REFINITIV INSIGHT:

DIVERSITY AND INCLUSION IN THE POST-COVID WORLD

REFINITIV®

An LSEG Business

INTRODUCTION

The main theme of 2020 was survival, as many companies and entire economic sectors were battered by the COVID-19 pandemic. In addition, issues of racial equity in society moved to the forefront of individual lives and businesses.

As the world shut down, workers opened their laptops in their home offices or on dining tables as a vast amount of work and meetings moved online. With schools shut, families juggled available work and personal lives and a greater importance put on mental health.

Moving into 2021, many countries have developed vaccine programmes and corporations are evaluating the changes brought about by the pandemic. While many realised that the online workplace functions well, others believe personal interaction is essential to the operation and development of their business.

Companies are cautiously trying to figure out how to bring workers back into the workplace, considering such issues as vaccine requirements, mask mandates, sanitisation and physical reconfiguration of the workplace, possibly including social distancing or plastic barriers.

At the same time, the business world is realising that policies of diversity and inclusion (D&I) are more important than ever, part of an increased awareness of environmental, social and governance (ESG) issues on the part of employees, customers, investors and community stakeholders.

D&I practices ensure that a company avoids 'group think' and benefits from a range of ideas, opinions and talents. Boards are under a microscope as never before, measured on racial, cultural and gender diversity.

In this report, we look at these two major issues – the return to work and board diversity – along with our Diversity and Inclusion Index to discover who is making progress in creating diverse and inclusive workplaces and the benefits that result from those workplaces.

This report focuses on companies in a variety of countries; not all data is available for some countries. The data has been retrieved from the Refinitiv ESG database and may not represent a full view of each country's diversity.

In this report, we will cover:

- Diversity and inclusion: a global view
- Digging into diversity and inclusion scores
- Diversity and inclusion data developments and index evolution
- Refinitiv Diversity and Inclusion Index: 2021 highlights
- Refinitiv Diversity and Inclusion Index: the updated performance
- Two focus areas within D&I right now
- Cultural diversity on the board
- The transition to the office or hybrid working

This report was updated in October 2021 to clarify and confirm a number of points raised by the market.

DIVERSITY AND INCLUSION: A GLOBAL VIEW

Diversity and inclusion are vitally important topics across the globe. We use Refinitiv® ESG data to identify which regions are leading the way.

References to top performing regions and countries throughout this report refer to the average performance of companies within the countries cited, not the attitudes or actions of governments and political leaders.

DIVERSITY AND INCLUSION SCORE

Global average:

54

Top-scoring regions:

Africa and Europe

Company count:
Global - 3,700
Africa - 105
Europe - 1,026

DIVERSITY SCORE

Global average:

29

Top-scoring regions:

Africa and Europe

Company count:
Global - 8,409
Africa - 122
Europe - 1,823

INCLUSION SCORE

Global average:

21

Top-scoring regions:

Africa and Asia Pacific

Company count:
Global - 8,409
Africa - 122
Asia Pacific - 2,787

PEOPLE DEVELOPMENT SCORE

Global average:

38

Top-scoring regions:

Africa and Europe

Company count:
Global - 8,409
Africa - 122
Europe - 1,823

D&I CONTROVERSIES SCORE

Global average:

99

Top-scoring regions:

