

The Missing Element of Private Equity: A Conversation Guide on Board Diversity

FOR GENERAL PARTNERS AND LIMITED PARTNERS



Improving diversity, equity, and inclusion (DE&I) on private equity backed portfolio company boards presents an opportunity to build long-term value for companies and investors as well as demonstrate leadership on critical social issues. Private equity backed portfolio companies (portcos) represent an increasingly important, and growing, proportion of the economy, and we anticipate a heightened focus on the diversity of portco boards. Leading GPs and LPs can drive long-term performance by building effective, diverse portco boards and building diversity among their advisors. To facilitate discussions about board diversity, equity and inclusion between GPs and LPs, FCLTGlobal has developed this Portfolio Company Board Diversity Conversation Guide.

Questions for GPs

PORTFOLIO COMPANY BOARDS

- Do you consider diversity when recruiting board directors? If so, how do you define diversity?
- Do you have a policy or stated preference on representation by gender, race, ethnicity, age, or other factors on your portco boards? If so, what is the policy?
- Do you track portco board diversity? If so, are you setting goals for those metrics?
- Are there timeframes for achieving goals, such as by a certain date, a certain amount of time post-acquisition, or a certain amount of time prior to intended exit?
- How do you source and identify board candidates? Do you maintain a database of qualified diverse candidates? Do you have a budget for sourcing diverse candidates?
- Do you have a centralized approval process for appointments to portco boards? If so, who is responsible for board appointments? How are they held accountable?

- How do you ensure inclusion? Do you run trainings for diversity and inclusion? What do these trainings cover?
- When you do not have majority control (e.g., as a minority shareholder or co-investor), do you approach diversity differently?

GP FIRM

- What efforts are underway within your organization to improve diversity, equity, and inclusion, particularly of the investment professionals?
- What dimensions of diversity are represented on your own board? Are you satisfied with your own board diversity?
- Do you track the share of assets or risk budget that are managed by people of various genders, races, ethnicities, or other representation categories?
- Are diversity measures included in your due diligence process? If so, how?
- How do you measure success?

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Questions for LPs

LP ORGANIZATION

- What do you plan on doing with the information provided in the conversation guide and template? Will this information be used in your decision-making process?
- What efforts are underway within your organization to improve diversity, equity, and inclusion, particularly of the investment professionals?
- What support are you willing to provide GPs in the director search process?
- Do you have a unified approach for how you collect and compare data?
- How do you measure success?

AS A DIRECT PRIVATE EQUITY INVESTOR OR CO-INVESTOR, IF APPLICABLE

- Do you consider diversity when recruiting board directors? If so, how do you define diversity?
- Do you have a policy or stated preference on representation by gender, race, ethnicity, age, or other factors on your portco boards? If so, what is the policy?
- If you have specific goals for representations for GPs, do you have the same specific goals for representation for internally managed funds?
- When you do not have majority control (e.g., as a minority shareholder or co-investor), do you have goals for nominating diverse board candidates?
- Do you take portco board diversity into account in your investment process? If so, how? If not, do you expect to over time?

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