



## SUSTAINABILITY FOCUS

MARCH 2014

### DISCRIMINATION AND DIVERSITY ON INTERNATIONAL WOMAN'S DAY 2014



### INTRODUCTION

At the start of the new millennium, the United Nations placed the empowerment of women<sup>1</sup> as its third of eight development goals, embedding the subject at the forefront of the international development agenda. The 2013 progress reports from the UN indicate that despite some gains on the issue<sup>2</sup>, there is still substantial work to be done. As we approach the 2015 deadline for achieving the first set of goals, it is clear that the issue will continue to be pressed on the post-2015 agenda. Addressing women's empowerment and gender based inequalities is a complex, long-term objective. It is becoming increasingly clear that it is no longer a role singled out for states and interested NGOs. **Multinational enterprises can and must work as equal partners on this issue.** Vigeo highlights these core reasons to take action: Firstly, the principled motivation of reversing centuries of inequality. In addition, non-discrimination is enshrined as a fundamental human right for all peoples by the Universal Declaration of Human Rights. Furthermore, there is the compelling 'business case'<sup>3</sup>. Women represent an increasing share of female graduates<sup>4</sup>, but continue to be filtered into a large, under utilized pool of human capital talent in many parts of the world.

On International Women's Day 2014, it is appropriate to look into the current state of gender equality in business. In the financial world, we see a female managing Director of the International Monetary Fund, Christine Lagarde, as well as a female Head of the US Federal Reserve, Janet Yellen. Looking further, we find that the highest paid director on the FTSE 100 for 2013 was Angela Ahrendts from Burberry, who has since moved on to a new leadership position at one of the most iconic brands of our time, Apple. In January 2014, the share of women on FTSE 100 Boards topped 20% for the first time raising hope that the UK governments' target for 25% by 2015 might be reached without imposing mandatory quotas<sup>5</sup>. Despite these significant 'cracks' in the glass ceiling, Vigeo's findings continue to show that there is much more work to be done on this issue. The establishment of a workplace that is free from discrimination is the foundation from which greater corporate gender equality can grow and it is on this issue that this sustainability focus concentrates.



Our research has revealed that even among best performing companies<sup>6</sup>, women continue to remain under-represented in top management. Moreover, women remain the primary victims of discrimination and harassment in the workplace. Nearly 40 years after the Sex Discrimination Act in the UK, the gender gap in terms of pay is an estimated 15%<sup>7</sup>. In the United States, recent statistics indicate that women earn an estimated 77 cents for every 'Man's Dollar'. These gaps are not purely sourced by gender inequality, but also reflect traditional employment choices made by men and women. Absolute statistical equality in all areas between men and women is not the overarching objective or the best indicator of gender equality but nonetheless, closing these statistical gaps remains a critical task.

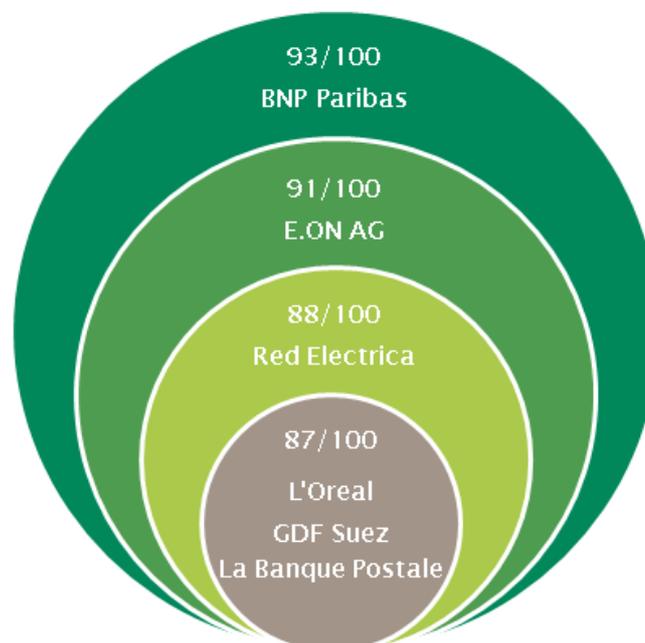
This sustainability focus has been published for several reasons. Firstly, Vigeo has a responsibility to contribute to the ongoing international dialogue on this issue. Secondly, it presents an opportunity to recognize leading companies on the issue and highlight some innovative practices. Thirdly, we provide a strong argument supporting diversity as a tool to drive operational performance within a corporation. Finally we draw attention to a key finding of our research, which has been reiterated across the world, that there are still great lengths to achieve before reaching the 'ideal' level of gender equality in business.

