

Fortnightly Thoughts

April 25, 2013

Issue 53

This is a redacted version of the edition of 'Fortnightly Thoughts' published on April 25, 2013.

Women's Work: Driving the Economy

From the editor: In this edition, we explore the economic opportunity that comes from closing gender gaps by employing more women in the workforce and empowering them as entrepreneurs and consumers. In our three interviews, we ask how leadership, policy and capital can help us to better employ this under-utilised resource in a growth constrained world

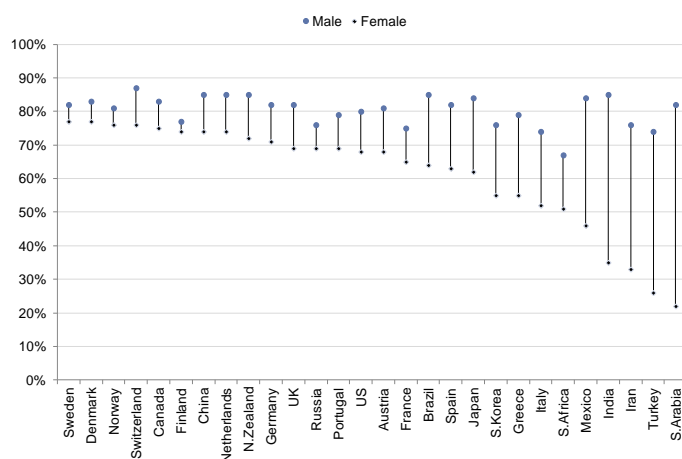
Healthy female participation rates in the labour force and in leadership are a reflection of inclusiveness in countries and companies. Inclusive institutions lead to more innovation, more enduring competitive advantages and a more efficient use of available resources (capital, physical and people). For many mature economies, like Japan and Italy, deteriorating demographics are ongoing concerns and encouraging educated and skilled women to participate in the economy could boost competitiveness and

generate some growth at little incremental cost. For emerging economies with wide gender gaps, resolving systemic issues, such as unequal access to education, capital, jobs and markets, will be important to achieve balanced growth, not just in terms of output, but also social cohesion, stability and trust in institutions, which are harder to measure, but essential to build a strong foundation for their economic evolution. Empowering women employees and entrepreneurs not only contributes to a virtuous cycle as higher female disposable

income trickles down to increased spending on education and healthcare, but also triggers a multiplier effect as women influence others to participate in the economy and invest in their ideas. We explore these topics in our lead article and in our interviews with Gro Brundtland, Melanne Verveer and Jacqueline Novogratz on what could catalyse change. We also have our staples analysts in Europe and Africa on the opportunities of rising spending power of women.

Mind the gap

Labour force participation for men and women, 2011



Source: World Economic Forum.

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Women's Work: Driving the Economy

To identify sustainable competitiveness in countries or companies we first need to understand how effectively they employ their resources and talent. And one measure of this is the level of female participation, as entrepreneurs, as employees and as leaders. The contribution of women to an economy is an often overlooked driver of economic health, especially for countries with wide gender inequality in terms of opportunity. Globally, there are 860 mn women of employable age who aren't a part of the world's workforce, more than the entire population of Europe.

Calculating the incremental advantage from having more women in the workforce is not a straightforward task. Factors such as automation, productivity, technology, economic policies and deep-seated behaviour make it hard to draw definitive conclusions on the impact on output and demand growth, and we will explore each of these factors. However, in many countries where there is already a high proportion of educated women who are not working, the potential economic boost from employing more of them does not necessarily come at a significant cost.

Greater female employment has direct implications for household disposable income and savings, which have a trickle-down effect in terms of higher spend on education and health. And the virtuous cycle that this triggers is key to accelerating economic growth. GDP expansion is not the only consequence however, and we also need to look at factors such as social cohesion, reduced inequality and fulfilment, which are harder to measure. Ageing populations are a rising concern, not just for DMs such as Japan, Italy and Germany, but also (imminently) for some growth economies such as Russia and China. It boils down to simple economics. In a growth and resource-constrained world, maximising returns on investment (in things such as female education) is a priority, and the potential in the female half of the world's population is a solution that could prove very expensive to ignore.

Women and the changing world

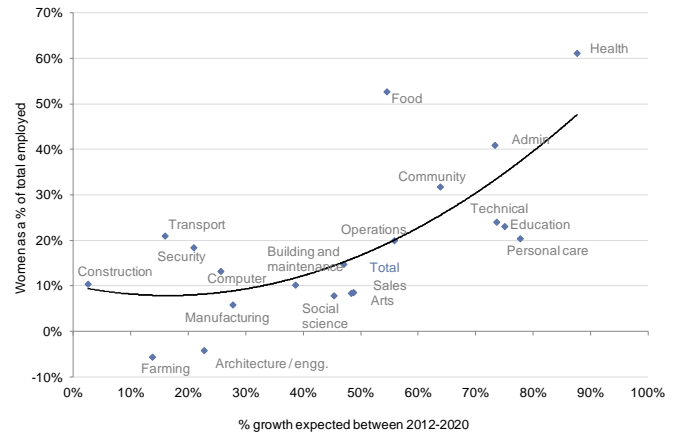
Before we ask what needs to change to bring more women into the workforce, and to keep them there, we want consider how the world is changing today, particularly the composition of the economies, and what that means for women. The first trend, and one we have written about previously, is the rising use of automation in manufacturing and other industries, driven in part by wage inflation in Asia (a reflection of slowing labour supply). If automation reduces the physical demands of jobs, then it could allow more skilled women to enter industries in which they have traditionally been under-represented in (mining, transportation, manufacturing etc.). The other (and we think more important) driver of greater mechanisation in manufacturing is mass customisation, which requires producers to understand their end consumers and tailor solutions specific to them. This should even out the playing field to an extent, as women are responsible for a disproportionate number of household spending decisions. In the US, women control about 60% of household wealth, drive c.80% of all consumption, and influence spending decisions on 75% of residential property, 60% of cars and 40% of televisions.

Automation poses another question; which jobs face significant risk of becoming redundant and which don't? While the increasing capability of machines presents a threat to a broad swathe of traditional jobs, it's hard to dispute that physical, manual tasks are seeing greater labour-to-capital substitution than services, where women make up a larger share of the workforce (more than 80% of employed women in DMs work in the service sector) – in 2011, ten times more industrial robots were sold than services robots, and about 40% of the latter are used in defence activities. If we

consider demographic and technological trends, industries that should see above-average jobs growth over the next decade include personal and health care, food and education, all of which employ more women than average.

Moving the right way

Projected job growth in US industries, 2012-20E, versus female employees as a % of the total in those industries



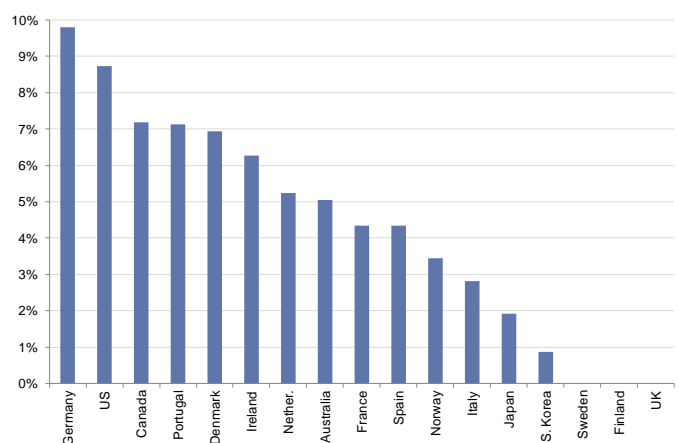
Source: BLS.

The internet has also been an enabler and should create more opportunities for women going forward. Online channels bring down some of the entry barriers for small businesses, which are increasingly being set up by women (30% of SMEs in the US are run by women versus 5% 40 years ago), by reducing the need for physical presence and capital, while also allowing access to a broader audience compared to a bricks-and-mortar outlet. This is also true for female employees in industries where the amount of travel, or the number of hours that must be spent at work, has decreased thanks to the flexibility that the internet provides. For women as consumers, online retail has brought greater choice and, more importantly, greater convenience, thanks to its flexible, time and location-indifferent nature. In other words, the internet allows women to use their time more efficiently, and this could be a more significant driver of participation looking ahead.

The right incentives

Too taxing

Difference between average tax wedges (gap between total cost of employee and take home pay) for single individuals and second earners in households, 2011



Source: OECD.

A good place to start when trying to understand the economic incentives for women to work is the tax policies of countries. In the UK, until as recently as 1980, a two-income household was jointly assessed for tax purposes (a wife's income was added to her husband's income and taxed at his marginal tax rate). Similarly, the married couples' tax allowance created a lower incentive for wives to work, relative to a system where both partners were taxed individually. Over the past few decades, most developed economies have removed such distortions, and this has increased the opportunity cost of women not working, particularly as a second earner in a low-income family. But there is still room to improve in countries such as Germany, US and Canada.

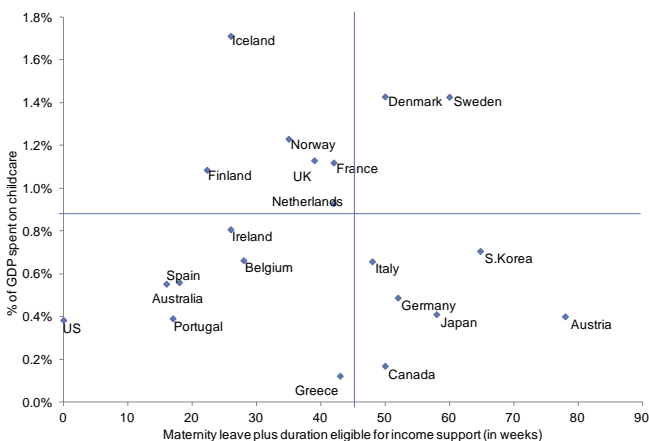
"...it is generally accepted that the wife's natural centre is the home, but in any event, the tax code should not encourage married women to take on work outside while it can be as effectively performed by males or by unmarried female persons, especially in a country where there is a good deal of unemployment and continuous emigration"

- Recommendation of UK Commission on Income Taxation in 1962 (the government did not act on this).

In terms of motherhood, the economic incentives are usually centred on financial aid for childcare and maternity leaves (paid and unpaid). The Scandinavian countries spend a relatively higher proportion of their GDP on public childcare, while Germany, Italy, Japan and South Korea enforce longer paid leaves instead, which can be counter productive. A question for these countries' policy makers, and those in other countries that are headed towards demographic discomfort, should be how to find a balance between sponsoring childcare and implementing maternity leaves.

Helping hands

Statutory leave permitted (weeks) vs. % of GDP spent on childcare, 2011



Source: OECD.

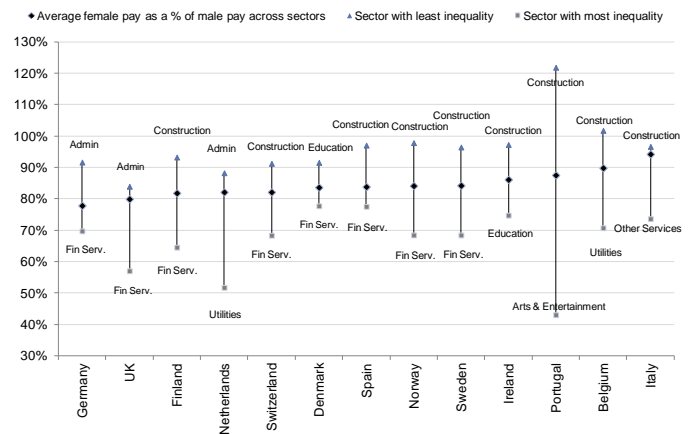
Another factor that dissuades female employees, in some sectors more than others, is the pay differential between men and women. Across industries in Europe, construction scores best (i.e., it has the lowest gender pay gap), a reflection of a low proportion of female workers (2%-9% by country) who tend to be architects, engineers, designers or managers, rather than being heavily involved on the ground. Financial services has the widest pay divergence, with the UK and the Nordics standing out, perhaps reflecting the under representation of women in the higher levels of financial organisations. Based on data from 17 UK financial services companies in the FTSE 100 and FTSE 350 (that responded

to Cranfield University's annual Female FTSE Board Report survey in 2012), more than half of their employees at a junior level are women, but this dwindles to 28% at a senior management level and to 13.5% at board level, indicating that the average female headcount for these companies (47%) is skewed heavily by younger employees.

