KPMG

Bridge Group research action equality

Socio-Economic Background Pay Gap Report 2021

September 2021

home.kpmg/uk/ourimpact

Socio-Economic Background
Pay Gap Report 2021

Contents

Bina Mehta
Chair, KPMG in the UK

> At KPMG, we're committed to building a more inclusive, diverse and equitable business - where all people feel they belong and can succeed.

In this extraordinarily challenging year, the pandemic has had a profound impact on us all, but it has affected those from lower socio-economic backgrounds disproportionately.

Research continues to show that where you come from and what your parents do for a living has an impact on the opportunities that are available to you in life; from work experience and career aspirations through to hobbies and interests. As a firm, we've had a major focus on improving social mobility for over a decade. This includes working with our local communities to raise skills and aspirations, challenging our recruitment and promotion processes and being the first firm to publish comprehensive socio-economic background workforce data in 2016. This level of transparency has allowed us to understand some of the barriers that exist and to hold ourselves to account to change.

> **"** This isn't about simply reporting more data. It's about shining a light on what's truly happening within organisations so that targeted action can be taken to help create a fairer and more equitable society. **"**

This year, we're continuing to challenge ourselves to go further by reporting our socio-economic background pay gaps for the first time. We're one of the first organisations to do so. This isn't about simply reporting more data. It's about shining a light on what's truly happening within organisations so that targeted action can be taken to help create a fairer and more equitable society.

Socio-economic background is new territory for a lot of businesses but it's such a vital component of diversity, especially when you look at the intersectional connections.

Reporting this data isn't easy. Having enough employee data to be able to robustly and reliably publish socio-economic background pay gaps is a major challenge for organisations. This has taken a concerted effort over many years but I'm proud that, for this analysis, 70 per cent of our people (including partners) declared their socio-economic background. That's over 10,000 people across our business.

We've worked with experts in the field of social equality, the Bridge Group, to advise us on the chosen method of calculation (parental occupation), the reasoning for this, the definition of socio-economic background and the terminology used in this report.

Instead of a single pay gap with a mean and median, we've published three pay gaps across the spectrum of all parental occupation groups.

Our gaps show that our most senior colleagues are one of the most socio-economically diverse grades and on par with our most junior grades when looking at working-class representation.

We've made great progress in recent years in our student recruitment and the data shows that our efforts to improve socio-economic diversity is having an impact. However, the working-class representation in middle management grades means we need to increase our focus on the pathway through our organisation, as well as maintaining and improving our senior representation.

We know pay gaps are just one part of the picture. What's important is what organisations do with that data. That's why we're also publishing our social mobility action plan (see p.10) to set out how we are addressing our pay gaps.

We're also setting a socio-economic background representation target for the first time, alongside our other diversity targets. We are aiming for 29 per cent of our Partners and Directors to be from a working-class background by 2030 (see p.10). This has been calculated by benchmarking against relevant groups within Labour Force Survey data and compares to 39% of the UK workforce being from a working-class background. We're also publishing the socio-economic background of our Board and Executive Committee for the first time (see p.16) to be as transparent as possible and drive accountability.

When I speak to other business leaders, I'm seeing a heightened awareness and engagement on the issue of furthering social equality. Our work on the Hampton-Alexander review has shown how a collective and sustained focus on an issue through businesses working together can deliver real and lasting change. And we hope by publishing our socio-economic background pay gaps and setting a socio-economic background representation target, we can open up this conversation and encourage other businesses to do the same.

Jon Holt
Chief Executive, KPMG in the UK

> We're committed to making KPMG a place where opportunities are open to all. For us, it starts with being as transparent as possible on what's happening within our business and holding ourselves to account to drive change.

For this reason, we were one of the first organisations to voluntarily report our gender pay gap in 2015. It showed us where we were making progress and where we needed to do more. We built on this commitment by reporting our pay gaps across ethnicity, Black heritage, sexual orientation and disability. And this year, I'm proud that we're one of the first organisations to report our socio-economic background pay gaps.

Publishing this data builds on our firm's longstanding focus on social mobility. In 2016 we were the first firm to publish comprehensive socio-economic background workforce data and have continued to do so annually since. This has allowed us to monitor the socio-economic make-up of our firm and develop a robust evidence base for change.

Collecting enough socio-economic background data from our workforce has been a major focus, and I'm pleased that we're now able to use that data to inform where we direct our efforts.

> "
> Reporting our pay gaps and setting diversity targets is an important part of ensuring that we focus our actions on where they'll make a sustainable difference – for our people, our communities and for broader society. "

Our socio-economic background pay gaps show us that our challenge is in ensuring we have a strong pipeline and proportionate representation through all levels of the firm. Achieving this is a core component of our social mobility action plan, which I am personally committed to driving as Chief Executive.

