



L'ORÉAL

UK & IRELAND

GENDER PAY GAP REVIEW **2018**

INTRODUCTION

L'Oréal has a long-standing commitment to gender equality

and a firm conviction that it is a strategic lever to fuel creativity and innovation, and boost performance and growth. In 2018, women represented 69% of the L'Oréal Group's total global workforce, 46% of the Board of Directors, 31% of the Executive Committee, 48% of Management Committees and 68% of promotions.

L'Oréal is committed to maintaining high gender equality and is subject to regular auditing. Since 2011, the Group has been working with two independent organisations that conduct in-depth, rigorous audits of current staff and hiring policies, including in the UK: EDGE (Economic Dividends for Gender Equality) and GEEIS (Gender Equality European and International Standard).

L'Oréal is proud to be included in the top 100 Bloomberg 2019 Gender Equality Index, designed to highlight companies that have made strong commitments to promoting transparency in gender reporting and to advancing women's equality in the workplace.

L'Oréal was ranked #1 in Europe in Equileap's 2018 Global Gender Equality ranking. A comprehensive survey amongst over 3,000 companies in 23 countries based on 19 different gender equality criteria.



GENDER PAY GAP REPORTING

Under UK legislation introduced in 2017, all companies with more than 250 employees are required to publish data around their gender pay gap by April of each year. This is our second report and the data below is from the snapshot date of 5 April 2018. Whilst both equal pay and the gender pay gap deal with the disparity of pay women receive in the workplace, they are not the same issue.

The **GENDER PAY GAP** shows the difference in the average pay between all men and women in an organisation. It does not equate to **EQUAL PAY**, which considers the pay and benefits awarded to men and women in the same or similar jobs in the same organisation.

A thorough analysis of all roles within the business has confirmed that L'Oréal UK pays men and women equally for the same job and there is no equal pay issue.

“People matter to us at L'Oréal and we are working hard to create a workplace in the UK where everyone, regardless of ethnicity, religion, age, social background, disability or gender, is treated equally and where they are encouraged to thrive and grow within our business. Whether you are a retail beauty advisor, field based account manager or a senior leader working at our London headquarters, we have equal pay between men and women for equal work. We have made good progress against the actions outlined in 2017 and will continue to build on these initiatives in the future.”

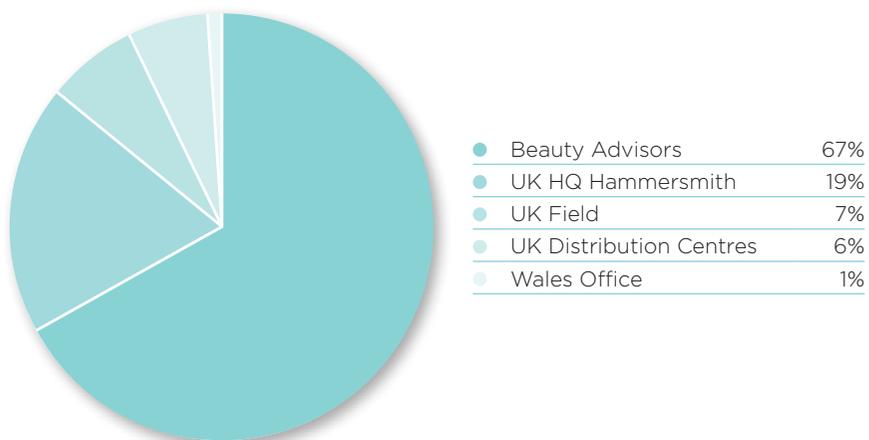


Vismay Sharma
Managing Director, L'Oréal UKI

PROFILE OF THE L'ORÉAL UK WORKFORCE

L'Oréal UK employs around 4,800 employees across the UK. The different populations within L'Oréal UK and the gender split within each are outlined below:

- **3,250 Beauty Advisors** (67% of total population; 92% female/8% male)
 - working in retail positions in department stores and in our own boutiques across the country for brands such as Lancôme, Urban Decay, Kiehl's and NYX Professional Make-Up.
- **900 Headquarters Staff** (19% of total population; 75% female/25% male)
 - office-based staff at our UK HQ in Hammersmith, London.
- **325 Field Based Staff** (7% of total population; 74% female/26% male) - based across the country.
- **300 Distribution Centre Staff** (6% of total population; 50% female/50% male) - based in our distribution centres in Bury, Nottingham and Trafford.
- **30 Staff** (1% of total population; 72% female/28% male)
 - based at our office in Llantrisant, Wales.



