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Analysis: The State of Diversity and Inclusion in the Media Industry

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FOCUS/THEMES	INDUSTRIES/COMPANIES	COUNTRY/REGION
Diversity and Inclusion	Media	Global

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As the 91st Academy Awards (commonly known as "the Oscars") are handed out this Sunday, the media industry itself will be in the spotlight. In recent years, hot topics discussed around the event have shifted away from glamorous dresses and secret amours toward more serious societal issues, such as sexual harassment and gender, racial and other forms of discrimination. In pointing to ubiquitous hashtags such as #MeToo, #Time'sUp, and #OscarsSoWhite, critics have in recent years decried perceived shortcomings in the industry's safeguarding of harassment-free, diverse, and inclusive workplaces. Critics also contend that several prominent cases have demonstrated how this lack of effective management translates into material financial risks for companies and investors – be it in the form of significant share price drops as in the case of **CBS Corp.** or through high litigation costs as in the case of **Twenty-First Century Fox Inc.**[1]

On the occasion of the upcoming Academy Awards, ISS ESG takes a deeper look at the current state of corporate management regarding harassment, diversity and inclusion in the media industry, based on ISS-oekom Corporate Rating sand ISS-ethix's Norm-Based Research. Are media companies showing an "Oscar-worthy" performance or are they more likely to receive a "Golden Raspberry?"

EXECUTIVE SUMMARY

- Diversity and inclusion are widely acknowledged by investor and industry initiatives (such as the Responsible Media Forum and SASB) as material issues for the media sector.
- The industry's average diversity management performance is slightly better relative to most of other relevant industries (defined as those for which SASB considers diversity and inclusion to be material). However, in absolute terms, there is still much room for improvement.
- In fact, the share of media companies facing ongoing discrimination-related allegations is particularly high. Following #MeToo, the industry seems to be under particular scrutiny.

[1] http://time.com/5130340/kate-upton-guess-stock-price/ ; https://variety.com/2018/biz/news/cbs-stock-tumbles-on-sexual-harassment-allegations-against-ceo-leslie-moonves-1202888222/

- The absence of measurable progress towards more effective diversity management continues to pose material financial risks for media companies and their investors – both in the short term and in the long term.
- Responsible investors are well advised to continue monitoring and engaging with media companies on these issues as part of their own risk mitigation efforts.

Diversity and inclusion: material issues for media companies

Diversity and inclusion have clearly climbed the “materiality ladder” in the industry in recent years. Both issues tend to rank amongst the top priorities identified by media companies in the course of their ESG materiality analyses. Relevant industry initiatives, such as the Responsible Media Forum,[2] also confirm this perception. In its 2018 Media Materiality Report, the Responsible Media Forum classified diversity and inclusion as “material” issues for the sector, being defined as ones that are “financially significant over the short to medium term, i.e. it has the potential to affect a key financial indicator, including revenues, profitability and share-price performance, by around five per cent or more within a two-year period.”[3] The Sustainability Accounting Standards Board (SASB) also considers “hiring and promotional practices ensuring that a company’s demographics reflect the population it is serving” to be material for media companies from a media pluralism perspective.[4]

The #MeToo debate and sexual harassment scandals are one key driver for this development. Another key driver is a profound crisis of trust in the media currently prevailing in many countries. As the United Kingdom’s communication regulator Ofcom puts it: “Broadcasters need to widen the range of talent working on and off screen. Too many people from minority groups struggle to get into television, creating a cultural disconnect between the people who make programmes and the millions who watch them.”[5] This observation may easily apply in other sub-sectors as well, such as publishing and advertising. Recruiting and retaining a diverse workforce, and providing equal opportunities to all, are prerequisites for media companies to produce outputs that truly reflect society – and therefore to be economically successful in the long-term.

