

Diversity, Equity & Inclusion

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How inclusive are you?

11 crucial questions
you should be asking

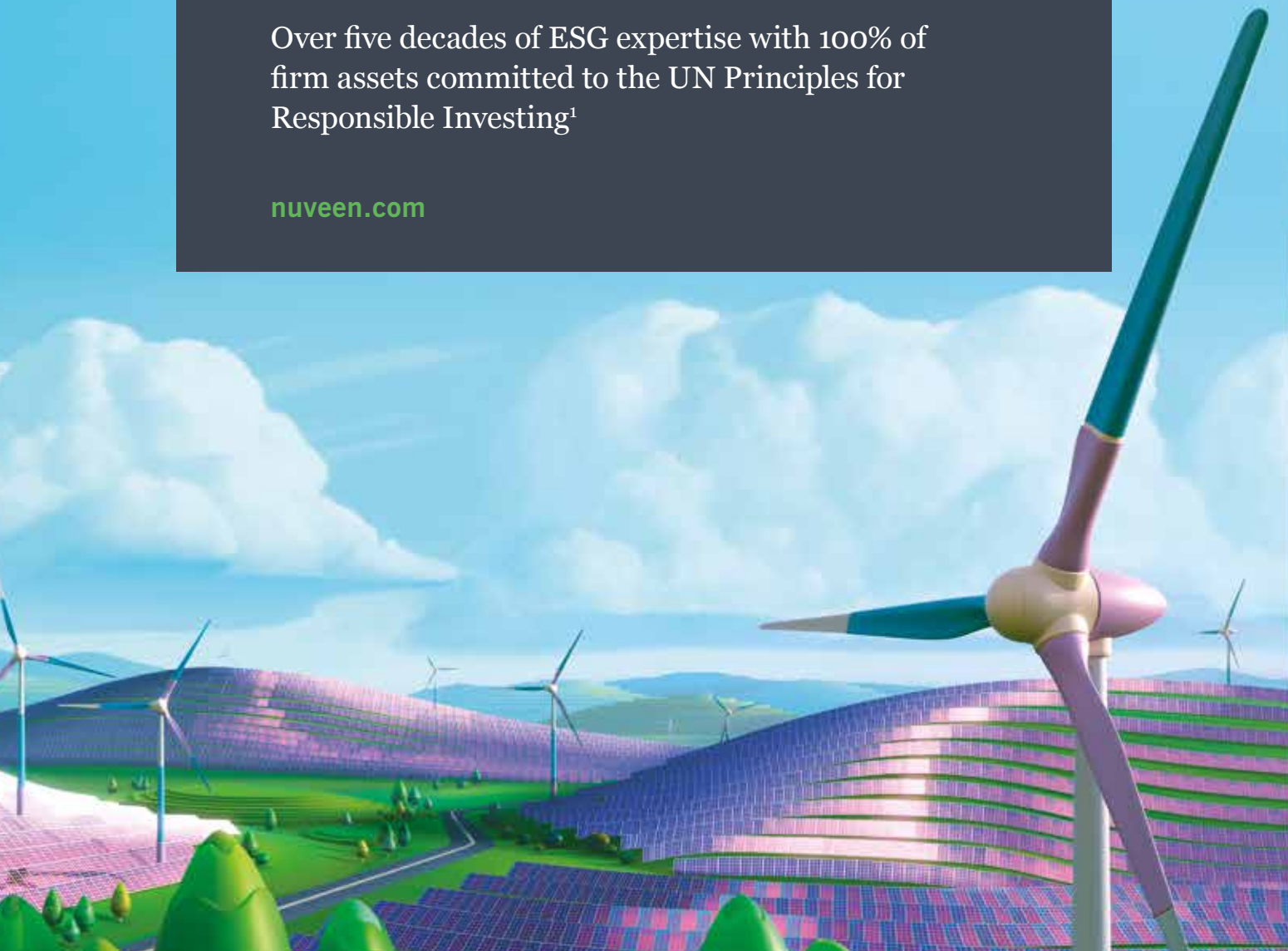
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Insight

Key takeaways Investors are increasingly willing to walk away from funds that lag in diversity, equity and inclusion



Definitions of diversity are widening

How do you create a more diverse working environment? Gender has been the obvious starting point for investment firms taking their first tentative steps into the world of diversity, equity and inclusion, but ethnicity has proved a tougher ask.

Black investment team representation, in particular, remains weak. Firms have, however, responded with enthusiasm to the 10,000 Black Interns initiative and the Alternative Investment Programme spearheaded by Sponsors for Educational Opportunity. Industry associations are also expanding their focus with dedicated initiatives.

Yet private funds are now being confronted with the idea that diversity actually encompasses a far more multi-faceted and complex set of differences than they might ever have imagined.

These forms of diversity include sexual orientation, gender identity, disability, neurodiversity, socio-economic or educational background and myriad other traits that are hard to define.

There is no denying the scale of the challenge, but investment firms are starting to appreciate that a cultural shift to diversity of thought and experience can truly transform an organisation.

Monitoring progress is crucial, says Anne Philpott, principal on the private equity and junior capital solutions team at Churchill.

"It is important to take your tracking to the next level," she says. "You need to look at how many minorities have been promoted; how many women are in management positions or earning carry; how many diverse team members have ownership stakes in the business."



The performance debate is - almost - over

Philosophical debates over the impact of DE&I on performance have now - largely - been confined to history. And in a performance-driven culture like private markets, that is critical. The data paints a clear picture. GPs and LPs are well versed in statistics that reveal that racially and gender diverse publicly quoted companies dramatically outperform their non-diverse peers.

Meanwhile, an understanding of why diversity contributes to performance enhancement is growing up alongside these headline numbers. Cloud-based decision-making software company

Cloverpop has found that diverse and inclusive teams come to better business decisions up to 87 percent of the time.

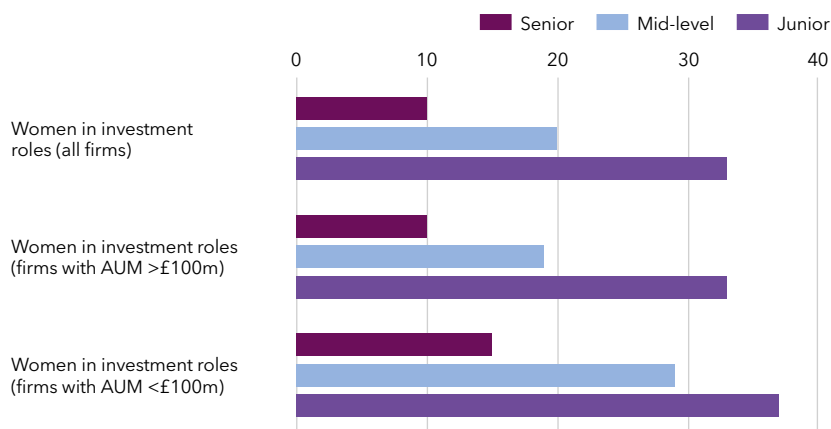
There is a growing acknowledgment that an investment team that brings a breadth of knowledge and experience to the table is going to spot more risk and more opportunity. Although correlating diversity to investment performance is complex, due to the multiple factors at play, hard evidence is starting to emerge in the investment sphere.

The National Association of Investment Companies has found that diverse private equity funds outperformed the Burgiss Median Quartile in almost 80 percent of vintage years studied. Research by Rock Creek Group found that gender-balanced teams produce 20 percent higher net IRRs.

It seems increasingly likely that DE&I will play a vital role in a firm's ability to generate returns for its investors. And the performance gulf between diverse and non-diverse asset managers is only going to widen. Although only a small number of LPs will currently walk away from a fund based on a lack of diversity, that is changing. Investor commitments, as well as the ability to seal deals and exit at optimum valuations, will be facilitated when a firm can demonstrate its commitment to DE&I.

"As an organisation, questions around D&I have been part of our diligence process for as long as I can remember," says Raphaëlle Koetschet, head of Caisse des Dépôts' funds investment team. "But this is clearly an issue that has remained overlooked by the industry as a whole until recently. The reactions of GPs to our questions have certainly changed and we're thrilled to see that D&I is now at the frontline of conversations."

Gender diversity in private equity and venture capital (%)



Note: survey of 186 firms with employees in Europe
Source: BVCA and Level 20 Diversity & Inclusion Survey 2021



Inclusion is the new priority

Whenever a new concept emerges in the world of investment, there is a period of interrogation and learning that is often accompanied by a battle over linguistics. D&I quickly became a go-to acronym. But as understanding around the role and value of diversity in private markets increases, many firms are re-thinking their terminology.

A whole raft of firms, including Apax Partners and KKR, have made the conscious decision to flip the term D&I on its head. There is a growing recognition that diversity can exist without inclusion. However, it is only by ensuring that diverse team members are valued and

listened to that diversity can help to deliver improved performance.

"We believe that a diverse team, with different thinking styles and visions, will bring deeper discussions and more innovative ideas and solutions," says Coralie De Maesschalck, head of ESG and CSR at private debt business Kartesia.

The addition of equity to create DE&I has become commonplace too, as firms acknowledge that equal opportunity – from recruitment to promotion and pay – is integral too.

Firms are increasingly putting their convictions into action with well-defined steps to cultivate a greater sense of inclusivity. Measures include an overhaul of benefits to ensure they are gender-neutral, formal anti-discrimination policies and the launch of employee resource groups to support specific communities. Firms are also getting creative, with social events, open dialogue schemes such as Nuveen's Courageous Conversations and even DE&I book clubs to foster the sense of openness and inclusion that is critical to ensuring diverse talent reaches its full potential – and sticks with your firm. ■

Editor's letter

The need for a more questioning approach



Graeme Kerr

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The answer is staring us in the face. Study after study has identified the benefits from having a diverse, inclusive workplace. But what exactly is the question? That, in a nutshell, was the starting point for *Private Equity International's* most in-depth ever look into diversity, equity and inclusion in private markets. Nine months ago, our special projects team embarked on this collaboration with asset manager Nuveen to explore how investment firms are responding to the heightened awareness of DE&I issues among both investors and employees.

None of us doubted the effectiveness of DE&I initiatives. But what, we wondered, are the crucial questions that investment firms should be asking themselves as they embrace diversity, equity and inclusion?

It was a fascinating exercise: our long list of questions comprised nearly 50 separate conundrums covering everything from promotion and recruitment to performance and investment philosophy. After much soul searching, we settled on our final selection of 11 crucial questions ranging from the most basic of all – what does DE&I mean to you? – to the more nuanced – how exactly do you foster a sense of belonging in the workplace?

We then posed those questions to a cross-section of private markets firms, investors and ESG experts. Turn to p. 12-27 for their responses, which make engrossing reading. The most important takeaway? Diversity, equity and inclusion has simply become too big an issue to ignore. Whether it's equity of pay, inclusiveness of the workplace or the diversity of the investment approach, DE&I has become a key metric that differentiates investment firms.

And with investors putting increased pressure on fund managers over diversity, this is a debate that looks set to intensify: no one's saying they have all the answers, but asking penetrating questions seems as good a place to start as any.

Graeme Kerr



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Q&A

The way to embrace diversity is to listen more than you talk, says global CIO and head of investments for Nuveen Real Estate, Carly Tripp

Q How much progress have you seen in the real estate industry when it comes to DE&I?

A Throughout my career, I have witnessed tremendous change. There is, absolutely, more diversity around the table today, compared to a decade ago.

Q And why is it so important that these organisations do become more diverse and inclusive?

A Diversity, equity and inclusion is key to ensuring more equitable outcomes for society as a whole and profitability impact for the firm. DE&I are also important from a productivity standpoint. But while the benefits of having a diverse employee base are well documented, creating a culture where those team members are consistently encouraged to be authentic is just as important, that is why we lead with inclusion. It relies on every individual challenging their baseline thinking in a way that may make them feel uncomfortable. It is also the piece that can genuinely impact performance.

Q Is diversity still primarily thought of in terms of gender and ethnicity?

A Gender and ethnicity are the more visible and measurable forms of diversity. But gender and ethnicity differences don't necessarily translate into differences in the way we approach work or our lives. The best



“Try to understand who people really are and where their motivation to succeed lies”

advice I can offer about how to tackle those more subtle but critically important differences is to listen and become an ally for an individual or group that doesn't match your own. Creating a climate to understand who people really are and where their motivation to succeed lies moves inclusive outcomes beyond gender and ethnicity.

Q What are the biggest challenges that remain when it comes to driving greater diversity in the real estate sector?

A The biggest opportunities are at the middle management level and above. We are seeing great improvements when it comes to entry level and more junior positions. But when you reach middle management, that gap is still there, so there has to be a willingness to hire outside the industry. Being even more consciously inclusive when recruiting for a role and considering hiring for potentiality is one way to support diverse hiring. You need to embrace candidates that might not meet the technical requirement of having a certain number of years' experience in real estate. Instead, you need to look for transferable skills and a desire to succeed. At the senior levels, there is more intentionality to engage in diverse sponsorships. Diverse sponsorships provide opportunity to learn and grow talent that will have a different perspective and experience from your own which in turns leads to more innovation and business impact.

Q If we were toasting your success in DE&I in 10 years' time, what would we be toasting?

A We would be toasting an organisation that is leading the industry in growing diverse talent, creating innovative diverse real estate outcomes/solutions and celebrating our culture of showing up as our whole authentic person in the workforce. There is still a lot of work to do. But, in my opinion, that is what success would look like. ■

KEYNOTE INTERVIEW

'I have never been more optimistic'



At companies around the world, conversations are happening that would once have been considered taboo. That is paving the way for a more diverse, equitable and inclusive world, says Nuveen CEO Jose Minaya

Q What do you see as your role when it comes to Nuveen's DE&I ethos and practices and why, as CEO, have you decided to be so hands-on?

