



Liz Earle Beauty Co.
Gender Pay Gap Report as at April 2017

Member of Walgreens Boots Alliance

A MESSAGE FROM SANDEEP

Welcome to our first ever Gender Pay Gap Report. I'm pleased to be part of this initiative and I can confirm that the data we're sharing in this report is accurate and prepared in accordance with the relevant new regulations.

Since day one, we've been proud to be a company driven by women – from our inspirational founders, to our 88% female workforce that bring our brand to life across all areas of our business.

In everything we do, our customers are our constant source of inspiration and we have always worked hard to ensure that our business reflects the people we serve, including gender balance and diversity. Our varied pool of talent and experience has been the driving force of our brand for over 20 years. Today, as then, our success lies in the efforts of our 900-strong team. Simply put, nothing we have achieved would have been possible without the people behind our brand.

Today, our median pay gap is 6% in favour of men. Although we do need to improve further, this is better than the UK average of 18.4%. Our pay structure is not influenced by gender and we have in place salary grades to help safeguard this.

Another clear area of improvement we have is with our gender bonus gap, which has a median difference of 42% in favour of men. This is due to the relatively short lengths of service, and therefore bonus scheme eligibility, within our 98% female retail team. I am determined to take steps to close this gap over the coming year, including improving our retention of retail staff by stepping up the level of support we provide across all our store and counter locations.

Thank you for taking the time to read our report – I look forward to sharing further updates in due course as we continue to expand our business and create an open, enjoyable and supportive workplace for all.



Sandeep Verma
Managing Director
of Liz Earle Beauty Co.



Headon Warren, Isle of Wight

INTRODUCTION

Founded in 1995 on the idyllic shores of the Isle of Wight, Liz Earle Beauty Co. is **one of the UK's best-loved skincare brands with accolades across the entire range** – namely the iconic Cleanse & Polish™ Hot Cloth Cleanser, with over 125 prestigious industry awards and counting. Loved by women the world over, we're proud to have grown mainly through word of mouth and recommendations, rather than traditional marketing.

As a brand, **we continue to support initiatives and campaigns that celebrate and support women** – from marking International Women's Day to sourcing selected ingredients from women's cooperatives around the world. Closer to home, we offer flexible working opportunities that **encourage a healthy work-life balance**, and additional benefits such as a Childcare Voucher Scheme to **help support working parents**.

Throughout the last 23 years, we have always put considerable focus on **ensuring our colleagues benefit from a happy and supportive working environment**, both in our head offices on the Isle of Wight and London, and our stores and counters throughout the UK and Ireland. **We welcome the introduction of gender pay gap reporting and see it as an opportunity** to identify any areas of improvement that can still be made across the business.

WHY ARE WE DOING THIS?

For the first time, UK companies with over 250 employees are required to publicly report on their gender pay gap under new legislation that was introduced in April 2017. With 88% of our colleagues being female, **gender balance is really important to us and the legislation is helping us to look at things differently and identify ways we can work to close our gender pay gap**.

The legislation requires us to report our mean and median pay gap, bonus mean and median pay gap, the percentage of male and female employees who received a bonus payment and the percentage of males and females in each quartile.

