

The views expressed in these posts are those of the authors and are current only through the date stated. These views are subject to change at any time based upon market or other conditions, and Eaton Vance disclaims any responsibility to update such views. These views may not be relied upon as investment advice and, because investment decisions for Eaton Vance are based on many factors, may not be relied upon as an indication of trading intent on behalf of any Eaton Vance fund. The discussion herein is general in nature and is provided for informational purposes only. There is no guarantee as to its accuracy or completeness.

RESPONSIBLE INVESTING

# Japan Makes Strides in Female Board Diversity

By: Yijia Chen, CFA | & Chris Madden | March 8, 2022

**Washington** - Female representation on the boards of companies in Japan, as well as in some other Asian markets, has improved dramatically in recent years. More Japanese large-cap companies are recruiting women to executive and board positions and improving their gender diversity practices. This is due, in part, to a voluntary directive from the Japanese government for corporations to fill at least 30% of their management positions with women.

At GDP of \$5.06 trillion, Japan ranks as the world's third-largest economy — and is influential in world markets. It is also home to the second-largest stock market globally. South Korea is 10th in the world economy, with a GDP of \$1.64 trillion, according to the latest World Bank 2020 data.<sup>1</sup> Improving board diversity in these countries, as well as globally, can make a material economic difference.

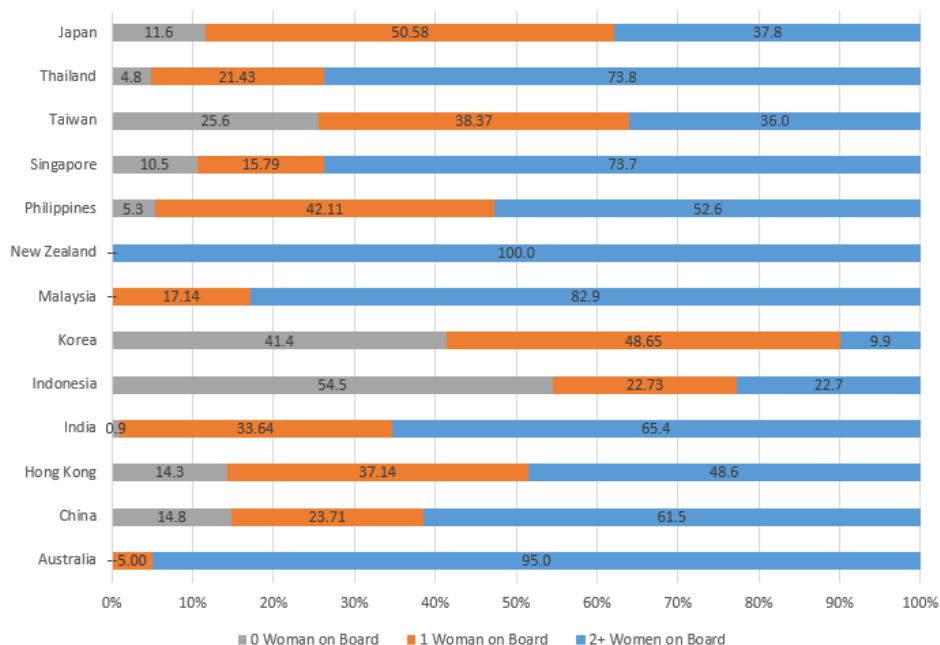
A 2019 analysis from McKinsey found that "companies in the top quartile for gender diversity on executive teams were 25% more likely to have above-average profitability than companies in the fourth quartile — up from 21% in 2017 and 15% in 2014."<sup>2</sup>

## Measuring Japan's standing

Although Japan is often viewed as a laggard in gender equity, its female labor force participation rate and board representation have advanced significantly over the last several years. Likewise, South Korea has made notable progress. Globally, the ratio of female-to-male labor force participation ranged from 66% to 68% between 1990 and 2020.<sup>3</sup> In contrast, Japan's female labor force participation rate rose from 65% in 1990 to 75% in 2020, and from 63% to 73% for South Korea.

