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## **Investors in the dark over companies' equal pay policies**

1. Shareholders are being denied information on companies' policies on equal pay despite its increasing importance as both a legal and corporate social responsibility issue, a major investor survey has revealed.
2. The Local Authority Pension Fund Forum (LAPFF) wrote to all FTSE 350 companies (excluding investment trusts) last August asking for information on equal pay policies and audits, but found only a small minority willing to communicate with investors on their approach. Just 20% (60) of the companies contacted responded to the survey, and many companies which had carried out equal pay audits were unwilling to disclose the findings.
3. The LAPFF believes that companies which fail to deal effectively with equal pay may be exposing themselves to financial and reputational risks, which may in turn be detrimental to investors.
4. Overall 67% (40) of those companies responding to the survey stated that they have equal pay policies in place, however this represents just 13% of the companies that LAPFF had contacted. A total of 58% (35) of respondents stated that they had conducted an equal pay audit, but this accounts for just 12% of companies surveyed, leaving investors in the dark over what other businesses are doing in this crucial area. Of the 35 respondents that had an equal pay audit in place, only 63% were willing to disclose their findings to the Forum.
5. The Forum has adopted the best practice set out by the Equal Opportunities Commission (EOC) as the framework under which it expects listed companies to identify, address and report on equal pay issues.<sup>1</sup>
6. Cllr Darrell Pulk, chair of the £70 billion strong Forum, said: "A company's approach to equal pay is an important new criterion for pension fund investors to assess how the company values its employees and manages its 'human capital'. The benefits of audits will outweigh the costs in the long term, but in order for shareholders to reward companies' efforts in the market, they need to see performance and progress on equal pay reported in annual reports and accounts, using meaningful key performance indicators, on the basis of equal pay audits. The Forum will continue to campaign for companies to take the issue of equal pay seriously, as part of its ongoing campaign for best practice in human capital reporting."

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<sup>1</sup> Available at [www.eoc.org.uk](http://www.eoc.org.uk)

The Forum recognises that although equal pay legislation has been in force for over 30 years, women still earn on average 81% of the hourly earnings of male employees.<sup>2</sup> Continuing inequality increases the risk of equal pay cases being taken against companies, resulting in both the actual costs of proceedings and settlements, and indirect costs arising from reputational damage and loss of shareholder confidence. More hidden costs include those arising from lower productivity and absenteeism amongst women workers who feel they are discriminated against by low levels of pay.

### Survey Findings

7. Overall 60 companies, representing 20% of companies contacted, responded to the survey. Of these, 31 (52%) were from the FTSE 100.

<b>Respondents</b>	<b>Policy in place</b>	<b>Audit in place</b>	<b>Willing to disclose audit results<sup>3</sup></b>
60 (100%)	40 (67%)	35 (58%)	22 (63%)

8. Companies in the FTSE 100 were more likely to have a policy or audit in place, and more willing to disclose the results of an audit than those in the FTSE 250.

<b>Market Cap</b>	<b>Respondents</b>	<b>Policy in Place</b>	<b>Audit in Place</b>	<b>Willing to disclose audit results<sup>4</sup></b>
FTSE 100	31 (100%)	23 (74%)	21 (68%)	16 (76%)
FTSE 250	29 (100%)	17 (59%)	14 (48%)	6 (43%)

### About LAPFF:

The Local Authority Pension Fund Forum (LAPFF), which was set up in 1991, is a voluntary association of 39 public sector pension funds based in the UK. It exists 'to promote the investment interests of local authority pension funds, and to maximise their influence as shareholders to promote corporate social responsibility and high standards of corporate governance amongst the companies in which they invest.' The Forum's members currently have combined assets of over £70 billion.

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<sup>2</sup> Equal Opportunities Commission, *Code of Practice on Equal Pay*, 2003

<sup>3</sup> Of respondents with audits in place

<sup>4</sup> Of respondents with audits in place