THE INVESTMENT ASSOCIATION

Thinking Ahead Institute
An innovation network founded by WTW

EQUITY, DIVERSITY AND INCLUSION DATA SURVEY

November 2023

ABOUT THE INVESTMENT ASSOCIATION (IA):

The IA champions UK investment management, supporting British savers, investors and businesses. Our 250 members manage £8.8 trillion of assets and the investment management industry supports 126,400 jobs across the UK.

Our mission is to make investment better. Better for clients, so they achieve their financial goals. Better for companies, so they get the capital they need to grow. And better for the economy, so everyone prospers.

Our purpose is to ensure investment managers are in the best possible position to:

- Build people's resilience to financial adversity
- Help people achieve their financial aspirations
- Enable people to maintain a decent standard of living as they grow older
- Contribute to economic growth through the efficient allocation of capital.

The money our members manage is in a wide variety of investment vehicles including authorised investment funds, pension funds, stocks and shares ISAs.

The UK is the second largest investment management centre in the world, after the US and manages 37% of all assets managed in Europe.

ABOUT THE THINKING AHEAD INSTITUTE

The Thinking Ahead Institute is a not-for-profit global research and innovation network motivated to influence the investment industry for the good of savers worldwide and to mobilise capital for a sustainable future. Since its establishment in 2015, almost 100 investment organisations have collaborated to bring this vision to light through designing fit-for-purpose investment strategies; working towards better organisational effectiveness; and strengthening stakeholder legitimacy. The Institute currently has around 55 members with combined responsibility for over US$16 trillion worth of assets.

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FOREWORD

The investment management industry continues to put Equity, Diversity and Inclusion (EDI) high on its priority list. The IA, working in partnership with WTW's Thinking Ahead Institute, is pleased to deliver the most comprehensive dataset on EDI in our industry in the UK. The report is an expression of the IA's commitment to improving diversity across our member firms and building an industry that reflects the diverse world it operates in, and the people that it serves.

Our commitment stems from the understanding that increasing diversity is not only necessary, but there is also a compelling business case. It drives innovation, enhances decision-making, and ultimately, leads to better outcomes for clients. The IA recognises that to build a truly inclusive industry, it is essential to create an environment where everyone feels safe, valued and heard.

Data is the cornerstone of achieving this goal, so we can better understand our industry's workforce and map this over time. It's crucial that data is integrated throughout an organisation's current and future EDI strategies and is used to underpin EDI-related efforts.

Senior leaders across our industry are committed to creating a culture of diversity and inclusivity at all levels of their organisations, but the data shows there is still a way to go. By offering evidence-based insights our survey highlights the areas where improvements can be made.

The industry is driving change through company-led programmes and policies. We are seeing firms taking steps in a positive direction through partnerships with employer-led initiatives, such as our own Investment20/20, as well as wider initiatives like the Diversity Project and 10,000 Black Interns. The availability of a comprehensive data set, however, provides the opportunity to propel action on EDI. Additionally, communication and how firms embed accountability are crucial to delivering on EDI strategies and objectives.

While firms across our industry have taken a proactive approach to diversity data collection, developments in the regulatory environment may also impact the way in which firms gather and report on their EDI data and strategies. The Financial Conduct Authority's (FCA) and Prudential Regulation Authority's (PRA) consultation papers on diversity and inclusion in financial services include proposals on making it mandatory for firms to share EDI strategies with the public and the regulator and calls on firms to collect and publish their workforce diversity data on an annual basis. We hope this report will support firms in preparing for the potential regulatory changes on the horizon.

It was a pleasure to partner with the Thinking Ahead Institute to survey our members and create this report, and I would like to extend my gratitude to firms who took part in the survey. This will ultimately put us in a stronger position to continue making positive strides in our industry. There is work to do, but I hope that this data provides a useful direction of travel for years to come.

Karis Stander

Director, Culture, Talent & Inclusion,
MD, Investment20/20

INTRODUCTION

The IA has long advocated for the use of diversity data as a tool for firms seeking to progress on equity, diversity and inclusion (EDI) related ambitions. Working in partnership with the Thinking Ahead Institute, the EDI Data Survey serves as a progressive continuation of prior reports, including Closing the Gap, which investigated the industry's gender pay gap in 2019, and the Diversity Data Guide published in partnership with PwC in 2021, which focused on the significance and methodology of diversity data collection and reporting.

Being transparent about workforce diversity is a critical step towards meaningful change. While the collection of diversity data can be complex, it is becoming a crucial component of EDI strategies for a number of reasons, including:

- Demonstrating a strong commitment to diversity.
- Establishing an understanding of the workforce which can then inform the allocation of resources.
- Strengthening accountability within organisations who have either publicly or internally committed to promoting EDI.
- Addressing external demand from various stakeholders who are increasingly calling for workforce diversity data, particularly in the context of their environmental, social and corporate governance agendas.
- Implementing targeted and focused initiatives to make a real change to workplace culture.

This research is an integral piece of both the IA and the Thinking Ahead Institute's commitment to leading the conversation on EDI while also supporting members on their EDI journey by:

- Providing a snapshot view of the demographic composition of the investment management industry.
- Providing insight into how firms in the industry are embedding EDI strategies, objectives and interventions into their businesses.
- Allowing firms to benchmark themselves and their progress against the wider industry.
- Creating a central resource of good practice by showcasing what actions firms across the industry are taking to advance against EDI related objectives.
- Capturing the type of diversity data currently being gathered, including how frequently data is collected, response rates from employees and how firms are advancing EDI both within their organisations and across the wider industry.
- Helping companies prepare for upcoming regulatory obligations by utilising data collection good practice and informed EDI strategies.

"UNLOCKING INDUSTRY PROGRESS IN EQUITY, DIVERSITY AND INCLUSION MEANS MEASURING MORE THAN WE CURRENTLY DO. BUT TRANSFORMATIONAL CHANGE REQUIRES MORE THAN JUST DATA MEASUREMENT – IT INVOLVES DEEPER THINKING ON ISSUES NECESSARY TO BUILD A SOUND INFRASTRUCTURE FOR EQUITY, DIVERSITY AND INCLUSION PLANS. THIS STUDY SERVES AS A GATEWAY TO CHANGE, BEING THE FIRST-EVER UNVEILING OF UK-SPECIFIC EDI STATISTICS, AND I HOPE IT ESTABLISHES THE PULSE MONITOR FOR PROGRESS IN THE UK INVESTMENT INDUSTRY."

Marisa Hall
Head of the Thinking Ahead Institute, WTW

ABOUT THE SURVEY

The survey captures demographic data of those directly employed in the UK investment management industry, as well as information on the breadth of initiatives, processes and policies being implemented by member firms to promote inclusive workplaces and to attract and retain diverse talent.

FINDINGS IN THE SURVEY ARE BASED ON:

- Questionnaire responses from 52 UK investment and fund management firms who collectively represent 75% of total UK assets under management and employ 78% of the approximate 46,200 people directly employed by the investment management industry in the UK.
- Data provided to the IA by member firms for other EDI-related workstreams.
- Interviews with senior personnel from IA member firms.
- Data sourced from third party organisations where specified.

Survey data represents the experiences of investment management firms of different sizes and parent group headquarter locations. Some of the key features of the profile of survey participants are outlined below:

- 39% small firms (under £15 billion assets under management), 19% medium-sized firms (managing between £15 billion and £50 billion) and 42% large firms (managing over £50 billion).
- 48% of firms have fewer than 250 employees; and of those that have more than 250 employees, 21% have 1,000 employees or more.
- 65% of firms are headquartered in the UK and the rest overseas, of which 19% of total in North America and 13% of total in Europe.

Please note that response rates differ across questions.

THE SURVEY IN FOUR CHAPTERS:

1. Diversity data collection
2. Industry demographics
3. Recruitment and progression
4. Culture and accountability

THE IA AND THINKING AHEAD INSTITUTE WOULD LIKE TO EXPRESS THEIR GRATITUDE TO MEMBER FIRMS WHO PROVIDED DETAILED QUESTIONNAIRE INFORMATION AND TO THOSE WHO TOOK PART IN THE INTERVIEWS. WE WOULD ALSO LIKE TO THANK THE MEMBERS OF THE EDI DATA SURVEY ADVISORY GROUP.

EXECUTIVE SUMMARY

DIVERSITY DATA COLLECTION

- Firms across the investment management industry are gathering data points against a range of diversity characteristics, with 71% of survey respondents collecting data on four or more attributes. Survey results indicate strong industry engagement with data-driven EDI strategies, objectives and initiatives.
- Attributes like age, gender and ethnicity, are the most widely collected attributes and receive the highest response rates from employees. Other characteristics face relatively lower collection and response rates for varying reasons, including methodological challenges, data privacy concerns, or complexities around diagnosis.
- Firms primarily collect diversity data to better understand their workforce demographics (65%), foster inclusivity (60%) and inform their EDI initiatives (48%). These findings suggest firms are driven by internal factors to collect this data, rather than by external pressures.
- HR system limitations pose a challenge to collecting diversity data at an organisational level for more than half of firms surveyed (55%). Data privacy concerns and apathy present additional barriers to collecting diversity data from employees (76% and 47% of respondents respectively). In efforts to address such challenges, firms have found campaigns around diversity data collection are most successful when they include clear communication regarding why the data is being collected and how it will be used.

INDUSTRY DEMOGRAPHICS

- A snapshot of the industry against six key demographic attributes reveals a relatively young workforce. While the survey indicates the industry still has some way to go, there are a number of data points that illustrate the industry's ongoing commitment to the EDI agenda.
- An intersectional breakdown of staff by gender and ethnicity provides a more comprehensive view of the industry workforce from which to derive more meaningful insights, as it can help identify specific challenges certain groups may be facing. Despite a prevailing gender imbalance, data suggest there is no discrepancy or disproportionate imbalance for any specific group.

RECRUITMENT AND PROGRESSION

- Survey results indicate strong industry commitment to developing a diverse talent pipeline. However, a focus on below senior level recruitment and typically low turnover rates have contributed to a persisting lack of diversity in the industry. In recent years, progress has been made in recruiting women at senior levels but it will take time to see the impact of diversity-focused recruitment initiatives on the industry's talent pipeline.
- Industry efforts in building diverse talent pipelines have largely centred around recruitment, but survey results indicate an increased focus on retention and progression among many firms. Most firms (79%) are partnering with diversity and inclusion-focused organisations to attract diverse talent and have adopted various approaches to ensuring equitable recruitment processes. Firms are furthermore engaging with employees to identify barriers faced by underrepresented groups in securing promotion and inform retention strategies.

ACCOUNTABILITY AND CULTURE

- Most member firms assign ultimate accountability for EDI initiatives to their top leadership (69%), a strong signal of senior buy-in. Implementation responsibilities are spread across the organisation, which can help firms socialise EDI strategies at different levels of the organisation.
- Employee sentiment is being collected by most survey respondents (79%) as data offers valuable insights into organisational culture. While 90% of firms are collecting employee sentiment data at least once a year, just under half of (49%) are collecting data more frequently.

FIGURE 1: EQUITY, DIVERSITY AND INCLUSION INITIATIVES ADOPTED BY IA MEMBERS

CHAPTER 1: DIVERSITY DATA COLLECTION

KEY FINDINGS

- Most of the industry is collecting diversity data on two or more attributes (96% of survey respondents). Age, gender and ethnicity are the attributes with the highest response rates from employees. Firms are beginning to collect neurodiversity and socio-economic background data but response rates are low.

- The main motivations for firms collecting diversity data are to gain a better understanding of their workforce demographics (65% of respondents), to foster a more inclusive culture (60%) and to inform their EDI initiatives (48%).

- Firms report data privacy concerns and apathy as the main barriers to collecting diversity data from employees (76% and 47% of respondents respectively).

- Firms have found campaigns around diversity data collection are most successful when they include clear communication regarding why the data is being collected and how it will be used.

DIVERSITY DATA COLLECTION

Equity, Diversity & Inclusion (EDI) is a growing industry priority and lies at the heart of the cultural transformation agenda. The collection of diversity data plays a key role for firms as they work towards making their organisations and the wider industry a more diverse and inclusive place to work. Data collected against a range of characteristics – including age, caring responsibilities, disability, ethnicity, gender, neurodiversity, religion/ belief, sexual orientation and socio-economic background – will help firms better understand their workforce. This data can be used to help promote diversity, as well as inform EDI strategies, objectives and initiatives. A better understanding of the workforce and informed EDI efforts will help firms in creating an inclusive culture within their organisations and the wider industry.

Investment management firms in the UK have been proactive in their efforts to collect diversity data, with nearly all respondents collecting data across at least two attributes (96%) and close to three quarters of firms collecting across four or more attributes (71%).

To get a sense of what firms are collecting and what data is available, we asked firms which attributes they are collecting data against (Chart 1) and the response rates they get from their staff against each attribute (Chart 2). We make the following observations:

- There is generally a positive correlation between data collection rates and response rates. Collection rates are highest for attributes that have historically been collected as part of the hiring and onboarding processes – notably age and gender.

- Ethnicity is the attribute with the third highest collection rate among firms, with 85% of firms asking their employees to disclose their ethnicity. However, unlike for gender and age, firms have reported an average response rate of 76%.

