House of Commons

Business, Energy and Industrial Strategy Committee

Gender pay gap reporting: Government Response to the Committee's Thirteenth Report

Sixteenth Special Report of Session 2017–19

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Business, Energy and Industrial Strategy Committee

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The current staff of the Committee are Chris Shaw (Clerk), Ben Sneddon (Second Clerk), Ian Cruse, Becky Mawhood and Ashleigh Morris (Committee Specialists), James McQuade (Senior Committee Assistant), Ellie Goodchild (Committee Assistant) and Gary Calder (Media Officer).

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Sixteenth Special Report

On 2 August 2018, the Business, Energy and Industrial Strategy Committee published its Thirteenth Report of Session 2017–19, on Gender pay gap reporting. The response from the Government was received on 13 January 2018. The response is appended below.

Appendix

I am delighted that in the first year of mandatory gender pay gap reporting, over 10,000 employers reported their data, with 100% of employers identified as being required to report having now done so. Our world-leading reporting regulations have a crucial role to play in increasing transparency. By driving board level discussions on this issue the reporting process will push employers to take real steps towards closing the gender pay gap.

I would like to take this opportunity to thank the Committee for its detailed inquiry. We have sought to respond to the specific recommendations made in your report through the detailed answers provided below, grouping recommendations where appropriate.

I am sure the Committee shares our ambition to build a society where gender has no bearing on a person's pay or opportunity. The introduction of mandatory reporting is just one part of wider Government efforts to close the gender pay gap and I look forward to working with the Committee on this agenda in future.

Rt Hon Penny Mordaunt MP

Minister for Women and Equalities

Lessons learnt from the introduction of new reporting requirements

Paragraph 9 - We recommend that the Government works with the Equalities and Human Rights Commission, business groups and other stakeholders to clarify outstanding areas of ambiguity and to publish revised guidance accordingly.

We agree with the Committee's recommendation to seek the views of employers and other important stakeholders to help shape our guidance to ensure it gives the level of clarity employers need. The Government Equalities Office (GEO) works closely with businesses and employer membership bodies to ensure that we understand the views and experiences of employers. We use that insight to shape our guidance as well as our policy. To ensure that employers find reporting as easy as possible, we regularly reassess the guidance to make sure it remains fit for purpose.

The Government deliberately gave organisations a year from the commencement of the regulations to the first reporting deadlines in order for them to understand the process. This gave them time to work out how to gather the data, practice and check their calculations, and familiarise themselves with the reporting portal. Organisations were also aware that the regulations were due to be introduced prior to commencement, and had a good understanding of what would be required of them, given the preceding consultation which had focussed on the metrics.

At the time of the gender pay gap regulations coming into force the GEO published guidance for employers,[1] produced in collaboration with the Advisory, Conciliation and Arbitration Service (Acas). This guidance is on both GOV.UK[2] and the Acas website, and provides details of what employers must publish, how to complete the calculations and how to report. To date, the guidance has been downloaded 32,842 times.

In order to ensure all employers were aware of the regulations and the guidance, GEO undertook engagement activity throughout the last reporting year, reaching out to as many employers as possible. We staged regional seminars, appeared at trade fairs, organised webinars and podcasts, spoke at panels and roundtables and provided content for membership organisation communication channels, effectively reaching out to thousands of employers. We also sent over 40,000 letters to employers in four waves to ensure they were fully aware of their obligations. Throughout our engagement activities we provided practical advice on how to report and signposted employers to the guidance and where to go for help.

As the deadline approached, we called or emailed all employers who had yet to register to report, directly contacting approximately 2,500 organisations. We provided an email queries service throughout the year, which responded to almost 1,200 queries in the last three days before the reporting deadline.

Research with in-scope employers found that 71% had read the guidance, and those who had were more than twice as likely to say they understood the reporting requirement [DN: this will be updated should new research be published]. This, alongside the fact that over 10,000 organisations reported on time, most without additional help, suggests that the majority of employers were able to understand the requirements and the guidance.

