



## **POSTION ON PROPOSAL FOR A DIRECTIVE ON THE GENDER PAY GAP (COM(2021) 93 FINAL)**

### ***SUMMARY OF EUMEDION'S KEY MESSAGES***

Eumedion<sup>1</sup> has reviewed the European Commission's proposal for a directive on pay transparency and would like to make some comments. Our comments are limited to those topics which are most relevant for Eumedion and its members i.e. the proposal regarding the reporting on the gender pay gap (art. 8).

#### **Inexplicable pay differences between women and men are undesirable**

Eumedion is of the opinion that equal cases should be equally remunerated, regardless of issues such as gender, origin or beliefs.<sup>2</sup> Eumedion believes that inexplicable pay differences between women and men are unacceptable and sees fair and equal pay as an essential part of good employment practices. As mentioned in the preamble of the proposal, there already is an equal pay principle in place. Against this background, Eumedion had expected that the existing legislation in this area would be sufficient. The explanatory memorandum unfortunately shows that this is not the case.

#### **More transparency about the gender pay gap allows shareholders to fulfill their role**

Although the primary responsibility for complying with the legal provisions on equal pay rests with the company board(s), shareholders also have a role to play. A necessary condition for fulfilling this role is that shareholders have sufficient information. Eumedion therefore welcomes the proposal that requires companies with at least 250 workers to publish information on the gender pay gap (art. 8). Shareholders can include that information in their dialogues with companies and raise this topic at general meetings. For example, shareholders can question the board on the effectiveness of the measures to correct the gender pay gap. In this way, shareholders can put pressure on the board and contribute to the prevention of inexplicable pay differences between women and men and thus to the realisation of Sustainable Development Goal No. 10 of the United Nations, which aims to reduce income inequality.

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<sup>1</sup> Eumedion represents the interests of institutional investors who have more than € 8 trillion assets under management and who have investments in almost all European listed companies.

<sup>2</sup> We also refer to: [Child Social Experiment Looks At Gender Equality - YouTube](#).

## **Financial market participants need information on the gender pay gap in order to comply with their reporting obligations under the Sustainable Finance Disclosure Regulation (SFDR)<sup>3</sup>**

Additionally the proposed reporting requirement on the gender pay gap for companies with at least 250 workers (art. 8), would help financial market participants<sup>4</sup> to comply with their own reporting obligations under the SFDR. According to the draft Regulatory Technical Standards (RTS) under the SFDR<sup>5</sup> financial market participants will be obliged to publish a 'Principal adverse sustainability impacts statement' in a mandatory reporting format.<sup>6</sup> As part of this format financial market participants need to publish the average unadjusted gender pay gap of investee companies. Currently the data needed to report on this is not available. As correctly stated in the explanatory memorandum, pay transparency is currently lacking in many Member States. Art. 8 addresses this issue and aligns the reporting requirements for companies with the requirements imposed on financial market participants under the SFDR. Therefore Eumedion fully supports the proposed reporting requirement on the gender pay gap.

### **Information on the gender pay gap should be included in the management report**

According to art. 8 (3) companies shall publish the information on the gender pay gap on an annual basis in a user-friendly way on its website or shall otherwise make it publicly available. From the point of view of clarity and user-friendliness, Eumedion is of the opinion that this information should be included in the management report. This approach has the following additional advantages. First, statutory auditors or audit firms are already obliged to state whether they have identified material misstatements in the management report and to give an indication of the nature of such material misstatements.<sup>7</sup> Second, the board is accountable to the general meeting for the information on the gender pay gap that is included in the management report. After all, the management report must be put on the agenda for the annual general meeting; this is not necessary the case if the information on the gender pay gap is published on the website.

### **For more information:**

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Eumedion's registration number with the European Commission and Parliament is: 65641341034-11.

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<sup>3</sup> Regulation (EU) 2019/2088.

<sup>4</sup> As defined in art. 2 (1) SFDR.

<sup>5</sup> Final Report on draft Regulatory Technical Standards with regard to the content, methodologies and presentation of disclosures pursuant to Article 2a(3), Article 4(6) and (7), Article 8(3), Article 9(5), Article 10(2) and Article 11(4) of Regulation (EU) 2019/2088.

<sup>6</sup> We refer to table 1 of annex I of the draft RTS.

<sup>7</sup> Art. 34 (1) of Directive 2013/34/EU. We support the European Commission's proposal that at least limited assurance should be provided on the reported sustainability information in conformity with the sustainability reporting standards (proposed art. 34, par. 1, subpar. 2, point aa of the European Commission's proposal for a Corporate Sustainability Reporting Directive).