MOODY'S
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SECTOR IN-DEPTH
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ESG – Global

Gender diversity on boards linked to credit quality, especially in North America, Europe

Summary

» **Higher-rated companies have a higher proportion of women on boards in most regions.** The correlation between credit quality and women on boards of directors is stronger in North America and Europe than in Latin America, the Middle East and Africa, and Asia-Pacific, according to our analysis of 3,000 Moody's-rated companies. The presence of women on boards – and the potential diversity of opinion they bring – supports good corporate governance, which is positive for credit quality.

» **Gender diversity on boards is increasing in North America and Europe.** In North America, women occupy on average 28% of the boards of companies in our cohort, up from 26% in 2022. The percentage in Europe is 32%, up from 26% in the 2022. There were gains across most rating categories. New government mandates, pressure from large institutional investors and stricter disclosure requirements will continue to increase gender diversity in the boardroom. But parity is still far away.

» **Service-oriented companies tend to have more diverse boards.** Women occupy almost a third of board seats at companies in services and consumer sectors. This largely reflects the diversity of boards in North America and Europe, where most of the companies we analyzed in these sectors are based. In other regions, board-level diversity varies more by sector. Additionally, a relatively smaller percentage of women work in heavy industries globally than in service-oriented sectors, weighing on female board representation. Without a major push to increase female employment, the relative gap between women on boards in heavy industries versus service sectors is likely to remain wide.

» **Board diversity factors into relative governance strength.** Women account for an average of 31% of the boards of companies with positive governance characteristics, as indicated by the governance issuer profile scores we have assigned to those companies globally. The percentage is just 18% for companies with very highly negative exposure to governance considerations.

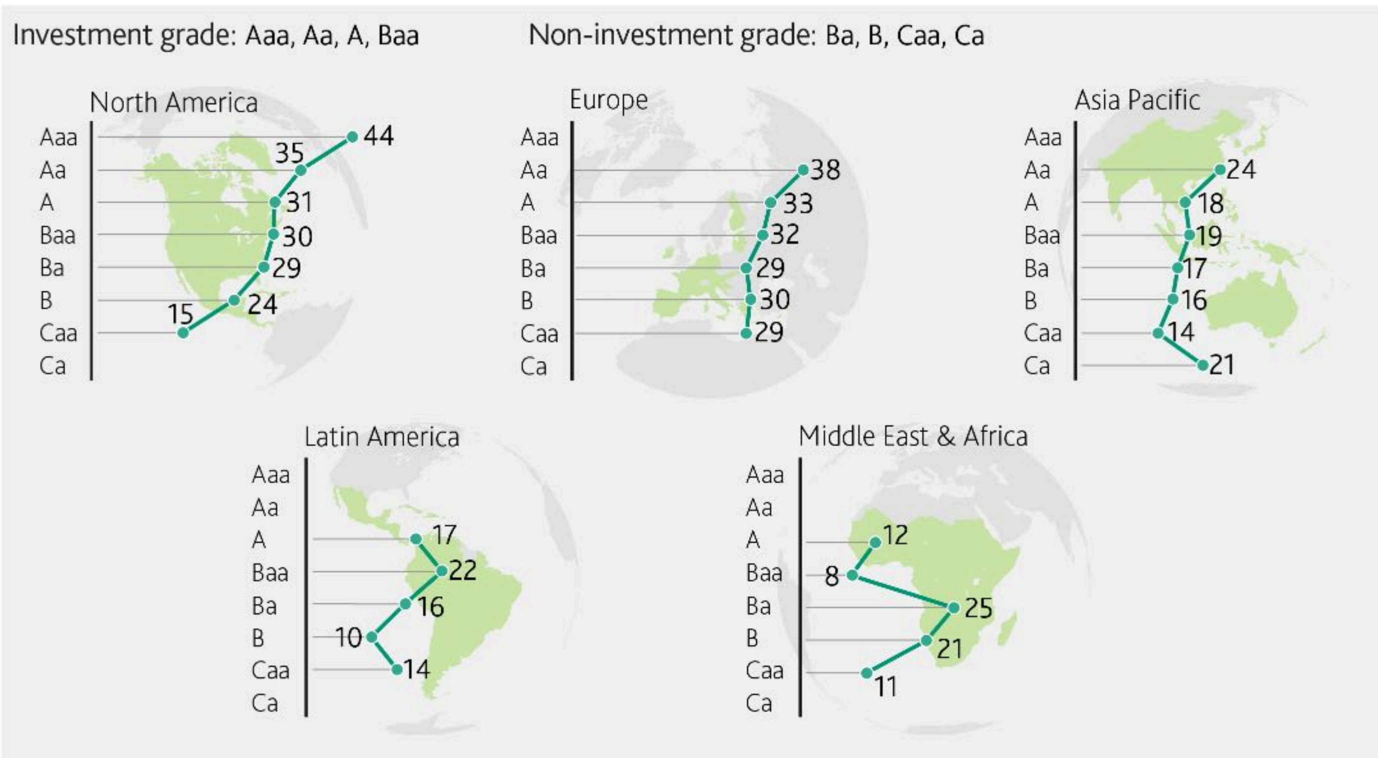
Higher-rated companies have a higher proportion of women on boards in most regions