First of all, I see diversity, equity and inclusion as a bottom-line issue for the company. There is a mountain of research that shows that diverse organisations perform better. We are also a people business, which means there is a continual battle for talent, and if you are not doing this well, you are not going to be able to attract the very best to your firm. DE&I is something that matters greatly to our clients as well.

Institutions want solutions and service that reflect a broad perspective, and we know we won't earn their trust if we don't share core values. So, on multiple levels, getting DE&I right is fundamental to our long-term success. Finally, diversity, equity and inclusion is a personal passion of mine.

Q How has the pandemic impacted your approach?

I am often asked how the pandemic has changed our strategy, and my answer is that it hasn't. ESG and DE&I are critical components and have always been incredibly important to us. The pandemic, and the injustices that we have

seen across the US and globally over the past two years, have simply created a lot more awareness around these topics. It's no longer a question of just committing to representation goals and keeping a tally. It's about engaging in discussion, sharing stories and listening to our employees in a completely different and deeply inclusive way. And it's about greater transparency with our firm's equity opportunities and solutions to address them. Those are the most significant shifts that I see in corporations around the world today.

Q Is the debate expanding beyond gender and race?

The pandemic exposed systemic inequity and disparities in our society that both targeted and transcended gender and race. In our own organisation, the pandemic revealed stark differences in how we worked. We faced the same challenges around remote working as everyone else; but while some of us were confined to large homes, with backyards and the opportunity to go outside, others had very different living situations. Others still – like those in our mailroom, for example – had to come into the office and take public transportation to get there.

In that regard, covid has forced us all to think differently and to consider the inequities around us. How are single parents faring in this pandemic? What about those with elderly relatives to care for? How do we support gender-transitioning colleagues during this time? Was everyone comfortable showing their homes via Zoom every day? The unique differences in experience that form each of us have come to the fore in a way they never have before, and that has made our employees feel more empowered. When incidents of violence against members of different ethnic groups spiked earlier this year, our employees asked to hear from their leaders. That just wouldn't have happened two years ago, and that sense of empowerment is here to stay.

Q What is your ultimate ambition as an organisation when it comes to DE&I?

Our biggest ambition is to remain a leader in this space by continuing to raise the bar. We want to lead when it comes to transparency, by showing what we're doing and why we're doing it. And we want to lead when it comes to execution. People often talk about metrics and, based on benchmarks with our peers, we are a very diverse firm. But for us, it's not just about numbers. It's about demonstrating progress, and letting people know where we're headed and how we're going to get there. So

we'll continue to build and refine our equity-based initiatives and processes to tackle those areas where we can do better. There are so many different ways to reimagine the world we live and work in, and we think we have a vision worth sharing.

Q What initiatives are you proudest of when it comes to creating an equitable and inclusive culture?

There are a whole range of initiatives that we have undertaken, from ensuring we have proactive pay equity, to mentorship and sponsorship opportunities, to building new metrics focused on leadership and workforce mobility as appropriate. But I think an inclusive culture really comes down to the way in which you engage with employees. We've launched a lot of different programmes, but the one I am proudest of, and which I believe has been most impactful, is the one we call Courageous Conversations, where employees engage with each other and senior leadership, including myself, by sharing their personal stories. We've shared moments where we learned from each other and our collective experiences, and it's made a difference in how we work together every day.

Historically, people were never encouraged to lead with their personal story in a work setting. But that is changing. We saw what happened with the murder of George Floyd, for example. We felt the pain of our employees and that pushed us to get out there, engage and share our own experiences. It still raises the hairs on the back of my neck when I think about some of the profound experiences shared by our employees, whether Black, Latin American, white, LGBTQ+ and those from other communities as well.

Just hearing those life stories had such a powerful effect. We know the journey is far from over, but there is a greater awareness today because of conversations like that. And, as a person of colour and a corporate leader, I

have never been more optimistic than I am today.

Q So, big strides have been made in awareness and good intent. But what challenges remain?

I think you're right that the ambition is there. The challenge is how do we do it? I often hear people saying that it's difficult to increase diversity because the talent pools are smaller. I don't believe that. You have to fish in different ponds, and you have to plan ahead. You have to think differently about how you attract that talent. And you also have to think carefully about how you engage with employees and inspire them to be ambassadors for your brand and informal recruiters through their own networks.

Corporate leaders are now talking about things that you would never have heard them talk about before. That's uncomfortable for some, and that's OK. There is no playbook here. What is undeniable, however, is that your employees, clients and shareholders all want to know where your values lie and what position you're taking on the big social and political issues of the day. And you have to be clear about it. These topics of conversation would have been completely taboo in my younger days. But now they are essential to the long-term success of any organisation. ■

Jose Minaya became chief executive officer of Nuveen, the investment manager of TIAA, in January 2020, just as the pandemic was gaining its grip. He is responsible for Nuveen's vision, strategy and day-to-day operations. He also chairs the Nuveen executive committee. He was previously president and chief investment officer, and before that led TIAA's global real assets division. He joined the firm in 2004 after stints at AIG, Merrill Lynch and JPMorgan. Having grown up in New York, the child of immigrants from the Dominican Republic, Minaya is passionate about the importance of diversity, equity and inclusion. He is executive sponsor for the inclusion and diversity initiative at TIAA, working to build and promote a diverse and inclusive environment throughout the enterprise. He also serves on the board of the Robert Toigo Foundation, an organisation that fosters career advancement and increased leadership of under-represented talent.



DE&I: How private equity is tackling the challenge

*The ability of fund managers to reduce gender and racial inequality
can have a profound impact on the world we live in,
writes Amy Carroll*

There are currently around 10,000 private equity firms globally, responsible for more than \$3.9 trillion in assets under management. More than 4,000 UK companies and almost 19,000 US companies are private equity-backed.

It is clear, then, that private equity's ability to reduce gender and racial inequality by embracing diversity, equity and inclusion in its own ranks – and in the businesses it owns – could have a profoundly beneficial impact on the world in which we live.

"Although often targeting mid-sized companies, private equity has the potential to influence the global business community, given the sheer number of GPs and underlying companies it invests in," says Raphaëlle Koetschet, head of Caisse des Dépôts' funds investment team. "That influence is only going to increase as private market assets under management continue to rise."

The asset class appears to be slowly waking up to this reality. The latest *Human Capital Survey* by the US National Venture Capital Association found that 43 percent of firms have at least some form of diversity strategy, compared with just 32 percent two years ago. The data also reveals that a deliberate and structured approach to tackling DE&I is working. Put simply, firms with formal strategies have greater numbers of women and people from ethnic minorities than those that do not.

"Private equity has had its wake-up call on diversity and inclusion," says Dörte Höppner, chief operating officer at Riverside. "The industry as a whole now understands that it has to do more to become truly diverse and inclusive."

There is no doubt, however, that private equity lags its public market counterparts. At the start of 2020, around 20 percent of managing director level executives at private equity firms in the US were women,

according to McKinsey, compared with 30 percent in the rest of corporate America. Private equity also trails when it comes to ethnic diversity. Woefully, just 1-2 percent of investment professionals are Black.

Maryam Haque, executive director of Venture Forward, a not-for-profit organisation launched by the NVCA to promote inclusivity, says: "Low turnover at firms, long investment cycles, financial risk, inherent industry failure

"Private equity has had its wake-up call on diversity and inclusion"

DÖRTE HÖPPNER
Riverside

rates and a network-driven ecosystem have made entering and succeeding in private equity a challenge for anyone, but particularly for those from historically under-represented groups."

Driving DE&I

The drivers behind private equity's newfound determination to overturn its monocultural heritage are clear. Not only is this palpably the right thing to do, but diversity, equity and inclusion are now essential for any firm's success and longevity.

It is hard to ignore the mounting evidence that diverse teams are better able to manage risk and create value through smart decision making. Limited partner commitments increasingly hinge on whether an investment team mirrors wider society.

Management teams at prospective

target companies are also unlikely to lean towards firms that fall short on diversity – particularly as GPs' investment appetites shift from traditional industry and towards businesses in younger, more diverse sectors, such as technology and healthcare. Evidence of a positive correlation between diversity and returns is proliferating: in a 2019 study, Rock Creek Group found that gender-balanced teams produced a 20 percent higher net IRR.

"Your investors don't just want you to make money for them anymore; they want you to make money for them while doing good," says Wol Kolade, managing partner at Livingbridge and co-founder of the 10,000 Black Interns initiative. "The entrepreneurs and business owners you want to back also won't be interested if you present them with a row of white, middle-aged and middle-class men from Oxford and McKinsey. That just isn't the way to guarantee success."

Of course, no-one is saying that any of this is easy. DE&I is not something that can be achieved overnight. "The private equity industry has historically lacked diversity and performance remains poor, especially within investment teams and executive positions," says Ardian's chief operating officer Jérémie Delecourt. "However, there is no longer debate about whether our industry needs to boost inclusion and diversity in the workplace. The question is more about how this can be achieved, both rapidly and effectively."

Recruitment strategies

The answer to that question begins, but does not end, with identifying and attracting diverse talent. "We are competing with the large advisory firms, which spend millions on recruiting high-calibre candidates," says Höppner. "Since most private equity firms are smaller, the industry is not top of mind for many students or young professionals. Changing this will require a concerted effort from private equity

firms, investors and industry associations, as well as groups such as Level 20.”

Private equity firms have been proactive in evolving their recruitment strategies. This starts with opening up the pipeline, either with internal outreach and internship programmes or by partnering with the myriad organisations – ranging from Girls Who Invest to SEO, TWIGO and the Robert Toigo Foundation – that have been created to support entry-level diverse hiring.

Next, firms have to get tough on recruitment companies. “You have to make it very clear to your partners that you want a diverse list, every single time,” says Johnathan Medina, head of inclusion and diversity at Apax Partners. Triton Partners, for example, mandates gender diverse shortlists, while making a conscious effort to include gender-neutral language in job descriptions.

“Triton’s approach to recruitment is consistent, with every candidate going through the same application process and receiving an equal opportunity,” says Amanda Tønsgaard, head of investor services at the firm. Instilling objectivity into the recruitment process has proved key.

“Private equity tends to be more qualitative than quantitative in its benchmarking,” says Anne Philpott, principal on the private equity and junior capital solutions team at Churchill. “You hear people talking about ‘fit’ or ‘feel’, but these are touchy-feely metrics that make it harder for women and minorities to make headway. For recruitment to be inclusive, requirements must be clearly defined.”

Talent development

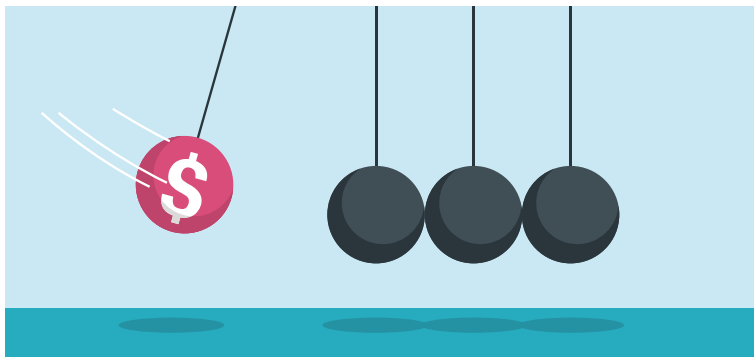
Objectivity is equally important when it comes to ensuring equitable career progression. Firms must clearly state the requisite hurdles for bonuses or promotion to eliminate unconscious bias. Private equity is also increasingly cognisant of the need to foster an inclusive culture, to ensure team

members are motivated and productive and, of course, to ensure they do not jump ship.

Inclusivity measures include employee resource groups for specific communities, ranging from women, ethnic minorities, LGBTQ+ team members to those with military backgrounds. Mentoring schemes in various guises are also increasingly common, as are open dialogue forums such as Nuveen’s Courageous Conversations. But creating a culture that is deeply and

genuinely infused with a DE&I mindset, starting at the top, is most important of all.

Blackstone’s global head of compliance and co-chair of OUT Blackstone, Marshall Sprung, points to the impact of having chief operating officer Jon Gray highlight the firm’s Pride activities in Monday morning meetings: “The truth is you can bring diversity all day long, but if people constantly feel bothered or not included, they will ultimately leave.” ■



Impact investing and DE&I

Although private equity is not known as a beacon of diversity, the burgeoning impact investment space is very different, according to Nuveen managing director and co-head of impact investing, Rekha Unnithan.

“In fact, impact teams like ours can often be more diverse than the general population,” she says. “That is a function of the experiences and passions that have brought people into the sector.”

Impact strategies typically focus on climate change mitigation or income inequities, and a DE&I component to achieving those goals is increasingly the norm. Nuveen itself is taking a more intentional approach to DE&I by investing in businesses designed to reduce inequality and improve environmental outcomes. “We don’t go out looking for companies run by women or minorities and measure our impact that way,” says Unnithan. “But we see driving a DE&I agenda as one way to improve both the financial performance and impact performance of the businesses we back.”

Nuveen always takes a board seat and because two out of three of the senior private equity impact team are women and women of colour, the investment itself can already have a transformational effect. “We may often be the first women to join that board, so we can bring a different perspective,” says Unnithan. “We then continue to push for improvements around pay equity, skills development and a diverse and inclusive workforce throughout our holding period.”

Q&A

Private equity needs to get analytical on hiring, says principal on the private equity team at Churchill Asset Management, Anne Philpott

Q What changes have you seen over the course of your career for DE&I in the private equity industry?

A When I first started out, this just wasn't something that was on anyone's radar. Over the past couple of years, it is fair to say that the focus on DE&I has grown tremendously. But private equity is still something of a laggard and there is a great deal of variability that remains between managers as to understanding both business and talent impact in this area.