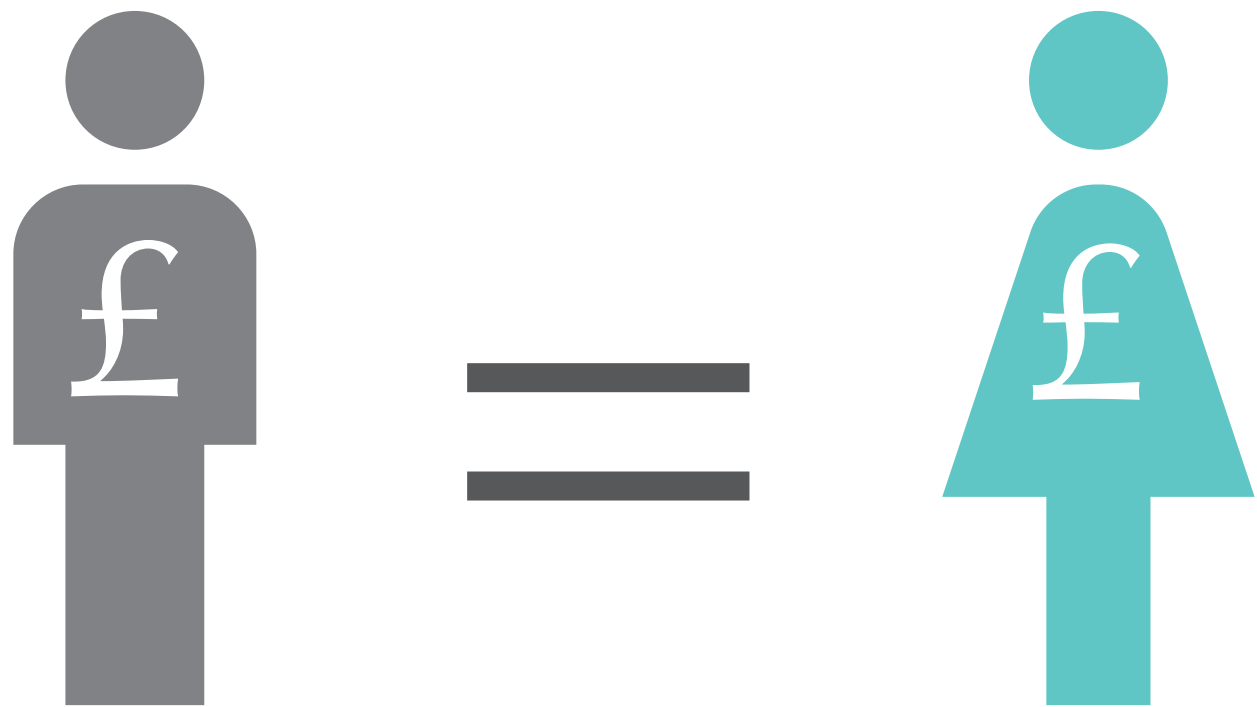
UNDERSTANDING GENDER PAY GAP REPORTING

WHAT IS THE DIFFERENCE BETWEEN EQUAL PAY AND A GENDER PAY GAP?

A gender pay gap is different from equal pay.

EQUAL PAY

Equal pay is paying males and females equally for like work, work of equal value and work rated as equivalent. There has been legislation outlining equal pay obligations in the UK for nearly 50 years.



GENDER PAY GAP

A gender pay gap looks at the differences in pay between genders across groups of employees irrespective of the work they perform.



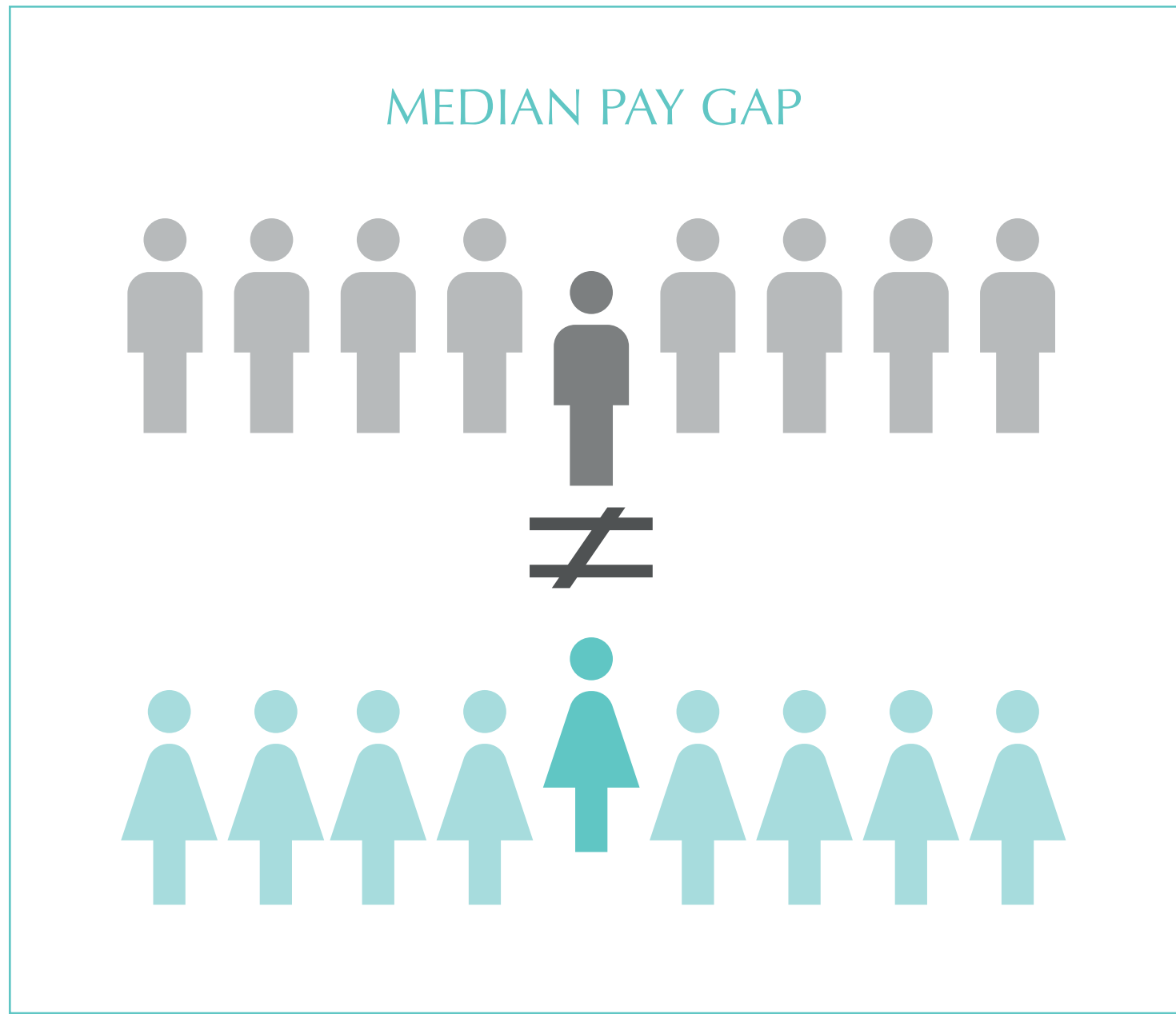
One of the main reasons for the gender pay gap in our society is that men are statistically more likely to be in senior roles.