- Disability and sexual orientation data collection is not as widespread as age, gender and ethnicity. Just under two thirds of firms collect disability and sexual orientation data (65% and 63% respectively). Response rates are modest, with firms reporting an average response rate of 55% on disability and 60% on sexual orientation.

- Religion/ belief and caring responsibilities are attributes that are not widely collected (42% and 25% respectively) but firms who do have reported relatively high response rates. Collecting caring responsibility data helps firms in identifying the needs and preferences of employees who provide care to others. It allows firms to put initiatives in place to better support their workforce.
- Socio-economic background and neurodiversity[1] stand out as the characteristics with the lowest combined collection and response rates. Collection rates stand at 40% and 25% respectively, and response rates are relatively low for those firms that are collecting this data. More so than for other attributes, we expect a lack of awareness (in regard to neurodiversity) and the absence of standardised methodology (in regard to socio economic background) to contribute to low response rates.

CHART 1: DIVERSITY DATA COLLECTION RATES ACROSS 9 ATTRIBUTES

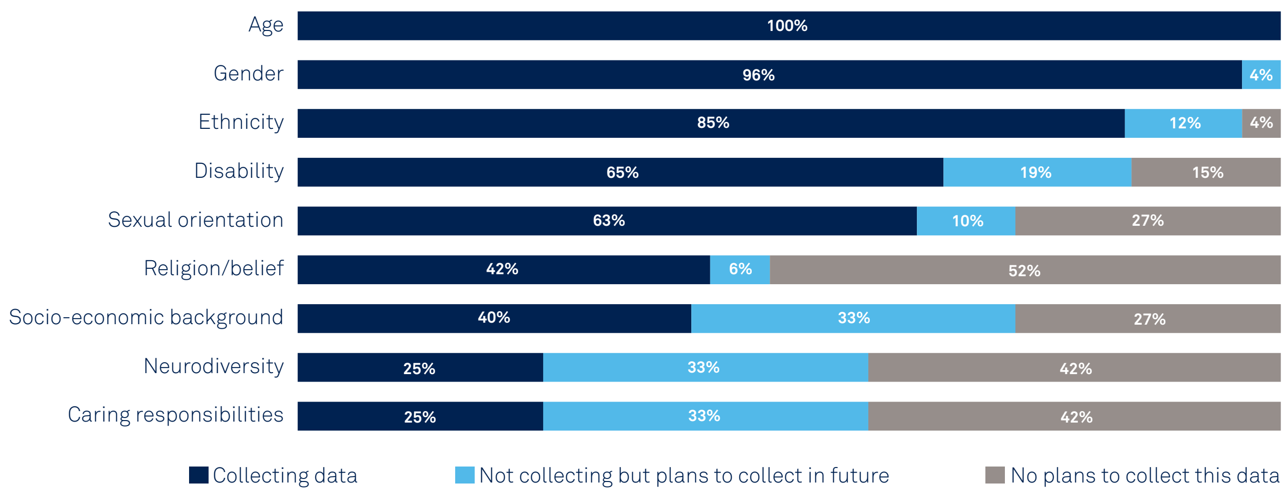
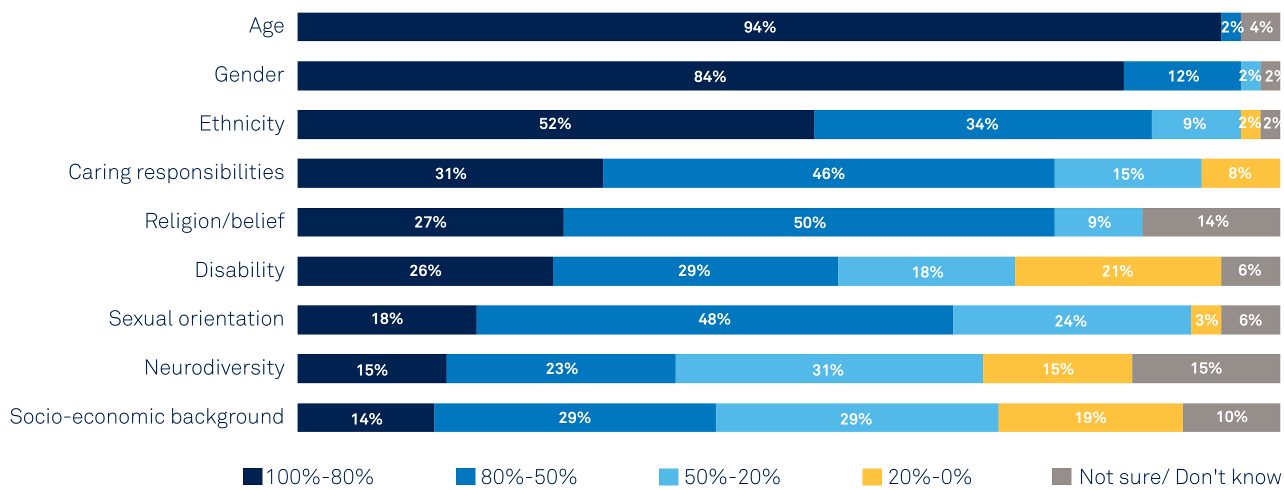


CHART 2: RESPONSE RATES ACROSS ATTRIBUTES FOR FIRMS COLLECTING[2]



[1] For the purpose of this survey, we have chosen to separate neurodiversity from disability. It is our experience that when included within the disability category, neurodiversity is at greater risk of being overlooked.
[2] Note that the sample size for each attribute is different. See collection rates in Chart 1.

BOX 1:
EMERGING METHODOLOGY ON CAPTURING SOCIO-ECONOMIC BACKGROUND DATA

Only 40% of firms are collecting socio-economic background data, whilst a third (33%) have indicated plans to start. In comparison to other characteristics, the focus on social mobility has been a more recent development within the industry. Of those firms collecting socio-economic background data, just 14% of firms have a response rate of 80% and higher.

Companies that collect or plan to collect this data have expressed concerns about the absence of a standardised method for determining the socio-economic backgrounds of their employees that is able to capture the entire workforce, including for those who have grown up outside of the UK.

The Social Mobility Commission (SMC) has outlined four questions to help determine the socio-economic background of an individual:

- ***Key question:*** What was the occupation of your main household earner when you were about 14 years old?
- Which type of school did you attend for the most time between the ages of 11 and 16?
- If you finished school after 1980, were you eligible for free school meals at any point during your school years?
- ***Optional:*** Did either of your parents attend university and gain a degree (e.g., BA/BSc or equivalent) by the time you were 18.

Eight in ten firms (81%) that collected socio-economic background data used the SMC key question to determine the social class of individuals in their workforce. Questions on types of school attended, free school meal eligibility and parents' education attainment were used less consistently.

"We are asking the four questions recommended by the Social Mobility Commission in the UK and one of those, the key question about occupation, we will be asking globally. We have made some tweaks to the response options to that question broadened the types of professions to better reflect our global footprint."

Ensuring that employees feel comfortable sharing their socio-economic background data may require a nuanced approach. For organisations operating internationally, a regional approach may be required to accurately collect this data.

As social mobility is of increasing concern to the industry and wider society, we recommend that firms continue to make advances in capturing this data. The SMC's socio-economic diversity and inclusion toolkit is a useful resource to support firms in driving greater socio-economic background diversity in the workplace.[3]

[3] For more information, consult the *Social Mobility Commission's Employers' toolkit on socio-economic diversity and inclusion*.

MOTIVATIONS FOR COLLECTING DIVERSITY DATA

Survey results indicate that a combination of intrinsic and extrinsic factors have contributed to the industry's shift towards more data-led EDI strategies. Most firms have proactively sought to collect information on the diversity of their employees, independent of regulatory expectations to do so.

As illustrated in Chart 3, most respondents cite several interlinked intrinsic factors as primary drivers of data collection:

- More than half of firms included both the desire to gain a **better understanding of the workforce** (65% of respondents) and to **foster a positive and inclusive work culture** (60%) as main motivations for diversity data collection.
- Nearly half of respondents (48%) are using diversity data to **inform EDI initiatives and interventions**, including efforts to **attract, retain and develop their talent** (37%).

Compliance with current regulation and the prospect of future regulation have not been strong motivators for data collection, with only 15% of firms citing them in their top 3 motivators. This may change as the regulatory agenda evolves, particularly in light of the FCA's consultation paper on diversity and inclusion.[4] The consultation paper includes proposals to introduce requirements for firms with 251+ employees to report and disclose data on age, gender, ethnicity, disability, sexual orientation and faith.

CHART 3: MOTIVATIONS FOR COLLECTING DIVERSITY DATA

[4] *Financial Conduct Authority, Consultation Paper 23/20 Diversity and Inclusion in the financial sector.*

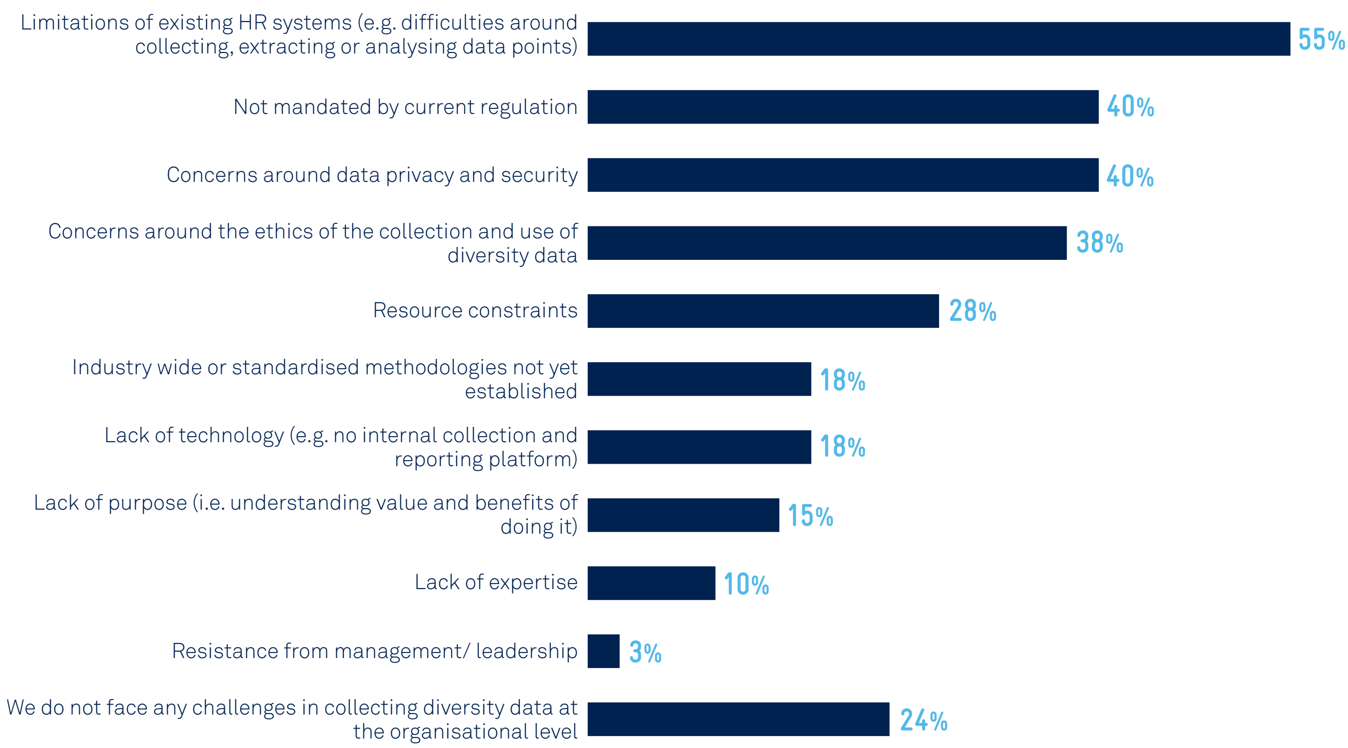
CHALLENGES WITH COLLECTING DIVERSITY DATA

Collecting diversity data can be challenging due to the personal and sensitive nature of the information involved. By asking firms what challenges they face in collecting diversity data, we hope to contribute to efforts of fostering a positive and inclusive environment in which employees feel comfortable disclosing this data.

Chart 4 illustrates the main challenges to data collection at the organisational level:

- Most firms (98%) collect diversity data during the hiring and on-boarding process.[5] However, over half (55%) of respondents cite the **limitations of existing HR systems** as a critical operational barrier to diversity data collection. Commonly used third party systems are found to have limited capabilities, particularly regarding the collection, extraction and analysis of certain attributes, including socio-economic background information.
- Systems for data collection should also be considered from a **security and privacy** perspective, as 40% of respondents indicated this as a major challenge.
- A small minority (3%) of firms indicated resistance from senior management or executive leadership as a main barrier to diversity data collection which suggests the overall industry has strong leadership buy-in. Furthermore, nearly a quarter of firms surveyed (24%) claim not to face any challenges in collecting diversity data at the organisational level.