Another factor working against female participation is the difference in retirement ages of men and women, something that is being addressed in many mature economies. Japan and Germany have increased the pensionable age for women to bring it in line with men over the last 10-15 years, while the UK, Switzerland and Australia have pushed through similar changes more recently.

Not a level paying field

Female pay as a % of male pay in the sector with the most and least inequality and the average value across sectors, 2011



Source: Eurostat.

In the longer run, however, there are few factors that can be seen to be responsible for driving women into work as much as education. Resolving disparity in access to primary and higher education (where the divergence is wider) could go a long way to bridging the gap between male and female labour participation. For every 100 boys who go to school, 95 girls accompany them in the OECD economies, versus only 84 in low-income countries, with the ratio being particularly low in India and Sub-Saharan Africa. This discrepancy is repeated in tertiary education in these developing countries, whereas in the mature economies women outnumber men by 15% at universities.

The disparity arises once again in the subjects that are studied. Women account for only a quarter of advanced degrees in engineering and manufacturing, but more than 70% of degrees in education, the humanities, health and welfare. So even before women enter the jobs market, their profile is very different to that of men. In order to solve the problem of fewer women in the workforce, these systemic issues will need attention. Some countries need stronger policy support, to incentivise parents to send their daughters to school, while in others, where a bigger pool of talent is necessary in the STEM (science, technical engineering and mathematics) fields, more women will need to be encouraged to consider a broader range of subjects in universities.

But is that enough?

For countries that need more women to work, particularly those with deteriorating demographics, is it sufficient to focus on education, equal pay, maternity support and technology? Japan, which faces an urgent need to address its shrinking workforce, has

a relatively high proportion of educated women in a technology-heavy economy, but it still lags other developed nations in terms of female participation. It's a similar picture in South Korea. 89% of the women in the country complete secondary education (compared to 88% of men), but it has a relatively unbalanced workforce, both in terms of participation and income. In Latin America, reforms and policy changes in some of the major economies have been a key factor in improved female education levels that should lead to higher employment over the next generation. Within the BRICs, India scores most poorly on the population ratio, education, employment and leadership, and will need stronger policies to remedy these inequities and achieve sustained growth. The countries where labour participation has risen the most among younger women are South Korea, Japan and Russia, and if this trend can be carried through over the next decade, as these women grow older, it could be very positive for improving labour supply. On the other hand, the proportion of women between the ages of 25 and 29 in the US who are in the workforce has been declining over the past decade (67% in 2011 vs. 73% in 2000), perhaps reflecting the impact of the financial crisis. Cultural aspects are hard and slow to change and so, where it is necessary, governments will have to enforce stricter regulations to prompt a change in schooling, hiring and voting behaviour.

Of course, pushing through policy changes (such as setting a minimum level of female employees or even board members) to include more women in the workforce is difficult, particularly in countries where persistent unemployment has been an ongoing issue. More women joining the workforce at a time when machines are making many traditional jobs redundant poses an additional risk to men's employment prospects and could be unpopular, especially in countries where female political participation and leadership is low. For instance, in our interview with Gro Brundtland on page 7, she refers to Norway in the 1930s, when women were asked not to pursue jobs at the expense of men amid widespread unemployment. There is also a risk that such policies could be perceived as interference with an efficient, free labour market, and seen as measures that could bring down productivity. And so, depending on the scale and root cause of the gender imbalance problems in countries, the way forward will have to be a combination of policies (to catalyse behavioural change) and more sustainable measures to better educate and empower women with the necessary skills and reduce entry barriers (such as access to capital, jobs and markets).

This is equally, if not more important for developing economies with gender gaps, as they try to catch up with the rest of the world. Enabling women, particularly as entrepreneurs, benefits future generations because women tend to spend more on their children's education and health, which should boost productivity as well. EM countries that have seen female participation rise over the last two decades include Brazil, Mexico and Nigeria.

There is some interesting insight from the Goldman Sachs 10,000 women program, which is an initiative that was set up five years ago with an aim to provide 10,000 underserved female entrepreneurs with skills, mentors, networks and links to capital in order to help grow their businesses and, as a result, help grow local economies. So far, 82% and 68% of the women in the program have respectively grown their revenues and hired more employees 18 months after completing their training. Equally interesting, nine out of ten graduates also mentor other women, to help them in their businesses. So, there is also a multiplier effect

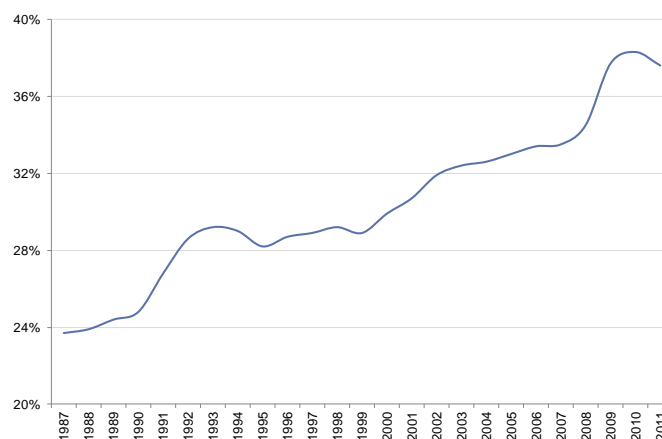
as businesswomen involve (and inspire) other women to earn independently.

Why is this important for companies?

Women are estimated to control about 65% of all spending decisions globally, as Rosie Edwards writes on page 13, and this is not limited to what are traditionally considered female categories. Research suggests that in most cases women, unsurprisingly, have veto power on many of the big ticket purchases in households. This makes the case for women being involved in the design, manufacturing and marketing of a huge range of goods and services. On page 17, Tatyana Lukina focuses on the role of female consumers in Africa, and the growth potential of consumer companies as women's disposable income and spending power rises from a relatively low base in the EMs.

Steadily rising

Percentage of working wives who earn more than their husbands, US



Source: BLS.

A more diverse workforce could also reduce group-think and inherent biases, provide employers with access to a broader talent base and a bigger pool of ideas, and contribute to the reputation of companies as recruiters. And finally, for businesses that are increasingly competing, selling or acquiring globally, being more inclusive and employing women helps with relationship building and integration, especially if clients and target companies are more gender balanced.

We have written previously, that for countries to succeed and sustain success, it is essential that they build institutions that are inclusive. In our view, recognising and honing the potential in women is a facet of this inclusiveness. This is important because country-level success is often reflected in the competitive advantages of firms within them, and their ability to innovate.

In other words, womenomics is an important piece of the investing jigsaw puzzle. There are various studies that look into the correlation between the presence of women in the workforce, or on company boards, and the growth or performance of those companies. But the relationship is complex and it's difficult to filter out other influences and focus on this one variable. However, it's hard to argue that companies that willingly or unwillingly close themselves to women and their talent, ideas and skill sets, are not at a disadvantage, relative to those that identify, nurture and retain this abundant resource.

Measuring inequality

Female to male ratios, 2012 or latest (e.g., for every 100 boys born, for each US\$100 a man earns) except years with female head of state and dependency ratio

| | Sex ratio at birth | Literacy rate | Enrollment in primary education | Enrollment in secondary education | Enrollment in tertiary education | Labour force participation | Wage equality for similar work (survey) | Estimated earned income (PPPUS\$) | Professional and technical workers | Legislators, senior officials and managers | Women in parliament | Women in ministerial positions | Years with female head of state (last 50) | Population of age 25-64 / 64 and above |
|-------------|--------------------|---------------|---------------------------------|-----------------------------------|----------------------------------|----------------------------|---|-----------------------------------|------------------------------------|--|---------------------|--------------------------------|---|--|
| Finland | 96% | 100% | 100% | 101% | 122% | 96% | 77% | 78% | 124% | 42% | 74% | 100% | 32% | 3.4 |
| Norway | 95% | 100% | 100% | 100% | 163% | 94% | 75% | 100% | 106% | 46% | 66% | 111% | 25% | 4.0 |
| Sweden | 94% | 100% | 99% | 100% | 154% | 94% | 69% | 91% | 102% | 48% | 81% | 109% | 0% | 3.1 |
| Denmark | 94% | 100% | 102% | 103% | 145% | 92% | 73% | 88% | 109% | 31% | 64% | 64% | 2% | 3.5 |
| Russia | 94% | 100% | 100% | | 135% | 91% | 62% | 62% | 180% | 59% | 16% | 19% | 0% | 5.2 |
| Canada | 94% | 100% | 100% | 96% | 136% | 90% | 73% | 81% | 130% | 56% | 33% | 37% | 1% | 4.3 |
| China | 88% | 94% | 100% | 97% | 110% | 88% | 66% | 65% | 108% | 20% | 27% | 13% | 8% | 7.7 |
| Kenya | 98% | 93% | 101% | 94% | 70% | 88% | 68% | 65% | | | 11% | 18% | 0% | 16.7 |
| Switzerland | 95% | 100% | 100% | 97% | 99% | 88% | 64% | 92% | 91% | 43% | 40% | 75% | 10% | 3.6 |
| France | 95% | 100% | 100% | 102% | 128% | 87% | 43% | 68% | 97% | 63% | 23% | 26% | 2% | 3.4 |
| Germany | 94% | 100% | 100% | 100% | 89% | 87% | 62% | 74% | 101% | 61% | 49% | 50% | 17% | 3.0 |
| Netherlands | 95% | 100% | 100% | 102% | 112% | 87% | 69% | 88% | 99% | 38% | 69% | 50% | 0% | 3.8 |
| Portugal | 93% | 97% | 100% | 110% | 119% | 87% | 57% | 64% | 107% | 45% | 40% | 22% | 1% | 3.4 |
| Australia | 94% | 100% | 101% | 102% | 135% | 85% | 65% | 82% | 116% | 58% | 33% | 26% | 4% | 4.4 |
| N.Zealand | 95% | 100% | 100% | 101% | 146% | 85% | 76% | 71% | 125% | 67% | 47% | 40% | 28% | 4.5 |
| US | 95% | 100% | 100% | 102% | 141% | 85% | 67% | 93% | 120% | 74% | 20% | 38% | 0% | 4.5 |
| Austria | 95% | 100% | 101% | 98% | 118% | 84% | 59% | 62% | 87% | 39% | 39% | 86% | 0% | 3.5 |
| UK | 95% | 100% | 100% | 103% | 140% | 84% | 68% | 74% | 90% | 53% | 29% | 21% | 30% | 3.5 |
| Thailand | 95% | 96% | 99% | 112% | 131% | 83% | 74% | 62% | 125% | 31% | 19% | 10% | 2% | 7.0 |
| Poland | 94% | 100% | 100% | 102% | 143% | 81% | 51% | 57% | 152% | 57% | 31% | 29% | 3% | 4.7 |
| Peru | 95% | 89% | 101% | 101% | 109% | 80% | 57% | 61% | 84% | 24% | 27% | 20% | 2% | 8.8 |
| Ireland | 94% | 100% | 100% | 102% | 122% | 78% | 77% | 75% | 115% | 47% | 18% | 17% | 71% | 5.1 |
| Spain | 94% | 98% | 100% | 102% | 124% | 77% | 55% | 60% | 98% | 48% | 56% | 44% | 0% | 3.7 |
| S.Africa | 98% | 96% | 100% | 111% | 91% | 76% | 65% | 55% | 110% | 43% | 73% | 67% | 0% | 11.6 |
| Brazil | 95% | 100% | 102% | 110% | 129% | 75% | 52% | 61% | 109% | 56% | 9% | 37% | 3% | 8.3 |
| Singapore | 93% | 96% | | 95% | | 74% | 81% | 100% | 82% | 46% | 31% | 0% | 0% | 7.0 |
| Japan | 94% | 100% | 100% | 100% | 89% | 73% | 60% | 55% | 87% | 10% | 12% | 13% | 0% | 2.5 |
| S.Korea | 93% | 100% | 99% | 99% | 72% | 73% | 54% | 44% | 69% | 11% | 19% | 14% | 2% | 5.7 |
| Argentina | 95% | 100% | 99% | 111% | 151% | 71% | 62% | 49% | 118% | 30% | 60% | 21% | 14% | 5.3 |
| Greece | 94% | 98% | 101% | 99% | 110% | 70% | 65% | 53% | 96% | 40% | 23% | 6% | 0% | 3.3 |
| Italy | 94% | 99% | 99% | 100% | 141% | 70% | 49% | 54% | 89% | 50% | 28% | 20% | 0% | 2.9 |
| Paraguay | 95% | 98% | 100% | 107% | 143% | 67% | 59% | 62% | 102% | 52% | 14% | 8% | 0% | 9.9 |
| Indonesia | 95% | 94% | 102% | 99% | 89% | 61% | 67% | 42% | 81% | 28% | 22% | 13% | 7% | 10.4 |
| Chile | 96% | 100% | 100% | 104% | 106% | 60% | 49% | 49% | 102% | 32% | 17% | 22% | 9% | 6.4 |
| Mexico | 95% | 97% | 100% | 104% | 97% | 55% | 58% | 45% | 70% | 44% | 36% | 27% | 0% | 8.6 |
| Nigeria | 94% | 70% | 91% | 77% | 71% | 53% | 73% | 57% | | | 7% | 39% | 0% | 12.7 |
| UAE | 95% | 102% | 104% | 101% | | 46% | 75% | 46% | 28% | 11% | 21% | 22% | 0% | |
| Iran | 95% | 90% | 101% | 87% | 101% | 44% | 63% | 21% | 50% | 15% | 3% | 10% | 0% | 12.0 |
| India | 89% | 68% | 99% | 79% | 73% | 42% | 62% | 27% | | | 12% | 11% | 61% | 11.0 |
| Turkey | 95% | 89% | 98% | 93% | 79% | 35% | 63% | 30% | 54% | 11% | 17% | 4% | 6% | 9.7 |
| Egypt | 95% | 79% | 97% | 96% | 91% | 30% | 82% | 26% | 51% | 12% | 2% | 12% | 0% | 10.5 |
| S.Arabia | 95% | 90% | 99% | 106% | 112% | 27% | 62% | 17% | 38% | 8% | 0% | 0% | 0% | |

