Gender Pay Equity and Australian Listed Companies

ASX100 COMPANIES’ COMMITMENTS AND DISCLOSURES RELATED TO GENDER PAY EQUITY
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ABOUT THE AUTHORS

ACCR

The Australasian Centre for Corporate Responsibility (ACCR) is a not-for-profit association that promotes responsible investment through undertaking and publishing research to evaluate and improve the performance of Australian listed companies on environmental, social and governance (ESG) issues. We have a small portfolio of shares that we hold for the purpose of engaging with companies on ESG issues, including through the filing of shareholder resolutions. We encourage other investors to use our research to engage with companies in their portfolio.

www.accr.org.au

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CAER's mission is to broaden the reach of ethical and responsible investment. To achieve this we provide, structure and add value to ESG information on companies and investment portfolios.

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INTRODUCTION

Gender pay equity is achieved when women and men receive equal pay for work of equal or comparable value.¹ A disparity between women and men’s pay is often referred to as the ‘gender pay gap’ or ‘gender pay inequity’.

The ILO (International Labour Organisation) lists four actors that are key in the monitoring and enforcement of equal pay:

- The State
- Employers
- Trade Unions and NGOs
- Individuals

However, this report argues that it is also in investors’ interests to play a role in monitoring and enforcing gender pay equity.² This can be done through engagement with companies, shareholder voting and through implementing screens on companies that are not seen to be adequately addressing gender pay equity. This report seeks to be a basis for investors, and companies to engage with this topic.

In the United States there have been shareholder resolutions relating to gender pay equity that have received broad investor support.³ Furthermore, as an increasing number of investors map their investments to the Sustainable Development Goals, the Gender Pay Gap becomes an explicit part of investment analysis: Goal 8 is to achieve ‘Decent Work and Economic Growth’ and includes specific targets to address gender pay inequality.⁴

This report has two distinct sections. The first section provides context on issues relating to gender pay equity. This section covers the international norms concerning gender pay equity, describes the Australian context and legislation with a comparison made with the United States and the United Kingdom, therefore providing a baseline rationale for individual company action.

The second section analyses the disclosures of the top 100 ASX companies on questions relating to gender pay equity. This section highlights best practice examples of companies addressing gender pay inequity and concludes with a discussion on companies that are not adequately addressing gender pay inequity.
PART 1: BACKGROUND AND RATIONALE

This section provides information as to why gender pay equity is a material issue for Australian companies. It outlines international norms concerning gender pay equity and describes the Australian context and legislation. Part 1 then concludes by offering a comparison of legislation approaches in the United States and the United Kingdom. Investor attention and action in these countries related to gender pay equity is also discussed.

INTERNATIONAL NORMS

International norms set out the basis for action on gender pay equity for governments, and in turn, companies that operate within those jurisdictions. This section outlines core international norms that cover gender pay equity.

International Labour Organisation

The International Labour Organisation (ILO) is the United Nations agency responsible for developing international labour standards. During the 34th Session of the ILO in June 1951, also known as the Equal Remuneration Convention (1951, No.100), the ILO adopted a convention that set out 14 Articles detailing information concerning equal remuneration for men and women workers for work of equal value. The Equal Remuneration Convention sets out actions for Members, for example, Article 2 of the convention sets out how the principles of equal remuneration for equal work for men and women, see Figure 1. During the 92nd session of the ILO in June 2004, the ILO conference adopted a resolution concerning the promotion of gender equality, pay equity and maternity protection. Other ILO conventions that cover discrimination and employment include, but are not limited to, the Discrimination (Employment and Occupation) Convention, (1958, No.111), and the Workers with Family Responsibilities Convention, (1981 No. 156).

Figure 1 - ILO Equal Remuneration Convention, 1951 (No.100), Article 2

1. Each Member shall, by means appropriate to the methods in operation for determining rates of remuneration, promote and, in so far as is consistent with such methods, ensure the application to all workers of the principle of equal remuneration for men and women workers for work of equal value.

2. This principle may be applied by means of--
   (a) national laws or regulations;
   (b) legally established or recognised machinery for wage determination;
   (c) collective agreements between employers and workers; or
   (d) a combination of these various means.
The ILO works to promote gender pay equity beyond resolutions adopted at the ILO conventions. For example, the ILO Action Plan for Gender Equality (2016-2017) is a strategic tool, mandated by the ILO policy on gender equality, to help ILO Constituents – governments, workers, employers and their representative organisations achieve the goal of equality between women and men in the world of work – which includes the goal of gender pay equity.  

**The Beijing Declaration and Platform for Action**

The United Nations Commission on the Status of Women is the principle UN body exclusively dedicated to the promotion of gender equality and the empowerment of women. The United Nations Commission on the Status of Women organised a conference in Beijing in 1995. During this conference ‘gender mainstreaming’ came to the forefront of public policy debate. In the Beijing Declaration, a plan of action was created that included an assurance for gender perspectives to be reflected in all policies and programs of the national and international policies of the governments participating in the conference. The gender mainstreaming approach has been used to progress gender pay equity in a number of ways, as it moves beyond individual discrimination and fair treatment to a focus on broader underlying institutions that directly or indirectly lead to unequal pay. Gender mainstreaming can provide an analysis of how pay systems and the value attached to women’s work are effected by historical, social, cultural and political factors.

**The Sustainable Development Goals**

The Sustainable Development Goals (SDGs) developed at the United Nations Conference on Sustainable Development in Rio de Janeiro in 2012, set out the global agenda for 2030. The SDGs include 17 goals with 169 targets and 230 indicators. The Millennium Development Goals, which started a global effort in 2000 to tackle poverty, were replaced by the SDGs. All 17 goals of the SDGs interconnect and involve the international community in order to help build a more sustainable, safer more prosperous planet for all.

SDG 8 refers to promoting sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all. SDG 8 includes a target (Target 8.5) that states: ‘By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value.’ One of the indicators for target 8.5 is to calculate the ‘average hourly earnings of female and male employees, by occupation, age and persons with disabilities’.
The Workplace Gender Equality Agency (WGEA) is a statutory agency of the Australian Government tasked to improve gender equality in Australian workplaces. Every year WGEA publishes a snapshot of Australia’s Gender Pay Gap Statistics in Australia. Australia’s national full time gender pay gap based on ABS wage data was reported at being 15.3%, with women earning on average AUD 253.70 per week less than men do. The full-time total remuneration gender pay gap based on WGEA data has been reported at 22.4%, with women working full time earning nearly AUD 26,527 less a year than a man. The 2018 Gender Equity Insights report published by the WGEA in a partnership with Bank West and Curtin University also detailed that male executives earn on average AUD 309,000, whereas female executives earn AUD 235,000. This demonstrates that a significant gender pay gap also exists at the senior management/executive level. The WGEA Gender Equity Insights report states that the gender pay gap typically increases with occupational hierarchy, with “higher status occupations in management” accompanied by a wider gender pay gap.

Figure 2 - The Gender Pay Gap in Australia

The data used by WGEA for calculating the national gender pay gap is the Australian Bureau of Statistics (ABS) Full-Time Adult Average Weekly Ordinary Time Earnings Trend series from the Australian Weekly Earnings (AWE) survey. The survey estimates the full-time adult average weekly ordinary time earnings (trend) before tax, excluding factors such as overtime, pay that is salary sacrificed and junior and part-time employees.

\[ \text{Gender Pay Gap (GPG)} = 100\% \times \frac{\text{Male Average Earnings} - \text{Female Average Earnings}}{\text{Male Average Earnings}} \]
Gender Pay Gap by to Industry in Australia

The WGEA identifies the best and worst performing industries in Australia when it comes to gender pay equality. According to the WGEA calculations, the industry where the gender pay gap is the highest in Australia is Financial and Insurance Services, where the pay gap lies at 26.1%. Other industries in the top 5 for the highest gender pay gap as at November 2017 are Rental, Hiring and Real Estate Services, Arts and Recreation Services, Health Care and Social Assistance and Professional, Scientific and Technical Services (see Table 1).

Table 1 Industries with the highest gender pay gap: Full-Time base salary gender pay gap by Industry, November 2017

<table>
<thead>
<tr>
<th>Industry</th>
<th>Pay Gap at November 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial and Insurance Services</td>
<td>26.1</td>
</tr>
<tr>
<td>Rental, Hiring and Real Estate Service</td>
<td>23.6</td>
</tr>
<tr>
<td>Arts and Recreation Services</td>
<td>23.0</td>
</tr>
<tr>
<td>Health Care and Social Assistance</td>
<td>22.8</td>
</tr>
<tr>
<td>Professional, Scientific and Technical Services</td>
<td>22.6</td>
</tr>
</tbody>
</table>

The five industries with the lowest gender pay gap are Education and Training, Electricity, Gas, Water and Waste Services, Retail Trade, Other Services, and Public Administration and Safety (see Table 2).