UNDERSTANDING GENDER PAY GAP REPORTING

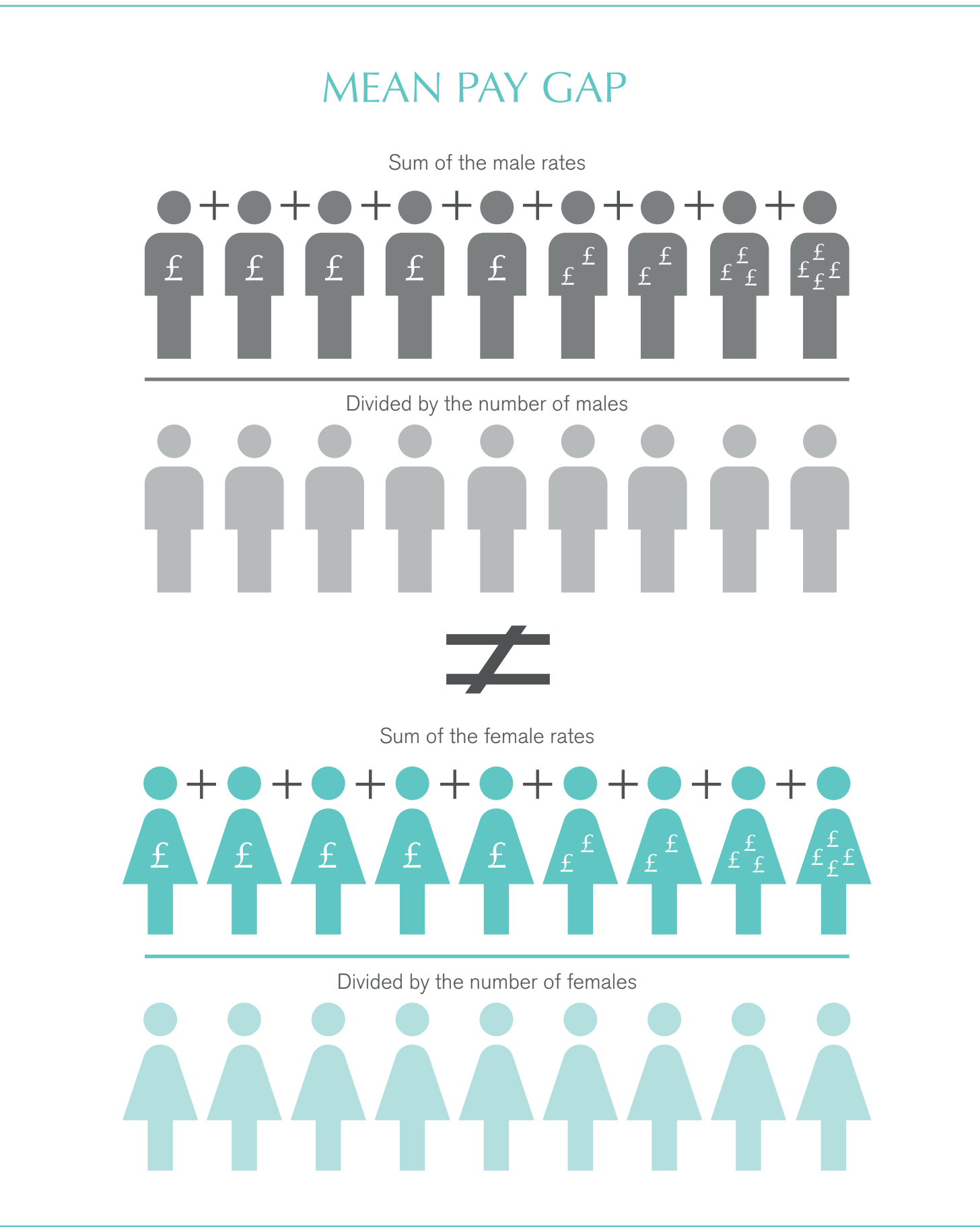
HOW ARE THE MEDIAN AND MEAN PAY GAPS CALCULATED?

