



GENDER PAY GAP REPORT 2018

SHOP DIRECT 

HERE AT SHOP DIRECT WE'RE CREATING A PURPOSE AND VALUES LED CULTURE. BY PUTTING DIVERSITY AND INCLUSION AT THE HEART OF EVERYTHING THAT WE DO WE ARE STRIVING TO CREATE AN ENVIRONMENT **WHERE ALL COLLEAGUES FEEL A SENSE OF BELONGING** AND CAN THRIVE BY BEING THEMSELVES AT WORK; DRIVING COLLABORATION AND INNOVATION THAT WILL IN TURN ACHIEVE GREAT THINGS FOR OUR CUSTOMER.

Since we published our first Gender Pay Gap Report we've continued on our journey with our people.

Our gender pay gap shone a light on key areas to build on and improve linked to creating greater gender diversity. Our ambition was to start there and build the right foundations for the future.

In the last year, our people have guided us to deepen our reach beyond gender diversity and towards greater inclusion.

We've supported Pride events in our local communities and raised awareness of important topics such as autism, Eid and LGBT history. Our diversity festival, Inclusion:Live, brought colleagues together to unpick the need for inclusivity in our business to help us collaborate even more successfully.

We're proud to report that our gender pay gap has improved.

This is only our second report so we're still learning as we go. We're heading in the right direction, but we know there's still a very long way to go. Whatever we do to drive inclusion and diversity must be in service of the broader culture we're trying to create – and we're fully committed to doing just that. In last year's report we had lots of new information to introduce you to, with it being the first time we talked about our gender pay gap. We've kept this year's report more concise, focussed on the key points and the progress we've made against our commitments to make it more easily digestible.

We hope you enjoy reading about how we're doing and our plans for the future.



We confirm that the information and data within this report is accurate.

Debs Chapman
Director of Reward, ER, People Services & Diversity

Phil Hackney
Group operations director



MAKE **GOOD** THINGS **EASILY** ACCESSIBLE TO **MORE** PEOPLE.

The figures below show the difference in hourly pay¹ and bonus pay² between men and women, expressed as a percentage of men's pay. For example, we see below that the median hourly pay for women at Shop Direct is 9.2% lower than for men.

