



Pay Gap Report 2018

Gender & Ethnicity
Pay Gap Reporting

December 2018

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Foreword



Our talent is what drives our success. Diversity of backgrounds and perspectives is critical to this.

Transparency is an agent for change and that's why we publish data on our gender and ethnicity pay gaps and have done for the past few years.

Reducing our pay gaps will take time but understanding our data focuses our minds on actions. We have introduced a number of initiatives in the last year to reduce the gaps, which you can read more about in this Report.

This year I have continued to learn through the Black Heritage Reverse Mentoring Programme, so I am pleased we have expanded the programme to more of our Partners across the organisation to enable a greater understanding of how we can make KPMG even more inclusive.

To embed accountability, we have set internal targets within each business area and our Board, Executive Committee and other senior business leaders continue to be held responsible for progress. Our Partners and Directors are measured on their contribution to improving diversity as part of their performance evaluation and our Inclusive Leadership Board continue to oversee, advise and challenge our efforts by providing external expertise and input on best practice.

All employees must have equal access to opportunities that enable them to grow, develop and progress within our organisation, irrespective of their gender, ethnicity or other characteristics. There is more work to do and we will continue to drive change to support a fairer future for all.

Declaration

We confirm that KPMG UK Ltd's pay gap data has been collected and presented within this report in accordance with the Equality Act 2010 (Gender Pay Gap Information) Regulations 2017.

Philip Davidson

At KPMG, we are passionate about creating an inclusive and collaborative culture where everyone is supported to reach their full potential.

Our pay gap data helps us to identify where more work needs to be done. The data is crucial in understanding where barriers may exist and allows us to implement tailored interventions. However, change cannot happen overnight and we know that the full impact of our approach will take time to show in our data.

To improve our diversity at senior levels, we have taken targeted action and we are making progress. In our most recent round of Partner promotions, 36% were female, compared with 29% last year and 10% of newly promoted Partners come from Black, Asian and Minority Ethnic backgrounds. We are working hard at developing our next generation of diverse senior talent.

By identifying the points in people's careers where they may face barriers we can tackle these and over time this will help us narrow the gap. For example, we know that a particular pinch-point in careers can be returning from parental leave. Our Empowering Parents Programme gives people coming back from parental leave specific coaching, training and mentoring so they get back into the swing of things as quickly as possible and can continue to progress their careers.

We have been offering all our staff flexible working options such as time working from home and alternative working patterns for a number of years. We have recently taken this further by introducing our Return To Audit Programme, offering a flexible route back to work for those who have taken a career break. Coupled with our market leading apprenticeship and graduate recruitment programmes and career development opportunities, we are cultivating an environment where the opportunity to build a successful career is open to all who have potential.

However, we recognise that there is still significant improvement to be made and we are not complacent. There is no one size fits all solution to closing the gap but we wholeheartedly believe that diversity in our people benefits us as a workplace and benefits the outcomes we deliver for our clients.

Gender Pay Gap

The gender pay gap is the measure of the difference in average pay between all men and all women across an organisation.

We know that there are a number of factors that drive differences in pay (e.g. types of role, level, location etc.).

Whilst we have better gender balance in our student entry roles, in common with many other large UK employers, our gender pay gap is driven by:

- Employing more males than females at a senior level
- Employing more females in support and non-revenue generating roles

We have an aggregate gender pay gap but this is not the same as having an individual equal pay gap.

An equal pay gap is the failure to pay a male and a female like pay, for like work. Equal pay is a legal requirement in the UK and KPMG has relevant processes in place to ensure our approach to pay and reward for our people is based on fairness.

We have robust processes and monitoring in place to ensure that our people are treated and paid fairly meeting both our legal and moral obligations.

What do we think about our pay gap?

Although progress has been made in some areas there is more to do to reduce these gaps.

Our year-on-year analysis shows that movement for each figure (e.g. mean/median, basic pay/bonus) is caused by a number of different factors and there is no one single factor driving this movement.

