

CS Gender 3000 report shows Japan has made progress in gender diversity in management

Tokyo, October 18, 2019 – The Credit Suisse Research Institute (CSRI) releases its third CS Gender 3000 report, 'The CS Gender 3000 in 2019: The changing face of companies'. The report highlights:

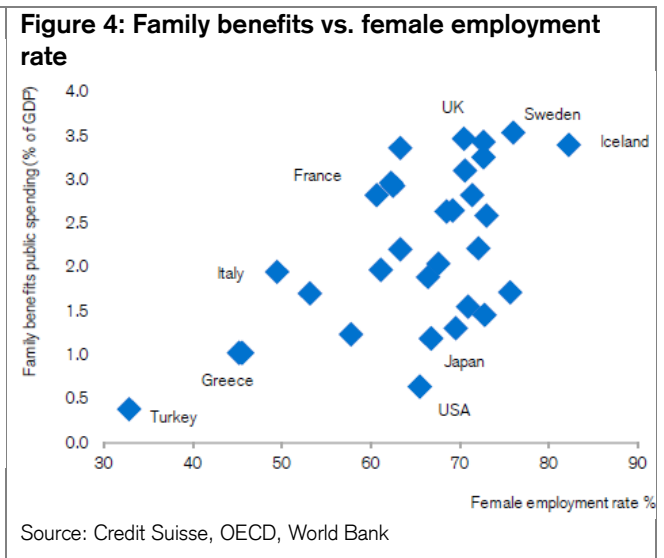
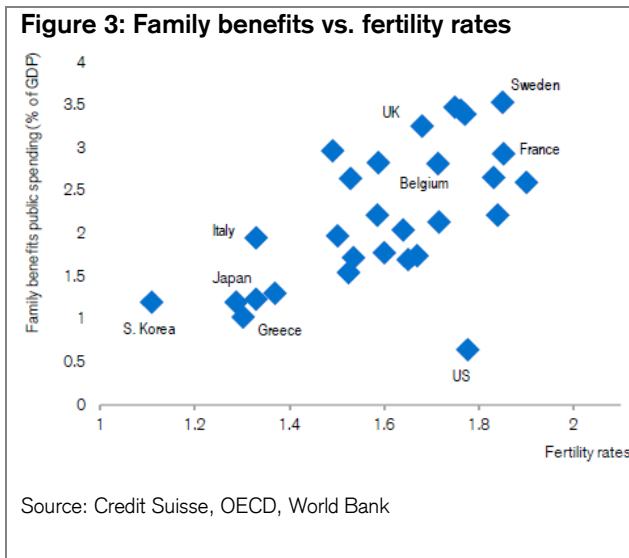
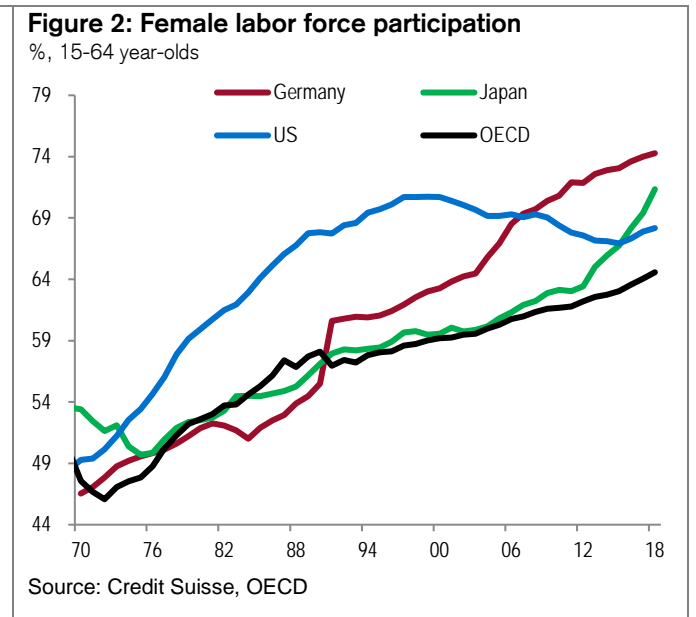
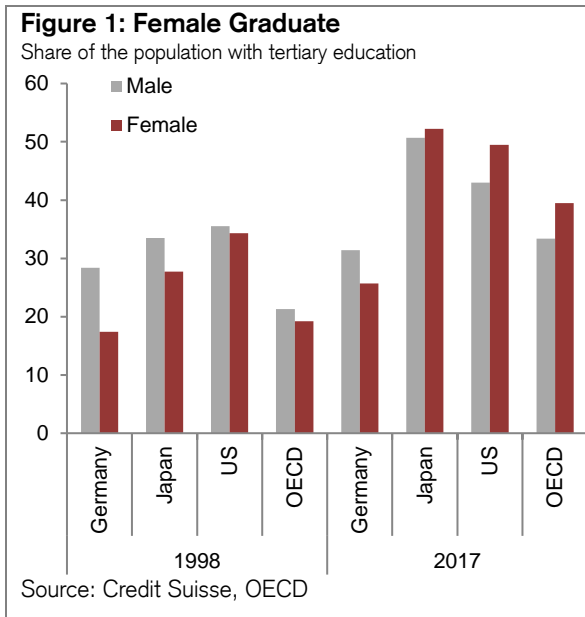
- **female representation on boards globally has doubled in a decade**
- **the proportion of women in management is higher in the US and Asia Pacific (APAC excluding Japan) than in Europe**
- **a material correlation exists between companies with a higher participation of women in decision-making roles and their stock market and corporate performance – a finding which is reaffirmed from previous iterations of the report.**