## VIGEO'S FINDINGS ON DISCRIMINATION AND DIVERSITY

Vigeo analyses two key concepts that support gender equality in its 'Non-discrimination and equal opportunities' sustainability driver. On one side, we analyse how companies work to **prevent discrimination**. Alongside this, Vigeo analyses how companies work **actively to promote diversity** within their workforce. The data analysed for this sustainability focus

is based on an extraction analysing the performances of 1,665 companies (699 in Europe, 474 in North American Region and 492 from the Asian Pacific Region). The data used is from March 2011 to December 2013.

### Vigeo's top 5 performing companies on Non Discrimination and Equal Opportunities<sup>8</sup>





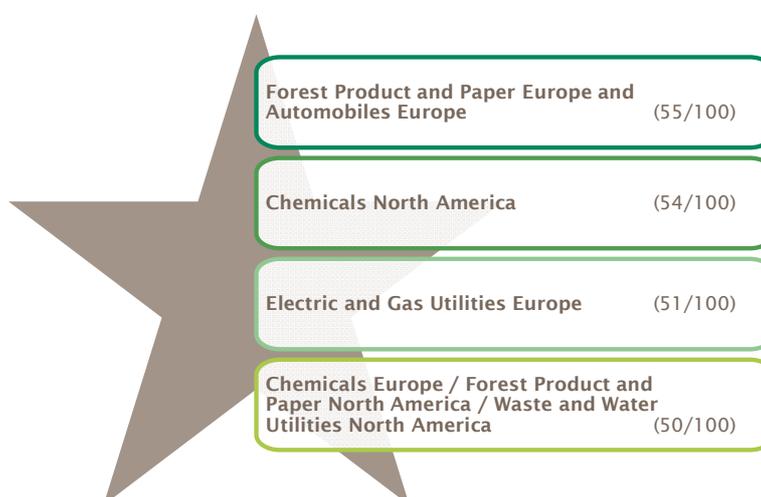
	Share of women in the Workforce	Share of women in Top Executive/ Management Team	Share of women at Board Level	CEO	Chairman
BNP Paribas <sup>9</sup>	70% <sup>10</sup>	22%	31%	Male	Male
E.ON AG	28%	0%	16%	Male	Male
Red Electrica	20%	N/A <sup>11</sup>	33%	Male	Male
L'Oréal <sup>12</sup>	63%	21%	29%	Male	Male
GDF SUEZ	19%	22%	36%	Male	Male
La Banque Postale	61%	22% <sup>13</sup>	38% <sup>14</sup>	Male	Male

Within Vigeo's top five performers, it is important to note that three are from a sector that is traditionally male dominated. GDF Suez, E.ON AG and Red Electrica are all from the Electric & Gas Utilities sector. The sector average of women in the workforce remains relatively low (approximately 22%), but the highlighted companies all display proactive managerial processes in promoting diversity. Examples include setting targets to integrate women into management, establishing diversity support structures, and implementing affirmative action programmes. These companies show that despite their traditionally male dominated history, they have challenged the status quo and worked to promote diversity and gender equality. The remaining companies are from the Banks and Luxury Goods and Cosmetics sectors which appear to be 'female dominant' in terms of the overall composition of the workforce.

A second interesting insight is that all five top performers are European companies. Furthermore, within the top 20 performers<sup>15</sup> only one American company (Consolidated Edison<sup>16</sup>) and one Asian Pacific company (Stockland<sup>17</sup>) are listed. This structure supports our data showing that overall European companies are leading North American companies in promoting diversity and eliminating discrimination.

Lastly, among the top five companies, there were no female CEOs or Chairs. Indeed, this is a trend that can be extrapolated across much of the business world. Within the FTSE 100 there were only four women CEO's as of late 2013<sup>18</sup>. On the Fortune 1000 index listing America's 1000 largest companies on revenues, women held only 4.6% of CEO positions as of January 2014<sup>19</sup>. Collectively, this draws attention to the gender imbalance that still dominates the business world.

