

Board diversity: long overdue

What can be done to make both manager and fund boards more diverse – by gender, race, background, experience etc? Institutional investors are gravitating to the funds of managers that embrace board diversity. There is also growing body of evidence that cognitive diversity on boards improves their performance.

Even though it should be about more than race or gender, board diversity is likely to become a more urgent matter as a result of the series of events that have taken place around the world, in the aftermath of the killing of George Floyd in Minnesota. Those events look like they will be more consequential than is usually the case when police brutality is exposed in the US. In the UK, for example, the government has set up a commission to look into race inequality.

Up until now the asset management industry has escaped scrutiny of its own record on diversity – however diversity is defined.

Thanks to the rise of ESG, asset managers have been very good at laying down the law for corporates on diversity. But they have not been so good at following the law themselves. Fund managers with ESG mandates routinely tell corporates that if they want an allocation then they have to be more diverse, especially at board level. For example, Goldman Sachs Asset Management announced a few months ago that it had decided that it will not invest in any companies without any women on their boards.

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Board & director ratings update

The NED was due to hold a number of physical events this spring and summer to promote and further develop its fund board ratings. We had also intended to launch a traffic light system for independent directors at these events, which was raised back in The NED's February issue.

Given that it isn't possible to hold those events we have altered our plans and will instead conduct an online consultation with the industry on these items. That begins now, with this issue, and will continue until September. Over the intervening months we will host one if not two webinars on the ratings, and on the director traffic light system, before finalising our plans in the early autumn.

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IFI Global Research

The Briefing Report

ESG's impact on the fund industry

The NED

Alternative Fund Governance:
The View of Investors (US & Europe)

The Tracker

The impact of Brexit on EU jurisdictions

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