Africa and Americas

Global - 8,409
Africa - 122
Americas - 3,677

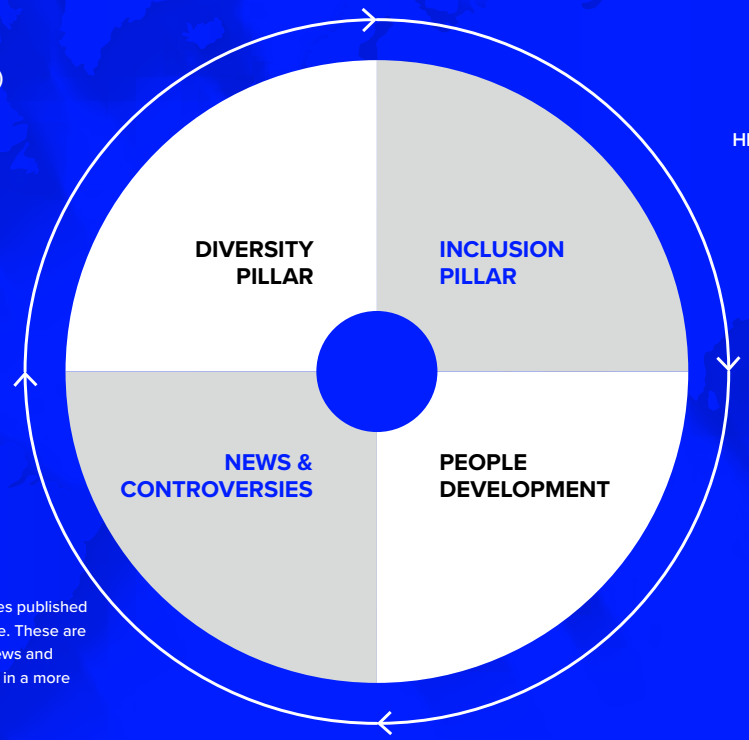
Source: Refinitiv ESG database

THE REFINITIV DIVERSITY AND INCLUSION SCORE

The Refinitiv D&I rating measures a company's D&I performance against 24 separate metrics across four key pillars. The data is gathered from publicly available information sources and is manually collected to ensure that the information is standardised, comparable and reliable.

Board gender diversity (%)
Board member cultural diversity (%)
Women employees (%)
New women employees (%)
Women executive employees (%)
Women manager (%)
Diversity process (Y/N)
Diversity objectives (Y/N)

Flexible working hours (Y/N)
Day care services (Y/N)
Employees with disabilities (Y/N)
HRC corporate equality index (numeric)
HIV/AIDS (Y/N)



Diversity and opportunity controversies (numeric)

Wages or working conditions controversies (numeric)

*Note – We include news and controversies published since the company's last fiscal year update. These are two additional data points for the same news and controversies measures shown above but in a more recent timeframe.

Internal promotion (Y/N)
Average training hours (Numeric)
Management training (Y/N)
Career development processes (Y/N)
Employee satisfaction (%)
Skills training of employees (Y/N)
Training costs per employee ($)

DIGGING INTO DIVERSITY AND INCLUSION SCORES

Refinitiv D&I ratings are powered by our ESG data and are designed to transparently and objectively measure the relative performance of companies against factors that define diverse and inclusive workplaces.

The Refinitiv D&I Score, built on four pillar scores – Diversity, Inclusion, People Development and Controversies, allows investors and corporations to identify long-term opportunities and risks.

We conducted analysis on the top performers in the Refinitiv database across D&I score*. Find a snapshot of our findings across the next three pages.

*References to top performing regions and countries throughout this report refer to the average performance of companies within the countries cited, not to the attitudes or actions of governments and political leaders.

D&I score

Region*	Average D&I score	Company count
Italy	56.65	78
France	56.19	124
Spain	56.18	68
South Africa	56.13	105
Malaysia	55.69	42
Taiwan	55.30	109
Australia	54.84	253
Germany	54.72	153
South Korea	54.31	86
Japan	53.88	355

Europe is leading the way with the top three countries being based in the EU.

D&I score

Industry	Average D&I score	Company count
Utilities	55.69	188
Consumer Non-Cyclicals	55.61	323
Consumer Cyclicals	55.13	540
Industrials	53.38	561
Financials	52.78	559
Basic Materials	52.63	325
Technology	52.46	521
Energy	51.97	182
Healthcare	51.26	273
Real Estate	48.95	221

The utilities, consumer non-cyclicals and consumer cyclicals industries perform well on diversity and inclusion practices, with real estate falling behind.

References to top performing regions and countries throughout this report refer to the average performance of companies within the countries cited, not to the attitudes or actions of governments and political leaders.

*Based on regions with more than 40 companies reporting.

Source: Refinitiv ESG database

Diversity score**

Region*	Average Diversity score	Company count
Denmark	43.59	47
Finland	40.58	41
France	39.85	153
Netherlands	39.65	69
Spain	39.56	75
New Zealand	38.62	58
Sweden	36.29	155
Italy	35.08	100
Norway	34.61	57
Australia	34.30	376

A majority of companies in top 10 are European based.

