

Gender Lens Investing in Public Markets: It's More Than Women at the Top

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Executive Summary

- In 2019, Glenmede published a primer highlighting research indicating that companies with gender diverse leadership demonstrate lower risk and higher sales growth, EPS growth and return on assets.¹
- Some gender lens investors are exploring investment strategies that go beyond the low-hanging fruit of diversified leadership in an effort to maximize the financial and social outcomes of their investment.
- These gender lens strategies consider additional data, such as public companies' pay equity reports and anti-harassment policies, based on the premise that serious efforts to advance gender equity require a more robust scorecard.
- **While deeper measures of gender equity may be necessary to achieve social outcomes, do they offer the potential to achieve financial outcomes as well?** This paper will explore the materiality of five dimensions of gender equity:² women in leadership, access to benefits, diverse supply chains, pay equity, and talent and culture. Within each dimension, we will explore the economic argument for why public companies should look beyond the women in leadership metric to ensure equitable conditions for all employees. Companies who fall short in this area may face unexpected risks, hampering long-term growth opportunities and weakening their bottom line.

¹ Enyart, Julia. "Gender Lens Investing: A Primer for College and University Endowments." March 2019. https://d3n8a8pro7vhmx.cloudfront.net/intentionalendowments/pages/5174/attachments/original/1584037966/IEN_GLI_Primer_Mar19_1.5.pdf?1584037966.

² In the absence of standardized data spanning the five dimensions of gender equity, it can be very difficult to compare company performance on a comprehensive view of pay equity, access to benefits, culture, etc. The goal of this paper is to identify whether evidence supports the connection between the five dimensions of gender equity and value creation in companies. Admittedly, this is done with somewhat limited data. Additionally, the geographic scope of this paper will be limited to US public markets only to eliminate the need to analyze regional differences in data disclosure, adoption of gender lens strategies, and regulatory frameworks.

Introduction

As gender lens investing marks its ten-year anniversary,³ practitioners are advancing and innovating toward deeper analysis. Broadly speaking, gender lens investing seeks to promote gender diversity while meeting investors' risk and return objectives,⁴ with the majority of public strategies focused on "women in leadership" metrics for senior management and boards of directors. However, the field of gender lens investing has expanded its definition of the impact outcomes that might be achieved by investing

with a gender mandate. With a global public market size of \$3.4 billion as of 2019 (Exhibit 1), gender lens investing has moved beyond an examination of how many women are serving at the highest echelons of a company. Investors now cite more granular corporate features like pay equity reports, anti-harassment policies, management training programs, and parental leave, based on the premise that serious efforts to advance gender equity require a more robust scorecard.

This chart captures the growth of public market products seeking to invest with a gender lens using various approaches.

EXHIBIT 1: GROWTH OF PUBLIC MARKET GENDER LENS INVESTING PRODUCTS AUM (in millions)



Source: Veris Wealth Partners, "Assets Grow to More than \$3.4B," March 4, 2020.

³ Veris Wealth Partners, "Assets Grow to More than \$3.4B." March 4, 2020.

⁴ "Gender Lens Investing: Uncovering Opportunities for Growth, Returns, and Impact." Joseph Quinlan and Jackie VanderBrug. 2017.

Gender equity means bridging the historical gaps in gender equality through policies such as maternal care, resources like management training, and programs that foster a culture generally more supportive of women.⁵

Many individuals, family offices, endowments and foundations now argue for gender lens 2.0: the evolution of strategies that peer deeper into the culture of a company and its business policies and how these policies are enacted to produce social outcomes.

While women in leadership remains a key component of investment strategies with a gender mandate, it alone does not ensure equitable conditions for all employees. Gender equity means bridging the historical gaps in gender equality through policies such as maternal care, resources like management training, and programs that foster a culture generally more supportive of women.⁵ Moreover, companies without a comprehensive gender equity mandate may be exposed to unexpected risks and missed

opportunities for long-term growth.^{6,7} To enter the next phase, women in leadership products need to deepen their investment approach in order to build more assets and, in turn, position interested asset managers to insist on better and more granular data. A more robust dataset may help identify factors which can mitigate risk and drive long-term growth and progress towards true gender equity in the workplace.

This paper explores the next frontier of gender lens investing with a focus on the identification of five dimensions ("proxies") that may provide richer signals of a corporation's commitment to organizational gender diversity, equity, and inclusion. Following a review of the current state of gender lens investing, we evaluate the relationship between performance and proxies for gender equity: Women in Leadership, Access to Benefits, Pay Equity, Diverse Supply Chains, and Talent and Culture. By discussing the emerging evidence — while recognizing the challenges — we hope to answer questions investors may have about gender lens investing and its potential to accelerate change not only for women, but for everyone.

⁵ Binagwaho, Agnes. "The difference between gender equity and equality and why it matters." *Fortune*. March 25, 2020. <https://fortune.com/2020/03/25/gender-equality-and-equity-iwd-womens-education/>.

⁶ "Equal Work, Unequal Pay: Risks of the Gender Wage Gap." *Risk Management*. November 1, 2016. <http://www.rmmagazine.com/2016/11/01/equal-work-unequal-pay-the-risks-of-the-gender-wage-gap/>.

⁷ "EEOC Releases Preliminary FY 2018 Sexual Harassment Data." *US Equal Employment Opportunity Commission*. October 4, 2018. <https://www.eeoc.gov/newsroom/eeoc-releases-preliminary-fy-2018-sexual-harassment-data>.

2020 State of Gender Lens Investing

As with most topics demanding the attention of sustainable and impact investors, the quest for gender equity has registered both gains and losses.

