

ESG InBrief



The #MeToo Movement Reshaping Corporate America

Social media continues to play a decisive role in disseminating and sharing information on workplace dynamics, forcing transparency and openness at the corporate level.

Gender issues along with Sexual Harassment continue to top the list in 2021 for ESG Social measures including materiality & risk profiles.

#MeToo

A watershed moment for corporate America that brings lasting change

Context

While workplace sexual harassment and discrimination are not new, the topic is receiving increasing scrutiny due to #MeToo movement, public sentiment, and increasing participation from a more educated female workforce.

Companies face financial, legal, hiring, and other challenges that impact the stock price for a time. Companies have to be proactive in addressing workplace sexual harassment and discrimination to preserve their stock as well as their brand valuation and engagement with the public.

The #MeToo movement in 2017 represented a turning point in the evolution of social norms regarding sexual misconduct. Workplace sexual harassment in corporate America received increasing scrutiny in the wake of this movement which resulted in the ouster of many prominent CEOs from their companies in 2018.

This report provides topical research on sexual harassment, sexual harassment allegations, and the #MeToo movement in relation to corporate actions and outlook.

The U.S. Equal Employment Opportunity Commission (EEOC) defines sexual harassment as unwelcome sexual advances, requests for sexual favors, and other verbal or physical conduct of a sexual nature that impact or interfere an individual's work performance or creating an intimidating, hostile, or offensive working environment.

This definition differentiates between three main categories of sexual harassment: sexual coercion, unwanted sexual attention, and gender harassment. Sexual coercion involves threats toward women who will not comply with sexual requests or bribes in exchange for sex. Media personalities such as Harvey Weinstein, Matt Lauer, Bill O'Reilly, and Kevin Spacey, caught in sexual coercion, ended up with ruined reputations, aborted careers, and shattered companies.



Unwanted sexual attention involves sexual advances, including inappropriate comments, staring, and even touching. Gender harassment relates to negative views of women and general gender hostility. It may result in making decisions that confer an employment benefit solely based on an employee's gender or sex. Some examples of this type of behavior are refusing to hire a woman, giving a man a promotion over a woman solely because of her gender, or paying women less money than men to do the same job.

Figure 1 shows no specific increase pattern after 2018 in EEOC receipts. Why? A majority of people who experience workplace harassment fail to bring it up with a manager, supervisor, or union representative. Employees fear that they will be retaliated against at work or the underreporting may be due lack of clarity on what constitutes an illegal harassment. Sexual harassment is largely viewed as a women's issue; men may also be harassed perhaps at a lower frequency and may experience fewer negative psychological outcomes of sexual harassment compared to women.

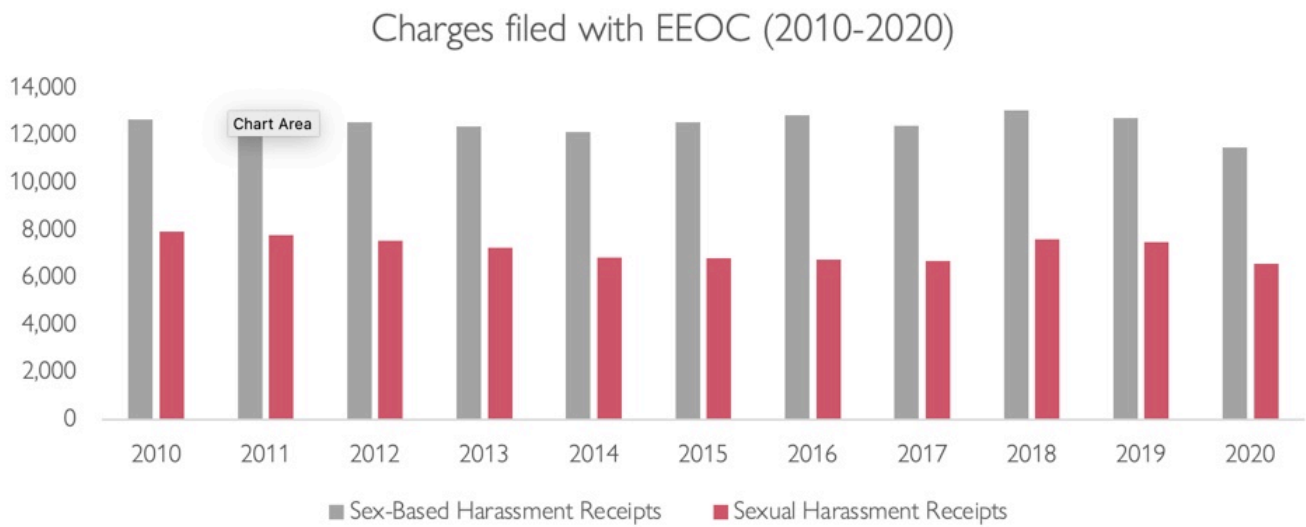


Figure 1: Sex based harassment and sexual harassment allegations, filed with EEOC between 2010-2020.





