

# The value of gender equity in the workplace

Gender gaps open up at an early age and widen when women enter the workforce. Zoe de Spoelberch and Emily DeMasi set out our approach to engaging on gender equity and eliminating sexual harassment from workplaces.

## Setting the scene

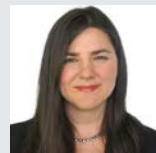
Gender gaps around the world reflect underlying societal issues that impact women at all stages of life, from the wages earned at work, and the way women are treated by the justice system, to the pervasive everyday sexism highlighted by the #MeToo movement. Women of colour experience this more acutely, being exposed to multiple inequalities, including gender and racial wage gaps, occupational segregation, and a disproportionate burden of the costs associated with caregiving.<sup>1</sup>

At work, women may be subjected to sexual harassment and discrimination, which can lead to litigation, settlements and reputational damage for the company. Conversely, companies that strive to nurture and retain their female workforce by developing inclusive and safe cultures, alongside parental leave, paid sick leave and menopause support, are likely to reap the benefit with happy, productive employees. This is why gender equity, and its intersection with racial inequality, constitutes an important pillar of our human capital engagement theme.

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In many areas of life, girls and women are frequently put at a disadvantage to their male counterparts. Over the course of their careers, women on average earn less than men, despite having the same qualifications, or better. The World Economic Forum estimates that globally, women are paid 68.1% of what men earn for the same job.<sup>2</sup> Traditional gender expectations mean that on average women still shoulder the majority of family caring responsibilities within mixed-sex couples, even when both partners are in professional or higher-earning roles.

But pay is only part of the story – despite over four decades having passed since women entered the workforce in large numbers, they may still face sexual harassment and discrimination. This can result in large compensatory pay-outs when companies fail to rectify the problem.

<sup>1</sup> The Impact of Gender and Racial Inequality On Women Workers | U.S. Department of Labor (dol.gov)

<sup>2</sup> WEF\_GGGR\_2022.pdf (weforum.org)



**Increasing female representation, especially in leadership positions, can help to prevent sexual harassment.**

For example, allegations of sexual misconduct and gender pay inequity at US video game company Activision Blizzard led to the law courts and multi-million dollar settlements with regulators.<sup>3,4</sup> The case, which shone a spotlight on the male-dominated game development and software industry, demonstrated the risks to companies that fail to address employee complaints of discrimination and sexual harassment satisfactorily.

Other high-profile cases that have come to light in recent years include the 2020 finding by the Australian Human Rights Commission that 74% of women in the mining industry had experienced some form of sexual harassment.<sup>5,6</sup> Women working in isolated 'fly-in, fly-out' camps were particularly vulnerable. And in early 2023 a McDonald's franchise owner agreed to pay nearly US\$2m to resolve a sexual harassment lawsuit filed by the US Equal Employment Opportunity Commission.<sup>7</sup>

This underscores how companies that fail to satisfactorily address complaints about sexual harassment or discrimination may incur serious reputational damage, litigation risk and share price falls. They also risk losing talented female employees, and may face difficulties in recruiting their replacements. Conversely, businesses that create a culture of inclusion and respect among employees, respond to harassment effectively, provide support for women throughout their careers, and ensure gender pay parity should benefit from higher productivity, a strong talent pipeline, and the diversity of thought that leads to better business outcomes.

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## Our expectations of companies on sexual harassment

### 1 Strategy and effectiveness

We expect companies to have effective strategies and monitoring systems in place to help prevent and remedy any sexual discrimination, harassment or bullying and to create safe and inclusive cultures.

Increasing female representation, especially in leadership positions, can help to prevent sexual harassment. We expect companies to increase the percentage of women across all workforce levels with the aim of reaching gender balance. This ambition should be accompanied by a strategy to make working processes and activities suitable for women, such as ensuring that equipment is operable by women.

Our expectations are reflected in our voting policies – we recommend votes against board directors at companies where we have concerns about the lack of women on the board. We take our expectations one step further in European and American markets, where we recommend votes against directors at companies with no women at the executive committee level.

As signatories of the 30% Club, we expect large companies in the UK and US to have a minimum of 30% female board representation. Additionally, boards should have at least one director from an underrepresented racial/ethnic group. We also encourage other forms of diversity. We will consider recommending votes against the chairs of companies that fail to meet these expectations.

### 2 Conduct, culture and ethics

We expect companies to have adequate governance in place as well as anti-discrimination and anti-harassment policies, and to deliver training on preventing workplace harassment. Companies should also review their recruitment practices.

We expect management to set a respectful tone and to develop a collective understanding of expected workplace behaviours and processes. This should support a 'speak up' culture for all employees to raise their concerns openly. At the board level, we seek disclosure on preventing and managing incidents and the risks of sexual harassment, and on how discrimination is part of directors' responsibilities. We expect sexual harassment to be treated as a health and safety risk.

Companies should create a safe and inclusive physical environment for all workers by ensuring the availability of safe facilities and proper surveillance. They should limit any factors that may increase the risk of sexual harassment occurring, such as employee alcohol consumption.

