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DIVERSITY & INCLUSION – VOICES IN FUNDS

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Foreword

Many jurisdictions have acknowledged (or are moving towards acknowledging) that discrimination on the basis of ethnicity, gender, sexuality, and/or age is unacceptable and are striving to improve by implementing inclusion legislation and policy. Within the corporate world, a steady focus on diversity and inclusion (D&I), manifested in policy, has become the norm. But does this really affect behaviour, especially when it comes to issues of recruitment and choosing suppliers? And have the last nine months, where the world has experienced unprecedented change caused by the COVID-19 pandemic, shifted the agenda when it comes to inclusion?

While the COVID-19 crisis has led to unprecedented levels of soul-searching as many organisations have reassessed the wider benefits of an employee focused work/life balance, with working from home at its core, it also ran parallel with global events of another nature such as the 'Black Lives Matter' movement which emphasised, and in many cases accelerated, a focus on racial equality across corporates worldwide.

Independent research carried out by Mourant in June 2020 among those with an organisation-wide remit for D&I, revealed that for many corporates and professional services firms, COVID-19 has been far from a distraction when it comes to evolving and implementing their own inclusion strategy, and some focus areas, like neurodiversity, have seen an increase in priority.

Nine in ten firms surveyed by Mourant said an adviser's approach to D&I is a significant factor in making purchasing decisions and over two thirds said that a lack of a diverse team being put forward is a barrier to doing business with a supplier or adviser.



9 in 10

**nine in ten investors ask about D&I
when conducting due diligence**

Even though IFCs around the world have been rapidly diverting resources to cope through the pandemic, jurisdictions will quickly return to the regulatory agenda in this area. Some, most notably Guernsey and Jersey, are already well on the way to modernising legislative frameworks to ensure businesses are accountable, specifically when it comes to the equality agenda. Waiting for legislation in this area versus 'doing the right thing' and proactively moving to self-regulate is however a continuing debate.

Wherever an individual jurisdiction 'lands' in this environment, globally-conscious businesses with operations in the IFCs are already carving a progressive path. Being inclusive has a base-line for these firms that the current regulations perhaps haven't quite attained yet. And these businesses can see the benefits of leading on inclusion. Some of which are simply amplified by the social and economic dynamics triggered by the COVID-19 pandemic.

Introduction

The study carried out by Mourant in June 2020 targeted senior individuals within or advising the funds sector globally. The resulting findings reveal the accumulated views and trends of individuals who have a specific leadership role or responsibility for D&I in their organisation. This paints a picture of the strategic 'direction of travel' for the businesses involved.

The patterns, identified through the research, provide a unique insight into the strength of feeling placed on the importance of D&I within the investment funds industry and particularly the challenges, and subsequent solutions, for those operating internationally, across onshore and offshore IFCs going forward.

The survey explored why D&I strategy and programmes are continuing to grow in importance, despite the challenges thrown up by the unexpected COVID-19 pandemic.

The research shows that with many industries facing up to a different market place than they had planned for when looking ahead to the 'roaring '20s', inclusion will be one focal point that will seemingly grow more important rather than fall away.

A growing number of purchasing decisions rest on seeing physical evidence of an adviser or supplier's D&I strategy with nearly 90% of our respondents citing the importance of suppliers/advisers demonstrating that they have an inclusion policy.

In our view the research validates an evolved D&I ecosystem where simply saying 'we must be more inclusive' is never going to be enough again. The economic landscape has shifted massively in an incredibly short space of time, and with lockdown measures now a recognisable tool in the global fight against contagious viruses, employers and employees must be ready and willing to make quick changes within the 'new normal'.



An unlimited talent pool?

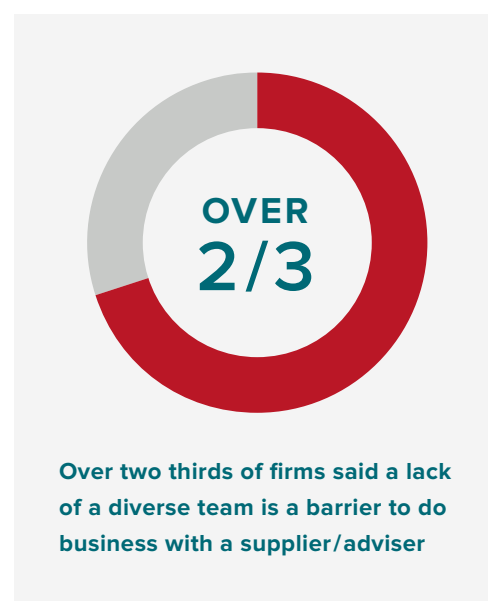
Recruitment for many organisations this year has, at best, gone into short-term paralysis, and the medium-term effect of COVID-19 on the talent pool remains to be seen. With hundreds of millions of people losing their jobs globally in 2020, businesses may find that talent is now more readily available than before. A progressive approach to inclusion, including a shift of opinion on remote working, could play a critical role in attracting the right talent and helping passive candidates feel more comfortable with the risk of changing jobs in an uncertain economy.