Media companies in the ISS-oekom universe

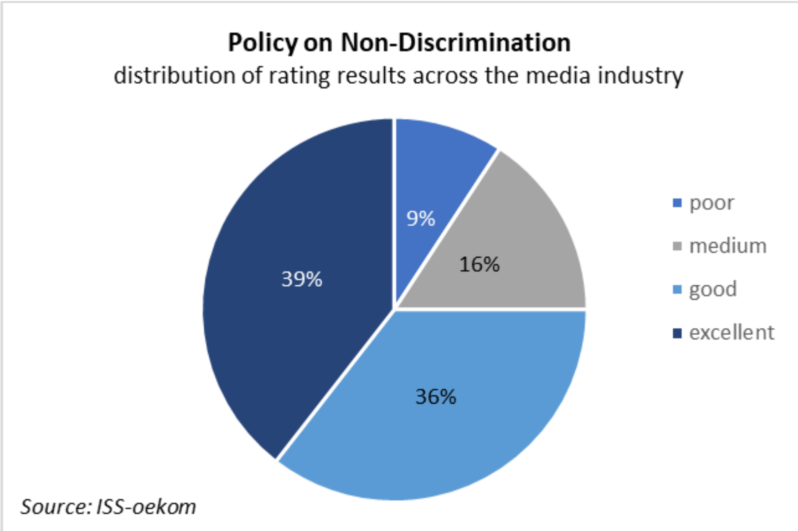
As of February 2019, the ISS-oekom media industry universe comprised 76 companies from across the globe and from various business lines such as movies & entertainment, publishing, advertising, and broadcasting. We examined this set of companies for their managerial response to diversity and inclusion challenges, based on performance data from the ISS-oekom Corporate Rating and ISS-ethix’s Norm-Based Research, also looking at changes over time and selected comparisons to other industries – focussing on industries for which SASB considers diversity and inclusion to be material factors.[6]

[2] The forum is a global partnership between media companies to identify and take action on the social and environmental challenges facing the sector: https://responsiblemediaforum.org/home
[3] https://responsiblemediaforum.org/downloadDocumentFile?document=243
[4] https://library.sasb.org/engagement-guide/
[5] https://www.ofcom.org.uk/about-ofcom/latest/features-and-news/diversity-uk-television-industry
[6] Comparisons for selected ISS-oekom industries. The selected industries are chosen based on SASB materiality considerations for diversity and inclusion (https://materiality.sasb.org/)

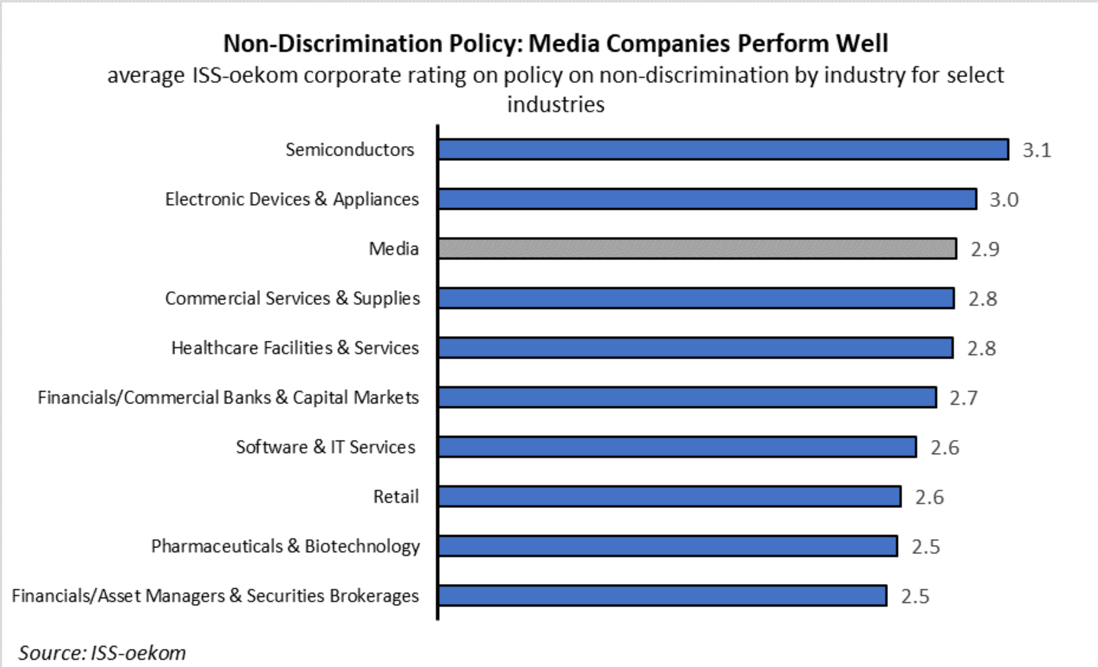
Most media companies have introduced comprehensive policies on diversity and inclusion

