The Investment Case for Gender Equality

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INTRODUCTION

The case for gender equality has never been stronger — not only the ethical case but the investment and economic cases, as well. Progress, however, remains slow and somewhat patchy, for the same reasons that efforts to tackle other forms of inequality are measured by the turtle's pace rather than the gazelle's: The power elite almost never give up ground without a fight. But that's turning into a losing, if protracted, battle.

The logical power of the case for equality persists, and, increasingly, investors are understanding the power of that logic. Over the past couple of years we have seen some large, mainstream asset managers and asset owners begin to withhold votes from all-male boards or from certain committee chairs at all-male boards. Shareholder proposals asking that companies conduct pay audits and take steps to mend gender pay gaps have been getting double-digit votes, and while few have passed, the vote tallies have been respectable, especially considering that at many of the tech companies that receive these proposals, insider voting power is considerable.

The literature that supports votes such as these and investor interest in diversity continues to grow and is becoming richer in content: No longer are the studies only about the correlation between board gender diversity and share prices, or other measures of financial performance. Those studies are still being done, but the landscape is more varied now, with encompassing subjects such as risk, sustainability and innovation, and their connection with gender diversity. Here are some of the noteworthy recent additions to that literature.

KEY TAKEAWAYS

Gender equality is not a zero-sum game. Gender equality is a good thing for everyone, and it's good for business.

Eliminating the gender gap would improve economic efficiency and could add $28 trillion to global GDP.

Companies that include women among senior decision-makers and provide equal opportunities to men and women tend to outperform their competitors.[1]

ECONOMIC IMPACT

The often-cited McKinsey study[2] that showed that the world's gross domestic product (GDP) could be $12 trillion higher if gender inequality were reduced — and $28 trillion higher if it were eliminated — by 2025 was published in 2015. While we don't have more up-to-date figures on that, the evidence that there are economic benefits to gender equality continues to mount. The World Bank Group noted in its 2018 report[3] "Unrealized Potential: The High Cost of Gender Inequality in Earnings" that if women had the same lifetime earnings as men, global wealth *per capita* would be $23,620 higher, or $160 trillion in aggregate. The largest share of most nations' wealth comes from people: Two-thirds of global wealth, according to the World Bank, comes from the present value of future earnings of the labor force — and women, because of lower pay and lower paid work hours than men, hold only 38 percent of that now. Unrealized potential, indeed.

We're not on a path that would get us even close to realizing that potential right now — the global gender gap is on track to close in 202 years, according to the World Economic Forum. But there are smaller, practical steps that could offer immediate help. Maternity leave is an excellent example: A report[4] from the World Bank Group, "Paid Maternity Leave and Female Employment," finds a "large, positive and statistically significant" relationship between the length of paid maternity leave and the proportion of female workers in the private sector in developing countries. Interestingly, many developing countries already do provide some paid maternity leave; the 800-pound gorilla outlier among all countries is the United States, the only developed country that does not mandate paid maternity (or parental) leave, and one of only two countries in the Western Hemisphere that do not.[5] Across the globe, the only other countries that achieve this distinction are New Guinea, Suriname and a handful of island nations in the South Pacific.

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[1] Impax Asset Management, "Gender Research," www.paxworld.com/category/research/gender/. Accessed May 17, 2019.
[2] McKinsey Global Institute, "How advancing women's equality can add $12 trillion to global growth," September 2015.
[3] Quentin Wodon and Benedicte De La Briere, "Unrealized Potential: The High Cost of Gender Inequality in Earnings," World Bank Group, May 2018.
[4] Mohammad Amin and Asif Mohammed Islam, "Paid Maternity Leave and Female Employment," The World Bank, Jan. 23, 2019.
[5] Dominic Hernandez, "Fast Facts: Maternity Leave Policies Across the Globe," Jan. 23, 2018.

Clearly, there's work to be done to really achieve the economic potential that comes from equality. Much of that work needs to be done by policymakers at both national and subnational levels, and some of the change that needs to happen is also cultural. A fascinating article[6] in Harvard Business Review provides some excellent insight into the cultural dimension of inequality by trying to explain the divergence in the literature between studies showing that gender diversity is positive for firm performance and those that show it can harm performance. Looking at more than 1,000 firms in more than 35 countries, the study found that gender diversity was associated with positive firm financial performance — market value and revenue — in countries where there is a widespread cultural belief that gender diversity is important. "In other words," the authors note, "beliefs about gender diversity create a self-fulfilling cycle."

There's a lot to be gained from that cycle. A report[7] from Bank of America Merrill Lynch, "The She-economy," notes that women are expected to hold $72 trillion worth of the world's financial assets, and women are accumulating those assets 1.5 times faster than men. In the United States alone, if the labor force participation of women were equal to that of Norway, the U.S. economy could be $1.6 trillion larger than it is — that's eight percent of GDP.[8] And remember, at least one study found a link between labor force participation and maternity leave. That really is a 10-dollar bill on the sidewalk for the United States.