Industry	Average Diversity score	Company count
Utilities	30.85	301
Consumer Non-Cyclicals	27.43	1110
Consumer Cyclicals	26.87	451
Industrials	26.41	591
Financials	25.92	1200
Basic Materials	25.04	1068
Technology	24.15	639
Energy	23.39	762
Healthcare	22.46	1328
Real Estate	21.15	939

Utilities score highly, being more than 3 points higher than consumer non-cyclicals in second place.

Inclusion score***

Region*	Average Inclusion score	Company count
South Africa	32.48	122
Japan	29.98	464
Italy	29.94	100
Spain	29.47	75
Germany	27.88	184
Australia	26.56	376
Taiwan	25.07	156
South Korea	25.04	157
France	22.78	153
Malaysia	21.77	66

The Inclusion score has a more varied top 10 composition than the diversity score.

Industry	Average Inclusion score	Company count
Utilities	23.17	301
Consumer Non-Cyclicals	20.34	391
Consumer Cyclicals	17.87	1110
Technology	17.55	1068
Financials	16.57	1328
Industrials	15.33	1200
Basic Materials	13.33	762
Energy	12.27	451
Real Estate	9.83	639
Healthcare	9.77	939

Utilities appears at the top of the chart, while healthcare and real estate are two of the lowest-scoring industries again.

References to top performing regions and countries throughout this report refer to the average performance of companies within the countries cited, not to the attitudes or actions of governments and political leaders.
*Based on regions with more than 40 companies reporting. **Diversity score is calculated using eight metrics: board gender diversity, board member cultural diversity, women employees, new women employees, women executive employees, women managers, diversity process and diversity objectives. ***Inclusion score is calculated using five metrics: flexible working hours, day care services, employees with disabilities, HRC corporate equality index, HIV/AIDS.
Source: Refinitiv ESG database

People Development score**

Region*	Average People Development score	Company count
Indonesia	54.48	46
Malaysia	51.47	66
Turkey	50.89	54
France	50.80	153
Russia	50.27	44
Spain	49.45	75
Taiwan	49.39	156
South Africa	49.12	122
Hong Kong	48.54	148
Finland	47.80	41

The People Development score follows a similar line as the Diversity and Inclusion scores with Europe and Asia Pacific being well represented.

Industry	Average People Development score	Company count
Utilities	45.29	301
Consumer Non-Cyclicals	43.46	591
Consumer Cyclicals	40.61	1200
Technology	40.33	762
Financials	39.51	1110
Industrials	33.35	451
Basic Materials	32.15	1068
Energy	27.78	1328
Real Estate	27.08	639
Healthcare	20.53	939

Again, the utilities industry scores highly (scoring top for three of the pillars) and Healthcare scores low.

The People Development pillar is where we see the largest range in terms of top- and bottom-scoring industry, with the average score for utilities companies being more than double that of the average healthcare score. This leads us to wonder what more can be done in the healthcare industry to develop employees.

References to top performing regions and countries throughout this report refer to the average performance of companies within the countries cited, not to the attitudes or actions of governments and political leaders. *Based on regions with more than 40 companies reporting. **People Development score is calculated using seven metrics: internal promotion, average training hours, management training, career development processes, employee satisfaction, skills training of employees, training costs per employee.

Source: Refinitiv ESG database

DIVERSITY AND INCLUSION DATA DEVELOPMENTS AND INDEX EVOLUTION

Following heightened international focus on social justice and racial inequality, Refinitiv is working towards broadening the social metrics we cover in our ESG database to ensure investors can evaluate companies based on racial equity, and corporations can report and analyse their progress.

To start, we partnered with FORTUNE to encourage businesses across all industries to tackle one of the biggest barriers to a just and equitable society: the continued lack of racial and ethnic diversity in corporate workplaces. The Measure Up Initiative, powered by Refinitiv's environmental, social, and corporate governance (ESG) data, helps to establish diversity disclosure and accountability as a critical metric for stakeholder-driven businesses, and encourages self-disclosure of diversity and inclusion (D&I) data.

We are continuing the efforts to ensure racial and ethnic diversity metrics are available for all companies we hold in our database.

