

# MSCI WORKFORCE GENDER DIVERSITY DATA METHODOLOGY

MSCI ESG Research

**January 2018**

**CONTENTS**

- 1 Introduction ..... 3
- 2 Methodology..... 4
  - 2.1 Workforce Gender Diversity Performance ..... 4
    - Performance Metrics .....4
    - Performance Metric Scores .....5
    - Workforce Gender Diversity Performance Disclosure Discount.....6
    - Workforce Gender Diversity Performance Score .....6
  - 2.2 Workforce Gender Diversity Practices ..... 7
    - Practices Metrics.....7
    - Workforce Gender Diversity Practices Score .....7
  - 2.3 Workforce Gender Diversity Score..... 8
  - 2.4 Publication Updates and quality review ..... 8
    - Data Collection Process .....8
    - Ongoing Monitoring and Frequent Update Cycle.....8
    - Quality Checks .....9
  - 2.5 Coverage..... 9
- 3 History of Product Updates ..... 9
- 4 Data Dictionary ..... 10

## **1 INTRODUCTION**

The MSCI Workforce Gender Diversity data set is designed to provide relevant and comparable datasets on workplace gender diversity. Currently, this data set is available for the top 500 Japanese companies by market capitalization<sup>1</sup> (referred to hereafter as “universe”).

---

<sup>1</sup> Data as of December 01, 2016

## 2 METHODOLOGY

Attraction, retention, and promotion are the core elements of the employment cycle and key focus areas for any company looking to increase its effective utilization of talent. While there are many ways that companies can support women’s participation and advancement in the workforce, the simplest and most straightforward measure of their effectiveness is to look at the percentage of women among various segments of the company’s workforce.

In order to identify companies whose performance exceeds sector peers, we have developed a workforce gender diversity scoring methodology that allows for multiple possible metric inputs (based on disclosures). To limit the possibility of companies “gaming the system” by reporting only selective, flattering statistics, the methodology applies a discount to the scores of companies with sparse data disclosure. Finally, a quarter of the final score is driven by qualitative information disclosed about companies’ diversity policies and programs as a sign of strategic direction and future intent.

**Exhibit 1: Workforce Gender Diversity Scoring Methodology Summary**

Gender Diversity Score		
Gender Diversity Performance Score (weight: 75%)		Gender Diversity Practices Score (weight: 25%)
<b>Gender Diversity Performance Interim Score:</b> <i>Average of 5 performance metrics score</i>	<b>Gender Diversity Performance Disclosure Discount:</b> <i>Deduction to Interim Performance Score based on availability of 5 metrics</i>	<b>Gender Diversity Practices Score:</b> <i>Average of 2 policies and programs metrics scores</i>

### 2.1 WORKFORCE GENDER DIVERSITY PERFORMANCE

The underlying data for assessing company’s workforce gender diversity performance is based around the core elements of attraction, retention, and promotion. The details of the underlying data are available in the Data Dictionary section of this document and the metrics derived from the underlying data are described below.

#### Performance Metrics

Attraction:

- *Percentage of women employees among new hires*

- *Percentage of women employees in total workforce*

Retention:

- *Percentage difference in average employment years for female and male employees*

Promotion:

- *Percentage of women in senior management*
- *Percentage of women directors on the board*

**Performance Metric Scores**

For each of the five performance metric scores, we use the performance metrics (as mentioned above) disclosed by companies in the universe and compute their percentile ranking (0-100). We then create 10 different percentile band ranges ( $\geq 0.01$  to  $<10$ ,  $\geq 10$  to  $<20$  percentile and so on). Each performance metric is assigned a score based on its percentile band range. See Exhibit 2 for an example of the conversion process from metric to score.

**Exhibit 2: Score - Percentage of women directors on the board**

Percentage of women directors on the board	Percentile Range	Score
0	0	0
$\geq 0.01$ to $<7.1$	$\geq 0.01$ to $<10$	1
$\geq 7.1$ to $<7.7$	$\geq 10$ to $<20$	2
$\geq 7.7$ to $<8.3$	$\geq 20$ to $<30$	3
$\geq 8.3$ to $<9.1$	$\geq 30$ to $<40$	4
$\geq 9.1$ to $<10.00$	$\geq 40$ to $<50$	5
$\geq 10.00$ to $<11.1$	$\geq 50$ to $<60$	6
$\geq 11.1$ to $<12.5$	$\geq 60$ to $<70$	7
$\geq 12.5$ to $<14.3$	$\geq 70$ to $<80$	8
$\geq 14.3$ to $<16.7$	$\geq 80$ to $<90$	9
$\geq 16.67$	$\geq 90$ to $\leq 100$	10

A simple average of all scores available for each company results in the **Gender Diversity Performance Interim Score**. The next step is to calculate the appropriate discount for companies reporting few metrics.