CHART 4: DIVERSITY DATA COLLECTION CHALLENGES AT THE ORGANISATIONAL LEVEL

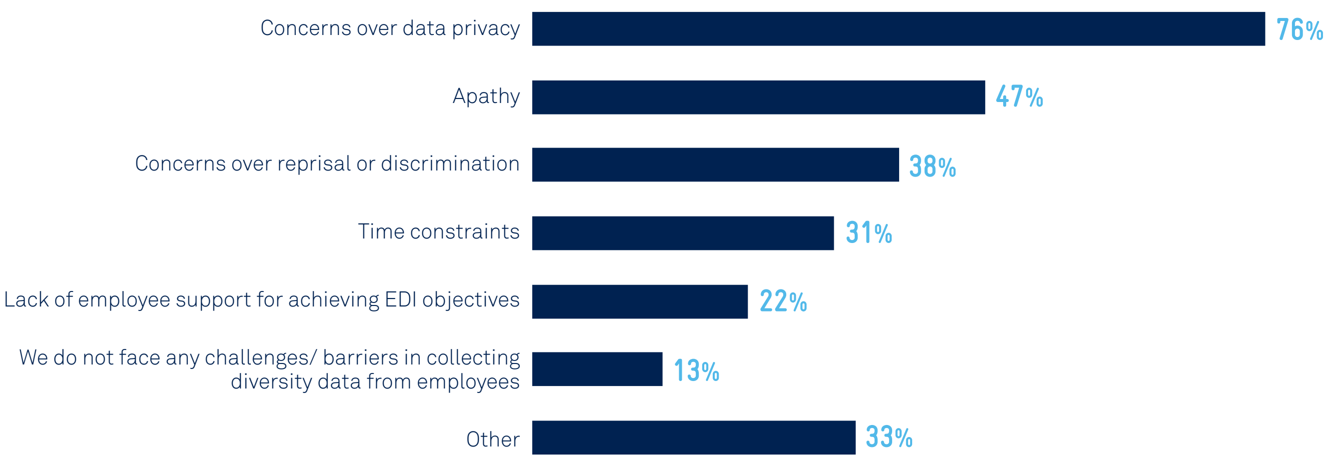


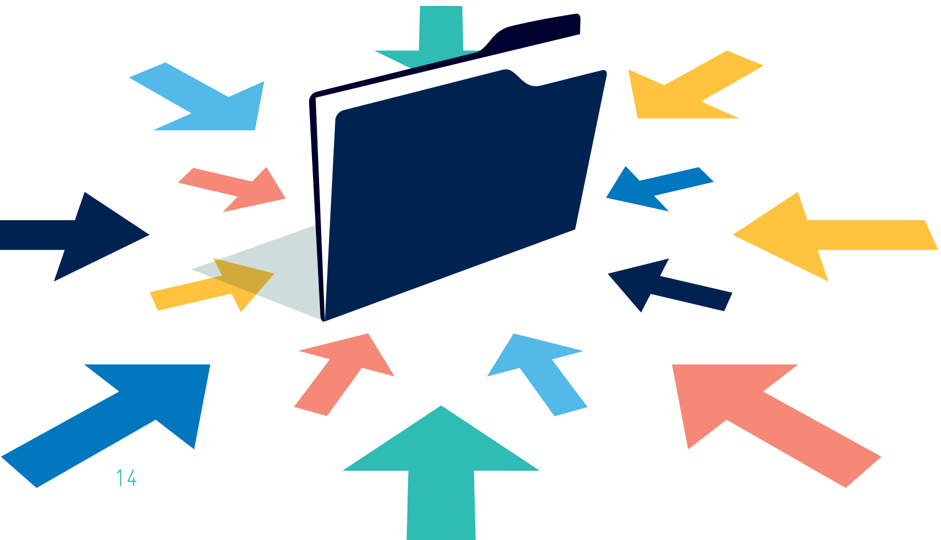
[5] Many firms have indicated that HR systems remain open for employees to submit additional information or amend existing data throughout employment.

Chart 5 illustrates the barriers to collecting data from the perspective of employees and we find that they suggest a wider challenge of employee buy-in:

- More than three quarters of respondents cite employee concerns over **data privacy** as a main challenge to diversity data collection. This reflects employee concern about who has access to the data once it is submitted and the security of data storage.
- Nearly half of firms surveyed (47%) listed **apathy** as a main barrier to collecting data from employees. Firms are picking up on a perceived shortage of engagement and motivation among their staff.
- A third of respondents indicated 'other' concerns as key challenges, many of which specified employees' limited understanding as to how the data was to be used, and 38% of respondents cited **concerns over reprisal or discrimination**.

CHART 5: CHALLENGES TO DIVERSITY DATA COLLECTION AT THE INDIVIDUAL LEVEL





TRUST AND ENGAGEMENT – KEY UNDERPINNINGS TO DIVERSITY DATA COLLECTION

Instilling trust

The high number of firms citing employee concerns over data privacy and fear of reprisal or discrimination highlights the importance of instilling trust. Survey data suggest that employees would be more comfortable disclosing data if they understood:

1. Why the data is being collected and how it will be used
2. That data is stored in a secure, private and responsible way

To these points, a number of firms highlighted the importance of effective communication as a key factor in establishing trust to secure employee buy-in. Such communication should:

- Explain how data is stored with assurances of privacy. Firms are aware of the responsibility that comes with collecting sensitive information. Data privacy concerns can be addressed through demonstrating robust systems and procedures that adhere to existing regulation.
- Clearly outline the objectives and goals of data collection exercises. Whenever possible, communicate how the data will be used. For instance, highlight which past initiatives were informed by employee data or which EDI objectives necessitate a deeper understanding of staff demographics.
- Directly address the concerns of employees. Fears over reprisal and discrimination can be difficult to combat but a culture of transparency and accountability can contribute to a positive and inclusive culture in which employees feel comfortable sharing their information.

"It is so important that we are always communicating why we are committed to diversity data collection and why we're doing this."

Addressing apathy

Addressing apathy is another challenge firms are facing. For some employees, the lack of a clear understanding around data collection processes and wider EDI strategy, leads to a feeling of disengagement. Nearly half of respondents (47%) cited apathy as a key challenge to collecting diversity data from employees.

"D&I does touch everyone in some shape or form. When you start having more open town halls and panel sessions, I find that more and more people will get involved because they feel they're connected. Communities are beginning to blossom in the firm and it's also cross-border, which is fantastic."

Drawing on the experiences of our member firms, useful tools in tackling apathy and gaining employee buy-in include:

1. Senior leadership buy-in
A powerful way to emphasise the importance of the EDI agenda and commitment to these objectives is to demonstrate senior leadership buy-in. This can express itself in a number of ways, including mandating the inclusion of EDI as a standing item on all team meetings and executive leadership participation in employee resource groups.

2. Internal campaigns and employee surveys
Targeted campaigns that incorporate a strong narrative and robust communication are able to explain the purpose of data. More than half of firms collect diversity data through internal campaigns (56%) and employee surveys (52%), with 38% of firms indicating internal campaigns with a strong communication piece as the most successful way to improve response rates for diversity data questions.

"One of the things that we have done is creating videos with members of our employee networks, explaining their perspective on why it's important to them to share their personal data."

3. Employee resource groups

Many firms are engaging employees through employee resource groups, inviting them to play a more active role in the evolution of the firm and feed into the EDI programme. Furthermore, 82% of the firms with active employee resource groups will have a system in place for feedback or make recommendations to senior leadership. Establishing peer-to-peer connections, facilitating open conversations and feeding back to senior leadership are effective ways to instil a sense of motivation and accountability, and to encourage engagement.

"We have used videos showcasing all of our Employee Resource Groups and the purpose behind those networks, to encourage more people to join and get involved. We also make sure that we think about those groups from an intersectional approach."

Given the complexity and variation in employees willingness to disclose diversity data across attributes, a one-size- fits-all approach to data collection does not work. A nuanced approach is required to make employees feel safe and secure in sharing data. For organisations operating internationally, a regional approach may be required to accurately collect data.

Furthermore, a closer look at data collection challenges at the individual level shows that apathy is of greater concern at smaller firms than at larger firms, and that larger firms are more likely than smaller firms to cite 'concerns over reprisal or discrimination'. This difference reinforces the need for a nuanced data collection strategy and approach, which should consider collection processes for each individual attribute and adapt the organisation's overall business model.

"We've learned that different regions have very different approaches to this data and therefore different things are needed to build trust."

"We hired a behavioural science organisation to do some research for us on what messages were landing best in different regions. And we've used that to reshape the communication campaign that we will be doing this year."

CHAPTER 2: INDUSTRY DEMOGRAPHICS

KEY FINDINGS

- A snapshot of the industry against six key demographic attributes reveals a relatively young workforce and, despite inroads made in recent years, a largely male workforce with little ethnic diversity.
- An intersectional breakdown of staff by gender suggests that despite the prevailing gender imbalance, there is neither a disproportionate gender imbalance within any particular ethnic group, nor does there seem to be any material ethnic composition amongst gender groups.

INDUSTRY SNAPSHOT

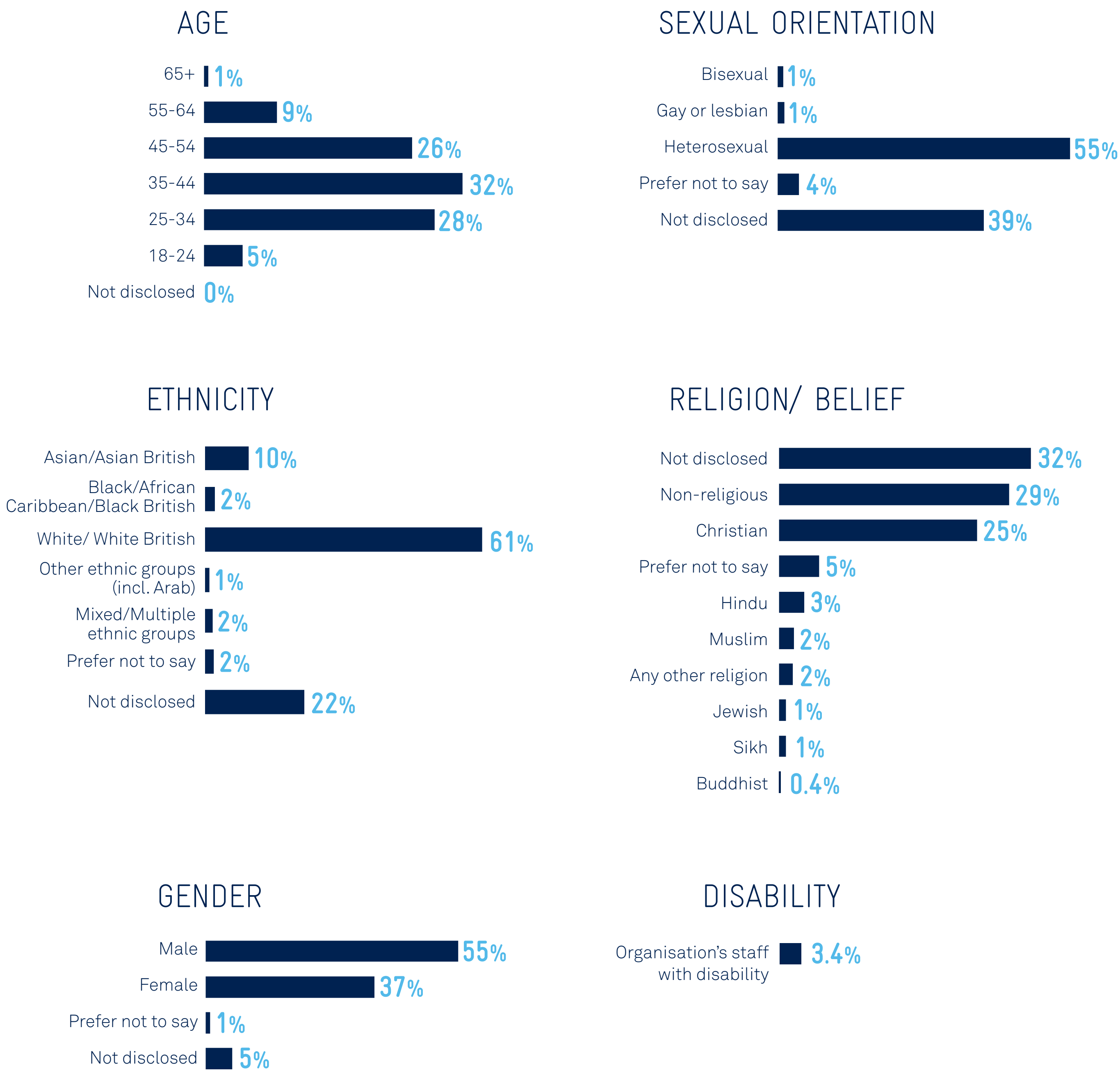
EDI is central to the UK investment management industry's cultural transformation agenda. Together with the adoption of new technology within the industry, success in EDI is widely seen as central to the industry remaining relevant to younger generations with a different set of expectations and tolerance, as well as contributing to the wider corporate and social good that EDI delivers. An inclusive and diverse workforce is vital to the industry's ability to attract and retain talent. This, along with the shifting demographics and declining birth rates in England means that success is largely dependent on being able to welcome and support new talent from traditionally underrepresented groups.

Figure 2 overleaf provides a snapshot of the industry's workforce as of December 2022. Though we captured data against nine attributes, response rates for some attributes were too low to publish industry wide estimates.

