

EXPERT COMMENTARY

In a world where LPs have an increasing interest in diversity at the manager and investment level, Travers Smith's Emily Clark, Stephanie Biggs and Sacha Gofton-Salmond examine how GPs are showing their commitment to gender diversity



How GPs are moving the needle on DE&I

With women accounting for just 12 percent of senior roles in private equity globally, according to Preqin data, it would appear GPs have a long way to go in respect of addressing gender imbalance. However, the recent €500 million sustainability-linked bond issue by EQT AB, pursuant to which EQT will pay lenders a higher rate of interest if it fails to hit its own targets to increase the percentage of women in its investment team and at portfolio level, shows that GPs are already making strides in the right direction.

Here, we explore the different initiatives being taken by GPs in this area by talking to Jennifer Marques, global head of structuring at Oaktree Capital,

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Clare Copeland, managing director – tax at The Carlyle Group, and Alex Hone, global head of tax at ICG.

Recruitment

A key problem area for GPs in terms of recruitment is that the industries from which private equity typically recruits, namely investment banks, have their own gender diversity issues. GPs are recognising that even though gender diversity is stronger at entry-level jobs in private markets, according to research by McKinsey, they need to focus their

attention on the recruitment of women at university and business-school level.

Firms like The Carlyle Group and Blackstone feature their internship programmes on Level 20, a non-profit organisation that aims to improve gender diversity in European private equity, in an effort to encourage female applicants. Similarly, to strengthen their talent pipeline, Oaktree Capital and others are partnering with Girls Who Invest, a non-profit founded by Seema Hingorani, dedicated to increasing the number of women in portfolio management and executive leadership in the asset management industry.

“GWI helps solve the problem of young women not being aware of

opportunities in the finance sphere and encourages them to enter the industry at an earlier stage,” says Oaktree Capital’s Marques. GWI offers a summer programme during university holidays involving the intensive study of finance models and asset management concepts with business school professors and finance professionals, followed by paid internships at investment firms, with the aim of motivating young women to join the investment management sector.

“Attracting and cultivating a diverse and inclusive workforce is a real priority for the firm,” says The Carlyle Group’s Copeland. “We have seen from experience how diverse teams ask better questions and find better answers. Last year 58 percent of new hires for Carlyle in Europe were women. We are fortunate to have over 100 senior-level women at the firm, so I am confident these role models are playing an important part in attracting other females to join.”

Retention

It is not enough, however, just to recruit more women into the industry; they need to be retained. GPs are taking a multi-faceted approach to retention involving a combination of official policies, culture shifts and clear messaging from the top.

GPs are now improving their parental leave policies, providing tools for smooth exits and re-integration when taking parental leave, introducing sabbaticals, implementing childcare assistance, such as nannies travelling with female professionals, supplying egg

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freezing benefits and creating flexible working patterns to support inclusivity.

Indeed, the pandemic has certainly necessitated the need to work from home and firms have made rapid technological advances to achieve this end. The corollary is normalising the working-from-home culture within the industry, allowing women to benefit from this more flexible practice at periods when their productivity will be increased in so doing – for example, if it is helpful to maintain a level of balance with other commitments, like family life.

These improvements, are, of course, only useful to the extent they are viewed positively within the firm and accepted within its culture. For example, anecdotal evidence has suggested that taking significant parental leave is a death knell for forging ahead with one’s career in alternative assets.

GPs are addressing this by defining what they want from their (male and female) leaders, setting high and visible standards for creating an inclusive workplace, and putting their strategy into action. For example, Oaktree Capital has increasing female representation as one of its firm-wide goals, with its co-founder, Howard Marks, recently appearing on Bloomberg Television with GWI’s Hingorani to discuss the firm’s commitment to increasing female representation both at investment professional level and senior non-investment professional officer level.

Practical steps being taken by GPs to create the supportive environment they promote involve putting women on high-profile transaction deal teams and elevating them to senior positions, including while on maternity leave. This in turn helps with recruitment of women who can see positive female role models working in an inclusive environment.

Copeland outlines recent initiatives Carlyle has undertaken to further foster its culture of diversity and inclusivity: “This year, all employees have been asked to establish a goal related to diversity, equality and inclusion. This really focuses the mind on how each of us can play our part in furthering a more inclusive workforce and company culture.”