In 2019, 33% of Japanese companies in the MSCI ACWI had no women on their boards. South Korea had weaker representation, at 77%.<sup>4</sup> Today, both countries have improved remarkably: Only 11.6% of Japanese companies lack a female board member, while the percentage for South Korea has come down to 41.4% (Display 1). Though there is still a ways to go on gender diversity, both countries are making progress towards catching up to other developed markets. We find it is no longer common for a Japanese company to have no female board representation when we evaluate its social and governance performance.

Display 1: Female Board Representation in the Asia-Pacific Region



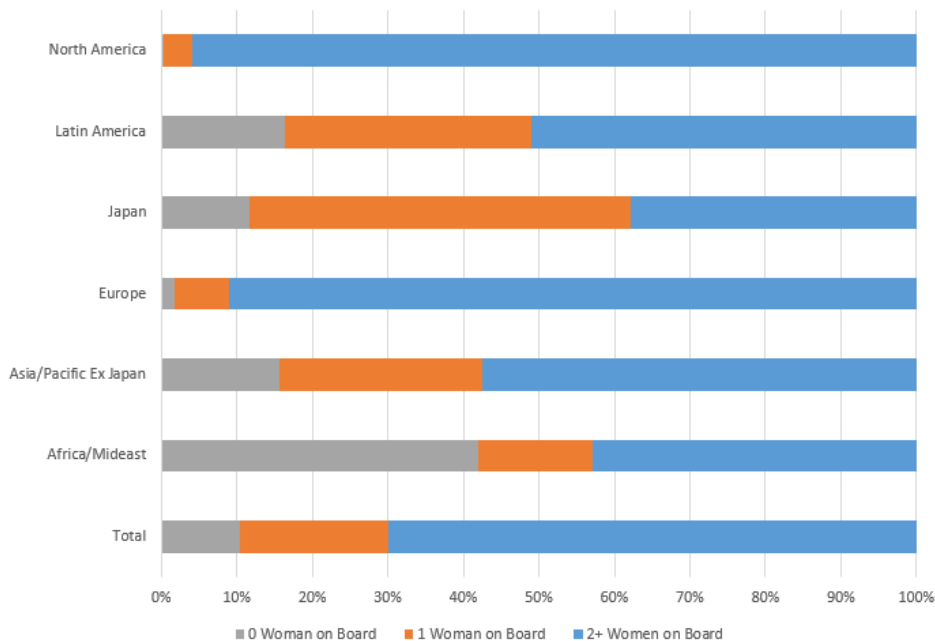
Sources: FactSet, MSCI ACWI, as of February 23, 2022.

Comparing the 13 countries in the Asia-Pacific region, New Zealand leads, with 100% of companies in the MSCI ACWI having at least two women board members; Australia places second, at 95%; and Malaysia places third, at 83%. In contrast, Indonesian companies have the fewest women board members (54.5% have none) and 41.4% of South Korea's corporate boards lack female representation.

## Women on boards: Global status

In 2022, nearly 70% of global boards represented by companies in the MSCI ACWI have at least two women on them (Display 2). Compared with other Asia-Pacific regions, Japan has fewer corporate boards with two or more women (38% versus 57%). In our view, one woman on a corporate board is not sufficient for promoting gender diversity and may be a sign of tokenism. Generally, we think a company needs to have two or more women on its board to have more diverse representation of viewpoints and experience.

Display 2: Women on Board — by Region



Sources: FactSet, MSCI ACWI, as of February 23, 2022.

## Overboarding women?

In considering corporate governance issues, one board metric we examine is overboarding — the percentage of a company's board members who also sit on other corporate boards. We think this could be problematic. When one person sits on multiple boards, we question whether they have the time, focus or capacity to fully address the issues at each company. There is also the potential for tokenism, with companies appointing women simply to fulfill a diversity quota. We consider executive board members sitting on three or more boards to be overboarding.

