

# Press Release



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ASSET MANAGEMENT

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**Diversity at board and senior management level is  
essential for business success according to Newton report**

*Growing evidence to suggest positive correlation between diverse board membership and financial returns.*

Diversity at all levels of management is key to the development of well-run, sustainable companies, according to 'The dynamics of diversity', a recent report from Newton\*, part of BNY Mellon Asset Management.

The publication of Newton's report coincides with renewed emphasis on issues of corporate governance in the aftermath of the financial crisis. The paper highlights several studies including a recently published Citigroup review of companies listed on the Australian stock exchange with women on their boards, which reveals a return on equity of 11.1% higher over five years and 10.7% higher over three years than those companies with no female board members. This latest study corroborates other, well-known research by McKinsey & Co and Catalyst in indicating the positive impact of more inclusive boards on company performance.

Helena Morrissey, chief executive at Newton\* and founder of the 30% Club, which aims to increase female board representation of UK companies through voluntary action to 30% by 2015, said: "The financial crisis has highlighted the dangers of 'groupthink' at board and senior management levels. Active debate and robust challenge are crucial to effective decision-making and diverse groups are more likely to identify creative solutions and offer a broader range of perspectives. The empirical evidence of the positive impact of a more diverse board on corporate performance is growing and we expect this issue to become an increasing focus for active investors."

Mandatory quotas on proportions of women on boards have been adopted by Norway and several other European countries are following suit, yet Newton is firm in its belief that this route does not necessarily lead to better shareholder returns, while risking the perception that women have risen to senior positions on the basis of 'box-ticking' rather than on merit. The paper points to the success of the "if not why not" approach to increase the number of women on boards in Australia, where the proportion of female director appointments

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increased fivefold following the publication of new principles and recommendations on diversity. In the UK, the Financial Reporting Council has recently consulted on whether the 2010 UK Corporate Governance Code should be amended to incorporate specific guidance on the issue of gender diversity. Although not legally enforceable, the Code sets out acknowledged best practice and is relied upon successfully for a variety of corporate activities in the UK.

"This issue is about delivering better business results and that requires real, sustainable changes to business culture," added Morrissey. "In the 21st century global environment, diversity is not simply an optional extra or a distraction. Companies that make a concerted effort to attract and recruit talent from the widest possible talent pool risk are more likely to succeed and to attract investment."

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### **Notes to editors:**

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