

Summary

- Diversity is hard to define as it must take into account elements such as gender, ethnicity, age and culture.
- Having a diverse senior management team could improve diversity across the organisation.
- Employers must look at who they nominate for trustee positions.

The whole spectrum

➤ Sunniva Kolostyak explores the efforts being taken to diversify the industry's workforce

The financial industry, and pensions in particular, has tried to get rid of the 'male, pale and stale' sticker for quite a while – and most of the industry actually seems to be in agreement that it is improving. Through varied initiatives, businesses and trustee boards are trying to have a diverse representation. But what is actually changing?

Diversity is hard to define and an even harder goal to fulfil, it seems.

A number of initiatives have been launched to increase the representation of different ethnicities, genders, sexual orientations, ages, socio-economic status, disabilities, and so on. This includes The Diversity Project, creating a more inclusive culture within savings and investments, the NextGen campaign, aiming to encourage the next generation to get involved in pensions, and HM Treasury's Women in Finance Charter.

Furthermore, the Pensions and Lifetime Savings Association (PLSA) launched a campaign in 2017, *Breaking the Mirror Image*, to lead and encourage a more diverse workplace within the pensions industry, and joined the think tank New Financial's report *Diversity from an Investor's Perspective*.

All of these initiatives, reports and charters are in order to level out an arena that seems to be further from the goal than many other sectors.

In fact, research by Leeds University Business School has previously revealed that trustee boards are seriously lacking in diversity – most of them are highly

educated and financially literate, 81 per cent are male, aged between 50 and 70, with 10 years of trustee experience.

Top-down

This was also a subject of the PLSA Investment Conference earlier this year. Speaking on culture change within investments, Financial Conduct Authority co-director of life insurance and financial advice supervision, Debbie Gupta, argued that this is something that must start at the top: “Leadership is absolutely critical to ensuring that you have a workforce and senior leadership team that has bought into the agenda.”

Pensions specialist law firm Sackers is lucky to represent an area of the industry that has reached that tipping point when it comes to gender diversity,

its HR director Debbie Holmes says. “I would go as far as saying gender issues are pretty much off the table here. It is not a barrier for anyone,” she states.

In fact, 60 per cent of Sackers’ partners, and over 60 per cent of the rest of its fee earners are female. This, Holmes notes, is a good start for Sackers and for the industry.

The key to how the firm got to that position, she says, has to do with the flexibility it offers, making it easier for employees of different backgrounds – mums, dads, carers, those on the wind-down to retirement – to find a work/life balance that works for them.

“We make it very easy for people to leave early and come in late to enable them to attend all sorts of commitments that they have outside of work. It is not a place where anyone questions

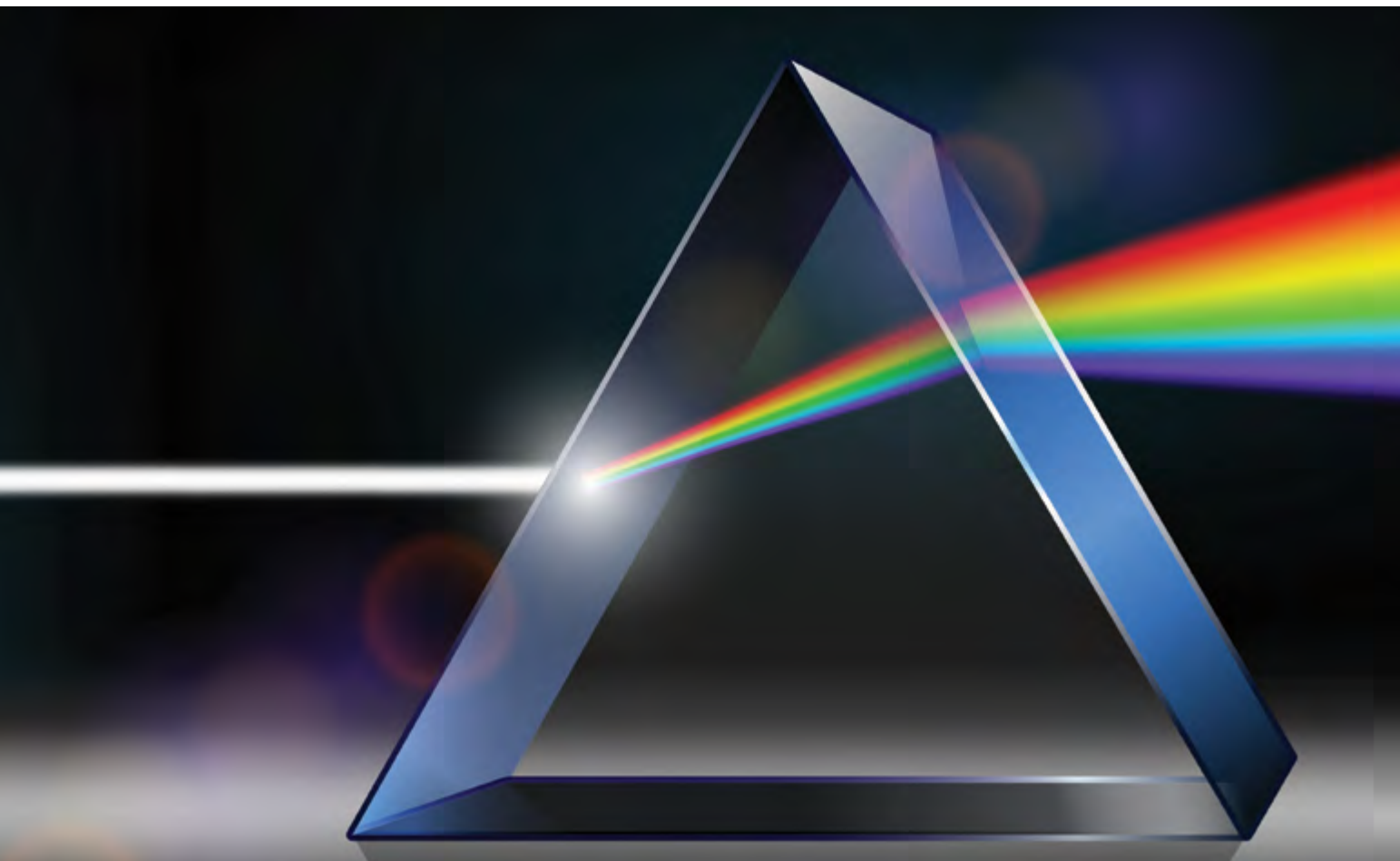
where you are going or how you are making up the time. It is not that type of culture.”