Q Why do you think that private equity is lagging?

A Teams tend to be smaller and the industry still relies heavily on networking. Firms still typically look to certain schools and banks for hiring which often are not, in themselves, as diverse as the general population. But even that's changing – Wharton just shared news of its first-ever majority female MBA class. I also think private equity tends to take a more qualitative than quantitative approach to recruitment and promotion, yet is an industry driven by numbers and measurement.

You hear people talking about fit and feel. Those are touchy feely, undefined metrics which lend themselves to subjectivity and make it harder for women and underrepresented racial/ethnic minorities to make headway. The industry needs to adopt the same rigorously analytical approach it reserves for investment to its hiring practices.



“There is a great deal of variability that remains between managers”

Q Are GPs starting to change their approach?

A It is interesting to see that a lot of sponsors are starting to move away from recruiting MBAs and, instead, allowing associates to rise through the ranks. That broadens your potential pool, as associate classes tend to be more diverse. Then, of course, the focus needs to fall as well on retention and training.

Q What is most effective when it comes to that retention of diverse talent?

A Let's use a scenario. It is all very well hiring 10 women, but what

are those women doing? Are their voices being heard? As you become more senior in an organisation, you want to be a part of decision-making. And if they don't feel included, they won't stay.

Q What about less visible forms of diversity?

A Less visible forms of diversity often receive less attention, but a sustained strategy here is also key. And this preparedness also requires that you are careful about forcing the spotlight onto people as well. There are still those who are uncomfortable sharing their sexual orientation, for example, or having a disability – or better said, “diverse ability” – highlighted or revealed.

Q Why must private equity get this right?

A Private equity is a growth engine. We are backing founders and entrepreneurs that want to build successful and profitable businesses. Ensuring that diversity, equity and inclusion are baked into the companies' culture is key to making that happen.

Studies from HBR and McKinsey and others show outperformance by diverse organisations. You need a wide range of different voices and perspectives, and they all need to be at the table, engaged and listened to, otherwise both risks and opportunities can be missed, and brand- and culture-building impeded. ■



11 crucial questions you should be asking about diversity, equity and inclusion

Transforming your DE&I culture and strategy can be both an exciting and a daunting task. Here are some of the important questions firms must continually ask themselves as they seek to create truly diverse, equitable and inclusive organisations.

By Amy Carroll



What does **DE&I** mean to you?

Fund managers must first decide the extent of their diversity, equity and inclusion ambitions – and why DE&I is important to them

As any change management aficionado will tell you, the ability to define a problem is critical to solving it. In order to truly embrace diversity and inclusion, an investment firm must first decide what a diverse and inclusive workplace means to them and – crucially – why it is important.

As Wol Kolade, managing partner of Livingbridge and co-founder of the 10,000 Black Interns initiative, says: “If you don’t understand why this matters you may as well not bother. To make any kind of difference, D&I has to be genuinely and deeply entrenched in your organisation and in your culture.”

For Esther Peiner, co-head of infrastructure in Europe at Partners Group, the answer is simple: “The assets we invest in have an essential and lasting role to play in society. If our investment decisions are taken by a small subset of that society, we run the risk of blind spots. Having diverse voices around the table is vital to ensuring our infrastructure remains profitable and valuable.”

There is a growing understanding that retaining a diverse workforce leads to better performance. “There is a mountain of research that shows that diverse organisations perform better,” says Nuveen CEO Jose Minaya. “We are also a people business, which means

there is a continual battle for talent, and if you are not doing this well, you are not going to be able to attract the very best to your firm.”

Pete Stavros, co-head of Americas private equity at KKR and co-chair of the firm’s inclusion and diversity council, agrees. “We are deeply committed to ensuring we are a firm that develops and retains the best possible talent. Therefore, we have made becoming more diverse and inclusive a strategic priority as we believe that different perspectives will enhance performance.”

Diversity is a sweeping term that covers an array of differences. Firms must also define and prioritise what forms of diversity their programmes will address. Gender has typically been the go-to starting place. “With gender you were in effect promoting your sister, cousin or aunt, and that is relatively easy for people to embrace and that helped build momentum behind the issue,” says Kolade. “Ethnicity was harder for people, but by then, the train had already left the station.”

Harder still are the less visible and measurable forms of diversity, including those relating to sexual orientation, socio-economic and educational background, disability and neurodiversity. “It is also important not to inadvertently leave out the majority – the cisgendered, straight, white male – when you talk about diversity,”

says Johnathan Medina, who was appointed head of inclusion and diversity at Apax Partners earlier this year. “Diversity is all the visible and less visible things that make us unique.”

Firms must also consider how far reaching their diversity and inclusion ambitions are. Some are prioritising getting their own houses in order before extending the mandate to incorporate underlying assets; others believe the greatest impact they can have involves broader promulgation within the portfolio.

Nuveen has extended its reach to include its wider supply chain. The firm has established an international Supplier Diversity programme to support the growth of women- and diverse-owned businesses.

Meanwhile, although ‘diversity and inclusion’ has become a well-worn phrase, it is important to note that one does not necessarily lead to the other. If diversity means being invited to the party, so the analogy goes, then inclusion means being asked to dance.

“It is not enough to have diversity,” says Sarah Borg-Olivier, chief operating officer at InstarAGE. “You need to have the inclusion piece to actualise it. Creating that inclusive culture is challenging but is crucial to the success of any diversity and inclusion programme.”

Medina agrees: “The truth is that you can bring diversity to a firm all day long, but if people constantly feel ‘othered’, they will ultimately leave. Focusing on an inclusive environment leads to diversity, but it doesn’t always work the other way around.”

For this reason, Apax and KKR are among the firms that favour the term ‘inclusion and diversity’. Emerging markets investor Actis is another. “The two very much go hand in hand,” says head of Actis Energy Fund 5, Lucy Heintz. “But we lead with inclusion because we believe the best way to attract and retain people is to ensure that everyone feels included.” ■

20% The higher net return from gender-diverse teams



How do you measure success?

As diversity, equity and inclusion grows in prominence, more standardised metrics are likely to evolve

Measurement is imperative to driving improvements, but there is no one way of defining or tracking success. Some firms are focused on the direction of travel, while others have set targets. McKinsey suggests that publicly stating your ambitions can have a material impact on your ability to deliver.

Partners Group, for example, plans to have 25 women at the managing director or partner level by 2025. Any progress made towards that goal is reported in the firm’s corporate sustainability report. The firm also has targets of at least 40-60 percent diverse hires for its investment and financial analyst programmes at a junior level. “That is primarily gender diversity, but also takes racial and socioeconomic diversity into account,” says Partners Group’s Esther Peiner.

Nuveen Real Estate’s global chief operating officer Reisa Bryan points to retention as a critical issue: “We are very deliberate about looking at promotions, attrition and retention rates, which are really important to us as we continue to improve our diversity representation around the globe,” she says.

Ardian, meanwhile, has developed an Inclusion and Diversity Charter that sets concrete and measurable objectives to be reached by 2022. “We actively monitor and seek to improve several diversity KPIs, such as promotions, employee retention and salary gaps,” says Jérémie Delecourt, chief operating officer at the firm.

“This data collection, coupled with interviews with portfolio companies, allows us to better understand the dynamics behind inclusion and diversity initiatives.”

Kartesia has reinforced its DE&I KPIs with an evaluation of employee satisfaction, which gauges group culture, communication habits, team building and strategic decisions. Northleaf conducts quarterly employee satisfaction surveys and regular employee engagement surveys, which provide anonymous feedback.

Last year, the firm launched its first diversity census and inclusion survey to measure levels of diversity and inclusion within the firm and better understand the needs of employees. “We will continue to conduct these on a biennial basis to track our progress over time and improve our ability to measure the effectiveness of our DE&I efforts,” says the firm’s Lauren Harris.

Carlyle, meanwhile, has extended its DE&I targets to incorporate the businesses it backs. The firm has set a goal of having 30 percent diverse directors on the boards of its private equity-controlled companies that have been majority owned by Carlyle for at least two years. Since 2019, each fund and function at the firm has had its own diversity and inclusion plan to drive action and accountability.

Clearly, the measurement of success is different for each firm, depending on its motivations and ambitions. But as diversity, equity and inclusion become increasingly prominent themes, more standardised metrics and forms of reporting are likely to emerge.

Advisory firm Meketa Investment Group, for example, has devised an annual DE&I questionnaire for the entire industry, which looks not only at current diversity statistics but at policies and practices. “We feel that organisations that take D&I seriously are better performing,” says Meketa managing principal and co-CEO Steve McCourt. “It is indicative of a positive culture. It is therefore incredibly important to the investors we work with that we understand and evaluate the D&I characteristics of managers in the marketplace.” ■



What's the link between DE&I and performance?

Evidence of a positive correlation is plentiful in the corporate world

Private markets asset classes are fundamentally performance-driven environments, which is why evaluating, articulating and then fully embracing the link between DE&I and performance is so important.

Evidence of a positive correlation in the wider corporate landscape has been plentiful. “Studies from HBR and McKinsey and others show outperformance by diverse organisations,” says Anne Philpott, a principal on the private equity team at Churchill Asset Management. “You need a wide range of different voices and perspectives, and they all need to be at the table, engaged and listened to, otherwise both risks and opportunities can be missed, and brand- and culture-building impeded.”

A 2015 McKinsey study, for example, found that companies in the top quartile for racial and ethnic diversity were 35 percent more likely to have financial returns above their respective industry medians, while companies in the top quartile for gender diversity were 15 percent more likely to be outperforming their industry average.

The link between diversity and performance among

investment firms is trickier to unravel. Nevertheless, in 2019 the National Association of Investment Companies found that diverse private equity funds outperformed the Burgiss Median Quartile in almost 80 percent of the vintage years studied. Research by Rock Creek Group also found that gender-balanced teams produce 20 percent higher net IRRs. “I believe we need to look at diversity not just as a ‘nice to have’ but as a crucial element of value creation,” says Pawel Gieyrnski, managing partner at Central and Eastern European firm Abris. “Cognitive bias is a huge issue in private equity and one that can’t be solved by the middle-aged white men who dominate the industry.”

Accepting that increased diversity and inclusion will boost performance is the first step. Understanding why that is, meanwhile, will help create a self-fulfilling prophesy.

Greater diversity improves decision making. Research by Cloverpop, a company that develops cloud-based decision-making software based on behavioural science, concluded that companies with diverse and inclusive teams come to better business decisions up to 87 percent of the time.

“We believe that a diverse team, with different thinking styles and visions, will bring deeper discussions and more innovative ideas and solutions,” says Coralie De Maesschalck, head of ESG and CSR at European private debt business Kartesia.

“We believe diversity of thought is a key factor in our decision making and that it will have a positive influence on long-term financial performance,” adds Lauren Harris of Northleaf. “The encouragement of and hearing and acting upon diverse perspectives is a key element of our success.”

DE&I is a powerful tool when it comes to attracting and retaining the best people – which, in the context of investment management, is clearly critical to driving performance. “Being diverse and inclusive allows us to retain our current employees and to attract great new talent, as diversity and inclusion are important topics for millennials and generation Z,” says De Maesschalck.

Meanwhile, it is increasingly clear that a failure to embrace DE&I could have catastrophic implications for performance, as not only employees, but investors and target companies, move to boycott laggards. “Many investors now won’t give you their money unless you not only tick the box, but walk the talk,” says Livingbridge’s Wol Kolade. ■



Do your DE&I initiatives really work?

It is important not to congratulate yourself based on a narrative supported by selective data

Measurement against industry benchmarks and internal targets is clearly the simplest way to ensure that your DE&I programme is really working. There is no doubt that headline stats paint an important picture. Riverside has doubled the number of female investment professionals across the globe over the past four years, according to the firm’s chief operating officer Dörte Höppner: “As of March 31, 2021, nearly 40 percent of our full-time employees are female, including several senior positions.”

Brookfield Asset Management has increased female representation among SVPs from 14 percent, five years ago, to 36 percent, and among managing partners from 6 percent to 16 percent over the same period, according to the firm’s chief operating officer Lori Pearson. KKR has quadrupled the number of senior women in its ranks since the formation of its inclusion and diversity council in 2014. The proportion of women in investing roles at the firm has increased

from 9 percent to 25 percent. Triton Partners, meanwhile, measures itself against its industry peers. With a workforce that is 25.3 percent female, the firm's gender parity exceeds the private equity industry average of 20 percent. Kartesia points to a workforce that is 36 percent female, compared with a European private debt industry average ratio of 14 percent.

Headline stats can be oversimplistic, however, especially as so much of the focus pertains to gender. And it is important for firms not to congratulate themselves based on narratives supported by selective data. "People love to quote stats on how many women or minorities they have in their organisation, but it is important to take your tracking to the next level," says Anne Philpott, principal on the private equity and junior capital solutions team at Churchill. "You need to look at how many minorities have been promoted; how many women are in management positions or earning carry; how many diverse team members have ownership stakes in the business."

Statistics for people from Black and other minority ethnic communities, for example, can be particularly misleading. "Some of the biggest private equity houses in the world are run by people of Indian descent," says Wol Kolade of Livingbridge. "Looking at the statistics, it would be easy to believe there is no real problem with BAME representation in private equity. Except, of course, there is. Because there are virtually no Black people. Be careful what labels you use. Be brave."

Apax's Johnathan Medina says that although measuring the diversity of the upper echelons is important, it is not the only way to gauge success. "It can be hard to get people excited when those are such big, hard numbers to move," he says. And so Apax focuses on the effectiveness of each individual initiative. Since launching Thrive LGBTQ+, for example, the firm has been tracking membership numbers, employee engagement and inclusivity polls.

