# Response to Treasury Committee Call for Evidence on Sexism in the City

**About the Investment Association**

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. The IA’s 270 members range from smaller, specialist UK firms to European and global investment managers with a UK base. Collectively, they manage £10 trillion for savers and institutions, such as pension schemes and insurance companies, in the UK and beyond (as of December 2021). 46% of this is for overseas clients. The UK asset management industry is the largest in Europe and the second largest globally.

**Executive Summary**

The IA and its members welcome the opportunity to provide feedback on progress in addressing the barriers faced by women in financial services. Since the publication of the Committee’s 2018 Report, the investment management industry has made strides towards removing some of the barriers that women face in recruitment, advancement and pay parity. While the industry is demonstrating commitment through a wide range of policy and programmatic efforts, development needs to accelerate to bring about meaningful and sustainable change.

Throughout our response we discuss the significance of creating and keeping an inclusive firm-wide culture where senior leadership commitment, processes and programmes are aligned. This approach is enabling firms to remove the barriers to women entering the industry and progressing into senior roles.

In this response, we first speak to the progress in removing barriers to entering the industry and career advancement. When discussing barriers to entering the industry, we look at barriers for entry level talent and how these are being addressed through the IA’s talent solution, Investment20/20. We then turn to barriers for experienced hire entry and how improvements to the recruitment process are addressing these, as well as returner programmes. Our response also explores how data, policies and programmes collectively contribute to career progression.

Next, our response discusses the impact of the Women in Finance Charter, highlighting the broader-reaching impact beyond its original objective and how accountability is driving action.

Our response then explores information concerning the disparity in gender pay and how the IA is supporting members in gathering and disclosing on their gender pay gap.

The next section addresses collecting and publishing data. In this section, we discuss our new Equity, Diversity and Inclusion Data Survey, which seeks to provide a more comprehensive insight into the demographic composition of the UK investment management industry.

Our response then focuses on marketing of the industry and how an intersectional approach is crucial. Additionally, we elaborate on our efforts to assist members in engaging with the next generation of women through Investment20/20.

Following this, we discuss how culture, policies and practices contribute to advancement, although we note that culture is a running theme throughout our response as the IA and its members believe that culture is paramount for retaining and developing female talent.

The concluding segment examines the efforts against sexual harassment and misogyny, offering concrete instances of how members are actively addressing these issues.

**Introduction**

As a trade body, the IA takes an active role in driving a forward looking, responsible and inclusive investment industry and undertakes a significant amount of work in this area. The IA’s membership is diverse, ranging from large international organisations to small boutique firms, so subsequently its support is too. The IA works with the regulator and Government to drive equity, diversity and inclusion policy, whilst implementing industry-wide programmes to support members and improve practice across culture, talent and inclusion. Additionally, the IA convenes and advises members on good practice through thought-leadership, forums and guides. Examples of the IA’s initiatives include:

* The **IA’s Culture Framework** provides members with good practice guidance on how to develop and strengthen their culture to align with the values of the organisation.
* The **IA’s Equity, Diversity and Inclusion Data Survey** (EDI Survey), launched this year in partnership with the Thinking Ahead Institute, will provide a snapshot of the makeup of the industry whilst also supporting the industry in their understanding of effective data collection processes, culture and industry initiatives.
* The **IA’s talent solution, Investment20/20**, provides routes into investment management for young people from all backgrounds and has supported over 2,500 people to start their industry careers. The programme **provides members with direct access to diversified talent**.
* The **IA’s Black Leaders Programme** is an industry-wide mentoring and reverse mentoring initiative for senior Black investment management professionals. The year-long programme supports Black professionals who are on a trajectory to senior roles, by connecting them with C-suite mentors. Women constitute 50% of the mentees.
* As part of its efforts to drive greater inclusivity within the industry, the IA convenes members for industry events, such as the **IA’s annual Culture & Inclusion Conference** which challenges, inspires and supports members with meaningful practice to enable sustainable change.
* The **IA’s series of breakfast briefings** provides practical guidance on implementing inclusivity into the recruitment, onboarding and progression of new entrants.
* The **IA offers members ‘Understanding Autism in the Workplace’ training**, working in partnership with Ambitious About Autism. This training supports members in establishing a more inclusive workforce whilst taking a more intersectional approach to diversity.