It is important that our industry reflects the people we serve to remain relevant to their needs and expectations. The UK investment management industry is present across the country with a concentration in London, where 83% of survey respondents have their UK headquarters. For this reason, we have used both UK and London-specific data published by the Office of National Statistics data for the comparison of certain demographic characteristics of the industry against those of the wider population.[6]

[6] Please note that the industry also has a strong presence in Scotland, where we know the population is less diverse than London against certain characteristics.

FIGURE 2: INDUSTRY SNAPSHOT AS OF DECEMBER 2022



Key observations regarding the demographic makeup of the industry:

- **Age:** Just under a third of the industry's workforce is aged between 18 and 34 years old (32%), compared to 34% of the UK's working population. Some 63% of industry employees fall in the 35 to 64 age bracket, and just 1% are 65 years old or older. This compares to 62% and 4% of the UK's working population, respectively. This suggests a relatively younger composition of the investment management workforce, which diverges from historical perceptions of an industry with an older employee demographic.

- **Gender:** Though inroads have been made in recent years, the industry continues to be largely male, with 55% of industry employees being male and 39% female.

- **Ethnicity:** Survey results indicate very little ethnic diversity in the industry. UK investment management employees are predominantly (60%) White, which is higher than the breakdown of London's population by ethnicity (54%). We also note that the share of Asian employees (10%) is nearly half of that of London's population (21%) and the share of Black Londoners (14%) is seven times that of the industry (2%). Over a fifth (22%) of surveyed employees are not disclosing their ethnicity in data collection exercises, and results suggest this is not concentrated to a few firms. It is unclear as to whether those not disclosing are concentrated within certain demographics, but it does highlight the importance of bringing all employees along on the journey towards more diverse workforces.

- **Religion/belief:** A high share of the industry is non-religious (29%) and just above a third (34%) have reported any religion at all. The relatively high non-disclosure rate of 32% makes national or regional comparisons difficult. The growing blending of lines between religious identity and religious belief, where individuals may identify with a particular religion without actively practicing may be contributing to non-disclosure among employees.

- **Sexual orientation:** Just over half of industry employees (55%) identify as straight or heterosexual, which is less than the estimated 86% of the population in London. Just 2% of the workforce have self-identified as bisexual, gay or lesbian, compared to 4% of London's population that identify as queer.[7] Survey results indicate a notable number of individuals (39%) have opted not to disclose their sexual orientation in the workplace. Reasons for this range from concerns about data security and potential bias, implications for international travel to hostile jurisdictions, limited support in the professional environment, to discomfort disclosing intimate information in the workplace.

- **Disability:** 30% of firms that collect disability data were unable to share the estimated proportion of their staff with disabilities, but for those who did, approximately 3.4% of the workforce reported having a disability, which is lower than the 12% share of London's population.

  Collecting data on disabilities can be challenging because it encompasses a wide range of physical and mental impairments. Some disabilities are not immediately visible, and many individuals choose to keep their health conditions private. According to the disability equality charity Scope, nearly half of those living with a disability are fearful of sharing their condition or impairment at work. Additionally, many people may not fully understand the broad definition of 'disability,' which can include certain illnesses or long-term conditions that could qualify as a disability under the law. The phrasing of survey questions plays a significant role in whether people recognise that their condition may be relevant. Some questions are based on "self-identification" of a disability or long-term health condition while other questions can directly inquire whether individuals have any physical or mental health conditions or illnesses that limit their ability to perform day-to-day activities.[8]

[7] Queer includes gay, lesbian, bisexual, pansexual, asexual and all other sexual orientations.
[8] *Lewis Silkin, "Disability reporting: time to act?", 2022*.

BOX 3: NEURODIVERSITY AS AN EMERGING AREA OF FOCUS

Cambridge University Hospitals defines neurodiversity as the different ways in which a person's brain processes information and is typically used as an umbrella term that encompasses a range of neurological differences including autism and dyslexia, among others. It is estimated that 1 in 7 people in the UK have some kind of neurological difference.[9]

Neurodiversity is considered a disability under the Equalities Act 2010 but some firms are beginning to make a distinction between the two. Some believe that neurodiversity should not be regarded as a disability but rather as neurological differences between people. Others value that maintaining the framing of disability affords legal protection against discrimination. It is our experience that categorising neurodiversity separately from disability minimises the risk of neurodiveristy being overlooked.

Raising levels of awareness and understanding of neurodiversity will allow organisations to better support people – from talent attraction through to progression. While there has been an increase in the number of people being diagnosed with neurodiversity in the last few years, there are several potential reasons for low employee declaration. Alongside people choosing not to disclose out of fear of discrimination, neurodiversity diagnosis can be difficult to obtain with demand-capacity gaps for diagnostic assessments, particularly for adults.

Firms are increasingly aware of the neurodiverse population within their workforce despite the lack of data, more than half (53%) of them are currently implementing support measures. In collecting data on neurodiversity, it is important for firms to consider the language they use in asking the question to ensure employees can readily identify their neurodiverse condition should they choose to disclose. Firms are however encouraged not to wait for the data to drive their neurodiversity support strategies, as low disclosure rates may delay putting in place much needed support strategies.

"We owe it to employees to show them what we're finding within the demographic survey and demystify what we're doing with this information."

[9] *Cambridge University Hospitals, NHS Foundation Trust, "What is neurodiversity".*

AN INTERSECTIONAL APPROACH TO DIVERSITY

We have chosen to analyse the data across gender and ethnicity for several reasons: greater data availability across these two attributes, the benefit of a standardised approach adopted by some firms, and industry initiatives primarily focus on these characteristics for measuring effectiveness and progress. In future iterations of the EDI Data Survey, we aspire to introduce additional attributes, like age, to our intersectional analysis.

All staff breakdown by gender and ethnicity

Table 1 examines the breakdown of all people employed directly by UK investment management (approximately 46,200 people) based on ethnicity and gender.

- At the all-staff level, there does not seem to be any material differences in the ethnic composition between males and females, meaning there is no more or less ethnic diversity among one gender group.
- Addressing the prevailing gender imbalance in the industry remains an ongoing priority, but it is noteworthy that this disparity does not seem to disproportionately affect any particular ethnic group.

Board composition

There has been much discussion about diversity at board level as an indication of an organisation's EDI approach and a testament to executive leadership buy-in. A breakdown of board members across the industry by gender and ethnicity reveals that board composition is less diverse from both a gender and ethnicity perspective. We find that there is a higher proportion of males at board level (64%) compared with what we see in Table 1 for all staff (57%). There also appears to be less ethnic diversity at board level (71% White) compared with all staff (61% White), with all non-white ethnic groups accounting for a smaller proportion of board members than in Table 1.

Collaboration between Government and business leaders through initiatives such as the Women in Finance Charter have led to progress in achieving better gender balance within boards. The establishment of gender targets for which senior management bears responsibility has played a significant role in improving this gender imbalance. Survey data suggests that board composition is 34% female, which falls short of the FCA's 40% target.[10]

TABLE 1: AN INTERSECTIONAL BREAKDOWN OF ALL STAFF BY GENDER AND ETHNICITY[11]

	Ethnicity							
Gender	Asian/Asian British	Black/ African/ Caribbean Black British	White/ White British	Other ethnic group (including Arab)	Mixed/ Multiple ethnic groups	Prefer not to say	Not disclosed	**Total**
Female	4.3%	1.3%	25.3%	0.5%	0.8%	0.6%	7.5%	40.3%
Male	5.4%	1.2%	35.4%	0.7%	1.2%	1.4%	12.0%	57.4%
Other[12]	0.0%	0.0%	0.2%	0.1%	0.1%	0.2%	0.2%	0.2%
Not disclosed	0.1%	0.1%	0.1%	0.1%	0.1%	0.0%	2.0%	2.0%
Total	**9.7%**	**2.5%**	**60.8%**	**1.2%**	**2.0%**	**2.1%**	**21.7%**	**100%**

[10] FCA press release on finalising proposals to boost disclosure of diversity on listed company boards and executive committees, April 2022.
[11] Due to rounding, total rows and columns may not add up to 100%.
[12] Other includes though that indicated Non-binary, Other and Prefer not to say.

CHAPTER 3: RECRUITMENT & PROGRESSION

KEY FINDINGS

- Progress has been made in recruiting women at senior levels, but typically low turnover rates have contributed to a lack of diversity. Efforts to recruit people from underrepresented backgrounds are generally focused below senior level, so it will take time to see the impact of diversity-focused recruitment initiatives on the industry's talent pipeline assuming these individuals remain within the industry.
- Pay gaps are commonly used as a proxy measure of progression. Survey results show that both the mean and median industry gender pay gap have decreased seven and six percentage points respectively over the past five years.
- Firms across the industry are investing in their talent by strengthening pipelines for progression. While there is no one strategy or approach used by firms to identify barriers faced by underrepresented groups in securing promotion, 63% rely on employee feedback to inform retention strategies. However, nearly half of firms (48%) do not track career advancement or promotion levels across diversity characteristics.

THE RECRUITMENT LANDSCAPE

A critical area of focus to improve diversity in the industry is recruitment, where establishing a diverse talent pipeline begins. Figure 3 presents a breakdown of hires by ethnicity and gender, at different levels of seniority. What is immediately evident is both gender and ethnic diversity decrease as we climb the ranks. It will take time to improve diversity across firms and at all levels, but the lack of gender and ethnic diversity among executive leadership hires (80% White and 52% male) reinforces the need to develop a diverse early talent pool alongside strategies to retain and progress these individuals. This trend is reflected in the ethnic and gender breakdown of employees across levels of seniority (see Tables 2 and 3 on pages 28-29).

FIGURE 3: BREAKDOWN OF HIRES IN 2022 BY ETHNICITY AND BY GENDER AT DIFFERENT LEVELS OF SENIORITY

ETHNICITY

- White/ White British **80%**
- Not disclosed **20%**

- Asian/Asian British **9%**
- White/ White British **45%**
- Mixed/ Multiple ethnic group **3%**
- Prefer not to say **1%**
- Not disclosed **42%**

- Asian/Asian British **11%**
- Black/ African/ Caribbean/ Black British **5%**
- White/ White British **46%**
- Other ethnic group (including Arab) **2%**
- Mixed/ Multiple ethnic groups **3%**
- Prefer not to say **2%**
- Not disclosed **31%**

GENDER

- Female **39%**
- Male **52%**
- Not disclosed **9%**

- Female **38%**
- Male **50%**
- Prefer not to say **1%**
- Not disclosed **12%**

- Female **44%**
- Male **54%**
- Not disclosed **3%**

BOX 4: PORTFOLIO MANAGEMENT

Portfolio management serves as a core function of the investment management industry and warrants dedicated attention. Many of today's CEOs and senior leaders have their origins in investment roles, highlighting its significance.

In Table 1 we looked at the breakdown of all industry staff by gender and ethnicity. A further breakdown focusing only on portfolio managers reveals a greater gender imbalance, where the female to male ratio changes from 2:3 to 2:9, echoing findings in existing research. Regarding ethnicity, there is a higher non-disclosure rate amongst portfolio managers. This difference underscores the imperative to apply an intersectional approach to diversity data analysis not just at the all staff level, but also across different job sectors.

Addressing the representation gap begins with a nuanced understanding of the barriers to entry and progression. This report's objective is not to conduct an in-depth analysis of these barriers but rather to emphasise their importance. A fundamental challenge that is very specific to portfolio management roles is the value placed by clients on low turnover and performance track records of fund managers. This means that progress on addressing diversity challenges within these roles will be slow, and places greater emphasis on the importance of establishing a diverse pipeline of talent for when opportunities do arise.

CASE STUDY: INVESTMENT20/20 ALUM

"I grew up in a council house and left school and home at 16. I had a string of different jobs – working for a blind manufacturing company, labouring on building sites, and even doing a stint at Smithfield meat market. At some point, I realised I wanted a "career" and as I was good with numbers decided on a career in finance.

The path wasn't straightforward because I didn't have any A levels. I had to work and attend college simultaneously to pave my way into university. When I stumbled upon Investment20/20, and it seemed like the perfect opportunity for me. To my delight, I secured a role at an asset management firm.