Workplace Sexual Harassment Material Issues

▶ Gender wage gap, gender equality, gender bias, boardroom representation, and hiring are more significant to materiality. They are more often mentioned in research as well as in social media.

Financial Risk

Starting 2018, there is an increasing propensity of corporate boards to adopt a zero-tolerance stance toward executive misconduct. In 2018, 39% of the 89 CEOs left for reasons related to unethical behavior stemming from allegations of sexual misconduct or ethical lapses. Allegations of sexual misconduct or impropriety forced out CEOs of Barnes & Nobles, CBS, Lululemon, and Intel in 2018. This may negatively impact the stock for a period of time.

Legal Risk

Companies are recognizing that they are going to face exceptional liabilities. Defending a discrimination or other employment lawsuit is expensive. An employer can pay between \$75,000 and \$125,000 defending a case through discovery and a ruling on a motion for summary judgment. To take a case to a jury verdict at trial, an employer can expect to spend a total of \$175,000 to \$250,000.

Branding and Public Sentiment

Uber founder Travis Kalanick was forced to resign in 2017 as his company was incriminated by several employees for having a workplace culture that included sexual harassment and discrimination. The company hired a new CEO to repair the damage before it went public in May 2019. Uber's brand dilemma has continued to impact its stock since it is still seen as ruthless company and its drivers have faced sexual assault or abuse charges in US courts.

Workplace Morale

The negative effects of sexual harassment in the workplace increases absenteeism and turnover and lowers workplace productivity and job satisfaction. There is a possible loss of personnel and/or productivity as a result of the scandal. When a workplace is infected with discrimination and harassment, it impacts retention and hiring. Low productivity is more common in environments with high rates of sexual harassment. Sexual harassment is largely conceptualized as a women's issue. The psychological stress of trauma following harassment may last for a long time.

Demographic Trends

Companies have to address gender equality and gender diversity concerns since the number of women in the US workforce is increasing. A company has to be seen as a fair and equitable employer. In the US, for the class of 2017–2018, women earned more than half of bachelor’s degrees (57.3%), master’s degrees (60.1%), doctorate degrees (53.5%), and professional degrees (50.7%). About 57.4% of women participated in the labor force. These number indicate that sexual harassment needs to be fully addressed in the workplace.



Figure 2 shows the workplace culture evaluated in review sites. Facebook (Social media) and Square (Fintech), Uber (Ride sharing), Home Depot (old retail), Bank of America (bank) are reviewed on 8 measures. The female scored gender and diversity indicates that Facebook, Uber and Squarespace are performing better. This figure highlights

- Uber is reviewed well in 2020 indicating that the corporate change has fixed some of the workplace problems.
- Bank of America (in red) is seen performing the worst in Figure 2. BOA fired a high-profile senior executive in 2018 in connection with a sexual harassment allegation.
- Squarespace (green) does the best in all metrics indicating a higher stock valuation when the company goes public in 2021.

