

MSCI WORKFORCE GENDER DIVERSITY DATA METHODOLOGY

MSCI ESG Research

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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 700 Japanese companies by market capitalization¹ (referred to hereafter as “universe”).

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.

¹ Data as of November 2018

Exhibit 1: Workforce gender diversity scoring methodology summary

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

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 (≥ 0.01 to <10 , ≥ 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
≥ 0.01 to <7.1	≥ 0.01 to <10	1
≥ 7.1 to <7.7	≥ 10 to <20	2
≥ 7.7 to <8.3	≥ 20 to <30	3
≥ 8.3 to <9.1	≥ 30 to <40	4
≥ 9.1 to <10.00	≥ 40 to <50	5
≥ 10.00 to <11.1	≥ 50 to <60	6
≥ 11.1 to <12.5	≥ 60 to <70	7
≥ 12.5 to <14.3	≥ 70 to <80	8
≥ 14.3 to <16.7	≥ 80 to <90	9
≥ 16.67	≥ 90 to ≤ 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 Metrics	Company A (Financials)			Company B (Health Care)		
	Metric Value	Percent tile	Score	Metric Value	Percent tile	Score
Percentage of Women Employees in New Hires	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Percentage of Women Employees in Total Workforce	37%	84%	9	n.a.	n.a.	n.a.
Percentage Difference in Average Employment Years for Female to Male Employees	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Percentage of Women in Senior Management	18%	93%	10	n.a.	n.a.	n.a.
Percentage of Women Directors on the Board	12.5%	72%	8	8.3%	32%	4
Gender Diversity Performance Interim Score	9			4		
Gender Diversity Performance Disclosure Discount	10%	-	0.9	20%	-	0.8
Gender Diversity Performance Score (Interim Score - Disclosure Discount)	8.1			3.2		

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
Practices Score (average of two Practices Metrics)	5		2.5	

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
Gender Diversity Score	7.3	3.0

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.

COVERAGE

As of July 2019, Gender Diversity data covered the top 700 Japanese Companies by market capitalization (as of Nov. 2018).

HISTORY OF PRODUCT UPDATES

Date	Update	Description
July 3, 2017	Product launch	Launch of MSCI Workforce Gender Diversity data
July 1, 2019	Coverage expansion	Coverage expansion to 700 Japanese companies by market capitalization

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 Workforce	This data represents the percentage of women employees in total 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 Data	Programs to Increase Workforce Diversity	This qualitative data points indicates our assessment of company's programs to increase 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)

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