“There is also a clear move to place a high priority on ensuring inclusion is actively achieved and demonstrated by businesses, and not just a strategy document drawn up to tick a box.”

Respondents were asked if, while conducting their due diligence, they would ask about D&I in the team they would be working with. 90% of those surveyed stated that this was a standard procurement question with 60% stating that investors already ask to see proof – a figure that we believe could rise further as D&I continues to be a key factor in strategic business decision-making. Having a diverse workforce is also proven to drive innovation^[1], and is reflected in a business's bottom line. In short, embracing inclusion makes simple business sense. But there is also a clear move to place a high priority on ensuring inclusion is actively achieved and demonstrated by businesses, and not just a strategy document drawn up to tick a box. Post-COVID, a quarter of all our respondents said they anticipated the

frequency in which investors will ask about D&I when conducting due diligence will increase so the importance of a visible and productive strategy is amplifying as we look at the post-pandemic market place.

Businesses may need to widen recruitment pools to deal with the wide ranging effects of the pandemic. Broadening recruitment pools will help forge ever-stronger business relationships with referrers and clients that are placing a high value on offering a diverse team to clients. Aligned interests, practice areas and client bases already help strengthen bonds and demonstrating the impact of an inclusion practice will drive those relationships even closer, particularly when considered alongside the data which shows over two thirds of firms said a lack of a diverse team is a 'barrier to doing business' with a supplier/adviser.

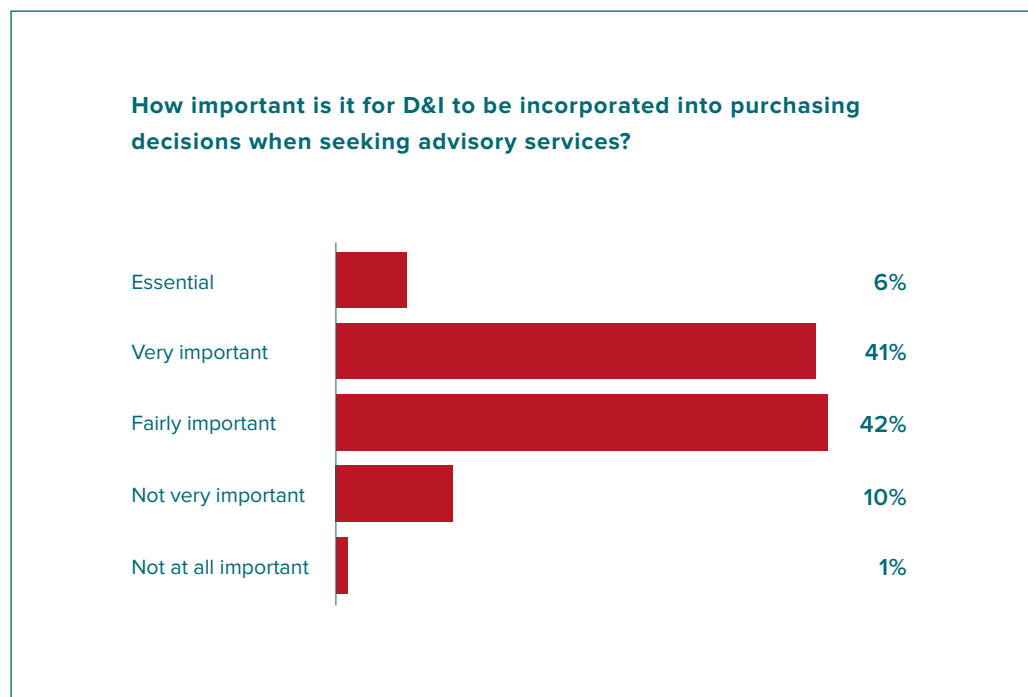


Power of decision-making

With many global firms now recognising all aspects of inclusivity as a 'significant factor' in a business's purchasing decisions, showing a commitment to equality in every area will position a business at the forefront of its sector.