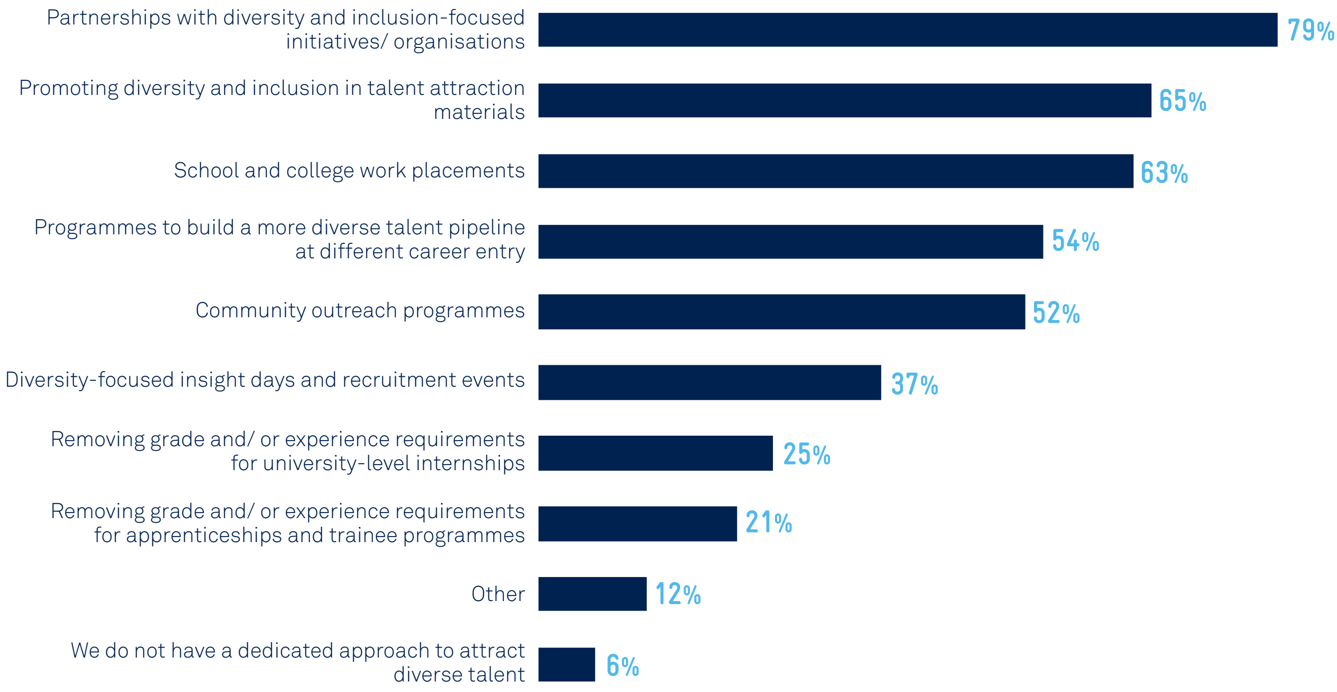
I was determined to make it into the investment team. I made my ambitions clear and succeeded in landing a role in Emerging Markets Debt. A pivotal moment in this progression was the "tap into talent" secondment programme at my company, which gave me the opportunity to work with the investment team – an experience which led to me securing a permanent role within the team. This experience gave me the confidence and the network, to secure a permanent role in an investment team. I'm a living example of how persistence and the right opportunities can lead to an incredible transformation."

Recruitment practices

In their efforts to create a more diverse talent pool, firms across the industry are reviewing their recruitment practices. Chart 6 illustrates the variety of approaches firms have taken to **attracting diverse talent**:

- The most common approach to attracting diverse talent is through partnerships with external diversity and inclusion-focused initiatives and organisations (79% of firms surveyed).
- Nearly two thirds of firms are working on building awareness of the investment management industry among young people through school and college work placements (63%), and insight/recruitment events (37%).

CHART 6: APPROACHES ADOPTED TO ATTRACT DIVERSE TALENT



BOX 5: FOUR MOST CITED INDUSTRY INITIATIVES

Investment20/20 was founded 10 years ago by senior industry leaders, with the purpose to drive a forward looking, responsible and inclusive investment industry, where firms attract, develop and retain talented people from all backgrounds. A solution designed and led by the industry, Investment20/20 has over 60 member firms and together have supported over 2,500 young people to start their professional careers. From school leavers to graduates, the programme builds a pipeline of entry-level talent, who otherwise may not have considered joining the industry. By bringing firms into schools, colleges and universities, Investment20/20 builds connections between students and industry, awareness of the breadth of career opportunities and helps drive a more diverse and inclusive investment industry.

"In our early career space, we do loads to increase the diversity of our apprenticeships and graduate apprentices and graduates. We have diversity targets relating to all streams for that group. Investment20/20 is one of the partners we work with and something I'm really proud of."

Diversity Project is a cross-company initiative championing a truly diverse and inclusive UK investment and savings industry. A number of firms are specifically involved in the Diversity Project's **Pathway Programme**, which addresses the absence of women in money-managing roles through a bespoke programme which supports women, who are selected by their companies, to progress and succeed in becoming Portfolio Managers.

"The Diversity Project's Pathway Programme unlocks hidden talent and provides today's emerging female portfolio managers with the skills and confidence they need to succeed. It will also create a cohort of female portfolio managers who will navigate their careers together and provide an example for generations to follow. The real change is yet to come, and we are excited to measure the extent of it!"

10,000 Black Interns provides paid internship opportunities for Black talent in the investment management industry. The programme is offered by the 10,000 Interns Foundation, which offers a similar programme for disabled talent called **10,000 Able Interns**.

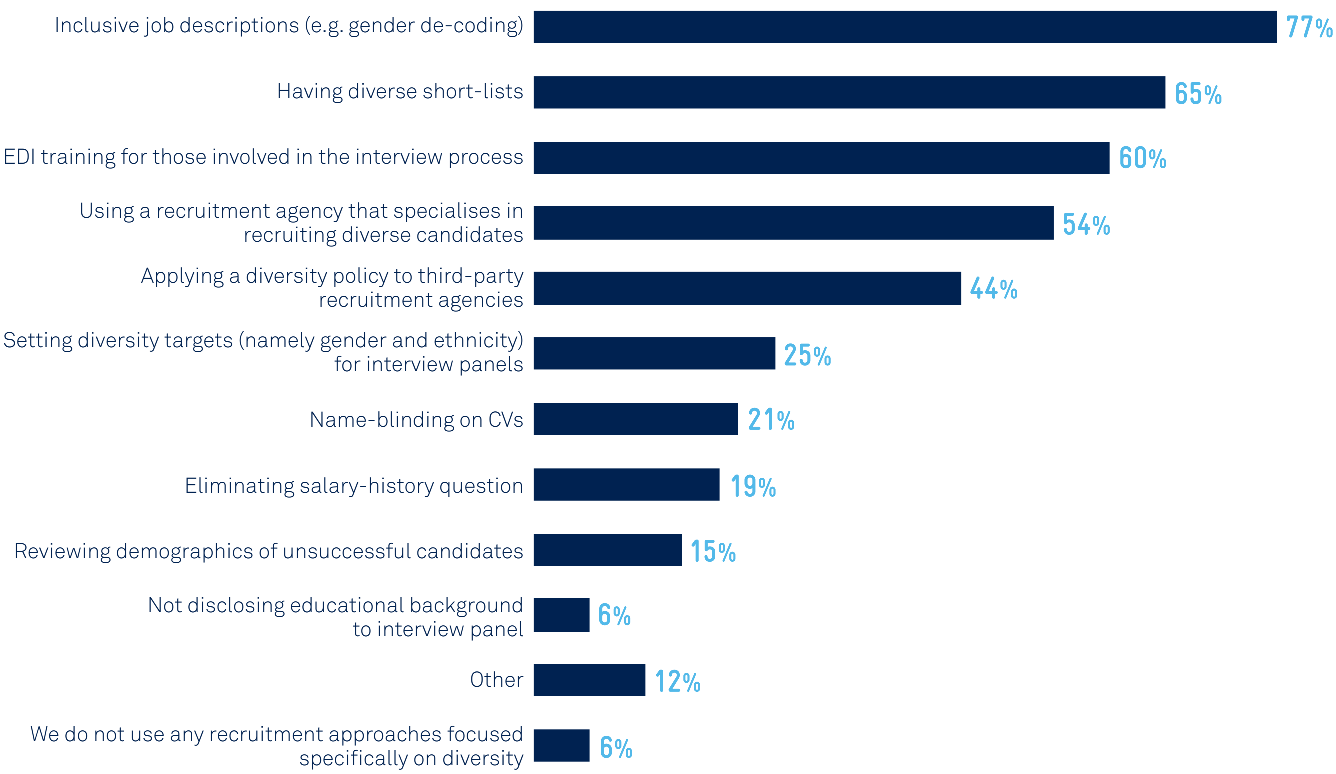
Girls are Investors (GAIN) is a charity that was set up by investment professionals to improve gender diversity in the industry. By building a talent pipeline of entry-level female and non-binary candidates, GAIN aims to generate more and better prepared women for investment firms through early engagement with sixth form and university students.

Chart 7 highlights the variety of approaches used by firms to ensure equitable recruitment practices. We make the following observations:

- More than three quarters of firms surveyed (77%) report advertising opportunities using inclusive job descriptions. Some progress has been made with job descriptions by simplifying the role requirements, shifting the focus from 'nice-to-haves' to the 'must-haves', and by removing masculine-coded language known to deter women from applying.[13]
- Equitable recruitment practices extend beyond the job descriptions themselves with 65% of firms having diverse shortlists and 60% providing EDI training for those involved in the interview process.
- Just over half of respondents (54%) use a recruitment agency that specialises in recruiting diverse candidates. A further breakdown of these firms reveals that firms who are further along in their EDI journeys are much more likely to use such recruitment agencies than firms who adopted an EDI strategy more recently.[14]

[13] Sources include: Gaucher D, Friesen J, Kay AC. "*Evidence that gendered wording in job advertisements exists and sustains gender inequality*", 2011; and "*Why women don't apply for jobs unless they're 100% qualified*", Harvard Business Review, 2014.

CHART 7: IMPLEMENTATIONS TO ENSURE AN EQUITABLE RECRUITMENT PROCESS



- Blind CVs and the elimination of salary history questions are used by around a fifth of firms. Blind CVs are used to mitigate against the risk of unconscious bias during recruitment, however, their impact can be limited as they often fail to challenge the cultural recruitment norms that lead to the lack of diverse hires. Removing salary history questions contributes to redressing pay gaps by interrupting the cycle of underpayment and reducing pay disparities.

- Only 15% of firms review the demographics of unsuccessful candidates. This practice is valuable for gaining a deeper understanding of whether specific underrepresented groups face challenges in the recruitment process. By analysing rejected applications recruiters can identify and address potential barriers to entry.

[14] 35% of survey respondents adopted an EDI strategy over three years ago, 51% adopted one in between 1 and 3 years ago, and 15% have adopted one in the past year.

KEY TAKEAWAYS FOR ATTRACTING AND RECRUITING DIVERSE TALENT

- Tap into new talent pools by working with partners that specialise in connecting firms with diverse talent.
- Check job descriptions for inclusive language.
- Simplify role requirements focussing on the 'must-haves' rather than the 'nice-to-haves'.
- Challenge organisation's recruitment culture as processes like name-blind CVs don't address the underlying recruitment culture.
- Keep assessment criteria relevant to the role.
- Review the demographics and applications of unsuccessful candidates to gain a better understanding of the effectiveness of your recruitment processes.

RETENTION AND PROGRESSION

Identifying and developing talent within the investment management industry is a fundamental step in creating a more inclusive workforce. This goes beyond recruiting talent. It requires investment in employees throughout their careers. Establishing this robust talent pipeline depends on efforts extending beyond recruitment, encompassing the entire employment lifecycle, to ensure sustained advancement. Such progress is crucial for achieving representation across all business levels and meeting future needs.

Measuring progression

When assessing opportunities for progression, it is important to consider the intersection of different attributes. It is with an intersectional approach, of gender and ethnicity for instance, that firms will better understand the unique experiences and challenges underrepresented talent can face. The breakdown of employees by gender and ethnicity at different levels of seniority in Tables 2 and 3 reveal a decline in diversity as we climb levels of seniority, echoing the observed trend in the 2022 hiring breakdown (see Figure 3 on page 23).

- The breakdown of staff excluding executive leadership and senior management roles is aligned with the gender and ethnicity breakdown of all staff (Table 2), there is a marked decline in both gender and ethnic diversity when advancing to senior management and executive leadership.
- The gender imbalance increases from 57% male and 40% female at the 'all other employees' level to 67% male and 32% female at the senior management level and widens further to 72% male and 27% female at executive leadership level. Despite a persisting gender imbalance, progress has been made in this area. The Women in Finance Charter reported an average of 32% female representation in senior management in the investment management industry in 2022, which is up from 26% in 2017.[15]
- The share of White employees jumps from 63% at the 'all other employees' level to 76% at senior management and executive leadership levels. Meanwhile, the share of Asian staff falls from nearly a tenth of all staff to just 3% of executive leadership. There is also notably no representation of Black staff at executive leadership levels.

When asked if firms track career advancement across diversity characteristics, 44% of respondents indicated that they do against some attributes, but nearly half of respondents (48%) indicated that they did not.

Regarding ethnicity specifically, government and Business in the Community followed the recommendations of the McGregor-Smith Review on race in the workplace and established the Race at Work Charter to encourage businesses to make a public commitment to improving equality of opportunity in the workplace. The Charter's 2023 report found that firms are capturing more ethnicity data and using it to identify barriers and set priorities.[16] However, there remains a need to increase equitable access to information on career progression pathways within organisations. Organisations are recommended to monitor access to developmental opportunities and offer work opportunities so that talent is showcased.

TABLE 2: BREAKDOWN OF STAFF BY SENIORITY AND BY GENDER

	Executive leadership	Senior management	All other employees
Female	27%	32%	40%
Male	72%	67%	57%
Not disclosed	0%	1%	2%
Total	**100%**	**100%**	**100%**

[15] HM Treasury Women in Finance Charter: Annual Review 2022 and HM Treasury Women in Finance Charter: Annual Review 2018.
[16] Race at Work Charter Report 2023.