### Workforce Gender Diversity Performance Disclosure Discount

To mitigate against the risk of our assessment of companies’ workforce gender diversity performance being unduly influenced by selective data disclosure, we calculate the Workforce Gender Diversity Performance Disclosure Discount based on the number of metrics each company reported. (Exhibit 3)

#### Exhibit 3: Level of disclosure discount applicable based on availability of performance metrics

Number of performance metrics disclosed (out of 5)	Percentage deduction applied to Workforce Gender Diversity Performance Interim Score
1	20%
2	15%
3	10%
4	5%
5	0%

### Workforce Gender Diversity Performance Score

The Workforce Gender Diversity Performance Score is calculated by applying the Workforce Gender Diversity Performance Disclosure Discount to the Workforce Gender Diversity Performance Interim Score. See Exhibit 4 for two examples of this discounting process.

#### Exhibit 4: Example of Workforce Gender Diversity Performance Score Calculations

Performance Metric	Company A (Financials)			Company B (Health Care)		
	Metric Value	Per cent tile	Score	Metric Value	Per cent tile	Score
Percentage of Women Employees in New Hires	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>
Percentage of Women Employees in Total Workforce	37%	84%	9	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>
Percentage Difference in Average Employment Years for Female to Male Employees	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>
Percentage of Women in Senior Management	18%	93%	10	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>
Percentage of Women Directors on the Board	12.5%	72%	8	8.3%	32%	4
<b>Gender Diversity Performance Interim Score</b>	<b>9</b>			<b>4</b>		
<b>Gender Diversity Performance Disclosure Discount</b>	10%	-	0.9	20%	-	0.8
<b>Gender Diversity Performance Score (Interim Score - Disclosure Discount)</b>	<b>8.1</b>			<b>3.2</b>		

## 2.2 WORKFORCE GENDER DIVERSITY PRACTICES

While hard statistics are useful to identify companies that are doing well or poorly at hiring, retaining and promoting female employees, they provide no indication of efforts or intent to improve employment practices. Examining more qualitative data can help with this evaluation.

### Practices Metrics

We examine the existence of workforce diversity policies, management oversight responsibility for diversity, targets for improvement in women’s representation and programs that make it easier for women work – such as flexible working arrangements, subsidized childcare and parental leave. We provide metrics on a qualitative assessment of two practices:

- Workforce diversity policy and management oversight
- Programs to increase workforce diversity

### Workforce Gender Diversity Practices Score

Each assessment is assigned a score of 0-10 based on a company’s disclosure of its policies and programs to empower women in the workforce. The aggregated Workforce Gender Diversity Practices Score is a simple average of the two practices metrics scores. An example of the score calculation is illustrated in Exhibit 5.

**Exhibit 5: Example of Workforce Gender Diversity Practices Score Calculations**

Practices Metrics	Company A (Financials)		Company B (Health Care)	
	Metric Value	Score	Metric Value	Score
Workforce diversity policy and management oversight	<i>Senior executive or higher level of oversight on diversity performance</i>	5	<i>Employee training on diversity policy</i>	5
Programs to increase workforce diversity	<i>Provides material benefits to facilitate diversity and inclusion</i>	5	<i>No evidence</i>	0
<b>Practices Score (average of two Practices Metrics)</b>	<b>5</b>		<b>2.5</b>	

### 2.3 WORKFORCE GENDER DIVERSITY SCORE

The company’s Workforce Gender Diversity Score is computed as the weighted average of the Workforce Gender Diversity Performance Score (75%) and Workforce Gender Diversity Practices Score (25%). It aims to capture the importance of current regional performance and at the same time provide an indication of companies’ forward-looking policies and programs to empower women in the workforce. See Exhibit 6 for an example of this calculation.

