

AVON

2017 UK Gender
Pay Gap Report





Welcome

Avon is committed to pursuing a global culture that respects and fully values the strengths and differences of all our employees. Our goal is to offer a work environment where everyone feels engaged and understood; one that is inclusive of people of all genders, races, religions, sexual orientations and abilities. This is so we make sure everyone feels comfortable and encouraged to bring his or her 'whole self' to work.

We view diversity and inclusion as business-critical for Avon. We recognise that a broader mix of skills, opinions and experience enables us to make better business decisions. Behaviours to support this are also embedded in our global Code of Conduct, reinforced by our Global Women's Strategy, which we introduced in 2014, and that it helps us better understand and reflect the diverse experiences, opinions and needs of our Representatives, customers and the communities we serve.

Our UK-based workforce is 73% female and we are proud that our long-established pay equity processes ensure we have fair and equitable pay for men and women doing the same or similar jobs. However, we have proportionately less women than men in our most senior leadership positions, offset by a field sales workforce that is predominantly female.

With this in mind, we welcome the opportunity the UK government's new gender pay gap reporting legislation brings to shine a spotlight on workforces. This report sets out our own gender pay gap information, the underlying reasons for it, and outlines our ongoing plans to advance women at Avon.

We are committed to continuing our work to make sure we have a fair and inclusive workplace where all our people can thrive.

Matthieu Comard
Group Vice President,
Western Europe

Avon's history of advancing women

- > In 1886, before women had earned the right to vote, Avon's founder, David H. McConnell, helped give them the chance to earn an independent income. And since then, our business has been offering women the opportunity to achieve their personal financial goals.
- > Today around six million self-employed Representatives sell Avon products in more than 70 countries worldwide supported by our global workforce of almost 25,000 Avon associates, 60% of whom are women.



We view diversity and inclusion as business-critical for Avon. We recognise that a broader mix of skills, opinions and experience enables us to make better business decisions.



What is the gender pay gap?

The UK government has made it compulsory for any organisation with 250 or more employees to publish and report specific figures about their gender pay gap. Our figures show the difference in the average pay and bonuses of women and men across Avon's UK-based organisation, regardless of the nature of their work and their roles. It is influenced by a range of factors, in particular the different number of men and women within our senior leadership and field sales-based populations.

The gender pay gap is different from equal pay
 Where the gender pay gap measures the difference in average pay across the entire organisation, equal pay compares the pay of two or more people carrying out the same, similar or equivalent work.

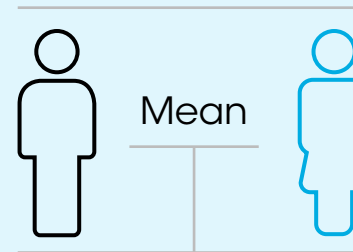
Avon has a strong commitment to proactively and continually monitoring pay equity across the organisation. Every year since 2014, we have partnered with independent global experts to perform an equal pay comparison across our global organisation, taking corrective action on an ongoing basis as required. As a result, we are confident there is pay equity between men and women across the organisation and we remain committed to maintaining these efforts to ensure consistency and objectivity in how we pay people.

How is our gender pay gap calculated?

Organisations have been asked to show their gender pay gap through 'mean' and 'median' pay statistics for a snapshot of UK-based employees on 5 April 2017. For us, it's important to remember Avon's Representative population, who are self-employed, are not included in this data.

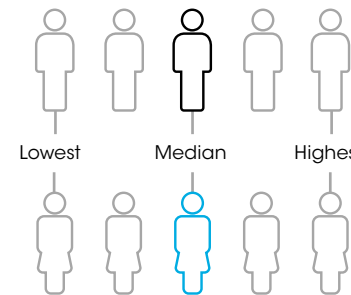
Mean gender pay gap

The mean is the difference in the average hourly rate of pay across Avon in the UK for women compared to the average hourly rate of pay for men.



Median gender pay gap

The median pay gap represents the middle point of the total population of women at Avon in the UK compared to men. The median gender pay gap removes any influence of very high and very low pay.



Gender bonus pay

The proportion of men and women awarded bonus pay over a 12-month period is also being reported, plus the median and mean difference between bonuses paid. For the purpose of this analysis we have classed an employee's bonus as any type of variable pay (such as bonus, sales commission and long-term incentives).