### Vigeo's top performing sectors on the sustainability driver analysing Non- Discrimination<sup>20</sup>





The Forest Products and Paper sector in Europe led the panel with an average sector score of 55/100. The sector is composed of six companies, four of which are Scandinavian (Holmen B, Stora Enso, Svenska Cellulosa and UPM Kymmene). Scandinavian countries have a strong reputation in promoting diversity. In the 2013 Gender Gap Report<sup>21</sup> released by the World Economic Forum, Iceland, Finland, Norway and Sweden were ranked the top four countries globally.

The strong performances of the European Automobiles and Electric and Gas Utilities sectors again highlight that even in sectors that are traditionally dominated by men,

companies can and indeed do lead on the issue of diversity and non-discrimination in the workforce.

**Globally**, Vigeo noted that the average score for the Universe on the issue of Diversity and Discrimination was 37/100 which is considered as limited in absolute terms. Similarly, the average scores for Europe (42/100), North America (38/100) and Asia Pacific (30/100) were all considered as limited in absolute terms based on Vigeo's evaluation levels. Evidently, there is still significant room for improvement for corporations across the three regions.



The graphs provided below display the overall managerial analysis of regional approaches the issue of diversity and non discrimination.

Vigeo's managerial analysis looks at:

**Leadership:** non discrimination and diversity policies, their depth and the supporting structures.

**Implementation:** the tools allocated to support policies.

**Results:** key performance metrics and allegations (and company reactivity to them).

From a managerial perspective there is a clear gap across all regions. The majority of companies in Europe and North America appear to have policies in place to deal with discrimination and diversity. However, the execution of these policies appears limited for both regions. The performance results of both regions decrease further, showing weak or limited performances. In Asia Pacific, all aspects of the analysis reflect a weak performance.





## ! BUSINESS RISKS AND OPPORTUNITIES

Vigeo considers that companies who can work proactively to prevent discrimination and promote diversity can positively impact the efficiency of their enterprise in many ways.

Diversity can first and foremost be used as a lever to **accelerate market penetration**. Companies that are multicultural and multilingual have the ability to innovate, to think and to express a wider range of opinions and approaches to problem solving. This clearly gives them a competitive edge in the marketplace. This is particularly pertinent for 'B2C' companies (business to customer models) such as companies in the cosmetics, retail, beverage, food and supermarket. In such models, a diverse workforce is critical to ensuring that companies can develop not simply products but also marketing campaigns that can appeal effectively to a wider audience and break language and cultural barriers. Diversity, put simply, enables companies to talk to more people in more ways.

Furthermore, by promoting diversity, companies can improve their ability to **respond to workplace talent shortages**. By constructing their image as a welcoming workplace for women, parents, ethnic minorities, disabled persons, seniors etc, companies become more appealing to potential employees. Given the hiring competition in certain industries, this again can provide companies with a competitive advantage for talent attraction.

Indeed companies that perform well in relation to diversity and discrimination can improve their 'return on human capital investment' and **retain key talents in the workforce for longer periods**. Companies frequently invest a significant amount of time and money in developing employees once they join the workforce. How companies construct their working environment is a key factor that employees consider when they are considering their futures within a corporation. A more inclusive environment is likely to retain employees, thus allowing companies to benefit from services for longer. On the flip side, companies with negative working environments are likely to experience higher levels of employee absenteeism and turnover which undermines operational efficiency.

Companies can also **enhance productivity** for parents who are frequently, the most productive and senior (in terms of position) members of the workforce. Across management and board rooms, parents are key constituents driving enterprises forward. Companies that can provide a working environment that allows for balance between private and corporate lives can maximize the output of this key demographic.

Finally, implementing preventative measures can **prevent significant legal costs**. Discrimination allegations that lead to legal proceedings invariably lead to costs for representation, and in the worse case fines, penalties, or other settlement costs. The legal risk varies from region to region. In the USA for example, large class action lawsuits are not uncommon. However, even isolated lawsuits can lead to large payouts. In 2012, a single ArcelorMittal employee was awarded USD 25 million in a racism lawsuit.



