Investing in gender equality 2.0

COMPARING GENDER EQUALITY PERFORMANCE IN NORWGIAN ASSET MANAGERS' INVESTMENT DECISIONS

Innhold

Preface

CARE, Finansforbundet and PwC share the common goal to increase the sustainability of the finance sector. We also have a joint ambition to place the social dimension of sustainability higher on the agenda of both authorities, companies and in the public debate. CARE works for gender equality and development, and strives to engage different sectors in increasing women's economic empowerment. Finansforbundet represents the financial sector and is dedicated to increasing the awareness of gender equality in the sector and throughout the supply chain. PwC is an audit- and consulting firm with a significant strategic focus on social and environmental sustainability, helping clients work more actively with various sustainability topics, including gender equality.

Gender equality is an ultimate goal, but also key for fighting poverty and reaching the other UN sustainability goals. Promoting gender equality is also a driver for corporate performance, equally important for investors and consumers.

On which ground investment decisions are made have large societal impacts. Moreover, assuring that our personal savings are spent in a sustainable and just way is increasingly defining the consumer's power. Based on these grounds, the report looks into gender equality performance among Norwegian asset managers' investments. The report finds that Norwegian asset managers have included gender equality as part of their portfolio management to varying degrees. Thus, there is a significant difference between what asset managers do, and what is expected of them. The report concludes that although gender equality is on most of the asset managers' agendas, their investments do not necessarily reflect this concern.

We hope this report serves to raise awareness and motivation among asset managers to share knowledge and experience. Together, we can accelerate the shift towards a more equal and sustainable society by investing in companies working towards this agenda.

Oslo, January 27th, 2022
Kaj-Martin Georgsen, Secretary General, CARE Norway
Vigdis Mathisen, President, Finansforbundet
Eli Moe-Helgesen, Partner, PwC Norway

01

Introduction

01 Introduction

Gender equality and economic development are strongly related. Equality between women and men is seen both as a human rights issue and as a precondition for, and indicator of, sustainable and social development. Even though gender equality has been on the agenda for several decades, women continue to, on average, own less capital and have fewer legal rights than men. In fact, the World Bank asserts that women globally only have 75% of the same legal rights as men[1]. Even in Norway, a country often associated with high gender equality, only 14% of leaders in the largest companies are female, and women on average still earn less than men. It is assumed that it will take decades before the gender gap will be closed. In turn, achieving gender equality is a challenge both in Norway, and globally.

To achieve gender equality, Norwegian asset managers could play an important role - investing in companies which either score well on gender equality measures or actively contribute to the gender equality agenda. Gender equality is one of several ESG topics that can be used as a screening criteria or impact indicator before investing, as well as a topic that managers can actively contribute to through voting, nomination committees and stakeholder dialogue. ESG is a common denominator for activities and products that have a beneficial social and/ or environmentally impact, and an often used measure among Norwegian assert managers as a guide for how to achieve responsible investments.

Our previous report "Investing in Gender Equality" from 2019, showed a clear connection between companies' performance on gender equality and future growth, profits and opportunities. But despite broad agreement that increased gender equality is both profitable, ethically correct, and in accordance with current and future laws and regulations, this year's report shows great variation in how asset managers report on their ambitions and achievements related to investing in gender equality. This year's report features an assessment of the eight largest asset managers in Norway, collectively holding more than NOK 3 trillion assets under management. Our assessment investigates the extent to which these asset managers have integrated gender equality in their daily work and reporting, revealing some notable gaps and lessons for furthering the gender equality agenda in this sector.

[1] World Bank Group (2021). Women, Business and the Law

02

Why investing in gender equality is important

02.1 Gender equality can improve corporate performance

Globally, improving gender equality in employment and pay can have positive macroeconomic outcomes, as millions of women could contribute to the economy and become both producers and consumers of goods and services. But corporations should a ddress gender gaps also out of immediate self-interest, mainly because there are clear indications that gender equality can improve corporate performance[2]. This is the conclusion of our previous report, “Investing in Gender Equality”, published by CARE, Storebrand and PwC in 2019. The main findings from the 2019-report are summarised below.

