Public anger over the ongoing abuse and harassment of women in the workplace has gained traction in recent weeks, and investors are rushing to address the implications

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Over the past 100 days, #MeToo has been the headline and the hashtag every time someone who has been abused in a professional setting has exacted a tiny measure of justice from the mighty and the apparently inscrutable.

Men in positions of considerable power and prestige are finally being held to account for misusing that power in ways that are demeaning, demoralizing and disgusting to the professionals – overwhelmingly women, but men as well – who work alongside them.

The movement was thrust into the limelight by Alyssa Milano's tweets in October, but #MeToo, casting light on the pervasiveness of assault and abuse at the other end of the economic spectrum, began with Tarana Burke, the founder of not-for-profit youth organization Just Be Inc., back in 2006. The problem, though, is as old as the dirt under our feet.

## INTO THE SPOTLIGHT

Whenever a major social issue explodes into the public consciousness, we see a surge of interest from the investing public, wondering how their investments are exposed to the issue. For example, the tragic mass shooting in Newtown, Connecticut in 2012 ensured fresh scrutiny for weapons companies in investors' portfolios and the rights and wrongs thereof.

Gatekeepers are now faced with an deceptively simple question: How are sexual assault, abuse and harassment being addressed in the investment strategies and funds that are presented to clients? ESG managers have long made gender, fair labor practices, discrimination, toxic corporate cultures and safe workplaces central to 'big S' Social factors in securities research and portfolio construction. Strides have also been made in 'big G' Governance, particularly in ideas such as inclusive and diverse leadership at the C-suite and board level – moves which serve as a precursor to more progressive, safe and equitable workplaces.

Ten years ago, a *Journal of Business Ethics* article by Kevin Campbell and Antonio Mínguez-Vera found that corporate results actually improve when the issue of gender diversity is addressed at the board level. That particular examination, entitled 'Gender Diversity in the Board Room and Firm Financial Performance', is interesting because it takes the opportunity to look at this issue as an emerging factor in Spain, where workforce participation by women was historically poor prior to the passage of legislation to rectify the imbalance.

As with many other studies that have looked at the data in more progressive markets such as the US, the order of causality is not clear. It is hard to say whether companies that outperform hire more women and elevate more women to leadership roles, or whether companies with more women in leadership roles outperform. We can intuit the second, but it is difficult to refute the first. Either way, empirical evidence does indicate that strong performance and the presence of women are connected, which is certainly compelling from an investment point of view.

Investment companies have now picked up on the broader movement to ensure that women can occupy their rightful professional stations. New strategies and funds have emerged that play in various ways with factors such as fair and equal compensation, workplace satisfaction, flexible working arrangements and women in leadership roles to help formulate, weight or enhance portfolios.

## THE HEART OF THE MATTER

So how do investments, particularly those specifically keyed to issues of gender, address the issues raised by #MeToo?

Regrettably, the answer is that they largely do not. Human resource (HR) policies are certainly disclosable and observable and can tell an investor something about how a company treats women, but a policy does not automatically equate to a practice. It is a reasonable assumption that most (if not all) of the employers – public, private, educational, athletic and not-for-profit – that employed now-notorious abusers had well-crafted policies on workplace harassment and abuse. An intrepid analyst can certainly look at previous legal settlements or the intersection between HR policies and the number of reported workplace issues, but there are often the huge problems of underreporting and a lack of transparency to contend with, particularly when those victims who do speak out are muzzled in exchange for a settlement. And then there are those who do not report for fear of reprisal, those who believe that their concerns will not be addressed, and those who are held back by any number of other reasons. As with other financial and ESG securities data, a portfolio manager's insight is only as good as the publicly available information.

The problem from an ESG perspective is that the burden to report rests overwhelmingly on the backs of the victims. The new Time's Up initiative starts to address this, particularly for those whose disclosures do not receive the same attention or do not have the same level of impact as a Hollywood star's. But even so, the responsibility still lies with the individual. We are left with a haphazard spread of accountability driven from the bottom up, while there has been little discussion of good governance from the top. We can certainly say that companies with more women in leadership roles are likely to foster cultures built on respect and a zero-tolerance approach to abuse, but that is just one tactic and does not represent systemic change.

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Managers that should perform well on this issue are those that look for companies with clear hierarchies of shared responsibility and accountability for delivering HR and workplace policy. That means looking from line managers up to the boardroom, and making sure that the consequences of poor performance apply from the bottom to the very top. There should be disclosed processes for, and a track record of, transparency. Security weighting schemes and divestiture at the margin are not going to make enough difference against bad behaviors that are endemic. Engaged managers will look to owner activism as a tool for accountability, and effective ESG-oriented stakeholders will hold boards and senior executives responsible, pushing for change – up to and including removal – when those at the top fail. ■