Higher-rated companies have a higher proportion of women on their boards of directors than lower-rated companies, according to our analysis of 3,000 Moody's-rated companies globally. (See sidebar at bottom of report for more detail on the scope of this report.) Women account for 28% of the boards of investment-grade companies versus 24% for speculative-grade companies. The difference is more striking when looking at specific rating categories: at Aaa-rated companies, the average percentage of women on boards is 32% versus 22% for Ca-rated companies. This correlation between board gender diversity and credit quality is stronger in North America and Europe than in Latin America, the Middle East and Africa, and Asia-Pacific (Exhibit 1).

Exhibit 1

Percentage of women on boards is higher for higher-rated companies in most regions

Average percentage of women on boards by rating category and region



Our cohort is composed of 3,000 rated companies we rate globally, including 1,466 companies in North America, 719 companies in Europe, 519 companies in Asia Pacific, 149 companies in the Middle East and Africa and 147 companies in Latin America.
The exhibit excludes rating categories where we lacked data on board-level gender diversity for at least five companies per region.
Sources: Denominator, Bloomberg and Moody's Investors Service

The data do not demonstrate direct causation between gender diversity and credit quality. But the presence of women on boards – and the potential diversity of opinion they bring – supports good corporate governance, which is positive for credit quality. Board structure, policies and procedures is one of the considerations we assess when analyzing relative governance strength for private-sector entities.

Higher-rated companies in Latin America and Asia-Pacific also have a higher proportion of women on their boards than lower-rated companies in these regions. But most of the companies in this cohort are concentrated in two rating categories, which does not provide as full a picture as in other regions.

Overall, the percentage of women on corporate boards is lower in Latin America, the Middle East and Africa, and Asia-Pacific than in North America and Europe (Exhibit 2). There are a number of potential reasons for this. One is the lower share of women's labor force participation and access to measured and compensated economic activity in the first three regions. South Asia, the Middle East and North Africa have the lowest female labor force participation across all regions, followed by Latin America and the Caribbean.[1] Another potential reason is the comparatively large percentage of women workers in the informal economy, especially in developing countries.[2]

