



UK GENDER PAY GAP REPORT 2020



**FOREWORD FROM
PAULINE HOGG,
HR DIRECTOR,
ARLA FOODS UK**



“AT ARLA, WE BELIEVE THAT NO MATTER WHO YOU ARE, YOU CAN BE YOURSELF!”

At Arla, we believe that no matter who you are, you can be yourself. We are committed to fostering an inspiring and inclusive work environment where everyone is valued and feels that they belong. Our diversity is an enabler of innovation, better decision making, higher performance and increased business results.

We define diversity as the unique differences between people with a diverse range of characteristics and backgrounds, while inclusion is about valuing differences among individuals to create a welcoming culture where employees feel they can bring their whole selves to work.

This report, which details our gender pay gap data for the period April 2019 - April 2020, continues to show that women working at Arla Foods UK are paid more, on average, than men, on both a mean and a median basis. Our fourth year of reporting shows that Arla's mean gap is -17.9% and median is -6.9% from starting points in 2017 of -13 and -8.7% respectively. In contrast to many industries, our results may seem to favour female pay, however, it is important to note that our supply chain has a high proportion of male employees in lower quartile rates per hour roles which influences our overall picture. This is exacerbated by a partly insourced distribution operation.

Our policies don't differentiate in gender or any other characteristics when it comes to pay or opportunity. However, a legacy of male dominated manufacturing, farming and FMCG sector traits means women do remain underrepresented at all levels of our business and this is something we continue to address.

We have more to do, not just on gender, but all aspects of diversity. It's proven time and time again that the most successful businesses are those which reflect the socio demographics of society or their end user. Different experiences, mindsets and perspectives can help us challenge both ourselves and the decisions we make and we will continue to evolve this mindset in our business.

WHAT IS THE GENDER PAY GAP?

The Gender Pay Gap is the difference between the average pay for males and the average pay for females across the organisation worked out as a percentage of the average male pay.

For businesses in the UK in 2020, the median gender pay gap was 15.5% for all employees. This means that the middle hourly pay rate for men was 15.5% higher than for women across the UK.

This is different to equal pay which relates to paying individuals the same amount for performing similar work or work of equal value. In the UK it is unlawful to have wage disparity based on gender and at Arla we adhere to this with processes in place to ensure that men and women are paid equally for doing the equivalent jobs.

WHY IS THE GENDER GAP BEING REPORTED?

To monitor the gender pay gap, a legal requirement mandates that all UK companies with 250 or more employees are required to publish their average and median pay for men and women including bonuses, as well as the proportion of males and females in each pay quartile. This data will be held as a matter of public record on the governments website.

The aim of the regulations is to bring transparency to the gender inequality in employment and encourage employers to take action to reduce or eliminate the difference.

At Arla, we think it is critical to investigate the reason behind the inequalities presented from our gender pay gap reporting so that we know how where to focus our resources to help close the gap and champion diversity.

WHAT IS ARLA FOODS UK'S GENDER PAY GAP?

In the UK, we have a mean of -17.9 and a median of -6.9% gender pay gap. This means that on average women working for Arla Foods UK are paid more than men by both the average pay point and the middle pay point. We must recognise though that this does not capture the full picture. A gap generally comes about because men are more often in senior jobs and therefore higher paid than women. Our data is skewed by our supply chain which, as is common in manufacturing, has a lower average pay and a higher proportion of male employees.

MEAN GENDER PAY GAP:

The difference between the average pay for males and the average pay for females worked out by adding all hourly pay rates for women and then dividing by the total number of women. You then do this calculation for men and compare the average for men and women.

MEDIAN GENDER PAY GAP:

The difference between middle point in hourly pay for men and women. To calculate this you order all the hourly pay rates for each woman and then find the middle pay rate out of this dataset. You then do the same for men.

HOW DOES ARLA FOODS COMPARE?

Like the majority of organisations in the UK, we at Arla have a gender pay gap. This year our April 2020 statistics compare favourably with that of other organisations, including those within our industry.

	Arla Foods UK	All UK businesses	Market Average for food manufacturing
Median Gender Pay Gap	-6.9%	15.5%	14.4%*
Mean Gender Pay Gap	-17.9%	14.6%	11.4*

*Market comparison data sourced from the Office of National Statistics – 2020 Gender Pay Gap 2020 updated provisional files. (Manufacture of food products). Quality of the data in the report was rated as "Estimates are considered good quality" – This is the highest ranking in the accuracy of the data.