The impact of initiatives introduced to reduce the pay gaps – as outlined in the following pages – will be better observed over a number of years and will not be fully felt until we have a greater number of women at a senior level in our organisation. That said, the data is providing us with a greater understanding of our pinch-points and we continue to drive our Inclusion, Diversity and Social Equality strategy in response.

Partner pay gap

Although not required by statute, we have included our Partner gender pay gap for increased transparency.

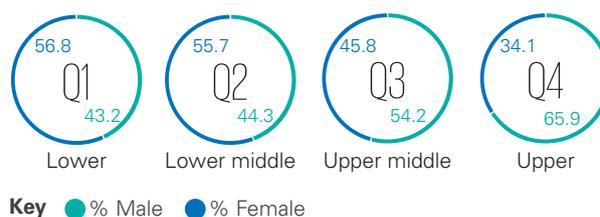
Snapshot, quartiles and in-scope population

In-scope employee population reporting

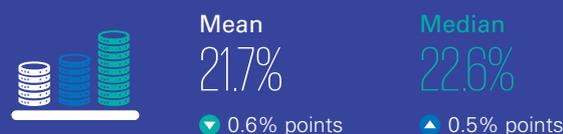
The total in scope KPMG population for base pay gender pay reporting is 14,137 with a male/female split of 7,339 (51.9%) / 6,798 (48.1%).

Pay quartiles (excluding Partners)

The below quartiles set out the gender distribution across KPMG Ltd in four equally sized quartiles.



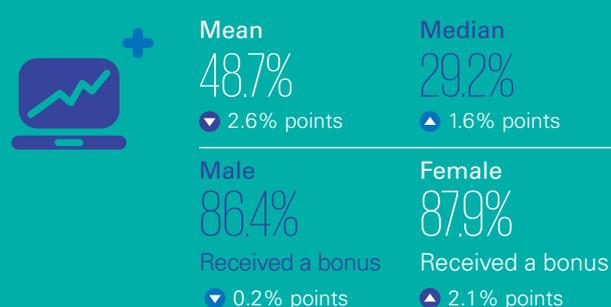
Basic pay – difference in average pay between men and women (excluding Partners)



Bonus reporting (excluding Partners)

The total in scope KPMG employees for bonus gender pay reporting is 13,020 with a male/ female split of 6,557 (50.4%) / 6,463 (49.6%).

Bonuses – difference in average bonus paid between men and women who received a bonus (excluding Partners)



Partners and employees¹



Our Partner only mean gender pay gap is 12% and median gender pay gap is 11%.

¹ Our year-on-year comparisons reflect changes in employee pay data. Both the 2017 and 2018 published Partner pay gap data is based on October 2017 Partner pay data, which was first published in March 2018. We have not yet finalised our 2018 Partner pay.

Ethnicity Pay Gap

The ethnicity pay gap is the difference in average pay between all White and all Black, Asian and Minority Ethnic (BAME) employees and has been calculated using the gender pay gap statutory methodology.

Our ethnicity pay gap is driven by:

- Employing fewer BAME individuals in senior roles
- Of the BAME population, employing proportionately more individuals in junior roles

As with gender, we have robust processes and monitoring in place to ensure that our people are treated and paid fairly in meeting both our legal and moral obligations.

What do we think about our pay gap?

This is the second year that we have reported on our ethnicity pay gap. We do this on a voluntary basis as we recognise that only through understanding the data in full, will we be able to effectively close the gap. Progress has not been achieved across the board, but these figures demonstrate some movement in the right direction.

As with the gender pay gap, our year-on-year analysis shows that movement for each figure is caused by a number of different factors and there is no one single factor driving this movement.

How we report our pay gaps

In the same way as last year, we have reported our gender and ethnicity pay gaps based on pay after salary sacrifice as required by statute.

The pay gap measures basic pay, all allowances, bonuses and other cash benefits. The bonus pay gap reflects the difference in bonus, commission and incentive earnings.