Our action plan encompasses every aspect of our people policies, processes and programmes to ensure that we're looking at them through the lens of inclusion, diversity and equity. This covers everything from how we recruit, retain and progress our people – ensuring that at every step our processes are fair and open to all. It's important to us that we don't look at certain aspects of diversity in isolation. That's why we're also building on previous research undertaken by the Bridge Group to continue to analyse and understand the intersectional challenges facing colleagues of a lower socio-economic background.

We know that as a large UK employer our work doesn't stop with what we're doing within our own firm. Improving opportunities for young people from lower socio-economic backgrounds is not only a moral imperative, but an economic necessity for the professional services sector and the wider UK economy. We work closely with our communities to provide transformative opportunities for young people, in the places that need it most. I'm proud that this year, we worked with over 45,000 young people from less advantaged backgrounds to prepare them for the world of work.

I'm committed to making KPMG a place where there's no limit to where your talent, achievement and hard work can take you, whoever you are, and whatever your background. Reporting our pay gaps and setting diversity targets is an important part of ensuring that we focus our actions on where they'll make a sustainable difference – for our people, our communities and for broader society.

Nik Miller
Chief Executive, the Bridge Group

> Social equality is the defining challenge for the UK. The link between socio-economic background and adult outcomes is stronger here than in any developed country; and this has consequences for everyone. It is estimated to cost the UK £39 billion per year, and unequal societies have lower levels of productivity, mental health, and life expectancy.

The effects of the pandemic have exposed and exacerbated these inequalities, and strengthened the need to increase our understanding through evidence, and to take practical action based on this.

The double injustice is that employers also miss out on talent too often. Socio-economic background has a significant impact on application and entry to the professions – this is amplified for occupations that are anchored in London. Socio-economic diversity therefore matters: for individuals, for society and for business.

More diverse workforces promote greater productivity and higher levels of employee engagement and retention. But for these organisational and societal benefits to be realised, the commitment to diversity must extend beyond entry-level hiring (where much of the focus in the professions has been to date); and matched with an equally determined commitment to inclusion.

The growing body of evidence indicates that it is not just about who gets in; but also who gets ahead, and how. But organisations need to understand more – from data and from people's experiences – about how socio-economic background affects pay and progression, and the actions that respond most effectively to these findings.

This voluntary publication of pay gaps by socio-economic background is a vital step in this – for KPMG, and for all organisations. It builds on the firm's commitment, over many years, to building a robust evidence base for action and evaluation. The detailed analysis here, for example, is only possible because of the high proportion of KPMG

employees and partners who have volunteered information (anonymously) about their socio-economic background.

A great deal of research and expertise has been applied to identify the most robust methodology, including which metric to prioritise, the mode of analysis, and the way in which the data is presented. This has also naturally drawn from the established practices in the mandated reporting of gender pay gaps.

As with any pioneering approach, we anticipate that the approach at KPMG will be reviewed and refined over time. And as other organisations begin to do the same, they too will contribute developments and provide valuable benchmarks against which organisations can assess themselves.

The collection of this data is necessary, but not sufficient. We are greatly encouraged to see in this report, and more widely, that the findings are actively informing policy and practice at KPMG; and that the data will enable robust evaluation of these approaches, and the assessment of progress over time.

As this analysis develops, it will also be important to explore the relationships between socio-economic background and other diversity characteristics in relation to pay – including gender and ethnicity. The overlaps and interactions between characteristics are critical to understanding how overall equality can be advanced – and so that the associated business benefits of diversity and inclusion can be fully realised.

We commend KPMG for the work to prepare and publish this important information, and look forward to seeing the impact of the action it will inform.

> "
> We are greatly encouraged to see in this report, and more widely, that the findings are actively informing policy and practice at KPMG. "

What is socio-economic background?

Socio-economic background is the combination of income, occupation and social background. This demographic characteristic is a key determinant of access to opportunity, success and future life chances. This link between socio-economic background and adult outcomes is stronger in the UK than in any other developed country.[*]

For many years now, there has been a strengthening focus on increasing diversity in businesses, including at KPMG – motivated by a desire to advance equality, and to drive employee engagement and belonging.

These efforts have focused mainly on protected characteristics, including gender and ethnicity. Progressive organisations across sectors are now responding to the growing evidence base that socio-economic diversity and inclusion is a vital part of nurturing an inclusive and effective workforce. This includes recognising that people do not experience background characteristics in isolation: there are often important relationships and interplay between different demographic characteristics.