Pay quartiles

In addition, we are reporting on the percentage of men and women in each pay quartile. Quartiles are calculated by listing the rates of pay for each associate across the business from lowest to highest, before splitting that list into four equal-sized groups.

About Avon in the UK

In the UK, Avon has a total of 1,451 associates, which is around 6% of our global workforce; 73% of these associates are women.

In late 2016, we relocated our corporate headquarters from New York to London, increasing the proportion of our most senior corporate positions based in the UK. The number of executive (director and above) roles based in the UK is 63, which constitutes 4% of our total UK workforce.

This is a breakdown of the roles in the UK:

- > Around 40% of our UK workforce are employed in our direct selling business (DSB). This includes more than 350 field sales managers, the UK business functional teams and the UK leadership team; 86% of the UK DSB are female.
- > Around 30% are employed within our supply chain and logistics and customer care functions; 65% of these associates are women.
- > Around 30% are employed in our global corporate functions including human resources, finance, legal, marketing, communications and IT; 64% of these associates are female.

What is Avon's gender pay gap?

Avon's gender pay gap

Across our 1,068 female and 383 male associates (as at 5 April 2017) there is a mean pay gap of 31.5% and a lower median pay gap of 27.8%.

Avon's gender bonus gap

1,346 employees received a bonus for the 12 months preceding 5 April 2017. The proportion of male and female employees receiving a bonus was almost equal, with 3.3% more males receiving a bonus proportionally.¹ There is a mean bonus gap of 36.8% and a lower median bonus gap of 11.7%.

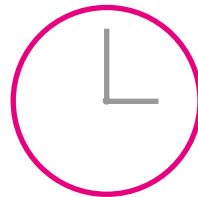
How pay is distributed in Avon

To understand our pay gap better, we need to examine the proportion of men and women at different levels of seniority in the organisation (see page 5).

Our analysis of pay quartiles shows that women are in the majority in each of the four quartiles with the lower middle quartile particularly skewed by our predominantly female field sales managers. However, the proportion of women does reduce from 79% in the lowest, to 58% in the highest quartile, creating a gender pay gap.

¹ All roles within Avon include a bonus or commission plan. There are minimum tenure and performance criteria to qualify. A slightly higher proportion of women did not qualify, largely driven by the fact that the majority of our new hires were female, meaning a higher proportion did not meet the minimum tenure required for bonuses.

Our gender pay gap figures, at April 2017

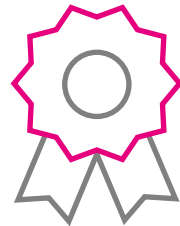


31.5%

Mean hourly gender pay gap

27.8%

Median hourly gender pay gap



36.8%

Mean gender bonus gap

11.7%

Median gender bonus gap



Proportions of males getting a bonus

93.8%



Proportions of females getting a bonus

90.5%



42%

28%

14%

21%

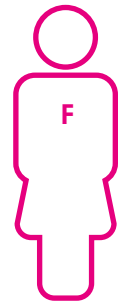
Pay Quartiles

Top

Upper middle

Lower middle

Lower



58%

72%

86%

79%

Why there is a gender pay gap

The gender pay gap in Avon UK is being driven by a gender imbalance in two areas of our organisational structure.

Driver 1: Leadership imbalance

The first pay gap driver stems from the fact that Avon UK has more men than women in its 63 most senior positions (director and above).

58% of associates at manager and above level are women¹; however, only 48% of people in director positions, and 29% of those in Vice President and above positions are women.

In addition, we have a higher proportion of senior roles based in the UK due to many of our global functions and our global headquarters being relocated there. Across Avon globally less than 1.5% of roles are director and above; however, in the UK this rises to 4%.

While leaders are only a small proportion of our overall workforce, inevitably people in more senior roles receive the highest pay and reward (e.g. bonus), and thus the gender imbalance is a significant contributor to the gender pay gap.

Continuing our efforts to improve the representation of women at senior levels could help reduce the gender pay gap.

¹ Managers+ directors+ VPs+ = 58%, which is equivalent to the upper pay quartile.



Driver 2: Field Sales Managers imbalance

The second driver of Avon UK's gender pay gap is a gender imbalance within field sales roles.

25% of our entire UK workforce are in a field sales management position; and 90% of this population are women. These roles are key to our business, as it is they who are the interface with the Representatives who sell our products.

