

Structural Complicity

Sexual and gender-based violence as an emerging investment risk



©adike/Shutterstock

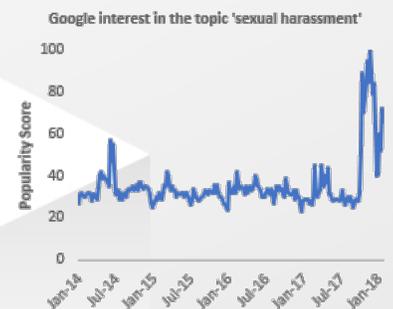
“Time’s Up”... #MeToo ... allegations of abusive behavior by corporate chiefs ... the groundswell of public attention to sexual and gender-based violence (SGBV) is revealing how pervasive it is at all levels of society, in all industries. From an investor’s perspective, the burgeoning movement to root out abuse raises the question of whether capital markets participants might be complicit in its persistence.

It also raises the possibility that issues related to SGBV might evolve into a material financial risk for companies that don’t take appropriate action.

Traditionally, impact and gender lens investing has focused on discrimination, pay equity, and workplace conditions more so than the human rights violations embodied by SGBV. Investors lack access to data regarding the extent of the problem and do not possess the means to gauge the consequences for stakeholders or investment performance. We believe it is incumbent upon investors to demand greater transparency on issues of SGBV related to business activity; to hold companies accountable for reducing SGBV; and to incentivize companies to minimize SGBV.

With this report we launch an inquiry into how investors might better understand SGBV and contribute to a solution, as well as examine what kinds of data would generate useful insights. Key findings include:

- Converging technological, behavioral and regulatory trends may transform SGBV into a strategic and operational risk for companies;
- SGBV may present a material risk to companies and industries in three key areas: negative productivity impacts; restricted social license to operate; and consumer action.



- Two initial indicators of companies’ management of SGBV are: disclosure on sexual harassment and initiatives to support victims in reporting it; and impact on outside stakeholders (e.g., whether companies expect local communities to accept the costs of SGBV). How companies are positioned on these issues may yield insights into their exposure to SGBV as a risk, as well as their understanding of their roles in facilitating SGBV.

Emma Currier
Associate Analyst

Sebastian Vanderzeil
Director, Global
Thematic Analyst

Cornerstone Capital considers gender-related issues as an integral part of our investment process, and we aim for our research work to further contribute to the understanding of related investment risks and opportunities. Over the course of 2018 we will be collaborating with Criterion Institute, other financial services firms, and nonprofits on further work in this area. Criterion is the leading think tank focused on using finance as a tool for social change. Criterion played a significant role in creating and building the field of gender lens investing and continues to shape how gender matters in the analyses, structures, and processes of investments.

SGBV as an issue for investors

The United Nations High Commissioner for Refugees (UNHCR) defines SGBV as ‘any act that is perpetrated against a person’s will and is based on gender norms and unequal power relationships ... It can be physical, emotional, psychological, or sexual in nature, and can take the form of a denial of resources or access to services.’¹ While it has been recognized that most victims are women and girls, SGBV also affects men, boys, transgender people, and others. Given our role as investors, this report focuses on SGBV within companies’ operations and activities, as well as the broader economy.

It is incumbent upon investors to demand greater transparency; hold companies accountable; and incentive companies to minimize SGBV

While individual perpetrators of SGBV are unarguably guilty of crimes, we believe companies that enable such behavior either unwittingly or through negligence are also culpable for its persistence. Companies have a broad sphere of influence, given that SGBV can take many forms. Stakeholders including employees, local communities, and employees of suppliers and business partners can be affected by a company’s actions. In some cases, customers may be affected as well. Therefore, we believe it is incumbent upon investors to demand greater transparency on issues of SGBV related to business activity; to hold companies accountable for reducing SGBV; and to incentivize companies to minimize SGBV.

Recent stories highlight harassment in sectors with high levels of human capital and power differentials

Industries may enable SGBV in different ways, as many nonprofit and academic organizations have researched. Recent news stories highlight harassment in sectors with high levels of human capital, mainly the technology, finance, and media. These stories emphasized that imbalances in power between ‘star players’ and victims is linked to a prevalence of SGBV. Our research focuses on these industries as well as agriculture and extractives, where sexual violence has received less mainstream attention. Our view is that awareness of SGBV will expand to include these (and other) industries.

Traditionally, investors have incorporated assessments of gender into their evaluation process through focusing on gender-based discrimination, pay equity, and workplace conditions. Investors have also separately focused on human rights violations, particularly in supply chains. Linking the two may assist investors in understanding how to approach SGBV as an emerging investment risk and provide a frame of reference for working to be part of a solution.

We find an insufficiency of language in questioning investment capital’s role in sexual and gender-based violence. The term may not sufficiently convey the personal nature for those affected. Approaching sexual and gender-based violence as investors is complex, and we acknowledge that experiences are distinct and cannot be viewed uniformly.

