



Business, Energy and Industrial Strategy Committee

House of Commons, London SW1A 0AA

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Stephen Haddrill
Chief Executive Officer
Financial Reporting Council

7th February 2018

Dear Stephen,

I am writing on behalf of the Committee in respect of the FRC's proposed revisions to the UK Corporate Governance Code, with reference to measures to address the gender pay gap.

The Committee welcomes the requirement for companies and public bodies to publish statistics on the gender pay gap at the end of the current financial year. We will be looking closely at these statistics when they are published with a view to checking compliance and considering next steps.

You will be aware of the wider economic benefits of eliminating the gender gap, estimated by McKinsey to be worth £150bn by 2025 and of their research indicating that companies with greater gender diversity are more likely to above average financial returns. The issue is about economics as well as fairness and good governance.

In this context, it is disappointing to see that the FRC's proposed revisions of the Code relating to remuneration contain nothing on addressing the gender pay gap. I have no doubt that the publication of statistics alone is insufficient to guarantee future concrete action taken by companies to address the issue. A public commitment and associated actions should be an important element of good corporate governance and included in the revised Code.

The proposals on board diversity require nomination committees to explain what action they have taken to increase diversity in the talent pipeline. The FRC should place a similar requirement on remuneration committees to explain how the proposed company remuneration policy will address any gender pay gap in the company. They should include an action plan, potentially with reference to some of the remedies already outlined by the Government Equalities Office.

Although the Code is not formally applicable to non-listed companies, I believe that including such requirements relating to remuneration would nonetheless send a powerful message throughout the business community about best practice and contribute significantly to a more determined and tangible approach to closing the gender pay gap.

The Committee urges you to amend the Code accordingly and looks forward to discussing these issues as part of a broader review of progress on corporate governance in the near future.

Yours,



Rachel Reeves MP
Chair of the Business, Energy and Industrial Strategy Committee