Table 2 Industries with the lowest gender pay gap: Full-Time base salary gender pay gap by Industry, November 2017

<table>
<thead>
<tr>
<th>Industry</th>
<th>Pay Gap at November 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Education and Training</td>
<td>11.3</td>
</tr>
<tr>
<td>Electricity, Gas, Water and Waste Services</td>
<td>10.5</td>
</tr>
<tr>
<td>Retail Trade</td>
<td>8.1</td>
</tr>
<tr>
<td>Other Services</td>
<td>6.8</td>
</tr>
<tr>
<td>Public Administration and Safety</td>
<td>6.8</td>
</tr>
</tbody>
</table>

There are a number of reasons as to why certain industries have lower gender pay gaps than others. For example, the percentage of women and men within the industry, the existence of collective bargaining agreements, and performance-based pay initiatives all effect gender pay gaps.
Furthermore, the Congressional Joint Economic Committee of the United States Congress published a report detailing *Gender Pay Inequality - the consequences for Women, Families and the Economy* in April 2016, which discloses factors that contribute to the Gender Pay Gap including gender-based discrimination. There are two fundamental causes of a gender pay gap, the first is with regards to discrimination – either unconscious or conscious – within the company, the second is an artefact of the composition of the workforce. The report found that ‘as much as 40 percent of the overall gender pay gap cannot be explained by factors that would affect earnings [such as education and experience] and may be due to discrimination’.24 Compositional factors that contributed to the non—discrimination related portion of the gender pay gap highlighted in the report included:

- the under-representation of women in leadership positions
- more women working in lower-paying fields
- women more likely than men to be the primary caregivers of other family members
- women forced to work part time earn less.25

This section addresses what companies, with certain organisational and pay structures, can do to address their gender pay gap with respect to current Australian government legislation.

### Wage setting in Australia - Collective Bargaining and Enterprise Bargaining Agreements

There are differing views on how trade unions and collective bargaining impact gender pay equity.26 A report by the ILO, titled ‘Closing the Gender Pay Gap’, explores how trade unions, collective bargaining and social dialogue can play a positive role in reducing the gender pay gap.27 The report argues that individual rights on their own are not normally sufficient to instigate major social changes and redistribution and therefore collective bargaining can be utilised as a tool to reduce the gender pay gap on a collective ground.28 However, collective bargaining agreements do not necessarily eliminate gender pay gaps, and in certain circumstances the negotiation of a collective bargaining agreement can discriminate against women – for example, by neglecting flexible working arrangements and provisions for maternity and parental leave.29

**Table 3** sets out the main methods of wage setting, disaggregated according to employment size of an organisation based on Fair Work Commission’s Australians Workplace Relations Study (AWRS). According to the AWRS data, in Australia 10.7% of all enterprises are reliant on enterprise agreements, and 51.2% of all enterprises rely on award based methods of wage setting. Therefore, as more than half of all enterprises wages are set by these agreements or awards, it is important that gender pay equity is considered when formulating and implementing these agreements and awards.
Table 3 Main method of setting pay by employment size, per cent of enterprises in Australia.

<table>
<thead>
<tr>
<th>Method of Wage Setting</th>
<th>5–19 employees (%)</th>
<th>20–199 employees (%)</th>
<th>200+ employees (%)</th>
<th>All enterprises (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Enterprise agreement</td>
<td>6.9</td>
<td>21.0</td>
<td>49.9</td>
<td>10.7</td>
</tr>
<tr>
<td>Individual arrangement</td>
<td>41.9</td>
<td>28.6</td>
<td>23.3</td>
<td>38.1</td>
</tr>
<tr>
<td>Award based*</td>
<td>52.1</td>
<td>50.4</td>
<td>26.9</td>
<td>51.2</td>
</tr>
<tr>
<td>Award reliant**</td>
<td>23.2</td>
<td>30.8</td>
<td>17.7</td>
<td>24.6</td>
</tr>
<tr>
<td>Over-award***</td>
<td>27.0</td>
<td>18.0</td>
<td>8.7</td>
<td>24.8</td>
</tr>
</tbody>
</table>

* Award-based includes arrangements where the award is used as a guide/base for pay setting or pay is set at exactly the award rate.
** Award-reliant is setting a pay rate at exactly the applicable award rate.
*** Over-award is a method where pay is set with reference to an award rate (i.e. as the base) but not at exactly the applicable award rate.

Table 4 sets out how employees negotiate their salary, further broken down by gender. It shows that a greater proportion of males (51%) than females (36%) reportedly negotiated their wage/salary with their employer directly, whereas the majority of females either go with market rate or award salaries.

Table 4 Method of setting pay by gender and industry, per cent of employees in Australia

<table>
<thead>
<tr>
<th>Method of setting pay</th>
<th>Negotiation (%)</th>
<th>Market rate (%)</th>
<th>Enterprise Agreement (%)</th>
<th>Award (%)</th>
<th>Other (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>All employees</td>
<td>42.6</td>
<td>20.1</td>
<td>14.5</td>
<td>22.4</td>
<td>0.4</td>
</tr>
<tr>
<td>Gender</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Male</td>
<td>51.3</td>
<td>19.3</td>
<td>14.3</td>
<td>14.5</td>
<td>0.6</td>
</tr>
<tr>
<td>Female</td>
<td>35.8</td>
<td>20.6</td>
<td>14.7</td>
<td>28.5</td>
<td>0.3</td>
</tr>
</tbody>
</table>

Data from the ABS (Australian Bureau of Statistics) suggests that gender pay gaps are less prevalent when pay is set by an award or collective agreement. The average weekly gender pay gap reportedly sits at 13.1% when pay is set through awards of collective agreements, in contrast to 19.1% when set by individual arrangement. However, this does not negate the responsibility of employers to conduct gender pay equity analysis or audits to assess whether there is a gender pay gap within their organisation, and aim to reduce a gender pay gap where they exist.
Gender pay gaps may exist in an organisation that has collective bargaining agreements because:

- Women are not represented at negotiation – this could lead to trade-offs impacting differently on working conditions for female dominated jobs and male dominated jobs.
- Men are clustered into higher paying jobs with higher award levels while women are clustered into lower award levels.

Gender pay gaps like this can occur like-for-like level or by-level. An example of a like-for-like level pay gap could be that employees have unequal access to additional benefits. An example of a by-level a gender pay gap would be one that could emerge from gender bias in the promotion process. 

**Figure 3** further explores potential reasons for a gender pay gap on a like-for-like and by level.

**Figure 3 - Reasons for Gender Pay Gap within organisations that have Collective Bargaining Agreements – Like-for-like and By-level**

<table>
<thead>
<tr>
<th>Like-for-like level</th>
<th>By-Level</th>
</tr>
</thead>
<tbody>
<tr>
<td>Awards and enterprise agreements may include a salary range for a job range</td>
<td>Women and men progress through the employment levels at different rates, which may arise from gender bias in the promotion or progression process</td>
</tr>
<tr>
<td>Employees have unequal access to additional benefits (allowances, overtime, etc)</td>
<td>Women in lower paying jobs and men in higher paying jobs yet jobs are of comparative value (can be caused by the inappropriate classification of jobs in the award and pay systems and under-recognition of the qualifications needed to do them)</td>
</tr>
<tr>
<td>Position requirements have changed since the original classification</td>
<td></td>
</tr>
<tr>
<td>There is an element of performance base pay (bonus)</td>
<td></td>
</tr>
</tbody>
</table>

**Australian Legal Precedents and Government Legislation**

There are a number of historical legal cases in Australia, which have set precedents dealing with company obligations to close the gender pay gap. The Equal Pay for Equal Work decision of 1969 deliberated equal pay for female Commonwealth public servants and meat industry employees. The Equal Pay for Work of Equal Value decision of 1972 ruled that all award rates, other than the minimum wage, would be set without regard to the sex of the employee.

With regard to government legislation, The Federal Sex Discrimination Act 1984 makes it unlawful for an employer to provide less favourable terms and conditions of employment to an employee based on their sex, marital or relationship status, actual or potential pregnancy, sexual orientation, gender identity, intersex status or breastfeeding. People facing sex discrimination in the private
sector can make a complaint to the Human Rights Commission under the Federal Sex
complaints relating to workplace sex discrimination were received in 2016-2017. However, it is
still very difficult for plaintiffs to prove that women are earning less than their male counterparts for
the same work. For example, the burden of proof is on the claimant, which generally makes it easier
for the employer to explain reasons for pay discrepancy that are not connected to gender.

In 2012 the Workplace Gender Equality Act 2012 replaced the Equal Opportunity for Women in the
Workplace Act 1999. The Workplace Gender Equality Act’s main principles include:

- Promote and improve gender equality (including equal remuneration between women and
  men) in employment and in the workplace
- support employers to remove barriers to the full and equal participation of women in the
  workforce, in recognition of the disadvantaged position of women in relation to employment
  matters
- promote, amongst employers, the elimination of discrimination on the basis of gender in
  relation to employment matters (including in relation to family and caring responsibilities)
- foster workplace consultation between employers and employees on issues concerning
  gender equality in employment and in the workplace
- improve the productivity and competitiveness of Australian business through the
  advancement of gender equality in employment and in the workplace.

The Workplace Gender Equality Act 2012 utilises the following definitions:

‘Man means a member of the male sex irrespective of age.
Woman means a member of the female sex irrespective of age.’