In the ISS-oekom Corporate Rating, equal opportunities and non-discrimination represent one of five key issues identified for companies in the media sector (other key factors include e.g. editorial responsibility and resource-efficient processes). The first underlying performance indicator looks at the quality, group-wide application, and formal endorsement of corporate policies on diversity and non-discrimination.

On the rating scale ranging from 1.00 (or D-, reflecting a very poor performance or a significant lack of transparency on an issue) to 4.00 (or A+, reflecting an excellent performance), the media industry on average receives a diversity policy grade of 2.86 (B), a good average performance.



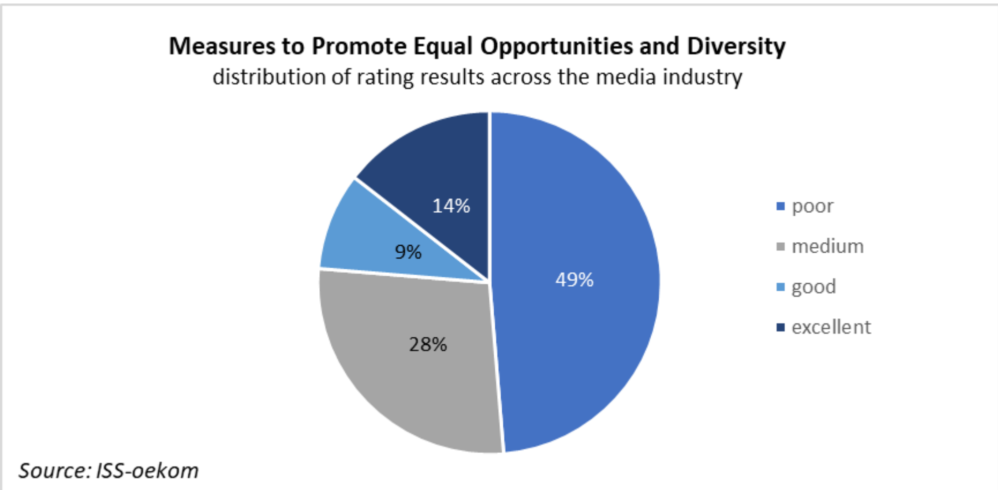
Seventy-five percent of companies receive a “good” or “excellent” assessment. The current Top 3 media companies in this dimension are **The Walt Disney Co.**, **Hakuhodo DY Holdings Inc.**, and **Dentsu Inc**. Less than 10 percent of media companies get a “poor” result. This last group also includes companies not disclosing any standards on equal opportunities and non-discrimination at all. Media companies, on average, also score better than most of their peers from other relevant industries, based on SASB materiality considerations for diversity and inclusion.



So, on paper, all looks well – media companies by majority acknowledge the importance of diversity and inclusion and commit to relevant action. But are they really walking the talk?

Only half of all media companies take adequate measures to promote diversity and equal opportunity

A second performance indicator looks at the quality and group-wide application of measures to promote equal opportunities and diversity amongst a company's workforce (e.g. diversity targets, action plans, regular staff trainings and grievance mechanisms). Here, the picture is more mixed. The average result of all media companies lies at 1.95 (C-), indicating a medium and considerably worse performance than in the general policy dimension.

