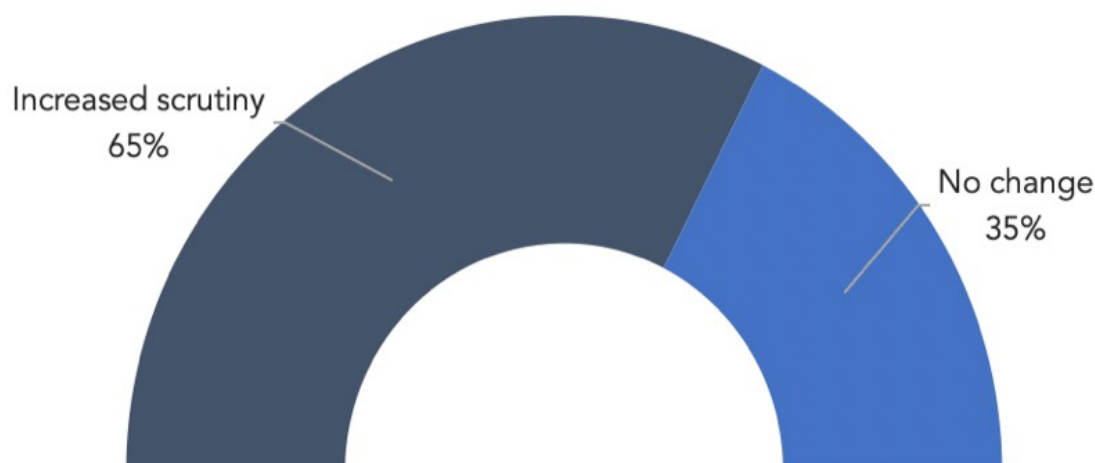


Tough talk on DE&I

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DIVERSE OPINIONS

How investors' scrutiny of managers' DE&I policies have changed over the last 2-3 years (%)



Source: EY's 2021 Global Alternative Fund Survey

LPs are now asking questions of their managers, who, in turn, are waking up to the impact of diversity on performance.

Private debt is still at the beginning of its DE&I journey. According to *Diversity Review in Corporate Credit*, a 2020 paper by specialist credit recruitment company Waterman Stern, just 14 percent of the European private debt industry is female, falling to under 8 percent in senior roles. Black employees, meanwhile, represent just over half a percent of the asset class.

Steps to address this are being taken. The recently launched AltFinance is an initiative intended to provide students at Historically Black Colleges and Universities with clear pathways to careers in the alternative investment industry through a mentored fellowship programme, a tailored virtual institute and a scholarship programme.

Ares Management, meanwhile, hired its first ever global chief diversity, equity and inclusion officer, Indhira Arrington, in January this year, in recognition of the growing importance of DE&I.

“ESG in direct lending is progressing from a high-level screening of investments towards a more sophisticated incorporation of potential ESG considerations, including DE&I, throughout the full investment life cycle,” Arrington explains, adding that covid has further exposed inequities in the economy and in society, prompting investors to bring ESG and DE&I issues to the fore.

“There is a greater sense of urgency and accountability up and down the chain,” she says. “This has presented a new dynamic for direct lenders which can, in turn, heed the call to both conduct their businesses with a greater emphasis on sustainable practices, including DE&I recruitment and retention, whilst also seeking to generate attractive risk-adjusted returns through a responsible approach to investing.”

Challenges remain, however. “The main challenge that we encounter today regarding DE&I in private debt is similar to the one we had to overcome with ESG in general – lagging behind the other larger asset classes,” says Coralie De Maesschalck, head of ESG and CSR at Kartesia.

De Maesschalck believes these challenges are best overcome by being an active UN PRI signatory. Indeed, the UN PRI paper specific to private debt was the result of an increasing number of private debt players engaging on the topic. She also thinks it is important for private debt managers to exchange ideas with their peers and to share best practices.

(Past performance is no guarantee of future results.)