DIFFERENCE BETWEEN MEN AND WOMEN

Circles show year-on-year change

Median hourly pay



Mean hourly pay



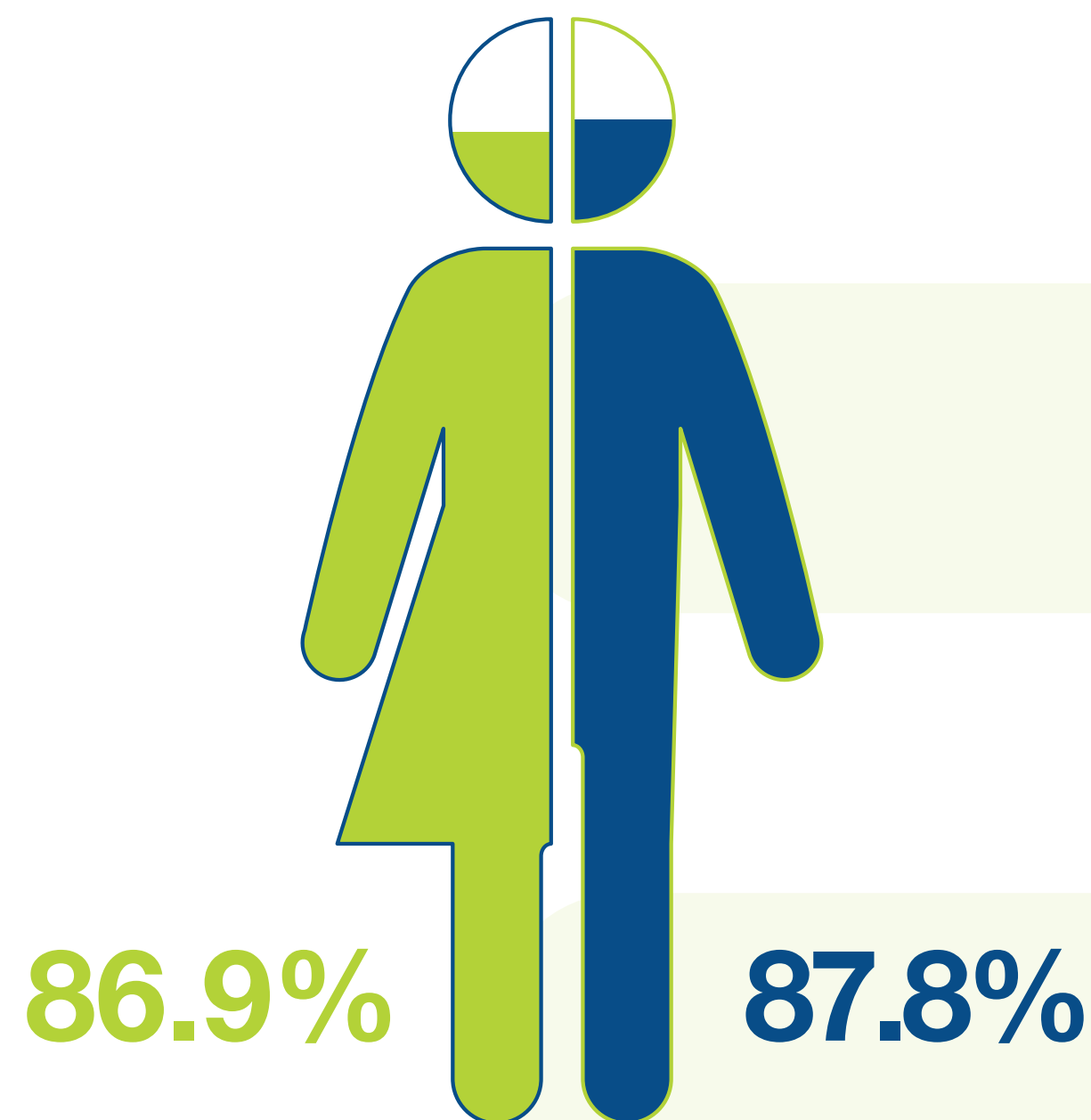
Median bonus



Mean bonus



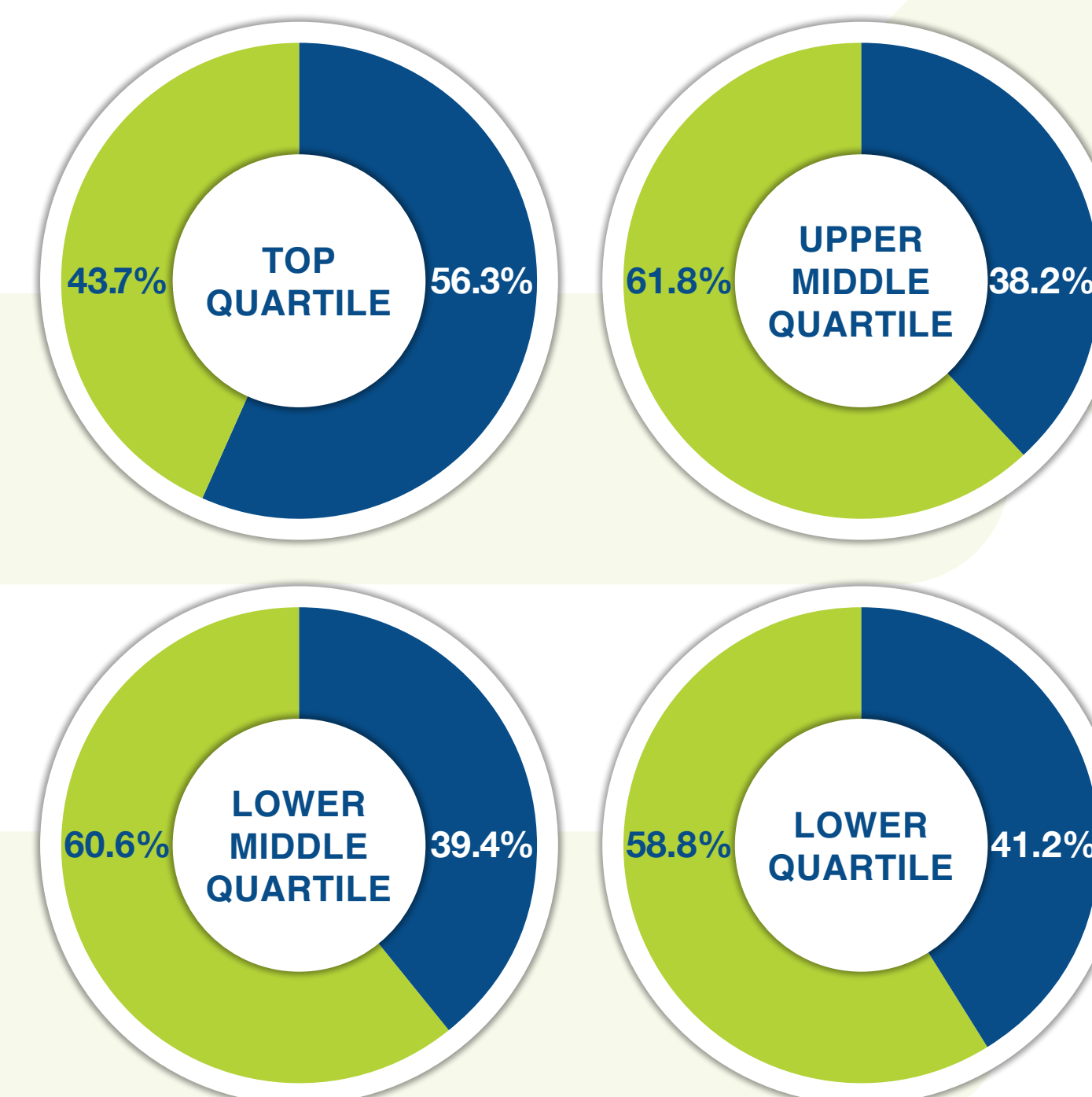
PROPORTION OF EMPLOYEES WHO RECEIVED BONUS PAY



Those who have not received a bonus are ineligible for reasons explained on the next page.



