

# Closing the Gap

## An Analysis of the Current State of Gender Representation in the Private Markets

November 2023

Many privately held companies and their investors look to the [UN Sustainable Development Goals \(SDGs\)](#) to inform their focus areas for sustainability. Among the 17 goals, gender equality ([SDG #5](#)) stands out as one of the areas with the most alarming lack of progress. According to the UN, “[a]t the current rate of progress, it is estimated that it will take up to 286 years to close gaps in legal protection and remove discriminatory laws, [and] 140 years for women to be represented equally in positions of power and leadership in the workplace.”

Research shows that prioritizing gender equity can improve [profitability](#), improve employee retention, and attract [talent](#). This is important not only for future

hiring, but also for overall economic prosperity. There are societal benefits too—gender equity has been found to make communities [safer and healthier](#).

Studies also indicate a strong correlation between increased diversity within executive teams and enhanced financial performance. According to [McKinsey](#), companies with a 30% female executive composition had a higher likelihood to outperform companies who maintained a diversity range of 10% to 30%. In addition, McKinsey’s research found that businesses in the highest quartile for gender diversity among executive teams were 25% more likely to achieve above-average profitability compared to those in the lowest quartile.

Despite these proven benefits, gender inequality remains entrenched in public and private companies. In this paper, we focus on the private markets and showcase gender diversity benchmarks powered by [Novata](#), a data management platform designed specifically for ESG in private markets. Collected across different regions and from companies of varying sizes and industries, the data shows significant gaps in female representation at the senior-most levels at private companies. This data underscores the urgent need for concrete efforts to accelerate progress towards gender equality—and Novata hopes to start a collective conversation about ways in which the private markets can do so by sharing these initial insights.

# Gender Diversity Findings from Novata Benchmarks

Source: Novata Benchmarks for the 2022 Reporting Period as of 2Q 2023

Novata Benchmarks are built using reported data from Novata's contributors. This data is de-identified and aggregated, and specific to the private markets. Novata uses both statistical analysis and the expertise of internal experts to select and publish benchmark data. This includes reviewing data quality, achieving a minimum number of underlying data points/metric, and testing for variance across multiple dimensions.

## WOMEN ON BOARDS

On average, 1 in 10 board members at private companies are women, globally.

Women hold 12.3% of the total board seats reported by the private companies on the Novata platform.

In contrast, publicly-traded companies have better representation—in 2022 women the global average for women on boards was 19.7% [Deloitte].

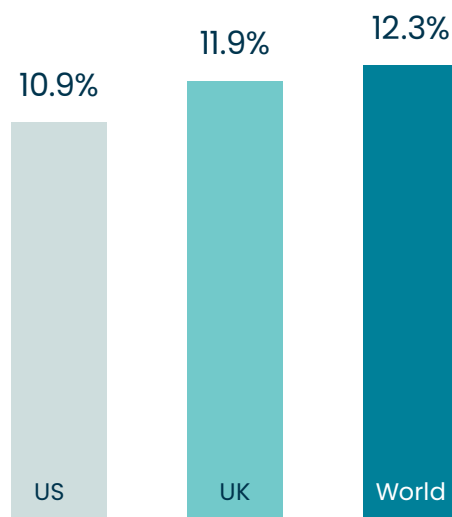
Nearly 48% of companies referenced in Novata's benchmark data reported that they have zero women serving on their boards. Conversely, there were no all-male boards in

the S&P 500 or FTSE 350 in 2022. This could be due to a number of factors, such as the requirements from investment banks to exchange listing requirements.

## GENDER WAGE GAP

A bright spot for gender equality at private companies is that they may be slightly further ahead in closing the gender wage gap in some regions. The overall unadjusted median gender wage gap for companies reporting on Novata is 16% vs. the worldwide gender wage gap of 23% reported by the UN.

## % of Reported Board Seats Held by Women



Source: Novata Benchmarks

Pew Research Center reports that women in the U.S. earn 82% of what men earn; Novata data for U.S. companies reports women earn 86%.

## INDUSTRY & COMPANY SIZE MATTER

While the Novata data set spans several industries, findings show that board gender diversity varies greatly across the SASB Sustainable Industry Classification System® (SICS®) definitions for industries. Companies in the Health Care and Consumer Goods sectors have a reported 14% board members who identify as women, while companies in the Food & Beverage and Transportation sectors report 0%. Other sectors fall between that range.