We would like to note that corporate reporting and disclosure is heavily overweighted on gender diversity. There are significant gaps on other areas of diversity; LGBTQ+, race, disabilities, age etc.

As data availability improves, we will look to evolve our ESG database and the D&I ratings which are used to construct the Refinitiv® D&I Index – ensuring it represents truly diverse and inclusive companies.

REFINITIV DIVERSITY AND INCLUSION INDEX: 2021 HIGHLIGHTS

Powered by Refinitiv ESG data, our Refinitiv Diversity and Inclusion Index is designed to measure the relative performance of companies against factors that define diverse and inclusive workplaces.

Each year, we announce the top 100 best-performing companies based on our diversity and inclusion ratings. Some highlights from our 2021 rankings include:

TOP INDUSTRIES

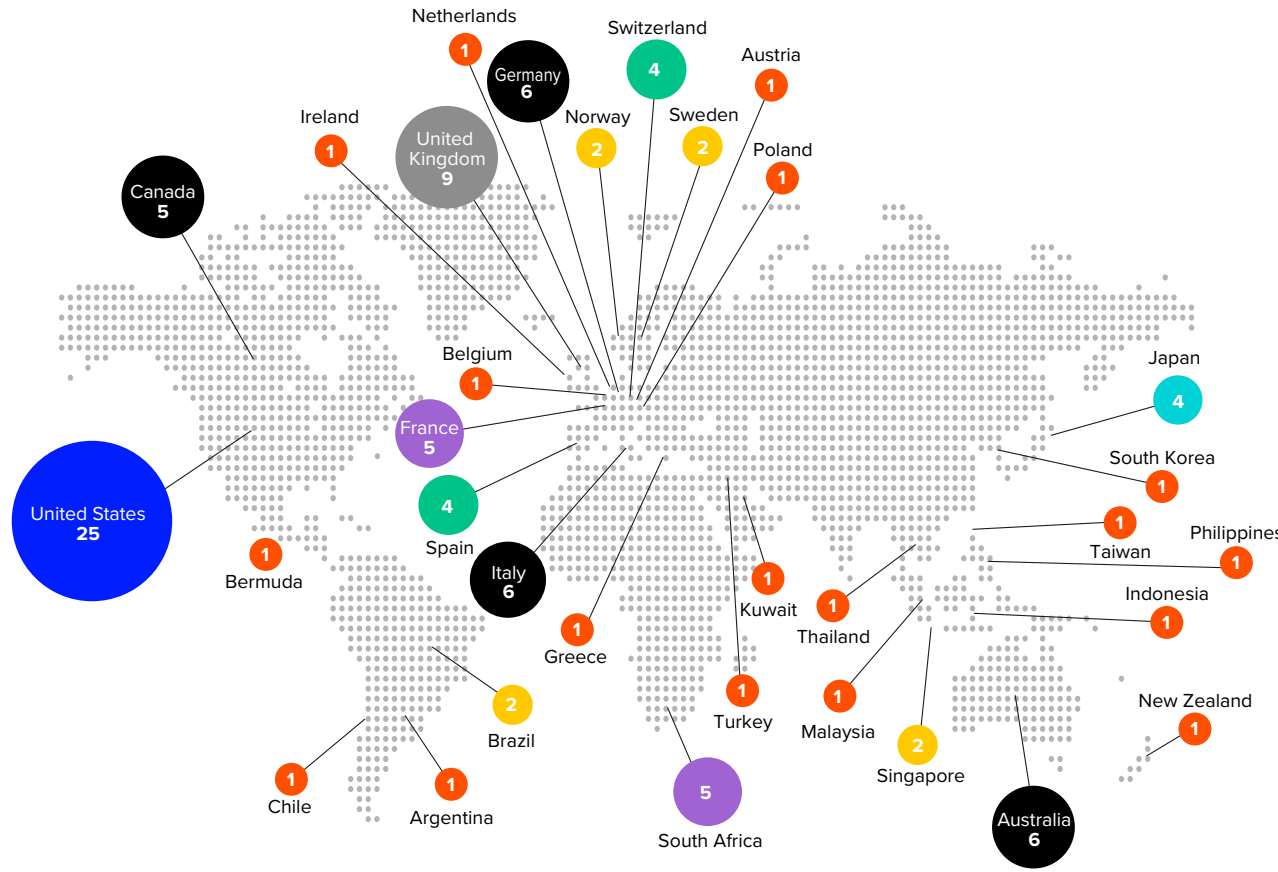
Industry	Company count	Average D&I score
Banking Services	9	74.25
Pharmaceuticals	9	71.53
Specialty Retailers	8	74.97
Telecommunications Services	7	72.07
Personal and Household Products and Services	7	71.57