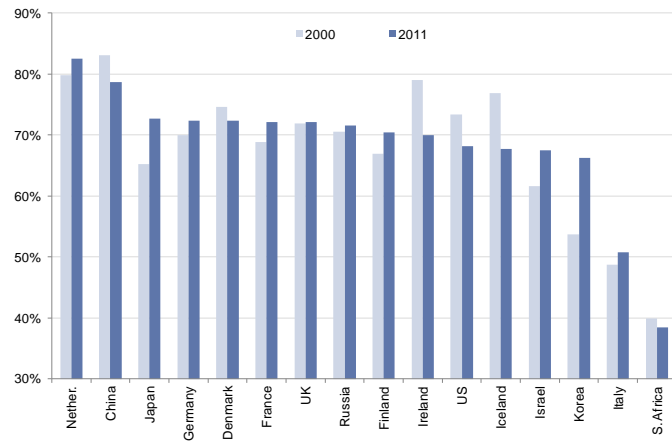
Source: World Economic Forum, UN Statistics.

We thank Sandra Lawson, Kathy Matsui, Noa Meyer and Kevin Daly for their help with this issue.

Six charts on women

Women at work

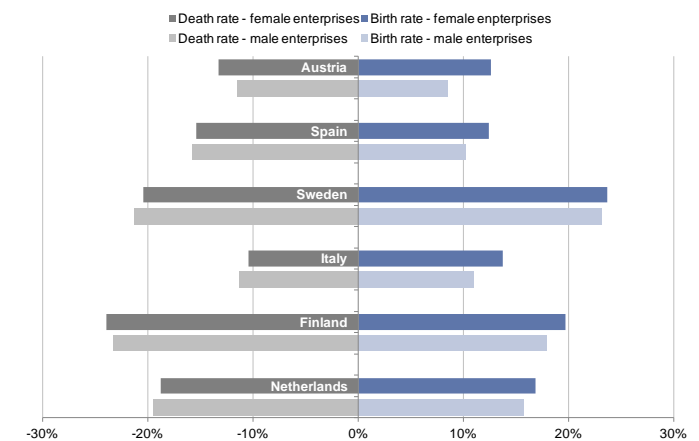
Labour force participation, women of ages 25-29, 2000 v. 2011



Source: OECD.

No entrepreneurship gap

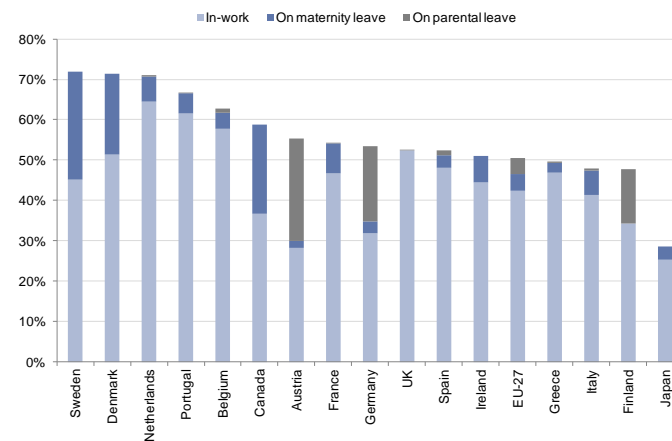
Birth/death rate of women and men-owned enterprises, 2009



Source: OECD.

Mother care

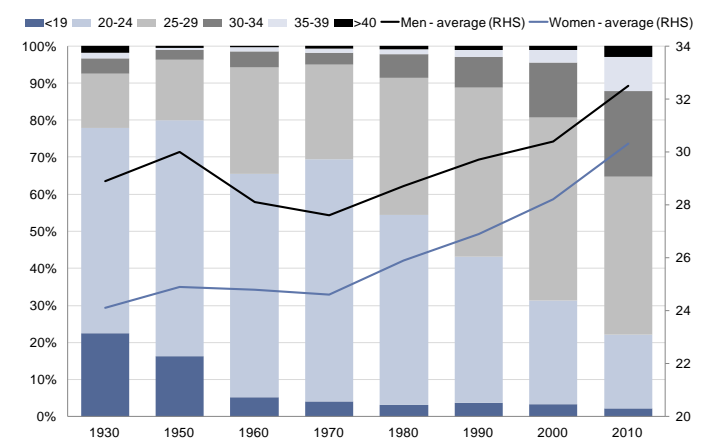
Distribution of mothers with children under 3 years, 2008



Source: OECD.

The new age brides

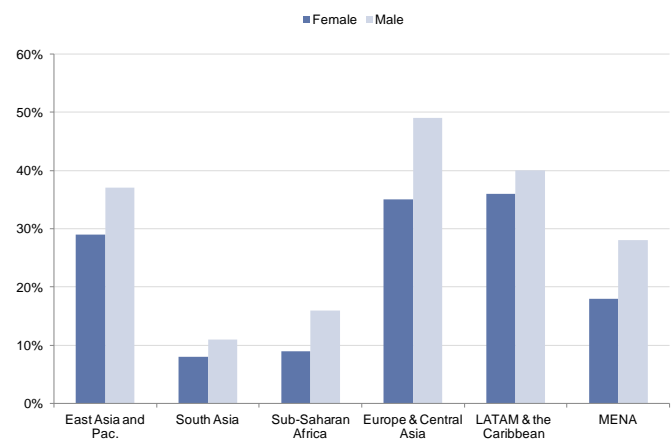
Distribution of women by first marriage age and average first marriage age for men and women in Japan



Source: IPSS, Govt. of Japan.

The online divergence

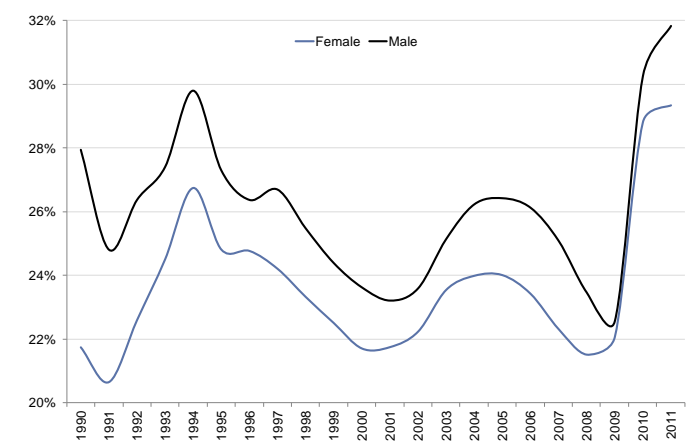
Internet access levels by gender and region



Source: Intel (Women and the web).

Decoupling again

Long-term unemployment rate, OECD



Source: World Bank.

Interview with...Gro Brundtland

Dr. Gro Harlem Brundtland served as the Prime Minister of Norway in 1981 and during 1986-1989, and 1990-1996. She was the youngest and the first ever woman prime minister in the history of Norway. She spent 10 years as a physician and scientist in the Norwegian public health system and has worked on health and environment-related issues internationally. She served as the Director General of the World Health Organization from 1998 to 2003 and championed the principle of sustainable development as the Chair of the World Commission of Environment and Development (the Brundtland Commission). In 2004, Financial Times listed her as one of the five most influential Europeans in the last 25 years. She was also awarded the Third World Foundation Prize for leadership on environment issues.



Hugo Scott-Gall: Why does the world need more female leaders? And how can that be realistically achieved?

Gro Brundtland: Whether we're looking at leadership in corporates or in politics, there's no doubt that there is still a lot of untapped potential in women. And this means that the world is not using a resource that could also make our economies a lot more productive.

A lot needs to happen on the policy front for greater economic

participation from women around the world. The problem is that despite noticeable improvements in indicators such as women's access to healthcare, safer child birth, education and increased life span, female participation in the labour force remains low. And there are many cultural or traditional factors behind this. For example, in many countries, this is a result of lower pay for women compared to men. So, depending on the family situation, this wage differential translates into a situation where it makes economic sense that the man works while the woman takes care of children at home.

Social policies which make it possible for women to manage child birth and work have been found to be very effective in some economies. Take the Nordic countries for example, female participation in Norway's workforce increased from 50% to more than 70% in just three decades which is quite a rapid change. While this is a result of multiple factors, social policies that institutionalised pregnancy leaves and gave women the right to be away for a certain number of days a year for child care certainly played a big role.

Hugo Scott-Gall: Which countries are making progress on female leadership? And what role does that play in encouraging more women in the workforce?

Gro Brundtland: It differs between corporate and political leadership. In Asia for example, China is one of the few exceptions in terms of the high number of female business leaders. But it scores completely differently in the political sphere. Latin America lags Europe, but has moved in the right direction over the last 20 years, certainly faster than most parts of Asia. A good example is President Dilma Rousseff of Brazil, who previously worked for President Lula. Latin American countries are making visible

progress and have increased the involvement of women in the political space.

Having said that, it's important to note that certain Asian and Latin American countries have had a number of female leaders, not because they now look at men and women more equally, but because they follow an elite clan or family-based system, as a result of which women come into power simply by the virtue of being daughters or wives of men who were leaders. That happens in democracies too. Look at India for example. While being the daughter of a previous male leader made Indira Gandhi a candidate, she was ultimately elected by a fully democratic process. Pakistan and Sri Lanka have similar narratives too.

But irrespective of whether the election process is democratic or not, female leaders do become role models for women and this in itself can trigger a cultural change by providing evidence that women can lead nations.

“It takes time for people to change their attitudes and look beyond the roles that are pre defined for men and women in a society.”

Hugo Scott-Gall: If having more women in the workforce is a desirable outcome, both socially and economically, what stops countries from following the example of the Nordics to encourage more female participation?

Gro Brundtland: The lack of rules and policies is a big inhibitor, but the issue is also cultural to some extent. It takes time for people to change their attitudes and look beyond the roles that are pre-defined for men and women in a society. This is an issue across the world. Japan, for example, faces an ageing population and a worsening dependency ratio, but despite these factors, which make it crucial for it to increase female participation in the workforce, it hasn't been able to adapt its policies in a way that makes it easier for women to work. This is probably a result of the way its society is structured, which gives men a dominant position in politics and other spheres of life.