Higher productivity and more innovation
Companies with diverse company cultures are shown to be more productive and perform better on productivity and performance.There is also evidence to suggest that gender equality can make a workplace more innovative, enjoyable and motivating – factors that have shown to affect a company’s long term performance. A more diverse workforce ensures both diversification and complementarities in knowledge and skills, which lays the foundation for greater knowledge spillovers between employees. As the number of different values, attitudes and beliefs increase, the workplace also stimulates more critical and creative thinking.

Diverse leadership is key
In order to fully reap the benefits of a gender-inclusive corporate culture and organization, gender diversity in leadership is crucial. Out of 13 000 companies surveyed by the ILO, 74 percent reported a profit increase between 5 to 20 percent as a result of gender diversity initiatives to increase the number of women in management[3]. Also, female leaders can stimulate demand and improve profitability in relevant markets by being better equipped to understand female needs.

Board composition is a common indicator
Gender equality in the board of directors is the most common and readily available indicator used to measure a company’s performance on gender equality. Much of previous research has focused on the impact of gender equality at the board level on corporate performance. Our 2019 report references several studies suggesting a positive correlation between gender equality in boards and corporate performance.

Each additional woman in a senior position or to the board could yield a 3% - 8% increase in profitability
(IMF: Gender Diversity and Firm Performance: Evidence from Europe)

[2] PwC Norway (2019). Investing in gender equality

[3] International Labour Organization (2019). Women in Business and Management: The Business Case for Change. Geneva: International Labour Organization

Possible positive effects of gender diversity in business:

- More critical and creative thinking
- A stronger culture
- Higher productivity
- Access to new markets
- Improved corporate performance
- Increase ability to attract and retain talent

Key focus of this year’s report
Building on the previous report’s findings that there is a positive correlation between gender diversity and corporate performance, a remaining challenge is to determine which data is the best indicator for a company’s gender equality. Board composition alone is an insufficient indicator for the overall culture and gender equality in the company. It is crucial that gender equality is on the board’s agenda by setting targets for equality in the company, consequently challenging the company on poor performance. There is however a need for more data than board composition alone to thoroughly assess gender diversity and equality in a company. An analysis of the gender balance at different levels of the company may provide a better picture, especially given the importance of diversified leadership to company performance. This analysis however fails to capture the organisation’s culture for gender diversity, and gives little additional insight to stakeholders.

> We believe that the UN’s sustainability goals have helped to highlight the S in ESG, through SDG 5. We think that this is the reason why S more often becomes a part of the agenda than before

An important tool for achieving more gender equality in society is investmenting in the companies and sectors that promote and safeguard equality between genders. Poor gender diversity and equality represents a risk for corporates, indicating that the company is not structured to maximise performance, especially as gender equality becomes an increasingly salient social issue.

Asset management companies play an important role in the financial sector by way of their management of our savings on our behalf. It's therefore their responsibility to assess whether or not the gender diversity in their investments are satisfactory - both in order to price corporate risk correctly, and to represent the capital owners' preference for gender equality in their investment decisions.

Gender diversity, as a corporate governance risk indicator, is a part of asset managers' analysis of the companies in which they invest or plan to invest. However, for financial product customers it is often hard to know whether and how the asset managers have considered gender diversity in their investment decisions. The customers' knowledge of the investments are controlled by the amount of information the asset managers provide about their investments and about the companies they have invested in.

To satisfy customers' expectations and the increasing demand for investments contributing to the SDG targets, reporting is becoming an even more important aspect of the asset managers' work. Reporting is also one of the key channels for customers to ensure asset managers invest in gender equality, or other aspects that are important to them. Given asset managers' fiduciary duty in managing their customers' savings, asset management companies hold a responsibility for reporting openly on their investment approach and which considerations they make in their investment decisions.

This report seeks to assess the extent to which Norwegian asset managers have integrated gender equality in their daily work, both in their investment decisions as well as in their ownership management and dialogue. We will also assess whether the asset management companies' external reporting provides accessible and relevant information to customers on the degree of integration of gender diversity and equality in their activities.

02.2 Regulations and frameworks

Companies are increasingly challenged by stakeholders to be more transparent about their management of sustainability issues, such as gender diversity. The demand for increased reporting is also driven by new and existing governmental regulations.

