

THE

INVESTMENT

ASSOCIATION

EVERSHEDS
SUTHERLAND

ETHNICITY IN INVESTMENT MANAGEMENT

Building Positive Intentions into
Meaningful Action

March 2021



ABOUT THE IA

The Investment Association (IA) champions UK investment management, a world-leading industry which helps millions of households save for the future while supporting businesses and economic growth in the UK and abroad.

Our 250 members range from smaller, specialist UK firms to European and global investment managers with a UK base. Collectively, they manage £8.5trillion for savers and institutions, such as pension schemes and insurance companies, in the UK and beyond. IA members hold in total over one third (36%) of the value of UK publicly listed companies. We use this collective voice to influence company behaviour and hold businesses to account.

ABOUT EVERSHEDES SUTHERLAND

As a global top 10 law practice, Eversheds Sutherland provides legal advice and solutions to an international client base which includes some of the world's largest multinationals.

Our teams of lawyers around the world operate seamlessly to deliver the legal know-how and strategic alignment that clients need from their advisors to help further their business interests. Clients describe us as creative and well versed in cutting edge legal work – we listen well in order to understand how and where we can be most effective and add the greatest value.

We shape our advice to the unique circumstances and challenges of each project, and ensure the right people are in the right places to offer insight and certainty – from the day-to-day to the most complex, multijurisdictional matters.

What unites us is our commitment to service excellence through a solution-oriented approach. We know our clients' businesses, the industries and markets they operate in, and we know that great relationships yield the best outcomes.

FOREWORD

THE INVESTMENT ASSOCIATION



THE IA'S COMMITMENT TO THE INDUSTRY'S ETHNIC DIVERSITY AND INCLUSION (D&I) IS TWO-FOLD. AS A TRADE BODY, WE CHAMPION PROGRESS AND FACILITATE CHANGE WITHIN OUR MEMBERS. SHARING BEST PRACTICE AND USING OUR CONVENING POWER TO BRING THE INDUSTRY TOGETHER ON IMPORTANT MATTERS SUCH AS ETHNICITY. AS AN EMPLOYER, WE ARE ALSO TAKING STEPS TO INCREASE THE ETHNIC DIVERSITY OF OUR WORKFORCE AND ENHANCE OUR INCLUSIVE CULTURE.

The IA is a signatory of the Race at Work Charter and is making good progress to meeting the Charter's five calls to action to ensure ethnic minority employees are represented at all levels in an organisation. The IA is also a founding partner of the Change the Race Ratio (CTRR), a business led initiative launched by the CBI to increase racial and ethnic participation in British businesses. As signatories of the CTRR, we have committed to set targets to increase the racial and ethnic diversity of our Board and senior leadership team. We also continue to utilise the initiatives of Investment20/20 for our own entry-level recruitment.

There is an increasing desire from our customers to understand how firms are seeking to support this agenda as employers, investors and corporate citizens. While this is something many firms have been responding to for some time, events such as the tragic death of George Floyd and the disparate impact that the COVID-19 pandemic has had on different ethnic groups have once again shone a light on the urgency to address these underlying issues in the corporate world too.

As is so often the case, transformation accelerates when we hold a mirror to ourselves and speak honestly. We recognise that there is still work to do to attract talent which is as diverse as our communities. Diversity makes us all stronger. Different voices, opinions and experiences help investment performance, widening horizons and discouraging group think. We also need to be connected with our customers. Just as they come from all ethnic backgrounds, so should our people.

The value of diversity can only be found if it is aligned with an inclusive culture in which all people feel they belong. In recognition of this, the IA has partnered with Invesco and the University of Cambridge to carry out a groundbreaking collaborative research project exploring how firms can develop a holistic understanding of inclusion. This examines how eight indicators of diversity correlate with employee wellbeing, satisfaction, and team performance, which in turn, will enable further granular suggestions about how to foster and leverage D&I in the industry to be developed.

This report reflects on the actions investment management firms are taking to better understand their workforce and identify where minorities are under-represented, as well as the reasons behind this. It is designed to provide practical examples through case studies to share good practice with our wider membership. It forms part of the extensive existing body of **D&I work** produced by the IA, including our 2019 **Black Voices** report which looks specifically at the experiences of Black professionals working in the investment management industry and Black students considering their careers.

A recurring theme this report highlights is how a lack of data on ethnicity in a wider workforce – both due to the complexities of gathering it and low disclosure rates – impinges on a firm when it decides to investigate issues. To address this challenge, the IA formed the Diversity Data Working Group (DDWG) in 2020. The DDWG provides an opportunity for members to share their own experiences and challenges

around the collection, storage and analysis of data on the protected characteristics of their workforce. To supplement the guidance captured in this report, these learnings will feed into a practical guide (due to be published the summer) to take the wider membership through the life-cycle of successfully capturing and utilising this data in order to drive meaningful change.

There are several other recent IA initiatives to advance the position of ethnic minorities. Investment20/20, the investment management industry's talent solution giving firms direct access to diversified talent so that they are reflective of the communities and people we serve, continues to play a crucial role in doing so. Their extensive outreach into communities with a high proportion of ethnic minorities drives diverse talent to industry entry programmes and of Investment20/20's current Trainees 49% represent ethnic minorities. Most recently, Investment20/20 launched its cross-industry mentoring programme for senior Black professionals in partnership with #talkaboutblack. The mentoring addresses progression into senior executive roles.

Investment managers' responsibility is not simply confined to their own firm but extends into their role as investors. In January, the IA outlined its priorities ahead of the 2021 AGM season. As part of this, the IA's Institutional Voting Information Service, which provides independent corporate governance research on listed companies ahead of their AGM, announced it will 'amber top' those who fail to disclose the ethnic make-up of their boards or a credible action plan to achieve the Parker Review targets of having at least one director from an ethnic minority background by 2021 for FTSE 100 companies and by 2024 for FTSE 250 companies.

This report is a snapshot, capturing the processes and actions that a number of firms are using to continue on a positive trajectory of change. By sharing good practice and shining a light on where we need to improve, we will strive to ensure investment management is a place where individuals from all backgrounds feel welcomed, challenged and valued. It is crucial to keep D&I at the top of the agenda to secure the sustainability and long-term impact of firms' interventions when planning for the future. This is why D&I considerations underpin the IA's current ambitious Future World of Work project.

We are grateful to everyone in the industry who has dedicated their time, energy and ideas to this work. Their honesty is fundamental to the value and impact of this report. We also want to thank Eversheds Sutherland for their time and commitment to this important report.



Pauline Hawkes-Bunyan

Director, Business: Risk, Culture & Resilience

FOREWORD

EVERSHEDS SUTHERLAND



AT EVERSHEDS SUTHERLAND OUR PURPOSE IS TO HELP OUR CLIENTS, OUR PEOPLE AND OUR COMMUNITIES TO THRIVE. BUILDING A DIVERSE TEAM AND PROMOTING AN INCLUSIVE CULTURE IS CORE AND CENTRAL TO THIS PURPOSE, AND IS A FOUNDATION STONE OF OUR GLOBAL PEOPLE STRATEGY.

We recognise that a diverse talent pool brings many benefits for our business and that in order to achieve that goal we need to have authentic conversations about race and ethnicity that may not have happened in the past. Having a better understanding of different individual experiences and perspectives is vital if we are to overcome barriers and create a truly inclusive environment. We have also set ourselves clear and demanding targets for increasing our racial and ethnic diversity over the coming period which we are committed to fulfil.

Importantly, we recognise that no one firm or business in the wider economy has all the answers to these difficult questions, and that there is a huge amount we can learn from one another on this important topic. As Head of our Financial Services sector group I am particularly anxious to ensure that we engage with our clients across all parts of the industry in order to share and deepen our knowledge, and to support and galvanise the journey to greater racial and ethnic diversity across the entire financial services ecosystem.

Against that backdrop we are delighted to have partnered with the Investment Association on this important piece of work which we hope helps catalyse further debate and action on racial and ethnic diversity by shining a light on some of the themes and best practice which have emerged in the investment management industry over the last 12 months. Thank you for taking the time to read it.

A handwritten signature in black ink, appearing to read 'Matthew Allen', with a stylized flourish at the end.

Matthew Allen

Head of Financial Services Sector

EXECUTIVE SUMMARY

THE UK INVESTMENT MANAGEMENT INDUSTRY PLAYS A MAJOR ROLE IN THE ECONOMY, ASSISTING MILLIONS OF INDIVIDUALS AND FAMILIES IN ACHIEVING THEIR LIFE GOALS BY HELPING GROW THEIR INVESTMENTS. THE INDUSTRY ALSO SUPPORTS 113,000 JOBS IN THE UK, INCLUDING 14,000 IN SCOTLAND. HOWEVER, THE ETHNIC DIVERSITY OF THE INDUSTRY DOES NOT REFLECT THE WIDER UK POPULATION OR WORKFORCE.

Across the industry, there has been recognition that more needs to be done to address this and to ensure that firms cultivate a consistently inclusive culture for all. This has been accelerated by events such as the global demonstrations and subsequent expansion of the Black Lives Matter (BLM) movement around the world, including in the UK.

For some firms, doing so may not be a comfortable or straightforward process. Tackling biases, challenging assumptions, and actively choosing to identify and mitigate obstacles which hinder a firm's ability to attract, recruit, promote, successfully utilise and retain the value of all talent can take time and requires committed investment from the top and throughout a firm.

Against that backdrop, this report aims to catalyse further debate and action on ethnic diversity by sharing the insights from a series of interviews on ethnic D&I with 24 firms, who collectively manage c60% of £8.5 trillion of IA member managed assets. Interviews explored a range of issues including the importance firms placed on ethnic D&I, the obstacles which need to be overcome to enhance D&I, and the practical steps taken to mitigate those challenges.