Field sales manager roles sit in the middle tier of our organisation hierarchy (grade structure). However, these jobs attract a lower base salary than other roles at the same grade level. So, in terms of hourly (base salary) pay rate they fall closer to the bottom, in the lower and lower-middle pay quartiles. In contrast, they offer the opportunity to earn higher amounts of variable pay (e.g. sales commission). It is standard market practice for sales roles to have a lower base and higher variable pay.

Having such a high proportion of women in roles that sit in lower pay quartiles combines with the impact of having fewer women in roles with higher pay rates in the upper quartile to drive Avon UK's gender pay gap. These main drivers are compounded by the fact we have some roles in the middle of our grade structure that attract shift premiums (e.g. some manufacturing and engineering roles); and within Avon UK these roles are carried out more often by men than by women.

Whereas the lower pay base in field sales drives up our gender pay gap, their higher variable pay contributes to a lower median bonus gap of 11.7%.

Part-time workers and bonus pay gap

But there is still a bonus gap. 16% of our female workforce work part time compared to only 1% of men. While bonus pay is pro-rated, the bonus calculation in this report does not adjust for this and therefore this higher proportion of part-time women contributes to the bonus pay gap, coupled with the higher bonus rates attached to our senior roles where there are fewer women.

Avon's commitment to advancing women

Plans already well under way

Advancing women is an ongoing strategic priority for Avon. Following detailed quantitative and qualitative research across our top six markets (including the UK), we introduced our Global Women's Strategy in 2014.

This work has now been introduced across our top ten markets, including the UK, and focuses on making improvements across four key areas:

Developing Talent



Development and progression of female talent

Pay Equity



Assurance of fair and equitable pay through our annual pay audit

Flexible Working



Global framework and principles adapted to local context

Benefits



Ensuring competitive offering in line with local market

Progress made to date

Advancing women is a long-term strategy, but we've already made good progress. As a result we've seen an increase in the representation of women in our most senior levels across the UK since 2014.

Our director population has increased from 45% to 48% women, and our Vice President and above from 15% to 29%.



We want to continue doing more, but in the UK specifically we've already made great strides in improving the way we support women in the workplace through:

- > More robust flexible-working practices
- > An improved maternity benefits offering, including support for working parents through our 'Return to Work' and our 'What to Expect When You're Expecting' coaching programmes
- > Piloting a programme aimed at helping women address limiting beliefs to improve confidence and to create opportunities for informal networking
- > Assuring fair and transparent pay through the annual pay equity audit
- > Conducting focus groups with women across a range of levels to understand how we can do more to help our female talent achieve their ambitions and meet their potential at Avon.

Ongoing plans

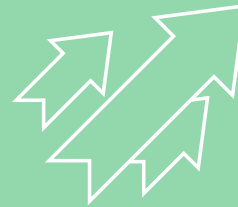
We know we need to do more to support more women at Avon to progress into our most senior roles. We also recognise we need to do more to attract more senior women into our business.

Our gender pay gap results in this report show, however, that we cannot afford to be complacent. Nor do we want to be. We will continue this journey by involving our people. We are guided by women in our business who regularly take part in focus groups as part of the Global Women's Strategy. They have helped us identify a number of areas we want to concentrate on to further improve our gender diversity, particularly in more senior roles:



Equipping managers

- > Supporting managers to help their teams drive their careers by providing specific training for managers that helps build their confidence in having meaningful conversations about their team's career aspirations. Also that managers appreciate the different experiences women face when progressing their careers
- > Introducing Unconscious bias seminars for senior managers to help them operate as inclusive leaders, and build inclusive cultures within their teams



Developing talent

- > Providing formal and informal development opportunities to inspire women to achieve their ambitions, with the tools to support
- > Empowering and enabling women to access informal mentoring and career guidance
- > Giving women across the business the opportunity to build internal networks and hear from Avon role models and external speakers about how they have managed their own careers



Flexible working for all

- > Continuing to ensure flexible working opportunities are accessible to everyone and encouraged regardless of role or gender to empower every associate to achieve their goals inside and outside work

As a leadership team we remain committed to advancing women and addressing Avon's gender pay gap.



Susan Ormiston
Senior Vice President,
Human Resources &
Chief Human Resources Officer



Matthieu Comard
Group Vice President,
Western Europe

Media contact details:
media.enquiries@avon.com

The pay and bonus gap data in the document is in line with UK government reporting regulations and has been independently verified as being accurate by a leading global HR consultancy specialising in compensation and pay equity.