**Exhibit 6: Example of Workforce Gender Diversity Score Calculation**

Score	Company A (Financials)	Company B (Health Care)
Gender Performance Score (weight: 75%)	8.1	3.2
Gender Diversity Practices Score (weight: 25%)	5.0	2.5
<b>Gender Diversity Score</b>	<b>7.3</b>	<b>3.0</b>

### 2.4 PUBLICATION UPDATES AND QUALITY REVIEW

#### Data Collection Process

MSCI ESG Research has a dedicated team to collect the raw data points that capture the workforce gender diversity data. Quantitative performance data is only used if it pertains to all operations (or in other words, disclosure by companies on their partial operations or selected subsidiary data is rejected) to ensure score comparability. Analysts use the following sources to research new companies and update existing data:

- The Japanese Ministry of Health, Labour and Welfare; and corporate documents like annual reports, corporate social responsibility reports, securities filings, and company websites.
- Media sources like global and local news agencies, NGO publications

#### Ongoing Monitoring and Frequent Update Cycle

Companies are monitored on a systematic and ongoing basis for the number of women on the board due to relatively frequent changes in the board composition. Further, MSCI ESG Research analysts conduct an in-depth review of the research universe and update data on an annual basis.



**Quality Checks**

Initial company research and analysis is followed by a rigorous quality assurance process. Data accuracy and company profiles are peer reviewed and then sent to team leads for final approval before publication.

**2.5 COVERAGE**

As of July 2017, Gender Diversity data covered the top 500 Japanese Companies by market capitalization (as of Dec. 1, 2016).

**3 HISTORY OF PRODUCT UPDATES**

Date	Update	Description
July 3, 2017	Product launch	Launch of MSCI Workforce Gender Diversity data

## 4 DATA DICTIONARY

Workforce Gender Diversity data factors fall into one of two broad categories (underlying data and scores)

Factor Type	Factor Name	Factor Description
Underlying Data	Year	This date represents the year of captured gender diversity data
Underlying Data	Number of Women Employees in New Hires	This data represents number of women employees in new hires
Underlying Data	Total Number of Newly Hired Employees	This data represents total number of newly hired employees
Underlying Data	Percentage of Women Employees in New Hires	This data represents percentage of women employees in new hires
Score	Score: Percentage of women employees in new hires	This score measures company's performance on level of hiring women employees in its workforce (Score 0-10, 10 indicates companies with the highest percentages of women among new hires)
Underlying Data	Average Years Employed by the Company for Female Employees	This data represents the average number of years for female employees employed by the company
Underlying Data	Average Years Employed by the Company for Male Employees	This data represents the average number of years for male employees employed by the company
Underlying Data	Percentage Difference in Average Employment Years for Female to Male Employees	This data represents the percentage difference in average employment years for female to male employees
Score	Score: Percentage difference in average employment years for female to male employees	This score measures company's performance on average employment years for female employees as compared to male employees (Score 0-10, 10 indicates companies where the difference in average employment years of female and male employees is lowest)
Underlying Data	Number of Women Employees in Workforce	This data represents the total number of women employees in the workforce
Underlying Data	Total Workforce	This data represents the total number of employees in the workforce
Underlying Data	Percentage of Women Employees in Total	This data represents the percentage of women employees in total workforce

Workforce		
Score	Score: Percentage of women employees in total workforce	This score measures company's performance on level of women employees in total workforce (Score 0-10, 10 indicates companies with the highest percentages of women employees in total workforce)
Underlying Data	Number of Women in Senior Management	This data represents the total number of women employees in senior management (managers and above)
Underlying Data	Total Number of Employees in Senior Management	This data represents the total number of employees in senior management (managers and above)
Underlying Data	Percentage of Women in Senior Management	This data represents the percentage of women employees in senior management (managers and above)
Score	Score: Percentage of women in senior management	This score measures company's performance on level of women employees in senior management (managers and above) (Score 0-10, 10 indicates companies with the highest percentages of women employees in senior management)
Underlying Data	Number of Women Directors on the Board	This data represents the number of women directors on the board
Underlying Data	Total Number of Directors on the Board	This data represents the total number of director on the board of directors
Underlying Data	Percentage of Women Directors on the Board	This data represents the percentage of women directors on the company's board of directors
Score	Score: Percentage of women directors on the board	This score measures company's performance on level of women directors on the board of directors (Score 0-10, 10 indicates companies with the highest percentages of women directors in the board)
Score	Gender Diversity Performance Interim Score	Assesses company's performance on disclosed gender diversity metrics, derived as a simple average of 5 sub-factor scores (1) Score: Percentage of women employees in new hires, (2) Score: Percentage difference in average employment years for female to male employees, (3) Score: Percentage of women employees in total workforce, (4) Score: Percentage of women in senior management, and (5) Score: Percentage of women directors on the board (Score 0-10)
Underlying Data	Gender Diversity Disclosure Level	This data measures the percentage of gender diversity performance metrics disclosed by the company based on availability of the 5 sub-factors (1) Percentage of Women Employees in New Hires, (2) Percentage Difference in Average Employment Years for Female to Male Employees, (3) Percentage of Women Employees in Total Workforce, (4) Percentage of Women in Senior Management, and (5) Percentage of Women Directors on the Board
Score	Gender Diversity Performance Disclosure Discount	This score measures the discount to be applied to the Gender Diversity Performance Interim Score in proportion to the number of diversity metrics disclosed by the company. Higher the number of performance metrics disclosed, lower the Gender Diversity Performance Disclosure Discount (Score 0-2)
Score	Gender Diversity Performance Score	Assesses company performance incorporating disclosure discount (for non-disclosed performance metrics), derived as a simple subtraction of 2 sub-factors (1) Gender Diversity Performance Interim Score, and (2) Gender Diversity Performance Disclosure Discount (Score 0-10)
Underlying Data	Workforce Diversity Policy and Management Oversight	This qualitative data points indicates our assessment of company's diversity policy and oversight by (1) providing its employees training on its diversity policy, and (2) senior executive or higher level of oversight on diversity performance (Qualitative assessment)
Underlying	Programs to Increase	This qualitative data points indicates our assessment of company's programs to increase

