



GENDER PAY GAP REPORT 2018



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INTRODUCTION

Introduction from Louise Wilson, our Global People Director

The Body Shop is a global, ethical cosmetics retail brand with around 3,000 stores in more than 60 countries. Since we were founded in 1976, we have always stood for diversity and inclusion.

Throughout our organisation, we ensure that our employees are treated fairly and with dignity, whatever their gender or other characteristics¹. We strive to pay our people fair and competitive rates, based on equal pay for work of equal value.

This report highlights patterns in the pay and bonuses received by our UK-based employees in April 2018. We are committed to empowering women's career progression and minimising gender pay gaps. However, we acknowledge that our gender pay gap will never be zero because employees in our store roles, who earn less than office-based roles, tend to be women. When looking at gender pay gaps for store and non-store roles separately, there are some elements we can be proud of and others that need more work.

Just over two-thirds (68%) of our UK-based employees work in our stores and the rest work in our two UK-based global head offices. Our store-based staff are overwhelmingly women (94.2%) and many of them work part-time. The majority of men that we employ are based in our headquarters, often in managerial roles that are eligible for salary-related bonuses.

Continued on following page...



¹These include actual or perceived gender, pregnancy, maternity, race, sexual orientation, transgender identity, gender identity or expression, disability, religion or belief, marital status or age.

These differences in the types of roles performed by women and men within our organisation help to explain why the women we employ in the UK are paid, on average, 43.4% less than men. While we are definitely seeking to make further progress, this is an improvement since 2017 (when women earned 50.9% less than men). In terms of our median pay rates, women are paid 38.6% less than men (2017: 38.9%).

Bonuses are a significant factor in our gender pay gap. Our average gender bonus gap is high (74.4%) because some bonus schemes are calculated as a percentage of salary, exacerbating underlying gender pay gaps. We are seeking to improve in this area and have already made progress, reducing this gap by 8% since 2017. Similarly, we have considerably reduced our median gender bonus gap, which stands at 44.3% (2017: 85.7%). We are pleased that our median bonus gender gap for store-based employees is very positive compared to other organisations across the UK and in our sector.

We have also worked internally and with agencies to ensure that we have as much diversity and gender balance as possible in our recruitment. This will increase the chances of hiring women into specialist and senior roles and reducing our gender pay gap.

However, we are far from complacent. We want to reduce our gender pay gap and are working hard to do this. We continuously review our pay and bonus schemes to make sure they are designed and applied fairly. In the past year, we launched a women's leadership programme and network to ensure we focus on creating an inclusive place to work. We also laid significant groundwork for initiatives to attract, retain and develop female employees that will roll out in 2019.

I confirm that our data has been calculated according to the requirements of The Equality Act 2010 (Gender Pay Gap Information Regulations 2017)²

Finally, I want to thank all of our employees for helping us to be a successful company with a well-deserved reputation for having ethical values, effective products, great customer service – and for being a great place to work.

Louise Wilson

Louise Wilson
Global People Director
March 2019



²For more information on these requirements, please see page 6.

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**WE ARE COMMITTED TO
EMPOWERING WOMEN'S CAREER
PROGRESSION AND MINIMISING
GENDER PAY GAPS.**

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LOUISE WILSON, GLOBAL PEOPLE DIRECTOR

CONTEXT AND DEFINITIONS

We have produced this report to comply with a law that requires all organisations with more than 250 employees in the UK to report on their gender pay gap each year.

Together, The Body Shop International Limited and our franchise holders employ around 20,000 people around the world. The figures in this report only relate to the 2,544 people we directly employed in the UK, in our UK stores and our UK-based global headquarters, in April 2018; they do not represent the picture across our whole company. All figures except the gender bonus gap statistics exclude anyone in the UK who was receiving less than their full salary at the time of the snapshot, such as people on reduced maternity pay or unpaid leave.

UK gender pay gap regulations require reporting on six key figures, which are explained on the next page. In this box, we explain the difference between equal pay and the gender pay gap. In this report, we also provide some additional figures to give more accurate insights into our UK employees and pay structures.



Context and definitions (continued)



³We record the gender of our UK employees based on how they describe themselves to us.

⁴These figures include all employees in the UK on the snapshot date, even those receiving less than their contracted salary on that date (such as those on reduced maternity pay or unpaid leave), who received a bonus in the 2017/18 financial year.