This means that people who were assigned as intersex at birth are not registered under this
reporting. Furthermore, it means that the legislation refers to the sex, rather than the gender identity,
of people (see Appendix 1 for further information regarding definitions). Therefore, when WGEA
refers to a ‘gender pay gap’, they are referring to a ‘biological sex’ pay gap, which means certain
individuals, such as intersex, gender fluid, trans or non-binary people are not necessarily accounted
for in these statistics.

In addition to Federal legislation, each State and Territory also has its own laws prohibiting sex
discrimination in employment. This has meant that certain states or territories have better legal
protections than others. For example, only in December 2017, NSW repealed a law that allowed
employers to dismiss or refuse to hire women who knew they were pregnant when applying for a
job.
WGAE Reporting

The Workplace Gender Equality Act 2012 requires non-public sector employers with 100 or more employees to submit a report that includes a workplace profile and a reporting questionnaire based on six gender equality indicators (see Figure 4). This means that the majority of large listed ASX companies are captured by WGEA reporting requirements. This information has to be submitted to the WGEA between 1 April and 31 May each year for the preceding 12 months period. Components of the WGEA reporting, as publicly disclosed by ASX100 companies, is further dissected and analysed in Section 2 of this report.

Figure 4 - WGEA Reporting Gender Equality Indicators (GEIs) 43

The WGEA also publishes reports that analyse gender and work related datasets, for example Gender Equality in the ASX 200 - June 2016, Gender Pay Gap Statistics August 2017, and International Gender Reporting Schemes, January 2018. These reports identify better and worse performing industries in Australia, and compare Australian legislation/performance to global counterparts.

ASX Guidelines

While not government regulated, listing rules can play an important part when encouraging greater transparency and disclosures for investors. While not mandatory to report, the ASX has governance principles that work under the ‘comply or explain’ principle, meaning that in practice most companies comply and supply the information they are asked to disclose. The ASX Corporate
Governance Principles and Recommendations state that listed companies must remunerate fairly and responsibly (Principle 8). In the commentary section of Recommendation 1.5, the ASX Corporate Governance Council encourages listed companies to undertake gender pay equity audits in order to assess the effectiveness of their diversity policy. Gender pay equity however is not part of the official ASX Corporate Governance Principles and Recommendations. Information on gender that companies are asked to disclose against the ASX Corporate Governance Principles and Recommendations include whether a company has a diversity policy that includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving gender diversity. Under recommendation 1.5 a reporting entity is also encouraged to either:

1) Report the respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined “senior executive” for these purposes), or

2) If the entity is a “relevant employer” under the Workplace Gender Equality Act, the entity’s most recent “Gender Equality Indicators”, as defined in and published under that Act.16

WGEO Previous Report Findings on ASX listed Companies

The WGEA publishes an annual review each year summarising some of the findings from all of the WGEA disclosures from that reporting year. In the past, the WGEA has published a snapshot of how the ASX200 companies are performing with regards to gender equity indicators. The last report was published in June 2016. However, no specific organisations were highlighted as being leaders or laggards. However, the report did disclose the difference between ASX 200 companies and non-ASX200 companies with regards to a variety of indicators such as the representation of women on boards and managerial positions, the full-time total remuneration gender pay gap, and more. The report disclosed that the full-time total remuneration gender pay gap of the ASX 200 companies lay at 28.7%, whereas non-ASX200 companies pay gap lay at 22.7%. Furthermore, the disparity between the non-manager category of the ASX200 and non-ASX200 (25.7% and 18.8% respectively) is higher than the disparity of the manager category (30.3% and 29.8% respectively). This highlights the fact that the disparities do not just lie at the top tiers of companies, but resonate throughout all levels of the organisations. The second section concentrates on the publicly available disclosures relating to gender pay equity of ASX 100 companies to bring more light on the actions of these listed companies and the ways in which they are addressing the gender pay gap.
INTERNATIONAL COMPARISON: UNITED STATES

The Gender Pay Gap in the United States

In 2016 the American Association of University Women (AAUW) reported women in the United States were paid 80 per cent of what men were paid.\(^4\) In the first year after graduation, women were found to be paid only 82\% of what male graduates in a similar work situation were. Ten years after graduation the pay gap increased to find women receiving only 69\% of their male counterparts’ earnings. The pay gap widens further if racial discrimination is also considered, finding Hispanic and Latina women’s pay to equal only 54\% of what white males were earning in 2014.\(^4\)

United States Legislation

Currently in the United States, in accordance with the Equal Pay Act of 1963, it is deemed illegal for a man and woman working in a substantially similar role to be paid different amounts.\(^5\) Furthermore, if there is an inequality in wages between men and women, an employer is not allowed to reduce the pay of either person to equalise their wages.\(^5\)

In the United States, private employers with more than 100 employers are required to submit an annual survey, known as the EEO-1 report that includes information on employee numbers by job category, gender, race and ethnicity.\(^5\) This survey is submitted to the US Equal Employment Opportunity Commission.\(^5\) However, unlike their Australian counterparts the EEOC is prohibited by federal statute from making the employment data derived from any of its compliance surveys public.\(^5\)

INTERNATIONAL COMPARISON: UNITED KINGDOM

The Gender Pay Gap in the United Kingdom

The gender pay gap in the U.K. has dropped from 1997, however, in recent years has remained steady. In 1997, the gap for full time employees was 17.4\% while in 2016 the full time gap was reported at 9.4\%, these rates are lower than that of around 20\% seen in the U.S and lower than the reported 15.3\% in Australia. The gap for all employees in the U.K. (part-time and full time) has decreased from 19.3\% in 2015 to 18.1\% in 2016.\(^5\)

\(^\) The 2018 report requires that private sector employers with 100 or more employees must submit summary pay data. Under the new requirements, employers report on the gender composition of the workforce, the gender employment status as well as pay data by gender and ethnicity in 12 different pay bands. However, on 29th August 2017, the Trump Administration suspended these changes for reasons related to both privacy and a need for review the changes under the Paperwork Reduction Act. Existing EEO-1 obligations will continue to be met, however, employers will not need to fill out the relevant information the revised element would have introduced to the form such as wages, hours worked or the new ‘12 pay band’ system.
United Kingdom Legislation

Employers in England, Wales and Scotland with at least 250 employees are required to publish gender pay information annually. The United Kingdom’s metrics for reporting gender pay equity are more rigorous than the Australian reporting requirements. Employers are required to publish six metrics (Table 5). Employers are also required to report on the number of men and women working within salary bands. The first round of disclosures were published in April 2018. There are no civil penalties for non-compliance, rather reputational risk is seen as a driver for disclosure. Furthermore, non-compliance can amount to an ‘unlawful act falling within the enforcement powers of the Equality and Human Rights Commission’. The Equality and Human Rights Commission aims to take a staged approach to enforcement by dividing employers by industry and by initiating enforcement actions in tranches. In 2018/2019 the Equality and Human Rights Commission aims to initiate enforcement action against all employers who have not reported their pay gap data. The UK six reporting metrics go beyond Australian reporting requirements that do not specifically ask for quantitative gender pay gap figures.

Table 5 - UK Gender Pay Equity Reporting Metrics

<table>
<thead>
<tr>
<th>Metric</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>The mean gender pay gap</td>
<td>The difference between the mean hourly rate of pay of male full-pay relevant employees and that of female full-pay relevant employees</td>
</tr>
<tr>
<td>The median gender pay gap</td>
<td>The difference between the median hourly rate of pay of male full-pay relevant employees and that of female full-pay relevant employees</td>
</tr>
<tr>
<td>The mean gender bonus gap</td>
<td>The difference between the mean bonus pay paid to male relevant employees and that of female relevant employees</td>
</tr>
<tr>
<td>The median gender bonus gap</td>
<td>The difference between the median bonus pay paid to male relevant employees and that of female relevant employees</td>
</tr>
<tr>
<td>The proportions of men and women getting a bonus</td>
<td>The proportions of male and female relevant employees paid bonus pay</td>
</tr>
<tr>
<td>The proportion of men and women in each of four pay quartiles</td>
<td>The proportions of male and female relevant employees in the lower, lower middle, upper middle and upper quartile pay band</td>
</tr>
</tbody>
</table>
The United Kingdom’s Government Equalities Office has also published a Gender Pay Gap report, which includes suggested actions for employers. It also includes a ‘To Do List’ for employers. The To Do list includes:

- calculating and publishing gender pay gap information
- analysing data to learn where employers can achieve the biggest improvement, and
- committing to an action plan and monitoring progress.

**RATIONALE FOR COMPANY ACTION**

**Reasons to Champion Gender Pay Equity**

There are many reasons for a company to improve gender pay equity. Lower pay inequity makes it easier for companies to attract and retain talent. Furthermore, lower pay inequity can lead to a more diverse workforce, which produces better outcomes and increases the pool of talent from which the company can recruit staff. There is a growing body of research that is finding companies perform better when they have gender pay equity. For example, the Mercer report demonstrated a link between pay equity and greater gender diversity. The size of a Company’s gender pay gap is also a key indicator of how well a company is performing in terms of building the gender diverse workforce. Encouraging gender diversity is also increasingly important, as it has been linked to higher financial returns. A McKinsey & Company Report, ‘Why Diversity Matters’ (2015), found that companies that lie in the top quartile of gender diversity were 15 percent more likely to have financial returns that were above their national industry median.