CONSTITUENT MARKET CAP BREAKDOWN

Market cap	Company count	Average D&I score
Large	69	72.68
Mid	16	74.09
Small	15	73.05

Source: Refinitiv Eikon

COUNTRIES WITH THE MOST COMPANIES IN THE 2021 D&I INDEX

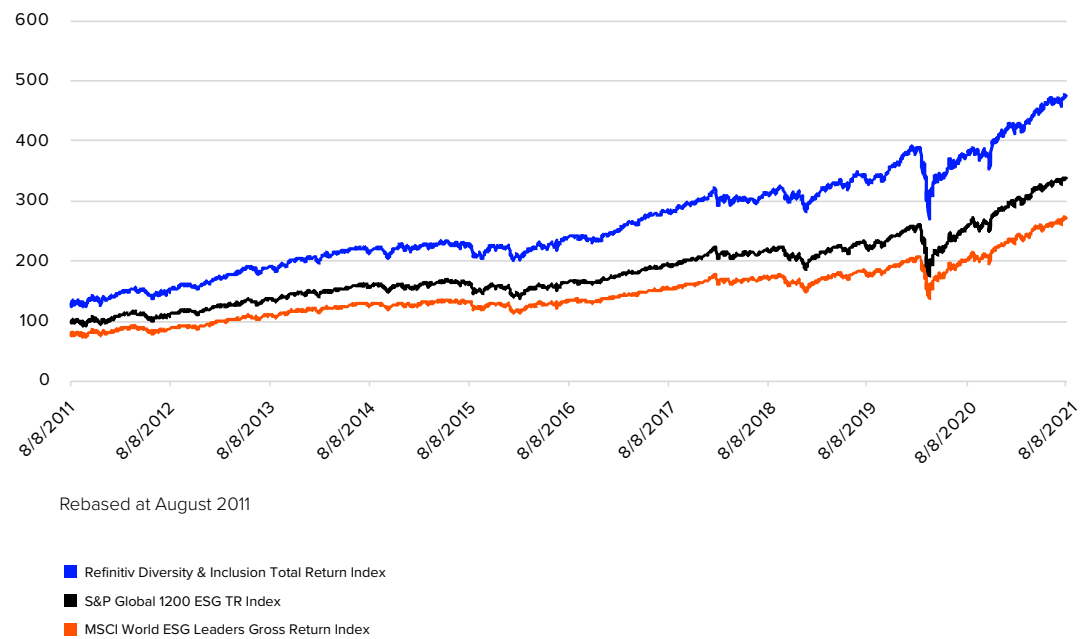


Discover the full list of top-performing countries based on diversity and inclusion practices here.

REFINITIV DIVERSITY AND INCLUSION INDEX: THE UPDATED PERFORMANCE

Looking at the Diversity and Inclusion Index over the last 10 years, compared to the MSCI World ESG Leaders Gross Return Index and the S&P Global 1200 ESG TR Index, we see the Refinitiv D&I Index outperforms.

Price returns



Source: Refinitiv Eikon

TWO FOCUS AREAS WITHIN D&I RIGHT NOW

Two of the biggest D&I-related issues for corporations right now are the diversity of employees and the decision and efforts to get employees back into offices safely. We focus on several metrics in the Refinitiv ESG database which provide insight into both.

