ĽORÉAL UNITED KINGDOM **GENDER PAY GAP REVIEW 2017**

INTRODUCTION

L'Oréal has a long-standing commitment to gender equality – and a firm conviction that it is a strategic lever to increase well-being at work; fuel creativity and innovation; and boost performance and growth. In 2017, women represented 69% of the Group's total global workforce, 46% of the Board of Directors, 33% of the Executive Committee, 48% of Management Committees and 68% of promotions.

L'Oréal is committed to maintain high gender equality subject to regular auditing. Since 2011, the L'Oréal 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 2018 Gender equality Index, designed to highlight companies that have made strong commitments to gender equality.

L'Oréal was ranked #1 in Equileap's 2017 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, all companies with more than 250 employees are required to publish data around their gender pay gap by 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.

- Equal Pay means that men and women in the same employment, performing equal work must receive equal pay, as set out in the Equality Act of 2010. 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.
- The **Gender Pay Gap** relates to differences between the average salary between men and women **across a whole organisation**. It is expressed as a percentage of male earnings.



"Our company has had, for many years a strong commitment to gender balance at all levels as well as pay equity, because we know that it is good for society and good for business. Being included in the Gender Equality Index will push us to work even harder to ensure that L'Oréal's workplace is diverse, inclusive and supportive of our Beauty for All mission."

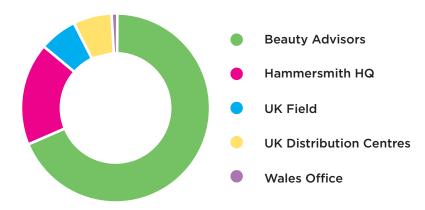
Jean-Paul Agon, Chairman and CEO L'Oréal



PROFILE OF THE L'ORÉAL UK WORKFORCE

L'Oréal UK employs around 4,500 employees across the U.K. The different populations within L'Oréal UK and the gender split within each are outlined below:

- **3,100 Beauty Advisors** (68% 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.
- 800 Headquarters Staff (18% of total population; 72% Female/ 28% Male) office-based staff at our UK HQ in Hammersmith, London.
- **300 Field Based Staff** (6.5% of total population; 73% Female/ 27% Male) based across the country.
- **300 Distribution Centre Staff** (6.5% of total population; 51% Female/ 49% Male) - based in our distribution centres in Bury, Nottingham and Trafford.
- **30 Staff** (1% of total population; 81% Female/19% Male) based at our office in Llantrisant, Wales.



GENDER PAY GAP FIGURES AT A GLANCE

These figures represent the amount less than an average female employee receives, compared with an average male employee **across the total UK organisation**.

	Gender Pay Gap (%)	Gender Bonus Gap (%)
Mean	35.7%	56.7%
Median	32%	34.5%

All employees who have successfully completed their probationary period are entitled to receive bonus payments (either through profit-share or commission). In 2017, 91.6% of female employees and 90.6% of male employees received a bonus payment.

The following data outline the proportion of employees from each gender in each pay quartile (each quartile comprises 1105 individuals).

Quartile	Male (%)	Female (%)
Upper	30%	70%
Upper Middle	12.4%	87.6%
Lower Middle	13.4%	86.6%
Lower	8.1%	91.9%

UNDERSTANDING THE PAY GAP

The median pay gap for employees across the organisation is 32.0%, **however we do not have an 'Equal Pay' issue.** A thorough analysis of all roles within the business, has confirmed that we pay men and women equally for the same job across all levels and all functions in the UK organisation.

There are three key factors driving our gender pay gap:

• Of the approx. 4,500 employees who work for L'Oréal UK, around 3,100 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 Advisor staff are female which causes a significant part of our gender pay gap. Indeed, an analysis performed excluding the total Beauty Advisor population results in a reduction of our median pay gap to 4.1% (mean 10.4%). This figure is lower than the reported UK median average of 18.8% (mean 17.7%), and highlights the significant effect of this population on our overall gender pay gap figures.

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 part-time roles.

- For non-Beauty Advisor 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.** 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 closing our current gender pay gap. To achieve this we are **committed to improve ways in which we can increase the proportion of women in more senior positions**. As with many other organisations, one of our challenges is to create the **optimum conditions for working parents**, in particular mothers returning from maternity leave, as they continue with their career progression. Furthermore, we will ensure that we continue to focus on **identifying and nurturing a sustainable pipeline of talented women** across all levels within the organisation. Finally, we need to **redress the gender imbalance at entry- and mid-level roles** through actively recruiting more males into these levels.

To help achieve these objectives, we recognise the need to focus on the following areas:

1. EXTEND & PROMOTE FLEXIBILITY IN THE WORKPLACE FOR WORKING PARENTS

We know that a significant number of our employees are currently parents or are planning to start a family. Over two 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. ENHANCE MATERNITY & PARENTAL SUPPORT

We have the 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 recently doubled our paternity leave benefits to give new fathers up to four weeks' full pay, which is twice the legal requirement. Furthermore, we have extensive programs in place for parental leave, adoption leave and dependant care leave.

In 2017 we launched our new 'Grow' initiative to provide enhanced support for employees with families. More specifically, the program has been designed to build:

- **Empowerment** Creating a day to day support network and community to empower parents within our organisation
- **Flexibility** Offering more flexible job design opportunities to better manage work/life balance
- Leadership Coaching our managers to drive a cultural transformation around working parents
- **Transparency** Providing clear information, accessible to our employees' fingertips

This program also provides one-on-one coaching and support for mothers before, during and after childbirth to manage the challenges posed in balancing their life transitions and professional development.



3. DEVELOPING FEMALE LEADERSHIP

We are putting additional steps in place to help support the development of female leaders and enable them to reach senior leadership roles in our organisation.

- We have recently launched a **'Women in Leadership Think-Tank'**, sponsored by our most senior leaders. This group will meet regularly to work on both business and organisational challenges and is designed to enable women from across the organisation to come together and play an active role in driving cultural change.
- We will also **continue our coaching program for female talent**, designed to identify and nurture a sustainable pipeline of future female leaders. This program will provide a range of career development tools and guidance to help female talent reach their full potential.
- We will work with our Global organisation to **manage selection decisions** 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 entryand mid-level roles within our organisation. Indeed, in 2017 only 29% of all graduate applications were from male candidates. We already have an active program in place to help redress the gender imbalance in the lower and mid-levels of our organisation, by attracting more males into entry-level roles (e.g. 'The Male Undergraduate of the Year Award'). However, despite significant efforts over a number of years, recruiting males at entry-level into our organisation remains a challenge, and we are exploring additional ways to improve this.

STATUTORY DISCLOSURE SUMMARY

% Males/Females employees	16% / 84%
Median Gender Pay Gap (%)	32%
Mean Gender Pay Gap (%)	35.7%
Median Bonus Pay Gap (%)	34.5%
Mean Bonus Pay Gap (%)	56.7%
% Males/Females receiving a bonus payment	90.9% / 91.6%
Upper Quartile* (male/female%)	30% / 70%
Upper Middle Quartile* (male/female%)	12.4% / 87.6%
Lower Middle Quartile* (male/female%)	13.4% / 86.6%
Lower Quartile* (male/female%)	8.1% / 91.9%
*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 2017.

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Vismay Sharma Managing Director L'Oréal UKI