Both the IA and its members are committed to cultivating an inclusive industry that supports the entry and progression of people. We look forward to continuing to work with the Treasury Committee to drive meaningful change and increase the representation of women throughout the investment management industry.

**The progress in removing the barriers to women entering and progressing their careers across the financial services industry, including progress to financial services firms’ Boards, including executive roles**

The IA acknowledges the progress made in addressing barriers for women in starting and advancing their careers within investment management. The IA and its members have concentrated efforts in several key areas to facilitate the attraction, recruitment and advancement of women. Underpinning all entry and advancement initiatives is a focus on establishing and maintaining an inclusive firm-wide culture where senior leadership commitment, talent programmes, systems and processes are aligned. This approach is enabling firms to effectively address the barriers to women entering the industry and progressing into senior roles.

 **Addressing Barriers to Entering the Industry**

**Entry level talent**

The IA is supporting its members to address the main entry barriers to a career in investment management, which includes a lack of industry awareness, understanding of the breadth of career opportunities, and the availability of accessible entry jobs, as well as a more inclusive recruitment culture where firms hire on potential as opposed to experience and grades alone. Through the IA’s talent solution, Investment20/20, we offer an industry-wide approach to addressing all these barriers to entry-level recruitment. Further detail is covered in our response to the role of the Government and financial regulator in marketing the financial industry to a more diverse base of potential recruits.

**‘Experienced hire’ entry**

Initiatives to address barriers to entering the industry at ‘experienced hire’ level include implementing diversity policies in the recruitment process, such as introducing inclusive recruitment training for recruiters and hiring managers to build confidence in hiring for potential; using gender decoders in job descriptions to attract more women; having interview shortlists; using diverse interview panels; and anonymising applications. Some members require hiring managers to provide justifications for any departure from inclusive recruitment protocols, thus ensuring a firm-wide adherence whenever feasible. These processes have collectively helped to address some of the biases that are barriers to entry.

Members have also introduced returners programmes, enabling people to return to professional careers after an extended career break. Most returners are women who have taken time out of their careers because of caring responsibilities; one member firm shared that 90% of participants on their returners programme are female. Firms engaged in these programmes tend to use agencies that specialise in women returners and there are numerous examples of successful career outcomes for women re-entering the industry as a result of these programmes.

**Addressing Barriers to Progression**

Many member firms are implementing recruitment policies and initiatives that focus on increasing female representation at all levels of the business, often with a focus on senior leadership. For example, one member firm stated that they require a 30% female short list for all senior roles and should a department not be able to meet this obligation, they are required to seek a waiver. Other examples include some members taking an intersectional approach, with the requirement that they consider candidates from underrepresented backgrounds for all open roles. More attention is however, needed in addressing the decline in female representation as individuals progress from junior to senior positions.

Many firms have implemented training for those conducting interviews. One member firm has also stated that they require at least one member of the interview panel to be from an underrepresented group. Through these steps, firms have found that they are able to ensure a more equitable interview process for all candidates.

**Using data and employee sentiment to enhance progression**

The IA is a strong advocate of robust data collection and, together with its membership, are championing the capture of in-depth workforce demographics and analysis, enabling firms to understand how much progression takes place within member firms and whether women, as well as other demographics, find it harder to advance their careers. To support investment managers to take an evidence-led approach, the IA is undertaking an ambitious project to gather an industry-wide set of equity, diversity and inclusion data, so that we have an aggregate set of data against which firms can measure themselves and their progress.

Supporting the data capture of people characteristics, many investment managers conduct regular workforce pulse surveys to understand and measure staff sentiment. These pulse surveys have provided firms with a rich source of understanding about where potential issues may exist, including the perception from women about their opportunities for progression which speaks to the culture of the firm. So too, do survey engagement scores reveal much about a firm’s culture because people who feel they have a healthy workforce culture are more likely to engage with them. As workforce culture is integral to building a healthy pipeline of female career advancement, firms are starting to pay closer attention to how women engage with workforce pulse surveys. Members recognise the opportunity for deeper intersectional analysis and data intelligence, including the impact of age and ethnicity on the progression of women and across the different areas of the business. However, members are hindered by a lack of data on the depth and breadth of people characteristics, including the diversity characteristics of social mobility, neurodiversity and disability.