¹ www.unhcr.org/en-us/sexual-and-gender-based-violence.html

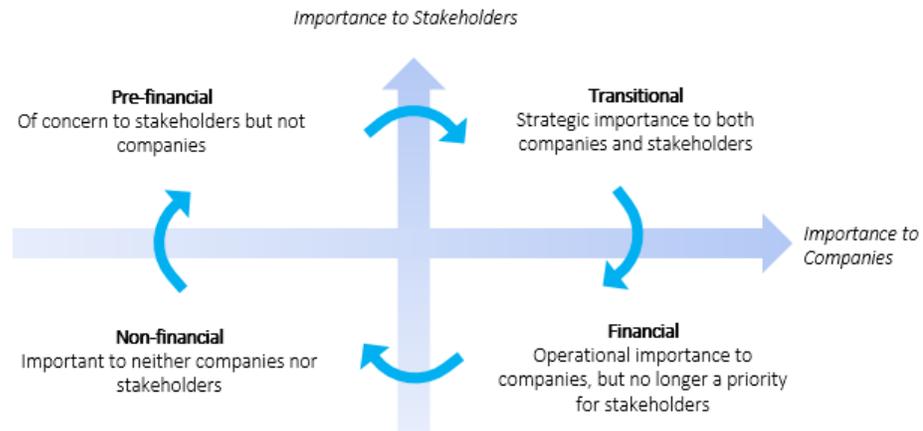


An emerging investment risk

Investment issues are dynamic. Risks evolve alongside stakeholder interest and companies' strategies.

Investment issues are dynamic. Risks evolve alongside stakeholder interest and companies' strategies. As stakeholders become more aware of an issue, it can evolve from a non-financial to a financial concern for companies. We outlined the lifecycle of issues in our 2015 report *The Networked Corporation*. This lifecycle is shown in Figure 1.

Figure 1: The lifecycle of issues



Source: Cornerstone Capital Group

The occurrence of SGBV is well documented throughout history². However, it has not broadly been perceived a pressing issue to the business world until recently.

How SGBV is perceived in the business world may be changing

Using our “converging trends” investment catalyst framework, first outlined in 2016³ (Figure 2), we assess three trends that are accelerating a shift in corporate perception of SGBV as a financial risk:

- **Technological:** We now have access to a wealth of information previously unavailable, while personal anonymity on web platforms offers insight into the various forms of SGBV;
- **Behavioral:** Individual stories of SGBV increase public awareness of its pervasiveness across industries and levels of seniority; and
- **Regulatory:** companies that currently disclose the minimum required by law may be poorly positioned if momentum from stakeholders to increase disclosure grows, thus spurring proactive companies to change.

Companies that ignore their role in SGBV may be poorly positioned

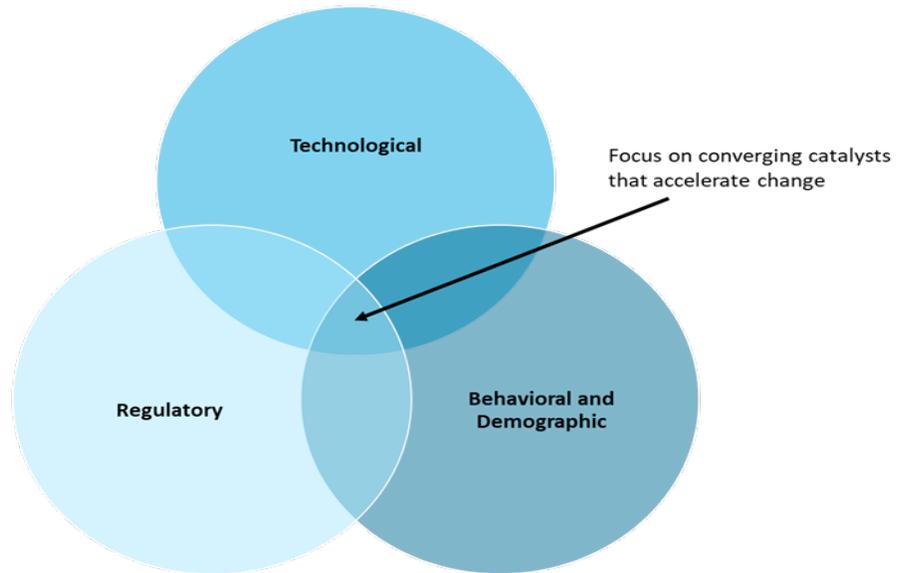
The momentum from converging trends is pushing SGBV as a concern for stakeholders across levels of society in the near term and may transition SGBV into a strategic and operational concern for companies in the medium term. Companies that have historically failed to address and continue to ignore their role in SGBV may be poorly positioned during this transition.

² <http://criminal-justice.iresearchnet.com/crime/domestic-violence/worldwide-history-of-domestic-violence/>

³ See our report ‘Food Safety: In a State of Transformation’



Figure 2: Converging trends that accelerate change



Source: Cornerstone Capital Group

Technological

Levels of information on SGBV can be shared that were previously impossible, as exhibited by the #MeToo and Times Up campaigns. In addition, data from web platforms heightens transparency into the systemic nature of SGBV.

A growing percentage of the world’s population has internet access (Figure 3). Gemalto, a digital security consultant, projects that 4.1 billion people, or 52% of the world’s population, will have internet access by 2020⁴. Equally important is the growth in social network users (Figure 4).

These trends have significant implications for information transparency, increasing both the ease with which information can be retrieved and the ability of individuals to connect across geographies and demographics. This makes an abundance of information available that was previously impossible to access.

For instance, social media campaigns like #MeToo are unprecedented acknowledgements of the pervasiveness of SGBV. The individuals who shared their stories cut across demographics, professions, and levels of seniority. Rather than focusing on specific companies, the #MeToo campaign was an attempt to stress the prevalence of SGBV. Before the internet, this type of rapid, mass experience sharing and knowledge generation would be difficult to achieve.