Demonstrating an active inclusion strategy is important for offshore firms according to seven out of ten of our survey respondents, and in addition, any perceived evidence of gender imbalance would be an undesirable attribute for many.

With the knowledge that gender, as well as neurodiversity, ethnicity, sexual orientation and age remain concerns for investors placing high levels of accountability on their suppliers, an offshore firm can create a competitive protective bubble around themselves, by addressing any imbalances immediately.





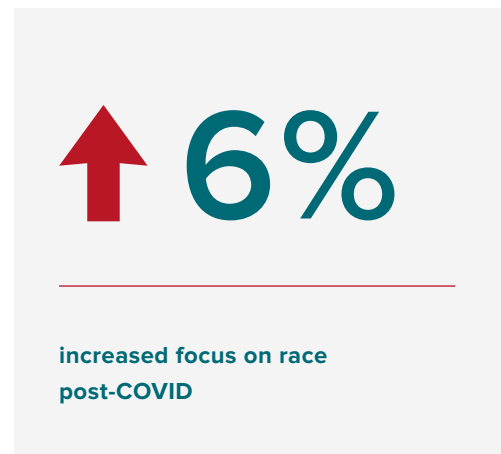
Diversity still matters

However inclusive a community perceives itself to be, shockwaves can be sent around the world when the reality is exposed – and the unsavoury truth that many people still face discrimination is presented for all to see.

While communities pulled together in the face of the COVID-19 pandemic, social distancing measures were dropped by thousands of people who instead came together to protest against the circumstances surrounding the death of American, George Floyd.

So if hundreds of thousands of people feel the need to take a knee in demonstrations across the world, it is safe to say that until everyone agrees that black lives matter, the inclusive society we'd like to live in doesn't exist yet. The Black, Asian and Minority Ethnic (BAME) agenda has never been more apparent or more important – and this is also reflected in our survey with respondents placing a 6% increased focus on race post the pandemic.

When considering all community groups, our research found that the top four areas of priority for D&I focused firms are neurodiversity, ethnicity, gender and age both pre and post the pandemic era, with neurodiversity set to be of particular focus for businesses post-COVID.



38% of our respondents chose neurodiversity as their highest priority post-COVID, up 13% compared to pre-pandemic.

The shift in focus from some respondents towards neurodiversity should not however be seen as a decrease in priority in other areas pertinent to D&I. Combined, and taking into consideration the regional variations identified, the top four areas of focus are the same regardless of the impact of the COVID-19 pandemic. Therefore, businesses need to be considering all aspects of diversity holistically to be fully inclusive.

What next? – real commitment and constant review

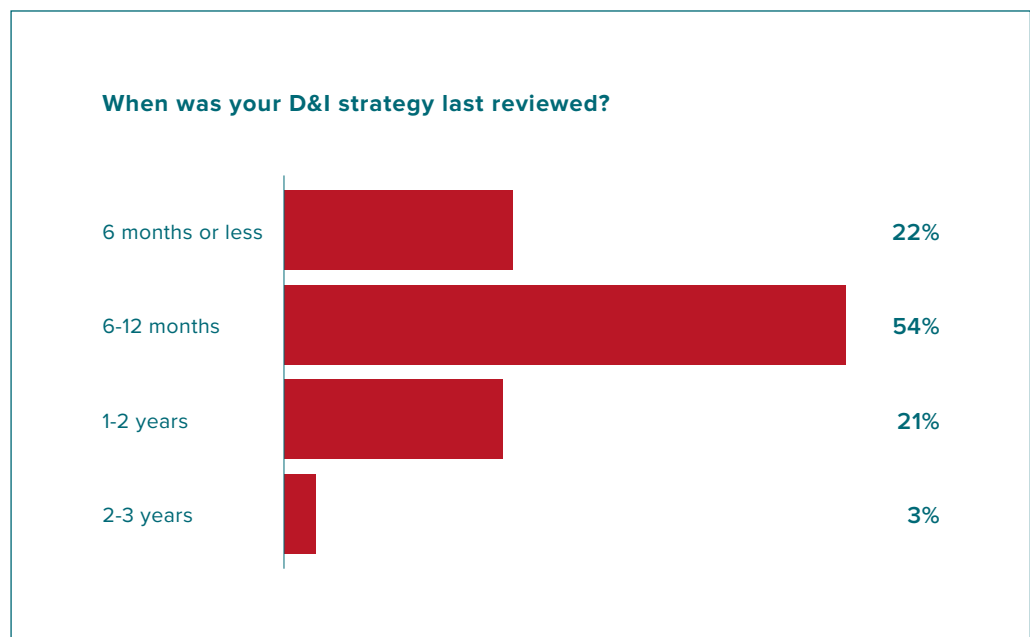
With the research findings indicating a direction of travel that an adviser’s approach to D&I may contribute to an organisation’s purchasing decisions, the question should perhaps be asked, how can businesses continue to adapt to remain at the forefront of D&I, while facing the new challenges posed by the COVID-19 pandemic?