There are also countries which remain extremely “traditional” or “old-fashioned” in their views about the issue. In these places, women are still looked upon as second class citizens and they continue to be dependent on their fathers, brothers or husbands for the simplest of things. In fact, this attitude is so deeply ingrained in some cultures that it becomes difficult for them to even accept that women should have equal rights to inheritance or access to bank accounts. All of these factors hinder economic

independence for women and create barriers for them in entering working life, directly also hindering their ability to start small businesses.

The World Bank has increasingly stressed that empowerment of women is an important asset for sustainable development, for economic growth and for improved societal results. And so, we are seeing a rising amount of pressure on developing countries to improve themselves around these issues.

When women start entering new fields, they are initially an absolute minority in an otherwise male dominated system and it is then that it is most difficult for women to break through. But as more and more women join, taking the ratio to say 20% or 25%, they are no longer an exception, and that is when change really starts to happen, whether it is in politics or in other professions. So, in a way we need to achieve a critical mass of women before things really start to change, and once that happens, women can't be overlooked anymore.

Hugo Scott-Gall: There could be social consequences of men losing jobs to women...do you think high youth unemployment rates present a threat to more women joining the workforce?

Gro Brundtland: Absolutely. Competition of this kind is certainly one of the several aspects which lead to an opposition in the minds of men against changes in the society which benefit women. I remember my mother telling me that in the 1930s that there were arguments in the labour movement asking women not to seek jobs amid widespread unemployment, as it was important that men had jobs first. My mother was all for equality and social fairness, but she could see why not having a male breadwinner in the 1920s, 30s was a real problem. She told me she could understand why the labour movement took that position. But this was eventually overruled and the right to employment applied to everyone, including women, by the 1940s.

The youth unemployment levels in some economies today are worrying. I believe that it is a terrible and extremely dangerous social issue, but it is equally dangerous for men and women. Today, both young men and women in many developed economies take it for granted that they are supposed to work. And so, unlike the previous generation, parents today will be nearly as shocked by having their 25-30 year old daughters being unemployed as they would be in case of their sons being unemployed.

But I don't think the notion seen in the 1920s and 30s persists today. People now understand that the right to employment is for everyone, including women.

However, men are still too often born and brought up in a culture where they are supposed to be the breadwinner, and so, to ensure that they don't feel insecure, change needs to happen in a harmonious manner. We need to consider all the aspects which are part of making the labour markets more flexible and open to women.

Hugo Scott-Gall: Do you think with the advances in technology and the advent of the internet age, that jobs have become more accessible to women, by reducing barriers to entry like physical effort, travel or working hours?

Gro Brundtland: Yes. Innovation has created these new forms of employment and I have seen many examples of young and middle

aged women using the internet to establish small businesses. Even in Africa, where countries are struggling with high unemployment, bright young students are very much aware of social media and look at how it can help them create jobs. My work with the Elders allows me to interact extensively with young people, particularly in Africa, and a lot of the discussion we have is online. They have personally taught me a lot. They look at the world in a different way, because they believe that they can access almost everything. So there are certainly many positive developments that technology have brought about for women.

Hugo Scott-Gall: How, if at all, does the presence of women affect decision making processes?

Gro Brundtland: It's hard for women to influence decisions as a small minority. But once the number of women hits the critical mass of 10-20 percent, it does affect decision making. When I was a cabinet minister, there was a paper submitted to the cabinet by the ministry of agriculture which had earlier been asked to evaluate the possibility of providing low-fat milk as a regular part of the product line for the dairies in the country on a large scale. People wanted 2% or 1.5% milk as a regular feature in the regional shops, while only a 4% "whole milk" variant was available back then. In the paper, the minister argued against the proposal because he believed that the investment needed would make it economically too costly. I was one of the four women in the cabinet at that time, and all of us spoke against his recommendation. We made the key point that he had only evaluated the economics of the manufacturing process, while not considering the important nutritional value for the people. He did not account for the cost of ill effects on health. The four of us succeeded in overturning his decision.

To me, this instance was an early illustration that men and women deal with some aspects differently. And this is just one anecdote; I've seen several instances of this play out in my career. And so, when women participate in the decision making, they do introduce a complementary way of looking at the same thing, which may be very beneficial.

Hugo Scott-Gall: Would you have done anything differently had you been a man?

Gro Brundtland: Hard to know. But I am conscious of the fact that I did put in deliberate efforts as a young female politician to push for changes in women's rights both in Norway and internationally. If I had been a 35 year old, male environmental minister, I wouldn't have had the same incentives to promote changes for women. I belong to a generation where being a young woman in the cabinet made me part of a minority, and so, I naturally felt the responsibility to promote changes on behalf of women and society more broadly. I believed that families would benefit if both men and women had a chance to be employed and if both took care of their children and built their family in a more equal way. But steps needed to achieve progress on female empowerment affect a lot of things. For instance, while implementing pregnancy leave creates new opportunities, it is also a cost in the budget short term. Reforms are not simple and straightforward to carry through. So, if I were not a woman, I would probably not have pushed for these changes in such a prominent way.

Why Abe-nomics needs “Womenomics”

Kathy Matsui, head of GS Japan equity strategy and co-head of Economic, Commodities and Strategy research in Asia, on the role of womenomics in Japan’s revival.

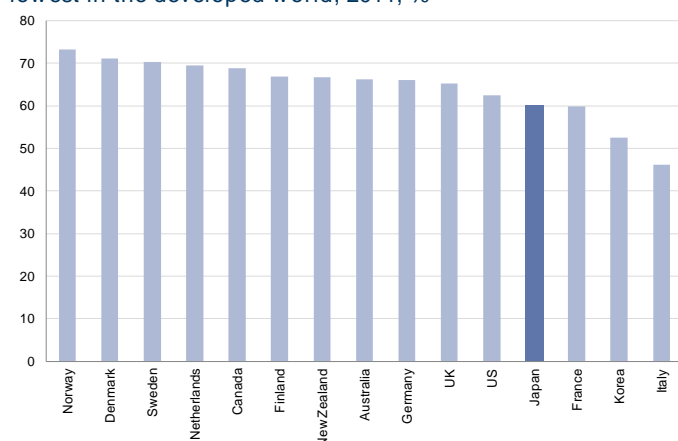
Given Japan’s severe demographic headwinds, the nation cannot afford to waste its most underutilised asset – its women.

Since there is no indigenous Japanese term for diversity, the word diversity is simply the phonetic pronunciation, ‘dai-ba-shi-tee,’ and it is therefore often regarded as an imported concept. This was particularly true back in 1999, when we first broached the topic of Womenomics. At that point, Japan had a less demographically challenged population, and therefore many felt that diversity wasn’t a priority.

Today, however, the economic realities of a shrinking workforce, deflation pressures, fiscal strains and intensifying global competition have created an extremely challenging operating environment for corporate Japan. Looking forward, Japan’s total population is projected to shrink by around 30% by 2055 (IMF) as the number of births falls to 40% of the 2005 level, the working age population halves and the proportion of the elderly doubles (when we wrote our report, “*Womenomics 3.0: The Time is Now*”, in 2010 the number of pets in Japan outnumbered children under the age of 15).

The good news is that since our initial Womenomics report 14 years ago, Japan’s overall female employment rate (the percentage of women aged 15-64 who are employed in either full-time or part-time work) rose to a record level of 60% in 2011 from 57% in 1999. However, compared to other developed nations, Japan’s ratio still ranks among the lowest, suggesting that many in corporate Japan still do not understand the business rationale for hiring and retaining women.

Japan’s female employment ratio of 60% still ranks among the lowest in the developed world, 2011, %



Source: ILO, MHLW.

For example, a 2012 government committee recommendation to require listed firms to disclose their gender statistics in their financial statements failed to gain approval because some companies opposed making their gender ratios public. The problem is that it’s very difficult to move the needle if you don’t know where the needle is in the first place. Greater awareness building is needed to convince managers that a more diverse workforce can actually benefit the bottom line.

The unfortunate reality is that roughly 70% of Japanese women quit work after giving birth to their first child. This is despite the fact that Japanese women tend to be highly educated, as the university enrollment rate for 18-year old females (76.5%) is actually higher than that of equivalent males (76.2%). In most OECD countries, the participation rate of university-educated women stood between 70% and 90% in 2007, while the equivalent ratio in Japan stood at just 66%.

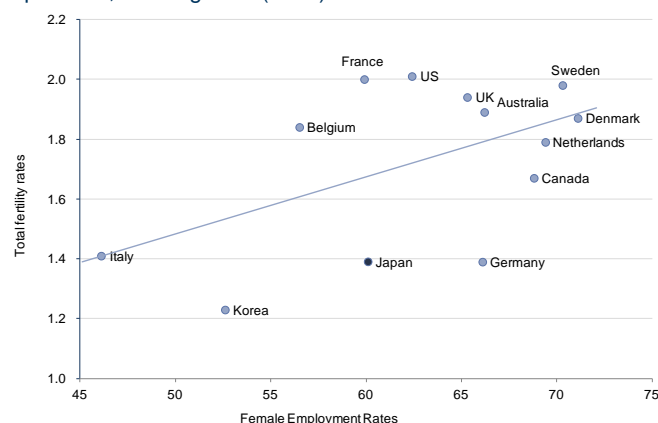
Obstacles to higher female employment include insufficient childcare and nursing care support, tax distortions (which discourage married women from pursuing full-time jobs), the inadequate focus of the private and public sectors on diversity, and rigid immigration laws.

Against this backdrop, it is encouraging to see that the new Abe government, as part of its structural reform agenda, has begun proposing concrete steps to raise female employment, arguing that “women are Japan’s most underutilized resource.” Specific initiatives include:

- (1) encouraging businesses to set a target of at least one female executive per company;
- (2) expanding daycare capacity; and,
- (3) extending childcare leave from 1.5 years to 3 years.

Obviously much more progress needs to be made with respect to implementation of flexible work arrangements, more objective evaluation and compensation systems and immigration reforms. Above all, however, a national mindset shift must occur. For instance, the myth that higher female employment lowers the birth rate must be shattered in Japan, because empirical evidence completely contradicts this (see the following chart).

Correlation between female employment rates and birth rates is positive, not negative (2010)



Source: MHLW.

Globalisation is forcing Japan Inc. to focus on diversity

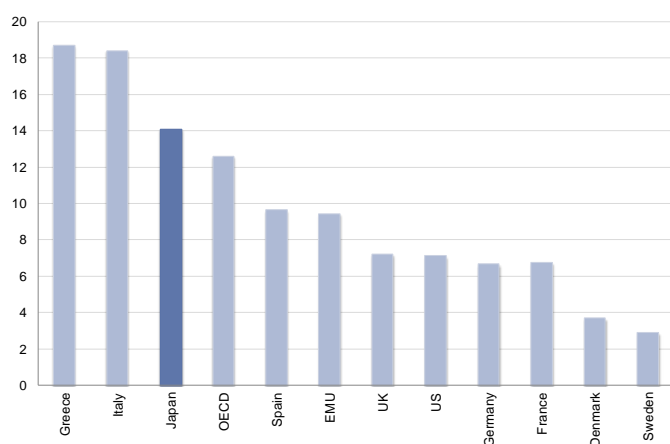
While access to more diverse talent in the midst of a shrinking domestic workforce is a primary driver for growing corporate awareness about Womenomics, another key factor is globalisation. Firms such as Nissan Motor and Fast Retailing are regarded as diversity leaders in their respective industries, and this is partly driven by the fact that the increasingly global nature of their businesses means that diversity is no longer an option, but a business imperative. In order to manage their global businesses, such firms are expanding their recruitment of more diverse talent, resulting in a growing intake not only of non-Japanese individuals, but also of females, who tend to have spent more time living and studying abroad during the past 10-20 years than their male peers.