THE COST OF GENDER BIAS AND DISCRIMINATION

Even if we continue to not pick up that particular 10-dollar bill, we really ought to quit dropping new bills onto the sidewalk. Bias and discrimination is costly, both for the economy and for companies. One group of researchers created a Predatory Behavior Index (Figure 1) and applied it to venture capital (VC) and private equity funds to assess the relationship, if any, between fund performance and predatory behavior on the part of the VC firm.[9] They found that fund-level investment performance was negatively correlated with predatory and discriminatory behavior. That finding sounds less surprising than it is. Until the #MeToo and #Time'sUp era began, it is probably fair to say that most people in the investment industry regarded gender inequality and discrimination as an immaterial issue. Many probably still do, but that group is dwindling as findings like these come in.

FIGURE 1: Definitions of Predatory Behavior

Predatory Behavior	Example	Weighting
Enabler	Invested funds in a company run by a founder with a known track record of predatory behavior	1
Inappropriate Conduct	Made inappropriate comments of a sexual nature to a person seeking funding at an industry event	2
Discrimination	Denied business opportunities to an employee because of their ethnicity or gender	3
Domestic Violence	Accused of being abusive to a romantic partner	3
Inappropriate Sexual Relationship	Having an affair with a colleague	3
Sexual Harassment	Pestering a colleague for sex	4
Racial Harassment	Abusing a subordinate using racially charged language	4
Intimidation	Threatening someone's career if they speak out against an alleged assault	4
Assault	Physically assaulting someone and committing bodily harm	5
Sexual Assault	Rape	5

A predatory behavior incident may consist of more than one act. For example, someone who commits domestic violence may also commit physical assault or sexual assault. The PB Index takes into account the severity of each act, as well as the number of acts committed.

Source: Imogen Rose-Smith, Philip Edgar Auerswald and Gitanjali Swamy. "Predators in the Boardroom: Relating Sexually Predatory, Discriminatory Behavior to Private Capital Performance." Sept. 23, 2018.

[6] Stephen Turban, Dan Wu and Letian (LT) Zhang, "Research: When Gender Diversity Makes Firms More Productive," Feb. 11, 2019.

[7] Haim Israel, Savita Subramanian, Sameer Chopra, Manish Kabra, Felix Tran, Mauma Kalns-Timans, Jill Carey Hall, Janes Yeo, and Paulina Strzelinska, "The She-economy," Bank of America Merrill Lynch, March 6, 2019.

[8] Beth Ann Bovino and Jason Gold, "The Key to Unlocking U.S. GDP Growth? Women" S&P Global, 2017.

[9] Imogen Rose Smith, Philip E. Auerswald and Gitanjali Swamy, "Predators in the Boardroom: Relating Sexually Predatory, Discriminatory Behavior to Private Capital Performance," Sept. 23, 2018.

The idea that discrimination could be costly for individual companies isn't really new, of course; investors have often reacted to new filings of class-action lawsuits negatively. But the implications of discrimination are starting to be felt beyond the realm of class action.

The ability to hide negative information without financial consequences is disappearing. Not only do high-profile cases of discrimination, harassment and sexual violence make the news more often, one of the main tools companies have used to camouflage such stories is also part of the spotlight, and discriminatory programs and actions tend to wither in sunshine. Some tech firms, in the spotlight because of historically poor performance on gender diversity, are starting to end the practice of requiring new employees to sign contracts that force all discrimination and harassment claims to be settled by mandatory arbitration, with forced confidentiality. Among the firms that have recently taken this step are Google, Facebook, Airbnb, eBay, Square and Microsoft. While that action might expose them more publicly to the consequences of legal action regarding discrimination, if that stimulates companies to improve their cultures and institute more effective programs to embrace diversity, in the end it might be even better for their financial performance.

LEADERSHIP AND WORKFORCE

New studies continue to support the idea that having more gender-diverse leadership is associated with financial outperformance. McKinsey published the report[10] "Delivering Through Diversity," updating its research from 2015 on the relationship between inclusion and diversity and financial performance. The study included more than 1,000 companies in 12 countries and correlated the diversity of leadership with profitability (EBIT margin) and value creation (economic profit margin). It found that companies with more diverse leadership teams performed better on the two measures, and the results were statistically significant. Moreover, companies in the top quartile for gender diversity in leadership were "21 percent more likely to outperform on profitability and 27 percent more likely to have superior value creation."

An added feature of this McKinsey report — and something that is starting to figure in the overall literature on diversity and financial performance — is the effect of having diverse leadership in specific roles. Several studies from earlier years documented the positive results of having women CFOs;[11] more studies are beginning to look at the distinction between staff and line functions and, like the McKinsey report, are showing that having more women in line roles is particularly likely to be associated with outperformance.

Bank of America Merrill Lynch, in its 2018 report[12] "Women: The X-Factor," found something similar: S&P 500 companies with higher scores for diversity (a measure that includes board diversity, women in management and diversity/inclusion policies) generally had higher return on equity (ROE) than companies with lower scores.

The same theme came out in research conducted outside the United States. A study[13] that looked at the effects of female leadership among the UK FTSE 100 stocks found that the proportion of women on boards was significantly and positively correlated with firm value, measured by Tobin's Q. Interestingly, that study also mentioned that the UK's target for having 33 percent women on the boards of the FTSE 350 by 2020 appeared to be "essential." While the UK's plan is not yet mandatory, the government's push for better board diversity was taken quite seriously, particularly in light of the recent requirement that companies with more than 250 employees report on average pay by gender. Even now, much of the writing about quotas or mandates for board diversity tends to focus on the results from a single study in 2009 that found that Norway's gender diversity quota, which was passed in 2003 and took effect in 2006 with a two-year compliance window, was associated with drops in Tobin's Q both upon announcement and for several years afterwards. But now that many other countries have either mandated or strongly urged more board diversity, our understanding of the impact of mandatory board diversity should broaden, and the Norway study should no longer be the last or only word on board diversity mandates.

