



Pay Gap Report 2017

**Gender & Ethnicity
Pay Gap Reporting**

December 2017

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KPMG: Becoming a magnet for talent



We have to get real about inclusion and diversity and we cannot achieve this without introspection and transparent data. It is critical KPMG becomes a magnet for talent – and that is talent in the broadest sense – different perspectives, different ideas, different thoughts and backgrounds. Diversity of thought is a commercial imperative.

KPMG wants employees with different backgrounds, life experiences and talents to help us provide forward-thinking solutions and ideas. Employees can only do this in an environment where they have the freedom to be creative and where diverse thinking is welcomed and encouraged. Enabling all our people to reach their full potential creates an attractive space for the best talent and helps us to be successful in the market place by fulfilling the expectations of our clients. For me, it is simple, inclusion and diversity is deeply ingrained in our values and must be part of our business strategy to ensure continued growth and success.

Our current pay gap is not acceptable. We have worked hard to increase the female and ethnic minority representation within our organisation at senior levels, including the introduction of *GROW* and *Beliefs, Biases and Behaviours* programmes, however it is clear we still have much progress to make.

Unless we are open and honest about our position, we cannot fully address the underlying issues and achieve our goal of building a truly inclusive workforce. In recognition of our firm's commitment to this, inclusion and diversity has been identified as one of our Chairman's priority strategic objectives.

KPMG is passionate about creating an inclusive environment and culture where all colleagues thrive and can achieve their full potential. Since 2015, we have voluntarily chosen to report our gender pay gap data. This year, we are publishing our gender pay gap to comply with the statutory reporting requirements of the UK government. We are again going a step further than the statutory requirement and are voluntarily publishing our ethnicity pay gap figures.

Our data shows that we still have more men than women in senior positions and we still have more White colleagues than Black, Asian and Minority Ethnic (BAME) colleagues in senior positions. We are constantly striving to innovate in the area of inclusion and diversity and it is by improving our diversity at senior grades that we will close our pay gaps. However, we recognise there is still a great deal of work to be done.

This year we have introduced a reverse mentoring scheme with the help of our African and Caribbean Network for members of our Executive Committee. Within Management Consulting we are proud of our *IT's Her Future* campaign aimed at recruiting more women into technology. Some of our other programmes and initiatives are referenced later in this report.

Going forward we will have an increased level of accountability within the business which means we will be in a better position than ever before to hold ourselves to account and drive inclusion and diversity through the heart of everything we do. Our Inclusive Leadership Board continue to offer us support and guidance in achieving this.

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

Gender Pay Gap

The gender pay gap is defined as the difference in the average pay between men and women. 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 junior and support roles

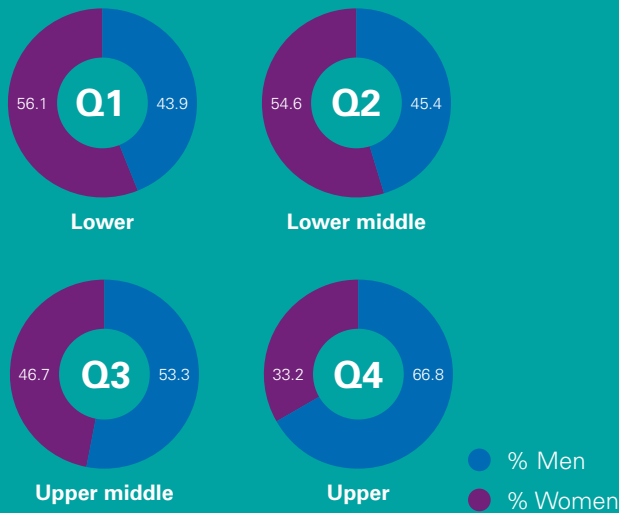
This differs from an equal pay gap; which is a failure to pay men and women like pay for like work. KPMG has relevant processes in place to ensure our approach to pay and reward for our people is based on fairness and we have robust processes in place to ensure that our people are treated equally.

Snapshot, quartiles and dimensions reporting:

The total in scope KPMG population for gender pay reporting is 13,444 with a male/female split of 7,037 (52.3%) / 6,407 (47.7%).