While the rationale for focusing on this aspect of diversity is clear, understanding our (and others') identities in relation to socio-economic background can be complex; as is understanding the ways in which background impacts inclusion and access to opportunity. And it's not just about who gets in, but also who gets ahead. Research shows that without an equal focus on inclusion, increasing diversity can create as many challenges as it does benefits.[**]

[*] https://equalitytrust.org.uk

[**] https://www.thebridgegroup.org.uk/research

How socio-economic background is defined

Bridge Group research action equality

Much research, surveying and evaluation of practice has been applied to explore how we can best measure socio-economic background. There are several measures that are currently used by businesses, including at KPMG, which have evolved over time as organisations' understanding of this area has matured.

Following years of dedicated research, definitive guidance was recently published by the Bridge Group and the Social Mobility Commission[*] and is available. We encourage those interested to read the summary.

In determining which indicator is most appropriate to use, a range of factors are considered. The guidance outlines that parental occupation (i.e. the occupation of the highest earner in your household at age 14) is the most robust indicator. This is primarily because of the strong evidence base that this is an accurate measure – i.e. the link between this indicator and access to opportunities and adult outcomes; but also because of its established use in e.g. the Census and Labour Force Survey (and therefore the ability to reliably benchmark the data), its applicability to those of all ages and from all countries, and the high employee response rates to this question in testing.

Other indicators that KPMG collect have been carefully considered. But they quickly discovered their limitations relative to the parental occupation measure.

For example, type of school attended (e.g. state, selective state, independent) presents challenges for workforces with employees not educated in the UK; and many respondents can feel that these categories do not reflect their type of school

(e.g. different types of funding for independent schools, and the selectivity associated with grammar schools). Moreover, the accuracy of this measure of socio-economic background is contestable, since performance of state schools varies wildly, and one could have attended a fee-paying school with financial aid. Free School Meal (FSM) eligibility is also collected by many organisations. Prior to 1980 there was universal entitlement to free school meals and there have been various policy changes over time, making comparison over time challenging. There can also be negative stigma associated with disclosure and issues around awareness of eligibility (not all who are eligible for FSM apply to receive it, and not all children may realise they were on FSM). And again, there are also no international comparisons available if employers have high rates of employees who attended school outside of the UK.

Highest parental qualification shares some of the challenges outlined above. It is also difficult to operationalise or benchmark results as it requires analysing the results against respondents' age.

Like others, KPMG has also considered preparing a composite measure, which would bring together a range of indicators. And, like others, they determined that this approach would quickly compromise transparency, comparability with others, and ease of understanding for internal and external audiences.

Based on the research evidence and the guidance from experts, we are confident that the parental occupation measure is the most robust approach. However, as with our approaches here generally, we will continue to work with KPMG, and with colleagues across sectors, as they develop their methodology to respond to any further evidence and progressive practices.

[*] Socio-economic diversity and inclusion - Employers' toolkit: Cross-industry edition - July 2021 (https://socialmobilityworks.org/wp-content/uploads/2021/07/SMC-Employers-Toolkit_WEB_updated_July2021.pdf)

Our socio-economic background pay gaps

We use parental occupation as a measure for our socio-economic background pay gaps, identified by the Bridge Group, and other social mobility experts, as the most robust and reliable indicator.

For the purposes of calculating the pay gaps, 'professional' is a 'higher managerial, administrative and professional' parental occupation, 'intermediate' is 'intermediate' parental occupation and 'working class' is 'routine and manual' parental occupation.

The total in-scope KPMG population, including partners, for base pay socio-economic background pay reporting is 10,444, with a professional/intermediate/working class split of 5,773/1,419/1,860. 103 declared their parental occupation as "never worked/long-term unemployed" and 1,289 selected 'I don't know' or 'Prefer not to say'. This data covers over 70 per cent of our workforce.

The pay gaps are based on hourly pay taken at 5 April 2021.

The first socio-economic background pay gap is the difference in average pay between employees who have declared their parental occupation as 'professional' and those who have declared their parental occupation as 'working class'.

The second is the difference in average pay between employees who have declared their parental occupation as 'professional' and those who have declared their parental occupation as 'intermediate'.

The third is the difference in average pay between employees who have declared their parental occupation as 'intermediate' and those who have declared their parental occupation 'working class'.

As parental occupation is defined in three main groups, we are using a tiered methodology, recommended by the Bridge Group, to show several binary pay gaps.

We are reporting our socio-economic background pay gaps for the first time this year and on a voluntary basis.

Professional vs working class

8.6% **Median** socio-economic background pay gap as of April 2021 including partners

-1.1% **Mean** socio-economic background pay gap as of April 2021 including partners

Professional vs intermediate

2.2% **Median** socio-economic background pay gap as of April 2021 including partners

3.2% **Mean** socio-economic background pay gap as of April 2021 including partners

Intermediate vs working class

6.6% **Median** socio-economic background pay gap as of April 2021 including partners

-4.5% **Mean** socio-economic background pay gap as of April 2021 including partners

What's the difference between mean and median?

