

# NYAM Video transcript

## Shruti Shah

Hi everyone and welcome to our first in a series of videos that we're going to be creating on topics that are on top of everyone's mind related to asset management.

## Shruti Shah

Today we're going to talk about the board requirements for companies that are held by asset managers like PE firms like hedge funds and other large asset managers.

## Shruti Shah

So my name is Shruti Shah and I'm a partner at KPMG in the advisory practice and I have been serving asset management clients for over 20 years.

## Shruti Shah

Can you please introduce yourself?

## Camille Asaro

Sure.

## Camille Asaro

Hi I'm Camille Asaro.

## Camille Asaro

I am an audit partner in the asset management practice.

## Camille Asaro

I have over 30 years of experience in the industry and in addition to that I also devote a lot of time working on enhancing diversity in the boardroom.

## Camille Asaro

Shruti let's talk a little bit about what private equity firms are doing and how they're focusing on their portfolio company boards.

## Shruti Shah

That's a great question Camille.

## Shruti Shah

Thank you so much.

## Shruti Shah

And it has certainly evolved over the last five to eight years for sure.

## Shruti Shah

So what we're hearing recently from our clients that are PE firms and other owners and portfolio companies is that when they're looking for board candidates they are looking for individuals that have very deep industry expertise and subsector expertise.

## Shruti Shah

And they find that that is extremely valuable because usually their management teams are looking for a sounding board when it comes to developing their strategy or some guidance for the CEO as the CEO is making critical decisions.

## Shruti Shah

That is very important experience and it adds a lot of value for that management team to have these individuals sit on the board.

## Shruti Shah

So more and more what we're seeing is not a generalized set of expertise but a very specific set of expertise.

## Shruti Shah

We won't be unusual for us to find a former CFO of a specific industry or subsector or a former CEO sitting on the board of some of these private companies.

## Shruti Shah

Camille I talked a little bit about the specific expertise as it relates to skill sets but we're also hearing that some of these private equity and asset management owners have some kind of diversity expectations when it comes to their board members.

## Shruti Shah

Are you hearing that as well?

## Camille Asaro

Yes that's something that's on top of their minds.

## Camille Asaro

They're being very purposeful when they're actually finding board candidates for their portfolio companies.

## Camille Asaro

It's known diversity actually provides a variety of experiences and a variety of skill sets and it fosters healthy conversation in the boardroom.

## Camille Asaro

What this does is it actually allows the companies to operate much more efficiently and it provides stronger results.

## Camille Asaro

So these private equity firms are being very focused on enhancing diversity in the boardroom for their portfolio companies.

## Shruti Shah

I mean that's a great initiative but I sense that it's probably difficult to find members that fulfill these roles.

## Shruti Shah

I mean not only do you need the detailed industry experience but now you're looking for diverse candidates as well.

## Shruti Shah

What have you seen as to how firms fulfill some of these expectations and roles?

## Camille Asaro

Yeah there's a few different things happening actually right now but let me talk about a few.

## Camille Asaro

The larger private equity firms are actually hiring an internal resource to act as the recruiter for potential board candidates.

## Camille Asaro

So what they're doing is they're going out after the type of people that you just described to build a database of skill sets and experiences so that when they do enter into these investments and they do have the need to diversify that board they have a supply.

## Camille Asaro

Now not all of the private equity firms have the means and the resources to do that and build something internally.

## Camille Asaro

So some of them actually work with some external organizations.

## Camille Asaro

And some of those organizations are Latino corporate directors or women corporate directors who have these potential board candidates.

## Camille Asaro

So let me just give you an example of that.

## Camille Asaro

So women corporate directors is a membership organization and they have members in order for that member to be a member they're in the boardroom already.

## Camille Asaro

So they do have this boardroom experience and they can bring a lot to the table when it comes to governance.

## Camille Asaro

So how they work with the private equity firms is the organization allows people to come to them with a request for a board seat.

## Camille Asaro

And they will actually distribute their membership so that everyone could see what's needed.

## Camille Asaro

So that's another way for them to find the supply that they need in order to diversify their board.

## Camille Asaro

Shruti let's talk a little bit about the differences of sitting in a private company boardroom as opposed to the public company boardroom.

## Shruti Shah

There are some similar skill sets but there's definitely some differences with regard to responsibilities and accountabilities.

## Shruti Shah

As I mentioned before in a private company your stakeholders are the management of the company or the PE or asset management owner versus in a public company your stakeholders are the share owners.

## Shruti Shah

So the differences there are from a fiduciary perspective when you're sitting on a public company board your responsibilities are to the vast number of public shareholders.

## Shruti Shah

So you will definitely be more involved in governance and ensuring that the management team that provides the materials and presents to you are giving you all of the information on some of the critical decisions and challenges that they're facing.

## Shruti Shah

So you could provide the appropriate governance and oversight over those versus as I mentioned in a private company while some of those responsibilities of course do exist they have the additional added responsibility of perhaps being a guide for the management team and being a sounding board.

## Shruti Shah

So that industry experience is much more important while I believe that the governance and oversight experience is much more important in a public board.

## Shruti Shah

Thank you so much for joining us today as we discussed board requirements for both private companies as well as public companies.

## Shruti Shah

Stay tuned for more episodes to come.

## Camille Asaro

Thanks Shruti.

## Shruti Shah

Thanks Camille.

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