Pay Quartiles

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



Bonus reporting

The total in scope KPMG employees for gender pay reporting who received a bonus is 12,040 with a male/female split of 6,156 (51.1%) / 5,884 (48.9%).

Bonuses – difference in average bonus paid between men and women who received a bonus



What do we think about our gap?

Let us be clear, our results are disappointing and we recognise that we need to make better progress in reducing this gap.

The gender pay gap will persist until there is a greater number of women at a senior level in our organisation. We are deeply committed to addressing this.

How we report our pay gap

Previously we have reported our median pay gap based on gross pay, rather than pay after salary sacrifice as now required by statute. KPMG’s median gender pay gap is 22.1% whilst the mean gender pay gap is 22.3%. This looks like an increase on last year (2016: 20%), but is due to a change in reporting methodology.

In addition, our analysis shows that across the organisation women sacrifice a higher proportion of their salary for employee benefits, and this helps explain the increase in the gap based on last year’s voluntary reporting using gross pay.

Ethnicity Pay Gap

The ethnicity pay gap is the difference in the average pay between White and BAME colleagues and has been calculated using the statutory methodology. Our pay gap of 11.7% is driven by:

- Employing fewer BAME individuals in senior roles
- Employing more BAME in junior and support roles

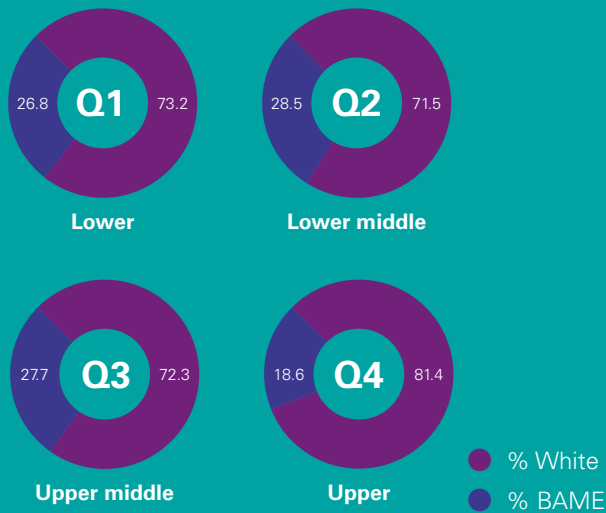
In the same way as gender, our approach to pay and reward is based on fairness and we have robust processes in place to ensure that our people are treated equally.

Snapshot, quartiles and dimensions reporting:

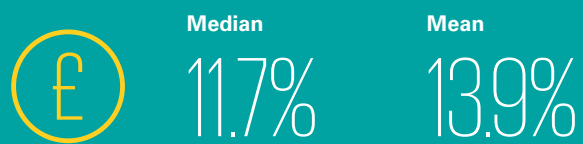
The total in scope KPMG population for ethnicity pay reporting is 12,784* with a White/BAME split of 9,539 (74.6%) / 3,245 (25.4%).

Pay Quartiles

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



Basic pay – difference in average pay between White and BAME



Bonus reporting

The total in scope KPMG employees for ethnicity pay reporting who received a bonus is 11,378 with a White/BAME split of 8,781 (77.2%) / 2,597 (22.8%).

Bonuses – difference in average bonus paid between White and BAME who received a bonus



What do we think about our gap?

This is the first time that we have reported on our ethnicity pay gap. We do this on a voluntary basis to be transparent. It is clear there is much work to be done to better understand what is causing this gap and how we can address it. Work is already under way to do this.

How we report our pay gap

For both gender and ethnicity purposes:

- Hourly pay is based on 5 April 2017 data.
- Bonus pay is based on bonuses paid in the period 6 April 2016 to 5 April 2017.
- * Our ethnicity data is based on those individuals who have chosen to declare their ethnicity, which is just over 95% of our total employee population.

Addressing the gap

We all play a part in creating an inclusive culture and we have built on our existing action plan to help us achieve this.

Achieving gender parity

We are leading from the top and 31% of our new Executive Committee is female and 43% of our new Board is female. All but one of our Board sub-committees has a female chair.

Of the graduate and school leaver offers accepted, 49% and 46% respectively were female.