GENDER PAY GAP FIGURES AT A GLANCE

These figures represent the percentage less in the average pay all female employees receive, compared with the average all male employees receive, across the total UK organisation.

For 2018, L'Oréal UK's median gender pay gap is 30.82%, with a mean gender pay gap of 36.51%. The business' median bonus pay gap is 36.42% with a mean gender pay gap of 55.96%.

Total organisation data

	Gender Pay Gap		Gender Bonus Gap	
	2017 %	2018 %	2017 %	2018 %
Mean	35.72	36.51	56.67	55.96
Median	32.02	30.82	34.46	36.42

All employees who have successfully completed their probationary period are entitled to receive bonus payments (either through profit-share or commission). In 2018, 92.55% of female employees and 90.21% of male employees received a bonus payment. The following data outlines the proportion of employees from each gender in each pay quartile (each quartile comprises 1,159 individuals).

Quartile table

	Gender Pay Gap	
	Male %	Female %
Upper	28.79	71.21
Upper Middle	12.42	87.58
Lower Middle	12.08	87.92
Lower	8.37	91.63

UNDERSTANDING THE PAY GAP

Our pay gap has remained relatively flat. While the mean pay gap has gone up slightly to 36.51%, the median pay gap has come down to 30.82%. Our structural pay gap reflects a number of recurring factors, as follows:

- Of the approximately 4,800 employees who work for L'Oréal UK, around 3,250 work as Beauty Advisors, in department stores and boutiques, many in part-time positions. These roles are competitively paid, however, they reflect the salary norms of the retail environment, and are amongst the lowest paid roles across the entire organisation.
- **The vast majority (92%) of Beauty Adviser staff are female which causes a significant part of our gender pay gap.**
In addition, when calculating the gender bonus gap, the regulations do not account for the impact of part-time workers (as pro-rated bonuses are not adjusted in the calculation). Therefore, our gender bonus gap will be skewed by a higher number of females in these part-time roles.
- For non-Beauty Adviser roles we attract a significantly higher proportion of women at entry levels and, as such, we have a **greater proportion of women in more junior positions within the company.**
- Finally, L'Oréal's gender pay gap is also driven by the fact that we have a **greater proportion of men in more senior positions (and as expatriates where additional benefits such as housing and school fees further impacts the figures).** These more senior roles are associated with higher salaries (as can be seen in the analysis by earnings quartile). This has a particular impact on our Gender Bonus Pay Gap figures, as more senior roles attract higher levels of annual incentives and longer-term share options (which are both included in the bonus pay gap calculation).

ACTIONS TO REDUCE OUR GENDER PAY GAP

L'Oréal is committed to gender equality and to reducing our gender pay gap. We recognise that this process will take time and we have committed to a series of initiatives to help drive long term, lasting change.

Key areas of focus include continuing to identify and nurture **a sustainable pipeline of talented women** across all levels within the organisation and, through this, **increasing the proportion of women in more senior positions.** As with many other organisations, one of our challenges is to create the **optimum conditions for all working parents**, in particular mothers returning from maternity leave, as they continue with their career progression. We continue to seek to **redress the gender imbalance at entry- and mid-level roles** through actively recruiting more males into these levels. We are also working to create a more diverse and inclusive workplace overall for all our people in order to retain and attract talent.

We have made good progress against the actions we outlined in 2017 and we are continuing to build on those initiatives to ensure we are driving the long-term, lasting change we would like to see. We continue to focus on the following areas:

1. Extend and promote flexibility in the workplace for all working parents

We know that a significant number of our employees are currently parents or are planning to start a family. Over three years ago, we launched our L'Oréal 'Work Smart' initiative, designed to encourage the adoption of flexible working practices. This has enabled people, especially those coming back from maternity leave, and those with families, to achieve a greater level of freedom to juggle both home and work priorities and achieve their desired work/life balance.

2. Enhanced maternity, paternity and parental support

We have an ambition to become one of the best employers in the UK for working parents. We already have an attractive, **enhanced maternity policy** in place, which includes six months' full pay and secured bonus payments during the period of maternity leave. In addition, we have doubled our **paternity leave** benefits to give new fathers up to four weeks' full pay. Furthermore, we have extensive programmes in place for parental leave, adoption leave and dependant care leave.