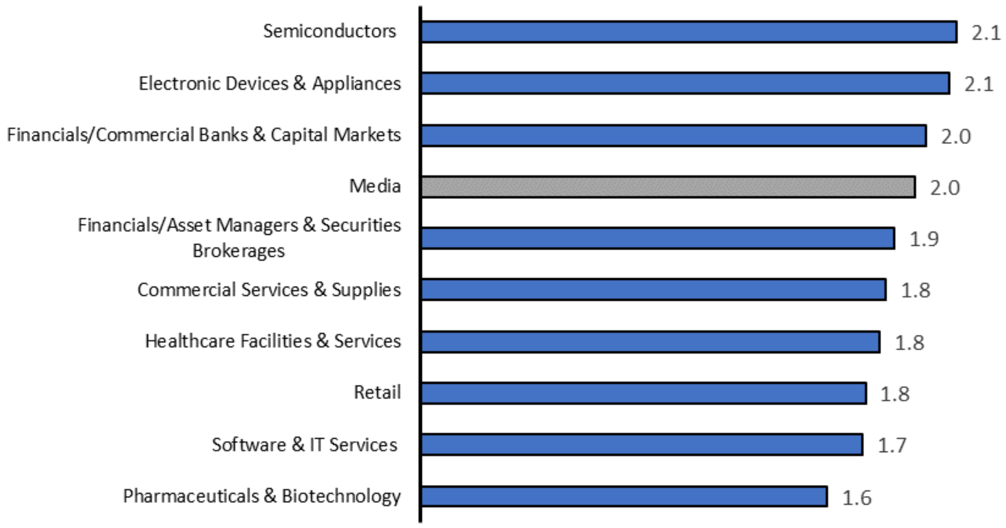


Almost half of all companies do not demonstrate any measures to promote equal opportunities and diversity at all or only very basic ones. Less than one quarter of companies (23 percent) have put "good" or "excellent" procedures in place. The current Top 3 media companies in this dimension are

WPP plc, **Thomson Reuters Corp.**, and **Télévision Française 1 S.A**. The average scores of media companies rank higher than the average scores of most other relevant industries.

Media Industry Performs Slightly Above Average on Equal Opportunities and Diversity

average ISS-oekom corporate rating on measures to promote equal opportunities and



Source: ISS-oekom

The real-life success of formal diversity programs, however, largely depends on how these programs materialize in a corporate setting. How are media companies doing in this regard?

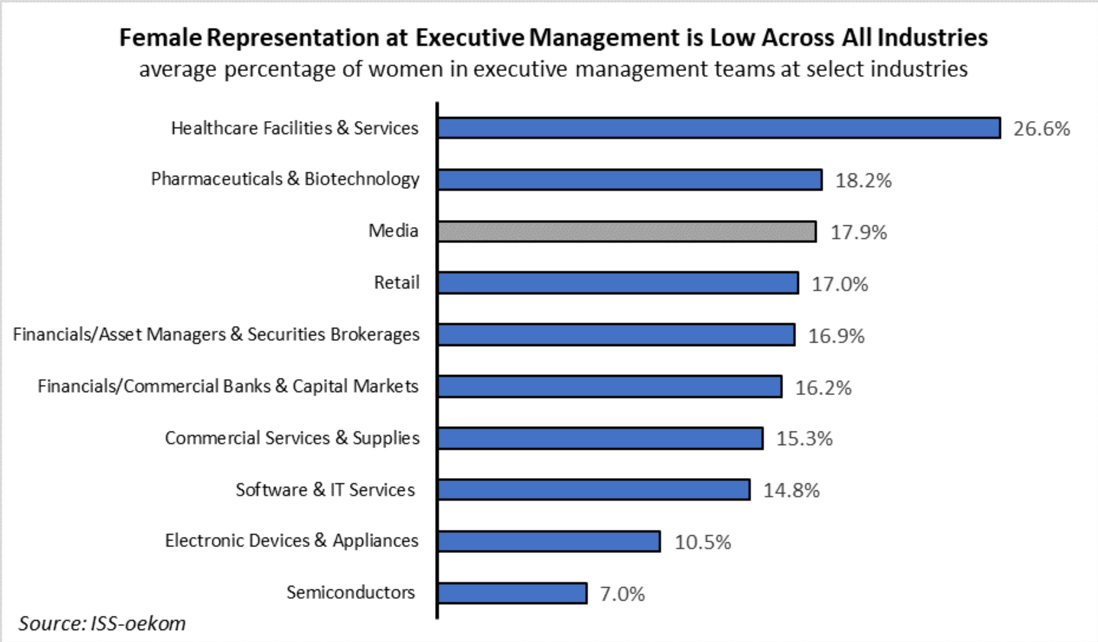
Women are underrepresented at all levels of management