The mean socio-economic background pay gaps are calculated by adding up all of the pay of KPMG employees and dividing it by the number of employees.

The median socio-economic background pay gaps, however, are calculated by lining up all of KPMG's employees' pay and finding the mid-point for 'professional', 'intermediate' and 'working class'. The difference between the two mid-points in each instance is the median socio-economic background pay gap.

Bridge Group research action equality

Language matters

The language that we choose to use is a central aspect of practice in inclusion, diversity and equity. The terms that are used to 'categorise' groups of people should be as accurate and considerate as possible, and be responsive to the views and preferences of the very groups they attempt to define.

In academic research (and in the national census), the three SEB classifications adopted here are defined as 'higher', 'intermediate' and 'lower' socio-economic background. Bridge Group research has revealed that these terms can be unclear; and that 'professional background', 'intermediate background' and 'working-class background' are terms that are more identifiable, but are not so removed from the original definitions so as to obscure the definitions behind the original terms.

We will continue to engage with our workforce to understand more about the preferred and most appropriate language for KPMG, across all areas of diversity – while ensuring that any such terms connect clearly to best practice and the way in which data was originally collected.

— High socio-economic or professional backgrounds (professional) are defined as NS-SEC[*] 1 and 2 occupations. Examples include CEOs, senior police officers, doctors, journalists, barristers, solicitors, teachers and nurses.

— Intermediate backgrounds (intermediate) are defined as NS-SEC 3 and 4 occupations. Examples include shopkeepers, paramedics, small business owners and police officers.

— Low socio-economic backgrounds (working class) are defined as NS-SEC 5, 6, 7 and 8 occupations. Examples include receptionists, electricians, plumbers, butchers and van drivers.

[*]The National Statistics Socio-economic Classification (NS-SEC): https://www.ons.gov.uk/methodology/classificationsandstandards/otherclassifications/thenationalstatisticssocioeconomicclassificationnssecrebasedonsoc2010

Socio-Economic Background Pay Gap Report 2021

Driving social mobility in our firm

Our action plan

At KPMG, we are working hard to create an inclusive environment where everyone can be the best they can be. Our action plan on social mobility covers five key areas.

01 Leadership and Culture

We're setting a socio-economic background representation target for the first time, alongside our other diversity targets. We are aiming for 29 per cent* of our Partners and Directors to be from a working class background by 2030.

We've launched a new national Social Mobility Network, empowering colleagues from less-privileged backgrounds to achieve their development goals, collectively share their experiences and support one another to make a difference and build a stronger culture at KPMG.

We're also publishing the socio-economic background of our Board and Executive Committee (see p16).

*Calculated by benchmarking against relevant groups within Labour Force Survey data. 39% of the UK workforce are from a working class background.

02 Recruitment

We're running dedicated socio-economic background programmes for students, including the expansion of our Employability Award (p11). This is in addition to our existing work with schools, universities, alternative further education providers and targeted partners.

We're increasing our focus on socio-economic background in our Experienced Hire recruitment and implementing programmes dedicated to bringing in talent from lower socio-economic backgrounds.

03 Retention and Engagement

We're training all our colleagues on socio-economic background, including the invisible barriers that exist. Our new Social Mobility Network will host a regular series of events and activities, increasing the awareness of creating equal opportunities, addressing barriers to progression and building a more inclusive workplace.

04 Progression

Our award-winning personal development programme GROW helps diverse talent reach the next stage of their career. We have expanded this to include colleagues from low socio-economic backgrounds. As guided by the Bridge Group, we will use parental occupation as a key measure to assess fairness and equity across all of our people processes.

05 Intersectionality

We are building on our previous research undertaken by the Bridge Group, to continue to analyse and understand the intersectional challenges facing colleagues of a lower socio-economic background and are replicating existing programmes, such as our Black Allyship Programme, for lower socio-economic background colleagues.

How we recruit

At KPMG, we aim to attract exceptional people from all backgrounds and empower them to reach their full potential. We're committed to improving social and economic equality across the UK, ensuring that we offer opportunities that are accessible to all, widening access to our profession.

Alongside our experienced hires, KPMG recruits more than 1,500 students each year into a range of apprenticeship, graduate and work experience programmes. Through all programmes we are committed to increasing engagement with, and representation of, historically underrepresented groups, including those from a low socio-economic background.

We work closely with partners including the Social Mobility Foundation, UpReach, UpTree, MyKindaFuture, Pathway CTM and Bright Network on a range of initiatives, with the aim of broadening the reach of students we engage with.

We focus our outreach on schools with a higher representation of students from a lower socio-economic background. 43 per cent of apprentices who joined the firm in 2020 have a parent working in a working class or intermediate occupation.