In addition to the support GEO provided throughout the reporting year, employers were also provided with assistance by Acas, who were able to advise on the application of the regulations. We are also aware that many membership organisations provided additional help to employers and we continue to work with the Equality and Human Rights Commission, as appropriate.

We believe that this wealth of support is sufficient to enable employers to report accurately and by the deadlines. However, we are keen to ensure that employers are able to report with confidence, and so will continue to gather stakeholder feedback and update the guidance, should this be appropriate.

Paragraph 9 - We also recommend that the Government reviews the gender pay gap reporting requirements with a view to aligning them with other business reporting requirements from next year.

We recognise the Committee's concerns about the burden posed by different requirements on business and are working with several Government Departments to align requirements as much as possible. Given the range of organisations within the scope of the regulations, there is not another common reporting requirement that would logically align with gender pay gap publication. We have therefore focused on balancing transparency of data with flexibility for employers.

1 www.acas.org.uk/index.aspx?articleid=5768
2 www.gov.uk/guidance/gender-pay-gap-reporting-overview

Transparency of data is an important feature of the UK's gender pay gap reporting requirements. If the reporting regulations are to achieve their aim of boosting activity to close the gender pay gap we need to ensure the disclosures are viewed by both employers and employees, and given serious consideration. Having a deadline specifically for gender pay gap reporting ensures the published data and the actions organisations are taking to close the gap receives the attention it should command. The requirement to publish on the gender pay gap viewing portal, as well as on their own website, also makes it easier for the public to access, understand and act upon the data.

The reporting regulations were designed so that employers have flexibility on when they publish their data, giving them a full year after the snapshot date so that they can report at any time, in line with their own internal processes.

Paragraph 12 - We recommend that organisations are required to provide some narrative reporting alongside their gender pay statistics and an action plan setting out how pay gaps are being and will be addressed, including objectives and targets. Subsequent reports should report progress against this action plan, including targets set. The Equalities and Human Rights Commission and Government Equalities Office should work with stakeholders on developing suitable guidance as to content.

We have been clear that employers must take action to close the gender pay gap in their organisation, beyond reporting. Drafting an effective action plan is crucial to this and encouraging employers to publish their plans is a central part of GEO's work. We estimate that approximately 48% of employers have published action plans alongside their figures in the first year of reporting. The GEO is keen for all employers to produce a plan in future reporting years, and will continue to encourage all organisations to do so. We are currently working with membership bodies, like Business in the Community, to promote best practice in action plan development.

Action plans should set out how an organisation intends to close their gender pay gap and we have recently published guidance[3] for employers on the kinds of actions they should be taking. This guidance has been well received by organisations, having been accessed over 3,300 times through our Gender Pay Gap portal, since August 2018. Any efforts to introduce the initiatives or processes outlined in this guidance would be exactly the kind of activity which should be included in an employer's action plan. We will continue to engage with employers and their membership bodies to provide best practice guidance on constructing an action plan.

Publishing an action plan was intentionally not included as mandatory requirement under the reporting regulations. While the Government urges all employers to produce an action plan alongside their figures, we were aware that including it as a mandatory requirement might result in a prescriptive format with limited value to employers and employees. By not making them mandatory, we have given employers the freedom to produce an action plan that is relevant to their individual situation which they can truly commit to and embrace.

3 www.gender-pay-gap.service.gov.uk/actions-to-close-the-gap

Now that we have completed the first year of gender pay gap reporting, employers can view the diverse range of action plans produced by organisations on the Government portal. We expect that this will provide them with inspiration, and, alongside government encouragement, motivate them to produce their own action plan in future years.

Paragraph 17 - We recommend that the Government publish and maintain a definitive list of all organisations that fall within the scope of the Gender Pay Gap Regulations.

