



Robeco Active Ownership Assessing gender equality for International Women's Day

- World celebrates International Women's Day on 8 March
- Robeco uses active ownership to promote gender diversity
- Gender equality fund seeks companies backing women's rights

Companies are becoming more aware of the importance of gender diversity, but there is some way to go for real equality, say Robeco's engagement specialists.

The issue takes center stage each year on 8 March, when International Women's Day celebrates the social, economic, cultural and political achievements of women around the world. The day has been commemorated since 1909, before many women got the vote in Western democracies. This year's theme is 'Each for Equal'.

Robeco's Active Ownership team regularly engages on the issue and incorporates this in their voting approach, to support more women on corporate boards, remove gender pay gaps and improve opportunities for women in the workplace.

For investments, the RobecoSAM Global Gender Equality Impact Equities fund invests in companies with a high degree of gender equality combined with strong business fundamentals, with the aim of achieving attractive social and financial returns.

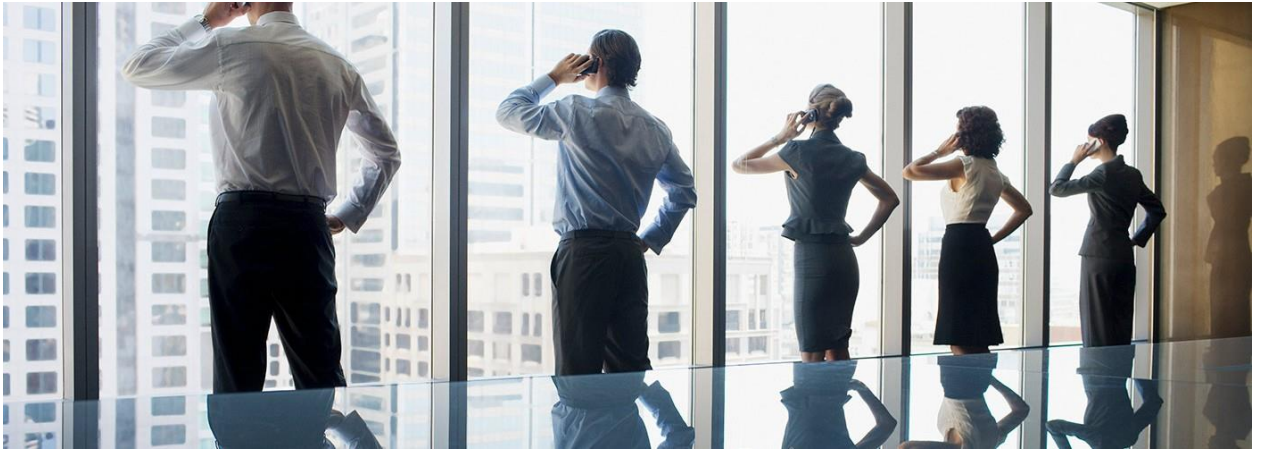
Strong engagement program

"We have different fronts in which we work to address gender diversity," says engagement specialist Laura Bosch Ferreté.

Article
For professional investors
March 2020

Laura Bosch Ferreté and Daniëlle Essink,
engagement specialists





“We have an engagement program in which we speak to several companies about how they manage their human capital and, more precisely, how they promote gender equality throughout their workforce.”

“This engagement work is done together with the portfolio manager of the RobecoSAM Global Gender Equality Impact Equities fund and is truly utilizing the assessment framework in place for this fund.”

“We look at to what extent women are sufficiently represented in different job categories, if there are equal remuneration opportunities throughout the workforce, and what types of benefits are provided for female versus male workers.”

Voting to improve governance

Governance is also a theme, particularly with respect to how many women are represented on company boards. Aside from its engagement work, Robeco also uses voting to address lack of diversity in the boardroom.

“We've done quite a lot of work in terms of board quality, assessing as well to what extent there is a sufficient representation of female directors on the board,” says Bosch Ferreté.

“We've seen a lot of shareholder resolutions asking companies to disclose more on their diversity, and also requesting more information on the companies' remuneration practices for female and male workers.”

“We are becoming more stringent on voting, both in developed and emerging markets. We've strengthened our approach to diversity on boards, moving beyond only adhering to legal requirements. In markets where there is no regulation, we will refrain from supporting the election of directors if the board has not made reasonable progress towards gender diversity according to local standards.”

The 30% Club

Robeco is a member of the of the 30% Club, which pursues the objective of having at least 30% of female directors in the boardroom across different markets. It was recently achieved in the UK, when a survey showed that one-third of all board positions of members of the FTSE 100 are now held by women, though only 15% of finance directors are female.

“We're part of this initiative in the UK, talking to companies from the FTSE 350, aiming to improve the ratio of female board members,” says Bosch Ferreté. “Companies' boards are doing much better on this topic than 20 years ago, but there's still a lot of work to be done, especially in emerging markets.”

“We're also involved in the 30% Club in Brazil. Via this initiative, we send joint letters on an annual basis to those Brazilian companies that have little or no female representation whatsoever on the board, and have updated our voting guidelines to also support this initiative.”

Diversity and returns

“While much of the focus has been on female participation on boards, Robeco and RobecoSAM believe that having more women at all levels in a company makes it more successful, and therefore enhances returns for investors,” says Junwei Hafner-Cai, portfolio manager of the Gender Equality fund.