PAY QUARTILES



These figures represent Shop Direct as a whole. We are one company, despite being made up of multiple legal entities. We opt to share an aggregated group view of our gender pay and bonus gaps to give the most accurate view of our organisation and provide a constant benchmark, which won't change if our group structure changes. When we published our first Gender Pay Gap report we had three reportable legal entities. We now have two reportable entities. The gender pay gap information for these entities can be found at the end of this report.

¹Hourly pay means the gross hourly pay received in April 2018

²Bonus pay is the gross bonus received during the 12 months prior to 5th April 2018

Paying our people fairly and competitively is at the heart of our reward strategy.

Our first Gender Pay Gap report explained how our approach to pay and bonus is gender neutral. This hasn't changed and **our gender pay gap is not an equal pay issue**. Imbalances in our demographics, grade mix and part-time colleague population have the greatest impact on our gender pay gap.

We have a new approach to pay founded on transparency, fairness and market competitiveness.

Our new approach to annual pay review bases salary increases on market data alone. Colleagues paid towards the lower end of their market range receive larger salary increases than those paid higher in their market range. This ensures there is no bias in how pay increases are delivered.

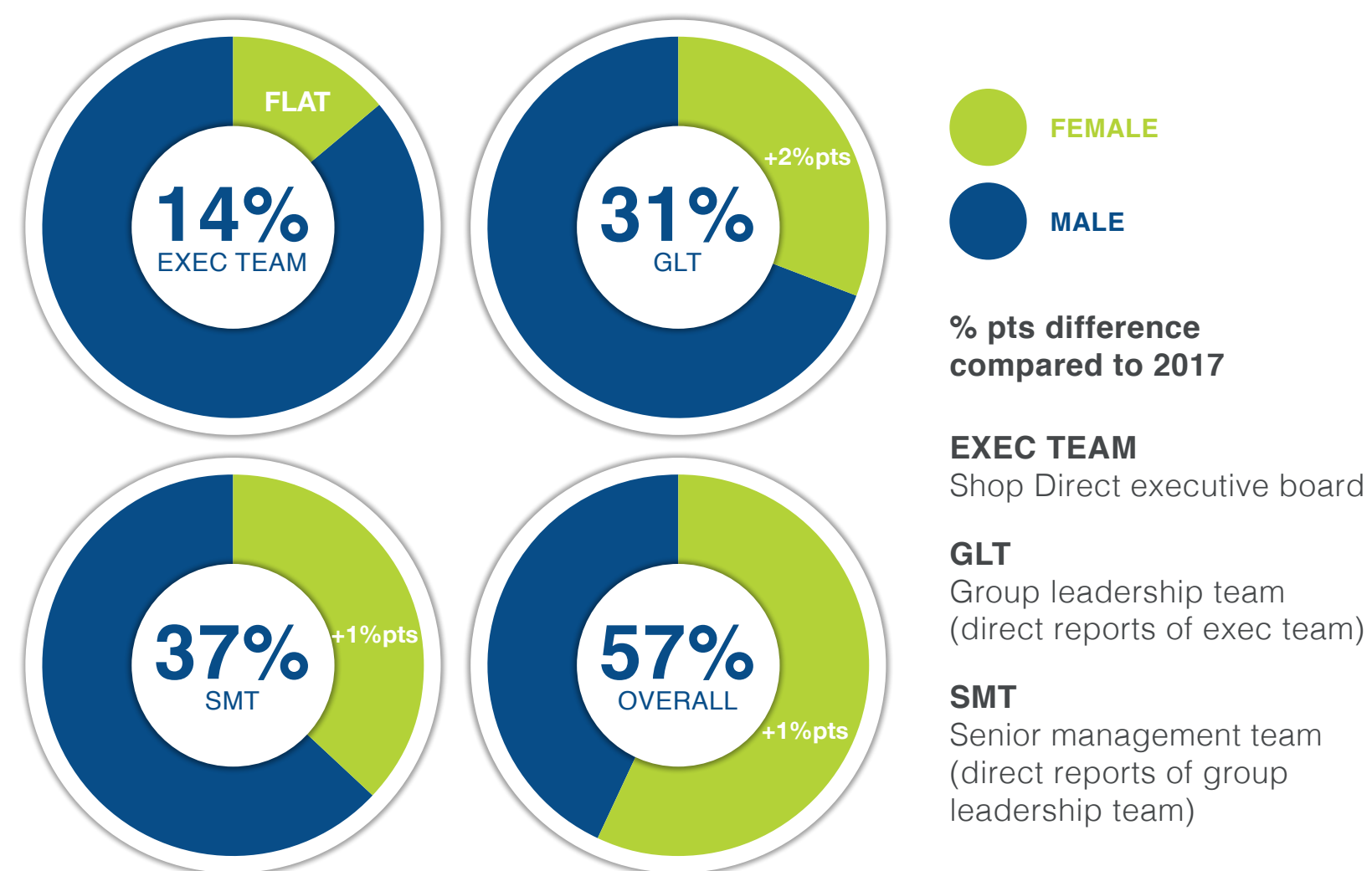
Colleagues value the bonus arrangement we offer and it has helped us to create and reward high performing individuals and teams.

