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Evolving perspectives: improving board diversity in Cayman's fund industry

Interview with Ebony Myles-Berry



Established in 1974, International Management Services Ltd (IMS) is among the leading providers of directorship services for the alternative investment industry in the Cayman Islands. IMS and its directors are not affiliated to other service providers and law firms, allowing it to provide independent corporate governance expertise to the highest industry standard.

A pioneer in providing professional independent directors to the fund industry in Cayman, its team of qualified and experienced professional directors boast diverse backgrounds spanning legal, accounting, compliance, regulation and fiduciary services.

With the business very much at the forefront of the rapidly-evolving corporate governance landscape surrounding the hedge fund industry in the Cayman Islands, one increasingly live

issue among clients is a growing awareness of the need for greater board diversity, says Ebony Myles-Berry, fund director at IMS.

How important has the topic of board diversity in hedge funds become in recent years?

Diversity in terms of board composition has been a hot topic for a while and over the last few years there's been a lot more awareness and demand, specifically for gender diversity. Economic, social and legal considerations have created a surge in interest from investors and investment managers about increasing gender diversity on fund boards.

While discussions and considerations over diversity often focus on gender, choosing a board director solely because they fit into a category, "check the box" or appeases a regulatory requirement, is not sufficient.

Effective and productive boards require a breadth of perspective that is also diverse, and I think that the best boards are composed of perspectives that are informed by a range of backgrounds, skills, and experiences. Considerations should be given to whether a director can fill the need for the varied perspectives in order to help robust discussions and well-rounded decision-making.

That type of dynamic is increasingly important because of the complex issues that today's boards are facing.

What do you see as the main issues and challenges when it comes to board diversity in the hedge fund industry? What steps can be taken to improve board diversity?

One factor that inhibits board diversity is neglecting to put an emphasis on diversity during the search for board members.

Diversity should be prioritised during the search process in order to avoid unconscious biases. It is human nature to look for what we have in common with other people so there is a tendency to seek out individuals with the same professional qualifications or backgrounds or individuals who look or sound like we do. Unconscious biases like these further limit diversity so prioritising diversity during the search process helps to focus more on selecting individuals with different skills, experiences, genders, ages and backgrounds.

Another factor is the dependency on traditional referral pipelines. When looking for a potential board member, people often rely on their personal networks. Peoples' professional networks often resemble themselves which could limit the candidate pool to a specific background, expertise or even gender. Expanding candidate searches beyond the traditional sources could result in an increase of diverse candidates.

Overly homogeneous boards lack multiple perspectives and run the risk of blind spots that are missed by the entire board, blind spots that might have been obvious to others with different perspectives and experiences. Board evaluations can be used as a tool to increase board diversity. Board evaluations as a tool for assessing director performance are typically viewed as good corporate practice, but they can also serve as a way to assess board composition and gaps in skill sets.

How does a lack of diversity on boards impede the growth and development of hedge funds?

Boards that lack diversity represent the risk of group think. Group think imperils the board's decision making and problem-solving process.

Given the complex issues that today's fund boards are facing, we want to avoid group think by having a diverse board. A diverse board with different skills, backgrounds, and experiences will look at issues with a broader perspective which leads to more critical analysis and a different board dynamic.

Is there anything that IMS itself is doing as a company to strengthen diversity in your area of focus? What have your clients been saying with regards to this issue?

More frequently, clients have approached us seeking board members with different experiences and qualifications and even specifically



requesting a female. The goal of these clients is to compose a diverse board that will provide different perspectives and disrupt the status quo. IMS supports board diversity, hence why we have such a diverse team of professional directors of various experiences and backgrounds to meet and address clients' needs.

What about the investor community? To what extent does diversity matter when it comes to portfolio allocation decisions?

Allocators have their standard checklist of what they look for in terms of board composition, and I think an awareness of diversity is there among investors. Diversity more generally is something that investors favour. Many institutional investors have adopted the concept that diverse boards lead to better decision making and we can expect that investors will take a broader approach to diversity considerations, particularly as it relates to gender and industry experience.

Investors have spent the last few years raising their expectations of fund boards, a trend that we expect to see continue in 2020. ■

Ebony Myles-Berry
Fund Director, IMS



Ebony Myles-Berry is a Fund Director at International Management Services Ltd. and has 15 years of experience serving as a director on the boards of investment funds and as a member on governance and advisory committees.