Progress

A key driver of the gender lens market is the continued upswing of women's wealth and purchasing power. According to a 2020 Boston Consulting Group ("BCG") study, women are increasing their wealth faster than ever before, adding \$5 trillion to the wealth market⁸ globally and outpacing the wealth market overall between 2016-2019.⁹ Moreover, several surveys support the idea that millennials and women tend to favor funds that not only perform well but create what they perceive to be a positive impact.^{10,11,12} The same BCG study concluded that as women accrue wealth, their desire to invest in strategies with positive impact

Just over 20 percent of public gender lens investment products focus on other measures of gender equity including reducing the pay gap, increasing women's representation in mid-level and junior roles, facilitating work-life balance, and expanding women's access to benefits.

also deepens, often expressed in terms of placing a greater emphasis on an investment's long-term effects.¹³

The universe of public companies meeting women in leadership criteria is growing (Exhibit 2, page 4). As of 2019, women constitute 46 percent of the incoming class of S&P 500 boards of directors (whereas minorities represent 23 percent),¹⁴ reflecting gradual changes to board demographics.

⁸ "Wealth market" refers to the assets held by high-net-worth individuals and the industry of investment professionals managing these assets.

⁹ "Managing the Next Decade of Women's Wealth." Boston Consulting Group. April 9, 2020.

¹⁰ For example, the 2020 BCG study showed that 64 percent of women factor in ESG concerns into their investment decisions.

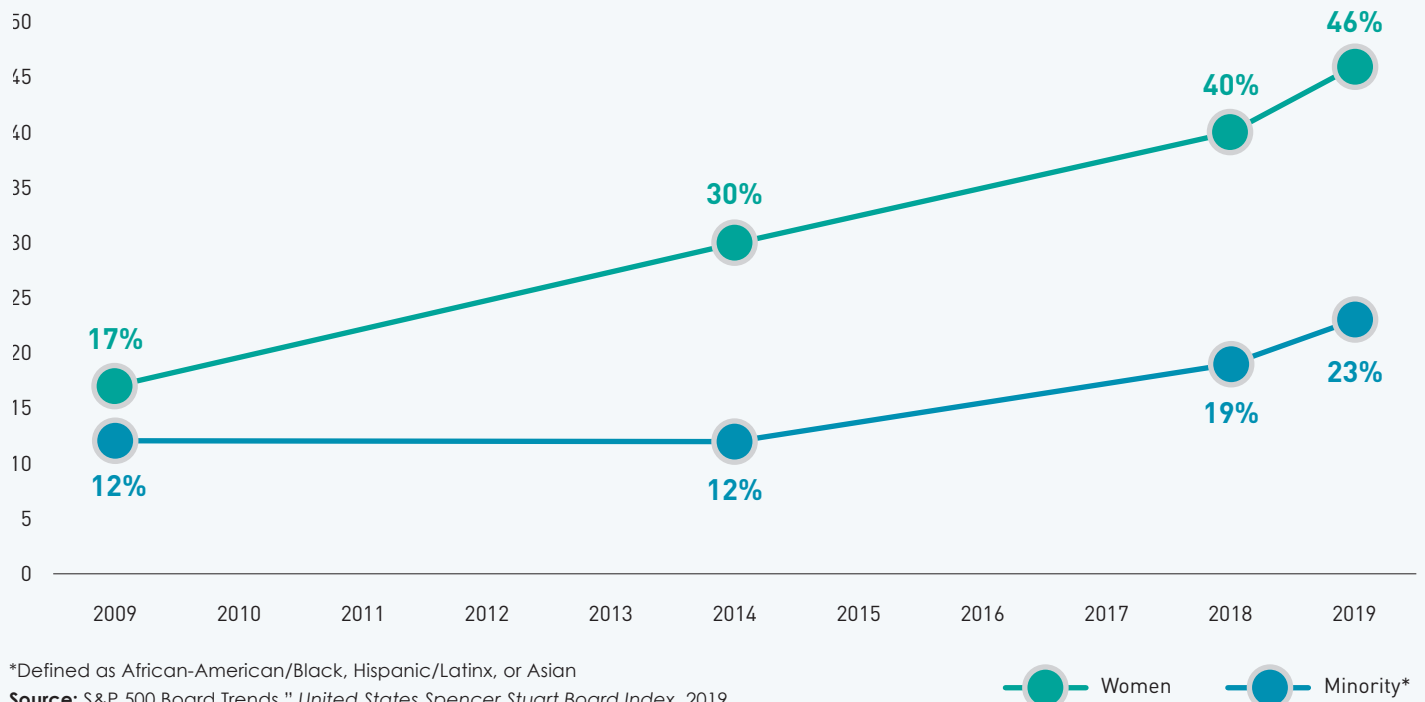
¹¹ "Sustainable Signals: Individual Investor Interest Driven by Impact, Conviction and Choice." November 2019.

¹² "Top Trends in Wealth Management: 2020." Capgemini. December 4, 2019.

¹³ "Managing the Next Decade of Women's Wealth." Boston Consulting Group. April 9, 2020. See Exhibit 4: "Women Are More Likely To Take a Values-Based Approach to Investing," which highlights that upper high-net-worth invest in thematic (values-based) topics more than upper high-net-worth men as well as affluent and lower-net-worth men and women.

¹⁴ "2019 US Spencer Stuart Board Index Highlights."

EXHIBIT 2: S&P 500 INDEPENDENT BOARD OF DIRECTORS



Now that every S&P 500 company has, at a minimum, one female board member,¹⁵ the focus in research has shifted to determining the “tipping point,” or the number of women required on a board to influence decision-making. In a 2019 study assessing the financial materiality of gender diversity factors, Calvert Research and Management found that US large cap companies with at least four women on their boards outperformed those with fewer than four by a difference of 10 basis points. Using a sample size large enough to ensure that these performance differences were not driven by outliers, the study indicates that

value creation comes not from simply fulfilling minimal quotas, but rather from deepening the bench of women on boards.¹⁶

Setbacks

The field of gender lens investing faces key challenges, which the 2020 global health crisis has exacerbated. Although women's employment tends to fare better than men's employment during “regular” recessions, the economic downturn caused by COVID-19 has disproportionately affected women, who tend to work in less telecommutable occupations, making them more susceptible

¹⁵ “The Last All-Male Board on the S&P 500 Is No Longer.” *WSJ*. July 24, 2019.