For both gender and ethnicity purposes:

- Hourly pay is based on 5 April 2018 data.
- Bonus pay is based on bonuses paid in the period 6 April 2017 to 5 April 2018.

Snapshot, quartiles and in-scope population

In-scope employee population reporting

The total in scope KPMG population for base pay ethnicity pay reporting is 13,404 with a White/BAME split of 9,671 (72.2%) / 3,733 (27.8%). Our ethnicity data is based on those individuals who have chosen to declare their ethnicity, which is 95% of the total in scope population.

Pay quartiles (excluding Partners)

The below quartiles set out the ethnicity distribution across KPMG Ltd in four equally sized quartiles.



Key ● % White ● % BAME

Basic pay – difference in average pay between White and BAME (excluding Partners)



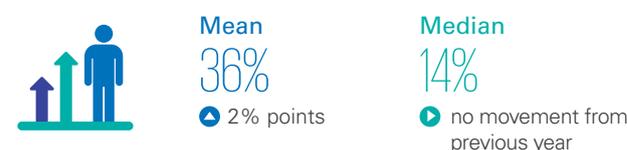
Bonus reporting (excluding Partners)

The total in scope KPMG employees for bonus ethnicity pay reporting is 12,432 with a White/ BAME split of 9,194 (74.0%) / 3,238 (26.0%).

Bonuses – difference in average bonus paid between White and BAME who received a bonus (excluding Partners)



Partners and employees²



Our Partner only mean ethnicity pay gap is 9% and median ethnicity pay gap is 14%.

² Our year-on-year comparisons reflect changes in employee pay data. Both the 2017 and 2018 published Partner pay gap data is based on October 2017 Partner pay data, which was first published in March 2018. We have not yet finalised our 2018 Partner pay.

Actions we are taking



We have developed our Inclusion, Diversity and Social Equality Strategy to improve the inclusivity and diversity of our workforce, provide fairness of opportunity and to help us reduce our pay gaps.

Our strategy focuses on our Leadership and Culture, Recruitment, Retention and Engagement, and Progression. It is also underpinned by an ambition to more clearly tell our inclusion, diversity and social equality story – both inside and outside of our organisation.

In addressing our pay gaps, we have highlighted just some of our actions which will serve to help us improve our current position.

Leadership and Culture: Black Heritage³ Reverse Mentoring

In recognising the potential difference in experience of employees from significantly under-represented ethnic backgrounds in our organisation, we expanded our successful Black Heritage Reverse Mentoring Programme. It gives leaders insights and understanding about background, experiences and day-to-day life at KPMG from our more junior Black Heritage employees.

The reverse nature of the programme enables the junior employees to drive the relationship, challenging any organisational hierarchies and providing an opportunity for leaders to get to know and hear directly from a broader range of employees. This also provides beneficial exposure for our Black Heritage employees on the skills required in leadership, a more senior network and often raised career aspirations.

Recruitment: diversity-focused processes and initiatives

Our recruitment assessment centre 'LaunchPad' has continued to support us with achieving a diverse student intake through our Apprenticeship and Graduate programmes.

We have maintained focus on gender parity throughout recruitment at all grades. Our business is focused on hiring the best people for the job and sourcing from a diverse talent pool and shortlist. This recruitment focus works alongside internal representation targets, which are embedded into our metrics for measuring our leaders' performance.

Our IT's Her Future campaign continues to look at how we address the gender gap in Technology. Key enhancements for this year have included ensuring gender-balanced job descriptions; increased female employee representation throughout the recruitment process and providing women with increased information about our organisation and how we support employees upfront so that they can make informed decisions. We have seen an increase in women applying for roles in technology, up to 25% this year.

// Our ambition is to become a Magnet for Talent. It is more important than ever that our talent is diverse – in their background and perspectives. Our services are rooted in people and their ideas. We recognise that effectively responding to our gender and ethnicity pay gaps requires sustained focus and action. We're committed to delivering this, as the diversity of our people not only makes KPMG a great place to work but is critical to bringing the fresh perspectives that our clients trust and value."