"In a year's time we will ask those same questions to see whether Thrive has been effective or if we need to make changes," says Medina. "Private equity is all about a performance culture. Treating inclusion and diversity in the same way tends to yield greater results."

Looking beyond headline stats is vital when it comes to those less visible forms of diversity – where, in many contexts, it is impossible to collate the data and, in some

"You can't take your eye off the ball. This is something that constantly needs to be reinforced. There is no magic formula. It is test and learn, underscored by an unwavering commitment to get there in the end"

WOL KOLADE
Livingbridge

cases, illegal to do so. KKR, for example, received a perfect score of 100 on the Human Rights Campaign's 2020 Corporate Equality Index, which reports on corporate policies and practices related to LGBTQ workplace equality. It has also been recognised by the Dave Thomas Foundation for Adoption on its annual list of the Best Adoption-Friendly Workplaces for five years in a row.

Although numbers can be frustratingly slow to move in a private markets context, there are other means of determining whether you are on the right track. Simply observe behavioural changes. Are hiring managers consistently employing inclusive language in their recruitment campaigns? Are members of staff – from both majority and minority communities – more engaged with the initiatives you have embarked on?

Finally, it is important to remember that DE&I is a journey. It is vital to continuously assess whether your programme is working or if it needs to evolve. "You can't take your eye off the ball," says Kolade. "This is something that constantly needs to be reinforced. There is no magic formula. It is test and learn, underscored by an unwavering commitment to get there in the end." ■

KEYNOTE INTERVIEW

DE&I could soon become a tiebreaker



*Investors are increasingly prioritising diversity, equity and inclusion in their manager selection process, says head of Nuveen's global client relationships **Alex Prout***

Q How important is DE&I for institutional investors when assessing a manager?

Different clients have different approaches when it comes to where they rank DE&I. But all of them are looking for value and performance. Our ability to deliver that starts with our people and how well we are able to develop a culture of excellence, inclusion and diversity within our organisation. Diversity, equity and inclusion are fundamental to achieving that.

Q Are there notable differences in investor attitudes towards DE&I from a geographical perspective, or by type of institution?

Thankfully, I think the understanding of this issue is now pretty much universal. It started with the demands clients placed on their asset managers with the rise of ESG and responsible investing. Those clients are now saying that not only do we need to put their money to work in a responsible fashion, but we need to walk the walk internally as well. Part of that is ensuring that we are building best practices around DE&I in our own organisation. We can't just be holding the companies we invest in accountable by looking at diverse representation on their boards and in their senior leadership teams. We have to turn that lens on ourselves.

And, of course, we also believe that DE&I is linked to business and

investment performance. All the studies show that diverse teams perform better, are more productive and more efficient. It makes business sense, therefore, that we are intentional about creating a level playing field and ensuring equitable systems and processes for all our talent.

Q Have the events of the past 18 months created additional momentum?

It has absolutely created a sense of momentum and of urgency. Initially clients' focus on ESG began with the E component. It was all about climate and protecting the environment. After the summer of unrest of 2020, there has been a much greater focus on the social

and governance components. The data around covid-19, in particular, clearly shows that women have been disproportionately affected and I think that has renewed clients' scrutiny of how we are able to deliver a positive impact on our society whilst continuing to deliver investment results. And we have no doubt that there is complete alignment between those two goals.

Q Is a poor track record on DE&I now becoming a deal breaker for investors?

I think we are still at the start of the process and the emphasis is on accumulating data. As we progress, that may develop into a negative screening tool – a way to exclude managers – or it may become something that tips the scales where you have equally excellent investment capabilities on the table. If one manager is delivering financial results, alongside a focus on DE&I, hopefully that will become a tiebreaker.

Q Do investors still primarily think about diversity in terms of gender? How can we move the conversation on to incorporate less visible forms of difference?

Ultimately, we want to build teams and organisations that reflect the society that we live in. The hope is that we continue to expand diversity implementation as far as we possibly can, whether that involves gender, race or any other form of diversity, including age.

Our firm leads with inclusion as evidenced by the name of office of inclusion, diversity and equity. But, right now, the most obvious lens is gender. There has been a lot of research focused on gender pay gaps and the disparity in representation at a senior level, so I think gender is the launchpad. But obviously we have a great deal of work to do across the whole spectrum of inclusion, diversity and equity.

Q Is that positive correlation between DE&I and performance now universally accepted by investors?

There has been some very interesting work done by the Thinking Ahead Institute. Their thesis is that culture equals investment alpha. Teams that outperform from an investment perspective are underpinned by a strong culture and diversity, equity and inclusion is one of the key measures they use to identify or quantify that culture. We participated in their inaugural survey and were one of the more highly rated firms. We would encourage more organisations to find that linkage, and to quantify it, because it is vital that we spend time developing our culture, values and people.

Q What kinds of questions are investors asking of their GPs?

I view this as your typical onion peeling exercise. It starts with looking at board level and management team diverse representation, and then extends to the wider organisation. Some of our clients are focused on the corporate level, others take an investment team approach. But while transparency around that data is important, it is just as important for investors to understand where a manager is heading. What are they committed to and how are they going to achieve that? Those are the sorts of questions that are starting to emerge.

Q What appetite do you see for impact strategies with a gender or ethnic lens?

First and foremost, both ourselves and our clients are fiduciaries mandated to provide investment returns. That underpins everything that we do. But we do believe that looking at investments through a responsible investment lens is something that enhances our ability to understand risk and return. We also see that more and more clients are building impact into their investment allocations and we welcome the opportunity to work with them on that.

Q How can investors and managers collaborate to make further progress in improving DE&I within the asset management industry?

Our clients hold us accountable for delivering investment returns. And, with the evolution of ESG over the past 15 years, those clients have also begun to hold us accountable for ensuring their money is invested in a responsible fashion, whilst still delivering those appropriate risk/adjusted returns.

The same thing is now starting to happen with DE&I. Clients are saying that they want to work with firms that are building diverse, inclusive and equity-focused organisations and that are committed to creating a level playing field where every employee, regardless of a self-identified gender, race or ethnicity, can reach their full potential. That is something that our industry should be embracing, and we should be working collaboratively to make sure that happens.

Q What potential could enhanced DE&I in asset management ultimately have for the economy and society?

I think that we all understand that this is the right thing to do, and we now have the data to prove that diverse workforces are better performing entities. But there is still a long way to go. Our workforces, for the most part, do not represent the society we function in and so we have to work hard at every level, from the sourcing and hiring of diverse candidates, to providing that pathway to advancement and addressing unconscious biases, so that we can build a truly equity-based system where talent can rise. ■



How do you **engage** with investors?

Diversity, equity and inclusion is considered one of the four investment engagement priorities for 2021, making it vital to connect with investors on this issue

Increased scrutiny of diversity and inclusion practices by investors has been one of the most significant drivers of enhanced DE&I practices in private markets asset classes. EY recently published a study about the four investor engagement priorities for 2021. These were climate risk, human capital, diversity and covid-19.

“As an organisation, questions around D&I have been part of our diligence process for as long as I can remember,” says Raphaëlle Koetschet, head of Caisse des Depots’ funds investment team. “But this is clearly an issue that has remained overlooked by the industry as a whole until recently. The reactions of GPs to our questions have certainly changed and we’re thrilled to see that D&I is now at the frontline of conversations.”

Means of engaging with investors on DE&I range from formal reporting, to educational events, use of the annual investor meeting, thought leadership content and the endorsement of industry-wide initiatives such those promoted by Level 20 and the Institutional Limited Partners Association. “Certainly, you can see that D&I is becoming a more prominent theme for our investors. They are incorporating D&I metrics into their investment criteria,” says Instar’s Sarah Borg-Olivier.

Brookfield’s chief operating officer, Lori Pearson, adds: “We actively engage with our investors on D&I through

one-on-one discussions and through more formal investor communications via meetings, webcasts and published materials, such as our annual report and ESG report.”

Brookfield has also become a member of the ILPA Diversity in Action initiative, which brings together LPs and GPs that share a commitment to advancing diversity and inclusion. But perhaps the most productive interactions between LPs and GPs on the subject of DE&I are those informal conversations of equals, where both parties share their aspirations, successes and failures.

“Discussions with LPs tend to focus on KPIs and a status quo assessment for the most part. But in some exceptional circumstances we move away from talking about targets and measurement and towards the actual contribution that diversity brings and the link to success,” says Partners Group’s Esther Peiner. “Those are the conversations I enjoy the most.”

“Access to diversity disclosures that include the workforce, and the board is increasingly important to investors. They want transparency from us on this topic,” adds Coralie De Maesschalck of Kartesia. “Knowing what D&I means to each of our investors is also a way to engage with them as it allows us to address their needs and share best practices with them. Most are also working on D&I themselves so brainstorming always leads to interesting debates.” ■



How do you support a multi-generational workforce?

Every generation brings its own distinct employee expectations, with the pandemic highlighting further differences

There are now five or more generations in the workplace, ranging from the silent generation – those born between 1928 and 1945; to baby boomers; Generation X; millennials or Generation Y; and the newest cohort, Generation Z, born since 1997.

Each generation brings its own distinct employee expectations around topics ranging from reskilling in the age of automation; holistic employee wellness programmes; connecting work to social impact and purpose and flexible work arrangements. There are also clear distinctions when it comes to leveraging social media within and outside the workplace; crystallising what it means to ‘bring your full self to work’, and myriad other issues that will impact future diversity and inclusion training.

Meanwhile, the pandemic and pervasive remote working have only served to further highlight generational differences. Young recruits were often navigating work-from-home in a house share environment, for example, while older team members may have been less comfortable operating the requisite technology.

It is important, therefore, that DE&I initiatives are tailored to the full spectrum of generational differences. That

starts with an appreciation of the benefit that age diversity brings. “Older colleagues bring a wealth of experience, while more junior team members bring a fresh perspective,” says Partners Group’s Esther Peiner.

Peiner adds that it is also critical to think about motivation when considering a multi-generational workforce. “I don’t just mean compensation. People’s motivations have changed over time and you need to incorporate that into your culture,” she explains. “When I started out in the industry, what made me most proud was to be trusted with the ownership of a financial model.

“What the underlying business did was secondary to me. If I look at graduates entering the industry today, the underlying purpose of the business and how it impacts wider society really drives people. There has been a fascinating shift in underlying motivation.”

It is also important to consider the different challenges that employees face at different stages of their lives and to provide the necessary support to enable them to flourish. “When I think about a multi-generational workplace, I think about where people are in their lives,” says Instar’s Sarah Borg-Oliver. “We address that by creating a benefits

programme that allows employees to support their families, whether that is with 24/7 virtual healthcare, because it can be hard to get a child to a doctor, or unlimited mental health benefits.”

KKR also believes that benefit packages are key, including everything from lactation support such as breast milk shipping during business travel to unlimited IVF and eldercare services.

Borg-Olivier believes that a mentorship scheme is critical, as well. “It allows individuals at different levels, working in different areas of the business, to exchange views and experiences.”

And, of course, it is important that mentorship programmes do not re-enforce an existing lack of diversity, but rather foster interactions between people who are ostensibly different. “We need to start mentoring a diverse set of candidates at a much younger stage,” says Isela Bahena, a managing director focused on infrastructure private equity at Nuveen. “People tend to have a natural affinity with people who look like their younger selves. But if those at the top are only cultivating talent that looks like them, nothing is ever going to change.”

Meanwhile, Advent International has taken mentorship a step further with the Advent Sponsorship Programme – or ASPire – which pairs mid-to-senior deal-level females with partners, who then act as sponsors rather than just mentors. “This helps them gain visibility, experience and support for career advancement,” says the firm’s managing partner James Brocklebank.

Meanwhile, increasingly a form of reverse mentorship is emerging, where younger employees share wisdom with senior executives right up to the CEO.

Ardian, meanwhile, has established a millennial executive committee, which brings together a group of employees under the age of 35 from across the company to develop ideas in collaboration with the firm’s various departments, in recognition of the value that age diversity can bring. ■

5 Number of different generations in the typical workplace



How do you ensure DE&I across the portfolio?

Instilling the right ethos throughout the portfolio represents both a challenge and an opportunity for fund managers

Private markets represent a huge and growing share of the global economy. Instilling a DE&I ethos throughout portfolios therefore represents both an enormous challenge, and an incredible opportunity to have a transformative impact, and deliver outsized returns.

“We know that diverse and inclusive teams are stronger and more effective, so we strongly encourage our portfolio companies to transform their operations to reflect this belief,” says Ardian’s Jeremie Delecourt. In fact, the firm has created Ardian Circle, a community that gathers the leaders of portfolio companies, and the first series of four workshops are focused on DE&I.

KKR, meanwhile, has developed a handbook for its portfolio companies that includes the business case for DE&I, information on goal setting, a range of best practices and case studies, communication techniques, a self-assessment

and extensive resources. “It is a step-by-step guide to creating a best-in-class diversity and inclusion strategy,” says the firm’s Pete Stavros, adding that in 2018, KKR’s private equity business in the Americas set and met a goal of having at least two directors with diverse backgrounds on the board of every company it controls.

Even as a debt investor, with less direct control, however, Kartesia also monitors ESG performance across its portfolio, including D&I, using an annual questionnaire. Up until 2021, this only covered the firm’s primary deal companies, but secondary portfolio companies are now also required to provide metrics including the number of female and disabled full-time employees; the average unadjusted gender pay gap; incidents of reported discrimination or harassment; the average ratio of female to male board members and female to male company executives.

Of course, there is no one-size-fits-all solution. “The D&I subject requires an individual approach due to the different industries and sizes of our companies,” says Paweł Gieyrnski of Abris. “Our plan is to increase knowledge and suggest different ways of implementing D&I solutions that could fit their business strategy.” For example, in 2020 Abris organised training for ESG co-ordinators and HR managers on how to use DE&I to achieve HR goals. The topic is being continued this year, with a focus on employing people with disabilities.