¹⁶ “Evaluating the financial materiality of gender diversity factors,” Calvert Institute. October 2019.

to higher unemployment rates.¹⁷ Although women compose less than half the workforce, they accounted for 55 percent of jobs lost in April 2020¹⁸ and the economic reality is even worse for Black¹⁹ and Latina women.²⁰ Even women who are fully employed may find their workplaces disengaging from critical diversity and inclusion programs, as institutions may do during periods of crisis.²¹ However, this disengagement can be counterproductive to growing a company's bottom line, as diversity and inclusion initiatives can boost a company's culture, employee satisfaction, and overall performance.²² One study found that publicly traded companies with highly inclusive workplaces thrived before, during, and after the Great Recession, gaining on average a stock return four times that of the S&P 500.²³

Another hindrance is that gender lens investment products remain limited in scope.²⁴ More than 50 percent of all public gender lens investment products focus on women in leadership, typically defined as a set threshold of women on boards, women in the C-suite and women in senior management. While the connection between female representation in leadership and

superior financial performance has been consistently reported,^{25,26} board diversity does not necessarily mean that company offers equitable female representation and equal pay at all levels, supports the health of its employees or provides an inclusive culture for all employees.²⁷ Just over 20 percent of public gender lens investment products focus on other measures of gender equity including reducing the pay gap, increasing women's representation in mid-level and junior roles, facilitating work-life balance, and expanding women's access to benefits.²⁸

Finally, gender lens investing literature, studies, and investment products rarely address the intersectionality of race and gender, a critical area of focus for future research. Given that gender-specialized data seldom accounts for race, the resulting evidence is not granular enough to isolate what progress looks like within every dimension for white women versus women of color. A key criticism of gender lens investing is that the majority of strategies disregard race, often resulting in outcomes for white women alone. Only when gender diversity data can be disaggregated by race will we be able to illustrate definitively measurable progress for women of color.

¹⁷ "The Impact of COVID-19 on Gender Equality." National Bureau of Economic Research. April 2020.

¹⁸ "Downturns tend to reduce gender inequality. Not under covid-19." *The Economist*. June 4, 2020.

¹⁹ "Black women are bearing the economic brunt of the pandemic." *Fortune*. June 3, 2020.

²⁰ "Why A Historic Wave of Latino Prosperity Is Under Threat Now," NPR. May 10, 2020.

²¹ "Diversity, Equity, and Inclusion: Staying the Course in Uncertain Times." Commonfund. March 24, 2020.

²² Hunt, Vivian, Sara Prince, Sundiatu Dixon-Fyle, and Lareina Yee. 2018. "Delivering Through Diversity". McKinsey & Company. <https://www.mckinsey.com/~media/McKinsey/Business%20Functions/Organization/>.

²³ "Diversity, Equity, and Inclusion: Staying the Course in Uncertain Times." Commonfund. March 24, 2020.

²⁴ Veris Wealth Partners, op. cit.

²⁵ "Across the Board Improvements: Gender Diversity and ESG Performance." Harvard Law School Forum on Corporate Governance. September 6, 2018.

²⁶ Credit Suisse, *Gender 3000 Report 2019*. October 10, 2019.

²⁷ "Four for Women: A Framework for Evaluating Companies' Impact on the Women They Employ." Wharton Social Impact Initiative. November 1, 2018.

²⁸ Veris Wealth Partners, op. cit.

Dimensions of Gender Equity

Gender lens practitioners have developed multiple frameworks to help evaluate what policies and practices create a good employer for women and men across the organization. After reviewing various frameworks, we have identified five common dimensions of gender equity ostensibly important to investors: Women in Leadership, Access to Benefits, Pay Equity, Diverse Supply Chains, and Talent and Culture.

Equileap Data Analysis

How Do the Five Dimensions of Gender Equity Impact Financial Performance?

The availability of data varies across these dimensions of gender equity. Certain dimensions, such as women in leadership, offer a multi-year evidence base whereas other dimensions, such as pay equity and access to benefits, are dependent on limited corporate disclosure. Based on a market analysis of gender-focused data providers,²⁹ we chose Equileap as a representative data

Availability of data varies across the five dimensions of gender equity. Dimensions such as women in leadership offer multi-year evidence; others, such as pay equity, depend on limited corporate disclosure.

provider for its data coverage and high level of corporate engagement, uniquely positioning the provider to derive proprietary insights into a firm's approach to gender equity. Founded in 2016 with the goal of creating a comprehensive gender database, Equileap focuses on capturing 19 criteria — most of which overlap with our five identified dimensions. Please see full list of Equileap criteria below (Exhibit 3, page 7), grouped by four categories. Equileap's coverage includes over 3,500 public companies globally, offering coverage across Russell 1000 and MSCI World indexes.

²⁹ Including, not limited to Equileap, Wharton's Four for Women framework, SEAF's Gender Equality Scorecard, and the DFI 2x Challenge: Financing for Women, which rely on academic research on gender diversity and financial performance, United Nations standards around women's empowerment, and corporate research centered on creating inclusive cultures, supply chains, and benefits packages.