The report draws on the knowledge base of the global company analysts at Credit Suisse to build a genuine bottom-up profile of the gender make-up of the corporate sector. It analyzes the gender mix of the executive teams of over 3,000 companies stretching across 56 countries and comprising 30,000 executive positions. In APAC, including Japan, the CS Gender 3000 dataset includes 1,280 companies from 14 jurisdictions.

Key highlights for Japan

- To tackle the country's negative population growth, Japan has successfully taken the family-friendly policy route. Successive governments have supported "Womenomics," which is a political effort aimed at promoting economic empowerment for women. For example, President Shinzo Abe when he made career and family one of his priorities.
- Japan has led the world to see a sharp increase in women graduating from universities in the 20th century. To date, there are more female university graduates than male graduates in Japan. The increase in women's education led to an important increase in female labor force participation. The latest sharp increase recorded in female labor force participation can be attributed to the government's supportive policies over the past decades.
- In 2014, Japanese female labor force participation outperformed that of the USA and, at 74%, is now rapidly converging toward Germany's rate. Meanwhile, the number of Japanese women returning to work after their first child has increased by more than one third.
- The CS Gender 3000 highlights that family-friendly policies have helped boost both fertility and employment rate. Sweden was probably one of the first developed countries to implement such policies, and has been since the 1970's spending around 3% of GDP each year on family benefits. As a result the country has one of the highest fertility rates (1.85) and female employment rates (76%) in the OECD. This led other developed countries to also implement family friendly policies; Japan is one of them. The country successfully implemented work-friendly policies which led to an important increase in the female labor force participation (going from around 60% early 2000's to 71% in 2018). However, the policies were not successful in increasing fertility rate, which still remains very low at 1.4 today.
- Japan saw an improvement of 2.3 percentage points in boardroom diversity, from 3.4% in 2015 to 5.7% in 2019. Still, Japan is ranked #37 globally, equivalent to the third lowest position, and holds the third lowest position in APAC.

- Management gender diversity in Japan has also risen marginally since 2016, from 2.5% in 2016 to 2.6% in 2019, based on the matched dataset. This is the lowest figure globally.
- Japan does not have any female CEOs in the 175 companies in the report's dataset, and has the third lowest representation of female CFOs (2%) in APAC.



Women on boards

The percentage of women on boards globally now stands at 20.6%. This has broadly doubled since the start of the decade and risen from around 15.3% since the last report in 2016.

- The experience across geographies does vary considerably. Asia Pacific (excluding Japan) has seen a small upward trend in gender diversity in the boardroomⁱ, rising to 14.4% in 2019 from 11.6% in 2015. However, the country-by-country range is considerable, stretching from 3.1% in South Korea to nearly

30% in Vietnam and Australia/New Zealand. Three APAC countries – South Korea (3.1%), Pakistan (5.5%) and Japan (5.7%) – occupied the last three positions globally.