The median is the middle point of a range of numbers and the mean is the average of a range of numbers. How do we calculate this for gender pay gap reporting?

Median pay gap – if all our male colleagues stood in a line in order of lowest hourly rate earned to highest and all females did the same, the median pay gap (as a percentage) is the difference in pay between the middle colleague on the male line and the middle colleague on the female line.



Mean pay gap – if we add together all the hourly rates of male colleagues and calculate the average and do the same for female colleagues, the mean pay gap (as a percentage) is the difference in pay between the average male and female hourly rate.

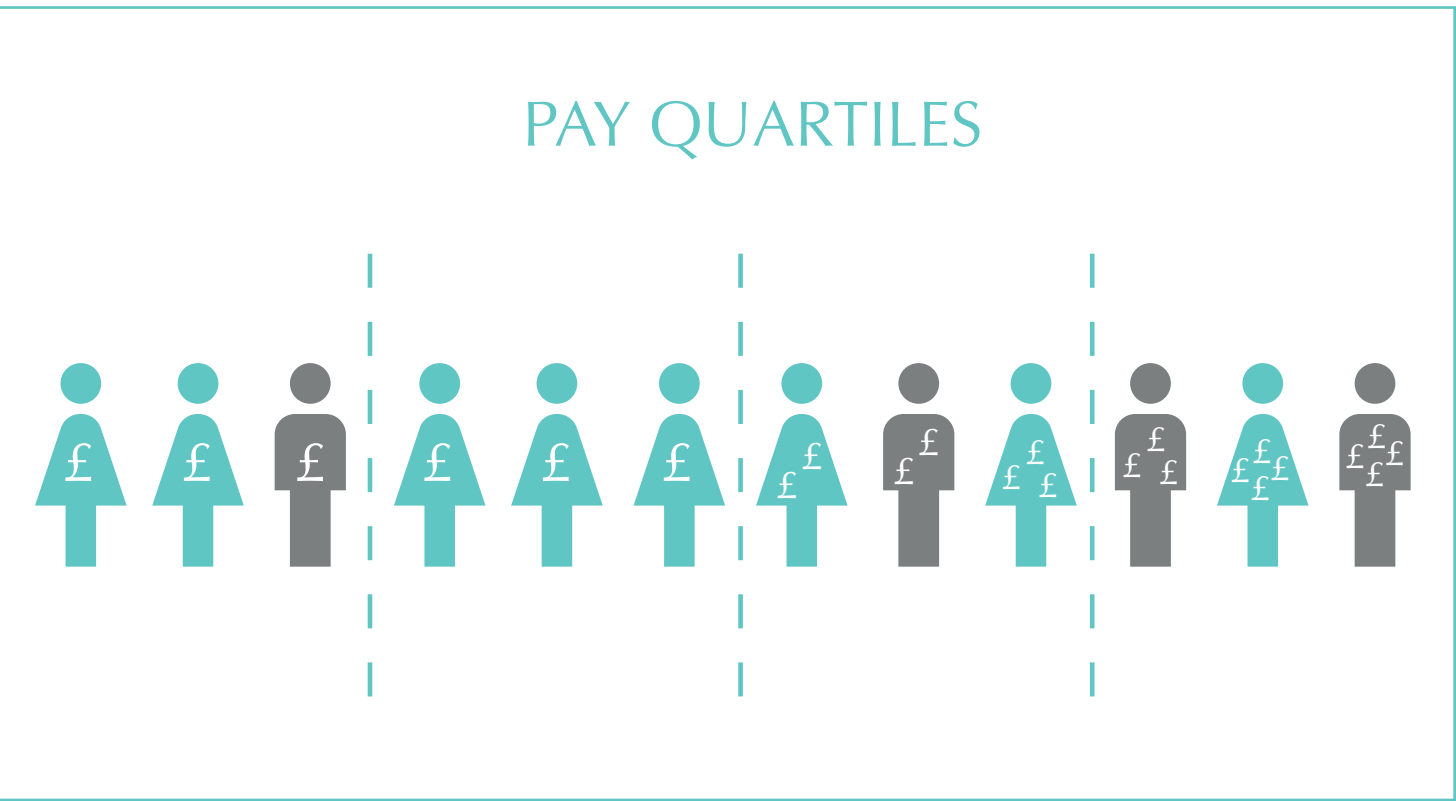


HOW IS THE BONUS GAP CALCULATED?

