

# Gender Equality Statement

This statement details how we consider gender equality in our investment decision making. It further details how our approach can improve long-term investment returns for members' retirement outcomes, as well as positively impact the world in which they live, work and retire.

The Gender Equality Statement has been developed by H.E.S.T Australia Limited ('the Trustee' or 'HESTA') and should be read in conjunction with the HESTA Responsible Investment Policy. This Statement is aligned with the Trustee's duty to comply with the 'sole purpose test' set out in the *Superannuation Industry (Supervision) Act 1993*.

More than 80% of HESTA members are women. Championing gender equality, diversity and fair and equal remuneration are important areas of change to help our members achieve a better retirement. We advocate strongly for the promotion of gender equality in workplaces and challenge discriminatory traditional gender role attitudes. Gender diversity and equality are important – and there are real economic benefits to be captured from them.

Research demonstrates there are important financial benefits for organisations that foster an inclusive culture and retain a diverse workforce at all levels.<sup>1</sup> Further, we believe there are real financial benefits to be gained from applying a gender lens to our investment activities. As societies and social norms evolve, we continue to see a push towards equality and the elimination of gender-based discrimination and violence, and believe investors can benefit from understanding what this shift towards a more inclusive society means for their portfolio.

As a 'Universal Owner' – a large, globally diversified, long-term investor – we endorse the ambitions of the United Nations Sustainable Development Goals ('SDGs')<sup>2</sup> as a way of delivering a healthy economy, environment and society. HESTA has identified seven SDGs to focus our impact. One of these goals is:

**SDG 5 Gender Equality** - *To achieve gender equality and empower all women and girls.*

## HESTA Gender Equality Principles

### 1. Lack of gender equality and diversity as a systemic risk

Research shows that with current growth patterns we cannot expect to see equal representation of women and men at CEO level until 2100.<sup>3</sup> Potential implications relate most significantly to broader systemic issues impacting the economy. Not addressing systemic gender imbalances in business and societies risks not fully leveraging half of the population's productivity.

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<sup>1</sup> McKinsey, Why Diversity Matters. <https://www.mckinsey.com/business-functions/organization/our-insights/why-diversity-matters>

<sup>2</sup> <https://www.un.org/sustainabledevelopment/sustainable-development-goals/>

<sup>3</sup> <https://bcec.edu.au/publications/gender-equity-insights-2019-breaking-through-the-glass-ceiling/>

## **2. Gender-based imbalances create risk and opportunities for investors**

Shifting societal expectations about gender equality can create risks for companies and sectors where business models rely on gender imbalances. These changing attitudes drive increased scrutiny of gender inequality, gender-based violence or gender-based discrimination, which can create investment risk. The difficulty in assessing and tracking shifts in societal norms means a price mismatch might exist.

Opportunities might also exist when companies have anticipated societal changes relating to gender, and have established business models or products that reflect this.

## **3. Diversity is an accurate proxy of well-run companies that deliver long-term value to shareholders**

Evidence shows companies with a higher proportion of women in senior management perform better than less-diverse companies.<sup>4</sup> A corporate commitment to diversity drives better business performance through a stronger mix of leadership skills, a larger candidate pool from which to select top talent and improved understanding of consumer preferences. We know diversity is broader than gender, but gender diversity is an indicator of an inclusive culture.

## **4. Addressing barriers to gender equality requires understanding of root causes**

Historical structures in business, economies and societies are responsible for gender inequalities. Addressing gender inequality requires eliminating models that reinforce archaic gender roles and stereotypes.

Companies can start by addressing unconscious bias across their recruitment, promotion and pay practices and institutionalising work arrangements that allow for adequate work-life balance for all genders, such as universal parental leave and flexible working arrangements.

Organisations that understand how a diverse and inclusive workforce can help them achieve their business objectives can better reap the benefits by developing strategic diversity and inclusion plans that elevate their business strategy.<sup>5</sup> Policy should play a role in supporting businesses and families through adequate programs and services (i.e. accessible childcare options)

## **5. Disclosure and transparency about gender equality and diversity are important**

Lack of gender equality and diversity can represent a material risk for investors. Therefore we expect organisations in our investment value chain to make appropriate disclosures including targets and progress towards them. This also involves reporting on any pay gaps that may exist.

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<sup>4</sup> <https://www.credit-suisse.com/about-us-news/en/articles/news-and-expertise/cs-gender-3000-report-2019-201910.html>

<sup>5</sup> McKinsey, Delivering Through Diversity 2018, [https://www.mckinsey.com/~media/McKinsey/Business%20Functions/Organization/Our%20Insights/Delivering%20through%20diversity/Delivering-through-diversity\\_full-report.ashx](https://www.mckinsey.com/~media/McKinsey/Business%20Functions/Organization/Our%20Insights/Delivering%20through%20diversity/Delivering-through-diversity_full-report.ashx)

## Implementation of the Principles

The pursuit of gender diversity and equality is integrated across our responsible investment activities.

As part of our external manager selection process, we assess the gender composition of the teams involved in investment decision making. We seek to influence our managers to ensure they consider gender diversity in their recruitment and human resources processes.

Using active ownership, we engage with companies to raise the importance of workforce diversity and, ultimately, we might vote against boards when we believe a company has failed to ensure it has a gender-diverse membership. We also work with like-minded organisations, establish partnerships, and advocate for policies that help address systemic risks associated with a lack of gender equality and diversity.

We also believe gender imbalance can represent risks and opportunities for companies. We seek to engage with our investment managers to ensure they apply a gender lens in their investment decisions. At times these investment opportunities can also positively contribute to the achievement of gender equality, we seek to find and invest in such opportunities. For example, there are societies where women have not traditionally had the same access to capital as men, which represents an untapped investment opportunity. Providing capital to those groups can be a good investment opportunity that can also make a positive contribution to SDG 5.