EXHIBIT 3: “CLOSING THE GAP ON EQUALITY”— EQUILEAP GENDER EQUALITY SCORECARD™



CATEGORY A

Gender Balance
in Leadership and
Workforce

—

Board of Directors
Executives
Senior Management
Workforce
Promotion & Career
Development

CATEGORY B

Equal Compensation
& Work-Life
Balance

—

Living Wage
Gender Pay Gap
Parental Leave
Flexible Work Options

CATEGORY C

Policies
Promoting Gender
Equality

—

Training & Career
Development
Recruitment Strategy
Freedom from
Violence and Sexual
Harassment
Safety at Work
Human Rights
Supplier Diversity
Employee Protection

CATEGORY D

Commitment,
Transparency &
Accountability

—

Commitment
to Women's
Empowerment
Gender Audit



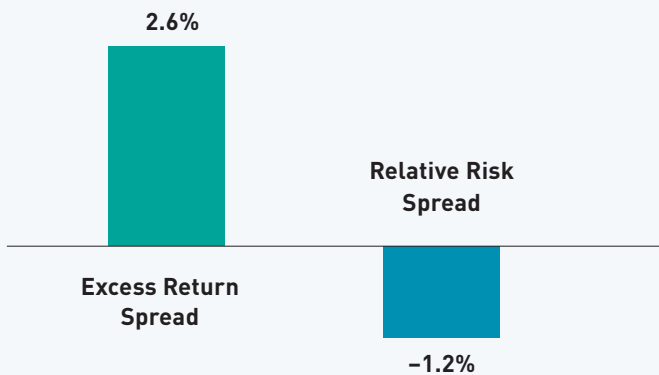
Alarm Bells

We monitor gender equality controversies: Class actions, individual cases and official rulings dealing with gender-based violence and discrimination



Source: Equileap Gender Equality Scorecard.

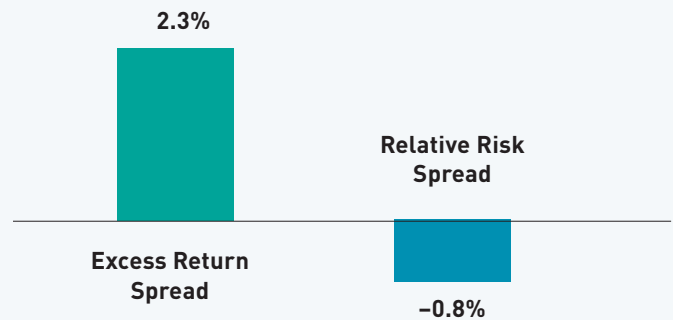
EXHIBIT 4: RISK AND RETURN QUINTILE SPREADS OF EQUILEAP'S GENDER BALANCE IN LEADERSHIP & WORKFORCE SCORE
December 2014–June 2020



Source: Equileap, Glenmede. Data through 6/30/2020.

*Within the Russell 1000, we compare the companies in the top quintile of Equileap's 'Gender Balance in Leadership & Workforce' relative to the bottom quintile, sector-neutral, from December 2014 through June 2020 using a rolling 12-month holding period. Criteria included in Equileap's 'Gender Balance in Leadership & Workforce' include: Percentage of female Board of Directors members, Percentage of female Executives, Percentage of female Senior Management, Percentage of women in the Workforce, and Promotion & Career Development ratio (ratio of women in Senior Management to women in Workforce). Relative risk spread is defined as the difference in standard deviation of returns between the top and bottom quintile of Equileap's data. This is historical performance which may not be repeated. Actual results may differ materially. Although the information contained herein has been obtained from sources believed to be reliable, accuracy and completeness cannot be guaranteed.

EXHIBIT 5: RISK AND RETURN QUINTILE SPREADS OF EQUILEAP'S TOTAL SCORE
December 2014–June 2020



Source: Equileap, Glenmede. Data through 6/30/2020.

*Within the Russell 1000, we compare the companies in the top quintile of Equileap's Total Score relative to the bottom quintile, sector-neutral, from December 2014 through June 2020 using a rolling 12-month holding period. Relative risk spread is defined as the difference in standard deviation of returns between the top and bottom quintile of Equileap's data. This is historical performance which may not be repeated. Actual results may differ materially. Although the information contained herein has been obtained from sources believed to be reliable, accuracy and completeness cannot be guaranteed.

We used Equileap's data on companies in the Russell 1000 from December 2014 to June 2020 in an effort to identify the relationship between gender equity factors and performance.³⁰ Our analysis of Equileap's data led to two summary conclusions:

- 1. On a sector-neutral basis, companies in the top quintile of Equileap's Category A: Gender Balance in Leadership and Workforce experienced on average greater return and less risk than companies in the bottom quintile.**
- 2. Companies in the top quintile of other proxies for gender equity — including pay equity, access to benefits, training and career development, anti-harassment policies, and**

diverse supply chains — also experienced greater returns and lower risk than the bottom quintile on a sector-neutral basis, though less dramatically than Category A.

Equileap's Category A score captures traditional women in leadership metrics (women on boards, women in senior management). Gender diverse companies in the top quintile of Category A outperformed the bottom quintile by 2.6 percent, while also experiencing lower risk as defined by standard deviation (Exhibit 4).

Companies in the top quintile of Equileap's total score³¹ still outperform the bottom quintile by 2.3 percent and experience somewhat lower risk, but the additional gender equity factors have narrowed the performance gap (Exhibit 5).






³⁰ Equileap's data is annual from 2014 to 2020 and quarterly thereafter. Our analysis is done on a rolling 12-month basis.

³¹ "The Equileap Gender Scorecard is inspired by the UN's Women Empowerment Principles. For each gender lens criterion, a question has been defined, and a data point has been identified to answer the question. Last, a score and weighting has been allocated to the individual question to reflect that some criteria may be more important for furthering Gender Equality than others.

A note on data coverage: While data availability remains nascent globally, the US lags much of the world. For example, looking at gender pay equity reports, only 5 percent of all Russell 1000 companies publicly disclose this information. In comparison, Equileap's data shows 25 percent of companies in international developed markets provide these reports.

This paper does not attempt to propose a new framework but rather seeks to explore the economic arguments associated with selected proxies of gender equity from existing frameworks. To that end, let's define and explore the financial implications of five common dimensions of gender equity: Women in Leadership, Access to Benefits, Pay Equity, Diverse Supply Chains, and Talent and Culture (Exhibit 6).