**Policies supporting progression**

It is understood that the advancement of women within the industry was somewhat hindered by the impact of Covid-19, with a greater number of women leaving the workforce compared to men. However, the implementation of hybrid and flexible work policies has helped to attract female talent back to the workplace.

Enhancing parental leave and formalising returner policies have also proven effective in retaining female talent. Members are actively working towards the enhancement of their hybrid and flexible working policies to retain more women.

Firms that have set targets for female senior representation and assigned accountability to heads of divisions for achieving these targets have found this to be effective in driving female internal progression.

Some members have put in place policies around events requiring diverse panel representation, thereby providing greater opportunities for women to participate.

**Programmes and initiatives that drive progression**

The wide range of programmes and initiatives that firms are engaging in demonstrate an industry-wide commitment to advancing women’s careers. Firms have made headway in establishing women's networks and affinity groups to provide support, networking opportunities and an awareness of leadership and development opportunities for female employees. These groups facilitate narrative sharing within their organisations, including insights that highlight non-linear trajectories leading to senior positions. Members find these support systems especially important within companies that lack senior women role models and they are found to be particularly effective when open to all staff as part of firms’ equity, diversity and inclusion awareness strategy.

To address the lack of advancement from middle to senior management, some members have implemented executive-level women leadership and talent sponsorship programmes to build their skills sets for higher-ranking positions. These programmes seek to identify high-potential women throughout the employee lifecycle and provide them with the necessary support to advance their careers to the next level.

The IA has also implemented an industry-wide senior Black Leaders Programme, involving mentoring of a Black professional with over 10 years industry experience by industry C-suite to support a strategic approach to career progression. The reverse mentoring aspect of the programme also drives inclusion in that it enables industry C-suite to implement change from the top. Now in its second year, the programme has supported 30 senior Black professionals, 50% of which are women, in advancing their careers and has received a strong endorsement from C-suite mentors on gaining a better understanding of the lived experience of Black professionals.

**The impact of the Treasury’s Women in Finance Charter and any other Government and Regulator initiatives**

Collaboration between Government and business leaders through initiatives such as the Women in Finance Charter (Charter) has led to progress in achieving better gender balance.

Over 85 investment management firms have signed up to the Charter. Signing up to the Charter has driven the accountability of senior executives and has resulted in the integration of diversity and inclusion strategies into the business plans of many member firms. The Charter has yielded substantial advancements, as evidenced by the FTSE Women Leaders Review. The FTSE 350 has achieved the 40% target for women on boards three years ahead of the projected deadline, exhibiting a notable 30.7% increase in female board representation over the past 12 years. As of January 2023, there are 1,203 women occupying director positions on FTSE 350 Boards, constituting 40.2% of the total 2,990 directorships. Female Senior Independent Directors currently account for 38% and close to one in every five FTSE 350 Boards is chaired by a woman. With increased effort, the FTSE 350 maintains its trajectory toward fulfilling the aim of having 40% female representation on the executive committee and direct reports by the conclusion of 2025.

From 2023, investor attention has been directed towards evaluating how companies address the Financial Conduct Authority's (FCA) Listing Rules. These regulations mandate the disclosure of board and executive committee diversity, as well as the requirement for companies to either adhere to or provide explanations for not meeting the 40% women on board goal. Additionally, emphasis is placed on having a woman occupy one of the four pivotal board positions: Chair, CEO, CFO or Senior Independent Director.

The updated disclosure requirements within the Listing Rules will also furnish investors with supplementary insights into a company's executive committee diversity. Previously, investors depended on the FTSE Women Leaders Review data concerning the executive committee and direct reports, a dataset that can be outdated by several months come the time of the AGM due to companies not routinely including this information in their Annual Reports. This fresh data is expected to stimulate increased investor voting regarding executive committee diversity, an aspect that, until now, had not gained widespread traction among investors. All of these developments are poised to contribute positively towards propelling advancement in a more extensive and rapid manner.

