

# KEY ACTIONS HEDGE FUND FIRMS CAN TAKE TO IMPROVE GENDER DIVERSITY AND INCLUSION

**E**mbracing a culture of diversity and inclusion (D&I) in an organisation is not just the right thing to do, the benefits of gender balance within investment management firms are clear and irrefutable. Not only does gender D&I within a firm improve decision making and enhance the business culture but evidence shows that it is sound business sense, creating value and improving returns as evidenced in a recent survey by BNY Mellon<sup>1</sup>.

In addition, investors are increasingly demanding that hedge fund firms demonstrate a commitment to D&I whether as part of a formal environmental, social and corporate governance (ESG) criteria on the underlying portfolio or their background due diligence on the firm itself. A useful aid to understanding areas of investor focus recently released by the Alternative Investment Management Association (AIMA) and Albourne Partners is the freely available [D&I questionnaire](#) which is available to all alternative investment managers.

The important aspect of this is gender inclusion; the extent to which individuals feel that their full self is recognised, rather than the overall 'diversity' of an organisation which can potentially show female representation without having a culture that embraces it. Set out in this white paper are a few key actions that can be taken by hedge fund firms, both large and small, to improve gender D&I and promulgate a culture where all individuals feel that they belong. The focus is on gender balance within firms but the majority of these points equally apply to diversity of every kind.

<sup>1</sup> [BNY Mellon Survey](#), 3 August 2020

## 1. Leading the culture

Rather than having diversity as a matter for the HR department, the firm's principals should treat D&I as a strategic initiative and an imperative part of the overall business plan with this being well-defined in the context of the individual firm. Senior management should set a clear intention, with D&I goals becoming part of the firm's mission, fundamental values and culture.

## 2. Start early

Firms should, at the very minimum, require a diverse slate of candidates to be considered when hiring for open positions. It is a great idea to start earlier on in the process and create college level internships encouraging applications from minority groups. Overall, make diversity an ingrained part of the hiring process, if possible, creating diversity goals as well as policies and procedures around the onboarding process.

## 3. Identifying unconscious bias

Negative bias can be subtle and sometimes individuals are completely oblivious to the underlying current of bias in their behaviour and the language and phrases they use. The first step

is awareness. There are illuminating tools for identifying unconscious bias like the **implicit association test** on social attitudes designed by Harvard University. In addition, take a look at this **"Bias Correct" plug-in** created by Catalyst. Like spellcheck but for gender bias, this equality tool helps users spot their own unconscious bias in everyday conversations and empowers them to actively work against it.

## 4. Mentoring and sponsorship

Ensure that women have access to sponsors and set up a firm mentoring program. If the firm is a small start-up, or there is a lack of senior women, explore the possibility of cross-firm mentoring programmes. To assist on every level, reverse mentoring should be considered. Pairing younger employees with executive team members to mentor them on various topics of strategic and cultural relevance will educate and transform the mindset of the whole firm.

## **5. Next level success; Retaining and advancing women**

Women need to see a viable path towards career progression laying the foundation for success. Firms can identify a diverse pipeline of professionals and there should be a focus on the promotion process and transparency to ensure that women have equal opportunities for advancement. An important consideration is increased maternity and paternity leave to level the playing field when professionals start a family.

## **6. Flexibility**

If COVID-19 has taught us one thing, it is that working remotely is not only feasible and practical, it can improve individuals' contribution and focus, and increase productivity gaining back the lost hours previously spent commuting. Firms should aim to build an inclusive culture around flexible working hours and arrangements for working remotely. This will benefit everyone in the organisation and is likely to enhance loyalty and focus. A word of caution here; if working remotely becomes a permanent feature of the working protocol, ensure that everyone is given an equal opportunity to do so and be mindful of the gender balance of those remaining in the office full time to ensure that this doesn't exacerbate the underrepresentation of women.

## **7. Outside affinity groups and industry gender focused associations**

Encouraging participation in employee resource groups and affinity groups can help to foster a sense of community. The networking and information sharing provided by membership of organisations such as 100 Women in Finance and Women in Asset Management can help women gain confidence in participating in industry events and assist in building relationships.

## **8. Fund board diversity**

Finally, something to be considered by all investment management firms and particularly smaller emerging managers; firms can enhance gender diversity by having a skilled professional female independent director serving on the board of directors and advisory boards of fund structures. This can boost investor perceptions around inclusion. A board that is diverse in many respects, be it gender, background, skillset and experience is a pre-requisite for sound governance.

## ABOUT THE AUTHOR



### Allison Nolan

is the founder and Managing Director of Athena International Management Limited, a boutique corporate governance provider offering

experienced independent directors to the international hedge fund community. From her background as a partner in a leading offshore law firm and her commercial and transaction management experience, Allison has developed a wealth of expertise in the international financial services arena and has extensive knowledge of the legal and regulatory framework in the Cayman Islands and other offshore jurisdictions.

Allison is passionate about, and is actively involved in, numerous women's and diversity initiatives in the financial services industry. She is an active participant in 100 Women in Finance and is a member of AIMA's global steering committee for diversity and inclusion.

Allison has been a frequent speaker at hedge fund conferences and has contributed to several legal journals and industry publications. She has recently written a book on the subject of female directors and how women are transforming the hedge fund industry which is being published by Forbes in 2021.

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## ABOUT ATHENA

**C**elebrating 15 years in 2020, Athena International Management Limited provides governance solutions to the international alternative investment community. Our experienced professionals serve as directors on the boards of hedge funds, private equity vehicles, advisory boards, fund management companies and structured finance vehicles. We have a breadth of experience in a wide variety of investment structures, including hybrid and complex structures domiciled in jurisdictions such as the Cayman Islands, British Virgin Islands

and Delaware. Our experience sets us apart having worked in the alternative investment industry through several global economic cycles. In the ever changing legal and regulatory environment, we help our clients stay ahead of the global regulatory curve in mitigating exposure and enhancing compliance. We are committed to providing an exceptional level of service with the ultimate degree of professionalism, integrity and efficiency, utilising our in-depth knowledge, practical approach and commercial experience to facilitate a high level of client satisfaction.



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