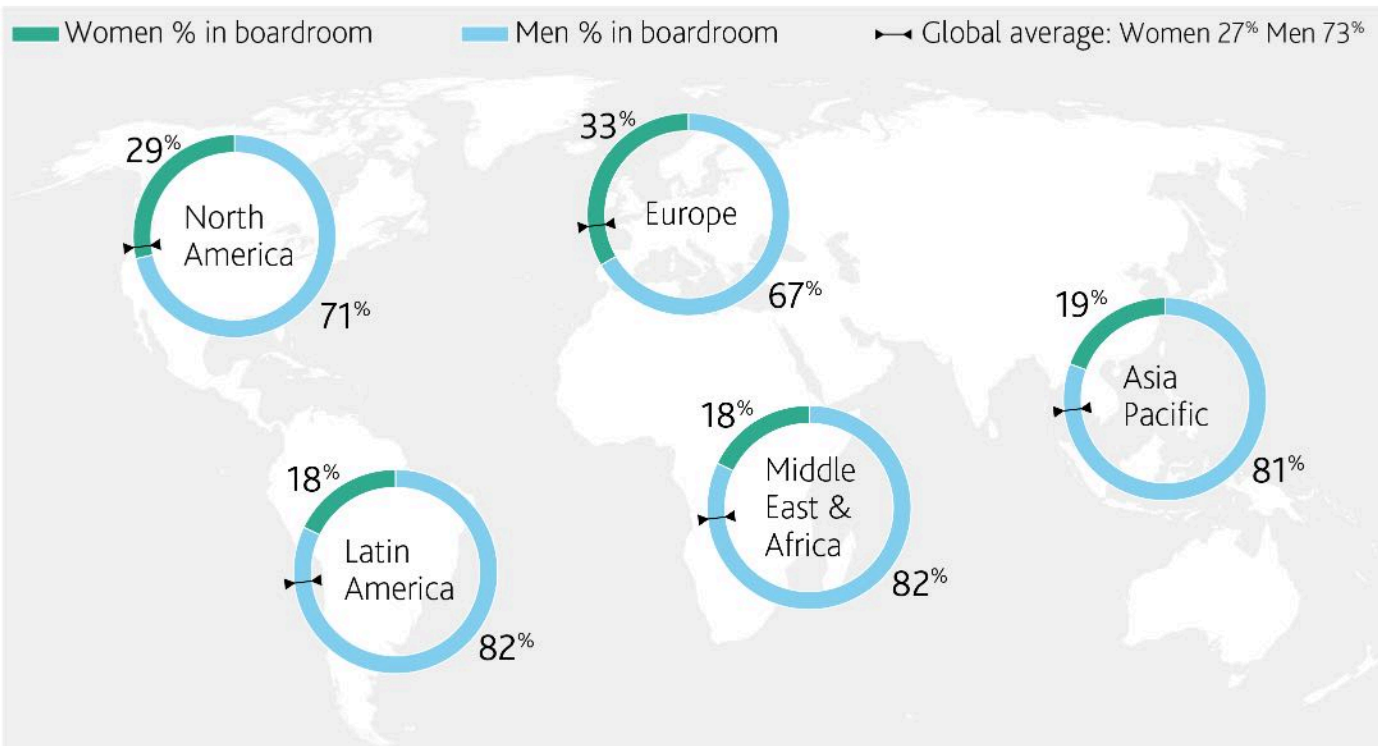
Almost half of the Middle East and Africa companies in our cohort are based in the Gulf Cooperation Council (GCC) countries. Despite recent efforts to improve gender diversity in the boardroom, the share of women on boards at companies in this region is still low compared with other regions, driven in large part by significantly lower labor force participation.

Research indicates a link between diversity mandates and the proportion of women on boards.[3] For example, the European Parliament approved rules in November 2022 that mandate a minimum share of board seats to be held by women at large, listed companies. This is a significant step in advancing gender equality at European companies. (See the appendix for more detail.)

Exhibit 2

Percentage of women on corporates boards is comparatively low for companies outside North America and Europe

Percentage of women and men occupying boards seats by region



Sources: Denominator, Bloomberg and Moody's Investors Service

Among the Group of 20 (G-20) countries, France has the highest percentage of women on boards: an average of 44% per corporate board compared with an average of 27% for the whole G-20. By contrast, companies domiciled in Saudi Arabia, China, Slovakia and Indonesia have the lowest percentages, with an average of 12% or less of board seats held by women.