We agree that establishing a list of in scope organisations is crucial, that is why, since making an initial estimate in 2015, we have worked to gain a greater understanding of who is required to report. Given the dynamic rate of change in businesses, we know that this list will be different every year. As such, we will continue to work with employers to ensure they are aware of their obligations, and support them through a dedicated email inbox.

As with all regulations, it is the responsibility of an employer to ensure that they are fully compliant with their legal obligations. The Government does not have an obligation to inform organisations of their duties in this regard. If we were to publish a list of organisations that are required to report, this could set a precedent for other similar government regulations in the future.

In addition, given that the organisations within the scope of the regulations will change on an annual basis, due to the nature of business, rates of attrition and growth, it would be inappropriate to publish a 'definitive list'. Publishing a list risks inaccurately identifying employers as required to report, when they may be out of scope due to a reduction in staff or restructuring. It also, more importantly, could fail to identify new organisations that are required to report due to growth or acquisitions.

The Government will continue to offer support to other government departments and employers to identify the organisations that fall within the scope of the reporting regulations each year. This information will have a crucial role in guiding our compliance and engagement strategy in subsequent reporting years. However, employers will always be best placed to assess whether they are within the scope of the regulations, and it remains their responsibility to do so.

Paragraph 21 - We recommend that the Government, at the next available opportunity, ends the legal uncertainty surrounding the EHRC's enforcement powers by providing for specified fines for non-compliance.

As the Committee states, enforcement of the reporting regulations is the responsibility of the Equality and Human Rights Commission (EHRC) in their role as Great Britain's national equality body.

The EHRC published their enforcement strategy[4] in March, which sets out the full extent of their enforcement powers with respect to the gender pay gap reporting regulations. They have been clear that employers who do not comply with the regulations could face an unlimited fine, as determined by the courts.

In line with their enforcement strategy, the EHRC wrote to almost 1,500 employers believed to be in breach of the regulations following the deadline for the first year of

4 www.equalityhumanrights.com/en/publication-download/closing-gap-enforcing-gender-pay-gap-regulations

reporting. Their ongoing enforcement and engagement work meant that, in August, the government was able to announce that 100% of employers identified as being in scope of the regulations had now published their information.

The Government is satisfied that the EHRC strategy, and their enforcement action in the first year of reporting, provides sufficient certainty to employers regarding the consequences of non-compliance. However, should we see evidence to the contrary; we will assess the effectiveness of the current strategy.

Gender pay gap: what the figures show

Paragraph 32 - We recommend that when the Regulations are amended, the requirement for information on salary quartiles is changed to deciles.

Paragraph 34 - We recommend that when the Regulations are amended that both part-time and full-time gender pay gap statistics are required to be published.

We recognise that the quality of data collected by employers is crucial if they are to accurately identify the causes of their gap and ultimately close it. That is why we already encourage organisations to produce any metrics which they believe will help them understand their gap, in addition to those required by the regulations.

Having just completed the first year of reporting under the regulations, the Government is using our learning to evaluate progress and inform our work going forward. The legislation already includes a requirement to review the extent to which it is achieving the intended objective after five years. We will, however continue to consider potential improvements to the reporting requirements and would consider whether any extensions should be introduced in a shorter timeframe.

It is important that any amendments to the regulations are not made lightly, and are only introduced if they will have a tangible effect on furthering the aims of the reporting scheme. Any changes would have a subsequent impact on the comparability of the data year on year, and between organisations. As a result employers' ability to show progress would be impeded, as would the ability to hold employers to account for lack of improvement.

Prior to any amendments we are clear that there would be a period of consultation with employers and membership bodies. The regulations were initially developed in collaboration with employers and we believe this approach ensures they all make a commitment to change. Consulting with those actually covered by the regulations would also ensure that any changes would work from the start and not compromise the regulations.

Paragraph 36 - We recommend that when the Regulations are amended, the way in which bonus calculations are made is altered so that it is on a pro-rata basis and that this change is accompanied by the publication of clear guidance on the method of calculation.

The topic of bonus calculations was raised within the original consultation on the regulations[5] and was covered in the Government response[6] at the time.

