

PAY GAP REPORT 2021



**ADDLESHAW
GODDARD**

MORE IMAGINATION MORE IMPACT

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At AG we continue to strive towards greater diversity across our firm and our commitment is underpinned by our strategy on inclusion. In this report we are publishing our 2021 pay gap results (with a comparison against our 2020 and 2019 figures). Overall, the 2021 pay gap analysis shows a mixed picture, with the employee gender pay gap remaining similar to 2020.

The last year continued to reflect some of the challenges from 2020 surrounding the global pandemic. As a business we carried on investing in our efforts to create a more diverse workforce where everyone is able to be their authentic selves and achieve their potential. Pleasingly, our second annual inclusion survey showed a positive improvement across all underrepresented groups in the business in our key inclusion metric: the extent to which people feel a sense of belonging at the firm.

As before, to be fully transparent, we are publishing our partner data which is excluded by the current regulations and also our ethnicity pay gap, given the importance we are placing on becoming a more ethnically diverse business. There is more detail later on in this report on the various steps we are taking to address the pay gap.

The initiatives we have put in place continue to mature and form part of our 'business as usual' work, but we recognise, and these results demonstrate, that there is still much more to be done in facilitating a higher level of female and ethnically diverse representation at senior levels of the firm. We will continue to make this a business priority in the coming year.



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WHAT IS THE GENDER PAY GAP?

It is a legal requirement for employers with 250 or more employees to report on the gender pay and bonus gaps within their organisation. This is the difference between the earnings of the average man and woman in the business, treating men and women as two large groups and disregarding their role. The presence of a gender pay gap does not mean an employer has an equal pay issue and the two issues should not be confused.

Some of the causes of the gender pay gap within organisations include the fact there are often more men than women in senior, high earning roles. Women may have greater representation in more junior and administrative functions which has the effect of reducing the average pay and bonuses for women as a whole. Other reasons for the gap include the fact that women tend to be steered towards certain occupations and / or sectors which offer narrower scope for financial reward. They are also more likely to work part-time, which contributes to the bonus gap as actual bonus is used for the calculation, rather than full-time equivalent amount.

MEAN

The MEAN pay gap figure is calculated using the average pay rate (or bonus) of all the men and women – the difference between the two is the mean pay gap.

MEDIAN

The MEDIAN pay gap figure is calculated using the mid-point pay rate (or bonus) of all the men and women i.e. where half earn more and half earn less – the difference is the median pay gap.

OUR APPROACH TO REPORTING

As we have in the past couple of years, we are publishing our gender pay and bonus gap figures for AG Service Company Limited (our employee population), and we are also publishing the pay gap of the Members of Addleshaw Goddard LLP (the partner group), which is a separate legal entity falling outside of the gender pay gap reporting obligations. Partners are not paid a salary, instead they receive a share of the firm's profits. In the absence of government guidance, we have followed the approach recommended by The Law Society in calculating our partner pay gap.

The pay reporting date for this report, set by legislation, is 05 April 2021 and the bonus reporting period is 06 April 2020 – 05 April 2021. The statistics and information provided here relate to UK colleagues only. In line with Government guidance, we have excluded from our employee pay gap calculations all those who were not paid a full salary in the relevant pay period (for example, those on parental leave). Throughout this report we use the term women, and define this as all people who self-identify as women.