Equal pay: Based on our values and in line with laws in the UK and around the world, we pay equal amounts to women and men who carry out the same jobs, similar work or work of equal value in the same location.

Gender pay gap: This means any difference in the average (mean) pay of all women and all men³ we employ in the UK, taking into account all roles, salary levels and bonuses.

Median gender pay gap: The difference between the middle pay rate of all women and men we employ in the UK (excluding bonuses).

Mean gender bonus gap: The difference between the average bonuses we pay to women and men in the UK. We calculate this by dividing the total value of bonuses by the number of employees of each gender who receive bonuses⁴

Median gender bonus gap: The difference between the middle bonus rate we pay to women and men in the UK. We calculate this by finding the middle of our bonus range and dividing it by the total number of employees of each gender who receive bonuses⁴

Bonus gender proportions: The proportion of our female and male employees in the UK who receive bonuses⁴

Quartile pay bands: The proportion of our female and male employees in the UK in our lower, lower middle, upper middle and upper pay bands. Each pay band represents a quarter of our overall pay scale.

GENDER PAY GAP FIGURES

	2018	2017
Mean gender pay gap	43.4%	50.9%
Median gender pay gap	38.6%	38.9%

Employees (2,544) ⁵	Men: 432	Women: 2,112
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As the table above shows, we have improved our average gender pay gap since 2017 and our median gender pay gap has remained static.

Our gender pay gaps are primarily driven by our employee profile in the UK. The vast majority of women we employ work in store-based roles, which are usually paid less than office-based roles. At the same time, a high proportion of men in senior leadership roles work in one of our global offices. Page 10 shows the breakdown of non-store versus store employees.

Gender pay gap figures		
Pay quartiles	Percentage of men	Percentage of women
Lower	6%	94%
Lower middle	6%	94%
Upper middle	20%	80%
Upper	35%	65%

The table above illustrates that our UK workforce is female-dominated at every level, though this is less marked among higher-earning employees. The majority of women and men in the top half of our pay bands are based in non-store roles.

⁵Full-pay relevant employees employed on the snapshot date.

Gender pay gap figures (continued)

Within stores, our average and median gender pay gaps continue to be small, and considerably lower than our overall gender pay gap. Our average gender pay gap of 3.7% is higher than in 2017 (1.2%) but the median gender pay gap has remained consistent at 4.6%. Note that unusually high or low salaries can influence the average figure.

We continue to base our store pay structure on the role, store revenue and geographical area. We pay higher hourly rates in areas with a higher cost of living, such as central London. Coincidentally, most of our male store employees are based in these higher paying regions. In employing more men in stores to improve our overall gender balance, we inadvertently widened our gender pay gap as many new male employees were hired in central London.

Store employees only		
Mean gender pay gap	3.7% (2018)	1.2% (2017)
Median gender pay gap	4.6% (2018)	4.6% (2017)

Employees (1,736) ⁶	Men: 100	Women: 1,636
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Non-store employees only		
Mean gender pay gap	9.1% (2018)	14.9% (2017)
Median gender pay gap	-3.3% (2018)	-4.0% (2017)

Employees (808) ⁷	Men: 332	Women: 476
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Among non-store employees, our average gender pay gap is 9.1% in favour of men. While this is an improvement of more than 10% since 2017, we still need to make further progress. Our median gender pay gap for non-store roles continues to favour women, who earn 3.3% more per hour than men.

When we compare these figures to our overall average gender pay gap of 43.4%, it is clear that our gender pay gap is the result of the types of roles that women and men have at The Body Shop – more women work in our stores and more men work in non-store roles.

Gender-neutral job evaluations underpin our pay and reward systems, so we are confident that we pay women and men the same for the same or equivalent work. Sector-wide trends influence different salary levels for store-based and non-store roles so these are not unique to our company. Even so, our commitment to empowering women means that we are striving to achieve a lower gender pay gap (see How We're Reducing Our Gender Pay Gap on page 18).

⁶Full-pay relevant employees employed on the snapshot date.

⁷Full-pay relevant employees employed on the snapshot date.

GENDER BONUS GAP FIGURES

Mean gender bonus gap	74.4% (2018)	82.4% (2017)
Median gender bonus gap	44.3% (2018)	85.7% (2017)

Employees (2,778) ⁸	Men: 445	Women: 2,333
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Our average gender bonus gap is 74.4% in favour of men. While this is again lower than last year (2017: 82.4%), at first glance this figure is very high. Our median gender bonus gap figure is 44.3%, which is a significant drop from 85.7% in 2017. This reduction was mainly because of a bonus scheme for our non-store employees, which was paid in 2018 but not in 2017.