The key findings are as follows:

At present, there is a drive towards mainstreaming D&I, a shift which is endorsed by the FCA. Firms have recognised the importance of listening and speaking up on societal matters previously deemed too political, and demonstrating meaningful change both internally and externally. Doing so has enabled employees to hold their firms to account and D&I to move away from the sole domain of HR and D&I teams, with leaders increasingly taking personal responsibility for improvement.

Collecting data on the protected characteristics of a firm's workforce, including employees' ethnicity, has been one of the most common and difficult challenges faced by firms in their journey towards improving their ethnic D&I. Legal, data protection and system issues have acted as obstacles in doing so and securing the trust of employees has been key in increasing disclosure rates. Communication channels and campaigns have been important for addressing



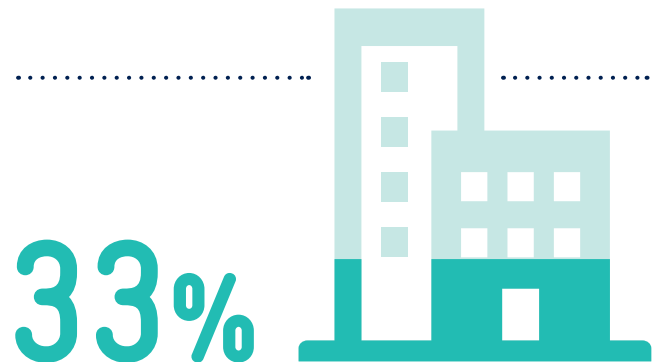
the latter. Without this data, firms are unable to understand their current picture, which has also impacted their ability to put representation targets in place.

Pledges and charters which suggest, or require, specific measures to be put in place have proved to be useful tools with 42% of firms signed up to at least one initiative and 46% actively seeking to do so.

Partnerships have also been valuable for enabling firms to tap into a more diverse pool of entry level talent; 96% of firms are already actively engaged and supporting at least one charity or organisation seeking to provide opportunities to a wider cohort of young people. Redesigning recruitment processes, developing internships and training hiring managers to mitigate bias were also popular methods of addressing imbalance at this stage.

37% of firms specifically identified issues related to sourcing and recruiting talent as one of the biggest challenges they face in increasing the representation of professionals from ethnic minority backgrounds, particularly at senior level. Recruitment interventions have consequently been embedded, as well as further initiatives to support the progression and promotion of ethnic minority professionals already within a firm.

96% of firms are running training programmes to educate and inform their employees on D&I related issues. Topics include: understanding racial bias; micro-aggressions in the workplace; everyday racism; and privilege and belonging. Refreshing and re-evaluating training on a regular basis is key. All firms placed emphasis on opening up conversation and facilitating opportunities for listening and learning. Focus groups and listening sessions were popular ways of doing so. A number of firms also developed toolkits and guides to support the continuation of constructive and meaningful discussions in organisations' day-to-day life.



**PRIOR TO THE
SUMMER OF 2020, ONLY 33%
OF FIRMS INTERVIEWED PLACED
EXPLICIT EMPHASIS ON ETHNIC D&I**

87% of firms have dedicated diversity networks. These groups play a central role in supporting employees and their business - shaping, producing and driving much of the action. The role of allies has also been incorporated within many of these networks.

Firms recognise, as with any business priority, that measuring and monitoring progress, both in terms of representation and inclusion, is crucial. This is being done in a variety of ways, including collecting data throughout the recruitment process and inclusion surveys.

D&I INITIATIVES



INTRODUCTION

THE WIDESPREAD DEMONSTRATIONS AND THE SUBSEQUENT GLOBAL EXPANSION OF THE BLM MOVEMENT ENSURED THAT ETHNIC D&I REMAINED A KEY FOCUS THROUGHOUT 2020. THIS IS SET TO CONTINUE DURING 2021.

Population census figures show that Britain is increasingly ethnically diverse, yet labour market participation, earnings and progression vary widely between ethnic groups.

There is a growing body of research which highlights the positive impact that D&I has on business growth and performance. Firms which are ethnically diverse benefit from:

- A wider pool of talented, skilled and experienced people from which to recruit.
- An improved retention rate, allowing for a more stable workforce.
- A dynamic workforce able to respond to changes.
- A better understanding of foreign/global markets.
- A better understanding of the needs of a wider customer base both nationally and internationally.

A global report by McKinsey & Company found that the business case for ethnic and cultural diversity was comparable to its findings from previous surveys

with “a 36% higher likelihood of outperformance on EBIT margin for top quartile companies for ethnic and cultural diversity on executive teams – up from 33% in 2017 and 35% in 2014”. Unsurprisingly, as with gender diversity, it found that “most countries and industries need to pick up the pace in strengthening ethnic diversity in leadership”.¹

A Bank of England working paper², published in July 2020, notes that ethnicity pay gaps are largest in the professional and finance sectors and there are large pay gap differences between different ethnic minority cohorts, suggesting that it is not helpful to think of a single ethnicity pay gap. The Bank of England estimates that closing the ethnicity pay gap, through improved participation and progression, could add an additional £24 billion to UK GDP per year.

Across the industry, there has been recognition that more needs to be done to address the under-representation of professionals from ethnic minority backgrounds, particularly at more senior levels, whilst also ensuring that D&I is mainstreamed throughout an organisation.

The UK investment management industry plays a major role in the economy, assisting millions of individuals and families in achieving their life goals by helping grow their investments. The industry also supports 113,000 jobs in the UK, including 14,000 in Scotland. However, the industry does not reflect the wider UK population or workforce. Currently, ethnic minorities comprise 14% of the UK population, with 7.5% identifying as Asian and 3.3% as Black. In London, where much of the

RESEARCH FOUND A **36%** HIGHER LIKELIHOOD OF OUTPERFORMANCE ON EBIT MARGIN FOR TOP QUARTILE COMPANIES FOR ETHNIC AND CULTURAL DIVERSITY ON EXECUTIVE TEAMS¹



¹ <https://www.mckinsey.com/featured-insights/diversity-and-inclusion/diversity-wins-how-inclusion-matters#>

² <https://www.bankofengland.co.uk/working-paper/2020/understanding-pay-gaps>

investment management industry is based, 18.5% of the population identify as Asian and 13.3% as Black, yet only 10% of individuals working within the industry identify as Asian and only 1% identify as Black.³

This is not simply a representation issue. There is an understanding that active, intentional steps are required to ensure an inclusive culture is cultivated and embedded within workplaces; a culture in which professionals from all ethnic backgrounds are welcomed, celebrated, given the opportunities they deserve, and feel a sense of belonging. While many firms have grasped the necessity and value of inclusion, this has largely been through the lens of gender diversity. The nuanced challenges and obstacles faced by ethnic minorities must also be understood and addressed.

For some firms, this may not be a comfortable or straightforward process. Tackling biases, challenging assumptions, and actively choosing to identify and mitigate obstacles which hinder a firm's ability to attract, recruit, promote, successfully utilise and retain the value of all talent can take time and requires committed investment from the top and throughout a firm.

These are not new problems, nor do they exist in isolation, rather they are part of a wider societal issue. Ethnic diversity – or lack of it – in the workplace is not specific to the investment management sector, nor the wider financial services industry. Many organisations have made progress in D&I initiatives over recent years; albeit some more than others. However, most will acknowledge that more needs to be done, especially with regard to ethnic D&I.

As employers across all sectors and the globe continue to grapple with the ongoing challenges of the coronavirus pandemic, we also cannot ignore the disparate impact the crisis has had on employees from different ethnic backgrounds. The disparity in health outcomes has shown that this is only a part of the wider landscape of social, economic and employment inequalities. The events over the past year have been unprecedented and challenging. Ethnic diversity matters, and there is work to be done by us all: not just because there is a business case, but because it's the right thing to do.

This report seeks to provide an overview of the investment management industry's current work towards becoming more ethnically diverse and inclusive. We engaged with 24 firms, who collectively manage c60% of £8.5 trillion of IA member managed assets. This report aims to provide a picture of the importance firms place on D&I, the key obstacles they have identified, and practical steps they have taken to mitigate these. A number of quotes and case studies from members have been included, as well as lessons from other sectors, to provide the industry with food for thought and practical suggestions of what more could be done to support the ethnic D&I of their firms.

Thank you to all those who contributed to this report. While it is too soon to know the long-term impact and outcomes of their approaches, we hope that the positions and experiences captured in this report are informative and provide insights that translate into meaningful change across the industry.



‘Fundamentally, it’s about treating people like people, and recognising that there are parts of society and the industry that are not currently doing so, which means efforts must be made to change that.’



³ <https://diversityproject.com/ethnicity>

THE INVESTMENT MANAGEMENT INDUSTRY'S FOCUS ON ETHNIC D&I

The longstanding drive toward increasing D&I represents a widespread recognition across the investment management industry that more must be done to address the under-representation of professionals from ethnic minority backgrounds. It would be remiss not to recognise the impact that the reaction to the tragic death of George Floyd and global expansion of the BLM movement (including within the UK) has had in accelerating this conversation, with only 33% of firms interviewed placing an explicit focus on ethnic D&I before the summer of 2020.

Whilst this is being demonstrated in a variety of ways, all firms interviewed are now proactively seeking to address these related issues within their own organisations. The industry has also reflected on the role it has to play in influencing change more widely in society.

'The time is now. People are engaged on this – in the industry, in the community, in the media – we must leverage that to push for meaningful action.'

Firms have recognised the importance of not staying silent, acknowledging the crucial role speaking up and listening up plays in enabling employees to feel empowered and safe to share their lived experiences in and outside the working world. This has ranged from statements of solidarity and support sent to staff to concise and detailed action plans communicating how businesses are responding to the issues raised. This outreach has also sparked support from colleagues across organisations in a way in which many firms had not experienced before.

Firms identified one of the biggest shift over this period as being the new expectation for organisations to no longer stay silent on societal matters, even those deemed political, and to instead demonstrate change, both internally and externally.