## BEST AND INNOVATIVE PRACTICES

- Preventing discrimination should be integrated in the **Code of Conduct** as a core component to ensure that employees understand the minimum behavioral standards expected of themselves and their peers.
- Companies should explicitly define the **managerial processes** (hiring, remuneration, promotion, benefits etc.) that are affected by non-discrimination principles.
- **Reporting systems** should be established to allow employees to formally and confidentially record any concerns they might have.
- The promotion of diversity can be undertaken by either raising **awareness** on this issue, or more formally by providing **training** to employees on the nature and benefits of a more diverse workforce. Such actions can help develop a wider corporate understanding and mindset towards this idea.
- In addition to this, companies can undertake **affirmative action programmes** targeting specific vulnerable categories (not only women). Such programmes can provide vulnerable groups with mentors, networks for personal development and support structures.
- Finally companies should track and report publically on **key performance metrics** including (but not limited to) their share of women in the workforce, women in management positions, women in executive teams and women on their Board of Directors.
- **PepsiCo** has programmes to promote women in the workplace in the Middle East. In Saudi Arabia, where women represent less than 5% of the workforce, the lowest proportion in the world, the company has constructed workplaces that respect local customs while enabling women to work and advance.
- **Kelloggs** has established an Executive Diversity and Inclusion Council (EDIC). This Executive level committee is tasked with making sure that leaders across its operations understand the Diversity and Inclusion priorities of the Company and execute plans to achieve them. From 2013, representatives from under-represented groups are able to attend segments of the EDIC meetings in order to foster more dialogue on Diversity and Inclusion topics and opportunities across the business.
- **GDF SUEZ** has issued a formalised commitment to non-discrimination in its Sustainable Development policy and in its Global Framework Agreement (2010) made with three trade unions. In June 2012, GDF SUEZ and multiple stakeholders signed the Agreement for 2015:
  - 1 executive out of every 3 appointed will be a woman,
  - 35% women at full potential,
  - 25% of executives to be women,
  - 30% of new recruitments to be women.
- **Lonmin Plc** has established a 'Women in Mining' program in conjunction with the International Finance Corporation (part of the World Bank Group). The Company states that it has recognised that skilled female graduates are quickly absorbed into high paying jobs and , while mining is prepared to pay high premiums, the mining industry is still branded as masculine and not attractive to female candidates. To break the norm, Lonmin has provided documents detailing how companies can work to culturally transform the workplace making it more attractive to skilled women. Some of the concrete steps advocated include securing incentives for women, conducting risk assessments for women in all jobs, providing career development support, alternative placements systems for pregnant women and new mothers, and sexual harassment training sessions.
- **Koninlijke DSM** has set a range of targets to promote diversity. These include:
  - Placing women in at least 21% of management positions by 2015,
  - Placing BRIC+ nationals 24% of executive positions by 2015. To help achieve goals, the company established a 'Diversity Council' to facilitate diversity and support all DSM businesses in creating a sustainable, inclusive environment.



## CONCLUSIONS

Unlike other emerging CSR issues<sup>22</sup>, the topics of non-discrimination and gender equality have been a part of corporate responsibility agendas for many years. Nonetheless, the macro-trend of Vigeo's assessment shows that both global and regional performances remain limited. The top five sectors in the rating universe are only attaining scores of 50–55/100, which are considered robust but not yet advanced. The vast majority of sectors appear limited in terms of their overall performance. European companies and sectors display better performances than their North American counterparts, but there are clearly improvements that can be made across the different regions. Achieving greater gender equality requires that a fundamental baseline of non-discrimination in the workplace is established. On the micro-trend perspective, sectors where the share of women in the workforce outnumbers men, the absolute share of women at top levels of management remains low.

There are positive elements to our analysis as well. The strong performances of electric and gas utility sector and the automobile sector indicate that there are isolated sectors where concerted efforts are being made and positive impacts are being created. This is expanding the potential number of places in which

women are able to work free from discrimination, and therefore expanding economic possibilities for women. The best practice of the mining company Lonmin Plc is one of many examples of how companies are opening up new routes to revenues for women.

This sustainability focus has also drawn attention to the idea that there is a strong 'business case' for promoting non-discrimination and diversity in the workplace, which should spur companies into greater and more persistent action. Companies can drive increased efficiency, productivity, improve their return on human capital investment, increase their ability to penetrate new markets and target new consumers. By becoming more diverse, more multilingual and more multicultural companies can become more competitive.