Some web platforms with anonymous users yield additional understanding of SGBV’s systemic nature. Anonymous users may be more willing to voice “politically incorrect” opinions. For

Social media campaigns like #MeToo are unprecedented acknowledgments of the pervasiveness of SGBV

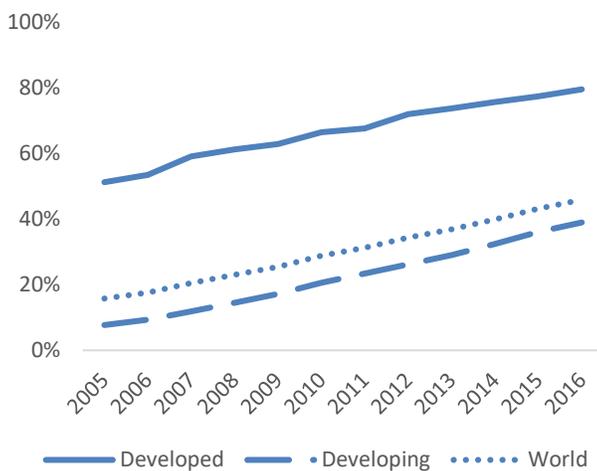
⁴ <http://www.gemalto.com/review/Pages/infographic-the-number-of-internet-users-by-2020.aspx>



instance, a 2017 research paper⁵ reviewed anonymous postings on a popular online job form for economists. The study found that the posts became significantly less academically or professionally oriented, and more about personal information and physical appearance, when discussing women. The report highlights how the anonymous nature of the web can provide data to assess gender views.

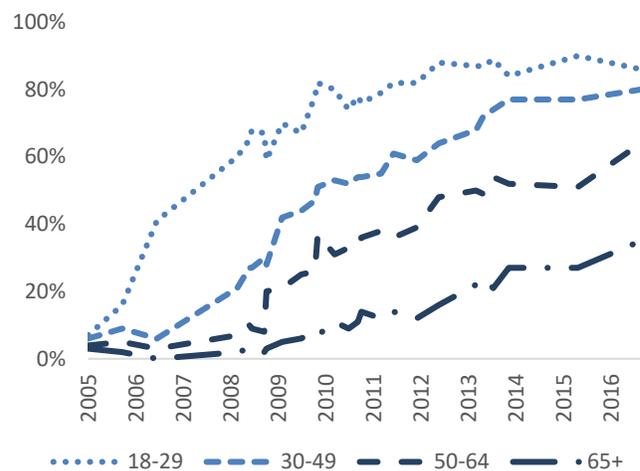
We expect the level of transparency into SGBV to increase as internet usage grows. Individuals have become increasingly willing to share their experiences online as they see positive reactions from other social media users and tangible results as companies remove perpetrators in response. Data on gender views may also grow with more anonymous internet use.

Figure 3: % of individuals using the internet



Source: World Telecommunication/ICT Indicators, Cornerstone Capital Group

Figure 4: % of US adults using at least one social media site



Source: Pew Research, Cornerstone Capital Group
Note: Social media sites include Facebook, Pinterest, Instagram, LinkedIn, and Twitter.

Behavioral

Recently, sexual harassment at work has started to transition from individual experiences kept private into a public discussion. A series of high-profile harassment and assault scandals have unfolded in past months as victims have announced their experiences publicly and demanded action from companies that previously supported the perpetrators.

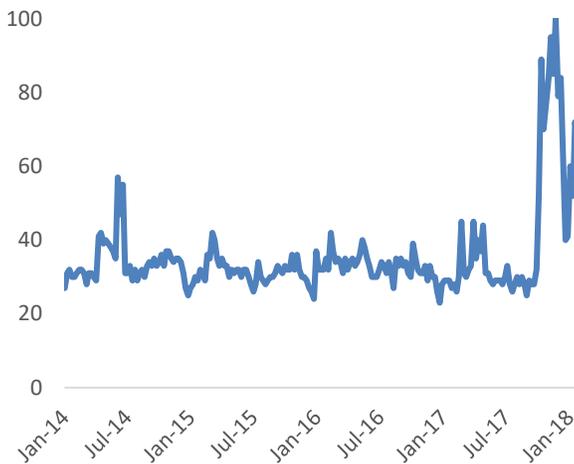
The sharing of these individual experiences has resulted in increased attention to SGBV. Figure 5 shows the interest in the topic 'sexual harassment' on Google's search engine. Topics are a group of terms that share the same concept (e.g. the topic 'sexual harassment' includes 'sexual assault'). A value of 100 is peak popularity for that topic over the time period, while a value of 50 means that the topic was half as popular that day versus the day with peak interest.