5 www.assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/504398/GPG_consultation_v8.pdf

6 www.assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/575994/HMG_response_GPG_consultation-2__final_.pdf

The decision not to include bonus calculations on a pro-rata basis when developing the regulations was conscious choice. The current metrics ensure that we look at a person's working life in the round. If we were to allow for pro-rata bonus payments, this would fail to expose where earnings differ on account of working patterns, a key contributing factor to the gender pay gap.

The employee threshold, the overall gender pay gap calculations and earnings quartiles are all based on headcount rather than full-time equivalent. Therefore, as the bonus calculation is made on the same basis, it adds more detail to the picture of how much women are paid in the organisation.

On a practical level, if a gender bonus gap has been skewed where a percentage bonus has been paid to full-time and part-time employees, we would encourage employers to highlight this in their accompanying narrative. There is also nothing to stop employers from publishing additional metrics within their action plan alongside those required by the regulations.

Paragraph 38 - We recommend that the qualifying threshold remains at 250 employees next year, but the following year be reduced to organisations of 50 employees or more. We further recommend that the Government provides the necessary support, particularly in terms of guidance, to smooth this transition.

We continue to urge organisations with fewer than 250 employees to publish their data voluntarily, and several employers under the threshold did report last year. This follows calls from the Prime Minister for small and medium sized businesses to address their gender pay gaps in October 2017.[7]

The threshold to qualify for the regulations was consulted upon prior to their introduction. At that point, over half of respondents agreed with the 250 threshold. Given the range of metrics required, it was felt that reporting could be particularly burdensome for small and medium sized businesses and so the requirement should be restricted to large employers.

As the Committee's report recognises, there are several issues when it comes to the reliability of data from smaller organisations – especially for those firms with 50 or fewer employees. The reduced number of staff means their GPG figures are much more sensitive to small changes, e.g. staff turnover, pay rises, etc., compared to larger organisations. For example, the removal/addition of one staff member could change a firm's GPG figure from positive to negative (or vice-versa).

We will still encourage smaller firms to look at their gender pay gaps, to ensure there is fair representation of men and women at all pay grades in the organisation. We will also continue to support organisations of all sizes, both with the reporting process and efforts to tackle their gaps, encouraging them to use our 'what works' guidance.[8] Should there be sufficient appetite for lowering the threshold in future reporting years, we will consult with potentially affected stakeholders on the feasibility, and advantages and disadvantages of extending the regulations.

7 www.gov.uk/government/news/prime-minister-announces-new-drive-to-end-the-gender-pay-gap
8 www.gender-pay-gap.service.gov.uk/actions-to-close-the-gap

Paragraph 43 - We recommend that the Government uses the guidance to clarify how data on partner pay should be calculated and included in time for the publication of data next year.

The regulations exclude partners in traditional partnerships and limited liability partnerships from the gender pay gap calculations, because partners are not "paid" but instead take a share of the profits, which is not directly comparable with employees' pay. Partners who fall within the Equality Act 2010's definition of employment should be included in the employee headcount but not used as part of the calculations.

We welcome the fact that many organisations voluntarily published additional data taking into account partners in the first year of reporting. However, we do recognise that there are concerns regarding how partners are currently treated within the calculations.

We are working with stakeholders affected by this to understand the challenges they face and identify any clarifications that might need to be made. We will not be making any substantial changes to the guidance now the reporting year has begun. As with changes to the regulations, we feel it would be unfair to make these within the reporting year. We know that many organisations will have already started to collate their data and it would be unreasonable to expect them to start this process again.

However, we will evaluate altering the guidance regarding partners in future reporting years, for example to introduce a voluntary reporting methodology for partners. If we were to do this, we would communicate it extensively, prior to the start of the reporting year in which it would come into effect.

Paragraph 44 - We recommend that the Government consults upon introducing requirements to collect and report pay gap data in respect of disability and ethnicity and, subject to this consultation, introduces this requirement in time for publication in 2020.

