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Ethnic diversity

Gender diversity

US asset managers will hardly achieve board diversity ambitions in Europe

 On the 03/08/21 at 7:21AM by Adrien Paredes-Vanheule and Tuba Raqshan 

BlackRock, Capital Group, SSGA and others face a wall in data collection around ethnic and racial composition of European listed companies.



Diversification does not necessarily pair with diversity. During a press briefing [on the integration of climate transition-related factors into its market views](#) at the end of February, the world's largest asset management company, BlackRock, was asked whether some social and governance criteria would be added too in the future. BlackRock speakers acknowledged the importance of social and governance concerns but said "there is greater consensus on the impact and measurement of environmental factors." The company's portfolio management chief Richard Kushel added that racial equality was "maybe not important in portfolios but is really important in other parts of society." If BlackRock or any manager was to apply such sensitive element to the whole of its macro-views, it would likely drop a number of stock or bond markets.

Europe will certainly not go the American nor the British way on ethnicity and racial matters within EU public companies' boards. BlackRock understood that after an episode that occurred in Sweden last January. [Speaking to Swedish trade newspaper Dagens Industri](#), the manager's European corporate governance head Amra Balic made the case for more diversity, including ethnicity, within Swedish public companies' boards while threatening those that would not meet BlackRock's requirements. If Swedish investors welcomed the fact that the board diversity topic was prompted, they castigated the US manager for the methods it employs for engagement with local companies in the same newspaper.

BlackRock, despite being one of Stockholm stock exchange's largest shareholders, does not understand the basics of the functioning of Swedish corporate governance, they said. "BlackRock says no to any proposal that does not fit its requirements (...) It does not take part to board appointment committees and does not submit its own resolutions. Not only is it incredible but completely irresponsible," said Göran Espelund, board chairman of Swedish asset manager Lannebo and Anders Oscarsson, head of equities management at Swedish pension fund AMF. Responding to the critics, still in *Dagens Industri*, BlackRock put the blame on the Swedish corporate governance code that "is not completely in line with international regulations that we and other international asset managers shall comply to."

A 'tough conversation'

US asset managers asking for disclosures of the ethnic and racial composition of boards are facing a major hurdle in Europe anyway: data. In some jurisdictions in Europe, you cannot capture this data, Robert Walker, co-head of asset stewardship at State Street Global Advisors, tells *Asset News*. He says SSGA cannot go into markets and push for change where there is no data, that is why the firm started in the US and in the UK, "where there is data and appetite." "Therefore, we have conversations with the company and talk to their board about succession and how it ties-in to their long-term strategy. This is a tough conversation, as companies have a problem thinking of human capital. The Sustainable Accounting Standards Board (SASB) is focussed on integrating human capital across all industries and diversity & inclusion will be a part of this focus. Hopefully, we will see useful metrics in the future," Walker underlines. Though, he adds Europe has always done better than the US regarding the challenge of women on non-executive boards, praising France, Germany and Italy for their board gender diversity quotas.

Livio Gentilucci, head of investment stewardship at Generali Insurance Asset Management (GIAM), points the legal complexity of collecting data in Europe as well as one possible barrier to implementing diversity programs for recruitment and promotion. "National laws differ in terms of what data may be collected. In some European countries, assembling some personal data on employees is quite difficult. US law, however, sees nothing wrong with collecting those information. For historical and cultural differences, Europe is still laggard in comparison with the US in diversity and inclusion (D&I) disclosures level. However, this disclosure gap would be filled by Europe considering its effort in ESG disclosure requirements. This European push greater transparency in ESG measures would certainly benefit European ESG disclosures levels, including D&I in coming years," explains Gentilucci to *Asset News*.

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Livio Gentilucci, Generali Investments Asset Management

For GIAM, D&I factors mainly include "commonly observable criteria" such as the percentage of the least represented gender in the board of directors of the investee company. Since 2017, the Italian firm has supported different resolutions on D&I, most of which were US shareholders' resolutions. This, says GIAM's investment stewardship head, on the one hand, highlights the commitment and active promotion of the issue by GIAM; on the other hand, outlines how these practices are much more developed in the US than in the rest of the world. "In this case, if the commitment by US companies has been very focused on the issue, we think this could be largely attributable to the pressure of the "activist" shareholders who have pushed these ESG resolutions across AGMs. As far as we can see, the asset management industry is trying to lead the change, and we took this into account during the 2020 voting season," Gentilucci observes.

Says he, D&I should be considered both as a risk and an opportunity. While it would be relatively easy to assess the reputational or legal risk component of poor diversity, especially in controversial sectors, the opportunity component could be harder to represent, Gentilucci adds.

No study

A number of associations including Italian and French asset management, Assogestioni and AFG respectively, have worked on D&I through workshops on best D&I practices and guidelines. D&I studies and directives in Europe remain primarily focus on the gender diversity issue (women/men). However, no study with the ethnic or racial angle is scheduled yet because of data collection issues. "We have not planned to carry a similar study to that on gender diversity, simply because measuring things through an origin perspective is very difficult in France. The law is very strict. We rather want to provide AFG members with support on all D&I topics and help them preventing any discrimination, whether that is on gender, origins, disability or sexual orientation," said Marine Palies, inclusion & diversity leader at Allianz Global Investors and a member of AFG's diversity work group [in an interview to](#) *Asset News*' sister publication *NewsManagers*.

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Luc Vansteenkiste, EuropeanIssuers

Neither is such study considered by EuropeanIssuers, representing the interests of European public companies. "We do not have the US ethnic and racial question on our minds at all since we see no emergency to look at it. Europe is made of 27 countries, it means therefore 27 ethnicities working together and that has been the case for quite some time. We are used to work with individuals from Romania, Spain, the Netherlands or whatever EU country on our boards. Thus, ethnicity is certainly not a problem on boards of European companies," EuropeanIssuers's chairman Luc Vansteenkiste [told Asset News](#), adding that US asset managers' demands on ethnicity and racial board disclosures will not pass in Europe.