[10] Vivian Hunt, Sara Prince, Sundiatu Dixon-Fyle and Lareina Yee, "Delivering through Diversity," McKinsey & Company, Jan. 2018.
[11] See Julie Gorte, "The Investment Case for Gender Equality," Jan. 29, 2018, for a summary of those studies.
[12] Savita Subramanian, Jill Carey Hall and James Yeo, "Women: The X-Factor," Bank of America Merrill Lynch, March 7, 2018.
[13] Vu Quang Trinh, Huyen Thu Thi Pham, Thinh Ngoc Pham and Giang Thuy Nguyen, "Female Leadership and Value Creation: Evidence from London Stock Exchange," Feb. 20, 2018.

For example, in 2011, Italy passed a law to mandate board diversity. That law required that Italian companies appoint at least three women to their board by August 2012. A study[14] published in 2018 found that there was no impact on company performance when static models were used, but when a dynamic model was employed, the increase in board gender diversity was significantly correlated with return on assets, return on equity, return on invested capital and return on sales. The authors note that the results of their study support other studies that show stronger correlations between a critical mass of women on boards and financial performance.

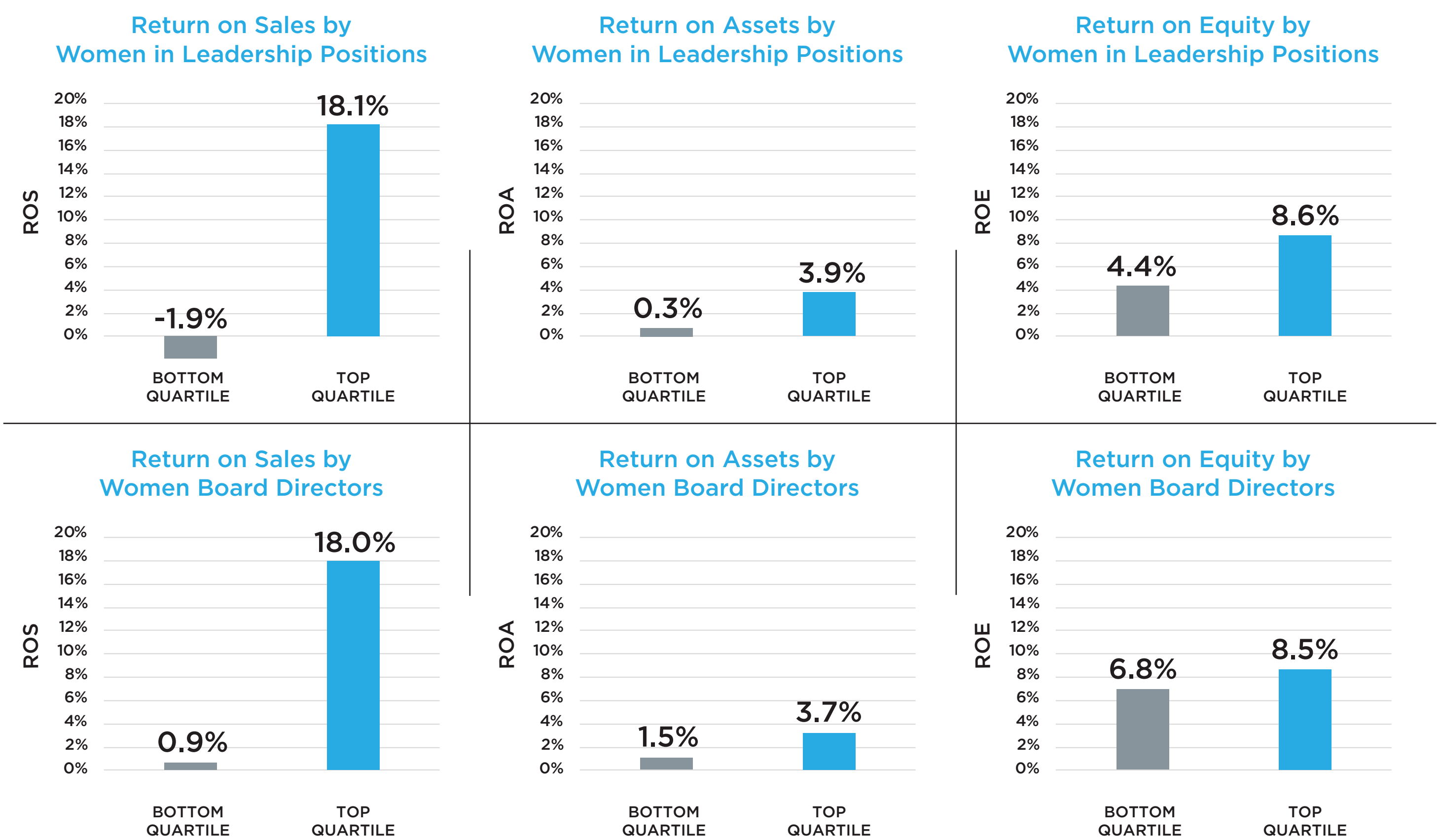
Another study[15] looked at the impact of having women board chairs in China, yet another milestone in the expanding literature on the impact of gender diversity in specific roles. That report found that the 2,489 publicly traded Chinese firms with chairwomen performed better between 2000 and 2014 than those with male board chairs, and that the presence of a chairwoman was also associated with more effective board supervision and better attendance among independent directors.