⁵ https://www.dropbox.com/s/v6q7gfcbv9feef5/Wu_EJMR_paper.pdf?dl=0



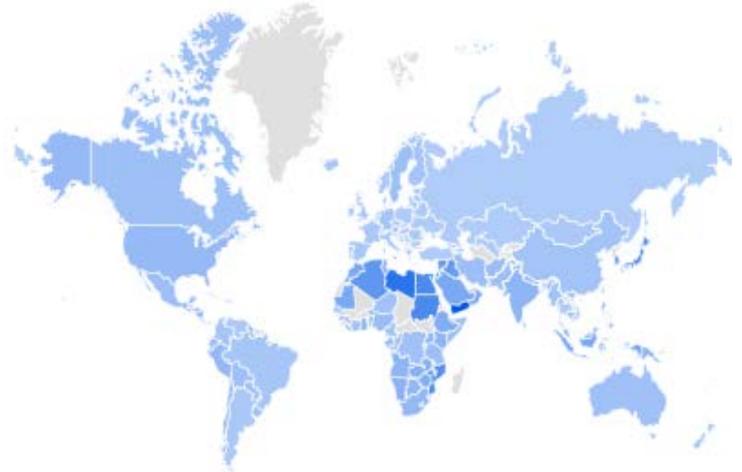
Figure 6 shows the regions where the topic ‘sexual harassment’ was relatively the most popular. A darker region indicates that the topic generated more interest in that region than in other regions relative to the regions' size. The generally consistent level of interest across regions may indicate that awareness of sexual assault and harassment is growing globally, though more granular data would be required to know why certain regions generated more searches.

Figure 5: Interest in the topic “sexual harassment”



Source: Google Trends, Cornerstone Capital Group
A value of 100 is peak popularity over the time period, while a score of 50 means the term was half as popular.

Figure 6: Interest in the topic “sexual harassment” by country



Source: Google Trends, Cornerstone Capital Group
A darker color means a relatively higher proportion of all queries within that region for the topic than in other regions.

The increasing public awareness of sexual harassment is translating into growing concern

The increasing public awareness of sexual harassment is translating into growing concern. For instance, a 2011 poll found that 47% of Americans felt sexual harassment in the workplace was a serious problem. In an October 2017 poll, that number rose to 64%. Nearly two-thirds of respondents say men who sexually harass women coworkers are not held accountable⁶.

Part of the shock value of the recent high-profile allegations has been how many people privately knew of these instances and only said so publicly when victims spoke out. How continued public discussion may shift the response of those who facilitate or are aware of incidents is still an unknown.

Regulatory

Regulation relating to SGBV within the workplace generally focuses on the view that all employees have a right to equal treatment under the law. Harassment and assault within the corporation infringes on this right. We outline legislation from the EU, India, and the US to provide examples of how harassment and assault laws vary and have changed in recent decades (Figure 7).

As suggested in Figure 7, India has implemented a unique disclosure rule. Organizations with 10 or more staff members must set up an ‘internal complaints committee,’ which holds the same

⁶ <http://apps.washingtonpost.com/g/page/politics/washington-post-abc-news-poll-oct-11-15-2017/2249/>



powers as a civil court when inquiring into a complaint. The consequences of failing to comply include monetary fines and de-registration of the entity⁷. This law is differentiated from other harassment and assault legislation in its reach.

Figure 7: Relevant legislation for a selection of countries

	Relevant legislation	Details
Europe	Directive 2006/54/EC on equal treatment in employment and occupation and Framework Agreement on Harassment and Violence at Work	Focus on equal treatment under the law and the development of frameworks for organizations to prevent, identify and manage problems of harassment and violence.
India	Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013	Objective of preventing and protecting women against sexual harassment at workplace and for the effective redress of complaints of sexual harassment. Legislation includes description of conduct considered to be sexual harassment, required internal committees, and public disclosure of complaints.
United States	Civil Rights Act (Title VII) and state laws	The focus of workplace sexual harassment legislation is equal rights under the law, so unwelcome sexual conduct that is a term or condition of employment constitutes a violation. State laws relate to employment issues including forced arbitration of workplace complaints and enforcement of non-disclosure agreements.

Source: <https://www.eeoc.gov/policy/docs/currentissues.html>, http://www.equineteurope.org/IMG/pdf/presentation_emilie_jarrett.pdf; http://www.nishithdesai.com/fileadmin/user_upload/pdfs/Research%20Papers/Prevention_of_Sexual_Harassment_at_Workplace.pdf

In the US, organizations such as the US Equal Employment Opportunity Commission (EEOC) give the total number of sexual harassment charges reported each year. As shown in Figure 8, the number of reports averaged 8,000 for a working population of 205 million⁸.

A DOJ study determined that 63% of sexual assaults were not reported

The small number of charges compared to the working population suggests that sexual harassment either affects a small number of people or is significantly underreported. A 12-year study by the Department of Justice determined that 63% of sexual assaults were not reported⁹, supporting the latter interpretation.

More than half of the charges brought to the EEOC are considered to have ‘no reasonable cause’, i.e., insufficient evidence exists to conclude discrimination has occurred. If these outcomes conform to broader sexual assault report statistics, false charges are not likely to be the main reason for the ‘no reasonable cause found’ number, given that the incidents of false reports have been measured as 2-7% of total sexual assault reports.

The data from the EEOC leaves us with more questions than answers

The data provided by the EEOC leaves us with more questions than answers regarding the extent of sexual harassment in US workplaces, as previous research in the field has noted. Given the potential low levels of reporting, any momentum to encourage reporting or legislation that offers more security and safety to victims would possibly boost reporting significantly. In such a scenario, companies that support victims in coming forward will be better positioned to manage future financial and reputational risks.