Our high average gender bonus gap is because bonus schemes for non-store roles are calculated as a percentage of salary, therefore compounding any underlying gender salary gap. As previously stated, over two-thirds of our male employees are based in non-store roles, while the majority of our female employees work in-store.

Our gender bonus gaps vary between store and non-store roles. We explore this in the rest of this section.

⁸Employees employed on the snapshot date.

Gender bonus figures (continued)

Store employees only		
Mean gender pay gap	-4.8% (2018)	22.5% (2017)
Median gender pay gap	-11.5% (2018)	-13.0% (2017)

Employees (1,938) ⁹	Men: 107	Women: 1,831
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Our data on store employees shows a significant fall in our average gender bonus gap from 22.5% in 2017 to -4.8% in 2018, meaning that - overall - our female employees received slightly higher bonuses than men. This fall is mostly because our central London stores trialled an incentive bonus scheme in 2017 but not in 2018. As this region has a higher proportion of male employees than elsewhere in the UK, this temporarily inflated our average gender bonus gap in 2017.

Our median gender bonus gap continues to favour female employees. We are pleased that this figure is very positive compared to other organisations across the UK and in our sector (based on their 2017 data). However, we are not complacent and will continuously review store incentive plans to ensure they are fair and help to reduce our overall gender pay gap.

⁹Full-pay relevant employees employed on the snapshot date.

¹⁰Includes employees employed on the snapshot date.

Non-store employees only		
Mean gender pay gap	34.1% (2018)	42.4% (2017)
Median gender pay gap	-12.3% (2018)	23.4% (2017)

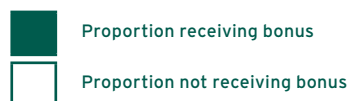
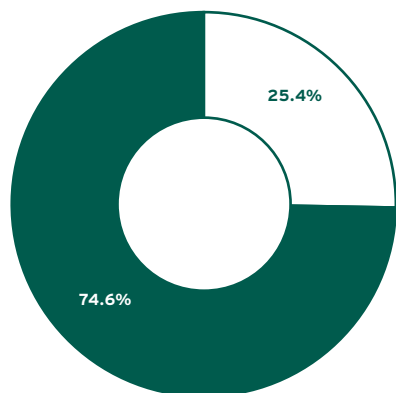
Employees (840) ¹⁰	Men: 338	Women: 502
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We have considerably narrowed our gender bonus gaps for non-store employees but recognise that we still need to resolve a sizeable average gender bonus gap. In the last year, we have dramatically reduced our median gender bonus gap for this group, which now favours women. This shift is a result of fewer senior managers participating in a legacy long-term incentive scheme.

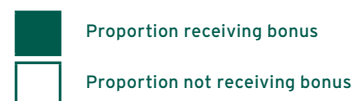
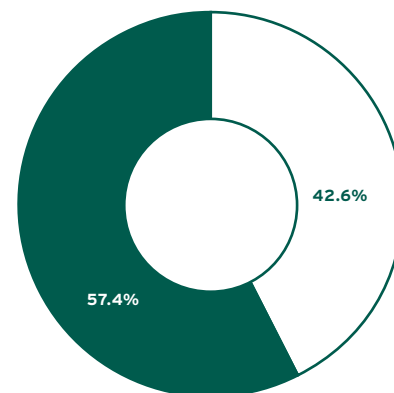


Bonus gender proportions

Male employees



Female employees



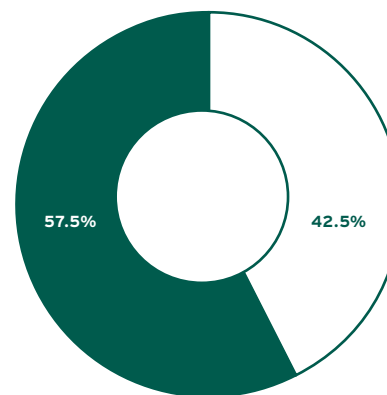
In terms of overall proportions, 74.6% of our male employees and 57.4% of our female employees received a bonus, as shown in the pie charts above. Compared to 2017, more male employees and a fairly static proportion of female employees received bonuses (2017: 50.1% men and 58.7% women). This is a result of a bonus scheme for our non-store employees that paid out in 2018 but not 2017. With the majority of our males based in non-store roles this resulted in an increase in the number of males receiving a bonus.