Finally, it is worth mentioning that the impact of gender diversity isn't confined to the universe of publicly traded companies. A report[16] from Calvert Impact Capital, "Just Good Investing: Why Gender Matters to Your Portfolio and What You Can Do About It," found that among their borrowers, companies in the top quartile of women in senior management and boards outperformed the other three quartiles in terms of return on sales, return on assets and return on equity (Figure 2).

FIGURE 2: Performance of Top Quartile Companies for Gender Diversity

On an Average Basis, Greater Gender Diversity = Better Financial Performance

On average, over 11 years, companies with higher percentage (%) of Women in Leadership positions (WLP) and higher % of Women in Board positions (WBD) outperform companies with lower % of WLP and WBD as measured by ratios ROS, ROA, ROE.



Source: Calvert Impact Capital, "Just Good Investing: Why Gender Matters to Your Portfolio and What You Can Do About It," December 2018.

[14] Giovanni S. F. Bruno, Angela Ciavarella and Nadia Linciano, "Boardroom Gender Diversity and Performance of Listed Companies in Italy," CONSOB Working Papers No. 86, Sept. 21, 2018.

[15] Fuxiu Jiang, Jun-Koo Kang, Jungmin Kim and Bing Zhu, "Female Board Leadership, Firm Performance and Corporate Governance: Evidence from China," Nov. 6, 2018.

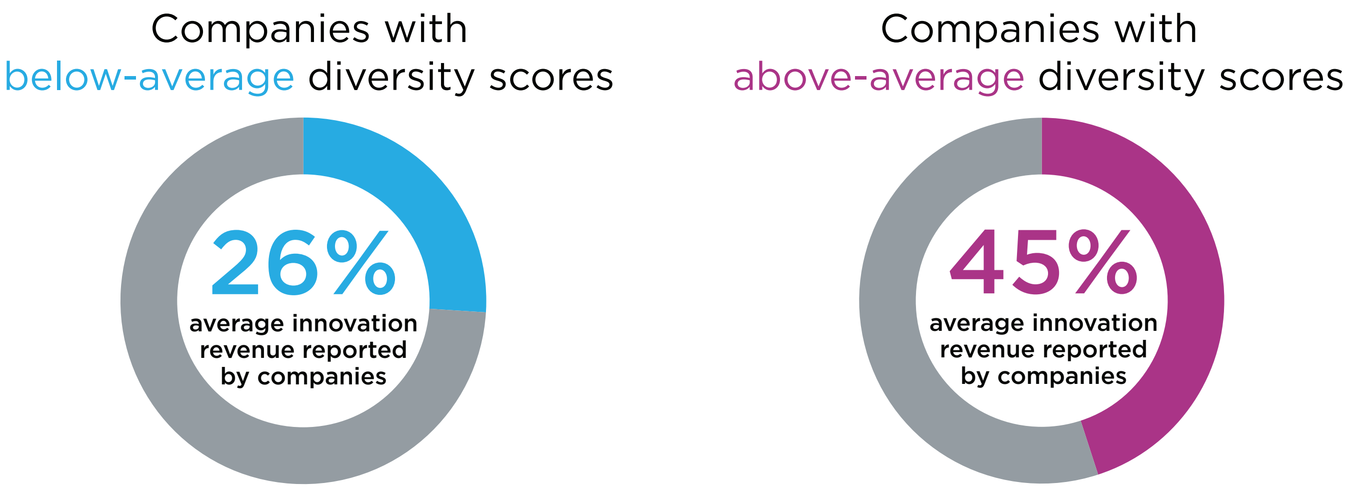
[16] Najada Kumbuli, Leigh Moran and Jenn Pryce, "Just Good Investing: Why Gender Matters to Your Portfolio and What You Can Do About It," Calvert Impact Capital, Dec. 2018.

INNOVATION

The literature about the impact of gender diversity on specific parameters of company performance is also expanding, particularly on the impact on innovation. A study[17] published late in 2018 reinforces the importance of diverse leadership, finding that companies with more gender-diverse boards have more patents and more novel patents. It also found that companies with more gender-diverse boards had greater innovative efficiency, a measure that includes citation-weighted patent counts normalized by R&D capital. Interestingly, while many may associate more innovative companies with higher volatility, this study also found that the companies with greater board gender diversity had lower stock return volatility.

Boston Consulting Group found[18] that companies with more diverse leadership teams, in both developed and developing economies, have a greater payoff to innovation: Forty-five percent of their total revenue came from innovation, compared with 26 percent for companies with below-average gender diversity in leadership (Figure 3).

FIGURE 3: Companies with More Diverse Leadership Teams Report Higher Innovation Revenue



Note: Average diversity score calculated using the Blau index, a statistical means of combining individual indices into an overall aggregate index.