Cultural diversity

Workplace transition

CULTURAL DIVERSITY ON THE BOARD

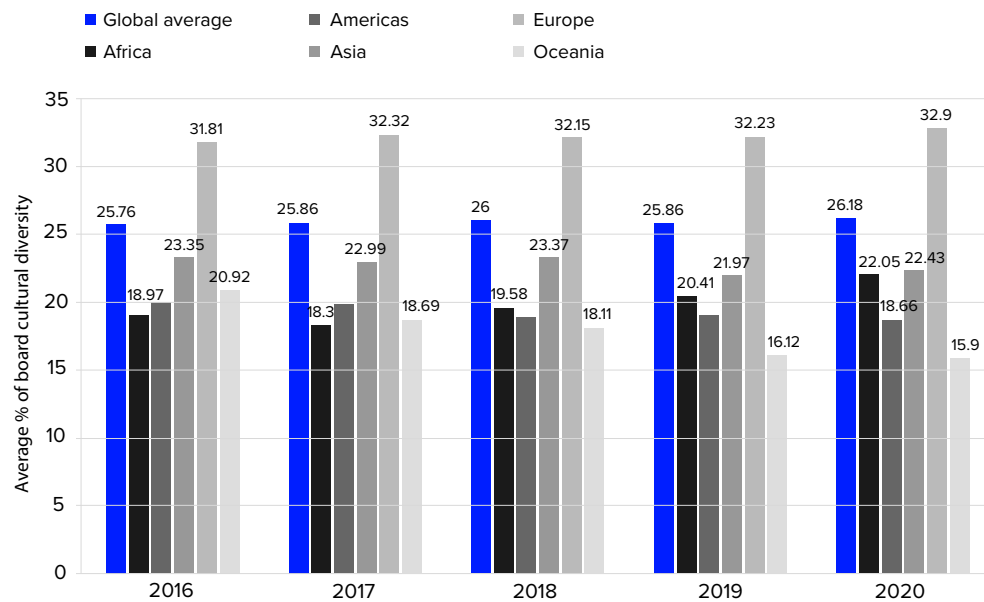
Diversity of all kinds is important for companies and investments. The D&I index takes into account gender and cultural diversity, with the view of incorporating race and ethnicity data in the future.

Board cultural diversity

Percentage of board members that have a cultural background different from the location of the corporate headquarters, this is related to citizenship. Although not precise, this allows the diversity in background to be identified.

When pulling regional data on cultural diversity, we can see that globally the stats are flat, with Africa and Europe making a small amount of positive progress.

Regional board cultural diversity



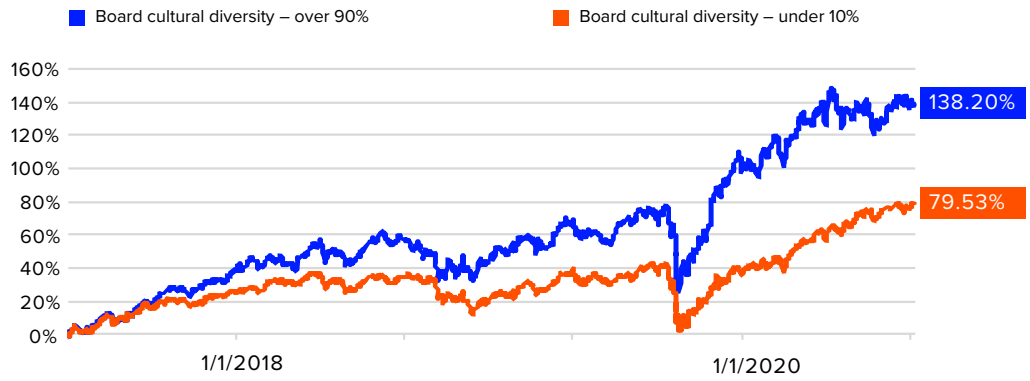
Source: Refinitiv Eikon

We have previously found that gender diversity on the board leads to financial outperformance. Here, we conducted similar analysis on our board cultural diversity metric and were presented with encouraging findings.

Taking the Refinitiv ESG database as the initial universe, we created two portfolios, one with 90% board cultural diversity, the other with under 10% board cultural diversity. Both portfolios were equal weighted.

When comparing the portfolios over five years, we find the portfolio with more board diversity outperforms the other.