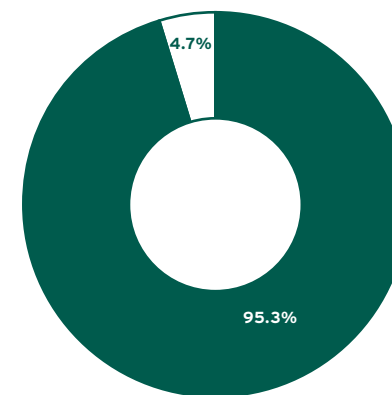


Bonus proportions by role type and gender

Proportion of non-store employees receiving a bonus



Proportion of store employees receiving a bonus



Our bonus schemes are designed to incentivise and/or reward our employees, so not all employees receive a bonus. The majority of employees who received a bonus were women, both in non-store roles (57.5%) and store-based roles (95.3%). These proportions closely mirror the overall proportion of our UK-based female staff in these two types of roles (58.9% and 94.2%, respectively), suggesting that our bonus schemes are not in themselves biased in terms of gender.



HOW WE'RE REDUCING OUR GENDER PAY GAP

Closing the gap

We strive to promote a diverse workforce and address any inequality by increasing awareness of factors that drive inequalities of all types, including gender inequality.

In the past year, we have built on our existing equality and inclusion work by:

- Establishing Gender and LGBT+¹ staff networks to review our practices, champion equality and support employees.
- Updating all our people policies to be more inclusive in terms of gender and LGBT+ issues.
- Providing unconscious bias training to our office-based leadership and management teams to help ensure that our recruitment and performance management are gender-neutral. From 2019, this training will be mandatory for all managers, with further initiatives available to all employees.
- Offering all new employees equality and inclusion training, ensuring they are aware of key issues and our support systems and networks.



¹Lesbian, gay, bisexual, transgender and others.

Empowering women

We want to represent and support women effectively throughout our organisation. This will empower women in their roles and help them develop the confidence to progress their careers.

In 2018 we partnered with inclusion experts Everywoman to improve our gender balance at all levels, surveying a representative sample of employees from across our business and conducting in-depth focus groups. We will use our new insights to attract, support, retain and develop women employees more effectively, and reduce our gender pay gap.

We developed an internal women's leadership programme - LEAP (Leadership Equals All People) - to promote female representation through new programmes, policies and activities across our business. In 2019, LEAP is working with our Human Resources function on an action plan based on recommendations from our employee research, which will outline the global commitments to improve gender representation. This work will be supported by the Executive Leadership Team.

Promoting female representation

We devised a new talent development initiative that will launch in 2019. These will help our store employees progress into store management or office roles, which have greater opportunities for career progression.

This includes:

- Trialling a new, employee-led career pathway to help our people plan their career progression in a way that suits their needs and ambitions.
- Running a 12-month development programme for our store employees (94.2% female) to help them progress into management positions.

We are delighted that in 2019 we will implement the equivalent of Living Wage Foundation rates of pay in the UK. This will start with the people we directly employ in store, who are mostly women.



LOOKING FORWARD

Increasing the number of women in senior roles

Where possible, we promote women internally throughout our company, including into Executive Leadership positions. Getting women into senior roles is just half of the story - it is just as important to support and mentor them once they are in these roles. We have put several schemes in place to do just this.

Senior leadership team

By the end of 2019, our target is that 50% of our Senior Leadership Team in the UK will be female. As of January 2019, this team was 41% female and 59% male. While we need to do more to achieve our target, we have taken specific steps in the past year that should help us meet it.

When we have to recruit externally, we now brief our recruitment agency to provide a gender-balanced selection of CVs for every vacancy - providing more female candidates than before.

Executive leadership team

Our target is that 50% of our international Executive Leadership Team will be female by the end of 2022. As of January 2019, our Executive Leadership Team based in the UK was 50% female and 50% male. Our international Executive Leadership Team was 40% female and 60% male, so we will continue to strive to meet our commitment.

Ensuring that our pay structures are fair

We continuously check that our pay and bonus schemes are designed and implemented fairly. In 2019 we will continue to apply the approach we took in 2018, including:

- Reviewing our pay practices during salary reviews and other key processes to ensure they remain in line with best practice.
- Supporting our managers to ensure that their hiring and pay decisions are fair and inclusive, in line with our framework and systems.



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