Very few colleagues don't receive a bonus – only those who are ineligible due to having joined later in the performance year, have low personal performance or have reward arrangements that don't include it.

Some context behind our hourly pay gap

We have more men in higher paid roles than women.

This is common in industry and influenced by broader societal issues. We've seen some positive movement in terms of female representation in our most senior roles since our last report, but we've still got some way to go.



As a digital and data driven business we require a broad range of skills and have to pay competitively in the right fields to compete.

There's little sign of the market slowing pace in highly competitive areas such as tech and data, and our market competitive pay approach impacts our pay gap because of the high proportion of men in these fields. When we look to the external market to recruit for some tech and data roles, there's still a shortage of women. Our focus on building our pipeline of females and males for such roles from an early age is vital to changing this.

WHEN WE EQUAL OUT THE NUMBER OF MALES AND FEMALES IN EACH PAY QUARTILE, OUR MEAN HOURLY PAY GAP DROPS FROM 22.9% TO 3.4%, DRIVEN BY FACTORS SUCH AS LENGTH OF SERVICE, EXPERIENCE AND MARKET PREMIUMS.

Some context behind our bonus gap

Where an hourly pay gap exists and bonus is paid on a percentage of salary basis, it exacerbates a bonus gap.

As bonuses for the majority of colleagues are paid this way, our bonus gap is directly impacted by our gender pay gap. As with last year's report, the snapshot period for calculating our bonus gap meant part of a payment for senior leaders (a significant proportion of which are men) spanning three years of company performance was included.

Almost a third of our colleagues work on a part-time basis and three in four of those are female.

We're proud to offer flexibility, but this impacts our gender bonus gap as the regulations have not been designed to take account of bonuses paid on a part-time salary basis. More information about how this works can be found in the 'understanding our gender pay gap' document on our website.

Last year, we introduced our diversity and inclusion strategy and set out our four commitments. Here's an update on progress and next steps for each.

ENCOURAGING MORE WOMEN AND GIRLS TO PURSUE DIGITAL CAREERS TO HELP BUILD GENDER BALANCED WORKFORCES

Progress:

- The gender split within our early talent intake (internships and degree apprentices) has improved to 50:50 as a result of initiatives including new assessment centre design, removal of CVs from the shortlisting process and new school partnerships.
- Our close relationship with InnovateHer, an organisation that encourages girls into tech, is supporting our emerging talent agenda, alongside our mentoring programme, activities within universities, in-house workshops and meet ups.
- Reviewing and updating job adverts and outbound messaging techniques, using gender decoding software to make language more gender neutral, has increased the number of women applying for our tech and data roles.

Next steps:

- Create our own tech 'returnship' programme, encouraging recruitment of candidates who have taken time out of the workplace to raise children or care for loved ones and now want to embrace a new career.



OVERHAULING OUR PARENTAL EXPERIENCE

Progress:

- 118 colleagues have taken advantage of our increased maternity, paternity and adoption leave pay schemes, launched in April 2018.
- Colleagues expecting a baby or matched for adoption have been supported by revamped guidance on practical steps to take from an employment perspective.
- Through our online community, 'The Parent Diaries', colleagues have shared experiences through meet ups and online discussions.
- We've trialled a new approach to working hours – #flexyourself - enabling colleagues to manage their work life, home life and wellbeing more effectively by adjusting the times they arrive and leave the office.

Next steps:

- The launch of a new online return to work induction will provide additional support for colleagues coming back to work after parental leave.

"SHOP DIRECT HAS BEEN VERY HELPFUL THROUGHOUT THE WHOLE ADOPTION PROCESS. THE PEOPLE SERVICES TEAM HAS BEEN QUICK AND THOROUGH IN THEIR DEALINGS WITH ME WITH REGARDS TO MY TIME OFF AND PAY. AT NO POINT HAVE I EVER BEEN MADE TO FEEL THAT TAKING AN EXTENDED PERIOD OF TIME OFF WILL HAVE ANY BEARING ON MY FUTURE CAREER. ALL OF MY COLLEAGUES HAVE BEEN INCREDIBLY SUPPORTIVE."

MICHAEL WRIGHT, SYSTEMS ENGINEER

BREAKING DOWN BARRIERS AND SUPPORTING CAREER PROGRESSION FOR WOMEN AND MEN AT SHOP DIRECT

Progress:

- Rolling out new leadership qualities and capabilities (gender neutral behavioural traits that determine great leadership for our business) has created an even platform for leaders.
- Building confidence and capability by supporting the development and progression of women and men has resulted in a marked shift in gender balanced promotions at our most senior levels.
- Investment in using and building coaching capability has helped to support internal progression.
- Through starting to roll out unconscious bias training, we have changed opinions and created more considered thinking.