ETHNICITY PAY GAP

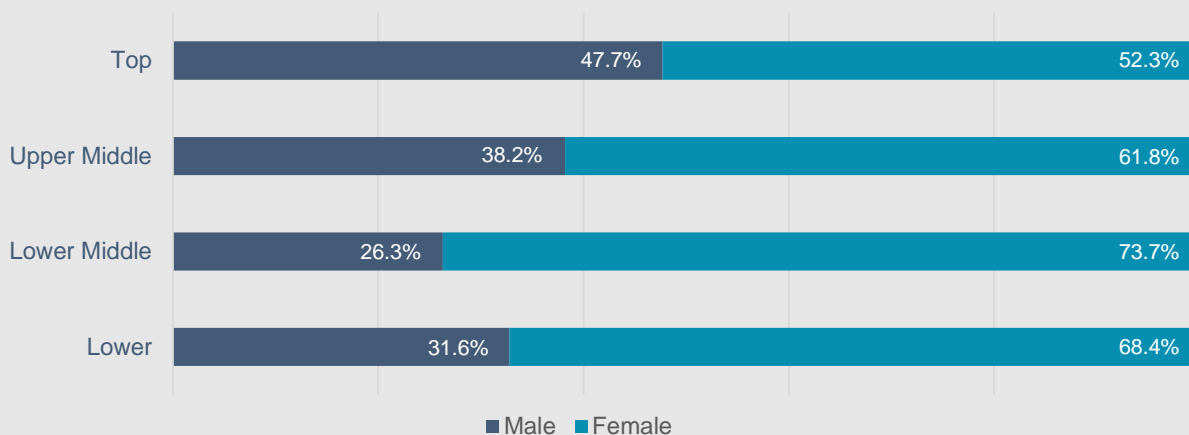
We are also publishing our ethnicity pay gap information, which looks at both employees, and employees and partners combined. The percentage of undisclosed ethnicity reduced to 14.4% from 20% in 2020. We have removed from the analysis those where their ethnicity is unknown and compared the earnings of White colleagues and colleagues from ethnically diverse backgrounds. Given the existing small numbers of individuals, we have taken the decision (in line with other firms) to report on colleagues from ethnically diverse backgrounds as one combined group, rather than splitting out into separate ethnic groups (Asian, Black, Mixed Heritage etc) in order to make for more meaningful data analysis.

GENDER PAY GAP

EMPLOYEE DATA

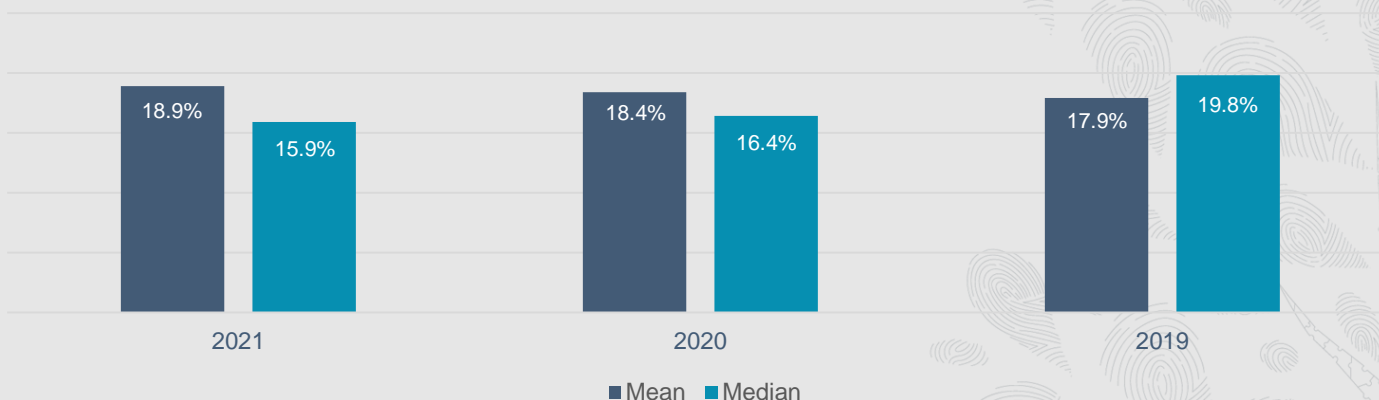
We have a split of 65% female employees to 35% male.

If we look at the four pay quartiles, from top to bottom, men and women are represented across those quartiles as below:



The higher percentage of female colleagues in the lower quartiles is reflective of the fact that there are significantly more women in junior, lower paid roles across the business compared to men. For example, our Business Services and Secretarial Services functions, where salaries are lower, is predominantly made up of women.