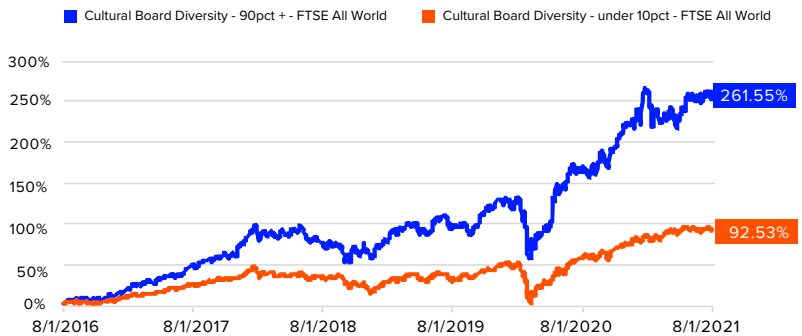
Portfolio total return with benchmark as base (%)



Source: Refinitiv Eikon

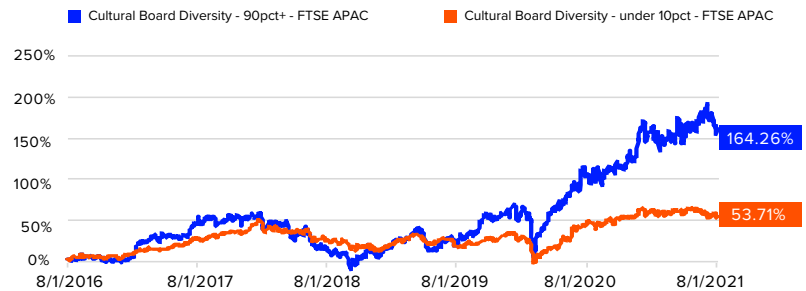
We used the same cut of data but with the FTSE All World, FTSE Asia Pacific, FTSE Europe, and FTSE Developed Indices as starting universes. Findings were similar with the more diverse portfolio outperforming the less diverse.

FTSE All World board cultural diversity



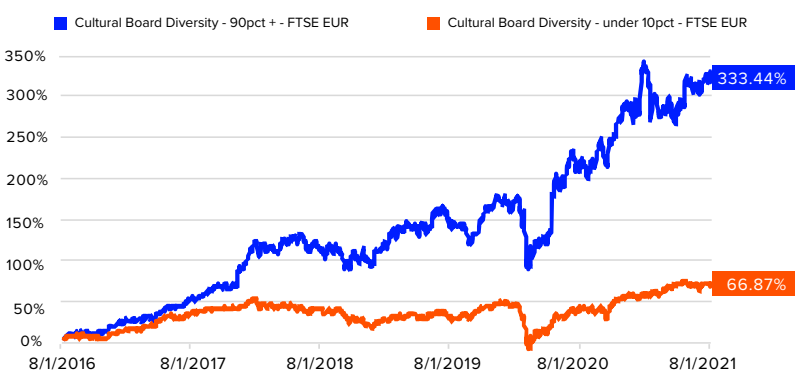
Source: Refinitiv Eikon

FTSE APAC board cultural diversity



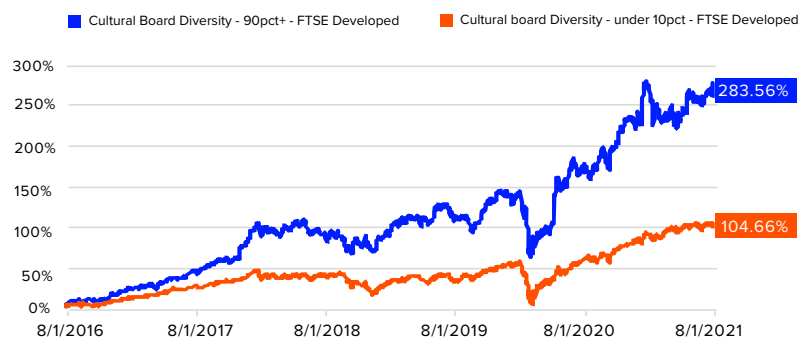
Source: Refinitiv Eikon

FTSE EUR board cultural diversity



Source: Refinitiv Eikon

FTSE Developed board cultural diversity



Source: Refinitiv Eikon

THE TRANSITION TO THE OFFICE OR HYBRID WORKING

Since the global pandemic forced many employees to give up commutes or crowded offices for remote working, the news has been full of stories with conflicting views of productivity, the work-life balance and the desire to head back into offices. Now, as many companies are considering or starting to encourage employees back to the office, some previously neglected inclusion and people development metrics might become top of mind for management teams.