Gender diversity among managers is still lacking at media companies, based on two gender-related data sets from the ISS-oekom Corporate Rating. The first factor looks at the proportional representation of women in management positions. It compares available information on the percentage of women in a company's overall workforce with their share in management positions (middle and upper management).[7] For the most recent reporting year (2017/18) only half of all companies in the industry (38) provide relevant data. The average ratio for these companies is 0.79, indicating that women are still significantly underrepresented in management positions. Only five companies exhibit an equal or slight overrepresentation of women in management positions.[8] Historical data covering a period of five years is only available for one third of companies (23). For this sub-group, the average ratio has evolved from 0.73 in 2013/14 to 0.77 in 2017/18.

The second dataset looks at gender parity in a company's executive management team. In 2017/18, only three media companies achieved an equal gender representation at the executive level, and two exhibited a slight overrepresentation of women.[9] All other media companies (71) had more male than

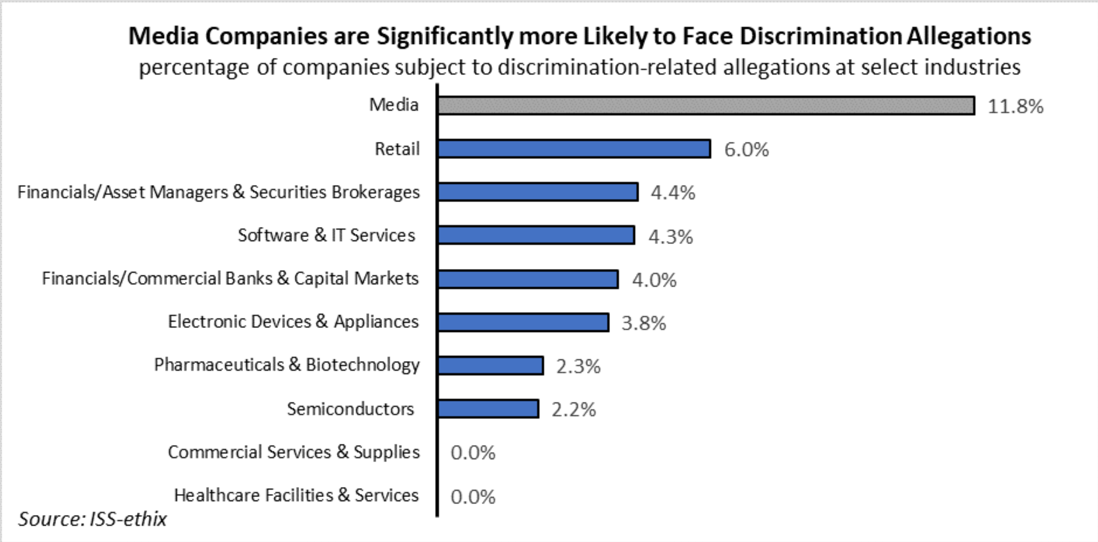
[7] A ratio of 1.0 indicates a situation where women are equally represented in the workforce and in management positions. A ratio below 1.0 relates to an underrepresentation of women in management positions. An overrepresentation is indicated by a ratio above 1.0.
[8] Equal representation: Vivendi S.A.; slight overrepresentation of women: BEC World Public Co. Ltd., Métropole Télévision S.A., Seven West Media Ltd. and Schibsted ASA.
[9] Equal representation: Ilkka-Yhtymä Oyj, Sanoma Oyj and Wolters Kluwer N.V.; slight overrepresentation of women: PT Surya Citra Media Tbk and PT Media Nusantara Citra Tbk.