Furthermore, Carlyle recently announced that candidates for promotion to managing director at the firm are now being assessed on their track record of demonstrating inclusive leadership while also formally integrating DE&I as an element of their incentives and rewards programme. “Tying promotions and rewards to inclusive leadership is one of the many ways the firm is championing diversity,” Copeland adds.

Mentoring, networking and skills training

GPs have realised that mentoring is a key way to help women unlock their





potential in the private equity sphere. Many firms have set up their own mentoring programmes, such as Blackstone's BX WIN, which pairs women hired through its campus recruiting efforts with junior and senior mentors across the firm. Oaktree Capital has a firm-wide mentoring programme in place. "Importantly, our mentoring scheme has complete buy-in from males and females across the firm, meaning that together we are helping to retain women within the firm," notes Marques, adding that her own experience with her (male) mentor has had a positive impact on her career.

In terms of networking, many firms encourage their female employees to take part in networking programmes run by entities like Level 20, the 30% Club and the British Private Equity & Venture Capital Association. Others have internal programmes, such as Oaktree Connect, which sets up networking opportunities between junior women in Europe and Asia with visiting senior professionals from LA, allowing them to increase their exposure to high-level executives.

Some firms are hoping to encourage the promotion of women to senior levels with skills training programmes focusing on the softer skills that are important for retention, like negotiation and confidence building to give women the very best chance. "We believe that women bring specific and very

necessary skills to the table and we want to ensure that all our employees always feel supported, encouraged and inspired," notes Hone from ICG, which has created its Women's Development Programme to achieve these aims.

GPs are seeing that using platforms to bring women together encourages the retention of women in the industry, but should be mindful that the weight of increasing gender diversity cannot rest with successful senior women alone; this needs to be part of a wider strategy at firm level in which everybody plays their part.

Clear goals

In an industry familiar with benchmarking, it makes sense that, in addition to implementing the strategies set out above and encouraging the implementation of the same at portfolio company level, GPs are beginning to set and communicate clear gender diversity goals and collect data to track their progress and that of their portfolio companies against short-term targets, while making their senior leadership accountable for progress towards those targets.

ICG joined the Women in Finance Charter in 2018, when only 23 percent of its senior managers were female. It agreed a target of 30 percent female representation by 2023 and introduced various initiatives to make this goal a reality, such as a female mentoring scheme and its Women's Development Programme. "I am personally proud that my peer group within ICG is now close to 50 percent female and this allows us to engage openly and thoughtfully on how we can make the workplace more inclusive," says Hone, showing that setting clear goals pays dividends.

Earlier this year, The Carlyle Group established a \$4.1 billion credit line with borrowing costs linked to its targets for the percentages of diverse board directors at its portfolio companies, on the back of its own research which demonstrated that the average earnings growth of Carlyle portfolio companies with two or more diverse board members was

around 12 percent greater per year than those portfolio companies that lacked diversity. Initiatives such as this are paving the way for others to use metrics to incentivise progress on gender diversity until unconscious bias is no longer an issue.

Future progress

As well as studies showing that gender diversity in GPs improves returns, we know that sourcing talent in a diverse way, including in respect of women, brings to bear a diversity of opinion and avoids groupthink, permitting a different perspective on market opportunities and decision making. Oaktree Capital's Marques agrees, commenting that "cognitive diversity and differences in decision makers produces a richness to decision making, more involved analysis and promotes better returns". "It is not only the right thing to do, it is a valuable thing to do," she notes.

This, combined with pressure from LPs in terms of ESG considerations generally and diversity, equality and inclusion concerns more specifically has made gender diversity a priority for GPs, which we hope will culminate in real results and increased female representation in the private equity sphere. With the UK's Prudential Regulation Authority and Financial Conduct Authority consultation paper on DE&I expected in Q1 2022 and a policy statement planned for Q3 2022, the focus on DE&I seems set to stay the course and that can only be a good thing.

Copeland at The Carlyle Group agrees with the progress and focus the industry is making: "Gender diversity is really having its moment, and that is something we should celebrate and continue to push forward. We should also be mindful of the many other forms of diversity challenges that still exist and recognise that there is much more work to be done to truly create inclusive and diverse workplaces." ■

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