



HM Treasury, 1 Horse Guards Road, London, SW1A 2HQ

Dame Meg Hillier MP
Chair of the Treasury Select Committee
London
SW1A 0PW

9th December 2024

Dear Dame Meg,

Sexism in the City

Thank you for your letter of 20 November, requesting an update on progress made against the recommendations your predecessor Committee outlined in their *Sexism in the City* report in March 2024. You have also asked me to set out my priorities for further supporting the development of women in the financial services sector.

There is a large body of work going on across Government aimed at improving labour market outcomes for women. This work ranges from driving forward the HM Treasury's Women in Finance Charter to improving employment rights through the Employment Rights Bill. Below is an outline of how the Government has progressed against your predecessor Committee's recommendations and our wider priorities in this space.

HM Treasury Women in Finance Charter

The Government is committed to increasing women's labour market participation, addressing pay inequalities, and ensuring women can realise their full potential in the workplace. The HM Treasury Women in Finance Charter is a key initiative supporting the delivery of this vision in the financial services sector and it is my privilege to lead it.

This Government is fully committed to advancing the aims of the Charter. At the current pace of an average 1% increase in senior female managers across the Charter signatory base annually, the signatory average would reach parity in 2038. The Government has been clear that this is not good enough and has challenged the industry to increase the annual rate of progress by the end of this Parliament. In my role as City Minister, I will be an active champion for the Charter, across the whole of

the sector, and will engage with signatories to discuss best practice, celebrate successes, and confront challenges to progress. The Chancellor and I set out these ambitions at a Women in Finance reception at No 11 Downing Street on 21 November, which served to recognise industry's work to push this agenda forward and mark this Government's commitment to the Charter. I will also be communicating these ambitions to all signatories in the coming weeks.

Your predecessor committee recommended that HM Treasury extend the focus of the HM Treasury Women in Finance Charter to cover female representation at different levels of seniority. In their response, the previous Government highlighted the benefits of retaining the Charter's focus on senior management levels as the gateway to change. They also noted that broadening the Charter's scope would increase the burden on firms to submit additional data to HM Treasury, impacting the Charter's attractiveness.

As noted above, this Government is focused on accelerating the pace of change to see more women in senior roles faster. It is therefore beneficial for the Charter to retain its clear focus on senior management, which facilitates wider industry change. Additionally, signatories have been making steady progress towards these objectives, demonstrating the Charter's effectiveness. For example, the latest Annual Review report, published in March 2024, found that for the first time, over half of signatories had a target of at least 40% women in senior management, and the average number of women in senior positions rose to 35%. We have not reached our goal of parity, but I am confident about the direction of travel and will be maintaining the current scope of the Charter to achieve this.

However, HM Treasury recognises that the talent pipeline remains central to signatories' efforts towards sustainable progress and will continue to promote this through discussions and engagements. For example, the Women in Finance reception was attended by both senior executives and women in the talent pipeline in recognition of the importance of supporting all women, including those at the beginning of their careers or those progressing through early leadership levels. Furthermore, HM Treasury will soon be launching its annual Women in Finance Charter report, which assesses whether signatories are meeting their voluntary self-declared targets, and I will be scrutinising the data in that report to ensure we are collectively doing the right things to drive real progress on this agenda.

Your predecessor Committee also recommended making the link to executive pay a firmer commitment under the Charter, on a 'comply and explain' basis. Firms are already required to comply to the link to pay principle, and where they do not, they

must explain why. I can assure you that HM Treasury will continue to hold firms to account on this, as well as their other Charter commitments.

The Gender Pay Gap and sexual harassment in the workplace

Women's equality and economic growth go hand in hand. However, the national gender pay gap still stands at 13.1%. Many employers understand that when women succeed, so does their business. But we need to ensure that every organisation is harnessing the talent, creativity and brilliance of women in their workforce.

That is why, as part of the Employment Rights Bill, the Office for Equality and Opportunity are taking the first steps towards requiring employers to publish action plans alongside their figures - something the former Committee's report called for. These action plans will ensure that organisations are taking effective steps to improve gender equality in their workplace, and narrow their gaps. This Government is committed to transforming the lives of working women, and that includes going further and faster to close the gender pay gap. The Chancellor has vowed to close the gap once and for all, and we are all getting on with the work of making that a reality.

On sexual harassment in the workplace, the Equality Act 2010 provides legal protections against sexual harassment in the workplace. Despite this, persistent reports and revelations that have emerged in recent years indicate that it remains a problem. The Office for Equality and Opportunity will therefore support effective implementation of the new duty on employers to take 'reasonable steps' to prevent sexual harassment of their employees, which came into force on 26 October 2024. They will strengthen this duty through the Employment Rights Bill, so that it is clear that employers must take 'all reasonable steps' to prevent sexual harassment of their employees. This requires employers to anticipate the risk of when sexual harassment may be occurring and take steps to prevent it. If sexual harassment has taken place, an employer should take action to stop it from happening again. The duty sends a clear signal to all employers that they must take preventative steps against sexual harassment, encourage cultural change where necessary, and reduce the likelihood of sexual harassment occurring in the first place.

Plan to Make Work Pay

The Government is clear that in our modern society and economy, inequality of treatment and opportunity at work is unacceptable. This Government is committed to delivering the Plan to Make Work Pay in full which will upgrade Britain's employment protections, so they are fit for our modern economy and the future of work.

The Department for Business and Trade is committed to improving the conditions for women at work. This includes starting work on many of the areas outlined in your predecessor Committee's Sexism in the City report. The Department for Business and Trade is taking forward a number of actions which are outlined below.

Parental leave and pay

The Department for Business and Trade will make Paternity Leave and Unpaid Parental Leave a 'day one right' as part of the Employment Rights Bill, allowing employees to give notice of their intent to take leave from their first day of employment. They will also be removing the requirement that Paternity Leave and Pay must be taken before Shared Parental Leave and Pay so that parents have more flexibility in how they take their leave. The Government is also committed to conducting a review of the wider statutory parental leave framework to ensure it best supports working families.

Pregnancy and maternity dismissal protections

The Department for Business and Trade will put in place legislation that makes it unlawful to dismiss pregnant women, mothers on maternity leave, and mothers who return to work for a six-month period after they return – except in specific circumstances. This enhanced dismissal protection policy, delivered through the Employment Rights Bill and regulations, will build on the existing protections for women on maternity leave. It aims to tackle maternity and pregnancy discrimination and avoid women leaving the workforce.

Flexible working

The Department for Business and Trade is making flexible working the default and aiming to make it easier for employees to access flexible working arrangements where they are feasible. The Employment Rights Bill will deliver new requirements so that flexible working requests can only be rejected when it is reasonable to do so against one of the eight reasons set out in legislation. The Bill will also introduce a requirement for employers to provide an explanation in cases where they plan to reject a flexible working request.

Whistleblowing

The Department for Business and Trade is working to improve whistleblowing protections. The Employment Rights Bill will strengthen protections for whistleblowers, by making it explicit that sexual harassment can be the basis for a protected disclosure.

Non-Disclosure Agreements

The Victims and Prisoners Act 2024 clarifies that NDAs cannot be legally enforced if they prevent victims from reporting a crime and to ensure information related to criminal conduct can be discussed with groups including the police, qualified lawyers, medical professionals and certain other groups without fear of legal action.

Finally, the Ministry of Justice are carefully considering plans to bringing the measures into force and will be working closely with the victim support and business sectors to ensure that this new measure is implemented and deployed effectively.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'Tulip', with a horizontal line extending to the right.

**TULIP SIDDIQ MP
ECONOMIC SECRETARY TO THE TREASURY**