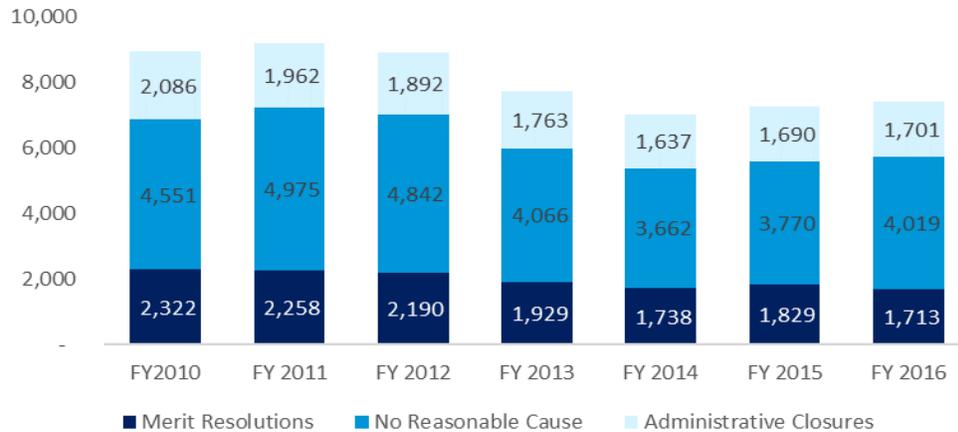
⁷ http://www.nishithdesai.com/fileadmin/user_upload/pdfs/Research%20Papers/Prevention_of_Sexual_Harassment_at_Workplace.pdf

⁸ <https://fred.stlouisfed.org/series/LFWA64TTUSM647S>

⁹ https://www.nsvrc.org/sites/default/files/publications_nsvrc_factsheet_media-packet_statistics-about-sexual-violence_0.pdf



Figure 8: Sexual harassment charges (major categories) reported to the EEOC



Source: https://www.eeoc.gov/eeoc/statistics/enforcement/sexual_harassment_new.cfm

No reasonable cause: determination of no reasonable cause to believe that discrimination occurred based upon evidence obtained in investigation. Merit resolution: Charges with outcomes favorable to charging parties and/or charges with meritorious allegations. Administrative closure: Charge closed for administrative reasons.

Financial materiality of SGBV

To date, there has been little inclusion of SGBV as a risk in many top-down investor assessments. For instance, the Sustainability Accounting Standards Board, which recommends sector-specific metrics for reporting material ESG risks, includes SGBV as a material risk for zero sectors.

However, intersecting technological, behavioral, and regulatory trends are raising SGBV as an issue across multiple levels of society, as described above. We outline three areas where SGBV presents a material risk to both companies and the broader economy, as well as where SGBV's elimination might offer opportunities:

- **Negative productivity impacts:** An economy without SGBV has yet to be realized and a workforce free to focus on their jobs without fear of assault or harassment could result in productivity gains currently unknown.
- **Restricted social license to operate:** Industries with an outsized impact on local communities (e.g. extractive industries) that facilitate a culture of SGBV may face a restricted social license to operate.
- **Consumer action:** Consumers may limit their interactions with corporations that facilitate SGBV or fail to respond appropriately to accusations of SGBV.



Negative productivity impacts

We can little comprehend or forecast economies or business in a world without SGBV

SGBV may limit the abilities of individuals and society in ways currently unmeasurable. Given the unknown nature of a world without SGBV, we can little comprehend or forecast economies or businesses in such a world.

Signs of the productivity loss created by SGBV may be found in the stories of women who have made career or life choices because of, or to avoid, sexual harassment¹⁰. For instance, a UK public relations firm found that 20% of women in an online interview report being victims of sexual harassment within their jobs¹¹. A 2017 study¹² found that women in Delhi are willing to choose poorer quality colleges and jobs to avoid a commuting route that is perceived as less safe. Alternatively, women are willing to spend an additional INR 18,800 (USD 290) per year, relative to men, for a route that is safer – an amount equal to double the average annual college tuition.

Major productivity gains could accrue to a subset of industries that are particularly prone to enabling SGBV if they reduce its occurrence. For instance, a 2014 Oxfam literature view found that 80% of women farmworkers say they experience some form of sexual violence on the job¹³. It is likely that this systematic violence negatively impacts the culture and limits the ability of these women to do their jobs well. Questions for considering the potential changes in productivity might include:

- What does it cost in time, energy, or opportunity for vulnerable populations to limit their exposure to sexual assault or harassment?
- What is the impact of assaults and harassment on current work and future career?

Restricted social license to operate

Industries with outsized community impact are subject to greater scrutiny

Industries require a “social license to operate,” which refers to the community’s acceptance of a company’s project or ongoing presence. Industries with outsized community impact are subject to greater scrutiny in this regard, and may face heightened exposure to SGBV risks related to their operations¹⁴. The extractive industry is often cited as an example of this phenomenon given its impact on the areas surrounding its operations—and has a significant history of gender-based violence stemming from its operations (see the case study below).

As stakeholder focus on SGBV increases, local communities may be increasingly willing to challenge a company’s social license to operate if they perceive that the company is enabling systemic SGBV.