Businesses speaking out, taking a position on these issues and informing their staff on what meaningful action would be taken also enables employees to hold their firms to account. This has resulted in related issues no longer being in the sole domain of HR/ D&I teams and diversity networks, with company-wide leadership and executives taking personal responsibility for improvement.

NATIXIS INVESTMENT MANAGERS

As a direct consequence of the tragedies in the US earlier this year, and the global response to BLM, we implemented several new initiatives to help to move us meaningfully toward our strategic ethnicity goals. We created a dedicated social justice matching gift programme, designed to support the efforts of non-profit organisations dedicated to advancing equality for minority groups and promoting social justice around the world.

We supported the global expansion of MADE (Multicultural and Diversity Engagement), our US based group supporting racial and ethnic diversity, to foster a worldwide community. To facilitate closer colleague discussions and foster greater understanding, we also collaborated with global experts in guiding "courageous conversations" with our teams globally in the context of their local cultures.

To foster an inclusive environment, and encourage a shared understanding of our common ground while still celebrating our differences, we incorporated shared values-based leadership training, with an additional emphasis on ethnic/racial diversity, into our global leadership development programme which helps managers to appreciate the differences in our cultures and use that knowledge to understand and avoid personal biases.

Because the financial industry historically has not done enough to attract under-represented ethnic minority talent from an early age, we created a scholarship programme in Boston, London and Paris which we hope will help bring diversity to our industry and contribute to the Natixis IM talent pool. Two students with a demonstrated financial need in each country will be granted scholarships, and will also be supported and developed through internships and mentoring with a view to offering them full time jobs at the end of their education.

CAPITAL GROUP

In June 2020, our Capital Group's Europe CAAD (Capital Associates of African Descent) community hosted the session "Racism: A European Lens", recognising the importance of shining a light on the mythical narrative that racism is not an issue in Europe. The session, which followed the initial success of sessions hosted in the US on 'The Dangers of Being Black in America', featured a panel of associates of African descent sharing their experiences of racism in Europe. The aim of this session was to create an awareness of the lived encounters of racism fellow associates in Europe have experienced, and to provide a glimpse into what many carry into work every day.

Europe CAAD has organised and hosted several similar sessions to normalise discussions and educate on the topic of racial inequality. The tragic events of last year propelled Capital Group as an organisation to reaffirm our commitment to D&I and include a focus on equity. We are committed to providing resources to help associates learn, self-reflect, and actively engage in combating racial disparity not only in the workplace but in all spheres of their lives. Associates also have access to learning pathways covering key topics around combating racial disparities and advocating for racial equality such as the "Advance Racial Equity" program.

Pressure from investors and clients is also gaining traction. At the end of last year, Bloomberg reported⁴ that two institutional investors with more than US\$10 billion of assets would be sending a "standardized questionnaire" to each of their fund managers, in order to measure the diversity of their ownership, leadership and workforce. This is the latest in an increasing line of investors who expect firms managing their funds to share their social values and priorities.

LESSONS FROM OTHER SECTORS

According to the Law Society Gazette⁵, Coca-Cola is the latest company to propose withholding fees from law firms which fail to meet minimum diversity requirements. Whilst their actions will initially focus on the US, it intends to apply this new initiative across its global organisation. In a powerful letter to law firms, Bradley M Gayton, Coca-Cola's Senior Vice President and Global General Counsel, said: "For decades, our profession has had discussions about why diversity is important. We have developed score cards, held summits, established committees and written action plans. These efforts are not working. I'm reminded of this [...] when I read that Black equity partners will not reach parity with the Black US population until 2391" and "We will no longer celebrate good intentions of highly unproductive efforts that haven't and aren't likely to produce better diverse staffing. Quite simply, we are no longer interested in discussing motivations, programs, or excuses for little to no progress – it's the results that we are demanding and will measure going forward". It is time to convert the talking into action.

Across the pond, Nasdaq reported in December 2020 that it had filed a proposal with the U.S. Securities and Exchange Commission (SEC) to adopt new listing rules related to board diversity and disclosure. Its website states: "If approved by the SEC, the new listing rules would require all companies listed on Nasdaq's U.S. exchange to publicly disclose consistent, transparent diversity statistics regarding their board of directors. Additionally, the rules would require most Nasdaq-listed companies to have, or explain why they do not have, at least two diverse directors, including one who self-identifies as female and one who self-identifies as either an under-represented minority or LGBTQ+."

⁴ <https://www.bloomberg.com/news/articles/2020-11-10/hedge-funds-face-mounting-pressure-with-diversity-questionnaire>

⁵ <https://www.lawgazette.co.uk/practice/we-demandresults-coca-cola-threatens-to-deduct-30-fromfees-over-diversity/5107250.article>

PLEDGES AND CHARTERS

Pledges and **charters** have acted as valuable tools for a number of firms, supporting and shaping their work to increase the ethnic diversity of their workforce and the creation of an inclusive culture. Ten firms have already signed up to at least one initiative, with an additional eleven actively looking to do so in the near future. The most common charters, pledges and open letters signed by firms were the Race @ Work Charter, Audeliss and INvolve's open letter, and the CTRR.

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42%

OF FIRMS SURVEYED HAD ALREADY SIGNED UP TO AT LEAST ONE OF THESE PLEDGES/ CHARTERS, WITH AN ADDITIONAL 46% ACTIVELY LOOKING TO DO SO IN THE NEAR FUTURE.



The value of these initiatives include:

- Sending a signal both internally and externally, about the importance firms place on D&I in the workplace.
- Helping firms attract diverse talent to their organisations.
- Ensuring transparency and accountability by a firm's employees, clients and the wider public.
- Encouraging businesses to focus on making progress and achieving their aims – backing up words of solidarity with meaningful action.

For some organisations at the start of their journey, charters which include a specific set of 'asks' provide a useful structure through which they can prioritise and shape their initial efforts and strategy. For other firms, charters provide a platform through which they can reinforce and communicate existing work to the wider workforce and external parties.

One of the most common challenges firms face with certain charters are the requirements around data collection and reporting. More detail regarding data collection can be found in the next section.

For businesses which have chosen not to sign up to a specific charter or pledge, or are yet to do so, a number of obstacles were identified. One of the most prominent is faced by organisations operating across multiple jurisdictions which had experienced push back on signing up to UK centric charters, particularly if their head office or parent company was not based in the UK. These obstacles were heightened for firms owned by companies based in countries taking a much more cautious approach to acknowledging or addressing issues related to diversity.

DATA

Ethnicity is not a binary matter and the current quality and disclosure rate of ethnicity data appears to be blocking progress. This is reflected by firms which identified issues with data collection as one of the key challenges they face. While 75% of firms had begun working toward this, only a handful of firms currently have the level of disclosure required to draw meaningful conclusions. An additional 20% of firms are looking to start collecting ethnicity data in the next 12 months, and the remaining 5% are planning on doing so once Government has published the ethnicity pay gap requirements.



75% OF THE FIRMS INTERVIEWED WERE CURRENTLY COLLECTING, OR HAD BEGUN WORK TOWARDS COLLECTING, DATA ON THE PROTECTED CHARACTERISTICS OF THEIR WORKFORCE, INCLUDING ETHNICITY.

Without this data, firms are unable to understand the reality of the composition of their workforce and identify the problem areas, potentially hindering their ability to target and address issues. As the McGregor-Smith Review, *Race in the Workplace*⁶, made clear “no company’s commitment to D&I can be taken seriously until it collects, scrutinises and is transparent with its workforce data”.

The industry has recognised that collecting data is paramount and firms are investing a great deal of resource and effort into making this possible. Legal, data protection and system considerations were highlighted as obstacles many firms have had to navigate, but challenges around employee trust were most prominent in firms’ ability to increase disclosure rates.

Once employers have ensured they have good quality ethnicity data, they may seek to consider and implement positive action for relevant disadvantaged or under-represented ethnic groups. To act within the law employers will need to consider their obligations under the Equality Act 2010 (the “EqA 2010”), the General Data Protection Regulation (“GDPR”), the Data Protection Act 2018 (the “DPA 2018”), and any local laws in any other jurisdictions in which they operate.

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‘Stop sitting behind your screens and wondering if your workforce will disclose their personal data. Communicate the ask and reasoning behind it – make your intention known – and once you have some data, report on progress and actions – that builds trust.’



DATA PROTECTION CONSIDERATIONS

Gathering data about race and ethnic origins will require employers to process “special category” data in accordance with the GDPR. Under the GDPR, employers will be able to gather such data for equality monitoring purposes, provided they have a lawful basis for the processing and meet the rules relating to “special category data”.

If this data is subsequently used for the proposed ethnicity pay reporting compliance then using this data to comply with a legal obligation to report ethnicity pay gaps is likely to be a lawful ground for processing. If, however, it is used to consider whether positive action is appropriate, employers may need to rely on the fact that processing is necessary for the performance of rights and obligations in connection with employment (i.e. not to discriminate on the grounds of ethnicity, for example, by processing equal opportunities monitoring forms).

⁶ Race in the workplace: The McGregor-Smith review (publishing.service.gov.uk)

Employers also need to have appropriate privacy notices and retention policies in place and set out the safeguards for processing and storing such data.

There may also be particular difficulties in maintaining confidentiality if a narrow set of defined ethnicity groups need to be reported against, which might mean it becomes obvious who an individual is and how much they earn if they are the only person (or one of a few) in their ethnic group.

GLOBAL DIVERSITY DATA

This exercise becomes even more complex for global organisations which seek to gather such data on a global scale. There are many countries which take a more restrictive approach than is required under the UK Data Protection Act. For example, in France, collection of sensitive data is mostly prohibited and difficult to store, even if voluntarily provided, and in Germany it is only possible to collect certain types of data if done so anonymously.