TABLE 3: BREAKDOWN OF STAFF BY SENIORITY AND BY ETHNICITY

	Executive leadership	Senior management	All other employees
Asian/Asian British	3%	5%	10%
Black/ African/ Caribbean/ Black British	0%	1%	3%
White/ White British	76%	76%	63%
Other ethnic group (including Arab)	2%	1%	2%
Mixed/ Multiple ethnic groups	3%	1%	2%
Prefer not to say	1%	2%	3%
Not disclosed	15%	14%	18%
Total	100%	100%	100%

BLACK TALENT PIPELINE

Following the recommendations made in the 2019 IA Black Voices report, the IA launched the Black Leaders Mentoring and Reverse-Mentoring Programme in partnership with the Diversity Project’s #TalkAboutBlack programme. The programme pairs senior Black investment management professionals with over 10 years of industry experience, with C-suite mentors. Mentees are supported with the tools and networks needed to achieve their professional goals. While mentors benefit directly through reverse mentoring, gaining insight into the first-hand lived experience of a Black professional's journey through the investment management industry.

“The Black Leaders Programme is a transformative initiative that aims to increase representation of Black leaders within the C-suite in the investment industry. The path to progression is often not straightforward and this programme positively disrupts opaque processes, giving access to networks, driving an increase in representation, and helping to create a business environment where those willing to strive can fulfil their potential and create the best outcomes for customers.

The reverse mentoring element creates a powerful dynamic where mentees become teachers, sharing their unique perspectives, struggles and triumphs. This process not only educates mentors but also challenges their preconceived notions, encouraging them to reevaluate their own beliefs and biases. It fosters empathy, compassion and a genuine commitment to driving meaningful change within the industry.

The Black Leaders Programme has been a catalyst for change, fostering an inclusive industry culture that celebrates diversity and champions representation."

PAY GAPS AS A PROXY MEASURE OF PROGRESSION

Remuneration is an important tool in retaining employees and making them feel valued within the organisation. There have been several regulatory developments that have increased the transparency around pay. Among these developments was the introduction in 2017 of mandatory gender pay gap reporting for organisations with more than 250 employees. Although a fairly crude snapshot measure, the gender pay gap (GPG) has been a helpful indicator for detecting embedded diversity challenges within the workplace, while increasing accountability and transparency.

More recently the focus has shifted to ethnicity pay gap reporting, which at the time of writing remains voluntary. The Survey finds that very few respondents (10%) are calculating and publicly reporting their ethnicity pay gap. A further 17% are calculating their ethnicity pay gap but not reporting on it publicly. There are a number of reasons why the remaining firms have not calculated their ethnicity pay gap, over half (58%) of firms have cited that reporting not being a regulatory requirement as the main reason for not doing so. Looking at this alongside a third of firms citing the absence of standardised methodology (36%) at the time of asking and resource constraints (31%) adds further context.

Gender pay gaps – 2018 vs. 2022

In 2019, the IA published a report on the industry's gender pay gap.[17] Using data from that project, public records and our latest Survey results, we are able to produce a short analysis on the progress made by IA member firms regarding the gender pay gap over the past five years.

We base our analysis on a matched sample of 38 IA member firms,[18] representing approximately 76% of UK assets under management (£8.8 trillion as of December 2022) and 72% of the UK direct headcount (approximately 46,200 people). Tables 4 and 5 present the simple average of the gender pay gap metrics for the 38 firms on our sample. We make the following key observations on Table 4:

TABLE 4: GENDER PAY GAP HEADLINE STATS

	2018	2022
Mean gender pay gap[19]	31%	24%
Median gender pay gap	31%	25%
Mean bonus gap	65%	57%
Median bonus gap	55%	46%
% Men receiving a bonus	90%	89%
% Women receiving a bonus	89%	87%

- We see improvements in both the mean (24%) and median (25%) gender pay gaps which have decreased seven and six percentage points respectively over the past five years from 31%.
- Looking at the data for individual firms we observe that almost all members in the sample recorded a fall in the mean GPG, while most (84%) recorded a fall in the median over the last five years, meaning 16% reported an increase.

Table 5 presents IA members' average gender balance across pay quartiles. Much of the drivers of the high pay gap numbers cited by IA members are related to the gender imbalance at senior levels. Between 2018 and 2022, there has been little change in the gender balance across pay quartiles (where Q1 Upper refers to the highest paying jobs and Q4 Lower refers to the lowest paying jobs).

Reflecting what we have seen elsewhere in this report, on average, the highest paying jobs continue to be dominated by men with marginal movements in the gender balance in the lowest quartile.

TABLE 5: PAY RANGE QUARTILES

		2018	2022
Q4 – Lower	Men	4%	47%
	Women	56%	53%
Q3 – Lower middle	Men	56%	56%
	Women	44%	44%
Q2 – Upper middle	Men	66%	67%
	Women	34%	33%
Q1 – Upper	Men	77%	75%
	Women	23%	25%

[17] The Investment Association, "*Closing the Gap*" 2019.
[18] Matched sample means we exclusively used the data of firms for which we had both 2018 and 2022 data.
[19] The mean gender pay gap represents the difference between the average hourly earnings of men and women, and the median gender pay gap represents the difference between the midpoints in the ranges of hourly earnings of men and women. The median pay gap is typically used as the more representative measure for pay gap analysis as the impact of outliers is excluded.

BARRIERS TO PROGRESSION

Firms have identified various approaches to identifying barriers faced by underrepresented groups. More than half of firms rely on employee feedback (63%), either through employee surveys or from insights shared during exit interviews (62%).

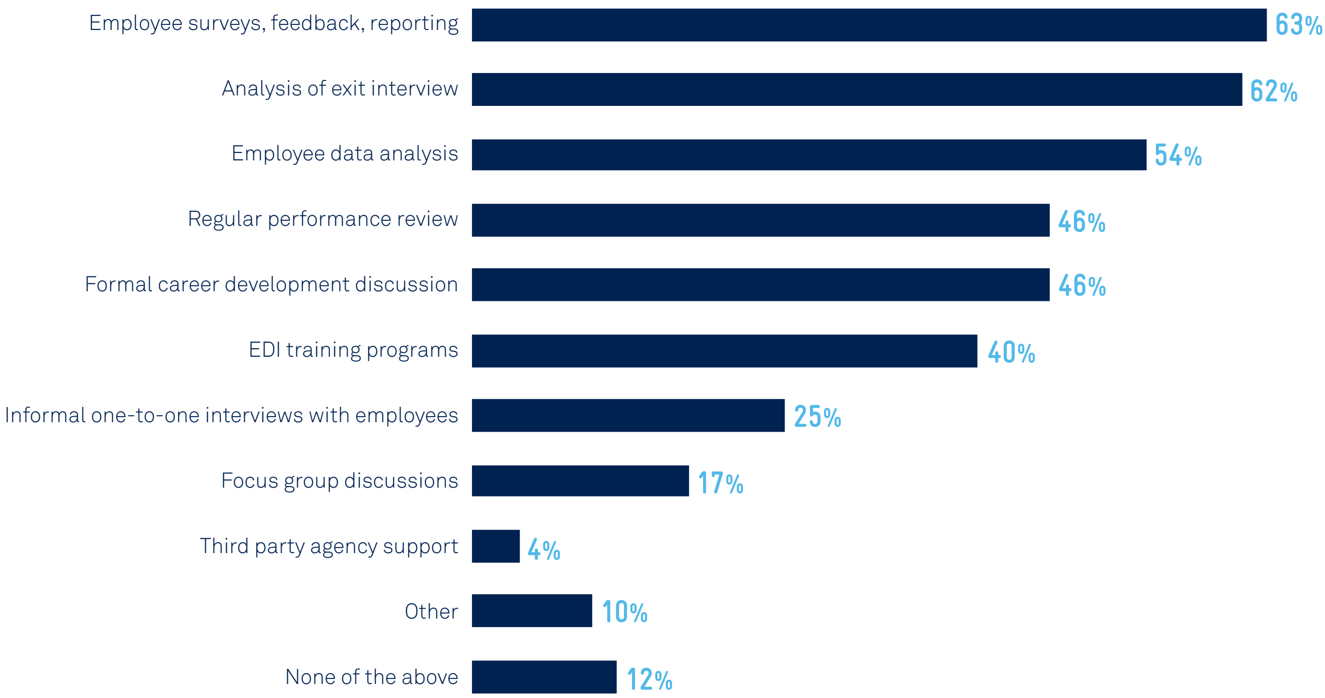
Survey results indicate that only 40% of employees feel there is fair access to progression within their organisation, as shown in Chart 15. This signals a clear need for increased and enhanced efforts in this regard.

In addition to developing pipelines for progression, respondents are exploring other ways to ensure they retain their talent. Initiatives and approaches include:

Mentoring and sponsorship: Mentoring can achieve both individual and organisational change through a shared understanding of the challenges that exist for underrepresented groups. It provides the opportunity to build meaningful relationships and establishes a network within the organisation to help individuals develop skills necessary for advancement. It is a cost-effective way to develop talent within the organisation and provides the benefit of mutual learning that informs organisational culture. Sponsorship, which adds a degree of advocacy towards someone's career advancement, can often emerge from mentoring relationships. This is a powerful tool for actively promoting employees from underrepresented groups into senior positions.

Enhanced parental leave: Parental leave can improve retention and employee engagement.[20] Enhanced parental leave is a way for firms to demonstrate care for employees' wellbeing by recognising the demands

CHART 9: **APPROACHES USED TO IDENTIFY BARRIERS FACED BY UNDERREPRESENTED GROUPS IN SECURING PROMOTION**



[20] McKinsey & Co, "The case for paid parental leave", 2021.

of starting or expanding a family and supporting a sustainable work-life balance. Enhanced parental leave can also contribute to promoting gender equality in the workplace.

"We've introduced equal amounts of leave for all parents across our global business, it's been really well taken up. And since we've introduced that, we found that the promotion rates of men and women have equalised across the business, whereas men used to have a higher promotion rate than women."

CASE STUDY: STAY INTERVIEWS

One company we spoke with has implemented a strategy of conducting "stay interviews". Rather than wait to ask employees for feedback on company culture upon resignation, interviews are conducted while employees are still actively engaged in their roles.

A random selection of employees from various business units or employee resource groups are chosen for these interviews, and they are asked questions about their intentions to remain with the organisation for the next two or more years, their views on the company's culture, and their awareness of their development plans. This proactive engagement in career-focused conversations provides individuals with a clear understanding of their route to progression. It also enables the firm to gather feedback on their culture, helping them pinpoint what is effective and what needs to improve.

"We think that everyone knows what the development plan is, but that's not always communicated down to employees. These interviews give us the opportunity to have a candid discussion about professional development with employees."

Leadership development: Inclusive leadership training targets mid to senior leaders and sends a powerful signal that organisations are invested in their employees' progression, reducing the incentive for staff to search for opportunities externally.

"We participate in the Black British business talent accelerator programme. People who are Black or ethnic minority can participate in it. It gives them lots of leadership development support. But crucially, it also provides training sessions for their line manager and their sponsor around understanding the biases that may impact their progression and how to dismantle those. And we've been doing that for three years now and we have seen really good results for the people who have been on that in terms of progression."

KEY TAKEAWAYS FOR RETAINING TALENT

- Retaining diverse talent requires a focus on development and progression operating within a culture that supports inclusion.
- Tracking career advancement across diversity characteristics, including hiring, promotions and attrition, provides crucial visibility to monitor workforce diversity progress.
- Combining employee sentiment and progression data allows for insights into addressing barriers to career advancement for underrepresented groups.
- Firms may use their own diversity data to develop and promote diverse talent, using internal success stories as evidence of a commitment to retaining staff. Internal success stories can also inform decision-making around retaining and promoting diverse talent.
- While there was insufficient data available to report on employee turnover in this first edition of the EDI report, we recommend that firms monitor turnover data across diversity characteristics to provide valuable insights.

CHAPTER 4: CULTURE & ACCOUNTABILITY

KEY FINDINGS

- Effective leadership, strong communication, representation and a commitment to progress are key to fostering a positive and inclusive culture.
- The majority of firms (69%) identified the chief executive and executive leadership team as those ultimately accountable for EDI within their organisations, demonstrating a high level of senior buy-in.
- The implementation of EDI strategy is the responsibility of human resource (HR) teams across the industry (79%) but in some organisations, it is the shared responsibility of the wider workforces, sitting with dedicated EDI teams, employee resource groups and individual team leadership.
- Some 60% of firms are setting diversity targets (mainly focused on gender and ethnicity). Notably, larger firms are more likely to have set diversity targets than smaller firms.
- Employee sentiment questions are commonly used to gain insight into an organisation's culture. Survey results show that nine in ten firms are collecting data on employee sentiment on an annual basis.

EDI is a critical element in the industry's broader cultural transformation. The increased awareness of equity, diversity and inclusion and its impact on employees and corporate culture represents a shift in how businesses operate and engage with their workforce. Within the remit of EDI, the focus is shifting beyond diversity characteristics alone to fostering an inclusive culture that promotes belonging and psychological safety across the organisation and throughout the entire employee experience.

