

Preparing for Gender Pay Gap Transparency: How can boards prepare for their oversight role?

Only a % of WGEA reporting organisations share their gender pay gap report with the board. How can Boards play a greater role in the oversight of DEI?

- **The board plays a significant role in the oversight of the gender pay gap.** With the new WGEA requirements the onus now will be on boards to understand, plan and develop forward looking statements to address gaps. The real change here is the accountability shift that places this responsibility firmly in the boardroom.
- **There are not many organisations (yet) presenting their gender pay gap report to the board in its current form.** So, it is a significant change and opportunity. The Board will get a copy of the WGEA executive summary which will give an overview of performance against the six gender equality indicators, pay and composition gaps, as well as copy of the industry benchmark report against their peer group.

The industry benchmark will enable directors as part of their oversight role to ask more questions and challenge management: 'are we doing enough?', challenge some of the explanations that they are getting and do their results look the same as the results in the industry benchmark peer group ('if not – why not?').

- **The board is ultimately responsible for setting targets and goals to reduce the gender pay gap.** The board is expected as part of their oversight role to actively engage in the analysis and interpretation of the gender pay gap data. They should review and understand the factors contributing to the pay gap.

By gaining a comprehensive understanding of these issues, the board can play a greater oversight role and identify areas for improvement, establish measurable objectives, develop strategies and regularly monitor progress towards achieving them and closing the pay gap. This will also demonstrate their commitment and reasonable steps.

- Boards won't be able to take a set and forget approach. December is about 5 months before next set of data is due to be submitted and that will show year-on-year comparison. Boards will need to start having conversations on what their year-on-year comparison is, where they will be held to account, where there is not an action and what strategies have changed from the 1st to the 2nd set of data, and be prepared to explain the narrative to internal and external stakeholders.

What advice would you have for boards who would like to set the tone from the top but are not yet gender balanced as a governing body?

From working with boards who have this issue I can go through some of the things I have seen that work well to assist to address it, I am sure some of you are already on this journey. You will not be surprised to hear that they all tend to start with the tone from the top.

- **The board should acknowledge the importance of gender diversity and the benefits it brings to decision-making and organisational performance.** They should openly discuss the need for a more balanced representation and commit to taking action at the Board level to achieve this goal.
- **You would then look at the terms on your board, review and update your board skills and attributes matrix, the board succession plan and put in place a multi-year plan with a move towards gender balance.** The board should also actively seek out qualified and talented individuals from underrepresented genders to join their governing body. This can be done by expanding the pool of potential candidates through targeted recruitment efforts, networking, and partnerships with organisations that focus on promoting diversity in leadership positions.

- **It is useful to understand your industry benchmarks, this is where the WGEA industry benchmark report with your peers comes in.** This will help in determining realistic goals by considering the progress made by other organisations in similar contexts.
- **AICD has a widely publicised campaign to increase female representation on boards the last few years, 30% is the target that is being worked towards.** At the beginning of 2023 AICD reported that the top 20 ASX listed boards had reached 40%, many are still working towards the 30% target. This may be a good goal to work towards.
- **The board should regularly review and assess its progress towards achieving gender balance as a governing body.** This can involve tracking and reporting on the representation within the board and evaluating the effectiveness of diversity initiatives. By holding themselves accountable and transparently sharing their progress they can demonstrate their commitment to change.
- **It is also crucial for the board to create an inclusive and supportive environment that encourages diverse perspectives at board meetings.** The Chair and the members create the Board dynamics and culture by actively listening to, valuing different viewpoints, and ensuring that all board members have equal opportunities to contribute and participate in discussions.

Clearly managing the gender pay gap, and gender composition of the workforce is long game for many organisations. What can boards do now to prepare for their role in governing the gender pay gap?

Boards across the industry are at different stages of their journey. I am going to come back to the board and setting the tone from the top as the starting point.