The impact extends beyond publicly listed companies. The UK’s largest private companies are keeping pace with public listed companies, despite this being the first year they have reported, demonstrating a recognition of the inherent business rationale. The presence of women in leadership positions (combined executive committee and direct reports, or equivalent) among the top 50 private companies is very similar to the FTSE 350 Index at a rate of 34.3%. On average, women make up 31.8% of the board members in private companies. As of April 5, 2022, females constitute 39% of the IA's board composition. The Charter's influence has extended significantly beyond its initial scope. A substantial number of its signatories are applying the principles to other diversity characteristics and the Charter's framework has been emulated in other sectors, both within other countries and across a multitude of diversity dimensions.

The establishment of targets has shifted the perspective of diversity initiatives within member firms, transforming them from being merely commendable endeavours to becoming essential business imperatives for which senior management bears responsibility. The added influence of media scrutiny on progress toward these targets further propels this transformation. When member firms are under public observation, there is a heightened drive to meet these targets, driven by the desire to cultivate trust, preserve reputation and demonstrate commitment to these goals. The implementation of measurement and target-setting practices has led to fostering a culture of accountability and performance. As organisations attain established targets, new ones are set, leading to ongoing improvements. This enhances the likelihood of continuous improvement and drives widespread sustainable cultural change.

Some firms have encountered backlash from employees when establishing targets for increasing the number of female hires and promotions. Members have found regular and effective internal communication on the rationale behind the business objectives helpful in mitigating polarisation.

#### The progress on removing gender pay gaps in financial services and in implementing measures to address such gaps

The IA and its members acknowledge that more work needs to be done to close the gender pay gap. Through collecting and publishing the gender pay gap data, firms can better understand where they are and where they want to go.

Like other industries, there are far too few women in senior leadership and higher-earning roles in the investment management industry. To address this, the industry continues to actively support important industry-wide initiatives such as the Women in Finance Charter which has sought to build greater gender diversity since its inception in 2016.

The IA conducted analysis to assess progress made on the industry’s gender pay gap since disclosure regulation was introduced in 2018, using a sample of 38 member firms, representing approximately 87% of the total £10 trillion UK assets under management (as of December 2021) and 68% of the approximate 42,000 people directly employed by the UK investment management industry.

Analysis of IA data reveals that since 2018, the average mean gender pay gap is down seven percentage points, having decreased from 31% in 2018 to 24% in 2022. In 2018, the average gender pay gap ranged from 16% to 47% but in 2022 it ranged from 10% to 44%, a further indication of progress as both the largest and smallest gender pay gaps in the industry decreased over the past 4 years. Over the same period, the average median gender pay gap fell by six percentage points, down from 31% in 2018 to 25% in 2022. The distribution of the median gender pay gap across the industry decreased even more so than the mean gender pay gap; in 2018 the median gender pay gap ranged from 12% to 62% but this fell to 9%-46% in 2022.

Some members have indicated that the attrition rate is higher amongst women at senior levels rather than men, due to a ‘boys club’ mentality. To address these barriers, firms are being intentional about their recruitment processes, their skills development and their retention initiatives. They are taking steps to embed inclusivity within the culture of their organisation to avoid women feeling excluded, particularly at the senior levels.

The IA and its members are committed to driving this agenda forward whilst also taking an intersectional approach to diversity by championing and facilitating change within the industry through the sharing of good practice and supporting members in the data collection and publication of the pay gap. An example of this includes the publication of the IA’s Addressing the Gender Pay Gap report[[1]](#footnote-2), which showcases how IA member firms are taking action to tackle the root causes of gender inequality.

While we believe there is still a way to go and every firm's journey will be different, we are encouraged by the progress that is being made. Firms are being proactive in their efforts to close the gender pay gap and are collecting and reporting data to show their progress.

**The role of the Government and financial regulators in:**

**Ensuring appropriate data is collected and published**

It is the view of the IA and its members that collecting and publishing data is necessary to understanding the makeup of our industry, recognising where there may be barriers to entry and advancement and enabling the industry to remedy these barriers when they arise.

With the strong support of its members, the IA, in collaboration with the Thinking Ahead Institute, has undertaken an Equity, Diversity and Inclusion Data Survey (EDI Survey) to gather a detailed overview, for the first time, of the demographic makeup of the UK investment management industry. Evident of the industry’s commitment, the EDI Survey has received a strong response from members representing approximately 70% of assets under management. The data will help provide an evidence-based understanding of the progress made and the areas requiring improvement.