Our review of the MSCI ACWI companies indicates this is not a major concern for Japanese boards overall. According to MSCI ACWI data, companies whose executive board members sit on at least three corporate boards averages 7.30% globally. For North America, the average percentage is 6.83%, and Europe averages 6.71%. The Asia-Pacific region, ex-Japan, has an overboard rate of 7.58%. Overboarding in the U.S. is 6.68% and Hong Kong's companies have the most overboarded executive directors, at 34.29%. At 6.18%, Japan's rate is not higher than other regions.

When we looked at male versus female board representation in Japan, based on the total board seats in the MSCI Japan IMI Index, we found women sit on 1.25 boards on average, which is more than men who sit on 1.06 boards on average, but the difference was not significant.

In our view, overboarding by gender does not appear to be a significant issue for Japan's large-cap companies. Where we see a Japanese company improving on board diversity — specifically, adding a woman to its board within the past three years — we believe that likely indicates the needle-moving improvements needed in other areas of the company's diversity, equity and inclusion practices.

**Bottom line:** Japan and, to some extent, South Korea are often misrepresented in terms of their progress toward gender diversity. Japan has increased its female labor force participation in recent years, particularly in management and boardroom positions. Globally, women have left the workforce in droves as a result of the pandemic. We believe corporations need to redouble their efforts toward gender equity and inclusion to reverse this trend. In our research, reducing gender disparities in the workplace has been shown to bring material, financial benefits to corporations as well as help drive global economic growth.

1. Global PEO Services, "Top 15 Countries by GDP in 2022."

2. McKinsey & Company, "Diversity wins: How inclusion matters," May 19, 2020 report.

3. The World Bank, "Ratio of female to male labor force participation rate (%) (modeled ILO estimate)", February 8, 2022. Data delivered using International Labour Organization, ILOSTAT database.

4. MSCI, "Women on boards: 2019 Progress Report," by Olga Emelianova and Christina Milhomem, December 2019.

**MSCI ACWI** is an unmanaged free-float-adjusted market-capitalization-weighted index designed to measure the equity market performance of developed and emerging markets. Unless otherwise stated, index returns do not reflect the effect of any applicable sales charges, commissions, expenses, taxes or leverage, as applicable. It is not possible to invest directly in an index. Historical performance of the index illustrates market trends and does not represent the past or future performance of the fund. MSCI indexes are net of foreign withholding taxes. Source: MSCI. MSCI data may not be reproduced or used for any other purpose. MSCI provides no warranties, has not prepared or approved this report, and has no liability hereunder.

**MSCI Japan Investable Market Index (IMI)** is designed to measure the performance of the large, mid- and small-cap segments of the Japan market. With 1,127 constituents, the index covers approximately 99% of the free-float-adjusted market capitalization in Japan.



Yijia Chen, CFA  
ESG Quantitative Research  
Analyst  
Calvert Research and  
Management



Chris Madden  
Portfolio Manager  
Calvert Research and  
Management

"Although Japan is often viewed as a laggard in gender equity, its female labor force participation rate and board representation have improved dramatically over the last several years."

# Marketing Communication

To report a website vulnerability, please go to [Responsible Disclosure](#).

Eaton Vance is part of Morgan Stanley Investment Management, the asset management division of Morgan Stanley.

This site (<https://global.eatonvance.com>) is operated by Eaton Vance Management (International) Limited ("We"). We are a limited company, registered in England and Wales under company number 4228294 and have our registered office at 125 Old Broad Street, London, EC2N 1AR. Our VAT number is 762717416. Eaton Vance Management (International) Limited is authorised and regulated by the Financial Conduct Authority ("FCA") and is entered on the FCA's register with register number 208634.

Eaton Vance Management (Registration No. 1121368) and Parametric Portfolio Associates LLC (Registration No. 1217626) are the registered trade marks of The Eaton Vance Group.