The mean and median bonus gap are calculated in the same way as the gender pay gaps. However, this time we use the actual bonus paid to colleagues. We also report the number of male and female colleagues receiving a bonus (as a percentage of the total male and female population).

HOW ARE THE PAY QUANTILES CALCULATED?

Pay quantiles are calculated by dividing all hourly rates paid across the business, from lowest to highest, into four equal sized groups of colleagues and calculating the percentage of males and females in each.

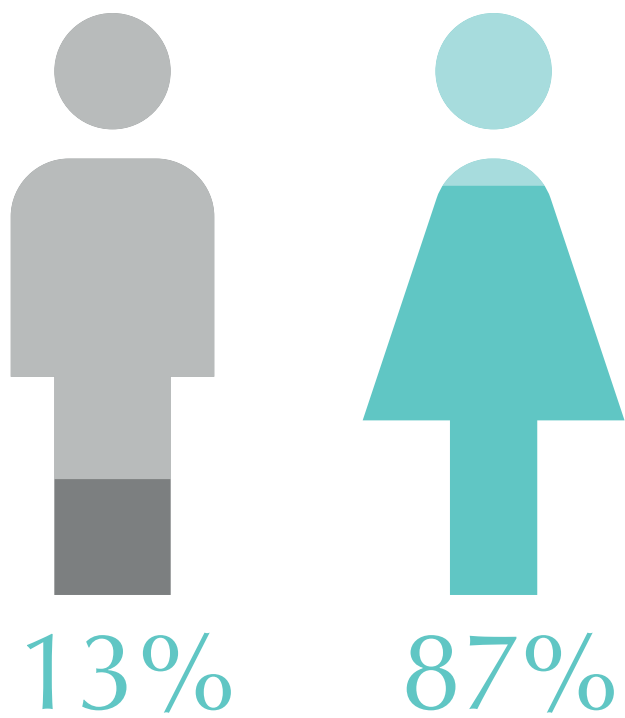




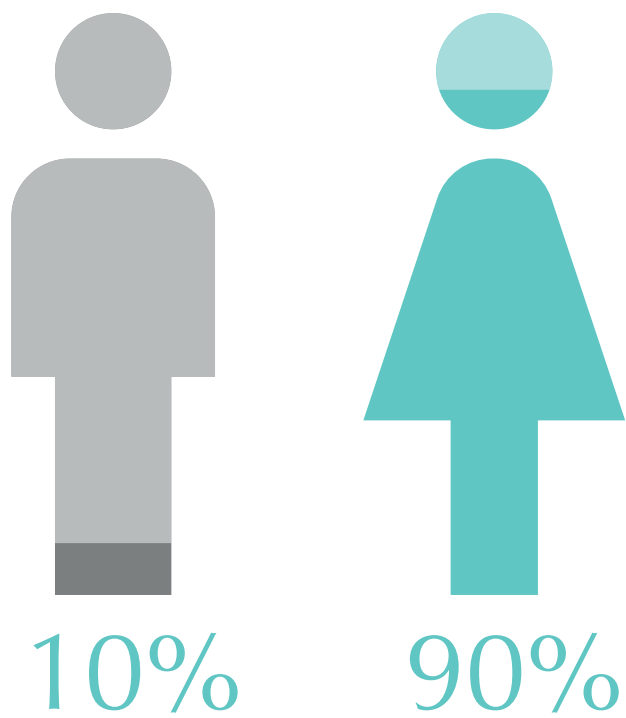
PAY QUARTILES

The percentages of all male and female colleagues within each quartile pay band is:

