Breckinridge
CAPITAL ADVISORS

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The Future Benefit of Gender Lens Investing

Abigail Ingalls, Senior Research Analyst at Breckinridge, spoke with Dominica Ribeiro, the firm's Chief Marketing Officer, about the state of gender lens investing (GLI) and what the future holds for investors, companies and society in general regarding the advancement and empowerment of women.

Speakers

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Ribeiro: Breckinridge's GLI strategy is marking its sixth year in 2021. What's the high-level business case for tying gender equality into investment decisions?

Ingalls: It's difficult to quantify, but the more we shine a light on this critically important topic, the more we'll see progress, and we believe that, over time, the better off society will be.

To put this in context, gender diversity, equity and inclusion (DEI) is just one component of larger DEI efforts. It's a critically important issue and an area where early progress has been made and plenty of data is available. DEI is an essential part of overall best practices within human capital management, and a key aspect of attracting the best and getting the best out of our people.

As Andy Bryant, former chairman of Intel, said: "The ingredient we start with is sand. Everything else is value added by people." If you're not fully tapping all of your people, it's logical that you're not going to be maximizing your potential as an organization.

McKinsey & Company has published a series of reports on the topic, tying improved corporate performance with the elevated presence of women in the workplace.

In its 2015 report, *Diversity Matters*, McKinsey found that if gender inequality were eliminated, the total economic output would be $28 trillion higher. And in 2018, in Delivering through Diversity, McKinsey found that companies in the top quartile for gender diversity at the executive level were 21 percent more likely to generate above-average profitability than firms in the lowest quartile.

Morgan Stanley, in its August 2019 report, *The Rise of the SHEconomy*, found that globally, companies that have taken a holistic approach to equal representation outperformed their peers by 3.1 percent per year over an 8-year period. And The World Bank found that total global wealth could increase by 14 percent if women reached earnings parity with men.

So, we have plenty of evidence that attracting, hiring, retaining, developing, supporting and promoting women so as to gain from their full contributions is not only the right and fair thing to do but a smart business strategy. And that's something all investors can gain from.

Ribeiro: Those astounding numbers beg the question: Why hasn't industry or our society made more progress on this if there's so much to gain from an investment, company and societal standpoint?

Ingalls: Fundamental, meaningful change tends to be hard for organizations that often have well-entrenched ways of operating. Pertaining to women's slow progress in representation in senior leadership, one key finding in McKinsey's *2020 Women in the Workplace* annual study is that the 'broken rung' holding women back from greater gains in leadership is at the first managerial level. For every 100 men promoted to become managers, only 85 women are promoted. And that gap is greater for BIPOC women: Only 58 Black women and 71 Latinas are promoted for every 100 men.

That means there are fewer women available to potentially advance to senior management. That's one reason why this continues to be an issue that corporate management must address and why we, as concerned investors, who see the value of greater representation of women, will continue to monitor and advocate for more progress.

Ribeiro: What are the most critical factors that you believe determine success in gender lens investing?

Ingalls: Among the key criteria are the percentage of women on the board of directors and having a woman as CEO. Also important, and more challenging to measure, is the positive impact of things like women-friendly and family-supportive policies, creating clear accountability for progress on gender equity, and closing the gender wage gap. We consider these and numerous other factors in making our investment decisions through a gender lens.

Ribeiro: How is Breckinridge advocating for greater progress on gender equity issues among bond issuers? And how are you evaluating progress on these issues?

Ingalls: Each year, we have 50 to 60 meaningful detailed environmental, social and governance (ESG) engagements or meetings with issuers of corporate, municipal and government bonds addressing a range of topics, including but not limited to human capital management (HCM)/DEI.