Growth dividends

What's the economic upside from Womenomics? If Japan's female employment rate (roughly 60%) rose to match that of males (around 80%), this would add roughly 8 mn employees to the workforce, and the level of Japan's GDP could be boosted by as much as 14%. According to our colleague, Kevin Daly's comparative analysis, Japan stands to become one of the biggest potential beneficiaries of womenomics in the developed world (see the chart below).

Womenomics could raise Japan's level of GDP by as much as 14% if the gender employment gap closed

Potential increase in GDP levels assuming female employment rates match that of males, %



Source: GS Global ECS Research estimates.

Power of the purse

While overall Japanese consumption has been anaemic during the past several years of deflation, female spending trends have been relatively resilient. Relative to men, Japanese women tend to spend more on items such as cosmetics/toiletries, healthcare-related, housing/repairs & maintenance, and gardening-related. Females own more credit cards than males, and females are also accounting for a greater proportion of certain mortgage products than before.

In our 2010 report, we introduced a list of potential "Womenomics winners." This list is dominated by small- and mid-cap stocks, and is concentrated in the daycare/nursing care, restaurant/food, beauty, apparel, real estate, internet and financial-related sectors. We remain convinced that Womenomics will remain a secular investment theme in the stock market.

While Womenomics is only part of the solution to Japan's demographic and growth challenges, we believe that given the limited alternatives, Japan has no choice but to tap its most underutilised resource. It's hard to run a marathon with just one leg.

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Interview with...Melanne Verveer

Melanne Verveer was appointed as Ambassador-at-Large for Global Women's Issues (a position created for the first time) in 2009, by President Obama. In her capacity as director of the Department of State's new office on Global Women's Issues, Ambassador Verveer coordinates foreign policy issues and activities relating to the political, economic and social advancement of women around the world. She most recently served as Chair and Co-CEO of Vital Voices Global Partnership, an international non-profit organisation that invests in emerging women leaders and works to expand women's roles in generating economic opportunity, promoting political participation, and safeguarding human rights. Prior to this, she also served as Assistant to the President and Chief of Staff to the First Lady in the Clinton Administration.



Hugo Scott-Gall: You served as the first United States Ambassador-at-Large for Global Women's Issues. Why was this position created?

Melanne Verveer: President Obama and Secretary Clinton recognised that to tackle, let alone resolve, some of the most pressing challenges we confront around the world – whether having to do with security, economics, the environment and more – women needed to participate at all levels of society, across all the sectors. And so, the

immediate goal in creating this position was to integrate women's issues across the range of activities and policies in which the US Department of State is engaged. These extend from the global developments which the regional bureaus address, to economic statecraft, to human rights and others, as well as to the participation of the Department on multi-lateral platforms like APEC, the OECD, the G-8, etc. This position recognised the simple fact that no country can progress if it leaves half of its people behind.

Hugo Scott-Gall: Do you think the US is an ideal blueprint in itself, or are there areas where it can do much better? The Scandinavian countries appear to be far ahead if we look at female labour participation for example...

Melanne Verveer: There are some areas in which we lead and there are others in which we aren't doing as well as we should. If we look at the annual World Economic Forum Gender Gap Report that measures the gap between men and women on four metrics, education, health and survivability, economic participation and political empowerment, the US has not broken into the top 10. But is in the top 20 countries. We know from the WEF's analysis that around the world significant progress has been made in closing the education and health gaps, but economic participation is nowhere near where it should be, and political empowerment has the farthest to go.

We have seen that in countries where the gap between men and women on these four metrics is smaller, those countries are far more economically competitive and prosperous. By tapping the potential of women more significantly, they have improved their countries' status. The leadership of the Scandinavian countries, for

example, has made a concerted effort in their policies to enhance women's progress. And, when women make progress, all of society makes progress.

In the US, women comprise close to half of our workforce. Many are the sole breadwinners or co-breadwinners whose salaries are critical to the families' well being.

A sizeable proportion of mothers with children under the age of one are in the formal workforce. Yet, our policies haven't evolved significantly from the days when far fewer women were in the workforce. We are the only developed country without paid maternity leave and we have a critical need for affordable, quality child care. Women still do not earn equal pay for equal work. I think we need to do a better job of enabling our workers to be both good parents and good workers. Furthermore, women comprise a small number of top management positions in companies and few serve on boards of directors. So we have our work cut out for us if we are going to close the gender gap in the US and contribute to our economic competitiveness.

Hugo Scott-Gall: What stops other countries from following the example of Scandinavia?

Melanne Verveer: For a country to match those levels, a basic requirement is a leadership which recognises the importance of gender equality, both for a well functioning economy and for the general betterment of society. Through advanced policies in the area of parental leave or flexible working arrangements, for example, there is greater support for parents as workers. This in turn enhances their productivity, creates greater social cohesion and personal satisfaction.

Norway enacted a quota to ensure greater participation of women on boards of directors. Their decision reflected an understanding of the role women play in the economy, the contributions they can bring to corporate success and the need for further gender equality. Data suggests when two or three women serve on a board, it has a positive impact on a company's bottom line. The experiences and perspectives that women bring to corporate decision-making leads to more effective outcomes.

This is true for public policy as well. If parliaments and other legislative bodies at all levels of government are devoid of women's voices, talents and experiences, the policies do not reflect half the population. Yet those very policy decisions affect women, their families and societies. Furthermore, important issues like combating violence against women or workplace discrimination may never get on the legislative agenda.

What is required is greater political will and an understanding of why gender equality is not just the right thing to do, but also the smart thing to do.

Hugo Scott-Gall: What are the barriers to female entrepreneurship?

Melanne Verveer: Female entrepreneurship is a key accelerator to grow GDP. Yet women confront significant barriers in creating small and medium size enterprises. They often lack training, mentors and networks, markets, credit and technology. Today more and more companies are recognizing the importance of investing in women's entrepreneurship.

Goldman Sachs' "10,000 Women Program" has focused on providing business training to women who seek to grow or expand their businesses. The GS evaluations show that this is a high yield investment that has resulted in both jobs creation and greater profitability for the businesswomen who have participated in the program.

The Coca-Cola Company has committed to creating 5 mn new female entrepreneurs by 2020. Wal-Mart has a significant women's economic empowerment initiative that addresses both training and sourcing from women-run SME's. These are but a few examples. The State Department has focused significantly on addressing ways to enable women to overcome the barriers. Women entrepreneurs have much more difficulty in becoming export ready. One way the State Department addressed this need in Africa was to create the African Women's Entrepreneurship Program to enable them to better tap the African Growth Opportunity Act which significantly eases trade with the United States.

Women also have difficulty accessing technology. A GSMA study shows a gender gap in access to mobile technology. Access to even a simple cell phone can produce enormous benefits. During a recent trip to India, a leader of SEWA, the Self-Employed Women's Association, told me how cell phones have transformed meeting the inventory needs of spice sellers. They were able to create better management of the movement of their products to buyers and in turn increase their profits significantly. The greatest benefit of the cell phone will ultimately be to enable the poor – who are still largely unbanked -- to be able to safely protect their money and to engage in financial transactions with greater ease. Similarly, Intel recently released a study on the gender gap in the internet. If not addressed, women will lose out even more in the 21st century economy.

Beyond these, access to capital poses the greatest obstacle to the success of women entrepreneurs. There is significant work being done, for example, by the IFC in this area. Collectively, we all need to do a better job to ensure that SMEs can get the credit they need from commercial lending institutions. The World Bank has noted that SMEs are the "missing middle" where growth occurs and jobs are created. Women entrepreneurs have an especially important role to play yet they will not be able to do so without greater efforts being made in the area of access to capital. In many places, women entrepreneurs also confront discriminatory regulations, laws and customs that impede their participation. Clearly, governments need to make greater efforts to address these barriers if economies are going to grow.

Hugo Scott-Gall: Is it a bit too optimistic to think that owing to the confluence of technology, the interconnectedness of the world and the high economic growth in emerging economies, some of these countries in Africa and Asia as well, can achieve female

participation faster than economies in the West did (when compared with GDP and income per capita growth)?

Melanne Verveer: There is considerable leapfrogging occurring today. When I met a group of poor women who were benefiting from the work of the Grameen Bank in Bangladesh, I found it striking that almost all of them had a cell phone. Not too many years earlier there was little access to the telephone. Technology can help to close the poverty gap faster and enable societies to overcome lack of progress in development sooner. Much work needs to be done at every level to address these issues.

In 2010, during the time that Japan had the leadership of APEC, the forum that comprises the 21 economies of the Asia-Pacific region, it was clear to many of us that APEC had little or no focus on the role of women's economic participation in growing economies. There were a number of studies that showed that the region was being short-changed – according to one study in excess of US\$40 bn annually – because the potential of women was not being tapped. A determination was made to add a 'women and the economy' component to APEC during the multi-lateral discussions that started that year in Japan. The following year, under US leadership, APEC included the first summit on Women and the Economy in which high-ranking government ministers of the economy, trade, finance, etc participated as well as high-level private sector participants. Together, commitments were made to chart ways to enhance the growth of women-run SMEs and address existing barriers. This year, Indonesia will host the 2013 APEC, including the Women and Economy Summit.

“Women entrepreneurs have an especially important role to play yet they will not be able to do so without greater efforts being made in the area of access to capital. In many places, women entrepreneurs also confront discriminatory regulations, laws and customs that impede their participation

Hugo Scott-Gall: There's definitely evidence of a strong correlation between economic growth and female participation, but is GDP too blunt a measure, one that doesn't capture broader benefits? Are things such as social cohesion, belief in justice and fairness, security etc. also correlated with greater female participation?

Melanne Verveer: I think the arguments are often based on GDP growth as that more persuasively speaks to policy makers, particularly the growing body of research and data. But that said, the point you make is absolutely true. We have seen that investments in women and girls provide a high yield dividend in terms of poverty alleviation and general prosperity. If we look at the way women spend their incomes, we see a double dividend, as upwards of 90% is reinvested in the community, in education and health, essentially, in raising the standard of living.

Women's engagement in peace negotiations and post conflict decision-making provides a greater potential for sustainable peace and stability. A key element in creating a better future is economic opportunity and again, women's economic participation is crucial. In short, this is both right and strategic. Indeed, it is imperative for the kind of world we all want to see.

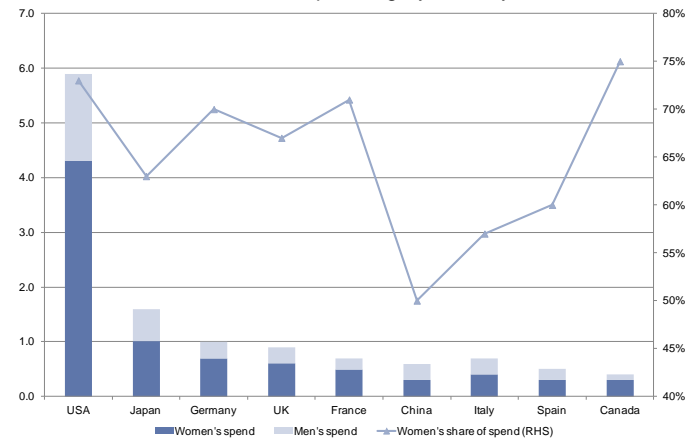
What women really want

Rosie Edwards, who covers HPC within our Consumer Staples team, gives insights into priorities for women's spending.

Women account for the majority of consumer expenditure

Women control the majority of purchasing decisions and their influence is growing. Globally, women account for c.65% of consumer purchases although this varies significantly by country: it's in North America that women account for highest levels of expenditure (73% and 75% in the US and Canada respectively), while in China it's broadly aligned with the population gender split. Women's spend could, in our view, be limited in certain emerging markets where men remain the primary decision-makers.

Women control 65% of global consumer spending
Women's share of consumer spending by country

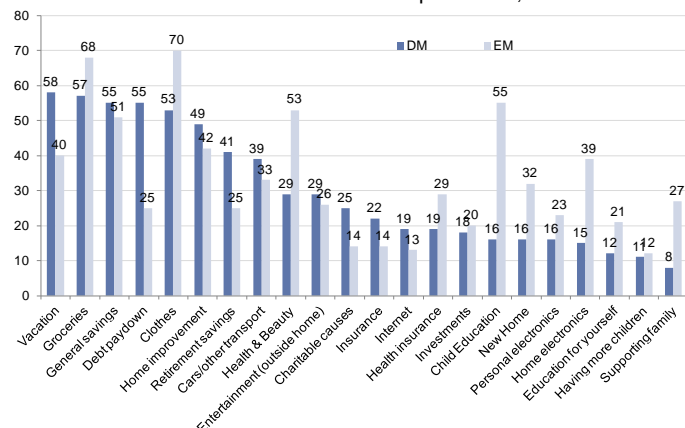


Source: Harvard Business Review, September 2009.