¹⁰ <https://www.marketplace.org/2017/11/03/business/how-women-pay-economic-price-after-sexual-harassment>

¹¹ <http://opinium.co.uk/one-in-five-women-have-been-sexually-harassed-in-the-workplace/>

¹² https://www.brown.edu/academics/economics/candidates/sites/brown.edu/academics/economics/candidates/files/Borker_JMP.pdf

¹³ http://deohs.washington.edu/pnash/sites/deohs.washington.edu/pnash/files/documents/SH_OXFAM_lit_review2014.pdf

¹⁴ http://www.nbr.org/downloads/pdfs/eta/PES_2013_summitpaper_Yates_Horvath.pdf

Case Study: Extractives Industry

Local communities around mines can see significant negative impacts from the influx of predominantly young, male mine workers through a proliferation of crime, including sexual violence. Reported statistics and incidents relating to sexual violence in the extractive industry include:

- Médecins Sans Frontières reported that in the platinum mining belt of Rustenberg in South Africa, 45% of women reported experiencing intimate partner violence and 18% of women reported being raped in their lifetime¹.
- Katanga, in the Democratic Republic of Congo, is home to 50-60% of the global supply of cobalt, a key input for lithium-ion batteries. A study of non-partner sexual violence in the region suggests that a woman living closer to the mine has a higher rate of violence than those who live further away, even accounting for the area's ongoing conflict².
- In 2011, Human Rights Watch documented gang rape and other violent abuses by private security personnel at PNG's Porgera gold mine, operated by the Canadian company Barrick Gold³.
- A Canadian court is hearing a case against Hudbay Minerals alleging that the company was negligent in monitoring the actions, including the rape of 11 women, of its subsidiaries⁴.
- A study by the University of North Dakota in the nearby oil regions linked a 72% increase of sexual violence to the increased population growth, with contributing factors identified 'as male to female ratio imbalance, strenuous work and schedules in the oilfield combined with disposable income in an isolated region that lacked recreational outlets created conditions ripe for aggression and violence'⁵.

The impact on companies of poor relationships with local communities is significant. An academic study published by Daniel Franks at the University of Queensland's Sustainable Minerals Institute notes the cost of community conflict for a mining project with a total assumed capital cost of \$3-5 billion (Figure 6).

Figure 6: Costs of community conflict for a single project (capital cost - \$3-5 billion)

Type of impact	Cost
Project delay	\$20m per week in NPV
Stoppage cost	\$100m per year
Delay to exploration camp	\$10k per day
Drilling delineation delay	\$50k per day

Source: University of Queensland, Cornerstone Capital Group

The greatest cost of conflict is the inability to pursue, expand, or sell a project.

¹ https://reliefweb.int/sites/reliefweb.int/files/resources/mining_belt_violence.pdf

² <http://primarycare.imedpub.com/does-artisanal-mining-increase-the-risk-of-sexualviolence.php?aid=9279>

³ <https://www.hrw.org/world-report/2015/country-chapters/papua-new-guinea>

⁴ http://www.willistonherald.com/community/oil-boom-generated-perfect-storm-for-sexual-violence/article_35800e84-9729-11e6-b03c_2feafe5fa382.html

⁵ <https://www.theguardian.com/world/2017/dec/13/guatemala-canada-indigenous-right-canadian-mining-company>



Consumer action

Consumers may be increasingly likely to limit interactions with companies that are viewed as facilitators of SGBV. However, consumers may find few options in some industries given its pervasiveness.

Consumers may find few options given the pervasiveness of SGBV

One scenario is that as consumers become more conscious of issues of SGBV they may alter their purchasing behavior according to their understanding of how companies address the issue. A 2013 study from Harvard Business School found that customers are quick to walk away from purchases in response to disrespectful behavior between employees. Witnessing just a single unpleasant interaction between employees led customers to generalize about the company and its brand¹⁵. As information on SGBV increases in transparency, consumers may see SGBV as a similar public issue and target specific industries or companies.

Consumer action is currently seen in some advertisers' responses to sexual harassment allegations at media companies. The allegations suggested that the companies failed to protect the victims, instead favoring 'star player' perpetrators; advertisers pulled commercials in response.

To what degree consumer concern over companies' management of SGBV will translate to industries without 'star players' is still an open question.

Assessing companies' management of SGBV

The extent of SGBV across companies and industries is currently unknown. However, acknowledging that SGBV is likely to be pervasive and potentially material for returns is a good first step. Two initial indicators to judge companies' management of SGBV are:

Disclosure on initiatives and impact on outside stakeholders may yield insights

- Disclosure on sexual harassment and initiatives to support victims reporting harassment; and
- Impact on outside stakeholders (e.g., whether companies expect local communities to accept the costs of SGBV).

How companies are positioned on these issues may yield insights into their exposure to SGBV as a risk, as well as their understanding of their roles in facilitating SGBV.

Disclosure on sexual harassment

Currently, investors have very little information on the extent of sexual harassment and assault within companies and because of their activities. As noted in the previous section, the EEOC provides information that provokes more questions than it answers. Disclosure of sexual assault allegations by companies would enable a better understanding of the size of the issue and hence the risk.

¹⁵ <https://hbr.org/2013/01/the-price-of-incivility>



The total reports suggest either a miniscule number or significant underreporting

In 2013, India legislated that all organizations, including companies, should establish specific committees to consider sexual harassment claims and then report the number of claims on an annual basis. We examined the recent disclosures by 17 of the largest companies in India by market cap. These companies in total employ 1.5 million people, with women employees averaging 18% of their workforce. The total number of sexual harassment reports disclosed by these companies for their most recent reporting year was 395, with three companies, Infosys, ICICI Bank, and Wipro accounting for 75% of reports. The details of this assessment are shown in Figure 9.

