

Diversity & Inclusion Become Business Imperatives for Managers

By Mariana Lemann January 4, 2019

Regulators, asset owners and consultants spoke loud and clear in 2018 that if managers don't get their act together on diversity and inclusion, their businesses could be at risk.

The Securities and Exchange Commission (SEC) signaled early in 2018 that diversity and inclusion is among its top concerns. It requested staff seek diversity data from asset managers and other regulated entities through its Office of Minority and Women Inclusion (OMWI), releasing a report on the findings in January.

Whereas data submission was voluntary, the report was considered as "an important step... to understand the diversity and inclusion efforts of our regulated entities, as well as promote transparency and awareness in this area," Pamela Gibbs, director of the OMWI said in a statement announcing the report.

Similarly, investment consultants have kept tabs on managers' track records of employing diverse workforces and promoting inclusive environments.

Wilshire Consulting started including a diverse asset manager in every public securities search for non-discretionary clients, as reported in February. Cambridge Associates, for its part, hired a third-party consultant to conduct a firm-wide culture and diversity survey and appointed Jasmine Richards to the new role of senior investment director, manager diversity, in July.

Managers took notice of how diversity has become key to winning and retaining business, stepping up efforts to improve their diversity and get noticed. Some managers appointed heads of diversity and inclusion for the first time.

That was the case at Legg Mason, which hired Regina Curry as chief diversity officer in January from McCormick & Company. John Hancock, Eaton Vance and Lord Abbett appointed their first heads of diversity in 2018 as well.

Guggenheim Partners, which reportedly agreed to pay fixed income CIO Anne Walsh \$30 million in 2017 to settle claims that the work environment was detrimental to her health, appointed Jonathan Barnett as senior advisor of employee and community engagement, a new role focused on working with the firm's corporate social responsibility, diversity and inclusion and human capital committees on corporate culture and citizenship initiatives.

Other managers developed programs aimed at attracting women into the industry and eliminating unconscious bias.

Allianz Global Investors, Natixis, Aviva and Generali joined a group of institutional investors aiming to help the CFA Institute boost the number of women in the investment industry. The initiative followed PIMCO and AXA Investment Managers' partnership with non-profit Girls Who Invest. Through the partnership students would be linked up with firms for paid internships, as reported in March. Other asset managers, such as AB, Wellington Management, T. Rowe Price and Franklin Templeton have taken part in the program since the non-profit launched in 2015.

Likewise, **Loomis Sayles** has worked with Bentley University and University of Massachusetts in the Undergraduate Women's Investment Network, a program launched in 2015. This program lets participants have access to mentoring and training on topics such as advanced Excel skills, trading, communications as well as how to work with Bloomberg terminals.

Ninety students have participated in the program, launched by Loomis associate director of credit research **Shannon O'Mara**, who has hired a lot of new entrants to the industry in her career. "I was noticing a trend in the folks that we were hiring. It was lot of men," she says. If unaddressed, the pipeline issue "was going to be a larger diversity issue in another decade or so."

In fact, diversity is already a large enough issue for some managers.

Boston-based \$1 trillion manager Wellington Management had 21% of women or minorities represented amongst its partners, as of Jan. 1, as reported. The stats confirmed to *FundFire* had been reported in 2017 to the State Universities Retirement System (SURS) of Illinois, a client which requires asset managers to disclose certain diversity data before awarding contracts under state law.

In December, an ESG analyst admitted the firm still had a "huge problem" promoting diversity during an industry conference. At that time, Wellington did not provide updated diversity stats to *FundFire*.

"We are struggling with diversity ourselves. We are the first ones to say it," the analyst, Hillary Flynn, said at the fifth annual Sustainable Investing Conference hosted by the CFA Society New York at the organization's headquarters.

One way managers are tackling diversity related issues is through unconscious bias training. AB, Legg Mason and Eaton Vance are among the firms that have offered this type of training to staff. At Legg, the training aims to open people's minds.

"One dominant unconscious bias is the image of a leader, says Curry, Legg Mason's chief diversity officer. "It is not something that consciously people put in a job description, [but] if you talk about what a leader looks like... it is a man."

Earlier this month, Legg and AB sponsored events designed to address bias in the workplace, based on discussion of hot-button issues among staff. At AB head of diversity and inclusion Janessa Cox-Irvin says she "tasked everyone with thinking about their own social circles and how different and alike they are and then understanding when we come into the workplace... is when we are typically faced with difference."

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