

## Boards and #MeToo

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#MeToo may no longer dominate daily headlines but its indelible impression remains. Corporate boards' mandate to act in their shareholders' best interest includes not only overseeing strong financial performance, but also recognizing the ways that corporate culture impacts shareholder value. Reputational harm can cost a company in multiple ways, literally, and produce lasting damage.

Claims regarding sexual misconduct should be treated with proper diligence, and while it may warrant more sensitivity due to the nature of the grievance, boards should reinforce that employee misconduct is not tolerated. In our view, the care that boards exercise in reviewing their companies' existing procedures and controls governing corporate conduct already provides sufficient incentives for management to consider whether appropriate action is taken when misconduct complaints are received.

Through understanding these processes, boards may have already assured themselves that accusations of wrongful behavior and similar grievances are handled with meaningful seriousness and follow-through. The attention boards pay to these matters can mitigate associated risks, and perhaps even lessen, or at least better manage, crisis situations that may develop.

However, while ensuring that compliance systems function as designed is important, there is an opportunity for boards to improve corporate reputation through greater engagement in the root cause of the #MeToo problem, the lack of women in business leadership positions.

Without engaging in debates about causal correlation, there is no question that the recruitment of women and minorities at all levels in a company, and the employment of a diverse population with women and minorities represented at all ranks, including as senior executives, would support creating a culture where women are more willingly accepted as colleagues, different viewpoints are welcomed and power dynamics do not create risks. Boards can play a role in shaping such a culture, by becoming involved in not just CEO succession planning, or even executive officer successions, but also the enhancement of female and minority recruitment, hiring, compensation, retention and promotion.

Recognizing the need for a broader, proactive approach to the shifts that #MeToo may engender, rather than simply assuring themselves that the right response will be deployed once the need arises, is the right answer for boards as they continually evaluate changing corporate risks. In this environment of tight labor markets, 24/7 news and incidents going viral immediately, a company's employment culture is a clear indication of how it manages its most important asset, its reputation.

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