International study suggests female corporate leaders make firms less likely to greenwash

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Companies with a gender diverse board of directors tend to be more open and honest with their environmental, social and governance (ESG) performance, according to new research.

A team from the University of Portsmouth, Brunel University and Loughborough University, observed 3,902 firms from 29 countries over a fourteen-year period.

They looked at ESG decoupling data, which is the term used to describe the gap between what firms disclose about their ESG practices, and what their performance actually is.

The study found companies with more female corporate leaders were less likely to exaggerate how positive their environmental impact is; a process known as greenwashing. This relationship is also more noticeable in firms operating in controversial industry sectors.

Dr. Ahmed Aboud, from the University of Portsmouth's School of Accounting, Economics and Finance, said, "ESG decoupling is a major issue in the current corporate landscape, with many firms misrepresenting their actual ESG performance in their disclosures.

"Our study supports existing theories that women directors are crucial players in preventing this, as they are more likely to speak out against unethical behavior, and support environmentally conscious decisions."

The team also examined the role of religiosity in ESG decoupling. They found the impact of board gender diversity on ESG decoupling is stronger for firms located in countries with a low level of religious beliefs.

"This finding is consistent with other studies which suggest religious differences among countries can influence corporate decisions," explained Dr. Yasser Eliwa from the School of Business and Economics at Loughborough University.

"Countries with higher levels of religiosity tend to adopt views supporting traditional gender roles between men and women, and as a result see female directors being less influential in their roles."

Over the past decade, regulators began measuring and monitoring corporations not just on traditional economic metrics, but also by their environmental impact, commitment to social issues and the soundness of their corporate governance.

However the paper, published in *Business Strategy and the Environment*, says ESG laws and regulations need to do more to tackle greenwashing for them to make a considerable difference.

While 21% of the firms observed in the study are from countries that have a mandatory board gender diversity law issued, the remaining 79% are from countries with no female directors' quotas.

Dr. Ahmed Saleh, from Brunel Business School at Brunel University, added, "These findings have important implications for policymakers, investors, and other stakeholders interested in promoting responsible and sustainable corporate behavior.

"They provide additional insights to the importance of improving gender diversity on boards and may motivate decision-makers to mandate board gender diversity quotas."

The paper recommends further research to examine the impact of "hard law" and "soft law"; quotas on the relationship between board gender diversity and ESG decoupling, as these vary from country to country. It also suggests exploring other attributes of board diversity, including age, ethnicity, nationality, financial and industry expertise.

More information: Yasser Eliwa et al, Board gender diversity and ESG decoupling: Does religiosity matter?, *Business Strategy and the*

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