Lower pay inequity also correlates with a motivated and productive workforce. Addressing gender pay equity can reduce a company’s reputational and litigation risk. For example, by reducing gender pay inequity a company can avoid costly discrimination complaints and negative public awareness campaigns. There is also evidence to show that narrowing the gender pay gap could boost Australia’s long-term productivity. For example, research published by Tom Kennedy, Maria Rae, Alison Sheridan and Abbas Valadkhani examines the relationship between labour productivity and the gender pay gap in all states and territories found that reducing the gender pay gap by 10% can boost per capita GDP output up to 3%.

Listed companies can take the lead by setting examples of best practice policies and systems to ensure gender pay equity. Listed companies, unlike unlisted companies, are accountable to public shareholders, and are therefore expected to be more transparent. Furthermore, the expectations for a listed company’s continuous and periodic disclosure are higher than for unlisted companies, as set out under the Corporations Act and listing rules. Ensuring gender pay equity is also an important step for organisations to proactively manage any associated legal risks associated, as a
failure to do so may result in the organisation and individuals being exposed to a range of legal claims.  

Companies that show leadership in this space receive positive feedback, and could potentially attract further investment. For example, in the United States, Adobe disclosed in December 2017 that it achieved equal pay among women and men at their United States operation, and is working to close the gap across their operations in India. Adobe also scored the fourth-highest rating in the employee engagement and development category of the Drucker Institute’s Management Top 250 list of the most effectively managed US Companies in December 2017. The rating takes into account job satisfaction, opportunities for advancement and compensation received by employees.

**Company Actions to Address Gender Pay Equity**

*Figure 5* highlights the Best Practice Guide for achieving gender pay equity as outlined by the Fair Work Ombudsman.  

*Figure 5 - Best Practice Guide for achieving Gender Pay Equity as outlined by the Fair Work Ombudsman*

- men and women performing the same work are paid the same amount
- men and women performing different work of equal value are paid the same amount
- the wages and conditions of jobs are assessed in a non-discriminatory way. This is done by valuing skills, responsibilities and working conditions in each job or job type (even where the work itself is different) and then remunerating employees accordingly
- the workplace’s organisational structures and processes do not impede female employees’ access to work-based training, promotions or flexible working arrangements.

Conversations around gender pay equity are often difficult for companies to have, as it requires transparency and a recognition of where, why and how disparities have been created. Furthermore, once these disparities have been analysed, trying to remediate and reduce them may result in certain employees receiving pay cuts. The 2018 Gender Equity Insights report, published by the WGEA in a partnership with Bank West and Curtin University, detailed how top-tier male managers and executives average pay decreases after companies take action on gender pay audits.  These
Pay cuts represented less than 1% of male senior managers' pay, and between 2016 and 2017 helped reduce the gender pay gap in companies' senior ranks by 5%. However, the fact that these conversations can be difficult, further highlights the deep entrenchment of gender inequity, and the need for action and remediation. Energy Australia is an example of an Australian company taking a best practice approach to reduce their gender pay gap. After conducting a payroll analysis and finding a two percent pay gap, Energy Australia cut their gender pay gap by spending 1.2 million to boost the pay packets of 350 women who were receiving less than their male counterparts. The Company also promised a review after five years to ensure men have not negotiated their way back towards a gender pay gap. 70

A summary of other best practice actions that can be taken to address gender pay equity that relate to recruitment, promotion and employment conditions is illustrated in Figure 6.

**Figure 6 - Actions to reduce gender pay gap during employment process**

**Recruitment**
- Avoid unconscious bias in job advertisements - e.g. ungender job advertisements by analysing language and tone used
- Blind recruitment
- Review the process for matching job descriptions to award classifications

**Promotion**
- Monitor promotions
- Review the performance management system

**Employment Conditions**
- Flexible working - including job sharing, time-in-lieu, part-time work, telecommuting and more
- Leave provision - including carer's leave, purchased leave and unpaid leave
- Child Care - including employer-subsidised childcare and breastfeeding facilities

Further, there are specific suggested actions for Board, Executive and Senior Management to undertake that can improve gender pay equity, including public commitments such as the Gender Pay Equity Pledge (see further commentary on this below), action plans, and pay roll and job evaluation analysis (see Figure 7).
Figure 7 - Actions to reduce gender pay gap for Senior Levels of Organisation

<table>
<thead>
<tr>
<th>Board</th>
</tr>
</thead>
<tbody>
<tr>
<td>• CEO Signing up to initiatives such as the Gender Pay Equity Pledge</td>
</tr>
<tr>
<td>• Review remuneration decision-making processes</td>
</tr>
<tr>
<td>• Set targets to reduce like-for-like or organisation wide gaps</td>
</tr>
<tr>
<td>• Set reducing Gender Pay gap as a priority target and assign the responsibility for monitoring progress to a member of the senior leadership team who will report on progress to the board quarterly</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Executive</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Create a pay equity strategy or action plan</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Senior Management</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Conduct a pay roll analysis</td>
</tr>
<tr>
<td>• Identify causes of the gaps</td>
</tr>
<tr>
<td>• Analyse commencement salaries, performance ratings and pay by gender to ensure there are no pay gaps</td>
</tr>
<tr>
<td>• Report pay equity metrics to the governing body, executive, employees and externally</td>
</tr>
<tr>
<td>• Conduct a gender-based job evaluation process</td>
</tr>
<tr>
<td>• Correct like-for-like gaps</td>
</tr>
</tbody>
</table>

The Mercer Report, ‘when women thrive, businesses thrive’ found that formal accountability turns out to be insignificant in increasing gender diversity when divorced from true leadership engagement. However, organisations where leaders are actively involved in diversity programs have more women at the top and throughout the organization, as well as more equitable talent flows between women and men. This means that initiatives such as the Gender Pay Equity Ambassadors WGEA initiative, is a potential way to have formal accountability entwined with leadership engagement.

**Gender Pay Equity Ambassadors**

The WGEA has started the Gender Pay Equity Pledge initiative to drive change in the private and public sector from the top of the organisation (from Chief Executive Officers and Heads of Department) down through the organisation. This research took into account whether a company’s CEO or director had made a public commitment to the WGEA Pay Equity Pledge.

To become a Pay Equity Ambassador, the ambassador’s organisation must have:

- Undertaken a pay gap analysis of its workforce in the last two years,
- Taken action on the results, and
- Communicated their pay equity initiatives to their employees.
The pledge has been signed by 157 directors and CEO’s as at 03 May 2018. It is a public commitment, and signatories are listed on the WGEA website. By playing a leadership role and committing to the pledge a company is reinforcing their commitment to pay equity within their own organisation and promoting gender pay equity. The text of The Pay Equity Pledge is reprinted in Figure 8.

**Figure 8 The WGEA Pay Equity Pledge**

The Pay Equity Pledge

“We recognise gender bias can creep into performance, talent development and pay decisions to create like for like gender pay gaps.

That’s why we analyse and monitor our talent management data, including pay, by gender and take action.

We also set the expectation among people managers that they address gender bias in their decision making.

We do this because we know we can’t attract and retain the best people and improve workplace productivity if there’s any unfairness or perception of unfairness in our workplaces.

We encourage all business leaders to take the first step.

Equal pay is in your hands.”

**INCREASED INVESTOR ATTENTION**

Investor attention is moving beyond women on the board towards issues such as gender pay equity.

Many Australian superannuation funds are campaigning to reduce the gender pay gap in superannuation balances. Women in Super launched their #MakeSuperFair campaign in September 2017. The campaign aims to reduce the gap between women and men’s superannuation. On average, women currently retire with 47% less super than men. The high gap between women and men’s superannuation leads to women being heavily disadvantaged in retirement. However, it is important to note that the campaign is championing governments to close the super gap – rather than companies. The campaign is requesting that the government:

- Provide women and other low income earners with an additional AUD 1,000
- Make sure there are no delays in increasing the superannuation guarantee to 12%
• Remove the $450 monthly pay threshold which sees an estimated 220,000 women miss out on super every year
• Make sure that super is paid on parental leave, to ensure it is treated like all other types of leave
• Measure and publish the impact that any future changes to super would have on women

Superannuation companies that have been supporting the #MakeSuperFair campaign include, but is not limited to, the Australian Institute of Superannuation Trustees, AustralianSuper, CareSuper, CBUS Super, First State Super, HESTA Super, Industry Fund Services, Industry Super Australia, Industry Super Property Trust, Link Group, Rice Warner, Stateplus and Uni Super.

The natural corollary for superannuation companies is to place pressure on the companies they invest in to reduce their gender pay gap. However, investors in Australia and the United Kingdom lag behind their United States counterparts with regards to shareholder action on gender pay equity issues.

**Shareholder Resolutions Targeting Gender Pay Gaps**

Changes to gender pay equity within companies have been prompted by gender pay related shareholder resolutions. In the United States, investors have started asking companies to address pay gaps in their workforces. In 2017 financial companies including Bank of America, Citigroup, Travelers, Mastercard, Prudential Financial, AIG, American Express and Wells Fargo have received shareholder resolutions aiming for greater transparency on gender pay gaps. Prudential Financial and AIG who have agreed to publish more information, whereas other companies have argued that they are already taking sufficient action to encourage workplace diversity.