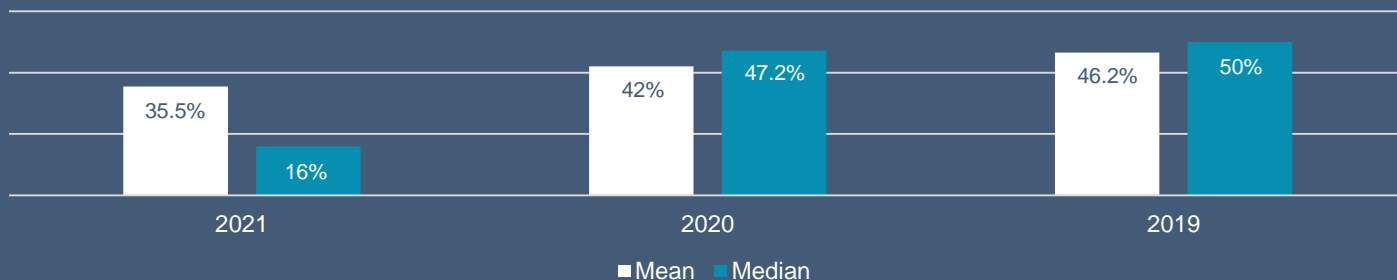
Our employee pay gap is as follows:



Our mean pay gap has increased by 0.5% on last year, but we have seen a decrease in the median of 0.5%. The gap exists primarily because we employ more women in lower paid, non-fee earning and support roles (as demonstrated by our pay quartile results). These roles also tend to be based outside London in our northern offices, where salaries are lower. If, for example, we remove Secretarial Services from the analysis, the gap reduces to 13% (mean) and 11.7% (median).

Looking at discrete populations, the pay gaps are smaller; for our fee earners (excluding trainees and paralegals) it is 9.9% (mean) and 13.9% (median), and for business services employees it is 7.7% (mean) and 8.5% (median). Within our lawyer population, our pay gap at Associate level is 5.4% (mean) and 6.6% (median), at Managing Associate level is 5.6% (mean) and 4.5% (median), and at Legal Director level is 7.4% (mean) and 5.9% (median).

Our employee bonus gap is as follows:



97% OF MALE EMPLOYEES AND 98% OF FEMALE EMPLOYEES RECEIVED A BONUS.

In 2021 the number of people receiving bonuses increased due to a one-off 'thank you award' we paid to nearly all staff in March 2021. This meant that an additional 532 employees were included in the bonus analysis who would not otherwise have been. Of bonuses paid, a third were attributable to this award alone. This is one of the reasons that our median bonus gap reduced so significantly (by 31%). Pleasingly our mean gap, which will have been less affected by the award, also reduced by 6.5%.

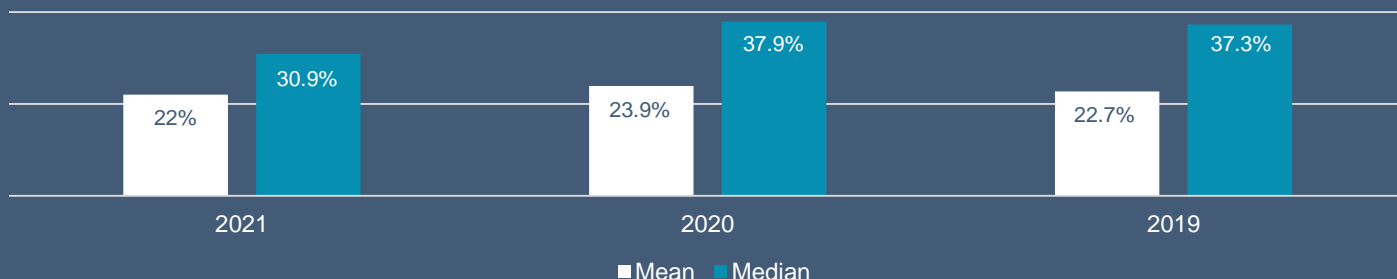
Our bonus gap is driven by the fact that we have proportionately more women in areas of the business where lower bonuses tend to be paid e.g. non-fee earning roles. We are required to calculate the pay gap on actual bonuses received, rather than full time equivalent for part-timers, which further drives our bonus gap as we have significantly more female part-time employees than male.

