

# Lynk-letter

Issue Number 1

## GOVERNANCE

### WHAT ROLE DOES YOUR BOARD PLAY?

Governance factors illustrate whether a company operates with accountability, integrity, and equality in all of its practices. Companies with strong governance often have a diverse board of directors and a code of conduct evident among all levels of employees within its organization. The board of directors play a crucial role in ensuring a company appropriately plans for a sustainable future. This means increasing a company's competitive value in an effort to see returns for generations to come. A proactive approach to implementing environmental, social and governance (ESG) strategies and reporting policies is critical to long-term competitive success. A board that

understands the significance of having a firm foundation of ESG values and a process for reporting those values to its investors will not only open up access to large pools of capital and build a stronger base of values-based

investors, it will also attract and retain the best talent. Employees who are passionate about the organization and who feel valued provide strength to the brand of the company and improve the overall productivity of the workforce. A board of directors committed to a sustainable future increases its vitality and viability to continue to grow both inside and outside the organization.



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## DIVERSITY IMPROVES PERFORMANCE

Researchers tracked US companies that appeared on the MSCI World Index from 2011-2016, finding that companies beginning with at least three women on their boards produced median gains of 10% ROE and 37% Earnings Per Share. Those that began with zero women on their boards had negative median changes for ROE and Earnings Per Share. When companies added women to their boards over the five-year period, their median gains for Earnings Per Share were double those of companies that lost women (22% compared with 11%). In fact, adding any number of women to boards was associated with higher median increases in Earnings Per Share.<sup>1</sup>

<sup>1</sup> *The Tipping Point: Women on Boards and Financial Performance* (MSCI, 2016)