Source: Rocio Lorenzo, Nicole Voigt, Miki Tsusaka, Matt Krentz and Katie Abouzahr, "How Diverse Leadership Teams Boost Innovation," Boston Consulting Group. January 23, 2018.

Much of what is written about innovation focuses on entrepreneurship. While innovation is not the same as entrepreneurship, they are often related: More innovative cultures tend to foster more entrepreneurship. Here, too, there is new grist for the mill.

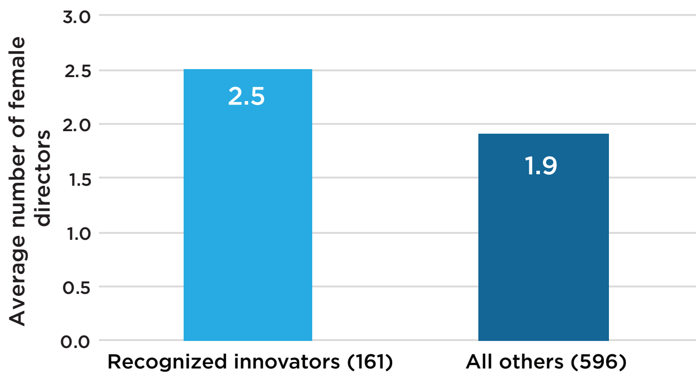
The literature on female entrepreneurship universally documents a persistent gender gap: Women entrepreneurs have a harder time getting venture or angel capital, they tend to get less money, and often the terms on which capital is provided are inferior to those of men. But much of that literature, including a new meta-study[19] from late 2018, also documents that women entrepreneurs tend to do better than men in terms of profitability. Another article[20] from Boston Consulting Group, "Why Women-Owned Startups Are a Better Bet," found that women-owned startups deliver more than twice as much revenue per dollar invested compared to startups founded by men.

Finally, MSCI provided evidence[21] that more innovative publicly listed companies, as identified by annual lists from Forbes, Fast Company, MIT Sloan and Boston Consulting Group, tended to have more women on their boards than

[17] Dale W. Griffin, Kai Li and Ting Xu, "Board Gender Diversity, Corporate Innovation and Firm Value: International Evidence," Nov. 5, 2018.
[18] Rocio Lorenzo, Nicole Voigt, Miki Tsusaka, Matt Krentz and Katie Abouzahr, "How Diverse Leadership Teams Boost Innovation," Boston Consulting Group, Jan. 23, 2018.
[19] David Gaddis Ross and Dong Hyun Shin, "Women and Entrepreneurship: A Comprehensive Meta-Analysis," Oct. 26, 2018.
[20] Katie Abouzahr, Frances Brooks Taplett, Matt Krentz and John Harthorne, "Why Women-Owned Startups Are a Better Bet," Boston Consulting Group, June 6, 2018.
[21] Meggin Thwing Eastman, "What Innovative Companies and Women on Boards Have in Common," MSCI, March 8, 2019.

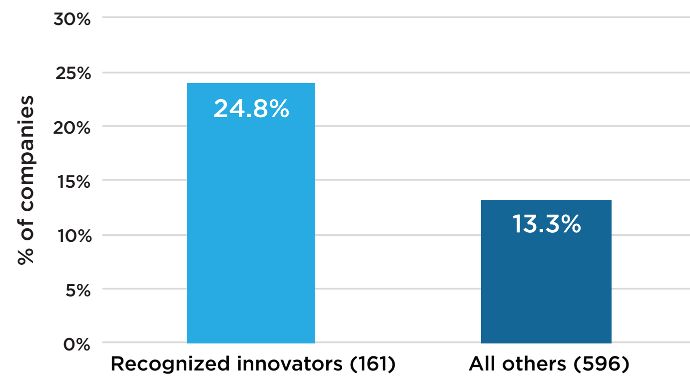
industry peers (Figure 4), and were much more likely to have a critical mass (three) of women on their boards and one and a half times more likely to have quantitative diversity targets.

FIGURE 4: Innovative Companies and Board Diversity Links



Compared to industry peers, recognized innovators had more women on their boards in 2017…

…and were almost twice as likely to have longstanding critical mass of female directors



Source: Meggin Thwing Eastman, "What Innovative Companies and Women on Boards Have in Common," MSCI Blog, March 8, 2019.

RISK

Another theme that has emerged strongly in the literature linking many parameters of sustainability with financial performance is risk, and the literature about gender is very much a part of that new theme.

One study[22] from Australia looked at whether board gender diversity was associated with default risk. The authors tracked 831 Australian non-financial companies over a five-year period and found that a higher proportion of female directors reduced default risk. This paper is quite unusual in that it documented a causal relationship between diversity and default risk; most of the papers in the literature on financial performance and sustainability of any type only look at correlation.

Another paper[23] delved into a particularly important risk event for investors — a stock price crash. Tracking more than 3,400 CFO-company combinations in the S&P 1500 between 2006 and 2015, the researchers found that firms with women CFOs were less likely to have a future stock price crash than firms with male CFOs, primarily because women CFOs are less likely to engage in bad news hoarding — the practice of selectively withholding bad news from investors due to concerns about careers, compensation or litigation risks. While nobody wants to hear bad news, it's better, especially for investors, to hear it when the news is fresh, rather than waiting; often the bad news gets worse as it ages, and, in any case, delayed disclosure of unfavorable events reinforces investors' concerns about the quality of management.