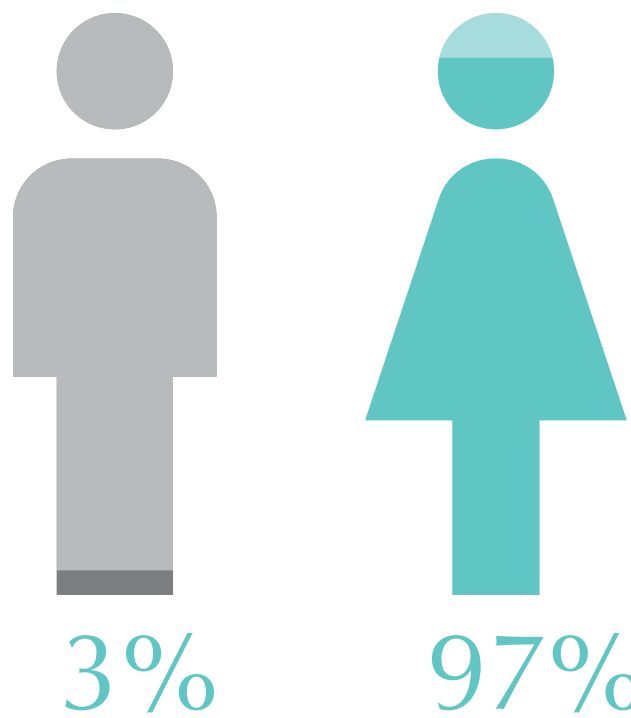
LOWER QUARTILE



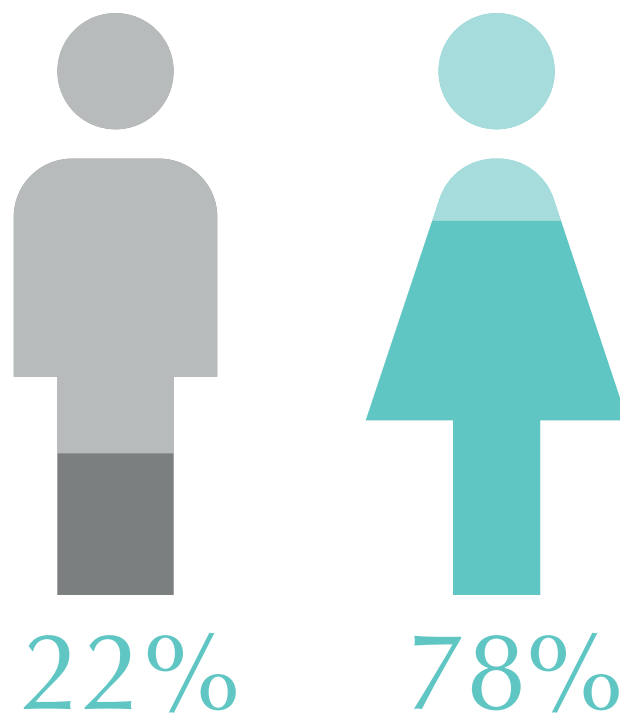
2ND QUARTILE



3RD QUARTILE



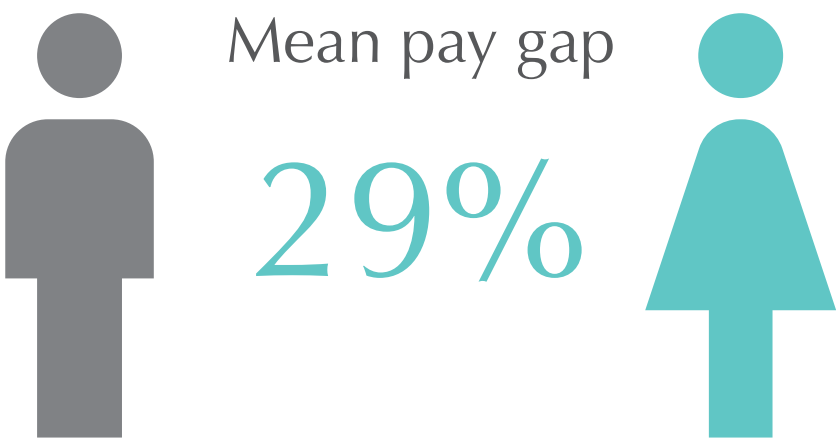
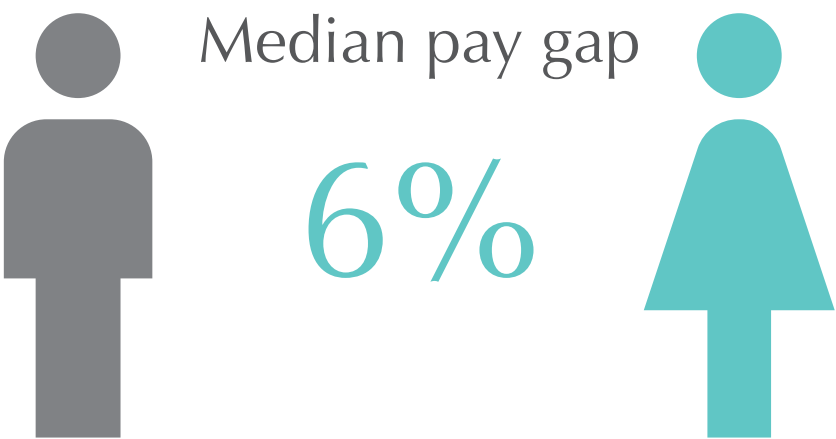
4TH QUARTILE



- 4 out of 5 line managers are female (both field-based and at Head Office)
- 78% of the highest paid quartile are female.