This Government is committed to improving employment outcomes for disabled people and those with long-term health conditions. We have made a great deal of progress: there were 600,000 more disabled people in work in 2017 than in 2013, and the employment rate for disabled people has improved by 5.6% in the same period.

Despite this success, we are committed to going further, which is why in November 2017 we set out our ambition to see 1 million more disabled people in work over the next ten years, as well as the actions we are taking to achieve this goal in the workplace, in health services, and in the welfare system.

We are also working directly with employers through our Disability Confident scheme to help transform attitudes and give them the tools they need to support disabled people in their workforce to thrive. Over 7,000 employers across the country have already signed up.

In addition, we have supported the recommendation in the Stevenson/Farmer review that employers with more than 500 employees should report more information about their actions on workplace mental health on a voluntary basis. We are going further and expanding this to reporting about disability as well.

In November 2017, Government set out its commitment to work with partners, including employers, to establish a framework for voluntary reporting on mental health and disability for large employers. This will focus on what type of reporting will support improved employment outcomes among disabled people, and businesses' engagement in health and wellbeing. This approach will be mindful of the impacts on disabled employees and the need to ensure reporting is relevant and not burdensome for employers. We will also engage with partners to understand the most appropriate place to make this information available.

The Prime Minister announced a consultation on mandatory ethnicity pay reporting on 11 October. This consultation is in line with the Committee's recommendation on ethnicity pay reporting. Reporting ethnicity pay data is a vital first step towards harnessing the power of a diverse workforce by measuring progress, removing barriers and sharing best practice. We agree with the Committee that 'increased transparency should, over time, improve fairness.'

We need to carefully consider how mandatory ethnicity pay reporting will work and the consultation invites views from employers on what approach should be taken, including what support could be provided alongside the move to mandatory reporting. It sets out some of the issues we will need to resolve, including what information should be published to allow for meaningful action to be taken. The results of the consultation will enable government and employers to move forward in a consistent and transparent way and over the course of the consultation, we will work very closely with business to understand how best to implement ethnicity pay reporting whilst ensuring the proposals are proportionate and do not cause an undue burden.

Paragraph 46 - We recommend that the Government works with relevant stakeholders and seeks to amend the information required by the Regulations in the way we have recommended, so that it can better help to underpin the main purpose of the policy: incentivising businesses and other organisations to address their gender pay gaps.

The main purpose of gender pay gap reporting is to ensure that the issue is on the agenda of business leaders across the country. The regulations deliberately include a requirement for the data to be signed off by a director (or equivalent). This obligation means that the gender pay gap within an organisation is now being discussed at the highest tier of management, possibly for the first time in many businesses. Making business leaders aware of the gender pay gap in their organisation, and the implications for their workforce, will make them more likely to interrogate the data and push for change.

The policy also serves a secondary purpose. The transparency created by reporting on a public website puts additional pressure on organisations to address their gap. This is further intensified by the annual requirement. Organisations will, for the first time, be open to questions from the public, including their employees and the media, regarding their gender pay gap, and can be held accountable if they fail to make any progress in closing it.

Having focussed attention on the gender pay gap through the mechanism of reporting, the Government is working to provide support to help employers break down the barriers to women's progression in their organisations. The GEO is already working with membership bodies and employers to share information and practical advice about best practice concerning closing the gender pay gap. Once the reporting requirement has ensured businesses are eager to take action to tackle their gaps, they are likely to be more receptive to Government support and advice.

The Government believes that the regulations in their current format sufficiently meet the intended policy purpose. Any amendments at this stage would not serve to further incentivise organisations to address their gaps as the regulations already provide an ample incentive. However, we will continue to assess the performance of the regulations against their intended purpose and consider any possible amendments.