Which categories will see incremental spend from women?

In DMs, women are most likely to allocate increased expenditure to holidays, groceries and financial management (e.g., savings, debt paydown). In EMs, females are expected to increase spend on clothing, groceries, child education and health & beauty. In this article we explore some of these themes and show how to get exposure.

Priority for increased spend differs for EM and DM women
Where will woman allocate additional expenditure; DMs vs. EMs



Source: Nielsen.

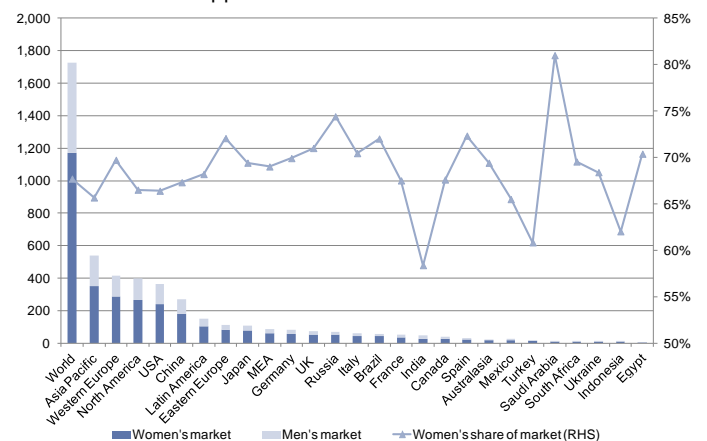
Education's all you need

Education is the area in which we see the greatest disparity in women's spending priorities; in DMs education of women is considered the norm, whereas in EMs access to female education is far more limited and therefore aspirational. Securing education for their children is therefore a top priority for EM women after providing for basic essentials such as food and clothing. This is driving an increase in education participation rates, particularly in the BRICs, as more children go to school and for longer periods. Pearson estimates that 68 mn children globally currently miss out on schooling compared to over 100 mn ten years ago.

Clothing: Expect US\$270 mn incremental spend from women

We estimate that the global apparel market will increase from €1 tn of sales in 2011 to €1.4 tn by 2020, representing a 3.6% CAGR. As, on average, women account for approximately two thirds of the global apparel market, we expect women to account for US\$270 mn of incremental apparel spend by 2020.

Women on average account for 68% of apparel spend
Women vs. men's apparel market



Source: Euromonitor.

Packaged food: A priority for women in both EMs and DMs

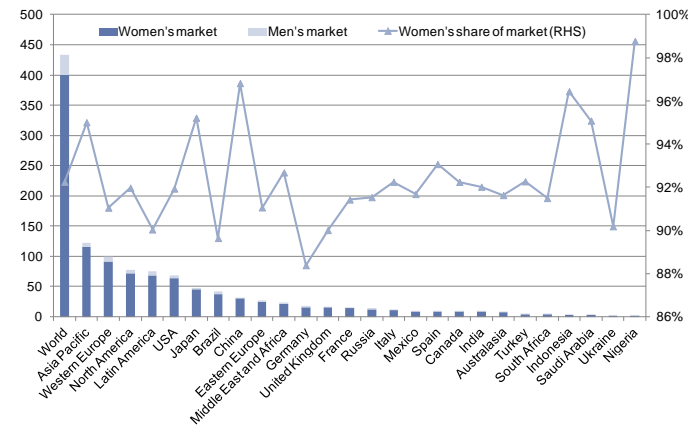
We see groceries as the second highest contributor to incremental women's spend in both EMs and DMs, despite the industry being considered mature (with stagnating volumes) in many developed countries.

In DMs, pockets of growth can be created via innovation or through the exploitation of consumer trends e.g., health. This can create new fast-growing sub-categories (e.g., coffee pods) or change the make-up of categories (e.g., Greek yoghurt in the US, which has gained a significant share of the overall category). In EMs, increased female employment will in our view support increased consumption of packaged food (as well as increasing urbanisation and access to refrigeration) as families seek convenience.

Personal care: A market targeting women almost exclusively

Beauty and personal care is a category targeted at women; men’s grooming (toiletries and shaving) accounts for only 8% of the global market and often the actual purchases are still being made by women. We believe personal care is a structurally well positioned category; we see significant upside to the global market (driven by rising incomes in emerging markets), high premiumisation potential driving growth in developed markets, and relatively low risk of margin erosion from commodities and promotions.

Beauty industry is almost exclusively targeted at women
Women vs. men’s beauty & personal care market



Source: Euromonitor.

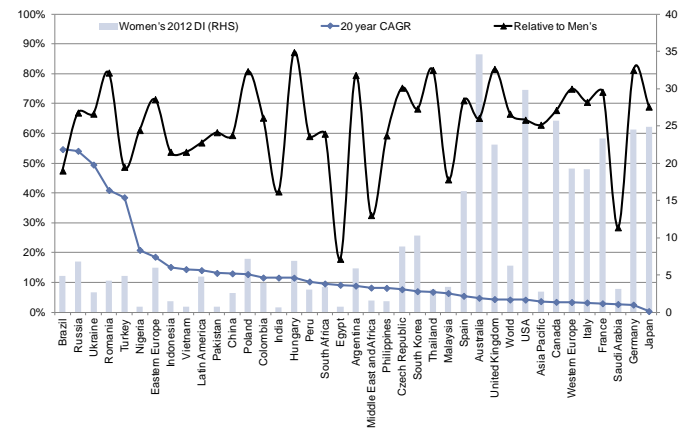
Our analysis of the long-term upside potential suggests the personal care market could grow to over six times its current size, from approximately US\$400 bn today, to US\$700 bn by 2020, and ultimately to US\$2.4 tn once EMs reach mature consumption levels. Women are the main driving force behind this upside, coupled with increasing incomes.

Within developed markets, as with packaged food, we see growth within personal care as consumers trade up. Within skincare, we expect particularly strong growth from the anti-ageing segment (a c.US\$23 bn global market) as a result of women’s desire to maintain healthy and attractive skin; this also correlates with global ageing demographics. Analysis shows that as women age they spend more on skincare products, driving premiumisation within the category; women under 25 spend on average €10.9 per unit vs. €15.5 for those aged between 40-59 and €17.8 for those over 60.

Women are getting wealthier, increasing demand for luxury

Female per capita disposable income (DI) has grown at a 4.0% CAGR over the past 20 years, with Brazil and Russia having the fastest growth. Despite rapid growth of EM female DI there is still significant upside relative to DMs. Furthermore women’s disposable income, as a proportion of men’s, is lower in EMs (e.g., 56% in BRICs vs. 70% in DMs).

Brazil and Russia show the highest female income growth
Women vs. men’s beauty & personal care market



Source: Euromonitor.

Rising disposable income and growth of the global middle class is changing the landscape of the luxury market; historically affluent and high-net-worth consumers have been the key growth drivers, however, going forward we see more meaningful demand being generated within the middle class. We expect the addressable market (individuals with incomes over US\$30,000) to almost double by 2025, equivalent to an additional 580 mn luxury consumers. Much of this growth should originate in China, which accounts for over 25% of the new addressable market by 2025E, and where there is a high propensity to spend on luxury goods; on a per capita basis, luxury goods spend is the highest globally (US\$1,576), having already surpassed Japan (US\$1,156) despite lower per cap DI levels.

We believe women will be a key driving force behind increased Chinese luxury spending; females account for approximately 40% of total disposable income, in line with the global average, as a high female employment rate (>70%) compensates for the gender imbalance caused by the one child policy. Furthermore, in the Chinese luxury market, in contrast to other global markets, men currently account for the majority of spend, and therefore, increased female penetration is a key driver of growth going forward. Within categories of particular relevance for women, we have a preference for jewellery and leather goods given high barriers to entry and concentrated market shares within these industries.

Male-dominated categories turning to women for growth?

Increasingly we see manufacturers in typically male-dominated categories (such as tobacco and alcohol) launch innovations catering to the female population e.g., VOGUE cigarettes, light beer variants such as Bud Light Platinum and cider). Smoking prevalence is much lower in women than men (8% vs. 40% globally), as is alcohol consumption (9 vs. 21 litres per capita consumption). Therefore, the female population offers growth opportunities for beverage and tobacco manufacturers as women’s increasing financial independence drives increased consumption.

Rosie Edwards

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Interview with...Jacqueline Novogratz

Jacqueline Novogratz is the founder and CEO of Acumen Fund, a non-profit global venture fund that invests in social enterprises, emerging leaders, and breakthrough ideas to solve the problems of poverty. Prior to Acumen Fund, she founded and directed The Philanthropy Workshop and The Next Generation Leadership programs at the Rockefeller Foundation. She also co-founded Duterimbere, a micro-finance institution in Rwanda. She sits on the advisory boards of Sonen Capital and the Harvard Business School Social Enterprise Initiative. She serves on the Aspen Institute Board of Trustees and is a member of the Council on Foreign Relations and the World Economic Forum Global Agenda Council for Social Innovation.



Hugo Scott-Gall: What is the role of capital in fighting inequality between and within economies?

Jacqueline Novogratz: Investment and provision of capital is absolutely critical to innovation and growth. If we look at early stage entrepreneurs, in particular they have no mechanisms for R&D or for long-term investment in innovation. Moreover, these entrepreneurs often lack a significant track record operating

a business, and so, training these entrepreneurs is an additional cost of building up companies. This is why it's crucial to develop new kinds of capital instruments that are focused on early stage entrepreneurs. We also need to extend beyond the traditional definition of philanthropy and make it possible for philanthropists to back these early stage innovations. Patient capital is a way of achieving this end. By following this approach, not only are we enabling R&D, but in the longer-term, we will also be able to bring in much more traditional capital. For instance, the US\$85 mn that Acumen has invested across 75 companies enabled almost US\$368 mn of additional capital to flow into those companies in the developing world. Also, we need to employ capital instruments across the whole spectrum, from philanthropy to venture capital. And if you are focused on fighting poverty and inequality, then empowering women is essential, it is an important upstream enabler. The focus should really be on measuring outcomes and impact, not just financial returns.

Hugo Scott-Gall: How do you think about patient capital versus broader aid measures?

Jacqueline Novogratz: I think that some aid measures are less likely to succeed because they follow a top-down approach, i.e., they often define poverty in terms of income rather than freedom and access to opportunity and choices. Even traditional capital markets have failed the poor, and this is why we need a different kind of investment strategy, tailor-made to support companies that serve low-income people, one which is not limited to investing in the traditional way but also has a philanthropic component.

Having said that, some of the real successes have relied on government participation as well. For instance, we invested in an ambulance company in India called Ziqitza Healthcare Limited that had the ethos of providing service to both rich and poor. Neither private sector operators nor governments had proven to be effective before. But from a base of nine ambulances, the company has expanded to 1,000 vehicles, 5,000 employees, and

serves 2 mn calls today. It has grown to become a model for the world in the field of emergency services and the reason why it could reach this scale is that the small private company became a public private partnership. I believe that we need to use the market as a listening device to understand what works and what doesn't work, and then build the tools which can ultimately solve that problem. Investment is a means, not an end in itself. And it is this reorientation of how we think about investing which is critical to combat inequality.

Hugo Scott-Gall: You write about why institutions matter, do you see some countries where institutions are changing for the better?

Jacqueline Novogratz: I see institutions changing in every country we have worked in, and in most of the cases, it is driven by the next generation of entrepreneurs. Look at the Unique Identification project in India, which Nandan Nilekani, one of Acumen's partners, is working on. By getting the details of a billion people into a common database, the project will allow the government to think more strategically about how it makes decisions. We are seeing some real disruptive innovation in different kinds of institutions as well. Sproxil, for example, is a company which uses a mobile application through which individuals can text in the numbers written on the back of their medicines to determine if they are genuine or counterfeit products. This makes a big difference in a country like Nigeria where an estimated 70% of medicine is believed to be counterfeit. But innovation like this will only be fully utilised if it is taken seriously by larger institutions. If I have to cite an example, it would be Ghana, where I see real institutions changing for the better.