As part of these discussions, we often highlight policies that are consistent with global ESG standards such as the Women's Empowerment Principles as developed with the United Nations Global Compact and UN Women and point to how following these policies contribute to progress in HCM/DEI performance within sectors and industries

And interest in GLI is growing rapidly. According to Veris, a leading consultant in impact investing, asset growth in gender lens investing products jumped by 40 percent from 2018 to 2019 to a total of $3.4 billion in June 2019. As a further sign of the increased focus on evaluating diversity and inclusion, Boston-based investment consultant Meketa Investment Group recently launched its Annual Diversity & Inclusion Questionnaire in an effort to hold asset managers more accountable for efforts to promote diversity, equity, and inclusion within their organizations.

Ribeiro: Could you address the tremendous challenges posed by the disruptions created by COVID-19 over the past year and the impact they are having on gender equity?

Ingalls: It's no surprise that women have had to shoulder more than their fair share of stress during this challenging time. Working mothers in particular have had to do double duty and even triple duty, picking up the slack created by home schooling or hybrid home/classroom learning situations while maintaining their work responsibilities and normal load of housework and maternal care giving.

The pandemic has been particularly damaging for women when it comes to job loss and career interruption. Through last summer, women made up roughly 54 percent of jobs lost during the pandemic recession, McKinsey reported. Specifically, the pandemic recession—some are calling it the shecession—has hit service sector jobs, health and education especially hard. These are fields where women professionals tend to be more prevalent.

McKinsey found that mothers are more likely than fathers to worry that their performance is being negatively judged due to their increased caregiving responsibilities, which can include being relied on by aging parents and in-laws as well as one's children.

Further, women in senior leadership, who are often surrounded by men at that level, typically feel the unrelenting pressure of always having to be on. As a result, we're widely seeing increased burnout among women. So, we're at risk of seeing recent far-reaching successes in gender equity wiped out.

Ribeiro: What should employers be doing to address these critical issues?

Ingalls: The general common-sense answer is to be more sensitive to and supportive of the needs of all female employees, especially working mothers, women in senior leadership, and women of color, who have always had to fight for equity on more than one level. These are six good ideas from McKinsey:

1. Make work more sustainable. That could mean giving parents extra time off to help prepare for the new school year, for example.
2. Reset norms around flexibility. Look for ways to help reset boundaries around work and the rest of people's lives.
3. Rethink performance reviews. Assess whether pre-pandemic performance criteria still apply. Think creatively within the current context with a goal of preventing burnout and anxiety.
4. Take steps to address and reduce gender bias. Organizations should ask questions like: Are women being held to higher performance standards? Are they judged more harshly? Are mothers penalized for taking advantage of flexible work options?
5. Adjust policies and programs to better support employees. Make sure employees are fully aware of all the benefits available to them, including mental health counseling.
6. Improve employee communication. Open and frequent communication can go a long way to reduce anxiety and build trust, which can improve morale, retention, and productivity.

Ribeiro: What about the special challenges faced by Black women?

Ingalls: Black women have always faced additional challenges in the workplace, whether overt racism, systemic imbalances, or a sense of not being fully supported. At this time, there needs to be a clearer and more explicit level of commitment and support from companies, which can include greater recruitment efforts, mentorships, and sponsorships, as well as a culture that more openly supports and values Black women.

Ribeiro: Do you have any final thoughts to share?

Ingalls: Our commitment at Breckinridge to gender lens investing is rooted in our strong belief that empowering women creates societal as well as economic value. We believe that companies that effectively tap into the talents, skills, and perspectives of promising women are better positioned for long-term success. And the statistics I cited earlier underscore this.

Make no mistake, we acknowledge the potential for woke-washing,[1] and recognize that Breckinridge—like our industry—has significant room for improvement on gender equity and overall DEI progress.

That said, we are continuing to advocate for greater empowerment of women through analysis and engagement, primarily with large-cap companies. At the same time, on a smaller scale, we are striving to make a difference at Breckinridge by undertaking a DEI assessment within our own walls.

There is so much to gain – for investors, shareholders, employees, management and society – if we can make meaningful progress on these issues. We at Breckinridge are more determined than ever to do our part to see this happen as GLI and ESG become an increasing part of mainstream investing.

FOOTNOTES:

1. Woke-washing is the appropriation of social awareness as a form of advertising with the intent of generating profit.