We are regularly recognised externally for our work on promoting an inclusive culture, including recognition this year from Business in the Community and Stonewall.

However, we recognise that there is a lot more work to be done to achieve parity across our senior grades from a gender and ethnicity perspective.

"I was promoted to CFO whilst on maternity leave and although I enjoy my job, the intellectual challenge, the team work, and camaraderie, I also wanted to ensure I would have time to spend with my daughter, who is now 26 months old.

KPMG has supported me in my decision to work a 4 day week, despite the CFO role normally being a full-time position, however I recognise that for many parents, the decision of how to balance their work and home life is a difficult one. Recognising these difficulties, I now champion the Parenting Network, sharing my experiences and encouraging parents to consider the flexible working opportunities available to them.

Publishing this report is an important step in increasing awareness and accountability. It is important for us as a firm, but also the wider industry, to investigate further the issues driving the data and to implement effective, gap reducing measures."

Sarah Willows

Chief Financial Officer at KPMG UK Ltd

Actions we are taking

Attracting and retaining a more diverse workforce into KPMG

- We have introduced a requirement for a 50% diverse shortlist for all our senior hires, in addition to internal targets for our business leaders from January 2018.
- Our innovative graduate recruitment programme *LaunchPad* helps to deliver a diverse student intake.
- We are further developing our award winning *GROW* programme, a 360-degree development programme, which helps our diverse talent discover their personal work and leadership style, understand brand and develop authentic stakeholder management to maximise their career potential.
- Our *IT's Her Future* campaign is designed to tackle the gender gap in IT and attract, empower and develop women in technology by offering easy access to networking and opportunities that can help advance their careers.

Tackling the barriers to progression

- To better understand the potential barriers to progression, in Autumn 2017, KPMG commissioned the Bridge Group to research whether, and how, gender, ethnicity and socio-economic background, affect employees' progression in the firm. The Bridge Group is an independent organisation, based at King's College London, that researches and promotes diversity and inclusion.
- The independent study includes analysis of our anonymised workforce and leavers data, and in depth interviews with over sixty employees across the business. It also draws on the latest research and guidance across sectors, to identify existing best practices.
- The research, which will include specific recommendations, will be finalised in early 2018. KPMG will use the evidence and advice from this wide-ranging study to further inform its work to address progression within the firm.



Addressing the gap

Supporting a diverse and inclusive working environment

- Our latest resource and coaching programme *Empowering Parents* supports parents through every significant event they have with their children.
- In Spring, we launched our *Beliefs, Biases and Behaviours (BBB)* programme. This consists of a thought-provoking collection of resources and face-to-face workshops, targeted at all colleagues, focused on increasing awareness of our own bias and the impact this can have on the decisions we make and the behaviours we exhibit. We have mandated this programme for our senior leaders.
- We continue to promote *Intelligent Working* throughout the organisation for all our colleagues, recognising that we have many colleagues who value a flexible way of working.
- We are proud of our 16 employee networks across the organisation, some of which have received external recognition for their work in helping us to become a more inclusive workplace. Our African Caribbean network helped us introduce a popular reverse mentoring scheme with the ExCo and BME colleagues earlier this year.



Challenging ourselves – our Inclusive Leadership Board

- We know that we benefit from external challenge and rigour in all that we do and so in 2016 we refreshed the Inclusive Leadership Board (ILB) to enable challenge around our Inclusion and Diversity and Social Mobility agenda.
- The overarching role of the ILB is to provide a check and challenge to our Board and to ensure that we are embedding inclusion and diversity 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.
- We have asked one of our external ILB members to comment on our reported pay gap and inclusion and diversity progress towards our targets.

“The ILB has held robust debates and made bold recommendations to move its priorities from a “nice thing to do” activity to a 21st century performance prerogative that will help drive growth, productivity, performance and wellbeing within the employee base. The ILB works to help KPMG stand in better stead to win the war for talent by creating a leadership culture, fit-for purpose policies and procedures and firm-wide climate that will attract and retain a diverse population of the most talented individuals and by demonstrating that same leadership with the clients and communities alike.”

John Amaechi

Amaechi Performance Systems
and KPMG ILB member

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