These resolutions generally focus on transparency of pay to expose the extent of sex-based pay discrimination and, due to the illegality of such gaps, they ultimately have the aim to close the gap. Arjuna Capital, an investor firm, has been a major filer of such resolutions having put resolutions to large tech companies in 2016 and 2017, and to financial firms in 2018. The large technology companies that Arjuna engaged with in 2016 through AGM resolutions and shareholder engagements include Ebay, Intel, Apple, Expedia, Microsoft, Facebook and Amazon. Resolutions put toward Facebook in both 2016 and 2017 cite the increased gender pay gap across the information technology sector, as well as the extensive supporting evidence that diversity in leadership leads to increased performance. Furthermore, after a majority vote by its shareholders in 2016 to take steps to close its gender pay gap Ebay has provided similar reports, and gone so far as to achieve gender pay equity after a two year long campaign by Arjuna Capital. These resolutions have led to the increase in transparency of gender pay reports by the respective companies. Some companies, such as Ebay and Adobe have also announced gender pay equity in their US operations after this engagement with Arjuna.
Table 6 shows the proxy resolutions related to gender pay gap brought forward by the Interfaith Centre for Corporate Responsibility (ICCR), which is reported on in the 2018 Proxy Resolutions and Voting Guide published by the ICCR.85

**Table 6 - ICCR Resolutions Targeting Gender Pay Gaps**

<table>
<thead>
<tr>
<th>Company</th>
<th>Resolution Request</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hewlett Packard</td>
<td>Shareholders request HP prepare a report by November 2018 identifying whether a gender pay gap exists among its employees and if so outline the steps being taken to reduce the gap.</td>
</tr>
<tr>
<td>Discover Financial Services Inc</td>
<td>Shareholders request HP prepare a report by November 2018 identifying whether a gender pay gap exists among its employees and if so outline the steps being taken to reduce the gap.</td>
</tr>
<tr>
<td>TJX Companies Inc</td>
<td>Shareholders request that TJX prepare a report on the Company’s polices and goals to identify and reduce inequities in compensation due to gender, race, or ethnicity within its workforce.</td>
</tr>
<tr>
<td>Costco Wholesale Corp</td>
<td>Shareholders request that TJX prepare a report on the Company’s polices and goals to identify and reduce inequities in compensation due to gender, race, or ethnicity within its workforce.</td>
</tr>
<tr>
<td>MasterCard Incorporated</td>
<td>Shareholders request Mastercard prepare a report, omitting proprietary information, above and beyond litigation strategy or legal compliance, and prepared at reasonable cost, on the Company’s policies and goals to reduce the gender pay gap.</td>
</tr>
</tbody>
</table>

Although Shareholder Resolutions targeting gender gaps are becoming increasingly common in the United States they are not common practice in Australia.

Companies that address gender pay equity issues are taking action to ensure they have practices that cover their legal obligations to provide for equal pay for equal work. Furthermore, companies that have gender pay equity attract a more diverse workforce and achieve better performance. Gender pay equity is also embedded in international norms and Australian laws. Therefore, it is important that companies, and investors, turn an eye to gender pay equity issues in Australia in order to address their litigation, reputational and operational risk.
PART 2 – TARGETED COMPANY RESEARCH

This second part of the report analyses ASX 100 listed companies on their disclosures relating to gender pay equity. First, the methodology utilised to assess the companies is set out. Second, the research findings of the report are presented. Best practice examples of companies addressing pay inequity are highlighted. Companies that are lagging behind on their pay equity disclosures are also discussed.

METHODOLOGY

Scope

The methodology uses WGEA disclosures, as required under the Workplace Gender Equality Act 2012, to assess Australian Stock Exchange Listed top 100 companies that have 100 or more employees in their Australian operations. The research relies on the public disclosures made to the WGEA in the 2016-2017 reporting period. Information must be submitted to the WGEA between 1 April and 31 May each year covering the preceding 12 months period. Typically disclosures are made public later in the calendar year (around November/December). At the time of research, disclosures due to WGEA in May 2018 were not yet publicly available.

The WGEA disclosures relating to pay equity do not extend beyond remuneration gaps between women and men. This research relies on the Workplace Gender Equality Act 2012 definitions of women and men, as noted in the previous section. The WGEA disclosures assessed are the survey responses for the ASX100 companies Gender Equality Indicator 3 - equal remuneration between women and men. The methodology also notes whether the Company has made a public commitment to the WGEA Pay Equity Pledge, as noted in June 2018 on the WGEA website.

Based on WGEA rules, nine of the 100 ASX listed companies examined for this report were not required to disclose information to the WGEA. Therefore, only 91 of the ASX100 companies’ disclosures were analysed. The nine companies in the ASX100 that did not have WGEA disclosures were Alumina, CBYG Australia, Janus Henderson Group, Link Administration Holdings, Macquarie Atlas Roads, Magellan Financial Group, Sonic Healthcare, Spark Infrastructure Group, and Westfield Corporation. The reason for non-disclosure may be that the companies do not have 100 or more employees within their Australian operations. This is because companies with less than 100 employees within their total corporate structure are not required to report to the WGEA. For example, Alumina, is a holding company that holds 40% of the AWAC joint venture that is operated by Alcoa. As the non-operating joint partner, Alumina only has 11 employees, as reported in the 2016 sustainability report.

It is also important to note that some companies, rather than submitting one joint report for their entire operations in Australia, submit different reports for each of their Australian subsidiaries.
WGEA Survey Data and Public Disclosures

Part 1 of this report sets out background information regarding WGEA survey requirements. Figure 9 below outlines the specific criteria that were researched for this report. Appendix 2 provides more detail on the Gender Equality Indicator 3: Equal Remuneration between Women and Men including the explicit response options provided in the WGEA survey. It should be noted that the survey is a multiple-choice survey and only has limited free-form text for companies to provide background, justifications for an approach or indeed evidence of the approaches taken. We focussed on this indicator as it is the only section of the survey that specifically addresses gender pay equity. However, it is important to note that other Gender Equality Agency Indicators, such as Gender Equality Indicator 4: availability and utility of employment terms, conditions and practices relating to flexible working arrangements for employees, can influence gender pay equity.

ASX 100 listed companies have also been researched as to whether they have made a public commitment to the WGEA Pay Equity Pledge, as noted in June 2018, on the WGEA website. This report therefore analyses how companies responded to the following questions:

- Existence of a formal policy or strategy on remuneration for employees
- Existence of Gender Pay Equity Objectives in policy or strategy
- If a company has conducted a Gender Pay Gap Analysis
- Of those who have conducted a Gender Pay Gap Analysis, if there were actions taken as a result of the analysis.
- Whether the Company has a CEO or board member sign up to the WGEA Pay Equity.
Barriers to Research

Australian Only Operations

WGEA disclosures only relate to workforces in Australia, however, it does cover workers in Australia that do not have Australian nationality. In the reporting disclosures, an employer must report on actual numbers of employees (headcount), including full-time or part-time, permanent/ongoing or contract (fixed-term), and casual employees. Some companies, such as Xero Limited, are New Zealand Based companies that are listed on the ASX100. However, these companies often have to disclose under WGEA reporting standards as they have over 100 employees operating in Australia.

Group Wide Disclosures

One of the barriers to research is that WGEA disclosures are not necessarily made on a group-wide operational level. Companies that were assessed based on their subsidiary disclosures include BHP Billiton, CIMIC Group, Wesfarmers. For example, the research took into account BHP Billiton’s subsidiaries BHP Billiton Olympic Dam Corporation Pty Ltd, BHP Coal Pty Ltd, BHP Billiton Nickel West and BHP Billiton WAIO Pty Ltd. Often these disclosures are fairly consistent. However, in some cases the disclosures varied substantially. For example, Wesfarmers subsidiaries reporting disclosures varied substantially.

Lack of Publicly Disclosed Quantitative Information

The WGEA reporting requires companies to publish data for the workplace profile which includes information under Gender Equality Indicator 1: gender composition of the workforce, and Gender Equality Indicator 3: equal remuneration between women and men - in an excel format. However, the remuneration component of the disclosures is not made public. Therefore, quantitative figures on companies reported pay gap are not accessible. Therefore the information assessed in this report relies on the publicly available information reported in the companies’ questionnaire responses to the WGEA.

RESEARCH FINDINGS

ASX100 Results from WGEA Survey Responses

Remuneration Policy covering Gender Pay Equity

Of the 91 ASX listed companies with WGEA reports, 24 companies confirm they do not have a remuneration policy that covers gender pay equity. Figure 11 lists these companies. The list includes companies that stated that they do not have a remuneration policy (6 companies – highlighted with an asterisk), and those companies that disclose that they have a remuneration policy, but that it does not cover gender pay equity objectives. If a company has disclosed that they do not have a remuneration policy, this does not mean that they do not have other frameworks for remuneration. For example, Aurizon Holdings does not specifically state that it has a remuneration policy, instead the Company has a remuneration framework that shows the remuneration
components for each executive. However, the important difference is that this framework does not extend to the broader Company employee base and only refers to executive remuneration.\textsuperscript{93} The 24 companies listed in Figure 10 cover the following sectors; Healthcare Equipment & Services (2), Beverages (1), Biotechnology Sector (1), Construction & Materials (2), Fixed Line Telecommunications (1), Chemicals (1), General Retailers (2), General Industrials (1), Industrial Transportation (3), Media (1), Mining (3), Information Technology (1), Real Estate Investment Trusts (1) and Travel & Leisure (4). It is interesting to note that the financial service industry sector is absent from this list.

