everyone at every level has an essential part to play.”

Our commitments

At Macfarlanes we are committed to ensuring that everyone has the same opportunity to fulfil their potential and to progress in their careers, while feeling that they can be themselves at work. We are serious about reducing our gender and ethnicity pay gaps, although we recognise that it will take time for the actions we have been taking to be reflected in the numbers.

In October 2018 we launched our People Commitments, which responded to feedback from our people, gathered through committees, staff networks, focus groups and surveys. Twenty five commitments were distilled into three main strands:

Balance: helping our people to juggle work, family and personal commitments

- Including better support for parents and carers, and encouraging agile working.

Clarity: transparency, clarity and fairness should be the guiding principles when it comes to careers in the firm

- Including more transparency around promotion processes and reviewing our HR policies and benefits.

Development: supporting our people through the various stages of their careers

- Including developing a culture of giving and receiving feedback, a new mentoring scheme and continuing our focus on inclusive recruitment.

We believe that if we deliver on these 25 commitments we will foster an engaged and inclusive culture by recruiting, retaining and advancing outstanding people.

This year we have also focused on initiatives for three key communities to ensure that the firm is a place where our talented people want to stay and progress:

Female lawyers forum – this bespoke initiative for all female lawyers was led by an external consultant and our female partners. From March 2019 to November 2019, there were a number of modules including plenary sessions and smaller discussion groups – with a practical focus that encouraged networking throughout the year.

BME roundtables – in summer 2019 we worked with an external BME career coach to deliver an initiative for BME fee earners. This was an opportunity to share experiences and make recommendations on what more the firm can do to encourage an inclusive culture.

BME data analysis - we have collaborated with eight other City law firms in an anonymised analysis of the impact of graduate and lateral recruitment, attrition and promotion on BME fee-earning populations. This analysis is currently underway and we anticipate that the results will help us to pinpoint where we need to focus our efforts and to measure progress.

Male lawyers roundtables – led by some of our most senior male partners and the same consultant who delivered the female lawyers forum, this provided an opportunity for male lawyers to talk about issues that they would like to raise but often feel that they cannot.

We are monitoring progress and gathering feedback in order to continue to develop our diversity and inclusion strategy which remains a priority for the firm. To find out more about our work in these areas, please visit our website – macfarlanes.com/who-we-are/inclusion-and-community/inclusion/.

Pay gap summary

Gender pay gap

	Mean	Median
Firm statutory gender pay gap	15.53%	40.74%
Overall firm including partners	75.02%	47.87%
Partners	46.64%	68.03%
All associates	2.25%	-2.21%
Business support (excluding secretaries)	4.93%	0.65%

Ethnicity pay gap

	Mean	Median
Firm ethnicity pay gap excluding partners	21.22%	37.88%
Overall firm including partners	68.79%	43.15%
Partners	-14.65%	-22.22%
All associates	10.48%	9.89%
Business support (including secretaries)	11.87%	-0.04%



Julian Howard
Managing partner

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