There are also cultural barriers to overcome in terms of how far an employer can enquire into such matters. Questions that are reasonable to ask in one country may not be culturally acceptable (or even lawful) in another and require rephrasing so as not to offend employees. For example, in the Netherlands, an individual's ethnic origin is not described by referring to physical characteristics but either cultural or geographical characteristics.

SECURING TRUST AND GAINING CONSENT FOR DATA COLLECTION

Transparency around what firms are looking to capture data on, why and what they will do with this data is crucial. Firms have utilised a number of communication channels to support this. These have included:

- Regular and consistent messaging through **newsletters** and more **informal chat platforms**.
- Specific **brochures** and **video messages** from colleagues advocating the importance and value of disclosing diversity data.

- **Appraisals, onboarding** and **managers' one-on-ones with their reports** have also proved useful for some firms in communicating the importance of data. In these instances, equipping managers with the tools to have these conversations has been crucial. This has largely been done through specific **training** or **guides** included in wider people management packs.
- Senior leaders' buy-in and public support has also been important. **CEO Townhalls** have been a common way of evidencing this, while other leadership teams have produced **video messages** and **blogs**.
- Incorporating opportunities to disclose in wider **employee engagement** or **pulse surveys**. These firms have identified that their staff are more willing to disclose information on their ethnicity if it is part of a wider exercise. Making this system as simple as possible by automatically filling in certain information, such as employees' names and job roles, has enabled this process to also feel less onerous for staff.
- **Internal diversity networks** have been beneficial for successfully capturing this data and can address nuanced concerns regarding disclosing. Networks can play a key role as ambassadors for disclosing, acknowledging the power of peer-to-peer advocacy and communications. Others also utilised networks to shape what data they initially captured and how this was categorised, alongside input from their legal teams. The most common approach was to use the census categories for ethnicity, allowing firms to compare their data against the wider population in their locality.

Example: One firm also targeted the most senior layer of their organisation to provide an early uptick in their disclosure rates. These senior individuals then acted as ambassadors, encouraging their reports to do so.

INVESCO

As part of the drive at Invesco to create a more D&I workplace, we knew that capturing diversity data beyond gender and age was key. That's why this year we launched our global "Count Me In" campaign which was designed to give every employee across the globe the opportunity to self-identify across a variety of demographic categories. These included race/ethnicity, gender identity, sexual orientation, neurodiversity, disability/different ability, caring responsibilities, social mobility, returner status and military service.

We wanted colleagues to feel completely comfortable providing their data and understand how we were planning to use it, so we created an employee guidebook to support the campaign and filmed a short video with Invesco colleagues across all regions of the business, talking about why they believed it was important to participate in the Count Me In campaign. Our CEO, Executive teams and Business Resource Groups all championed the programme to increase engagement and we continue to use D&I observances throughout the year as a reminder to employees about the importance of providing their data to help inform our D&I journey.

ETHNICITY PAY GAP REPORTING

The Government remains committed to the introduction of mandatory ethnicity pay gap reporting and it is likely employers will have a short lead time to implement the new obligations. With ethnicity pay gap reporting due to become law in the near future, businesses should be encouraging staff to disclose ethnicity data, not least to be able to analyse their ethnicity pay gaps.

In recent years, the Government has instigated a number of high-profile reviews and measures to address barriers facing ethnic minorities in the workplace. These included commissioning the Parker Review of Ethnic Diversity of UK Boards⁷ and the McGregor-Smith Review of Race in the Workplace.

In 2018, an update⁸ to the McGregor-Smith Report stated that only 11% of employers collected data on ethnicity pay gaps. It is also clear that there is no standard approach on categorisation of data currently.

On the same day, the Government launched a consultation on the introduction of mandatory ethnicity pay gap reporting for employers in England, Wales and Scotland with more than 250 employees (to mirror gender pay gap reporting), which the IA responded to on behalf of its members. It is likely that employers will need to report on mean and median ethnicity pay gaps by ethnic group. However, ethnicity pay reporting will not be as straightforward as gender pay reporting as there are significantly more variables. In turn, this raises sensitive issues.

In August 2019, the Department for Business, Energy & Industrial Strategy (BEIS) undertook voluntary trials of ethnicity pay gap reporting with a selection of employers, including Eversheds Sutherland. During this trial, employers reported data on both a binary basis and in five categories (White, Asian, Black, Mixed, Other). The Government recently acknowledged⁹ the genuine difficulties in designing a methodology which produces accurate figures, allowing for interpretation and action from employers whilst also protecting employee anonymity and avoiding undue burdens on business.

⁷ assets.eys.com/content/dam/efm/2020/08/2020-08-10-parker-review-report-final.pdf

⁸ Race at Work Report: McGregor-Smith Review one year on (publishing.service.gov.uk)

⁹ Introduce Mandatory Ethnicity Pay Gap Reporting - Petitions (parliament.uk)



Most firms which were interviewed looked to, or are looking to, reach a 60-80% disclosure rate before they report on their pay gap. Only one firm had already voluntarily disclosed their ethnicity pay gap internally, with an additional four looking to do so during 2021.

WHAT INITIATIVES CAN LEGALLY BE TAKEN?

Taking Positive Action

There are two kinds of positive action that are permitted in the EqA 2010: general positive action and positive action in recruitment and promotion. It is important to distinguish between positive action (which is lawful) and positive discrimination (which is unlawful). The line can sometimes be hard to draw. For example, placing an advertisement for a job which states 'this post is only open to ethnic minority candidates' is unlawful (except in limited circumstances where it is a genuine occupational requirement).

However, an advertisement stating 'ethnic minority candidates are encouraged to apply' or offering training to improve accessibility to the job application process will be permissible. Again, care needs to be taken. If training is offered only to one group with a protected characteristic and similar or equivalent training is refused to others, this may fall within the remit of discrimination. Ultimately, the aim is to place all applicants and employees on the same footing with the same opportunities to progress. If there is a block in their path which arises because of their protected characteristic then taking positive action may be permissible.

The general positive action provisions are a helpful tool to enable employers to drive their D&I agenda. However, the "tie breaker" positive action provisions contained in the recruitment and promotion provisions should be used with caution as they apply in very limited circumstances.

"Tie breaker" positive action allows an employer, which reasonably thinks that people with a protected characteristic are under-represented in the workforce or suffer a disadvantage connected to that protected characteristic, to prefer a candidate from the under-represented group provided that two or more candidates are of equal merit. This kind of positive action is only allowed where it is a proportionate way of addressing the under-representation or disadvantage.

In practice it is difficult to evidence that two or more candidates are of equal merit, so whether the lawful positive action actually applies is often subject to challenge. For this reason it should be used with caution.

The general positive action provisions set out in section 158 of the EqA 2010 apply where an employer reasonably thinks that either:

- persons who share a protected characteristic (including ethnicity) suffer a disadvantage connected to the characteristic;
- persons who share a protected characteristic have needs that are different from the needs of persons who do not share it; or
- participation in an activity by persons who share a protected characteristic is disproportionately low.

It may be possible to assess whether these issues apply by using publicly available information or by reviewing company information about ethnicity in respect of various roles and levels of seniority. Sometimes the answer is obvious; for example, it is easy to identify without any paper trail if a board of directors only contains white males. However, assessing these issues can be difficult if a firm has low disclosure rates.

Positive action must be proportionate. If an employer has assessed that one or more of the above issues apply in relation to certain ethnic groups it can (but is not obliged to) take any action which is a proportionate means of:

- enabling or encouraging persons who share the relevant ethnic group to overcome or minimise the disadvantage identified;
- meeting the needs identified; or
- enabling or encouraging persons who share an ethnic group to participate in that activity.

Once the positive action is identified, the employer needs to consider:

- is the action appropriate to achieve the stated aim?;
- if so, is the proposed action reasonably necessary to achieve the aim, or would it be possible to achieve the aim as effectively by other means that are less likely to result in less favourable treatment of others?

General positive action should not continue indefinitely without review as there may come a point where the action remedies the disadvantage and it is no longer proportionate to continue.

Chapter 12 of the European Convention on Human Rights Code sets out the following examples of positive action:

- reserving places on a training course for people with the relevant protected characteristic;
- providing support and mentoring;
- creating a work-based support group for members of staff who share a protected characteristic who may have workplace experiences or needs that are different from those who do not share that characteristic;
- setting targets for increasing participation of the targeted group;
- targeting advertising at specific disadvantaged groups, for example, advertising jobs in media outlets likely to be accessed by the target group;
- providing opportunities exclusively to the target group to learn more about particular types of work opportunities with the employer, for example internships or open days;
- providing bursaries to obtain qualifications in financial services for members of the group whose participation in the profession might be disproportionately low;
- targeted networking opportunities.
- working with local schools and FE colleges, inviting students from groups whose participation in the workplace is disproportionately low to spend a day at the company; and
- providing mentoring to school or university students.

Example: A large public sector employer monitors the composition of their workforce and identifies that there are large numbers of visible ethnic minority staff in junior grades and low numbers in management grades. In line with their equality policy, the employer considers the following action to address the low numbers of ethnic minority staff in senior grades:

- reviewing their policies and practices to establish whether there might be discriminatory criteria which inhibit the progression of visible ethnic minorities;
- discussing with representatives of the trade union and the ethnic minority staff support group how the employer can improve opportunities for progression for the under-represented group;
- devising a positive action programme for addressing under- representation of the target group, which is shared with all staff; and
- including within the programme shadowing and mentoring sessions with members of management for interested members of the target group. The programme also encourages the target group to take advantage of training opportunities such as training in management, which would improve their chances for promotion.

LESSONS FROM OTHER SECTORS

Since the summer of 2020, an increasing number of firms outside of investment management are also looking to gather ethnicity data on their employees – many with a view to monitoring their ethnicity pay gap on a voluntary basis.