\textit{Figure 10 - Companies that do not have a remuneration policy that covers gender pay equity.}

<table>
<thead>
<tr>
<th>Companies that do not have a remuneration policy that covers specific gender pay equity objectives</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Aristocrat Leisure</td>
</tr>
<tr>
<td>• Aurizon Holdings *</td>
</tr>
<tr>
<td>• Boral</td>
</tr>
<tr>
<td>• Cochlear</td>
</tr>
<tr>
<td>• CSL</td>
</tr>
<tr>
<td>• Domino's Pizza Enterprises*</td>
</tr>
<tr>
<td>• Evolution Mining</td>
</tr>
<tr>
<td>• Fairfax Media</td>
</tr>
<tr>
<td>• Flight Centre Travel Group</td>
</tr>
<tr>
<td>• Goodman Group</td>
</tr>
<tr>
<td>• Harvey Norman Holdings</td>
</tr>
<tr>
<td>• James Hardie Industries</td>
</tr>
<tr>
<td>• JB Hi-Fi*</td>
</tr>
<tr>
<td>• Newcrest Mining</td>
</tr>
<tr>
<td>• Northern Star Resources*</td>
</tr>
<tr>
<td>• Orica</td>
</tr>
<tr>
<td>• Orora</td>
</tr>
<tr>
<td>• Qube Holdings*</td>
</tr>
<tr>
<td>• Ramsay Health Care</td>
</tr>
<tr>
<td>• Sydney Airport</td>
</tr>
<tr>
<td>• The Star Entertainment Group</td>
</tr>
<tr>
<td>• TPG Telecom*</td>
</tr>
<tr>
<td>• Treasury Wine Estates</td>
</tr>
<tr>
<td>• Xero Limited</td>
</tr>
</tbody>
</table>

* Companies noted with an asterisk do not have a remuneration policy covering the workforce

\textit{Specific Gender Pay Equity Objectives covered by Remuneration Policy}

The number of companies that have a remuneration policy cover gender pay equity objectives, and the specific gender pay equity objectives covered are detailed in Figure 11.
It is relatively common (61 out of 91 disclosing companies) to have a remuneration policy that covers gender pay equity. This demonstrates that companies are committed to the notion of gender pay equity, but are less likely to disclose a commitment to the actions that help prevent gender pay gaps – such as pay scales transparency.

*Figure 11 – Companies that have a remuneration policy covering Gender Pay Equity Objectives*

It is rare for a formal policy and or/formal strategy to include transparency around pay scales and/or salary bands. Only 15 companies disclose that their formal remuneration policy and or strategy covers pay scale transparency. This may be because a commitment to transparent pay scales would directly result in everyone in the company knowing their co-workers salaries. According to the Australian Human Resources Institute, many companies believe that pay scale transparency could trigger widespread discontent and a pay war among staff. Furthermore, pay scales transparency is an objective that is connected to a direct action – publishing company pay scales, whereas some of the other indicators – such as no gender bias occurs at remuneration review process – are less specific. No gender bias occurring at the remuneration review process could involve actions such as removing gender from job applications or pay reviews, or it could be a simple as just stating a commitment that gender will not influence the remuneration review process, without demonstrating how the company will do so. Therefore, it is not surprising that 59 (or 65% of) companies’ remuneration policies cover no gender bias occurring at the remuneration review process.
Companies have been analysing their payroll to determine if there are any remuneration gaps between women and men. The research found that 87 companies undertook a gender pay gap analysis (95%). Most pay gap analyses have been conducted within the last 12 months of the reporting period. This is a positive sign that indicates that companies are aware that gender pay equity is a material issue. Only five companies undertook a gender pay analysis in a period longer than 12 months ago, and these five companies reported that they conducted a pay gap analysis within the last 1-2 years. Of these companies, 73 companies took action after the gender pay gap analysis, and 14 companies chose not to take action after a gender pay gap analysis. Only four (or 5% of) companies have never conducted a gender pay gap analysis. These companies are James Hardie Industries, Qube Holdings, Ramsay Health Care and TPG Telecom.

**Actions following Gender Remuneration Gap Analysis**

All up, 80% of companies have been taking actions as a result of their gender remuneration gap analysis (see Figure 12). The majority of these actions included identifying the cause/causes of the gaps. However, many companies highlighted a wide variety of actions taken. For example, Insurance Australia Group and Dexus Group ticked thirteen out of the sixteen possible options (as listed in Appendix 3, 4.1) as actions taken as a result of their gender pay gap analysis.
Companies that have not taken actions regarding gender pay equity analysis, or actions post-gender pay equity analyses often justify inaction by stating salaries are set by awards/industrial or workplace agreements. Companies also disclosed that no action was taken as 'non-award employees are paid market rate'. This fails to address the fact that market rate standard pays often discriminate against women, and women dominated roles. This also fails to consider whether individuals are being categorised in job roles that either underestimate or overestimate their job responsibilities. In total, 13 companies conducted a gender pay gap analysis and took no action following the results (14% of the 91 ASX listed companies assessed), these companies are listed in Figure 13. Two additional companies, Healthscope and Northern Star Resources, stated that they have not taken any actions as a result of analysis at the time of reporting (increasing the percentage to 15%, as seen in Figure 12), however, they both stated that actions were currently under development, and to be implemented prior to the end of 2017. 11 companies that conducted a gender pay gap analysis on their payroll stated that they did not take any actions because 'no unexplainable or unjustifiable gaps were identified'. Another two companies took no actions after they conducted a gender pay gap analysis because they stated salaries were set by awards/industrial workplace agreements and non-award employees are paid market rate. It is interesting to note that no disclosing company reported that they were unable to address cause/s of a gap after a gender remuneration pay gap analysis. This is a positive sign, as it highlights that companies understand why there are gaps between the remuneration of women and men, and therefore it is easier to identify potential action to address these gaps.
 Commitment from the Top: Gender Pay Equity Ambassadors

Figure 6 – Gender Pay Equity Ambassadors

The majority of companies are not making public commitments to gender pay equity. Only 24% of the ASX100 listed companies have a CEO or board member sign onto the Gender Pay Equity Pledge (see Figure 14). This highlights that although most companies are conducting gender pay gap analysis, they do not necessarily embed a commitment to reduce any potential gender pay gaps within their organisation. Table 7 lists the ASX 100 companies that have their CEO become a Gender Pay Equity pledge ambassador, as at June 2018. Only one company that signed up to the Gender Pay Equity Pledge, Medibank Private, conducted a gender pay gap analysis and took no action as a result of the analysis. The Company stated that the reason for no action is that ‘no unexplainable or unjustifiable gaps were identified.’ None of the companies that did not disclose WGEA information had a senior executive pledge to the WGEA Gender Pay Equity Pledge.
<table>
<thead>
<tr>
<th>Company</th>
<th>Pay Equity Pledge Ambassador</th>
</tr>
</thead>
<tbody>
<tr>
<td>AGL Energy</td>
<td>CEO - Andrew Vesey</td>
</tr>
<tr>
<td>ALS</td>
<td>CEO - Greg Kilmister</td>
</tr>
<tr>
<td>Aurizon Holdings</td>
<td>CEO - Andrew Harding</td>
</tr>
<tr>
<td>Australia &amp; New Zealand Banking Group</td>
<td>CEO – ANZ Bank</td>
</tr>
<tr>
<td>Bank of Queensland</td>
<td>CEO - Jon Sutton</td>
</tr>
<tr>
<td>CarSales.Com</td>
<td>CEO - Cameron McIntyre</td>
</tr>
<tr>
<td>Challenger</td>
<td>CEO - Brian Benari</td>
</tr>
<tr>
<td>Charter Hall Group</td>
<td>CEO - David Harrison</td>
</tr>
<tr>
<td>Commonwealth Bank of Australia</td>
<td>CEO - Commonwealth Bank</td>
</tr>
<tr>
<td>Dexus</td>
<td>CEO - Darren Steinberg</td>
</tr>
<tr>
<td>Fairfax Media</td>
<td>CEO - Greg Hywood</td>
</tr>
<tr>
<td>Investa Office Fund</td>
<td>CEO - Jonathan Callaghan</td>
</tr>
<tr>
<td>Lendlease Group</td>
<td>CEO - Steve McCann</td>
</tr>
<tr>
<td>Medibank Private</td>
<td>CEO - Craig Drummond</td>
</tr>
<tr>
<td>Mirvac Group</td>
<td>CEO - Susan Lloyd-Hurwitz</td>
</tr>
<tr>
<td>National Australia Bank</td>
<td>CEO - Andrew Thorburn</td>
</tr>
<tr>
<td>Perpetual</td>
<td>CEO - Geoff Lloyd</td>
</tr>
<tr>
<td>REA Group</td>
<td>CEO - Tracey Fellows</td>
</tr>
<tr>
<td>Scentre Group</td>
<td>CEO - Peter Allen</td>
</tr>
<tr>
<td>Seek</td>
<td>CEO - Andrew Bassat</td>
</tr>
<tr>
<td>Stockland</td>
<td>CEO - Mark Steinert</td>
</tr>
<tr>
<td>Suncorp Group</td>
<td>CEO - Michael Cameron</td>
</tr>
<tr>
<td>Transurban Group</td>
<td>CEO - Scott Charlton</td>
</tr>
<tr>
<td>Westpac Banking Corporation</td>
<td>CEO - Brain Hartzer</td>
</tr>
</tbody>
</table>

**Leaders and Laggards**

**Leaders**

Cochlear, BT Investment Group, BHP Billiton, ASX Limited and Bank of Queensland all highlighted best practice examples of addressing gender pay equity that went beyond mandatory WGEA disclosures in their WGEA disclosure responses.

