

Minutes of the QCA Share Schemes Expert Group



Held on: Thursday 18 July 2019, 4.00pm – 5.30pm

Venue: RSM, 25 Farringdon Street, London, EC4A 4AB

Present:

Fiona Bell (Chair)	RSM	FB
Daniel Hepburn (Deputy Chair)	PricewaterhouseCoopers	DH
Barbara Allen	Stephenson Harwood	BA
Dave Bareham	Smith & Williamson LLP	DB
Danny Blum	Eversheds Sutherland	DB
Louise Dean	KPMG LLP	LD
Juliet Halfhead	Deloitte LLP	JH
Caroline Harwood	Crowe UK LLP	CH
Lea Helman	LexisNexis	LH
Liz Hunter	KPMG LLP	LH
Stewart James	MM & K	SJ
Graham Muir	CMS	GM
Isabel Pooley	Grant Thornton UK LLP	IP
Jennifer Rudman	Equiniti	JR
Anthony Robinson	Quoted Companies Alliance	AR
Jack Marshall	Quoted Companies Alliance	JM

In attendance:

Kate Cranston-Turner	GEO	KCT
Tara Hutton	GEO	TH
Katayoon Raast	GEO	KR

1. Welcome to Kate Cranston-Turner, Tara Hutton and Katayoon Raast of the Government Equalities Office (GEO) as guest speakers to give an introduction to the GEO and an update on the gender pay gap reporting process.

FB welcomed KCT, TH and KR to the Share Schemes Expert Group meeting.

Introduction to the GEO

KCT outlined that the GEO works towards an inclusive society and an end to discrimination, by:

- Reducing the gender pay gap;
- Tackling gender inequality in society;
- Improving outcomes for LGBT people; and
- Ensuring a world class equalities framework.

The GEO does not have a responsibility for race, age, disability, religion and pregnancy & maternity.

What is the gender pay gap?

KCT explained that the GEO's biggest challenge is reminding individuals and organisations that the gender pay gap is the gap in average pay between men and women, and not men and women being paid the same for the same job. Overall, women working in the UK are paid on average 17.9% less than men in the UK.

Gender Pay Gap Year 2

Recent studies have revealed that more is being done to address the gender pay gap within companies, which is being driven by increased data transparency. 56% of employers pay gap remained the same or improved. There is considerable international interest in the GEO's work on the gender pay gap, and it is generally considered to be world leading.

What has been learnt in the last 2 years?

There is an increasing demand for the GEO to publish further guidance in order to assist employers in addressing the gender pay gap. Companies have become more and more interested in the gender pay gap performance of their competitors. This information can be found online through the portal which allows you to make a comparison between companies. Despite media and public scrutiny in driving employers to take action, there is still confusion between the gender pay gap and equal pay.

The GEO has a remit to review the legislation after 5 years. It is likely that they will submit a consultation that will aim to make improvements to the system.

What causes the gender pay gap?

- Gender impairment/industrial and occupational segregation;
- Concentration of women in more junior levels and less likely to progress to senior levels; and
- Gender stereotypes and discrimination.

Women receive on average a 2% per annum reduction in hourly wages for each year taken out of employment. Women are also three times more likely to work part-time than men.

How does this pay out for women

In terms of employee share schemes, there is a higher take up for men than there is for women. This is partly due to the reason that share plans are often given to senior executives, which are male dominated positions. It was mentioned that behavioural insights play a large part in understanding why there are less women enrolled on share schemes. The ability and confidence to negotiate were said to be reasons why there were less women than men on share schemes.

There are statistics available on employee share schemes which include statistics on the gender pay gap. These demonstrate that, typically speaking, there is a lower uptake in share schemes for women than men.

Support for employees

There are several forms of support and guidance available for companies and employers that cover:

- Collating data;
- Understanding what the data tells you;
- Linking problems to actions;
- Understanding the evidence; and
- Evidence-based actions and how to implement them.

GEO research programmes

Wage Programme:

- The Wage Programme is a research programme designed to build an evidence base on effective actions to close the gender pay gap and improve the gender balance in workplaces. The programme aims to support employers to understand their pay gaps and provide them with information on evidence-based actions to take to close them.

GABI Programme:

- The GABI programme is a collaboration between the GEO and the Behavioural Insights Team to develop an understanding of the behavioural economic interventions to support gender equality, using large scale employer trials.

GEO outputs

There have been a number of publications by the GEO in recent years, including the development of Family Friendly Policies and a document for Women's Progression in the Workplace.

Discussion

In terms of gender pay gap reporting, a point was raised that a breakdown in age was missing, which would show the imbalance between men and women at various ages. This would make it more evident, particularly as age research and intersectionality are issues being raised.

