January 16, 2018

To: SASB
From: Lawler Kang, CEO of League of Allies

Re: Public Commentary Feedback

To Whom It May Concern:

Thank you for the opportunity to comment on your revised standards. An immense amount of work has gone into where they stand presently and you all should be commended for a Herculean effort.

I'd like to share some observations as they relate to two specific criteria—Diversity & Inclusion and Recruitment, Development, and Retention—with the sole intent to promote the continuance of dialogue about the material impacts these two critical factors have on companies' performance. While we understand SASB is reluctant to break from its sector-specific research, which makes complete sense in most contexts, we'd like to offer a novel perspective that would seem to cross cut industries to, at a minimum, keep these topics front and center and leave the door open for further discussion with all pertinent parties.

The basis for our contentions is the observation that genders think and react differently to similar situations.[1] Most young boys like trucks and weapons and most young girls like dolls. These differences have distinct, and predictable, manifestations that are accretive to performance. From our research and experience (I was most recently Chief People Officer at a leading eCommerce firm), these gender-based manifestations have three over-arching impacts that again, would seem to cross cut verticals[2]:

1. Women Have the Preponderance of Leadership Competencies Today's Global Workforces Prefer and Desire
2. Women Are Better at Engaging Their Reports
3. Women Offer Different Point of View and Disrupt Groupthink

Allow me to share some research supporting each of these claims. It should be noted that there are distinct overlaps in these factor's material impacts on performance and much of the research presented should be reviewed from this perspective.

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[1] We can go into a lot more scientific detail here however we don't want to muddy the waters at this point.

[2] Are people of certain make ups drawn to specific industries? Probably yes however these preferences would seem to be dramatically overshadowed by the fundamental differences.

1. **Women Have the Preponderance of Leadership Competencies Today's Global Workforces Prefer and Desire:** In 2012, a study was carried out, and published in the Harvard Business Review, wherein a total of 64,000 employees from 25 nations, across sectors, were polled as to desired competencies in leadership. Traits viewed as "feminine" filled eight of the top ten and while there are definitely some cultural biases/social norms behind these results, the descriptors coincidentally reflect the researched expressions of the respective gender's bio-chemicals. These findings were substantiated by a Bain & Co. report on gender differences in Leadership in the services sector.

   It would seem obvious that people will perform better if they respect and like their leader's competencies, and indeed, per a McKinsey & Co. study, leadership behaviors more frequently applied by women had a significant impact on performance. Of a study of 300 firms (which would be assumed to cross a few verticals) firms in the top quartile of senior female management posted an average of 46% better Return on Equity and a 55% EPS (pre-tax and interest) versus firms with no senior female management.

2. **Women Are Better at Engaging Their Reports:** Gallup correlates "being engaged" as impacting employee performance, recruiting and development costs, retention costs, absenteeism, and has significant impact on employee's health, and associated costs. Per their Q12 survey of employee engagement, which has been performed on over 25 million employees, across verticals and geographies, women managers are six points more likely to be engaged than their male counterparts; by their reckoning, having an engaged manager drives 70% of their report's engagement. Not surprisingly then, employees in mix gendered teams that report to female managers are on average five percent more engaged, with all male teams that report to male managers being five points lower, and all women teams reporting to female managers being five points higher. Further, people who report to women consistently score higher on 11 of the 12 questions in the survey. The economic impacts of this engagement, using the five categories above, and assuming a gender balanced workforce, including management, have been calculated to exceed $200 million/year in both opportunity and hard cost impacts for a firm of 5,000 employees. Note: this would seem to link the D&I and Recruitment, Development, and Retention line items.

3. **Women Offer Different Point of View and Disrupt Groupthink:** There are multiple data points that support this contention:

   a. Multiple studies (Catalyst, MSCI, etc.) that reveal the more women who serve on boards, the better the company performs
   b. A Credit Suisse report (which may have been used as the basis for some of your work as it was broken out by industry) of 3,000 publicly-traded firms that reveals the more women in Sr. Front Office Positions, the better the share price appreciation. Firms with 50% reported a 60%+ increase versus the market from 2008 to 2016. The same report finds that where women account for the majority in the top management, the businesses show superior sales growth, high cash flow returns on investments and lower leverage

c. A Morgan Stanley report mapping out gender impacts on all components of valuations: volume, price point, SG&A and discount rate. MS/MSCI has also produced data that shows companies with higher percentages of women in their workforce generate 4% better returns on equity, a roughly 80bps better Information Ratio (with the majority of the difference coming from the denominator, relative change in risk), lower annualized standard deviations of returns and lower percentages of significant drawdowns, than those with the least. Women seem to reduce risk (which it could be argued, has bio-chemical bases).
d. A Sodexo (400,000 employees globally) study of 50,000 of its managers, from CEOs of subsidiaries to manager level, that reveals gender-balanced teams (40-60%) generated, on average, 23% better gross profit, 13% better organic growth, and 12% better client retention, than those that fell outside this range.

In this context, some targeted observations/feedback re: proposed updates to your current standards and some ideas for future consideration:

- We like how the D&I focus has been expanded from “executives” to “decision-makers”
- We like how compensation has been added as a factor in the Recruitment bucket
- The financial—and female—impacts of engagement on health care expenditures, particularly if the firm is self-insured, should be explored
- Adding something that addresses mitigating D&I-related controversy/headline risks (harassment, compensation/promotion parity, etc.) to the Recruitment, et al. bucket would seem to be wise, and again, this dynamic unfortunately seems to cross cut verticals
- We strongly believe the percentage of women on boards as a standard should receive further discussion

In this content, a final observation. A study done by the Haas School of Business (using MSCI’s database of over 1,500 firms that span sectors) reveals that companies with more women on their boards are more likely to proactively engage in ESG-related issues (from our perspective, due to these gender differences). Given this data, it would seem to be in SASB’s overall best interests—and the future of the world—to take a resolute stand on developing a standard for women’s board participation.

I am including a link to a dropbox folder where much of the research that has been referenced in this document can be found:
https://www.dropbox.com/sh/2zf2nltzofe480r/AAAi5cn1eoTQfDDHJiJeUt_aa?dl=0

Please share this letter with anyone you believe might benefit from its perspective and data. We look forward to the current standards being finalized and would be delighted to participate in any topical discussions going forward.

Best regards,

Lawler Kang