**Only one company, Cochlear, disclosed a quantitative figure for their gender pay gap.** Cochlear disclosed that they have a gender pay gap of 2%, despite not having a remuneration policy that extends to gender pay equity. However, Cochlear utilises this information as a reason for not having specific gender pay equity in their formal strategy.
The way that employees perceive gender equality indicators is also of vital importance. In their WGEA disclosures, Pendal Group (previously BT Investment Management) discloses that they consult with employees about gender equality as part of the BTIM Employee Engagement survey, which is run approximately every two years. Gender Audits also seek to engage with employees to note their perception of how gender equality is addressed in the workplace. This is because it is not only vital to have the systems in place to address gender inequality, it is also important that employees know they exist, how to utilise them and that they are functional in practice.

The listed company ASX Limited has disclosed in their WGEA reporting that a gender equality action plan was developed to strategically manage gender pay equality across the organisation. The strategy includes actions to raise awareness on pay equality at executive level, board level, and staff level-monitoring pay increases. The strategy also includes reviewing commencement salaries and monitoring pay increases to eliminate gender-bias. Furthermore, the ASX conducted an organisation-wide pay equity review conducted on three levels; organisation wide, at a divisional review, and at the same occupation. The results of the review were reported to ASX Limited's Remuneration Committee in 2017.

The Bank of Queensland reported guidelines with an emphasis on addressing fixed remuneration adjustments based on addressing any gender pay differences were issued to reviewing managers. These guidelines were created with an aim to achieve closer alignment of pay between females and males undertaking similar roles.

**Laggards**

James Hardie Industries, Qube Holdings, Ramsay Health Care and TPG Telecom are the only companies out of the 91 disclosing companies that have not reported conducting a gender pay gap analysis.

James Hardie Industries has a formal remuneration policy, however it does not cover gender. Salaries set by awards/industrial or workplace agreements and non-award employees paid market rate are disclosed as the reasons for not including gender within the remuneration strategy. The Company states that the reasons for not conducting a gender pay gap analysis are because 'Salaries for SOME or ALL employees (including managers) are set by awards or industrial agreements and there IS room for discretion in pay changes (because pay increases can occur with some discretion such as performance assessments)' and 'Non-award employees paid market rate'.

Qube Holdings does not have a formal policy for remuneration. The Company also states that the reason for not conducting a gender pay gap analysis is that 'Salaries for SOME or ALL employees (including managers) are set by awards or industrial agreements and there IS room for discretion in pay changes (because pay increases can occur with some discretion such as performance assessments)'.

"James Hardie Industries, Qube Holdings, Ramsay Health Care and TPG Telecom are the only companies out of the 91 disclosing companies that have not reported conducting a gender pay gap analysis."

"James Hardie Industries has a formal remuneration policy, however it does not cover gender. Salaries set by awards/industrial or workplace agreements and non-award employees paid market rate are disclosed as the reasons for not including gender within the remuneration strategy. The Company states that the reasons for not conducting a gender pay gap analysis are because 'Salaries for SOME or ALL employees (including managers) are set by awards or industrial agreements and there IS room for discretion in pay changes (because pay increases can occur with some discretion such as performance assessments)' and 'Non-award employees paid market rate'."

"Qube Holdings does not have a formal policy for remuneration. The Company also states that the reason for not conducting a gender pay gap analysis is that 'Salaries for SOME or ALL employees (including managers) are set by awards or industrial agreements and there IS room for discretion in pay changes (because pay increases can occur with some discretion such as performance assessments)'."
Ramsay Healthcare have a formal strategy for remuneration, however it does not cover gender-based issues. The Company states that the reason for this is that salaries are set by awards/industrial or workplace agreements and non-award employees are paid market rate. The Company also states that the reason for not conducting a gender pay gap analysis is because ‘salaries for SOME or ALL employees (including managers) are set by awards or industrial agreements and there IS room for discretion in pay changes (because pay increases can occur with some discretion such as performance assessments)’.99

TPG Telecom is the worst disclosing company and states that they have no formal remuneration policy or strategy, they have never conducted a gender pay gap analysis and provided no details as to why this was the case.

RECOMMENDATIONS
From the research in Part 1, and the findings demonstrated in Part 2, this report has the following recommendations:

For ASX Listed Companies:

1. Have leadership involvement from the senior management and board of directors on gender pay equity issues. This includes making a public commitment to gender pay equity, having a policy or strategy that addresses gender pay equity signed by senior management, and annually addressing and reporting on the findings of pay roll analyses and other gender related auditing.

2. Take tangible actions to reduce the gender pay gap during the employment process, covering recruitment, promotion and employment conditions.100

3. Set targets to reduce gender pay gaps at like-for-like and organisation wide levels.

4. Conduct annual gender pay roll analyses, and take actions as a result of analyses.

5. Be transparent with staff with regards to gender pay equity issues. Have pay scales transparency, inform staff on findings of pay role analyses, and engage with employees to monitor understanding of policies and employee satisfaction with regards to gender pay equity issues.

For Investors:

6. Encourage companies to adopt the outlined recommendations 1-5 above.

7. Incorporate gender pay equity issues into investment due diligence practices, screening tools and corporate engagement and monitoring processes.
8. Publish information on engagements on Gender Pay Equity issues, including voting records on gender pay equity issues, and publicise specific engagements where possible.

9. Consider exiting business relationships where companies are failing to address gender pay equity issues within their operations and are unresponsive to engagement.

CONCLUSION

Reasons to champion and address gender pay equity are based on international norms, and federal and state legislation. Furthermore, research suggests that companies that have gender pay equity are more likely to outperform their peers. Therefore, it is in Australian companies’ interests to be at the forefront of addressing gender pay equity issues within their operations. It is also in investors’ interests to play a role in monitoring and enforcing gender pay equity. This can be done through engagement with companies, shareholder voting and through implementing screens on companies that are not seen to be adequately addressing gender pay equity. The United States has taken the lead with regards to investor action to address gender pay equity issues through devices such as shareholder resolutions. Australian investors should take heed to these movements, and seek to ensure that Australian companies are adequately addressing gender pay equity issues within their own operations, as failure to do so can lead to litigation, reputational and operational risk.

This research reveals that ASX-Listed companies are overwhelmingly addressing the issue of gender and are conducting payroll analyses to inform their understanding of the issue in their organisations. Many ASX-Listed companies also have policies or strategies covering gender pay equity, however, the elements of gender pay equity that they cover vary widely. Companies are also less likely to commit to tangible actions, such as pay scales transparency, than commitments such as gender pay equity or no gender bias occurring at remuneration review process. Furthermore, the actions that they take to address gender pay gaps within their operations are also varied.
APPENDIX 1 - DEFINITIONS

Gender: Gender is the socially constructed gender roles that are often associated with assigned sex. Gender describes the characteristics that a society or culture delineates as masculine or feminine and can be different cross culturally.\(^{101}\)

Gender Audits: Gender audits go beyond technical assessments to include personal and institutional biases in the culture of organisations that impede the achievement of gender equality objectives.\(^{102}\) However, the line between gender evaluations, which look at the technical assessments such as the gender pay gap, and gender audits are becoming increasingly blurred.

Gender Equality: Gender equality refers to equal rights of opportunity and responsibilities between men and women irrespective of their race and sexual orientation.\(^{103}\)

Gender Equity: Gender Equity refers to the allocation of benefits, justice and resources fairly to all sexes. It does not ask for the same allocation of goods and support to all, however needs the distribution of any element to be fair and address any imbalances in the benefits available to males and females. \(^{104}\) This term may easily be applied to all genders, although is generally used to refer to only the male and female sex, therefore using the term ‘gender’ inaccurately.

Gender Pay Equity: Gender pay equity refers to the circumstance in which both men and women receive equal pay for work of a similar grade and merit.\(^{105}\) The idea of gender pay equity generally refers to only the male and female sex and while it uses the term ‘gender’, in reality a truer name might be ‘Sex Pay Equity’. As studies and data relevant to the issue of pay equity are usually found only in terms of male/female sex based discrimination there is currently an absence of data applicable to other gender roles and the pay discrimination applied to them.

