

## ESG Initiative: Gender Diversity

### Introduction

Since joining the Principles for Responsible Investment (PRI) in October 2015 followed by the UN Global Compact in May 2017, SKY Harbor has made strides in undertaking formal ESG initiatives that not only have strong business cases, but that particularly resonate with SKY Harbor as an organization. Guided by strong female leadership at the firm, one theme we are focused on stems from the UN Sustainable Development Goal on Gender Equality (SDG 5), with an emphasis on diversity and inclusion in the workplace. In September 2017, SKY Harbor's Managing Director, Hannah Strasser, signed a CEO Statement of Support for the UN-developed Women's Empowerment Principles (WEPs), acknowledging the firm's commitment to taking action to promote equality as part of our corporate responsibility. At present, our focus is on boardroom diversity and senior leadership composition, which we see as an important intersection of SDG 5 and the WEPs.

### Top Down: Thirty Percent Coalition

Most recently, SKY Harbor joined the Thirty Percent Coalition to better assess and engage with companies on the issue of boardroom diversity and senior leadership composition. We note that the Coalition does not support board quotas, and the implied 30% target is merely an objective against which to measure progress. The Coalition is an organization comprising institutional investors, corporate leaders, professional service firms, government officials, advocacy and non-profit organizations, and individuals working together to promote more diverse leadership through direct engagement as well as through leveraging the collective voice to collaborate on articles and policy initiatives.

Through the Thirty Percent Coalition, SKY Harbor has the opportunity to better evaluate how companies disclose gender diversity data as well as collectively engage with companies to adopt changes with respect to gender diversity policies. In doing so, we can help hold companies and ourselves accountable for enhancing the gender dimension of corporate responsibility. At present, members of the Thirty Percent Coalition are actively engaging with 131 companies in the S&P 500 and Russell 1000 with either no women or one woman on their board. Thirty of these companies (23%) are US high yield issuers.

### Impact and Integration

A number of recent studies support this work, including a 2016 paper by MSCI which defines a "tipping point" for companies with respect to greater gender diversity, evidencing the positive impact from greater gender diversity when there are (at least) three women on a corporate board. This study, with follow-up research in MSCI's 2017 *Women on Boards Progress Report*, points to superior performance in such companies being driven by strong decision-making by a diverse group of directors. The analysis also shows links with lower turnover, higher employee engagement and better utilization of the talent pool because a more diverse board often means a more diverse workforce and senior leadership. Further, companies with a female CEO were more than twice as likely to have at least three women on the board as companies with a male CEO. That is to say, work on gender diversity need not be focused on the boardroom, but studies show that greater leadership diversity may translate into improvements elsewhere in a company.

At SKY Harbor, we are beginning to integrate this research into how we analyze credits, namely by increasing our discussions around leadership teams and board composition in the credit review process. Our hope is that through partnering with Thirty Percent Coalition we may gain exposure and insights into engagement best practices, as well as refine our own goals and work on gender equality.

### References and Readings

[UN Women's Empowerment Principles \(WEPs\)](#)

[UN Sustainable Development Goals \(SDGs\)](#)

[Thirty Percent Coalition](#)

Eastman, Meggin T. (2017 December.) "Women on Boards Progress Report 2017." MSCI. Retrieved from <https://www.msci.com/www/research-paper/women-on-boards-progress-report/0806530251>

Hunt, Vivian; Dixon-Fyle, S.; Prince, S.; Yee, L. (2018 January.) "Delivery through diversity." McKinsey & Company. Retrieved from <https://www.mckinsey.com/business-functions/organization/our-insights/delivering-through-diversity>

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