Our school work experience programme, Discovery, supports young people from low socio-economic backgrounds to have access to the accountancy profession, feeding directly into our apprenticeship programmes.

We also work with university and alternative further education providers to promote our apprentice and graduate schemes. For example, our KPMG 360 Software Engineering and our KPMG Law apprenticeships increase access to these professions, whilst giving school leavers the opportunity to work alongside their education.

Our new Employability Award provides students with the opportunity to increase their employability skills and build their confidence, providing them with a platform to go forward and successfully apply to KPMG. The award, which will be expanded as part of our social mobility action plan, looks to support students given the challenges and barriers created by the pandemic, developing the skills of and increasing opportunities for those from a low socio-economic background, even in a rapidly changing environment.

Our aim is for all recruits from a lower socio-economic background to see KPMG as a firm that is accessible to them, and in which they can have a fulfilling career and reach their full potential.

> " KPMG's heritage lies in the UK's regions, which are also home to many of our clients. Recruiting a diversity of talent across the country not only ensures opportunities for a breadth of smart, ambitious people, but when we reflect our diverse range of clients we perform better. "
>
> **Chris Hearld**
> Head of Regions, KPMG in the UK

> " I felt like people really wanted me to succeed. "
>
> **Leticia Oladele**
> Inclusion, Diversity and Equity Officer, KPMG in the UK

Following her parent's divorce, Leticia moved from Brazil to Norfolk with her mother and siblings. "It was a very different experience," says Leticia. "I remember my first day of school and looking around thinking 'Oh my God, I'm the only Black Heritage kid in this school'."

Leticia's mother was a great source of support through school but there were some difficult moments. "My mum was a single parent with three kids so we did struggle financially at times, but she gave me the outlook that I could do anything I wanted to do. And I think that's so important."

After finishing her A-Levels, Leticia applied for KPMG's apprenticeship programme. "What really attracted me to join KPMG was my experience through this process," says Leticia. "I felt included, supported and the people I encountered really wanted me to succeed."

She did face a few barriers due to her socio-economic background. "When I first joined the firm, I didn't really know how to write an email, how to present or even speak to a senior member of my team," says Leticia. "However, I had great mentors who really supported me and cared about my journey and experience in the firm."

Leticia is now a member of KPMG's Social Mobility Advocacy and Action Group and acts as a mentor for students from lower socio-economic backgrounds. "I think it's so important for people from lower socio-economic backgrounds to share their stories and bring their whole selves to work," she says. "And by doing that together we will improve social mobility at KPMG."

How we support our people in their careers

At KPMG, we're absolutely committed to creating an inclusive culture where everyone can be the best they can be.

We know there are points in people's careers where there may be barriers to progression. In 2017, KPMG commissioned the Bridge Group to conduct research into this, looking at whether – and how – socio-economic background, gender and ethnicity affect employees' progression in the firm. We implemented all the recommendations and built them into our strategy.

Our challenge – which is shown with our pay gaps – is ensuring we have a pipeline through all levels of the firm and achieving this is a core component of our social mobility action plan.

Socio-economic background questions have been embedded in our staff diversity profile system since 2016, allowing us to monitor the socio-economic make-up of the firm and develop a robust evidence base for change.

"

We look at every aspect of our people policies, processes and programmes through the lens of inclusion, diversity and equity, including how we recruit and progress our people. We don't want gender identity, ethnicity, disability, sexual orientation or socio-economic background to be a barrier to anyone's career at KPMG. "

Kevin Hogarth
Chief People Officer, KPMG in the UK

"

Working in an accountancy firm looked completely out of reach for me. "

David McIntosh
Apprentice, KPMG in the UK

David first encountered KPMG on work experience as part of the firm's work with the Social Mobility Foundation's Aspiring Professionals programme in 2015. "Prior to this, I had a mental predisposition of what an accountant looked or behaved like and didn't feel I could ever become one," says David. "This changed when I met KPMG employees with stories just like mine."

This experience gave David the confidence to join the apprenticeship programme in 2017 and he is now a Management Consulting Apprentice in Glasgow. As soon as he had joined, David wanted to help others follow his journey. He now co-chairs the national Social Mobility Network at KPMG.

The network launched earlier this year and already has over 400 UK members. "It's brought a sense of belonging and unity for colleagues, he says. "It's a place to bring their stories, beliefs and ideas for discussion and to increase the understanding of the social mobility experience across the UK."

How we support our people in their careers

GROW, our award-winning personal development programme, helps diverse talent reach the next stage of their career. The programme has been expanded to include colleagues from low socio-economic backgrounds. 454 colleagues have participated in the programme across 28 cohorts from August 2015 to October 2020. Lower socio-economic background participants on the programme have stayed with the firm the longest.