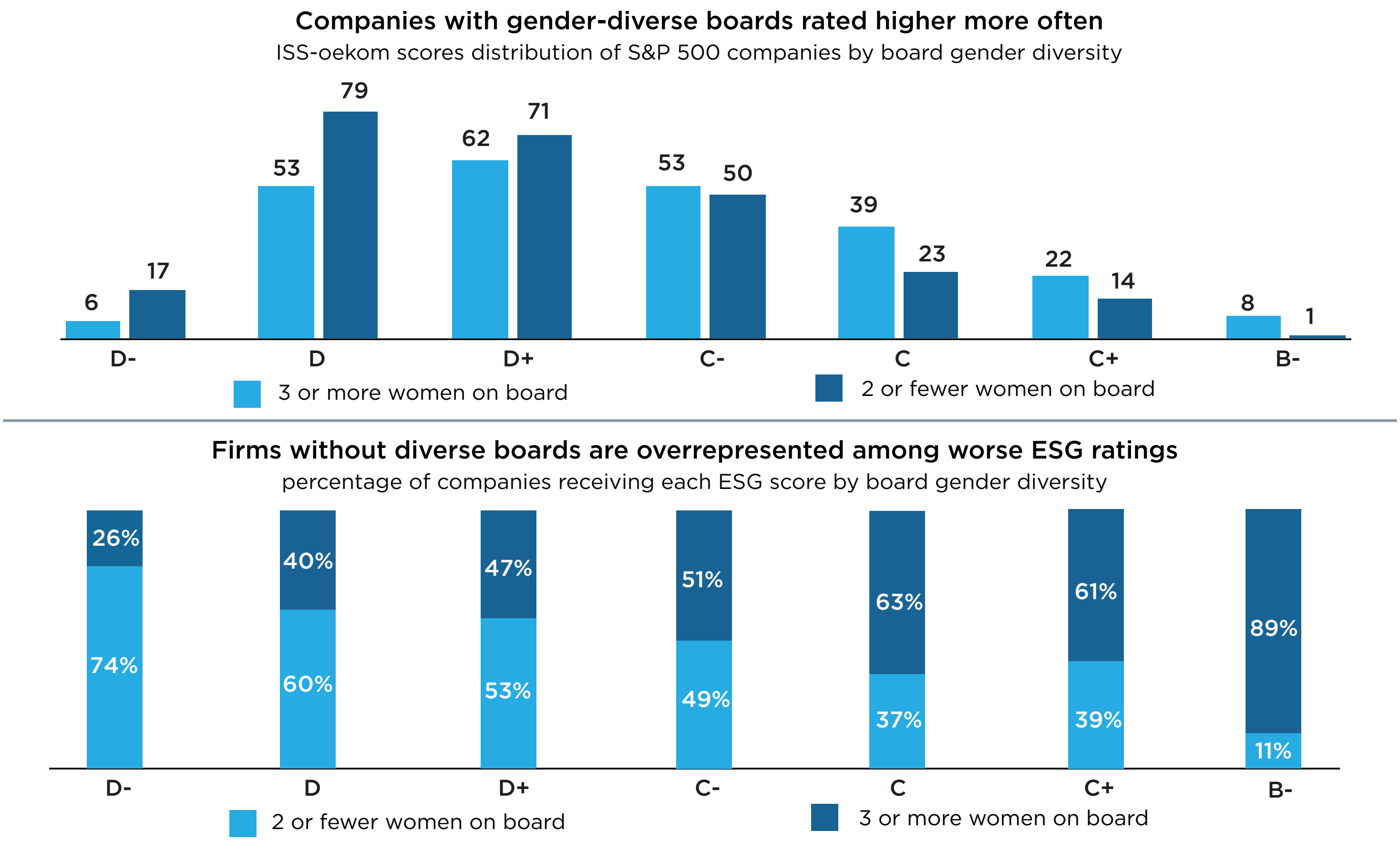
[22] Searat Ali, Benjamin Liu and J.J. Su, "Women on Board: Does the Gender Diversity Reduce Default Risk?" Jan. 25, 2018.
[23] Yiwei Li and Yeqin Zeng, "The Impact of Top Executive Gender on Asset Prices: Evidence from Stock Price Crash Risk," 31st Australasian Finance and Banking Conference, Jan. 16, 2018.

Sometimes the interesting findings about the effect of gender diversity relate to other aspects of corporate value rather than correlating directly with measures of financial performance. One interesting strain of the business-case literature on gender is about the impact of women in leadership on company sustainability.

There is a wealth of literature, both academic and financial, linking sustainability with competitive or superior financial performance. There are a few studies that also show that more sustainable companies or funds underperform, but these are significantly outnumbered by those showing outperformance, or at least competitive performance. A 2015 meta-study[24] conducted by Deutsche Asset Management and the University of Hamburg surveyed more than 2,000 studies and found that approximately 90 percent found a non-negative relationship between corporate financial performance and ESG scores, and that the "large majority" of that 90 percent found that the relationship was positive.

