



Female Director and ESG Performance

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Accepted October 2023

ABSTRACT

In recent years, awareness of gender equality has risen, political and economic power are no longer dominated solely by the male. More and more female are appearing in leadership roles in politics and corporate organizations, and the era of gender equality is fully reflected in the power distribution of political participation and various kinds of organizations. While most academic research has focused on how female participation in senior management and board of directors affects financial and non-financial consequences, empirical studies on female participation in the board of directors of large-scale publicly traded firms and its impact on ESG performance are relatively rare due to limited data availability. Filling this research gap is the main research motivation of the study. Based on data from 1,590 non-financial industry listed firms in Taiwan from 2015 to 2020, this study examines whether the increase in female participation in the board of directors affects firm's ESG performance, particularly its ESG rating, ESG score, ranking within industries based on SASB's classification, and detailed information on scores and rankings for individual ESG aspects. Empirical evidence generally shows that higher level of female participation in the board of directors correspond to worse ESG performance, which can be explained by communication costs, poor coordination, and the minority opinions are not given sufficient weight or consideration by the majority in the Social Identity Theory. However, interestingly, higher levels of female participation among independent directors help to improve a firm's ESG performance, especially in environmental performance. Furthermore, greater frequent attendance by female directors, longer tenure, and higher education levels also contribute to improving a firm's ESG performance. This indicates that gender diversity has a beneficial cost-effectiveness effect in the position of independent directors, and the appointment of female directors should consider their characteristics such as attendance, tenure, and education level.

Keywords: Female Director, ESG Performance

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