Information on this website does not constitute an offer to sell, or a solicitation of an offer to purchase, securities in any jurisdiction to any person to whom it is not lawful to make such an offer. It is your responsibility to be aware of and to observe all applicable laws and regulations of any relevant jurisdiction. The information on this webpage is not intended for U.S. residents. To visit our U.S. website please click [here](#). Information on this website does not constitute an offer to sell, or a solicitation of an offer to purchase, securities in any jurisdiction to any person to whom it is not lawful to make such an offer. It is your responsibility to be aware of and to observe all applicable laws and regulations of any relevant jurisdiction. The information on this webpage is not intended for U.S. residents. To visit our U.S. website please click [here](#).

The views expressed are those of the authors and are current only through the date stated. These views are subject to change at any time based upon market or other conditions, and Eaton Vance disclaims any responsibility to update such views. These views may not be relied upon as investment advice and, because investment decisions for Eaton Vance are based on many factors, may not be relied upon as an indication of trading intent on behalf of any Eaton Vance fund. The discussion herein is general in nature and is provided for informational purposes only. There is no guarantee as to its accuracy or completeness.

In the EU this website is operated by MSIM Fund Management (Ireland) Limited (MSIM FMIL). The business of Eaton Vance Global Advisors Limited was transferred to MSIM FMIL on 1 October 2021. MSIM FMIL has been appointed as management company of the Eaton Vance International (Ireland) Funds plc and is responsible for the distribution of the funds together with the distribution of Eaton Vance strategies and strategies of Eaton Vance affiliates. For any queries in respect of the products and strategies referred to on this website, please contact MSIM FMIL at 7-11 Sir John Rogerson's Quay, Dublin 2, D02 VC42, Ireland. MSIM FMIL is regulated by the Central Bank of Ireland with Company Number: 616661.

Outside of the US and EU, this material is issued by Eaton Vance Management (International) Limited ("EVMIL") 125 Old Broad Street, London, EC2N 1AR, UK, and is which is authorised and regulated in the United Kingdom by the Financial Conduct Authority.

This material is only intended for and will only be distributed to persons resident in jurisdictions where such distribution or availability would not be contrary to local laws or regulations.

This material does not constitute an offer to sell or the solicitation of an offer to buy any services referred to expressly or impliedly in the material in the People's Republic of China (excluding Hong Kong, Macau and Taiwan, the "PRC") to any person to whom it is unlawful to make the offer or solicitation in the PRC.

The material may not be provided, sold, distributed or delivered, or provided or sold or distributed or delivered to any person for forwarding or resale or redelivery, in any such case directly or indirectly, in the People's Republic of China (the PRC, excluding Hong Kong, Macau and Taiwan) in contravention of any applicable laws.

In Singapore, Eaton Vance Management International (Asia) Pte. Ltd. ("EVMIA") holds a Capital Markets Licence under the Securities and Futures Act of Singapore ("SFA") to conduct, among others, fund management, is an exempt Financial Adviser pursuant to the Financial Adviser Act Section 23 (1) (d) and is regulated by the Monetary Authority of Singapore ("MAS"). Eaton Vance Management, Eaton Vance Management (International) Limited and Parametric Portfolio Associates@LLC holds an exemption under Paragraph 9, 3rd Schedule to the SFA in Singapore to conduct fund management activities under an arrangement with EVMIA and subject to certain conditions.

EVMIL is registered as a Discretionary Investment Manager in South Korea pursuant to Article 18 of Financial Investment Services and Capital Markets Act of South Korea.

Morgan Stanley Investment Management (Australia) Pty Limited ACN 122 040 037, AFSL No. 314182 arranges for Eaton Vance Management International Limited to provide financial services to Australian wholesale clients. This publication is disseminated in Australia by Morgan Stanley Investment Management (Australia) Pty Limited ACN: 122040037, AFSL No. 314182, which accepts responsibility for its content. This publication, and any access to it, is intended only for "wholesale clients" within the meaning of the Australian Corporations Act.

*We are actively incorporating accessibility practices, such as those outlined in the Web Content Accessibility Guidelines, into our go-forward website design and content development to make information more accessible and user-friendly. In addition, we are developing a multi-year accessibility strategy and content guidelines that further support the use of assistive and adaptive tools. Our ultimate goal is to meet federal guidelines and policies or provide equivalent accommodations and service support for all customers.*