- Europe leads the regional table with an average of 29.7%, driven by the greatest tailwind of policies and initiatives seeking to address gender diversity within supervisory boards.
- North America has arguably seen the most significant improvements without formal regulatory pressure, with board representation rising from 17.3% in 2015 to now close to 24.7%. This sharp uptrend of improvement in North America has not been mirrored in South America, which has seen only gradual improvement to 7.8%.
- The countries with the largest representation include those where quotas or less formal targets exist, such as Norway, France, Sweden and Italy. The countries that have seen the biggest proportional increase in boardroom diversity in the last five years – of between 9.4 and 12.8 percentage points – have been Malaysia, France, Australia, Germany and Austria.

Table 1: Diversity in the boardroom by region – percentage of female directors

	2015	2016	2017	2018	2019
North America	17.3%	18.8%	20.1%	22.6%	24.7%
Europe	22.5%	25.2%	27.0%	28.8%	29.7%
APxJ	11.6%	12.6%	13.6%	14.3%	14.4%
Japan	3.4%	4.3%	5.0%	6.0%	5.7%
Latam	5.9%	7.1%	7.1%	8.3%	7.8%
Global	15.3%	16.9%	18.2%	19.9%	20.6%

Source: Credit Suisse Research, CS Gender 3000, The BLOOMBERG PROFESSIONAL™ service

Women in management

The proportion of women in management has risen to 17.6% from 13.8% in the 2016 study. Regionally, the US (21%) and APAC (19%) reflect greater management diversity than witnessed in Europe (17%) despite the policy focus on boardroom quotas in many European countries. The US and APAC have seen women in management increase more organically.

Seven out of the top 10 markets with the highest percentage of women in management are from APAC, with the Philippines (34%), Thailand (28%) and Australia/New Zealand (25%) firmly in the top three positions. Interestingly, with India (8.5%), South Korea (4%) and Japan (3%), APAC countries also cover the “top three” positions at the other end of the table.

The spillover from this trend into the most senior executive positions has been limited. Barely 5% of the CS Gender 3000 companies have female CEOs, and less than 15% female CFOs. Female roles are still clustered away from operational decision-making. A third of all “shared services” functions are held by women, while 80% of heads of IT positions are male.

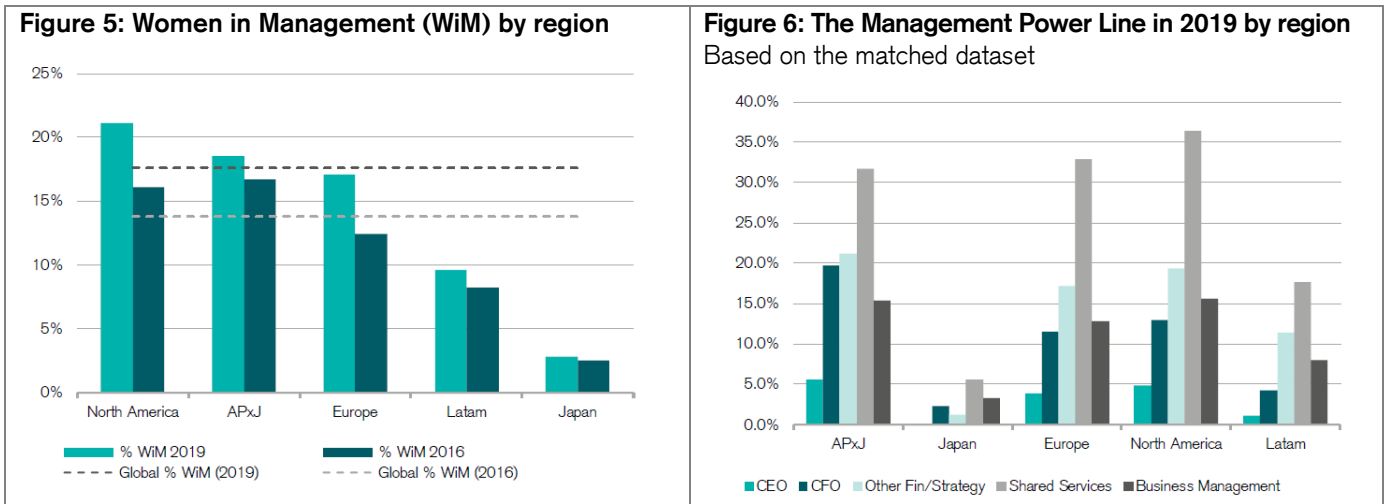
Contrasts across the Power Lineⁱⁱ are less marked in Asia Pacific than in other regions. It has the highest number of female CEOs (5.6%) and CFOs (18.9%). The comparable figures for Europe and North America are 4.1% and 4.5% for CEOs and 13.3% and 13.6% for CFOs, respectively.

