

Impact Metrics

# HUMAN DEVELOPMENT: A FOCUS ON GENDER DIVERSITY









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As sustainable or ESG investing continues to grow, investors require reliable and robust data to understand and report on the social and environmental impacts of their holdings and portfolios. Sustainalytics' Impact Metrics solution provides a broad set of data on impacts associated with companies' products and services, as well as their operations. Our approach to impact is guided by our Impact Framework, which includes six impact themes pictured below aligned to the UN Sustainable Development Goals (SDGs).

This report showcases some of our research within the Human Development theme, with a particular focus on gender diversity. Advancing gender equality is an important part of the SDGs and also represents an economic opportunity. One estimate<sup>1</sup> (McKinsey Global Institute report) suggests that closing the gender gap could add \$12 trillion, or 11%, to global GDP.

## Morningstar Sustainalytics' Impact Framework

ENVIRONMENTAL THEMES			SOCIAL THEMES		GOVERNANCE THEME
 <p><b>Climate Action</b> The global effort to curb the Earth's temperature rise and cope with unavoidable consequences</p>	 <p><b>Healthy Ecosystems</b> Safeguarding of ecologically sound environments on land, air and water</p>	 <p><b>Resource Security</b> Positively impacting natural resources through efficient use and circular economies</p>	 <p><b>Basic Needs</b> Addressing the basic needs of humans, including access to food, housing, healthcare, clean water, and energy</p>	 <p><b>Human Development</b> Promoting human capabilities and progress through education, employment opportunities, and healthcare</p>	 <p><b>Fair Business Conduct</b> A baseline for social and environmental themes</p>
UN SDGs					
<p><b>7</b> Affordable and Clean Energy</p> <p><b>9</b> Industry, Innovation and Infrastructure</p> <p><b>11</b> Sustainable Cities and Communities</p> <p><b>13</b> Climate Action</p>	<p><b>2</b> Zero Hunger</p> <p><b>3</b> Good Health and Well-Being</p> <p><b>6</b> Clean Water and Sanitation</p> <p><b>6</b> Industry, Innovation and Infrastructure</p> <p><b>12</b> Responsible Consumption and Production</p> <p><b>14</b> Life below Water</p> <p><b>15</b> Life on Land</p>	<p><b>2</b> Zero Hunger</p> <p><b>6</b> Clean Water and Sanitation</p> <p><b>7</b> Affordable and Clean Energy</p> <p><b>11</b> Sustainable Cities and Communities</p> <p><b>12</b> Responsible Consumption and Production</p>	<p><b>2</b> Zero Hunger</p> <p><b>3</b> Good Health and Well-Being</p> <p><b>6</b> Clean Water and Sanitation</p> <p><b>7</b> Clean and Affordable Energy</p> <p><b>11</b> Sustainable Cities and Communities</p> <p><b>16</b> Peace, Justice and Strong Institutions</p>	<p><b>4</b> Quality Education</p> <p><b>5</b> Gender Equality</p> <p><b>7</b> Affordable and Clean Energy</p> <p><b>8</b> Decent Work and Economic Growth</p> <p><b>9</b> Industry, Innovation and Infrastructure</p> <p><b>10</b> Reduced Inequalities</p> <p><b>11</b> Sustainable Cities and Communities</p>	<p><b>8</b> Decent Work and Economic Growth</p> <p><b>9</b> Industry, Innovation and Infrastructure</p> <p><b>11</b> Sustainable Cities and Communities</p> <p><b>16</b> Peace, Justice and Strong Institutions</p> <p><b>17</b> Partnership for the Goals</p>

### What is Human Development?

The Human Development theme within Sustainalytics' Impact Framework refers to enhancing human capabilities and promoting human progress. It includes measures that support education, improve equality and employment opportunities, and advance healthcare. Human Development is linked to the SDGs shown in the Sustainalytics Impact Framework.

### What is an Impact Metric?

An impact metric is a quantitative measure of an environmental or social outcome attributable to a company's activities. Companies through their activities may cause either direct or indirect, and positive or negative impacts. Two types of metrics are provided as a part of the Impact Metrics dataset. These are:

- i. Sustainable Activities Involvement (SAI) Metrics: These metrics measure companies' level of involvement in economic activities that contribute to achieving a more just and sustainable world. They use a percentage of revenue metric, which is associated to activities considered sustainable.
- ii. Operational Metrics: These metrics measure the positive or negative impact outcomes associated with a company's operational or governance practices on the environment or society. They are reflected as quantitative data that is either derived or requires no further calculation.

The subsequent analysis will focus on impact metrics related to gender diversity, an important area of focus within the Human Development theme. Over time, we anticipate expanding our impact metrics to cover other issues and sub-themes within Human Development.

### Impact Metrics for Human Development<sup>2</sup>

**Women in Workforce:** The proportion of women in the workforce as a percentage of total employees.

**Women in Senior Management:** The proportion of women in top management positions, including those who are responsible for managing the business, taking material business decisions and executing key functions.

**Women on Board:** Number and proportion of women within the organization's governance body.

**Human Development Revenue Exposure:** The percentage of a company's revenue that are derived from products and services that support Human Development, such as educational products and services and microfinance services.

<sup>1</sup> McKinsey Global Institute, The Power of Parity: How Advancing Women's Equality can add \$12 Trillion to Global Growth, September 2015.