The EDI Survey investigates data monitoring, demographics, culture and initiatives. Alongside providing a snapshot of the makeup of the investment management industry, the findings will provide greater insight into industry data collection practices by examining what is being collected, how and with what frequency. The FCA is paying close attention to how the industry is making progress in driving more diverse workforces, as it considers it to be an integral part of managing a healthy and inclusive firm-wide culture. The regulator has clearly articulated the need for further action and the importance of robust data collection. The IA and its members have taken a proactive approach to gathering an aggregate set of industry data and addressing concerns raised by the FCA’s multi-firm review, published in December 2022. In the review the FCA identified a number of issues, including the wide variation in data quality, the disconnect between collected data and the initiatives being put in place, as well as the lack of metrics in place to track the effectiveness of initiatives and interventions that had been implemented.

Initial results from the EDI Survey show that all organisations are collecting data on gender, with approximately 94% of respondents having initiatives in place specifically addressing the underrepresentation of women in the industry. These are positive results, and through the survey, we will track year-on-year progress.

Additionally, the IA has provided members with good practice guidance on data collection through its Diversity Data Guide[[2]](#footnote-3). Published in 2021, this provides practical steps on collecting diversity data in a way that considers legal obligations, uses existing systems and engages the workforce. It also seeks to help with the process to follow, the data to collect, the internal stakeholders to involve and how to analyse and interpret the final data to inform the overall EDI strategy.

**Marketing the financial industry to a more diverse base of potential recruits**

To attract and retain more female talent and to cultivate a pipeline of senior female leaders, member firms are taking a proactive approach to marketing and recruitment. Firms are working to promote awareness about the industry during the earlier stages of girls’ education, rather than just at the traditional graduate recruitment stage and participate in programmes that educate communities about the investment management industry. Firms are also setting targets for female recruitment and tracking and measuring the progress of their initiatives.

Now in its 10th year, Investment20/20 is the IA’s talent solution for the investment management industry. Building a sustainable diverse talent pipeline is a critical component of achieving long term impact on EDI issues and by focusing on talent attraction practices along with recruitment and selection processes, Investment20/20 has helped more than 2,500 young aspiring professionals start their career in investment management.

Investment20/20 has been instrumental in changing the recruitment infrastructure to drive greater equity, diversity and inclusion. Along with the programme’s ability to respond in an agile way to the EDI needs of industry firms, a crucial part of its success is its established network of outreach provision that reaches into communities of young people who may not have otherwise considered a career in investment management. In the last five years it has delivered over 850 career events and interactions with more than 66,000 students including workshops and insight sessions, positioning investment management as a career of choice.

Supporting its members in connecting with the future pipeline of talented females, Investment20/20 delivers workplace visits, bringing in groups of young people to experience the world of work. These provide high impactful engagement opportunities with the future workforce. For example, in July 2023 Investment20/20 worked with a member firm to run an insight day for girls aged 14/15 years old, where they met female representatives across all levels of seniority and heard first-hand experiences of women in the sector. Building a narrative at an early age addresses misperceptions before young people make career decisions and avoids the risk of ruling out investment management as a career route.

Through focusing on creating a more diverse and inclusive investment industry, 40% of Investment 20/20’s trainees have been women, with 43% coming from ethnic minority backgrounds. 51% of female trainees enter as an undergraduate, graduate or post-graduate, with 49% of female trainees entering the industry as a school/college leaver.

**Ensuring firm cultures, policies and practices support women’s aspirations and progress**

As the IA places importance on members establishing and maintaining a healthy culture so that they can attract and retain the best talent and improve business outcomes, the IA, in partnership with Latham & Watkins, published a Culture Framework[[3]](#footnote-4).Now in its fifth edition, the Framework provides non-prescriptive good practice guidance for firms looking to implement their own culture change initiatives, along with a self-assessment framework to assist firms in benchmarking their culture standing.

As mentioned throughout this response, culture is the key factor in ensuring inclusivity. Culture underpins positive conduct and behaviour and it is through good culture that firms are best able to implement effective strategies to improve overall diversity, more specifically female representation.