Bonuses vary greatly in amount and if we remove a small number of bonuses at the 'extremes' of the data, the mean falls to 26% - a decrease of nearly 10%.

It is also worth noting that the top 20 bonuses paid were split evenly between men and women.

PARTNER DATA

We have a split of 30% female partners to 70% male. Based on partners' total profit share (including bonus) for the FY ended 20/21, our partner pay gap is:

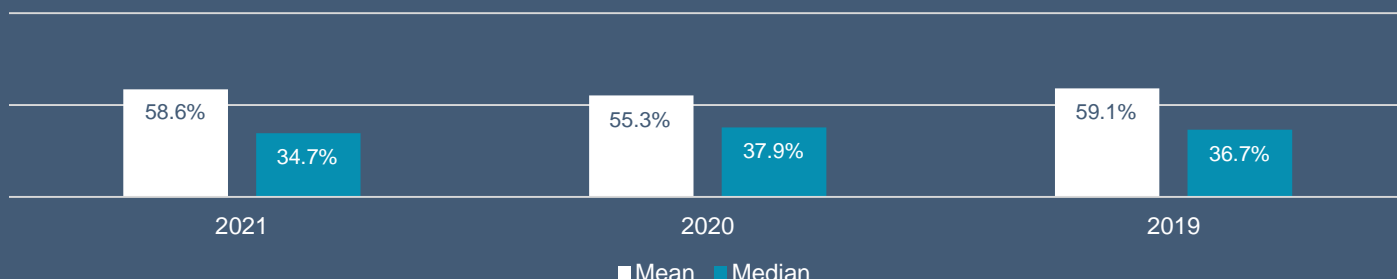


The partner pay gap is driven by the fact that within the partnership we have significantly more senior men – at the pay reporting date, 81% of our equity (i.e. most senior) partners were male.

Pleasingly both the mean and median have reduced from 2020.

FIRMWIDE DATA (PARTNERS AND EMPLOYEES)

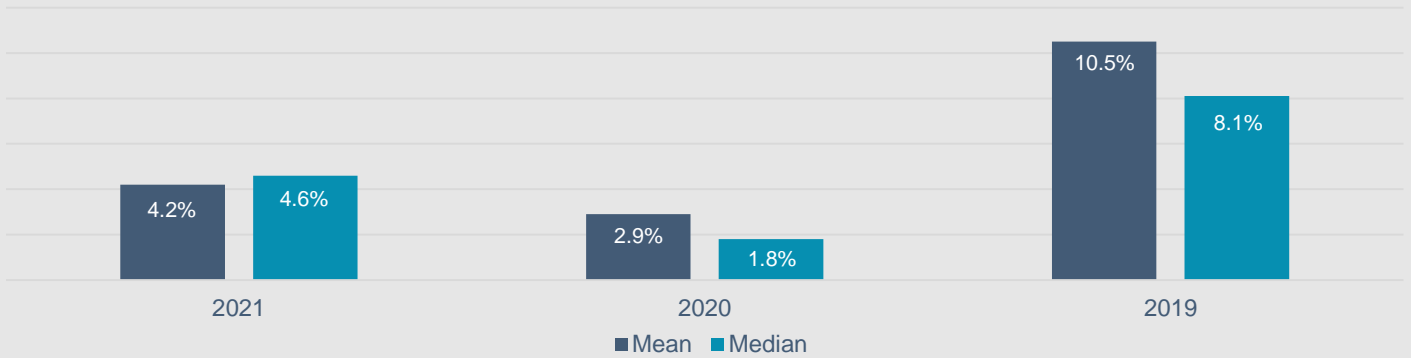
This year, we have again combined the employee and partner statistics to produce an overall organisational pay gap. There has been a slight increase in the mean and a corresponding decrease in the median since the 2020 results.