Research from MarketPsych has found that employee satisfaction does affect stock prices. The analysis found in basic quantitative research, when S&P 500 companies are ranked by their past month's Workplace Sentiment score, the stock prices of companies with extremely high scores (top 5% significantly outperform those with low scores (bottom 5%) month after month.

Workplace Sentiment Score
The positive perceptions of the workplace and working environment.

With the MarketPsych research in mind, we look at disclosure and practices on employee satisfaction, childcare and flexible hours which may become top of mind for management teams.

		2016	2017	2018	2019	2020
Employee satisfaction	Disclosure	1,257	1,276	1,276	1,262	892
	Average employee satisfaction	75.51%	77.04%	77.06%	77.84%	80.10%
Childcare services	Disclosure	5,319	6,121	6,995	8,316	6,235
	Has childcare services	715	909	1,160	1,457	1,099
Flexible working hours	Disclosure	5,189	5,981	6,749	8,124	8,789
	Has flexible working hours	1,269	1,505	1,861	2,398	3,047

Source: Refinitiv ESG database

There is much debate about what makes employees content in their roles – many believing flexibility adds to satisfaction.

Will we see more companies reporting on and introducing flexible policies in the future?

CONCLUSION

In recent years – even pre-pandemic – we discovered that companies that prioritised a diverse and inclusive environment and worker satisfaction outperformed both financially and in the equity markets.

Those trends are continuing, but are being shaped in new ways.

Refinitiv's metrics demonstrate that companies with culturally diverse boards outperform for equity investors – by a considerable margin.

The pandemic has reshaped worker expectations – for both prospective employees and current staff. Refinitiv's analysis shows that worker satisfaction is essential to business success, and corporations are now figuring out how they will support that value in the new COVID-influenced world.

LSEG ESG DATA AND SOLUTIONS

We strive to be the trusted and preferred partner for environmental, social and governance (ESG) data and solutions, and are committed to bringing to the market an array of best-in-class data, analytics and fully integrated workflow solutions.

Refinitiv ESG data

We understand the increasingly critical need for ESG information, and the solutions we offer enable customers to act with confidence on consistently captured and standardised, transparent information and insights.

We have deep domain expertise and have been providing ESG solutions to the financial industry since the early 2000s. Designed to help you make sound, sustainable investment decisions, our ESG data covers 80% of global market cap and over 500 metrics.

Our ESG data is available through Refinitiv® Eikon®, Excel® add-in, Refinitiv® Datastream®, Datastream Data Loader (DDL), Refinitiv® Quantitative Analytics and the Refinitiv Data Platform Cloud API.

For more information, visit us online at **refinitiv.com/esg**

Refinitiv Diversity and Inclusion index

Powered by our ESG data, the Refinitiv Diversity and Inclusion Index is designed to measure the relative performance of companies against factors that define diverse and inclusive workplaces.

Available through Eikon and via TRKD feed, our Diversity and Inclusion Index ranks 11,000 companies globally and identifies the top 100 publicly traded companies with the most diverse and inclusive workplaces, as measured by 24 separate metrics across four key pillars.

Discover more about the index at **refinitiv.com/diversity**.

FTSE Russell Indices

The FTSE Women on Boards Leadership Index Series is designed to integrate leadership in gender diversity into a broad market benchmark. These indexes increase exposure to companies based on the strength of their diversity leadership at the board level and how well they manage wider impacts on society. This is achieved by the use of a tilt (or stock weight adjustment) to integrate gender diversity and social impact.

The FTSE Women on Boards Leadership Indexes can be used to assist in the integration of gender diversity and social impact into a diversified investment strategy. These indexes also provide a strong basis for corporate engagement by highlighting those companies that demonstrate leadership in these two areas. Thus, the FTSE Women on Boards Leadership Index Series contributes to the gender diversity movement to promote awareness and improve inclusive environments at all levels.

Learn more at **ftserussell.com/products/indices/women-on-boards**

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