Bill Michael, Chairman and Senior Partner

³ By Black Heritage we mean employees who have self-identified as the following Census 2011 categories: Black African, Black Caribbean or Any Other Black background, Mixed White and Black Caribbean and Mixed White and Black African.



Spotlight on socio-economic background

In 2017 the Social Mobility Commission found that people from working class backgrounds who get a professional job are paid less than employees from more affluent backgrounds. In 2016 KPMG became the first UK business to publish comprehensive data on the socio-economic background (SEB) of its workforce. The workforce data includes parental occupation; recognised through research as the strongest SEB indicator.

KPMG's response rate to the parental occupation diversity workforce question currently stands at 58%. We have used our current data to start analysing the pay gap between employees from higher socio economic backgrounds versus other backgrounds. We are committed to working with thought-leaders, policy-makers and other organisations on the development of a common approach to measuring the SEB pay gap and will continue to drive-up our internal employee response rates.

Retention and Engagement: celebrating and supporting all employees

Throughout our organisation, we continue to support returning parents through our Empowering Parents programme and a range of activities through our Parents Network. These provide information and support employees at every stage of the parental journey.

We continue to promote Intelligent Working for all employees. We have proactively focused on internally showcasing real role models who work flexibly, from all backgrounds, with varying circumstances and at all career stages, as a reminder that the offering is open to all.

We support all employees on promotion to a new grade through learning milestone events, which help to level the playing field and provide all employees with the tools and support to be successful, as they transition to a more senior role.

Through our 'Count Me In' Campaign and Diversity celebration events, we have raised awareness and educated employees on some of the challenges impacting under-represented groups and continue to use these opportunities to inspire employees.

Progression: recognising intersectionality and GROW programme

Following the conclusion of our internal research by the Bridge Group, we have begun to implement specific recommendations to address progression within the organisation. The research explored whether, and how, gender, ethnicity and socio-economic background affect employees' progression across different areas within the organisation. Actions have included increased opportunities for open conversations about diversity; delivering key messages on respecting our processes; and harnessing our single narrative about the importance we place on inclusion, diversity and social equality.

In supporting our employees from diverse backgrounds, we continue to adapt and expand our award-winning GROW programme. The 360-degree development programme helps our

diverse talent discover their personal work and leadership style, understand their brand and develop an authentic way of engaging with stakeholders to maximise their career potential and advancement. This year we saw our highest number of cohorts complete the programme.

// I know that KPMG are taking action to seek to address our pay gaps. We've held events where we've discussed possible causes and the role that each of us can play in making change. It's great that we've all been encouraged to play our part in contributing towards the solution."

Donna Sharp, Chair of the KPMG Network of Women

Telling Our Story: publishing our Parental Leave and Pay policies

Asking a prospective employer about Parental Leave and Pay policies can feel uncomfortable, but can be a huge consideration when deciding who to work for. We wanted to remove that barrier for applicants to KPMG and, in doing so, encourage others to follow suit. We were the first of the Big 4 to publish our Pregnancy and Maternity Leave, Paternity Leave and Shared Parental Leave policies online. We were also named in Jo Swinson MP's campaign as one of the first 10 big-name organisations to pledge to do so, publicly supporting the campaign for greater transparency around parental leave. It is one example of many where we have shared best practice and pushed for wider change.

We have continued to be a proud sponsor of the Hampton-Alexander Review and use this important platform to encourage more transparency around senior female representation. At KPMG our Board is 47% female and our Executive Committee is 40% female.

Race at Work Charter

In October 2018, we were among one of the first organisations to sign the Government and Business in the Community Race at Work Charter, launched by the Prime Minister, focused on a commitment to support BAME employees start and progress their careers. The Charter sets out five steps to minimise the barriers that people from BAME backgrounds face in the workplace and forms a cornerstone of the work we will continue to do in minimising our pay gap.