REPORTING OF ARLA FOODS UK DATA:

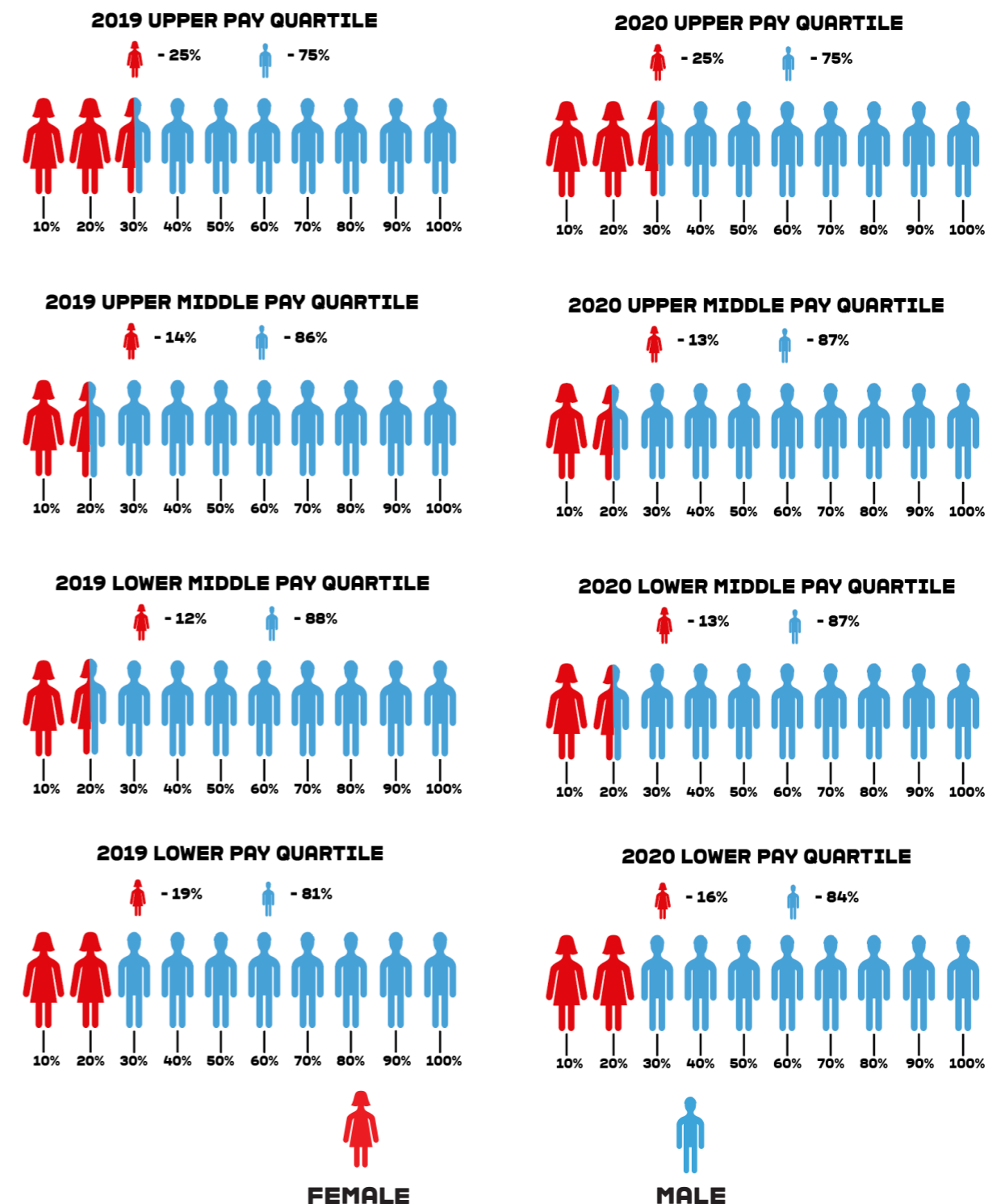
Arla Foods UK has moved to a bigger negative pay gap, which is largely attributed to the insourcing of our outbound logistical operation at our Hatfield site in 2019. With 3521 employees at the time the data was gathered, there was an overall gender pay gap mean of -17.9% and a median of -6.9%. This means that on average women working for Arla Foods UK are paid more than men by both the average pay point and the middle pay point. Although, we must recognise that this does not capture the full picture. A gap generally comes about because men are more often in senior jobs and therefore higher paid than women. At Arla foods UK, approximately 80% of our work-force is male and our data is skewed by our supply chain which has a lower average pay and a higher proportion of male employees.

