Dairy Crest has enjoyed a successful year with our brands and products performing well within the highly competitive food and ingredient markets. Having great people will always be key to achieving our business aims and rewarding our employees fairly in a gender neutral way is essential for retaining their skills and continued engagement.

The Dairy Crest Values drive a culture of internal progression for our workforce. Last year we reported that over a quarter of our workforce had been promoted since joining the business. I am pleased to share that in the last year this number has grown, with a further 33 employees receiving promotion.

We continue to use the Hay job evaluation system to ensure roles are consistently valued with fair and equal pay awarded and we offer all employees the opportunity to be part of a bonus or incentive scheme.

Since our last report we have worked hard on initiatives aimed at closing our gender pay gap in the medium term. These were:

- Ensure we continue to provide diversity and inclusion training for all those involved in the recruitment and promotion process.
- Carry on working with individuals on their personal development plans.
- Work with recruitment partners in order to seek a diverse range of candidates for all roles.

A lot has been achieved in the last year, including:

- The development and initial rollout of a recruitment training programme, incorporating the recognition of unconscious bias and how to select the best talent.
- Continued development of our management skills to support individuals working on fulfilling their development plans.
- Establishing strong relationships with recruitment agencies to deliver balanced short lists and, importantly, ensuring their commitment to Dairy Crest’s Diversity and Inclusion Vision.
- The rollout of new flexible working practices for all office-based staff.

As published in our previous report, fairness is at the core of everything we do. Therefore in reporting the gender pay numbers that follow, we recognise the importance of transparency. As a consequence, we continue to go beyond the legal requirement of reporting our gender pay statistics for all Dairy Crest Ltd employees, by also including Executive Directors and MH Foods employees. Our legal requirement to report on Dairy Crest Limited is presented on the final page.

Robert Willock  Group HR Director
Our gender pay statistics 2018
Dairy Crest Group

See accompanying sheet ‘Understanding the methodology’

<table>
<thead>
<tr>
<th>Median gender pay gap</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Median pay</td>
<td>2.0%</td>
<td>2.9%</td>
</tr>
<tr>
<td>Median bonus</td>
<td>10.4%</td>
<td>25.2%</td>
</tr>
</tbody>
</table>

Our median gender pay gap shows women’s median pay is 2.0% higher than men.

For clerical, supervisory and managerial staff, this year’s bonus was considerably less than the previous year. Women made up a greater percentage of this employee group as compared to the proportion in other employee groups, whose bonus was impacted to a lesser degree, and as such this has created a significant movement within the median bonus for female employees.

<table>
<thead>
<tr>
<th>Mean gender pay gap</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mean average pay</td>
<td>9.9%</td>
<td>9.1%</td>
</tr>
<tr>
<td>Mean average bonus</td>
<td>64.7%</td>
<td>47%</td>
</tr>
</tbody>
</table>

Our mean gender pay gap has increased by 0.8% with men currently paid 9.9% higher than women.

Our pay gap is due to the high number of male employees in the most senior roles.

Our mean bonus gap has increased since last year due largely to the impact of share-based payments. Dairy Crest offers its most senior managers the opportunity to participate in long term incentive share plans. When these shares are exercised, their value must be included in the gender bonus pay calculations. As previously reported, more men currently occupy the most senior roles within the business and all the employees who exercised shares in 2017/18 were male. Therefore this has impacted the existing pay gap for bonus. If we were to disregard the exercising of these long term share plans, there would have been a 2.5% differential in the mean average bonus.

Our bonus scheme arrangements offer a higher percentage of pay as a bonus as seniority increases. As more men occupy senior positions, this accounts for the differential in the underlying bonus.
We are pleased to see a positive movement in the representation of women in three of our four pay quartiles, with the remaining quartile showing a stable outcome.

**Pay quartiles**

<table>
<thead>
<tr>
<th>Quartile</th>
<th>Male 2017</th>
<th>Male 2018</th>
<th>Female 2017</th>
<th>Female 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lowest</td>
<td>65%</td>
<td>64%</td>
<td>35%</td>
<td>36%</td>
</tr>
<tr>
<td>Lower middle</td>
<td>79%</td>
<td>74%</td>
<td>21%</td>
<td>26%</td>
</tr>
<tr>
<td>Upper middle</td>
<td>71%</td>
<td>68%</td>
<td>29%</td>
<td>32%</td>
</tr>
<tr>
<td>Highest</td>
<td>68%</td>
<td>68%</td>
<td>32%</td>
<td>32%</td>
</tr>
</tbody>
</table>

**Bonus recipients**

100% of men and women are eligible for bonus

- **88%** of women received a bonus in 2016/17
- **84%** of women received a bonus in 2017/18
- **92%** of men received a bonus in 2016/17
- **89%** of men received a bonus in 2017/18

All employees have the ability to earn a bonus, subject to service criteria, and we continue to pay a high percentage of total employees a bonus. Where employees did not receive a bonus, this was because they were new starters and had insufficient qualifying service in the bonus year.
Continuing to drive change

We are committed to reducing our pay gap further

Dairy Crest recognises its responsibility to create a sustainable business that thrives both today and in the future, and for many years we have made a number of commitments, some of which specifically link to creating a diverse workforce:

• To develop employment policies and working practices that encourage a diverse and inclusive workforce
• Every business-critical role to have a clear succession plan in place drawing on internal and external talent
• Develop policies to retain high potential employees and those with specialist skills

Our target is for women to occupy 40% of senior roles by 2024.

Specifically for 2019/20 we will:

• Continue to provide diversity and inclusion training for all those involved in the recruitment and promotion process
• Promote and support employees using our enhanced flexible working practises
• Continue to identify initiatives that facilitate a more diverse and inclusive workforce

Our gender pay statistics 2018 Dairy Crest Limited*

<table>
<thead>
<tr>
<th>In Dairy Crest Limited</th>
<th>Pay quartiles</th>
<th>Bonus recipients</th>
</tr>
</thead>
<tbody>
<tr>
<td>Median pay 2.1%</td>
<td>Lowest 66%</td>
<td>83%</td>
</tr>
<tr>
<td>Median bonus 10.4%</td>
<td>Lower middle 74%</td>
<td>89%</td>
</tr>
<tr>
<td>Mean pay 4.4%</td>
<td>Upper middle 69%</td>
<td></td>
</tr>
<tr>
<td>Mean bonus 64.7%</td>
<td>Highest 68%</td>
<td></td>
</tr>
</tbody>
</table>

*Excluding executive directors and MH Foods employees. The gender pay numbers above are those required by law to be reported.

I confirm that the data and information reported are correct and in line with the reporting regulations

Robert Willock Group HR Director