In regards to share options and equity awards, share awards not subject to income tax are excluded from the reporting process, and the timing of awards can skew the results. Employers are encouraged by the GEO to provide context in their published reports, but do not seem to refer to share options as a relevant factor. KCT explained that she had reviewed over 400 of the 10,000 gender pay gap reports that the GEO had received, but it was not a dominant trend they had noticed.

The Equality and Human Rights Commission (EHRC) are responsible for the enforcement function of the GEO. At present, they operate a 'name and shame' practice for employers with poor performance, as well as the reporting portal which highlights the misinformation provided by certain companies.

The GEO encourages companies and employers to undertake action/target reporting as these approaches most effectively improve a company's gender pay gap. It was explained that many companies provide good narrative/explanation within the reporting process. Companies are increasingly asking for more guidance, but the GEO are reluctant to provide more due to the risk that the reporting process will become more of a tick-box exercise. The best reports analyse the evidence and statistics and then create action plans for improvement.

FB thanked KCT, TH and KR for their time. KCT, TH and KR left the meeting.

2. APOLOGIES

Apologies were received from Tristan Adams, Emma Bailey, Martin Benson, Michael Carter, Stephen Chater, Sara Cohen, Stephen Diosi, Suzy Giele, Andy Goodman, Elissavet Grout, Kim Hawkins, Tom Leatherby, Phil Norton, Robert Postlethwaite and Richard Sharman.

3. MINUTES OF LAST MEETING (2 May 2019)

The minutes of the last meeting were approved without amendment.

4. ISSUES FOR DISCUSSION

	ITEM	ACTION
a)	<p>Group to feedback on the QCA/HMRC conference call</p> <p>FB informed the group that the conference call did not take place.</p>	<p>JM to rearrange the conference call for a later date.</p>
b)	<p>Budget Representations 2019</p> <p>FB explained that every year the QCA submits its proposals for taxation reform to the Chancellor of the Exchequer for the Budget. The Tax Expert Group is primarily responsible for the work, but the Share Schemes Expert Group has certain sections that it is required to cover, these include:</p> <p>Competitive:</p> <ul style="list-style-type: none"> • Encourage employee share ownership in smaller companies through CSOPs • Permit non-executive directors taking shares as part of their remuneration to pay income tax only after the sale of shares. <p>Simple:</p> <ul style="list-style-type: none"> • Allow agents to register and de-register companies' employee share plans • Remove the requirement to obtain HMRC approval of the form of joint NIC elections used for employee share schemes • Loans to participants in section 455. <p>The group were invited to submit their comments once the first draft becomes available.</p>	<p>JM to send the first draft to the group once it becomes available.</p>
c)	<p>Potential future event on share scheme administration for QCA corporate members</p> <p>This was not discussed.</p>	<p>None.</p>
d)	<p>Future meeting and speaker priorities</p> <p>The group expressed interest in having the following groups/people as guest speakers for future meetings:</p> <ul style="list-style-type: none"> • HMRC – share evaluations • Share accounting 	<p>JM to invite potential guest speakers.</p>

5. COMMUNICATIONS AND FUTURE MEETINGS

	ITEM	ACTION
a)	<p>The results of the biannual QCA/YouGov <i>Small & Mid-Cap Sentiment Index</i> has been published. The latest edition reveals that small and mid-cap</p>	

	<p>companies remain positive about their own prospects, despite this optimism being at its lowest point since 2012. Many companies cite Brexit and political uncertainty as continuing to contribute to the neutral outlook on the economy. The key findings are as follows:</p> <ul style="list-style-type: none"> i. 76% of small & mid-caps are expecting to increase jobs, but 19% anticipate decreasing employment – up from 10% six months earlier. ii. 37% of surveyed companies are planning to raise capital - down from 47% when asked six months earlier. iii. Companies predict average sales growth of 17%, down from 19.2% a year earlier. <p>This was tabled for information only and not discussed.</p>	None.
b)	<p>The project for updating the QCA Audit Committee Audit Guide is progressing and is on course for release over the summer.</p> <p>This was tabled for information only and not discussed.</p>	None.
c)	<p>YouGov are surveying companies that adopted the QCA Corporate Governance Code to identify any ways in which we might be able to improve the Code and see if we can find evidence that following the QCA Code has helped companies. This will be published over the summer.</p> <p>This was tabled for information only and not discussed.</p>	None.
d)	<p>Henley Business School have been commissioned by the QCA and Downing LLP to undertake a research project to understand the role that NEDs play in smaller growth companies. The results are planned to be released in September.</p> <p>This was tabled for information only and not discussed.</p>	None.

6. Any Other Business

None.

7. NEXT MEETING

Thursday 31 October 2019, 4.00pm – 5.30pm (Venue: RSM, 25 Farringdon Street, London, EC4A 4AB)