In 2021, we launched a new national Social Mobility Network, empowering colleagues from less-privileged backgrounds to achieve their development goals, collectively share their experiences and support one another to make a difference and build a stronger culture at KPMG.

"
I want people to look at me and think 'If she can do it, so can I'! "

Jennifer Lee
Office Senior Partner, Liverpool, KPMG in the UK

Jennifer started her career as a graduate with KPMG 20 years ago, having grown up in one of the most deprived areas of the country.

She was the first of her family to go to university. On finishing her degree, Jennifer had no connections to the business world. She didn't think she'd fit in at a Big Four accountancy firm but she decided to apply for a graduate role at KPMG. 20 years later, she is Office Senior Partner for KPMG in Liverpool. "As I progressed, I became more confident in my ability and more authentic in my interactions and I realised that my background didn't hold me back," says Jennifer. "In fact, it helped me bring a unique perspective to conversations."

As KPMG's Senior Partner in Liverpool, Jennifer uses her position to inspire others. She mentors and speaks at charities and local schools and, nationally, is one of the Partner Sponsors of the Social Mobility Network. "I want to be a role model for others, other women, other people who didn't have a privileged upbringing, other full time working mums," she says. "I want people to look at me and think 'If she can do it, so can I!'."

How we improve social mobility in our communities

Social mobility is at the heart of our Corporate Responsibility programme

We know that improving opportunities for young people from low socio-economic backgrounds is not only a moral imperative, but an economic necessity for the professional services sector and the wider UK economy. That's why last year we worked with over 45,000 young people from less advantaged backgrounds to prepare them for the world of work.

We use a social mobility algorithm developed by the Bridge Group to ensure we are working with the young people that need our support the most – and we apply another layer of targeting to address the geography of disadvantage, taking a place-based approach to community engagement by working shoulder to shoulder with local stakeholders to provide transformative opportunities for young people.

We were delighted that our place-based approach to improving social mobility was recognised as Community Programme of the Year at the 2020 Social Mobility Awards – but we know there is so much more to do and are committed to continually developing our programme to support communities worst affected by the COVID-19 crisis.

Boosting essential skills to drive social mobility

Numeracy, literacy and lifelong learning are the building blocks for social mobility. They lay the foundations for a healthy, inclusive economy. We know the pandemic will have a profound impact on the skills development of our young people, particularly those from disadvantaged backgrounds - we're taking collaborative action on literacy, increasing numeracy engagement across the UK and boosting essential skills to power social mobility and lifelong learning:

— 365,000+ people have taken the National Numeracy Challenge since 2018; enabled by KPMG's founding support of National Numeracy Day

— Our WorkReady employability programme has supported over 13,000 disadvantaged students since its inception in 2013

— By 2025, we will convene over 2,000 organisations to support our literacy and numeracy flagships to improve social mobility.
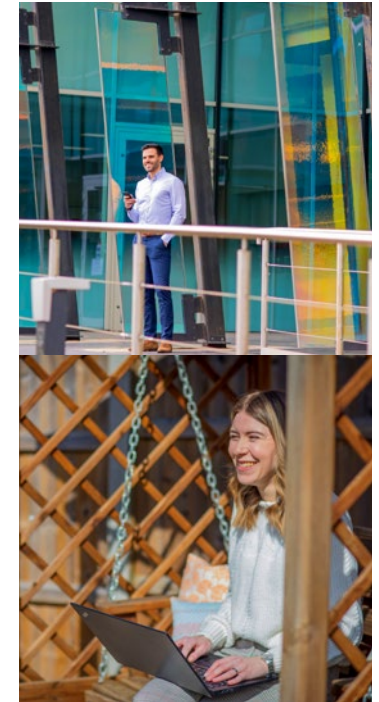
> " Despite this extraordinary year, the fundamentals of our Corporate Responsibility strategy remain unchanged: to use our skills and expertise where we know they will have the biggest impact. "
>
> **Rachel Hopcroft**
> Head of Corporate Affairs, KPMG in the UK

How we improve social mobility in our communities

Using our skills to provide enhanced opportunities

Our skilled volunteering policy drives our impact. Our strategic pro-bono offering not only helps to support our National Charity the NSPCC, but also offers professional skills and expertise to multi-sector organisations, in need of support. Over 700 colleagues volunteer as School Governors or Charity Trustees, and thousands more provide skilled volunteering each year to support our communities:

— A record 45,000 beneficiaries were supported by skilled volunteering in 2020

— 1,245 hours of pro bono support were provided, delivering over £940,000 worth of support via time, skills, and expertise

— Our flagship Covid-19 pro bono project resulted in Oak National Academy delivering 100 million virtual lessons, enabled by a team of KPMG project managers supporting scale up.