Tying compensation and credit facilities to diversity is another innovative measure. Carlyle, for example, recently structured a \$4.1 billion revolving credit facility for its Americas corporate private equity funds that ties the price of debt directly to its goal of having 30 percent diverse directors on boards within two years of its investment. In addition, the buyout group has tied the compensation of its CEO to the firm’s performance on DE&I goals. Chief diversity, equity and inclusion officer Kara Helander says this will trickle down to other employees as well.

Actis, meanwhile, believes that it is not only a question of investors challenging portfolio companies, but of investors being willing to learn from the businesses that they own. “Some of our companies have really creative ideas around how to foster inclusion,” says the firm’s Lucy Heintz, citing Atlas Renewable Energy, a pan-American solar business that runs a solar installation training programme focused exclusively on female empowerment. ■

What are the big challenges in meeting targets?

Specific legal and practical challenges can hinder a diversity, equity and inclusion programme

There is no doubt that significant progress has been made when it comes to embracing diversity and inclusion in private markets asset classes. It is vital to acknowledge, however, that significant challenges remain.

“Our industry, which is fast-paced and results driven, must recognise and appreciate that a more diverse and inclusive culture will not happen overnight,” says Northleaf’s Lauren Harris. “It’s a journey that evolves over time with a need for continuous improvement and buy-in across the firm.”

Brookfield’s Lori Pearson adds: “Initiatives to support greater diversity and inclusion do not end with achieving a specific target – this is an ongoing process to build a stronger organisation for the long-term. Probably the biggest challenge is maintaining the discipline to integrate a focus on diversity and inclusion into everything we do. For example, this may mean being patient when recruiting to ensure our slate of candidates is diverse.”

There is no doubt that identifying diverse candidates



remains challenging for firms. The answer, according to Esther Peiner at Partners Group, is investment. “Not monetary investment, but time,” she says. “Just pick gender diversity as a measurable factor. Typically, less than 10 percent of the applications we receive for investment roles are female. The talent is absolutely out there, but you have to be prepared to embark on a more time-intensive process to keep widening the funnel.”

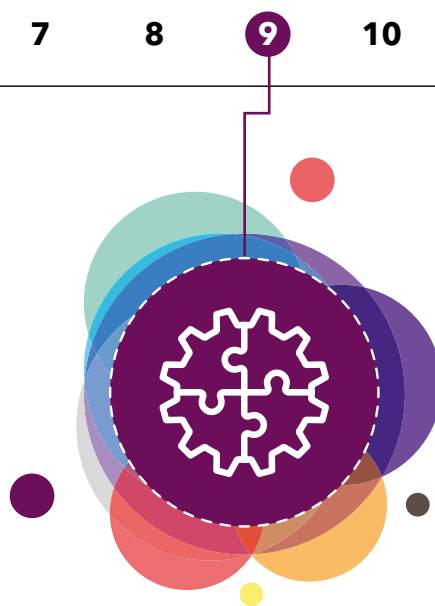
“It is hard work,” agrees Katherine Jollon Colsher, chief executive of Girls Who Invest. “It’s important that firms put significant resources towards DE&I.”

There are also specific legal and practical challenges that can hinder a DE&I programme. Data protection regulations in many markets makes it hard to track certain types of diversity – or even to ask the question. Social and cultural norms around DE&I also differ around the world. Then there is the fact that compensation mechanisms mean that people moves in private markets are relatively uncommon, making it harder to make progress against targets.

Succession events are particularly rare and to really ensure diverse leadership, DE&I needs to be built into planning many years in advance. Wol Kolade of Livingbridge, meanwhile, says key-man clauses – aside from the gender-skewed language – can sometimes make it difficult to remove destructive forces from within a firm. “When we see people not espousing the culture and values we want, we frankly have to remove them,” he says. “But the key-man clause can act against that and is actually a restriction on our ability to effectively manage our firm.”

Peiner says that perception needs to be overcome. “There is still a lack of understanding about what it is that we actually do in infrastructure investment. It involves a lot fewer spreadsheets than people might imagine. We are building projects to success, often with a transformational impact on the society they serve, which is very rewarding. This is a notoriously secretive industry that could greatly benefit from greater transparency.”

“The world is watching,” says Johnathan Medina of Apax. “The world knows there are around 10,000 private equity firms with almost \$4 trillion of assets under management. Because of that, we can have an outsized impact on the business community. Until we are genuine about the reasons for our deal teams being 1-2 percent Black, we won’t be able to move the needle.” ■



How do you foster a sense of belonging?

Failure to link diversity initiatives to those that promote inclusion are doomed to fail

Diversity must always be accompanied by inclusion – by a sense of belonging – or else it will ultimately prove short-lived and unsuccessful. “It is all very well proudly proclaiming that you have hired your first person from a certain minority group. But if that person feels uncomfortable, excluded or like some kind of guinea pig, they are not going to stay,” says Chantal Clavier, head of the real estate practice for Europe and Africa at Heidrick & Struggles. “Culture is key.”

“That inclusion piece is more conceptual in nature,” adds Carly Tripp, global chief investment officer and head of investments for Nuveen Real Estate. “It relies on every individual in an organisation challenging their baseline thinking in a way that may make them feel uncomfortable. It is also the piece that can genuinely impact performance.”

How that inclusion – or sense of belong – is fostered, varies from firm to firm but typically starts with formal inclusion and anti-discrimination policies. It also requires

that all language, benefits and policies are neutral across different forms of diversity.

In addition, it will often include the creation of employee resource groups. “These are networks organised by employees around shared interests,” explains Brookfield’s Lori Pearson.

“Through these groups, which include women’s networks, Black professional networks, Pride networks and Asian professional networks, for example, employees have the opportunity to share experiences with each other and more broadly across the firm, while surfacing feedback and ideas to management.”

The specific constructs and initiatives that prove most effective, will depend on the organisation. “When we see companies copying their peers it often doesn’t work. ‘Best practices’ are highly dependent on the firm context and culture,” says Apax’s Johnathan Medina.

“Companies have to understand what employees feel strongly about and where their passion lies. For Apax that has led, in particular, to our Thrive employee resource group focused on LGBTQ+ community members.”

OUT Blackstone is a similar initiative designed to create a supportive space for LGBTQ+ employees at the firm, so that people recognise that they can be their authentic selves at work, according to Blackstone’s global head of compliance Marshall Sprung.

“We raise awareness and visibility in a variety of ways, including ‘lunch and learns’ with organisations that serve the LGBTQ+ community. But equally, having senior leadership endorse and speak genuinely about the need for LGBTQ+ folks to feel comfortable, safe and supported is key,” Sprung says.

“At Blackstone, having someone like our COO Jon Gray talk about our Pride activities in our Monday morning meetings sends a powerful signal from the very top that this network is valued, that it’s mission is important and that people should be encouraged to be themselves.”

Instar, meanwhile, has taken an innovative approach with a diversity book club. “Members share articles and ideas,” says the firm’s Sarah Borg-Olivier. “The goal is to create more openness. It is a space for reflection on important topics that can sometimes be difficult or uncomfortable to talk about.”

Similarly, KKR has launched an initiative called KKR

“Inclusion... is more conceptual in nature. It relies on every individual in an organisation challenging their baseline thinking in a way that may make them feel uncomfortable”

CARLY TRIPP
Nuveen Real Estate

“Diversity is all the visible and less visible things that make us unique”

JOHNATHAN MEDINA
Apax Partners

Conversations. “The aim is to learn more about our differences by having a dialogue about them, featuring external guests, as well as individuals within the firm,” says Pete Stavros.

Nuveen, meanwhile, hosts a series of working sessions between executive leadership and employees called Courageous Conversations. These are designed to catalyse awareness, encourage the advocacy of allies and create a larger voice for individuals who want to be heard.

For Actis, however, the key is an open-door policy. “I know everyone always says that their door is always open,” says the firm’s chief financial officer Susan Wilkins. “But at Actis, every female director and partner actually makes a pledge so that their female peers know they can share experiences and seek whatever support may be necessary.” ■



How does DE&I factor into the transition to a low-carbon economy?

The ability to advance a sustainable energy agenda is linked to advances on diversity and inclusion ambitions

Diversity and inclusion are intrinsically linked with another global mega theme – the transition to a low-carbon economy. “Achieving the full economic and environmental potential of the sustainable energy agenda is really linked to our ability to advance on DE&I,” says Instar’s Sarah Borg-Olivier.

“There is a lot of evidence that women, low-income households and marginalised communities disproportionately bear the burden of poor infrastructure, energy affordability and of climate change. For the energy transition to be just, it must be equitable and take into account the needs of current and future workers and communities.”

Five million jobs are predicted by the International Energy Agency to disappear from fossil fuel industries by 2030 and the effects of that must be considered carefully.

“If a large oil company is employing thousands in locations across Africa, what will the impact be on those employees as production decreases?” asks Megan Fielding, senior director of responsible investment at Nuveen. “We know there will be downsizing and lay-offs – where will those people find jobs when big oil has been the dominant employer in those regions? There is a growing emphasis on a just transition and rightly so.”

But while five million jobs will be lost, jobs in renewables are anticipated to almost triple to nearly 29 million by 2050, the IEA predicts. It is important that those employment opportunities reflect the full social spectrum that energy transition is designed to serve.

Women represent 32 percent of workers in renewables, according to the International Renewable Energy Agency. This compares favourably with the 22 percent in traditional energy industries but lags behind the 48 percent in the overall labour force globally. Only 29 percent of female respondents to the IRENA survey felt the industry offered pay equity.

Ensuring the capital providers behind the energy transition are inviting diverse perspectives, voices and talents to the table is therefore critical to delivering on a just transition. And clearly those that do so will reap the rewards. “Decarbonisation will involve a whole economy transition requiring more than \$100 trillion of investment over the next three decades,” says Brookfield’s Lori Pearson. “Those organisations with diverse and experienced teams that can bring unique perspectives and solutions to identify the best opportunities and attract third-party capital will be well positioned to support the transition.” ■



How inclusive is your recruitment and talent development policy?

The excuse about a lack of diverse talent is no longer being tolerated, with the hiring process the single-most important tool

Private markets investment firms have been blaming a lack of diverse talent for their DE&I inadequacies for years. But that excuse is no longer being tolerated.

From cultivating a pipeline of entry-level candidates to securing hard-to-find senior, diverse executives, ensuring your approach to recruitment and talent development is as inclusive as possible is a critical DE&I starting point.

“Attracting diverse talent can be tricky,” says Riverside’s Dörte Höppner. “Private equity tends to attract more male candidates, so a special focus needs to be placed on the hiring process. The full support of recruitment agencies is needed. But it also starts earlier, with getting diverse students and young professionals interested in a career in the asset class.”

Myriad organisations have sprung up to help firms foster relationships and build awareness with prospective talent from secondary school onwards. KPMG, for example, engages with organisations such as STEM Women; It’s Not Just for Boys; The City Afro-Caribbean Network; Rare Recruitment; SEO London; AuthenticCity and the Social Mobility Foundation and UpReach, which work with students from lower socio-economic backgrounds, according to partner and head of deal advisory for KPMG UK Liz Claydon.

Meanwhile, larger firms have also started developing

internal programmes. KPMG runs its own Women in Deals and Black Heritage Talent insight initiatives. Partners Group has launched a summer internship programme and Blackstone has expanded its on-campus recruitment to include historically Black universities and women’s colleges.

But identifying candidates is only part of the problem. Firms must also adapt the way they engage with these potential employees. “It is critical to meet people where they are and to start by sharing why investment management is such a rewarding and impactful career,” says Katherine Jollon Colsher, chief executive of Girls Who Invest.

“When speaking to a Gen Z audience, it’s important to underscore that the decisions investors make can have a major impact on both the global and local economy, rather than merely creating alpha for clients.”

In addition, firms are rolling out organisation-wide training and reinventing their selection processes to mitigate the effects of unconscious bias. First, according to Emily Bohill, managing partner at real assets executive search firm Bohill Partners, this means making sure that the hiring panel is itself diverse.

Carlyle, meanwhile, now favours more structured interviews, with the firm providing greater clarity around key

“It’s important that firms put significant resources towards DE&I”

KATHERINE JOLLON COLSHER
Girls Who Invest

“If those at the top are only cultivating talent that looks like them, nothing is ever going to change”

ISELA BAHENA
Nuveen

“The talent is absolutely out there, but you have to be prepared to embark on a more time-intensive process to keep widening the funnel”

ESTHER PEINER
Partners Group

competencies to avoid subjectivity. “It is important to lay out objective measures,” adds Apax’s Johnathan Medina. “For example, in interviewing candidates, we give graduates models or case studies to crank through and we evaluate them on the outcomes.”

Well-defined criteria are key, not only for recruitment, but for career progression. “We have developed clear definitions for performance by function and level which promote our ability to create equal development opportunities,” says Brookfield’s Lori Pearson.

Cultivating internal diverse talent is preferable, after all, when diverse recruitment challenges increase with seniority. For mid-level positions upwards, the answer, it seems, is getting tough with recruitment agencies. “It is not just about equal opportunity. You have to mandate the recruitment company to deliver at least a 50:50 shortlist when it comes to diverse candidates,” says Isabel Rodriguez, investment director at Nuveen’s renewables platform Glennmont Partners. “They will always push back and say there is not enough talent to choose from. But you have to hold firm.”

Realistically, there is a shortage of senior diverse candidates with direct industry experience in some instances. That means increasing the acceptance of lateral hires.

“The hardest part of our job is working with our clients to figure out what is truly important to succeed in a role and encouraging them to be more open-minded,” says Tania Azad, a partner at Bohill who leads the firm’s DE&I recruitment efforts.