By inference, then, it is useful to know whether gender diversity is related to corporate performance on sustainability. A paper[25] from ISS last year found that companies in the S&P 500 with more gender-diverse boards also had superior ESG scores, noting that they include companies with three or more women as being "gender-diverse." Moreover, the ESG score used does not include board gender diversity as a component, which avoids circular reasoning (Figure 5). The study also tested the durability of the relationship, looking at one-, three- and five-year time periods and finding that companies with gender-diverse boards in all three time periods tended to perform better on ESG metrics than peers who did not. This bears out something that seems intuitively obvious — the benefits of board diversity aren't about instant gratification — but that's still good to test quantitatively.

FIGURE 5: Relationship Between Gender-Diverse Boards and Sustainability Scores



Source: ISS-oekom, ISS Analytics, via Cristina Banahan and Gavrial Hasson, "Across the Board Improvements: Gender Diversity and ESG Performance," Harvard Law School Forum on Corporate Governance and Financial Regulation, September 6, 2018.

[24] Gunnar Friede, Timo Busch and Alexander Bassen, "ESG and Financial Performance: Aggregated Evidence from More Than 2,000 Empirical Studies," Dec. 15, 2015.
[25] Cristina Banahan and Gavrial Hasson, "Across the Board Improvements: Gender Diversity and ESG Performance," Harvard Law School Forum on Corporate Governance and Financial Regulation, September 6, 2018.

The findings of the ISS work echo those of the International Finance Corporation (IFC), whose scope is global, which focused on developing and less-developed economies. IFC's literature review, "Women in Business Leadership Boost ESG Performance: Existing Body of Evidence Makes Compelling Case,"[26] found a substantial body of literature linking higher proportions of women in business leadership with enhanced ESG standards. The authors of the IFC report found 70 peer-reviewed papers that supported the connection between higher proportions of women in leadership with higher ESG standards, with what they called a "particularly clear connection" between companies with at least 30 percent female boards and higher ESG performance, reinforcing the "critical mass" theme in the gender literature. Those studies also found positive connections between enhanced ESG and stronger internal controls, management oversight, reduced fraud risk, positive workplace environments, greater stakeholder engagement and improved brand reputation.

Another study[27] from 2018 focused on the environment, looking at connections between board gender diversity and environmental lawsuits and finding that companies with higher proportions of women on boards had fewer such lawsuits. Interestingly, the connection was even stronger when the CEO was male.

Another study[28] focused on companies in one region — the Arabian Gulf Cooperation Council countries, which often rank low on women's rights and gender diversity in business. The study examined 244 non-financial companies between 2012 and 2014, finding that those with more board gender diversity were significantly more likely to have better disclosure on the parameters of corporate social responsibility (CSR).

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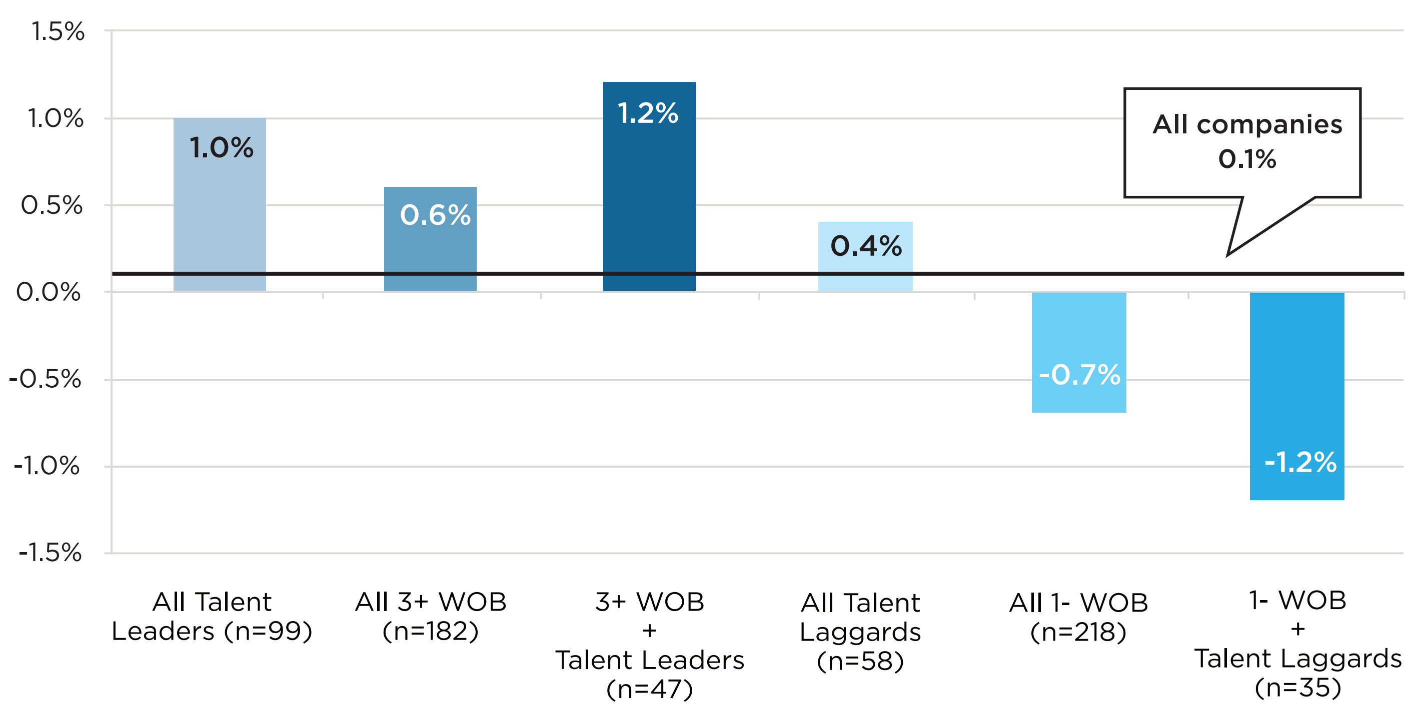
[26] Alexandre Di Miceli and Angela Donaggio, "Women in Business Leadership Boost ESG Performance: Existing Body of Evidence Makes Compelling Case," International Finance Corporation, World Bank Group, 2018.
[27] Chelsea Liu, "Are Women Greener? Corporate Gender Diversity and Environmental Violations," Journal of Corporate Finance, Oct. 2018.
[28] Ayman Issa and Hong Xing Fang, "The Impact of Board Gender Diversity on Corporate Social Responsibility in the Arab Gulf States," July 2018.