As detailed in response to earlier recommendations, were we to introduce amendments at any stage we would need to do this prior to the snapshot date for that reporting year. We know that stakeholders begin the process of gathering their data early, and it would be both unfair and unreasonable to introduce changes when they have already started this process. This therefore means that, even if we were to amend the regulations now, any changes would only come into effect in the 2019–20 reporting year at the earliest.

Tackling the gender pay gap

Paragraph 55 - We recommend that sector representative bodies work with their members and other stakeholders, such as the Chartered Institute of Professional Development and the trade unions, to develop and publicise ambitious and stretching long term targets for reducing gender pay gaps. They should also develop practical guidance on what measures have been found to work most effectively in their sectors and encourage best practice in implementing such measures. If such stretching targets are not established, the Government should be prepared to step in and set mandatory targets on a sector by sector basis.

The Government has already been working in collaboration with cross-sector membership organisations, such as the Chartered Institute of Personnel and Development and the Chartered Management Institute, to ensure that their members are aware of best practice when it comes to closing the gender pay gap. We have also established links with many other influential sector specific membership bodies and continue to hold a range of engagement activities with them regarding the most effective actions within their sector. For example, we plan to host a webinar with the Employers Network for Equality and Inclusion STEM group; and are facilitating diversity discussions with infrastructure specialists.

When we recently published evidence-based guidance on 'What Works'[9] to close the gap, we made a targeted effort to ensure representative bodies were aware of the guidance, and worked with them to disseminate this advice to their members.

We are fully aware that membership organisations provide the most effective route in order to reach out to the business community. As such, we will continue to work in partnership with them to provide support to their members working to close the gap in their own organisations and are best placed to develop sector based solutions to tackle the gender pay gap.

Paragraph 59 - We recommend that the Government Equalities Offices makes clear in its annual report the steps it is taking to co-ordinate government policy on this issue.

9 www.gender-pay-gap.service.gov.uk/actions-to-close-the-gap

The GEO has a strong history of coordinating and encouraging cross Government action. The nature of the policy areas that it focuses on necessitates working across a range of Government departments and frequently coordinating their work. As such it has established excellent working relationships in order to further the equality agenda and that of other departments where there are a shared aims.

The wide reaching issue of closing the gender pay gap is no different. In the first year of gender pay gap reporting the GEO was able to utilise the relationships it had built with other departments in this policy area to get them to use their position to push employers in their related sectors to report.

Since the end of the first year of reporting GEO's Secretary of State led a Cabinet discussion on the gender pay gap and a follow-up discussion is due in late autumn. GEO officials continue to engage with counterparts across Whitehall to support them in actions to better understand and close the gaps within their sphere of influence. A notable example of this is the independent review[10] into gender pay inequality among doctors, announced by the Department for Health and Social Care in May.

GEO additionally makes use of ministerial committees and other existing structures across government to drive and track progress in reducing gender pay gaps. One example is the Implementation Taskforce on Employment & Skills, which monitors progress on gender pay gap reporting.

The Government policy relating to this agenda does not sit with one department. Instead, it is formed of often smaller parts of a diverse array of policies and initiatives, developed and implemented by a range of Government departments. These schemes, frequently proposed and influenced by the GEO, combine to achieve a collective impact.

Given this fact, it is more appropriate for separate departments to include the steps they are taking on this agenda within their own annual reports, appropriately reflecting the fact that responsibility for progress in this area is shared. This approach is also the most practical option, given that the GEO does not currently publish a standalone annual report. GEO worked closely with the Cabinet Office during the update of Single Departmental Plans earlier this year, ensuring all Government departments had up to date equality objectives. Part of this work included making it clear that the objectives could include action to close internal or sectoral gender pay gaps.

Paragraph 60 - We recommend that Government departments with significant gender pay gaps set ambitious targets for reducing such gaps and report on progress each year.

All Government departments published action plans alongside their figures in the first year of gender pay gap reporting, these can be viewed on the Government portal.[11] The relevant teams in each department are now working hard to further analyse their data to pinpoint the causes, and develop initiatives that will have an impact on the causes they identify. Each department will report on progress made, and how they are delivering on the commitments in their action plans, alongside their year two data.