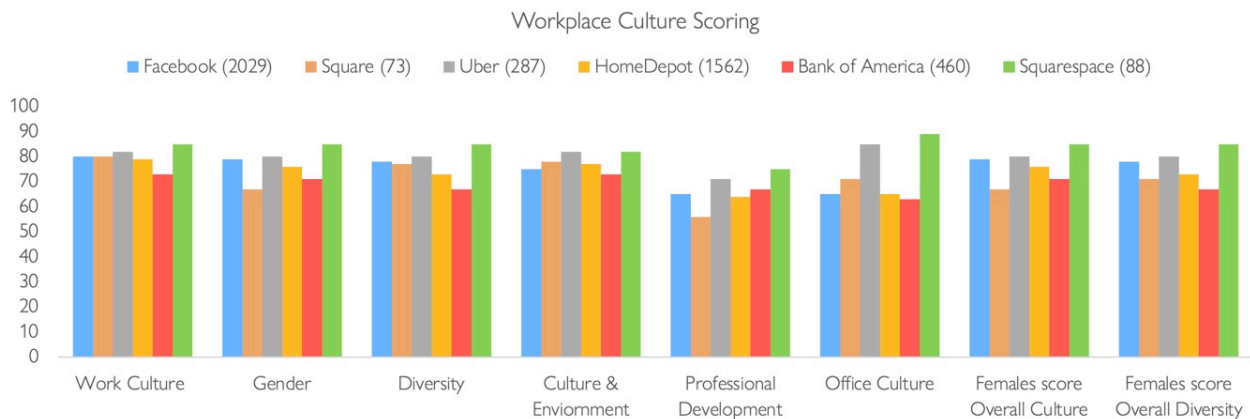
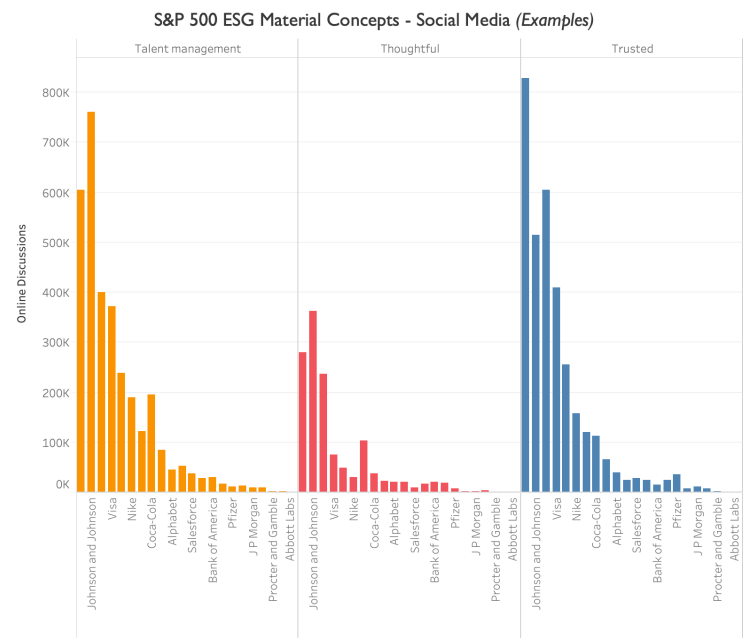


Figure 2: Workplace Culture Scored across 6 companies.

Figure 3 indicates that Larger consumer-facing companies, such as Amazon and Apple, have larger signals compared with Verizon Communications and Abbott Labs. Note the signal spike in Johnson and Johnson, which was viewed positively by the consumers during the COVID period. Social media data provides dynamic information on consumer sentiments towards companies. They can provide valuable data that is exempt from structured data sources.



Data & Methods

We use a variety of data sources to gather data on company cultures in terms of employee harassment and discrimination. These include public data sources, such as news articles, social media posts, & legal publications.

Event Data captures relevant events that is sourced from Nexis Uni and Google News. We use a combination of terms to capture sexual harassment, CEO, dates, and events. We have captured over 300 events involving CEOs and higher ranking officials over the 20- year period of S&P 500 and Russel's 2000.

We capture description details on litigation, self-disclosure, #accusers, repeated event, EEOC lawsuit, gender of the accuser, and other details. We collect this data since we believe that the stock price of the company is impacted by these factors based on prior studies. The CEO's involvement in the sexual harassment case negatively impacts the stock price and is further influenced by social media mentions and press coverage.

Companies that self-disclose information of a scandal are associated with a less negative reaction and benefit from trying to build or repair a firm's reputation. Any mention of litigation suggests the company's proactive approach and is likely to help in stabilizing its stock price.

Deep Social Mining gathers sentiment and context data related to employee harassment and discrimination. We aggregate this data to derive baseline signals in different sectors such as restaurants, technology companies, service oriented companies such as Home Depot. We compare the performance of any company against its peer in its group or the average. We use data from sources such as Reddit, Glassdoor, Comparably, Indeed, Twitter and Facebook and other sites

ESG Analytics.Ai

Our mission is to change the world through empowering investments that make positive impacts on social, cultural, and environmental outcomes. Our founding team comes from decades of experience in academic research and international development using data and analytics. We built ESGAnalytics.AI to bring novel, unique data, metrics, and analysis into the growing realms of Socially Responsible Investing and ESG.

Our analytics and data are used for fixed income, securities, insurance, and risk and compliance, as well as sustainable investment. Special emphasis is around delivering different ESG-specific data and outcomes ranging from Zip Code to County and State or national scales.

We automate the end-to-end preparation and analysis commonly performed by entire teams of researchers, analysts, data scientists, and credit professionals, who work in Excel—prone to errors and omissions. By using AI and advanced models, the solution removes human biases and delivers a more accurate and actionable outcome/score.

just the legal stuff

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