EXHIBIT 6: THE FIVE DIMENSIONS OF GENDER EQUITY

 <p>Women in Leadership</p> <p>—</p> <p>Studies show that gender diverse teams lead to long-term value creation, lower volatility, and higher returns</p> <p>—</p> <p>Improving gender diversity on boards may lead to better gender balance in executive functions as well</p>	 <p>Access to Benefits</p> <p>—</p> <p>Access to healthcare benefits, especially pregnancy and maternity benefits, is key to gender lens analysis</p> <p>—</p> <p>Clear business value in offering and normalizing sufficient parental leave (for women and men)</p>	 <p>Pay Equity</p> <p>—</p> <p>The gender pay gap obstructs women's pathway to growing wealth, negatively impacting women, the economy and investors</p> <p>—</p> <p>Investors should request adjusted median pay, adjusted pay by job, and racial and ethnic pay gaps</p>	 <p>Diverse Supply Chains</p> <p>—</p> <p>Supplier diversity captures the ability to empower women in value chains, ensure safety and health, and expand access to new consumer channels</p> <p>—</p> <p>Studies show that supplier diversity can offer a competitive advantage by sourcing from new products and services</p>	 <p>Talent & Culture</p> <p>—</p> <p>Culture is measured by professional development programs, access to mentors, and public anti-harassment policies</p> <p>—</p> <p>Studies show that, although men and women enter the workforce in equal numbers, men outnumber women 2:1 in management</p>
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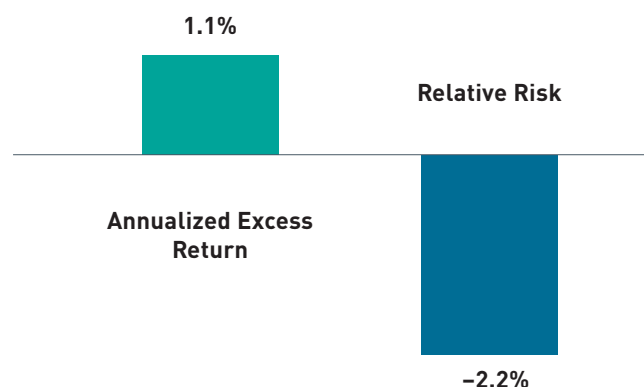
Sources: "Board Diversity, Firm Risk, and Corporate Policies," Gennaro Bernile, Vineet Bhagwat, and Scott Yonker.; Credit Suisse, Gender 3000 Report, 2019. "Company offers moms 16 weeks off in full pay, even n U.S." *CNN Money*, March 6, 2015. <https://money.cnn.com/2015/03/06/news/companies/vodafone-maternity-leave/index.html>. "How did Google halve the drop-out rate of new mothers?" World Economic Forum, February 2, 2016. <https://weforum.org/agenda/2016/02/how-did-google-halve-the-drop-out-rate-of-new-mothers>. Arjuna Capital 2020 Gender Pay Scorecard, pg. 6. "Top Supplier Diversity Programs Broaden Value Proposition to Drive Increased Market Share, Other Revenue Opportunities," The Hackett Group, February 16, 2017. <https://www.thehackettgroup.com/news/top-supplier-diversity-programs-broaden-value-proposition/>. Furhman, Vanessa, "Where Women Fall Behind at Work: The First Step Into Management," *Wall Street Journal*, October 2020.

Dimension 1: Women in Leadership

Commonly defined as women on boards and in senior management, women in leadership is the most documented indicator of gender equity and the one most strongly tied to corporate performance. Research shows that diverse teams lead to value creation across several metrics, including long-term performance and lower stock price volatility.³² Turning to women in senior management, BCG found that EBIT margins of organizations with diverse management teams are 9 percent higher than those of organizations with below-average diversity.³³ In Credit Suisse's seminal gender diversity report scanning 3,000 companies across 56 countries, researchers found that companies with more women on management teams outperformed their less equitable peers by over 4 percent a year.³⁴ A study of Russell 1000 companies by Glenmede Investment Management suggested that firms with greater gender diversity³⁵ experienced greater excess return with less risk (Exhibit 7).³⁶

What does empowering women at the top of the corporate ladder mean for women at the middle and entry rungs? Initial studies indicate that increasing the number of women on boards can have a “spillover” effect by improving diversity throughout the company. For example, Credit Suisse found

EXHIBIT 7: RISK AND RETURN OF WOMEN IN LEADERSHIP COMPANIES



Source: FactSet, Glenmede. Data through 6/30/2020.

*Within the Russell 1000, we compare the companies with women in leadership attributes relative to the companies without women in leadership attributes from July 2009 through June 2020. Certain data was provided by MSCI from July 2009 to July 2016. Relative risk represents spread and annualized standard deviation. If a company has any one of the following characteristics, they will be in the women in leadership universe: (1) Female CEO or Chair, (2) Greater than 25 percent women on board, and (3) Greater than 25 percent women in management. This is historical performance which may not be repeated. Actual results may differ materially. Although the information contained herein has been obtained from sources believed to be reliable, accuracy and completeness cannot be guaranteed.

that companies with at least 5 percent women on boards have an average of 18 percent women in management.³⁷ The proportion increases as the percentage of women on board increases. While correlation is not causation,³⁸ this data may suggest that improving gender diversity on boards leads to better gender balance in executive functions as well.

³² “Board Diversity, Firm Risk, and Corporate Policies,” Gennaro Bernile, Vineet Bhagwat, and Scott Yonker.

³³ Lorenzo, Rocio, Nicole Voigt, Miki Tsukaka, and Katie Abouzahr. “How Diverse Leadership Teams Boost Innovation,” BCG, January 23, 2018.

³⁴ Credit Suisse, *Gender 3000 Report 2019*, pg. 19.

³⁵ Defined as 1) Female CEO or Chair, 2) greater than 20 percent women on the board, and 3) greater than 25 percent women in management.

³⁶ Glenmede Investment Management, LP. *The Russell 1000 Index is an index of approximately 1,000 of the largest companies in the U.S. equity market.*

³⁷ Credit Suisse, *op. cit.*

³⁸ Klein, Katherine. “Does Gender Diversity on Boards Really Boost Company Performance?” Knowledge @ Wharton. May 18, 2017.