- **Boards and leaders should clearly articulate their commitment to DEI and embed it into the organisation's values.** This sends a strong message that DEI is a priority and sets the tone for the entire organisation.
- **As part of their role boards can set the broader gender equality strategy and objectives, including targets for your gender pay gap.** By establishing this, they create a framework for measuring progress and holding themselves accountable for achieving these goals.
- **You really need to understand where you are now and what you are working towards.** There is an opportunity for boards to engage with management teams to undertake an audit early on of the current measures and initiatives that are in place as well as opportunities for improvement and potential gaps.
- **Reviewing and checking the accuracy of your data is another important element as robust data collection underpins your DEI framework and is key to assessing evidence of the change that you are working towards.** It important to measure it regularly so you can see progress towards your targets but also where there is not progress so you can flex and refine some of the actions and initiatives.
- **Have a strategy, objectives, and target, as well as a clear view on where you are now. This will help form a view on the narrative that you and the board will tell.** Getting clear on your narrative and taking actions and communicating in alignment with the narrative is key as you will be measured against it, and this will be made public.
- **Boards will need to establish policies and practices that promote equal opportunities and fair compensation for all employees,** which is an important mechanism to have in place.
- **Boards and leaders will need to allocate resources, both financial and human, to support DEI initiatives.** In clients we have worked with this includes investing in training and development programs, creating dedicated DEI roles, creating committees and Employee Advisory networks, and providing the necessary tools and resources to drive that change.

- **It is a good time to think about whether your governance structures are appropriate.** Do you know which function your reporting and gender equality strategy sits with? You should also be thinking about what oversight role board committees play, if not already in place (Sustainability, People/Remco or Risk Committee).

How do you bring your Board on the pay equity journey?

- **One of the most important elements when implementing regulatory change is education.** Educate your board members and leaders about the importance and benefits of pay equity. This can be done through presentations, workshops, and sharing relevant research and data. A lot of time will be spent doing education and stakeholder engagement to bring directors, leaders and staff on the journey.
- **You can also involve the board in the process of conducting a pay equity analysis.** This analysis involves examining the current pay structure, identifying any gender or minority pay gaps, and developing strategies to address them. By involving the board in this process, they can gain a deeper understanding of the issues and actively participate in finding solutions which will really help with implementation and the hearts and mind shift that goes along with it.
- **You can also encourage your board to champion Pay Equity:** setting a strong tone from the top, providing support to initiatives, and providing the board with tools and resources so they can advocate for pay equity. What I have seen work well is that you could even consider asking one of the directors to be the Pay and Equity Champion at the Board level.
- **It is really important keep your board updated on the progress made in achieving your DEI goals.** This can be done through regular reports and presentations (wins, challenges and blockers). By keeping the board informed, they can stay engaged and provide guidance and support as needed.
- **Consider including pay equity or DEI as a key performance indicator (KPI) for the board is a good one.** By tying board members' performance evaluations can ensure that the issue remains a priority and that board members are actively involved in driving change. DEI is part of the performance targets of the Allianz Board which is great to see.

Webinar Questions and Answers

What advice would you give where a Board does not think that the Company should address the pay gap- aside from reviewing rem for "like for like" roles?

By only focusing only focusing on reviewing "like for like" roles the board missing an opportunity to address deeper issues that could be driving their gender pay gap, which can impact culture, talent attraction and retention and company reputation. Some of the issues include workforce gender composition across role levels, role types, employments statuses etc, prevention of sex-based harassment and discrimination, barriers to entry, recruitment strategies and processes, flexible work arrangements etc.

By the board taking a comprehensive approach and addressing the pay gap more broadly, the company can foster a fair and inclusive work environment, enhance employee satisfaction, and mitigate legal and reputational risks.

There may need to be a potential education piece with the Board to bring them on the journey which addresses some of the following:

- **Addressing the pay gap is essential for promoting equal opportunity and fairness within the organisation.** It ensures that employees are compensated fairly regardless of their gender, race, or any other protected characteristic.
- **Pay disparities can lead to dissatisfaction and demotivation among employees, especially those who feel they are being unfairly compensated.** This can result in higher turnover rates and lower employee morale, ultimately affecting the company's overall performance. Addressing the pay gap and driving change through initiatives will lead to increased retention and employee morale.
- **By not addressing the pay gap, the board may be exposing the company to legal risks as there are regulations in place to prevent pay discrimination.**
- **Companies that are seen as champions of equality and fairness tend to have a better reputation and attract top talent.** Failing to address the pay gap can harm the company's image and make it less attractive to potential employees and customers.
- **Addressing the pay gap is not just a short-term fix; it is a strategic move that contributes to the long-term sustainability of the organisation.** By ensuring fair compensation practices, the company can build a diverse and inclusive workforce, which has been proven to drive innovation and improve business performance.