Some other examples of the work we do in this area include:

- Continuing to build on our **'Grow'** initiative, launched in 2017, by providing enhanced support for employees with families. This comprehensive programme provides, among other things, **professional coaching and support** for mothers before, during and after childbirth to help manage the challenges posed in balancing their life transitions and professional development. This coaching will be extended this year to cover **expectant fathers and partners** within the organisation.
- **Training managers** on how to support both expectant and working parents within their team in order to drive cultural transformation.
- **Supporting our 'Super Parents Forum'** to create an active community, part of which includes hosting a series of professionally-led learning sessions for parents.
- **Reviewing all of our policies** in this area to ensure our approach is fully inclusive and best in class.

3. Developing female leadership

We continue to implement measures that will help to support the development of female leaders and enable them to reach senior leadership roles in our organisation. We are beginning to see the impact of these efforts – 65% of our Brand General Managers are now female – an increase of 8% over the last year.

The **Gender Equality Network**, formerly known as the 'Women in Leadership Think-Tank', is sponsored by our most senior leaders and is designed to enable women and men from across the organisation to come together and play an active role in driving cultural change.

- We have partnered with **'Lean In Circles'** to create a dedicated platform for employees to network and receive education on key professional and personal topics.
- We continue to offer a range of **coaching and training options** for female talent across the business, designed to identify and nurture a sustainable pipeline of future female leaders.

We continue to work with our global organisation to anticipate and manage selection decisions and **appointments** relating to senior management positions.

4. Improving the gender balance for entry- and mid-level positions

As the data demonstrates, we have a low percentage of males in entry- and mid-level roles within our organisation. Indeed, in 2018 only 29% of all graduate applications were from male candidates. We continue to drive an active programme to help redress the gender imbalance in the lower- and mid-levels of our organisation, by attracting more males into entry-level roles through targeted recruitment campaigns and efforts, e.g. **'The Male Undergraduate of the Year Award'**. However, recruiting males at entry-level into our organisation remains a challenge and we are exploring additional ways to improve this, including developing a specific employee value proposition for this audience.

5. Beyond gender – making L'Oréal UK the best place to work for everyone

Fostering **workplaces worldwide where everyone feels welcomed and valued** creates a culture where people can thrive and grow, which means our business will thrive and grow too. To drive this culture, we have also worked on:

– Driving diversity and inclusion

- **Out@L'Oréal** – this network aims to foster an inclusive employee culture and environment at L'Oréal for the LGBTQ+ community and its supporters.
- **Stonewall** – we continue to partner with Stonewall, working towards accredited employer status. We have partnered with them to review our policies and processes to ensure complete inclusivity and diversity across the board.
- **Mental Health** – we have introduced a comprehensive programme to help support mental health and beat the stigma associated with it. This programme involves training a number of our employees as mental health ambassadors as well as upskilling managers on how to recognise and manage potential mental health issues in their team.

– Evolving workplace practices to attract and retain talent

We have embraced activity-based working to provide people with a choice of settings for a variety of workplace activities.

We have also launched innovative programmes, designed to encourage the personal passions of our people and attract and retain talent at all levels. These programmes include:

- **Be Right Back** – a four-week paid sabbatical enabling employees to travel and explore areas outside their professional remit, bringing innovative ideas and insights back to the business.
- **Extended Company** – a fully paid, up to six month secondment in partnership with start-up incubator, the Founder's Factory, where employees work on an independent start-up project, bringing new ways of working back into the business on their return.

STATUTORY DISCLOSURE SUMMARY

	%
Males/Females employees	15.42/84.58
Median Gender Pay Gap	30.82
Mean Gender Pay Gap	36.51
Median Bonus Pay Gap	36.42
Mean Bonus Pay Gap	55.96
Males/Females receiving a bonus payment	90.21/92.55
Upper Quartile* (male/female)	28.79/71.21
Upper Middle Quartile* (male/female)	12.42/87.58
Lower Middle Quartile* (male/female)	12.08/87.92
Lower Quartile* (male/female)	8.37/91.63

*Quartiles are based on hourly pay rates.

DECLARATION

We confirm that our data is accurate and has been calculated in accordance with the statutory requirements as required under the Equality Act 2010 (Gender Pay Gap Information) Regulations 2018.



Vismay Sharma

Managing Director L'Oréal UKI