Another social factor that is often linked with more financially successful companies is good human resource management. A 2018 paper,[29] for instance, noted that publicly traded corporations that used employee engagement surveys tended to generate significantly higher returns with lower volatility and had a lower probability of default. There is more to the literature linking workplace practices with financial performance; that's just a recent example.

It was good, therefore, to see MSCI's paper[30] linking human resource practices with board diversity. The links that MSCI found were strong: Companies in the international MSCI ACWI Index with leading talent management programs were 4.6 times more likely than talent management laggards to have a critical mass (three or more from 2014 to 2016) of female directors. Furthermore, the companies with at least three women on their boards and leading talent management practices saw combined annual growth in revenue per employee that was 1.2 percentage points higher than the means for their industry between 2012 and 2016 (Figure 6).

FIGURE 6: Average Growth in Employee Productivity by Board Diversity Category



The chart shows average growth of employee productivity (measured as CAGR of revenue per employee for 2012-2016) relative to sub-industry median for each of the groups defined in Exhibit 1. MSCI did not include 1- WOB Talent Leaders or 3+ WOB Talent Laggards in the chart because the sample sizes were too small for meaningful analysis.

Source: Meggin Thwing Eastman and Panos Seretis, "Women on Boards and the Human Capital Connection," MSCI, March 2018.

[29] Benjamin Colton, "What Are the Effects of Employee Voice Mechanisms on Performance, Diversity and Employee Satisfaction Dimensions in Public Corporations?" London School of Economics & Political Science, May 25, 2018.
[30] Meggin Thwing Eastman and Panos Seretis, "Women on Boards and the Human Capital Connection," MSCI, March 2018.

CONCLUSION

There is a wealth of literature illuminating the business and investment case for gender equality. Much of it, to be fair, focuses on leadership, likely because that is a factor that can be readily counted for most corporations, public and private. Other parameters of gender equality are far scarcer, which makes econometric or financial studies linking those parameters to financial performance vastly more difficult to do and often less robust statistically due to small sample sizes. Much new ground remains to be broken in the business case for gender equality, but what exists explains well why the world of finance is much more likely, now than ever before, to view gender diversity as a material factor in financial management and investment.

We must never forget, though, that there is a moral and ethical case for equality that is just as strong. The myriad social and economic ills associated with discrimination, harassment and gender violence bear eloquent witness to that ethic. What we are doing to advance gender in financial circles is not only financially smart, it is right. Many things that companies and investors do to make money, especially when they do it to make money really fast, are sometimes much less defensible ethically. It's delightful that the financial case for gender gives us a sensible investment criterion as well as the ability to sleep at night.

Julie Gorte

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Julie serves on the boards of the Endangered Species Coalition, E4theFuture, Clean Production Action, Great Bay Stewards and is the board chair of the Sustainable Investments Institute. She also serves on the Investment Committee of the United Nations Environment Programme Finance Initiative.

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Definitions:

The EBIT, or earnings before interest and taxes, margin is a company's revenue minus expenses, excluding tax and interest.

The United Kingdom Financial Times Stock Exchange 100 Index (FTSE 100) is a share index of the 100 companies with the highest market capitalization listed on the London Stock Exchange.

The Financial Times Stock Exchange 350 Index (FTSE 350) is a market capitalization-weighted stock market index incorporating the largest 350 companies by capitalization that have their primary listing on the London Stock Exchange.

Return on sales, or ROS, is a ratio used to evaluate a company's operational efficiency.

Return on assets, or ROA, is a financial ratio that shows the percentage of profit a company earns in relation to its overall resources.

Return on equity, or ROE, is a measure of financial performance calculated by dividing net income by shareholders' equity.

The Blau Index, also known as The Gibbs–Martin index of sociology, psychology and management studies, measures diversity.

The Standard & Poor's 500 (S&P 500) is an American stock market index based on the market capitalizations of 500 large companies having common stock listed on the NYSE, NASDAQ or the Cboe BZX Exchange.

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