CRITERION INSTITUTE

ANALYSIS OF MARKET RISK

Investment Approaches Roadmap

Tracking Norms Change as a Market Risk in Public Equities

Investing in research on norms change can help investors better predict when gender-based violence moves from a chronic to an acute market risk

Though there is widespread consensus that gender-based violence is rooted in the unequal distribution of power that results from cultural gender norms, there is inadequate research and funding aimed at changing gender norms as a way of ending violence. For investors, this is relevant because changes in cultural tolerance of gender-based violence can have a significant impact on investment risk: as norms change and tolerance for violence decreases, behaviors that may not have gotten much attention can turn into a source of negative publicity and impact stock price. It is in finance's best interest to understand and predict the factors that turn gender inequalities from a chronic to an acute risk, but it currently has no framework for doing so.

Gender-based violence poses a risk to investments in multiple ways, but investors do not have the data and tools they need to accurately assess that risk in the present and future. They have no way of tracking norms change and predicting how countries, sectors, and markets may shift. Investing in research that yields data that enable us to better predict changes in gender norms in different sectors and markets will enable investors to more accurately price that risk. If investors come to see this risk as material, it will put pressure on companies to address violence in their workplaces.

As norms change, gender-based violence in companies can move from a chronic to an acute risk. Gender-based violence has been happening in companies for as long as companies have existed. What makes it at investment risk—what invites the legal and/or public scrutiny that affects investor confidence—is changes in whether certain types of violence are tolerated. Over the last few years, since the #MeToo movement started to garner mainstream attention, companies associated with gender-based violence have lost value or even been shut down. Investors are looking for ways to ensure that companies in which they invest do not face these consequences.

Events over the last few years, especially in public markets, show that gender-based violence is a growing risk to companies. For example, investment analysts speculated that the record-high CEO turnover rate in 2019 was as a result of companies holding leaders accountable in light of increased pressure brought about by #MeToo and #TimesUp. What is crucial is that it is not behaviors getting worse that leads to the publicity and losses—it is that cultural tolerance for those behaviors has decreased, leading to increased scrutiny and loss of company value. Investors need ways to identify and mitigate this growing risk.

1

Asset managers, investment data shops, and other finance institutions fund partnerships with women's rights organizations to research how gender norms change and how to track those changes.

2

Asset managers, analysts, and data shops work with women's rights organizations and translators to turn the research into a methodology for assessing changes in tolerance for gender-based violence in various markets, sectors, and geographies.

3

Early adopters drive the adoption of the methodology by amplifying it publicly and throughout their networks.

Tracking shifts in gender norms becomes a core part of market risk assessment across public equities investors.

If finance starts pricing the risk of gender-based violence into standard assessments of market risk, this puts pressure on companies around the world to ensure that their practices and culture are free of violence. Moreover, investing in research on norms change will help direct funding towards women's rights organizations, which play a powerful role in changing cultures in a way that decreases violence.

Audience: Public equities analysts, asset managers, and pension funds

Types of violence: Workplace violence

Types of capital: Public Equities

Resources

Criterion Institute will shortly publish a framework and tool for assessing the market risk of gender-based violence in public equities.