“What are the essential skills? Does the right candidate really need all of this incredibly specific experience in a niche sector? We have seen a small uptick in acceptance of more creative hires, but often, clients feel most comfortable when hiring in their own image. In asking the right questions and gently pushing boundaries, we are slowly starting to see less resistance to profiles which previously might have been prematurely dismissed.”

The good news is that a commitment to hiring outside the normal recruitment channels can bear fruit. Take TPG. TPG Capital, the firm’s flagship private equity fund, filled only 50 percent of its associate classes in 2018 and 2019 through the typical recruiting pipeline.

TPG’s recruiting efforts – supported by partnerships with Girls who Invest, Access Distributed, SEO, MLT and Toigo, among others – have ensured 50 percent of the firm’s last two associate classes are either women or racially or ethnically diverse. ■

Q&A

*As a global investment group, CDPQ is getting tough on DE&I, says executive vice-president and head of investments in Quebec and stewardship investing, **Kim Thomassin***

Q What role does DE&I play within CDPQ?

A DE&I is important to us internally, as it allows us to provide a workplace where employees can feel recognised, valued and empowered. As a global investor with C\$365.5 billion (\$294 billion; €247 billion) under management, it also means exercising our influence positively with our portfolio companies and the external managers with which we invest.

We strongly believe that a corporate culture based on DE&I leads to better business outcomes. We also believe it is the right thing to do. We have all seen, through covid, how women and minorities have been disproportionately affected and we feel we have a role to play in addressing these societal challenges. For us, DE&I means both progress and better performance. The two go hand in hand.

Q How rigorous is your DE&I due diligence?

A We have really increased our focus over the past two to three years and we are prepared to act if a company falls short. We may appoint a diverse candidate to the board, for example, as we generally negotiate governance rights. And if an external manager doesn't have a DE&I policy, we will insist they adopt one.

We recently also issued letters to all our actively managed public portfolio companies indicating how important it



is for them to have at least 30 percent female representation on boards and we have amended our proxy voting policy to align better with DE&I disclosure. If that 30 percent is not achieved, we could go as far as voting against the chair of the nomination committee – something that has garnered a significant reaction and allowed us to have positive engagement.

Believe it or not, some companies still say they have a pipeline issue around finding talent that meets our criteria, in which case we can step in with our internal bank of candidates and wide network and make the necessary introductions. But we can only wield that influence if we have our own house in order when it comes to DE&I, of course.

Q What is the key to inclusivity?

A First and foremost, the key is to listen and then to act upon

what you have heard. We recently ran groups for people identified as high talent potential. The group I was leading came up with the idea that every single investment committee within CDPQ should have diverse representation. That grassroots idea has now been put in place.

Another example followed the death of George Floyd, where one of our colleagues identified the importance of not only adding our voice to but taking concrete action. That employee presented to the executive committee and the result was a C\$250 million fund called Equity 253.

That fund is designed to invest in Canadian SMEs and tech companies that commit to achieve at least 25 percent diverse representation at an executive, board and shareholding level, within five years following the confirmation of the financing.

Throughout our investment, we help companies take the right actions to achieve this objective. These ideas all came from listening to our people and the impact has been tremendous.

Q What are your hopes and expectations when it comes to DE&I?

A I hope that in a few years' time, all these factors around DE&I are a given – and we won't need to have these conversations anymore because it will be so deeply engrained in corporate culture and in society. ■

R O U N D T A B L E

Taking a more nurturing approach

A group of leading professionals discuss how their organisations are putting diversity, equity and inclusion ambitions into practice.

By Amy Carroll and Samantha Rowan

Diversity is a multi-faceted concept that covers surface level indicators such as gender, ethnicity and age, but also lived experience and the way we think, all of which can add value to a team. Creating that diverse and effective team, however, takes effort and significant resource.

“We can all be guilty of spending too little time on recruitment, even though the decisions we make around hiring are arguably as important as the decisions we make around investment,” Mike Sales, chief executive of real assets and real estate at Nuveen shares during a virtual roundtable discussion. “We spend all this time preparing incredibly detailed reports for our investment committee, but we don’t always invest the same time in finding people.”

Sometimes, according to Marisa Hall, co-head of the Thinking Ahead Institute at Willis Towers Watson, the right people exist right under our noses. “Companies should also consider the diversity that already exists in their ranks, taking time to uncover those less obvious, but equally, valuable forms of difference which contribute to cognitive diversity, such as neurodiversity, and those from varied educational and social backgrounds,” she says. “Organisations need to draw out the diversity they already have in place, creating psychologically safe spaces for voices to be heard. That’s the first step. Then they can look to fill any gaps through hiring.”

Filling senior gaps is challenging, of course, particularly in industries where a lack of diversity is systemic. “When you get to senior leadership, you do

need people with experience and who are able to positively manage the culture of an organisation, so the issue cannot be fixed overnight,” Hall says.

However, she does suggest the possibility of hiring those with transferable skills from other industries, citing a C-suite asset manager with a military background. “That individual may not have had a wealth of investment experience, but they did bring exceptional leadership skills.”

Meanwhile, it can be easier to generate a diverse entry-level pipeline, although this too takes effort. In particular, it involves outreach programmes at a school and college level. But, as Laura Parrott, managing director and head of private placements at Nuveen, points out, asset managers have to be aware they are competing with recruitment machines such as the banks and



Jennie Dorsaint

Partner at Norton Rose Fulbright

Jennie Dorsaint is a real estate finance and structured finance partner at Norton Rose Fulbright, acting for lenders, asset managers, originators and sponsors. Dorsaint is also co-chair of the Origins BAME diversity network at Norton Rose Fulbright, a member of Black Women in Asset Management and a board member of CREW UK.



Marisa Hall

Co-head of the Thinking Ahead Institute,
Willis Towers Watson

Marisa Hall is co-head of the Thinking Ahead Institute, a global not-for-profit investment research network focused on mobilising capital for a sustainable future. Hall spends much of her time working on sustainability, value creation, culture and leadership, as well as diversity and inclusion. She was previously a senior investment consultant in Willis Towers Watson's investment advisory business.



Laura Parrott

Managing director,
head of private placements, Nuveen

Laura Parrott heads private placements and oversees Greenworks Lending from Nuveen. Parrott has spent the majority of her career in the private placement originations and portfolio management group. She has been responsible for building the direct origination platform and was instrumental in the formation and growth of the Private ABS specialty.



Mike Sales

CEO, real assets & real estate, Nuveen

Mike Sales is responsible for Nuveen's \$166 billion as of Q2 2021 in real assets. In addition to executive responsibility for Nuveen Real Estate, Sales is accountable for setting and driving strategy across Nuveen's impact and infrastructure teams and investment specialists, Westchester, Gresham, Greenwood and AGR. He has over 30 years of experience.

professional services firms that are hiring hundreds of analysts each summer.

Organisations also need to address the way in which they assess prospective talent.

“When people that don’t fall into an under-represented group are interviewed by organisations, they often tend to be assessed on their potential,” says Jennie Dorsaint, partner at Norton Rose Fulbright. “But when it comes to ethnic minorities, for example, they are assessed on what they can offer right now. No one is born with an innate talent for real estate. Across the sector, we should be focused on recruiting people who we can nurture, but I think that bias exists in the way we view diverse talent from day one.”

Tackling this means tackling the thorny issue of unconscious bias. According to Parrott, the very fact that

unconscious bias has become part of the vernacular is significant. “Ten, or even five, years ago, this wasn’t something that was talked about,” she says. “Unconscious bias needs to be acknowledged, so that it can be called out. In my team, we write the words ‘unconscious bias’ in big letters on a whiteboard in talent review situations, so that it is right there in the room with us and cannot be ignored.”

Hall, meanwhile, points out that it is important not to get complacent about what it takes to overcome unconscious bias. “Numerous studies have shown that many unconscious bias training programmes set up to deal with discrimination in the workplace do not work. This is because either the scope of the training is too narrow – just dealing with stereotype bias – or it is not sufficiently reinforced, with little

evidence that it changes attitudes in the long-term,” she says.

Organisations, she adds, should instead focus their training on understanding “deep-seated inequalities” in society and how they manifest in workplaces. “For Willis Towers Watson’s Investments leadership team, this was a key priority and so we worked with an external provider to really help unpack several forms of discrimination such as sexism and racism,” she says.

This had a major impact on Hall’s own understanding of these issues as a black woman working in the industry. “For example, many individuals limit racist behaviour to name calling, often by strangers. But it can be so much more, especially in a professional context,” she says. “We know from numerous studies that ethnic minorities are less likely to be employed, paid less,

“I am uncomfortable with the ideas of targets on one hand, but I recognise that, as human beings, we get very little done without them”

JENNIE DORSAINT
Norton Rose Fulbright

less like to be promoted and are severely under-represented in executive and board-level posts.

“It also affects how others view you and, in turn, how you view yourself. If there is no one in leadership who looks like you, then you implicitly create a psychological barrier to success. Unconscious bias training cannot be about a checklist. It has to get to the root of why women and ethnic minorities still seem to be fighting their way to the top or why individuals still feel as if they are not treated equitably.”

The power of mentoring

Once diverse talent has been brought into an organisation, meanwhile, the emphasis shifts towards cultivating and retaining those individuals. This is where mentorship plays a vital role.

“Having a mentor can be critical to supporting someone who doesn’t see a bunch of other people who look, feel or sound like them in the room, whether that comes down to skin colour, gender or anything else,” Parrott says. “That mentor can help that person access opportunities for development. They can help nurture them.”

Parrott adds that it is important to remember that a mentor doesn’t have to be someone who looks like you. “If you are working in an organisation that is heavily weighted to one demographic then you are going to be fishing in a smaller pool if you restrict yourself,” she says.

“In my career, I have been blessed with men who have chosen to sponsor and mentor me, and I think that is a gift. Organisations need to recognise that there shouldn’t just be one segment of the population mentoring others from the same population. This is something that is good for the whole company, not just the individual, and everyone needs to be involved.”

Indeed, Dorsaint raises an important point about ensuring that the burden of promoting DE&I doesn’t fall unfairly on diverse talent. “That DE&I can take a significant proportion of

“If there is no one in leadership who looks like you, then you implicitly create a psychological barrier to success”

MARISA HALL
Thinking Ahead Institute

your time, but at the end of the year, you will be evaluated purely on your formal job. It is important to shift the burden and to get non-diverse talent involved as well.”

Sales points out that, in addition to formal mentoring programmes, a mentoring culture should be the norm. “We call it mentoring. But really it is part of everyday life – listening and learning from one another. Mentorship should happen informally all the time. Although, of course, it is also important to have some structure in place to ensure discipline. It is easy to lapse when you are in the throes of doing business. We all lead busy lives.”

Dorsaint agrees. She describes a recent experience in which a first-time father at Norton Rose had just returned to work. “I knew it would be a big transition for him, so I called him up for a chat. You need that balance

of the informal and flexible, alongside more rigorous programmes.”

She also notes that it can be hard to replicate formal mentoring schemes in smaller organisations. “In those smaller companies, it can be easier to pick up the phone to an outside organisation, of which there are plenty – for example, Black Women in Asset Management,” she says.

Sponsorship, meanwhile, is another important tool, and one that often gets overlooked. Where mentorship provides an opportunity to chat and work through problems, sponsorship is where a leader in an organisation identifies exceptional talent and advocates for that person in the workplace, explains Hall. “I think sponsorship is really important for women and other minorities that may not always be as confident in putting themselves forward. Having someone champion you

and help give you a voice can be extremely helpful.”

Reverse mentorship can also be powerful. “I learn just as much from our young people and minority groups as they do from me,” Sales says.

Hall mentions that reverse mentoring has been particularly revealing through the pandemic, as people’s work and home lives have been smashed together. “It has allowed mentors to have a deeper understanding of the types of challenges that people are facing. For example, we saw the unlawful killing of George Floyd in 2020 have a massive impact on individuals,” she says.

“For some, it was seeing such racism so publicly and brutally displayed. For others, it was difficulty in understanding why something that happened in the US had such a major impact for those living in the UK and other minorities around the world. Reverse

Board diversity

“Boards need to reflect society and they need to bring different perspectives to the table,” says Nuveen’s Mike Sales.

“Boards are there to govern and not comply, so you need a group of people who can challenge management and that requires diversity,” he adds.

Marisa Hall of The Thinking Ahead Institute, says: “You are highly unlikely to achieve strong cognitive diversity and hence good collective decision making when everyone has a uniform set of experiences. Representative diversity is also very important. It isn’t enough to say we may all look the same but we are cognitively diverse. It is important that boards look and feel like the population that they are there to serve.”

Leveraging that diversity is also key. In his book *The Wisdom of Crowds*, James Surowiecki discusses the importance of aggregating mechanisms that enable diverse voices to come together to build collective intelligence. How meetings are run is important to this. There need to be psychological safe zones where everyone feels they have the opportunity to express a different point of view.

“Those aggregating mechanisms are often overlooked and include things like selecting a social chair, in addition

to the content chair, who looks around the room to ensure everyone feels included,” says Hall. “It also includes techniques like focused turn-taking or asking members to offer a level of conviction when agreeing to a decision and explaining any levels of doubt. Diverse representation is just the first step. There is a lot of work to do to bring the benefits of that diversity out.”

Sales believes the representation of youth is one of the biggest missed opportunities on boards. “The accepted way is to have boards dominated by experienced custodians, but for me that youthful perspective is important.”

“The idea of diverse boards isn’t new, of course,” Norton Rose’s Jennie Dorsaint adds. “No-one would ever have accepted a board run only by accountants or only by lawyers. We have always known different skills are required to help boards make those difficult decisions. What can work, if certain forms of diversity aren’t readily available in the short-term, is to establish sub committees or working groups that feed into that board, and that can include the younger generations.”

mentoring helped us understand from both our black and non-black employees about why this mattered and how it affected them, enabling us to create more informed diversity policies. Listening and showing caring and empathy has been especially important for leadership teams over the past 18 months.”