10 www.rcplondon.ac.uk/news/rcp-president-professor-jane-dacre-lead-nhs-pay-gap-review

11 www.gender-pay-gap.service.gov.uk/

Just as with business, each department will face a unique set of challenges, and will have identified differing causes for their gender pay gap. In order for actions by any department to be effective, the interventions they introduce must be tailored to their situation.

The Cabinet Office is currently working with departments to understand whether their existing plans are having an effect on their gender pay gaps. In addition to this, the Cabinet Office is developing best practice guidance to assist departments with action to close their gap.

Paragraph 62 - We recommend that businesses and organisations in the public and voluntary sectors should make it standard practice to include a tangible commitment to diversity in any tendering exercise or other provision of services.

When conducting their procurement activities, central Government departments and their agencies must ensure that they meet their legal obligations under the Equality Act 2010 and its associated Public Sector Equality Duty in a way that is consistent with the Government's value for money policy and relevant public procurement law. The public procurement rules allow for equality-related issues to be taken into account in the procurement process where they are relevant to the subject matter, or relate to the performance, of the contract.

'Due regard' in the context of public procurement means consciously considering the relevance of the three aims of the duty to the individual procurement and ensuring that where equality issues are incorporated into the procurement process, it is done in a proportionate way (i.e. the actions taken are proportionate to the degree of relevance of the equality issue to the individual procurement), taking into account value for money.

Government is already setting an example to all organisations when it comes to the expectations it has of suppliers. The Supplier Code of Conduct clearly sets out the standards and behaviours that are expected of suppliers when they work with Government including on diversity and inclusion.

Cabinet Office recently announced it would develop proposals for its biggest suppliers to provide data and action plans for how they plan to address key disparities, including the gender pay gap. The Cabinet Office has now commissioned a review of the areas they would expect reports on, and will announce the outcomes later this year. In challenging major Government suppliers to do better on equality and diversity, we are setting an example for the standards we would hope to see across the market in service provision.

Paragraph 65 - We recommend that the Financial Reporting Council's proposals for a revised Stewardship Code include reference to ensuring that gender diversity is properly reflected throughout the company, notably at board level.

As noted in the report the Financial Reporting Council is undertaking a comprehensive review of the Stewardship Code.

Investors have a crucial role in supporting boards and holding them to account to achieve the company purpose and strategic objectives. Diversity plays a key role in this, therefore as part of the consultation on a new stewardship Code the FRC will consider how a revised Stewardship Code can support and challenge investors to improve diversity and succession planning within UK listed companies.

Paragraph 67 - We urge the Financial Reporting Council to monitor the quality of reporting on gender diversity and the pay gap in annual reports and to press for improvements where necessary.

The revised Corporate Governance Code, which is effective for financial years beginning 1 January 2019, includes several additional measures to improve policy and practices with regard to diversity and remuneration in both the board room and at senior management levels.

The Code now states - Principle E - "the board should ensure that workforce policies and practices are consistent with the company's values and support its long-term sustainable success". And it now includes a Provision (5) on direct engagement with the workforce.

In addition, the Code - Provision 41 states that the remuneration committee report should explain the reasons why director and senior manager remuneration "is appropriate using internal and external measures, including pay ratios and pay gaps". This is an important step as the Code now addresses pay ratios and gaps as they relate to director and senior manager pay, compared with workforce pay.

When publishing the revised Code, the FRC stated that they would increase monitoring of corporate governance statements. This will include diversity and remuneration and reporting practices.

The Gender Pay Gap Reporting regulations and Code apply to different categories of companies. The regulations apply to all companies with over 250 employees with the information to made available on a company website. The FRC's Code applies to approximately 800 public companies who have a premium listing in the UK.

GEO or the Equality and Human Rights Commission will determine how and when to monitor progress made in closing the gender pay gap for all companies' subject to the regulations, and whether further measures are needed.