

## **Ringling the bell for gender equality**

In our [last edition of VFTD](#) we wrote about sustainability potentially being the investment theme for this decade. At a corporate level, this challenges the case presented by the US Economist, Milton Friedman, in his 1970 New York Times Magazine article, in which he argued – famously paraphrased – “*the business of business is business*”. In other words, corporate enterprises should be run with the sole focus of making profits for their owners, i.e. shareholders, with the wealth created benefiting all of society. This concept became widely accepted and was the catalyst for executives to run businesses to ‘maximise shareholder value’ and being lucratively incentivised for doing so.

With all this in mind, can you guess when the following ‘Code of Ethics for Business Leaders’ was published? It read “*the purpose of professional management is to serve clients, shareholders, workers and employees, as well as societies, and to harmonise the different interests of the stakeholders.*”

The Code presents the case for ‘stakeholder capitalism’, a concept that is now on almost every top executive’s mind. However, to answer our question, it first appeared in the World Economic Forum’s 1973 Davos Manifesto. 47 years later, the Manifesto has expanded on this idea stating “*A company is more than an economic unit generating wealth. It fulfils human and societal aspirations as part of the broader social system. Performance must be measured not only on the return to shareholders, but also on how it achieves its environmental, social and good governance objectives.*”

Questioning the role – or *purpose* – a corporation fulfils in society is reflective of a building ‘anti-capitalism’ sentiment, across many democracies. This has been fuelled by the idea big business has been single-mindedly funnelling money to its shareholders and its executives, at the expense of customers, employees, the environment and communities as a whole. Business leaders and policymakers alike are aware of this negative sentiment and the communications issued from Davos 2020 highlighted this.

### **So, what progress has been made since 1973?**

The fact stakeholder capitalism was being discussed in the early 1970s and is still an important agenda item in 2020, tells us advancement – or should we say appetite for change – has been muted. To illustrate this on a more granular scale and using the UN Sustainable Development Goals as our roadmap, it is informative to review progress towards SDG 5; Gender Equality.

### **Why choose this Goal?**

As most of you will know, this is a leap year. February 29<sup>th</sup> is synonymous with the archaic tradition of women being ‘allowed’ to propose to men. What is the history behind this? In 1288, Queen Margaret of Scotland was said to have passed a law declaring that women

could propose every 29<sup>th</sup> February – and that if a man refused, he had to pay a fine of a new gown, gloves or a kiss. However, there is no record of such a law. Another contender for coming up with the idea is an Irish nun of the sixth century, Brigid of Kildare, who is said to have pleaded with Saint Patrick that women needed a chance to propose to shy suitors.

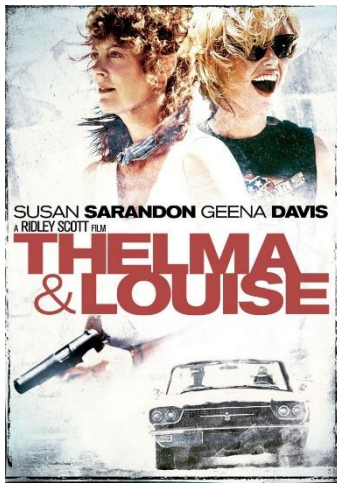
Irrespective of where this all started, the tradition hardly seems appropriate in the context of SDG 5. Gender Equality and the empowerment of women is recognised as essential to boosting economic growth and labour productivity globally. When we consider antidiscrimination legislation, on the basis of gender, was introduced in the US as part of the Civil Rights Act, as far back as 1964, surely we should be reviewing a good news story?

Not quite. According to the UN, and based on global numbers, 63% of women aged between 25 and 54 are part of the labour force, compared to 94% men in the same age range; women earn approximately 20% less than men doing the same work; politically, women hold only 20% of ministerial and 24% of parliamentary positions; economically, women have similar access to financial services as men in just 60% of countries and spend 2.6× more time on housework and other unpaid activities. Based on these numbers and other similar data sets, estimates suggest it will take, at this current rate of 'progress', a staggering 202 years to close the economic gender gap and achieve equality in the workplace.

Clearly, this is not good enough.

### **Why is progress so slow?**

Addressing some of the many cultural, socioeconomic and political factors that have contributed to this is beyond the scope of this VFTD. Albeit, writing this in the days after the Oscars and the backlash the Academy has faced in terms of its lack of diversity across nominees, highlights an important unconscious bias across popular media. Back in 2015, Geena Davis – who famously played the role of Thelma Dickinson, one half of the female duo *Thelma and Louise* – commissioned the largest piece of research ever on gender depictions in media. Spanning a 20-year period in family rated films and children's television, for every one female speaking character there were three males; while female characters make up just 17% of crowd scenes. Similar research, at that time, revealed females comprised only 12% of protagonists, 29% of major characters and 30% of all speaking characters in the top 100 grossing films.



The notion that, from a very young age, boys and girls were being unconsciously influenced as to their positions in society came as a revelation for some. Sadly, it is not just popular media that creates these biases; many sectors and industries have ingrained a similar message. Changing these societal norms takes time, but change is underway and business has to play a leading role. UN statistics highlights 79% of Global Compact companies surveyed had significant or positive impact on gender equality and 82% reported to have gender equality embedded into their corporate sustainability strategy. This is reflected in the infographic below, which 'weights' the progress being made against each of the 17 SDGs – with gender equality clearly front and centre.



Source: UNGC Progress Report 2019

## **The economic imperative**

When women are empowered, economies grow and businesses thrive. Again using UN data as our reference, achieving 30% female representation on corporate boards could add six percentage points to net margins and companies with the highest level of women on their executive teams are 21% more likely to register above average profits. Businesses with above-average diversity within their management teams have innovation revenue of 45%, versus 26% for those with below-average leadership diversity. These metrics are not only compelling, but highly noteworthy for shareholders and the creation of sustainable value.

This outperformance is investable. For this reason we allocate to the RobecoSAM Global Gender Equality Impact Equities Strategy, which seeks to outperform the MSCI World Index, by investing in a concentrated portfolio of attractively valued companies exhibiting a high degree of gender equality.

Returning to the movies, despite some controversy at the time, *Thelma and Louise* became a critical and commercial success, receiving six Academy Award nominations and winning for Best Original Screenplay. At the intersection of several genres, it is now considered a classic. It influenced other films and artistic works and became a landmark of feminist film.

Subsequently, Geena Davis established her institute, advocating for female equality in the media using the trade mark slogan “*if she can see it, she can be it*”. Having women leaders as roles models, inspires girls to aim high. Waiting another two centuries to close the economic gender gap is simply not acceptable. The finance sector has a role to play here. The UN Global Compact, UN Women, Sustainable Stock Exchanges Initiative, International Finance Corporation, World Federation of Exchanges and Women in ETFs are working together again this year, following a very successful collaboration in 2019 where 85 stock exchanges rang the bell for gender equality on International Womens’ Day. This global initiative aims to bring attention to the pivotal role the private sector can play.

Let the bells ring.

Please do contact us with any questions.

## **Julia Warrander and Russell Waite**

Affinity Private Wealth is a trading name for APW Investors Limited, which is regulated by the Jersey Financial Services Commission. Registered office 24 Seale Street, St Helier, Jersey JE2 3QG.