Pandemic pressures

Indeed, the pressures of remote working have placed particular pressure on an organisation’s most junior staff, some of whom, as Parrott points out, have never set foot in a corporate office. “They don’t know what it is like to be in a cubicle farm where you can go to a neighbour and ask how a particular app works or get help on figuring out a formula,” she says. “Whatever your background, it is a big ask to expect junior talent to raise their hand, or

make a telephone call, and even harder if they feel they don’t look like everyone else.”

Parrott has tackled this issue by setting up one-on-one coffees with the entire team on a quarterly basis, for “half an hour where they feel they can have some authentic face time”, she explains. “It is incumbent on senior folks to reach out and create that opportunity for others to speak up.”

Other ideas have included an hour a day of simulated office environment, when people can work quietly alongside each other on Zoom, but also look over that virtual cubicle wall and have a chat. The idea is to make people feel less isolated and not feel as if they were bothering their bosses by asking questions.

“This crisis has been unprecedented in terms of the adjustment required by individuals. We are all trying to work

from home and balance this with our personal lives during a global pandemic,” Hall adds. “People have been coping with home schooling or having elderly parents move to live with them. That is where the culture of an organisation really comes through. Leadership needs to bring the values of caring and respect for humanity to the table.”

Hall’s team at the Thinking Ahead Institute borrowed an idea from a *Harvard Business Review* article to address this problem. “We held a 30-minute team meeting every week where we gave individuals space to talk about how they were feeling, but also to make their own numeric assessment of how stressed they felt, as well as how engaged they were with work/life,” she says.

“We still continue to do this as it’s a simple but effective tool in understanding where the team’s pinch points were

“In my team, we write the words ‘unconscious bias’ in big letters on a whiteboard in talent review situations, so that it is right there in the room with us and cannot be ignored”

LAURA PARROTT
Nuveen

– for example, when schools were shut or infection rates were high. We found that this was an important addition to the storytelling. Some people speak in numbers,” says Hall.

Sale adds: “I think we all needed a degree in psychology to navigate the pandemic which has affected employees in so many different ways. There has been no one-size-fits-all. Engagement at a personal level has been critical.

“For example, we had a young person, who recently started at the company, who was excellent at what he did, but also had three kids under four and a wife with postnatal depression. He was working from 7pm to 3am to cope. It is important to identify these things and to try to support people as much as possible.”

Sales also believes it is important to be light-hearted and to bring a sense of humour to the situation. “Corporate emails can be dull and repetitive. In fact, three people in our team came up with the idea of a newsletter for the European offices. We are now on the 59th edition. There is a photo of the week, joke of the week, cocktail for the weekend and an interview with a team member. You have to find the right balance between engagement and not pushing too much corporate information.”

Data dilemmas

One of the most frequently cited challenges around measuring and improving diversity, meanwhile, is the ability to collate data, which often involves regulatory hurdles.

According to Dorsaint, the solution involves engagement and transparency. “You need to tell people what you are collecting and why you are collecting it,” she explains. “A PwC survey recently found that you need an 80 percent response rate for the data to be valuable. That can then be supplemented by focus groups, but 80 percent should be the minimum requirement.

“To get there you have to be open. You almost need a marketing session

*“We call it mentoring.
But really it is part
of everyday life –
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Mentorship should
happen informally
all the time”*

MIKE SALES
Nuveen

where you explain that you are doing this to help your organisation achieve more and to create a better team and culture. You need to explain why it will benefit the whole group.”

Then, once you have collected the data, you need to provide updates on the value that data is bringing on a regular basis, Dorsaint adds. “Finally, you also have to be sensitive to the fact that if there are only one or two individuals from a certain demographic in a group, then their responses may lose their anonymity. However, there is software out there that can overcome that, so that individuals don’t feel targeted.”

Hall wholeheartedly agrees. “Red tape is often cited as a challenge, or an excuse, when it comes to collating diversity data. But it does really boil down to transparency,” she says.

“You have to communicate with your staff to explain why this data matters and what this data will be used for. It is also important not to focus too narrowly on a single identifier, such as gender, but to think about multiple aspects of individual identity such as ethnicity, neurodiversity or educational and social backgrounds.

“Your focus should also be on how the proposed diversity policy benefits the company as a whole, for example by providing clients with the different linguistic abilities they require and therefore providing a better client experience. It has to be holistic and it has to demonstrate why this is better for individuals, clients and how it fits into your corporate values.”

Once the data has been collated and an organisation can accurately identify its starting point, the question of whether to implement formal targets arises. Some companies declare a statement of intent. Others go into more detail. “Personally, I am not a fan of diversity targets which are solely focused on hiring to fill quotas,” Hall says.

“Instead, organisations would do well to set out what diversity means to them and a statement of intent that signals its ambition, values and roadmap

to achieving your aims. Building in explicit incentives to hold people to account is also very important.”

Dorsaint adds: “I am uncomfortable with the ideas of targets on one hand, but I recognise that, as human beings, we get very little done without them.”

Rather than having targets in place for diverse hires, many feel the emphasis should be on ensuring a diverse group of prospective candidates.

“It is also about how we present ourselves to that prospective talent,” Sales points out. “That means putting together diverse hiring panels, which are the shop window of a company. That is the first insight prospective hires get on the culture of a business and it is how you can move towards greater diversity without having to sacrifice on quality.”

In addition to sounding a note of caution on targets, the roundtable participants also question the use of data for benchmarking purposes. “It is a bit like when schools are competing for your children by saying they are at the top of the academic table,” Sales explains. “It doesn’t tell you anything about the rounded nature of the education that your child is getting. It can’t only be about the numbers.

“Talk to our global CIO of real estate, Carly Tripp, who has been with us for over a decade. She will tell you that the company is unrecognisable from when she first joined. A person who has had that positive experience is unlikely to leave. It is all about creating an environment where people can thrive.”

“Benchmarking can be gamed,” Hall notes. “All you need to do is get that number to align with your peers. It is more important that a mission to build a better society is instilled in a company’s DNA.”

Equal opportunities

In addition to diversity and inclusion, organisations must also work to ensure an equitable environment, which Hall believes many firms still struggle to achieve. “A lot of it boils down to incentives,” she says. “How do you

measure the value of employees who are doing different jobs and how do you put pay structures and promotion processes in place that reflect that, which are transparent?

“Diversity addresses the number of people you employ from different groups, but not whether those people are treated fairly in remuneration. Better organisations will spend as much time thinking about how to promote equity in the workplace and bring about that fairness across the board.”

“All paths lead back to sponsorship,” adds Parrott.

“It can be hard to ask that question about whether you are being paid fairly. You need someone that you have a relationship of trust with to help facilitate that conversation.”

Managers also need to be receptive, of course. And, as Sales notes, many managers fall short on communication, and, in particular, providing difficult feedback, for example when someone has been passed over for promotion.

“We have a history in our industry of promoting those with technical prowess to management. It is almost a reward or a right of passage,” Hall says.

“But someone could be excellent at running a portfolio but not at dealing with people. It is a very different skillset and I think the approach in our industry has to change so that people management becomes a priority.”

In Willis Towers Watson’s Investments practice, for example, everyone is evaluated annually, not only on their performance, but also on the extent to which they live up to the company’s values. “That rating helps inform that person’s bonus and their salary for the following year,” Hall says. “They are evaluated on things like teamwork, integrity and respect because we do find there are people who are technically competent but are unable to work with others. The technical aspects of a role can be picked up relatively easily, but someone who struggles with the human side can easily destroy the culture of a team.” ■

Q&A

Mary Delahunty, head of impact at HESTA, on the dangers of tokenism and why a DE&I mindset is critical to ensuring a just energy transition

Q What does DE&I mean to you?

A At HESTA, DE&I means allowing everyone to bring their whole self to work and being intentional about making sure there are differences within that group. But the way we apply DE&I varies depending on the sphere of influence. As an investor, we understand that companies that take DE&I seriously will outperform competitors that don't. We also realise we have a role to play as an employer.

After all, diversity of thinking, as well as diversity in the way we look and feel, makes for a healthy team. Finally, we understand that DE&I matters in an advocacy sense. Our members are over 80 percent female and so we have a unique voice. If we speak about DE&I, people listen, especially those that hold the levers of power.

Q What are the biggest challenges in driving DE&I forward?

A Tokenism and a lack of authenticity. Take gender diversity on boards. We see companies picking up one female board member in response to investor scrutiny. That doesn't represent a meritocratic decision-making process and it is not going to deliver results. We want to see boards that are genuinely diverse, but we want to see a diverse pipeline in the executive ranks as well.



"We want to see boards that are genuinely diverse, but we want to see a diverse pipeline in the executive ranks as well"

Q What initiatives do you think are particularly effective when it comes to achieving that?

A It is both the little things and the big things. I have seen companies signalling intentionality around gender balance in the executive ranks, supported by gender-blind recruitment or affirmative action targets. That lays out

their values for everyone to see. But the little things can be equally exciting.

At HESTA we have a gender-blind parental leave scheme and it has been fantastic to see fathers take up that entitlement. Not only is it great for them and for the child, but it sends a message to everyone else. Having children is a natural part of life and shouldn't inhibit your ability to take part in the workforce. We accommodate that, just as we would a long service leave that allows you to take a caravan around Australia. It is part of life, part of you, and we welcome every part of you.

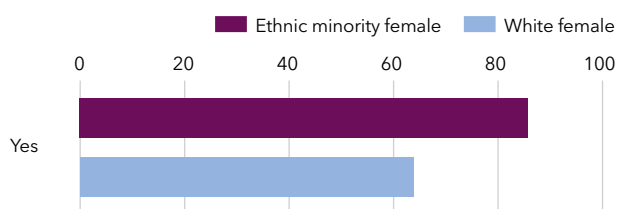
Q Why is a DE&I mindset crucial when it comes to an equitable energy transition?

A Anything that happens existentially to an economy is usually disproportionately felt by diverse communities. Policies mustn't just impact the entitled or those with the loudest voice. Climate change will have health impacts for HESTA members, who are overwhelmingly female and have a high proportion of cultural and linguistic diversity. They tend to be lower-income health and community service workers, and so the economic impacts will be acute as well. Many also live in communities that are held up by jobs that will no longer exist in a low-carbon future. We therefore feel an obligation to speak out on why the transition must be fair, just and intentional. ■

A work in progress

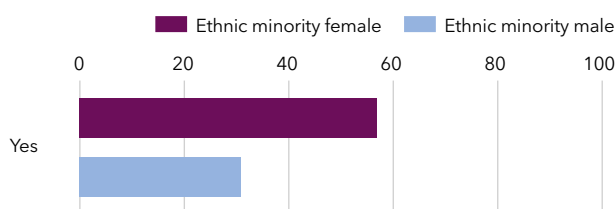
Despite increased awareness of diversity and inclusion, discrimination remains a big issue for investment firms

Do you feel you would be paid more if you were male? (%)



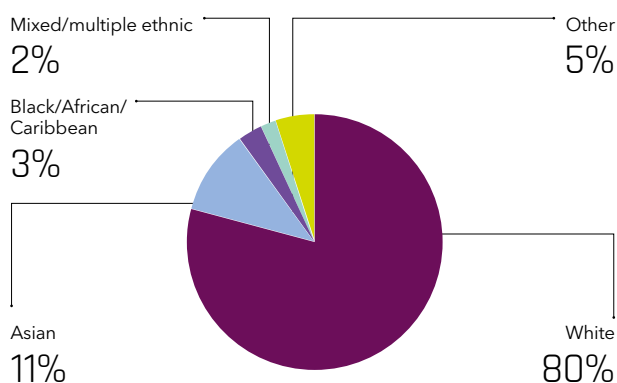
Source: Investec GP Trends 2021 report

Do you feel you would be paid more if you were white? (%)



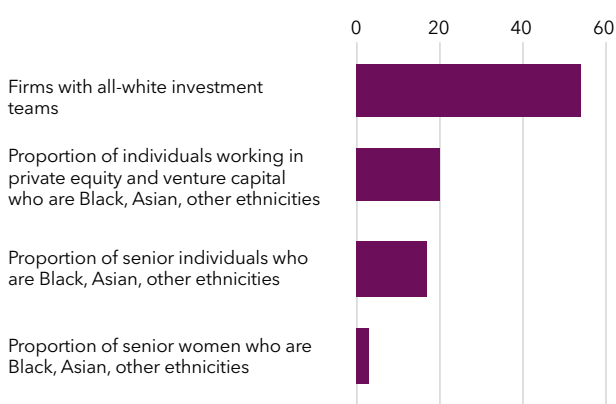
Source: Investec

Ethnicity representation - total private equity and venture capital, all functions and levels



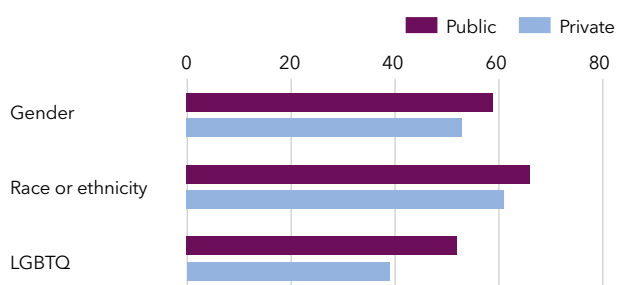
Survey of 186 firms with employees in the UK and Europe
Source: BVCA and Level 20 Diversity & Inclusion Survey 2021

Ethnic diversity in private equity and venture capital (%)



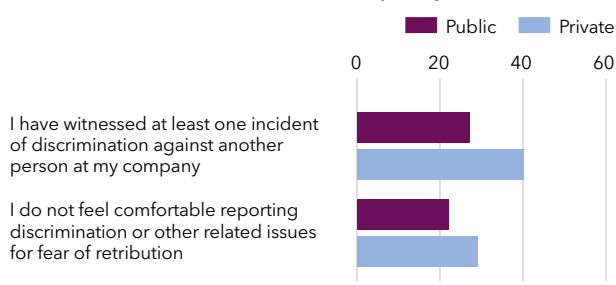
Source: BVCA and Level 20

US PE-backed firms are less focused on promoting diversity and inclusion than publicly traded companies (%)



Surveyed 4,000 employees in US-based firms
Source: Boston Consulting Group, 'How Private Equity can catch up on diversity' (3 June 2021)

More employees at PE-owned companies have witnessed discrimination but fewer feel comfortable reporting the incidents (%)



Total number of PE-owned firms = 217;
total number of publicly traded = 1,517
Source: Boston Consulting Group

On the minds of millennials

Younger team members give their take on the importance of DE&I and the challenges that remain

Q What does diversity and inclusion mean to you?