UN Guiding Principles on Business and Human Rights

The UN Guiding Principles on Business and Human Rights are a set of guidelines for States and companies to prevent, address and remedy human rights abuses committed in business operations.They were endorsed by the UN Human Rights Council in June 2011. In the same resolution, the UN Human Rights Council established the UN Working Group on business & human rights.The principles make up the most authoritative international statement to date regarding the responsibilities of business with respect to human rights. This includes, amongst others, considering issues of gender, like recognizing the specific challenges that may be faced by women. The aim is to provide states and companies with guidelines on how to prevent, address and remedy abuses on human rights committed in business operations. The principles are based on three pillars: the state duty to protect human rights; the corporate responsibility to respect human rights; the need for greater access to effectively remedy.

> We believe that an economically efficient, sustainable global financial system is a necessity for long-term value creation. Such a system will reward long-term, responsible investment and benefit the environment and society as a whole.
>
> Responsible investments UN

The EU Sustainable Finance Disclosure Regulation (SFDR)

The SFDR requires companies engaged in portfolio management (financial market participants) and financial advisers to provide information on how sustainability risk considerations are integrated in their risk assessments and investment advice. The companies and advisers must also provide information on the potential negative sustainability impact of their investment decisions. The provisions of the SFDR are applicable as of 10 March 2021. They are rounded out by technical standards prepared by the three European supervisory authorities (the European Securities and

Markets Authority [ESMA], the European Banking Authority [EBA] and the European Insurance and Occupational Pensions Authority [EIOPA]). In November 2021, the European Commission postponed the application of these technical standards from January 1st, 2022 to January 1st, 2023.

The regulation also aims to strengthen investor protection and improve the information that is disseminated to the final investor about how sustainability has been considered in investment decisions. Sustainable investments in the SFDR means investments in an economic activity that contributes to an environmental or social goal whilst not causing significant harm to any of the other goals ("do no significant harm"), whilst complying with minimum conditions to social rights. There is currently asymmetry in terms of information provided and definition used among financial market participants when it comes to sustainability, and the regulation will help to reduce this by providing common rules for players who offer similar services.

The EU taxonomy

Several new EU regulations, such as the EU taxonomy, refer back to the UN Guiding Principles as best practice for how to safeguard human rights in business activities. The EU Taxonomy Regulation establishes a classification system (taxonomy) for environmentally sustainable economic activities. The regulation stipulates a requirement that those offering investment products must state what proportion of the underlying investments in that product that are sustainable according to the taxonomy when the product is marketed as green or sustainable.

The EU is also exploring the possibility of introducing a social taxonomy to complement the environmental taxonomy. The draft report (July 2021) on the social taxonomy emphasises gender diversity as a potential requirement for companies to qualify as making a substantial contribution to decent work or enabling inclusive and sustainable communities.

New requirements in the Norwegian Gender Equality and Discrimination Act

It's not only EU regulations that define the reporting requirements asset managers and corporations are subject to. The newly implemented update to the Norwegian Gender Equality and Discrimination Act requires companies to report on gender balance and compensation, among other things. This makes already used data points more accessible to asset managers as well as to the public and other stakeholders, resulting in more transparency on gender equality in Norwegian companies. The new reporting requirements will also create a solid foundation for owner dialogue with invested entities, ideally leading to positive change. The new regulation could increase public interest in the topic and make companies more aware of their performance. The new regulation does however not bring any new information to the table for investment companies, as much of the information to be reported has already been used in investment decisions for a long time.

How do the new regulations affect the asset managers?

The EU is a key driver for sustainable development in the financial sector internationally, with global frameworks for best practice and local national legislation complementing this picture. Several regulation requirements are implemented and new regulations are being drafted, all aiming to improve openness and reporting on asset managers' investment approaches.

In order to fulfill their obligations under SFDR and the taxonomy, financial market participants and financial advisers depend on companies disclosing the necessary information in their non-financial reporting. There is a close connection between the companies' reporting of non-financial information and the financial market participants and advisers' fulfillment of their own obligations under the regulations.

With the new regulations in Norway, the most commonly used gender equality data points become compulsory public disclosures. In the EU, the taxonomy and the SFDR could make necessary information more accessible. Global reporting standards on ESG, including gender equality data, is yet to come. Despite this, Norwegian asset managers are facing stricter reporting requirements as EU regulations are implemented in Norwegian law this year, and it is safe to assume that more comprehensive reporting regulations are to be implemented in the next few years.