Collaborating with others to drive impact

We know that the challenges facing society and our planet require collaborative action to drive progress. One of our guiding principles is to use our convening influence, helping galvanise the wider business community and sharing our expertise to support other organisations on their journey:

— 83 businesses have signed up to the Vision for Literacy Business Pledge, co-founded by KPMG in 2015

— 2,840 champion organisations supported National Numeracy Day 2021

— We are leading business engagement as a Cornerstone Employer in Norwich, Fenland and East Cambridgeshire, Oldham and the Black Country – helping create meaningful encounters between young people and employers and driving collaborative business action.

Taking a place-based approach

In the aftermath of the COVID-19 pandemic, regional inequality across the UK continues to be a major concern. We take a place-based approach to target areas of greatest need, working collaboratively with our charity partners, other businesses and local government to address the needs that are unique to them:

— Almost 20 per cent of our community beneficiaries are from areas across the UK which have the poorest social mobility outcomes (coldspots) – our 2022 target is 30 per cent

— We're anchor lead for the Business in the Community Place campaign in Rochdale, working alongside businesses and local stakeholders to develop a long-term roadmap to address local inequality

— KPMG's new university partnerships will further strengthen our place-based approach to community engagement. The collaborations will provide mutual benefit by enhancing KPMG's award-winning community programme and supporting universities to deliver further social value across their regions.

Oak National Academy:
Pro bono support to help scale online learning

Educational disruption caused by COVID-19 risks widening the attainment gap between lower socio-economic background students and their more advantaged peers. To support students, and to help teachers and students guard against further disruption, we helped create the online classroom Oak National Academy.

With the support of the Department for Education we helped produce 8,000 lessons in a four-week period to complement the provision of lessons both in school and virtually. Our people worked as project managers, supporting teams of teachers and overseeing the quality assurance of lesson production. In Oak's first term, 20 million lessons were delivered to 4.7 million visitors. Continuing our support into the next academic year, we were delighted that in February 2021 Oak National Academy reached the milestone of 100 million lessons delivered online.

We know innovative, impact-focused initiatives like Oak National Academy will continue to be critical as we come to terms with the aftermath of the pandemic and address the inequalities it has created.

How our leaders are driving change

The most senior people in our firm champion diversity and have a longstanding focus on socio-economic background.

In 2006, KPMG was one of the first companies to pay the real living wage to all UK employees. In 2011, the firm became a founding member of the Living Wage Foundation and helped design a formal accreditation programme for businesses. Today, a third of the FTSE100 are signed-up.

We were also the first firm to publish comprehensive socio-economic background workforce data in 2016 and have continued to do so annually ever since.

The make-up of our Board, which oversees our business and holds the executive to account, is 56 per cent female, 22 per cent ethnic minority and 22 per cent working-class background. Our Executive Committee is 43 per cent female, 7 per cent ethnic minority and 14 per cent working-class background.*

We also have an Inclusive Leadership Board, led by the firm's Chair Bina Mehta, which provides internal and external challenge to our business strategy through the lens of inclusion, diversity and equity.

Our Social Mobility Advocacy and Action Group guides the firm's approach to supporting colleagues from a low socio-economic background. The group focuses on community and culture, outreach and recruitment as well as progression and retention.

Leaders from our firm sit on a number of external groups promoting social equality including Access Accountancy, the City of London socio-economic diversity taskforce, the Living Wage Advisory Council and the Patchwork Foundation.

In 2017 KPMG was an inaugural winner of The Queen's Awards for Enterprise: Promoting Opportunity (through social mobility) and won Leadership of the Year at the first Social Mobility Awards.

KPMG is the only organisation to be listed in the top three of the Social Mobility Employer Index since its inception in 2017.

> **"** I'm committed to making KPMG a place where there's no limit to where your talent, achievement and hard work can take you, whoever you are, and whatever your background. **"**

Jon Holt
Chief Executive, KPMG in the UK

* Data as of 9 September 2021

> **"** This isn't just a matter of fairness, but an economic necessity. **"**

John McCalla-Leacy
Head of ESG, KPMG in the UK

At a young age John McCalla-Leacy became interested in white-water canoe slalom. "I started with much enthusiasm," says John. "But my family could not afford the cost of the equipment needed, or the cost of travel to national competitions."

John received funding from The Prince's Trust which enabled him to progress his career as an athlete. "This was a real turning point in my life," says John. "Before this, I was failing in school. But sport gave me discipline and focus."

John won his first international junior event aged 14. He went on to win three consecutive London youth games and many years later he became a British team coach. And this same application of discipline and focus transferred to his professional career and became a platform on which he could grow and develop in the world of work.

John is now in his 20th year at KPMG, where he is a partner and was the first person of Black Heritage to be elected to the Board. "Receiving the support that I did, and when I did, changed my life" says John.