OUR RESULTS 2017

GENDER PAY GAP

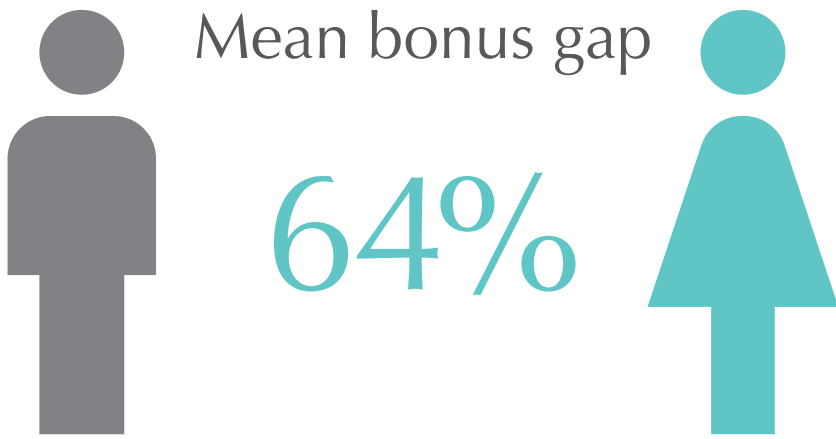
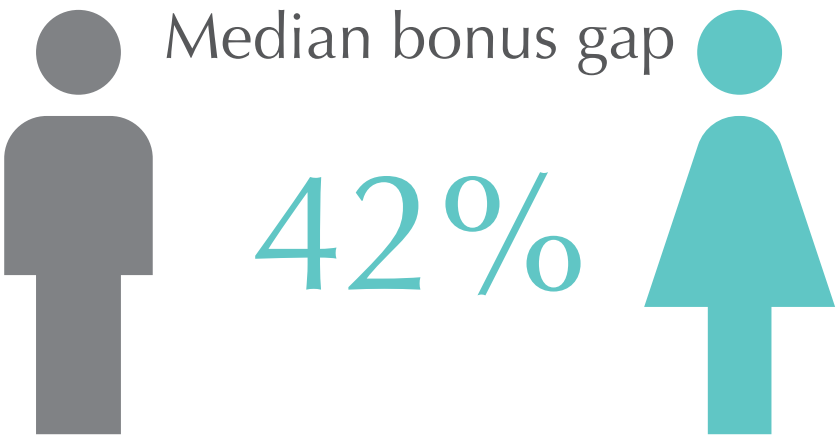
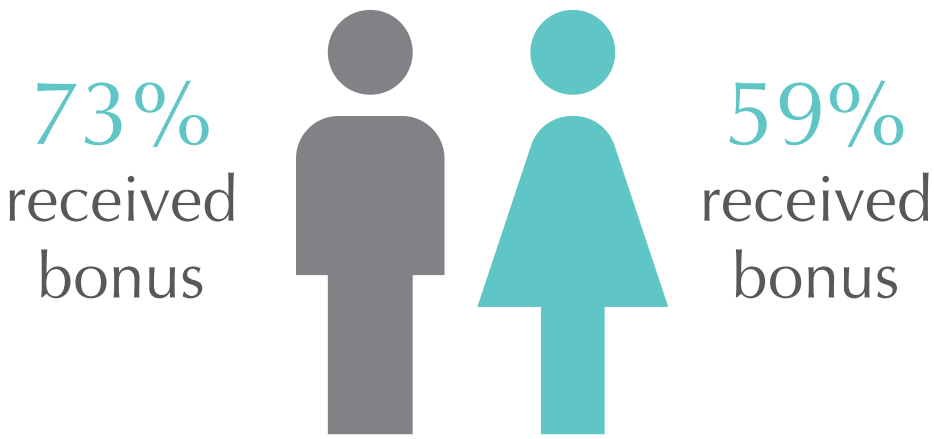


Median national average pay gap 18.4%, mean national average pay gap 17.4% based on estimates from the Office of National Statistics' Annual Survey of Hours and Earnings 2017

Although we have a consistently high proportion of women across all pay quartiles, our pay gap is driven by the large number of customer-facing roles, which are held predominantly by women. This is reflective of the industry in which we work.