The website of the initiative ‘Investing in Ethnicity’¹⁰ has published a list of 48 companies which voluntarily disclose their ethnicity pay gap, with links to the reports, as well as those which intend to do so. The list was current as at March 2020. There does not appear to be a particular sector leading the way – highlighting organisations from a range of sectors, including finance, higher education, local government, fashion and media, regulatory, professional services, charity, healthcare (public and private) and emergency services. This mirrors Eversheds Sutherland’s experience of speaking to clients which have embarked on the journey to increase ethnic diversity more widely within their organisations. This is truly a universal issue.

Many of the organisations who voluntarily disclose their ethnic diversity pay gap, or talk openly about their initiatives, tend to be the larger companies. This could be down to a number of reasons. Perhaps larger organisations have more at stake with their reputation – especially those which are global, household names. Larger organisations will also have the resourcing required to push for meaningful change. It will also be more difficult for companies with a smaller workforce to guarantee anonymity.



¹⁰ <http://www.investinginethnicity.com/ethnicity-pay-gap-reporting.html>

Targets and incentives

While a number of firms have **targets** for data disclosure rates, few currently have representation targets in place for professionals from ethnic minority backgrounds, outside of those captured in charters and pledges. The largest obstacle for doing so is the current lack of data. Until firms know their current picture, it is difficult to understand what they should be aiming for and where targets would be of most value.

A number of firms were also wrestling with the challenge of what these targets should be. Almost exclusively, firms suggested they would look to reflect the ethnic makeup of their locality.

Formal targets already in place were largely aimed at board and senior management levels or at specific business areas with the lowest ethnic minority representation. In addition, some firms also have internal targets in place for different stages of the recruitment pipeline and new entrants.

There were a mix of approaches regarding whether these targets were more granular and broken down into specific ethnicity groups, or if firms had targets for more general ethnic minority representation.

The FCA has encouraged¹¹ firms to link remuneration and other incentives to D&I outcomes. Subject to there being a contractual right to do so, firms can set ethnicity targets for senior managers and, say, reduce variable pay where those targets are not met or, conversely, award incentives where they are.

Targets could be contractually embedded in a role description or in a bonus plan, when clearly set out and brought to the individual's attention. It is important to ensure that targets are reasonable, clear and achievable. Where discretion is being applied, this should be in accordance with legal principles set out in case law (for example, the exercise of discretion should not be capricious or in bad faith, or be irrational or perverse).

However, recent research carried out by the High Pay Centre together with the Chartered Institute of Personnel and Development¹² notes that financial metrics still greatly outweigh employee-related targets in senior management incentives so that the incentive to improve D&I is negligible. The composition and weighting of incentives reflects the priorities of the committee that sets the targets and thus the priorities and culture of the firm as a whole. Change needs to be driven from the top and be reflected in the incentives offered to senior management.



¹¹ <https://www.fca.org.uk/publication/correspondence/2020-letter-remco-chairs.pdf?LinkSource=PassleApp>

¹² <https://highpaycentre.org/ceo-pay-and-the-workforce-how-employee-matters-impact-performance-related-pay-in-the-ftse-100/>

ENTRY LEVEL INITIATIVES

46% of firms interviewed referenced a concern regarding the public’s perception and awareness of the investment management industry as one of the key challenges in increasing the ethnic D&I of the industry. The majority of these specifically referenced this challenge in relation to attracting students and young people looking to begin their careers, and particularly those from minority backgrounds.

As part of its wider work, the IA regularly undertakes consumer research exploring the attitude of the UK population towards investment and the investment management industry. This enables the industry to better understand consumer perceptions, which can also in turn help with talent attraction and retention.

Partnerships were commonly highlighted by firms as a valuable way to tap into a more diverse pool of entry level talent. Firms engage with these organisations in a variety of ways, including mentoring schemes, CV and interview workshops, internships and work experience days, and supporting financial education courses.

66% of firms interviewed are members of **Investment20/20**. Investment20/20 is the investment management industry’s talent solution giving firms direct access to diversified talent so that they are reflective of the communities and people we serve. 54% have signed up to the #100BLACKINTERNS initiative.

Example: One firm, which partnered with two East London schools charities, also engaged students in a project to understand why the industry is currently under-represented by ethnic minority professionals. This gave them an opportunity to understand the obstacles these students identified before applying to work in the industry.



‘Tie your diversity agenda to your company’s community outreach and philanthropic work. By going into local schools and volunteering, for example, you are planting seeds in the next generation of professionals to look at our industry when choosing their careers.’



96%

OF FIRMS ARE ACTIVELY ENGAGED AND SUPPORTING AT LEAST ONE CHARITY OR ORGANISATION WHICH SEEKS TO OPEN UP OPPORTUNITIES TO A MORE DIVERSE POOL OF YOUNG PEOPLE.



Other organisations and initiatives highlighted by firms include:

- SEO London
- Big City Bright Future
- The Brokerage
- The Catalyst After School Program
- Career Ready
- Making the Leap
- Bright Network
- Kickstart Money
- Young Enterprise
- Urban Synergy
- The Amos Bursary
- upReach

A smaller cohort had also engaged directly with local schools with a diverse student body.

Other interventions leveraged by firms to increase the ethnic diversity of their entry level talent include:

- stripped down and neutralised **application processes**, e.g. removing aspects such as names of schools and universities from candidates’ CVs.
- **contextual recruitment**, which requires firms to consider candidates’ individual circumstances, the barriers they may have overcome and their innate abilities when hiring, is also being increasingly embedded.
- training **hiring managers** on how to mitigate bias.

Example: One firm completely **redesigned their entry level recruitment process**, removing CVs from the initial stages and instead asking candidates to write a one-page essay on the role they were applying for and the investment management industry. Instead of looking for traditional qualifications and experience, the aim was to assess the curiosity, ability to research and the rationale of the applicant, resulting in a much more diverse cohort of successful applicants, including higher rates of those from ethnic minority backgrounds.

Example: One firm briefs their managers prior to every interview on what to look for (e.g. skills, values and rationale instead of qualifications and experience). These managers are then required to **submit internal feedback** on why they decided to hire or not hire a candidate, and HR are empowered to challenge. For example, any reference to someone not being a ‘cultural fit’ is flagged.

Example: One firm set up their own **internship programme** in two locations across the UK, specifically targeting young people from ethnic minority backgrounds to launch their careers in financial services. Almost half of these interns went on to secure permanent roles.

Once these entry level candidates have successfully been recruited into the business, firms have cited

LESSONS FROM OTHER SECTORS

The Law Society of England and Wales announced in February 2021 that it had joined the #10000BlackInterns initiative, which will begin in the summer of 2022 and will run for five years, providing 10,000 internships to Black students. The programme aims to offer paid work experience in more than twenty sectors and creates a sustainable cycle of mentorship and sponsorship for the Black community. The Law Society has encouraged law firms and legal businesses to follow suit.

Eversheds Sutherland has developed an ‘Aspire’ programme that offers up to eight ethnically diverse law students a week-long paid placement, and workshops for students to help develop the practical skills that are required to become a successful lawyer. As a result, they now have a “small but strong pipeline” of ethnically diverse candidates, which they hope will continue to grow.

specific programmes and structures put in place to ensure they are supported through **mentors, sponsors** or **role models**, and given **networking opportunities** to increase their exposure to the wider company.

Example: One firm, which directly recruits university graduates and uses programmes such as Investment20/20 to recruit school leavers, noted that onboarding and integrating these individuals collectively as one group was key for instilling a sense of belonging and inclusion, which in turn improved retention rates.

SCHRODERS

In 2020, as part of our Inclusion month activities, under the banner of ‘Each one, Reach one’, we launched a new Inclusive mentoring programme. This targeted virtual programme is for Schroders employees who identify as an ethnic minority and was designed in partnership with Learning & Development and our Black Professional and Hindu networks. It gives employees the opportunity to be mentored by a senior leader at Schroders, and for those leaders to gain greater cultural IQ and further develop their own capabilities by supporting the development of employees outside of their normal responsibilities.

68 mentoring pairs across the UK, Europe and North America kicked off the six month programme in December. Mentors and mentees are equipped with the support of a digital curriculum to ensure they get the most out of the experience, and are committed to meeting virtually at least once a month. Over the course of the six months the Learning & Development team will run two check-ins to monitor success and provide any additional support or collective learning that they can apply to this or future cohort’s.

Our aim is to create a network of people dedicated to progressing ethnic minority talent and empowering Schroders professionals, from diverse backgrounds, to challenge the barriers that may be holding them back and explore their full potential.



SENIOR LEVEL INITIATIVES AND PROGRESSION

37% of firms specifically identified issues related to sourcing and recruiting as one of the biggest challenges in increasing the representation of professionals from ethnic minority backgrounds, especially at senior level.

Firms recognise that many of the mechanisms they have historically used to attract and recruit candidates are not adequate for reaching a wider pool of diverse talent. While the hope for many is that entry level interventions will help to address this issue at more senior levels over time, more needs to be done to directly target middle management and senior roles now, where ethnic minority professionals are most under-represented.

Challenges, such as internal pressure to fill vacancies quickly and nervousness about recruiting professionals with non-financial services backgrounds, were referenced as limiting firms' abilities to use less traditional recruitment routes. Yet the recognition that more needs to be done has directed a number of firms' attention to new recruitment processes.

Several interventions have been developed to support this:

- establishing anonymised recruitment functionality and training hiring committees and managers on inclusive recruitment;
- awareness of the recruitment agencies they partner with, stressing the need for external bodies to be aligned with their values and educating suppliers to think differently where necessary;
- ensuring all external messaging explicitly stresses the importance placed on D&I.

Example: One firm agreed with their recruitment agency that they would be more lenient on specific requirements and qualifications for diverse candidates, recognising the need to ensure they were able to successfully recruit outside the industry in order to widen their talent pool and address their representation issue.

For years, many firms have reviewed their job adverts and role profiles to ensure they do not deter women from applying for roles by 'gender decoding' their language. Firms now want to understand how particular choices of language may impact other groups.