Jad Abdul-Aal: Diversity and inclusion is about developing an environment fostered by respect and understanding for the differences among us all, whether that be race, gender, age, sexual orientation or anything else.

To me, diversity and inclusion goes beyond just tolerating our differences, but actually appreciating and valuing them. We all bring something unique to the table, and I believe a diverse and inclusive organisation helps bring out the best in each of us.

Louis Dawant: Everyone is diverse in the sense that we all have unique backgrounds, experiences, skills and needs. Inclusion is about allowing each other to bring these perspectives to work every day by creating an environment of acceptance, tolerance and respect.

Cecilia Fialho: Diversity and inclusion is based on the observation that no single individual is fully equipped with the necessary tools to achieve the best results all the time. I believe that consistent results come from our ability, as a team, to address different situations by taking all viewpoints into account.

Alexandra Steelman: I view diversity as the grouping of individuals who represent a wide range of views based on the various social, ethnic and economic factors that have influenced them. Inclusion for me is more about how to ensure everyone has equitable access to

the resources and support systems that will help them succeed.

Edgar Haryanto: Everyone wants to be included, valued and heard. Diversity and inclusion are about embracing different perspectives and having genuine curiosity in learning from other people's experiences.

As a gay man, it is important for me to be able to bring my full self to work and to be part of a welcoming environment where I can feel comfortable being who I am. I worried early on about coming out in this industry and how I would be perceived by my peers. I think the more we focus on nurturing inclusive environments, the less the next generation will share the same fears.

Q Was a perceived lack of diversity and inclusion in any way a concern when you entered the private markets industry?

LD: I think there is a perceived lack of

“As a gay man, it is important for me to be able to bring my full self to work”

EDGAR HARYANTO
Northleaf

diversity in the industry generally, but that does not mean that firms and individuals are not working to change this. I actually raised this point during one of my interviews and was pleasantly surprised at the lengths that ICG were going to make a difference, both internally and externally.

EH: I have observed that there is generally a lack of diversity at the senior levels of the private markets industry, which has led to difficulties in finding role models that I can relate to on a more personal level and generated some self-doubt around my own career path and progression. More recently, however, there has been a noticeable improvement and evolution in the way that investment firms approach diversity and inclusion.

JAA: Not in the slightest. When I went through my interview process, I met many different people with varying backgrounds, so I didn't get the sense at all that the organisation lacked diversity. Everyone spoke highly of the firm's culture, which I think is a sign of strong DE&I.

Q What initiatives has your firm undertaken that you think have been particularly effective in driving DE&I?

AS: In the competitive landscape of private equity, prior experience in the field helps individuals stand out. So, an important step in driving DE&I across the industry is helping provide access



Louis Dawant,
associate,
ICG

Dawant joined ICG in 2020 and is an associate in the client relations team. He previously worked at UBS Wealth Management and Fisher Investments



Jad Abdul-Aal,
associate,
Churchill Asset Management

Abdul-Aal joined Churchill in 2019. He was previously an analyst at Antares Capital focusing on financing private equity deals



Cecilia Fialho,
junior associate,
Westchester Group

Fialho is an agribusiness analyst with Westchester Group South America and the first Nuffield scholar from Latin America



Edgar Haryanto,
vice-president,
infrastructure, Northleaf

Haryanto joined Northleaf in 2014, having previously worked at Brookfield Financial, focusing on the PPP and renewables sectors



Alexandra Steelman,
analyst,
The Riverside Company

Steelman is a recruiting analyst at Riverside. She previously worked in human resources for Cayuga Medical Center



Jing Zhou,
senior director,
Nuveen Real Estate

Zhou focuses on data centre solutions in Nuveen's alternatives and strategic transactions team



Margaret Osmulski,
vice-president,
infrastructure debt,
AMP Capital

Osmulski joined AMP in 2017, having previously worked as an analyst at GE Energy Financial Services

for students at the onset of their career. Two collaborations I am particularly excited about are Streetwise Partners and the NAIC Paradigm Changers Summer Program.

Streetwise Partners helps pair us with individuals aged 18+ from historically overlooked and under-resourced communities who we mentor and provide with tangible work experience. The NAIC Paradigm Changers Summer Program is dedicated to helping women of colour not only gain access to opportunities in the alternatives industry space, but also train them with the financial modelling skills they need to be successful in the long term.

Margaret Osmulski: When I joined AMP Capital's New York office in 2017, I was the only woman on the US team. Now three of our seven-strong team are women, demonstrating a successful focus on diversifying. Overall, the infrastructure debt team is 40 percent female, and multiple nationalities and

ethnicities are represented. It's made clear that there's a commitment to diversity and inclusion across the firm, with an international council formed of a working group of colleagues from across the business, providing input into our approach.

LD: One of the key areas of interest I had when I joined ICG last year was to understand the part I could play in supporting and driving our D&I offering for employees.

I am very proud to have recently co-founded the Together network, ICG's first ever LGBTQ+ network, which aims to foster an inclusive and diverse working environment for everyone regardless of their sexual orientation or gender identity. We believe that employees who can truly be themselves at work will be able to reach their full potential.

The Together network aims to create a platform to raise awareness in the workplace and welcomes not only LGBTQ+ employees but also their allies. We are in the process of launching a formal allyship programme and will do so later this year. ICG is also proud to have recently joined Out Investors, a global LGBTQ+ network for investment professionals. We want to attract and keep the best people and want these people to be the best version of themselves at work.

Q What are some of the challenges that you think your asset class still faces when it comes to improving DE&I?

EH: There is now greater awareness that diverse perspectives ultimately drive better business decisions. To that end, the industry needs to continue broadening its efforts in finding under-represented talent outside of the traditional channels and challenge the notion of hiring for 'fit' to avoid building teams of people with similar identities and backgrounds.

MO: I've been really pleased to see a

commitment to diversity in my own organisation and across the industry more broadly. However, fewer women have entered the asset class historically, so there is still more to do to encourage diverse talent to pursue careers in the sector. I volunteer for Engineering Tomorrow, which is a charitable organisation that encourages high school students, primarily girls, to pursue undergraduate degrees in STEM subjects, with an emphasis on engineering. It's important to push diversity from the ground up.

Jing Zhou: There has been tremendous progress made in the industry. However, given real estate is fundamentally a local business and driven by relationships to some extent, there are still some invisible barriers we need to overcome to allow talent flow internationally. In addition, how to create a company culture and environment that encourages both men and women to pursue their professional goals, at different life stages, is also a big topic.

JAA: I agree that it is no secret that our industry is heavily concentrated with white males, but personally I think progress has been made in the few years I've been in the workforce. When I was in college, there were organisations at my school specifically created to promote women and minority participation in finance and economics, so personally I think it starts there.

Q Age diversity is also important. As a younger team member, how does your organisation ensure your voice is heard?

AS: Riverside ensures younger voices are heard in a variety of ways. During team and weekly investment meetings, more junior members are encouraged to speak first and share their views on deals to minimise feeling intimidated. I think an advantage of the younger generation is that we feel more comfortable participating in open dialogues that previously

"There is a lot of outstanding female talent in our industry"

MARGARET OSMULSKI
AMP Capital

“D&I goes beyond just tolerating our differences, but actually appreciating and valuing them”

JAD ABDUL-AAL
Churchill Asset Management

may have felt taboo. Perhaps the advent and broad reach of social media, which my generation has grown up with, has encouraged such discussion.

JZ: Nuveen has a very inclusive culture when it comes to distributing material to everyone, including junior staff.

That ensures they have awareness, whether it is a market update or deal-specific information. Senior leaders don't only talk to their direct reports, but rather to team members throughout the firm, even in the most junior positions, encouraging their feedback in order to support more informed decision making.

CF: Companies thrive over time and through socioeconomic changes by being, among other factors, updated on trends and new cycles that impact their industries, and a team composed of professionals from different generations can promote that. The age diversity which I bring to Westchester is aligned with this principle. The company values interactions between different departments and country teams, demonstrating that hierarchical positions do not imply communication barriers.

JAA: This is a topic that resonates with me as this was an issue I had at a previous job where I felt like I was

overlooked and often looked down upon because of my age. I've not felt this at all at Churchill.

The senior team members treat us with respect and want to make sure our voices are heard by giving us opportunities to take the lead on deal pitches to the investment committee, as well as serving as the point person for deals with other lenders.

Q What does success look like to you, personally? What are the main things that motivate you in your career?

LD: I don't approach success as an end goal, but rather as a mindset. Success is a continuous journey and is reflective of both the people that you spend your time with and the outcomes you achieve.

AS: Success to me comes in a variety of different forms. It can be as simple as achieving a task or as abstract as reflecting on the process in doing so. I consider myself a life-long learner and find the attainment of new knowledge and perspectives to be strong motivators in my career.

MO: Having great role models, so I can see what success looks like. There is a lot of outstanding female talent in our industry, including Emma Haight

and Roopa Murthy, partners on the AMP Capital infrastructure debt team in Europe, and Cosima Zoller, a director on the US team. I'm also keen to use my own experience and success to motivate others through my professional network and volunteering.

JZ: I am a working mum of two girls and seeing a big smile on their faces is what motivates me. I want to be a role model to them and to show them that there are no limitations. It is never a perfect balance. But I always try to be mindful that however busy and stressful work can be, there is still the time and opportunity to have fun at home. Meanwhile, that wonderful time I spend at home is also what motivates me to work harder and achieve more in my job. It is a virtuous circle.

Q What does success look like to you, in terms of building a diverse and inclusive organisation?

EH: A key measure of success is seeing more diversity at the executive and senior levels. To get there, firms need to make a deliberate and consistent effort in attracting, retaining and developing under-represented talent from the bottom up. It is also important for firms to recognise the unique gaps that exist in their organisations and not shy away from them, but rather lean into these areas and find the best solutions.

LD: Having the freedom to create an LGBTQ+ network only a couple of months after joining ICG was a short-term success for me and, looking to the future, I would like to see more allies join the network across various offices and teams.

AS: I think the key to building a more diverse and inclusive organisation is recognising that there isn't one final end point for success. We should always be striving to continuously highlight the voices of those who have historically not been heard. ■

Q&A

The co-founder of Greenworks Lending, Alexandra Cooley, recounts her experiences of launching a business as a female entrepreneur

Q What were your experiences of founding Greenworks? Did you face challenges raising funds as a result of being a female-led team?

A When I started Greenworks, along with my co-founder Jessica Bailey, we were raising money for a new company in a new industry. That is a challenge, in itself, when raising money. Investors then have to consider whether they are backing the right team. It is hard, therefore, to separate our experience as two women from our experience operating in a brand new sector.

It is fair to say, however, that we operate at the nexus between commercial real estate and structured finance, so investors weren't necessarily used to seeing many opportunities originated by women. We did once have an investor ask if we were going to use their money to redecorate the offices rather than to fund the business – needless to say, we didn't end up selecting them.

In the end, over 70 percent of the almost \$1 billion of equity we raised came from women-managed funds, which is quite a remarkable statistic, when you consider that only 5 percent of venture capitalists are female and only 14 percent of institutional managers are women. It's astounding and demonstrates how important it is to promote diverse candidates into investment decision-making roles.



Q What has your own approach been to fostering a diverse and inclusive environment?

A We are a mission-driven company, so every dollar put out to commercial building owners goes towards a clean-energy, energy-efficiency or resilience upgrade. As a mission-driven company, our goal is to have the best ideas and best execution to make clean energy a smart financial decision. A methodical approach to DE&I has been key to ensuring we have those ideas and that execution.

We have established a recruitment process that ensures a diverse pool of candidates and that all candidates have a level playing field. We focus on employee experience, with flexible benefits aimed at a diverse group of individuals, families and working arrangements. Then we walk the talk by maintaining a diverse team. Our management team is roughly 70 percent

female, and the broader team is 20 percent diverse.

Q How important were shared values around DE&I when it came to the decision to partner with Nuveen?

A Our decision boiled down to three factors – overlapping growth opportunities, shared values and shared working experience. The third ended up being particularly important. Nuveen has been a major investor in our debt since 2017 and, while many firms talked about shared values, Nuveen was able to demonstrate those values consistently over time.

Q What are your own hopes and expectations when it comes to creating a more diverse, equitable and inclusive financial services industry?

A My hope is that organisations will recognise how important it is to have diverse people in positions of power. And I am optimistic because of the parallels we have seen in the ESG space. Almost every major LP today is applying assessment of climate credentials to manager selection and, as of March this year, 49 of the top 50 institutional investors were signatories to UNPRI. My sense is that we are in the early stages of the same dynamic when it comes to diversity, equity and inclusion. ■



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