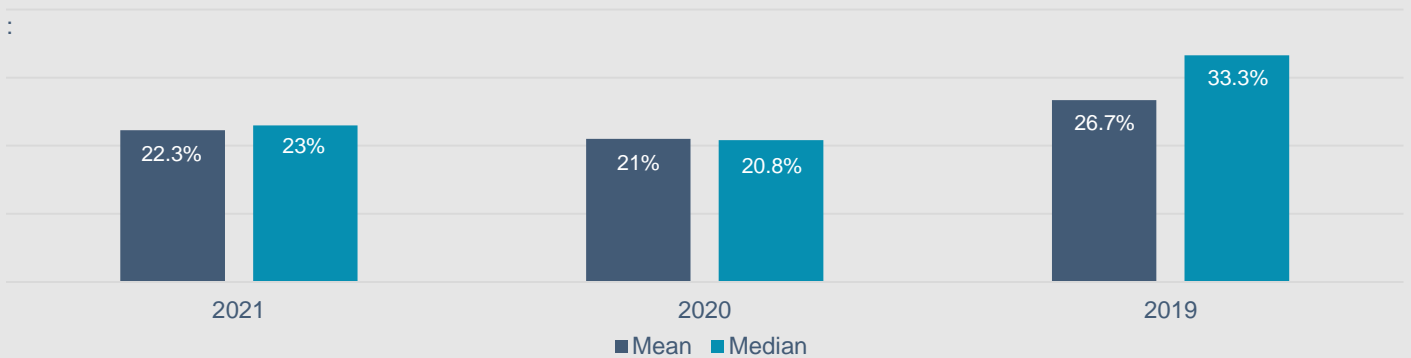
ETHNICITY PAY GAP

In line with last year's approach, in order to create a data sample of a meaningful size we have grouped together colleagues from ethnically diverse backgrounds and compared their pay and bonuses to White colleagues.

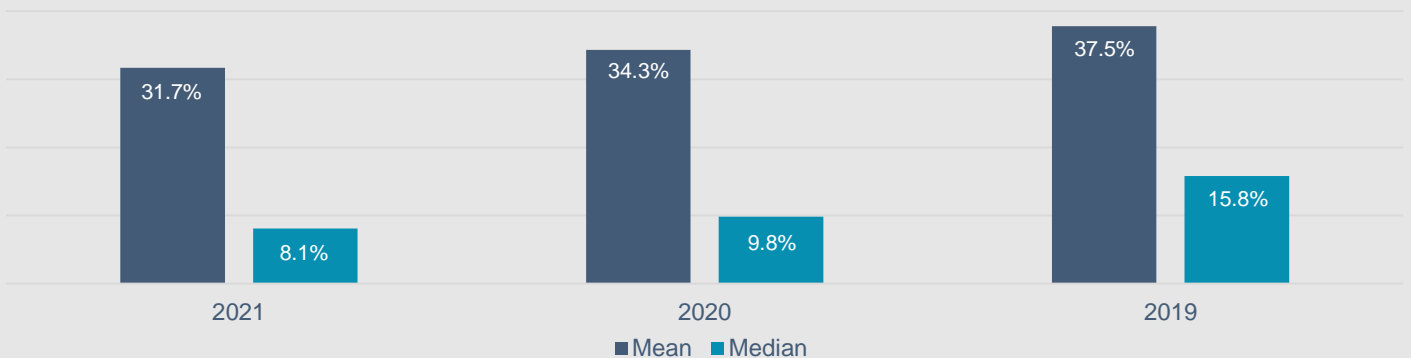
The employee ethnicity pay gap set out below has increased since 2020, but remains small and much lower than in 2019 – however, we will monitor this for an upward trend.



Our employee ethnicity bonus gap has increased slightly since 2020 – as set out below. As with our gender bonus gap, the gap here is largely attributable to a small number of bonuses at the 'extremes' of the data set which skew the results.



If we add partners to the analysis, we have an overall organisational ethnicity pay gap of:



There has been a small closing of both the mean and median gap since 2020 and the overall trend is in the right direction.

The need to increase the number of ethnically diverse colleagues within the partner, as well as the employee population, is clearly still a pressing one. Currently only 5% of our UK partners are from an ethnically diverse background, and we are focused on changing this through various initiatives.