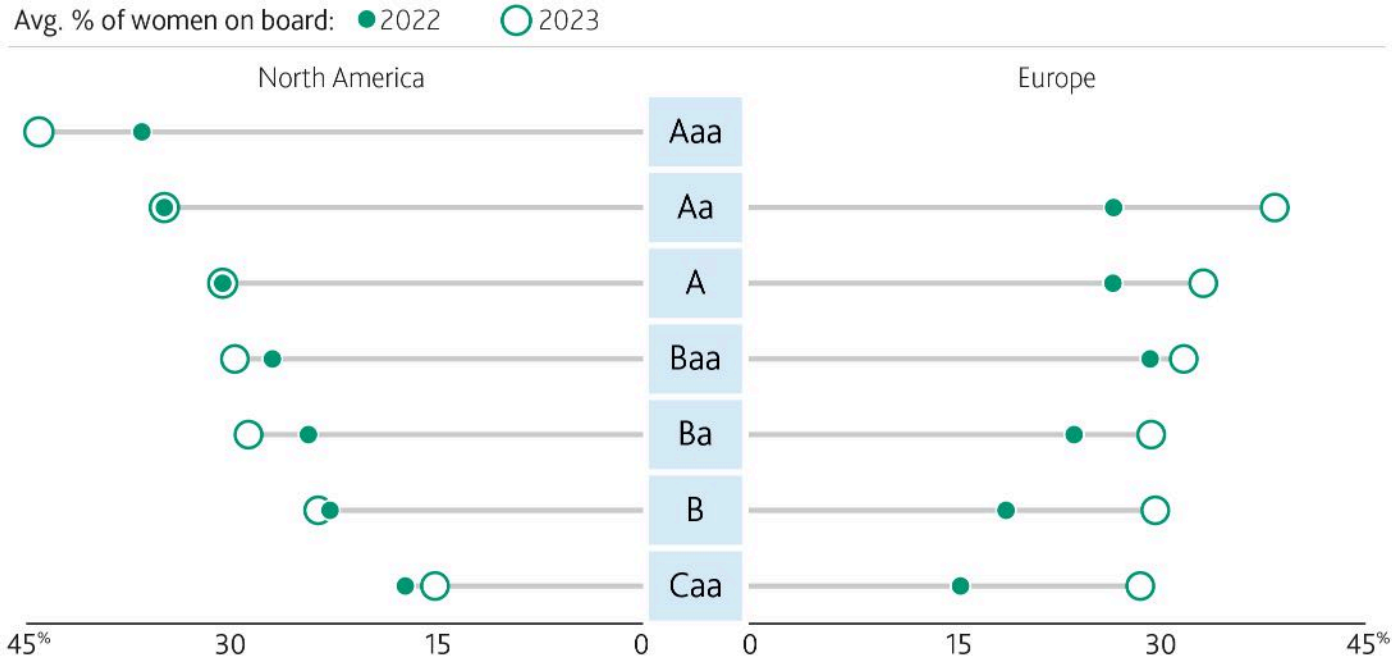
Gender diversity on boards is increasing in North America and Europe

The percentage of women on corporates boards continues to increase in both North America and Europe (Exhibit 3). In North America, women occupy on average 28% of the boards of companies in our cohort, up from 26% in 2022. The percentage in Europe is 32%, up from 26% in 2022. There were gains across most rating categories. Government mandates, pressure from large institutional investors and disclosure requirements will continue to increase gender diversity in the boardroom. But obstacles exist, as indicated by a legal dispute in California over board diversity. (See the appendix for more detail.)