Novata's data shows that private companies exhibit positive increases in gender diversity as companies grow in size. The median percentage of women on boards for firms under 100 employees is zero. Small companies report the lowest percentage of women in C-suites, the highest % gender wage pay gap, and the lowest percentage of equitable pay policies and diverse recruiting policies. For larger firms (>500 employees), the median percentage of women on boards rises to 12.5, and women make up more than 20% of executive teams.

# Actions Private Companies Can Take to Improve Gender Equity

While “number of women board members” is one of the most frequently asked metrics on the Novata platform (and has a 96% metric fill rate), there are no requirements for private company boards to achieve a gender diversity standard or publicly-disclose their diversity metrics (like the ones we previously mentioned for the public markets).

## DEVELOPING POLICIES & COMMITMENTS

Developing policies that advance gender equity is a vital step for

businesses to set clear goals and ensure accountability for progress. Novata data indicates that many firms have begun on this path of establishing gender equity policies.

Firms can establish gender equality strategies aligned to relevant standards. The [Women’s Awareness Initiative](#) aims to boost female representation in leadership roles. Private markets firms can also become signatories of the [Institutional Limited Partners Association’s \(ILPA\) Diversity in Action Initiative](#) by committing to engage in the journey towards becoming more

diverse and inclusive and to build momentum around the adoption of specific actions that advance DEI over time.

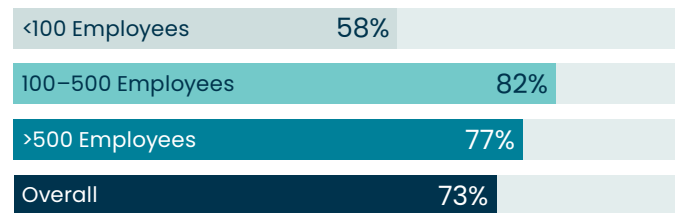
Many private markets firms have publicly announced commitments to broaden and diversify their search for talent, and much has been written about creating women’s networks and mentoring programs and investing in flexible work arrangements as best practices.

## DEI Policy Setting by Company Size

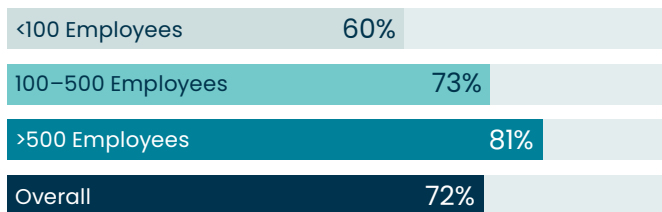
### Has Code of Conduct Policy



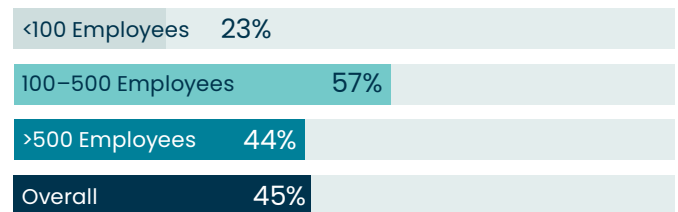
### Has Diverse Recruiting Policy



### Has DEI Policy



### Has Equitable Pay Policy



Source: Novata Benchmarks

## DATA IS KEY

Collecting and managing data to track outcomes is critical to any successful business initiative. Many companies do this with financial reporting, but few apply the same rigor to women's equality and advancement. Leveraging data to drive awareness is a valuable tool for driving change—it provides a clear picture for opportunities and challenges so that firms can work towards solutions.

Establishing policies and processes that pave the way for leadership and board opportunities, making commitments to diverse candidate recruitment, and fostering a culture of diversity at all levels are actions that can be measured, monitored, and improved. These insights serve as critical tools for senior leaders to leverage as they plan for the future of their organizations. To learn more, contact [press@novata.com](mailto:press@novata.com).