“Gender equality is an indication of a well-managed company that is fully utilizing its talent and human assets to make better decisions that lead to better results. Research shows that a gender-balanced workforce positively supports corporate performance in relation to company profitability, risk reduction or share price.”

“Investors who take gender equality into account can play a role in both driving social change as well as enhancing their own return potential by investing in companies with a competitive advantage.”



Junwei Hafner-Cai, Portfolio Manager,
RobecoSAM Global Gender Equality Impact Equities

Managing human capital

“Companies see the added value of diversity in the broader sense of the term, given that it improves the way that they manage their internal human capital, and it can be a good driver to attract and retain qualified employees,” adds engagement specialist Daniëlle Essink.

“And there are many benefits to having companies opening up on this front. By not having a balanced male female representation, you lose diversity of opinion, but also part of the talent pool; that's one thing we hear a lot from companies. So, in general, most companies are quite open to discuss it.”

Don't forget inclusion

Meanwhile, inclusion should be as important as diversity, so that new employees are properly integrated, Essink says. “Diversity is about the numbers, whereas inclusion is really about helping people to fit in,” she says. “It's not about making them fit themselves into a culture, but really giving them the space to thrive.”

“One issue is that there can be a personal bias when you hire people; as humans, we tend to like the people who think like us. So you then get colleagues who all think the same. Having people with different perspectives can be more challenging to work with, but it makes more sense from a business perspective.”

“That's very difficult to tackle in engagement, because it goes into corporate culture, which is very difficult to measure. But if companies don't foster inclusion, new people will try to mimic the people who are already there, which means they then can lose the value they could have added.”

Gender pay gaps

Then there is the vexed issue of the gender pay gap, where men are paid more than women for doing the same job. This is illegal in many countries, yet it remains widespread.

A RobecoSAM survey in 2019 estimated that it would take 22 years to eliminate the gender pay gap between male and female non-managers, who represent the majority of the global workforce. A number of court cases – most recently involving the UK's national broadcaster, the BBC – have successfully challenged pay gaps in higher-profile roles.

“The UK has made it mandatory to report on the gender pay gap for the largest listed companies, so that is a step in the right direction,” says Bosch Ferreté. “But there is an ongoing gender pay gap across different industries across different markets, and in the representation of women at top levels across different countries.”

Challenging traditions

Tackling gender representation in industries that traditionally tend to be dominated by either men or women is another issue. Most shop floor workers in textiles firms and supermarkets are women, while the majority of pilots and scientists are men.

“There are some sector biases in terms of female or male representation, but that doesn't necessarily mean you should just accept the reality,” says Bosch Ferreté. “When there is a bias towards a specific gender, companies can implement programs to try to combat it.”

‘There is an ongoing gender pay gap across different industries across different markets’

Maternity and childcare

Some impediments to gender equality are more to do with the logistics of parenthood, requiring companies to take a more pragmatic approach. “Childcare is a topic that we also address in our engagement work, where we basically want companies to set up of benefits that do not discriminate between female and male employees,” says Essink.

“And it works both ways – if there is maternity leave, then you should also offer paternity leave, so that all employees have incentives to take time off to take care of their responsibilities at the household level. By having that in place, it's also a good proxy to see to what extent companies really want to incentivize women to remain with the company, climb the ladder, and have a higher responsibility within the organization.”

“Again, you also see a lot of differences between countries, with huge gaps in certain places. Finland has mandatory maternity and paternity leave, while many countries have a flexible system so that women and men can share the weeks they want to take off for parenting.”

Emerging market issues

The more male-dominated cultures in emerging markets are now being studied by the Active Ownership team in greater depth. “This year we updated our voting guidelines on diversity and for the first time we have a target for the number of female directors represented in supervisory boards in emerging markets,” says Bosch Ferreté. “Our Emerging Markets team fully supported us to become more ambitious on this front.”

“Emerging market companies are starting to become more aware of investors’ concerns on the topic of diversity, although they often have similar answers to the issue, saying it is a cultural or historic matter. So, still you need to see much more action really brought to this at the ground level.”

“We really believe that the change needs to come from the top. If more women are represented at the board level, this will create an incentive to change the corporate culture. For that reason, our voting approach has become more stringent as of this year.”

Do gender quotas work?

One solution is the introduction of gender quotas. “Some people are concerned about these quotas; for example, Spain plans to update its soft requirement on female board members from 30% to 40%,” says Bosch Ferreté.

“From a principles-based approach, I think that if female representation is such a big challenge in many markets at the corporate cultural level, gender quotas can help to deal with this issue on a wider scale.”

“Once this is normalized, and there is more equality between workers’ rights for men and women, then this won't be needed anymore. Norway, for example, doesn't have any quotas for women at the board level anymore because they're already at almost 50-50. It just isn't needed. But in countries like South Korea, where the majority of boards are male dominated, an idea like this could potentially work.”

Practicing what we preach

Finally, Robeco is committed to having its own strong mix of men and women, along with people of different ages and from different backgrounds and cultures. Two of the members the Executive Committee are women, and careful checking reveals there is no discernible gender pay gap.

“A lot of our clients ask about our own diversity – they want to know how many women we have in our investment teams, for example,” says Essink. “Aside from the male to female ratio, we also look at things like racial diversity, age diversity, and having a variety of educational backgrounds.”

“So we have four angles of diversity; it's an important topic as well for us, internally as well as externally. We like to practice what we preach.”

‘We really believe that the change needs to come from the top’

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