Hugo Scott-Gall: Do you think there are different sets of risks associated with investing in female entrepreneurs versus male entrepreneurs?

Jacqueline Novogratz: From a perspective of identifying entrepreneurs with ideas that can potentially achieve scale and sustainable growth, there is no difference in the way that we think about investing in male and female entrepreneurs. But some of our portfolio companies do extend their work to have an even greater impact on women. Take the example of Husk Power which uses a rice gasification process to deliver affordable safe energy to some of the most far flung rural villages in Bihar in India, where kerosene is predominantly used. In this example, the entrepreneurs really wanted to train women as they thought that women are more diligent and hardworking, but they found it extremely difficult to provide them the necessary training due to the lack of education and conservative nature of these communities.

So at a micro level, there are often constraints that arise when our companies try to sign up women as employees or franchisees. It is important to recognise these cultural nuances. In the example I

mentioned, Husk Power was determined to train this one woman for instance, so that she could then train other women whose husbands were uncomfortable with their wives interacting closely with a male trainer. So, despite being incredibly capable of building systems, companies and franchises, women often have constraints around their mobility, and restrictions on how far can they go from their homes or if they can leave their homes at all, and it is important to recognise these constraints. Having said that, particularly with the entrepreneurs we invest in, there is a level of grit and determination that knows no gender.

Hugo Scott-Gall: What are some of the common misconceptions that exist about Africa?

Jacqueline Novogratz: Very often, people either romanticise Africa and associate it with bright blue skies and the savannas or they focus too much on its deficits, destruction, destitution and despair. But personally, I see strongly growing vitality in some of the African countries and it is extremely interesting that investors are now beginning to recognise Africa as the next frontier.

I have seen hubs of young Kenyan entrepreneurs trying to change their country by coming up with incredibly innovative ideas that in many ways are already leapfrogging the West. Mobile banking is one such innovation. Even the poorest people in Kenya transfer money to each other's accounts through mobile phones. Knowing that even the dollar-a-day farmers have cell phones today, entrepreneurs are using technological innovation to increase productivity in the agricultural sector. For example, a company called Virtual City has created a mobile-based platform which has significantly changed the way tea cooperatives work. The old tea cooperative of the 1980s used to be ineffective, inefficient and too often corrupt, but today, farmers can bring their tea to the co-op, get it weighed digitally, get a receipt instantly and this data can be simultaneously sent to the trucking depot, making the whole process much more fast, efficient and effective. These efficiencies translate to a 13% increase in the incomes of 350,000 farmers in a single harvest, and they are just starting to leverage these technologies.

Hugo Scott-Gall: Are you seeing more competition in your space with the investment world becoming a bit more interested in regions like Africa? Or is there still a lot of capital that needs to be raised?

Jacqueline Novogratz: According to a recently published report, US\$8 bn is being invested this year under impact investing and this should increase to US\$1 tn over the next decade. So, the world is embracing the idea of using capital to generate social productivity, as opposed to just financial returns. But there is a lot of money which needs to be raised at the early stage of a business. Monitor Group collaborated with us to release a report last year titled, "*From Blueprint to Scale*", which showed that despite the fact that 90% of the deals require financing when they are in an early stage, only six of the 84 funds in Africa are actually focussed on early stage investments. This is why we deliberately focus on the potential for philanthropy to back patient capital, which we invest in pioneering entrepreneurs.

We have been investing in a company called d.light for the last eight years. Its mission is to stop poor people from using dirty, polluting kerosene and convert to solar light instead. They have already brought light to 14 mn people and are on course to bring affordable light to 100 mn people by 2020. Most of their consumers are women, who are disproportionately affected by

respiratory infections because of the kerosene they use for cooking. And while they don't necessarily think of the associated health benefits when they buy these lights, these women think of the extra hours this allows their children to read at night, about the money that they save by not buying kerosene and about their own ability to work later into the night.

So there is enormous opportunity to build companies that take a stakeholder approach and recognise the poor, the women, as critical to the world from an investment perspective. d.light was started as a simple non-profit which was trying to create an opportunity by bringing solar light to a specific group of people, but by recognising that we could put in patient capital and combine it with significant grant money, we have been able to see the company grow significantly in recent years.

Hugo Scott-Gall: Is it very optimistic to expect more women participating in the workforce on more equal terms, and see this as a driver for faster economic growth in the future?

Jacqueline Novogratz: It is surely possible and the Goldman Sachs Foundation has been one of Acumen's strongest partners over the past five years in promoting leadership development opportunities for women across South Asia and Africa. The Foundation has sponsored some of our Global Fellows and we collaborate on various training workshops for participants in Goldman Sachs's 10,000 Women Program in Kenya and India.

We are seeing countries invest in their women, both in the developed world and in developing countries. In Kenya, for example, banking is a sector in which more and more women are entering the workforce. In our East Africa Fellows programme, 50% of the members are women and they are doing incredible things. One has founded a company called Thamani Gems and works with over a 100 small scale miners. Another has been working on fair trade, and yet another one has an incubator for young entrepreneurs in Kenya. So, I am seeing growing confidence, intellect, and a real force for change coming out of these women. And it is not limited to Africa. An entrepreneur in Pakistan, Roshaneh Zafar for example, started a non-profit micro-finance bank called Kashf, a part of which she later converted into a for-profit commercial bank with our help. The company has 350,000 women borrowers today. It is extremely thrilling to see examples of such woman, stepping forward to create a change.

I believe in giving women the tools they need to build the kinds of companies that the world needs to see. And I don't think we are far away from seeing more and more female entrepreneurs at the million dollar investment level. The women we invest in at an early stage are the future disrupters of larger scale companies. This does not happen overnight and you have to build a huge pipeline of women, so that a proportion of them can create more change, innovate and drive growth.

When I lived in Rwanda in 1986, I started the country's first micro-finance company, where I primarily worked with women. Then there were three women parliamentarians, and they were all extraordinary. But more broadly, the level of confidence, the level of education in women was very low. Today, Rwanda has more female parliamentarians than any other country in the world. These changes have occurred in single generation. Women are developing a new set of skills and frankly, a new set of expectations for their countries. That gives me much reason to be optimistic.

Half the sky, but how much of the purse?

Tatyana Lukina, our Retail and Consumer analyst, looks at the role of women in Africa's consumption story.

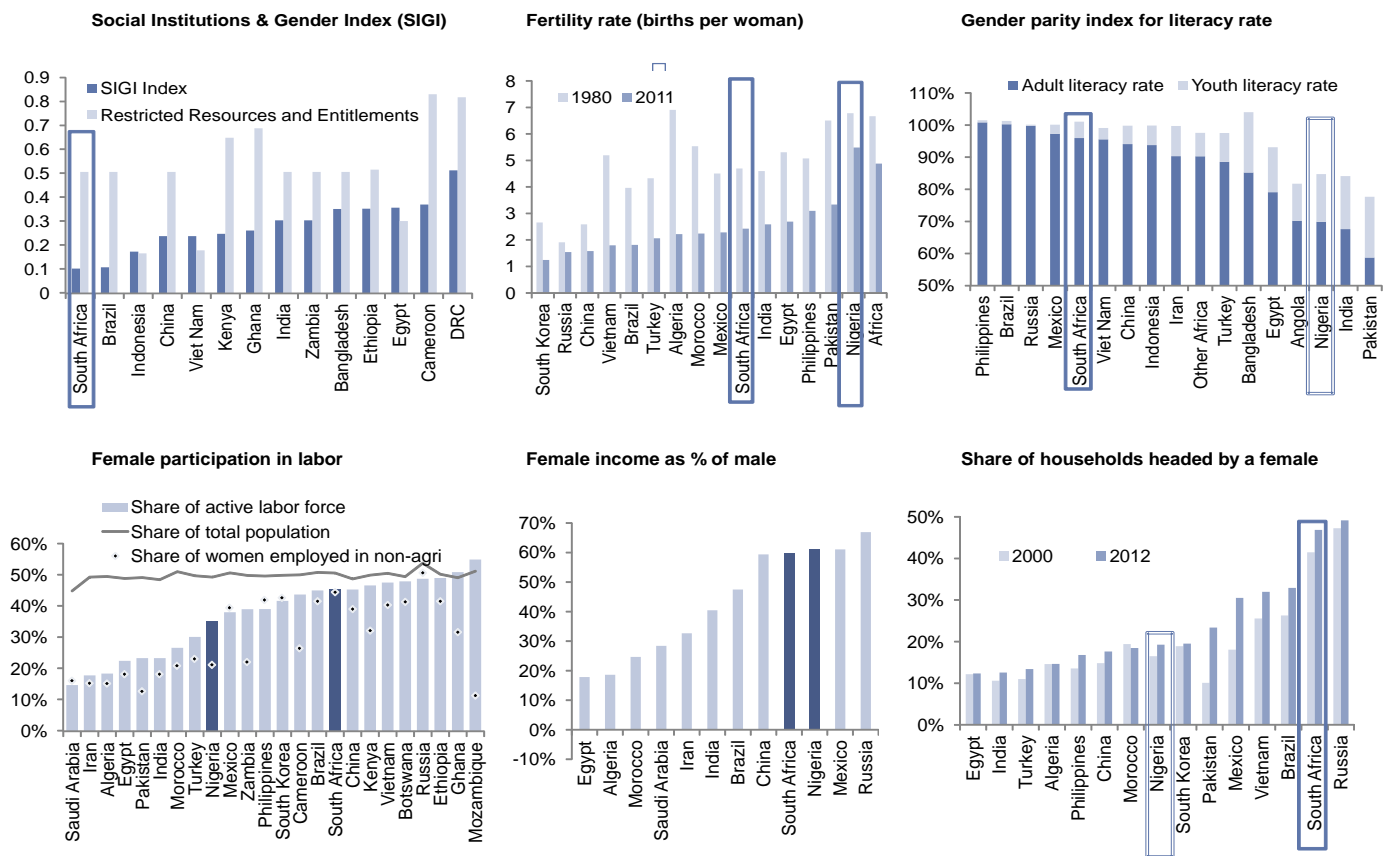
Women hold up half the sky, in some places more than others

Despite all the effort put into improving gender equality, Mao Zedong's famous proclamation is still far from a reality in most of the developing world. Women continue to be discriminated against on many levels, socially and economically, including having restricted access to education and employment. Fertility rates remain high in most of Sub-Saharan Africa, as well as the Middle East, India and South-East Asia, with women bearing on average four to six children.

Zooming in on Africa, we focus on South Africa (the continent's wealthiest economy) and Nigeria (the largest). While South Africa is currently the major consumer market, with GDP per capita four times the continent's average, the long-term growth opportunity clearly lays elsewhere. South Africa's economy is growing at 2%-3% pa, while we see above 7% average annual potential growth for the other countries of Southern Africa. We expect Nigeria's GDP to exceed that of South Africa in the 2020s.

Along with differences in wealth levels, the fortunes of women also vary. In South Africa, women generally receive their fair share, being quite equally represented in the labour force and earning reasonably high income vs. males, in comparison to other countries. The share of women employed in the non-agricultural sectors and the share of households headed by a female in South Africa is second only to Russia among EMs.

The scorecard



Source: OECD Development Center 2012, World Bank, UN Statistics 2012, Euromonitor 2012.

Fertility rates have dropped materially over the past decades, freeing women for more active participation in the economy. However, we believe that the average is not uniformly true for all parts of South African society, and given high levels of poverty and unemployment in the country, we believe that there still is much room for improvement at the lower income level.

In other African countries, including Nigeria, women are still significantly under-represented in the labour force, and those that work are primarily involved in the agricultural sector. However, we believe a material improvement in female literacy over the past generation should lead to improvement in other social spheres. The gender disparity of the literacy rate in Nigeria is 50% lower among the youth as among the adult population. Fertility rates are also gradually declining, although they remain high.