Exhibit 3

Percentage of women on corporate boards is higher for companies higher on rating scale in North America and Europe

Average percentage of women on boards by rating group in North American and European Moody's-rated companies



Data as of 18 January 2023. Excludes rating categories with fewer than five rated companies.
Sources: Denominator, Bloomberg and Moody's Investors Service

Our data show there is also a correlation between credit quality and diversity in executive positions – a continuation of the trend noted in the studies we published in 2019, 2020 and 2022. The higher the average of women on boards, the higher the number of women occupying executive positions in these companies.

Service-oriented companies tend to have more diverse boards

Women occupy almost a third of board seats at companies in certain services and consumer sectors: retail and business products, insurance, and consumer products (Exhibit 4). This is driven mainly by the proportion of women on corporate boards in North America and Europe, where most of the companies we analyzed in these sectors are based. In Latin America, the Middle East and Africa, and Asia-Pacific, there is more variance in board-gender diversity by sector.

Heavy industry sectors such as construction and homebuilding, and oil and gas tend to have the lowest percentage of women on boards. External data indicate a larger percentage of women work in service-oriented sectors than in heavy industry ones.[4] This weighs on female board representation. Without a major push to increase female employment, the relative gap between women on boards in heavy industries versus service sectors is likely to remain wide.

European companies in business and consumer services have almost reached parity on their boards: women occupy about half of the board seats in these sectors. But the vast majority of sectors globally are still far from approaching boardroom gender parity.

Exhibit 4

Services and consumer industries have more women on their boards than other industries

Number of Moody's-rated companies by sector and average percentage of women on boards by sector in each region

🔴 < 19.5% ⚪ 19.5-29.1% 🟢 > 29.1% (Min 0% - Max 49%)

Sector	Global			North America			Europe			Latin America			Asia Pacific			Middle East & Africa		
	#		%	#		%	#		%	#		%	#		%	#		%
CAPITAL INDUSTRIES																		
Automotive	56	⚪	24%	18	⚪	25%	21	🟢	30%	2	🔴	8%	15	🔴	17%	-	-	-
Chemicals	93	⚪	24%	43	⚪	27%	26	🟢	31%	4	🔴	19%	14	🔴	12%	6	🔴	11%
Construction and homebuilding	113	🔴	19%	43	⚪	26%	10	⚪	29%	2	⚪	20%	56	🔴	12%	2	🔴	13%
Manufacturing	177	🟢	29%	115	🟢	29%	40	🟢	35%	2	🔴	8%	18	⚪	20%	2	🟢	49%
Metals and mining	86	⚪	25%	38	⚪	28%	11	🟢	33%	9	🔴	15%	24	⚪	21%	4	⚪	28%
Paper, packaging and forest products	45	🟢	29%	27	🟢	30%	12	⚪	29%	5	⚪	26%	-	-	-	1	⚪	27%
Protein and agriculture	21	⚪	22%	6	⚪	23%	6	⚪	29%	4	🔴	18%	4	⚪	20%	1	🔴	0%
Trading companies	12	⚪	22%	3	⚪	20%	3	⚪	28%	-	-	-	6	🔴	19%	-	-	-
FINANCIALS																		
Financial institutions	855	⚪	26%	248	🟢	29%	248	🟢	33%	48	🔴	16%	208	⚪	20%	103	🔴	16%
Insurance	60	🟢	32%	33	🟢	34%	17	🟢	35%	1	🔴	9%	8	🔴	18%	1	🟢	45%
MEDIA, TELCO & TECHNOLOGY																		
Media and telecommunications	186	⚪	29%	103	⚪	28%	51	🟢	36%	10	🔴	14%	15	⚪	22%	7	🔴	14%
Technology	187	⚪	27%	150	⚪	27%	14	🟢	39%	3	🔴	18%	19	🔴	16%	1	🔴	17%
SERVICES & CONSUMER INDUSTRIES																		
Business and consumer services	76	⚪	28%	54	⚪	25%	13	🟢	46%	2	🔴	6%	6	⚪	22%	1	🟢	44%
Consumer products	131	🟢	31%	73	🟢	32%	37	🟢	35%	8	🔴	16%	13	🔴	18%	-	-	-
Healthcare	73	🟢	29%	60	⚪	29%	11	🟢	37%	-	-	-	2	🔴	13%	-	-	-
Leisure, lodging and entertainment	42	⚪	26%	29	⚪	27%	6	⚪	28%	3	🔴	13%	4	⚪	28%	-	-	-
Pharmaceuticals	37	🟢	29%	21	⚪	29%	12	🟢	32%	-	-	-	3	⚪	21%	1	⚪	27%
Retail and business products	108	🟢	32%	77	🟢	33%	17	🟢	36%	4	🔴	19%	9	⚪	27%	1	🟢	42%
TRANSPORTATION																		
Transportation services	99	⚪	26%	35	⚪	27%	33	🟢	32%	7	🔴	11%	22	⚪	21%	2	🔴	6%
UTILITIES																		
Oil and gas	175	⚪	23%	127	⚪	23%	12	🟢	35%	12	⚪	25%	20	🔴	16%	4	🔴	14%
Utilities and infrastructure	362	⚪	26%	159	🟢	31%	118	⚪	23%	21	⚪	24%	52	🔴	19%	12	⚪	21%