Next steps:

- Further use coaching, alongside other development interventions, to unlock potential and maximise performance. This includes building internal capability further, training all managers and creating a pool of accredited coaches and specialist coaches focussed on specific aspects of development.
- Develop an internal network of career coaches, accessible to all colleagues.
- Create a mentoring framework and review our approach to succession and high potential development.
- Reinvigorating our leadership development in facilitative leadership, resilience, feedback and listening and more.
- Further rollout of unconscious bias training to colleagues.

HELPING COLLEAGUES UNDERSTAND THEIR ROLE IN DIVERSITY AND INCLUSION

Progress:

- Our Diversity in Digital online community has given colleagues a place to discuss all things diversity and inclusion, gather opinions, share ideas and learn about each other.
- The first Inclusion:Live brought colleagues from across the business together for workshops, presentations and discussions on the theme of gender, to improve understanding of the importance of inclusion.
- Colleagues have also been guiding us on what matters to them. We've supported Pride events in our local communities and raised awareness on topics like autism, Eid and LGBT history.

Next steps:

- Having just delivered the first Inclusion:Live, we are in the process of analysing feedback received throughout the event to understand what is important to our colleagues. This will guide us on what we feature next.
- As an outcome of Inclusion:Live we hope to re-purpose our existing inclusion forum; establishing a colleague inclusion network/affinity group to help us test ideas, and to lead initiatives themselves. We already have a cross site group in place ready to plan and celebrate Pride on an even bigger scale this year.

SO EXCITED AND PROUD TO WORK FOR AN EMPLOYER WHO SUPPORTS EQUALITY & DIVERSITY! LOTS OF COMPANIES SUPPORT PRIDE VIA THEIR BRAND AND VERY WENT ONE BETTER - WE MADE IT GLITTER!

KATRINA WILLIAMS, HEAD OF REPORTING & CONTROL



Inclusion:Live, Shop Direct's first diversity and inclusion event, took place from 7-13th March 2019.

Our aim was to provide learning experiences for colleagues via speakers, workshops, screenings and online information together with providing a platform for them to have their say and feed into our strategy and activities moving forward asking the question: 'What does inclusion mean to you?'

While the event focussed on inclusion as a whole, our gender pay gap commitments together with the fact that the event overlapped with International Women's Day enabled us to lean into the theme of gender balance.

THE MAIN STAGE

...included speakers such as:

Sandra Green, CEO of the Women Leaders Association, provided guidance to colleagues on how to take greater ownership of their careers.

Chelsea Slater, co-founder of InnovateHer, presented on her mission to achieve gender equality within the tech sector.

On International Women's Day Carly Bilsbrough, our Global Responsible Sourcing Manager, gave an insight into the lives of three inspirational women and the work they do to help improve the lives of women and girls within our supply chains.

YOUR SAY SESSIONS

...asked the question:

What does inclusion mean to you? How can we make the colleague experience better at Shop Direct? A direct opportunity for our colleagues to tell us what they want and how we can improve inclusion for all.

Inclusivi-tea sessions gave people the opportunity to come together to learn about each other and their differences over a relaxing cup of tea.

WORKSHOPS

....included our new unconscious bias training, sessions for hiring managers on gender decoding and support for colleagues and managers on all things parental leave.

Two of our degree apprentices led our Get Your Head Around Code workshops, an initiative we have also supported for InnovateHer – giving everyone the chance to learn about coding and to understand whether this could be a career for them.