With 15% female CEOs, Singapore and Italy rank the highest in terms of female CEO representation globally, followed by Thailand (9%) and the Philippines (8%). APAC countries are also globally leading in terms of

female CFO representation, with Thailand (42%), Malaysia (29%) and the Philippines (28%) holding the top three positions.

The report shows that the proportion of women in management increases as the percentage of women on boards rises, suggesting that the impact of greater diversity in the boardroom leads to a better gender balance in executive functions. At the 50% level of board representation, we find nearly 30% of women in management.

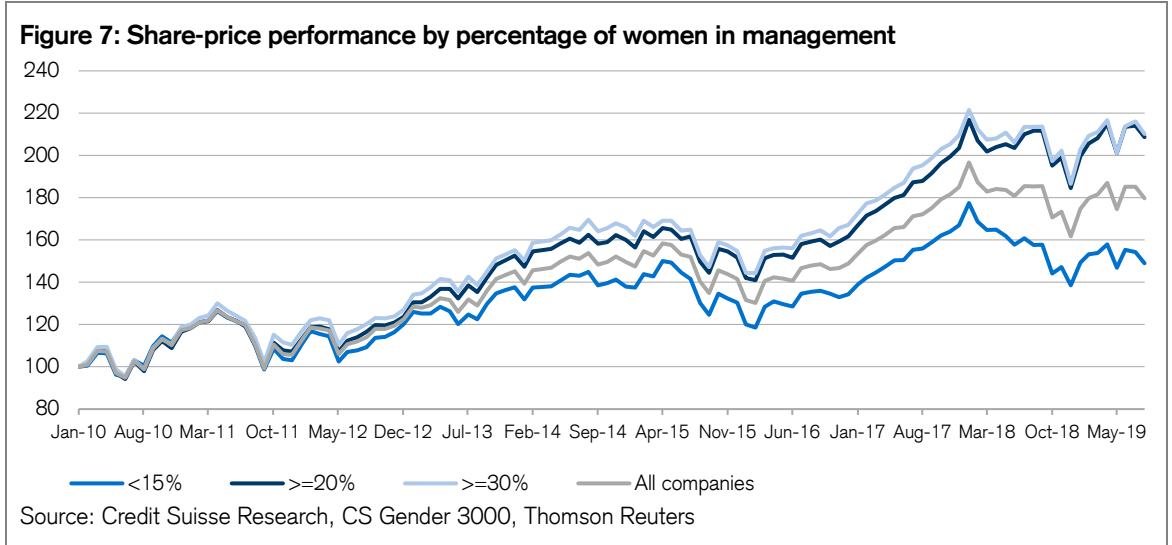
However, the report questions whether there is as much of a “spillover” effect from the board to management ranks as might be expected. Despite the existence of quotas and related policies, board representation in European countries is not mirrored in exceptional management representation by women when compared to countries such as those in Asia Pacific as we have seen in the CEO and CFO data, and also in the US.



Corporate performance

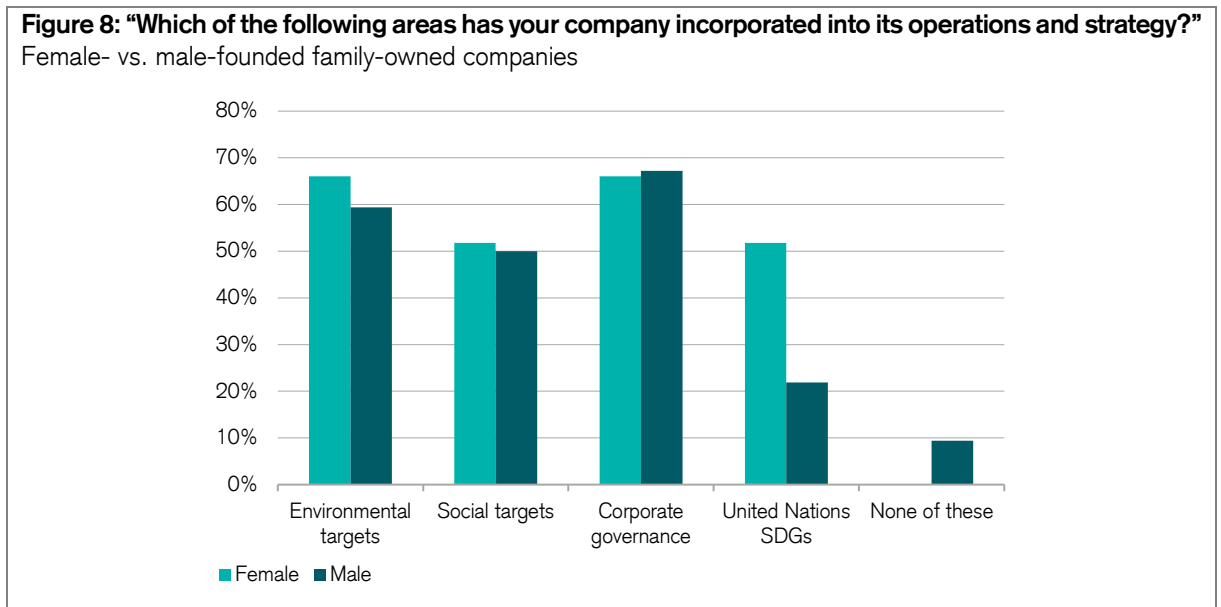
While not asserting cause and effect, the CSRI's previous reports found that strong correlations existed between boardroom diversity and share price outperformance and there was also a coincidence of higher levels of profitability when industries are judged like for like.