The analysis suggests that there is either a miniscule number of sexual harassment incidents occurring in these large companies, or that there is significant underreporting. A survey by the Indian National Bar Association on victims of sexual harassment found that 68.9% of women who believed they were harassed did not report the incident to the specific committee due, in part, to fear of retaliation and subsequent repercussions¹⁶. ICICI Bank, which records the highest number of sexual harassment reports from the chart above, has had a woman CEO since 2009. This may have contributed to an environment where women feel more willing to report harassment.

Figure 9: 17 largest Indian companies and their sexual harassment reports

Company	Sector	Mkt Cap (INR billion)	Number of Employees	% Women on Board	% Women in Workforce	Sexual Harassment Reports
Reliance Industries Ltd	Energy	6,065	24,167	7	5	0
Tata Consultancy Services Ltd	Technology	5,117	387,223	9	35	26
HDFC Bank Ltd	Financial	4,775	84,325	17		17
ITC Ltd	Consumer	3,117	25,883	13	9	0
State Bank of India	Financial	2,854	209,572	17	23	21
Hindustan Unilever Ltd	Consumer	2,765	18,000	10		1
Housing Development Finance Corp	Financial	2,704	2,305	9		0
Maruti Suzuki India Ltd	Consumer	2,545	14,178	8	3	1
Oil & Natural Gas Corp Ltd	Energy	2,322	33,560	0		2
Infosys Ltd	Technology	2,219	200,364	30	36	88
ICICI Bank Ltd	Financial	2,053	84,096	15	27	95
Bharti Airtel Ltd	Comm's	2,012	22,815	17		5
Kotak Mahindra Bank Ltd	Financial	1,961	44,000	10	21	19
Indian Oil Corp Ltd	Energy	1,924	33,135	0	8	4
Larsen & Toubro Ltd	Industrial	1,713	41,466	10	5	0
NTPC Ltd	Utilities	1,509	22,124	8		0
Wipro Ltd	Technology	1,431	181,482	10	34	116
<i>Total sexual harassment reports: 395</i>						

Source: Bloomberg, company report – (blank where no data available)

Sexual harassment reports are publicly disclosed reporting of sexual harassment claims in latest annual report as mandated by the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013

¹⁶ <https://www.indianbarassociation.org/wp-content/uploads/2017/07/Garima-1INBAs-Book.pdf>



The implication is that fear of retaliation has real impacts on worker productivity that we do not presently understand. Thus, a first step for investors may be encourage companies to disclose initiatives that address victims' reluctance to come forward.

Impact on outside stakeholders

Some companies expect stakeholders to continue to absorb the costs of SGBV

Companies can incorporate SGBV as a cost to their business, rather than a cost placed on their outside stakeholders. Currently, some companies expect stakeholders to continue to absorb the costs of SGBV precipitated by its workforce, and the question is what companies can do to change this arrangement.

A first step is to disclose initiatives that address victims' reluctance to come forward

As discussed above, the extractive industry may be prone to facilitating SGBV in the surrounding communities through its model of accommodating a largely young, male workforce in areas around its mines. One company, Anglo America, uses a Socio-Economic Assessment Toolbox (SEAT) to track the impact of incoming and outgoing migration, including contractors, on the incidents of prostitution and inappropriate sexual behavior. Anglo America has operations in Rustenberg through its Anglo American Platinum (Amplats) investments¹⁷.

Extractive companies may also be able to reduce the cost of SGBV through town planning. Mining camps that develop as towns, with community infrastructure such as schools, business districts, and hospitals, enable miners to bring or develop their families rather than treating the community as a recreational area between shifts. A question for companies is if they undertake town development or continue to operate simple living-quarters and mess-hall facilities.

A selection of company discussion and disclosures relating to community engagement, town planning, and sexual violence is shown in Figure 10.

Few mining companies discuss gender-based violence

Many mining companies make investments into local communities in order to create stable operating environments, but few link those investments to sexual violence. Company disclosure and discussions focus on community engagement and development with no explicit discussion on gender-based violence, except for Newcrest Mining.

The question for investors is whether this lack of focus represents a decision by companies to avoid the issues of sexual violence, or whether the issue of sexual violence is being addressed through broad community mechanisms. Ongoing engagement on this issue by investors and increased disclosure would assist in understanding how a company is addressing this issue.

¹⁷ <http://www.angloamerican.com/~media/Files/A/Anglo-American-Plc/docs/seat-toolbox-v3.pdf>



Figure 10: Disclosures on community engagement, township planning and sexual violence for a selection of companies

Company	Discussion on town planning and sexual violence
Anglo American	Anglo American’s industry leading SEAT document shows that the company’s operations and workforce have significant geographical reach across neighboring communities. There is also a discussion about the tracking of incidents of prostitution, inappropriate sexual behavior and sexually transmitted diseases.
BHP Billiton	BHP discloses detailed information on social planning initiatives for many communities surrounding their mine sites. The company is also a signatory of the UK Modern Slavery Act Statement, meaning its suppliers must not engage in activities such as sexual exploitation or abuse.
Exxon Mobil	The company’s documents and website detail Exxon Mobil’s approach to community engagement, grievance mechanisms and development programs including specific focus on indigenous peoples.
Newcrest Mining	Newcrest has undertaken a significant program to address gender-based violence on Lihir Island in Papua New Guinea. The program includes community education, funding for policing and safe housing, and certified counselor programs.
Newmont Mining Corp	Disclosures relating to community investment include a focus on increasing economic sustainability and opportunity in surrounding communities through grants.
Rio Tinto	Rio routinely studies surrounding communities, undertakes community engagement and provides community funding based on a Communities and Social Performance Standard. The Standard includes a policy to minimize negative social impacts and provide lasting socioeconomic benefits. Sexual violence is referenced in Rio’s human rights documents in relation to security forces used to protect mining assets.
Royal Dutch Shell	The company provides disclosures relating to security and working with communities on economic development.