Data	Workforce Diversity	workforce diversity by (1) providing material benefits to its employees to facilitate diversity and inclusion, and (2) quantitative diversity targets in recruitment process (Qualitative assessment)
Score	Gender Diversity Practices Score	Assesses a company's management policy and programs to improve workforce diversity, derived from the simple average of following sub-factor scores: (1) Workforce diversity policy and management oversight, and (2) Programs to increase workforce diversity (Score 0-10)
Score	Gender Diversity Score	Assesses a company's overall practices to improve gender diversity and performance on gender diversity related metrics and disclosure, derived from the weighted average of following sub-factor scores: (1) Gender Diversity Practices Score, and (2) Gender Diversity Performance Score (Score 0-10)

## CONTACT US

esgclientservice@msci.com

### AMERICAS

+ 1 212 804 5299

### EUROPE, MIDDLE EAST & AFRICA

+ 44 20 7618 2510

### ASIA PACIFIC

+ 612 9033 9339

## ABOUT MSCI ESG RESEARCH PRODUCTS AND SERVICES

MSCI ESG Research products and services are provided by MSCI ESG Research LLC, and are designed to provide in-depth research, ratings and analysis of environmental, social and governance-related business practices to companies worldwide. ESG ratings, data and analysis from MSCI ESG Research LLC are also used in the construction of the MSCI ESG Indexes. MSCI ESG Research LLC is a Registered Investment Adviser under the Investment Advisers Act of 1940 and a subsidiary of MSCI Inc.

## ABOUT MSCI

For more than 40 years, MSCI's research-based indexes and analytics have helped the world's leading investors build and manage better portfolios. Clients rely on our offerings for deeper insights into the drivers of performance and risk in their portfolios, broad asset class coverage and innovative research.

Our line of products and services includes indexes, analytical models, data, real estate benchmarks and ESG research.

MSCI serves 97 of the top 100 largest money managers, according to the most recent P&I ranking.

For more information, visit us at [www.msci.com](http://www.msci.com).

## NOTICE AND DISCLAIMER

This document and all of the information contained in it, including without limitation all text, data, graphs, charts (collectively, the “Information”) is the property of MSCI Inc. or its subsidiaries (collectively, “MSCI”), or MSCI’s licensors, direct or indirect suppliers or any third party involved in making or compiling any Information (collectively, with MSCI, the “Information Providers”) and is provided for informational purposes only. The Information may not be modified, reverse-engineered, reproduced or disseminated in whole or in part without prior written permission from MSCI.

The Information may not be used to create derivative works or to verify or correct other data or information. For example (but without limitation), the Information may not be used to create indexes, databases, risk models, analytics, software, or in connection with the issuing, offering, sponsoring, managing or marketing of any securities, portfolios, financial products or other investment vehicles utilizing or based on, linked to, tracking or otherwise derived from the Information or any other MSCI data, information, products or services.

The user of the Information assumes the entire risk of any use it may make or permit to be made of the Information. NONE OF THE INFORMATION PROVIDERS MAKES ANY EXPRESS OR IMPLIED WARRANTIES OR REPRESENTATIONS WITH RESPECT TO THE INFORMATION (OR THE RESULTS TO BE OBTAINED BY THE USE THEREOF), AND TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, EACH INFORMATION PROVIDER EXPRESSLY DISCLAIMS ALL IMPLIED WARRANTIES (INCLUDING, WITHOUT LIMITATION, ANY IMPLIED WARRANTIES OF ORIGINALITY, ACCURACY, TIMELINESS, NON-INFRINGEMENT, COMPLETENESS, MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE) WITH RESPECT TO ANY OF THE INFORMATION.