> We saw that green companies did well in 2020, in 2021 the same companies performed poorly. Despite the recent development, the investors are still there. This shows that it is not only short-term profit that motivates investments, other measures are also important

Now that we have established that promoting gender equality is profitable, ethically correct, and in accordance with current and future laws and regulations, we will further look at how Norwegian asset managers consider gender equality in their investments, both before the investment decision and after investing.

03

How are Norwegian asset managers performing on gender equality through their investments?

03.1 Introduction

There is strong evidence of a positive correlation between companies' performance on gender equality and their financial performance and profitability. Considering the increased potential for financial benefit and company sustainability, this report seeks to investigate whether Norwegian asset managers include gender equality in their daily work, both in their investment decisions as well as in their ownership management and dialogue.

To decide which asset managers to include in the assessment, a list of the eight largest companies based on the number of customers they represent and the amount of money they manage was prepared. The companies included in the report account for more than NOK 3 trillion in investment capital and representing almost 1 700 000 Norwegian customers[4]. In short, the companies included manage the savings of a significant share of the Norwegian population, and how they invest should therefore be of interest to everyone. The asset managers included in the analysis of this report are:

[4] Statistics from the Norwegian Fund and Asset Management Association - numbers withdrawn 15.12.21

[5] https://www.unpri.org/pri/what-are-the-principles-for-responsible-investment

03.2 The process

We have analyzed the asset management companies based on the UN's Principles for Responsible Investments (PRI), with a special focus on gender equality and not ESG as a whole.

The Principles for Responsible Investments (PRI)

The PRI is the world's leading proponent of responsible investment. It was launched in 2006 at the New York Stock Exchange after an initiative from the then United Nations Secretary-General Kofi Annan, where he invited a group of the world's largest institutional investors to join a process to develop the Principles for Responsible Investment. The purpose of the PRI is to provide investors with principles on how to invest responsibly. The principles seek to give investors an understanding of the investment implications of environmental, social and governance (ESG) factors. It presents six principles on how to integrate ESG factors into investment decisions. Moreover, the PRI seeks to support its international network of investor signatories in the incorporation process. Today, PRI counts more than 4000 signatories around the world. Among them we find the majority of Norwegian asset managers. The PRI framework is important as it provides common guidance for investors and promotes a sustainable global financial system. It also supports capital allocation towards investments which seek to address ESG issues, all of which are essential for achieving the sustainable development goals.

Principle 1: We will incorporate ESG issues into investment an alysis and decision-making processes.

Principle 2: We will be active owners and incor-porate ESG issues into our ownership policies and practices.

Principle 3: We will seek appropriate disclosure on ESG issues by the entities in which we invest.

Principle 4: We will promote acceptance and implementation of the Principles within the investment industry.

Principle 5: We will work together to enhance our effectiveness in implementing the Principles.

Principle 6: We will each report on our activities and progress towards implementing the Principles[5].

We have chosen to look at principle 1, 2, 3 and 6 for further analysis in this report. Our entry points have been:

Principle 1: Do the asset management companies have investment policies or screening criteria that include gender equality?

Principle 2: What is the status of the asset management companies' ownership strategies and activities with regards to their voting policies and exclusion policies, and do they disclose their voting in annual general assemblies?

Principle 3: Is included partly by looking at the asset managers' annual report on responsible investment, if available. In addition, we covered this principle in interviews with the asset managers by asking which gender equality data points they required from or about the entities in which they have invested.

Principle 6: Do the asset management companies report on their work on gender equality and/or the gender equality performance of their investments? Do they report on how they perform on their policies, strategies and practices with respect to gender equality?

To sum up, we have performed desktop research to assess if the investigated companies have included gender equality in the following disclosure documentation;

- In their screening criteria or ownership expectations
- In their investment policies
- In their annual report on responsible investment or corresponding documents
- In their guidelines for voting
- In the products they offer mentioned specifically[6].
- As a part of their exclusion criteria
- In the overview of the voting at the general assemblies of the entities in which they have invested

The primary analysis is based solely on publicly available information.