Source: Company documents and websites

Conclusion

We see investor capital as inextricably connected to SGBV through its support of a wide range of business activities. Yet, the extent of SGBV is currently unknown. Equally unknown are the potential productivity gains in a world without SGBV. The goal of our report has been to take a step towards assessing how investment capital may play a role in supporting such a world. Further work is needed.

As our next step, we are partnering with Criterion Institute, other financial services firms, and nonprofit organizations. Criterion’s Gender Lens Investing and Market Risks (GLIMR) research platform, started in 2016, seeks to improve gender analysis specifically in public equities. In partnership with fund managers and advisors, GLIMR developed a methodology for how to identify additional gender lens criteria and a framework for public equities analysis. With Criterion and partner organizations, we aim to continue questioning how capital and SGBV intersect and how investors can be part of the solution.





Emma Currier is a Research Associate at Cornerstone Capital Group. Emma graduated with a Bachelors of Arts degree in Economics from Brown University in May 2016. While at school, she worked with the Socially Responsible Investing Fund and as a teaching assistant for the Public Health and Economics departments. She spent her sophomore summer researching differences between American and Indian educational styles in Arunachal Pradesh, India, and completed a summer investment bank analyst position with Citi in the Media & Telecom group in 2015.

emma.currier@cornerstonecapinc.com



Sebastian Vanderzeil is Director, Global Thematic Research Analyst with Cornerstone Capital Group. He holds an MBA from New York University's Stern School of Business. Previously, Sebastian was an economic consultant with global technical services group AECOM, where he advised on the development and finance of major infrastructure across Asia and Australia. Sebastian also worked with the Queensland State Government on water and climate issues prior to establishing Australia's first government-owned carbon broker, Ecofund Queensland.

sebastian.vanderzeil@cornerstonecapinc.com

Important disclosures

Cornerstone Capital Inc. doing business as Cornerstone Capital Group ("Cornerstone") is a Delaware corporation with headquarters in New York, NY. The Cornerstone Flagship Report ("Report") is a service mark of Cornerstone Capital Inc. All other marks referenced are the property of their respective owners. The Report is licensed for use by named individual Authorized Users, and may not be reproduced, distributed, forwarded, posted, published, transmitted, uploaded or otherwise made available to others for commercial purposes, including to individuals within an Institutional Subscriber without written authorization from Cornerstone.

The views expressed herein are the views of the individual authors and may not reflect the views of Cornerstone or any institution with which an author is affiliated. Such authors do not have any actual, implied or apparent authority to act on behalf of any issuer mentioned in this publication. This publication does not take into account the investment objectives, financial situation, restrictions, particular needs or financial, legal or tax situation of any particular person and should not be viewed as addressing the recipients' particular investment needs. Recipients should consider the information contained in this publication as only a single factor in making an investment decision and should not rely solely on investment recommendations contained herein, if any, as a substitution for the exercise of independent judgment of the merits and risks of investments. This is not an offer or solicitation for the purchase or sale of any security, investment, or other product and should not be construed as such. References to specific securities and issuers are for illustrative purposes only and are not intended to be, and should not be interpreted as recommendations to purchase or sell such securities. Investing in securities and other financial products entails certain risks, including the possible loss of the entire principal amount invested. You should obtain advice from your tax, financial, legal, and other advisors and only make investment decisions on the basis of your own objectives, experience, and resources. Information contained herein is current as of the date appearing herein and has been obtained from sources believed to be reliable, but accuracy and completeness are not guaranteed and should not be relied upon as such. Cornerstone has no duty to update the information contained herein, and the opinions, estimates, projections, assessments and other views expressed in this publication (collectively "Statements") may change without notice due to many factors including but not limited to fluctuating market conditions and economic factors. The Statements contained herein are based on a number of assumptions. Cornerstone makes no representations as to the reasonableness of such assumptions or the likelihood that such assumptions will coincide with actual events and this information should not be relied upon for that purpose. Changes in such assumptions could produce materially different results. Past performance is not a guarantee or indication of future results, and no representation or warranty, express or implied, is made regarding future performance of any security mentioned in this publication. Cornerstone accepts no liability for any loss (whether direct, indirect or consequential) occasioned to any person acting or refraining from action as a result of any material contained in or derived from this publication, except to the extent (but only to the extent) that such liability may not be waived, modified or limited under applicable law. This publication may provide addresses of, or contain hyperlinks to, Internet websites. Cornerstone has not reviewed the linked Internet website of any third party and takes no responsibility for the contents thereof. Each such address or hyperlink is provided for your convenience and information, and the content of linked third party websites is not in any way incorporated herein. Recipients who choose to access such third-party websites or follow such hyperlinks do so at their own risk. Copyright 2018.