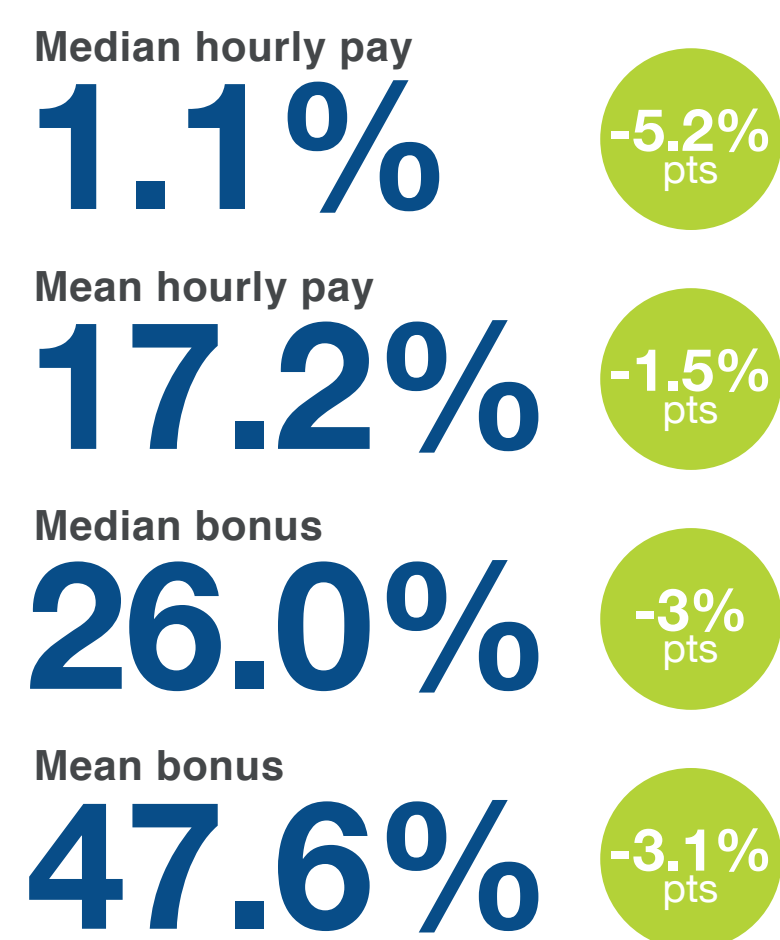


Shop Direct is a business with a long heritage, spanning more than 80 years. While we are known publicly as the UK's largest integrated pureplay digital retailer and financial services provider, our complex history means the business is made up of, and colleagues are employed by, a number of different legal entities. The Equality Act 2010 (Gender Pay Gap Information) Regulations 2017 mean we are required to report on any of our legal entities which have 250 or more employees. When we published our first report in 2018, we had six legal entities, of which three had more than 250 employees.

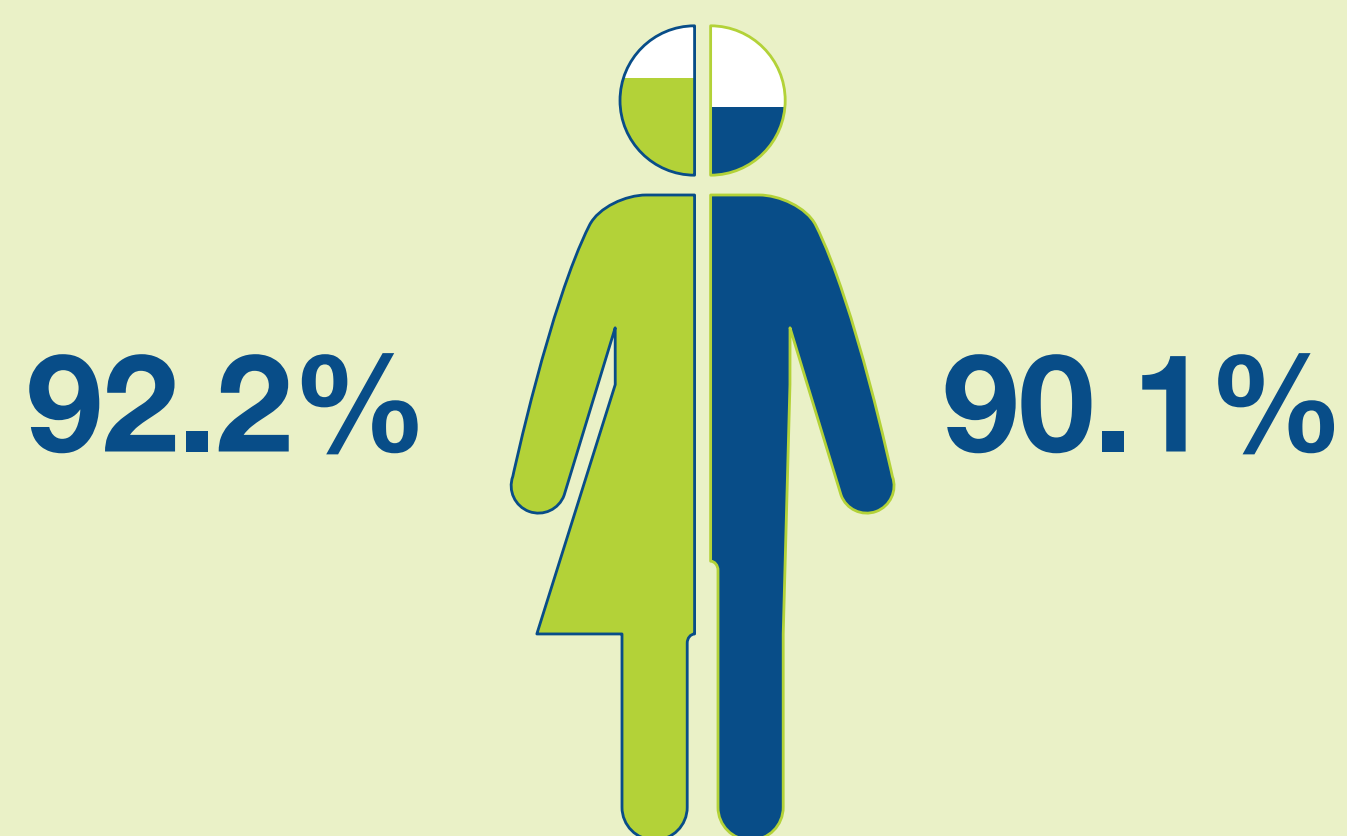
Changes to our group structure, in which two other legal entities have been amalgamated with Shop Direct Finance Company Limited, mean we now have only two reportable entities. The figures for Shop Direct Finance Company are therefore not a like-for-like comparison with last year. However, if we directly compare the amalgamated entities with their combined figure for last year, the mean gender pay gap shows a slight reduction of 0.2 percentage points.