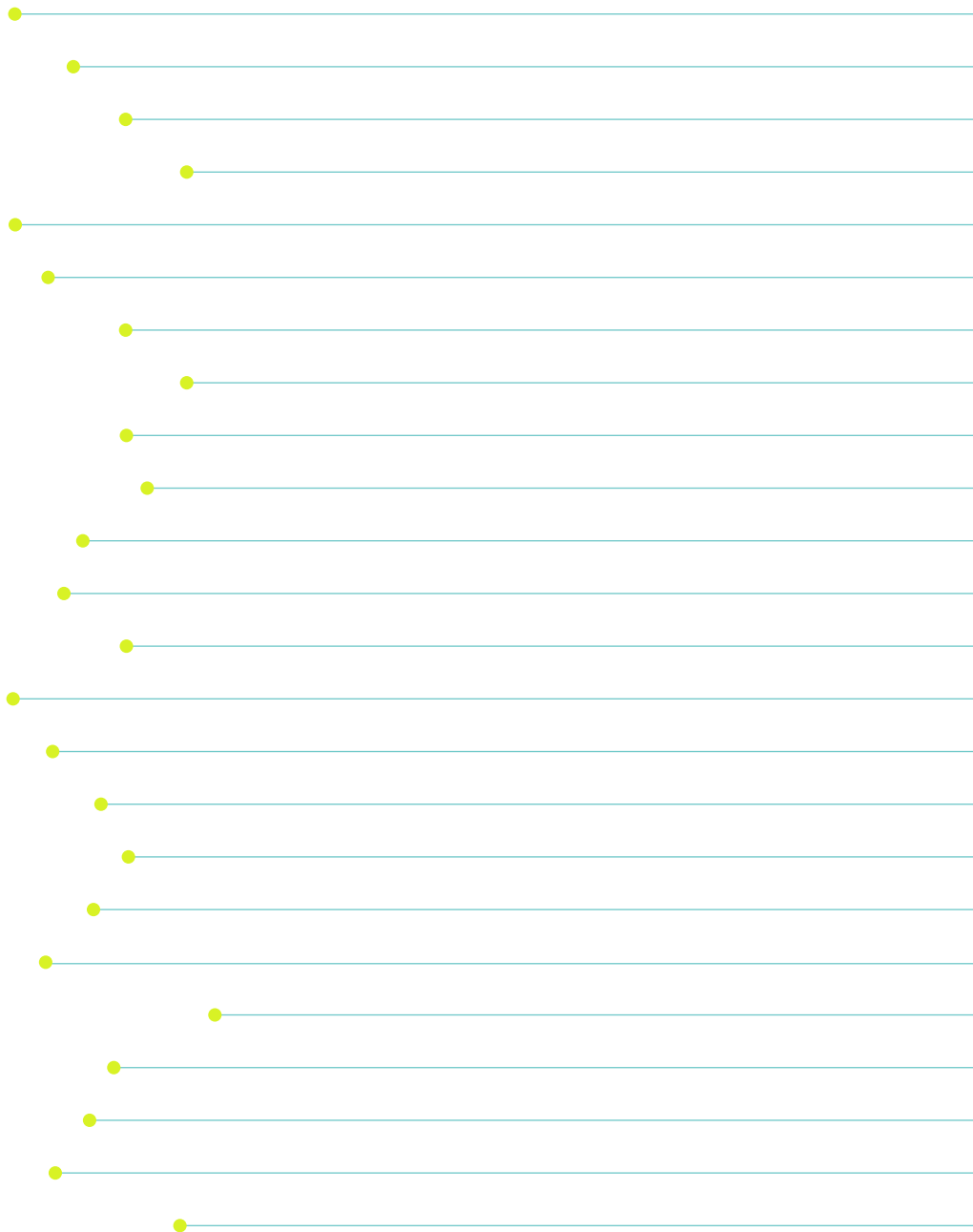
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## ABOUT NOVATA

Novata is a public benefit corporation that enables the private markets to achieve a more sustainable and inclusive form of capitalism. Novata’s technology platform makes navigating the ESG landscape simple for private markets by identifying a clear starting point for selecting the metrics that matter, streamlining data collection, and contextualizing data to drive reporting and action.

With market and regulatory demand for ESG data on the rise, private market investors are under increasing pressure to track and report on ESG performance. Novata was formed to empower the private markets to seamlessly manage ESG data and collect, analyze, and report on the metrics that matter. Novata, which is backed by the Ford Foundation, Hamilton Lane, Microsoft, Omidyar Network, and S&P Global, is majority controlled by mission-driven organizations and its employees. Learn more at [www.novata.com](http://www.novata.com).



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