Colored dots represent the deviation from the global average percentage of women on boards based on the thresholds indicated in exhibit legend. Red dots indicate percentage of women on boards for that sector is lower than the global average. Green indicates higher than global average. Gray is in line with global average.

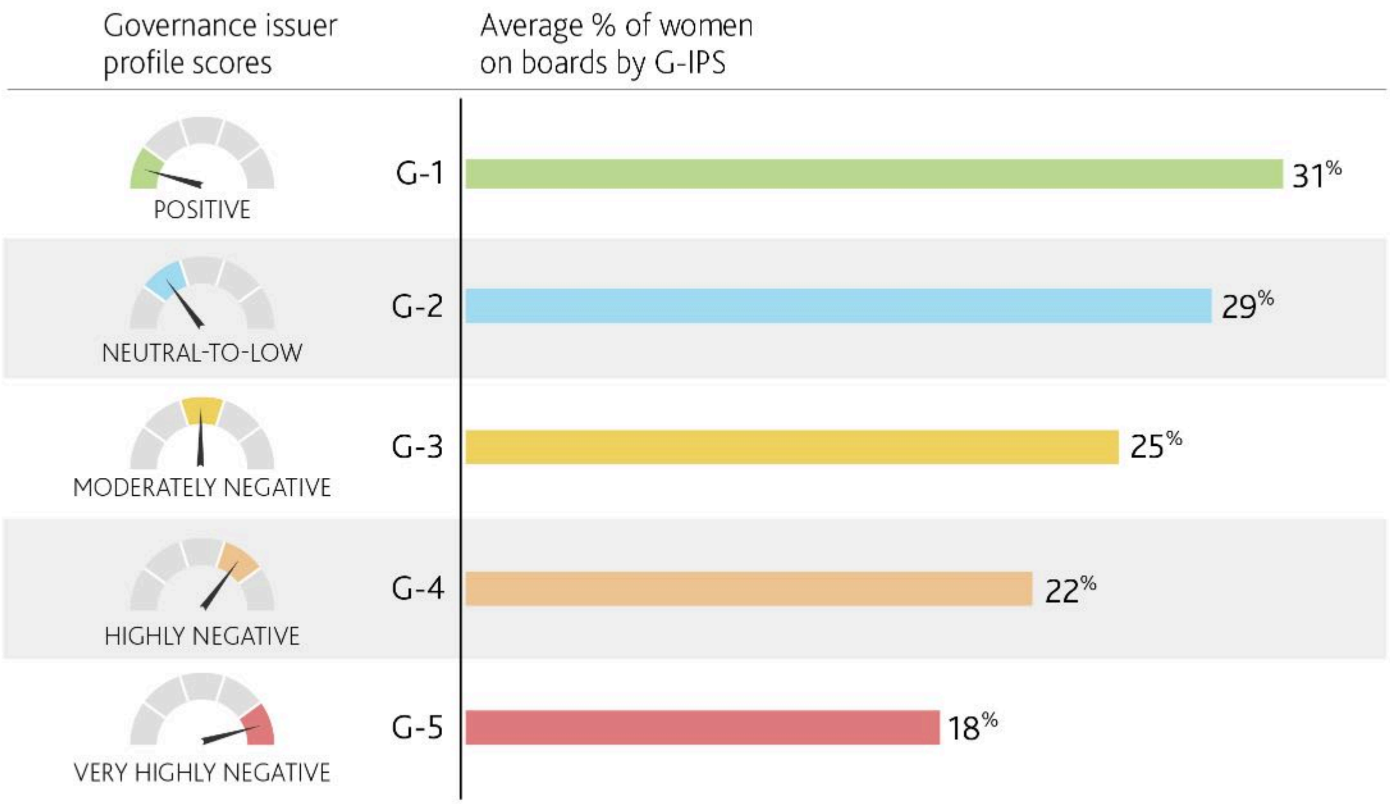
Sources: Denominator, Bloomberg and Moody's Investors Service