In addition to desktop research, interviews have also been conducted with some of the asset management companies to collect more information about their processes and challenge them on the above topics where satisfactory information has not been made publicly available. In addition, we have collected insights on which challenges they experience in relation to investing in gender equality, and which measures they believe are the most effective to contribute to positive development on the topic. We have interviewed 4 of the asset managers included in the assessment. Those interviewed cover companies with both high and low scores in the initial assessment. All of the companies were offered an opportunity to participate in an interview. The remaining four companies decided, out of different reasons, not to participate.

[6] An ESG fund will not apply here if not gender equality is directly mentioned as one of the ESG measures assessed in the investment.

03.3 Information about the companies

As previously stated, the eight companies included in the report represent almost 1 700 000 Norwegian customers[7], and account for more than NOK 3 trillion[8] in investment capital. For several of the asset managers, gender equality is considerably more present in their investment portfolios today compared to a couple of years ago.

In interviews, the asset managers expressed that they have experienced an increased interest in ESG over the the past couple of years, and believe that this interest will be maintained and increase moving forward.

> The clients are increasingly more interested in the ESG-dimensions of a fund. Some clients are very interested in details and some are more general.

Despite an increased interest from customers in ESG as a whole, many customers are not interested in the details. The asset managers' experience is that for customers, the "ESG stamp" is sufficient to accept the ESG impact of the fund. Which particular ESG topic the fund focuses on, or the relative share of ESG investments in the fund, are of less interest. Whether this is due to people's lack of interest or understanding, or the lack of information provided by the asset managers, is not clear. To answer this, a more thorough analysis needs to be conducted.

As a consequence of the increased public interest in ESG, the asset managers explained that ESG and specific ESG topics have become a more important part of investment decisions and portfolio management. Despite an overall agreement of ESG being important among asset managers, the labeling of funds and criteria used to call an investment "ESG approved" differs between asset managers surveyed in our assessment. This, combined with difficulties to obtain information about how ESG is included in portfolio risk assessment and management and how significant it is in the investment decision, makes it difficult for others to assess whether the asset managers conduct responsible investments or not. Some explain the lack of this kind of information to the investment decision and fund composition being complex, while others attribute this to the lack of public interest in this kind of information.

The overall perception is that there has been a positive development the past years among asset managers regarding responsible investment including investments that promote gender equality. Despite the overall positive development there are still significant differences

[7] Statistics from the Norwegian Fund and Asset Management Association - numbers withdrawn 15.12.21
[8] Numbers from the asset managers annual reports and webpages

between asset managers in how they include gender equality in their investment decisions, as well as in their exercise of ownership in the holding period. Among the eight companies assessed, two of the asset managers have not included gender equality in any of the documents included in our assessment. Four of the companies have included gender equality in six of the eight documents included. None of the companies have included gender equality in their exclusion criteria, explained by their belief that this would not have the desired effect. All of the companies interviewed stated that changes in companies related to gender equality are better achieved through pushing the change agenda as an active investor with distinct priorities and expectations to the investment objectives. An overview of the results of the primary analysis can be found in table 1 and 2.

Er likestilling nevnt eller inkludert i følgende dokumenter?

	In the criterias for investing	In policies	In the annual report on responsible investment	In the guidelines for voting	In the investment products	In the exclusion criterias	In the overciew of reporting of the company's voting on general assemblies
Dnb Asset Management	Y	Y	Y	Y	N	N	Y
Nordea Asset Management	Y	Y	Y	N	Y	N	N
Danske Invest	Y	N	N	Y	Y	N	N
KLP kapitalforvaltning	Y	Y	Y	Y	N	N	Y
Storebrand Asset Management	Y	Y	N	Y	Y	N	N
Handelsbanken Kapitalforvaltning	N	N	N	N	N	N	N
Eika Kapitalforvaltning	N	N	N	N	N	N	N
Odin Forvaltning	Y	N	N	N	N	N	N

	In the criterias for investing	In policies	In the annual report on responsible investment	In the guidelines for voting	In the investment pdocuts	In the exclusion criterias	In the overciew reporting the company's coting on general assemblies
TOTAL	6/8	4/8	3/7	4/8	3/8	0/8	4/8

03.4 Findings

As the tables show, asset managers address gender equality to varying degrees. The findings from our primary analysis and the interviews can be summarised in three main points:

- 1. Asset managers do not use performance on gender equality as a qualifying factor for investments.
- 2. Asset managers try to impact companies behavior related to gender equality through active ownership.
- 3. Asset management companies have limited reporting on their ambitions and achievements related to gender equality.