Workforce diversity data enables monitoring to assess how individuals from different ethnic backgrounds progress through the firm. This facilitates the identification of pinch points. Where barriers are identified, specific talent development initiatives have been developed, such as mentoring schemes and sponsorship programmes for high potential talent from ethnic minority backgrounds.

Example: Investment20/20 recently launched its cross-industry mentoring programme for senior Black professionals in partnership with #talkaboutblack. The mentoring addresses progression into senior executive roles.

Example: One firm identified that individuals from a specific ethnic group were not advancing as quickly as other ethnic groups in the organisation. They have begun an assessment process to understand what the business is, or is not, doing to hinder this group's performance and progress, recognising the onus is on them to ensure their support was appropriately tailored to each individual.

'It's not all about recruitment, investing in your promotion and progression initiatives is key.'

The biggest concern for a number of firms was not solely around recruitment but on colleagues' ability to progress and develop within the business. 12% of firms referenced the current lack of ethnic minority role models as also hindering their ability to encourage more junior members to aspire to those senior positions – the 'you can't be what you can't see' narrative.

To address this, the following measures were taken:

- **Leadership programmes** were one of the most common interventions. While some firms developed leadership programmes for the wider workforce, a smaller cohort had programmes specifically for professionals from ethnic minority backgrounds. For those which facilitated the former, a diversity lens was placed on applicants to ensure, where possible,

a diverse group was still captured. Some had also utilised their diversity networks to advertise these programmes and encourage individuals from different backgrounds to apply.

- Many leadership programmes now include **tailored training** on subjects such as unconscious bias, privilege and inclusive leadership.
- For those unable to facilitate their own development programmes or mentoring schemes, staff were **signposted to endorsed external programmes**.
- The role of line managers, who are primarily responsible for the development of their reports, has also been considered. Six firms introduced specific **training and guidance for line managers** on how to lead and build a diverse and inclusive team.

Example: One firm created a **video series** in which junior colleagues interviewed more senior colleagues from the same ethnic background, asking them about their career, tips for progressing and how they authentically bring their whole selves to work. This promoted the senior role models to a wider audience and raised the profile of more junior colleagues.

Other firms referenced the importance of ensuring their corporate **culture** enables more junior professionals from ethnic minority backgrounds to feel empowered, safe and supported to progress to senior level.

Example: One firm is also developing an internal **secondment programme** for front office and client facing roles. This programme, aimed at ethnic minority professionals, seeks to support colleagues to expand their network and exposure to other business areas, and, in turn, increase the alternative career opportunities within the investment management industry, supporting their retention.



JANUS HENDERSON INVESTORS

Janus Henderson looks to its leaders to model behaviours that support our values: we put clients first, we act like owners, and we succeed as a team. We are committed to supporting our leaders in developing these competencies through a multi-tiered programme, the Leadership Academy, which provides comprehensive classroom and online learning resources for every level of leadership experience. The Leadership Academy was built upon principles defined as Expectations of Leaders. Each offering and interaction within the Leadership Academy discusses how being a great leader within our organisation will embody these. There are several areas where D&I are principled at a foundational level. We ask our leaders to walk the walk, be a role model, and consider how we include others at each opportunity for learning.

An example of this is, during our Aspiring to Lead programme, we discuss the Employee Life Cycle and how there are many different ways to consider a 'work/ life' balance for each individual. This programme offers a defined series of foundational sessions and assignments aimed at those who wish to explore pursuing leadership development opportunities within the firm. It is designed for individual contributors who will gain a thorough understanding of the differences between leadership and management, what it takes to be a strong, inspiring and inclusive leader, and ultimately what kind of leader they aspire to be. In the selection process, there are careful calibration sessions between teams to ensure the spread of candidates is diverse. Since we implemented the Aspire to Lead programme in 2018, we have had 48 people participate in the programme and 23% of participants have earned promotion within the company, and several have had the opportunity to increase the scope of the current work they do in line with future potential advancement opportunities.

TRAINING AND EDUCATION

Historically, firms have largely relied on unconscious bias training to mitigate the impact of an individual's biases. Increasingly however, firms are broadening their approach. Many have invested in further mechanisms to train and educate their employees on D&I related issues – moving the focus from simply unconscious bias to conscious inclusion.

A number of firms reported that training on **diversity of thought**, **allyship** and **inclusive leadership** provided valuable foundations from which more granular conversations on diversity matters can build.

Refreshing and re-evaluating training is key. What was appropriate a year ago may not be appropriate today. From a legal perspective, it is a defence to a claim of discrimination for the employer to show that it took all reasonable steps to prevent such discrimination.

Example: In an Employment Appeal Tribunal (EAT) case this year (Allay (UK) Ltd v Gehlen) the EAT dismissed the employer's argument that it had provided discrimination/ harassment training related to race. The training had been delivered two years previously and was 'clearly stale'. Further, the training was not 'effective', a requirement for meeting the defence. Managers did not know how to handle the harassment and effective refresher training should have been provided.



96%

OF FIRMS ARE RUNNING REGULAR TRAINING PROGRAMMES TO EDUCATE AND INFORM THEIR EMPLOYEES ON D&I RELATED ISSUES.

As firms increased their focus on ethnic D&I, they also increased their training in this area, developing and implementing courses which specifically address issues related to the experience of ethnic minority groups in the workplace and wider society.

These included sessions on:

- understanding racial bias
- micro-aggressions in the workplace (and how to address them)
- everyday racism
- privilege and belonging

Example: One firm enrolled their mental health first aiders on a course which looked at the different nuances and experiences of ethnic minority groups in relation to their mental health.

There was also a common focus on supporting employees to be **'anti-racist'** through education and practical insight sessions on topics such as speaking up and actively challenging micro-aggressions.

Example: One firm which facilitated training on this subject opened up the sessions to employees' families, recognising the opportunity they had to address these issues more widely in society by reaching a larger audience.

Many of these training and education initiatives have been rolled out across whole organisations, either on a mandatory or voluntary basis, and for some as part of a wider programme, such as inductions.

Example: One firm, which created a suite of D&I courses, encouraged employees to engage in these voluntary sessions by recognising those who completed all the courses as **'diversity champions'**.

Attention has also been given specifically to **management and leadership level training**.

Example: One firm mandated inclusivity training for all management teams following an assessment which identified line managers as having the most significant impact on the retention rates of their ethnic minority employees.

Some firms used **third parties** to facilitate this training and others developed their programmes in-house. For the latter group, diversity networks once again played a key role in shaping and delivering these programmes.

‘Educate yourself first – read articles, join webinars, talk to one another.’

Members emphasised the value of material which supported individuals beyond the formal course and kept conversations going. These materials included **guides, toolkits** and **webinars** which provide practical everyday support. These covered matters such as how to address bullying from clients and how to have constructive conversations about race at work. Many of these materials also include glossaries on key terms including: direct and indirect discrimination; gaslighting; institutional racism; micro and macro aggression; and privilege. The purpose of these resources is to equip colleagues to feel able to ask questions and learn from one another in a respectful and appropriate way, and without the fear of saying the wrong thing.

LESSONS FROM OTHER SECTORS

In the legal industry, the BLM movement prompted NOTICED (the UK’s first inter-law firm diversity network) to issue a toolkit focusing on race in the workplace. The toolkit is a collaborative and practical guide on how to deal with the many facets of racism in the workplace (and not just in the legal industry) - from micro-aggressions, how to be an effective ally, to responding to racist actions and tangible steps, solutions and goals.

BLACKROCK

BlackRock is committed to helping build a better, fairer society, starting within our own organisation. We understand that progress will require a long-term effort with sustained focus and persistence. While we don’t have all the answers, it is our responsibility to learn and adapt. One way to further this journey is by raising awareness and educating our employees on issues relating to racial equity and inclusion and systemic barriers to achieving that.

Through a series of engaging and continuing conversations with leaders who have dedicated their careers to tackling systemic challenges to achieving racial equity and inclusion, our “Learning Out Loud” speaker series examines what brought society to this moment, where to go from here, and our collective and individual responsibility moving forward. To date, our employees have heard from a mix of speakers including academics from well-known institutions, leaders of esteemed philanthropic organisations, and thought leaders in the Diversity, Equity and Inclusion realm. The live sessions were viewed more than 10,000 times by employees over the course of the speaker series, and many more continue to access the replays of those sessions. Each of these conversations are meant to serve as a starting point for personal reflection, ongoing conversation and to inspire action.

In order to encourage all our employees to apply what they have heard through these conversations, resources selected by all the speakers have been shared on our internal learning platform. The content on this platform also includes additional guides, based on each session, which could be used for team discussions and to extend the conversation and impact beyond the initial sessions. Ultimately, the goal is to give all employees the opportunity and resources to continue to think and learn about these issues on their own or to discuss them collectively with their team and their colleagues.

Example: One firm, which holds an annual Inclusion Month, also encourages their employees to reflect on what they have learnt during that period by asking them for feedback on the practical steps they are going to take to be more inclusive going forward.

Firms have also looked to less formal communication methods to continue educating and informing their workforce, embedding these practices as part of their everyday culture. These include **newsletters** which contain education pieces on topics such as Diwali and Black History Month, and **blogs** on employees' own experiences.

Another education method for some firms has been through **reverse mentoring**.

Example: One firm had developed a global programme for their leadership team to be mentored by colleagues from ethnic minority backgrounds. This sought to raise collective awareness of the challenges these more junior professionals faced, both in the workplace and more widely in society.

Some firms have also been thinking more widely when it comes to **training** and **education**.

Example: One firm, after recognising a gap in knowledge amongst a number of ethnic minority colleagues, held a session on their grievances policy. Building up awareness of these processes allowed colleagues to understand how to formally address issues and the protections in place to enable them to feel protected and empowered to do so.

‘Reverse mentoring can be extremely powerful, particularly if you do not currently have an ethnically diverse leadership team.’