Our median pay gap is significantly better than the national average of 18.4% in favour of men, however we recognise that there is always work to be done to improve.

BONUS GAP



All bonuses paid in the year up to 5 April 2017 are used for the calculation of the bonus gap. The calculation is based on actual bonus paid rather than full-time equivalent and we have a high proportion of female colleagues who work part-time who received a pro-rated payment.

The significant bonus gap is mainly caused by disparity in the average length of service between men and women, which is particularly clear in the Customer Advisor population which is 98.2% female. The average length of service of a Customer Advisor is just over 2 years, with over a quarter staying for less than 6 months. This has a large knock-on effect on the gender bonus gap as it means a far larger proportion of women do not meet the length of service threshold to be eligible for bonus payment, or receive a pro-rated bonus payment.



WHAT ARE WE DOING TO ADDRESS OUR GENDER PAY GAP?

We are committed to encouraging and supporting female colleagues across the organisation and inspiring everyone to reach their full potential.

WHAT WE'VE DONE SO FAR

- **Flexible working policies:** We have a comprehensive suite of flexible working policies already in place and have done for many years. 33% of colleagues work part-time (less than 30 hours per week).
- **Pay:** We have a governance process for pay policy decisions to ensure we are fair to all colleagues.
- **Maternity pay:** With the majority of our colleagues being female it is important that we are committed to supporting them with the right offer in place to help them balance their home and work life.

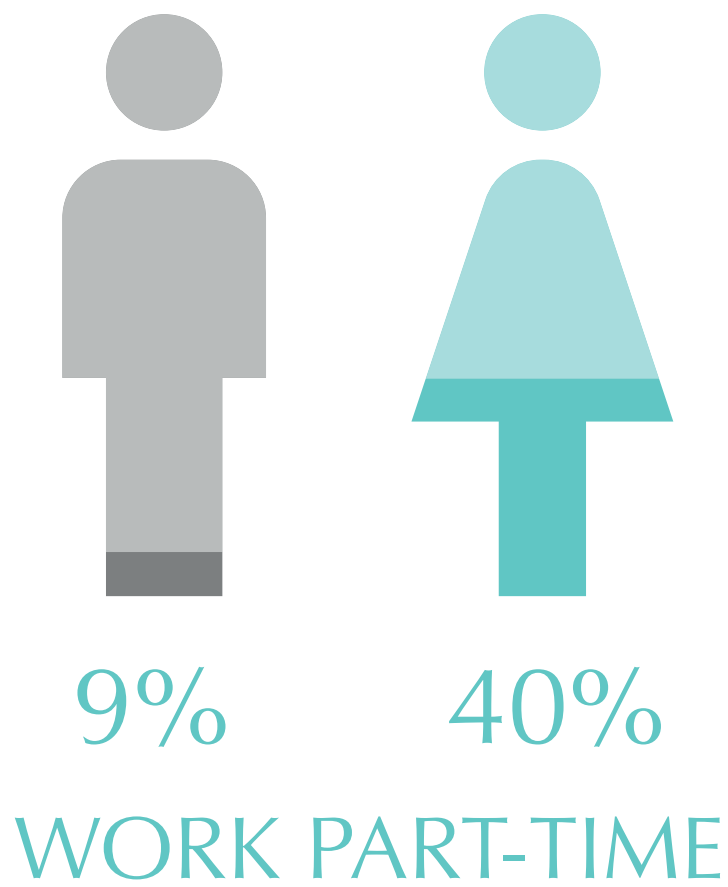
WHAT WE WILL BE DOING

- **Flexible working policies:** Whilst we have these in place, we know that colleagues and leaders could still be better informed around our flexible and HR policies. We will focus on encouraging this in leadership roles.
- **Unconscious bias training:** Unconscious bias refers to the stereotypes, both negative and positive, that exist in our subconscious and affect our behaviour. By continuing to deliver this training we will develop and support leaders in fair and inclusive decision making.
- **Colleague Coffee Mornings:** We will hold informal coffee mornings with representatives across the business to discuss all aspects of working at Liz Earle, helping to inform our thinking and direct our decisions.

OUR COMMITMENT

As a business we continue to build a **diverse and inclusive culture**. We are proud that 40% of our female colleagues and 9% of our male colleagues work part time, giving them the opportunity to balance their home and work lives.

We are committed to encouraging and supporting all colleagues across the organisation and inspiring everyone to reach their full potential.



We confirm that the information contained within this report is accurate.

Lynn Ellsbury
Head of People & Development,
Liz Earle Beauty Co.

Jason Clark
Financial Controller,
Liz Earle Beauty Co.