With the vast majority of those surveyed by Maurant stating that having a D&I policy is on their supplier wish list, and as many also asking about an adviser’s approach to D&I, it seems that putting a D&I policy in place has become a hygiene factor.

However, the expectation is that to truly get a relationship over the line, businesses must go further than just simply having a strategy, by showing evidence that D&I is not just a ‘tick box’ exercise but rather, something that really matters to ethically-conscious firms.

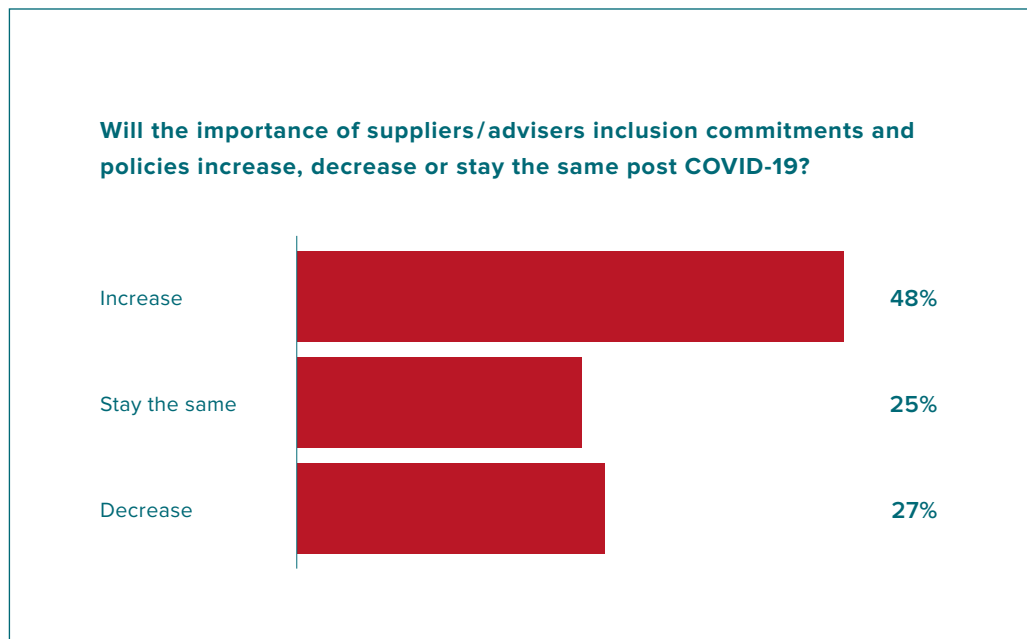
“Putting a D&I policy in place has become a hygiene factor.”

To prove a commitment, a D&I strategy should demonstrate progress and be reviewed regularly and updated as needed. Most respondents told us that they already have a D&I strategy and it’s reviewed on average every 12 months, while UK and European firms review D&I strategies more often than businesses elsewhere. >



To ensure an inclusive workplace has a D&I strategy is merely a first step. Regularly reviewing it and making relevant and timely updates is a necessary second step and remaining committed to and in-tune with making diversity friendly initiatives an enhanced part of an existing strategy is essential.

Acknowledging the diverse advantages that an inclusive work force can bring to a business including additional levels of integrity, attention to detail and new ways of communicating, will soon bring those perceptible benefits to the forefront.



Thank you to those who kindly participated in our survey, and took the time to share their point of view on the importance of diversity and inclusion in the global funds sector. The feedback has provided a deeper understanding of our clients' perspective and priorities in this area and we look forward to continuing the conversation and listening to the voices within our industry.

Inclusion is a key business priority for Mourant and we're committed to fostering an inclusive community. We recognise that we're on a journey and that during these unprecedented and challenging times, it is even more important that inclusion remains high on our agenda internally and that we continue to demonstrate leadership and evidence of our progress externally.

To find out more about our commitment to inclusion, visit mourant.com/inclusion

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