In 2020, we saw our median pay gap increase from last year by 3% from -3.9% to -6.9%. This increase can be explained by the disproportionate increase in new male employees as a result of the changes in our logistics operation. Of note are the 242 recruits for the lower quartile outbound logistical roles such as drivers. These largely male dominated roles have skewed the demographic makeup of Arla Foods UK in favour of women who tend to be in higher paid corporate roles.

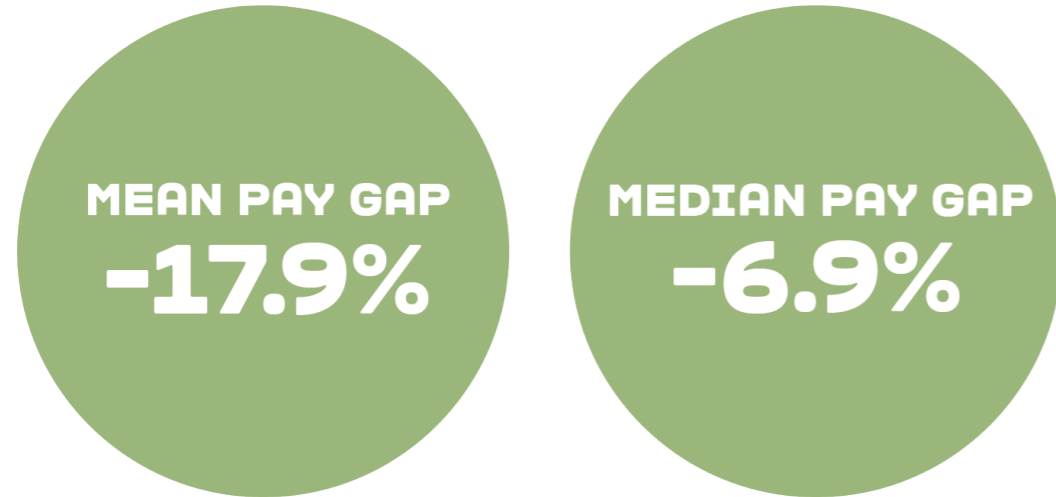
In terms of the bonus pay gap, the mean was -60.2 and the median was -52.9%. In former years, Arla's reporting of the bonus pay gap was complicated due to changes to bonus pay structures. This resulted in our first two years of reporting showing inconsistent data as some employees had been paid in March vs. April. For 2019 and 2020 reports, our results are fully representative of the total picture with all eligible employees being paid around the same time. Although, there was another change to bonus scheme rules in 2020. Voluntary leavers leaving before April are no longer entitled to a payout as they would have been in prior years. This reduced the number of management scheme bonuses.

At Arla, we have been working hard on our cultural agenda and so have introduced a new bonus recognition scheme that is more inclusive of all employees. It is important to us that all our employees feel valued and recognised throughout our supply chain, especially given the significant efforts of our colleagues during the coronavirus pandemic. 2020 saw a 30% increase in the number of vouchers awarded and an overall 42% increase in monetary value. As our bonus scheme has opened up eligibility, we have seen an 8.1% increase in the proportion men receiving a bonus in the 12 months leading up to 05 April (22.3%). This big change can be explained by more supply chain employees receiving rewards. We also saw a 1.1% increase to 39.4% in the number of women receiving bonuses. This is a smaller change because most women were already eligible for such schemes due to the higher concentration of women in corporate higher paid roles. In these corporate roles, employees tend to receive a bonus on more of an annual basis. This thus skews the mean and median pay gap which was 3.8% and -23.8% respectively in 2019,