The compelling business case for an inclusive culture in which people from different backgrounds can thrive has become increasingly evident in recent years. Culture underpins behaviour, risk management and governance, and there has been a rise in regulatory expectations alongside the growth in public expectations around EDI. As the industry continues to adapt to this shift, it's increasingly evident that fostering a positive and inclusive culture is not just an ethical commitment but a strategic necessity, closely tied into the ability to adapt and drive innovation, and to maintain market relevance in a rapidly changing world.

FOSTERING A POSITIVE AND INCLUSIVE CULTURE

The IA's 2021 Culture Framework identified several factors that influence a firm's culture. While it was not possible to explore all these components here, there are a number of culture related themes within the data that we have focused on:

1. **Effective leadership:** Setting the "Tone from the top" requires leaders, including line managers, to model the values and behaviours that their organisation has defined. They should be actively engaged in shaping and integrating values into every facet of their firm's operations. In this chapter, we discuss how some firms are building positive and inclusive cultures using accountability mechanisms that will keep firm leadership engaged in driving cultural change.

2. **Open, transparent and regular communication:** Communication is a cornerstone of a healthy workplace culture, particularly in addressing the challenges related to trust and apathy outlined in Chapter 1 of this report. Regular and honest communication between employees and senior management, including on potentially difficult matters, fosters a culture of transparency and trust within the workforce. Businesses with a positive culture should also provide avenues for regular employee feedback, as well as embedding governance frameworks to protect employees who speak up against misconduct. We provide some insights into how firms are capturing employee sentiment in this chapter.

3. **Equity, diversity and inclusion:** Cultivating an environment where people from all backgrounds feel heard, challenged and valued is key to a healthy corporate culture. The data presented in this report illustrates that the industry still has some way to go in order to establish more inclusive workforces, but through the establishment of core values, the integration of EDI strategies and a number of targeted interventions, the industry has signalled long-term commitment to the EDI agenda. In this chapter, we explore EDI strategies and employee inclusion in more detail.

4. **Succession planning and leadership development:** Succession planning plays an important role in the continuity of cultural progress. Reversal of progress can occur if firms promote those who do not embody firm values into senior positions. Early talent identification and development, especially for members of underrepresented groups, enables a strong pipeline of future leaders. The data in Chapters 2 and 3 indicate that the industry in embracing the need to work towards investing in developing diverse talent pipelines and are working to address retention challenges

EDI strategies

Illustrating the industry's commitment to progressing EDI, survey results show that 79% of firms have developed formalised EDI strategies, with another 15% planning to introduce one in the coming year. For those currently with an EDI strategy in place, the survey finds:

- The majority of firms (63%) are integrating these strategies within the wider strategy of their business, while over a third (36%) have developed standalone EDI strategies.

- The maturity of these strategies varies across the industry, with almost two thirds (66%) implementing their strategy in the last three years, while just over a third (34%) have had an EDI strategy in place for 3 years or longer.

- Almost half (49%) of firms have said that the main reason for developing an EDI strategy is to foster a positive and inclusive corporate culture with a further 20% citing improved business performance as the primary reason.

ACCOUNTABILITY

When asked who has ultimate responsibility for ensuring that firms adhere to EDI strategies, the majority of respondents reported that this largely sits with the CEO and executive management teams (Chart 9). As previously discussed, senior leadership buy-in is critical in driving cultural change. Accountability is an effective tool in demonstrating commitment from the top, particularly when this is very visible.

"Our CEO and his direct reports have been fantastic. They are very vocal, very involved and truly dedicated in their leadership in driving the EDI agenda forward. They demonstrated their commitment through their active participation. Whether it's by becoming executive sponsors of the business resource groups, challenging things that we do, asking questions and keeping themselves up to date with what's happening in this space more generally."

CHART 9: ULTIMATE ACCOUNTABILITY FOR EDI

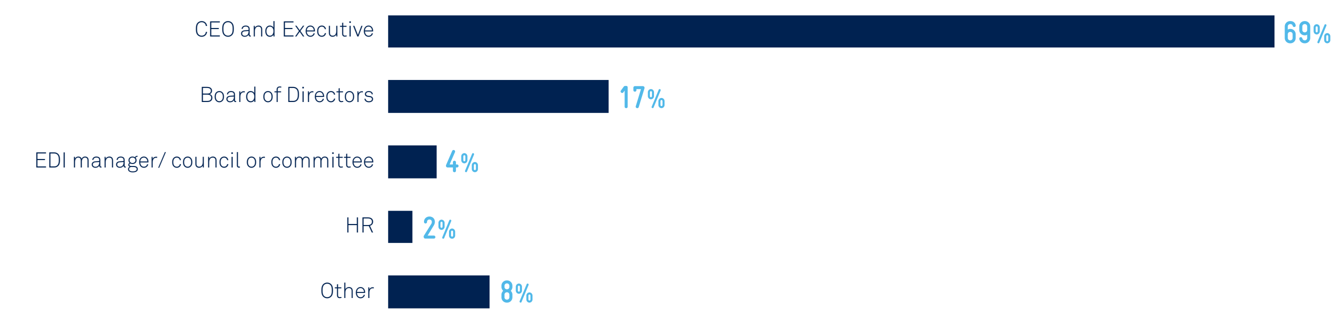
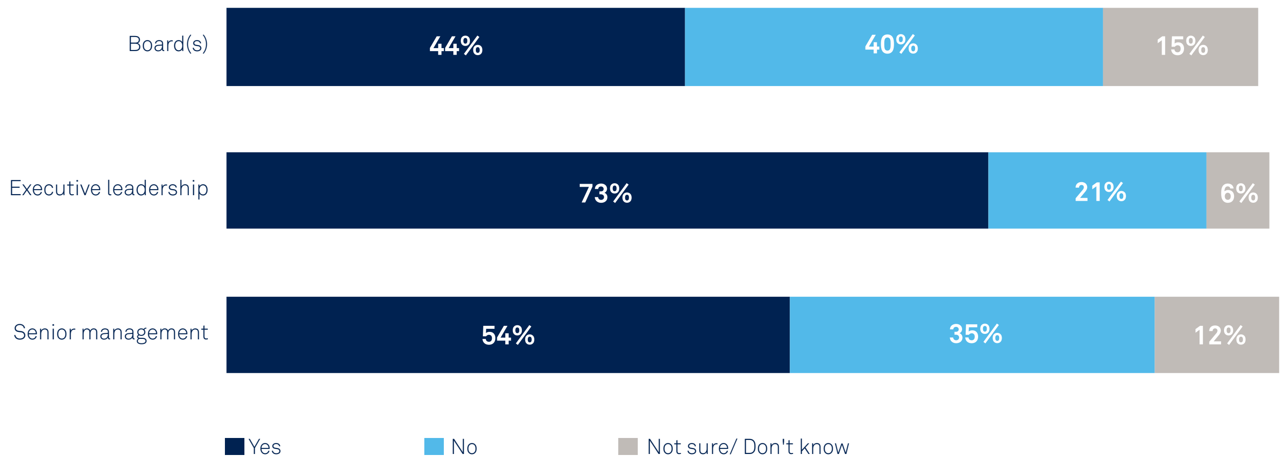


CHART 10: EDI INCLUDED IN OBJECTIVES.



In terms of how that accountability is being quantified, some firms are tying individual employee objectives to firm level objectives outlined in an EDI strategy or otherwise – particularly for senior employees. Again, this is being adopted as a top-down approach within the industry, with the majority (73%) of firms including EDI within objectives for executive leadership teams. A smaller, though still substantial, proportion of respondents (54%) have cast the net of accountability more widely by including EDI objectives for senior managers as well.

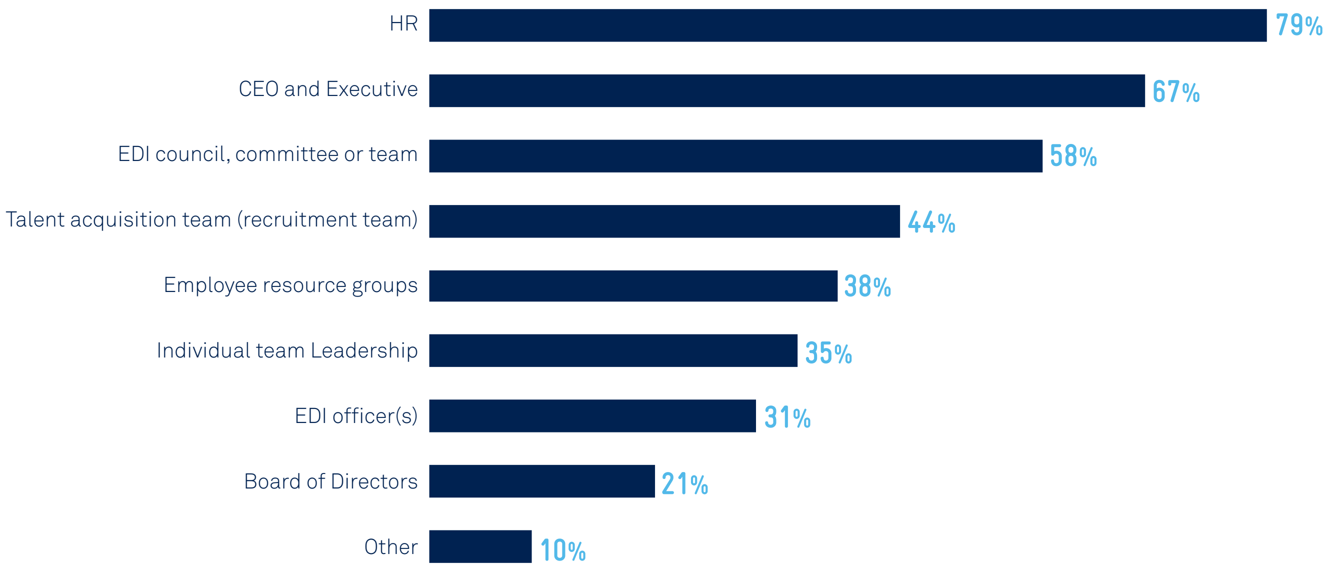
Although ultimate responsibility predominantly sits at the most senior levels, the implementation of EDI strategies expands beyond senior management, with three quarters (75%) of respondents indicating that more than one of the groups listed in Chart 11 assumes some responsibility. For most of the firms' HR teams (79% of respondents) and to a lesser extent, the executive leadership team (67% of respondents) lead in the implementation of EDI strategies. One quarter of firms who identified the CEO and executive leadership as ultimately accountable for EDI also stated that executive leadership is not responsible for its implementation.

"To combat apathy, we've added diversity and inclusion into our risk taxonomy. If there is a lack of diversity within a team, it should be being recorded as a strategic risk that might impact decision making and performance and therefore a remedial plan needs to be put in place."

More recently, dedicated EDI teams, employee resource groups (ERGs) and EDI officers have been established because of increased industry commitment to EDI. Several firms that we spoke with said that although HR teams have historically been in charge of EDI implementation, those in EDI specific jobs have proven to be more effective in bringing about change. This is largely a result of HR's broader mandate. This is especially true for firms where those in focused EDI roles are reporting directly into executive leadership. A minority of firms assign responsibility for the implementation of EDI strategies to employee resource groups (38% of respondents) and individual team leadership (35% of respondents). ERG's may help socialise EDI strategies more widely through a bottom-up approach that can alleviate some of the challenges related to apathy outlined in Chapter 1.

"We're getting more and more momentum because people can see our intent. We're very clear in our town halls and our narrative. There is a direct linkage to performance and culture of the organisation. Ultimately it is down to individual leaders and managers to set the example and do the right thing."

CHART 11: RESPONSIBILITY FOR EDI IMPLEMENTATION



Diversity targets

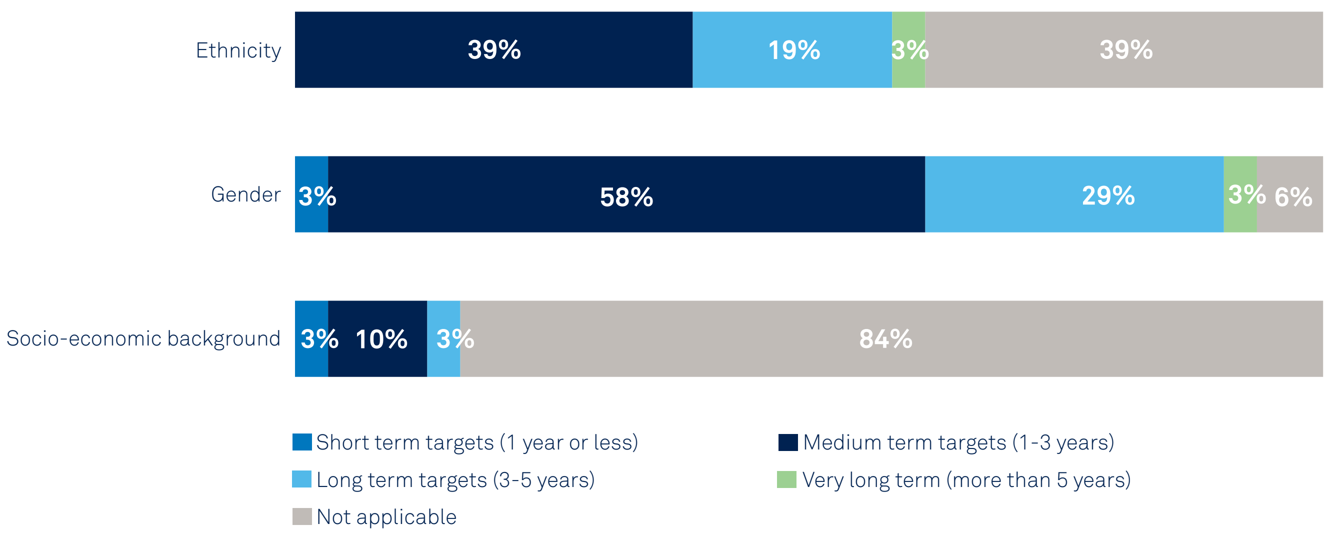
Proposals in the FCA's Consultation Paper 23/20 which suggest setting diversity targets and holding boards accountable for their targets and strategy, are designed to enhance the gender balance, and improve representation across other diversity strands. The FCA's listing rules also set requirements for firms to report whether they've met certain diversity targets on an annual basis.