AXA INVESTMENT MANAGERS

For many years now, AXA has been active in its D&I journey. As part of this, we organise our Inclusion Conference to help steer our inclusion and diversity journey with our employees. In recent years, we have focused on gender equality and LGBT+ inclusion, making progress to become a more inclusive workplace.

In November 2020, AXA organised a virtual conference on ethnic origins. The conference brought together the experiences of AXA employees to hear stories from a brilliant range of speakers coming from different ethnicities, nationalities and cultural origins.

At AXA Investment Managers, we felt that the conference recognised the diverse origins of our employees, challenged us to share our stories and to find new solutions to build an even more inclusive culture. As such, we invited all of our employees globally to take part in the conversation.

This conference follows on from the discussions we opened at AXA Investment Managers over the summer of 2020 with a series of ethnicity focus groups involving employees in France and the UK. We wanted to better understand the current lived experiences of employees from a diverse range of ethnic origins in order to ensure our actions are rooted in the changes our colleagues want to see.



CONVERSATIONS

All firms placed emphasis on opening up conversation and enabling listening and learning. In light of the BLM movement, many firms placed a particular emphasis on providing space for Black colleagues to share their experiences and for others to listen, learn and, where appropriate, ask questions.

While there was a recognition that firms needed to listen and learn, there was also acknowledgement that firms could not expect their colleagues to speak up if they did not take the lead. Townhalls and other company-wide communications are used by leadership teams to express solidarity, their desire to learn and take meaningful action to improve the experience of colleagues who identify as Black, and to use their platform and influence to drive change more widely.

Cultivating an environment which feels safe and empowering for the wider workforce is crucial. Making time to prioritise and facilitate listening sessions, focus groups, channels on chat platforms and coffee mornings with the clear and explicit focus of listening and learning, in order to inform meaningful action, has supported this. Networks play a key role in these sessions, working closely with senior leadership. A small group of firms have also brought in external facilitators to support these discussions.

Example: One firm also facilitated conversations with their family network to look specifically at how employees could talk to their families about race and related issues.



‘We need to push the intersectionality agenda to have real long-term traction on representation and inclusivity issues.’



FIDELITY INTERNATIONAL

Fidelity’s rich cultural diversity is a huge strength and critical to our business success. We are committed to ensuring we provide a place where everyone feels they belong and have an equal opportunity to thrive, regardless of race, ethnicity and cultural background.

As part of Fidelity’s immediate response to the challenges raised by the BLM campaign, the senior leadership team led focus groups to understand and address how race and culture affects people’s experiences at Fidelity.

During the focus groups, we heard there was a need for more meaningful conversations about race to ensure that everyone feels comfortable to be their authentic selves at work. We therefore set out to encourage this as a way to build understanding, show empathy, strengthen inclusion and to motivate people to speak up, and be a driver for change. Talking about race can sometimes feel uncomfortable, so we wanted to equip people with guidance and confidence to start the conversation. Working closely with volunteers from the Cultural Diversity Network, we created a Talking About Race at Work toolkit to enable meaningful and constructive conversations within teams.

Our senior leaders also hosted two webinars with an external expert to bring the toolkit to life. Each webinar was attended by 1000 people and received exceptional feedback. The success of this approach has given more employees the confidence to participate in conversations about race and actively engage in the Cultural Diversity Network

These conversations, which may have previously been considered taboo at work, help to educate employees and also provide crucial insights for organisations. Understanding the lived experience of firms' ethnic minority colleagues, through engaging with **ethnicity networks** for example, and asking for honest feedback on how they could be doing better, has enabled root causes of issues to be identified in a much more direct and informed way. Targeted action and interventions can then be developed to address these.

In some cases, conversations also came in the form of uncomfortable and honest reflections amongst **leadership teams**. Continuing these discussions in the board room was a crucial step towards addressing areas firms had not focused on or looked at previously. It was acknowledged that new positive initiatives could not be layered on top of old approaches, but that firms were first required to reflect and dismantle former approaches.



'The first step is a genuine willingness from firms and non-minorities to listen and learn. Facilitate honest conversations and ensure your leaders are prepared to address the outcomes of these, rather than dismiss or justify anything uncomfortable.'



Three firms, which operate across multiple jurisdictions, also highlighted the challenges associated with facilitating these conversations globally. Some have also faced challenges engaging offices in certain jurisdictions which still see discussions on ethnicity as taboo. Others, however, have leveraged their international offices to open up more general conversations across their business and to understand the different challenges ethnic minorities face in different countries. More tailored sessions have then built on these local issues in the different localities.

BORDER TO COAST PENSIONS PARTNERSHIP

As a small organisation, based on one site, we don't have any diversity networks or dedicated D&I resource. What we do have, with our Northern base in Leeds, is a down to earth, open culture. We encourage people to be themselves and new colleagues have commented on how much they appreciate this when they join us, especially when they see this role modelled by senior leaders. During our last birthday celebrations (the anniversary of our Go Live in 2018), we ran an exercise during which people noted what they were most proud of or enjoyed most about working at Border to Coast. The most common answer was our diversity, and how well it worked even though we are a group of very different people, in terms of background, race, religion, gender, LGBT+, introvert/ extravert, love my jeans/ still wear a suit on Fridays! We are all drawn together by a belief in our purpose.

Leading up to Eid in 2019, one of our new graduates wrote a piece for the company communications on what Ramadan meant for her. It was courageously personal and a great way to invite people in to talk about the topic more. An Operations Analyst would also sit in our shared kitchen when he was fasting so he didn't miss out on his social time and shared insights about his story. We would normally hold a monthly lunch at which people would bring in food to share, for a low cost social activity. Through Ramadan, we did not want to be insensitive, but he was keen that this ran as usual, even bringing in a batch of the cooking he had made for that evening's Iftar too.

As we re-model our meeting room space, we now have the opportunity to put in a contemplation room. Without this space to date, we have relied on a high level of collaboration between colleagues and the business admin team to ensure prayer space was provided around other room bookings and storing the prayer mats. This led to interactions and conversations about prayer routines. It became a part of our normal day, and led to colleagues proposing further initiatives, events and celebrations which amplified the inclusivity of our culture.

INTERNAL DIVERSITY NETWORKS

Internal diversity networks play a central role in supporting employees and wider companies alike. These networks shape, formulate and drive much of the action that has been developed to improve the ethnic D&I of an organisation more widely. Only one firm interviewed did not have a formal D&I network set up, due to their size. The remaining firms either had one D&I network, spanning across all dimensions of diversity, or facilitated more granular groups, such as specific ethnicity networks.

These diversity networks, made up of volunteers, also act as crucial sounding boards for leadership teams. Almost all networks are sponsored by at least one member of the firm’s Executive team, providing a direct link into the senior decision-makers.

Example: One firm utilised members of their ethnicity networks, from ethnic minority backgrounds, to mentor the wider leadership team. Firms have also recognised and leveraged the unique position such networks have in holding leadership to account for action being delivered.



87%

OF FIRMS HAVE DEDICATED DIVERSITY NETWORKS.

‘Identify the people that are passionate about this, give them a platform and sufficient resource.’

Some firms have also established **‘workstreams’** within their networks to focus on specific initiatives.

Example: A firm split their networks up to target three specific areas: education pieces, assessing current HR policies and procedures through a diversity lens, and external partnerships.

While some facilitated EMEA-wide or global networks, most firms hosted networks locally in each jurisdiction. This has helped to capture local challenges.

For employees themselves, these groups facilitate a safe environment in which individuals can share their own experiences and be heard. Firms have also observed the impact these groups have on employees’ sense of belonging. Relationships have also been formed between individuals from different business areas and levels who otherwise may not have interacted with one another. Through these, organic peer support is formed, which has a positive effect on employee wellbeing.

A number of firms stressed the importance of empowering these networks to develop their own programmes by adequately funding them and providing additional resource where required.

‘Networks, when managed well, are key. Be very clear about their business case and fund them!’

ALLIES

A number of firms have incorporated **allies** into these diversity networks, recognising the responsibility that these groups have to speak out, challenge micro-aggressions, and proactively take action to dismantle existing obstacles for those groups too.

Firms have also introduced initiatives such as webinar series, external speakers and panel events which discuss what it means to be an ally and what this looks like in practice. Others have produced guides on allyship, with examples of expected responsibilities and actions. Four firms have also introduced specific allyship training.

7IM

At the start of 2020, 7IM added D&I as a key element of its Cultural Transformation Programme. As a first step, a D&I working group was created, chaired by an Executive Committee member, but very much led by volunteers from within the firm from diverse backgrounds. The aim of this group is to champion initiatives that make 7IM a more inclusive employer, and to drive positive change where practices currently exacerbate inequality and disparity amongst the workforce.

One way they have been doing so is through the production of a monthly newsletter. The newsletters, launched to educate staff on other cultures, are overseen by the D&I working group. Colleagues from across the organisation contribute to its content, which is supplemented by regular blogs written by colleagues about their personal experiences of prejudice and discrimination.

As part of 7IM's wider commitment to developing a culture which is positive, inclusive and supportive, a D&I strategy was published and made available to all colleagues to hold the firm to account should it not achieve its objectives. The strategy focuses on two key areas: representation and inclusive culture. The D&I WG play a key role in supporting the company to deliver on the strategy's initiatives, such as their schools outreach programmes which have been introduced to encourage students from all backgrounds to explore a career in Financial Services.

STANDARD LIFE ABERDEEN

When we developed our first ethnicity action plan in 2018, we gathered data about how best to increase ethnic minority representation and build a more inclusive workplace for colleagues from different ethnic backgrounds. As part of this, we held a number of listening sessions with ethnic minority colleagues. Overwhelmingly, our people told us that their colleagues at all levels were uncomfortable or unconfident talking about race or ethnicity. This was contributing to a lack of understanding, exclusion, sometimes inappropriate comments and behaviours, which was not raised and so never addressed.