Board diversity is reflected in relative governance strength

Women account for an average of 31% of the boards of companies with positive governance characteristics, as indicated by the governance issuer profile scores (G-1) we have assigned to those companies globally (Exhibit 5). The percentage is just 18% for companies with very highly negative exposure to governance considerations (G-5). As noted earlier, board of director oversight and effectiveness is one of the considerations we assess when analyzing relative governance strength for private-sector entities.

Exhibit 5

Companies with positive governance considerations have highest percentage of women on boards



Sources: Denominator, Bloomberg and Moody's Investors Service

Scope of this report

This report is our fourth annual analysis of gender diversity on corporate boards. It is based on board gender diversity for 3,000 of the companies we rate that have ESG issuer profile and credit impact scores published as of 18 January 2023 and board gender data available from Denominator or Bloomberg.

Companies that we no longer rate or are now privately held have been removed from the 2019-22 cohort for the purposes of this analysis. To ensure that our analysis is not skewed by shifts in cohort composition or small sample sizes, we adjusted the composition of the cohort for previous years and limited our analysis of rating categories to those with at least five rated companies.

Appendix: Noteworthy regulatory developments

EU: In November 2022, the European Parliament officially approved rules regarding minimum representation of females on corporate boards. This official approval comes 10 years after the rules were first proposed, builds on standards that several member states have already adopted, and marks a significant step in advancing gender equality at European companies. The rules require all companies listed on a European stock exchange with more than 250 employees to have at least 40% of non-executive director posts or 33% of all director posts occupied by women by the end of June 2026.

Listed companies will have to provide information about the gender representation on their boards to the market authorities in their jurisdiction at least once a year and, if the objectives have not been met, how they plan to attain them. Companies are required to publish this information on their websites in an easily accessible manner.

California: Senate Bill 826, which focuses on gender diversity and corporate boards, and Assembly Bill 979, which focuses on underrepresented communities and corporate boards, were challenged by a number of groups and found to be unconstitutional by the Los Angeles County Superior Court in mid-2022. State legislators appealed the decision but were ultimately unsuccessful. They have indicated they will appeal to the Supreme Court of California.

Endnotes

1 Female labor force participation, 9 January 2022, World Bank Gender Data Portal.

2 Bonnet, Florence, Joann Vanek and Martha Chen. 2019. *Women and Men in the Informal Economy – A Statistical Brief*. Manchester, UK: WIEGO.

3 "Gender Quotas and Female Leadership: A Review; Background Paper for the World Development Report on Gender," 7 April 2011, Rohini Pande and Deanna Ford.

4 These occupations are dominated by women, 6 March 2020, International Labour Organization.

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