3.4.1 - First finding
Performance on gender equality is not a qualifying factor for investments

A key objective of this analysis was to understand the extent to which asset managers have integrated performance on gender diversity into their investment analysis and decisions. The analysis shows that performance on gender equality is neither used as an exclusion criteria precluding investments, nor does positive performance significantly influence the decision to invest. Most asset managers do however assess the gender diversity of their investment targets, though most use insufficient indicators in this assessment. The gender balance of company boards and top management teams are often used as indicators when investors consider gender equality within a company. Other investors look deeper into the organization to understand the extent to which gender equality is embedded in a company's strategy, culture and operations. Others again do not look at gender equality within companies at all, but rather focus on whether the company provides products or services that advance the empowerment of women.

All investors had different approaches for assessing gender equality as they made investment decisions, but the analysis found that asset managers in general apply one of two overarching approaches:

1. Screening companies based on gender equality within the company;
2. Screening companies based on the extent to which the company's products and services promote for example gender equality and women empowerment, with an extra focus on products contributing to the UN's 2030 goals.

Screening on the company's own performance

The first approach is the most common approach among asset management companies assessed in this report, partly because academic research suggests a long term correlation between gender equality and company performance. The necessary information is also easily accessible, requiring little effort of asset managers. This approach also involves analyzing the internal conditions and processes related to gender equality in a company, such as gender balance at different management levels, recruitment or diversity strategies, and policies for equal compensation. This type of information will be even more widely accessible with the updated reporting requirements of the Gender Equality and Discrimination Act, enabling asset managers to deepen their use of these indicators.

In this approach, gender equality is often analyzed alongside other ESG indicators to give an overall picture of risk. The importance of the company's score on gender equality is therefore minimal in this approach. Despite gender equality being included in the company's risk assessment, it will in most cases not be decisive for the investment decision. If gender equality simultaneously is not part of the exclusion criteria, a company's gender equality score will not disqualify a company from investments. This is confirmed by several of the asset managers. Customers should be aware of this distinction when assessing the investment policies of their asset manager.

> We do not think asset managers will get to a point where they will exclude a company because of gender metrics. The poorly performing companies will usually have an explanation. But if they have governance concerns they would not invest in the company (in general). However, gender equality alone will not be the decisive measure

The asset managers emphasise that a narrow focus on gender balance is not sufficient to make an investment decision. Other, both individual and compound, aspects of a company should be considered when making a sound investment decision. The asset managers hold that strict rules on gender equality will be counterproductive to both the profit of the investment and to social development. Others emphasised that the gender balance in a company's board or management alone does not necessarily contribute to better gender equality in the company, nor in the society in which the company operates.

Screening on the contribution of products and services

One company stated that in addition to having gender balance in mind, their assessment of gender equality is also integrated in their consideration of companies' contribution to the UN SDGs. When working towards several of the development goals, such as goal 1 - no poverty, or goal 4 - quality education, one indirectly also contributes to gender equality in several areas. The company therefore saw this as a better way to contribute to a more gender equal society, rather than solely focusing on gender balance within the company as this measure says less about a company's contribution to the overall gender equality agenda.

> We have many investment opportunities across the world and can easily find themes to invest in that are aligned with the 2030 Goals, even factors such as water and sanitation helps the gender agenda

However, this approach is more demanding, and requires more resources to conduct the necessary analysis. Several of the companies we interviewed base their investment decisions solely on data input bought from ESG research providers. For the time being, most of the research providers only provide information about gender balance in the companies. More extensive research is not an option for these investment managers, hence gender equality will not be a central topic in their investment approach. However, they see the importance of investing in companies that contribute to a more gender equal society, but do not find the information provided good enough to do so.

To conclude, there are analytical and data availability barriers to asset managers implementing a deeper analysis of gender equality in their investment decisions. Importantly, none of the asset managers interviewed indicated that their current practice is likely to change in the near future.

3.4.2 – Second finding
Asset managers try to impact companies' behaviour related to gender equality through active ownership

A second key finding is that the approach to achieve impact preferred by the asset managers is active ownership. As a consequence the gender equality performance of a company pre-investment does not necessarily influence the investment decision, as explained above. The investors focus instead on effecting positive change on gender equality through their ownership position.

