

ESG: a chance of empowerment for women

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Women in the financial sector

- ▶ Globally, women represented 12% of **Chief Financial Officers** in large-cap firms and 34% of CFOs in mid-cap firms in 2019, according to a report by the US consultancy firm Oliver Wyman;
- ▶ In 2019, women's global **representation on executive committees** in major financial services firms was only 20%, up from just 16% in 2016.
- ▶ In 2019, women's global share of **board directors** in major financial services firms was only 23%.
- ▶ The financial sector has long been dominated by men, with very few women on the frontlines of the fund management industry.

However, there is one area where women are taking the lead: ESG investing.

Rising of ESG investments

- ▶ ESG (Environmental, Social, Governance) is **booming**. In 2020 ESG funds captured \$51.1 billion of net new money from investor, a record and more than double the prior year, according to Morningstar (www.morningstar.com)
- ▶ In 2014, only 1% of new capital was allocated in esg investments, while ESG funds (also known as sustainable funds) accounted for about a fourth of the of the money that

Exhibit 1 Quarterly European Sustainable Fund Flows (EUR Billion)



flowed into all U.S. stock and bond mutual funds last year.

Surprisingly, this is a rare area in the finance sector where women are leading.

Women representation in sustainable finance sector

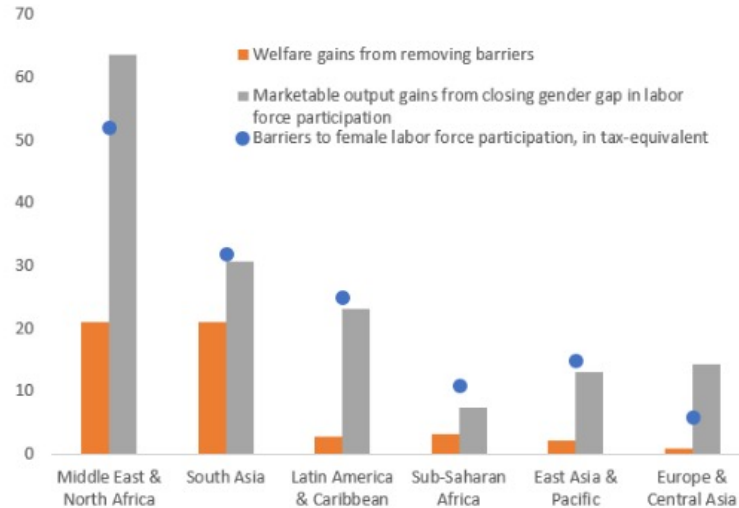
- ▶ Women are proving to be **well represented in ESG decision-making roles** and currently lead ESG units at firms such as JPMorgan, Invesco, Bank of America, and Fidelity Investments.
- ▶ In the U.K., recruiter Acre Resources reported that over the past five years, **44% of the top ESG jobs were filled by women.**
- ▶ A study by S&P Global Market Intelligence found that firms with **female CFOs are more profitable** and have produced **superior stock price performance** compared to the market average. The research also showed that **firms with high gender diversity** on their board of directors have been **more profitable** than firms with minimal gender diversity.

Women as a source of growth

Economic gains

Reducing barriers to women in the workplace significantly boosts welfare and growth.

(percent)



Source: IMF staff calculations.

Note: See "Economic Gains from Gender Inclusion: New Mechanisms, New Evidence," IMF Staff Discussion Note No. 18/06 for explanations of the calculations.

- ▶ S&P Global found women to be the most underutilized source of growth, one that could send global market valuations soaring. The study reported that U.S. GDP growth lead by an increase in female participation in the labor force could add \$5.87 trillion to global market capitalization over the next decade.
- ▶ Corporations may begin to face greater regulatory pressure to address gender equality at the executive level and beyond. Despite progress over the last decade, female executives remain enormously underrepresented in the C-suite.

Women wealth power

- ▶ The profile of retail investors interested in sustainable investing is also shifting, with women leading the charge. According to a study by BMO Wealth Institute, women control \$14 trillion in personal wealth in the U.S. **Nearly half of American women are the primary breadwinners in their household, a nearly four-fold increase since 1960.**
- ▶ In fact, **by 2030, women are projected to control two-thirds of all the wealth in the U.S.** and are positioned to become the largest beneficiaries of the \$30 trillion intergenerational wealth transfer over the next 25 years. In turn, women will begin to shape how wealth is generated, valued and passed on to the next generation.

How women wealth will impact sustainability

- ▶ Women are known to make financial decisions based on what's best for their children and their family at large. They historically align their investments with what they feel will benefit their community, neighbors and the planet. Not surprisingly, studies show women value the principles behind ESG investing



- ▶ A recent RBC Wealth Management survey found female clients are more likely to prioritize ESG when considering what companies or funds to invest in, while male clients typically prioritize financial performance.

ESG is a profitable investment

- ▶ Environmental, social and governance (ESG) themed investments have become one of the best performing investment categories in recent years, paving the way for continued growth of this strategy.
- ▶ The financial giant's Institute for Sustainable Investing crunched the numbers and found that total returns for **U.S. sustainable and ESG equity funds outpaced traditional funds** by 4.3 percent in 2020.
- ▶ **ESG bonds also held their own**, providing returns 0.9 percent higher than the traditional bond funds available on the market last year.
- ▶ Using ESG criteria the research process should lead to companies that have good policies on environmental and social aspects and a strong management that follows best-practice guidelines and has no conflicts of interest.

CONCLUSION

- ▶ Women now control 32% of the world's wealth and are adding \$5 trillion to wealth globally every year. McKinsey reported that working towards advancing gender equality could add \$13 trillion to global GDP in the next 10 years.



The whole world should take note: the time to recognize and include this powerful group of decision-makers is

NOW