female members in their executive teams. The average percentage of women in management teams stood at 17.9 percent only. Historical data for a period of five years on gender diversity at top management positions is available for 34 companies. For this sub-group, the share of women in executive teams has actually *decreased* from 21 percent in 2013/14 to 20 percent in 2017/18. Although these are not very high numbers, they are still higher than the average shares for companies from most other relevant industries.



Discrimination-related controversies are a key risk for the media industry

The media industry faces a significant number of discrimination-related allegations. In fact, even though media companies, on average, do slightly better in terms of diversity and inclusion than their peers, the share of companies facing relevant allegations is particularly high. ISS-ethix's Norm-Based Research currently identifies nine companies in the media sample that are subject to ongoing stakeholder criticism regarding alleged failures to prevent workplace discrimination. This represents almost 12 percent of companies in the sample, which is significantly higher than any other industry.



ISS-ethix has noted an increase in the number of sexual harassment allegations raised against companies in the wake of the #MeToo debate – and the media industry seems to be under great scrutiny. At six of the nine media companies facing discrimination-related allegations, those allegations have not (yet) been verified, but the companies have failed to adequately address the concerns. CBS is facing severe sexual harassment allegations, which have not been adequately addressed. Two companies (Twenty-First Century Fox and RELX) are assessed as having initiated adequate steps to address relevant discrimination-related allegations. For example, Twenty-First Century Fox, which has faced significant allegations since 2016, has implemented management changes and established an independent oversight panel to assess its internal systems and policies for recruitment, training and grievance mechanisms.

Taking action on diversity and inclusion

While companies in the media industry have adopted diversity and inclusion policies and measures at par or better than other relevant industries, they are under intense scrutiny. In absolute terms, media companies have significant room for improvement when it comes to diversifying their management ranks and creating safe and inclusive environments for all employees. The exceptionally high prevalence of misconduct allegations sets the industry apart from other industries, raising questions about culture and prolonged tolerance towards bad behavior. However, in view of the #MeToo spotlight, no other industry has been equally proactive in publicly addressing and openly discussing its own shortcomings in relation to diversity and inclusion in the workplace in recent years.

Media companies find themselves at a significant turning point. Given the industry's exposure to the public and its ability to influence cultural norms, media companies have an opportunity to not only overcome their current predicament, but to also set an example and become market leaders in relation to diversity and inclusion.

Below are four practical steps media companies can take to improve their standards:

- **Turn policy into action and make diversity a top-management priority.** This cultural shift can only be achieved if diversity is credibly endorsed and actively promoted at the executive level. Initiatives may involve creating management incentives by linking performance on diversity to executive compensation, as well as introducing clawback provisions in relation to misconduct.

- **Assume responsibility for shortcomings.** Credible endorsement should include a proactive and open approach to addressing existing shortcomings and to initiating remedial action. This may include comprehensive reviews of diversity across the organization and the introduction of training and mentorship programs to improve diversity in leadership roles.
- **Establish clear diversity targets and measure progress.** Goal-setting is equally important for leadership positions and the general workforce. Monitoring the company's progress towards its diversity goals will help emphasize accountability and continual improvement.
- **Promote diversity and inclusion in content.** Media companies have a unique position in relation to their impact on culture, as their products and services inherently reflect perceptions of social values. The incorporation and promotion of diversity and inclusion in their product offerings can have a self-reinforcing effect not only on media companies themselves but on other organizations and society more broadly. Furthermore, inclusive content that reflects societal trends will more likely be sustainable from a commercial standpoint, as it will better resonate with the audience.

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