03.4 | Findings

This approach is most effective for investors that hold large ownership interests, in particular Private Equity firms and investment funds with concentrated investment mandates. The asset managers interviewed also insisted that small ownership stakes yield influence, and so they find active ownership to be the best approach to create change even with smaller holdings.

As a result, Norwegian asset managers have more impact in Norwegian and Nordic companies than global companies, as they normally hold larger investments in these regions. Nevertheless, most of the asset managers emphasized the importance of active ownership also globally to communicate their stance and create an impact, even though their influence here may be limited. The asset managers mention bundling with other owners as one solution to the lack of impact globally, however this solution is not commonly applied to gender equality issues.

In addition to cooperating with other shareholders on a particular issue, there are several other ways to improve gender equality through active ownership. Investors can use their voting rights or post-acquisition plan to improve the gender balance of company boards or management, as practiced by investors that hold large shares in individual companies. This can often be combined with investor demands that diversity and equality are fixed items on the board's annual agenda.

To ensure a diverse board, several of the investment managers inform that they influence the companies through different channels. The most common approaches are:

1. **Voting** against boards that consist of only board members with the same gender.
2. Being a part of the entities' **nomination committees.**
3. Include gender equality as a topic in the **owner dialogue** and monitor performance annually.

Even though the asset management companies experience active ownership as yielding more influence on gender equality than screening on the topic in the investment decision, they primarily focus on gender balance in the organisation when promoting gender equality through active ownership. Board composition alone is an insufficient indicator of the overall culture and gender equality in a company. This is not to say the composition of the board is irrelevant, as it is crucial that gender equality is on the board's agenda and that the board has targets for equality in the company so the management team will be challenged in the case of poor performance. The board members' awareness of the benefits of diversity is therefore important, but the indicator of gender balance of the board itself is insufficient to both measure board engagement on the topic, and to measure the gender diversity in the company in any meaningful way.

An analysis of the gender balance at different levels of the company may provide a better picture of the organisation's culture and should therefore be included in assessments, especially given the importance of diversified leadership to company performance.

Other factors closely linked to gender equality, such as working conditions, equal pay, promotion policies, work-life balance and career development, are rarely included in the investor's expectations and are hence not followed up to the same extent as gender balance. To further ensure the creation of an organisational culture encouraging gender diversity, asset managers should focus more widely on associated factors that impact performance on gender equality, such as working conditions, equal pay, promotion policies, work-life balance and career development.

In interviews, asset managers mentioned that a range of barriers limit their ability to increase the female share of board members. In some countries, cultural factors constitute a challenge. In general, board members have long tenure, making change slow. Additionally, the formal requirements of long industry and business experience limit the pool of available female candidates, due to historically low female participation in many industries. The challenges related to increasing the female share of board members are an argument for focusing on other aspects of the company and its culture in order to improve gender equality. Especially in countries where the culture or context prevents gender balance in the management and the board, other initiatives could be necessary to create a positive social change.

To conclude, asset managers are aware of, and actively use, the tool available to them as shareholders to create positive change in the companies in which they invest. However, the focus should be shifted from the gender composition of the board, towards the gender equality engagement of the board and the culture for gender diversity in the organisation in a broader sense.

One company explains that each day they collect 15 million data points on the entities which they could invest in. Only four of these data points are directly linked to gender equality, and all are information about gender balance in the companies.

3.4.3 – Third finding

The asset managers have limited reporting on their ambitions and achievements related to gender equality

The third and final key finding of the analysis is that the asset management companies do not report enough on their investment approach and holdings for stakeholders to be able to assess the integration of gender equality in the financial products they hold.

Half of the asset managers have included gender equality in their guidelines for voting, however only one company, DNB, directly reports on how they have voted on topics regarding gender equality. In addition, KLP mentions some situations where they have voted for gender equality, however this is just mentioned as an example and they do not report systematically on how they have voted in all cases related to gender equality. Out of the remaining six that do not report on their voting on gender equality issues, most disclose what they have voted, though the dashboard providing this information is not user friendly and therefore less accessible. It is for example not possible to filter cases by specific topics, such as e.g. gender equality or other ESG measures. Information about how they have voted in cases regarding gender equality could in other words be available, but the information, if it is there, wil be hard and time-consuming to obtain.