Without limiting any of the foregoing and to the maximum extent permitted by applicable law, in no event shall any Information Provider have any liability regarding any of the Information for any direct, indirect, special, punitive, consequential (including lost profits) or any other damages even if notified of the possibility of such damages. The foregoing shall not exclude or limit any liability that may not by applicable law be excluded or limited, including without limitation (as applicable), any liability for death or personal injury to the extent that such injury results from the negligence or willful default of itself, its servants, agents or sub-contractors.

Information containing any historical information, data or analysis should not be taken as an indication or guarantee of any future performance, analysis, forecast or prediction. Past performance does not guarantee future results.

The Information should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. All Information is impersonal and not tailored to the needs of any person, entity or group of persons.

None of the Information constitutes an offer to sell (or a solicitation of an offer to buy), any security, financial product or other investment vehicle or any trading strategy.

It is not possible to invest directly in an index. Exposure to an asset class or trading strategy or other category represented by an index is only available through third party investable instruments (if any) based on that index. MSCI does not issue, sponsor, endorse, market, offer, review or otherwise express any opinion regarding any fund, ETF, derivative or other security, investment, financial product or trading strategy that is based on, linked to or seeks to provide an investment return related to the performance of any MSCI index (collectively, “Index Linked Investments”). MSCI makes no assurance that any Index Linked Investments will accurately track index performance or provide positive investment returns. MSCI Inc. is not an investment adviser or fiduciary and MSCI makes no representation regarding the advisability of investing in any Index Linked Investments.

Index returns do not represent the results of actual trading of investable assets/securities. MSCI maintains and calculates indexes, but does not manage actual assets. Index returns do not reflect payment of any sales charges or fees an investor may pay to purchase the securities underlying the index or Index Linked Investments. The imposition of these fees and charges would cause the performance of an Index Linked Investment to be different than the MSCI index performance.

The Information may contain back tested data. Back-tested performance is not actual performance, but is hypothetical. There are frequently material differences between back tested performance results and actual results subsequently achieved by any investment strategy.

Constituents of MSCI equity indexes are listed companies, which are included in or excluded from the indexes according to the application of the relevant index methodologies. Accordingly, constituents in MSCI equity indexes may include MSCI Inc., clients of MSCI or suppliers to MSCI. Inclusion of a security within an MSCI index is not a recommendation by MSCI to buy, sell, or hold such security, nor is it considered to be investment advice.

Data and information produced by various affiliates of MSCI Inc., including MSCI ESG Research LLC and Barra LLC, may be used in calculating certain MSCI indexes. More information can be found in the relevant index methodologies on [www.msci.com](http://www.msci.com).

MSCI receives compensation in connection with licensing its indexes to third parties. MSCI Inc.’s revenue includes fees based on assets in Index Linked Investments. Information can be found in MSCI Inc.’s company filings on the Investor Relations section of [www.msci.com](http://www.msci.com).

MSCI ESG Research LLC is a Registered Investment Adviser under the Investment Advisers Act of 1940 and a subsidiary of MSCI Inc. Except with respect to any applicable products or services from MSCI ESG Research, neither MSCI nor any of its products or services recommends, endorses, approves or otherwise expresses any opinion regarding any issuer, securities, financial products or instruments or trading strategies and MSCI’s products or services are not intended to constitute investment advice or a recommendation to make (or refrain from making) any kind of investment decision and may not be relied on as such. Issuers mentioned or included in any MSCI ESG Research materials may include MSCI Inc., clients of MSCI or suppliers to MSCI, and may also purchase research or other products or services from MSCI ESG Research. MSCI ESG Research materials, including materials utilized in any MSCI ESG Indexes or other products, have not been submitted to, nor received approval from, the United States Securities and Exchange Commission or any other regulatory body.

Any use of or access to products, services or information of MSCI requires a license from MSCI. MSCI, Barra, RiskMetrics, IPD, FEA, InvestorForce, and other MSCI brands and product names are the trademarks, service marks, or registered trademarks of MSCI or its subsidiaries in the United States and other jurisdictions. The Global Industry Classification Standard (GICS) was developed by and is the exclusive property of MSCI and Standard & Poor’s. “Global Industry Classification Standard (GICS)” is a service mark of MSCI and Standard & Poor’s.