We developed a short pause for thought guide 'Talking about Race at Work' with our ethnicity and multiculturalism employee network, Unity. It focused on providing practical examples of changes colleagues can make to feel more confident talking about race and ethnicity. A communication campaign encouraged colleagues to use the guide individually or to hold a team conversation, and Unity recorded a video on the topic which we shared on our intranet.

Through 2019 and into 2020, over 400 colleagues joined sessions to learn about the experiences of ethnic minority colleagues hosted by Unity (including our CEO and many senior leadership team members). Feedback was incredibly positive, about the openness and honesty of conversations and desire to hold better conversations on race.

When the BLM movement gained fresh attention and momentum earlier this year, sparked by the death of George Floyd in the US, this stimulated more collective desire to act and bring about change. We have continued to use the 'Talk about Race at Work' guide, and developed additional resources to funnel all the information available to recommend where to start if you want to learn, to support colleagues to be more active allies and to provide mental wellbeing support for Black and ethnic minority colleagues. This has underpinned reverse mentoring conversations which all of the Executive Leadership Team are participating in. Global sessions have been hosted by the company on allyship and conscious inclusion by external specialists and also by the Unity network who ran a series of educative events for Black History Month.

MEASURING AND MONITORING

Measuring the success of firms' current initiatives is a key priority. Many firms stated that it is also too early to know which specific initiatives were having the most impact. There was a recognition that the success of their interventions will be in the meaningful long-term change they bring to two specific factors:

- 1. Representation** (i.e. closing the representation gap which currently exists for a number of ethnic minority groups at all levels of an organisation).
- 2. Inclusion** (i.e. the quality of the lived experiences of ethnic minority professionals working in the industry).

Many firms actively engaging in this have also put in place a catalogue of initiatives and interventions ('D&I strategy'). However, it is not always clear which individual initiatives are making the most impact.

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'Recognise this can be a messy, emotive, noisy and long-term change – but it is absolutely crucial. Patience and persistence are key – you can only go at the pace your company can actually absorb.'

There were a number of practical ways in which firms sought to measure impact:

- **Collecting data throughout the recruitment pipeline.** This requires firms to capture data on the ethnicity of each applicant when they first apply for a role and then measure which individuals progress through the process, identifying any potential obstacles.
- **Measuring retention and promotion.** Representation gaps often increase at more senior levels, therefore capturing the diversity data of a workforce to identify which individuals are staying and progressing is key. Some firms are also putting a diversity lens on grievances and complaints to assess whether there are any trends which need to be addressed.
- **Regular diversity progress reports and dashboards.** Some firms which are further along in their data collection practices are implementing dashboards and producing regular diversity progress reports. These are sent to senior management, or heads of business areas, who are accountable for progress. Reports have also been sent to executive committees and boards to provide regular snapshots. Some have linked this measurement mechanism to senior management's assessment processes and remuneration.

.....

'Create mechanisms to hold leadership accountable to their statements and promises (tying targets to executive pay can do wonders!).'



- **Working with third parties.** Two firms have brought in third parties to support their wider approach to D&I, including measuring the impact of specific policies and procedures.
- **Inclusion survey.** A few firms are carrying out specific inclusion surveys which assess the workforce view on inclusivity or including a section on inclusion in their employee engagement surveys. These surveys have provided some with additional opportunities to ask for employees' diversity data. While this only provides firms with a snapshot of their workforce composition, as they are not linked to their HR systems, some have seen higher disclosure rates through this method.
- **Establishing a success criterion.** Establishing a success criterion at the initial stages of embedding or developing any intervention has been key for a number of firms.
- **Measure engagement and act.** One firm used their related network of professionals to facilitate a discussion on why staff from a specific ethnic group were significantly less engaged in their surveys and communications. They were able to uncover a recurring theme which was hindering the company's inclusion and resulting in individuals feeling less engaged with the business. They were then able to actively address this issue through continued conversations and proactive actions and have since been able to measure an increase in engagement.

LEGAL & GENERAL INVESTMENT MANAGEMENT (LGIM)

Positive advances have been made in recent years through the Legal & General Inclusion Team (LEGIT), the Culture Club and the Racial Equity Tactical Working Group in the US which aim to increase cultural awareness and understanding in the workplace, provide peer support and share best practice. The Culture Club continues to engage the business through regular 'Doing Business In...' virtual events which celebrates employees and cultures around the world. We believe that people-led networks play an important role in driving an inclusive culture and helping leadership take direct, measurable action.

Measuring workforce diversity is critical to understanding what is working well or any barriers around recruitment, career progression, promotions and pay. Employee self-service of diversity data was enabled in 2019 with work under way to engage our people, improve disclosure rates and reporting to our leadership team.

We believe supporting people on their career journey is key to building a more inclusive culture. One form of this are our mentoring and leadership development programmes, with training for mentors/mentees as an important part of the mentoring provision led by LEGIT, and participation in #talkaboutblack's mentoring circles. In June 2020, LGIM's executive committee held reverse

mentoring circles to listen and understand the lived experiences of LGIM employees and hosted a virtual event with #talkaboutblack leaders to discuss what everyone can do to be part of the solution.

Legal & General was an early signatory to the Race at Work Charter and contributed to the government's ethnicity pay reporting 2018 consultation. Since then, LGIM has continued to strengthen and amplify its partnerships, such as Investing in Ethnicity using the maturity matrix to measure success and identify areas of improvement, resulting in LGIM being recognised as a 'Top 10 Outstanding Employer'. We have also partnered with industry initiatives including the Diversity Project, #talkaboutblack and more recently #100BLACKINTERNS.

Change is underway at LGIM. Driving racial equality as an employer is high on our agenda and as an investor, our investment teams are also elevating the importance of ethnic diversity in their investee companies by demanding more transparent disclosure on ethnic diversity, at Board, Executive, Management and workforce level, requiring explicit policies on ethnic diversity and holding companies accountable for these policies and for the progress on representation.

CONCLUSION

It is clear that D&I is a well established and key consideration in how the investment management sector operates, and that there are numerous innovative and dynamic initiatives to promote ethnic D&I throughout the employment life-cycle. Engendering cultural change is not a straightforward issue nor is it a static one. New initiatives must be continuously explored and training regularly refreshed. A programme which works today may not be appropriate for tomorrow. Charters and pledges help structure a way forward and signal intent, but firms are required to build on these foundations and follow through with meaningful action. Encouragingly, 96% of the firms interviewed actively engaged and supported at least one charity which seeks to open up opportunities for diverse cohorts. This suggests that there is a real commitment to support change.

Compulsory ethnicity pay gap reporting is on the horizon yet it appears that many firms are still grappling with data collection, and the challenges around this. The investment management sector is not alone in this. Data protection concerns and winning employee trust appear to be the main hurdles, yet poor quality information and the low disclosure rates of ethnicity data is blocking and will continue to block progress. To this end, psychological safety is paramount. There is evidence¹³ to show that Black and Asian individuals are more likely to not speak out when compared to their white counterparts and feel less comfortable challenging their managers. Since line managers are most commonly the first point of contact for those with concerns, there is clearly work to be done in ensuring that line managerial interactions are improved. It is imperative that the experience of minorities is understood and line managers will be key to this.

There is a collective drive towards mainstreaming D&I, an approach endorsed by the FCA. Outdated diversity training which is often pushed to the margins will not suffice to address endemic issues. A firm's whole culture should ensure that the workplace is open to all those with talent and potential, irrespective of gender, ethnicity, social background or other characteristics. Once those individuals have joined, the structures must be in place to support and encourage them to flourish and succeed. To this extent, the FCA has indicated that it will use its hard and soft regulatory powers to advance this agenda in the financial services industry.

Firms need to be dynamic in their approach. The initiatives taken so far have been positive and encouraging but this is an evolving issue and requires consistent monitoring. Neither is this simply an internal

matter. In November 2020 Nikhil Rathi, CEO of the FCA, outlined the FCA's challenges and priorities, noting that with regard to D&I "we will also be looking to the industry to work hard with us on these issues to tackle some deep-rooted issues and ensure the cultural change we all would like to see". The FCA has previously emphasised that diversity should run through the entirety of an organisation and firms which seek out and actively welcome diverse and differing views are more likely to successfully identify and manage risks.

At the Ethnic Diversity in the City seminar, Georgina Philippou, Senior Advisor to the FCA on the Public Sector Equality Duty, emphasised the need for leaders to listen up as part of engendering psychological safety in the workplace:

"Leaders have a very important part to play – one small mis-step from a senior person can undermine a brilliant strategy and years of action. Being a strong leader means creating an environment where employees feel listened to. And a culture that encourages both speaking and listening up."

Recent analysis¹⁴ published by Green Park, an executive recruitment consultancy chaired by Trevor Phillips (former Chairman of the Equality and Human Rights Commission), discloses that the number of Black individuals holding the role of Chair, CEO or Finance Director at FTSE 100 companies is presently zero. Only ten out of 297 employees occupying these roles have ethnic minority backgrounds. These are damning statistics and illustrate the work that needs to be done to address the blocks in the system that prevent ethnic minorities from progressing through the pipeline. Many of the firms interviewed have introduced moves to address this, including mentoring, reverse mentoring, diversity networks and allyship. These initiatives must be monitored, measured and evolve in order to establish what is effective and what needs to be improved. Sufficient resources must be dedicated to ensuring a workplace that is truly diverse at all levels.

As acknowledged in the Investment Association's 2019 report, Black Voices: *'the industry has an opportunity to lead in being a catalyst for social change, not just in our own investment houses but well beyond too. We must seize it.'*

¹³ <https://bankingstandardsboard.org.uk/the-sound-of-silence/>

¹⁴ Green Park Business Leaders Index | Britain's Top Firms Failing Black Leaders | Insights | Green Park (green-park.co.uk)

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7IM

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