SHOP DIRECT HOME SHOPPING LIMITED

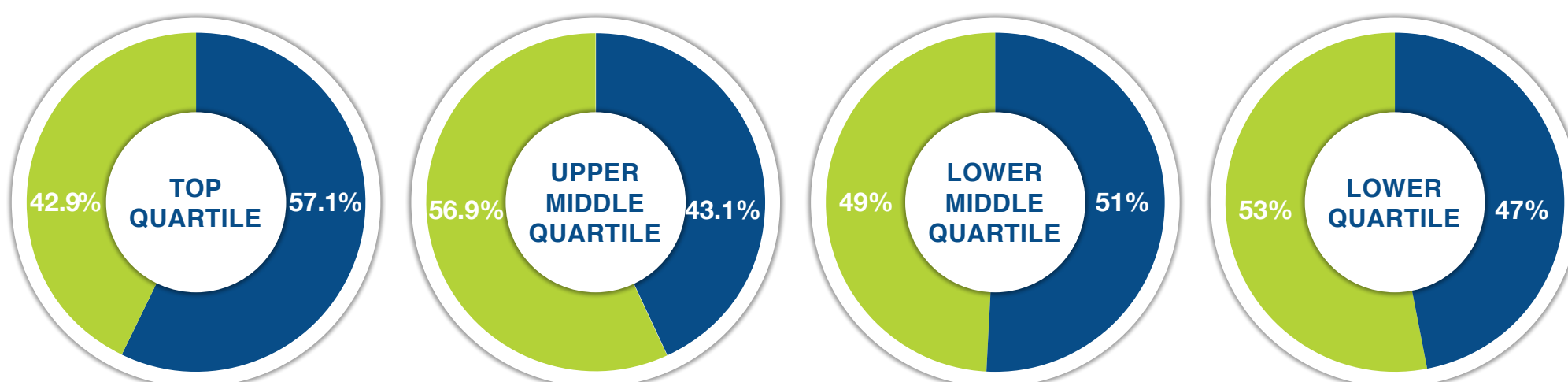
- Colleagues employed by this entity make up 70% of our group
- Gender split is almost 50:50
- 24% of colleagues work part-time, of which 66% are female