Still, the fact that a fraction of women hold positions of power does not mean the rest of the company offers equitable compensation, healthcare, or treatment at all levels.³⁹ This reinforces the importance of the remaining four dimensions of gender equity.

Dimension 2: Access to Benefits

Gender lens investors should view access to healthcare as intrinsically connected to gender equity within corporations. At the most basic level, a gap in equal pay takes a toll on women's health. For women, the gap in life expectancy between those in the top 1 percent of wage-earners and those in the bottom 1 percent is approximately ten years.⁴⁰

Because Americans are predominantly reliant on their employers for robust health insurance,⁴¹ investors may also want to know if a company provides adequate healthcare benefits for women's unique healthcare experiences, specifically pregnancy and maternity. In a study of 41 developed nations, the US was the only one that does not have a parental leave mandate.⁴² However, there is evidence to suggest that offering maternal and paternal leave is valuable to corporations. In 2015, Vodafone instituted global minimum maternity pay (16 weeks) after an analysis

from KPMG showed a worldwide cost savings of \$19 billion per year.⁴³ Likewise, Google increased paid maternity leave from 12 weeks to 18 weeks, cutting by 50 percent the rate at which new mothers left the company,⁴⁴ underscoring the savings from eliminating the need for new hire recruitment and training. Returning to this paper's central thesis, the key to extracting value from this dimension is normalizing the idea that those who take advantage of benefits are not penalized.

Dimension 3: Pay Equity

Gender pay equity is a key metric frequently cited by gender lens investors. Yet without widely accepted or mandated standards for assessing whether equal pay is given for equal work, the metric suffers from sparse and unclear data. As of 2019, women earned \$0.82 for \$1.00 earned by men, indicating an annual compensation gap of \$10,122.⁴⁵ Compounded over the course of a career, women's pay gap can amount to nearly half a million dollars. Moreover, these losses worsen when race is factored in. Black, Native, and Latina women suffer a career earnings gap representing closer to \$1 million.⁴⁶ The pay gap obstructs women's pathway to growing wealth, which negatively impacts women, the economy, and investors alike.

³⁹ "Four for Women: A Framework for Evaluating Companies' Impact on the Women They Employ."

⁴⁰ Chetty, Raj, et al. "The association between income and life expectancy in the United States, 2001-2014." *Jama* 315.16 (2016): 1750-1766.

⁴¹ The US is the only OECD country in which private health insurance is the primary method of health insurance; just 35.6 percent of Americans are covered by government health insurance, whereas the median insurance coverage for OECD countries is 100 percent. Source: Organization for Economic Co-Operation and Development. OECD.Sta. Dataset: Social Protection. Extracted June 2018. <https://stats.oecd.org/>.

⁴² Gretchen Livingston, "Among 41 Nations, U.S. Is the Outlier When It Comes to Paid Parental Leave," Pew Research Center, September 26, 2016.

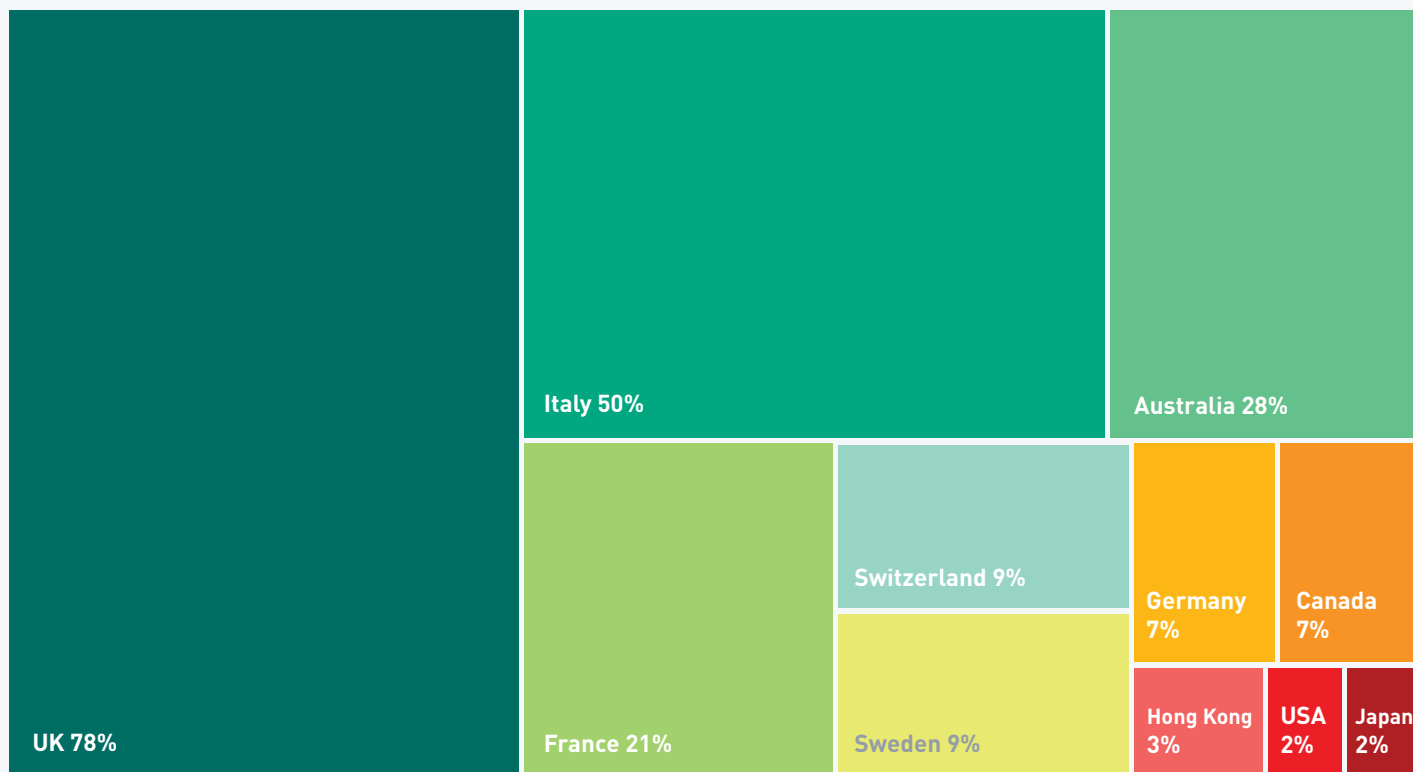
⁴³ "Company offers moms 16 weeks off in full pay, even in U.S." CNN Money. March 6, 2015. <https://money.cnn.com/2015/03/06/news/companies/vodafone-maternity-leave/index.html>.