Trustee diversity

Sackers has noticed that a number of its clients are starting to consider diversity more when it comes to trustee boards. Furthermore, they are asking whether boards can do more to make sure they have proper representation of their members.

The Pensions Regulator (TPR) has, as part of its guidance on defined contribution schemes, said that trustee boards should be diverse and well-balanced, “as far as possible”.

Sackers associate Emily Rowley says that although TPR currently has no powers over this, it has “indicated the trustee boards should review the



effectiveness of the board and make sure there are different viewpoints and that this may be an area it starts looking into in future”.

In her *Diversity Client Paper*, Rowley has discussed that improving diversity can be difficult for trustees, as boards are not in sole control of appointments. It is also dependent on the employer, as well as suitability for the role.

She says: “TPR has expressed the view that diverse boards can help to deliver good governance, but there is not anything more concrete than this at present.”

But how do you measure diversity when culture is not quantifiable and does not suit one single form where each element can be ticked off?

PTL client director Clare James agrees that diversity on trustee boards is linked

to wider issues in the pensions industry. “I think part of that [*responsibility*] is going to sit with the employers themselves. As employers increase their diversity, naturally there will be a more diverse pool of people from whom to encourage to become a trustee of their employer’s pension scheme,” James says.

PTL trustees, she notes, sit on a number of boards, and, are aware that some boards on employer-based pension schemes have far greater diversity than others – meaning there still is a lot of work that needs to be done across the board.

“It is important because as a trustee, you’re representing the members and the interests of all the members of the pension scheme. So it is really important that those people who are making the decisions as trustees are fully representative of the makeup of the members of the pension scheme – so that everybody’s thoughts, expectations and viewpoints can be represented and reflected in the decisions that are made. That it is the right pension scheme for the members,” she explains.

Meeting the potential

Rowley argues that there are of course actions that trustees could consider. This includes completing questionnaires on the current status, adopting diversity policies and reviewing the trustee literature and the member-nominated director (MND) and employer-nominated director (END) selection processes.

“Other ideas we have seen being considered are offering ‘meet the trustee-days’, where individuals can speak with members of the board about the role and what it entails face-to-face,” she says.

“Other ideas include roadshows in the key office sites and locations or meetings. Mentoring could also be an option, if there are certain individuals or ‘up and comers’ that would be suitable for the board, but again, given the industry-wide nature of the scheme, this would [...] involve conversations with a number

of key stakeholders.”

Private equity investor Pantheon is one company that has launched its own mentoring programme, *Mentoring @ Pantheon – without borders*, to encourage the development of relationships across offices and departments, fostering access to different cultural, gender and regional perspectives.

Pantheon global head of marketing and diversity sponsor Amanda McCrystal explains that in the private equity space, the game changer will be when the current level of women in senior roles is doubled – from 10 per cent to 20 per cent.

“Put simply, it doesn’t make any sense that firms are not accessing the full 50 per cent of talent potential that is represented by the female population. There are studies that have shown that more diversity can equate to stronger performance and enhance decision-making, but in our view it principally comes down to the basic fact that there is a lot of untapped talent available that we’d like to consider building their careers at Pantheon,” she argues.

Pantheon’s current global staff is 43 per cent female, as is 35 per cent of its investment team. At 1 January, 44 per cent of its investment departments were led by women, and in terms of ethnic diversity, one-third of its global workforce in non-white.

James agrees it could be a good idea to mentor people, making sure the environment is encouraging and supporting.

“We see the merits of diversity in terms of the breadth of different views and experiences. Diversity just makes us a much stronger proposition, a stronger organisation as a result. So it is something that we definitely want to promote.

“The more diverse, the wider the breadth of views and experiences. I think it makes you stronger, in terms of robust decision making and in appreciating the bigger and wider picture,” James says.

 **Written by Sunniva Kolostyak**