- The 2019 report has shifted focus to analyze gender diversity and corporate performance through the lens of management rather than just the boardroom. At close to 4% outperformance, the “alpha” (excess returns) we find when analyzing differing diversity levels amongst management teams is more than threefold than when only considering boardroom diversity.
- The report reviewed the relative performance by region, and finds that since December 2014, family-owned companies with at least one female executive have outperformed male-only family-owned companies in Asia ex-Japan by 160 basis points per annum. In Europe, this outperformance reached 570 basis points per year.
- On a sector-adjusted basis, the report shows the spread between EBITDA margins between the more diverse versus less diverse companies to be 229 basis points. Credit Suisse's unique corporate performance framework, HOLT®, finds the cash flow returns on investment to be 2.04% higher, and exhibit less volatility over time for the companies with a higher proportion of female senior managers. It accords a higher “Quality” attribute to these more diverse companies statistically.



Gender diversity and family-owned companies

Family-owned companies in general tend to outperform non-family-owned peers in terms of financial and share-price returns. Those that tend to perform best, however, appear to have substantial female representation at the executive level. Their EBITDA margins tend to be higher, their reliance on debt tends to be lower, whereas cash flow returns over the past ten years have on average been more than 400 basis points higher. Based on a proprietary survey among 120 family-owned companies, we find that a greater share of female executives also correlates with a greater focus on sustainability, ESG and the UN Sustainable Development Goals.



The female labor market and career progression through a macro lens

The report also includes a macro assessment of the dynamics of female labor market participation and the frictions at work that potentially impact female career progression, particularly where managerial roles are concerned. Amongst the policies that potentially need addressing to enhance mobility and flexibility, one is

the gender pay gap. The Gender 3000 companies interestingly reflect that the lower the diversity, the higher the pay gap.

Patsy Doerr, Global Head of Diversity & Inclusion, commented: "It is heartening to see progress being made in most parts of the world to ensure female progression and promotion in the senior positions of the workplace. Though the business case for doing so has long been known, studies such as the CS Gender 3000, and our continued commitment to this research, mean we are able to draw ever-clearer conclusions as to how we can achieve an equitable and inclusive workforce.

That being said, we are still a long way off in achieving workplace parity. This is why we are keen to spotlight the issues that persist globally and be part of the conversations that can impact material change in the direction of better gender representation and better corporate performance."

Richard Kersley, Head of Global Thematic Research, commented: "We were uniquely placed to conduct this research using our HOLT valuation framework and global spread of company analysts who have built a comprehensive picture of the gender make-up of the corporate sector. In our view, an understanding of diversity in executive management is of crucial importance if one wishes to really assess the impact of enhanced diversity in the work place and its specific relevance for shareholders. We do not assert cause and effect in our research but let the data speak. We find a material correlation between gender diversity and corporate performance."

The Gender 3000 report is available at:

<https://www.credit-suisse.com/ch/en/about-us/research/research-institute.html>

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ⁱ Diversity in the boardroom refers to percentage of at least one female member on the board.

ⁱⁱ The Management Power Line refers to the senior executive roles into the following categories: CEO, CFO, Other Finance/Strategy, Business/Product Management, IT, HR, and Other Shared Service