⁴⁴ "How did Google halve the drop-out rate of new mothers?" World Economic Forum. February 2, 2016. <https://www.weforum.org/agenda/2016/02/how-did-google-halve-the-drop-out-rate-of-new-mothers>.

⁴⁵ <http://www.equalpaytoday.org/equalpaydays>.

⁴⁶ "The Simple Truth about the Gender Pay Gap." <https://www.aauw.org/resources/research/simple-truth/>.

EXHIBIT 8: PERCENTAGE OF PUBLIC COMPANIES PUBLISHING GENDER PAY INFORMATION PER COUNTRY



Note: Countries were only included in this Equileap analysis if they had more than 50 companies in the database.

Source: 2019 Equileap Global Report & Ranking, This graphic represents Equileap's dataset of global public companies.

Pay disclosure could remedy this disparity. Investors might be able to obtain this information by leveraging their status as shareholders and participating in resolutions designed to obtain detailed information. In recent years, gender lens investors have requested three distinct disclosures: 1) unadjusted median pay, representing equal opportunity; 2) adjusted pay by job, seniority, etc., representing equal pay for equal work; and 3) the racial and ethnic pay gap alongside gender pay requests. Over the last six years, at least 68 US companies have faced 125 shareholder resolutions on the gender pay gap,⁴⁷ a

campaign further intensified by hundreds of off-the-record company calls. Arjuna Capital observed that while many companies initially agree to report their adjusted gender pay equity numbers, they later “balk at reporting unadjusted median pay data,”⁴⁸ given the possible risk of exposing much wider corporate compensation gaps. While gender pay is one of the least disclosed metrics globally, US companies are among the most opaque. In Equileap's 2019 assessment of over 3,500 companies, 78 percent of UK-based companies disclosed report gender pay information compared to only 2 percent of US-based companies (Exhibit 8).⁴⁹

⁴⁷ Arjuna Capital 2020 Gender Pay Scorecard, pg. 6.

⁴⁸ Ibid.

⁴⁹ 2019 Equileap Global Report & Ranking, pg. 11.

Dimension 4: Diverse Supply Chains

Supplier diversity describes corporate commitment to creating and maintaining a supply chain that ensures the inclusion of diverse groups, including women and minority-owned businesses in procurement processes. In the context of gender lens investing, supplier diversity indicates a company's ability to empower women in value chains,⁵⁰ to ensure their safety and health in often male-dominated spaces, and to better design products and services that serve the real needs of consumers.⁵¹ In addition to representing a proxy for gender equity, studies suggest that diverse supply chains offer a real competitive advantage and greater profits to companies.⁵² Diverse supply chains may offer companies improved quality and often generate additional benefits, including increased efficiency and market share and access to new revenue opportunities, according to research by the Hackett Group.⁵³

The economic argument makes rational sense: sourcing from diverse suppliers promotes innovation by introducing new products, services, and solutions as well as sourcing channels.⁵⁴ Moreover, a diverse supply chain can extract key new insights into shifting demographic trends and new consumer

needs, creating the runway to expand market share. How can companies effectively screen for gender constraints and discrimination? Offering an example of best practices, IBM's Supplier Diversity Program reviews RFPs before issuance in an effort to ensure diverse supplier inclusion and sets annual goals.⁵⁵ Moreover, first-tier suppliers are required to run their own Supplier Diversity programs, thereby extending diverse supply chain responsibility throughout the value chain. IBM views supplier diversity on a par with innovation, a factor that contributes to new opportunities for growth and the overall bottom line.

Dimension 5: Talent and Culture

Of all the dimensions of gender equity, Talent and Culture is the most difficult to quantify but critical in fostering inclusive work environments. This paper defines Talent as encompassing the recruitment, advancement, and retention of women. Frameworks repeatedly cite the role of professional development in creating a positive corporate culture for women. McKinsey and LeanIn's Women in Workplace study of 68,500 employees showed that while women and men enter the workforce in roughly equal numbers, men outnumber women nearly 2:1 when they reach the first step into management.⁵⁶

⁵⁰ Having women participate and direct supply chain management as well as identifying women-owned and women-managed supply chain vendors.

⁵¹ "Gender Equality Scorecard Manual," SEAF, July 2020. pg. 5.

⁵² Woetzel, J., Madgavkar, A., Ellingrud, K., Labaye, E., Devillard, S., Kutcher, E., Manyika, J., Dobbs, R., and Krishnan, M. 2015. *The Power of Parity: How Advancing Women's Equality Can Add \$12 Trillion to Global Growth*. McKinsey Global Institute.

⁵³ "Top Supplier Diversity Programs Broaden Value Proposition to Drive Increased Market Share, Other Revenue Opportunities." The Hackett Group. February 16, 2017. <https://www.thehackettgroup.com/news/top-supplier-diversity-programs-broaden-value-proposition/>.