CLOSING THE GAP

Facilitating greater diversity in gender and ethnicity will remain key areas of focus for AG in order to positively affect the pay gap. The change is mostly needed at the senior levels of the business where the salaries and bonuses are highest, and this takes time and requires both short and long term strategies. Work continues to this effect as outlined below, reflecting on some of the initiatives that we have been running for a while and some that we launched last year and are still developing.

STRATEGY

- The targets in our inclusion strategy relating to gender and ethnicity continue to be reviewed and driven by our Inclusion Partners.
- We have recruited, as part of the Inclusion Team, an Inclusion Manager focused on gender and ethnicity.

SUPPORT FOR FAMILIES

- Our newly launched Carers' Policy sets out the support available to working carers and provides guidance to managers and colleagues to ensure carers are able to balance their work and caring commitments effectively.
- We continue to offer various flexible working patterns to suit colleagues that have caring and other responsibilities to manage alongside their careers.
- We have generous parental pay policies that allow women to take time off to look after their young children, reducing financial pressures which might mean having to return to work before they are ready.
- We have a shared parental leave policy, which matches our maternity leave policy in terms of pay. It serves to encourage more men to take an active role in looking after their baby in the first year of its life and helps to 'de-gender' the role of a primary carer.

TALENT PIPELINE AND CAREER DEVELOPMENT

- We have targeted activity and recruitment fairs for ethnically diverse talent. We work closely with universities and recently had a successful 'Ethnicity Talent Law' panel event in collaboration with Leeds University which focused on students from ethnically diverse backgrounds.
- We use contextual recruitment which enables us to look at the context and background in which students received their grades.
- Our longstanding female development programmes are under review to ensure they are still fit for purpose for the next generation of colleagues. Our FLOURISH programme is now in a hybrid format with both virtual and face to face sessions.
- Our junior partner sponsorship programme supports talented women in accessing the highest level of our business (equity partnership). To date, 73% of those on the programme have been promoted and the number of female equity partners has increased from 19% to 23% in the last two years.
- Our female mentoring programme, focused on women who are in Managing Associate and Legal Director roles is now at the end of its first iteration. We will shortly be inviting a new cohort to take part.
- We continue to offer flexible career options i.e. offering alternative career paths and roles such as Legal Director, which help us retain talented women in the business.

CULTURE AND AWARENESS

- We have internal networks, including those for gender and ethnicity. They are maturing and play the important role of connecting colleagues, creating safe spaces, as well holding the business accountable on this agenda.
 - We host events, in the form of panels and 'In conversation with' formats which are run by our internal networks and the Inclusion Team. These events encourage reflection and the sharing of experiences of colleagues from underrepresented groups, to reinforce a sense of belonging.
 - We continue to collaborate with external organisations such as the NOTICED ethnicity network, InterLaw and the newly launched Stronger Together (Leeds network) which helps to support our strategic inclusion goals.
 - We rolled out our Reverse Mentoring initiative in 2021. The feedback from both mentors and mentees has impressed upon the business why it is important and useful. The initiative has allowed safe spaces for ethnically diverse individuals to share lived experiences and upskill partners and managers in inclusion leadership styles.
 - We encourage inclusion discussions within teams which are supported and rolled out by partners and managers with the support of the Inclusion Team.
 - We continue to celebrate key dates such as International Women's Day and Black History Month.
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Our Gender and Ethnicity Inclusion Partners are currently implementing strategic plans for these areas, supported by our Inclusion Advocates and colleagues around the firm. We have also bolstered our central Inclusion Team with the recruitment of a new Inclusion Manager, whose specific focus is on gender and ethnicity inclusion. Everyone has a role to play in helping us to achieve our ambitions to become a more diverse and inclusive firm, particularly at senior levels, and we are working hard on strategies to close our pay gap. More about our initiatives, as well as details of our gender and ethnicity targets, can be found in our annual Inclusion Report.

I confirm that the information in this report is accurate.



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The data published in this report is published by AG Service Company Limited (AGSC). AGSC is a wholly-owned subsidiary and the service company of Addleshaw Goddard LLP. AGSC is the main employing entity for Addleshaw Goddard's UK based employees.

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