The Prince's Trust is one of several organisations KPMG works with to support social mobility in our communities. This work includes mentoring support, an entrepreneurship challenge and targeted work with young people looking to start their own business. The programme focuses on tackling regional inequality in the UK.

"At KPMG we believe that every business has a role to play in supporting the next generation of talent, especially in the context of social mobility," says John. "This isn't just a matter of fairness, but an economic necessity."
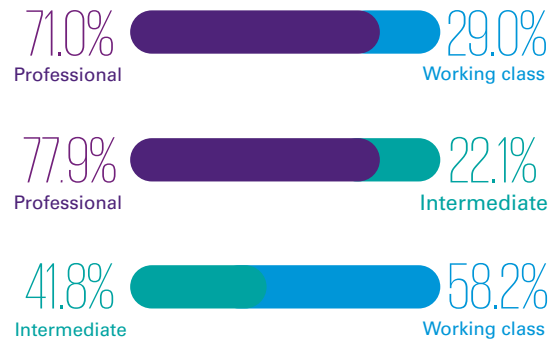
Our socio-economic background pay data in detail

The total in-scope KPMG population, excluding partners, for base socio-economic background pay reporting is 10,096, with a professional/intermediate/working class split of 5,569/1,372/1,785. 101 declared their parental occupation as "never worked/long-term unemployed" and 1,269 selected "I don't know" or "Prefer not to say".

We split our population into four even groups, with Quartile 1 containing 25% of the population who have the lowest base pay and Quartile 4 containing 25% of the population with the highest base pay. We then analyse the population split of each quartile to look at the socio-economic background distribution of each group.

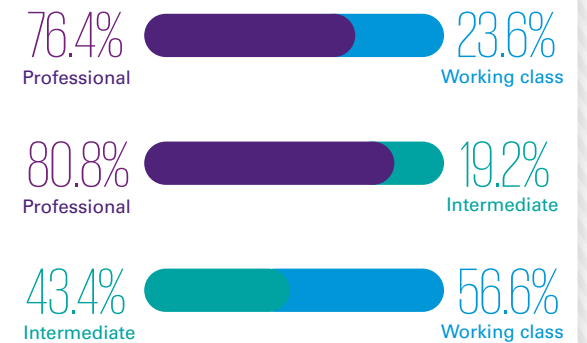**Pay quartiles – colleagues / Q1 lower**

71.0% Professional — 29.0% Working class

77.9% Professional — 22.1% Intermediate

41.8% Intermediate — 58.2% Working class

Pay quartiles – colleagues / Q2 lower middle

75.6% Professional — 24.4% Working class

80.9% Professional — 19.1% Intermediate

40.5% Intermediate — 59.5% Working class

Pay quartiles – colleagues / Q3 upper middle

79.9% Professional — 20.1% Working class

81.3% Professional — 18.7% Intermediate

48.2% Intermediate — 51.8% Working class

Pay quartiles – colleagues / Q4 upper

76.4% Professional — 23.6% Working class

80.8% Professional — 19.2% Intermediate

43.4% Intermediate — 56.6% Working class

Our socio-economic background pay data in detail

Basic Pay – colleagues

This is the difference in average hourly pay between employees who have declared their parental occupation as 'professional', those who have declared their parental occupation as 'intermediate' and those who have declared their parental occupation as 'working class', excluding partners.

Bonus

Of the colleagues who declared their parental occupation, this is the difference in average bonus paid between colleagues who received a bonus, excluding partners.

Basic Pay - Professional vs working class

9.9% **Median** socio-economic background pay gap as of 5 April 2021 excluding partners

3.2% **Mean** socio-economic background pay gap as of 5 April 2021 excluding partners

Bonus - Professional vs working class

0.6% Bonus / **Median** pay gap

4.1% Bonus / **Mean** pay gap

Basic Pay - Professional vs intermediate

2.9% **Median** socio-economic background pay gap as of 5 April 2021 excluding partners

3.6% **Mean** socio-economic background pay gap as of 5 April 2021 excluding partners

Bonus - Professional vs intermediate

0.0% Bonus / **Median** pay gap

15.0% Bonus / **Mean** pay gap

Basic Pay - Intermediate vs working class

7.1% **Median** socio-economic pay background gap as of 5 April 2021 excluding partners

-0.4% **Mean** socio-economic background pay gap as of 5 April 2021 excluding partners

Bonus - Intermediate vs working class

0.6% Bonus / **Median** pay gap

-12.9% Bonus / **Mean** pay gap

Bonus - % of individuals to receive a bonus

82.2% Professional   **84.0%** Intermediate   **81.0%** Working class

KPMG

kpmg.com/uk

Designed by **CREATE** | CRT134271 | August 2021