⁵⁴ "Supply Chain Diversity: More Than Quotas," Wharton Magazine, February 12, 2016. <https://magazine.wharton.upenn.edu/digital/supply-chain-diversity-more-than-quotas/>

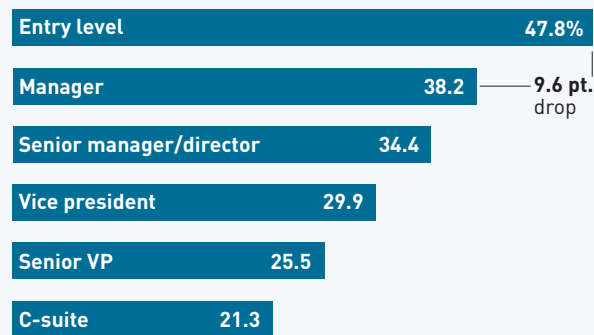
⁵⁵ "Driving Diversity through the Supply Chain," CEO Action, IBM. <https://www.ceoaction.com/actions/driving-diversity-through-the-supply-chain/>.

⁵⁶ Fuhrmans, Vanessa. "Where Women Fall Behind at Work: The First Step Into Management." WSJ. October 2020.

EXHIBIT 9: THE PROBLEM STARTS EARLY

Falling Behind Fast

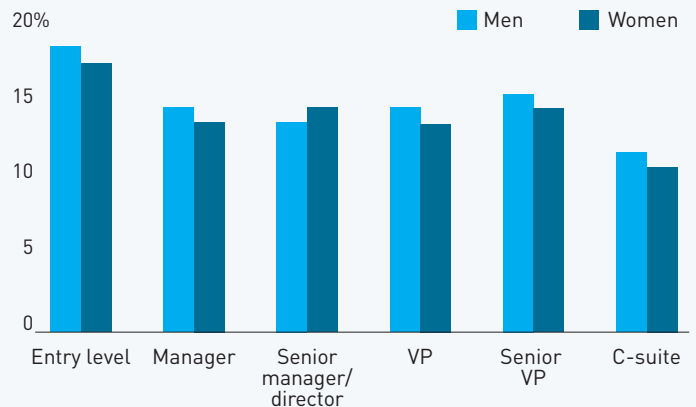
Women move up the career ladder in smaller numbers than men at every stage but lose the most ground early. Share of women at each level:



Source: McKinsey and LeanIn's 2019 "Women in the Workplace" Report

It Isn't Due to Attrition

Men and women leave employers in near-equal numbers at every career stage



Importantly, this imbalance is not due to attrition, as men and women leave employers in near-equal numbers at every career stage (Exhibit 9). Rather, the study finds that employers are not cultivating more junior female managers as intently as more senior women — already a smaller, filtered group. Although more than 40 percent of companies said they set gender diversity targets for senior management, only 1/3 do so at the junior level.⁵⁷ Moreover, sponsors and allies matter: McKinsey and LeanIn's interviews revealed that women often have fewer sponsors at work championing them for advancement, a top contributor to their inability to attain management roles.

In parallel, Culture includes how companies handle sexual harassment. Not surprisingly, employees who have been sexually harassed by a colleague can experience depression,

post-traumatic stress disorder, and even long-term physical damage.⁵⁸ Moreover, harassment can take an economic toll. One study found that 34 percent of female employees have been sexually harassed by a colleague with destructive follow-on effects: 38 percent of harassed women left a job early and 37 percent found that it disrupted their career advancement.⁵⁹ Presumably, companies would define harassment and impose clear consequences. Yet Equileap's 2019 global survey found just over half of US companies have a formal anti-sexual harassment policy.⁶⁰ While the dimension of Talent and Culture represents the hardest to quantify — and thus to measure in a standardized way — evidence shows that more inclusive companies⁶¹ perform better,⁶² offering a significant area for qualitative focus on investment analysis.

⁵⁷ Ibid.

⁵⁸ "Workplace Sexual Harassment," <https://www.aauw.org/issues/equity/workplace-harassment/>.

⁵⁹ Ibid.

⁶⁰ 2019 Equileap Global Report & Ranking, pg. 13.

⁶¹ Defined as those that offer broad access to management training, invest in long-term mentoring programs, and publicize anti-sexual harassment policies.

⁶² Vivian Hunt, Sara Prince, Sundiatu Dixon-Fyle, Lareina Yee, *op. cit.*

A Note on Data & Disclosure

Outside of women in leadership, public companies are not required to and rarely share data across the five dimensions of gender equity. Real change is possible through legislation, as we have seen abroad. As of April 2018, mandatory gender pay gap transparency regulations in the UK forced companies to publicly disclose unadjusted median and mean gender pay gaps across hourly and bonus pay. Just a year after implementing this legislation, the UK's average median pay gap for full-time employees narrowed from 8.9 percent in 2018 to 8.6 percent in 2019. Moreover, the gender pay gap

has fallen to almost zero for full-time employees under 40 years of age and has declined in seven out of nine occupation groups.⁶³

Similarly, Australia's government enacted legislation in 2012 requiring companies to undergo gender audits covering six indicators, including gender composition, compensation, maternal and paternal leave and flexible work arrangements. These steps are crucial companies cannot change what they cannot measure. Although at the time of this writing the US Department of Labor does not require companies to publicly report on gender or racial pay equity and demographics, a change in US administration could create that potential.

Conclusion

As the field of gender lens investing matures in terms of asset size and sophistication, investors may look beyond the women in leadership metric to accelerate progress towards corporate gender equity. Although data across the five dimensions of gender equity is beginning to become available due to regulatory changes, social movements, and shareholder pressure, data coverage remains sparse, especially in the US representing a significant legislative opportunity. Still, the

existing data seems to indicate that inclusive corporations demonstrate good financial performance and clearer impact metrics for investors seeking to confront remaining gender inequities in the workplace. In the face of an ongoing pandemic and a vulnerable economy — both of which are affecting women disproportionately — considering how to embed a gender mandate into our strategies is more relevant than ever.

⁶³ "Gender pay gap in the UK 2019." Office for National Statistics. <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/bulletins/genderpaygapintheuk/2019#:~:text=The%20gender%20pay%20gap%20among,2019%2C%20and%20continues%20to%20decline.>

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In honor of Randy Smith, whose vision was instrumental to this project.

Disclosure:

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