On International Woman's Day 2014 we can take a look back with some satisfaction at over a century of progress but more importantly, we must continue to look to the future and demand more cooperation from governments, international institutions, NGOs and companies. As we move closer to establishing a new set of development goals for the international community to focus upon, gender empowerment must continue to be considered a priority.

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### ANNEX: Vigeo's Top 20 Companies on Non-Discrimination 2014.

(1) BNP Paribas (93/100) (2) E.ON AG (91/100) (3) RED ELECTRICA (88/100) (4) L'Oreal (87/100) (4 =) GDF SUEZ (4 =) La Banque Postale (5) TFI (82/100) (5=) Consolidated Edison (5 =) Intesa Sanpaolo (6) Veolia (81/100) (6 =) Sodexo (7) Linde AG (80/100) (7=) European Investment Bank (7=) Rexel (7=) Fonc Des Regions (7=) Stockland (7=) Orange (7=) Danone (7=) Umicore (8) BIC.



## Notes and Sources

- 1) Goal Number 3 of the MDGs is to 'Promote Gender Equality and Empower Women'.
- 2) Millennium Development Goals: 2013 Progress Chart – [www.unitednations.org](http://www.un.org/millenniumgoals/pdf/report-2013/2013_progress_english.pdf) ( [http://www.un.org/millenniumgoals/pdf/report-2013/2013\\_progress\\_english.pdf](http://www.un.org/millenniumgoals/pdf/report-2013/2013_progress_english.pdf) )
- 3) See the section of this sustainability focus on 'Opportunities'.
- 4) See Women Moving Millions website – [www.womenmovingmillions.org](http://www.womenmovingmillions.org)  
*In the USA: Women represent 51% of PHDs in the USA, 51% of business school applicants, 67% of college graduates, 70% of Valedictorians.*  
 See also – 'Degrees of equality' – [www.theeconomist.com](http://www.theeconomist.com) – 13/09/2011  
 See also the Russell Sage Foundation 'The Rise of Women: Seven Charts Showing Women's Rapid Gains in Educational Achievement'. [www.russellsage.org](http://www.russellsage.org) .
- 5) See the Financial Times; 'Proportion of women on FTSE 100 Boards tops 20%' – [www.ft.com](http://www.ft.com) – 17/01/2014
- 6) In terms of their performance on Vigeo's sustainability driver that analyses 'Non Discrimination'.
- 7) Statistics from the Fawcett Society, the UK's leading campaigning organization for women's equality and rights – [www.fawcettsociety.org](http://www.fawcettsociety.org)
- 8) Figures are based on Vigeo's internal information and information from Corporate websites as of February 2014. Calculations include employee representatives. Due to different Governance structures, these figures are not directly comparable.
- 9) Figures supplied by BNP Paribas to Vigeo.
- 10) The figures for the 'workforce' are for the French segment of the company, the other figures refer to the Group as a whole.
- 11) The company does not appear to have an executive management team in a traditional sense.
- 12) Figures supplied by L'Oreal to Vigeo.
- 13) The Company's 'Operational Committee Members' considered here.
- 14) The combined 'Executive Board Members + Regional Bank Representatives' considered here (16 members)
- 15) See the annex to this Sustainability Focus (Figure 1).
- 16) Electric and Gas Utilities North America
- 17) Financial Services and Real Estate Asia Pacific
- 18) 'New Severn Trent CEO lifts women FTSE 100 bosses to four' – [www.reuters.com](http://www.reuters.com)– November 18<sup>th</sup> 2013
- 19) 'Women CEOs of Fortune 1000' – [www.catalyst.com](http://www.catalyst.com) – 05/01/2014
- 20) A breakdown of our top 20 companies is provided in the Annex of this sustainability focus
- 21) 'The Gender Gap Report 2013' – The World Economic Forum [http://www3.weforum.org/docs/WEF\\_GenderGap\\_Report\\_2013.pdf013](http://www3.weforum.org/docs/WEF_GenderGap_Report_2013.pdf013)
- 22) Such as the management of nanotechnologies, dealing with stress at work, the integration of CSR into governance and Human Rights due diligence in Supply Chains.