It is well established that more diverse teams lead to better risk management outcomes. The recent Financial Markets Standards Board (FMSB) Conduct and Culture Management Information (MI) report[[4]](#footnote-5) highlights the importance of culture and conduct and lists identification of risk as one of the most common reasons firms focus on culture. The IA and its members are of the view that increasing the representation of women within the investment management industry will ultimately lead to better business outcomes and risk mitigation.

Member firms have shared that it is the tone from the top of the organisation that truly helps embed culture and establish trust. One firm’s executive committee stressed the importance of having a workforce that reflects its customer base and consequently set both public and internal targets around gender diversity. By setting public goals, they were able to hold themselves accountable for meeting those targets and increased their representation of women in senior roles from 27% to nearly 40% over a six-year period.

For any effort to be successful, it requires a culture that puts trust at the forefront. Feedback from member firms demonstrated that culture ties into the values, mission and purpose of the organisation and the workforce is hired, rewarded and, where necessary, terminated based on these values.

Member firms have indicated that by effectively communicating the how and why of their efforts as it relates to increasing representation of women within the industry, they are better able to bring their workforce along with them on their journey to gender equality. For example, a member shared that creating short videos articulating how increasing female representation will help improve overall business performance has been successful in establishing trust amongst their workforce.

Ensuring a strong culture in which individuals adhere to the values of the organisation is vital to supporting the advancement of women in the workplace. Without a healthy and inclusive culture, firms do not have the ability to effectively drive change and increase sustainable female representation at all levels of the business. The IA continues to support members on their cultural journey to ensure inclusivity is embedded throughout the industry.

**The role of, and progress of, firms, Government and financial regulators in combatting sexual harassment and misogyny in financial services and offering effective ways to escalate concerns about sexual harassment.**

The IA and its members strongly support the establishment of a healthy culture in which employees are actively encouraged and supported as well as measured and rewarded against an established set of values, ensuring an environment where all staff feel both physically and psychologically safe. Each firm is responsible for ensuring that employees can work and thrive in an inclusive environment.

Creating an environment where colleagues feel respected, included and safe to speak up without retaliation is necessary to protecting against sexual harassment and this is embedded throughout the IA’s narrative on good practice guidance and encouraged regularly through the IA’s senior leadership. If these key areas are embedded within the culture of an organisation and individuals are aware that they will be held accountable for acting contrary to these values, it will create a healthier work environment for all.

We strongly encourage firms to have robust internal processes to address sexual harassment and misogyny should it arise and to ensure that their policies are well communicated and supported by senior management.

Examples of how members are addressing these issues include:

* Some members provide employees with a whistleblowing hotline through which they can anonymously report potential issues. Understanding that staff may not have the words to properly articulate what they are experiencing, the hotline allows them to talk through their experience and have it addressed.
* Firms are regularly using anonymous survey tools to check in with their workforce and gain feedback and insight on challenges they may be facing. This enables individuals to share their experiences on a periodic basis and allow firms to address any issues that may arise at an early stage.
* Feedback from several member firms is that they have implemented mandatory ‘speak up’ training to empower staff at all levels to speak up and have their voices heard on issues relating to everything from business performance to conduct. This training encourages staff to raise issues as they arise without fear of retaliation and reinforces an inclusive firm-wide culture.
* Members have also put mental health champions in place which allow employees to speak with someone within their organisation as an alternative route to going directly to HR.
* Many firms are starting to hire, appraise and reward based on their values, thereby removing opportunity for misconduct. Firms are working purposefully to encourage internal conversations so that they can catch and address any misconduct early on. Ensuring a healthy and inclusive culture means that, should misconduct arise, individuals are empowered to speak up and those who behave contrary to those values, will be dealt with in an expeditious manner.
1. The IA Addressing the Gender Pay Gap, May 2020 (http://bit.ly/3YxCFZq) [↑](#footnote-ref-2)
2. IA Diversity Data Guide, June 2021 (bit.ly/3quTh7y) [↑](#footnote-ref-3)
3. Investment Association Culture Framework: A practical framework for sustainable change, fifth ed., November 2022 (http://bitly.ws/RT4c) [↑](#footnote-ref-4)
4. FMSB Culture & Conduct MI: Boundaries of Current Practice, July 2023 (http://bitly.ws/RT3F) [↑](#footnote-ref-5)