Gender Pay Gap: As described by the WGEA the gender pay gap refers to the difference in base salary earnings between men and women, usually recorded between fulltime workers.\(^{106}\) Although described as a gender pay gap, all data used for the calculation of this gap excludes or ignores any advantages or disadvantages in pay for other genders eg. Trans. Therefore the gender pay gap is technically a sex-pay gap as it refers to the difference in pay between two sexes.

Gender Mainstreaming: Gender mainstreaming is a strategy for promoting gender equality that involves ensuring that gender perspectives and attention to the goal of gender equality are central in policy action and legislation.\(^{107}\)

Sex/Biological Sex: Sex refers to biological differences between males; such as chromosomes, hormonal profiles, internal and external sex organs. People are assigned at birth as either female, male or intersex.
### APPENDIX 2 - GENDER EQUALITY AGENCY INDICATOR 3: EQUALLY REMUNERATION BETWEEN WOMEN AND MEN SURVEY FORMAT

<table>
<thead>
<tr>
<th>WORKPLACE GENDER EQUALITY INDICATOR: EQUALLY REMUNERATION BETWEEN WOMEN AND MEN</th>
</tr>
</thead>
<tbody>
<tr>
<td>POLICY AND GENDER PAY EQUITY OBJECTIVES</td>
</tr>
<tr>
<td>3</td>
</tr>
<tr>
<td><strong>Do you have a formal policy and/or formal strategy on remuneration generally?</strong></td>
</tr>
<tr>
<td><strong>Response Options</strong></td>
</tr>
<tr>
<td>□ YES:</td>
</tr>
<tr>
<td>□ Policy</td>
</tr>
<tr>
<td>□ Strategy</td>
</tr>
<tr>
<td>□ NO:</td>
</tr>
<tr>
<td>□ Currently under development</td>
</tr>
<tr>
<td>□ Insufficient resources/expertise</td>
</tr>
<tr>
<td>□ Salaries set by awards/industrial or workplace agreements</td>
</tr>
<tr>
<td>□ Non-award employees paid market rate</td>
</tr>
<tr>
<td>□ Not a priority</td>
</tr>
<tr>
<td>□ Other (provide details):</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>3.1</th>
<th>Are specific gender pay equity objectives included in your formal policy and/or formal strategy?</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Response Options</strong></td>
<td></td>
</tr>
<tr>
<td>□ YES: (provide details in question 3.2 below)</td>
<td></td>
</tr>
<tr>
<td>□ NO:</td>
<td></td>
</tr>
<tr>
<td>□ Currently under development</td>
<td></td>
</tr>
<tr>
<td>□ Salaries set by awards/industrial or workplace agreements</td>
<td></td>
</tr>
<tr>
<td>□ Insufficient resources/expertise</td>
<td></td>
</tr>
<tr>
<td>□ Non-award employees paid market rate</td>
<td></td>
</tr>
<tr>
<td>□ Not a priority</td>
<td></td>
</tr>
<tr>
<td>□ Other (provide details):</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>3.2</th>
<th>Does your formal policy and/or formal strategy include any of the following gender pay equity objectives (select all applicable answers)?</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Response Options</strong></td>
<td></td>
</tr>
<tr>
<td>Response Options</td>
<td></td>
</tr>
<tr>
<td>------------------</td>
<td>---</td>
</tr>
<tr>
<td>☐ To achieve gender pay equity</td>
<td>☐ To ensure no gender bias occurs at any point in the remuneration review process</td>
</tr>
<tr>
<td>☐ To ensure managers are held accountable for pay equity outcomes</td>
<td>☐ To implement and/or maintain a transparent and rigorous performance assessment process</td>
</tr>
</tbody>
</table>

**GENDER PAY EQUITY ANALYSIS**

<table>
<thead>
<tr>
<th>4</th>
<th>Have you analysed your payroll to determine if there are any remuneration gaps between women and men (i.e. conducted a gender pay gap analysis)?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Response Options</td>
<td>☐ YES:</td>
</tr>
<tr>
<td></td>
<td>☐ Within last 12 months</td>
</tr>
<tr>
<td></td>
<td>☐ Within last 1-2 years</td>
</tr>
<tr>
<td></td>
<td>☐ More than 2 years ago but less than 4 years ago</td>
</tr>
<tr>
<td></td>
<td>☐ Other (provide details):</td>
</tr>
<tr>
<td>NO:</td>
<td>☐ Currently under development,</td>
</tr>
<tr>
<td></td>
<td>☐ Insufficient resources/expertise</td>
</tr>
<tr>
<td></td>
<td>☐ Salaries for ALL employees (including managers) are set by awards or industrial agreements AND there is no room for discretion in pay changes (for example because pay increases occur only when there is a change in tenure or qualifications)</td>
</tr>
<tr>
<td></td>
<td>☐ Salaries for SOME or ALL employees (including managers) are set by awards or industrial agreements and there is room for discretion in pay changes (because pay increases can occur with some discretion such as performance assessments)</td>
</tr>
<tr>
<td></td>
<td>☐ Non-award employees paid market rate</td>
</tr>
<tr>
<td></td>
<td>☐ Not a priority</td>
</tr>
<tr>
<td></td>
<td>☐ Other (provide details):</td>
</tr>
</tbody>
</table>
### 4.01

You may provide details below on the type of gender remuneration gap analysis that has been undertaken (for example like-for-like and/or organisation-wide).

<table>
<thead>
<tr>
<th>Response Options</th>
</tr>
</thead>
<tbody>
<tr>
<td>This question is optional. There is a free-text box to provide further details</td>
</tr>
</tbody>
</table>

### 4.1

Did you take any actions as a result of your gender remuneration gap analysis?

<table>
<thead>
<tr>
<th>Potential Response</th>
<th>YES:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>☐ Created a pay equity strategy or action plan</td>
</tr>
<tr>
<td></td>
<td>☐ Identified cause/s of the gaps</td>
</tr>
<tr>
<td></td>
<td>☐ Reviewed remuneration decision-making processes</td>
</tr>
<tr>
<td></td>
<td>☐ Analysed commencement salaries by gender to ensure there are no pay gaps</td>
</tr>
<tr>
<td></td>
<td>☐ Analysed performance ratings to ensure there is no gender bias (including unconscious bias)</td>
</tr>
<tr>
<td></td>
<td>☐ Analysed performance pay to ensure there is no gender bias (including unconscious bias)</td>
</tr>
<tr>
<td></td>
<td>☐ Trained people-managers in addressing gender bias (including unconscious bias)</td>
</tr>
<tr>
<td></td>
<td>☐ Set targets to reduce any like-for-like gaps</td>
</tr>
<tr>
<td></td>
<td>☐ Set targets to reduce any organisation-wide gaps</td>
</tr>
<tr>
<td></td>
<td>☐ Reported pay equity metrics (including gender pay gaps) to the governing body</td>
</tr>
<tr>
<td></td>
<td>☐ Reported pay equity metrics (including gender pay gaps) to the executive</td>
</tr>
<tr>
<td></td>
<td>☐ Reported pay equity metrics (including gender pay gaps) to all employees</td>
</tr>
<tr>
<td></td>
<td>☐ Reported pay equity metrics (including gender pay gaps) externally</td>
</tr>
<tr>
<td></td>
<td>☐ Corrected like-for-like gaps</td>
</tr>
<tr>
<td></td>
<td>☐ Conducted a gender-based job evaluation process</td>
</tr>
<tr>
<td></td>
<td>☐ Implemented other changes (provide details):</td>
</tr>
</tbody>
</table>
| NO: | ☐ No unexplainable or unjustifiable gaps identified  
☐ Currently under development, please enter date this is due to be completed  
☐ Insufficient resources/expertise  
☐ Salaries set by awards/industrial or workplace agreements  
☐ Non-award employees are paid market rate  
☐ Unable to address cause/s of gaps (provide details why):  
☐ Not a priority  
☐ Other (provide details) |
| --- | --- |
| 4.2 | *If your organisation would like to provide additional information relating to gender equality indicator 3*  
Potential Response | This question is optional. There is a free-text box to provide further details |
REFERENCES


7 Ibid., pp1-4.


14 Ibid.


20 Ibid., p15.

21 Ibid., p1.


23 Ibid.


25 Ibid.


27 Ibid.

28 Ibid., p37.

29 Ibid., p5.


33 Ibid


56 Ibid.


59 Ibid.


61 Ibid., p5.


67 ‘We’re Closing the Gender Pay Gap, and We’re Not Stopping There’, Adobe Company Website, <https://theblog.adobe.com/were-closing-the-gender-pay-gap/> [Accessed 26/04/2018].


74 Ibid.


76 Ibid.


78 Ibid.


81 Facebook Inc, United States Securities and Exchange Commission, [https://www.sec.gov/Archives/edgar/data/1326801/000132680117000016/facebook2017definitiveprox.htm] [Accessed 27/04/2018].


86 The Workplace Gender Equality Act 2012 utilises the following definitions:

'Man means a member of the male sex irrespective of age.
Woman means a member of the female sex irrespective of age.'


88 Ibid.


90 The sections in red are optional qualitative disclosures.


100 See Figure 7 for a list of company actions to address Gender Pay Equity, See Figure 8 for a list of company actions to reduce gender pay gap for senior levels of organisation.