<sup>2</sup> The subsequent analysis is based on the impact metrics that we currently track against Human Development. These metrics do not represent an exhaustive list of metrics relevant to Human Development. Over time, we anticipate expanding our dataset to capture metrics that cover other aspects of Human Development.

# HUMAN DEVELOPMENT

## What Do Companies Disclose When it Comes to Human Development?

Board gender diversity and gender diversity in senior management are the most frequently reported diversity metrics, with 73.9% and 68.3% of companies respectively disclosing this information. Less than half (43.4%) of companies report on all three metrics.

### Corporate Disclosure On Gender Diversity

Disclosure areas:	% Reported	Total Sample Size (number of companies)
Board Gender Diversity Coverage <sup>5</sup>	73.9%	11,684
Senior Management Disclosure	68.3%	11,684
Workforce Disclosure	57.4%	11,684
All 3 Metrics Disclosure	43.4%	11,684

Source: Sustainalytics, as of January 2023

## How do Companies Perform on Human Development?

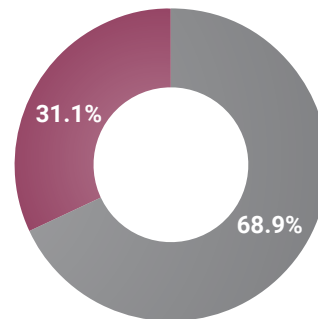
### Women In Workforce and Women In Senior Management.

- Women on average make up 31.1% of workforce and 17.86% of senior managers. While nearly one in four companies (20.1%) have workforce gender parity, with women representing at least half of the workforce, this ratio does not extend to senior management. Women hold at least half of senior management positions at 6.2% of companies researched and 33.1% of companies researched do not have any women in senior management positions.

### Average Gender Diversity in the Workforce

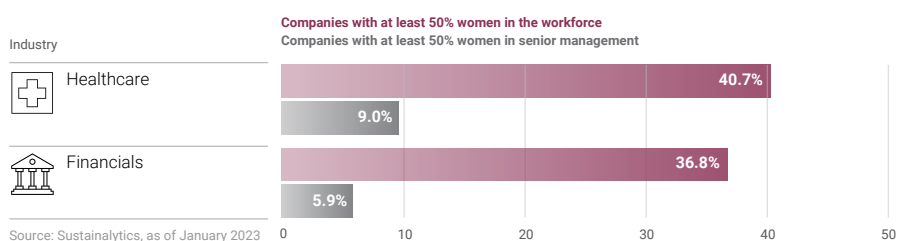
Sector	
Men	68.9%
Women	31.1%

Source: Sustainalytics, as of January 2023



- The best performing industries on workforce gender diversity include Financial, Healthcare, and Real Estate, while the Materials, Energy, and Utilities industries reported the lowest average levels of women in the workforce.
- The top performing sectors that report having a workforce that consists of greater than 50% women are the Healthcare (40.7%) and Financials (36.8%) sectors. Comparing this to Women in Snr. management, this falls at 9% for Healthcare & 5.9% for Financials.

### Best Performing Industries on Average: Percentage of Women in the Workforce



Source: Sustainalytics, as of January 2023

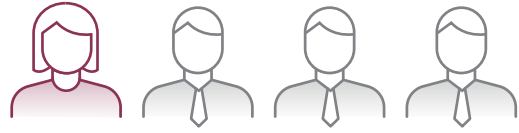
# HUMAN DEVELOPMENT

## How do Companies Perform on Human Development? (cont.)

### Women On Board

- On average women occupy one of every four board seats. Only 5.4% of companies have achieved gender parity at the board level or surpassed gender parity where women outnumber men on the board.

### Women Occupy 1 Out Of 4 Board Seats

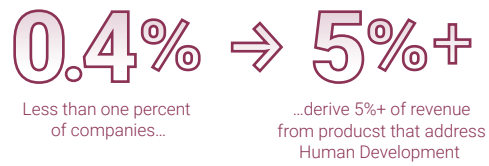


Source: Sustainalytics, as of January 2023

### Human Development Revenue Exposure

- A limited number of companies have business models that are focused on addressing Human Development. Less than one percent (0.4%) of companies derive 5% or more of their revenues from products and services that support or address Human Development issues. The majority of these companies are in either the Financials or Consumer Discretionary industries.

### Company Revenues That Support Human Development



Source: Sustainalytics, as of January 2023

## How Can These Metrics Be Used?



### Select

#### Impact and SDG Thematic Investments

Assess how well companies are managing gender diversity as an input into investment decisions when constructing impact investing products or assessing Human Capital risks. For impact investing products, the metrics relate to the following SDGs: 4 – Quality Education, 5 – Gender Equality, 8 – Decent Work and Economic Growth, 9 – Industry, Innovation and Infrastructure and 10 – Reduce Inequalities.



### Report

#### Portfolio Reporting On Impact Data

Report on the diversity characteristics of your portfolio as well as the average revenue contribution of the portfolio to Human Development.



### Manage

#### Performance Monitoring

Monitor the performance of holdings in relation to Gender Diversity or Human Development as a whole. Determine trends and evaluate performance improvements over time.



### Engage

#### Stewardship Strategy Development

Differentiate poor or lagging performers from leading companies. Build engagement strategies targeted at improving gender diversity within poor performing organizations, setting KPIs corresponding to improvements in key metrics over time.

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