Challenging Ourselves: our Inclusive Leadership Board

We know that we benefit from external challenge and rigour. In 2016 we refreshed the Inclusive Leadership Board (ILB) to enable challenge around our inclusion, diversity and social equality agenda.

The overarching role of the ILB is to provide a check and challenge to our Executive Committee and Board and to ensure that we are embedding inclusion, diversity and social equality in all that we do.

We also ask the ILB to pay particular attention to the impact that our actions have on our people, our clients and our wider stakeholders.

This year we were joined by Dame Louise Casey, bringing with her a wealth of knowledge around social welfare and social disparities across the UK.

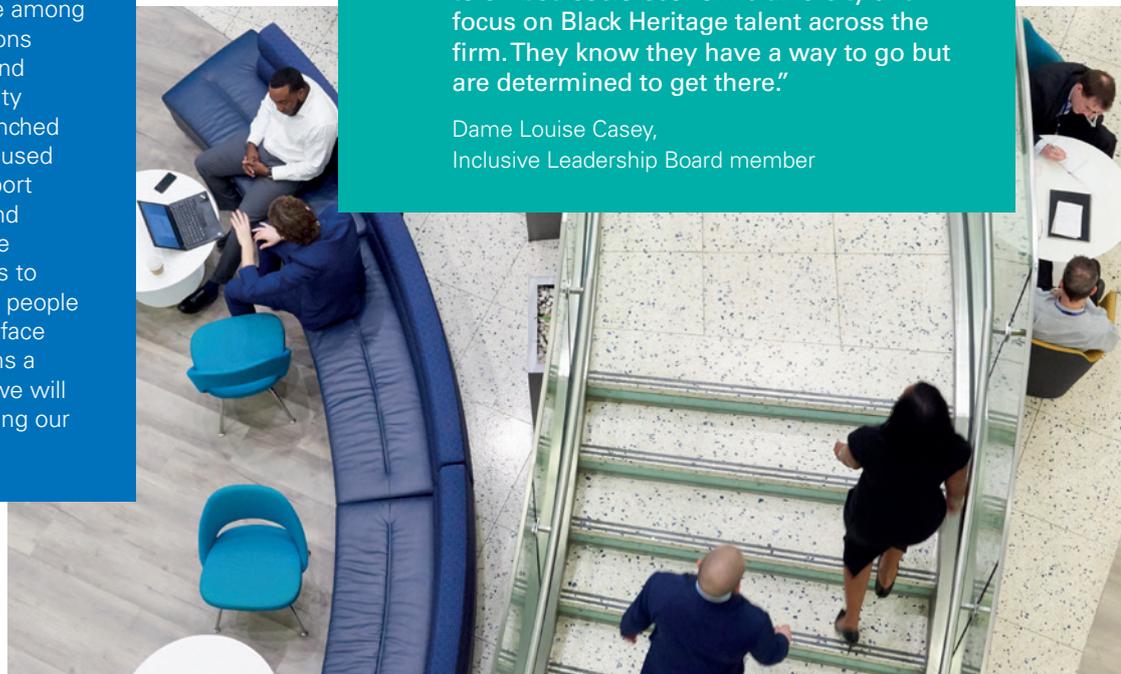
Tech Talent Charter

In recognising the importance of Technology as a key contributor to our organisation's future, we know that it is vital that we continue to support a diverse pipeline into Technology roles. In evidencing this commitment, we have signed the Tech Talent Charter highlighting our desire to take visible action to increase the diverse make-up of the technological field both within KPMG and more broadly. The Charter holds us up to four key principles to ensure we are contributing to change.



Since joining KPMG's Inclusive Leadership Board, I have been struck by just how seriously the firm is prioritising inclusion, diversity and social equality. Their approach to this agenda is both rigorous and authentic, being driven from the highest levels of the organisation. They are not resting on their laurels either – continuing to lead the way, most notably in their work to embed socio-economic diversity and focus on Black Heritage talent across the firm. They know they have a way to go but are determined to get there."

Dame Louise Casey,
Inclusive Leadership Board member



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