Survey results indicate that two fifths (60%) of firms are setting targets and a further 10% were intending to do so in the coming year. As shown in Chart 12, of those setting targets, these are almost wholly focused on gender and ethnicity with almost all (94%) firms setting a gender target and three fifths (61%) setting an ethnicity target. While firms have signalled their commitment to the improvement of diversity within their businesses, they also acknowledge delivering a visible impact will take time and targets tend to be medium- (1-3 years) and long- (3-5 years) term.

The size of firms is linked to the use of targets. Almost all large firms (91%) are setting diversity targets for at least one diversity characteristic, compared to just a quarter (25%) of small firms. The top reasons referenced by smaller firms for not setting targets relate to concerns about the effectiveness of targets and EDI strategies not being mature enough. A number of firms have also highlighted that for small firms, personnel changes from one year to the next can have a large impact on diversity metrics.

It is worth noting the ongoing debate regarding the effectiveness of diversity targets as a means of holding key stakeholders to account against EDI. Designed to improve the representation of women and ethnic minority groups at senior levels, concern has been expressed that targets can drive wrong behaviours such as tokenism and reverse discrimination.

CHART 12: **DIVERSITY TARGET TIMELINE**



MEASURING CULTURE

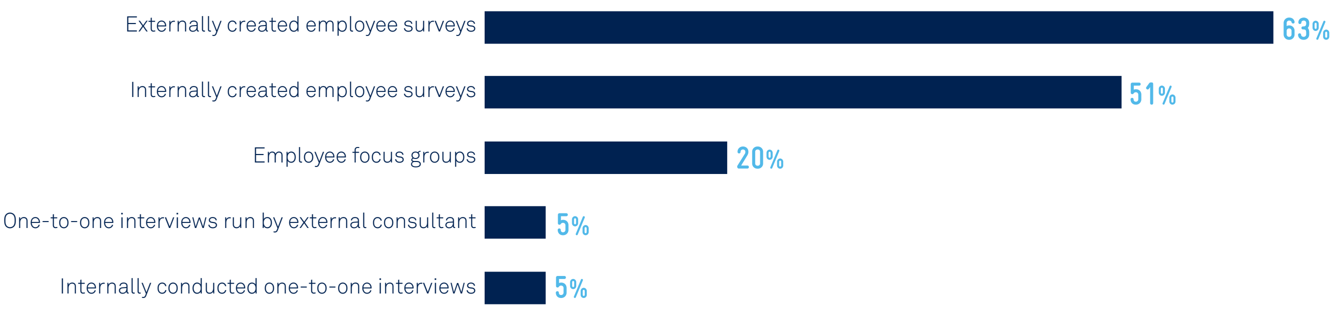
Although there are no explicit metrics for measuring the culture of an organisation, there are a number of culture indicators that can be measured qualitatively and quantitatively. The diversity data presented throughout this report is an example of quantitative metrics that can be collected alongside other indicators and used as a component of the wider assessment of a firm's culture.

Information on employee sentiment is a helpful indicator for assessing a firm's culture. The vast majority (79%) of firms we surveyed are collecting employee sentiment and/or engagement data. Firm size again is an influencing factor, with almost all large and medium firms having collected data on employee sentiment compared with 60% of small firms. The analysis in the rest of this section focusses only on this sample of firms collecting employee sentiment data.

Chart 13 shows that all firms collecting sentiment data are using employee surveys, created internally or externally. One-to-one interviews and focus groups are being used by some member firms to monitor culture, supplement the findings from employee surveys and to help with further interrogation of areas of concern highlighted through surveys or diversity data. One-to-one interviews are not widely adopted (only 7% of firms), and the limited number of firms who do use them are exclusively small. Only a fifth of firms use focus group, and most of these are medium and large.

"We set out a new strategy to listen to employees on a more frequent basis. We changed our annual employee listening survey to a more regular listening model, with cutting-edge technology. We ran it three times in the year, gaining more regular and deeper insights. Managers can access results in real time and review qualitative opinions and sensitive observations to pinpoint areas with a high risk of employees leaving and the drivers to boost higher engagement. It helps managers promote dialogue, trust and transparency to raise employees' performance and reduce resignation and absenteeism. Employees can give feedback more often and leave comments on every question while preserving anonymity at all times."

CHART 13: **HOW EMPLOYEE SENTIMENT DATA IS COLLECTED**

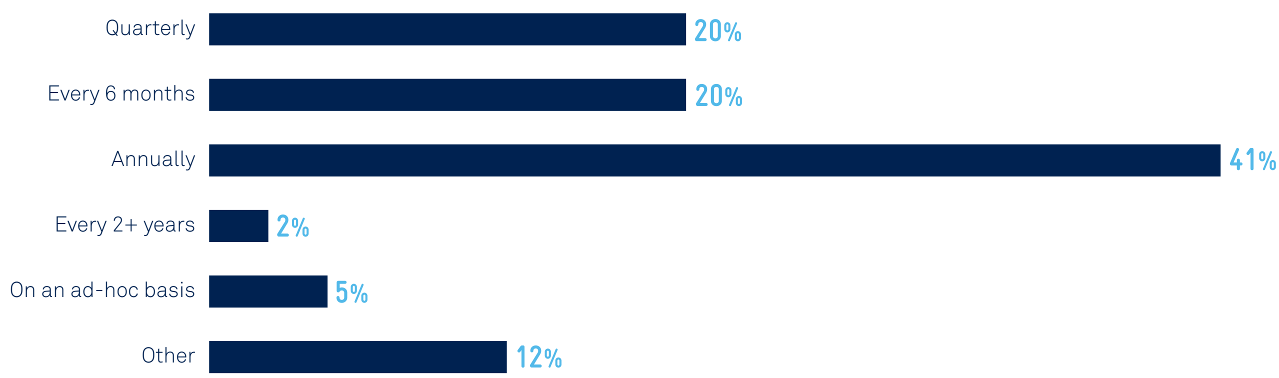


In order to maximise the value of insights obtained from employee surveys and to evaluate the impact of policy changes and initiatives, it is important to measure culture over time. Chart 14 shows that the frequency with which employee sentiment data is collected varies among respondents. While 90% of firms are collecting data at least once a year, just under half of (49%) of these firms are collecting data more frequently.

In our analysis of employee sentiment, our aim was to incorporate the viewpoints of individual investment management employees and understand what steps firms are taking to promote psychological safety, rather than solely focusing on member's frameworks and practices as they relate to culture. In an attempt to capture this information, the Survey relied on the statements outlined in the Financial Services Skills Commissions Inclusion Measurement Guide.[21] We chose to focus on the following six statements based on what we knew members were asking/collecting:

1. Employees feel included in the organisation
2. Employees feel safe to speak up about issues in the organisation
3. Employees feel comfortable voicing their opinion, even when it is different than others
4. Employees feel they can be their authentic selves at work
5. Employees feel they have fair access to progression within the organisation
6. Employees feel that perspectives like theirs are included in decision making by my organisation

CHART 14: **FREQUENCY WITH WHICH EMPLOYEE SENTIMENT DATA IS COLLECTED**



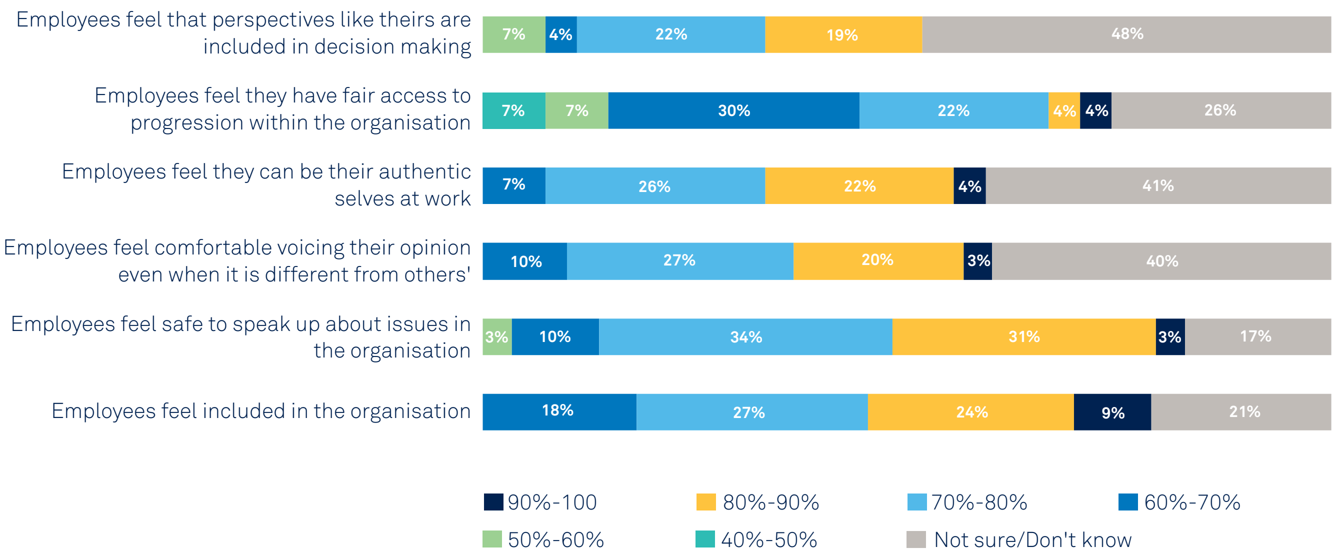
[21] *Financial Services Skills Commission, "Inclusion Measurement Guide", 2021*.

Almost three quarters (71%) of firms who capture employee sentiment data were able to provide answers to at least one of the statements listed below. For those unable to respond to any or only some of the statements, firms cited difficulties in mapping their inclusion questions to the six statements we focused on, differences in the scoring used in their surveys, or asking alternative questions to the options listed. It is more important that firms tailor their questions to ensure they are capturing data that aims to address their own unique set of challenges and objectives.

- The statement 'Employees feel included in the organisation' received the highest response rate (63%) of the six statements. Among this group of firms, on average 78% of employees responded positively, with individual firm responses ranging from 60-100%.
- 'Employees feel safe to speak up' is also a metric against which we received a good number of responses. An average of just under 80% of employees feel safe to speak up. Over the past few years, firms have offered more targeted 'speak up' training to employees to encourage a more inclusive workforce, and platforms for providing anonymous feedback. Another key metric to consider is asking employees questions around fair access to progression. We explored this data point in our discussion of the talent pipeline (page 28).

The positive response to employees feeling included and able to speak up is a step in the right direction to establishing a heathy culture. With an understanding that sentiment can shift over time, it is important for employers to stay connected and solicit feedback from their workforce on a regular basis.

CHART 15: SHARE OF EMPLOYEES THAT RESPOND POSITIVELY TO EMPLOYEE SENTIMENT QUESTIONS



CASE STUDY:

One member firm is offering understanding sessions for staff as part of their training programme. This two-hour facilitated session brings 12-15 employees together for a candid conversation. The facilitator helps to foster a safe space for conversation. It offers employees a chance to not compartmentalise work life from real life. It also works under the assumption that for a lot of employees, the workplace is the most diverse community they engage with and it provides access to new perspectives. These sessions have helped to build a more authentic culture and sense of belonging that more traditional EDI training may not.

Many firms will often collate information from surveys, interviews, focus groups into a single dashboard or system that they can examine and paint a more holistic picture of firm culture. For the data on sentiment, almost two thirds (64%) of firms are analysing the characteristics of employees who are reporting negative sentiment about their firm's culture. Such analysis is important as it is can be reflective of a firm's culture if negative sentiment is disproportionately high among certain groups, particularly minority groups, whose voices can get lost in an aggregate analysis.

The challenge with this level of analysis is that requesting too many individual attributes from employees can compromise results in what is largely an anonymous data collection exercise. Some members have stated that such analysis will require a minimum response threshold to maintain anonymity. Others who are part of wider groups or who operate globally have indicated that this level of analysis is carried out at a group and/or global level.

"Our annual global Inclusion Survey allows us to obtain aggregated data on the feeling of inclusion amongst different demographic groups. The survey is built on strong confidentiality and anonymity principles, and participation is voluntary. Through the survey, we ask respondents to self-identify from diverse groups. This allows us to collect data and understand how each group may score against questions such as sentiment of inclusion, of equal opportunities, the observation or experience of non-inclusive behaviours and the extent to which they would recommend our firm as a diverse and inclusive workplace."

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