PENSIONS AND LIFETIME SAVINGS ASSOCIATION

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Gender Pay Gap Consultation,
Government Equalities Office,
1st Floor, Sanctuary Buildings
20 Great Smith Street,
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Dear Sir/Madam

CONSULTATION RESPONSE: MANDATORY GENDER PAY GAP REPORTING – DRAFT REGULATIONS

As the representative body for over 1,300 pension schemes with nearly £1 trillion of assets under management, the Pensions and Lifetime Savings Association takes a keen interest in ensuring that our members' can access clear and accurate information about the business model and sustainability of the companies they invest in.

We believe that the new regulations proposed by the Government will be of great value in this respect. As we stated in our response to the 2015 *Closing the Gender Pay Gap* consultation, fair pay policies at work are vital to employee morale, while a company that fails to recognise the potential of women workers is less likely to achieve optimum performance. Pay discrepancies between men and women can also hint at wider problems with workplace culture of the type that have bedevilled certain sectors, particularly parts of the financial services industry, to the detriment of investors in recent years.

Therefore, we support the measures outlined in the draft regulations and believe they will give investors a clearer insight into risks and opportunities associated with corporate culture and human capital. Our only major additional comment would be that these measures will be most useful to investors if contextualised.

As noted in our response to the previous consultation, we would like to see better disclosure of how a company's workforce is composed, nurtured and motivated - and subsequently how stable and productive it is, in order to inform judgements on the long-term sustainability of the operation.

In terms of specific metrics, this could include reporting of the numbers or proportions of permanent, temporary and contingent workers in addition to the mix of ages and genders at different levels of seniority.

Such disclosure would render the information on the mean and median gender pay gap, and the gender pay gap at different thresholds throughout the organisation more meaningful, and would enhance investor understanding of business models and corporate cultures.

On a more technical point, we think that the suggested reporting timescale requires a minor adjustment. We agree that reporting should be done on an annual basis, however firm's should be able to produce figures for their financial year, rather than being compelled to adopt an April to April timeline. This would be far more convenient for companies, as they would be able to undertake the calculations in tandem with other figures compiled for the annual report. This would also make it more likely that the figures on the gender pay gap would also be included in the annual report, the most obvious reference source for investors.

The Association is currently undertaking a wider programme of work looking at how pension funds should monitor and verify the human capital of the companies they invest in that covers these subjects, as well as themes including the skills agenda, productivity and employee well-being. We would be happy to discuss in more detail if this would be of interest.

Yours sincerely

Luke Hildyard
Policy Lead: Corporate Governance and Stewardship

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