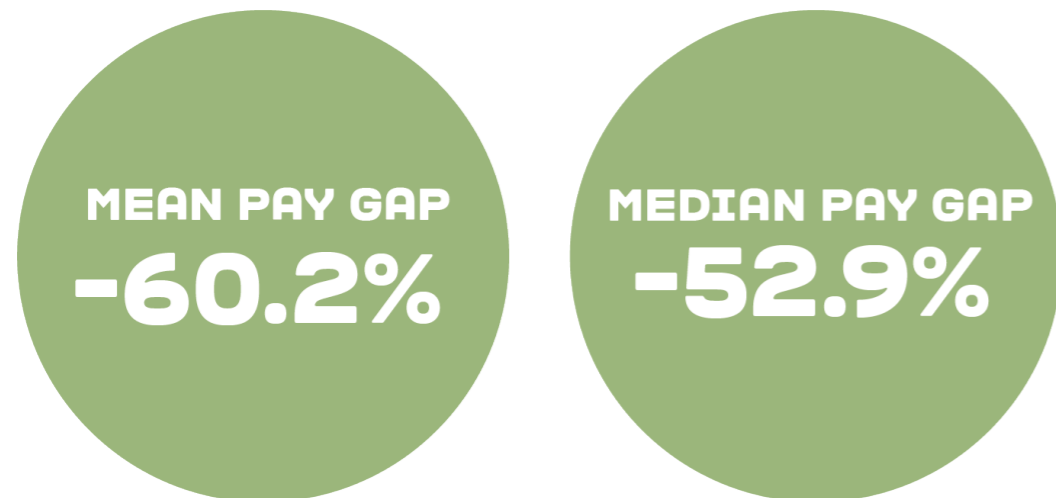
and is now a large negative gap for both the mean (-60.2%) and median (-52.9%) in 2020. Arla's 3521 colleague workforce has been divided into four equal-sized groups based on hourly pay rates. Approximately 80% of Arla's workforce is male due to the large male majority in supply chain roles. When we look at where women are represented, we see the remaining female population are divided relatively fairly across the quartiles with the highest proportion being in the upper pay quartile. Unfortunately, we have not seen much change in the quartiles since last year, which can be explained by low employee turnover which has meant quartile proportions have remained largely static. At the Arla Head Office, we are proud to report that 51% of employees are female and most of these employees are in the mid to upper pay quartile. Additionally, 25% of the seats in the UK senior leadership team, are held by women.



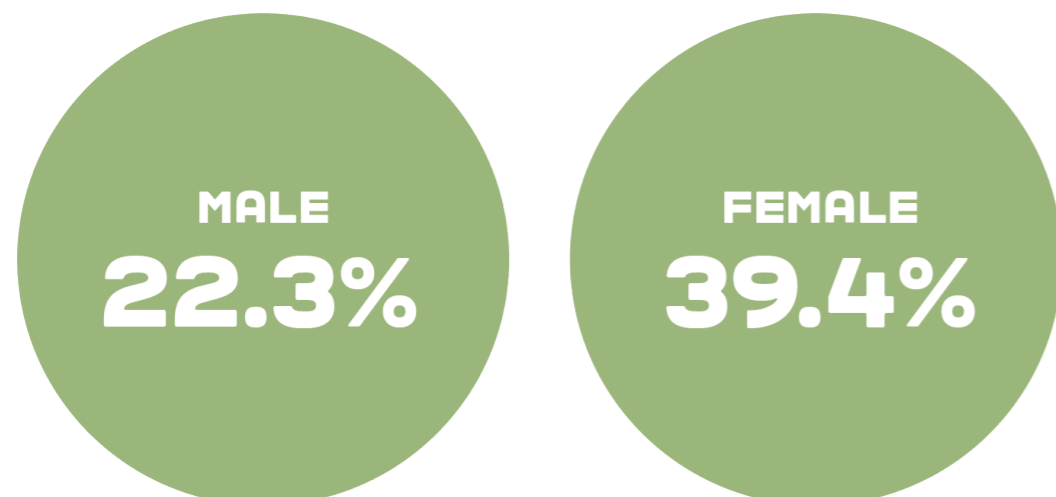
GENDER PAY GAP:



BONUS PAY GAP:



PROPORTION OF EE'S THAT RECEIVED A BONUS:



CLOSING THE GAP:

It is important to us that we create equitable opportunities for learning and growth within Arla. To develop internal talent, we have a talent program, with 67% of these talents being female.

We also have a commercial mentoring program to encourage the learning and development of our colleagues, with 34 mentoring relationships where 35% of the mentors and 65% of the mentees are female. In the supply chain, the 2019/2020 cohort had 25 mentoring relationships with 32% of the mentors being female and 24% of the mentees being female. The reason that the proportion of females in these mentoring relationships is lower than the commercial programme is because the supply chain roles within Arla are largely male dominated.

Additionally, we have now made unconscious bias training a part of all our people management and leadership program syllabuses.



STRENGTH COMES FROM WITHIN

Declaration:

We confirm that the data and information reported is accurate and in line with the UK government's Equality Act 2010 Regulations 2017.

Pauline Hogg
HR Director Arla Foods, UK