<sup>3</sup> <https://www.theguardian.com/technology/2022/mar/29/activision-blizzard-sexual-harassment-lawsuit-eeoc-settlement>

<sup>4</sup> <https://www.forbes.com/sites/tylerroush/2023/02/03/activision-blizzard-will-pay-sec-35-million-to-settle-claims-over-its-workplace-misconduct-disclosures/?sh=37880065642d>

<sup>5</sup> <https://www.theguardian.com/australia-news/2022/jun/23/predatory-sexual-behaviour-rife-in-wa-mining-industry-report-finds>

<sup>6</sup> <https://www.mining.com/web/what-is-australia-doing-about-sexual-harassment-in-mining-camps/>

<sup>7</sup> <https://www.eeoc.gov/newsroom/mcdonalds-franchise-pay-nearly-2-million-settle-eeoc-sexual-harassment-lawsuit>

<sup>8</sup> [Where White Men Rule: How the Secretive System of Forced Arbitration Hurts Women and Minorities | AAJ \(justice.org\)](https://www.justice.org.au/where-white-men-rule-how-the-secretive-system-of-forced-arbitration-hurts-women-and-minorities)

Companies should be wary of tying employees to forced arbitration clauses in work contracts that constrain their right to go to court if they witness or experience misconduct in the workplace. This is because of the systemic inequities that persist within arbitration itself.<sup>8</sup>

### 3 Monitoring and reporting

Where sexual harassment does occur, we expect companies to provide external relief for workers and credible transparency around the remediation process. The company should make grievance reporting mechanisms available and accessible to workers, and escalate grievances appropriately. It should identify and assess the risk, learn from this and other past experiences, be transparent about sexual harassment and discrimination, and review existing workplace practices to prevent such events from reoccurring.

We expect companies to be transparent about sexual harassment and discrimination and encourage regular measuring and reporting of the risks of such incidents. We also encourage them to provide robust quantitative and qualitative information regarding sexual harassment in their workforces on an annual basis, and to commit to seeking employee sentiment and feedback via regular surveys.

#### Company engagement examples

Our engagement on gender equity, sexual harassment and discrimination spans different continents and industries. For example, we strengthened our engagement on sexual harassment at Australian mining companies BHP and Rio Tinto, following the report from Australia's Human Rights Commission exposing the pervasiveness of the problem.<sup>10</sup>

We welcomed Rio Tinto's commissioning of an independent review of its workplace culture to understand, prevent and respond to harmful behaviours across its global operations. The results were published on the company's website in an in-depth report.<sup>11</sup> We met Rio Tinto's chief people officer to challenge the company on the findings, underlining our concerns for the uncovered sexual harassment incidents.

Rio Tinto provided assurance that it was training its leaders to lead with values and that it was improving facilities for women, with three executive committee members responsible for overseeing the sexual harassment strategy. We urged the company to disclose the findings from its employee survey to give us reassurance that sexual harassment case numbers were falling. The company welcomed this feedback and said it would consider this for its next survey in 2024.

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Similarly, we intensified our engagement with BHP, where we spoke to the chair of the remuneration committee about preventing sexual harassment. We were pleased to hear that the company had taken steps to eliminate the risk of sexual harassment, by creating a sexual harassment support line, holding sexual harassment awareness training, increasing security at mine sites and linking executives' remuneration to progress in the elimination of sexual harassment.

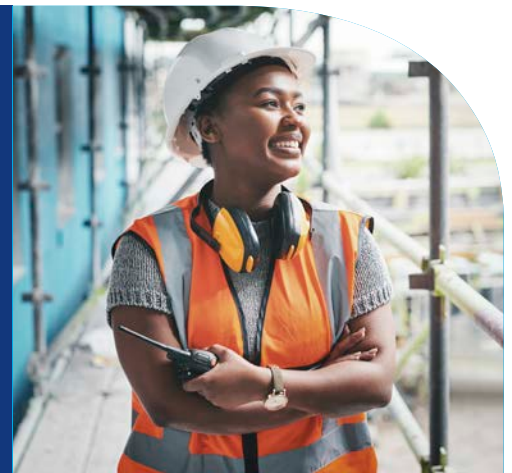
BHP also takes preventive measures such as reducing the consumption of alcohol, which we welcome. And it is trying to make mine equipment more suitable for use by women, by redesigning vehicles for example. We pressed the company to be transparent and to disclose the results of its employee engagement survey. We also encouraged it to explain in its reporting how the findings from its internal review have shaped its strategy.

Our engagement on sexual harassment escalated to voting action at Activision Blizzard. At the company's 2022 annual shareholder meeting, we recommended support for two shareholder proposals that – if adopted – could help Activision Blizzard to improve its management of human capital, human rights and the associated risks following sexual harassment and discrimination allegations. One of the proposals asked for a report on the company's efforts to prevent abuse, harassment and discrimination. Shareholders showed strong support for this, with approximately 67% voting in favour of implementation.<sup>12</sup>

#### Looking ahead

In 2023 we will continue to engage companies on the identification, escalation, and remediation of sexual harassment incidents and discrimination in the workplace. Our focus will be on sectors where women have been underrepresented, including financial services, technology, oil and gas, and mining.

We will seek to go beyond basic metrics such as the gender pay gap and workforce composition to include metrics around retention and promotion. We will also ask for regular pulse surveys that can assess the culture of gender equity – including questions around feelings of safety, support and inclusion. Until companies create environments where women can equally succeed, they will continue to fall short on gender equity commitments.



<sup>8</sup> <https://www.ft.com/content/96160847-af3f-44b6-8129-1e39a73a28d3>

<sup>10</sup> <https://humanrights.gov.au/our-work/sex-discrimination/publications/respectwork-sexual-harassment-national-inquiry-report-2020>

<sup>11</sup> <https://www.riotinto.com/-/media/Content/Documents/Sustainability/People/RT-Everyday-respect-report.pdf>

<sup>12</sup> <https://www.cnbc.com/2022/06/21/activision-blizzard-shareholders-approve-proposal-for-report-on-abuse.html>

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