In addition, one of the asset managers interviewed which has not included gender equality in their voting guidelines explained that they have internal guidelines on voting. However, they have not been able to disclose them in a public document yet, showing that not all actions asset managers take are being reported on. This makes it difficult for shareholders to assess the asset managers' policies, nor how they act on them.

In addition, most of the asset management companies do not disclose the content of their ESG products, the basis of their risk assessments, nor how the companies in the funds perform on ESG measures such as gender equality. This means customers do not know how their investments are affecting gender equality. It is worth noting that there is a significant difference between the asset managers on how much they disclose on gender equality. It is therefore likely that the new EU disclosure regulation will have a significant impact on the Norwegian asset management market, closing the gap on reporting between the companies.

> On companies we exclude we are quite outspoken on what we have excluded, but we are not that outspoken on the inclusion side. We formalised our investments according to the 2030 Goals this year and will report on this next year. We also find it hard to know how to report on social topics, since there are many different standards. On the climate side there are many standards, but not on the social side

In conclusion, asset managers should seek to improve their reporting and financial product information to enable customers to make informed decisions about the ESG profile of the financial products they purchase, including their impact and performance on gender equality.

04

Going forward – How to increase investments in gender equality

04 Going forward

Gender equality is more than gender balance

We agree with several of the asset managers that gender balance in boards and in the company as a whole is not a sufficient measure alone when working towards improving gender equality. However, even though there is a common agreement on this, few look at other measures. We therefore advise that asset managers set higher demands and expectations for ESG research providers to provide more data points related to gender equality. Examples on other measures asset managers could demand are; that the companies have policies on gender equality and gender discrimination, the companies have rutines on how to ensure eqaul pay, policies on work life balance, the procurement policies regarding womens rights in the supply chain and have policies regarding equal oportunities for promotion.

> As we get better data points, we will also incorporate this in the administration. Compared to when we started to receive ESG data points, we have significantly changed our portfolios. When we first get data to work with, we show that we are able to adapt and change according to the new data we have

Better reporting

We consider today's reporting on gender equality not good enough. New regulations will force asset managers to report more consistently on the social performance of their investments. We believe this is a good step towards the right direction. In addition to the requirements regulated by law, we also believe that the asset managers could make their reporting more consumer friendly, like Handelsbanken has done through their model[9] which discloses how their funds perform on the different SDG's and how they are linked. The model is not perfect, though we think this kind of reporting is a huge step in the right direction towards making investments and funds more transparent. In addition, this will help the customer be more aware of how and where their savings are invested and which impact their savings are contributing toward.

We expect asset managers to start including other measures as well as gender balance in their portfolio management, and increase their level of reporting of their work regarding gender equality. Learning from each other is a good way to start collaborating to accelerate the shift towards a more responsible investment society - where money is both profitable and doing good.

> There is no doubt that environment (E) is very dominant in people's attention, followed by governance (G) in second place and social (S) in third place. Here we see a big difference in how developed the different markets are, more common to discuss social differences today than a few years ago. But E and G have quite strong common EU rules, but we do not have that for social yet.

[9] https://www.handelsbanken.se/sv/om-oss/svenska-dotterbolag/handelsbanken-fonder/hallbarhet-i-fonder/testa-var-modell

Disclaimer

This report has been prepared solely for CARE Norway, PricewaterhouseCoopers AS and Finansforbundet's use with the purpose set out in our agreement dated 01.October 2021.

Our assessment is based on interviews conducted with employees and stakeholders in several Norwegian asset management companies as well as publicly available documents. PricewaterhouseCoopers (PwC) has not independently verified the information provided and we therefore do not provide any assurance as to its completeness or accuracy. PwC has not performed any quality assurance or controls of CARE Norway's nor Finansforbundet's business.

CARE Norway and Finansforbundet are entitled to use information from this report within their business, in accordance with the Terms and Conditions attached to our engagement letter dated October 1st 2021. The report and/or information from the report may be used and distributed as stipulated in the engagement letter. PwC does not accept any responsibility for losses suffered by CARE Norway, Finansforbundet, any of the interviewed asset management companies or others as a result of the distribution, reproduction or use of this report.

PwC holds the property right and other intellectual property rights to the report and ideas,concepts, models, information and know-how that are developed in accordance with ourwork.

Any actions based on the report are made on the person's own responsibility.