Hi! I am a statistically average woman from ...

| | South Africa | Nigeria | UK |
|---|--------------|---------|------------|
| My age is | 29 | 23 | 41 |
| I am likely to live until I am | 53 | 53 | 83 |
| Chance I can read/write | 87% | 50% | 99% |
| Chance I am employed | 35% | 30% | 66% |
| My annual disposable income is | US\$3,379 | US\$769 | US\$22,491 |
| How many kids do I have? | 2.43 | 5.49 | 1.98 |
| How many have survived? | 2.30 | 5.00 | 1.94 |
| How old was I when I had my first baby? | 23.5 | 18.1 | 27.8 |
| Chance I am HIV positive | 11.90% | 2.90% | 0.10% |

Source: Euromonitor, Worldbank, CIA Factbook

What do women buy?

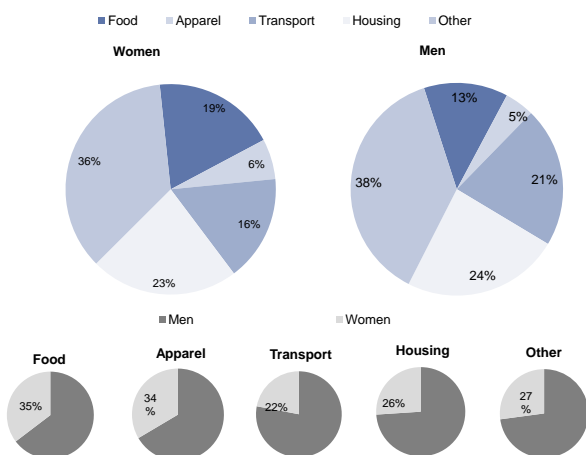
Women have a smaller purse than men and spend a higher share on food and apparel. However, we believe women also indirectly impact spending in the households headed by men, particularly in the food and apparel area.

Based on the results of the Stats SA Income & Expenditure Survey, 2005-2006, South African households headed by a woman generally spend a higher portion of their budgets on food (18.9% vs. 12.8%), apparel (6.2% vs. 4.5%) and furnishings (7.6% vs. 6.6%). They also spend materially less on transport (16.3% vs. 21.3%).

We believe that the higher share spent on food is mainly a result of a materially smaller budget (less than 60% of that of a household headed by a male). This brings us back to the issue of women's earnings being materially less than those of men in most of the emerging markets. The lower share of spending on transport is likely explained by a lower share of women-headed households in urban areas. With regard to apparel and furniture, however, we believe that the difference cannot be explained only by differences in income levels. We have highlighted before the phenomenon of aspirational apparel purchases in South Africa, which comes with the emerging middle class.

Looking at the overall share of consumption controlled by women, women directly control 35% of expenditure on food and apparel, and less in other categories. However, we believe that in households headed by men, women still likely have a significant impact on decisions regarding spending on food and apparel. Based on surveys conducted in the UK, women control 80% of food expenses, 90% of expenditure on women's clothes and 85% of expenditure on children's clothes.

Spending structure of households headed by female vs. male South African households



Source: Income & Expenditure Survey 2005-2006 conducted by Stats SA.

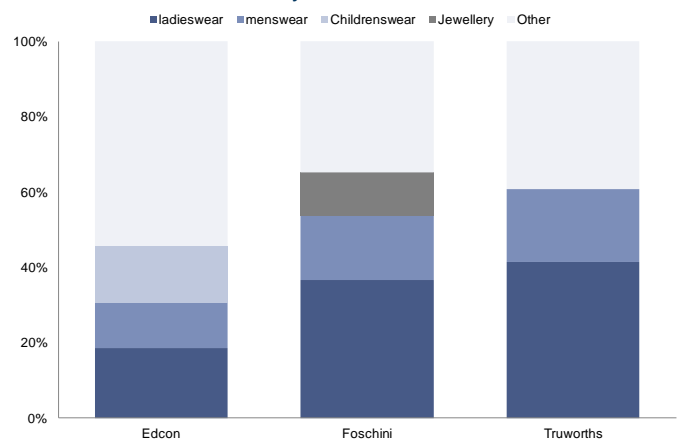
How and where women shop?

Looking at apparel shopping as an example, we find that women tend to shop more frequently than men, and are more focused on key brands. Based on the Branded AMPS data, a consumption survey conducted by SAARF, 59% of female respondents have

personally bought a woman's clothing item over the past three months, while only 46% of male respondents had bought a man's clothing item. Additionally, 47% of women had shopped for children's clothing vs. 13% of men. The pattern in regards to stores is also interesting. We examined purchases made in the five most popular stores in each category. Among the female respondents that had bought a clothing item, 94% had bought something in a top-5 store, vs. only 66% of men. We conclude that women's clothing appears to be an even more consolidated market than men's clothing. We also believe that the survey results indicate that women are more brand-conscious and more loyal to their favourite brands. We note that only 16% of females responded that they had shopped at "other clothing stores and outlets" aside from the major brands, vs. 23.5% of males. The top stores for both women's and men's clothing are Edgars and Jet (both part of non-listed Edcon), Mr. Price, Truworths, Foschini Group and Woolworths.

The survey data is supported by the sales structure of the key fashion retailers, which all show a higher share of women's clothing.

Sales structure of the key fashion retailers



Source: Company data, 2012

How do I get exposure?

We view apparel retail as the "sweet spot" in South African retail. We see higher longer-term growth potential as a result of the shift in consumption towards a higher share of discretionary spending, which is driven by the emerging middle class.

Within wider Africa, we prefer exposure to food & staples retail, as we believe extremely low formal retail penetration creates opportunities at least at the higher end of the market. Looking forward, we believe high macro growth should allow its expansion further into the developing middle class.

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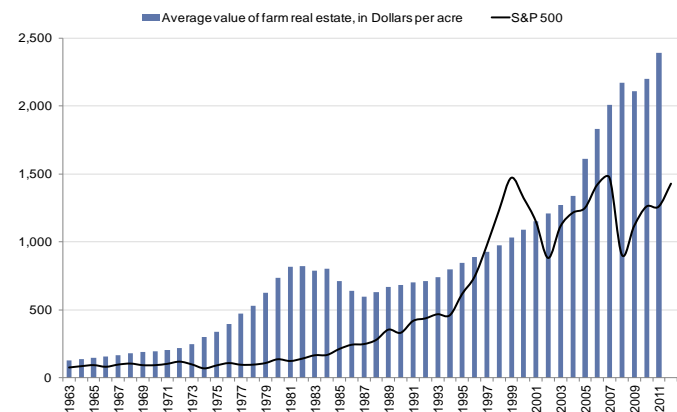
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Six of the best – our favourite charts

In our six of the best section, we pull together a pot pourri of charts that we hope you will find interesting. They will be different in each edition but hopefully always of note.

Soil versus paper

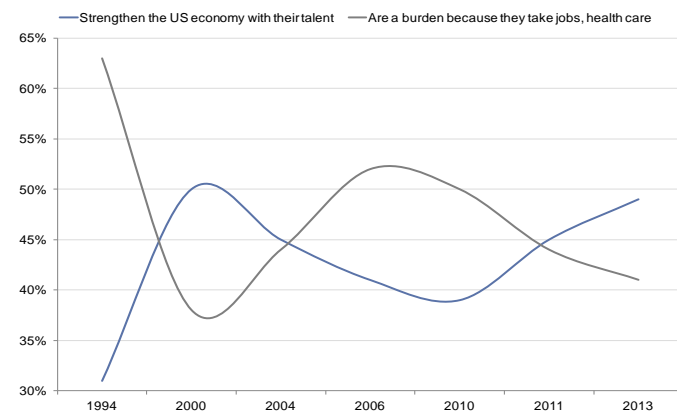
S&P 500 versus value of farm real estate in the US (US\$/acre)



Source: USDA, Datastream.

More welcoming

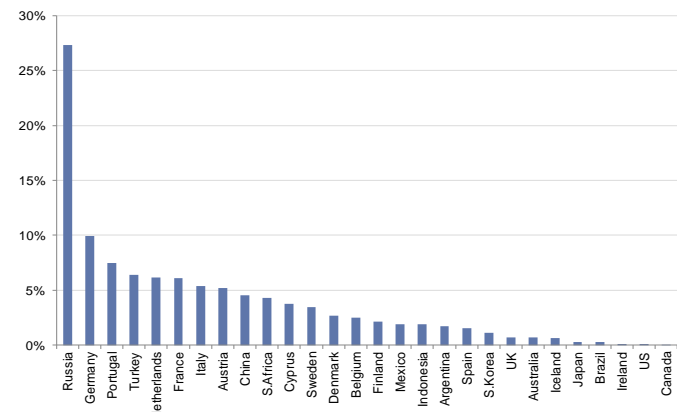
% people in the US who believe that immigrants...



Source: Pew Research.

No golden rules or standards

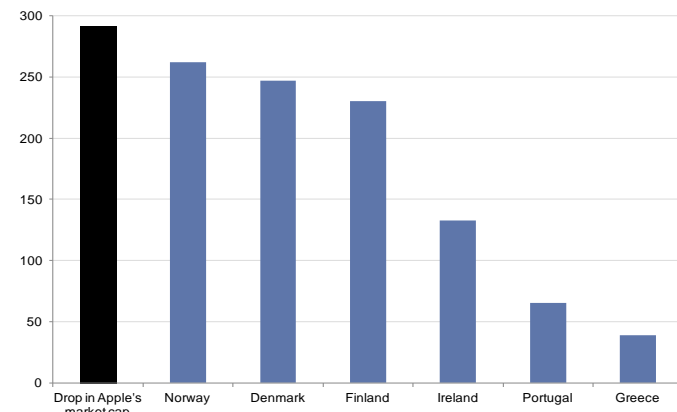
Gold reserves as a % of central government debt, February 2013 or latest



Source: IMF, World Bank.

Comparing apple with oranges

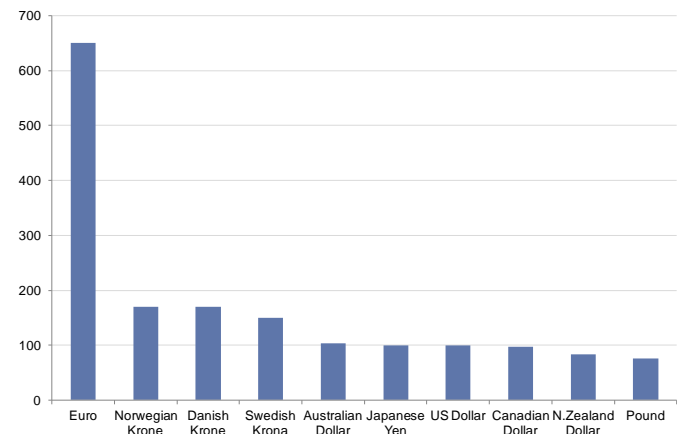
Drop in Apple's market cap from its peak in 2012 and the total market cap of indices of different countries, US\$ bn



Source: Datastream, Bloomberg.

Big bucks

The value of the largest bank note of various currencies in US\$



Source: Central banks.

Current trends

China yoy change in monthly power consumption (%)



Source: CEIC, China Electricity Council, National Energy Association, and Goldman Sachs Research estimates.

Disclosure Appendix

Reg AC

We, Hugo Scott-Gall, Sumana Manohar, Kathy Matsui, Rosie Edwards and Tatyana Lukina, hereby certify that all of the views expressed in this report accurately reflect our personal views about the subject company or companies and its or their securities. We also certify that no part of our compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in this report.

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Growth is a composite of next year's estimate over current year's estimate, e.g. EPS, EBITDA, Revenue. **Return** is a year one prospective aggregate of various return on capital measures, e.g. CROCI, ROACE, and ROE. **Multiple** is a composite of one-year forward valuation ratios, e.g. P/E, dividend yield, EV/FCF, EV/EBITDA, EV/DACF, Price/Book. **Volatility** is measured as trailing twelve-month volatility adjusted for dividends.

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Disclosure Appendix

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Goldman Sachs Investment Research global coverage universe

| | Rating distribution | | | Investment Banking Relationships | | |
|--------|---------------------|------|------|----------------------------------|------|------|
| | Buy | Hold | Sell | Buy | Hold | Sell |
| Global | 31% | 54% | 15% | 49% | 42% | 36% |

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