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New Report Details Practical Steps Corporate Boards Can Take to Combat Sexual Harassment

Takeaways for Investors, Too: Questions for Directors

Washington, D.C., March 1, 2018 — A new report from the Council of Institutional Investors offers public company boards of directors a menu of steps to consider to mitigate the risk of sexual harassment. The report details practical steps that cover five key areas: personnel, board composition, policies and procedures, training and diversity.

In the past six months, sexual harassment has exploded as a critical risk for boards of directors and shareholders. "From Weinstein to Wynn (Resorts), we have seen how allegations of sexual misconduct can have profound repercussions for companies—damaging the company’s operations and reputation, driving up legal costs, driving down share value and casting an ethical pall over a company," said CII Executive Director Ken Bertsch.

"Overseeing how top executives manage risk is one of the most important duties of a board," Bertsch said. "But in general, many boards have not taken a close look at how their companies are addressing sexual harassment risk, and are struggling with how to exercise effective oversight. CII’s report offers practical ideas on how to tackle this threat."

The recommendations in the 11-page report are not a checklist of must-dos. They offer a range of potential approaches boards can take, and include:

- Making sexual harassment part of the board’s regular risk assessments. Oversight could include reviewing past incident reports and seeking detailed explanations from management about repeat offenders.
- Establishing a means for employees to raise issues to the board through managers close to their level and via a hotline, and creating a culture of trust so that employees feel comfortable speaking up.
- Ensuring that management has a plan to address harassment by third parties, such as vendors and customers.
- Mandating appropriate interactive training for employees, tailored to their responsibilities. Some experts recommend sexual harassment training for boards, too.

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• Recruiting a critical mass of women and minority directors. Diverse perspectives in the boardroom can help hold insiders accountable, especially when sexual harassment occurs.

The guide also provides a list of questions shareholders can ask directors to assess the quality of their oversight of sexual harassment risk (see p.9). “We hope the questions help shareholders in engaging board members on this issue, and in holding directors accountable for oversight of management efforts to deal effectively with sexual harassment and corporate culture” Bertsch said.

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