PROPORTION OF EMPLOYEES WHO RECEIVED BONUS PAY

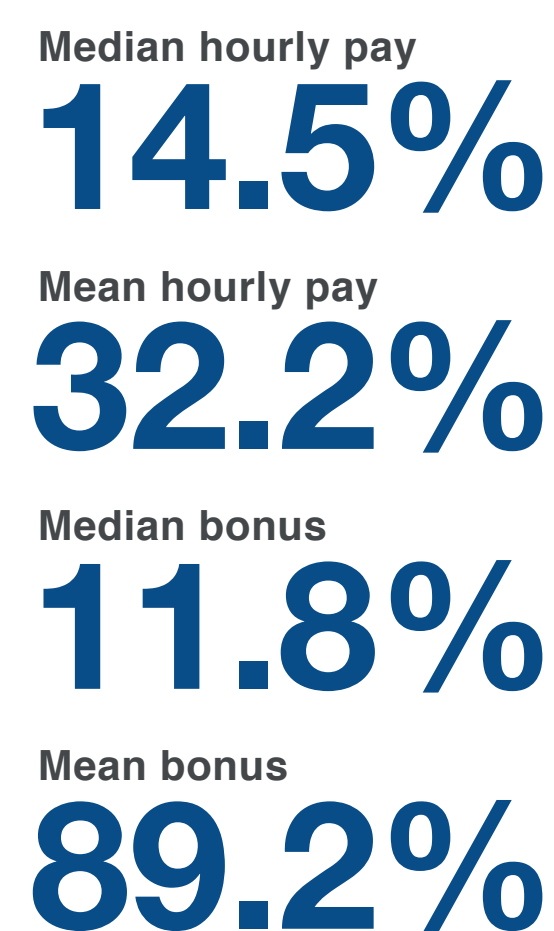


PAY QUARTILES

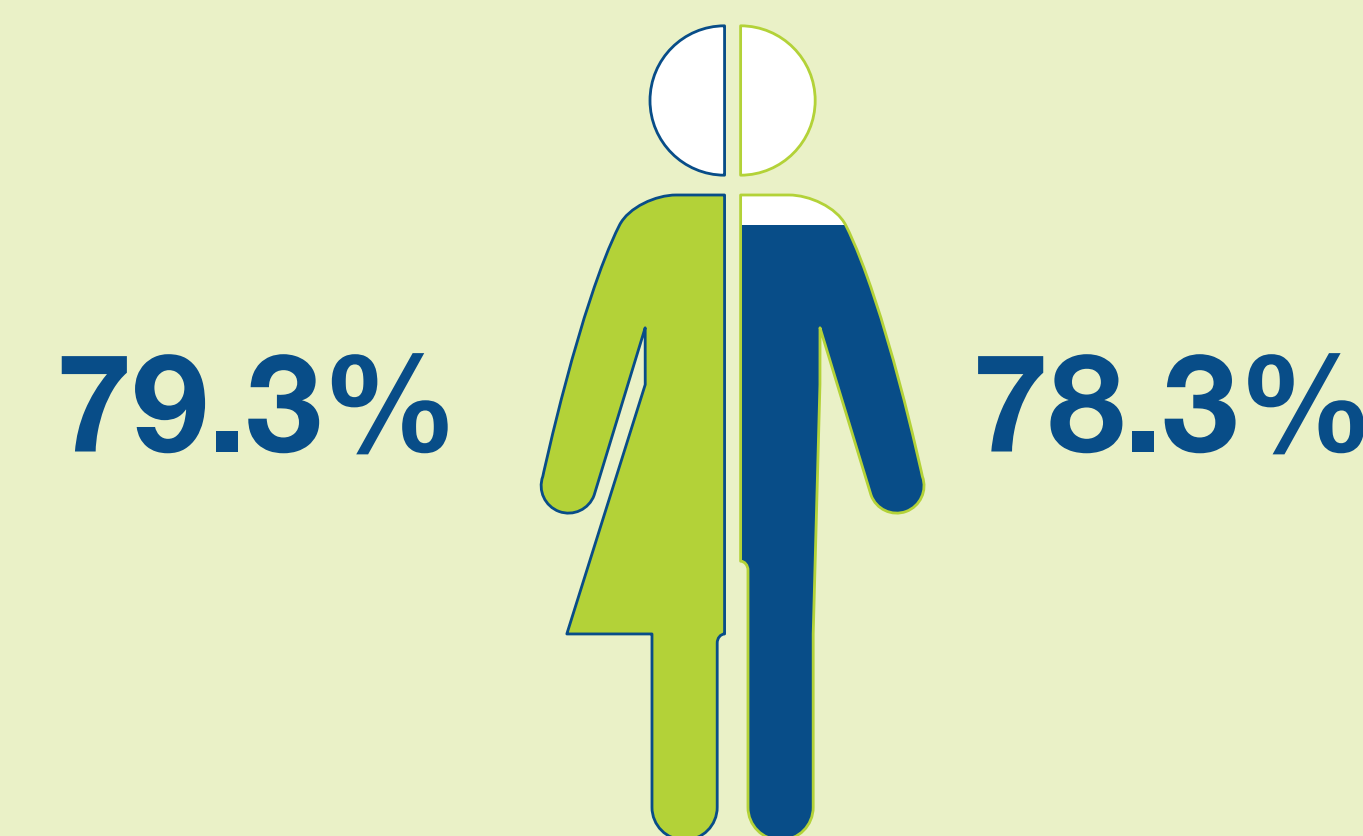


SHOP DIRECT FINANCE COMPANY LIMITED

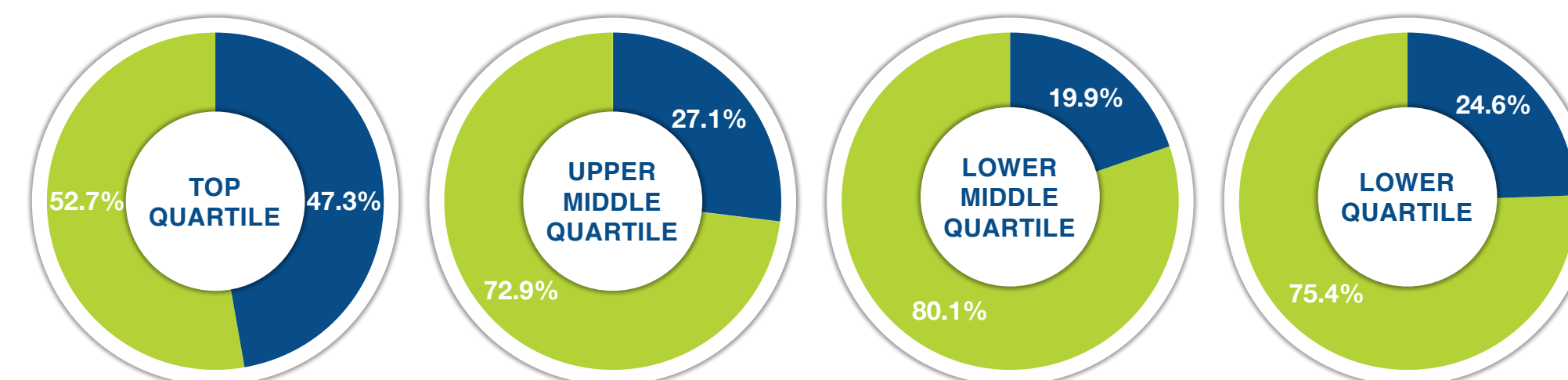
- Colleagues employed by this entity make up 25% of our group
- 71% of colleagues are female
- 39% of colleagues work part-time, of which 89% are female



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